

What will 2021 look like?



Inflection



Reflection



Injection

2020 – A Year to Forget!



The Good



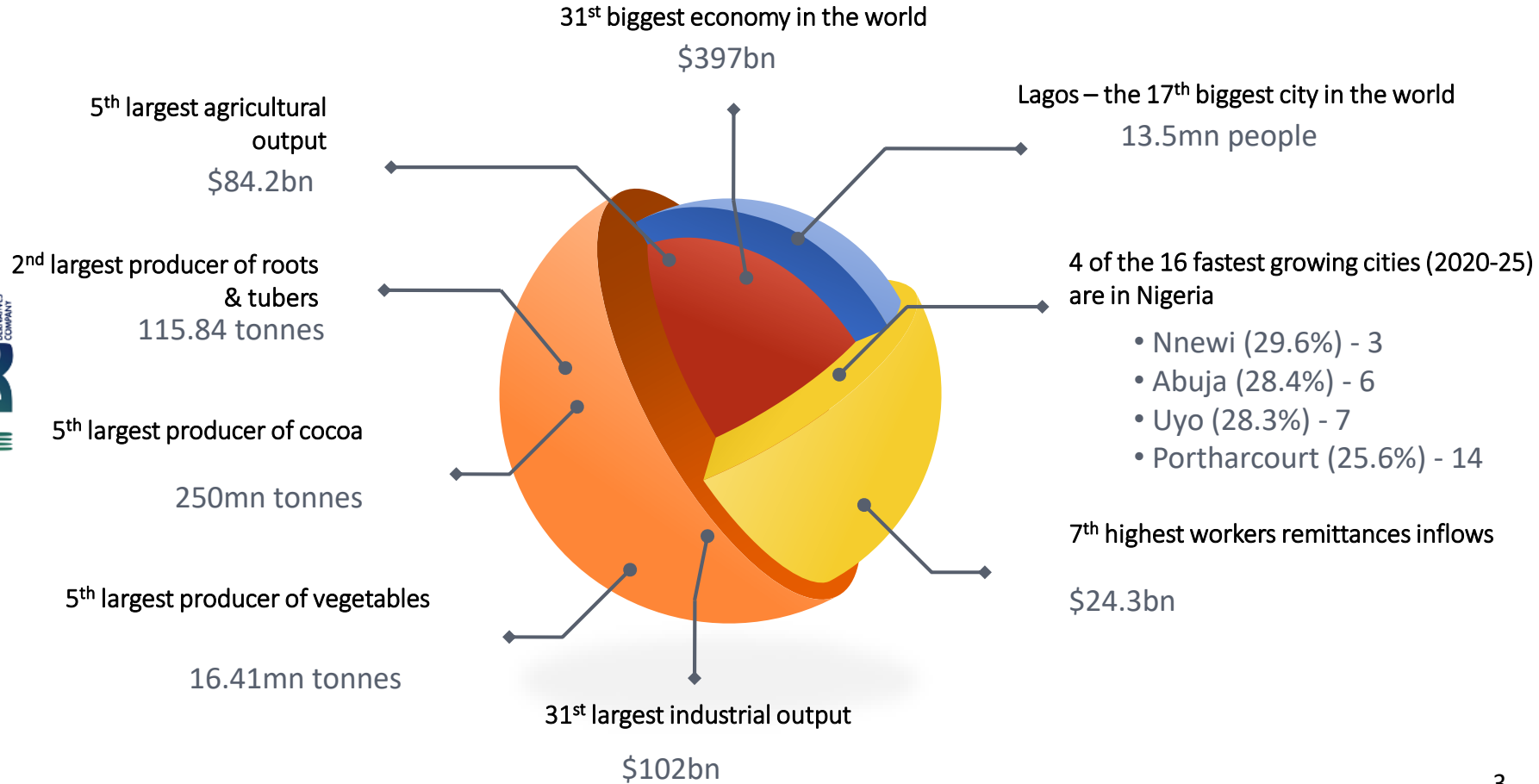
The Bad

&



The Ugly

The Good – Nigeria Had Some Cheery Moments



The Bad



13th highest refugees country of origin
276.9k

Life Expectancy for both sexes
55.8years

21st worst air polluting country
46.3

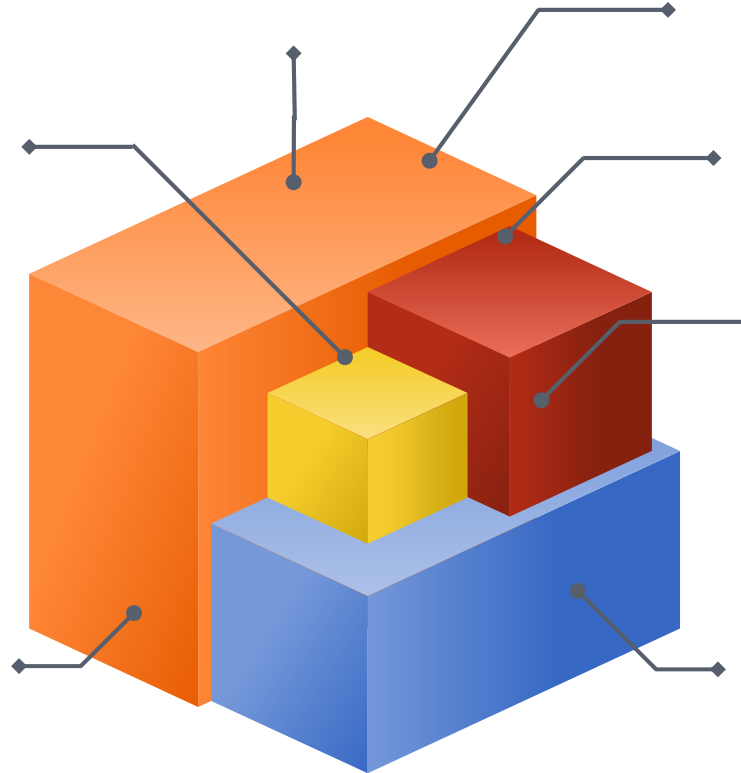
18th lowest median age
18.0

11th country with the lowest primary
school enrolment

Number of enrolled as a % of
the relevant age group - 85%

3rd largest rate of deforestation
-38.4%

15th highest consumer price inflation
14.89%



The Ugly

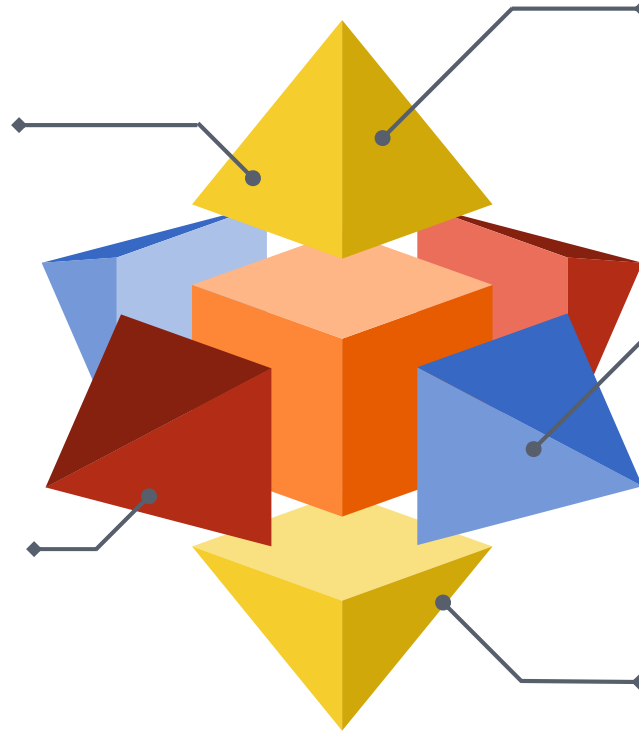


6th highest applications for
asylum by country of origin

59.7k

9th largest number of households

40.6mn

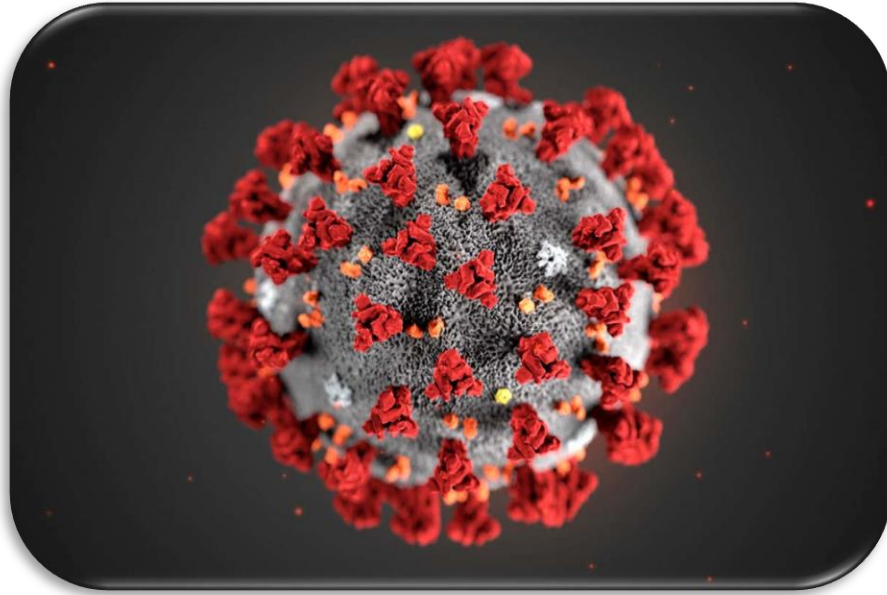


Lagos – city with the 11th worst
infrastructure

16.4 (100 = ideal; 0 =
intolerable)

4th country with the highest number of
terrorist attack

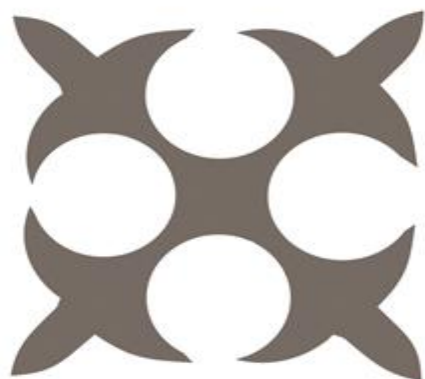
7th highest death rate from poor
sanitation
68.6 per 100,000
population



Was COVID the only Health Challenge?

Healthcare – It Was Not Only Covid

Ailment	Death rate	Impact
Covid-19	1,318	Crippled the economy
Malaria	300,000	Shrugged off
Yellow Fever	172	Low impact
Lassa Fever	121	Low impact
Measles	291	Low impact



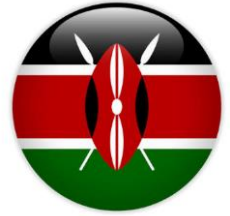
Custodian

...exceeding expectations

■ INSURANCE ■ PENSIONS ■ TRUSTEESHIP



South Africa



Kenya

Comparative Impact Analysis



Ghana



Ivory Coast

Covid Affected Others but Nigeria Remains Fragile

Indicators	Nigeria	South Africa	Ghana	Kenya	Ivory Coast
GDP (%)	-3.62	-6.0	-1.1	-5.7	0.7
Inflation (%)	14.89	3.2	9.8	5.46	1.7
91-day Treasury bill (%)	0.04	3.87	14.09	6.91	N/A
Exchange rate (% change)	-13.25	+22.19	-1.89	-7.57	+6.84
Unemployment (%)	27.1	30.8	6.8	10.4	2.4

COVID & Policy Response

- ✓ In the four SSA countries there is a positive correlation between
 - ✓ Economic reforms and outcomes
 - ✓ Size of stimulus and multiplier effect on income
- ✓ Countries where interest rates are higher than inflation perform better
- ✓ Currency weakness persists in Nigeria & Kenya who maintain interest rates lower than the rate of inflation
- ✓ Recovery trajectory of South Africa & Ivory Coast faster than Nigeria

2020!!!

- A year we would rather forget
- We Can't even if we tried!
- Because the year left indelible scars





What Next???



-Economic Recovery in H2'21

Vaccine means Q3'21 = Q2'19



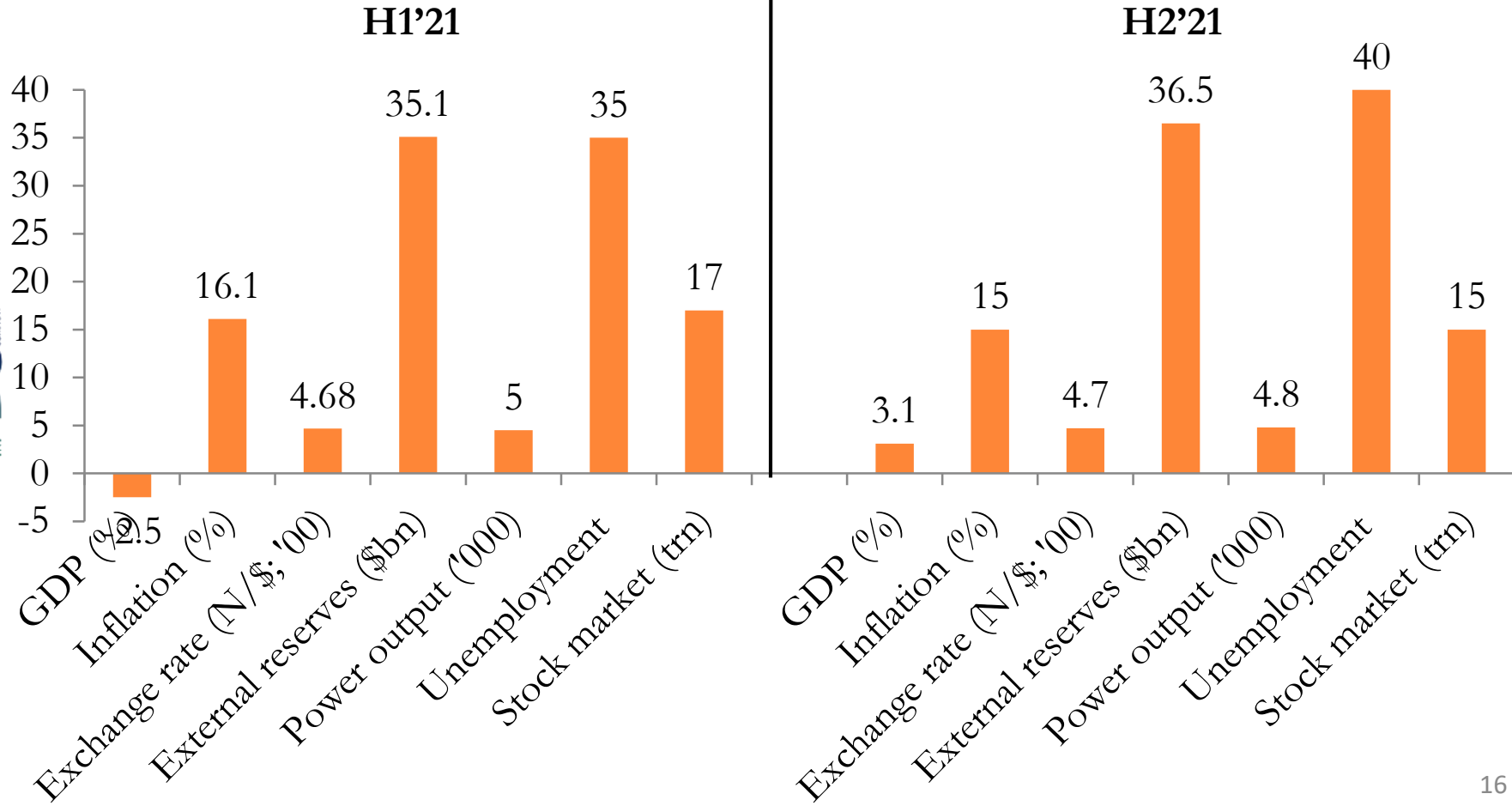
You will be back to where you were in Q2'19

Economic Agents Will be Most Interested In...



	Consumers		Investors		Government
GDP	✓		✓	✓	✓
Inflation	✓	✓	✓	✓	✓
Interest Rates			✓	✓	✓
Exchange Rate	✓		✓		✓
Oil Revenue					✓
External Reserves			✓		✓
Debt Service			✓		✓
Stock Market	✓		✓		

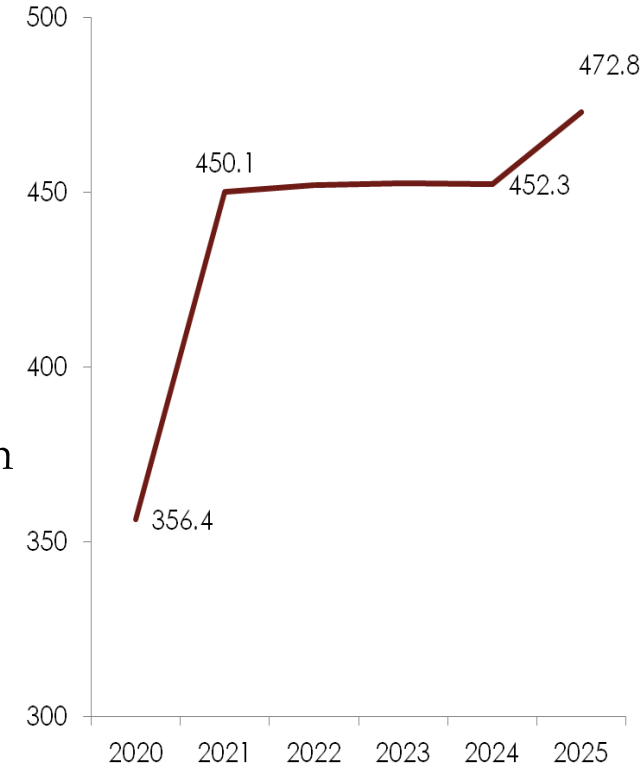
Economic Trends Improving in H2'21



Exchange Rate Outlook

- ✓ Exchange rate flexibility to subside currency pressures
- ✓ Currency pressures to also taper due to
 - ✓ World Bank loan disbursement (\$1.5bn)
 - ✓ Increase in Diaspora remittances
- ✓ Pressures expected to resurface on increased capital outflows, heightened forex demand and dollar dearth
- ✓ Driven by weak macroeconomic fundamentals
- ✓ Another currency adjustment likely in 2021
- ✓ IEFX rate will oscillate between N410- N420/\$

Exchange Rate avg (Official, N/\$)



Every Taste Maker's Delight



Currency Devaluation at the IEFX window

- ✓ Currency devalued at the I & E window – N410/\$
- ✓ 12.64% higher than the close of last year - N364/\$
- ✓ Closing the gap between the parallel & IEFX rate – ***“Real Effective Exchange Rate Path (REER)”***

- ✓ Convergence of multiple rates at the forex market
- ✓ Heading towards an auction system
- ✓ But devaluation will heighten inflationary pressures



Exchange Rate Determinants

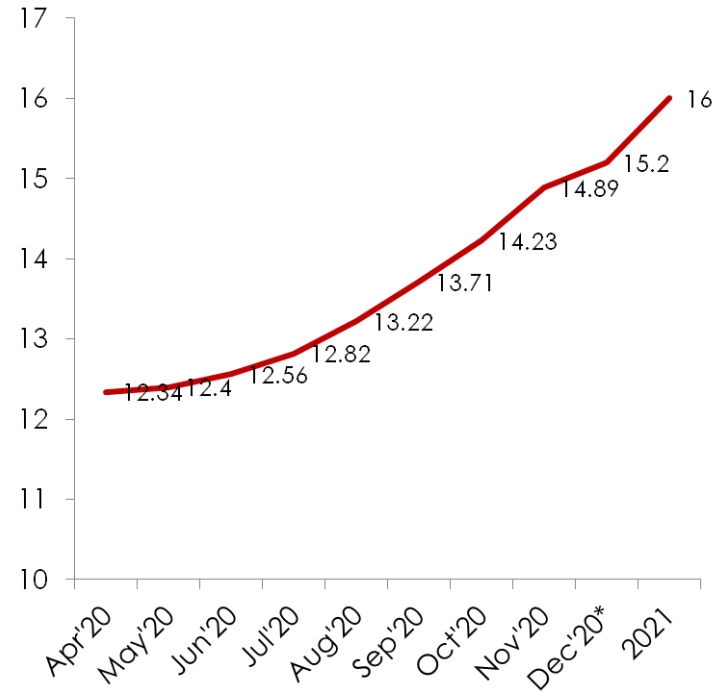
	2020	2021*
Balance of trade (\$'bn)	-6.0	-4.8
Terms of trade (\$'bn)	24.4	25.4
Current account deficit (\$'bn)	-10.8	-9.2
External Reserves (\$'bn)	35.26	34
PPP Value (N/\$)	402.94	415
Parallel market(N/\$)	470	480
I & E window(N/\$)	410	420

- ✓ External debt vs external reserves ratio expected to widen
- ✓ Debt service to remain at the front row of govt budget (2021-2023)
- ✓ Fiscal deficit to stay above 3%

Inflation to Moderate Later in 2021

- ✓ Inflationary pressures will persist in 2021
- ✓ As currency adjustment, price deregulation and forex restrictions for staple imports feed into consumer prices
- ✓ EIU estimates inflation to average 16% in 2021
 - ✓ Up from 12.98% in 2020

Headline inflation (%)



Interest Rates Likely to Climb

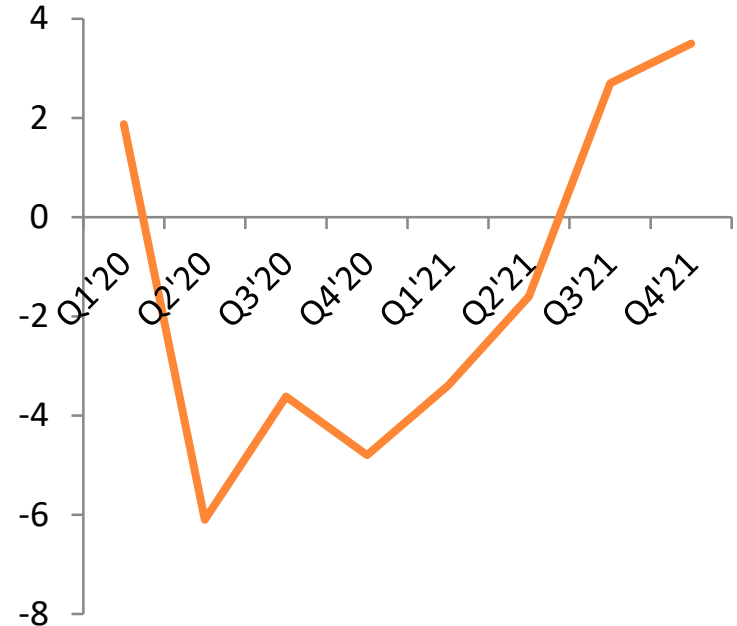
- ✓ CBN likely to reverse monetary policy stance to **“Tightening”**
- ✓ To curtail inflationary pressures and curtail rise in capital outflows
- ✓ New CBN special bills to mop up liquidity and support increase in T/bill rates
 - ✓ 91-day T/bill – 0.035%



GDP Growth Will be Slow & Gradual

- ✓ Negative growth to linger through H1'21
 - ✓ But rate of contraction to slow
- ✓ Positive growth expected in H2'21
- ✓ Driven by land border reopening, AfCFTA and pick up in economic activities
- ✓ FY'21 growth estimate: 1.5%

Real GDP Growth (%)

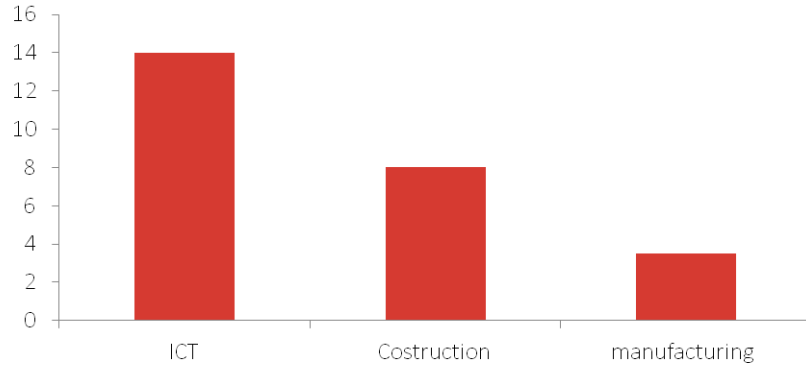


Source: EIU, NBS, FDC Think Tank

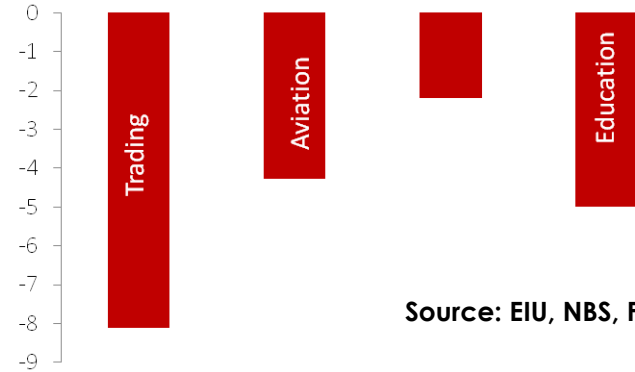
Sectors to Watch



The Winners (%)



The Losers (%)



Source: EIU, NBS, FDC Think Tank

- ✓ Growth in non-oil sectors to improve from Q1'21
- ✓ Uneven recovery expected across sectors
- ✓ Construction, ICT and financial institutions will be growth drivers
- ✓ Gradual recovery in real estate sector

Global Oil Prices to Trade Between \$45-\$50pb

- ✓ Vaccine rollout and recovery in oil demand to keep oil prices high
- ✓ But inability to curtail second wave of Covid infections and put the new Covid variant under control will cap the oil price gains
- ✓ Nigeria's oil production to increase as OPEC+ agrees to ease output cuts by 500,000bpd from Jan'21



External Reserves Depletion to Continue

- ✓ External reserves to keep declining as the CBN keeps the naira stable
- ✓ New guidelines on Diaspora remittances, World Bank loan, higher oil prices to slow rate of depletion





Game Changing Factors in Nigeria - 2021



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Game Changers



AfCFTA



ECOWAS Protocol



Changing Trading Partners



Currency Devaluation



Forex Rationing



Domestic Refining Capacity 2021 Budget – Increased spending on infrastructure



Import Restrictions



Political Squabbling



Removal of subsidies



End of accommodative policy stance



Where Will You be by December 2021?

Where you will be in December 2021??



No use of face masks



You would have been
vaccinated



Travel to other African countries
without Visa restrictions



40% of students will be online &
virtual



More E-commerce and less brick &
Mortar



What Risks are you Likely to Face in 2021?

A Confluence of Economic & Political Risks

A sharp
fall/rise in
global oil prices

EndSARS &
other protests

A 2nd & 3rd
wave of
lockdown

Resistance to
reforms

Insurgency in
the North
East

Vandalism in
the Niger
Delta

Persistent
unorthodox
monetary
policy

Projections for 2021 (Year-end)



GDP (%)	1.5
Inflation (%)	12.0
Exchange Rate (N/\$)	450
External Reserves (\$'bn)	25.0
Stock Market (N'trn)	15.0
Power output (MW)	4,800
Unemployment (%)	40

Summary & Conclusion

- ✓ 2021 would be the year for economic reforms
- ✓ Consumption subsidies will be reduced
- ✓ Improved revenue to be used for poverty alleviation
- ✓ Exchange rate flexibility likely to be adopted
- ✓ Leading to a more predictable and stable naira exchange rate

Summary & Conclusion

- ✓ Gradual recovery in the global, regional and domestic economy
- ✓ Global trade and investment flows will increase
- ✓ Free trade & regional integration in Africa and other regions
- ✓ Barriers to investment flows will be dismantled
- ✓ Countries will emphasize their sources comparative advantage

**Happy
New Year**

