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In This Issue . . .

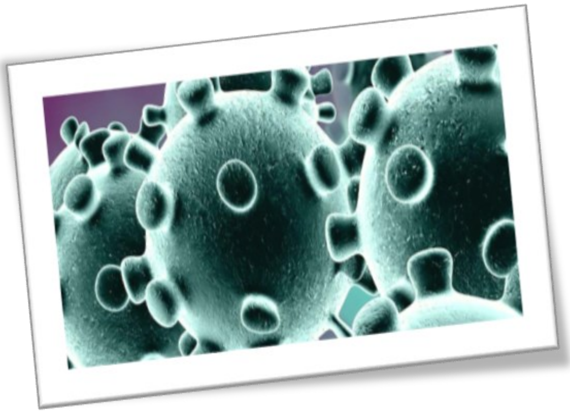
The Coronavirus in Lagos

Is Nigeria ready for an epidemic?

The Lagos state ministry of health has recently confirmed the first case of COVID-19 virus in the state. An Italian citizen, who recently came into the country from Milan, was diagnosed with the virus after he fell sick and was taken to the Lagos State Biosecurity Facilities for isolation and testing. The virus, which was first recorded in China, has infected over 80,000 persons and spread to over 40 countries including Japan, United States of America, United Kingdom and Iran.

This is the first case of the virus in Sub-Saharan Africa and the third in Africa since the outbreak in China last month. The Lagos state government through the Nigeria Centre for Disease Control (NCDC) has been strengthening security measures to prevent an outbreak.

The citizens fear that the virus could spread within and beyond Lagos. Although the efforts of the state government are reassuring, there are rising concerns surrounding the resources and capacity of health care facilities to manage the virus, in the event of an outbreak.



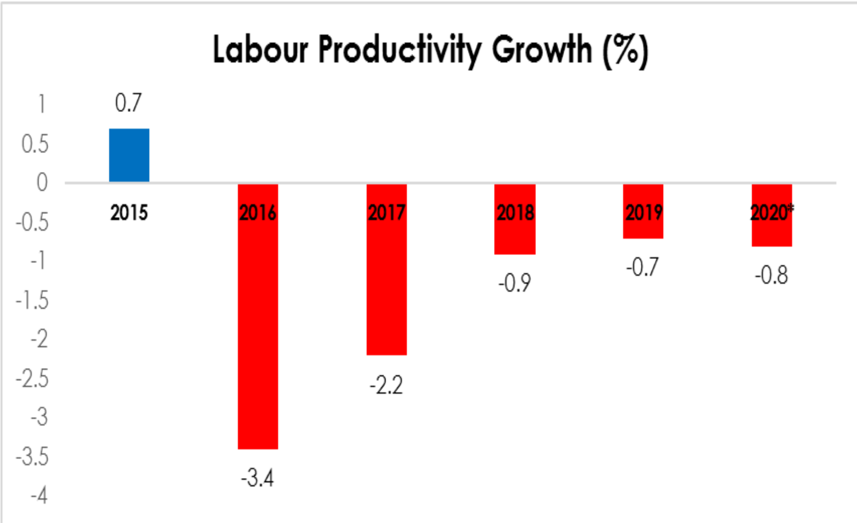
Impact

Lagos state is the most populated city in Nigeria. The spread of the deadly virus within the city could spill over to other states and possibly to other countries in Sub-Saharan Africa. The same effect the outbreak had on China's economy could be replicated in the country. This means that stock market performance would decline drastically and companies will shut down leading to a fall in revenue, sales and profits.

More importantly, labor productivity which has been in the negative region in the last 4 years would decline further if the virus spreads. The ripple effect of this is a reduction in output of firms and ultimately a decline in real GDP.

A lull in trading activities between Nigeria and its trading partners, especially China would be inevitable as China accounts for approximately 30% (Q3'19) of Nigeria's import. Also, the progress of mega projects that are funded from the Nigeria-China trade deal will be slowed.

Air travel could also be adversely affected as more international flights will be delayed, cancelled or diverted. With over 3.5 million international passengers recorded in 2019,this could result to a massive loss in revenue by airlines and travel agencies. In addition, passengers will be frustrated with the disruptions and possible loss of their income spent on tickets. Prior to the confirmation of the virus in the country, air travel operations in the aviation industry's golden triangle were distorted in February amid the hazy weather conditions and collapse of instrumental landing systems (ILS), especially in Lagos state.



[1]

On the other hand, it will trigger pressure on existing health care facilities, as hospitals will be flooded with patients seeking medical attention. This will also adversely affect the government's coffers, as resources would be diverted to combat the spread of the epidemic. The sad news is that, this is coming at a time when oil receipts are already tragically low (trading between $50pb-$52pb), hence the income for the government to solve the potential problem is constrained.

[1]EIU, FDC Think Tank

Lagos' traffic congestion – is there a respite in view?

The Federal Ministry of Works and Housing released a circular on March 1, 2020 on the partial closure of the independence bridge, linking Onikan to Bonny Camp. The closure will last for two months (between first of March and 2nd of May 2020). This is to enable the maintenance of the bridge. However, it will compound the build up in traffic already caused by the okada and tricycle ban.

In certain zones and streets of Lagos, the government placed a ban on the operation of commercial motorcycles and tricycles. This came into effect on February 1, 2020. The reason behind this was to reduce the rate of deaths and insecurity in the state. The ban on motorcycles and tricycles reduced the supply of transport vehicles for Lagos' residents and many Lagosians had to trek long distances. This resulted in an artificial spike in transport fares in some parts of Lagos state. Meanwhile, people who had cars began using their vehicles more frequently which increased the traffic congestion. The stress from more walking and increased traffic weighed on people's health, thereby reducing productivity and output.

As Nigeria's population increases, demand for road transportation by Nigerians continues to grow, particularly in cities. Lagos, the most populous state in the country, with an estimated population of 22 million people and counting, is the worst for traffic. A CNN report in 2019 indicated that Lagos is Africa's fifth largest economy and one of the most congested cities in the world. Approximately 40% of cars in Nigeria are registered in Lagos and the government's failure to address the major transportation issues of the state puts the congestion burden squarely on Lagos residents.[2] The loss of productivity hours, longer commutes to work, reduced leisure time, added fuel expenses, and higher vehicle emissions all negatively impact both the physical and mental health of Lagosians.

[2]CNN Travel. 2019. "Mental health and productivity disasters". CNN. https://edition.cnn.com/travel/amp/traffic-stress-lagos-nigeria/index.html

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The establishment of the Lagos Metropolitan Area Transport Authority (LAMATA) in 2003, which led to the set-up of a bus rapid transit (BRT) system in 2008, was a government effort to reduce Lagos' traffic congestion. The BRT system was launched with dedicated bus lanes, stations and terminals to facilitate quicker trips, and 220 buses running from 6AM to 10PM. Total capacity for the BRT system was over 200,000 passengers daily.[3] In 2015, BRT operations were outsourced to the private sector and an additional 434 buses were injected into the system. However, only 250 of these new buses were operational.[4]

Unfortunately, the BRT system has done little to impact traffic congestion. While the BRT system now transports 350,000 people daily, this amounts to only 1.6% of Lagos' total population.[5]

For those who still drive, or take private mass transit (e.g. commercial buses and motorcycle taxis), bad roads, poor availability of parking space, frequent vehicle breakdowns, narrow roads, and poor signage and traffic lights are added burdens to the congested roads. To achieve success in reducing traffic congestion in Lagos, policy makers must be willing to do things differently to shift Lagosians away from low density road transportation.

Lessons from London

London, the UK's capital, is one of the most populous cities in the European Union. With a population of over eight million, the city has it share of traffic congestion. In 2002, the city lost between £2 million and £4 million a week in terms of time lost due to congestion.[6] In February 2003, the London Congestion Charging Scheme was launched to address traffic congestion by reducing the volume of vehicles. Drivers pay a daily charge of £8, except on weekends, to enter the congestion zone between 7AM and 6PM. Environment-friendly vehicles (such as electric vehicles and hybrid vehicles) are exempt from this charge. The policy initially covered a 22km² area and was later doubled. By 2006, the congestion charging zone had reduced congestion in central London by 26%, and this reduction has been maintained.[7]

[3]Jen Ehidiamen. 2015. "Public transportation in Lagos". https://en.wikipedia.org/wiki/Lagos_Metropolitan_Area_Transport_Authority
[4]LAMATA. 2016. "Lagos Metropolitan Area Transport Authority".
https://en.wikipedia.org/wiki/Lagos_Metropolitan_Area_Transport_Authority
[5]Pedro Jimenez. 2018. "BRT lines, the most adaptable mass transit system yet". https://www.metro-magazine.com/bus/article/731722/brt-lines-the-most-adaptable-mass-transit-system-yet
[6]Transport for London. 2007. "Congestion Charging" www.cclondon.com/whatis.shtml.
[7]European Environment Agency. 2008. "Success Stories within the Road Transport Sector on Reducing Greenhouse Gas Emission and Producing Ancillary Benefits". www.eea.europa.eu/publications/technical_report_2008_2/at_download/file.

London's congestion charge, however, succeeded because it has a fundamental difference from Lagos. It already had a robust and mature transport system to offer to drivers as an alternative and it could commit to improving that transport system with the funds it generated from the congestion charge.

Lessons from Bogota

Bogotá, the capital of Colombia with a population of over ten million, is no different when it comes to traffic congestion. In 1998, Bogotá had the worst traffic in Latin America. In response, Bogota's mayor implemented both incentives and disincentives to address congestion. For an incentive, Bogota led the way for developing cities offering bus rapid transit systems. The system, TransMilenio, was launched in 2000. The private sector is in charge of TransMilenio's operations and maintenance, while the government is responsible for the infrastructure and overseeing the system. The BRT system includes 1,300 large buses (more than 2 times the buses available in Lagos for a city with roughly half Lagos' population), as well as smaller feeder buses that take care of the passengers in outlying areas.[8] TransMilenio also runs free feeder buses from low-income communities at the outskirts of the city to the main TransMilenio stations, making public transport more accessible.

As a disincentive, the Mayor doubled parking fees in the city and limited car access to the city center to alternate days only with the last digit of the license plate dictating which days the car could enter the city center. By 2010, 26% of commuters in Bogota chose the BRT as their main transit mode.[9] Currently, the TransMilenio transports over 1.9 million passengers per day (nearly 20% of Bogota's population), making it one of the highest-capacity BRT systems in the world.[10] A 2012 study of the TransMilenio showed that traffic congestion was down 85% with the implementation of the BRT system.[11] Although the traffic challenge in the city is not completely over, the transportation initiative was a success because infrastructure investments complemented the BRT system with the cooperation and collaboration of a variety of stakeholders.

[8]Laurie Guevara-Stone. 2014. "How Bogotá creates social equality through sustainable transit". https://www.greenbiz.com/
[9]Arya Gaduh. 2019. "Second-best' Bus Rapid Transit and traffic congestion in developing countries: Lessons from TransJakarta'. https://voxdev.org/
[10]Laurie Guevara-Stone. 2014. "How Bogotá creates social equality through sustainable transit". https://www.greenbiz.com/
[11]Eric Jaffe. 2012. "Transportation". https://www.citylab.com/

The way forward

Congestion-charge

Road-pricing schemes can be adopted in Lagos just like London. The state government can charge drivers to enter all lanes on major commuting roads destined for the state's crowded center. Through this, the number of vehicles on each major road during peak hours could be reduced so that remaining vehicles could move at high speeds.

Expanding public transit capacity

The Lagos State government should anticipate this congestion charge with public transport enhancements that are meaningful in terms of their capacity, reliability and speed. The government could implement a large scale transit system in stages, allowing for the system to be used gradually as the different phases are launched. Only once the full system is available, with the requisite capacity, speed and reliability, should the congestion charge be enforced. To do so earlier would likely generate frustration and protest from Lagosians

Strong Political will

Finally, the way forward must consider political will. The government decision should not be influenced by large groups of informal transport providers who stand to potentially lose out with reforms to the transportation system. The first efforts at the BRT implementation in Lagos took this into consideration, training commercial bus drivers as BRT bus drivers. This is just one example of a way Lagos can stay resolute with its objective while ensuring residents are not put out of work in the process. The Bogota transportation system succeeded as the government had strong political will in implementing the BRT system. If Lagos is to be successful in truly changing the traffic constraints it too will need to remain focused.

Harnessing informal waste collectors for effective waste management in Nigeria

Waste management is a general challenge for all densely populated cities and Nigerian cities are not an exception. With a population of nearly 190 million people, Nigeria is struggling to keep waste away from the streets and reduce the number of dumpsites. Environmental agencies in Nigeria have not been able to keep up with the pace of waste generation in the country.[12] Although the government has initiated several efforts to enhance effective waste management, it has had limited success. Inefficient collection mediums, low collection coverage, inadequate funding for facilities to manage the high rate of waste generation and improper waste disposal practices are just some of the limitations.[13] Waste management in Nigeria has also been largely concentrated in the public sector, as it is seen as a duty of the government.

Efforts at achieving effective waste management

The Nigerian government instituted the Federal Environmental Protection Agency (FEPA) in 1988 to address environmental issues in the country. This was backed by a national environmental policy to encourage public awareness and participation in environmental protection.[14] The policy advocates proper collection and disposal of waste, in environmentally sound manners, with laws to enforce compliance. Despite the efforts of the government to encourage effective waste management in the country, the common practice in Nigeria is the relocation of waste rather than proper disposal.[15] The UNDP reported that the accumulation of uncollected solid waste in the north-eastern part of the country is attributable to the ongoing hostilities in that area.[16] Such a waste build-up, however, is not peculiar to that region of the country. Across the country it is estimated that waste collection is only 30% effective, meaning 70% of Nigeria's waste is not properly handled.[17] The southern areas have also reported uncontrolled dumping of waste on the streets and highways particularly in urbanized cities like Lagos.[18] This has led to significant public health concerns, as well as life threatening flooding from waste dumped in canals and drains.[19]

[12]T. Ch. Ogwueleka. 2009. "Municipal solid waste characteristics and management in Nigeria." Iran Journal of Environmental Health Science and Engineering.http://www.bioline.org.br/pdf?se09026
[13]ibid
[14]ibid
[15]ibid
[16]United Nations Development Programme (UNDP). 2016. "Solid Waste Management North East Nigeria." https://www.ng.undp.org/content/dam/nigeria/docs/Sustainable%20Development/ERP%20Solid%20Waste%20Mgt.pdf
[17]Wale Bakare. 2020. "Solid Waste Management in Nigeria." https://www.bioenergyconsult.com/solid-waste-nigeria/
[18]T. Ch. Ogwueleka. 2009. "Municipal solid waste characteristics and management in Nigeria." Iran Journal of Environmental Health Science and Engineering.http://www.bioline.org.br/pdf?se09026
[19]United Nations Development Program (UNDP). 2016. "Solid Waste Management North East Nigeria." https://www.ng.undp.org/content/dam/nigeria/docs/Sustainable%20Development/ERP%20Solid%20Waste%20Mgt.pdf

In response, some states, like Lagos, have introduced partnerships with private sector participants in order to promote effective waste management. The Lagos Waste Management Agency partners with the private sector partners (PSPs) for waste collection, disposal, and enforcement of waste management fees. However, waste collection by the PSPs has not effectively kept waste away from the streets and highways. According to available statistics, waste collected and deposited at landfill sites in Lagos state dropped by 54.71% to 1.74 million metric tons in 2016 from its peak of 3.83 million metric tons in 1990.[20]

Harnessing informal waste carriers to achieve waste collection goals

Informal waste pickers are individuals who make their living by collecting recyclables from waste in the streets and dumpsites. Generally, informal waste collectors are faced with societal backlash and discrimination.[21] It is believed that they are only interested in collecting waste for money and are not interested in the proper disposal of the waste collected. Informal waste pickers allegedly collect waste from households to dispose them indiscriminately on dumpsites without adequate knowledge of proper waste management, and there is no legal backing for the activities of informal waste collectors in Nigeria.

Despite the claims against informal waste pickers, it is important to note that they have reach across the country that PSPs do not. If integrated effectively, informal waste collectors could be a game changer for waste management in Nigeria, as they have been in Brazil, Argentina and Colombia. In these countries, they have been so deeply integrated that they even have cooperatives or unions.[22]

[20]Lagos Waste Management Authority (LAWMA). 2020. "Waste statistics." https://www.lawma.gov.ng/wp-content/uploads/2019/05/32578-1.xlsx
[21]Marta Marello and Ann Helwege. 2014. "Solid waste management and Social Inclusion of Waste Pickers: Opportunities and Challenges". Boston University. https://www.bu.edu/pardeeschool/files/2014/11/Social-Inclusion-Working-Paper.pdf
[22]ibid

Lessons from Brazil

In Brazil, the government partners with informal waste pickers and scavengers as environmental agents for proper waste disposal, especially in densely populated urban cities. The National Basic Sanitation Policy, initiated in the country in 2007 (and complemented by the National Policy on Solid Waste in 2010), introduced an integrated waste management framework.[23] The framework encourages the formation of unions for regional waste management as a means of strengthening municipal waste management capacities through economies of scale and cost reduction.[24] This has helped to facilitate a shared sense of responsibility towards waste collection, disposal and recycling, in addition to boosting job creation.

The National Movement of Recyclable Waste Pickers is the umbrella body of the waste pickers associations in Brazil. It was established in 1999 to create a voice for waste pickers, who had previously been on the margins of society. About 300 waste pickers' associations are represented under the auspices of the National Movement of Recyclable Waste Pickers.[25] Beyond waste collection, waste pickers' operations in Brazil have enhanced recycling activities and reduced the volume of waste at landfill sites by about 20%. This has helped to extend the useful life of landfills in the country.[26]

Waste pickers as the way forward

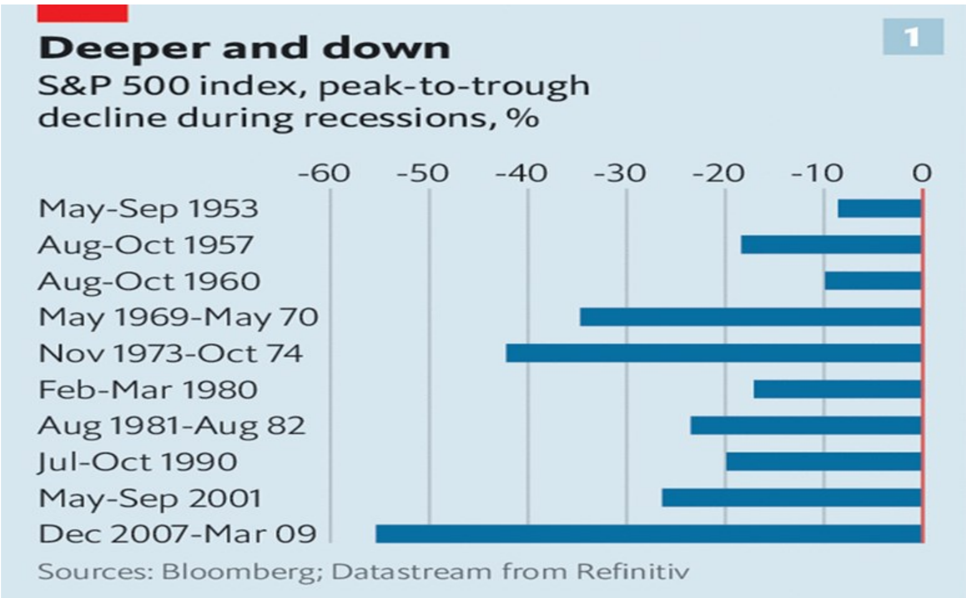
Organizing waste pickers into unions and deploying them as environmental agents for waste management is key for effective waste management in Nigeria. Although the PSP initiative is a step in the right direction, integrating informal waste collectors into the Nigerian waste management system would enhance the success of environmental initiatives in the country. Given the rapid rate of waste generation in the country, these informal waste collectors will facilitate faster, and proper collection and disposal of waste, as well as recycling, especially in overcrowded urban cities. These informal environmental agents can also be used to curb indiscriminate disposal of waste on streets and promote efficient revenue collection of waste management fees from households.

[23]Pedro Roberto Jacobi & Gina Rizpah Besen. 2011. "Solid waste management in Sao Paulo: The challenges of sustainability." Estudos Avancados. https://www.researchgate.net/publication/334468681_Solid_Waste_Management_in_Sao_Paulo_The_challenges_of_sustainability
[24]ibid
[25]Oscar Fergutz, Sonia Dias & Diana Mitlin. 2011. "Developing urban waste management in Brazil with waste picker organizations." Environment & Urbanization. https://journals.sagepub.com/doi/10.1177/0956247811418742
[26]ibid

Business and the next recession

When economies change, so do recessions. What will the next one look like?

Cast your mind back to 2007. Flashy types were showing off their first-generation iPhones. Netflix sent DVDs through the post for people who did not have the time to drop into a branch of Blockbuster. The biggest firms in the world were old-economy stalwarts such as General Electric and Royal Dutch Shell. Myspace ruled online. That seemingly distant era was when America, followed by Europe and most of the rich world, last fell into recession. Since then the way people buy products, entertain themselves, move around and borrow money has altered and in some cases been revolutionized by a mighty band of global technology titans.



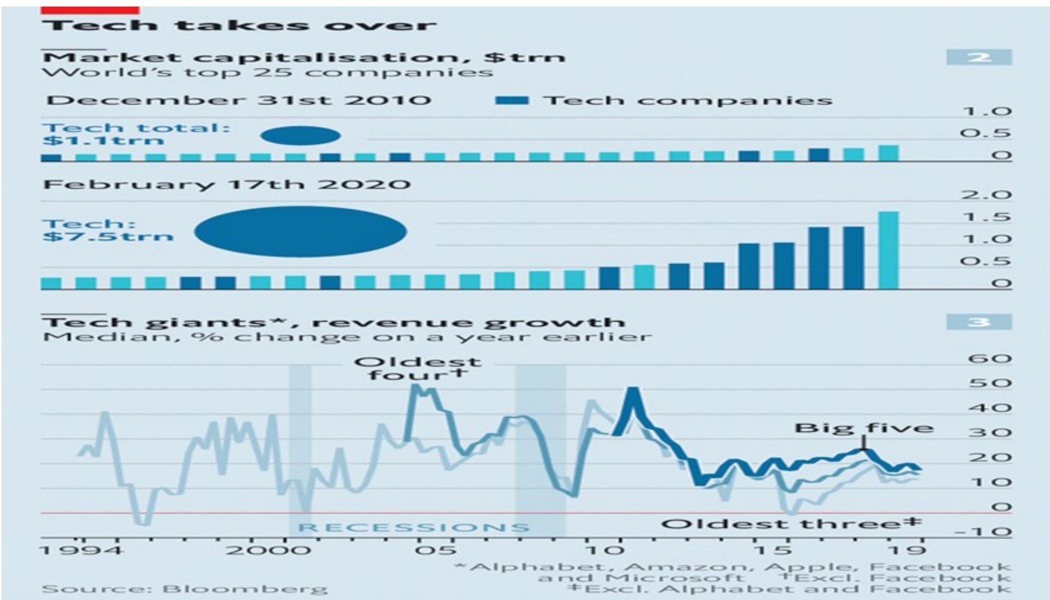
The Economist

"The composition of the economy has changed since 2007, and hence so will the nature of recessions," says Douglas Elliott of Oliver Wyman, a consultancy. Working out the impact of the next recession is important because one is on the way, sooner or later. Past recessions have been costly. *The Economist* calculates that in the most recent downturn 11m people lost their jobs in rich economies and profits of big listed firms in Europe and America dropped by 51% and 30%, respectively. Stock markets always take a battering when the economy turns (see chart 1). Recessions matter to governments and central banks, which must work out how to respond, and to firms and investors, because downturns sort the wheat from the chaff. In the past three recessions the shares of American firms in the top quartile of each of ten sectors rose by 6% on average, while those in the bottom quartile fell by 44%.

In some important ways the corporate world looks similar to the picture in 2007. American firms are big earners, with corporate profits steady at 8.5% of GDP, and many industries are relatively highly concentrated. In Europe profitability and concentration remain lower. As in 2007, Western firms remain highly globalized despite the trade war. Big listed firms in America make 31% of their sales outside their home market, while for large European companies the figure is 53%.

Much has also changed. First, the digital world is more dominant. An economic bounce back has fueled the rise of global tech giants that have disrupted incumbents in retail, taxis, hotels and many other businesses. The example of tech upstarts has seeped through to non-tech firms, which are now more asset-light. Managers have shifted it spending from buying servers to renting them through the cloud, for example. The second change is that bosses may have less room to cut costs. Third, some firms have heaped on debt and engaged in accounting puffery, increasing what John Kenneth Galbraith, an economist, called "the bezzle": money no one is aware has gone missing. Boom times paper over cracks, for instance by allowing firms to delay writing down the value of misfiring acquisitions.

Start with the first change, the rise of digital technology. The most visible difference is in the nature of the largest firms: seven of the ten most valuable firms in the world are now tech outfits, up from two in 2010 (see chart 2). In America the top five —Alphabet, Apple, Amazon, Facebook and Microsoft—account for 13% of the profits of S&P 500 firms. This is forecast to rise to about 20% in five years' time. At less than 5%, their share of S&P 500 employment is small but they have become America's largest investors, ploughing $189bn into the economy last year (including research and development), equivalent to 17% of investment by big publicly listed companies.



The Economist

How the tech giants weather a recession is thus of great importance. Investors may view these firms as impregnable, but they are heavily exposed to revenues that are cyclical (see chart 3), including advertising, consumer spending and business it spending, which were all sensitive to the economic mood in the pre-digital age. Novel business models may offer some protection. Perhaps Facebook users will spend more time online if they lose their job? Maybe advertisers will slash spending on TV, newspaper and billboard advertising before taking the knife to digital spending.

There is evidence that the pain could be acute. In downturns in 2000-02 and 2007-08 sales growth at Amazon and Microsoft slowed sharply. Smartphone sales have already slowed. A recession may see consumers hanging on to devices for longer rather than trading up to the newest handset. Fortress balance-sheets offer a measure of safety: the big five tech firms have $270bn of net cash.

Beyond the giants, insurgents have emerged. Airbnb and Uber have turbocharged the matching of buyers and sellers. Financial innovators such as Lending Club and SoFi facilitate millions of loans by connecting people who need money with those with some to spare. Subscription offerings have flourished, delivering anything from ready-made meals to makeup. For many this will be their first downturn; for some it may be their last.

Not all will be hit as badly as might be expected. A recession in Brazil in 2015-16 hit demand for Uber rides hard, but higher unemployment meant more cash-strapped drivers were available, reducing costs and improving service. Likewise a downturn could help Airbnb win market share from hotels if it means more people make their homes available for rent in search of cash. A crisis may not so much impact tech companies as accelerate the decline of the "old", non-digital economy.

The tech darlings that look most vulnerable are those that offer "micro-luxuries": discretionary spending consumers can quickly forgo. Expect Deliveroo (food delivery), Bird (electric-scooter rentals) and Peloton (subscription exercise bikes) to feel the pinch. Those with high fixed costs will be especially exposed as demand falls. WeWork, a tech-tinged property firm, is committed to $47bn of lease payments over the next 15 years or so. Such firms may not be good at retreating. "If you're a 30-year-old tech founder, who has never been through a recession, you think things grow forever. Cutting costs isn't part of your playbook," says Tom Holland of Bain, another consultancy.

While it is not Silicon Valley's forte, ruthless cost-cutting has always been part of the playbook for companies outside the tech industry when the economy slumps. In the last recession the labour costs of American firms dropped by 7% in total as they laid off workers and squeezed wages to protect shareholders and avoid default.

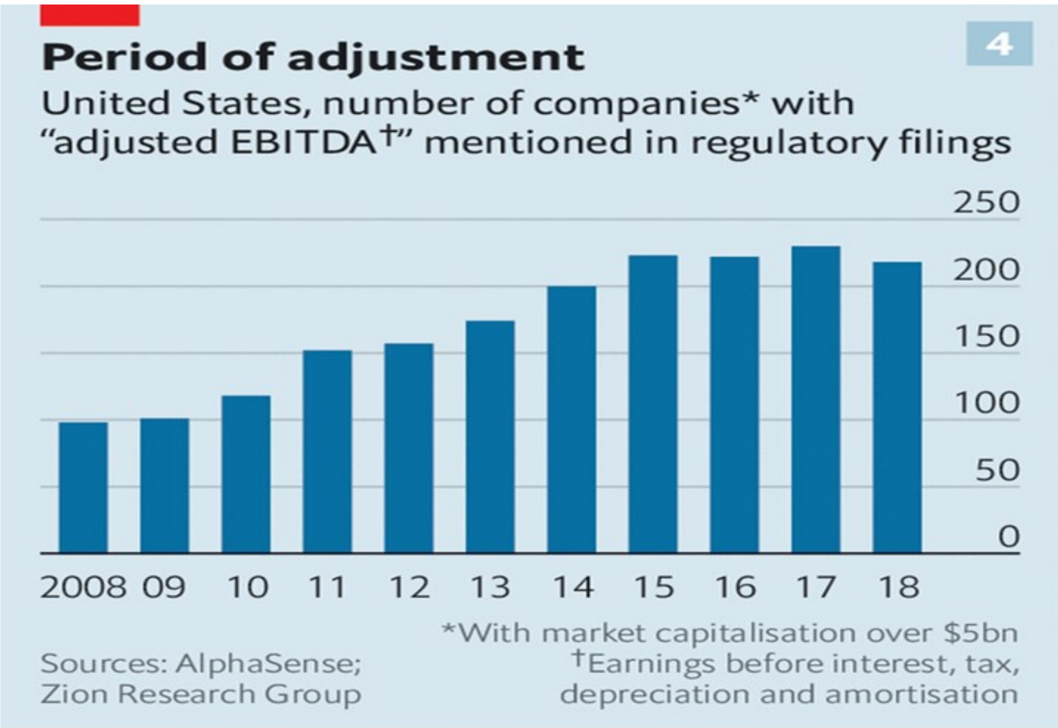
The austerity game

Room for maneuver is now more limited. In some cases this is because cost structures have changed. Over $200bn of annual corporate it spending, for example, has shifted to cloud-computing providers such as AWS and Microsoft. Costs that used to come in lumps (on a big server once a decade) now arrive as a quarterly bill for software-as-a-service. This could help. If a firm is going bust it may find it easier to pay its cloud bill than to flog unwanted hardware. But firms are losing flexibility to preserve cash by delaying capital spending.

Meanwhile the social context has shifted. In 2019 the heads of 181 of the largest firms in America said they shared a "fundamental commitment" not just to their owners but to their customers, employees, suppliers and communities, too. Many CEOs privately regard these kinds of declarations as decorative fluff. This will be tested in a downturn as laying off workers and outsourcing jobs abroad come under more political fire. "You don't want to be seen firing people, especially if you're still profitable," says one European boss. "It will be more of a last resort. We may have to take a bit more pain before announcing layoffs."

The final change is that a long period without a downturn has encouraged bad habits that mean some firms are too indebted, or are hiding nasty secrets. Such problems are usually spotted once it is too late to fix them. The Asian crisis of 1997 featured crony-capitalists crippled by debt-currency mismatches; in 2000-01 it was imploding dot-com firms and frauds at Enron and WorldCom; and in 2007-09 banks built on rotten foundations crumbled.

Predicting these fiascos is hard but there are some general warning signs. After a long bout of deal making, goodwill (the difference between what the acquirer pays for a target and its book value) is at a record high of $3.6trn for S&P 500 firms. This can indicate trouble. In 2000-01 and 2007-09 firms made huge goodwill write-offs as they confessed to dodgy deals.



The Economist

In America 97% of firms in the S&P with Generally Accepted Accounting Principles, or GAAP, up from 76% before the last downturn, according to Audit Analytics, a consultancy. The number of large American firms mentioning "adjustments" to profits has more than doubled since the last recession (see chart 4).

Over 60% of American mergers and acquisitions were financed last year with loans that include "add-backs", a rapidly rising accounting phenomenon. These allow buyers to ignore inconvenient expenses more or less at will, for example by assuming merging firms will successfully cut costs once combined. Loan documents are drawn up using the fiddled profit figures as a baseline.

Often the losers are firms with too much debt. If a recession is triggered by rising interest rates they get hit just before the downturn begins and again once it is in full swing, as sales slide and they struggle to meet interest costs or refinance loans. Since 2007 overall corporate debt has risen. In Europe non-financial corporate debt now stands at nearly 110% of gdp, compared with under 90% in 2007. In America businesses are now borrowing more than households for the first time since 1991.

Much of the money has gone to companies with far less ability to repay their current debts, let alone when a downturn strikes. In the rich world one in eight established companies makes too little profit to pay the interest on their loans, let alone the principal. That is up from one in 14 in 2007, according to the Bank for International Settlements. A recession half as bad as the 2007-09 slump would result in $19trn of corporate debt—nearly 40% of the total—being owed by such straitened companies, according to the IMF. Janet Yellen, a former chair of the Federal Reserve, has warned that "if we have a downturn in the economy, there are a lot of firms that will go bankrupt, I think, because of this debt. It would probably worsen a downturn."

Optimists argue that the structure of debt has become more flexible. Banks are in better shape thanks to new (albeit largely untested) regulations enacted since 2008, and so should be able to keep lending if the economy sours. Businesses have been able to secure loans with fewer strings attached, for example if they look like they may struggle to repay the money. In America, businesses now borrow increasingly from lenders outside the banking system, such as the private offices of rich families, or pension funds. These, some say, can knock heads together quickly and help firms recover. It is best to take such statements with a pinch of salt. A mini-panic in late 2018 saw the price of many private-debt instruments plunge, suggesting the system is fragile.

Winners and losers

Who will be the winners? Every recession has them. Warren Buffett picked up assets on the cheap in 2007-09, while JPMorgan Chase cemented its place as America's leading bank as the industry retrenched. Firms that thrive in downturns tend to have the clarity of purpose and financial muscle to keep investing and growing as others pull back, says Martin Reeves of the BCG Henderson Institute. It is a test of management and culture but also requires strong balance-sheets: 15% of firms in the S&P 500 have more cash than debt, including Apple and Monster Beverage. Investors with money are watching and waiting. The private-equity industry has some $2trn of cash. Mr. Buffett sits on $128bn.

A recession will come, eventually. When it does it will batter companies that have been sustained only by low interest rates. The churn as those businesses are sold, restructured or dissolved will extract an economic and human toll. Recriminations will fly, then abate. In time, the more productive firms that survived will think of ways to invest money profitably. That will lead to new jobs, then economic growth, then exuberance—and the cycle will start all over again.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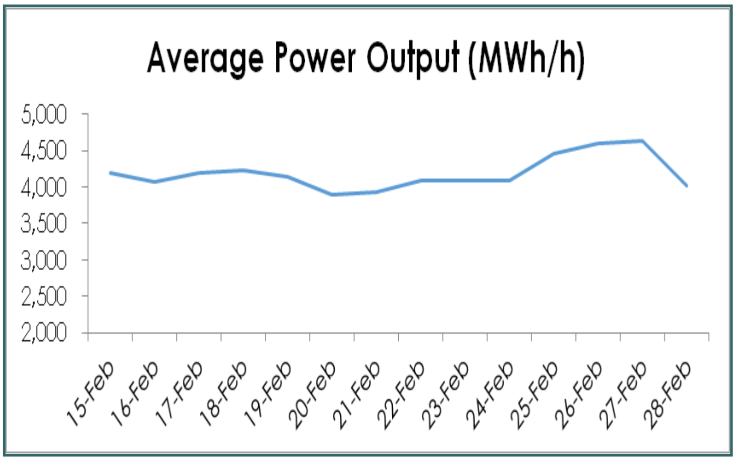
Macroeconomic Indicators February 17th – 28th

Power Sector

The average on-grid power output was 4,188, 10.12% higher than the average of 3,803 in the corresponding period in January. The major constraints were gas and distribution challenges. Gas constraint accounted for 81.58% (45,632MWh/h) of total constraints (55,936MWh/h). In the review period, the sector lost N26.85billion (annualized at N9.80 trillion).



[27]

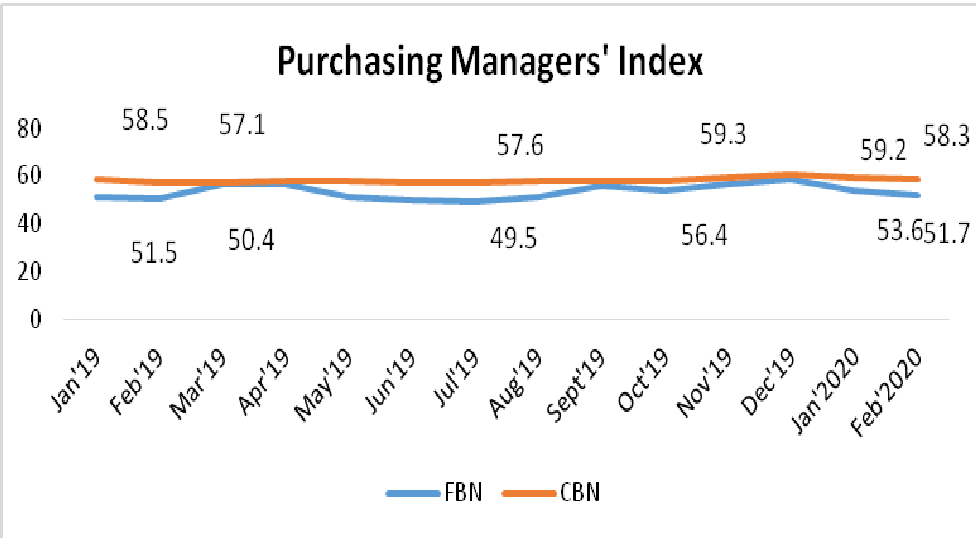
Outlook

With the onset of the rainy season, hydropower generation is expected to improve. This will boost power supply in the coming weeks.

Impact

The increase in average on-grid power output will lessen the use of other forms of energy. This will reduce the cost of business operations.

Purchasing Managers' Index (PMI)



[28]

[27]FGN, FDC Think Tank
[28]FGN Quest, CBN, FDC Think Tank

The FBN Purchasing Managers Index (PMI) declined by 3.54% to a four-month low of 51.7 points in February. All five sub-indices – output, employment, new orders, delivery times and stock purchases declined in the month. New orders which is the most forward looking of the five declined to 53.5 points from 57 points in January as most companies recorded a decline in the size of stock orders.

Similarly, the CBN composite PMI reading fell by 1.52% to 58.3 points from 59.2 points in January. All five sub-sectors – production, new orders, supply delivery time and raw materials contracted in the month. The decline in PMI reading for the month is partly due to the lingering effect of the border closure, tapered demand and implementation of the VAT that caused a lull in economic activities.

Outlook

We expect an uptick in PMI levels in the coming months. This is because inventory levels will rise as manufacturers begin to stock up for Easter.

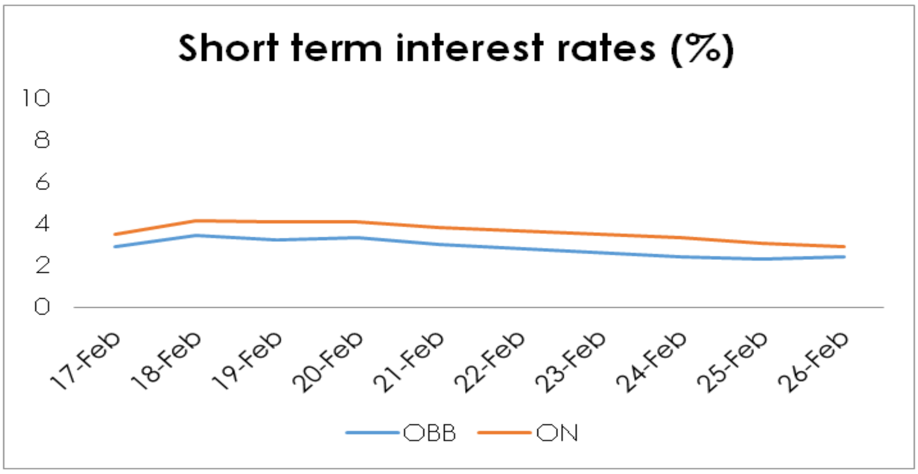
Impact

A rise in PMI levels depicts an expansion in economic activities which will ultimately bolster economic output.

Money Market

The average opening position of the interbank money market increased by 10.38% to N465.33billion in the review period from N421.57billion in the second half of January. This is indicative of a growth in market liquidity. The short term interbank rates (OBB, O/N) fell by an average of 298bps to 3.24% p.a. from an average of 6.22% p.a. recorded in the second half of January to end the review period at 2.40% and 2.90% respectively.

The CBN issued OMO bills of N299.99bn, 53.98% lower than N651.83bn recorded in the corresponding period in January. On the other hand, OMO repayments increased to N627.22bn from N514.04bn recorded in the first half of January. This resulted in a net inflow of N327.23bn.



[29]

There was a primary market auction on February 26th. Yields on the 91-day and 182-day tenors remained flat at 3.00%pa and 4.00%pa respectively while the 364-day T/ bill tenor declined by 84bps to close at 5.70%pa. In addition, the closing rate for the 91-day, 182-day and 364-day tenors in the secondary market increased by an average of 42bps. Yields increased from 2.55%pa, 3.50%pa and 4.15%pa to 2.85%pa, 3.59%pa and 5.01%pa for the 91-day, 182-day and 364-day tenors respectively.

Primary Market

T/bills Tenor	Rate on Feb 13th	Rate on Feb 27th	Direction
91	3.00	3.00	⇔
182	4.00	4.00	⇔
364	6.54	5.70	↓

Secondary Market

T/bills Tenor	Rate on Feb 14th	Rate on Feb 26th	Direction
91	2.55	2.85	↑
182	3.50	3.59	↑
364	4.15	5.01	↑

Outlook

Interbank interest rates are expected to remain low due to the high liquidity in the system. We expect the CBN to continue to use OMO bills to manage liquidity pressures. The MPC is scheduled to meet on March 23/24. If inflationary pressures increase, the probability of a further tightening in rates increases.

Impact

Low interest rates are a disincentive to save. Therefore, investors will have to look for alternative options to invest their funds in.

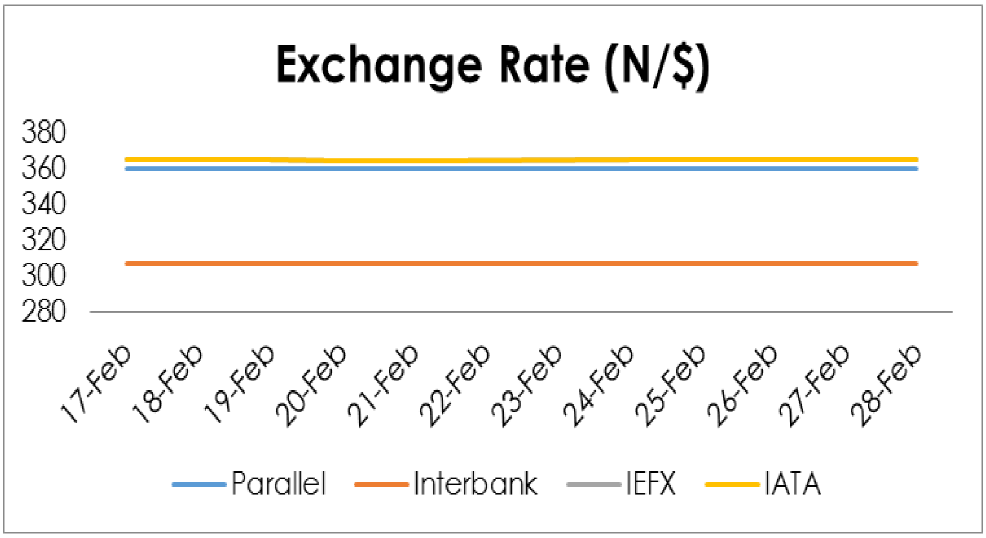
[29] CBN

Forex Market

The Nigerian forex market is segmented with multiple exchange rates. The most important rate being the Investors and Exporters window (IEFX). No less than 55%-60% of Nigerian forex transactions are traded at this window. The CBN and most exporters and investors use this window. It serves as not only a source of price discovery but also a barometer for measuring potential and actual CBN intervention in the market. Some of the exchange rate determinants are balance of payments, capital inflows and trade balance.

Exchange Rate

The exchange rate was stable at N360/$ at the parallel market during the review period. The stability of the naira was supported by an increase in the frequency of the CBN's forex intervention to $315.14mn compared to no intervention in the corresponding period of January. However the currency pressures are beginning to manifest at the IEFX window which depreciated by 0.08% to close the month at N365.25/$ from N364.95/$ on February 17. The total forex turnover recorded at the window increased by 28.9% to $4.55billion compared to $3.53billion in the second half of January.



[30]

Outlook

We expect the CBN to continue its intervention in the near term giving support to the naira. However, the sharp depletion in the external reserves will reduce the frequency of the intervention, especially with oil prices falling precariously low to $52-$54pb.

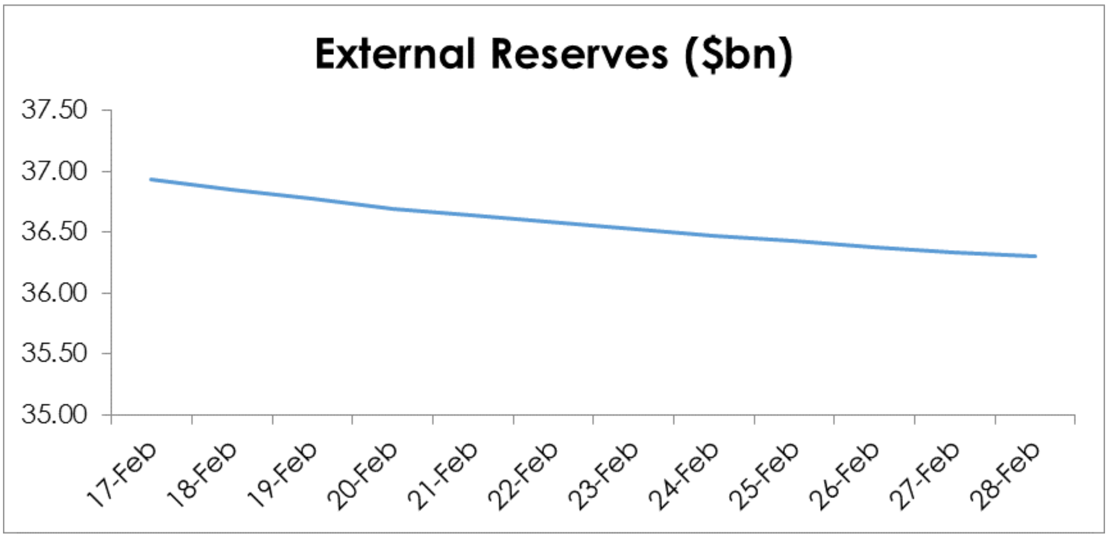
[30] FDC Think Tank

Impact

Increased market liquidity will put pressure on the naira and weaken the currency.

External Reserves

Nigeria's gross external reserves plunged by 1.71% to close at $36.30bn on February 28 from $36.93bn at the beginning of the period. The depletion was partly due to the dwindling oil receipts and buildup in forex demand pressures. Nigeria's import cover declined to 9.04 months on February 28 from 9.19 months on February 17th.



[31]

Outlook

The continuous intervention of CBN in the forex market will result in declining external reserves. The reserves level could fall below another psychological threshold ($35bn) before the end of March, especially if oil prices remain soft at $52pb.

Impact

A slide in reserves will affect the stability of the exchange rate and CBN intervention in the forex market.

[31] CBN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Email: cfc@ubagroup.com
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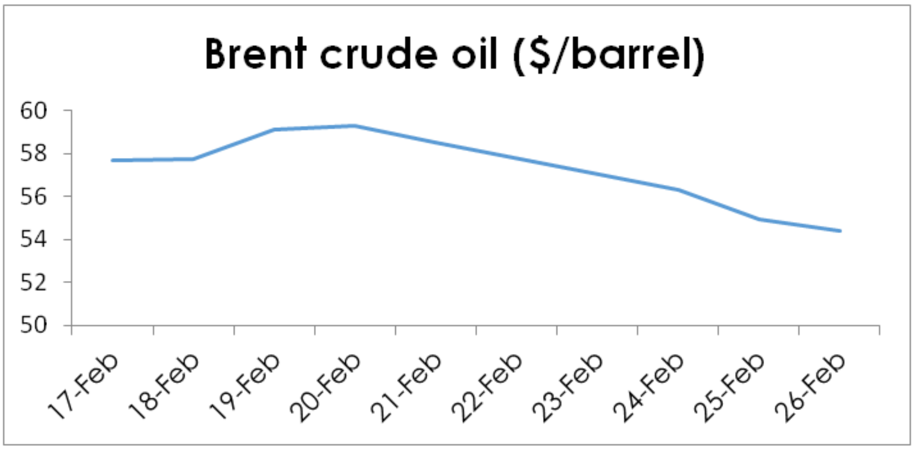
Commodities Market - Exports

Nigeria is an export dependent economy. It derives over 80%-90% of its export revenue from crude petroleum and LNG.

Oil Prices

During the review period, the average price of Brent was $57.13pb, 7.39% lower than $61.69pb recorded in the second half of January. The fall in prices was partly due to the anticipation of a further decline in global oil demand. According to the Energy Information Administration (EIA), global oil demand is expected to fall by 435,000 bpd in Q1'20, first contraction since the last decade.



[32]

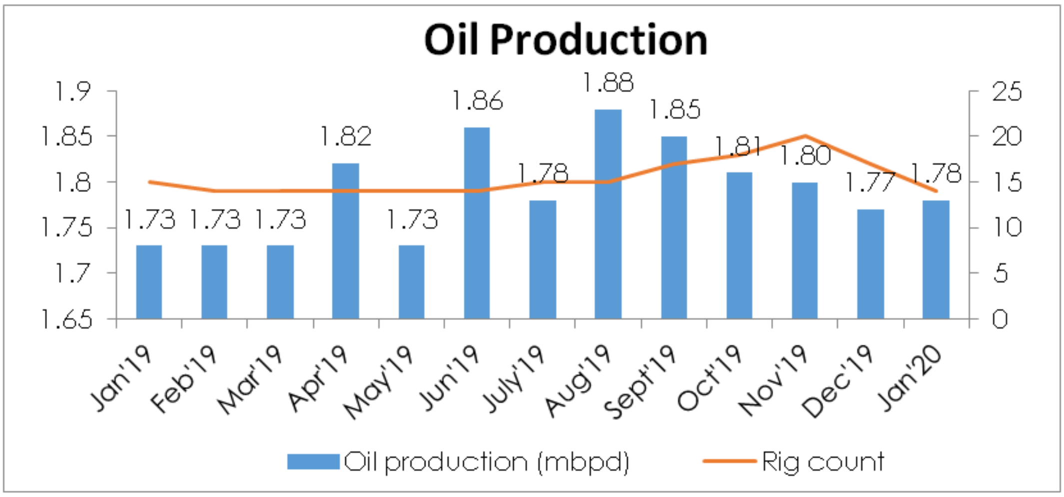
Outlook

We expect oil prices to slide further in the near term. The continuous spread in Covid-19 in other region would contribute to the fall in prices as global oil demand decreases. Therefore, we expect oil prices to fall towards $52 per barrel.

Oil production

Nigeria's oil production increased by 0.56% to 1.78mbpd in January from 1.77mbpd in December 2019. This remains above Nigeria's OPEC quota of 1.77million barrels per day. Conversely, Nigeria's rig count reduced from 17 to 14 in January.

[32] Bloomberg, FDC Think Tank



[33]

Outlook

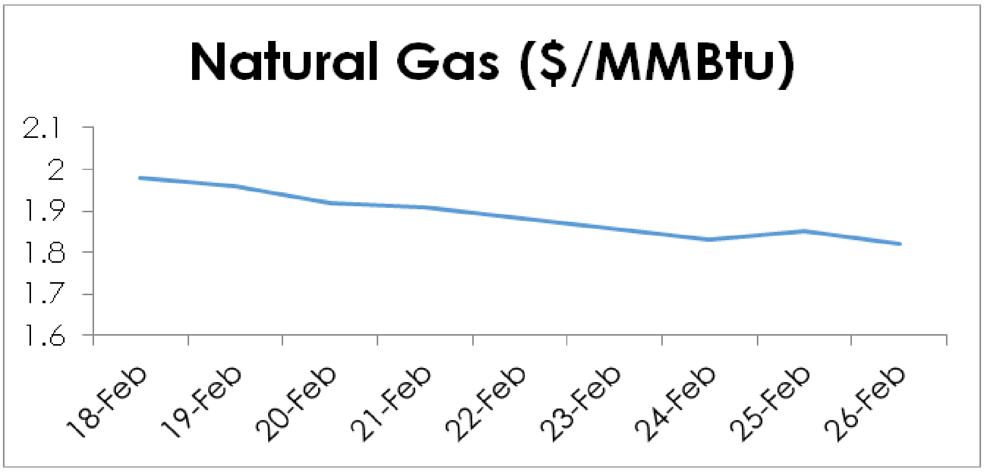
OPEC and its allies are planning to meet in the first week in March to finalize on additional oil production cuts (600,000 barrels). There is the possibility of Russia's agreement to additional cuts which will bring total OPEC production cut to 2.3mbpd.

Impact

A decrease in oil production is negative for government revenue and FAAC allocation. With dwindling global oil prices, a further cut in Nigeria's current quota of 1.7mbpd could threaten forex revenues.

Natural Gas

The price of natural gas fell by 1.56% to an average of $1.89/mmbtu during the review period from an average of $1.92/mmbtu in the second half of January. The decrease was partly due to the global supply glut, drop in demand from Asia and the US.



[34]

[33]OPEC, FDC Think Tank
[34]Bloomberg, FDC think Tank

Outlook

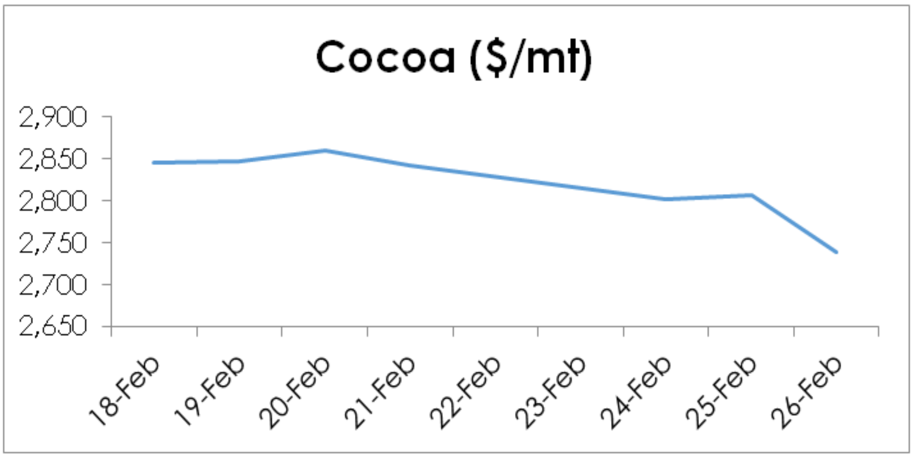
We expect the decline in price to be sustained in March, driven by weak global demand and warm weather in the US. This will lead to a reduction in the demand for gas for heating purposes.

Impact

LNG is Nigeria's second major export, accounting for approximately 14.2%[35] of the country's export revenue. A fall in the global price of natural gas will negatively affect Nigeria's LNG export earnings.

Cocoa

The average price of cocoa increased by 2.14% to $2,820/mt during the review period from an average of $2,761/mt in the second half of January. The increase in price was partly due to the prolonged unfavorable weather conditions in major exporting countries such as Ivory Coast and Ghana which affected global supply.



[36]

Outlook

We expect cocoa prices to increase amid supply shortages in Ivory Coast and Ghana.

Impact

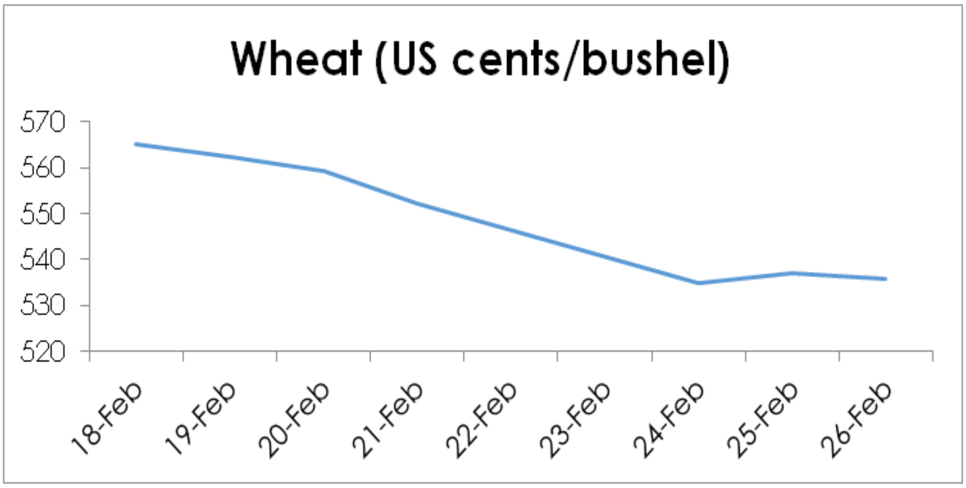
Cocoa is Nigeria's second largest non-oil export commodity. The bullish price trajectory will impact positively on the country's export earnings and revenue.

[35]EIU
[36]Bloomberg, FDC Think Tank

Imports

Wheat

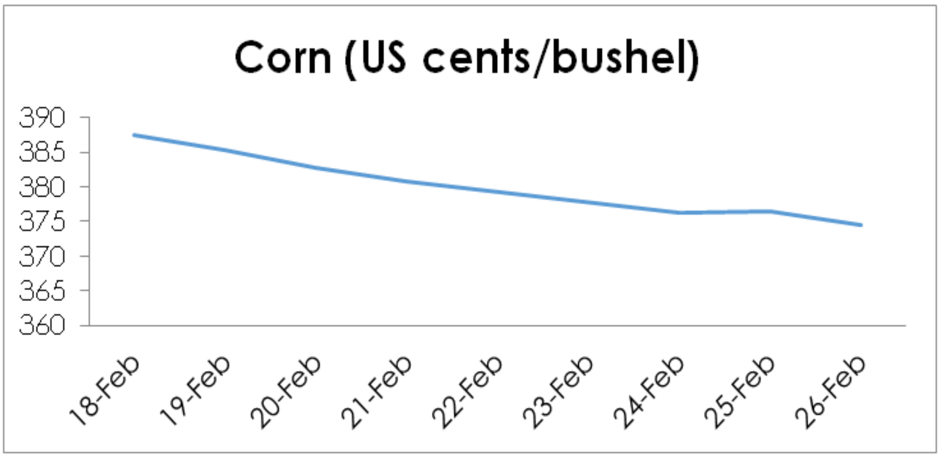
Wheat prices declined on average by 3.57% to $549.46/bushel during the review period from $569.78/bushel in the second half of January. This decline was as a result of a fall in demand from China amid reduced output from Australia, a major supplier of wheat.



[37]

Corn

The price of corn averaged $380.50/bushel during the review period, 1.15% lower than the average of $384.91/bushel recorded in the second half of January. The decline was partly driven by increased supply of US corn produce and a fall in global demand due to the impact of Covid-19.



[38]

[37]Bloomberg, FDC Think Tank
[38]Bloomberg, FDC Think Tank

Outlook - Grains

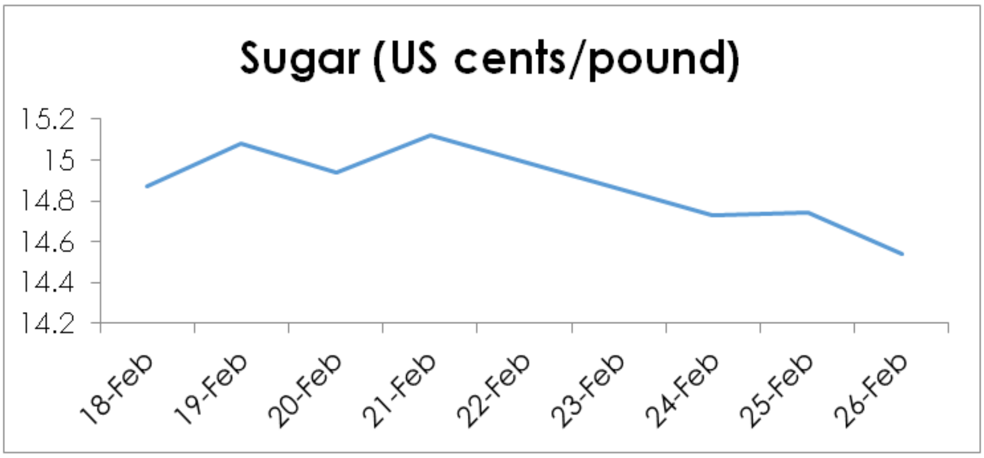
Reduced global demand due to the impact of Covid-19 will support grains prices. In addition, a supply glut will further decrease prices in the near term.

Impact

Reduced grain prices should reduce production costs for domestic companies dependent on the importation of grains.

Sugar

The average price of sugar gained 2.55% to $14.86/pound in the review period compared to the average of $14.49/pound in the second half of January. The main drivers of this increase were a rise in demand from Indonesia and a fall in global supply due to lower output [38] from Thailand and India.



[39]

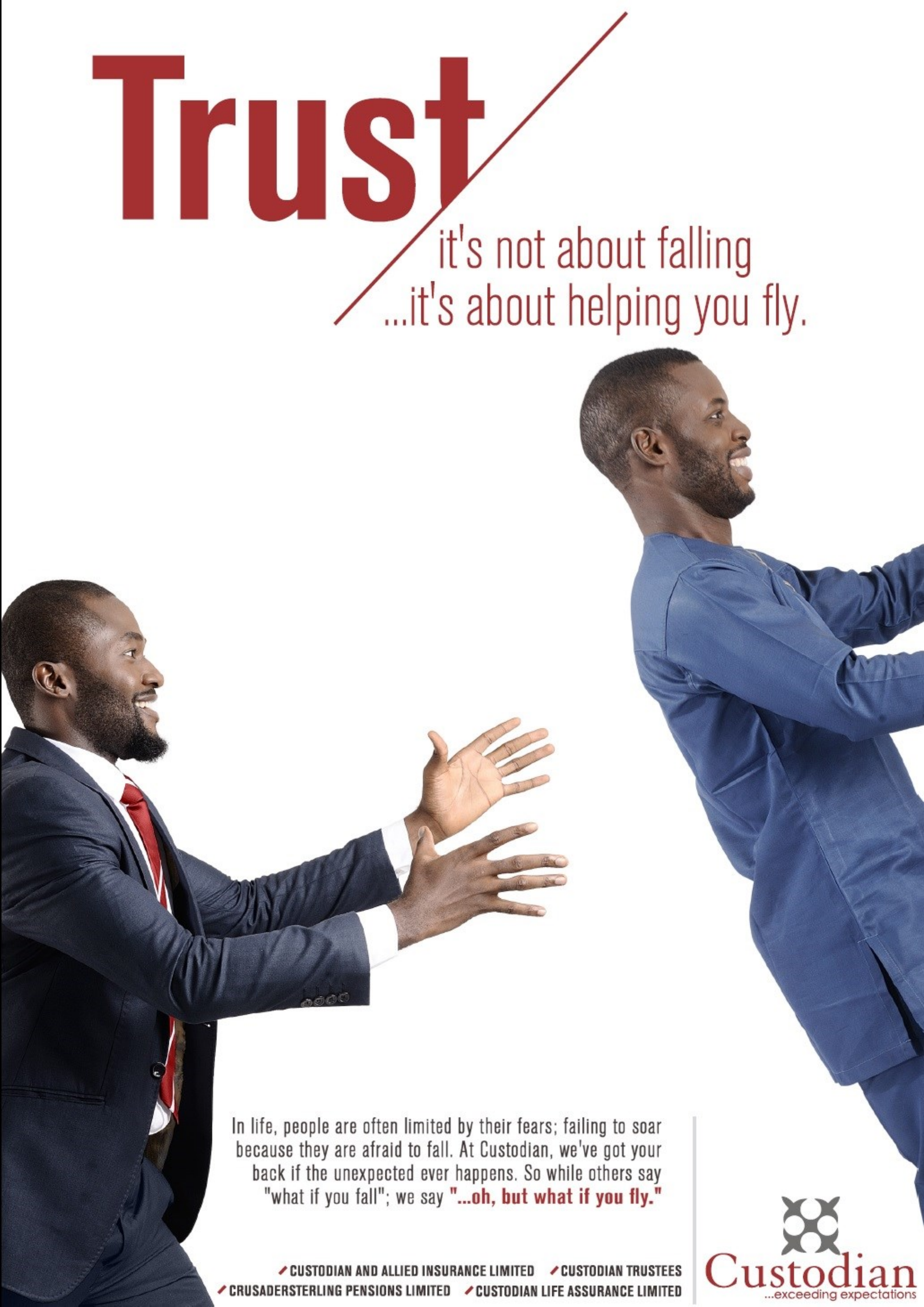
Outlook

We expect sugar prices to increase in the near term following unfavourable weather conditions experienced in South Africa and South America which will lower output.

Impact

An increase in the global price of sugar will lead to a rise in spending as the country's import bill increases.

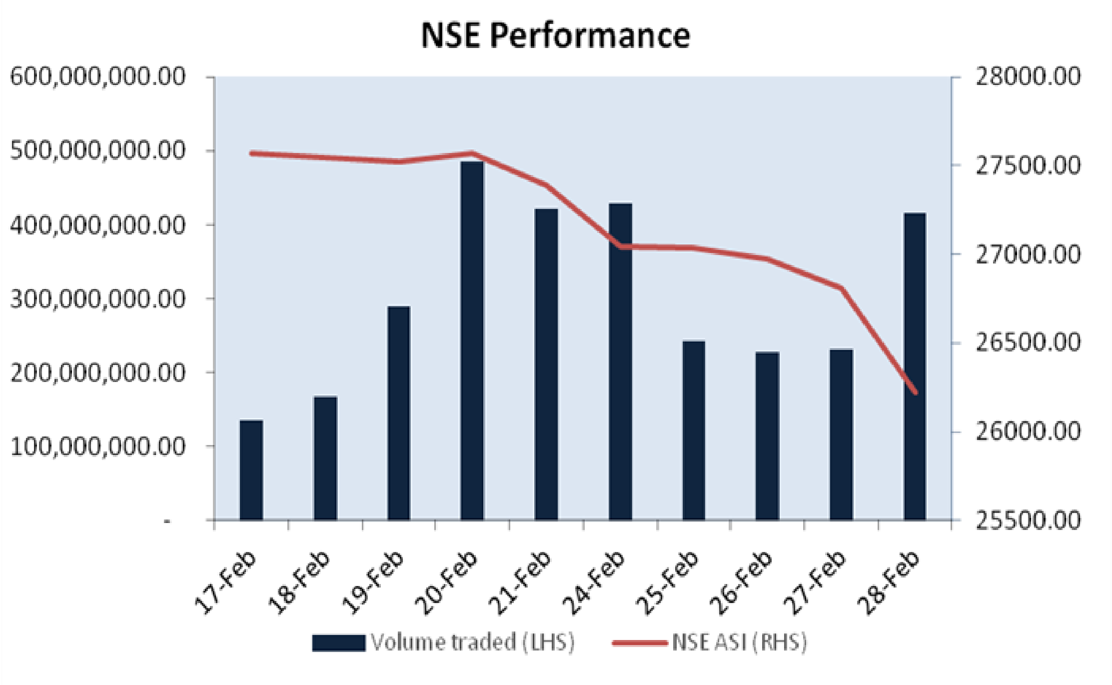
[39]Bloomberg, FDC Think Tank



Stock Market Review

The NSE ASI lost 5.55% to close at 26,216.46 points on February 28th relative to its close of 27,755.87 points on February 14th. In the same vein, market capitalization fell 4.87% (N700bn) to N13.66trn. In the 10-trading day period, the market gained in 1 day and lost in 9 days. YTD, the market has lost 2.33%.

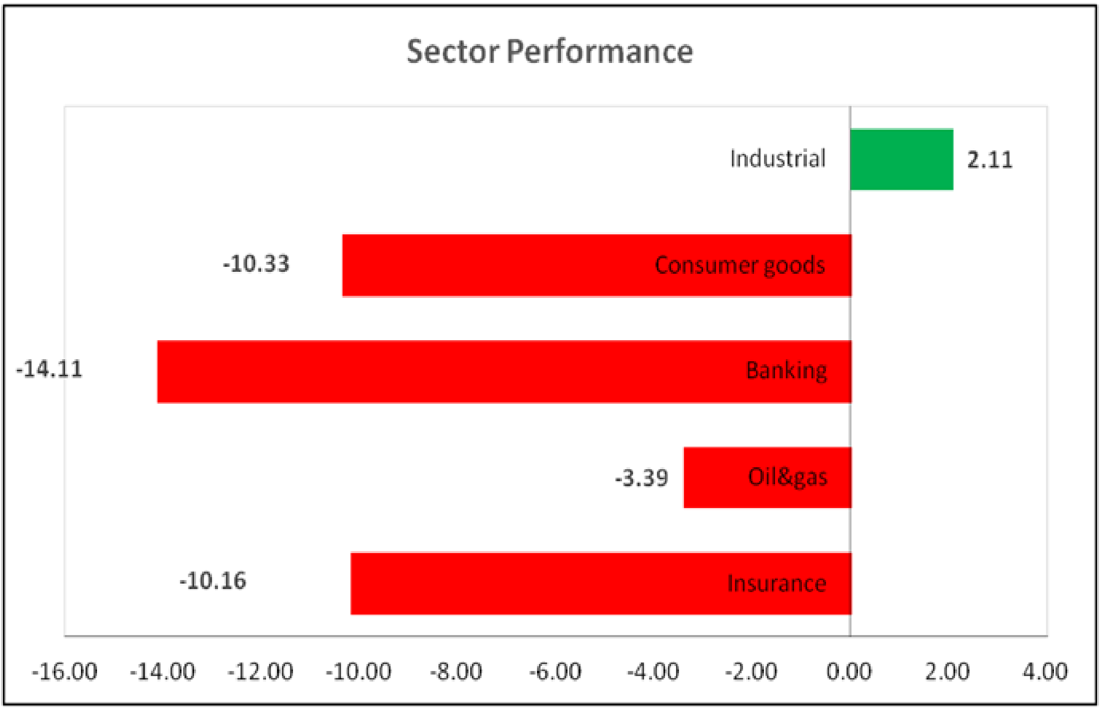
The NSE traded at a price to earnings (P/E) ratio of 7.88x as at February 28th, 6.78% higher than the close of February 17th (7.38x). The market breadth was negative at 0.14x as 9 stocks gained, 63 lost while 91 stocks remained unchanged.



[40]

On the other hand, the market saw an increase in activity level. The average volume traded rose by 27.45% to 304.60mn units, while the average value of trades rose by 35.19% to N4.38bn.

[40]NSE, FDC Think Tank



[41]

The performance of the sector indices was broadly negative during the review period. The banking sector lost the most (14.11%), followed by consumer goods (10.33%), insurance (10.16%) and oil & gas (3.39%). The industrial sector gained 2.11%.

C and I Leasing Plc topped the gainers' list with a 26.85% increase in its share price. This was followed by United Capital Plc (12.15%), Ikeja Hotels Plc (10.00%), Wapic Insurance Plc (6.67%) and BUA Cement Plc (6.14%).

TOP 5 GAINERS (N)				
Company	**Feb. 17**	**Feb. 28**	**Absolute**	**% Change**
C and I Leasing Plc	5.4	6.85	1.45	26.85
United Capital Plc	2.88	3.23	0.35	12.15
Ikeja Hotels Plc	1.1	1.21	0.11	10.00
Wapic Insurance Plc	0.3	0.32	0.02	6.67
BUA Cement Plc	35	37.15	2.15	6.14

[42]

[41]NSE, FDC Think Tank
[42]NSE, FDC Think Tank

The laggards were led by Redstar Express Plc (-26.97%), Skyway Aviation Handling Co Plc (-26.80%), Oando Plc (-25.00%), Consolidated Hallmark Insurance Plc (-22.86%) and Nigerian Breweries Plc (-21.36%).

TOP 5 LOSERS (N)				
Company	Feb. 17 2020	Feb. 28 2020	Absolute Change	% Change
Redstar Express Plc	4.45	3.25	-1.20	-26.97
Skyway Aviation Handling Co Plc	2.91	2.13	-0.78	-26.80
Oando Plc	3.6	2.7	-0.90	-25.00
Consolidated Hallmark Insurance Plc	0.35	0.27	-0.08	-22.86
Nigerian Breweries Plc	51.5	40.5	-11.00	-21.36

[43]

Corporate Disclosures

Company	Topline	PBT	PAT	EPS
May and Baker Plc	N8.08 billion (5.52%) ↓	N924.82 million (13.07%) ↑	N628.88 million (83.51%) ↑	N36.45 (4.23%) ↑
C and I Leasing Plc	N35.99 billion (29.38%) ↑	N1.86 billion (31.85%) ↑	N1.75 billion (49.48%) ↑	N4.26 (535.82%) ↑
United Capital Plc	N8.59 billion (7.21%) ↓	N4.95 billion (20.44%) ↓	N4.97 billion (14.65%) ↑	N0.83 (15.28%) ↑
Zenith Bank Plc	N662.25 billion (5.06%) ↑	N243.29 billion (5.01%) ↑	N208.84 billion (7.97%) ↑	N6.65 (8.13%) ↑
International Breweries Plc	N35.09 billion (5.83%) ↓	-N13.36 billion ↓	-N9.14 billion ↓	-N106 ↓
Dangote Cement Plc	N891.67 billion (1.06%) ↓	N250.48 billion (16.73%) ↓	N200.52 billion (48.63%) ↓	N11.79 (48.36%) ↓

[44]

[43] NSE, FDC Think Tank
[44] NSE, FDC Think Tank

The corporate results released during the review period have been mixed. The brewery companies' results were negative with International Breweries Plc recording a decline in its gross profit by 5.83%. In addition, Pharmaceutical companies did not fare too well, as May and Baker Plc reporting a decline in its topline by 5.52% to N8.08bn. The financial sector's performance was mixed with Zenith Bank Plc gross revenue advancing by 5.06% to N662.25bn and United Capital Plc topline declining by 7.21% to N8.59bn.

Outlook

We expect market volatility to persist and the performance of the ASI to be dictated by short term speculative trading as companies continue to release their earnings for FY'19.

Equity Report: Presco Plc

Analyst Recommendation: HOLD
Market Capitalization: N44.90billion
Recommendation Period: 365 days
Current Price: N44.90
Industry: Agriculture
Target Price: N44.37

Analyst's note

Weak pricing weighs on revenue

Presco Plc recorded a marginal decline in its turnover in the first nine months of 2019 (9M'19). The drop of 5.17% to N15.40 billion in the company's revenue could be partly attributed to the decline of 1.94% to $506/tonne from $516/tonne in global palm oil prices. This decline in prices was due to higher global supply of crude palm oil (CPO).

Higher operating expenses weigh on earnings

Despite a decline in global price of CPO, the company recorded an increase of 9.29% in its cost of sales and this dampened gross profit. The company's gross profit declined by 8.94% to N11.72 billion from N12.87 billion in the corresponding period in 2018.

Operating expenses moved in the same direction during the period. Selling, general and administrative expenses, which account for 94.97% of Presco's operating expenses, increased by 11.68% to N5.45 billion in 9M'19. Likewise, distribution expenses also rose by 3.08% to N288.41 million.

Finance costs also increased, rising 52.69% to N1.42 billion. The unimpressive performance of the Nigerian Stock Exchange (NSE) made debt capital the preferred funding option in the capital market. Due to the high operating costs and finance costs, the company's PBT and PAT declined by 35.88% and 30.87% to N4.79 billion and N3.65 billion respectively.

Company to continue to benefit from governments policies

The Nigerian government in its effort to diversify the revenue base of the country has adopted protectionist strategy. The most recent been the closure of the land borders. This protectionist stance is primarily targeted towards the agricultural sector. Therefore, Presco is well positioned to benefit from these various government policies geared towards improving non-oil revenue. In addition to this, the country's palm oil production is 1.02million metric tons, which is 31% lower than the consumption of 1.34 million metric tons. The demand gap of 320,000 metric tons creates room for expansion.

In determining Presco's intrinsic valuation, we considered current financial performance, growth prospects, expansion plans, competitive positioning and macroeconomic fundamentals. Accordingly, we place a HOLD rating on the company's stock.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Industry and company overview

The Nigerian palm oil industry has been a major beneficiary of government's protectionist policy, particularly as it is featured among the list of items banned from accessing foreign exchange. This is consistent with the declaration of the government to discourage the importation of products that can be produced locally.

Despite these developments, Nigeria still depends on imports. Nigeria's demand is roughly 1.34 million metric tons. Only one million of that is met through domestic supply, meaning 320,000 metric tons are imported. This demand for imports paired with a supply glut in the international market and the crash in prices have promoted smuggling activities. This somewhat limited the gains of key players in the palm oil industry. In addition, the long gestation period has limited investment flows into the sector. The major players in the industry include Presco, Okomu, PZ Wilmar and Olam.

Presco began in 1991 as Presco Industrial Limited. The company listed on the NSE in 2002, expanding its reach. The company currently engages in the cultivation and processing of oil palm and palm kernel, through four major oil palm plantations – Obaretin, Sakponba and Ologbo (in Edo State), while the fourth, Cowan, is in Delta State.

Siat SA, the parent company, controls 60% of the company. Siat SA is a Belgian agro-industrial group with core competences in the setup and operation of oil palm and rubber plantations and processing. Some of its major customers include Nestle Nigeria, Wamco Nigeria, PZ Wilmar, and Promasidor among other household consumer goods brands.

Income Statement for Presco Plc (FY Dec 2018)				
N'000	**2015**	**2016**	**2017**	**2018**
Revenue	10,448,353	15,716,198	22,365,372	21,648,457
Cost of Sales	(3,813,137)	(4,404,785)	(5,941,308)	(5,258,975)
Gross Profit	6,635,216	11,311,413	16,424,064	16,389,483
Gain/(loss) on biological assets revaluation	1,062,230	24,879,287	2,789,304	493,064
Distribution expenses	(198,608)	(223,945)	(317,248)	(373,068)
Selling, General & Administrative expenses	(2,940,936)	(4,378,794)	(7,184,418)	(5,735,065)
Other operating income	364,639	323,146	213,358	426,175
Operating profit	4,922,541	31,911,107	11,925,060	11,200,588
Net finance cost	(707,800)	(684,655)	(973,479)	(1,238,048)
Exchange gains/(losses)				
Profit Before Tax	4,214,741	31,226,452	10,951,581	9,962,540
Income tax expense	(1,721,146)	(9,490,987)	14,452,033	(2,922,063)
Profit for the year	**2,493,595**	**21,735,465**	**25,403,614**	**7,040,477**

Balance Sheet for Presco Plc (FY Dec 2018)				
N'000	**2015**	**2016**	**2017**	**2018**
Intangible assets	183,581	192,566	370,234	601,892
Biological Assets	29,291,216	44,920,219	49,274,503	55,203,708
Property, Plant & Equipment	19,990,011	22,444,657	28,122,101	40,191,016
Other non current assets	110	110	-	-
Non-current assets	49,464,918	67,557,552	77,766,838	95,996,615
Inventories	1,105,632	1,420,597	4,704,706	4,778,754
Trade and other receivables	2,777,782	1,095,901	3,607,661	5,720,509
Other current assets (includes bio as	1,252,376	10,502,660	8,937,680	6,632,827
Cash and cash equivalent	877,291	2,585,128	3,307,211	6,238,482
Current assets	6,013,081	15,604,286	20,557,258	23,370,573
Total assets	**55,477,999**	**83,161,838**	**98,324,096**	**119,367,189**
Share capital	500,000	500,000	500,000	500,000
Share premium	1,173,528	1,173,528	1,173,528	1,173,528
Retained earnings	29,622,561	50,358,026	74,261,641	83,406,319
Other reserves	58,724	87,448	45,003	47,503
Equity attributable to equity holders	31,354,813	52,119,002	75,980,172	85,127,350
Non controlling interests	-	-	-	-
Total equity	31,354,813	52,119,002	75,980,172	85,127,350
Provisions	-	-	-	-
Provisions for employee benefits	271,481	313,445	409,751	497,761
Financial Liabilities	4,787,517	4,781,433	4,557,822	10,783,297
Deferred tax liabilities	12,638,125	20,340,405	4,401,851	31,075
Non-current liabilities	17,697,123	25,435,283	9,369,424	11,312,132
Financial liabilities	2,069,896	1,917,514	4,575,635	8,251,488
Trade and other payables	3,356,707	1,699,761	7,428,137	9,461,532
Current tax liabilities	905,058	1,792,041	860,163	1,208,242
Other Current liabilites	94,401	198,235	110,565	4,006,444
Current liabilities	6,426,062	5,607,551	12,974,500	22,927,706
Total liabilities	24,123,185	31,042,834	22,343,924	34,239,839
Total equity and liabilities	**55,477,998**	**83,161,836**	**98,324,096**	**119,367,189**

Management

Presco's management team is led by Felix Onwuchekwa Nwabuko, a chartered accountant with extensive cross-border experience in project management and consulting. He became the Managing Director of Presco in 2015, having also served in various leadership roles within the group. He was part of the team responsible for the successful listing on the NSE. He is accompanied by a team of versatile and experienced executives, who have built a company with strong fundamentals.

Presco's board has been led by Mr. Pierre Vandebeeck since 2010. Vandebeeck has been instrumental to Presco's successes. He was the pioneer Managing Director, building the agro-processing company from infancy to date and was responsible for the setup of Presco's oil palm plantations in Nigeria. He remains an invaluable asset to the company and has proven to be the vital link between Presco and Siat SA.

Managing Director

Mr. Felix Onwuchekwa Nwabuko

Chairman

Mr. Pierre Vandebeeck

Bulls and Bears say

Bulls say:

- Key player in the oil palm industry
- Alignment between Presco Plc and parent company
- Consistent clampdown on production cost over the years
- Favorable government policies
- Gradual diversification into rubber production
- Experienced and talented management

Bears say:

- Declining commodity prices
- Rising operating and finance costs
- Highly dependent on one commodity
- Highly dependent on government protection to thrive
- Competitive rivalry among the leading players

Risk and Outlook

The major risks that could dampen the attainment of Presco's key objectives and priorities include interest rate risks, regulatory policy risks, currency risks and other systemic risks.

The high-risk premium of the Nigerian economy has adversely impacted the business expansions and operations of companies such as Presco. Similarly, Presco's large funding needs and the susceptibility of agriculture farm-products, especially to weather, pest and storage, have weighed on the debt servicing costs. So, the management of Presco needs to evaluate the adoption of other funding options and other complex financing mechanics.

Our valuation

Using the discounted cash flow methodology, we estimated a stock price of N44.37, which is a 1.19% upside on the current price of N44.90 as of March 3, 2020. The discount rate (weighted average cost of capital) of 15.1% was derived using a 14.55% risk free rate, a beta of 0.2360, an after-tax cost of debt of 13.50%, and a market risk premium of 7.64%. The long-term cash flow growth rate to perpetuity calculated is 7.50%.

Based on our analysis above, we place a **HOLD** rating on the stock.

Economic outlook for the next month

In the next four weeks, the Monetary Policy Committee (MPC) is scheduled to hold its second meeting of the year. The likely front burner issues for discussion would be the rising inflation trend, falling oil prices and depleting external reserves amongst others.

The COVID-19 epidemic will continue to determine the dynamics in the oil market-causing a further decline in oil prices (Brent trading between $50pb-$52pb). This, alongside the increasing probability of a further cut in oil production will form the basis of the upcoming OPEC+ meeting on March 5/6.The implication is that Nigeria's oil production could fall below the current levels and adversely affect the fiscal and external position of the country.

More so, we expect the release of more company results in the Nigerian stock exchange. However, it is likely that the market maintains the bearish performance and there would be a further decline in buyer behavior and stock prices in the coming month.