Global Economy

In the UK, gross domestic product contracted by 20.4% in Q2 2020, the most since comparable records began in 1955 according to the Office for National Statistics (ONS). This is the second successive quarterly contraction in GDP, officially entering a recession, due to the COVID-19 pandemic and the government measures to reduce transmission of the virus. Private consumption accounted for more than 70% of the decline in the GDP, down by 21.1%; there were also notable falls in gross fixed capital formation (-25.5%) and government consumption (-14.0%). Net external demand contributed positively as imports fell more than exports. In a separate report, the Eurozone's trade surplus widened to €21.2 billion in June 2020 from €19.36 billion in the corresponding month of the prior-year period. The Organisation for Economic Co-operation and Development (OECD) estimates that the US economy will fall 4.3% in Q3 2020 and 4.6% in Q4 2020 compared with Q2 2020.

Domestic Economy

Unemployment in Nigeria jumped to the highest in at least a decade this quarter as the coronavirus pandemic made it harder for output growth in Africa’s largest economy to keep up with its growing population. According to the National Bureau of Statistics report, the jobless rate rose to 27.1% in Q2 2020 that compares with 23.1% in the Q3 2018, which was the last period the agency released labour force statistics. The unemployment rate more than doubled over the last four years as the economy struggled to recover from contraction in 2016. The underemployment rate closed at 12.7% in Q2 2020, the most since October 2014, according to the World Bank’s report for Q2 2020

Monetary Policy

The debt market experienced tight liquidity following a jump in Cash Reserve Ratio (CBR) debt and retail Secondary Market Intervention Sales (SMIS) Auction. The debt led to a spike in rates as short-term lender's charge such as the Open Buy Back (OBB) and Overnight (ON) climbed to 17.6% and 19.6% from 6.3% and 7.1%, respectively. Longer tenors rates such as the 30-day Nigerian Interbank offered Rate (NIBOR) climbed to 22.4% from 22.1% last week, respectively. We expect that the anticipation of inflation, higher fiscal position and growing ETF gains could support any further rise in rates.

Global Commodity

Crude oil (US$ per barrel) fell by 23.1% last week to an average of $38.83 compared with $49.93 the previous week. This was due to reduced fuel demand resulting from reduced economic activity in the wake of the COVID-19 pandemic. The World Energy Council report showed that the global daily average of 8.1 million barrels of oil per day is expected to fall by 4% in 2020, marking the lowest level in years. The Organisation for Economic Co-operation and Development (OECD) forecasting shows a decline of 9.7 million barrels daily due to the pandemic and global economic slowdown.

Money Market

The bond market traded with mixed sentiments last week, but we witnessed demand for some select maturities, particularly the 2020 and 2021 maturities. We expect that sentiment might stay anemic as market expectations suggests a further drop in yields. Yields on the 15-, 20- and 30-year papers declined to 9.33%, 8.76% and 9.00% respectively on the official and parallel market rates were unchanged from previous week.

Credit Market

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Sources:
- Global Economy
- Domestic Economy
- Monetary Policy
- Global Commodity
- Money Market
- Credit Market

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