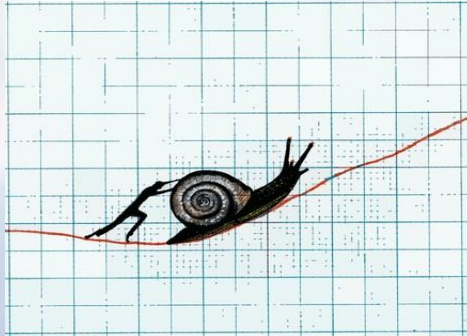


# ESCAPING FROM ECONOMIC ANXIETY



**Stronger Naira**



**Tepid Recovery**



**Whistle blowing  
Mania**

**By Bismarck Rewane**

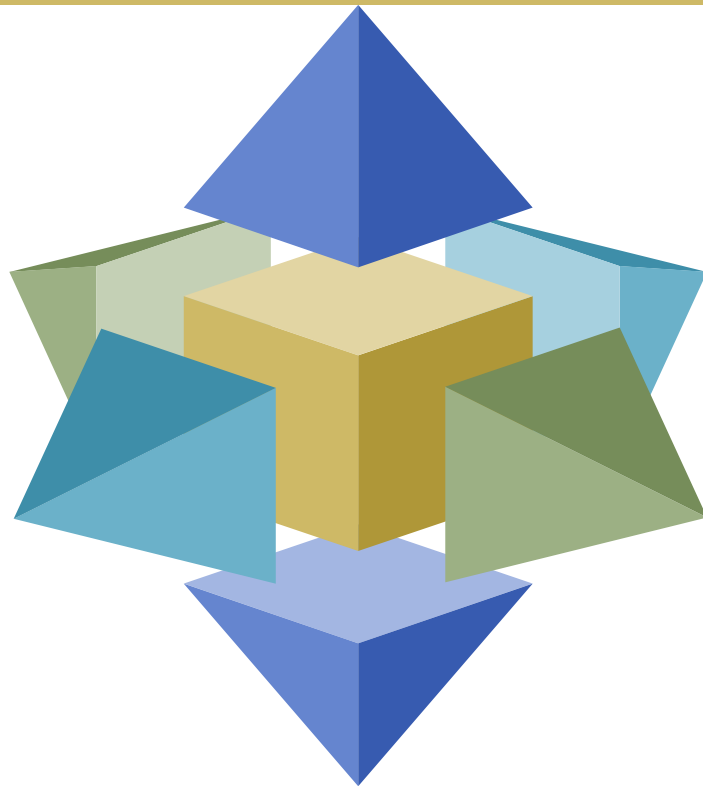
**Financial Derivatives Company Ltd.**

**May 3<sup>rd</sup>, 2017**

# OUTLINE

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- April Highlights
- Global, Regional & Commodities Markets
- Impact On Market Proxies
- Impact On Sectors
- Political Risks & Outlook For May





# APRIL HIGHLIGHTS

# APRIL HIGHLIGHTS

---

- CBN intervention in forex market increases
- Total supply in April - \$1.2bn
- Intervention frequency was 2 to 3 times per week
- Cumulative supply since Feb 20 - \$3.61bn
- As compared to \$5.83bn sold in Jan – April 2016
- Effective exchange rate in 2017: N326/\$
- 31.9% higher than corresponding period in 2016

# APRIL HIGHLIGHTS

---

- New forex window for investors & exporters trading at N374 – 380
- Leading to an acute naira shortage
- Propping interbank interest rates to a peak of 200%, before crashing to 4.83%
- Interest rate volatility replaces exchange rate swings
- Average opening position of the banks in April was N113.18bn short
- Headline inflation slips to 17.26%
- Core and food inflation also declined

# APRIL HIGHLIGHTS

---

- M2 (Broad Money) decreased by 0.73% to N20.62trn
- External reserves grew marginally to \$31bn
- Import & payment cover of 6.9 months
- Nigeria had a good showing at the World Bank spring meetings in Washington
- Earned financial support for its power reform plan
- IMF concerned about the debt service burden
- 66% of Nigeria's independent revenue used to pay interest

# APRIL HIGHLIGHTS

---

- Finance Minister expresses determination to increase aggregate tax collected
- Luxury tax on jewellery, champagne & brandy to be imposed
- FAAC shared by 3 tiers of government down to N466bn
- Corporate earnings released in Q1 up 45% to N373bn
- Stock prices climb 1% in April as against a gain of 0.72% in March
- Foreign portfolio investors shun the Nigerian market
- As they await an adjustment in the official rate

# APRIL HIGHLIGHTS

---

- Skeptical about the investor/export forex window
- PMI sharply higher to 58 on manufacturers' optimism about forex liquidity
- Airline blocked funds finally cleared (naira short and dollar neutral)
- International airline load factors sharply higher
- 90% over Easter break and Abuja shut down
- Supermarket and shopping mall traffic improved in April
- Approximately 25% above March Easter break & forex bump



# APRIL HIGHLIGHTS

---

- Real estate delinquency, vacancy and abandonment sharply higher to 73.4%
- Abuja real estate market badly hit
- Consumer confidence still low as they remain skeptical
- PENCOM leadership team removed and replaced
- Average oil price in April was \$53.9pb, 1.43% lower than Q1 average
- Oil production averaged 1.545mbpd in March
- Revenue impact expected to be positive

# APRIL HIGHLIGHTS

---

- Ships awaiting berth up to 34 and average inventory levels higher in April
- Payments and settlements data show increased velocity of circulation
- Stacks of cash found in Lagos, Abuja and other safe houses
- Evidence of an ineffective and uncoordinated effort against corruption

A hand is holding a small, translucent globe. The globe shows the continents of Africa and Europe. The background is a soft, out-of-focus light. The text 'GLOBAL AND REGIONAL MARKETS' is centered over the globe in a dark blue, serif font.

# GLOBAL AND REGIONAL MARKETS

# US — ECONOMY COOLS OFF AFTER TRUMP RUMP

---

- US economy stumbled in Q1 to 0.7% in March
- The slowest pace since 2014
- Consumer spending was reined in, especially auto sales
- Household confidence surged mostly among the elderly & less educated
- The jury is out as to the Trump scorecard after 100 days in office

# US - CONSUMER SPENDING DIPS

---

- Inflation in the US is up at 2.4%
- The PCE rose by 2.4%, highest since 2011
- US manufacturing activity fell to 54.8 from 57.2 in March
- The second consecutive decline indicates a tapering off the Trump optimism and post election boom

# US – INFLATION SPIKES

---

- The Fed is not expected to increase interest rates after today's meeting
- There is a 95% probability that rates will be unchanged at 0.75-1%
- Most analysts expect another hike in June
- Donald Trump wants a return of the Class-Steagall act of the 1920s

# US - BANK SEGREGATION IS ON THE CARDS

---

- Which segregates commercial banking from investment banking
- Will replace the comptroller of the currency, Thomas Curry, with an acting head of the agency
- It is one of the most powerful jobs in Washington

# UK

---

- Brexit helps slow the UK economy to 0.3%
- The weakest level in one year
- The pound surges to 1.29
- The PMI rose to 57.3 from 54.2 in March, well above expectations
- The investors and markets are awaiting the June election
- Expected to be won by Theresa May with a wider majority



# UK

---

- BP almost tripled its profits in Q1 after a year slump to \$1.5bn
- The British government confirmed that it has recovered all of its bail out money invested in Lloyds Bank
- Lloyds doubled its pre-tax profit in Q1 to \$1.6bn

- We are looking for a modest recovery of growth to 1.7% in 2017/2018
- Political risks are much lower after elections in The Netherlands
- Likely outcome and impact of French election
- Polls suggest that:

---

**Macron - 59%**

**Marie Le Pen - 41%**

Flat lining

Is gaining momentum

- Presidential election to be followed by parliamentary polls to appoint Prime Minister

## If Macron wins

- Labor market reform
- Gradual public savings
- Corporate tax cuts

## If Le Pen wins

- End of the euro
- Protectionism
- Social and defense agenda
- Reduced immigration

# CHINA

---

- Growth projected at 6.6% in 2017 by the IMF
  - 0.4% higher than its October 2016 forecasts
- Upwards revision due to:
  - Stronger-than-expected momentum in 2016
  - The anticipation of continued policy support
  - Strong credit growth & reliance on public investment to achieve growth targets
  - To slow to 6.2% in 2018

# CHINA

---

- Medium term outlook clouded:
  - Growing resource misallocation
  - Vulnerabilities from reliance on near term policy easing and credit-financed investment

- Modest recovery forecast for SSA: 2.6% in 2017
  - 0.3% lower than October 2016 forecasts
- Output growth to only moderately exceed population growth by 2018
- Rising public debt and slowing credit cycle to constrain growth in large non-resource-intensive countries
- As it becomes increasingly hard to sustain growth through higher public capital spending

- Many commodity exporters yet to fully adjust to structurally lower commodity prices
- Growth in 2017 will be driven by a rebound in some large economies which faced challenging macro conditions in 2016 – Nigeria, South Africa & Angola
- South Africa projected to grow by 0.8% in 2017
- Will receive major boosts from:
  - The commodity price rebound
  - Expanding electricity generating capacity
  - Easing in drought conditions

- Angola & Nigeria are expected to return to positive growth in 2017: 1.3% & 0.8% respectively
- Angola will be boosted by an expansion in the non-oil sector due to higher public spending and better terms of trade
- Nigeria's recovery will be driven by a recovery in oil production, continued growth in agriculture, and higher public investment



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# COMMODITIES

# OIL- ABOVE \$51 PB, REVENUE POSITIVE

- Oil remained above \$50pb despite bearish updates from the US
- Rig count now at 688; 3.93% higher than figures recorded in March
- Nigeria's rig count increased by 43% in March to 10 from 7 in February
- OPEC scheduled to meet on May 25<sup>th</sup> to discuss an output curb extension
- Nigeria's production estimated to increase in May to 1.65mbpd
- Shell Bonga field, one of Nigeria's biggest oil fields, starts pumping again after maintenance
- Has the capacity to produce 225,000 barrels a day

# OIL & NATURAL GAS – EIU

- Compliance with OPEC production cuts remains strong, amid price worries
- Refusal to comply with deal sees Indonesia suspended from OPEC
- Despite some progress, Russia's commitment to output cuts is unclear
- US demand for natural gas will increase in 2017-18, owing to use in power generation
- North American production continues to benefit from strong US demand
- Russian production will increase despite sanctions
- Price recovery (natural gas) will be muted, owing to high production and stock levels

# AGRIC COMMODITIES

---

- Excess supply in grains market (wheat and corn) dampening prices
- Cocoa price sharply lower by 6.63% at \$1,965/mt
- 2016/17 season will remain bearish
- Sugar futures maintained downward trend on lower demand and improving supplies
- EU import demand expected to decline by 40% as policy reform initiates a quota-free production within the bloc

# AGRIC COMMODITIES – EIU

- Corn output in Brazil and Argentina to improve due to favourable weather conditions
- Global wheat stock to increase on rising production from the US, Russia and Argentina
- Cocoa output in Cameroon and Nigeria will be affected by drought
  - Nigeria has slipped from being the world's 4<sup>th</sup> largest producer to 7<sup>th</sup>
- Sugar price rally has peaked and expected to remain relatively flat
- EU sugar production to recover as sugar regime is liberalised

# GLOBAL COMMODITIES



| Commodities                | Jan'17 | Feb'17 | Mar'17 | Apr'17 | % change<br>(Mar-Apr) |
|----------------------------|--------|--------|--------|--------|-----------------------|
| Oil<br>(\$/b)              | 55.7   | 55.59  | 52.54  | 54.09  | 2.95%                 |
| LNG<br>(\$/MMBtu)          | 3.12   | 2.77   | 3.23   | 3.18   | -1.55%                |
| Wheat<br>(US cents/bushel) | 420.75 | 443.75 | 430    | 430.69 | 0.16%                 |
| Sugar<br>(US cents/pound)  | 20.45  | 19.23  | 17.00  | 16.5   | -2.94%                |
| Cocoa<br>(\$/mt)           | 2,103  | 1,909  | 2,095  | 1956   | -6.63%                |

# GLOBAL COMMODITIES

- Oil price is declining but seems to have bottomed out
- Expectations are for price to stay flat on output cut deal between oil producers
- Natural gas prices remained relatively flat, trading between the range of \$3.04MMBtu - \$3.33/MMBtu
- Cocoa futures witnessed a multi-year low, trading at \$1,841/mt by month end
- Wheat prices remained elevated despite ample stocks in the US
  - Increased by 1.35% relative to month end figures in March
- Sugar futures reversed gains seen in the previous month and declined to 0.1543/pound



# DOMESTIC COMMODITIES

|                   | Mar'17<br>(N) | Apr'17<br>(N) | % Change   |
|-------------------|---------------|---------------|--|
| Cement (50kg)     | 2300          | 2300          | -  |
| Garri (50kg)      | 15000         | 15000         | -  |
| Rice (50kg)       | 16600         | 16600         | -  |
| Flour (50kg)      | 10500         | 10500         | -  |
| Semolina (10kg)   | 3100          | 3100          | -  |
| Maize (50kg)      | 13250         | 13250         | -  |
| Beans(50kg)       | 16000         | 16000         | -  |
| Tomatoes (basket) | 11000         | 11000         | -  |
| Pepper (Basket)   | 5000          | 5000          | -  |
| Plantain (Bunch)  | 750           | 1200          |  60 |
| Palm Oil (25L)    | 25000         | 13000         |  48 |
| Sugar (50kg)      | 20000         | 20000         | -  |

An aerial photograph of a city, likely Nairobi, Kenya, showing a large crowd of people gathered on a street, possibly for a protest or rally. The crowd is holding many colorful umbrellas. In the foreground, there are several tall, light-colored minarets with golden domes, part of a mosque. The background is filled with various urban buildings, including modern high-rises and older structures. The overall scene suggests a significant public gathering in a major city.

# DOMESTIC ECONOMY

# LEADING ECONOMIC INDICATORS- OUTPUT

| LEI                    | Mar'17                 | Apr'17                 | % Change             | May'17         |
|------------------------|------------------------|------------------------|----------------------|----------------|
| GDP Growth (%)         | -1.3(Q4'16)            | -1.3(Q4'16)            | -                    | 1.5 (Q2'17)    |
| Oil Price (\$pb; avg)  | 52.54                  | 54.09                  | 2.95                 | 52             |
| Oil Production (mbpd)  | 1.575 (Feb)            | 1.545 (Mar)            | -1.90                | 1.6            |
| Natural Gas (\$/MMBtu) | 2.99                   | 3.18                   | 6.35                 | 3.10           |
| Power (MW)             | 3771.60                | 3510.62                | -6.92                | 3800           |
| PMI                    | FBN: 52.8<br>CBN: 47.7 | FBN: 58.9<br>CBN: 51.1 | FBN: 6.1<br>CBN: 3.4 | 63<br>55       |
| Inflation (%)          | 17.78 (Feb)            | 17.26 (Mar)            | -0.52                | 16.8           |
| Consumer Confidence    | -29.8 (Q4'16)          | -29.8 (Q4'16)          | -5.67                | -27.5 (Q1' 17) |
| Business Confidence    | -29 (Q4'16)            | -29 (Q4'16)            | -20.33               | -18 (Q1'17)    |

Source: CBN,NBS, EIU, FDC Think Tank

# LEADING ECONOMIC INDICATORS- MARKETS

| LEI                             | Mar'17  | Apr'17  | % Change                                     | May'17                                  |
|---------------------------------|---|---|--|---|
| T Bills (91 days) – Primary     | 13.55   | 13.6  | 5bps   | 13.30                                   |
| T Bills (91 days) - Secondary   | 18.99   | 18.54   | -45bps                                       | 17.75                                   |
| Average NIBOR (%)               | 19.37   | 41.73   | 117bps                                       | 19                                      |
| Average Lending Rate            | 24.5  | 24.5  | -  | 24.5                                    |
| Average Opening Position(N'bn)  | (27.74)                                       | (137.17)                                      | 394  | (17)                                    |
| External Reserves (\$bn)        | 30.3  | 30.8  | 1.65   | 31.3                                    |
| Exchange rate (N/\$; month-end) | IFEM: 306.85<br>Parallel: 395<br>IEFX: 377.11 | IFEM: 306.35<br>Parallel: 390<br>IEFX: 379.04 | IFEM: - 0.16<br>Parallel: -2.28<br>IEFX:0.51 | IFEM: 306<br>Parallel: 380<br>IEFX: 385 |
| Stock Market (N'trn)            | 8.83  | 8.91  | 0.91   | 8.95                                    |
| Vacancy Factor Index            | 74.5 (Q4'17)                                  | 73.4 (Q1'17)                                  | -1.1   | 73.4                                    |

# LEADING ECONOMIC INDICATORS

---

- The leading economic indicators were mostly oblivious to a stronger naira
- Our forecast is that GDP growth for Q2 will be 1.5%
- Driven by improved power output and oil production
- Lower diesel costs averaged N190 per liter
- Availability and supply of forex: average exchange rate of N380-420
- Declining headline and core inflation expected at 16.4% for March

# NIGERIAN ECONOMIC PICTURE

- GDP growth expected to expand by 0.8% in 2017
  - Driven by improvement in oil production and forex liquidity
- Oil production increased to 1.55mbpd
- The average oil price in Q1 was \$55pb
- Economy expected to expand further in Q2 to 1.5%
- Forex availability and price 20.39% better than in Q4
- Average effective forex rate in Q1=N326/\$, Q4= N342/\$

Q2 average rate forecast at N314.8/\$

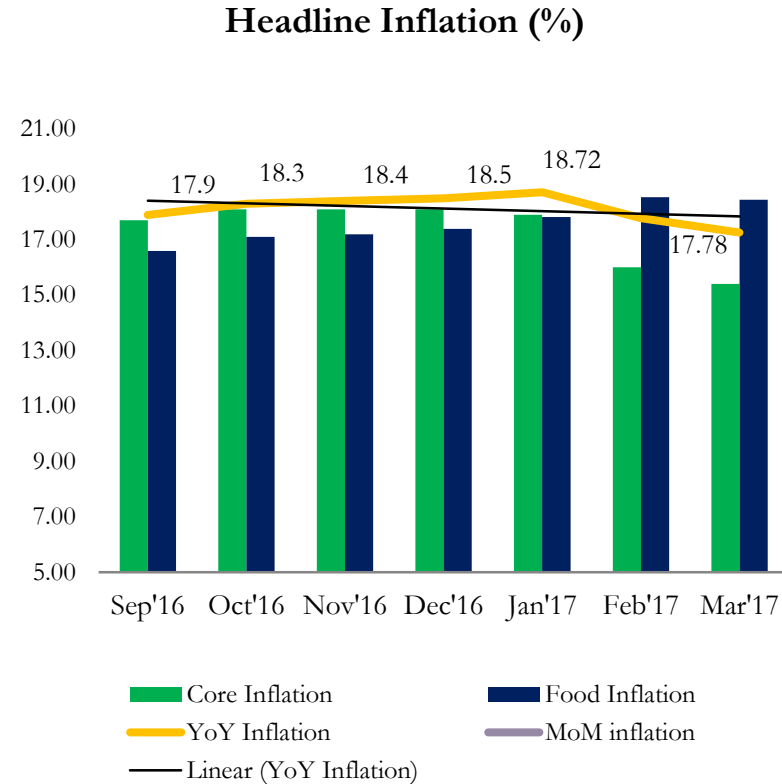
# REPUTATION AND CREDIT WORTHINESS

---

- Ratings agencies reaffirmed status i.e. no downgrades to rating or outlook
- IMF article IV review expressed tacit support for ERGP
- Calls for a more market reform orientation & policy direction
- Fitch expresses concerns about the soundness of banking sector

# LEADING ECONOMIC INDICATORS

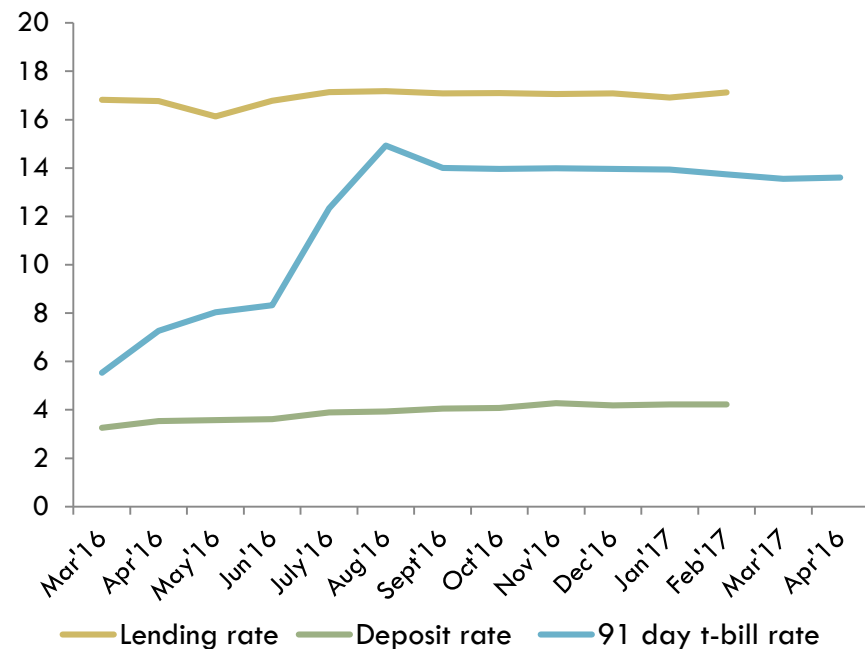
- Y-o-Y and core inflation declined in March  
  
confirming analysts' consensus of base year effects
- Base year effects could lead to inflation moderating  
  
to 15%
- Headline inflation expected to decline in April to  
  
16.8%
- M-o-M inflation to maintain upward trend





# INTEREST RATES: T/BILLS, LENDING & DEPOSIT RATES

- T/bill rates relatively flat
- 91day: from 13.55% in Mar to 13.60%
- Interbank rates on the rise due to cash shortages
- Average position for the month of April was N137bn short relative to N28bn short in March
- Everything is tentative until MPC meeting



Source: CBN, FDC Think Tank



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A conceptual image for a Forex market presentation. It features a hand holding a large, glowing dollar coin. Above it, three other currency symbols (Euro, Pound, and Yen) are shown in glowing circles. The background is a soft, out-of-focus grey.



# FOREX MARKET

# WHERE ARE WE NOW IN THE FOREX MARKET

---

- Still an imperfect market
- A price discriminating monopoly
- Multiple exchange rates with a dominant supplier – CBN
- Quantity of dollars supplied in Jan- April 2017 is 16.9% higher than Jan-April 2016: \$5.31bn
- Forward contract tenors have been shortened from 180 days to average 30-45 days

# WHERE ARE WE NOW IN THE FOREX MARKET

- Crawling peg rate for invisibles adopted
- N305/\$  N375/\$  N360/\$
- Effective weighted average depreciation of 31.91% to N326/\$
  - N360/\$ \* 20%
  - N305/\$ \* 80%
- SME rate is N375/\$
- Exporters/investors window trading horizontally at N379/\$
- Parallel market trading at N392/\$

# WHERE ARE WE NOW IN THE FOREX MARKET

- Rate band between N305 – 392/\$
- The median rate of all the rates is N326
- The PPP value based on a crude basket is approx N330/\$
- The terms of trade in 2017 is now 15.9 as against 18.9 in 2015
- The balance of trade is expected to improve from -\$0.5bn to \$3.8bn in 2017/18
- The oil companies are still compelled to sell their FX to the CBN
- Earmarked for match selling to the downstream importers

# WHERE ARE WE NOW IN THE FOREX MARKET

- The current naira appreciation is as a result of 4 factors:
  - Mainly a sharp increase in our oil revenue estimated at a monthly value of \$2.5bn
  - A policy shift towards a discriminating crawling peg effectively depreciating invisibles from N305/\$ to N360/\$
  - An 16.9% increase in the quantity supplied over Q1'2016 to \$6bn
  - The opening of a new investor/exporters window as a proxy for price discovery

# WHAT NEXT FOR THE NAIRA?

---

- With oil price averaging \$52pb and production at 1.8mbpd
- Revenue will be enough to meet trade finance obligations
- Nigeria will struggle to meet capital and infrastructure funding obligations
- The CBN will attempt and remain determined to be a price leader
- The currency subsidy level will have to be reduced



# WHAT NEXT FOR THE NAIRA

- A movement of the crawling peg towards the REER will happen at approx N360 -375/\$
- CBN volume and frequency of intervention will reduce
- The CBN is likely to allow the oil companies to begin selling their flows to banks
- On a two-way quote basis to achieve rate unification and finally adopt a truly floating exchange rate policy - de Jure et de facto

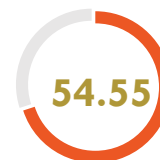
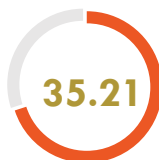
# HOW WAS IT DONE

Q1'16

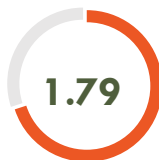
Q1'17



Oil Prices (\$/b)



Oil Production



Invisibles (\$bn)



# PEER GROUP COMPARISON



Angola



Russia



Venezuela



Brazil

## Leadership Style

Dynasty

Oligarchy

Autocracy

Pseudo  
Democracy

## Corruption Index Rank

164

131

166

77

## Oil Production

1.614

11.15

1.972

---

## IMF Package

N/A

N/A

N/A

N/A

# PEER GROUP COMPARISON



**Angola**



**Russia**



**Venezuela**



**Brazil**

**GDP (\$'bn)**

81.49

1,267

251.59

2,140

**Growth (FY'16)**

-0.5

-0.5

-18.60\*

-3.6

**Inflation**

36.52

4.30

741

4.57

**Currency**

(movement Jan'16 – Present)

18.49%

21.34%

37.04%

24.99%

**Interest Rate Policy**

16%

9.25%

21.78%

11.25%

**External Reserves (\$'bn)**

20.89

397.91

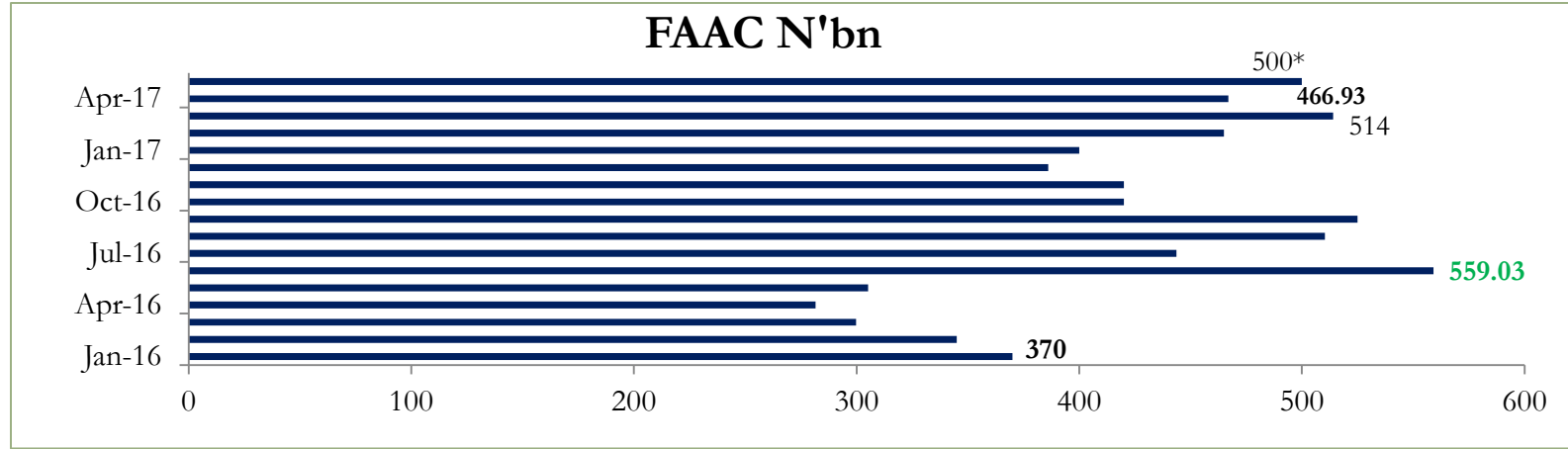
10

370.01

# BUSINESS PROXIES

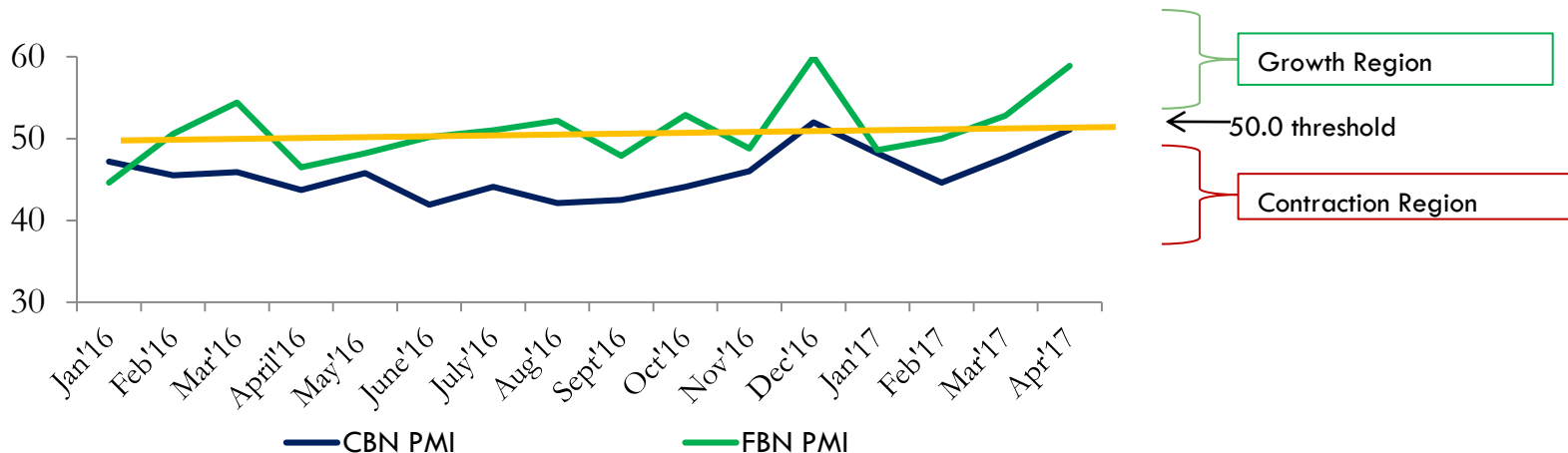
*SHOWING SIGNS OF SLOW RECOVERY*

# FAAC ALLOCATION



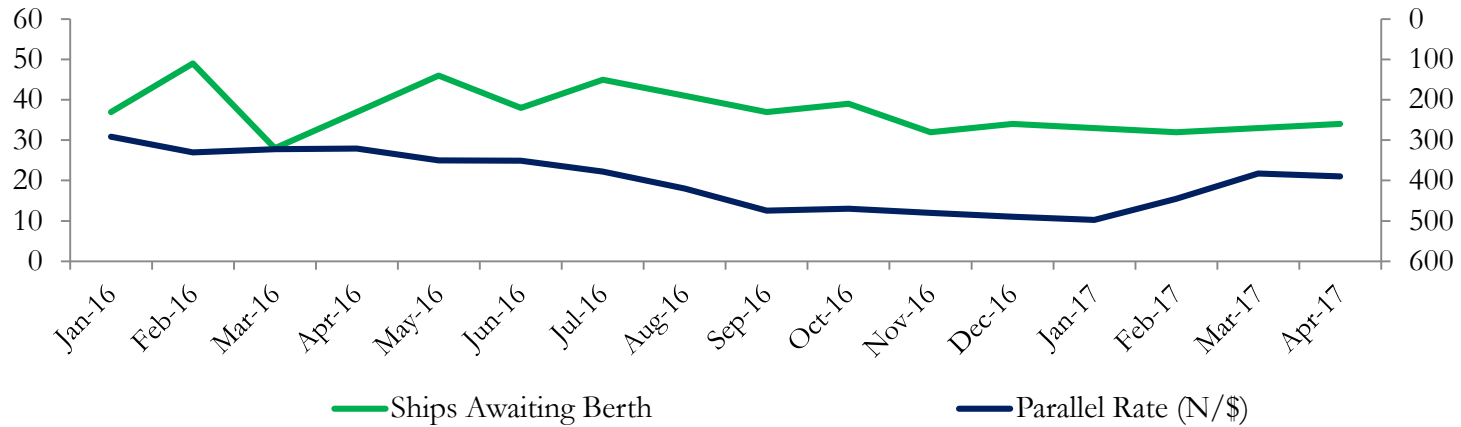
- The sum of N466.93bn was disbursed in Apr'17 for the month of Mar'17 from the revenue generated in Feb'17
- Oil revenue fell by about \$6.4 million in the month under review due to cut in oil exports
- FAAC to increase as Shell Bonga oil field with a production capacity of 225, 000 barrels has been reopened

# MANUFACTURING SUSTAINING RECOVERY



- Both FBN and CBN PMI improved in April to 58.2 and 51.1 respectively in April
- CBN PMI now within the growth region while all five sub-indices in the FBN PMI were in the positive territory
- Both PMI's expect to maintain upbeat trend due to improvement in dollar liquidity

# SHIPS AWAITING BERTH

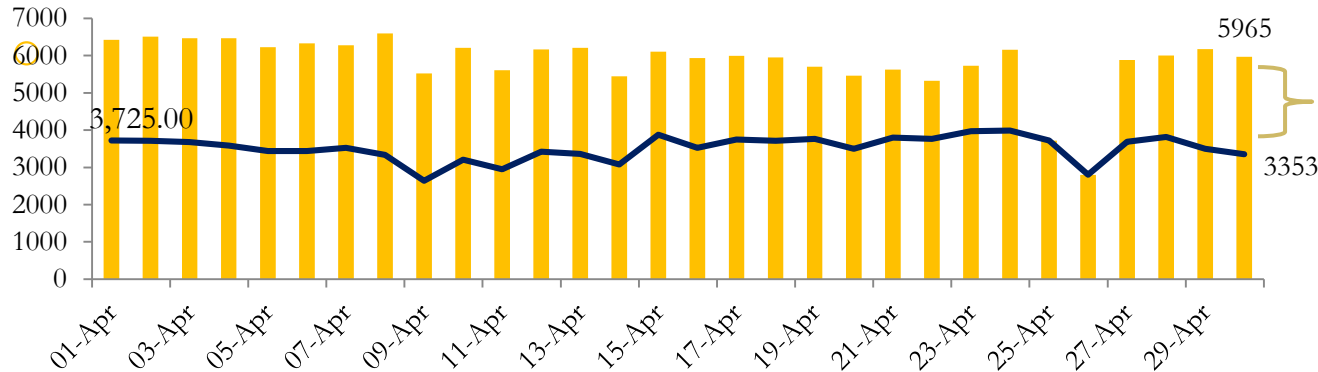


- Increased in April by 3.03% to 34
- Propelled by increased supply of forex, letters of credit and trade finance
- We expect this number to increase further as Nigeria's share of international trade rises



# POWER UPDATE

- Power output reached a peak of 3989MW/h and a low of 2802MW/h in April
- The average on grid output in April is 3521.13MW
- Gas constraints still a major impediment to generation capacity
- Hydro power generation is now an average of 750MW or 23% of total



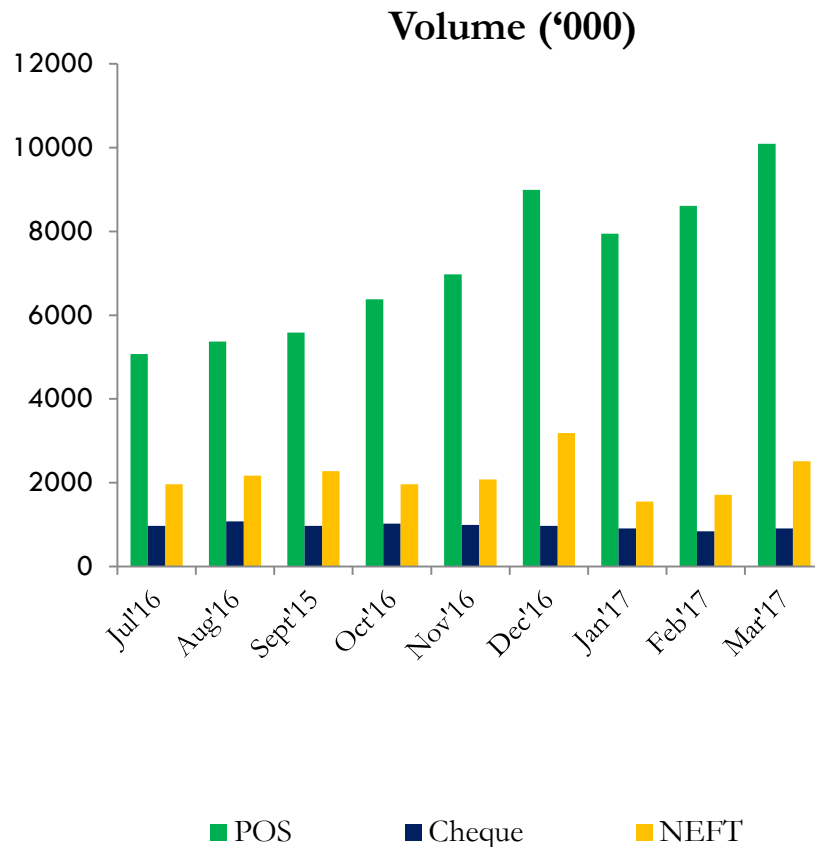
The area above the line graph represents power lost due to constraints. Daily power constraints ranged from 1500MW-2700MW

■ Total power generated (MW)

— Average Power Sent Out (MWh/hour)

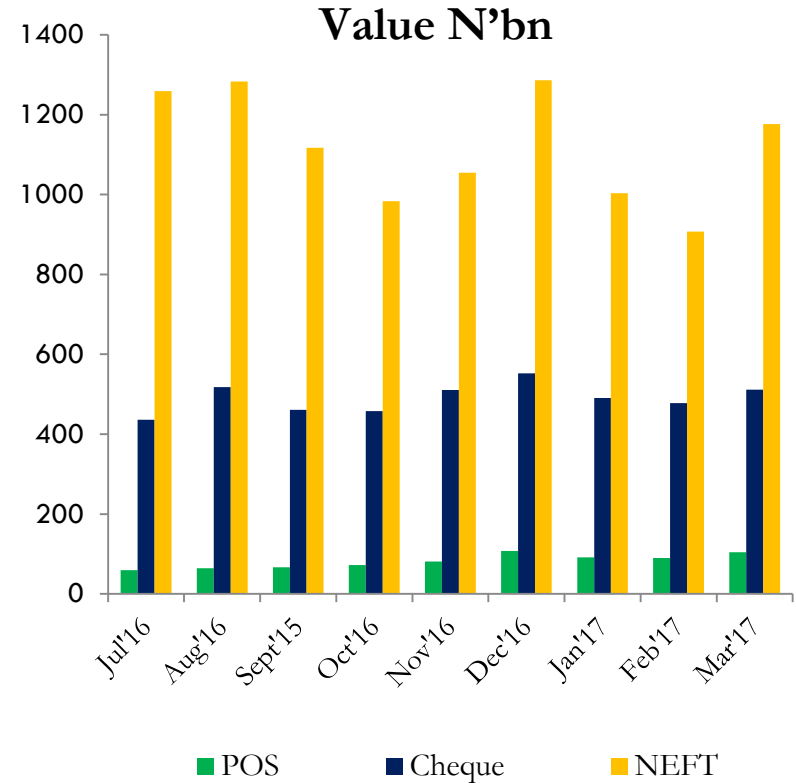
# PAYMENTS AND SETTLEMENTS

- Volume of transactions up in Mar'17 relative to Feb'17 in all categories
- POS up 17.27% to 10, 093, 340
- Cheques up 8.54% to 907, 508
- NEFT up 46.77% to 2, 5134, 250
- Driven by improving economic fundamentals and forex interventions



# PAYMENTS AND SETTLEMENTS

- Value of transactions equally increased to 1.79trn in Mar'17 from N1.47trn in Feb'17
  - POS ↑ 15.74% to N104bn
  - Cheques ↑ 7.06% to N511bn
  - NEFT ↑ 29.67% to N1.18trn
- Value of transactions are 8.74% of M2



# POLICY DIRECTION

*INCREASED REVENUE MOBILIZATION*

# FISCAL POLICY

---

- World Bank-IMF spring meetings: ERGP insufficient in boosting confidence
- Yet a good starting point as expressed by the organizations
- FX policy or lack thereof resonates amongst stakeholders
- Many of the opinion that ERGP was drafted to present case for debt
- Nigeria seeks \$1bn IMF loan and \$2.3bn World Bank loan

# FISCAL POLICY

---

- VAT to remain flat at 5%
- Luxury tax 15% on jewelry, brandy and champagne
- More aggressive excise duty collection on manufactured goods
- Tariff on wheat flour
- IMF concerned that 60% of government revenue used for interest payment

# TRADE POLICY

---

- Government slams 50% import duty on tomato concentrate
- With additional \$1,500 levy per metric ton
- A revision upwards from 35%
- This is to achieve ERGP goal of self-sufficiency in tomato concentration by 2017
- Increased necessity for backward integration in the market
- Domestic demand for tomatoes at 2.45mmt compared to supply of 1.8mmt

# REAL ESTATE MARKET

*THE LAGGARD IS FACING HEADWINDS*



# RECENT DEVELOPMENTS

- Lagos vacancy factor index remains high at 73.4% in Q1'17
- Abuja is even worse
- Unemployed tenants and insolvent companies are delinquent
- Exchange rate impact not yet felt
- Online letting a new threat to agents

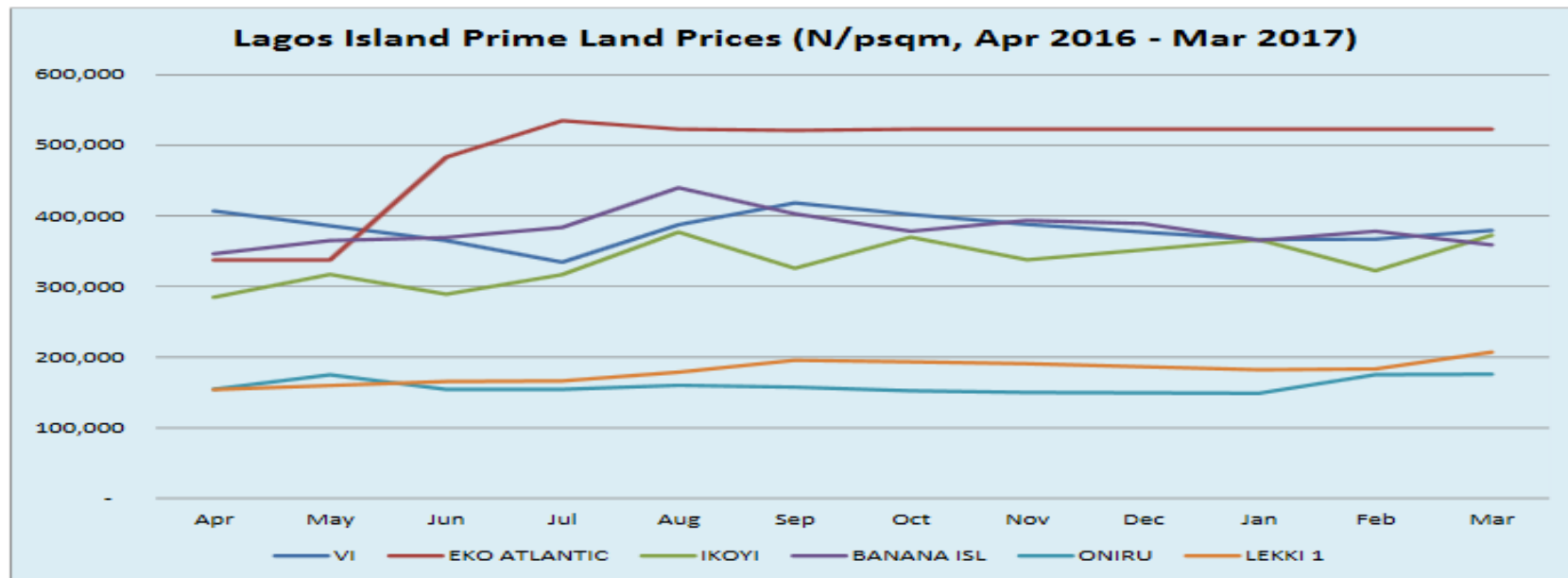


# RECENT DEVELOPMENTS

---

- To let/For sale ratio at 2:1, increasing fire sales and below the table transactions
- Flight to quality by existing and new tenants
- Eko-Atlantic city takes the lead as most expensive prime property area in Q1'17
- Average price of land is N523,000/sqm as against Banana Island's N373,000/sqm
- Reflecting the exchange rate depreciation in 2016
- Income constraint still haunting the project

# PRIME LAND PRICES INCREASE IN Q1 '17



## Notes

1. Land value data is derived from advertised sales prices
2. Eko Atlantic prices are benchmarked in US\$ and are blended waterfront and non-waterfront prices
3. Official USD/NGN rates are used for conversion

Source: MCO real estate

# REAL ESTATE MARKET CHALLENGES

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- CBN's exchange rate reform yet to have any impact on the market
- Prices of building materials remain sticky downwards
- New commercial buildings increase supply in the market
- The market remains undersupplied with car parks and retail spaces
- Property prices will be further depressed as politicians sell to fight the next elections in 2018 primaries



## Who We Are

**A**vant-garde Academia Limited (AAL) is an education advisory and counseling service organization that was incorporated in July of 2013. AAL was incorporated as an educational aggregator in grooming candidates to be potential global citizens who will reinvest their acquired skills in Nigeria in future. It is positioned to provide support, assistance and guidance to potential candidates and entrants to Ivy League, Elite and premium academic institutions in America. Our target market comprises parents of children in identified elite Nigerian secondary schools and/or top executives in the business community, who have a strong need for our services. The market also extends to Nigerians resident in Diaspora, and expatriates resident in Nigeria. In Partnership with Ascent Education Advisors, a reputable Education Advisory Services firm, we have designed a range of admissions solutions to cater for children in different stages of secondary school education.

### OUR STRATEGIC PARTNER – ASCENT EDUCATION ADVISORS

A reputable education advisory service firm, the lead consultant Ms. Peggy Hanefors has over 10 years experience in admissions; including a position as the Assistant Director of International and Transfer Admissions at the University of Pennsylvania. She was first reader and evaluator of about 3,000 applications for students from across the globe.

### What We Offer

- Information and advice about the American University System and its application process.
- Evaluation of student's record prior to application.
- Assistance in selecting curriculum and summer activities that will match the student's desired course of study and also highlight his/her personality and interests.
- Development of personal application timeline, that includes standardized testing, college visits, application deadlines, etc.
- Help in selecting teachers for recommendations
- Guidance in presenting extracurricular record
- Guidance in putting together an overall great college application that highlights the unique attributes of the applicant
  - Essay topic brainstorming
  - Editing
  - Proof-reading
- Guidance in choosing the most suitable college among acceptances.
- Interview preparation

### Our Packages

#### Package 1: 8th to 10th Grade (Final 3-5 Years)

This package is a program designed for candidates from as early as the 8<sup>th</sup> grade (Junior Secondary School - JSS 2) of high school. This is a full package with the benefits of all the services we offer in addition to education and assistance with entire college admission process, including an unlimited number of applications.

#### Package 2: 11th and 12th Grade (Final 1-2 Years)

This package is similar to Package 1 but is designed for students in the final two years of high school.

#### Package 3: (Per Application)

Unlike packages 1 and 2, package 3 only provides unlimited assistance with applications to pre-determined universities.

We host a Parents Admission Support Forum in Lagos bi-annually with the aim of giving parents the information they need to ensure their child(ren)/wards gain admission into reputable universities in United States of America.

To attend one of our events, kindly contact or visit us at  
9a Idejo Street, Victoria Island Lagos.

# AVIATION UPDATE



*NAIRA SHORT & DOLLAR LONG*

# GLOBAL AVIATION UPDATE

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- Southeast Asia's biggest airline, Singapore Air, is expected to turn to a net-debt position in early 2018
- The airline will borrow and sell bonds to meet capital expenditure needs
- Airbus, the European plane maker, stresses concerns over flow of workers between countries due to Brexit
- Qatar airways plans to start a domestic airline in India, the world's fastest growing aviation market
- Despite high jet fuel taxes and increasing cost of operations

# MAJOR BENEFICIARY OF A STRONG NAIRA

---

- IATA expresses satisfaction as blocked funds reduced dramatically
- International carriers have resumed naira ticketing in all classes
- Airlines are now naira short and dollar neutral
- Demand for international travel picking up slowly
- Mainly in the trader, professional and vacation traffic
- CBN reads the riot act to airlines to desist from dollar sales



# MAJOR BENEFICIARY OF A STRONG NAIRA

---

- The IATA rate of exchange is N307/\$ whilst invisible forwards are at N360/\$
- International load factors at record high in April in Lagos: 90%
- Easter and Abuja closure congested Lagos route
- Abuja traffic creeping up again
- Low government patronage due to cut back on expenditure
- Air Côte d'Ivoire reporting 85% load factor to Abidjan from Abuja

# MAJOR BENEFICIARY OF A STRONG NAIRA

---

- Taking advantage of Arik distress
- Ethiopian airlines reaped fruits as the only carrier that flew into Kaduna when Abuja was closed, with 11,000 passengers
- Average monthly traffic into Abuja in 2016 was 274,000
- 97% of traffic diverted to Lagos or cancelled
- SAA did not reopen Abuja-Johannesburg route. It is not lucrative

# MAJOR BENEFICIARY OF A STRONG NAIRA

---

- Kenya Airways and Emirates already cut and ran
- BA load factors in Abuja up in economy to 65%
- Down in premium cabins to 25%
- BA is contemplating bringing back the Boeing 747 into Lagos and slashing fares
- Emirates also considering restoring the other frequency at 9pm to Lagos

# DOMESTIC AVIATION CHALLENGED

- Domestic carriers are stretched thin
- On equipment and network
- On-time performance has fallen sharply at Air Peace and Medview
- Medview reported gross profit and after tax profit of 84% and 6% respectively
- Its share price has hardly moved

# DOMESTIC AVIATION CHALLENGED

---

- Arik and Aero are still limping
- Need capital injection and strategic repositioning
- AMCON will need to fix it before selling it
- Everyday the red ink increases



# STOCK MARKET

*SENTIMENTS UP, RESULTS BETTER &  
PRICES CREEP*

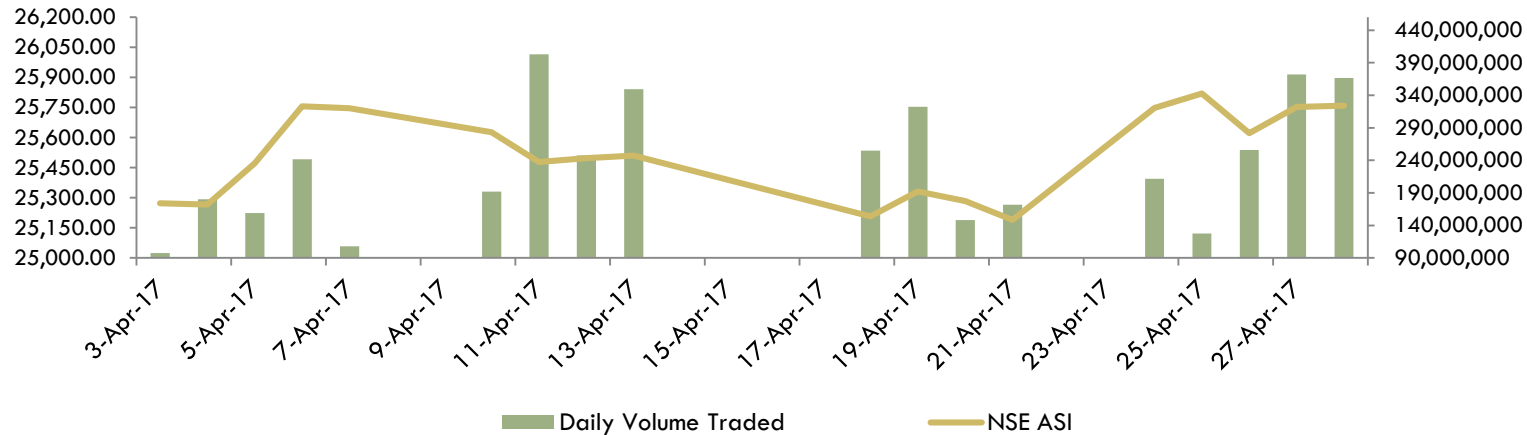
# SPIKES 1% AFTER A DREADFUL MARCH

---

- Market capitalization closed at 8.9 trillion for the month of April
- Representing a 1% increase from 8.8 trillion
- Market P/E ratio now 14.5
- Unilever Nigeria Plc launches rights offer of N63bn - second rights issue this year
- Plans for local manufacturing capacity expansion
- Stock prices responded to a strong naira & PMI
- Most sectors recorded impressive Q1'17 performance especially the FMCGs
- Stock price movement consistent with earnings profile

# MARKET IN APRIL

NSE ASI April 2017



- The average daily volume traded (ADVT) decreased by 77% to N1.45bn from N6.19bn
- Spike in March caused by the acquisition of Mobil Nigeria's shares by NIPCO



# MARKET IN APRIL

- Winning sectors



FMCGs ↑



Banks ↑

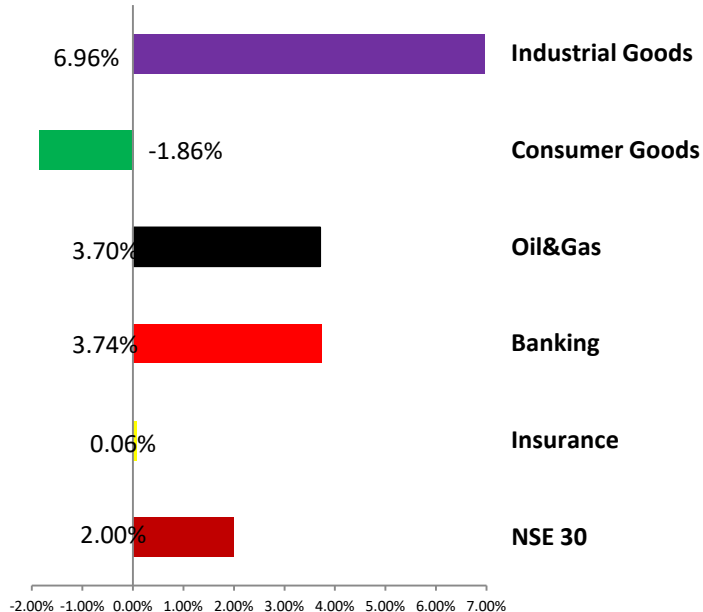


Oil & Gas ↑

- New FX window - a long run positive for equities
  - No immediate impact as investors are cautious and skeptical
- Continuing the wait and see mode

# NO GAINERS AMONG THE SUB-INDICES

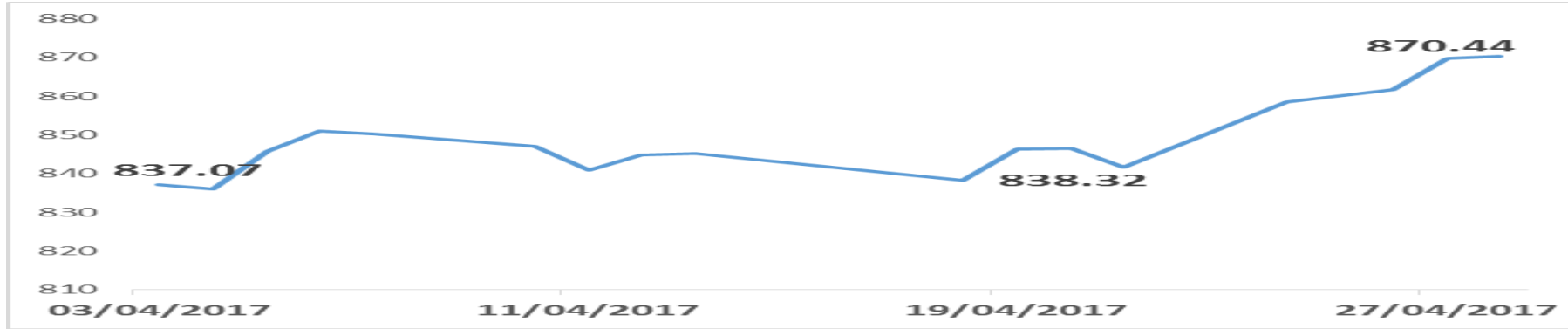
## Sectors in April 2017



- Performance across the NSE sub-indices was largely positive
- All sectors closed positive, except the consumer goods index
- The industrials sector sub-index performed the best, advancing by 6.96%.
- This was attributable to the strong Q1'17 earnings reported by Lafarge and DANGCEM

Source: NSE, FDC Think Tank

# SCOTT FREE NIGERIA BLUE-CHIP 30

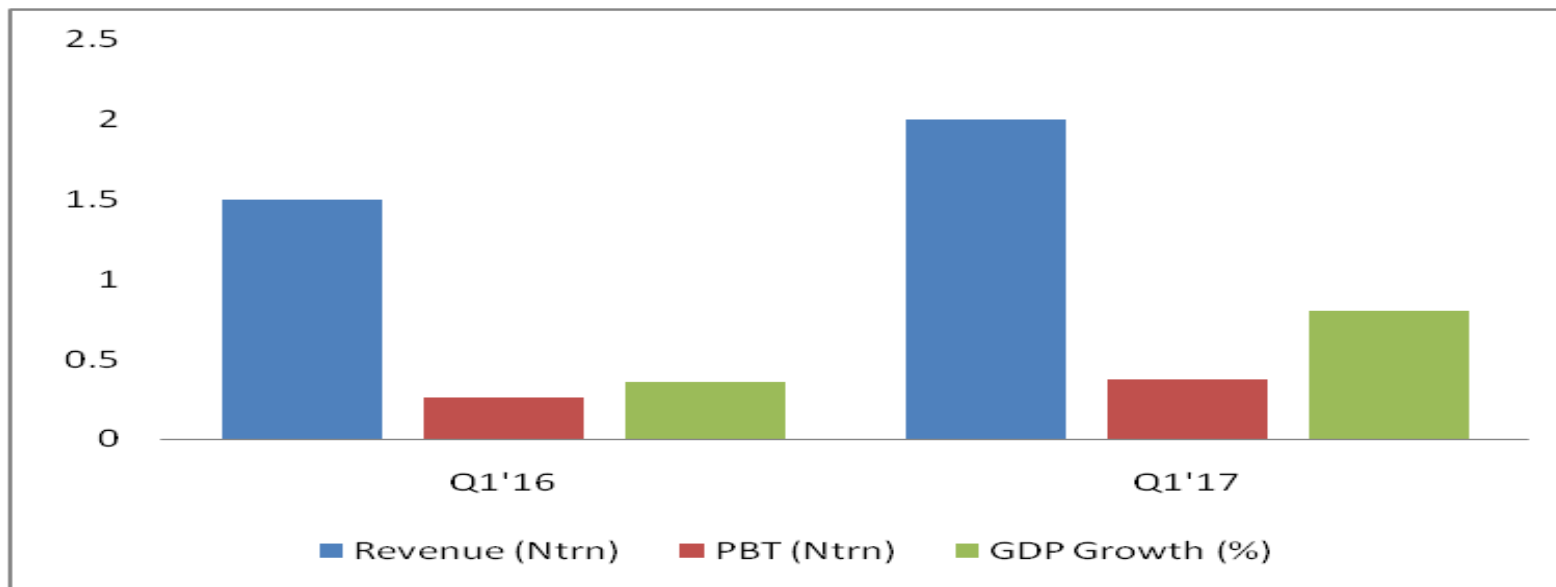


Source: Solactive, FDC Think Tank

- The Scott Free Nigeria (SFNG) Blue Chip 30 Index advanced by 3.99% in April
- 1 year return of 10.78%- base year effects
- The SFNG Blue-Chip 30 Index (USD) increased by 4.14%.
- The SFNG Blue-Chip Index (EUR) was also up 1.65%

# MARKET PERFORMANCE VS. GDP GROWTH

- Equity market set for a recovery



Source: Solactive, FDC Think Tank

# FMCG- PROFITS UP, CASH FLOW DOWN!!!

## UNILEVER

- Revenue up by 32% to N22bn due to strong sales in food products
  - Food products contributed 47% of total revenue
- Gross margin up by 28% to N6.2bn
- PBT growth of 54% to N2.2bn in Q1'17 from N1.4bn in Q1'16
  - which can be attributed to the 44% increase in finance income to N2.8bn from N1.9bn
  - And a 43% decline in marketing and admin expenses
- Free cash flow of N4bn from N2bn representing a 101% increase from Q1'16

## NIGERIAN BREWERIES

- Revenue growth of 18% in Q1'17 to N91 billion from N78 billion in Q1'16
- Gross margin up by 44% to N40bn
- PBT growth of 16% from N15bn in Q1'16 to N17bn in Q1'17
  - Key driver of bottom line growth is the 41% decline in its net interest expense
- Free cash flow of N662m from N4bn representing an 83% decline in Q1'17

## NESTLE

- Current price of N744.99
- **Target price of N750**
- Revenue up by 69% to N61bn from N36bn
- Strong y-o-y growth attributed to pricing strategy adopted by management
- Gross margin growth of 32% to N23bn
- PBT growth of 41% to N14bn in Q1'17 from N7bn in Q1'16
- Free cash flow of N25bn from N31bn in Q1'16
- **HOLD**

## FLOUR MILLS

- Current price of N18.00
- **Target price of N24.61**
- Revenue growth of 11% in Q1'17 to N342bn from N308bn in Q1'16
- Gross margin growth of 11% to N38bn
- PBT growth of 49% from N8bn in Q1'16 to N11bn in Q1'17
- Key driver of bottom line growth is the 20% decline in its admin expense
- 71% increase in finance income
- Free cash flow
- **BUY**

# BANKS

## STANBIC IBTC

### Strong Q1'17 earnings

- Gross earnings up by 35% to N47bn in Q1'17 from N35bn
- PBT up by 82% to N19bn

### Net impairment charges up by 41% to N36bn

### NIM up 100bps to 2% from 1% in Q1'16

### Sharp rise in NPL

- NPL up by 106% to N38bn from N18bn in Q1'16

### Efficiency ratio of 36%

### Well capitalized with CAR of 21.5%

### ROE of 10%

## GUARANTY TRUST BANK

### Strong Q1'17 earnings

- Gross earnings up by 39% to N104.7bn in Q1'17 from N75.4bn
- PBT up by 64% to N50.4bn

### Net revenue from funds up

### Net impairment charges up by 41% to N36bn

### NIM up 250bps to 10.6% from 8.1% in Q1'16

### Marginal improvement in NPL

- NPL ratio declined to 3.62% in Q1'17 from 3.7% FY'16

### ROE of 31.6% with

### Current share price of N27

- Target price of N27.21

### HOLD

# OUTLOOK

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- Earnings will be strong on base year effects
- Forex availability and price will boost profits
- Minimum wage increase will push up disposable income





**LAGOS  
BUSINESS  
SCHOOL**  
PAN-ATLANTIC UNIVERSITY

Executive Education

## 2017 OPEN SEMINARS (March to October)



### ACCOUNTING, FINANCE & ECONOMICS

Accounting & Finance  
for Non-Finance Executives

May 15 - 19

Financial Modelling

July 17 - 21



### GENERAL MANAGEMENT

Managing Compliance and Legal Risk

May 22 - 24

Stepping up to Management

June 29 - 30

Managing People for Strategic Advantage

July 10 - 12



### MARKETING AND SALES MANAGEMENT

Essentials of Sales and Marketing

July 3 - 5

Strategic Account Management

July 11 - 13

Digital Marketing

July 24 - 25

Outstanding Customer Relationship

August 29 - 30



### OPERATIONS & MANAGEMENT INFORMATION SYSTEMS

Strategic Procurement/ Contract Management

May 3 - 5

Smart Business Decisions: The power of data analysis

May 22 - 26

Developing Analytical Competencies  
for Managing Operations

July 3 - 7



### PERSONAL LEADERSHIP & HUMAN RESOURCES MANAGEMENT

Building & Leading the 21st Century Team

April 19 - 21

Legal Issues in HRM

April 19 - 27

Negotiation Skills & Tools

April 25 - 27

Advanced HRM

April 7 - May 12

Mastering Human Resource Management

June 5 - 9

Refining Your Interpersonal Skills

October 23 - 25



### STRATEGY, INNOVATION & GOVERNANCE

Sustainability Workshop for NGOs

March 20 - 21

Mastering Competitive Strategy  
and Blue Ocean Strategy

May 15 - 18

Leading a Sustainable Business

June 1 - 2

Driving Strategic Innovation  
and Business Development

July 3 - 5

Executing Sustainable Strategy

October 9 - 10

## GENERAL INFO

### PROGRAMME VENUE:

Km 22, Lekki-Epe Expressway, Ajah, Lagos

### TIME:

9.00 a.m. - 5.00 p.m.

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

### RESERVATIONS / ADDITIONAL INFORMATION

Reservations/Additional Information:  
From Ajah/Lagos: 07012600708  
From Abuja/Lagos: 07060070552  
e: [enquiries@lbs.edu.ng](mailto:enquiries@lbs.edu.ng)

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Lagos Business School is ranked with the world's top business schools in open enrolment executive education (2007-2016) and custom executive education (2015-2016). *Financial Times, London.*

An elderly couple is depicted sitting on tall stacks of gold coins. The woman on the left is wearing a dark blue coat and a matching hat, with her hands clasped in her lap. The man on the right is wearing a dark blue suit jacket, a light blue shirt, and a dark tie, holding a brown briefcase. The stacks of coins are arranged in a way that they appear to be steps leading up to the couple. The background is a plain, light gray.

# PENSION SCHEME

# PENSION FUND IN NIGERIA

---

- Pension funds have increased to N7 trillion as at April 2017
- Fund managers are still highly risk averse
- Portfolio rotation intensifies with emphasis on Treasury Bills and Bonds
- Average dividend yields of 16.72% are lagging fixed income returns
  - Risk free rate now approximately 23%

# PENSION FUND ALLOCATION IN NIGERIA

| Asset Class         | N           | %          |
|---------------------|-------------|------------|
| Equity              | 458bn       | 6.54       |
| Money Market        | 621bn       | 8.74       |
| FGN Bond            | 4.1trn      | 59.77      |
| Treasury Bills      | 1.3trn      | 18.75      |
| Mutual Fund         | 30bn        | 0.43       |
| State Bond          | 153bn       | 2.18       |
| Supra-National Bond | 5.6bn       | 0.08       |
| Corporate Bonds     | 193bn       | 2.76       |
| Real Estate         | 26bn        | 0.37       |
| Cash                | 24bn        | 0.34       |
| Receivables         | 3bn         | 0.04       |
| <b>Total</b>        | <b>7trn</b> | <b>100</b> |

A background image showing a hand moving a white chess piece (a knight) on a chessboard. The chessboard is partially visible, with other pieces like a king and pawns in the background. The lighting is soft, and the focus is on the hand and the piece being moved.

# POLITICAL UPDATE & RISKS

*THE UNKNOWN UNKNOWNNS MORE THAN  
THE KNOWN UNKNOWNNS*

~ DONALD RUMSFELD

# POLITICAL UPDATE

---

- As May 29, 2nd year milestone approaches, political space is charged
- The level of political risks is slightly elevated
- President reports back to duty after a brief R & R
- Many analysts expect the President to take a temporary time out
- Could be domestic but most likely external

# POLITICAL UPDATE

---

- We expect major appointments and firings before he takes a break
- Key positions will be filled with diehard loyalists and ideologists
- The establishment will essentially draw a line in the sand
- APC's internal squabbles over succession zoning and ethnic balance will  
continue

# POLITICAL UPDATE

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- PDP remains in shambles and is on life support
- Making the emergence of a new mega party inevitable
- The 2019 race will be a function of Buhari's health, capacity and intent
- His ability and interest in nominating a successor will be a major factor
- The Presidential team need to detach party reform from reorganising the government
- Neither is on the agenda now



# VICTORY IN 2019 WILL DEPEND ON

---

- Economic growth trajectory
- The unemployment reduction path
- The rate of moderation of retail prices
- The impact of govt. expenditure and investment
- The implementation & execution of the social support programmes
- The speedy response of investors to the govt incentives

# VICTORY IN 2019 WILL DEPEND ON

---

- The empowerment of the V.P. and the EMT during the time out
- Timely resolution of internal squabbles and tradeoffs in the Niger Delta
- Managing the possible exodus of South/South governors from the PDP to the APC
- The continued calm and constructive engagement of the militants

# VICTORY IN 2019 WILL DEPEND ON

---

- The security situation in the N. East
- Early adjustment and restructuring of the forex market
- From a managed fixed exchanged rate to a managed floating rate (Unified)
- A gradual but strategic reduction in the nominal T/Bill rates
- Control risks points 2 of 3 possible scenarios of a presidential time out

# OUTLOOK

# OUTLOOK FOR MAY

---

- Q1 earnings growth will outperform on base year effects
- Stock market will creep up, but will be more volatile
- The New Power Recovery plan will be launched with huge World Bank support
- 2017 budget will be passed and signed into law by the President
- The EFCC Chairmanship situation will remain unresolved

# OUTLOOK FOR MAY

---

- We expect some major changes in many govt. parastatals
- Clearing out many of the Jonathan appointees
- Inflation data for April will likely show a decline to 16.8%
- MPC meeting will consider a token movement towards an accommodative stance
- Naira exchange rate unification will be contemplated by June

# OUTLOOK FOR MAY

---

- Q1 GDP data will be released May 30 – estimates are for 0.5% growth
- Meaning a possible exit from Recession
- Construction on the Lagos-Ibadan rail program will commence
- Airport concessioning process will kick-off
- The G.E \$5bn railway investment initiative will be closed
- As they say sell in May and go Away

# Corporate Humour



Procrastination is like a credit card;  
its a lot of fun until you get the bill  
– Christopher Parker

People who enjoy meetings should not  
be in charge of anything.  
- Thomas Sowell





# Corporate Humour



A dollar won is twice as sweet as  
a dollar earned – Fast Eddie

Cocaine is God's way of telling you that  
make too much money - Robin Williams



# Corporate Humour



Men should be like kleenex, soft,  
strong and disposable - Cher

I never hated a man enough to  
give his diamonds back – Zsa Zsa  
Gabor



# Corporate Humour



A husband is what is left of a lover  
after the nerve is extracted  
– Helen Rowland

The only time a woman really  
succeeds in changing a man is  
when he is a baby  
- Natalie Wood



# Corporate Humour



Excise is a hateful tax levied  
upon commodities  
- *Samuel Johnson*

Friends come and go but  
enemies accumulate  
- *Anonymous*



# Corporate Humour



When a girl marries she  
exchanges the attentions of  
many men for the inattention of  
one – Helen Rowland

In victory, you deserve champagne,  
in defeat, you need it  
- Anonymous



# Corporate Humour



Price is what you pay, value is  
what you get  
- *Warren Buffett*

*Thank  
you*





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01-7739889