MACROECONOMIC REVIEW FOR 2020Q2 and Outlook

Minimizing the Impact of COVID-19, the new and unexpected shock to the Nigerian Economy.

June 2020

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SECTION 01

COVID-19, Oil Price and the Global Economy

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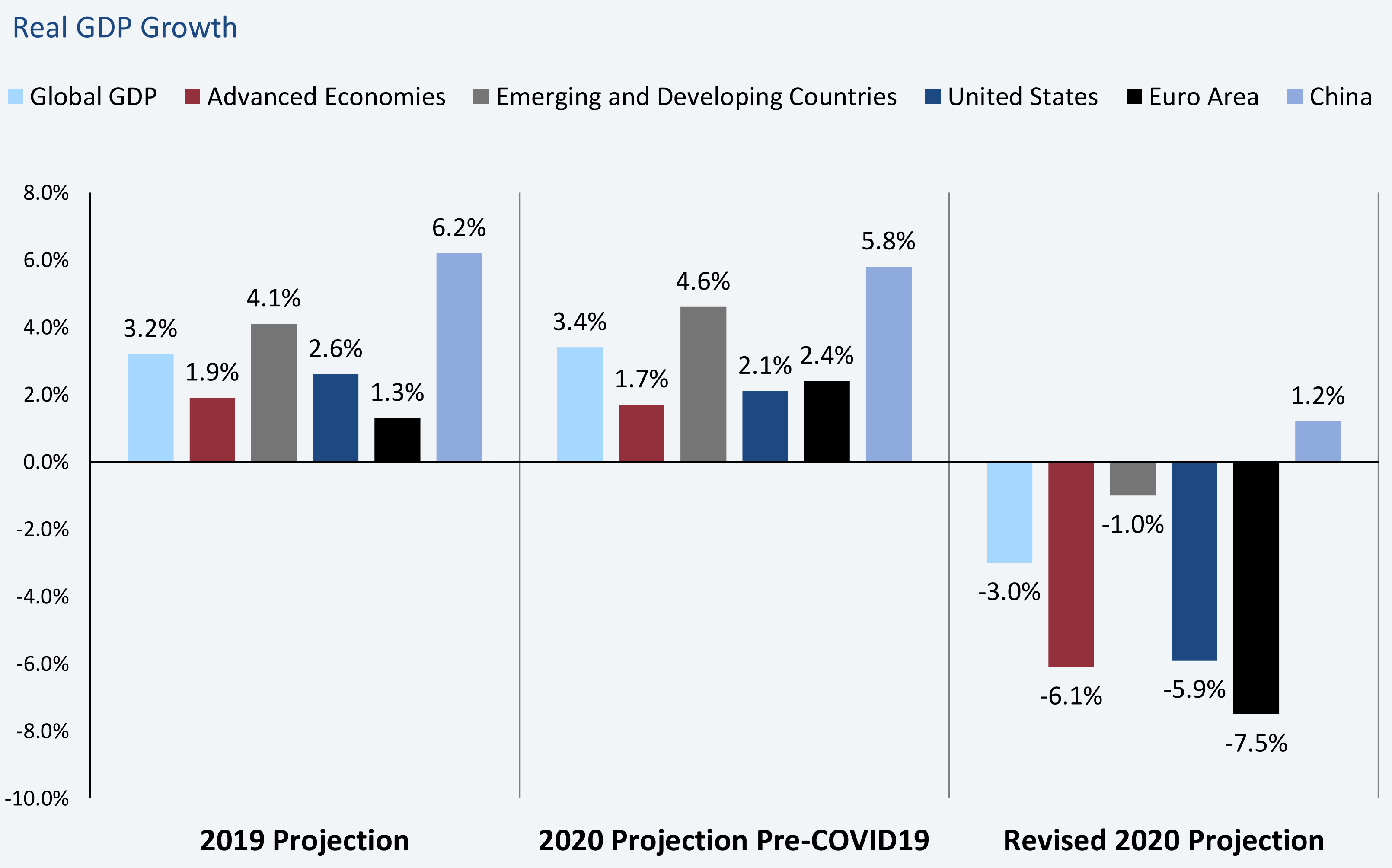
Global Recession looms as a result of COVID-19

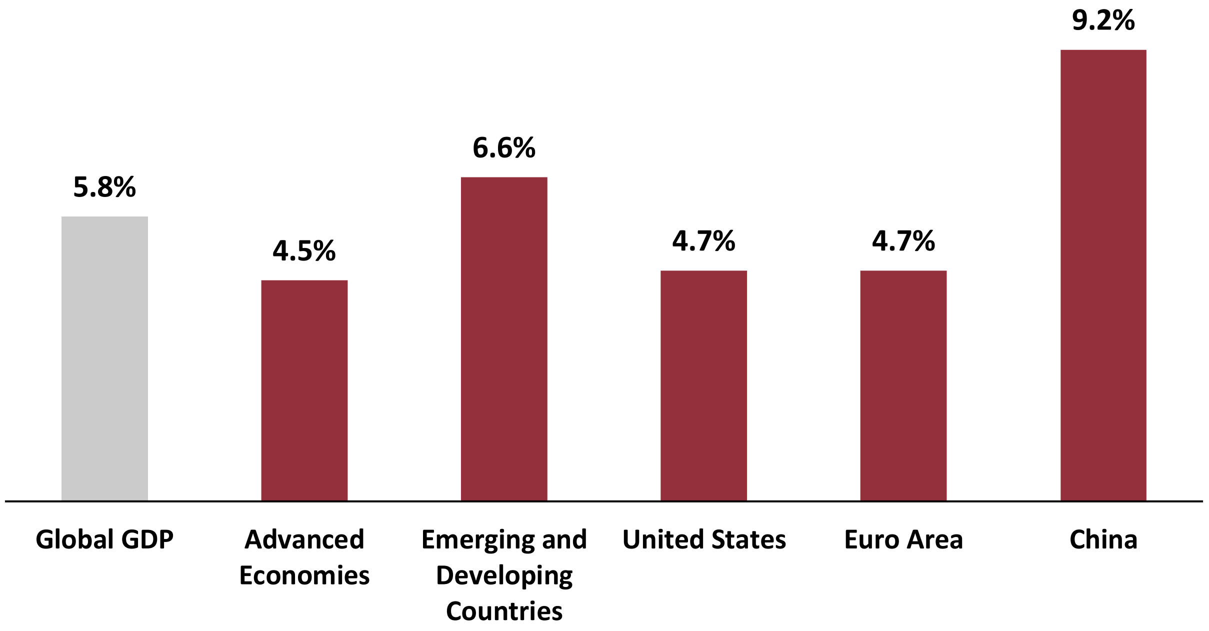


Data Source: IMF

- **In April, the International Monetary Fund (IMF) revised its outlook for 2020 and projected a 3% decline in global GDP in 2020 from a previous projection of 3.4%.**
- **To slow the spread of COVID-19, countries have implemented social distancing, isolation, lockdowns and widespread closures, which will have severe economic implications.**
- **Advanced economies, led by the United States (US) and the Euro Area, are expected to lead the decline in economic growth.**
- **The effect is already manifesting as major economies are already recording significant contractions in 2020Q1. For instance, the US economy contracted by -4.8% in 2020Q1 against 2.1% in the previous quarter.**
- **The economies of the European Union (EU) and the UK contracted by -2.6% and -2.0% in the first quarter of 2020. Chinese economy recorded a 6.8% decline in 2020Q1 slipping from 6.0% in the previous quarter.**

Global GDP to improve in 2021 - IMF

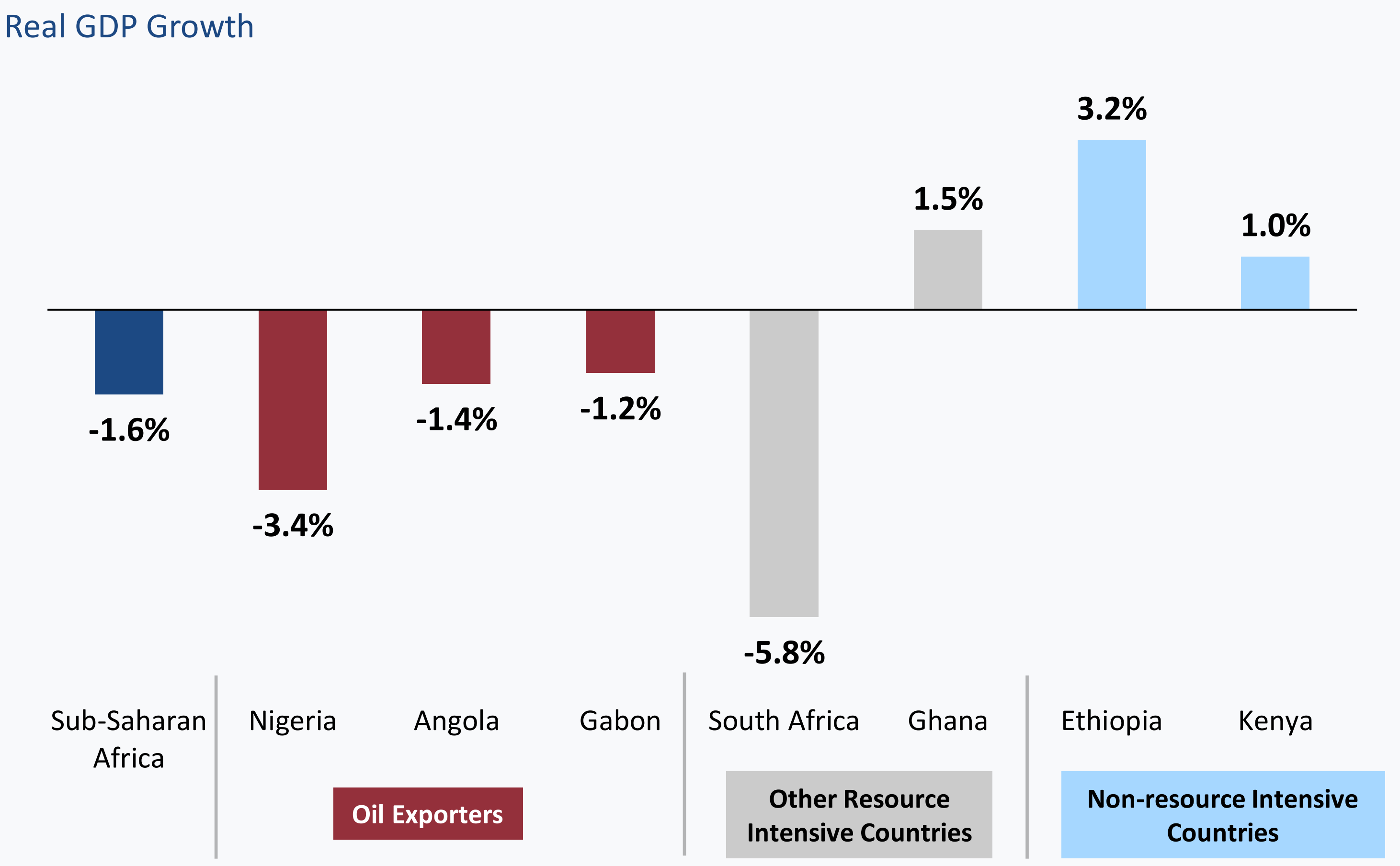
Projected GDP Growth for 2021



Data Source: IMF

- **According to the IMF, economic outcomes across countries will largely depend on the following:**
  - **pathway of the pandemic**
  - **the intensity and efficacy of containment efforts**
  - **the extent of supply disruptions**
  - **the repercussions of the dramatic**
  - **tightening in global financial market conditions**
  - **shifts in spending patterns**
  - **behavioral changes (such as people avoiding shopping malls and public transportation)**
  - **confidence effects, and**
  - **volatile commodity prices.**
- **The global economy is expected to recover in 2021 with a growth of 5.8%.**

Impact of COVID-19 on GDP of Select African Countries

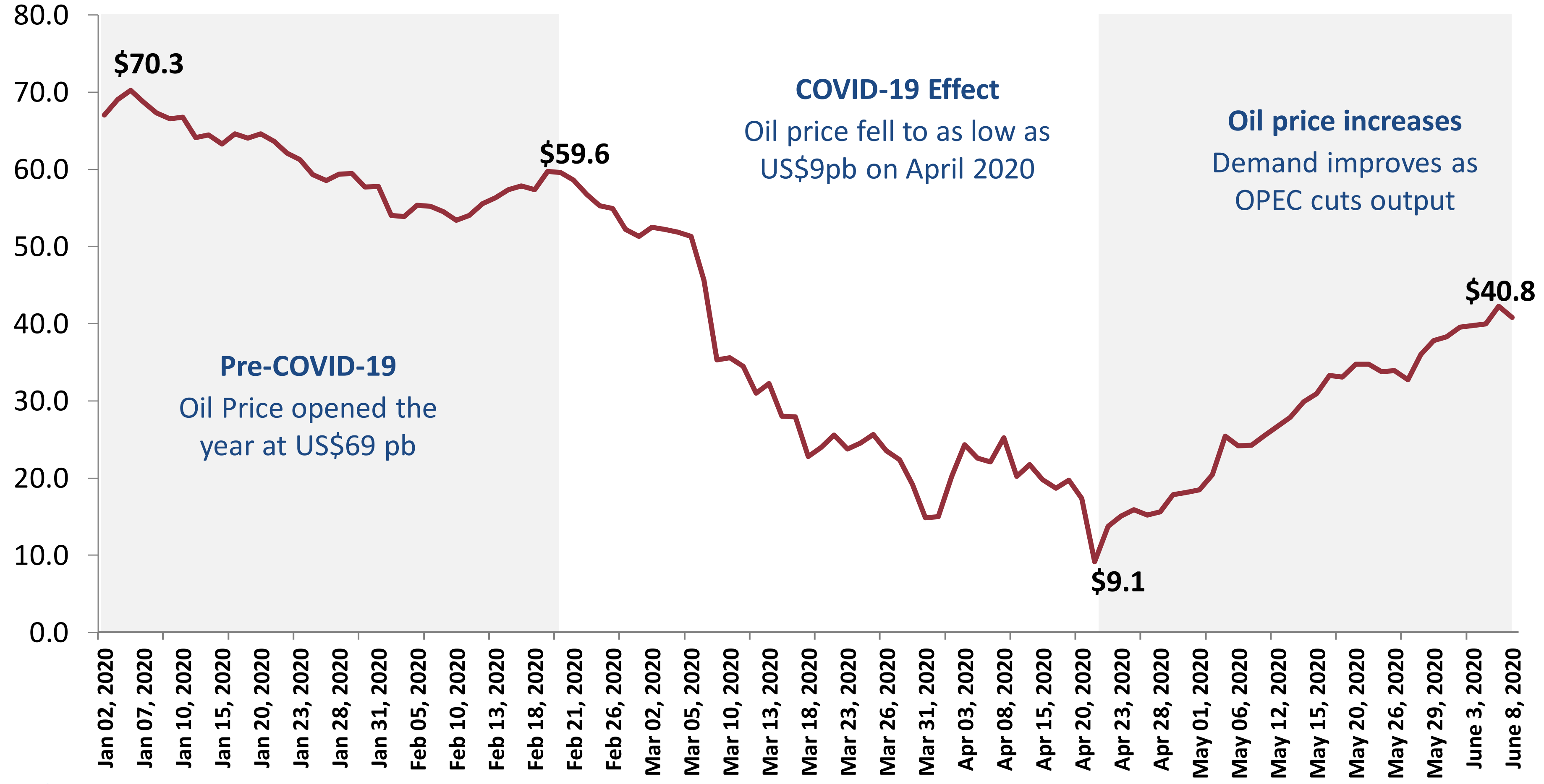


- Growth in Sub-Saharan Africa (SSA) for 2020 was revised downwards from 3.7% to -1.6% due to the effect of COVID-19 on the region.
- In the SSA region, oil and other resource intensive countries will be significantly affected given their reliance of commodities for export earnings and revenue.
- Oil exporters are expected to experience a collective GDP decline of 2.9% in 2020.
- Nigeria, which is the largest oil producer, is expected to experience a -3.4% economic contraction, according to the IMF.
- Non-resource intensive countries showed better resilience led by Ethiopia and Uganda. The economies of both countries will expand by 3.2% and 3.5% respectively.
- SSA is expected to recover in 2021 with a growth of 4.1%.

Data Source: IMF

Oil Price improves as demand picked up in late April

Europe Brent Spot Price FOB (US Dollars per Barrel)



Data Source: U.S. Energy Information Administration

- **One major impact of COVID-19 is the significant decline in crude oil price.**
- **Fall in oil price was triggered by lower demand for crude oil arising from shutdown of industrial facilities and movement restrictions across countries.**
- **In addition, supply glut in March and April led to a sharp fall of Brent Crude to US$9.1 pb in April.**
- **As countries continue to relax lockdowns and restrictions, oil prices have picked up since late April.**
- **Oil production cuts have also sustained price increase. Price rose to US$41 pb on June 8th.**
- **Year to date average stands at US$40.3 per barrel.**

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Production cuts and higher compliance trigger oil price increase in May

OPEC Production Cuts from May 2020 and Compliance Rate

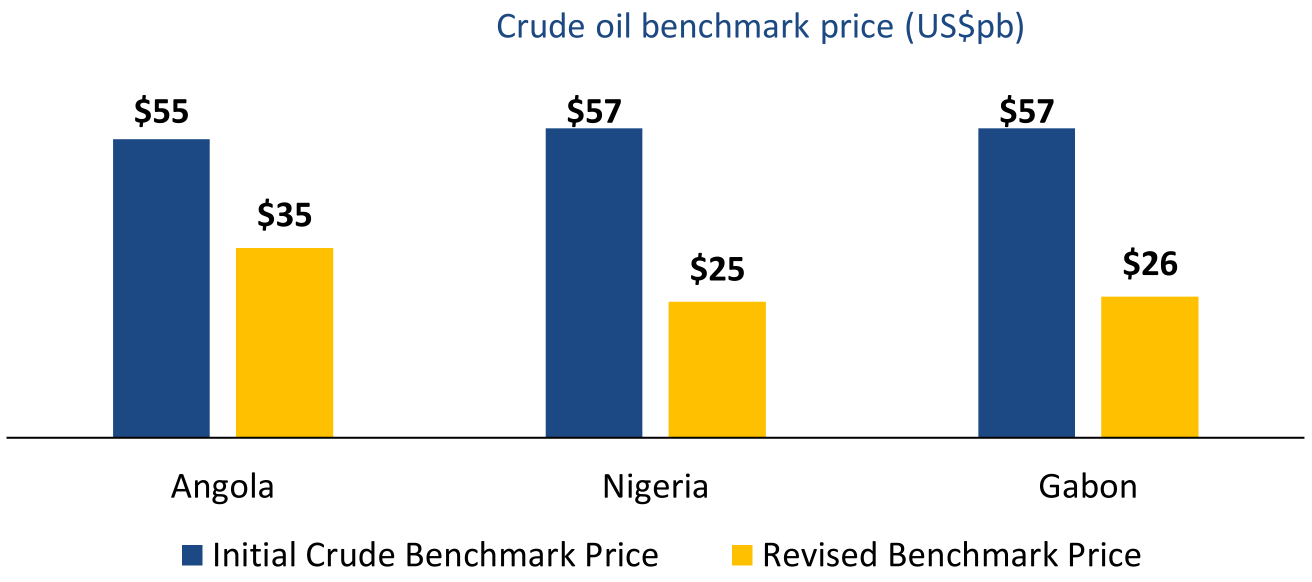
Thousand barrels per day

	Base	Target	Actual Cut (Diff btw base & Target)	May Production	Compliance rate in May (Target as a % of Production)
OPEC-10	26,683	20,599	6,084	21,493	96%
Saudi Arabia	11,000	8,492	2,508	8,490	100%
Iraq	4,653	3,592	1,061	4,128	87%
UAE	3,168	2,446	722	2,443	100%
Kuwait	2,809	2,168	641	2,177	100%
Nigeria	1,829	1,412	417	1,482	95%
Angola	1,528	1,180	348	1,340	88%
Algeria	1,057	816	241	812	100%
Congo (Br.)	325	251	74	310	81%
Gabon	187	144	43	226	64%
Eq. Guinea	127	98	29	85	115%

Data Source: Organization of Petroleum Exporting Countries (OPEC), Energy Intelligence

- **OPEC agreed a 23% production cut to address the supply glut and rebalance the oil market.**
- **A significant number of the large oil producers had a high compliance rate – Saudi, UAE and Kuwait recorded a 100% compliance rate.**
- **Nigeria is expected to cut 417,000 barrels per day with target production at 1.41 million barrels per day (mbpd).**
- **However, production in May was estimated at 1.48mbpd suggesting a compliance rate of 95%.**
- **Other SSA countries (except Eq. Guinea) recorded lower compliance.**
- **On average, compliance rate was 96% in May suggesting a brighter outlook for crude oil price than previously anticipated.**

Oil Exporting African Countries experienced significant revenue loss



The **external break-even** i.e. the oil price each country needs to pay for imports and balance external accounts is expressed in the table below:

Nigeria	Angola	Gabon
US$68.1 pb	US$64.7 pb	US$66.8 pb

- **With relatively lower oil prices as a result of COVID-19, oil exporting countries are expected to suffer revenue loss and exchange rate pressures in 2020.**
- **In addition, OPEC cuts which were implemented to rebalance the market could make the situation challenging for oil exporters.**
- **According to data from OPEC, Angola's output declined by 4.4% to 1.34 million barrels per day (mbpd) in May, from 1.4mbpd in March.**
- **In Nigeria, output declined by 3.7% to 1.78mbpd in April from 1.844 in March. Gabon experienced a 4.46% production decline during the period.**
- **In May, Nigeria implemented close to a 350,000 b/d production cut following the OPEC agreement to reduce output. This will have huge implications on government revenues, fiscal deficits and current account balance.**
- **National budgets and their benchmarks are being reviewed in Nigeria, Angola and Gabon.**

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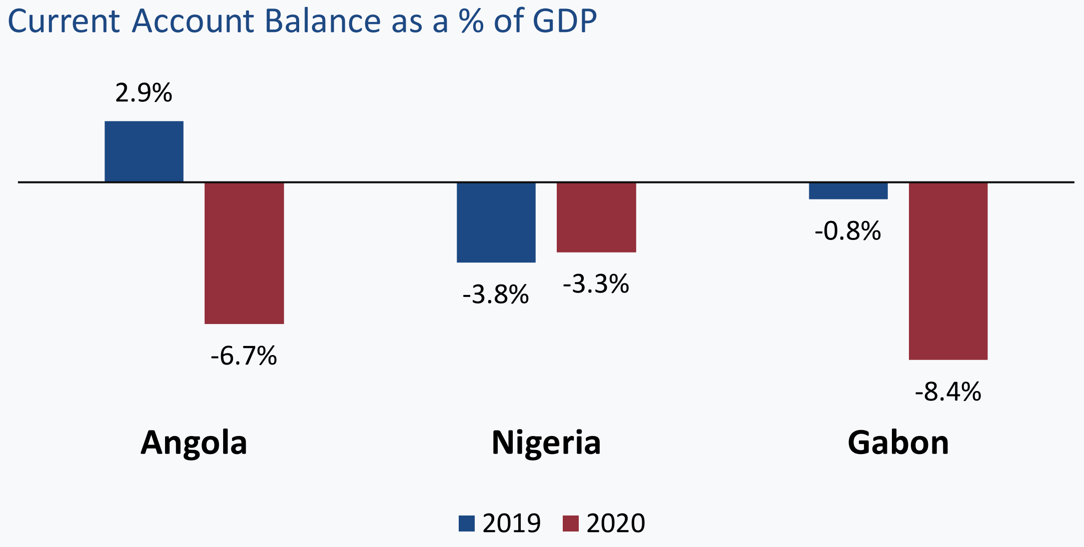
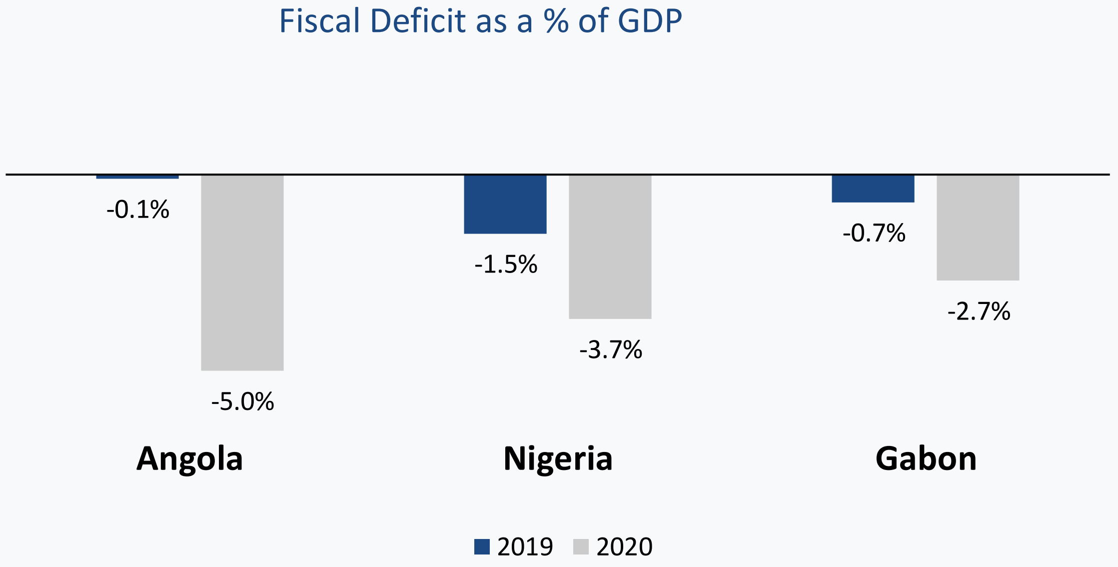
Data Source: Countries' Ministry of Finance, Energy Intelligence

Oil Exporting African Countries to experience higher Fiscal Deficit





- **With lower revenue, fiscal deficits are expected to increase across oil exporting countries.**
- **In Nigeria, deficit as a percentage of GDP is projected to exceed the stipulated 3% in the Fiscal Responsibility Act.**
- **Current accounts will also face pressures in 2020.**

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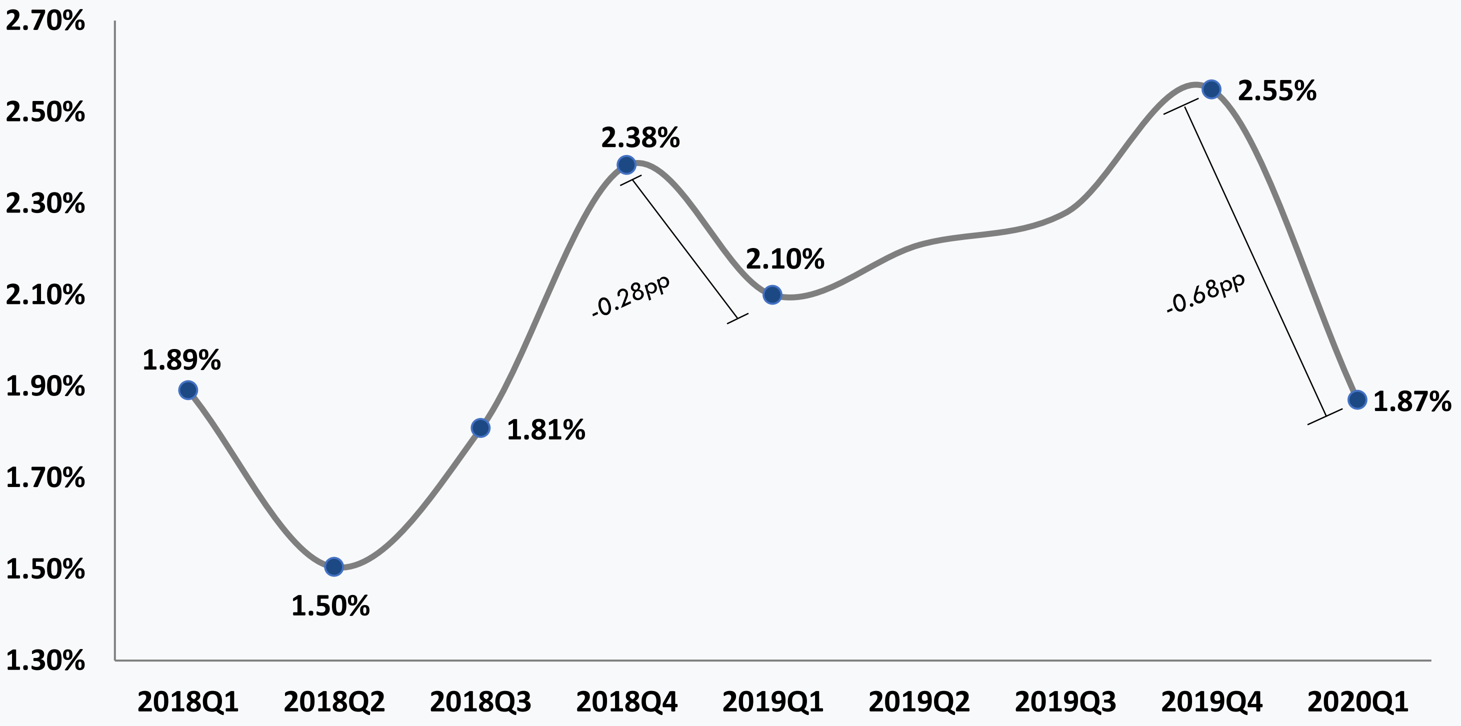
Data Source: IMF, Various Countries' Ministry of Finance

SECTION 02

Review of Nigeria's Macroeconomic Environment in the light of COVID-19

GDP Growth in Q1 2020 slows at 1.87%, partly due to COVID-19

Nigeria's GDP Growth Rate



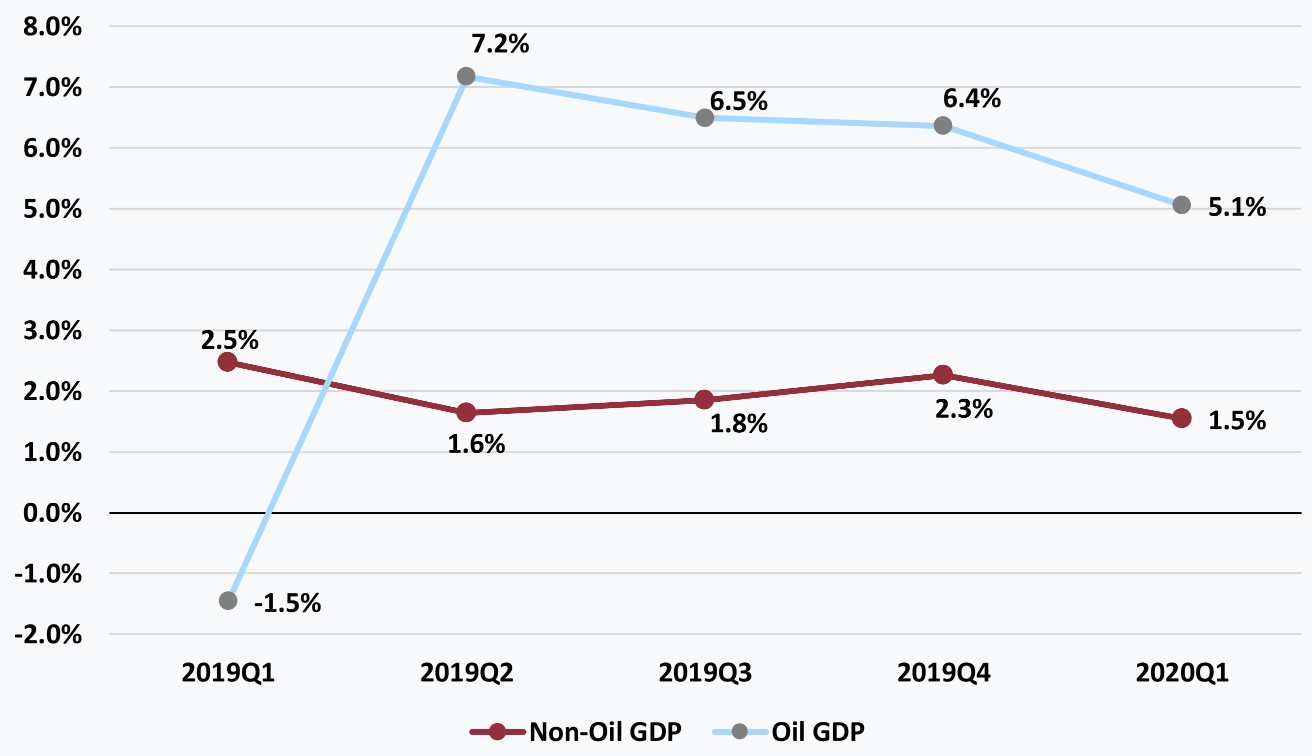
The gap between GDP growth in Q4 and Q1 expanded in 2020 to -0.68 percentage points (pp) from -0.28 in 2019.

Data Source: National Bureau of Statistics

- **Nigeria recorded a GDP growth of 1.87% in the first quarter of 2020. This represents the lowest growth rate since the third quarter of 2018.**
- **The slow rate of economic expansion was as a result of restriction of economic activities and social distancing policies which were implemented to control the spread of COVID-19 in Nigeria.**
- **Slowdown of growth rate reflected the shutdown of airports, cancellation of events and conferences and the sharp decline in crude oil price.**
- **In our Macroeconomic report released in earlier in 2020, we had predicted a GDP growth of less than 2% in the first quarter of 2020.**
- **For Q2, the Nigerian economy will contract significantly following shut down of non-essential economic activities in several States in April.**

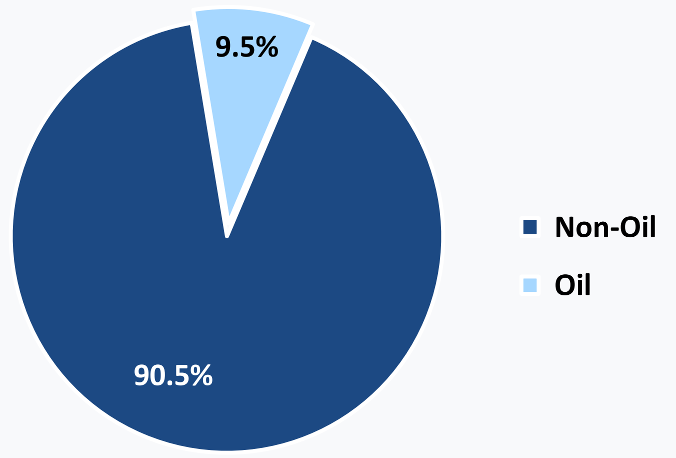
Oil & Non-Oil GDP expanded further but at a slow pace in 2020Q1

Growth of Oil & Non-Oil GDP



Data Source: National Bureau of Statistics

Share of Oil & Non-Oil GDP in 2020Q1



- In the first quarter of 2020, the oil sector expanded by 5.1%, a significant improvement relative to the first quarter of 2019.
- However, when compared with the previous quarter (6.4%), the sector expanded at a slow pace.
- Growth in the sector was triggered by increase in crude oil production which averaged 2.07 million barrels per day in the quarter.
- Non-Oil sector's growth slowed to 1.5% in the quarter on the backdrop of COVID-19.

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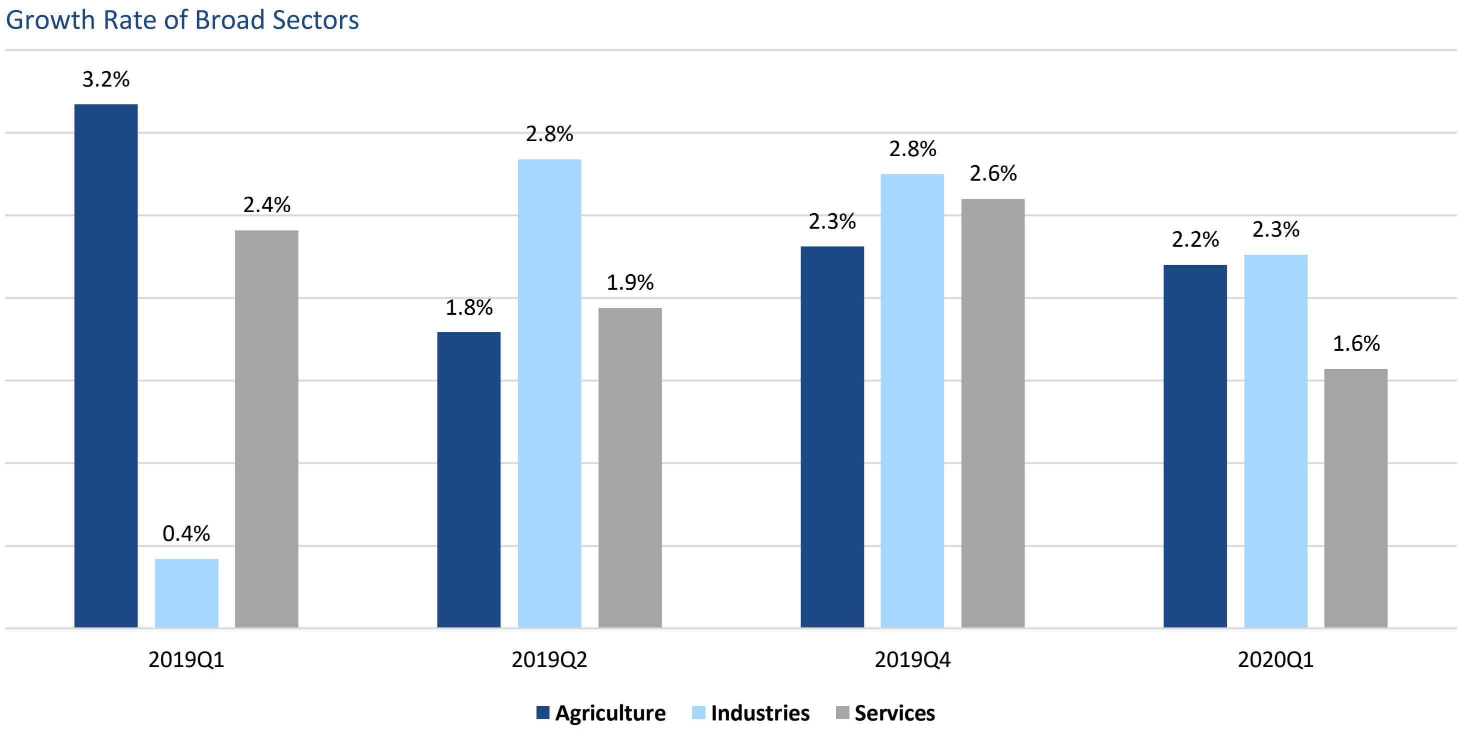
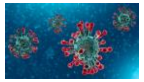
Performance of three broad sectors

The Industrial Sector continues to drive growth in 2020Q1



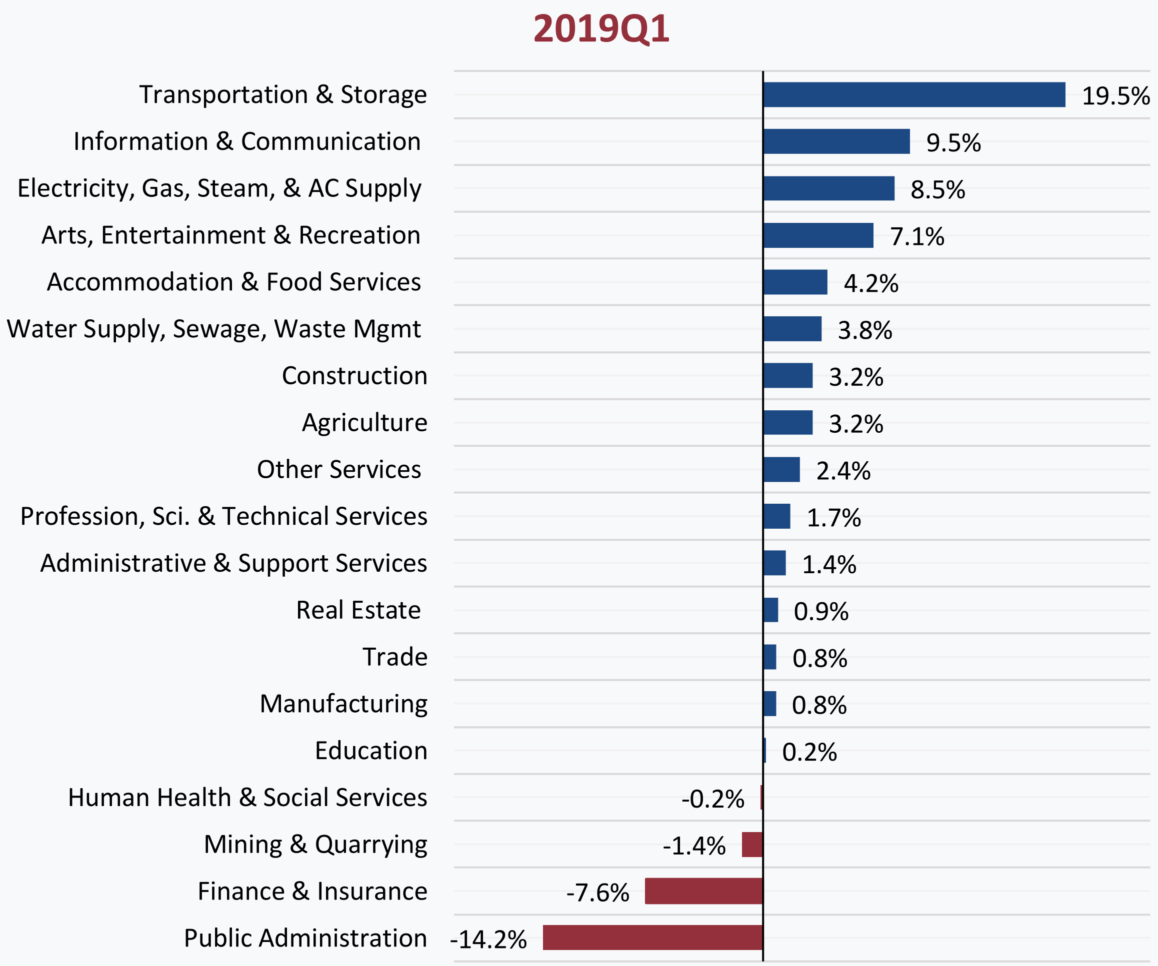


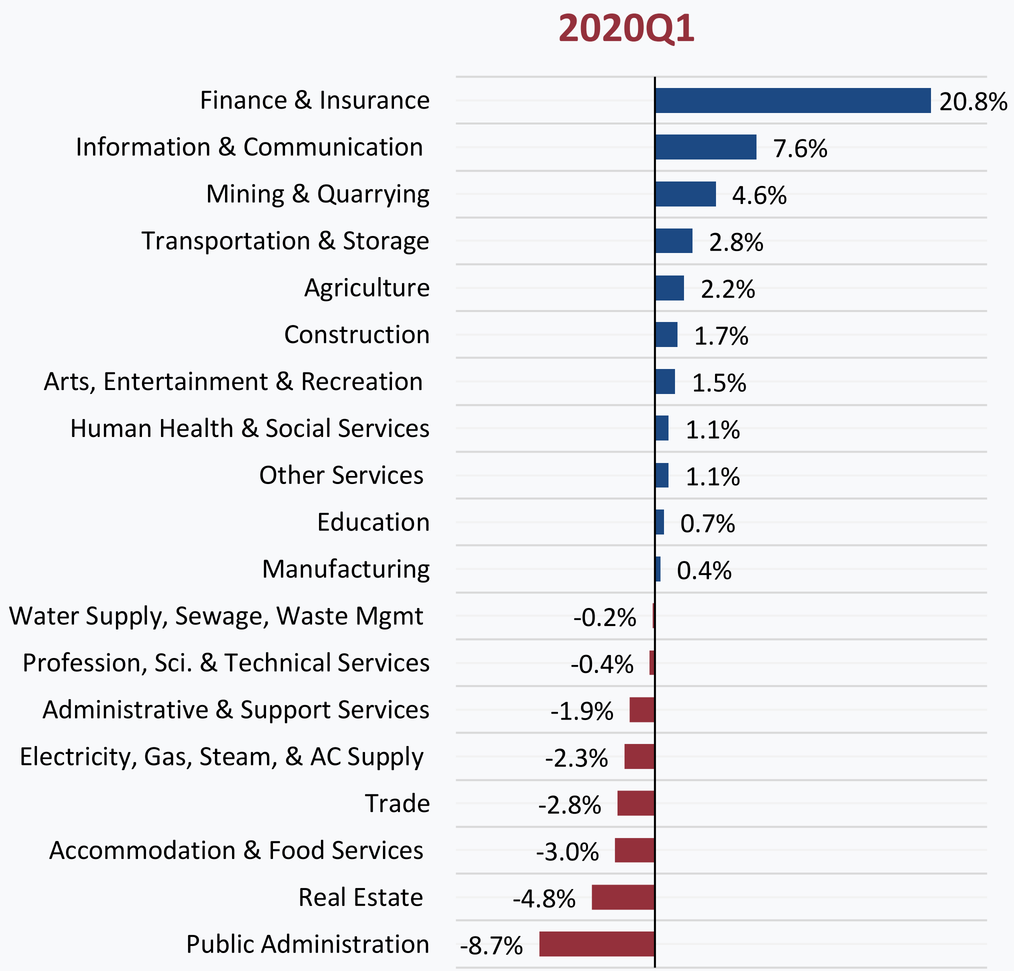
Government's response to COVID-19 such as restriction of gatherings, social distancing policies had an impact on sectoral activities in the quarter.

Data Source: National Bureau of Statistics

- Among the three broad sectors, the Industrial sector, led by crude oil, recorded the highest growth rate of 2.3%.
- Major industrial sub-sectors such as construction, manufacturing recorded slower growth rate due to gathering restriction, social distancing policies and revenue constraints faced by the Nigerian government.
- Growth of Agriculture slowed to 2.2% in the quarter from 3.2% in 2019Q1 and 2.2% in the previous quarter due to seasonal factors and relatively lower demand/investments.
- Services sector recorded the lowest growth in the quarter at 1.6% as a result of government's response to contain COVID-19. The decline in growth was driven by poor performance of major subsectors such as Trade, Real Estate, Entertainment and Accommodation & Food Services.

Sectoral Growth: 8 out of 19 sectors contracted in 2020Q1



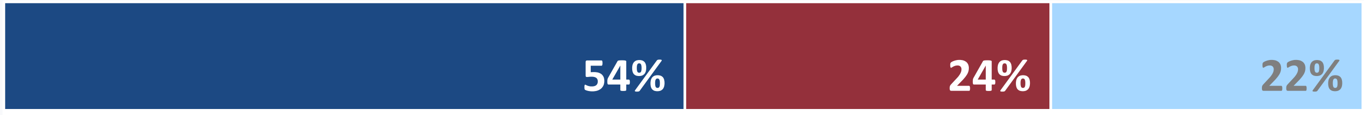


In the first quarter of 2020, 8 out of the 19 major sectors contracted largely due to gathering restrictions and social distancing policies as a result of COVID-19. Transportation fell off the top five fastest growing sectors while Finance and Insurance emerged as the sector with the highest growth. From the bottom, Real Estate and Public Administration continued to underperform.

Data Source: National Bureau of Statistics

Share of Services in GDP increased as Agriculture's share reduced

Share of GDP in 2020Q1



Services

The share of Services in 2020Q1 GDP stood at 54%- same percentage recorded in both the previous quarter and in 2019Q1. Trade and Telecoms were the largest contributors to Services GDP with shares of 30% and 20% respectively.

Industries

The Industrial sector contributed 24% to GDP in 2020Q1. Manufacturing and Crude Oil sectors contributed 41% and 40% to Industrial output in the quarter.

Agriculture

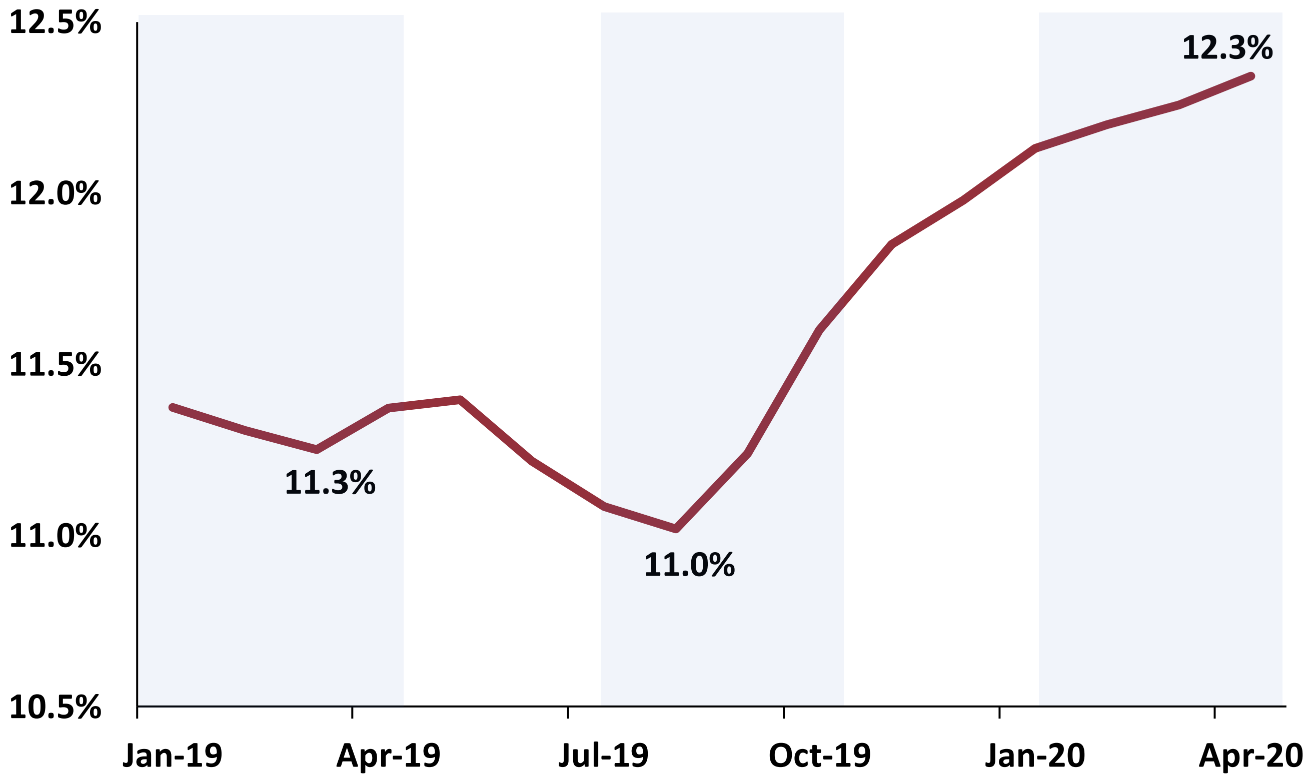
Agriculture recorded the lowest share of 22% in the quarter. This is largely as a result of seasonal factors. Typically in every first quarter, Agriculture records its lowest share in GDP and its highest in the third quarter of every year. Crop production accounted for 88% of Agricultural output in 2020Q1.

2020Q1 GDP data shows very high concentration of economic activities in few sectors – 5 sectors (Agriculture, Crude Oil, Manufacturing, Trade and Telecommunications) accounted for 72% of GDP.

Data Source: National Bureau of Statistics

Inflation rate climbs to 12.34% in April 2020

Nigeria's Inflation Rate



Data Source: National Bureau of Statistics

- The spread of COVID-19 continues to constrain economic activities, driving up average general prices in the country.
- Headline inflation rate for the month of April 2020 stood at 12.34% year-on-year, the highest in 24 months since April 2018. This represents a marginal increase from 12.26% recorded in March 2020.
- On a month-on-month basis, average prices increased by 1.02% in April from 0.84% recorded in March 2020.
- Some major factors responsible for the increase in average price level include:
    - Constrained economic activities as a result of lockdown policies across major states
    - Higher consumer demand vis-à-vis limited supply of essential items
    - High cost of transporting essential items due to roadblocks and stoppages occasioned by the lockdown.
- Inflation is expected to rise further in the year given the imminent exchange rate pressures and high cost of transport.

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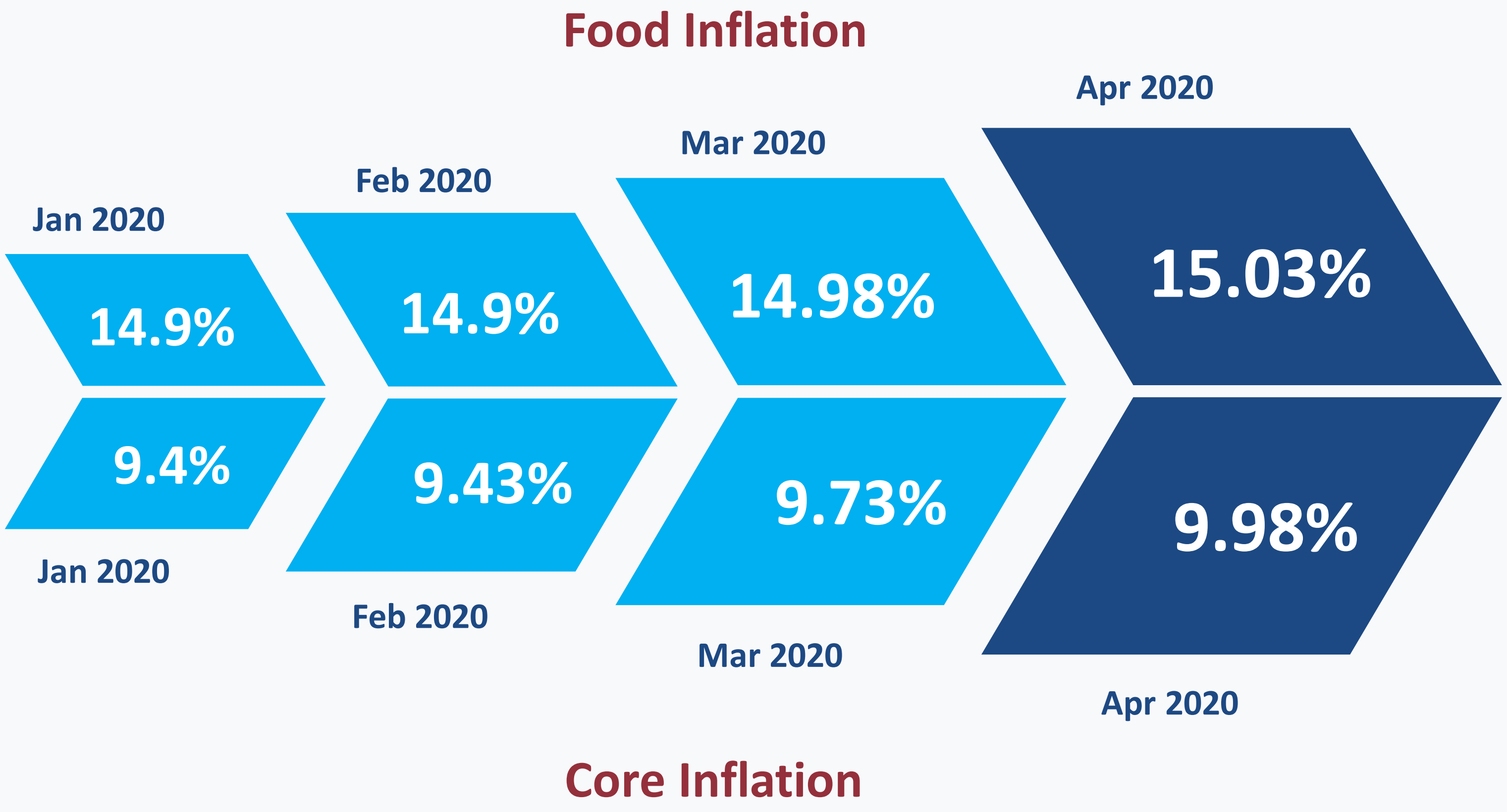
Food prices were largely responsible for the rise in inflation rate



- Food inflation continues to be the major driver of the headline inflation in Nigeria.
- Year on year, food inflation rate expanded to 15.03% in April from 14.98% recorded in March 2020.
- Rising food inflation in April was motivated by increasing prices of food classes such as Potatoes, Yam and other tubers, Bread and cereals, Fish, Oils and fats, Meat, Fruits and Vegetables.
- Core Inflation rate increased to 9.98% in April from 9.73% in March 2020 (year-on-year).
- This represents a 0.25 percentage point increase, much higher than the 0.05 percentage point increase recorded for food inflation.
- Increase in core inflation rate was triggered by price of the transport services, medical services, pharmaceutical products and household appliances.

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Data Source: National Bureau of Statistics

Five areas with the highest increase in inflation rate (year on year)

Food & Non Alcoholic Bev.

Inflation Rate: 14.9%

Inflation rate for Food & Non Alcoholic Bev. was 14.9% in April 2020. This is a 1.3 percentage point increase from 13.6% in April 2019. This was triggered by border closure, higher demand, etc.

Miscellaneous Goods & Services

Inflation Rate: 9.8%

Inflation rate for Miscellaneous Goods & Services has risen from 8.8% in April 2019 to 9.8% in April 2020.

Communication

Inflation Rate: 8.3%

Communication inflation is the third highest, recording an increase of 0.74 percentage point to 8.3% in April 2020. VAT increase and higher consumer demand are largely responsible.

Health

Inflation Rate: 10.3%

As a result of the COVID-19 pandemic and high demand for health care, Health inflation experienced a sharp increase to 10.3% in April 2020.

Imported Food

Inflation Rate: 16.2%

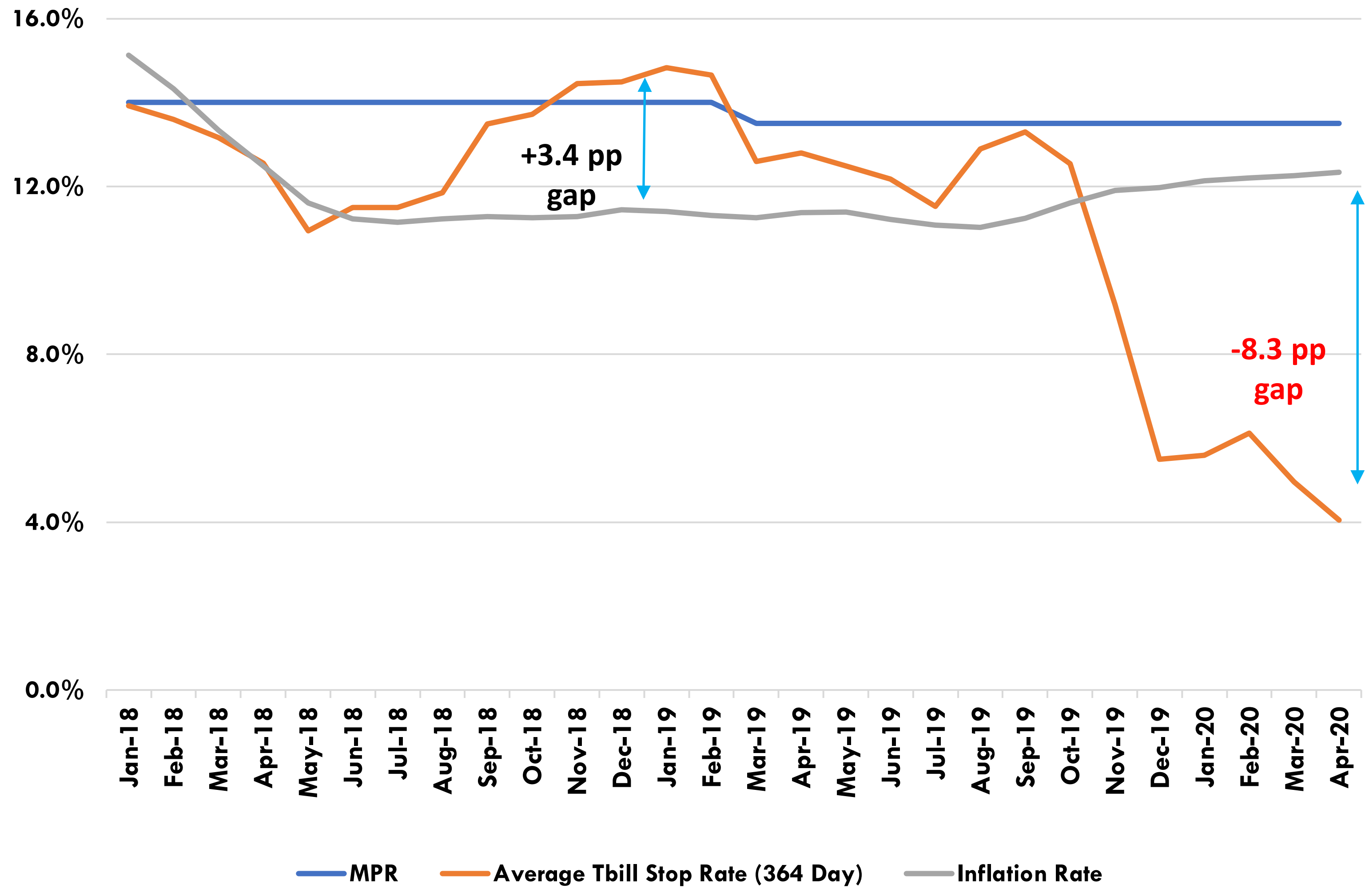
Imported food inflation is largely driven by Forex scarcity, global supply chain disruption and exchange rate depreciation.

Key drivers of Inflation in the last one year include closure of land borders, infrastructure deficit, exchange rate depreciation, lockdowns & movement restrictions and VAT increase.

Data Source: National Bureau of Statistics

Real interest rate gap expands from -6.5pp in Jan 2020 to -8.3pp in April

Real Interest Rate: 364-Day Treasury Bill Average Rate vs Inflation Rate



- **Real interest rate gap expanded to -8.3 percentage points (pp) in April 2020 (January 2020: -6.5pp).**
- **CBN OMO policies resulted in excess system liquidity which has led to declining rates on government securities since September 2019.**
- **With a larger Federal government deficit in the 2020 revised budget, which will be largely financed by borrowing, we expect real interest rate gap to narrow in the year.**

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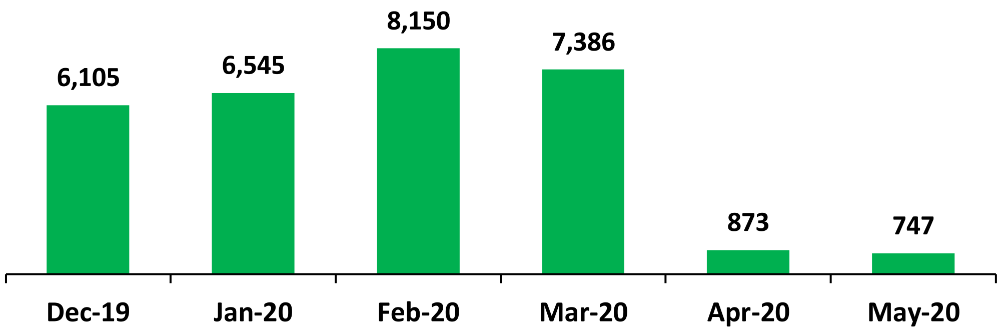
*pp - percentage points

Data Source: National Bureau of Statistics & Central Bank of Nigeria

Forex inflows into the I&E Window declined significantly in April 2020

I&E Window Turnover (US$'million)



Forex Inflow in the I & E Window (US$'million)

Sources	Jan-20	Feb-20	Mar-20	Apr-20	30 Days
FDI	50.0	150.0	37.5	25.4	28.1
FPI	2040.0	1370.0	239.3	66.9	57.7
Other Corporate	110.0	130.0	58.1	62.8	23.6
CBN	390.0	2480.0	2889.7		
Exporter	80.0	70.0	41.5	22.1	44
Individuals	10.0	10.0	3.1	1.0	11.2
Non-bank corporate	520.0	800.0	439.6	281.0	216.5
Total	3190.0	5020.0	3708.8	459.2	381.2

Data Source: FMDQ

- Following the outbreak of COVID-19, Forex inflows into the I&E Window reduced on the back of lower Foreign Portfolio inflows.
- FPI declined to US$57.7 million in May from US$2.04 billion in January 2020.
- Thus, CBN intervention increased from US$390 million in January 2020 to US$2.48 billion and US$2.89 billion in February and March respectively.
- The attendant effect of COVID-19 on oil price constrained the CBN's capacity to intervene further as dollar inflow dwindled in April.
- Following the lockdown and restriction of economic activities in April and May, total inflows to the I&E Window dropped from US$3.19 billion in January to US$459.2 million in April and US$381.2 million in May 2020.

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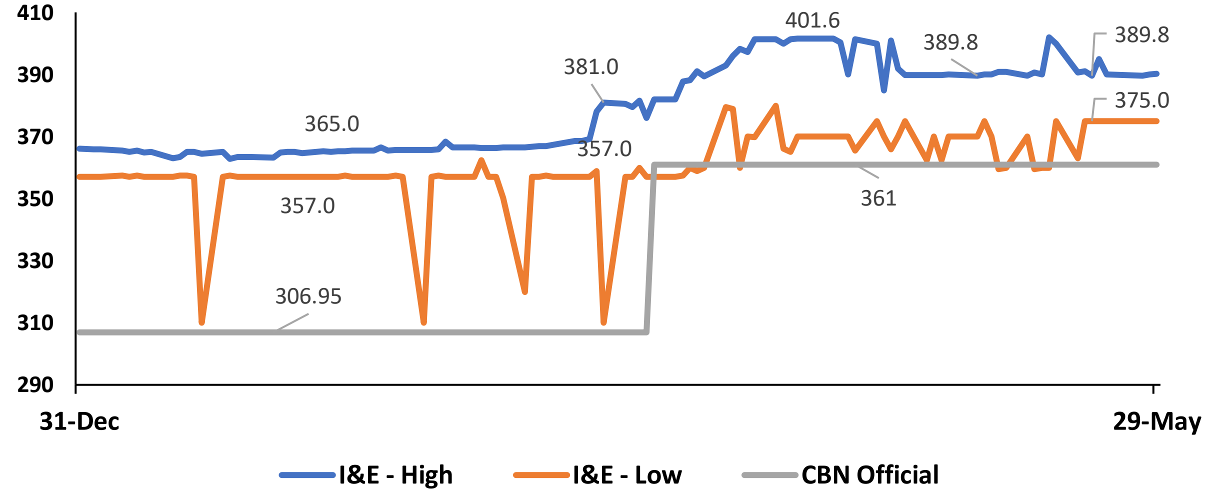
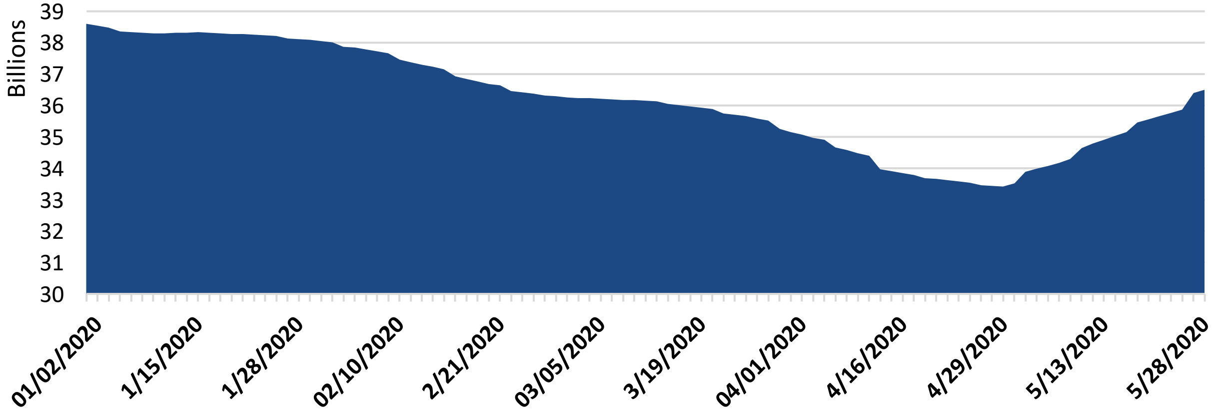
Foreign Reserves improved in May, following rising oil prices

Exchange rate Movement (N/US$)



External Reserves (US$ Billion)



- **From mid-March the exchange rate faced significant pressure in the I&E window.**
- **This pressure stemmed from declining external reserves and falling crude oil prices.**
- **The Naira fell from 367/US$ in early March to 401.6 in mid-April.**
- **As oil prices increased in May following OPEC cuts and higher crude oil demand, external reserve situation also improved.**
- **In addition, the Nigerian government's ability to secure US$3.4 billion loan from the IMF also contributed to the improvement in the reserves position.**
- **Reserves stood at US$36.6 billion on June 1, 2020.**

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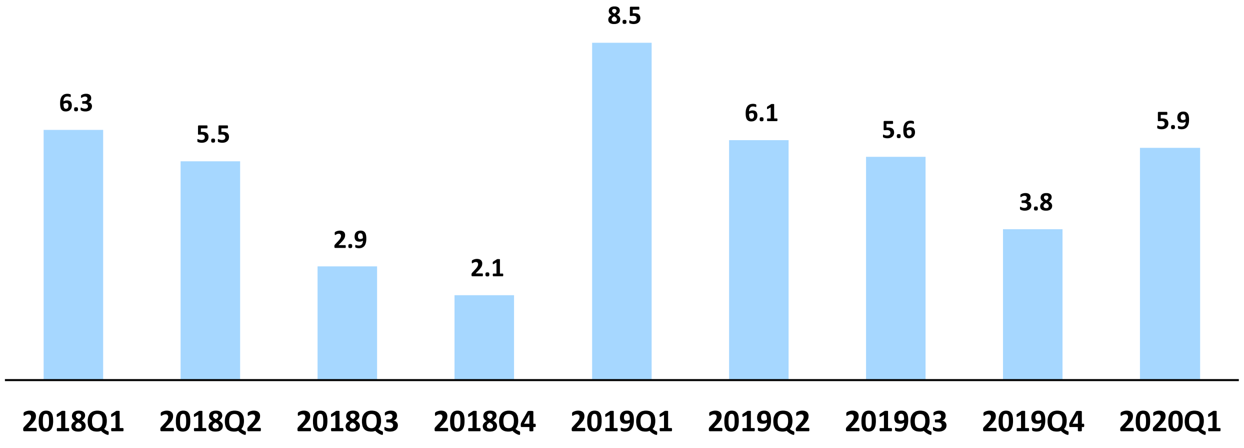
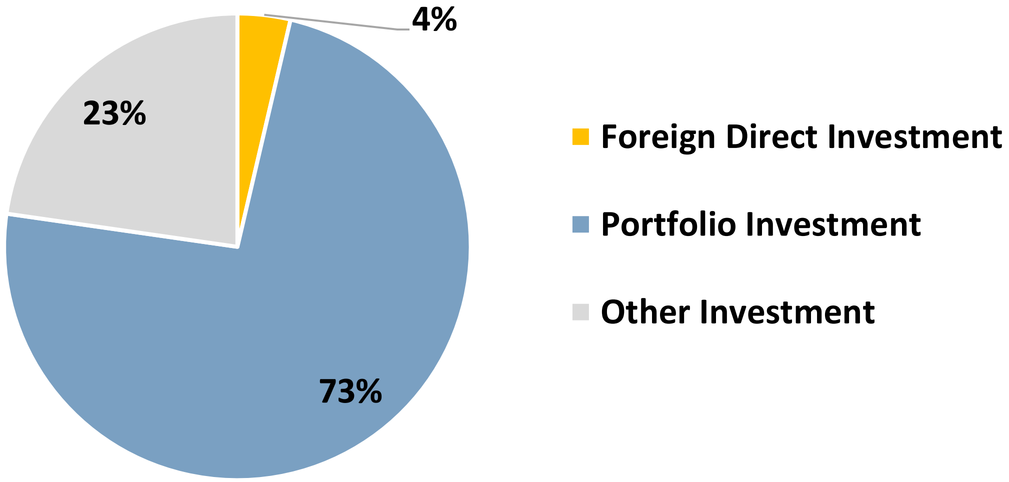
Data Source: CBN, FMDQ

Foreign Investment inflows slowed in 2020Q1 to US$5.85 billion

Foreign Investment Inflows (US$ Billion)



Breakdown of Foreign Investment Inflows in 2020Q1

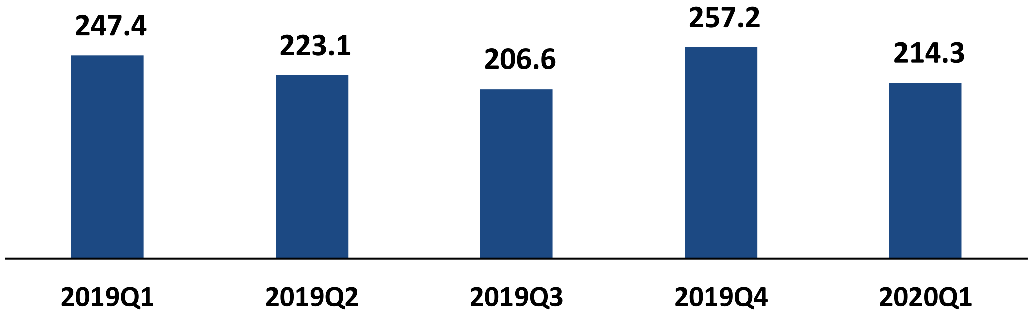


Data Source: National Bureau of Statistics

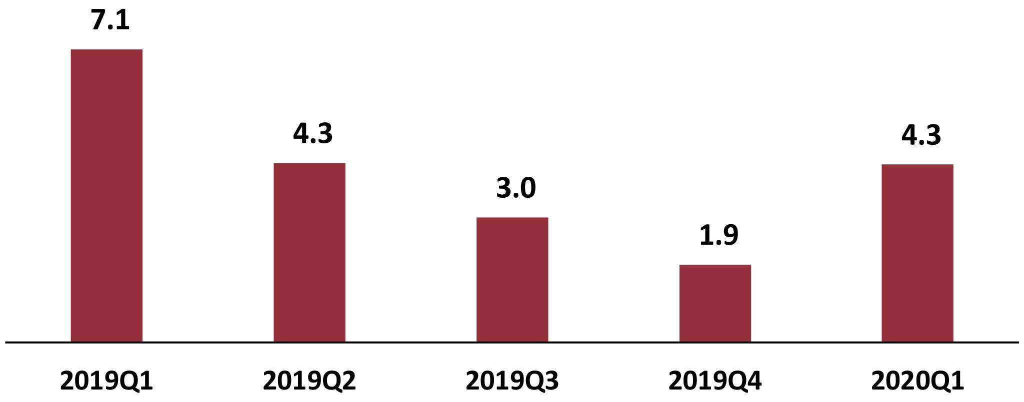
- In the first quarter of 2020, foreign capital inflows into Nigeria amounted to US$5.85 billion. This is an increase of 54% from US$3.8 billion in 2019Q4 but a 31.2% decrease from US$8.5 billion recorded in 2019Q1.
- Foreign portfolio investment continued to dominate capital inflows with a share of 73.6%.
- This is a 9.9 percentage points decrease from 83.5% in 2019Q1.
- The early impact of COVID-19 constituted a major setback for Foreign Direct Investment.
- Still performing abysmally, FDI inflows in 2020Q1 fell to US$214 million, a 13.4% decrease relative to the US$247 million recorded in 2019Q1.
- In terms of share of total inflows, FDI accounted for 3.7%.
- On Inflows by destination, Lagos and FCT accounted for 87.7% and 12.1%, respectively in 2020Q1.

Foreign Inflows will decline in 2020, FPI to dominate Inflows

FDI Inflows (US$ million)



FPI Inflows (US$ billion)



- Foreign investors continue to profit from Money Market instruments which accounted for 80% of total FPI inflows in the first quarter of 2020. Equity accounted for 15%, while Bond had a share of 5%.
- Major factors responsible for the decline in foreign investment inflows include
  - uncertainty on the economy especially given the outbreak of COVID-19 which has slowed overall investments.
  - Other factors include inconsistent policies, declining external reserves in Q1, insecurity and harsh operating environment for FDI.
- Foreign investment inflow is expected to decline in 2020 when compared with the US$24 billion inflow recorded in 2019.
- The highest decline in inflows will be recorded in the second quarter following the lockdown and movement restrictions.

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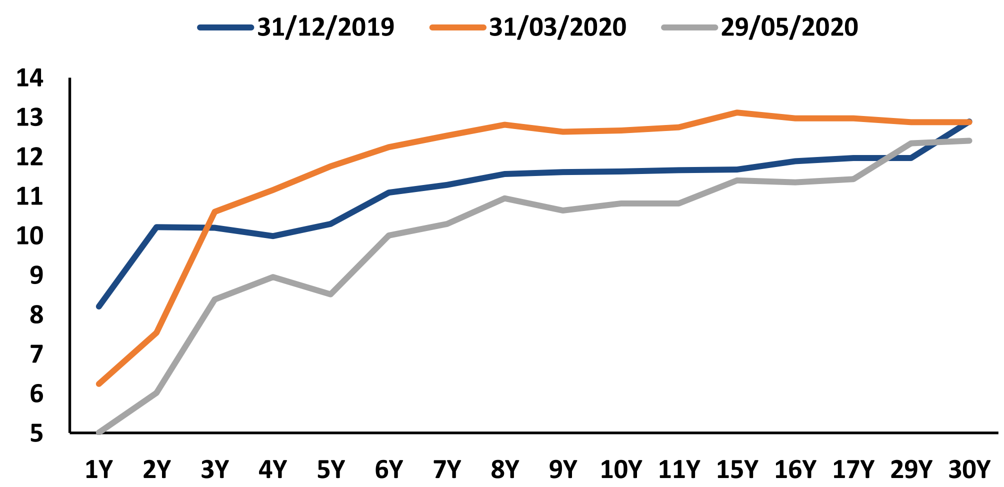
Data Source: National Bureau of Statistics

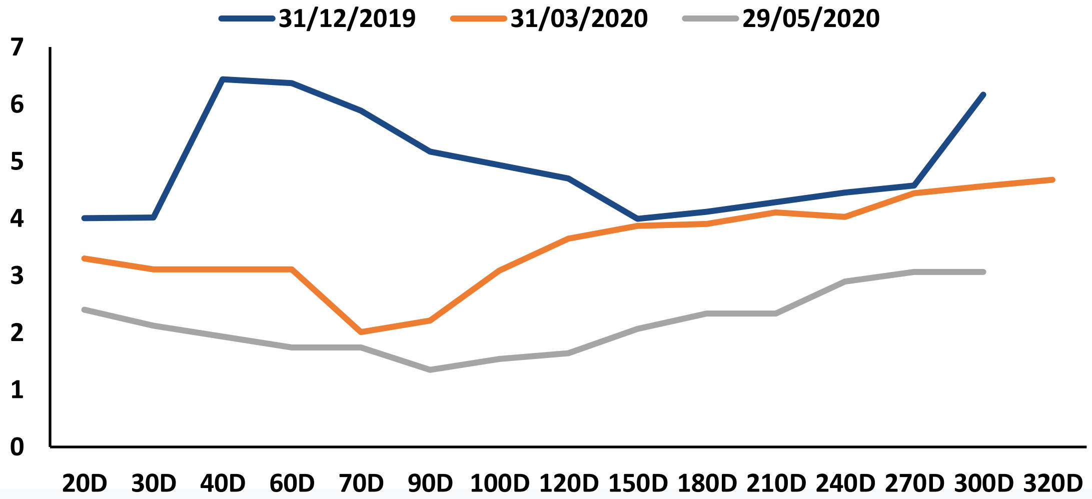
Market Performance

Fixed Income: Lower yields recorded across tenors

FGN Bond Yield Curves



NT Bill Yield Curves



- **There was an uptick in average bond yields to 11.9% at the close of 2020Q1 from 11.5% at the end of 2019.**
- **This was on the back of lowered credit rating on some securities. Year to date (May 29, 2020), the bulls returned to the market as oil price improved, dipping average yield to 10.11%.**
- **Despite low yields in the NT-Bill space, the market remained bullish as average yield has dipped from 4.85% it opened the year to 3.64% at close of 2020Q1. Year to date (May 29, 2020), average yields on the NT-Bill space pointed at 2.12%.**

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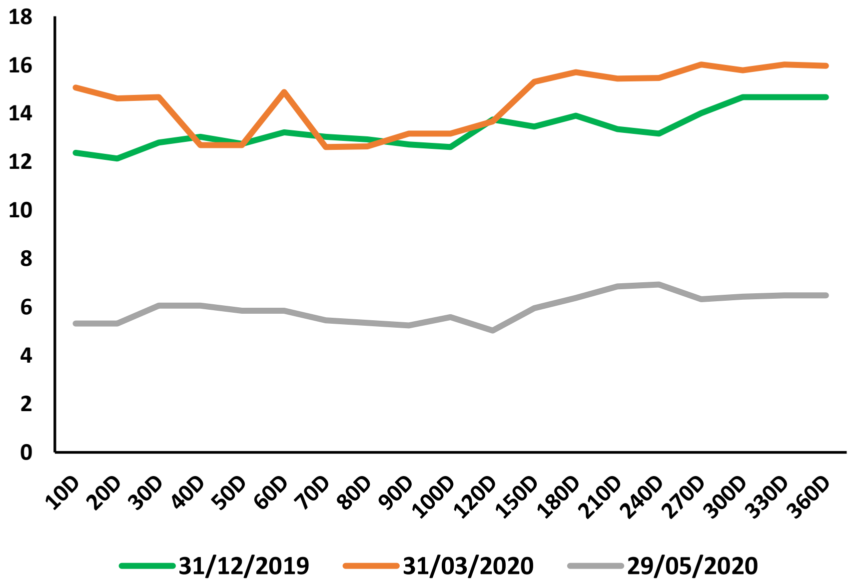
Data Source: FMDQ

Fixed Income: Investors demand higher rates in the OMO space

CBN OMO Yield Curves



FGN Bond Yield

10.11%

11.91% in 31/03/2020
11.14% in 31/12/19

NT-Bill Yield

2.12%

3.68% in 31/03/2020
4.85% in 31/12/19

OMO Yield

6.05%

15.05% in 31/03/2020
13.18% in 31/12/19

- **The CBN in two of its OMO auctions recorded no sales as investors are requesting for rates higher than what the CBN would offered.**
- **The first was undersubscribed as investors' asking rate ranged from as high as 16% to 17% across tenors. The second was oversubscribed with bid ranging from 11.23% to 12.6%.**
- **In the OMO space, average yields increased to 15.05% at the close of Q1'2020 from 13.18% at the opening of the year.**
- **Year to date (May 29, 2020), average yields in the OMO market stood at 6.05%, indicating significant buy pressure across maturities.**
- **The bullish fixed income market is motivated by increasing liquidity; the fact that government cannot default on its obligation; and stability arising from improving oil prices and Forex inflows from concessional loans.**

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Data Source: FMDQ

Fixed Income: No Sale at OMO Auction

Result from 19th March, 2020 No Sale OMO Auction

89 Days Tenor		180 Day Tenor		362 Days Tenor	
Amount Offered	N10.00 Billion	Amount Offered	N10.00 Billion	Amount Offered	N130.00 Billion
Total Subs.	Nil	Total Subs.	N2.00 billion	Total Subs.	N16.00 Billion
Maturity Date	16/06/2020	Maturity Date	15/09/2020	Maturity Date	16/03/2021
Range of Bid	Nil	Range of Bid	16.00 – 16.00	Range of Bid	17.00 – 18.25
Stop Rate	Nil	Stop Rate	Nil	Stop Rate	Nil
Total Sales	No Sale	Total Sales	No Sale	Total Sales	No Sale

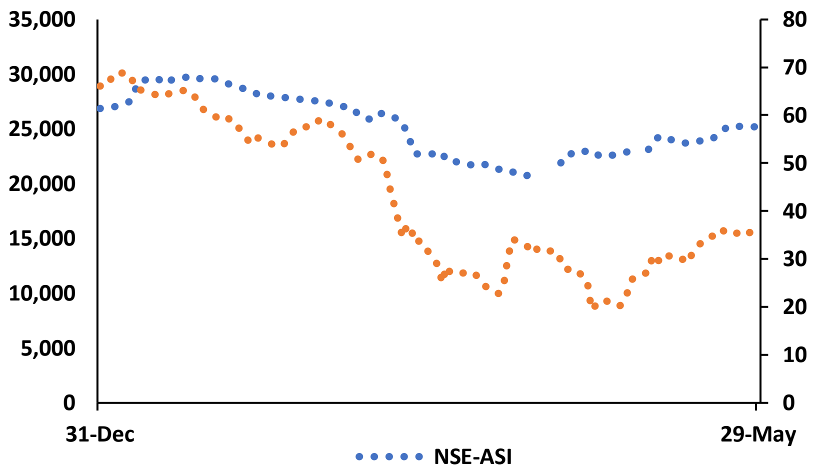
Result from 14th May, 2020 No Sale OMO Auction

89 Days Tenor		194 Day Tenor		348 Days Tenor	
Amount Offered	N10.00 Billion	Amount Offered	NGN10.00 Billion	Amount Offered	N50.00 Billion
Total Subs.	N20.50 Billion	Total Subs.	N17.00 Billion	Total Subs.	N306.67 Billion
Maturity Date	11/08/2020	Maturity Date	24/11/2020	Maturity Date	27/04/2021
Range of Bid	11.23 – 11.49	Range of Bid	11.23 – 11.40	Range of Bid	12.34 – 12.60
Stop Rate	Nil	Stop Rate	Nil	Stop Rate	Nil
Total Sales	No Sale	Total Sales	No Sale	Total Sales	No Sale

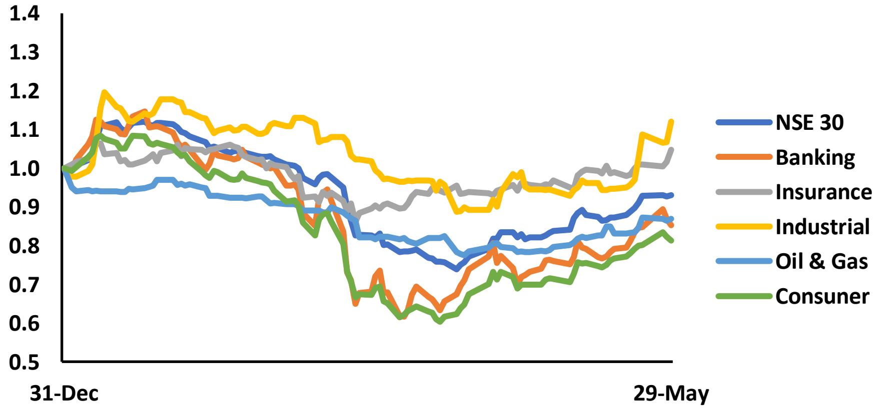
Data Source: FMDQ

Equities Market reversed gains in the wake of the year

NSE ASI vs Brent Price (US$)



Sectoral Performance



Source: Nigerian Stock Exchange

- **The Nigerian Stock Exchange reversed the gains recorded in the wake of the year.**
- **The NSE-ASI fell to a record low of 20,669.38 index points on the 6th of April, representing a -23% Year-to-Date (YtD) change as investors lost about N2.2 trillion.**
- **To close 2020Q1, the NSE-ASI settled at 21,300.47 index points, representing a -20.65% YtD change.**
- **Year to date (May 29, 2020), the market sets on the recovery path as the NSE-ASI reached 25,267.82 index points.**
- **The market recovery was largely motivated by investors' bargain hunting, taking position on dividend paying stocks and finding a way to reap off the liquidity situation.**
- **The NSE30 which mirrors the stocks of large cap and best performing companies listed on the NSE recorded year to date losses of -23.39% and -6.92% as at March 31, 2020 and May 29, 2020 respectively.**
- **As the Main board is recovering but still in the loss territory, so also are the major sectors on the NSE. The Consumer goods index remains the most hit sub-index losing 18.65% YtD, followed by Banking (14.78%) and Oil & Gas sectors (13.04%).**

NSE ASI	YtD Mar-31	YtD May-29
Open	26,842.07	26,842.07
Close	21,300.47	25,267.82
% Change	-20.65	-5.86

MARKET CAP (N'Bn)	YtD Mar-31	YtD May-29
Open	12,958.38	12,958.38
Close	11,100.80	13,168.40
% Change	-14.33	1.62

SECTOR PERFORMANCE	YtD Mar-31	YtD May-29
NSE30	-23.39%	-6.92%
Banking	-33.90%	-14.78%
Insurance	-5.10%	4.76%
Consumer Goods	-37.29%	-18.65%
Industrial	-3.28%	12.00%
Oil and Gas	-18.01%	-13.04%

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Equities Market reversed gains in the wake of the year

TOP GAINERS	YTD (%) MAR-31	YTD (%) MAY-29	PRICE (N) MAY 29	TOP LAGGERS	YTD (%) MAR-31	YTD (%) MAY-29	PRICE (N) MAY 29
NEIMETH	-0.23	82.26	1.13	SKYAVN	-	-56.80	1.81
MAYBAKER	0.11	75.65	3.39	INTBREW	-0.48	-50.00	4.75
NPFMCRFBK	0.00	57.39	1.81	TRANSCORP	-0.38	-33.64	0.71
GLAXOSMITH	-0.20	47.27	8.10	GUINNESS	-0.16	-33.44	20.00
AIICO	0.06	45.83	1.05	ROYALEX	-0.33	-33.33	0.20

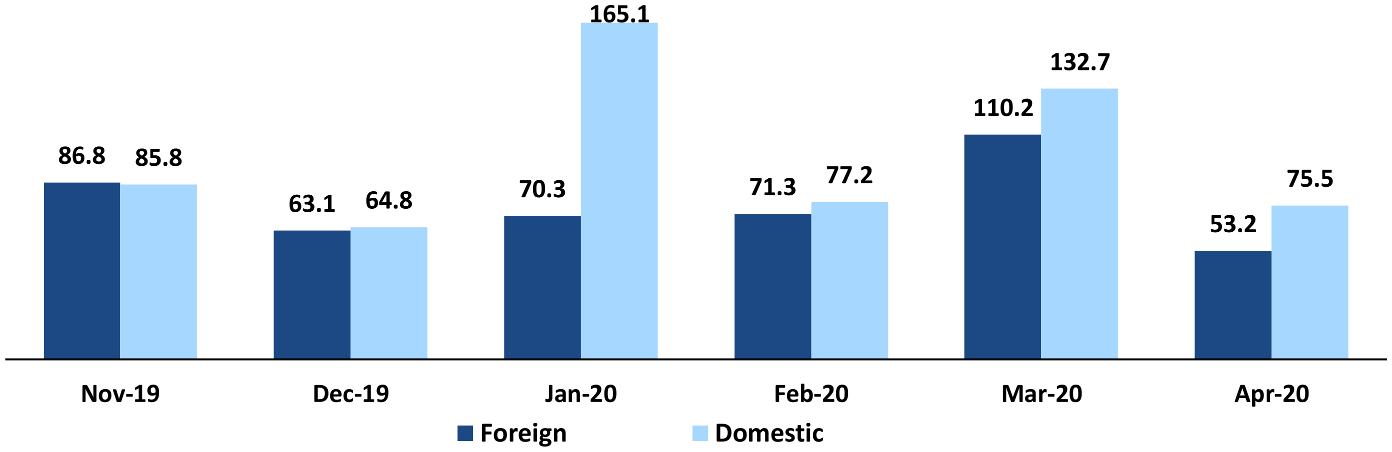
PERFORMANCE OF LARGE CAP STOCKS 2020 YTD

STOCK	MARKET CAP (N'Bn)	OUTSTANDING SHARE (Bn)	MARKET PRICE (N)	YTD (%)	PAT (N'Bn) 2019 (2018)	DIVIDEND (N)	DIVIDEND YIELD (%)
DANGCEM	2,402.71	17.04	139.00	-2.11	200.52 (390.33)	16.00	12.34
MTNN	2,371/30	20.35	116.00	6.42	202.11 (145.69)	4.97	4.83
ARTELAFRI	1,123.31	3.76	298.90	0.00			
NESTLE	788.69	0.79	995.00	-32.31	45.68 (43.01)	45.00	5.29
GUARANTY	738.72	29.43	24.00	-17.81	196.85 (184.71)	2.50	13.44
ZENITHBANK	536.88	31.40	16.90	-9.63	208.84 (193.42)	2.50	21.10
STANBIC	341.41	10.50	32.80	-12.68	75.04 (74.44)	2.00	7.55
NB	351.86	8.00	43.30	-26.61	16.12 (16.10)	1.51	5.03
ACCESS	252.37	35.55	7.10	-29.70	97.51 (94.98)	0.40	6.84
UBA	232.56	34.20	6.65	-7.64	89.09 (78.61)	0.80	16.00

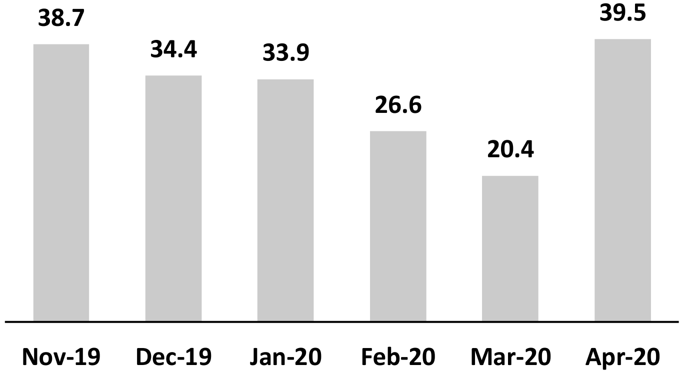
Source: Nigerian Stock Exchange

Equities Market – Capital flight continues to dominate foreign participation

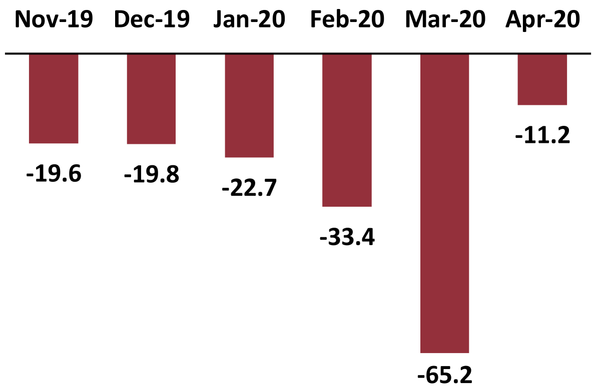
NSE Domestic & Foreign Participation (N'Billion)



Share of foreign inflows in foreign participation (%)



Net foreign Inflows (N'Billion)



- Relative to the last quarter of 2019, there was increase in investors' participation in the market to N626.87 billion in 2020Q1 from N463.72 billion in 2019Q4.
- Domestic investment continued to dominate foreign counterparts. Total domestic transaction for the first three month of the year stood at N374.98 billion compared with N251.87 billion from foreign investment. This amount to a share of 60% and 40% respectively.
- It is however worthy of note that participation from foreign players is more of capital flight than commitment to the stock exchange.
- Share of inflows to total foreign participation (inflow + outflow) declined significantly into the year while the net foreign inflows keeps going deep in the red.
- As the rate of capital flight becomes alarming and inflows dampen, this will impact Nigeria's forex position.
- However, improvement in oil price and external reserve position could slow down capital flights in coming months.

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Data Source: Nigerian Stock Exchange

Which stocks should you bet on?

FMCGs: A bag of mixed fortunes

- The impact of the pandemic on the Nigerian FMCGs has been a mixed bag of fortunes for the sector. On the positive , the lockdown induced significant stockpiling by consumers in the final week of Q1 2020 and at beginning of Q2. We expect that this will support revenue for many listed FMCG names in H2 2020

- On the negative, many of the FMCG players suffered supply chain disruption across international and domestic markets during the lockdown. In addition, we note specific segments of the FMCG sector are more affected than others. Namely for brewers (Nigerian Breweries, Guinness & International Breweries) and on-trade channels (bars, nightclubs & restaurants) that continue to remain shut while social gatherings remain banned. Meanwhile, companies in the beverage and food segment (Nestle, Dufil, WAMCO etc.) will continue to see fairly stable demand, since their products remain at the top of every average Nigerian consumer's budget.

Health & Pharmaceuticals: A bright light in the new normal

- The significant stimulus plan put in place by the CBN to support operations in the health and pharmaceutical industry, as the sector remains at the forefront of fighting the coronavirus pandemic. One such measure is the N100bn credit support fund targeted at the healthcare sector to aid working capital and support research

- The stimulus announcement has spurred interest in Nigerian pharmaceutical stocks listed on the stock exchange .By end of May, the top traded healthcare stocks had rallied significantly with NEIMETH (+104.3%) leading the way while GLAXOSMITHKLINE (+86.9%), MAYBAKER (+57.7%) and FIDSON (+33.9%) trailed.

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COVID-19 : Which stocks should you bet on?

Banking : How resilient ?

- The recently published May PMI data from the Central Bank of Nigeria (CBN) puts Manufacturing & Non-Manufacturing PMI at 42.2 and 25.3 respectively signifying most sectors are currently in deep contraction. It is expected that while economic activities will continue to recover, we see business and consumer confidence remaining subdued through 2020. The performance of the Banking sector may no longer be that resilient.

- Overall, we advise investors who maintain interest in banking stocks to buy banks with i) Strong Non-Interest Income generation ii) Quality history of Trading & FX Income iii) Quality risk management and iv) History of quality dividend payment. Considering the above metrics, we retain interest in our quality names and they include; GTBank, Zenith Bank and Stanbic IBTC.

Telecommunications : Lockdown measures position sector as biggest beneficiary

- Lockdown measures put in place to curb the spread of the Coronavirus puts the telecoms sector as the biggest beneficiary of the pandemic. Most formal businesses have now moved to working from home, which requires increased data consumption on the part of employees. Also, we note that with individuals sitting at home all day, social media activities have received a significant boost while visits to streaming platforms have become a norm in a bid to provide some sort of entertainment.

FSDH Top Picks

Banking Stocks

- GTB
- Zenith
- UBA
- Stanbic IBTC

FMCGs

- Nestle
- Flourmills
- Dangote Sugar
- Okumu Oil

Real Estate

- UACN

Telecoms

- MTN

COVID-19 and its implication on the economy

COVID-19 Impact Channels* in Nigeria

Crude Oil (Price & Output)

- Fall in crude oil price triggered by lower demand will negatively government revenues and Forex Inflows.
- Crude oil output will fall below the initial budgetary target of 2 million barrels per day
- State governments will struggle to meet financial obligations
- Direct implications on construction industry, cement industry, consumer spending, etc.

Supply Chain Disruption

- With several of Nigeria's trade partners severely hit by the global pandemic, industries that rely on foreign inputs will be affected.
- Slow growth in crude and non-oil exports due to lower demand would worsen external trade balance.
- Direct implications on manufacturing, trade, transport and agriculture.

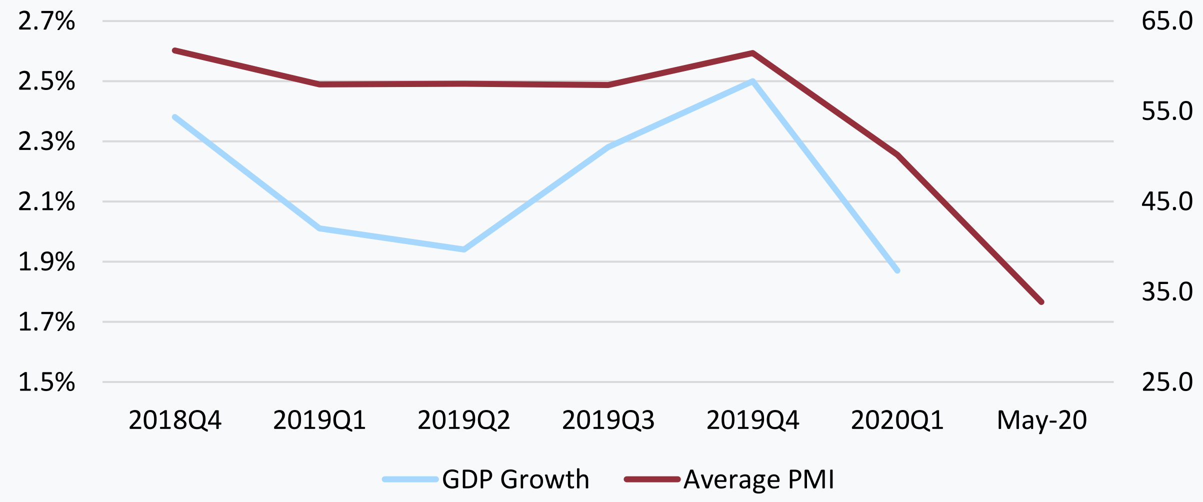
Lockdown, Social Distancing & Restriction Policies

- Movement restriction and shutdown of non-essential services were implemented in April 2020 in key states and the FCT.
- Despite relaxation of these policies in May, sectors such as entertainment, transport (air), education are not fully operational.
- Direct implications on all sectors, consumer demand, government revenue, investments and overall output.

These are in addition to the impact on the Health Sector.

Nigeria records one of the lowest PMI since 2016 in May- a pointer for Q2 GDP performance

GDP Growth (%) and Purchasing Managers Index (PMI)



- **The PMI for the month of May displayed a negative performance following the gradual pick-up of economic activities after the movement restriction in April.**
- **Both the manufacturing and non-manufacturing PMIs contracted significantly and were below 50 points.**
- **Non-manufacturing PMI recorded the lowest point in the history of the PMI at 25.3 in May 2020.**
- **This poor PMI performance suggests that the economy will record a significant decline in the second quarter of 2020.**

	Manufacturing PMI	Non-Manufacturing PMI
March	51.1	49.2
May	42.4	25.3

Manufacturing PMI fell from 51.1 in March to 42.4 in May while non-Manufacturing PMI fell from 49.2 to 25.3.

	PMI Sub Indices	March	May
Manufacturing PMI	Production level	54.4	44.5
	New Order	52.3	42.8
	Quantity of purchase	55.6	26.3
Non Manufacturing PMI	Business Activity	52.2	19.5
	New Order	47.8	19.6
	Inventory	49.6	30.1

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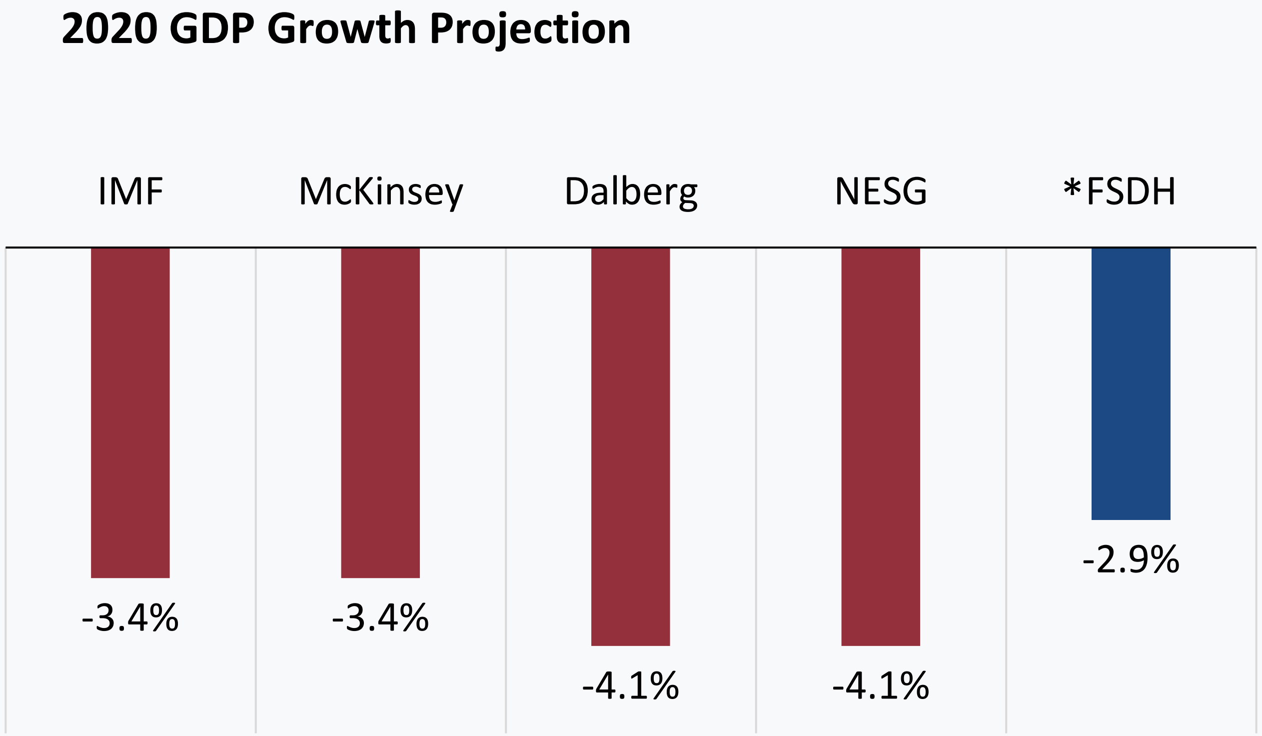
Data Source: CBN, National Bureau of Statistics

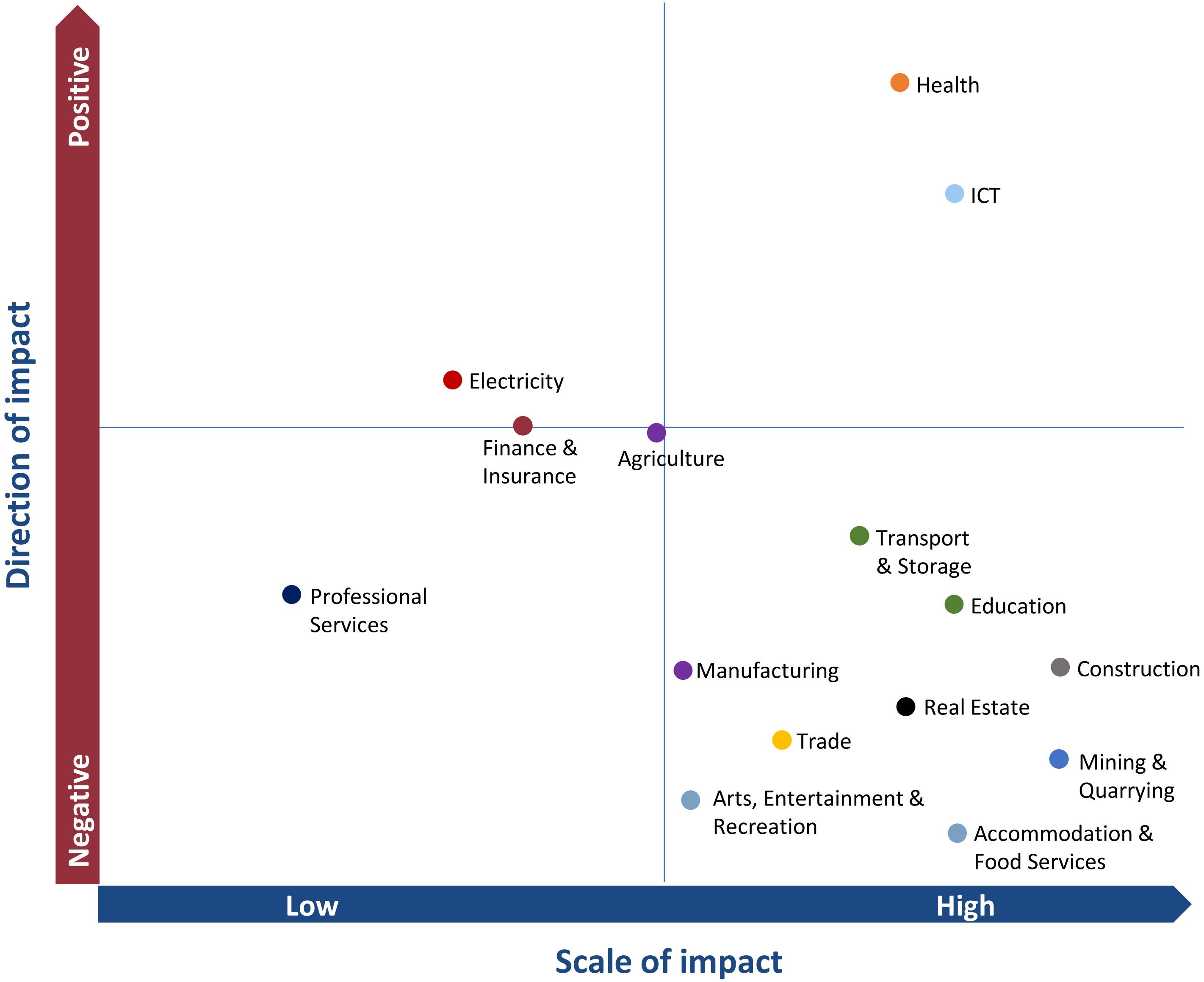
COVID-19: Nigeria to record a negative economic growth in 2020



*FSDH moderate case scenario

- Following the outbreak of Corona Virus, economic activities were constrained due to movement restrictions, social distancing policies and lockdown of key states.
- In April, economic activities for non-essential items were restricted in major states such as Lagos, Ogun, Delta, etc. and the FCT. In addition, the federal and state governments implemented movement restrictions across these states.
- The impact of these policies will be felt directly on key sectors such as Transportation, Manufacturing of non-essentials, Trade, Construction, etc.
- By this, we estimate a significant negative GDP growth in the second quarter of the year.
- We estimate overall growth for 2020 at –2.9% in our moderate case scenario and –5.9% for the worst case.

COVID-19 to severely affect performance of key sectors

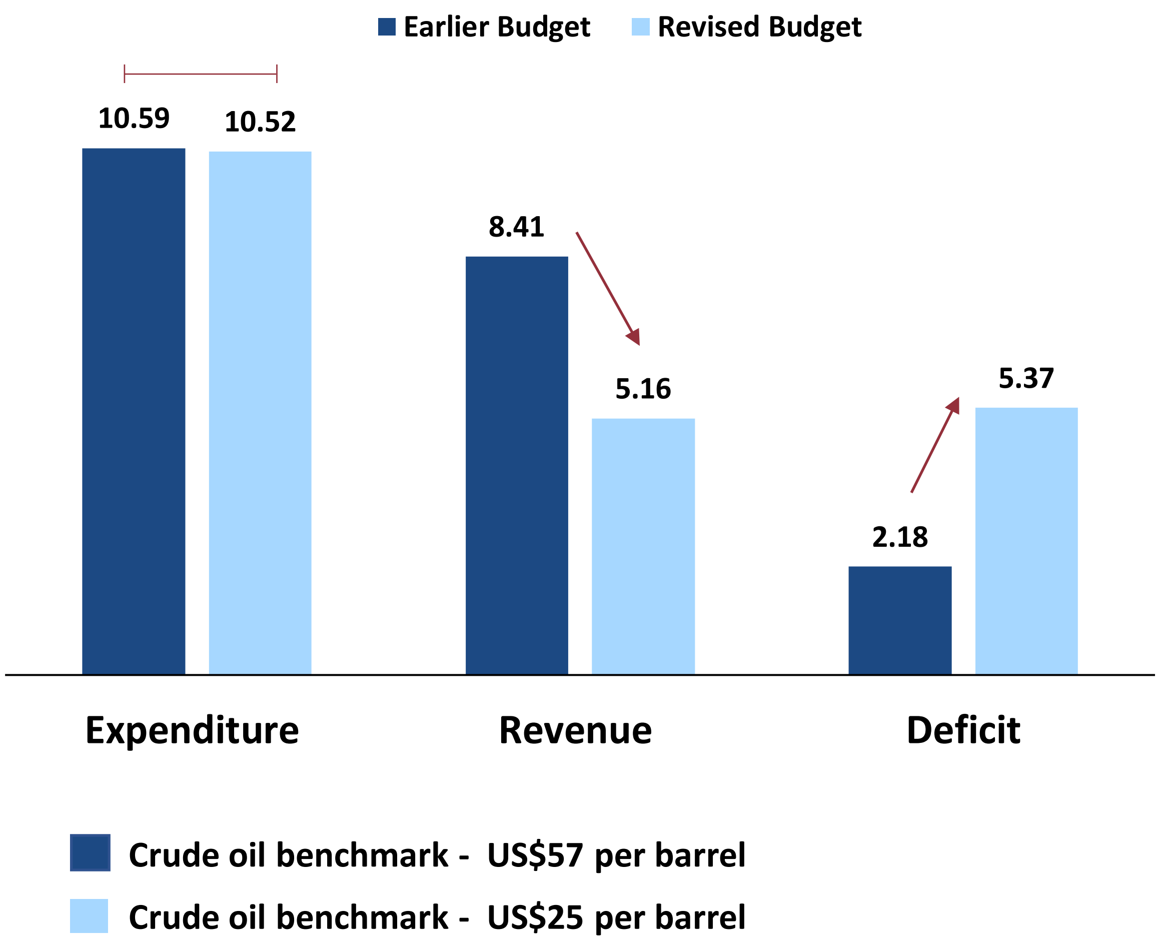


COVID-19 impact on major economic sectors

- **A significant number of sectors will be severely negatively affected by COVID-19 and its associated impact.**
- **For the Crude oil sector, lower oil prices and demand will slow investments into different segments of the sector as well as raise non-performing loans.**
- **The movement restrictions and lockdown of economic activities will have tremendous negative impacts on sectors such as Transport, Education, Trade and Entertainment.**
- **Construction sector will suffer from lower government revenues.**
- **Higher demand for ICT and Health care services will lead to expansion of both sectors.**
- **Agriculture has remained resilient during and post 2016 recession. Constant demand for agriculture output for both consumption and as intermediate input will sustain the sector.**

COVID-19 Impact: Government revenue to experience a sharp decline

FGN 2020 Budget (N'Trillion)



- In response to the impact of the COVID-19 on government fiscal position, the FEC approved a revised 2020 budget of N10.52 trillion.
- The budget adopted a crude oil benchmark of US$25 per barrel and a production benchmark of 1.94 million barrels per day.
- The new budget is also based on an exchange rate of N360/US$1 from N305/US$1.
- COVID-19 and its associated features have affected revenue projections in the following ways:
  - Relatively lower oil price for 2020 leading to lower oil revenues
  - Compliance with OPEC cuts will also lead to a significant decline in crude production by almost 417,000 barrels per day- although higher oil prices will improve revenues.
  - Revenue from taxes and other non-oil sources will be severely affected due to lockdowns, restrictions and a relatively lower income and investments.

RESEARCH

Data Source: Ministry of Budget, Finance and National Planning

COVID-19 Impact: Government revenue to experience a sharp decline

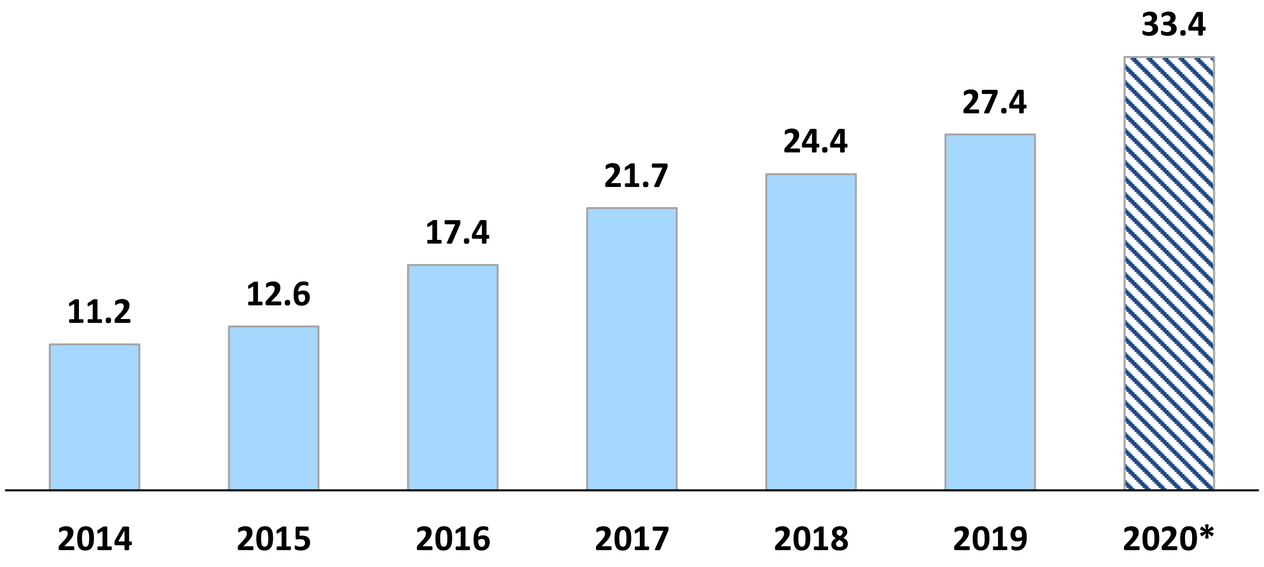
- **Despite the significant drop in revenue, expenditure remained almost the same, which implies a widening fiscal deficit.**
- **The rationale for such high expenditure is to stimulate economic activities in view of the looming economic recession.**
- **Deficit in the revised budget increased to N5.37 trillion from N2.18 trillion. The deficit will be financed through domestic, foreign loans and proceeds from privatisations.**

Tougher revenue profile for state governments in 2020

- In 2019, net FAAC allocations to the 36 states of the federation and the FCT totaled N2.47 trillion.
- In the first quarter of 2020, allocations to state governments stood at N669 billion.
- With the anticipated lower revenue profile as a result of COVID-19 and its impact, revenues shared among the 3 tiers of government is expected to decline in the year.
- According to the Minister of Finance, Budget and National Planning, FAAC receipts must average at least N650 billion for the Federal and State Governments to meet their current obligations.
- Given this, many state governments will experience difficulty in financing their budgets especially given the expected decline in FAAC allocations and Internally Generated Revenue (IGR) following the stifled economic activities as a result of lockdown and other restrictions.
- A worse-case scenario would imply that many states would be unable to pay workers salaries as experienced in 2016. This will trigger another round of bailouts for states by the federal government.
- On a brighter scenario, improvement in oil price will lead to an increase in revenues for states governments.
- Already, the President has approved the withdrawal of US$150 million from the Nigeria Sovereign Investment Authority ('NSIA') Stabilization Fund to support the June 2020 FAAC disbursement and address emerging fiscal risks.

COVID-19 Impact: Public Debt expected to rise amidst lower revenue

Total Public Debt (N'Trillion)



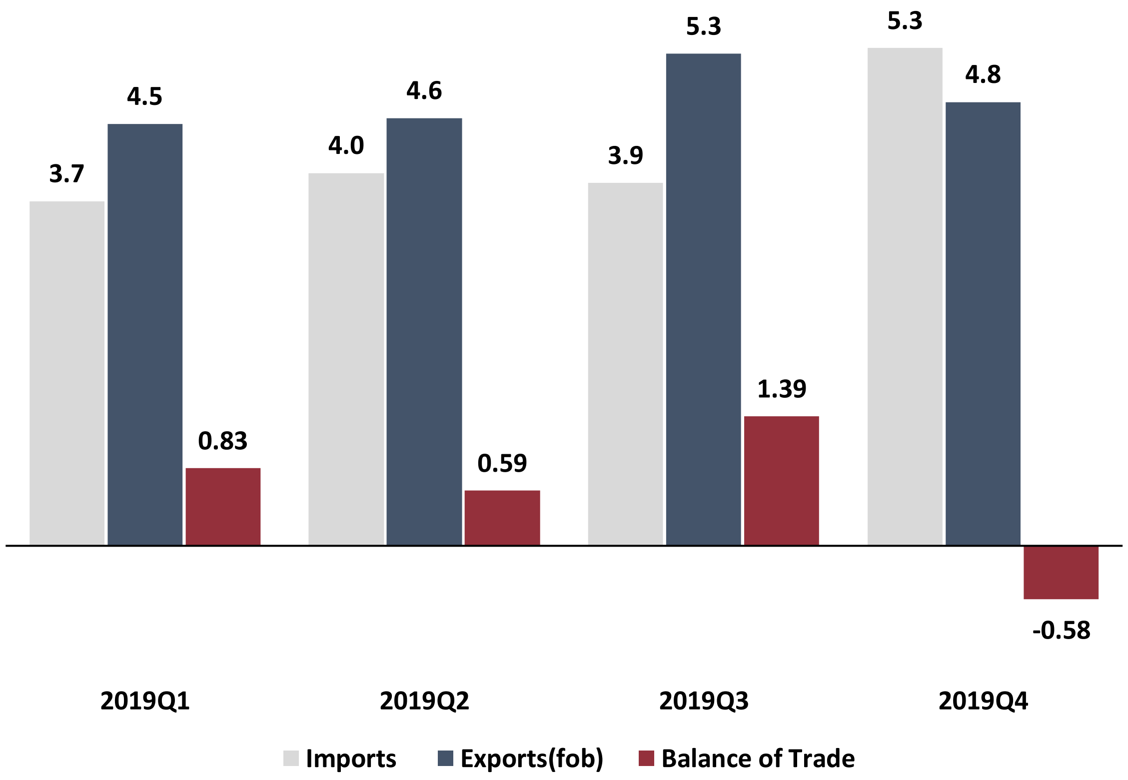
* In-house estimated figure

- In April, the Nigerian government secured a US$3.4 billion loan from the IMF, repayable under five years.
- The loan was secured to address balance of payments challenges amidst the fiscal pressure from COVID-19.
- The sum of US$1.5 billion and US$500 million loans are in the pipeline with the World Bank and African Development Bank (AfDB). These amount to US$5.4 billion (N1.94 trillion) in external borrowing.
- This, in addition with domestic borrowing plans could raise public debts to over N33 trillion in 2020, which is an estimated 22.6% of GDP.
- In addition to rising debt-to-GDP ratio, debt servicing as a share of revenue will experience a sharp increase, especially given the lower revenue projections in the year.
- Money and capital market activities will also be stimulated in 2020. As a result, we expect interest rate on short term instruments to rise marginally towards the end of the year.

Data Source: Debt Management Office

Negative Trade balance expected in the first half of 2020

Quarterly Export, Import and Trade Balance (N'Trillion)



Data Source: National Bureau of Statistics

- **For the first time since the third quarter of 2016, Nigeria's trade balance was negative in 2019Q4 at -N580 billion. Imports in the quarter surpassed exports by 10.4%.**
- **This negative balance was as a result of the closure of land borders, which significantly affected exports. Non-oil exports declined by 44% in the quarter.**
- **With the outbreak of COVID-19, trade figures will be negatively hit in the first and second quarters of 2020.**
- **Growth forecasts for Nigeria's major export partners – India, Spain, France and Europe in general- have been cut due to restriction of movements of people and goods as well as shut down of industrial facilities.**
- **In the first week of March, Nigeria struggled to find buyers for its crude oil due to a supply glut arising from response of major oil producers to compete for market share, among other factors.**
- **This implies that the negative trade deficit recorded in the last quarter of 2019 could continue in 2020.**

Restriction of some economic activities will have inflationary impact

In February, we highlighted the following Inflation triggers in 2020

- VAT increase from 5% to 7.5%.
- High cost of doing business.
- Continued closure of land borders.
- Demand pressures from higher minimum wage.

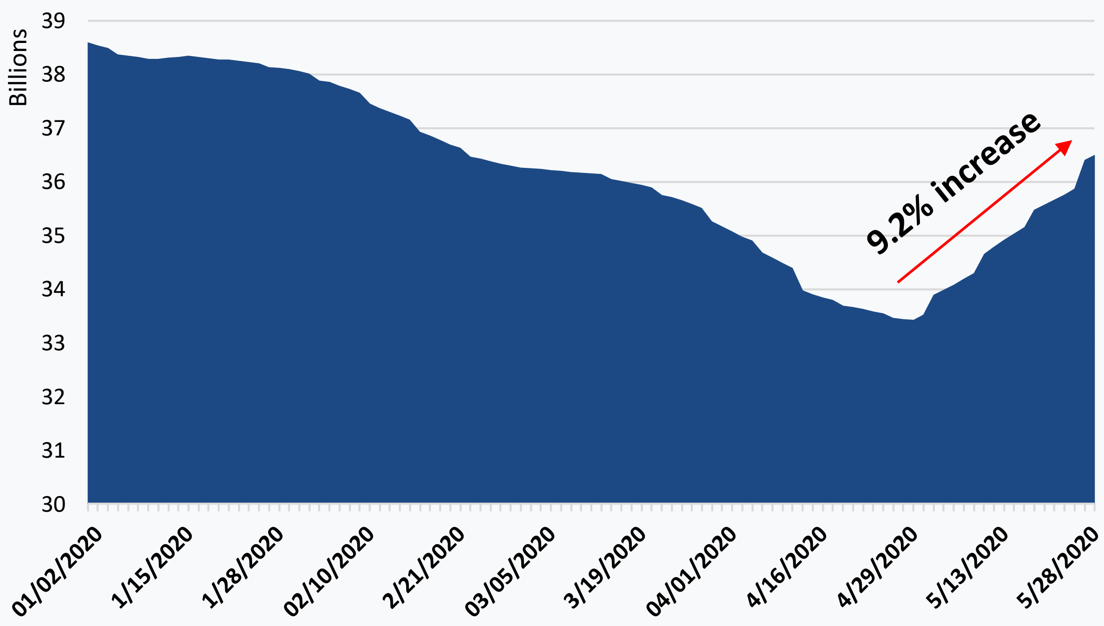
Given the impact of COVID-19, the following are the additional inflation triggers to watch out for

- Government fiscal stimulus for COVID-19 interventions will have inflationary impact.
- Restrictions of some economic activities due to social distancing policies. Transport inflation is expected to increase.
- Pressure on the local currency is a major risk to inflation in coming months.

Inflation rate is expected to average 12.85% in 2020

COVID-19 and External Reserves and Forex inflows

Foreign Reserves (US$'Billion)



- The outlook for external reserves and exchange rate is hinged on the movement of crude oil price and improvement in oil sales.
- External reserves reversed its downward trend in April following improvement in oil prices.
- Brent crude price increased by 74% to US$40 per barrel in June from US$22.9 pb at the end of April. As a result, external reserves position improved by 9.2% in May.
- Major downside risks to reserve accretion include:
    - Lower oil prices
    - Slow growth in oil production and sales
    - High foreign exchange demand following the relaxation of restrictions, curfews and the opening up of some sectors.
- Following the above factors, we expect reserve accretion to slowdown in coming months even as CBN interventions to keep the exchange rate stable will increase as economic activities pick up.
- Year to date average of external reserves stood at US$36.1 billion at the end of May.

Data Source: CBN

SECTION 05

Nigerian Government’s Response

Measures taken by the Nigerian Government to curtail the spread of COVID-19

- Implementation of social distancing policies
  - Limitations in the number of people in gatherings
  - Limitation of the number of persons in public buses

- Restriction of economic activities
  - Shutdown of schools, air transport, event centers, recreational activities- sports, gym, etc.
  - Shutdown of production facilities engaged in non-essential items

- Movement restriction across states
  - Citizens engaged in non-essential services in states such as Lagos, Ogun, Delta, Rivers and the FCT were ordered to stay at home
  - States governments implemented interstate lockdowns

- Implementation of policies relating to the use of face masks, sanitisers, hand washing, etc.

- Other measures include establishment of the Presidential Taskforce on COVID-19, investment in testing facilities, among others.

Nigerian Government Policy Response

Monetary Policy- CBN to release over N3.5 trillion stimulus

Announced Interventions

- Extension of moratorium by an additional one year on CBN intervention funds.
- Interest rate reduction from 9% to 5% on CBN intervention facilities.
- Creation of a N50 billion fund for households, MSMEs industries such as aviation, health, hotels, etc.
- Restructuring of loan tenors for businesses in affected industries particularly oil and gas, agriculture and manufacturing.
- N1trillion in loans to boost local manufacturing and production across critical sectors while N500 billion will be used to support Health services and products
- Naira 'adjusted' to N360/US$.
- MPR cut to 12.5% in May.
- Activation of the N1.5 trillion infraco project for building critical infrastructure.

Nigerian Government Policy Response

Fiscal Policy

Announced Interventions

- Reduction in pump price of petrol from N145 per liter to N125 per liter.
- Implementation of social distancing
- Initial shutdown of movements and non-essential services in major states. This was followed by gradual re-opening of key sectors and economic activities in May.
- N500 billion COVID-19 Crisis Intervention Fund.
- Secured US$3.5 billion loan from the IMF
- Withdrawal of US$8 million from the Regional Disease Surveillance Systems ('REDISSE') facility from the World Bank.
- Request for additional financing in the sum of US$100 million from the REDISSE project to meet COVID-19 emergency needs in all the 36 States and the FCT
- The sum of US$1.5 billion and US$500 million loans are in the pipeline with the World Bank and AfDB.
- Approval of US$150 million to be withdrawn from the Nigeria Sovereign Investment Authority ('NSIA') Stabilization Fund to support the June 2020 FAAC disbursement to States governments.

Update on announced Interventions

Implemented Interventions	Possible Impacts
• The CBN approved and disbursed N10.15 billion for the establishment of advanced diagnostic and health centres and the expansion of some pharmaceutical plants for essential drugs and intravenous fluids.	• Improve health care delivery • Job creation • Support the health sector
• The CBN has disbursed N93.2bn under the Real Sector Support Fund to boost local manufacturing and production across critical sectors	• Enhance local production and employment
• The CBN disbursed N4.1billion under the N50 billion Targeted Credit Facility for households and SME's to 5,868 successful beneficiaries.	• Sustain small businesses and households
• Extension of the due date for filing of value added tax (VAT) and withholding tax returns from the 21st day of the month to the last business day of the month, following the month of deduction	• Ease pressure on businesses
• Commencement of a three month repayment moratorium for all TraderMoni, MarketMoni and FarmerMoni loans.	• Ease pressure on businesses
• Review of the 2020 Budget	• Allows for realistic planning and restructuring of government interventions/programmes

Monetary Policy Review: MPC reduces MPR to 12.5%

On May 28, the CBN Monetary Policy Committee (MPC) held its third meeting of 2020. At the meeting, the Committee took the following decision:

- Reduce the Monetary Policy Rate (MPR) to 12.5% from 13.5%;
- Retain the asymmetric corridor of +200/-500 basis points around the MPR;
- Retain the CRR at 27.5%; and
- Retain the Liquidity Ratio at 30%.

This was based on the following considerations:

- Need to support growth in the face of rising domestic prices.
- The impact of the COVID-19 pandemic, the oil price shock and the likely short to medium-term consequences on the Nigerian economy.
- The gradual improvement in macroeconomic variables as increasing oil prices begin to support the external reserves.
- Stability in the banking system occasioned by increasing banking sector assets and impact of the loan-to-deposit ratio policy that has seen significant increase in loan to the real sector.
- Heightened inflationary pressure sequel to the combination of monetary and structural factors.

Expectation from the MPC in 2020

- To respond to the impact of COVID-19, the MPC has reduced the MPR to stimulate economic activities. The CBN has is also implementing several intervention programmes to support affected businesses in key sectors.
- We believe this move, if well implemented and complemented by fiscal policies, will have positive impact on the economy and possibly limit the negative impact of COVID-19 on key sectors.
- We note the huge disparity among interest rates- MPR, lending rates, Tbills rate, OMO, Bond rates among others. We believe addressing such disparity remains crucial in ensuring stability and attracting investments into different segments of the markets.

Key Considerations for 2020

- High inflation expectation.
- Possibility of a recession in coming quarters given the impact of coronavirus on the economy.
- Slowing Foreign investment inflows and continued capital flight.
- Constrained government revenue driven by lower oil price and limited non-oil activities.

Other Countries’ Response

Policy Response by countries hit by two shocks : COVID-19 pandemic & Coronavirus oil price shock

COUNTRY	FISCAL	MONETARY & FINANCIAL	EXCHANGE RATE AND BALANCE OF PAYMENTS	OIL PRICE SHOCK ADJUSTMENT
ALGERIA	Supplementary Finance Law is being considered and makes provision for 70bn dinars to mitigate health and economic impacts of COVID-19. It includes USD 29.1bn for health sector. For the economic impact the law includes 20bn for allowances for unemployed and 11.5bn for transfers to poor households; postponement of declaration and payment of income and taxes for individuals and enterprises.	On April 30th, Bank of Algeria lowered the Reserve requirement ratio from 8% to 6% On April 30th, Bank of Algeria announced it was cutting monetary policy rate from 3.25% to 3.00%	Authorities announced measures to cut import bill by at least USD 10bn (6% of GDP) Authorities banned exports of several products, including food, medical and hygiene items	The SFL plans for a reduction in current and capital spending by 5.7% (representing 2.2% of GDP)
ANGOLA	National Assembly approved revenue and expenditure measures to fight COVID-19 outbreak. Additional healthcare spending Estimated at US$40 million. Delays on filing taxes for selected Imports was granted Tax exemptions on humanitarian aid and donations	On April 3, the BNA increased the minimum allocation of credit to promote production of priority products to 2.5% of the commercial bank''s net assets On May 7, it reinstated its permanent overnight liquidity provision facility to provide support to banks to the tune of USD185 million.	On April 1, the central bank introduced an electronic platform for forex transactions	Reference oil price reduced from US55 per barrel to US$35 Drop in production from 1.8mpd to 1.36mpd In April, as part of the budget review the government considered the following measures: 30% of recurrent budget frozen and CAPEX suspended

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Policy Response by countries hit by dual shock : COVID-19 pandemic & coronavirus oil price shock

source: IMF

COUNTRY	FISCAL	MONETARY & FINANCIAL	EXCHANGE RATE AND BALANCE OF PAYMENTS	OIL PRICE SHOCK ADJUSTMENT
EQUATORIAL GUINEA	Package of measures includes increased emergency health spending and a social assistance scheme for most vulnerable groups Temporary support to the private sector including halving of withholding tax rates and delaying tax payment deadlines for SMEs. Reduce electricity bills for firms affected by COVID-19 crisis with focus on SMEs, and for households	On 25 March, 2020, the COBAC informed banks that they can use their capital conservation buffers of 2.5% to absorb pandemic-related losses but requested banks to adopt a restrictive policy with regard to dividend distribution. On 27 March, 2020, BEAC announced a set of monetary easing measures including a decrease in the policy rate by 25bps to 3.25%	No new measures	Mobilisation of additional financing Postponement of execution of priority capital expenditure to the second half of 2020 Identification of savings to non-wage current expenditures, as well as strengthening tax administration
REPUBLIC OF THE CONGO	Increased health expenditure by an estimated amount of USD 1.4 million The government has adopted measures to ease tax and duty payments for private enterprises. Corporate Income tax has been reduced to 5% from 7% for small businesses with turnover below 100 million XAF	On 25 March, 2020, the COBAC informed banks that they can use their capital conservation buffers of 2.5% to absorb pandemic-related losses but requested banks to adopt a restrictive policy with regard to dividend distribution. On 27 March, 2020, BEAC announced a set of monetary easing measures including a decrease in the policy rate by 25bps to 3.25%	No new measures	Information not available

Minimising the impact of COVID-19 on the economy. What progress has been made?

The five cardinal areas for Government interventions

Given the COVID-19 transmission channels, government interventions need to target the five cardinal areas:

Improve External Reserves

- Naira devaluation to ease pressure on Reserves – CBN recently adjusted the Naira to N380/US$.
- High interest rate environment will be essential in attracting investments inflows; however with expected downside risk on economic growth.

UPDATE:
- Increase in oil price has led to improvement in reserves.

Enhance government revenue

- Review 2020 budget benchmarks – Oil price, exchange rate, revenue estimates, etc.
- Review budget items to prune out unwarranted expenditures.
- Display prudence in the use of borrowed funds.

UPDATE:
- Budget benchmark revised. Oil price benchmark of US$25 pb approved in May.

Attract Foreign/Local Investments

- Harmonization of interest rates.
- Address critical issues of policy inconsistency and ad-hoc policy making.
- Intensify reforms on ease of doing business across states.
- Target specific non-oil products for exporters to take advantage of the devalued exchange rate.
- Create instruments for maturing OMO.

UPDATE:
- CBN MPC reduced MPR to 12.5% in May.

Address rising Inflation & limit welfare impact

- The government has reduced fuel price to N125 per liter. Proper enforcement of this policy could slow down growth in inflation rate.
- Address structural issues of infrastructure, power supply, logistics etc., which increase cost of production.
- Provide support packages for vulnerable households.

UPDATE:
- Inflation rate grew marginally to 12.34% in April
- PPPRA removes petrol price cap.

Limit impact on sectoral/overall GDP growth

- Disbursement of intervention funds for affected industry- CBN announced N50 bn intervention fund.
- Map out and support industries with substitutes for imports.
- Support industries that will benefit from a devalued Naira via increasing output for the local and/or export market.

UPDATE:
- CBN disbursed N4.1billion (only 8%) for households and SME's to 5,868 successful beneficiaries.

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Minimizing the effects of COVID-19. What has been done?

In our Q1 report, we proposed some measures the Nigerian government could consider. We provide an update on implementation status.

Broad Reforms	Specific Interventions	Status
Review the 2020 Budget	• Review 2020 budget benchmarks – Oil price, exchange rate, revenue estimates, etc.	Executed.
	• Review budget items to prune out unwarranted expenditures.	Partially executed.
	• Display prudence in the use of borrowed funds.	A lot of work is required.
Implement Sectoral Interventions (Federal Government)	• Target specific non-oil products and industries for exporters to take advantage of the devalued exchange rate.	Available information suggests that some of these initiatives are being implemented especially by the CBN. Only 8% of the N50bn intervention fund had been implemented as at May. Fiscal authorities will need to improve on communication and transparency of implemented and on-going interventions.
	• Provide intervention funds and support (including tax relief) for essential industries/commodities such as rice, vegetables and related products to enhance outputs and efficiency.	
	• Intensify reforms on ease of doing business across states.	
	• Provide support facilities to the healthcare industry – loans, medical supplies, ventilators, etc.	
States governments' intervention programmes	• Develop economic stimulus packages for essential industries/commodities in their respective states.	Limited information on status of this initiative.
	• Consider implementing restrictions of movement of people.	Executed across states.
Implement support package for the poor and vulnerable	• Disbursement of intervention funds to vulnerable households that are affected by the Virus, at both federal and states level.	Unclear how much has been disbursed and who the beneficiaries are. Need for effective communication and transparency.
	• States governments bail-outs are inevitable.	US$150 million set aside for states bailouts in June 2020.

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Minimizing the effects of COVID-19. What has been done?

Some of these factors are crucial for the success of interventions:

- **SPEED: Enhance the speed and urgency in the implementation of interventions funds to save businesses, support citizens and save the economy.**
- **COVERAGE: Improve coverage of interventions to ensure wide reach of businesses and citizens across affected sectors and across the country.**
- **COMMUNICATION AND TRANSPARENCY: Improve on communication and transparency of initiatives and interventions. A dashboard containing information on intervention funds such as the size of the fund, amount disbursed, number of beneficiaries, sectors of beneficiaries, etc. should be published and updated on regular basis.**
- **INTENSIFY EASE OF DOING BUSINESS REFORMS: Federal and state governments need to address critical issues relating to taxes, logistics, contracts, ports reforms and infrastructure.**

Scenarios and Revised Macroeconomic Projection for 2020

Nigeria's COVID-19 Scenarios Update for 2020

Scenario	Assumptions	Possible Outcome
Best Case (Economy opens up and government fully implements interventions to stimulate the economy)	• Oil price rises above US$40 pb for the remaining part of the year • Economic activities pick up in the third quarter • Demand for Nigerian crude improves as economies recover-Nigeria produces 1.9 million barrels per day • Government capital spending at N1.5 trillion • Full implementation of sectoral support interventions	• GDP Growth at -0.4% • Inflation Rate at 12.5% • External Reserves at US$38bn • Exchange Rate at N380/US$
Moderate Case (Gradual opening of economic activities, partial implementation of business support initiatives)	• Oil price falls between US$30 and US$40pb • Gradual re-opening of cities, schools, airports, businesses, etc. • Sluggish crude production at 1.5 million barrels per day • Government capital spending at N1.1 trillion • Partial implementation of sectoral support interventions	• GDP Growth at -2.9% • Inflation Rate at 12.85% • External Reserves at US$33 billion • Exchange Rate at N420/US$
Worst Case (Death toll from COVID-19 increases rapidly, weak implementation of business support initiatives)	• Oil price below US$30 pb • Lock down of major cities, schools, airports, businesses, etc. • Weak demand for Nigerian crude - Nigeria produces 1.2 million barrels per day • Government capital spending at N500 billion • Weak implementation of sectoral support interventions	• GDP Growth at -5.9% • Inflation Rate at 16% • External Reserves to average US$28 billion • Exchange Rate at N450/US$

Revised Macroeconomic Projection

	2016	2017	2018	2019	2020f
GDP Growth	-1.6%	0.8%	1.9%	2.3%	-2.9%
Average Inflation Rate	15.6%	16.5%	12.1%	11.4%	12.85%
Average Exchange Rate (N/US$)	490	363	358	358	420
Average External Reserves (US$ Billion)	27.0	39.4	43.1	43	33
Monetary Policy Rate	14.0%	14.0%	13.5%	13.5%	12%
Private Investment as a % of GDP	14.9%	14.8%	17.0%	23%	19%