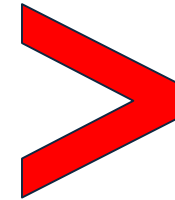


LBS BREAKFAST SESSION



**POLITICAL
IMPONDERABLES**



**ECONOMIC
IMPERATIVES**

CONTENT



Global Events

Positive data
Confused
electorates



Stock Market

Correction started,
bear market
coming!



Market Proxies



Domestic Economic Performance

Monetary
development
Its when there are teeth
that you can chew
kolanut



Aviation & Tourism



Politics and Economic



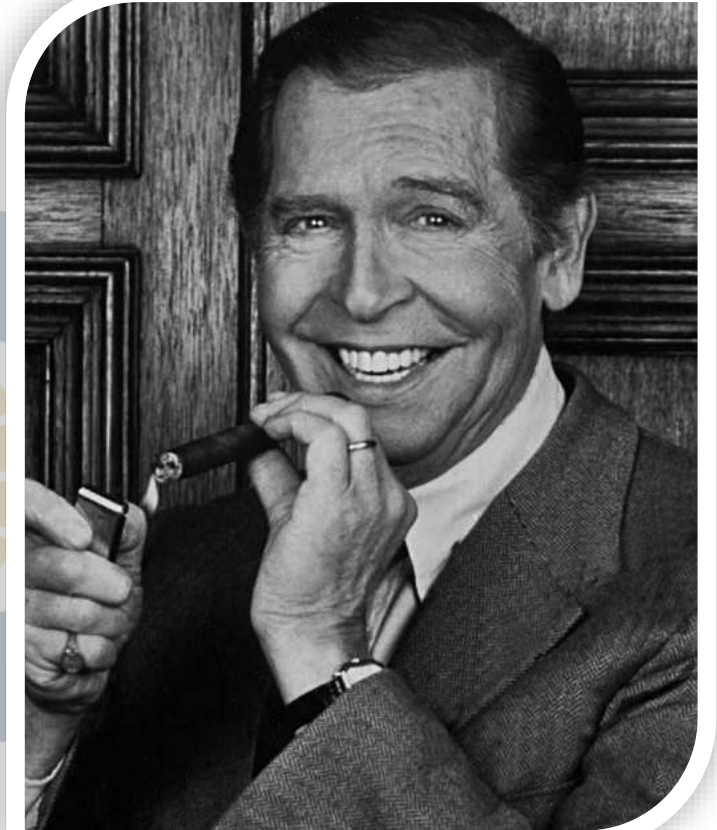
ARE COMMITTEES GOOD FOR PUBLIC POLICY

A Camel is a Horse that was designed by a committee

- Charles F. Kettering

A committee is a group of people who individually can do nothing but who as a group can meet and decide that nothing can be done

- Fred Allen



A committee is a group that keeps minutes and loses hours

- Milton Berle

LAW OF DIMINISHING MARGINAL RETURNS

“As more and more labor and capital are applied to a fixed amount of land (the quality of which may not be the best), the additional output (crops) will eventually increase at a slower and slower rate.”

.... **David Ricardo**



ECONOMIES OF SCALE

It used to be that companies with industrial economies of scale created business success. Now, success will come from the information economies of scale, either the ones with complete breadth, or complete depth.

– *Tucker Max*



Regional integration

Coming together is a beginning; keeping together is progress; working together is success.

– *Henry Ford*

The background of the slide features a stylized world map with glowing orange lines connecting various points across the continents, symbolizing a global network. Silhouettes of people in business attire are positioned at several of these network nodes, suggesting international collaboration and economic activity. The overall color palette is dominated by deep blues and warm oranges from the glowing lines.

GLOBAL ECONOMIC UPDATE & CURRENT CHALLENGES

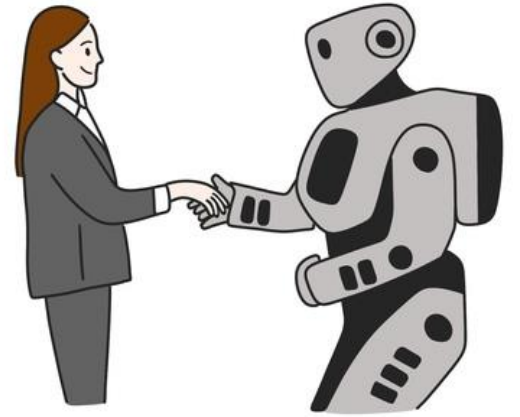
GLOBAL UPDATE & CURRENT CHALLENGES

- The US added 303,000 new jobs in March and unemployment fell to 3.8%
- The US economy surprisingly grew by 3.1% (Y-o-Y) in the last quarter (Q4'23)
- US PCE inflation rose marginally to 2.5% in February from 2.4% in January
- Powell expects US inflation to fall towards the Fed's goal of 2%
- The Fed may have reservations about a rate cut soon
- Global stock markets have recorded their best first quarter performance in 5 years
- The MSCI index gained 7.7% in 2024: the most since 2019, with stocks outperforming bonds by the biggest margin



GLOBAL UPDATE & CURRENT CHALLENGES

- The AI boom has fueled the market gains
- With Nvidia the chip designer adding more than \$1trn in market value in the first three months
- European banks' shares have hit a six-year high after they promised second profit
- UBS, which acquired Credit Suisse reported profits 46% higher than the prior year
- French (2.3%) and Italian (1.3%) inflation data boost hopes of ECB rate cut
- The Bank of Japan (BOJ) raised interest rates for the first time ever since 2007





GLOBAL UPDATE & CURRENT CHALLENGES

- The target rate for overnight loans was raised from -0.1% to 0.1%
- The BOJ is the last central bank to end a negative interest rate policy
- The Fed, BOE, ECB, and SARB all left policy rates unchanged
- Unilever announced a restructuring plan that will cut 6% of its employment and spin off the Magnum and Ben and Jerry's ice cream division
- The CBN has reported inflows of FPI of \$2.3bn between January and February
- FPI's are enjoying the carry trade on a bet that the naira will remain steady at current level
- The investors have a yield pickup of 23% plus a currency glide path of at least 20%

2024/25 YEAR OF ELECTIONS: 46 COUNTRIES & 4 BILLION VOTERS

India



World largest democracy

Date

April 19 – June 1

Expected Outcome

Modi to win



UK



One of the world's oldest democracy

Date

On/before Jan 28, 2025

Expected Outcome

Labour Party to win



USA



United States election will be highly contested

The winner could change the geopolitical landscape



South Africa



Home to Africa's biggest banks

Date

May - August

Expected Outcome

ANC to win



The background of the slide shows a blurred office scene. In the foreground, a person's hand is holding a white pen over a tablet displaying a colorful pie chart. Other hands are visible, some pointing at documents or the tablet. The scene is dimly lit, with warm ambient light. A large, semi-transparent brown rectangle with rounded corners is overlaid on the left side of the image, containing the title text.

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Abuja Branch

Phase 1, 5th Floor, Suite F5. 1
Rivers House, Plot 83 Ralph
Shodeinde Street, CBD, Abuja.
+234 09 292 5164



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MACROECONOMIC QUARTERLY SCORECARD – VERY SLOW BUT STEADY PROGRESS

- Nigerian economy will move very slowly but make steady progress.

	3	6	Q1'24	Q2'24f	% Change	Scorecard
Economic Growth (%)			3.46 (Q4'24)	2.9 (Q1.24)	0.56	
Inflation (%)			31.7 (Feb'24)	33	1.3	
Oil Production(mbpd)			1.476 (Feb'24)	1.45	1.76	
Gross External Reserves (\$'bn. End period)			34.26 (Mar'24)	32.5	5.1	
Oil Price(\$pb) – end period)			86.09 (Mar'24)	84.03	2.4	
Money Supply Growth (%)			79 Feb'24	68	11	
Trade Balance (\$,bn)			-1.06 Q4'23	0.982	192	
Exchange rate (N/\$), end period			1300.43 Mar/28/24	1325	1.9	
Purchasing Managers' Index (PMI)			51 Mar'24	52	1.96	



KEY TAKEAWAYS

- PMI flattened at a four-month low of 51 in March
- Economic growth remains positive but tepid
- Recovery on the back of a strong naira for now
- Expected to expand in 2025/2026 after flattening in 2024
- Inflation remains stubbornly high, expected to moderate in H2
- Money supply rose sharply by 79% in February, set to moderate in H2
- Nigeria policy policymakers are stuck in the middle - going with the global flow or in search of economic patriotism



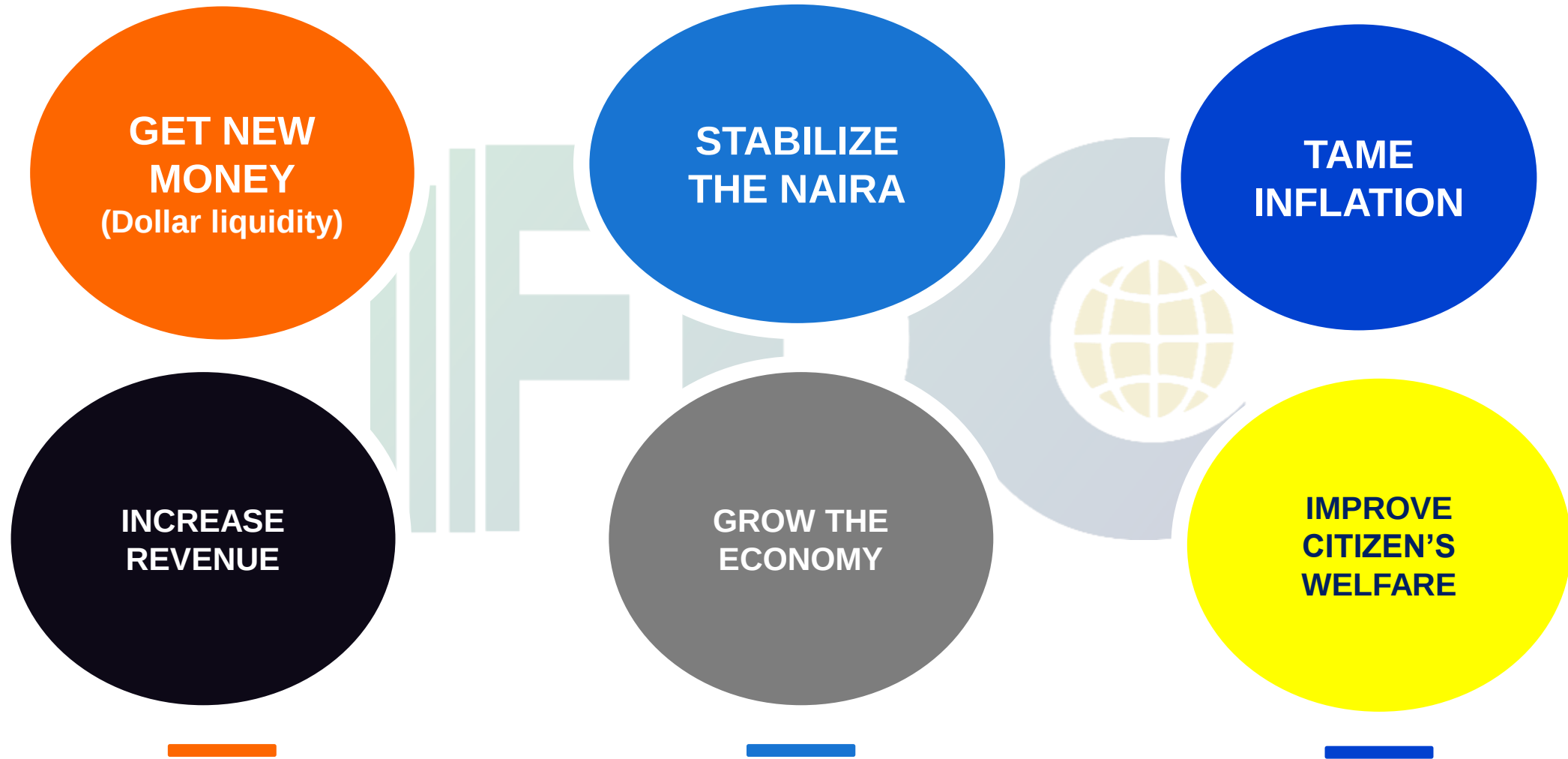
RECENT DEVELOPMENTS IN NIGERIA

- Inflation is set to peak in May/June and begin to decline after the wage review
- The external sector is weak due to currency misalignment
- There is need for new money – Eurobond and multilateral funding
- Completion of numerous standard projects
- Sale of dead assets and concessioning of roads, bridges, airports, and seaports
- A program for securitizing some of the parked ways and means advances
- Engaging with the commercial creditors to refinance existing and maturing obligations
- Constructive engagement with labour on a meaningful living wage





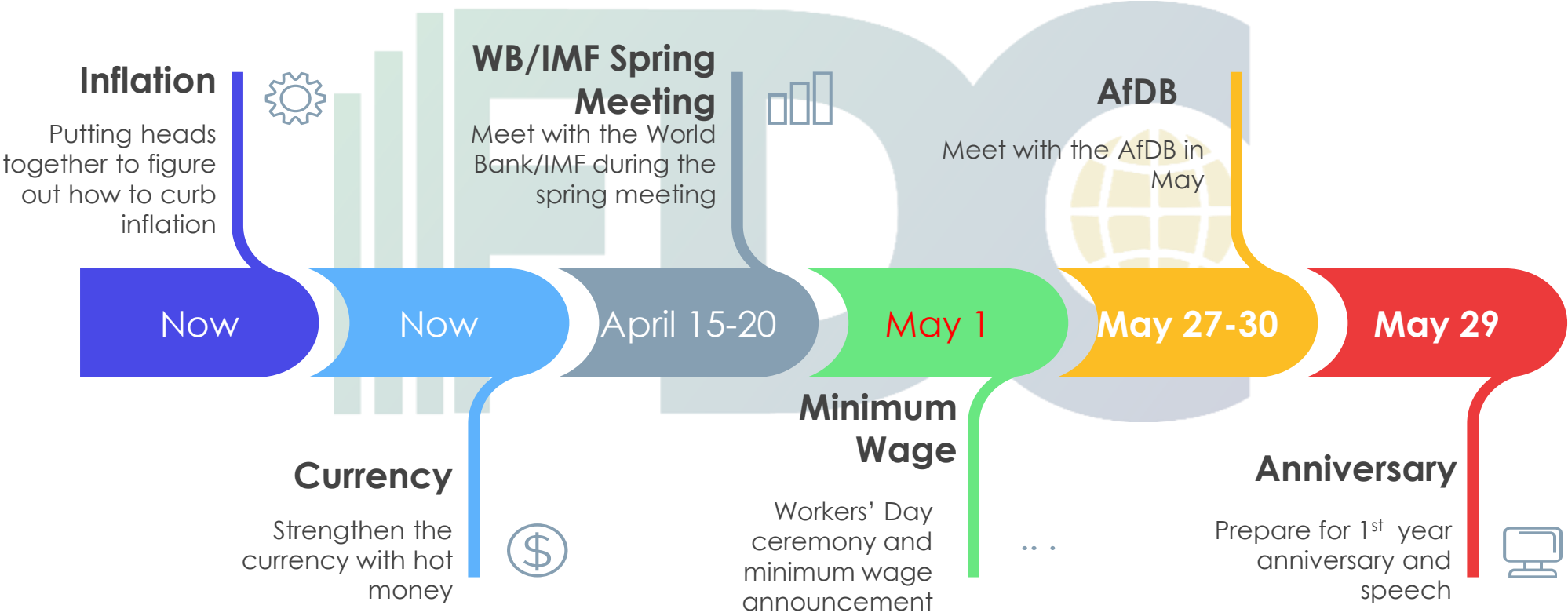
THE SHORT-TERM GOALS OF GOVERNMENT



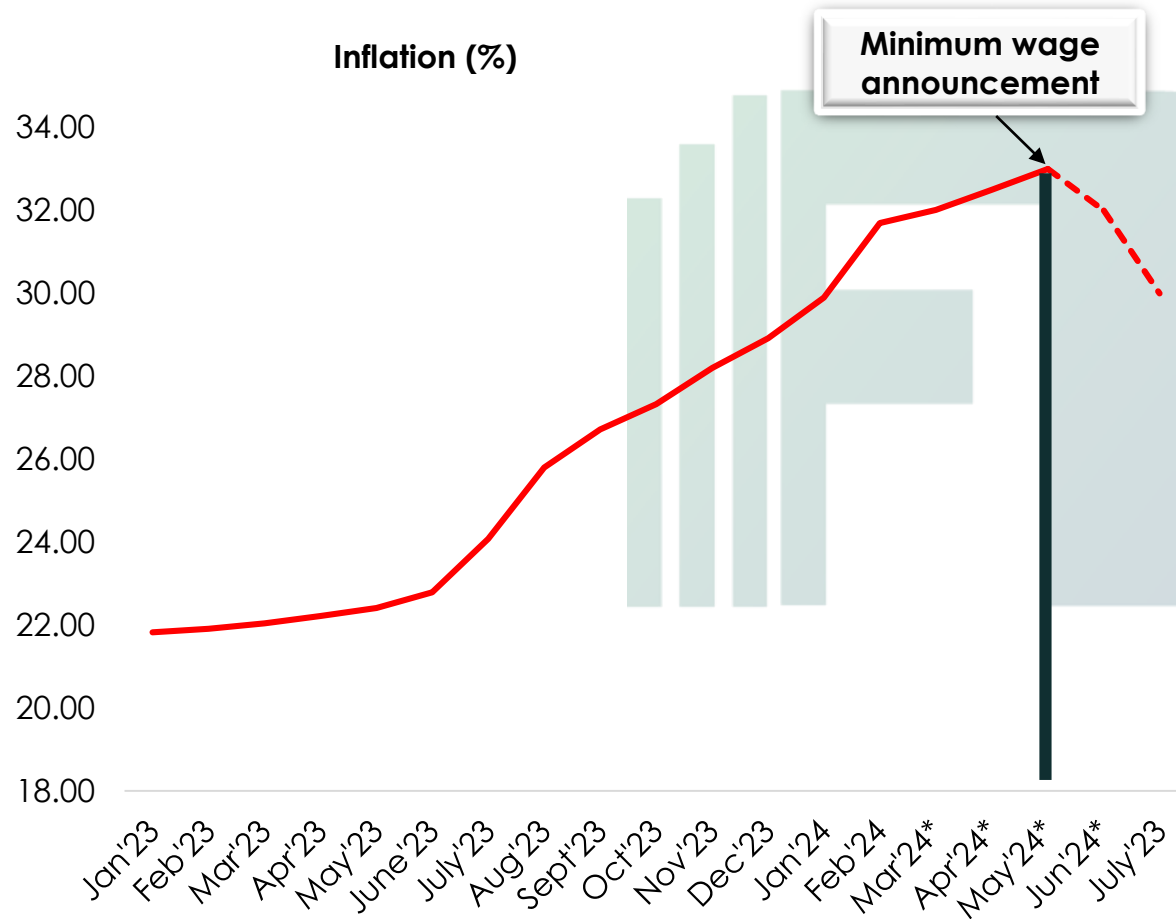


THE CHRONOLOGY OF EVENTS IN THE NEXT 60 DAYS

- Here is a packed calendar for the Honourable Minister of Finance

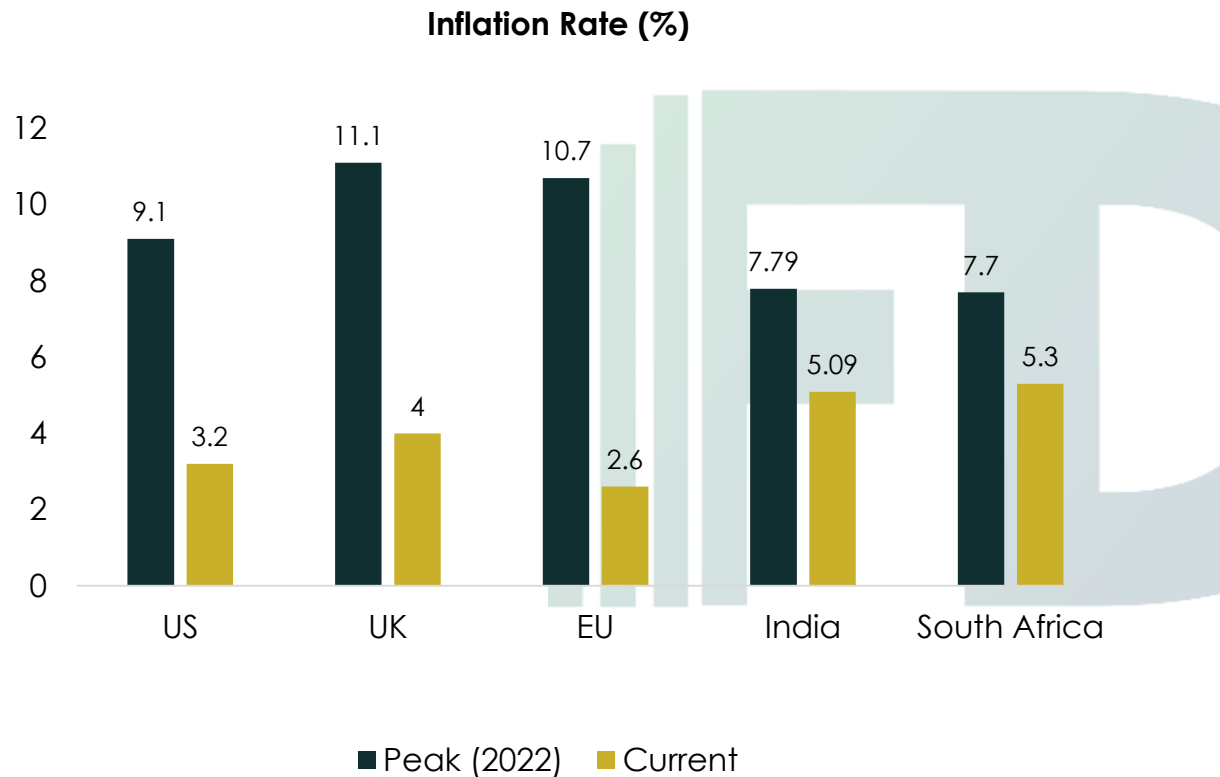


INFLATION TO CLIMB HIGHER TO 32.4%



- Inflation in March is expected to surge to 32% underpinned by
 - Food supply chain disruption
 - Lingering impact of fuel subsidy reduction
 - Greedflation: corporate greed and the naked exploitation of consumers by conscienceless marketers.

INFLATION IS MODERATING IN MOST COUNTRIES



- After peaking at a multi-decade high, inflation has started decelerating in most countries
- Sustained moderation in inflation towards central bank's long-term target will support shift to monetary policy normalization

INFLATION STOKING FACTORS ARE MODERATING BUT INFLATION REMAINS POTENT– A PUZZLING INCONSISTENCY



N1,500
↓
N1,225



N1,915/\$ (Feb.21)
↓
N1,290/& (Mar. 28)

35.41% (Jan)
↑
37.49% (Feb)



Prices of food

No Quick Fixes -Inflation can be managed, but there are no instant solutions.



REASONS WHY INFLATION CAN BECOME INTRACTABLE



Structural Factors
(supply-side constraints)



Expectations
(inflation expectation
become entrenched in
consumer behavior)



Lack of Credibility
(in commitment to price stability)



External Shocks
(exchange rate
fluctuation)



Policy Constraints
(limited policy tools)



INFLATION CONTROL MEASURES USED AND OUTCOMES



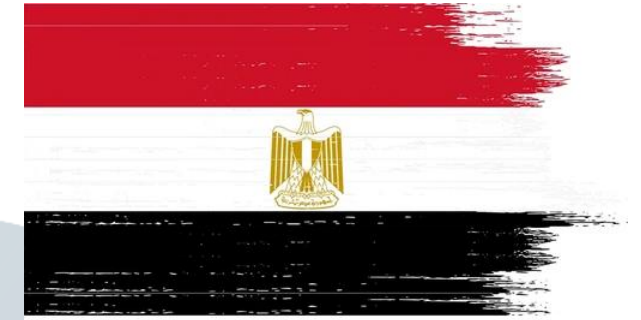
Kenya

- Tight monetary policy
- IMF assistance
- Structural reform
- Fuel price adjustment
- Inflation 5.7% % in March
- Size of economy is \$74bn



Turkey

- Tight monetary policy
- Eurobonds
- Inflation is at 68.5%
- Did wage review
- Size of the economy: \$907bn



Egypt

- Inflation in February surges to 36% from 29.8% in January
- Underpinned by 50% hike in minimum wage
- Prompted interest rate hike in rate by 800bps in one month

Lessons to learn

- Not only tight monetary policy was used in these counties
- New money were sourced
- Institutional intervention was undertaken
- Structural reforms and increase in productivity
- Wage hike renewed inflationary pressure

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CAN MONETARY POLICY DO IT ALONE?

NO!!

Rate hike

MPR

CRR

+ New money + Increase productivity +



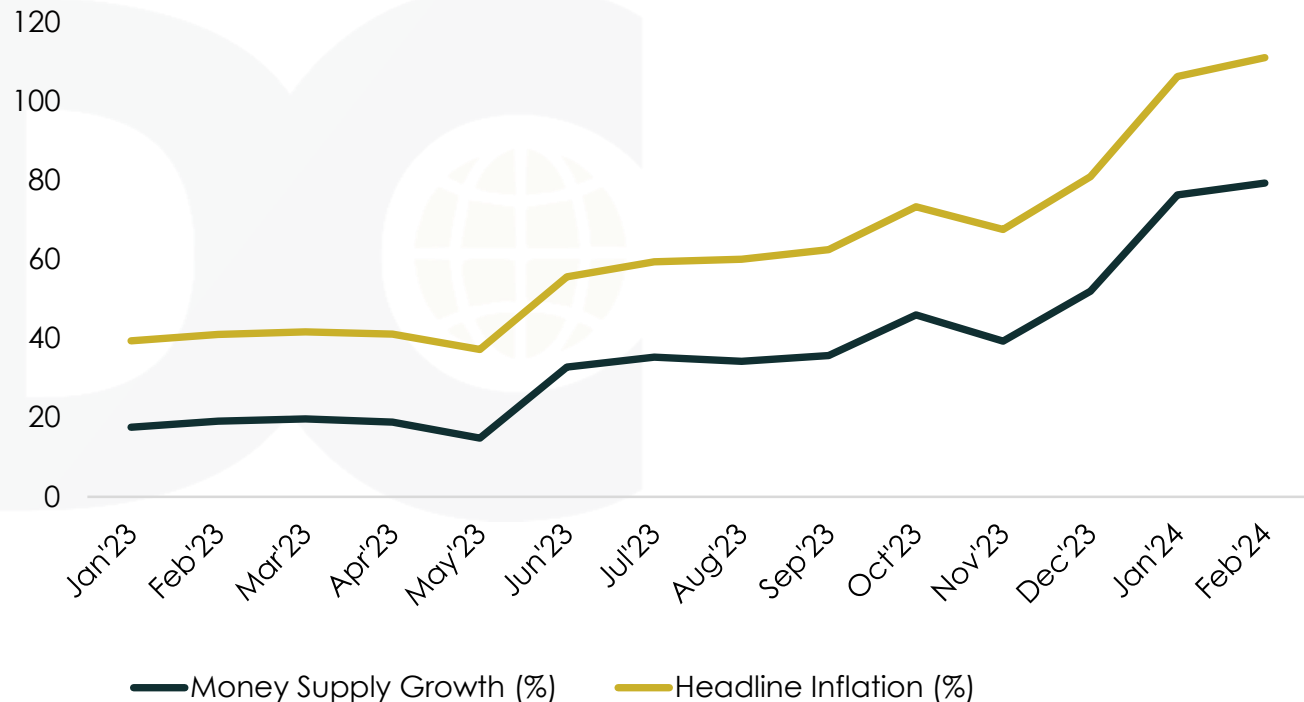
IMF World Bank

- Rate hike alone may not be a golden bullet that will address inflation
- However, new money and intervention from institutions are needed as a backup for a quicker outcome

MONEY SUPPLY GROWTH – TO DECLINE IN THE NEXT QUARTER

- Money supply grew by 79% to N95.6trn in February
- There is a direct relationship between money supply and inflation
- Money supply is projected to decline in the next quarter underpinned by:
- The CBN's proactive approach to tightening Monetary Policy Rate (MPR) and Cash Reserve Ratio (CRR)

Money Supply & Inflation (%)



NAIRA SWIFT RECOVERY – IS IT SUSTAINABLE?



Lowest point of the naira

N1,915/\$

While the recent recovery is positive, sustained stability will depend on continued supply, government policies, economic fundamentals, and global factors

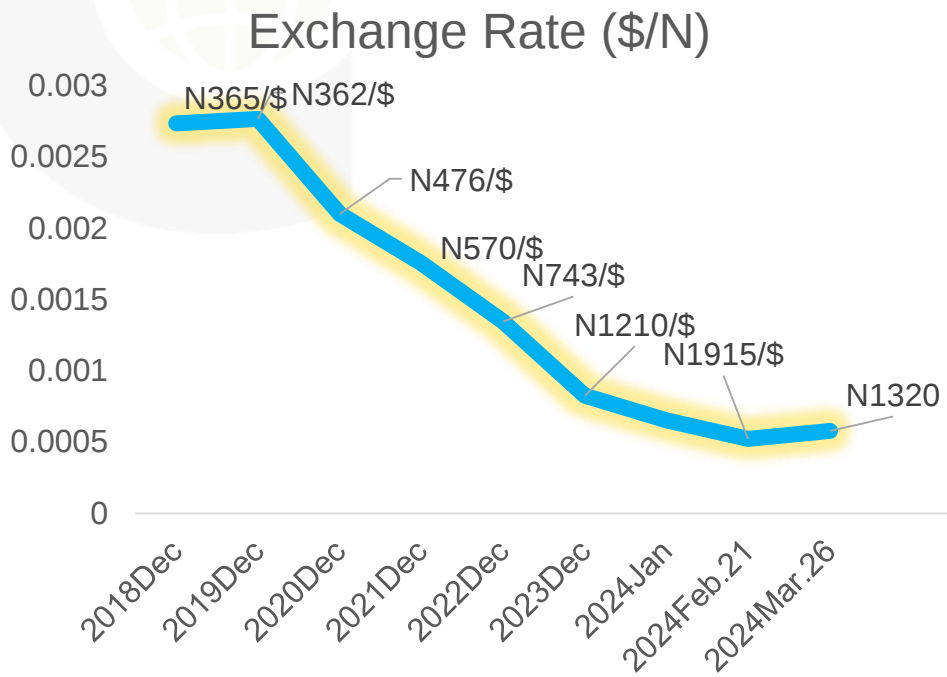
Naira appreciating



Rescuing the naira



Furry CBN circular
FX sanitization
FX supply



WHAT IS THE TRUE VALUE OF THE NAIRA

Purchasing Power Parity			
		Apr-24	
	=N=	US \$	PPP ('=N=/US\$)
Bottle of Pepsi (50cl)	350	0.65	538.46
Heinekin Beer (60cl)	900	1.33	676.69
Hamburger (Burger King)	8,200	5.49	1493.62
Indomie (1 unit)	250	0.90	277.78
Nestle Bottled Water (60cl 1 unit)	300	0.32	937.50
Big Loaf Bread	1,500	1.48	1013.51
Corrola (2023 Model)	36,500,000	22795.00	1601.23
Irish Spring Soap (1 cake)	1,200	0.75	1600.00
Chicken Breasts (1 kg)	5,500	5.37	1024.21
Trolley	18,000	11.02	1633.39
Peak evaporated milk (pack of 12)	13,500	54.00	250.00
Uncle Ben's rice (5.44kg 1 pack)	21,240	26.58	799.10
Eggs (30 large eggs)	4,000	6.43	622.08
Average PPP			959.04
Naira Price at NAFEM			1309.39
PPP (%)			
Decision: Naira is		Undervalued	-26.76%
Spot Rate (Parallel)			1,250
Outcome: Compared to NAFEM rate of N1309.39/\$1, the Naira is undervalued by 26.76%			

Parallel Market Rate



N1,250/\$

PPP



N959.04/\$

Official Rate



N1,309.39/\$

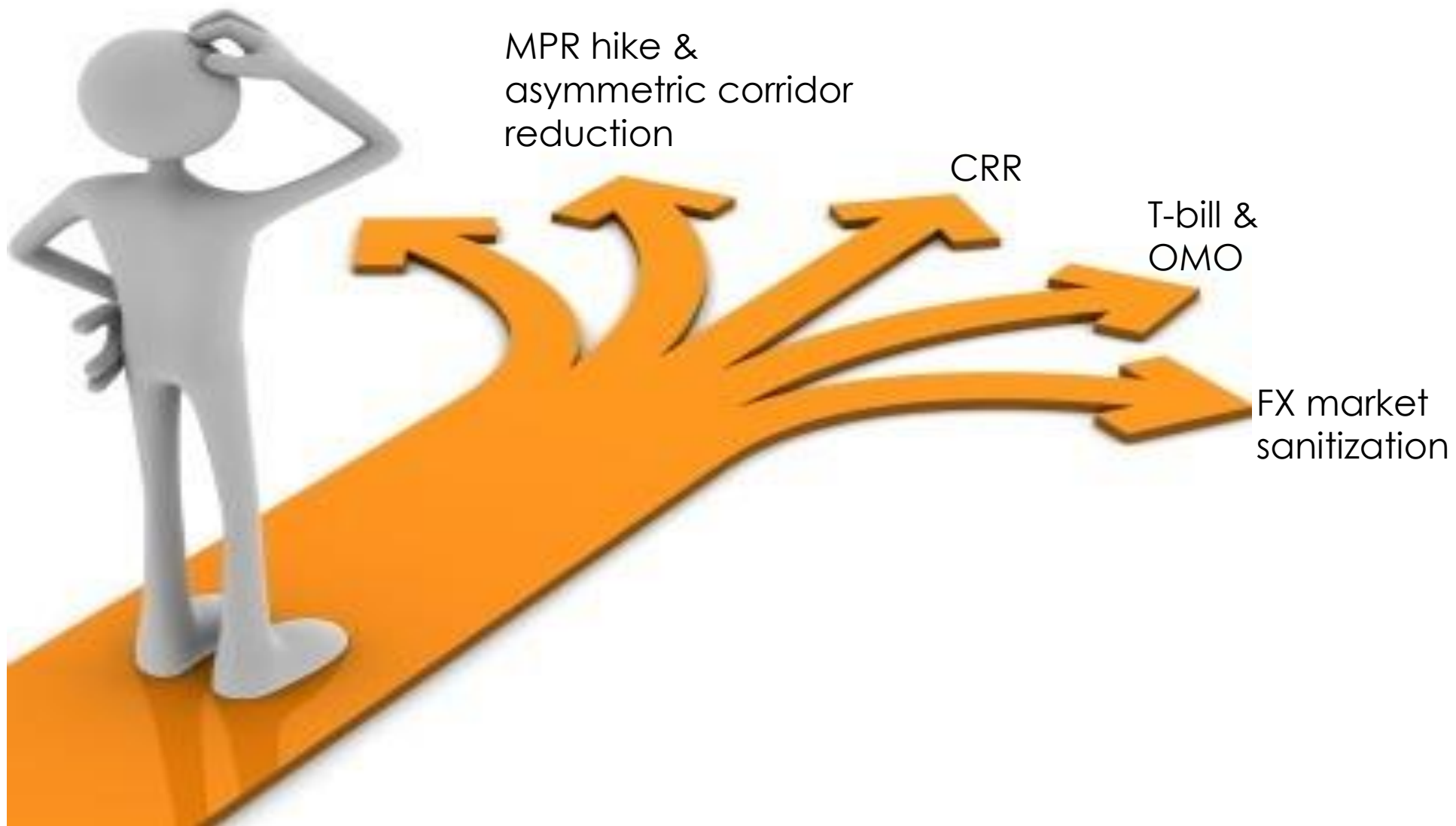
Hamburger



N1,493.62/\$

- The naira is theoretically undervalued

CBN MOVES TOWARDS REINING IN INFLATION & MONEY SUPPLY SATURATION



RECENT MPC DECISION

outcome-cumulative hike of 600bps in 7 months

400bps in February

200bps in March

status quo in May

MPR

24.75%p.a

200bps



22.75%p.a

maintained

CRR

45%

12.5%

32.5%



MERCHANT BANK
adjusted by 4%

CRR

14%

4%

10%



REDUCED ASYMMETRIC CORRIDOR: +100/-300 BASIS POINTS

- Recently, the CBN narrowed the range within which it allows short-term interest rates to fluctuate
- This is signaling a desire for more control over interest rates, to combat inflationary pressures and stabilize financial markets
- On the downside (-300 basis points) compared to the upside (+100 basis points)
- Banks may adjust their lending and deposit rates accordingly
- Borrowers may face slightly higher borrowing costs, while savers may see slightly higher returns on their deposits

Standing Lending Facility

$$\text{MPR (24.75\%)} + 1.00\% = 25.75\%$$

Standing Deposit Facility

$$\text{MPR (24.75\%)} - 3.00\% = 21.75\%$$

INTEREST RATES REMAIN HIGH BUT FOR HOW LONG?

- MPC posits to maintain its hawkish stance until inflation numbers begins to rebound
- Inflation does not disappear over night
- It takes focused commitment to rein in inflation
- It took the US four months to record the first moderation in inflation.
- If exchange rate continues to appreciate, and other measures are employed, inflation numbers are likely going to decline by June





IS THE RATE HIKE TIGHTENING, CHOKING, OR BOTH?



- Interest rate hike is necessary to
- Rein in stubborn inflation bookended by excess money growth
- Moderate excess demand for dollar
- Effect not yet felt due to transmission lag



HIGHER INTEREST RATES SPUR FPI INFLOWS

- Nigeria attracted capital inflows of about \$2.3 billion in February
- Underpinned by increased demand for Nigeria's securities by foreign investors
- CBN data also showed overseas remittances more than quadrupled to \$1.3 billion in February
- Compared with \$300 million in January
- CBN efforts to increase forex liquidity include
 - Restricting banks' foreign exchange speculative activities
 - Prohibiting street trading in foreign exchange
 - Capping net open positions at 20% of shareholders' funds



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EXTERNAL RESERVES ACCRETION TICKS UP

External reserves increased by \$993 million to \$34.11 billion



Driven by



Remittance payments by
Nigerians overseas



Purchase of Nigerian debt
instruments by foreign investors

- External reserves accretion can help stabilize the exchange rate, and mitigate imported inflation
- Also, enhance overall confidence in the banking system and the economy

IMPACT OF RESTRICTIVE MONETARY POLICY ON YOU

SHORT TERM IMPACT

- Cost of borrowing for consumption increases
- Interest on savings increases
- Propensity to save increases
- Consumption demand declines
- Capital loss on stock holdings



LONG TERM IMPACT

- Inflation declines
- Purchasing power of households improves
- Exchange rate appreciation leads to expenditure switching
- Household consumption increases
- Real wage increases

IMPACT OF RESTRICTIVE MONETARY POLICY ON CORPORATES

SHORT IMPACT

- Profit margin compresses
- Ravaging capital
- Finance expenses increase
- Cash flow constraints
- Decrease in investment
- Turnover declines
- Share prices may decline
- Strategic shifts towards diversifying capital structure
- Background integration

LONG TERM IMPACT

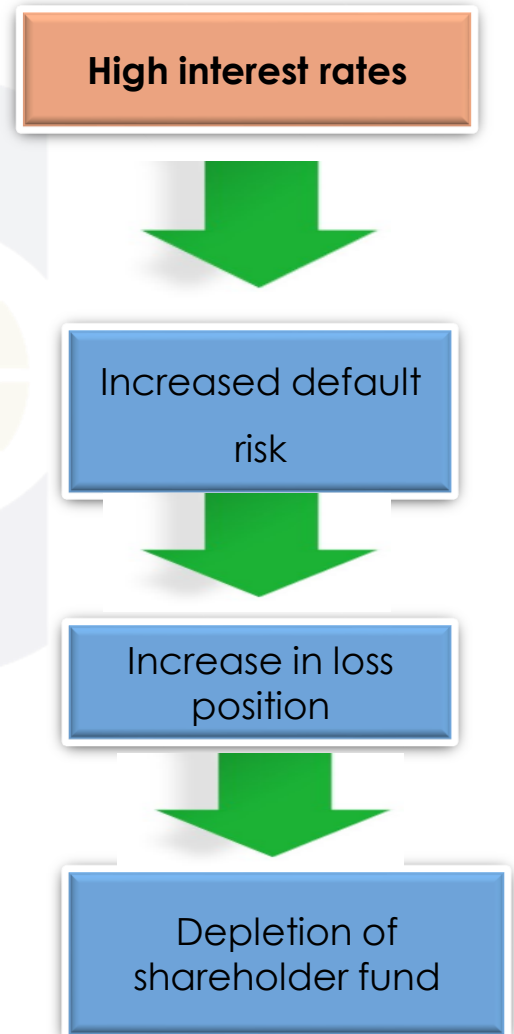
- Inflation declines
- Turnover increases
- Plant expansion/increased investment
- Lower cost of raw material
- Industry consolidation





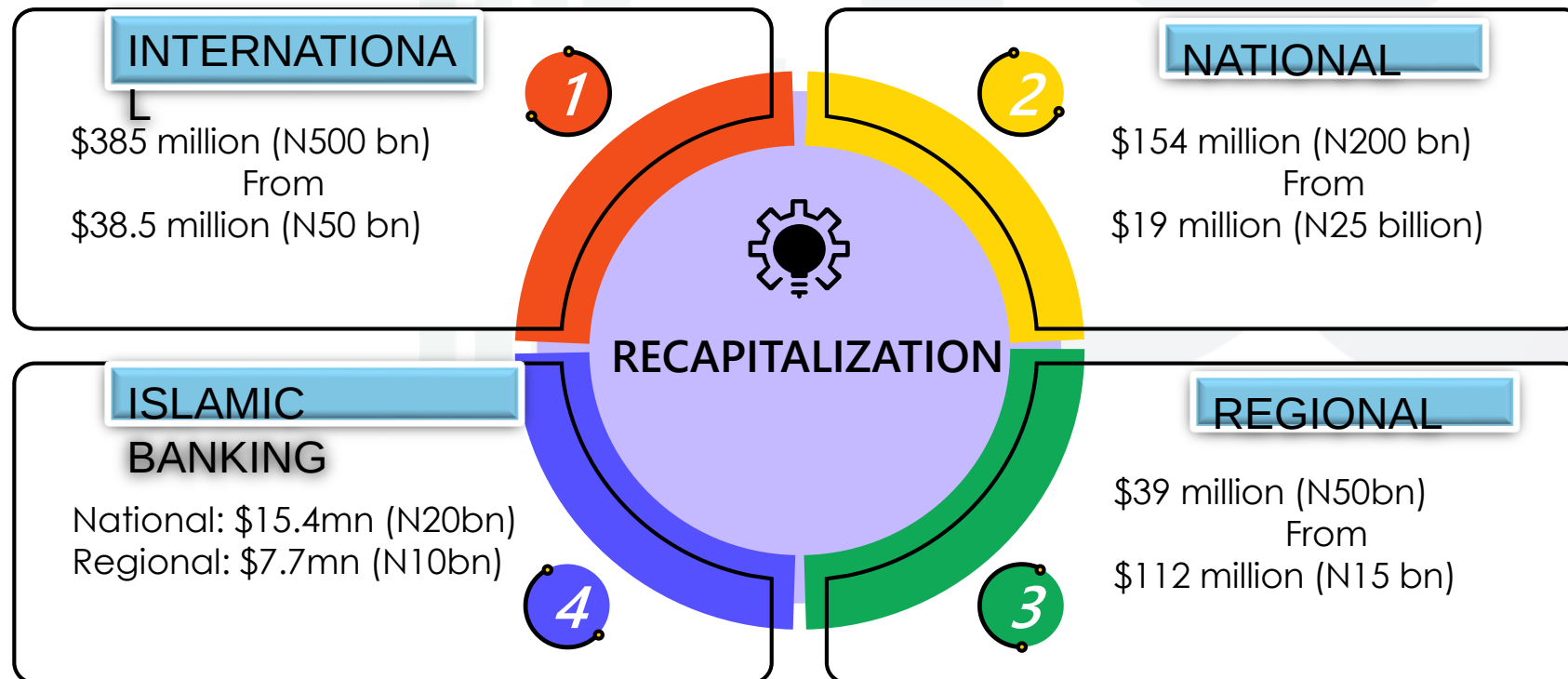
IMPACT OF MONETARY POLICY TIGHTENING ON BANK CAPITAL

- Interest rate hike raises the cost of capital
- This leads to increased risk of defaults
- As loan advances declines and bad debts increases, capital adequacy ratio deteriorates
- High interest rate reduces the appetite for bank shares in the stock market
- It accentuates duration gap risks
- Liquidity crunch could stimulate a bank run

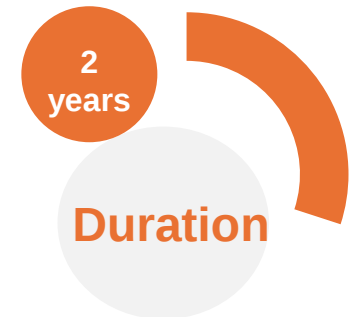


CBN RAISES BANK CAPITAL REQUIREMENTS

- The jury is out, but there are more questions than answers!!



Recapitalization plan to be submitted by April 30, 2024



Recapitalization to be completed in 24 months



IMPACT OF MONETARY POLICY TIGHTENING ON INFLATION

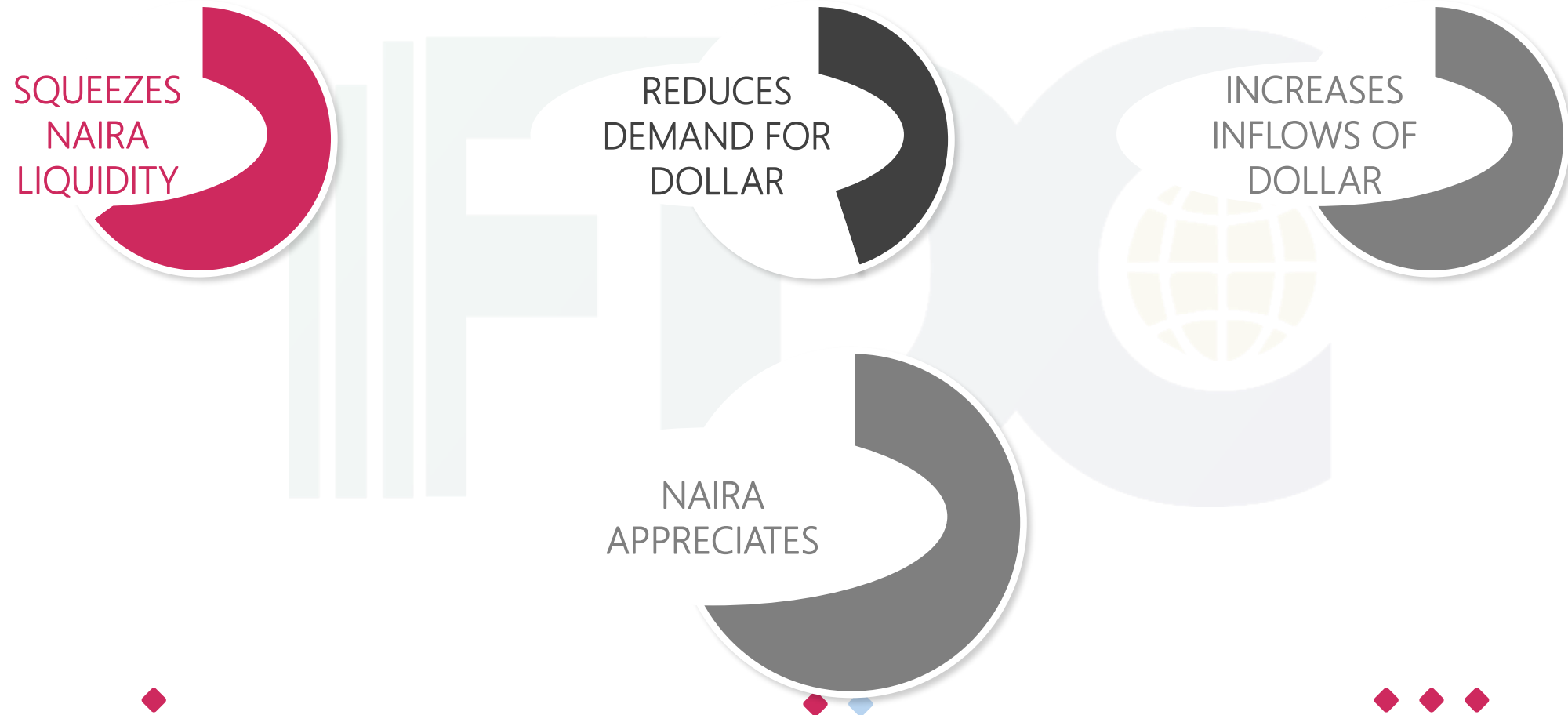
- Inflation is a monetary phenomenon (Friedman)
- Monetary tightening reduces the demand for money
- Moderates consumption spending and encourages saving
- Leads to decline in aggregate demand, which thus, tapers demand-push inflation



But it could be more complex than this



IMPACT OF MOENTARY POLICY TIGHTENING ON EXCHANGE RATE





GOVERNMENT'S GROWTH AGENDA – \$1TRILLION ECONOMY



\$1trn economy by 2032

- Note: This is a 10-year plan

Required CAGR

7.68%

- This growth rate accounts for inflation. However, if exchange rate depreciation exceeds the rate of inflation, then the CAGR will need to be higher



2022 GDP: \$477bn



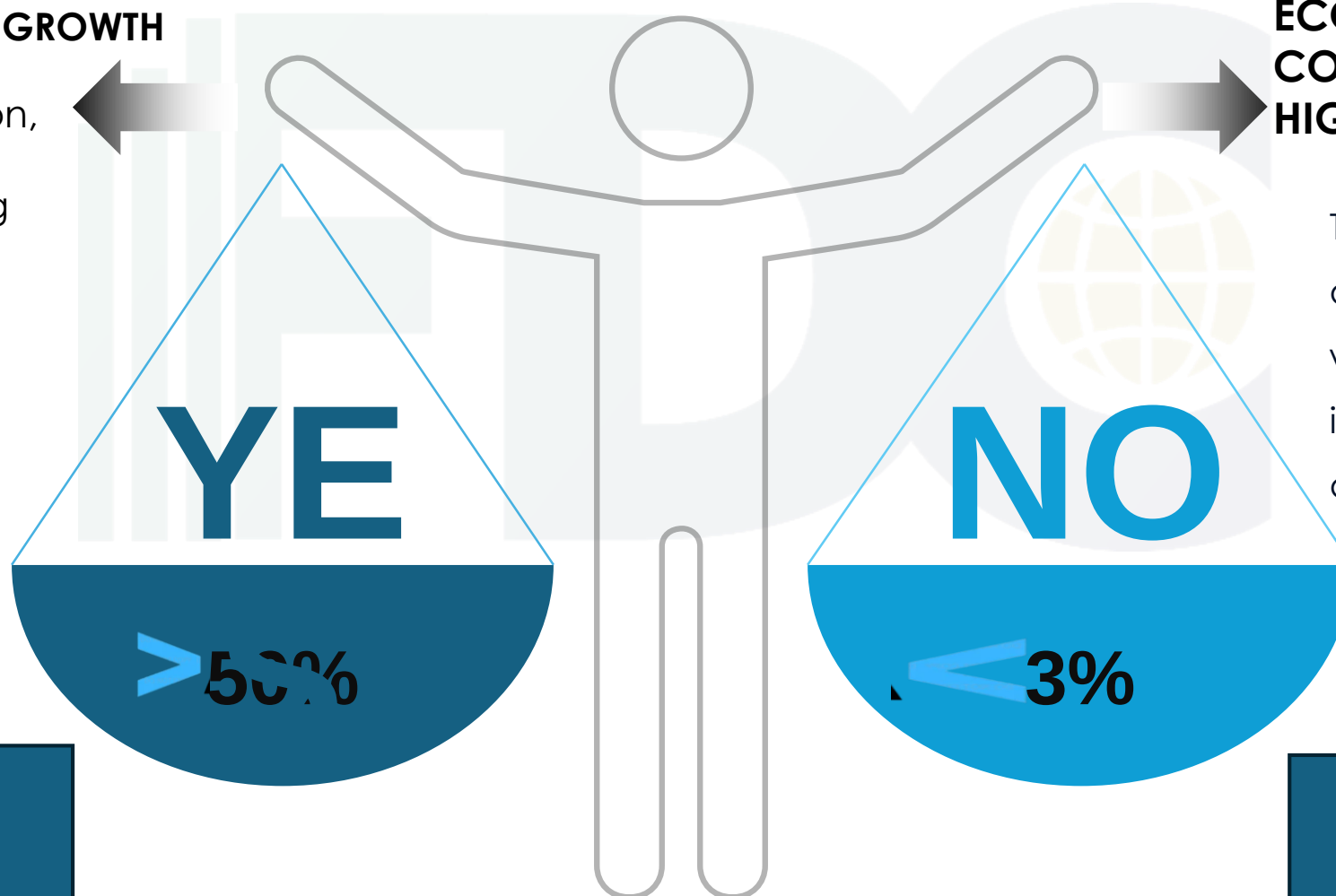
REVENUE



ECONOMIC GROWTH

REVENUE CAN BOOST GROWTH

By fueling consumption, investment, and government spending



ECONOMIC GROWTH COULD TRANSLATE INTO HIGHER REVENUE

Through increased level of economic activity which further leads to increased sales volume and profitability for firms

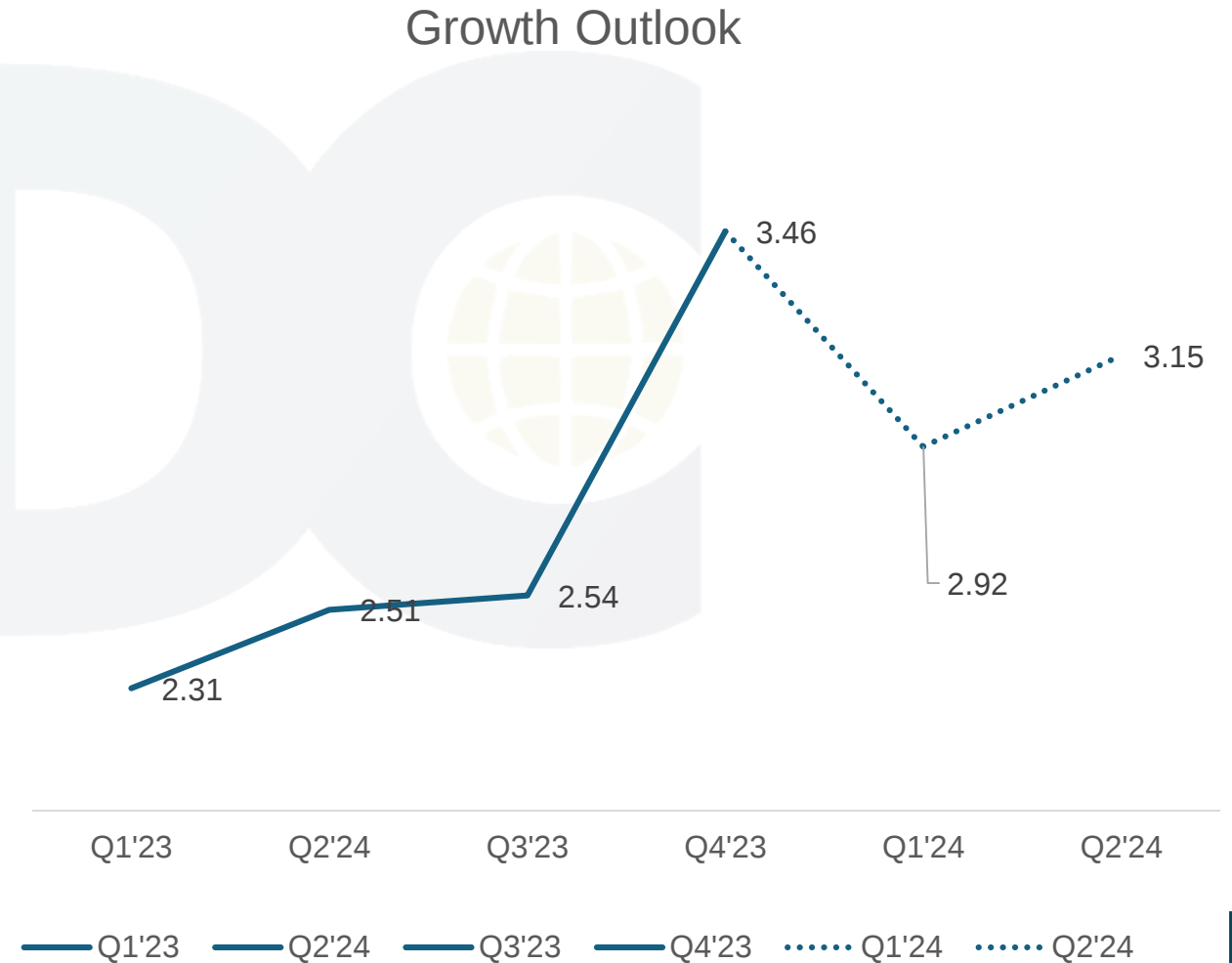
**C + G +
Revenue**

**I + X-M =
Growth**



Q1'24 GROWTH WILL REMAIN SUBDUED

- Q1 growth will remain tepid due to:
 - Subdued consumption demand due to high inflation
 - Suboptimal use of capital stock
 - Labour productivity impeded by infrastructure bottlenecks
 - Investor skepticism will hold back FDI
 - PMI flat at 51 in March from February





Connect Everything, Everywhere within one ecosystem

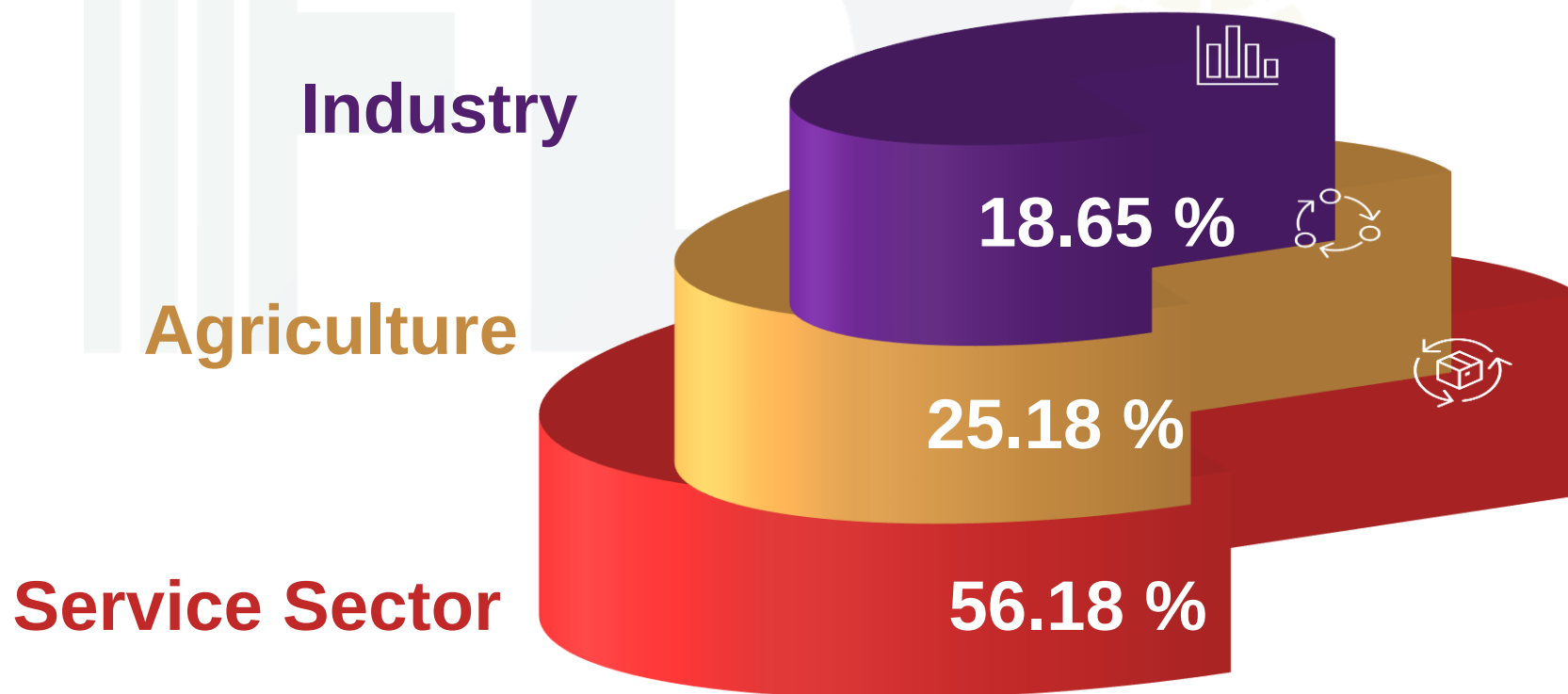
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CONTRIBUTION OF INDUSTRY TO ECONOMIC ACTIVITY IS SUBOPTIMAL

- The sector contributes more than half of the economy.
- The weak industrial sector is the albatross of the productivity gap
- Agriculture sector activity is far less than its potential, leading to food crisis





SERVICE REMAINS THE MOST RESILIENT SECTOR

- The service sector is not labour intensive



Industry, especially, manufacturing is constrained due to production bottlenecks



Service sector remains the most resilient but highly depends on agriculture and industry

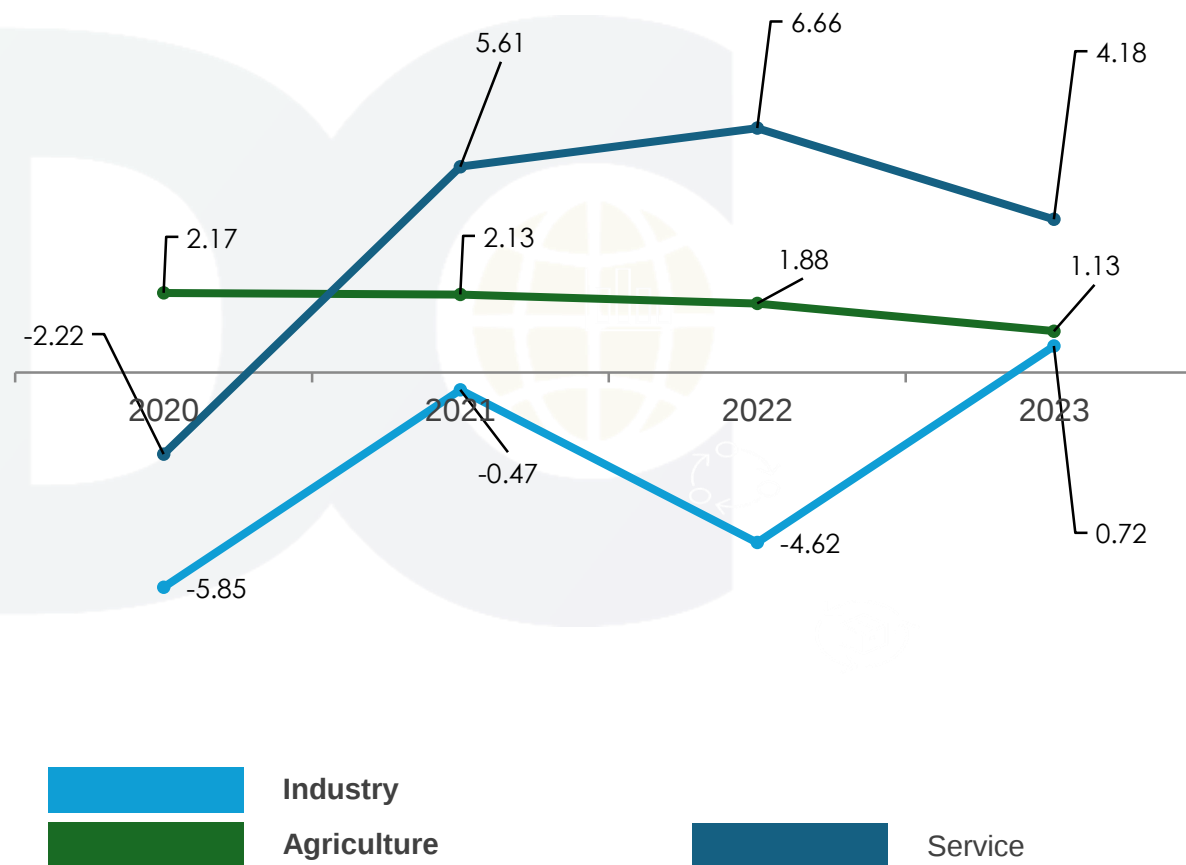


Agriculture is under waters due to

- Declining investments
- Worsening insecurity

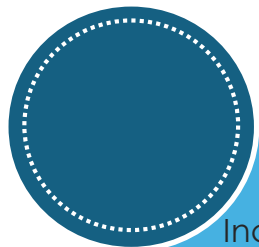


Weak real sector will constrain output growth



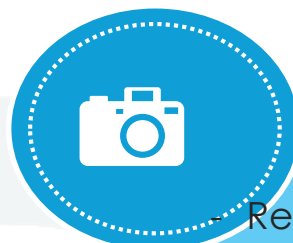


SOURCES OF GROWTH



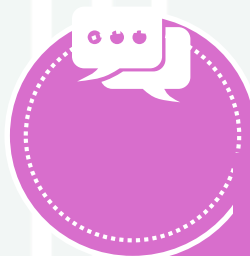
Investment-led Strategy

Increased investment into key areas will stimulate capital formation, and enhance productivity growth



Debottleneck the economy

- Remove impediments to productivity
- Focus on increasing ease of doing businesses
- Embark on institutional reforms



Increase savings

National savings ratio = 32.76%
It must improve to 58% like South Africa and Kenya



**Energy is everything,
invest in power**

No power no productivity!



Transition from bank-based to market-based economy

We need to take agriculture beyond peasantry



INDUSTRY OUTLOOK - CONSUMER GOODS (EIU)

- Retail sales in real terms to contract by 6.3% in 2024 from 6.6% in 2023
 - Due to constraints on purchasing power
- We expect the drag on discretionary spending to persist in 2024 as the impact of the policy reforms lingers
- Sales will start to level off in 2025 before rising by an average of 3% annually in 2026-27
- Aided by an ease in inflation and greater exchange rate stability
- In the long term, Nigeria's retail prospects will be supported by:
 - Rising young population (more than 97% of Nigerians are under 65)
 - Rapid urbanisation (at 4.6% a year, one of the world's highest growth rates)
 - Increasing appetite for Western brands
- However, foreign investors will remain cautious, given the country's difficult operating conditions and volatile economy.



INDUSTRY OUTLOOK – HEALTH CARE(EIU)

- EIU estimates that Nigeria's healthcare spending as a share of GDP will rise to 3.7% and 3.8% in 2024 and 2025 respectively
- But will remain far lower than the pledged 15% allocation under the African Union's 2001 Abuja declaration
- As Nigeria continues to face financial constraints, shortage of skilled medical workers and political challenges
 - Despite Nigeria's continuing population growth
- Healthcare expenditure is expected to rise at a compound annual growth rate (CAGR) of 14.3% over the 2023-27
 - Led by an expansion in public-sector funding
- However, given high inflation, health spending in real terms will fall by 5.19% to \$12.8bn in 2024
 - From \$13.5bn in 2023



INDUSTRY OUTLOOK – TELECOMS (EIU)

- The EIU expects the naira's volatility in early 2024 to put pressure on the telecoms industry
 - Reducing revenue sharply
- However, demand for telco services will remain strong
- Primarily driven by a growing youth population and the internet penetration
- Mobile subscriptions growth expected to pick up to 3.4% in 2024 due to NCC's SIM card registration drive
 - The NCC has extended the deadline for the disconnection of unlinked lines from April 15, 2024 to July 31, 2024
 - For subscribers with more than four SIM cards
- Broadband penetration to increase to 70% in 2025 from below 50% in 2023

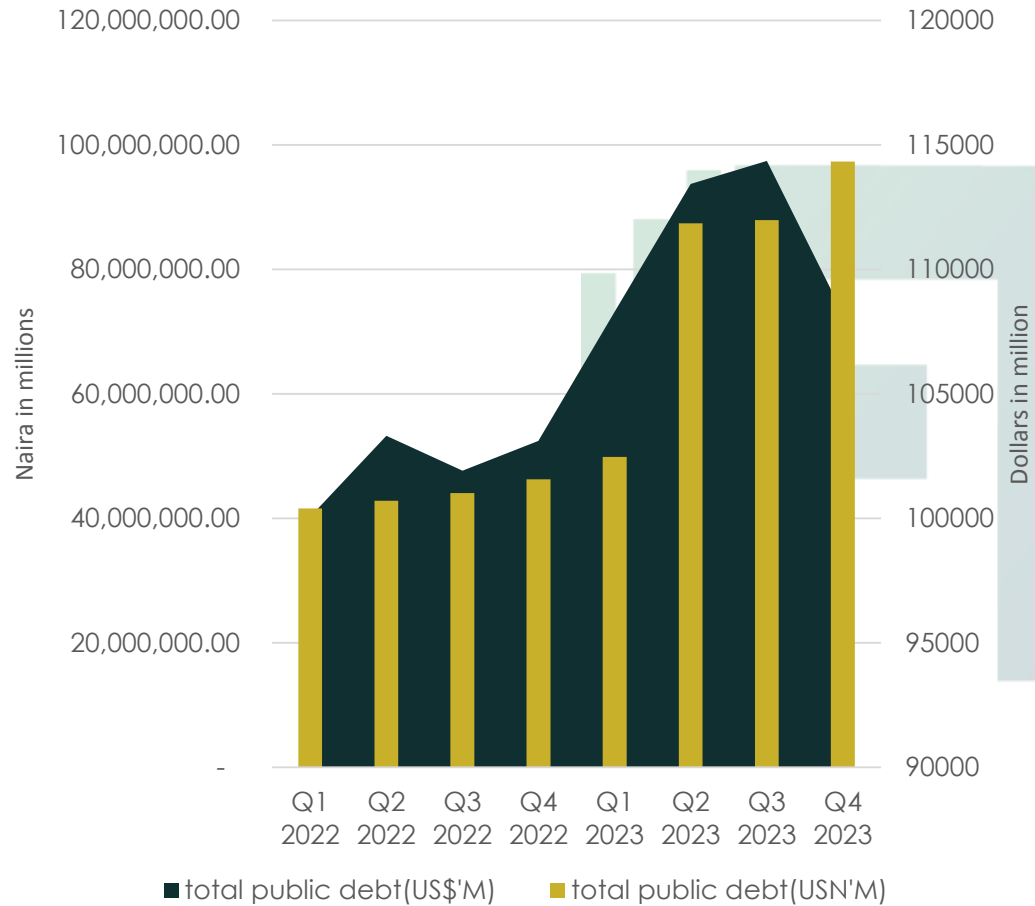


A low-angle, upward-looking photograph of several modern skyscrapers. The buildings are silhouetted against a bright, orange and red sky, suggesting a sunset or sunrise. The perspective creates a sense of height and architectural grandeur. A semi-transparent red rectangular overlay is positioned in the center of the image, containing the title text.

FISCAL DEVELOPMENTS



FISCAL POLICY_TOTAL PUBLIC DEBT

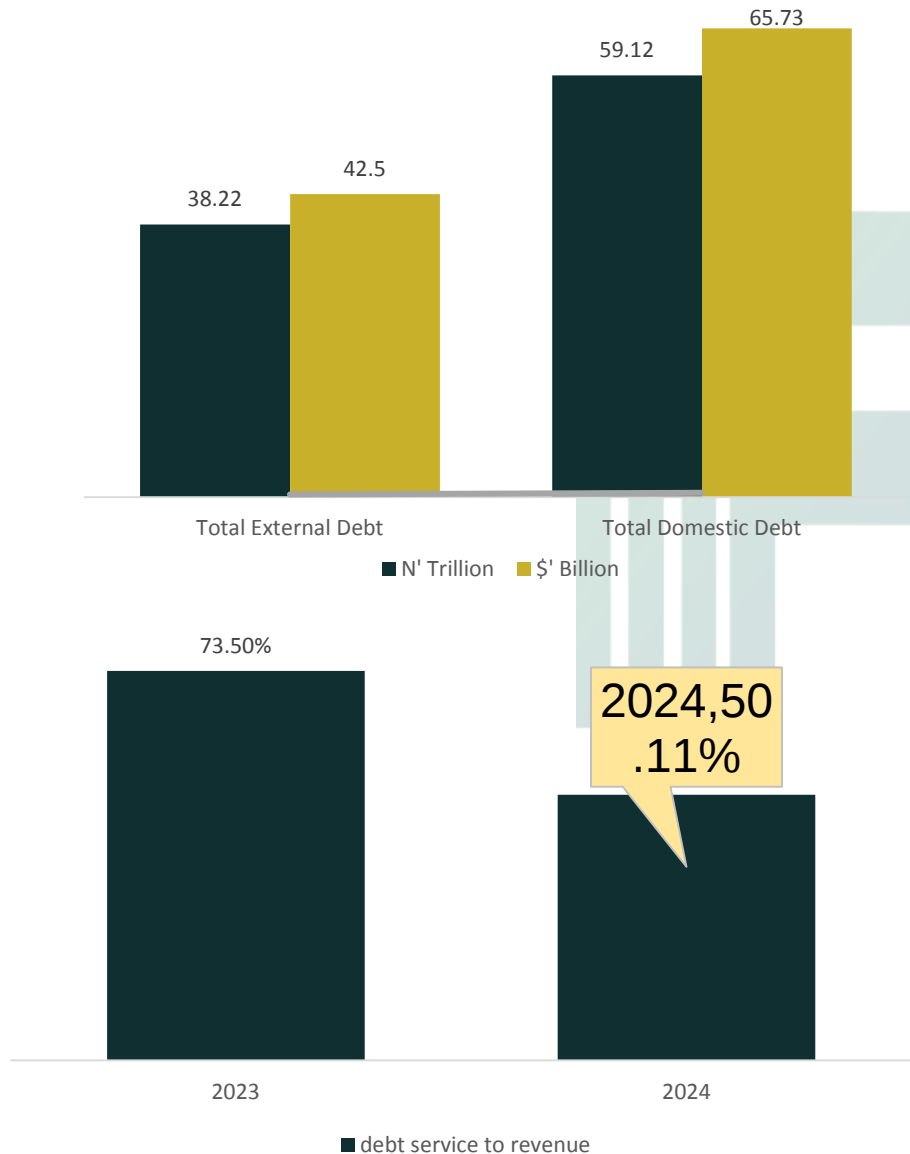


- Government debt has been on a steady rise over the period
- A gradual increase from 2022Q1 to 2023Q1
- Then a jump in 2023Q2
- Total public debt reached an all-time high of N97.34trn (\$108.23 bn)





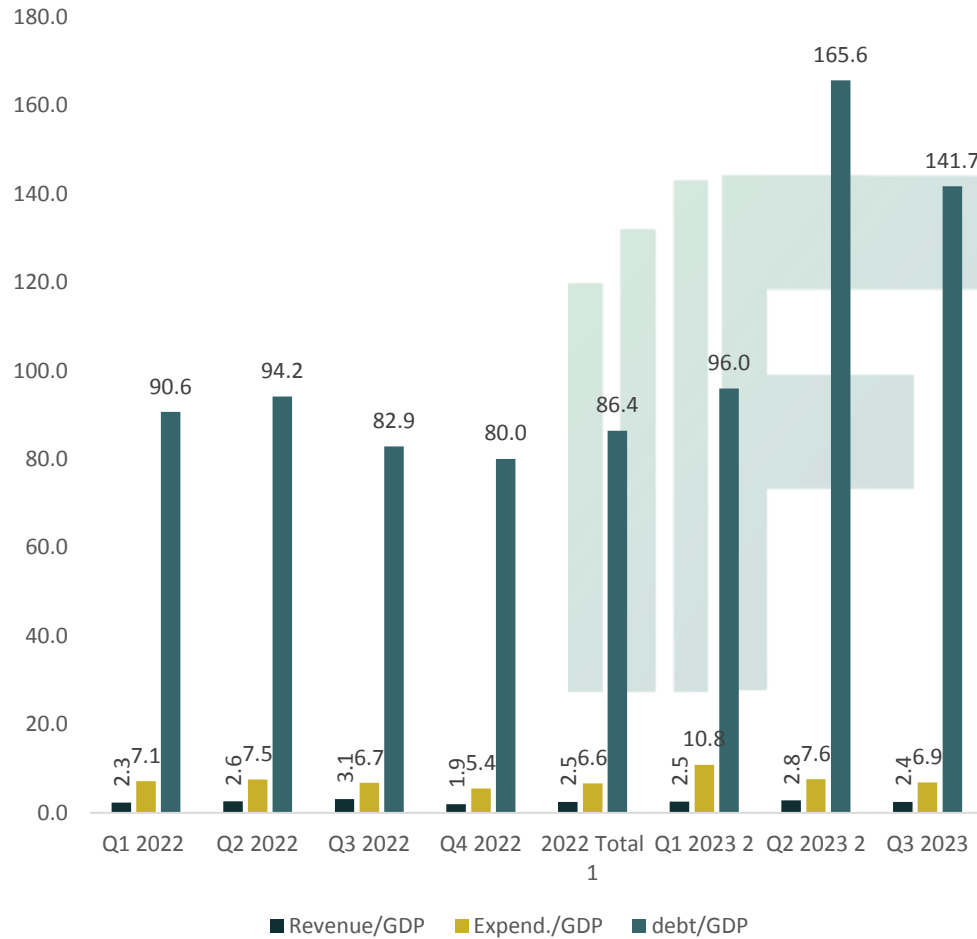
FISCAL POLICY AND DEBT MANAGEMENT



- Domestic debt is N59.12 trillion (\$65.73 billion)
- External debt is N 38.22 trillion (\$42.50 billion)
- Domestic debt is 61%
- External debt is 39%
- Debt service to revenue was 73.5% in 2023
- This is projected to decline to 50.1% in 2024



FGN REVENUE, SPENDING AND DEBT TO GDP



- The ratio of revenue to GDP hovers around merely 2.5%
- Government spending to GDP was around 7.3% on average
- The debt-to-GDP ratio orbits 104.7%
- Over the years, the percentage of debt to GDP has been very high

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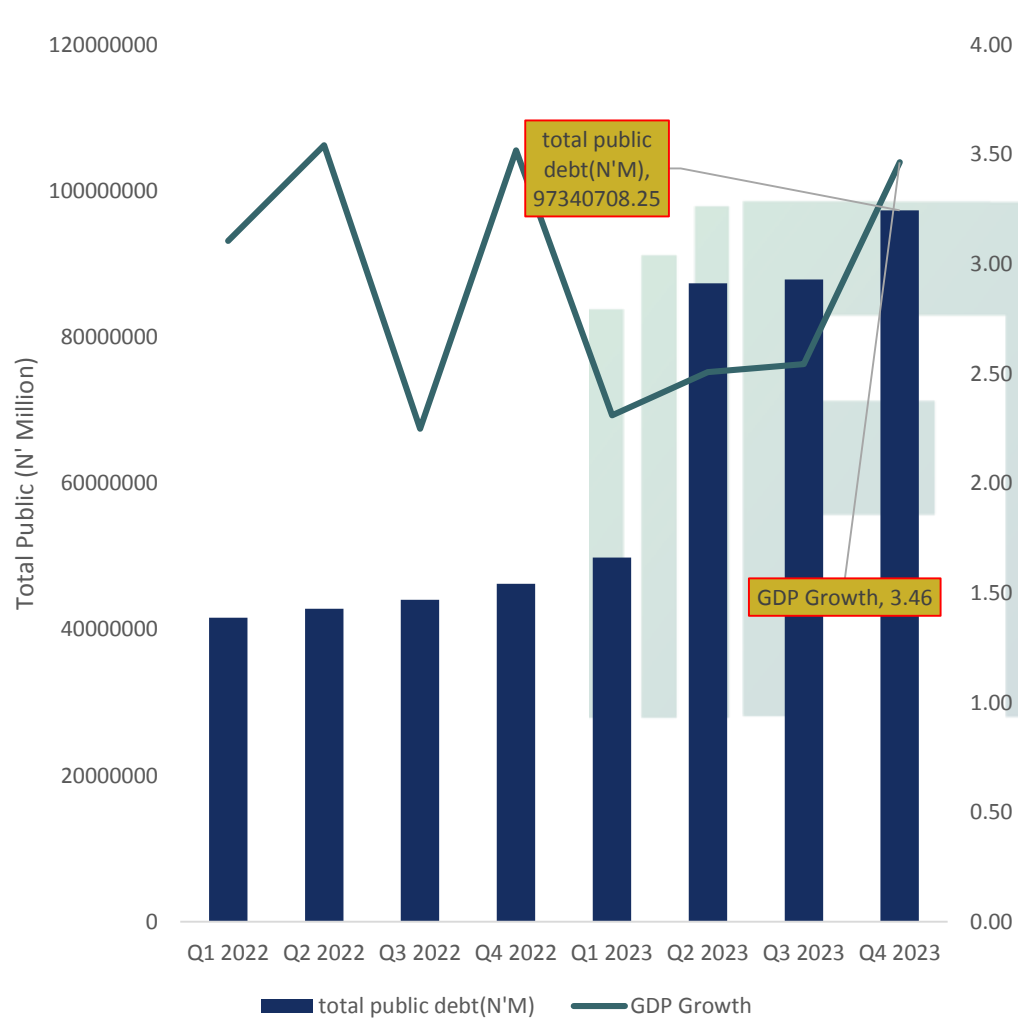


**INTERCONTINENTAL
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ECONOMIC GROWTH AND GOVERNMENT DEBT



- Public debt has been on the rise
- It jumped from N49,853,685.26 million in 2023Q1 to N87,379,402.75 million in 2023Q2
- As of Q4 of 2023, total debt was N973,407,708.25 million
- The GDP growth rate has oscillated over the period
- It was stable around the Q2 and Q3 of 2023, then rose to 3.46% in 2023Q4



SECURITIZATION OF EXISTING DEBTS

- The ways and means worth (N30trn) converted into 40-year bonds at a 9% interest rate is yet to be tapped
- The federal government will have to sell the money gradually
- Will result in an increase in FG debt service payments
 - As interest rates increase
- In the interim, three key things needs to be addressed:
 - Contractors' debts owed by state governments
 - Shortage of foreign exchange
 - Increase effective interest rates to attract hot money (FDI)

Benefits of securitization

- Move assets off balance sheets
- Borrow against assets to refinance origination at fair market rates
- Reduce borrowing costs

MINIMUM WAGE WAHALA!

You're damned if you do, damned if you don't!

2019 N30,000 = \$75

2024 N30,000 + N35,000 + X = NMW

where $N15,000 \leq X \leq N30,000$



EFFECTS OF MINIMUM WAGE ON THE ECONOMY

Impact on inflation

- Increase firms' costs of production
- Firms would transfer the high-cost MW to the consumers in terms of higher prices
- Increase in consumer spending
- General price of goods and services will rise
- A higher minimum wage could cause inflation for two reasons:
 - Higher spending by workers (demand-pull inflation)
 - Higher costs for firms, leading to wage-push inflation

Impact on unemployment

- Increase in MW will make labour to be more expensive
- The demand for labour will drop
- This will lead to excess supply of labour
- Leading to an increase in the rate of unemployment
- However, the impact of MW increase on unemployment will depend on real wage rate



HOW TO FUND THE MINIMUM WAGE

- In 2019 VAT moved from 5% to 7.5%
- VAT can be increased from 7.5% to 10%
- Improve labour productivity by training and skill development
- Introduce targeted social programs such as subsidized childcare, healthcare and housing assistance to support vulnerable workers
- Gradually phase in minimum wage increases to allow businesses and workers to adjust
- Tailor policies to specific sectors such as agriculture, manufacturing, etc
- Provide targeted support, such as tax incentives, access to credit, and business development services to SMEs
- Strengthen safety nets to protect workers during transitions such as unemployment benefits, job placement services, and income support



POLICY OUTLOOK

- Nigeria's GDP may grow marginally by 3.1% during 2024
- Marginal decline in inflation anticipated for 2024
- Minimum wage will push inflation
- High debt servicing costs due to increased borrowing
- Efforts to improve tax collection and other revenue streams will likely continue in the second quarter
- The roadmap includes three distinct phases: Stabilization, Consolidation, and Acceleration
- Nigeria's fiscal policy outlook aims to strike a balance between reforms, growth, and stability
- Effective implementation of policies and prudent management of debt will be essential for achieving the desired economic trajectory

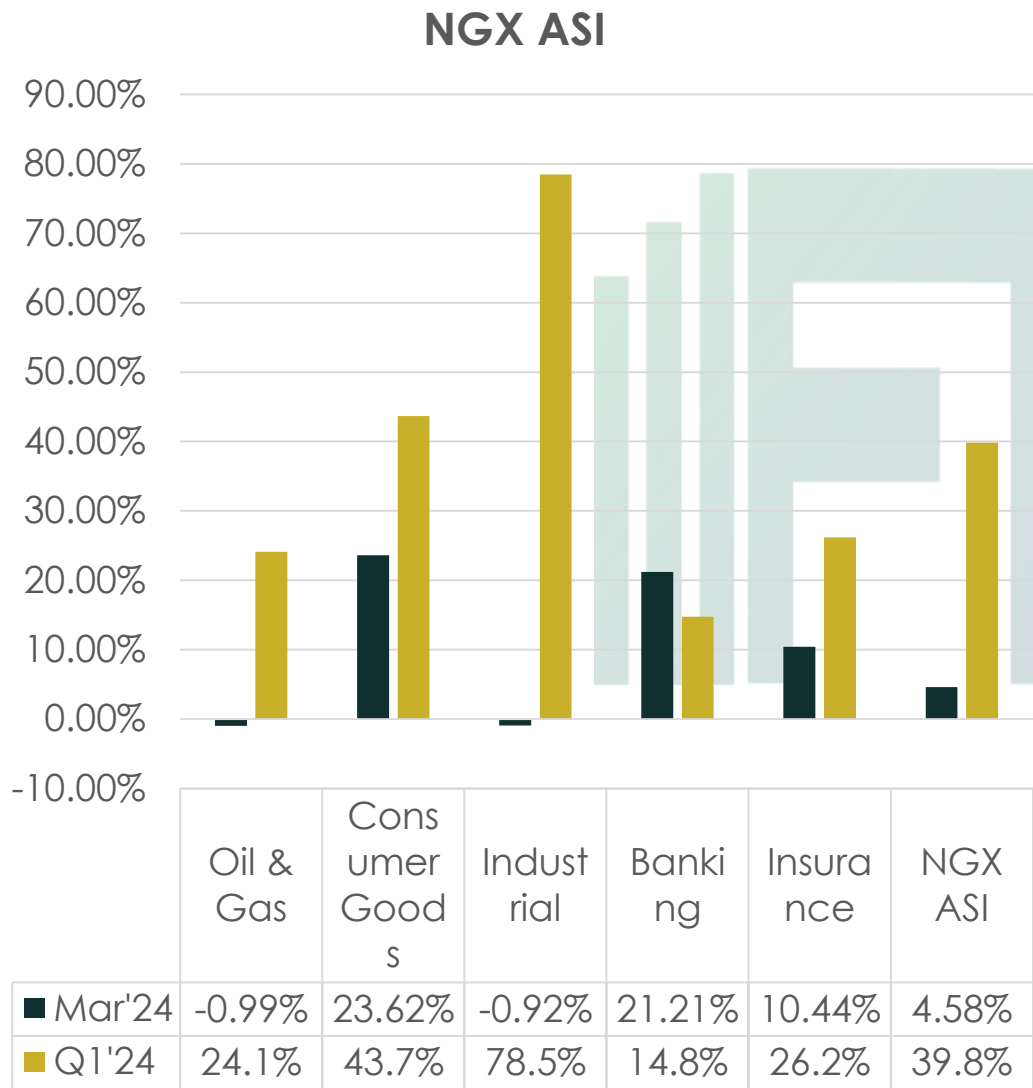
A city skyline at sunset with a blue overlay and a semi-transparent text box. The text box contains the following text:

**STOCK MARKET-HIGH INTEREST
RATES ARE CRIPPLING THE STOCK
MARKET, -1.08% IN ONE WEEK**

INVESTMENT ASSETS IN Q1 2024

Asset Class	Q1'24 Return	Real Rate of Return	Driver and Outlook
Gold 	 5.30%	 26.4%	- Gold yields ground to the rising US Dollar and elevated US bond yields - Gold prices will be impacted by elevated yields and strengthened dollar
S&P 500 	 10.16%	 21.54%	- Rally in US equities spurred by strong economic and corporate performance - US equities investors benefit from both dollar appreciation, attractive dividends, and capital appreciation - Market sentiment will be driven by a potential rate cut
NGX 	 39.8%	 8.10%	- Significant acquisition in Dangote cement drove a board-based rally - Naira appreciation strengthens investor confidence - Continuous hike in policy rate will discourage speculative behavior in the stock market
364 – Day NTBill 	 21%	 10.70%	- Moderation in the negative real rate of return due to a hike in the policy rate - Investors expected to hunt for more risk-free securities with attractive rates with oversubscription of short-dated T-bills
Bitcoin 	 69.35%	 37.65%	Bitcoin remains in a bullish position, supported by the introduction of Bitcoin Exchange-Traded Funds and the prevailing global macroeconomic sentiment

NGX PERFORMANCE

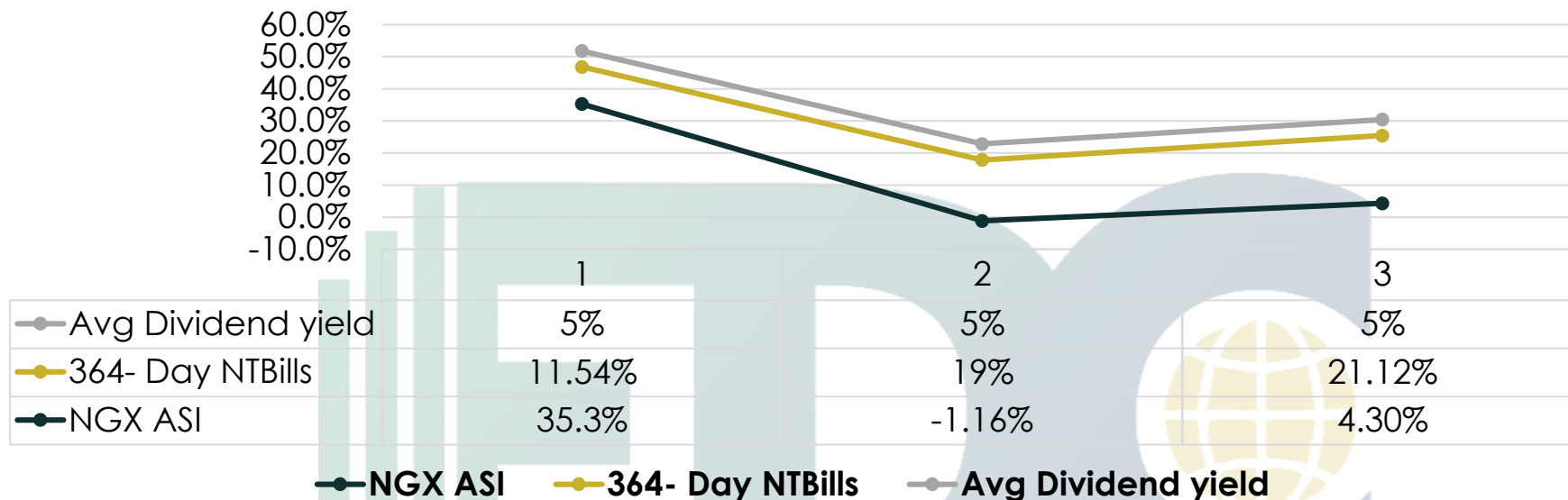


- Despite few days of losses following the hike in monetary policy rate and underwhelming earnings, the NGX bounced back to positive territory in March
- NGX gains 4.58% in March after retreating by 1.16% in February
- Investors stick to Nigerian equities despite attractive rates in the fixed-income space
- Prioritizing diversification, dividend yields amid limited investment options



NGX VS NIGERIAN TREASURY BILLS

NGX VS Nigerian Treasury Bill



- NGX gains 39.8% in Q1'2024, despite two consecutive hikes in monetary policy rates, underwhelming earnings exacerbated by FX woes
- Significant acquisition in Dangote shares spurred a rally in January
- The NGX retreated in February in response to policy rate hike but bounced back in March amid naira appreciation

Dangote Sugar has a **NEW LOOK**



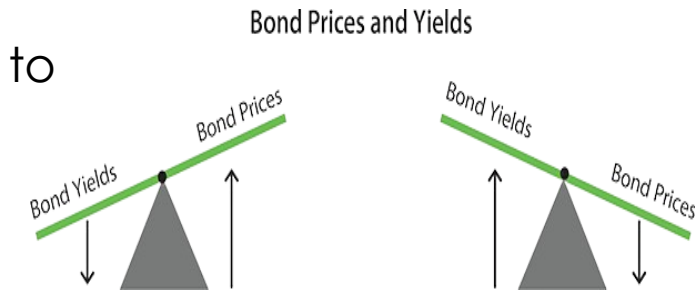
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HIGH INTEREST RATES -IMPACT ON BOND YIELDS AND PRICES

- Bonds have an inverse relationship to interest rates
- When interest rates are low, bond prices become appealing
- However, if interest rates rise, holders of existing bonds may opt to sell them to pursue higher yields offered by new bonds
- Bond investors are advised to trade prudently and monitor shifts in borrowing costs closely
- Bonds with longer duration are more sensitive to changes in interest rate
- Longer-term bonds experience larger price declines when interest rate rise





NIGERIAN STOCK MARKET OUTLOOK- APRIL 2024

- NGX activities will be shaped by capital-raising activities, macroeconomic vulnerabilities, dividend payments, and stock-specific events
- Rational investors expected to position for capital raising activities within the banking space
- Investors will be attracted by lower stock prices due to an increased supply of bank stocks
- Investors will be torn between average dividend yields in Nigerian equities and mouth-watering fixed-income yields



NIGERIAN STOCK MARKET OUTLOOK- APRIL 2024

- Continuous hikes in policy rates will discourage speculative behavior in the stock market and drive Nigerian stocks to more reasonable valuations
- The quality of Q1 '2024 earnings will be impacted by FX woes
- Underwhelming corporate earnings and dividends will send equity investors in search of alternative and attractive asset prices
- Moderation in the value of naira will strengthen investors confidence in Nigerian equities

WALLSTREET JOURNAL - THE NIGERIAN CONUNDRUM FOR COMPANIES: STAY OR GO?

- Unilever, Walmart, and GSK take different approaches to one of the world's biggest markets- Alexandra Wexler
- Some of the world's largest companies are scratching their heads
- On how to convert perpetual potential into actual opportunity
- Market attractiveness has deteriorated recently
- It is an extraordinarily difficult place to turn a consistent profit
- Plummeting local currency, soaring inflation, and crippling dollar shortages

WALLSTREET JOURNAL - THE NIGERIAN CONUNDRUM FOR COMPANIES: STAY OR GO?

Some Have No Balls

- Walmart Left, Mr Price Left, GSK outsourced their local business
- Revenues are halved and costs remain the same

A Market of the Future

- Rationalize your brand portfolio and source raw materials locally
- Unilever stopped OMO, Sunlight and Lux
- Focused on Knorr cubes and seasoning, Vaseline and Pepsodent toothpaste
- It makes Pepsodent from Sorbitol made from Cassava

WALLSTREET JOURNAL - THE NIGERIAN CONUNDRUM FOR COMPANIES: STAY OR GO?

- Across SSA Unilever is buying 70% of its ingredients from Africa
- 'Unilever says Nigeria is a market of the future if you want to grow you have to be in Nigeria'-Kleinebenne (M.D)

Guinness Nigeria- Subsidiary of Diageo

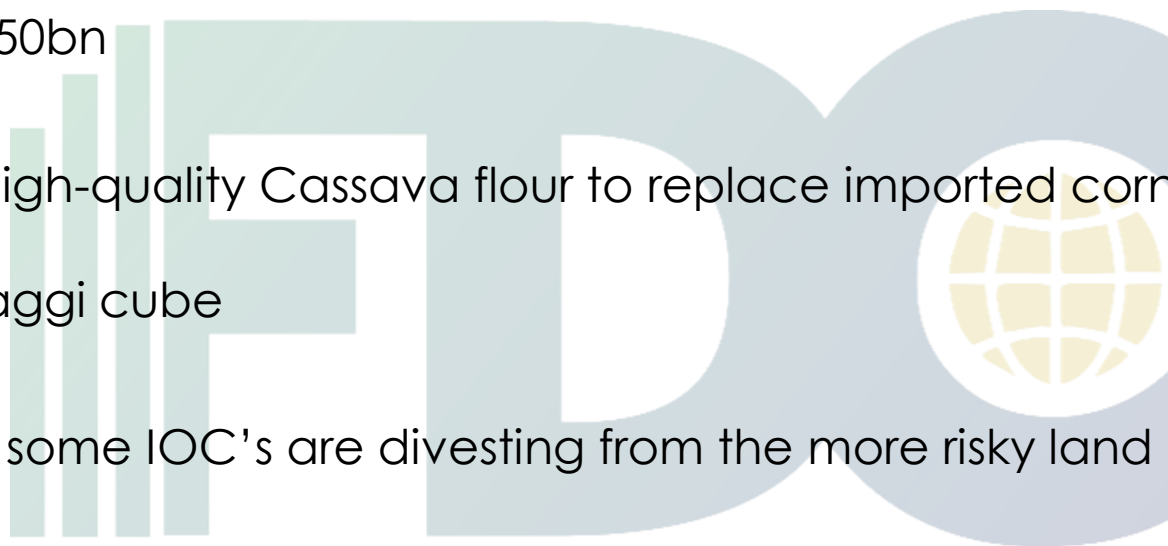
Brand Rationalization

- Stop importing premium spirits- like Johnnie Walker, Baileys etc
- Guinness will focus on affordable brands tailored for the Nigerian market
- Origin for guys and Snapp for chicks
- Guinness chopped Singleton and Premium brands to address the affordability gap



WALLSTREET JOURNAL - THE NIGERIAN CONUNDRUM FOR COMPANIES: STAY OR GO?

- Like most others, Guinness took a forex hit (of \$23 billion)
- Nestle took a hit of \$50bn
- It has developed a high-quality Cassava flour to replace imported corn starch for making Maggi cube
- Apart from Walmart, some IOC's are divesting from the more risky land and swap assets



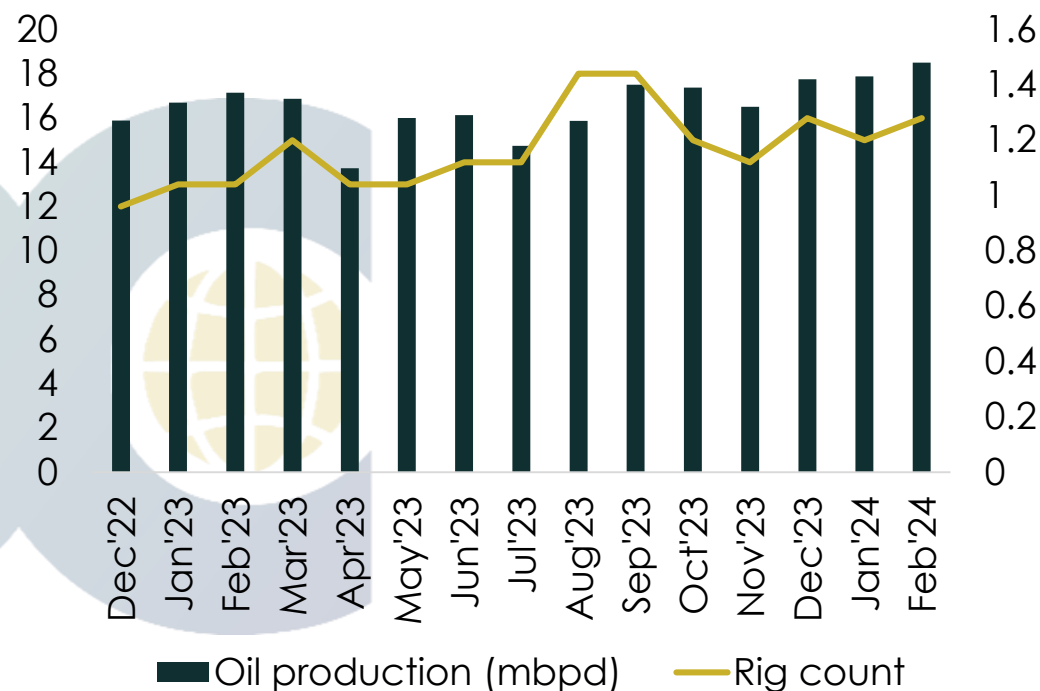
MARKET PROXIES

The background of the slide features a blurred office scene. In the foreground, two tablets are placed on a wooden desk. The tablet in the background is propped up and displays a city skyline at sunset. The tablet in the foreground is lying flat and shows a desktop with various application icons. In the background, a large window looks out onto a city at sunset, with the sun low on the horizon. A semi-transparent orange rounded rectangle is positioned on the left side of the image, containing the title text.

OIL PRODUCTION

- Domestic oil production saw an uptick to 1.48mbpd in February 2024
 - 3.5% up from 1.43mbpd in January 2024
- As the number of oil rigs rose to 16 from 15
- Oil production is expected to climb further in March due to:
 - Boost from the Dangote refinery and the recommencement of operations at the Port Harcourt refinery
 - FG continued efforts to curb oil theft and vandalism
- Despite the expected increase, oil production will remain below OPEC quota (1.58mbpd) and 2024 budget benchmark (1.78mbpd)

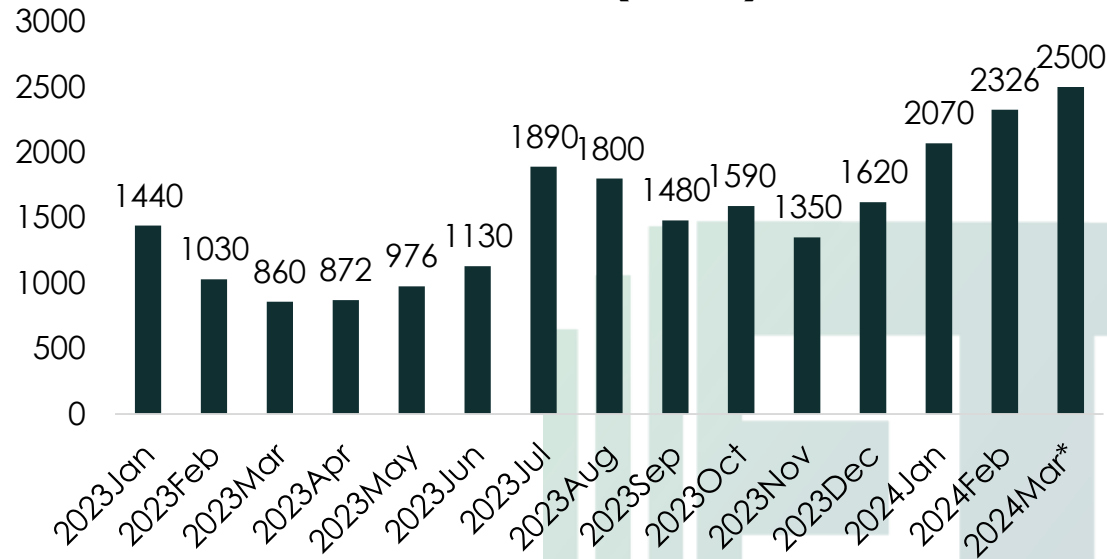
Domestic Oil Production (mbpd)



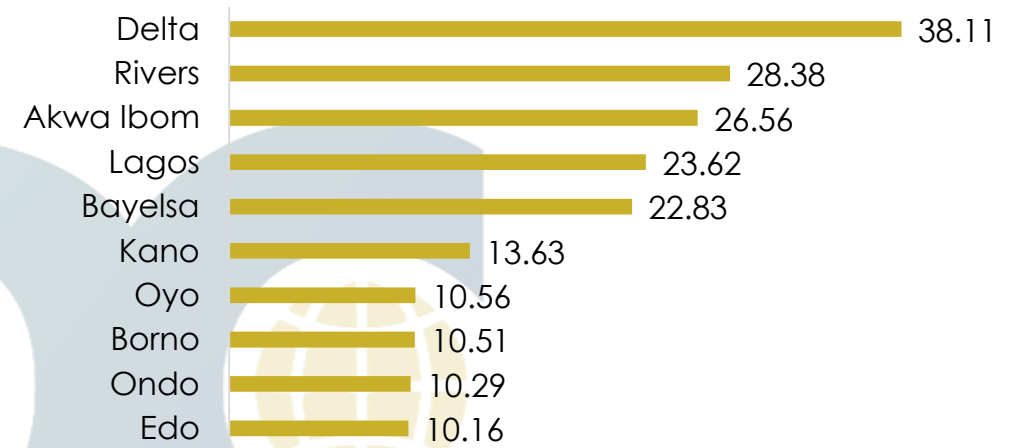


HIGHER OIL EARNINGS TO DRIVE FAAC REVENUE IN MARCH

FAAC (N'bn)



States with the Highest FAAC Net Disbursement (N'bn)

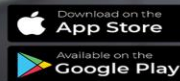


- FAAC revenue peaked at N2.33trn in February
- Largely due to the exchange gains from the naira depreciation (touched an all-time low of N1,915/\$)
- Expected to remain elevated due to higher oil earnings (oil price above \$85pb and oil production up 3.5% to 1.43mbpd)
- Increase in FAAC allocation is positively correlated to money supply growth
- However, if properly utilized can spur economic growth and job creation in the short term

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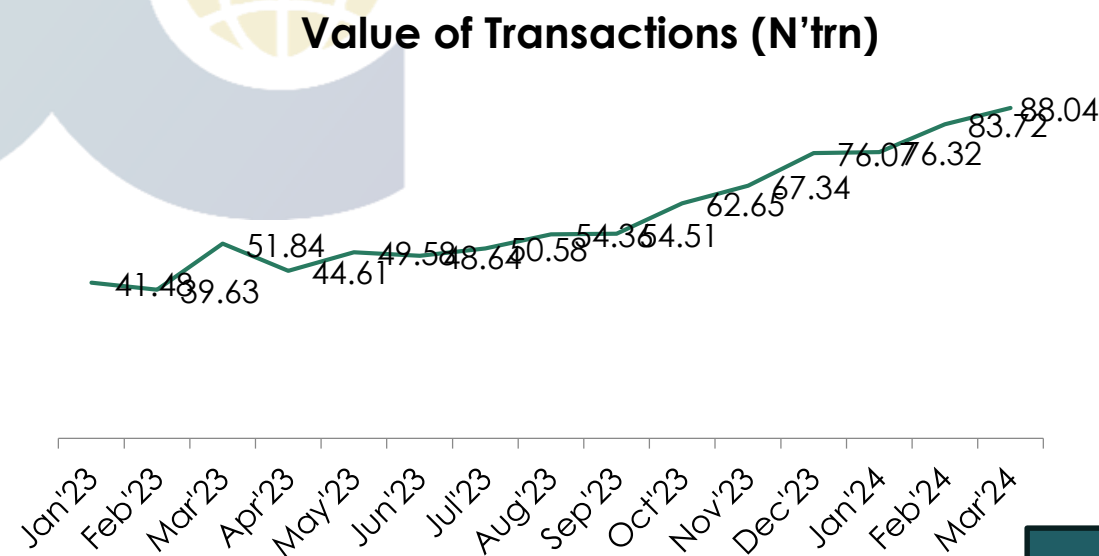


INSURANCE | PENSIONS | REAL ESTATE | TRUSTEES

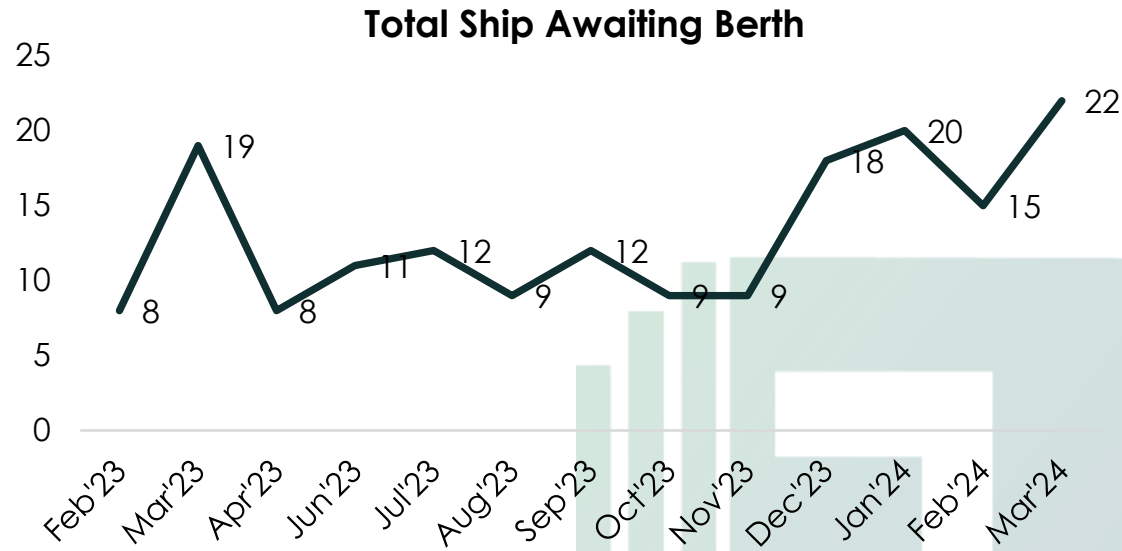
VALUE OF TRANSACTIONS UPWARD TREND TO CONTINUE

- Total value of transactions rose further by 5.16% to N88.04trn in March 2024
 - From N83.72trn in February
- Cheque transactions recorded a decline by 13.74%
- As electronic and mobile banking options becomes more preferred due to the:
 - time-consuming nature of cheque processing compared to instant fund transfer through mobile applications
 - convenience of online banking, and
 - rapid technological advancements in the banking sector
- Total value of transactions is expected to rise further in April due to increased festive demand (Ramadan & Easter)

Mode of Payment	Feb'24 (N'bn)	Mar'24 (N'bn)	Change (%)	
NIP	79,327.04	83,054.59	4.70	↑
POS	805.05	958.99	19.12	↑
NEFT	3,283.79	3,764.50	14.49	↑
CHEQUES	304.14	262.35	-13.74	↓
Total	83,720.02	88,040.43	5.16	↑



SHIPS AWAITING BERTH

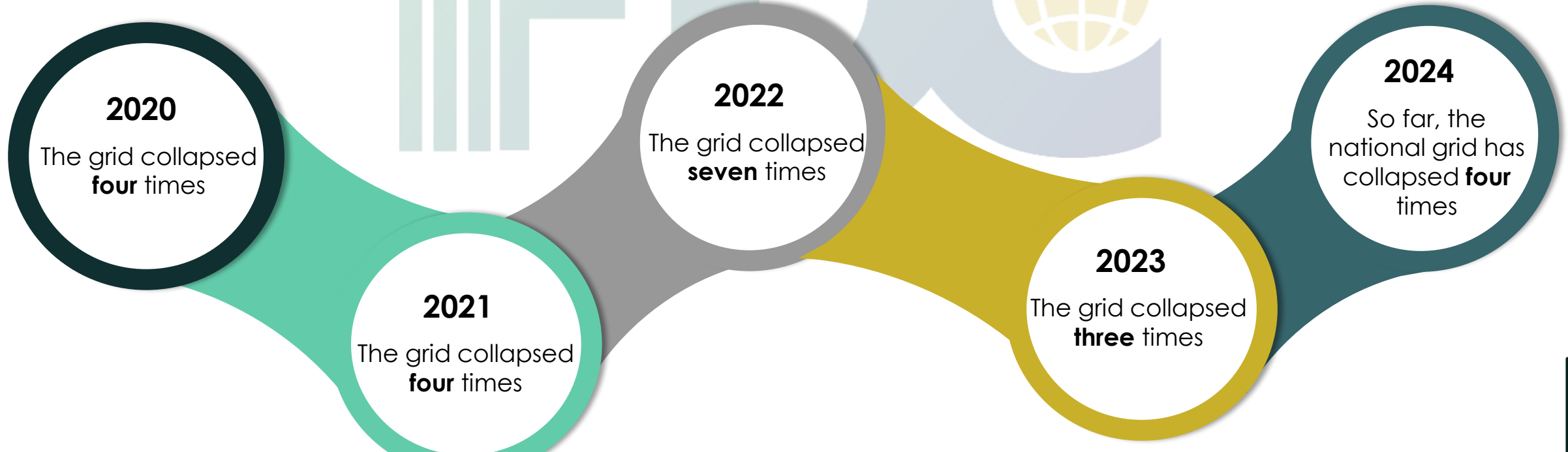


Ports	Jan'24	Feb'24	Mar'24
Lagos-Apapa	6	4	5
Lagos-Tincan	10	3	0
Calabar Port	0	0	6
Warri Port	3	5	9
Onne Port	0	0	1
Rivers Port	1	1	1
Lekki Deep Sea Port	0	2	0
Total	20	15	22

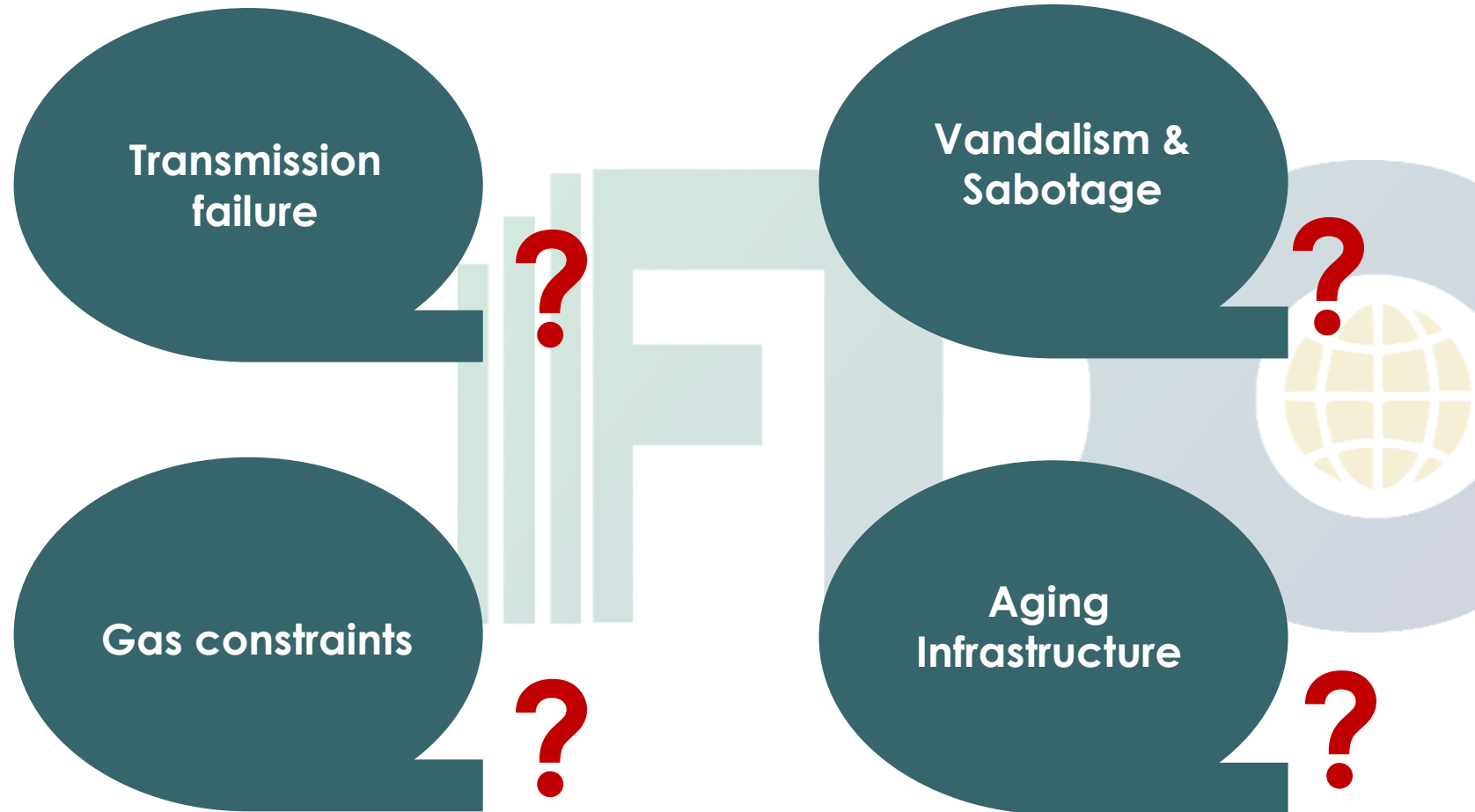
- Total ships awaiting berth rose sharply to 22 in March
 - 47% higher than 15 in February
- The increase is due to the FG efforts to boost vessels traffic in Eastern ports (Calabar, Onne, Rivers and Warri)
 - Through investment in road infrastructure
- The Federal Ministry of Marine and Blue Economy recently commissioned a 4.8km road and a marine craft at Onne Port
 - Putting an ending long period of underutilization of the port
- The number of ships awaiting berth could rise further in April as activities intensify at the ports

GRID COLLAPSE

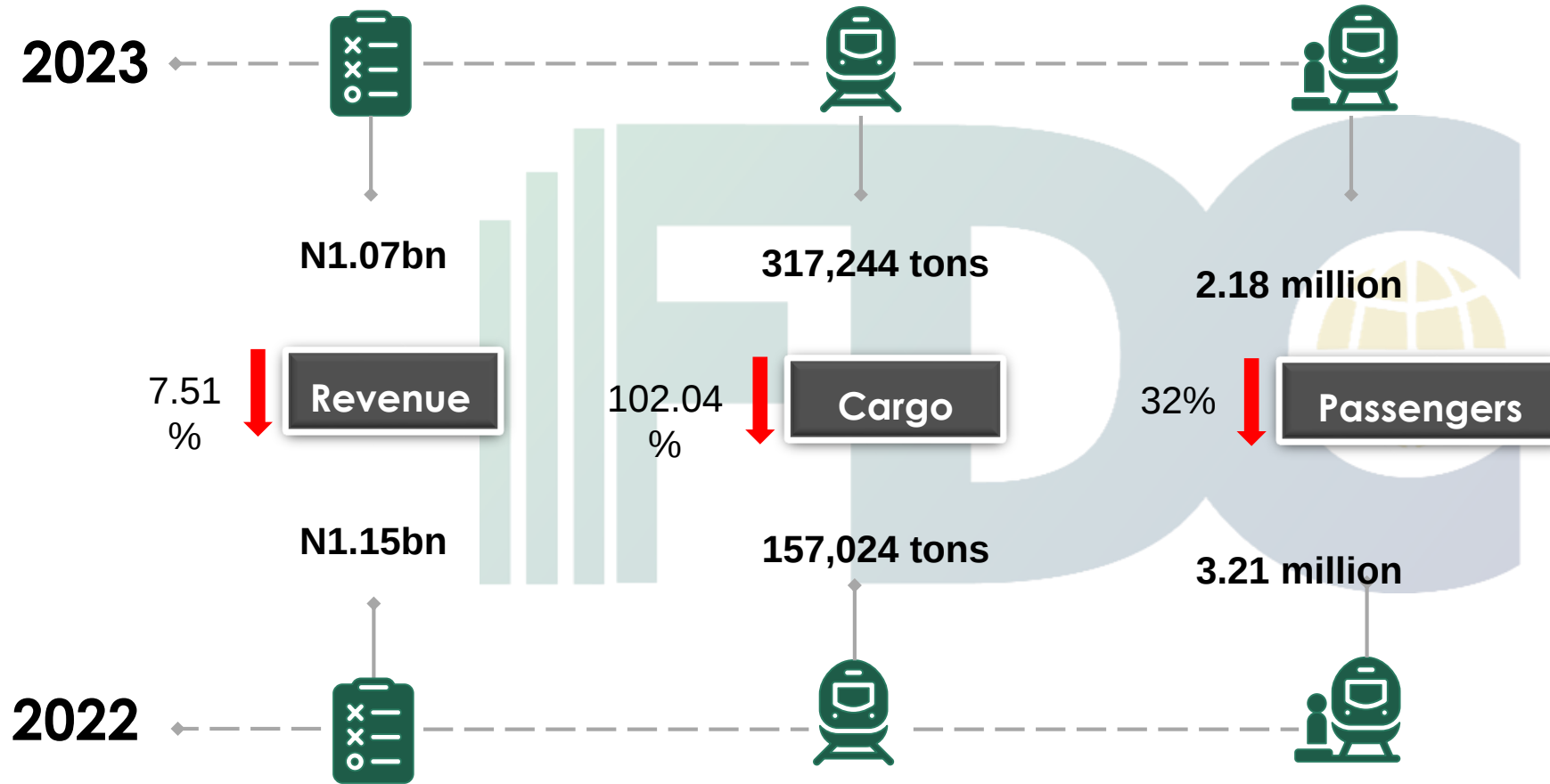
- Nigeria's power grid has suffered both partial and total collapses in the last five years
- According to academics, every 1% increase in power outages (in terms of hours) had been associated with a 2.86% decrease in GDP
 - This translates to a loss of about \$28 billion in GDP
- 40% of electricity consumption in Nigeria met by use of generators
- Over \$14bn spent annually to fuel generators, as the power supply from the national grid continued to falter.



WHY IS THE NATIONAL GRID COLLAPSING?



RAIL PASSENGER TRAFFIC



- Interest in rail transport in Nigeria is waning due to:
 - Terrorist attacks
 - Abduction
 - Threat of unrest
 - Train accidents

AVIATION & TOURISM

A modern conference room with a large glass table and chairs, overlooking a city skyline at sunset. The room is dimly lit, with the primary light source being the warm, golden glow of the setting or rising sun visible through the floor-to-ceiling windows. The city skyline, featuring several prominent skyscrapers, is visible in the background. The conference table is long and rectangular, with a small decorative centerpiece. The chairs are black with brown leather upholstery. The floor is made of dark wood. The overall atmosphere is professional and sophisticated.



KENYA TO THE WORLD

- Kenyan tourism earnings spiked by 32% to \$2.7 billion in 2023
- Visitors to Kenya jumped to 1.95 million annually
- Visitors in 2024 to reach 2.38 million
- 45% of the visitors arrived in Ghana for holiday
- Leading countries of origin:



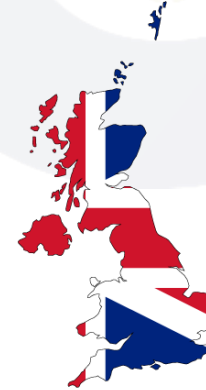
USA



UGANDA



TANZANIA



UNITED
KINGDOM



INDIA



POSITIVE GAINS FOR DOMESTIC AVIATION



**AIR FLIGHT TICKETS CRASH
AS NAIRA APPRECIATES**



**NIGERIA COURTS AIRBUS
FOR AIRCRAFT FINANCING**



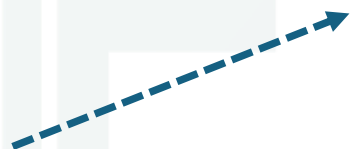
**AIRPORTS SET FOR UPGRADE UNDER
RENEWED HOPE INFRASTRUCTURE
DEVELOPMENT**





INTERNATIONAL TICKETS CRASH

IATA RATE → **N1,468/\$**
from
N1,800/\$



Lagos – London
Economy

NOW: N1.7MN

BEFORE: N3.0MN

Lagos – London
Business

NOW: N6.8MN

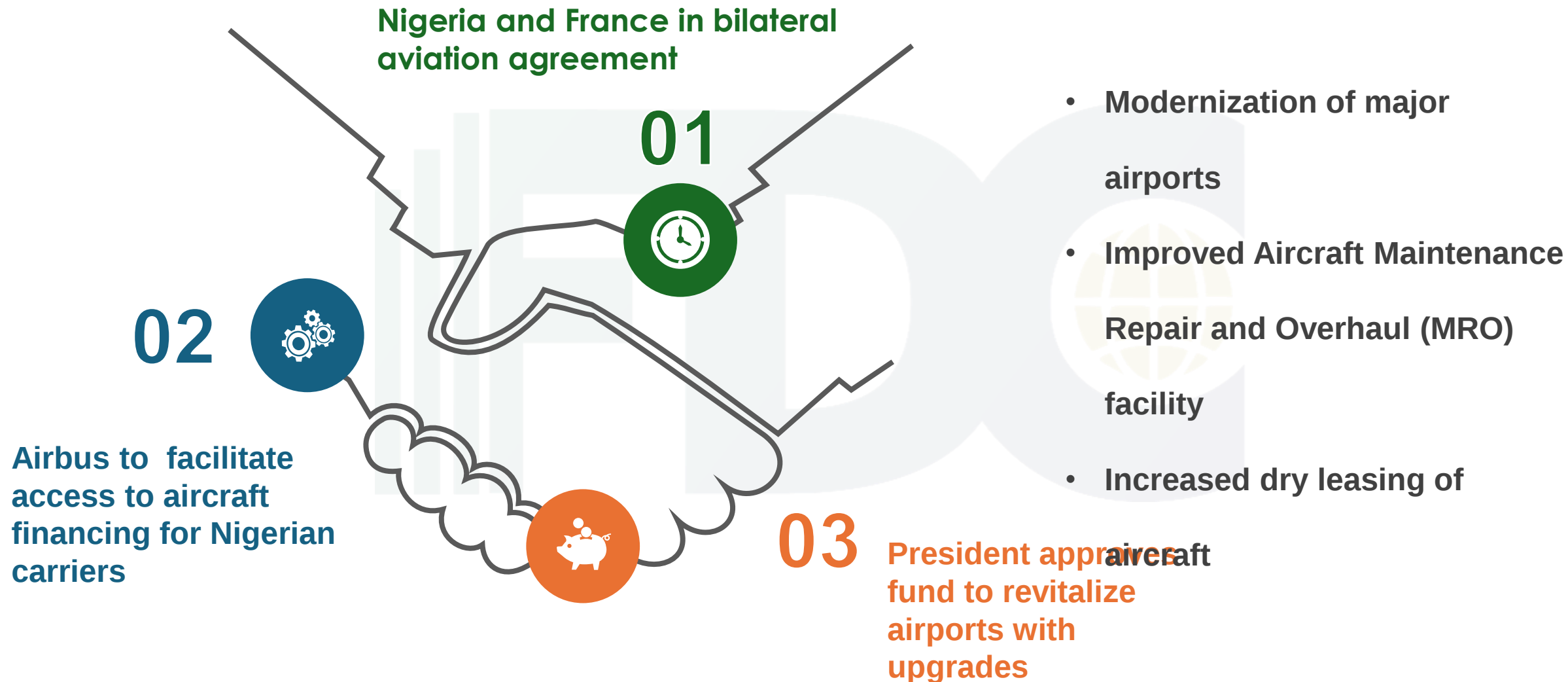
BEFORE: N11.0MN

AIR TRAFFIC DEMAND TO SURGE AS

- NAIRA APPRECIATES AND STABILIZES
- TICKET PRICES FALL



MORE AIRCRAFT AND AIRPORTS





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Bank Transfers?

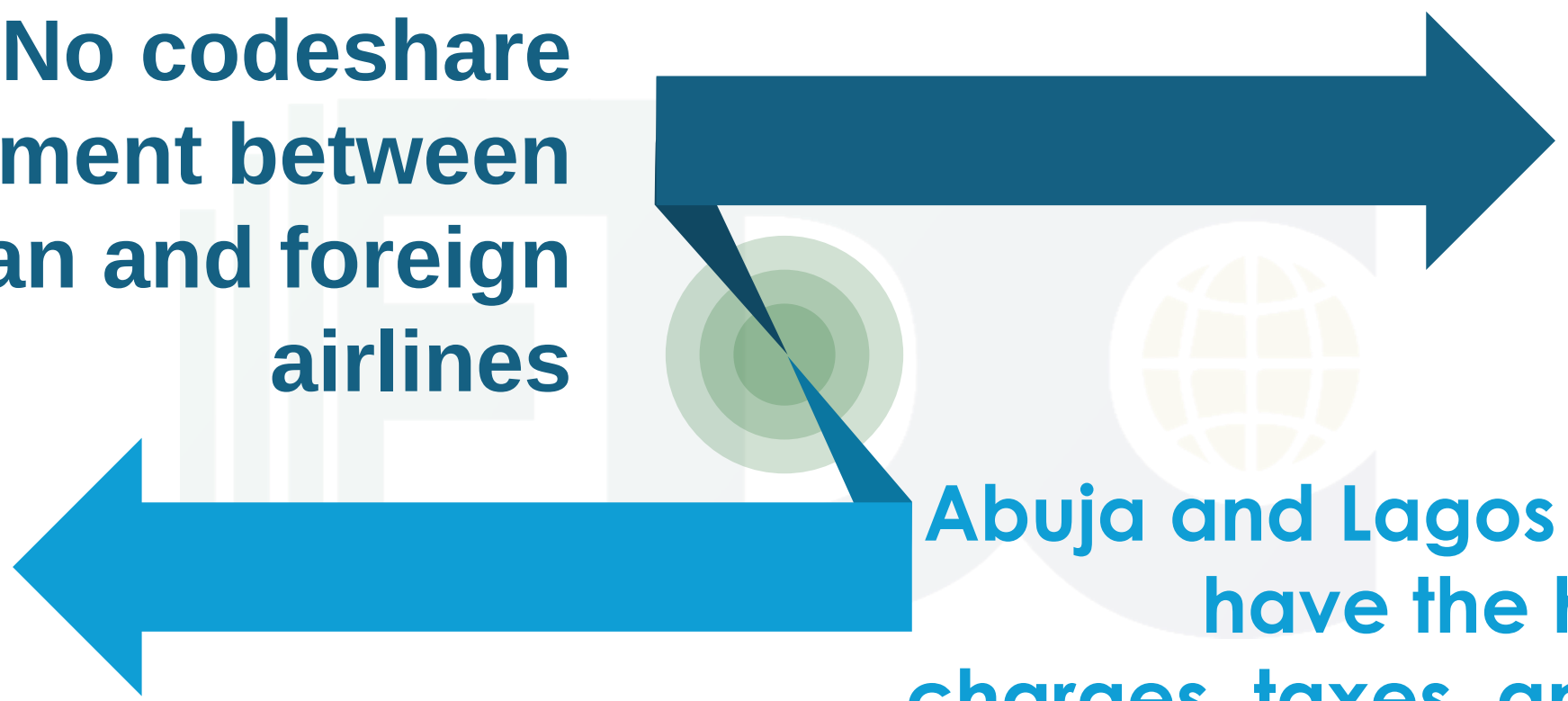
Bills Payment?

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THERE IS MORE TO BE DONE

**No codeshare
agreement between
Nigerian and foreign
airlines**



**Abuja and Lagos airport
have the highest
charges, taxes, and fees
in Africa**



OUTLOOK

- Improved infrastructures to draw private investment
- Enhanced efficiency, and lower prices to stimulate air travel demand in Nigeria
- More tourism products to attract travellers
- Increased domestic and international air traffic to spur economic growth, increased employment and foreign earnings



POLITICAL ECONOMICS



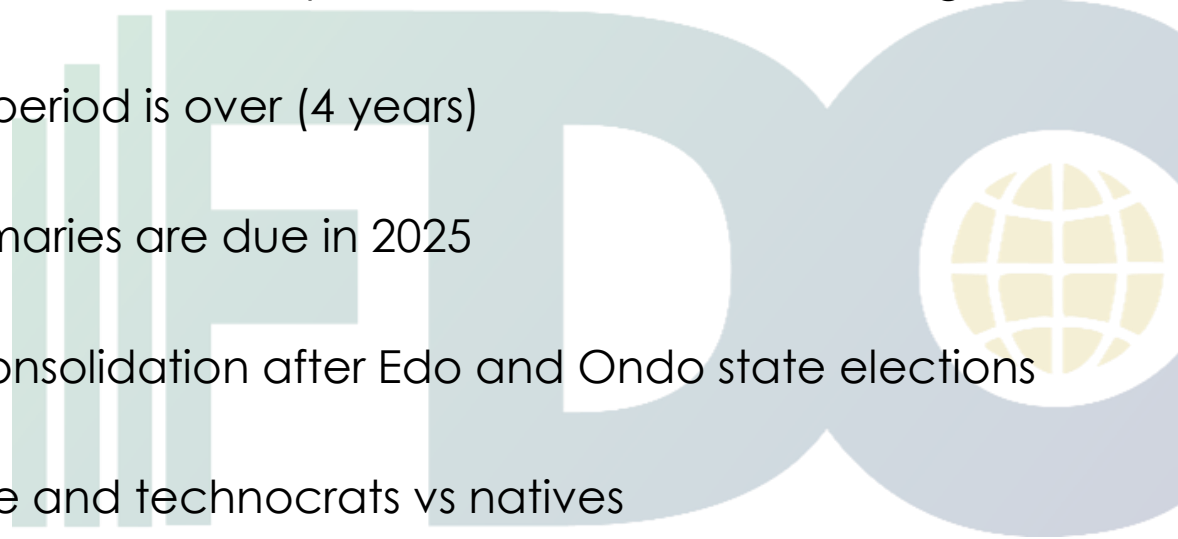
POLITICAL UPDATE – POLITICAL SURVIVAL IS MAJOR PRIORITY

- Why do they say good politics is bad economics
- Not true all the time
- Government waives taxes for farmers and incentivizes manufacturers
- This results in higher fiscal deficit but support from farmers and manufacturers
- Drives up inflation and weakens the currency
- The argument against subsidies by unions and workers are examples
- The policy may be right, and the management could be lousy
- Look at the palliative measures and the disastrous outcomes
- Competence and capacity conflict
- Some parts of the team may lack depth



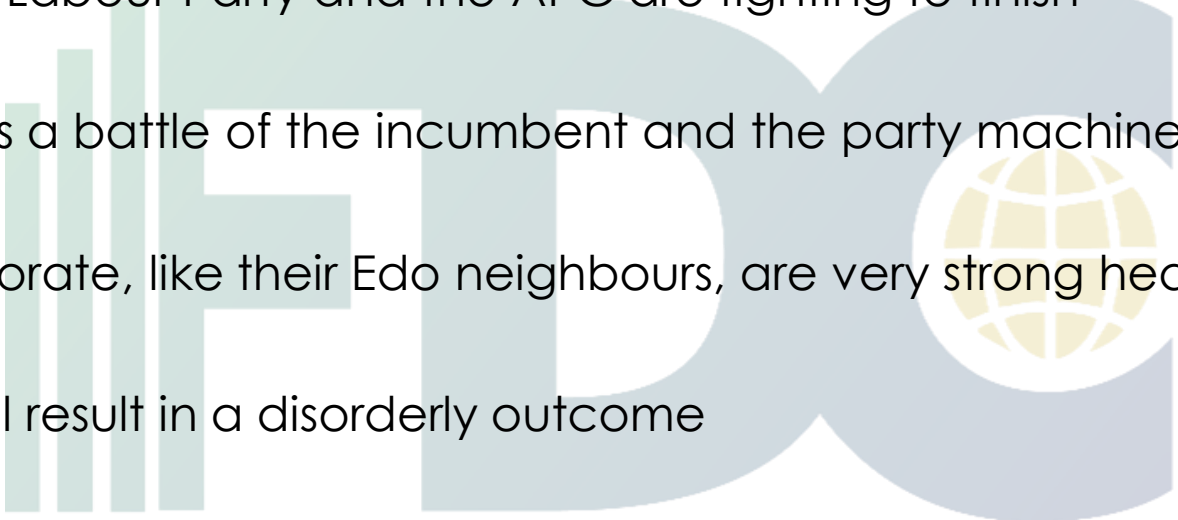
POLITICAL UPDATE – CONSOLIDATING THE BASE

- The leadership has to show signs of taking a grip
- There have been some moves and optics but coherence is lacking
- 25% of the mandated period is over (4 years)
- Electioneering and primaries are due in 2025
- Look out for political consolidation after Edo and Ondo state elections
- In Edo state it is the elite and technocrats vs natives
- Capacity, credibility and track record will be major determinants of the outcome
- Zoning is still a front burner issue
- Amongst the urban elite it is being somewhat relegated





POLITICAL UPDATE – EDO AND ONDO, THE LITMUS TEST FOR 2027

- There is a flurry of activities by the incumbent party
 - The opposition of the Labour Party and the APC are fighting to finish
 - In Ondo state, there is a battle of the incumbent and the party machine
 - The Ondo state electorate, like their Edo neighbours, are very strong headed
 - Any attempt to rig will result in a disorderly outcome
 - The off-cycle elections will set the tone for the 2025/2026 election season
- 



OUTLOOK FOR APRIL/MAY : A NO-RICE EASTER/RAMADAN SEASON

- The Naira will trade in a range of N1200-N1350/\$
- Effective lending rates will spike to 29-32.5%p.a
- Default rates on corporate and consumer loans will increase by 2-3% of the portfolios
- The MPC will maintain status quo in May
- The minimum wage negotiation will end up at approximately N95,000 equivalent of \$75
- FAAC allocation for March will reach N2.2trn with Delta state and rivers having the highest share
- There has been a noticeable inverse relationship between FAAC received and development in some oil producing states
- Also, the higher the FAAC in some cases the higher the insurgency



OUTLOOK FOR APRIL/MAY : A NO-RICE EASTER/RAMADAN SEASON

- Stock market correction will intensify as Q1 results are announced
- We expect the market to lose 5-10% in April
- Inflation for March will inch up to 32% which is a slower increase than previous months
- The administration will attempt to soothe frayed nerves with a consideration of austerity measures and reducing overhead spending.



Corporate Humour



Every woman should have four pets in her life

- *a mink in her closet*
- *a Jaguar in her garage*
- *a tiger in her bed*
- *a Jackass who pays for everything*
- Paris Hilton

Other people's babies, that's my life,
mother to dozens, and nobody's wife
- A. P. Herbert





Corporate Humour



Democracy must be something more than wolves and a sheep voting on what to have for dinner
– James Bovard

The average girl would rather have beauty than brains because she knows that the average man can see much better than he can think – Anonymous





Corporate Humour



If you have never been hated by your child, you have never been a good parent – Bette Davis

When a man retires his wife gets twice the husband but only half the income - Anonymous





Corporate Humour



Charity degrades those who receive it
and hardens those who dispense it
- *George Sand*

The trouble with the rat race is
that even if you win you are still
a rat – Lily Tomlin





Corporate Humour



A friend in power is a friend lost
– Anonymous

I would rather be a beggar
and single than a queen and
married – Elizabeth I





Corporate Humour



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

The reason why worry kills more
people than work is that more
people worry than work
- Anonymous



CORPORATE HUMOUR



As long as people will accept crap, it will be financially profitable to dispense it – Dick Cavett

The only thing that ever sat its way to success was a hen
- Sarah Brown



CORPORATE HUMOUR



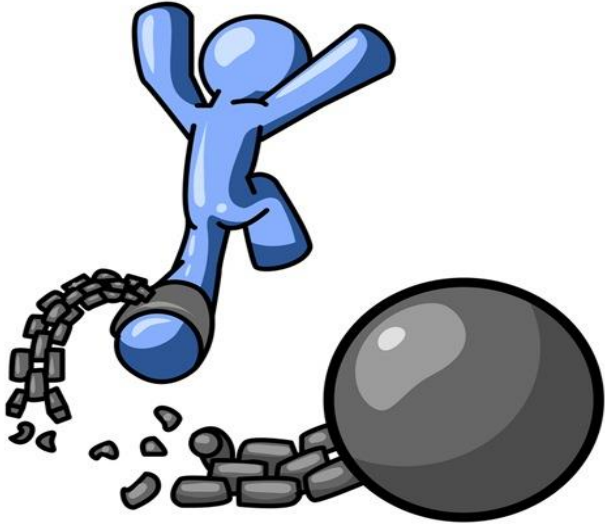
The brain is a wonderful organ,
it starts working the moment
you get up in the morning and
does not stop until you get into
the office - Robert Frost

If A equals success, then the
formula is A equals X plus Y and Z
with X being work, Y Play, and Z
keeping your mouth shut
- Albert Einstein





CORPORATE HUMOUR



Nearly all men can stand adversity, but if you want to test a man's character, give him power - Abraham Lincoln

Adversity makes men and prosperity makes monsters
- *Victor Hugo*





CORPORATE HUMOUR



A committee is a group of the
unwilling, picked from the unfit
to do the unnecessary
- *Richard Harkness*

Americans have different way of
saying things. They say elevator
we say lift The say President
we say stupid psychopath
- *Alexia Sayle*



*Thank
you*





Bismarck J. Rewane, MD/CEO
Financial Derivatives Company Ltd.
Lagos, Nigeria
08148894309