ACCESS ECONOMIC QUARTERLY

Q3 2022

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ACCESS ECONOMIC QUARTERLY Full Year

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Section 1

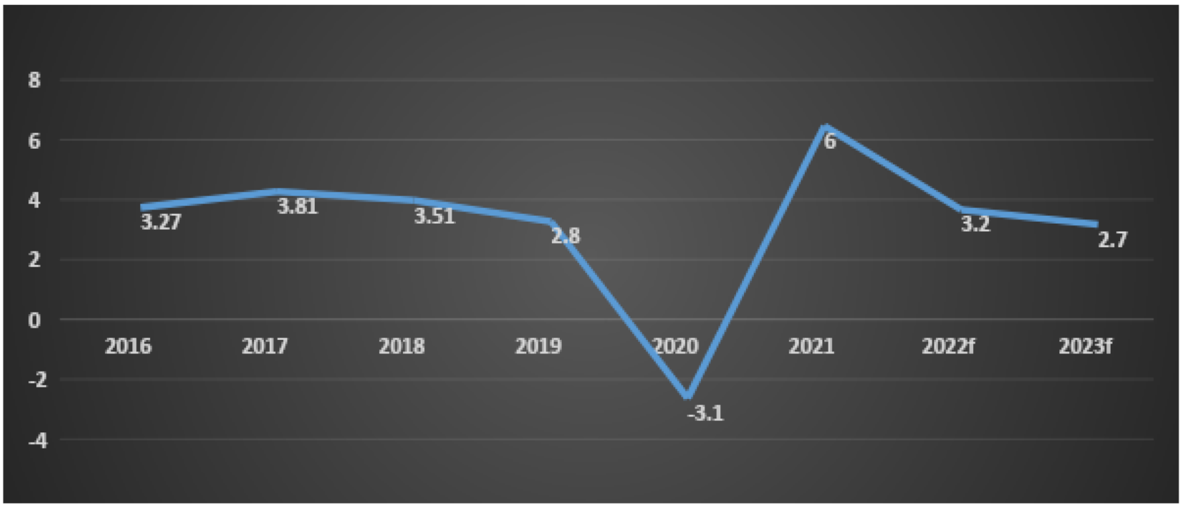
GLOBAL ECONOMY

The global economy remains in troubled waters, hobbled by the lingering effects of the Russia-Ukraine crisis which has continued to fuel inflationary pressures. Also, the growth slowdown in China, owing to its zero COVID policy and a persistent property crisis, has negatively impacted the global economy. The biggest urgent threat to current and future prosperity continues to be rising pricing pressures, which are squeezing real earnings and undermining macroeconomic stability. Most central banks have maintained an aggressive monetary stance to rein in mulish inflation.

For many emerging and developing market economies, the external environment is already very difficult. The cost-of-living crisis in these countries is greatly exacerbated by the strong appreciation of the US Dollar relative to most other currencies. In addition, many low-income and developing economies continue to be in a debt crisis as capital flows are yet to rebound. These shocks will reopen financial scars that have partially mended from the 2020 pandemic.

The International Monetary Fund (IMF) projects that global growth to cap at 3.2% and 2.7% in 2022 and 2023, respectively. Global inflation is expected to peak at the end of the year but will remain elevated for longer than previously expected before declining to 4.1% in 2024.

GDP Growth Rate & Forecast – Global Economy



Source: IMF

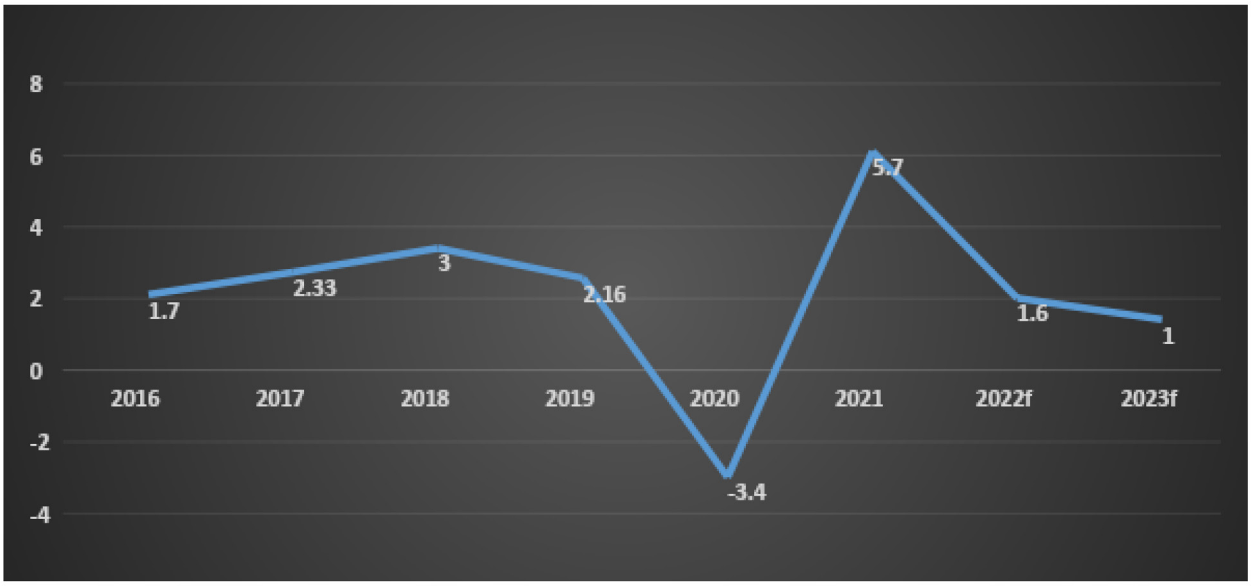
GLOBAL ECONOMY
UNITED STATES/EURO AREA

GDP Growth Rate & Forecast – U.S.A., Eurozone, and BRICS

United States

The Gross Dome=stic Product (GDP) in the United States expanded by 1.8% in the third quarter of 2022 same as the prior quarter. The biggest positive contribution came from net trade, as the trade gap narrowed. Imports sank while exports were up led by petroleum products, nonautomotive capital goods and financial services. The inflation rate has been on a decline all through the third quarter as the annual inflation rate in the US slowed for the third straight month to 8.2% in September 2022, the lowest in seven months, compared to 8.3% in August. The Fed policymakers, however, continue to raise interest rates as the inflation rate remains above their target range. The Fed raised the federal funds rate by 75 basis points (bps) to the 3% - 3.25% range during its September meeting, the third straight three-quarter point increase and pushing borrowing costs to the highest since 2008.

GDP Growth Rate & Forecast – United States of America



Source: IMF

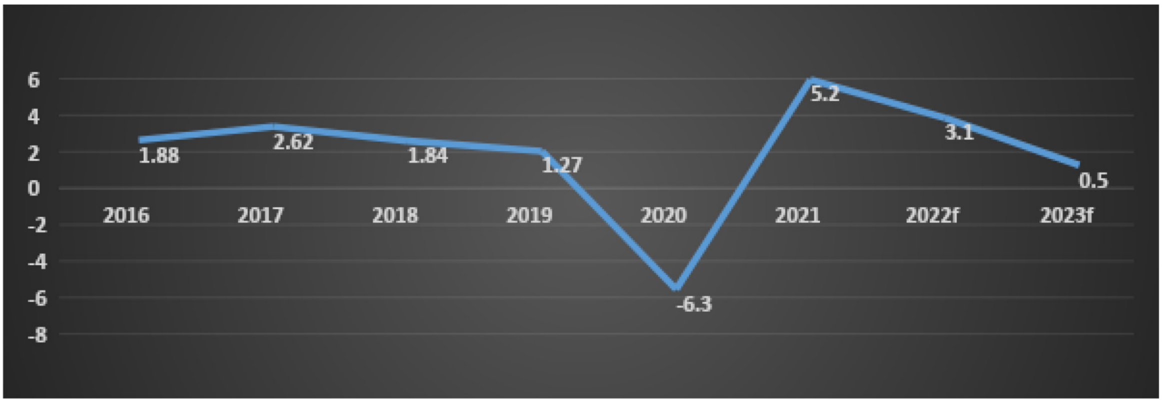
The unemployment rate in the United States fell to 3.5% in September 2022, but below market expectations of 3.7%, in another sign overall labour market conditions in the world's largest economy remain tight. The IMF retained its forecast for 2022 and 2023 at 1.6% and 1.4% respectively as declining real disposable income continue to eat into consumer demand, and higher interest rates taking a toll on spending.

Euro Zone

EUROZONE

The Eurozone economy advanced 2.1% year-on-year in the three months to September 2022. It marks a sixth straight quarter of expansion, but the weakest in the current sequence.

GDP Growth Rate & Forecast – Eurozone



Source: IMF

The annual inflation rate in the Euro Area accelerated to 9.9% in September 2022. It was the highest rate since comparable records began in 1991, as the euro hit a 20-year low and the bloc's energy crisis deepened. It also remained well above the European Central Bank's target of about 2%. This caused the European Central Bank to raise interest rates by an unprecedented 75bps in its September 2022 meeting, following a 50bps rate hike in July. Policymakers also said that interest rates should rise further over the next several meetings, aiming to dampen demand and guard against the risk of a persistent upward shift in inflation expectations. The IMF increased its projection for 2022 growth to 3.1% from 2.6% on account of stronger than projected second quarter outturn in most euro area economies.

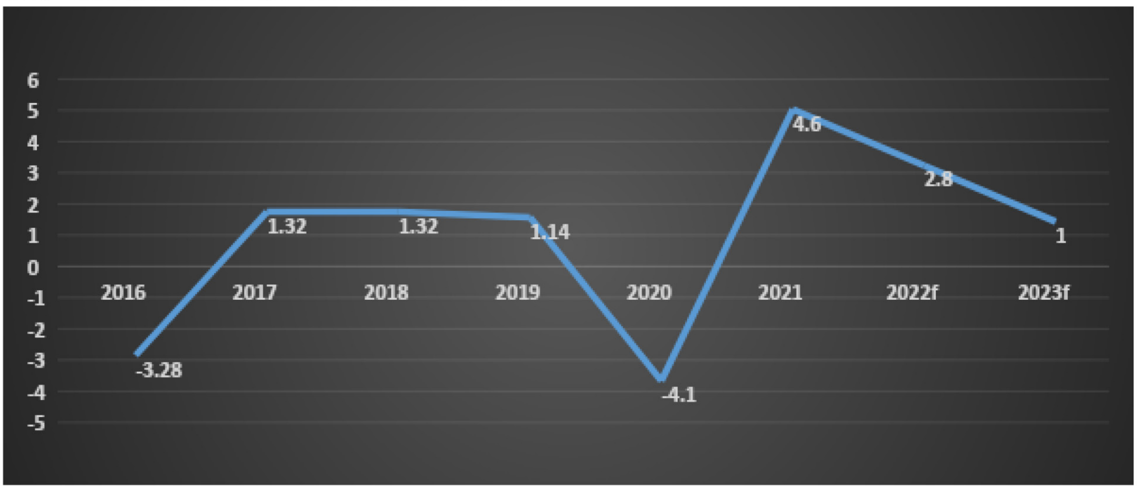
BRICS

The BRICS economy witnessed growth in Q3 2022 except for Russia as it contracted due to its ongoing battle with Ukraine. However, higher inflation rates above the target and hiked monetary policy rates continue to negatively impact the BRICS economies.

Brazil

The economy of Brazil grew 3.6% year-on-year in Q3 2022, down from the 3.7% recorded in Q2 2022. This is the seventh consecutive quarter of economic expansion, driven by higher government spending and gross capital formation.

GDP Growth Rate & Forecast – Brazil



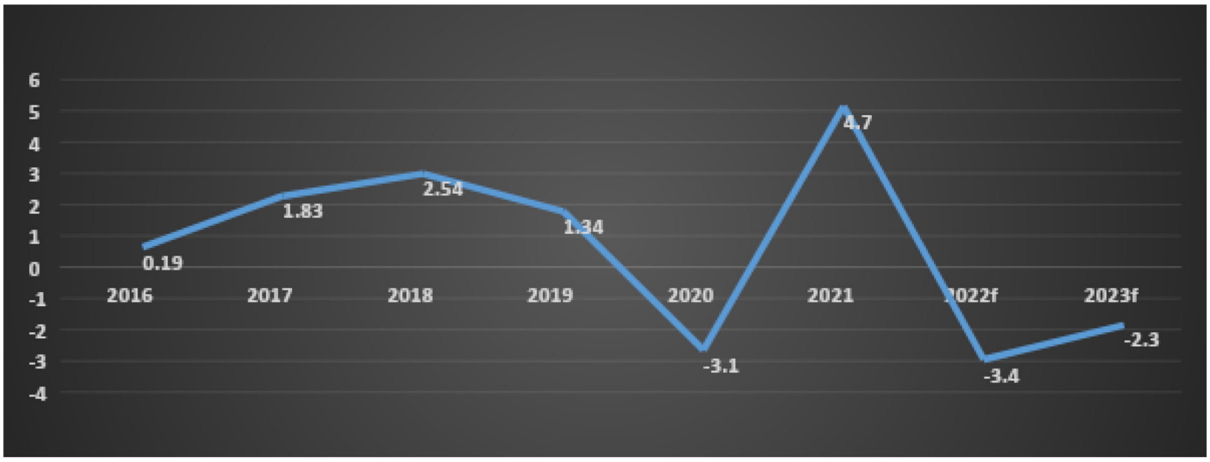
Source: IMF

The Central Bank of Brazil decided to keep the Selic rate steady at 13.75% at the end of Q3 2022 as Brazil's inflation rate eased further to 7.17% in September 2022 from 8.73% in the prior month, the lowest reading since April 2021. The Brazilian economy is forecasted to grow by 2.8% in 2022 and 1% in 2023 according to IMF.

Russia

The economy of Russia contracted by 4% in Q3 2022, following the 4.1% contraction in Q2 2022 as the Russian economy continued to be pressured by the sanctions from Western states in retaliation to its invasion of Ukraine in February.

GDP Growth Rate & Forecast – Russia



Source: IMF

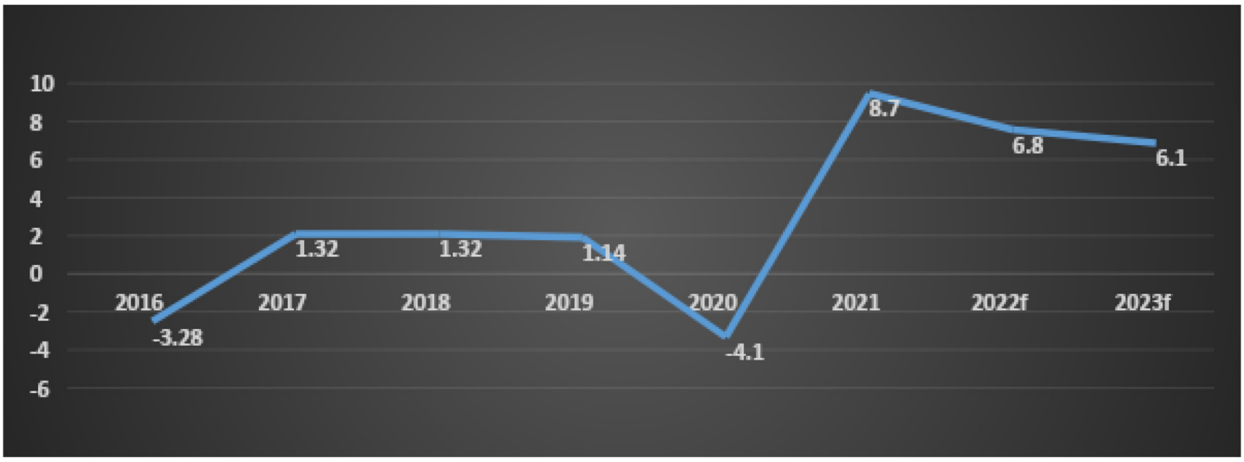
The annual inflation rate in Russia eased to 13.7% in September 2022 from 14.3% in the preceding month. It is the lowest inflation rate since February 2022. The Central Bank of Russia slashed its key interest rate by 50bps to 7.5% during its September 2022 meeting, as expected. It was the sixth consecutive rate cut as current consumer price growth rates remain low. Russian domestic demand is showing some stability, thanks to the containment of the effect of sanctions on the domestic financial sector policy support, and a resilient labour market, according to the IMF, therefore its growth rate was revised to -3.4% compared to -6% in its previous forecast

India

India's Gross Domestic Product (GDP) slowed to 6.3% in Q3 2022 from 13.5% recorded in Q2 2022. The decline was driven by soaring prices and rising interest rates which weighed on demand and slowing global demand which impacted exports. Private consumption, investment, net trade, stock and public expenditure shrank.

Annual inflation increased to a five-month high of 7.41% in September from 7% in August, higher than the Reserve Bank of India (RBI) target range of 2% - 6% therefore the RBI raised its key interest rate by 50 bps to 5.9% during its September meeting the fourth-rate hike in a row, amid rising concerns over soaring inflation, global headwinds and a plunge in rupee to its record lows. The IMF outlook for India has also been trimmed by 0.8 percentage points to 6.8% mainly reflecting less favourable external conditions and more rapid policy tightening.

GDP Growth Rate & Forecast – India

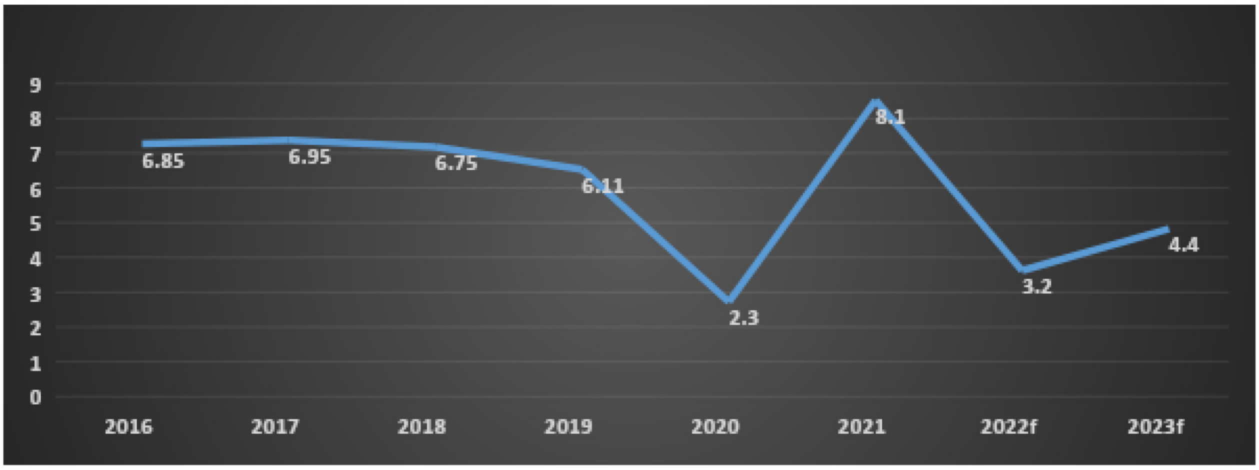


Source: IMF

China

The Chinese economy advanced 3.9% year-on-year in Q3 2022, picking up from a 0.4% growth in Q2, boosted by various measures from Beijing to revive activity. The latest figure was released just a day after President Xi Jinping secured a historic third term, and as the statistics agency warned that the recovery was still not solid due to domestic and global headwinds.

GDP Growth Rate & Forecast – China



Source: IMF

The People's Bank of China kept steady its key rates for corporate and household loans at September fixing, amid a rapid decline in the yuan. The one-year loan prime rate (LPR) was held unchanged at 3.65%; while the five-year rate, a reference for mortgages, was maintained at 4.3%.

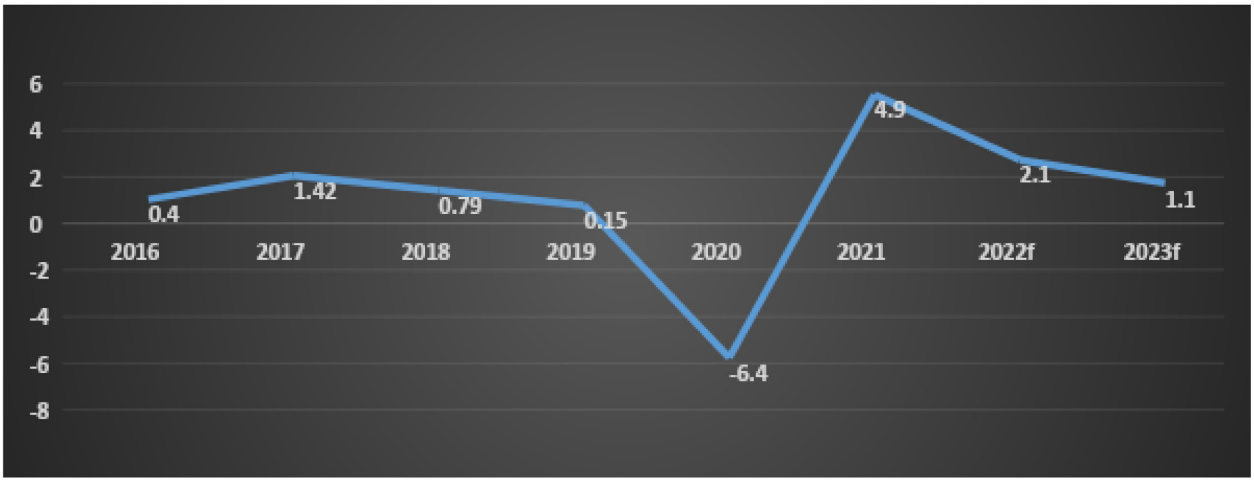
Inflation rose to 2.8% in September 2022 from 2.5% in August. This was the highest rate since April 2020, mainly due to a sharp jump in the cost of food. China's growth forecast for 2022 has been revised by the IMF following a sharper slowdown in China due to extended lockdowns and the worsening property market crisis.

GLOBAL ECONOMY
AFRICA

South Africa

South Africa expanded by just 0.2% year-on-year in Q2 2022, following a downwardly revised 2.7% growth in the previous period. It was the weakest growth rate since the first quarter of 2021. The annual inflation rate ticked up to 7.6% in October of 2022 from 7.5% in the prior month, above the upper limit of the South African Reserve Bank's target range of 3%-6%. The South African Reserve Bank hiked its benchmark repo rate by another 75 bps to 6.25% at its September 2022 meeting. This is the 6th consecutive hike since policy normalization started in November 2021, to anchor inflation expectations more firmly around the mid-point of the target band and achieve the inflation target in 2024. The unemployment rate declined to 32.9% in Q3 2022, down from 33.9% in the prior period. This was the lowest jobless rate since the first quarter of 2021. IMF revised the economic projection of South Africa was lowered for 2022 and 2023 to 2.1% and 1.1% respectively.

GDP Growth Rate & Forecast – South Africa



Source: IMF

Ghana

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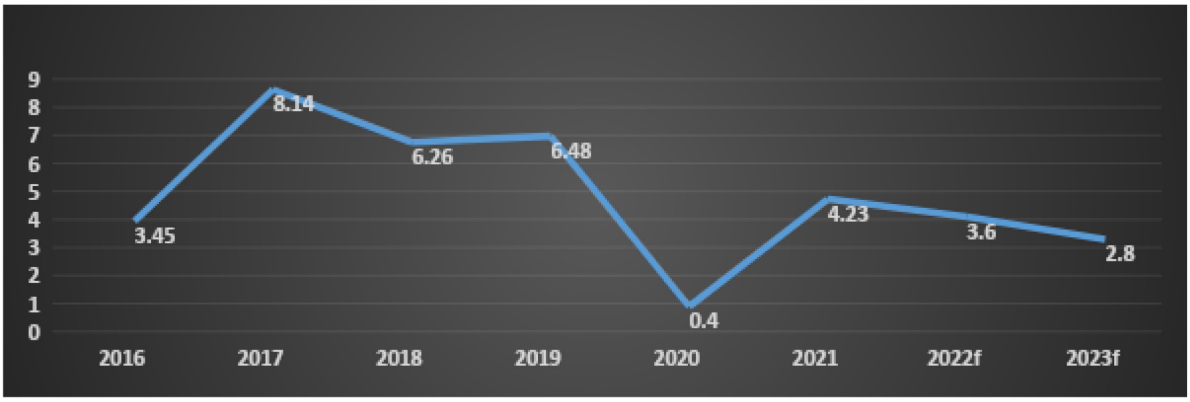
GDP Growth Rate & Forecast – Ghana

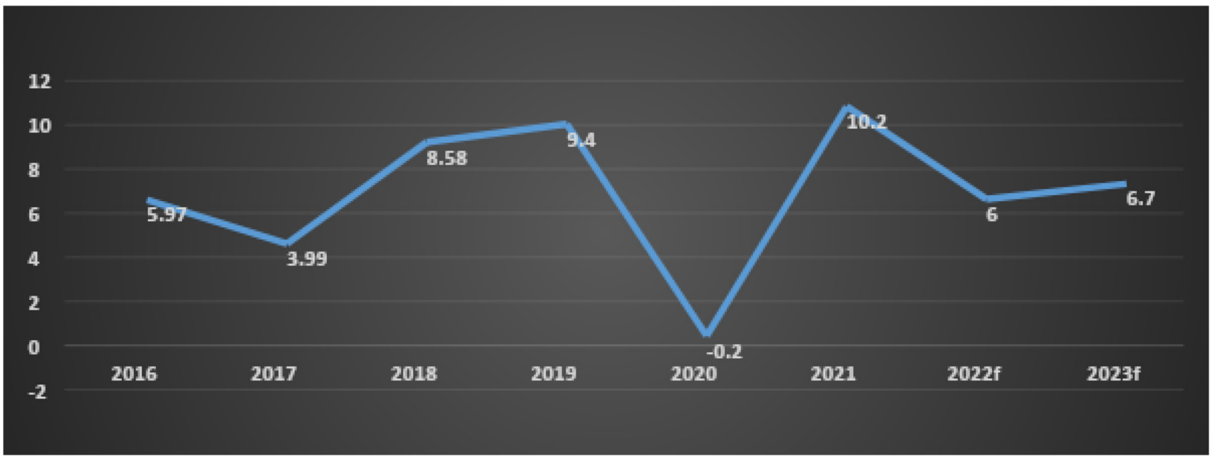


Source: IMF

Rwanda

Rwanda's economy advanced 7.5% year-on-year in Q2 2022 from 7.9% in Q1 2022, albeit the smallest increase in five quarters. The growth was on the back of the services and industrial sectors. During its meeting in August 2022, the National Bank of Rwanda increased its benchmark interest rate by 100 basis points to 6%. The cost of borrowing has now reached its highest level since November 2017 following the hike in interest rates. Policymakers observed that substantial inflationary pressures are still present, mostly due to decreased domestic agricultural output and global supply disruptions. The consumer price index jumped to 15.9% at the end of Q3 2022 compared to 12.6% in Q2 2022. The economy is expected to slow down to 6% for the full year of 2022.

GDP Growth Rate & Forecast – Rwanda



Source: IMF

Section 2

THE NIGERIAN ECONOMY

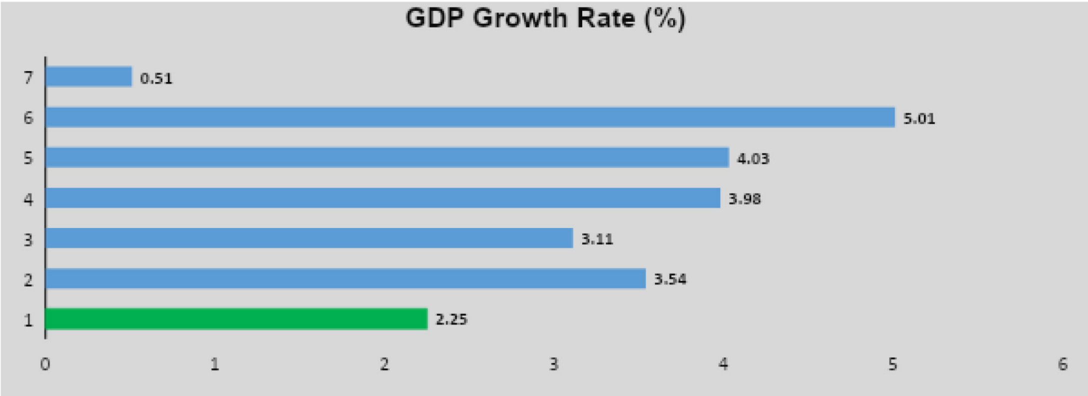
The battle to curb the Russia-Ukraine crisis-induced soaring inflation continues. This threatens the recovery of the fragile Nigerian economy as other major economies draw close to the brink of a recession. The inflation rate continues to escalate, rising by 217 basis points (bps) to close at 20.77% at the end of Q3 2022 from 18.60% recorded at the end of Q2 2022. With inflation proving mulish against the two consecutive interest rate hikes, which happened in May and July 2022, the key benchmark rate was further increased by 150bps to 15.5% in September 2022 from 14.0% recorded in July 2022. Tackling the inflation rate has claimed the top spot on the concern list of policymakers. Mounting fears about a potential global recession-driven demand downturn and lacklustre demand outlook for top crude importer, China, as it clings to its zero-COVID policy, pushed oil prices away from the triple-digit space. Oil prices closed Q3 2022 at $92.4/b compared to $126.94/b posted in Q2 2022. External reserves continued to plummet as weak inflow of the greenback was met with ballooning demand for the same, thus incapacitating the CBN's ability to meet all legitimate demand at the foreign exchange market.

A snapshot of the domestic economy for Q3 2022 is presented below:

Real GDP advanced by 2.25% in Q3 2022 compared to 3.54% in Q2 2022	Oil prices declined to $92.4/b in Q3 2022 from $126.94/b posted in Q2 2022	Exchange rate at the I&E window depreciated to ₦437.03/$ in Q3 2022 from ₦425.05/$ in Q2 2022
The ASI closed at 49,024.16 points in Q3 2022 compared to 51,817.59 points in Q2 2022	Reserves dipped to $38.25bn in Q3 2022 from $39.16bn in Q2 2022	Inflation printed at 20.77% in Q3 2022 compared to 18.6% in Q2 2022
The manufacturing PMI declined in Q3 2022 to 47.2 points from 51.1 points recorded in Q2 2022	MPR rose to 15.50% in Q3 2022 from 13.00% recorded in Q2 2022	Total public debt increased to ₦42.85trn in Q3 2022 from ₦41.6trn in Q1 2022

1. GDP Growth

The Nigerian economy expanded 2.25% year-on-year in Q3 2022 from 3.54% recorded in the preceding quarter. This marks the 8th consecutive quarter of growth but at the slowest rate since the first quarter of 2021. According to the National Bureau of Statistics (NBS), the decline in growth is attributable to the base effects of the recession and the challenging economic conditions that have hampered productive activities. The non-oil sector expanded at a softer pace of 4.27% in Q3 2022 from 4.77% recorded in Q2 2022, largely driven by telecommunication, trade, road transport, financial institutions, crop production and real estate. Meanwhile, the oil sector shrank by 22.67%, after an 11.77% slump in the previous quarter, reflecting lower oil output.

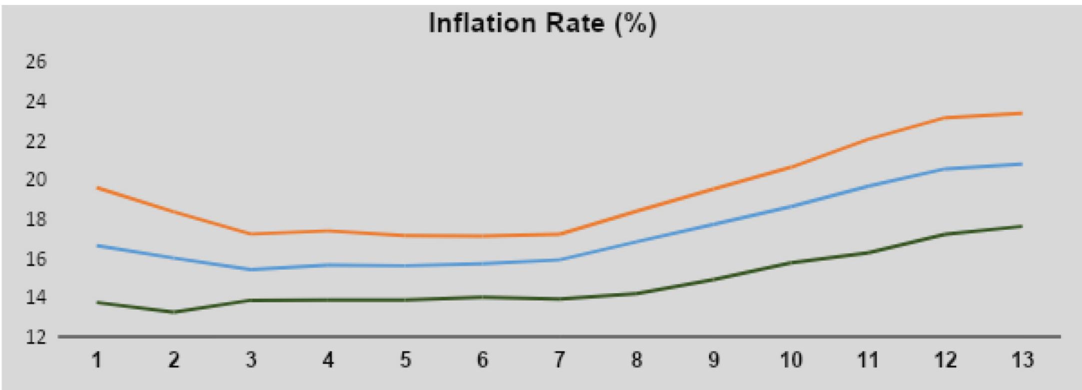


Source: NBS

2. Inflation

The annual inflation rate increased to 20.77% in Q3 2022 from 18.60% posted in Q2 2022. This reflects the 9th consecutive month of increase and the highest figure since September 2005. Due to supply interruptions brought on by severe flooding and rising import costs, food inflation increased for the 7th consecutive month to 23.34%, the highest level since October 2005. The annual core inflation rate, which excludes costs of farm produce, rose for the 6th consecutive month to 17.6% in September, the highest since January 2017. The pass-through effect of the exchange rate kept price growth trending northwards.

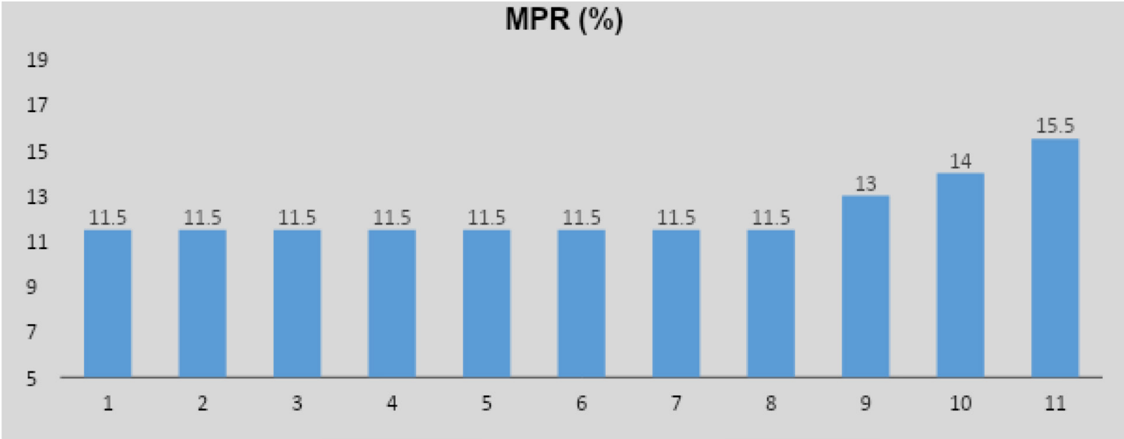
Inflation Year-on-Year



3. Monetary Policy

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) maintained a hawkish stance, raising its Monetary Policy Rate (MPR) by 150 bps to 15.5% at its September 2022 meeting, following a 100bps hike in July. This marks the third consecutive rate increase so far this year, bringing borrowing costs to the highest since 2006, amid heightened concerns over the impact of sustained inflationary pressures on the country's fragile recovery. Also, the Cash Reserve Ratio (CRR) was increased to 32.5% from 27.5% while other parameters were left unchanged.

Trend in MPR

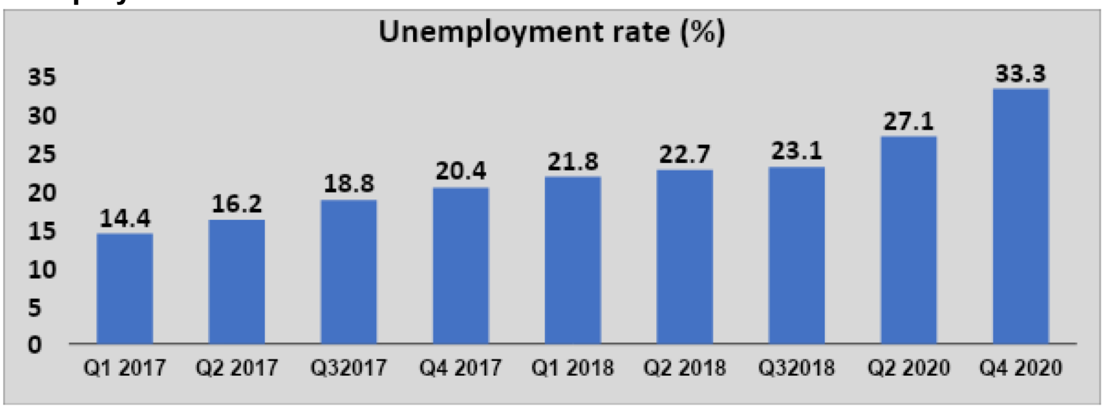


Source: CBN

4. Unemployment

Based on the most recent data from the National Bureau of Statistics (NBS), the unemployment rate was 33.3% in Q4 2020 from 27.1% posted in Q2 2020. However, underemployment declined to 22.8% in Q4 2020 from 28.6% posted in Q2 2020. The rural unemployment rate rose to 34.5% in Q4 2020, up from 28.2% in Q2 2020 with the urban unemployment rate maintaining the same upward trend reaching 31.3% in Q4 2020 from 26.4% posted in Q2 2020. The severe impact of the COVID-19 epidemic, along with the country's frail economy (at the time), may be to blame for rising unemployment. This high unemployment rate has increased insecurity across the country as individuals look for additional unlawful methods to make ends meet.

Unemployment Rate Trend



Source: NBS

5. External Reserves

Rising Dollar demand, weak oil earnings due to lower crude oil production, fuel subsidy payment, a puny inflow of Foreign Portfolio Investment (FPIs) and diaspora remittance depressed the growth of the external reserves. Reserves continue to lose momentum dwindling by 2.32% to sit at $38.25 billion in Q3 2022 from $39.16 billion recorded in Q2 2022. To shore up external reserves, the CBN intensifies its effort in garnering higher non-oil proceeds.

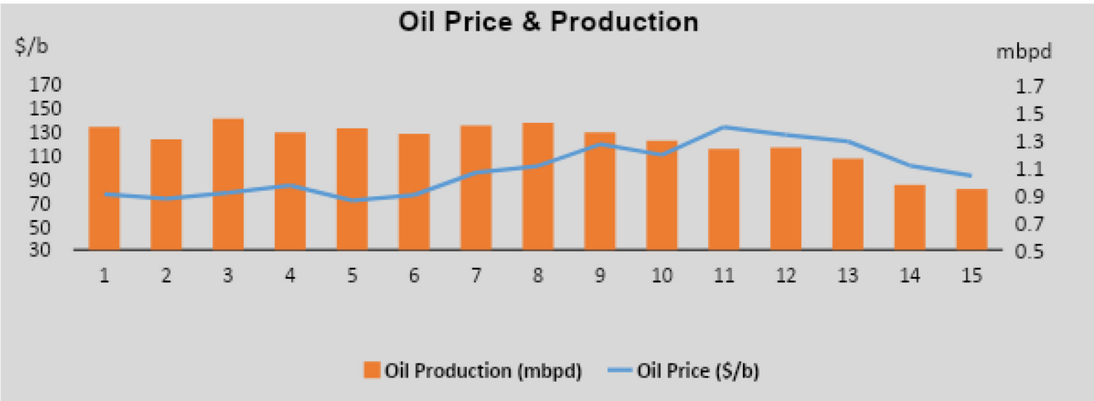
External Reserves

Source: CBN

6. Oil Price & Production

Oil prices lost ground slipping out of the triple-digit space. This trend rode on mounting fears about a potential global recession-driven demand downturn and lacklustre demand outlook for top crude importer, China, as it clings to its zero-COVID policy. To this end, Bonny light crude oil price, Nigeria's oil benchmark declined by 27.2% to close Q3 2022 at $92.4/barrel from $126.94/barrel posted in Q2 2022. The challenge of massive oil theft witnessed early in the year, persisted in Q3 2022. Crude oil pumped by Nigeria nosedived, hitting 0.94 million barrels per day (mbpd) in Q3 2022 from 1.24mbpd recorded in Q2 2022. This reflects a 24.2% decline from the figure recorded in the preceding quarter and a 48.6% decline from the Organization of the Petroleum Exporting Countries (OPEC) production quota.

Oil Price & Production



Source: CBN

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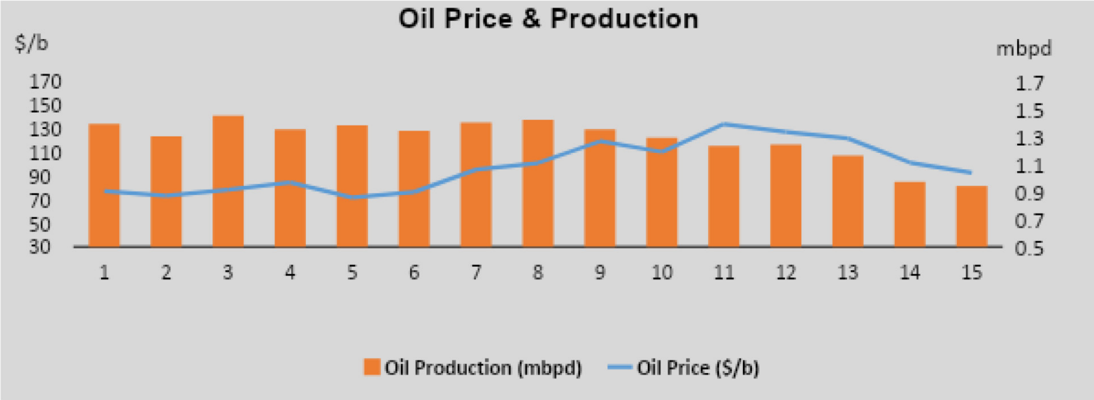
Oil Price & Production

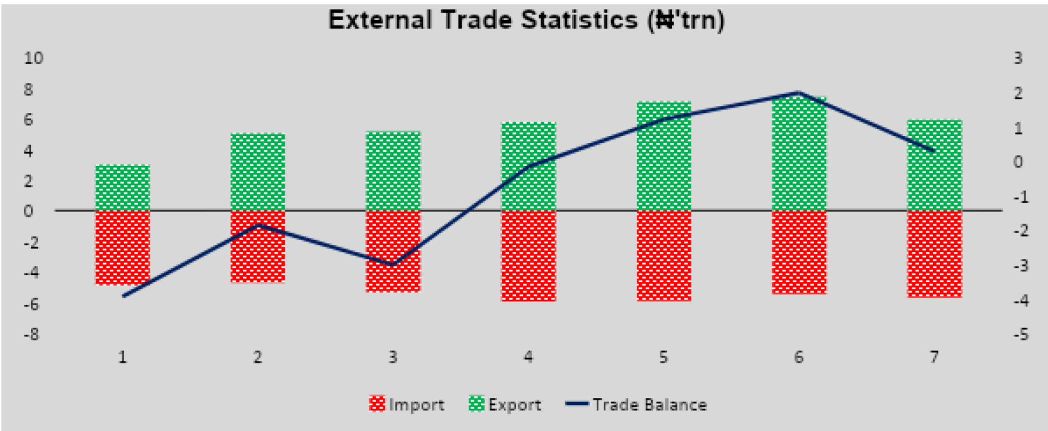


Source: CBN

7. External Trade

Nigeria recorded a trade surplus of ₦0.27 trillion as the value of exports in Q3 2022 outperformed the value of imports. Data from the National Bureau of Statistics (NBS) revealed that exports declined by 19.97% to reach ₦5.93 trillion compared to ₦7.41 trillion posted in Q2 2022. On the other hand, imports rose by 4.04% to settle at ₦5.66 trillion compared to N5.44 trillion recorded in Q2 2022. Altogether, total trade volume declined by 9.81% to stand at ₦11.59 trillion relative to ₦12.85 trillion posted in the preceding quarter. Nigeria's top 5 export trading partners for Q3 2022 were Spain, India, France, Netherlands, and Indonesia while the top 5 import trading partners were China, Netherlands, India, Belgium, and the USA.

External Trade

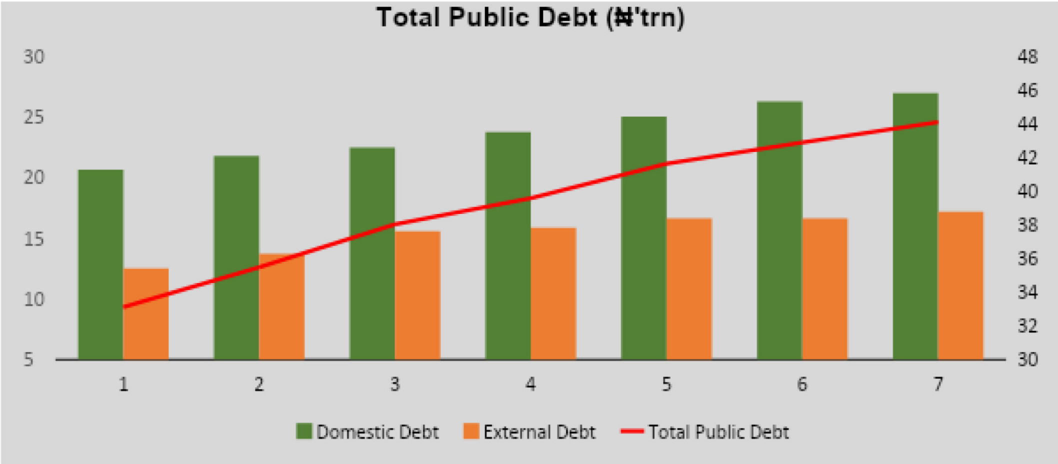


Source: NBS

8. Total Public Debt

Nigeria's public debt continues to engorge, hitting ₦44.06 trillion in Q3 2022 from ₦42.85 trillion posted in the preceding quarter, reflecting a growth of 2.82%. External debt grew faster than domestic debt as the former grew by 3.19% while the latter grew by 2.59%. According to the Debt Management Office (DMO), domestic debt accounted for 61.08% to settle at ₦26.91 trillion in Q3 2022 from ₦26.23 trillion recorded in Q2 2022 while external debt contributed 38.87% to total public debt, settling at ₦17.15 trillion from ₦16.62 trillion, for the reference period.

Total Public Debt

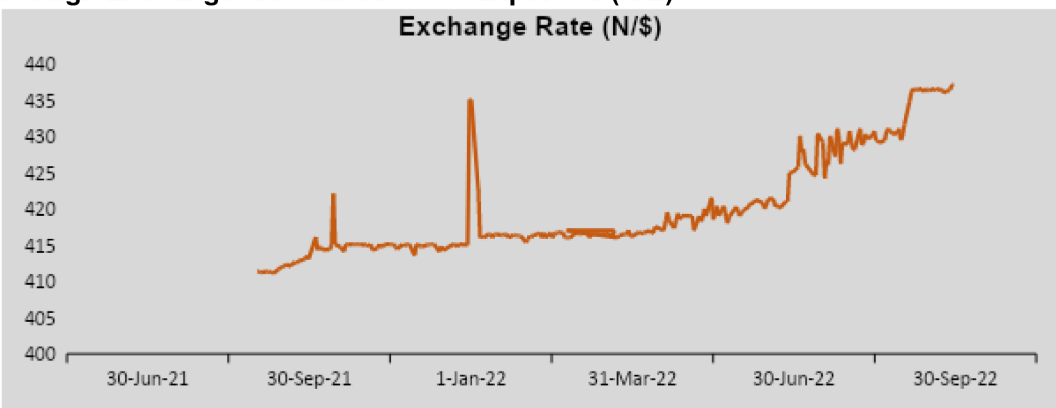


Source: DMO

9. Exchange Rate

The paucity of funds in the foreign exchange (forex) market persisted owing to the finite supply of forex. Naira at the Investors & Exporters (I&E) window depreciated against the Dollar at ₦437.03 at the end of Q3 2022 from ₦425.05 exchanged at the end of Q2 2022. Dwindling reserves have inhibited the ability of the CBN to effectively defend the Naira.

Foreign Exchange Rate: Investors & Exporters (I&E)

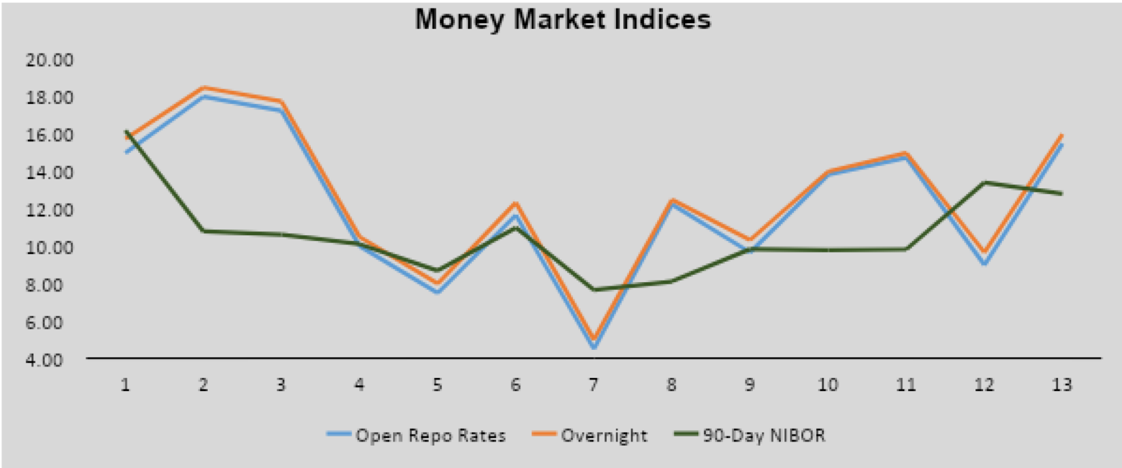


Source: FMDQ

10. Money Market

Liquidity in the money market remained tight as banks fulfilled their obligations amidst a hike in the policy rate. Short-term instruments such as the Open Repo Rates (OPR) and Overnight (O/N) rates closed at 15.50% and 16.00% at the end of Q3 2022, an increase from 13.83% and 14.00% posted at the end of Q2 2022. Similarly, the slightly longer-dated instruments like the 90-day Nigerian Interbank Offered Rate (NIBOR) increased to 12.81% in Q3 2022 from 9.78% posted at the end of the preceding quarter.

The trend in the Money Market



Source: FMDQ

11. The Stock Market

Performance at the Nigerian Exchange Group (NGX) showed bearish sentiments towards most stocks at the end of Q3 2022. These sentiments were witnessed at the Nigerian Exchange Group (NGX) as investors continued profit-taking and sell-offs, diversifying their portfolios in favour of higher yields in the fixed-income market. The All-Share Index (ASI) closed Q3 2022 at 49,024.16 points compared to 51,817.59 points posted at the end of Q2 2022, reflecting a 5.39% decrease. Similarly, market capitalization trended southward, closing the quarter at ₦26.00 trillion compared to ₦27.94 trillion posted at the end of Q2 2022, reflecting a 6.94% decrease.

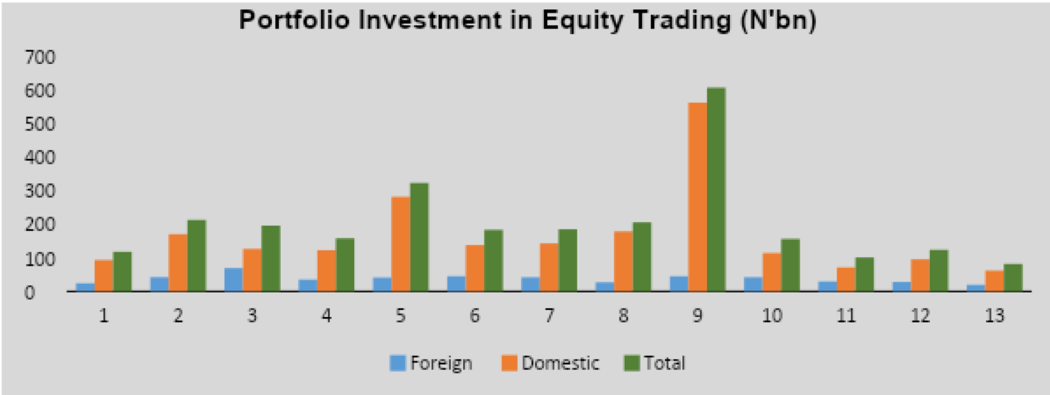
Nigerian Exchange Limited: All Share Index and Market Capitalization

Source: NGX

12. Portfolio Investment – NGX

Total transactions from portfolio investments into the nation's equity bourse plummeted in Q3 2022, closing at ₦81.90 billion from ₦156.52 billion posted in Q2 2022. Domestic portfolio investment dominated the bourse, contributing 75.98% to the total transaction recorded at the end of Q3 2022 while Foreign Portfolio Investment (FPI) contributed 24.02%. The net FPI for equity trading remained positive as the inflow outperformed the outflow by ₦0.49 billion.

Domestic & Foreign Portfolio Participation in Equity Trading

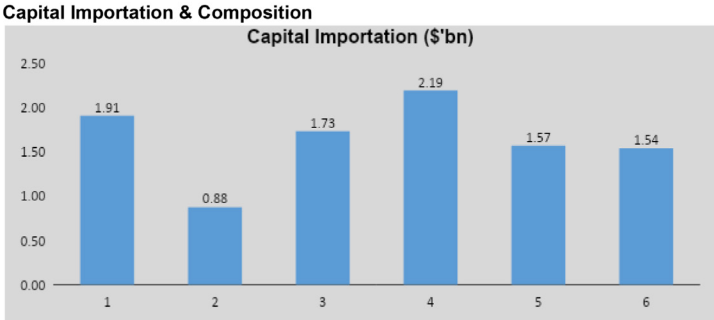


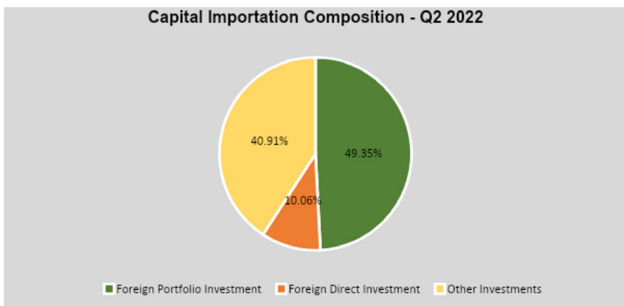
Source: NGX

13. Capital Importation

Capital imports into Nigeria declined by 1.91% to settle at $1.54 billion in Q2 2022, compared to $1.57 billion recorded in Q1 2022. Foreign Portfolio Investment (FPI) accounted for 49.35% of total capital imported, reaching $0.78 billion in Q2 2022 from $0.96 billion posted in Q1 2022. Other Investments and Foreign Direct Investment (FDI) contributed 40.91% and 9.74% to the capital imported in Q2 2022, respectively. In the reference period, the United Kingdom maintained its spot as the leading source of capital import to Nigeria and Lagos remained the top destination for capital import.

Capital Importation & Composition



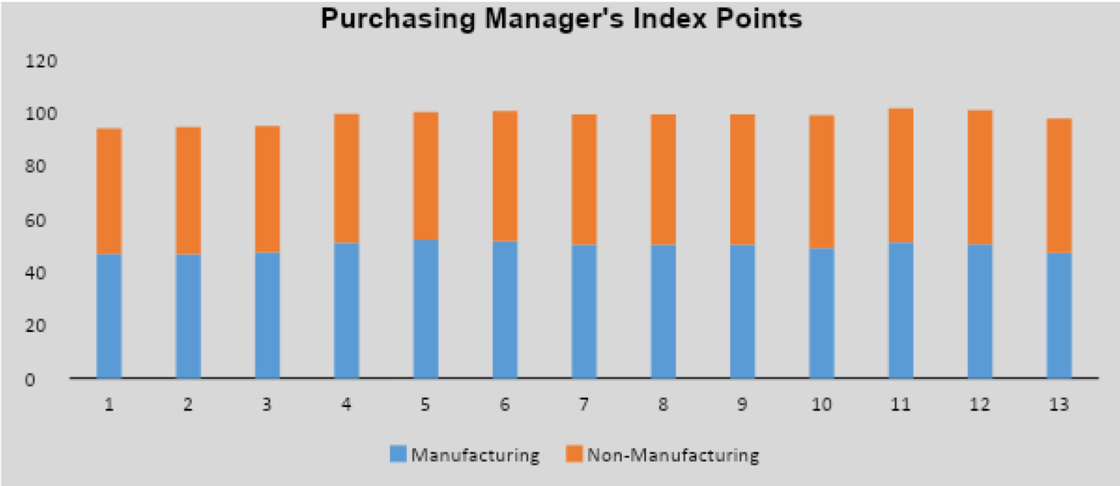


Source: NBS

14. Purchasing Managers' Index

The manufacturing Purchasing Managers' Index (PMI) closed August 2022 at 47.2 index points compared to 51.1 points recorded at the end of Q2 2022, reflecting a decline in manufacturing activities. On the other hand, the non-manufacturing PMI remain unchanged at 50.3 index points.

Purchasing Managers' Index



Source: NBS

15. Credit Ratings

Moody's downgraded Nigeria's local and foreign currency long-term issuers ratings as well as the foreign currency senior unsecured debt ratings to B3 from B2, placing them on review for downgrade. The downgrade was driven by the significant deterioration in Nigeria's government finances as well as its external position, exerting increasing pressure on the sovereign credit profile despite an impressive rise in oil prices for the most part of 2022. Also, policy levers, available to manage weaker oil revenue and rising borrowing costs amid monetary tightening in Nigeria and globally, are limited. Similarly, on the external front, the capacity of the CBN to protect foreign exchange reserves from external outflows has its limits.

Fitch also downgraded Nigeria's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'B-' from 'B' with a Stable outlook. The downgrade was driven by high debt service, high cost of fuel subsidy, increasing debt burden, stagnant oil production, foreign-currency liquidity pressures and high inflation. Low oil production and the huge payment on fuel subsidy have consumed most of the fiscal benefit of high oil prices in 2022 and will continue to stress already low government revenue levels. Further monetary tightening brings downside risks to both the GDP growth outlook as well as the government's domestic borrowing costs. The inability to reliably source US Dollars on the official FX market has in turn contributed to lower portfolio inflows, which will continue to put further pressure on foreign-currency liquidity. Fitch forecasts inflation to average 19% in 2022 and falls only moderately to 17.8% in 2023.

16. Socio-Economic Landscape

As the day, to decide who will emerge as Nigeria's 5th democratic president, draws closer, political campaigns have begun in full swing. Presidential candidates are travelling across the country trying to convince voters why they should be elected. Debates are being organized for candidates to further explain how their manifesto will solve Nigeria's pressing issues. The Independent National Electoral Commission (INEC) continues to create awareness of voting specifics to promote a free and fair election while maintaining transparency. With about 18 candidates, from the 18 registered political parties, in the race, it is safe to say that Nigerians are spoiled for choice. Come, February 25th, 2023, Nigerians will make a choice that will stick with them for the next 4 years.

The misery index, which is a combination of the inflation rate and unemployment rate, nudged higher by 217bps to sit at 54.07% in September 2022 relative to 51.90% posted in June 2022. An increase in the September inflation was mostly driven by higher food and energy prices, thus pushing up the misery index. The impact of the ongoing Russia-Ukraine crisis is becoming intense on the economy as the prices of deregulated energy products and food products continue to soar. This increase is worsening the living standard of poor Nigerians.

17. Financial Sector Developments

The Monetary Policy Committee (MPC) of the CBN in its July and September meetings adopted a tighter monetary stance. The Monetary Policy Rate (MPR) was raised by 100 and 150 bps to 14% and 15.5% - the 2nd and 3rd MPR increase in 2022 as the fight to curb the soaring inflation rate continued. The committee remains cautious of protecting fragile economic growth as there is the dilemma of what level of monetary tightening is sufficient to rein in soaring inflation without hurting recovering economic activities given that borrowing costs will rise. Also, the Cash Reserve Ratio (CRR) was increased to 32.5% from 27.5% while other parameters were left unchanged.

On October 26th, 2022, Governor Godwin Emefiele announced that, with the approval of President Muhammadu Buhari, the CBN is set to redesign, produce, release, and circulate new series of banknotes at N200, N500, and N1,000 levels. This move was triggered by significant hoarding of banknotes, worsening shortage of clean and fit banknotes and increasing ease and risk of counterfeiting. Furthermore, the CBN believes that redesigning the currency will help achieve its goal of a cashless economy, as it will be complemented by increased minting of the e-Naira and make monetary policy more effective. The new currency will begin circulation on December 15, 2022. The new and existing currencies shall remain legal tender and circulate together until January 31, 2023, when the existing currencies shall cease to be legal tender.

Section 3

OUTLOOK FOR Q4 2022

GDP Growth

The Nigerian economy is expected to close the year 2022 at around 2% largely driven by inflationary and exchange rate pressures, and relatively lower oil output, amongst other challenges.

Foreign Exchange

The Naira is expected to hover between ₦440/$ and ₦455/$. The rising demand for the Dollar amidst its weakened supply will continue to hurt the value of the Naira.

Crude Oil

Oil prices might close the year below $100/b as global recession worries and a weakening demand outlook overshadowed concerns about tighter oil supply

Monetary Policy

The CBN is expected to maintain its contractionary stance in Q4 2022. This will be aimed at effectively curtailing soaring price levels.

Foreign Reserves

Foreign reserve is expected to average between $37 billion - $38 billion at the end of 2022 as the CBN continues to uphold the value of the Naira amidst foreign exchange market pressures.

Inflation

The average inflation rate is expected to remain well within the double-digit space which is above the CBN's target of 6-9%. The pass-through effect of currency depreciation, the rising cost of deregulated energy prices, supply chain constraints, and worsening security challenges will fuel inflationary pressure.