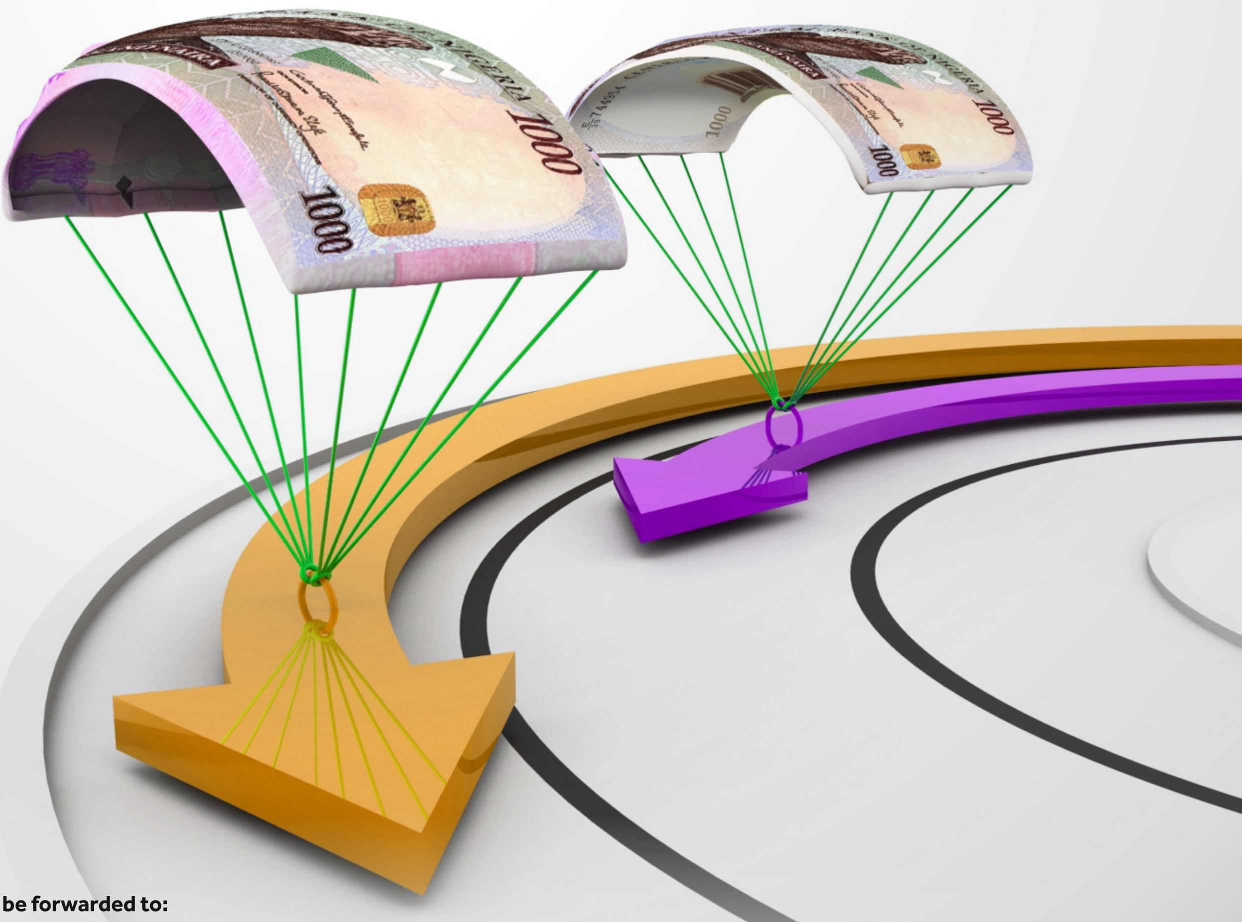
JULY **2021** I

CORPORATE DIGEST

Macroeconomic Update

H2 2021 Outlook: Is the Glass Half-Full or Half-Empty?

The Oil & Gas Industry: Will the Petroleum Information Bill be the Game Changer?



All enquiries should be forwarded to:
The Economic Intelligence Group
Access Bank Plc
14/15 Prince Alaba Abiodun Oniru,
Victoria Island, Lagos
T: 01-2712005-7, 0700 300 0000
E: economicIntelligence@accessbankplc.com

access

more than banking

Dear Esteemed Customer,

We would like to express our profound appreciation for your valued patronage in the first half of 2021. You have continued to choose Access Bank as your preferred financial partner, and for this we are truly grateful.

As the world gradually opens up to business while aligning to the new normal, we re-affirm our commitment to providing you with innovative banking solutions to meet your business needs and expectations.

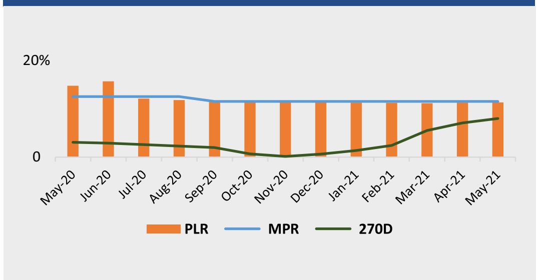
We look forward to the months ahead and much more exciting business opportunities.

Wishing you a rewarding second half of the year.

Thank you for choosing Access Bank.

Macroeconomic Update

Lending & Investment Rates(%)

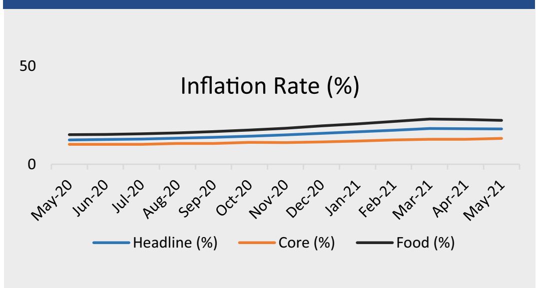


- The Monetary Policy Committee (MPC) left the Monetary Policy Rate (MPR) unchanged at 11.5% after its third meeting for 2021.
- The Prime Lending rate rose slightly from 11.24% in April 2021 to 11.29% recorded in May 2021.
- The 270-Day Treasury Bills (T-Bills) maintained its upward trajectory as the rate moved from 7.98% in May to 8.22% in June 2021. Yields on Government securities have continued to pick up in 2021 from its lows in 2020.

Bonny Light Oil

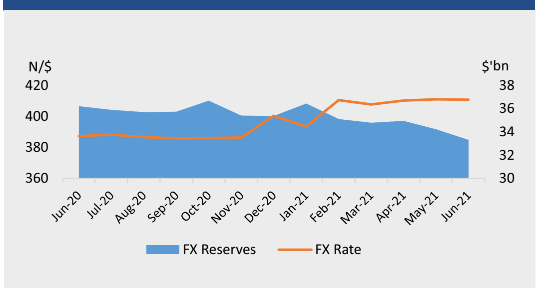
- Oil prices rose further in June 2021, closing at $77.34/b, adding $8.75/$ to the figure posted in May.
- Crude Oil production fell to 1.39 million barrels per day (mbpd) in May 2021 compared to 1.55 mbpd posted the previous month.
- The continued roll out of the COVID-19 vaccine across the globe has kept hopes high for a global economic recovery. However, the oil price increase may not improve Nigeria's fiscal position and external reserves due to oil production cuts and weak energy demand from India – Nigeria's biggest energy consumer.

Inflation Rate (%)



- Inflation rate declined for the second time in 21 months dropping by 0.19% to reach 17.93% in May 2021 from 18.17% posted in April.
- Food inflation declined to 22.28% in May from 22.72% in April, while core inflation rose to 13.15% from 12.74% posted in the same period.
- The increase in core inflation rate reflects the impact of currency depreciation, worsening insecurity across the country on food prices.

FX Reserves, FX Rate



- External reserves dropped further to $33.32 billion at the end of June 2021 compared to $34.23 billion posted in May. This drop reflects sales to the foreign exchange market and third-party payments.
- NAFEX closed at N410.66/$ in June 2021 reflecting a N0.34 appreciation relative to the figure recorded in May.
- Sustained weekly FX interventions by the apex bank across various market segments kept the local unit relatively stable at the official window although the parallel rate continued to depreciate.

Post-Monetary Policy Communique

Decision Review

- The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) held its fourth meeting of 2021 on the 26th and 27th of July, 2021.

- The Committee noted that the performance of the global economy in the first two quarters of the year has been favourable and is expected to continue for the rest of the year. However, renewed downside risk to this optimism is associated with the fast spread of new and deadlier strains of the COVID-19 virus. The high rate of vaccination across the globe seems promising to drive herd immunity to reduce mortality rates. In the domestic economy, the continued support by both the monetary and fiscal authorities, is expected to yield favourable outcomes and hopefully return the economy to a strong recovery path in the next few quarters. Thus, the Committee voted as follows:

Key Decisions

- Retain the Monetary Policy Rate (MPR) at 11.5%
- Retain the asymmetric window at +100 and –700 basis points around the MPR
- Retain the Cash Reserve Requirement (CRR) at 27.5% and
- Retain the Liquidity Ratio (LR) at 30%.

Highlights of Latest Review

- **Improving Purchasing Managers Index:** The Committee pointed out that the Manufacturing Purchasing Managers' Index (PMI), improved to 46.6 index points in July 2021, compared with 45.5 index points in June 2021. Though it remained below the 50-index point mark, the improvement is an indication of gradual recovery of output growth in the economy

- **Weak Stock Market:** The Committee noted the weak performance of the equities market despite the recent increasing patronage by domestic investors. The All-Share Index (ASI) decreased by 1.28% to 37,947.18 on July 16, 2021, from 38,437.88 on May 31, 2021. Similarly, Market Capitalization (MC) decreased by 1.3% to N19.77 trillion on July 16, 2021, from N20.03 trillion on May 31, 2021.

- **Declining Inflation:** The Committee noted the continued moderation in headline inflation (year-on-year) to 17.75% in June 2021 from 17.93% in May 2021, the third consecutive month of decline. The decrease was attributed to a marginal decline in both the food and core components to 21.72% and 13.09% in June 2021 from 22.28% and 13.15% in May 2021, respectively. The MPC noted that, though, headline inflation remained well above the ceiling of the Central Bank's 6-9% corridor, it expressed optimism that the current interventions by the Bank in various sectors of the economy will further depress inflationary pressure as output growth improves and the negative output gap closes

What are the Future Concerns?

- **Global Economy:** The Committee pointed out that global and domestic economies remain clouded with downside risks despite the upbeat forecast for a speedy recovery. These risks include lingering uncertainties surrounding the path to the termination of the pandemic, as new and deadlier strains of the virus continue to pose a significant threat to the efficacy of the Covid-19 vaccines.

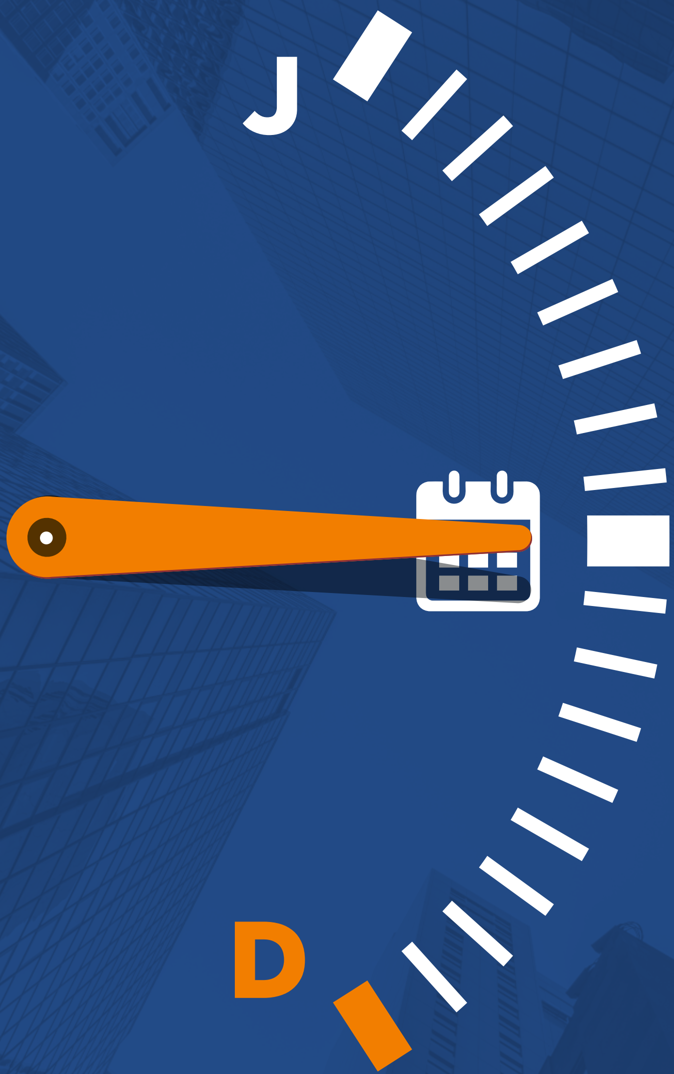
- **Capital Outflow:** Rising inflation in advanced economies might result in an early return to monetary policy normalization, with adverse consequences for financial system stability. While the US Federal Reserve Bank and other major central banks have given indications that the current rise in inflation is transitory, and may not require policy adjustment, inflation is confronted with a significant upside risk.

What the latest decisions mean to the economy

- The retention of rates will enable the continued permeation of current policy measures in supporting the recorded growth recovery and macro-economic stability.
- The retention of rates by the Apex bank show the dedication to pursing measures aimed at spurring economic growth.

What the latest decisions mean to the Banking Industry

- The MPC's decision to leave the MPR unchanged ensures a "holding status" on assets prices – savings rate, lending rate, money market rates and fixed income.
- Nigerian banks would likely continue to carry out their transactions with caution during these uncertain times.



H2 2021 Outlook: is the Glass half-full or half-empty?

2021 Themes likely to continue well into H2

As predicted at the start of the year, the following themes will remain through the year

Recovery

- It is expected that the global economy will reel from the effect of 2020 well into H2 2021, hinged on concerns that service and export-based economies might not return to pre-2020 levels in 2021.
- The Organization for Economic Co-operation and Development (OECD) predicts an unemployment rate of 7% compared to pre-pandemic levels of 5% as at December 2020.
- Quantitative easing and bailouts will be the primary focus of Governments in H2 2021 to boost unemployment and bring GDP to pre 2020 levels.

Going Green

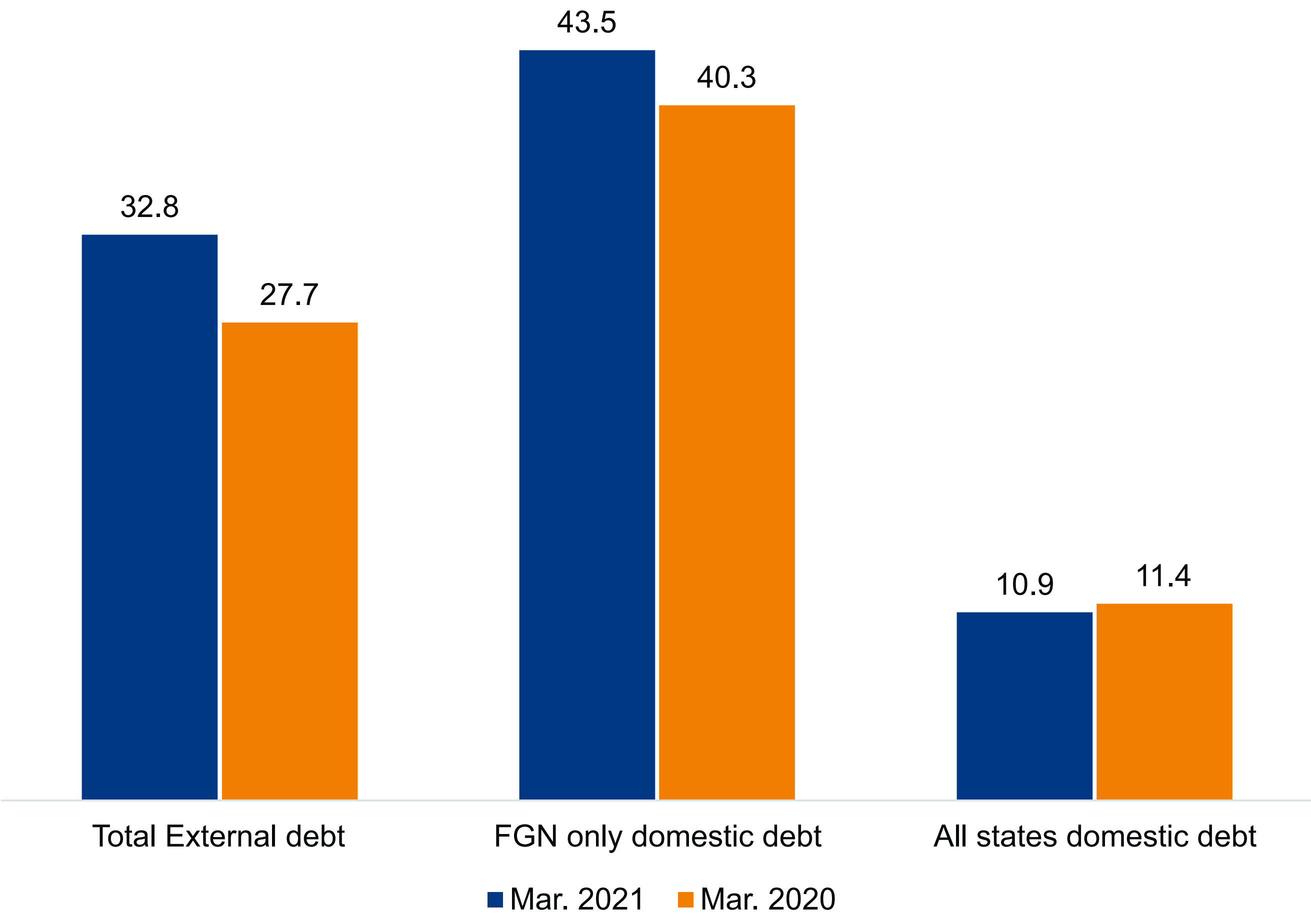
- The major economic regions US, EU and China are all at the forefront of pushing for a green economy on the back of the pandemic effects.
- The US is expected to rejoin the Paris accord and these economies are expected to accelerate the transition to a green and digital economy in 2021 and beyond.
- The pandemic has exposed the need for humanity to pay keen attention and global Green Bond issuance which is expected to top $500bn for the first time.
- Additionally, the benefits of digitization have been witnessed following the lockdowns and there will be increased investments to widen its reach in H2, 2021.

Stimulus

- The world is expected to grow to record level in record time at 5% which is the fastest rate recorded in the 21st century following the unprecedented economic hit of the pandemic.
- This growth will be funded by landmark capital infusions by wealthy Governments, which will invariably lead to more taxes as the effective tax rate for firms has been low compared to a decade ago.
- The rise in infection rate raises a pungent roadblock to the growth aspiration as the re-introduction of lockdowns in the UK could be detrimental to global growth forecast due to its relevance in World's economy.

The Magnitude of Nigeria's Debt

Total Public Debt (US$ 'bn)



Takeaways

Nigeria's current external debt stands at US$ 32.8bn, which is higher than the GDP of Mozambique.

The debt profile grew by 18% year-on-year as the Government continued its borrowing. The domestic debt profile also grew by 8% year-on-year, with money market rates inching upward (pointing to more borrowing). This will inevitably crowd-out the private sector.

Debt service charge already gulps an estimated 72% of revenue leaving nothing to invest but borrow some more to invest.

We believe Nigeria is beginning to bear resemblance with Argentina before the Latin American country defaulted on its debt and spiraled into quagmire.

Source: **NBS, Access Strategy**

The Inflation Headwinds

Sample of Goods sold in Lagos Market

		PRICE @ MAY 2021	PRICE @ JUNE 2021	CHANGE
	**Brown Beans (Big bag)**	₦36,750	₦73,750	(100.7%)
	**25 Litres gallon of palm oil**	₦13,500	₦18,375	(36.1%)
	**Big basket of Tomatoes**	₦16,500	₦29,300	(77.8%)
	**Bag of Melon**	₦43,500	₦61,500	(41.4%)
	**Spaghetti**	₦258	₦285	(10.7%)
	**Big bag of Pepper**	₦15,000	₦26,500	(76.7%)

Takeaways

Average Inflation 17 - 19%

- Nigeria's inflation is largely driven by cost, due to over reliance on imports and exchange rate sensitivity.
- Food inflation has maintained a steady upbeat due to multiple factors ranging from insecurity, border closure, higher transportation and import prices and FX devaluation.
- As the Government pushes to ease itself of dead weight and boost falling revenues, the push to erase all other aspects of subsidies to Nigerians such as electricity tariff etc. and enter a service cost reflective regime arises.
- Inflation is unlikely to abate in the second half of the year regardless of the recorded deceleration by the National Bureau of Statistics (NBS). This is due to the expected fuel hike, service cost reflective implementation as Government's capacity to keep up with these subsidies dwindle by the day.

Source: **Nairametrics, Access Strategy**

Monetary Policy – Deteriorating Macros

Monetary Policy Rate to remain at 12.5% in H2 2021, but CBN will explore other mechanisms such as CRR

Critical Regulatory Metrics	Dec 2020	H2 2021 Forecasts
Monetary Policy Rate **(MPR)**	11.5%	**12.5%**
MPR Asymmetric Corridor	+2% / -5%	**+2% / -5%**
Liquidity Ratio **(LR)**	30%	**30%**
Cash Reserve Ratio **(CRR)**	27.5%	**30.0%**
Banks' Net Open Position **(NOP)**	0.5% of SHF	**Unchanged**

Takeaways

- The Apex Bank will maintain primary focus on price stability in H2 2021 to manage the increasing inflation and FX demand pressure, as the nation records it worst trade deficit in years.
- The CBN will be concerned about spurring growth and hence, methods to incentivize banks to direct funds to the real sector of the economy will probably be pronounced as well as intensive developmental efforts in stimulating money supply towards the private sector.
- The recent advise by the MPC to fund the deficit could push the CBN to increase CRR in order to manage the ripple effect. This could see CRR increase to 30% as it is positively correlated with government borrowings from CBN. This view is strengthened by the rampaging inflation, worsening trade deficit balance, FX illiquidity, weakening FPI which are critical factors that might force CBN to review rates upwards.

Oil & Gas:

Will the Petroleum Industry Bill be the Game Changer?

Overview of the Oil & Gas Industry

- Nigeria, is the largest Oil and Gas producer in Africa and the 11th largest Oil and 9th largest Gas producer in the world, as at 2021, with a technical capacity to produce an average of about 1.9million barrels per day (mbpd) of Oil and 5.5billion cubic meters (bcm) of Natural Gas per day.

- The Oil and Gas industry is undoubtedly a key driver of the Nigerian economy, accounting for over 80% Foreign Reserves and over 60% Government Revenue, with an average of 8.04% of the GDP from 2016 - 2020.

- The International Energy Agency (IEA) reveals that a chunk of Oil products consumption is driven by transportation, which accounts for around 60% and 89% of Global and Local consumption, respectively. While Nigeria exports Crude Petroleum Products, the country relies heavily on imported fuels, to meet its growing demand, given the inefficiencies of local refineries. The distribution of Petroleum Products in Nigeria is largely achieved using trucks. This is due to the inefficiencies of pipelines network, which are poorly maintained and susceptible to vandalism.

- Challenges facing the industry include lack of a clear regulatory framework, weak infrastructure, a volatile global market, reducing investments in new explorations, depleting Crude Oil reserves due to a reduction in new exploration activities amongst others. However, opportunities exist in new oil discoveries, a growing population across the globe, emerging middle class, improved technologies and proposed oil licensing rounds.

- The newly passed Petroleum Industry Bill (PIB) is expected to change the dynamics of the industry and attract new investments.

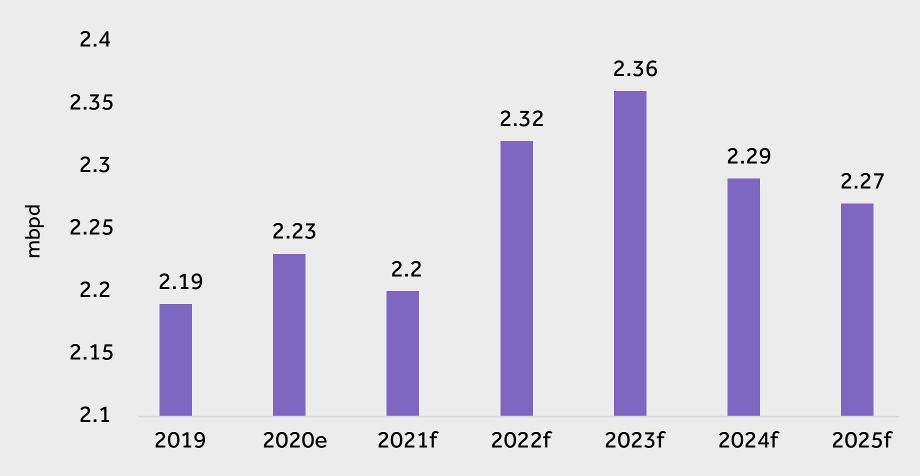
Highlights of the Petroleum Information Bill (PIB)

Governance & Institutions	• The Nigerian Upstream Regulatory Commission was established to regulate upstream petroleum operations while the Nigerian Midstream and Downstream Petroleum Regulatory Authority was established to regulate midstream and downstream petroleum operations. • The Nigerian National Petroleum Company (NNPC) shall be incorporated as a limited liability company (Ltd.) with ownership vested in the Ministry of Finance on behalf of the Federal Government • Imposition of up to 1% levy on the wholesale price of petroleum products sold in the country
Administration	• A Petroleum Exploration Licensee shall have non-exclusive right to carry out petroleum exploration operations within the area provided for in the licence. • A Petroleum Prospecting Licence for onshore and shallow water acreages shall comprise of an initial exploration period of 3 years and an optional extension period of 3 years, while for deep offshore and frontier acreages – an initial period of 5 years and an optional extension period of 5 years. • A licensee or lessee shall submit for approval an environmental management plan.
Host Communities Development	• Settlors[1] shall incorporate a trust for the benefit of the host communities for which the settlor is responsible. The fund shall be allocated as follows; 75% to the capital fund for projects in the host communities, 20% to the reserve funds to be invested and 5% for administrative cost. • Each settlor, where applicable through the operator, shall make an annual contribution to the applicable host community development trust fund of 2% - 3% of its actual operating expenditure in the immediately preceding calendar year in respect of all petroleum operations affecting the host.
Fiscal Framework	• Chargeable tax shall be a specified percentage of the chargeable profit of a company. In a case where the chargeable tax calculated is less than the specified percentage, the company is liable to pay the extra amount of chargeable tax. • Productions of petroleum, production tests inclusive, shall be subject to royalties on a non- discriminatory basis and shall be paid into the Federation Account and verified by the Commission. • Expenses must be wholly, reasonably, exclusively and necessarily incurred to be tax deductible
Miscellaneous Provisions	• The Bill repeals the Associated Gas Reinjection Act, NNPC Act, Motor Spirit (Returns) Act, Petroleum Products Pricing Regulatory Agency (Establishment) Act and 6 other laws. The Pre-Shipment Inspection of Oil Export Act shall be amended accordingly. • Certain acts were kept until termination or expiration of the relevant oil prospecting licenses and mining leases including the Petroleum Act, PPTA, Oil Pipelines Act, Deep Offshore and Inland Basin PSC Act.

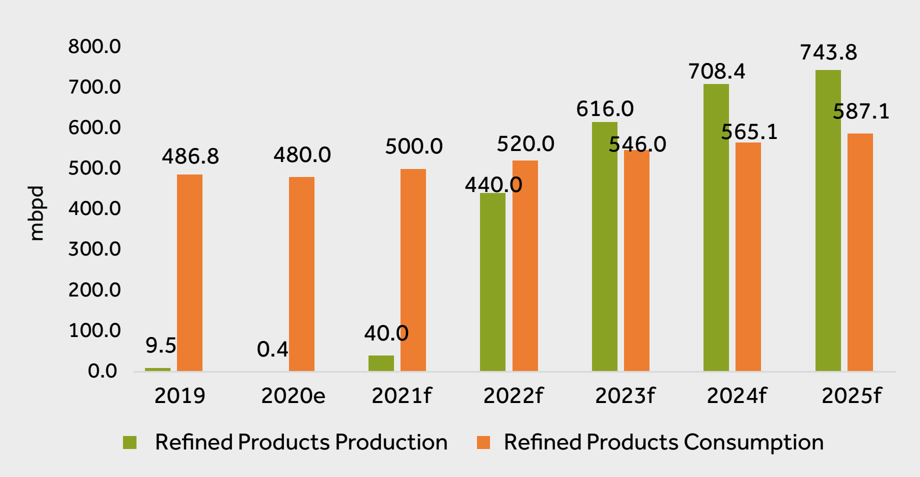
1: Definition- A **settlor** is a holder of an interest in a petroleum prospecting licence or mining lease or a holder of an interest in a licence for midstream petroleum operations, whose area of operations is in or appurtenant to any community or communities; .

Crude Oil & Refined Products Outlook

Crude, NGPL & Other Liquids Production (mbpd)



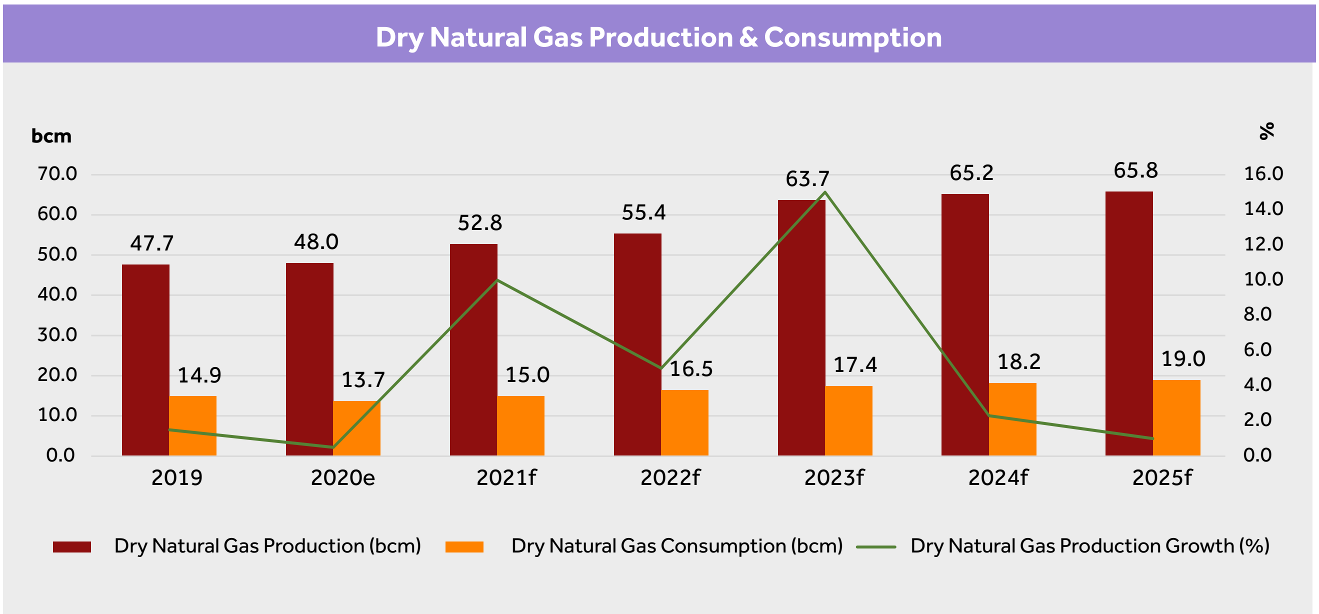
Local Production vs Consumption (000'bpd)



- Crude, Natural Gas Plant Liquids (NGPL) & other liquids production is forecast to average 2.2million barrel per day (mbpd) in 2021, a decline of 1.4% from 2020. The contraction in output is expected due to continuing curtailment by the Organization of Petroleum Exporting Countries (OPEC) and base effects from higher output in early 2020 which helped push the annual average higher in 2020.
- Utilization at the Four (4) existing refineries has been near zero for 2020. Dangote Group has also reaffirmed that its refinery is to kick off in 2021. The refined product production is proposed to see a jump from 400bpd in 2020 to 40,000bpd in 2022 and thus outperform refined products consumption in 2023.
- Refined products consumption is expected to increase throughout the forecasted period as the economy continues to develop and expand. Transport is the main sector driving fuel consumption growth, with the total vehicle fleet expected to expand from 1.8 million in 2020 to 3.04 million in 2030. Gasoline, Kerosene, and Diesel, as well as the residual fuel consumption are all set to steadily increase over the coming quarters.
- OPEC's production cut is expected to last until April 2022 keeping domestic production and exports subdued. Exports are expected to fall further in 2023 due to the projected increase in domestic refining capacity.
- The recent passage of the Petroleum Industry Bill (PIB), when implemented, will see drastic changes to regulatory bodies, laws, fiscal terms and protection of all stakeholders, especially investors.

Source: **Fitch**

Dry Natural Gas Outlook



- Nigeria's increased efforts to commercalize Gas from Oil production will continue to advance with 2021 Natural Gas production expected to grow by 10% to 52.8 billion cubic meters (bcm) from 48.0bcm produced in 2020.

- The efforts to reduce Natural Gas flaring along with increasing investment in Gas commercialization and utilization will see Natural Gas output ramp up over the forecasted horizon, as new gas projects will come online to meet pent-up domestic and industrial power demand.

- The Government has prioritized the development of Natural Gas as key to revitalizing the economy due to the abundance of reserves and planned growth in Power generation, Fertilizer and Petrochemical output. The aim is to develop a larger and more reliable source of Power for the economy.

- International Oil companies operating in Nigeria have increasingly turned their focus to Gas development, partly due to improving infrastructure and tougher regulations against Gas flaring as well as rising domestic demand and export opportunities. Gas consumption will grow throughout the forecasted period as greater availability drives more use in the power sector. The outlook for 2021 Natural Gas consumption remain positive with growth forecasted at 10% to 15.0bcm.

- Natural Gas export is forecasted to increase in 2021 to 37.7bcm from 34.3bcm in 2020, reflecting an increase of 10% as Global Gas consumption recovers from Covid-19 impact. Natural Gas consumers appear to be returning faster than transportation fuels and an improved outlook for the global economy is sending demand of LNG higher globally.

Source: **Fitch**

The Oil & Gas 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 reflect the increase in business activities. Increased demand for Oil across the globe would strengthen the growth of the Oil sector

AfCFTA

The African Continental Free Trade Area (AfCFTA) would promote market expansion for businesses, job creation for the populace amongst others. This would in turn increase the demand for Oil and Gas to be exported, used to generate electricity to drive the pact and used to run business operations.

Consumer Spending

Disposable income in 2021, is expected to perform better than it did in 2020. Transportation is a key driver of refined products consumption as it takes a chunk of consumers' expenditure. An increase in disposable income would be beneficial to the sector. Higher food inflation poses a downside to this projection.

Improving Oil Prices

Oil price, which is determined on the global scene, continues to see improvement after it crashed in April 2020. OPEC's production curtailment and the rising demand for Oil across the globe have helped to boost Oil price. Higher Oil prices will be a boost for both the Industry and country's growth.

Fuel Subsidy Removal

The likelihood of fuel subsidy removal gets higher by the day as International organisations call for its removal. Oil price is currently on an upward trajectory, but yields no gain to the foreign reserves as higher oil prices connotes higher subsidy payment. Removal of fuel subsidy would weigh on consumers' income

Government Support

Government support remains immense for the Oil and Gas sector. Various investment-attractive policies has been rolled out in the past to boost the growth of the sector. The newly passed Petroleum Industry Bill (PIB) is expected to clarify the ambiguities surrounding the sector, thereby attracting both local and foreign investment.

The Oil & Gas Industry – Post COVID-19

Upstream

- Companies should ensure a feasible Business Continuity Plan (BCP) is in place, and ready to be activated in times of emergencies given the volatile nature of the sector. Explore strategic alliances to improve economies of scale and operating efficiencies

- Seek alternative means of transporting Crude Oil. For example, transporting through barges to limit disruptions that are normally experienced via pipeline disruptions or vandalizations.

Mid-stream

- Businesses should be deliberate about adopting cost optimization initiatives by operating at a higher efficiency level and reducing wastage. Also, service providers can enter partnerships to remain relevant in the industry.

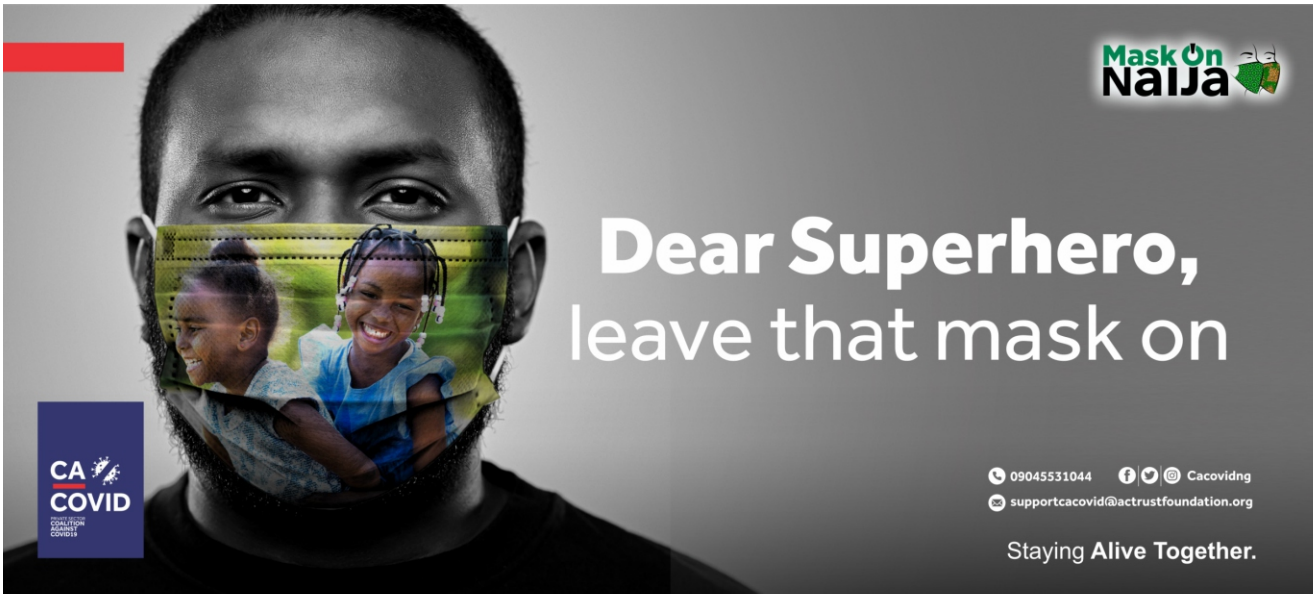
- Technological solutions needs to be deployed to manage business operations and the business on the going concern path.

Downstream

- Businesses should be deliberate about adopting cost optimization initiatives by operating at a higher efficiency level and focusing only essential spending. This will keep the business profitable amidst harsh economic realities.

- Companies in the downstream sector should remain innovative and diversify into new and sustainable business segments to create new streams of revenue.

In conclusion, we encourage players to engage financial and economic experts for advisory services. Access Bank remains committed to providing its customers with the tools necessary to propel their businesses amidst a volatile macro economic environment. Stakeholders in the Oil & Gas industry may consider strategic investments in modular refineries to take advantage of the newly approved Petroleum Industry Bill (PIB) and the expected liberalization of the Oil and Gas sector.



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)

simpler ways to resolve token errors

Dear Customer,

Here's a guide on how to resolve common token errors which might be encountered while using your token to confirm transactions on our digital channels.

Error Message	Token Type	Cause (s)	Fixes
• Invalid Token • Token Validation Failed	Hard Token device or Soft Token (Entrust App)	Incorrect token digits entered	Check that digits were entered correctly
		Token locked or faulty token device	Call the Contact Center e-Banking team to confirm that the device is active or if token device needsreplacement
		Network Error (occurs with Entrust App)	Check network connection on the device
		Time on the device is incorrect (this is peculiar to Diaspora customers using the Entrust App)	Confirm that the time on the device where Entrust is downloaded is correct. check date, time & time Zone settings.
Token Locked	Entrust App	Wrong PIN inputted more than three (3) times	Call the Contact Center e-Banking team to unlock your profile
• Token (or user) does not exist • You require a token to authenticate this request	Hard Token device	Token device has not been activated or token not mapped to the user profile	Contact your Account Officer or Call the Contact Center e-Banking team to activate your token

For more information

T 01- 2712005 -7, 012802500, 012273000
M 07003000000
E contactcenter@accessbankplc.com
W www.accessbankplc.com

Services tailored just for you, to meet your style, taste and comfort

Access Bank will never ask for your complete card number, PIN or One-Time Password.
If you lose your phone, please call us immediately.