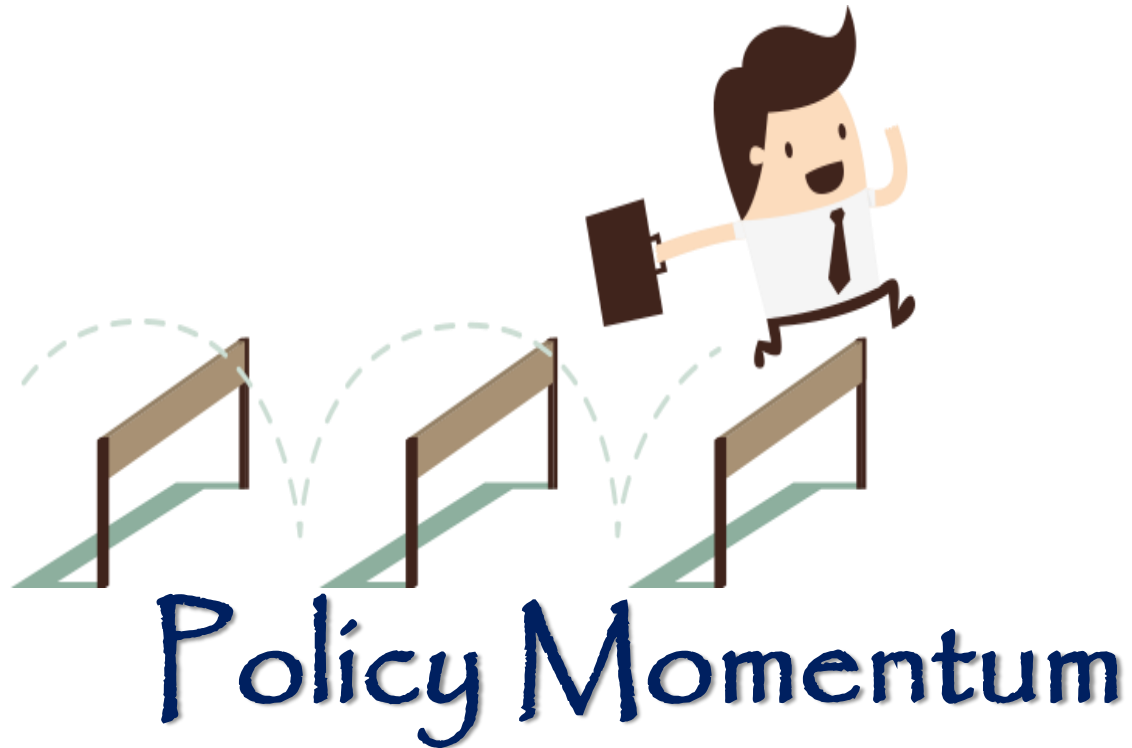


# Nigeria 2019



# Management Inertia

Presented by Bismarck Rewane  
CEO, Financial Derivatives Company Ltd.

April 3, 2019

# Outline

Highlights

01

04

Stock Market  
Review

Global  
Developments

02

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Political Update

Domestic Economic  
Performance

03

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April Outlook



# Economic Highlights in March

# March Highlights

- Headline inflation falls to 11.31% in February
- Expected to slide again in March
- Food inflation is bucking the seasonal trend
- The CBN cut the anchor rate to 13.5%
- Signaling an easing trend but keeping a lid on liquidity
- Maturing bills lower than new issues by N2.04trn
- CBN's aggressive OMO activity reduces system wide liquidity



# March Highlights

- Average opening position of banks is N201.98bn
- FAAC inches up 1.55% to N619bn
- No post-election rally at the stock market
- Corporate earnings much weaker across most sectors
- PMI sharply higher by 12.9% to 56.9
- Pointing towards a strong GDP growth in Q2
- Total forex intervention by CBN fell sharply to \$565.6mn



# March Highlights

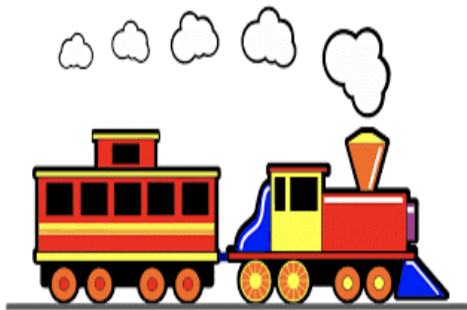
- Naira traded horizontally at N360/\$ in spite of short supply
- Election dollarization shored up the naira
- Gross external reserves up 5.04% to \$44.4bn
- NNPC now behind 3 months (backlog) on dollar cash calls with JV oil companies
- President signs minimum wage bill into law at N30k
- 2019 budget increased by approximately N1.5trn to N10trn
- To cover pension & the new minimum wage projections



# March Highlights

7

- FGN to review downwards excise duty on spirits, alcohol and brewed drinks
- Nigeria climbs 6 steps on the happiness index to 85<sup>th</sup> position
- Lagos now 6<sup>th</sup> cheapest city to live in, in dollar terms
- Lagos-Ibadan standard gauge rail to commence in May/June
- With profound impact on productivity and logistics costs
- Nigeria mulls another rebasing less than 5 years after last exercise
- With very limited macro-economic impact
- Average price of diesel in February is N225.6/liter and PMS N145.3/liter



# Delicate Fiscal Position





# Delicate Fiscal Position (After the Minimum Wage)

- Expenditures much higher than sustainable revenues
- Salaries +overheads+ debt service > independent revenues
- If no significant fiscal adjustments situation will deteriorate with new minimum wage
- The fiscal gap will widen beyond tolerable levels
- Head count bloated and unproductive
- Oil revenues declined and other revenues flat lining since 2014

# Delicate Fiscal Position

- 67% wage increase with no productivity gains
- A recipe for inflation and fiscal slippage
- Total wage impact approximately 3.5% of GDP and 18% of M2



- A cocktail of adjustments that will
  - Increase tax-to-GDP ratio to 10% in the short run
  - Emphasize indirect and benefit taxes
  - Simplify the tax administration and widen the tax net
- Optimization of revenue and bridging the fiscal gap is phase 1
- Phase 2 is about structural changes and fiscal sustainability

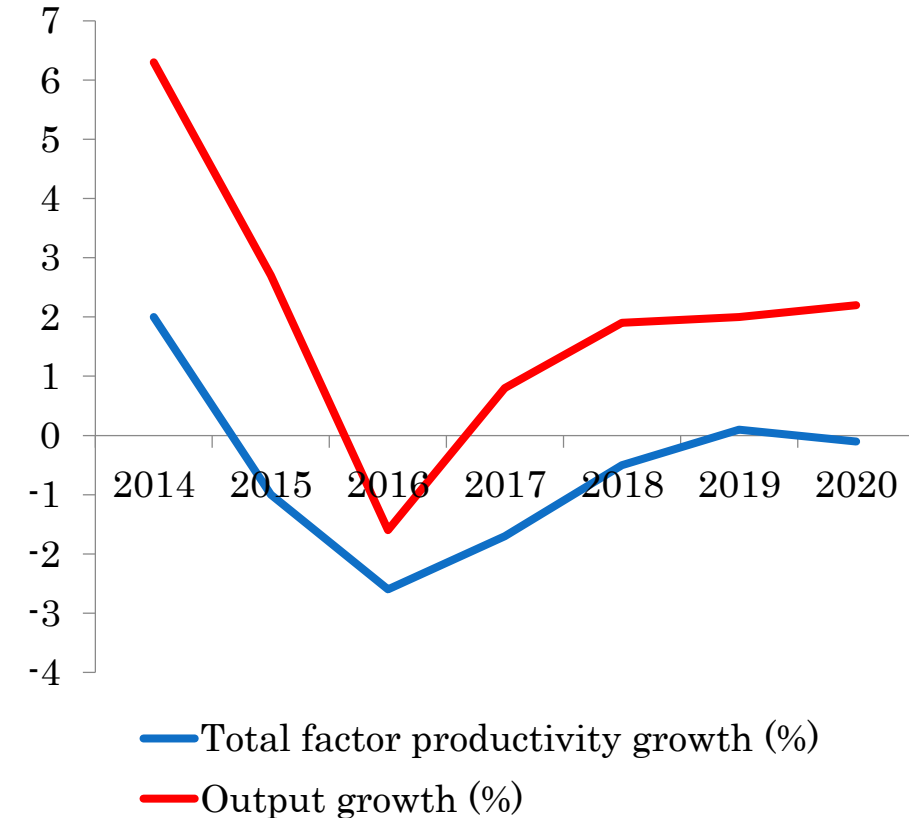
# Delicate Fiscal Position

- Supported by monetary policy stability and exchange rate alignment
- Reinforced by multiple scenario adjustment mechanism (exogenous shocks)
- Selling, concessioning and sweating FGN assets
- Changing goals of economic output



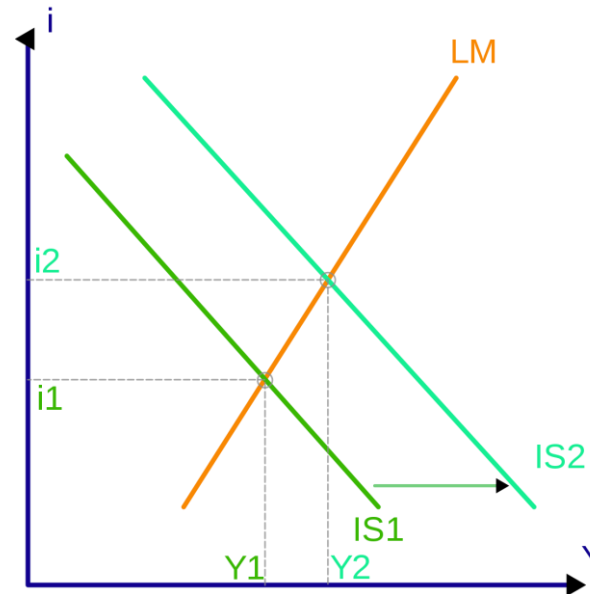
# Total Factor Productivity (TFP) vs. Growth

- Growth is the single most important gauge of economic health- Sangato Datta
- Labor productivity growth is an inefficient measure
- TFP measures the efficiency of the use of capital and labor
- It is the main source of future economic growth
- Nigeria has recorded negative TFP in the last 5 years

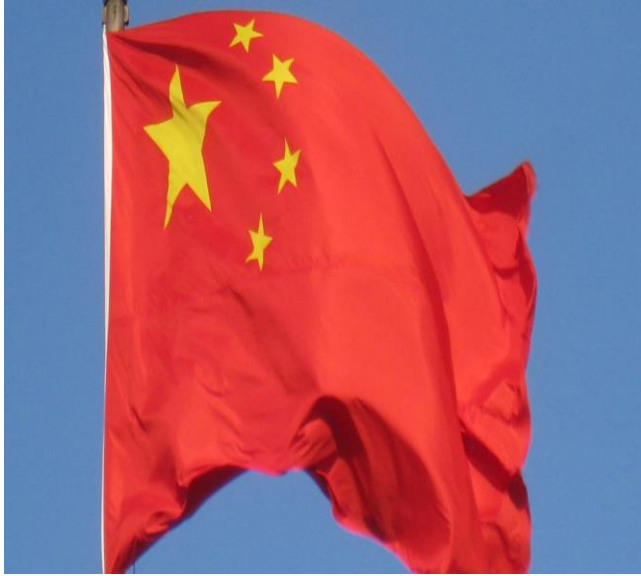


# Monetary Tools Do Not Fix Fiscal Problems

- Nigeria must stop current policy mismatching
- Using monetary policy tools to solve fiscal snags
- Cutting MPR will ease rates (price of money)
- Loosening or accommodative stance means increasing money supply



# TFP: An engine of growth – A Case Study of China 14



- Total factor productivity (TFP) growth played a crucial role in China's economic growth in the last 3 decades
- TFP grew at an average of 3.5%, accounting for approximately 40% of GDP growth
- Driven by
  - Institutional reforms and technological progress
  - Reallocation of resources – labor
  - Economic structural changes

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# Global Developments





# Brexit, the Unending Saga

- May approaches Corbyn for rescue mission
  - Hopes to achieve wider support for her Brexit proposal
- House of Commons fails in bid for alternative BREXIT options
  - Second round of votes on indicative BREXIT proposals
  - Possibility of a second referendum
  - Renegotiate the deal with the EU – Most likely an extension
  - General election & no Brexit is worst of all outcomes for current administration

# No Brexit has its Good Sides

- Extension of deal implies that UK will have to partake in the EU's election in May
- BREXIT stockpiling has boosted UK factory activities
- As manufacturing PMI touched a 13-month high of 55.1 in March
  - From 52.0 in February



# Impact on Nigeria

- Higher unemployment in the UK will affect Nigeria
- 30% of Nigerians abroad are in the UK
- Diaspora remittances from the UK are approximately \$8bn per year
- Every 1% fall in the value of the pound will shave \$100,000 off the diaspora flows

# Trump says “I am Stuck with Jerome Powell”

- Steve Moore (Trump’s attack dog) to join the board of the US Fed Reserve
- Moore supports low taxes and small government and is a critic of Jerome Powell
- Kudlow, economic adviser to Trump, is calling for rate cut – by 50bps
- Deutsche Bank to raise \$10bn in new capital ahead of merger talks
- Lyft shares fell 4% below stock’s IPO price of \$72



Sub-Saharan  
Africa

# South Africa – Policy Rate Unchanged at 6.75%

- South African elections to be held next month
- ANC likely to win with a slimmer margin
- SARB held the MPR steady at 6.75% in March on concerns over downside risks to growth
- Power cuts and load shedding now a way of life
- Inflationary pressures could force the SARB to hike rates subsequently

# Kenya – Not desperate to Strike New Deal with IMF

- Court rules against interest rate cap
- Kenya is seeking to raise \$2.5bn Eurobond
- IMF renewal is necessary but not sufficient to secure the Eurobond
- Kenya reported 6.1% growth in 2018
  - Driven by agriculture, services and industrial sector
  - Concerns over global economic slowdown constitute a major downside risk

# Ghana Completes the IMF's ECF

24

- Ghana successfully completed the extended credit facility of the IMF on March 28
  - The 16th bailout of the IMF since independence in 1957
- Forced into signing a three-year agreement in April 2015
  - Ghanaian cedi plunged over 31% against the US dollar along with double inflation (17%)
- Total expected inflows for the three-year period stood at \$914 million
- Program was not called off as scheduled in April 2018
- Successful completion guaranteed inflows of \$185.2 million
  - This brings the cumulative disbursement under the ECF to a total of \$934.4 million
- After the program higher growth rates and moderating inflation followed
- GDP growth for Q3'18 stood at 6.1% and inflation fell to 9.2% (Feb'2019)



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# Domestic Economic Performance



# Economic Indicators - Output



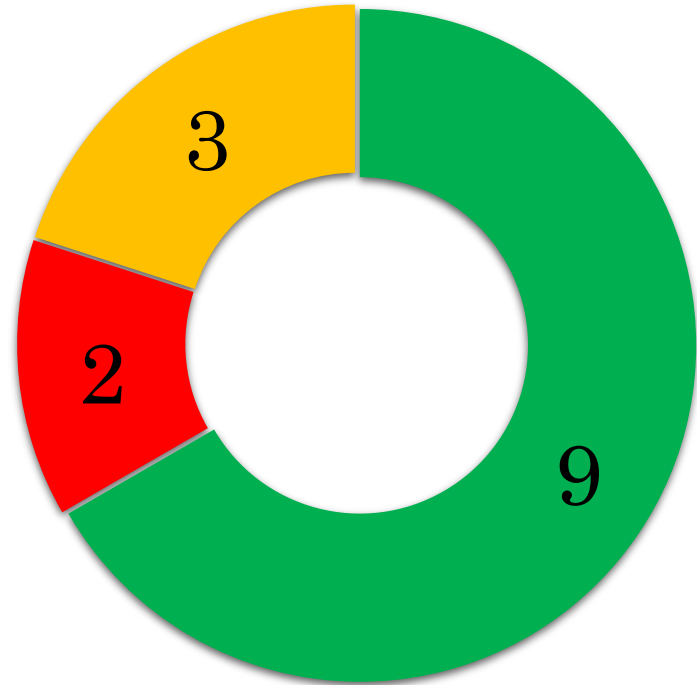
Leading Economic Indicator	February	March	% Change	Comments	April's Forecast*
<b>GDP Growth Rate (%)</b>	2.38 (Q4'18)	1.8-2 (Q1'19)*	0.38	<ul style="list-style-type: none"> <li>Projected to decline to 2%</li> <li>Remains below population growth of 2.6%</li> <li>Negative for investor sentiment</li> </ul>	1.8-2. (Q2'19)
<b>Oil Production (mbpd)</b>	1.73 (Jan)	1.74 (Feb)	2.87	<ul style="list-style-type: none"> <li>Higher export revenue, positive for fiscal and external buffers</li> </ul>	1.68-1.70
<b>Power (MW; avg)</b>	4,148	4,178	0.72	Will reduce operating expenses of companies	4,200-4,400
<b>PMI</b>	CBN: 57.1 FBN: 50.4	CBN: 57.4 FBN: 56.9	0.53 12.90	Likely to improve in March driven by inventory build up by manufacturers ahead of Easter celebrations	58-60 52-55
<b>Inflation (%)</b>	11.31	11.20	0.11	<ul style="list-style-type: none"> <li>Impetus for further interest cut</li> </ul>	11.25
<b>Oil Price (\$pb; avg)</b>	64.43	67.01	4.00	<ul style="list-style-type: none"> <li>Extension of output cut till bi-annual meeting in June to keep prices within a tight band of \$67-68pb</li> </ul>	67-69
<b>Natural Gas (\$/MMBtu; avg)</b>	2.68	2.80	4.48	<ul style="list-style-type: none"> <li>Second highest contributor to export earnings</li> <li>Positive for revenue and external accretion</li> </ul>	2.8-3.0

# Economic Indicators - Market

Leading Economic Indicator	February	March	% Change	Comments	April's Forecast*
Average Opening Position (N'bn)	43.38	201.98	365.61	Evidence of increased naira liquidity	200-250
T Bills (91 days) (%) – Primary	10.9	10.30	-0.60	Will reduce government debt service burden	10.5-10.9
T Bills (182 days) (%) – Primary	13.01	12.20	-0.81		12-12.25
Average NIBOR (%) (OBB, O/N)	18.87	12.58	6.29	Driven by increased naira liquidity	18-20
Average Lending Rate (%) (pa)	22.00	22.00	-	Positive for activities within the real sector	22-23
External Reserves (\$bn) (end)	42.30	44.43	5.04	Lower CBN forex intervention	43-45
Exchange Rate (N/\$; month-end)	Parallel: 360 IFEM:306.85 IEFX:363.99	Parallel : 360 IFEM: 306.95 IEFX: 360.68	- -0.03 0.92	CBN to continue with its intervention to keep the exchange rate within a band	Parallel: 361 IFEM: 306-307 IEFX: 360-361
Stock Market Cap (N'trn)	11.83	11.67	1.35	<ul style="list-style-type: none"> <li>The CBN's shift to an accommodative policy stance would boost demand for equities and lead to an increase in stock prices in the near term</li> </ul>	12-12.2

\*: FDC's Forecast

# Mixed Bag of Economic Indicators



■ Positive ■ Negative ■ Neutral

## Impact

- Muted impact of the interest rate cut on the economy:
  - Exchange rate stable within the range of N359.5-N360/\$
  - Market cap declined by 1.35% to close at N11.67trn
  - Lending rate still at 22% pa

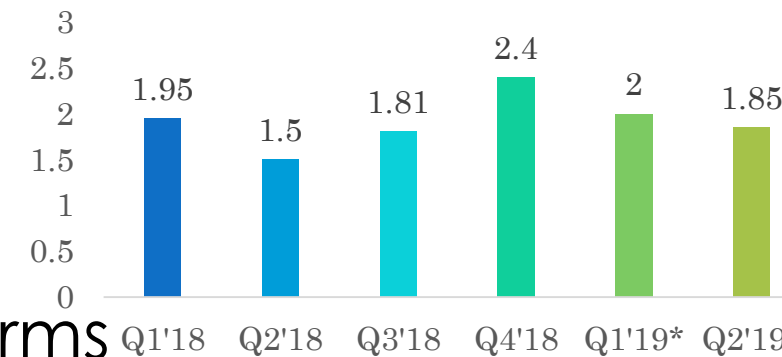
# GDP Outlook: 2.74% (FY'19; CBN)

Source: NBS, FDC Think Tank

30

- Populism vs reform
- **Populist policies:**
  - 'Man of the people' approach
  - Social intervention programs (Trader Moni, N-Power)
  - Growth rate would remain suboptimal at 2%-3%
- **Reform policies:**
  - Pro-growth strategy
  - Privatization and pro-market investment reforms
  - Could result in growth rate of 8%-10%

GDP Growth rate (%)

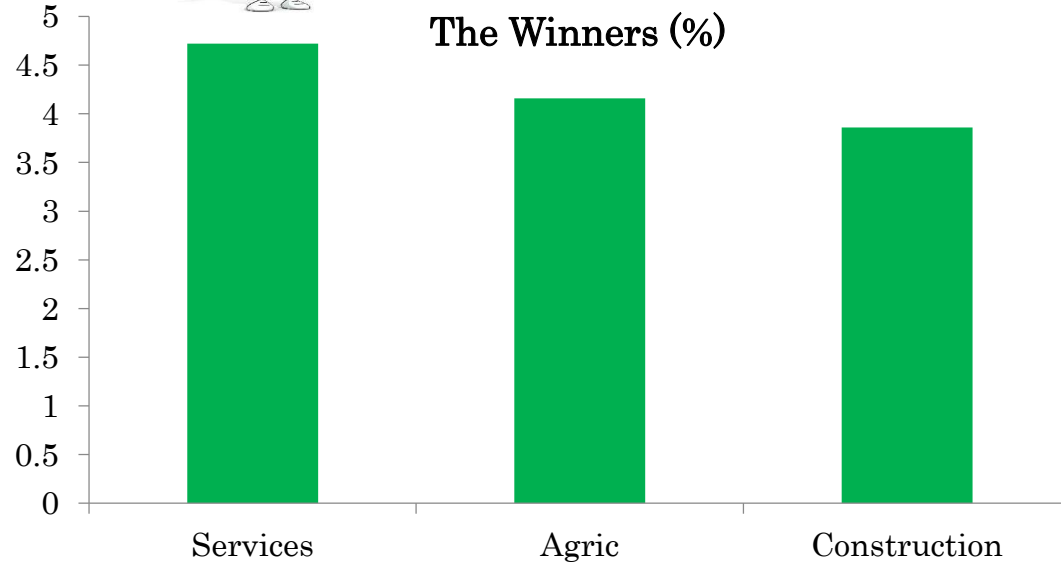


# Q1'19 GDP Outlook

Release date: May 20

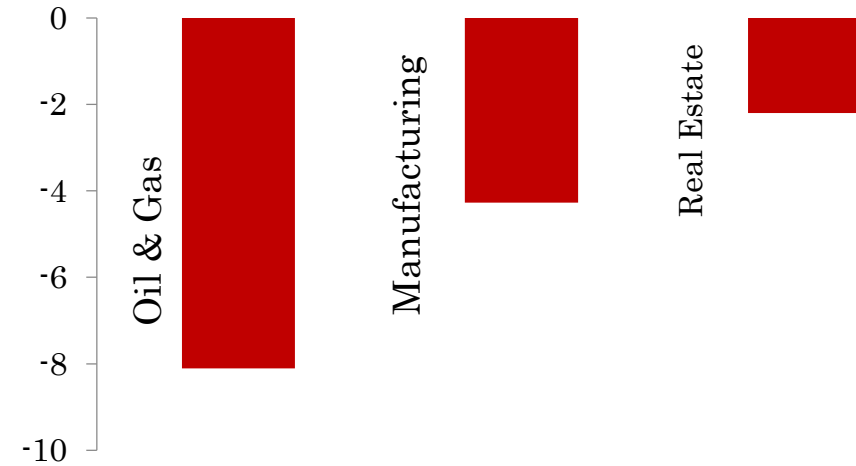


The Winners (%)



- Import substitution strategies of FGN to drive agriculture sector growth
- Electioneering spend to foster growth in the construction sector

The Losers (%)

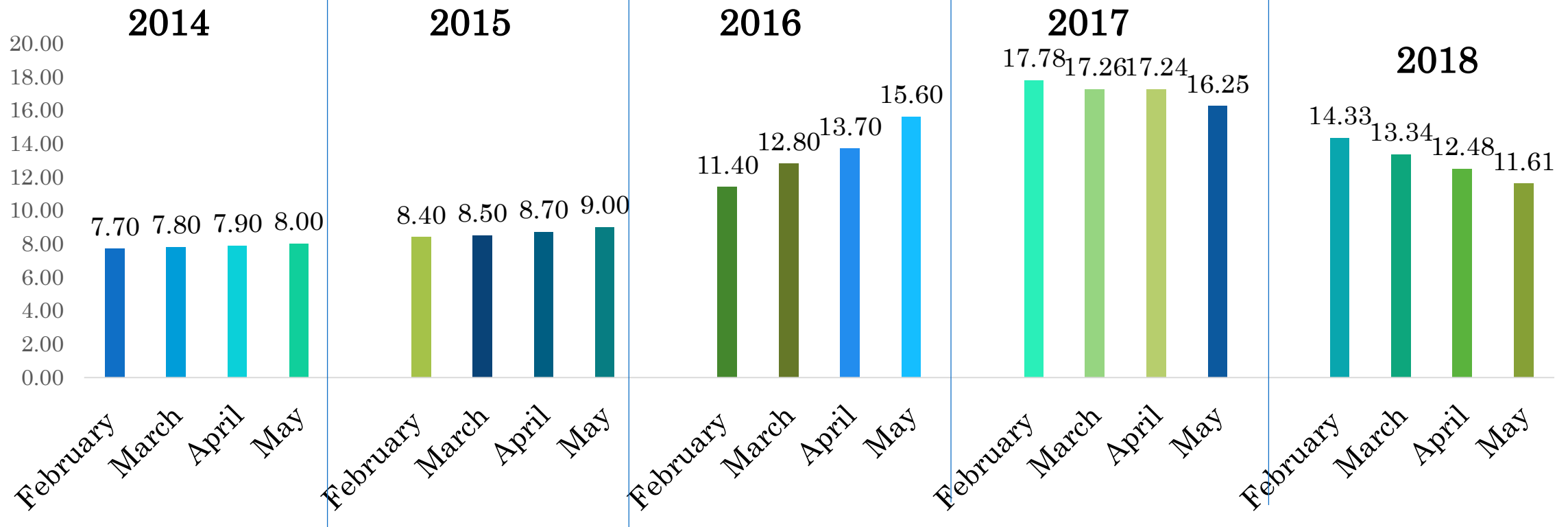


- Nigeria's commitment to output quota to drag growth in the oil and gas sector
- Slowdown in PMI to negatively affect growth in the manufacturing sector

# Inflation Trend in April/May (2014-2018)

Source: NBS, FDC Think Tank

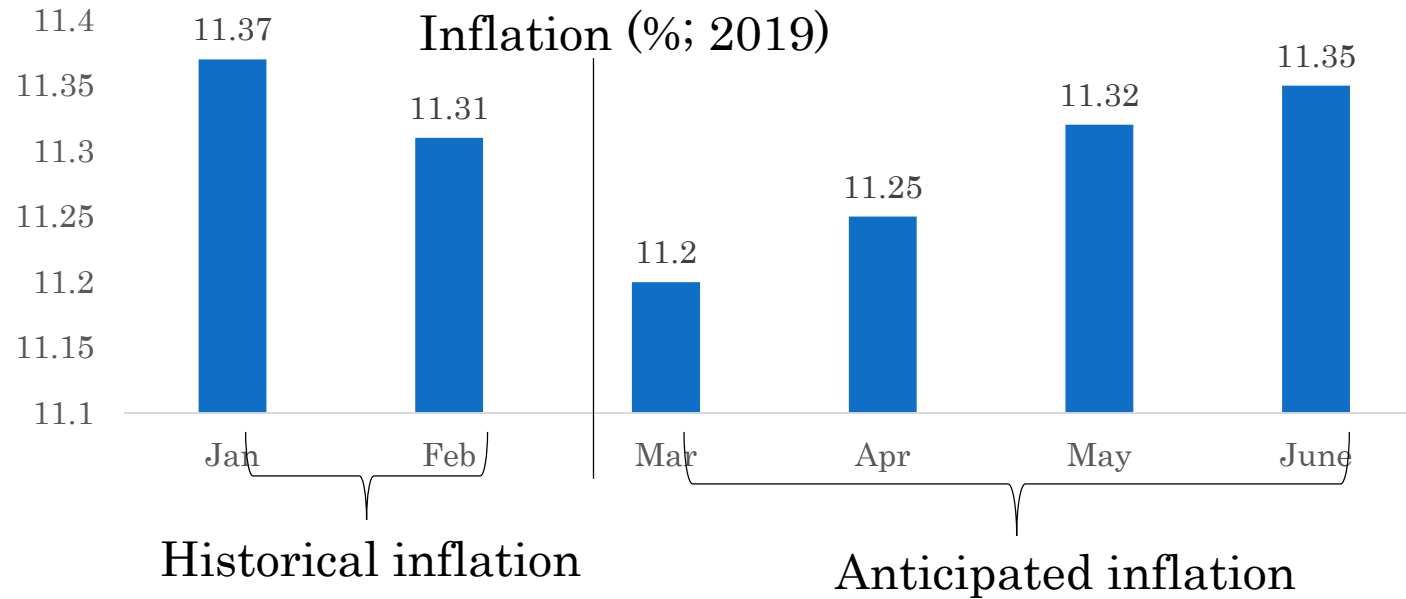
32



- Typically, inflation increases in April/May
- 2015 (the last election year): inflation increased to 9% post-election
- Will 2019 follow the same trend?



# Price Stability Mandate



Source: NBS, FDC Think Tank

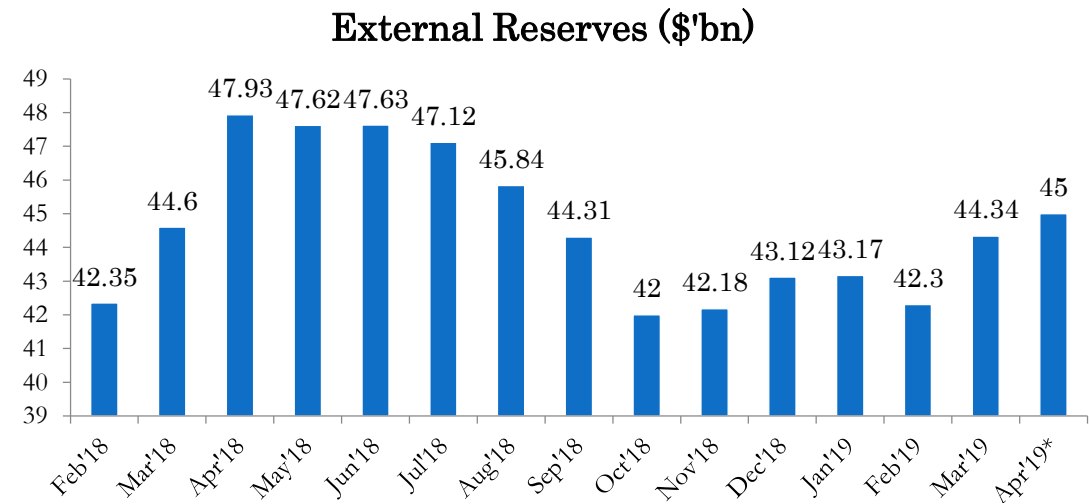
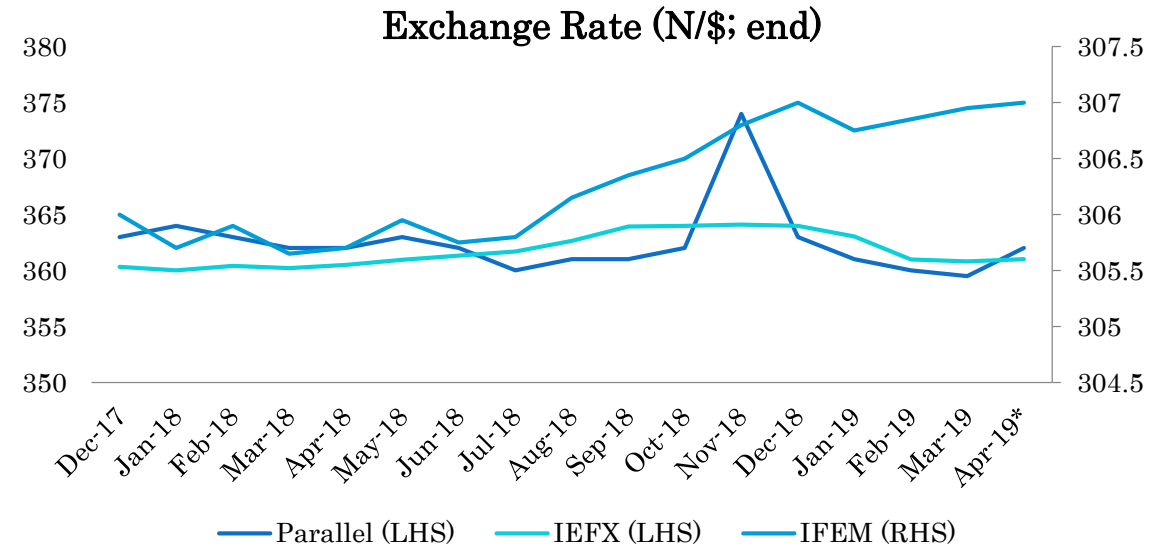


- Drivers of inflation in the next three months:
  - **Monetary Policy Rate**
  - **Minimum wage:** Implementation expected in Q2'19
  - **Exchange rate:** projected to trade within N360-N363/\$
  - **Planting season:** commencement due in Q2'19

# Forex Market Outlook

Source: FMDQ, CBN, FDC Think Tank

- Sources of demand pressure (Apr-June)
  - Manufacturers
  - Summer tourists
- Would mount pressure on external reserves (could fall to \$42-\$44bn)
- Would still cover imports for 10.46-10.95 months



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# Social Indicators

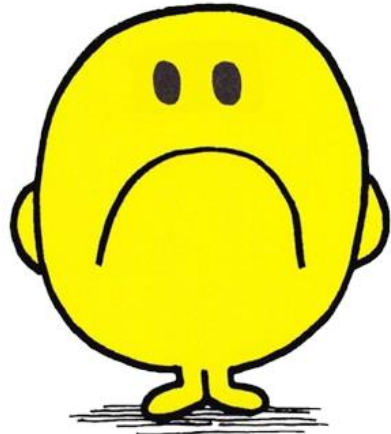




# Annual Misery Index 2018

**Misery index**= *Unemployment + underemployment + inflation*

**Hanke's Misery index**= *Unemployment + inflation + bank lending rates - % change in real GDP per capita*



**Lending rates:** Steep borrowing costs slows activities in interest rate sensitive sectors.

**Unemployment:** Unemployment leaves citizens idle and depressed. Increases the crime rate.

**Consumer prices:** Commodity prices determine purchasing power. Without disposable income, citizens are miserable.

# Annual Misery Index 2018

- Most miserable countries are victims of:
  - Political conflict
  - Economic mismanagement

## Miserable countries

Rank	Countries	Misery Index	Major contributing factor
1	Venezuela	1,746,439.1	Consumer prices
2	Argentina	105.6	Consumer prices
3	Iran	75.7	Consumer prices
4	Brazil	53.6	Lending rates
5	Turkey	53.3	Lending rates
6	Nigeria	43.0	Unemployment

*Source: Hanke's Annual Misery Index- 2018*

Nigeria is the only African country in the bottom six

- Unemployment a leading cause of misery index
- High unemployment + rising consumer prices = miserable Nigerians



# Cost of Living Survey- EIU

## Least expensive cities to live

Rank	Countries
1	Caracas, Venezuela
2	Damascus, Syria
3	Tashkent, Uzbekistan
4	Almaty, Kazakhstan
5	Bangalore, India
6	Lagos, Nigeria

- Singapore is world's most expensive city for the sixth consecutive year
- Caracas, Venezuela claims title of least expensive city
- Due to hyperinflation and currency depreciation
- Weaker dollar pushed US cities (New York and Los Angeles) up
- Lagos ranked the 6th cheapest city from its previous rank of 4th cheapest

*Source: EIU*



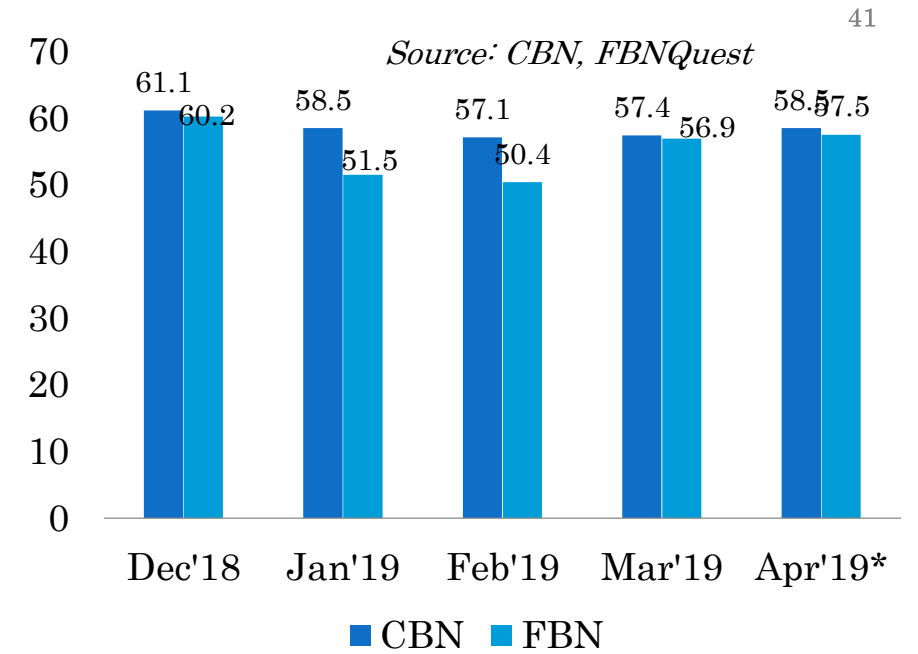


# Market Proxies



# PMI Bounces Back, Post-Election

- FBN PMI up sharply to 56.9 in March from 50.4 in February
- CBN PMI up to 57.4 in March from 57.1 in February
- Upward trend to continue in April
- Driven by robust trading activity, boost in consumer demand, and stable forex liquidity



	Feb'19	Mar'19	Apr'19 Forecast
CBN	57.1	57.4	58.5
FBNQuest	50.4	56.9	57.5

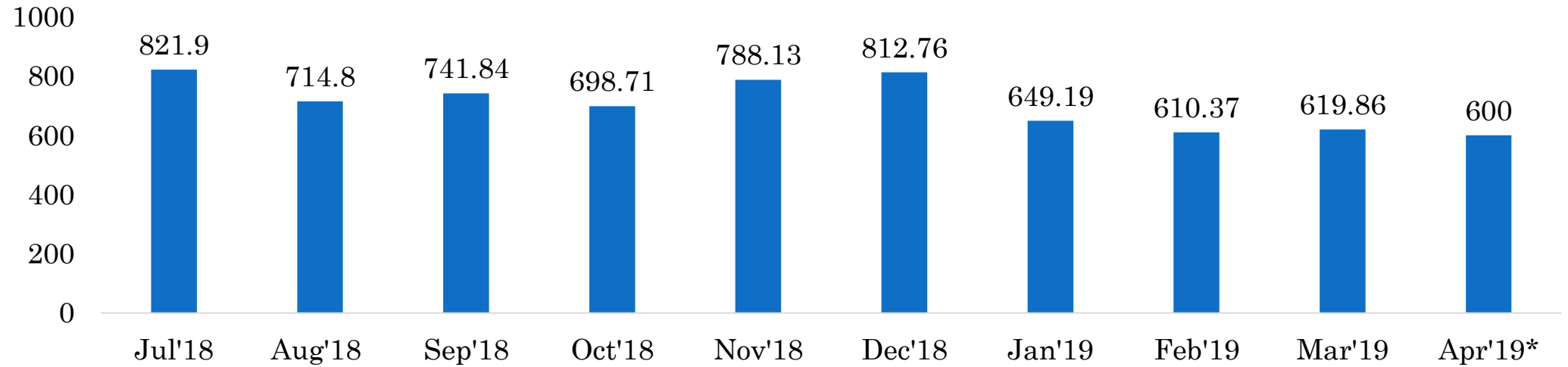
# Manufacturers Wish List from Buhari 3.0

## Action points for the FGN

- Power supply
- Smuggling
- Gridlocks at ports
- Private consumption



# FAAC up 1.55% in March



- March disbursement 1.55% higher at N619.86bn
  - Due to higher Federation Crude Export Sales
- Expected to fall in April to N600bn
  - Nigeria's compliance with output quota

# Ships Awaiting Berth – Apapa Gridlock Remains a Menace <sup>44</sup>

- Economic impact of the Apapa gridlock:
  - Commodities e.g. cashew nuts stuck at the ports
  - Most import-dependent commodity traders recorded a decline in earnings

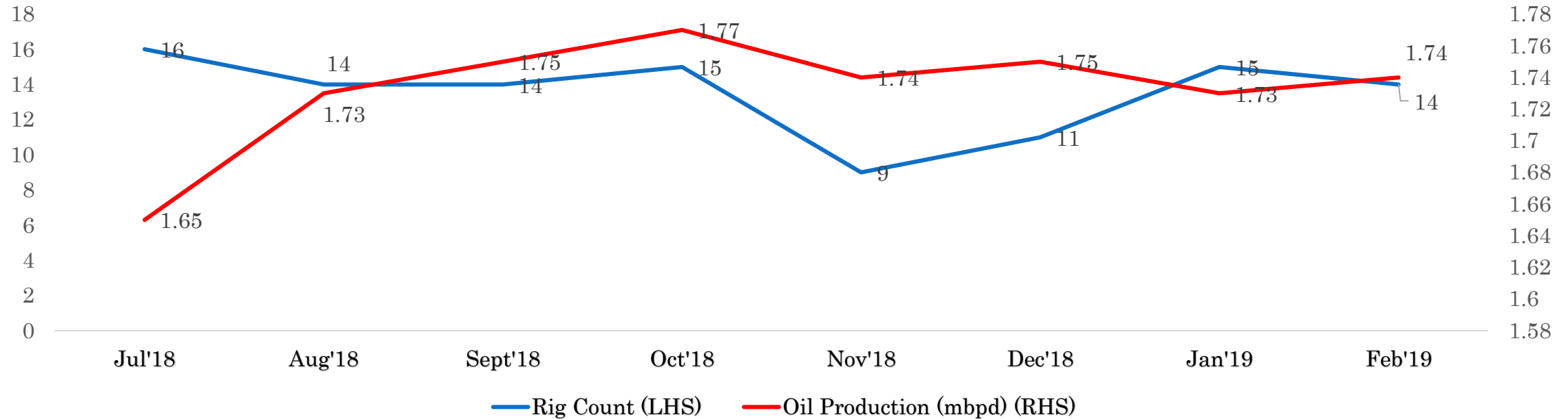


# Rig Count Down, Oil Production Up

Source: OPEC, Baker Hughes

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## Nigeria Oil Production vs Rig Count



- The number of operational rigs down by 6.67% to 14 in February
- Despite increased oil production (up 0.58% to 1.74mbpd in February)
- Oil production expected to decline in near term on compliance with output cut

# Average Power Output Up 0.72%



**5243MW**

Peak Energy  
Generated



**4178MWH/H**

Average Energy  
Generated



**726.8MMSCF/D**

Average Gas  
Delivered to Plants



**0**

Total Grid  
Collapses

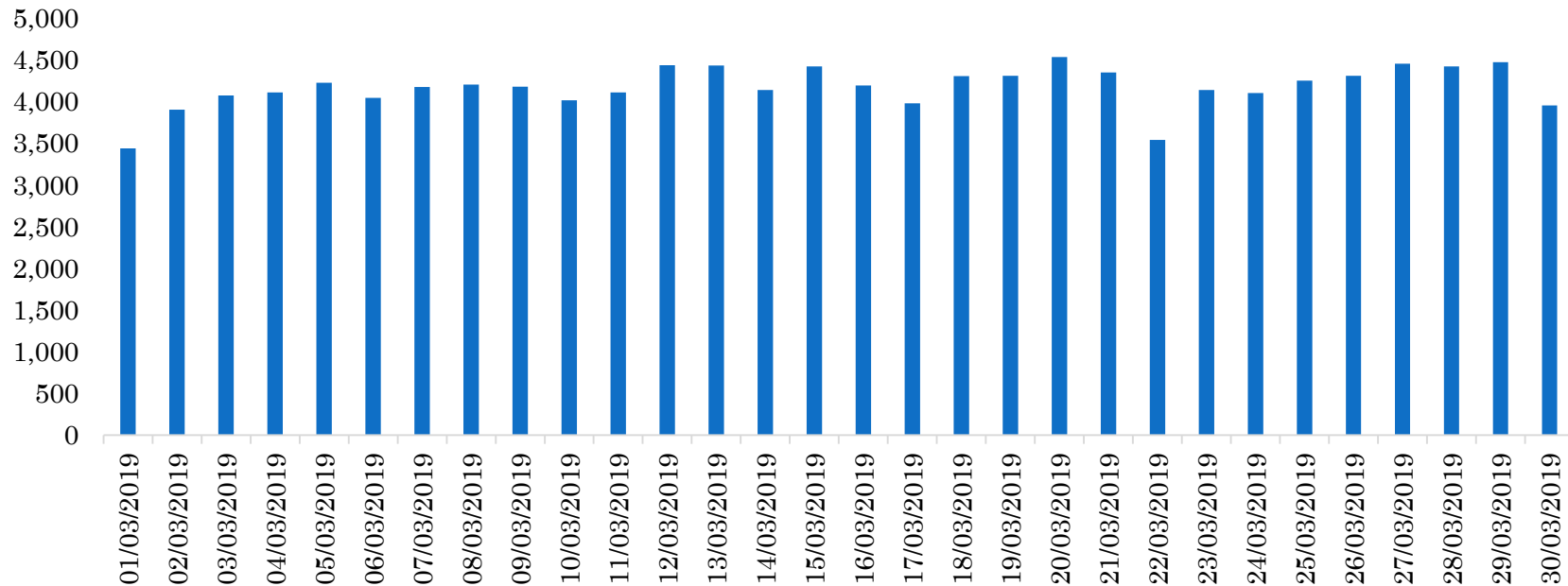


**3310MW**

Average  
Constrained  
Energy



Power Output MWh/hour



Source: Lavayo Advisors

# Power Sector News

- FGN committed to building coal-fired electricity by 2020- Minister
- TCN targets 8,000MW of power with expanded Disco network
- Discos relinquish metering responsibility
- Morocco firm plans \$600mn gas-fired power plant in Ondo state














# Commodities



# Commodities Outlook and Nigeria

Export Commodities	March	April*	Import Commodities	% Change (March/April)
Oil (\$/b) 	67.01	69 	Wheat (\$/bushel) 	-6
Liquefied Natural Gas (\$/mmbtu) 	2.80	2.9 	Sugar (\$/pounds) 	-4
Cocoa (\$/mt) 	2,203	2,132 	Rice (\$/cwt) 	-5.3

- Compliance with the crude quota could threaten oil revenue
- Negative for FAAC allocation, state government investment



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# Stock Market Review

# Nigerian Stock Market in February

- Market cap  1.3% to N11.67trn
- NSE ASI  2.1% to 31,041.42
- 7 days positive, 14 days negative
- P/E ratio  0.25% to 7.74x
- Negative market breadth of 0.3x
  - 21 stocks gained
  - 79 stocks remained neutral
  - 68 stocks lost





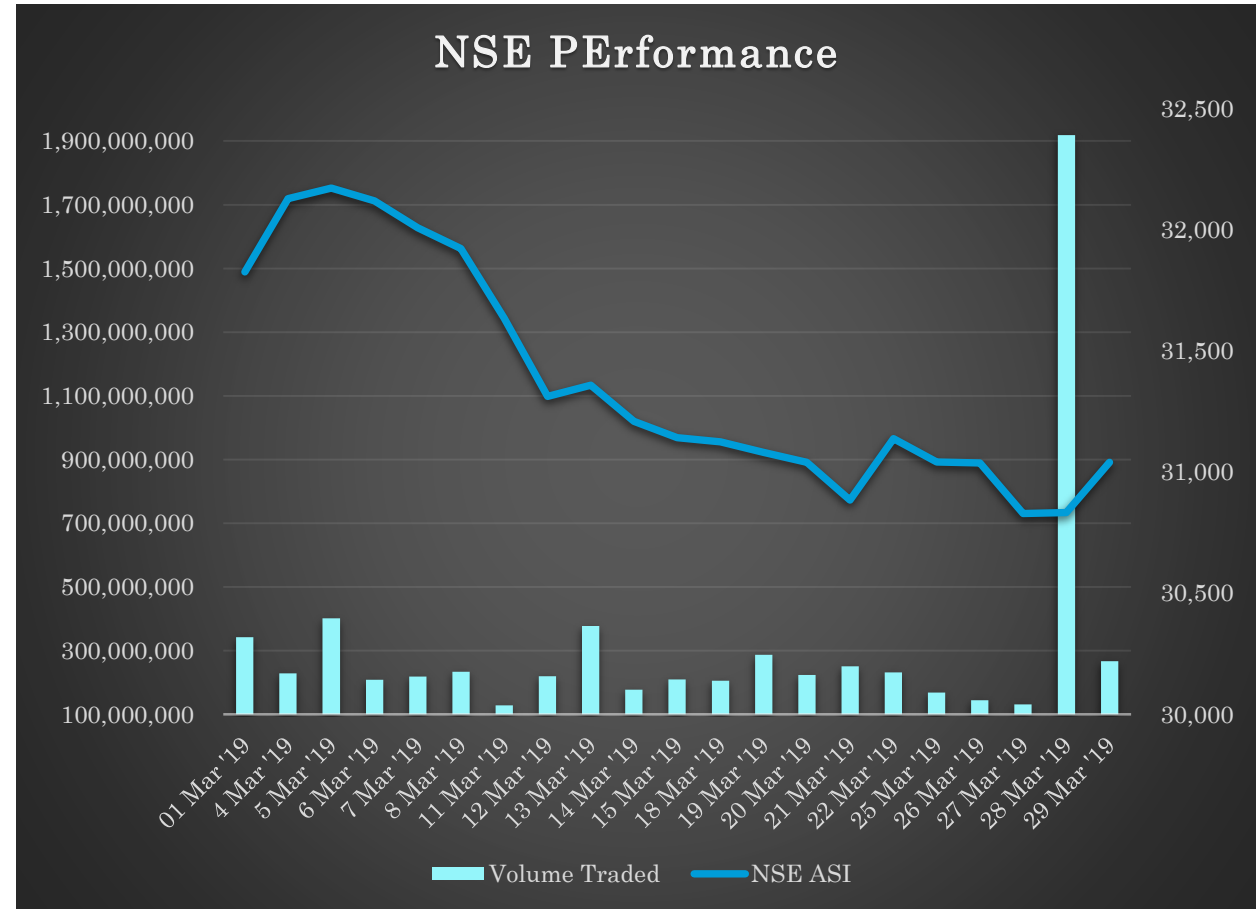
## Peer Comparison

Exchange	YTD Return	Driver
NSE ASI	 1.24%	<ul style="list-style-type: none"> <li>• Lack of investors' confidence</li> </ul>
JSE ASI	 7.06%	<ul style="list-style-type: none"> <li>• New listings</li> <li>• Corporate earning</li> <li>• Rising gold and palladium prices</li> <li>• Improving investors' confidence</li> </ul>
GSE ASI	 4.58%	<ul style="list-style-type: none"> <li>• Increase in FPI outflows</li> <li>• Currency depreciation</li> </ul>

# Nigerian Stock Market in February



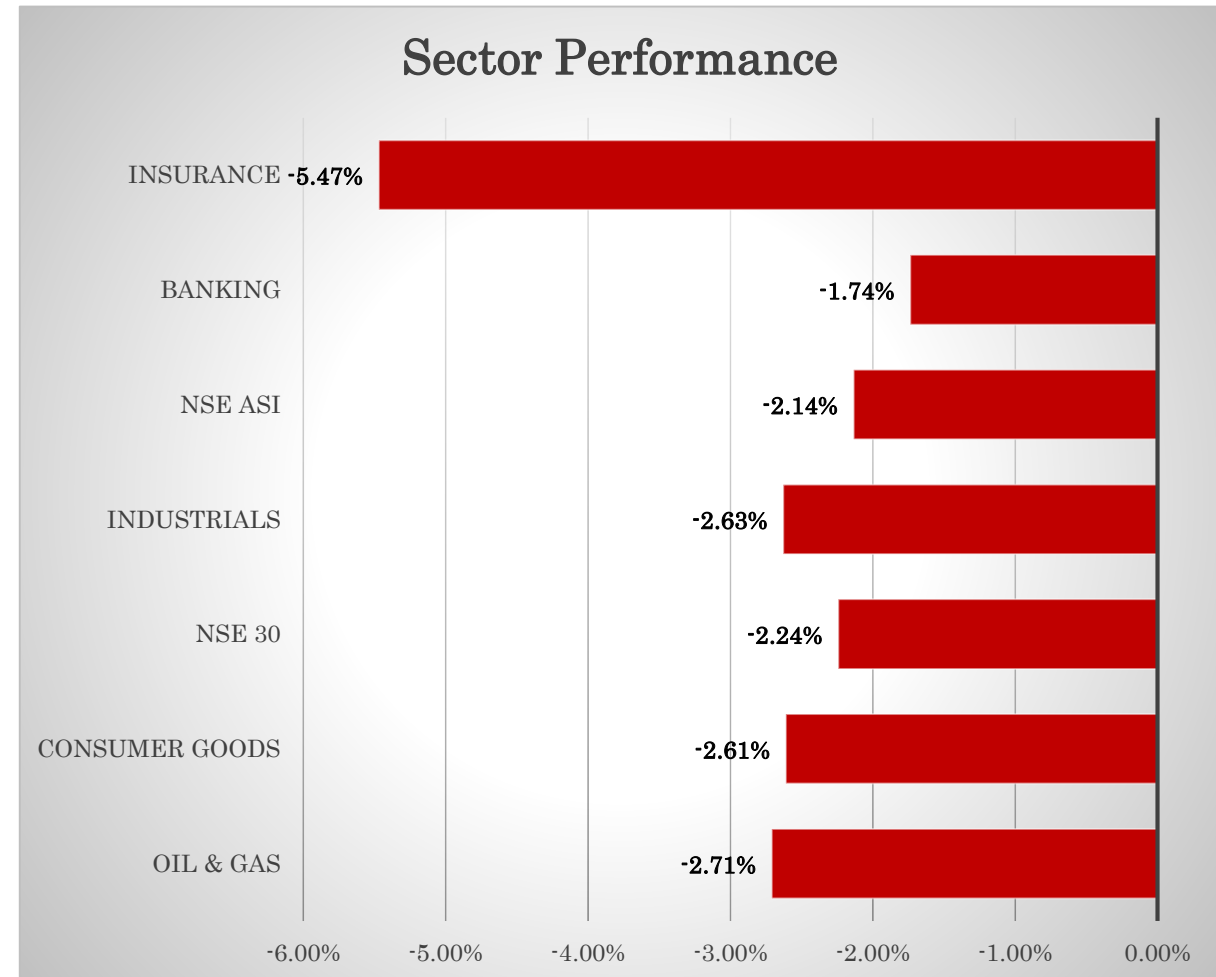
- Average volume traded  21% to 312.9mn units
- Average value of transaction  42% to N2.72bn
- Investors not responsive to earnings
- Spike in volume traded on March 28
  - WEMA bank represented 80% of the days' trade



# Sectoral Indices - Results or Sentiments



- All sectors closed negative
- Banking stocks recorded the highest volume traded
  - 85% of total volume traded
- Negative market sentiment outweighs other market drivers
  - Lack of positive catalyst
- Investors not responsive to earnings



# Corporate Actions

- NSE suspends trading on the shares Diamond Bank Plc
- FY 2018 earnings release
  - FMCG - affected by waning consumer demand
  - Oil & Gas - upstream performance driven by higher oil prices, downstream weighed down by operating expenses
  - Insurance – larger companies to outperform smaller ones
  - Banking – general increase in profit across board
- Listing of Access bank N15bn, 5-yr 15.5% green bond
- Moody places Access bank under review for downgrade



# MTN Listing

MTN is the market leader in the Nigerian telecom industry (65.2 million subscribers at 40.7% market share)

- Listing to increase market cap by approximately N2trn
- Representing about 13.3% of market capitalization
  - Making MTN the 2nd most capitalized stock
- Improve wider sector diversity
  - Currently 4 sectors (banking, consumer goods, industrial and oil & gas)  
80% of market cap
- Made history with the mobile money-based IPO in Ghana





# Outlook for April

- Investors to remain conservative due to
  - Weak earnings across most sectors
  - Lack of liquidity
- Mixed signals for foreign inflows
- Decline in rate indicates possible depreciation in naira
- External reserve accretion
- Fed less likely to increase rates in 2019
- Upgrade of Argentina to the MSCI EM from FM
- Increases Nigeria's weighting in the index and results in potential inflows



# Corporate Earnings

# Banking Industry – Full Year 2018

	Sterling	ETI	Fidelity	WEMA
<b>Gross Earnings</b>	↑ 14% to N152.2bn	↑ 1% to N773.3bn	↑ 5% to N188.9bn	↑ 9% to N71.5bn
<b>Interest Income</b>	↑ 13% to N125.2bn	↓ 1% to N475.1bn	↑ 4% to N153.7bn	↑ 8% to N57.6bn
<b>Profit After Tax</b>	↑ 14.7% to N9.2bn	↑ 46% to 102.2bn	↑ 29% to N22.9bn	↑ 50% to N3.3bn
<b>Cost to Income</b>	81.4%	61.5%	71.10%	80%
<b>NPL</b>	8.69%	9.6%	5.70%	4.98%
<b>EPS</b>	↑ 14% to N0.32	↑ 50% to N3.3	↑ 29% to N0.79	↑ 48% to N8.6
<b>Dividend Yield</b>	0.83%	-	5.8%	4.29%
<b>P/E Ratio</b>	7.5x	2.3x	2.4x	8.12x



- Most banks reported increase in PAT and Earnings
- IFRS 9 helped drive down impairment across board
- Cost structure a major threat to earnings sustainability
  - Tier 2 banks have higher cost-to-income ratio

# Oil & Gas Downstream Industry - Full Year 2018

	Mobil (11 Plc)	OANDO	TOTAL	ETERNA
<b>Revenue</b>	↑ 31% to N164.61bn	↑ 37% to N679.5bn	↑ 7% to N307.99bn	↑ 45.57% to N251.9bn
<b>PBT</b>	↑ 2% to N13.7bn	↓ 46% to N11.2bn	↑ 3% to N12.10bn	↓ 29.18% to N1.99bn
<b>FCF</b>	↑ 51.47% to -404.1mn	↓ 20.9% to N31.45	↓ 1380% to -N11.78	↓ 403.91% to N3.89BN
<b>PE</b>	5.84X	3.05x	6.84x	5.98x
<b>DY</b>	4.71%	17.70	8.67	7.55
<b>YTD</b>	-8.36%	13.00%	-3.45%	12.77%



- Consolidation within the downstream
- Proposed PIB expected to be a game changer
  - Empower institutions
  - Eliminate inefficiencies
- Completion of Dangote refinery later in 2019
  - Significantly reduce import of petroleum products
  - Aid availability to distributors
  - Attract new investment in the downstream value chain

# FMCG - Full Year 2018



	NASCON	Nigeria Breweries	Cadbury	Nestle
<b>Revenue</b>	↓ 4.77% to N25.8bn	↓ 6% to N324.4bn	↑ 9% to N35.9bn	↑ 9% to N266.3bn
<b>PBT</b>	↓ 18.46% to N6.4bn	↓ 37% to N29.4bn	↑ 249% to N1.2bn	↑ 28% to N59.8bn
<b>FCF</b>	↓ 132.66% to -N2.9	↓ 99% to N0.7bn	↑ 246.69% to N5.9bn	↑ 488% to N61.9bn
<b>PE</b>	10.91x	30.8x	24.76x	27.3x
<b>DY</b>	5.49	4.97%	2.30%	3.9%
<b>YTD</b>	1.11%	-12.28%	8.50%	-0.34%

- Competitive operating environment
- Waning consumer demand
  - Increase in unemployment and underemployment
  - Declining purchasing power
- Growth driven by
  - Product diversity
  - Quasi-necessity nature of products
    - Increase ability to pass rising cost to consumers
- Breweries affected by excise duty

# UACN Plc Result



- Stiff operating environment
- Sector growth in negative territory for at least 12 consecutive quarters
- Infrastructure a primary driver
- Industry reactive to
  - Political changes
  - Safety & Sustainability issues

Revenue	↓ 12% to N78.7bn
PBT	↓ 270% to (N5.5bn)
Free Cash Flow	↓ 73% to N4.09bn
PE	-
DY	8.37%
YTD	-21.54%

- Decline in FCF largely driven by decline in cash generated from operations



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	<p>DRIVER SOURCING AND TRAINING</p>		<p>TRACKING, FUELING AND MAINTENANCE OF OTHER FLEET ELEMENT</p>
	<p>OPERATION AND MAINTENANCE OF YOUR FLEET</p>		<p>BUY BACK OPTION AVAILABLE</p>

\* Services are available to businesses in Lagos, Abuja, Port Harcourt, Enugu, Benin and Ghana.

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# Aviation Update



# Aviation Update - IATA

- Airline profitability improving slowly
- Oil and jet fuel prices inched up for the second consecutive month (\$69.77pb)
- Premium class passengers accounted for 5.2% of total O-D passengers
- Capacity outpacing passenger and freight demand
- Airline shares up approximately 8% YTD
- Markets shrugged off the Boeing 737 max saga

# Aviation Update - Long Haul & Regional

- High load factor on British Airways
  - Leveraging on frequent flier and loyalty programs
- Ethiopian Airlines has also shrugged off the Boeing saga
- Middle Eastern airlines are eating into the market share of others
  - Eithad (4 flights a week)
  - Qatar (daily)
  - Emirates
  - Turkish Airways (stable trade between Turkey & Nigeria)
  - Turkish (Istanbul) replaced Air France in PH to Europe (Paris)

# Aviation Update - Long Haul & Regional

- Kenya Airways facing labor challenges
- New carriers:
  - **Air Angola:** Luanda-Lagos
  - **Cabo Verde Airlines:** Cape Verde- Lagos



# Aviation Update - Domestic

- Arik to commence flights to Warri- April 15
- Improved on-time performance for most domestic carriers
  - New penalty for late departure by NCAA
- Bristow cut morning departures to Abuja to 3 per week
  - Switched aircraft to Mobil-Eket operations



# Real Estate Update

*Market still awash but early positive signs*



# Nigeria's Real Estate Market

	Property Prices	Vacancy Factor
North West	<ul style="list-style-type: none"> <li>• Kano and Kaduna have highest property prices</li> <li>• Cultural preferences play a key role in leasing decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Kaduna: 4%</li> </ul>
North East	<ul style="list-style-type: none"> <li>• Static property values in 2017/2018</li> </ul>	-
North Central	<ul style="list-style-type: none"> <li>• Pick up in private transaction volumes in Abuja</li> </ul>	<ul style="list-style-type: none"> <li>• Abuja: 10%</li> </ul>
South South	<ul style="list-style-type: none"> <li>• Slow residential transactions driven by insecurity</li> </ul>	<ul style="list-style-type: none"> <li>• Cross river: 12%</li> <li>• Rivers: 13%</li> <li>• Edo: 9%</li> </ul>
South East	<ul style="list-style-type: none"> <li>• Gradual improvement in lease and sale transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Abia: 13%</li> <li>• Anambra: 8%</li> <li>• Imo: 9%</li> </ul>
South West	<ul style="list-style-type: none"> <li>• Strong demand for 1 and 2 bedroom apartments in Lagos</li> </ul>	<ul style="list-style-type: none"> <li>• Lagos: 19%</li> <li>• Ondo: 21%</li> <li>• Osun: 11%</li> </ul>

# Pricing (Ibeju-Lekki Axis)

Type of property	Number of rooms	Price
Duplex	4	<b>Regular finish:</b> N1.5mn- N2.5mn <b>Luxury finish:</b> N5mn
Office space	N/A	N20,000-N25,000 per square metre



# Outlook

## *Minimum wage and real estate demand*

- Increased purchasing power would boost leasing transactions
- Would boost investment in the sector

## *Declining interest rate environment and real estate*

- Interest rate cut would boost activities within the real estate sector (increased supply and demand)





Political Update

# Political Update/Zoning is Growing

- Re-run elections, supplementary and inconclusive polls now over
- INEC survived with reputation blemished
- More for management inadequacies rather than for connivance
- Osun state election verdict overturned
- Raising doubts about the doctrine of inconclusivity
- The results of the re-run elections were consistent with the earlier polls
- Buhari sentiment did not lead to a bandwagon effect

# Political Update/Zoning is Growing

75

- The northern states of Adamawa, Sokoto, Benue, Taraba and Bauchi all broke ranks
- Showing a major resentment of bad managers as state governors



## NASS Leadership Scramble

- Once bitten twice shy APC tries to close ranks
- Sharing of the spoils usually leads to internal conflict
- Most likely outcome is Lawan as Senate president & Gbajabiamila as Speaker

# NASS Leadership Scramble

- Majority leader in both houses will be used as sweeteners
- The APC party leadership will be reorganized
- Current leadership perceived as disruptive and combative
- President is likely to separate the governor from the party structure
- The nominations for ministerial slots and board appointments are going to be contentious
- Compensation for election losers or reward for winners
- The voting pattern of APC presidential election will be a pointer to who gets what

# Buhari's Votes

States	Number of Votes	% of total votes
Kano	1,464,768	77.45
Katsina	1,232,133	79.21
Kaduna	993,445	52.57
Borno	836,496	90.94
Bauchi	798,428	77.95

# Buhari's Votes

- This will pitch the South West against the Northern states
- The plum jobs will go to those areas where the President polled highest
- Constitution requires all states to have ministers
- Federal character requirement must be met
- Buhari says he wants technocratic government
- Square pegs in square holes
- Legacy government with no re-elections means he needs nobody

# Buhari's Votes

- Buhari has rejected 8 bills by the Saraki led NASS
- He is in the drivers seat and intends to preserve his political capital
- The judiciary could be a fly in the ointment
- Judiciary is also in turmoil
- Election tribunals could be pivotal to stability
- New cabinet and key appointments likely by May ending



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# April Outlook

# April Outlook

- Budget will be passed in April
- Total amount above N10trn
- Pushing fiscal deficit above N3.5trn
- J.V Cash Call arrears of \$1.5bn-\$2bn will be paid
- Bringing down external reserves to \$42bn
- The CBN will increase its forex intervention as the naira comes under pressure
- Corporate earnings will continue to show weakness

# April Outlook

- Depressing stock prices and the NSE will fall marginally
- Minimum wage will be paid with consequential and compliance costs gulping the bulk
- Oil price will trade at \$65-70pb
- Production will fall to 1.65mbpd
- CBN will continue with aggressive OMO and stabilization securities to defend the naira
- Interbank and T/bill rates will remain flat despite MPR cut
- Inflation will slide to 11.25%

# Corporate Humour



Liberty without learning is always  
in peril and learning without  
liberty is always in vain  
- *John F. Kennedy*

Knowledge dwells in heads  
replete with thoughts of other  
men; wisdom in minds attentive  
to their own  
- William Cowper



# Corporate Humour



Our bravest and best lessons  
are not learned through success  
but through misadventure  
- *Amos Bronson Alcott*

Fences are made for those who  
cannot fly  
– Elbert Hubbard



# Corporate Humour



- Real leaders are ordinary people with extraordinary determination
- Seeing much, suffering much and studying much are the three pillars of learning
  - Benjamin Disraeli

Hurry is the weakness of fools  
- *Balstar Gracian*



# Corporate Humour



To admit ignorance is to exhibit  
wisdom

- *Ashley Montagou*

It is much better to know something  
about everything, than to know  
everything about one thing

- Blaise Pascal



# Corporate Humour



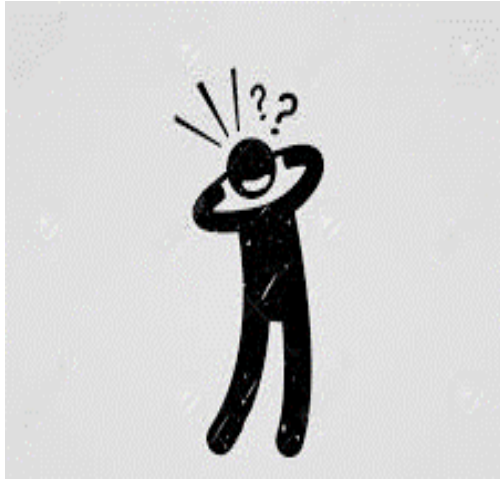
Imagination is more important  
than knowledge  
- *Albert Einstein*

It's necessary to relax your muscles  
when you can. Relaxing your brain  
is fatal  
- Stirling Moss





# Corporate Humour



Ignorance is a voluntary  
misfortune  
- Nicholas Lang

The way to be nothing, is to do  
nothing.  
- Edgar Watson Howe



# Corporate Humour



It never occurs to fools that merit  
and good fortune are closely  
united.

- Johann Wolfgang

There is no disaster that cannot  
become a blessing and no blessing  
that cannot become a disaster

- Jonathan Seagull



# Corporate Humour



Winning is everything. The only ones who remember you when you come second are your wife and your dog  
- The Sunday Times

Those who stand for nothing fall for anything  
- Alex Hamilton



# Corporate Humour



We know what happens to those who stay in the middle of the road. They get run over  
- The Observer

One is never as unhappy as one thinks, nor as happy as one hopes  
- François de La Rochefoucauld





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A collage of various colored envelopes (red, blue, green, purple, white) with a central cream-colored note that reads "THANK YOU!". The envelopes are scattered and overlapping, creating a vibrant, textured background. The central note is slightly tilted and has a soft shadow, making it stand out from the other envelopes. The overall composition is dynamic and celebratory.

THANK YOU!