

DECEMBER 2021

# CORPORATE DIGEST

Macroeconomic Expectations for 2022:  
A Continuous or Stalled Recovery?

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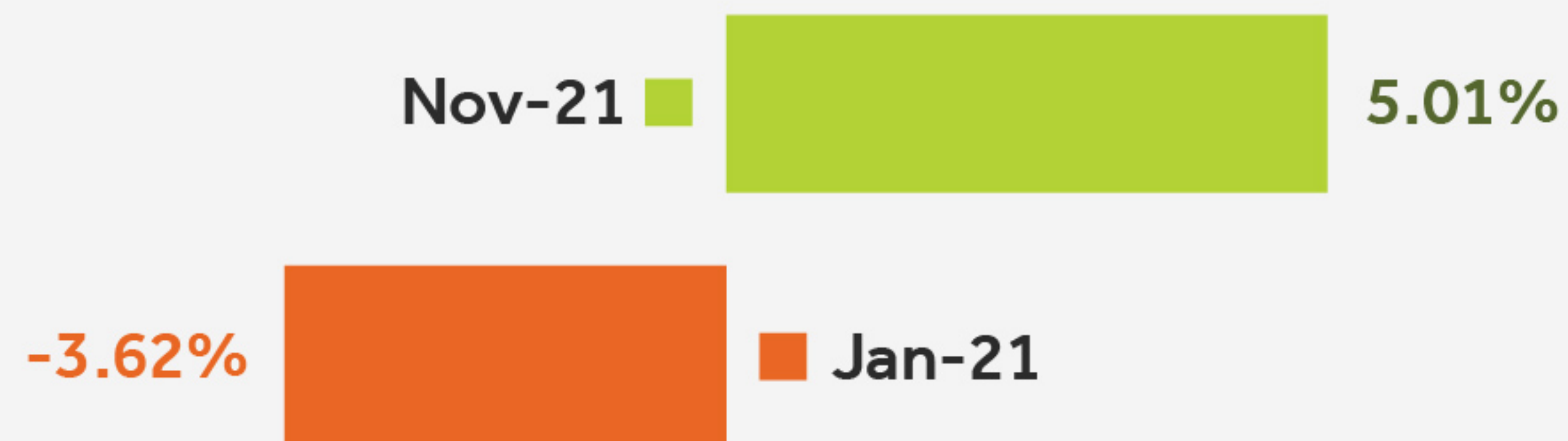
more than banking

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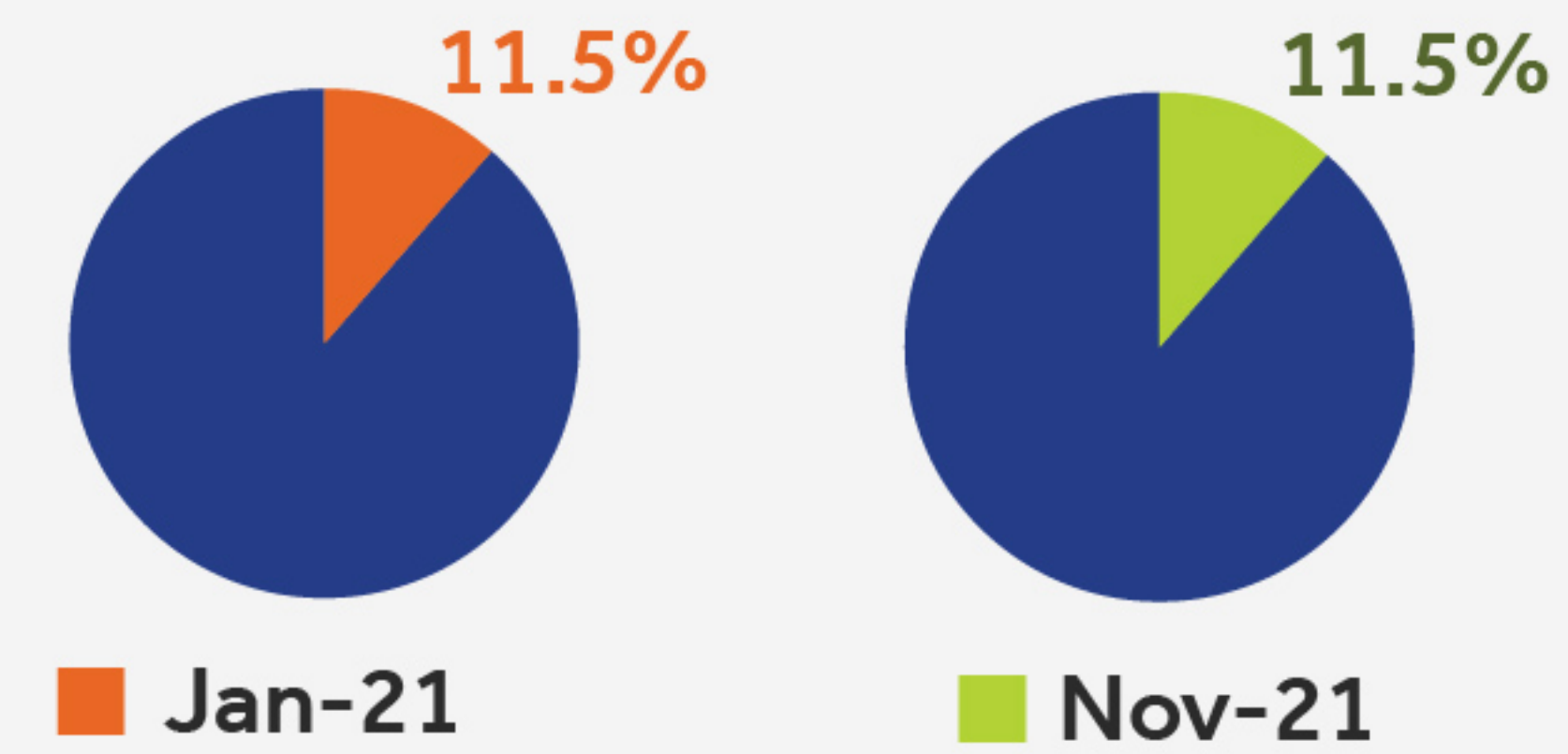
# How We Started vs Where We Are

## GDP Growth Rate



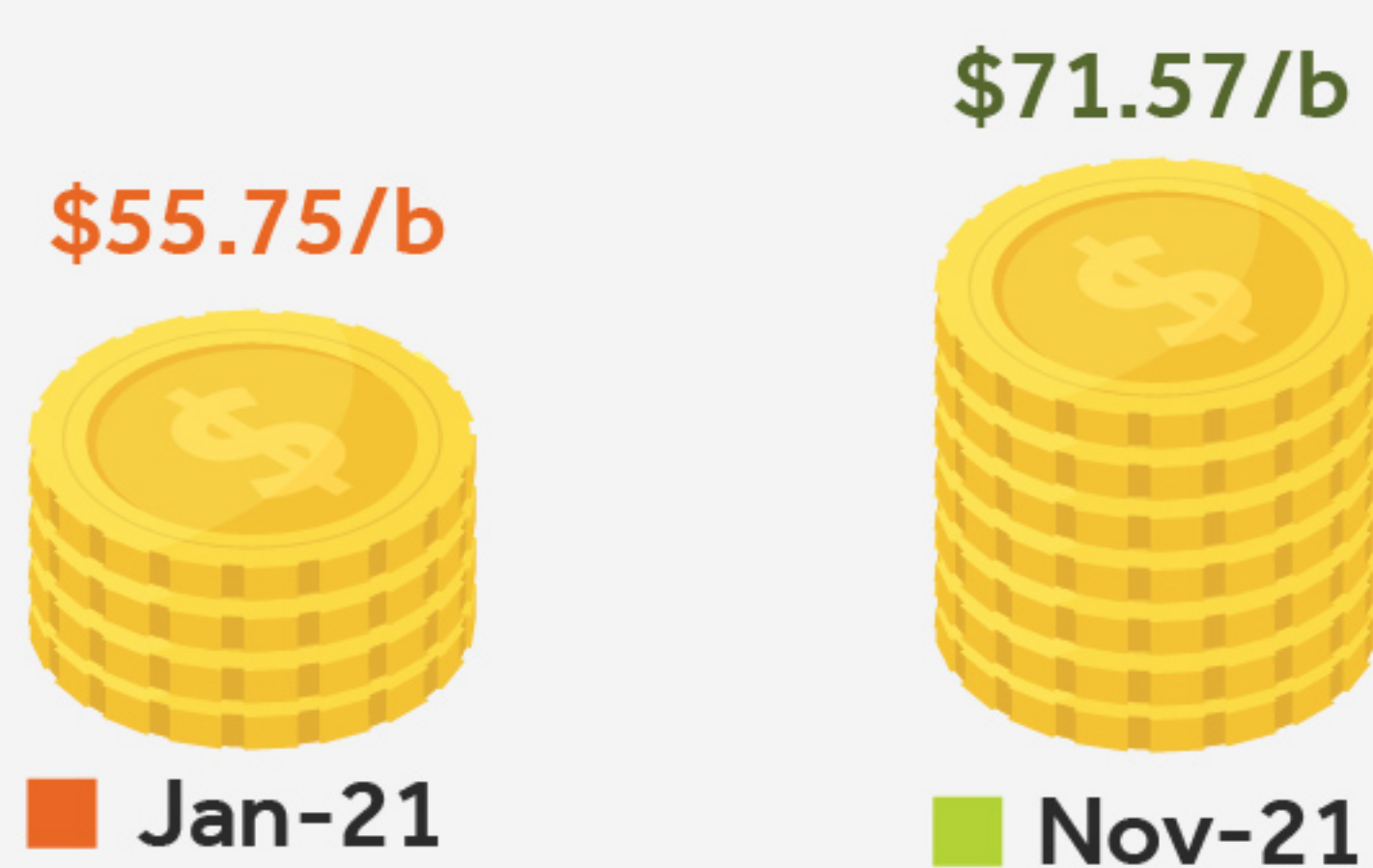
GDP growth consolidates as vaccination rate rises and "business as usual" continues. However, discovery of new variant of COVID-19, Omicron, poses a downside risk.

## Monetary Policy Rate



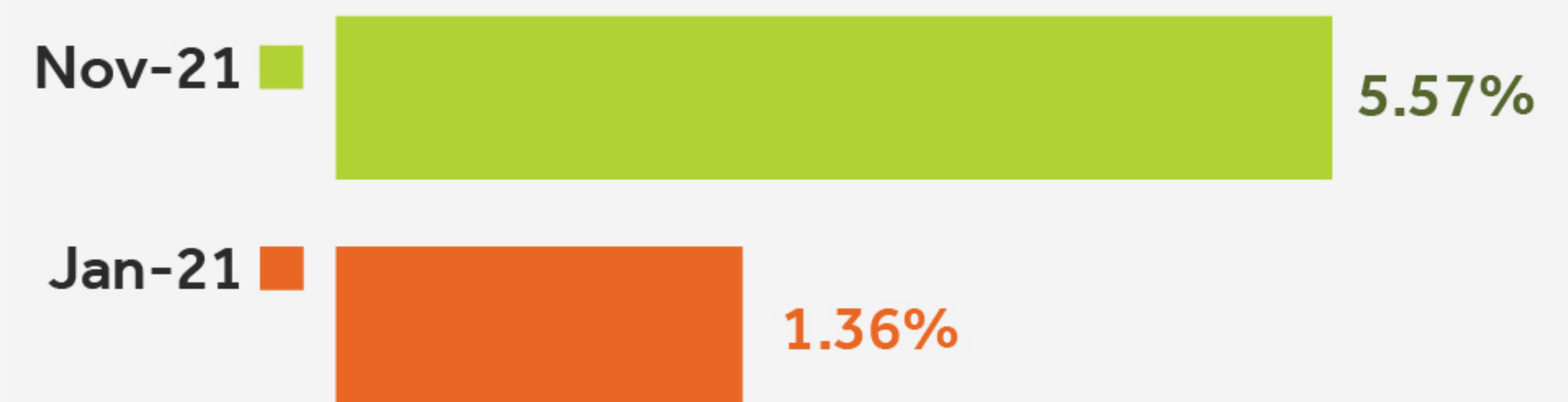
The Monetary Policy Committee (MPC) met for the last time for 2021 in November, leaving the MPR and all other parameters unchanged. This is to ensure continuous growth recovery.

## Oil Price (Bonny Light)



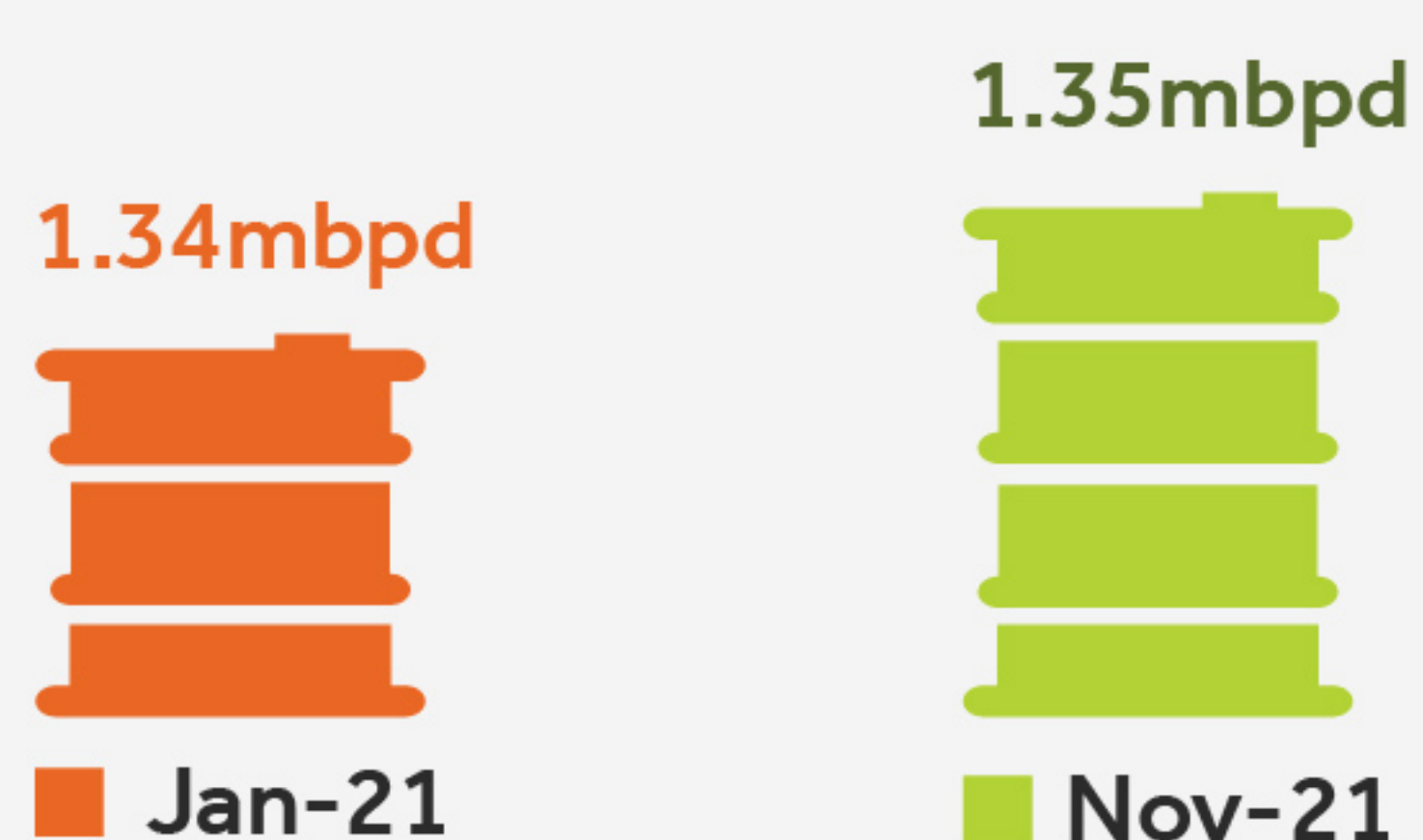
Oil price rose during the year as global oil demand grew amidst OPEC+ curtailed production. However, renewed lockdown in some countries have halted the price-rising trend for oil.

## 270-Day Treasury Bills rate



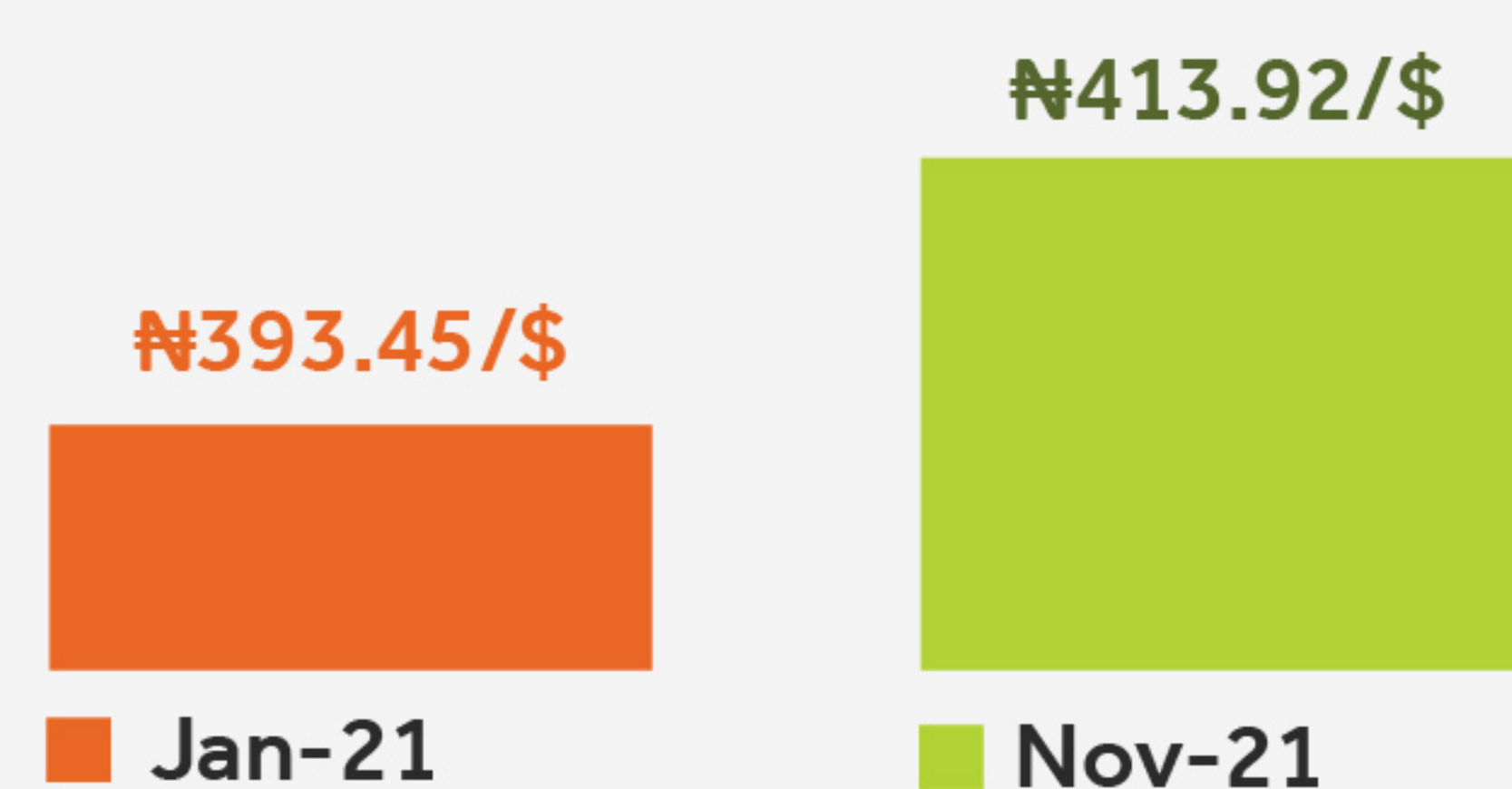
Yields on government securities performed better in November compared to January. However, it remained within the single digit space.

## Oil Production (Bonny Light)



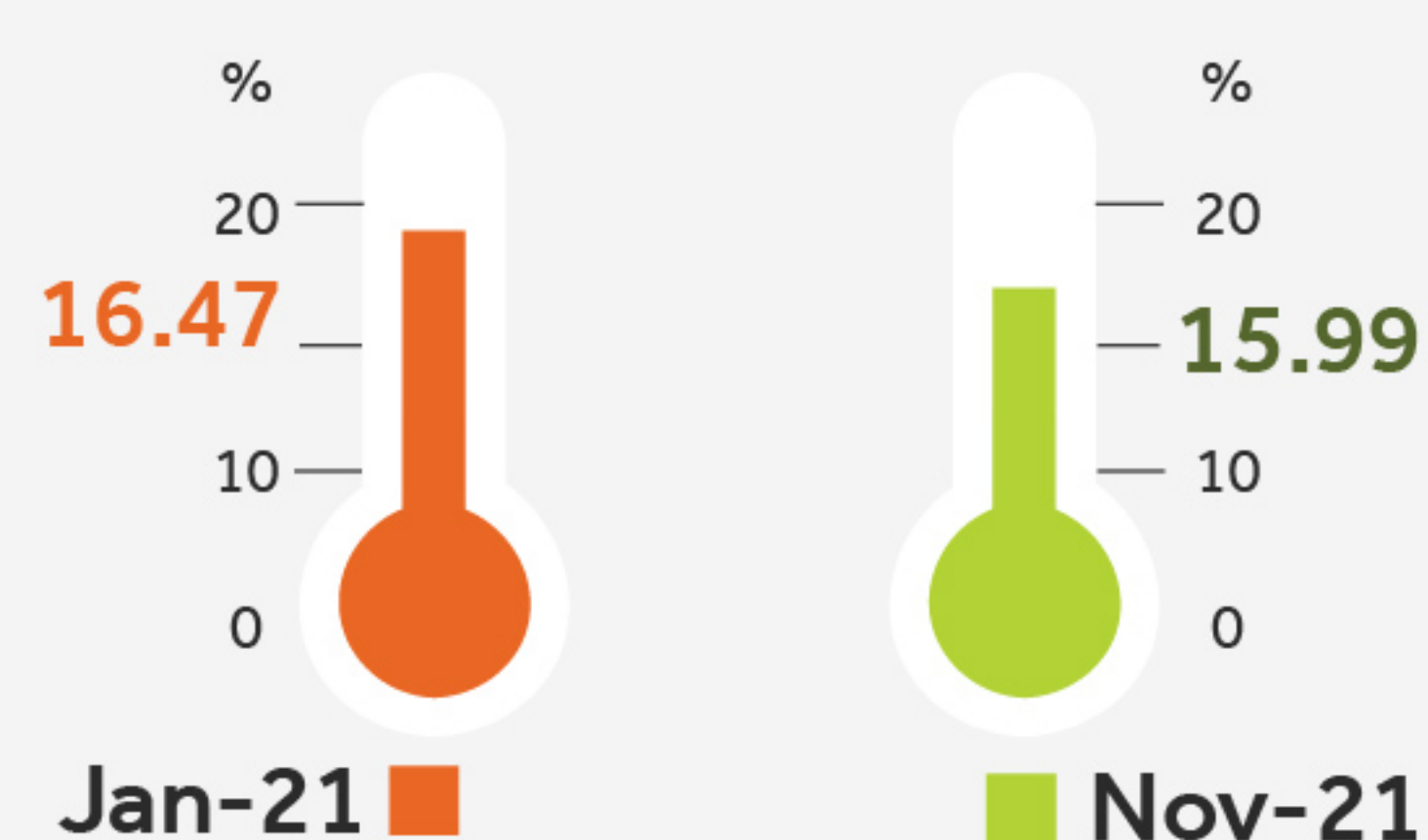
Amidst improving oil prices across the globe, Nigeria suffered low production level due to force majeure and lack of investment.

## FX Rate (NAFEX)



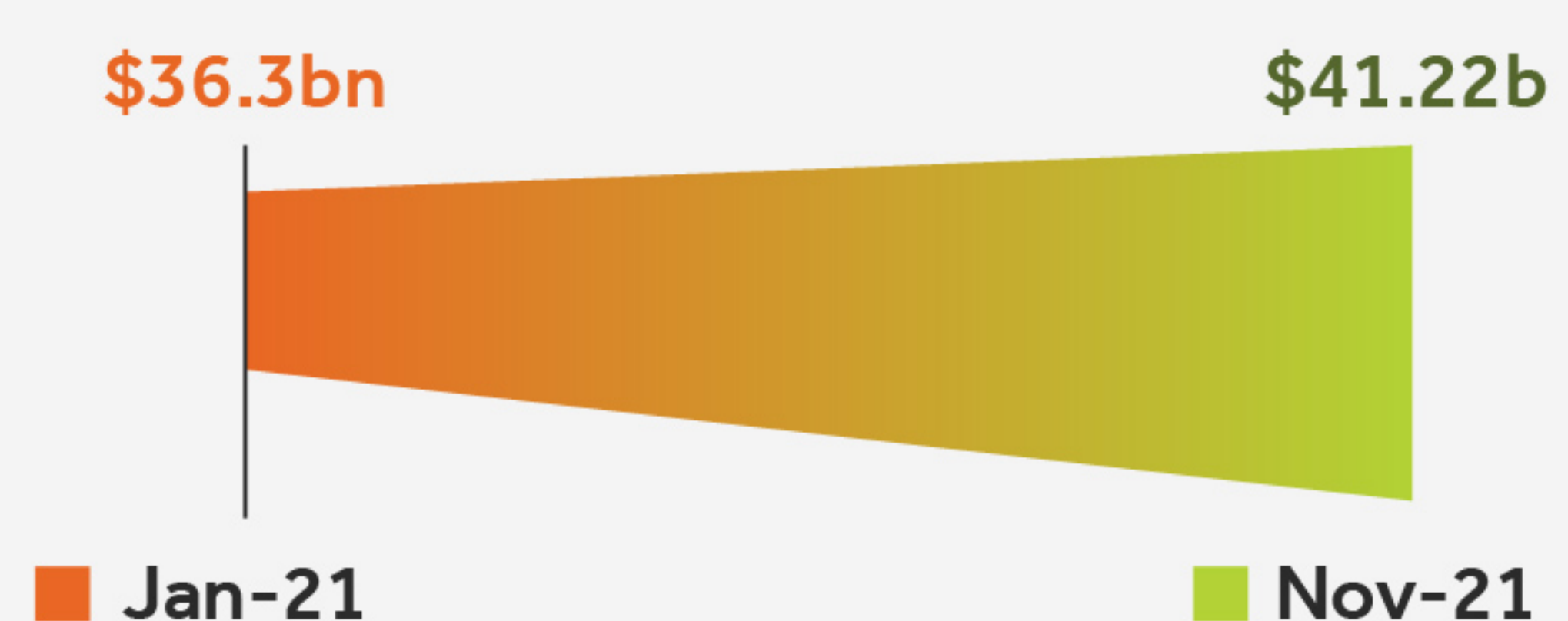
The NAFEX rate remained within the ₦410/\$ - ₦413/\$ range for the better part of 2021. Although sales ban on BDC streamlined forex access, the exchange rate was relative stable.

## Inflation Rate



The rate at which prices rose, compared to 2020, gradually declined. While food inflation witnessed a downward trend since April 2021, core inflation remained volatile.

## FX Reserves



The International Monetary Fund (IMF) Special Drawing Rights (SDR) and Eurobond Issuance created 13.5% buffer for the external reserves in the later part of 2021.

Sources: CBN, NBS, FMDQ



# Sectoral Overview

| S/N | Sectors                                   | 2020 Nominal GDP Size (N'trn) | 2020 Contribution to GDP (%) | Growth Rate (%) |         |         | Characteristics |
|-----|---|-------------------------------|------------------------------|-----------------|---------|---------|-----------------|
|     |   |                               |                              | Q1 2021         | Q2 2021 | Q3 2021 |                 |
| 1   | Accommodation & Food Services             | 1.34                          | 0.88                         | -4.6            | 1.97    | 2.09    | Resilient       |
| 2   | Agriculture                               | 37.24                         | 24.45                        | 2.28            | 1.3     | 1.22    | Resilient       |
| 3   | Chemical & Pharmaceutical Products        | 0.5                           | 0.33                         | 3.91            | 9.24    | 10.02   | Resilient       |
| 4   | Construction                              | 11.64                         | 7.64                         | 1.42            | 3.7     | 4.1     | Resilient       |
| 5   | Education                                 | 2.71                          | 1.78                         | -6.2            | 0.63    | 1.37    | Resilient       |
| 6   | Financial Institutions                    | 4.74                          | 3.11                         | 0.15            | -4.54   | 25.5    | Recovery        |
| 7   | Food & Beverage                           | 7.24                          | 4.75                         | 7.11            | 4.87    | 6.07    | Resilient       |
| 8   | General Commerce                          | 21.11                         | 13.86                        | -2.43           | 22.49   | 11.9    | Resilient       |
| 9   | Human Health                              | 0.95                          | 0.62                         | 4.65            | 4.92    | 4.99    | Resilient       |
| 10  | Manufacturing                             | 19.54                         | 12.83                        | 3.4             | 3.49    | 4.29    | Resilient       |
| 11  | Oil & Gas                                 | 10.2                          | 6.69                         | -2.21           | -12.65  | -10.73  | Recession       |
| 12  | Electricity, Gas, Steam & Air Conditioner | 1.15                          | 0.75                         | 8.66            | 78.16   | 14.36   | Resilient       |
| 13  | Professional Services                     | 4.73                          | 3.11                         | -3.84           | 1.27    | 1.11    | Resilient       |
| 14  | Public Administration                     | 2.97                          | 1.95                         | -0.88           | -1.68   | -0.15   | Recession       |
| 15  | Real Estate                               | 8.68                          | 5.7                          | 1.77            | 3.85    | 2.32    | Resilient       |
| 16  | Telecommunications                        | 13.3                          | 8.73                         | 7.69            | 5.9     | 10.87   | Resilient       |
| 17  | Transportation                            | 2.64                          | 1.73                         | -21.89          | 76.81   | 20.61   | Resilient       |

14 out of the 17 sectors captured in the grid above showed resilience, having registered at least 2 consecutive quarterly positive growth. **Financial Institutions** moved into the **positive space** while **Public Administration**, **Oil & Gas** remained in the **negative space** in Q3 2021. As the domestic economy gathered momentum amidst global economy recovery, most sectors gradually returned to their pre-Covid level.

**Sources: NBS**



# Macroeconomic Expectation for 2022

## 1.90%

**Real GDP growth (%)** forecast would be powered by improved vaccination rate & business activities

## 15.28%

**Average inflation rate (%)** would remain in double-digits given high food prices, currency depreciation and increase in energy tariffs and fuel price.

## ₦438.36/\$

**NAFEX rate (₦/\$)** will hover between ₦430/\$ & ₦440/\$ owing to weakened alternative sources of dollar inflow

## 12.5%

**The MPR (%)** will see a marginal tightening to support the price stability mandate and stem reversal of portfolio flows as global interest rates are anticipated to rise due to US tapering.

## \$70.75/b

**Oil price (\$/b)** is expected to creep up across the globe. OPEC production cuts and rising oil demand will support the upward movement of prices.

## \$39.2bn

**External reserves (\$'bn)** will be boosted by the IMF SDR inflow, Eurobond issuance, new diaspora remittance scheme amongst others.

## ₦36.15tn

**Credit to Private Sector (N'trn)** would increase as the CBN expects banks to continually lend while it find ways to mitigate the associated credit risks.

## 36%

**Unemployment rate (%)** would continue on its northward path as businesses deal with falling disposable income and high inflation.



# Macroeconomic Trends that will shape Nigerian Businesses in 2022



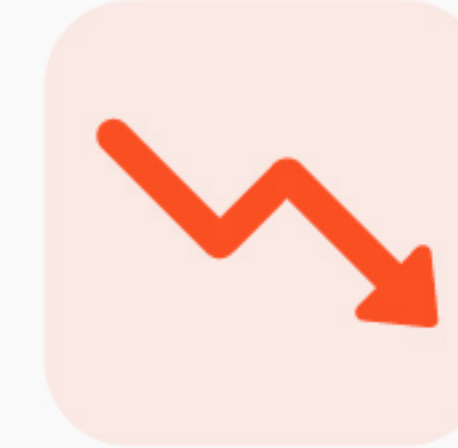
## Global Shocks

- ◆ The outbreak of the Omicron variant and any other variant or virus
- ◆ Uncertainty in terms of capital flow owing to the US bond tapering and other factors
- ◆ Relatively lower oil prices



## Digitalization

- ◆ Increased need for virtual transactions
- ◆ Wider reach as businesses explore the use of digital platforms
- ◆ Rising prevalence of remote working and employee productivity



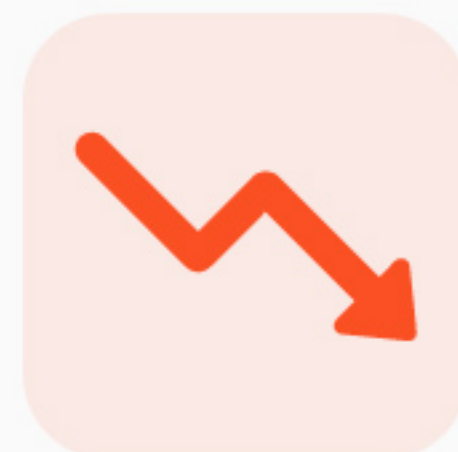
## Fiscal Unsustainability

- ◆ Weak revenues will drive increased debt service ratio which is currently at 72%
- ◆ The proposed 2022 budget provides indications of tight spending and worsening debt



## Forex Environment

- ◆ Moderate forex liquidity as the government steps brakes on fuel subsidy payment
- ◆ Relative stability in exchange rate



## Political Pressures

- ◆ Pre-election year spending might elevate inflationary pressures
- ◆ Increasing political discontent especially among youths



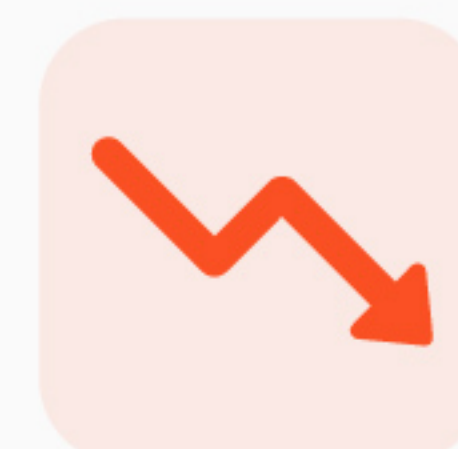
## Policy Environment

- ◆ 2022 fiscal policy will focus on economic recovery, poverty reduction etc.
- ◆ 2022 monetary policy will emphasize real sector financing, financial inclusion, price stability etc.



## Credit Penetration

- ◆ The 100 for 100 policy and other CBN intervention funds will stimulate credit growth to businesses.
- ◆ Deepening credit penetration is expected to continue



## Socio-economic Environment

- ◆ Insecurity challenges
- ◆ Inflationary pressures
- ◆ Worsening Brain Drain
- ◆ High unemployment to impact socio-economic stability.

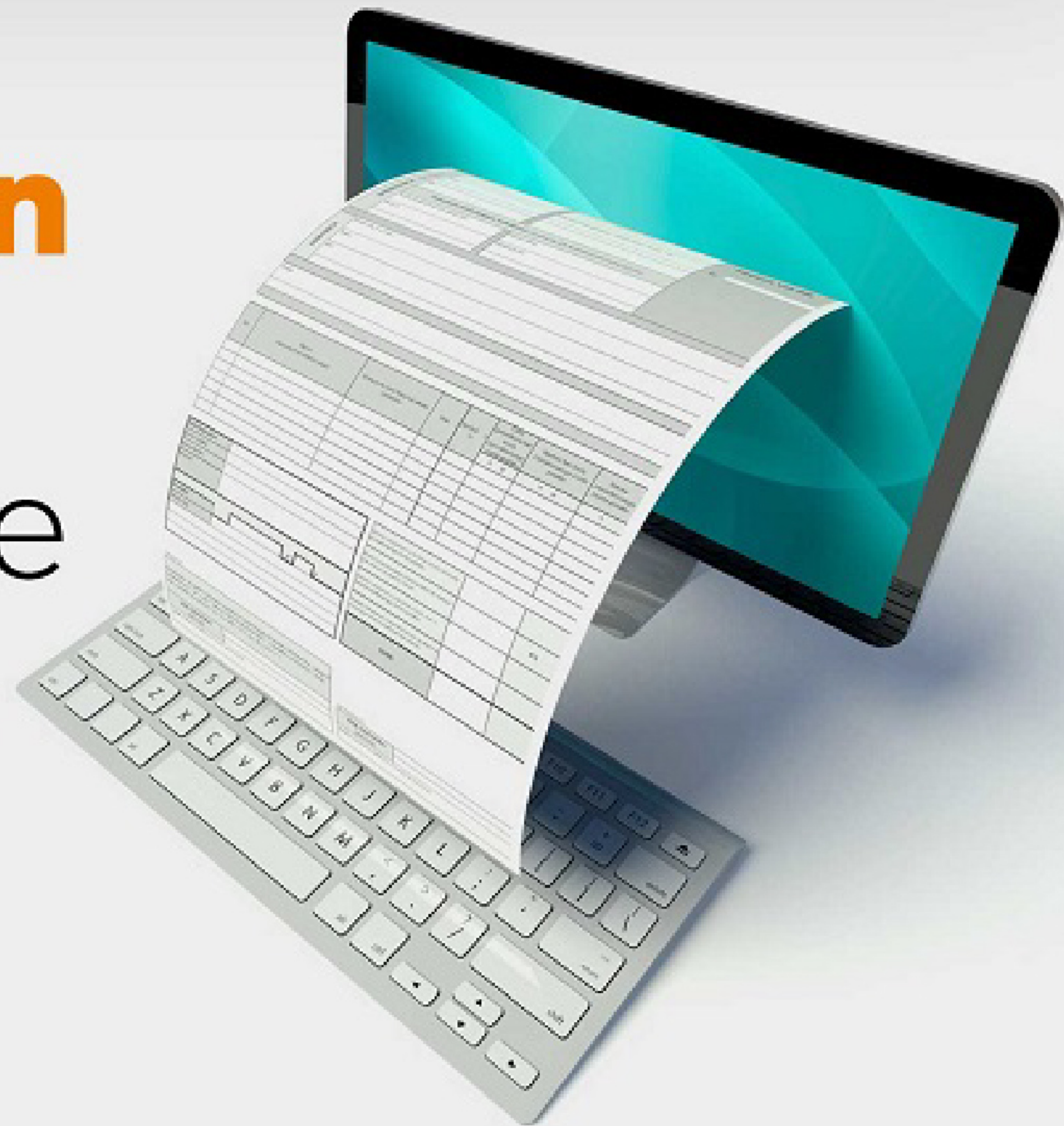


## Constrained Productivity

- ◆ The deficiency in factor and labour productivity growth to continue.
- ◆ Largely attributable to huge infrastructural deficit of \$300 billion, stiff regulations etc.



# Automation of Form A on The Trade Monitoring System



Dear Esteemed Customer,

We refer to the Central Bank of Nigeria (CBN) circular dated November 29, 2021, titled: **Automation of Form A on the Trade Monitoring System**. By this circular, the CBN is phasing out the paper-based Form A for invisible transactions (PTA/BTA, School Fees, Medical, etc.), effective immediately.

The Electronic Form A will now be used for all invisible transactions. This will attract a ₦5,000 use charge on your account which will be remitted to the CBN.

The good news is that you can now conveniently access this service from your home or office by simply clicking [www.tradesystem.gov.ng](http://www.tradesystem.gov.ng).

Bank charges for all invisible transactions are exclusive of the aforementioned ₦5,000 platform use charge.

All hard copies of Form A for which disbursement has not been made within the transition period of 15 working days shall be deemed cancelled.

## **Further enquiries?**

Please send us an email at [contactcenter@accessbankplc.com](mailto:contactcenter@accessbankplc.com) or chat with us on <https://livechat.accessbankplc.com/>.

Thank you for choosing Access Bank.

## **More Information:**

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