



2020

A review of the key
Macroeconomic Events
that shaped the year

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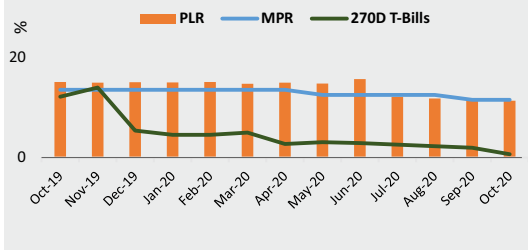
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Macroeconomic Update

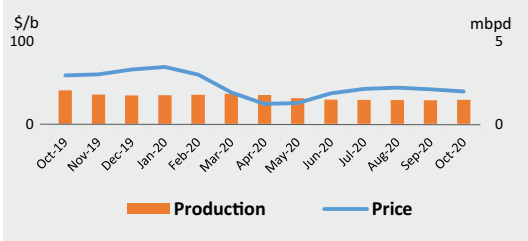
- November 2020

Lending and Investment Rates



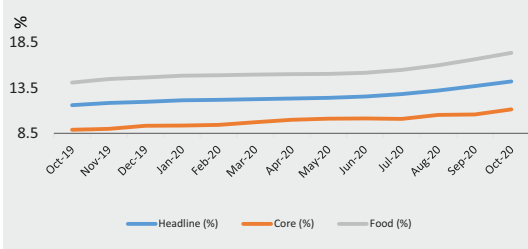
- The Monetary Policy Rate (MPR) stayed unchanged at 11.5% after the Monetary Policy Committee (MPC) meeting in November.
- The Prime Lending Rate (PLR) maintained a downward trend posting 11.31% in October from 11.55% posted in the previous month.
- The 270-Day Treasury Bills (T-Bills) rate dropped further to 0.13% in November from 0.65% in October
- Lower MPR ensures cheaper funds for borrowing but lower rate of returns for investment.

Bonny Light Oil



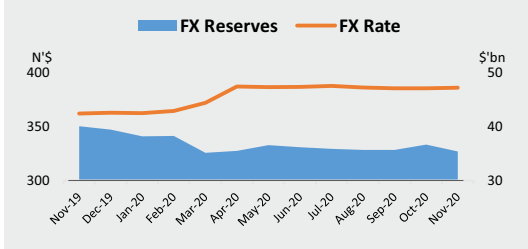
- Bonny light oil price rose from \$39.94 per barrel in October 2020 to \$46.67/b in November.
- Oil production rose to 1.49 million barrel per day (mbpd) in October 2020 from 1.46mbpd in the previous month.
- Lower oil prices incapacitates the government's ability to implement the budget, reduces external reserves which in turn exerts pressure on the Naira against the Dollar.

Inflation Rate



- Inflation rate continued to move upward climbing to 14.23% in October 2020 from 13.71% in September.
- Inflation rate has been worsened by weakened naira at the parallel market, cost reflective increase in energy tariff and higher petrol prices. Prices rose mostly for food items reaching 17.38% from 16.66% in September with core inflation also rising to 11.14% from 10.58% recorded in the previous month.
- High inflation erodes consumers' purchasing power and real asset value

Foreign Exchange Rate



- External reserves came down to \$35.41 billion at the end of November from \$36.69 billion recorded at the end of October 2020.
- The Naira depreciated by ₦0.45 rising up to N386.4/\$ in November 2020 from ₦385.96/\$ recorded in the previous month at the NAFEX window.
- The external reserves while lower than figures seen in 2019, conveniently covers more than 3 months of imports.
- The New Diaspora Remittance Policy should help improve external reserves balance.



Highlights of 2020 Key Macroeconomic Events

Events	Trend/Outlook	Impact on Nigerian Businesses
<p>1. Recession</p> 	<p>The Nigerian economy like most countries around the globe entered a recession due to the COVID-19 pandemic, hitting -3.62% in Q3 2020 after posting -6.1% in the previous quarter.</p> <p>The IMF projects Nigeria's real GDP growth to rebound in 2021 settling at 1.7% in 2021 amidst a slow down in the virus spread globally.</p>	<p>Businesses have been faced with demand destruction, investors diffidence, weakened naira, lower oil prices and growing fiscal and external imbalances amongst others.</p> <p>The IMF's projection brings a ray of hope for improved macroeconomic conditions for businesses.</p>
<p>2. Oil Price Volatility</p> 	<p>Bonny Light oil price touched year lows in 2020 due to the pandemic and the Saudi Arabia - Russia price war. Oil prices hit the lowest at \$25/b. However, oil prices started looking upwards from Q2 2020 after OPEC agreed to extend production cuts and economies slowly relaxed restrictions.</p> <p>The International Energy Agency (IEA) projects global oil demand (97.1mb/d) to outweigh global oil supply (95.2mb/d), come 2021. This development should keep oil prices relatively modest.</p>	<p>Lower fiscal revenue weakened the government's ability to implement the budget especially in terms of capital expenditure. Dwindling external reserves (stemming from puny oil revenue receipts) also put pressure on the exchange rate all of which negatively affected businesses.</p> <p>With oil prices expected to look northward in 2021, fiscal revenue, external reserves and credit to businesses should pick up modestly.</p>
<p>3. Rising Inflation</p> 	<p>Inflation rate in Nigeria continued in the double-digit trajectory reaching a 35-month high amidst border closure, naira depreciation, food scarcity and higher petrol prices. Significant disruptions to supply chains is likely to persist hence inflation is expected to remain well in the double-digits space in 2021.</p>	<p>Rising inflation depleted consumers real income and eroded purchasing power. This phenomenon left businesses with reduced sales and a dwindling bottom-line as operating cost remains relatively unchanged. Manufacturers were also faced with increasing cost of raw materials which raised expenses while unmatched income strained bottom-line.</p> <p>To remain competitive in the coming year, businesses must continue to swap fixed costs for variable costs.</p>

Highlights of 2020 Key Macroeconomic Events (Cont'd)

Events	Trend/Outlook	Impact on Nigerian Businesses
<p>4. Weakened Naira</p> 	<p>Lower oil prices slowed the accretion to reserves which impacted negatively on the naira-dollar value as dollar demand outweighed supply. The CBN effected some price adjustments at the official window with the currency moving from ₦360/\$ to ₦385/\$. The local currency exchanged for ₦362/\$ at the parallel market at year-start but currently hovers around the ₦475/\$ due to dollar unavailability at the official windows. The ₦/\$ is projected to move to the ₦400 – ₦415/\$ band in 2021.</p>	<p>Nigerian businesses have been impacted by the weak currency given the country's strong dependence on imports. Manufacturers and traders faced rising cost of imported critical inputs/raw materials which was ultimately passed on to consumers. Consumers' reaction to these price increases have affected turnover. To cushion these impact, businesses should look inwards by localizing supply chains especially for raw materials that can be sourced locally to reduce FX risks</p>
<p>5. Dwindling External Reserves</p> 	<p>External reserves is currently c. \$35bn from \$38.6bn at year-start. The depletion stemmed largely from CBN intervention to ensure dollar liquidity. The New Diaspora Remittances Policy of the CBN which allows beneficiaries of diaspora remittances to receive funds in USD either by cash or into their domiciliary account may engender more dollar liquidity. Annual remittance inflow projected at \$24 billion would improve the external reserves and invariably the nation's balance of payment position.</p>	<p>Businesses patronized the parallel/black market at a higher exchange rate given inadequate dollar supply on the NAFEX platform. The new diaspora remittance policy may possibly increase forex liquidity which may engender naira appreciation at the parallel market. This development would generally foster a reduction in the cost of imported inventories/raw materials for businesses.</p>
<p>6. More Intervention Funds</p> 	<p>To alleviate the burden precipitated by the negative fallout of the COVID-19 pandemic, the CBN rolled out a series of intervention funds targeted at critical sectors. The Economic Sustainability Plan of ₦2.3 trillion availed opportunities to key sectors of the economy such as agriculture, aviation, gas, construction amongst others. These funds were availed at a lenders charge of 5% down from the previous 9%.</p>	<p>Roll out of more intervention funds shows the government support in alleviating the plight of business owners. Businesses in key sectors, such as agriculture, aviation, gas, manufacturing, construction, technology etc., now have access to more cheaper funds at a single digit rate.</p>

Highlights of 2020 Key Macroeconomic Events (Cont'd)

Events	Trend/Outlook	Impact on Nigerian Businesses
<p>7. Proposed 2021 Budget</p> 	<p>The 2021 proposed budget titled "Budget of Economic Recovery and Resilience" has a proposed expenditure of ₦13.08 trillion representing an increase of 27% from the 2020 actual budget. With a proposed revenue of ₦7.88 trillion, the 2021 proposed fiscal deficit stands at ₦5.19 trillion. About 82.5% of the fiscal deficit would be financed by new borrowings. Proposed recurrent and capital expenditure stands at ₦5.65 trillion and ₦3.85 trillion, respectively.</p>	<p>New borrowings mean more government securities would be available for investment. Increased recurrent expenditure means increased consumption, thus sales for businesses. Pertaining to capital expenditure, the President indicated that completing ongoing projects across different sectors would be prioritized.</p>
<p>8. Interest Rate Decline</p> 	<p>Although the key policy rate has been double digits, it has been declining. The Monetary Policy Committee of the CBN believes rates reduction will help cushion the harsh effect of the COVID-19 pandemic on the economy and also help stimulate economic growth. Lower interest rates reduce domestic investment and the willingness of banks to extend credit. Thus, interest rates are not expected to decline further, given the FG's proposed budget deficit.</p>	<p>Lower interest rates give businesses access to cheaper funds. However, real returns on investment for idle cash also declines given rising inflation coupled with declining interest rate. Businesses should leverage the availability of cheaper funds to boost production and sales. This in turn would speed up economic recovery in 2021.</p>

Important reminder on cheque books

New Cheque

Bank Information

Bank Name/Logo & MICR
Branch Title/Address

Date Month Year

Customer Name & Account Number

123456789 1234567890 1234567890 0123 12345678 1234

Old Cheque

Bank Name/Logo & MICR
Branch Title/Address

Payee

The sum of

MICR

Receiver Signature

Dear Esteemed Customer,

Following our earlier communication on the New Cheque Book Design introduced by the CBN in September 2019, here's a quick reminder that your old cheques will not be honoured after December 30, 2020.

To make cheque payments without hitches, please take the time to request a new cheque book via our Access More App or speak with your Relationship Officer for assistance.

Alternatively, you may visit any Access Bank branch to make this request.

Further enquiries?

Please send us an email at contactcenter@accessbankplc.com or chat with us on <https://livechat.accessbankplc.com/>.

Thank you for choosing Access Bank.

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Dear Esteemed Customer,

Thanks to your feedback, we have made a couple of fixes and feature enhancements to the PrimusPlus platform.

What's New:

	How-To Videos for self-help
	Contact details of your relationship officers and an option to rate their service
	Updated support helplines and contact details
	Option to send payment receipt to an e-mail address of choice
	Ability to upload signed instruction for modifications or addition of new users on the Admin Panel
	Transaction narrations now show sender details
	Old Diamond accounts can now download statement for historical transactions

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