



THE ECONOMIC
SUSTAINABILITY PLAN:
**OPPORTUNITIES
FOR NIGERIAN
BUSINESSES**

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more than banking

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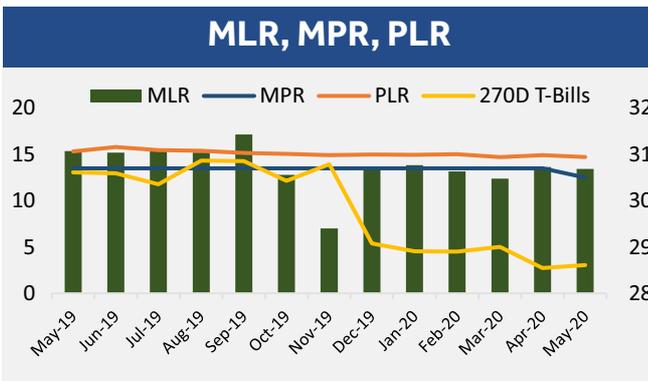
Macroeconomic Update

- July 2020

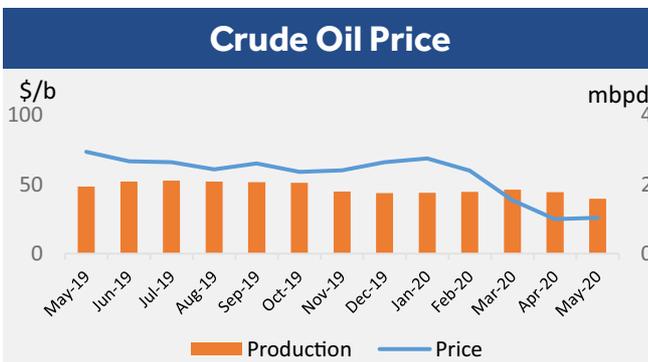
- Confirmed cases of the COVID-19 pandemic added about 4.3m new cases from the end of May 2020 to reach about 10.6m by the end of June 2020. While 2.9m people recovered within one month, 135,383 people have died from COVID-19.
- The National Assembly (NASS) was successful in stopping the planned hike in electricity tariff which was supposed to take effect, July 1st 2020. The lawmakers convinced Distribution Companies (DISCOs) to suspend proposed hike to the first quarter of 2021.
- The Senate approved the revised 2020 budget adding ₦300 billion to the ₦10.5 trillion budget

initially presented by the Executive. A provision of ₦500 billion and ₦186 billion were made available in the budget to cater for COVID-19 interventions and the health sector, respectively.

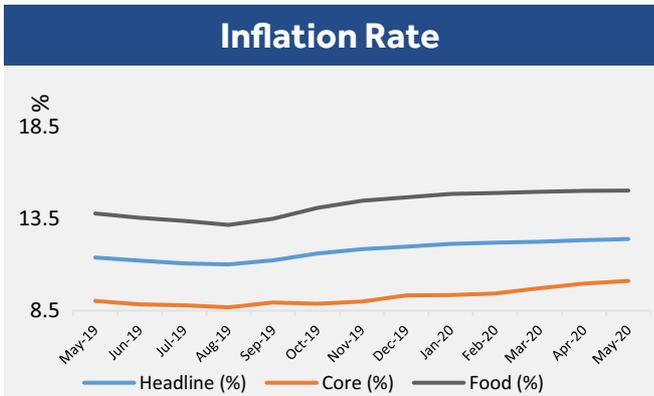
- Amidst rising COVID-19 cases in Nigeria, the Presidential Task Force (PTF), on the 29th June 2020, announced a further relaxation of the economic lockdown. These relaxations include reopening of schools for students in graduating classes (Basic 6, JSS3 and SS3), relaxation of interstate travels, resumption of domestic flights when practicable and the enforcement of the directive to use face masks in public places and other non-pharmaceutical interventions.



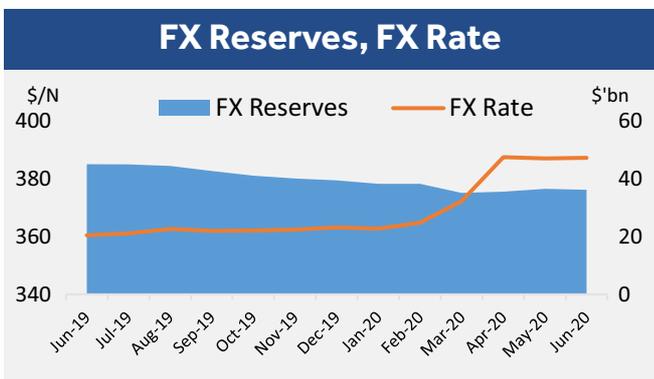
- The Monetary Policy Rate (MPR) stayed unchanged at 12.5% after a 100bps reduction in May 2020. The rate reduction creates a window for access to cheaper finance for businesses recovering from the pangs of the pandemic.
- Prime Lending Rate (PLR) and Maximum Lending Rate (MLR) declined to 14.73% and 30.69% in May 2020 from 14.92% and 30.73% from previous month, respectively.
- The 270-Day Treasury Bills rate rose to 3.07% in May from 2.73% in April 2020.



- Global crude oil price ascended after a crash in March 2020. Bonny light oil price rose to \$42.94/d by June-end 2020 from \$25/b in March 2020, reflecting a 71.8% increase.
- The uptick reflects the impact of the gradual reopening of the global economy as oil demand rose amidst agreed production cuts by the OPEC and OPEC+.
- Oil production declined to 1.59 million barrel per day (mbpd) in May 2020 from 1.78 mbpd in April 2020



- Inflation rate maintained its upward trend reaching 12.4% in May 2020 from 12.3% in the previous month.
- The continual increase was worsened by forex depreciation, hike in intra-road transport prices due to the reduction in carry capacity amongst other reasons.
- The reason for the increase in May is evident as core inflation rate grew by 0.14% which was higher than the 0.01% growth recorded in food inflation rate in May 2020. Food and core inflation continue to trend higher.



- Foreign reserves saw a slight decline in June 2020 after picking up the previous month benefiting from dollar inflows from the IMF and other foreign COVID-19 aids and grants.
- The decline from \$36.6 billion to \$36.2 billion stemmed from continuous intervention of the CBN to stabilize the forex market amidst weakened forex net inflow.
- The NAFEX rate strengthened by ₦0.94, appreciating to ₦386.75 in June 2020 from ₦387.69 the previous month.

Highlights from the Maiden Edition of The Corporate Customer Forum



As part of the Bank's drive to improve customer engagement, the Corporate Customer forum was launched early this year. It is an avenue to discuss pertinent issues, topics and concerns with direct access to the Bank's Management team.

The maiden edition was held on the 25th of June, 2020 and was themed 'Economic Outlook and Opportunities for Organizations in Unprecedented Times'. The goal of the event was to discuss and communicate the Bank's commitment to customers in the light of economic changes being experienced globally.

Highlights from the Maiden Edition of The Corporate Customer Forum (Contd)

The webinar began at 10:00am via Microsoft Teams, with a welcome address by the Moderator, Tomilayo Aluko (Head, TQM Wholesale), who outlined the program for the day. This was followed by opening remarks from the Group Managing Director, Herbert Wigwe. Herbert emphasized the need for the Bank and customers to work together to create a sustainable post-COVID era; hence the need to revisit business models and ensure stability and resilience. He also mentioned that with the decline in oil earnings, there is a need to strengthen access to local raw materials and in turn grow businesses along these lines.

Rotimi Aaron Peters (Unit Head, Economic Intelligence) also gave a presentation on the opportunities for organizations in these unprecedented times. This presentation provided some insight on the Global impact of COVID-19, slump in oil prices and Nigeria's actions to mitigate the effects of the pandemic. He also highlighted economic findings on the various sectors and shared some solutions to the issues discussed.

The Question & Answer segment was addressed by both Herbert Wigwe and Roosevelt Ogbonna (Group Deputy Managing Director). Questions were sent in using the live chat feature. Majority of the questions were centred around Foreign Exchange (FX) rates and stability, access to loans, opportunities for local manufacturers, Letters of Credit, amongst others. All questions were adequately addressed.

The webinar came to an end by 11:47am with closing remarks from Hadiza Ambursa (Executive Director, Commercial Banking Division). She reiterated the Bank's readiness to partner with and support organisations during this time with an emphasis on customers who were interested in manufacturing raw materials locally.

If you missed this event, please [Click Here](#) to watch the replay on our YouTube page.

Details of the next session will be communicated in due time.

The Economic Sustainability Plan (ESP)

OVERVIEW

The Economic Sustainability Plan (ESP) was put together by the Economic Sustainability Committee headed by the Vice President. It was borne out of the need to salvage Nigeria from the economic damage done by the COVID-19 pandemic. The lockdown around the globe disrupted economic activities leading to job losses, depressed oil demand thus crashing energy prices and supply chain disruptions amongst others.

Nigeria, given its heavy dependence on crude oil, was faced with low oil revenue precipitating budget and exchange rate re-adjustments. Given projected lower government revenue for 2020, the Committee settled for a planned stimulus

spending of N2.3 trillion amongst a set of four (4) spending options in consideration. The planned stimulus package will bring economic contraction lower at -0.59% for 2020. The Federal Executive Council (FEC), on the 24th of June 2020, approved the N2.3 stimulus package proposed for the execution of the ESP.

The objectives of the ESP ranges from preventing business collapse while ensuring liquidity, retaining or creating jobs using labour intensive methods in critical sectors, undertaking infrastructural investments, promoting local production and protecting the poor and vulnerable in the society.

Key Proposed Projects and Opportunities for Nigerian Businesses

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Agricultural Programme: State Governments, the Private Sector and Individuals will partner to expand agricultural production over a period of 12 months. The increased production would be purchased by anchor purchasers etc. Unsold produce will be bought by the Federal Government. Farmers will be linked to low interest input financing. Increased production matched with increased sales will result to increased profits for agricultural sector.

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Housing Programme: The mass housing programme will make use of indigenous labour and materials to build 300,000 homes in 12 months. These houses will be on mortgage or given out on a rent-to-own basis. This housing strategy means more contracts and income for the Construction Sector.

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Solar Power Programme: This programme will see to the installation of 5 million Solar Home Systems and Mini-Grid while supporting 250,000 jobs. Provision of reliable electricity to hospitals will also be a priority. Private Sector solar system installers will be able to access low cost financing. Also, Local production would be encouraged, hence, enhancing the value chain in the Energy & Power sector.

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Digital Technology: Private Sector in partnership with State Governments will form technology parks and outsourcing centres. This would in turn stimulate activity in the document digitization sectors. This initiative would also create more income for players in the Information Technology sector and increase their presence in other sectors of the economy.

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National Gas Expansion Programme: The government will collaborate with the Private Sector to convert traditional fuel to cleaner LPG fuel. This would encourage the local production and distribution of cylinders, and increase income for gas manufacturers as gas is cheaper and sustainable. It will also prepare the Compressed Natural Gas market to take hold of export opportunities.

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Road Construction and Rehabilitation: This project covers the construction and rehabilitation of federal highways, roads including rural roads and bridges. This project will be accomplished by using the labour-intensive approach and locally sourced granites, bitumen and cement. This would provide more income and opportunities for players in the construction and quarrying industry.

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Enhancing the Health Sector: Immediate efforts are targeted at increasing the local production of face masks, Personal Protection Equipment (PPEs), hand sanitizers etc. This would provide more revenue for local manufacturers. Also, a favourable tariff regime would be established for, and support would be extended to pharmaceutical companies to meet WHO prequalification criteria and overcome the export challenge.

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Digital Switch Over (DSO) Programme: This programme would free up the spectrum for sale and deliver the benefits of digital television. This would create jobs for players involved in the manufacturing, installation and maintenance of required equipment as well as expanding opportunities in the creative sector as distribution outlets improve. This programme would also reduce the cost of internet services and increase broadband penetration in Nigeria which will be beneficial to all in the long run.

Conclusion

As both the local and global economy gradually reopens, COVID-19 affected businesses will strive to stay afloat while adjusting to the "new normal". The Nigerian government has availed opportunities that businesses can leverage in the ESP. Business owners should endeavour to take advantage of these opportunities and many more available outside the ESP to become stronger, more resilient and competitive as a going concern post-COVID-19.

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