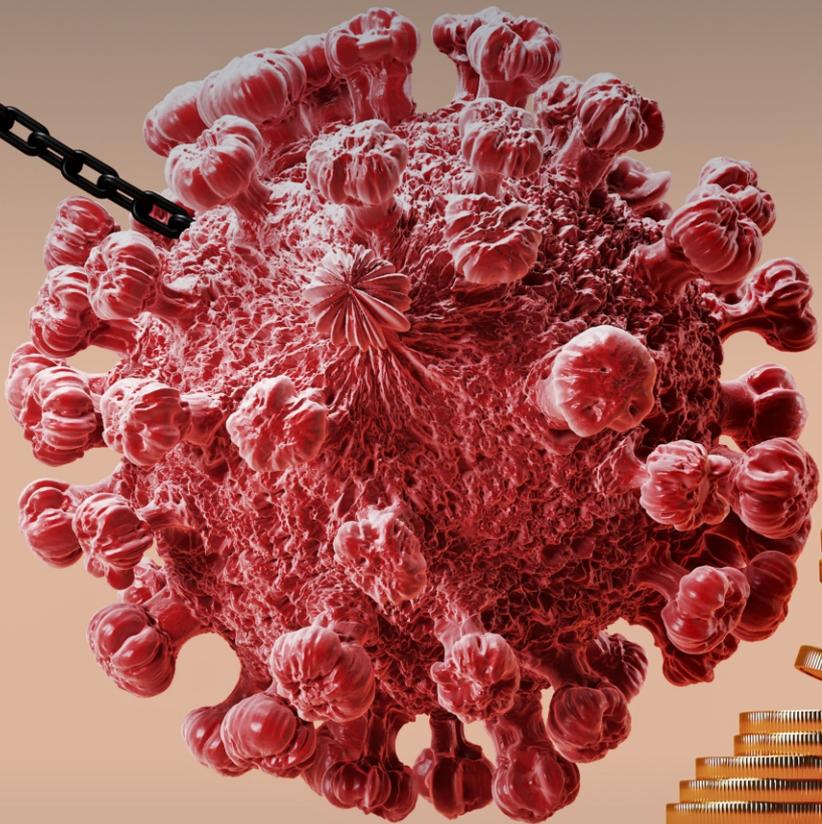


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CORPORATE NEWSLETTER

COVID-19 IMPACT AND SURVIVAL STRATEGIES FOR NIGERIAN BUSINESSES

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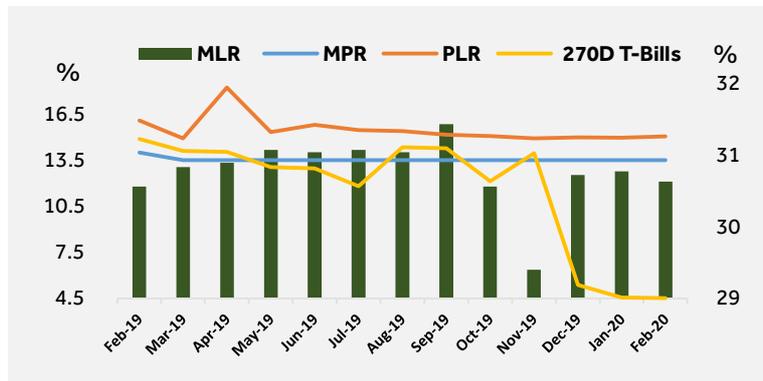


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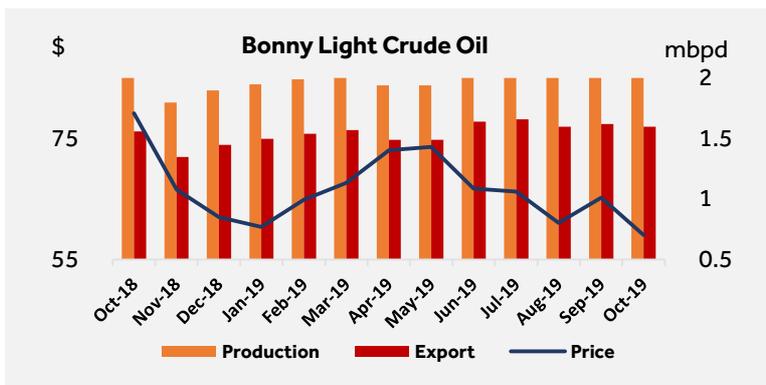
Disclaimer: This report is our opinion on the Nigerian macroeconomic landscape and investment environment. Reliance upon information in this report is at the sole discretion of the recipient/reader. Access Bank PLC does not warranty its completeness, timeliness or accuracy. Past performance is not a guarantee of future results. Any forecast contained herein is for illustrative purposes only and is not to be relied upon as advice or interpreted as a recommendation. Always consult your financial advisor before making investment decisions.

Macroeconomic Update (April 2020)

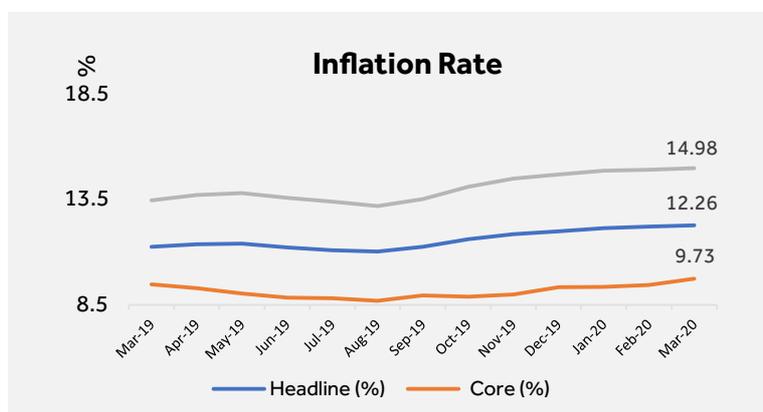
- In response to the Coronavirus outbreak which has been ravaging the world, global fiscal and monetary authorities have been rolling out policies that would minimize the impact and give comfort to the populace and Nigeria isn't left out.
- The Central Bank of Nigeria extended the moratorium of principal repayments for its intervention funds by 1 year, reduced the interest rate on intervention funds to 5% from 9%, created a N50 billion for household and SMEs, opened intervention facilities for the healthcare industry amongst others.
- The CBN also adjusted the official exchange rate from N307/\$ to N360/\$ as it seeks exchange rate uniformity. This is expected to increase investors' confidence and unfreeze investment flows as there is better clarity around the exchange rate policy.
- The Nigerian budget was slashed by N1.5 trillion to align with dwindling oil prices and pump price was also reduced to N125/L from N145/L.



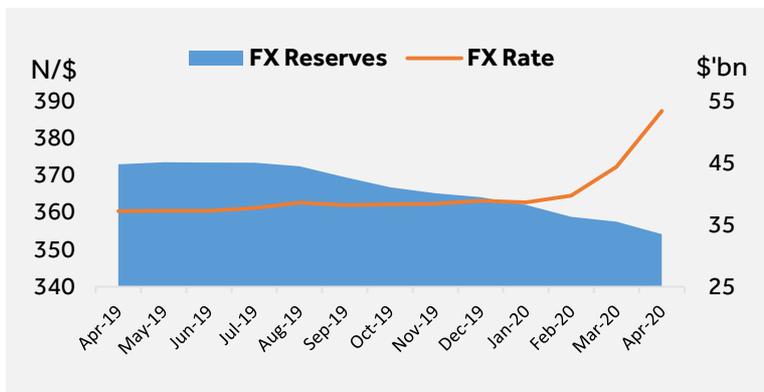
- In April 2020, bonny light oil price crashed to \$25/b up from \$71.31/b recorded as at the beginning of the year. This reflects a 64.94% decline within 1 month.
- The decline is largely attributed to the economic impact of COVID-19 and the Saudi Arabia – Russia discord.
- Most available data showed that oil production declined to 2.05 million barrel per day (mbpd) in October 2019 from 2.07mbpd in September 2019 while oil export fell by 0.02mbpd to 1.6mbpd in the same period.



- All parameters were retained at the March 2020 MPC meeting. The MPR was retained at 13.5% to prevent escalating inflation and pressure on reserves and forex
- Prime Lending Rate (PLR) rose to 15.04% in February from 14.97% in January whilst the Maximum Lending Rate (MLR) declined to 30.63% in the same period.
- The 270-Day Treasury Bills rate descended to 2.73% in April from 5% in March 2020.



- Inflation rate edged further for the 6th consecutive month settling at 12.26% in March 2020, 0.06% higher than February 2020 figure.
- The sustained rise in prices continues to be driven by the impact of border closure and food supply shortages amidst the coronavirus outbreak.
- Food index grew by 14.98%, representing a 0.08% increase from February. Core inflation rate added 0.3% in March 2020, reaching 9.43%.



Sources: CBN, NBS

- The foreign exchange reserves continued to trend downwards tumbling to \$33.5 billion as at April 2020 from an average of \$35.52 billion in March 2020.
- The decline sits on the back of weakened oil price and FPI outflows amidst the coronavirus outbreak.
- The NAFEX rate depreciated by 4.1% to N387.67/\$ in March 2020. This stems from CBN's price adjustment.

COVID-19 - Implications for Nigerian Businesses

Disruption of global supply chains: Nigeria is an import-based economy which relies on China and other developed countries for merchandise and raw materials for production. The outbreak will inhibit businesses ability to restock after sales.

- **Substantial decline in bottom line:** Businesses which cannot generate enough revenue due to reduced sales, inability to restock or decline in exports, to cover running expenses will be faced with a substantial drop in profit.

- **Inflationary pressures:** Erodes the purchasing power of customers and reduces sales for businesses
- **Reduction in capital spending:** Capital spending which is supposed to improve the ease of doing business has been slashed by 25% as the budget benchmark for oil price was reduced to \$30/b from \$57/b.
- **Hindrance to business expansion:** Businesses looking to expand or buy new machineries would find difficult given the slowdown in

projected revenue.

- **Inability to meet financial obligations:** Leveraged businesses would find it difficult to repay loans as at when due given the impact of the virus on businesses
- **Potential decline in share prices:** For publicly owned businesses, many investors would want to sell-off equity investments creating a knock down in value for these businesses

Survival Strategies for Nigerian Businesses

- **Increased crime rate:** Businesses unable to manage overhead costs will cut costs by laying off employees. The impact of such actions may likely lead to a general increase in social vices.
- **Observe proper hygiene for both employees and customers to avoid being a channel of the spread and potential temporary shutdown of the business.** Proper hygiene can be maintained via the enforcement of hand washing and use of sanitizers.
- **Search for alternative source of imports.** i.e. source for countries that can provide the needed import at the moment.
- **Nigerian importers are expected to prioritize imports to reduce the pressure on and likely scarcity of the dollar.**
- **Nigerian manufacturers and vendors are also expected to source for local raw materials and goods to keep businesses a going concern.**
- **Businesses that have been insured against interruptions can get pay-out from their insurance company.**
- **Leveraged businesses that can't meet up repayment of loans should engage their accounts officers on how best to restructure existing facilities.**
- **Businesses should switch to online shopping and alternative sources of payment outside physical cash to minimise physical interactions.**

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We hope that you and your loved ones are taking all the necessary precautions to stay safe and healthy during this Coronavirus (COVID-19) pandemic.

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	Payroll Execute various payroll activities, such as, Salary/Wages, Deductions, Commissions, Allowances, Contributions, Configurable tax and pension rules		Transaction Viewing/ Reporting Single view of all accounts, statements and transaction history within the bank on the platform
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