

Democracy Day

June 12



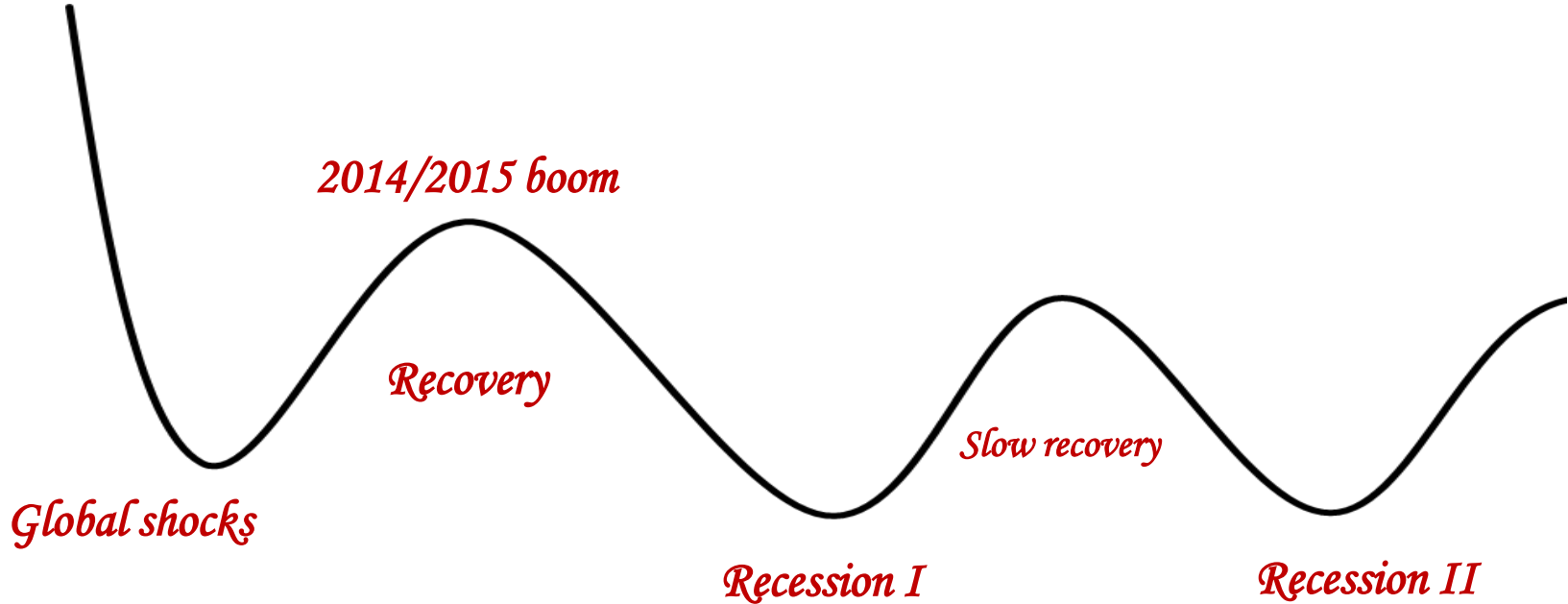
2 Recessions



Prosperity

Austerity

A Decade of Economic Swings (2010-2020)



Prosperity → Austerity → Recovery

External Reserves – External Debt
= Buffers

Triumph



\$48.88bn

2008

Trial



\$14.43bn

2016

Tribulation



\$5.11bn

2020



2008/09



- ✓ Average GDP: **8%**
- ✓ Avg oil price: **\$97pb**
- ✓ Exchange rate:
N118/\$
- ✓ Huge buffers
- ✓ Adjustments were swift to N155/\$
- ✓ External reserves:
\$42bn



2015/16

- ✓ Average GDP: **-1.56%**
- ✓ Avg oil price: **\$40.68pb**
- ✓ Exchange rate:
N200/\$ ➡ N360/\$
- ✓ Average buffers
- ✓ Response slow
- ✓ Situation worsened but recovered
- ✓ External reserves: **\$26bn**



2019/20

- ✓ Average GDP: 2.25%
- ✓ Avg oil price: **\$30pb**
- ✓ Exchange rate:
N360/\$ ➡ N450/\$
- ✓ Policymakers better prepared but buffers thin
- ✓ External reserves:
\$36.48bn

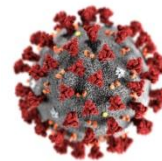
2008/09

- ✓ Global GDP shock
(-2%)
- ✓ US bankruptcy rate
(up 40%)
- ✓ Subprime mortgage
- ✓ Stock market crisis
(-50%)
- ✓ Bank failures (Lehman Brothers, Bear Stearns)

2015/16

- ✓ Global GDP: **2.5%**
- ✓ Global GDP – limited shock
- ✓ No margin calls

2019/20



- ✓ Global GDP projected to contract by **3%** (IMF)
- ✓ Covid shock
- ✓ A different world
- ✓ Oil markets tanked again

Trust

it's not about falling
...it's about helping you fly.



In life, people are often limited by their fears; failing to soar because they are afraid to fall. At Custodian, we've got your back if the unexpected ever happens. So while others say "what if you fall"; we say "...oh, but what if you fly."

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Custodian
...exceeding expectations

Downstream Petroleum

2008/09



Queues
N97/litre
(\$0.82/litre)

2015/16



Queues
N87/litre
(\$0.44/litre)

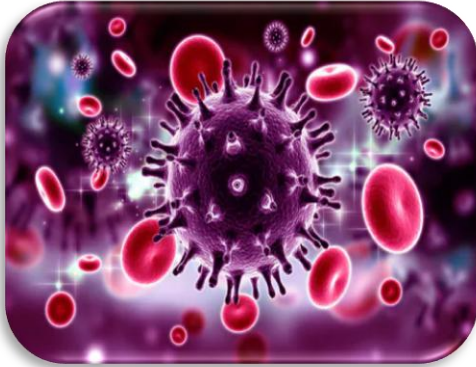
2019/2020



No Queues
N121.5/litre
(\$0.25/litre)

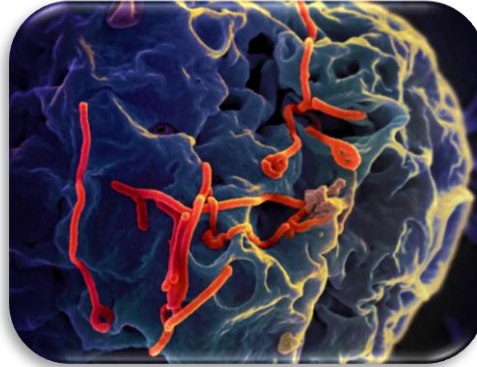
How you fared in the last decade

2008



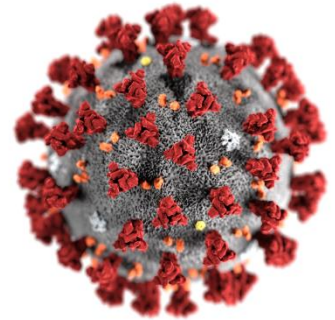
HIV

2015



Ebola

2020



COVID-19

Economic Picture

Source: EIU, NBS, FDCThinkTank










	2010	2015	2020*
GDP size (\$'bn)	369.1	492.4	344.9
GDP growth (%)	7.8	2.7	-3.4
Inflation (%) (avg)	13.7	9.0	16.3
External reserves (\$'bn)	32.35	29.07	36.0
Exchange rate (N/\$) Avg	150.3	193.3	450.0
Balance of trade (\$'bn)	31.5	-6.4	-1.4
Terms of trade	100	31.9	23.5
Minimum wage (N/month)	5,500	18,000	30,000

From Recovery to Downturn - (The COVID)

Food Basket



Commodities		June 2015	June 2018	June 2020	% Change (2018/2020)	
Tomatoes (50kg)		25,000	15,000	12,000	20.00	↓
Rice (50kg)		9,000	16,500	28,000	69.70	↑
Pepper (bag)		7,000	8,000	13,000	62.5	↑
Indomie (1 carton)		1,300	1,900	2,000	5.26	↑
Yam (medium size)		800	1,900	1,500	21.05	↓
Semovita (10kg)		2,300	2,900	3,400	17.24	↑
Garri (50kg) Yellow		5,500	7,000	14,500	107.14	↑

5 Negative, 2 Positive

Consumer Basket is Getting Smaller

2015



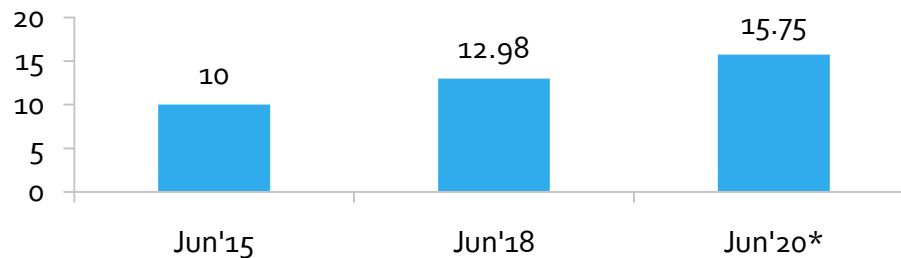
2018



2020



Food inflation (%)



Non-Food Inflation



Transportation cost



Medical bills



Spiking!



International school fees



Air Ticket

No flights now but expected to





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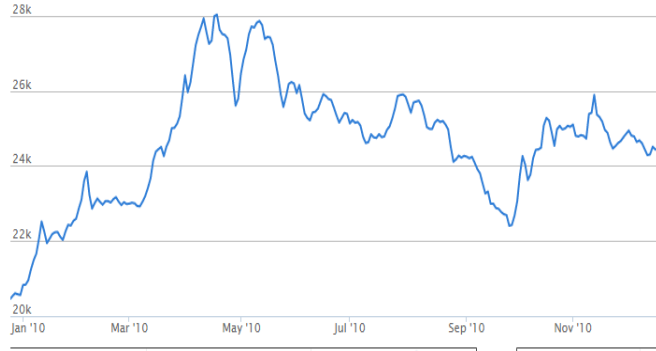
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Stock Market



2010



2015

Investors Lost Their Shirts



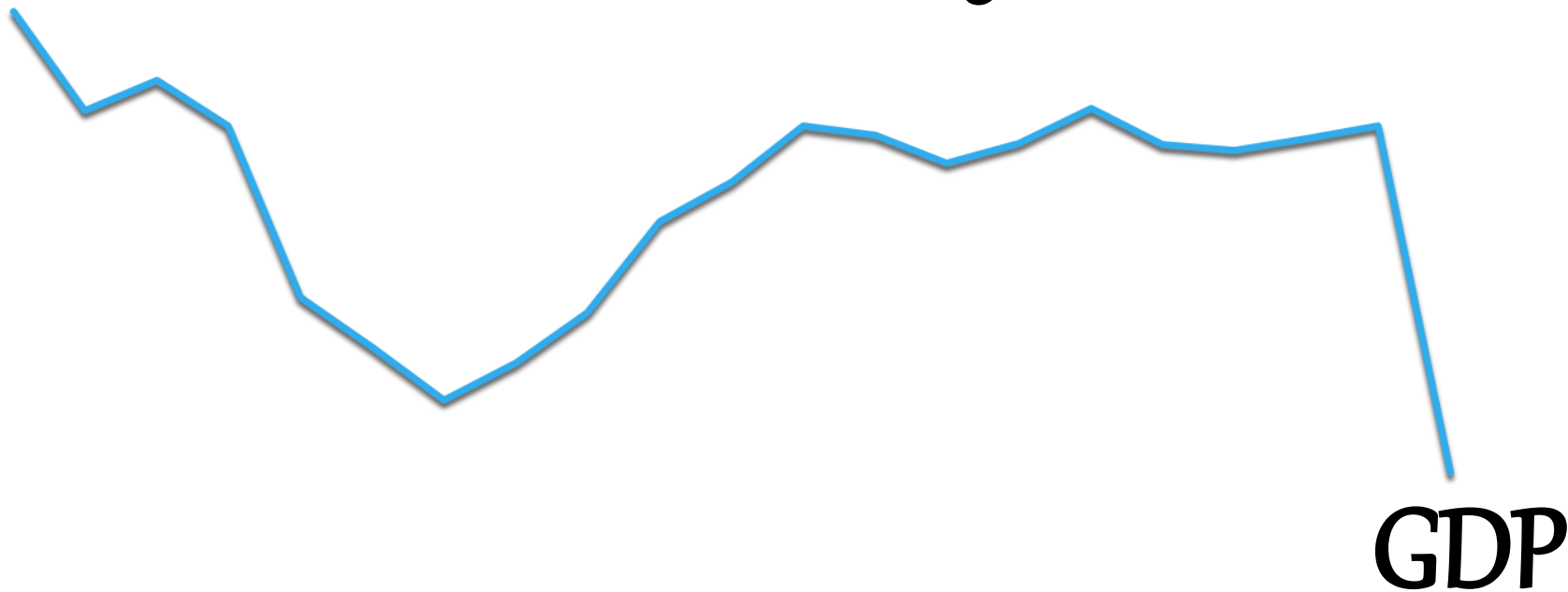
2020

Ponzi schemes also failed

No joy from MMM or Swiss gold

- Crash

Slow & Painful



Economic Recovery

Lessons Learnt....

If Any

- ✓ Fiscal and external shocks will always exist for an oil dependent economy
- ✓ Investment is key
- ✓ Consumer led strategy has its drawbacks
- ✓ Monetary policy tools is inadequate to solve fiscal problems

Economic Recovery & Growth

- ✓ ERGP I & II
- ✓ Challenges to address:
 - ✓ Recessionary gap now at 11.8%
 - ✓ Sub-optimal investment level
 - ✓ Vulnerability to exogenous shocks
 - ✓ Depleting external buffers

The Inevitable

- ✓ Scrapping multiple exchange rates
- ✓ Adopting an efficient exchange rate adjustment mechanism
- ✓ Investment in road and rail transport
- ✓ Airport concessioning
- ✓ Blocking leakages
- ✓ Simplify tax administration
- ✓ Cost reflective electricity tariffs

The Maybe's

- ✓ Lease/sale of idle assets
- ✓ Convert power sector loans to equity
- ✓ Shift subsidies from wasteful consumption to critical social infrastructure (health, education)

THE REWARD FOR EXCELLENCE

After more than a decade of superior performance delivered through innovation and selfless commitment to transforming the lives of millions of Africans, the Dangote Group has been honored with three deserving awards for its outstanding contribution to Africa at the THISDAY Award of The Decade ceremony.

Congratulations to Aliko Dangote
and Dangote Industries



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OF THE DECADE



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Different Views of Nigeria (2020)

- Stagflation is expected
- Naira devaluation will elevate inflation
- Debt servicing costs to jump



- Growth to contract by - 3.4% before recovering in 2021
- Unified and flexible exchange rate should be expedited
- Medium term focus should be on macroeconomic stability

Economic Forecast- EIU



	2020	2021	2022
GDP(\$bn)	344.9	384.1	438.5
Private consumption (\$bn)	278.4	308.2	342.8
Inflation (year end %)	18.1	13.2	10.5
M2 growth (%)	10.1	20.3	19.3
Exchange rate (year end N/\$)	450.0	500.2	500.4
Oil production (mbpd)	1.54	1.60	1.62
Share of world investment flows (%)	0.18	0.26	0.29
Share of world exports (%)	0.24	0.25	0.31

Outlook - Recovery - Slow But Solid

- ✓ The new ERGP will be launched
- ✓ The economy will fall into a recession with growth of approx -5% in 2020
- ✓ A U-shaped recovery will commence in Q2'2021
- ✓ Inflation will spike above 15% before falling on higher output



Outlook - Recovery - Slow But Solid



- ✓ The FGN will further liberalise factor prices (electricity & PMS) to enhance competitiveness
- ✓ The naira will be allowed to trade at its Real Effective Exchange Rate (REER)



*Thank
you*

