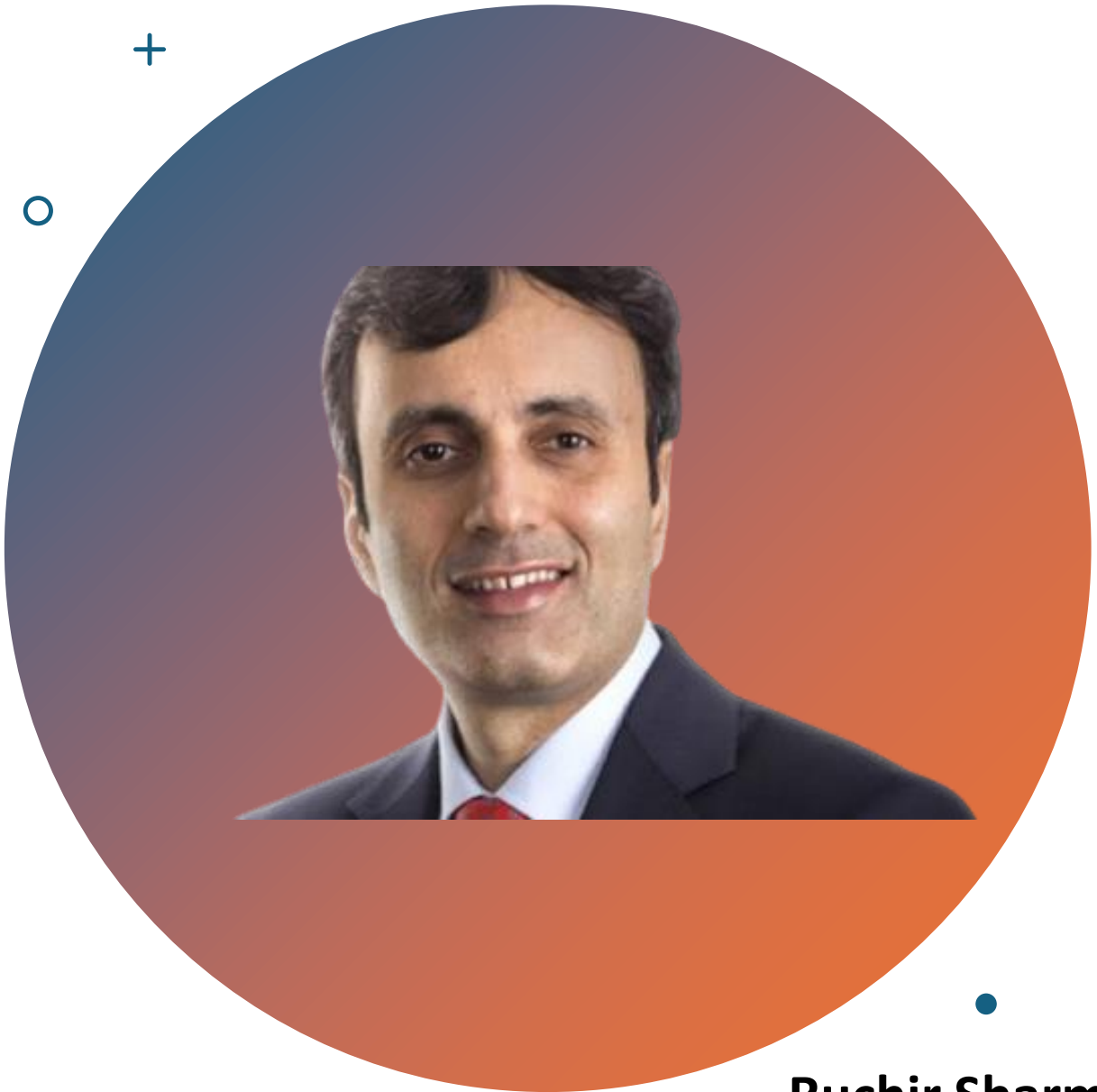


LBS BREAKFAST SESSION



**12 MONTHS
AFTER REFORMS:
BREAKING OUT
OR BREAKING
DOWN?**

Presented by Bismarck Rewane
May 8, 2024



Ruchir Sharma

Quotes!

“It's now worth looking at nations that were considered star performers but are now breaking down”

QUOTES!

“ Private sector action is confined largely to the property market which does little for productivity and prosperity ”

So, is Nigeria going to break out or break down?



TABLE OF CONTENT

SECTION 1

The Nigerian economy today - Burning Economic Issues



SECTION 2

Global and Domestic Updates



SECTION 3

Market Proxies



SECTION 4

Aviation and Tourism



SECTION 5

Political updates



SECTION 6

Summary and Conclusion



THE NIGERIAN ECONOMY TODAY



BURNING ECONOMIC ISSUES

Fuel scarcity



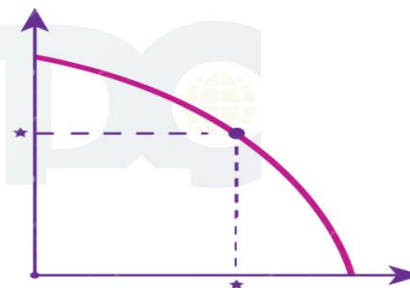
- Fuel scarcity rearing its ugly head again

Naira weakens again!



- Naira weakens again!
Why?
Diaspora S.O.S

The production possibilities frontier



- From breakout to breakdown

Fuel scarcity and queues have become a 2 years interval

FUEL SCARCITY REARING ITS UGLY HEAD AGAIN



FUEL SCARCITY – AS IT WAS IN THE BEGINNING

- Fuel issues in Nigeria have been a recurring challenge since the 1970s
- Frequent fuel shortages and supply disruptions continued to plague the country

1980s

From refine product, exporter to importer

- Working refineries to breakdown
- Subsidies came from import abuse

1990s

Turbulent Transitions

- Exchange rate fluctuation
- Exacerbated under recovery

President Obasanjo & Jonathan

2000s-2010s

Subsidy Removal and Reinstatement

- Fuel subsidies were removed
- Triggering the "Occupy Nigeria" protests

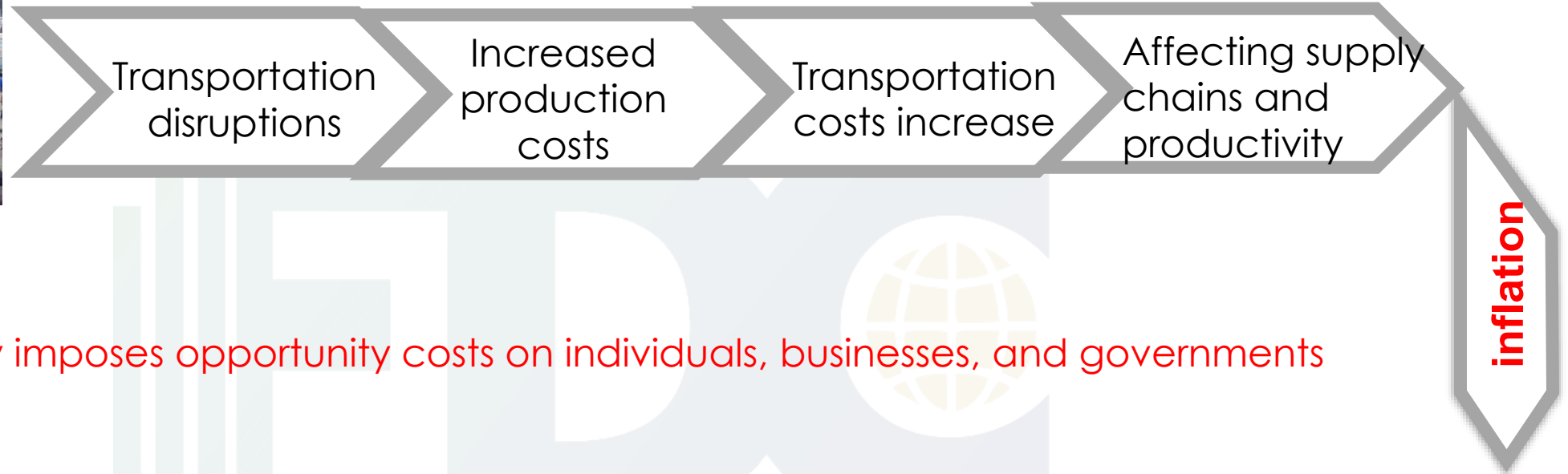
President Buhari

2015-2023

Buhari's Era/Present administration

- Fuel prices increased 124% in subsequent years
- Subsidy finally reduced and unintended consequences

OPPORTUNITY COST HIGHER THAN ACTUAL COST



Fuel scarcity imposes opportunity costs on individuals, businesses, and governments



IS DANGOTE REFINERY THE WHITE KNIGHT?



**Dangote Refinery,
the world largest
single-train
refinery**

**5 functional + 20
other licensed
Modular refineries**

Dormant and redundant
refineries
awaiting turnaround
maintenance



Kaduna Refinery



Warri Refinery



Port Harcourt Refinery (Old)



Port Harcourt Refinery (New)

HUGE TURNAROUND MAINTENANCE – OPPORTUNITY COST

A total of
\$25bn TAM
Between 2013 and 2023
No outcome!

**OPPORTUNITY COST
of \$25bn**

- 25 Universities

- 2,000km of roads

- 250 Healthcare centre

- Invested in sovereign wealth fund
- 10% return will equal \$2.5bn



SHORT-TERM SYMPTOMS WITH STRUCTURAL UNDERPINNING

What exactly is going on?
Why now?



- Are these problems as a result of structural or transient problems?
- Could it be a combination of factors?

- Logistics?
- Management?
- Structural
- Bottlenecks?

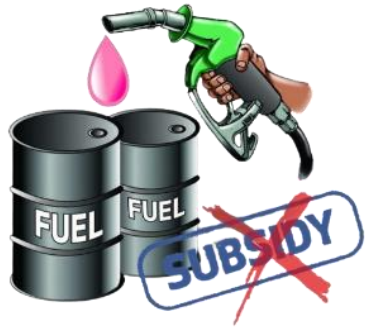


We have the refineries



We have the crude

SCARCITY – IS IT REAL OR CONTRIVED?



Subsidy reduced



Industry price deregulated

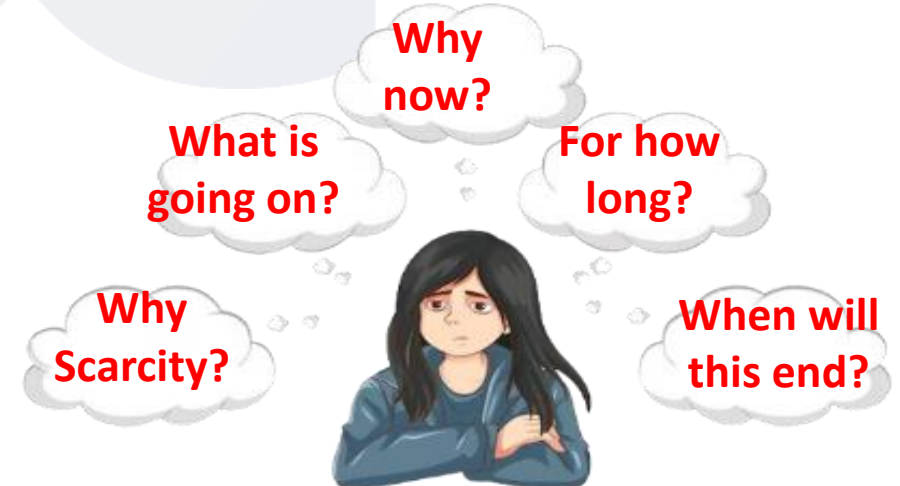


Multiple exchange rate eliminated



Dangote refinery here

- Removing the subsidy allows for more efficient resource allocation
- Hence, there should be an efficient flow of PMS
- Scarcity shouldn't have happened in the first place
- If there are distortions, it implies there are
 - Policy issues
 - Structural problems that are not resolved
- If at all it happens, it shouldn't be for a longer period



WILL IT HAPPEN AGAIN? **MAY BE!**

- PMS scarcity is a recurring problem in Nigeria's oil and gas sector
- The country has a history of fuel shortages and supply disruptions
- Petrol scarcity may likely happen again in Nigeria in the future
- Given the structural challenges in the country's oil and gas industry, including
 - inadequate refinery capacity
 - continuous pipeline vandalism
 - corruption and mismanagement
 - logistic challenges
 - supply sufficiency disruption
- A combination of factors has contributed to the prolonged scarcity problem of PMS

Why will it not happen again?

- Take it holistically
- Exchange rate reform
- Money supply management reforms
- Ports reform
- Takes away bottlenecks



HOW CRUCIAL IS OIL AND GAS?

- Oil and gas play a significant role in Nigeria's economy
- It's a crucial sector for the country's economic growth and stability
- Contributes 9% to Nigeria's Gross Domestic Product
- 90 percent of Nigeria's export value comes from oil and gas
- The oil and gas industry is the backbone of Nigeria's economy and has a dominant influence across all sectors
- However, the country has struggled to translate this resource wealth into broad-based economic development and prosperity for its citizens



WAY FORWARD

To address Premium Motor Spirit (PMS) scarcity in Nigeria, several key actions must be taken

Full Deregulation

- Allowing more players to participate in the industry
- This can help prevent future scarcity issues

Alternative Fuels

- Exploring compressed natural gas as an alternative to PMS

Price Deregulation

- Implement a gradual price deregulation strategy
- To prevent excessive price hikes beyond the official pump price
- Enhance supply stability and mitigate the effects of fuel scarcity

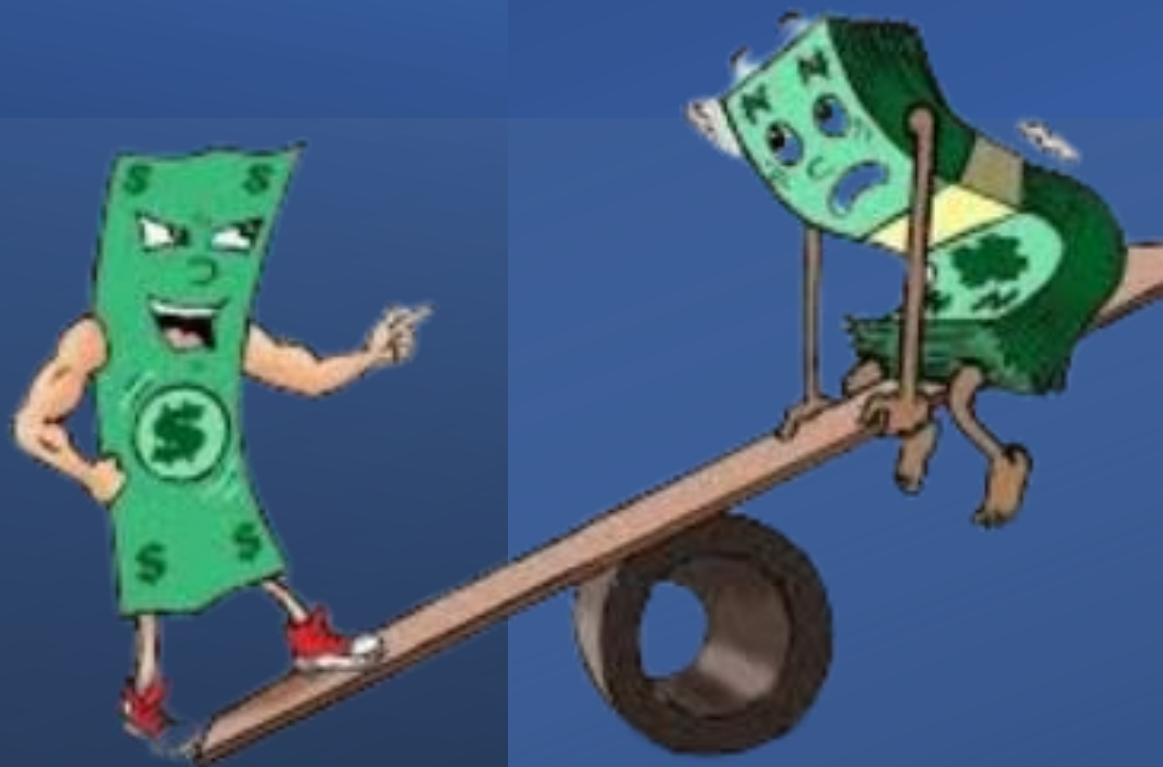
Infrastructure Investment

- Invest in infrastructure such as pipelines and storage facilities
- To enhance distribution efficiency

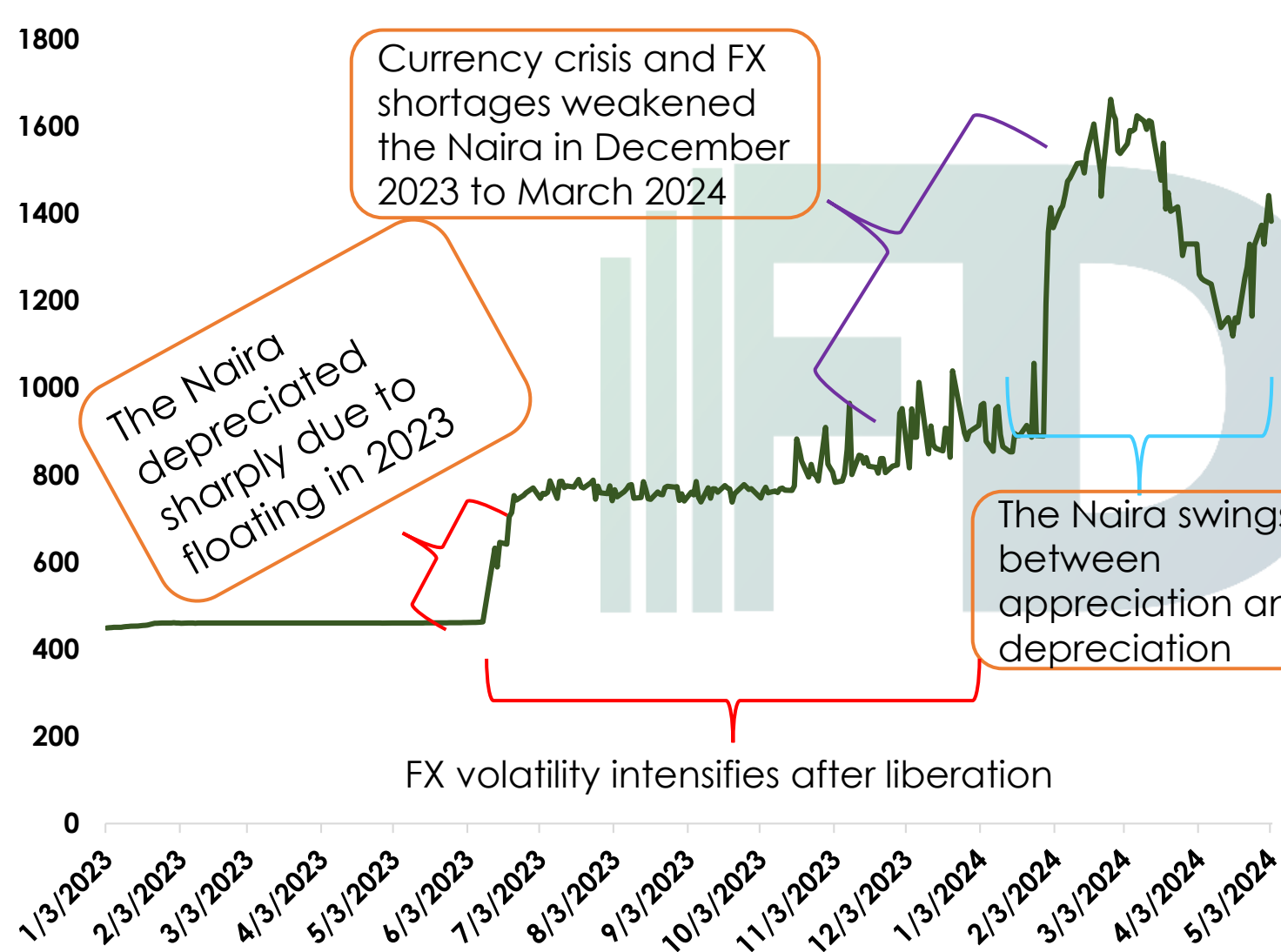
Is the Naira in a respite or will it tumble again?

**NAIRA WEAKENS
AGAIN!**

WHAT'S HAPPENING?



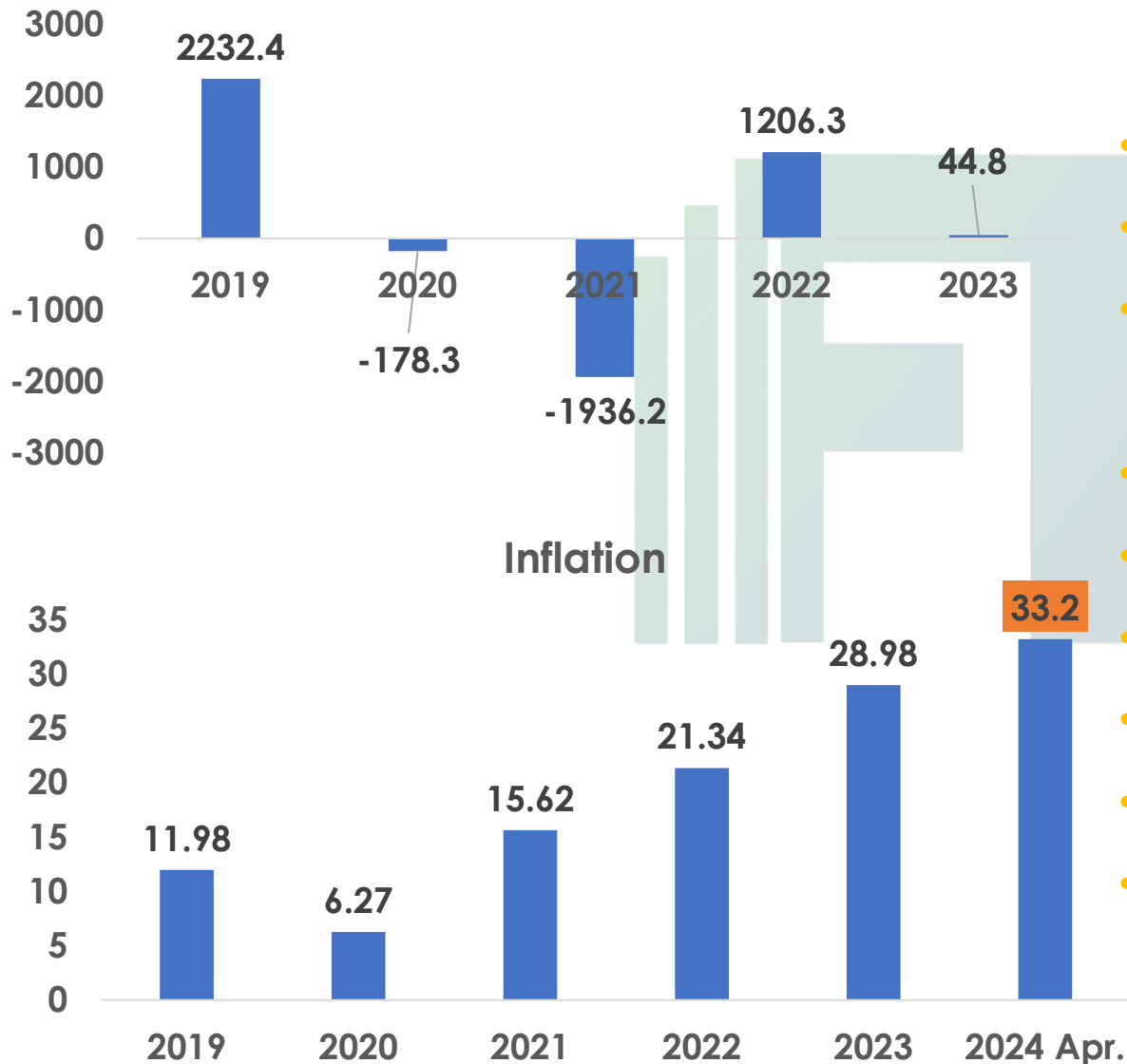
THE NAIRA FELL SHARPLY BEFORE RECOVERING STRONGLY: WHAT NEXT?



- Exchange rate got to N1,900/\$
- Started coming gaining strength to around N1,100/\$ with people betting on it
- We estimated average PPP value at 839.71
- Currently, the Naira hovers around N1,400/\$ as the accepted market rate
- **Are we going to see another N1,900/\$ or N2,000/\$ or the Naira has reached its steady state?**

CURRENCY MARKET – THE FUNDAMENTALS

Balance of trade (N'bn)

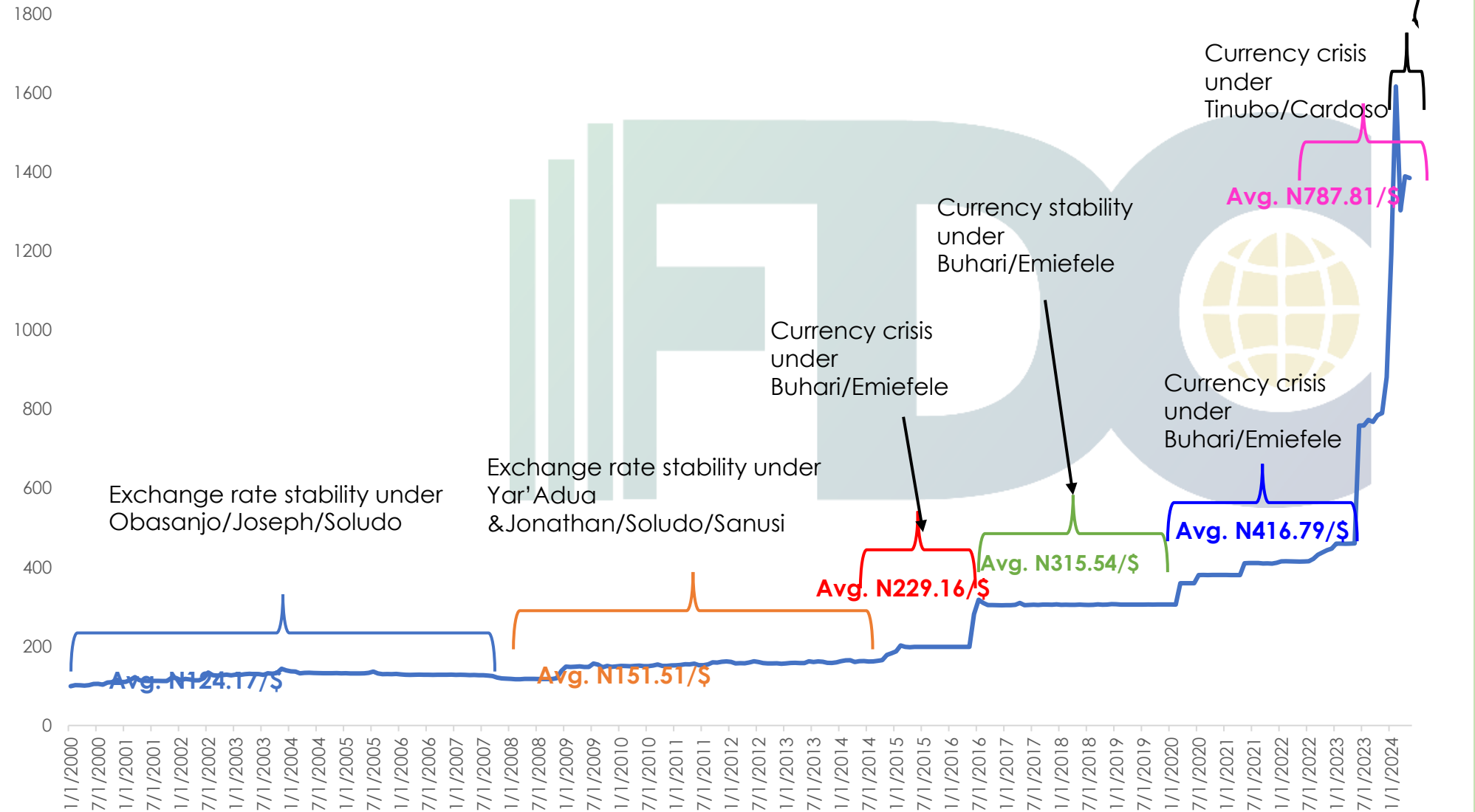


- Balance of trade declined by 96% between 2022 and 2023
- Inflation soared to 33.2% in April 2024
- Terms of trade at – 1.68
- Diaspora remittances declined by 5.7% between 2022 (\$20.13 bn) and 2023 (\$18.95 bn)
- Encumbered resources have fallen sharply
- These intensified the FX market pressure
- Current account balance is \$7.61 bn
- Terms of trade moved from 39.3 to 33.2
- Crude oil price has remained strong
- **What does the market need?**
 - **NEW MONEY (Eurobond and diaspora funds)**



THE NAIRA DEPRECIATED STEADILY IN THE LAST THREE DECADES

Exchange Rate (2000 to 2024)

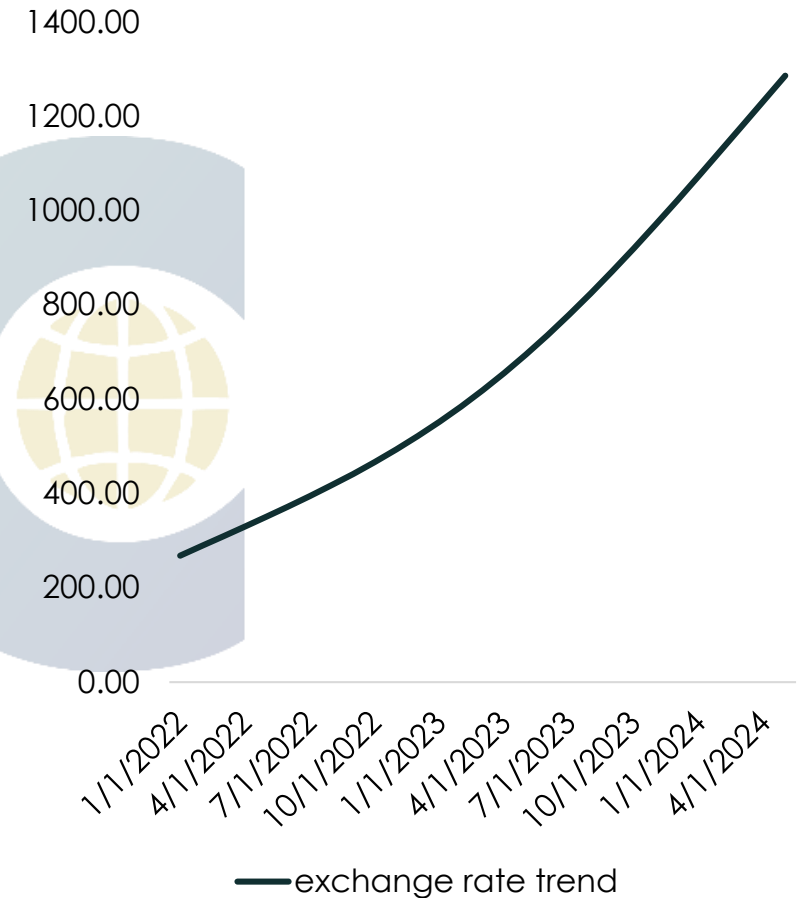


- The naira has a checkered history
- Has witnessed a profound disruption in the past three decades
- Not yet a convertible currency
- The exchange rate of the naira is influenced by
 - Economics
 - Politics
 - policy

IS THE NAIRA FACING A MISALIGNMENT?

- Misalignment not exceeding 10% is usually not considered a serious economic problem
- The naira was overvalued before the FX reform that took place in June 2023
- Undervaluation occurred between July 2023 and December 2023
- Since January 2024, the naira has become overvalued
- Exchange rate trajectory on a depreciation path

EXCHANGE RATE TRAJECTORY



IS THE NAIRA GASPING FOR AIR

The Naira in desperate need for revival

Why the Naira remained under pressure

- Nigeria's external imbalances caused by disruption in oil production, drop in oil prices and speculative behaviour of market actors
- Negative trade balance (0.86% of GDP)
- Has put pressure on the Nigerian currency market
- Victim of regulatory arbitrage



Quick actions to rescue the Naira

- The need for new money
 - Eurobonds
 - Diaspora flows from \$19 to \$25 bn

DIASPORA FUNDS - THE WHAT AND THE WHY

\$10 billion Nigeria Diaspora Fund

Fund Managers

Beneficiary Sectors

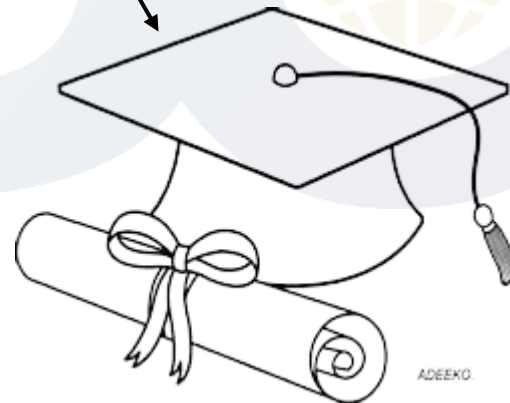
- Encourage remittances
- Attract diaspora investment
- Contribute to economic transformation and development



shutterstock.com · 2255730985



Healthcare



Education



Entrepreneurship

Infrastructure

DIASPORA FUNDS: A DROP IN THE OCEAN OR A ROCK IN THE POOL?

The proposed diaspora funds is 31% of Nigeria's foreign exchange reserves

Is the diaspora fund a silver bullet that will solve the exchange rate problem?

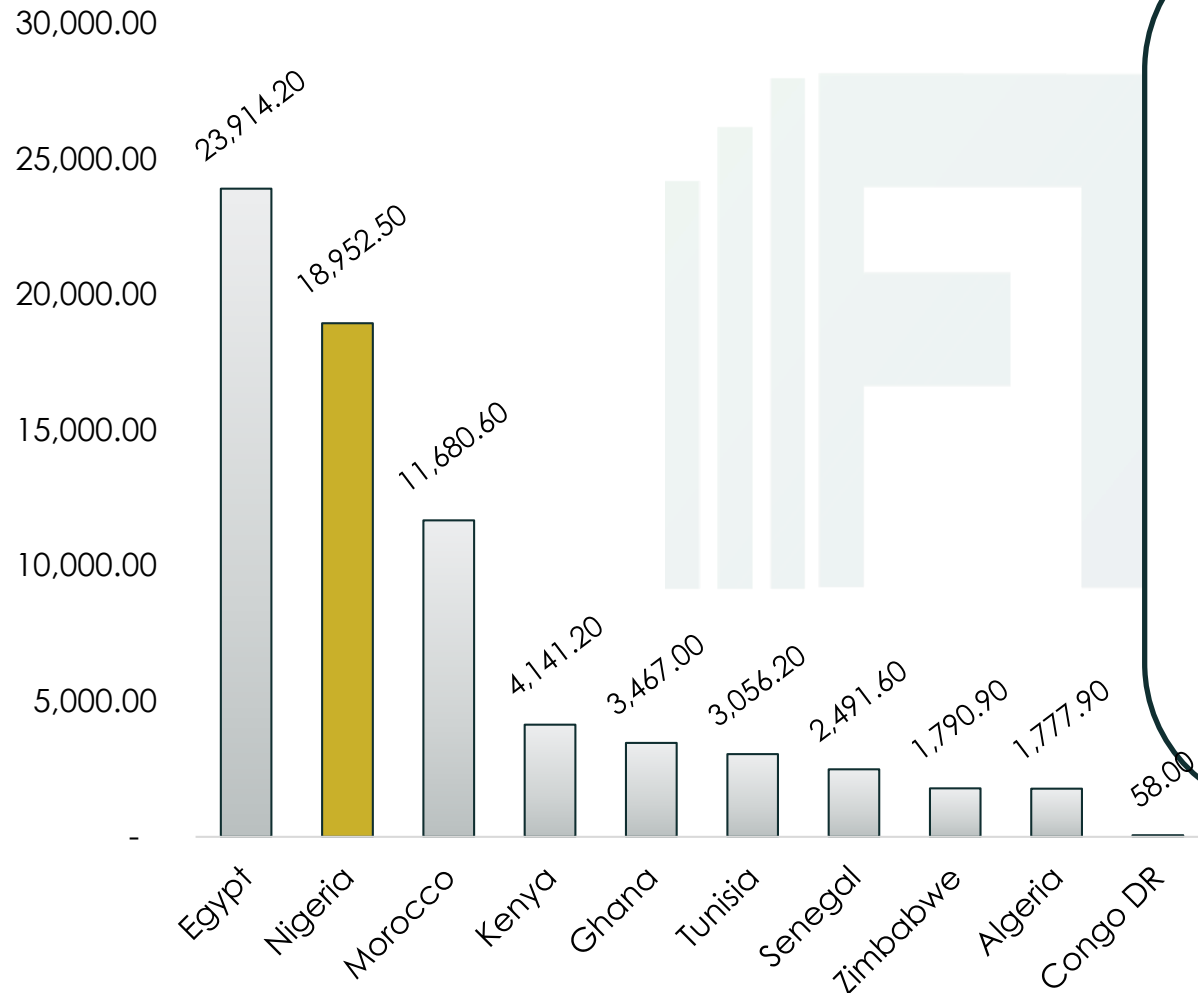
PROBABLY NOT

But may temporarily moderate the FX pressure



NIGERIA IS THE SECOND TOP REMITTANCE DESTINATION IN AFRICA

Top Remittance Recievers in Africa (US\$'mn) 2023

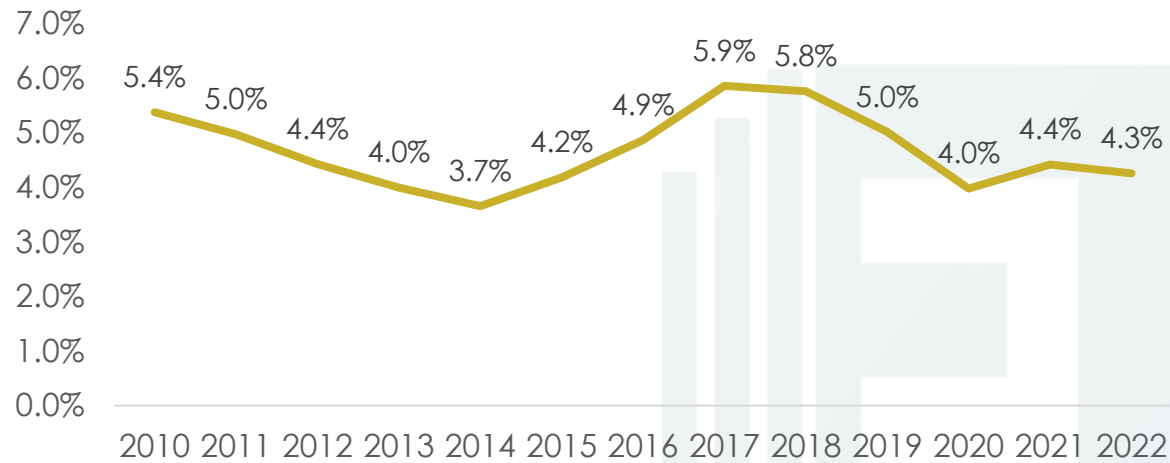


- Nigeria has been the 2nd highest remittances receiver after Egypt in the last one decade
- Egypt and Nigeria account for the largest inflows of remittances into Africa in 2023
- Remittances are affected by
 - Global economic growth in high-income OECD countries – the US, Europe
 - The rise in global oil prices (boosts economic activities in oil-producing countries)

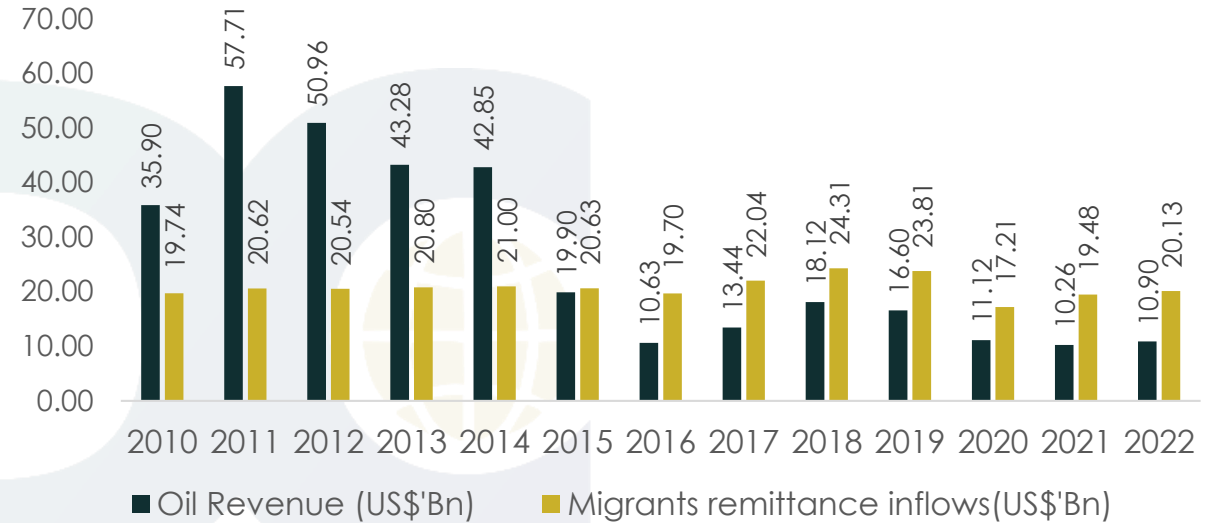


DIASPORA REMITTANCES AS A CATALYST

Nigeria diaspora remittances, received (% of GDP)

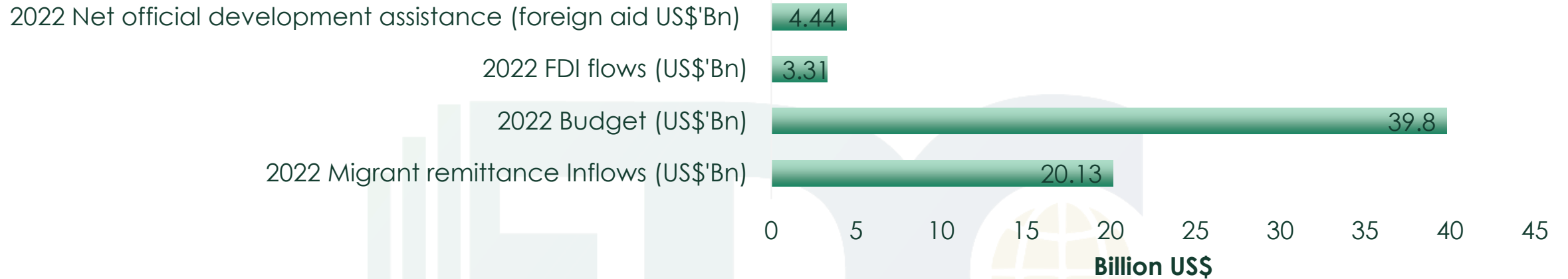


Comparative analysis of oil revenues and remittance inflows (2010-2022) US\$'Bn



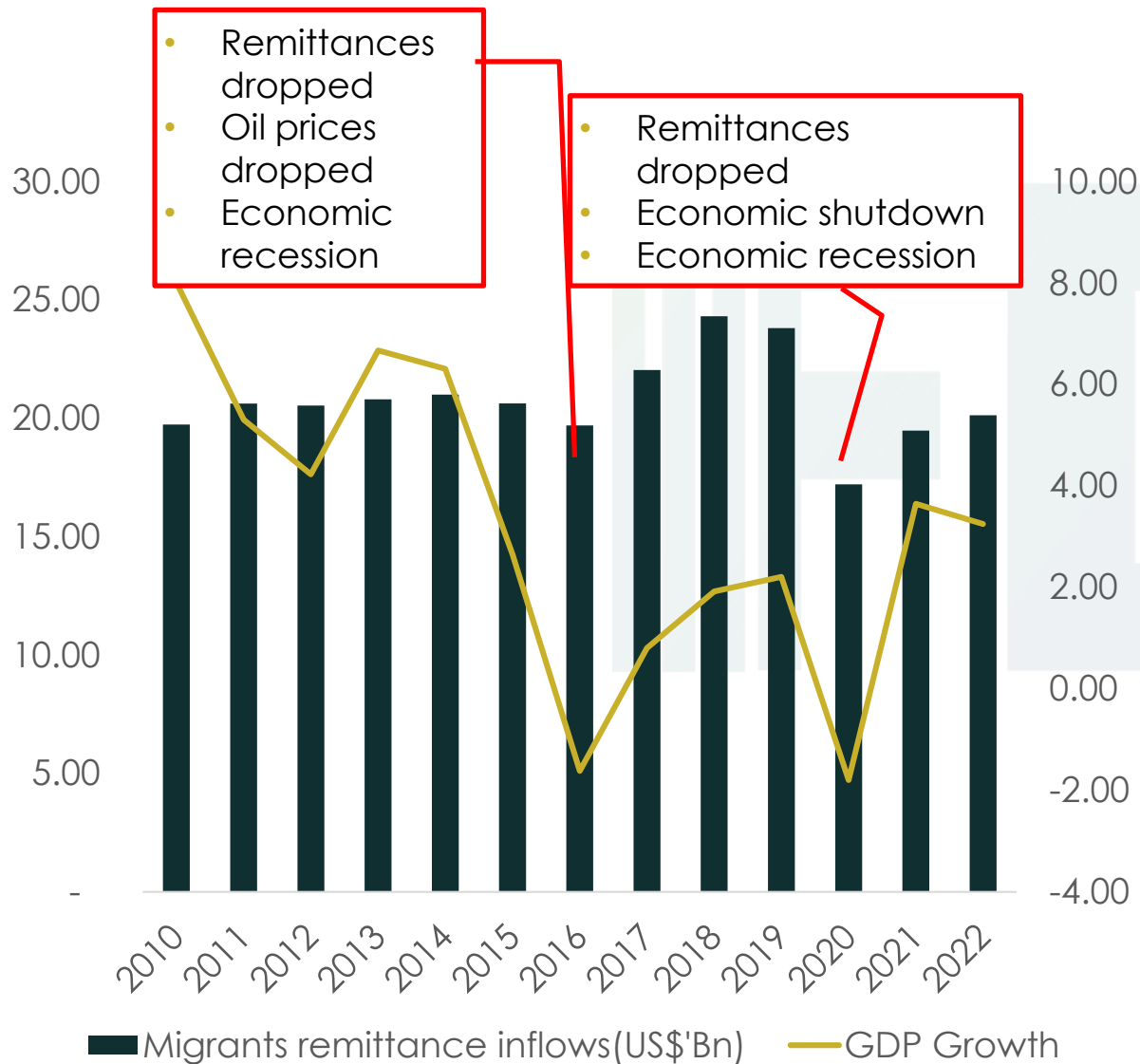
- Official remittance inflows into Nigeria amounts to about **5% of GDP** in the past 20 years
- Since 2016, consecutively, official remittances have exceeded Nigeria's oil revenue
- The actual amount of remittances could be higher since most transactions are unrecorded or take place through unofficial channels

DIASPORA REMITTANCES AS A CATALYST



- In 2022, migrants' remittances to Nigeria equalled US\$20.13 billion, representing about 4.3% of GDP
- This also represents 3% year-on-year growth from the US\$19.48 billion receipt in 2021
- The 2022 figure translates to
 - 51% of 2022 FGN budget
 - 6 times the FDI flows in the same period
 - Nigeria's remittance inflows was also 5 times larger than the net official development assistance (foreign aid) received in 2022 (US\$4.4 billion.)

IMPACT OF REMITTANCES ON ECONOMIC GROWTH



- Migrants' remittances positively correlate with GDP growth
- Recessions in 2020 coincided with the decline in remittances
- Economic growth ticked in 2021 and 2022 as international borders were opened after COVID-19 disaster

IMPLICATIONS OF REMITTANCES ON ECONOMY

- The infusion of US\$ 10 billion in diaspora funds into the Nigerian economy could have several implications

Economic Stimulus

Influx of funds can stimulate economic growth by providing capital for investment, entrepreneurship, and consumption

Foreign Exchange Reserves

Can bolster the country's foreign exchange reserves, which can stabilize the currency and contribute to overall macroeconomic stability

Balance of Payments

Diaspora remittances can help improve Nigeria's balance of payments by providing a source of foreign currency inflow

Investment in Infrastructure

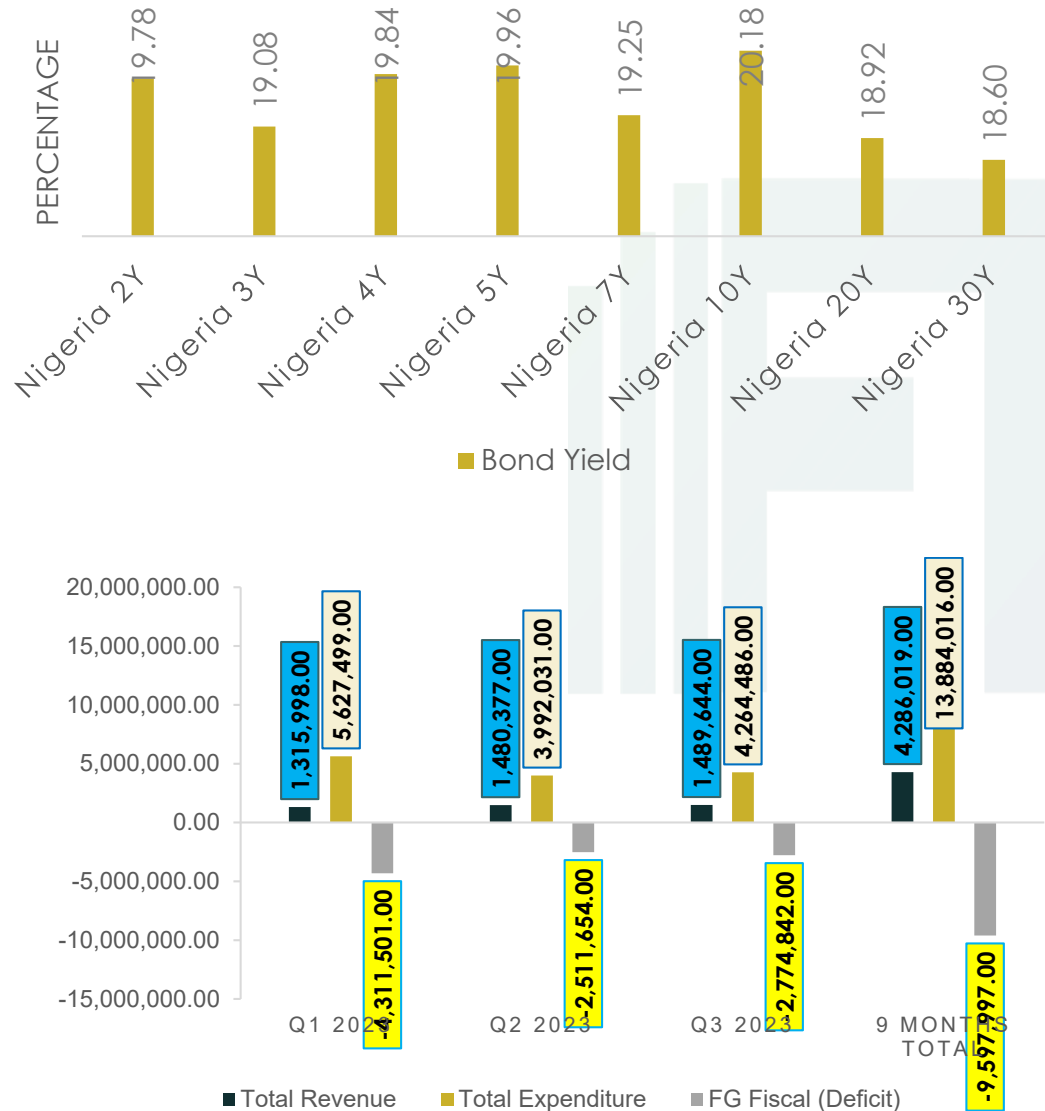
The diaspora funds may be directed towards infrastructure projects, such as roads, energy, and telecommunications, which are crucial for long-term economic development

Poverty Alleviation

Remittances from the diaspora are often used to support families back home, including funding education, healthcare, and basic living expenses

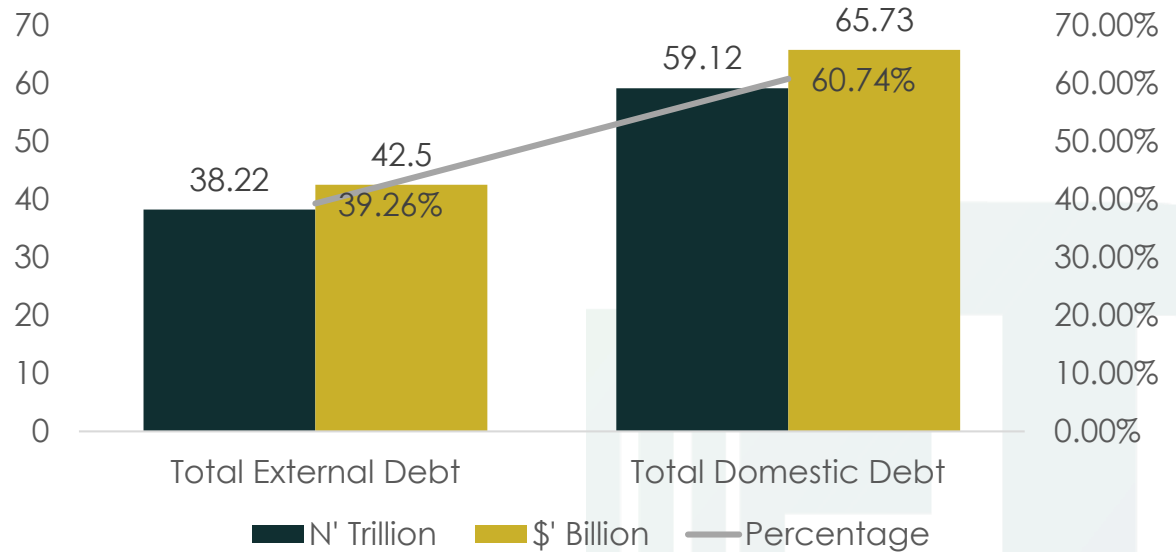
- It will come at a cost higher than commercial debt but could be stable
- Investors will need solid guarantee than redemption will be impeded at maturity
- It is only a rescue measure; Nigeria needs increased FX earnings through exports of goods and invisibles.

NIGERIAN GOVERNMENT BOND YIELD AND FISCAL DEFICIT

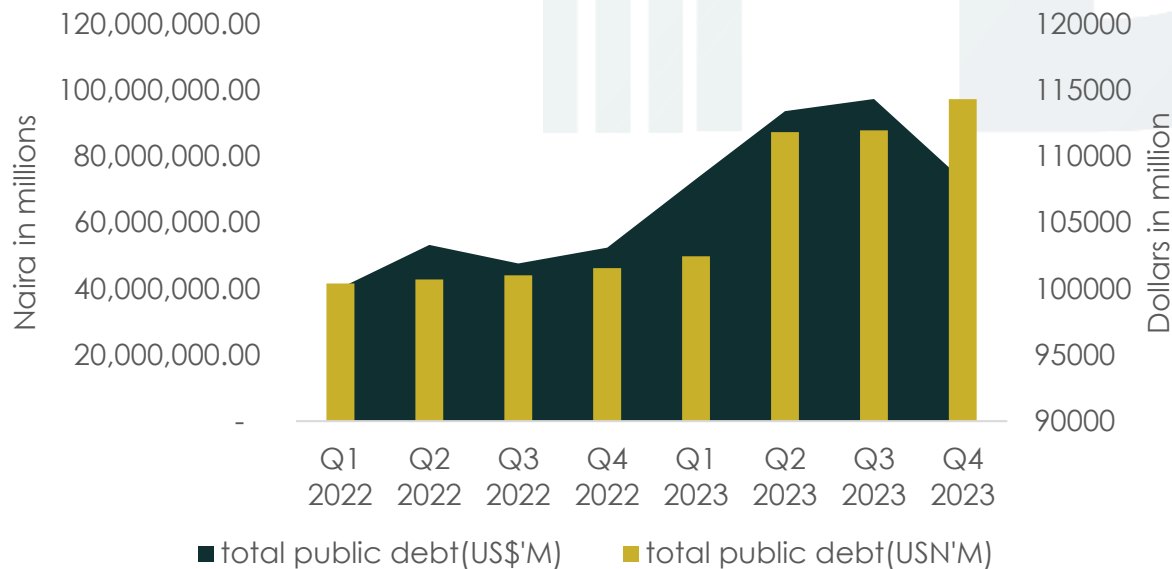


- High FG deficit of N9.6trn
- High government bond yield rates
- Increase in national debt
- Strain the budget due to interest payment
- Excessive spending can contribute to inflation
- Drop in purchasing power
- High deficits may crowd out private investment

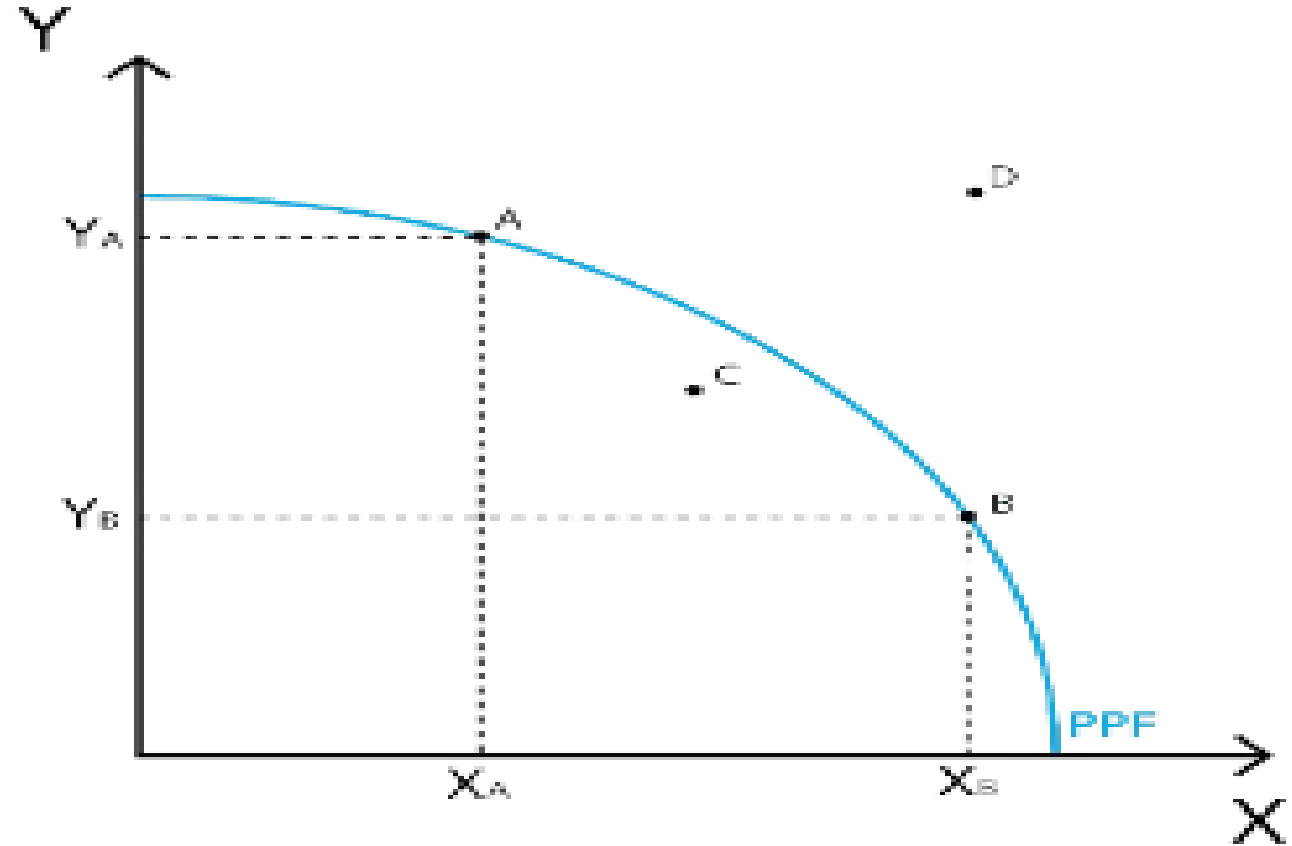
DOMESTIC AND EXTERNAL DEBT SERVICE BURDEN



- Excessive government borrowing/spending may divert resources from productive sectors
- Erode investor confidence
- Affect FDI and FPI inflows
- Debt stock rising and interest increasing
- Leaves a little left for new investment if there are leakages

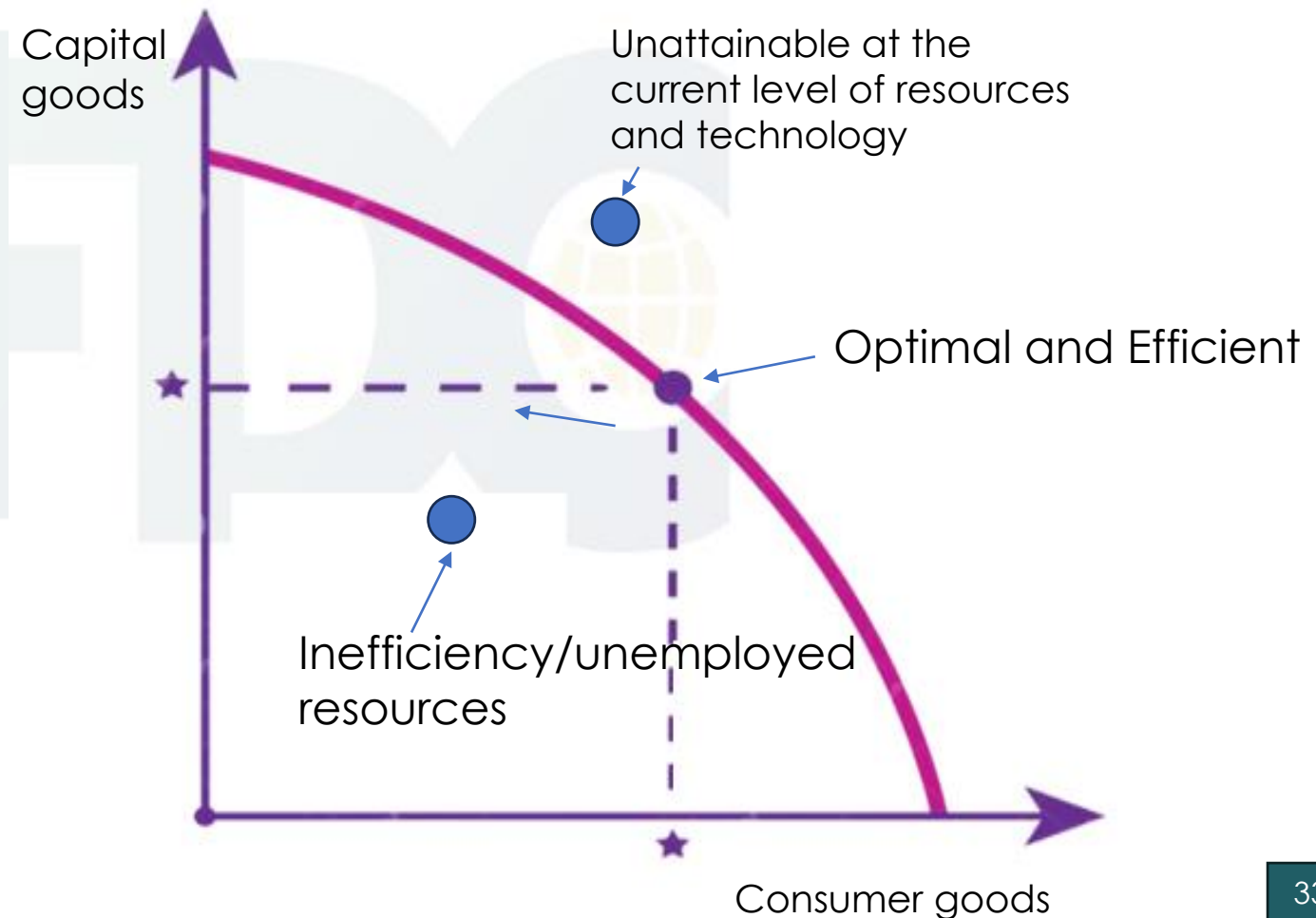


THE PRODUCTION POSSIBILITIES FRONTIER



WHERE IS NIGERIA ON THE PRODUCTION POSSIBILITIES FRONTIER (PPF)?

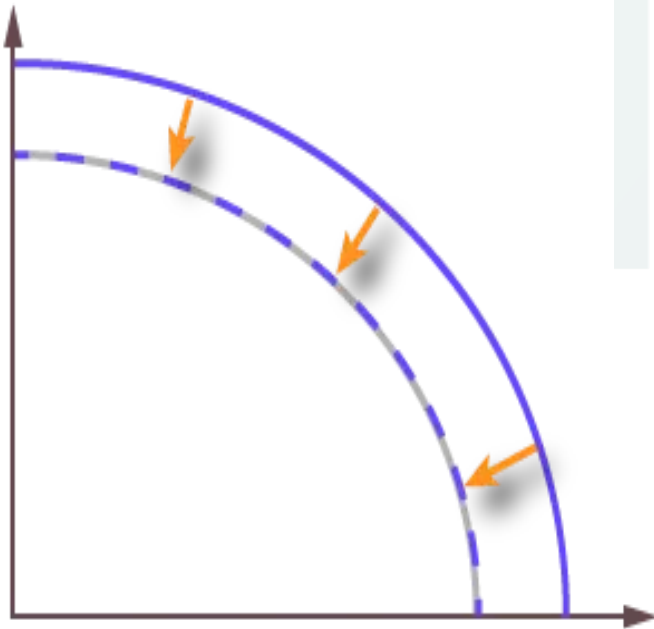
- The PPF illustrates the maximum output combinations of two goods an economy can produce.
- Any point on the curve indicates optimal output
- Operating inside the curve amounts to inefficiency, suboptimality and unemployment



PPF – OPTIONS AND CHOICES

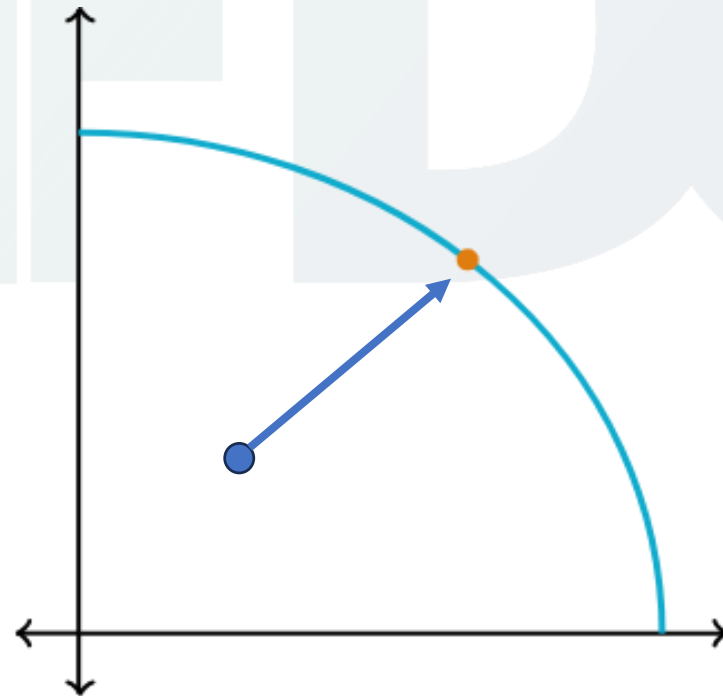
Option 1

Move further inside the PPF



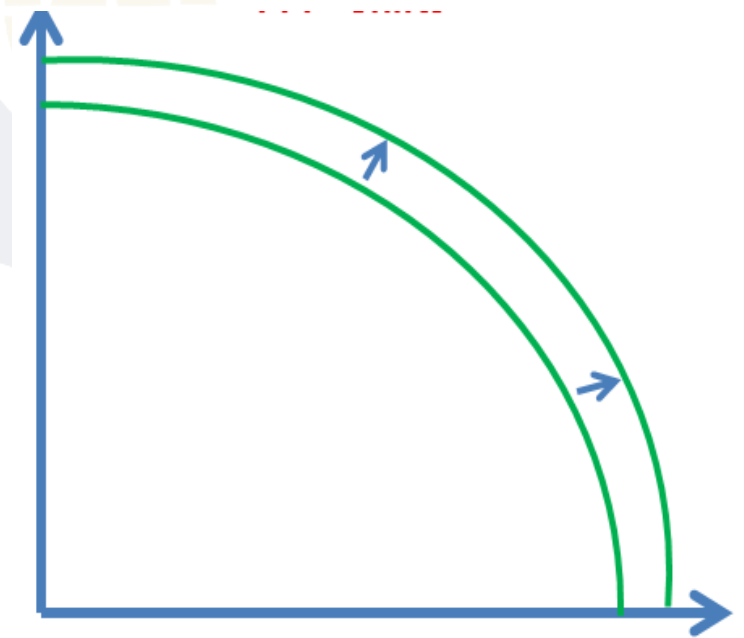
Option 2

Move from a point inside the curve to a point on the curve



Option 3

Shift to a higher PPF



NIGERIA RANKS HIGH ON RESOURCE ENDOWMENT

- Nigeria is richly endowed in resources
- Has the largest telecom market by subscription
-

Proven Crude Oil Reserves

37bn
barrels

Ranks second to Libya
in Africa

Proven Natural Gas Reserves

180.5trn
cubic
feet

Ranks 1st on the
continent

Population

227mn

Most populous
black nation

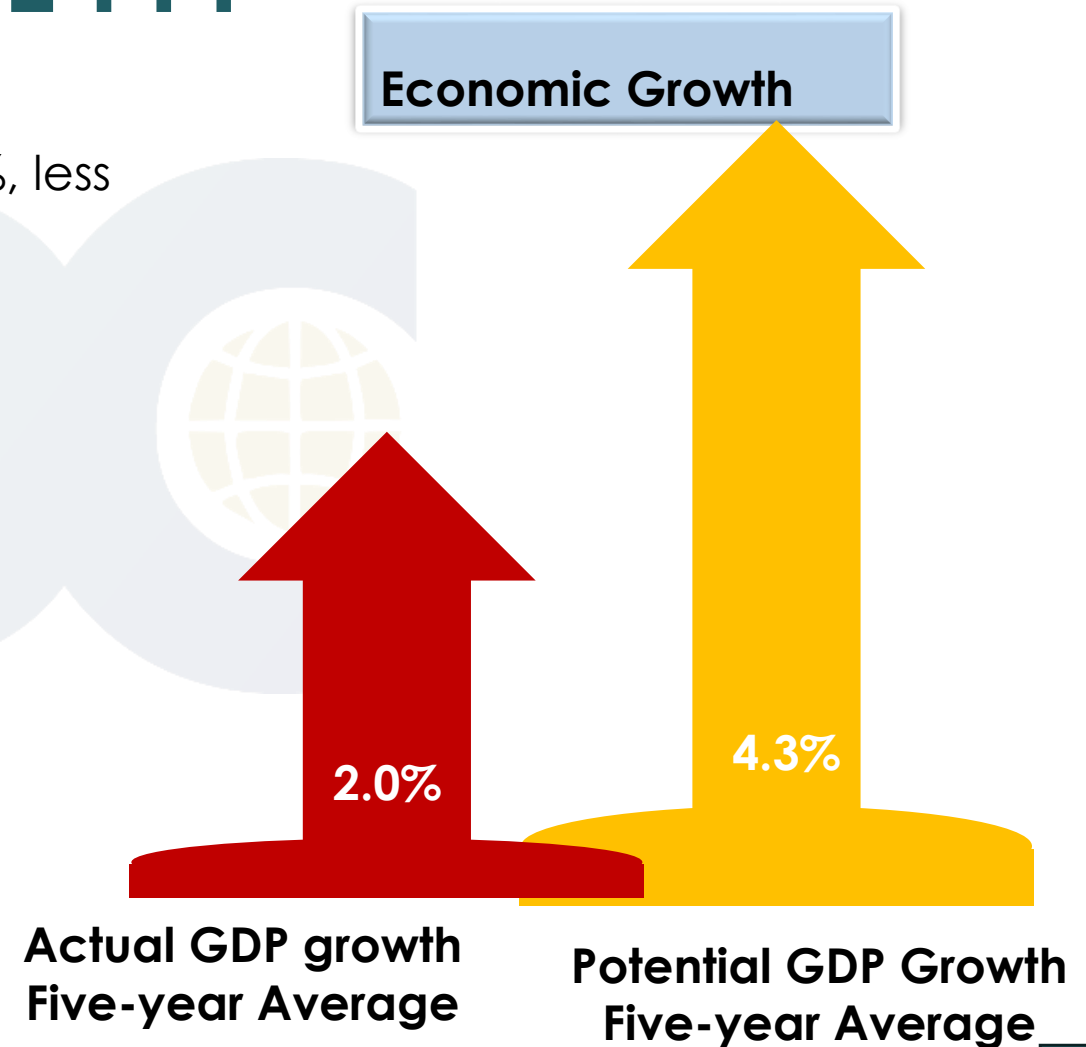
Solid Mineral Deposits

44 Solid
Minerals

One of the most
endowed on the
continent

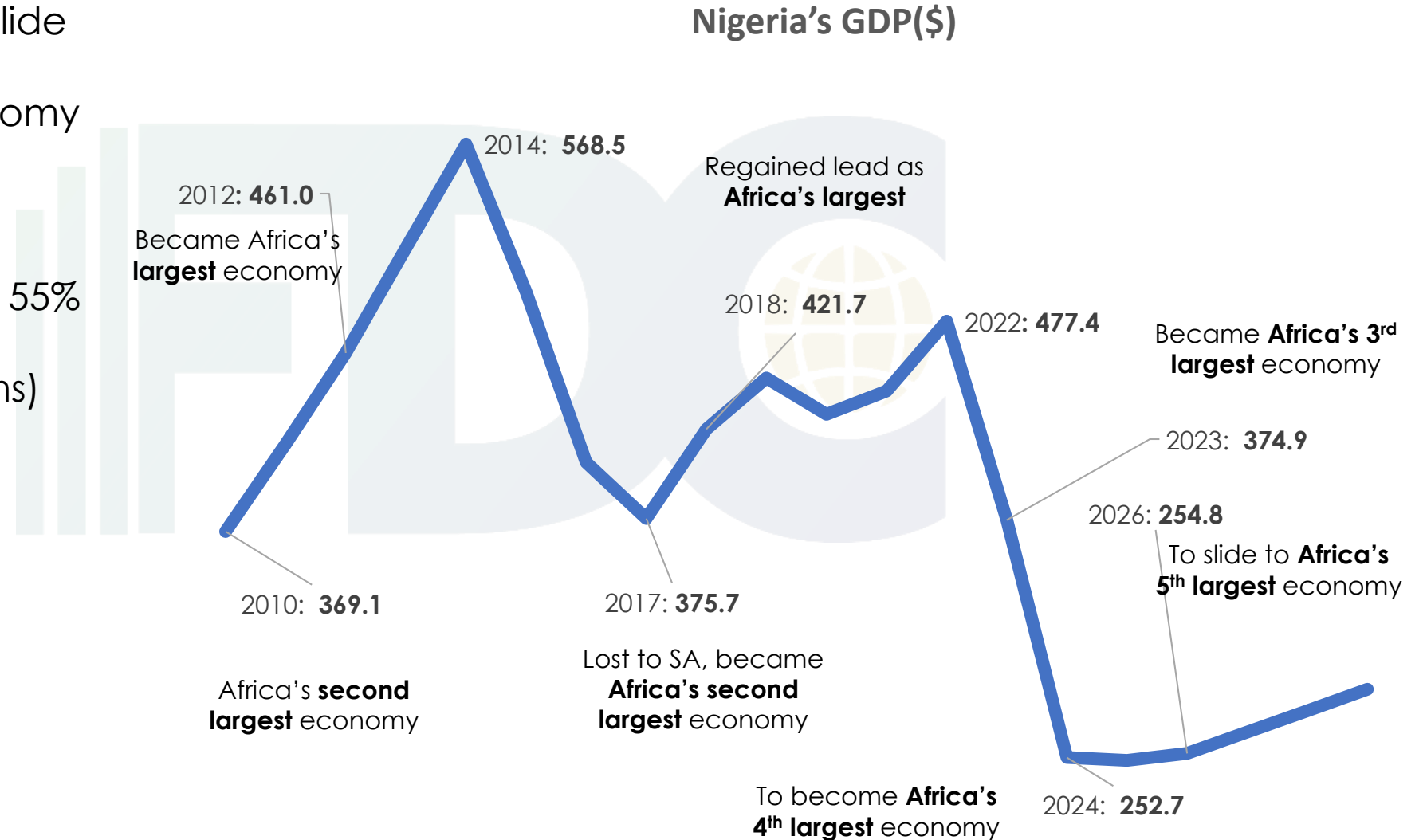
WHAT HAPPENS WHEN A NATION OPERATES INSIDE THE PPF

- Operating inside the PPF results in low economic growth
 - In the past five years, average growth rate was 2.0%, less than half of the potential GDP growth of 4.3%
- Low growth is bookended by
 - Resource underutilization
 - Underinvestment
 - Structural bottlenecks
- Consequences of low growth includes:
 - Macroeconomic instability
 - External imbalances
 - Fiscal strain



NIGERIA, FROM THE LARGEST TO THE 5TH LARGEST ECONOMY

- Nigeria is projected to slide to the fifth largest economy in Africa by 2026
- Would have lost about 55% of its GDP (in dollar terms) by the end of 2024
- But this trend can be reversed!



NIGERIA RANKS LOW ON THE CONTINENT

- Nigeria underperforms the SSA average growth

Extreme Poverty



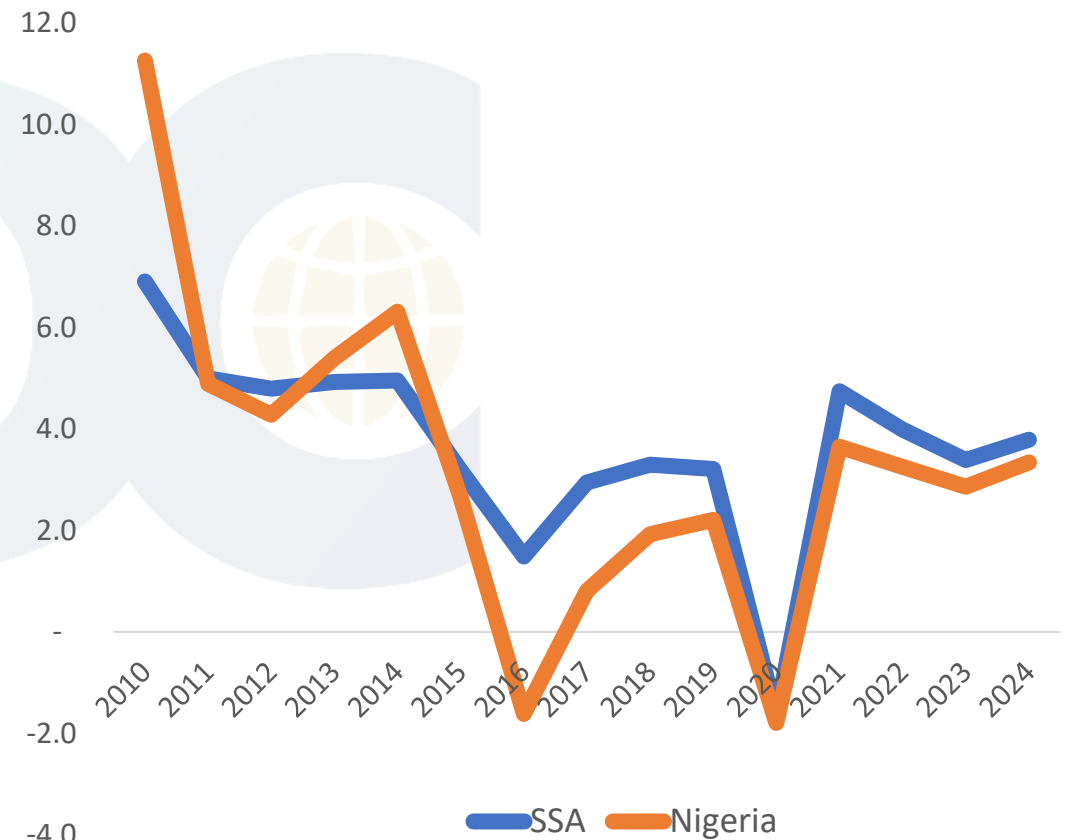
1 in every 6 extreme poor people in Africa lives in Nigeria

Electricity Generation



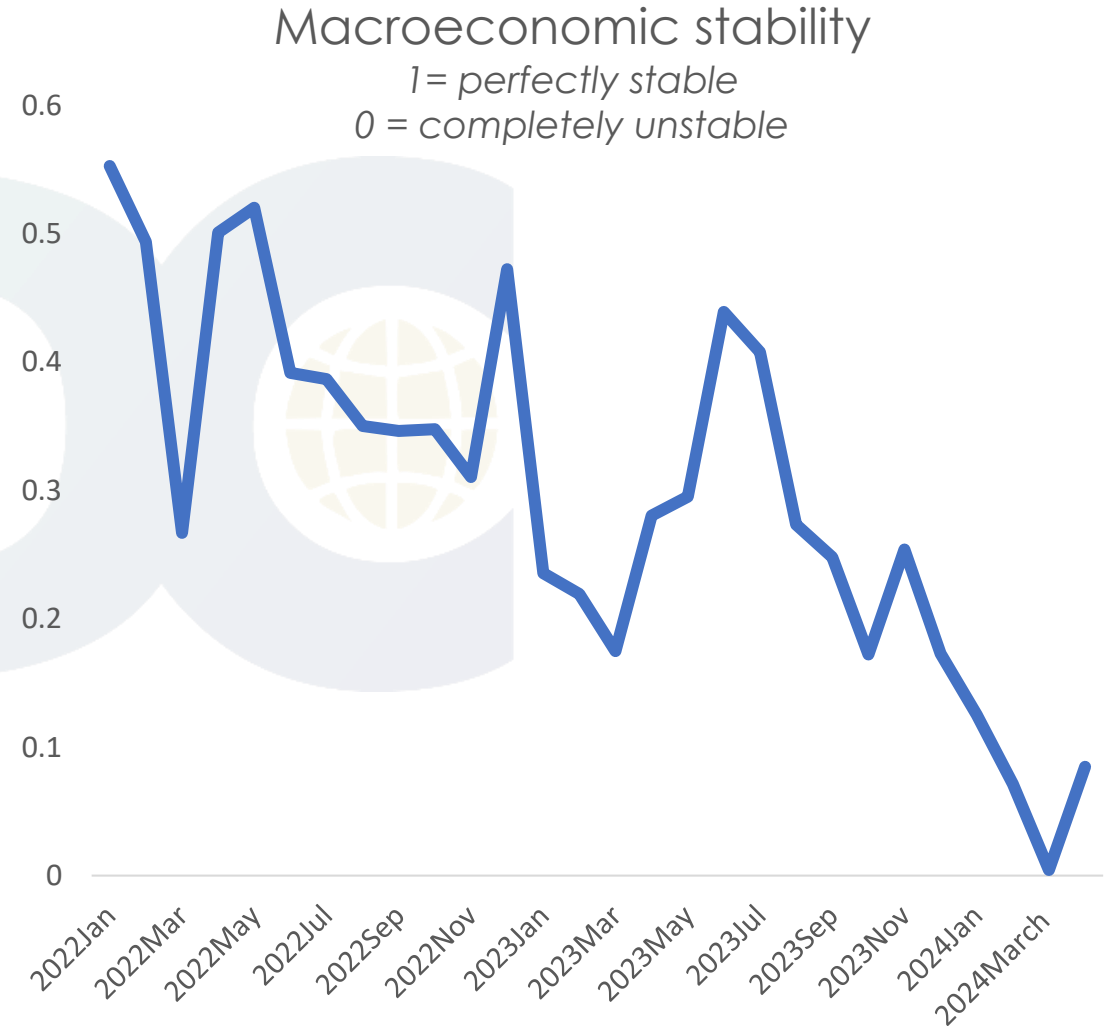
Ranks 25th (out of 35 African countries with data)
Africa's average: 0.59MWh per capita

Nigeria VS SSA



MACROECONOMIC INSTABILITY HAS WORSENE

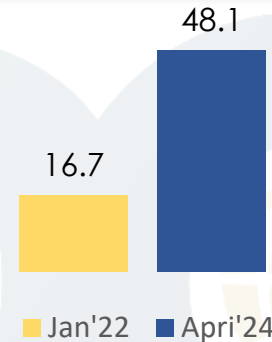
- Macroeconomic stability has deteriorated since 2022
- Economic instability stymies economic growth by
 - Breeding uncertainty, thereby leading to investment paucity
 - Eroding consumer confidence and dampens spending and reinforces economic stagnation
 - Worsening structural weaknesses, limiting productivity gains.
- Reinforcing policy paralysis and confusing market expectations



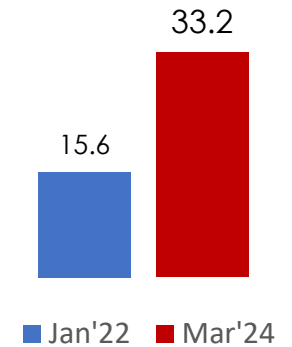
INTERNAL IMBALANCES HAVE HEIGHTENED

- Macroeconomic stability is reinforced by:
 - The 3-decade high inflation (33.2%)
 - Record-high exchange rate depreciation (50+%)
 - Bulging fiscal deficit (-6%, Dec'23)
 - Deteriorating trade balance (-4%, Dec'23)

Exchange Rate Depreciation (% , yoy)



Inflation (% , yoy)

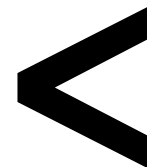


Inflation

33.2%

Economic Growth

2.7%



Money Supply Growth

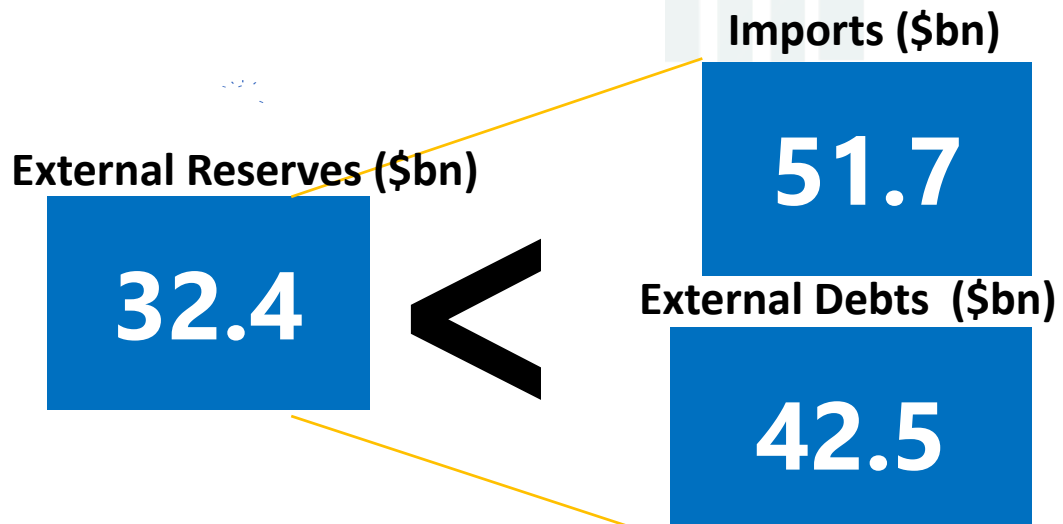
69%

Fiscal Deficit (% of GDP)

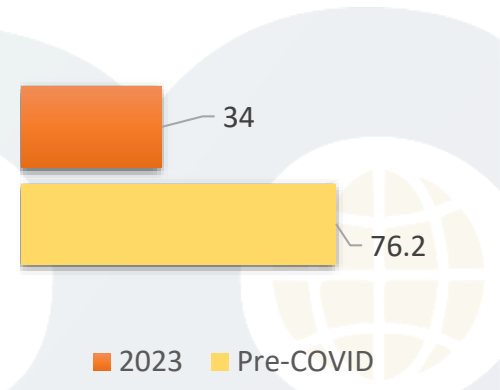


EXTERNAL IMBALANCES HAVE DETERIORATED

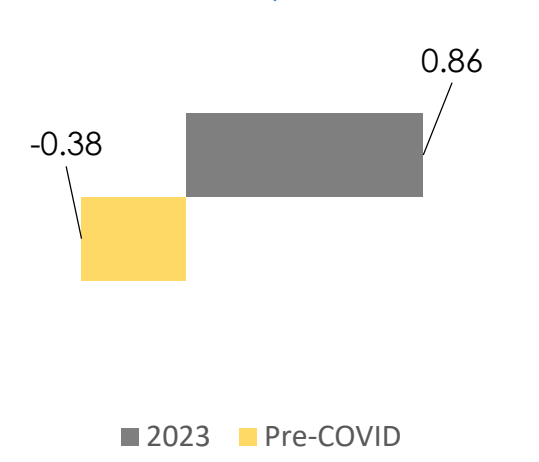
- External imbalances can put pressure on the currency, leading to large depreciation
- Could lead to increased vulnerability to external shocks



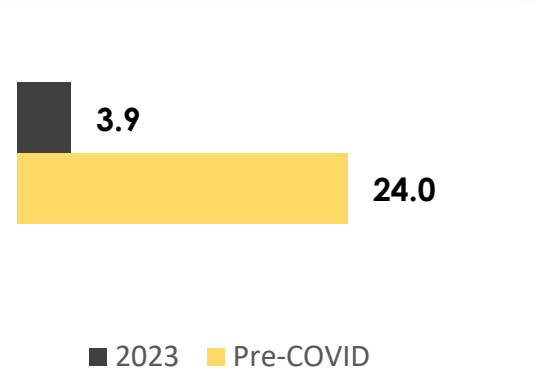
Net FX inflows (\$bn)



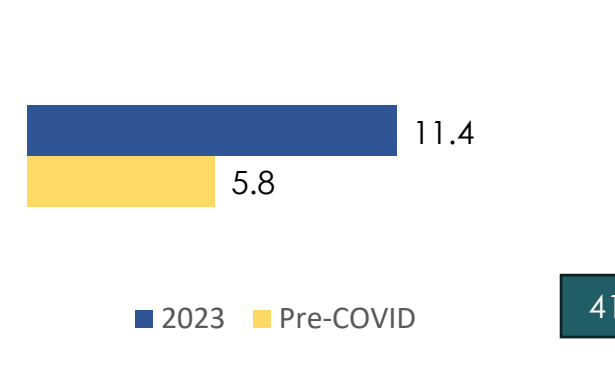
Trade balance (% of GDP)



Capital Importation (\$bn)



External Debt (% of GDP)



MOVING TOWARDS THE PPF

- Operating on the PPF serves as a benchmark for achieving optimal resource allocation and economic growth.
- Resource utilization is improved through labour productivity growth, total factor productivity improvement and debottlenecking the economy

Labour productivity growth 1.7%

- Investment in skill development and training
- Will engender increased output per worker, reducing the unit cost of products

Total factor productivity 2.4%

- Results from efficiency improvements in resource allocation and utilization
- By adopting new technologies, processes, and practices, a country can expand its production capabilities.

Debottleneck the economy

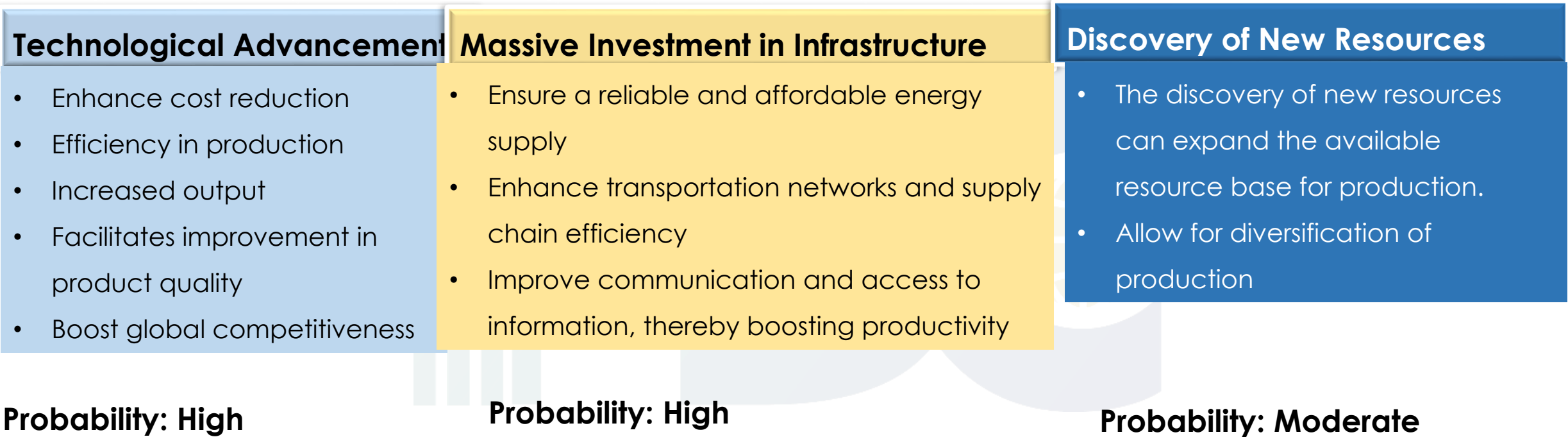
- Implementing market-oriented reforms
- Transitory away from the imperfect market
- Streamlining processes and reducing unnecessary bureaucracy.

Probability: High

Probability: High

Probability: High

BREAKAWAY TO A HIGHER FRONTIER

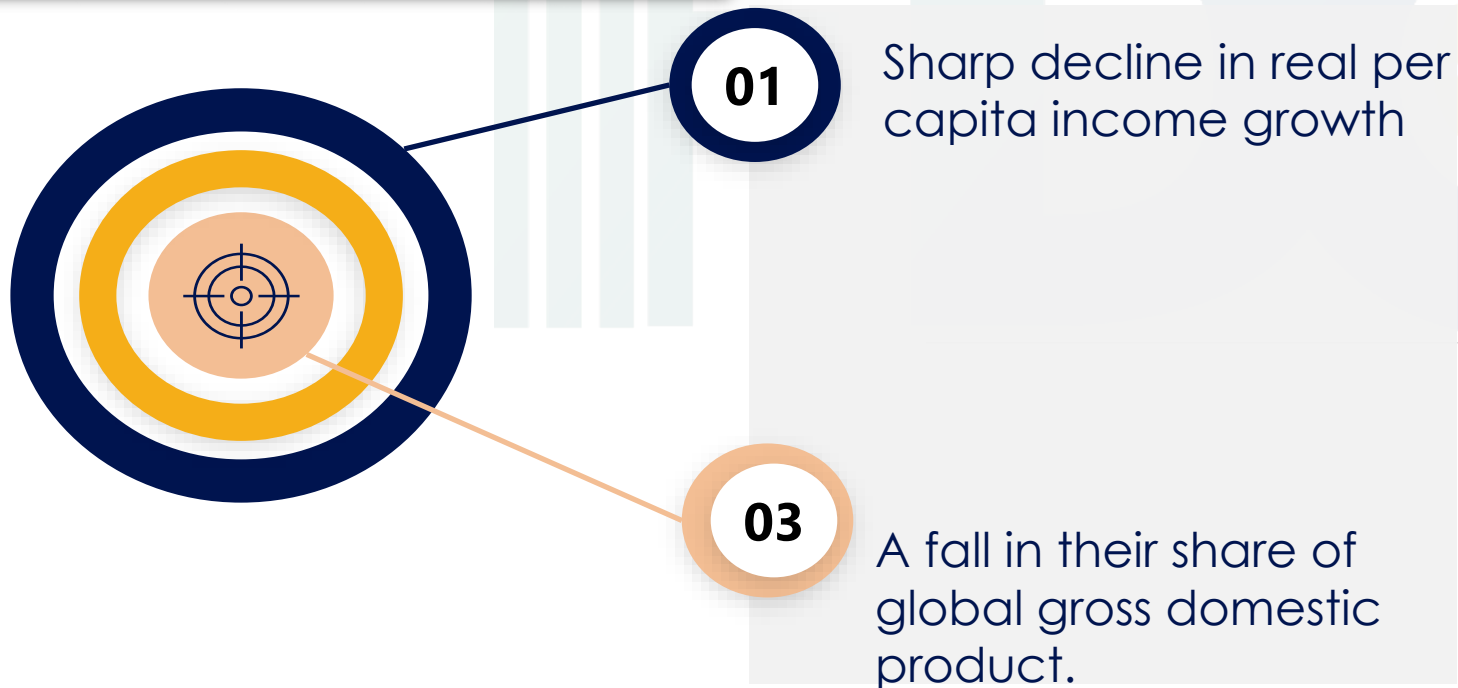


- An economy has limited control for the discovery of new resources
- Technological advancement and massive investment in infrastructure can boost productivity, foster innovation, and create new economic opportunities, contributing to the expansion of the production possibility frontier.

THE STRUGGLES OF BREAKDOWN NATIONS

- Countries that were rated as star performers a few years ago are now breaking down (Sharma, 2024).

Indicators of a breakdown nation



- World 50 largest economies that became breakdown nations.
- This include:
 - Canada
 - Chile
 - Germany
 - South Africa
 - Thailand, etc

LESSONS LEARNT FROM BREAKDOWN NATIONS - SHARMA

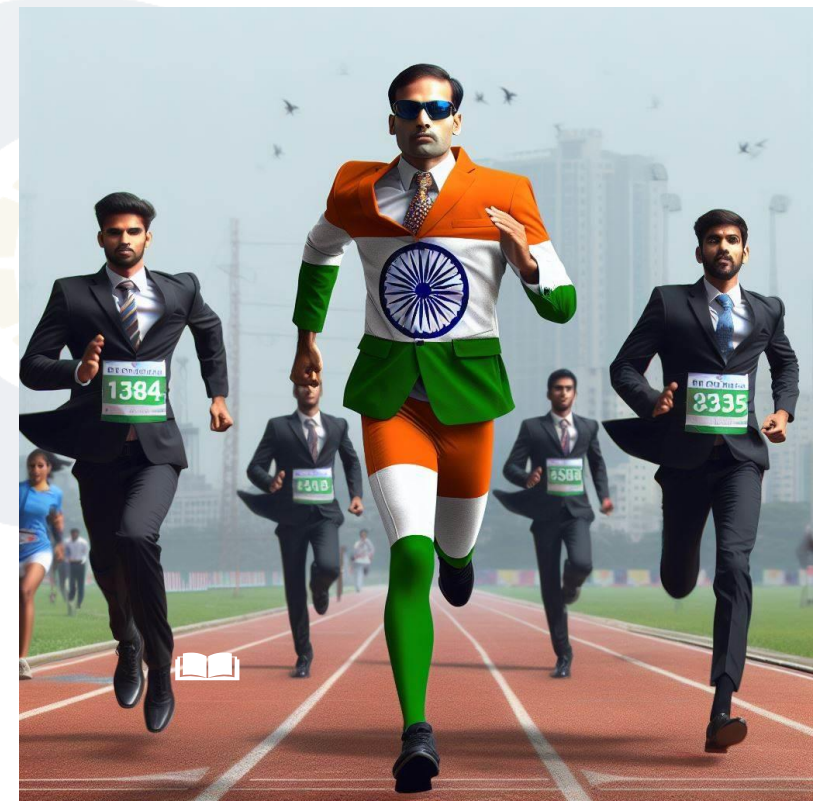
- Smart countries today can become stupid countries tomorrow

- There are hidden traps on the path of development
- Just a single mistake, a country can lose all the growth gains of decades
- What is required is:
 - Must keep track
 - Continue on the path of visionary leadership
 - Must not take sustainable growth for granted



INDIA REMAINS A SHINING STAR

- India has been a major global growth engine for the past decade
 - It contributes about 16% to the global growth
 - Its growth rate of 7.8% in 2023 was twice the average of emerging market
 - And the second highest among G20 countries
- India has become the world's most preferred investment destination



\$3.32bn

Nigeria's highest export destination

\$3.2bn

Nigeria's 2nd import

Nigeria's major medical tourism destination

Nigeria's major IT sourcing

HIGHLIGHTS ON THE INDIAN ELECTION

- India is the world largest democracy, and one of the fastest growing major economy.
- General parliamentary election holds April 19 to June 1, 2024.

1.44 people
population

01

969 million

02

Registered
voters

1 million
Polling stations

03

Over 2,600

04

Political parties

80% Hinduism

05

Islam 14%
Christianity 2%
Sikhism 2%
Others 2%

Federal
Parliamentary
Republic

06

Form of government



MODI'S INDIA – TEN EVENTFUL YEARS

- Modi, Indian prime minister, is standing for a third term as prime minister
- Took over the leadership of India at the time that India was classified as one of the fragile fives: Brazil, **India**, Indonesia, South Africa, and Turkey
- What has changed?

Electricity

1,858 TWh

Ranks the world
3rd largest

Agriculture

**World's Highest
producer of 12 Agric
products**

Including Banana,
Beans, Cow, Ginger

Mobile Phone

1.5bn

World's 2nd
largest

Spacecraft

**1st country to land a
spacecraft near the
moon's south pole**

Exports

\$765bn

From \$3336bn
in 2013

FDI Inflows

\$971.5bn

From 2000 to 2023

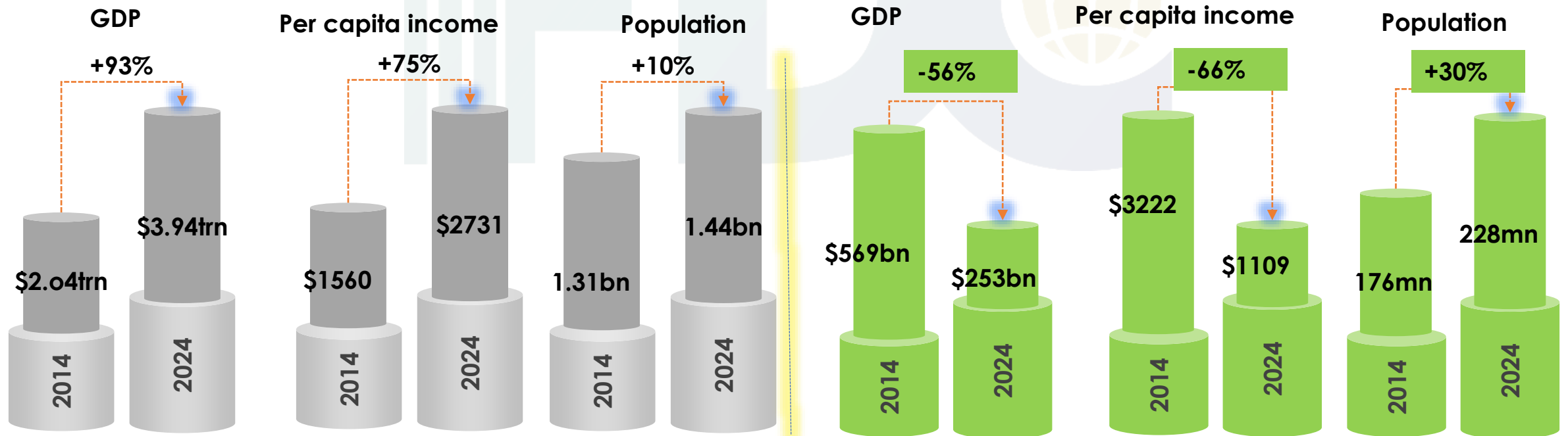


2014 - date

Most Likely to win

INDIA VS NIGERIA – LESSONS TO LEARN

- India almost doubled its economy in the past decade, set to become the world 3rd largest economy by 2026
- Population growth is just one-ninth of output growth
- Nigeria lost almost half of its output in 10 years
 - Population rose by 30% while per capita income declined by 66%



WHAT DID INDIA DO IN THE PAST TEN YEARS?

- India has maintained an impressive annual growth rate of 7% in the past 2 decades.
- Supported by critical reforms and development strategy

Economic Reforms

- Goods and Services Tax (GST)
- Insolvency and Bankruptcy Code (IBC)
- Liberalization of FDI Policies
- Liberalization of FDI Policies



Infrastructure Development

- Massive investment in transportation Infrastructure
- Rural electricity projects, including microgrids, etc
 - Renewable energy expansion, including EVs
- Development of industrial corridors



Digital India

- Transition to a global tech giant
 - National Digital Literacy Mission
- Digital start up India
- Massive investment in digital infrastructure
 - Digital payment system

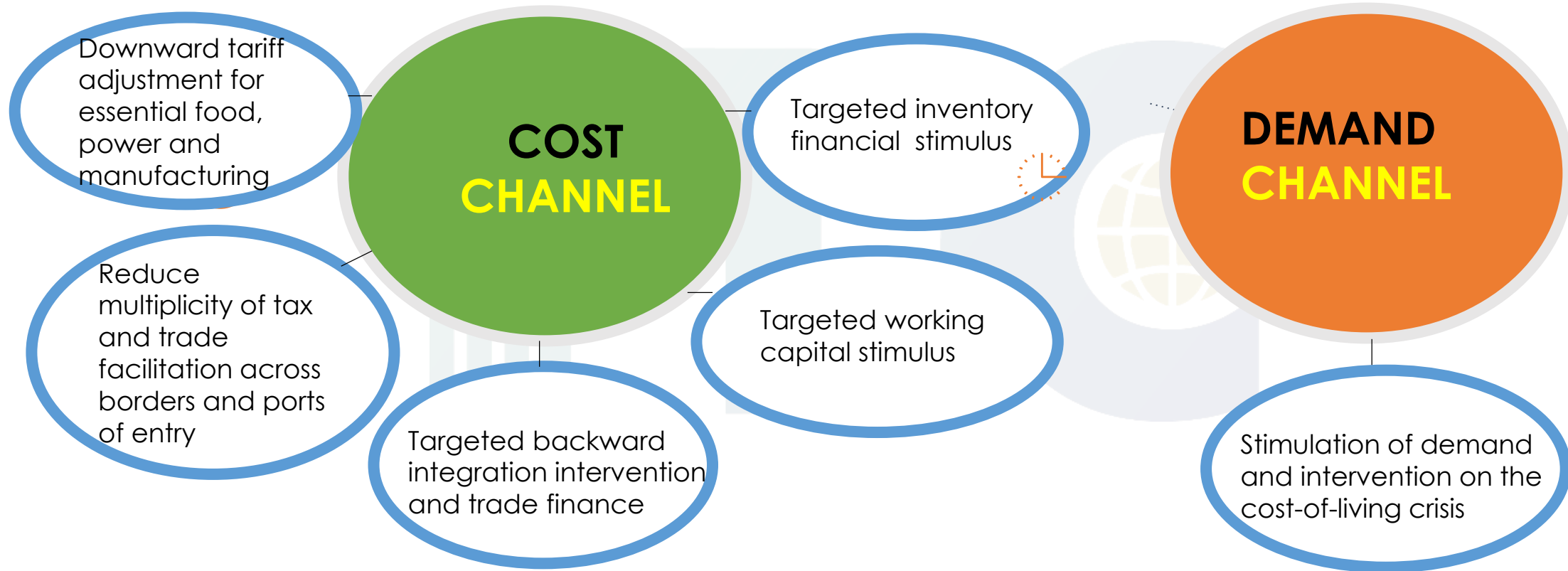


Agric Reforms

- Farm Bills 2020 aimed at empowering and protecting farmers
- National Agriculture Market (eNAM)
- Soil Health Card Scheme:



NIGERIA BEGINS WITH A STIMULUS PACKAGE



STIMULUS PACKAGE – TOO LITTLE, TOO LATE!

STIMULUS PACKAGE - IMPACT ON THE ECONOMY

Package

impact on economy

Downward tariff adjustment for essential food, power and manufacturing

- Lead to lower prices for consumers
- Make Nigerian products more competitive both domestically and internationally
- Increase purchasing power for consumers, leading to higher consumption levels

Targeted backward integration intervention and trade finance

- Promotion of local industries
- Create more job opportunities
- Enhance trade competition
- Improve investment climate and foster economic growth

STIMULUS PACKAGE - IMPACT ON THE ECONOMY

Package

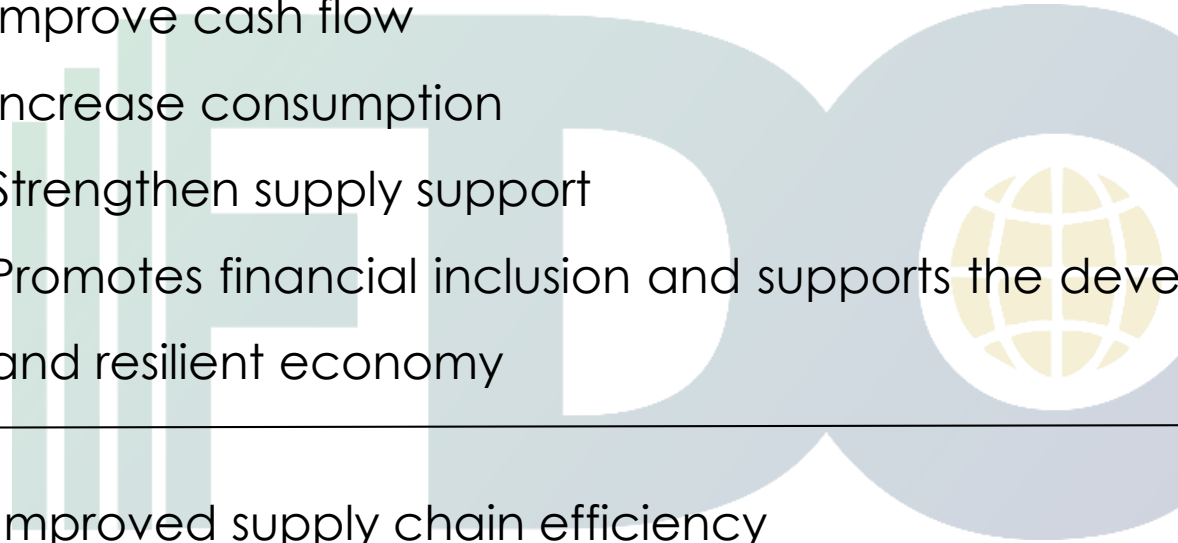
**Targeted working
capital stimulus**

- Business growth and expansion
- Improve cash flow
- Increase consumption
- Strengthen supply support
- Promotes financial inclusion and supports the development of a more inclusive and resilient economy

**Targeted inventory
financial stimulus**

- Improved supply chain efficiency
- business expansion and growth
- Support for Small and Medium-sized Enterprises (SMEs)
- Stabilization of prices and inventories
- Enhanced trade and export competitiveness

Impact on economy



STIMULUS PACKAGE - IMPACT ON THE ECONOMY

Package

Reduce multiplicity of tax and trade facilitation across borders and ports of entry

Stimulation of demand and intervention on the cost-of-living crisis

Impact on economy

- Increase revenue generation
 - Lead to increased import and export activities
 - Attract influx of foreign investors
 - Enhance productivity and innovation
 - Promotes cross-border trade, investment, and economic cooperation
-
- Lead to higher production levels, job creation, and GDP growth
 - Enhance consumer confidence and sentiment.
 - Encourage businesses to invest in expansion projects
 - Help reduce poverty levels and improve income distribution
 - Increased employment opportunities, higher wages, and improved access to essential goods and services

TELCO SECTOR LINKAGE TO CRITICAL ACTIVITY - ELECTORAL SYSTEM



**1999 to 2011
Manual Voting**

- Long queues
- Delayed results
- Electoral violence
- Ballot box snatching



**2015 to 2023
E-voting**

- Fast & Accurate results
- Secured
- Trust & transparency
- Less violence



**Without an
effective
Telecom
sector**

- The electoral system is in total chaos

BASIC FACTS

THEN (2001)

Teledensity
1.89%

GDP growth
5.92%

Population
125.39mn

Internet Users
(% of Population)
0.02%

Base Stations (2018)
52,160

NOW

Teledensity
103.66%

GDP growth
2.74%

Population
222.18MN

Internet Users
(% of Population)
55.4%

Base Stations (2022)
127,294

**DID YOU
KNOW?**





IMPACT OF TELECOMS ON STAKEHOLDERS & THE ECONOMY

Contribution
to Real GDP
(2023)
10.97

E-
commerce
\$13bn

Connectivity
55.4% of
Nigerians
use internet

iGDP
N30.1trn

Telcos make up

84%

of iGDP

Tax Revenue
N238bn

MTN & Airtel (2022)

Telco GDP
N25.2trn

Telecoms contributed over
16% of CIT in 2022



WHY THE SECTOR IS STRUGGLING....



GLOOMY MARKET ENVIRONMENT

EBITDA sharply lower

Inflation (cumulative): 387%

Exchange rate has depreciated cumulatively by 763%

Diesel prices increased by 614%

Marginal cost $>$ Marginal revenue

DOOMSDAY SCENARIO – WHAT IF!

What if!

Outcome

The payment systems stop working
NIP, PoS etc.?



Disruption of Transactions

The Aeronautical services go off?



Flights would be grounded

Telecoms networks go off during the Edo and Ondo elections?



Disenfranchise voters and undermine the legitimacy of election outcomes

Tele-education Network systems go off?



Interruptions in curriculum delivery, delays in course progress

A case for new investment in the telecom industry

WHAT MUST BE DONE!



Immediate adjustment of price to cover marginal cost



Deregulate pricing to enhance quality of service



Ensure consumer protection to avoid gouging and collusion



**GLOBAL
&
DOMESTIC
UPDATES**





GLOBAL ECONOMIC UPDATE

- Geopolitical risk is weighing on the outlook for the global economy
- A fall-blown-out war is unlikely in the middle
- Immediate recession risk is very low and receding
- The US economy remains robust and is likely to outperform
- EU and China are emerging from downturns
- The worst of the cost-of-living crisis is over, but inflation is not likely to fall sharply
- The US dollar will retain strength even though monetary loosening will begin
- the Euro will appreciate, and sterling will benefit from later monetary easing



GLOBAL ECONOMIC UPDATE

- The dominance of the US dollar will remain due to its massive liquidity and acceptability
- China's importance in global trade will make the yuan a viable alternative over time
- Inventory restocking will lift global trade in 2024
- Commodity prices will show diverging trends in 2024/24
- Hydrocarbon prices will trend downwards especially oil if tensions deescalate in the Middle East
- Base metals and green transition metals will rise
- Oil will average over \$80pb in 2024-25
- The fed declares a lack of further progress in Bringing inflation down to its 2% target
- The Yen rebound sharply due to massive intervention by the BOS
- The Eurozone inflation rate was unchanged at 2,4% in April

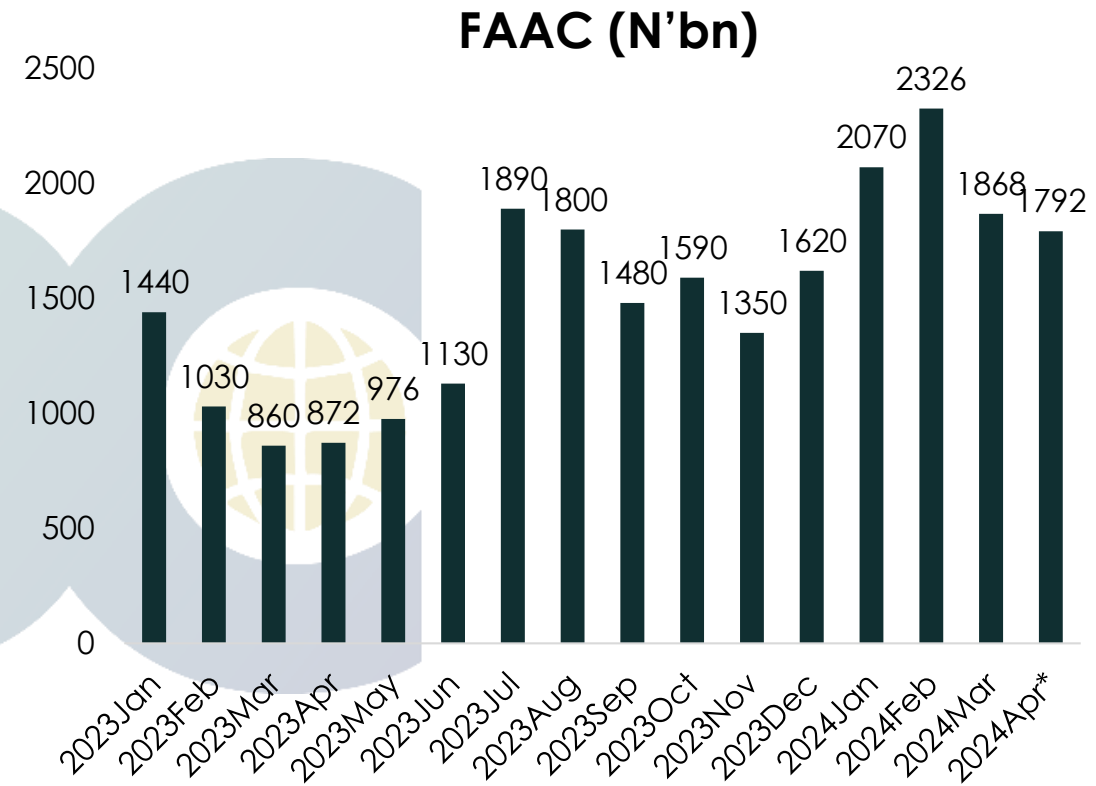
MARKET PROXIES



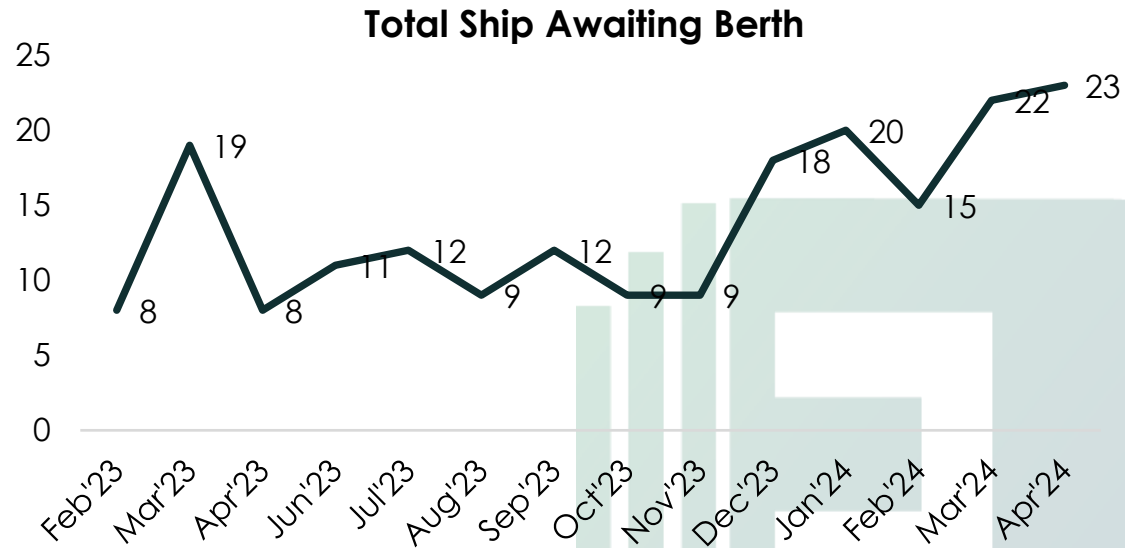
STRONGER NAIRA, LOWER FAAC REVENUE

FAAC revenue in March 2024 declined for the first time since November 2023

- Falling 19.74% to N1.87trn from N2.33trn in February 2024
- The decline was supported by:
 - Lower oil earnings (oil production declined by 2.71%)
 - Fuel subsidy payments (N600 billion monthly)
 - Decline in exchange rate difference (down 53.08% N285 billion from N607.44bn in February) due to the naira gains during the month
- The 15% appreciation of the naira in the forex market could limit exchange rate gains and weigh on FAAC revenue in April



SHIPS AWAITING BERTH



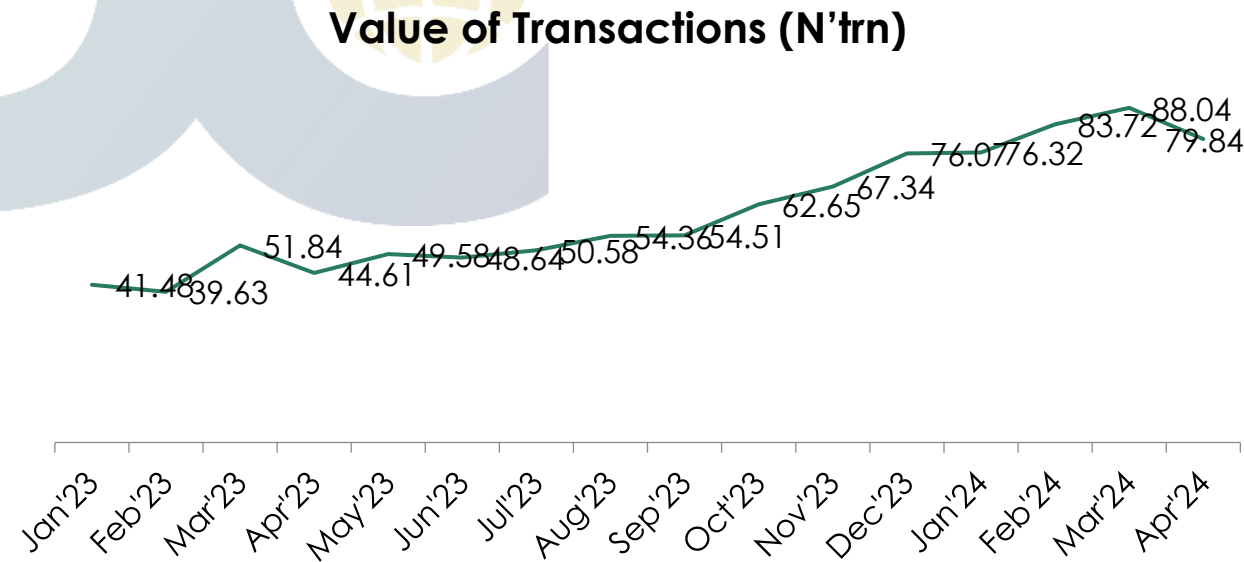
Ports	Jan'24	Feb'24	Mar'24	Apr'24
Lagos-Apapa	6	4	5	1
Lagos-Tincan	10	3	0	9
Calabar Port	0	0	6	6
Warri Port	3	5	9	4
Onne Port	0	0	1	1
Rivers Port	1	1	1	1
Lekki Deep Sea Port	0	2	0	1
Total	20	15	22	23

- Total ships awaiting berth rose marginally by 4.55% to 23 in April
 - From 22 in March
- The increase is due to exchange rates appreciation which led to a rise in activities in the ports
- During the month, Onne Port yet again demonstrated its capacity and readiness for large ship calls
 - It successfully berthed a container vessel with a Length Over All (LOA) of 300 metres

VALUE OF TRANSACTIONS – TAKES A DOWNWARD TRAJECTORY

- Total value of transactions rose further by 5.16% to N88.04trn in March 2024
 - From N83.72trn in February
- The value of cheque transactions increased by 10.68%
- Interestingly, the value of PoS transactions, which is a cash option, and other electronic transactions declined sharply
- Underpinned by
 - reduced consumer spending and business transactions
 - opting for lower-value transactions
 - delayed discretionary purchases
- Cheque transactions, which offer greater flexibility in payment timing, sees an uptick
- Total value of transactions is expected to decline further in May due to the reduction in consumer spending and business activities

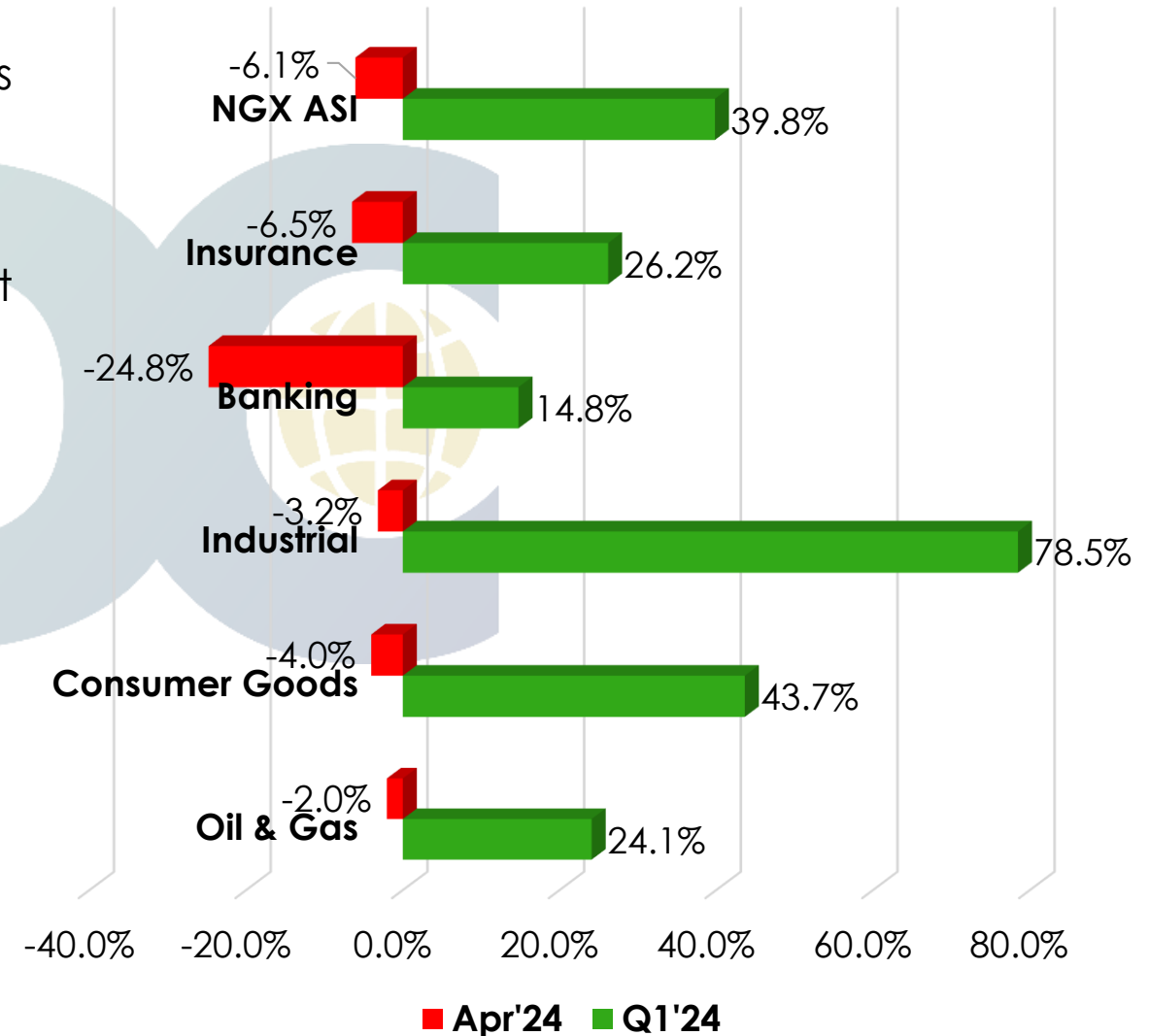
Mode of Payment	Mar'24 (N'bn)	Apr'24 (N'bn)	Change (%)
NIP	83,054.59	75,322.04	-9.31
POS	958.99	811.77	-15.35
NEFT	3,764.50	3,422.94	-9.07
CHEQUES	262.35	290.36	10.68
Total	88,040.43	79,847.11	-23.05



NGX PERFORMANCE Q1'24 VS. APR'24

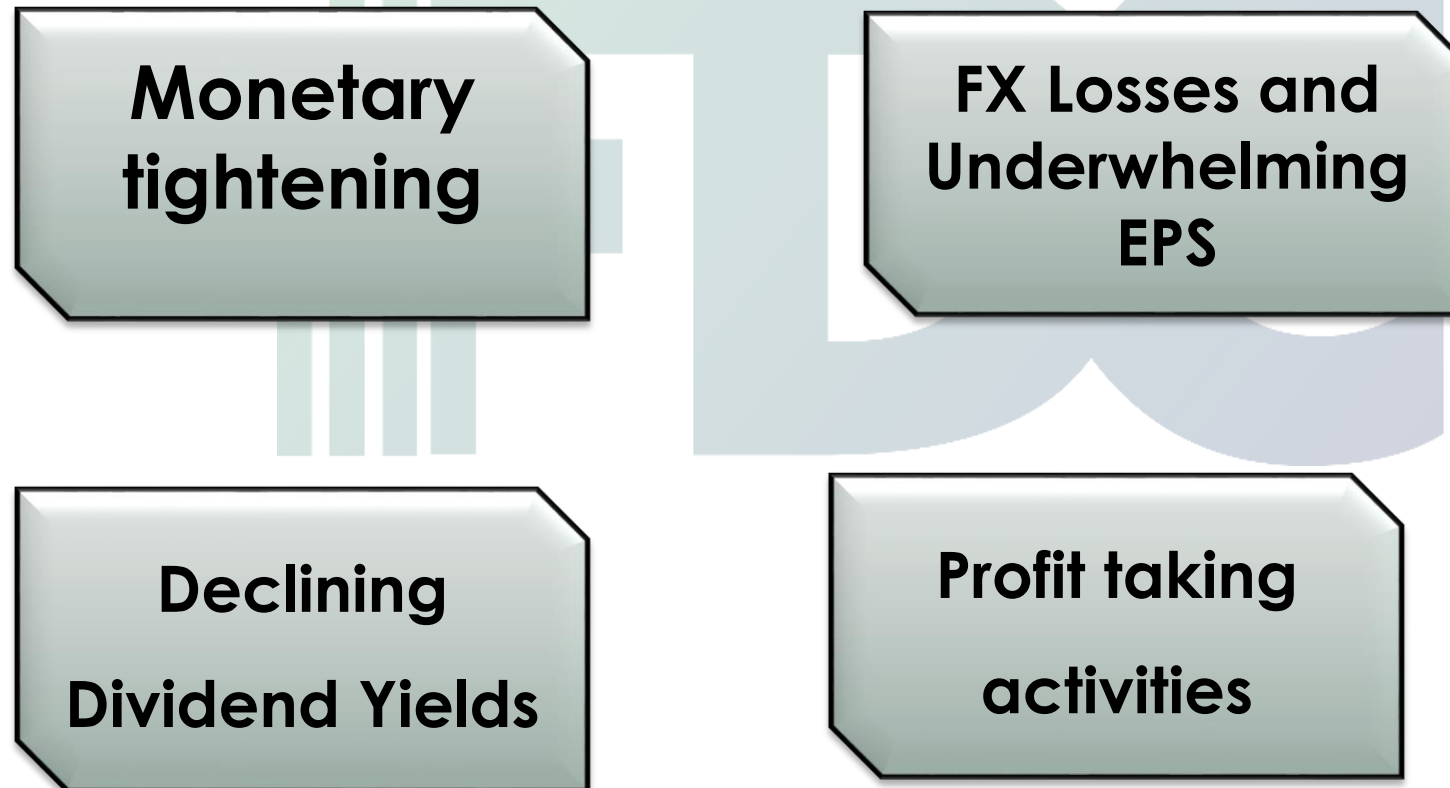
- The NGX returned approximately 40% in Q1'24
- Stock prices were not reflective of earnings performance
- Equity prices should reflect the discounted present value of their anticipated future earnings
- Q1'24 gains indicated an asset bubble
 - Asset bubble characterized by excess liquidity,
 - Thin turnover,
 - Market manipulation
- The Nigerian equities market lost 6.10% in Apr 2024

NGX Performance Q1'24 Vs. Apr'24



FACTORS THAT WEIGHED ON NGX'S PERFORMANCE IN APRIL 2024

The Nigerian equities market returned a negative 6.10% in April 2024, this brings the YTD gain to 31% from the high of 39.8% in March 2024



NIGERIAN EQUITIES MARKET OUTLOOK-MAY 2024

**Sell in
May and
Go Away**



Blue-chip companies will need to recapitalize to replenish lost shareholder value caused by foreign exchange losses

This action will increase aggregate supply relative to aggregate demand, consequently driving prices lower



In addition, the new recapitalization exercise within the banking system is anticipated to boost the supply of new shares in the Nigerian equities market
As a result, prices are likely to decrease further



Persistent FX woes will remain a major challenge to Nigerian company's profitability and share prices



The selling pressure in the Nigerian equities market will persist amidst further monetary policy tightening



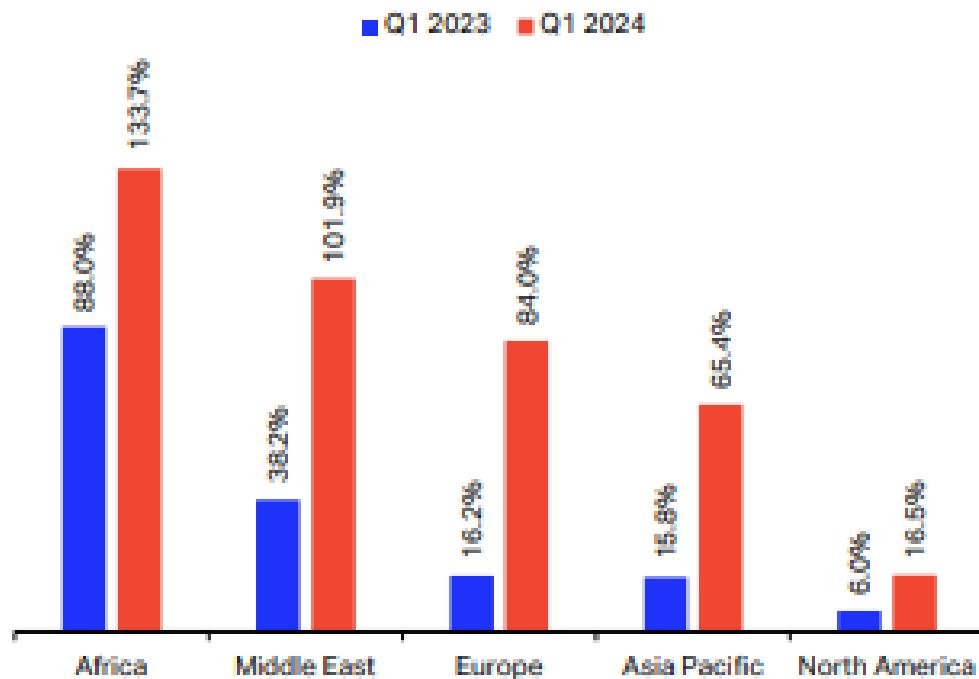
We expect the Nigerian equities market to shed about 5% in May 2024, this will make about 11% loss in two months

AVIATION, TRAVEL & HOSPITALITY



GLOBAL AIR TRAVEL UP BY 14% IN MARCH 2024

- Total Revenue Passenger-Kilometers (RPK) maintained a positive trajectory in March growing 13.8% annually
- International flight demand rose by 18.9% yoy in March 2024, while domestic traffic rose 6.6% over the year
- China remained the fastest-growing market among those monitored with 17.6% YoY growth



- Air travel growth from China to North America has been sluggish due to geo-political tensions
- Air travel growth from China to Africa has surged, reaching 133.7% of pre-covid in Q1 '24
- **Travel demand is strong and expected to remain strong as summer holiday approaches**

NIGERIA'S AIR TRAFFIC DECLINED IN 2023, TO PICK UP IN 2024

- Nigeria's Air Passenger traffic fell by 1.73% in 2023 to 15.89mn from 16.17mn in 2022 due to;
 - Higher airfares owing to naira depreciation
 - Lower purchasing power as inflation surges
 - Shift in Air travel from leisure to necessity
- Outbound travel rose by 9.68% to 2.04mn
 - Owing to "Japa" and relocation
- Outbound travelers surpassed inbound travelers (1.8mn) by 240,000



AIR PEACE – THE GAME CHANGER?

Air Peace slashed the price of Lagos – London route to N1.2mn

Release of low inventory ticket after CBN cleared forex backlogs

IATA rate appreciated to N1,444/\$ from N1,800/\$ as naira appreciated

Lagos – London
Economy

NOW – N1.7MN

BEFORE – N3.0MN

Increased Travel

- Business Travel
- Tourism

Forex Savings

- Less demand for forex as travel pattern stabilizes

Increased competition

- Pricing Transparency
- Variety and Improved services

TRAVEL SEASONALITY

- Peak Season – High Travel demand
 - Summer (June - August)
 - Due to Holiday and School Break & Warm Weather

Lagos-London is the dominant route for Nigerian travellers, with passenger traffic exceeding half a million in 2023

Lower Airfares

+ = Higher Air traffic demand in the next three months = Increased Forex demand

Peak Season

HOW COMPETITIVE IS NIGERIA'S AVIATION INDUSTRY

- Nigeria's airline domestic market is one of the strongest in Africa
- It has the highest number (12) of domestic airlines operating domestic, regional and intercontinental operations
- But domestic passenger traffic is about 12mn (**5%** of the total population, 200mn)

	Nigeria	Brazil
Population	223.80mn	216.42mn
Domestic Traffic	12mn	119.6mn
Domestic Traffic as % of Population	5.4%	55.26%

Nigeria is operating below its potential

- Inhibiting factors include;
 - Low level of investment
 - Inadequate infrastructure (MRO)
 - High Jet fuel cost and harsh operating environment
 - Low purchasing power and income

OUTLOOK & OPPORTUNITIES


- Macroeconomic stability will boost investment in the aviation industry
- Airport concession and credit growth in the Aviation industry is beneficial for the growth of the sector
- Increased investment in infrastructures and tourism products will drive inbound travelers and tourists
- Higher income and purchasing power as minimum wage is reviewed will boost demand for domestic air travel as inflation eases.
- Increased economic activities in the sector is favourable for increased employment, higher GDP and per capita income, as well as lower poverty

POLITICAL UPDATE























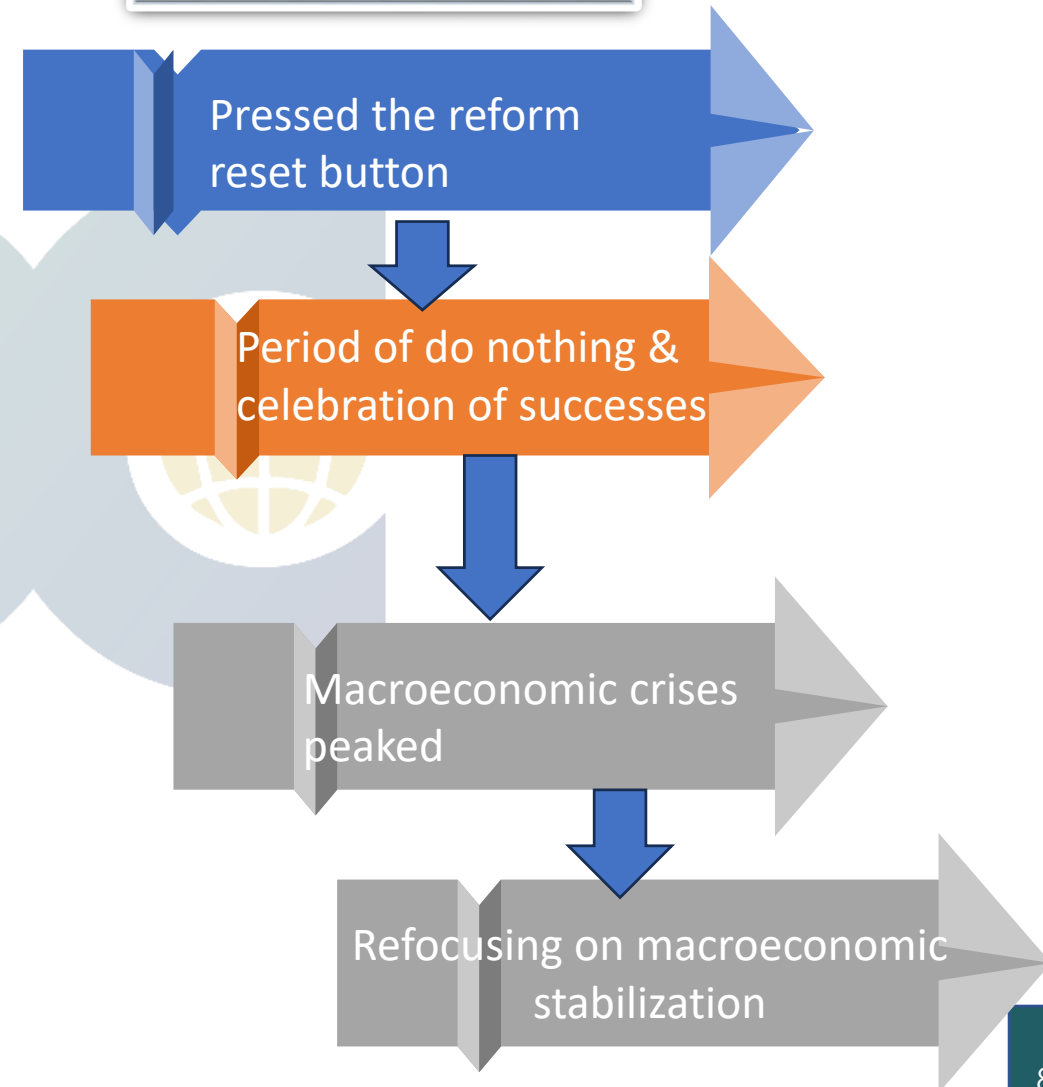
POLITICAL UPDATE

- As the first anniversary approaches, the APC will paint a balanced scorecard
 - Will seek to consolidate power ahead of 2027
 - Highlighting mild GDP growth,
 - Fitch positive rating outlook
 - A strengthening of the naira,
 - And improved liquidity in the forex market
 - A stimulus package of interventions through various channels
 - Clearing the backlog of forex arrears
 - High but slowing rate of inflation
- 

POLITICAL UPDATE – THE SCORECARD

	May 2023	May 2024	% Change
 Exchange rate (N/\$)	464.5	1,416.6	-67.2 
 Inflation (%)	22.4	33.2	10.8 
 Trade Deficit (% of GDP)	0.05	0.88	0.83 
 External Debts (\$)	42.7	42.5	0.4 
 Oil Production (mbdp)	1.18	1.23	4.2 
 FDI Inflows (\$bn)	5.33	3.90	-26.8 
 Bag of Rice	35,000	75,000	114.3 
 Flour	28,000	59,000	107.0 
 Oworoshpki/Obal ande	200	500	150 

The Journey So Far





POLITICAL UPDATES

- The opposition party, PDP, is a party in search of its soul
- Will point to the negative indices
- Will try to reap from infighting within the APC
- Will point to the falling living standards and cost of living crisis
- The PDP will have to keep its house in order
- Will paint a picture of the danger of a one-party dictatorship
- Internal strife will hinder the PDP from a cohesive opposition
- The Edo state election will be a litmus test of the power of incumbency verses resentment of the establishment
- A battle of elitist technocrat and general sense of dissatisfaction with the status quo



POLITICAL UPDATES

- The APC and PDP will have to shake off the Toga of the establishment
- The Labour Party will attempt to rally the hungry and disaffected
- The Labour Party will rely on the non-indigenes, the hungry and angry youths
- The PDP has a very well-oiled political machine with a ground game
- Ondo state primaries have shown that the incumbency is still a major factor
- In the November election, the deep pockets of the APC will be put to the test
- Very low turnout is expected because of voter apathy and economic destitution



POLITICAL UPDATES

- There is likely to be greater regionalism of political arrangements
- The marginalization of certain regions in sharing spoils will be a major consideration
- The concentration of political and economic power will be a source of competitive advantage
- But will also breed resentment just as income inequality increases
- 2027 is a long way ahead but the whistle seems to have been blown

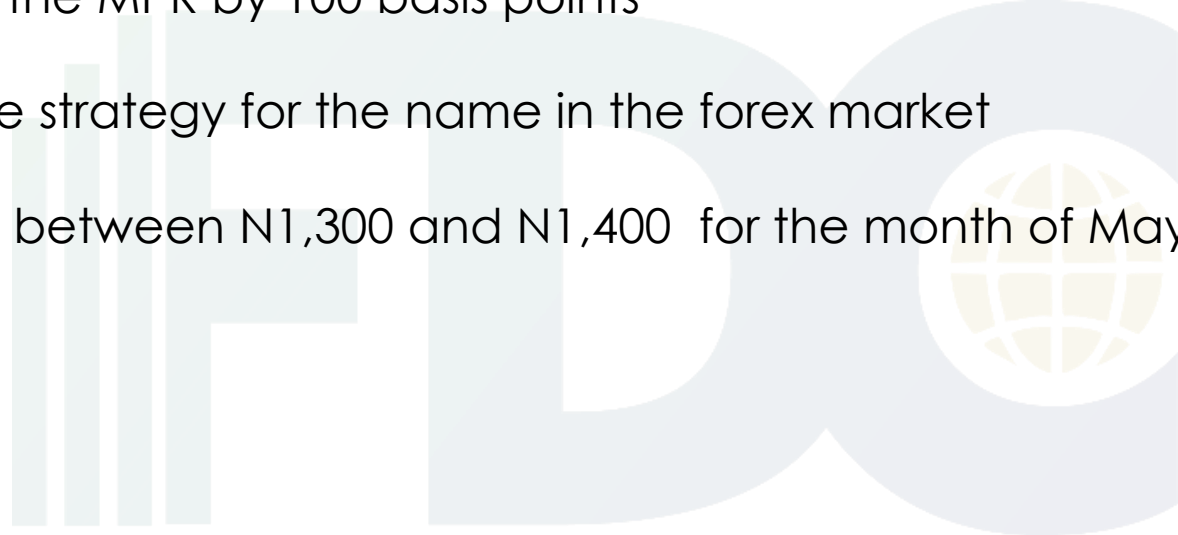


OUTLOOK FOR MAY

- They say sell in May and go away
- The Nigerian stock market seems to be following the adage
- The market will lose up to 5% in May
- The disconnection between structural and transitory issues will become more pronounced
- A fiscal stimulus package that seeks to address the fallout of tight money will be launched
- There will be desperation to address growth and investment shortfall.
- Inflation will come in at 34.5%
- Resulting from disruption in the food-producing areas
- Oil production will remain near 1.3 mbd
- Dangote refinery will produce aviation fuel and kerosene



OUTLOOK FOR MAY

- The retail price of diesel will remain static at N1,200 per litre
 - The CBN will increase the MPR by 100 basis points
 - This will be a defensive strategy for the naira in the forex market
 - The naira will straddle between N1,300 and N1,400 for the month of May
- 

Thank
you!

