

LBS Breakfast Session

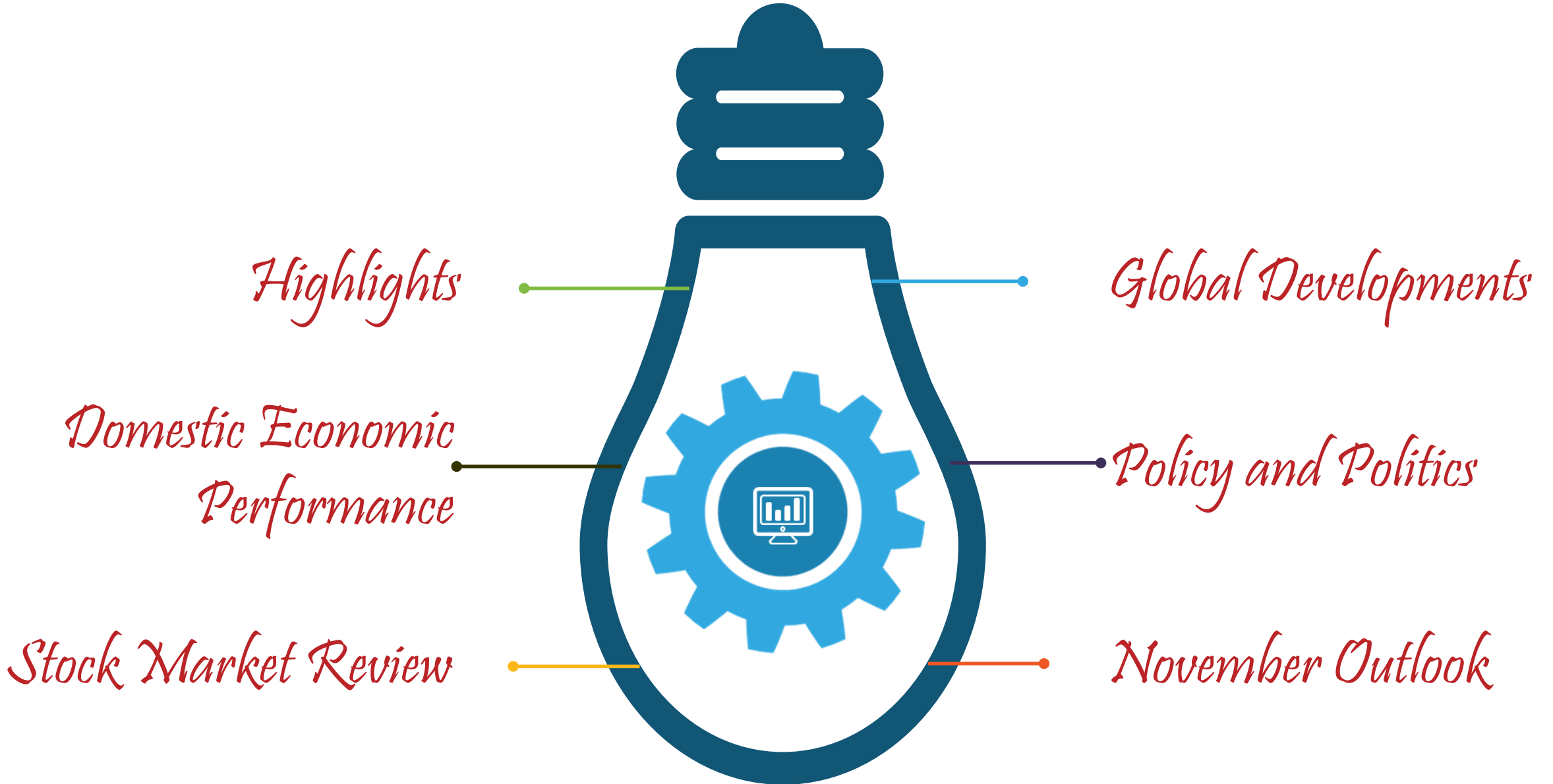


A Pound Of Flesh

“
*Ain't No Such Thing
As A Free Lunch*”

Milton Friedman

Outline



*October
Surprise*



Tax Burden

Massive floods, new taxes, new rules, more tariffs & closed borders



- ✓ In the old days, October was a month of opportunities and heartbreaks
- ✓ The October rush, a dream of stranded dames and desperate dudes
- ✓ 2019 is different
 - ✓ Strange floods, new taxes, more tariffs & closed borders

Tax Burden

- ✓ The ideology of the mercantilism is displaced by state intervention
- ✓ Multiple taxations to address the revenue shortfalls
- ✓ Also disrupting consumer behavior and disposable income
- ✓ The president assents to the new Deep Offshore Act
- ✓ Aramco launched the worlds largest IPO valued at \$1.5trn
- ✓ A major shift in the state owned mentality of oil producing countries



EIU – November Outlook is Gloomy

- ✓ Projecting 2.0% GDP growth in both 2020 and 2021
- ✓ Due to structural constraints and lack of sweeping reforms
- ✓ Believes forex restrictions and the VAT increase will push inflation higher
- ✓ Revises down its oil price projection from \$67pb to \$64pb
- ✓ Projecting an increase in the budget deficit from 1.8% to 2.2% of GDP

Indicator	Forecast	Previous forecast
Oil price (\$'pb)	64.1	67.7
Budget deficit projection (% of GDP)	2.2	1.8

Highlights – The Usual

- ✓ Oil production in September down 1.06% to 1.86 mbpd
- ✓ Average power output from the grid in October down 0.26% to 3,464 MW
- ✓ PMI shrinks from 56.2pts to 54.1pts
- ✓ Indicating a likely weakness in Q4 GDP
- ✓ Inflation inflects after 3 months of moderation (now at 11.24%)
- ✓ Average opening position of Deposit Money Banks was N326.04bn
 - ✓ 75.4% higher than September



Corporate Humour (A)



Politics is just like show business, you have a hell of an opening, coast for a while and then have a hell of a close.

- Ronald Reagan

*The quickest way to make a million?
Marry it.*

- Zsa Zsa Gabor



Highlights – The Usual

- ✓ FAAC allocation in October fell by 3.8% to N693.53bn
- ✓ Stock market lost 4.6% in October
- ✓ Exchange rate appreciated by 0.28% to N359/\$ at the parallel market
- ✓ Despite decline in total CBN forex intervention
 - ✓ Down 24.6% to \$637million in October
- ✓ Average Brent price down 4.3% in October to \$59.63 pb
- ✓ External reserves continue to slide towards \$39bn



Highlights – The Extraordinary

- ✓ Buhari presents job creation budget of N10.33trn (\$33.87bn) to NASS
- ✓ Economic Advisory Council inaugurated
- ✓ Sarah Alade appointed adviser of Finance & Economy



- ✓ Nigeria moves up 15 places to 131st in Ease of Doing Business Index
- ✓ World Bank approves \$3bn loan for Nigeria's power sector
- ✓ CBN bans corporates and individuals from OMO activities
- ✓ DMO rules out any borrowing at the international debt market in 2019
- ✓ Last Eurobond issue was in November 2018 (\$2.86billion)
- ✓ Total external debt now at \$27.16bn

Highlights – The Extraordinary

- ✓ IMF cuts 2019 global growth forecast to 3% on trade war fears
- ✓ Maintains Nigeria's forecast at 2.3%
- ✓ US Fed cuts interest rate for the third time in 2019 (1.5%-1.75%)
- ✓ Signals pause in easing cycle – no further cuts on the cards
- ✓ Brexit deadline extended to January 31, 2020
- ✓ OPEC and its allies consider deeper cuts at its next meeting in December
 - ✓ Lowers its 2019 global oil demand forecasts to 99.8mbpd



Introducing...

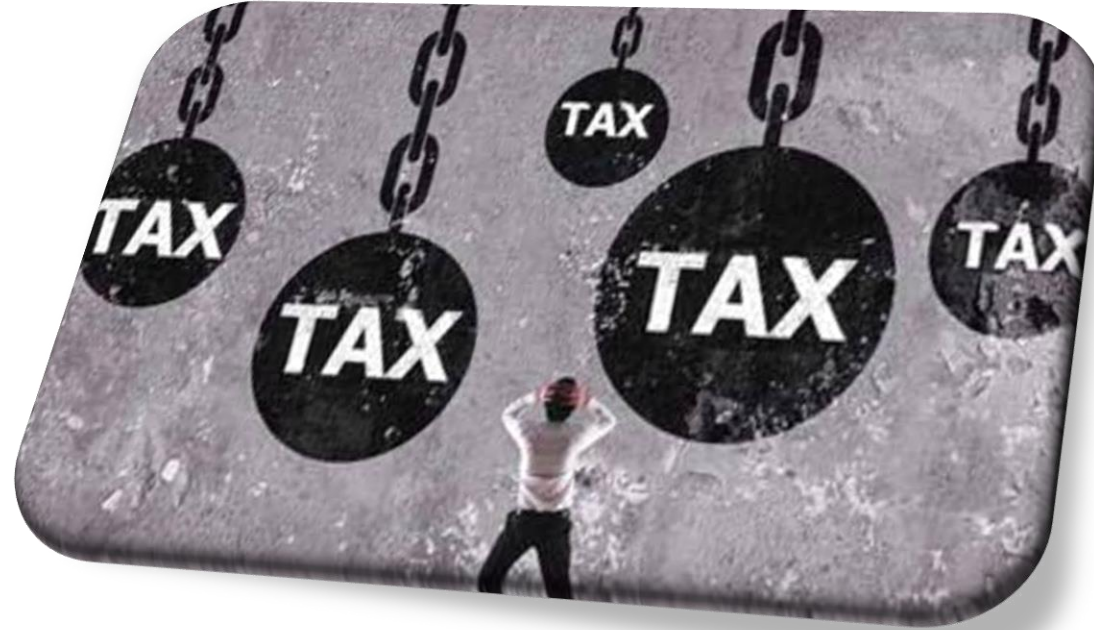


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*A Tax A Day
Keeps the FIRS Away*

Nigeria: Debt/Revenue/Growth Problem?

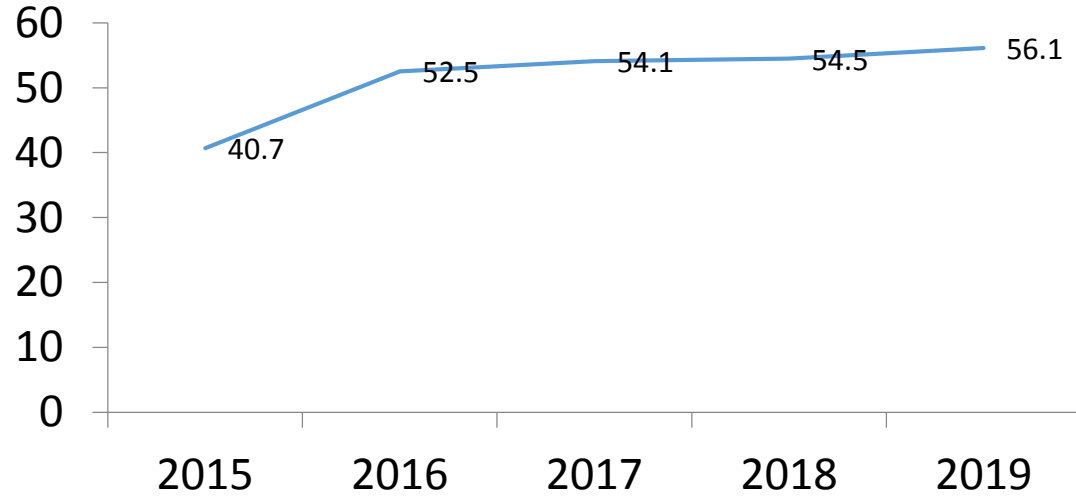
'Nigeria has a revenue problem not a debt crisis' – Zainab Ahmed

- ✓ Crisis – 'a time of intense difficulty or danger'
- ✓ An intractable, chronic problem
- ✓ An accurate but incomplete statement
- ✓ Nigeria has other problems:
 - ✓ Growth problem
 - ✓ Investment problem
 - ✓ Inflation problem

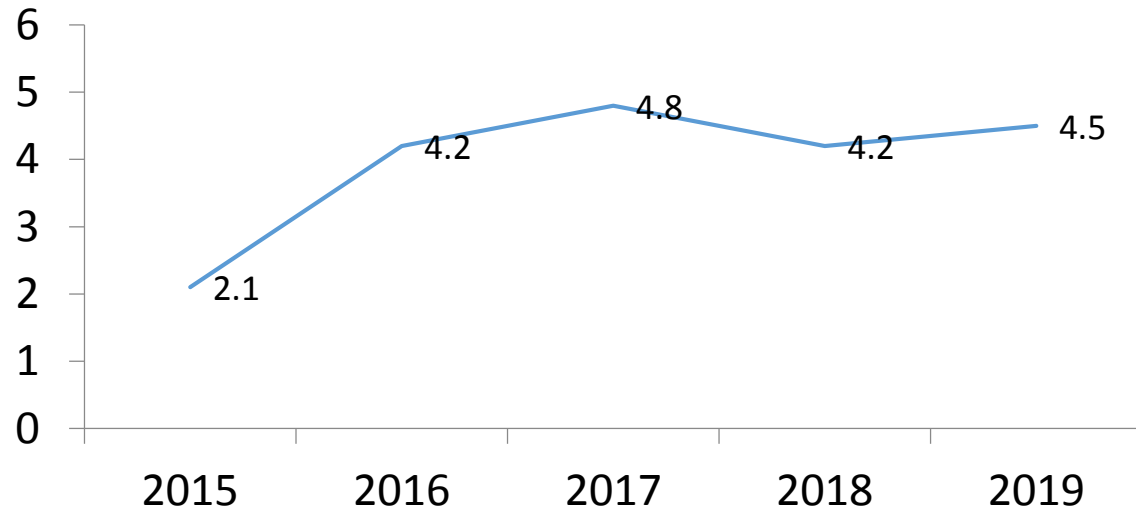
Nigeria: Debt/Revenue/Growth Problem?



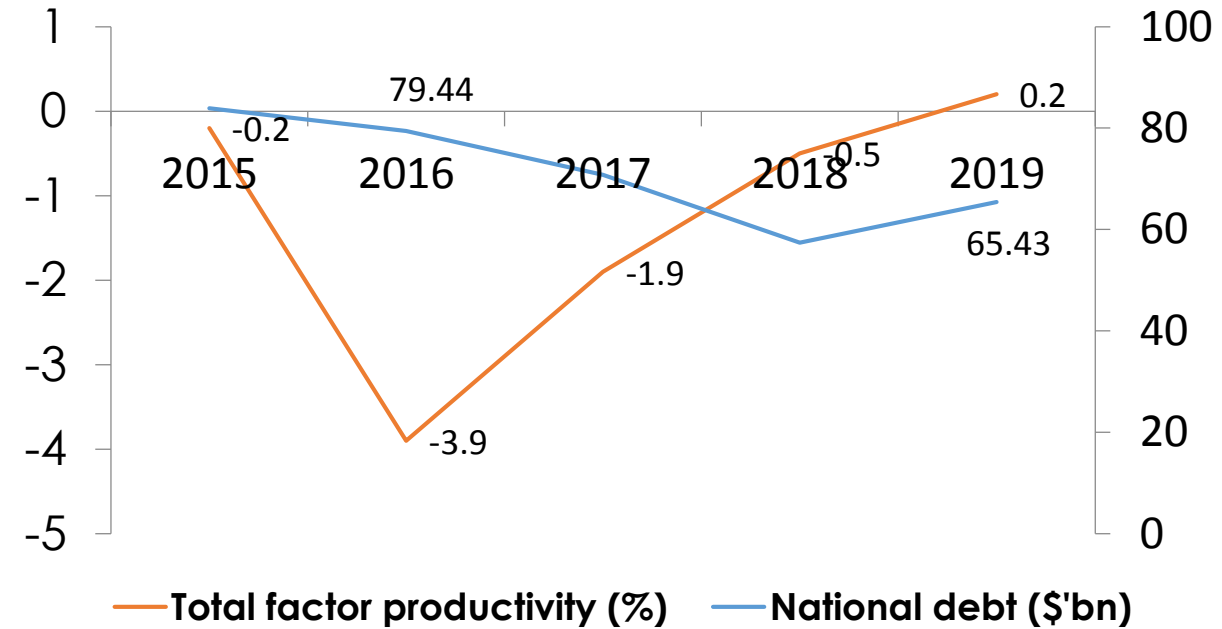
Debt to export ratio (%)



Debt service ratio (%)



National debt Vs Total factor productivity



Debt trap: national debt is increasing without an increase in labour productivity

Shakedown, Extortion or Consideration

Sector	Tax/Levy
Oil & Gas	<ul style="list-style-type: none"> • NDDC levy • NCDF
Telecommunications	<ul style="list-style-type: none"> • Communication tax • USSD
Banks	<ul style="list-style-type: none"> • Penalties for non-compliance to regulations
FMCG	<ul style="list-style-type: none"> • VAT increase • Excise duty • Sugar tax
Others	<ul style="list-style-type: none"> • Land use charge • New electricity tariffs • Tax on plastics (N50 per bag) • New toll gates

- ✓ Plethora of taxes in the last two months
- ✓ Consumer disposable income is squeezed and strapped
- ✓ Income per capita falling (now at \$2,300)



Global Developments

Global Growth Outlook

Country	2020 GDP forecast (\$'trn)	Comments
Germany	4.0	<ul style="list-style-type: none"> • Turkey crisis + slowdown in China hitting exporters hard • Auto industry facing threats of US tariffs
Canada	1.8	<ul style="list-style-type: none"> • Slow growth in major trading partners to dent exports and commodity demand
USA	22.3	<ul style="list-style-type: none"> • Growth expected to decelerate in 2020 • Not enough to result in increased unemployment
India	3.2	<ul style="list-style-type: none"> • Stagnant farm incomes and credit crunch hindering consumption
China	15.3	<ul style="list-style-type: none"> • Calibration between fiscal and monetary policy stimulus • Growth rate may dip below 6% in 2020
Nigeria	0.5	<ul style="list-style-type: none"> • Continuation of interventionist measures • Discouraging capital investment

Economies on a Tight Rope

Wild Cards

- *Turkey*: currency crisis in 2018; the economy did not grow in 2019
- *Argentina*

On the verge of a recession

- *Germany*: projected growth of 0.4% in 2020
- *Japan*: expected to narrowly escape a recession in 2019; growth rate of 0.2% in 2020

Trade war victims

- *US*: to avoid a recession in 2020 there's a need for increased household spending; 2020 growth forecast: 2%
- *China*: economy suffering from uncertainty with regards to the trade war

Corporate Humour (B)

Life is like a sewer. What you get out of it depends upon what you put in.

- Tom Lehrer



A male gynaecologist is like an auto mechanic who has never owned a car.

- Carrie Snow

US GDP Growth Slows to 1.9%

- ✓ GDP records slowest growth in 2019 of 1.9% in Q3'19
 - ✓ Beats analysts' projections of 1.6%
- ✓ Growth was sustained by resilient consumer spending (up by 2.9%)
- ✓ Driven by the lowest unemployment rate in nearly five decades
- ✓ Offsetting a decline in business confidence and lower public spending
- ✓ Business investment fell by 3% and spending on factories dropped 15.3%



Fiscal Policy Guide to Stimulus

	Fiscal Policy Response
USA	<ul style="list-style-type: none"> • Trump has promised 'very substantial' tax cuts in 2020
UK	<ul style="list-style-type: none"> • Fiscal loosening expected in 2020 • Boris Johnson has pledged new tax cuts
Germany	<ul style="list-style-type: none"> • Government under pressure for increased government spending for the sake of its economy and neighbouring countries
India	<ul style="list-style-type: none"> • Cut in corporate taxes may not be enough
China	<ul style="list-style-type: none"> • Central Government announced \$283billion tax cuts in 2019 • Swelling deficit will limit room for stimulus in 2020
France	<ul style="list-style-type: none"> • Macron rolled out fiscal measures in 2019 • Government plans to trim public debt which is close to 100% of GDP

- ✓ Pressure is mounting on central banks to spur demand and boost growth
- ✓ Governments across the world must step up using fiscal policy tools

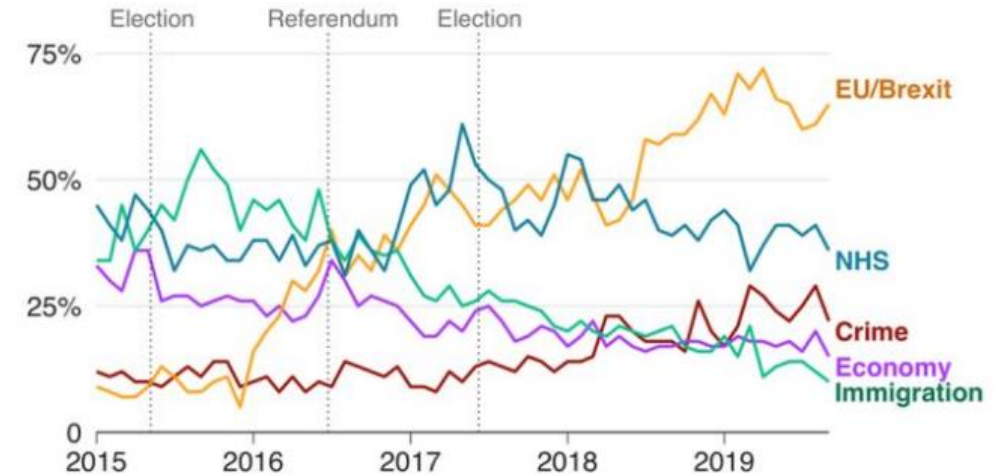
Pre-Christmas Poll, Brexit on Hold

- ✓ General election in the UK moved forward to December 12, 2019
 - ✓ Third election since 2015
 - ✓ Next election was due to hold in 2022
- ✓ European Council agree to postpone Brexit deadline to January 31, 2020
- ✓ Boris Johnson hoping for more Conservative MPs
 - ✓ To favour his Brexit plans



What do people feel are the most important issues facing Britain today?

Brexit has become a major issue since EU referendum



Source: Ipsos Mori Issues Index

Global Financial System – The Era of QE

European Central Bank (ECB)

- ✓ Last meeting of outgoing President Mario Draghi
- ✓ Committee leaves benchmark interest rate unchanged
- ✓ Ruled out possibility of a rate hike until inflation picks up
- ✓ Rising concerns over Germany's economic slowdown

US Fed

- ✓ Fed cut interest rate by 25bps to 1.5%-1.75% pa
- ✓ Cumulative rate cut in 2019 now 0.75 percentage point
- ✓ Inching closer to a zero/negative interest rate cycle
- ✓ Remains concerned about trade tensions and global growth fears

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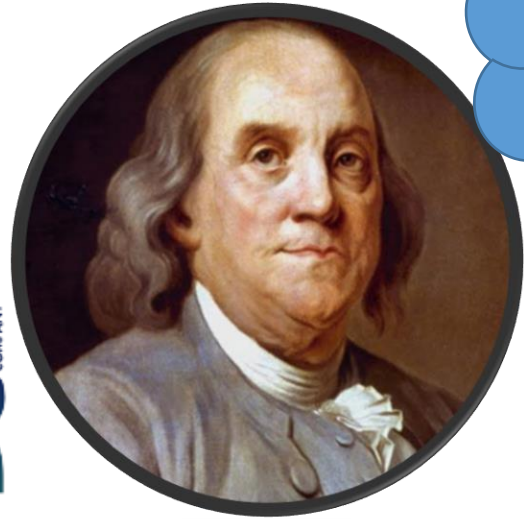
Nigeria's Leading Trading Partners

- ✓ China – 19.7%
- ✓ US – 8.6%
- ✓ Belgium – 8.3%
- ✓ Netherlands – 5.7%



Impact on Nigeria

Event	Positive externality	Negative externality	Comment
Quantitative easing by central banks in advanced economies	✓		Reduces the threat of capital outflows from Nigeria
Brexit saga		✓	Could reduce remittance flows to Nigeria
Deeper OPEC production cuts		✓	Lower oil production together with falling oil prices is negative for Nigeria's external buffers
Dim commodity price outlook	✓	✓	Nigeria is an import dependent country. Therefore lower import bill. On the exports side, reduced revenue



'Nothing is
certain except
death and taxes'
– *Benjamin
Franklin*



'A good tax
system should be
equal, certain,
economical and
convenient' –
Adam Smith



Sub-Saharan Africa

South Africa

- ✓ South Africa to seek international strategic partners for SAA
- ✓ First step towards privatisation



AfDB Increases Capital Base by \$115bn

- ✓ AfDB grew its shareholders fund by 125% to \$208bn from \$93bn
- ✓ After 2 years of negotiation among its shareholders
- ✓ The largest increase since its establishment in 1964
- ✓ Will most likely increase lending to creditworthy, middle income African countries
- ✓ And strengthen the bank's leadership on development financing

Angola Slips into Recession Again

- ✓ Angola slipped into economic recession, after contracting 0.1% in Q2'19
 - ✓ Q1 GDP growth: -0.3%
- ✓ Attributed to oil production shortfall
- ✓ Oil accounts for 47% of GDP and 98% of forex earnings
- ✓ Economy to recover in 2020 (1.2%), after 4 years of contraction - IMF
- ✓ Authorities to commence sale of major oil assets to revive economy
- ✓ Inflation (16.08%) still greater than benchmark interest rate (15.5%p.a)
 - ✓ Negative real return on investment could stoke portfolio investment outflows
 - ✓ Pressure on currency – Kwanza has depreciated by 33% against US\$ YTD

Kenya Opens Standard-Gauge Railway

- ✓ The second phase (120km) of standard-gauge railway formally opened
 - ✓ First phase inaugurated in 2017
- ✓ Connects Nairobi to the south of Naivasha, a popular tourist centre
- ✓ Railway extension project has four operational terminals
- ✓ Operations to boost revenue from rail transport
 - ✓ Proceeds from freight charges up 156% to \$39.64bn in 2018
- ✓ Support fiscal consolidation
 - ✓ Fiscal deficit to narrow to 5.2% of GDP in 2019 from 7.3% in 2018 ~ IMF



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Domestic Economic Performance

Leading Economic Indicators- Output

Source: CBN,NBS, EIU, FDC Think Tank

LEI	Sept'19	Oct'19	% Change	Comments	Nov' 19*
GDP Growth (%)	2.10 (Q1'19)	1.94(Q2'19)	-0.16	Slow growth recovery	2.10(Q3'19)
Inflation (%)	11.02 (Aug)	11.24 (Sept)	0.22	Border closure impact on prices	11.6(Oct)
Oil Production (mbpd)	1.86	1.80*	-3.23	10.39% above OPEC quota	1.75
Oil Price (\$pb; avg)	62.29	59.63	-4.27	Indicates lower oil revenue	60.00
Power (MW; avg)	3,473.00	3,464.00	-0.26	Below 4,000MW threshold	3,500.00
PMI	FBN: 56.20 CBN: 57.70	54.10 58.2	-3.74 0.87	Points to slack growth in Q4 GDP	56.00 59.00

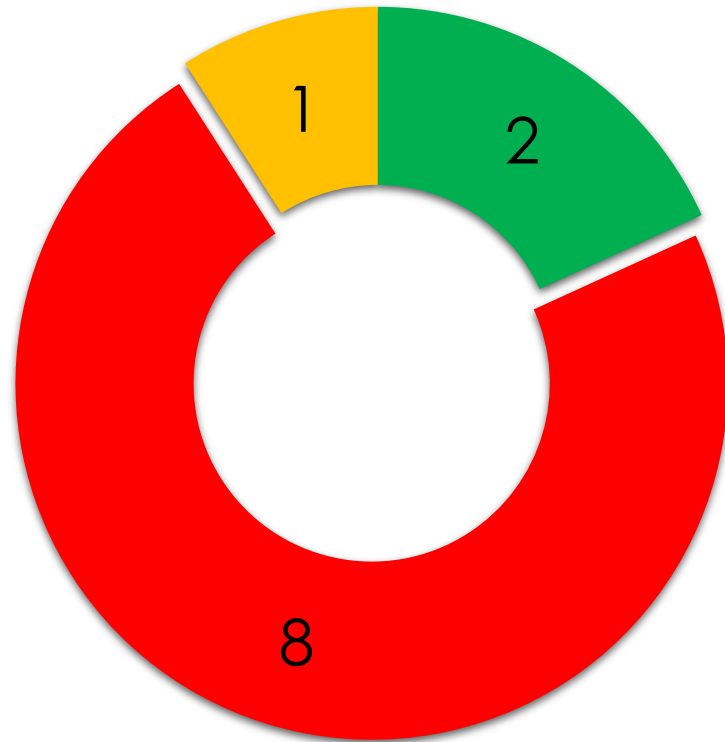
Leading Economic Indicators- Markets

Source: CBN,NBS, EIU, *: FDC's forecast

LEI	Sept'19	Oct'19	% Change	Comments	Nov'19*
Primary T Bills (%):				Interest rates decline across all markets	
91 days	11.10	9.50	-1.60		11.00
181 days	11.75	10.45	-1.30		12.00
Average Opening Position (N'bn)	185.87	326.04	75.41	To decline as banks meet up with Dec. 31 LDR deadline	250.00
External Reserves (\$bn; month-end)	41.85	40.46	-3.32	Limit CBN's ability to support the naira	39.00
Exchange rate (N/\$; month-end)	IFEM: 307.00	307	-	Naira to remain stable	307.00
	Parallel: 360.00	359	-0.28		360.00
	IEFX: 362.23	362.65	0.12		362.00
Stock Market (N'trn)	13.45	12.83	-4.61	Market sentiments to be driven by the release of Q3'19 corporate results	12.00



How Did the LEIs Perform?



■ Positive ■ Negative ■ Neutral

2 positive ; 8 negative; 1 neutral

- ✓ Gross external reserves continue free fall (now \$40.44bn)
- ✓ Likely to fall to \$39
- ✓ Oil price now \$62.92pb

Corporate Humour (C)

*Today is the tomorrow you
worried about yesterday.*
- *Mark Twain*



*Change is hardest at the
beginning, messiest in the
middle and best at the end*
- *Robin Sharma*

States Internally Generated Revenue in H1'19

Top five						
States	IGR (N'bn)		Rank	Rank in terms of inflation	Rank in terms of debt	Rank in terms of unemployment (Lowest-Highest)
Lagos	205.16	↑	1 st	28 th	1 st	5 th
Rivers	75.97	↑	2 nd	15 th	3 rd	36 th
FCT	38.57	↑	3 rd	23 rd	6 th	20 th
Delta	36.39	↑	4 th	3 rd	2 nd	22 nd
Ogun	29.58	↓	5 th	27 th	13 th	6 th

Bottom five						
States	IGR (N'bn)		Rank	Rank in terms of inflation	Rank in terms of debt	Rank in terms of unemployment (Lowest-Highest)
Gombe	2.09	↓	37 th	32 nd	25 th	26 th
Yobe	2.21	↑	36 th	24 th	37 th	29 th
Taraba	3.27	↑	35 th	21 st	26 th	10 th
Borno	3.92	↑	34 th	13 th	22 nd	33 rd
Kebbi	4.73	↑	33 rd	37 th	23 rd	12 th

There is a positive correlation between debt and IGR

States Internally Generated Revenue

- ✓ Five states generate more revenue than all others combined
- ✓ Oil producing states (Rivers and Delta) have high revenue but high unemployment rates
- ✓ High revenue of these states have not translated into economic prosperity for its citizens
- ✓ All states are adopting deficit financing
- ✓ States are calling for FAAC in US dollars
- ✓ Fiscal federalism under pressure
- ✓ Oil discovered in Gongola Basin
- ✓ Derivation principle revisited



The Nigerian Economy by 2019-End



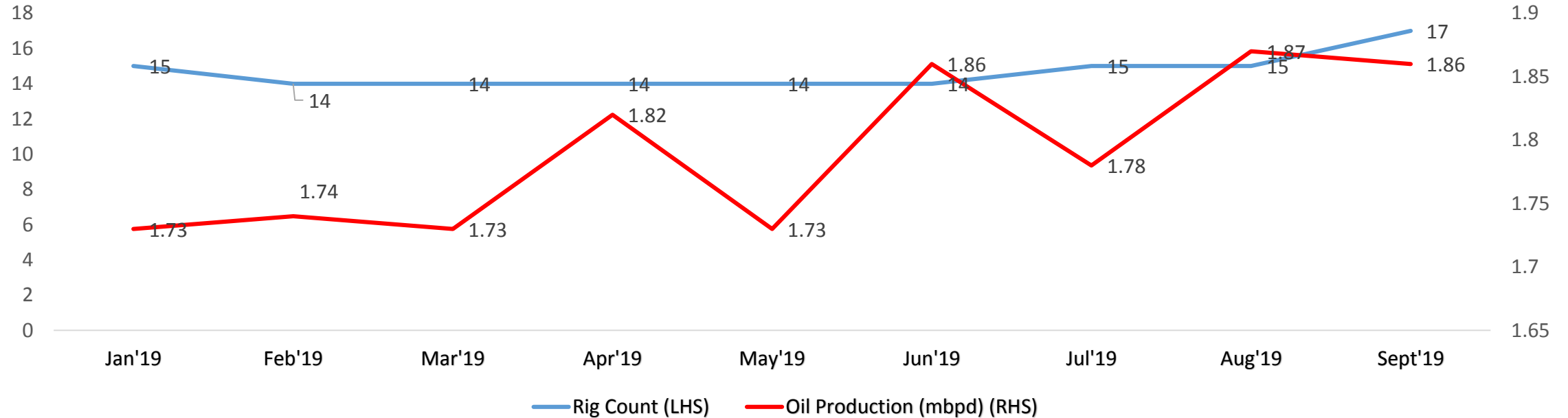
Oil Economy

Nurturing the Golden Goose

Rig Count Up, Oil Production Down

Nigeria Oil Production vs Rig Count

Source: OPEC, Baker Hughes



- ✓ The number of operational rigs up 13.33% to 17 in September
 - ✓ Indicates investment in exploration
- ✓ Points to a likely increase in oil production
 - ✓ Currently 1.86mbpd

Oil Market



- ✓ Oil is now trading at \$62.92pb
- ✓ YTD gain of 16.95%
- ✓ Geopolitical tensions have done little to sustain price gains
- ✓ A testament to growing concerns over demand growth in 2020
- ✓ IEA cuts global oil demand growth estimate for 2020 to 1.2mbpd
- ✓ Oil markets reacted positively to the commencement of trade talks between the US and China
- ✓ Lower oil prices and lower oil production indicate lower oil revenue
 - ✓ Negative for fiscal stimulus and external buffers

President Signs \$1.4bn PSC Bill into Law

- ✓ The President signs the Deep Offshore and Inland Basin Production Sharing Contract (PSC) Amendment Bill into law
 - ✓ Seeks to review the sharing formula to accrue more benefits to the federal government
 - ✓ The biggest and one of the most historic legislations to be signed into law (Signed within six months)
- ✓ The Act is expected to increase Nigeria's share of earnings earned from oil wells offshore the country

Impact of PSC Amendment Bill

- ✓ The PSC amendment bill in addition to multiple taxes, tariffs and levies will stifle investments
- ✓ The introduction of royalty rates in the Bill could make most new projects become unviable
- ✓ The 8-year review cycle of the PSCs will lead to heightened uncertainties
 - ✓ Could further erode investor's confidence

Deep Water Projects: Nigeria vs Other African Countries

Country	Number of fields	Total capex of these projects (\$'bn)
Angola	9	83
Egypt	3	26
Ghana	5	22
Nigeria	3	27
Eq. Guinea	1	2
Mozambique	1	2
Congo	1	1



- ✓ Nigeria was only able to sanction three new Deep Water projects
- ✓ Nigeria is the least competitive African country in terms of Deep Water government take



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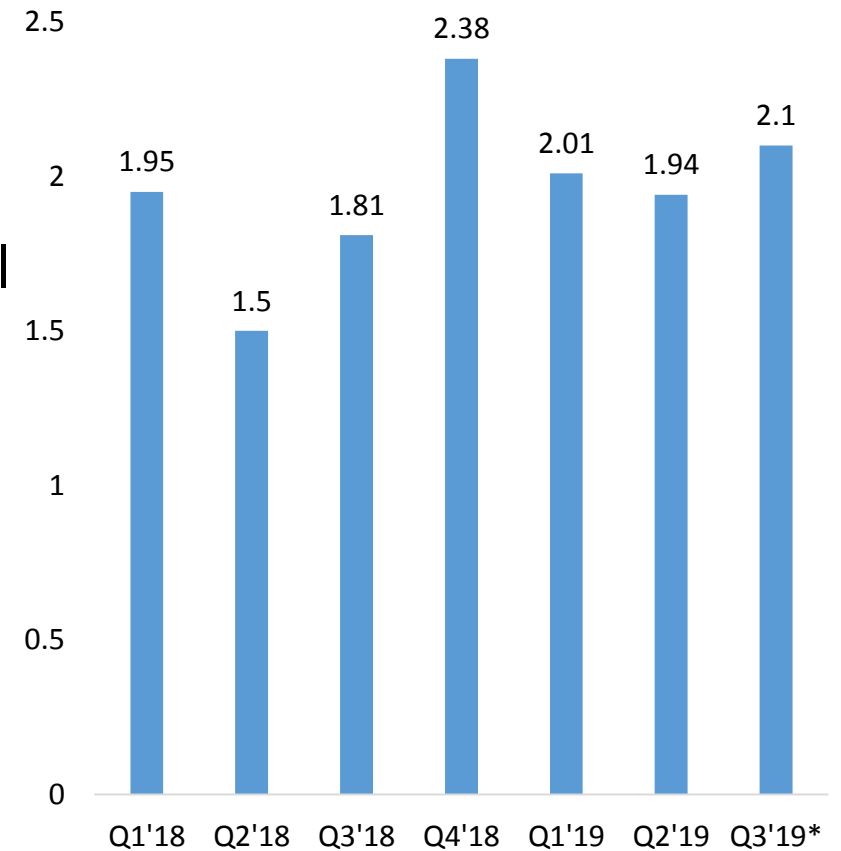
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Production Economy

GDP Growth – To Remain Tepid & Fragile

- ✓ Economy to perform below optimal levels
 - ✓ Below population growth (2.6%)
 - ✓ Underperforming SSA average (2.4%) and global average (3%)
 - ✓ A far cry from ERGP target of 7% by 2020
- ✓ Constraints to growth:
 - ✓ Low credit to the private sector
 - ✓ Negative investment multiplier (investment is 14.2% of GDP)
 - ✓ Huge infrastructural deficit (\$300bn)



Source: NBS, FDC Think Tank





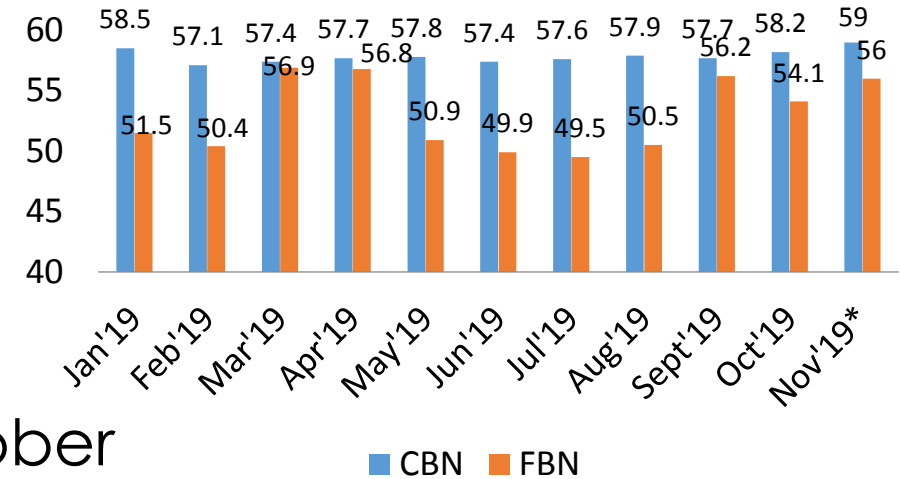
Manufacturing Sector Outlook

- ✓ Contracted by 0.13% in Q2'19
- ✓ Despite being a major beneficiary of government's numerous interventions and protectionist policies
- ✓ Growth is expected to be positive in Q3'19
 - ✓ Declining interest rate to stimulate capital projects
 - ✓ Decline in finance cost to boost profitability
 - ✓ Boost in sales due to end of year festivities
- ✓ AfCFTA to expose players to competitors from other African countries



PMI: Mixed Performance

	September'19	October'19	November'19 Forecast
CBN	57.7	58.2 	59
FBNQuest	56.20	54.10 	56



Source: CBN, FBNQuest

 ✓ FBN PMI down by 3.74% to 54.10 points in October

✓ Points to slack growth in Q4

✓ CBN PMI up by 0.87% to 58.2 points in October

✓ All sub indices recorded an increase

✓ Inventory build-up ahead of festivities

✓ Points to a likely improvement in GDP growth

Agriculture Sector Outlook

- ✓ Recorded positive growth in the last 6 quarters
- ✓ Recorded highest contribution to GDP in Q2'19 at 23%
- ✓ Positive growth expected to continue in Q3'19 and Q4'19
 - ✓ As the government commits to grow non-oil revenue
 - ✓ Sector benefits from grants and support from multilateral organizations
 - ✓ Benefit from border closure as local production is encouraged to meet growing demand



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Average Power Output below the 4,000MW Threshold



4898MW

Peak Energy
Generated



3464MWH/H

Average Energy
Generated

553.2MMSCF/D



Average Gas
Delivered to
Plants



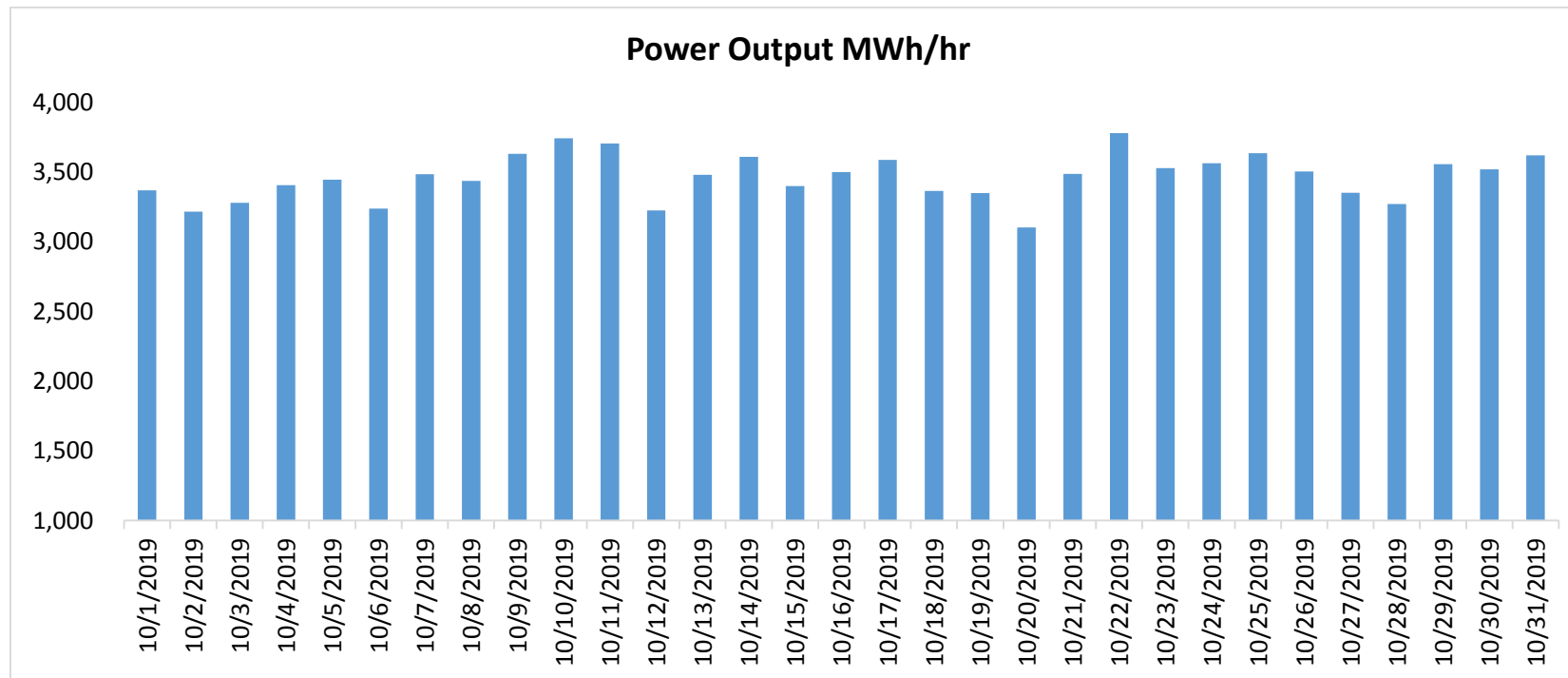
0

Total Grid
Collapses



4396MW

Average
constrained
energy



Source: Lavayo Advisors

Power Sector News

- ✓ World Bank approves Nigeria's \$3bn power sector loan
- ✓ NERC begins fresh review of electricity tariff for TCN, 11 DisCos
- ✓ FG signs agreements for increased access to power through renewable energy
- ✓ DisCos introduces inter-connected mini-grid to boost power supply
- ✓ Nigeria to start production of transformers by 2020 through China's collaboration
- ✓ FGN owes DisCos over N500bn in electricity subsidy



Source: Lavayo Advisors



Monetary Economy

Inflation Pressures Continue

✓ Headline inflation to continue its upward trajectory

✓ To increase to 11.6%

✓ Driven by:

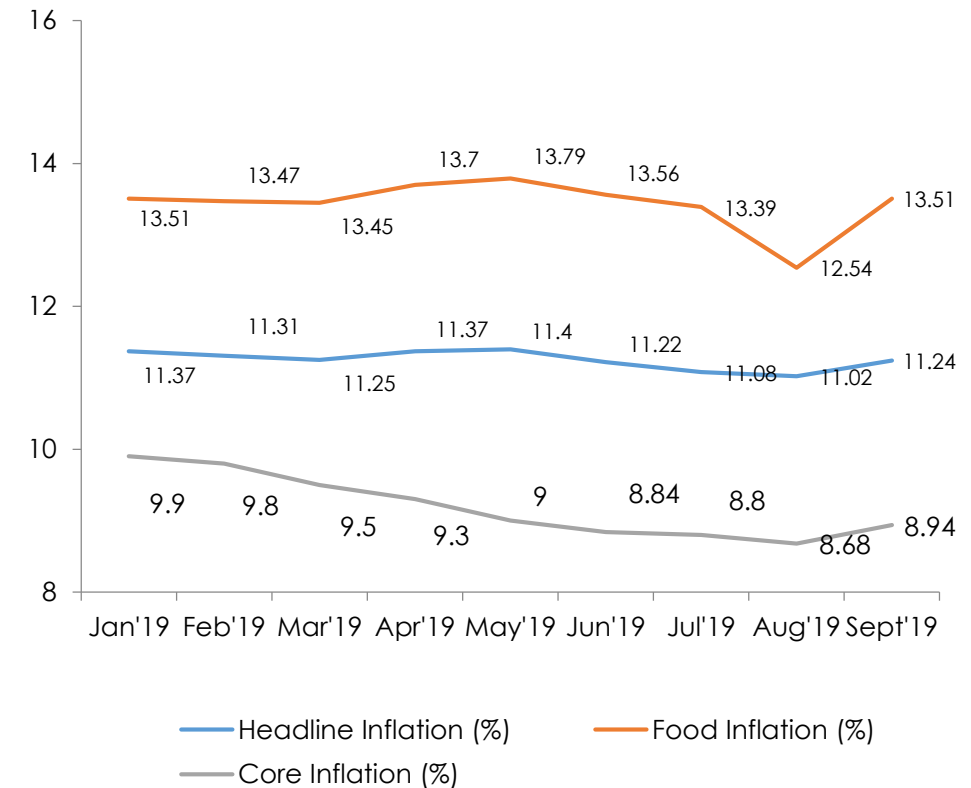
✓ Border closure

✓ Seasonal factors (Christmas/New year demand)

✓ Payment of minimum wage and its arrears



Headline Inflation (%)



T/Bills Rates

Tenor	Primary market rates September 18 th (%)	Primary market rates October 30 th (%)	Secondary market rates September 30 th (%)	Secondary market rates October 31 st (%)
91-day	11.10	9.50 ↓	12.22	11.49 ↓
182-day	11.75	10.45 ↓	11.90	11.55 ↓
364-day	13.30	11.50 ↓	13.08	13.00 ↓

	NITTY rates September 30 th (%)	NITTY rates October 31 st (%)
30- day	12.40	11.48 ↓
90-day	12.68	11.72 ↓
180-day	12.96	11.90 ↓

Source: FMDQ, FDC Think Tank

- ✓ T/Bills rates down across tenors at both the primary and secondary markets
- ✓ OMO maturities increased by 27.03% to N2.35trn in October from N1.85trn in September
- ✓ October: Net inflow of N900bn
- ✓ September: Net inflow of N440bn

CBN's New Instruction on OMO

- ✓ Initially banks were not allowed to buy T/bills on behalf of borrowing customers
- ✓ Now, all Nigerian corporates and individuals are denied access to OMO market
- ✓ A form of moral coercion on the banks to increase lending to the private sector
 - ✓ To create employment
 - ✓ And increase growth



CBN's New Instruction on OMO

Impact

- ✓ Would give room for foreign portfolio investment
 - ✓ FPI is hot money and is not sustainable for the economy
- ✓ Could trigger currency weakness as investors shift to the foreign exchange market
- ✓ Could boost activities in the stock market

FAAC down 3.79%

✓ FAAC down 3.79% to N693.53 bn

Driven by:



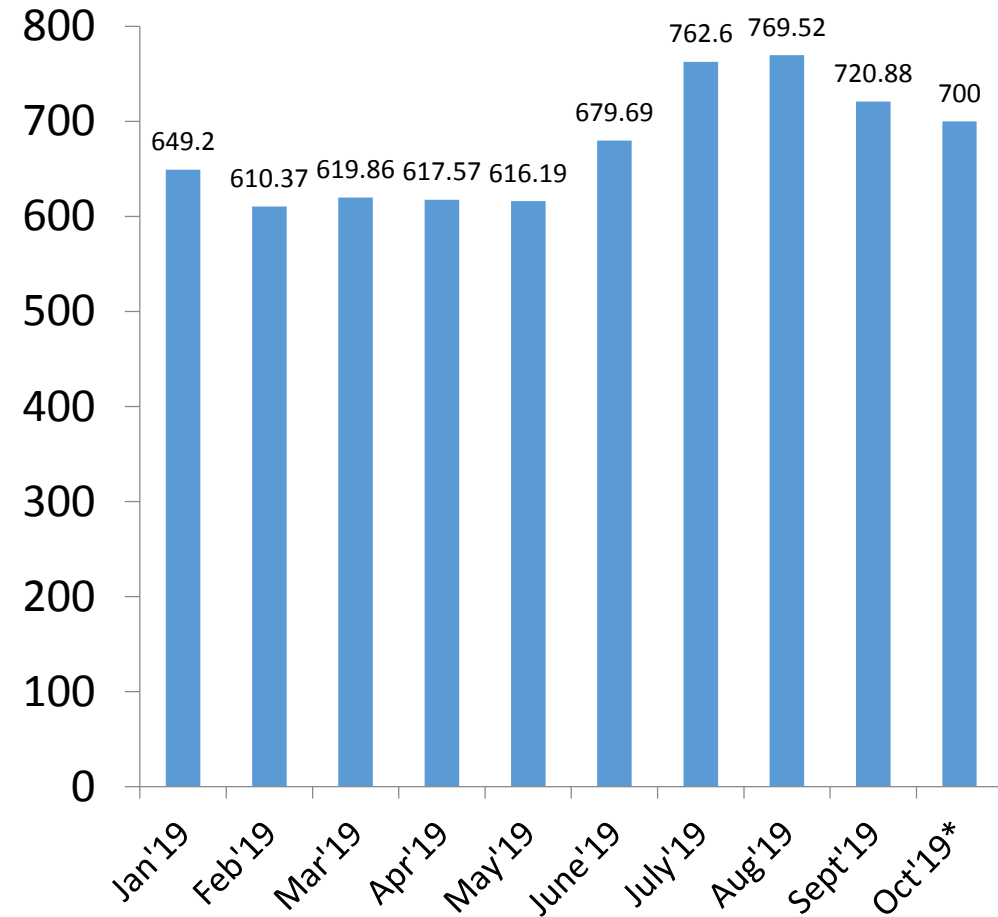
✓ Lower oil revenue

✓ Excess crude account now at \$323.692 mn

✓ Projected to decline in subsequent months

✓ Falling oil prices

FAAC (N'bn)





Fiscal Policy - A government
economic activity by setting
expenditure.

Fiscal Economy

Debt Service Burden

Indicator	
Total debt (N'trn)	25.7
2020 debt service (N'trn)	2.45
Debt Service as a % of GDP	1.27
Debt service as a % of 2020 budget	23.7



- ✓ Debt is inevitable
- ✓ However, debt acquired should be for project specific not general purposes

Way Forward

- ✓ Shift towards more concessionary debts
- ✓ Borrowed funds must be project specific

Multiple Taxes

- ✓ FGN introduces multiple taxes to address revenue shortfall
 - ✓ Non-oil revenue expected to rise by 66.47% to N5.51 trn from N3.31 trn in 2019



Impact

- ✓ Would stifle consumers who are already cash strapped

Way Forward

- ✓ Address the inefficiencies in the tax collection system

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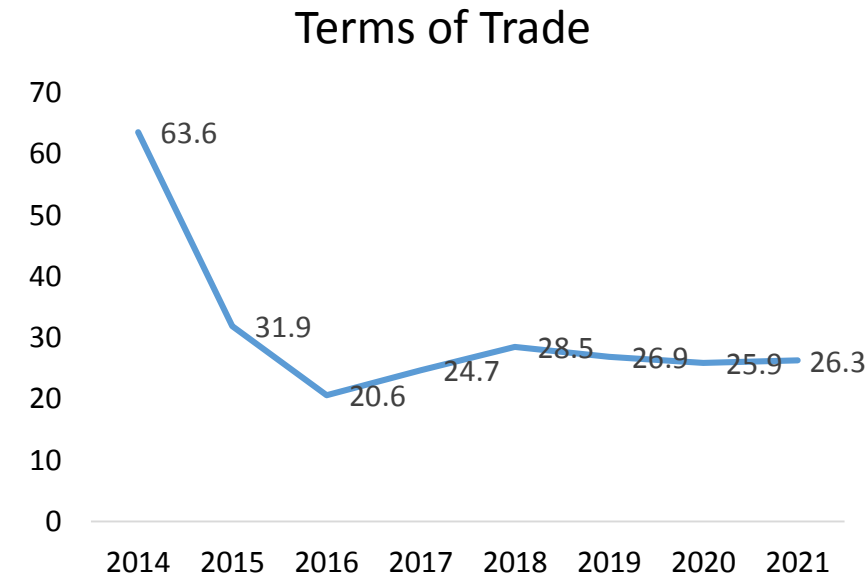
The External Picture

Terms of Trade

- ✓ Calculated as: Index of export prices/index of import prices * 100
- ✓ Projected to decline to 26.9 in 2019

Drivers:

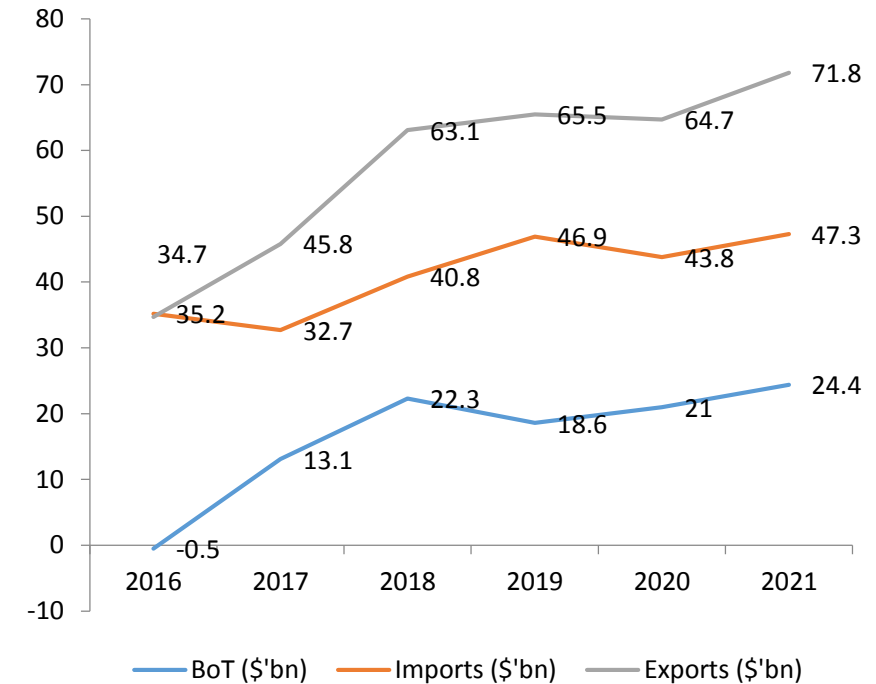
- ✓ Rising import prices: 19.7% of Nigeria's imports from China
- ✓ Falling export prices: Avg oil price in October is down 4.3% to \$59.63pb



Source: EIU

Balance of Trade

- ✓ Nigeria's trade balance would be determined largely by trends in its import bill
- ✓ Trade surplus will narrow sharply to \$18.6bn in 2019
 - ✓ Driven by a faster pace of increase in import bill
- ✓ A wider trade balance surplus expected in 2020 as import bill declines to \$43.8bn



Source: EIU, FDC Think Tank

Corporate Humour (D)

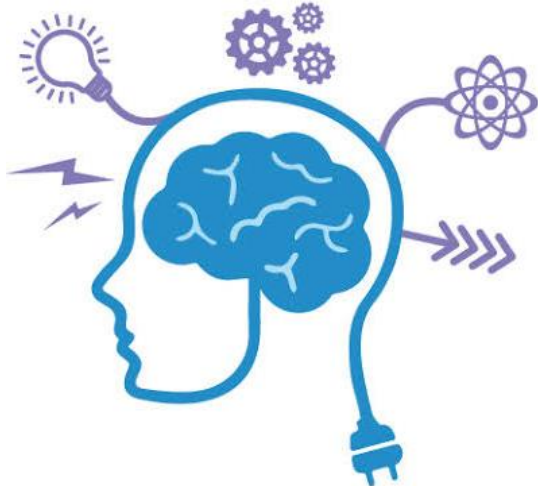
*Great minds discuss ideas;
average minds discuss
events; small minds discuss
people*

- Eleanor Roosevelt



*Challenges are what make life
interesting and overcoming
them is what makes it
meaningful*

- Joshua Marine

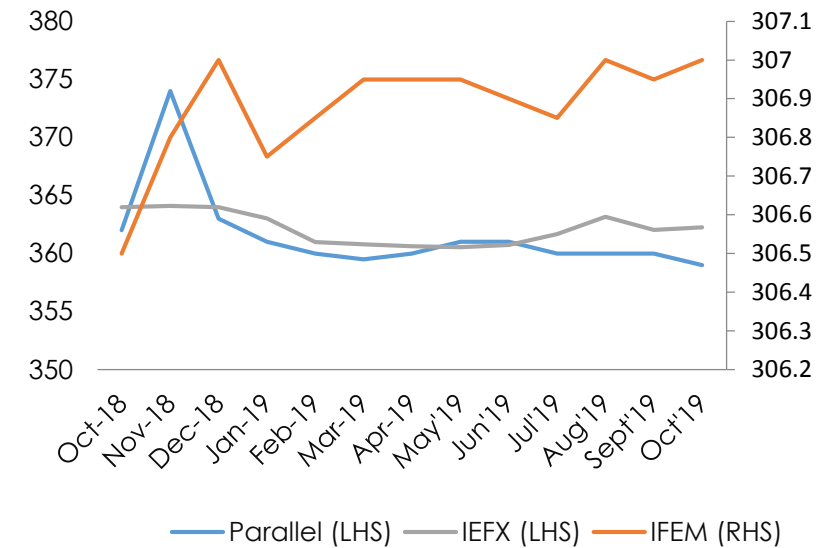


Forex Market Outlook

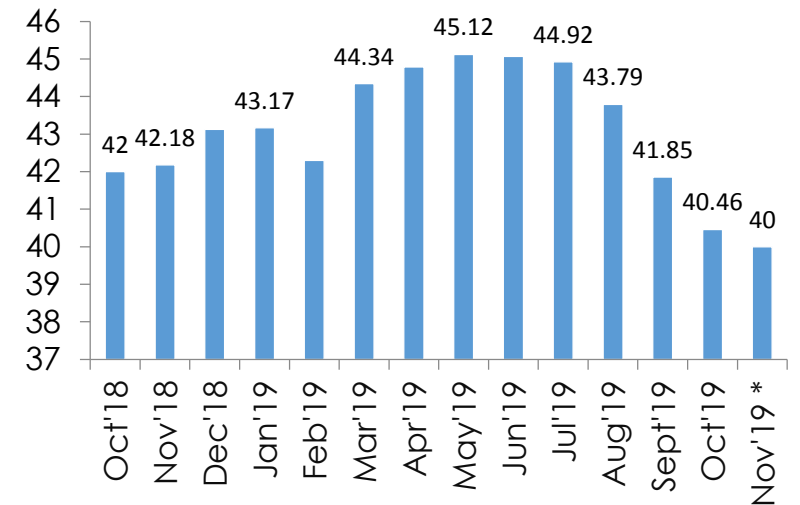
- ✓ Border closure keeping the parallel market value strong
- ✓ Demand for dollars to increase in November
 - ✓ Inventory build up ahead of festivities
 - ✓ Will mount pressure on external reserves
- ✓ Volatility in oil prices could have a negative impact on external reserves
 - ✓ Likely to weigh on CBN's forex intervention

Source: FMDQ, CBN, FDC Think Tank

Exchange Rate (N/\$; end)



External Reserves (\$'bn)

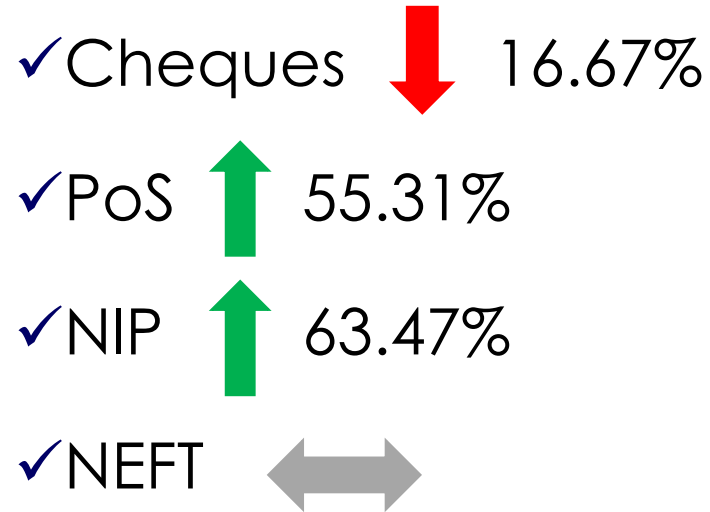


Market Proxies

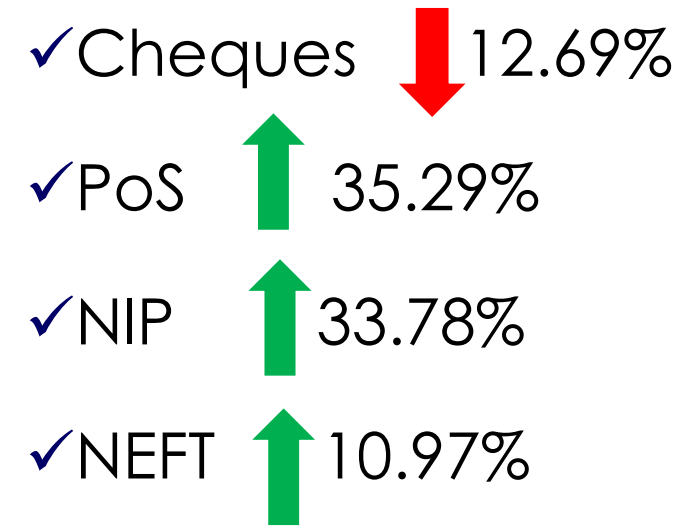


Mixed Performance in E-Payments Transactions

Volume of transactions in H1 '19
relative to H1 '18



Value of transactions in H1 '19
relative to H1 '18



- ✓ Lower patronage of cheques as a medium of exchange
- ✓ Limit of N10mn makes payments cumbersome
- ✓ Millennials value convenience

Ships Awaiting Berth

- ✓ Up 22.22% in October from 18 to 22 (Lagos Port)
- ✓ Seasonally driven demand showing positive correlation between PMI and ship movement
- ✓ Border closure has made marine transportation of freight inevitable and lucrative



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A Glimpse into 2020

Economic Outlook 2020

- ✓ To avoid a recession in the US in 2020
 - ✓ Households need to keep spending
 - ✓ Peace needs to break in global trade wars
 - ✓ Investors must not be spooked by the US election
 - ✓ Policymakers in Europe & China must do their part to shore up growth
- ✓ US growth will be 2% in 2020
- ✓ 11-year expansion by June
- ✓ Trump will win because real incomes are rising & unemployment is at 50-yr low

The Year Ahead – 2020 Outlook

Global

- ✓ Global growth to remain below 3% till 2023
- ✓ Technology to remain a major driver of growth
- ✓ US Presidential election

Regional

- ✓ Economies to prepare for AfCFTA

Domestic

- ✓ Multiple exchange rates to persist
- ✓ Growth to remain below the levels needed to boost job creation
- ✓ Inflation to remain above the CBN's single digit target

Policy Update



Policy Trends - EIU

- ✓ Policy direction of Economic Advisory Council to remain interventionist
- ✓ Possibility of a market led pricing in the energy sector looks bleak
- ✓ Buhari unlikely to reverse pump-price caps and risk disruptive protests (like in Ecuador)
- ✓ CBN likely to widen restrictions on forex access for imported goods in 2020
- ✓ Fiscal spending power will be limited in the coming year

MPC to Meet on November 25/26







✓ Last meeting of 2019

Scenarios	Policy Decision	Comment
Scenario A	Do nothing	<ul style="list-style-type: none">• Leave MPR and other monetary policy parameters unchanged• More restrictions• Ensure no round tripping
Scenario B	<ul style="list-style-type: none">• Leave MPR unchanged• Increase CRR	<ul style="list-style-type: none">• To manage excess liquidity in the market after banning corporates and individuals from OMO activities



Commodities

Commodities Update

Export Commodities	October	%Change (Sept-Oct)	Outlook (November)	Import Commodities	October	%Change (Sept-Oct)
Oil (\$/b)	59.63	4.27% 	60-61	Wheat (\$/bushel)	507.99	5.91% 
Liquefied Natural Gas (\$/mmbtu)	2.34	7.14% 	2.60	Sugar (\$/pounds)	12.46	4.53% 
Cocoa (\$/mt)	2,482.00	4.51% 	2,450	Rice (\$/cwt)	11.85	1.63% 


Swimming in Rivers of Blood



Stock Market Review

Nigerian Stock Market in October

✓ Market cap  4.6% to N12.83trn

✓ NSE ASI  4.6% to 26,355.35

✓ 5 days positive, 17 days negative

✓ Average volume traded  14.3% to 260,376,485

□ Negative market breadth of 0.47x




□ 26 stocks gained

□ 85 stocks remained neutral

□ 55 stocks lost

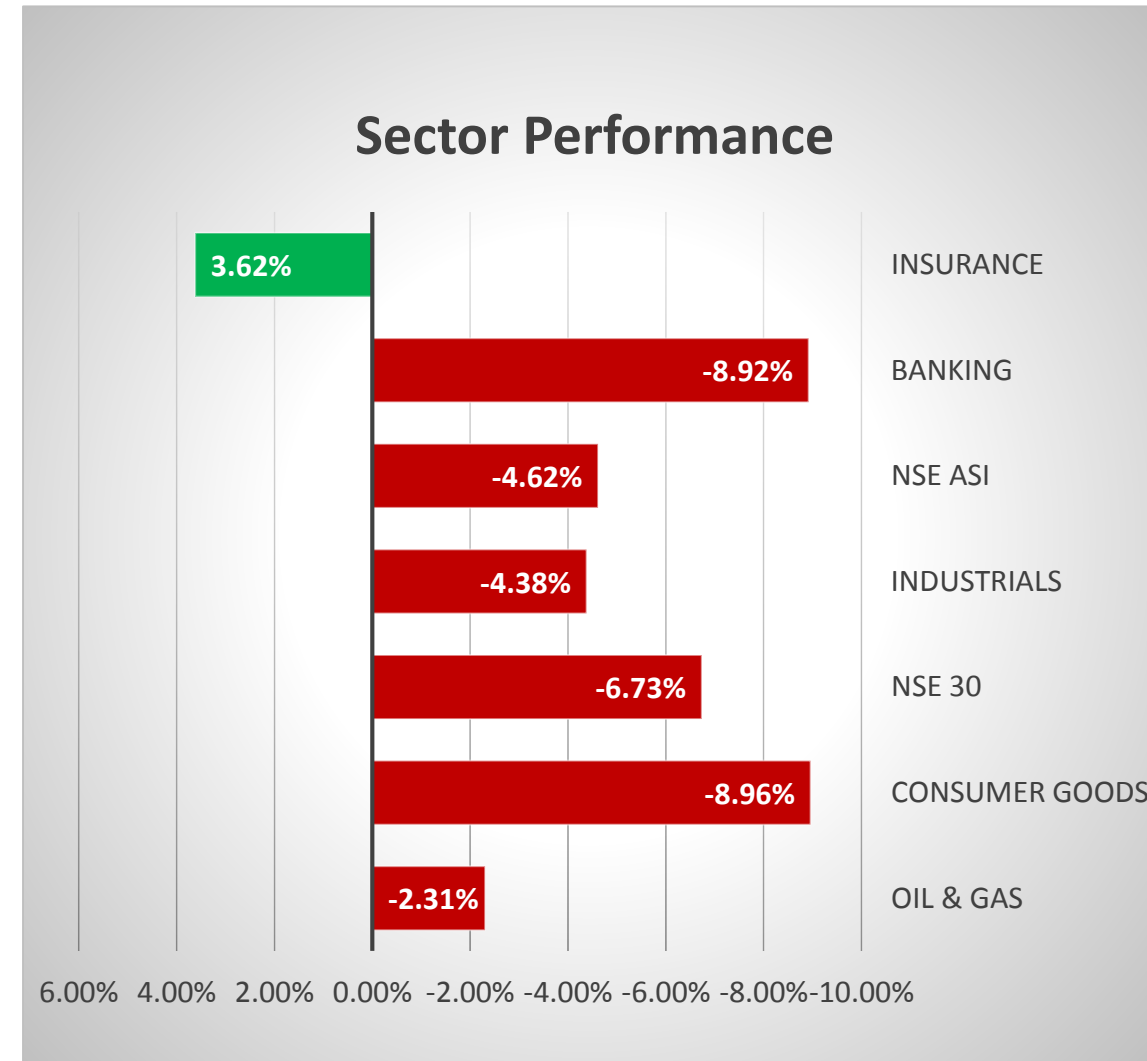


Peer Comparison

Exchange	YTD Return	Driver
NSE ASI	 4.6 %	<ul style="list-style-type: none"> Negative investors' sentiment Unimpressive to flat earnings result across sectors Weak consumer demand
JSE ASI	 3.1%	<ul style="list-style-type: none"> Bargain hunting Strength in global tech investor (Naspers) and mining stocks
GSE	 2.4%	<ul style="list-style-type: none"> Negative sentiment driven by lingering banking concerns Concerns about political risk as election year approach

Sub-Index Performance in October

- ✓ All sectors closed on a negative note except insurance
- ✓ Gains in insurance driven by gains in
 - ✓ AIICO INSURANCE (4.5%)
 - ✓ Consolidated Hallmark insurance (43%)
- ✓ Consumer goods recorded worst performance
 - ✓ Driven by negative reaction to unimpressive earnings especially by brewers



Corporate Actions

- ✓ NSE amends rule on online trading to assist with
 - ✓ The regulation of online trading
 - ✓ Provide intermediary between the Nigerian Online Trading Market and the NSE
- ✓ Foreign participation in the local bourse outweighs local patronage for three months
- ✓ NSE signs international green bond pact with Luxembourg bourse
 - ✓ To promote cross-listing and trading of green bonds across Africa and Europe
- ✓ Q3'19 earnings release

Outlook for November

- ✓ Likely bullish investor sentiment
 - ✓ Declining yields on fixed income instruments
 - ✓ Institutional investors
 - ✓ Need to rebalance portfolios
 - ✓ Take advantage of lower prices to reduce average cost of portfolio
 - ✓ Retail Domestic investors
 - ✓ Realise loss and convert to USD instruments
 - ✓ Take advantage of lower prices – favour value over growth stocks
- ✓ Foreign investment in equities to gradually increase



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Corporate Earnings

Banking Industry - 9M'19

	GTB	Zenith	Access	UBA
Gross Earnings	↓ 3% to N326.03bn	↑ 4% to N491.27bn	↑ 38% to N502.8bn	↑ 14% to N428.22bn
Interest Income	↓ 6% to N224.19bn	↓ 5% to N321.64bn	↑ 48% to N405.0bn	↑ 11% to N297.90bn
Profit After Tax	↑ 3% to N146.99bn	↑ 5% to N150.72bn	↑ 44% to N90.7bn	↑ 32% to N81.63bn
Impairment	↑ 59% to N2.76bn	↑ 27% to N18.26bn	↑ 28% to N10.6bn	↓ 38% to N6.66bn
EPS	↑ 3% to N5.19	↑ 5% to N4.8	↑ 28% to N2.79	↑ 35% to N2.32
Dividend Yield	10.56%	16.09%	6.06%	13.28%
P/E Ratio	3.93x	2.73x	2.08x	1.89x
YTD Change	↓ 24.38%	↓ 24.72%	↑ 22.1%	↓ 16%



- ✓ Mixed performance across line items
- ✓ Increase in bottom line recorded by tier 1 banks despite mixed top line figures
- ✓ Interest income still represents a significant portion of gross earnings

Banking Industry Outlook

- ✓ Financial service architecture to witness significant shift
- ✓ Increasing financial disintermediation
 - ✓ Large corporates increasing preference for raising capital directly from the capital market
 - ✓ Over N375bn raised from CPs by non-banks
 - ✓ 2.4% of deposit bank's total credit to private sectors
- ✓ Formalization of crowdfunding to further put pressure on bank earnings
 - ✓ As SMEs which has in recent time been the focus of banks (especially tier-2 banks) can now have alternative sources of funds asides bank loans
- ✓ Likely consolidation of the industry – increase in M&A deals
- ✓ Possible decline in PSM transactions as Agent banking charge now N50 per transaction

Oil and Gas Industry- 9M'19

	Total	Oando	Forte Oil	11 PLC (Mobil)	Seplat
Revenue	↓ 2% to N221.84bn	↓ 18% to N413.76bn	↑ 30% to N123.55 bn	↑ 13% to N141.51bn	↓ 13% to N151.88bn
PAT	↓ 103% to N(0.20)bn	↑ 26% to N13.06bn	↑ 14% to N5.26 bn	↓ 19.4% to N6.34bn	↑ 103% to N56.65bn
FCF	↑ 37% to N(10.47)bn	↑ 598% to N5.34bn	↓ 43% to N2.1 bn	↑ 480% to N12.87bn	↓ 28% to N78.6bn
EPS	↓ 103% to N0.6	↑ 113% to N0.68	↑ 1393% to N4.03	↓ 19% to N17.59	↑ 102% to N99.6
Dividend Yield	15.33%	Nil	Nil	5.60%	6.85%
P/E Ratio	154.1x	1.45x	Nil	6.62x	3.48x
YTD Change	↓ 39.3%	32.6%	↓ 44.6%	↓ 25.42%	↓ 11.7%



- ✓ Mixed performance across players
- ✓ Seplat's bottom line continues to benefit from deleveraging exercise concluded in 2018
- ✓ Sector ↓ 22.6% YTD

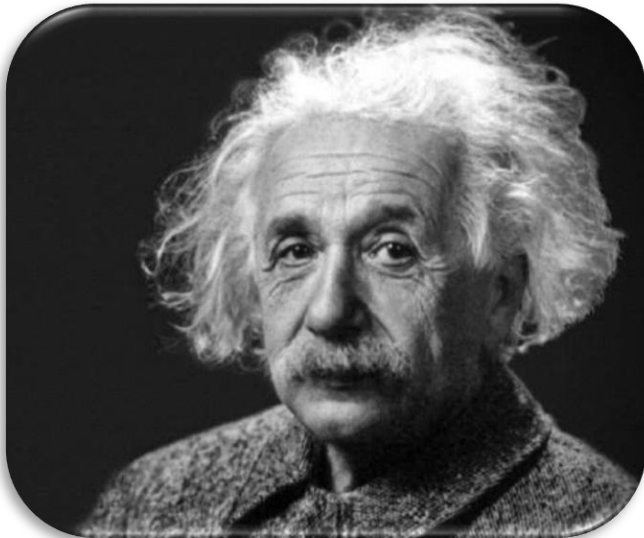
Oil & Gas Industry Outlook

- ✓ Seplat to become the biggest independent exploration and production company after the acquisition of Eland
- ✓ Retreat of some oil majors is allowing independent players to grow
- ✓ Pushing Nigeria's oil output above production limits imposed by OPEC
- ✓ Downstream will be impacted by Dangote
 - ✓ Petrochemical
 - ✓ Refinery
 - ✓ Subsidy

Corporate Humour (E)

*Do not go where the path
may lead; go instead where
there is no path and leave a
trail*

- Ralph Emerson



*Strive not to be a success,
but rather to be of value*

- Albert Einstein

Brewery Industry 9M'19
















	Guinness Nig. PLC	Nigerian Brew. PLC	Int' Breweries PLC
Revenue	↓ 4% to N26.89bn	↑ 2% to N259.92bn	↑ 17% to N97.3bn
PAT	↓ 144% to (N0.37bn)	↓ 17% to N12.28bn	↓ 130% to N(16.45)bn
FCF	↑ 124% to N0.93bn	↓ 231% to N(22.4)bn	↑ 96% to N(4.28)bn
EPS	↓ 145% to N(0.17)	↓ 17% to N1.53	↓ 130% to N(1.91)
Dividend Yield	6.52%	4.96%	Nil
P/E Ratio	11.94x	21.71x	Nil
YTD Change	↓ 67.64%	↓ 45.6%	↓ 62.78%

- ✓ Underwhelming performance reported by players
- ✓ Excise duty cost significantly weighed on profitability
- ✓ Players to increase prices in November to shift cost burden to consumers

Brewery Industry- Outlook

- ✓ Intense competition and positioning battle deepens as the sector evolves
- ✓ Possible deterioration in bottom-line
 - ✓ Earnings performances is largely dependent on their ability to pass cost burden to consumers
 - ✓ Consumers likely to respond by switching to cheaper brands
 - ✓ Big players likely to loose market share to smaller brands
- ✓ Shift of cost burden on consumer is expected to weigh heavily on their disposable income

Consumer Goods - 9M'19

	Cadbury Nig; PLC	Nestle Nig; PLC	Unilever Nig; PLC
Revenue	 7% to N28.91bn	 4% to N211.35bn	 29% to N51.63bn
PAT	 277% to N0.65bn	 11% to N36.84bn	 94% to N0.54bn
FCF	 51% to N1.2bn	 54% to N25.25bn	 166% to N(19.93)bn
EPS	 289% to N0.35	 11% to N46.48	 95% to N0.09
Dividend Yield	2.79%	5.62%	6.25%
P/E Ratio	13.84x	19.51x	52.28x
YTD Change	 4%	 22.56%	 35%



- ✓ Mixed performance reported by players
- ✓ No significant improvement in operating environment
- ✓ Increasing competition from smaller players
- ✓ Nestle's performance boosted by cost minimization

Consumer Goods Industry Outlook

- ✓ Pressure on disposable income
 - ✓ Government desperation to increase revenue
- ✓ Increasing competition in the seasoning segment
- ✓ Product diversity important for improving profitability
- ✓ Bigger players to leverage on economies of scale
- ✓ Improvement in profitability
 - ✓ Festive season
 - ✓ Declining interest rate to result in decrease in finance cost



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Aviation Update

Aviation Update - IATA

- ✓ Global airline share price index (up 3.6%) outperforms global equities (up 2%)

- ✓ In spite of airline strikes and geopolitical tensions



- ✓ Oil and jet fuel prices decline following the restoration of Saudi Arabia's oil output

- ✓ Premium passenger traffic growth underperforms Economy cabin

- ✓ Driven by slowdown in major Europe markets and trade tensions

Aviation Update – International

- ✓ World's longest flight tested (New York – Sydney)
 - ✓ Duration: 19hours and 16minutes
 - ✓ Intensified competition in the ultra-long haul aviation market

 ✓ Emirates remains the preferred network carrier

- ✓ 2 flights daily from Nigeria (Abuja & Lagos)

✓ British Airways load factor:

- ✓ 60% (Premium)
- ✓ 60% (Business Class)
- ✓ 80% (Economy)



Aviation Update – Domestic

- ✓ Enugu airport closed for upgrade and maintenance
 - ✓ N10billion approved as intervention fund
- ✓ Minister of Aviation assures completion of new terminals at MMIA and Kano Airport by December 2019
- ✓ Air Peace to commence flights to Johannesburg
- ✓ Arik reduces network and improves on-time performance
- ✓ Generally Nigerian airlines becoming more punctual
- ✓ 3 airlines now operate between Lagos- Warri:
 - ✓ Air Peace
 - ✓ Arik
 - ✓ Aero

Aviation Update – Regulatory Action

- ✓ Buhari appoints new Director General of NCAA, Captain Musa Nuhu
- ✓ Wakanow shakes up the top and repositions but times are tough
 - ✓ Contract termination of the CEO and deputy CEO
- ✓ Boeing fires the CEO of Commercial Airplanes as 737 Max crisis grows



Retail Sector

Luxury Goods Market

- ✓ Consolidation in the luxury goods market
- ✓ Louis Vuitton owner makes \$14.5bn acquisition bid to Tiffany & Co.
- ✓ Environmental sustainability factors driving purchasing decisions
- ✓ Stimulating Generation Z interest via social media platforms



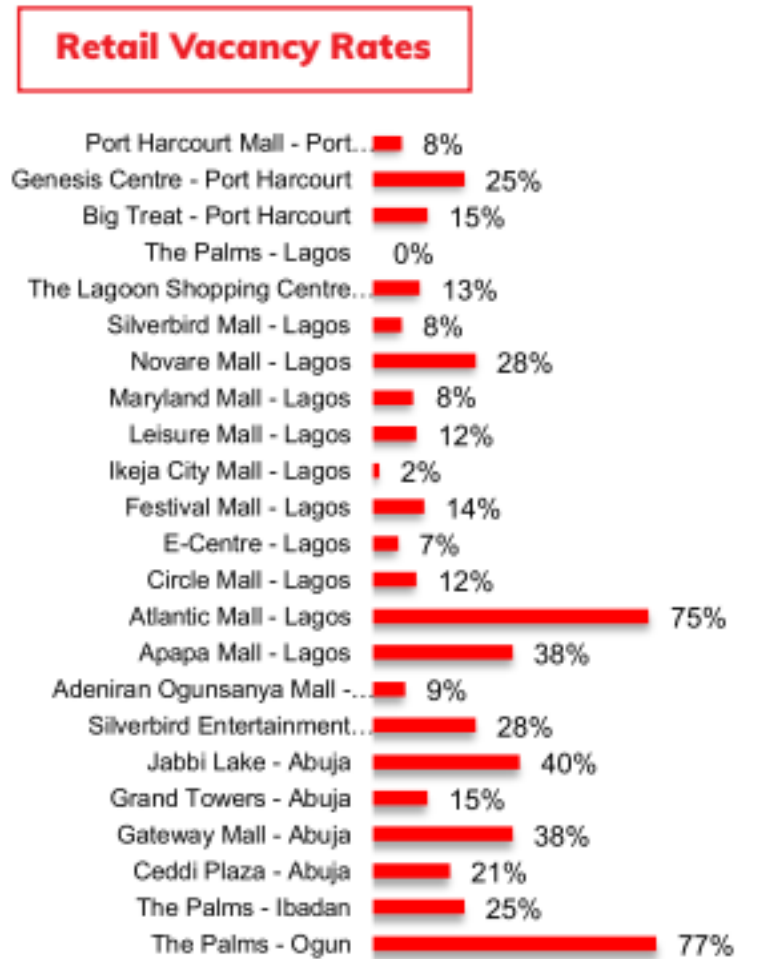
Influence of Generation Z on Retail Trade

- ✓ Thrift shoppers
- ✓ Environmentally conscious generation
- ✓ Prefer online shopping over brick and mortar shops
- ✓ Brands must work extra hard to earn their loyalty
- ✓ Customer service and shopping experiences are key elements

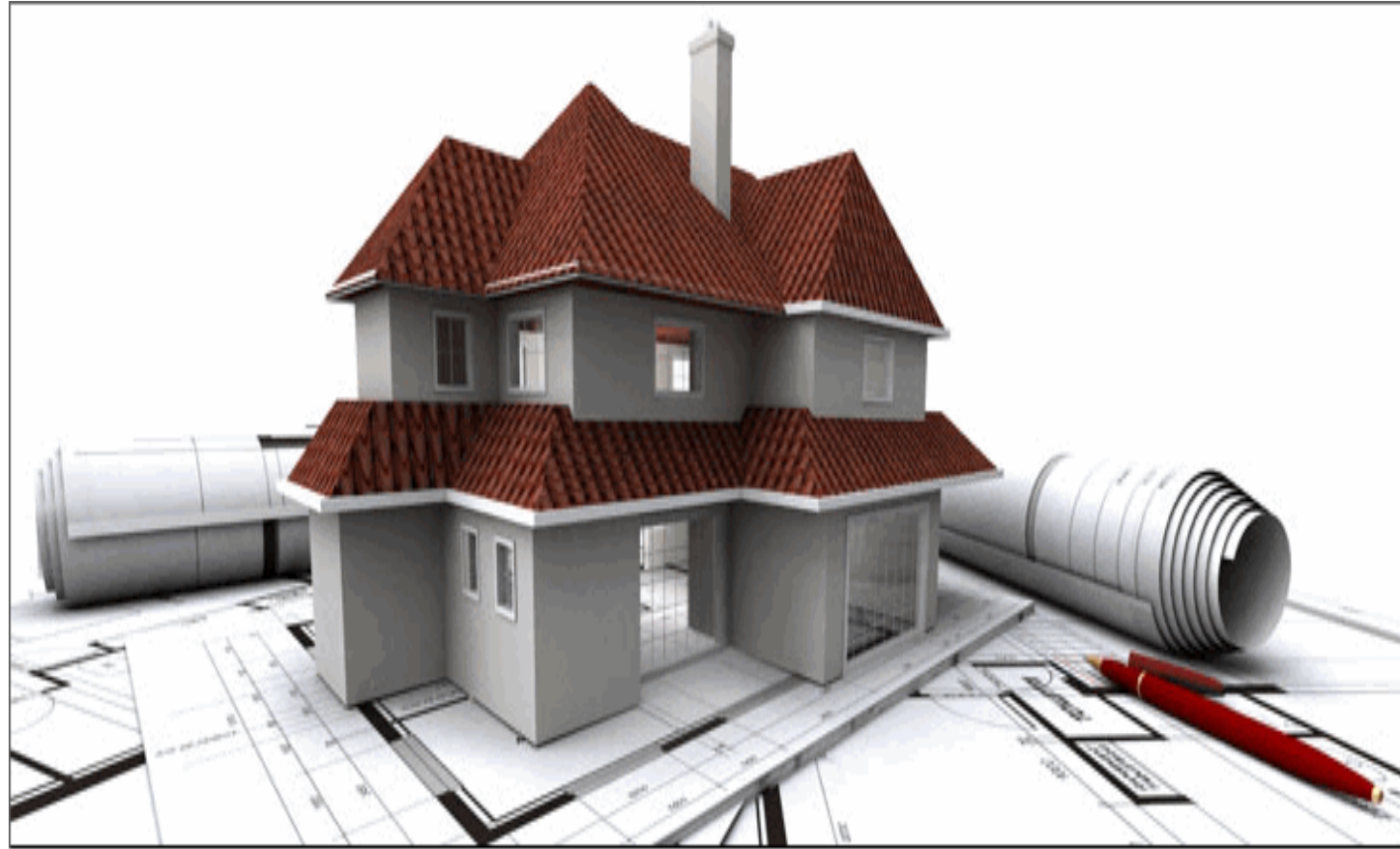


Rising Vacancy Factor in Nigerian Malls

- ✓ Empty stores in Nigerian malls is on the rise
- ✓ Reflecting dwindling consumer purchasing power and deteriorating state of the economy
- ✓ Service charge is eroding profitability of retailers
- ✓ Mall shoppers are largely low-income earners



Rates are as of May 2019
Source: Northcourt



Real Estate Update

Real Estate Trends in H1'19

Commercial

- ✓ Decline of rent in Grade A office market
- ✓ Accessibility, security and 'green' features are key drivers of demand for Grade A buildings
- ✓ Rising demand for co-working spaces from:
 - ✓ The millennial demographic
 - ✓ Tech start-ups
- ✓ Landlord flexibility in lease terms and transparency of transaction details



Vacancy Factor in Q4'19 Flat at 24%

	Q4'19		
	RVF (%)	CVF (%)	VFI (%)
Ikoyi	28	15	22
VI	28	14	14
Lekki	38	13	28
Total	32	13	24

Noteworthy trends

- ✓ Increased private car parks as a source of revenue
- ✓ Rising abandoned, ultra-modern buildings
- ✓ High number of abandoned plots of land

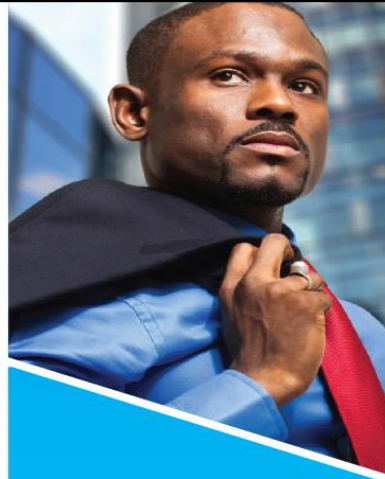
2020 EXECUTIVE EDUCATION OPEN SEMINARS

ACCOUNTING, FINANCE & ECONOMICS	DATE	FEE
Accounting & Finance for Non-Finance Managers	Lagos: May 11-15, PH: September 14 -19	N425,000
Budgeting, Forecasting and Control	August 5 - 7	N275,000
Economics for Decision Making	September 22 -24	N255,000
Financial Modeling	August 24 -28	N455,000
Managing Risks in Financial Institutions	June 8 - 10	N255,000
Senior Financial Analysts Programme	December 7-11	N455,000
Strategic Cost Management for Senior Managers	December 1 -3	N255,000

GENERAL MANAGEMENT	DATE	FEE
Understanding the Agribusiness Value Chain Seminar	April 21 -22	N170,000
The Effective Director	July 28 -29	N300,000
Doing Business in Africa	November 2-4	N255,000
Driving Business Success	November 16 -20	N425,000
Managing Compliance and Legal Risks	May 18 -20	N272,850
Managing partnerships and strategic alliances	September 29 -30	N170,000
Managing People for Strategic Advantage	Lagos: August 4 -6, Abuja: September 28 -30	N310,000
Problem Solving and Decision Making for Executives	September 7 -9	N285,000
Stepping up to Management	Lagos: June 23 - 24, PH: October 26 -27	N210,000

MARKETING AND SALES MANAGEMENT	DATE	FEE
Analytics for better Marketing Decisions	April 22-23	N210,000
Building Brands: Boosting Sales	August 10 -12	N255,000
Critical Tools for effective sales & marketing	July 13 -14	N185,000
Digital Marketing -Strategies for Winning in the Digital Age	November 23 -25	N255,000
FMCG Marketing Strategy	September 1-3	N255,000
Managerial Leadership in Sales & Marketing	December 1 - 3	N310,000
Outstanding Customer Relationship Management	September 7 - 8	N180,000
Personal Branding	June 30 - July 1	N170,000
Pricing Strategy and Tactics for profitability	October 27 -28	N210,000
Strategic Key Account Management	August 17 -19	N290,000
Strategic Marketing Management	September 2-4	N255,000

OPERATIONS MANAGEMENT AND MIS	DATE	FEE
Business Process Improvement Methodologies	June 23 -25	N275,000
Developing Analytical Competence for Managing Operations	July 13-17	N455,000
Driving Efficiency and Operational Performance	June 30 - July 2	N255,000
Effective Project Management	June 1-5	N455,000
Effective Service Management	September 21-23	N275,000
Logistics & Supply Chain Management	October 19-23	N275,000
Post-Award Contract Execution/Management	Lagos: November 18 -19, PH: September 29 -30	N170,000
Smart Business Decisions: the Power of Data Analysis	June 15 - 19	N455,000
Strategic Procurement / Contract Management	Lagos: June 23 -25, PH: November 23 -25	N275,000



PROGRAMME VENUE:
Km 22, Lekki-Epe Expressway,
Ajah, Lagos

TIME: 9.00 am - 5.00 pm

PRIOR REGISTRATION
is mandatory to secure a place on
the seminar.

Discounts (only one category applicable)

10% off For 5 more nominees from the same company
Per nominee on Corporate Partner Programme
For individuals who pay at least 6 weeks ahead of schedules seminar

15% off Financial members of LBS alumni Association

Download detailed calendar from our website www.lbs.edu.ng

RESERVATIONS/ADDITIONAL INFORMATION

Reservations/ Additional Information:
Efosa Ajorgbor: 0701 990 0758
Vivian Akere: 0708 609 5194
Ben Eliezer: 0808 672 6686

email: exceedsales@lbs.edu.ng

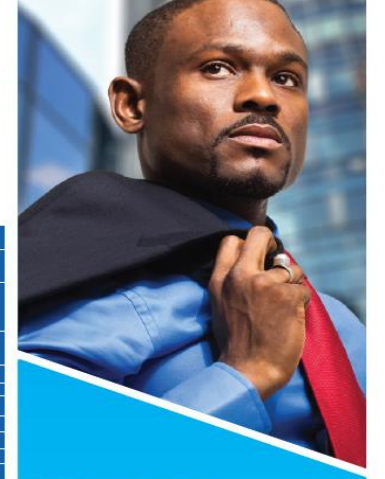
FT Financial Times
Lagos Business School is ranked with the world's top business schools in open enrolment executive education (2007 - 2019 and custom executive education (2015 - 2019).
Financial Times London



PERSONAL LEADERSHIP & HRM	DATE	FEE
Advanced HR Management Workshop	June 8 - 9	N210,000
Authentic Leadership	Online Phase: July 6 - August 17, Class phase: August 18 -20	N360,000
Building and Leading the 21st Century Team	Lagos: 1st run: March 24 - 26, 2nd run: September 1-3; Abuja: December 14 -16, PH: July 20-22	N290,000
Workplace Conflict Management and Resolution Skills	July 28 -29	N170,000
Employment Law and Industrial Relations	June 30 - July 2	N255,000
Executive Team leadership	November 9 - 13	N495,000
Leadership in Health and Safety Management	September 2 -4	N255,000
Mastering Human Resource Management	September 21 -25	N255,000
Refining your Interpersonal Skills	August 4 -6	N425,000
Winning Skills and Tools for Negotiation	Lagos: April 15 -17, PH: August 10 -12	N255,000
Winning with Influencing and Assertiveness Skills	April 28-30	N255,000

SECTOR SPECIFIC	DATE	FEE
Managing Governmental Relations	May 18 -20 (Abuja); October 12 -14 (Lagos)	N275,000
Mastering Infrastructure and Project Finance	November 9 - 11	N255,000
Social Impact Assessment/Sustainability Reporting Workshop	February 13th	N90,000
Women in Leadership	1st run: May 18 -20, 2nd run: October 12 -14	N255,000
Real Estate Finance and Investment	October 20 - 22	N300,000
Real Estate Development	April 28 -30	N300,000
Real Estate Marketing	February 25 -27	N300,000
Innovation and Entrepreneurial Thinking and the Real Estate Industry	December 1 - 3	N300,000
Sports Business Management	August 10 -12	N150,000
Conference: Designing Tax Governance & Strategy for Competitive Advantage	March 11 th	N90,000

STRATEGY INNOVATION GOVERNANCE	DATE	FEE
Creating strategy for competitive advantage	October 20 - 22	N255,000
Driving Strategic Innovation and Business Development	July 20 -22	N310,000
Mastering Blue Ocean Strategy - Creating uncontested market space	September 21 -23	N265,000
Turning Strategy into Action	Lagos: September 7-9, Abuja: November 17-18, PH: July 6-8	N350,000



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Financial Times London





Political Update

Political Update

- ✓ Appeal courts going with the flow
- ✓ Delta State DSP wins at the appeal court
- ✓ Former Governor fails in Senate bid
- ✓ Bayelsa State – Jonathan & Dickson mend fences
- ✓ A tough & close race, expect a violent and vicious election in the oil producing state
- ✓ Likely to remain PDP as incumbency weighs on voter sentiment

Political Update

- ✓ In Kogi State, APC likely to win
- ✓ Again, incumbency will help APC over the finished line
- ✓ Until President assents to electoral act and PVCs are mandatory
- ✓ Incumbents unlikely to loose
- ✓ Not even in the courts
- ✓ The politics and consolidation of power continues in Abuja
- ✓ The 2023 race and the realignment of political forces could undermine power consolidation process

Political Update

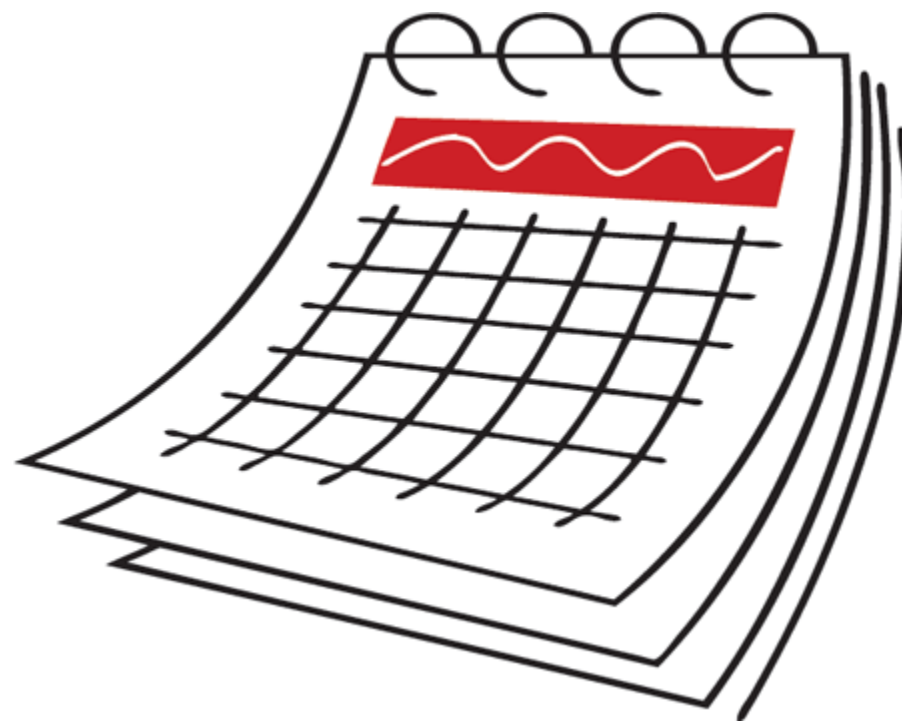
- ✓ The politics of zoning is practically over
- ✓ The 2023 elections are 1,170 days (12 quarters away)
- ✓ It will be a diversity and war chest election based on economic performance
- ✓ The message will be critical as the incumbent is not on the ticket
- ✓ Incumbent endorsement will be a major factor depending on economic performance
- ✓ APC members are jockeying for board appointments and juicy jobs
- ✓ The NASS & NEC will pass the VAT tax bill with the exemption threshold of N25million turnover



Outlook for November

Economic Calendar (Nov/Dec)

- ✓ October inflation – November 14
- ✓ Q3 GDP report – November 25
- ✓ MPC meeting – November 25/26
- ✓ Q3 capital importation – December 3
- ✓ OPEC bi-annual meeting – December 5/6
- ✓ Q3 Foreign Trade – December 10
- ✓ US Fed meeting – December 10/11



Likely Scenarios by 2019-end

	Probability	Impact
Nigeria re-enters recession	Moderate	High
The authorities improve respect for contracts and private property in effort to boost foreign investment	Moderate	High
The banking sector undergoes another crisis	Moderate	High
There is a military coup	Low	Very High

Source: EIU

November Outlook

- ✓ Inflation will inch up marginally towards 11.6%
- ✓ Q3 growth will come in higher than Q2 at approximately 2.10%
- ✓ Credit to private sector will increase sharply but for trade mainly
- ✓ Most presidential nominees will be approved by NASS
- ✓ Oil price will likely fall to \$57-60pb
- ✓ Production will fall towards 1.685mbpd
- ✓ Budget will be passed
- ✓ External reserves will get to \$39bn

November Outlook

- ✓ Border closure will keep the Naira at N359/\$
- ✓ Q3 earnings will be weak and stock market will trade flat
- ✓ MPC will maintain status quo and allow OMO rules to work
- ✓ Cashless penalty will remain in force

*Thank
you*

