



# **2023: AN ODD YEAR THAT FEELS LIKE A LEAP YEAR**

**PRESENTED  
BY BISMARCK REWANE  
DECEMBER 14, 2022**



# MYTHS OF A LEAP YEAR

- ✗ Full of misfortunes, more accidents
- ✗ If your birthday is February 29, you can only celebrate it every four years
- ✗ 2022 is not a leap year – it is not divisible by 4
- ✗ A World cup of surprises



# Outline



**2022: A Year To Remember Or Forget!**



**2023: The Pivotal Year - Opportunity in Crisis**



**Politics: Less Talk, More Action!**

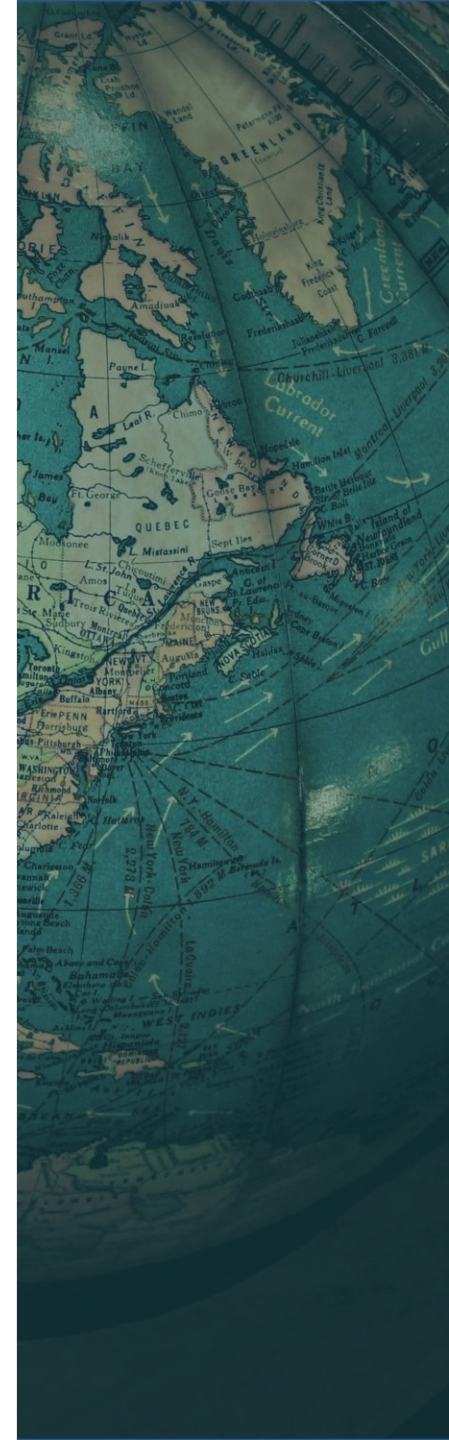
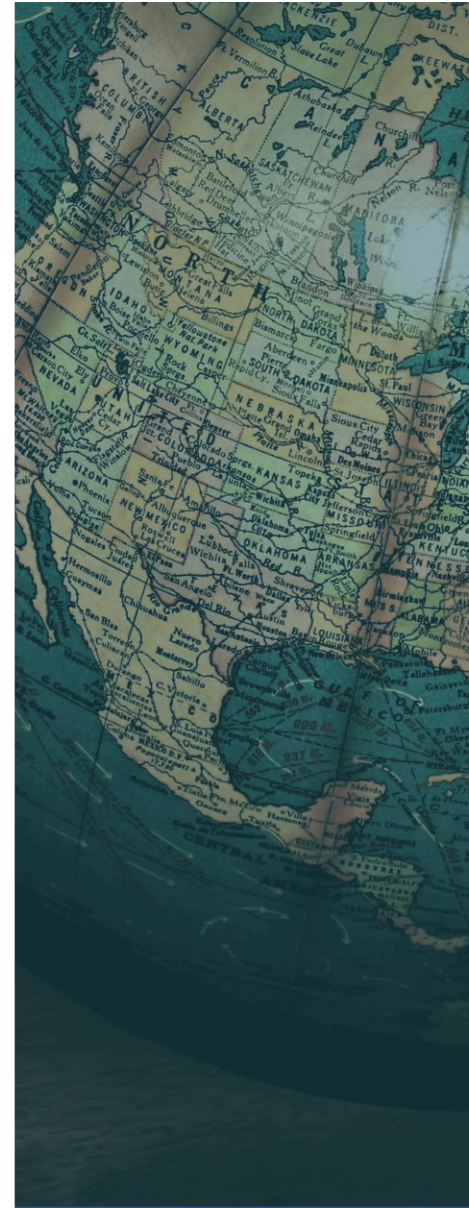
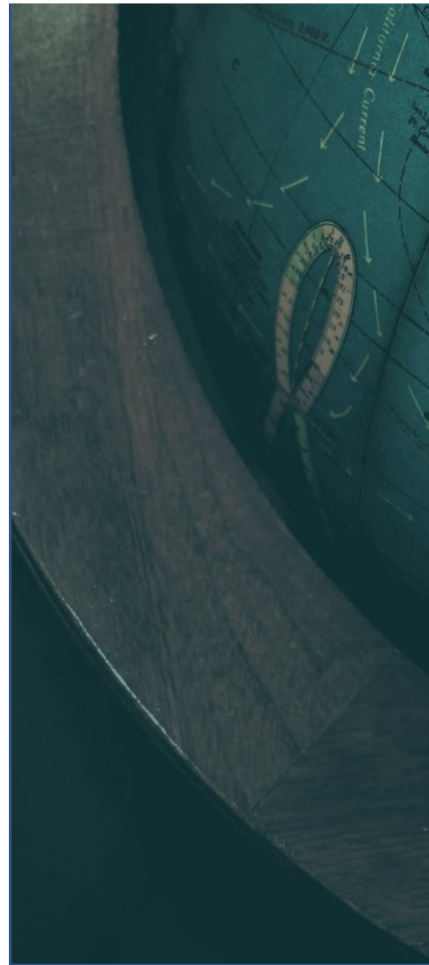


**Summary: Two Key Takeaways**



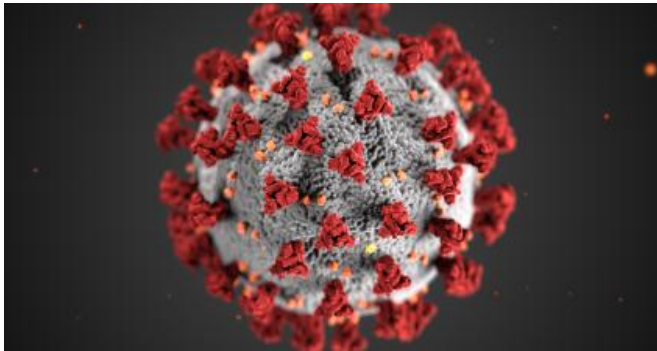


**2022:**  
**A YEAR**  
**TO REMEMBER**  
**OR FORGET?**



# 2022: GLOBAL REVIEW

✗ What a year!



POST-COVID  
WORLD



HIGH ENERGY COST



RUSSIA INVADES UKRAINE



END OF QUANTITATIVE  
EASING

# 2022: GLOBAL REVIEW

× Investors Say Onch!!



**RECORD HIGH  
INTEREST RATES**



**SPIRALLING  
INFLATION**



**GOVERNMENT DEBT**

**RISING DEBT STOCK & DEBT  
SERVICING**



**TEPID GROWTH**

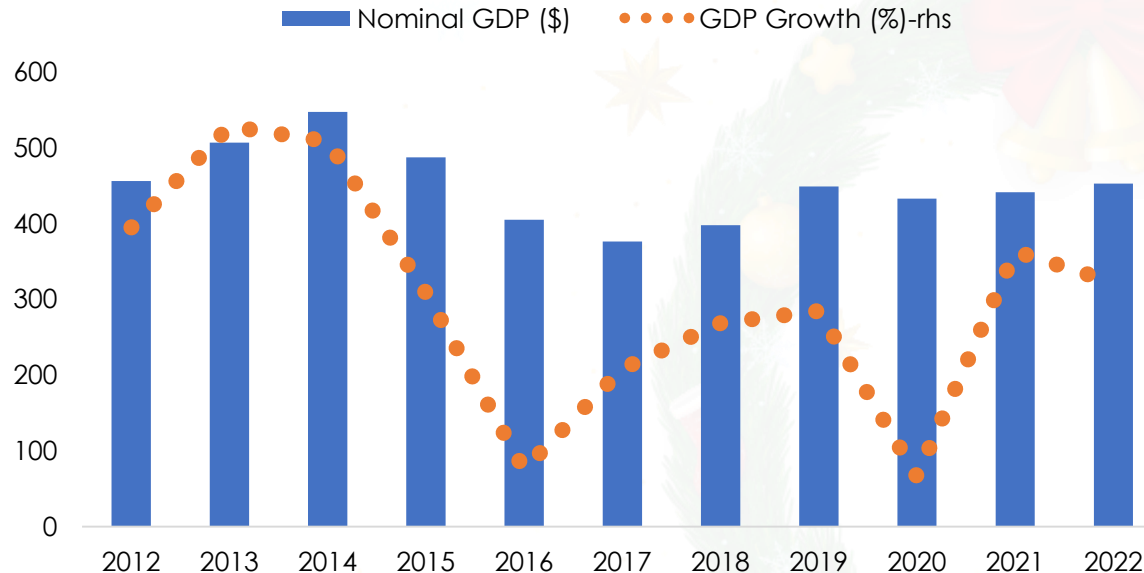


**DECLINE IN ASSET  
VALUE**

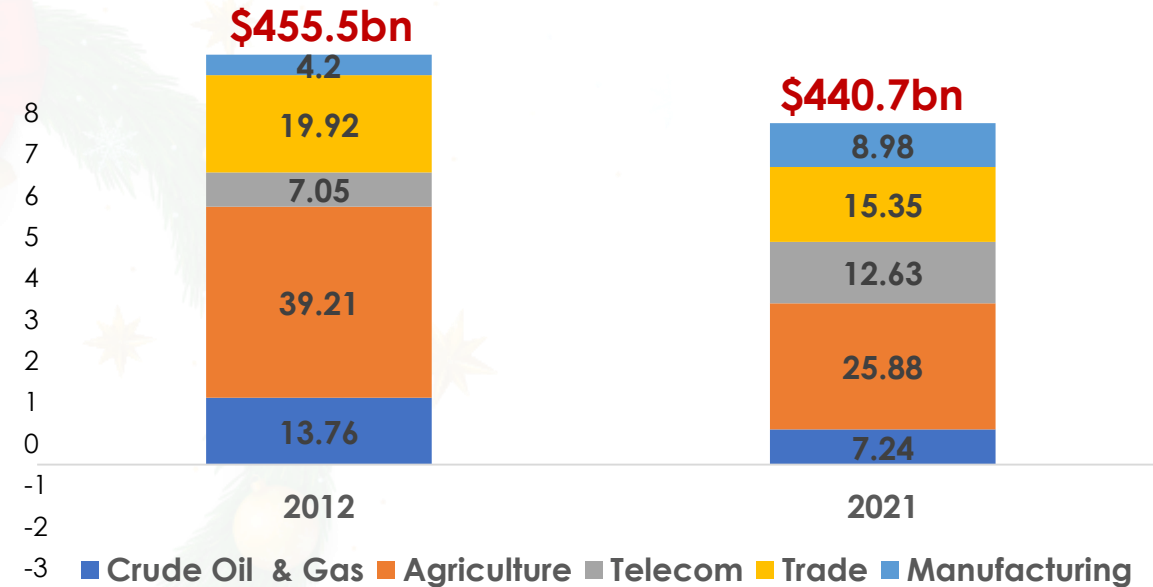


# STRUCTURE OF THE ECONOMY: WHAT HAS CHANGED?

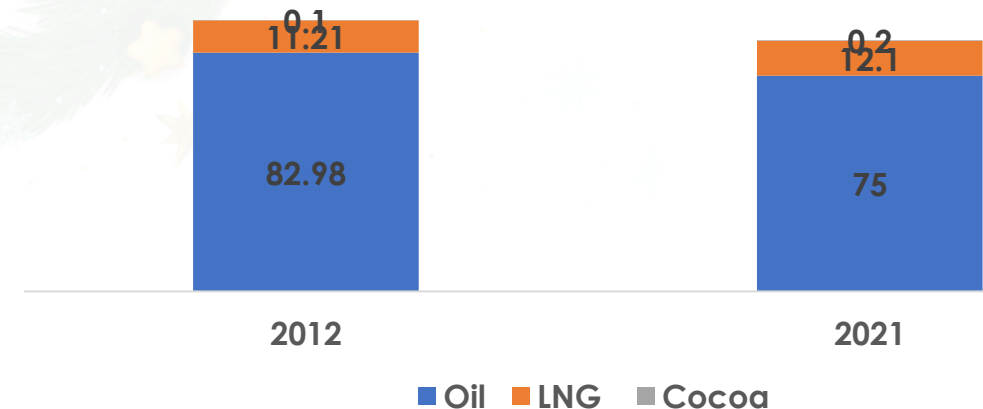
**Nominal GDP (\$) and Output Growth (%)**



**Sector Contribution to GDP (%)**

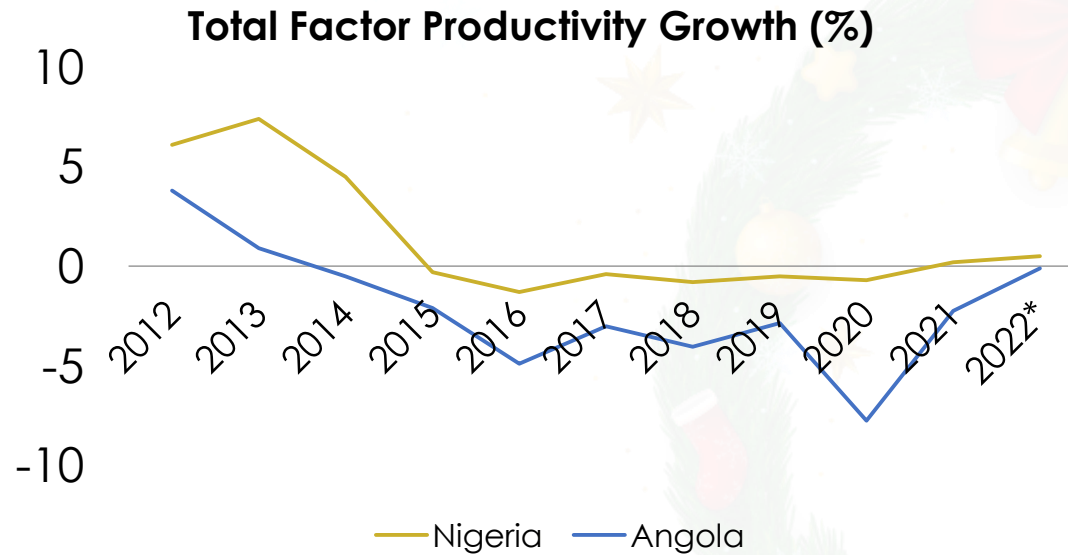


**Share of Total Exports (%)**



- ✗ 2 recessions in a decade
- ✗ Economic structure changing
- ✗ Revenue pattern constant
- ✗ Size of the economy now below its 2014 level

## FACTOR PRODUCTIVITY



TOTAL FACTOR PRODUCTIVI TY GROWTH (%)	Nigeria	South Africa	Angola	Kenya
2012	6.1	-0.7	3.8	0
2022	0.5	0.6	-0.1	3.3

✗ Total factor productivity growth in SSA is underperforming

✗ Except Kenya

✗ Indicating a sub-optimal use of capital stock



# BUDGET DEFICIT AS % OF GDP

## BUDGET SIZE IN 2012



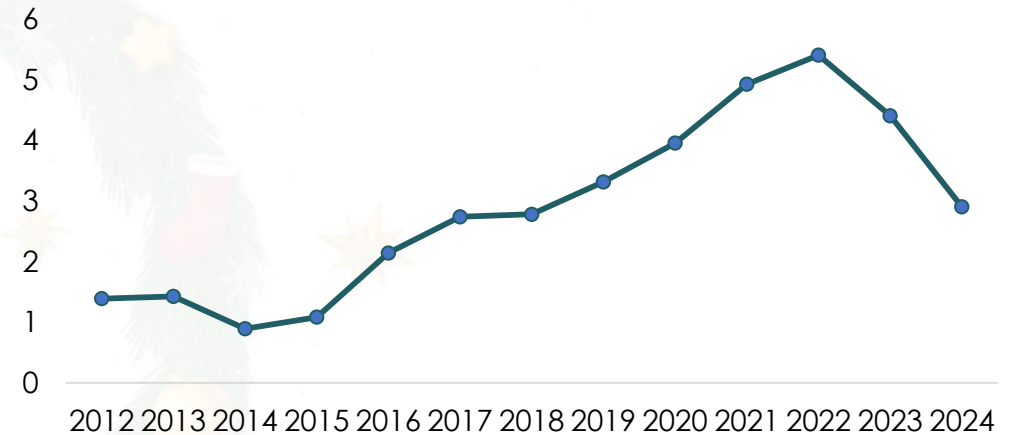
## BUDGET SIZE IN 2022



## TOTAL FUEL CONSUMPTION (LITERS)



Fiscal Deficit (% of GDP)



- ✗ Fiscal deficit growing at a faster pace
- ✗ Expected to decline in 2023 & 2024 due to policy reforms by the new administration

## MONETARY INDICATORS – M3, A CATALYST OF INFLATION

### Inflation Rate (Average):

2012: 12.2%

2022: 18.24%

6.04%



### Total Money Supply:

2012: N15.35trn

2022: N50.58trn

229.51%





# Your focus, Our priority

Whatever your dreams are,  
we will partner with you because  
when you succeed, we succeed.

Call 0700CUSTODIAN  
or Download the Adapt  
by Custodian App



INSURANCE | PENSIONS | REAL ESTATE | TRUSTEES

...exceeding expectations

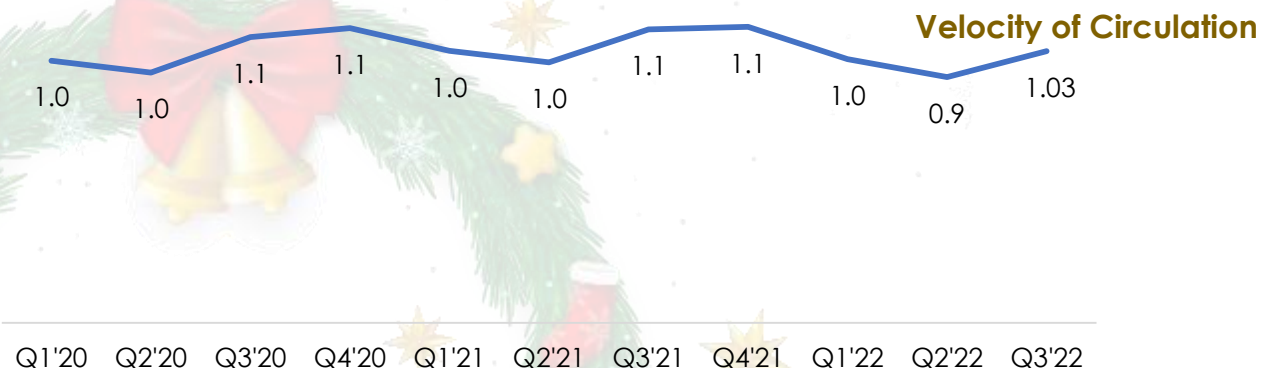
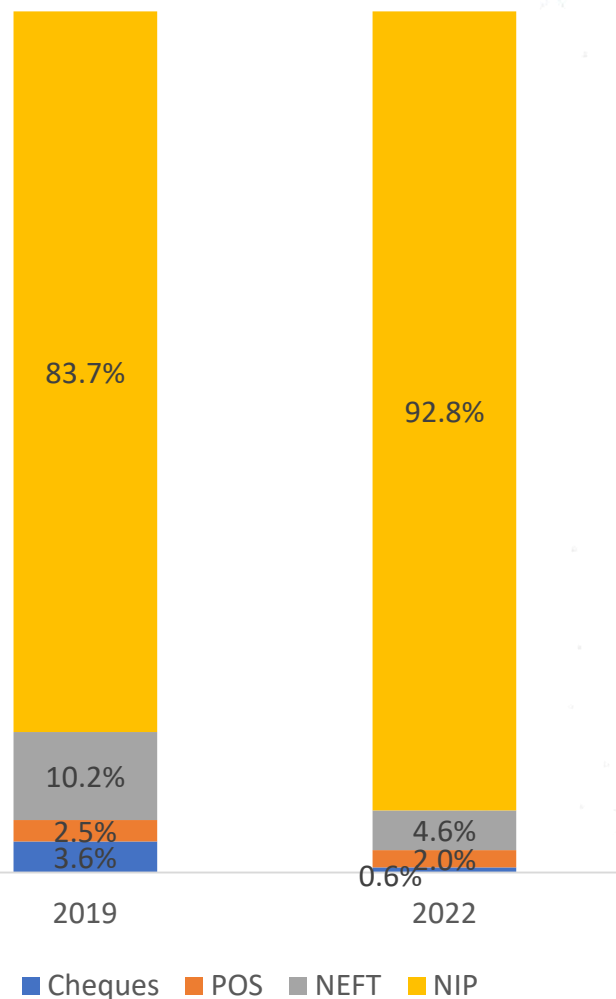
[www.custodianplc.com.ng](http://www.custodianplc.com.ng)

# PAYMENT & SETTLEMENT SYSTEM – VELOCITY OF CIRCULATION

## FLAT



### Proportion of e-payment channels



✗ Total value of e-payments spiked by 223% to an estimated N405trn in 2022 from N126trn in 2019

✗ Value of cheque payments declined to 0.6% of total payments in 2022 from 3.6% in 2019

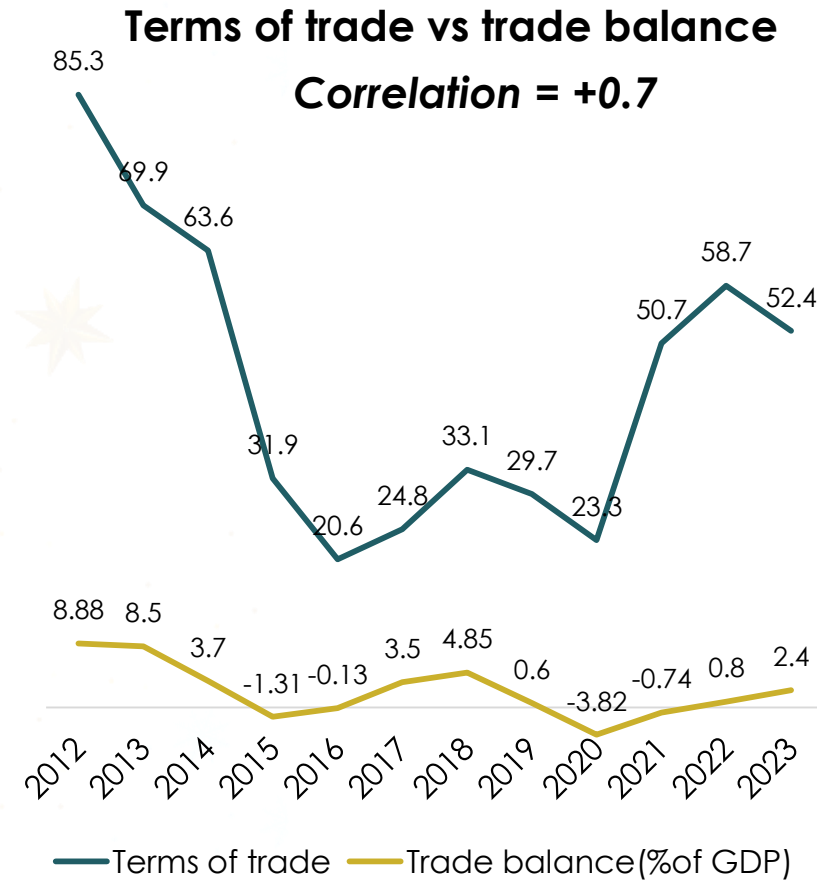
✗ Velocity of circulation has remained relatively constant



# TERMS OF TRADE



- ✗ Terms of trade measures the ratio of export in terms of import
- ✗ It deteriorated by 32% to 58.7 from 85.3 a decade ago due to
  - ✗ Exchange rate depreciation/devaluation
  - ✗ An increase in the price of major exports
- ✗ Prices of oil & gas increased but not as much as that of imports
- ✗ As OPEC's bargaining power weakens, the terms of trade could deteriorate further
- ✗ In 2023, oil price is expected to hover between \$80pb and \$95pb



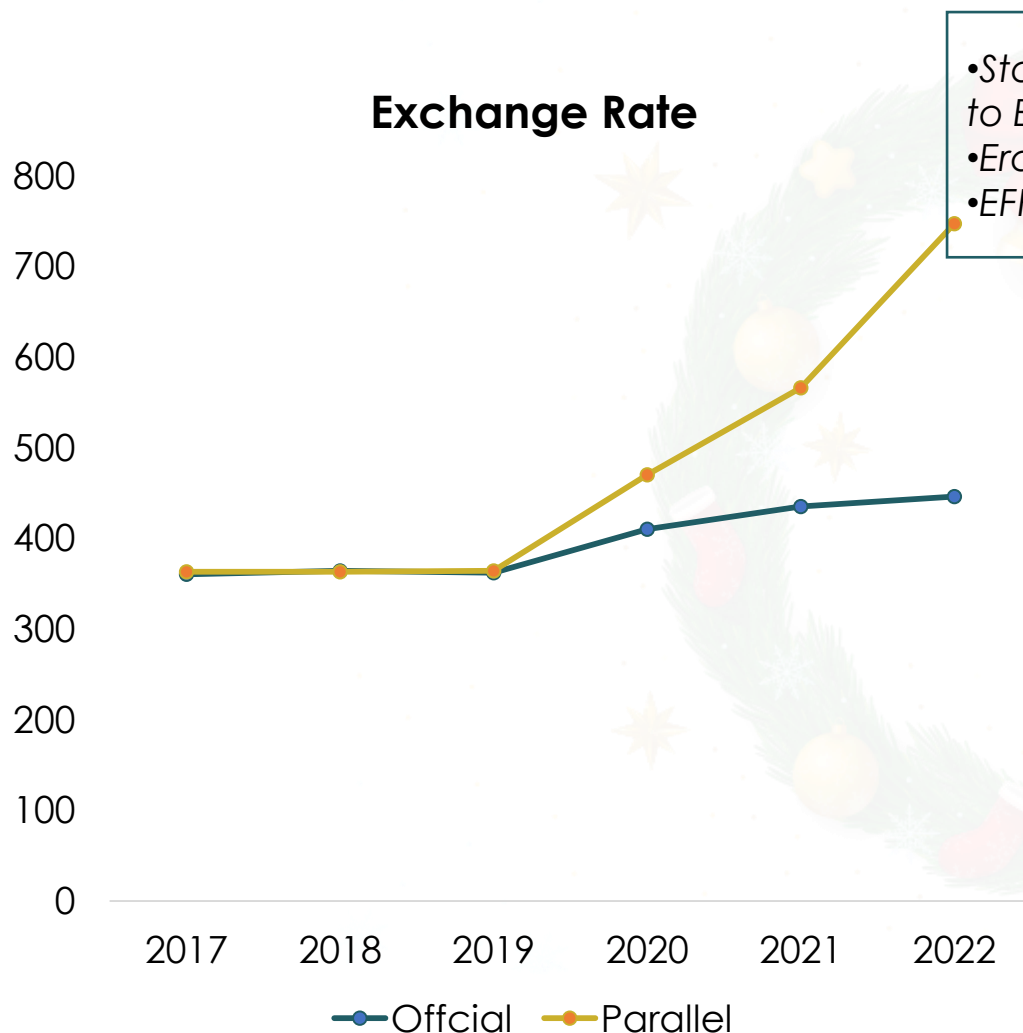
# EXTERNAL RESERVES



- ✗ External reserves plummeted to \$36.96bn in December 2022 from its all-time high of \$62.08bn in 2008
- ✗ External reserves under pressure due to:
- ✗ Declining capital inflows – down to \$3.1bn (H1 '22) from \$24.0bn in FY2019
- ✗ Shortfall in Diaspora remittances – fell to \$10.1bn (H1 '22) from \$23.8bn in FY2019

	10 year avg	2022	2023*
External Reserves (\$'bn)	36.91	36.96 (Dec 13)	38.82
US Dollar (\$'bn)	30.4	28.8 (Jun)	33.21
Chinese (\$bn)	2.64	3.6(Jun)	2.61
Export(\$bn)	61.27	64.7	68.2
Oil Export(\$bn)	55.93	50.56	47.99
Non-oil Export (\$bn)	5.34	14.14	20.21
Import (\$bn)	54.39	53.7	50.2
Trade Balance (\$bn)	6.88	11	18
Terms of Trade	85.3 (2012)	58.7	52.4

# NAIRA MISALIGNED FROM ITS TRUE VALUE



- Stopped sales of dollar to BDC
- Eradication of ABOKI FX
- EFFC arrest of BDCs

	2017 (N/\$)	2022 (\$/N)
PPP Value	365	722.86

✗ The more the administrative controls in the forex market, the more the parallel market premium increases

✗ Leading to diversion of investment flows away from the market

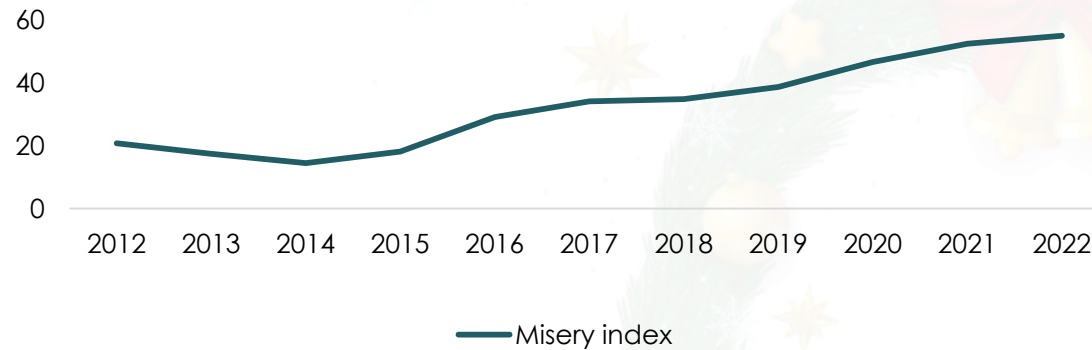
✗ In 2023, exchange rate adjustment is inevitable



# HUMAN DEVELOPMENT INDICATORS



### Misery index (%)



✗ Misery index averaged 30.2% in the past 10 years

✗ Now 54.7%

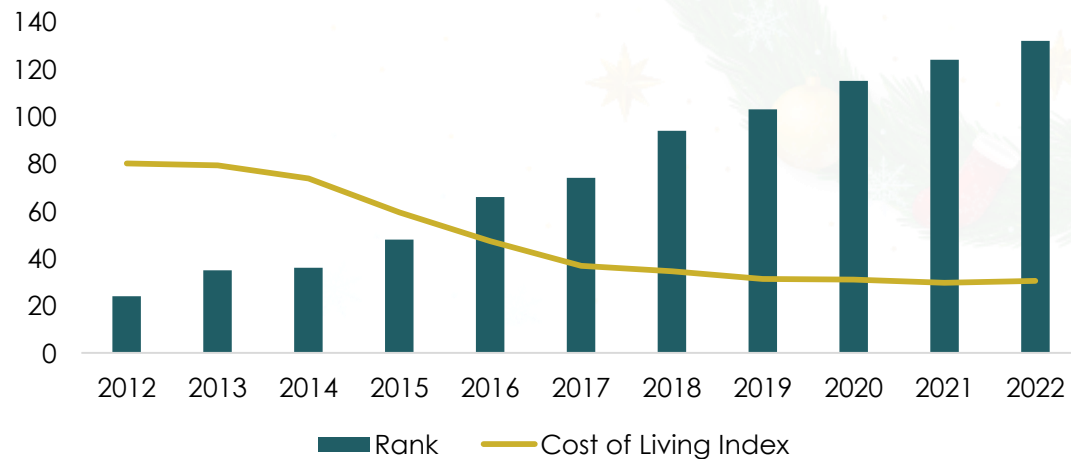
✗ Cost of living is constantly rising

✗ Nigeria was ranked the 24th country with the least cost of living in 2012

✗ Now ranked 122nd

✗ Lost 85 positions in the last 10 years

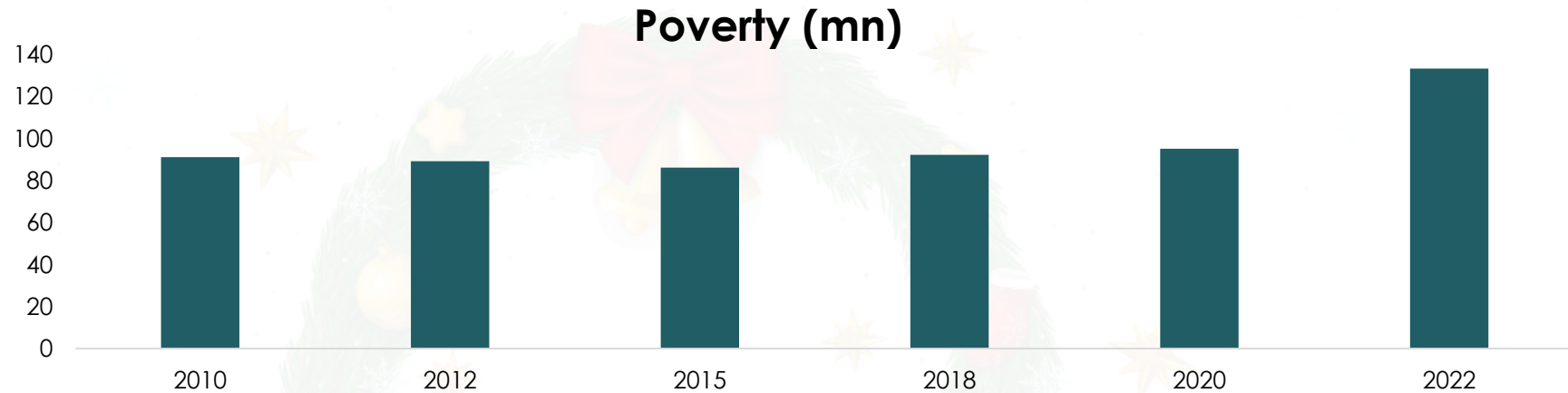
### Cost of Living Index







## HUMAN DEVELOPMENT INDICATORS



- ✗ Poverty rate averaged 34% in the last 10 years - **Now 62.5%**
- ✗ Nigeria houses the highest number of poor people in the world, overtook India in 2018
- ✗ 133 million Nigerians are in multidimensional poverty
- ✗ 93 million Nigerians lack access to electricity
- ✗ Only 15% of Nigerians have access to clean cooking fuel

## WHY WILL 2023 BE DIFFERENT?

- ✗ *Why and how will 2023 be unique?*
- ✗ *The economic decay curve has crystallized*
- ✗ *The fiscal, external and monetary imbalances are taking a toll on output, employment and prices*
- ✗ *Nigeria not an outlier, SSA countries are bleeding*





# Alpha Morgan Capital

*Growing Your Wealth...*

**FUNDS MANAGEMENT**

**INVESTMENT BANKING**

**FINANCIAL ADVISORY**

**Head Office (Lagos)**

Union Bank Building (2nd floor) Plot 1668b,  
Oyin Jolayemi Street, Victoria Island, Lagos.  
081 51 71 71 71

**Abuja Branch**

Phase 1, 5th Floor, Suite F5. 1 Rivers House,  
Plot 83 Ralph Shodeinde Street, CBD, Abuja.  
+234 09 292 5164



[www.alphamorgan.com](http://www.alphamorgan.com)

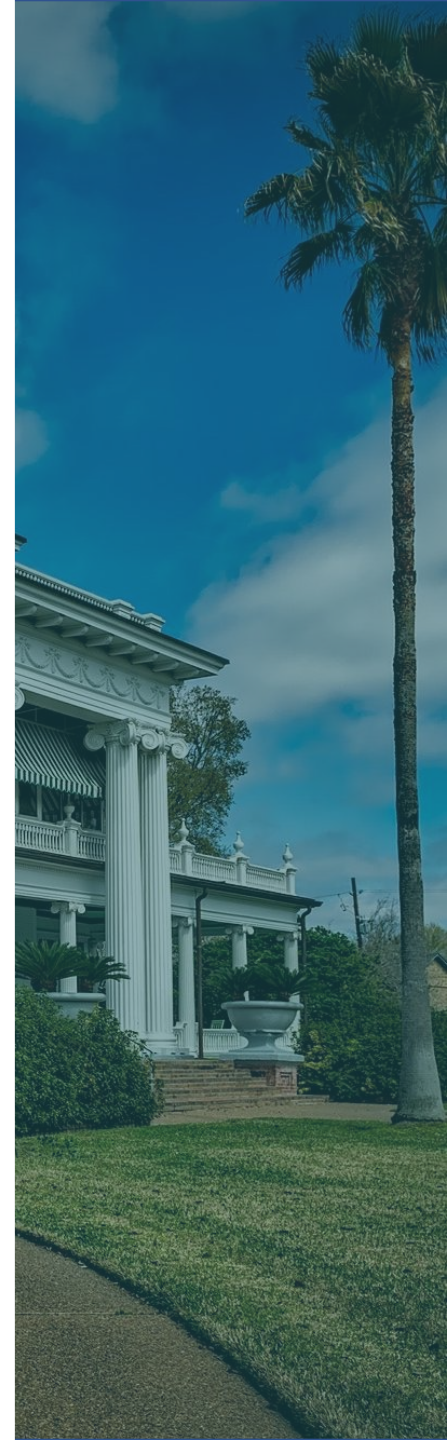


[info@alphamorgan.com](mailto:info@alphamorgan.com)





# **2023:** **THE PIVOTAL** **YEAR**







## PROJECTIONS FOR 2023 - EIU



- ✗ Global real GDP growth to slow sharply in 2023 to 1.7% (2022 estimate: 3%)
  - ✗ Ripple effects of Russia-Ukraine war
  - ✗ Global monetary tightening
  - ✗ Economic slowdown in advanced Economies, including China
- ✗ Energy prices to remain elevated in 2023 due to
  - ✗ Lingering conflict in Ukraine
  - ✗ OPEC production cuts



## RELEVANT TRENDS IN 2023 - EIU

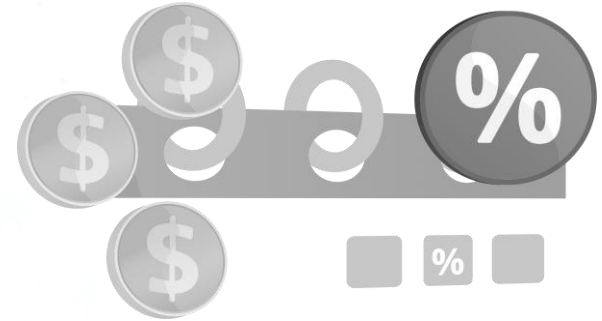
- ✗ Reduction in aggregate demand & ease on oil sanctions on Venezuela to put a floor on oil price increases
- ✗ Eurozone economy to fall into recession in 2023
  - ✗ To contract by 0.3% (2022 estimate: 3%)
  - ✗ Russia's weaponisation of gas deliveries to result in energy shortages
- ✗ The US may escape recession in 2023



## PROJECTIONS FOR 2023 - EIU



- ✗ Commodity prices to drop in 2023 but will remain historically high keeping a floor under inflation
- ✗ Global inflation to dip to 6.5% in 2023 from an estimated 9.4% in 2022
- ✗ Policy rate to peak in H1 '23 and will remain high in 2023-24
- ✗ China's GDP growth to recover to 4.7% in 2023 from 3.3% in 2022
- ✗ Loosening of its zero-covid policy will underpin recovery
- ✗ But raises risk of surging covid cases



## SPECIFIC INDUSTRIES TO WATCH IN 2023



**FINANCIAL SERVICES**

**ENERGY**

**AVIATION & TOURISM**

**AGRICULTURE**

**INFORMATION  
TECHNOLOGY &  
TELECOM**

**AUTOMOTIVE**



# GLOBAL FINANCIAL SERVICES - 2023 OUTLOOK

- ✗ Banks, insurers & fund managers to battle with difficult financial conditions due to
  - ✗ Weakening economic output & rising interest rates
- ✗ Heavily indebted developing countries to find it difficult to refinance debt
- ✗ Could drive some into defaults unless rescued by multi-lateral organizations
- ✗ IMF to continue lenient treatment of economies requiring its financing programmes
- ✗ The current capital-markets crisis will impede a variety of loss-making fintech challengers seeking to outflank existing firms in banking, payments, and other areas





## TELECOM INDUSTRY - 2023 OUTLOOK



- ✗ Mobile telecoms to boost global economy as productivity improves
- ✗ Spread of 5G technology to middle-income countries will take 5G subscriptions past 1bn
- ✗ Smartphone sales to decline amid recessions & semiconductor supply problems
- ✗ Broadband to reach more homes in the developing world
- ✗ Operators struggle to finance investments despite passing higher costs to consumers



## INFORMATION TECHNOLOGY - 2023 OUTLOOK

- ✗ IT spending will rise in 2023 despite looming recession risks & interest rate hikes
- ✗ Ability for technology to predict demand, track supply & secure data puts technology on high demand
- ✗ Cloud computing to grow as remote work becomes mainstream
- ✗ Automation will accelerate as businesses work to counter high wages & supply problems
- ✗ Firms will be prompted to build mobile networks to improve connectivity & tighten security
- ✗ Cyber-security risks loom as digitization increases



## AGRICULTURE - 2023 OUTLOOK

- ✗ War in Ukraine & climate change to fuel food insecurity in 2023
  - ✗ UN expects 19mn more people to be undernourished with 830mn going hungry worldwide
- ✗ Fertilizer shortages, high energy prices & aftermath of 2022 droughts will hobble planting
- ✗ Wheat & maize production to drop while grain exports from Ukraine remain low
- ✗ Sky-high food prices will decline as aggregate demand falls on low disposable income





# GLOBAL CONSUMER GOODS & RETAIL - 2023 OUTLOOK



- ✗ Inflation to push up global retail sales by 5% in 2023
  - ✗ Demand for low budget items to increase due to impact of high inflation on consumption patterns
- ✗ But low sales volume & surging costs will weaken profits
- ✗ Rollouts of automation technologies will limit wage growth
  - ✗ Retail employment unlikely to return to pre-COVID levels
- ✗ Online sales to slow but online share of retail to increase to 14% of global retail sales





## **Equinix 2022 Global Tech Trends Survey**

### **Results Report – Nigeria**

**DOWNLOAD HERE**



## GLOBAL AVIATION - 2023 OUTLOOK

- ✗ Aviation industry expected to turn profitable in 2023 - **\$4.7bn**
- ✗ Air traffic to increase albeit slowly in 2023 compared to 2022
- ✗ Global RPKs to return to 2019 levels by 2024
- ✗ Europe and the Middle East airlines would be most profitable in 2023
- ✗ While Latin America, Africa, and Asia-Pacific airlines to catch up in 2024
- ✗ Pent-up demand (**Revenge Tourism**) to boost international tourist arrivals by 30% to 1.6bn in 2023
- ✗ However, tourist arrivals will remain below pre-pandemic levels due to higher living costs and China's zero Covid policy



## DOMESTIC AVIATION – 2023 OUTLOOK

- ✗ Nigeria Air expected to commence operations before June 2023
- ✗ It is anticipated to create about 70,000 jobs
- ✗ Ethiopian airlines have a major stake of 49%, institutional investors 46%, and the federal government holds 5%



### Estimate of Revenue and Passenger Traffic

	Year 1	Year 5	% Change
Passengers (est.)	2 million	5.5 million	175
Revenue (est.)	\$280 million	\$1 billion	257



## DOMESTIC AVIATION – 2023 OUTLOOK

✗ All roadmaps outlined for the aviation industry will be completed by April 2023



✗ Domestic airlines will intensify efforts to boost fleet capacity to meet surging passenger demand

✗ Maintenance costs will remain elevated due to dollar scarcity

✗ Naira volatility to cap airline profits

## AUTOMOTIVE INDUSTRY - 2023 OUTLOOK

- ✗ Growth in the automotive industry will be slowed by
  - ✗ Energy crises
  - ✗ Slower global demand
  - ✗ Continued supply chain problems
- ✗ New vehicle sales to increase by 1%
  - ✗ Remains 14% below 2019 levels
- ✗ Sales of electric vehicles will pick up
  - ✗ To grow by 25% from almost 100% increase in 2021
- ✗ Carmakers to struggle with passing rising costs to buyers as disposable income falls



## GLOBAL TRENDS IN 2023 - IMPACT ON NIGERIA

- ✗ GDP growth expected to slow to 2.9% in 2022 due to
  - ✗ Monetary tightening
  - ✗ Weak currencies
  - ✗ Fiscal imbalances
- ✗ Currency pressures will linger as high global interest rates continue to stem capital inflows
- ✗ Will be difficult to visit the international capital market as the global interest rates remain elevated
- ✗ Inflationary pressures to ease as global commodity prices moderate from their peak in 2022
  - ✗ Estimated to fall to 16.3% from 19.5% in 2022
- ✗ Global recession will have less impact on the Nigerian economy in 2023 due to the time lag effect
- ✗ Nigeria may be unable to fully benefit from high oil prices as oil production remains sub-optimal



## GLOBAL TRENDS IN 2023 - IMPACT ON NIGERIA

- ✗ External earnings will be supported by high global gas prices
- ✗ Funding LC's for Nigerian banks may be difficult as monetary conditions tighten
- ✗ Rise in unemployment & cost of living could lead to social unrest & political instability
- ✗ Increased use of technology in Nigeria to boost business productivity
  - ✗ Could widen the gap between the rich & the poor
  - ✗ Deployment of 5G networks in 2023







# SECTOR OPPORTUNITIES IN NIGERIA - TELECOMMUNICATIONS



**Contribution to GDP: 14%**

**Stock market cap (% of total) :**

**37.10%**

**(MTN & AIRTEL)**

- ✗ In terms of subscriber base, Nigeria is the third-largest telecoms market in Africa after South Africa and Egypt
- ✗ Mobile subscriptions to rise to 207mn in 2023 from 203.5mn in 2022
- ✗ Telecoms to grow by 12.2% in 2023
- ✗ 5G launch to drive new frontiers in telecommunications
- ✗ And support a new ecosystem of internet of things (IoT)
  - ✗ Smart road, smart homes, connected tractor, telemedicine, automation transport, etc

## SECTOR OPPORTUNITIES IN NIGERIA – REAL ESTATE



**Contribution to GDP: 5.43%**

**Stock market cap (% of total) :**

**0.92% (UPDCREIT & UPDC)**

- ✗ There will be sustained growth in the real estate in 2023:
- ✗ Sector to expand by 5.2%
- ✗ Contribution to GDP to increase to 6.5%
- ✗ High population and urbanization growth

### **Risks**

- ✗ High interest rate environment
- ✗ Increase in the cost of building materials
- ✗ Poor land acquisition policy
- ✗ Forfeiture orders on properties owned by politically exposed persons

# SECTOR OPPORTUNITIES IN NIGERIA - AGRICULTURE



**Contribution to GDP: 25.09%**

**Stock market cap (% of total) :**

**1.06%**

**(OKOMU & PRESCO)**

- ✗ Sector to expand by 2.1% in 2023
- ✗ Contribution to GDP is expected to inch up to 26%
- ✗ Increased investment in backward integration
- ✗ Commercialization and mechanization
- ✗ High employment opportunity

## Risks

- ✗ Poor Agric Insurance culture
- ✗ Climate change
- ✗ Sub-optimal investment

**\*770** 

Start now. Dial \*770#



Contact Us: [trueserve@fidelitybank.ng](mailto:trueserve@fidelitybank.ng)

Fidelity Bank Plc



## SECTOR OPPORTUNITIES IN NIGERIA - MANUFACTURING



**Contribution to GDP: 9.2%**

**Stock market cap (% of total): 29%**

**DANGCEM & BUA**

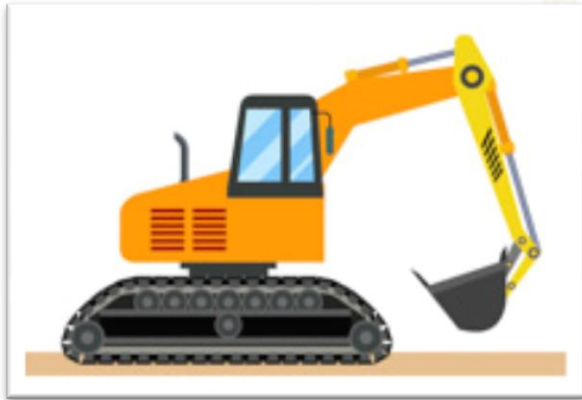
- ✗ Increasing use of technology for business activities and cost optimization (Business digitization)
- ✗ Dangote refinery to support improvement in the manufacturing sector

### **Risks**

- ✗ Foreign exchange scarcity
- ✗ Poor business environment
- ✗ Weak consumer demand
- ✗ High energy cost



## SECTOR OPPORTUNITIES IN NIGERIA - CONSTRUCTION



**Contribution to GDP: 9.2%**

- ✗ Increased spending & investment on road infrastructure
- ✗ Nigeria concedes 12 federal highways

### **Risks**

- ✗ Projects initiated by the previous administration may be abandoned



## NIGERIA – 2023 OUTLOOK

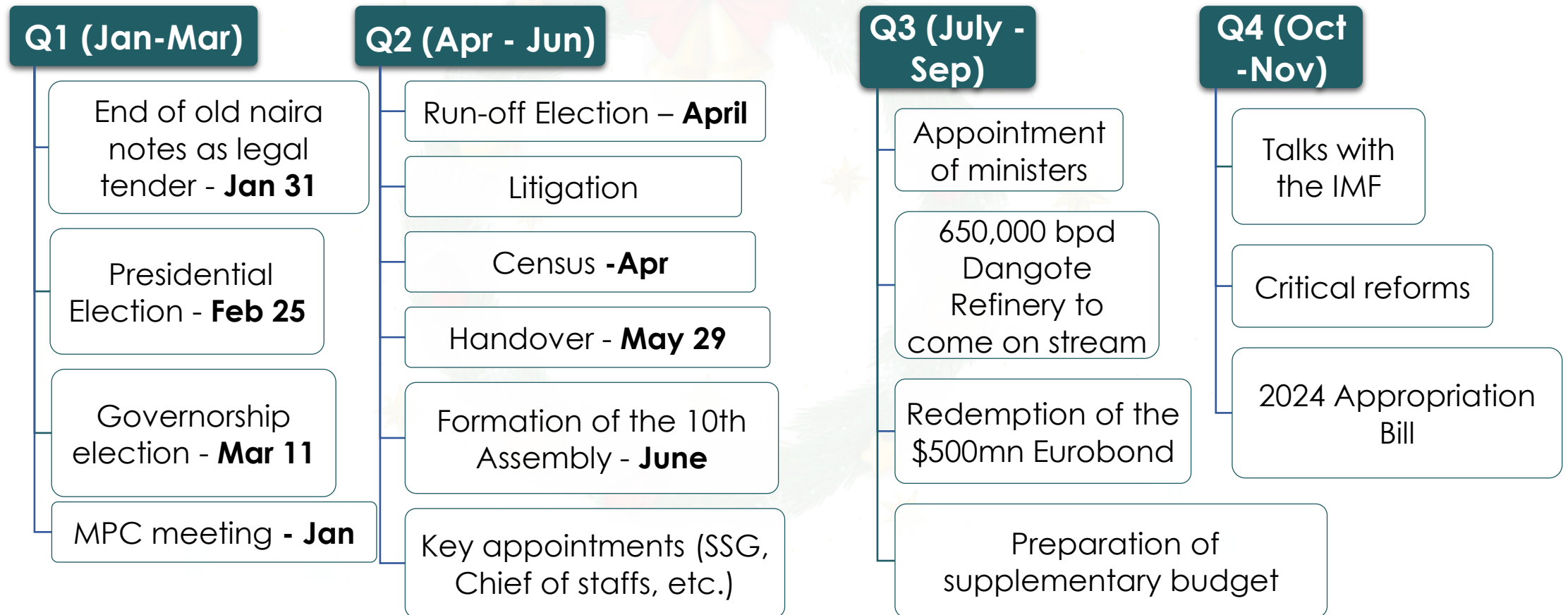


Indicators	Nigeria	
	2022	2023
Current account balance (\$bn)	4.53	6.73
Inflation (%)	19.5	16.3
Currency (End period; N/\$)	747	680
Fiscal Deficit (% of GDP)	-5.4	-4.4

- ✗ Exchange rate adjustment to narrow the IEFX-parallel gap
- ✗ Inflation to taper on restrictive monetary policy regime
- ✗ Increase in non-oil revenue and invisible exports will support improvements in the current account balance



# NIGERIA: A QUICK GLIMPSE INTO 2023



# IN THE END 2023 WILL BE A YEAR OF.....

**Q1- ELECTION**

**Q2- LITIGATION**

**Q3- CELEBRATION**

**Q4- REDEMPTION**



## KEY POLICY ISSUES TO ADDRESS IN 2023

EXCHANGE RATE  
ADJUSTMENT

COST-REFLECTIVE  
ELECTRICITY TARRIFS

FUEL SUBSIDY  
REMOVAL

CURB OIL THEFT

✗ Market efficiency is expedient for economic growth in 2023



**POLITICS:**  
**LESS TALK,**  
**MORE ACTION!**



# STABILITY OR DEMOCRACY- WHICH IS MORE IMPORTANT ?

- ✗ Long on promises, short on delivery
- ✗ What is the difference between 6 & half a dozen?

**APC**



Asiwaju Bola Ahmed  
Tinubu

**LP**



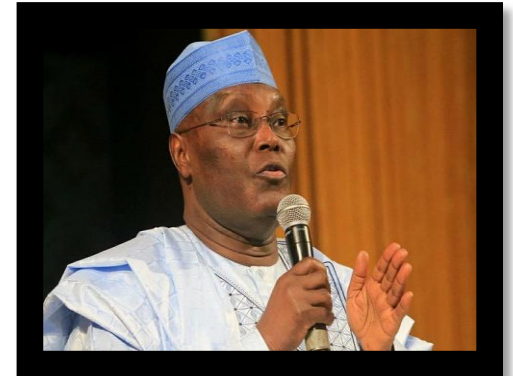
Peter Obi

**NNPP**



Rabiu Kwankwaso

**PDP**



Atiku Abubakar



# LONG ON PROMISES, SHORT ON DELIVERY



## Rabiu Kwankwaso – NNPP



- ✗ A well-managed economy
- ✗ Individualistic-centered economy
- ✗ Strengthening the purchasing power
- ✗ Open the economy to investment
- ✗ Targeted stimulation



## LONG ON PROMISES, SHORT ON DELIVERY

**Peter Obi – LP**



- ✗ Open the economy to investment
- ✗ Stringent measures to achieve efficiency and effectiveness
- ✗ Exchange rate unification & commitment to reforms
- ✗ Production centered economy to achieve export led industrialization
- ✗ Reducing costs of governance and blocking leakages of government funds
- ✗ Removal of subsidies
- ✗ Policies amplify that economic growth and development are complementary

## LONG ON PROMISES, SHORT ON DELIVERY

### Ahmed Tinubu – APC



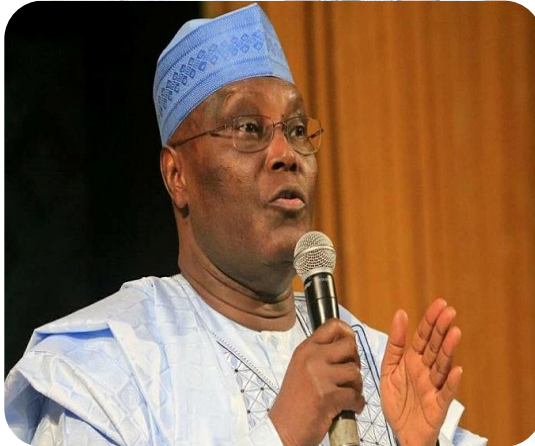
- ✗ Policies rest heavy on PPP (Public Private Partnership)
- ✗ Double-digit economic growth in 4 years
- ✗ Increase spending and borrowing to achieve growth objectives
- ✗ Monetary policy to serve fiscal objectives
- ✗ Export promotion to strengthen the naira
- ✗ Subsidy removal



# LONG ON PROMISES, SHORT ON DELIVERY



**Atiku Abubakar – PDP**



- ✗ Economic reform
- ✗ Economic and market deregulation
- ✗ Privatization of oil refineries
- ✗ Public-private partnership concession policy
- ✗ Removal of subsidies
- ✗ A business man's approach to governance



## COMMON ECONOMIC THEMES



- ✗ Each candidate at best suggests they are all reformists but not radical or revolutionary
- ✗ Their policies and programmes tilt towards the same neoliberal tendency
  - ✗ But with individual variation and aspirations
- ✗ It is believed that even as reformists the leading candidates will have to go beyond mere rhetoric
- ✗ They need to practically articulate policies that would inform realistic economic improvement

Where do the leading three presidential candidates stand on the key issues?

	Atiku Abubakar (PDP)	Bola Tinubu (APC)	Peter Obi (Labour Party)
Private-sector-driven growth	✓	✓	✓
Fully liberalised, single exchange rate	✓	✗	✓
Reduce public debt/GDP ratio	✓	✗	✓
Print money to finance budget	✗	✓	✗
Remove the fuel subsidy	✓	✓	✓
Increase headcount of security services	✓	✓	✓
Reform the civil service	✓	✓	✓
Introduce subnational state police	✓	✓	✓
Decentralise power sector	✓	✓	✓

Sources: Candidates' manifestos; interviews; townhalls/debates.



# IT'S TIME TO **CARE** ABOUT **YOUR SALT**

Refined, Iodized & Purified

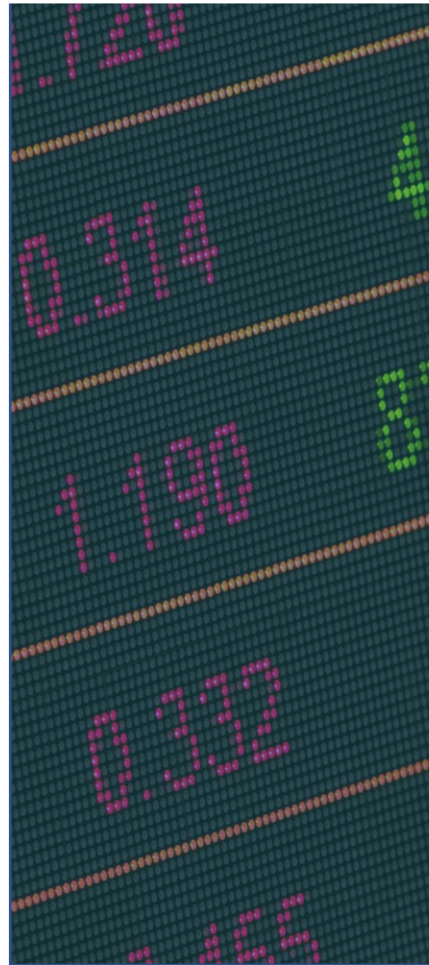


**CHOOSE QUALITY, CHOOSE DANGOTE SALT**

[www.nasconplc.com](http://www.nasconplc.com)

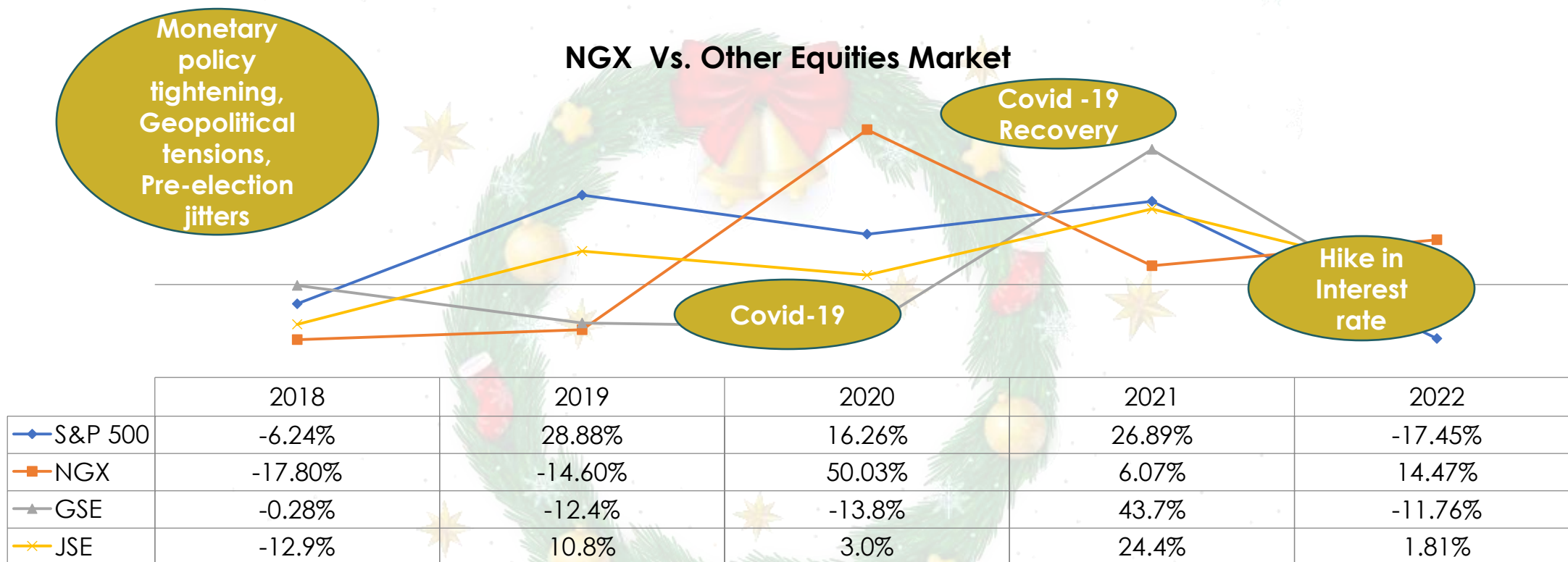


# STOCK MARKET





# GLOBAL EQUITIES MARKET FIVE YEAR TREND



✗ US equities market outperforms others- Returns an average of 10% in five years

✗ NGX in disconnection with other equities market

✗ Outperforms others through uncertainties

Four vertical bars of increasing height from left to right, colored in a gradient from light yellow to dark green.

## STOCK MARKET OUTLOOK-2023

- 
- A large, faint Christmas wreath is centered in the background. It is made of green pine branches and is decorated with red and gold ornaments, gold stars, and a red bow at the top. Snowflakes are scattered around the wreath.
- ✗ The stock market will adjust to the direction of the MPR
    - ✗ A moderation in interest rate will prompt investors for high dividend yields
  - ✗ NGX expected to rally in the short term
    - ✗ Investors positioning in undervalued stocks with long-term potentials
  - ✗ Investors expected to watch the market closely
    - ✗ Flight to safety due to election fears
  - ✗ New stock listing will bolster market capitalization and attractiveness

Three vertical bars of increasing height, colored in a gradient from yellow to green, are positioned to the left of the title.

## STOCK MARKET OUTLOOK-2023

- 
- A large, faint Christmas wreath is centered in the background. It is made of green pine branches and is decorated with yellow stars, gold and red ornaments, and a red bow at the top. Small white snowflakes are scattered around the wreath.
- ✗ FY'22 earnings will drive investor sentiment - ***compressed margins***
  - ✗ Robust top line performance
  - ✗ Will be driven by higher prices, increased internet and market penetration, and population growth
  - ✗ But average profitability will grow at a slower pace
    - ✗ Refractory operating expenses and high finance cost





## EARNINGS PROJECTION FOR FY'2023

Industry	Stock	Revenue	Net income	Rationale
Telecommunications	MTN	↑27% to N2.09 trn	↑32% to N393bn	<ul style="list-style-type: none"> <li>•5G operations</li> <li>•Continued focus on increased network capacity and expanding rural coverage</li> </ul>
Industrial	Dangote cement	↑35% to N1.90trn	↑15% to N419bn	<ul style="list-style-type: none"> <li>•Higher prices</li> <li>•Moderation in finance cost will drive bottom line back to the positive territory</li> </ul>
Crop production	Okomu Oil	↑65% to N62bn	↑76% to N20bn	<ul style="list-style-type: none"> <li>•A major beneficiary of the government's protectionist policy</li> <li>•Increased local production</li> <li>•High commodity price</li> </ul>
Banking	Zenith Bank	↑15% to N842bn	↑7% to N262bn	<ul style="list-style-type: none"> <li>•Impressive yields on investment securities</li> <li>•Loan portfolio growth</li> <li>•Will leverage on digital technology and partnerships with PSBs</li> </ul>
Brewery	Guinness	↑32% to N273	↑12% to N3.08bn	<ul style="list-style-type: none"> <li>•Growing demography</li> <li>•Growth in business and economic activities</li> </ul>



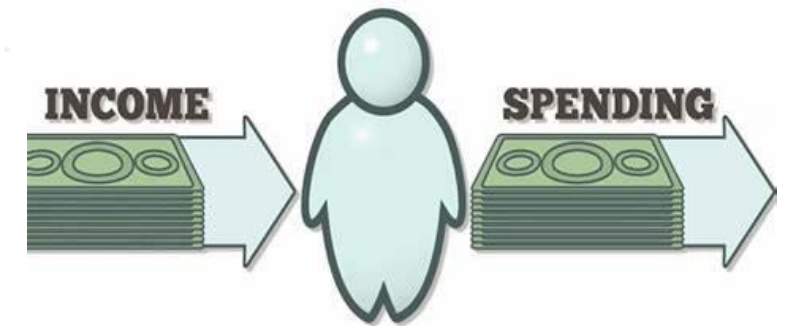
# **SUMMARY:** **TWO KEY TAKEAWAYS**



## TREND 1: MARKET SIZE

- ✗ Nigeria has the largest consumer market in Africa
- ✗ Population to increase to 223.8 million in 2023
- ✗ Inflation tapering in 2023 implies that
  - ✗ Real disposable income will increase
  - ✗ Real returns will rise
  - ✗ And private consumption will also increase
- ✗ This means a potential upside for corporates
  - ✗ Higher earnings
  - ✗ Greater profit margin

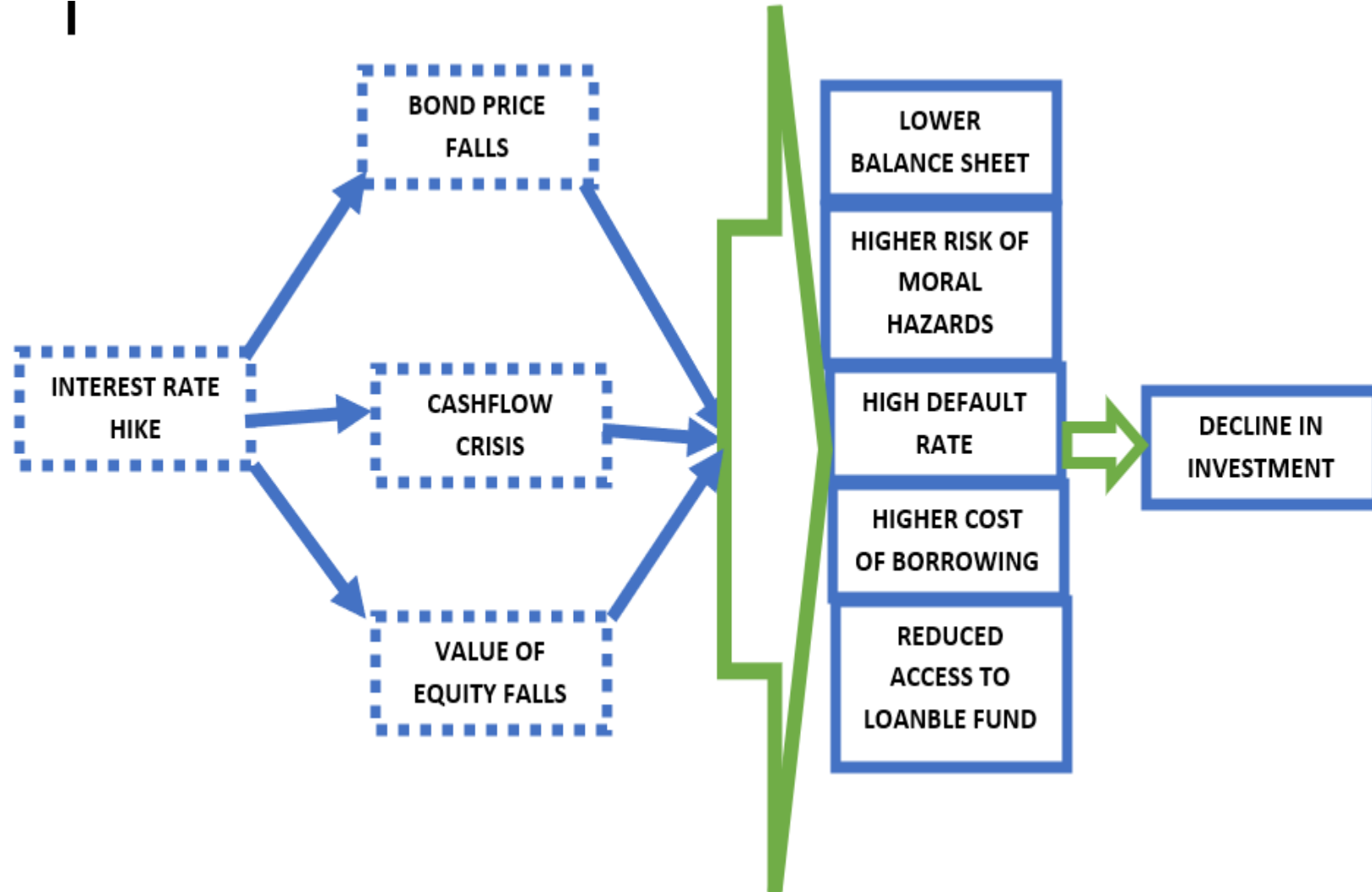
	2022	2023
Population (million)	218.5	223.8
Private Consumption (\$bn)	344.4	351.9
Government Consumption (\$bn)	34.7	37.2
Private Investing Spending	120.1	115.3



**CONSUMPTION  
FUNCTION**

# WHAT DOES HIGH INTEREST RATE MEAN FOR INVESTMENT?

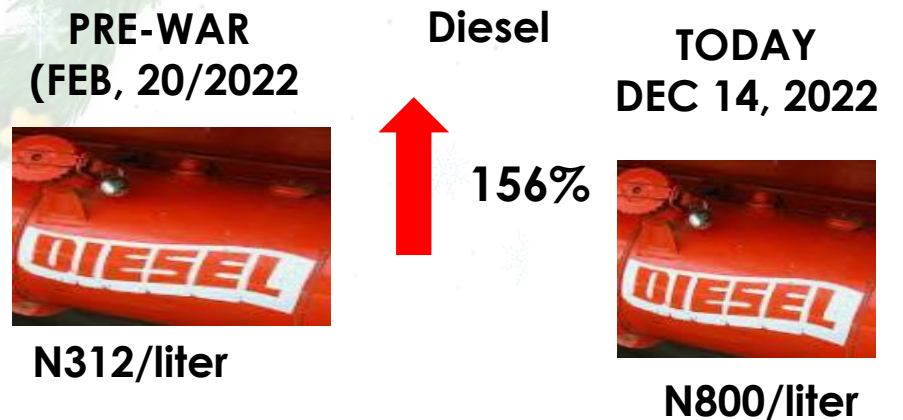
- ✗ Downward risks exist:
- ✗ Investment spending to decline by 4% in 2023
- ✗ Cost of borrowing to trend upwards





## TREND 2: INCREASED INVESTMENT IN ROAD INFRASTRUCTURE

- ✗ Russia-Ukraine war disrupted the global supply chain
- ✗ Led to astronomical increase in diesel costs
- ✗ Diesel price rose 156% to N800/liter from N312/liter in February 2022
- ✗ Other legacy problems
  - ✗ Insecurity
  - ✗ Bad roads





## **CORPORATES ARE PAYING MORE for LOGISTICS**

✗ Transportation costs incurred by corporates have risen to multi-decades high

✗ FMCG's cost of transport rose by 27% in H1 '22:

✗ NASCON 58.0%

✗ Unilever 57.8%

✗ Dangote Sugar 27.7%

✗ Nestle 20%

✗ Cadbury 7.6%

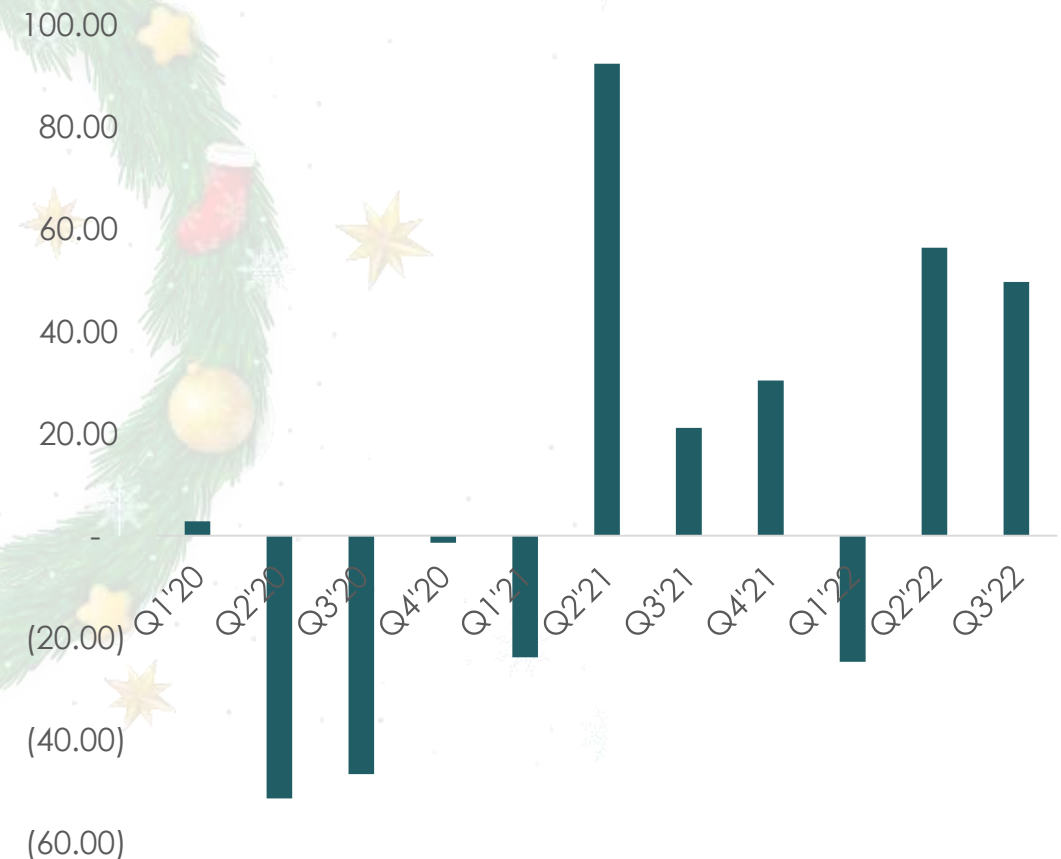
✗ Nigeria Bottling Company registered 105% increase in distribution cost in the 9 months to September



## ROAD USERS ARE SWITCHING TO AIR TRANSPORT

- Insecurity is pushing road users to air transport for both **passenger** and **cargo**
  - Even though air fare has more than doubled
  - This is weighing on the contribution of road to GDP
  - Contribution of road to GDP fell to 1.12% in Q3 from 1.70% in Q2
  - That of aviation rose to 0.11% from 0.6%

Performance of road transport  
(growth rate in %)





## INFRASTRUCTURE DEFICIT & THE NEED FOR PRIVATE- SECTOR-LED INVESTMENT

From the World Bank:

- ✗ Infrastructure deficit in Nigeria is estimated at \$100bn annually
- ✗ To close the gap, Nigeria will need to spend \$3trn

### Why the government “cannot” meet this requirement alone

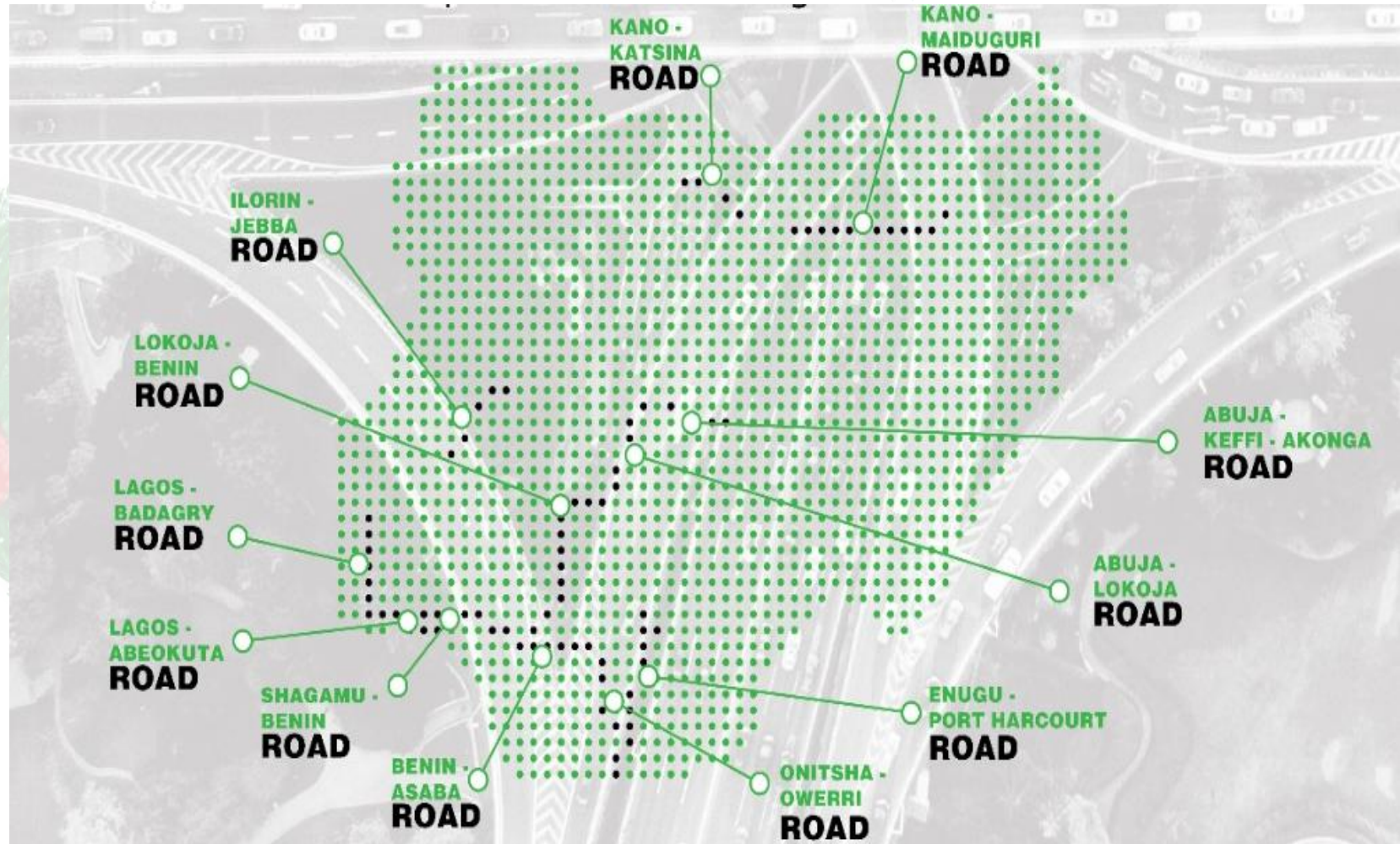
- ✗ Total FGN budget for 2023 is about \$49bn, that is 50% below the \$100bn required to be spent on infrastructure alone annually
- ✗ Total FGN CAPEX from 1999 to 2021 is \$49.6bn

### Infrastructure Statistics

S/ N		Score	Remarks
1	Infrastructure stock	35% of GDP	The world bank's benchmark is 70% of GDP. South Africa's is 87%
2	Paved roads (Nationwide)	30% of the 193,200 km of roads	The average for emerging markets is 70% while that of developing countries is 58%
3	Infrastructure development index	23.7 out of 100, ranked 24th in Africa	Seychelles - 95.5 Egypt - 88.7 Libya - 83.6 South Africa - 80.2 Algeria - 58.9 Ghana - 31.9

## WHAT DO WE EXPECT TO SEE IN 2023

- ✗ Nigeria concedes 12 federal highways or a total of 1,963km
- ✗ Represents 5.6% of Nigeria's 35,000 km federal roads







# Leo

## on WhatsApp

Chat on +234-903-000-2455

Check Account Balance?

Top up your airtime?

Bank Transfers?

Bills Payment?

<https://m.me/ubachatbanking> ✉ [Leo@ubagroup.com](mailto:Leo@ubagroup.com) 📞 CFC (+234-1-2807400)

■ Africa

• New York

• London

• Paris

Web: [www.ubagroup.com](http://www.ubagroup.com)

Email: [cfc@ubagroup.com](mailto:cfc@ubagroup.com)

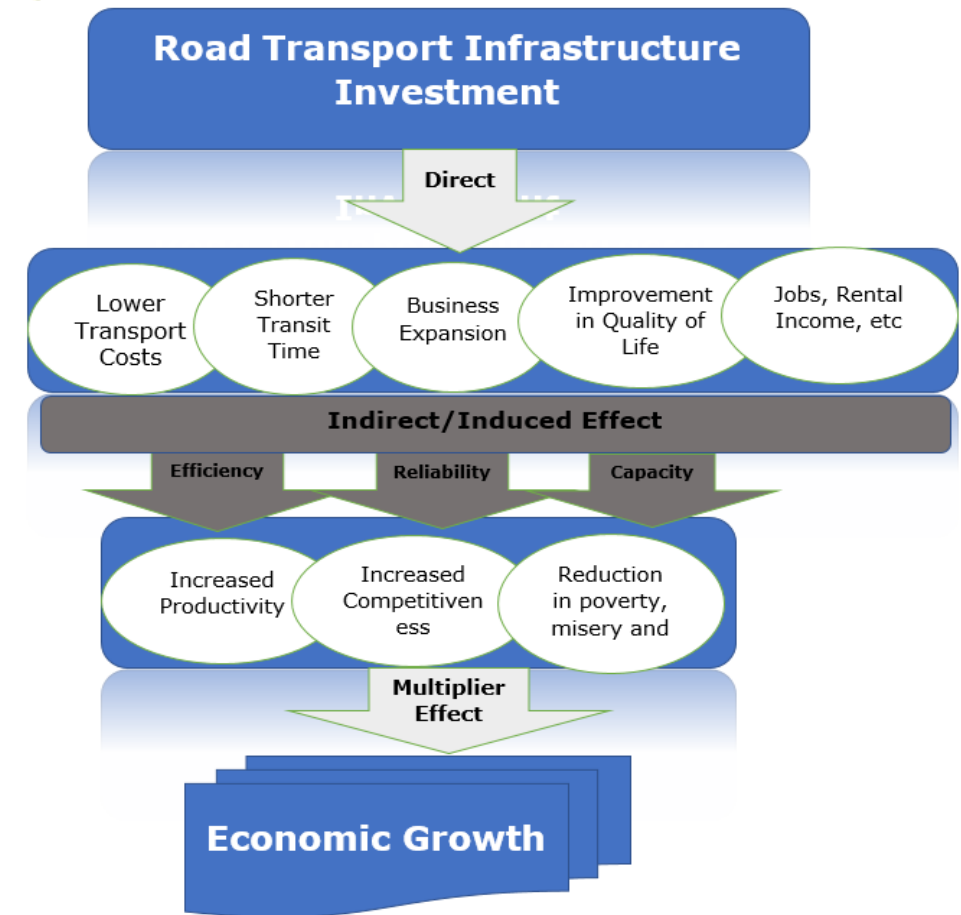
Africa's global bank



# ECONOMIC IMPACT OF ROAD TRANSPORT INVESTMENTS

✗ The Value Added Concession (VAC) under the HDMI (Highway Development & Management Initiative offers tremendous economic benefits:

- ✗ Direct Impact
- ✗ Lower transport costs
- ✗ Shorter transit time
- ✗ Increased productivity
- ✗ Increased competitiveness
- ✗ Increase in bottom line
- ✗ Improvement in the quality of life



**Impact of the road infrastructure investment on the economy**

# ROAD TRANSPORT INVESTMENT: WHAT DOES THE DATA SAY?

✗ In Nigeria, we found that:

✗ The multiplier for road infrastructure is

✗ 1-2 years = 2.21

✗ 3 - 5 years = 3.23

✗ 6 years and above = 3.45

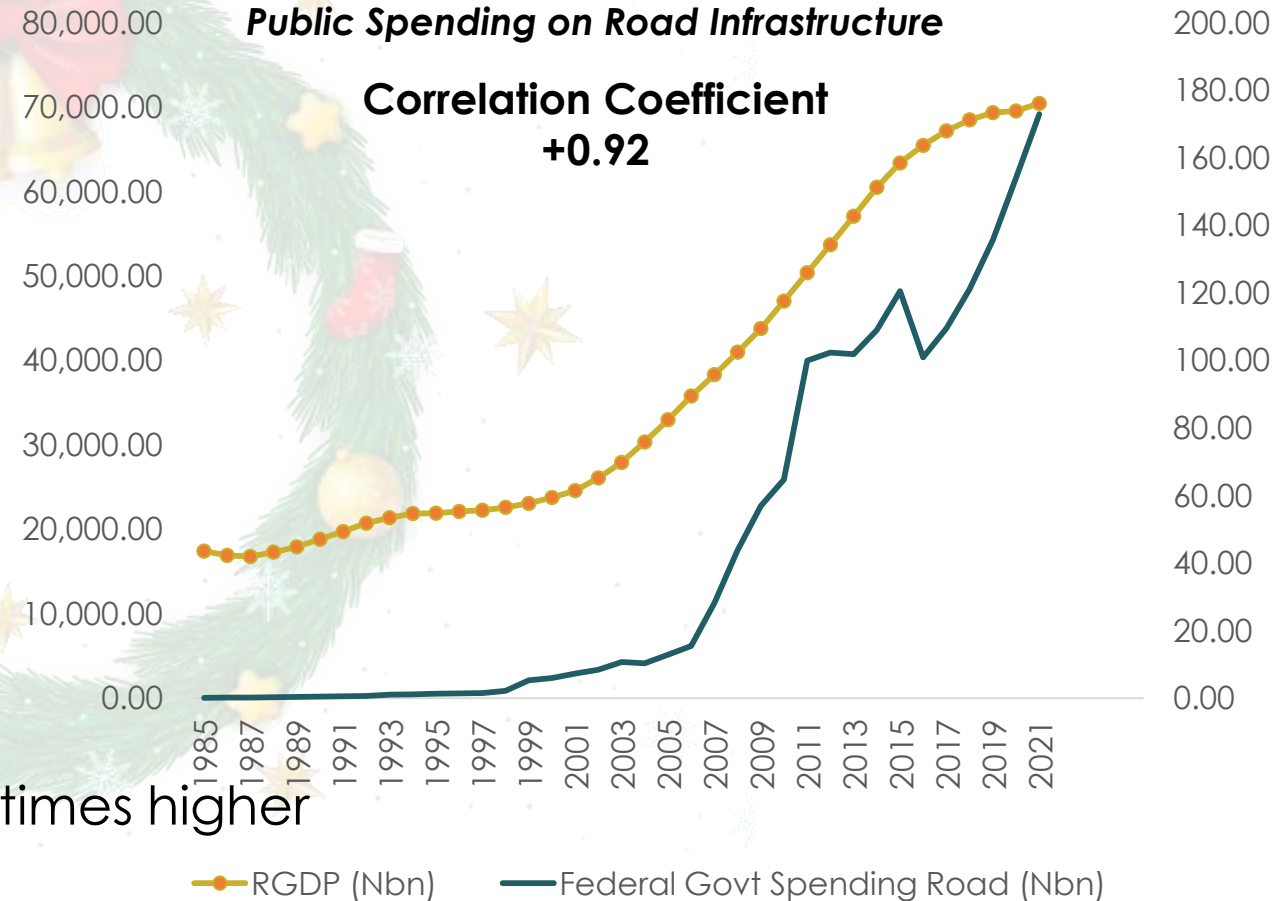
✗ That of US is 1.2

✗ In China, Impact of rural roads on output is 4 times higher

than urban roads (Fan & Chan-Kang, 2008)

*Seasonally-adjusted trend of RGDP and  
Public Spending on Road Infrastructure*

**Correlation Coefficient  
+0.92**



## CORPORATE HUMOUR

- \* The two biggest sellers in a book store are Cook books and Diet books
- \* The Cook books tell you how to prepare the food and the
- \* Diet books tell you how not to eat it

– *Andy Rooney*

The British tourist is always happy abroad so long as the natives are waiters.

– *Robert Morley*

When we talk to God we are praying, when God talks to us we are mental.

– *Lily Tomlin*

There are two kinds of books, those that no one reads and those that no one ought to read.

– **H. L. Mencken**

Only in show business could a guy with a C minus average be considered an intellectual.

– **Mort Sahl**

In America there are only two classes of travel – First and With children.

– **Robert Benchley**

Three vertical yellow bars of varying heights are located to the left of the section header.

## CORPORATE HUMOUR

There is a Great woman behind every Idiot.

– **John Lennon**

A large, faint Christmas wreath is centered in the background. It is made of green pine branches and is decorated with a red bow at the top, several yellow stars, and gold ornaments. There are also small white snowflakes scattered around the wreath.

Any girl can be glamorous, all you have to do is stand still and look stupid.

– **Hedy Lamarr**

Love is what happens to men and women who don't know each other.

– **Somerset Maugham**



## CORPORATE HUMOUR

Adolescence is the stage between infancy and adultery.

– **Anonymous**

A large, faint green Christmas wreath is centered on the slide. It is decorated with a red bow at the top, several yellow stars, and gold ornaments. The wreath is surrounded by small white snowflakes.

Ignorance is the mother of admiration.

– **George Chapman**

For every dark night there is a brighter day.

– **Tu Pac**

## CORPORATE HUMOUR

The world is the best of all possible worlds, and everything in it is a necessary evil.

– *F. H. Bradley*

A large, circular green Christmas wreath is centered on the slide. It is decorated with several gold stars, red bows, and gold bells. The wreath is surrounded by a light snowfall effect.

Life is first boredom, then fear.

– *Philip Larkin*

Those who stand for nothing  
fall for anything

– *Alex Hamilton*

Three vertical yellow bars of varying heights are located to the left of the section header.

## CORPORATE HUMOUR

It takes two to speak the truth – one to speak and another to hear  
– **Henry David Thoreau**

At 20 years of age, the WILL reigns, at 30 years the WIT reigns and at 40 years of age the Judgement reigns  
– **Benjamin Franklin**

Always do it right. It will gratify half of mankind and astound the other  
– **Mark Twain**

## CORPORATE HUMOUR

My mother said that there are only two types of men – Nice men who did things for you and bad men who did things to you.

– **Margaret Atwood**

The average girl would rather have beauty than brains because she knows the average man can see much better than he can think

– **Anonymous**

If maternity is a matter of fact, paternity is a matter of opinion

– **Walter Bagehot**



## CORPORATE HUMOUR

The struggle ends when the gratitude begins  
– **Neale Donald Walsch**

When some things go wrong, take a moment to be thankful for the things  
still going right  
– **Anonymous**

Life is short smile while you still have teeth.  
– **Mallory Hopkins**

HAVE A  
MERRY CHRISTMAS  
&  
HAPPY NEW YEAR!





Thank  
you



Bismarck J. Rewang, MD/CEO  
Financial Derivatives Company Ltd.  
Lagos, Nigeria  
01-6320213