

# CORPORATE DIGEST

Macroeconomic Update

The Central Bank Digital Currency (CBDC) Explained

The Nigerian Real Estate Industry:  
A Focal Point For Growth



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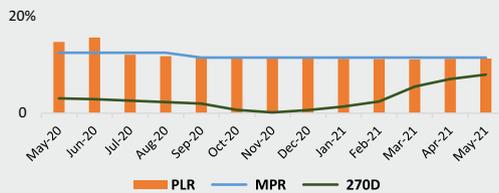


more than banking

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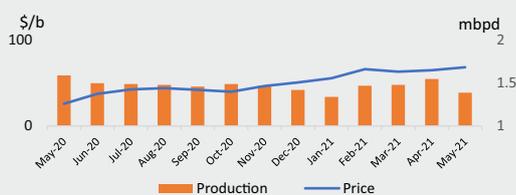
## Macroeconomic Update

### Lending & Investment Rates(%)



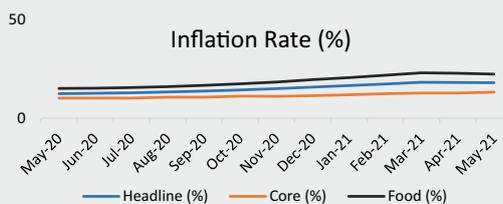
- The Monetary Policy Committee (MPC) met for the fourth time in July 2021. The Monetary Policy Rate (MPR) was left unchanged at 11.5% to drive sustainable recovery.
- The Prime Lending Rate (PLR) and Maximum Lending Rate (MLR) rose slightly from 11.29% and 28.89% recorded in May 2021 to 11.65% and 29.05% recorded in June 2021.
- The 270-Day Treasury Bills (T-Bills) declined for the first-time month-on-month in 2021, slowing down from 8.22% posted in June to 7.63% in July 2021.

### Bonny Light Oil



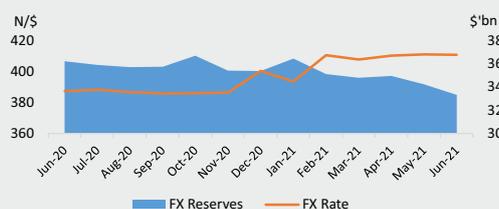
- Oil prices declined slightly in July 2021, closing at \$77.07/b from \$77.34/b posted in the previous month. This decline is owed to the impact of COVID-induced lockdown across key importers of crude oil such as India.
- Crude oil production fell to 1.39 million barrel per day (mbpd) in June 2021 compared to 1.40mbpd posted the previous month, as Nigeria complied with OPEC+ production quota.
- Weakened oil prices slowed down the growth of external reserves and fiscal revenue.

### Inflation Rate (%)



- Inflation rate declined by 0.42%, to settle at 17.75% in June 2021 from 17.93% posted in May 2021.
- Food inflation rate dipped to 21.83% in June 2021 from 22.28% in May 2021 while core inflation rate dipped to 13.09% in June 2021 from 13.15% in May 2021.
- This means that food and other prices rose, but at a slower rate relative to the previous month.
- The decline in June's inflation rate could partly be attributed to CBN's interventions in growth-stimulating sectors of the economy

### FX Reserves, FX Rate



- External reserves rose by \$80 million at the end of July to close at \$33.4 billion compared to \$33.32 billion posted in June 2021.
- NAFEX closed at N411.1/\$ in July 2021 reflecting a N0.44 depreciation relative to the figure recorded in June 2021.
- The CBN, in July, stopped the sales of forex to Bureau De Change (BDC) operators in a bid to curb illicit forex transactions. This measure is aimed at having enough forex sold at the regulated price.

Sources: CBN, NBS, FMDQ



# **The Central Bank Digital Currency**

**(CBDC) Explained**

# An Overview of the Central Bank Digital Currency (CBDC)

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- The CBN Governor had announced that the Apex Bank will be working on a Central Bank Digital Currency (CBDC) during the 306th Banker's Committee meeting.
- The press briefing delivered by the Director, IT Department at the meeting, further explained that the Bank has been conducting research on CBDCs since 2017 and may conduct a Proof of Concept (POC) before the end of 2021

## What are CBDCs?

- CBDCs are new variants of money that are different from physical cash and reserves/settlement accounts. CBDC is a digital representation of sovereign currency that is issued by a jurisdiction's monetary authority such as the Central Bank.
- It is a direct liability of the Central Bank that issued it.
- CBDCs are not meant to replace cash and bank deposits but to coexist as additional form of Central Bank issued Money.
- CBDCs can be broadly categorized into Retail and Wholesale CBDC.

**Sources: CBN**

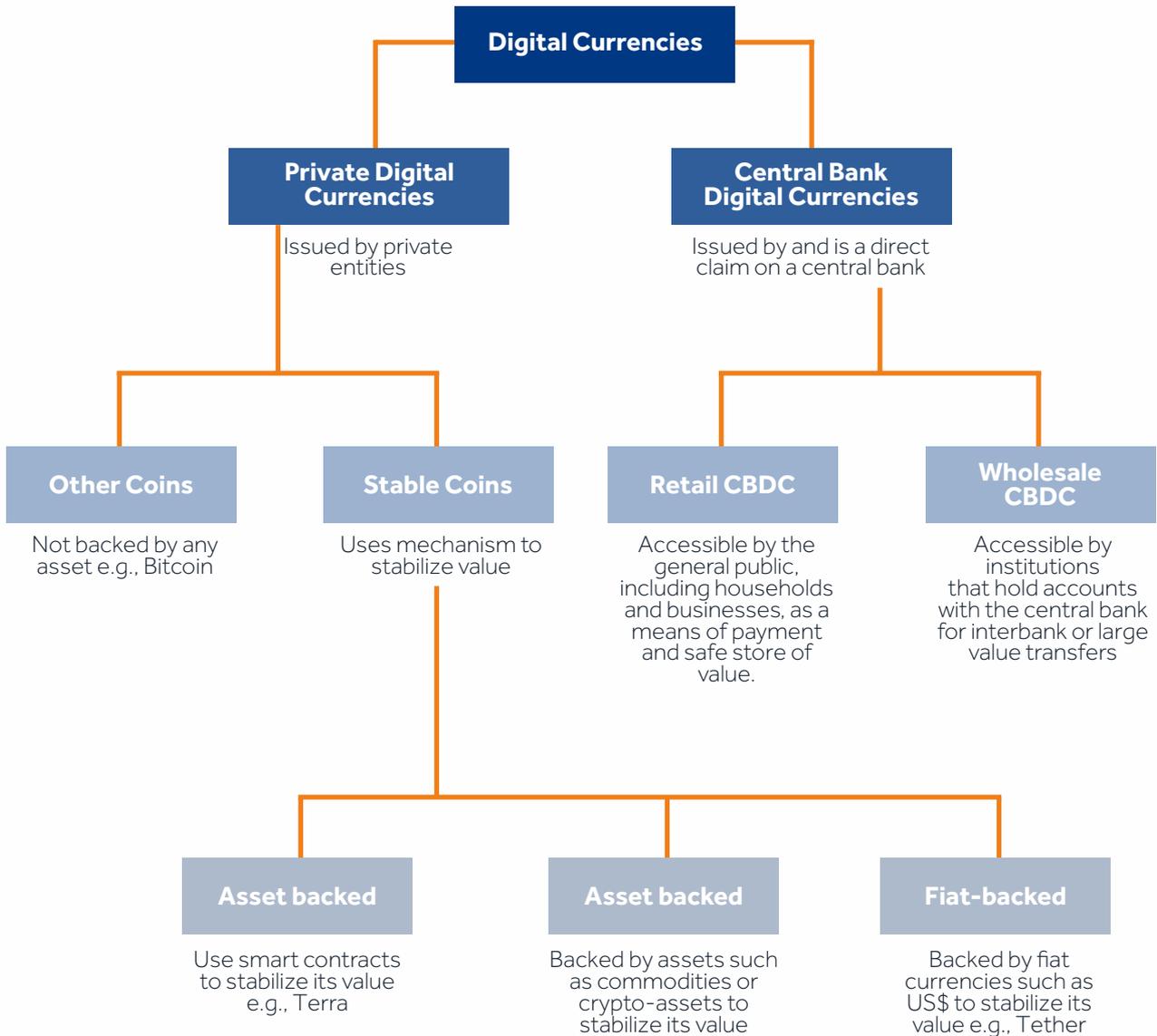
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## Characteristics of the Central Bank Digital Currency (CBDC)

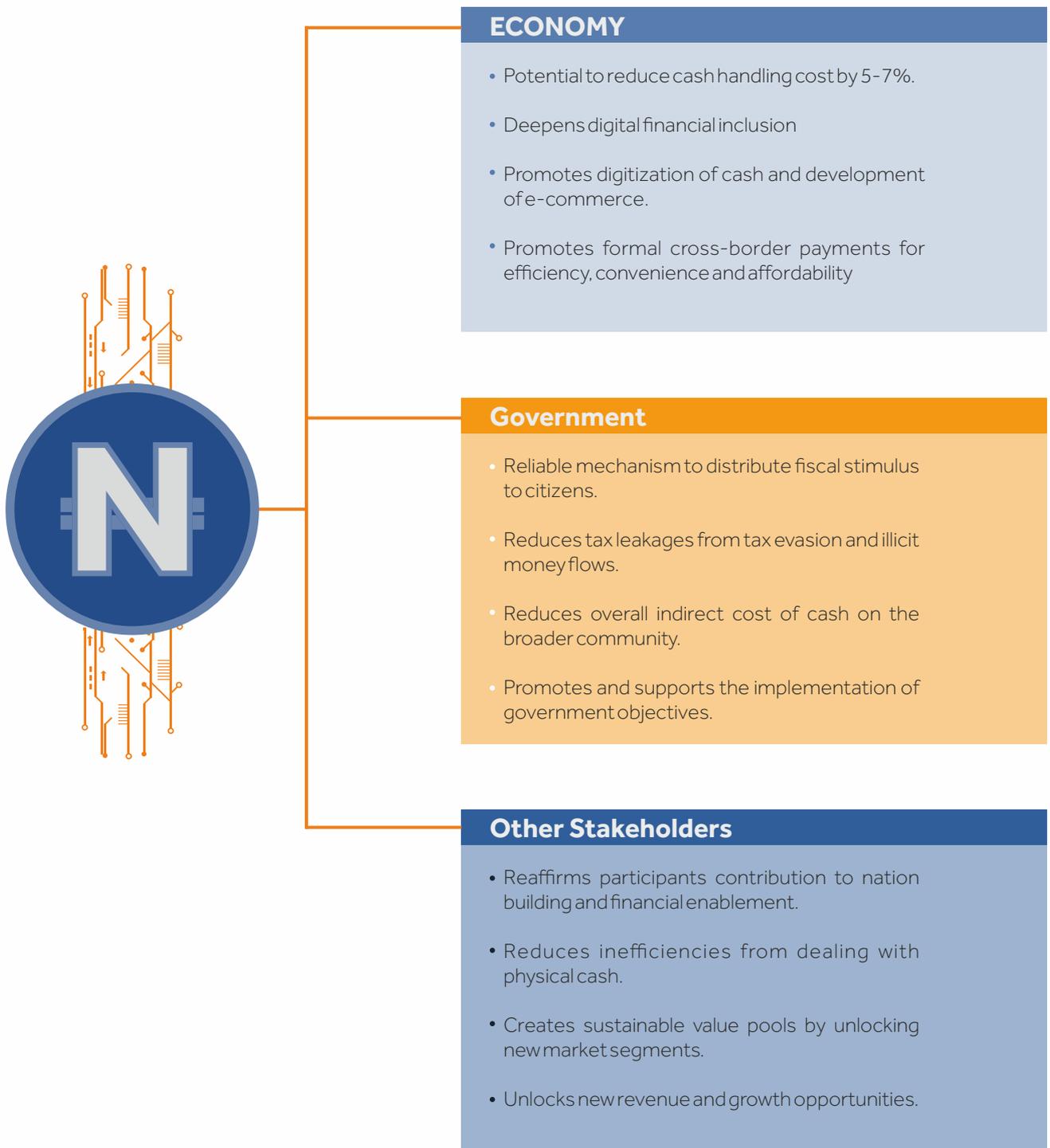
A 'Retail' CBDC would be used like a digital extension of cash by all people and companies, whereas a 'wholesale' CBDC would be used as a settlement asset in the interbank market only by permitted institutions .

	Retail CBDC	Wholesale CBDC
Broad Use Case	<ul style="list-style-type: none"> <li>This is used in the same manner as bank notes to make retail payments: P2P and B2P</li> </ul>	<ul style="list-style-type: none"> <li>This is used to enable transactions between financial institutions, central banks and entities holding accounts with central bank</li> </ul>
Specific Cases	<ul style="list-style-type: none"> <li>Financial Inclusion</li> <li>Replace need for "change"</li> <li>Mobile Wallets</li> <li>Distribution of stimulus</li> <li>Micro Lending</li> <li>Payment Aggregation</li> <li>Programmable money</li> <li>Cross Border Payments</li> </ul>	<ul style="list-style-type: none"> <li>Interbank Settlement.</li> <li>Real Time Gross Settlement Improvement.</li> <li>Payment Clearing.</li> <li>Securities Clearing.</li> <li>Cross Border Interoperability and Payments.</li> </ul>
Differences	<ul style="list-style-type: none"> <li>Suitable for central banks in emerging economies.</li> <li>Presents potential threats to monetary policy and financial stability.</li> <li>Generally meant for general public and average consumers conducting daily transactions.</li> <li>Benefits of traceability, availability and anonymity.</li> <li>Retail CBDCs could lower barriers to financial inclusion but may limit the financial intermediation role currently played by banks</li> </ul>	<ul style="list-style-type: none"> <li>Suitable for central banks in advanced economies.</li> <li>Offer effective retail payments and settlement systems with real-time and highly available operations.</li> <li>Suitable for exchanging and trading among central banks and private banks.</li> <li>Benefits of faster cross-border transactions.</li> <li>Could prevent some of the more disruptive impacts of CBDC on the financial sector but may limit efficiency gains and broad access to CBDC relative to a retail model.</li> </ul>

# Digital Currencies becoming Legal Tender



# CBDC Impact Assessment



## CBDC vs Cryptocurrency: What's the Difference?

### Central Bank Digital Currency (CBDC)



- They are issued by monetary authorities such as, Central banks, who decide the rules.
- CBDC is backed by law i.e., legal tender.
- CBDC is a direct liability of the Central Bank.

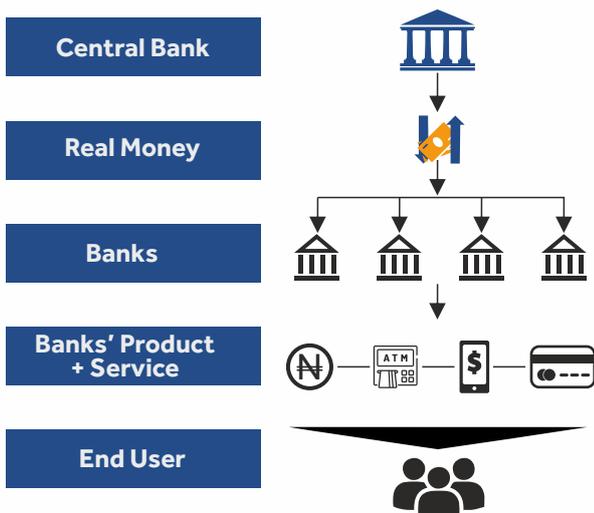
### Cryptocurrency



- Private money with no central authority.
- Not a legal tender.
- It is not a liability of the Central Bank or any of its regulated institutions..

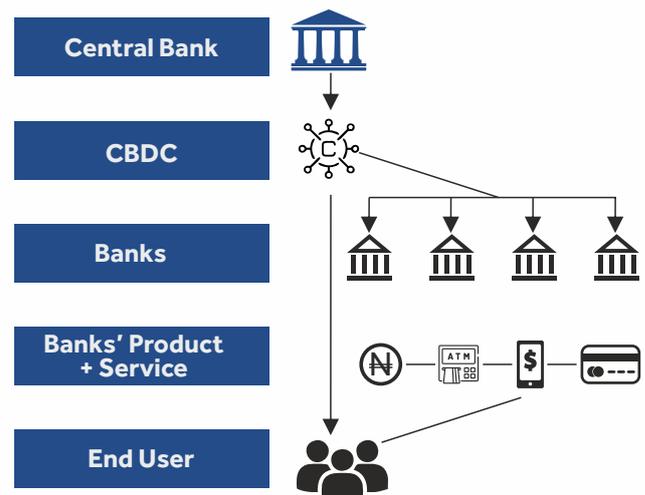
### The CBDC Altered Banking Model

#### Traditional Banking Model



### Altered Banking Model

#### Future Banking Model with CBDCs



## Risks and Merits of the CBDCs

### Potential Risks & Mitigations

POTENTIAL RISKS	MITIGANTS
Associated Cost and Risk of deploying /on-boarding a new payment platform	Medium to long-term pay off in increased efficiency of operations would offset initial outlay.
Risk of Determination	Limits on e-Naira holdings
Disruptive Competition	Regulatory framework and compliance mechanism
Operational and Cyber Security Risk	Treated as a National Critical Infrastructure
Interoperability Risk	Coexistence of traditional payment system and CBDC system.

# Real Sector Support Facility /Differentiated Cash Reserve Ratio Facility (RSSF-DCRR)



The RSSF is used to support start-ups (Greenfield) and expansion (Brownfield) financing needs of enterprises. Priority will be given to projects with high local content, import substitution, foreign exchange earnings and huge potentials for job creation.

The objective is to improve access to finance by the agricultural value chain, manufacturing, mining, solid minerals activities and other strategic sub-sectors of the Nigerian economy.

## Features

- **Target Market:** All activities along the agricultural value chain, except trading.
- **Single Obligor Limit:** ₦10bn
- **Tenor:** Maximum of 7years
- **Moratorium period:** Up to 2 years allowed.
- **Flexible Repayment:** Monthly, quarterly etc. depending on confirmed business cash flows and/or transaction dynamics. However, repaid funds are repatriated to CBN on a quarterly basis.
- **Maximum interest rate** of 5% per annum, inclusive of all charges (till February 2022). Interest rate reverts to maximum 9% p.a. thereafter.
- **Collateral** required in line with the Bank's policy.

For more information about accessing this facility, kindly engage your Relationship Officer or send an email to [AgricBusinessGroup@accessbankplc.com](mailto:AgricBusinessGroup@accessbankplc.com)



# **The Nigerian Real Estate Industry :**

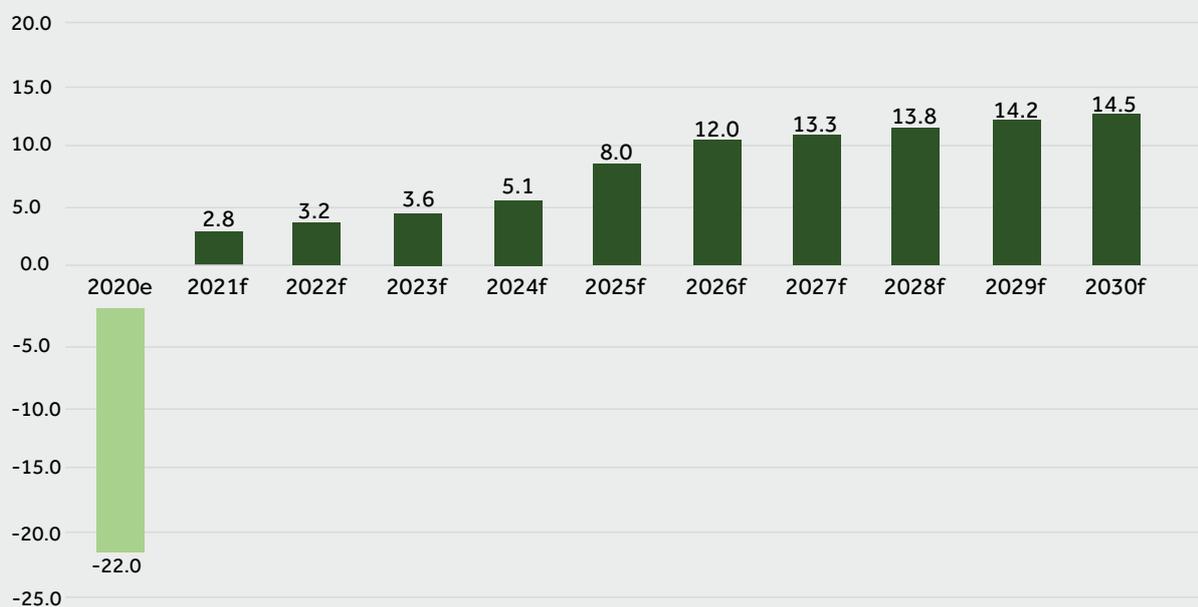
## **A Focal Point For Growth**

## Overview of the Nigerian Real Estate Industry

- The Nigerian Real Estate Industry, according to the National Bureau of Statistics (NBS), was worth a nominal value of N8.68 trillion at the end of 2020 with the private sector playing a crucial role.
- The Industry has grown significantly over the past two decades, with domestic investments (particular from high net-worth individuals (HNIs), the Federal Government) and foreign investments (particularly from South Africa, Middle East & Asia (MEA) and the United States America). Lagos (37%), Abuja (22%) and Port Harcourt (6%) account for an estimated total of 65% of the Nigerian Real Estate market.
- According to Agosto & Co., an average of 86 people migrate to Lagos every hour, making Lagos state the chief contributor to the Real Estate Industry, as housing needs increase. Reports however reveal that a large demand and supply lacuna exists with over 17 million national housing deficit.

## Nigerian Real Estate Industry Outlook

Residential and Non-Residential Building Industry Value Real Growth (%)



## Nigerian Real Estate Industry Outlook

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- Nigeria's Real Estate industry is expected to grow at an average of 2.8% in 2021.
- This projection is driven by the wider economic recovery on the back of recovering oil prices, bearish outlook on the wider construction sector, and by sector-specific factors, namely the new housing law which came into effect in March 2019 and included several provisions which will drive growth in the the housing market and positively weigh on residential construction.
- Nigeria continues to have strong fundamental factors that hold the potential for sizable growth over the long term: rapidly growing population, ongoing urbanization, growing middle class and rising disposable incomes will lead to an increased demand for quality Real Estate and commercial developments.
- Although fundamentals remain strong, structural issues persist such as high interest rate on mortgage sometimes due to poor creditability, land ownership issues amongst others. Improvement in Real Estate funding going forward is expected given the recapitalization of Mortgage Banks
- The Government continues to support the Industry as 300,000 social housing units captured in the Economic Sustainability Plan (ESP) were approved to be built in 2020. The new housing law updates the 1992 National Housing Fund Law with several new provisions, intended to boost the financial muscle of the National Housing Fund (NHF) through increased taxation.
- The residential segment of the Real Estate Industry would benefit from the private sector-led residential construction and government-led social housing construction.



## Real Estate Industry – Post COVID-19



### Recovering Economy

Global and domestic economic growth continues to move closer to their pre-COVID levels by the quarter. Real GDP growth for Nigeria rose to 0.51% in Q1 2021 from 0.11% posted in Q4 2020. This progress reflects the increase in business activities across the globe. This would certainly provide a growth boost for the Real Estate Industry.



### AfCFTA

The African Continental Free Trade Area (AfCFTA) would promote market expansion for businesses, job creation for the populace amongst others. More jobs and the free movement of people and businesses across AfCFTA countries would improve the demand of both residential and commercial properties.



### Income Levels

Household income is expected to increase over the medium term as economic activity improves, performing better than it did in 2020. An increase in disposable income would be beneficial to the Real Estate Industry. However, higher food inflation poses a downside risk to this projection.



### Improving Oil Prices

Oil price ascent persisted after it crashed in April 2020. OPEC's production curtailment and the gradual rise in the demand for oil have helped to boost oil price. Improving oil prices connote more fiscal revenue for capital expenditure and this raises the hope for continued fiscal support to the Industry.



### Forex Supply

Dollar demand continues to outweigh supply and this imbalance puts increased pressure on the domestic currency. The CBN recently stopped the sale of forex to BDCs in a bid to keep the exchange rate relatively stable, as a lower exchange rate is beneficial to the Real Estate Industry and the economy at large.



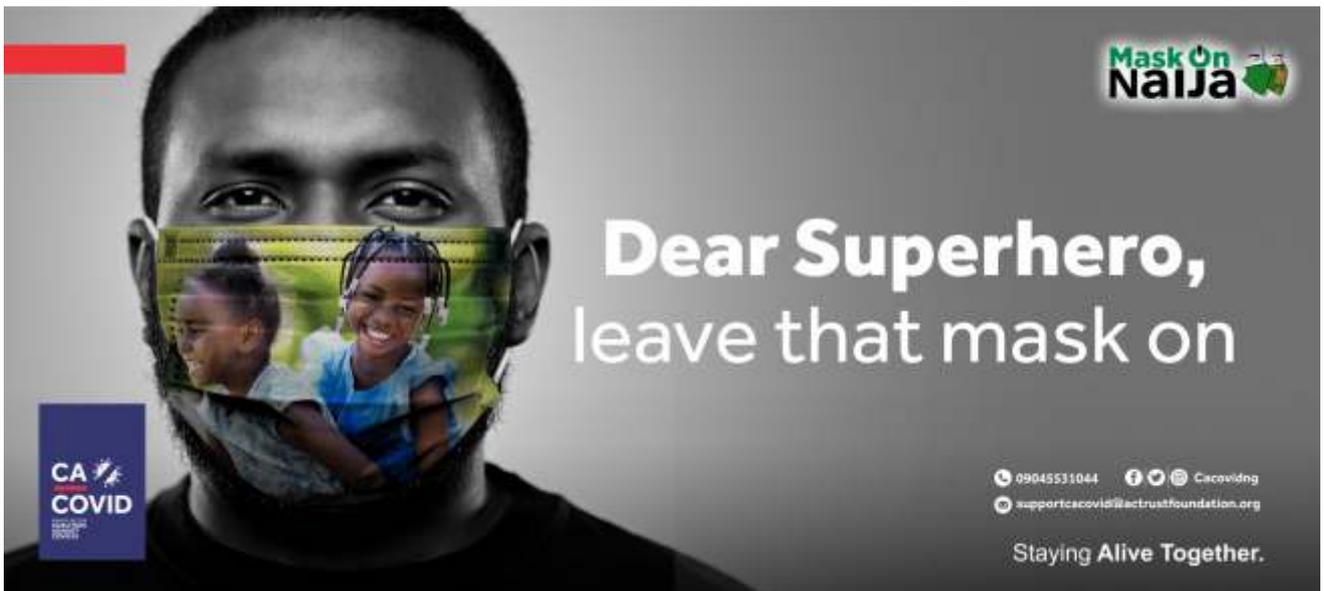
### Government Support

The Government has pegged expenditure on residential buildings as one of its priorities and made provision for 300,000 housing units in the Economic Sustainability Plan (ESP) in 2020, showing support for the Industry as a critical unit of the economy.

## Business Advice for Players in the Real Estate Industry



- Networking remains a key tool for the growth of the Real Estate Industry. Research has shown that a chunk of realtors' business comes from referrals and word of mouth. Hence, realtors must never be afraid to ask for referrals and their testimonies. According to DataReportal, (a portal managed by Kepios Pte. Ltd., based in Singapore), the total number of active social media users in July was 4.48 billion, which is more than half of the World's population. Realtors must take advantage of the social media space to have a wider reach of potential sellers or buyers of properties.
- Real Estate firms should run massive advertisement, both online and offline. Also, competitive pricing strategies must be implemented in order to encourage purchases and boost revenue.
- Companies can stand alone or form strategic alliance in order to leverage the African Continental Free Trade Area (AfCFTA) in registering their presence home and abroad.
- Engage financial and economic experts for advisory services. Access Bank, through its relationship managers, remain committed to assisting customers with the tools necessary to propel their businesses amidst a volatile macro economic environment.



## Protect yourself and others from COVID-19

COVID-19 is still spreading in the world please stay safe by continuing the practice of simple precautions such as:



Maintain at least a 1-metre distance between yourself and others to reduce your risk of infection when they cough, sneeze or speak.



Make wearing a mask a normal part of being around other people. The appropriate use, storage and cleaning or disposal are essential to make masks as effective as possible.



Avoid spaces that are closed, crowded or involve close contact. Outdoor gatherings are safer than indoor ones



Regularly and thoroughly clean your hands with an alcohol-based sanitizer or wash them with soap and water.



Avoid touching your eyes, nose and mouth. Cover your mouth and nose with your bent elbow or tissue when you cough or sneeze.



Clean and disinfect surfaces frequently especially those which are regularly touched, such as door handles, faucets and phone screens.

Source: World Health Organisation (WHO)



## protect your vessels and goods with Marine Insurance

Everyone fears the possibility of loss but it's not enough to get scared, what measures are you putting in place to avert your fears?

- 1. MARINE CARGO INSURANCE:** This policy covers you against loss or damage to your goods while they are conveyed by sea or air.
- 2. MARINE HULL INSURANCE:** This provides financial compensation for loss or damage caused to your vessels, yachts and their machinery while they are at sea or in the air.

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