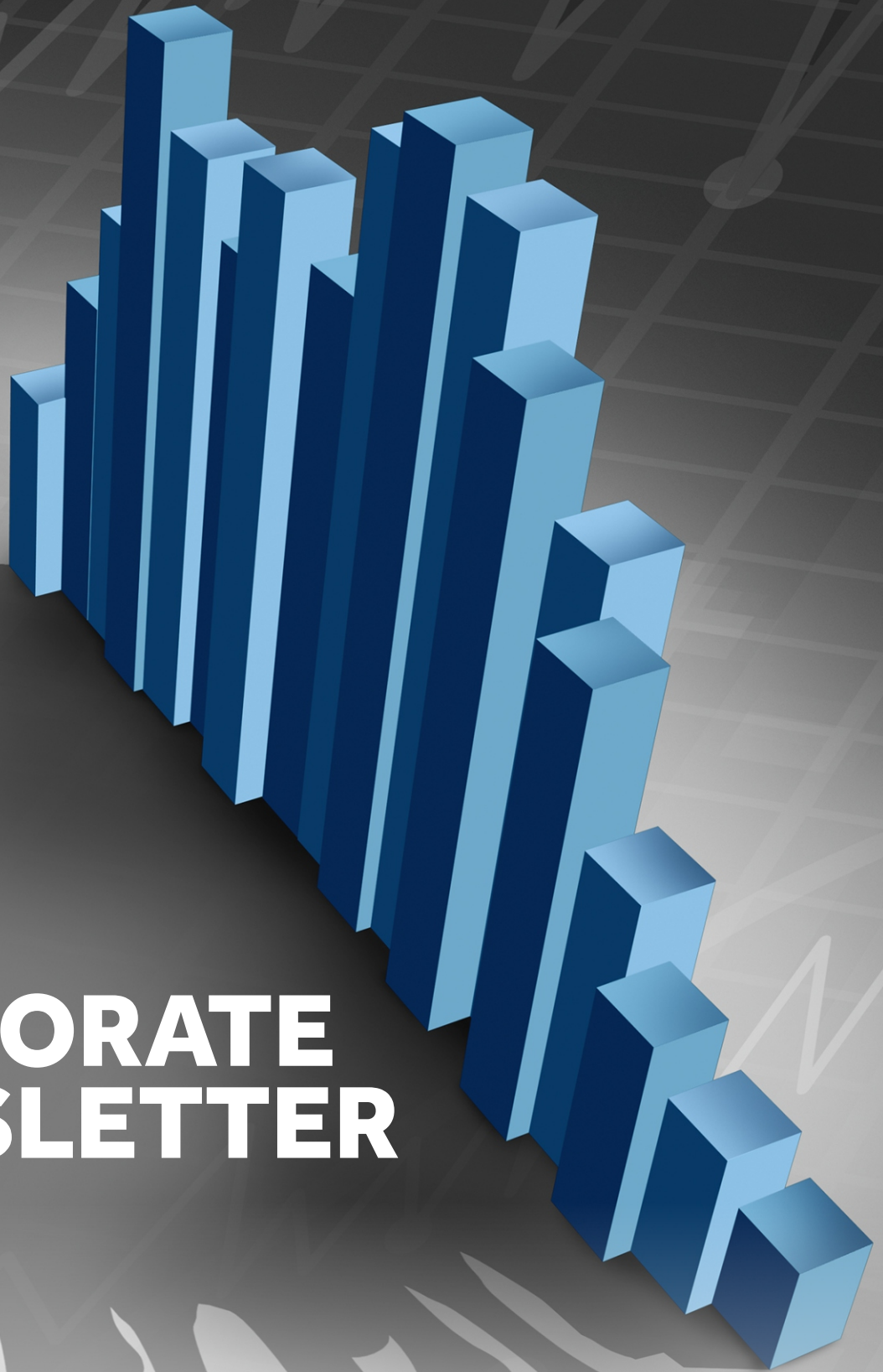


JUNE 2020



CORPORATE NEWSLETTER

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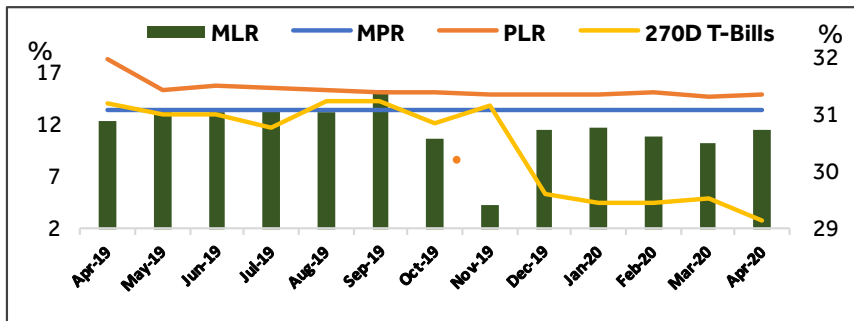


more than banking

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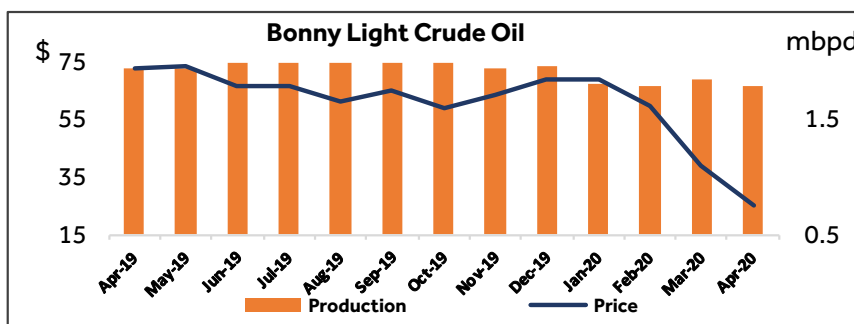
Macroeconomic Update

- June 2020

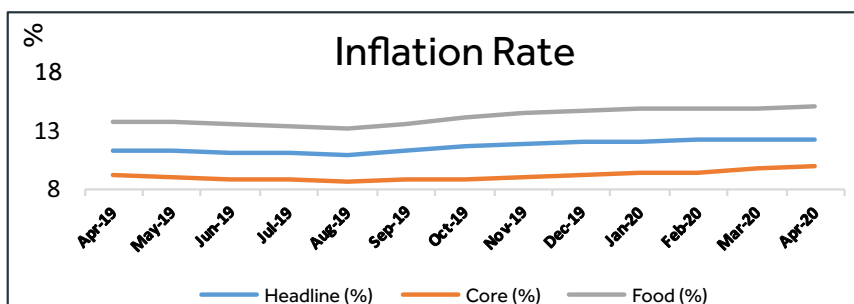


- The CBN's Monetary Policy Committee at its May 2020 meeting reduced the Monetary Policy Rate (MPR) by 100bps to 12.5% while retaining other parameters, amidst rising inflation. The reduction in MPR is one of the CBN's response to COVID-19.
- In April, Prime Lending Rate & Maximum Lending Rate rose by 0.21% & 0.25% from March's figures of 14.92% and 30.73%, respectively.

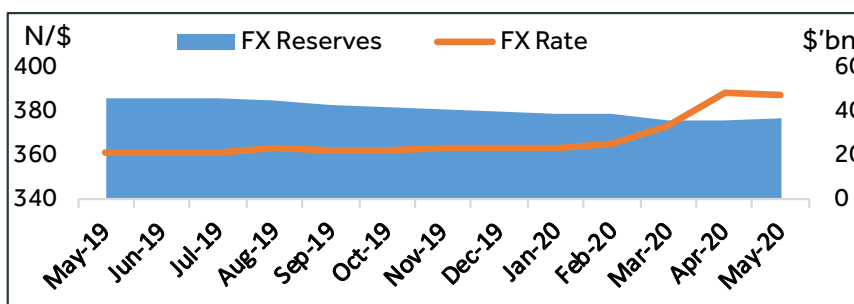
- The 270-Day Treasury Bills rate plummets to 2.73% in April 2020 from 5% in the previous month.



- May 2020 saw bonny light oil price climb from \$25/b to \$33.91/b. This reflects a 35.6% increase within 1 month.
- The increase reflects the impact of OPEC and OPEC+ supply cut agreement and economies gradual re-opening, after the worst of the pandemic, on oil prices.
- Oil production dropped to 1.78 million barrel per day (mbpd) in April 2020 from 1.84 mbpd in the previous month.

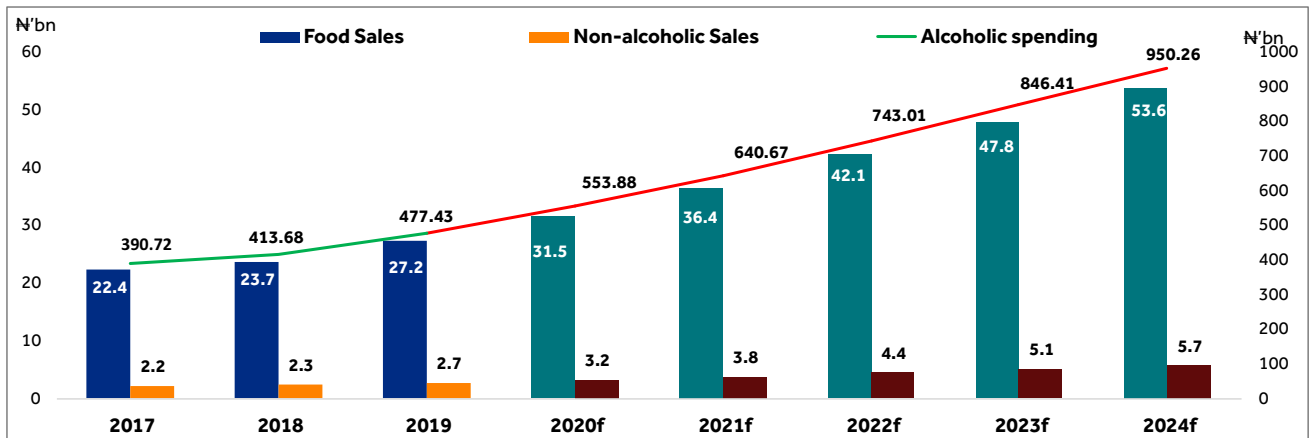


- Inflation ascended to 12.34% in April 2020 from 12.6% posted in the previous month.
- The sustained rise in prices was driven by the impact of the lock down and supply chain disruption caused by COVID-19 Pandemic.
- Food and Core index stood at 15.03% & 9.98% in April 2020 reflecting a 0.05% and 0.25% increase respectively.



- After 10 consecutive months of a downward trend, the foreign reserves picked up in May 2020.
- The pick-up sits on the back of improvement in global oil price as a result of gradual re-opening of economies after the pandemic heat and OPEC and OPEC+ supply cut agreement.
- The Naira slightly appreciated in May 2020 as N/\$ settled at N387.07/\$ from N387.52/\$ in April at the NAFEX window.

Consumers' Expenditure Outlook for the Food & Drinks Industry



Food spending is expected to grow at an annual average of 14.5% over a 5-year horizon (2020-2024). This would bring total spending on food in Nigeria up from N31.5 billion 2020 to N53.6 billion in 2024.

Bread, rice and cereals accounts for the largest share of spending in Nigeria, at 41.5% in 2019. This is accompanied by fresh vegetables

(17.7%), meat and poultry (14.8%) and oil and fats (11.5%).

Total spending on alcoholic drink is forecasted to continue rising to reach N950 billion in 2024. Growth, from 2020, is expected to average 14.8% per annum till 2024.

Non-alcoholic drinks sales is expected to grow at an average rate of

16.0% a year over the 2020-2024 period, reaching N5.7 trillion in 2024.

Soft drinks spending accounted for 63.5% of total spending on non-alcoholic drinks in 2019 followed by carbonated drinks (36.9%), coffee, tea and other hot drinks (36.5%), fruit and vegetable juice (26.2%) and mineral water (0.4%)

Food & Drinks Industry – Post COVID-19



According to Fitch, the Nigerian economy is expected to grow by -3.5% in 2020, the second recession experienced in the last 5 years. Inflation rate is also expected to average 13.5% in 2020. These would erode purchasing power as well as push the real wage growth to the negative space.



In the short term, there will be a decline in household income level pushing a large number of households to the lower part of the income distribution pyramid. The income levels of the middle class will also be affected but will however recover over the medium term returning to its pre 2020 level in 2023.



Consumer spending is expected to drop by 2.8% in 2020 from Fitch's pre COVID-19's forecast of 3.9%. This is attributed to the lockdown and movement restriction which impacts the normal consumer and retail behavior. Most households income levels are expected to fall into the next lower income bracket.



The CBN governor recently announced that forex will be unavailable to goods with local substitutes. This reinforces the list of 41 items that were banned by the CBN. This policy is believed to generate jobs, discourage importation, encourage exportation and local production which overall boosts economic growth.





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