IN THIS EDITION

SECTION 1

Global Economy 1.0
United States 1.1
Euro Area 1.2
BRICS 1.3
Africa 1.4

SECTION 2

The Nigerian Economy 2.0
GDP Growth 2.1
Inflation 2.2
Monetary Policy 2.3
Unemployment 2.4
External Reserves 2.5
External Trade 2.6
Exchange Rate 2.7
Money Market 2.8
Stock Market 2.9
Portfolio Investment - Nse 2.10
Capital Importation 2.11
Purchasing Managers Index (PMI) 2.12
Credit Ratings 2.13
Socio-Economic Landscape 2.14
Financial Sector Developments 2.15

SECTION 3

Outlook for Q4 2019 and Beyond 3.0
Economy 3.1
Foreign Exchange 3.2
Crude Oil 3.3
Monetary Policy 3.4
Foreign Reserves 3.5
Inflation 3.6

ACCESS ECONOMIC QUARTERLY Q3 2019

EDITORIAL BOARD
Rotimi Peters
rotimi.peters@accessbankplc.com

DESIGN & LAYOUT
Laijobutu Oluwasegun Stephen
Corporate Communications Unit (Graphics)

CONTENT DEVELOPMENT
Stephanie Erigbe
stephanie.erigbe@accessbankplc.com
Grace Olajume
grace.olajume@accessbankplc.com
Olajumoke Oladipo
olajumoke.oladipo@accessbankplc.com
Blessing Enye
blessing.enye@accessbankplc.com

CORRESPONDENCE
All enquiries should be forwarded to:
The Economic Intelligence Team
Access Bank Plc
Plot 999c, Danmole Street
Victoria Island, Lagos
T: +234 (1) 271 2005
E: economicintelligence@accessbankplc.com

Copyright © 2019. All rights reserved. Contents of this edition may be reprinted with due credit given to Access Bank Plc.
access more of the world

As Africa's Gateway to the World, we have presence in almost every continent, making it possible for us to open the door for your business to become tomorrow’s global player.

It’s time to explore the world and get more.
Global growth is projected to fall to 2.6% in 2019, compared with 3% in 2018 according to the World Bank. Emerging and developing economy growth is constrained by sluggish investment, and risks are tilted to the downside. These risks include rising trade barriers, renewed financial stress, and sharper-than-expected slowdowns in several major economies.

The Asian Development Bank downgraded its growth forecasts for the region, saying escalating trade tensions are sapping economies of some of their potential. The regional lender expects regional growth of 5.4% this year and 5.5% in the coming year, slightly below its earlier forecasts. A further deterioration in the tariff war between China and the U.S. poses risks that stretch beyond that conflict and beyond the region. Both sides have imposed punitive tariffs on billions of dollars' worth of each other's products, hurting a wide range of industries and the businesses associated with them.

In the Eurozone, growth shifted into a lower gear in Q2 2019 due to an adverse external environment. Germany and Italy who when combined, contribute about 40% of the Eurozone GDP have also suffered from the ongoing trade tensions and increasing borrowing costs.

Crude oil prices traded within the $56 - $69 per barrel (pb) range, amidst weak global demand, sanctions imposed on Iran and attacks on Saudi oil facilities. The International Energy Agency (IEA) said it might cut its estimates for global oil demand for 2019 and 2020 should the global economy weaken further.

**GLOBAL GDP GROWTH**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2.6%</td>
</tr>
<tr>
<td>2017</td>
<td>3.2%</td>
</tr>
<tr>
<td>2018</td>
<td>3.0%</td>
</tr>
<tr>
<td>2019</td>
<td>2.6%</td>
</tr>
<tr>
<td>2020</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

Source: World Bank
1.1 United States

The United States recorded a year-on-year growth of 2% in Q2 2019. This is 1.1% lower than the growth rate of 3.1% registered in Q1 2019. The decline stemmed from a drop in state and local government spending as well as a reduction in exports, private inventory investment and residential investment.

US inflation rate remained unchanged at 1.7% in September 2019 as pick up in food inflation was offset by a further decline in energy prices. Food index edged up 1.8% while core inflation which excludes food and energy remained flat at a one-year high of 2.4%. The Federal Reserve lowered the target range for the federal funds rate to 1.75% - 2% during its September meeting, as inflation remains subdued amid heightened concerns about the economic outlook and ongoing trade tensions with China.

The U.S unemployment rate stood at 3.7% in August 2019, unchanged from the prior two months. The number of unemployed persons fell to 6.0 million from 6.1 million, while employment rose to 157.9 million in the reference period. Subdued client demand in August led to the slowest rate of production growth in over three years. This resulted in a manufacturing PMI of 50.3.

The trade war between the U.S. and China has gone on for more than a year and after the 13th round of talks, President Trump revealed that both countries have reached a phase one deal. As part of this partial deal, China will purchase between $40 billion and $50 billion worth of U.S. agricultural products. It will also address intellectual property and financial services concerns. Overall, the U.S economy is expected to grow at 1.7% in 2019, moderating to 1.6% in 2020.
1.2 Euro Area

Growth in the Eurozone slowed down in Q2 2019 registering a growth of 1.2% year-on-year from 1.3% in the previous quarter. The deceleration, attributed to the contraction in Germany’s economy (the largest economy on the Eurozone bloc), is due to global slowdown driven by trade conflicts and uncertainty over Brexit.

Labour markets remained resilient as unemployment levels were down to 7.4% in August from 7.5% in July, as the number of unemployed continued to decline.

Minutes of the September meeting showed, several ECB policymakers opposed the new bond purchases and a multi-tier deposit rate, even as all members reiterated the need for a highly accommodative stance of monetary policy for a prolonged period. A majority of members went along with the proposed introduction of a two-tier system for reserve remuneration as part of the overall policy package.

Inflation rate in the bloc inched down to 0.9% in September 2019 from 1.0% in the previous month. The deceleration was due to a softer increase in the prices for food, alcohol and tobacco, and services as well as to a sharper drop in energy prices. However, core inflation, which excludes volatile energy and unprocessed foods prices, inched up to 1.2% from August’s 1.1%.
Growth in the euro area is projected at 0.9% in Q4 2019 and 0.8% in Q1 2020.

GDP Growth Rate & Forecast – Eurozone

Source: Bloomberg

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

Source: Bloomberg
**1.3 Brics**

BRICS economies were mostly stable in the third quarter of the year. A review of the Brazilian economy showed moderate expansion amidst improvement in the balance of trade. Growth remained sluggish in the Russian peninsula alongside gradually easing inflationary pressures and lacklustre economic activities. India showed slower growth in Q2 2019 even as the government introduced new measures to stimulate the economy. The Chinese economy faltered in Q2 2019 after GDP growth slowed to a near three-decade low. After shrinking in Q1 2019 on rolling blackouts, the South African economy averted technical recession in Q2 2019 on a strong bounce-back in domestic demand.

**Brazil**

The Brazilian economy expanded by 1% year-on-year in Q2 2019, following a 0.5% expansion in the previous quarter. The services sector continued to grow and agricultural and industrial activities rebounded, as construction output rose for the first time since the first quarter of 2014.

Reports showed a decrease in unemployment levels to 11.8% in the three months to August 2019, from 12.3% in the March to May period. This represents a decrease in the number of unemployed 419,000 from the previous period to 12.57 million.

The Central Bank of Brazil's Monetary Policy Committee (Comité de Política Monetária, COPOM) in its September 17-18, 2019 cut its benchmark rate to a historic low of 5.5% from 6.5%. The move marked the Bank’s second consecutive rate cut and a continuation of the easing cycle to help support the economic recovery.

Annual inflation rate in Brazil rose to 3.43% in August from 3.22% in July 2019. Prices went up mainly due to cost of transport and housing. Despite the rise in inflation, it remained under the Central Bank's target of 4.25%.

Brazil’s trade surplus widened in the month of August to $3.28 billion from $2.77 billion in August 2018. According to Ministry of Development, Industry and Foreign Trade (MDIC), exports and imports fell by 12.5% and 17.1% from a year ago.
Russia

In the second quarter of 2019, Russia’s GDP grew by 0.9%, stronger than the growth of 0.5% in the previous quarter. During the period, acceleration was seen in real estate, public administration, financial and insurance activities.

The unemployment rate declined to 4.3% in August 2019, from 4.5% in the previous month, with the number of unemployed declining to 3.26 million in the reference month from 3.36 million in July.

Taking cognizance of gradually easing inflationary pressures and lackluster economic activities, the Central Bank of Russia (CBR) on its September 6th meeting cut the policy rate by 25bp to 7%, making it the third consecutive rate cut this year. Looking ahead, the Bank maintained a dovish tone, signaling that another rate cut is likely this year, provided inflation continues trending downwards. Notably, the Bank lowered GDP growth rate forecast for 2019 from 1.0%-1.5% to 0.8%-1.3%.

Consumer price inflation fell to 4.3% in August from 4.6% in July, August’s result marked the fifth consecutive month of moderating inflation, paving the way for the Central Bank to cut the policy rate by 25 basis points on September 6th 2019.

Fitch Ratings upgraded Russia’s credit rating to BBB from BBB-, with a stable outlook, citing solid macroeconomic fundamentals and resilience to external shocks.
India Growth in India, in Q2 2019 slowed to 5%, from 5.8% observed in Q1 2019. It was the weakest growth rate since Q1 2013, amid a slowdown in manufacturing and construction sectors.

The composite Purchasing Managers’ Index (PMI) by IHS Market showed that expansion slowed in the manufacturing sector to 52.6 points in the month of August from 53.9 in July. The services PMI fell to 52.4 in August from 53.8 in July, due to weaker output growth in the month. On the manufacturing side, the PMI decreased to 51.4 in August from 52.5 in July, partly due to new business order growth slowing to a 15-month low.

The Reserve Bank of India cut its benchmark interest rate by 35 basis points to 5.4% at its August 2019 meeting. This was the fourth consecutive rate cut this year in an attempt to boost economic growth.

The retail price inflation climbed to 3.21% year-on-year in August 2019 from 3.15% in the previous period. The MPC notes that inflation is projected to remain within the target over a 12-month ahead horizon.

Citing weaker domestic demand, the IMF revised its 2019-20 GDP forecast downwards by 20 basis points to 7%. However, India would remain the fastest growing major economy in the world.
China

The Chinese economy accelerated by 6% year-on-year in Q3 2019, slower than 6.2% in Q2 2019 amid ongoing trade tensions with the US, weakening global demand and alarming off-balance-sheet borrowings by local governments.

The People’s Bank of China (PBOC) benchmark interest rate stood at 4.2% on September 20th 2019 from 4.25% in the previous month. This decision followed the Federal Reserve’s rate cut in September. The trade surplus widened to $34.83 billion in August 2019 from $26.30 billion in the same month of the previous year. However, this was lower than the surplus ($45.05 billion) recorded in the previous month. The decline came in amid persistently weak global demand and intensifying trade dispute with the US.

China’s annual inflation rose to 3% in September 2019 from 2.8% in the previous month. This was the highest inflation rate since October 2013, mainly due to persistently high pork prices following an outbreak of African swine fever.

China’s growth outlook for 2019 is projected at 6% as the trade war between China and the United States continues to weigh on China’s economic growth, along with weak domestic demand.
FROM WALL STREET TO BROAD STREET

GROW YOUR DOLLAR AT HOME

With Homelost, you can convert your foreign currency offshore into local Nigerian investments seamlessly. It is safe and secure.

- Ability to repatriate funds on maturity
- Access to high-yielding local currency investments
- Access to price analytics and market news

Call us today to get started.

More Information:
01-271-2005-7, 0700-300-0000
accessbankplc.com

Facebook.com/accessbankng | Twitter.com/myaccessbank
Youtube.com/accessbankplc | LinkedIn/accessbankplc
Instagram/myaccessbank
The South African economy showed no growth in Q1 2019 after expanding by 1.1% in the prior period. Slower rises were observed in manufacturing, finance and government services. Sectors such as agriculture, mining and trade posted contractions.

Inflation rate in South Africa edged up to 4.5% in May, up from 4.4% in April. This is around the mid-point of the central bank’s target range of 3% to 6%. Main upward pressure came from prices of housing & utilities and food while those of transport slowed.

The South African Reserve Bank left its benchmark repo rate unchanged at 6.75% on May 23rd, 2019. Policymakers said that the stance of monetary policy is broadly accommodative over the forecast period as the medium-term inflation outlook has improved.

The South African Reserve Bank lowered its 2019 GDP forecast for the country to 1.3% from 1.7%, citing policy and political uncertainty.

GDP Growth Rate & Forecast – South Africa

Source: Bloomberg.
1.4 Africa

Ghana
The Ghanaian economy advanced by 5.7% year-on-year in Q2 2019, slower than the 6.7% in Q1 2019. The slower growth was due to a sharp contraction in construction, water supply and electricity. The annual inflation rate fell to 7.8% in August from 9.4% in July as prices slowed for non-food products. The Bank of Ghana held the prime lending rate steady at 16% at its September 2019 meeting. Policymakers noted that despite headline inflation continued its downward trajectory, underlying price growth and inflation expectations rose slightly. This reflected emerging pressures coming mainly from the recent upward adjustment of utility tariffs, ex-pump prices and transport fares. According to the IMF, growth is expected to rise to 8.8% in 2019.

Rwanda
The economy of Rwanda accelerated by 12.2% year-on-year in Q2 2019, after an expansion of 8.4% in the previous quarter. It is the fastest expansion since Q1 2019. The growth was driven by advancement in the service sector, industrial sector and agriculture sector amongst others. Inflation rate rose to 2.3% in August 2019, after a 1.6% rise in the previous month. The economy is projected to grow 7.8% in 2019 (Bloomberg), buoyed by stable inflation and a growing economy.
GLOBAL ECONOMY
BRICS

GDP Growth Rate & Forecast – Ghana

Source: Bloomberg.
access more growth opportunities

As Africa’s gateway to the world, we will help you take the lead in your business both locally and internationally.

Let’s help you achieve more.

Banking with Access: Branch | ATM | Online | Mobile | Contact Center

More Information:
01-271-2005-7, 0700-300-0000
accessbankplc.com

Facebook.com/accessbankplc | Twitter.com/myaccessbank
LinkedIn/accessbankplc | Instagram/myaccessbank

more than banking
The Nigeria economy enjoyed relative stability during the third quarter of 2019. Recent data reveals that major macroeconomic indicators remained stable in the reference period. Inflation rose slightly to 11.24% in September – the first rise after 4 consecutive months of declining inflation. The August reading of 11.02% was the lowest in 43 months. The average slowdown in general price levels stemmed largely from the modest pick up in food prices (~22bps to 13.17% y-o-y in August alone). Core inflation also showed moderation registering a cumulative drop of 16 basis points over the last three readings. The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) retained the MPR at 13.5% during the September meeting. The country’s crude production rose slightly over the past 3 months due to the start-up of the 205,000 b/d deep-water Egina field. Oil prices were volatile during the 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 Q3 2019 is presented below:

2.1 GDP Growth
The economy shifted into a lower gear in the second quarter, with annual GDP growth decelerating to 1.9% from an upwardly revised 2.1% in the first quarter (previously reported: +2.0% year-on-year). The moderation was mainly driven by weakening momentum in the non-oil segment of the economy, which expanded at the softest pace in a year.
Growth in the non-oil sector of the economy eased sharply in Q2 2019, coming in at 1.6% annually (Q1: +2.5% year-on-year) and reflecting faltering activity in both the agriculture and services sectors. Agricultural output growth nearly halved in Q2 2019 amid softer crop production and a stagnant livestock sector. Similarly, declining activity in the trade, real estate, and finance and insurance industries stifled the overall expansion of the services sector. In contrast, industrial output growth picked up markedly in Q2 2019, driven mainly by the recovery of the mining and quarrying sector.

The oil sector returned to growth in Q2 2019, after contracting for four consecutive quarters. Activity in the oil sector rose a robust 5.2% over the same period last year, rebounding from the 1.5% fall in Q1 2019. The apex bank’s projections indicate that real GDP in Q3 and Q4 2019 would average 2.11% and 2.34% respectively, driven primarily by the non-oil sector.

GDP Growth Rate – Nigeria

Source: NBS

2.2 Inflation

Nigeria’s headline inflation increased by 0.02 percentage points to 11.24% year-on-year (y-o-y) in September 2019 from 11.22% in June. The composite food index dropped to 13.51% in September 2019, compared to 13.56% in June 2019. The “All items less farm produce” or Core inflation, which excludes the prices of volatile agricultural produce stood at 8.94% in September 2019, up by 0.1% when compared with 8.84% recorded in June 2019. At 11.24%, the September 2019 inflation rate is still within the target of the Federal Government of Nigeria, which is 12.4%. The increase in price was mainly due to the closure of the land border, which led to a rise in several food items within the quarter.
2.3 Monetary Policy
The Monetary Policy Committee of the CBN voted to retain the interest rate during the third quarter of the year due to weaker than-anticipated domestic output recovery. The MPR remained unchanged at 13.5% during the September meeting. All other indices were also retained: The liquidity ratio remained at 30% and the cash reserve ratio at 22.5%. Likewise, the asymmetric corridor was maintained at +200 and -500 basis points around the MPR. The Committee revealed that the current level of real policy rate is appropriate to balance the objectives of exchange rate stability, price stability and output stabilisation without introducing disruptive policy shocks.

**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 (%)

2.5 External Reserves
External reserves declined slightly in Q3 2019 to settle at $41.85 billion in September from $45.07 billion at the end of June. The decline resulted from relatively weaker oil prices that prevailed for a greater part of the third quarter, and hence lower FX inflows to the nation’s coffers.

Oil prices fell to as low as $67.36 in September compared to an average of $70.11 in Q2 2019. The drop was due to fears of slowing global growth, before picking up because of the drone attacks on Saudi oil infrastructure. Bonny light, Nigeria’s crude oil benchmark, climbed as high as $71.02 per barrel in September in the wake of the attacks on Saudi oil infrastructure.

Nigeria’s oil output remained stable despite an increase in sabotage attacks on production facilities. The country’s production hovered around 1.87 million barrels per day (mbpd) in August, according to OPEC, compared with around 1.81 mbpd in June.
2.6 External Trade

According to the National Bureau of Statistics (NBS) report, in Q2 2019, the value of Nigeria’s total foreign trade stood at N8.60 trillion comprising 46.6% imports (N4 trillion) and 53.4% exports (N4.59 trillion). The report further shows that the value of Nigeria’s total trade in Q2 2019 was higher by 4.4% when compared to Q1 2019, but 24.2% higher when compared with Q2 2018. Nigeria’s trade surplus declined to N588.8bn in Q2 2019 from N831.6bn in Q1 2019 as imports continued to expand faster than exports. India topped the list of major export trade partners with about 17.27% contribution to total exports. On the other hand, China soared as the major import-trading partner to Nigeria with a share of 25.47% of total imports, while Belgium was the least contributor to imports amongst Nigeria’s top five import partners.
2.7 Exchange Rate

Sustained weekly FX interventions by the apex bank across various market segments kept the local unit relatively stable in the quarter. Data from Financial Market Dealers Quote (FMDQ) showed that the exchange rate at the Nigeria Autonomous Foreign Exchange (NAFEX) window, settled at N362.08/$ on September 30th compared to N360.56/$ at the end of June, translating to a loss of N1.50 or 0.38%. Meanwhile, at the parallel market, the exchange rate gained N1 over the same period to close at N360/$.
THE NIGERIAN ECONOMY

2.8 Money Market
Money market rates responded largely to financial system liquidity dynamics. Overall, rates trended upwards amid pressured liquidity position. The CBN mopped up excess naira liquidity aggressively via its weekly OMO auctions, leading the overnight and open buy back rates to spike to as high as 30.29% and 28.29% in August. As of September 27th, average overnight and open buy back rates settled at 12.07% and 10.98% relative to 8.08% and 7.5% respectively at the end of June.

2.9 The Stock Market
The Nigerian stock market continued to struggle to gain traction over the third quarter. The market Capitalisation and All Share index recorded consecutive monthly declines in August and September, eventually settling at N13.45 trillion and 27,630.56 points respectively as at September 30th. The dip in the stock market during the quarter resulted from profit taking, intense sell pressure and shaken investor confidence during the call to nationalize South African companies due to the xenophobia attacks in South Africa.
2.10 Portfolio Investment – NSE

Total transactions at the nation’s bourse declined by 59% to N121.99 billion in August 2019 from N297.25 billion in the previous month. Foreign investors’ transactions decreased by 34% to N63.90 billion from N96.74 billion as foreign investors accounted for 52% of total transactions at the stock market in August. Total domestic transactions dropped by 71.03% to N58.09 billion in August 2019 from N200.51 billion in June. The value of domestic transactions executed by institutional investors (59%) outperformed retail investors (41%).
2.11 Capital Importation

The Nigerian economy recorded a decline of $3.2bn in investment inflow to $5.82bn in the second quarter from $8.48bn in the first quarter of this year. The NBS did not give reasons for the decline in investment inflows but analysts are of the view that the delay in appointing cabinet members may have affected investors’ confidence. The NBS report said that the largest amount of capital importation by type was received through portfolio investment, which accounted for 73.76% or $4.29bn of total capital importation. This was followed by “other investment,” which accounted for 22.41 per cent of $1.3bn of total capital imported and Foreign Direct Investment, which accounted for 3.83% or $222.89m of total capital imported in the second quarter of this year.
2.12 Purchasing Managers’ Index (PMI)
The Manufacturing PMI closed the third quarter of 2019 at 57.7 index points from 57.4 in the previous quarter. 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 58 points in the reference period from 58.6 points at the end of the second quarter, indicating a slower expansion in the non-manufacturing PMI in Q3 2019.

Nigerian Stock Exchange All Share Index and Market Capitalization

2.13 Credit Ratings
Fitch Ratings, a global ratings agency, has retained the outlook on Nigeria’s Long-Term Foreign-Currency Issuer Default Rating (IDR) at Stable and affirmed the rating at ‘B+’. The outlook reflects the ongoing economic recovery and decreasing external vulnerabilities, both supported by increased oil production and higher global oil prices.

S&P Global, another prominent rating agency retained Nigeria’s long-term foreign currency Issuer Default Rating (IDR) at a ‘B/B’ on Nigeria (stable outlook). The rating on the country are supported by a relatively low general government debt stock. Although, debt servicing costs remain high. And low level of economic wealth, weak external position, real GDP per capita trend growth rates.
2.14 Socio-Economic Landscape

The socio-political scene witnessed several developments during the quarter, notably:

In the month of July, in line with the commitment of the Governor of Central Bank of Nigeria (CBN), to ramp up activities in the Nigerian economy in his second term, the apex bank has taken fresh steps to channel more funds to the real sector as loans. The CBN therefore directed commercial banks to maintain a minimum Loan to Deposit Ratio (LDR) of 65 per cent effective December 31, 2019. This directive follows an earlier one issued that commercial banks increase LDR to 60% effective September 30, 2019. The new LDR is lower than the 80% it was previously. Failure to meet the above minimum LDR by the specified date shall result in a levy of additional Cash Reserve Requirement equal to 50% of the lending shortfall of the target of the LDR. Research Analysts opined that the policy would make more money from banks’ customer deposit to be channelled as lending to the real sector of the economy. It could unlock over N1.5 trillion for lending to the sector. The Central Bank conveyed the decision on the new lending policy to the banks in July.

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.

In the month of August, the African Development Bank Group (AfDB) signed a $4.8m institutional support grant to the African Union for implementation of the African Continental Free Trade Area agreement. The grant, approved by the Group’s Board of Directors in April, forms part of a series of interventions by the Bank in its lead role to accelerate implementation of the free trade agreement, seen as a major force for integrating the 55-nation continent and transforming its economy. African leaders meeting in Niamey, Niger in early July launched the implementation phase of the free trade area agreement established in March 2018 after it became operational at the end of May. Currently, 54 states have signed the deal and are set to begin formal trading in July 2020.

In the month of September, the African Export-Import Bank (Afreximbank) approved a $500 million facility to enable Nigerian manufacturers take full advantage of the opportunities offered by the African Continental Free Trade Agreement (AfCFTA). The $500 million facility was aimed at providing financing to Nigerian manufacturers and companies engaged in intra-African trade under the AfCFTA, which implementation begins in 2020. AfCFTA seeks to create a continental trade bloc of 1.2 billion people, with a combined Gross Domestic Product (GDP) of about $3 trillion. The agreement also seeks to promote Africa’s regional integration and help increase intra-African trade by committing countries to liberalising services, trade, and removing tariffs on 90% of goods. Apart from its inherent capacity to promote economic growth and development, reduce poverty in the partnering countries, the trade liberalisation deal was also expected to
help expand and diversify trade and increase domestic and foreign investments.

2.15 Financial Sector Developments

In July, the Central Bank issued a circular to all Deposit Money Banks (DMBs) on the modalities for the implementation of the Creative Industry Financing Initiative (CIFI). The CBN in collaboration with the Bankers’ Committee introduced the CIFI to improve access to long-term low-cost financing for entrepreneurs and investors in the Nigerian creative and information technology sub-sectors. This is part of the efforts to boost job creation in Nigeria, particularly among the youths.

Also in July, the CBN released a circular on its commitment to deepening financial inclusion in line with its objective to achieve the national financial inclusion target of 80% by 2020. To complement recent growth in agent banking services under the Super Agent and SANEF initiative and in recognition of the increasing demand for no frills mobile money services, the CBN will therefore no longer demand prior approval to offer mobile money wallet services. DMBs are however expected to notify the CBN before the commencement of these services and are required to operate within the extant regulations on mobile money operations.

In the seventh month, the CBN released a circular to all banks on the guidelines on accessing the CBN Standing Deposit Facility (SDF). The remunerable daily placements by banks at the SDF shall not exceed N2 billion. The SDF deposit of N2 billion shall be remunerated at the interest rate prescribed by the Monetary Policy Committee from time to time. Any deposit by a bank in excess of N2 billion shall not be remunerated.

In August, the CBN issued a circular on the guidelines for the disbursement of lower denomination banknotes for microfinance banks (MFBs) involved in the scheme. The MFBs shall have a Composite Risk Rating (CRR) of ABOVE AVERAGE in the most recent RBS/Target examination. Restricting participation to MFBs with satisfactory ratings will ensure that only MFBs with good corporate governance practices take part. The MFBs shall accept a mixture of new and Counted Audited Clean (CAC) banknotes under the intervention scheme. The MFBs shall give 20% of any withdrawal in lower denomination banknotes subject to a maximum of N50,000.00. Where beneficiaries withdraw more than once a day, the disbursement under the initiative will apply to only one
transaction per day. The MFBs shall exchange banknotes subject to a maximum of N50,000.00 for customers with accounts and N10,000.00 for customers without accounts. The MFBs shall not exchange for same beneficiary more than once a week. MFBs shall not sell, hoard or use the funds obtained under the intervention for any other purpose other than for which it was intended. MFBs shall put in place effective internal control measures to ensure that banknotes disbursed to customers with accounts and customers without accounts are not sold. MFBs shall render weekly/monthly Returns to CBN Branches on lower denomination banknotes disbursed. CBN shall monitor the disbursement of the banknotes periodically. MFBs are hereby advised to strictly comply with these guidelines.

In September, the CBN reviewed the process for merchants’ collections on electronic transactions. This is to further deepen financial inclusion and enhance the efficiency of the Nigerian payments system. The CBN thus approved new policies such as: Banks shall unbundle merchant settlements amounts and charge applicable taxes and duties on individual transactions as stipulated by regulations. Merchant Service Charge (MSC) has been reviewed downward from 0.75% capped at N1,200 to 0.50% capped at N1,000. Also in September, the CBN informed the DMBs that they have approved charges on deposits in Lagos, Ogun, Kano, Abia, Anambra, Rivers and the FCT, in addition to already existing charges on withdrawals effective September 18, 2019. The charges on individual accounts with withdrawal and lodgement above N500,000 shall be at 3% and 2% respectively. The charges on corporate accounts with withdrawal and lodgement above N3,000,000 shall be at 5% and 3% respectively. The fees shall be charged on the excess amount. Nationwide implementation of the cashless policy will take effect from March 31, 2020.

In the month of September, the apex Bank wrote to remind all Banks and other financial institutions on the need to increase surveillance and report all transactions involving persons and entities designated under the United Nations Security Council Resolution (UNSCR) 1718 and all other subsequent resolutions relating to the Democratic People’s Republic of Korea (DPRK). Financial institutions are advised to continuously screen both customers and transactions against global sanctions lists and stop all transactions: freeze, without delay, all funds, owned or controlled, directly or indirectly by individuals and entities designated by the UN Sanctions Committees. All terminated transactions or funds frozen pursuant to the UNSCR must be immediately reported to the NFIU.
access more than banking

We feel the pulse of your dreams and aspirations, which is why, banking with us will do more for you. Step into a world of limitless opportunities and begin to access the future you truly deserve.

Call us today to get started.
3.0
OUTLOOK FOR Q4
2019 AND BEYOND
OUTLOOK FOR Q4 2019

FINANCIAL SECTOR DEVELOPMENTS

3.1 Economy
Growth will struggle to gain traction, weighed down by potential risk aversion towards emerging and frontier markets as global trade and geopolitical tensions persist. On balance, we expect Q3 2019 GDP growth to come in at 2.1%.

3.2 Foreign Exchange
CBN is also likely to continue its intervention in various FX markets to support liquidity, as the need arises given the current level of its foreign reserves. Hence we foresee the NAFEX rate remaining stable in the N360/$ - $365/$ range.

Source: NBS, IMF
Source: CBN, FMDQ
3.3 Crude Oil

Oil is likely to stay around the $60 - $65 per barrel range supported by recurring geopolitical tensions and confirmation by OPEC that its supply cuts would be sustained throughout 2019, but further gains could be limited as economists and analysts see demand growth slowing due to trade wars and economic weakness.

Source: NNPC, NBS, CBN
3.4 Monetary Policy
The ongoing shift towards accommodative monetary policy stance by Central Banks of Advanced Economies and expected modest inflationary pressures will likely persuade the Monetary Policy Committee to maintain the status quo while it continues to assess the impact of various regulatory directives on supporting growth.

3.5 Foreign Reserves
Relatively strong international oil prices and stable domestic production should support the external reserves in the short term.

3.6 Inflation
With the recent closure of the customers border we anticipate that prices will continue to pick up for the rest of the year. The projected uptick also stems from additional upside risks including implementation of the minimum wage, energy tariff hikes and proposed increase in the VAT to 7.2% from 5.0%, and the addition of items to the FX restriction list.
OUTLOOK FOR Q4 2019

Headline Inflation

Source: NBS, EIU

Disclaimer
This report is based on information obtained from various sources believed to be reliable and no representation is made that it is accurate or complete. Reasonable care has been taken in preparing this document. Access Bank Plc shall not take responsibility or liability for any errors or fact or for any opinions expressed herein. This document is for information purposes and for private circulation only, and may not be reproduced, distributed or published by any recipient for any purpose without prior express consent of Access Bank Plc.
access more innovation

We are turning the world into one connected universe through our digital payment solutions. So, no matter where you operate, you can enjoy seamless, fast and convenient intra-African and global financial transactions.

Let’s help you achieve more.