ACCESS ECONOMIC QUARTERLY
Q1 2020

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IN THIS EDITION

ACCESS ECONOMIC QUARTERLY Q1 2020

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1.0
GLOBAL ECONOMY

GLOBAL ECONOMY

The global economy is likely heading into recession as private economic activity collapses, owing to effective lockdown in many countries. The global policy response has been huge. Central banks have slashed interest rates, launched or massively boosted quantitative easing (QE) and extended cheap funding to the banking system. Governments are supporting private incomes lost as a result of the crisis: they are making direct payments to households, paying the wages of workers, boosting benefit payments and delaying or foregoing tax receipts. The intention is to provide a 'bridge of income' so that when economic conditions improve, a recovery can be fairly quickly established. The total size of fiscal packages is very substantial, many worth around 10% of GDP (by end-March). It is a measure of the scale of this crisis that concerns are being expressed that more may yet be needed.

The adverse impact of the coronavirus, known as COVID-19, on China's economy is set to spill over significantly to the South East Asia (SEA) region through lower tourism flows, household spending and some supply chain disruptions. We believe the impact of the coronavirus is likely to be larger than that of SARS as Chinese tourists now account for a larger proportion of visitors to the region and China is now more intricately tied into regional supply chains.

COVID-19 has struck Europe with stunning ferocity. In Europe's major economies, nonessential services closed by government decree account for about one-third of output. This means that each month these sectors remain closed translates into a 3 percent drop in annual GDP, and that's before other disruptions and spill-overs to the rest of the economy are taken into account. A deep European recession this year is a foregone conclusion.

Emerging market (EM) economies face additional difficulties as a flight to quality among investors triggers capital outflows. For oil exporters, the collapse in oil price will exacerbate the situation by putting pressure on government budgets.

GLOBAL GDP GROWTH

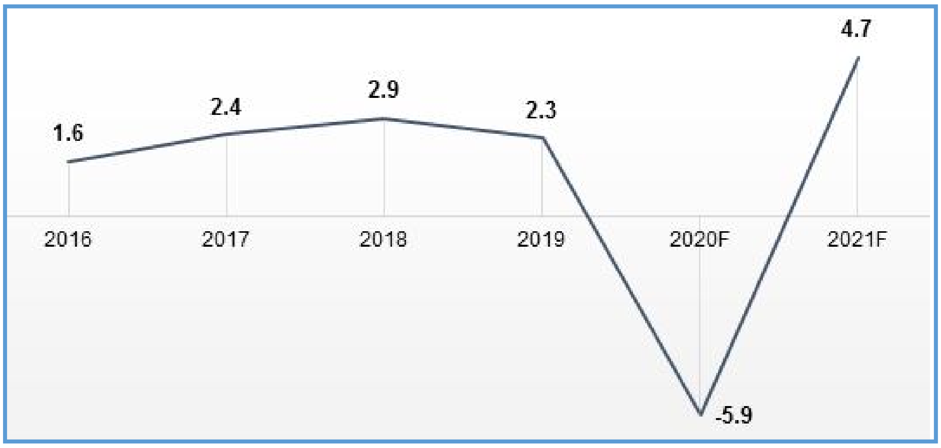
Source: IMF

GLOBAL ECONOMY
UNITED STATES/EURO AREA

1.1 United States

The US economy shrank at the sharpest rate since Q4 2008 in Q1 2020 as the pandemic and measures to contain it hampered economic activity. The economy contracted by -4.8% in seasonally adjusted annualized terms (SAAR), according to an advance GDP estimate released by the Bureau of Economic Analysis. On the heels of the 2.1% expansion registered in Q4 2019. In annual terms, GDP grew by a marginal 0.3% in Q1, decelerating from Q4's 2.3% year-on-year growth. 2020 GDP is estimated to come in at -5.9%.

GDP Growth Rate & Forecast – United States of America



Source: IMF

The Fed lowered the target range for its federal funds rate by 100bps to 0-0.25% and launched a massive $700 billion quantitative easing program during an emergency move. It also made provision of up to $300 billion in new financing for employers, consumers, and businesses; continuing purchase of treasury securities and agency mortgage-backed securities in the amounts needed to support smooth market functioning

The US recorded a trade deficit of $39.9 billion in February 2020, lower than the deficit of $48.6 billion at the end of 2019, as imports fell by 2.5%. The goods deficit with China narrowed to $16 billion from $26.1 billion in January.

US inflation dropped by 1.5% in March 2020 compared against 2.3% in February 2020, mainly due to a slump in gasoline prices.

1.2 Euro Area

The Eurozone economy contracted sharply in Q1 2020, after marginally expanding in Q4 2019. GDP shrank by -3.8% quarter-on-quarter in Q1 from the previous quarter, contrasting Q4's 0.1% uptick, according to a preliminary estimate released by Eurostat. Year-on-year, the economy dipped -3.3% in the reference quarter. The economy is projected to contract by -7.5% in 2020.

GDP Growth Rate & Forecast – Eurozone

Source: IMF

Inflation rate declined by 0.7% in March 2020 from 1.3% in December 2019 amid the Covid-19 outbreak and an oil price war between Saudi Arabia and Russia.

The Eurozone trade surplus widened to EUR 1.3 billion in January 2020, albeit significantly lower than EUR 23.1 billion at the end of 2019.

The IHS Markit Eurozone Manufacturing PMI was revised lower to 44.5 in March 2020 from a preliminary estimate of 44.8, below February's one-year high of 49.2. The latest reading pointed to the steepest month of contraction in the manufacturing sector since July 2012 as governments across Europe step up efforts to contain the rapid spread of Covid-19.

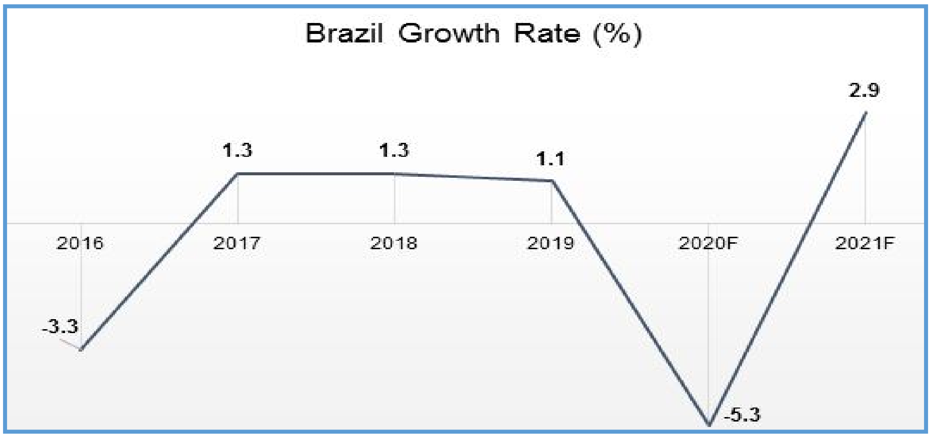
1.3 Brics

BRICS economies are not spared from the ongoing pandemic. The Brazilian economy is projected to contract in Q1 2020, citing the fallout from the coronavirus outbreak in Brazil's largest trading partner China. The Russian economy was hammered at the end of Q1 2020 after little or no external and domestic activity. The Indian economy has been placed under severe stress due to Covid-19. The Chinese economy took a downturn in the first quarter of 2020 due to the pandemic outbreak. South Africa's economy is also projected to contract in Q1 2020, after falling into a technical recession in Q4 2019.

Brazil

The economy of Brazil eased in Q4 2019 by 1.1% from 1.3% in 2018. The expected damage from the coronavirus outbreak now compounding economic vulnerabilities, the Q1 2020 outlook looks gloomy.

GDP Growth Rate & Forecast – Brazil



Source: IMF

Annual inflation rate dropped by 3.3% in March 2020, lower than 4.3% recorded in December 2019, as prices eased for food items.

The Central Bank of Brazil followed other peers around the world and cut its benchmark interest rate by 50bps to a fresh all-time low of 3.75% on March 18th, in a bid to mitigate the effects of the coronavirus spread.

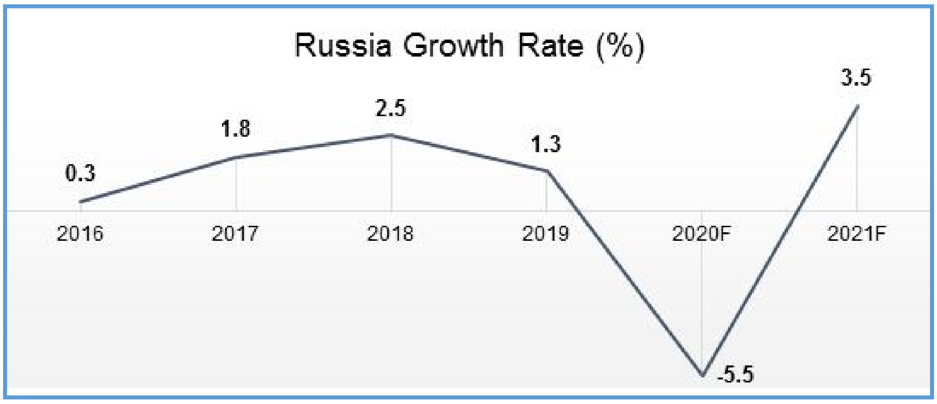
Trade surplus shrunk in March 2020 settling at $4.71 billion compared to $5.9 billion in December 2019, even as exports declined to major trading partners such as China, Hong Kong and Macau.

Growth may plummet in 2020, on the back of the coronavirus saga yielding economic slowdown.

Russia

Russia's economy will have been hammered at the end of Q1 2020, after growth accelerated in Q4 2019. Although monthly economic activity indicators and industrial production data point to sustained growth momentum in January and February, the fast-spreading global Covid-19 pandemic likely brought a sharp economic downturn in March amid severely hampered external and domestic activity. The growth for 2020 is estimated to be at -5.5% according to the IMF. This is in line with the economic shutdown thus far which has further slowed a lot of economic prospects earlier envisaged.

GDP Growth Rate & Forecast – Russia

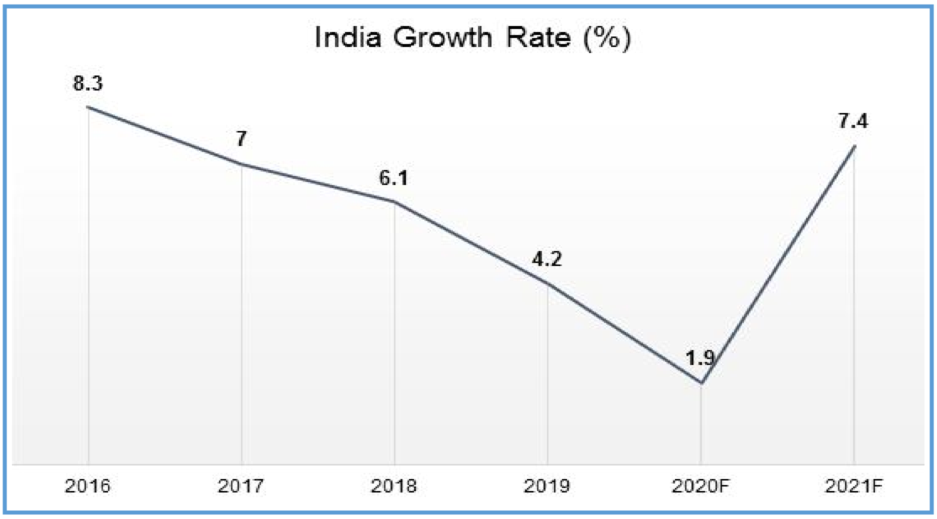


Source: IMF

The Central Bank of Russia held its benchmark interest rate at 6% during its March meeting, saying the rouble's depreciation is a temporary pro-inflationary factor that might prompt annual inflation to exceed the target level this year.
Annual inflation rate declined to 2.5% in March 2020 from 3% in December 2019 amidst upward pressure from services, food and non-food items.

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

GDP Growth Rate & Forecast – India



Source: IMF

India

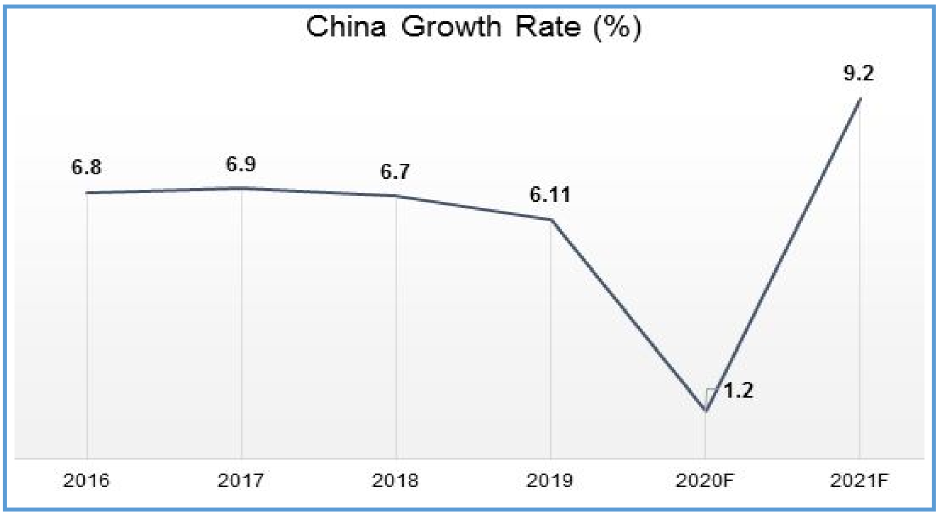
The Reserve Bank of India lowered its benchmark repurchase rate by 75 bps to 4.4% in an emergency move on March 27th, joining central banks around the world in delivering stimulus to mitigate the impact of COVID-19 on the economy after the country entered a three-week nationwide lockdown. The central bank also cut the cash reserve ratio by 100 basis points to 3% to boost liquidity. The reverse repo rate at which RBI borrows from banks was also lowered by 75 bps to 4.15%.

India's consumer price inflation fell to a four-month low of 5.91% year-on-year in March 2020 from 7.35% in December 2019 due to a fall in food prices.

China

The Chinese economy contracted by 6.8% year-on-year in Q1 2020, following a 6% growth in the previous quarter. This was the first quarterly contraction on record, as the coronavirus outbreak paralyzed production and activities. It is the first GDP contraction since records began in 1992, reflecting the severe damage caused by the COVID-19 outbreak after the authorities enforced a near two-month-long shutdown of all non-essential business activity.

GDP Growth Rate & Forecast – China



Source: IMF

Inflation rate in China declined to 4.3% in March 2020 which is higher than 4.5% posted in December 2019. This was the lowest inflation rate since October 2019, amid government control measures to contain the COVID-19 outbreak, with cost dropping for both food and non-food.

The People's Bank of China (PBoC) held its benchmark interest rates steady on March 20th 2020, defying market forecasts that pointed to a reduction in borrowing costs amid widespread disruptions to businesses and activity from the Covid-19 crisis. The one-year loan prime rate (LPR) was left unchanged at 4.05% from the previous monthly fixing while the five-year remained at 4.75%.

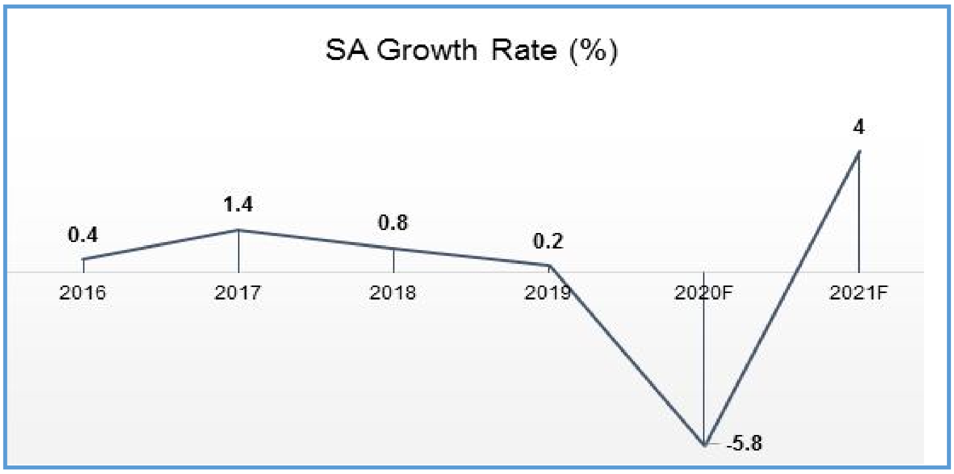
China's trade surplus narrowed sharply to $19.9 billion in March 2020 from $47.3 billion in December 2019, as both exports and imports declined.

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

South Africa

The South African economy contracted by -0.5% in Q4 2019 after expanding by 0.1% in the previous quarter. The impact of unprecedented power blackouts was reflected across sectors- utilities, manufacturing, mining, transport & Storage and construction. The economy is also projected to contract in Q1 2020, after falling into a technical recession in Q4 2019. While trouble at state-owned utilities provider Eskom crippled supply-side activity for months, the Covid-19 pandemic further complicated the situation for the economy. According to IMF, the economy is projected to come in at -5.8% in 2020.

GDP Growth Rate & Forecast – South Africa



Source: IMF

Inflation rate in South Africa climbed to 4.6% in February, up from 4% December 2019. It was the highest inflation rate since November 2018, as cost of food & non-alcoholic beverages rose.

The South African Reserve Bank unanimously decided to axe its key repo rate by 100 bps to 5.25% during its March 2020 meeting amid growing uncertainty over the impact of the coronavirus crisis on the already fragile economy. It was the second straight rate cut so far this year, bringing borrowing costs to the lowest since December of 2013.

The economy is expected to contract even more to about -5.8% in 2020 given the global pandemic in session.

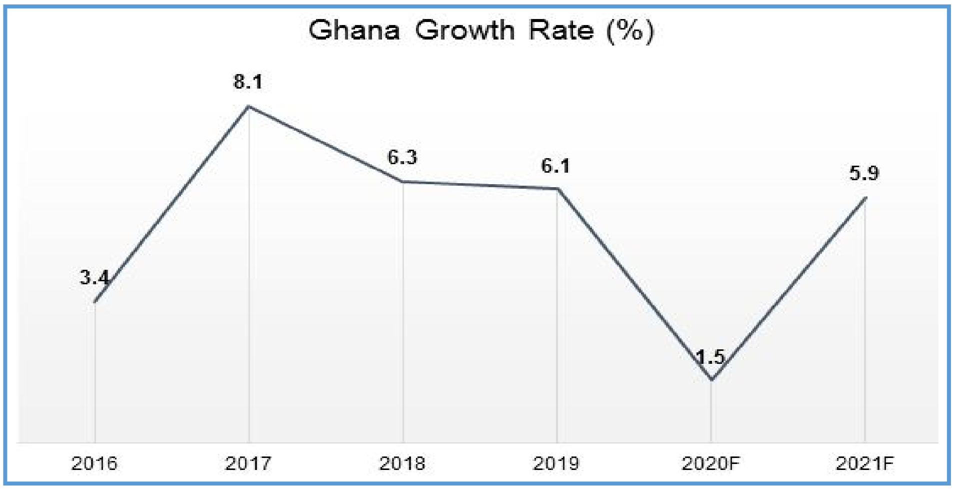
The economy is expected to recover in 2020 given cheaper credit conditions and an expected rebound in capital investment.

1.1 Africa

Ghana

Annual growth accelerated to 7.9% in Q4 2019, according to national accounts data released by Ghana's Statistical Institute. The print was significantly above Q3's 5.6% increase and marked the strongest expansion since Q3 2017. Looking ahead, the economy is set for a major downturn in Q1 2020 caused by the global disruption associated with the Covid-19 pandemic. The external sector stands to be particularly hard hit amid collapsing cocoa and crude oil prices and faltering global trade links.

GDP Growth Rate & Forecast – Ghana



Source: IMF

The annual inflation rate in Ghana came in at 7.8% in March of 2020 from 7.9% in December 2019 as prices slowed for non-food items.

The Bank of Ghana lowered its monetary policy rate by 150bps to 14.5% at an emergency meeting on March 18th, bringing borrowing costs to the lowest level since May 2012. Policymakers voiced concerns about the spread of Covid-19, and its impact on the economy. The bank is now predicting GDP growth at 2.5% this year in a worst-case scenario, compared to a previous estimate of 6.8%.

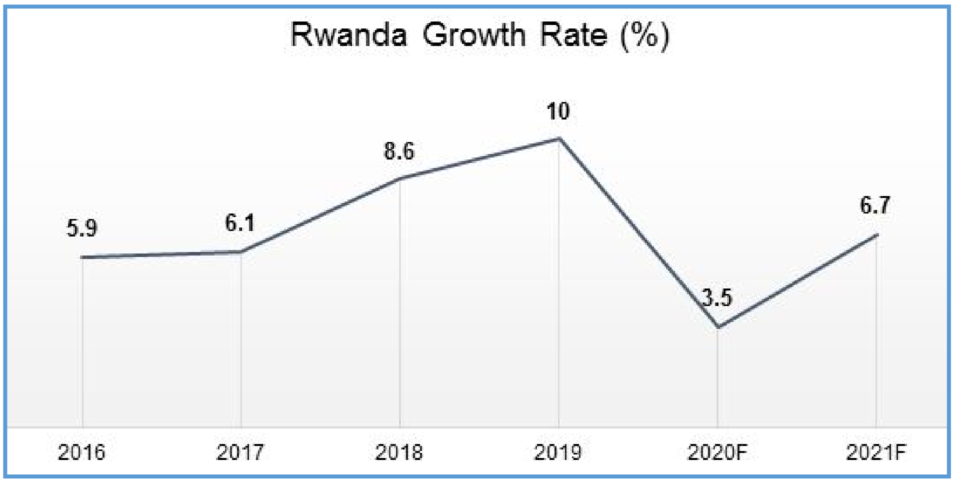
Rwanda

The economy of Rwanda expanded by 8.4% in Q4 2019 from 10.9% in Q3 2019, amid slowdowns in wholesale & retail trade. The National Bank of Rwanda held its key repo rate steady at 5% during its February

2020 meeting, with the main purpose of continuing to support domestic demand amid low inflation. Inflation rate rose to 13.1% in March 2020 from 11.9% in December 2019. Cost slowed for food & non-alcoholic beverages due to the ongoing plague of desert locusts which caused damage in maize crops.

According to IMF, the economy is projected to grow by 3.5% in 2020.

GDP Growth Rate & Forecast – Rwanda



Source: IMF

2.0
THE NIGERIAN ECONOMY

THE NIGERIAN ECONOMY

The Nigerian economy had a mixed trend in Q1 2020. Some of the highlights for the quarter was the coronavirus outbreak and the oil price war which took a toll on Bonny light price. The Consumer Price Index (CPI) saw a continuous rise during the period amidst declining external reserves and a depreciating Naira. The CBN officially devalued the local currency to $/360 from $/306. The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) retained the MPR at 13.5%, however increased CRR to 27.5% during the March meeting in a bid to cushion the ongoing Covid-19 effects. Oil prices were volatile, influenced by geo-political tensions and supply-demand developments.

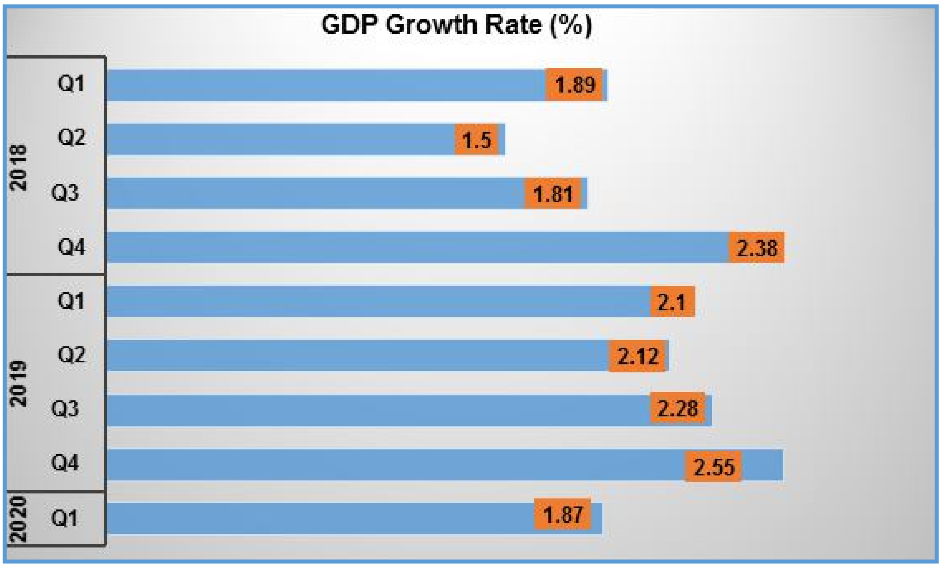
A snapshot of the domestic economy in Q1 2020 is presented below:

Economic output expanded by 1.87% in Q1 2020 compared to 2.55% in Q4 2019.	FX reserves dropped to $35.16bn as of March 2020 from $38.60 as at December 2019	Credit to Private Sector rose modestly to N26.70 trillion in February 2020 from N26.69 trillion in December 2019.
The stock market depreciated in Q1 2020 by 20.65%	Naira devalued to $/N360 from $/N306	Inflation printed at 12.26% in March 2020 compared to 11.98% in December 2019
PMI plunged to 51.1 points in March 2020 from 60.8 PMI in December 2019	MPR maintained at 13.5%	Oil prices settled lower at $25pb at end-March from $66.7 pb in December 2019

2.1 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

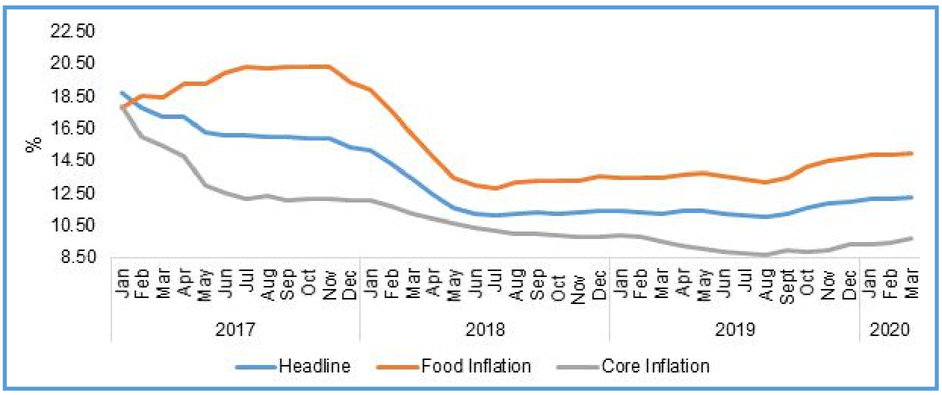


Source: NBS

2.2 Inflation

According to the National Bureau of Statistics (NBS), headline inflation increased for the seventh consecutive month in March 2020, to 12.26% from 11.98% in December 2019. 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 23 months. The composite food index rose to 14.98% in March 2020, compared to 14.67% in December 2019. The "All items less farm produce" or core inflation, which excludes the prices of volatile agricultural produce stood at 9.73% in March 2020, up by 0.04% when compared with 9.33% in December 2019. At 12.26%, the March 2020 inflation rate is above the target of the Federal Government of Nigeria, which is 10.81%.

Inflation Year-on-Year

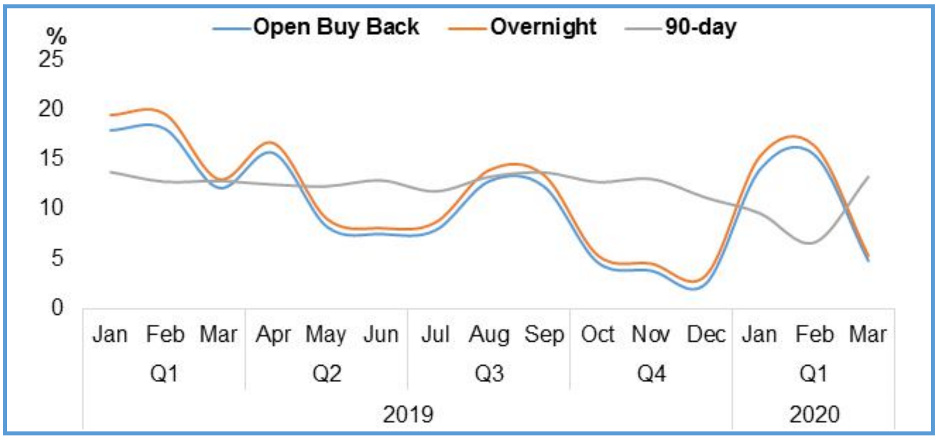


Source: CBN & FMDQ

2.3 Monetary Policy

Money market rates were largely supported by financial system liquidity dynamics in Q1 2020. Overall, rates remained relatively stable amid buoyant liquidity position through Open Market Operation (OMO) maturities and Retail Secondary Market Intervention Sales (SMIS) refund. Average overnight and open buy back rates settled at 9.83% and 8.50% in March 2020 relative to 2.79% and 2.14% respectively at the beginning of the year. Similarly, longer-tenured rates such as the average 90-day NIBOR closed the quarter at 14.87%, higher than the beginning of the year (9.88%).

Trends in MPR



Source: FMDQ

2.4 The Stock Market

Weakness in the local bourse persisted in Q1 2020 with the All Share index (ASI) declining between January and March. The ASI and market capitalization settled lower at 21,300 points and N11.10 trillion in March 2020 from 26,842 points and N12.96 trillion respectively in December 2019. The stock market ended the quarter on a bearish note due to reasons varying from oil price volatility, Covid-19 pandemic, capital flights, geopolitical uncertainties across the globe, weak macroeconomic fundamentals and higher yields that prevailed in the fixed income space amongst others.

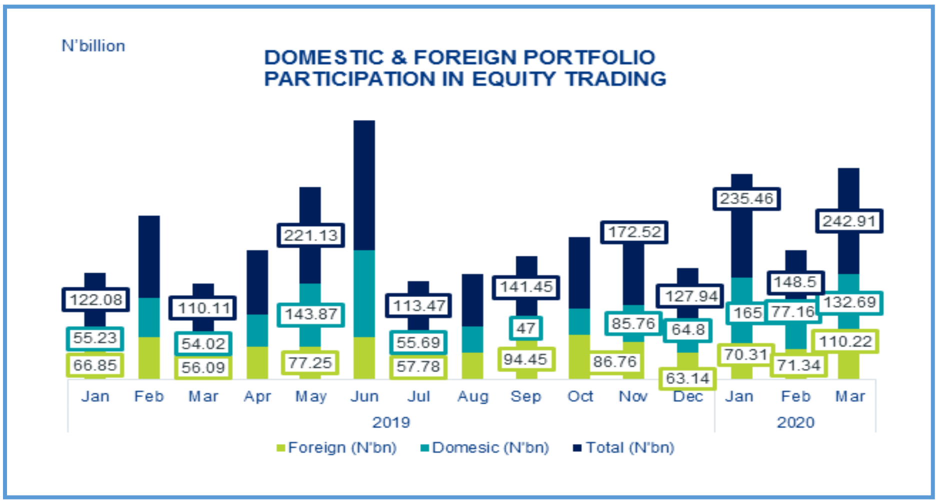
Nigerian Stock Exchange All Share Index and Market Capitalization

Source: NBS

2.5 Portfolio Investment – NSE

Total transactions at the nation's bourse climbed by 63.58% to N242.91 billion in March 2020 from N148.50 billion in February 2020. Foreign investors' transactions increased by 56.5% to N110.22 billion in March 2020 from N70.31 billion at the beginning of the year. Total domestic transactions also rose by 71.97% to N132.69 billion in March 2020 from N71.34 billion in February.

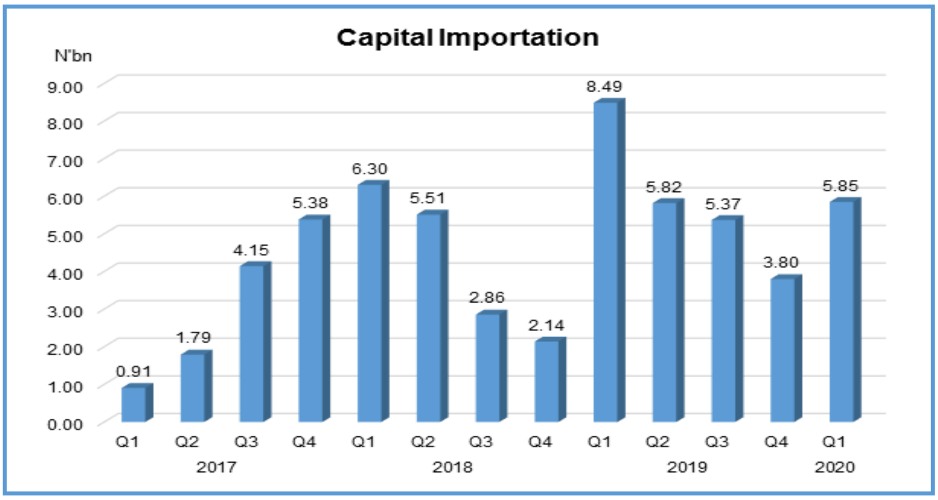
Domestic & Foreign Portfolio Participation in Equity Trading



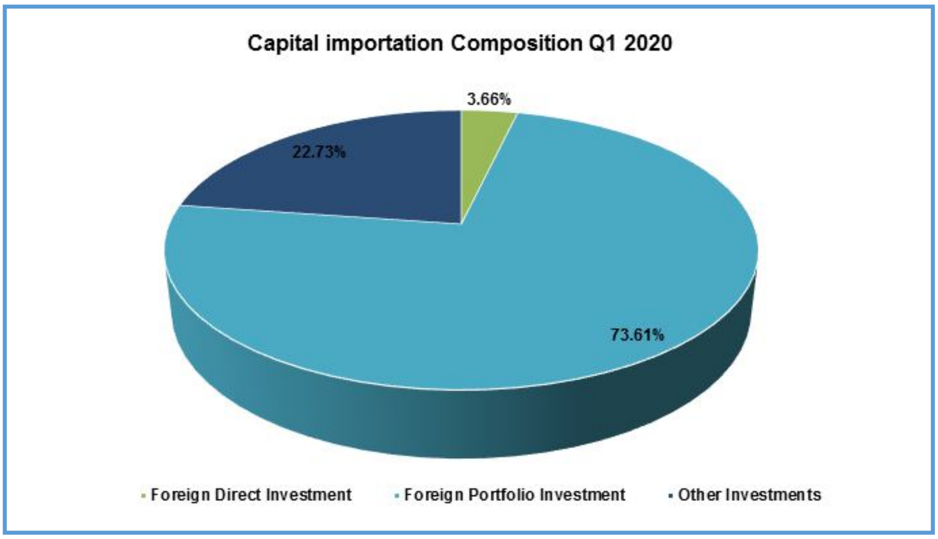
Source: NSE

2.6 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.



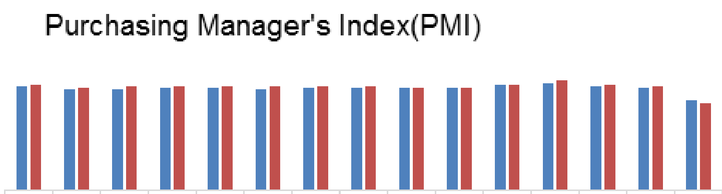
Source:NBS



Source: NBS

2.7 Purchasing Managers' Index (PMI)

The Manufacturing PMI closed the first quarter of 2020 with an index point of 51.1 index points in March 2020, significantly lower than 59.2 points reported in January 2020. The drop stemmed from the outbreak of the coronavirus which hampered business activities in the latter part of the month of March.



	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020
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	59.2	58.3	51.1
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	59.6	58.6	49.2

Source: CBN

2.8 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 reflects 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.

In Q1 2020, 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'.

2.8 Socio-Economic Landscape

The Federal Government has directed all government-owned enterprises, Ministries, Departments and Agencies (MDAs) to cut their 2020 capital expenditure and overhead costs by 25%, even where their budgets have already been approved by the National Assembly. In a memo that was signed by the minister of Finance, Budget and National Planning, Zainab Ahmed and issued to heads of all the MDAs, the government proposed a capital spending, totalling N313 billion. The MDAs can acquire computer software, purchase computers/printers, buses/trucks/vans, motor vehicle/motorcycles, office/residential furniture and photocopying machine/scanners/shredding machines. All government-owned enterprises (GOEs) will also be required to cut their capital expenditure and overhead budgets by 25%, even where their budgets have been approved by the National Assembly. The Finance Minister also sought the support of all MDAs in implementing the cuts for the GOEs under their supervision. The cut in the budget also affects the purchase of residential/office buildings, acquisition of land, rehabilitation of buildings and empowerment programmes of the MDAs in the 2020 budget. Others are capacity building/training, construction and all other non-essential expenditures. Exceptions are, however, made where such expenditures are absolutely warranted by the nature of an agency's mandate. For example, security vehicles, ambulances and fire-fighting trucks are exempted from the cut in the provisions for vehicles. Similarly, hospital and school buildings are exempted from the cut in provisions for rehabilitation/construction of buildings.

Nigeria has been ranked seventh in the latest World Bank's evaluation of countries' performance in agriculture and farming across Africa, behind South Africa, Kenya, and Ghana, among others. This was revealed in World Bank's 'The Enabling the Business of Agriculture (EBA)' report December 2019. The report captures steps taken by different governments to help farmers and enhance agriculture and food security. It measures law and regulations that impact the business environment for a sustaining and thriving agricultural development. The measurement is global with France leading. In Africa, South Africa leads, followed by Kenya and Morocco in the second and third position respectively.

In January, a circular for the prohibition of registration of forms M for the importation of fertilizers, it stated that any authorized dealer that establishes forms M for the importation of all NPK fertilizers and any other variant shall be sanctioned including the management and staff responsible for the transaction.
The construction of Nigeria's only large-scale commercial gold mine has begun in Osun State and the facility will start producing gold in 2021. According to the Federal Ministry of Mines and Steel Development, the facility demonstrates the Federal Government's desire to make the mining sector the mainstay of the country's economy. The Minister of Mines and Steel Development disclosed at a ceremony for the commencement of Thor Exploration's construction of the Segilola Gold Mine in Odo-Ijesha and Iperindo in Osun State. He said the venture was a pioneering project in the Nigerian mining sector and commended the promoters of the facility, Canadian listed gold developer, Thor Explorations, and its wholly owned local subsidiary, Segilola Resources Operating Limited. He said the Federal Government was committed to supporting companies in the sector.

2.9 Financial Sector Developments

In March 2020, a circular was released for the guidelines for the operation of the N100 billion credit support for the healthcare sector to ameliorate the covid-19 effects in Nigeria. This is with a view to strengthening the sector's capacity to meet potential increase in demand for healthcare products and services.

In light of the current pandemic happenings, the Central Bank of Nigeria (CBN) instilled some policy measures to cushion the outbreak spill overs. Some of these include but are not limited to extension of moratorium, credit support for healthcare industry, interest rate reduction on CBN intervention facilities, creation of a N50 billion targeted credit facility, strengthening of the CBN LDR policy and so on

3.0
OUTLOOK FOR Q2 2020 AND BEYOND

OUTLOOK FOR Q2 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% to 0.8% over the next two quarters, with a key risk-driver that oil prices will retain its lower trend, given global-demand dynamics. On balance, we expect Q2 2020 GDP growth to come in at .2.5% and Q3 2020 would come in at -0.6%.

3.2 Foreign Exchange

Considering the currency price adjustments witnessed in Q1 2020, the Naira took a devalued turn (trading around N380/$), largely on account of stepped-up FX sales by the CBN. That said, we believe the naira will likely record a continued gradual pace of depreciation, moving within a narrow band of N385 – N400/$ in 2020.

3.3 Crude Oil

International oil prices plummeted in Q1 2020 given the OPEC+ price wars, slumping demand as a result of the coronavirus saga, excess supply and lack of storage capacity. The 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.

3.4 Monetary Policy

We expect the CBN to adopt a more accommodative monetary policy stance in subsequent quarters to provide support to the economy as a strategy to curtail or reduce the impact on COVID-19 on the Nigerian economy. The CBN Monetary Policy Committee has retained rates at 13.5% since the 0.5% cut in March 2019 and increased CRR to 27.5%.

3.5 Foreign Reserves

Worsening oil price scenarios as a result of price and production wars, business shutdowns and continued capital flights as a result of loss of investors' confidence will have implications for the foreign accretion in the short term. However, the country's plan to approach multilateral agencies like the IMF and World Bank for funding to tackle the COVID-19 outbreak would guarantee dollar inflows that would build reserve levels.

OUTLOOK FOR Q2 2020

3.6 Inflation

Upside risks to inflation in Q2 2020 include the evolving coronavirus pandemic, oil price plunge, currency devaluation and impending implementation of higher electricity tariffs which was to kick off in April; the 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.