MACROECONOMIC REVIEW FOR 2020Q1

Steering a fragile economy in the face of uncertainties

March 2020

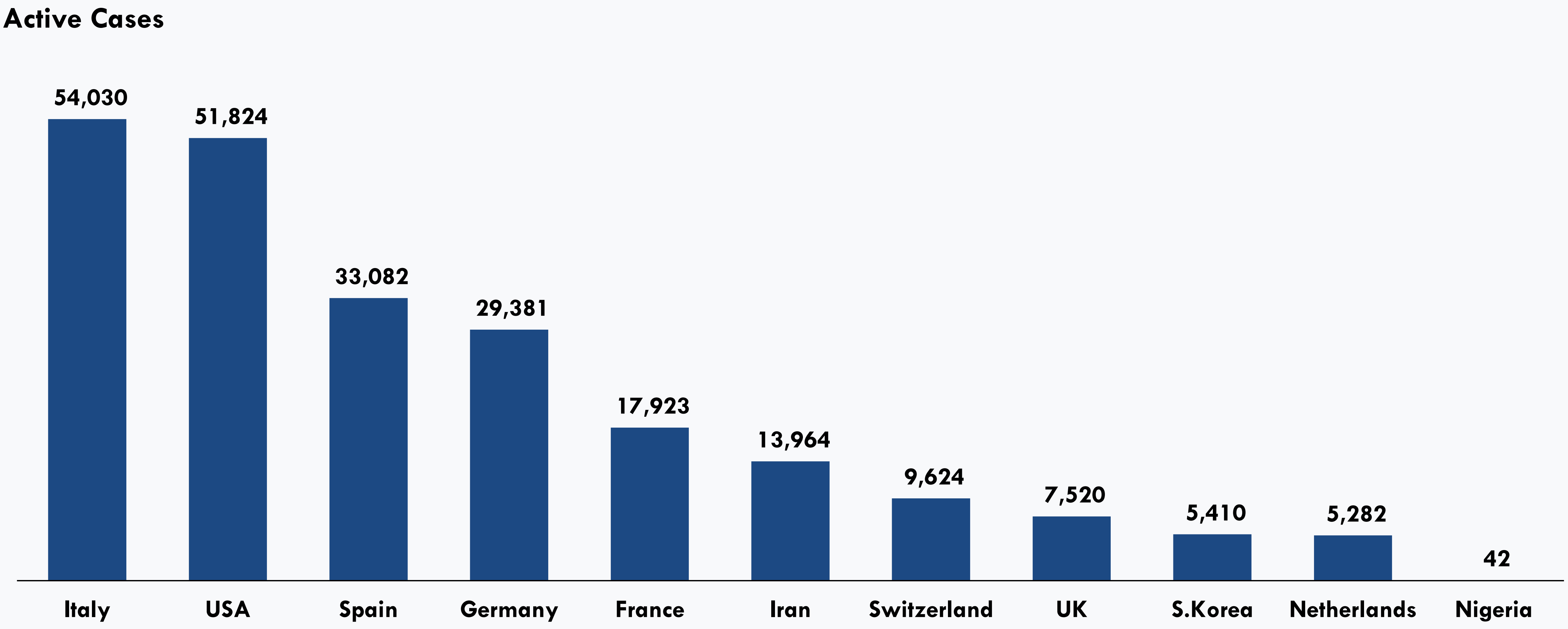
CONTENTS

SECTION 01

Coronavirus Update & the Global Economy

Coronavirus Update

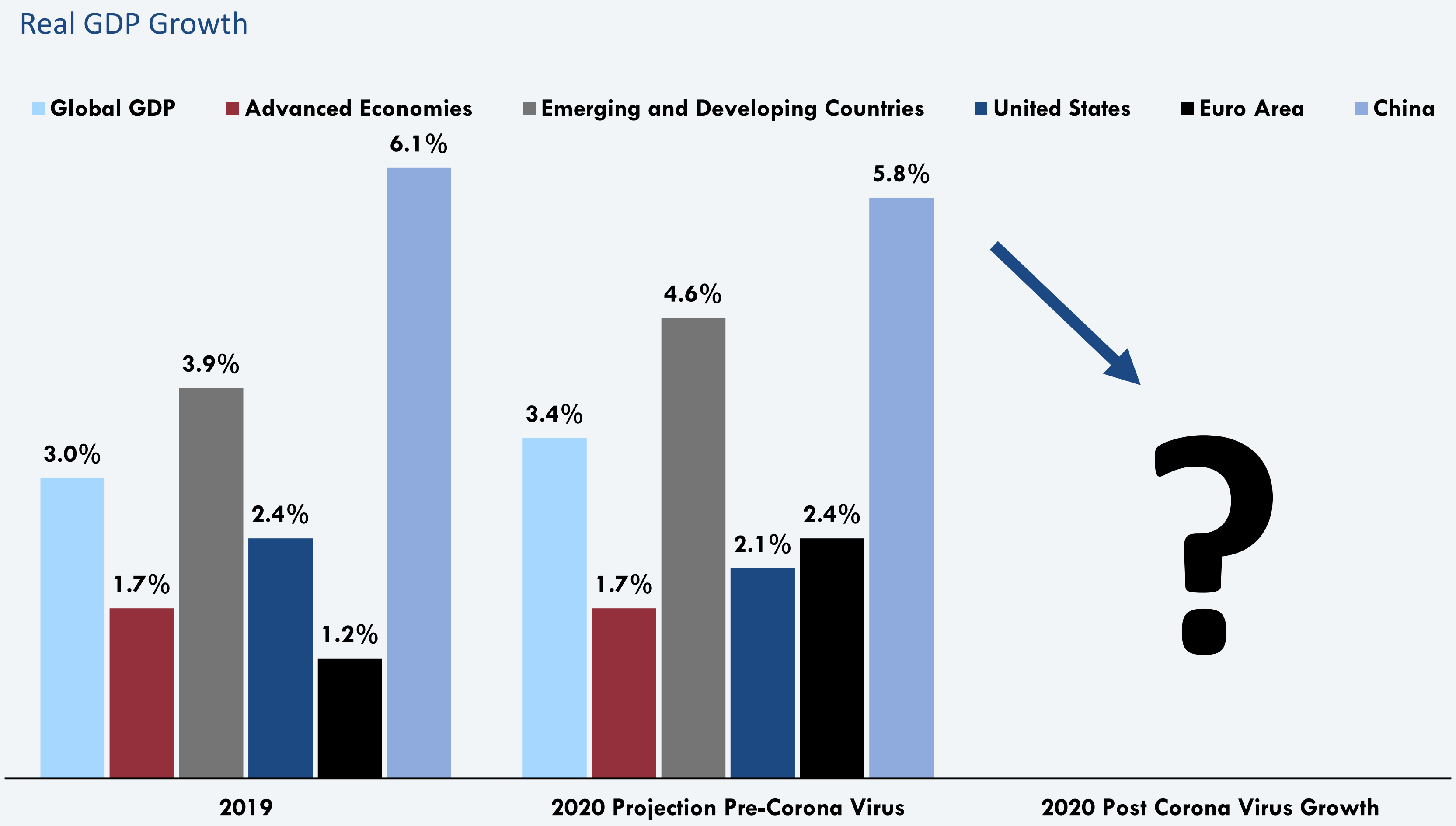
Coronavirus Cases: 416,774 Deaths:18,582 Recovered: 108,300



Data Source: Worldometers

As at March 24, 2020

Global Growth will be negatively impacted by Coronavirus pandemic

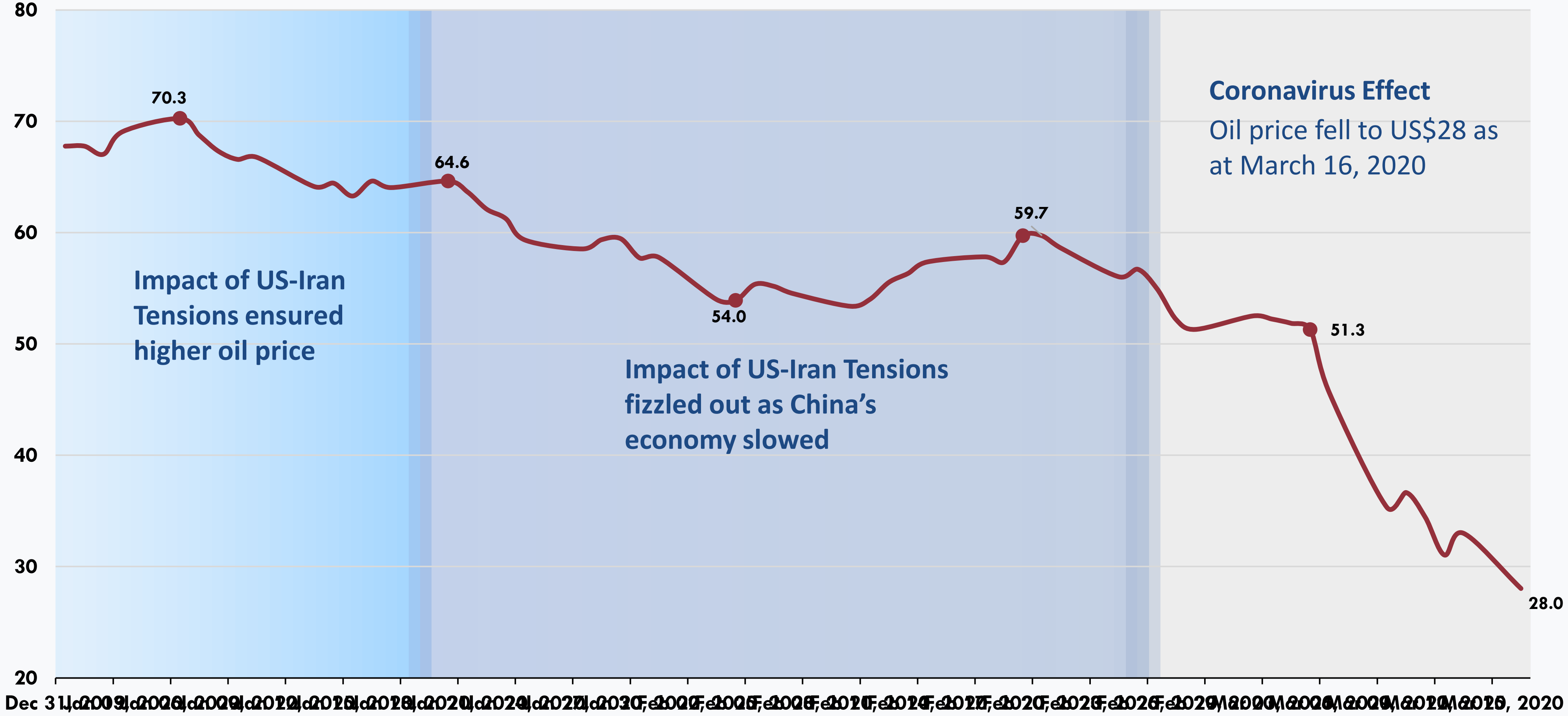


- The Coronavirus which originated in China has spread to over 191 countries and territories.
- Many economies have witnessed reduced economic activities in the first quarter of the year:
  - Industrial facilities were shut in China and in other affected countries.
  - Restriction of movement of goods and people.
  - Global supply chain disruption.
- These factors will have negative implication on global growth.
- IMF estimates that global growth will fall below 2.9% recorded in 2019.
- Actual growth estimates are yet to be known given uncertainties on the spread of the Virus.

Data Source: IMF

Oil Price experienced sharp decline

Europe Brent Spot Price FOB (US Dollars per Barrel)



- Outbreak of Coronavirus led to a decline in crude oil demand from major importing countries such as India and China.
- Talks between Russia and Saudi Arabia collapsed in March as oil price fell sharply to US$35 per barrel from US$52pb on March 5.
- Prices could fall further if the Virus outbreak worsens

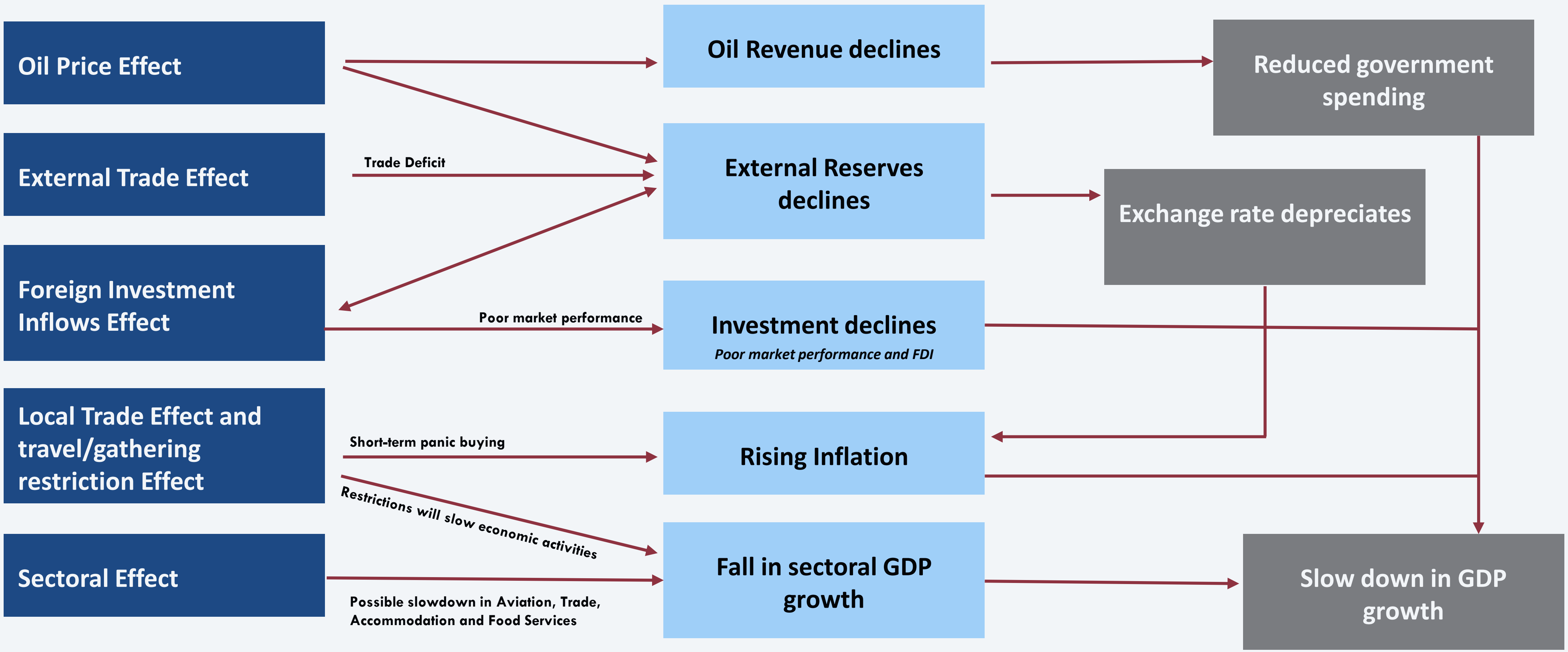
Data Source: U.S. Energy Information Administration

SECTION 02

Coronavirus Effect on the Nigerian Economy

The Coronavirus effect on the Nigerian economy

Transmission Channels



Data Source: FSDH Research

Prior to the pandemic, the Nigerian economy exhibited two trends

There were two main features of the Nigerian economy prior to the coronavirus outbreak:

1 Wavering external sector indicators

- **Declining external reserves –** *Reserves declined from US$45 billion in July 2019 to US$38 billion in January 2020.*
- **Declining quarterly trade deficits –** *Trade balance declined from +N1.4 trillion in 2019Q3 to –N579 billion in Q4.*
- **Declining foreign investment inflows –** *Total foreign investment inflows declined from US$8.5 billion in 2019Q1 to US$3.8 billion in 2019Q4.*

2 Improving internal economic indicators (except Inflation)

- **Improved GDP growth –** *GDP growth expanded from 1.9% in 2018 to 2.3% in 2019.*
- **Improved oil sector expansion –** *Oil GDP growth improved from 0.97% in 2018 to 4.6% in 2019*
- **Improved lending to the private sector –** *Credit to the Private Sector grew by 13.6% in December 2019 due to continued implementation of CBN's LDR policy.*
- **Improved non-oil revenue collection –** *As at September 2019, non-oil revenue improved by 22.5% to N996 billion from N814 billion in 2018.*
- **Declining share of debt servicing to revenue –** *Debt servicing to revenue ratio declined from 65% in 2018 to 45% in September 2019.*
- **Stable exchange rate –** *Exchange rate remained stable across markets, at the expense of declining reserves.*

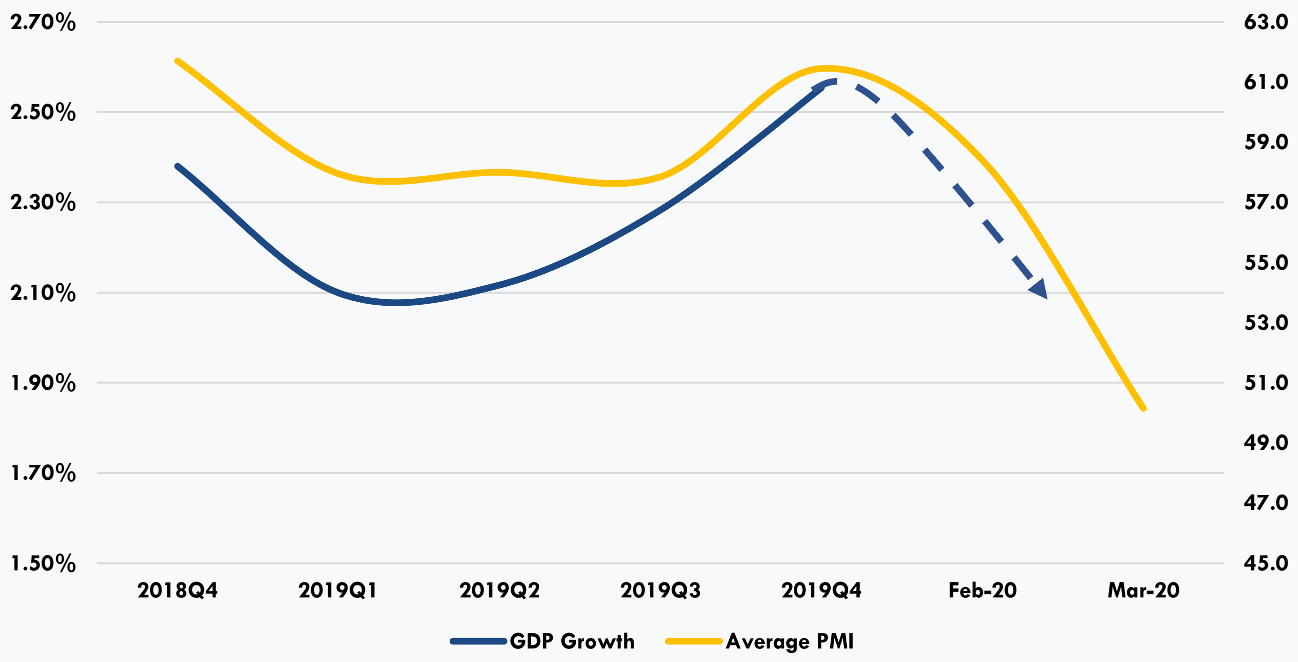
The Corona Virus outbreak will have both direct and indirect effects on these indicators.

Data Sources: CBN, NBS, Budget Office of the Federation

Review of key Macroeconomic Indicators

Economic Growth in Q1 2020 expected to fall below 2%

Average PMI predicts movement of GDP Growth, suggests a decline in growth rate in 2019Q1

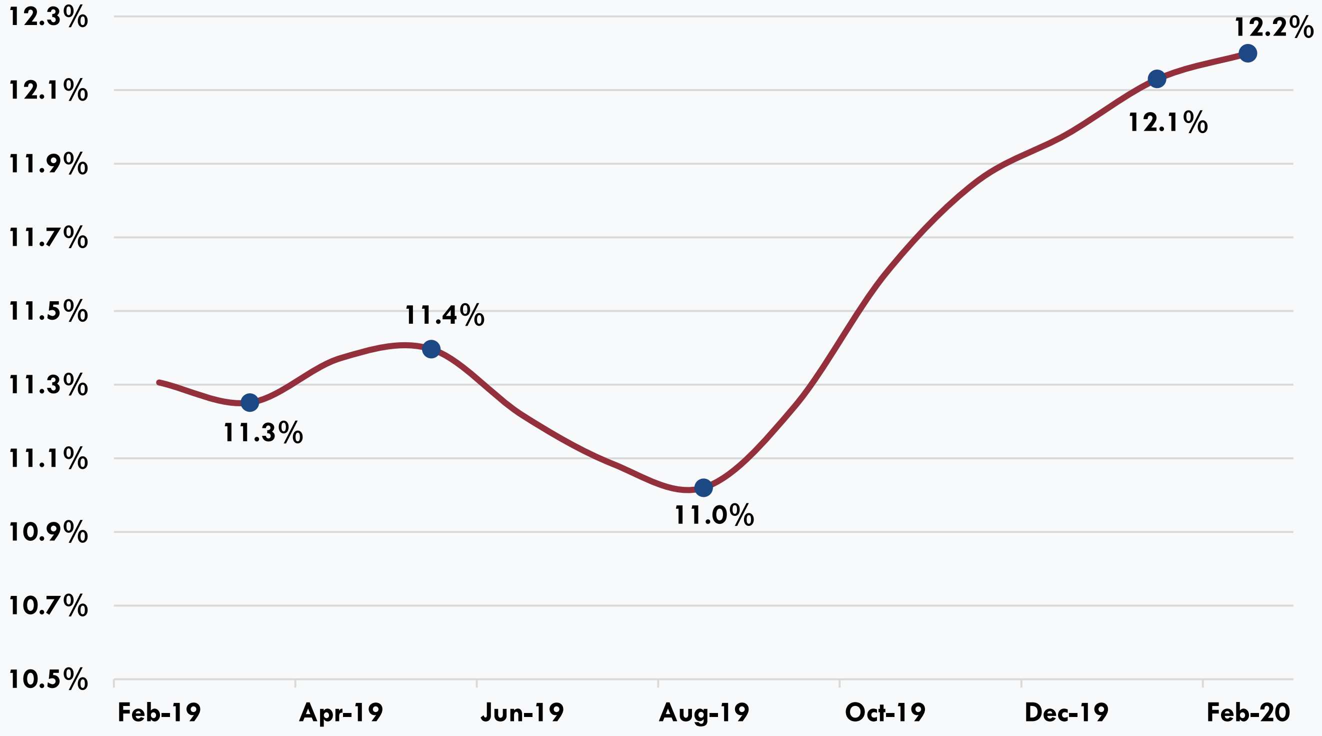


Data Source: Central Bank of Nigeria and National Bureau of Statistics

- **GDP growth averaged 2.3% in 2019 and Nigeria recorded the highest quarterly growth of 2.6% in 2019Q4 since the third quarter of 2015.**
- **The outbreak of the Corona Virus is expected to have both direct and indirect impact on Nigeria's economic growth in 2020.**
- **Already in the CBN's Purchasing Manager's Index (PMI), the manufacturing PMI fell from 59.2 in January 2020 to 51.1 in March. Non-Manufacturing PMI contracted from 59.6 to 49.2 in March- after 34 consecutive months of expansion.**
- **The impact of the pandemic will be more visible on economic activities in March, following the shutdown of airports, cancellation of events/ conferences, slow down of business and the sharp decline in crude oil price.**
- **The lower GDP growth will stem from:**
  - **Fall in government spending**
  - **Depreciating Naira**
  - **High Inflation**
  - **Sectoral impacts due to shut downs, movement restrictions etc.**
- **Given these, we believe economic growth in the year will fall under 2%, far below our initial estimate of 2.5%.**

Inflation rate rose to 12.2% in February, set to rise further in March

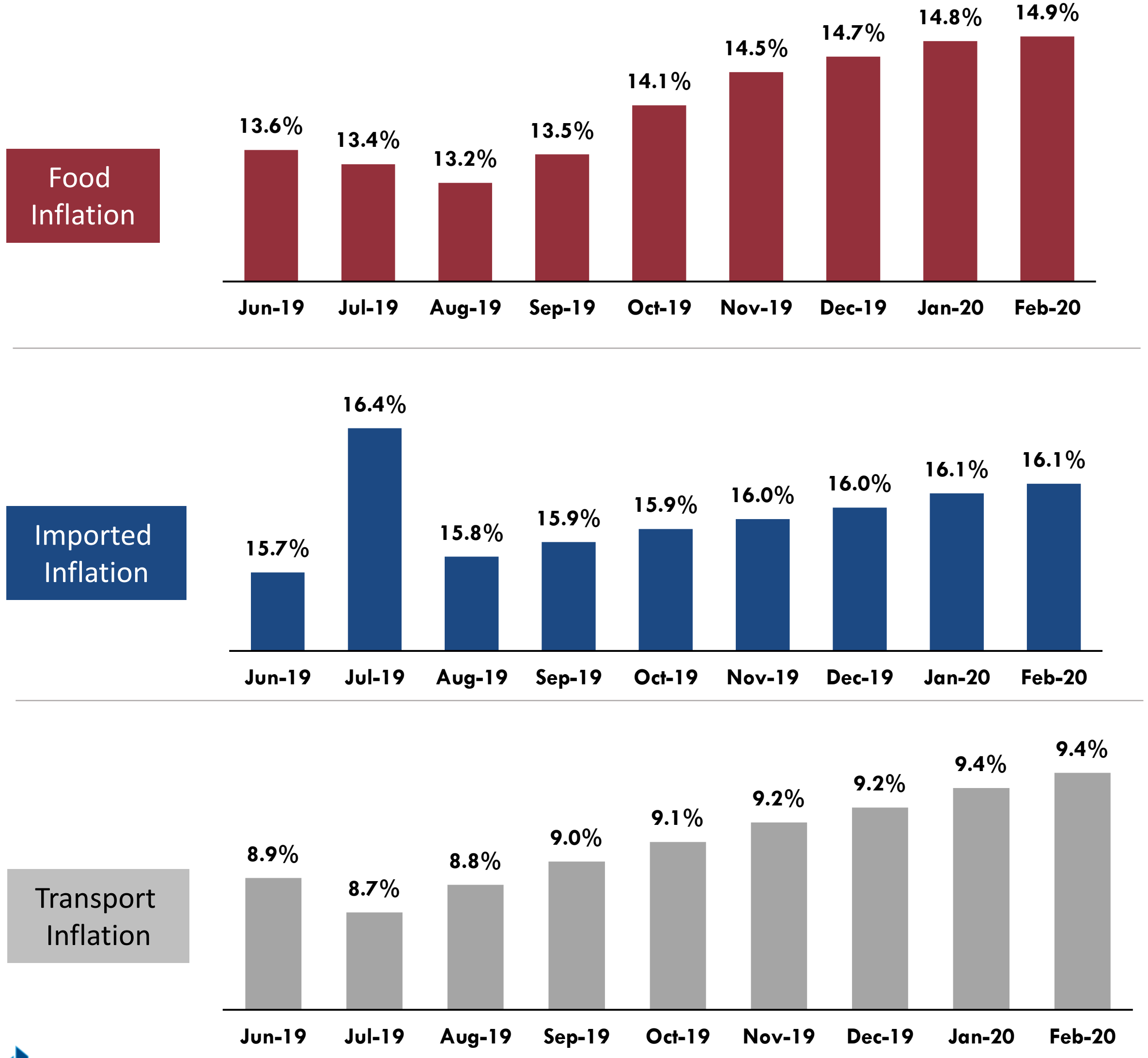
Nigeria's Inflation Rate (%)



- Inflation rate rose for the sixth consecutive month to 12.2% in February 2020. This is the highest rate recorded since April 2018.
- Growth in inflation rate was reflected in food inflation which rose to 14.9% in February from 14.85% in January. Food inflation was driven by increase in prices of Bread and Cereals, Fish, Meat, Vegetables and Oils and fats.
- Core inflation also rose to 9.43% in February 2020 from 9.35% in January.
- Pharmaceutical products, non-durable household goods, catering services, passenger transport by air, among others, were responsible for the increase in Core inflation.
- On a month-on-month basis, overall CPI increased by 0.8% in February, lower than 0.87% recorded in January.
- This is expected as the effect of the land border closure gradually wanes out. However, increase in VAT which came into effect on February 1, 2020, also had marginal effect on prices in the month.

Data Source: National Bureau of Statistics

Inflation rate is set to rise further in March

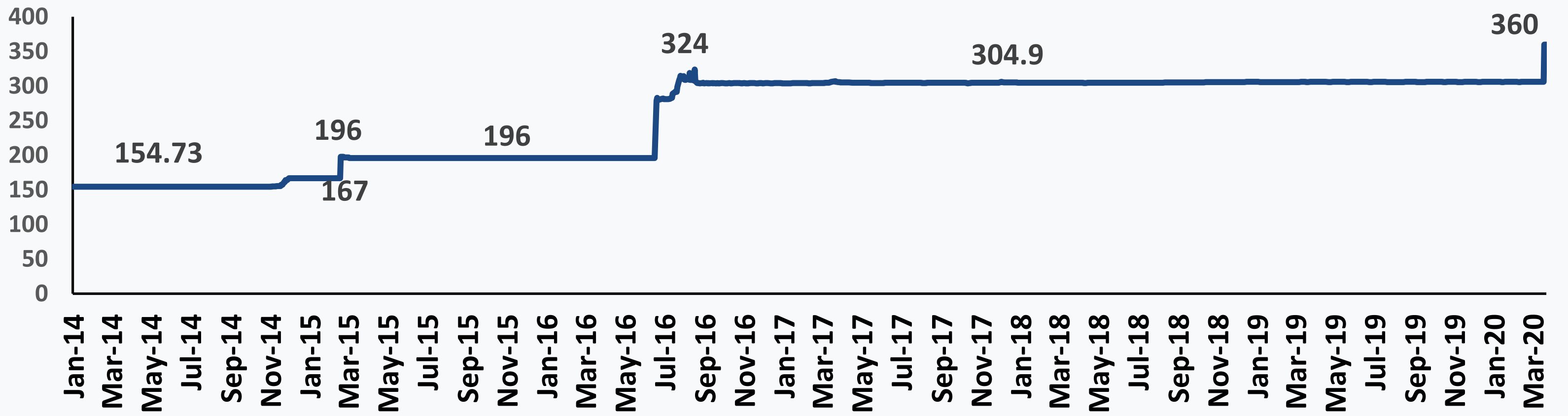


- One major factor that will drive up inflation rate in March is panic buying as a result of uncertainties on the Coronavirus situation.
- As the Coronavirus situation worsens across Europe and the U.S., supply chains have been disrupted and stores continue to run out of stocks.
- Some Nigerians fear that this could be the case, especially as the number of confirmed cases continues to increase.
- This has resulted in panic buying, which has ultimately resulted in increase in the price of some food and non-food items.
- In March, the Federal Government reduced the price of fuel from N145 per liter to N125, following lower oil prices and a drop in landing costs for petrol.
- While this is a good move particularly given the importance of petrol in determining general prices of both food and core items, the impact will be minimal on average prices, which are often sticky downwards.
- The fall in oil price and consequently external reserves led to a devaluation of the Naira to N380/US$ in March. Given this development, we hereby revised upward our inflation estimate to 12.6% for 2020.

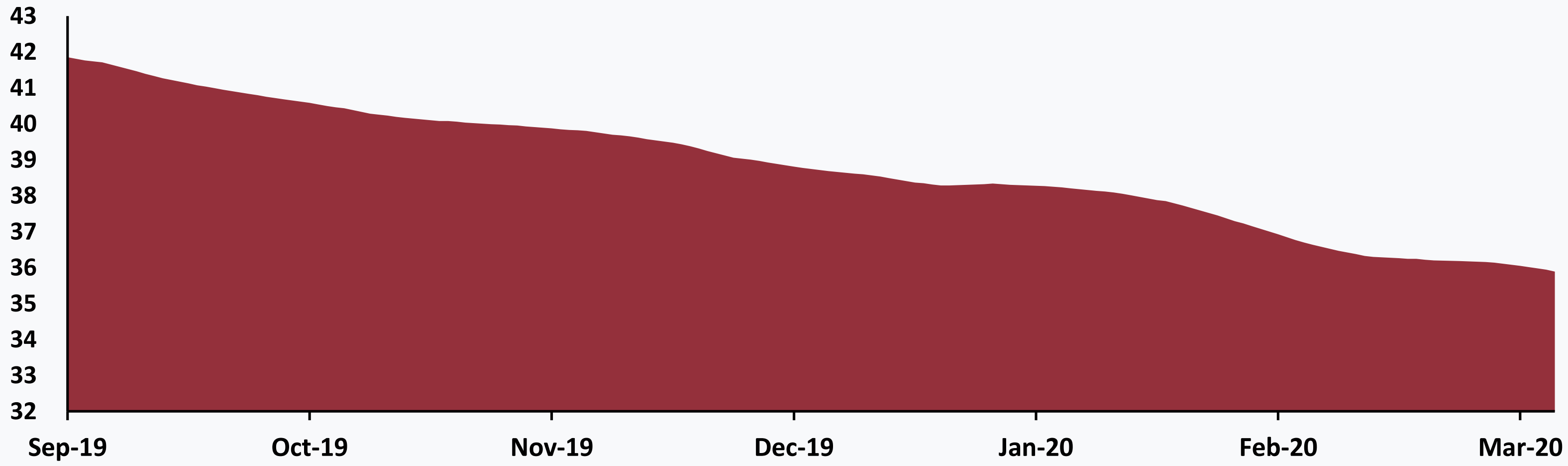
Data Source: National Bureau of Statistics

CBN 'adjusts' official exchange rate to N360/US$

Nigeria's Average Official Exchange Rate



Foreign Reserves (US$'Billion)



- Following the outbreak of the COVID-19, forex inflow in the I&E Window fell drastically in the month of February and the CBN had to intervene.
- CBN intervention increased from 0.39 billion to US$2.48 billion. Meanwhile, FPI declined to US$1.37 billion from US$2.04 billion in January.
- The Nigerian forex condition is further challenged with a declining External Reserves, which stood at US$36 billion on March 18, 2020.
- With pressure on the Reserves, the CBN in March 'adjusted' the exchange rate to NGN360/US$ from NGN306/US$. The CBN also harmonized the forex market windows as the new rates range from NGN360/US$ to NGN380/US$.
- In bid to ensure stability in the forex market, the CBN in it last MPC meeting unanimously voted to retain all parameters.

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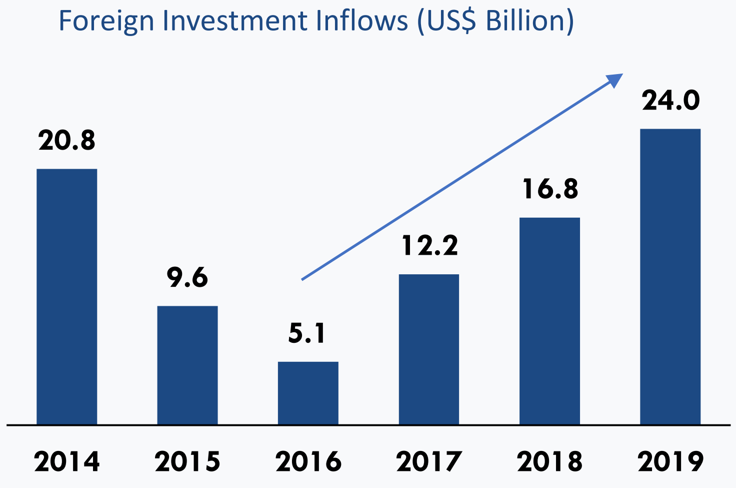
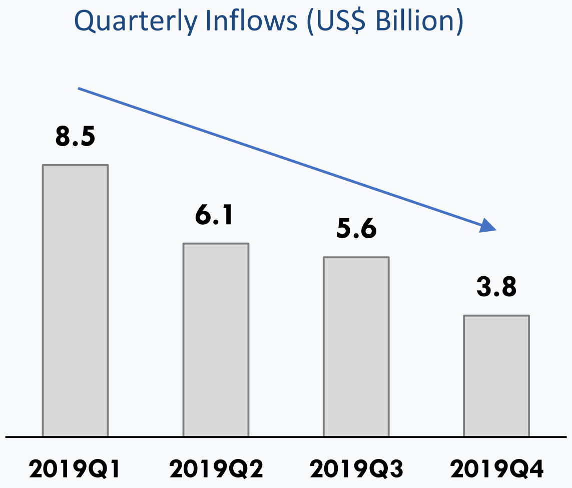
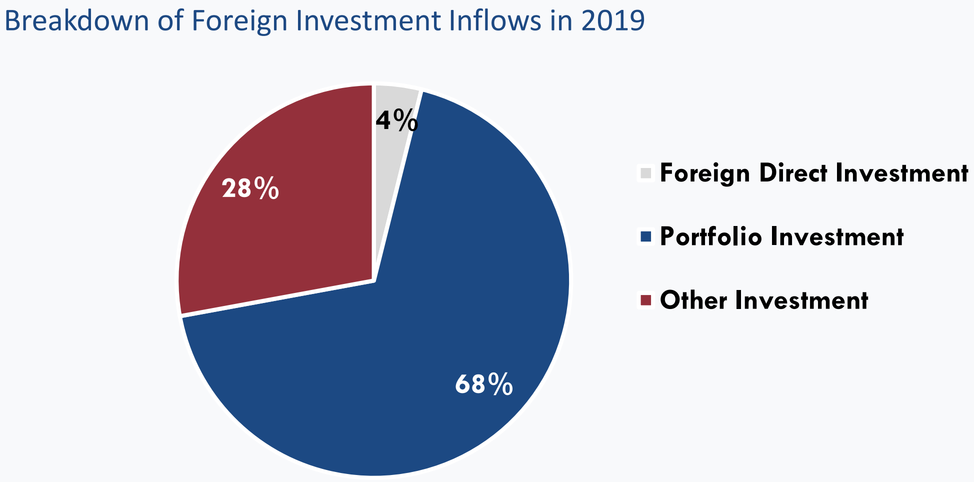
Data Source: NBS, CBN, FMDQ

Foreign Investments showed a quarterly declining trend from 2019Q1





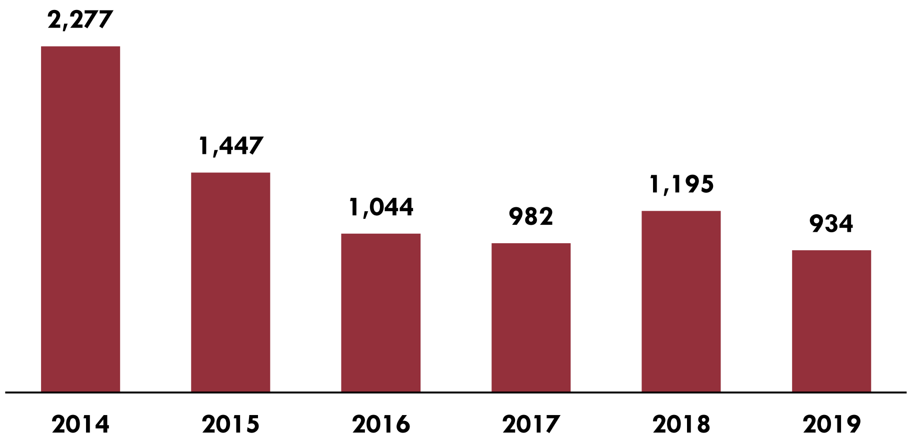


- Total Investment Inflows increased to US$24 billion in 2019 from US$16.8 billion in 2018.
- On a quarterly basis, Inflows declined consistently from US$8.5 billion in 2019Q1 to US$3.8 billion in 2019Q4.
- In terms of composition, Portfolio Investment accounts 68% of total inflows while Other Investment had a share of 28%.
- FDI inflows stood at US$934 billion, accounting for just 4% of inflows in 2019.
- Major factors responsible for the decline in foreign investment inflows include uncertainty on the economy, inconsistent policies, declining external reserves, insecurity and harsh operating environment for FDI.
- As stated in our Outlook released in January, the above factors will continue to limit the inflow of foreign investment in 2020.
- Investment inflows in 2020 is expected to be lower than US$24billion recorded in 2019.

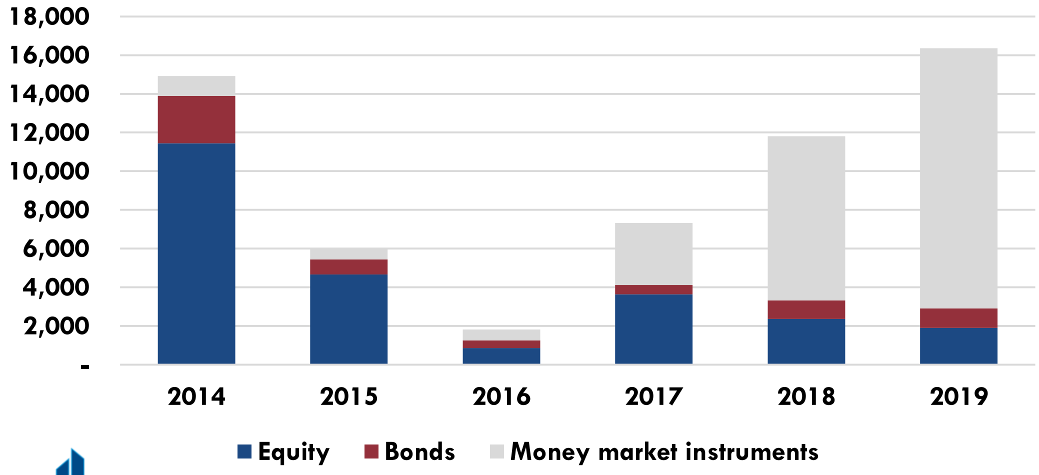
Data Source: National Bureau of Statistics

Foreign Inflows set to decline in 2020, FPI to dominate Inflows

FDI Inflows (US$ million)



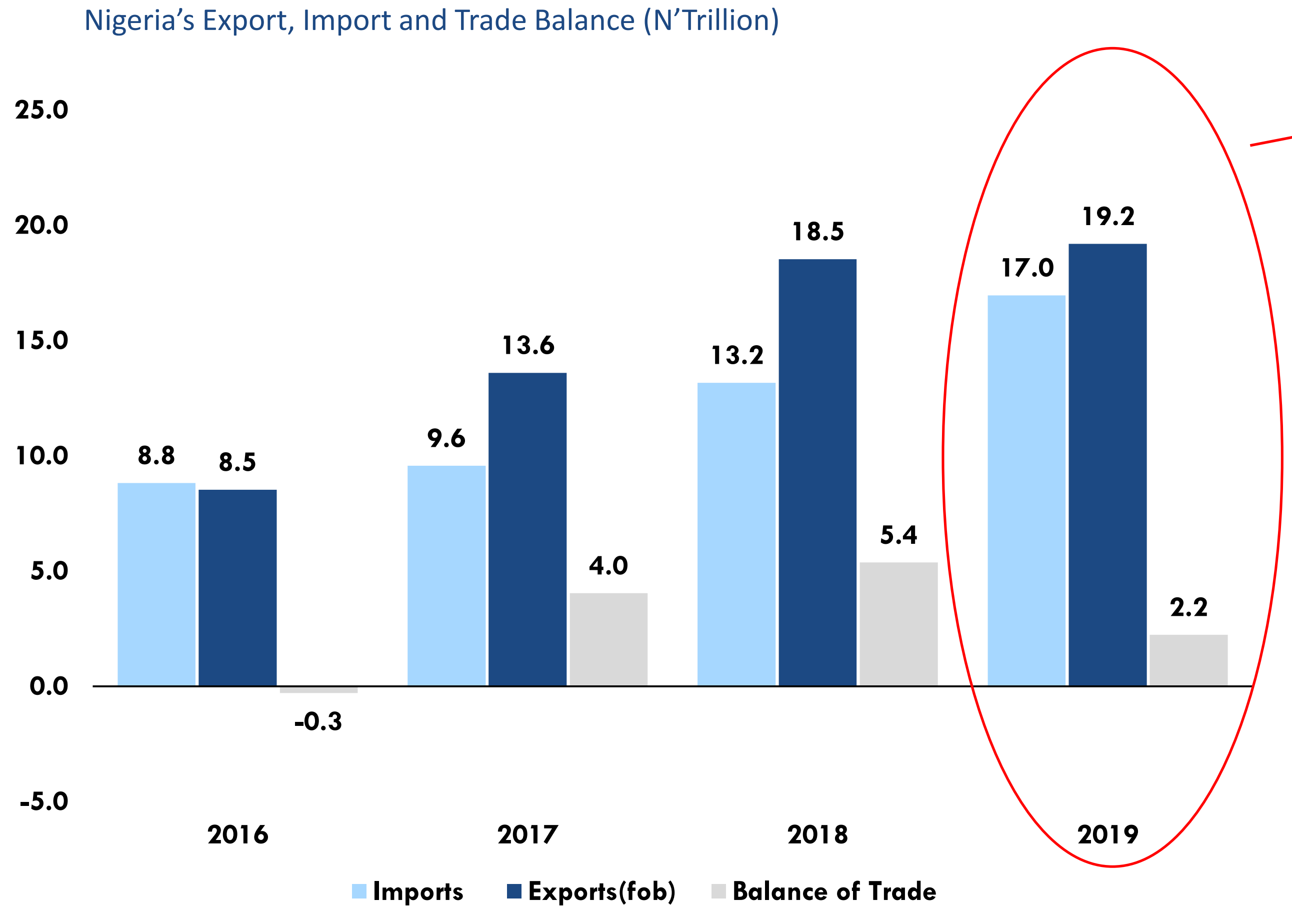
Breakdown of FPI Inflows (US$ million)

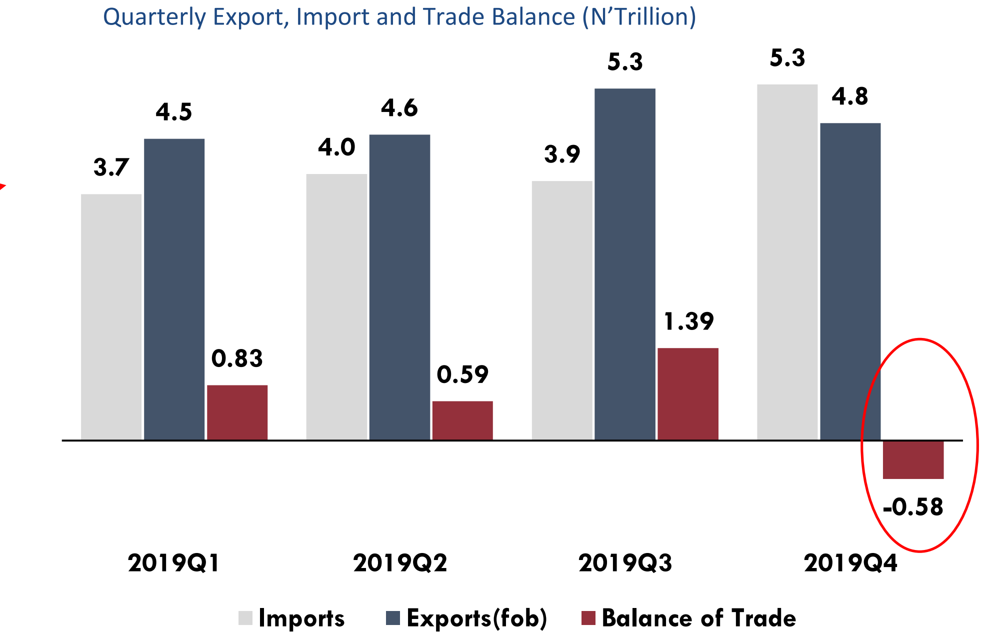


Data Source: National Bureau of Statistics

- As predicted in our previous Macroeconomic reports, FDI inflow remained at US$934 million in 2019 still below the US$1 billion mark.
- For FPI which stood at US$16.4 billion in 2019, inflows into money market remained significant and accounted for 82% of FPI inflows.
- Investors took advantage of the relatively high interest rates on short term instruments for the most part of the year.
- Inflows into equity and bonds accounted for 12% and 6% of total FPI inflows respectively.
- In 2020, while we expect inflows to decline relative to 2019, FPIs will continue to dominate inflows in the year.
- The outbreak of Coronavirus across developed and fast developing countries will slow down investment inflows in the year. Already, equities market in Nigeria have been hit; while investors are asking for higher rates on OMO securities.

Total Trade improved in 2019 but trade balance was negative in Q4





- For full year 2019, total trade increased by 14% to N36 trillion.
- However, trade balance declined to N2.2 trillion in the year as imports grew faster than exports.
- 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.

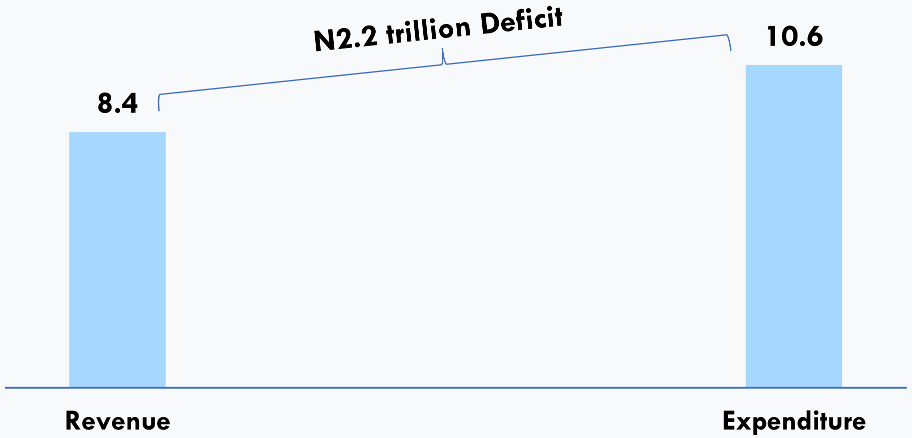
Data Source: National Bureau of Statistics

Coronavirus to have negative impact on external trade

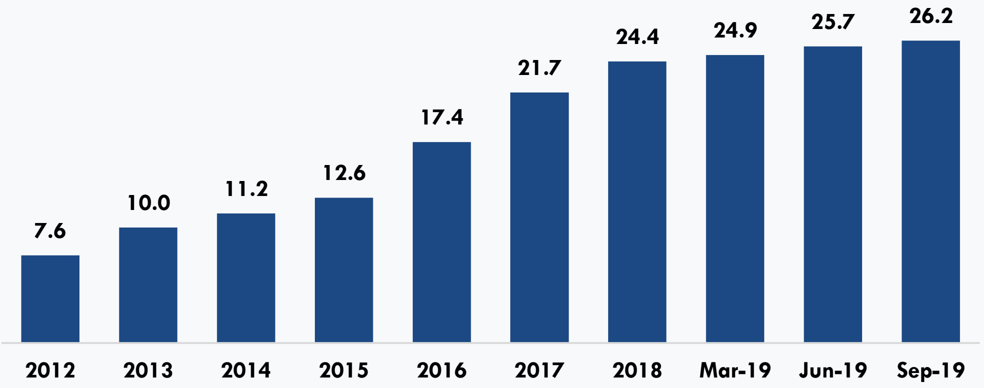
- **With the outbreak of Corona Virus, trade figures will be negatively hit in the first quarter of 2020.**
- **Growth forecasts for Nigeria's major export partners – India, Spain, France and Europe in general- have been cut due to restriction of movements of people and goods as well as shut down of 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 2020Q1.**

Budget revenue targets will be unmet, debts will rise further

2020 Budget (Trillion' Naira)



Nigeria's Total Public Debt Stock (Trillion Naira)



- **Despite the early passage of the 2020 budget, fall in crude oil price arising from the Coronavirus outbreak has resulted in a fall in crude oil revenues in the first quarter of 2020.**
- **As at March 20, crude oil traded at US$27 per barrel, US$30 below the US$57 pb 2020 budget benchmark. Out of the 58 days in the year so far, crude oil has traded below the benchmark price for 29 days (50%).**
- **With oil price expected to remain low going into Q2 coupled with staggering oil production volumes due to lower demand and supply glut, funding the budget will remain a key challenge.**
- **Possible shut down of economic activities across states in the country and limited movement of persons will also limit the inflow of non-oil revenue in the year.**
- **We expect the government to review the budget estimates and resort to further borrowing to cover existing shortfall.**
- **Public debts, which stood at N26.2 trillion as at September 2019 is expected to increase to about N29 trillion in 2020.**

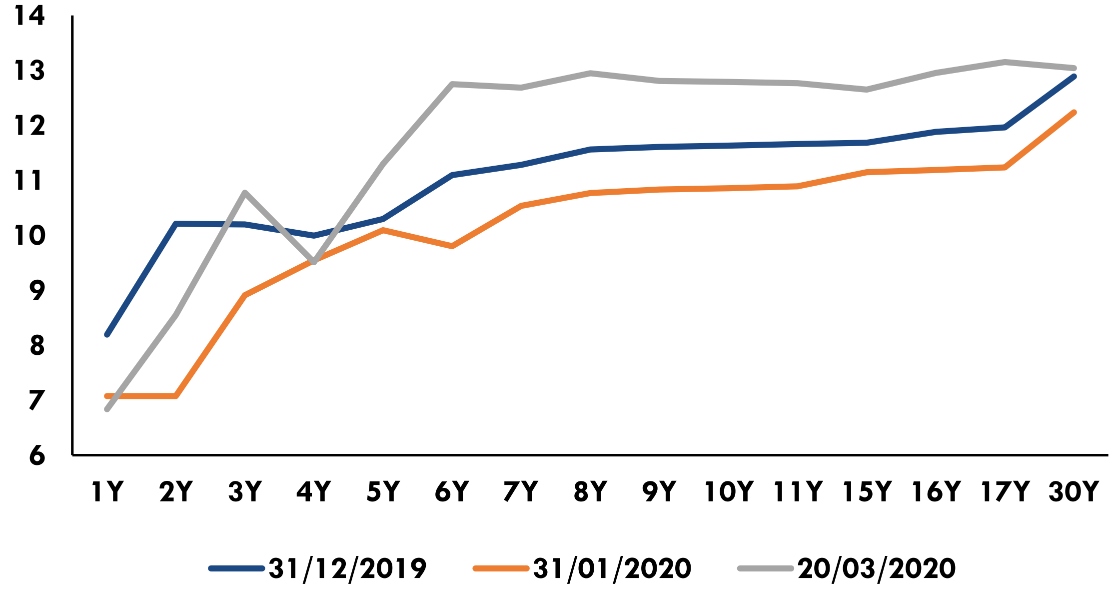
Data Source: Budget Office of Nigeria and Debt Management Office

SECTION 04

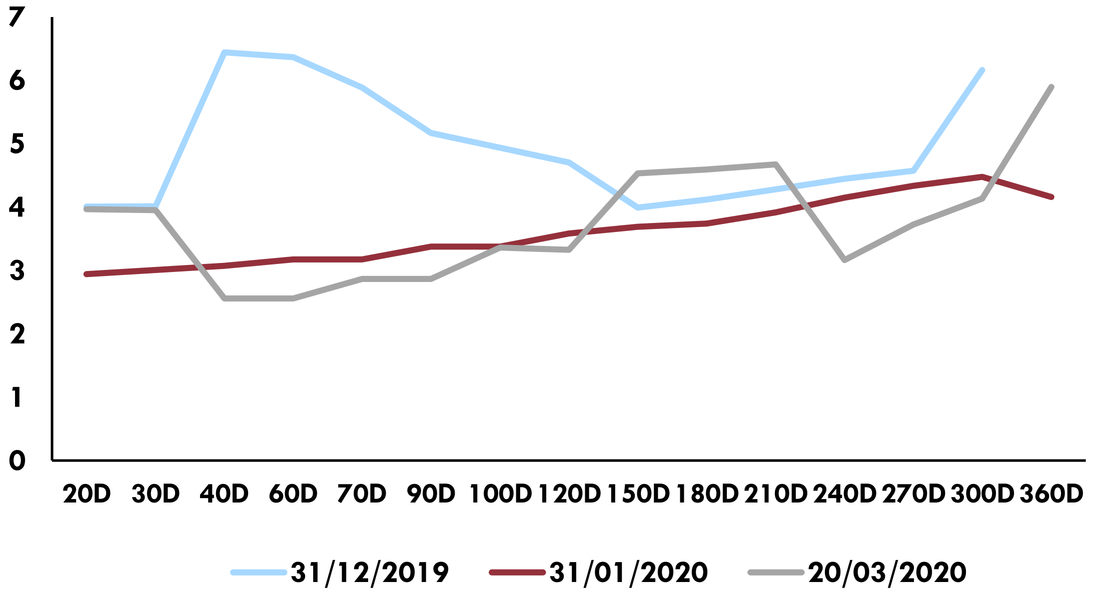
Market Performance

Fixed Income: Yields increase as risks heighten

FGN Bond Yield Curves (%)



NT Bill Yield Curves (%)

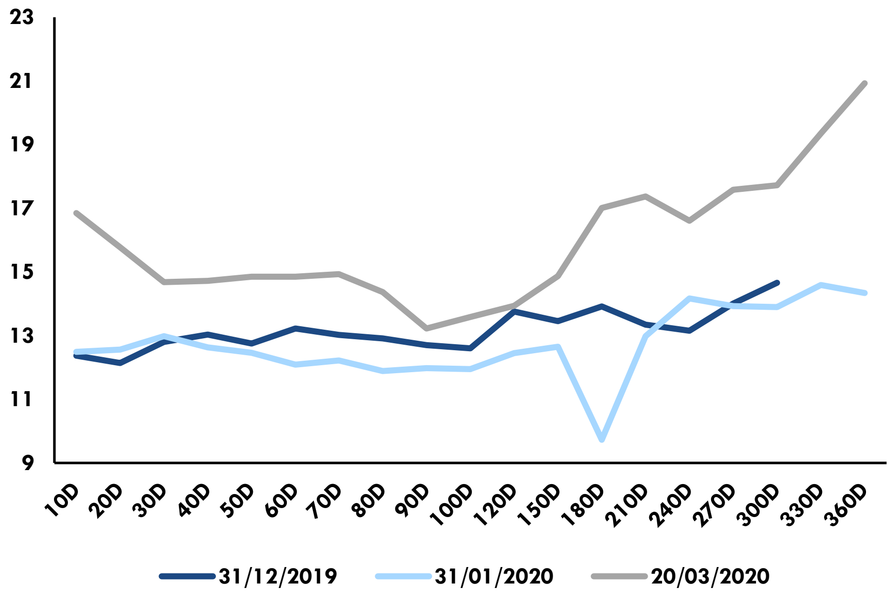


- The fixed income space was affected by Coronavirus outbreak as investment sentiment and confidence are being hampered. As such, the bears dominated the fixed income segment.
- There was an uptick in yields from the bond market- average yield pointed at 11.83% as at March 20 from 11.14% recorded at the beginning of the year.
- Despite low yields in the NTBills space, average yield inched up to 4.01% from 4.85%.

Data Source: FMDQ

Fixed Income: Investors ask for higher OMO rates

CBN OMO Yield Curves (%)



Data Source: FMDQ

- **OMO is one of CBN's tools to drive forex inflows. There were sell offs in the OMO market which has pressured rate across maturities.**
- **Average OMO rate has spiked to 16.49% from 13.18% at the beginning of the year.**
- **Recently, the CBN auctioned OMO for subscription, however, the subscription rate was abysmally low and asking rate ranged from as high as 16% to 17% across maturities.**
- **This has culminated to declining OBB and overnight rates to 4.8% and 5.3% in March 20, 2020 as liquidity level rebounds.**
- **Persistence and inability of the global economy to tame the menace of the coronavirus will continue to affect investor confidence in the market and on the economy.**

CBN OMO Auction – March 19, 2020

89 Days Tenor	
Amount Offered	NGN10.00 Billion
Total Subs.	Nil
Maturity Date	16/06/2020
Range of Bid	Nil
Stop Rate	0.00
Total Sales	0.00
180 Day Tenor	
Amount Offered	NGN10.00 Billion
Total Subs.	NGN2.00 billion
Maturity Date	15/09/2020
Range of Bid	16.00-16.00
Stop Rate	Nil
Total Sales	No Sale
362 Days Tenor	
Amount Offered	NGN130.00 Billion
Total Subs.	NGN16.00 Billion
Maturity Date	16/03/2021
Range of Bid	17.00-18.25
Stop Rate	Nil
Total Sales	No Sale

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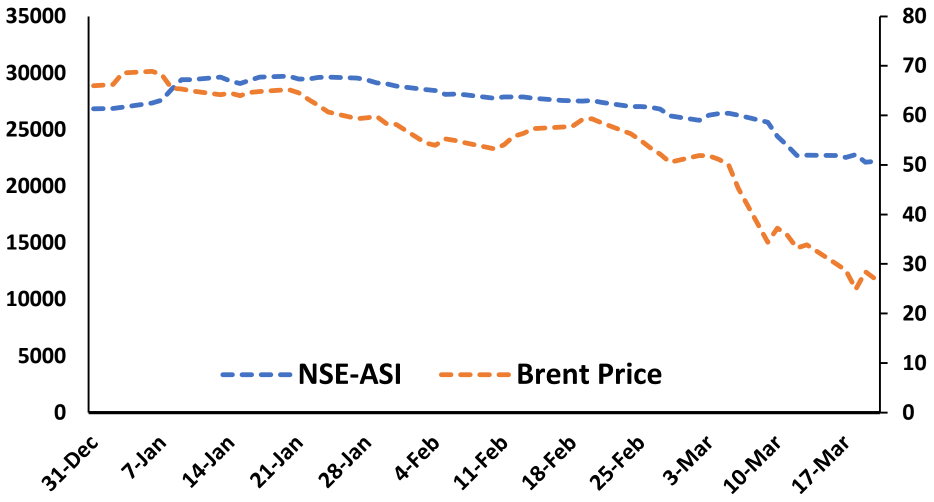
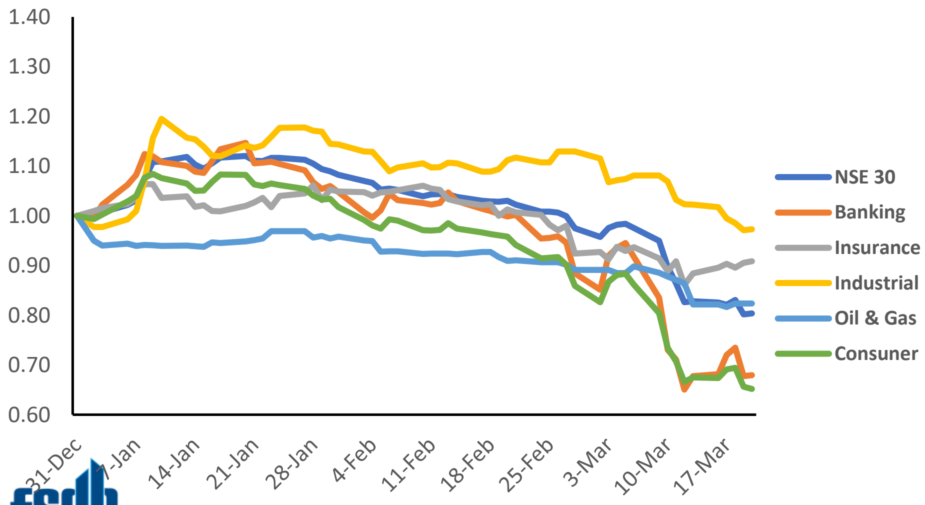
Equities Market faces pressure arising from weak confidence

NSE ASI and Brent crude oil price (US$)



Sectoral Performance



Data Source: Nigerian Stock Exchange

- **The outbreak of COVID-19 has severely altered the outlook of the Nigerian equity market, reversing the gains recorded in the wake of the year.**
- **Its impact has sent the NSE ASI to a record low level. As at March 20, ASI dipped by -17.3% to 22,198.43 from 31,430.50 at the first trading day of 2020.**
- **Total value loss to investors stood at N1.4 trillion as the Market Cap dipped by -10.8% and settled at N11.57 trillion from N12.97 trillion at the beginning of the year.**
- **The NSE30 which mirrors the stocks of large cap and best performing companies listed on the NSE recorded losses at -19.6%.**
- **Major sectors on the NSE have recorded losses with Consumer Goods and Banking sectors toping the chart. Meanwhile the oil & gas sector lost was at -17.62%**
- **The market saw some bargain hunting as we ravel with the Virus. If the menace continues into the year, the market will be suppressed further. If it is curtailed in the shortest time, the market will still remain subdued on the back of reduced confidence that has plague the economy even before the outbreak of COVID-19.**

NSE ASI	2020 YTD (March 20)
Open	31,430.50
Close	22,198.43
% Change	-17.30
MARKET CAP (N'Bn)	**2020 YTD**
Open	12,968.59
Close	11,568.16
% Change	-10.8
SECTOR PERFORMANCE	**2020 YTD**
NSE30	-19.60%
Banking	-32.05%
Insurance	-9.10%
Consumer Goods	-34.78%
Industrial	-20.68%
Oil and Gas	-17.62%

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Equities Market faces pressure arising from weak confidence

TOP GAINERS'19	Change (%)	20-MAR PRICE (N)	TOP LAGGERS	Change (%)	20-MAR PRICE (N)
LAWUNION	100.00%	1.00	NCR	-55.56	2.00
BETAGLAS	30.11	70.00	NB	-49.15	30.00
JBERGER	19.10	23.70	STERLNBANK	-47.74	1.04
CORNERST	18.37	0.58	SKYAVN	-44.87	2.31
LIVESTOCK	16.00	0.58	OANDO	-44.61	2.21

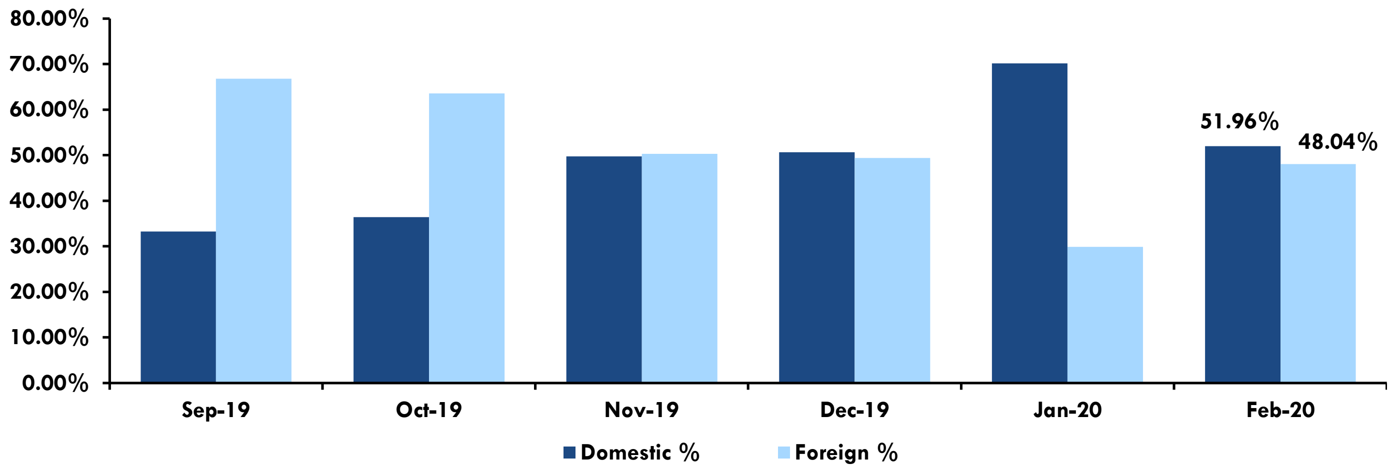
PERFORMANCE OF LARGE CAP STOCKS 2020 YTD

STOCK	MARKET CAP (N'Bn)	OUTSTANDING SHARE (Bn)	MARKET PRICE (N)	YTD (%)	PAT (N'Bn) 2019 (2018)	DIVIDEND (N)	DIVIDEND YIELD (%)
DANGCEM	2,210.15	17.04	129.70	-8.66	200.52 (390.33)	16.00	12.34
MTNN	2,096.51	20.35	103.00	-5.50	202.11 (145.69)	4.97	4.83
ARTELAFRI	1,123.31	3.76	298.90	0.00			
NESTLE	673.76	0.79	850.00	-42.17	45.68 (43.01)	45.00	5.29
GUARANTY	547.42	29.43	18.60	-36.31	196.85 (184.71)	2.50	13.44
ZENITHBANK	372.05	31.40	11.85	-36.63	208.84 (193.42)	2.50	21.10
STANBIC	278.38	10.50	26.50	-35.37	75.04 (74.44)	2.00	7.55
NB	239.91	8.00	30.00	-49.15	16.12 (16.10)	1.51	5.03
ACCESS	207.94	35.55	5.85	-42.08	97.51 (94.98)	0.40	6.84
UBA	171.00	34.20	5.00	-30.56	89.09 (78.61)	0.80	16.00

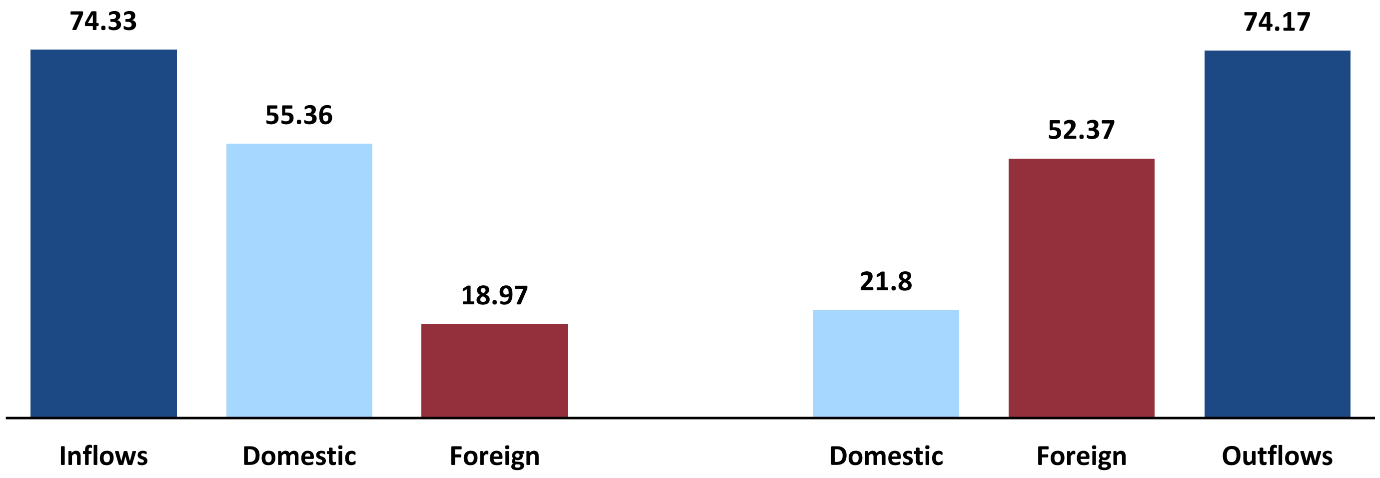
Data Source: Nigerian Stock Exchange

Equities Market faces pressure arising from weak confidence

NSE Domestic & Foreign Participation (%)



NSE Domestic & Foreign Participation in February (N'Billion)



- The Nigerian equity market continued to shed foreign and local participation as total transactions dropped by 37% to settle at NGN148.5 billion in February 2020.
- Domestic investors displayed apathy as foreign participation expanded to 49.04% up from 29.86% in January while domestic participation stood at 51.96% down from 70.14% in January.
- Despite the decline in participation in the market generally, investment inflow was largely dominated by domestic investors.
- On the other hand, outflow was dominated by foreign investors given the weak global confidence across equities markets due to the Coronavirus pandemic.
- If the spread of the coronavirus is not curtailed as soon as possible, market confidence will continue to drown and the market will experience further decline.

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Data Source: Nigerian Stock Exchange

Government Interventions thus far

Government Policy Response thus far

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

- 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
- There could be further increase of LDR policy from 65% to stimulate lending to the real sector.
- Naira ‘adjusted’ to N380/US$.
- Activation of the N1.5 trillion infraco project for building critical infrastructure.

Fiscal and other Policies

- Reduction in pump price of petrol from N145 per liter to N125 per liter.
  - Decline in oil price led to a significant reduction in landing costs which fell below the government regulated price of N145 per liter.
  - This means that the government no long pays petrol subsidies.
  - Increase in price of crude and higher landing costs could result in higher subsidy payments or an increase in pump price.
- Shutdown of international airports- Lagos, Abuja, Kano, Enugu and Port Harcourt.
- Implementation of social distancing

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Monetary Policy Review: MPC holds all parameters

On March 23 and 24, the CBN Monetary Policy Committee (MPC) held its second meeting of 2020. At the meeting, the Committee took the following decision:

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

This was based on the following considerations:

- Prevailing adverse global economy occasioned by the outbreak of Coronavirus as well as slow growth outlook for the domestic economy.
- Rising inflation rate which stood at 12.2% in February 2020
- Rising liquidity due to OMO policy changes
- Persistent decline in foreign exchange reserves
- Fall in crude oil price
- Increasing credit to the private sector
- Careful assessment of the recent CBN's policies and stimulus package aimed at supporting the real sector in the light of Covid19.

Expectation from MPC in 2020

- The CBN is expected to continue in its effort to curtail inflation and ensure exchange rate stability.
- Further, the CBN will intensify its heterodox policies outside the MPC; continuing to adopt tools such as LDR, OMO, FX restrictions and interventions to stimulate lending to the real sector and propel economic growth.

Key Considerations for 2020

- High inflation expectation and market liquidity
- Declining external reserves
- Slower than expected GDP growth
- Slowing Foreign investment flows
- Crude oil output and revenue
- Lower crude oil price
- Fiscal policy and increasing public debt concern

Coronavirus stimulus packages and Interventions by countries

COUNTRY	ECONOMIC STIMULUS PACKAGE AND OTHER MEASURES
SOUTH AFRICA	The South African Reserve Bank (SARB) cut the main lending rate by 100 basis points to support the flagging economy.
	The Johannesburg Stock Exchange (JSE) is considering shortening trading hours and enforcing stricter enforcement of rules prohibiting uncovered short-selling to ease the growing liquidity crunch.
	The South African Reserve Bank (SARB) commenced buying an unspecified amount of government bonds in the secondary market as part of additional emergency policy measures aimed at easing severe liquidity crunch triggered by the Corona Virus.
	Over R500 million (US$28.59 million) made available to SMEs in distress.
	Over R3 billion (US$171.5 million) industrial funding to address vulnerable firms and to fast-track financing for companies.
	Set up Solidarity Fund to combat the spread of coronavirus, track the spread and support affected. Government provided seed funding of R250 million (US$14.3 million).
EGYPT	The CBE instructed domestic banks to raise daily transaction limits on credit cards, besides cancelling fees and commissions applied at points of sale and on withdrawals from ATMs for six months.
	Egypt's Central Bank slashed its main interest rates by 300 basis points, lowest level since early 2016, to 9.25% from 12.25%.
	Instituted EGP100 billion (US$6.35 billion) stimulus package with EGP50 billion (US$3.17 billion) for the tourism sector and EGP27.6 billion (US$1.75 billion) for vulnerable families.
	Instituted EGP 20 billion (US$1.3 billion) support package for stock exchange; Egypt's stock exchange shortened trading hours

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Stimulus packages and Interventions by countries

COUNTRY	ECONOMIC STIMULUS PACKAGE
GHANA	Ghana reduced benchmark rate to an eight-year low to 14.5% from 16%.
	Lowering reserve requirements for lenders to 8% from 10% to provide liquidity support to critical sectors.
	Conservation buffer for banks is reduced to 1.5% from 3%, which effectively cuts the capital-adequacy ratio to 11.5% from 13%.
KENYA	At recent MPC , monetary policy rate reduced by 1% to 7.25%; CRR reduced to 4.25% from 5.25%; releasing additional liquidity to banks to support distressed borrowers.
	More flexible liquidity management provided to banks by CBK through extension of maximum tenor of REPOs from 28 to 91 days.
	CBK shall provide flexibility to banks with regard to requirements for loan classification and provisioning for loans.

Government Policy Interventions

Given the 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.

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.

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.

Address rising Inflation

- 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.

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.

Government Policy Interventions

Four key fiscal measures the Nigerian government could consider

Review the 2020 Budget	• 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.
Implement Sectoral Interventions	• Target specific non-oil products and industries for exporters to take advantage of the devalued exchange rate. • Provide intervention funds and support 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.
State government's intervention programmes	• Develop economic stimulus packages for essential industries/commodities in their respective states. • Consider implementing restrictions of movement of people.
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. • State government bail-outs are inevitable.

SECTION 06

Scenarios and Revised Macroeconomic Projection for 2020

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Coronavirus: Three Scenarios for Nigeria in 2020

Scenario	Assumptions	Possible Outcome
Coronavirus Eases (No new cases)	• Oil price rises above US$40 pb • Economic activities pick up in the second quarter • Demand for Nigerian crude improves as economies recover- Nigeria produces 1.9 million barrels per day • Government capital spending at N1 trillion	• GDP Growth at 2% • Inflation Rate at 12.2% • External Reserves at US$34bn • Exchange Rate at N400/US$
Coronavirus Fades (Spreads at a slow pace as situation improves gradually)	• Oil price falls between US$30 and US$40pb • Partial and temporary lockdown of cities, schools, airports, businesses, etc. • Sluggish demand for Nigerian crude - Nigeria produces 1.5 million barrels per day • Government capital spending at N700 billion	• GDP Growth at 1.4% • Inflation Rate at 12.6% • External Reserves at US$32 billion • Exchange Rate at N420/US$
Coronavirus Worsens	• Oil price below US$30 pb • Complete 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 N300 billion	• GDP Growth at -0.4% • Inflation Rate at 15.5% • External Reserves to average US$29 billion • Exchange Rate at N450/US$

Revised Macroeconomic Projections

	2016	2017	2018	2019	2020f
GDP Growth	-1.6%	0.8%	1.9%	2.3%	1.4%
Average Inflation Rate	15.6%	16.5%	12.1%	11.4%	12.6%
Average Exchange Rate (N/US$)	490	363	358	358	420
Average External Reserves (US$ Billion)	27.0	39.4	43.1	43	32
Monetary Policy Rate	14.0%	14.0%	13.5%	13.5%	14%
Private Investment as a % of GDP	14.9%	14.8%	17.0%	23%	22%