



Uncertain Recovery: 10 Macro Trends that will Shape 2021

Presentation to American Business Council,
Nigeria

November 2020



Outline



2020 in rear view: Shocks
and more shocks



10 macro trends that
will shape 2021



Conclusion and
Key takeaways

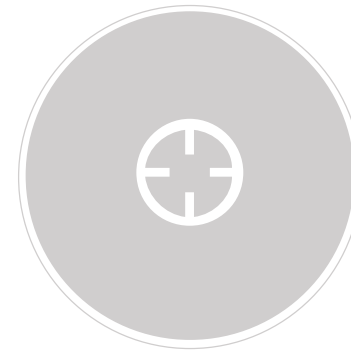
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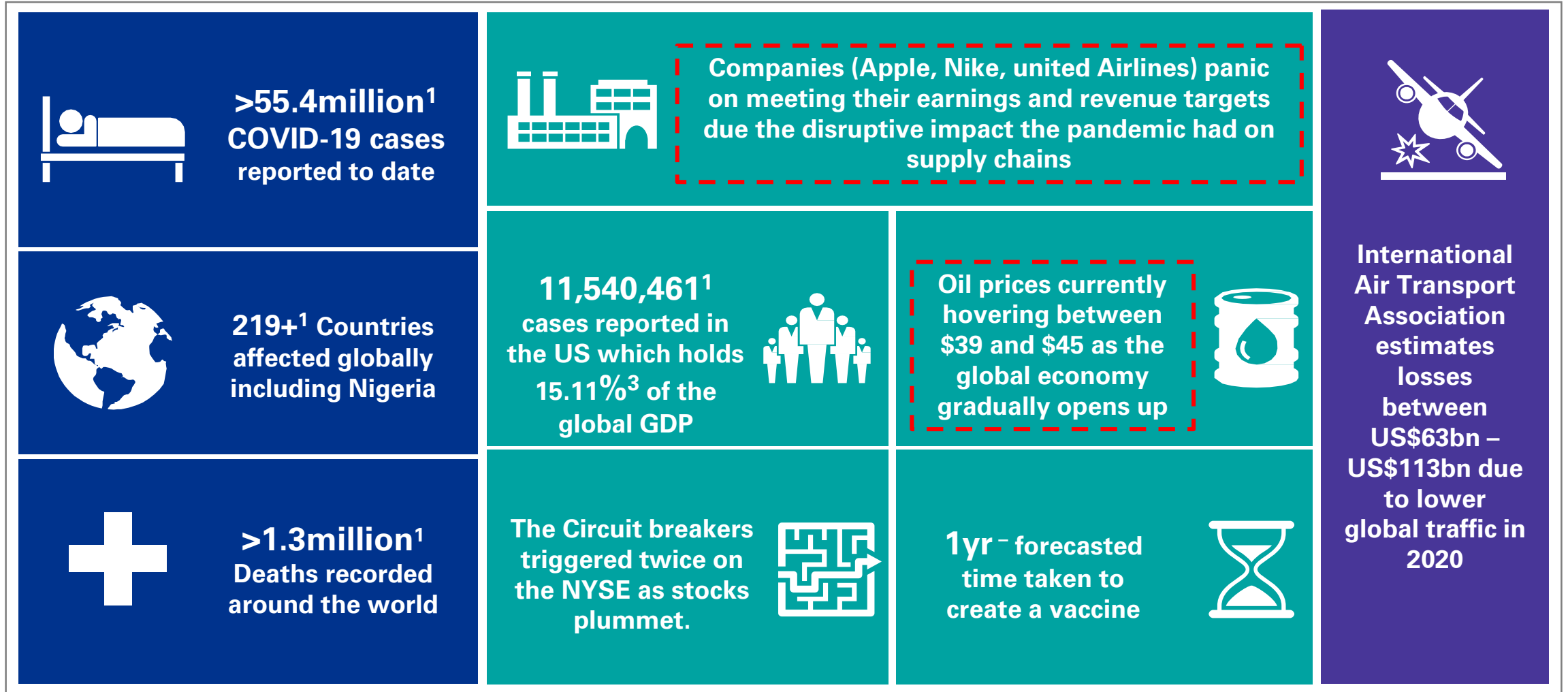


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The global economy in 2020 reeled from the COVID-19 pandemic...

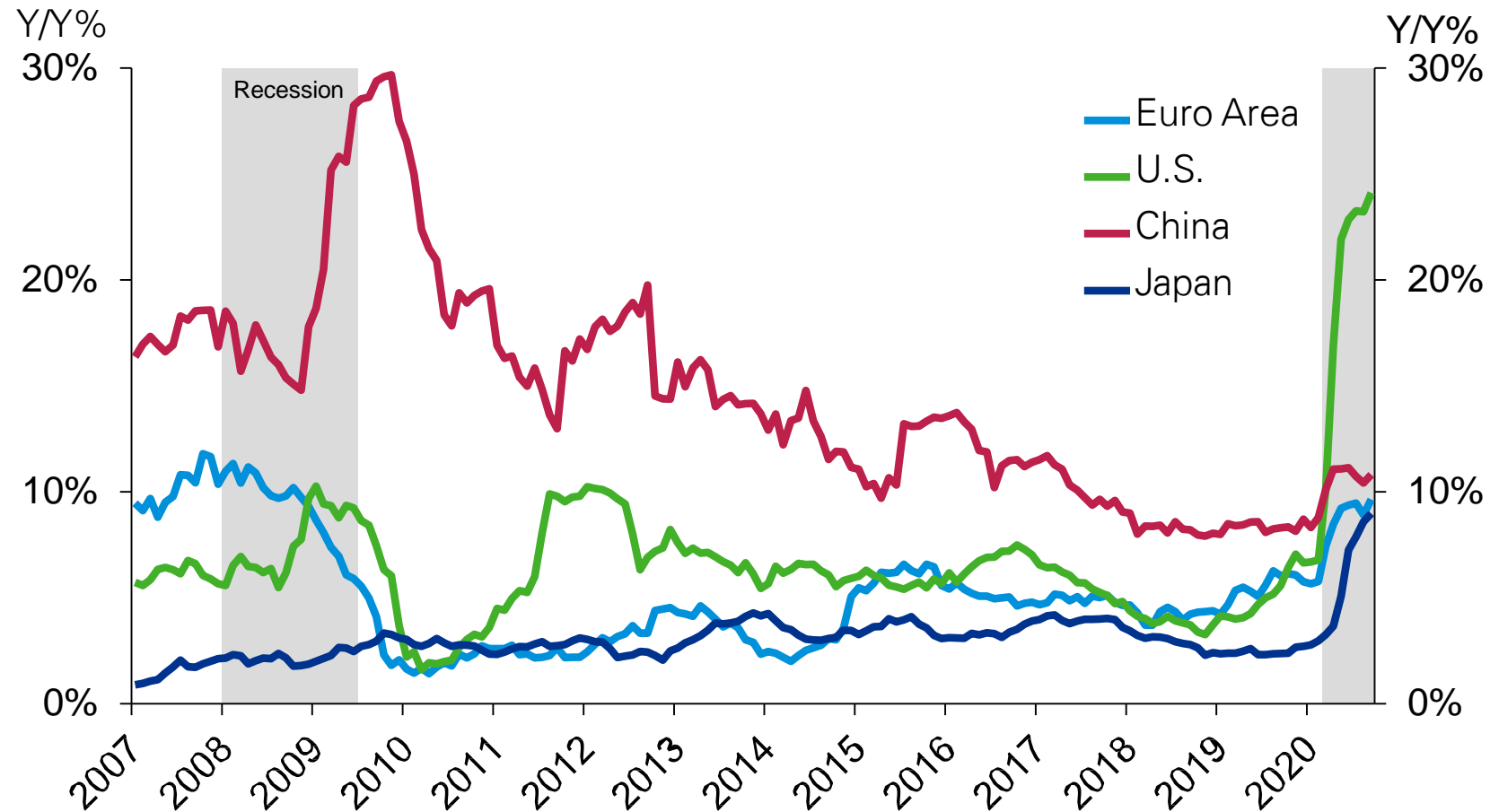


Source: 1. WHO 2. CNBC 3. Statsta, WHO Situation Reports, IATA, CNBC, NCDC

Global central banks responded by rolling out a raft of policies...

The Federal Reserve Leading the Way on Monetary Policy

Money Supply: M2



Source: KPMG Economics, Bank of Japan, European Central Bank, Federal Reserve Board, Haver Analytics (Sept. 2020)

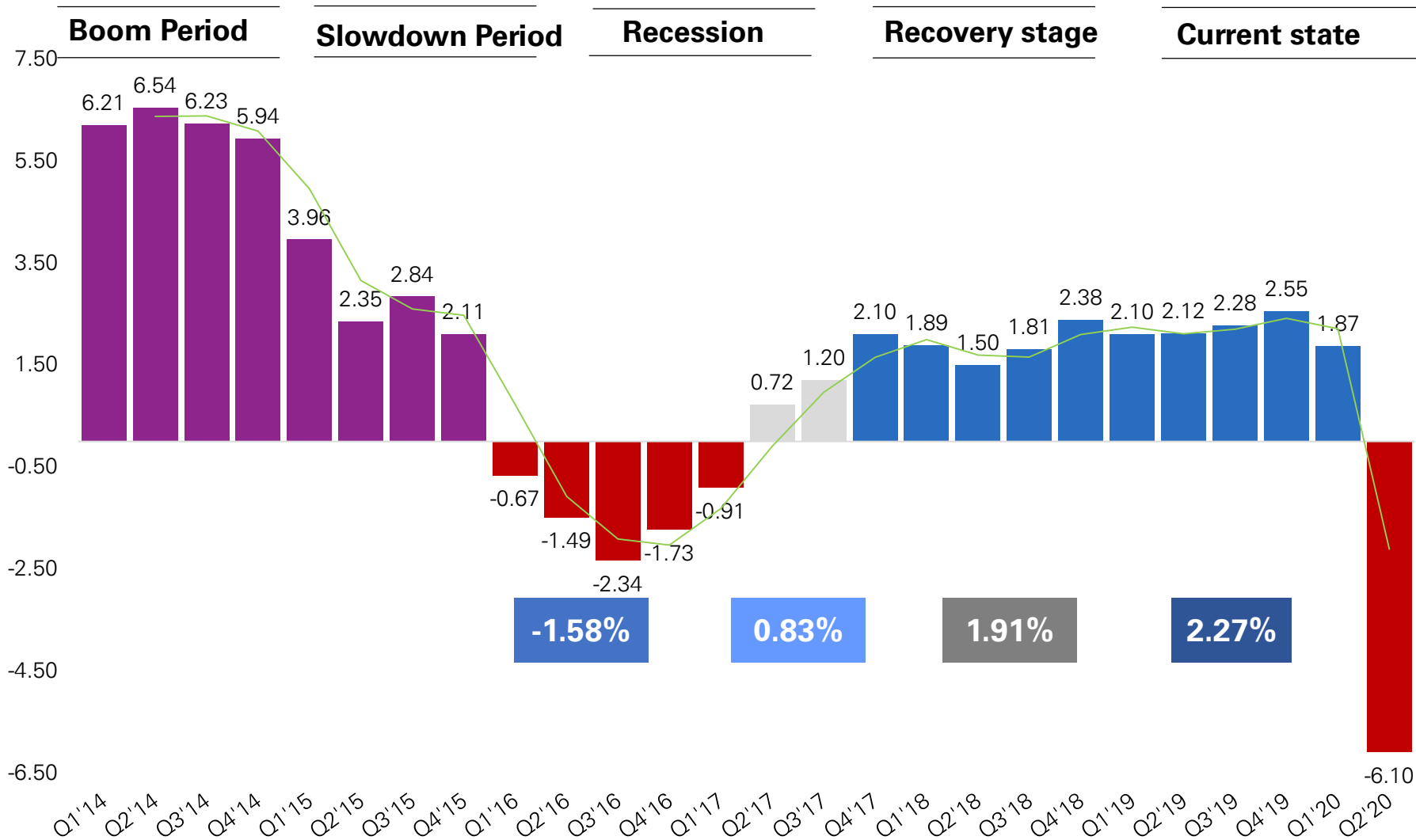
Rates cut across major markets:

- **The Fed cut fund rates by 150bp** in March 2020 to a range of 0 - 0.25 percent
- **Bank of England** cuts rates by 65bp to 0.1 percent
- **Bank of Russia cuts** by 25bp to 4.25% per annum

Along with Quantitative Easing:

- **The Fed provided \$2.3trillion** (11% of GDP) QE
- **Bank of England offered £330bn of loans and guarantees** available to businesses (15% of GDP)

Nigeria's fragile story on a macro level became further complicated...



- At - 6.1%, GDP growth contracted to a 30-year low in Q2 2020 from 1.87% in Q1 2020
- Five sectors were hit the hardest - hospitality, real estate wholesale and retail trade, manufacturing and oil and gas
- Nigeria's GDP growth is **expected to contract further in the next quarter**, with modest pickup by 2021

Source: NBS



...with the real economy struggling...

Sector GDP Growth, % (2019 Q3 – 2020 Q2)



- **Agriculture, Telecoms and Financial Services grew by 1.6%, 18.1% and 28.4% respectively** on the back of the increased demand from businesses and individuals.
 - Only 13 of the 46 activities tracked by NBS grew positively, 33 contracted
 - The **fastest growing sectors** (Finance and Telecoms) are **employment inelastic** and account for only **2.2% of total workforce**

Source: NBS, KPMG Analysis



 Declining Sectors
 Growing Sectors
 x% GDP contribution

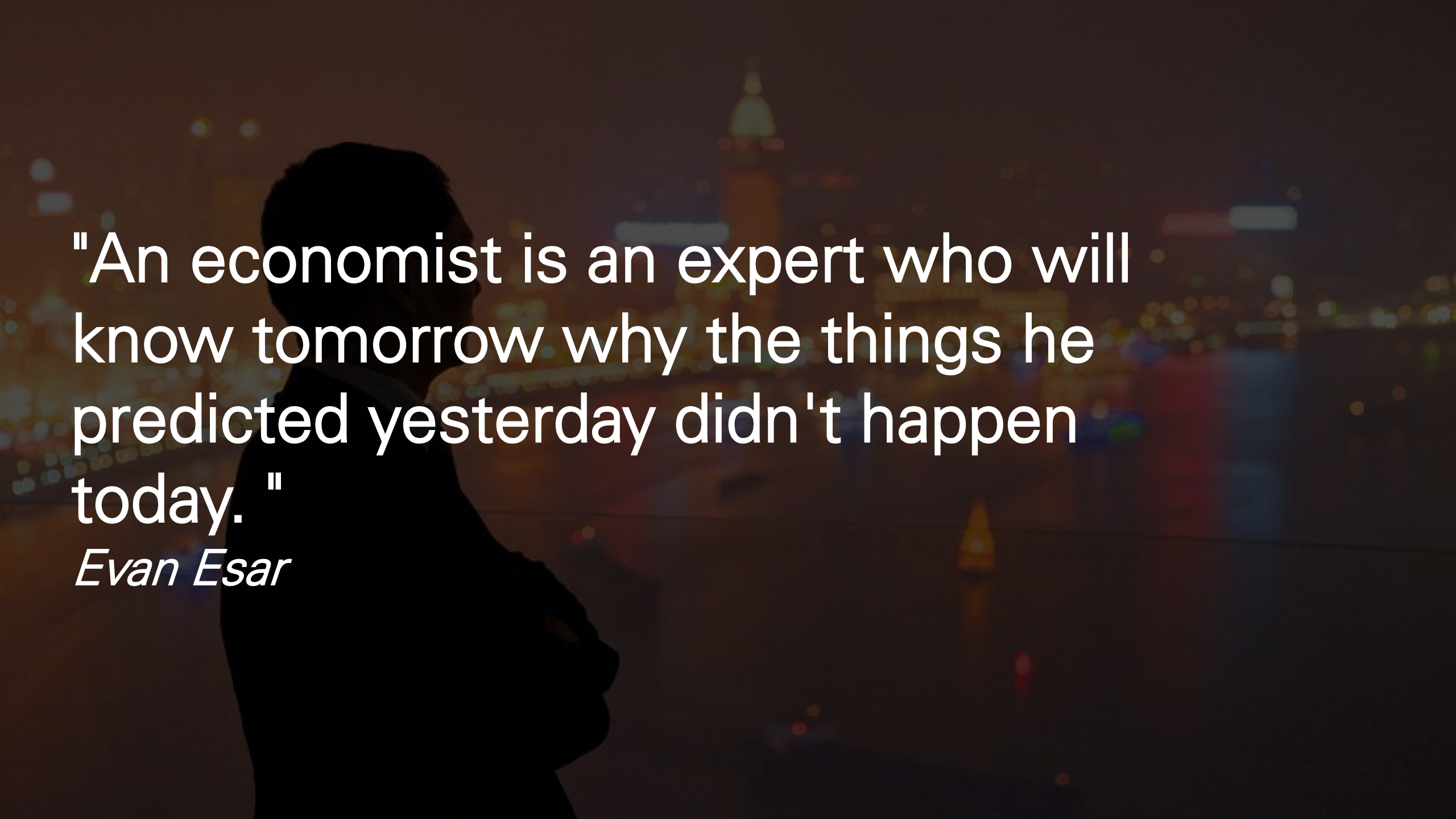
The Nigeria Dashboard: Key indicators show heightened vulnerability

Key Drivers	Nigeria	Brazil	Russia	India	China	South Africa	Turkey
External Financing Vulnerability Index:							
Current Account Balance/GDP (% , 2020f)	-3.9	-0.3	1	1.4	1.4	-1.1	-4.8
Short-Term External Debt/Total External Debt (% , 2020f)	5	11	14	19	65	19	31
External Debt/GDP (% , 2020f)	112	49	34	26	15	61	67
Domestic Financial Vulnerability Index:							
Private Sector Real Credit Growth (% y/y, 2013-19 average)	9	0	3	0	4	-1	4
Foreign Holdings of Equities (% , June, 2020)	38	24	16	19	19	25	11
Policy Vulnerability Index:							
2020-End Inflation Forecast (vs. Central Bank Target)	14.23 (<9)	1.8 (4.0±1.5)	4.0 (4.0)	3.8 (4.0±2.0)	0.8 (~3.0)	3.0 (3.0-6.0)	12.0 (5.0±2.0)
Current Real Interest Rates	-13.93	0.2	0.3	0.2	3.6	0.5	-1.8
Fiscal Balance/GDP (% , 2020f)	-5.8	-14.7	-3.5	-10.2	-10.2	-9.1	-3.2
Gross Government Debt/GDP (% , 2020f)	35	101	19	89	62	79	42
World Bank Worldwide Governance Indicators (2019 release)	-1.05	-0.2	-0.6	-0.1	-0.4	0.2	-0.4
WEF Global Competitiveness Index (2019-20)	48.3	60.9	66.7	61.4	73.9	62.4	62.1

	Most Vulnerable
	Vulnerable
	Less Vulnerable
	Least Vulnerable

Source: World Bank, IIF, KPMG Analysis



A silhouette of a person in profile, looking towards the right. The background is a blurred city skyline at night with various lights and buildings. The text is overlaid on the image in white.

"An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today. "

Evan Esar

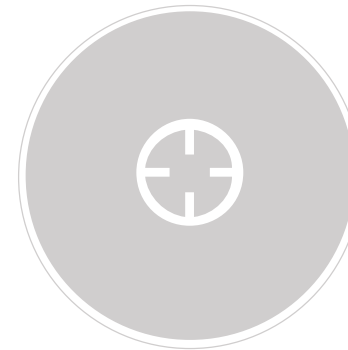
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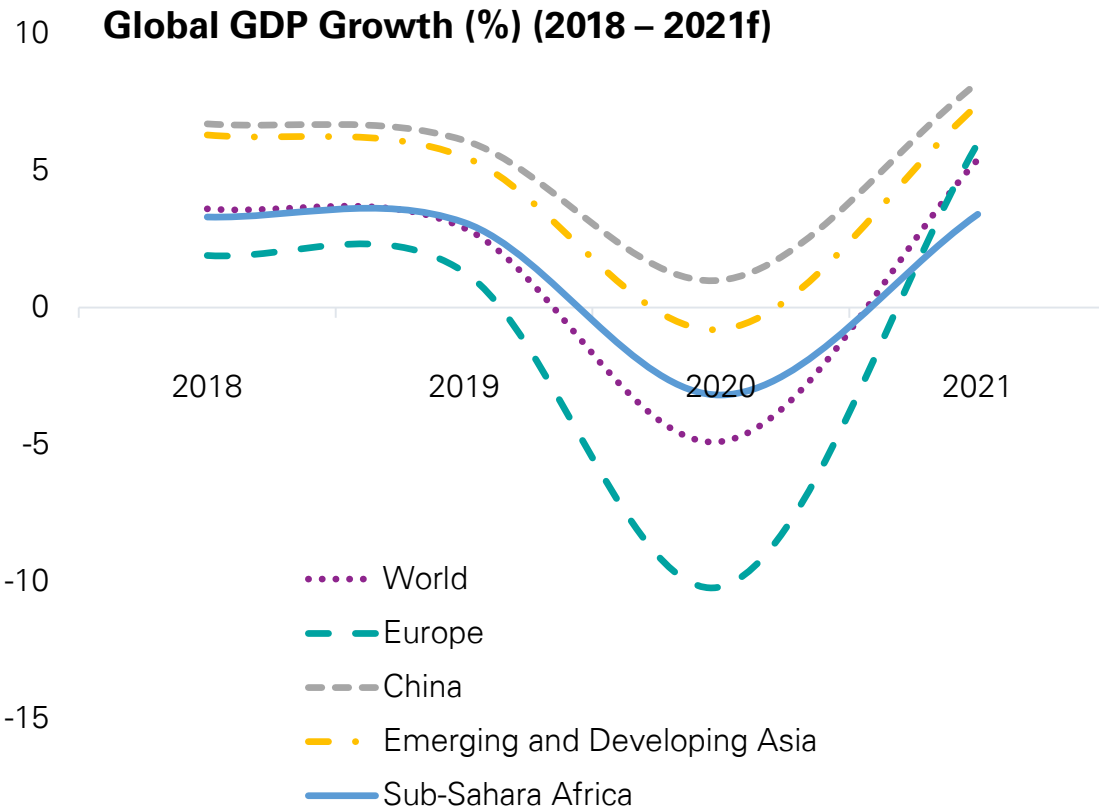
01

Global Dynamics

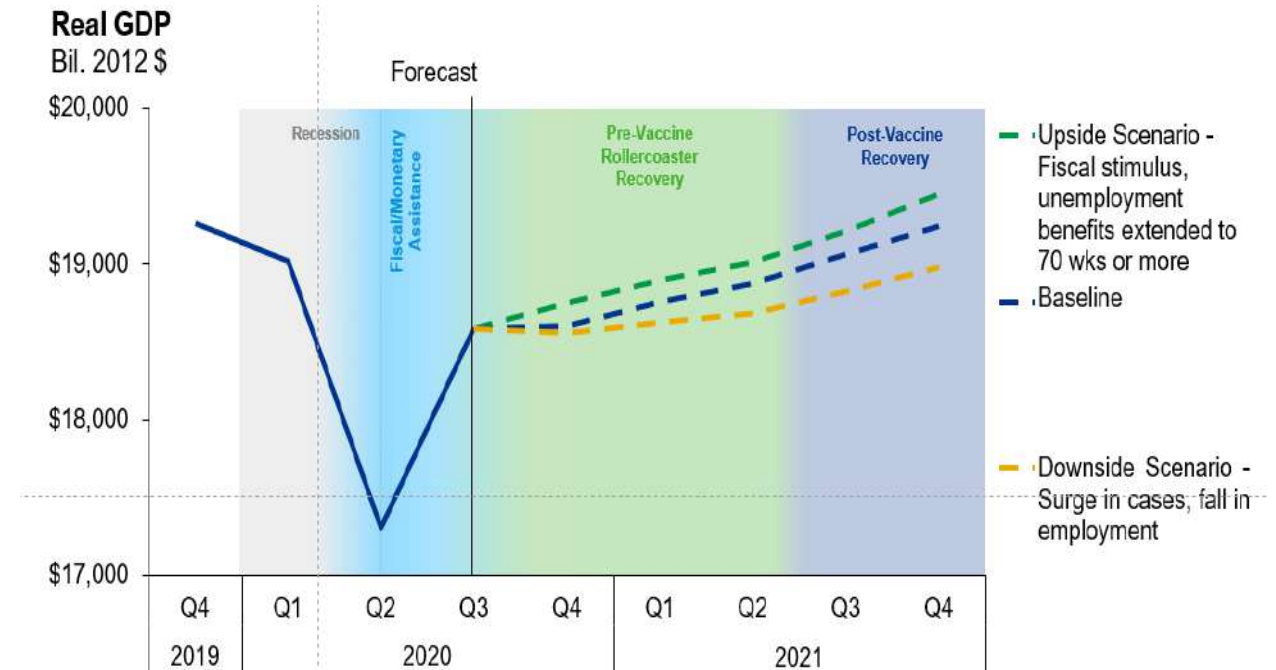


01 Modest recovery expected in 2021 is threatened by a risk of 2nd wave of COVID-19 Pandemic

Global economic prospect is subdued...



A more nuanced view of the US: recovery depends on fiscal and monetary intervention as well as COVID-19 trajectory



Note: Forecasts are inherently time sensitive and projections are dated as of October 30, 2020.

Source: World Bank, IMF, KPMG Analysis



01 Key pressure points will emanate from the global economy...



Democratic Government in the US?

The emergence of a new democrat president will have implications on the global economy:

- Bigger fiscal stimulus package totaling **US\$2.5 trillion from 2021 to 2024 to drive recovery**
- Bilateralism with **possible easing of trade tensions between the US and China**
- **Possible catalyst for distortion in oil prices given strong advocacy for shift away from fossil fuels**



Oil Price Dynamics

- Oil prices declined by 60% between February and April 2020 as the pandemic led to a collapse in global oil demand and concerns about storage capacity
- **IEA expects global oil demand growth to rise by 5.8 mb/d in 2021 & oil price to moderate at \$46**
- **OPEC is considering deepening oil production cuts amidst rising Covid-19 cases and fresh economic lockdown in Europe**



Capital flows

- Outflows from SSA between February and March totaled \$5 billion
- **47% of investors think emerging market economic activity will slow over the next 12 months**, compared with 37% who think it will accelerate
- Borrowing costs are still high and **financial conditions remain difficult**

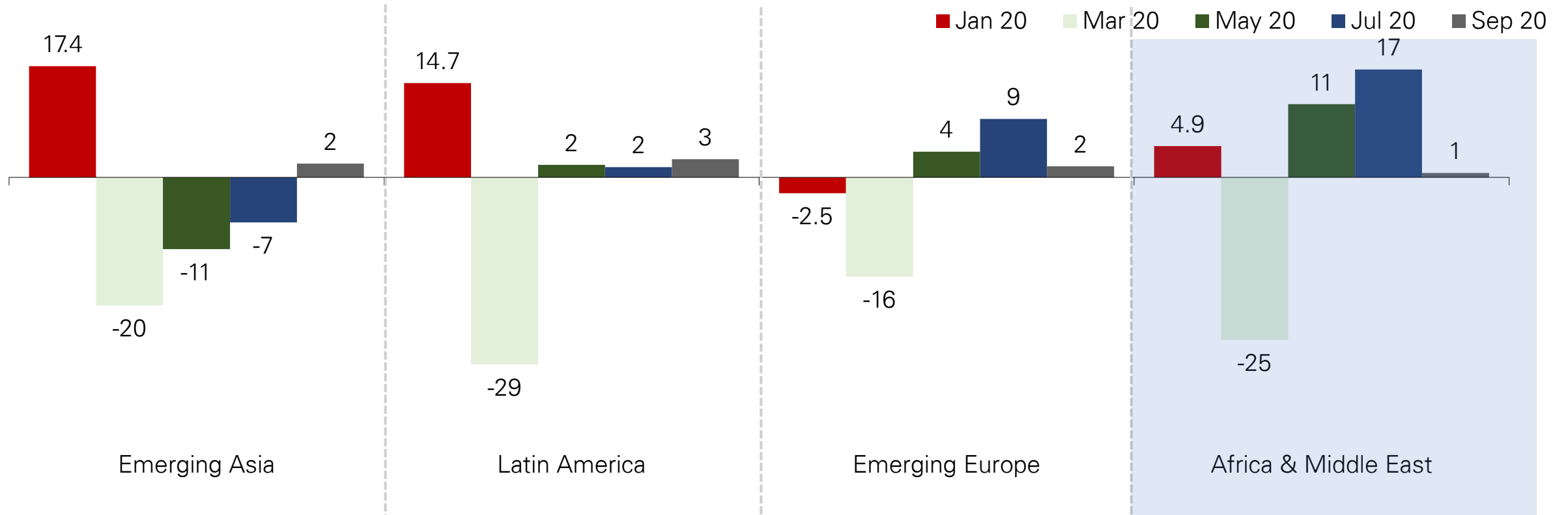


Trade

- **WTO expects a significant downturn in global trade in 2020 of between 13% and 32%, and some recovery in 2021 at 8%**
- **Risks to the outlook include a second wave of COVID-19** with the results being very sensitive to the **length of time that the Covid-19 threat remains in place or trade restrictions**

Source: World Bank, IDN Financials, FT.com, IEA

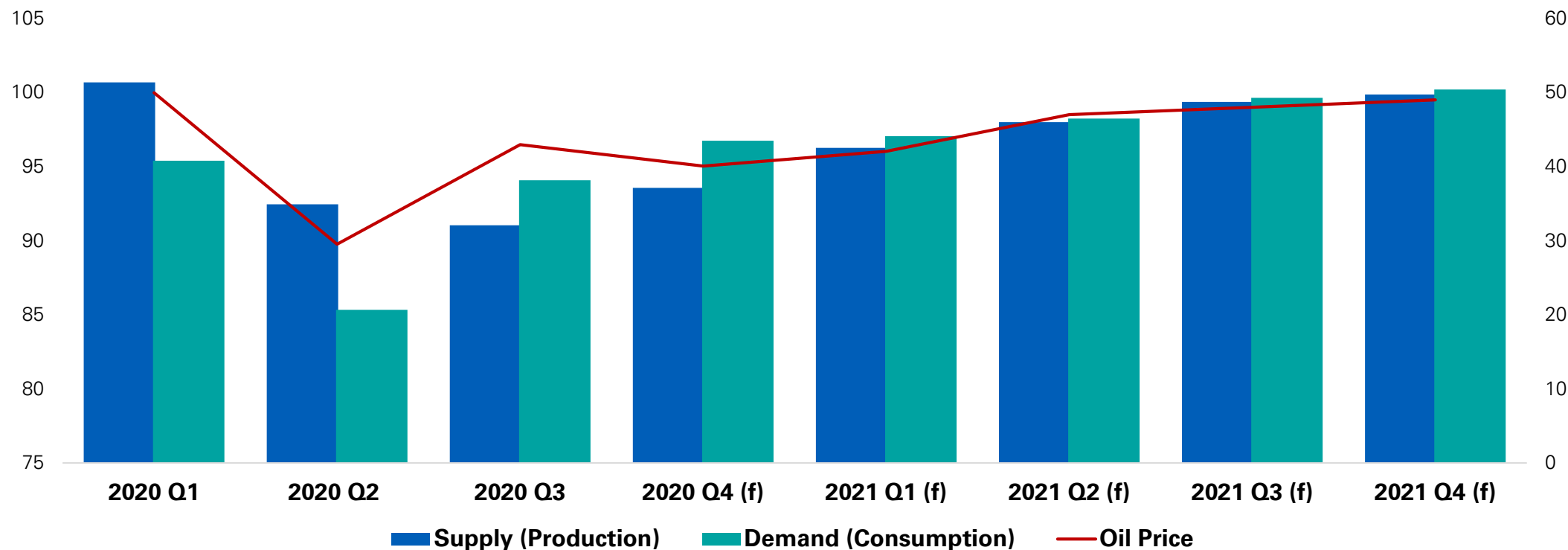
Capital flows to emerging markets is expected to remain weak...



Key Drivers

- Weak capital inflows in emerging markets on the back of renewed concerns regarding a second wave of the pandemic.

Global crude oil supply, Oil demand and Brent oil price (Q1 2020 – Q4 2021)



Key Drivers

- EIA forecasts indicate that monthly Brent spot prices will average \$44/b in Q4 2020 and **rise to an average of \$49/b in 2021 as oil markets become more balanced**
- High **inventory levels** and **surplus crude oil production capacity** may **slowdown upward pressure on oil prices**

Implications

- Improved oil price in 2021 is expected to **create revenue buffer for commodity market economies who continue to grapple from the impact of the pandemic**
- Concerns on second wave may dampen oil price growth as major economies consider second round lockdown

Source: EIA, IEA, Goldmansachs, KPMG Analysis

01 2021 outlook for global pressure points...

Oil prices will be moderate, portending lower oil revenues for oil exporting economies

Capital flows will remain uncertain, reactive to any major shocks

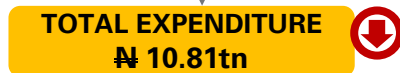
02

Fiscal Sustainability



02 The proposed 2021 budget provides indications of tight spending and worsening debt...

Breakdown of 2020 FGN's Budget (July, 2020)








Breakdown of 2021 FGN's Proposed Budget (2021)



- Revenue increase of ~100% majorly driven by the expected stability in oil price at US\$40pb and upward revision of oil production

Source: MTEF, KPMG Analysis

02 Fiscal policy is threatened by widening budget deficit...

	2020 Revised	2021
 Benchmark Oil Price (\$)	28	40
 GDP Growth	-4.20%	3%
 Oil production (mbpd)	1.8	1.86
 Exchange Rates N/\$	360	379
 Inflation	12.5%	11.95%

Key Drivers and Implications

- ✓ **Oil price at \$40 appears realistic considering the EIA average forecast (\$46) in 2021.** However, a second wave may threaten oil price below
- ✓ A GDP growth of 3% is an ambitious one **considering a 0.82% in 2017 post recession growth.** IMF forecasted a **growth of 1.7% for Nigeria**
- ✓ **OPEC and allied producers to reduce output cuts of 7.7 million barrels per day (bpd) by around 2 million bpd from January.** This may affect Nigeria's 1.7mbpd in 2021
- ✓ **On the back of inherent supply and demand FX liquidity challenge, there may be another round of adjustment to drive rates alignment & a more realistic fair value**
- ✓ Inflation stood at 14.23% in October 2020. **Uptick in headline inflation may further be exacerbated in 2021 given inherent structural bottle necks and high cost of doing business**

Source: Budget documents, KPMG Analysis

02 Budget implementation will likely underperform in line with historical trends...

Revenue Performance (N'Bn)	Pro-Rata (Jan-Aug)	Actual (Jan-Aug.)	Implementation
Federal Retained Earnings	3,576.95	2,522.08	70.5%
Oil revenue	675.84	1,105.40	163.6%
Share of Dividend (NLNG)*	53.58	na	-100%
Non-Oil Revenue	1,083.29	831.41	76.7%
CIT	547.78	447.52	81.7%
VAT	189.41	117.75	62.2%
Customs Revenues	300.46	251.48	83.7%
Federation Account Levies	45.64	14.65	32.1%
Other sources			
FGN Independent Revenue	621.89	281.81	45.3%
FGN Drawdowns from Special Accounts/Levies	430.00	223.29	51.9%
Signature Bonus / Renewals / Early Renewals	233.68	78.72	33.7%

Source: Budget documents, KPMG Analysis



02 Budget implementation will likely underperform in line with historical trends...

Huge Fiscal Deficit

- Fiscal deficit is N5.2tn

Constrained Fiscal Space

- Fiscal policy space is constrained
 - Nigeria's fiscal flexibility is **constrained by a high interest bill as a percentage of general government revenue** and **by inefficient non-oil tax collection.**

Non-oil revenues potential limited in the short term

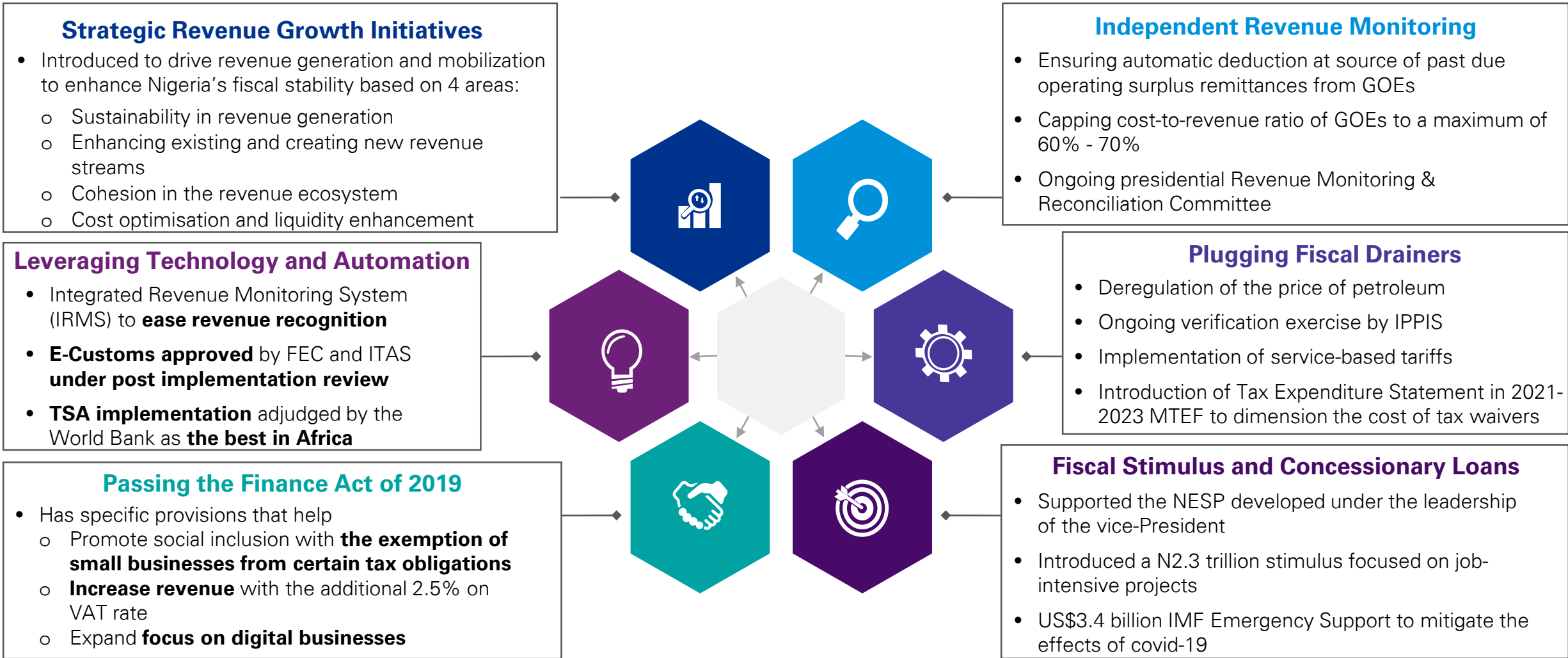
- Impact of new tax policies could be watered down by overall low economic outputs
- Strategy: domestic and multilateral sources of fund
 - IMF disbursed \$3.4bn
 - Domestic liquidity and lower interest rates
 - DMO issued N1.8tn out of N2.2tn domestic borrowing plan
 - External issuance (Eurobonds) – Limited investors risk averseness and relative higher costs
- Limited opportunities for Debt forgiveness

Funding

- Strategy: domestic and multilateral sources of fund
 - IMF disbursed \$3.4bn
 - Domestic liquidity and lower interest rates
 - Total debt stock: ~~₦~~**31.009 Trillion or USD85.897 Billion**
 - External issuance (Eurobonds) – Limited investors risk averseness and relative higher costs
- Limited opportunities for debt forgiveness

Source: IMF, Budget documents, KPMG Analysis

02 Enacting initiatives to improve revenues



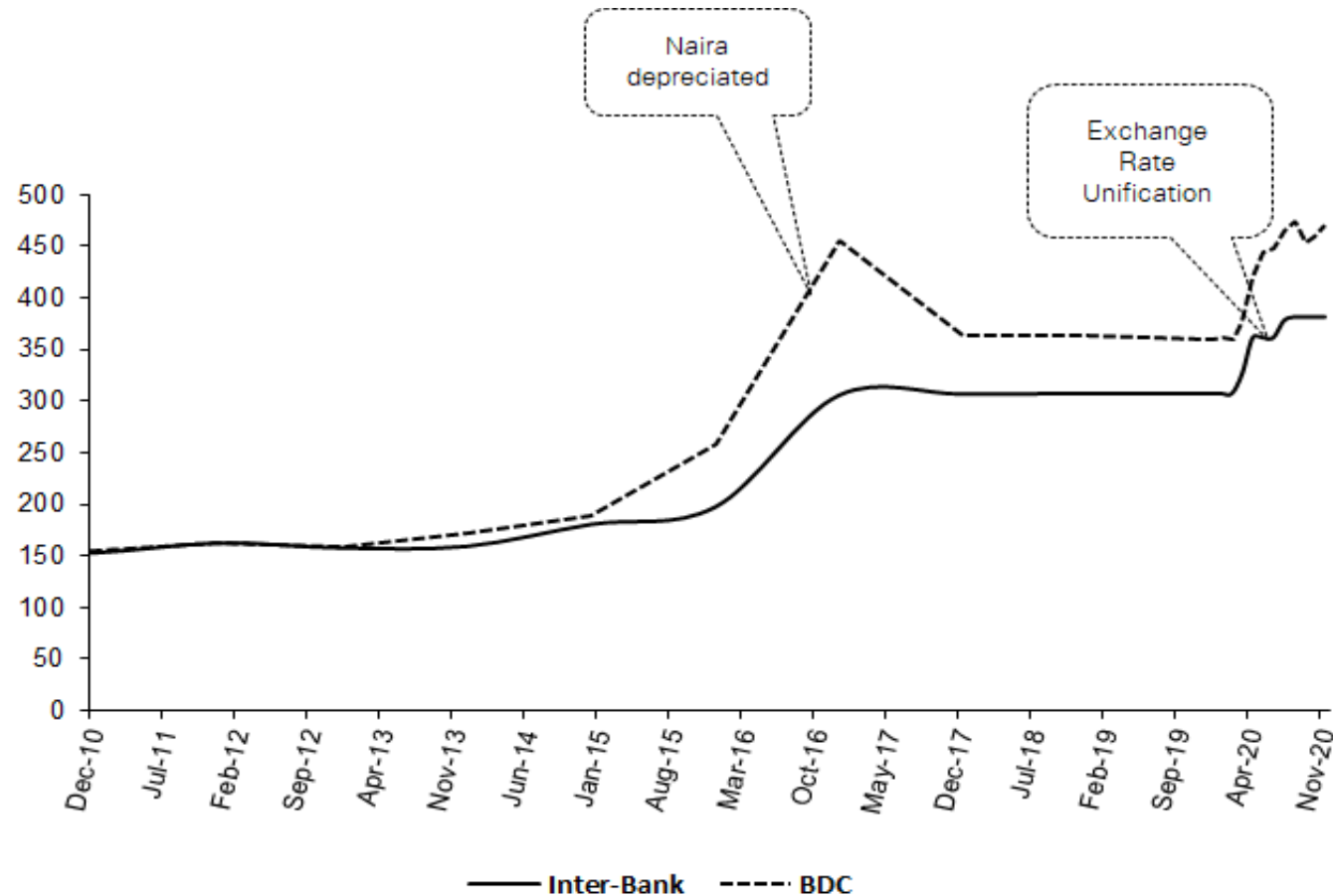
Source: Federal Ministry of Finance Budget Proposal

03

Uncertain FX Environment

03 The foreign exchange environment will remain under pressure exacerbated by lower FX earnings

Inter-bank and BDC Exchange Rates in Nigeria (Dec. 2010 – October. 2020) (₦)

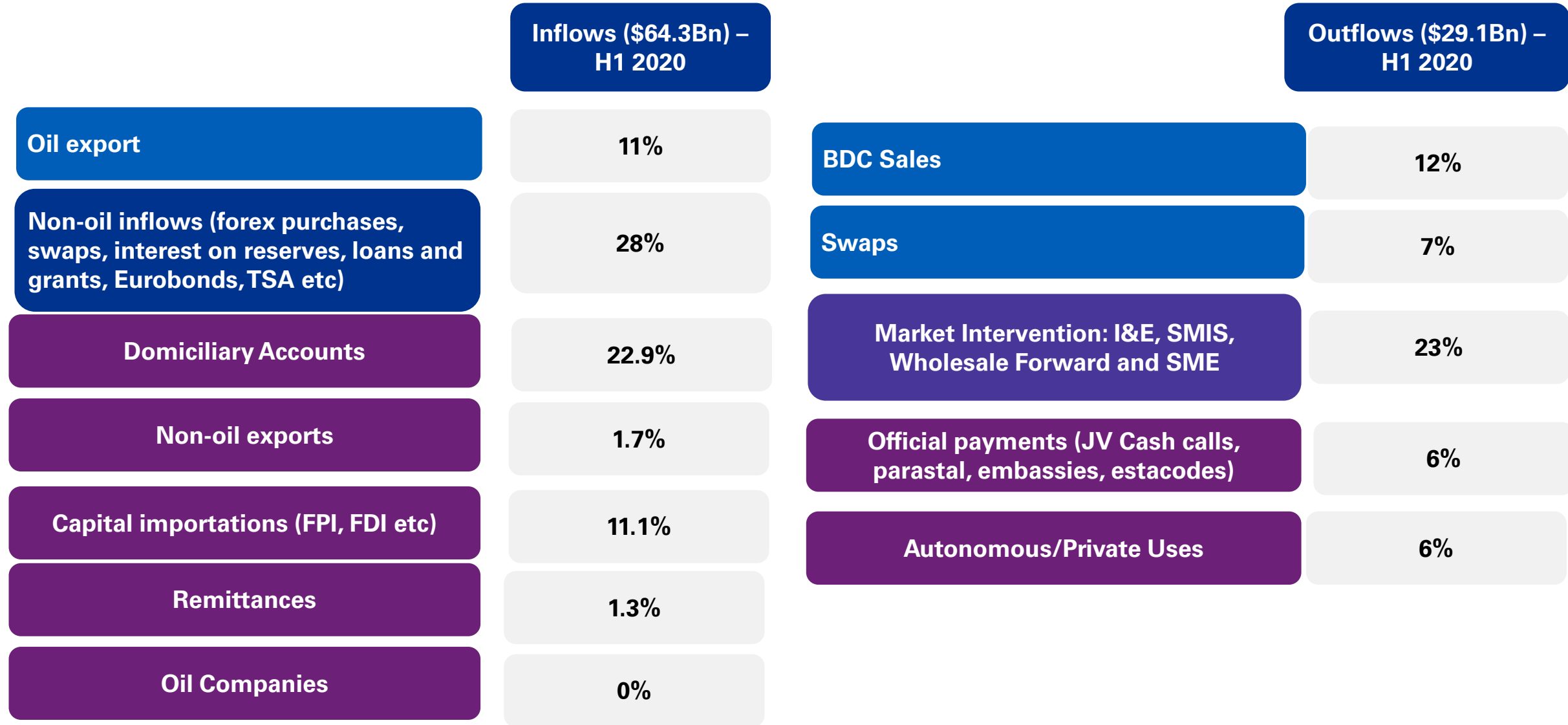


Implications

- In a bid to manage the pressure resulting from subdued FX earnings, the CBN initiated the exchange rate unification policy, adjusting **the official exchange rate by 19.4% from N306/1\$ in January 2020 to N381**
- Despite two separate rounds of adjustment in official exchange rate, **major pressure points still exist**
 - **Multiple exchange rates**
 - **FX illiquidity**

Source: CBN,





Source: news websites, CBN

Fair Value



- Fair value estimation at N421/\$1, reflecting a 9% overvaluation of real effective exchange rate
- **Fair value may improve but rates will still be misaligned in 2021**

Liquidity



- Liquidity is low due to the pressure on foreign reserves and sharp fall in capital importation (QoQ) by **~78%** in Q2 2020
- **Liquidity will remain challenged given oil price outlook and capital flows**

Multiplicity



- Multiple exchange subsist considering the spread of **~N80 between BDC, Government intervention rate and official rate**
- **CBN may not likely close the Multiple Exchange rate window**

Access



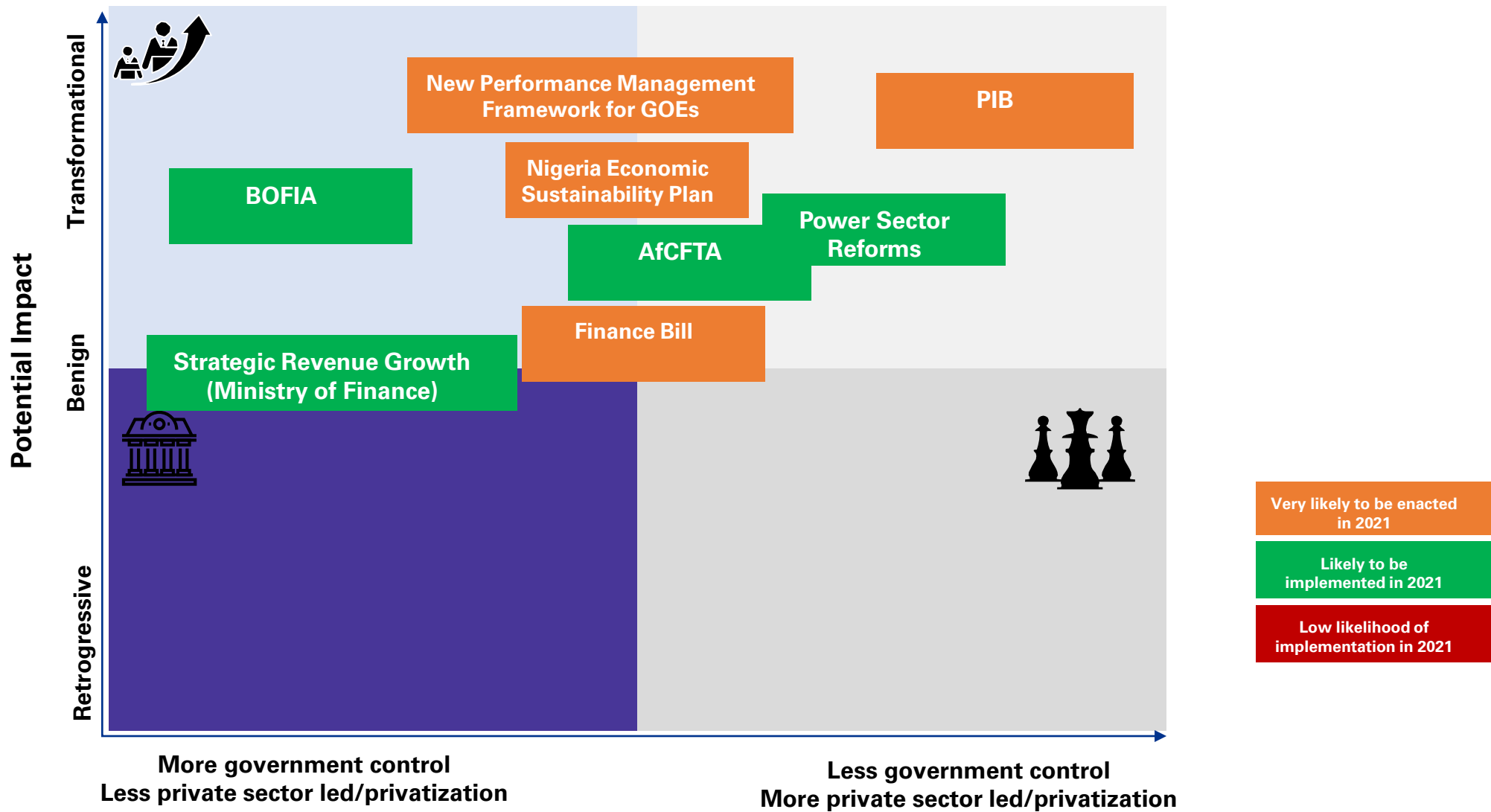
- Pending unmet demand - backlog of dollar-denominated letters of credit valued at \$729 million
- **Demand will be high as the global economy completely lift trade restrictions in 2021**

Source: FitchConnect, CBN, NBS

04

Stringent Policy Environment

04 Various policies lie within the horizon, with possible outcomes...



04 2021 outlook for policy environment ...



Policy Stance

Stringent and VUCA

- Volatile - The **nature, speed, volume and magnitude of change is not predictable** e.g. **rising Inflation** and **low aggregate demand**
- Uncertain - **Lack of predictability in issues and events** make it difficult to see future outcomes or make decisions
- Complex - **Intricately interwoven forces** that defy the traditional cause and effect analysis. e.g. Multiple taxation, **VAT increase**
- Ambiguous - **Lack of clarity resulting in multiple and conflicting interpretations**



Policy Objectives

Reaction function focused on:

- **Increasing govt revenue**
- **FX control**
- **sector reform and**
- **Alignment with multilateral requirements**
- **Political control and political recovery**



Policy Balance

- **Policy to drive oligopolistic market**
- Focus will be **more on social vs economic growth**
- **Inward focused** vs external focused
- **Facilitate entry of new players**

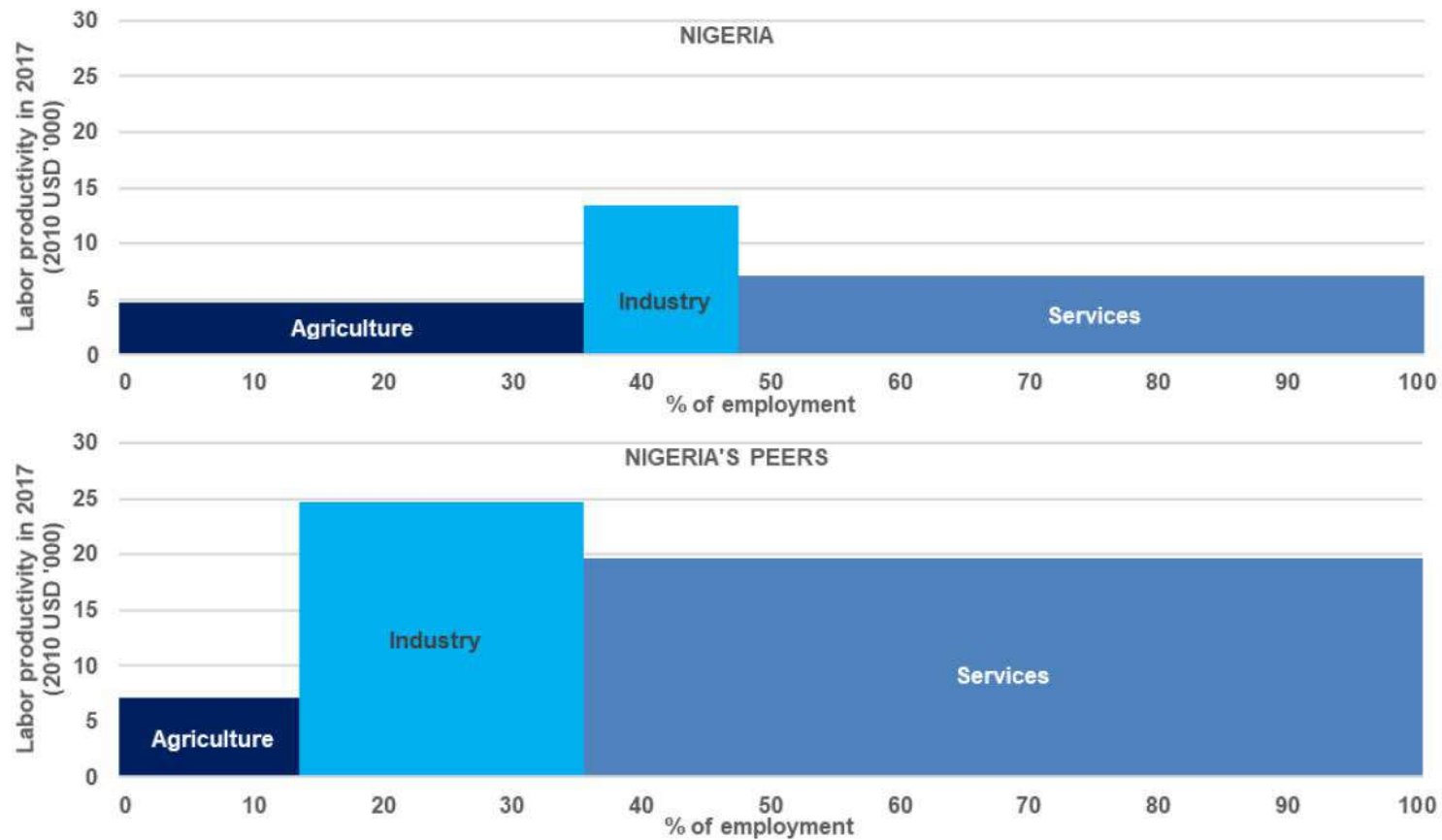
Sources: KPMG Analysis



05

Constrained Productivity



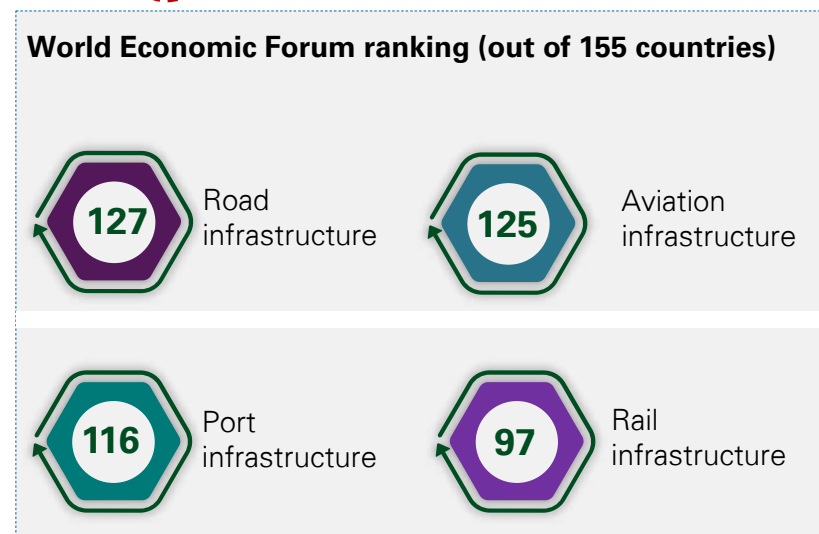
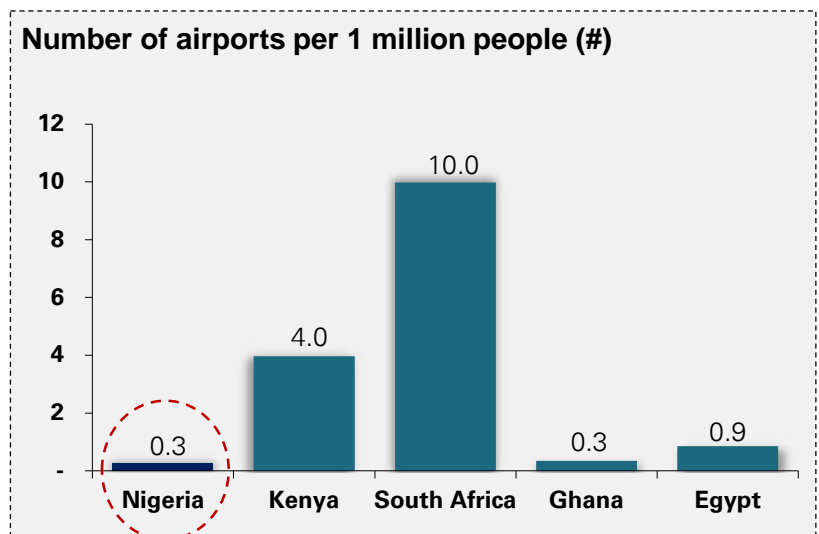
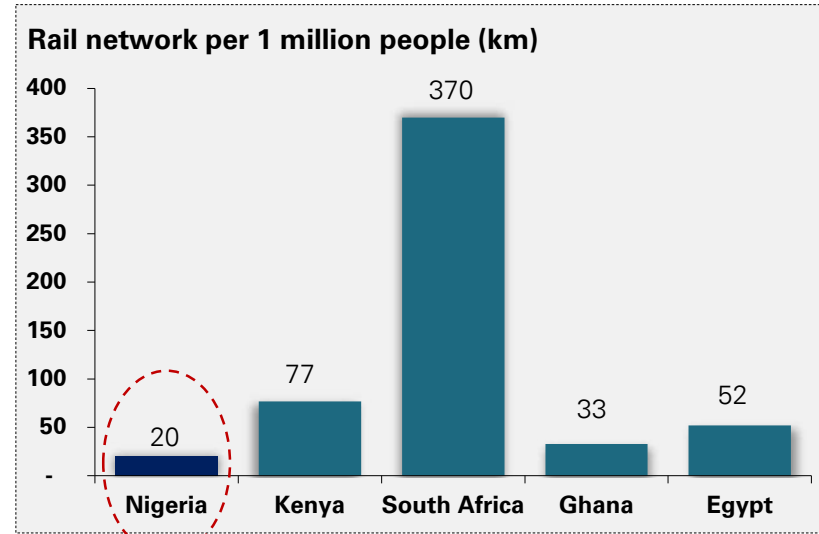
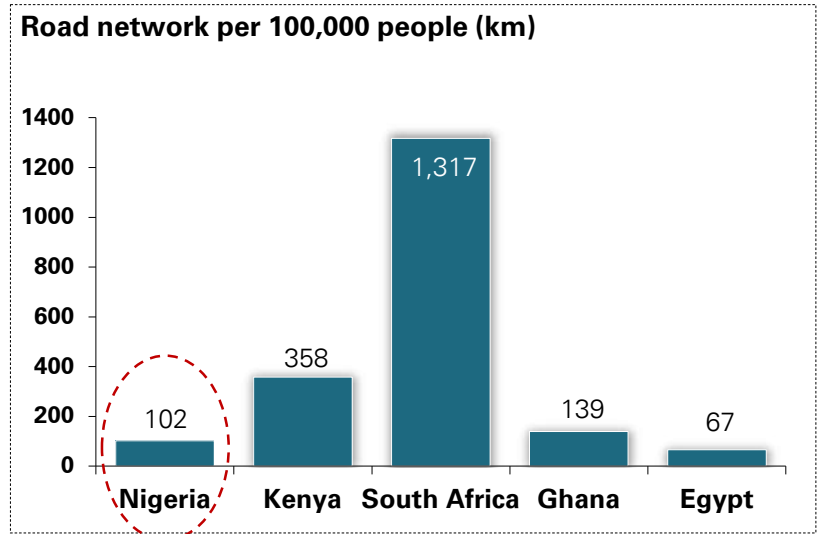
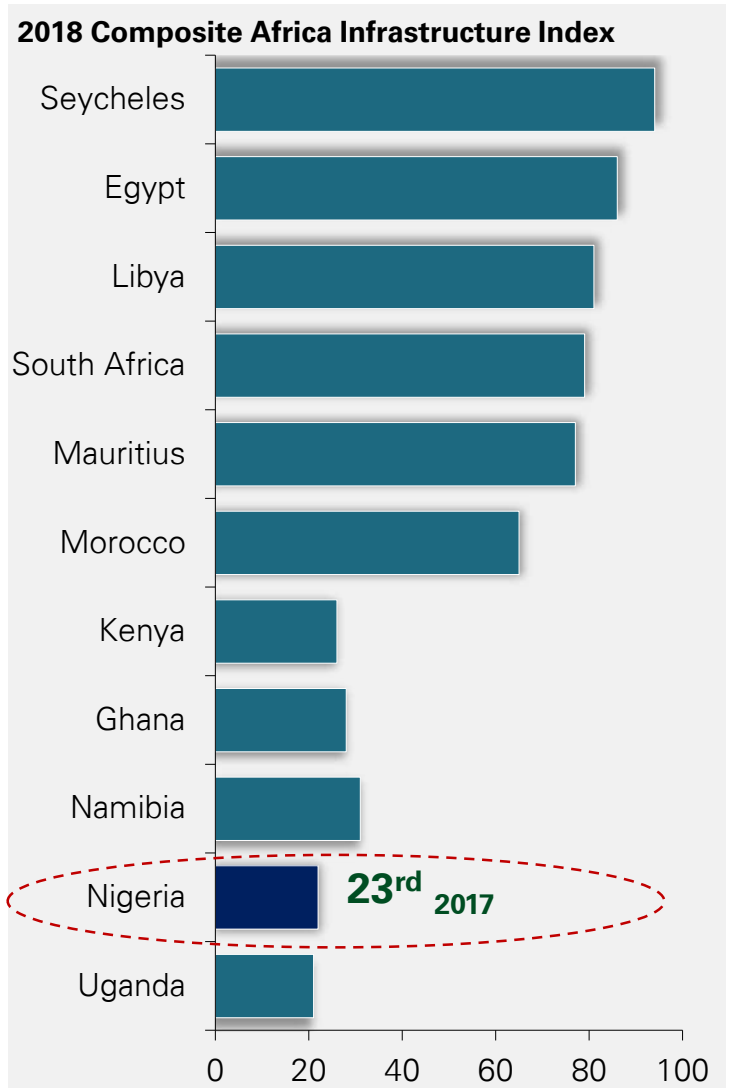


Comments

- Huge infrastructure gap and spending deficit (\$300bn)
- Improved ranking in ease of doing business
- Huge infrastructure deficit (\$300bn)
- Power sector yet to be unlocked
- Regulation may stifle performance

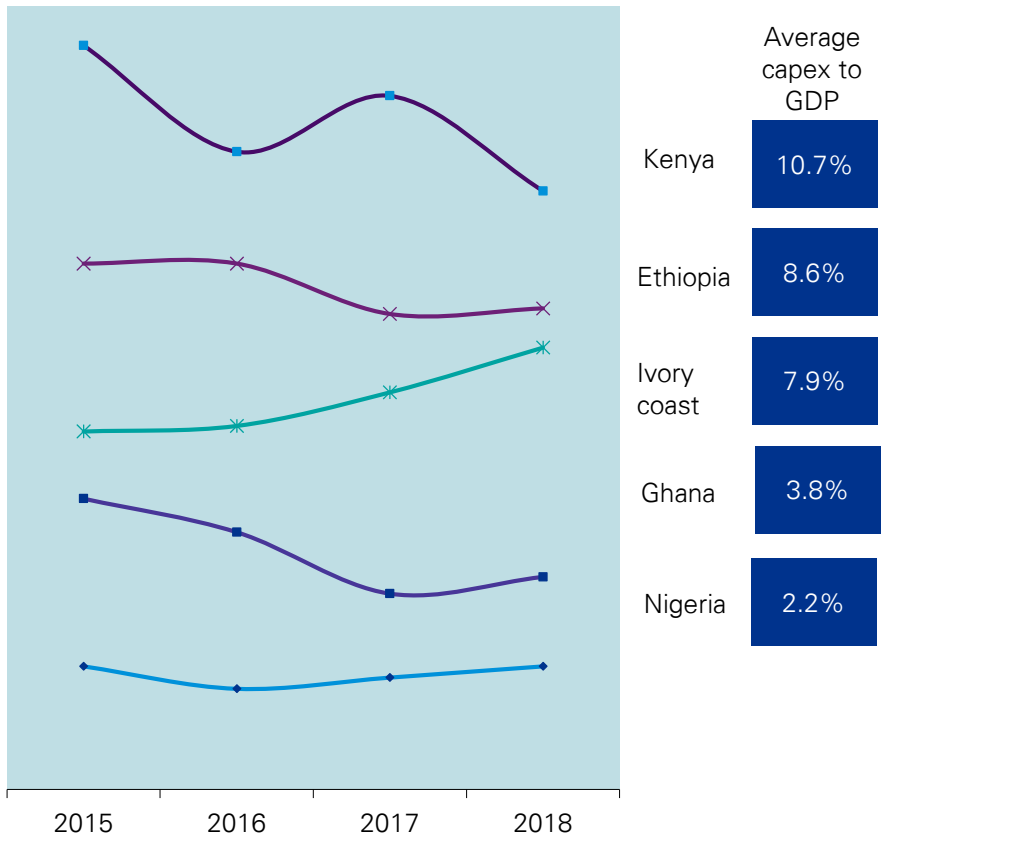
Source: World Bank

Thus resulting in dearth and poor quality of the available infrastructure facilities ...



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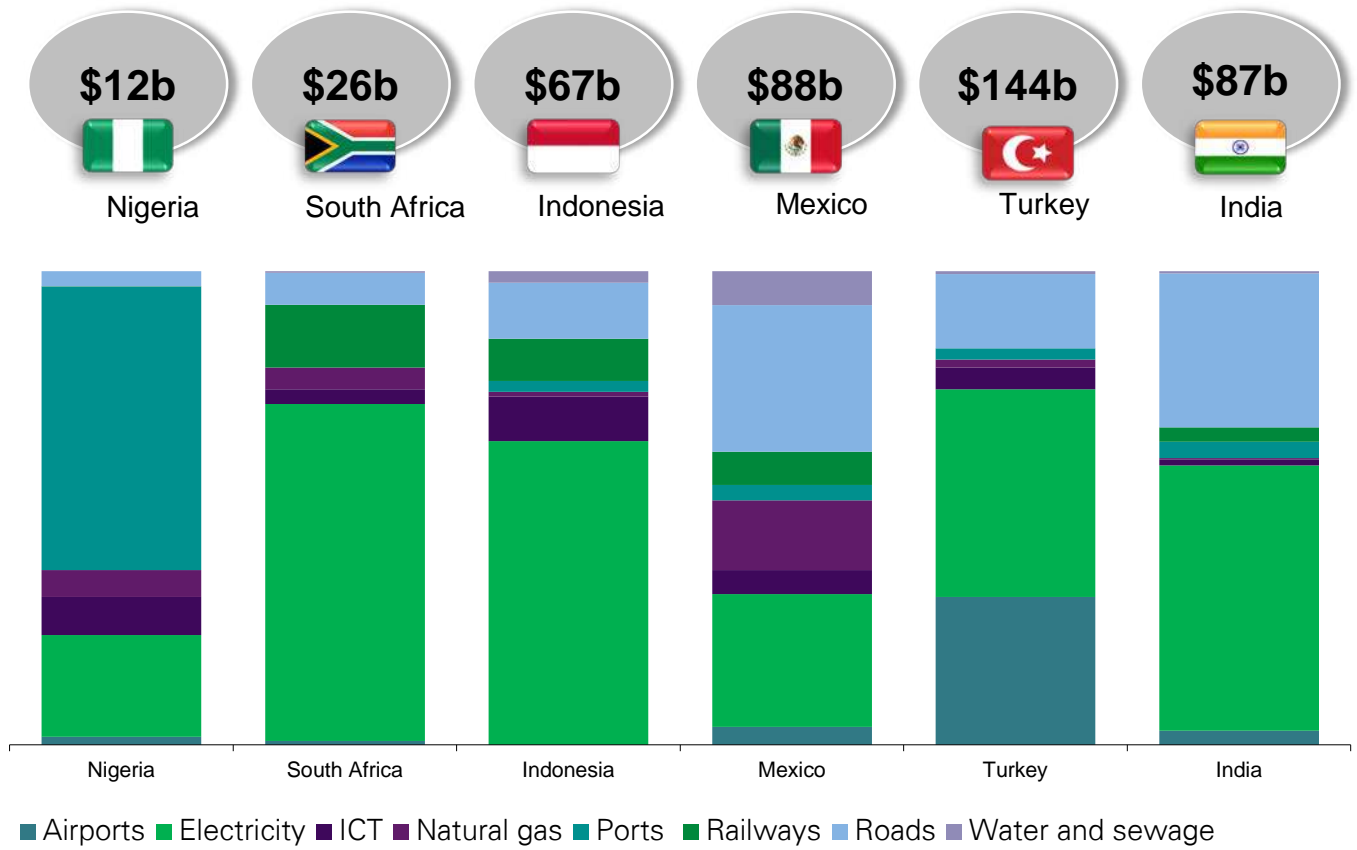
Capital expenditure as a % of GDP



— Nigeria — Ghana — Kenya — Ethiopia — Ivory coast

Source: CIA World Fact Book, World Economic Forum (2018), Africa Development Bank (2018)

Private Spending on Infrastructure



■ Airports ■ Electricity ■ ICT ■ Natural gas ■ Ports ■ Railways ■ Roads ■ Water and sewage

05 2021 Outlook for infrastructure spending...

Government Spending and Initiatives

Private Investment



- **> N190 bn** for the construction and rehabilitation of roads in every geo-political zone
- **N14bn** emergency rehabilitation & maintenance of 3rd mainland bridge
- **N4.7 bn** to construction of Langtang-Wase bridge
- **N1bn** counterpart funding of joint bridge at Nigeria/Cameroun International highway

Medium – High



- **N256.09bn** allocated to Ministry of Transport
- **N71.15 bn** for counterpart funding for **railway projects**

Low



- **N89.97bn** allocated to Ministry of Aviation
- **N14bn** for construction of 2nd runway at Nnamdi Azikiwe International Airport, Abuja
- **N5 bn for safety and security critical projects** and airport certification Nationwide

Low



- **N160 bn for multilateral and bilateral funded projects**
- **N198.28bn** allocated to Ministry of Power
- **N3 bn** for rural electrification access program in federal universities

High



- **N404.64bn** allocated to Ministry of Housing
- **N20 bn** for social housing scheme & N2 bn for prototype housing scheme
- **N17.13 bn** for FGN National Housing Programme Nationwide
- **N2.65 bn** for provision of infrastructure and services for housing programmes Nationwide

Medium - High

Source: 2021 budget proposal

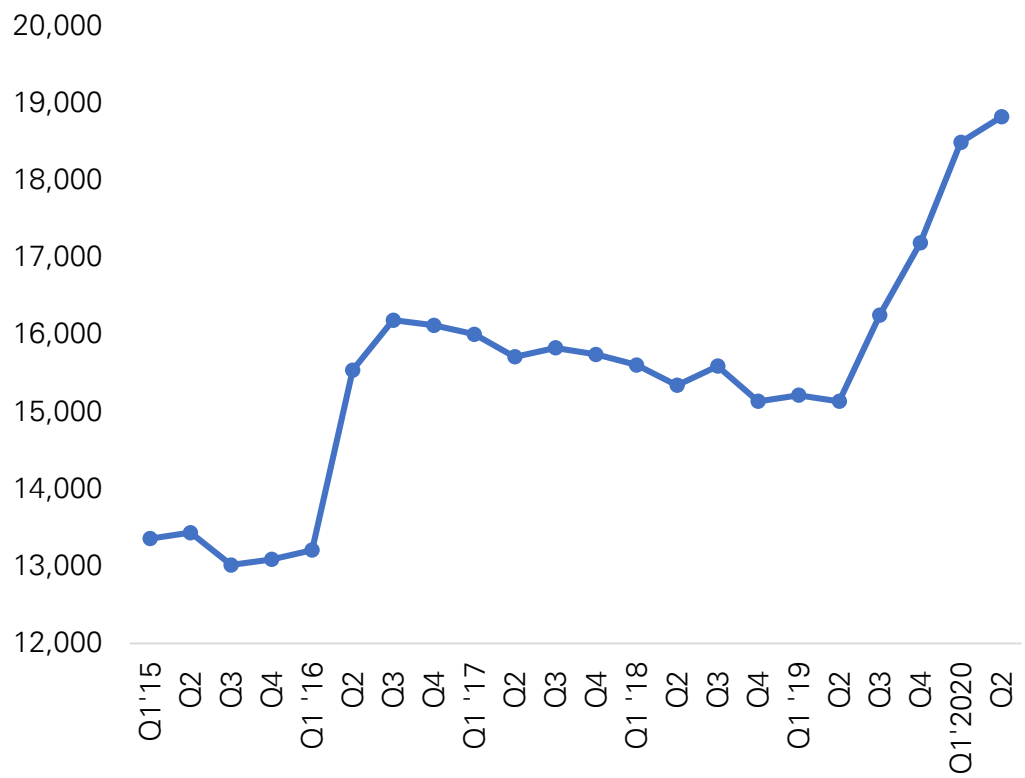


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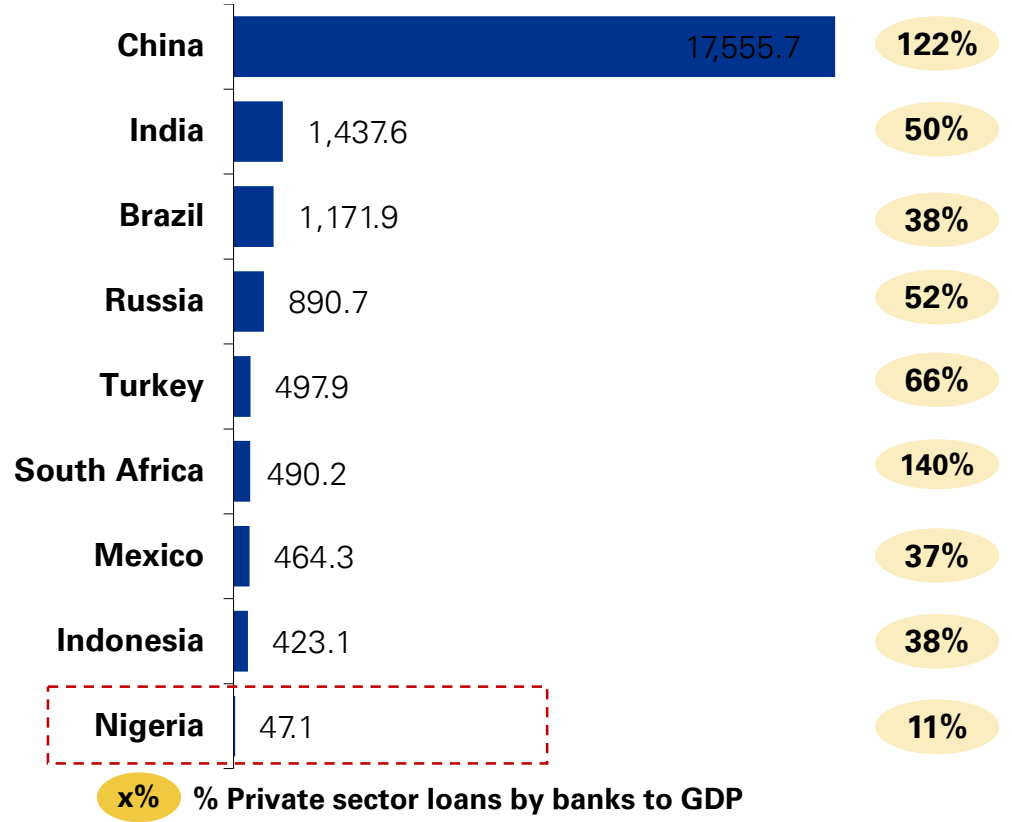
Accelerating Credit Penetration

Nigeria has been credit starved despite increased supply to the private sector...

Credit to private sector (Q1 2015-Q2 2020)



Private sector loans by Banks, USD billion (2019)



- Increased credit to private sector is expected in 2021 as the apex Bank pushes to redirect loans to the real sector to boost growth
- **The Central Bank is expected to sustain its aggressive credit drive by maintaining the CRR debit sanction**

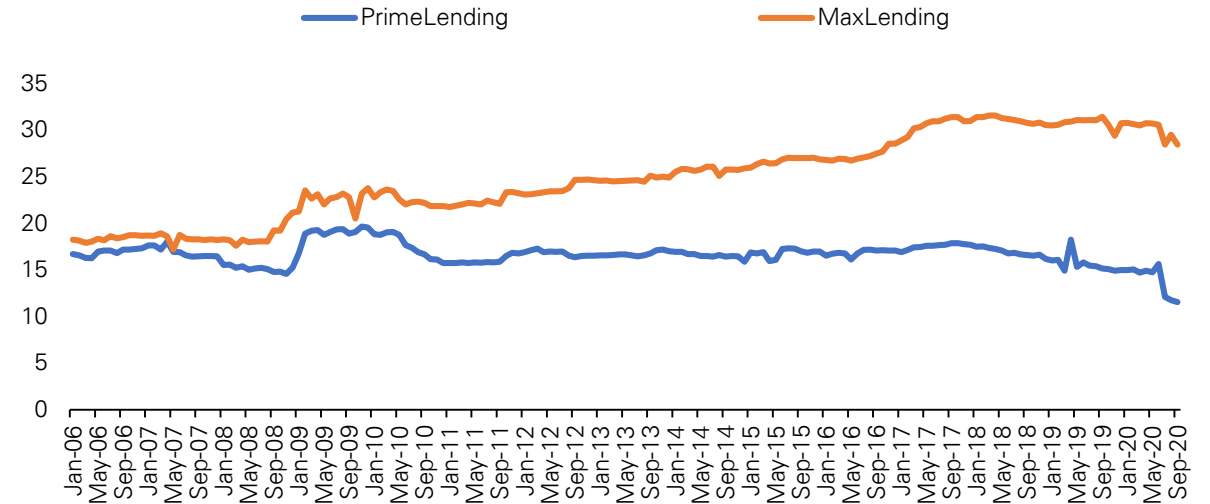
Source: NBS, World Bank Global Index, World Bank Statistics Database

Deepening credit penetration is expected in to continue into 2021, albeit there may increased concentration

CBN home-grown heterodox policies are stimulating credit growth

- LDR stipulated at 60%, now increased to 65%
- OMO restrictions increasing overall liquidity in the banking
- Increase in CRR from 22.5% to 27.5% to tame excess liquidity and inflation
- Reduction in MPR by 100bps from 12.5% to 11.5%
- Development Finance Initiative as a policy tool will enhance credit penetration
- CBN plans to provide total financing & intervention Initiatives of N1.8 trillion (of the total sum of N2.30 trillion needed for the Federal Government's 1-year Economic Sustainability Plan (ESP))
- With some short-term positive outcomes
 - The Bank's policy on Loan to Deposit ratio resulted in a significant growth in credit to various sectors from N15.57 trillion to N19.33 trillion between end-May 2019 and end-August 2020, an increase of N3.77 trillion
 - Aggregate domestic credit (net) grew by 6.94 per cent in August 2020 compared with 9.43 per cent in July 2020.

Lending Rates (2006 – September, 2020)



Source: CBN

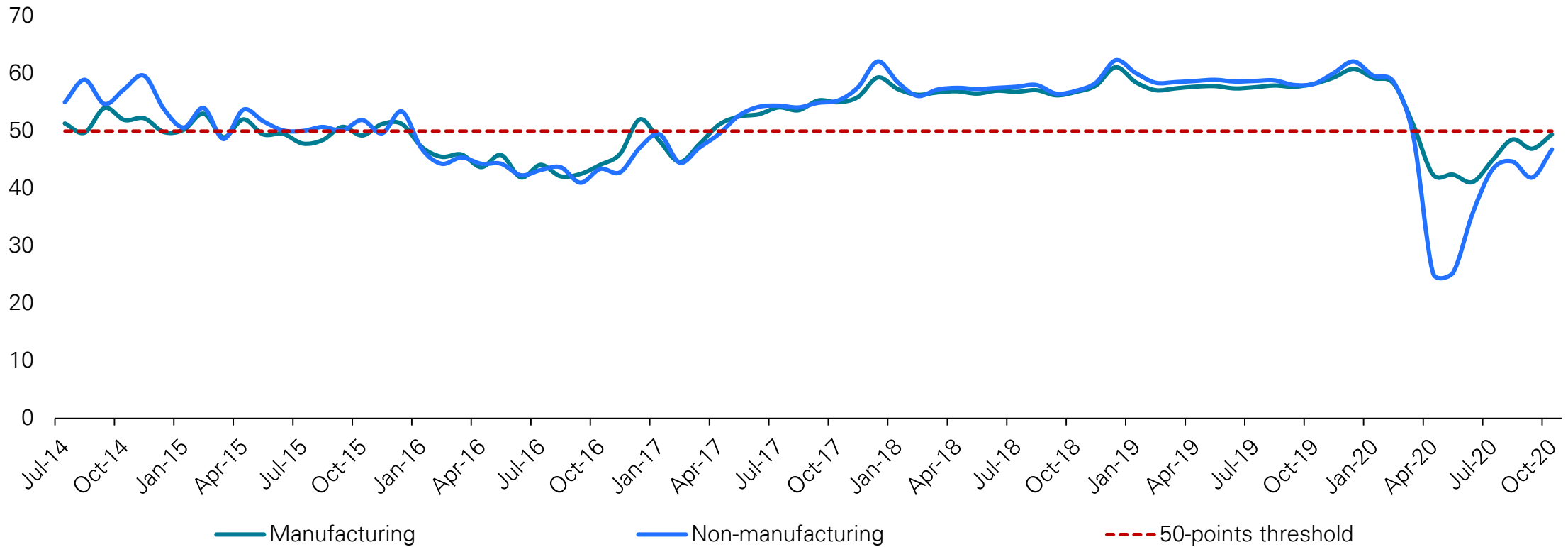


07

Cautious private sector investment activities

07 Private sector confidence remains low.

Manufacturing vs. Non-Manufacturing PMI (July 2014 – Oct, 2020)



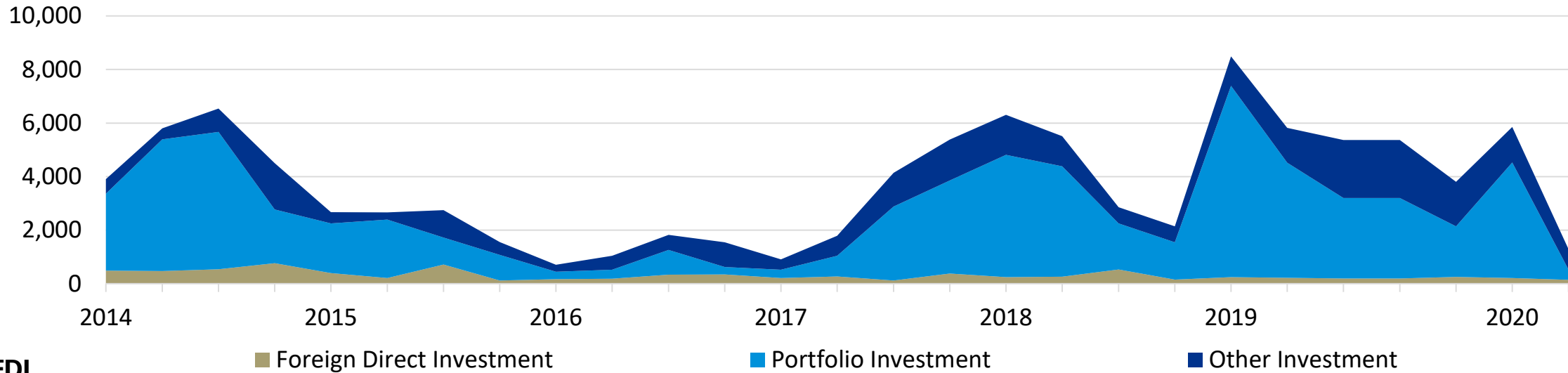
- FBN Manufacturing **PMI to stay above 50 point**
- **Reopening of the** economic activities (restaurants, airports, churches) will stimulate service sectors

Source: CBN



05 FDI is expected to be dim in 2021...

Capital Importation, Q1 2014 – Q2 2020 (\$Mn)



FDI

- FDI accounted for about 11.5% (\$148.59million) of total investment in Nigeria in Q2 2020, compared to 3.82% (\$229.14) in Q2 2019
- FDI declined in Q2 2020 on the back low investment sentiment, as total capital flow declined by 78%

Other Investments

- Largest component of capital importation, contributing 58.8% of total capital importation
- This can be attributed to government aggressive policies toward enhancing other strategic investments (e.g technology development) in the economy

Portfolio Investment

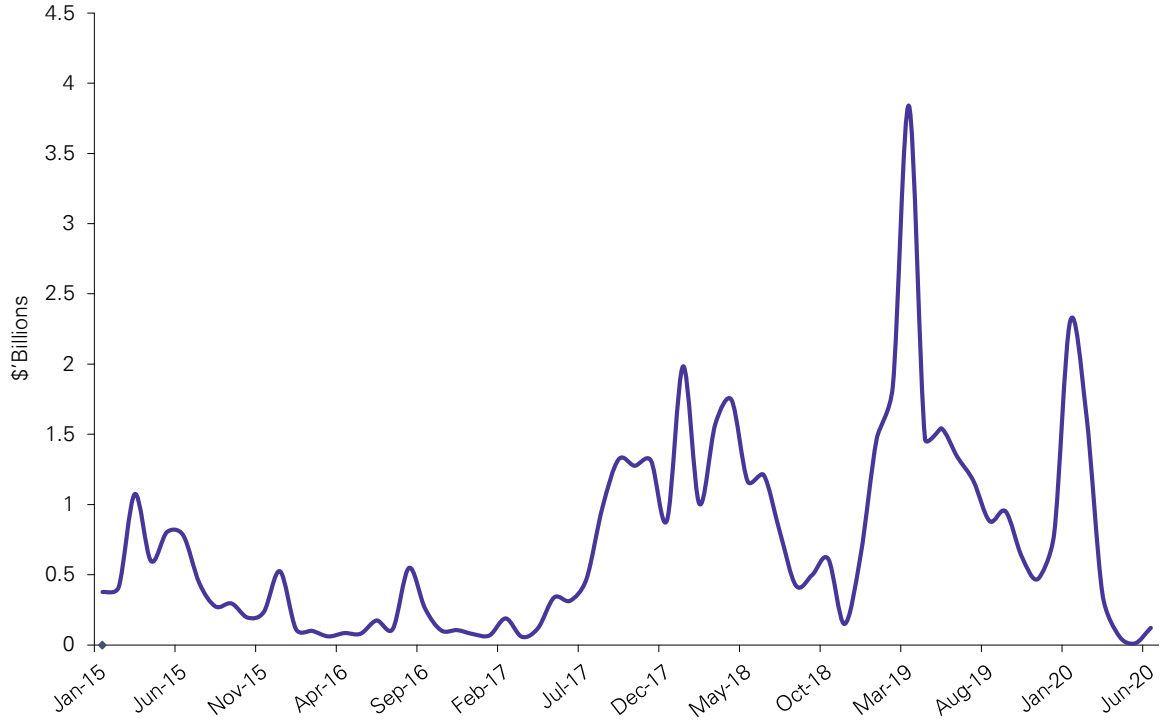
- Portfolio investment declined by 91 % (YoY) at \$385.32million in Q2 2020, from \$4,292.893million in Q2 2019
- Driven by the impact of covid-19 on global activities which dampened investors' sentiments

Source: National Bureau of statistics, Nigerian Capital Importation



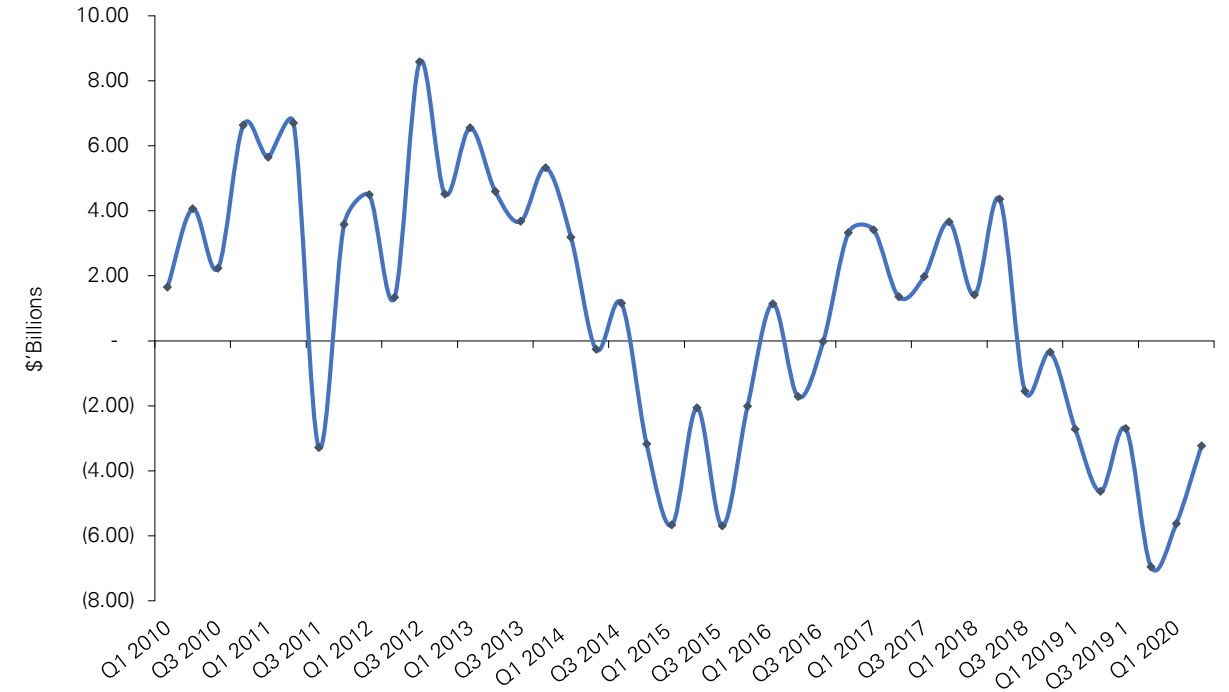
07 ...with no relief from subdued capital flows

Foreign Portfolio Inflows, \$'billion (Jan. 2015 – June, 2020)



- ✓ In June 2020, **foreign portfolio investment declined by 1,800%, from \$2.30 Bn recorded in January to \$121.4 million in June 2020**
- ✓ This is driven by the spill-over effect of Covid-19 which is driving capital reversal and may further exacerbate pressure on foreign reserves

Current Account Deficit, \$'Billion (Q1 2010 – Q2 2020)



- Current account deficit is projected to widen further at 5.6% in 2020 from 3.7% in 2019 due to lower oil export and remittances from abroad underpinned by global economic downturn

Sources: Central Bank of Nigeria, National Bureau of Statistics, KPMG Analysis



08

Emerging Digital Economy

09

Socio-political threats



09 The social wheel of pressure is spinning ...

1. Poverty

- **90m people** living below the poverty line
 - An additional 5million Nigerians are expected to be pushed into poverty in 2020 due to the crisis
 - Driven largely by contraction of remittances, growth in population (2.6% annually) above the GDP growth rate
-

2. Insecurity

- **2 million Nigerian refugees** and internally displaced persons
 - Rising reports of **police brutality** and increased weaponry of militants
 - Budget allocation of N121.24 billion to the Ministry of Defence
-

3. Education

- **13.5m children** out of school
 - Budget allocation of N197.41 billion to the Ministry of Education
-

4. Migration

- Africa, Europe and North America account for **~80% of emigration** out of Nigeria
-

5. Healthcare

- **4th worst country** in healthcare delivery
 - **70% exclusion** to health insurance cover
 - Mortality rate per 1000 men was 371 in 2016
 - Growth in healthcare spending by ~ 8.35% to 5,762.061billion by 2021
 - Budget allocation of N211.96 billion to the Ministry of Health
-

6. Unemployment

- **Rise in unemployment rate from 23% to 27.1%** in Q2 2020 due to loss of jobs amidst the pandemic
 - Majority of the country's population are millennials
-

7. Corruption

- Corruption Rank 146/180
 - Transparency score 27/100
-

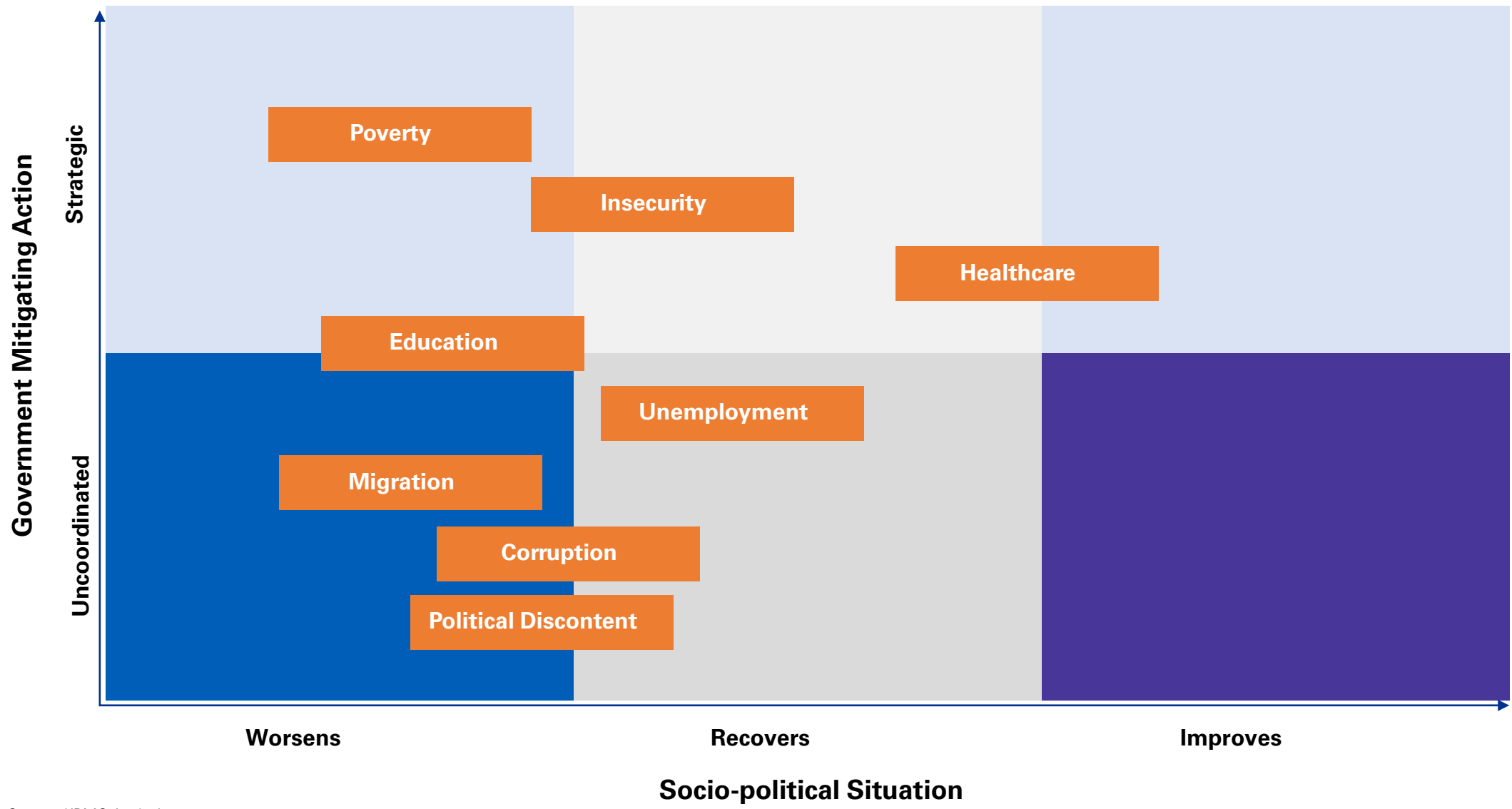
8. Political Discontent

- Increasing political discontent especially among youths 53% of youths aged 18 to 35 years were involved in protest
 - **61% of Nigerians** expressed support for the protests are willing to continue fight for desired change
-

Source: Financial Derivatives Company Limited



09 ... as well as the socio-political landscape



Source: KPMG Analysis



10


Consumer Pressure Points

10 Several macro forces are pitched against the consumer...

Limited Income Growth

 **Limited Income Growth**

- Dwindling economic growth (-6.1% in Q2'20)
- Currency Devaluation (NGN470/US\$1)

 **High Level Unemployment**

- **55.7% of labor force** unemployed or underemployed in Q2'20.
- 71% of Nigerians aged 15-64 working in Sep'20 remains lower than pre-COVID era i.e. 77% in Aug'18

 **Intervention Funds**


- CBN ₦75billion Youth Investment Fund
- Presidential Youth Empowerment Scheme (P-YES)

 **Remittances**

- World Bank predicts a **19.7% drop in remittances to low and middle-income countries due to COVID-19**
- Net current transfers down 32.1% y/y and 36.4% q/q to US\$3.9bn in Q2'20.




Spending/Expenditure Pressure

Increasing Fuel Prices 

- **Removal of subsidies and deregulation** of PMS price to reflect current realities
- Pump price up 9% m/m to ₦175/litre in Nov'20.

Electricity Tariff Hike 

- **100% hike in electricity tariff** from N30.23/kwh to N62.33/kwh effective November 2020

Inflation 

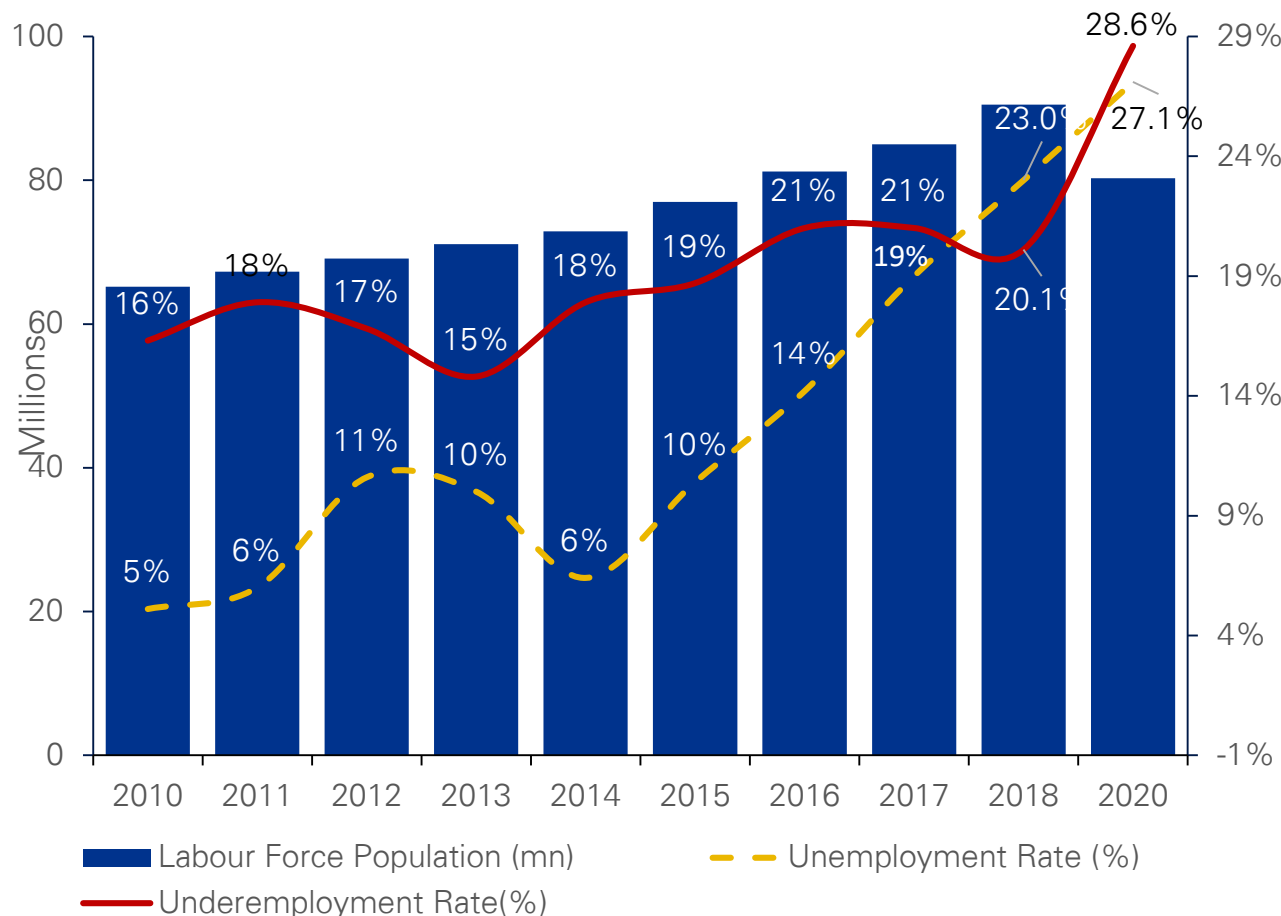
- **Rising consumer prices** (14.23% in Oct'20) chipping spending power.
- Food inflation accelerated 72bps to 17.38% y/y in Oct'20.

Source: CBN, NBS, FG, World Bank

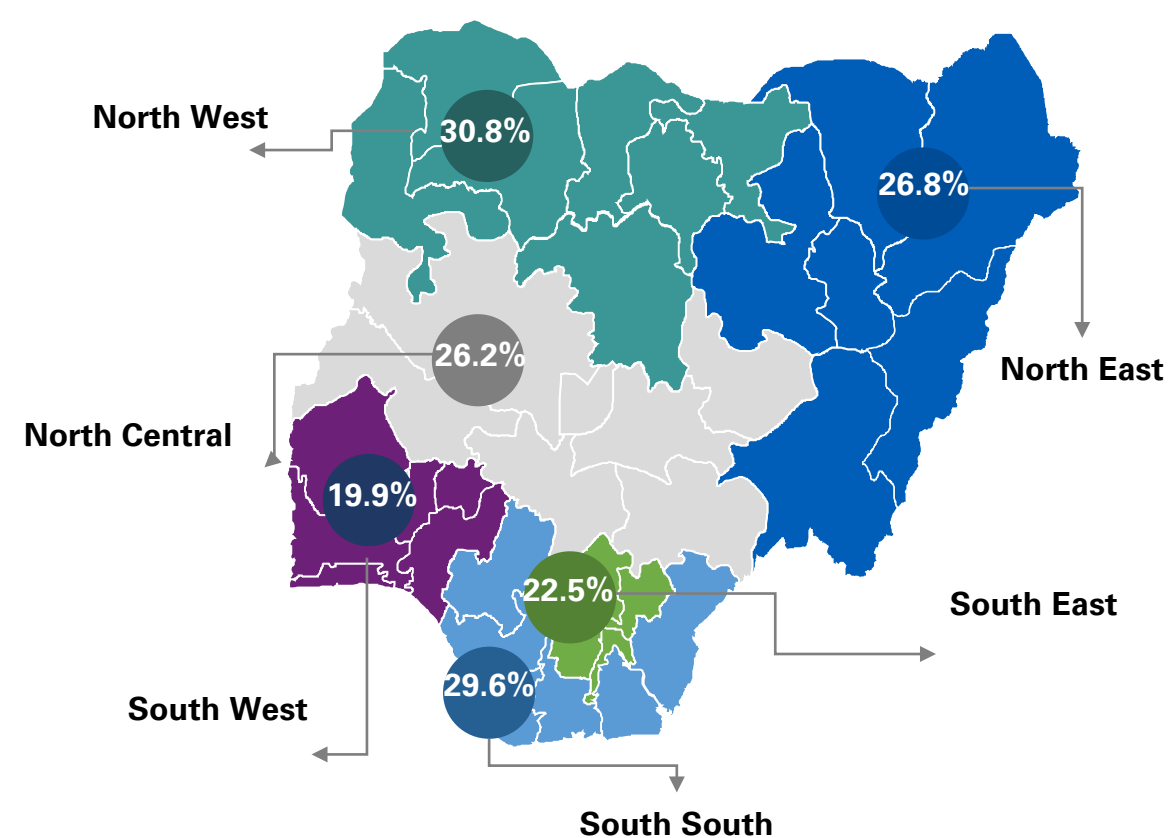


10 Employment remains a major challenge in Nigeria...

Labor force, Unemployment and Underemployment



Distribution of Unemployment in Nigeria



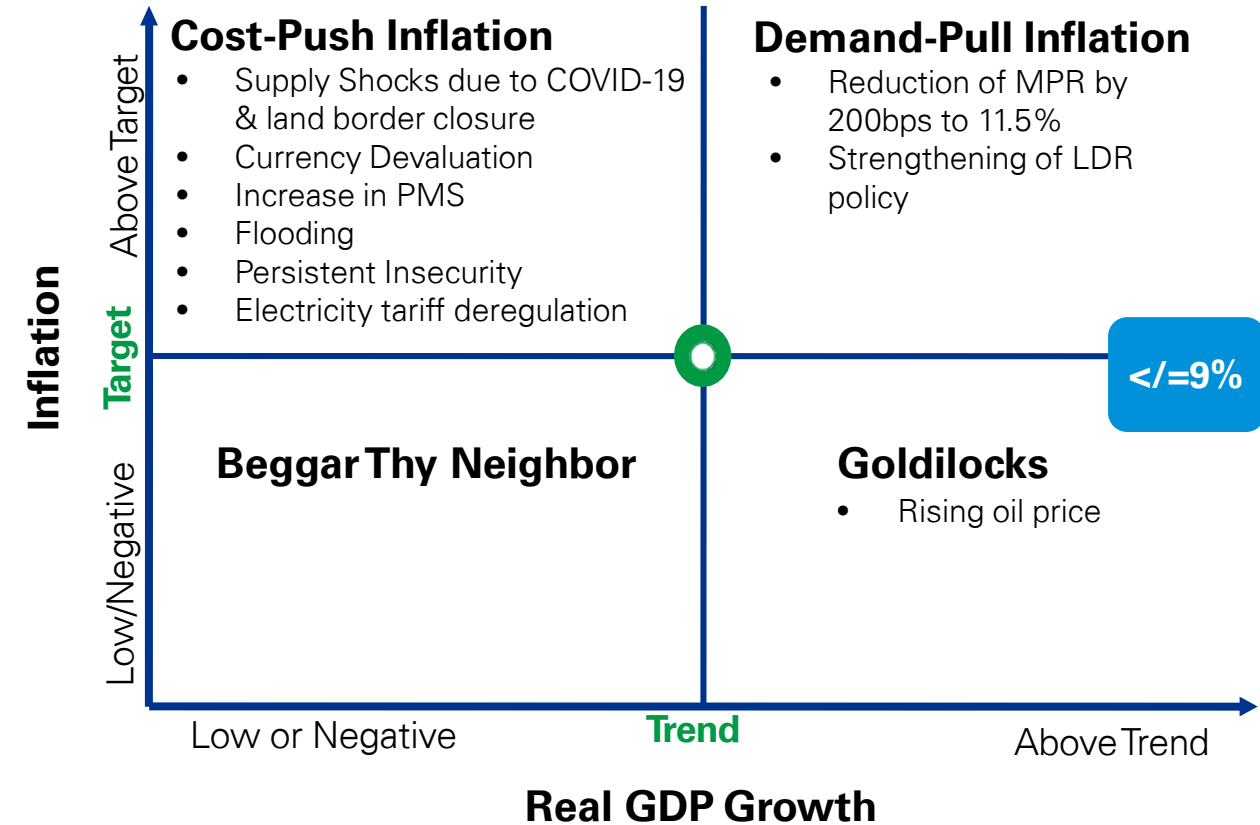
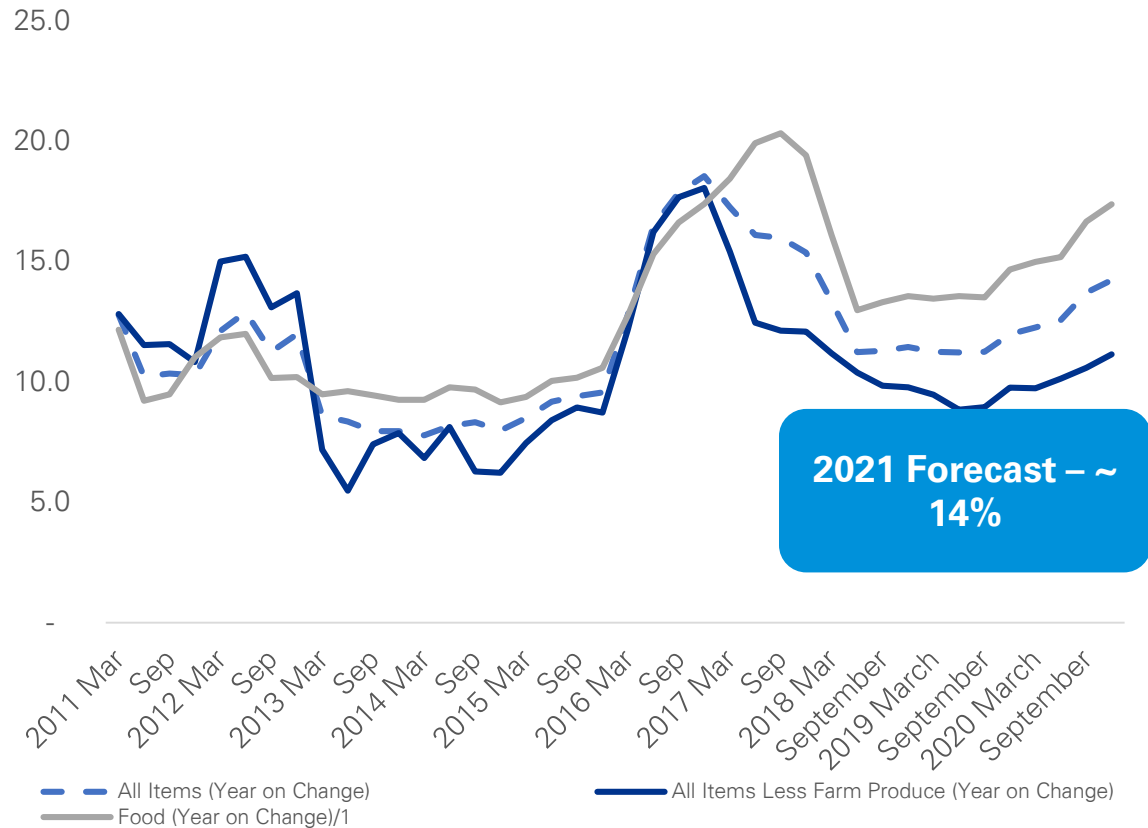
...impacting demand for economic goods and services...

Source: CBN, NBS Labour Force statistics



10 Inflationary pressures on the rise are expected to be sustained in 2021 driven by rising costs..

Inflation rate (Jan 2011 – October 2020)

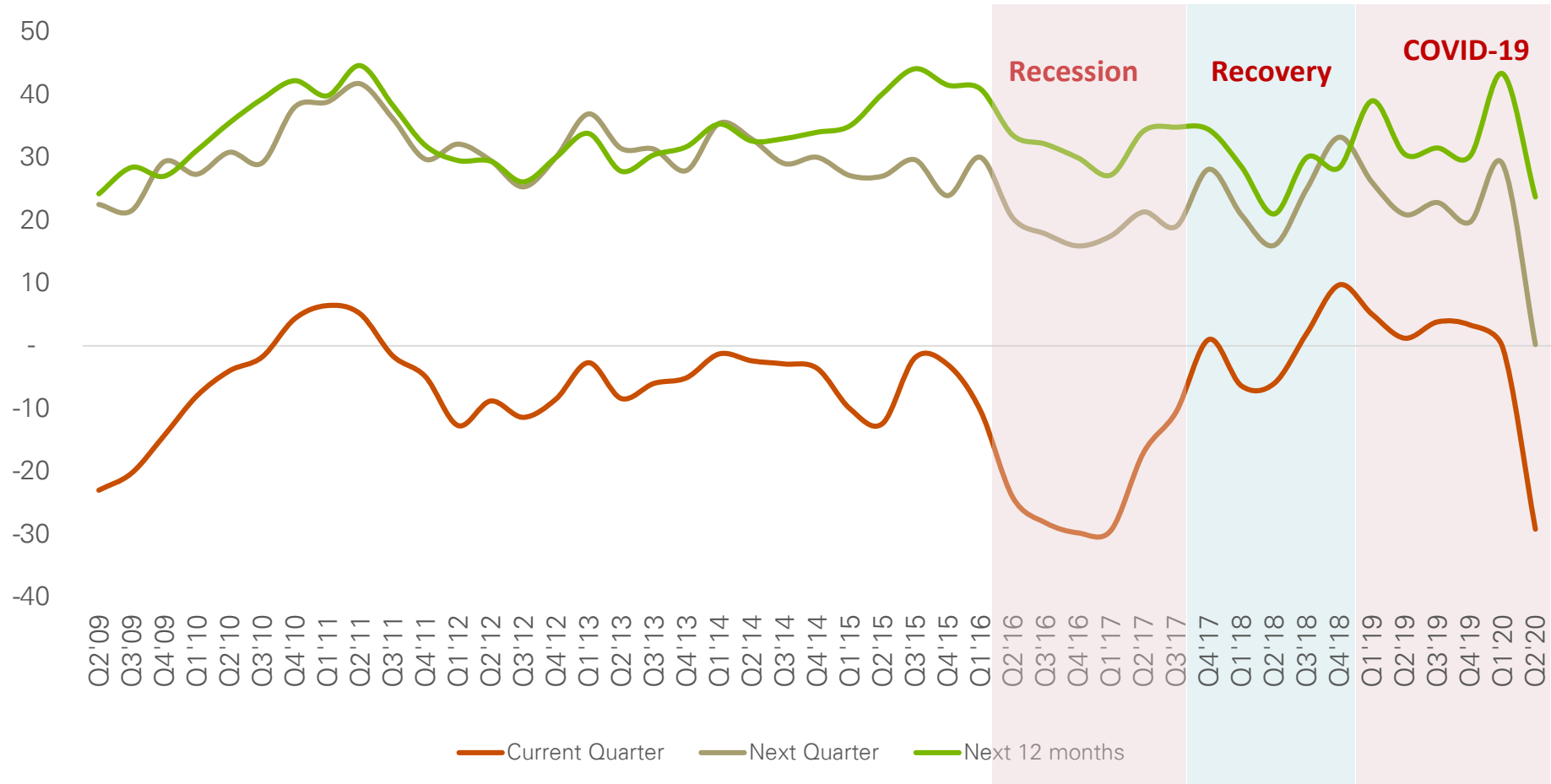


- Overwhelming evidence that the **inflationary pressure reflects the prevalence of structural rigidities and supply shocks**
- Monetary policy cannot be the only sheriff in town. Fiscal input is needed to fix structural bottlenecks exerting downward pressure on output growth and upward pressure on domestic prices.
- As a result, consumer spending is expected to remain under pressure well into 2021

Source: NBS, CBN, IMF, KPMG Analysis



10 Despite challenging environment, consumers' confidence is expected to be positive...



- The consumer outlook for the next 12 months is positive at 23.7 points
- The outlook is attributed to anticipated improvements in the economic conditions, increase in family income and financial conditions in the next quarter and next 12 months

Source: CBN



Consumer spending will remain under pressure

- Consumer spending contributes **74% of GDP**, **earned income is largely skewed to capital providers**
- Unemployment and erosion of **purchasing power due to inflation will form additional pressure** points

Consumer confidence will be dependent on income and savings levels and economic conditions

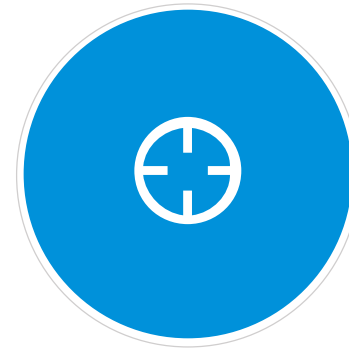
Outline



2020 in rare view: Shocks
and more shocks

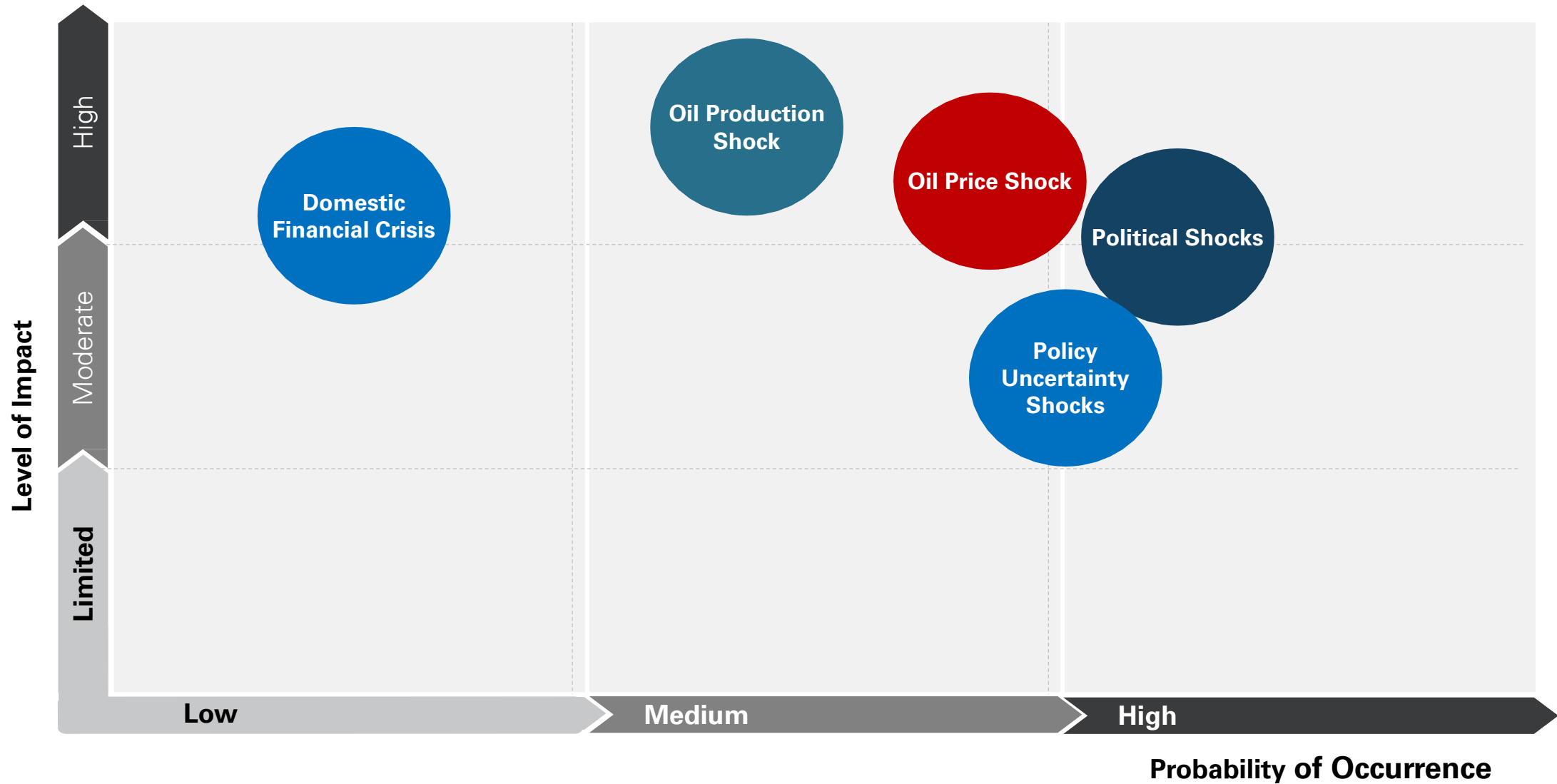


10 macro trends that
will shape 2021






Conclusion and
Key takeaways

Shocks: Potential upset to economic recovery...

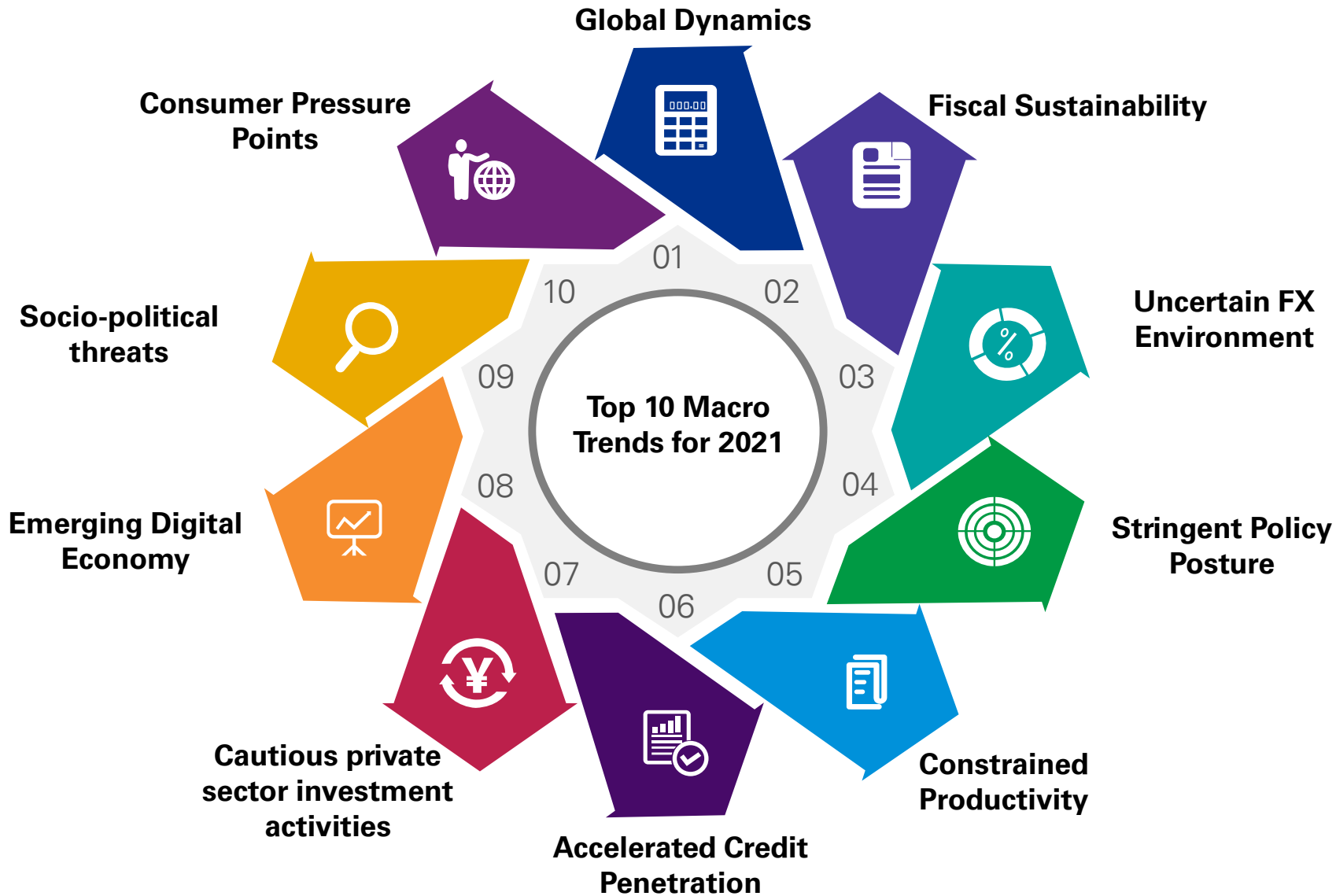


Three possible recovery scenarios/pathways in the coming year...

Forecast 2021

Indices			
	Accelerated Recovery	Slow Recovery	Muted Recovery
GDP Growth (%)	>2.5%	1 - 2.5%	1%
Inflation (%)	10.65%	<=14%	14.9%
Exchange Rate (IEFX)	387	<=479	>500
Exchange Rate (Official) N/\$	381	<=479*	>500*
External Reserves (\$Bn)	>=36.21	32 - 36.2	<32
Unemployment (%)	28	28-34%	>34%
Oil Price (Brent) \$P/b	>=59.4	49-59	<49

10 Trends that will shape 2021...



Sectorial prognosis for 2021 is a mixed bag (1/2)

	Global Pressure	Fiscal Sustainability	FX Evt	Stringent Policy	Productivity	Credit	Investment	Digital	Socio-Political	Consumer Pressure
Financial Services ↑	Yellow	Green	Yellow	Red	Yellow	Yellow	Yellow	Green	Red	Yellow
Agriculture ↑	White	Yellow	Yellow	Green	Red	Yellow	Yellow	Yellow	Red	Red
Trade ↓	Red	Yellow	Red	Red	Yellow	Yellow	Yellow	Yellow	Red	Red
TMT ↑	Yellow	White	Yellow	Yellow	Yellow	Green	Green	Green	Red	Yellow

Key: Positive Neutral Negative

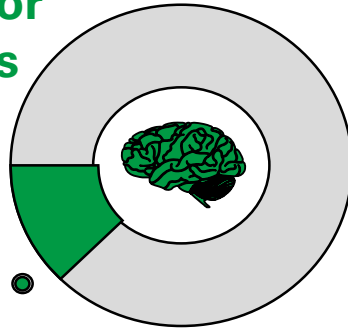


Sectorial prognosis for 2021 is a mixed bag (2/2)

	Global Pressure	Fiscal Sustainability	FX Env't	Stringent Policy	Productivity	Credit	Investment	Digital	Socio-Political	Consumer Pressure
Manufacturing	Negative	Positive	Negative	Negative	Negative	Positive	Positive	Positive	Negative	Negative
Oil and Gas	Negative	Negative	Positive	Positive	Positive	Positive	Negative	Positive	Negative	Positive
Real Estate	Positive	Positive	Negative	Positive	Negative	Negative	Negative	Positive	Positive	Negative
Aviation & Transport	Negative	Negative	Negative	Positive	Negative	Negative	Negative	Positive	Negative	Negative

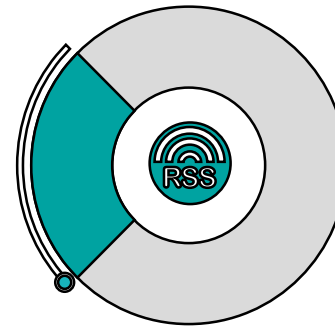
What must corporates must do?

Head Room for Shocks

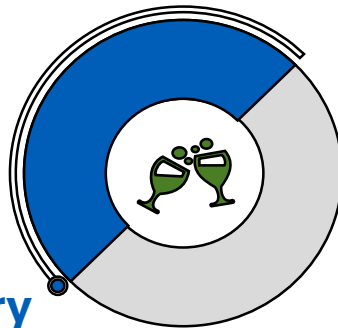
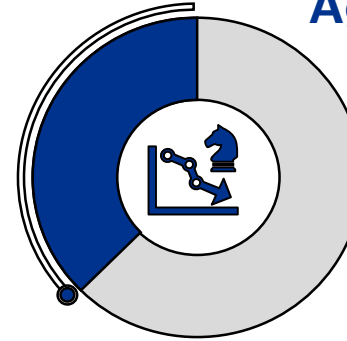


Hedge & Diversify

- Natural
- Financial.



Strategic Agility



Regulatory Compliance

- What single regulatory decision can disrupt my business model?



Scenarios

Stress testing assumptions with a wide margin



Countercyclical

Invest for the upsides



Scale

Achieve minimum scale for survival in your industry

**“ To expect the unexpected
shows a thoroughly modern
intellect.”**

- *Oscar Wilde*

An illustration on a blue background showing a brown hand holding a black tablet. The tablet screen is white and displays the text "Thank You" in a blue, sans-serif font. Another brown hand is positioned below the tablet, with fingers slightly spread. The hand holding the tablet is wearing a white shirt cuff and a dark suit sleeve.

Thank You



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