ACCESS ECONOMIC QUARTERLY
Q2 2020

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ACCESS ECONOMIC QUARTERLY Q2 2020

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1.0
GLOBAL ECONOMY

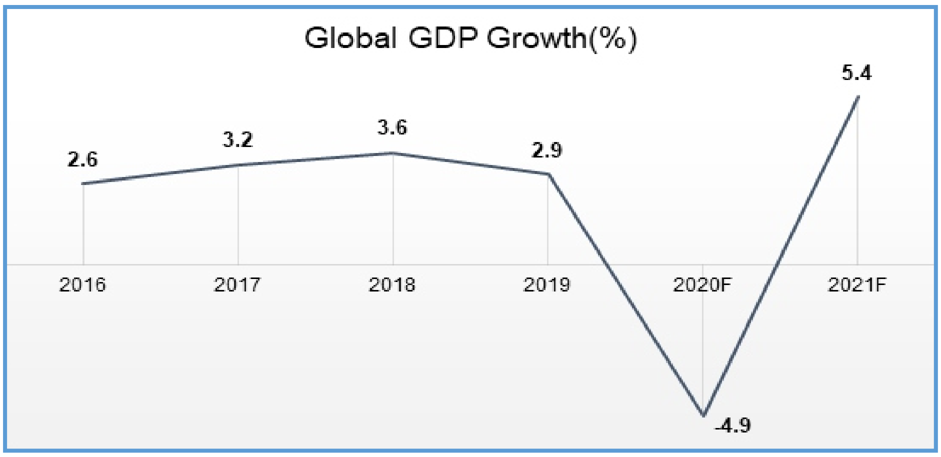
GLOBAL ECONOMY

The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast. The International Monetary Fund (IMF) cut its global economic forecast for 2020 in June, saying that the coronavirus pandemic has caused an unprecedented decline in global activity. The IMF sees a global economic contraction of 4.9%, almost two percentage points lower than three months ago. The global economy is projected to grow at 5.4% in 2021. The fund projects growth at -8.0% and 4.8% year-on-year (y-o-y) in 2020 and 2021 for advanced economies across the globe. Growth in emerging markets & developing economies is projected at -3.0% (y-o-y) in 2020 and 5.9% (y-o-y) in 2021.

The SARS-CoV-2 virus and its associated disease have dealt a severe short-term blow to the American economy. In two months, the Bureau of Labour Statistics estimates showed the economy losing more than 20 million jobs in March and April (about one-seventh of the total number employed in February). As expected, sectors such as arts, entertainment, and recreation services (down 55%) and accommodation and food services (down 47%) were hardest hit. But all private-sector industries saw job losses.

The Chinese economy expanded in the second quarter, as lockdowns to contain the coronavirus outbreak eased, and as Beijing rolled out stimulus measures to prop up its economy. The Chinese government has introduced measures to boost the economy including fiscal spending and cuts in lending rates and banks' reserve requirements — the amount of cash that lenders must hold in reserve.

GLOBAL GDP GROWTH

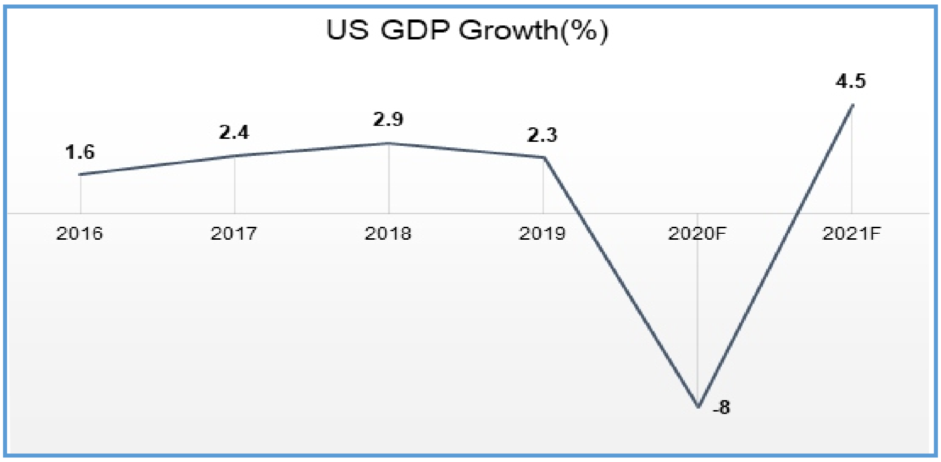


Source: IMF

GLOBAL ECONOMY
UNITED STATES/EURO AREA

1.1 United States
US GDP expanded at an annual pace of 0.23% in the first quarter, from 2.3% in Q4 2019. 2020 and 2021 GDP are estimated to come in at -8% and 4.5% respectively.

GDP Growth Rate & Forecast – United States of America



Source: IMF

The Federal Reserve left the target range for its federal funds rate unchanged at 0-0.25% on June 10th, 2020 to protect the US economy from the effects of the coronavirus.
The Conference Board Consumer Confidence Index improved over the past month to 78.9 points in June 2020 from 72.3 points in May. However, this is still lower than at the start of the year.

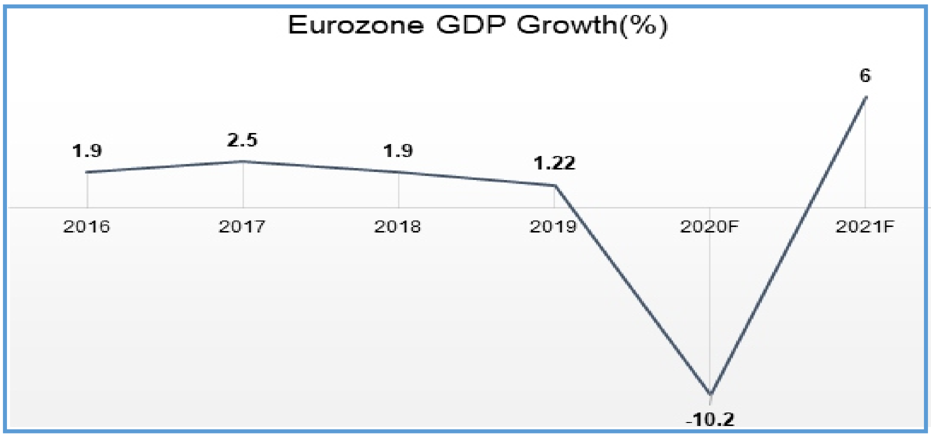
The U.S. manufacturing PMI (purchasing managers' index) increased to 49.6 in June of 2020 from 39.8 in May. The reading still pointed to a small contraction in factory activity although it was the lowest in three months as businesses began to reopen on a larger scale after the coronavirus lockdown.

The US unemployment rate dropped to 13.3% in May 2020 from 14.7% in April which was the largest in records back to 1939.

1.2 Euro Area

The Eurozone posted -3.1% economic growth in Q1'20, from 1.0% in the previous quarter. 2020 and 2021 GDP are estimated to come in at -10.2% and 6% respectively.

GDP Growth Rate & Forecast – Eurozone



Source: IMF

The European Central Bank expanded its pandemic emergency purchase programme by €600 billion to a total of €1.35 trillion during its June meeting and extended it to at least June 2021. The latest move aims to help mitigate the negative impact of the coronavirus crisis and to create fiscal room for governments to support their economies. Eurozone CPI came in at 0.1% y-o-y in May from 0.3% in April. Eurozone unemployment rate stood at 7.3% in April from 7.1% in the previous period.

GLOBAL ECONOMY
BRICS

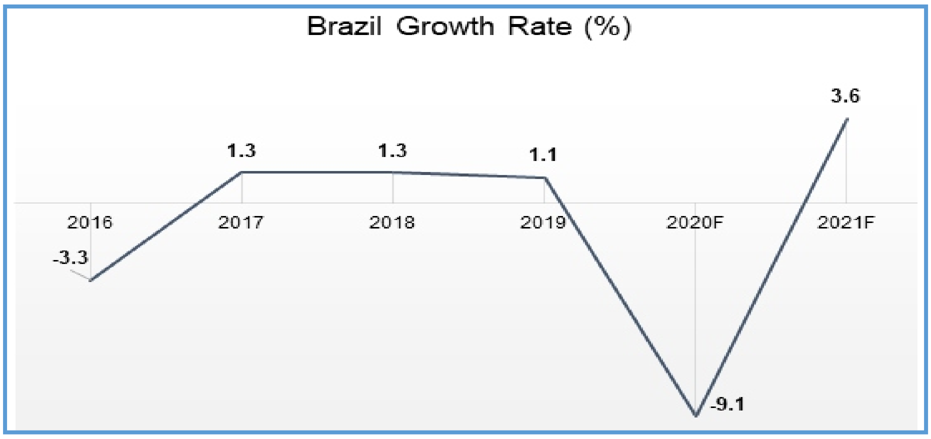
1.3 Brics

All BRICS economies except Russia and India contracted in Q1 2020 amidst the restrictions brought about by the Covid-19 pandemic. In the Brazilian economy factory closures and weaker demand battered production and new orders. In the Russian economy, the compositive PMI plunged to a record low in April, as severe lockdown measures, a crashing ruble and supply-chain disruptions eviscerated domestic and foreign demand through mid-May. The Chinese economy recovered in Q2 2020, becoming the first economy to experience growth among the BRICs since the advent of the pandemic. South Africa's economic panorama has deteriorated even further. Strict containment measures will be hammering investment activity and private spending, with business confidence and the PMI diving to their respective record lows in April, while the unemployment rate seems to have surged.

Brazil

The economy of Brazil contracted in Q1 2020 by 0.3% from 1.7% in Q4 2019. It was the first and sharpest contraction since Q4 2016, as the coronavirus pandemic began to hit the economy. The economy is projected to contract by -9.1% in 2020.

GDP Growth Rate & Forecast – Brazil



Source: IMF

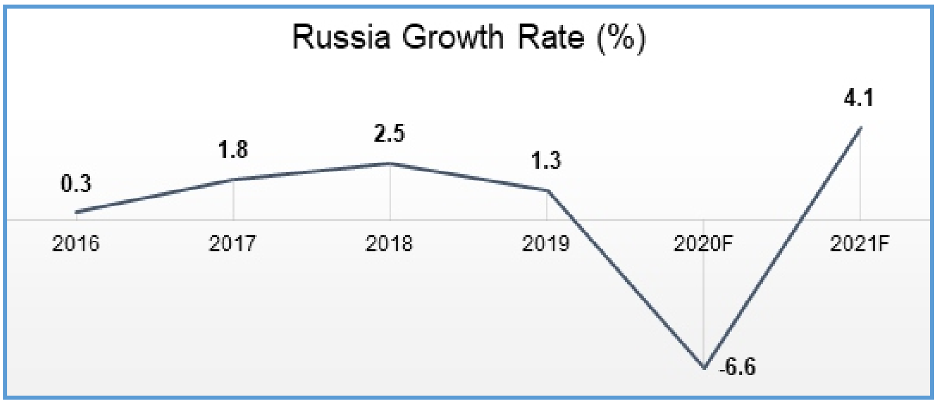
Annual inflation rate rose by 2.13% in June 2020, lower than 1.88% recorded in May 2020, mainly due to a rise in the food index.

The Central Bank of Brazil cut its benchmark interest rate by 75 bps to a fresh all-time low of 2.25% on June 17th, 2020, in a bid to support the economy.

GLOBAL ECONOMY
BRICS

Russia
Russia's economic growth slowed to 1.6% year-on-year in the Q1 2020 from 2.1% in the previous period. The growth for 2020 is estimated to be at -6.6% according to the IMF.

GDP Growth Rate & Forecast – Russia



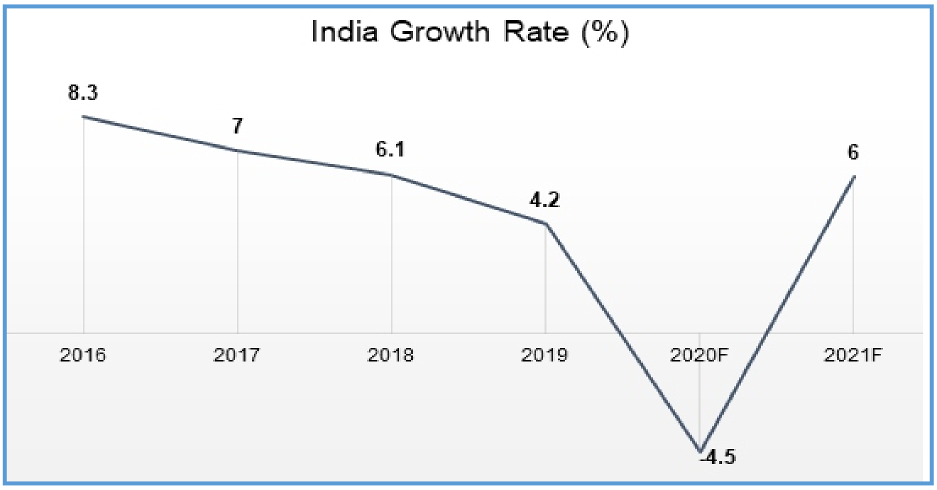
Source: IMF

The Bank of Russia lowered its benchmark repo rate by 100bps to 4.5% on June 19th, 2020, bringing borrowing costs to a record low and aiming at limiting this risk and maintaining inflation close to 4%. Annual inflation rate rose to 3.2% in June 2020 from 3% in May 2020.

Growth in Russia is projected by the IMF to contract by -5.5% in 2020.

India
The Indian economy expanded 3.1% year-on-year in Q1 2020, lower than 4.1% in the previous quarter. Still, it is the slowest GDP growth since quarterly data became available in 2004, as the country imposed a nationwide lockdown from March 24th aiming to contain the spread of the coronavirus. Full year 2020 GDP is expected to contract by -4.5%.

GDP Growth Rate & Forecast – India



Source: IMF

The Reserve Bank of India lowered its benchmark repurchase rate by 40 basis points to 4% in an emergency move on May 22nd, 2020, amid an ongoing nationwide lockdown to prevent further spreading of the coronavirus. The committee also decided to continue with the accommodative stance of monetary policy aiming to achieve the medium-term inflation target of 4% +/- 2% and mitigate the impact of COVID-19 on the economy, while supporting growth.

Consumer prices in India increased 6.09% year-on-year in June of 2020, up from 6.26% in May 2020.

China

The Chinese economy grew by 3.2% year-on-year in Q2 2020, rebounding from a record 6.8% contraction in the previous period. The country became the first major economy to report growth following the coronavirus pandemic, as factories and stores reopened following months of coronavirus-induced restrictions.

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GLOBAL ECONOMY
BRICS

GDP Growth Rate & Forecast – China

Source: IMF

China's annual inflation rate rose to 2.5% in June 2020 from a 14-month low of 2.4% in the prior month.

The People's Bank of China (PBoC) held its benchmark interest rates steady for the second straight month at its June meeting after the central bank maintained borrowing costs on medium-term loans, as policymakers adopted a wait-and-see approach amid tentative signs of economic recovery. The one-year loan prime rate (LPR) was left unchanged at 3.85% from the previous monthly fixing while the five-year remained at 4.65%.

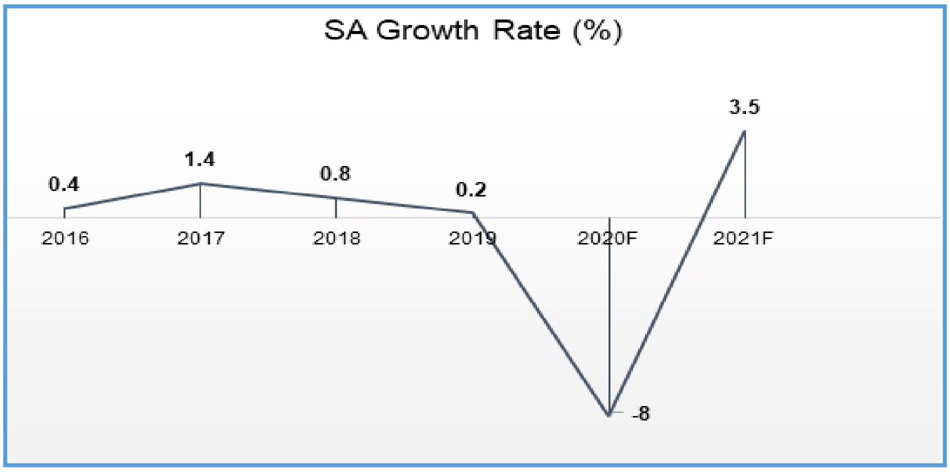
China's growth is expected to decelerate in year 2020, growing by a marginal 1%, mostly reflecting China's economic slowdown as a result of the Covid-19 pandemic.

GLOBAL ECONOMY
BRICS

South Africa

The South African GDP dropped 0.1% year-on-year in Q1 2020, following a 0.5% decline in the previous period. Major negative contributions came from mining & quarrying, manufacturing, and construction. According to IMF, the economy is projected to come in at -8% in 2020.

GDP Growth Rate & Forecast – South Africa



Source: IMF

The annual inflation rate in South Africa fell to 2.1% in May of 2020 from 3% in April 2020, thus remaining comfortably within the Reserve Bank's target band of 3-6%.

The South Africa Reserve Bank slashed its key repo rate by 50bps to 3.75% during its May meeting. The move follows a 100bps rate cut in April's emergency meeting, bringing borrowing costs to its lowest level on record, amid the coronavirus crisis. Policymakers said that monetary policy can ease financial conditions and improve the resilience of households and firms to the economic implications of the coronavirus outbreak. The Committee also relaxed regulatory requirements on banks and said that it has taken important steps to ensure adequate liquidity in domestic markets.

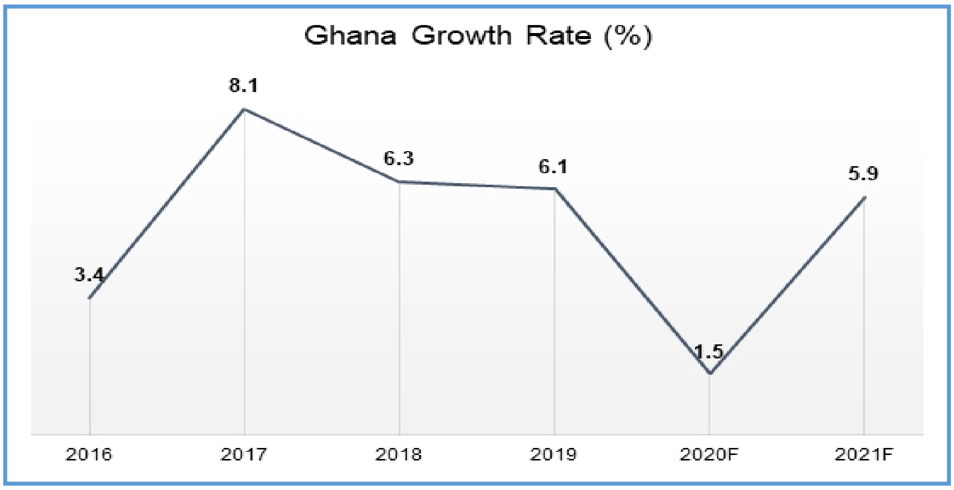
GLOBAL ECONOMY

1.1 Africa

Ghana

The economy of Ghana advanced 4.9% year-on-year in the Q1 2020, decelerating from a 7.9% growth in the previous period. That was the slowest expansion since Q2 2016, amid some impact from Covid-19 pandemic despite lockdown rules were imposed in late March.

GDP Growth Rate & Forecast – Ghana



Source: IMF

Ghana's annual inflation rate edged down to 11.2% in June 2020 from 11.3% in the previous month, amidst a slowdown in the prices of food.

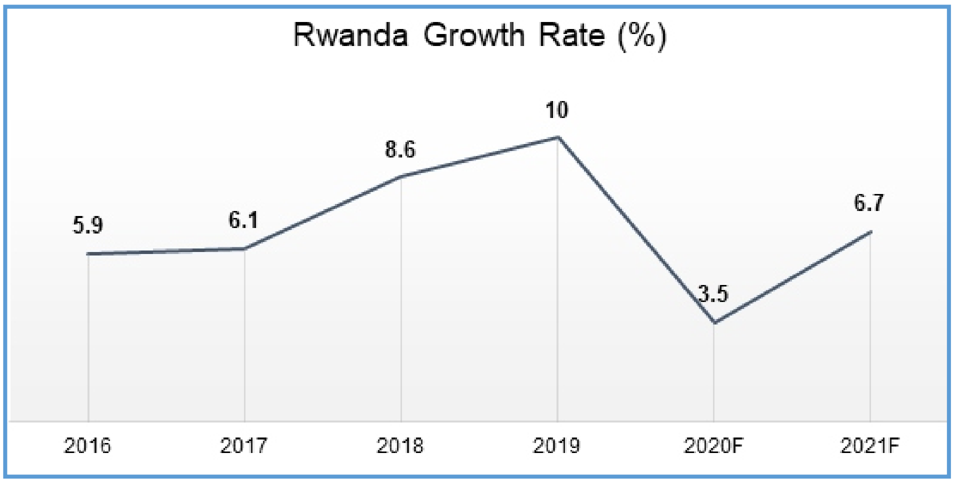
The Bank of Ghana left its benchmark interest rate steady at 14.5% during its May 2020 meeting. The decision comes after the headline inflation crossed the target band of 6-10% for the first time in two years while the economy is seen expanding at the slowest pace in 37 years, battered by the Covid-19 pandemic.

Rwanda

Rwanda's annual economic growth slowed to 3.6% in Q1 2020 from an 8.4% expansion in the previous period. This was the slowest pace of growth since Q2 2017, amid domestic disruptions related to the Covid-19 pandemic. The National Bank of Rwanda lowered its key repo rate by 50 bps to 4.5% during its April 2020 meeting, to protect the economy against the effects of the coronavirus pandemic.

Policymakers said that the decision, along with other implemented policy measures taken in March will support commercial banks to continue financing the economy. The Committee noted that the Covid-19 outbreak in mid- March led to a significant slowdown in the services and industry sectors. Consumer prices in Rwanda increased by 10.3% year-on-year in June of 2020, from 9.9% in the previous month.

GDP Growth Rate & Forecast – Rwanda



Source: IMF

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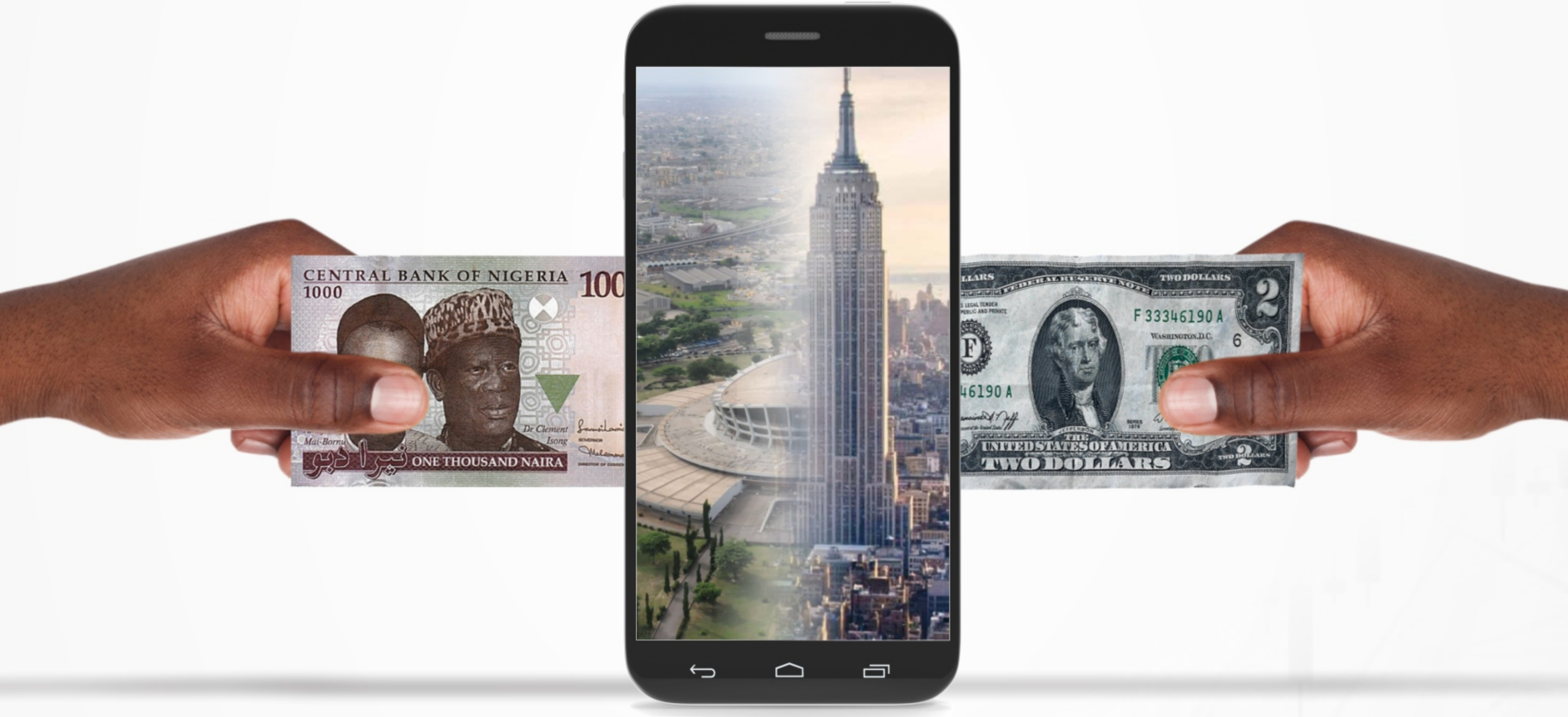

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2.0
THE NIGERIAN ECONOMY

THE NIGERIAN ECONOMY

The Nigerian economy witnessed mixed performance in Q2 2020 due to the slowdown of activities and trade restrictions. The Consumer Price Index (CPI) saw a continuous rise during the period amidst relatively stable external reserves and a depreciating Naira. The CBN devalued the local currency to $/ 380 from $/ 360. The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) reduced the MPR to 12.5%, during the May meeting in a bid to cushion the ongoing Covid-19 effects. Oil prices rebounded in Q2 on optimism about recovering energy demand worldwide.

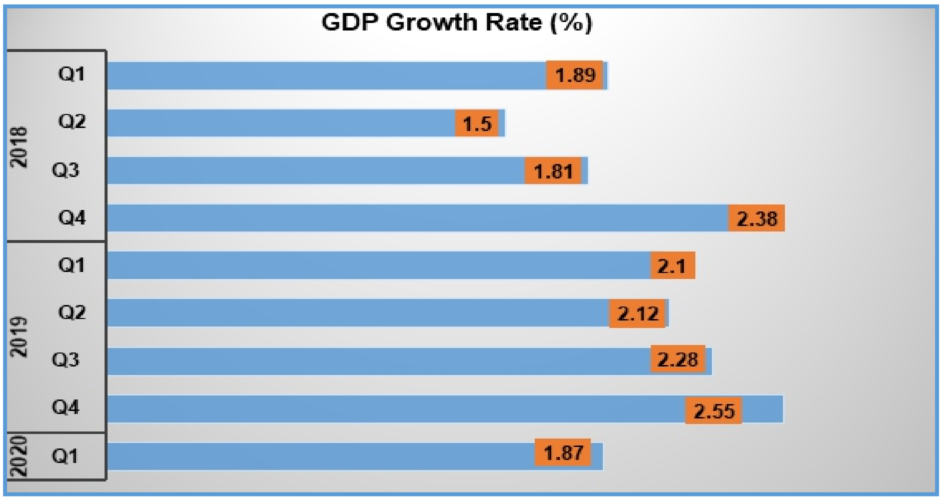
A snapshot of the domestic economy in Q2 2020 is presented below:

Economic output expanded by 1.87% in Q1 2020 compared to 2.55% in Q4 2019.	FX reserves rose to $36.18bn as at June 30th, 2020 from $35.16 in March 2020	Credit to Private Sector rose modestly to N29.22 trillion in May from N28.31 trillion in March 2020
The ASI improved to 24,479.22 points on June 30th, 2020 from 21,300.47 points in March	Naira devalued to $/N380 from $/N360	Inflation printed at 12.4% in May 2020 compared to 12.26% in March
PMI plunged to 41.1 points in June 2020 from 51.1 PMI in March 2020	MPR lowered to 12.5% at the May meeting	Oil prices climbed to $42.49 pb on June 30th, 2020 from $27.56 pb in March

1 GDP Growth

Nigeria's economy accelerated in Q1 2020 to 1.87% from 2.55% in the corresponding period. This performance was recorded against the backdrop of significant global disruptions resulting from the COVID-19 public health crisis, a sharp fall in oil prices and restricted international trade. According to the Nigerian Bureau of Statistics (NBS), during the quarter, average daily oil production rose to 2.07 million barrels per day (mbpd) from 2.0 mbpd in the previous quarter and 1.99 mbpd in Q1 2019. Oil GDP ascended by 5.06% in the reference period slightly lower than 6.36% in Q4 2019. Similarly, the non-oil sector grew by 1.55% y-o-y, 0.72% points lower than Q4 2019.

GDP Growth Rate – Nigeria

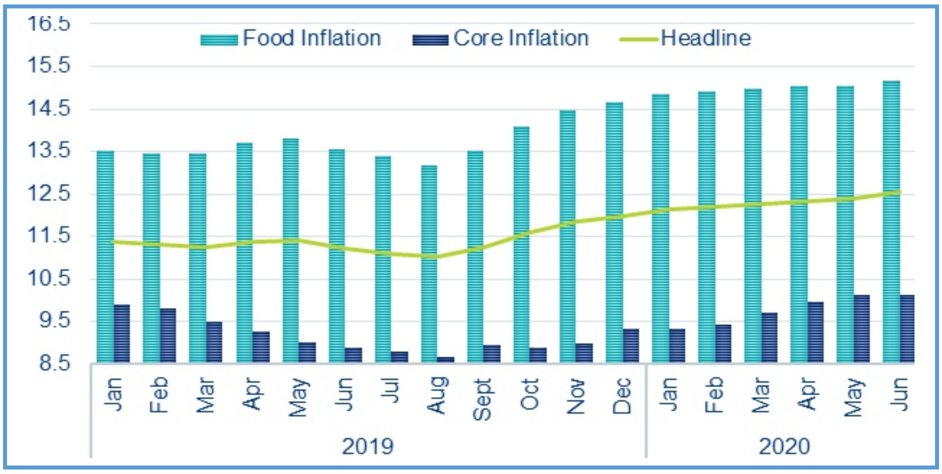


Source: NBS

2 Inflation

According to the National Bureau of Statistics (NBS), headline inflation increased for the tenth consecutive month in June 2020, to 12.56% from 12.26% in March 2020. The Consumer Price Index (CPI) has been on the rise since the closure of the land borders in August 2019, the 7.5% VAT imposed, the coronavirus pandemic, shutdown of non-essential services and sustained insecurity situation in certain food producing states. The uptick in prices marked the highest inflation rate in 26 months. The composite food index rose to 15.18% in June 2020, compared to 14.98% in March 2020. The "All items less farm produce" or core inflation, which excludes the prices of volatile agricultural produce stood at 10.13% in June 2020, up by 0.4% when compared with 9.73% in March 2020.

Inflation Year-on-Year

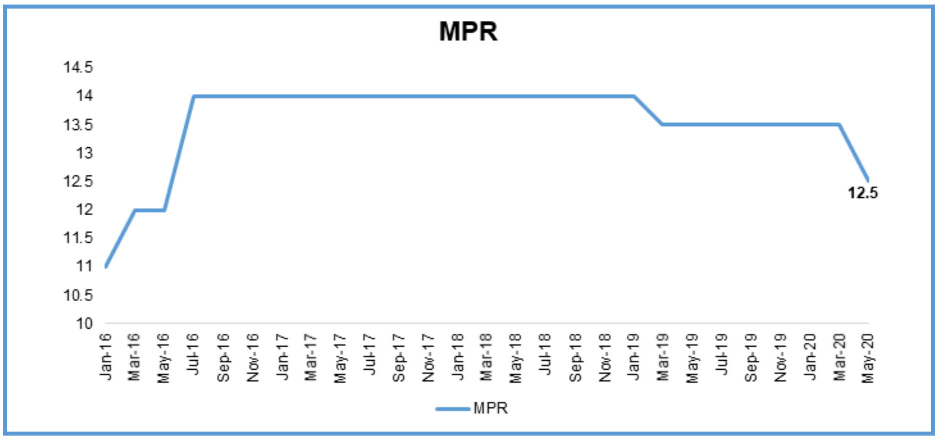


Source: NBS

3 Monetary Policy

Nigeria's monetary policy committee at their May 2020 meeting elected to lower the MPR by 100 basis points to 12.5% from 13.5%, whilst leaving all other policy parameters unchanged. The liquidity ratio remained unchanged at 30% likewise, the asymmetric corridor was maintained at plus 200 and minus 500 basis points around the monetary policy rate. The Cash Reserve Ratio (CRR) was also left at 27.5%. The committee noted the severe macroeconomic shock caused by the fatal spread of the Novel Covid-19 pandemic.

Trends in MPR



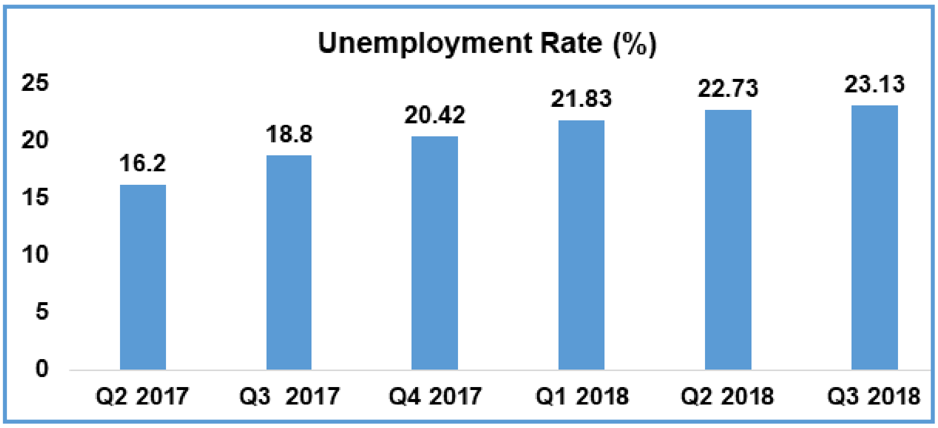
Source: CBN

4. Unemployment

The number of unemployed persons in Nigeria slumped to 20.9 million in the Q3 2018 from 17.6 million in Q4 2017, the latest report on unemployment published by the National Bureau of Statistics (NBS) shows. The unemployment rate in Q3 2018 was 23.1%. Total proportion of underemployed and unemployed climbed to 43.4% of the labour force. Rural unemployment rate stood at 23.9%, whilst in urban areas was lower at 21.2%.

The increasing unemployment and underemployment rates could be attributed to the nation's fragile and poorly structured economy despite the exit from recession. Growth in the past three quarters have not been strong enough to provide and sustain employment across various sectors of the economy.

Unemployment Rate Trend



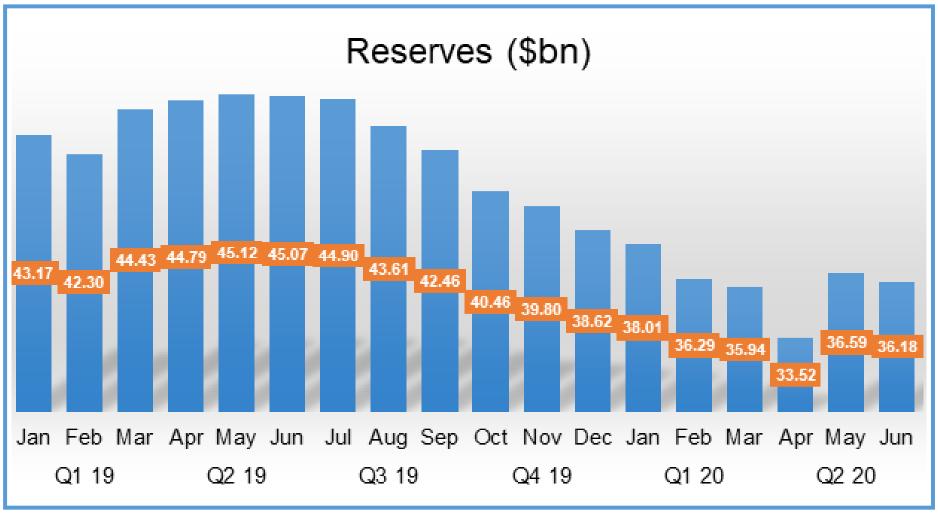
Source: NBS

5 External Reserves

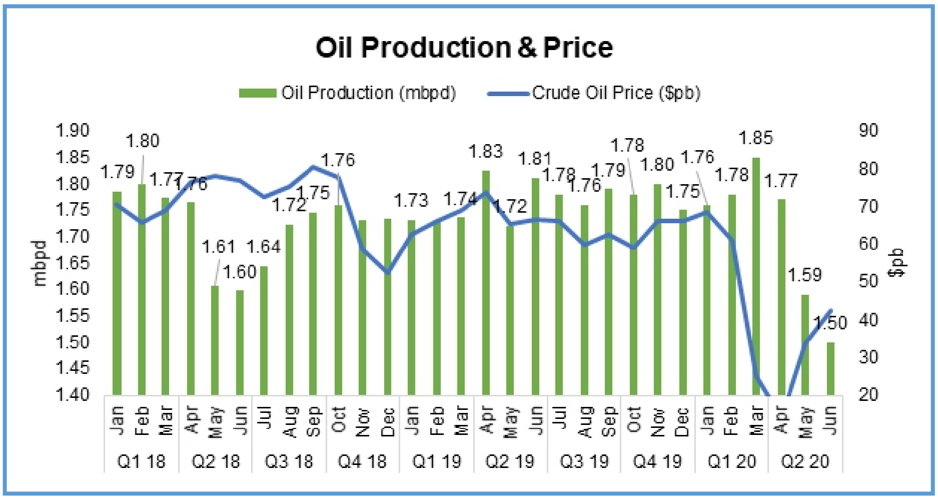
External reserves climbed in Q2 2020 to settle at $36.18 billion as at June 30th, 2020 from $35.94 billion in March.

The rise in foreign reserves stems from increase in oil receipts through higher oil prices.

Oil prices ascended to $42.49 per barrel on June 30th, 2020.



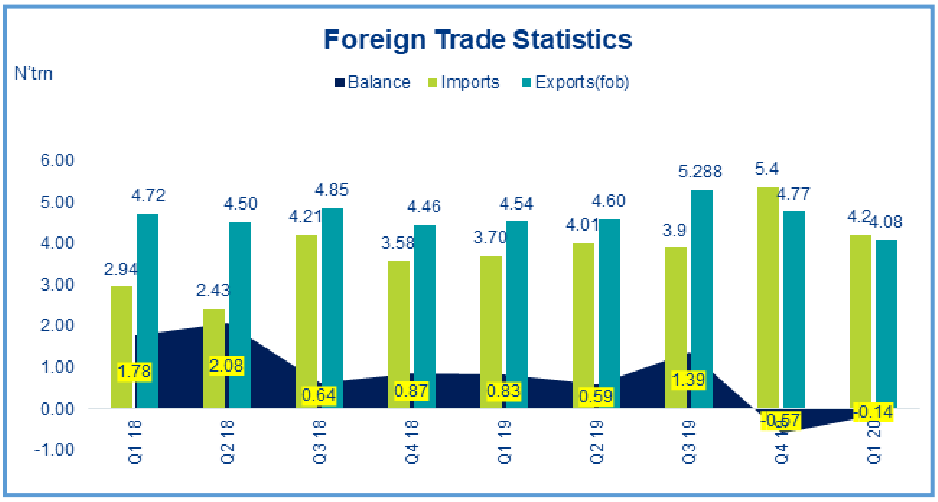
Source: CBN



Source: CBN, OPEC

6. External Trade

According to the NBS, in Q1 2020, the value of Nigeria's total foreign trade stood at N8.30 trillion comprising 50.8% imports (N4.22 trillion) and 49.2% exports (N4.08 trillion). This represents a decrease of 17.94% over the previous quarter. The nation recorded a deficit of N138.98 billion, as the value of imports surpassed exports. This occurred against a backdrop of global economic slowdown in economic activities due to Covid-19. India topped the list of major export trade partners with about 15.61% contribution to total exports while China was the major import-trading partner to Nigeria with a share of 26.28% of total imports.

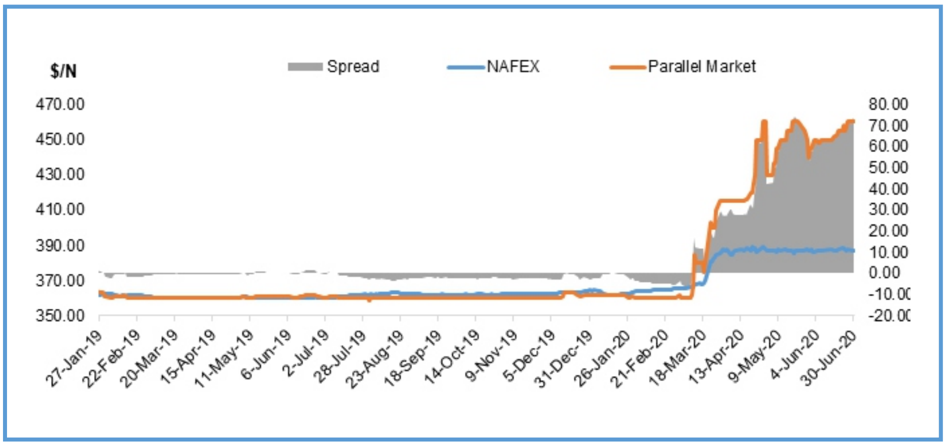


Source: NBS

7 Exchange Rate

The local unit mostly oscillated in Q2 2020 driven by the current economic realities occasioned by Covid-19. Data from Financial Market Dealers Quote (FMDQ) showed that the exchange rate at the Nigeria Autonomous Foreign Exchange (NAFEX) window, settled higher at N386.75/$ on June 30th 2020 compared to N386.51/$ at the end of March 2020, translating to a depreciation of N0.24k. At the parallel market, the exchange rate also depreciated to N460/$ as at June 30th, 2020 from N380/$ in March.

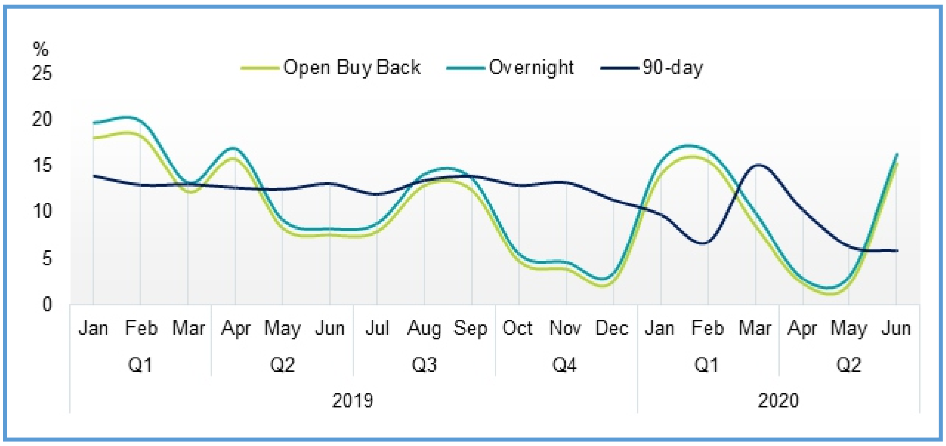
Foreign Exchange Rate: CBN Official, I&E and Parallel



Source: NBS

8. Money Market

Money market rates were largely supported by financial system liquidity dynamics. Overall, rates trended upwards towards the end of the quarter amid tight liquidity position through Open Market Operation (OMO) and Retail Secondary Market Intervention Sales (SMIS). Average overnight and open buy back rates settled at 16% and 15% on June 30th, 2020 relative to 9.83% and 8.50% respectively at the end of March. Longer-tenured rates like the average 90-day NIBOR closed 5.39% lower than the previous period at 14.86%.



Source: FMDQ

9. The Stock Market

Activities at the local bourse picked in Q2 2020, as investors began to price in the effect of Covid-19 pandemic into the investments. Market Capitalization and All Share index settled higher at N12.77 trillion and 24,479.22 points respectively as at June 30th, 2020 from N11.10 and 21,300.47 in March. The improved performance during the quarter may have stemmed from foreign portfolio investors not being able to find the dollars to exit, their funds probably found their way into the stock market.

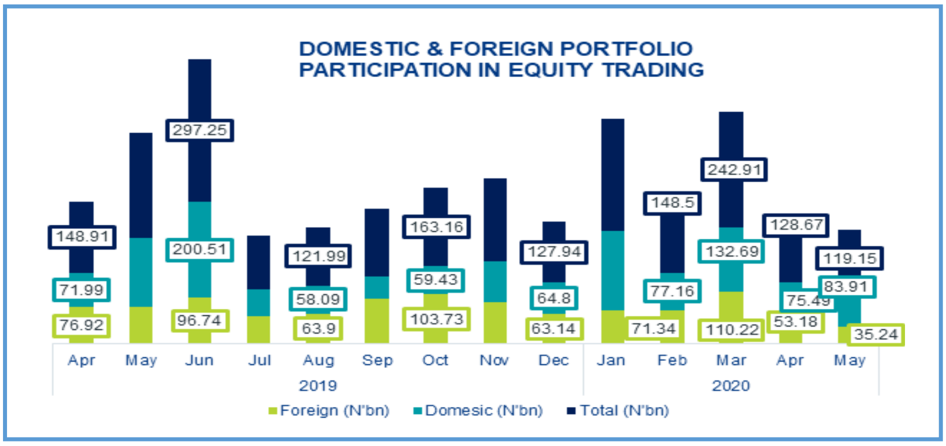
Nigerian Stock Exchange All Share Index and Market Capitalization

Source: NSE

10 Portfolio Investment – NSE

Market participation was slightly dominated by domestic portfolio investors raking in 70.42% of total transactions as of May, higher than foreign investors at 29.58%. Total transactions recorded in the Nigerian Stock Exchange (NSE) dropped to N119.15 billion in May 2020 from N242.91 billion in March 2020 according to the latest NSE domestic and foreign portfolio participation report.

Domestic & Foreign Portfolio Participation in Equity Trading

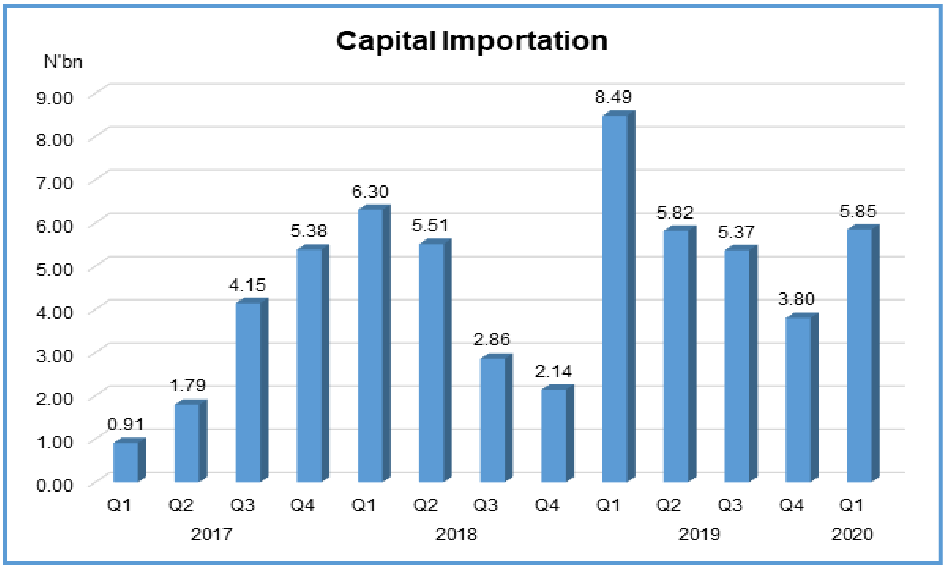


Source: NSE

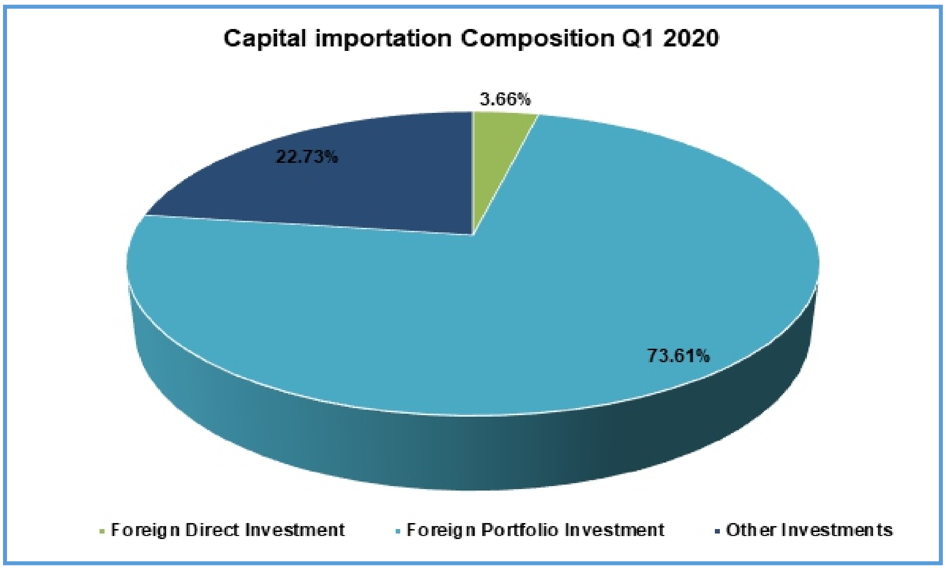
11 Capital Importation

Foreign investment into Nigeria in Q1 2020 climbed to $5.85 billion from $3.80 billion recorded in Q4 2019. The breakdown of foreign investment into Nigeria shows that portfolio investment is Nigeria's biggest foreign investment inflows with 73.61% ($4.31 billion) of total capital importation in the reference quarter. Other investments accounted for 22.73% or $1.33 billion, while Foreign Direct Investment (FDI) investments are the least with $214.25 million or 3.66%. The United Kingdom emerged as the top source of capital investment in the country in Q1 with $2.91 billion. This accounted for 49.68% of the total capital inflow in the said quarter.

Domestic & Foreign Portfolio Participation in Equity Trading



Source: NBS

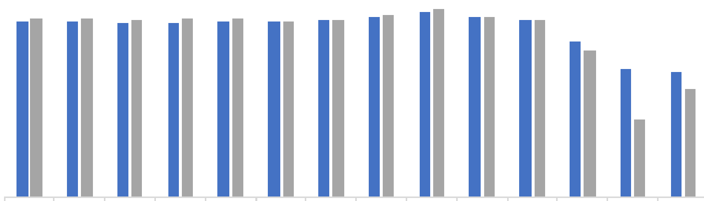


Source: NBS

12 Purchasing Managers' Index (PMI)

The Manufacturing PMI closed the second quarter of 2020 with an index point of 41.1 index points in June 2020, significantly lower than 51.1 points reported in March 2020. The drop stemmed from the outbreak of the coronavirus which hampered business activities during the quarter.

Purchasing Manager's Index(PMI)



	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	May 2020	June 2020
Manufacturing	57.7	57.8	57.4	57.6	57.9	57.7	58.2	59.3	60.8	59.2	58.3	51.1	42.4	41.1
Non-Manufacturing	58.7	58.9	58.6	58.7	58.8	58	58.2	60.1	62.1	59.6	58.6	48.2	25.3	35.7

■ Manufacturing ■ Non-Manufacturing

Source: CBN

13 Credit Ratings

Fitch Ratings, a global ratings agency, has downgraded the outlook on Nigeria's Long-Term Foreign-Currency Issuer Default Rating (IDR) to "negative" outlook and affirmed the rating at 'B-'. The outlook reflected the significantly lower international oil prices following the collapse of OPEC+ deal & lower demand tied to coronavirus, weakening external and fiscal position as a result of lower oil prices attributed to over dependence on oil revenue in Nigeria, declining reserve and slower real GDP amongst others.

Standard & Poor's revised Nigeria's economic outlook downward from stable to negative, they also lowered Nigeria's long and short term national scale ratings to nga-/nga-2 from nga/nga- 1and affirmed B/B for the country's long and short term soverign credit ratings. This outlook reflects Nigeria's weakness of current economic realities. The agency downgraded Nigeria's sovereign credit rating to B- from B and assigned a stable outlook citing weakening external positions tied to significantly lower oil prices and lower demand sprout from the coronavirus pandemic as the trigger for the downgrade.

Moody's Investors Service, another top global credit rating agency, also downgraded its outlook on Nigeria's ratings to Negative from Stable and affirmed the rating at 'B2'. According to the rating agency, the negative outlook reflected Moody's view of increasing risks to the government's fiscal strength and external position. It explained: "Already weak government finances will likely weaken further given an extremely narrow revenue base and persistently sluggish growth that hinders fiscal consolidation'.

14 Socio-Economic Landscape

In April, the African Development Bank Group announced the debarment of China Zhonghao Nigeria Limited, a civil engineering company registered in Nigeria, for 18 months, for fraudulent practices. An investigation conducted by the Bank's Office of Integrity and Anti-Corruption established that China Zhonghao Nigeria Limited, as a member of a joint venture with Oceanic Construction and Engineering Nigeria Ltd., was jointly responsible for its joint venture partner's fraudulent misrepresentations of its year of incorporation, the value of its reference contracts, and the experience of its key personnel, while bidding for two tenders under the Bank-financed Urban Water Supply and Sanitation Improvement Project in Nigeria. The debarment renders China Zhonghao Nigeria Limited and its affiliates ineligible to participate in Bank-financed projects during the debarment period.

In May, Nigeria eased Abuja and Lagos lockdowns but maintained certain restrictions and regulations such as wearing of face masks in public and ban of interstate travels except for essential duties among others.

Still in May, the Board of Directors of the African Development Bank has approved Nigeria's Country Strategy Paper (CSP) 2020-2024, which builds on the successes and challenges of the 2013-2019 edition, and incorporates emerging developmental realities and opportunities shaping Nigeria's political and economic landscape, including in the post-COVID-19 period. The approval was made on 27 May 2020.

In June, the Board of Directors of the African Development Bank approved a $288.5 million loan to help Nigeria tackle the COVID-19 pandemic and mitigate its impact on people and businesses. The loan will bolster the government's plans to improve surveillance and response to COVID-19 emergencies, ease the impact on workers and businesses and strengthen the social protection system.

15 Financial Sector Developments

In April, the Central Bank of Nigeria charged the sum of N1.47 trillion naira ($3.8 billion) from lenders as additional cash reserves for failing to meet regulatory targets.

In May, the CBN in keeping with its monetary and financial stability mandate, approved regulatory forbearance for the restructuring of credit facilities in Other Financial Institutions sub-sector. CBN intervention facilities availed through participating OFIs, one-year moratorium on all principal repayments. Interest rates on the CBN intervention facilities through participating OFIs were reduced from 9% to 5% per annum for 1 year. OFIs were also granted leave to consider temporary and time limited restructuring of the tenor and loan terms for households and businesses affected by Covid-19.

Still in May, the CBN issued a circular on the reduction of chargeback period for ATM, POS and Web transactions in the guidelines for the operation of electronic payment channels.

In June, the CBN issued a circular on the expansion of scope of regional banks in Nigeria. All banks with regional authorization were required to operate from one additional geo-political zone as prescribed by the CBN for each institution.

Also in June, the Central Bank of Nigeria (CBN), in its determination to further enhance service quality, particularly quick refunds when customers experience failed transactions, dispense errors or disputes, revised the timelines for reversals and/or resolution of refund complaints on electronic channels, with effect from June 8, 2020.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3.0
OUTLOOK FOR Q3 2020 AND BEYOND

OUTLOOK FOR Q3 2020

3.1 Economy
IMF projects that Nigeria's growth will contract by -5.4% in 2020 due to the unprecedented crisis from Covid-19 which has ravaged economies.

3.2 Foreign Exchange
The currency witnessed volatility during the reference quarter (trading around N380/$). Considering the CBN's plan to unify the exchange rates around NAFEX, we believe the naira will revolve around a narrow band of N380 – N400/$ in Q3 2020.

3.3 Crude Oil
We expect oil prices to hover around the $30 - $45pb mark as oil market stabilizes on the signs that top oil producers are scaling back crude shipments, as well as a rebound in oil demand.

3.4 Monetary Policy
We expect no further monetary policy rate (MPR) cuts following the CBN's recent cut of the MPR by 100 basis point to 12.5% in May 2020. The decision in May and other policy measures the CBN has put in place due to the raging coronavirus.

3.5 Foreign Reserves
The rebound in oil prices and oil demand will lead to accretion in foreign reserves in the short term.

3.6 Inflation
Supply chains disruptions due to COVID-19 lockdowns will impact price levels on imported items especially for core inflation items. Even though the falling global oil prices has led to a reduction in the petrol pump price from N145/litre to N121.50/litre, inflation will likely remain elevated.