



LBS BREAKFAST SESSION

DEMOCRACY ON TRIAL!!!



TRUMP – GOING BACK TO THE FUTURE

Presented by Bismarck Rewane
Nov 6, 2024

QUOTES

“

The Ignorance of one voter in a democracy impairs the security of all

”

John F. Kennedy



Election \neq Democracy

Democracy \neq Stability

100 fools cannot make a wise decision

Arther Schopenhaur

$$0^{100} = 0$$



QUOTES

“

As I look ahead, I am filled with foreboding; like the Roman, I seem to see the River Tiber foaming with much blood

”

Enoch Powell



“

When all men think alike, then
no one is thinking

”

Walter Lippmann



6

**CRITICAL
QUESTIONS**



01



*With the U.S. election now won by the Republicans,
what are the implications for the global economy
and SSA/Nigeria*

...A nervous investor

US ELECTIONS: DEMOCRACY IS ON TRIAL

- Over 143 million voters participated in the US presidential election
- Unlike in 2016, Trump won the popular vote and the Electoral College by over 73 million votes (50.9%)
- Kamala garnered over 68 million votes (47.6%)
- Other candidates collectively received slightly over 2 million votes (1.5%)
- It shows that the U.S. is not yet ready for a female president
- The Senate is now Republican-controlled
- The House of Representatives is likely to remain in the Republican hands

Kamala Vs Trump for the Oval Office

1

House of Representatives on the ballot

435

One-third of the Senate seats

33

TRUMP'S WIN: IMPACT ON THE US POLICY

TRADE

Harris focuses on China with protectionist trade policies; Trump seeks broad tariffs, raising US consumer prices and affecting exports.

01

TAX

Neither candidate worries about the fiscal deficit; Harris plans higher corporate taxes, Trump aims to make tax cuts permanent.

02

HEALTHCARE

Harris focuses on centralized healthcare and reproductive rights; Trump prioritizes consumer choice, transparency, and state-level restrictions.

03

IMMIGRATION

Immigration policy will tighten under both; Harris favors legal pathways, Trump limits overall, risking labor market disruption and higher prices.

04

ENERGY

Harris prioritizes climate change and renewable energy; Trump weakens regulations, reduces subsidies, and boosts oil and gas production.

05

TECHNOLOGY

Trump is hands-off on competition and AI; Harris is stricter. Immigration restrictions under Trump could impact tech sector recruitment.

06

TRUMP'S WIN - IMPACT ON THE US ECONOMY

- The EIU sees some divergence in US macroeconomic outcomes under the rival presidencies
- Forecasts of lower US growth, and higher inflation under Trump
- Tax cut could bulge US fiscal deficit, currently estimated at 5.6% (\$1.6trn)
- Trump's trade war could impede US exports and may lead to an increase in trade deficits
- Will shape the country's business environment outlook

	Trump
Economic Growth	Lower
Inflation	Higher
Interest Rate	Higher
Budget Deficit	Wider
US dollar	Stronger
Trade Barriers	Higher
Sector Subsidies	Lower
Corporate taxes	Lower

Source: EIU

TRUMP'S WIN – THE GLOBAL ECONOMY AND GEOPOLITICS

- The US election will have economic and geopolitical implications for the rest of the world
- Close US partners are among the most exposed to a Trump presidency
- A more challenging global economic outlook expected under Trump

10 most exposed countries in the Trump Risk Index (TRI)

TRI scores: 0=least exposure; 100=most exposure



Source: EIU

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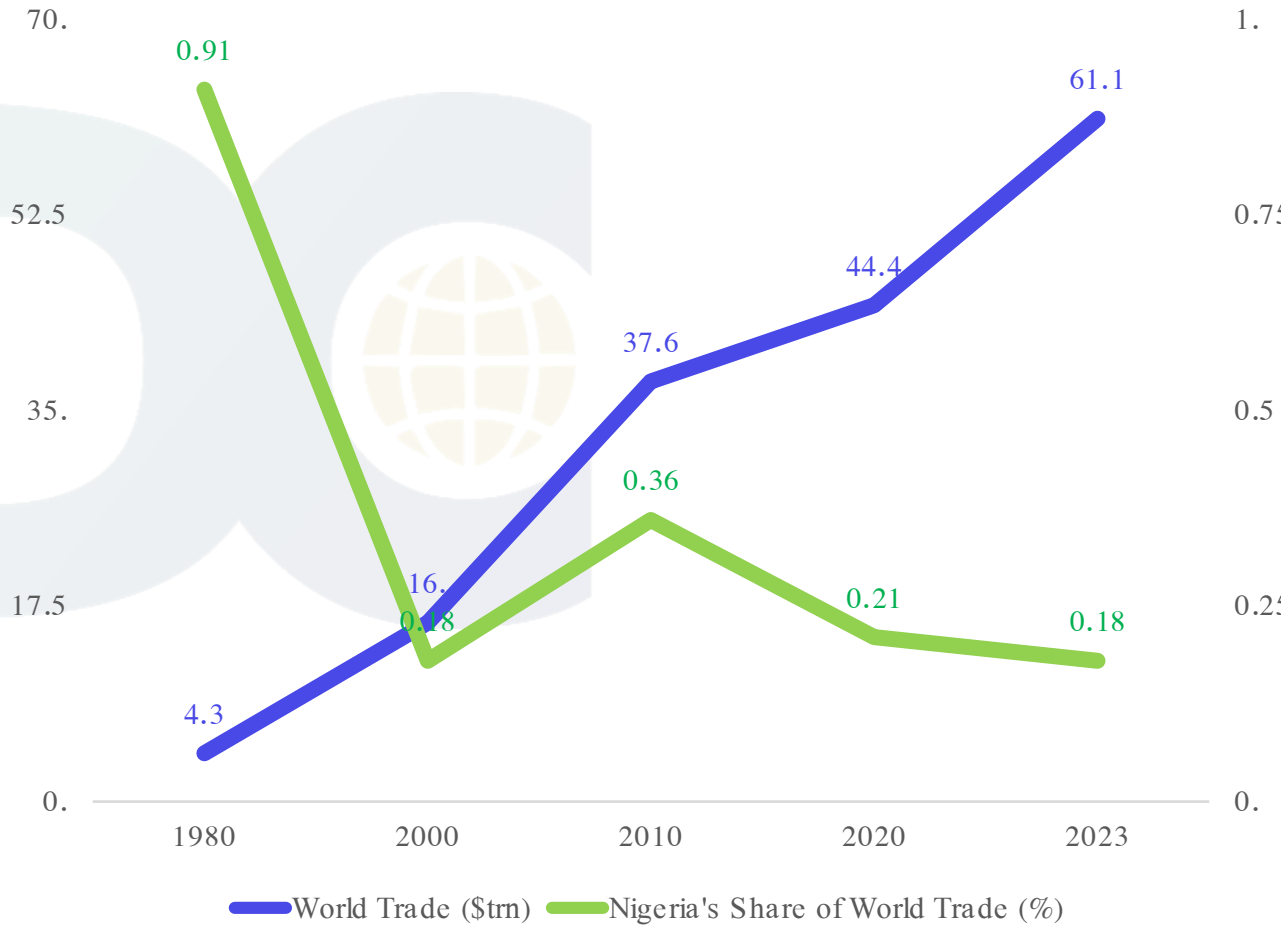
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TRUMP'S WIN: IMPLICATION FOR NIGERIA'S TRADE

- The EIU projects that Trump's win is associated with a higher trade barrier by the US
- This implies that US-Nigeria trade may go north
- In the past five decades, global trade has more than doubled to about 56% of global GDP from about 25% in 1980
- Nigeria's trade (as a share of global trade) has been on a steady decline in the past 14 years
 - Declined to 0.18% in 2023 from nearly 1% in 1980
 - The decline is driven by weak exports, which is down 44% compared to 2011 levels.

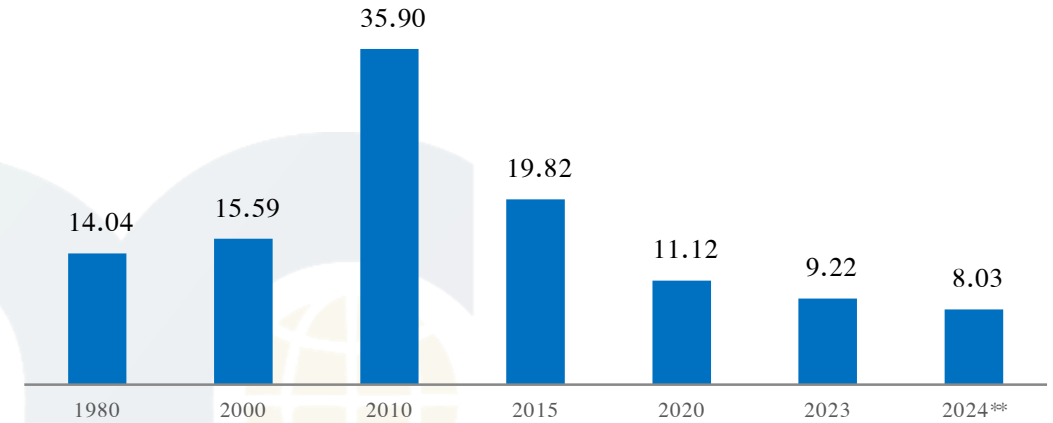
As world trade increases, Nigeria's share of world trade declines.



TRUMP'S WIN - IMPACT ON NIGERIA'S EXTERNAL POSITION

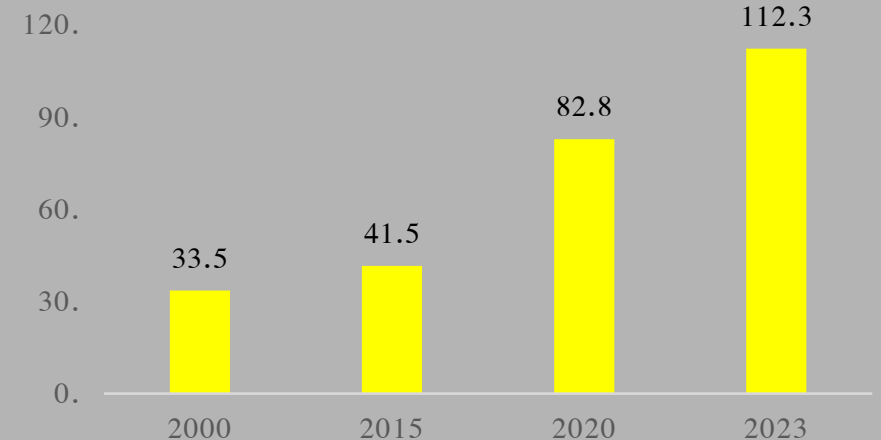
- The EIU predicts that a trump's win could support a strong dollar and higher US interest rates
 - Could trigger increase in the effective cost of external borrowing in Nigeria
 - Raise the costs of debt service
 - Weaken the naira
- Nigeria's oil revenue is declining in dollar terms, putting a pressure on external borrowing
- Nigeria's public and private external debt obligation is estimated at \$112.3bn
- Nigeria is nonaligned in Ukraine, Gaza and Lebanon

Nigeria's oil revenue declines in dollar terms (\$bn)



** 2024 is annualized based on the 2024H1 data

Nigeria's external debts position (Public & Private), \$bn



TRUMP'S WIN AND U.S POLICY PIVOT

- U.S. trade policy will be more transitional and short-term oriented
- NATO will become more independent of the U.S.
- U.S support for Ukraine will melt and Russia will occupy Crimea
- Immigration policy in the U.S will be more unfriendly
- Likely reverse flow of immigrants – Japa reversal
- Most SSA countries will become more resilient
- Leading to economic and institutional reform



02



The current level of inflation is 32.70% but my cost of inputs have increased by 60-70%. I am unable to pass on the cost increases to my customers. What do you think the rate of inflation will be in March 2025. How do I respond to this?

- A food manufacturer



INFLATION HAS MANY LEVELS

Natural rate of inflation

- Rate of inflation that will not cause macroeconomic instability and will support growth

Moderate inflation

- Steady & manageable inflation that does not cause severe disruptions

High inflation

- Persistent and spiraling inflation that can erode purchasing power and create economic instability

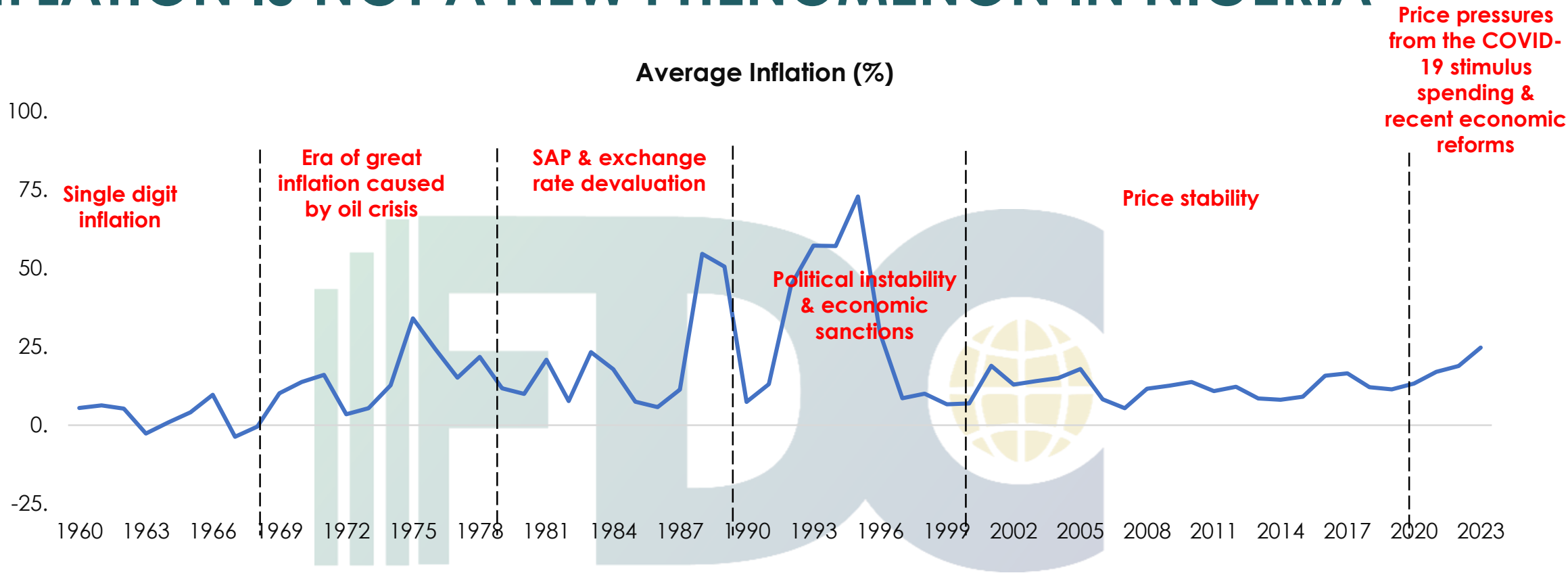
Galloping inflation

- Very high rate of inflation accelerating at a runaway speed with severe cost of living crisis

Hyper inflation

- Extremely high rate of inflation that often leads to the collapse of a currency

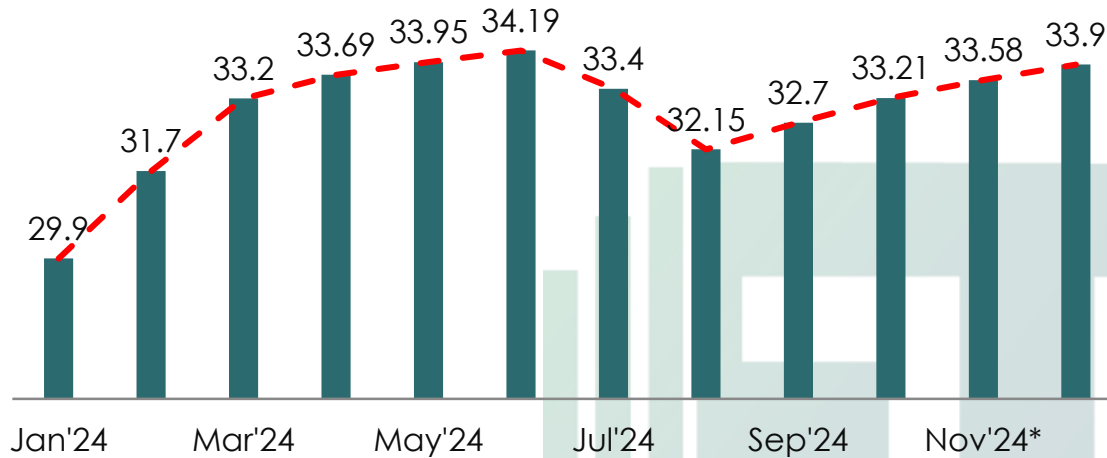
INFLATION IS NOT A NEW PHENOMENON IN NIGERIA



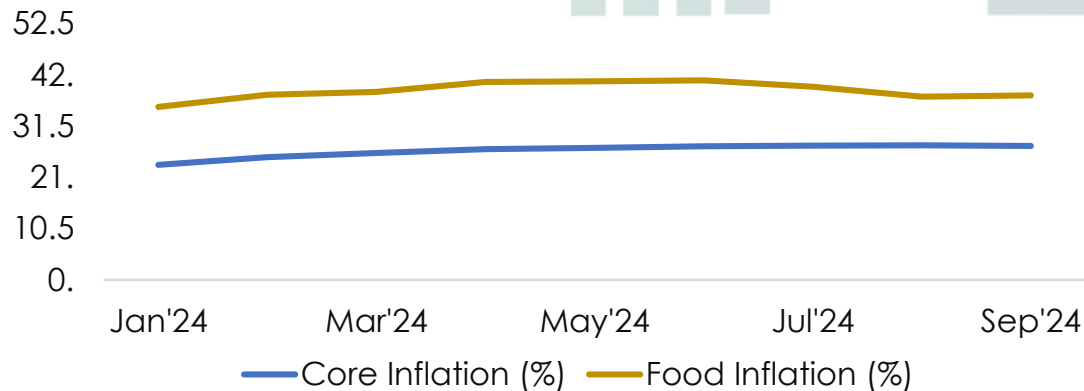
- The historical episodes of inflation in Nigeria span several decades
- Inflation has been persistent and characterized by significant peaks that reflect broader economic issues;
- Including reliance on oil exports, government policies, and external shocks

RECENT TREND OF INFLATION IN NIGERIA

Headline Inflation (%)



Core & Food Inflation



- In July 2024, headline inflation declined after 10 consecutive months of increases
- This trend continued in August, with inflation falling further to 32.15%, largely due to base effects and the onset of the harvest season
- However, the decline was short-lived as inflation rebounded, driven by an increase in PMS prices and the depreciation of the naira
- This upward trend is expected to persist over the next three months; the pace of inflation growth is however projected to slow

INFLATION IS ONLY AS GOOD AS THE INTEGRITY OF THE NUMBERS

- Nigerian basket was last reconstituted in 2009
- 15 years make a big difference
- CPI basket ought to be reviewed every 5 years
- A number of things have changed in 15 years:
 - Demography (*54.3% of the population lives in urban areas, a rise from 50.6% in 2010*)
 - Population (*Population has risen by 46%*)
 - Consumption & behavioral patterns
- The weight of food and non-alcoholic beverages have reduced
- Households are now spending more on other categories

Items	Current Weight (based in 2009)	Suggested Weight
Rice	4.25	3.1
Beans	3.75	2.8
Tomatoes	1.75	1.3
Garri	2	2.2
Palm Oil	0.75	0.56
Baby Food	0.4	0.89
Bread Loaf	0.1	0.3
Others	37.71	31.35
Food Basket	50.71	42.5
Energy	10.75	12.78
Transport	6.51	10.1
Accommodation	12.5	18.98
Clothing and footwear	7.65	5.63
Healthcare	3	2.5
Communication	0.68	2.9
Education	0.39	3.3
Alcoholic Beverage	1.09	0.69
Nonalcoholic Beverage	1.09	0.88
Others	22.89	22.62
Nonfood Basket	49.29	57.5

WHAT IS THE TRUE RATE OF INFLATION IN NIGERIA?

- The value of data lies not in its volume or magnitude but in its integrity and timeliness



Official Inflation

32.70%

Official inflation estimate is based on the 2009 inflation basket



Anecdotal Inflation

52.3%

This is based on FDC survey and reconstituted synthetic basket



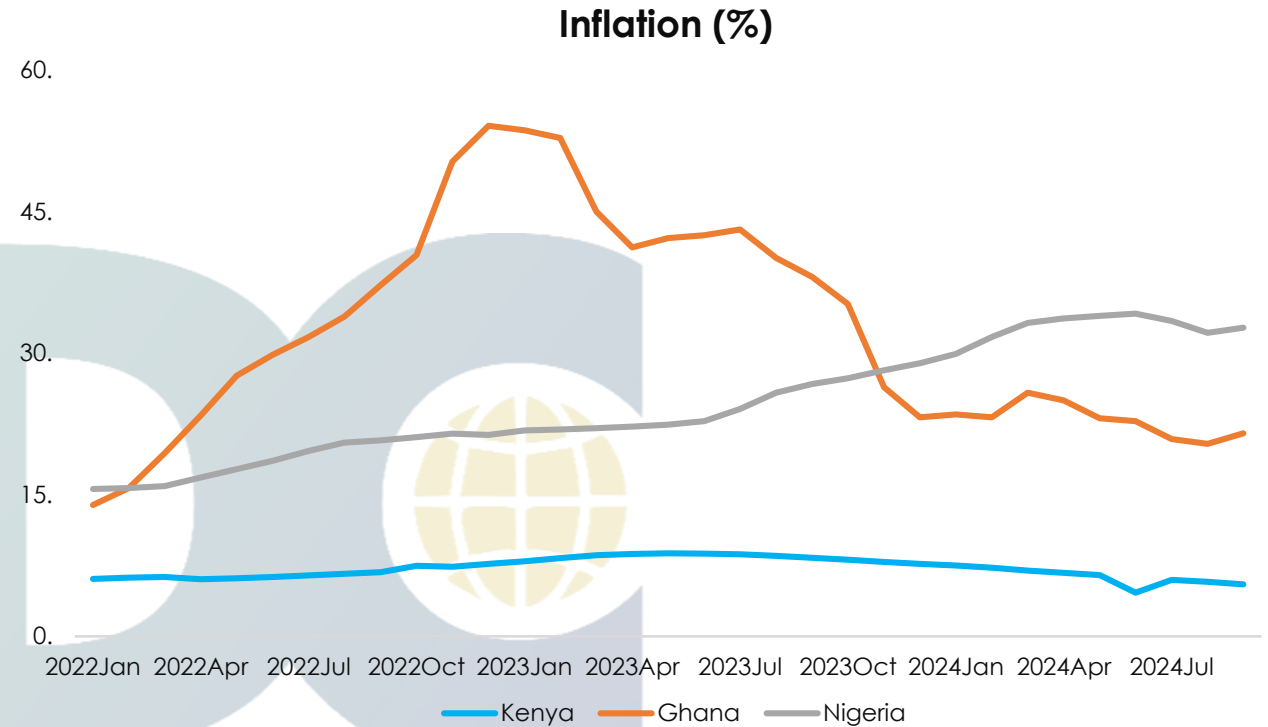
Steve Hanke's Inflation

116% ← Extreme reading

Hanke's methodology involves the use of purchasing power parity and money growth

INFLATION IS A UNIVERSAL PHENOMENON

- Inflation is a pervasive economic challenge impacting various nations, including Nigeria, Ghana and Kenya
- However, Ghana and Kenya effectively implemented measures that reduced inflation from previous peaks
- In contrast, Nigeria's attempts at reform to combat inflation have not yielded the desired results
- Ghana's currency has depreciated by 26.16% YTD, while Nigeria's lost 46% YTD
- This stark difference underscores the critical role that exchange rates play in fueling inflation in Nigeria



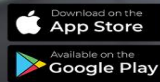
Strategies:

Ghana	Kenya
<ul style="list-style-type: none"> • Interest rate hike • IMF programme – loan restructuring • Tamed money supply growth 	<ul style="list-style-type: none"> • Interest rate hike • Partial removal of fuel subsidy • Introduction of subsidy on staples

Your focus, Our priority

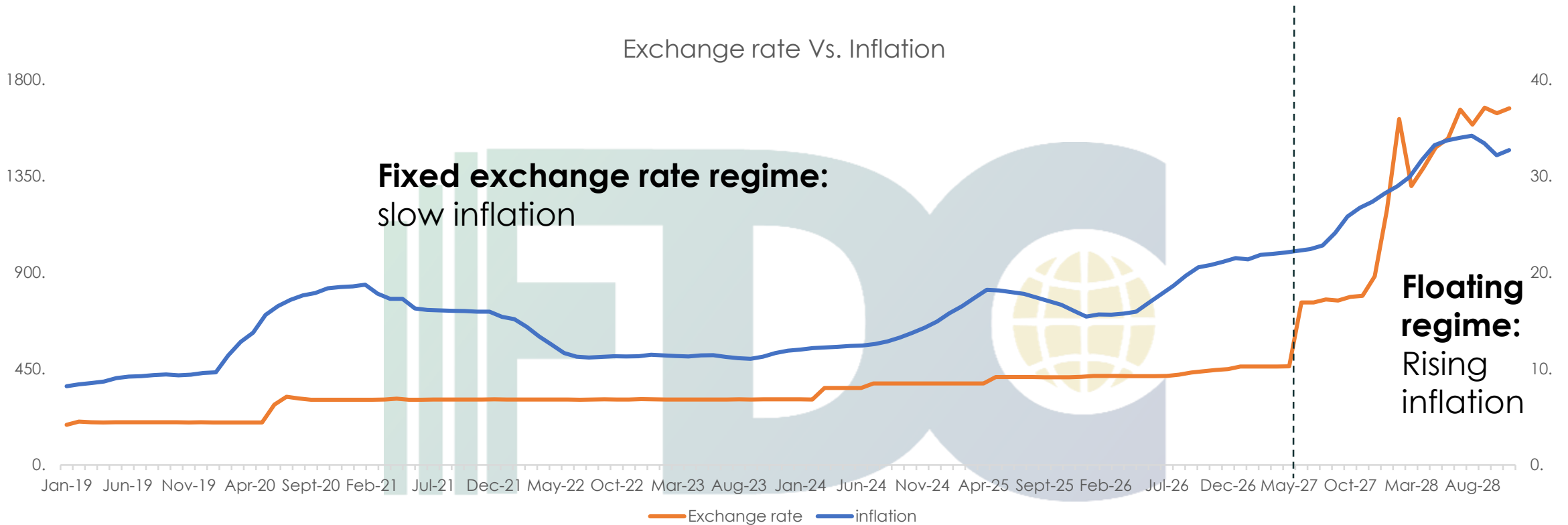
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EXCHANGE RATES AS A DRIVER OF INFLATION



- There is a correlation between exchange rate and inflation at 89%
- Every 1% appreciation of the naira will reduce inflation by 0.02%
- Added to that will be monetary policy and output increase to control inflation

DIVERGENT INFLATION OUTLOOK (2024-2025)



	IMF	Economic Intelligence Unit	Fitch Ratings
2024	32.5%	35%	33%
2025	23%	24%	26.2%

03

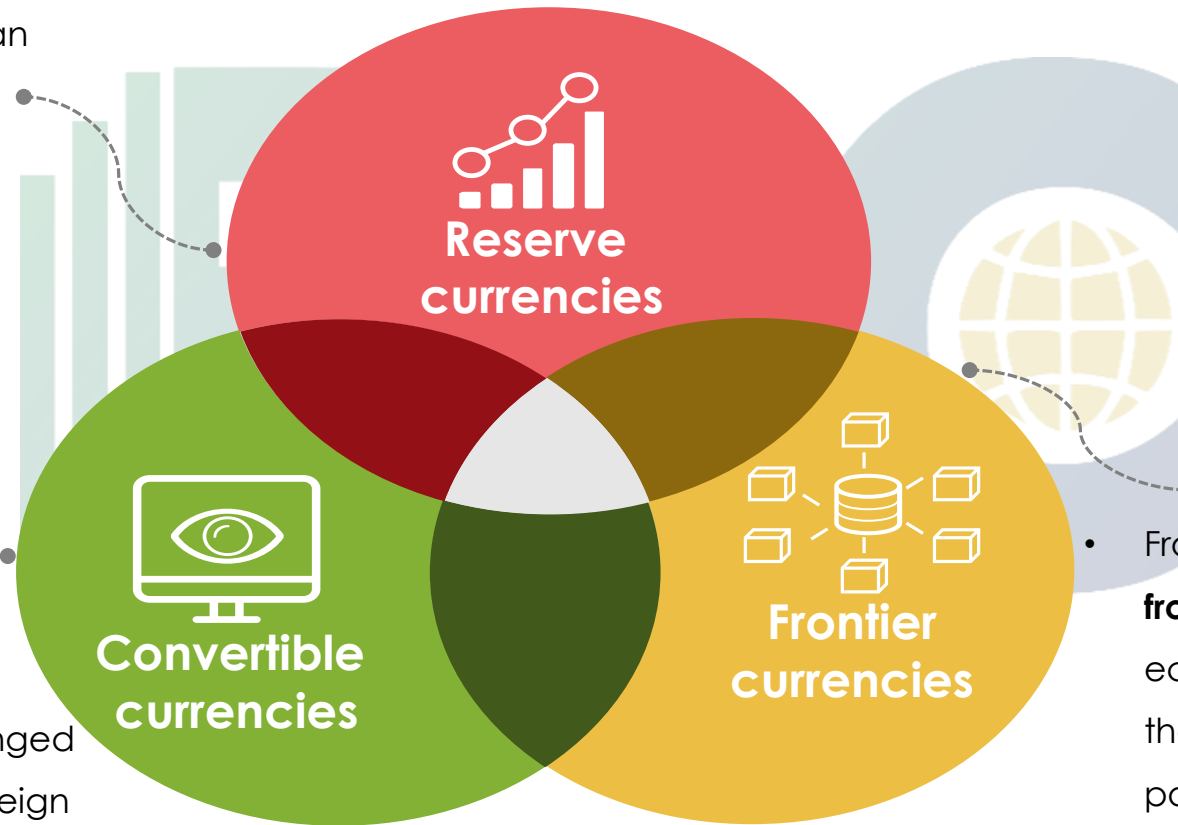
In the last 12 months, the naira has depreciated from N800/\$ to N1,900/\$. In other words, it has lost two and a half times its value. It is now considered one of the worst-performing emerging market currencies in the world. Is the naira on a free fall or is it at the point of inflection? What will the value of the naira be at the end of Q1 '25?

- Spare parts importer



DIFFERENT TYPES OF CURRENCIES

- Currencies held in significant quantities by central banks and financial institutions as part of their foreign exchange reserves, including UD dollars, Chinese Yuan

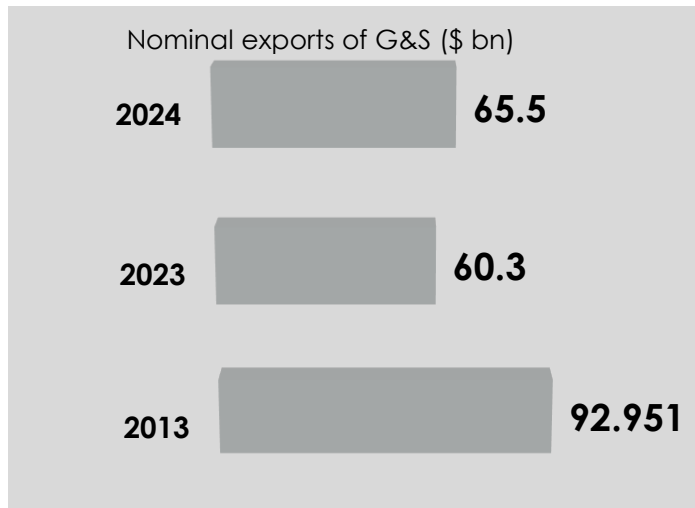


Currencies that can be easily exchanged for other currencies on the global foreign exchange market, including US Dollar, Euro, British Pound and Japanese Yen

- Frontier currencies are the currencies of **frontier markets**—smaller, developing economies that are considered less mature than emerging markets but have the potential for rapid economic growth including Nigerian Naira (NGN), Vietnamese Dong (VND), and Kenyan Shilling (KES)

FUNDAMENTAL DETERMINANTS OF CURRENCY VALUE...1/2

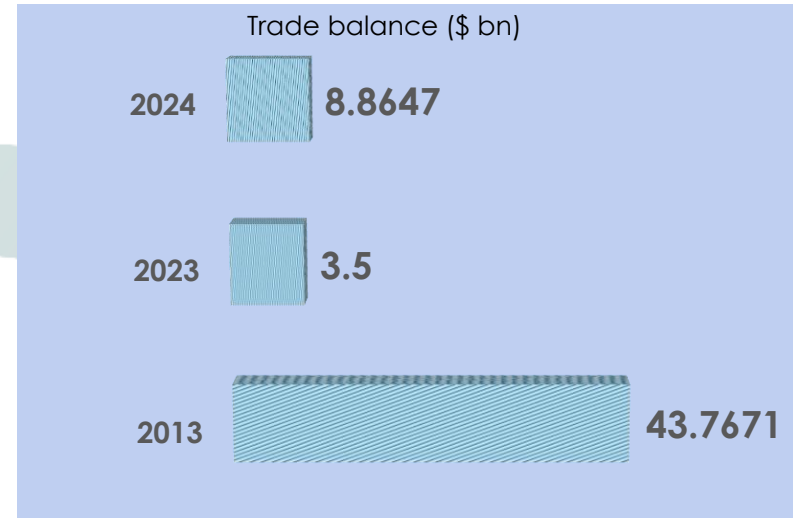
Exports (\$ bn)



- Exports has fallen by 30% since 2013
- Due to decline in total factor productivity
- Decrease in oil output

Currently at 31% of GDP

Trade Balance(\$ bn)



- Trade balance has worsened(-80%) since 2013
- Due to rising imports and falling exports

Currently at 4% of GDP



FUNDAMENTAL DETERMINANTS OF CURRENCY VALUE...2/2

Remittance Inflows(\$bn)

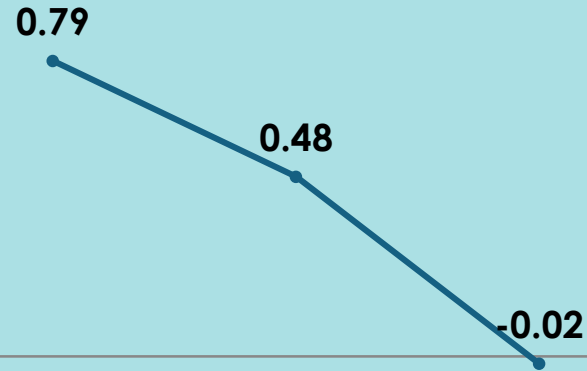


Pre-covid 2023 2024

- Diaspora remittance has remained resilient
- Averages N20bn (30% of exports) in the past 5 years

**Currently at 30 %
of Exports**

Net FDI Flows, % global Flows)

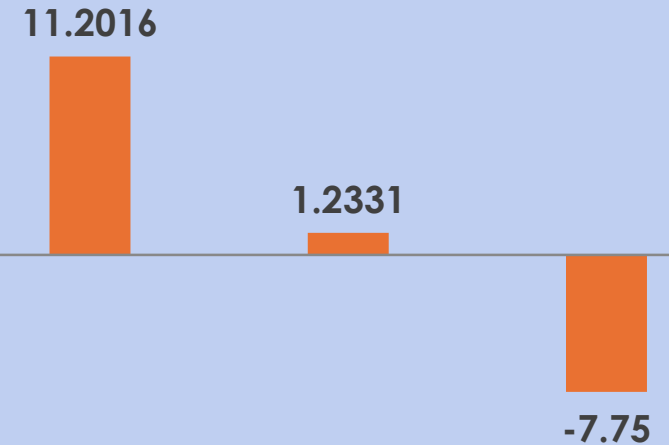


Pre-Covid 2023 2024

- Nigeria's share of global FDI is projected to decrease to -0.02 in 2024

**Currently at -0.06%
of GDP**

Real Interest Rate(%)



2013 2023 2024

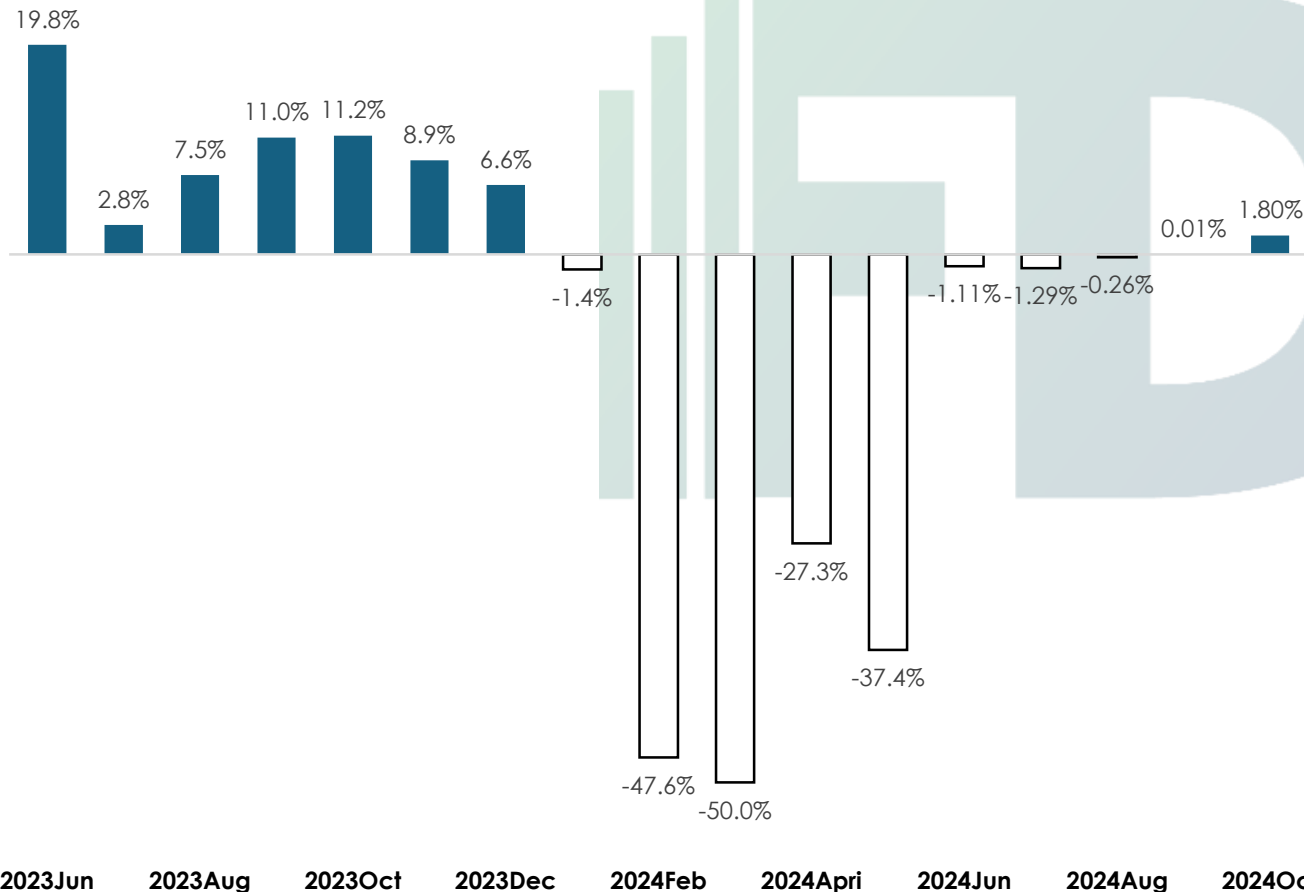
- Real interest rate decreased to 1.23% in 2023
- Has now plummeted to negative 7.75% in 2024
- Low real interest rate could quicken currency depreciation

**Expected to increase
as inflation moderates**

NAIRA IS MISALIGNED FROM ITS FAIR VALUE

Misalignment

Positive Deviation = overvaluation
Negative Deviation = Undervaluation

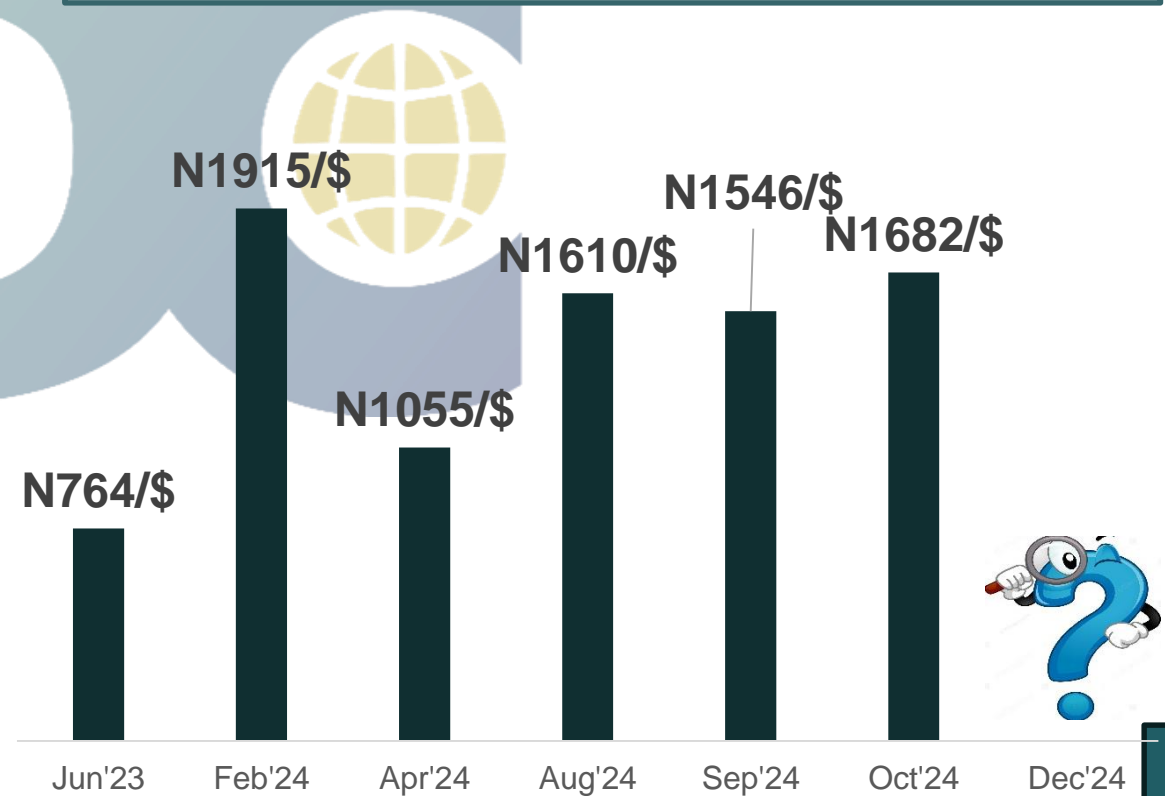


- Narrowing Misalignment (June 2024 - October 2024)
- From June to October 2024, the misalignment gradually narrowed, moving closer to zero
- By October 2024, the currency showed a slight overvaluation of 1.8%
- This period marks a return to near-equilibrium, with minimal deviation from the expected value
- Due to;
 - The CBN implemented policies to stabilize the currency, such as interventions in the foreign exchange market or adjustment of the MPR
 - Increased dollar inflows through rDAS, dollar bonds, remittances and FDI

THE FAIR VALUE OF NAIRA TODAY

Purchasing Power Parity			
		Oct-24	
	=N=	US \$	PPP ('=N=/US\$)
Bottle of Pepsi (50cl)	500	0.83	602.41
Heinekin Beer (60cl)	1,000	1.33	751.88
Hamburger (Burger King)	10,200	6.99	1459.23
Movie tickets (blockbuster)	8,000	9.95	804.02
HP Pavilion 14 X360 (12 gen, core i13, 512gb)	1,450,000	629.99	2301.62
Diesel Price (1 litre)	1,180	0.96	1229.17
Vegetable oil (5 litres)	15,000	43.00	348.84
Indomie (1 unit)	400	0.67	597.01
Nestle Bottled Water (60cl 1 unit)	200	0.28	714.29
Big Loaf Bread	1,600	3.42	467.84
Corrola (2023 Model)	50,000,000	22795.00	2193.46
Irish Spring Soap (3 bars)	1,990	3.13	636
Chicken Breasts (1 kg)	5,200	1.81	2872.93
Trolley	2,500	6.02	415.28
Peak evaporated milk (pack of 24)	23,000	24.99	920.37
Uncle Ben's rice (5.44kg 1 pack)	27,500	18.00	1527.78
Eggs (30 large eggs)	6,000	14.94	401.61
Medicine (Panadol extra 50 caplets)	11,700	14.15	826.86
Shoes (Loafers)	25,000	16.49	1516.07
Note book (hard cover)	2,400	1.97	1218.27
Average PPP			1090.24
Naira Price at NAFEM			1682
PPP (%)			
Decision: Naira is		Undervalued	-35.18%
Spot Rate (Parallel)			1742
Outcome: Compared to NAFEM rate of N1,682/\$1, the Naira is undervalued by 35.18%			

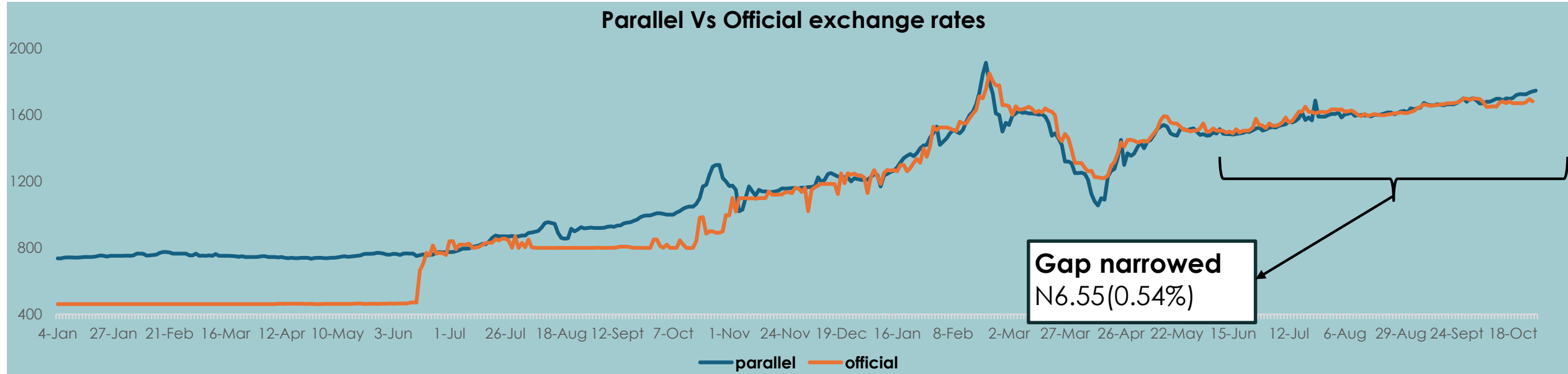
- There is a 35.18% undervaluation of the naira
- In the short to medium term, will the value of the naira stay constant?





TREND OF EXCHANGE RATE MISALIGNMENTS

Parallel Vs Official exchange rates

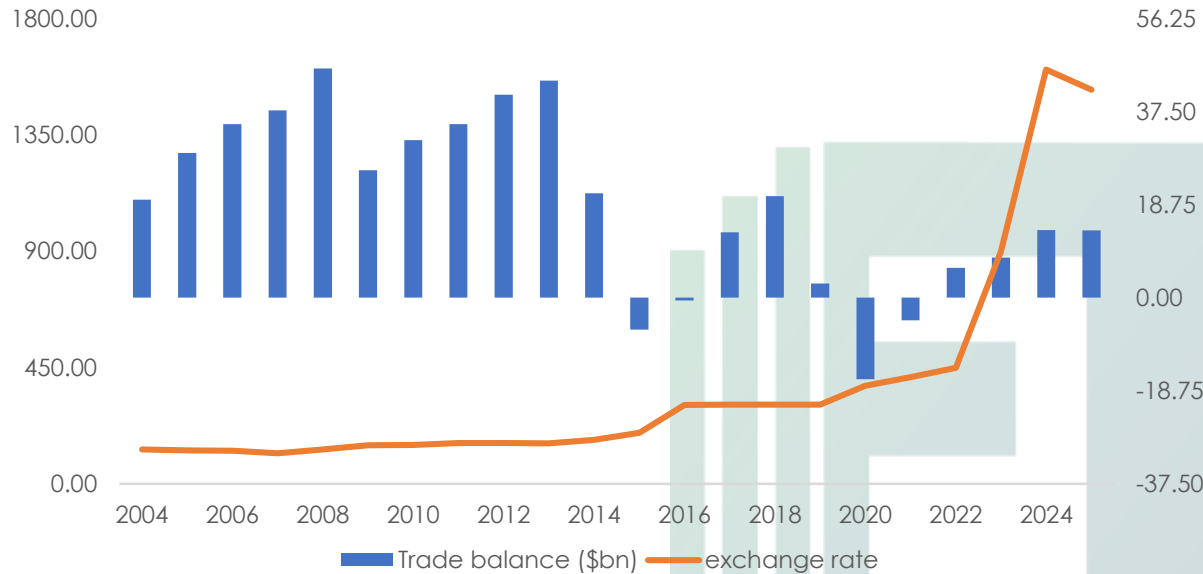


- Between June 2024 and October 2024, the difference between the parallel and official rates started to decrease
- Both rates began to align, easing the disparity that was prominent earlier
- A shift toward a more market-driven exchange rate supported this alignment
- CBN's forex sales to banks and Bureau de Change operators helped to narrow the gap
- Speculative forex demand, which often widens the gap between official and parallel rates reduced

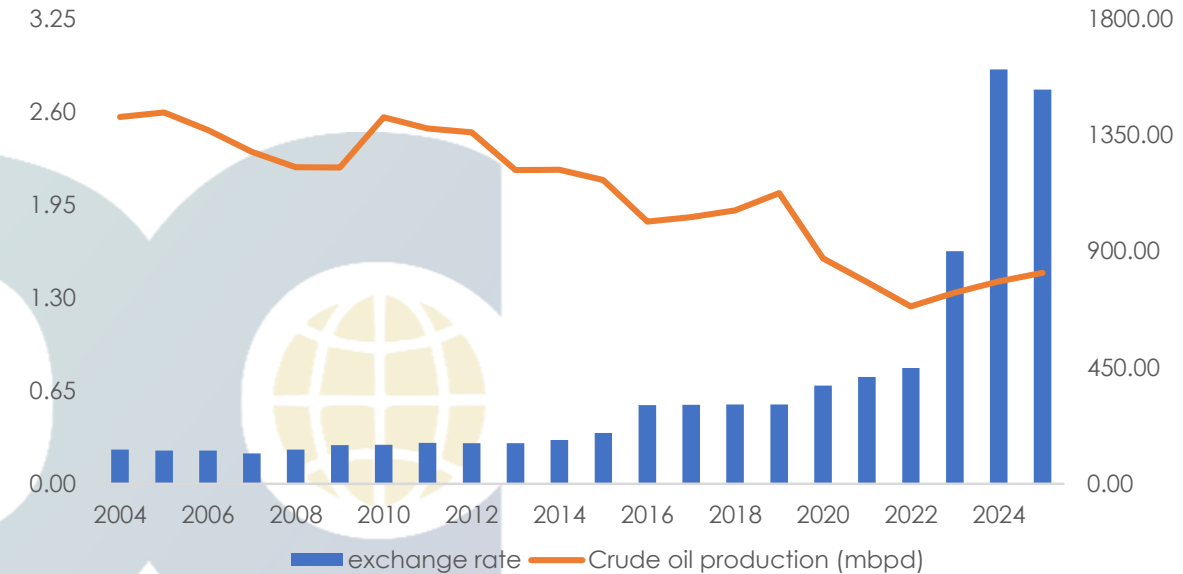


THE CORRELATION BETWEEN OIL PRICE, BALANCE OF TRADE & EXCHANGE RATE

Trade balance vs. exchange rate



Crude oil production vs. exchange rate



- Changes in crude oil production can heavily influence a country's trade balance and, consequently, its exchange rate
- Periods of positive trade balance correlate with stable exchange rate
- Periods of high crude oil production correspond to exchange rate stability
- High oil production and prices generally lead to a trade surplus and a stronger currency
- Low production or prices create a trade deficit and currency depreciation



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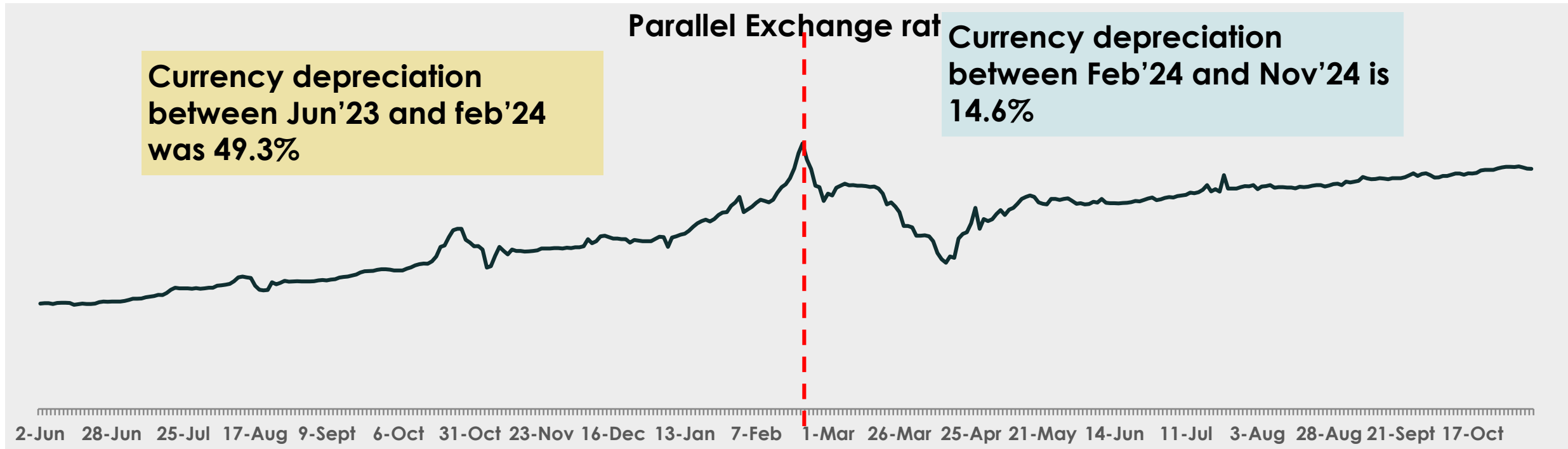


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THE MAGNITUDE OF EXCHANGE RATE ADJUSTMENT IS DECLINING



- Due to CBN intervention through RDAS and the shutdown of multiple exchange rate windows, the level of currency depreciation has declined
- The momentum of a depreciation is higher than an appreciation

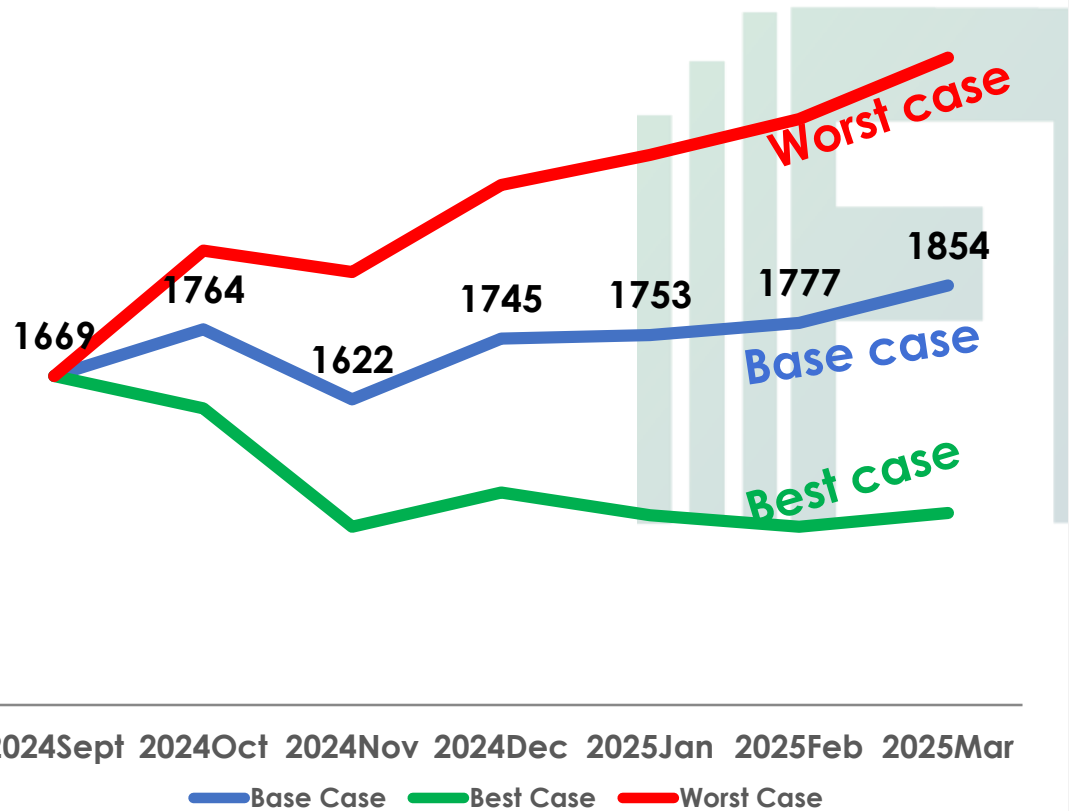


WHAT WILL BE THE VALUE OF NAIRA IN Q1'25 – THREE SCENARIOS

Naira will trade below N2000 by Q1' 2025 if

.....

Exchange rate forecasts



HEDGE! HEDGE!! HEDGE!!!

Worst Case

- CBN begins to cut rates prematurely
- Capital reversals
- Weal investor confidence
- Removal of FX subsidy

Best Case

- CBN keeps interest rates elevated until 2025
- Capital flow surges
- Regular rDAS
- Oil output to increase to 1.55mbpd

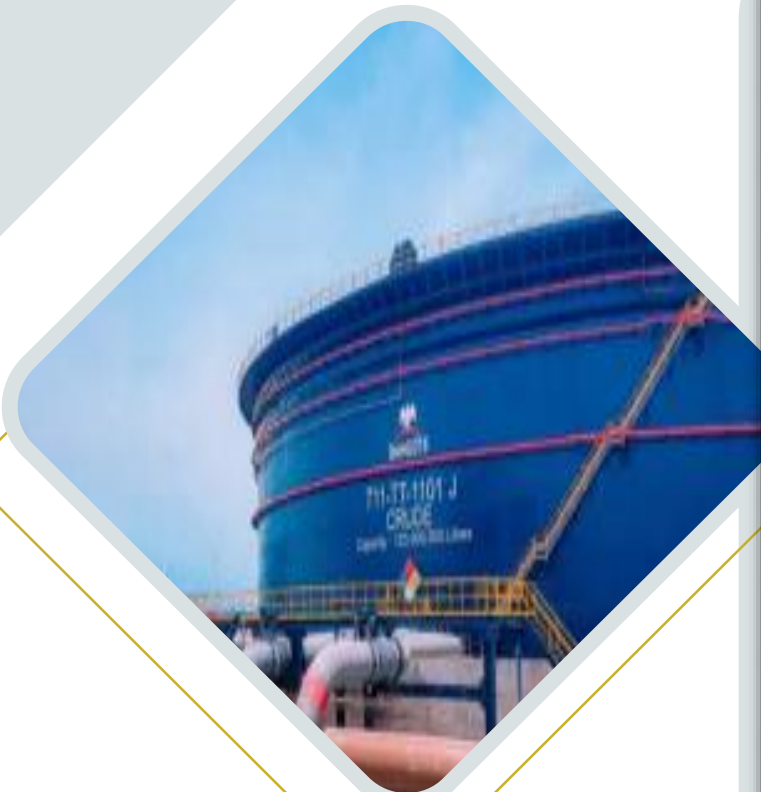
Base Case

- The maturing \$1.12bn Eurobond to be paid in 2025
- Crude oil production to stay at 1.33mbpd
- The domestic dollar bond is successful

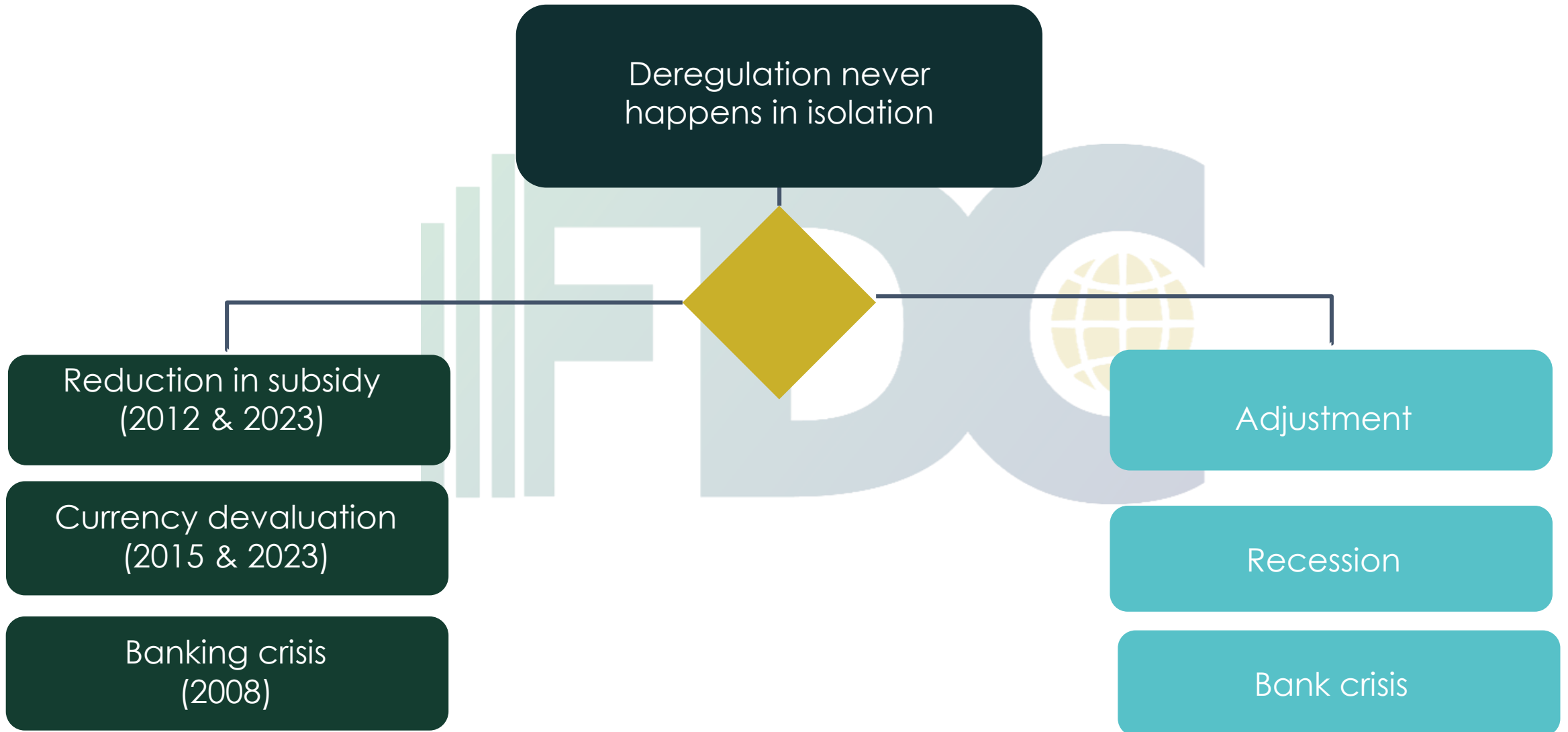
04

A year ago, I was told that the subsidy had been removed, and the petrol price rose to ~~₦600~~ per litre. As a bus driver, I initially increased my fare from ~~₦100~~ to ~~₦300~~, and now to ~~₦500~~ for the route from Oworonshoki to Obalende. Since then, petrol prices have continued to rise, now reaching ~~₦1,025~~ per litre. Today, I'm facing a triple-whammy: reduced patronage, high costs for spare parts, and the inability to raise fares further. I was hopeful that the Dangote refinery and the deregulation of the industry would address these issues. But now, I can barely survive. What exactly should I do?

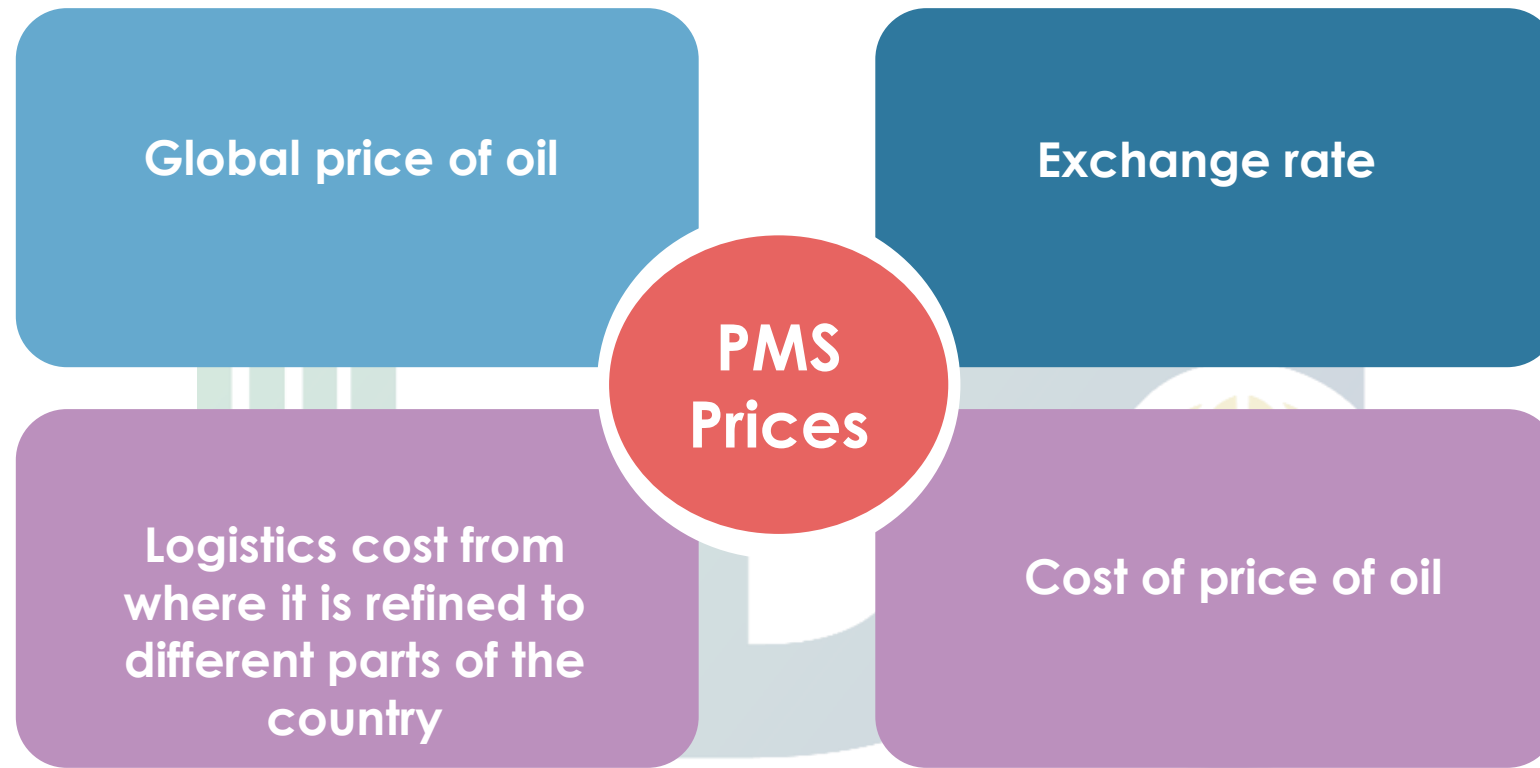
-Transporter



HISTORY OF DEREGULATION IN NIGERIA



WHERE ARE WE TODAY - TEMPLATE OF PRICING OF PMS



- The refined products are not just petrol
- Cost is not price
- The refining business is different from the importing business
- Refining business has a higher volume and thin margin, but very competitive
- Everywhere there is a subsidy there are layers of interest groups

BASIC ASSUMPTIONS OF THE DOWNSTREAM PETROLEUM SECTOR IN NIGERIA

- The entire downstream is based on viability and profitability
- The viability of the industry was based on five basic assumptions



FIVE BASIC ASSUMPTIONS BEFORE

Refineries will never work in Nigeria

Nigeria's refined products will only be imported

Lagos port will be the main tank farm

Subsidy will continue indefinitely

Pipelines and depots will never be rehabilitated

In the transition, the following things have happened

- Subsidy removed
- CNG in use
- Petrol importation declined
- Enter the Dangote refinery the five assumptions are gone

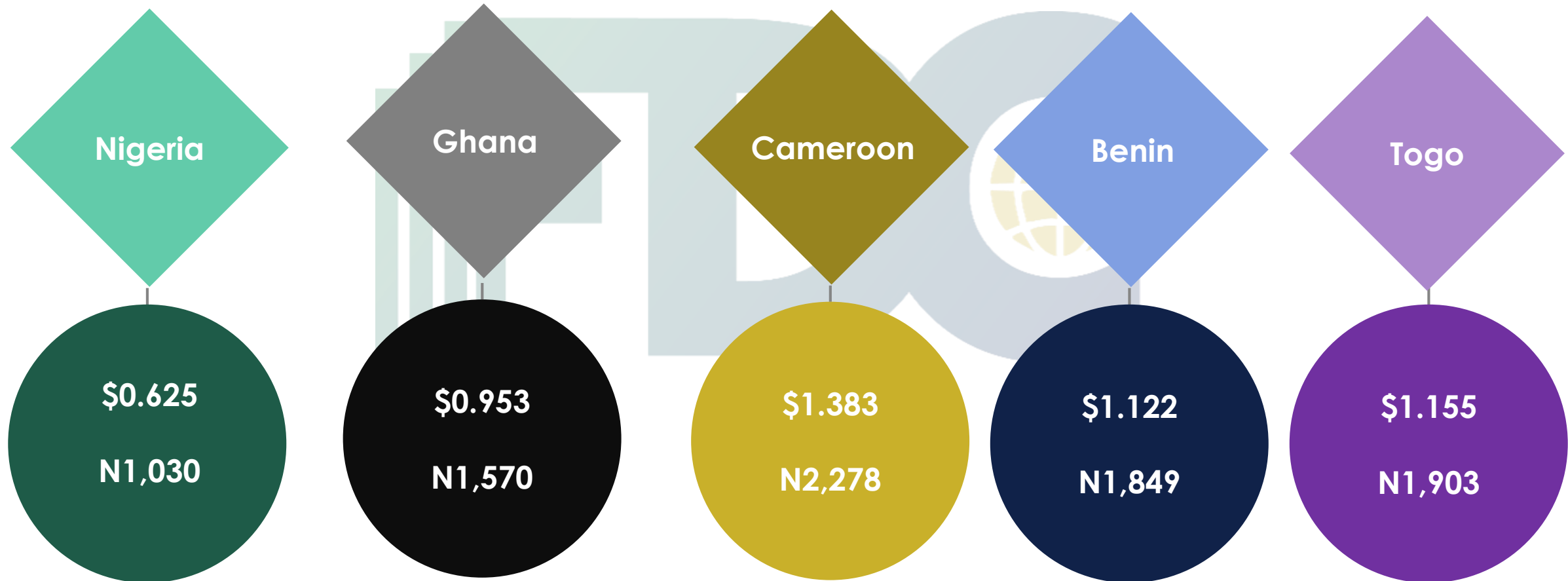
DANGOTE REFINERY (DR) - NOT A WHITE KNIGHT!

- Many Nigerians anticipated that the DR refinery would quickly resolve issues related to fuel scarcity, forex, and high prices
- Leading to frustration as these problems persist despite the refinery's commissioning
- DR hailed as a potential game-changer for Nigeria's oil sector, is not the "silver bullet" many anticipated
- It has changed the five basic assumptions of the downstream sector
- The refinery's pricing strategy is influenced by global crude prices and operational costs
- DR would guarantee supply and availability, not pricing
- DR can only produce at cost-plus margin



PMS PRICE DIFFERENTIALS – NIGERIA & NEIGHBOURING COUNTRIES

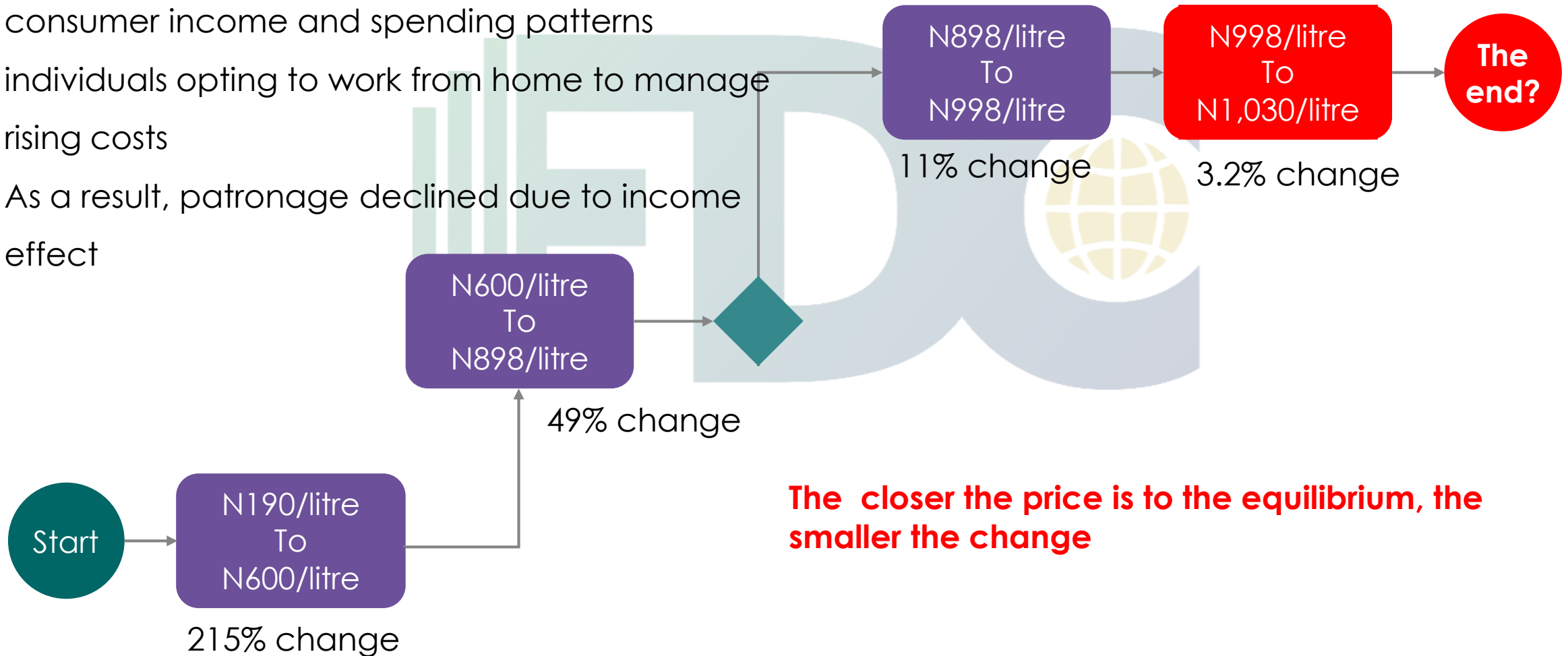
- Price differentials encourage smuggling
- 70 million litres consumed by Nigerians per day was underpinned by round-tripping and smuggling



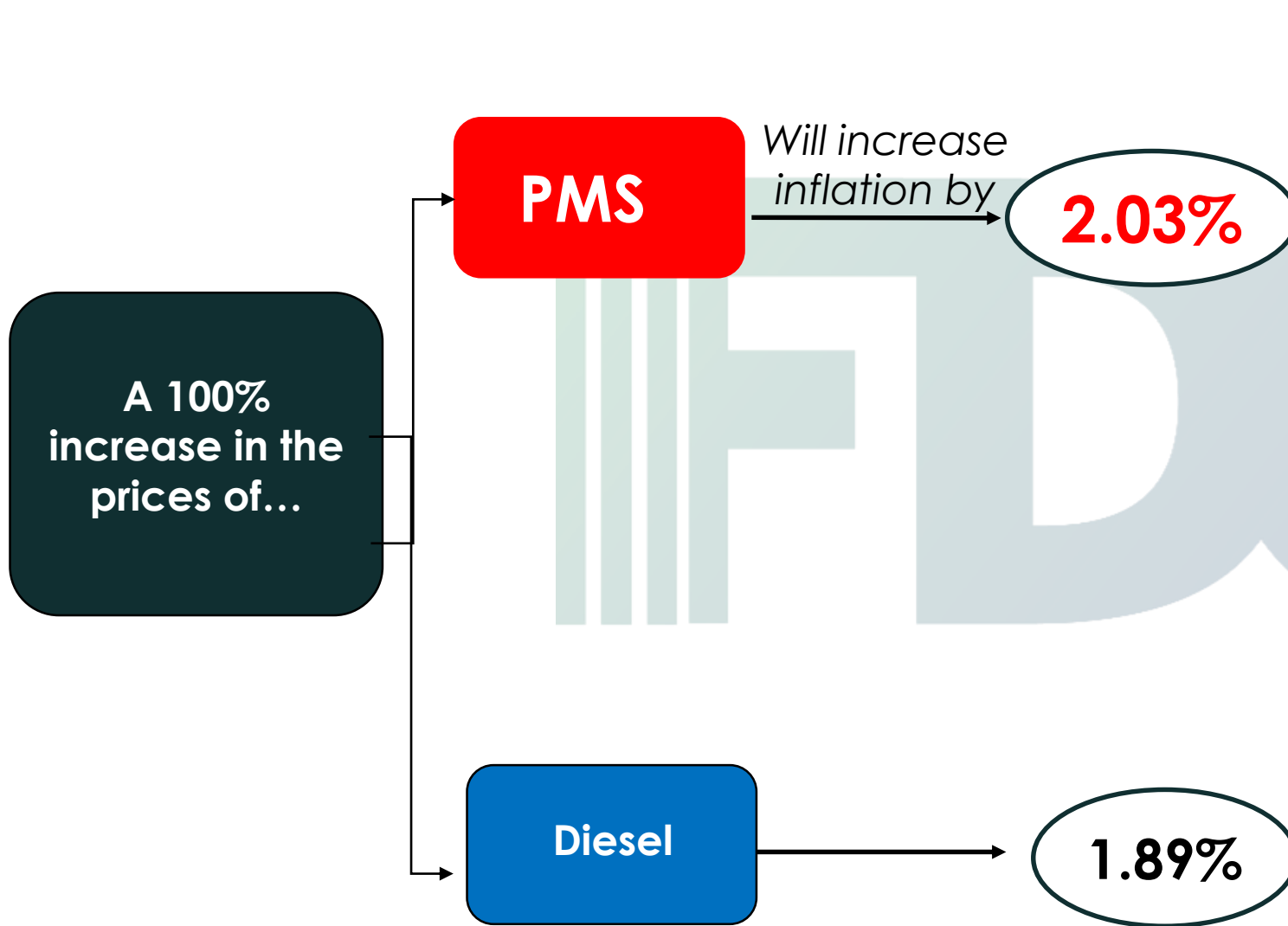
Nigeria's Petrol price is cheaper compared to the neighbouring countries, smuggling is inevitable

THE DRAMATIC RISE IN PETROL PRICE

- The sharp increase in petrol prices from N190 to N1,030 per litre has profound implications for consumer income and spending patterns
- individuals opting to work from home to manage rising costs
- As a result, patronage declined due to income effect



PMS PRICES - IMPACT ON INFLATION



- Petrol exerts a stronger influence on inflation rates
- A 100% increase in petrol price will lead to a 2.03% increase in inflationary pressure
- Indicating that petrol price is a major driver of overall inflation
- The increase reflects heavily on transport and logistics costs
- Amplifying cost-of-living crisis and production expenses

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DISTILLERS LIMITED**

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HIGH PETROL PRICES Vs. TRANSPORT FARES – INTER-CITY

- The nexus between petrol prices and transport fares is characterized by a clear cause-and-effect relationship
- Where increases in fuel prices lead directly to higher transportation costs, contributing to broader economic challenges

$$\text{TFs} = f(\text{PPs})$$

$$\text{TFs} = 0.47\text{PPs}$$

TFs = Transport fares
PPs = Petrol prices

- A 100% increase in petrol price will increase transport fares by 47%
- Since petrol price has been hike from N600/litre to N1,030/litre, a 72% increase
- Hence, a 72% increase in petrol price has increased inter-city transport fares by 33.84%

VEHICULAR COUNT – JUDGMENT CALL

- Since the increase in the price of petrol we have noticed a mark reduction in moving vehicles by 25%
- Following our vehicular count report along Adeola Odeku the main part between the East and West of Victoria Island

Price of PMS ↑ Vehicles on the road ↓

Day 1

One week later

Morning

Total vehicles counted = 1,100

Duration = 60 minutes

1 hr
8am-9am

Total = 2,400
vehicles

Evening

Total vehicles counted = 1,300

Duration = 60 minutes

1 hr
4pm-5pm

**25%
Drop in
one week**

Morning

Total vehicles counted = 800

Duration = 60 minutes

1 hr
8am-9am

Total = 1,800
vehicles

Evening

Total vehicles counted = 1,000

Duration = 60 minutes

1 hr
4pm-5pm

OUTLOOK

- According to EIU crude for next year \$74 per barrel
- So, petrol price is likely to be N,1200/ litre
- The petrol price will be determined by the global oil price
- The logistics cost of distribution will also influence the price
- The effect of petrol prices will reduce smuggling
- Supply of PMS to other African countries would boost forex supply
- Rehabilitation of pipelines will reduce wear and tear on the road



05

Two years ago, I invested N100 million in the Nigerian equities market. My portfolio's current value is now N114.5million. After closely monitoring the corporate performance of Nigeria's top 10 blue-chip companies, I noticed that these top-capitalized companies reported significant foreign exchange (forex) losses. My stockbroker has suggested that there are still considerable investment opportunities in the market. Given these circumstances—high interest rates, continued forex losses, and a depreciating Naira—what is the likely outlook for the Nigerian equities market? Should I consider selling my stocks?

- Investor





STOCK PRICE UNVEILED: WHAT IT REALLY MEANS

A stock price is the current price of a single share of a company's stock in the market

Factors that drive stock prices and market trends

Others include economic indicators, market sentiment, industry trends etc.

Fundamental Analysis

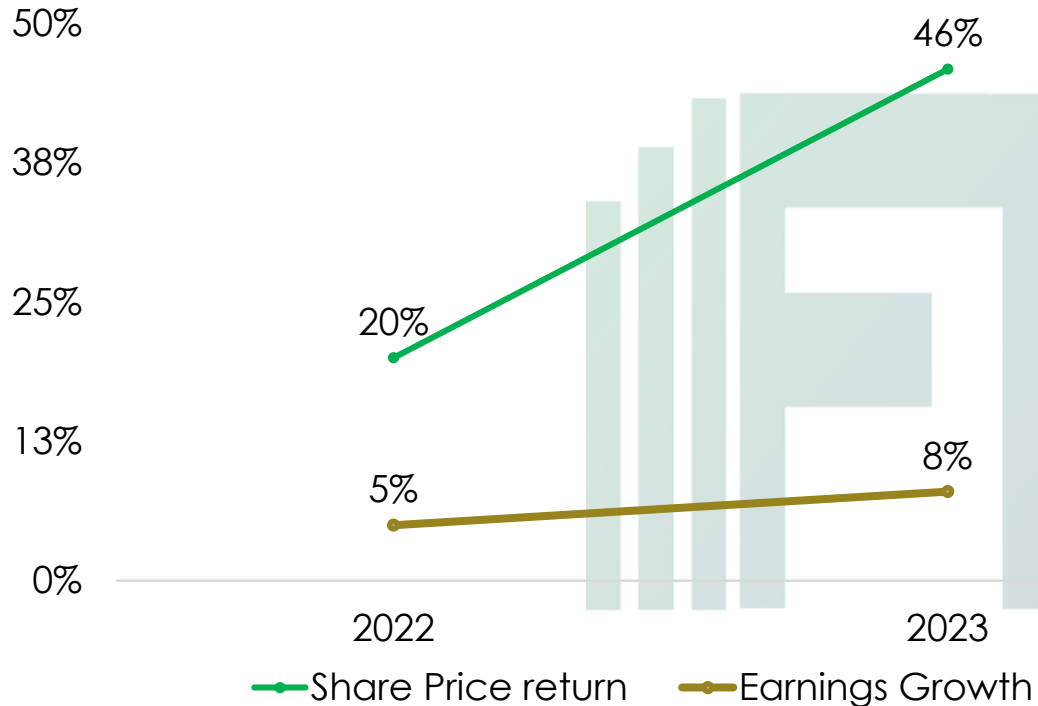
- Examining the company's financial health (corporate earnings), valuation ratios

Technical Analysis

- Uses historical price data and trading volumes to predict future price movements

CORPORATE EARNINGS VS SHARE PRICE MOVEMENT

Earnings Growth Vs. Share Price Movement



- Share price return growing faster than earnings
- Earnings impacted by Fx losses and high borrowing cost
- Share prices experienced significant growth across the board (there was a bubble)
- But dividend yield impacted by low earnings per share
- Dividend yield reflects dividends relative to price and decreases when prices rise



FOREX LOSS PITFALLS IN CORPORATE EARNINGS

- As of September 2024, ten blue-chip companies reported cumulative foreign exchange losses totaling N2 trillion, resulting in weak earnings
- Most companies were living on the parent company's foreign exchange support
- Reported LCs and cost of raw materials at the official rate rather than the parallel rate
- The unified rate distorted financial statements, leading to unexpected costs
- Companies fixed assets were acquired at historic prices, and their depreciable lives have now fully expired
- As assets age, operational inefficiencies increase, and the need for costly maintenance and replacements grows at the prevailing market price
- Companies with foreign-currency debt are facing higher costs to service their borrowings

A HYPOTHETICAL PORTFOLIO: NIGERIAN EQUITIES PORTFOLIO

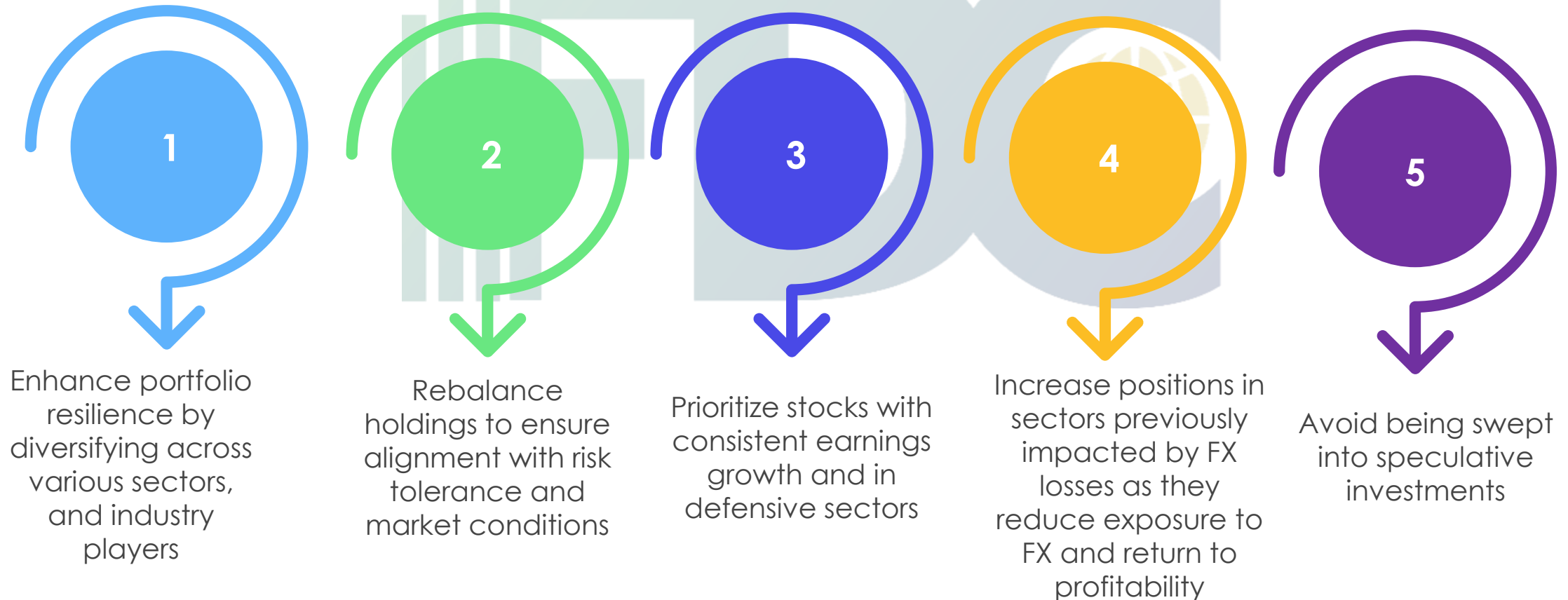
Stocks	Sector	Amount Allocated	Value as at Dec'22 (N)	Value as at Oct'24 (N)	Capital appreciation (N)
Stock A	Telecoms	30,000,000.00	32,400,000.00	20,833,200.000	(9,166,800.000)
Stock B	Cement	20,000,000.00	24,400,000.00	36,526,800.000	16,526,800.000
Stock C	FMCG	10,000,000.00	12,700,000.00	10,210,800.000	210,800.000
Stock D	Breweries	25,000,000.00	44,500,000.00	43,824,600.000	18,824,600.000
Stock E	Crop Production	15,000,000.00	2,400,000.00	3,120,000.00	(11,880,000.000)
Total		100,000,000.00	116,400,000.00	114,515,400.000	14,515,400.000

- The hypothetical portfolio grew by 16% in 2023 and declined by 2% in 2024
- Share prices currently undergoing a market correction
- FX losses eroding shareholders' value

SELL NOW OR BUY LATER?

- Shares will fall after the rally and become a buying opportunity to lower cost
- The market is not liquid, average turnover as a percentage of market capitalisation is 0.02%

STRATEGIES



EARNINGS PROJECTION FOR FY'2024 AND Q1'25

Industry	Interest Rate	FX Rate	General Outlook
Telecoms	<ul style="list-style-type: none"> High borrowing costs remain a challenge to bottom-line growth 	<ul style="list-style-type: none"> Moderation in FX losses due to renegotiation of contracts Reducing exposure to foreign currency market debt 	<ul style="list-style-type: none"> Rising demand for data and internet will drive double-digit growth for telecoms, while tariff increases are needed to offset high costs
Banking	<ul style="list-style-type: none"> High interest rate will contribute significantly to risk asset and interest income growth substantial impairment charges primarily due to the rapid increase in risk assets 	<ul style="list-style-type: none"> Banks expected to use hedging strategies to mitigate FX risk. 	<ul style="list-style-type: none"> High yields will boost interest income, while strong digital channel performance will drive non-interest income growth A strengthened capital base will enable banks to expand offerings, deepen sector penetration, and increase real sector lending



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EARNINGS PROJECTION FOR FY'2024 AND Q1'25

Industry	Interest Rate	FX Rate	General Outlook
Cement	<ul style="list-style-type: none">High borrowing costs remain a challenge to bottom-line growth	<ul style="list-style-type: none">Moderation in FX losses due to renegotiation of contractsReducing exposure to foreign currency market debt	<ul style="list-style-type: none">Increased government patronage boosts revenue, while export-driven production enhances capacity utilization, lowering fixed costs

OUTLOOK FOR NIGERIAN MONEY MARKET IN NOVEMBER

Fixed income market

- The recent MPR hike has added upward pressure on interest rates, as seen in recent money market auctions (NT-bills)
- Interest rates are expected to stay elevated through year-end
- Likely attracting more foreign investors
 - Continuously prioritizing money market instruments with a sustained rotation out of unfavourable equity positions
- Investors expected to hunt for short-dated instruments in anticipation of future hikes
- While yields rise, the price of existing short-term bills will decline slightly due to the rapid adjustment to higher rates

Stock market

- New listings will boost NGX market cap to close the year
- As high interest rates remain persistent, the attractiveness of fixed-income securities appreciates
- Prompting institutional investors' exodus from Nigerian equities
 - High borrowing costs will hamper corporate margins and share price valuation
- Depreciation in the Naira and limited liquidity in the FX market will keep foreign investors out of Nigerian equities

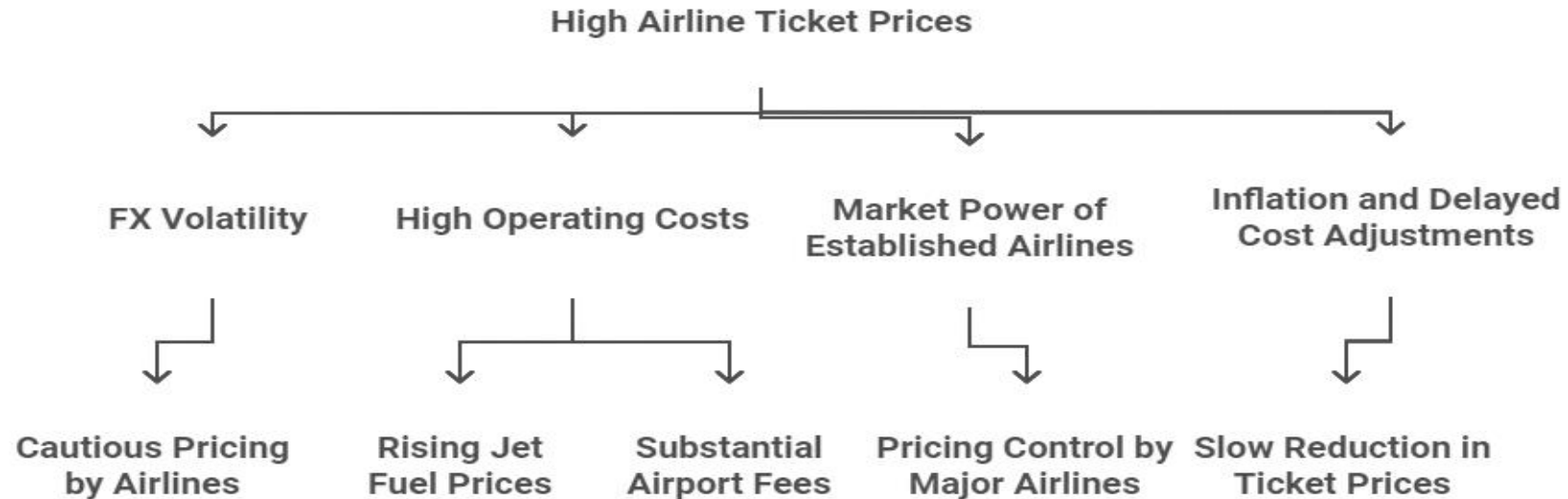
06



With Nigeria's FX backlogs cleared, foreign airlines like Emirates resuming operations, and increased competition from new entrants like Air Peace, high ticket prices were expected to decline. However, ticket prices have remained high. Why have fares remained high despite these changes? When might ticket prices become more affordable, and what does this mean for the outlook of international travel in Nigeria?

- Disgruntled traveler

KEY DETERMINANTS OF TICKET PRICES IN NIGERIA

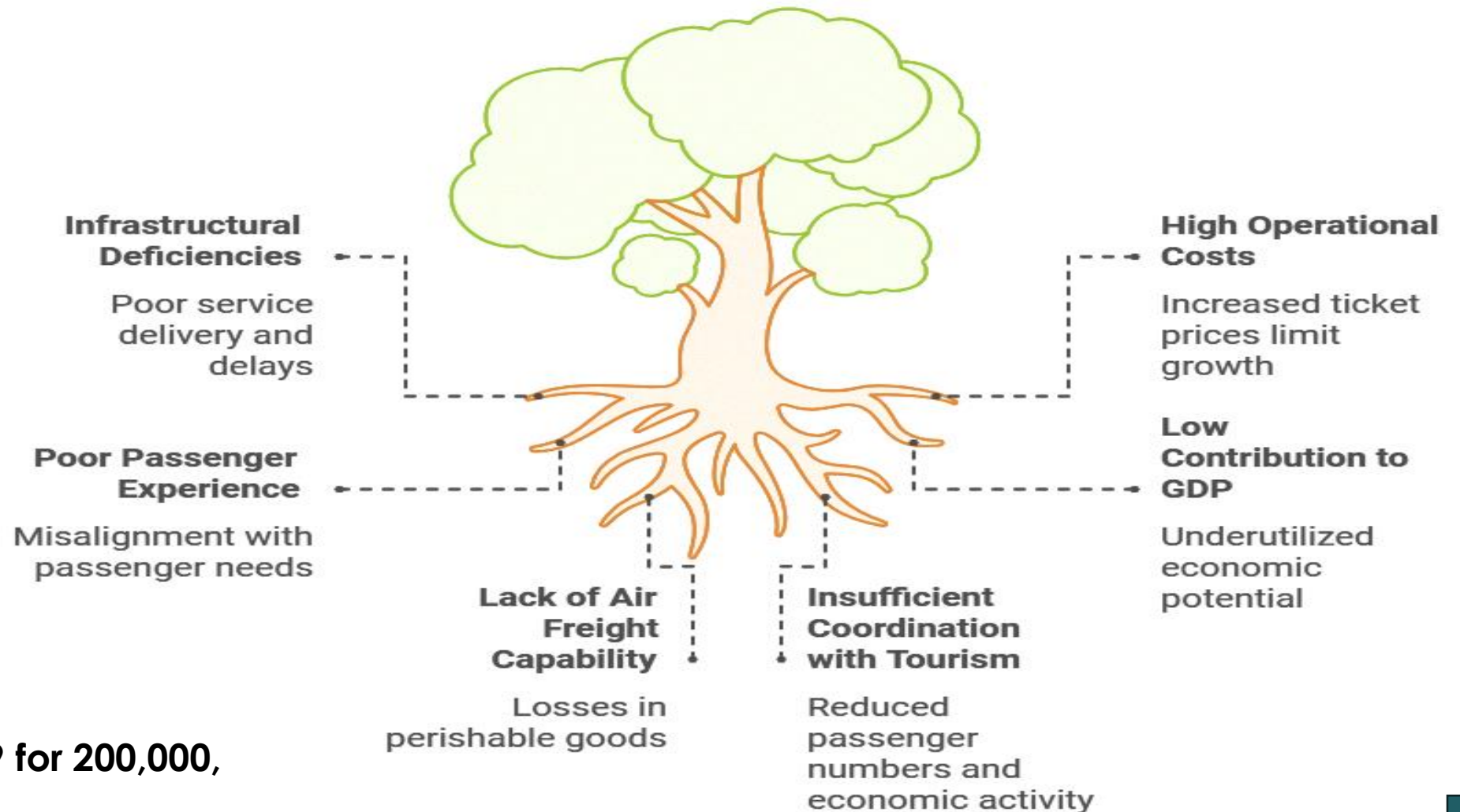


- Ticket prices are highly sensitive to the exchange rate, as key costs like fuel and maintenance are priced in dollars
- The continued slide of the Naira, with the IATA rate down by approximately 10.97% in H2'24 to N1,687/\$, further increases ticket prices
- Clearing FX backlogs allowed airlines to release limited low-cost tickets and seasonal discounts, but the risk of new backlogs keep prices high
- High operating costs, driven by the exchange rate impacts inflation and airport fees, maintaining upward pressure on ticket prices

CURRENT STATE OF THE AVIATION SECTOR

- Nigeria has more than **30 airports**
- However, air traffic is concentrated in just 3
 - Lagos Airport
 - Abuja Airport
 - Port Harcourt Airport
- This has created operational inadequacies

Urgent Need for Investment in Nigeria's Aviation Sector



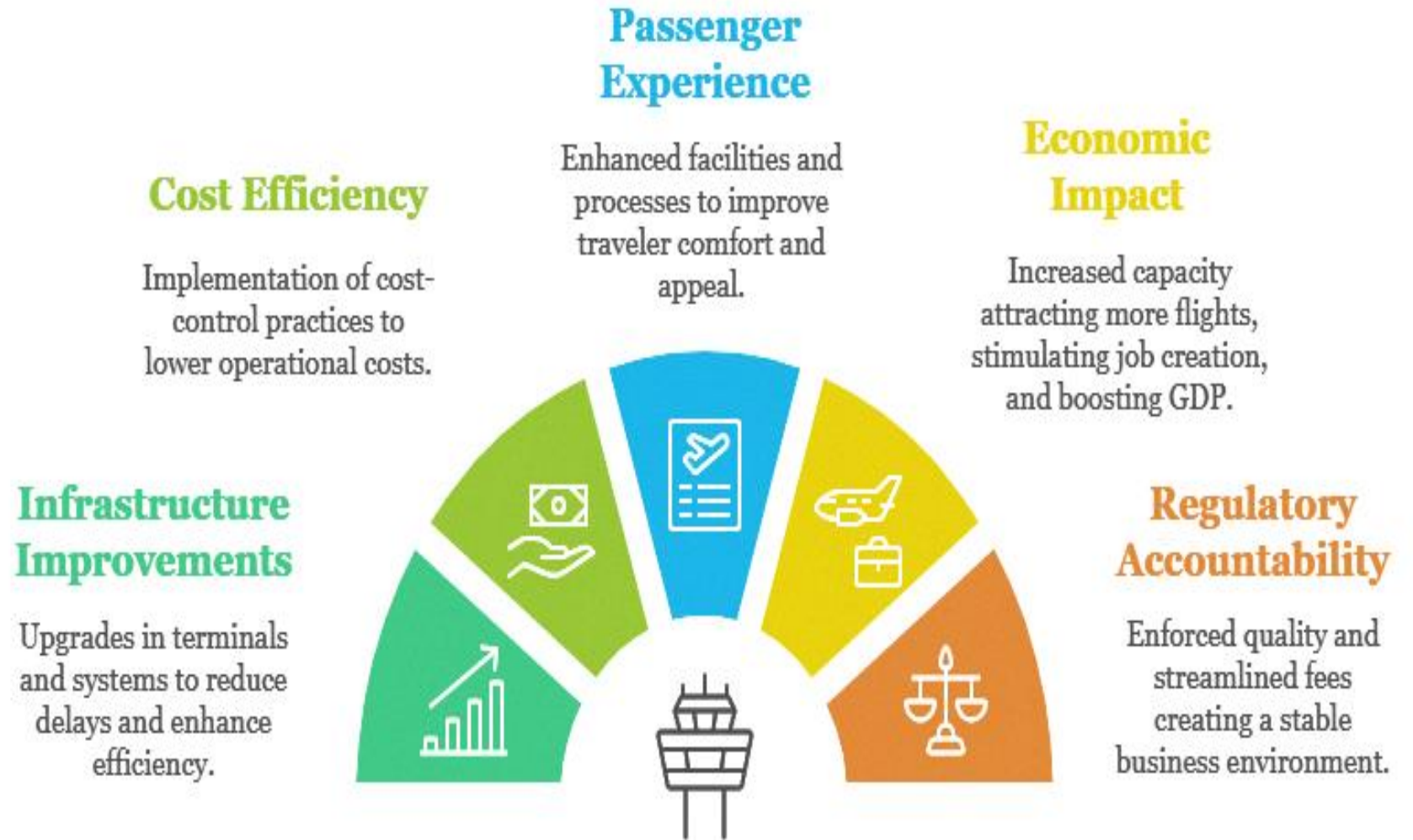
Lagos Airport, built in 1979 for 200,000, now serves nearly 8 million passengers.

FG PLANS 5 AIRPORTS CONCESSION

Airport concessions enable

private investors to

- fund, invest, and efficiently operate airports,
- enhance the customer experience while
- generating revenue for the government and
- allowing it to redirect resources to other sectors



FROM WET LEASING TO DRY LEASING – MORE AIRCRAFT

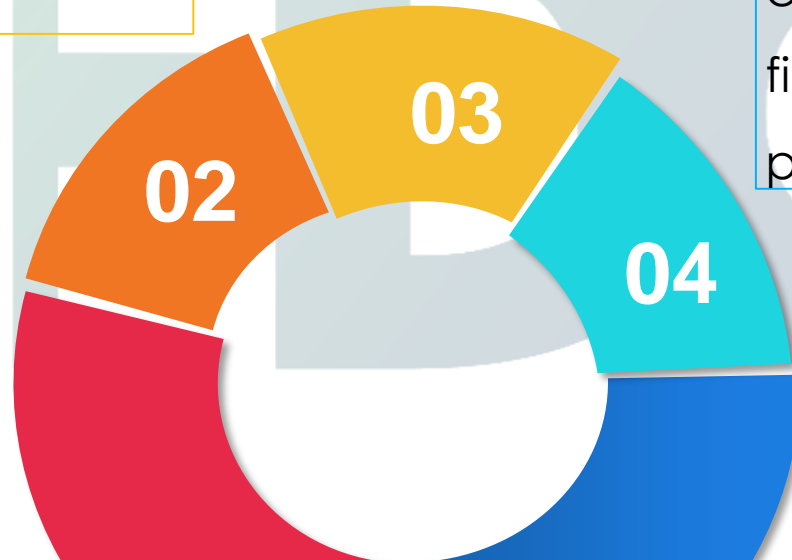
Previously, insufficient aircraft and high leasing costs caused flight cancellations and delays.

This raised its aviation rating from 70.5 to 75.5 points

Nigeria has exited the list of countries with poor aircraft leasing records by fully complying with the Cape Town Convention.

Now off the watchlist, Nigerian airlines can access cheaper aircraft and financing through dry leasing partnerships.

This will boost investor confidence and improve air travel efficiency in Nigeria.



01

05



MORE INTERNATIONAL & DOMESTIC FLIGHTS

Nigeria & UAE signs new BASA deal

- Nigerian airlines can now fly to any UAE destination under a new air services agreement.
- The deal promotes competition and could lead to lower fares.
- Code-sharing gives Nigerian airlines priority in partnerships with UAE carriers.
- Emirates has resumed Lagos flights, boosting trade and connectivity.
- Dubai is a major global travel hub, providing easy connections worldwide.

Arik Air resumes flight operations

- **Lagos-Asaba:** Four weekly flights (Mon, Tue, Thu, Sat).
- **Abuja-Benin:** Three weekly flights (Mon, Wed, Fri).
- **Abuja-Port Harcourt:** Daily flights.
- **Lagos-Benin:** Increased to daily flights.
- **Lagos-Warri:** Increased to daily flights.



OUTLOOK



Near-Term Price Pressures



High holiday demand and inflation likely to keep fares elevated in the short term



Airport Concessions



Operational upgrades could reduce costs and enhance travel experience in the long term



Increased Competition and Capacity



New agreements and leasing improvements would reduce costs over the mid to long term



Air Fares Drop by Q1 2025



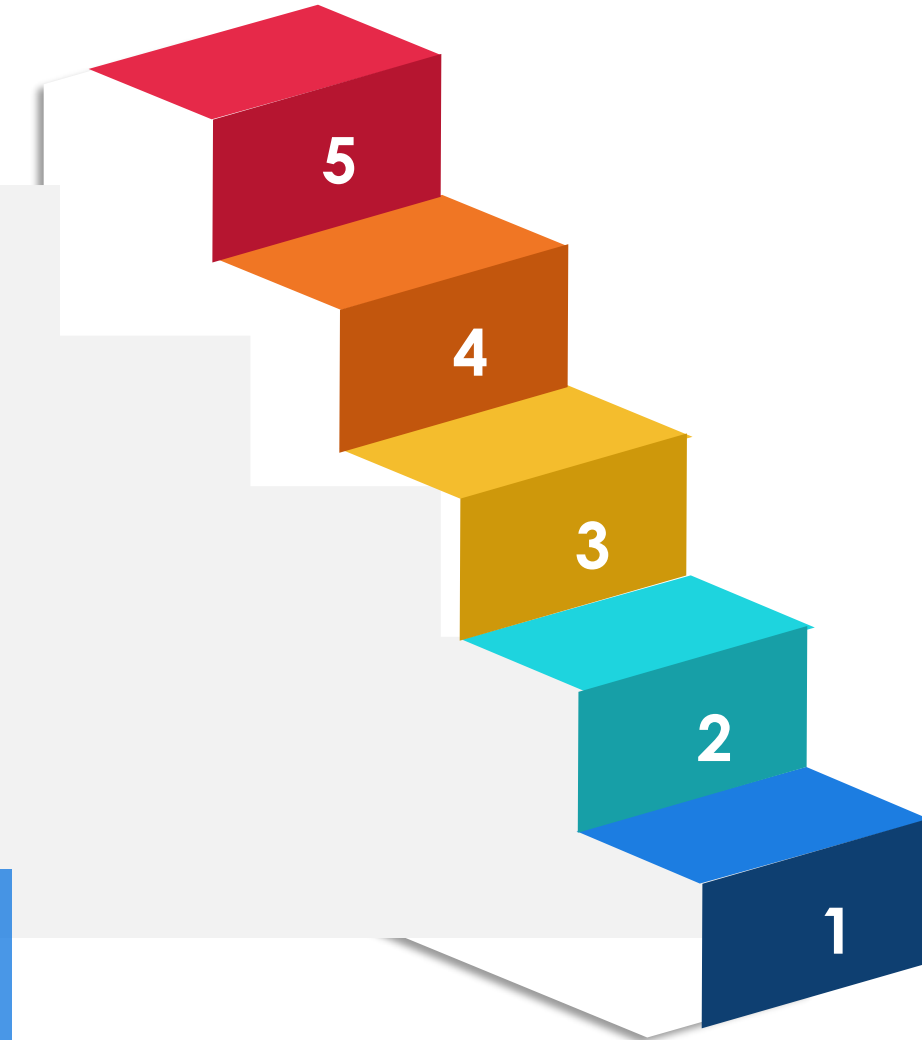
After holiday demand peaks, fares could decrease by **15-20%** as conditions stabilize



Naira Strengthening (Short to Mid Term)



Naira's appreciation due to CBN policies and increased oil revenue to lower ticket prices.





Market Proxies

Dangote Sugar has a **NEW LOOK**



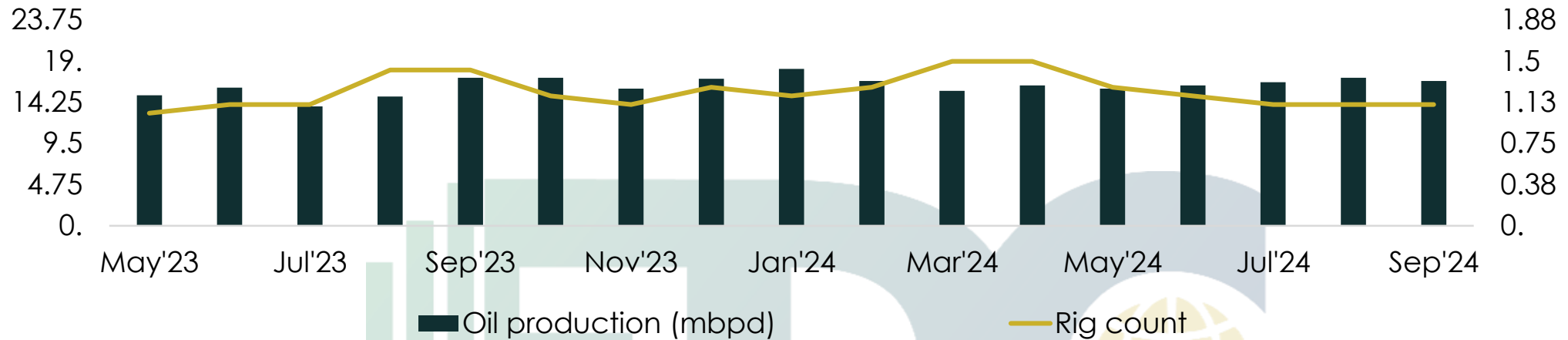
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OIL PRODUCTION SLUMPED IN SEPTEMBER

Domestic Oil Production (mbpd)

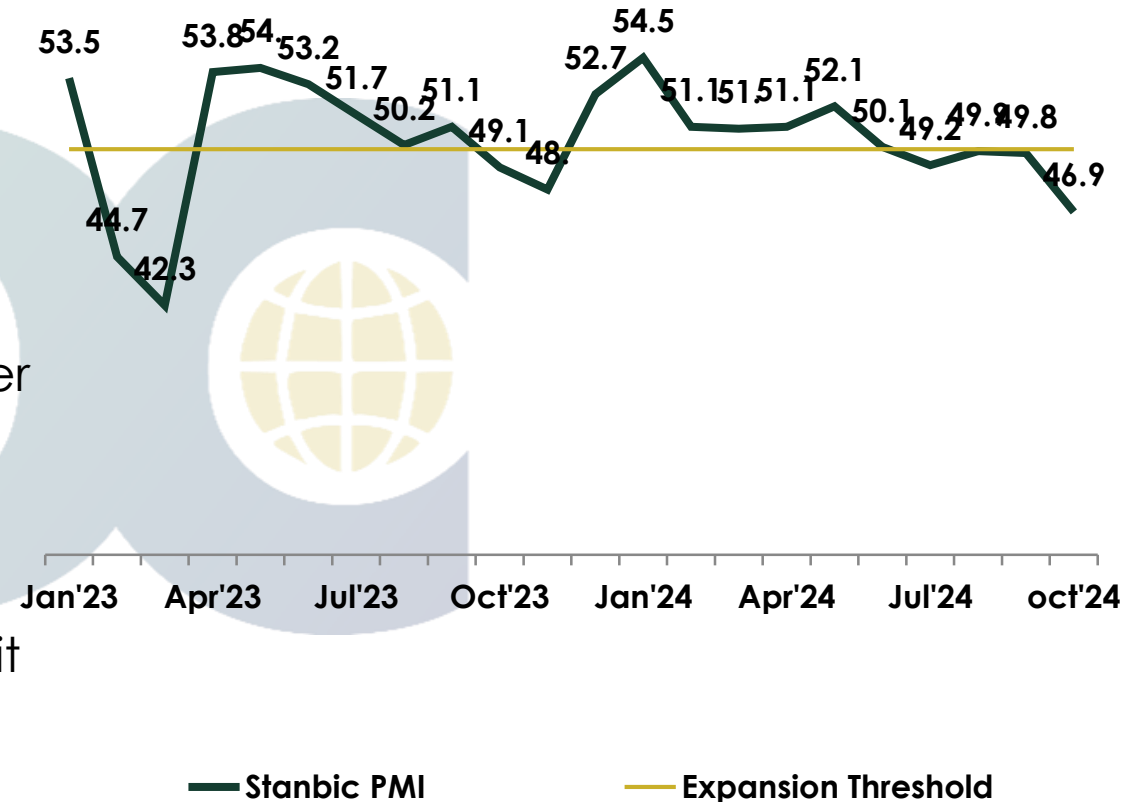


- Nigeria's oil production fell by 2.22% to 1.32mbpd in September from 1.35mbpd in August, despite efforts to ramp up output
- Oil rig count remained flat for the third consecutive time in September at 14, signalling underinvestment
- Oil production is projected to grow due to the FSPO Tamara Nanaye's upgrade & resumption of Belemaoil operations



PMI PLUNGED FURTHER IN OCTOBER

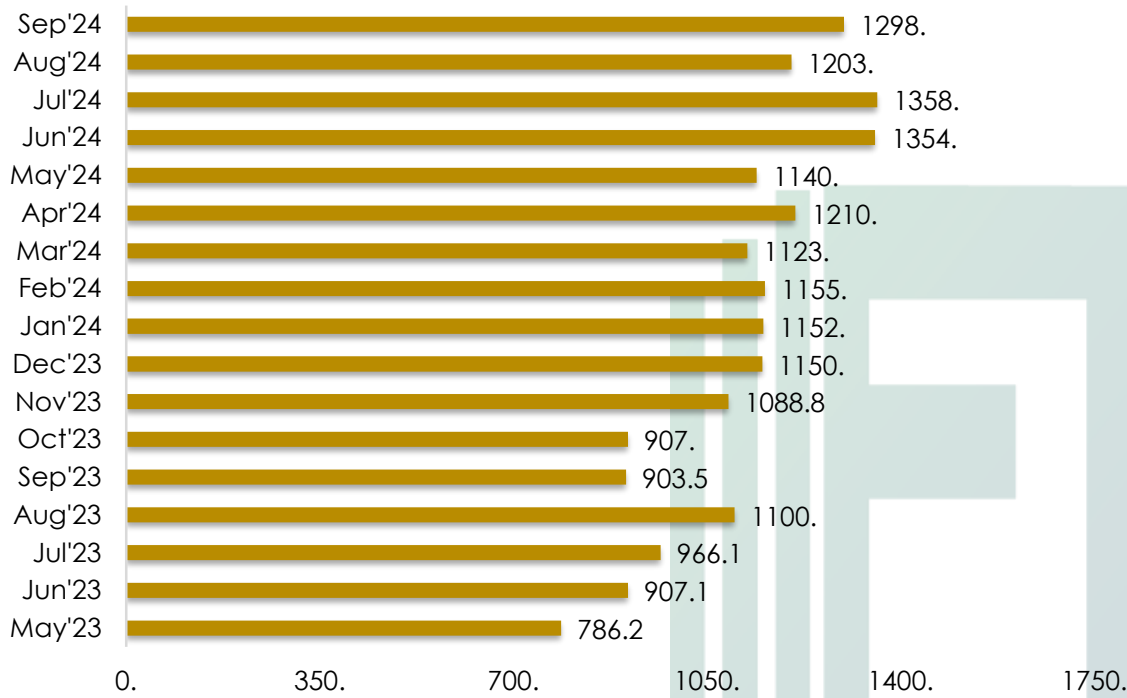
- PMI remained in the contraction region for the fourth consecutive month at 46.9 in October
- A 5.82% decline from 49.8 recorded in September
- This was due to the intensification of inflationary pressure
- Driven by currency weakness, rising cost of fuel, and higher transportation and logistic costs.
- We expect the PMI to remain in the contraction region as higher borrowing costs due to interest rate hikes could limit business expansion



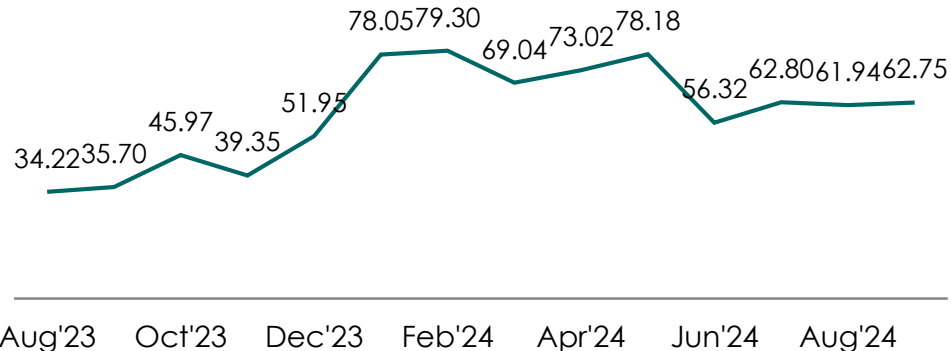


FAAC REGAINS MOMENTUM IN SEPTEMBER

FAAC (N'bn)

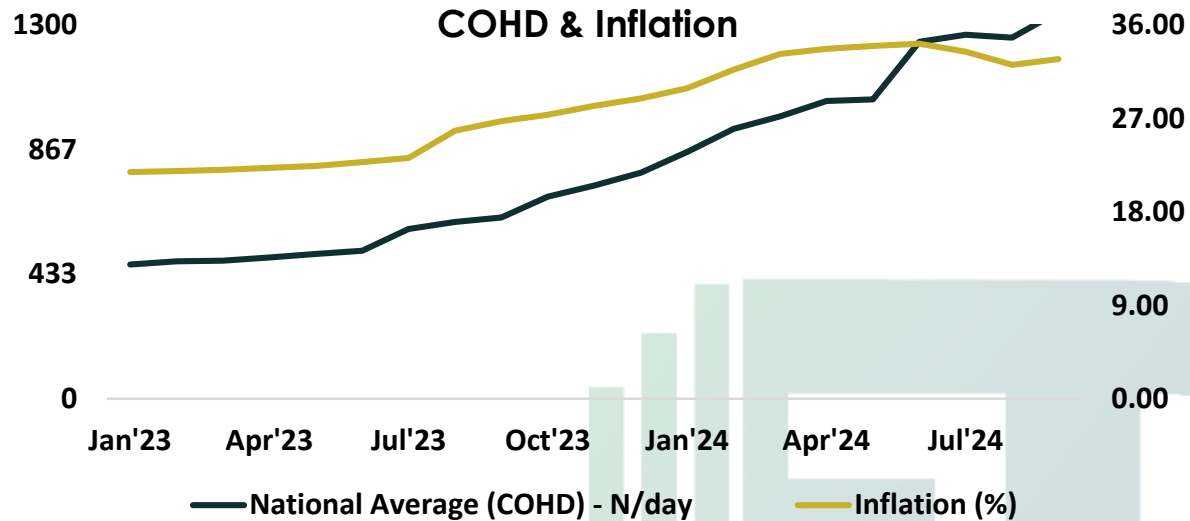


Money Supply Growth (%)



- FAAC disbursement increased by 8.33% to N1.30trn in September from N1.20trn recorded in August.
- The increase in FAAC contributed to money supply growth (62.75%) in September
- In contrast, the gross statutory revenue fell to N1.04trn in September, a 14.75% (N178bn) decline from N1.22trn in August
- FAAC is expected to rise further with the continued naira depreciation
- However, OPEC's demand growth cuts amid China's demand woes could counteract this gain.

COST OF HEALTHY DIET (CoHD)



- The national average daily cost of a healthy meal increased to N1,346 in September
- A 7.25% increase from N1,255 in August
- This uptick occurred after experiencing a 0.79% decline in August
- With the highest recorded in the Southwest at N1,598
- We expect food prices to remain elevated in the near term, due to the festive season and exchange rate depreciation

Food Group	Daily Cost (N/day) – Aug 2024	Daily Cost (N/day) – Sept 2024
Animal source foods	462	491
Legumes nuts and seeds	87	90
Vegetables	183	201
Fruits	135	144
Oils and fats	89	96
Starchy staples	298	323
National Average	1,255	1,346



SHIP AWAITING BERTH

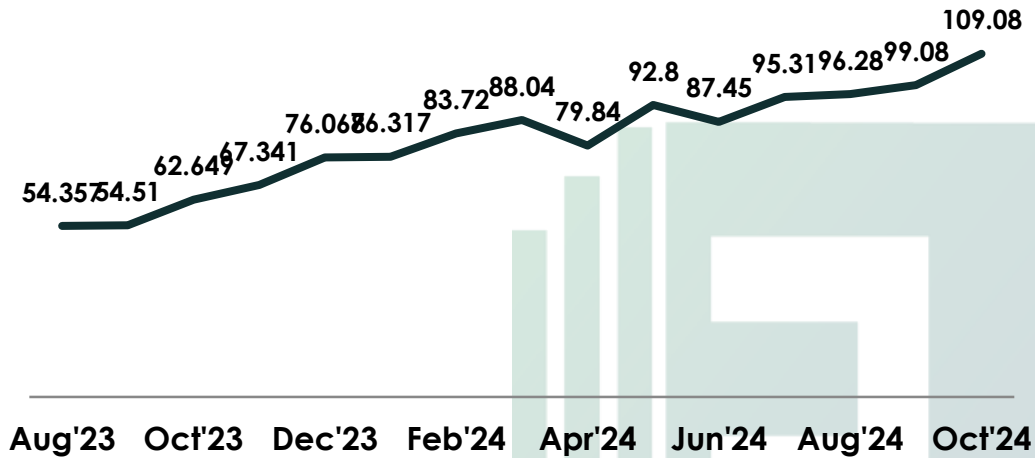
	Sept'2024	Oct'2024	% change
Total	22	13	-40.91



- Ship awaiting berth decreased in October to 13
- A 40.91% decline from 22 recorded in September
- The decline occurred due to
 - Seasonal demand fluctuations are driven by shifts in demand patterns
 - Supply chain challenges
 - Improved operational challenges

VALUE OF TRANSACTION

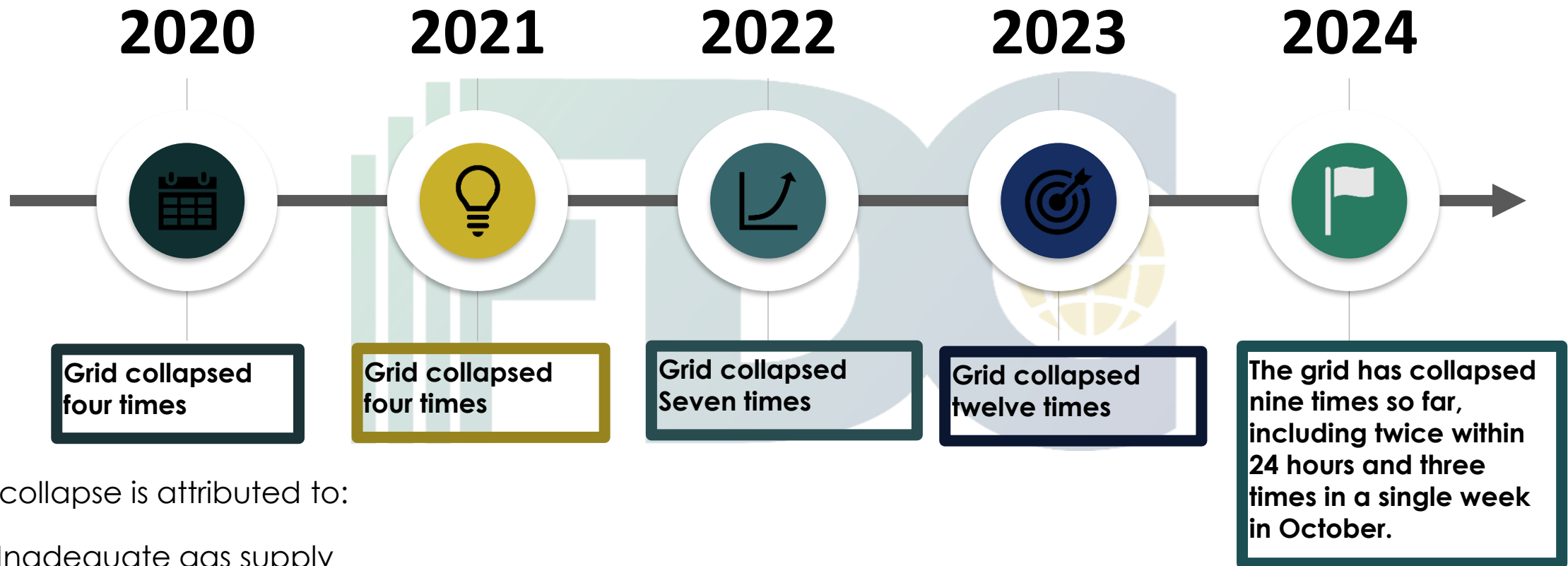
Value of Transactions (N'trn)



Mode of payment	Sep'24 (N'bn)	Oct'24 (N'bn)	Change (%)
NIP	93,465.56	103,214.35	10.44 ↑
POS	1,231.56	1,835.35	49.03 ↑
NEFT	4,117.47	3,729.04	-9.43 ↓
CHEQUES	265.90	305.33	14.83 ↑
Total	99,080.491	109,084.07	10.10 ↑

- In October, the value of the transaction rose by 10.10% to N109.08trn
- Up from N99.08trn in September 2024
- With a surge in PoS by 49.03% to N1.84trn from N1.23trn in September
- Driven by the rapid adoption of PoS by merchants & growing use of PoS for withdrawals
- Additionally, festive season also contributed to the increase

GRID COLLAPSE TWICE WITHIN 24 HOURS IN OCTOBER



- Grid collapse is attributed to:
 - Inadequate gas supply
 - Poor generation availability
 - Insufficient supply against growing demand
 - Ageing infrastructure and frequency management

THE CREATIVE ECONOMY



AFROBEATS BIG 3



Davido

Annual revenue estimated around \$20million (N14.29bn)



Wizkid

Annual revenue estimated around \$15million (N10.72bn)



Burna boy

Annual revenue estimated around \$10million (N7.14bn)

- Total amount realized from the Afrobeats big 3 is N32.06bn in 2023
- This figure is equivalent to Ekiti State's 2023 Internally Generated Revenue (IGR) of N32bn and surpasses the IGR of several other states, including Jigawa, Bauchi, Bayelsa, and Benue
- These earnings from the creative space highlight the potential of Nigeria's creative economy, positioning the sector as a vital pillar of economic growth

HOW CAN NIGERIA'S CREATIVE INDUSTRY POTENTIAL BE HARNESSED

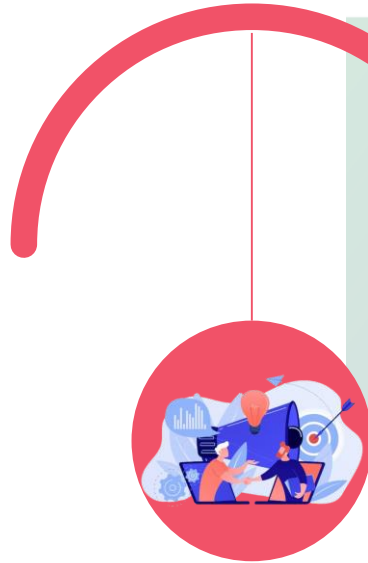
Investment in Talent Development

Training and skill development programs empower creatives, equipping emerging talent to succeed in a competitive global market



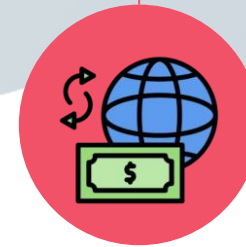
Improved investment in infrastructure

Investing in creative hubs and digital platforms enhances professionals' capacity and attracts local and foreign investment.



Government and Private Sector Collaboration

Partnerships between government and private entities can boost creative sector investment by enhancing infrastructure, funding, and policy support to drive growth and innovation



Enhanced Intellectual Property Protection

Stronger intellectual property rights protect creators from piracy and exploitation, encouraging investment in creative work by safeguarding earnings..

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NOLLYWOOD SHINES AT 2024 AFRICA MOVIE ACADEMY AWARDS

- The 2024 AMAA marked its 20th edition, celebrating two decades of African filmmaking excellence
- It took place November 2 at the Sheraton Hotel, Lagos
- The event featured a Night of Legends and launched an AMAA coffee table book, paying homage to African creatives and honoring past contributors to African cinema
- *The Weekend*, a Nigerian thriller, led with 16 nominations, including top categories like Best Film, Best Director, and Best Actor, reflecting Nigeria's strength in African cinema.
- *Jagun Jagun*, an epic Nigerian film, secured seven nominations, and *Out of Breath*, a Nigerian-UK collaboration, received nine nominations, showing Nigeria's diverse cinematic offerings.



NIGERIANS IN THE CREATIVE SPACE MAKING WAVES GLOBALLY



Tems on the cover page of Essence magazine



Ademola Lookman Ranks as 14th Best Player in the World in 2024 Ballon d'Or

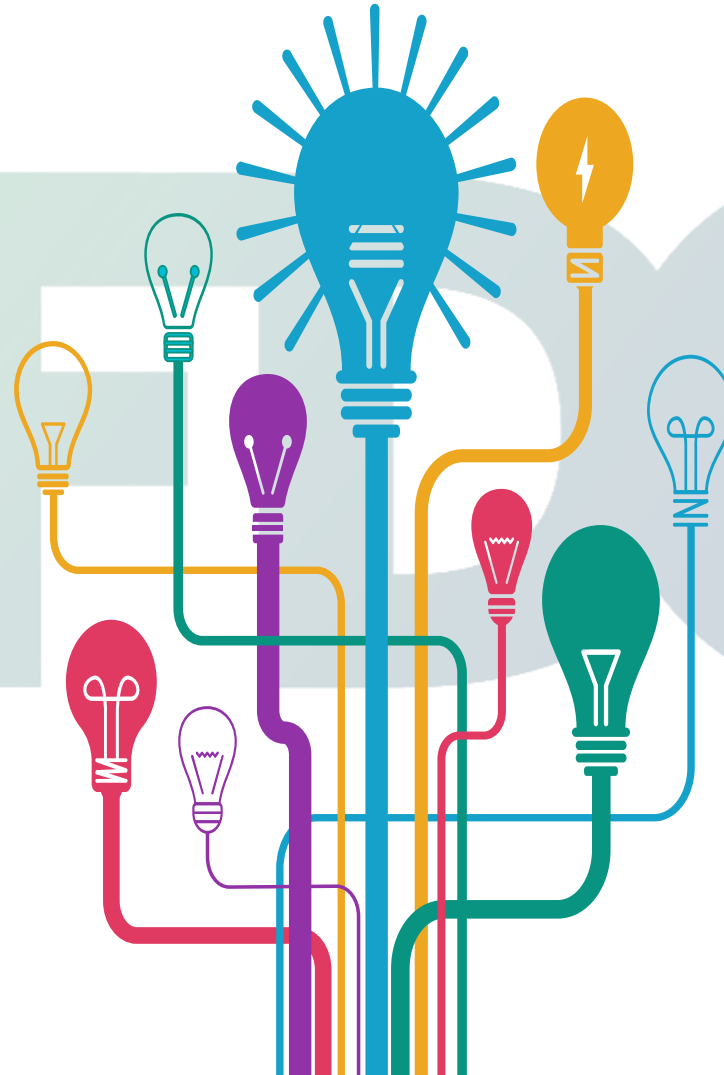


Mo Abudu's groundbreaking achievements in African media and storytelling have garnered her global recognition


UPCOMING EVENTS IN THE CREATIVE SPACE



Funke Akindele set to drop new movie 'Everybody loves Jenifa' on December 13, 2024



The Confederation of African Football (CAF) has officially announced that the 2024 CAF Awards will be held on December 16, 2024




POLITICS & THE ECONOMY

NIGERIAN POLITICAL UPDATE

- The Edo state result further consolidated the APC grip on power
- The jury is out as to how the election petition will go
- The probability of a reversal of the outcome is remote
- All eyes are now on the Ondo state election
- The APC will sweep the polls with a landslide
- Turnout will be very low as voter apathy increases
- The next election to look out for is Anambra
- That will be a battle between the Obedients and APGA
- The battle lines are drawn for the 2027 elections
- The political calculus is for a coalition of regional political interests across the North with splinter Southern Group
- The grip of the APC in 2027 is hinged on the success of the economic reform agenda





OUTLOOK FOR NOVEMBER 2024

NOVEMBER OUTLOOK

- Brent will trade at \$70pb in December
- Inflation will climb to 34%
- The Q3'24 GDP is likely to come in at 3.0%
- The MPC will maintain the status quo to allow policy effect to manifest
- The level of forex losses by the top corporates will increase sharply
- Most corporates will strive to recapitalize – by right issues to restore capital structure
- The stock market will lose at least 10% of its value in the next quarter
- The FGN will issue a Eurobond of \$2bn this quarter
- The process will be for general purpose, to support the Naira in the forex market
- The CBN will be more explicit in its forex supply policy
- The Naira will appreciate towards N1,550/\$ in January





Laws are like cobwebs, which may catch small flies, but let the wasps and hornet break through

-Jonathan Swift

In an autocracy, one person has his way, in an aristocracy, a few people have their way; in a democracy, no one has his way

- Celia Green

A thankful person is grateful under all circumstances. A complaining soul complains even if he lives in a paradise

- Anonymous



Old age is like a plane flying through a storm. Once you are on board,
there is nothing you can do

- **Golda Meir**

There is something about a closet that makes a skeleton restless

- **Wilson Mizner**

Love is like wine: To sip is fine, but to empty the bottle is a headache

-**Julio Iglesias**

Government are like underwear. They need to be changed often and for the same reason

-Italian Proverb

There are no exceptions to the rule that everybody likes to be an exception to the rule

- William Buckley

Statistics are figures that prove that the best time to buy anything was last

s-Jack Benny



There are two kinds of statistics; the kind you look up and the kind you make up.

-Bob Mortimer

If you think you are too small to be effective, you have never been in bed with a mosquito.

- Betty Reese

Money can't buy happiness, but it sure makes misery easier to live with.

-Anonymous



A meeting is an event where minutes are kept and hours are lost.

– Joseph Stilwell

The trouble with the rat race is that even if you win, you're still a rat

- Lily Tomlin

When in doubt, mumble; when in trouble, delegate

-James H. Boren



Change is hard because people overestimate the value of what they have and underestimate the value of what they may gain by giving that up

-James Belasco

Inflation is when you pay fifteen dollars for the ten-dollar haircut you used to get for five dollars when you had hair.

- Sam Ewing



In victory, you deserve champagne, in defeat, you need it

-Anonymous

The fools shouts loudly, thinking to impress the world

- Marie de France

*Thank
you*



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Lagos, Nigeria
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