ACCESS
QUARTERLY

Q1 2024

access

more than banking

Table of Contents

Section 1

GLOBAL ECONOMY --Pg3

1.1 United States --Pg4

1.2 Euro Area --Pg4

1.3 BRICS --Pg5

1.4 Africa --Pg7

Section 2

THE NIGERIAN ECONOMY --Pg11

2.1 GDP Growth --Pg 11

2.2 Inflation --Pg 12

2.3 Monetary Policy --Pg 12

2.4 Unemployment --Pg13

2.5 Misery Index --Pg13

2.6 External Reserves --Pg14

2.7 Oil Price & Production --Pg14

2.8 External Trade --Pg15

2.9 Total Public Debt --Pg15

2.10 Exchange Rate --Pg16

2.11 Money Market --Pg16

2.12 The Stock Market --Pg17

2.13 Portfolio Investment-NGX --Pg18

2.14 Capital Importation --Pg18

2.15 Purchasing Managers' Index (PMI) --Pg19

2.16 Credit Ratings --Pg19

2.17 Socio-Economic Landscape --Pg21

2.18 Financial Sector Developments --Pg21

Section 3

OUTLOOK FOR Q3 2023 --Pg22

3.1 GDP Growth --Pg22

3.2 Foreign Exchange --Pg22

3.3 Crude Oil --Pg22

3.4 Monetary Policy --Pg22

3.5 Foreign Reserves --Pg22

3.6 Inflation --Pg22

Section 0.1

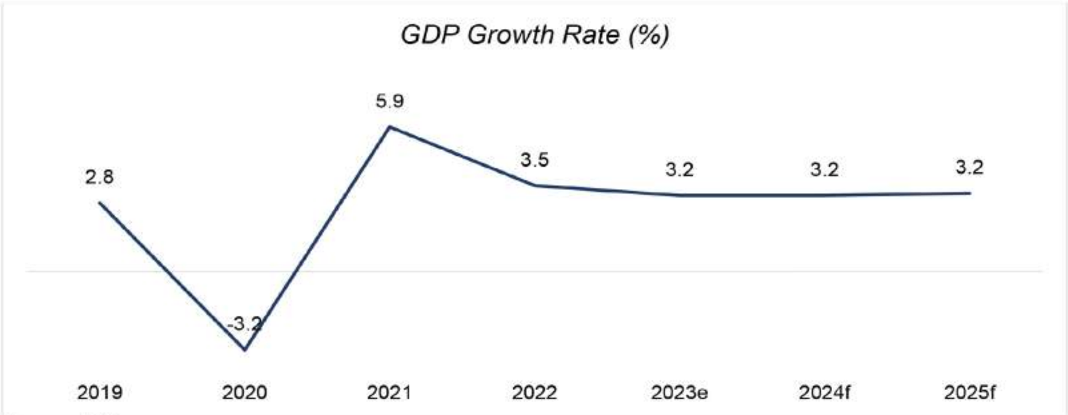
GLOBAL ECONOMY

The global economy has shown remarkable resilience, maintaining steady growth while inflation has returned to target levels. The path has been tumultuous, beginning with supply chain disruptions in the aftermath of the pandemic, followed by a Russian-initiated war in Ukraine that led to a global energy and food crisis, and a significant increase in inflation. This was followed by a globally coordinated tightening of monetary policy.

Moreover, a substantial crisis erupted in the Middle East, exacerbating geopolitical tensions, and fostered uncertainty in commodity markets and adversely affected global trade and economic growth. Despite dire predictions, the world avoided a recession, the banking system proved largely resilient, and major emerging market economies did not experience sudden stops. Furthermore, despite the severity of the inflation surge and the resulting cost of living crisis, uncontrolled wage-price spirals did not occur. Instead, global inflation has been receding almost as rapidly as it rose.

Amidst facing numerous challenges, the global economy has shown remarkable resilience. According to projections from the International Monetary Fund (IMF), global output grew by 3.2% in 2023, the same rate as the previous year. Inflation declined more rapidly than anticipated from its peak in 2022, even as major economies navigated the swiftest increase in interest rates seen in the past four decades. This occurred without the usual consequences such as high unemployment rates or financial crises. Additionally, global inflation is being controlled without causing a recession, a rare achievement, as countries often struggle to reduce inflation without entering an economic downturn.

Looking ahead, global growth is expected to be modest at 3.2% in 2024 and 2025, according to the IMF. Global headline inflation is projected to decrease to 5.9% in 2024 and 4.4% in 2025.



Source: IMF
f – Forecast

UNITED STATES/EURO AREA

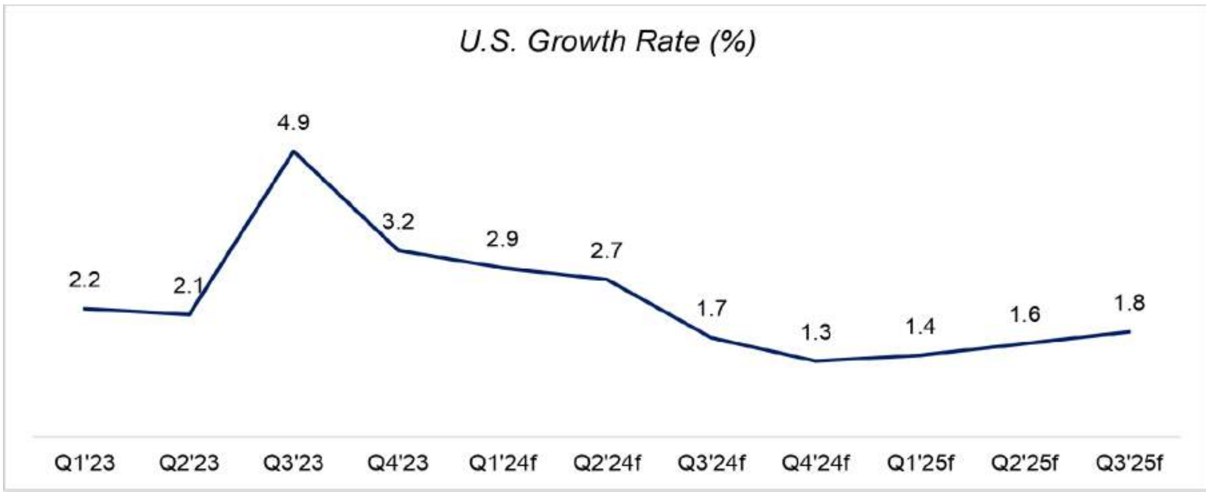
GDP Growth Rate & Forecast – U.S.A., Eurozone, and BRICS

United States

In the United States, the Gross Domestic Product (GDP) grew by 3.2% in 2023 compared with 2.6% growth recorded in 2022. The increase in real GDP in 2023 primarily reflected increases in consumer spending, non-residential fixed investment, state and local government spending, exports, and federal government spending that were partly offset by decreases in residential fixed investment and inventory investment. The increase in consumer spending reflected increases in services (led by healthcare) and goods (led by recreational goods and vehicles). The increase in non-residential fixed investment reflected increases in structures and intellectual property products.

Consumer prices in the US increased more than expected in the month of March 2024. The inflation rate rose year-on-year to 3.5% from 3.2% in the previous month. Elevated housing inflation has kept CPI readings stubbornly high. Gasoline prices also edged up.

Core inflation, which leaves out volatile food and energy prices, came in at 3.8% in March 2024, down from 5.6% a year ago. The United States GDP is projected at 2.9% in Q1 2024.



Source: Bloomberg
f – Forecast

The unemployment rate as of the end of Q1 2024 declined marginally to 3.8% from the previous month.

Euro Zone

EUROZONE

Following a 0.1% contraction in output during the third quarter, the Eurozone narrowly avoided a technical recession in the last quarter, just managing to avoid meeting the criteria of two consecutive quarters of negative growth. The Eurozone economy grew modestly by 0.1% compared to the same period in 2022.

Growth in the euro area is expected to rebound from its low rate of 0.1% in 2023, which was influenced by the high exposure to the conflict in Ukraine, to 0.8% in 2024 and 1.5% in 2025. This recovery is anticipated to be driven by stronger household consumption, as the impact of the shock on energy prices diminishes and a decrease in inflation supports growth in real income. In March, the eurozone's annual consumer inflation rate declined to 2.4%, marking the third consecutive month of easing from the previous month's 2.6%. Core inflation, which excludes volatile food and energy prices, decreased to 2.9% in March from 3.1% in February. Energy prices declined at a slower pace in March, falling by 1.8% y-on-y compared to a 3.7% decline in February. The countries with the lowest annual inflation rates were Lithuania (0.4%), Finland (0.6%), and Denmark (0.8%), while the highest rates were recorded in Romania (6.7%), Croatia (4.9%), and Estonia and Austria (both 4.1%).

Source: Bloomberg
f – Forecast

BRICS

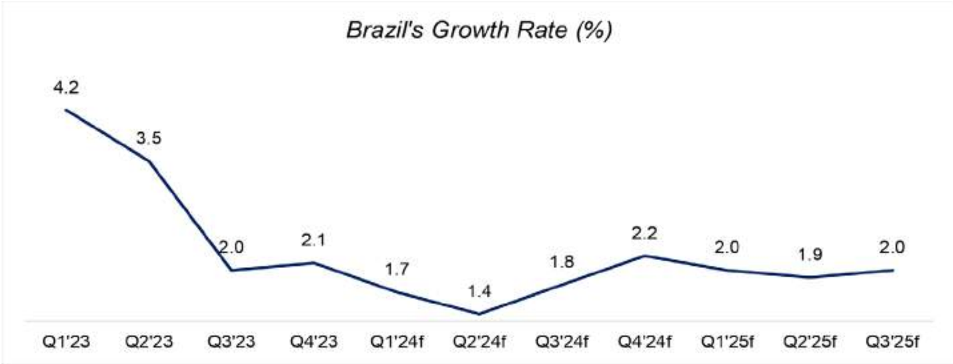
The expansion of BRICS on 1 January 2024 to include five new countries marks a new stage in the bloc's emergence as an economic and political force. After starting out as an economic and financial acronym, BRICS (Brazil, Russia, India, China, and South Africa) has gradually evolved into a more formal political grouping. At the 15th Summit held in Johannesburg in August 2023, the group reached a new milestone by inviting six emerging and developing countries (Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates) to join, with effect from 1 January 2024. With the expansion, the new "BRICS+" has increased its global economic and political weight which will promote collaboration, solidarity, and strategic partnerships. BRICS+ carries significant demographic and economic weight, accounting for nearly half the world's population (46%, up from 41% for BRICS). BRICS already accounted for a larger share of world GDP than the G7 (31.6% at purchasing power parity (PPP) in 2022), and the expansion has increased this share to over a third (35.6% in 2022). China still holds the dominant position within the group, however, accounting for 52% of its total GDP (at PPP), which is like the United States' weight within the G7.

In 2023, the BRICS economy saw an increase in momentum as economic activities gained pace. Nonetheless, the recovery faced challenges due to lingering effects of the ongoing crisis, elevated energy prices, and currency depreciation, among other factors. Among the BRICS nations, India experienced a 7.7% growth in GDP in 2023, while China and Brazil recorded year-on-year economic growth rates of 5.2% and 2.9%, respectively, for the same period.

Despite these positive trends, the BRICS economies grappled with persistently high inflation surpassing the target range and a rising benchmark interest rate, both of which had adverse effects on growth prospects.

Brazil

On an annual basis, economic growth ticked up to 2.1% in Q4, from the previous quarter's 2.0% increase. This brought the overall GDP expansion in 2023 to 2.9% (2022: +3.0%). The economy slowed only slightly in 2023 from the prior year, but the print was below both the government's 3% target as the economy felt the pinch of still-tight monetary policy. In its policy meeting held in March 2024, the Central Bank of Brazil cut its monetary policy rate. The bank's rate-setting committee cut its Selic policy rate to 10.75%, compared with 11.75% in the last quarter. The annual inflation rate in Brazil fell for a sixth straight month to 3.93% in March of 2024, the lowest in nine months, dropping from 4.5% in the previous month. The inflation outlook remains stable, with risks both to the upside and downside. Factors that could push inflation higher include ongoing global inflationary pressures and increased activity in the services sector.



Source: Bloomberg
f – Forecast

Russia

The Russian economy in 2023 outpaced both the United States and Europe in terms of growth, increasing in size by 3.6% despite being subject to a wide array of powerful economic sanctions and being cut off from major global markets. This growth was a stark departure from the 2.7% decline in GDP in 2022, when sanctions were imposed on the country. However, growth appears to have been driven mostly by ramped-up spending on the military, leading to question whether the growth is sustainable and what side effects it might have. The country is expected to grow by 3.7% in Q1 2024.

Inflation held steady at February's 7.7% in March, compared with 7.69% in the previous month. The inflation level was consistent with the market expectation, but well above the 4% target.

At the end of the quarter, the Central Bank of Russia held its interest rate at 16% per annum. Current inflationary pressures are gradually easing but remain high.

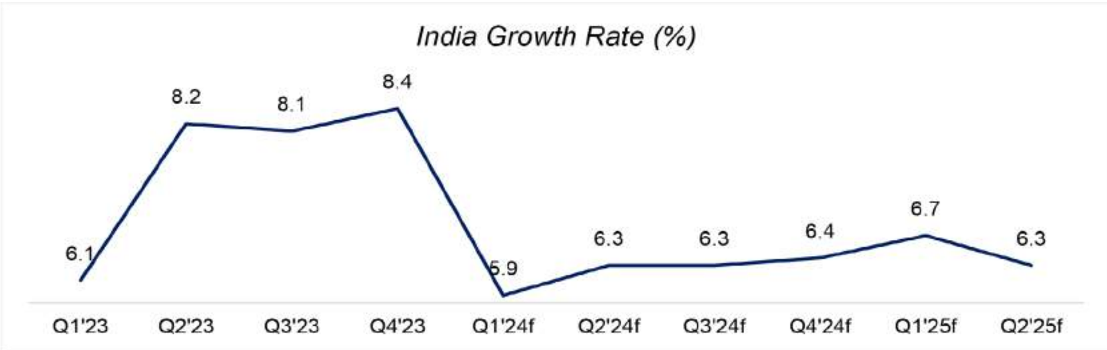
Source: Bloomberg
f – Forecast

India

India's economy saw a growth of 8.4% in Q4, 2023 compared to the same period last year, surpassing the 8.1% growth recorded in the previous quarter. India is expected to maintain its position as one of the world's fastest-growing economies, with the government's first advance estimate projecting a growth rate of 7.3% for 2023. The Reserve Bank of India held its key interest rate unchanged at 6.5% for the sixth consecutive month in February 2024 as widely expected amid persistent price pressures.

Inflation rate as of March 2024 was 4.85% against 5.09% from the previous month. Urban inflation declined to 4.14% from 4.78% while rural inflation rate rose marginally to 5.45% from 5.34% in the previous month.

According to Bloomberg analyst, GDP growth rate for Q1 2024 is expected at 5.9%.



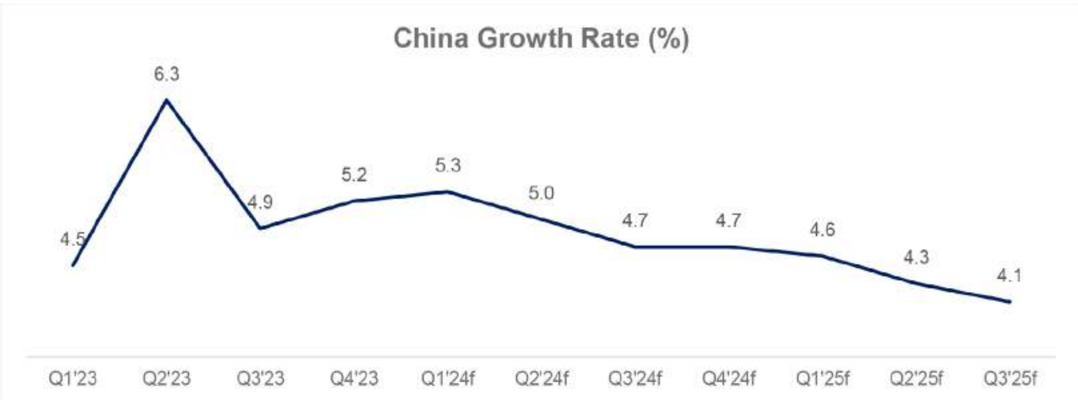
Source: Bloomberg
f – Forecast

China

China's economy grew 5.3% year-on-year in Q1 2024, faster than 4.6% expected by market analysts and higher than 5.2% recorded in Q4 2023. Growth was driven in part by external demand, as export volume grew by 14% year on year, the strong first quarter growth will make the government comfortable with its current policy stance.

China's consumer price index cooled more than expected in March while producer price deflation persisted. The inflation rate rose marginally to 0.1% year-on-year against a 0.7% rise in February, which was the first gain in six months.

The People's Bank of China in its meeting in March held its lending rates unchanged as expected by the market. The one-year loan prime rate (LPR) was kept at 3.45%, while the five-year LPR was unchanged at 3.95%.



Source: Bloomberg
f – Forecast

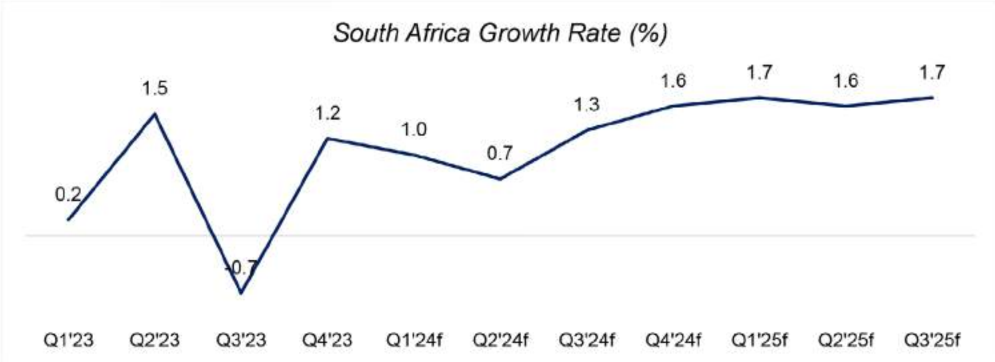
AFRICA

South Africa

In the fourth quarter of 2023, South Africa's economy grew by 1.2% from the annual decline of 0.7% recorded in the previous quarter. The expansion was driven by growth in six industries, with the transport, storage and communication industry making the biggest positive impact. Increased economic activity was reported for all transport services across the industry. On the downside, trade, agriculture, construction, and government were weaker. Agriculture, forestry & fishing had a notably tough quarter, shrinking by 9.7%. This was on the back of weaker production figures for field crops. Construction saw its first positive year since 2016, expanding by 0.6%. Agriculture recorded its first annual contraction since 2019, shrinking by 12.2%.

South Africa's consumer inflation fell slightly more than expected in March, headline inflation fell to 5.3% y-o-y from 5.6% in the previous month.

The South African Reserve Bank (SARB) maintained the key interest rate at 8.25% at its past five monetary policy meetings, saying last month that its stance needed to remain restrictive.



Source: Bloomberg
f – Forecast

Ghana

Ghana's economy grew 3.8% year-on-year in the fourth quarter, as the country recovers from its worst economic crisis in a generation due to spiraling public debt. The annual growth rate was higher than the 2.3% estimated by the International Monetary Fund in January but was still significantly slower than 3.8% growth in 2022. Annual growth was largely driven by services and agriculture, while the industry sector saw a small contraction.

The y-on-y inflation rate as measured by the CPI accelerated to 25.8% in March 2024 from 23.3% in the previous month. March's reading represented the highest inflation rate since November 2023 and was more than double the upper bound of the Bank of Ghana's 6.0–10.0% target band. Prices for food and beverages increased at a faster rate in March and a weaker cedi against the U.S. dollar pushed up prices of key imports food and fuel.

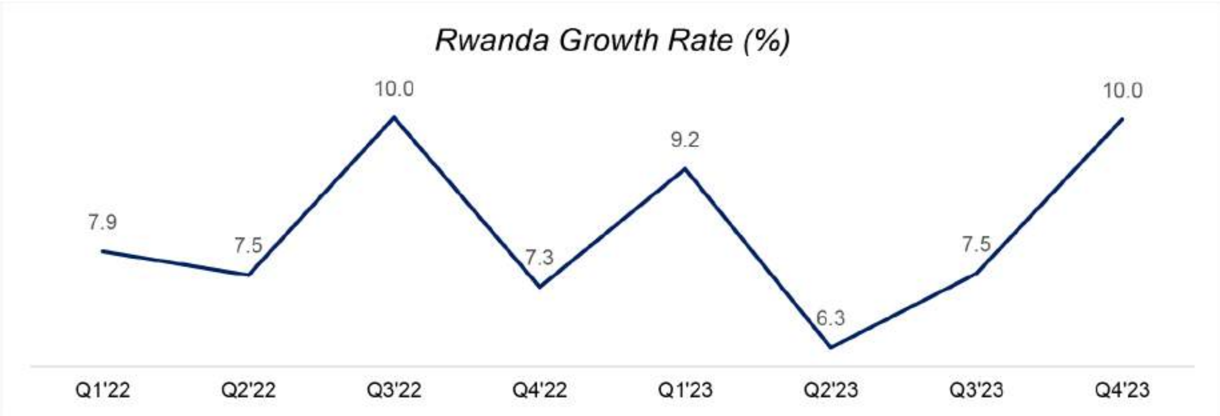
Source: Bloomberg
f – Forecast

Rwanda

During Q4 2023, Rwanda witnessed a significant surge in its annual economic growth, reaching 10%, marking the highest level since Q3 2022, as opposed to the 7.5% recorded in the previous quarter. Leading this growth trajectory was the services sector, which expanded by 11% and contributed 44% to the overall GDP. Particularly impressive performances were noted in information and communication activities (+43%), hotels and restaurants (+22%), and transportation

(+11%). Moreover, the industrial sector also experienced notable growth, expanding by 12%, with construction and manufacturing witnessing increases of 21% and 11%, respectively. Agricultural activity showed more moderate growth at 3%, primarily driven by an 8% rise in livestock and livestock products, alongside a 3% increase in food crops. However, there was a sharp decline of 13% in the production of export crops, largely due to decreased output in tea and coffee resulting from adverse climate conditions. On a quarterly basis, Rwanda's GDP advanced by 4.1% in Q4, following a 4.7% growth in the preceding quarter. Overall, throughout 2023, the economy displayed robust expansion, achieving a growth rate of 8.2%.

The annual inflation rate in Rwanda eased to 4.2% in March 2024, down from 4.9% in the prior month. Food and non-alcoholic beverages increased by 2.5% and Transport increased by 14.8%. The inflation rate excluding fresh food and energy increased by 5.8% when compared to March 2023. The annual average inflation rate between March 2024 and March 2023 is 10.2%.



Source: Bloomberg
f – Forecast

Section 2

THE NIGERIAN ECONOMY

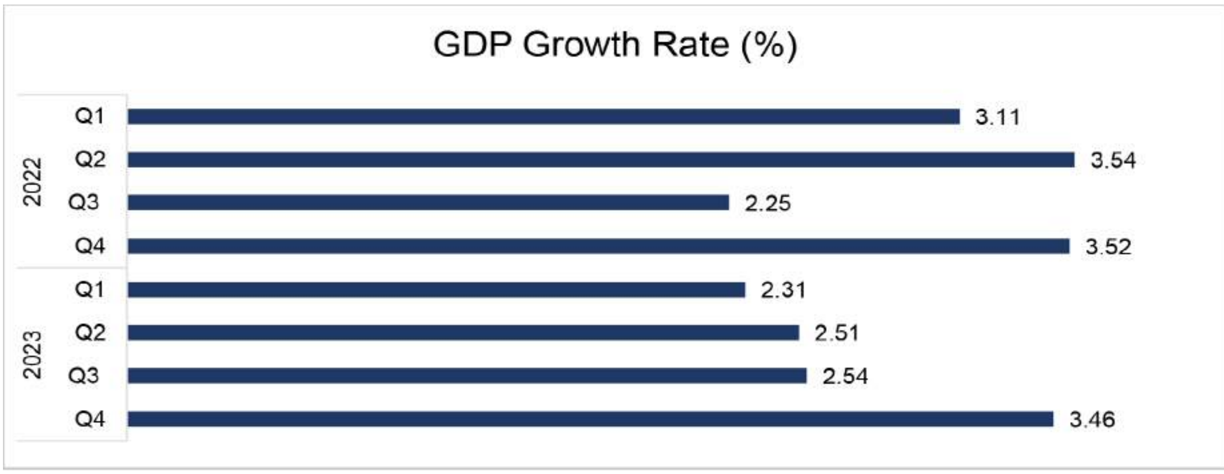
The year 2024 began with economic optimism given the bold reforms carried out by President Tinubu's administration. However, the ripple effects of these reforms lingered on, significantly impacting the standard of living of the populace. The impact of unifying the forex rate saw Naira exchange the Dollar as high as ₦1,303.33/$ at the end of Q1 2024 relative to ₦951.79/$ posted at the end of 2023. This pushed up the price of imports to higher levels. Higher energy cost and depreciating Naira pushed inflation rate to a 28-year high of 33.2% in March 2024 relative to 28.92% posted in the preceding quarter. This further worsened the living standard of the populace as the Misery Index, which is an addition of unemployment rate and inflation rate, came at 38.2% in March 2024 up from 33.92% posted in December 2023. To curb inflationary pressures and attract forex inflow which will help stabilize the exchange rate, the Monetary Policy Committee (MPC) raised the Monetary Policy Rate (MPR) twice in Q1 2024. The MPR was raised to 22.75% and 24.75% in February and March 2024, respectively from 18.75% announced in July 2024. While the Central Bank of Nigeria (CBN) and the Federal Government project 2024 economic growth at 3.38% and 3.88% respectively, the International Monetary Fund (IMF) and the World Bank are of a similar view of 3.3%.

A snapshot of the domestic economy for Q1 2024 is presented below:

Real GDP increased to 3.46% in Q4 2023 compared to 2.54% in Q3 2023	**Oil prices rose to $86/b in Mar. 2024 from $79.4/b posted in Dec. 2023**	**Exchange rate rose to ₦1,309.39/$ in Mar. 2024 from ₦907.11/$ in Dec. 2023**
The ASI jumped to 104,554 points in Mar. 2024 from 74,774 points in Dec. 2023	**Reserves rose to $33.83bn in Mar. 2024 from $32.91bn in Dec. 2023**	**Inflation printed at 33.2% in Mar. 2024 compared to 28.92% in Dec. 2023**
Composite PMI fell to 51 points in Mar. 2024 from 52.7 points in Dec. 2023	**MPR rose to 24.75% in Mar. 2023 from 18.75% in July 2023**	**Oil production fell to 1.23mbpd in Mar. 2024 from 1.34mbpd in Dec. 2023**

2.1. GDP Growth

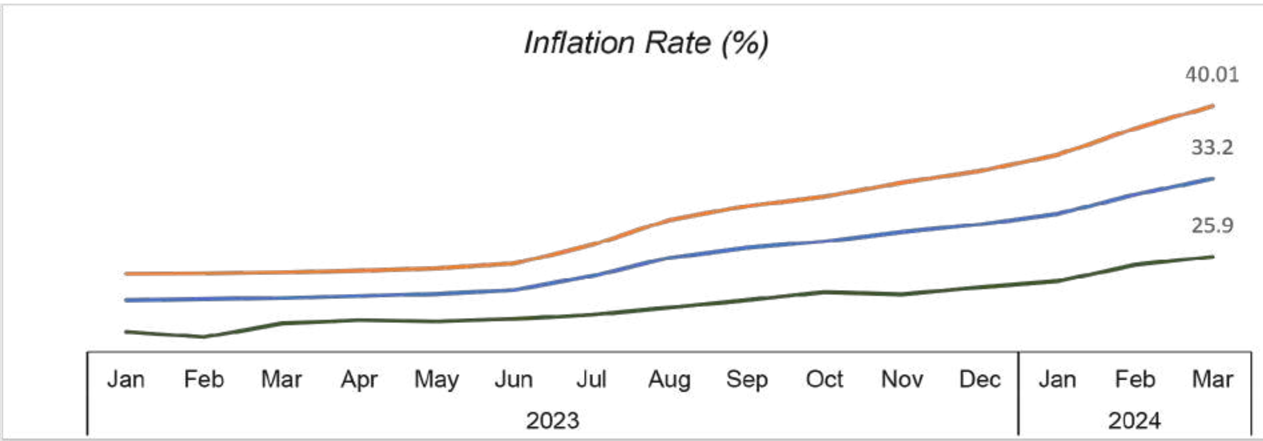
Nigeria's year-on-year economic growth accelerated to 3.46% in Q4 2023, higher than 2.54% recorded in the prior quarter but lower than 3.52% recorded in the corresponding quarter of 2022. This marks the 13th consecutive quarter of economic expansion and the strongest in a year, driven mainly by the non-oil sector which recorded a growth of 3.07% in Q4 2023 relative to 2.75% and 4.44% recorded in Q3 2023 and Q4 2022. Notably, the services sector recorded a growth of 3.98% in Q4 2023, contributing 56.55% to the aggregate GDP, primarily due to finance & insurance (+29.8%) and information & communication (+6.3%). Meanwhile, the oil sector experienced a sharp rebound as growth moved into the positive space for the first time since Q1 2020. Oil sector growth was printed at 12.1% from -0.83% and -13.38% recorded in Q3 2023 and Q4 2022. The growth in the oil sector was driven by higher oil production. Considering the entire year of 2023, Nigeria's economic growth reached 2.74%, lower than 3.10% recorded a year earlier.



Source: NBS

2.2 Inflation

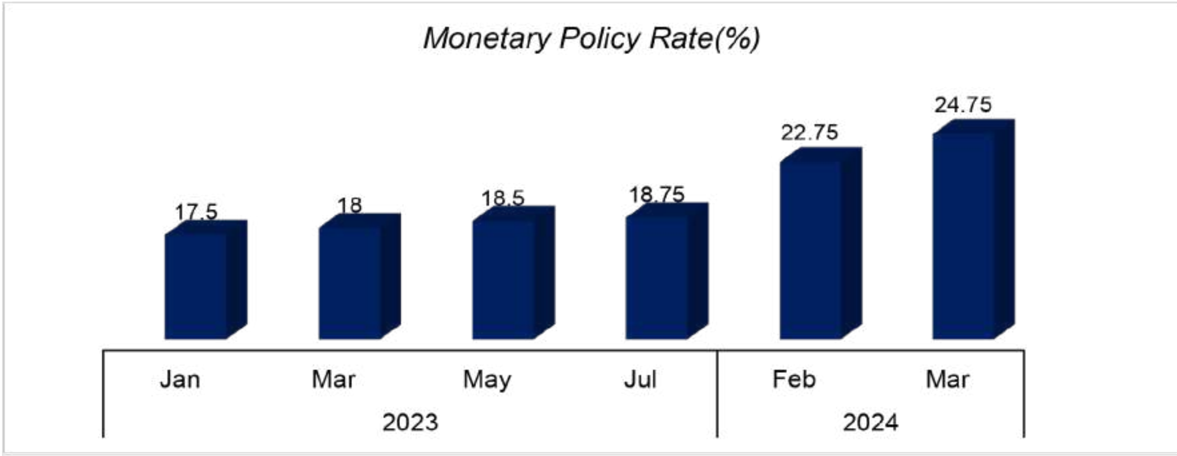
Nigeria's annual inflation rate soared to 33.2% in March 2024, the highest since March 1996, from 28.92% recorded in December 2023. The significant increase in inflation is primarily attributed to the pronounced devaluation of the naira during the month, alongside elevated energy costs. According to the National Bureau of Statistics (NBS), food inflation, which accounts for the bulk of Nigeria's inflation basket, rose to 40.01% in March, the highest since August 2005, from 33.93% in December 2023. The annual core inflation rate, which excludes farm produce and energy, jumped to a multi-year high of 25.90% in March from 23.06% recorded in December 2023.



Source: NBS

2.3 Monetary Policy

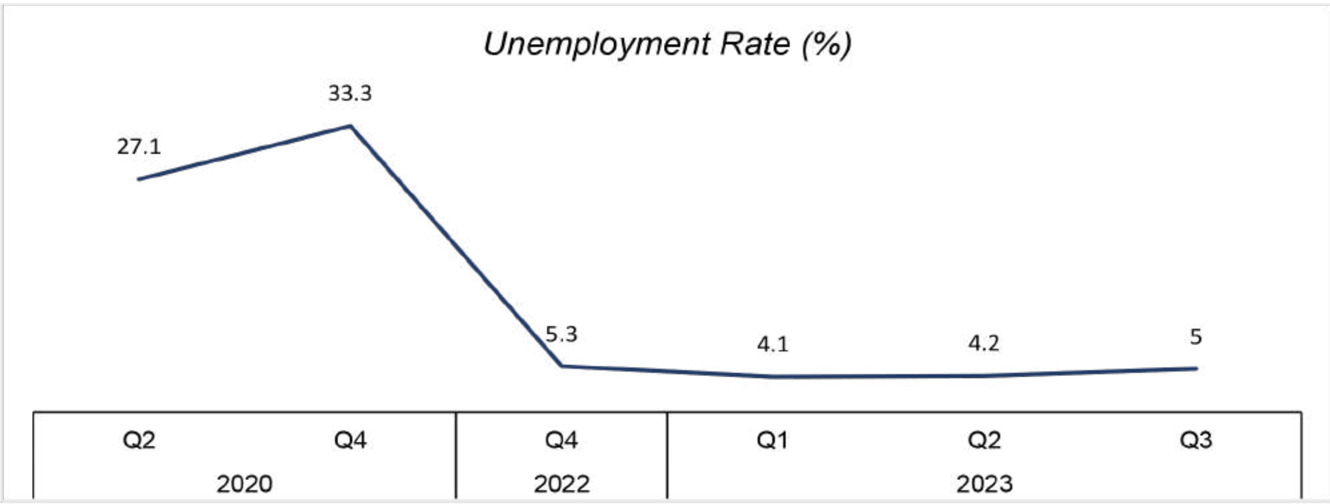
To combat inflationary pressures, manage inflation expectations, and stabilize the exchange rate, the MPC of the CBN raised the MPR by 200 basis points (bps) to a new record high of 24.75% on March 26th, 2024. This decision follows a significant 400bps increase during the February 2024 meeting, marking the largest surge in borrowing costs in 17 years. Since the tightening campaign commenced in May 2022, there has been a cumulative increase of 1,325bps. The MPR hike in February 2024 was the first hike under the leadership of Dr. Olayemi Cardoso. Policymakers have affirmed their dedication to maintaining this tightening cycle.



Source: NBS

2.4 Unemployment

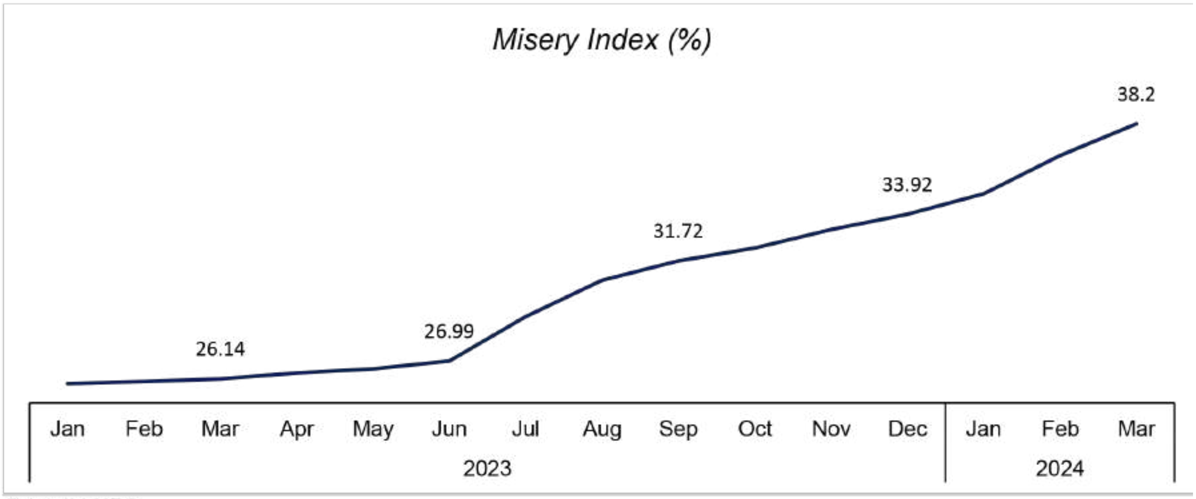
The Nigeria labour force statistic report for Q3 2023 revealed that unemployment rate uptick to 5.0% in Q3 2023, higher than 4.2% recorded in the preceding quarter but lower than 5.3% recorded in the last quarter of 2022. Youth unemployment rate rose to 8.6% in Q3 2023 relative to 7.2% and 8.3% posted in Q2 2023 and Q4 2022, respectively. Recall that a new methodology, which adopts a larger working age population of 15 years and above and a minimum of 1 hour a week considered as employed, was adopted.



Source: NBS

2.5 Misery Index

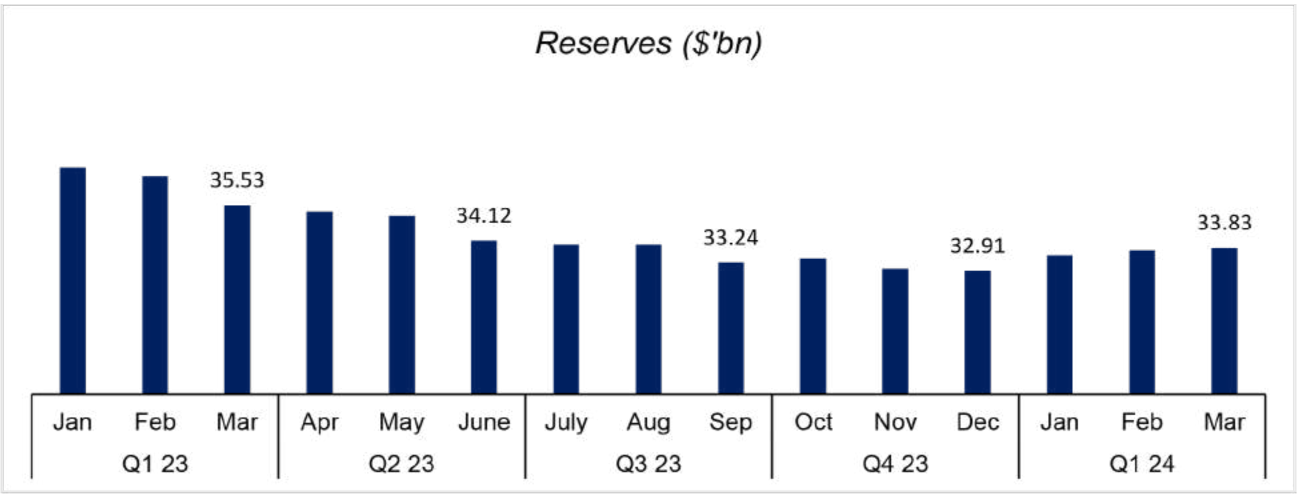
The misery index, which is a combination of the inflation rate and unemployment rate, rose by 428bps to settle at 38.2% in March 2024 compared with 33.92% recorded in December 2023, respectively. The impact of the fuel subsidy removal and exchange rate unification became more evident on the living standards of Nigerians in Q1 2024.



Source: NBS

2.6 External Reserves

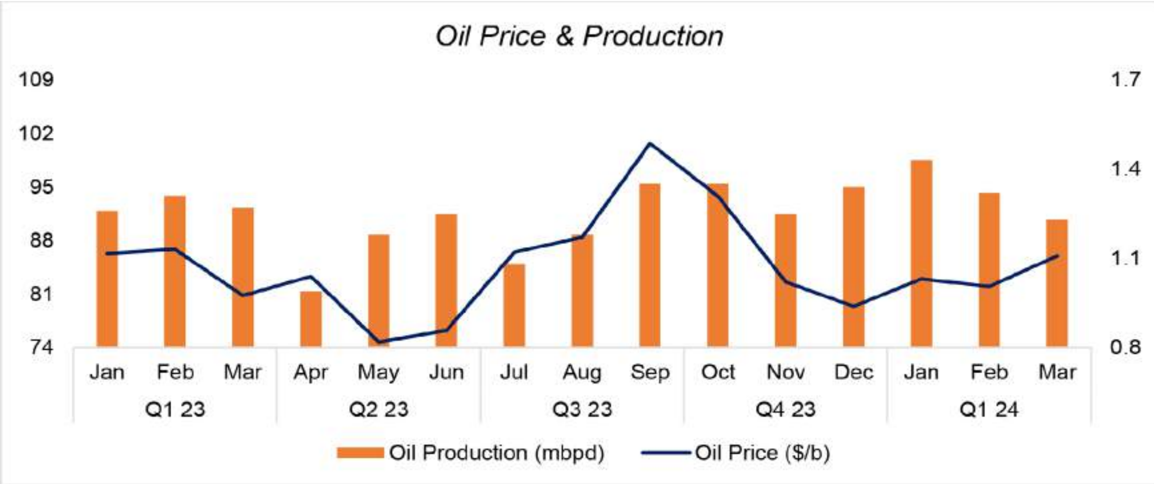
Increased forex inflows into the economy via higher oil prices, foreign portfolio investments and remittances saw the quarter-on-quarter change on external reserve close in green at the end of Q1 2024. At the end of Q1 2024, foreign reserve stood at $33.83 billion down from $32.91 billion recorded at the end of the previous quarter, representing an increase of 2.80%.



Source: CBN

2.7 Oil Price & Production

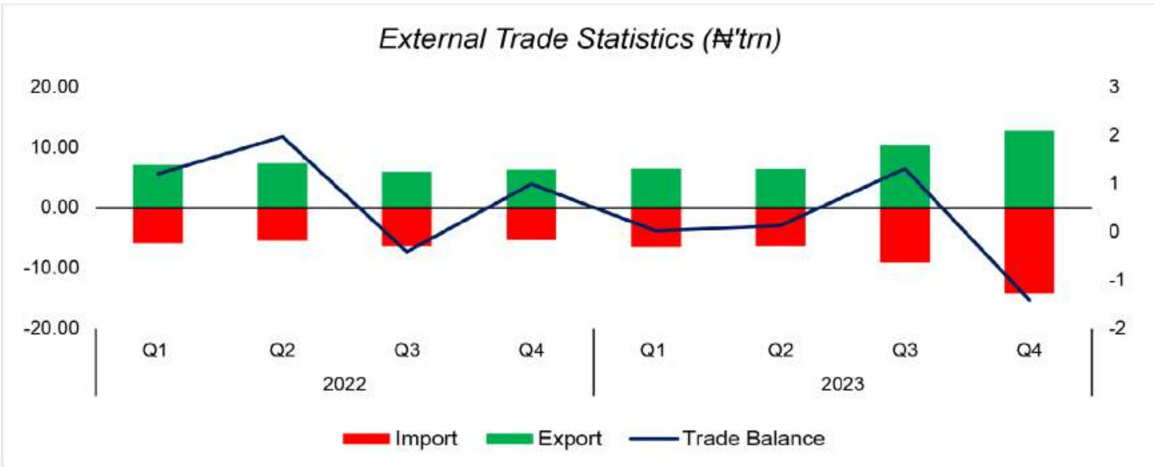
Oil prices looked northwards, in Q1 2024, as heightened tensions in the Middle East and speculations that the Organization of the Petroleum Exporting Countries Plus (OPEC+) will extend supply cuts continued to raise supply concerns. Bonny Light, Nigeria's crude oil benchmark, rose by 8.31%, to settle at $86/b at the end of Q1 2024. Oil production settled at 1.23 million barrels per day (mbpd) in March 2024, lower than 1.34mbpd recorded in December 2023. The decline in production was attributed to issues encountered on the Trans Niger Pipeline, coupled with maintenance activities carried out by some oil companies during the period.



Sources: CBN, NUPRC

2.8 External Trade

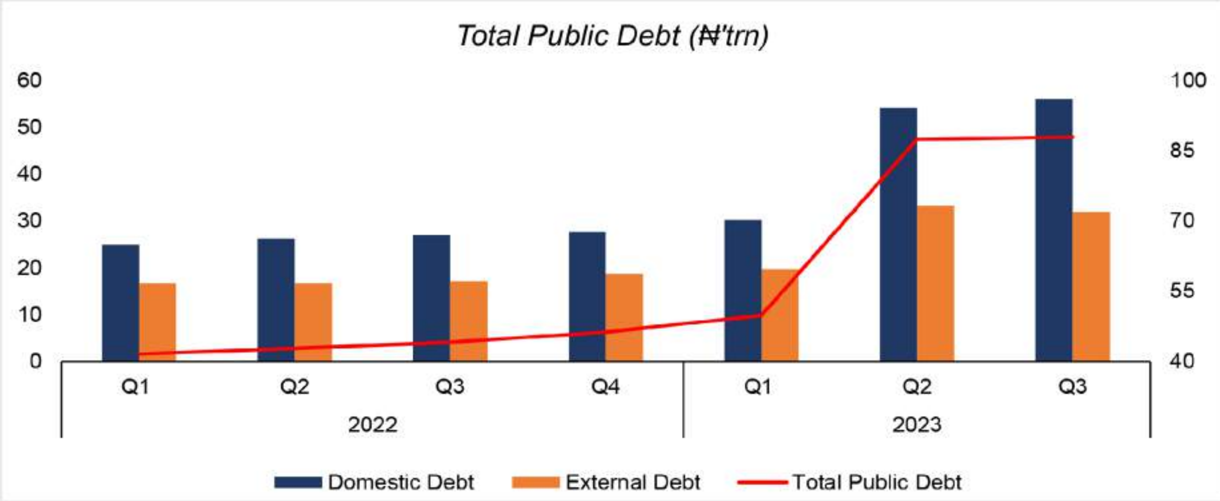
The Q4 2023 foreign trade report revealed that Nigeria recorded a negative trade balance in the quarter. Imports outweighed exports in Q4 2023, resulting to a negative trade balance of ₦1.41 trillion. Comparing Q4 2023 figures to Q3 2023 and Q4 2022, exports increased by 22.6% and 99.5%, respectively, to reach ₦12.69 trillion. Petroleum oils and oils obtained from bituminous minerals and crude remained the chief contributor to export earnings, accounting for 81.23% of total exports in Q4 2023. On the other hand, imports grew, but at a faster pace, increasing by 56.1% and 163.2% to reach ₦14.11 trillion. Overall, total trade volume rose by 38.2% and 128.7% to reach ₦26.08 trillion. Nigeria's top 5 export trading partners for Q4 2023 were the Netherlands, India, Spain, Canada, and France while the top 5 import trading partners were Singapore, China, Belgium, India, and the US.



Source: NBS

2.9 Total Public Debt

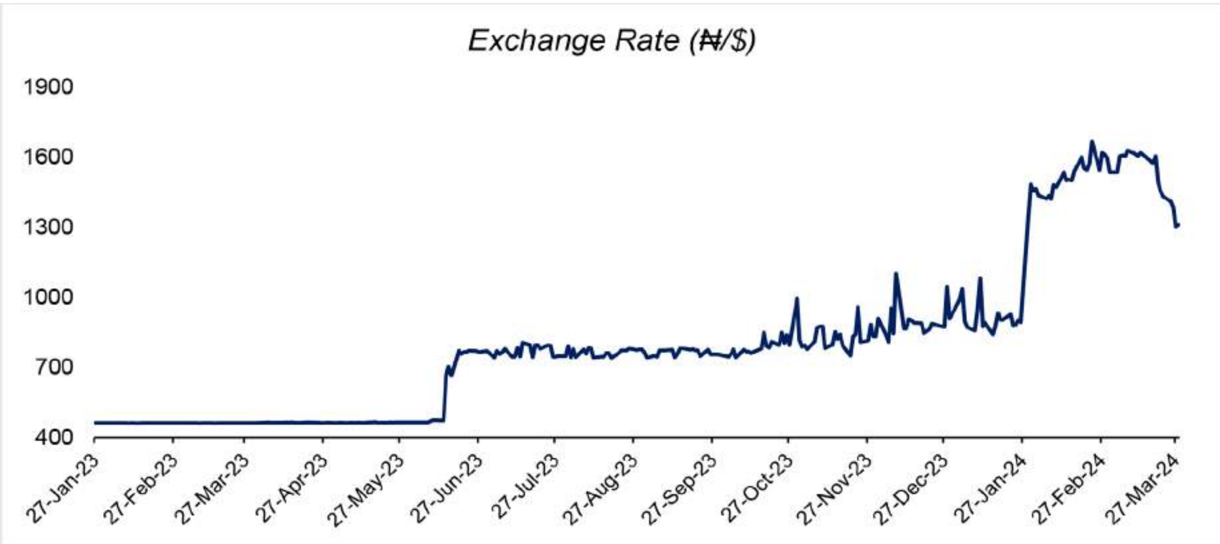
The Q4 2023 debt report, released by the Debt Management Office (DMO), revealed that total public debt for Nigeria rose by 10.73% and 110.46% to sit at ₦97.34 trillion ($108.23 billion), relative to figures posted in Q3 2023 and Q4 2022, respectively. The significant year-on-year increase rode on the back of Naira devaluation, inclusion of the ₦22.71 trillion securitized FGN's ways and means advances and increased borrowings. While domestic debt accounted for 60.74% to settle at ₦59.12 trillion ($65.73 billion) in Q4 2023, external debt contributed 39.26% of total public debt to settle at ₦38.22 trillion ($42.5 billion). Both components of debt also increased relative to the prior quarter and the corresponding quarter of 2022.



Source: DMO

2.10 Exchange Rate

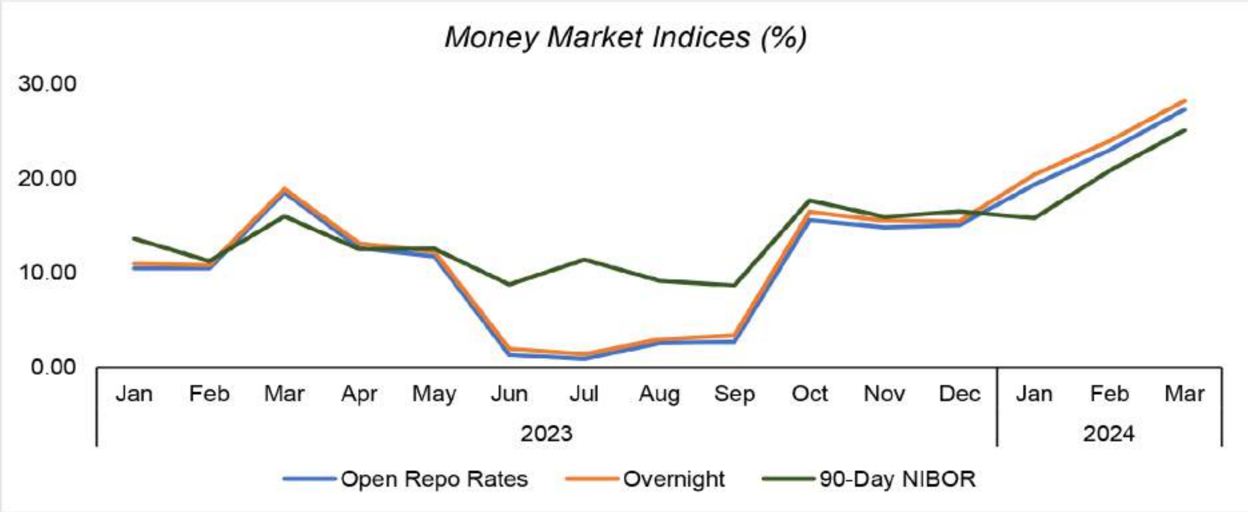
A significant movement in the exchange rate was witnessed in the official forex market in Q1 2024. This could be attributed to the change in the calculation methodology of the closing forex rate in line with recent market developments. Hence, the Naira exchanged the Dollar for ₦1,309.39/$ at the end of Q1 2024, relative to ₦907.11/$ recorded at the end of Q4 2023, representing a 44.35% depreciation.



Source: FMDQ

2.11. Money Market

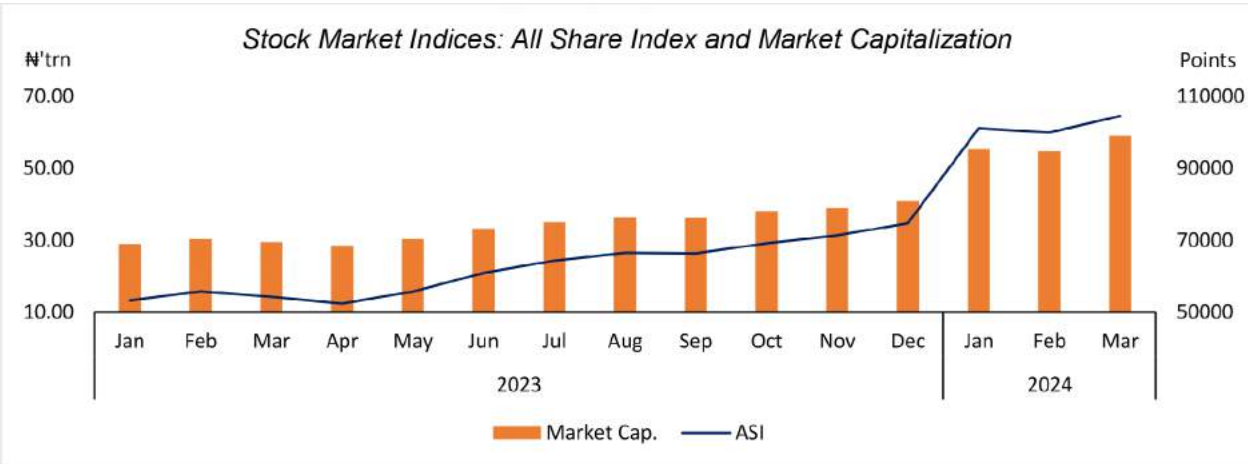
Higher MPR, Cash Reserve Requirement (CRR) debit, Open Market Operation (OMO), Nigerian Treasury Bills (NTB) and Bond auction settlement depressed liquidity in the money market in Q1 2024. Consequently, the Open Repo Rate (OPR) and Over Night (ON) rose significantly to 27.29% and 28.21% from 15.06% and 15.47% recorded at the end of the prior quarter. Similarly, relatively longer-dated placements such as the 90-day Nigerian Interbank Offered Rate (NIBOR) increased to 25.10% from 16.50% for the reference periods.



Source: FMDQ

2.12. The Stock Market

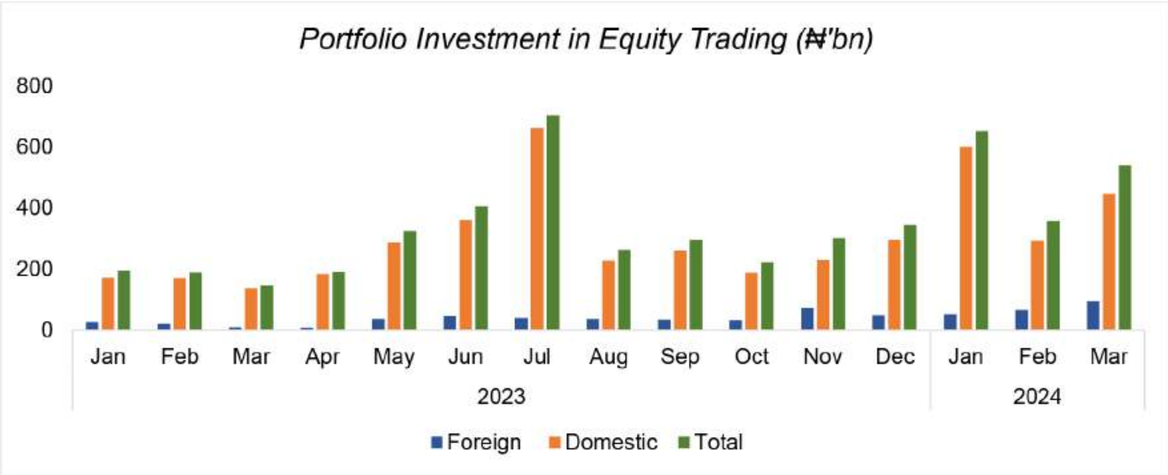
The bullish trend on the Nigerian Exchange was maintained in Q1 2024, driven by a strong investors' confidence in the country's equities which led to an upward surge in market activities. All segments of the market, especially the banking segment, witnessed a boost as investors showed increased interest in the equities market. The All-Share Index (ASI) rose to 104,554.13 points in March 2024, gaining 29,780 points from 74,774 recorded in December 2023. On the other hand, market capitalization closed March 2024 at ₦59.12 trillion relative to ₦40.92 trillion recorded in December 2023.



Source: NGX

2.13. Portfolio Investment – NGX

Total equity transactions for March 2024 sat at ₦538.54 billion from ₦343.9 billion recorded in December 2023. Overall, total equity transactions for Q1 2024 grew by 191.94% sitting at ₦1.548 trillion relative to ₦530.23 billion recorded in Q1 2023. The significant activities witnessed in the equities market in the first quarter of 2024 were driven majorly by both local and foreign investors as they sought higher yields. In March 2024, the domestic portfolio equity remained the chief contributor to the total equity on the Nigerian bourse, accounting for 82.50% while foreign portfolio equity accounted for 17.50%.

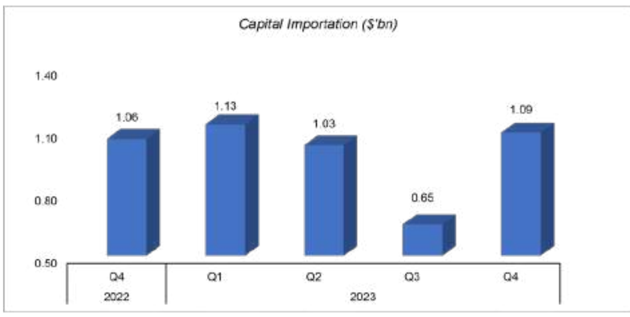


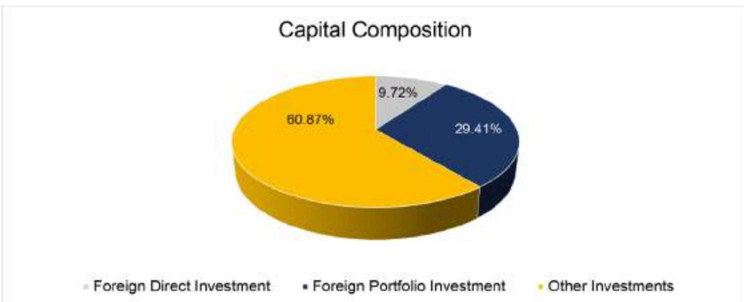
Source: NGX

2.14. Capital Importation

Capital importation improved by 66.27% and 2.62% to settle at $1.09 billion in Q4 2023, compared to $0.65 billion and $1.06 billion recorded in Q3 2023 and Q4 2022, respectively. Overall, total capital imported into Nigeria sat at $3.91 billion in 2023, a decline of 26.70% from $5.33 billion recorded in 2022. Other Investments contributed the most to the capital imported in 2023, accounting for 60.87% to settle at $2.38 billion.

Foreign Portfolio Investment (FPI) and Foreign Direct Investment (FDI) contributed 29.41% and 9.72% to the capital imported in the reference period, respectively. The production/manufacturing sector received the most capital, accounting for 40.7% of the total capital imported in 2023. The United Kingdom remained the leading source of capital import to Nigeria while Lagos remained the top destination for capital import.





Source: NBS

2.15. Purchasing Managers' Index

The Purchasing Managers' Index (PMI) slowed to 51.0 points in March 2024, down from 52.7 points recorded in December 2023. The quarter-on-quarter decline showed the lingering impact of reforms on business activities. Price pressures intensified in the country's private sector amid currency weakness, pushing input costs to surge at its highest level since January 2014 and leading output charges to soar unprecedentedly. With steep inflationary pressures, both output and new orders growth slowed sharply.

Source: Stanbic IBTC

2.16. Credit Ratings

Moody's Ratings, an international credit rating agency, revised its outlook on Nigeria to positive from stable. The reason for the outlook upgrade was attributed to possible reversal of the deterioration in the country's fiscal and external position due to authorities' reform efforts. The agency also affirmed the long-term foreign currency and local currency issuer ratings at "Caa1". According to the rating agency, these policy changes, and those potentially to come, have raised the prospects of a fiscal and external improvement in the country's credit profile.

Fitch Ratings, an international credit rating agency affirmed Nigeria's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'B-' with a Stable Outlook. The 'B-' rating is supported by a large economy, a developed and liquid domestic debt market, and large oil and gas reserves. However, the rating is constrained by weak governance, structurally very low non-oil revenue, high hydrocarbon dependence, security challenges, high inflation, low net FX reserves and ongoing weakness in the exchange-rate framework. The government has taken important steps to reduce fuel subsidies and reform the exchange rate framework. However, there has recently been some backtracking on reforms, notably a lower degree of price discovery in the FX market than in late June, raising doubt about the strength of this positive momentum, hence the stable outlook.


make foreign payments
with ease
You can now make safe foreign currency payments and generate telex copies for your local and offshore transactions on PrimusPlus.
Visit www.accessbankplc.com/primusplus to get started.
accessbankplc.com/primus/
Personal Private Corporate Business
access
primus+
Welcome to PrimusPlus
More Information:
01-271-2005-7, 01-2273000,
0700-300-0000
accessbankplc.com
Facebook.com/accessbankplc | Twitter.com/myaccessbank
Youtube.com/accessbankplc | LinkedIn/accessbankplc
Instagram/myaccessbank
access
more than banking

2.17. Socio-Economic Landscape

President Bola Ahmed Tinubu, in November 2023 presented the 2024 federal budget tagged "Budget of Renewed Hope" to the National Assembly. The aggregate expenditure of ₦27.50 trillion is to be sponsored by ₦18.32 trillion, thus leaving a deficit of ₦9.18 trillion to be financed by borrowings. The 2024 proposed budgeted expenditure and revenue exceeds the 2023 budget expenditure and revenue by 10.8% and 65.79%, respectively. The 2024 budget proposal adopted a $77.96 per barrel oil benchmark price and oil production estimate of 1.78mbpd. Similarly, GDP, inflation and exchange rate forecasts were held at 3.76% and 21.40% and N750/$, respectively.

2.18. Financial Sector Developments

The Monetary Policy Meeting was suspended for the rest of the year given that the Committee of the previous administration had already met at least 4 times within the year as stipulated by the constitution guiding the Central Bank.

Section 3

OUTLOOK FOR 2024

GDP Growth

Despite the negative ripple effect of the latest reforms, growth is expected to stay above3% as the positive impact dominates. Downside risk to this projection include heightened geopolitical tension, dwindling private consumption, amongst others.

Foreign Exchange

Foreign exchange is expected to hover at an average of 1200 and 1400. The FX convergence will lead to significant short-term volatility in rates but will stabilize as dollar supply improves.

Crude Oil

Oil price is expected to remain above $80/b. The current instability in the middle east and cuts from OPEC+ will support the oil price. However, weak demand from key consuming economies and an increase in the US crude stockpile could weigh on price.

Monetary Policy

The benchmark rate might peak around 26% - 28%. The CBN will sustain its hawkish monetary policy stance for price stability and to attract FX inflows, thereby bolstering the value of the naira.

Foreign Reserves

Improving oil production, import substitution and export promotion initiatives is expected to keep reserves around $35 billion - $37 billion.

Inflation

Disinflation is anticipated toward the latter part of the first half of 2024 due to the effects of a base effect and the implementation of higher interest rates aimed at absorbing excess liquidity in the system, which is expected to counteract the upward pressure on inflation.

Email: economicintelligence@accessbankplc.com