

ACCESS ECONOMIC  
QUARTERLY  
**Q3 2020**



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# ACCESS ECONOMIC QUARTERLY Q3 2020

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# 1.0

GLOBAL ECONOMY





# GLOBAL ECONOMY



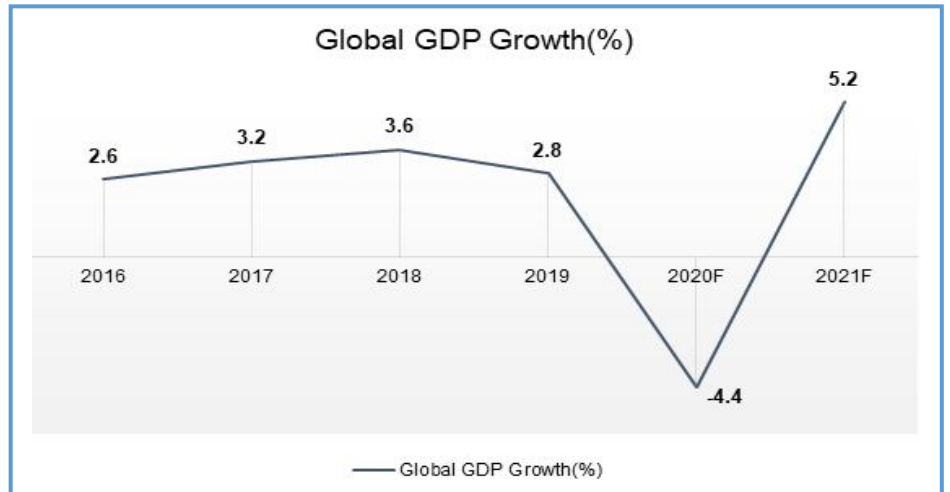
In Q3 2020, global economic activity levels remained significantly below normal, despite the relaxation of the strictest Coronavirus (COVID-19) pandemic social distancing measures. Under the baseline/most likely scenario, the global economy is headed for the worst global recession since the great depression of the 1930s, with global output set to contract by 3-6% in 2020.



Coming off the worst quarter in history, the U.S. economy grew at its fastest pace ever in Q3 2020 as a nation battered by an unprecedented pandemic started to put itself back together. While the news on Q3 was good for the \$21.2 trillion economy, the U.S. faces a tougher road ahead as coronavirus cases increase and worries grow over the health and economic impacts.



China's economy is picking up steam as the country continues to dig its way out of the turmoil caused by the coronavirus pandemic. The world's second largest economy expanded 4.9% in Q3 2020 compared to a year ago, according to government statistics.



Source: IMF

## GLOBAL GDP GROWTH

# GLOBAL ECONOMY

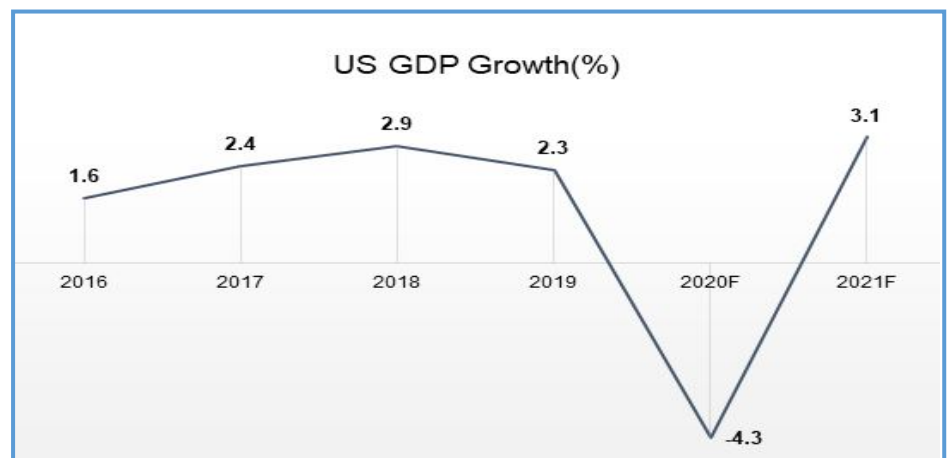
## UNITED STATES/EURO AREA



### 1.1 United States

Q3 2020 gross domestic product, a measure of the total goods and services produced in the July-to-September period, expanded at a 33.1% annualized pace, according to the Bureau of Economic Analysis. The gain came after a 31.4% plunge in Q2 2020. Increased consumption along with solid gains in business and residential investment as well as exports fuelled the third-quarter rebound.

#### GDP Growth Rate & Forecast – United States of America



Source: IMF



The Federal Reserve left the target range for its federal funds rate unchanged at 0-0.25% on September 16th, 2020 to support recovery from the coronavirus crisis and recession. The Conference Board Consumer Confidence Index improved over the past month to 80.4 points in September 2020 from 78.1 points in June. However, this is still lower than at the start of the year.



The U.S. manufacturing PMI (purchasing managers' index) increased to 53.20 in September of 2020 from 49.6 in June. The reading is the biggest expansion in factory activity since January of 2019, supported by a faster expansion in production and a solid rise in new orders.



The US unemployment rate dropped to 7.9% in September 2020 from 11.1% in June.



# GLOBAL ECONOMY

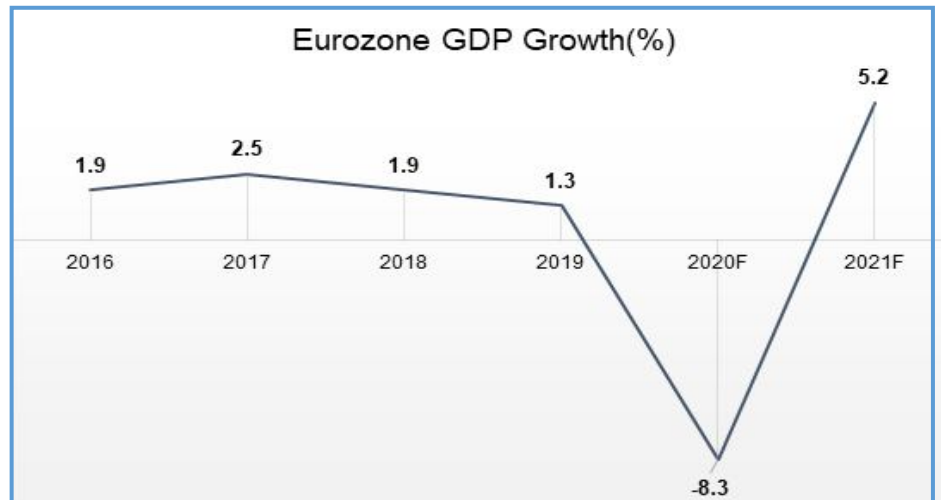
## UNITED STATES/EURO AREA



### 1.2 Euro Area

The Eurozone posted -4.3% economic growth in Q3'20, from -14.8% in the previous quarter. 2020 and 2021 GDP are estimated to come in at -8.3% and 5.2% respectively.

#### GDP Growth Rate & Forecast – Eurozone



Source: IMF



The ECB kept its main refinancing rate unchanged at 0% and pledged to buy up to €1.35 trillion worth of debt through June 2021 under its Pandemic Emergency Purchase Programme on September 10th. The interest rates on the marginal lending facility and the deposit facility will also remain steady at 0.25% and -0.50% respectively. Eurozone CPI came in at -0.3% y-o-y in September from 0.3% in June. Eurozone unemployment rate stood at 8.3% in September from 7.9% in June.

# GLOBAL ECONOMY

## BRICS



### 1.3 Brics

All BRICS economies continued to reel from the effects of the Covid-19 pandemic in Q3 2020 with most experiencing economic contractions. In the Brazilian economy, industrial output and retail sales expanded robustly in July–August as social distancing restrictions were gradually eased. Moreover, the manufacturing PMI remained in expansionary territory throughout the quarter, logging a new all-time high in September amid firming demand dynamics. In the Russian economy, economic activity fell at a much softer pace than Q2's average, supported by a gradual recovery in the vital industrial sector, as manufacturing firms continued to ramp up capacity, which partly offset sliding mining output. In China, economic recovery strengthened in the third quarter as the country continued to dig its way out of the slump caused by the coronavirus pandemic. In South Africa, available data for Q3 suggests the economic scenario remained bleak, after a record GDP contraction in Q2 on the Covid-19 shock. Although the drops in manufacturing output and retail sales eased from Q2 in July–August, largely reflecting the gradual lifting of restrictions, they were still relatively steep.



### Brazil

The Brazilian economy shrank a record 11.4% year-on-year in Q2 2020, following a 0.3% contraction in the previous period, officially entering a recession amid the coronavirus pandemic. The economy is projected to contract by -5.8% in 2020.

### GDP Growth Rate & Forecast – Brazil



Source: IMF



Annual inflation rate rose by 3.14% in September 2020, lower than 2.13% recorded in June 2020, as cost of food rose to a near four-year high.

# GLOBAL ECONOMY

## BRICS



The Central Bank of Brazil unanimously decided to keep its benchmark interest rate at an all-time low of 2% on September 16th 2020. Policymakers noted that inflation climbed to 2.44% in August from 2.31% nudged by prices of food and some services. The Committee said that recent indicators suggest a partial recovery in domestic economic activity, still sectors more directly affected by social distancing measures remain depressed despite the offsetting effects of the government transfer programs.



### Russia

Russia's economy shrank 8% year-on-year in Q2 2020, after a 1.6% expansion in the previous period. Still, it remained the steepest pace of contraction since Q3 2009 due to the coronavirus pandemic and associated lockdown measures. The growth for 2020 is estimated to be at -4.1% according to the IMF.

#### GDP Growth Rate & Forecast – Russia



Source: IMF



The Central Bank of Russia held its benchmark interest rate at 4.25% during its September meeting, saying inflation rates have been slightly higher than expectations in recent months due to demand recovery after the lockdown as well as the weakening of the ruble. Annual inflation rate rose to 3.7% in September 2020 from 3.2% in June 2020.

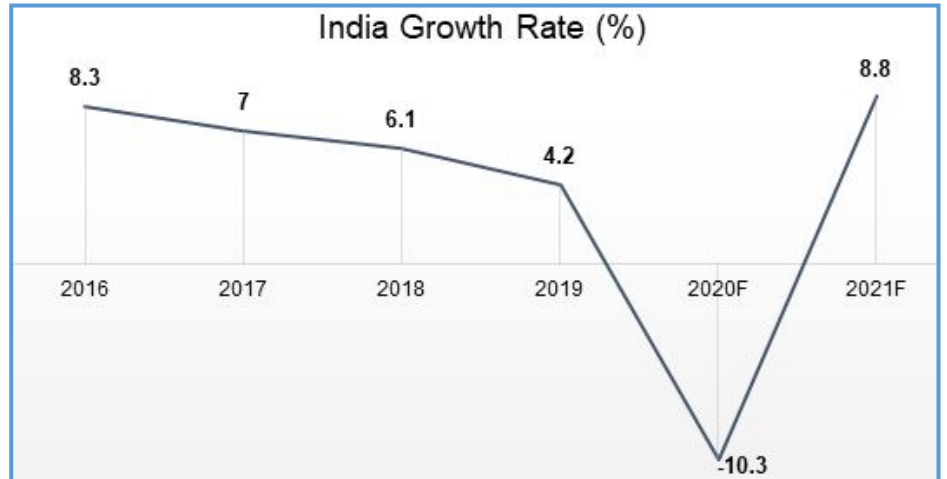


### India

The Indian economy shrank 23.9% year-on-year in Q2 2020. It is the biggest contraction on record, as India imposed a coronavirus lockdown in late March and extended it several times, halting most economic activities. Still, India remains the third worst-affected country in the world by the pandemic. Full year 2020 GDP is expected to contract by -10.3%.



**GDP Growth Rate & Forecast – India**



Source: IMF



The Reserve Bank of India kept its benchmark repo rate at 4% during its August meeting, aiming to ensure inflation remains within target going forward following a recent climb in prices due to the coronavirus pandemic.

Consumer prices in India increased 7.34% year-on-year in September of 2020, up from 6.23% in June 2020.



**China**

The Chinese economy advanced 4.9% year-on-year in Q3 2020, faster than a 3.2% expansion in Q2 2020. There are signs the expansion is finally extending to consumption after a state-backed industrial recovery. Rising global demand for medical equipment and work-from-home technology has been boosting exports while government support including more fiscal spending, tax relief and cuts in lending rates and banks' reserve requirements has also helped to boost the recovery.

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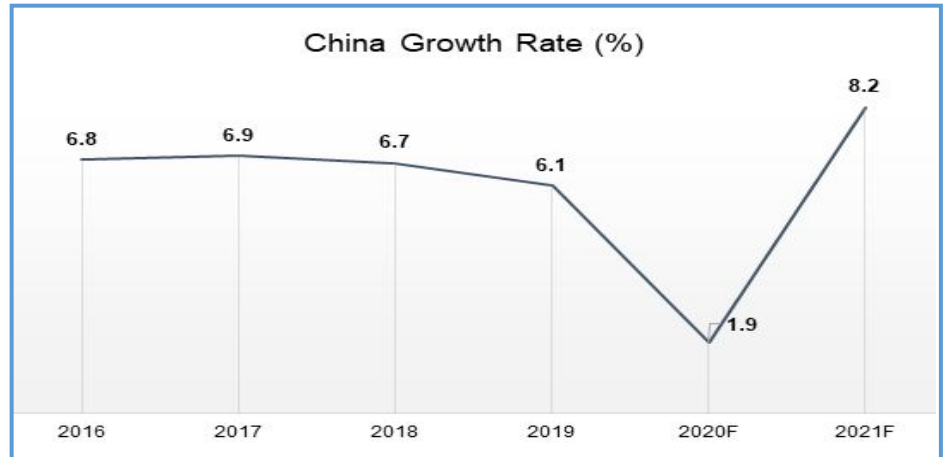
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### GDP Growth Rate & Forecast – China



Source: IMF



China's annual inflation rate eased to 1.7% in September 2020 from 2.5% in the prior month.



The People's Bank of China (PBoC) left its benchmark interest rates steady for the fifth straight month at its September fixing, after the central bank maintained borrowing costs on medium-term loans last week, as policymakers face a challenge in sustaining stable expansion over the next few years.

China's growth is expected to decelerate in year 2020, growing by a marginal 1.9%, mostly reflecting China's economic slowdown as a result of the Covid-19 pandemic.

# GLOBAL ECONOMY

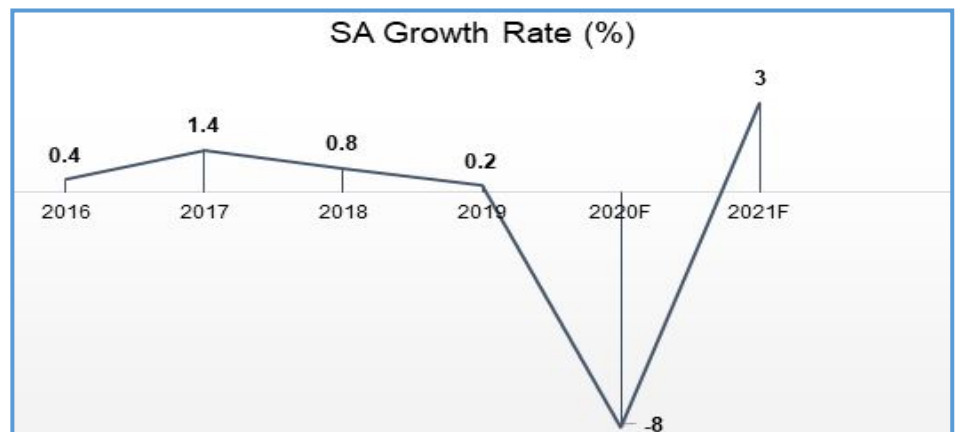
## BRICS



### South Africa

The South African GDP contracted 17.1% year-on-year in the second quarter of 2020, following a revised 0.1% growth in the previous period. It was the strongest economic downturn since at least 1994, amid the impact of one of the strictest coronavirus lockdowns in the world which forced all non-essential activities to shut down operations. According to IMF, the economy is projected to come in at -8% in 2020.

### GDP Growth Rate & Forecast – South Africa



Source: IMF

The annual inflation rate in South Africa fell to 3% in September 2020 from 2.2% in June 2020.



The South African Reserve Bank held its benchmark repo rate unchanged at a record low of 3.5% during its September meeting. The decision follows 300 bps rate cuts so far this year to support an economy already in recession before the pandemic shock.



Policymakers said that both the risks to the growth outlook and the inflation outlook are assessed to be balanced, adding that monetary policy alone cannot improve the potential growth rate of the economy or reduce fiscal risks.

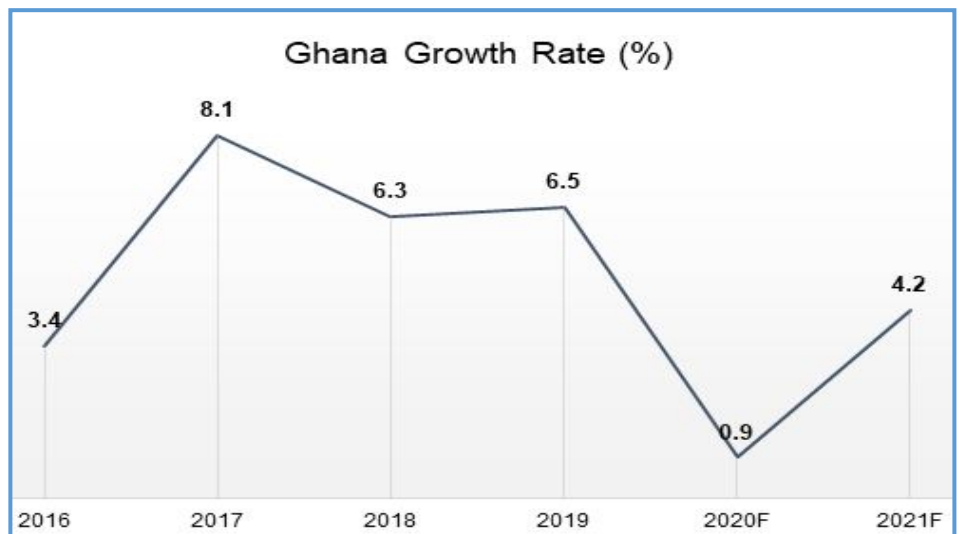
## 1.1 Africa



### Ghana

The economy of Ghana shrank 3.2% year-on-year in Q2 2020, following a 4.9% growth in the previous period. It was the first economic contraction since the Q2 2016, due to Covid-19 and related containment measures.

#### GDP Growth Rate & Forecast – Ghana



Source: IMF

Ghana's annual inflation rate edged down to 10.4% in June 2020 from 11.2% in the previous month, amidst a slowdown in the prices of food.



The Bank of Ghana held its monetary policy rate at an eight-year low of 14.5% during its September meeting, saying that risks to the outlook for inflation and growth are broadly balanced. Policymakers also noted that the policy and regulatory relief measures recently introduced have enhanced liquidity in the banking system, preserved capital buffers, and provided relief to customers severely impacted by the pandemic.



### Rwanda

Rwanda's economy shrank 12.4% year-on-year in the second quarter of 2020 compared to a 3.6% growth in the previous period. It was the first economic contraction since comparable data began in 2007, amid the full impact of the Covid-19 lockdown.

The National Bank of Rwanda left its key repo rate unchanged at 4.5 percent during its August 2020 meeting. Policymakers said the current stance was appropriate considering that inflation is projected to

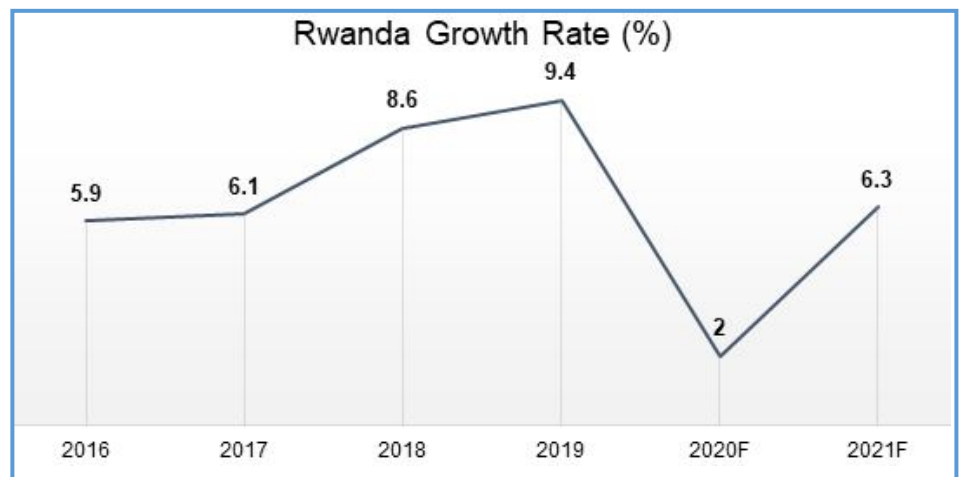




decelerate in the last quarter of the year and the economy is seen picking up in the second half of 2020.

Consumer prices in Rwanda increased by 10.8% year-on-year in September 2020, from 10.3% in June. According to IMF, the economy is projected to grow by 2% in 2020.

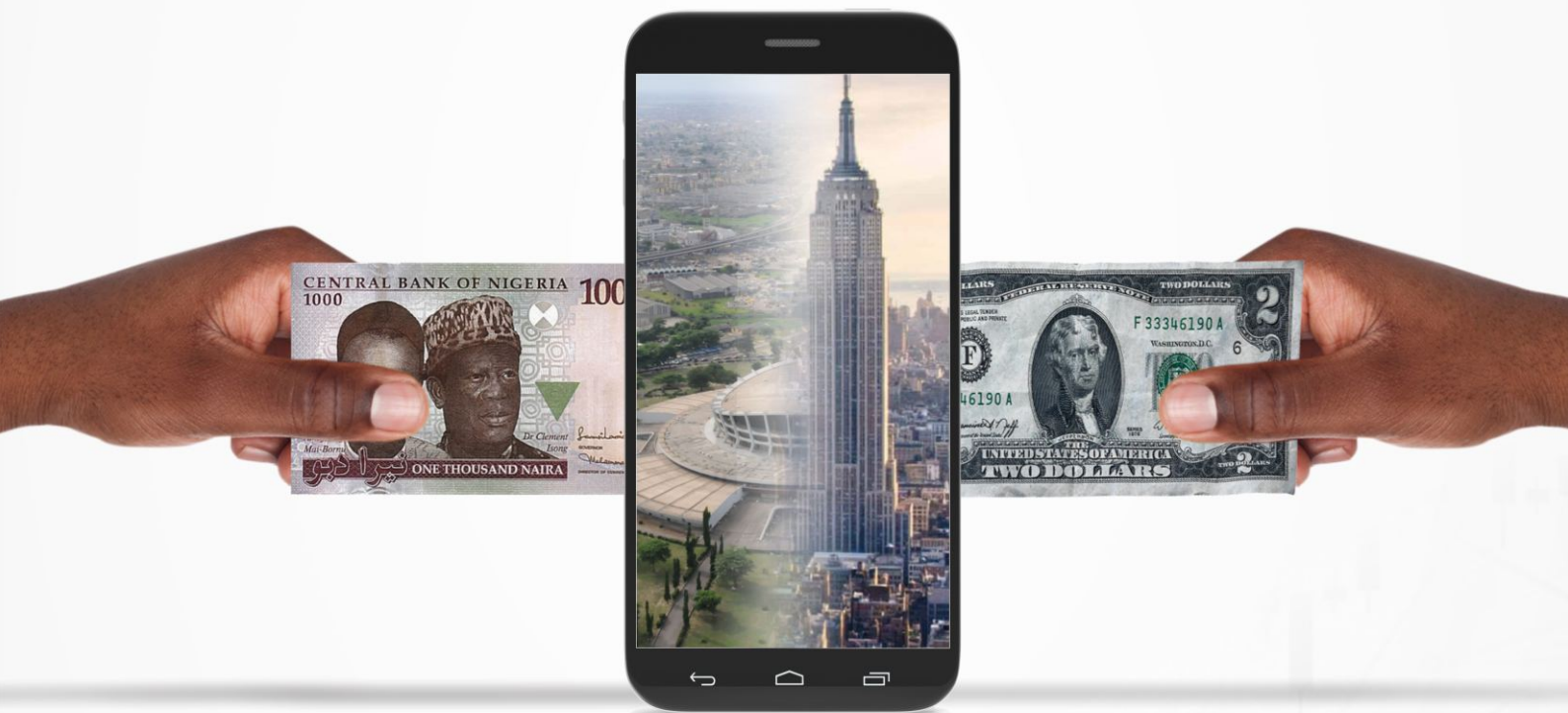
### GDP Growth Rate & Forecast – Rwanda



Source: IMF

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# 2.0

THE NIGERIAN  
ECONOMY

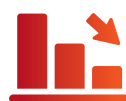
# THE NIGERIAN ECONOMY



Recent data indicates that economic conditions remained frail in Q3, after the twin shock of low oil prices and Covid-19 threw the economy into its worst downturn in over 15 years in Q2. Largely complying with OPEC+ cuts, secondary sources showed that oil output was down by nearly 10% in Q3 from Q2, which, coupled with prices plateauing in the quarter, bodes ill for the vital energy sector. Moreover, after gradually crawling up from the pandemic-induced crash in April through August, the private sector PMI slipped in September—hinting that the recovery in activity is losing momentum. Concerningly, businesses also turned pessimistic in the same month, as confidence plunged across all major sectors.

A snapshot of the domestic economy in Q3 2020 is presented below:

The Gross Domestic Product (GDP) contracted by 6.1% in Q2 2020 from positive growth of 1.87% in Q1 2020	FX reserves dropped to \$35.74bn in September from \$36.19 in June 2020	Credit to Private Sector rose modestly to N30.14 trillion in September from N29.43 trillion in June 2020
The ASI improved to 26,831.76 points in September 2020 from 24,479.22 points in June	Naira devalued to \$/N380 from \$/N360	Inflation printed at 13.71% in September 2020 compared to 12.56% in June 2020
PMI for September 2020 stood at 46.9 index points from 41.1 points in June 2020	MPR was lowered by 100 basis points to 11.5% at the September meeting from 12.5% in May	Oil prices declined to \$39.74 pb in September 2020 from \$41.26 pb in June

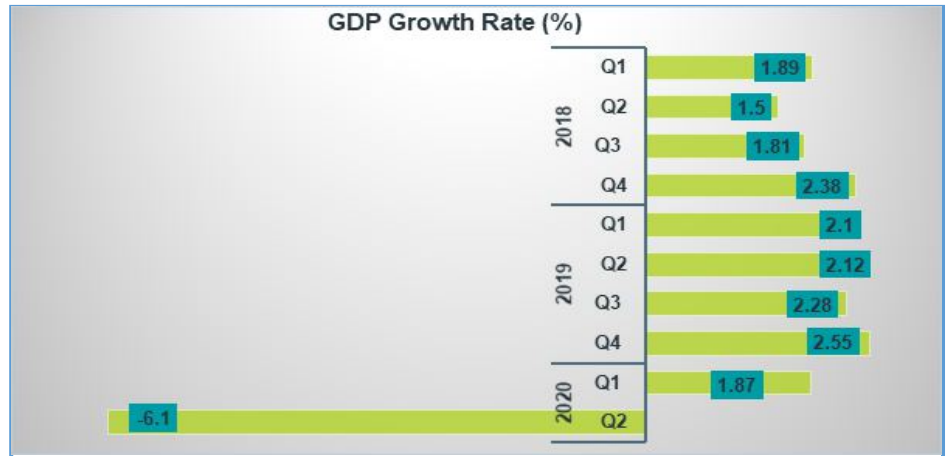


## 1 GDP Growth

Nigeria's economy shrunk in Q2 2020 to -6.1% from 1.87% Q1 2020. This dip was as a result of the coronavirus pandemic which spattered the economy with slowdown in businesses and the general working of the economy. Growth in the Transportation (-49.23%), Construction (-31.77%), Real Estate (-21.99%), Trade (-16.59%), Manufacturing (-8.78%), Oil (-6.63%) and Electricity (-3%) sectors plunged to all-time lows, while Agric sector(1.58%) sector remained positive. Overall, the Non-Oil sector and the Oil sector contracted by -6.05% y-o-y and -6.63% y-o-y respectively.

# THE NIGERIAN ECONOMY

## GDP Growth Rate – Nigeria



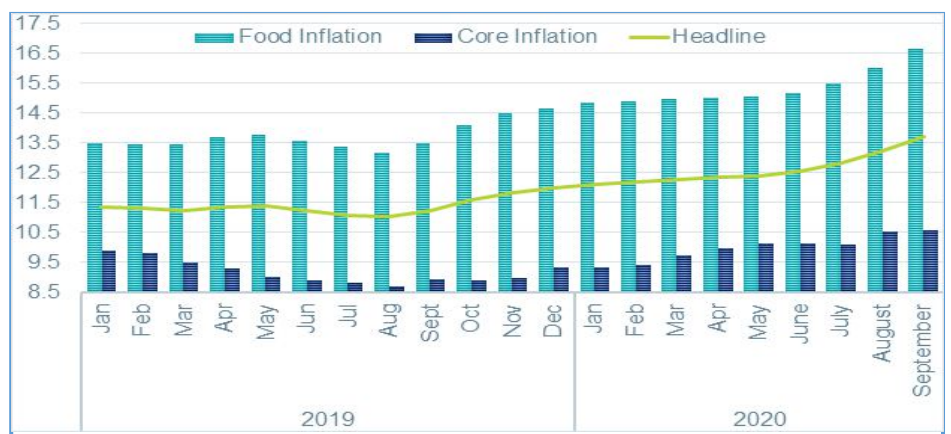
Source: NBS



## 2 Inflation

According to the National Bureau of Statistics (NBS), headline inflation increased for the 13th consecutive month in September 2020, rising to 13.71% year-on-year from 12.56% in June 2020. Food inflation rose by 16.66% in the reference month from 15.18% in June 2020. All items less farm produce climbed to 10.58% from 10.13% in June 2020. The increase in the Consumer Price Index (CPI) persists due to the coronavirus pandemic, trade restrictions, shutdown of non-essential services and sustained insecurity situation in certain food producing states.

## Inflation Year-on-Year



Source: NBS

## 3 Monetary Policy

Nigeria's monetary policy committee at their September 2020 meeting elected to lower the MPR by 100 basis points to 11.5% from 12.5%. The asymmetric corridor was also adjusted to +100 and -700

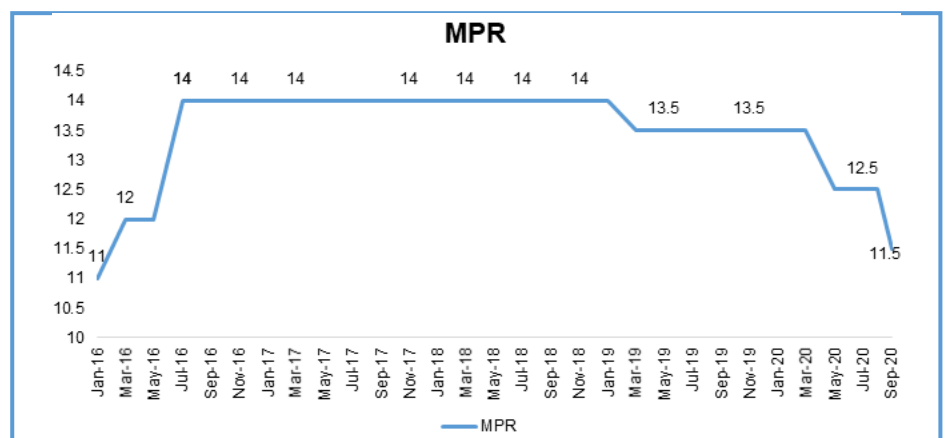


# THE NIGERIAN ECONOMY



basis points from +200 and -500 basis points around the monetary policy rate, leaving all other policy parameters unchanged. The liquidity ratio remained unchanged at 30%. The Cash Reserve Ratio (CRR) was also left at 27.5%. The decision aims to support the economy that plunged 6.1% in the second quarter due to still-subdued oil prices and the adverse effects of Covid-19 restrictions.

## Trends in MPR



Source: CBN



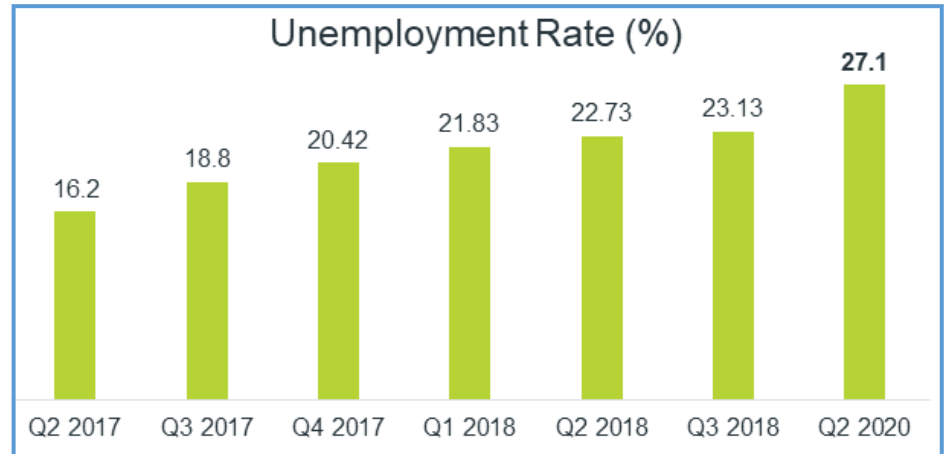
## 4. Unemployment

Recent data on unemployment printed by the NBS revealed that the unemployment rate rose to 27.1% in Q2 2020 from 23.1% in Q3 2018. According to the Labour Force Statistics – Abridged Labour Force Survey Under Covid-19, the total number of people classified as unemployed—which means they did nothing at all or worked for a few hours (under 20 hours a week) rose to 21.7 million in Q2 2020 from 20.9 million in Q3 2018. Meanwhile, the economically active working population (15-64 years of age) increased by 1.2% to 116.9 million people (Q3'18:115.5 million people).

# THE NIGERIAN ECONOMY



## Unemployment Rate Trend



Source: NBS



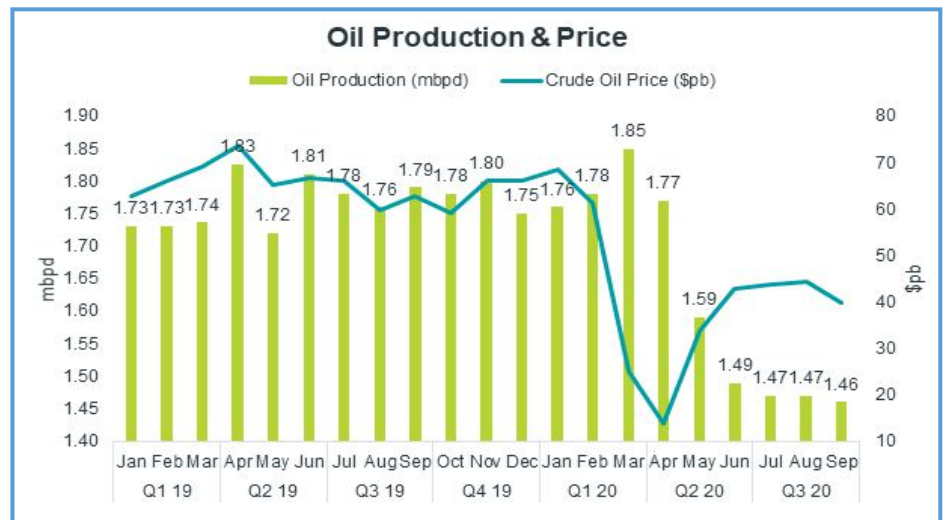
## 5 External Reserves

External reserves dropped in Q3 2020 to settle at \$35.74 billion in September 2020 from \$36.19 billion in June. The dip in foreign reserves stems from lower production in crude during the reference period. Production declined to 1.48mbpd in Q3 2020 from 1.49mbpd in Q2 2020 according to OPEC. Oil prices dipped slightly in Q3 2020 compared to the end of Q2 on worries that demand would recover more slowly than expected from COVID-19 pandemic lockdowns, while rising supply also overshadowed optimism over falling crude and fuel inventories. Bonny light, Nigeria's crude oil benchmark fell to \$39.74 per barrel on September 30th, 2020.



Source: CBN

# THE NIGERIAN ECONOMY

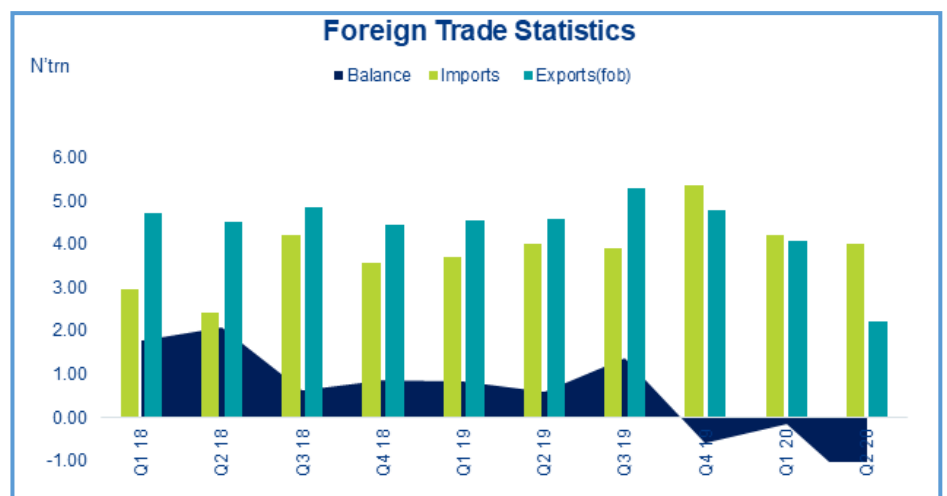


Source: CBN, OPEC



## 6. External Trade

According to the NBS, in Q2 2020, the value of Nigeria's total foreign trade stood at N6.24 trillion comprising 64.4% imports (N4.02 trillion) and 35.6% exports (N2.22 trillion). This represents a decrease of 27.30% over the previous quarter. The nation recorded a deficit of N1.8 trillion, as the value of imports surpassed exports. This occurred against a backdrop of global economic slowdown in economic activities due to Covid-19. Spain topped the list of major export trade partners with about 14% contribution to total exports while China was the major import-trading partner to Nigeria with a share of 31.41% of total imports.



Source: NBS

# THE NIGERIAN ECONOMY



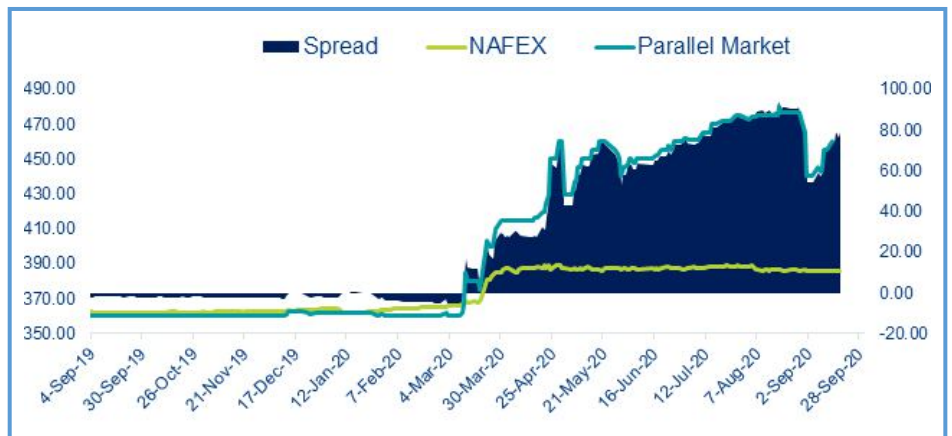
## 7 Exchange Rate

The local unit experienced immense volatility in Q3 2020 driven by the current economic realities occasioned by Covid-19 and dollar scarcity. Data from Financial Market Dealers Quote (FMDQ) showed that the exchange rate at the Nigeria Autonomous Foreign Exchange (NAFEX) window, settled lower at N385.80/\$ in September 2020 compared to N386.75/\$ at the end of June 2020, translating to an appreciation of N1.25k.



However, at the parallel market, the exchange rate depreciated to N465/\$ as at September end from N460/\$ in June. During the reference quarter, the NAFEX rate traded as high as N388.97/\$ and the parallel market rate traded as high as N470/\$.

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



Source: FMDQ & Abokifx



## 8. Money Market

Money market rates were largely supported by financial system liquidity dynamics. Overall, rates trended downwards towards the end of the quarter as the debt market was flush with liquidity from Open Market Operation (OMO) maturity and Bond coupon payments. Average overnight and open buy back rates settled at 1.75% and 1% at September end relative to 16% and 15% respectively at the end of June. Longer-tenured rates like the 90-day NIBOR closed at 2.72%, lower than the previous period at 5.39%.

# THE NIGERIAN ECONOMY



Source: FMDQ



## 9. The Stock Market

Activities at the local bourse picked in Q3 2020, as the market gradually recovered from the impact of COVID-19, albeit more slowly. Macroeconomic instability continues to fuel investor and issuer apathy in the equities market as no IPO has been recorded throughout the year.



Market Capitalization and All Share index settled higher at N14.02 trillion and 26,831.76 points respectively as at September 30th, 2020 from N12.77 and 24,479.22 points in June.

### Nigerian Stock Exchange All Share Index and Market Capitalization



Source: NSE



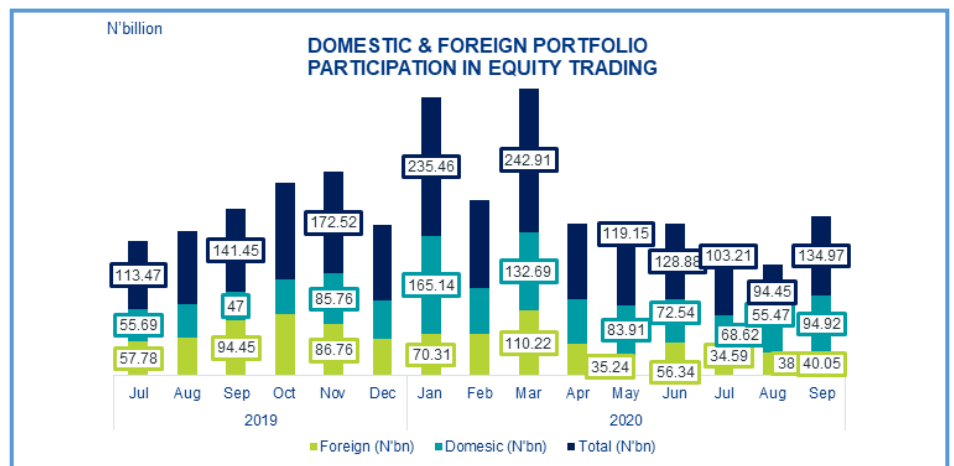
# THE NIGERIAN ECONOMY

## 10 Portfolio Investment – NSE

Market participation was dominated by domestic portfolio investors raking in 70% of total transactions as at September 2020, higher than foreign investors at 30%. Total transactions recorded in the Nigerian Stock Exchange (NSE) dropped to N134.97 billion in September 2020 from N128.88 billion in June 2020 according to the latest NSE domestic and foreign portfolio participation report.



### Domestic & Foreign Portfolio Participation in Equity Trading



Source: NSE

## 11 Capital Importation

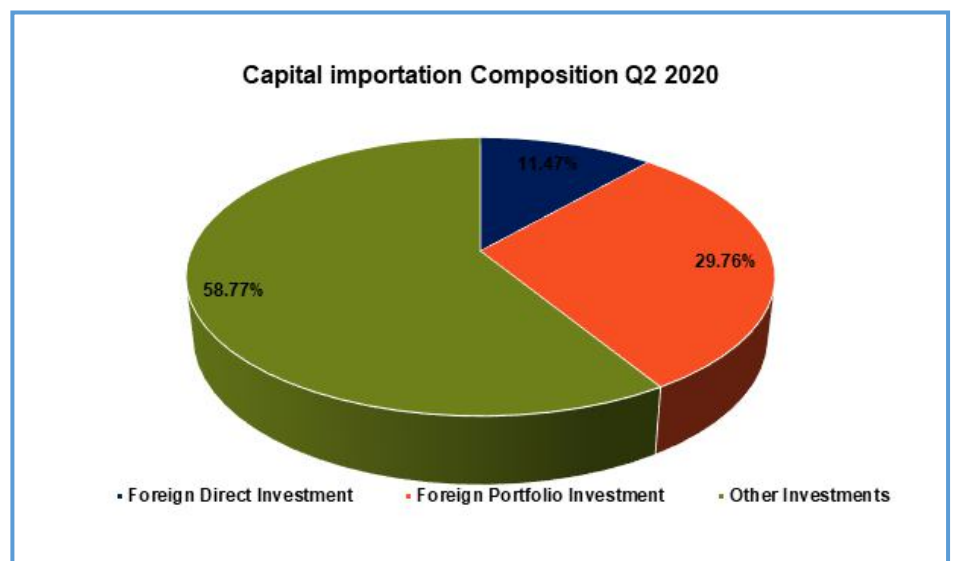


The total value of capital importation into Nigeria stood at \$1.29 billion in Q2 2020. This represents a decrease of 77.88% compared to Q1 2020 and 78.60% decrease when compared to the same period in 2019. The breakdown of foreign investment into Nigeria shows that Other Investments accounted for Nigeria's biggest foreign investment inflows with 58.77% (\$761.03 million) of total capital importation. Foreign Portfolio Investments (FPI) accounted for 29.76% or \$385.32 million, while Foreign Direct Investment (FDI) investments were the least with \$148.59 million or 11.47%.

## Domestic & Foreign Portfolio Participation in Equity Trading



Source: NBS

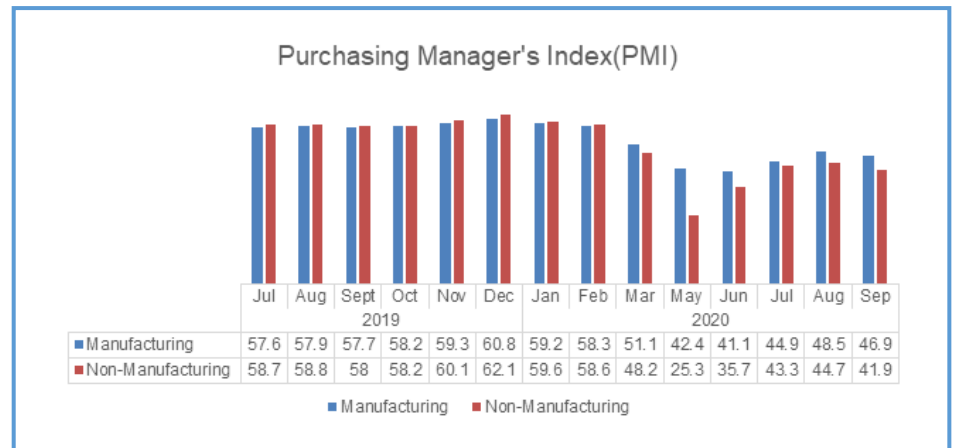


Source: NBS



## 12 Purchasing Managers' Index (PMI)

The Manufacturing PMI closed the third quarter of 2020 with an index point of 46.9 index points in September 2020, an improvement over 41.1 points reported in June 2020.



Source: CBN



### 13 Credit Ratings

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



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



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



## 14 Socio-Economic Landscape

In July, the Central Bank of Nigeria and the Office of the Accountant-General of the Federation have indicted the Niger Delta Development Commission in the investigation of the illegal spending by the commission between January and July 2020, amounting to N81.5bn. The Bureau of Public Procurement also said it did not issue 'Certificates of No Objection' to the NDDC for the procurements made by the commission with the money. Auditor-General of the Federation, Anthony Anyine, also said the NDDC had yet to present its audited account for 2019 since it was due at the end of May. The revelations were made at an investigative hearing held by the House Committee on NDDC in Abuja on Wednesday. While the Interim Management Committee of the NDDC was absent, the committee had grilled representatives of the CBN, BPP and Office of Accountant-General of the Federation.



In August, The N6.25bn approved by President Muhammadu Buhari as COVID-19 palliatives for indigent persons in Niger Delta was diverted by the Interim Management Committee (IMC) of the Niger Delta Development Commission (NDDC), Chairman of the Palliative Distribution Committee (PDC), High Chief Sobomabo Jackrich, has alleged. Jackrich, in a petition he sent to both the Senate and the House of Representatives, prayed the two chambers of the National Assembly to investigate his claim with a view to compelling the Prof. Keme Pondei-led IMC to account for the money. Incidentally, Pondei yesterday insisted that the National Assembly ad-hoc committees probing the financial sleaze in the NDDC were plotting to scuttle the forensic audit of the commission by discrediting it (NDDC) in their reports. In the petition dated August 3, 2020, Jackrich also accused the IMC of deliberately refusing to pay security contracts, thereby compromising the security of the region and fuelling tension among the youth.



In September, President Muhammadu Buhari urged world leaders to redouble efforts to ensure collective security, noting that the litany of sophisticated terrorist attacks across the globe is a harsh reality of the challenges the world is facing today. President Buhari, who added that Nigeria is still facing extremism, called for the support of the United Nations counter-terrorism bodies to overcome terrorism in Nigeria. He also argued that if the UN fails to mobilise and guarantee an effective response to COVID-19 pandemic, it would have failed the world, asking the global body to ensure uninhibited access to the virus' vaccines by all nations. According to him, the UN body would have failed the global



## 15 Financial Sector Developments

In July, the Central Bank of Nigeria issued a circular to all banks and other financial institutions on the operational guidelines on Global Standing Instruction (GSI). The Central Bank in collaboration with other stakeholders developed the necessary protocols to facilitate a seamless implementation of the GSI process, including eligible loans granted from August 28, 2019. Accordingly, the guidelines to regulate the operations of the GSI is hereby issued for implementation by all banks and other financial institutions with effect from August 1, 2020. The guidelines may be accessed from the CBN website: [www.cbn.gov.ng](http://www.cbn.gov.ng)



In August, the apex Bank issued a circular on destination payment for all form Ms, Letters of credit and other forms of payment. In a bid to ensure prudent use of foreign exchange resources and eliminate incidences of over-invoicing, transfer pricing, double handling charges and avoidable costs that are ultimately passed to the Nigerian consumers, the CBN issued the policy regulating transactions using Form M, Letters of Credit and other forms of payment. Authorized dealers are directed to desist from opening of Form M whose payment are routed through a buying company/agent or any other third parties. Authorized dealers are requested to only open Forms M in favour of the ultimate supplier of the product or service.



Also, in August, the CBN issued a circular on the resumption of sales to Bureau de change operators. The CBN resumed FX sales to BDCs as part of efforts to enhance accessibility to foreign exchange particularly to travellers following the announcement of the resumption of international flights. The CBN resumed the gradual sales of foreign exchange to licensed BDC operators on September 7, 2020.



In September, the Apex Bank wrote a letter to all banks on the downward review of interest rates on savings deposits. The CBN noted with satisfaction the recent declining trend in market rates in the banking sector following the implementation of policies aimed at stimulating credit flow in the real sector. Effective September 1st, 2020, interest on local currency savings deposits were negotiable subject to a minimum of 10% per annum of Monetary Policy Rate (MPR).



Also, in September, the Central Bank of Nigeria (CBN) banned transfer of foreign exchange (forex) from one customer to another. According to the apex bank, forex cash lodgements into domiciliary accounts can only be done by the account owners henceforth. An internal memo available in the media space explains that the new guidelines are

## THE NIGERIAN ECONOMY

necessary to review the utilization of inflows into customer's domiciliary accounts. The circular states: "Forex inflows cannot be credited to customers until the legitimacy of funds is established. "They can have unfettered access by telegraphic transfers up to a limit of \$40,000 monthly for payment of medical bills, school fees, subscription to professional bodies subject to existing CBN guidelines. "Transfers from one customer to another is prohibited. Transfer within related companies is allowed subject to a limit of \$50,000 per month." It recommended that proceeds from non-oil exports should be sold to banks, used for repayment of dollar term loans, and self-utilisation for trade transactions for LC, bills and Form A. Also, oil export proceeds from E&P companies are to be used to pay contractors and service providers employed by the oil companies in addition to the recommended uses for non-oil FX proceeds. Offshore forex inflows from other Nigerian banks and internal account to forex transfers sourced from offshore inflows are to be used for trade transactions subject to eligibility for E-Form M. "Upon confirmation of the legitimacy of the inflows, customers can have unfettered access, subject to a maximum of \$50,000," the document read. "Utilisation for trade transactions subject to processing of eligible trade transactions using E-Form M. Payment for services must be backed with demand note from offshore beneficiary and other regulatory documents. "Related party transfers are allowed to the maximum of the inflow received. The transfer request should be backed by a signed instruction from the account holder." Payment of government fees and levies are also allowed to the maritime, oil and gas, aviation, government parastatals and export processing zones.



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# 3.0

OUTLOOK FOR Q3  
2020 AND BEYOND

## OUTLOOK FOR Q3 2020



### 3.1 Economy

In Q4 2020, growth is forecast to come in at -4.36% because of the immense destruction that the nation experienced post the Lekki shootings. The sum of N1 trillion proposed by the government to rebuild Lagos state (the commercial capital) may assist in alleviating the pain that was caused by the looting and vandalism. The sum (if disbursed) would enable the state drive productivity at a faster pace compared to if the sum was not introduced to rebuild the state.



### 3.2 Foreign Exchange

Given the CBN's plan to unify the exchange rates around NAFEX, we believe the naira will revolve around a narrow band of N388 – N395/\$ in Q4 2020.



### 3.3 Crude Oil

We expect oil prices to hover around the \$42 - \$51pb mark as oil market stabilizes on the signs that top oil producers are scaling back crude shipments, as well as a rebound in oil demand.



### 3.4 Monetary Policy

With the contracting economic growth, exchange rate stability, and the stable monetary policy rate in the US and UK, we expect the CBN to maintain a neutral monetary policy stance to avoid triggering risk-off capital flows as it struggles to get the economy on a positive growth path



### 3.5 Foreign Reserves

The rebound in oil prices and oil demand will lead to accretion in foreign reserves in the short term. Also, expected funding support from international agencies like the World Bank, AFDB, IDB will further engender increase in the reserve level.



### 3.6 Inflation

Supply chains disruptions due to COVID-19 lockdowns will impact price levels on imported items especially for core inflation items. Naira depreciation at the parallel market will also have a passthrough effect on prices. Increase in energy tariffs alongside the uptick in the pump price of petrol will equally put upward pressure on prices.

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