



Yesterday Economics

&

Yesteryear Politics

- Presented by Bismarck Rewane
- June 1st, 2022

Yesterme! yesteryou!! Yesterday!!!

" What Happened to the world we knew

Where did it go that Yesterglow

I had a dream so did you life was warm, Love was true

Now it seems those yesterdreams were first a cruel and foolish game. We used to play.

Yesterme! Yesteryou!! Yesterday!!! "

"Money of the people

Stolen from the people

To buy the people

Recipe for chaos"



Stevie Wonder

✓ Neoclassical economist say that inflation is a money supply phenomenon

✓ Inflation is no longer transient – **Janet Yellen**

✓ We were wrong because we misjudged the impact of the shocks –

Janet Yellen

✓ We are ready to act adequately in response to the new shocks –

Jerome Powell



MAY HIGHLIGHTS

Ditching Unorthodox Monetary Policy

- ✓ CBN turns the corner
- ✓ Better late than never
- ✓ After 70 months, hikes the MPR by 150 basis points
- ✓ Approx. 11% of the range
- ✓ Should kick in a change in the market structure of interest rates
 - ✓ OMO rates inch upwards by over 100 basis points
 - ✓ Still astronomically lower than inflation rate
- ✓ MPR no longer an anchorless anchor



CBN Remains Committed to Development Finance Interventions

- ✓ Total intervention so far is estimated at **6.8trn = 3.9%**
of GDP
- ✓ Limited investment multiplier because of government sub-optimality
- ✓ CBN will reduce its intervention
- ✓ Begin a crawling peg in the forex market



The Return of Orthodox Monetary Policy



Monetary policy



Heterodox: Open market operations, moral suasion etc.

Orthodox: Changes to the monetary policy rate (MPR)

Some Intervention Programs

Anchor Borrowers



N1.01trn
4.2mn smallholder farmers

Paddy Aggregation Scheme



N106.39bn
42 Rice millers

Accelerated Agric Development Scheme



N21.23bn
13 projects

Export Facilitation Initiative



N21bn
3 Projects

Commercial Agriculture Credit Scheme



N741.05bn
674 Projects

Real Sector Support Facility



N2.1trn
402 Real Sector Projects

Health Sector Intervention Facility



N130.49bn
126 projects

Agri-business SME Investment Scheme



N136.13bn

MSME Development Fund



N98.88bn
749 MSMEs

Nigeria Bulk Electricity Trading-payment Assurance Facility



N1.3trn

The Return of Orthodox Monetary Policy?

- ✓ It distorts efficient markets
- ✓ With fiscal multiplier of 0.47, N6trn intervention should generate N3trn RGDP



	Real GDP (2015)	=	N69.0trn
@ a 3.65% CAGR	Expected Real GDP (2021)	=	N86.0trn
	Actual Real GDP (2021)	=	N72.4trn
	Gap in real GDP	=	N13.6trn

Using Monetary Policy Tools to Solve Fiscal Problems

Monetary policies are short-term & tactical

Fiscal policies are long term with delayed time lag

Framework of Monetary Policy

- ✓ The framework of monetary policy is *explicit inflation targeting*
- ✓ CBN's target range is 6%-9%
- ✓ Inflation has consistently surpassed the inflation target



Monetary Policy Vs Monetary Conditions Move in Opposite Directions

- ✓ Increase in MPR sends positive signals to investors
- ✓ Monetary policy moves in the opposite direction of monetary conditions
- ✓ An expansionary monetary policy is adopted when monetary conditions are tight
- ✓ A contractionary monetary policy is adopted when monetary conditions are loose

Nigeria is No Longer An Economic Maverick

	Inflation (%)		Interest rate (%)p.a	
US	8.3	↓	1.0	↑
UK	9.0	↑	1.0	↑
India	7.79	↑	4.4	↑
China	2.1	↑	3.7	↑
Indonesia	3.47	↑	3.5	↑

- ✓ Central banks are mostly aligned
- ✓ All four countries that have held MPC meeting in June hiked their interest rates
- ✓ 36 countries raised interest rates in May
 - ✓ Only Russia reduced interest rates
 - ✓ Russia had increased rates to 12%p.a earlier to protect the rouble

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Russian Ukraine War Now A Catalyst For Inflation

Imported inflation



Wheat



Energy products



Domestic inflation

cross elasticity effect



Maize



Garri



Some Countries Banning Food Exports Temporarily



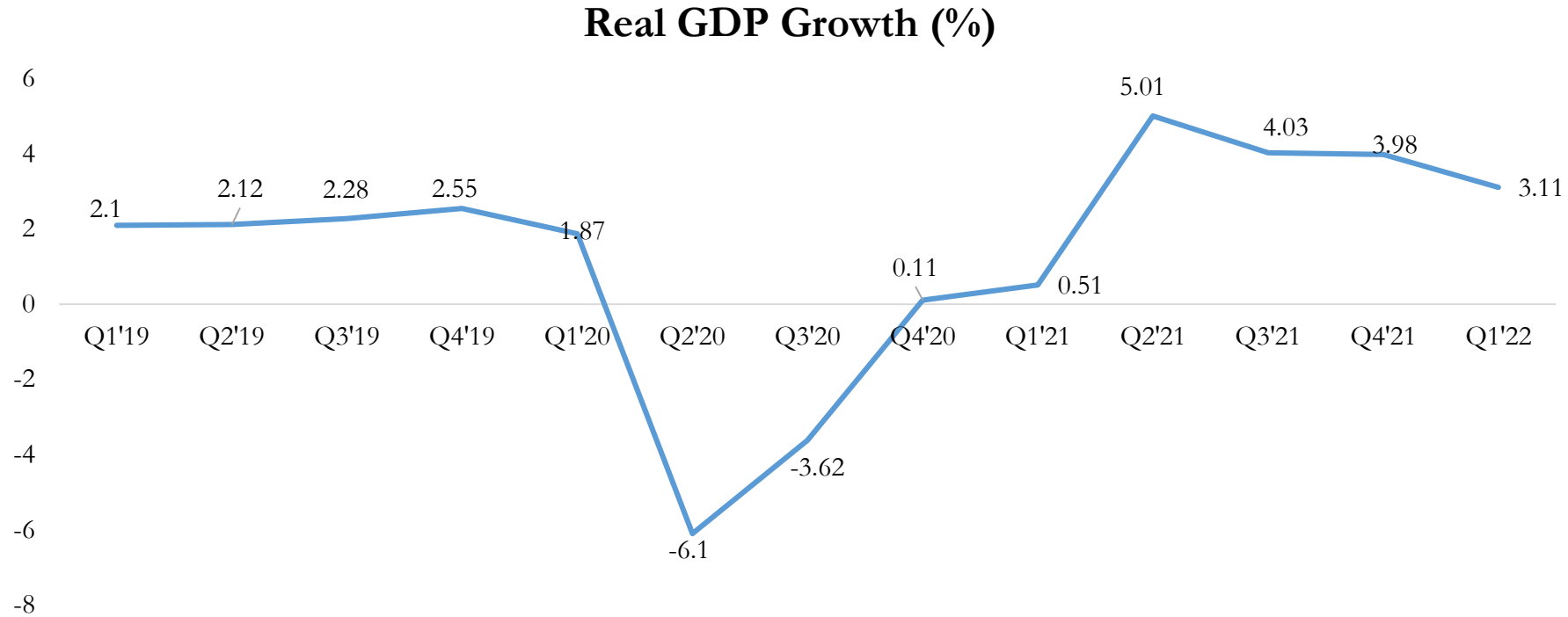
- ✓ Export restrictions to meet domestic demand
- ✓ As inflation bites in their domestic economies
- ✓ The goal is to cool local prices of commodities before satisfying global demand
- ✓ Indonesia banned exports of crude and refined palm oil
- ✓ India has stopped wheat exports and instituted an export cap on sugar

Some Countries Banning Food Exports Temporarily

- ✓ Malaysia halts poultry exports
- ✓ Sadly, more countries could join the bandwagon
- ✓ Countries banning exports in response to rising domestic inflation
- ✓ Will worsen global supply shocks

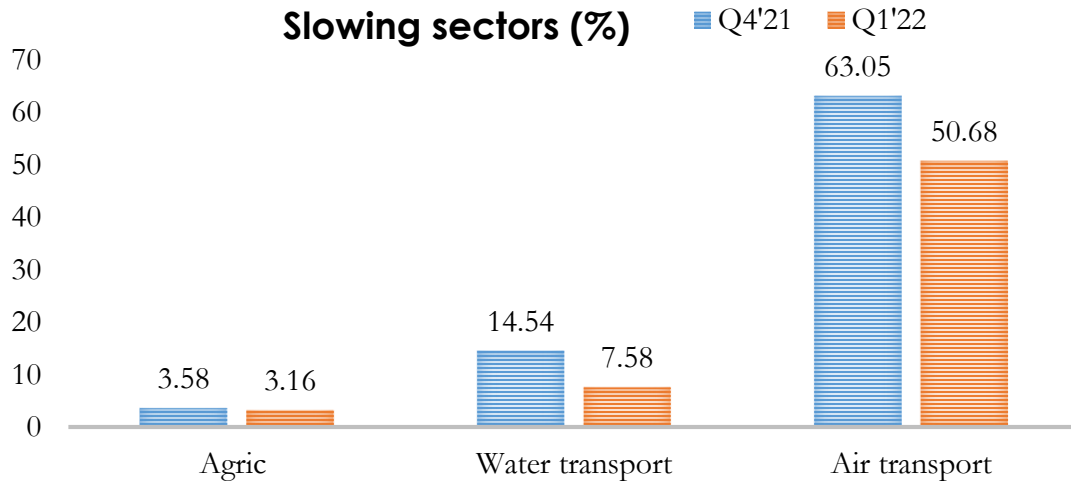
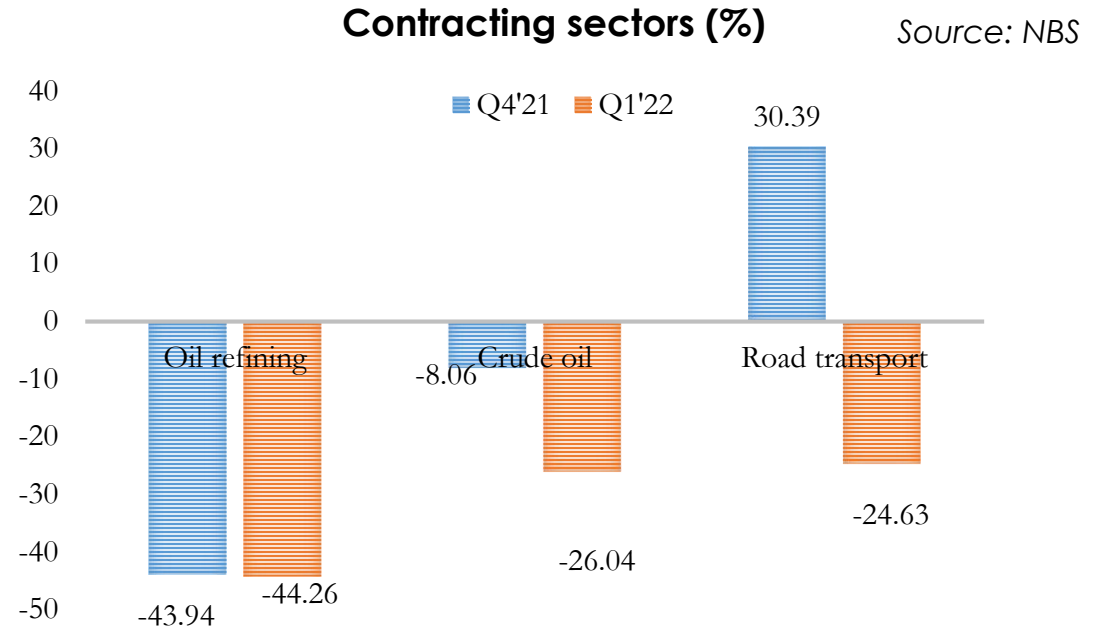
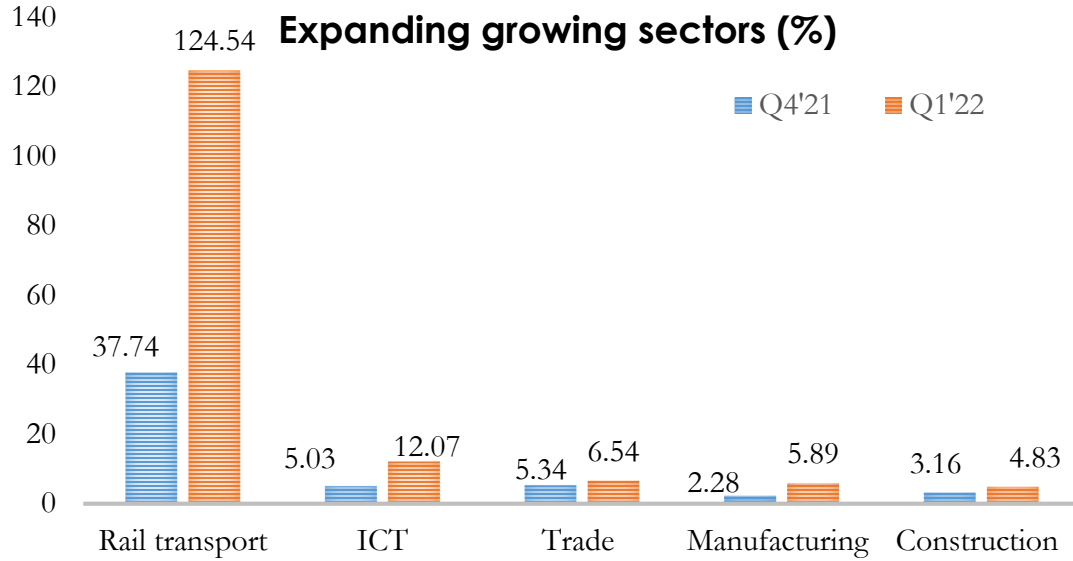


GDP Still Tepid As Inflation Climbs


















- ✓ Real GDP sustained its positive trend in Q1 '22 – **6th consecutive quarter**
- ✓ Albeit slowing to 3.11% from 3.98% in Q4'21
- ✓ Reflective of seasonality and economic shocks from the Russian-Ukraine crisis

25 Activities Expanded, 11 Slowed, 10 Contracted





















- ✓ Most expanding sectors are job elastic
- ✓ Agric slowing due to the commencement of the planting season
- ✓ Insecurity taking a toll on road transportation
- ✓ Attack on the Kaduna-Abuja train heightening security risks

Sector Sensitivity – Expanding Sectors

	Interest rate sensitive	Exchange rate sensitive	Employment creating
Rail transport			
ICT			
Trade			
Manufacturing			
Construction			




Sector Sensitivity – Slowing & Contracting Sectors

	Interest rate	Exchange rate	Employment
	sensitive	sensitive	creating
Agric			
Water transport			
Air transport			
Oil refining			
Crude oil			
Road transport			

OPEC+ Agrees to Boost Supply to Plug Russian Shortfall

- ✓ OPEC+ has agreed to boost oil supply by 648,000bpd each in July & August
 - ✓ Up 50% from the previous plan of a 432,000bpd increase
- ✓ Increased supply to make up for shortfall in Russian oil output
- ✓ OPEC continues to control global oil output
 - ✓ Producing 30% of total market
 - ✓ Saudi Arabia the major swing producer

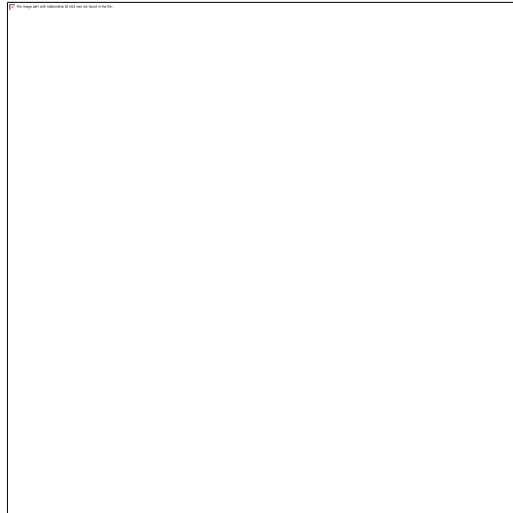


	Million barrels per day (mbpd)	% Change between current output of 1.32mbpd	
2022 oil production benchmark	1.60	17.5	
Nigeria's OPEC quota	1.77	25.42	
Potential output	2.0	34.0	

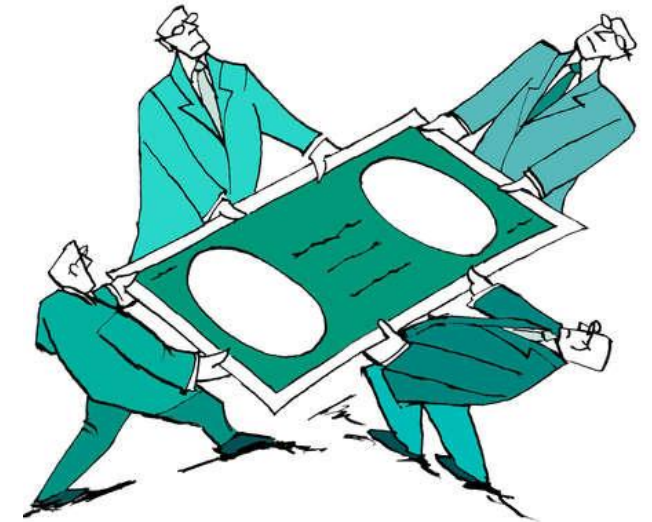
OPEC's conundrum



The struggle to lead prices



The struggle for output



The struggle over price determination

US lobby for increase in oil supply

- ✓ Biden set to rebuild tie with Saudi Arabia
- ✓ Visits Saudi Arabia to discuss increase in oil production
- ✓ Oil price likely to fall below \$100pb if Saudi Arabia boosts supply



- ✓ Currently trading at \$118.31pb
- ✓ Investors claims additional OPEC+ supply is insufficient to plug Russian shortfall
- ✓ Russia's oil output has dropped by about 1 million bpd following sanctions



Oil Reserve: 266.6trn barrels

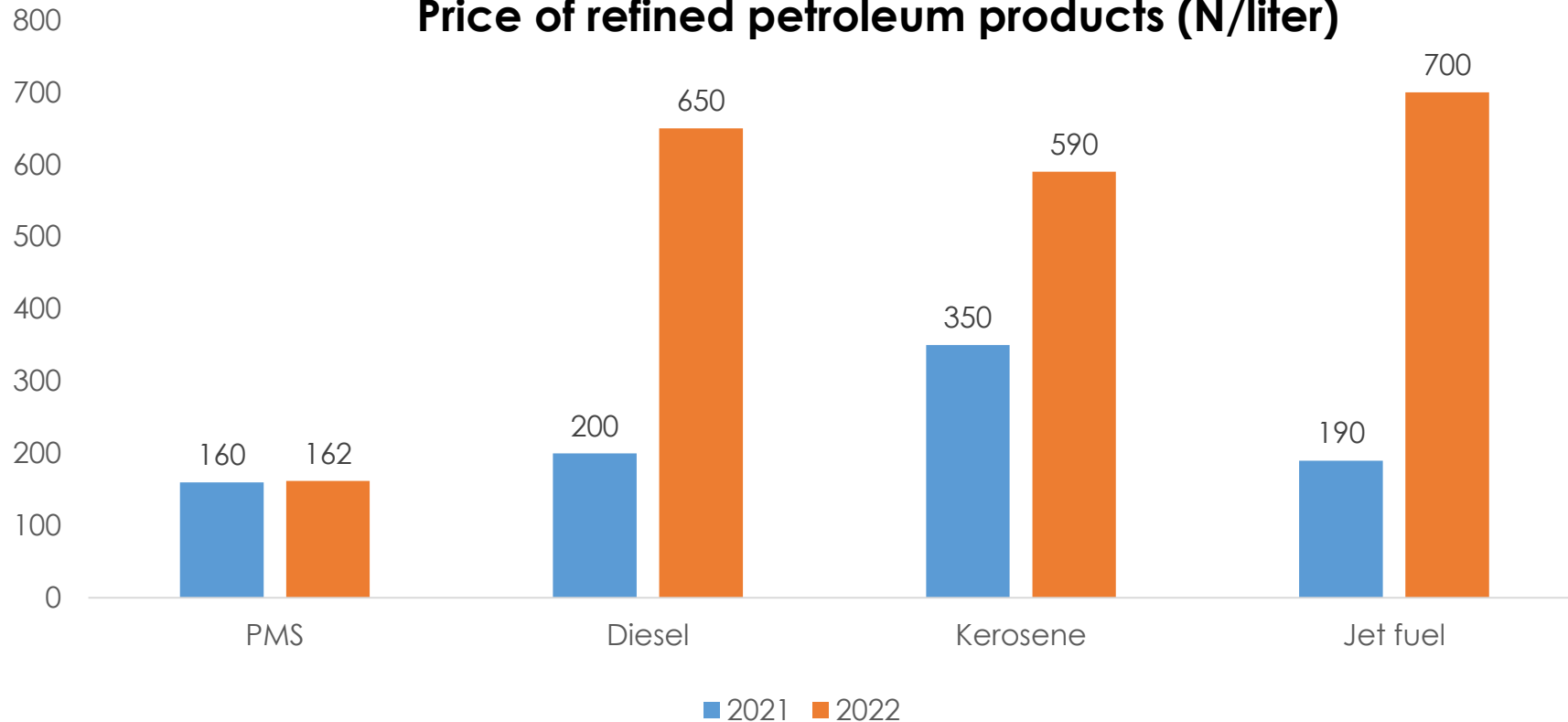
Daily prod.: 12.4mbpd (2nd after the US)

Other highlights

- ✓ Higher oil prices leading to a bloated import bill for refined petroleum products (jet fuel, PMS, diesel, kerosene)



Price of refined petroleum products (N/liter)



Other highlights

- ✓ IMF says subsidies will reach N6trn
- ✓ Up 50% from the budget provision of N4 trillion



- ✓ Payment of subsidies has resulted in zero FAAC remittance by the NNPC in April and May



Other highlights

- ✓ Value of the naira is languishing as forex scarcity bites
- ✓ As all four major sources of forex decline



Oil exports



Non-Oil exports



Diaspora
remittances

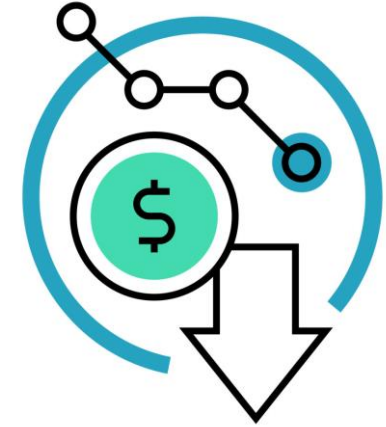


Foreign investments
(FDI & FPI)



- ✓ External reserves at a 7-month low (\$38bn)
- ✓ Limiting the CBN's ability to defend the naira at the official window
 - ✓ CBN defends the naira with \$3.36bn in two months
 - ✓ With no impact on parallel market

Other highlights



- ✓ IEFX rate is down 0.12% to N419.50/\$ from N419/\$ on April 29
- ✓ CBN still rationing forex into the market



- ✓ Parallel market rate depreciated to N614/\$ - now back to N607/\$
- ✓ Commercial banks already rationing available forex for personal travel allowance (PTA), business travel allowance (BTA), and payment of international schools fees
- ✓ Delegates are selling their spoils

Global Highlights

- ✓ Oil rose above \$120pb on May 30 before falling to \$118.31pb currently
- ✓ Partly due to Russian oil embargo
- ✓ Price of petrol in the U.S now above \$7per gallon
- ✓ The embargo only applies to seaborne cargo
- ✓ Glenlore, a Swiss based oil trading behemoth, pleads guilty to bribing with hundreds of millions of dollars in 5 African countries including Nigeria
- ✓ The bribes were to manipulate oil prices
- ✓ The global minimum tax of 15% will be delayed till 2024



*770

Start now. Dial *770#



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A woman wearing a light-colored hijab and glasses is looking at a globe. The globe is covered in various national flags, including the United Kingdom, the United States, and the United Arab Emirates. The globe is on a stand.

GLOBAL DEVELOPMENTS



Global Economy Succumbs Again to Global Shocks

Economic slowdown

COVID pandemic

Recession

Vaccination & slow recovery

Second wave

Slow momentum

Russia Vs Ukraine – global shocks

Energy crisis



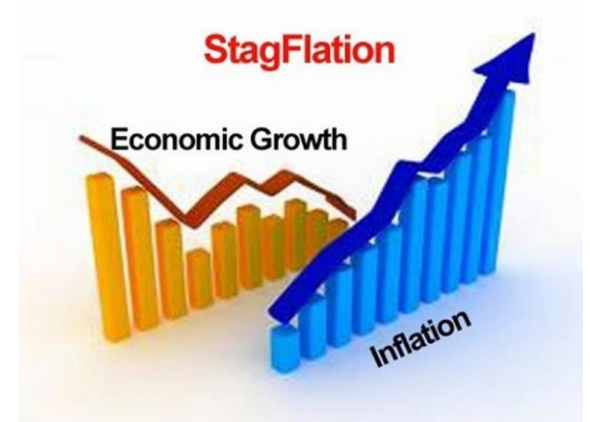
Stagflation: Possible Downside



COVID-induced economic contraction



Inflation pressures exacerbated by the war-induced supply shocks



Slow growth + Rising inflation

Stagflation: Could Be Looming

Recession

- ✓ Most economies slipped into recession due to the fallout of COVID-19 pandemic
- ✓ Inflation spiked as a result of supply disruptions and stimulus packages
- ✓ Brent fell to a record low of \$19.33pb

Inflation

- ✓ Russian-Ukraine war heightened supply chain disruptions
- ✓ And exacerbated inflation pressures
- ✓ Commodity prices rose to record levels
- ✓ Brent crude climbed to a 14-year high of \$130pb

Stagflation

- ✓ Spiraling inflation posing threats to economic recovery
- ✓ Multilateral agencies revising GDP growth forecasts
- ✓ Most central banks increasing interest rates to contain inflation

What is Stagflation?



Slow GDP growth

+



High unemployment

+





















Rising inflation

Stagflation in the 1970s

- ✓ Stagflation was first experienced in the United States in the 1970s
- ✓ Defying the Keynesian logic – “***inverse relationship between unemployment and inflation***”
- ✓ Keynes was of the opinion that growth in money supply will increase employment and boost economic growth without inflation fears
- ✓ But this turns out to worsen the situation as increased money supply heightened inflation pressures

Stagflation Fears Are Misplaced

	GDP growth (%)	Unemployment	Inflation rate (%)
US	-1.4 	3.6 	8.3 
UK	0.8 	3.7 	9 
India	5.4 	7.8 	7.79 
Brazil	1.6 (Q4'21) 	11.1 	12.13 
South Africa	1.7 (Q4'21) 	35.3 	5.9 
Nigeria	3.11 	33.3 	16.82 

- ✓ Two largest economies are growing
- ✓ Global stagflation not likely
- ✓ Wages are depressed and inflation has peaked



**DOMESTIC
ECONOMIC
PERFORMANCE**

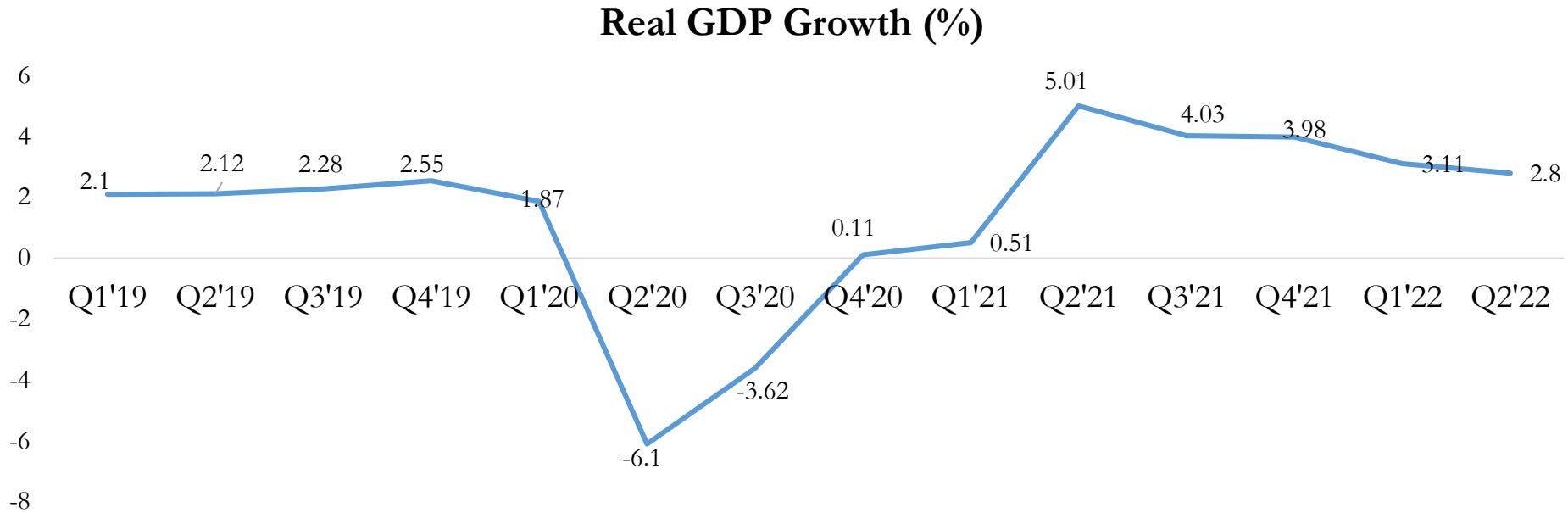
Leading Economic Indicators

LEI	Apr' 22	May' 22*	% Change	Comments	Jun'22*
GDP Growth (%)	3.98 (Q4'21)	3.11 (Q1'22)	-0.87	GDP growth is expected to slow but remain positive due to the effects of planting season, lingering war in Ukraine and interest rate hike	2.80 (Q2'22)
Oil Production (mbpd)	1.34 (Mar'22)	1.32 (Apr'22)	-1.49	Oil pilferage, vandalism and other operational challenges to keep oil production level below OPEC quota (1.772mbpd)	1.30 (May'22)
Oil rig count	10 (Mar'22)	11 (Apr'22)	10.00	Oil rig count to rise mildly	12 (May'22)
Oil Price (\$pb; avg)	105.38	112.17	6.44	The price of Brent crude to trade above \$100pb in the near term on demand and supply concerns	120-135

Leading Economic Indicators

LEI	Apr' 22	May' 22*	% Change	Comments	Jun'22*
Average Opening Position (N'bn)	161.39	190.92	18.30	The CBN's use of orthodox monetary policy tools, such as raising interest rates, to combat inflationary pressures will keep market liquidity constrained.	180-185
Primary T-Bills (%): 364-days	4.79	6.49	1.70	Negative real rate of return narrows amid interest rate hike and rising inflation	6.50-7.00
Inflation (%)	15.92 (Mar'22)	16.82 (Apr'22)	-0.90	Headline inflation will likely increase due to supply bottlenecks, exchange rate pass through effects and higher energy costs	17.50 (May'22)
External Reserves (\$bn; month-end)	39.58	38.48	-2.78	External reserve depletion to continue as the CBN intervenes in the forex market. Also, suboptimal oil production level could cap the gains from elevated oil prices	38
Exchange Rate (N/\$; month-end)	Parallel: 590.00 IEFX: 419.00	607 419.50	2.88 0.12	The naira is likely to appreciate as interest rate hike could ease forex demand pressures	590-600 415-419

GDP Outlook



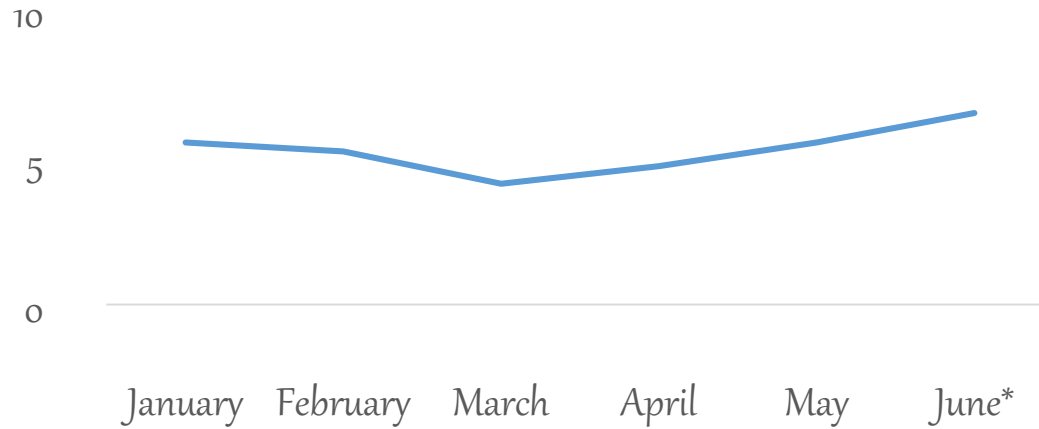
- ✓ Real GDP growth is expected to remain positive but could slow due to:
 - ✓ Seasonal factors and rain induced post harvest losses
 - ✓ Lingering impacts from Russia-Ukraine war
- ✓ The hike in interest rate may also pose downside risks on economic growth

Inflation Outlook – Up Again Before Dipping

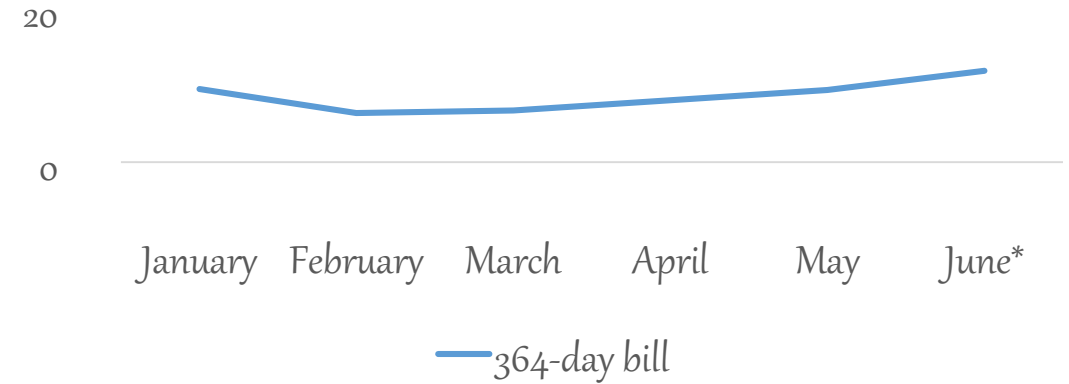
- ✓ Official price inflation expected to rise towards 18% before declining
- ✓ Supply shocks from Russia-Ukraine war to continue to stoke price pressures
- ✓ Food inflation rising but will fall during harvests
- ✓ Election spending to buoy liquidity
- ✓ Interest rate hike to slow the pace of increase in market liquidity

General Interest Rates to Rise in Tandem with Hike in MPR

364-day bill



Avg. Interbank Rates (OBB/ON) %



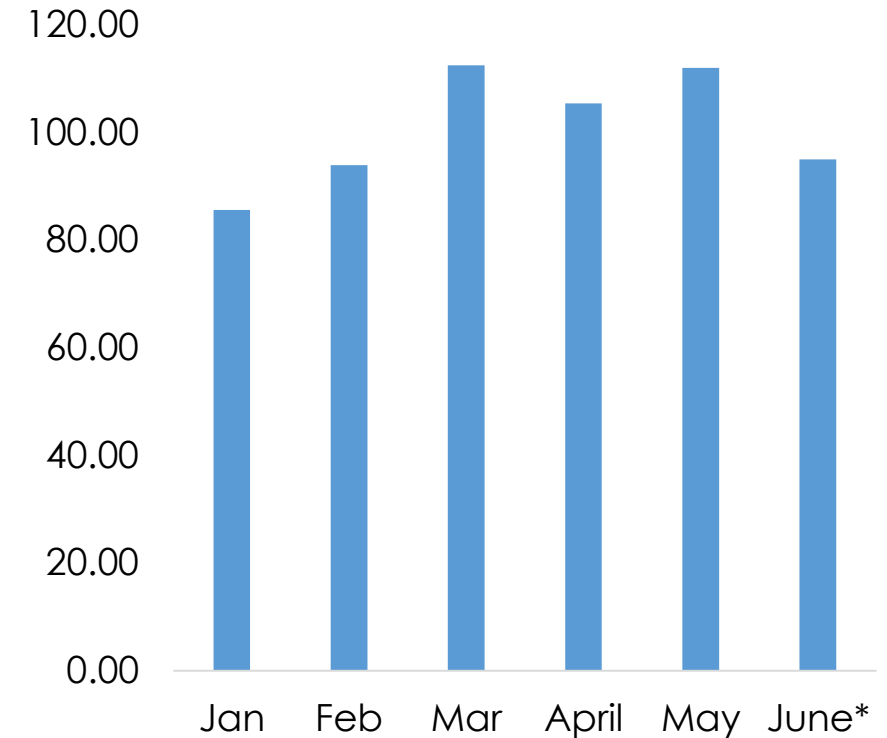
- ✓ MPC to maintain hawkish stance to fight inflation
- ✓ Could raise MPR further by 50bps
- ✓ General interest rates to rise in tandem with hike in MPR
- ✓ Interbank rates to remain at double digits as liquidity tightens

Tight Global Oil Supply to Keep Prices High

- ✓ Oil price to fall amid prospect of increased supply
- ✓ Higher oil output from OPEC
- ✓ Likely boost in Saudi Arabia's oil supply
- ✓ However, oil price may stay above \$90pb
- ✓ EU to ban 90% of Russian crude oil import by end of 2022
- ✓ Improved demand as covid restrictions ease in China



Brent Oil (\$pb)



Farming just got easier



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Power to Farmers

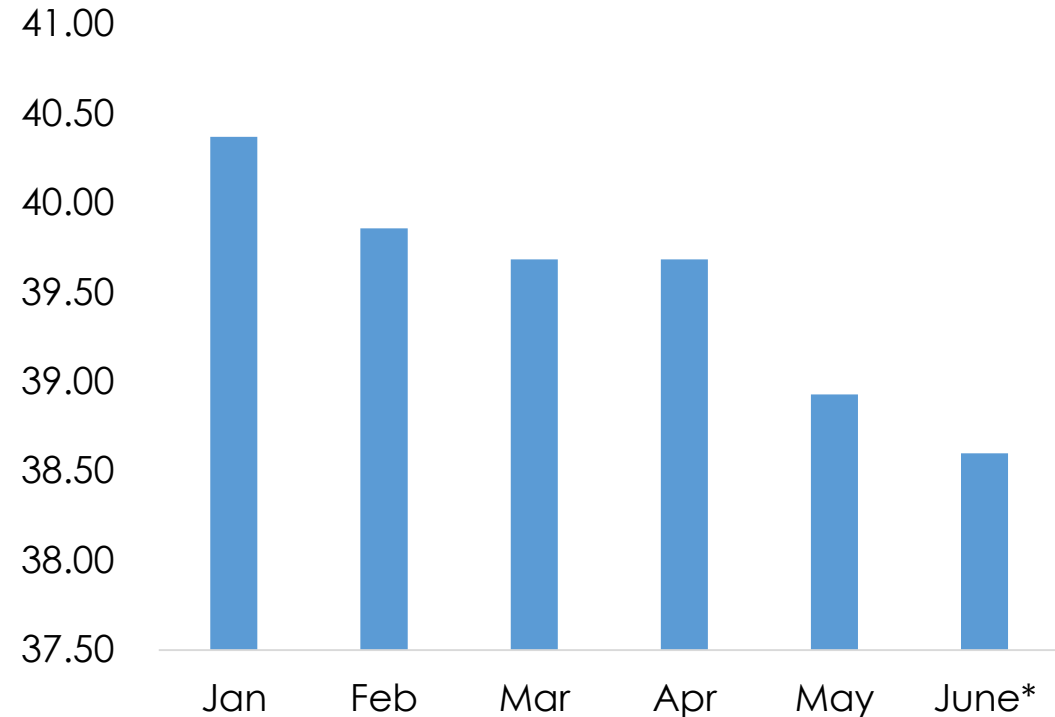
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External Reserves Depletion To Slow On Reduced Demand Pressure

- ✓ Gross external reserves lost about \$1.27bn in less than two months
- ✓ Increased demand pressure
- ✓ Sub-optimal oil production
- ✓ High capital outflow
- ✓ Foreign exchange reserves to deplete further
- ✓ Albeit, at a slower pace due to
 - ✓ Possible increase in capital inflows



External Reserves (\$bn)



Determinants of Exchange rate

- ✓ Fundamentals looks partially supportive
- ✓ External reserves are depleting significantly
- ✓ Inability to meet OPEC production quota will continue to reduce the effect of higher oil prices
- ✓ Trade deficit sharply higher
 - ✓ Trade deficit increased by 175% in Q2



	2021	2022
Oil Price (\$'pb)	79.46	120
External Reserves (\$'bn)	40.52	38.54
Balance of trade (\$'bn)	8.7	4.1
Terms of trade (\$'bn)	28.4	32.0
Current a/c balance (\$'bn)	-6.8	7.5
Oil Revenue	14.41	20

Naira Remains Overvalued

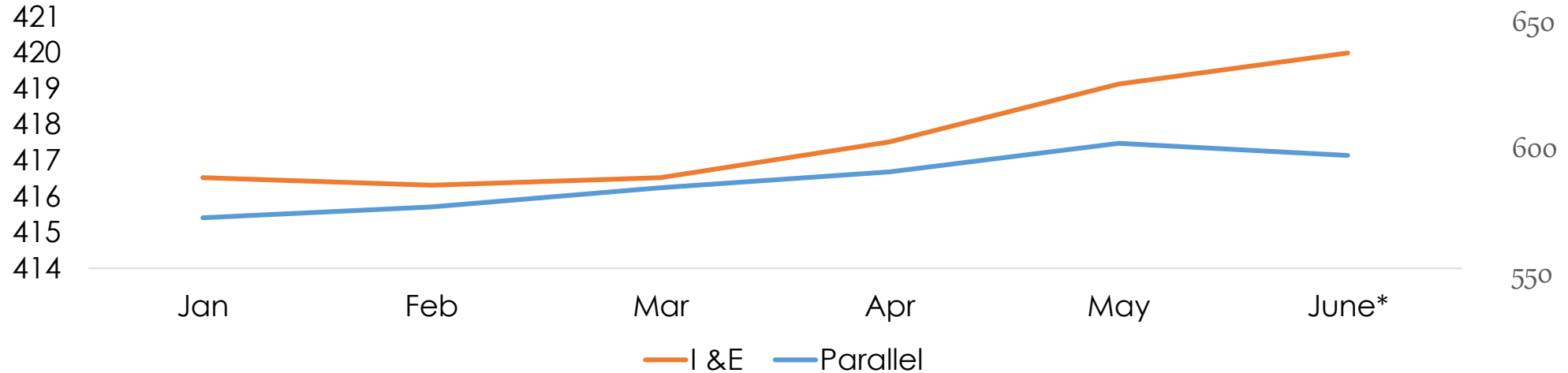
- ✓ Naira is overpriced by 39.99%
- ✓ Devaluation becomes inevitable in 2022
- ✓ Weak naira is a fallout of inflation and low interest rate



Purchasing Power Parity			
		31/1/2022	
	=N=	US \$	PPP ('=N=/US\$)
Bottle of Pepsi (50cl)	150	2.50	60.00
Beer (60cl)	700	0.90	777.78
Hamburger (Burger King)	4,900	4.95	989.90
Indomie (1 unit)	150	0.68	220.59
Toyota Corolla	18,000,000	21,000	857.14
Nestle Bottled Water (60cl 1 unit)	100	0.12	833.33
Big Loaf Bread	700	2.50	280.00
Irish Spring Soap (1 cake)	400	0.47	851.06
Chicken Breasts (1 kg)	3,000	8.00	375.00
Trolley	2,500	6.00	416.67
Peak evaporated milk (pack of 12)	6,300	34.40	183.14
Uncle Ben's rice (5.44kg 1 pack)	8,500	14.85	572.39
Eggs (30 large eggs)	2,800	2.30	1217.39
Average PPP			587.26
Naira Price at IEFX			419.50
PPP (%)			
Decision: Naira is		Overvalued	39.99%
Spot Rate (Parallel)			607
Outcome: Compared to IEFX rate of N419.50/\$1, the Naira is Overvalued by 39.99%			

Exchange Rate Outlook

Exchange Rate (N/\$)

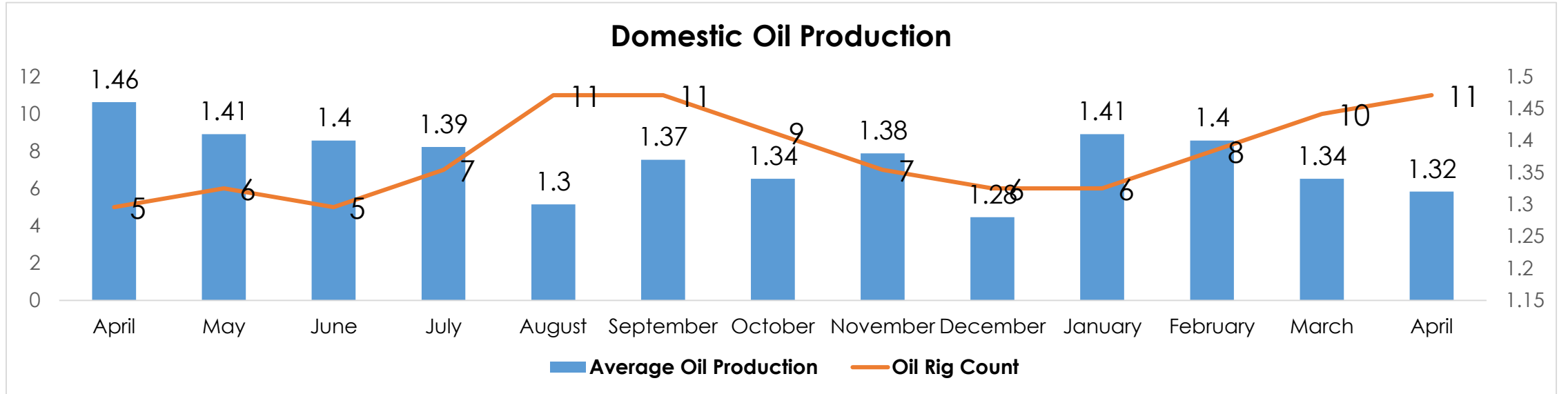


- ✓ Multiple exchange rates making naira appreciation difficult
- ✓ Spread between official and parallel market rate expected to reduce due to:
 - ✓ Capital inflows will reduce in Q2 & Q3
 - ✓ Delegates to sell booty after primaries but only temporary relief
- ✓ Parallel market rate to hover around N600/\$ - N610/\$

The image features a background of a financial market chart, likely a candlestick or bar chart, with blue and red bars and a green line. The chart is overlaid with a white diamond shape that has a thin grey border. Inside the diamond, the words "MARKET PROXIES" are written in a bold, black, sans-serif font, centered horizontally and vertically.

**MARKET
PROXIES**

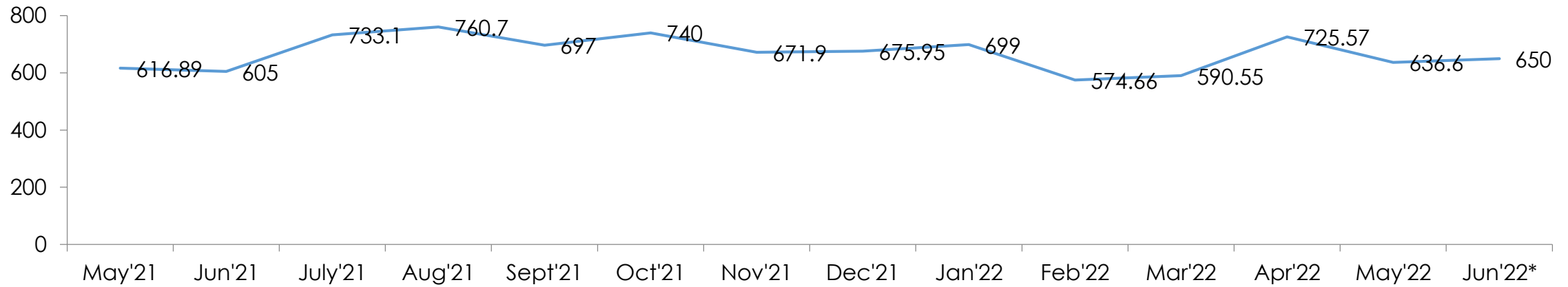
Oil Production still below Optimal



- ✓ Oil production fell by 2.6% in April
- ✓ Oil production still below OPEC quota (1.772mbpd)
- ✓ Nigeria still not benefitting from higher oil prices
- ✓ Due to sub-optimal production caused by operational challenges and vandalism
- ✓ Nigeria's rig count increased marginally to 11 from 10
- ✓ US rig count declined to 727 according to Baker Hughes

FAAC Disbursement Decline As Inflation Increases

FAAC (\$bn)



- ✓ FAAC allocation fell by 12.26% to N636.6bn in May from N725.571bn in April
- ✓ Petroleum Profit Tax and Excise Duties increased marginally
- ✓ While oil and gas royalties, import duty, companies' income tax and VAT fell significantly
- ✓ Subsidy payment continue to weigh on FAAC allocation

Ships Awaiting Berth

Ships Awaiting Berth	Jan'22	Feb'22	Mar'22	Apr'22	May'22
Apapa	6	3	8	3	3
Tincan	2	3	4	3	1
Rivers	1	0	1	0	2
Calabar	2	2	2	1	2
Warri	3	3	6	5	4
Onne	0	0	0	0	0
Total	14	11	21	12	12



- ✓ Ships awaiting berth flat in May at 12 vessels
 - ✓ Rivers up by 200% from 0 to 2
 - ✓ Onne underutilized because of lower oil production
- ✓ Congestion in Lagos port declined further as Warri port is fast becoming better utilized
- ✓ Cargo build up at Warri ports as the rail and road linkage improves

A golfer in a red shirt and white pants is crouching on a green, looking at a golf ball. A red flag is visible in the background on a hill. The scene is set on a golf course with trees in the distance under a clear blue sky.

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Power Update – May 2022 Energy Summary

**4,447MW**
Peak Energy
Generated

**3,640MWH/H**
Average Energy
Generated

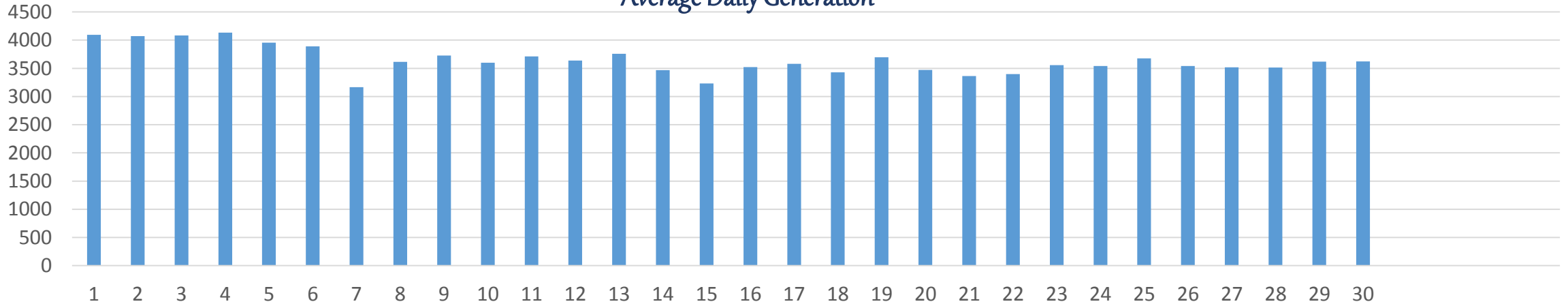
 -
Total Grid
Collapses

 -
Constrained Revenue
(Million Naira)

**1,237MWH/H**
Total
constrained
energy







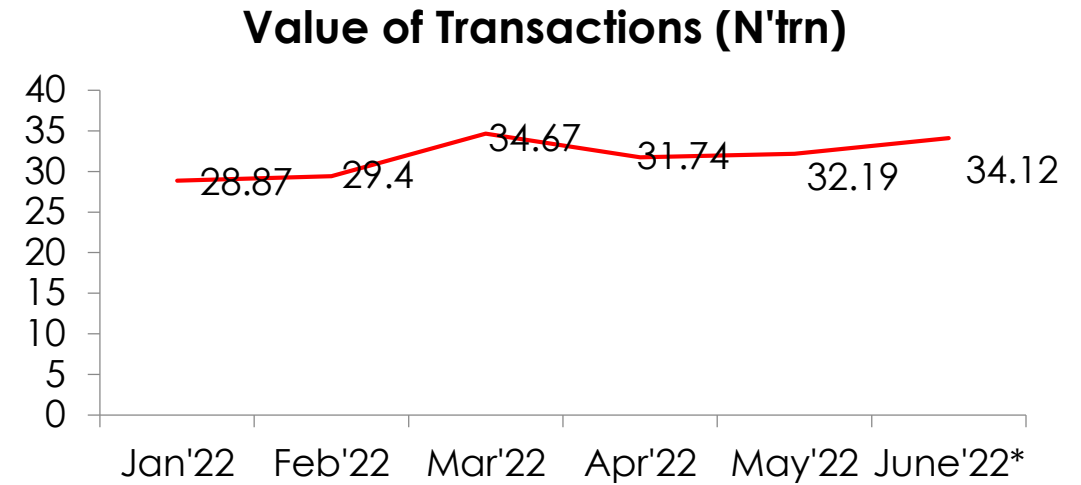
Average Daily Generation



Source: [Lavayo Advisors](#)

Value of Transactions

Channels	Apr'22 (N'bn)	May'22 (N'bn)	% Change
Cheques	257.13	271.79	5.70 
POS	663.26	682.82	2.95 
NIP	29,174.76	29,653.21	1.64 
NEFT	1,647.05	1,581.88	3.96 



✓ After increasing consistently for three months, the aggregate value of transactions is beginning to taper

✓ The increase in the month of May was 1.42% higher compared to an 8.45% decline in April

✓ Analysis suggests that the slowdown may be seasonal

✓ Value of transactions also rose marginally by 0.34% in May 2021 Source: NIBSS, FDC Think Tank

Value of Transactions

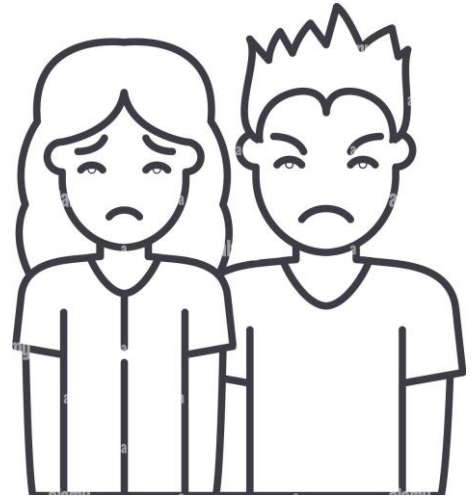
- ✓ But this could have been compounded by the Russia/Ukraine war
- ✓ By implication, the velocity of circulation declined to 4.09x from 4.18x
- ✓ A slight reduction in the velocity of circulation may be a forward indicator of a period of easing inflation ahead
- ✓ GDP growth could be impeded by logistics costs and challenges as well
- ✓ We are expecting a slower normal GDP growth in Q2



POLITICAL UPDATE

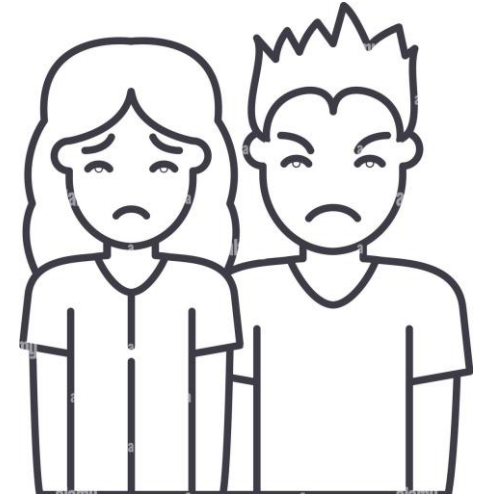
Political Update – Social Discontent

- ✓ The more things change the more they remain the same
- ✓ The median age of the country is 19
- ✓ The median official age of the leading candidates is 73
- ✓ The average income of the electorate is \$1,500 per head
- ✓ The average income per capita of the candidates is \$250,000
- ✓ The income gap between the candidates & the electorates is \$248,500 or 99% of income per capita



Political Update – Social Discontent

- ✓ The cost of APC presidential expression of interest form (N100mn) is 79% higher than the cumulative salary of the president (N56mn)
 - ✓ The cost of the bait is twice the revenue of the catch
 - ✓ The marginal cost is higher than the marginal revenue
- ✓ Zoning has been ditched at the presidential level
- ✓ But remains convenient for federal character for the management team
- ✓ You either ditch zoning all together or you keep it



Political Update – Social Discontent

- ✓ There can be no selective adoption
- ✓ History teaches us that perpetrating leadership dominance triggers crisis
 - ✓ 1964- NPC/NCNC dominance preceded the 1966 civil war & breakdown
 - ✓ 1983- NPN/NPP landslide preceded the military intervention in January 1984
 - ✓ 1993 – the perpetuation of northern domination led to the June 12 crisis & eruption

Political Update – Social Discontent

✓ 2022/23

✓ Fear of domination after the election may reduce the stability index

✓ If the economy falters and is mismanaged, crisis may be inevitable

✓ The party primaries were a spectacle of shame

✓ The delegate procurement programme was pretty obvious

✓ It is a four year pay day for idle hands

✓ The news of the Accountant General's singular heist is also amazing

✓ It is equal to 2¹/₂ years of Edo State's FAAC allocation



Political Update – Social Discontent

- ✓ It shows the level of leakages from a sensitive office
- ✓ Essentially it was a sting of the ASUU salaries of N16,000 per month
- ✓ The chances of a change in the political calculus is very low
- ✓ The electorate is fragmented and impoverished
- ✓ Leading to apathy and vote selling
- ✓ Money of the people, stolen from the people to buy the people, is a recipe for chaos
- ✓ The APC will go for a consensus candidate



Political Update – Social Discontent

- ✓ It is anyone's guess
- ✓ A wrong choice could compound the party's problems
- ✓ Making a zoning crisis, a sectarian crisis
- ✓ APC leadership may have lost control of the flock
- ✓ It knows the outcome but has no control over the process
- ✓ The Party will splinter and will need to reconsolidate before elections
- ✓ The time between the primaries and the election is very long
- ✓ Over 250 days in a volatile political environment
- ✓ Harold Wilson said "One week is a long time in politics"



Market Reform is Irreversible

- ✓ Irrespective of who emerges as the winner
- ✓ The onset of market reforms is not just inevitable, it is irreversible



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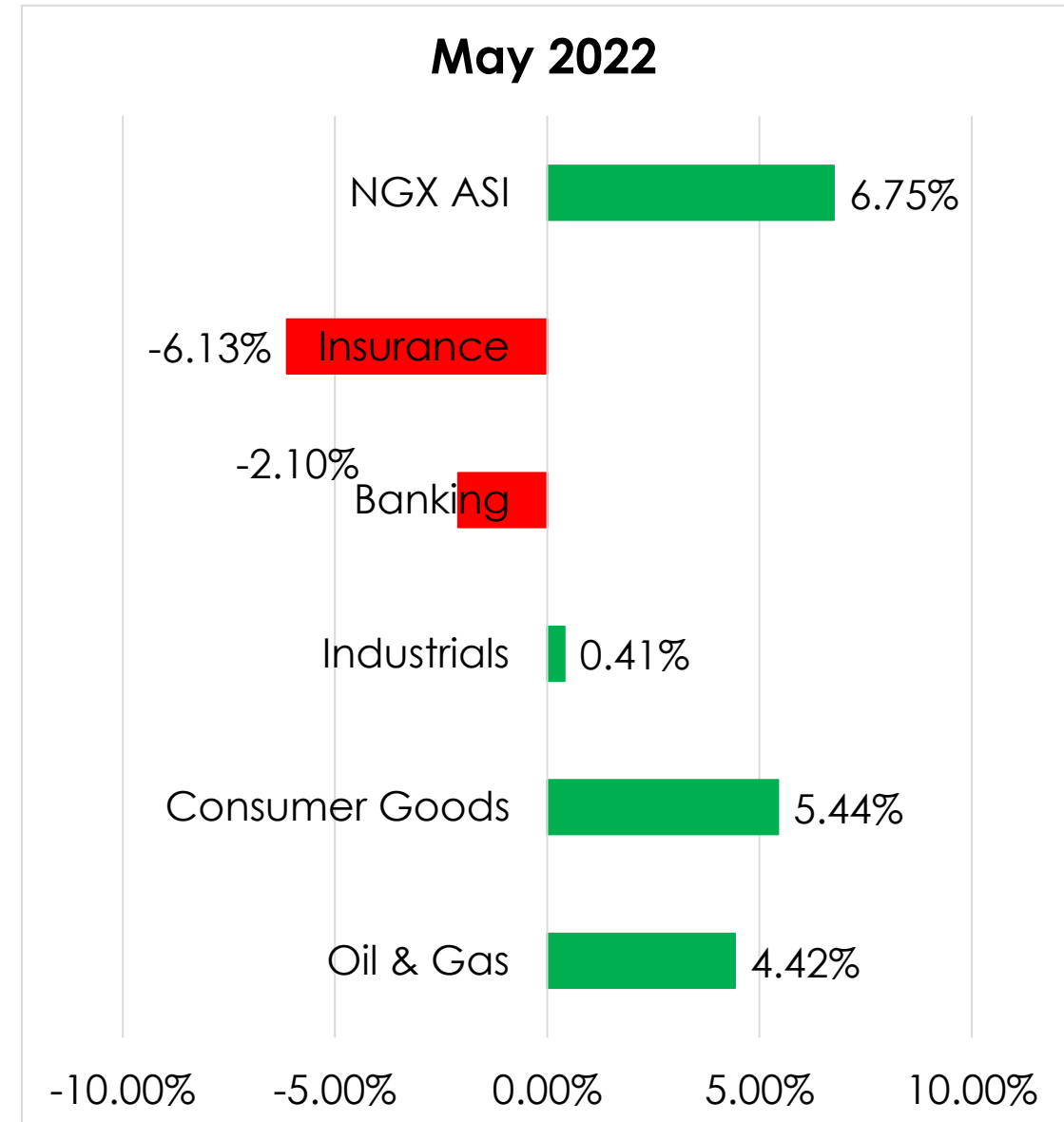




STOCK MARKET REVIEW

NGX Indices in May

- ✓ NGX ASI gained 6.75% to 52,990.28
- ✓ Increased buying interest for telecommunication stocks
- 
 ✓ Strengthened by final approval and commencement of PSB operations
- ✓ Impressive corporate earnings buoyed investor confidence for consumer goods
- ✓ Earnings strengthened by higher prices, increased business and economic activities



Narrow Rally on NGX; Confined to Few Sectors & Companies

Stocks	Industry	May'22	Dec'21	YTD Change	Weighting on NGX
Guinness	FMCG	90.50	39.00	132%	1%
Seplat	Energy	1,289.50	650.00	98%	3%
Airtel Africa	Telco	1,767.00	955.00	85%	23%
Int. Breweries	FMCG	7.90	4.95	60%	1%
ETI	Financial	12.50	8.70	44%	1%
NB	FMCG	62.40	50.00	25%	2%
Bua Foods	FMCG	57.90	48.40	20%	4%
MTN	Telco	230.00	197.00	17%	16%
Wapco	Cement	27.05	23.95	13%	2%
Bua Cement	Cement	74.25	67.05	11%	9%

- ✓ Amongst the top 20 stocks by market cap, 10 companies returned double-digit gains
- ✓ But whopping returns witnessed in FMCG, particularly breweries

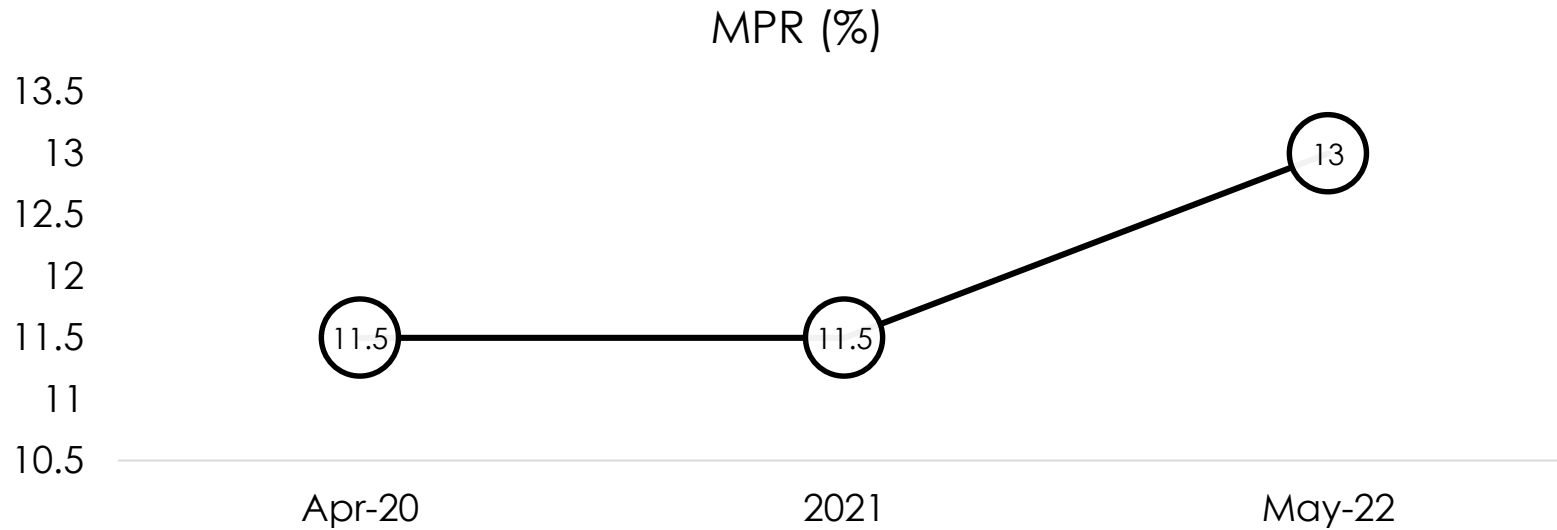
June Outlook- Mental Adjustment of the Market

- ✓ NGX expected to maintain horizontal – downward trend
- ✓ The market is expecting another hike of 50bps in July
- ✓ Institutional investors will rebalance their portfolio for attractive fixed income yields
- ✓ Telco stocks will continue to rally
- ✓ Banking stocks will drift as they struggle with market share & cut costs
- ✓ Expect an increase in their cost of funding & impairment
- ✓ Corporate margins will shrink due to expensive borrowings

June Outlook- Mental Adjustment of the Market

- ✓ Sector and company specific events likely to stabilize market performance
- ✓ Increased investors appetite for telecommunication stocks
 - ✓ Supported by final approval and immediate operation of payment service banks
 - ✓ Elon Musk's Starlink satellite-based internet service however poses a threat to existing telcos
- ✓ Increased business and hospitality services will deepen the demand for brewery products
- ✓ FMCG industry expected to benefit from higher prices and deepened penetration

Rise In Interest Rate-Impact on Earnings and Stock Prices



Profitability

- ✓ Profit margins to be threatened by heightened borrowing cost
- ✓ Possible low dividend payments and tax payments
- ✓ But telcos to enjoy increased interest rates
- ✓ Mopping up money via its mobile money platform

Stock Prices

- ✓ Investors to shy away from equities
- ✓ Fund rotation to fixed income securities



**CORPORATE
EARNINGS**

First Bank Leveraging a Solid Legacy – 128 Years of Resilience

- ✓ Innovation & Digital Focus
 - ✓ Pioneered technology driven financial products
 - ✓ First Mobile, FirstOnline, Firstmonie, WhatsApp Chat Banking and a digital Lab
 - ✓ Over 20 years of partnership with Western Union money transfer
 - ✓ First Nigerian financial institution to achieve 100 million sustained monthly transactions in electronic payments
- ✓ Partnership with government in building infrastructure facilities
- ✓ The first quoted company to hit the N2 trillion market capitalisation on the Nigerian Stock Exchange.

First Bank – Sources of Competitive Advantage

- ✓ Generic strategy of focus
- ✓ Well diversified financial service group
- ✓ Leverages on digital platform
- ✓ Economies of scale and wide branch network
- ✓ International presence – A buffer against currency weakness and tough macro-economic environment
- ✓ Late in the SSA game but is playing catch up
- ✓ Digital customer acquisition from 10mn to 36mn in a few years

First Bank Q1'22- Result

- ✓ First bank's performance supported by robust loan portfolio and improved digital services
- ✓ Gross earnings grew by 32% to N180bn
 - ✓ 38% growth in net interest income to N72bn
 - ✓ Bolstered by a 61% growth in investment securities to N23.6 billion
- ✓ Operating income surged by 94% to N36.6bn
 - ✓ Net gains from financial instruments soared by a whopping 376% to N14.8bn
 - ✓ Foreign exchange income was up by 114% to N5.7bn from N2.68bn

First Bank Q1'22- Result

- ✓ Bottom line grew by 108% to N32.4bn supported by top line growth and 94% growth in operating income
- ✓ NPL's down from 21% to 6.1% in 3 years
- ✓ High asset value of the branches
- ✓ But mostly located in old town i.e. GRAs
- ✓ Need for relocation to achieve higher representation in new towns and by-passes

Why FBNH?

- ✓ The stock price has surged by 66.4% to N11.9 since 2021
- ✓ Maximum return to shareholders in 4 years (340% from N2.7 to N11.9)
- ✓ Its price-to-book ratio (0.5x) makes it an attractive part of an aggressive portfolio
- ✓ Continuous expansion through retail banking franchise and strong branch network
- ✓ Leverage on digital channels will drive strong earnings growth and profitability

A dramatic sunset sky with a large, bright sun on the right and a smaller one on the left. Several commercial aircraft are silhouetted against the sky, flying towards the viewer. A large white diamond shape is centered over the image, containing the word "AVIATION" in bold black letters.

AVIATION

Global Aviation Update – Positive Trend in Passenger Growth Continues

- ✓ Rebound in demand for air travel
- ✓ Global passenger load factor (PLF) increased by 9% to 64.2% in March
 - ✓ Sustaining the recovery trend which started in January
 - ✓ And fast approaching pre-pandemic levels - currently 7% below March 2019
- ✓ Global revenue passenger-kilometers (RPKs) rose by 76% (y-o-y)
 - ✓ 41% below 2019 levels
- ✓ European airlines continue to outperform in terms of RPK growth
 - ✓ The impact of Ukraine war on air travel demand appears limited but time will tell
 - ✓ Regional (within Europe) and inter-regional travel with Asia remains robust



Global Aviation Update – Positive Trend in Passenger Growth Continues

- ✓ Annual available seat-kilometers (ASKs) was up 56.5% in March
 - ✓ Indicating that capacity increase continued positive trend
 - ✓ But still lower than pre-pandemic levels
- ✓ Passenger traffic in Heathrow up 21.08% in April to 5.08mn
 - ✓ Passenger demand recovery now expected to last throughout the summer
 - ✓ Fully year projection for 2022 revised upwards by 16% to 53mn passengers
 - ✓ Broader travel demand projected to reach 65% of pre-pandemic levels

Aviation Update – Surge in Aviation Fuel Price Weighing on Margin

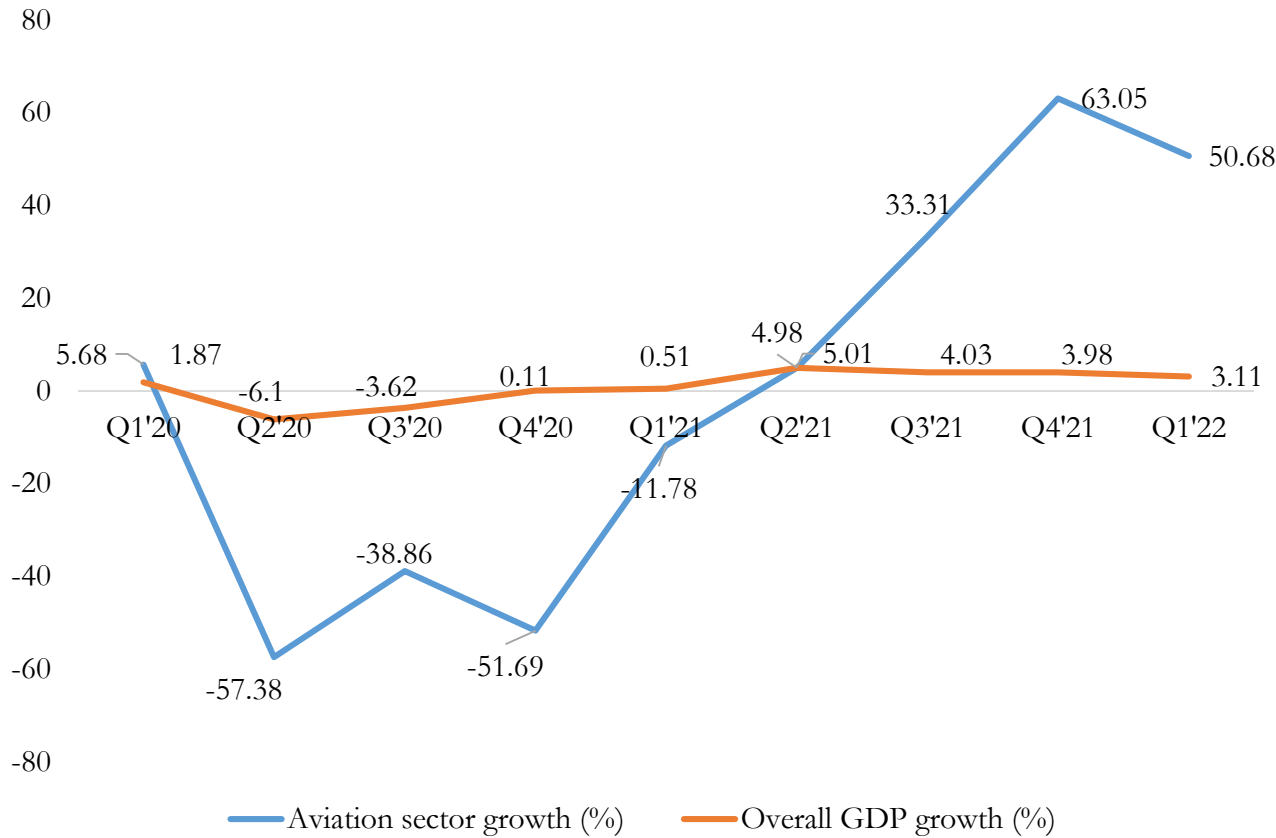
- ✓ Elevated jet fuel prices will continue to delay financial recovery of airlines
 - ✓ Global jet fuel prices have risen by an average of 110% in the last 12 months
 - ✓ Pushing up airlines' OPEX and straining margins
- ✓ Uncertainty around the industry's recovery owing to:
 - ✓ Rising level of direct operating costs
 - ✓ Lockdowns and travel restrictions in key markets, China/Russia restrictions
 - ✓ Declining consumer confidence
 - ✓ The emergence of new variants of COVID-19

Aviation Update

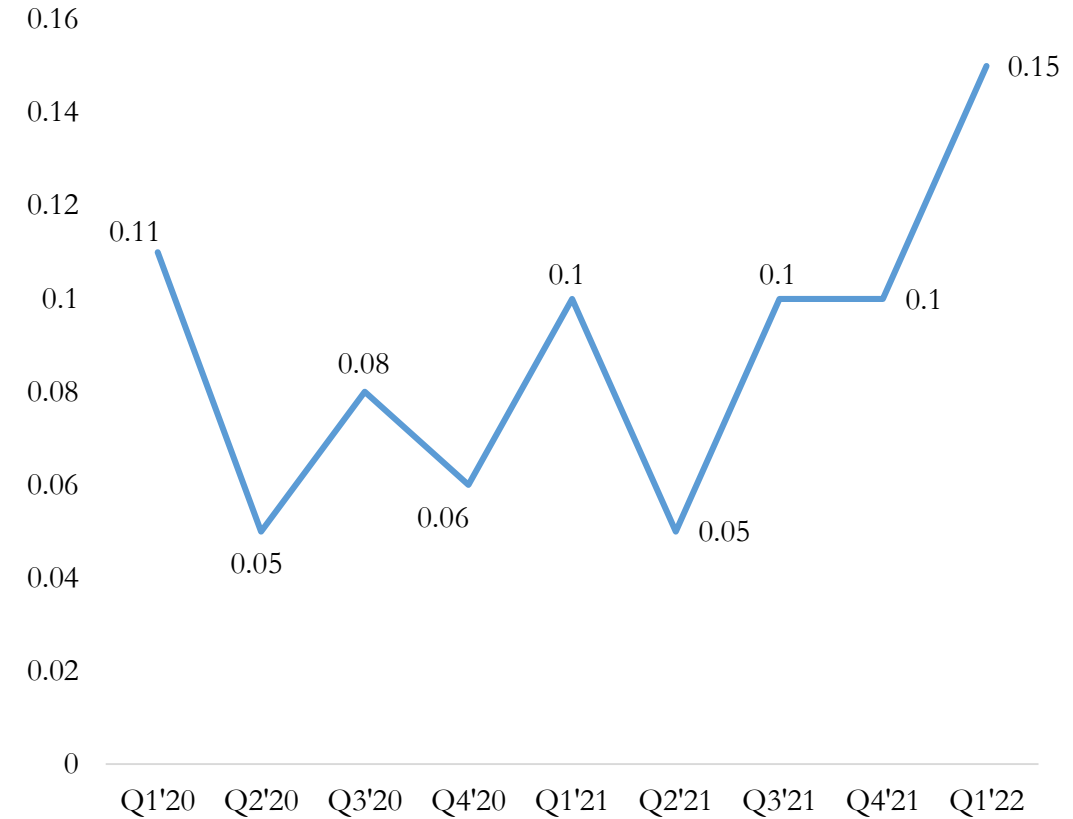
- ✓ African airlines are joining forces to avert a jet fuel price crisis
 - ✓ Established committee to negotiate better prices
 - ✓ Ensure stable supply of jet fuel
 - ✓ Secure deliveries for a one-year period, beginning in July
 - ✓ Committee includes South African Airways and Kenya Airways
- ✓ Sustained jet-fuel price growth exerting upward pressure on operating costs
 - ✓ Moved up to 30% from 20% - **African Airlines Association**
- ✓ Rising cost of aviation fuel has resulted in a 100% increase in domestic airfares in countries like Nigeria

Aviation Update – Domestic

Aviation sector growth Vs Overall GDP growth



Contribution to GDP (%)



- ✓ The aviation sector is a lagging sector
- ✓ That is, response to economic changes is usually delayed

Aviation Sector Growth Vs GDP Growth

	2020	2021
Aviation sector growth (%)	-36.98	19.70
Overall GDP growth (%)	-1.92	3.4
Contribution to GDP (%)	0.08	0.09



Aviation sector contracted in 2020 because of COVID-19

- ✓ Sector was almost in a standstill during this period
- ✓ In 2021, the sector benefitted from the relaxation of COVID restrictions
- ✓ But currently being hit by high operating costs and currency weakness
 - ✓ Aviation fuel price up by 268.42% to N700/liter



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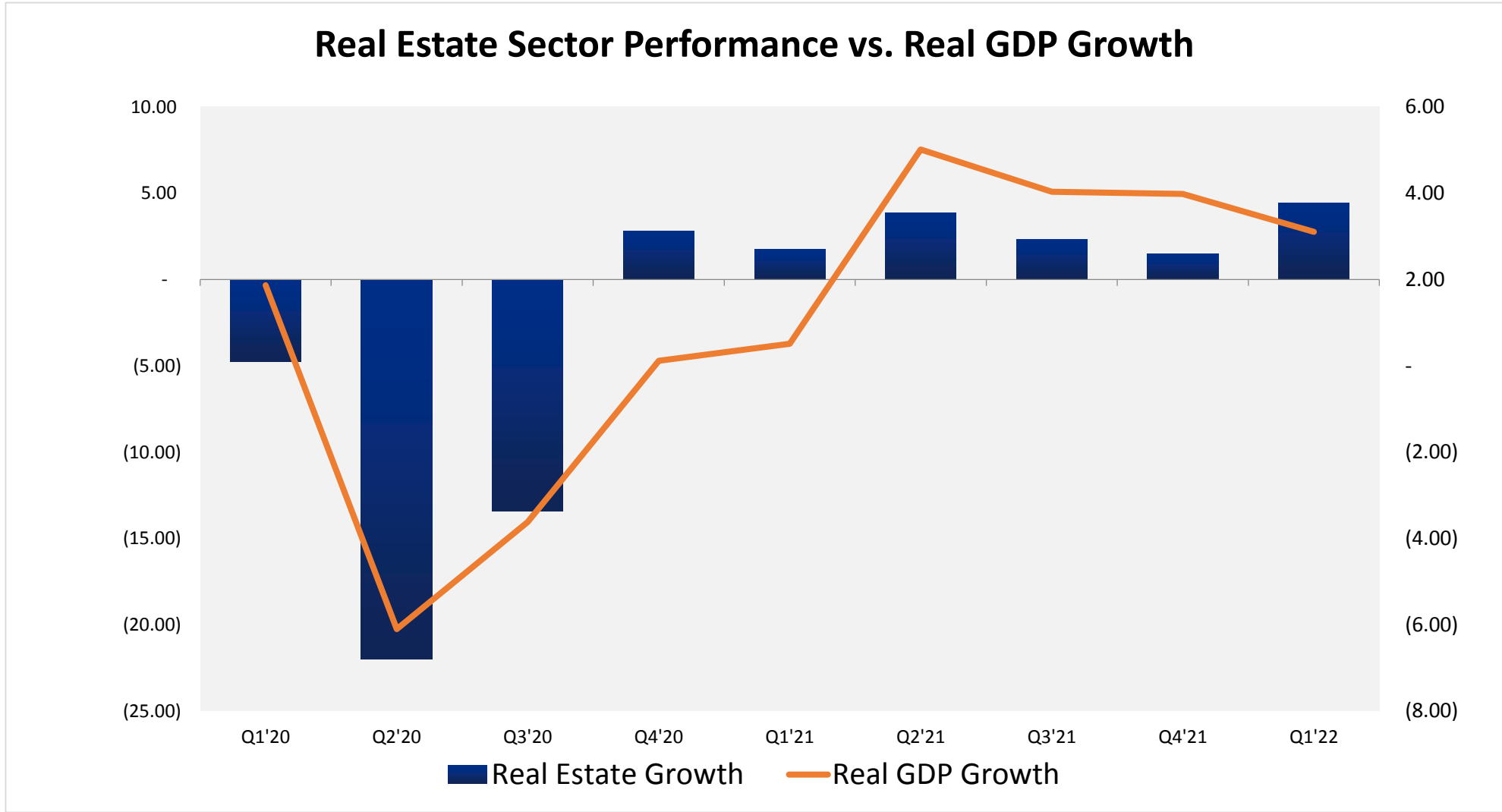
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**REAL ESTATE
UPDATE**

Real Estate Sector



Real Estate Sector – Beneficiary of Money Laundering



- ✓ Spending on real estate assets to spike in the run-up to the general elections
- ✓ Strong growth despite rising cost of building materials and fragile economic recovery
- ✓ Real estate sector growth accelerated by 4.44% in Q1 '22, from 1.77% in the same period in 2021
- ✓ Following 2.26% growth in Q4'2021
- ✓ Increased demand for warehouses, distribution centers and properties with similar functions
 - ✓ Driven by migration to e-commerce and remote

Real Estate Sector – Beneficiary of Money Laundering



- ✓ Traffic congestion a major constraint to development
- ✓ Vacancy factor reducing in the inner cities
- ✓ Lekki is becoming more attractive in Lagos & Garki in Abuja



Owner occupier developments surging

Co-development projects & mortgages becoming popular



Real Estate Sector – Insecurity Fuelling Demand for Gated Communities

- ✓ Global real estate market projected to expand by 150% to \$85.1trn over the next three years
- ✓ Lagos to continue to be the major driver of Nigerian real estate investment landscape



- ✓ Growing insecurity fuelling demand for gated communities and Abuja residential assets
- ✓ Prices and sales value in leading cities for land and residential apartments have risen
- ✓ Retail market experiencing market corrections due to climbing demand from local investors

A pair of blue binoculars is mounted on a stand, positioned in the foreground. The background features a sunset with a bright sun on the left, casting a warm glow over a dark, silhouetted landscape. The binoculars are the central focus, with their two lenses clearly visible.

JUNE OUTLOOK

Outlook For June

- ✓ Inflation will spike to 17.5%
- ✓ Core and seasonal inflation will jump
- ✓ The price of diesel will reach N750 per liter
- ✓ Distorting the consumption function and logistics costs
- ✓ Money supply growth will slow marginally
- ✓ The general level of interest rates will jump by at least 200 – 300 basis points



Outlook For June

- ✓ The stock market will flat-line before dipping
- ✓ There will be a few dead cat bounces but not sustainable
- ✓ The naira will trade at N600/\$-N605/\$ at the parallel market
- ✓ The IATA rate of exchange will depreciate to N450/\$
- ✓ As the airline backlog grows with higher summer bookings
- ✓ Domestic airlines will increase fares again
- ✓ To cover increased cost of aviation fuel at N750 per liter



Outlook For June

- ✓ Oil price likely to fall below \$100pb as supply increases
- ✓ Subsidy payments will surge again
- ✓ APC will pick a Southern consensus candidate
- ✓ The party will splinter but rally round the flag bearer
- ✓ Self preservation will exceed political greed



Corporate Humour

Love conquers all things except poverty and toothache

– *Mae West*

A pessimist is a man who thinks everybody is nasty as himself and he hates them for it

– *George Bernard Shaw*

The world has turned upside down. The best golfer in the world is black. The best rapper in the world is white and now there is a war and guess what? Germany does not want to be in it.

– *Alan Bennett*

Corporate Humour

When a man opens a car door for his wife, it's either a new car or a new wife.

— *Prince Philip*

Love is blind and marriage is the institution for the blind.

— *James Graham*

Getting divorced is not like a bereavement at all, because if he died, I'd have me mortgage paid and I could have danced on his grave.

— *Sarah Milican*

Corporate Humour

One man's wage rise is another man's price increase.

– *Harold Wilson*

Money enables us to get what we want instead of what other people think we want.

– *George Bernard Shaw*

Teach a parrot the terms supply and demand and you have got an economist.

– *Thomas Carlyle*

Corporate Humour

People who say money can't buy you happiness just do not know where to shop.

– *Tara Palmer Tomkinson*

The lack of money is the root of all evil.

– *Anonymous*

Nothing is impossible for the man who doesn't have to do it himself.

– *A. H. Weiler*

Corporate Humour

Money cannot buy you happiness but it does bring you a more pleasant form of misery

– *Spike Milligan*

*Thank
you*



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