



# ECONOMIC AND FINANCIAL HIGHLIGHTS

NEWSLETTER

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## Highlights

- ◇ Oil Prices rises to two-month high of \$35
- ◇ A Budget Adjusted for the New Normal
- ◇ N338.94bn Generated as VAT in First Quarter 2020
- ◇ NSE Lists Bond
- ◇ Nigeria Lassa Fever Cases Reaches 1,000 in 2020
- ◇ FIRS Finance Act Circular: Regulated Securities Lending Transaction
- ◇ An Acceleration In Bond Issuance
- ◇ Nigeria's Oil Output Cap to Weigh on Growth, External Finances
- ◇ Slight liquidity squeeze expected in absence of NT-Bill, OMO maturity this week
- ◇ Despite FG's assurance, petroleum downstream sector awaits full deregulation
- ◇ IMF chief Kristalina Georgieva warns full global economic recovery unlikely in 2021

## Global Economy:

The Managing Director IMF Kristalina Georgieva said the global economy will take much longer to recover fully from the shock caused by the new coronavirus than initially expected, and she stressed the danger of protectionism.

The fund was likely to revise downward its forecast for a 3% contraction in GDP in 2020, but gave no details.

That would likely also trigger changes in the Fund's forecast of a partial recovery of 5.8% in 2021. It was added that data from around the world was worse than expected. "Obviously that means it will take us much longer to have a full recovery from this crisis," Georgieva said in an interview.

The international oil price benchmark, Brent crude, rose, to its highest level since March as major oil producers cut their output levels and countries eased lockdowns. Oil prices have surged to two-month highs on growing signs of a rebound in oil demand, as the easing of lockdowns spread worldwide. At its peak in April, global lockdown measures affected around 3.9 billion people. But an estimated 3.7 billion people are now living in areas that are experiencing some version of a "reopening,"

## Domestic Economy:

### RATE MONITOR

90 days Treasury Bill	2.3%
GDP	3.4%
Inflation Rate	12.26%
MPR	13.5%

The Federal Executive Council (FEC) has approved a revised 2020-2022 Medium Term Expenditure Framework and an amended 2020 budget. Total FGN spending of N10.52trn (US\$27.2bn) including government **enterprises other than the NNPC and project tied loans have changed from** the original budget because of the sharp increase in concessional external financing, both already secured (US\$3.4bn from the IMF) and sought (World Bank and others). The amended budget has a deficit of N5.37trn. The main financing components are the concessional funding already mentioned (N2.48trn at N360) and borrowing through the best efforts of the DMO -Debt Management Office (N1.59trn and now all to be raised domestically).

The N5,000,000,000 Series 1; 10.50% Fixed Rate Senior Unsecured Bonds due 2023, under the N50,000,000,000 Bond Issuance Program were today, Friday, 15 May 2020 successfully listed on The Nigerian Stock Exchange.

According to the International Monetary Fund (IMF), Sub-Saharan Africa (SSA) is likely to face a GDP contraction of 1.6% YoY in 2020-the region's worst reading on record-as a result of the current health and economic crisis. Less diversified SSA oil economies, such as Nigeria, are also likely to face significant pressures. For Nigeria, the viral spread came at a time when budgetary space to absorb shocks is limited and external financing conditions are tighter. COVID-19 threatens to overwhelm domestic healthcare infrastructure, upend livelihoods, deteriorate social conditions, and cripple business activities if left unchecked. So far, Nigeria's reaction has been largely in sync with IMF's suggested response to the viral spread and its fallouts even though the scale of the measures adopted appear insufficient to prevent materially negative distortions to domestic macro variables in the current year.

**Health Crisis**, Lassa fever is endemic in Nigeria and cases are recorded all year round. The Lassa fever virus is transmitted by rodents which can be found in our environment. This contributes largely to the risk of spread that occurs in Nigeria and other countries with similar ecological factors. The Lassa fever cases do continue and the Nigeria Centre for Disease Control (NCDC) reported nine additional cases during the most recent reported week, bringing the total confirmed case count to 1,000 through May Sectoral distribution of Value Added Tax (VAT) data for Q1 2020 reflected that the sum of N338.94bn was generated as VAT in Q1 2020 as against N308.48bn generated in Q4 2019 and N293.04bn generated in Q1 2019 representing 9.87% increase Quarter-on-Quarter and 15.66% increase Year-on-Year. This increase could be as a result of the VAT rate increase from 5% to the new rate of 7.5%.

Professional Services generated the highest amount of VAT with N38.30bn generated and closely followed by Other Manufacturing generating N37.37bn, Commercial and Trading generating N17.19bn while Mining generated the least and closely followed by Textile and Garment Industry and Local Government Councils with N61.83m, N306.05m and N319.04m generated respectively.

The FIRS circular considers rights and bonus issues as taxable income whereas in the strict sense they are "compensating payments" in respect of capital, and therefore should not be taxed. Rights and bonus issues are adjustments against share capital which do not constitute income for the holders. The circular regards dividends paid by Borrower to Lender as franked, and exempt from CIT. However, this may not always be the case where such dividends have been exempted from WHT.

## NIGERIA'S EUROBONS AND DIASPORA BOND CLOSING PRICES AND YIELDS AS AT FRIDAY, MAY 15, 2020.

Bond Name	6.75% US\$500M JAN 2021 Eurobond	5.625% US\$300M JUN 2022 Diaspora Bond	6.375% US\$500M JUL 2023 Eurobond	7.625% US\$1.118BN NOV 2025 Eurobond	6.500% US\$1.5BN NOV 2027 Eurobond	7.143% US\$1.25BN FEB 2030 Eurobond	8.747% US\$1.0BN JAN 2031 Eurobond	7.875% US\$1.5BN FEB 2032 Eurobond	7.696% US\$ 1.25 BN FEB 2038 Eurobond	7.625% US\$1.5BN NOV 2047 Eurobond	9.248% US\$750M JAN 2049 Eurobond
Price (US\$)	99.092	94.073	93.455	90.390	83.905	83.625	88.265	83.480	80.373	79.478	87.708
Yield (%)	8.102	8.763	8.796	9.933	9.546	9.781	10.606	10.332	10.091	9.789	10.621
Yield at Issue (%)	7.000	5.625	6.625	7.625	6.500	7.143	8.747	7.875	7.696	7.625	9.248

Source: Bloomberg

