

MARCH 2021

Macroeconomic Update

Dr. Ngozi Okonjo-Iweala
as the Director-General of
the World Trade
Organization (WTO)

Road Transport Industry

Creative Industry
Financing Initiative (CIFI)

CORPORATE NEWSLETTER

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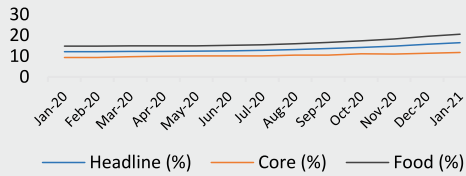


more than banking

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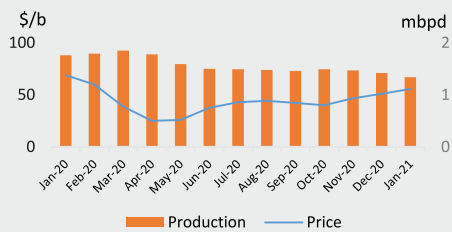
Macroeconomic Update

Inflation Rate(%)



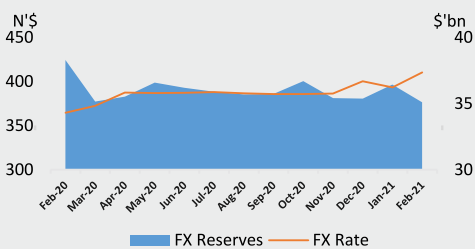
- Inflation rose to 17.33% in February 2021, compared to 16.47% in January
- This marks the 18th consecutive month of rising inflation which has greatly impacted oil prices, the Naira, food, and transportation costs
- Food prices continue to skyrocket given security concerns in the north and the Fulani herdsman clashes in the southern part of the country
- The Finance Minister recently stated that import duty on tractors and mass transit vehicles will be cut, to reduce transportation costs and food prices

Bonny Light Oil



- Oil prices sat at \$66.26 per barrel on the 26th February 2021 rising from \$50.59/b recorded at the end of 2020
- Crude oil production in Nigeria reached 1.34 million barrel per day (mbpd) in January 2021
- Following the continued rollout of the Covid-19 vaccines, oil traders anticipate a recovery in demand
- Stricter enforcement of oil quota by OPEC continues in 2021 to

FX Reserves, FX Rate



- External reserves declined to \$35.10 billion as at February 2021 compared to \$36.43 billion posted in January
- NAFEX closed at ₦410.48/\$ in February 2021. This reflects a ₦17.03 depreciation relative to the figure recorded in January.
- CBN adjusted exchange rate to reflect the pent-up demand pressure and possibly in line with conditions set by the World Bank to access the \$3.4 billion loan.
- Demand continues to outweigh supply of the dollar and this will continue to put pressure on the external reserves.

In the News this Month

- The Central Bank of Nigeria (CBN), in February, released the Open Banking Regulatory Framework (OBRF) in a bid to ramp up financial inclusion in the country. The OBRF provides customers banking data to third party financial providers giving them the opportunity to offer payment services and personalised products directly to customers.
- The CBN prohibited financial institutions from dealing in cryptocurrencies or facilitating payments for cryptocurrencies exchange. Financial institutions were also directed to identify and close accounts operating cryptocurrencies exchange.
- Nigeria's former two-time finance minister, Ngozi Okonjo-Iweala, was appointed the Director General (DG) of the World Trade Organization (WTO) after a meticulous selection process.
- The 270-Day Treasury Bills (T-Bills) rose in February 2021 to 2.38% from 1.36% posted in January.



Dr. Ngozi Okonjo-Iweala,
Director General of the World
Trade Organization (WTO)

Opportunities for Nigeria

History was made as Dr. Ngozi Okonjo-Iweala became the seventh Director-General of the World Trade Organisation (WTO). She assumed office on March 1, 2021, becoming the first woman and the first African to serve as Director-General and her term will run until August 2025.

This could not have come at a much better time, as the month of March commemorates the International Women's Day celebrations. This feat which is undoubtedly a source of pride and inspiration to Nigerians and Africans, both home and abroad.

During her recent visit to Nigeria, Dr. Ngozi Okonjo-Iweala promised that the WTO would explore various areas to assist the Nigerian Economy.

On Economy:

She affirmed that the Organization would explore ways to improve the Nigerian and African economy, as well as deepen the volume of trade in the continent. The Nigerian populace have expressed positivity about economic improvements, especially with the onset of the African Continental Free Trade Agreement (AfCFTA).

On Trade and Investment:

There is much optimism that her regime would improve Nigeria's balance of trade, as well as increase market access for Nigerian exporters, in turn boosting job creation and increased industrialization.

On Support for Women and Entrepreneurs:

She also affirmed that the Organization would explore ways to support capacity building for women and entrepreneurs and facilitate women's participation in international trade, particularly in developing countries

Road Transportation Industry Post COVID-19



Road transportation accounts for about 85% of transport activities in Nigeria. Augusto&Co Research projected the road transport revenue to grow by 13.41% to reach ₦2.79 trillion in 2021. The projected growth in the industry is expected to be sustained in the medium term on the back of increasing investments in technology and fleet management. Key risks to this projection include shutdown of successful transport companies due to the death of their owners, foreign exchange risk, unregulated toll fees, recklessness of drivers amongst others



Recovering Economy: The Nigerian GDP growth rate moved from the negative space in Q4 2020 reflecting a recovering economy which was dealt a huge blow by the COVID-19 pandemic at the beginning of 2020. The pick-up in economic activities would be beneficial to reviving the ailing road transportation industry in coming quarters



AfCFTA: The African Continental Free Trade Area (AfCFTA) would promote market expansion for businesses, job creation for the populace amongst others. This trade pact would see increase in people and freight movement, which should contribute to the growth of the road transport sector



Consumer Spending: Data from 2019 revealed that transportation took a chunk of Nigerians income after food. Consumer spending on transportation drastically reduced as result of the lockdown in 2020. Spending on road transportation is essential hence it is expected to rise with total consumer spending in 2021



Forex Supply: Dollar demand continues to outweigh supply. The imbalance makes depreciation of the Naira inevitable, leading to higher cost in vehicles and spare parts.



Improving Oil Prices: Improving oil prices connotes more fiscal revenue for capital expenditure such as road construction



Government Support: Road construction and rehabilitation is on the Government's priority fiscal list as that is expected to improve the ease of doing business in Nigeria. The government budgeted ₦60 billion in the Economic Sustainability Plan for road construction and rehabilitation.

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Creative Industry Financing Initiative (CIFI)

- The Creative Industry Financing Initiative (CIFI) is a loan scheme developed in collaboration with the Central Bank of Nigeria (CBN) to provide access to long-term and low-interest financing for entrepreneurs in the creative industry, including Fashion, Music, Movies, and Information Technology.
- Through this scheme, interested applicants can apply for loans of up to ₦500 Million with low-interest rates of 9% per annum and flexible repayment plans spread over 3 - 10 years. Interested applicants are advised to submit business proposals and applications at respective banks for approval. When all the credit requirement for the CIFI facility have been met, disbursement to successful beneficiaries would be made.

Creative Industry Contributions to the Economy



Film/Movie

- The Nigerian movie industry accounts for 0.18% (₦275.6billion) of the 2020 GDP and is currently ranked third most valuable film industry globally based on revenue generation.
- It is one of the priority sectors identified in the Economic Recovery and Growth plan of the Federal Government of Nigeria
- Although the activities in this industry slowed down in 2020 due to lockdown restrictions, with the re-opening of cinemas across the country, Augusto&Co. research projects gross box office revenue to reach ₦3.8 billion by the end of 2021
- Business opportunities in the Nollywood industry include opening of cinemas in underserved cities, use of technological platforms to enhance distribution e.g., Iroko TV and Netflix.



Music

- The Nigerian music industry has evolved as a source of employment to talented youths. Music is considered a very lucrative business with music celebrities such as Davido, Wizkid, Don Jazzy, 2face amongst others who are believed to have networth running into billions of Naira and attained international status.
- According to PwC, Nigeria will be the world's fastest-growing entertainment and media market over the next five (5) years. This prediction rests on the pillar of surging spending on mobile internet access.
- Expectations are that with the CIFI, a new vista of opportunities will emerge for talented youths to achieve their dreams and project the country in more positive light.

Creative Industry Contributions to the Economy



Fashion

- According to Euromonitor, the Nigerian fashion market is estimated to be \$4.7 billion and the government envisages that this sector will contribute at least \$1 billion to the GDP, hence the recent monetary and fiscal interventions to reposition the sector
- Opportunities abound in this sector especially with CIFI and ban on the importation of secondhand clothing, footwear, bags and suitcases by the Nigerian Custom.
- Nigeria and Sub-Saharan African fashion businesses can plug into the global fashion industry, which is worth about \$3 trillion, by positioning as production partners to global fashion brands especially mid-range and luxury brands



Information Technology

- Information Technology (IT) is certainly the future as everyone is aggressively going digital, thanks to COVID-19
- The contribution of the ICT sector to the 2020 GDP is 11.21% (₦17.08 trillion). The sector remained resilient in 2020 despite the devastating impact of the pandemic as internet data consumption grew rapidly
- To promote partnerships between local ICT companies and foreign investors and grow an entrepreneurial eco-system in this sector, the federal government has created government and private sector led incubator hubs, youth innovation programs, and science technology parks e.g., Abuja Technology Village Science and Technology Park

Restoration of the National Theatre, Iganmu



- Yet another feat to promote the creative industry is the restoration and upgrade of the National Theatre, Iganmu, Lagos state.
- The Federal Executive Council (FEC), in February 2021, approved the Memorandum of Understanding (MoU) between the Ministry of Information and Culture and the Central Bank of Nigeria's (CBN) Bankers Committee for the renovation of the National Theatre, Lagos. The CBN is expected to provide N21.89 billion for the renovation which would see that "Signature (Creative) Clusters" are erected. These clusters consists of a building each for the Music, Film, Fashion and Information technology segments. The MOU has a life span of 21 years, meaning it would be handed back to the Federal Government when its life span elapses
- The renovation of the National Theatre by the CBN reinforces its intentions in positioning these creative sectors as key growth drivers for the economy

For further information on accessing the Creative Industry Loan, please [click here](#) or speak with your Relationship Officer

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