ACCESS QUARTERLY

Q2 2023

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Section 0.1

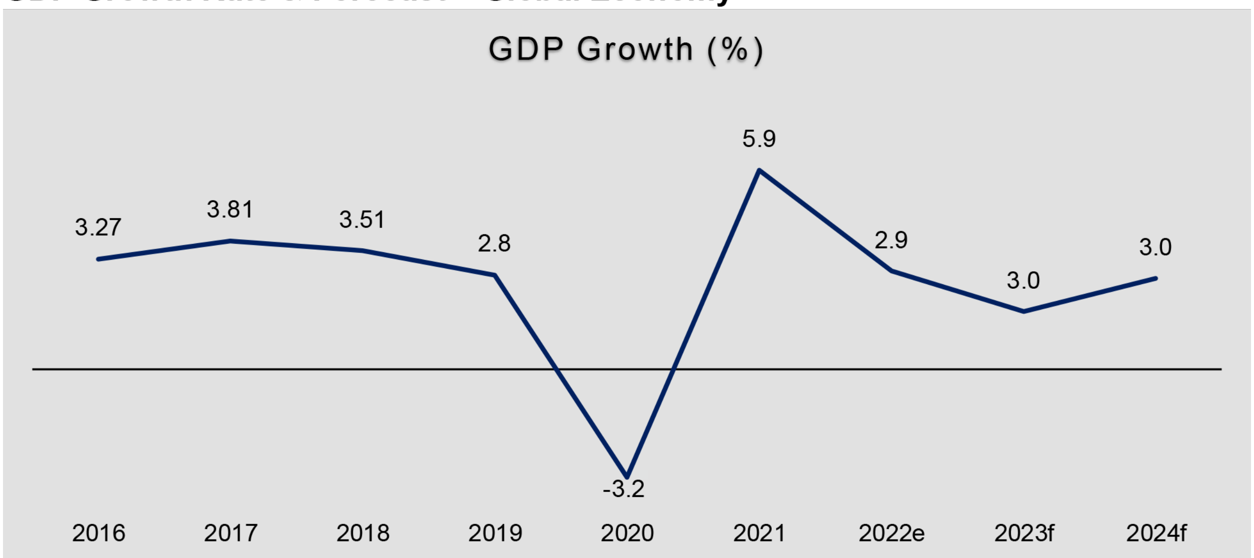
GLOBAL ECONOMY

Global economic growth rate is expected to decline over the next few years, with projections indicating a decrease from an estimated 3.5% in 2022 to 3% in both 2023 and 2024. Although the forecast for 2023 is slightly higher than previously predicted in the April 2023 World Economic Outlook (WEO), it remains relatively weak when compared to historical standards. Furthermore, global headline inflation is anticipated to decrease to 6.8% in 2023 and 5.2% in 2024 from the 8.7% recorded in 2022.

As the world grapples with the aftermath of the COVID-19 pandemic and the impact of Russia's invasion of Ukraine, the global recovery is showing signs of slowing down. Economic sectors and regions are experiencing widening divergences, adding to the challenges. Notably, in May, the World Health Organization (WHO) announced that COVID-19 was no longer considered a "global health emergency."

Despite the prevailing difficulties, there have been some positive developments. Supply chains have largely recovered, and shipping costs, along with suppliers' delivery times, have returned to pre-pandemic levels.

GDP Growth Rate & Forecast – Global Economy



Source: IMF

GLOBAL ECONOMY
UNITED STATES/EURO AREA

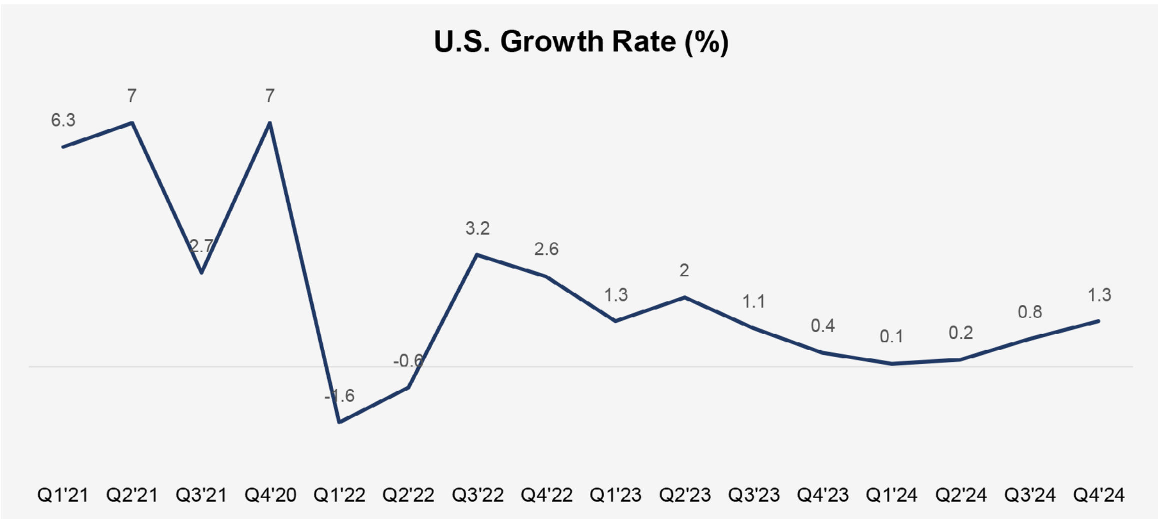
GDP Growth Rate & Forecast – U.S.A., Eurozone, and BRICS

United States

Gross Domestic Product (GDP) rose at 2.4% annual rate in Q2 2023, which was up from 2% in Q1 2023, the growth in the quarter is far stronger than what forecasters expected a few months ago. The reading on gross domestic product was bolstered by consumer spending, showing that recession forecasts early in the year were premature, at least.
Growth has not posted a negative reading since the second quarter of 2022, when GDP fell at a 0.6% rate. The inflation rate has witnessed a consistent downward trend in recent months, with the inflation rate standing at 3% in June 2023, compared to 4% in May 2023.

This represents the lowest inflation rate since March 2021. However, despite this, policymakers at the Federal Reserve have continued to increase interest rates, given that the inflation rate remains above their target range. The Fed's raised its benchmark borrowing rate 5.25% - 5.50%. For the US, analysts project GDP growth rate of 1.1% in Q3 2023 and 0.4% in Q4 2023.

GDP Growth Rate – United States of America



Source: Bloomberg
****Forecast: Q3'23 – Q4'24***

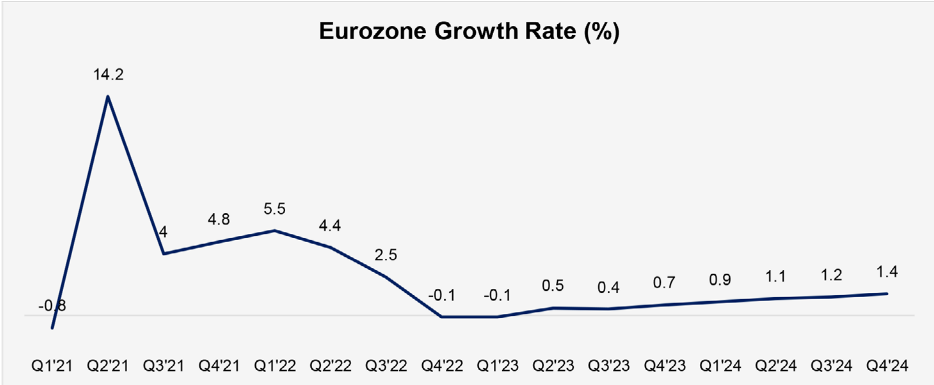
Unemployment rate as of June 2023 fell slightly to 3.6% from 3.7% the previous month, with the decrease coming as labour force participation increased to its highest level since before the COVID pandemic.

Euro Zone

EUROZONE

Euro zone inflation fell in July 2023, and new growth figures showed economic activities picking up in the second quarter of this year. The euro zone economy grew by 0.6% year- on-year in Q2 2023, easing from a 1.1% expansion in the previous quarter. GDP is forecast to grow by 0.4% and 0.7% in Q3 and Q4 2023 respectively.

GDP Growth Rate & Forecast – Eurozone



Source: Trading Economics
****Forecast: Q3'23 – Q4'24***

Headline inflation in the Euro area was 5.5% in June, lower than 6.1% recorded in May. However, it remains well above the European Central Bank's (ECB) 2% target for the 20- member bloc. The lowest inflation rates were recorded in Luxembourg (1.0%), Belgium and Spain (both 1.6%). The highest annual rates were recorded in Hungary (19.9%), Slovakia (11.3%) and Czechia (11.2%). Compared with May, annual inflation fell in twenty-five Member States, remained stable in one and rose in one. The ECB raised the three key interest rates by 25 basis points in July 2023. Accordingly, the interest rates on the main refinancing operations, marginal lending facility and the deposit facility were increased to 4.25%, 4.50% and 3.75%, respectively.

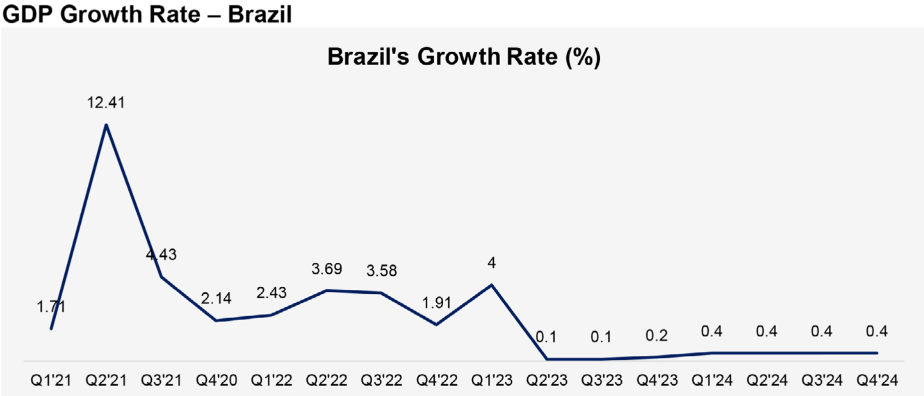
BRICS

The BRICS economy gained traction in 2023 as economic activities picked up however, the recovery was hampered by the residual effects of the ongoing crisis, high energy prices and currency depreciation amongst others. Among BRICS countries, India's GDP grew by 6.1% in Q1 2023, while China and Brazil economies grew by 6.3% and 4% year- on-year, respectively for the quarter. The BRICS economies continue to be confronted by higher inflation that surpass the target range, and rising benchmark interest rate that negatively impact growth prospects.

Brazil

At the end of Q2, Brazil's Central Bank improved its 2023 GDP growth forecast to 2% from 1.2% it estimated in March. The Central Bank emphasized that the outlook ahead points to an economic slowdown as cumulative effects of the domestic monetary policy and the influence of global growth deceleration take hold. Brazil's economy recovered more than anticipated in Q1 due to a growing agriculture sector. This paved the way for a more positive yearly outlook. Annually, GDP in Q1 showed an increase of 4% compared to the corresponding quarter of the previous year. According to analysts, GDP is expected to grow by 0.1% and 0.2% for Q3 and Q4 2023, respectively.

GDP Growth Rate – Brazil



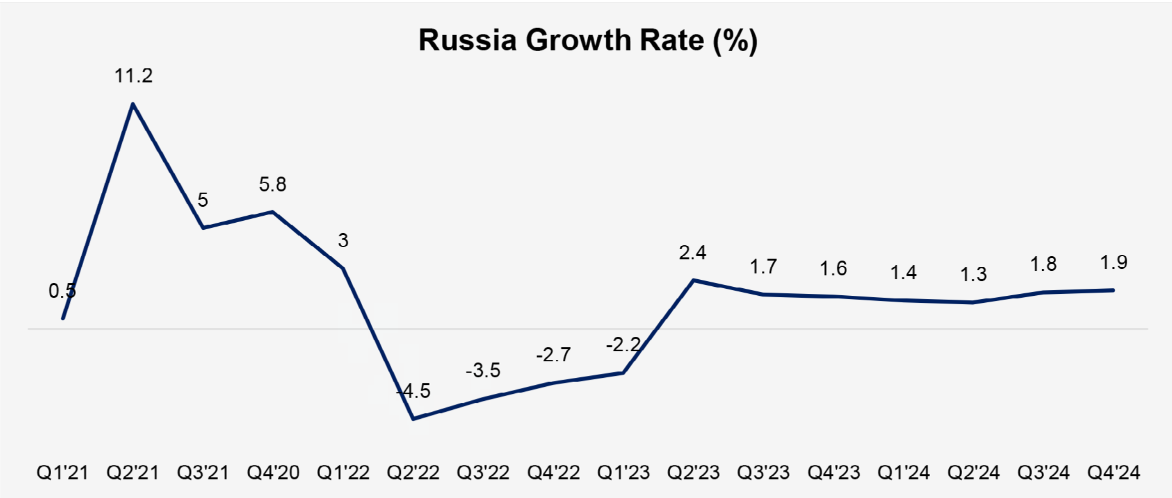
Source: Bloomberg
****Forecast: Q3'23 – Q4'24***

In its recent policy meeting, the Central Bank of Brazil cut its monetary policy rate, marking the first rate cut in three years. The bank's rate-setting committee Copom cut its Selic policy rate to 13.25% from 13.75%. This decision follows a period of maintaining a steady rate since September 2022, when a substantial increase of 1,175 basis points was effected to combat inflation. The rate hike in September 2022 was recognized as the most aggressive global monetary tightening at that point in time.

Russia

The forecast for Russia in 2023 has been revised upward by 0.8 percentage point to 1.5% reflecting hard data (on retail trade, construction, and industrial production) that point to a strong first half of the year, with a large fiscal stimulus driving that strength. However, the economy contracted in the first quarter of the year by 2.2% on a year-on- year basis. GDP is forecast to grow by 1.7% and 1.6% for Q3 and Q4 2023 respectively.

GDP Growth Rate – Russia



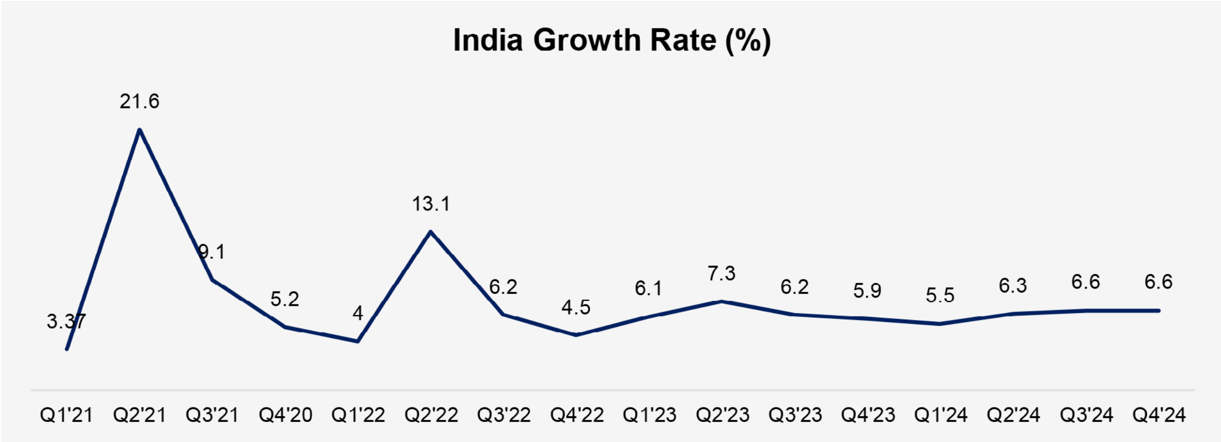
Source: Bloomberg
****Forecast: Q3'23 – Q4'24***

The annual inflation rate in Russia rose to 4.3% in July 2023 from 3.3% in the preceding month. the highest in five months and in line with market expectations, and above the Central Bank's target of 4%. The bank hiked its key rate by a larger-than-expected 100 basis points to 8.5% on July, after months of increasingly hawkish rhetoric as it held rates steady.

India

According to the IMF, growth in India is projected at 6.1% in 2023, this is a 0.2 percentage point upward revision compared with the Fund's April projection reflecting momentum from stronger-than-expected growth in the first quarter of 2023 because of stronger domestic investment. GDP accelerated on the back of the recovery in private investment and domestic consumption. On a quarterly basis, analysts project GDP to grow by 6.2% and 5.9% in Q3 and Q4 2023 respectively. Growth is expected to be constrained by slower consumption growth and challenging external conditions. Annual inflation rose to a three-month high of 4.81% in June from 4.25% in the previous month.
The Reserve Bank of India held its key interest rate unchanged at 6.5% to monitor the impact of a series of hikes over the past year.

GDP Growth Rate – India

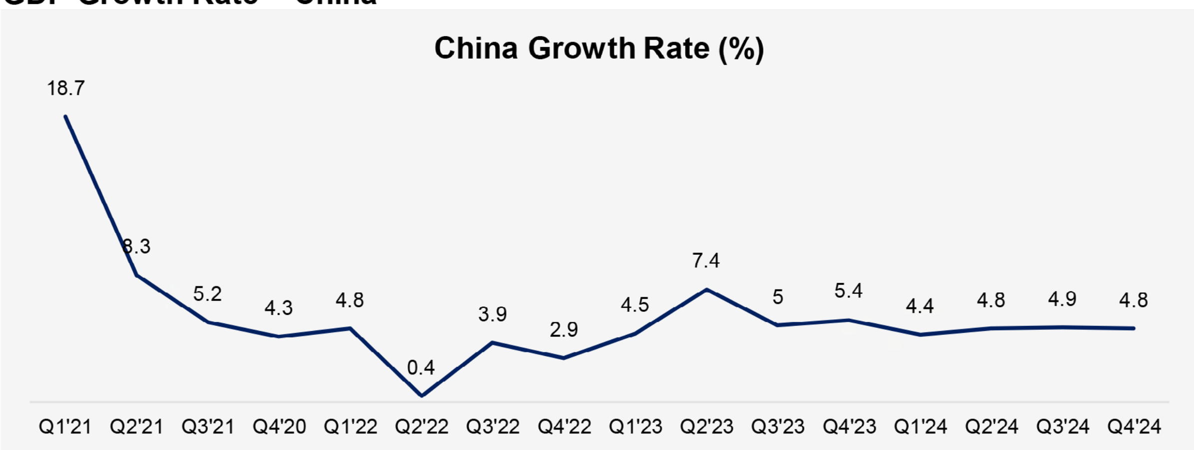


Source: Bloomberg
****Forecast: Q2'23 – Q4'24***

China

Beijing's economy expanded 6.3% year-on-year in Q2 2023 due to low base effect, this was also below market forecast of 7.3% in the quarter. Data suggests that China's post- COVID boom is clearly over. The second quarter's performance was heavily skewed by economic pains caused by stringent COVID-19 lockdowns in Shanghai and other major cities last year. China reported inflation data for July 2023 that pointed to a modest improvement from June. The consumer price index fell by 0.3% in July from a year ago, but was up by 0.2% when compared with June, according to the National Bureau of Statistics. The year-on-year CPI print for July was slightly better than expectations for a 0.4% decline, according to market analysts. GDP is expected to grow by 5% in Q3 2023 respectively.

GDP Growth Rate – China



Source: Bloomberg
****Forecast: Q3'23 – Q4'24***

Interest rate in China remained unchanged at 3.55% in August 2023.

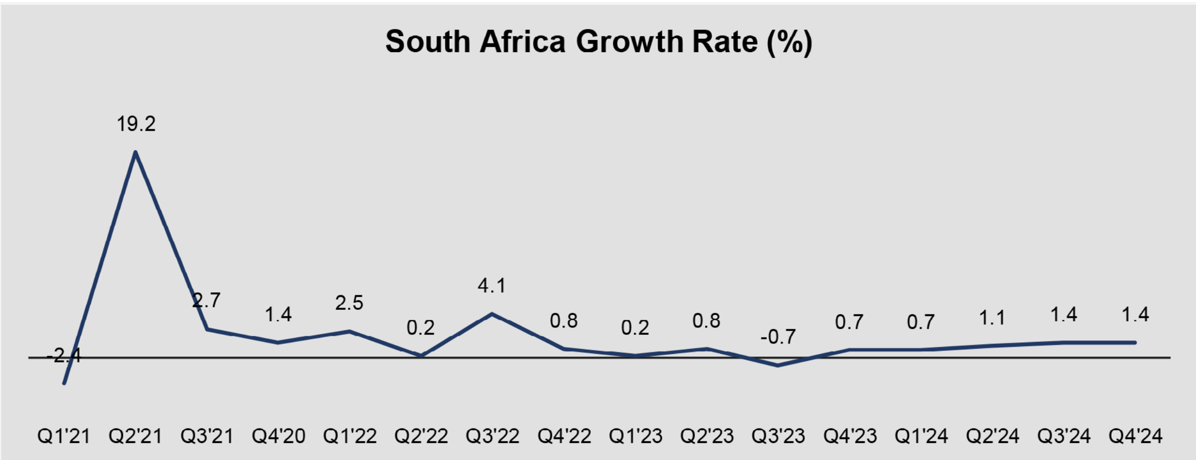
GLOBAL ECONOMY
AFRICA

South Africa

South Africa currently faces a cost-of-living crisis. Further monetary tightening may stabilize prices and provide relief to the poorest, but it may also jeopardize economic growth. Crippling power cuts, volatile commodity prices and a challenging external environment have contributed to the country's weak growth performance.

The economy grew 0.4% quarter-on-quarter in Q1 2023, and 0.2% year-on-year. Sectors that yielded growth were manufacturing and finance, real estate and business services. GDP is forecast to grow by 0.8% and -0.7% for Q2 and Q3 2023 respectively. South Africa's annual inflation rate eased further to a 19-month low of 5.4% in June 2023, down from 6.3% in May and below market forecasts of 5.6%, moving back to the central bank's target range of 3%-6%.
The South African Reserve Bank (SARB) held at 8.25% at the Monetary policy meeting held in July.

GDP Growth Rate– South Africa

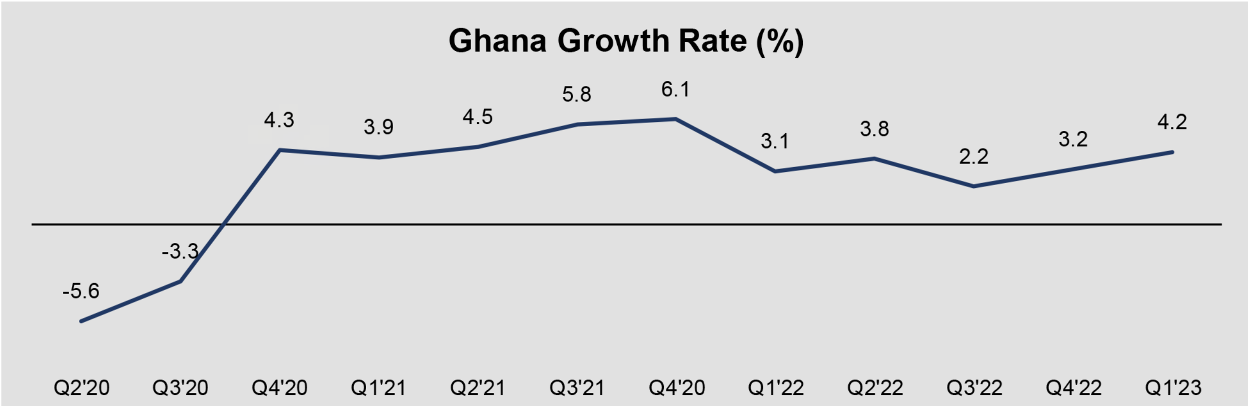


Source: Bloomberg
****Forecast: Q2'23 – Q4'24***

Ghana

Ghana's GDP expanded by 4.2% YoY in Q1 2023 compared against 3.7% in the previous quarter. The cocoa producing nation is facing its worst economic crisis attributable to the spiraling public debt crisis. Ghana's annual inflation rate edged higher for the third month running to 43.1% in July 2023, up from 42.5% in the prior month and well above the central bank's target band of 6% to 10%. It was the steepest inflation rate in four months, with the cedi experiencing some volatility during the month, in comparison to the relative stability observed since the beginning of June. Upward pressure came from both food (55% vs 54.2% in June), and non-food prices (33.8% vs 33.4%). Interest Rate in Ghana remained unchanged at 30% in July 2023.

The World Bank projected that growth for 2023 will be recorded at 1.6% and 2.9% in 2024.

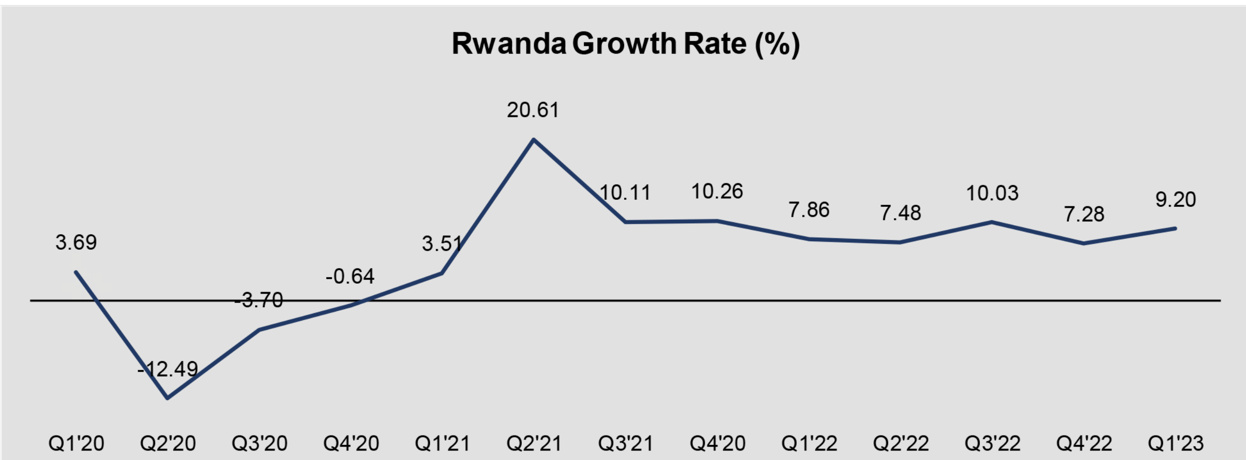


Source: Bloomberg

Rwanda

Rwanda's economy grew 9.2% in Q1 2023 from 8.2% growth in 2022. Growth was observed mainly in services and industry, both of which grew 13% and 9%, respectively. Agriculture saw a growth of 1%. The National Bank of Rwanda (NBR) has kept its central bank rate (CBR) unchanged at 7%, despite the International Monetary Fund (IMF) push to tighten the monetary policy further to contain inflationary pressures. Analysis indicates the inflationary pressures are on a declining trend, although still high. Rwanda's headline inflation eased to 17.8% in April, the lowest in seven months from a peak of 21.7% in November 2022. The World Bank projected that growth for 2023 will be recorded at 5.8%.

GDP Growth Rate – Rwanda



Source: Bloomberg


Welcome to PrimusPlus
DATE: 01/01/2018
TIME: 14:20
CARD TYPE AB
ACCT: XXXX XXXX XXXX 0000
AUTH CODE: 12345
EXP DATE: XX/XX
CHECK: 0000
TALE: 011
SERVER: NAME
SUBTOTAL: $726
Gratuity:
Total:
Signature:
CUSTOMER COPY
Benefits of PRIMUSPLUS

Section 2

THE NIGERIAN ECONOMY

The second half of 2023 started with high hopes for the Nigerian economy given the expected policy action of the new government. The removal of fuel subsidy – long in place for over 45 years – was the first major policy call made by the new government. The action led to soaring prices as pump price of petrol rose by over 150%. To this effect, inflation rate rose to 22.79% in June 2023, relative to 22.04% reported in March 2023. Another policy reform was the unification of the exchange rate which sought to restore foreign investors' confidence in the Nigerian foreign exchange market and reduce the exchange rate premium. The local currency at the Investors' and Exporters window depreciated to ₦756.24/$ at the end of Q2 2023 from ₦461.15/$ in Q1. The floating of the Naira significantly shrank the exchange rate premium but added upward pressure on inflation.

To tackle the inflationary pressure and reduce the negative real interest rate gap, the Monetary Policy Committee (MPC) raised the key benchmark rate further to 18.5% in May from 18% in March.

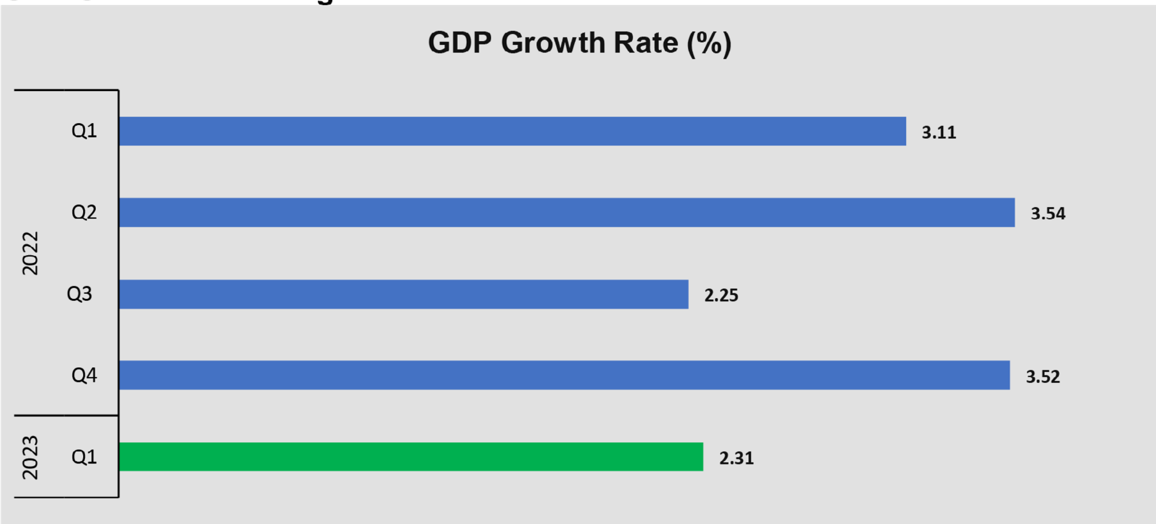
A snapshot of the domestic economy for the Q2 2023 is presented below:

Real GDP declined to 2.31% in Q1 2023 compared to 3.52% in Q4 2022	Oil prices declined to $76.22/b in Jun. 2023 from $80.8/b posted in Mar. 2023	Exchange rate at the I&E window depreciated to ₦769.25/$ in Jun. 2023 from ₦461.15/$ in Mar. 2023
The ASI jumped to 60,968.27 points in Jun. 2023 from 54,232.34 points in Mar. 2023	Reserves dropped to $34.12bn in Jun. 2023 from $35.53bn in Mar. 2023	Inflation printed at 22.79% in Jun. 2023 compared to 22.04% in Mar. 2023
Composite PMI rose to 53.2 points in Jun. 2023 from 42.3 points posted in Mar. 2023	MPR rose to 18.5% in May 2023 from 18.0% recorded in Mar. 2023	Total public debt increased to ₦49.85trn in Q1 2023 from ₦46.25trn in Q4 2022

2.1. GDP Growth

The Nigerian economy advanced by 2.31% in Q1 2023, relatively lower than the 3.52% recorded in Q4 2022. The decline could be partly attributed to the adverse impacts of fuel scarcity and cash crunch triggered by the Naira redesign policy of the CBN. Data published by the National Bureau of Statistics (NBS) showed that the non-oil sector grew at a slower pace of 2.77% in Q1 2023 from 4.44% recorded in Q4 2022. The sector, however, remained the main catalyst of the country's economic growth, contributing 93.79% to GDP. Performance of the non-oil sector in Q1 2023 was supported mainly by the telecommunications, financial institutions, trade, construction, road transport, food, beverage & tobacco industries. Meanwhile, the oil sector contracted at a slower pace, recording -4.21% in Q1 2023 from -13.38% printed in the preceding quarter. The agriculture sector witnessed its first quarter decline in decades as growth came to -0.90% from 2.05% recorded in the past quarter as most agricultural activities were impacted by. the cash crunch. The contribution of the oil sector to the GDP improved to 6.21% from 4.34% during the reference period.

GDP Growth Rate – Nigeria

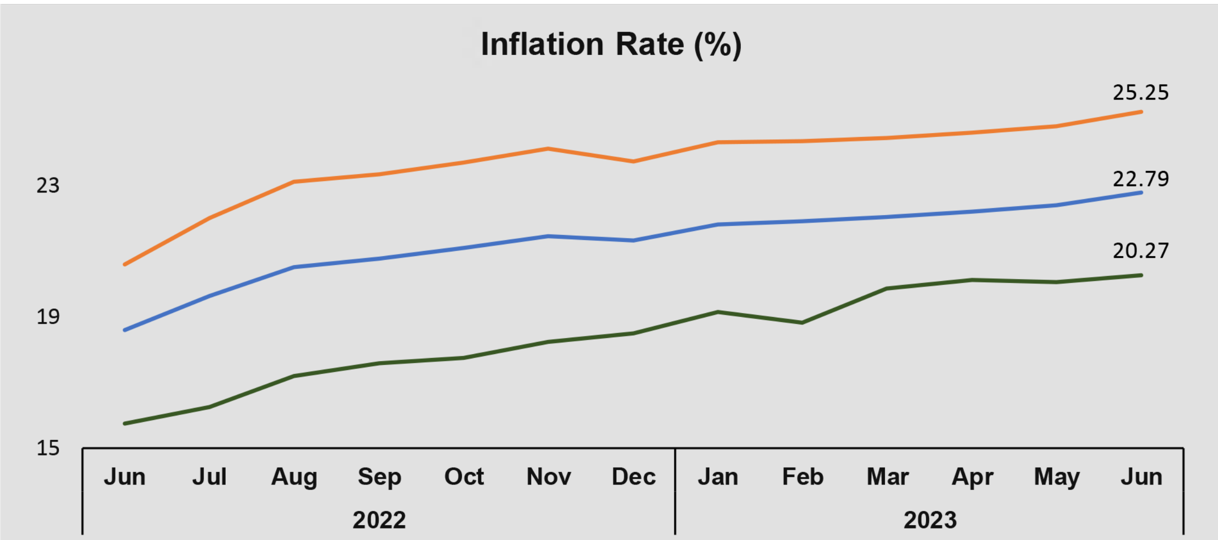


Source: NBS

2.2 Inflation

The annual inflation rate in Nigeria quickened for the 6th month to a multidecade high of 22.79% in June 2023, up from 22.04% printed at the end of March. Food inflation climbed further to 25.25% in June from 24.45% in March, significantly impacted by insecurity in major food-producing areas and activities of middlemen in the food distribution channels. The annual core inflation rate, which excludes farm produce, picked up to a record high of 20.27% from 19.86% for the reference period. The impact of the removal of fuel subsidy and the unification of the exchange rate also contributed to the high price levels.

Inflation Year-on-Year

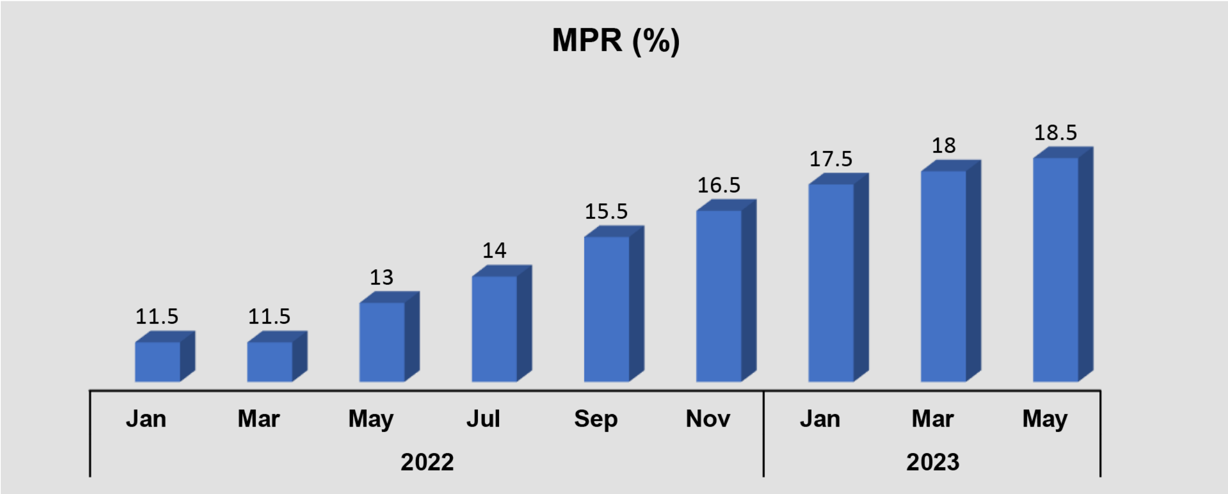


Source: NBS

2.3 Monetary Policy

To tackle the persistent rising prices and reduce the negative real interest rate gap, the Monetary Policy Committee (MPC) of CBN raised the key benchmark rate further to 18.5% in May 2023 from 18% in March 2023. The increase marked the 3rd consecutive rate hike bringing borrowing costs to their highest since the Monetary Policy Rate (MPR) was adopted in 2006. The Committee believed the further hike in the policy rate would abate aggregate demand as the upturn in inflation was driven by a combination of both demand and supply side issues.

Trend in MPR

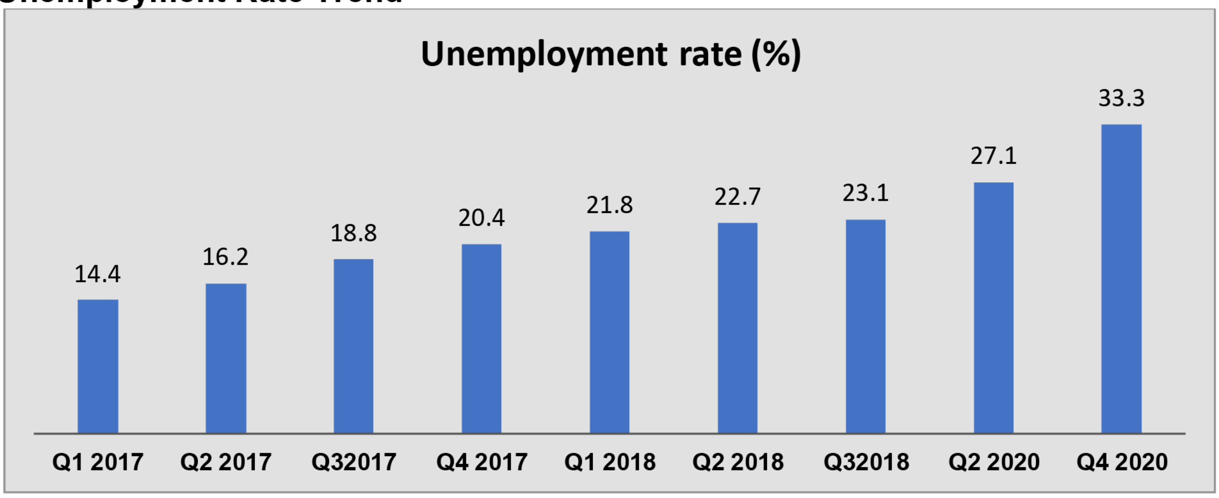


Source: CBN

2.4 Unemployment

Based on available data from the NBS, the unemployment rate was 33.3% in Q4 2020 from 27.1% posted in Q2 2020. However, underemployment declined to 22.8% in Q4 2020 from 28.6% posted in Q2 2020. The severe impact of the COVID-19 epidemic, along with the country's frail economy (at the time), may be to blame for the rising unemployment. The high unemployment rate increased insecurity across the country as individuals look for additional unlawful methods to make ends meet.

Unemployment Rate Trend

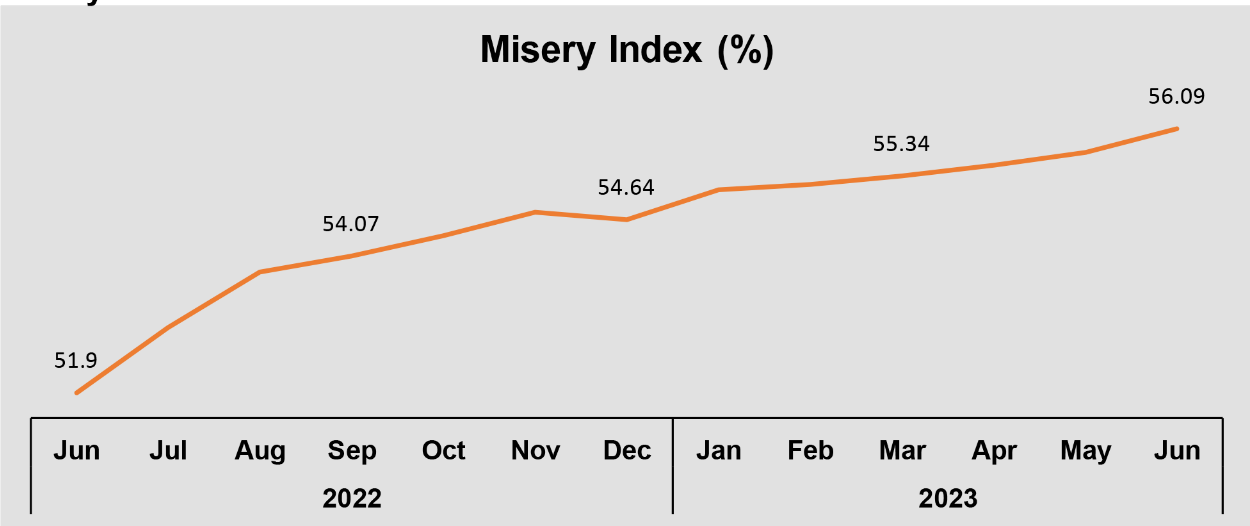


Source: NBS

2.5 Misery Index

The misery index, which is a combination of the inflation rate and unemployment rate, rose by 75 basis points (bps) to settle at 56.09% in June 2023 compared with 55.34% posted in March 2023. The ripple effect of the fuel subsidy removal and unification of the exchange rate coupled with pre-existing structural challenges further worsened the living condition of the populace.

Misery Index

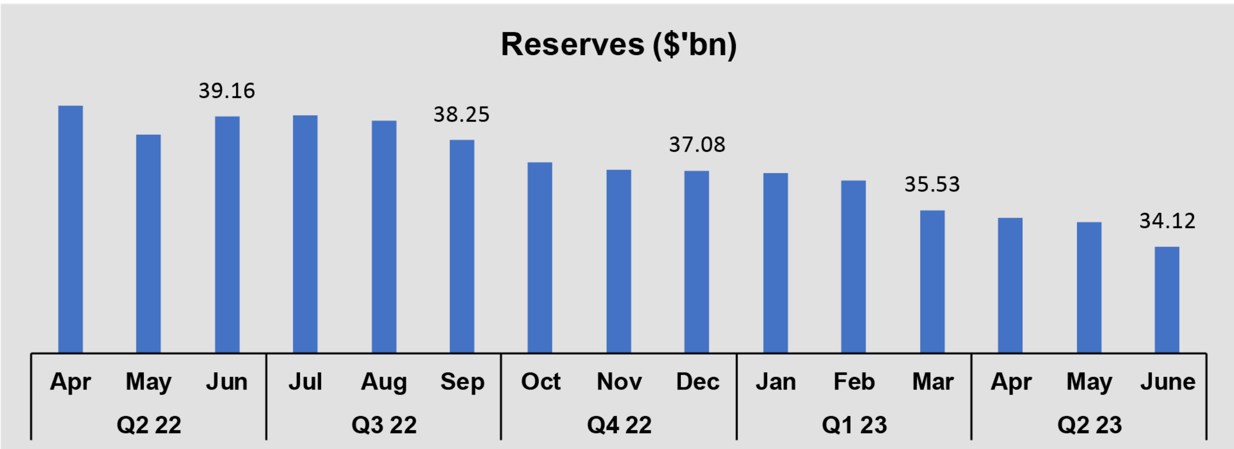


Source: NBS

2.6 External Reserves

The buildup of external reserves eased as the CBN continued to intervene in the foreign exchange market amidst the low supply of the Dollar. While the subsidy removal eased the burden on reserves, relatively lower domestic oil production, low inflow of foreign portfolio investment (FPIs) and diaspora remittances dampened its growth. Reserves fell by 3.31% to settle at $34.12 billion at the end of Q2 2023 relative to $35.25 billion posted in Q1 2023.

External Reserves

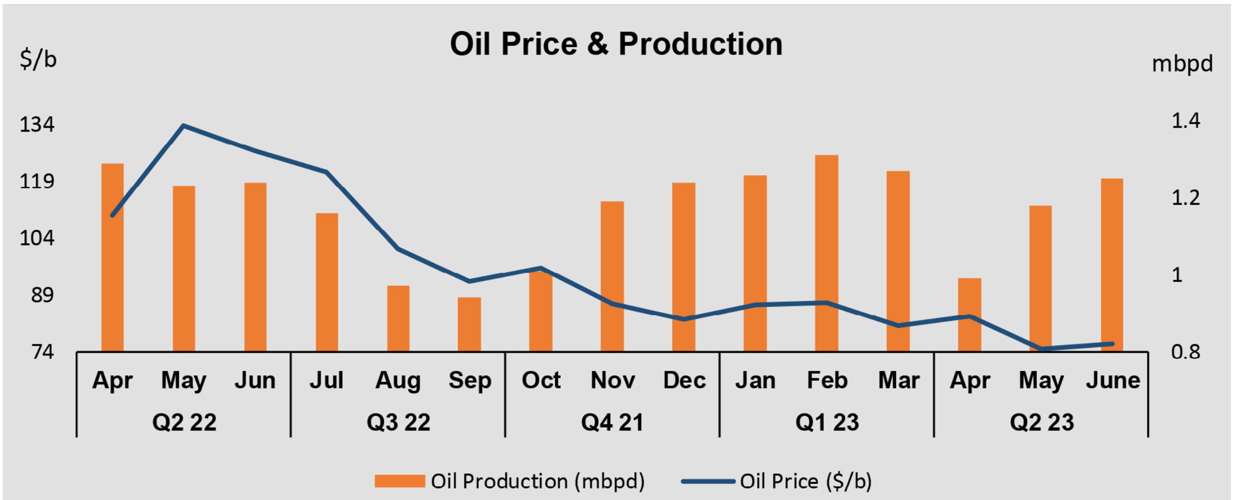


Source: CBN

2.7 Oil Price & Production

Oil prices remained depressed in Q2 2023, hinged on demand concerns and an uncertain outlook for Organization of the Petroleum Exporting Countries Plus (OPEC+) production policy and a pessimistic economic outlook in China. Consequently, Bonny Light, Nigeria's benchmark oil price closed the quarter at $76.22 per barrel (pb) from $80.8pb posted at the end of the preceding quarter. Also, oil production was at low levels at the start of Q2 reflecting the impact of oil theft and production shut down. However, production improved to 1.25 million barrels per day (mbpd) in June, although lower than 1.27mbpd recorded in March, thanks to the government's intensified efforts to ward off thefts.

Oil Price & Production

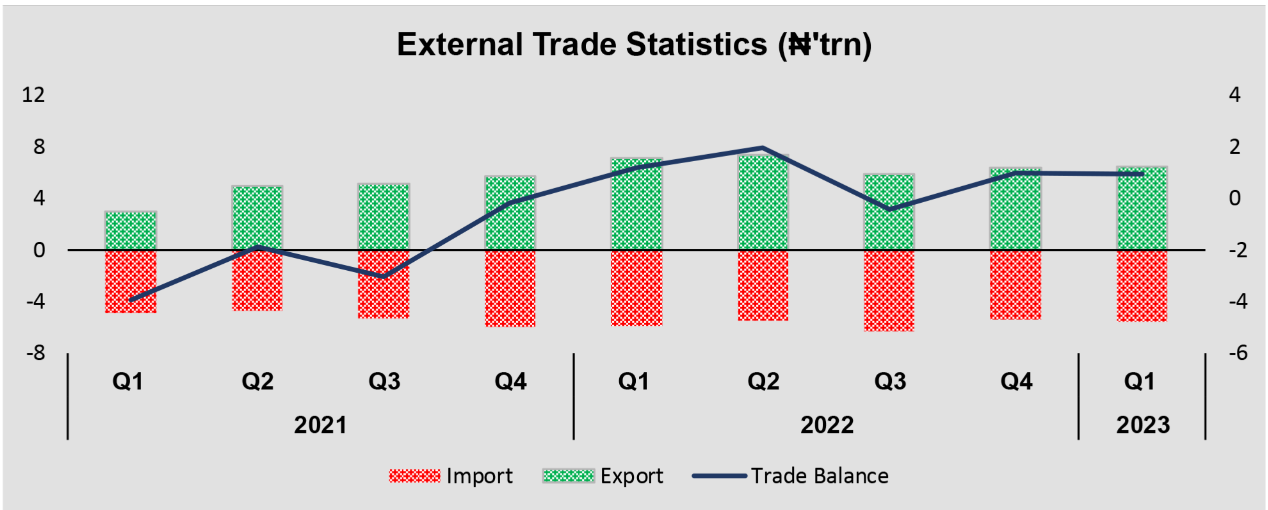


Source: CBN

2.8 External Trade

As exports outperformed imports in the first quarter of 2023, Nigeria recorded a trade surplus of ₦0.93 trillion. Comparing Q1 2023 export figures to Q4 2022, exports increased by 2.04% to reach ₦6.49 trillion. The growth of imports, on the other hand, was faster, increasing by 3.73% to reach ₦5.56 trillion as opposed to the ₦5.36 trillion recorded in the preceding quarter. Overall, total trade volume rose by 2.82% to reach ₦12.05 trillion, up from the ₦11.72 trillion recorded in the previous quarter. Nigeria's top 5 export trading partners for Q1 2023 were the Netherlands, the USA, Spain, France, and Indonesia while the top 5 import trading partners were China, Netherlands, Belgium, India, and the USA.

External Trade

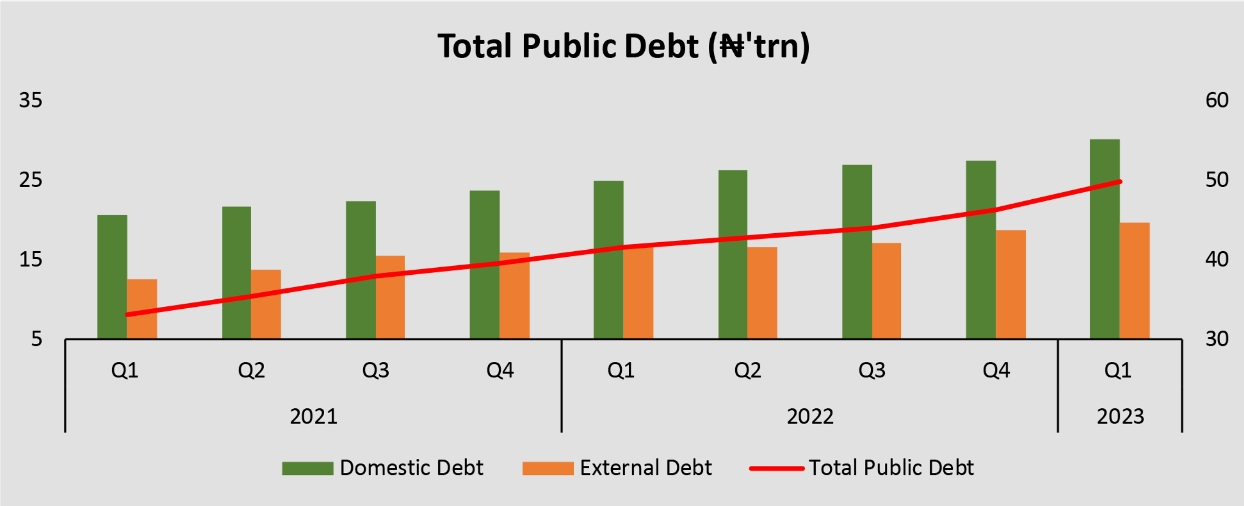


Source: NBS

2.9 Total Public Debt

Nigeria's public debt continued to expand, hitting ₦49.85 trillion in Q1 2023 from ₦46.25 trillion posted in Q4 2022, reflecting a growth of 7.78%. Domestic debt grew faster than external debt as the former grew by 9.66% while the latter grew by 5.03%. According to the Debt Management Office (DMO), domestic debt accounted for 60.6% to settle at ₦30.21 trillion in Q1 2023 from ₦27.55 trillion recorded in Q4 2022 while external debt contributed 39.4% of total public debt, settling at ₦19.64 trillion from ₦18.70 trillion, within the reference period.

Total Public Debt

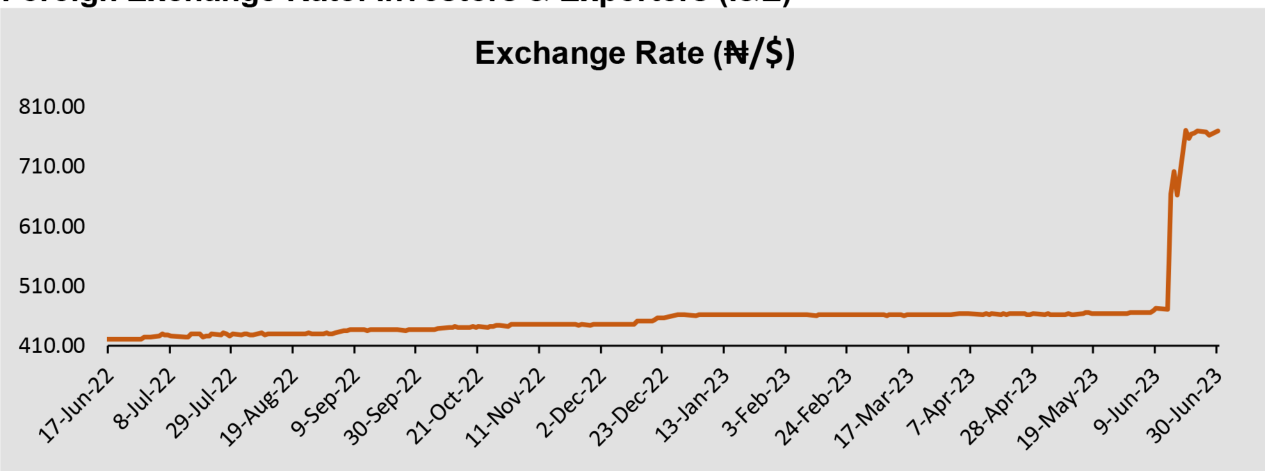


Source: DMO

2.10 Exchange Rate

Towards the end of Q2 2023, the forex market witnessed a significant turnaround. The CBN announced that the Naira should be traded at the market-determined rates. The goal was to bolster foreign investors' confidence in the economy and narrow the exchange rate premium, which is the spread between the official and parallel market rate. To this end, the value of the Naira at the Investors & Exporters (I&E) window jumped to ₦769.25/$ at the end of Q2 2023 relative to ₦461.38/$ exchange at the end of Q1 2023.

Foreign Exchange Rate: Investors & Exporters (I&E)

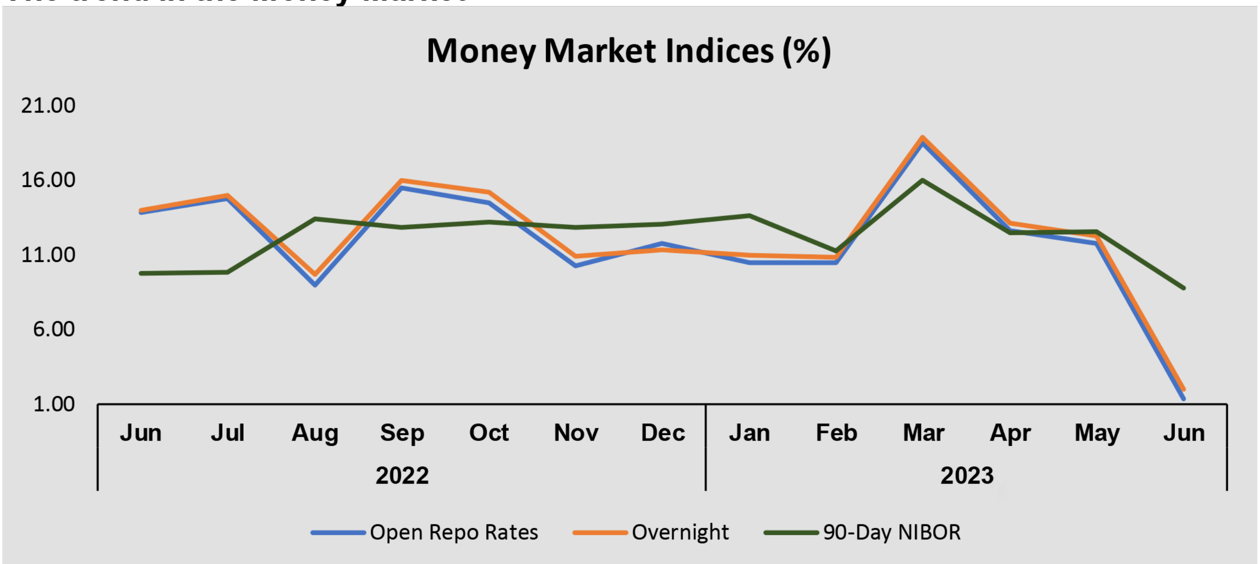


Source: FMDQ

2.11. Money Market

A CBN circular removed the cap and floor on interbank rates which anchor on the MPR. With the market awash with liquidity towards the end of Q2, there was significant drops quarter-on-quarter of 1,714bps and 1,688bps on both the Open Repo Rate (OPR) and Over Night (ON) which plummeted to 1.36% and 2.00% from 18.5% and 18.88% recorded in Q1 2023, respectively. Similar, longer-dated placements such as the 90-day Nigerian Interbank Offered Rate (NIBOR) also moved to the single digit space, decreasing to 8.78% from 16.00% within the reference period.

The trend in the Money Market



Source: FMDQ

2.12. The Stock Market

The Bulls maintained grip on the Nigerian bourse as the All-Share Index crossed the 60,000-mark. Demand for equities surged on the announcement of pro-market policies. Pension, banking, insurance, industrial goods, consumer goods, oil and gas stocks rallied to boost market performance metrics. The All-Share Index (ASI) jumped to 60,968 points in Q2 2023 gaining 6,736 points quarter-on-quarter. Similarly, market capitalization ascended by ₦3.66 trillion closing at ₦33.20 trillion within the reference period.

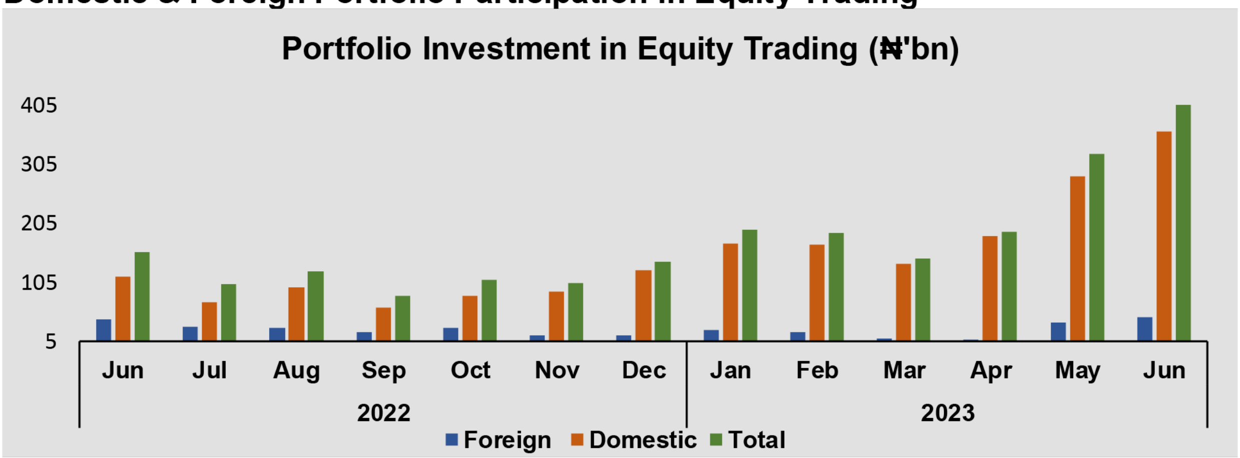
Nigerian Exchange Limited: All Share Index and Market Capitalization

Source: NGX

2.13. Portfolio Investment – NGX

The impact of the implementation of the pro-market policies announced by the new government was felt in the local bourse as total equity transaction soared by 178.18% to close the quarter at ₦406.75 billion relative to ₦146.22 billion recorded in Q1 2023. There was a significant spike in foreign market participation, which is believed to the rollover of existing funds that have been in the system earlier. Foreign portfolio equity transactions sky-rocketed by 397.71% to settle at ₦45.74 billion in Q2 2023, relative to ₦9.19 billion posted in Q1. However, domestic investors remained key participants in the equity market contributing 88.75% to the total transactions carried out in Q2 2023.

Domestic & Foreign Portfolio Participation in Equity Trading

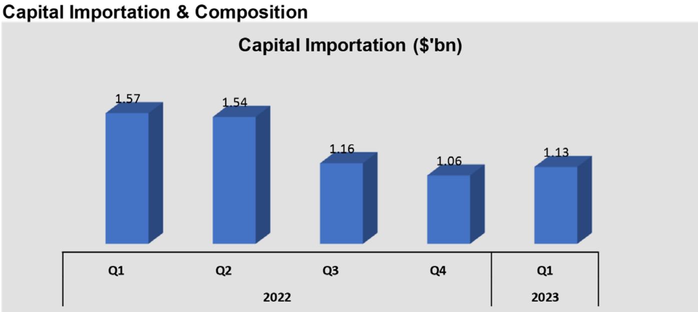


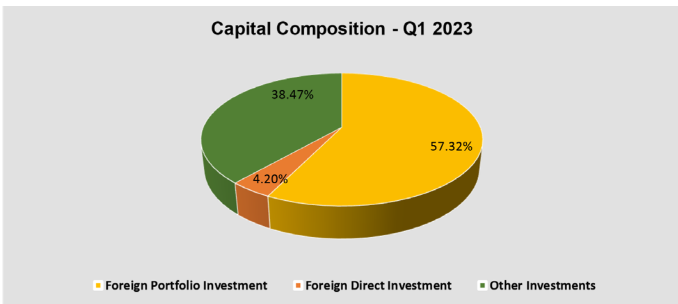
Source: NGX

2.14. Capital Importation

Report from the National Bureau of Statistics revealed that capital imports into Nigeria increased by 6.78% to settle at $1.13 billion in Q1 2023, compared to $1.06 billion recorded in the final quarter of 2022. Foreign Portfolio Investment (FPI) contributed the most to the capital imported in Q1 2023, accounting for 57.32% to settle at $0.65 billion. Other Investments and Foreign Direct Investment (FDI) contributed 38.47% and 4.20% to the capital imported in the reference period, respectively. The United Kingdom maintained its spot as the leading source of capital import to Nigeria and Lagos remained the top destination for capital import.

Capital Importation & Composition



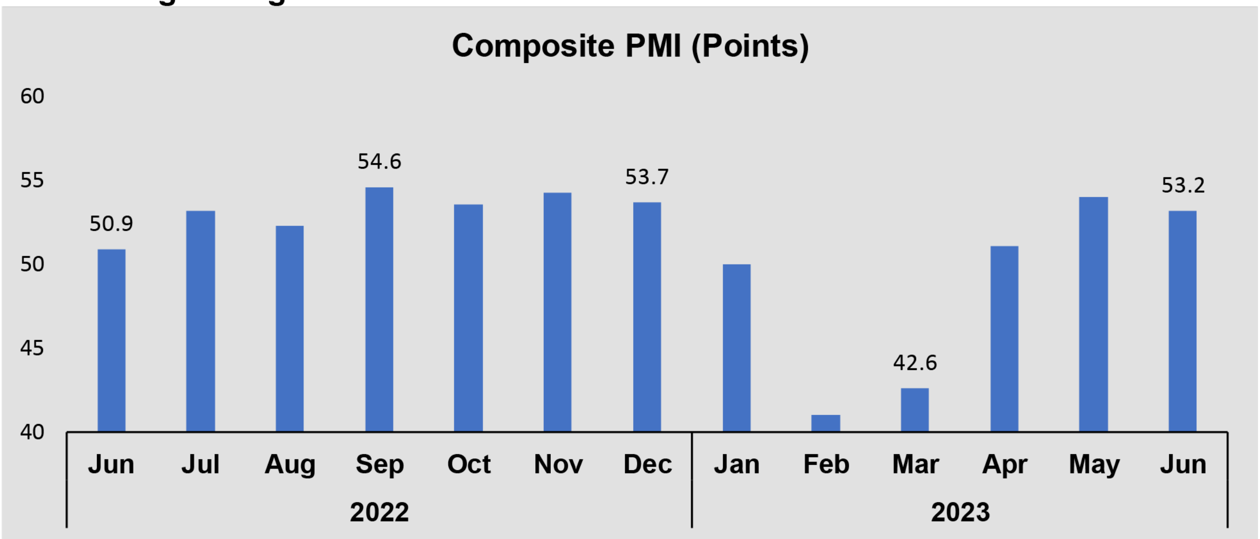


Source: NBS

2.15. Purchasing Managers' Index

The composite Purchasing Managers' Index (PMI) improved in Q2 2023, rising to 53.2 index points from 42.6 index points recorded in the previous quarter. New business spending expanded as the cash crisis eased. However, retail prices rose sharply towards the end of the quarter due to the impact of unification of the exchange rate and higher fuel prices due to the removal of subsidy.

Purchasing Managers' Index



Source: Stanbic IBTC

2.16. Credit Ratings

S&P Global Rating, an international credit rating agency affirmed Nigeria's credit rating at "B-" revising the outlook to "stable" from negative. The revision hinges on S&P belief that the government latest policy reforms could positively impact the country's overall growth. According to the credit agency, "Nigeria's newly elected government has moved quickly to implement a series of fiscal and monetary reforms, which we believe will gradually benefit public finances and the balance of payments". The bold policy moves of fuel subsidy removal and exchange rate unification are expected to restore foreign investors' confidence in the Nigerian economy which will help propel the much-needed sustainable growth.

2.17. Socio-Economic Landscape

Nigeria's 5th democratic President, Bola Ahmed Tinubu of the All-Progressive Congress (APC), was inaugurated on May 29th, 2023, alongside his Vice President, Kashim Shettima. President Tinubu gave his speech of a renewed hope for the populace, promising to implement long overdue policies to help kick-start a sustainable growth. However, the legal battle by the 1st and 2nd presidential runners-up, contesting the presidential election outcome, is still ongoing. Atiku Abubakar of the People's Democratic Party (PDP), and Peter Obi of the Labour Party (LP) believe that the presidential mandate can be reclaimed.

A little over 60 days in office, President Tinubu has been making tough calls by implementing long overdue policies and changing leaderships of most government parastatals. Some of these calls include the removal of fuel subsidy, exchange rate unification, suspension of the CBN Governor and Economic and Financial Crimes Commission (EFCC) Chairman, retirement of all service chiefs, signing various bills into laws such as the electricity bill, student loan bill, data protection bill amongst others.

However, while some of these policies are welcomed by foreign investors, they have stoked public outcry due to soaring prices. The President has continued to reassure the populace that the hardship is but for a short while as the long-term impact will be for the greater good.

2.18. Financial Sector Developments

The Monetary Policy Committee (MPC) of CBN raised the Monetary Policy Rate (MPR) in May 2023 adding 50bps to March's 18.0%, thus pushing the MPR to 18.5%. The upward review of interest rates aggregates to a total rate hike of 650bps within 1 year. The hawkish stance reflects the Committee's drive to tackle the high inflation rate which threatens growth.

Godwin Emefiele was suspended by President Bola Tinubu after financial markets closed on Friday June 09, 2021. The President's decision was in line with his ongoing investigation of the office of the Central Bank of Nigeria (CBN) and the planned reforms in the financial sector of the economy. The Deput Governor (Operations Directorate) – Folashodun Adebisi Shonubi – is the acting Central Bank Governor pending the conclusion of the investigation and the reforms.

On the 14th of June 2023, the CBN collapsed all its multiple official FX rates into the I&E window effectively transiting the exchange rate regime from a managed float to an independently floated currency regime. Nigeria has been facing severe dollar shortages, causing the gap between the official and parallel market to widen to as much as 50%. The unification of the exchange rate was one of the much needed and long-overdue policy reform that is hoped would help increase foreign investors' confidence, boost forex inflow and promote overall economic growth. The re-introduction of the willing buyer willing seller mechanism is expected to allow price discovery in the I&E window and cause the premium between the official and the parallel rates to drop substantially.

Section 3

OUTLOOK FOR Q3 2023

GDP Growth

Nigeria is expected to post an economic growth above 2%. However, the impact of fuel subsidy removal and exchange rate unification on inflationary pressures poses a downside risk to the projection.

Foreign Exchange

The CBN is expected to keep the ₦/$ below ₦800 at the official window. However, insufficiently supply to meet demand may cause the exchange rate premium to widen again.

Crude Oil

Oil price is expected to hover between $80/b and $90/b as Saudi Arabia and Russia production cuts continue to support prices.

Monetary Policy

The CBN may likely increase the monetary policy rate, by another 25bps, to dial back inflationary pressure worsened by the removal of fuel subsidy and unification of the exchange rate.

Foreign Reserves

Foreign reserves are expected to average between $33 billion - $35 billion as the CBN intermittently intervenes in the market to ensure Naira stability.

Inflation

Inflation rate is expected to end the quarter above 25% as recent policy reforms fan inflationary flames. This will translate to a higher misery index for the quarter.