ACCESS ECONOMIC QUARTERLY
FULL YEAR 2019

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ACCESS ECONOMIC QUARTERLY FULL YEAR 2019

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1.0
GLOBAL ECONOMY

GLOBAL ECONOMY

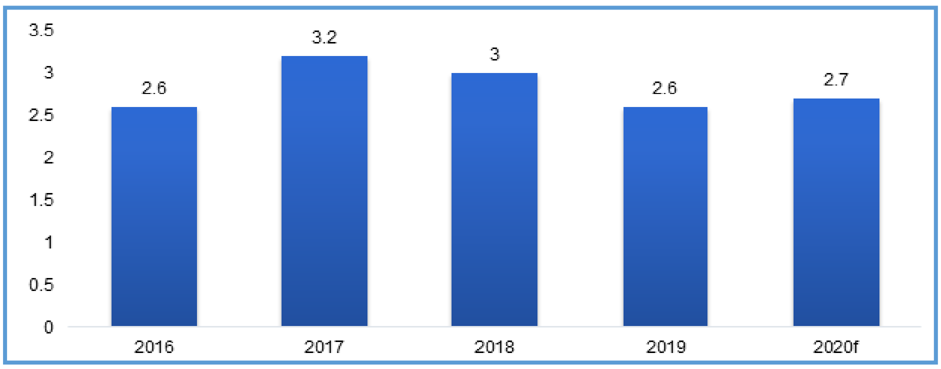
The pace of global economic activity remained weak and is projected to grow by 2.4% in 2019, according to the World Bank. Escalating trade war and geopolitical tension dimmed the positive outlook for the global economy, taking a toll on business confidence and investment decisions. However, growth is expected to pick up slightly in 2020 expanding by 2.5% reflecting recovery in a group of emerging market economies.

Growth in the Asian region remained robust but is projected to moderate at 5.4% in 2019 from 5.9% in 2018. According to the Asian Development Bank, it is however expected to increase 5.5% in 2020. The downgrade, from the previous forecast figure, by 0.3% for 2019 and 0.1% in 2020 reflects uncertainties from the re-escalation of the US-China trade war and slow growth of advanced economies.

The Eurozone economy grew 0.2% quarter-on-quarter in Q3 2019, same growth recorded in the preceding quarter. Germany which is the Eurozone's biggest economy avoided entering a technical recession as it grew from -0.2% in Q2 2019 to 0.1% in Q3 2019. Growth in the Eurozone was largely driven by household and government spending and investments while the negative contributors to the GDP were net trade and inventory changes.

Emerging market economies, though under restrain or have underperformed relative to past average would account for the bulk of the projected recovery in 2020. India's growth weakened in 2019 as the corporate and environment regulatory uncertainty coupled with the growing concerns of the health of the nonbank financial sector weighed on demand. Other large emerging economies such as Brazil, Saudi Arabia, Mexico and Russia are expected to grow with about 1% or less in 2019. This is below their historical averages. Brent crude oil traded between $57 and $69 per barrel in 2019. Oil prices saw a slight increase given the fact that the Organization of the Petroleum Exporting Countries (OPEC) implemented production cuts – a fallout of weak global demand.

GLOBAL GDP GROWTH



Source: World Bank

1.1 United States

The United States economy grew by 2.1% year-on-year in Q3 2019, an uptick from 2.0% recorded in the previous quarter and a decline from 2.9% posted in the corresponding quarter of 2018. However, this reflects relative stronger consumer spending and upgrades to business spending on non-residential structure which helped to limit the decline in overall business investments.

GDP Growth Rate & Forecast – United States of America

Source: Bloomberg

Amidst the US – China trade war and global slow down, the Federal Reserves lowered the benchmark interest rate in October 2019 for the third time in four months. The interest rate was lower by a quarter point to a range of 1.5% to 1.75%. The Fed however, signalled to pause on rate cut, access the economy after previous rate cuts in 2019 before deciding a further rate cut or not.

The US trade deficit stood at $63.0 billion in November 2019, an increase of approximately 5.5% from October 2019 which recorded a deficit of $66.7. While imports dropped by 1.3%, exports grew by 0.7%. The further shrinking of the trade deficits provides a positive outlook for growth in Q4 2019 for the American economy. The shrinking of the trade deficit could be attributed to the first phase deal of a trade agreement between the US and China which helped calmed the fear of an escalating trade war.

Inflation rate in US rose by 2.3% in December 2019 compared against 1.9% in December 2018 – buttressing the point made by the Fed to

GLOBAL ECONOMY
UNITED STATES/EURO AREA

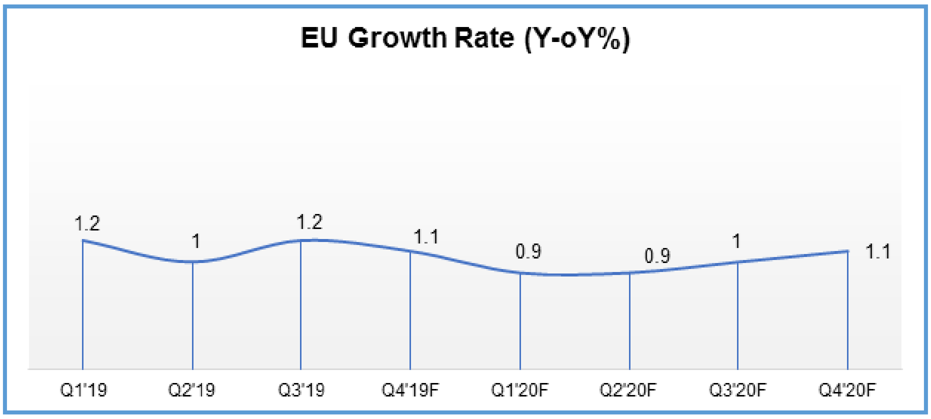
pause on interest rate cut. The uptick was driven increase in the prices of food, gasoline, used cars and truck and healthcare cost. Unemployment rate settled at 3.5% in December 2019.

GDP growth in the US, according to Bloomberg composite rate, is expected to slide to 1.6% in Q1 2020.

1.2 Euro Area

The Eurozone grew 1.2% year-on-year in Q3 2019 lower than 1.6% annual growth in Q3 2018. The growth reflects healthy consumer spending but was constrained by cooling investment activity and an unsupportive external factor.

GDP Growth Rate & Forecast – Eurozone



Source: Bloomberg

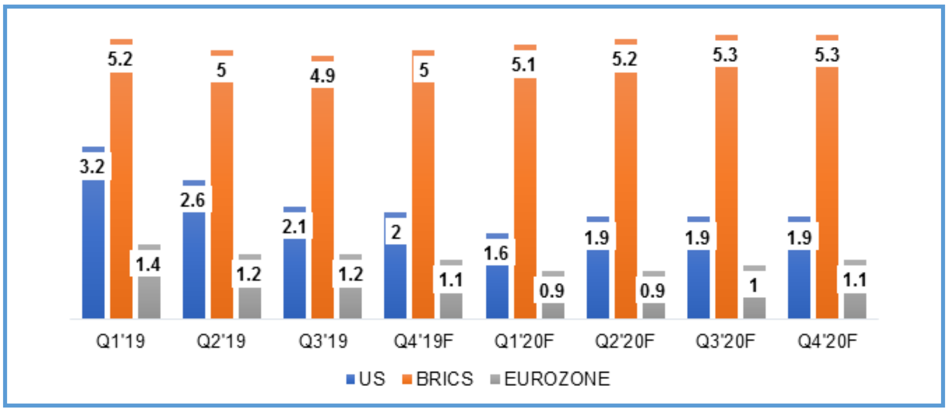
Inflation rate rose by 1.3% in December 2019 up from 1.0% in November 2019 but lower than 1.6% recorded in December 2018. The European Central Bank (ECB) has an inflation target of around 2% but has failed to bring inflation rate close to 2% despite its ultra-loose monetary policy. The conclusion of the UK General Elections which brought Boris Johnson back to power, makes a clear path for Brexit to happen in 2020. This would help reduce uncertainties surrounding Brexit.

A decline in industrial output in October, weak Purchasing Managers Index (PMI) for November and December and dwindling business sentiment in November reflected protracted weakness of growth while reduced retail sales and consumer confidence reflects slow consumer spending. Political uncertainty in Italy and Spain coupled with Brexit dims the positive outlook for Eurozone.

GLOBAL ECONOMY
UNITED STATES/EURO AREA (Euro Area)

According to the composite rate by Bloomberg, Eurozone GDP is forecast to drop marginally to 0.9% in Q1 2020.

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



Source: Bloomberg

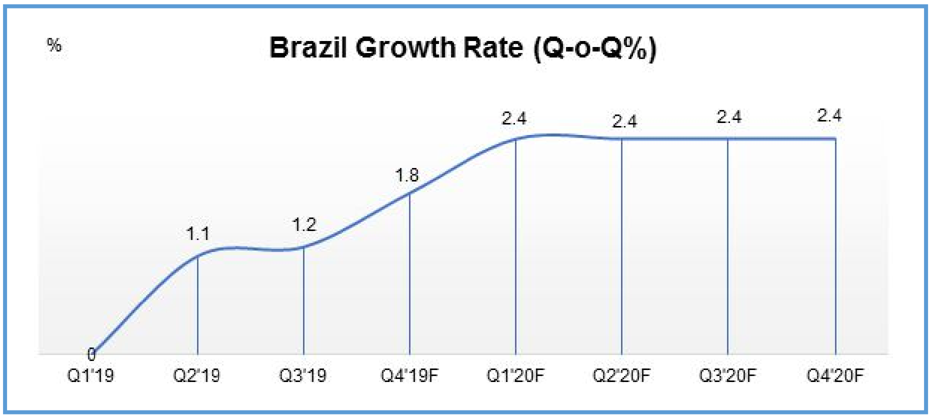
1.3 Brics

Some of the economies of BRICS experienced moderate growth while others showed slow growth in Q3 2019. GDP growth in Brazil picked up pace helped by improvement in economic activity and retail sales. The Russian economy also enjoyed an expansion in growth which was driven majorly by monetary easing and faster public spending. The Indian and Chinese economy experienced a slowdown. While the Indian economy suffered from weak consumer demand, low private investment and shrinking exports, the Chinese slow growth was majorly driven by the effect of the US-China trade war which took a toll on local demand, factory activities and export. South Africa grew at a slower pace compared to the previous quarter and the corresponding quarter of 2018.

Brazil

The growth engine of the Brazilian economy added steam adding 1.2% in Q3 2019 from a revised 1.1% in Q2 2019 although lower than the 1.5% in Q3 2018. The modest growth reflected improvements in economic activity and retail sales over the last quarter.

GDP Growth Rate & Forecast – Brazil

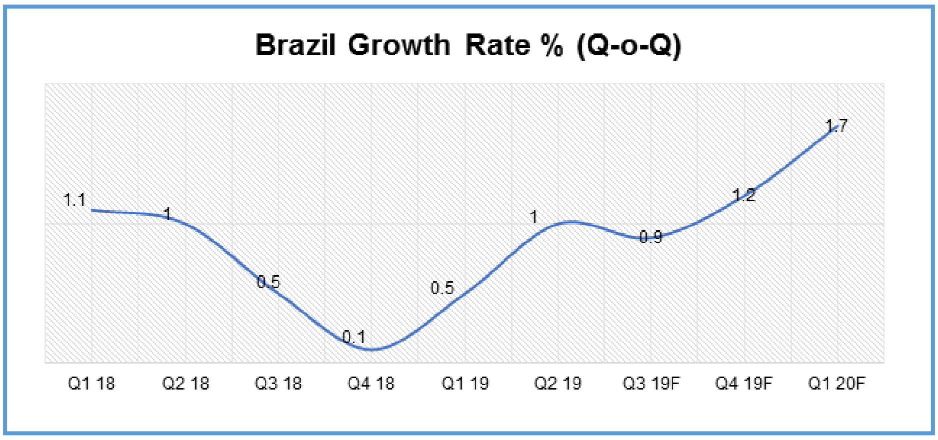


Source: Bloomberg

Inflation rate grew 4.31% in December 2019 higher than 3.75% recorded a year earlier. The inflation rate was slightly above the central bank's target of 4.25% which has a tolerance margin of 1.5% on either side.

Brazil's PMI stood at 50.2 in December 2019, a sharp drop from 52.6 point in December 2018. The sector shed jobs in December for the first time since July, as the employment index fell to 49.3% from 54.5% in December 2018.

GDP Growth Rate & Forecast – Brazil



Source: Bloomberg

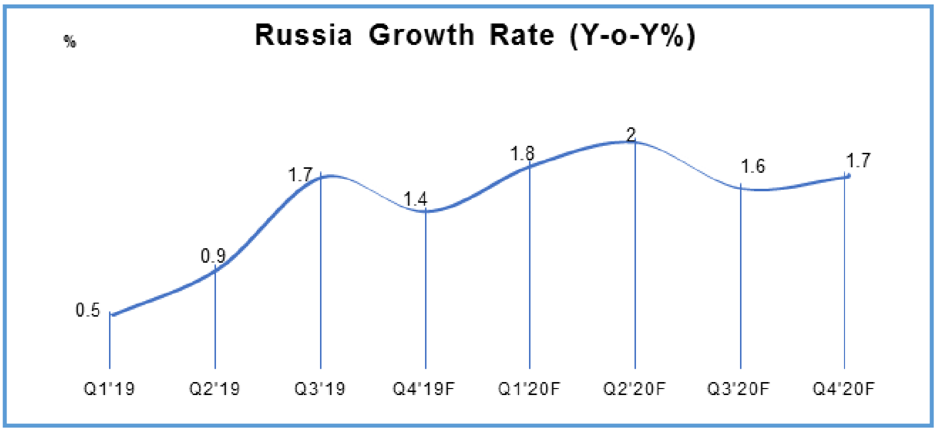
Trade surplus shrunk in December 2019 settling at $46.67 billion compared to $58 billion in December 2018. Overall exports for 2019 posted a figure of $224 billion which was the largest drop while imports were $177.3 billion. Brazil's trade surplus decline is attributed to the slow global growth, uncertainty surrounding the US-China trade war, evaporated demand from Argentina due to its renewed slide into economic and political crisis which reduced Brazilian exports of manufactured goods by $5.2 billion and the outbreak of African swine fever in China which reduced soy exports by $6.7 billion.

Growth is seen gaining steam in 2020, on the back of recovering confidence and accommodative monetary policy. The government has provisionally signed into law increase in the minimum wage $248 to $258 to take effect in 2020.

Russia

Russia economic growth picked up in Q3 2019 accelerating by 1.7% from 0.9% in the preceding quarter but a decline relative to the Q3 2018 figure of 2.2%. The growth was stimulated by monetary easing and faster public spending amongst others. The pickup in Q3 2019 came after a weak performance in H1 2019.

GDP Growth Rate & Forecast – Russia



Source: Bloomberg

The Bank of Russia decided to cut its key rate by 25 basis point in December 2019 to 6.25% from 6.50%. This decision brought down yields on government bonds, deposit and lending rates. Corporate and mortgage lending is also expected to ratchet up following this rate cut.

Inflation rate declined to 3% at full year 2019 from 3.5% in November 2019 and 4.2% in full year 2018. The Bank of Russia forecasts annual inflation to reach 3.5% to 4% in 2020 and 4% further on, given its monetary stance.

Growth in Russia is projected by the World Bank to reach 1.2%, 1.6% & 1.8% in 2019, 2020 & 2021 respectively. A less contractionary monetary policy and increased spending on national projects, which is expected to contribute about 0.1% and 0.2%-0.3% in 2020 and 2021, is expected to stimulate growth. The moderate poverty rate is expected to continue to through 2021.

India

The Indian economy grew weakly at 4.5% in Q3 2019 a decline from 5% and 7% in the preceding quarter and corresponding quarter of 2018 respectively. Consumer demand, private investment and export were seen to be struggling resulting to slow growth. This has been its weakest growth since 2013.

GDP Growth Rate & Forecast – India

Source: Bloomberg

The government of India cut corporate taxes from 30% to 22% in a bid to ramp up private investment, employment and economic growth. Four sectors of the economy experienced Foreign Direct Investment (FDI) rules liberalization to open avenues for foreign investment as lack of investment was seen to be part responsible for the sluggish growth. The government approved foreign investment in digital media up to stakes of 26%, allowed 100% foreign investment for coal mining, associated infrastructure and sales of fuel.

Inflation rate grew to 7.35% at full year 2019 compared to 2.11% in the corresponding period of 2018. This is above the inflation target of the Reserve Bank of India (RBI) which is in the range of 4% with a margin of 2% on either side. The growth in inflation was attributed to the spike in food inflation which grew to 14.12% at the end of 2019 relative to a -2.65% at the end of 2018. RBI halted its decision of a further rate cut after 5 rate cuts in 2019, given inflationary concerns.

Moody cuts India's ratings outlook to negative from stable. It cited that Asia's third largest economy will continue to grow at a slower pace than in the past reflecting government and policy ineffectiveness in addressing economic weakness which has increased the debt burden. However, Moody's retained the country's foreign and local currency ratings at 'Baa2'.

GLOBAL ECONOMY
BRICS

GDP Growth Rate & Forecast – China

Source: Bloomberg.

China

Inflation rate in China remained steady at 4.5% in December 2019 which is higher than 1.9% posted in December 2018. The surge was largely driven by increase in the price of pork. However, core inflation remained subdued. Meanwhile the Producer Price Index (PPI) increased from -1.4% in November 2019 to -0.5% in December 2019 but a decrease from 0.9% in December 2018. This reflects weak demand. Weak producer prices were majorly seen in oil and gas extraction and chemical fibre manufacturing sectors.

Chinese central bank, in November 2019, injected 600 billion yuan through its Medium-term Lending Facility (MLF) to boost liquidity in the economy. It however, left lending rate unchanged due to the high inflation rate.

China exports continued to shrink amidst the US-China trade war, but imports kept growing reflecting a pickup in local demand. Trade surplus dropped to $46.79 billion in December 2019 from $56.80 billion in December 2018. The US and China are still on a negotiation of the first phase trade deal which is targeted at de-escalating a trade dispute.

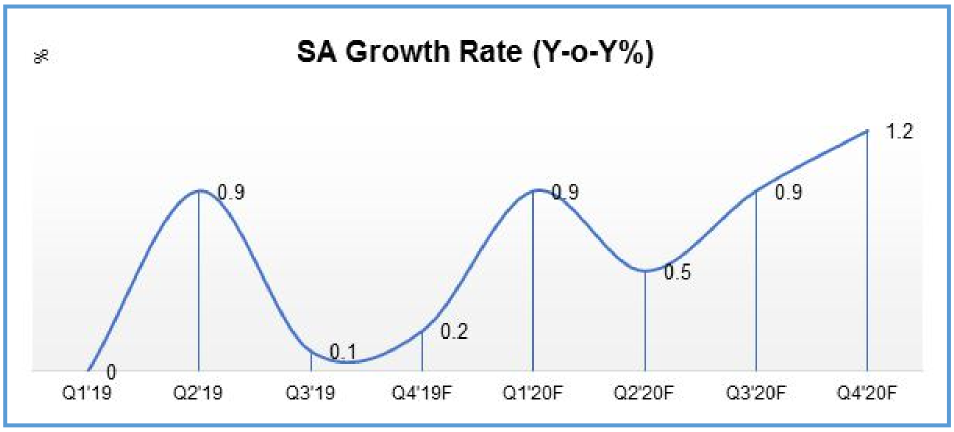
China's growth is expected to decelerate in year 2020 mostly reflecting China's structural slowdown.

GLOBAL ECONOMY
BRICS

South Africa

The South African economy expanded at a significantly slower pace of 0.1% in Q3 2019 after a growth of 0.9% and 1.1% from Q2 2019 and Q3 2018 respectively. Notably, the downturn was prompted by the utilities sector swinging to contraction as a series of breakdowns in Eskom's coal power plants triggered the return of rolling blackouts in the quarter.

GDP Growth Rate & Forecast – South Africa



Source: Bloomberg.

Inflation rate in South Africa slowed to 3.6% in November 2019, down from 3.7% and 4.5% in October 2019 and December 2018 respectively. It was the lowest inflation rate since December 2010, mainly due to a slowdown in cost of food & non-alcoholic beverages and a fall in transport prices.

The South African Reserve Bank (SARB) left its benchmark repo rate unchanged at 6.5% during the November 2019 meeting. Looking ahead, the SARB disclosed that projections point to one repo cut of 25 basis points in Q3 2020, but this direction is dependent on new developments and changing data and risks.

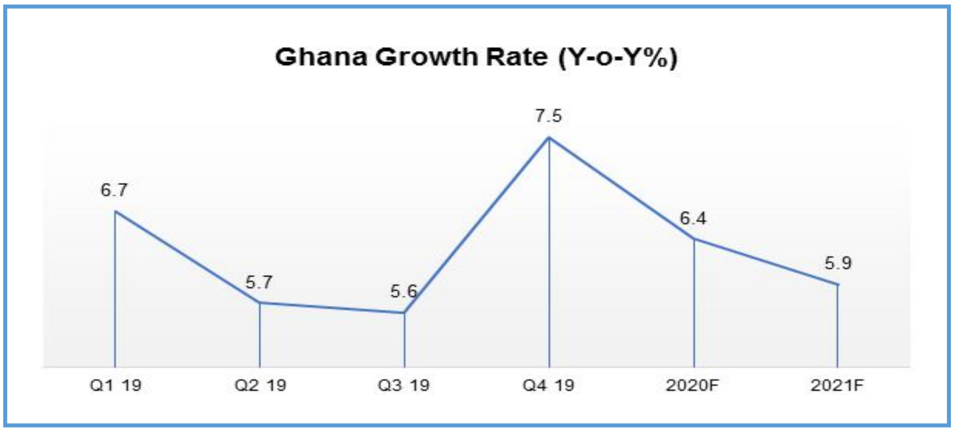
The economy is expected to recover in 2020 given cheaper credit conditions and an expected rebound in capital investment.

1.1 Africa

Ghana

The Ghanaian economy advanced by 5.6% year-on-year in Q3 2019, slower than the 5.7% and 7.4% in Q2 2019 and Q3 2018 respectively as seen in the chart below. It was the slowest expansion since Q2 2018, due to a slowdown in both the services and industrial sectors.

GDP Growth Rate & Forecast – South Africa



Source: Bloomberg.

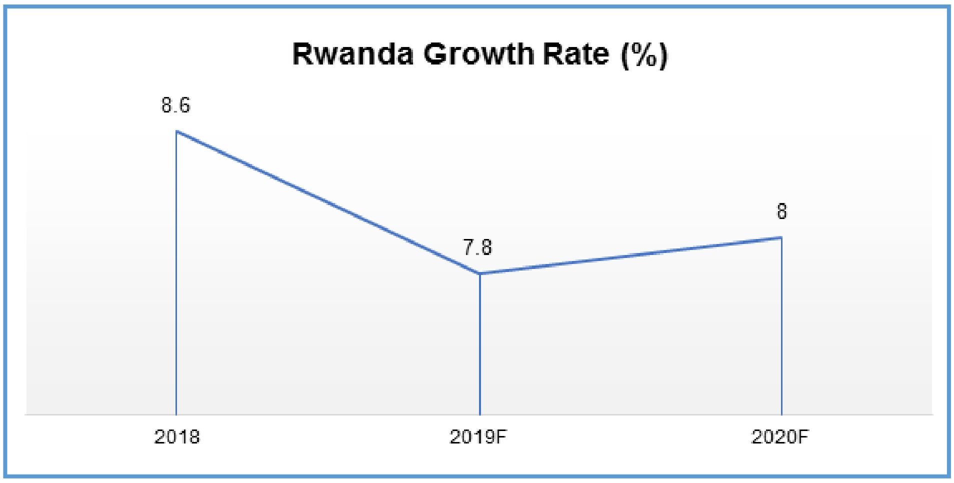
The annual inflation rate fell to 7.9% in December 2019 from 8.2% in the previous month and 9.4% in December 2018 as prices slowed for food products. The Bank of Ghana held the prime lending rate steady at 16% at its November 2019 meeting. The decision was mostly a result of the proposal to raise the budget deficit to 4.7% in 2020 from 4.5% in 2019 which would threaten economic growth and inflation outlook.

Growth outlook in Ghana is clouded due to volatile commodity prices and the risk of fiscal slippage amid impending elections.

Rwanda

The economy of Rwanda accelerated by 11.9% year-on-year in Q3 2019, slowing slightly from a 12.2% growth in the previous period. The growth was hampered by sectors that grew at a slower pace such as the industrial, manufacturing and the mining sectors. The economy however grew significantly when compared to the corresponding quarter of 2018 (7.7%). Inflation rate rose to 11.9% in December 2019, its highest level since April 2017, from 11.8% in the previous month and 1.1% in December 2018. The economy is projected to grow 8% in 2020.

GDP Growth Rate & Forecast – Rwanda



Source: Bloomberg.

2.0

THE NIGERIAN ECONOMY

The Nigerian economy enjoyed relative stability in 2019. The Consumer Price Index (CPI) was stable during the first half of the year, yielding to the monetary policy initiatives of the CBN but picked up pace subsequently following the closure of the border in August. The Nigerian land borders were closed to address the incidence of increased cross-border banditry, smuggling and dumping, insurgency and the illegal trade practices of neighboring countries whose economies had become dependent on Nigeria through smuggling through the borders. The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) retained the MPR at 13.5% during the November meeting amidst price stability, improved credit delivery, exchange rate stability, reduction in non-performing loans and output growth after cutting the rate by 50 basis points earlier in March 2019. Oil prices were volatile in the final quarter influenced by geo-political tensions and supply-demand developments. Sustained weekly FX interventions by the apex bank across various market segments kept the local unit relatively stable in the quarter.

A snapshot of the domestic economy in full year 2019 is presented below:

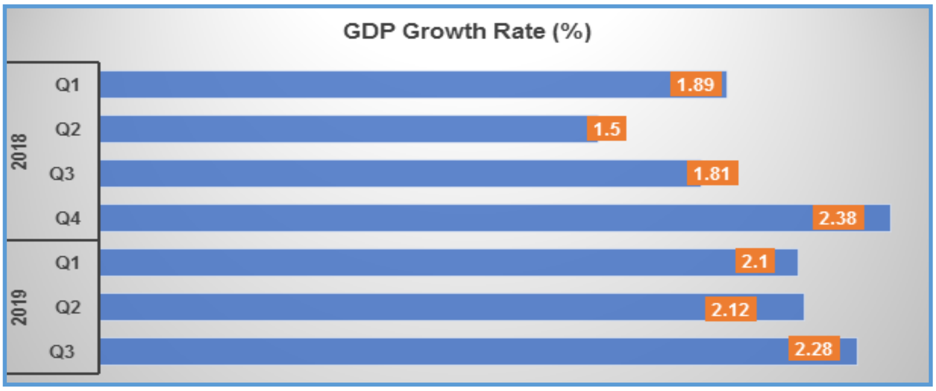
Economic output expanded by 2.28% in Q3 2019 compared to 1.81% in Q3 2018.	**FX reserves dropped to $38.60bn as at Dec 31, 2019 from $42.11 as at December 2018.**	**Credit to Private Sector rose modestly to N26.41 trillion in November 2019 from N22.71 trillion in December 2018.**
The stock market depreciated over the course of the year by 14.06%	**Naira remained stable during the course of the year at the NAFEX window**	**Inflation printed at 11.98% in December 2019 compared to 11.44% in December 2018.**
Sustained positive sentiment in the manufacturing sector, with 60.8 PMI in December 2019	**MPR maintained at 13.5%**	**Oil prices settled higher at $66.7pb at end-December from $52.42 pb in December 2018**

2.1 GDP Growth

Nigeria's economy pushed higher in Q3 2019, aided by activities in both the oil and non-oil sectors. Figures released by the National Bureau of Statistics (NBS) show Nigeria's Q3 2019 real gross domestic product (GDP) accelerated by 2.28% year-on-year (y-o-y) relative to the growth of 1.81% y-o-y in Q3 2018. During the quarter, average daily oil production rose to 2.04 million barrels per day (mbpd) from 2.02mbpd the previous quarter and 1.94mbpd in Q3

2018. Oil GDP ascended by 6.49% in the reference period slightly lower than 7.17% in Q2 2019. Similarly, the non-oil sector grew by 1.85% y-o-y (Q2 2019: 1.64% y-o-y).

GDP Growth Rate – Nigeria

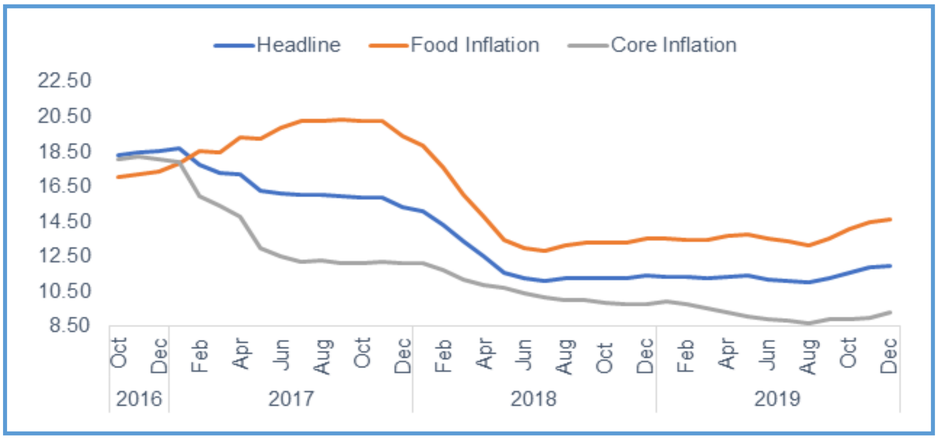


Source: NBS

2.2 Inflation

According to the National Bureau of Statistics (NBS), headline inflation increased for the fourth consecutive month in December 2019, to 11.98% year-on-year. The Consumer Price Index (CPI) has been on the rise since the closure of the land borders in August 2019. Starting the year with 11.37%, the CPI fluctuated, resulting in a low of 11.02% in August. The composite food index rose to 14.67% in December 2019, compared to 13.51% in September 2019. The "All items less farm produce" or core inflation, which excludes the prices of volatile agricultural produce stood at 9.33% in December 2019, up by 0.39% when compared with 8.94% in September 2019. At 11.98%, the December 2019 inflation rate is above the target of the Federal Government of Nigeria, which is 10.81%.

Inflation Year-on-Year

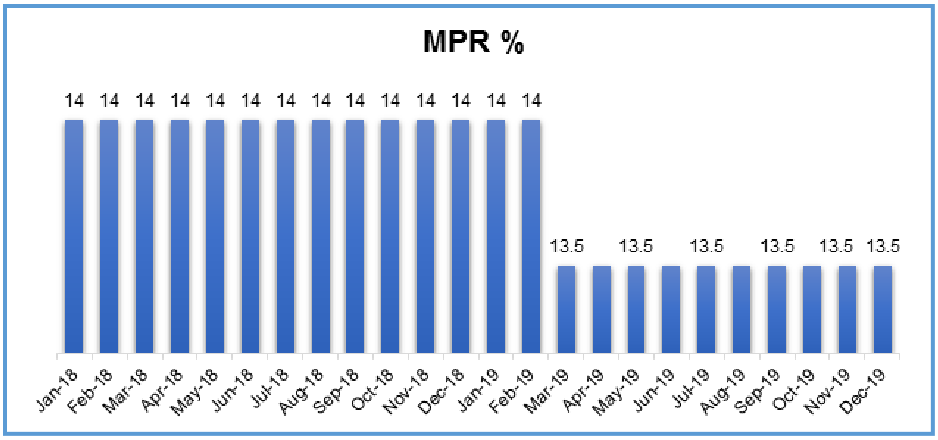


Source: NBS

2.3 Monetary Policy

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) in its final meeting of the year held on November 25 and 26, 2019 unanimously decided to leave all rates unchanged, meeting market expectations. The Committee previously adjusted the monetary policy rate (MPR) by 50 basis points in March 2019, resulting in a new MPR of 13.5% from the previous 14%. All other metrics were retained. The liquidity ratio remained unchanged at 30% and the cash reserve ratio stable at 22.5%. Likewise, the asymmetric corridor was maintained at plus 200 and minus 500 basis points around the monetary policy rate.

Trends in MPR



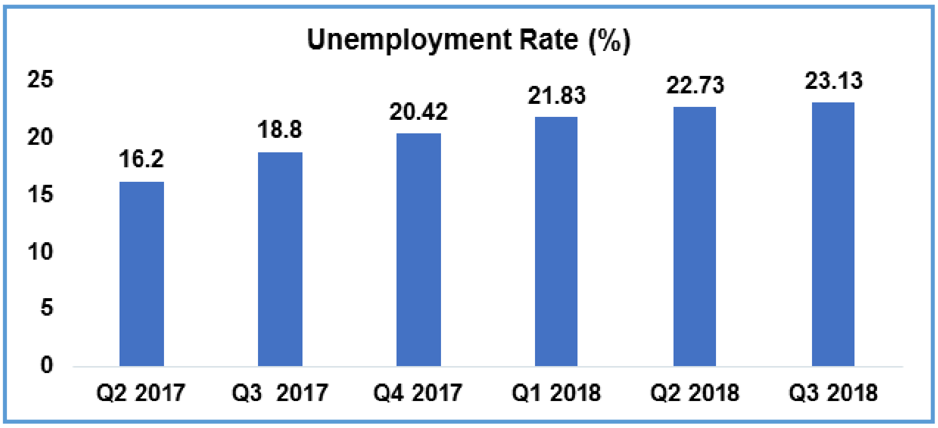
Source: CBN

2.4 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

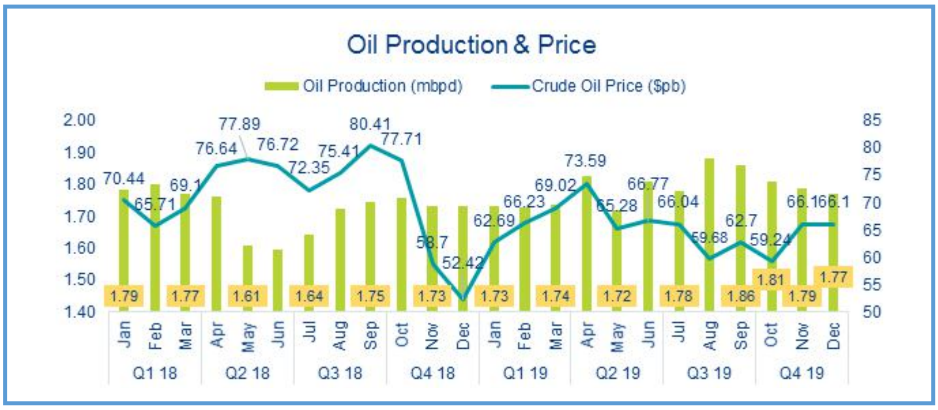
2.5 External Reserves

External reserves declined slightly in 2019 to settle at $38.6 billion in December from $43.12 billion at the end of 2018 representing a drop of about 10%. The decline in external reserves stemmed from weakening oil prices and various interventions in the foreign exchange market by the CBN.

Oil prices fell to as low as $52.42 at the beginning of the year and went as high as $75.93 per barrel in April. Despite the rise of over 20% in oil prices during the year, crude oil price barely sniffed $70 a barrel for extended periods. This was also despite attacks on the world's biggest oil producer, sanctions that crippled crude exports of two OPEC members and gigantic supply cuts from big oil producing countries. Bonny light, Nigeria's crude oil benchmark, opened the year at $52.42 per barrel and ended with $67.96 per barrel.

Nigeria pumped 2.04 million barrels per day (mbpd) in Q3 2019 based on the Nigerian Bureau of Statistics (NBS) as against 2.02 mbpd in the previous quarter and 1.94 mbpd in Q3 2018.

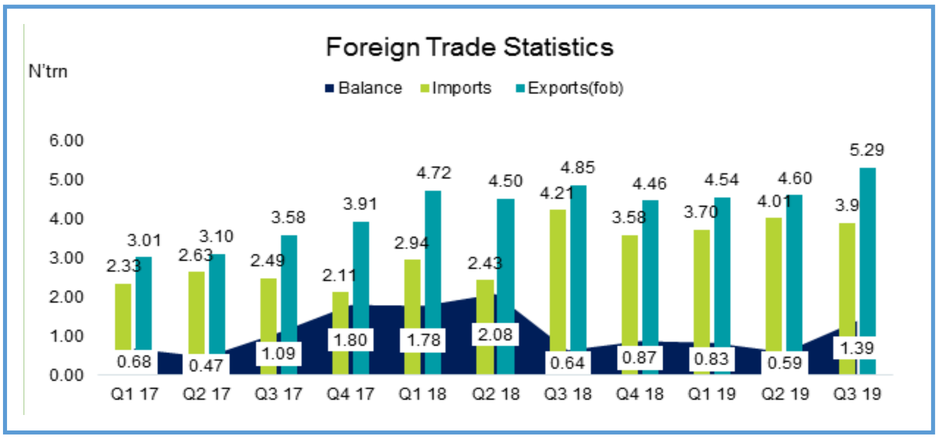
Source: CBN



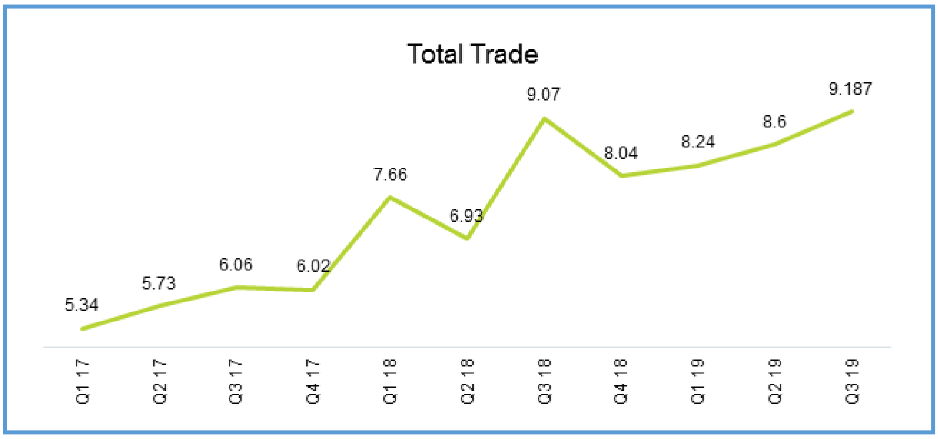
Source: CBN

2.6 External Trade

According to the National Bureau of Statistics (NBS) report, in Q3 2019, the value of Nigeria's total foreign trade stood at N9.19 trillion comprising 46.6% imports (N3.9 trillion) and 53.4% exports (N5.29 trillion). The report further shows that the value of Nigeria's total trade in Q3 2019 was higher by 6.77% when compared to Q2 2019, but 1.33% higher when compared with Q3 2018. Nigeria's trade surplus increased to N1.39trn in Q3 2019 from N588.8bn in Q2 2019 as exports continued to expand faster than imports. Ghana topped the list of major export trade partners with about 17.18% contribution to total exports. On the other hand, China remained the major import-trading partner to Nigeria with a share of 31.34% of total imports, while Belgium was the least contributor to imports amongst Nigeria's top five import partners.



Source: NBS



Source: NBS

2.7 Exchange Rate

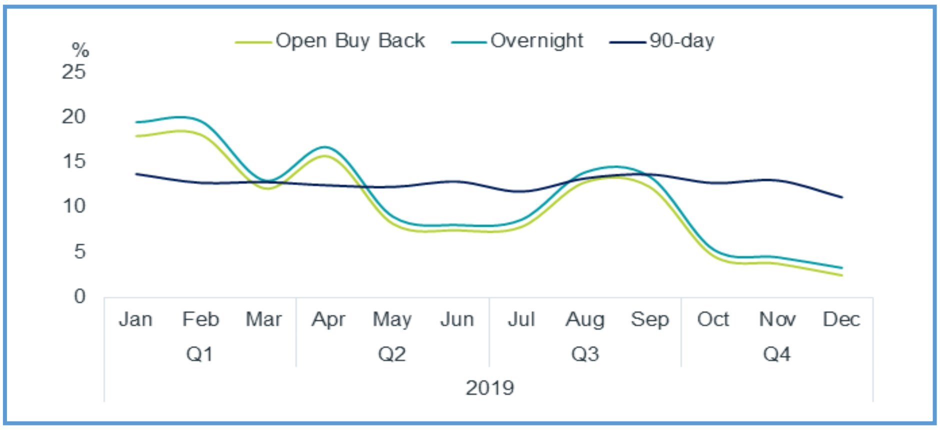
Sustained FX interventions by the apex bank across various market segments kept the local unit relatively stable during the year. However, towards the end of December, rates began to depreciate due to demand pressure during the yuletide season. Data from Financial Market Dealers Quote (FMDQ) showed that the exchange rate at the Nigeria Autonomous Foreign Exchange (NAFEX) window, settled slightly higher at N364.70/$ on December 31st compared to N364.59/$ in January, translating to a depreciation of 11 kobo. Rates fell as low as N359.95/$ sometime in March. At the parallel market, the exchange rate also depreciated to N362/$ as at December 31st, 2019, the same as it started the year with. In the month of March, the parallel rate fell to N360/$.

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

Source: CBN & FMDQ

2.8 Money Market

Money market rates were largely supported by financial system liquidity dynamics during the year. Overall, rates trended downwards amid buoyant liquidity position through Open Market Operation (OMO) maturities and Retail Secondary Market Intervention Sales (SMIS) refund. The ban on local corporates and individuals from playing in the T-bills market and the attendant liquidity glut during the period may have also resulted in the crash in money market rates. Average overnight and open buy back rates settled at 3.33% and 2.50% in December relative to 18.33% and 19.42% respectively at the beginning of the year. Similarly, longer-tenured rates such as the average 90-day NIBOR also closed the year at 11.16% lower than the beginning of the year (14.23%).

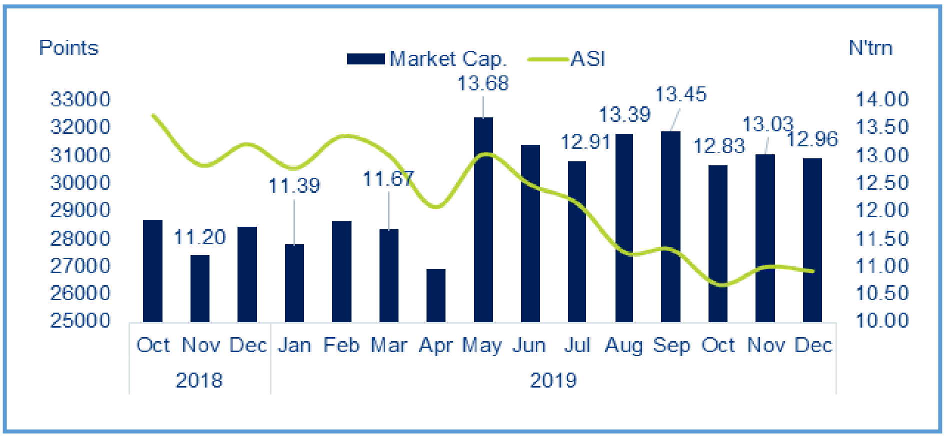


Source: FMDQ

2.9 The Stock Market

The stock market experienced weakness for the most of 2019 with the All Share index (ASI) declining between January and December. The ASI settled lower at 26,842.07 points in December from 31,070.06 points in January. The Market Cap however climbed higher between January and December to settle at 26,842.07 points in December 31,070.06 points in January. The local bourse ended the year on a bearish note due to reasons varying from oil price volatility, geopolitical uncertainties, across the globe, weak macroeconomic fundamentals and higher yields that prevailed in the fixed income space amongst others.

Nigerian Stock Exchange All Share Index and Market Capitalization

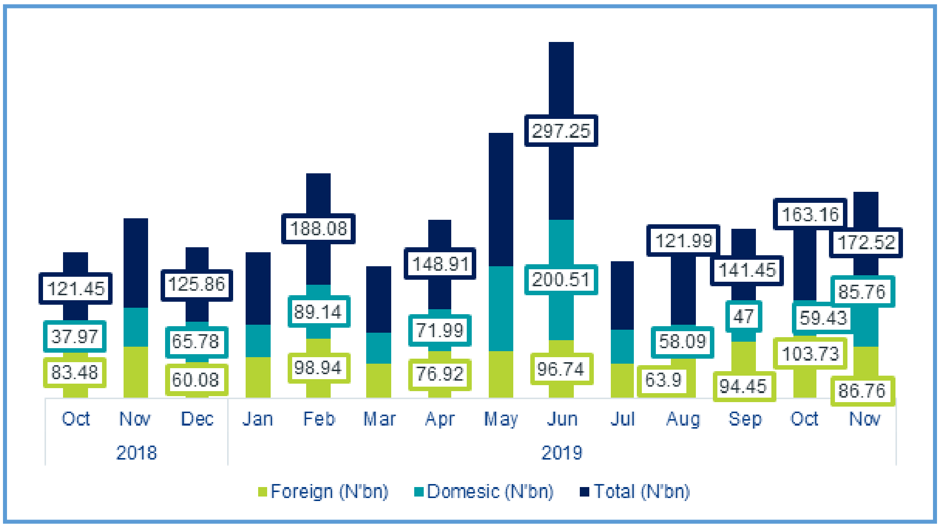


Source: NSE

2.10 Portfolio Investment – NSE

Total transactions at the nation's bourse jumped by 41.31% to N172.52 billion in November 2019 from N122.08 billion in January 2019. Foreign investors' transactions increased by 48.85% to N86.76 billion from N66.85 billion at the beginning of the year. Total domestic transactions rose by 51.15% to N85.76 billion in November 2019 from N55.23 billion in January. The CBN policy barring investors from participating in the Open Market Operations (OMO) except for Deposit Money Banks and Foreign investors may have helped to free up cash from local corporates and institutions, leading to a rally in the stock market during the period.

Domestic & Foreign Portfolio Participation in Equity Trading

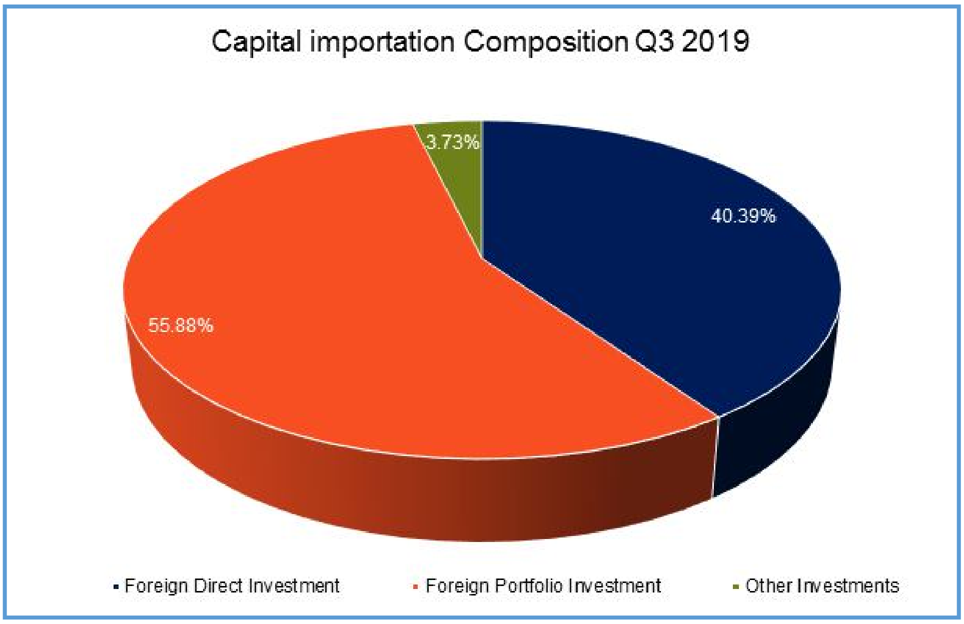


Source: NSE

2.11 Capital Importation

Foreign investment into Nigeria in Q3 2019 dropped to $5.37 billion compared to $5.82 billion recorded in Q2 2019 and $2.86 billion in Q3 2018. The breakdown of foreign investment into Nigeria shows that portfolio investment is Nigeria's biggest foreign investment inflows with 55.88% ($2.99 billion) of total capital importation in the reference quarter. Other investments accounted for 40.39% or $2.17 billion, while Foreign Direct Investment (FDI) investments are the least with $200.08 million or 3.73%. The decline in foreign investments stems from the fall in Treasury bills yields in Q3 2019, which resulted in a decrease (26.73% over the previous quarter) in the purchase of TBs by foreign investors during the quarter.

Source: NBS



Source: NBS

2.12 Purchasing Managers' Index (PMI)

The Manufacturing PMI closed the year 2019 with an index point of 60.8 points from 58.5 points in January, still pointing to a marked improvement in the health of the Nigerian private sector. Input prices continued to increase sharply, mainly attributed to the border closure and scarcity of certain products. Wages and salaries also rose and at the fastest pace in a year according to Trading economics. The index point remained above 50 during the year which is the threshold that separates expansion from contraction. The composite PMI for the non-manufacturing sector stood at 62.1 points in the reference period from 60.1 points at the beginning of the year, indicating a slightly slower expansion in the non-manufacturing PMI.

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Manufacturing	58.5	57.1	57.4	57.7	57.8	57.4	57.6	57.9	57.7	58.2	59.3	60.8
Non-Manufacturing	60.1	58.4	58.5	58.7	58.9	58.6	58.7	58.8	58	58.2	60.1	62.1

Source: CBN

2.13 Credit Ratings

Fitch Ratings, a global ratings agency, has downgraded the outlook on Nigeria's Long-Term Foreign-Currency Issuer Default Rating (IDR) at Negative and affirmed the rating at 'B+'. The outlook reflects the increasing vulnerability from the current macro-economic policy setting of current administration. The agency claimed that the policies have raised risks of disruptive macroeconomic adjustment in the medium term "amid continued real appreciation of the naira".

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'.

2.14 Socio-Economic Landscape

The socio-political scene witnessed several developments during the year, notably;

In the month of October, The International Monetary Fund (IMF) reiterated its support for the ongoing tight monetary policy stance that had been adopted by the Central Bank of Nigeria (CBN) in the past few years. The Chief Economist and Director of Research Department, IMF, Gita Gopinath, stated this in October 2019 at the World Economic Outlook (WEO). She said the development bank supported the CBN's tight monetary policy and simpler unified exchange rate system, adding that this would alleviate the foreign exchange restrictions that had also distorted public and private sector decisions and holding back of investments. She expressed concern about the low level of per capita income in Nigeria, just as she reiterated the need for a comprehensive reform package in the country. According to her, the fate of the Nigerian economy depends largely on volatility of crude oil prices.
Still in October, the nation's push to earn more revenue from oil received a major boost as the House of Representatives concurred with the Senate passage of the bill to amend the Deep Offshore and Inland Basin Production Sharing Contract (PSC) Act governing the PSC agreements between the federal government and the International Oil Companies (OICs). The passage of the bill will provide the federal government further legal backing to pursue the $62 billion claim that it claimed arose as a result of the failure to review the production sharing formula, when oil price exceeded $20 per barrel.
In November, the President assented to the bill amending the Deep

Offshore and Inland Basin Production Sharing Contract (PSC) Act governing the PSC agreements between the federal government and International Oil Companies (OICs). The House of Representatives had earlier concurred with the Senate and passed the bill. With the signing of the bill into law, the country is projected to earn an additional income of $1.4 billion annually from the oil majors.

In the month of November, the Federal Government sourced a fresh €500m loan for the Bank of Industry (BoI) from Credit Suisse AG, London branch, and a syndicate of international lenders. The facility (about N200bn) was approved at the Federal Executive Council (FEC) meeting presided over by President Muhammadu Buhari in Abuja. The Minister of State, Budget/National Planning, Mr Clement Agba, spoke with State House Correspondents after the FEC meeting. He explained that the loan was sourced to finance industrial activities and agriculture. Agba added that up to 1.2 million new jobs would be created through the utilisation of the loan. He said, "The loan is basically to finance major industrialisation projects and Micro Small and Medium Enterprises value chain in Nigeria for up to five years' tenure at affordable rates.

Also, in the month of November, Brazil said it has set aside $100 million for the promotion of agribusiness finance in Nigeria and is ready to increase it to $1 billion in the next three years. This was disclosed during a symposium on agribusiness finance, with the theme: "Making Agribusiness Bankable: Lenders and Investors Expectations," which was organised by the Financial Services Group (FSG) of the Lagos Chamber of Commerce and Industry (LCCI). The fund is meant to enable Nigerian farmers to access agro machineries from Brazil. He said Brazil would assist Nigeria in cassava and sugar cane production. The Nigerian agriculture sector, according to President of LCCI, attracted $169.37 million foreign direct investment between April and June 2019. Nigeria needs to scale up investments in improving agriculture yield and integrating the value chain over the next decade to effectively capture a significant share of the market."

Still in the month of November, the Board of the African Development Bank (AfDB) approved $210 million for the Transmission Company of Nigeria (TCN) to build new electricity transmission infrastructure in the North-west, South-south and South-east regions of Nigeria. The transmission projects will be built under the first phase of TCN's Nigerian Transmission Expansion Project (NTEP -1). The approval came from a board resolution of the AfDB after a meeting at its headquarters in Abidjan, capital of Ivory Coast. The development followed a disclosure by the Office of the Vice-President, Prof. Yemi Osinbajo, that Nigeria's power sector has so far lost N567.824 billion to power production constraints such as inadequate gas supply, distribution and transmission infrastructure.

In December, the Board of Directors of the African Development Bank (AFDB) approved a $124.2 million loan to finance the Urban Water Sector Reform and Akure Water Supply and Sanitation Project in Nigeria. The amount includes an African Growing Together Fund (AGTF) loan of $20 million. The overall project cost is $222.69 million and will span five years from 2020 to 2025. The bank in a statement said: "The project is set to address bottlenecks in critical water supply services to households in the densely populated project area. It would provide residents of Akure city (Ondo State) and its environs, access to safe drinking water and sanitation. The project will strengthen the Federal Government's capacity to facilitate urban Water Supply and Sanitation reforms. The project will particularly contribute to improving the living conditions of the communities in the project area. Involving these communities in the public awareness and marketing activities, will increase the project's ownership and ensure they pay for the water supply and sanitation services. The loan will also help to install sanitation infrastructure for schools, hospitals, markets.

Also in December, eleven days after the National Assembly passed the N10.594 trillion 2020 budget, President Muhammadu Buhari signed the 2020 Appropriation Bill into law. The N10.59 trillion budget, is N264 billion higher than the N10.33 trillion estimates presented by the president in October. It is made up of N4.84 trillion allocations for recurrent expenditure, N2.46 trillion for capital expenditure, N2.72 trillion for debt servicing, fiscal deficit of N2.28 trillion and deficit to Gross Domestic Product (GDP) ratio of 1.52 per cent. In the budget, the Ministry of Defence got the highest vote of N784.59 billion for recurrent expenditure and N116.181 billion for capital expenditure while the Ministry of Education got N490.3 billion for recurrent expenditure and N84.728 billion for capital expenditure. Furthermore, Works and Housing Ministry got the highest capital expenditure allocation of N315.56 billion and N27.98 billion for its recurrent expenditure. The budget was predicated on a crude oil production volume of 2.18 million barrel per day, oil benchmark of $57 and N305/$ exchange rate. Other components of the Appropriation Bill include the GDP growth rate projection of 2.93 per cent and inflation rate of 10.81 per cent and statutory transfer of N556.7 billion.

Following this decision, banks began collaborating with credit bureau operators to achieve the new LDR policy. CRC Credit Bureau Managing Director/CEO confirmed that lenders were relying on data supplied by credit bureau operators to decide who gets a loan and at what rate. According to the Credit Bureau boss, many customers have been receiving emails from their banks, asking them to take loans based on data supplied to them on such customers' by credit bureaux. It was revealed that operators had deployed data mining tools and products that would enable them profile bank customers or help banks profile customers to determine if they could borrow.

Still in July, the Federal Government revealed that it spent a total of $357.26m in the first three months of the year to service external debt, the Debt Management Office (DMO) has disclosed. Statistics obtained from the DMO showed that commercial loans gulped the largest amount spent on external debt servicing in the first quarter of the year. A total of $210.76m was spent on commercial loans. This represented 58.99% of the external debt servicing spending. The commercial loans include Eurobonds whose maturity dates range from 2018 to 2038. Multilateral loans were another component of the external loans that consumed some considerable resources in servicing. A total of $79.4m representing 22.22% was spent on servicing multilateral external loans. The multilateral loans include funds dispensed by the International Bank of Reconstruction and Development (IBRD) and the International Development Association (IDA), two arms of the World Bank; the African Development Bank (AfDB) and the Islamic Development Bank (IDB).

Still in the seventh month, the nation's external debt stock rose by 148% in almost four years of the President Muhammadu Buhari administration, data from the Debt Management Office (DMO) showed. The external debt soared to $25.61bn on March 31, 2019 from $10.32bn on June 30, 2015, according to the DMO. Eurobonds worth $10.87bn accounted for the largest chunk of the external debt, as it rose by 625 per cent from $1.5bn on June 30, 2015. The debt owed to the World Bank rose to $8.90bn from $6.19bn in the period under review. China, through its Export-Import Bank of China, is the third biggest lender to Nigeria with a loan of $2.55bn as of March 31, 2019, up from $1.39bn as of June 30, 2015.

2.15 Financial Sector Developments

In October, further to the previous circular on "Implementation of the Cashless Policy", the CBN released the list of existing exemptions until March 31, 2020 when it will be reviewed. They are; revenue generating accounts of the Federal, State and Local Governments; embassies, diplomatic missions, multilateral agencies, aid donor agencies in Nigeria, ministries, departments and agencies of government; mobile money operators (foal account only); Microfinance Banks (MFB) and Primary Mortgage Institutions (PMIs) accounts with DMBs.

In the eleventh month, the CBN issued a circular that it is developing a guidance note to banks and other financial institutions on the initiation, evaluation and pricing of shared services and other matters connected thereto. This is since the absence of standards on shared services and transfer pricing arrangements have resulted in uneven management of shared services in the banking industry.

In November, the apex Bank circulated a regulation for the operations of Mortgage Guarantee Companies (MGCs) in Nigeria which may be accessed at the Bank's website.

In December, the CBN re-issued the Consumer Protection Regulations to improve overall compliance with the Consumer Protection Framework (CPF) by banks, other financial and non-bank financial institutions. The framework was previously issued in 2016 to enhance consumer confidence in the financial services industry and promote financial stability, growth and innovation. The Regulations prescribe far reaching requirements on fair treatment of consumers, disclosure and transparency, responsible business conduct and complaints handling and redress, in line with the principles enunciated in the CPF. All regulated institutions are required to immediately develop internal policies to comply with the Regulations and ensure approval by their respective Board of Directors. They shall thereafter forward the approved policies, which shall include comprehensive plans for consumer protection, education and enlightenment, to the Director, Consumer Protection Department, CBN on or before March 31, 2020.

In addition to this, the CBN in December, issued a circular to all Banks, Other financial and non-bank financial institution on the new guide to charges. It includes a downward review of charges for electronic banking transactions, review of other bank charges to align with market developments and inclusion of new sections on accountability/ responsibility and a sanction regime to directly address instances of excess, unapproved and/or arbitrary charges.

3.0
OUTLOOK FOR Q1` 2020 AND BEYOND

OUTLOOK FOR Q1 2020

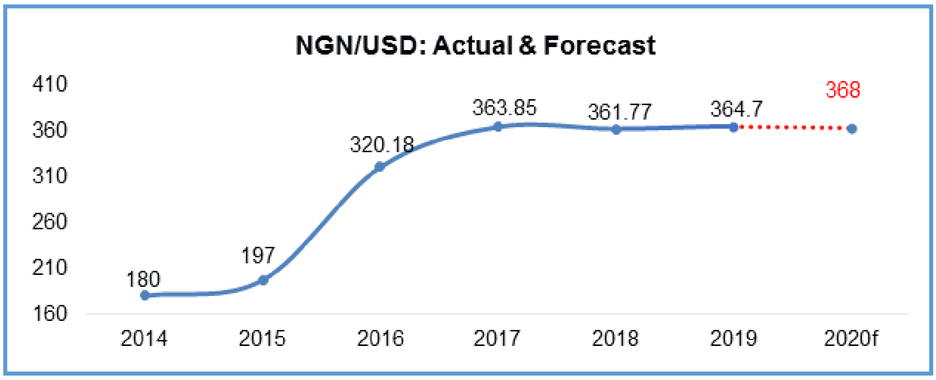
3.1 Economy

Our view is that growth will come in lower than the projected 2.93% in the 2020 budget proposal submitted by the President to the National Assembly and will likely hover at around 2.5% over the next two years, with a key risk-driver that oil prices will trend lower, given global-demand dynamics. On balance, we expect Q4 2019 GDP growth to come in at 2.58% and Q1 2020 would come in at 2.14%.

Source: NBS, Access Bank EIU

3.2 Foreign Exchange

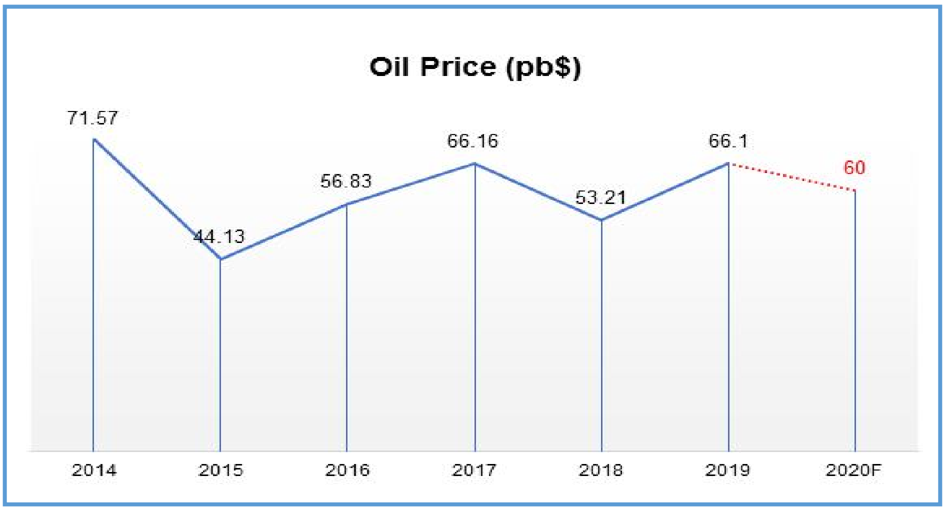
The currency witnessed relative stability in 2019 (trading around N362/$), largely on account of stepped-up FX sales by the CBN. That said, we believe the naira will likely record a very gradual pace of depreciation, moving within a narrow band of N363 - N368/$ in 2020.



Source: FMDQ, Access Bank EIU

3.3 Crude Oil

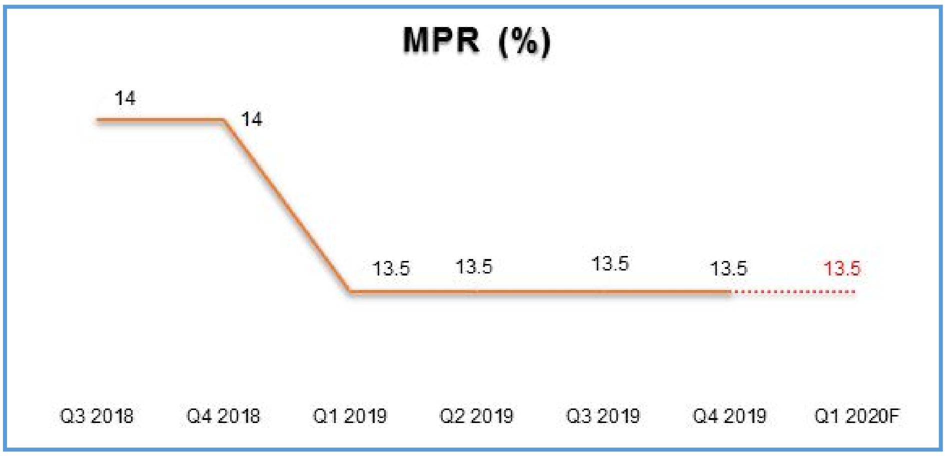
Global trade tensions are inflicting significant pain on oil prices, undercutting both market sentiment and physical demand for oil. The market has become extremely sensitive to bearish price drivers and relatively insensitive to bullish ones and this dynamic seems likely to last, set against a backdrop of persistent global trade tensions.



Source: NNPC, NBS, Access Bank EIU

3.4 Monetary Policy

We expect no further monetary policy rate (MPR) cuts following the CBN's 'on hold' decision in November. The CBN Monetary Policy Committee has retained rates a 13.5% since the 0.5% cut in March 2019. Pressure on Nigeria's FX reserves and future perceived risks may explain the CBN's recent reluctance to cut interest rates in November 2019 as it is felt that there would be more gains in short to medium term.



Source: NNPC, NBS, Access Bank EIU

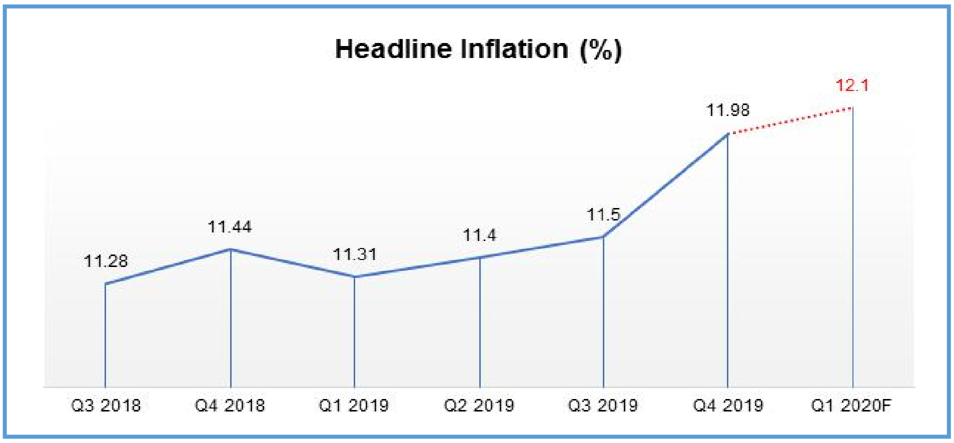
OUTLOOK FOR Q1 2020

3.5 Foreign Reserves

Slightly muted international oil prices amidst the country's decision to comply with the OPEC production cut quota will have implications for the foreign accretion in the short term.

3.6 Inflation

Upside risks to inflation in 2020 include the impending implementation of higher electricity tariffs (to be implemented in two instalments: partial increase in January and a shift to full cost-reflective tariff in July); the proposed increase in VAT rate to 7.5% from 5.0%; increase in excise duties on alcohol and tobacco; the addition of items to the FX restriction list; stricter policy enforcement at the borders, and to a lesser extent, the planned implementation of the minimum wage increase.



Source: NBS, Access Bank EIU

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