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CORPORATE DIGEST

Macroeconomic Expectations for 2023: Will Troubled Waters Desist or Persist?

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more than banking

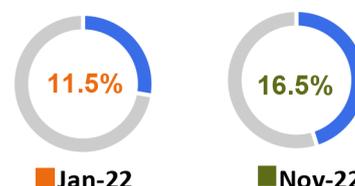
Macroeconomic Updates: How We Started vs Where We Are

GDP Growth Rate



The Nigerian economic growth remained in the positive space for the 3 quarters in 2022, maintaining resilience in turbulent times. The economy was driven by the non-oil sector.

Monetary Policy Rate



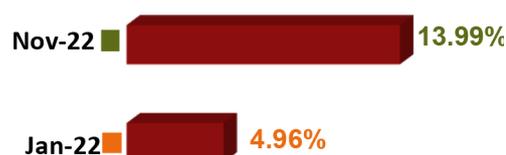
The Monetary Policy Committee (MPC) raised the MPR, in its last 4 meetings, by a total of 500 basis points in 2022 to combat the mulish inflation rate which threatens fragile growth.

Oil Price (Bonny Light)



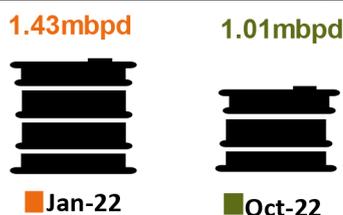
Increase in oil price was triggered by the Russia-Ukraine crisis and US declining crude oil stockpile. Oil prices rose to \$100/b for the first time since 2014.

270-Day Treasury Bills rate



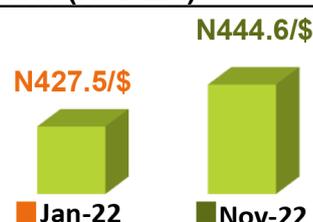
Yields on government securities gradually crossed into the double-digit space driven by the increase in MPR.

Oil Production (Bonny Light)



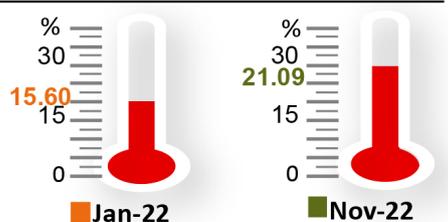
The challenge of massive oil theft, witnessed for most part of 2022, kept oil output low. Crude oil production nosedived below 1.0mbpd in August for the first time in several months.

FX Rate (NAFEX)



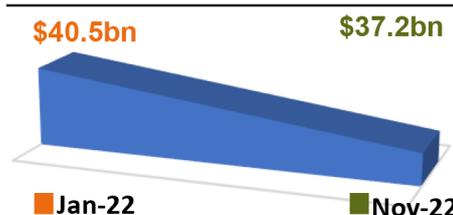
Naira depreciation could be attributed to increasing Dollar demand amidst low FX inflows due to lower oil production, subsidy payment and dwindling FPIs inflows amongst others.

Inflation Rate



Inflation rate remains above the CBN's target of 6-9% due to the pass-through effect of currency depreciation, food supply bottlenecks, cost reflective increase in energy prices etc.

FX Reserves



Decline in external reserves stemmed from strong demand for student school fees by Nigerians in Diaspora and pent up pressure from back log of unmet import demand.

Sectoral Overview

s/n	Sectors	2021 Nominal GDP Size (N'trn)	2021 Contribution to GDP (%)	Real Growth Rate (%)			Characteristics
				Q1 2022	Q2 2022	Q3 2022	
1	Accommodation & Food Services	1.49	0.86	1.93	3.03	6.77	Resilient
2	Agriculture	41.13	23.70	3.16	1.20	1.34	Resilient
3	Chemical & Pharmaceutical Products	0.60	0.35	10.33	9.29	11.09	Resilient
4	Construction	16.59	9.56	4.83	4.02	5.52	Resilient
5	Education	2.80	1.62	1.87	1.16	1.10	Resilient
6	Financial Institutions	5.30	3.05	23.24	18.48	12.70	Recovery
7	Food & Beverage	8.61	4.96	9.81	5.11	(4.05)	Volatile
8	General Commerce	23.29	13.42	6.54	4.51	5.08	Resilient
9	Human Health	1.04	0.60	5.91	2.23	4.58	Resilient
10	Manufacturing	25.73	14.83	3.4	3.49	4.29	Resilient
11	Oil & Gas	9.64	5.55	(26.04)	(11.77)	(22.67)	Recession
12	Electricity, Gas, Steam & Air Conditioner	1.74	1.00	(4.87)	1.80	2.56	Resilient
13	Professional Services	4.81	2.77	1.85	1.96	2.23	Resilient
14	Public Administration	3.01	1.73	1.92	2.01	2.33	Resilient
15	Real Estate	9.25	5.33	4.44	4.42	4.56	Resilient
16	Telecommunications	14.12	8.14	7.69	5.9	10.87	Resilient
17	Transportation	3.38	1.95	-21.89	76.81	20.61	Resilient

15 sectors out of the 17 activity sectors captured in the grid above showed resilience having registered at least 2 consecutive quarterly positive growth. Food & Beverage moved into the negative space while Oil & Gas remained in the negative space in Q3 2022. Most sectors discovered ways to withstand the macroeconomic shocks, maintaining resilience in Q3 2022.

Macroeconomic Expectation for 2023

3.50

Real GDP growth (%)
forecast would be powered by improved brighter prospects for higher oil prices and economic activities

15.1

Real GDP growth (%)
forecast would be powered by improved brighter prospects for higher oil prices and economic activities

613.12

NAFEX rate (N/\$) will hover around N600/\$ owing to weakened alternative sources of dollar inflow

16.0

The MPR (%)
will see a marginal tightening to support the price stability mandate and stem reversal of portfolio flows

95.15

Oil price (\$/b) is expected to remain above \$90/b as OPEC production cuts support the upward movement of prices.

39.2

External reserves (\$'bn)
will be supported by improvement in oil production

44.05

Credit to Private Sector (N'trn) would increase as the CBN expects banks to continually lend while it find ways to mitigate the associated credit risks.

36.00

Unemployment rate (%)
would continue on its northward path as businesses deal with falling disposable income and high inflation.

Nigerian Power Industry Overview & Outlook

Bleak Oil Demand Outlook

- Bleak global oil demand rides on slowing economies, the resurgence of China's COVID-19 containment measures and inflationary pressures
- This would materially impact oil prices and revenue

FX Shortage

- This stokes inflationary pressures and hurts the value of the Naira.

Inflationary Pressure

- Higher food and energy prices will hurt consumers' purchasing ability and keep operating costs high.
- This would hurt profitability



Socio-economic Environment

- Worsening brain drain which shrinks the labour market
- High unemployment and Insecurity challenges to impact socio-economic stability.

Ballooning Fiscal Deficit

- High expenditure largely due to subsidy payment.
- Rising debt service to revenues poses risks to fiscal sustainability.

Political Uncertainties

- Politicking and political tension rising ahead of 2023 general elections.
- This could be accompanied by election related fights, violence and other disruptions.

Policy Environment

- Monetary policy will focus on demonetization, strengthening of the Naira and taming soaring inflation.
- Fiscal policy will focus on subsidy removal and overall economic growth

Silver lining for 2023

01

Rebound in Oil Output

The coming back online of the Forcados export terminal and the Trans-Niger pipeline could help to offset continued losses from theft and vandalism likely abating the foreign currency liquidity pressures

02

Start-up of the Dangote Refinery

Fuel imports to end with government payment on subsidies expected to decline

03

PIA full implementation

Engender attractiveness of the oil and gas sector to increased capital investment inflows

04

RT200 FX programme

Inflows via the programme in 2022 increased to about \$1.6 billion and could surpass \$2.5 billion by the end of this year. For 2023, inflows are expected to top \$5 billion

05

Digitization

Continuous acceptance of e-commerce by customers for ease and convenience. Also, this means wider reach as businesses explore the use of various digital platforms

06

RT200 FX programme

The major presidential aspirants are pro-market reform candidates