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# CONTENT


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# GIG ECONOMY: A BLESSING OR A CURSE?

The gig economy is comprised of independent contractors and freelancers who predominately occupy temporary and part-time positions.[1] It is seen as a viable source of employment and a way to supplement wages from regular employment. Increasingly, this economy involves the exchange of labour and resources via digital platforms that actively support buyer and seller matching.

Notably, the gig economy has grown over the years, with factors such as improved technological infrastructure, digital literacy, availability of smartphones, and the conditions of the market aiding this growth. In the United States alone, the gig economy is made up of about 57 million people accounting for one-third of the country's population.[2] This percentage is anticipated to increase as more businesses use independent contractors to cut costs and save time. In India, the gig economy could generate nine to 11 million jobs and add up to 1.25% to India's GDP by 2025.[3]

The gig economy also offers employers many advantages such as lower costs and expenses through the reduction of things like office space, employee benefit packages, retirement plans, and paid sick leave. Most gig workers are contractors and work off-site, so employers are not required to provide these standard benefits.

For the employee, the primary benefit is flexibility, particularly for those looking to supplement other forms of income. Such flexibility has a direct impact on staff motivation, which can have a positive relationship with output productivity. In most circumstances, a task will be assigned to a remote worker with a deadline, but when they work on it is entirely up to their discretion. In the US, 80% of workers prefer to work remotely with over 50% of available jobs being compatible with the gig economy.[4]

The promise of supplementary income is particularly enticing in Nigeria as the inflation rate has increased to 21.09% resulting in a fall in the value of the naira. On the part of consumers, this translates to needing more naira to purchase the same amount of goods. As a result, Nigerians are desperate to receive extra income sources while maintaining their current employment position. This is what the gig economy offers and is why the sector has experienced growth.

The gig economy also has the advantage of driving up domestic labor costs by increasing competition in the labor market. Nigeria has the second highest unemployment rate in the world, with almost 33.3% of the working population unemployed and 22.8% underemployed.[5] Youth unemployment in Nigeria currently stands at 42.5%.[6]

This indicates that there are those who are able and wish to work but are unable to do so. The gig economy aids in bridging this labor supply and demand imbalance by increasing the demand. Price falls as a result of an excess supply of labor (higher unemployment rates), but rises as demand climbs (as a result of increased foreign demand) to balance the supply. Therefore, local labor prices are under pressure to rise in line with rising international labor costs as a result of the gig economy's promotion of globalization.

[1]Investopedia. 2022. "Gig Economy: Definition, Factors Behind It, Critique & Gig Work". https://www.investopedia.com/terms/g/gig-economy.
[2]McCue. 2018. "57 Million U.S. Workers Are Part of the Gig Economy". Forbes. https://www.forbes.com/sites/tjmccue/2018/08/31/57-million-u-s-workers-are-part-of-the-gig-economy/?sh=5ec280df7118
[3]Press Trust of India. 2022. "Gig workforce to add 9-11 million jobs by 2025 in India, says report". https://www.business-standard.com/article/companies/gig-workforce-to-add-9-11-million-jobs-by-2025-in-india-says-report-122120701024_1.html
[4]Gigonomy. 2020. "Top countries in the gig economy". https://gigonomy.info/top-countries-in-the-gig-economy/
[5]Ruth Olunronbi. 2022. "Nigeria Unemployment Rate Rises to 33%, Second Highest on Global List". Bloomberg. https://www.bloomberg.com/news/articles/2021-03-15/nigeria-unemployment-rate-rises-to-second-highest-on-global-list?leadSource=uverify+wall
[6]NBS.(2020). Labor Force Statistics: Unemployment and Underemployment Report (Q4 2020). https://nigerianstat.gov.ng/elibrary/read/1238

However, the benefits of the gig economy come with a number of drawbacks, including the issue of diminished commitment and the lack of benefits to workers. Freelancers might not be as invested in their company as they would be if they were employed full-time. Additionally, since they aren't considered employees but rather independent contractors, gig economy organizations aren't often known for providing incentives or benefits to their workers.

Expenses such as data costs or fuel costs are covered solely by the employee, increasing personal expenses without a corresponding increase in benefits. Such a setup may lead to challenges with loyalty, and lower overall work motivation. When employees aren't motivated, productivity suffers, efficiency drops, and production diminishes as a result.

Another disadvantage of the gig economy is a lack of job security. Job safety is a classic concern for workers and is a form of compensation all on its own.[7] However, since those in the gig economy are not seen as employees, but rather as contractors, their job is rarely secured.

What do all these disadvantages mean for the Nigerian economy? The gig economy poses risks to the disposable income of workers as a result of reduced benefits and increased expenses. Therefore, we can conclude that the gig economy could dampen consumption as a result of the fall in disposable income. These risks result in recessionary growth due to falling demand and a corresponding fall in output.

In light of these scenarios, certain governments around the world, particularly in Europe, are attempting to create regulations that will assist and safeguard gig workers from being exploited. Across the EU, around 28 million people work for digital labor platforms and another 15 million individuals are likely to work in the same form by 2025. The European Commission proposed new ideas that could result in millions of workers for companies in the gig economy being classed as employees rather than freelancers. However, the legislation would need to be approved by the EU's 27 member states and the European Parliament. Many gig economy workers might be reclassified as employees under the proposals, entitling them to perks such as holiday pay, parental leave, and improved job security. This is bound to increase productivity. Nigeria and other African countries can follow suit in order to achieve the same goal.

The gig economy has brought about many advantages to both businesses and workers such as increased flexibility, minimization of costs, and additional income.[8] All of these translate to economic growth in the country as demand increases and supply follows. However, the gig economy also poses negative effects such as reduced commitments, limited revenue for the government, and a lack of cultural unity. If the gig economy is permitted to remain in the informal sector, this could stifle the anticipated economic expansion of the nation. Therefore, Nigeria should follow in the footsteps of the EU by setting up regulations to protect the workers in this sector.

[7]Jay Stillman. 2020. "The Dangers of the Gig Economy: Worker's Safety and Insurance Coverage". Stillman & Friedland. https://jstillman.com/the-dangers-of-the-gig-economy-workers-safety-and-insurance-coverage/
[8]Bibek. 2022. "10 Advantages & Disadvantages of Working in the Gig Economy". Yo Cover. https://yocover.com/the-gig-economy/

# TELECOMMUNICATION AND THE BANKING SECTOR IN NIGERIA

The telecommunications service industry is considered the third largest in Africa following the agricultural and banking & finance industry. In Nigeria, it accounts for 12.31% of the country's nominal GDP and 18.44% of the real GDP.[9] Similarly, the information and communication sector, which includes the telecommunications industry, is one of the fastest-growing non-oil sectors in the economy, with a year-on-year growth rate of 10.53% in the third quarter of 2022. The banking sector has also witnessed growth with the bulk of its success stemming from the rebound in the country's economic activity, increased consumer confidence, and gains from digital-centric strategies. In light of recent trends, Nigeria's banking sector stands to benefit significantly in 2023 if it invests adequately in the telecom industry, as this could push it up the ranks to the first position among the African countries with the best banking systems. South Africa currently maintains the top position with Egypt and Morocco lagging behind it. In the global space, Singapore is one of the countries with the safest financial systems in the world, maintaining its position of having the best banks in Asia despite significant macroeconomic issues. This is a result of the country's highly developed telecoms industry, which broke records in 2017 as the world's highest mobile penetration rate at 1.5 mobile phones per person and reached 92% internet penetration in its households at the beginning of 2022.

## Telecommunications in 2023

Telecommunication is growing in the global economy with its value expected to double in the next decade.[10] The Economist Intelligence Unit has also forecasted an increase in telecom growth. This year we would be able to see significant progress in the use of telecoms due to the increasing presence of 5G, secured and reliable services, artificial intelligence, and the internet of things (IoT).

Currently, the 5G network is present in only 13 out of 53 African countries. This number is expected to grow as Airtel joins MTN in being legally allowed to sell this product. The network comes with a lot of benefits too such as higher data speeds, increased internet availability, and improved telecom services which would trickle down into the country. This will spur the demand for telecoms which reached a peak of 222.57 million subscribers as of December 2022.[11] Also, the increased presence of IoT and secured and reliable services such as facial and retinal recognition of smart devices will encourage the expansion of telecommunications in the country. These factors will help telecoms to reach their expected annual average growth of mobile connections of 2.7% in 2022-26 as well as a penetration rate of 93.4% by the end of 2026 in Nigeria.[12]

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[9]Emma Okonji. 2023. "How Telecom Impacted Nigerian Economy in 2022". Techdigest https://techdigest.ng/how-telecom-impacted-nigerian/?utm_source=rss&utm_medium=rss&utm_campaign=how-telecom-impacted-nigerian#:~:text=According%20to%20NBS%20statistics%2C%20the,major%20components%20of%20the%20sector.

[10]IDATE. 2016. "Digital Economy 2025: The future of telecom and Internet ecosystems". https://en.idate.org/digital-economy-2025-the-future-of-telecom-and-internet-ecosystems-2/

[11]NCC. 2023. "Industry Statistics".https://www.ncc.gov.ng/statistics-reports/industry-overview#view-graphs-tables

[12]EIU. 2023. "Telecommunications". https://viewpoint.eiu.com/analysis/industry/XN/NG/Telecommunications

However, the growth in the telecoms industry will not be smooth sailing as rising COVID cases in China, the top manufacturer of smartphones in the world, will reduce its supply in the near term. Furthermore, the telecom industry is plagued with high levels of insecurity and inadequate funding which, coupled with the high cost of using the 5G network, could discourage demand and hinder growth in this industry.

### Banking and Telecommunications

There have been various studies conducted to examine the relationship between telecommunications and economic growth in Nigeria. However, most of them fail to recognize the impact this industry has on other sectors of the economy, such as banking. With the current push towards a cashless economy by the CBN, telecommunications' importance in the Nigerian economy is bound to grow. Nigeria's financial services sector is increasingly liberalizing, moving away from reliance solely on banks and toward firms with diverse business models and distribution channels.

There have also been two major stances on the importance of telecommunications in the banking sector due to the licensing of the Payment Service Banks in the country. Payment service bank is a new banking category that operates on a smaller scale and does not involve credit risk or foreign exchange transactions. PSBs can offer payments and remittance services, issue debit and prepaid cards, deploy ATMs, and other technology-enabled banking services in addition to managing and creating accounts (current and savings). Some are of the opinion that telecommunications have a negative impact on the banking sector as they reduce banks' consumer base and have a competitive role rather than a complementary one.

On the other hand, there are those who believe that telecoms do indeed aid growth in the banking sector as they help in accounting for 36% of the supplementary service data transactions which increase bank revenues. The Global System for Mobile Communications supports this stance saying that the payment service bands will aid growth in the banking sector as these network providers have a wide customer base and are capable of delivering cost-effective services in rural areas.[13]

The position of a competitive stance is slightly eliminated with the restriction of these network operators from providing and processing credit cards and giving out forex to its consumers. In this regard, only commercial banks are provided with the legal backing to perform these functions. In the long run, mobile network operators would complement Nigerian banks and aid growth in the banking sector as well as financial technology in the economy. Therefore, with the expected growth in the telecommunications industry, we can expect a corresponding growth in the banking sector of the country.

### How can Nigeria be more digitalized?

Nigeria has a long way to go in terms of being fully digitalized. According to the World Bank, Nigeria is only tapping a small portion of its digital economic potential and will need to make smart investments to establish a dynamic, transformative digital economy.[14] Some analysts also believe that the digitalization of public sector operations and services, as well as the development of digital enterprises and jobs, helps promote socioeconomic development.

[13] Alexander Onukwe. 2022. "Why Nigeria's biggest telecom companies are getting banking licenses". Quartz. https://qz.com/africa/2162354/why-nigerias-top-telecom-companies-are-getting-banking-licenses

[14] World Bank. (2019). "Nigeria Digital Economy Diagnostic: A Plan for Building Nigeria's Inclusive Digital Future".https://www.worldbank.org/en/country/nigeria/publication/nigeria-digital-economy-diagnostic-a-plan-for-building-nigerias-inclusive-digital-future

The government must collaborate with a variety of institutions, fintech businesses, telecom companies, and other strategic partners to deliver digital solutions that promote the cashless economy, have the best potential to overcome infrastructural bottlenecks to expand financial inclusion, and spur economic growth in a variety of sectors.[15] To this cause, the federal government has begun seeking the collaboration of the World Bank, Google, and Space Exploration Technologies Corporation (Space X) to aid in the implementation of its National Digital Economy Policy and Strategy (NDEPS).[16] This could aid the government in achieving a smooth transition to a cashless economy as well as provide faster and more efficient banking services to consumers.

The problems of inadequate funding and the destruction of telecom infrastructure could be curbed by these collaborations with other organizations which in turn would promote the development of the telecommunications industry and the overall growth of the information, communications and technology sector. Telecommunications plays a huge role in the future of the county and more specifically the banking sector. The increased presence of the 5G network as well as the internet of things would improve banking services rendered to consumers, increase bank revenue and widen their customer base.

[15]Francis Arinze Iloani. 2019. "Banks, fintechs crucial for cashless economy". DailyTrust. https://dailytrust.com/banks-fintechs-crucial-for-cashless-economy/
[16]Lucas Ajanaku. 2023. "Nigeria seeks World Bank, others' partnership on digital economy". The Nation. https://thenationonlineng.net/nigeria-seeks-world-bank-others-partnershipon-digital-economy/

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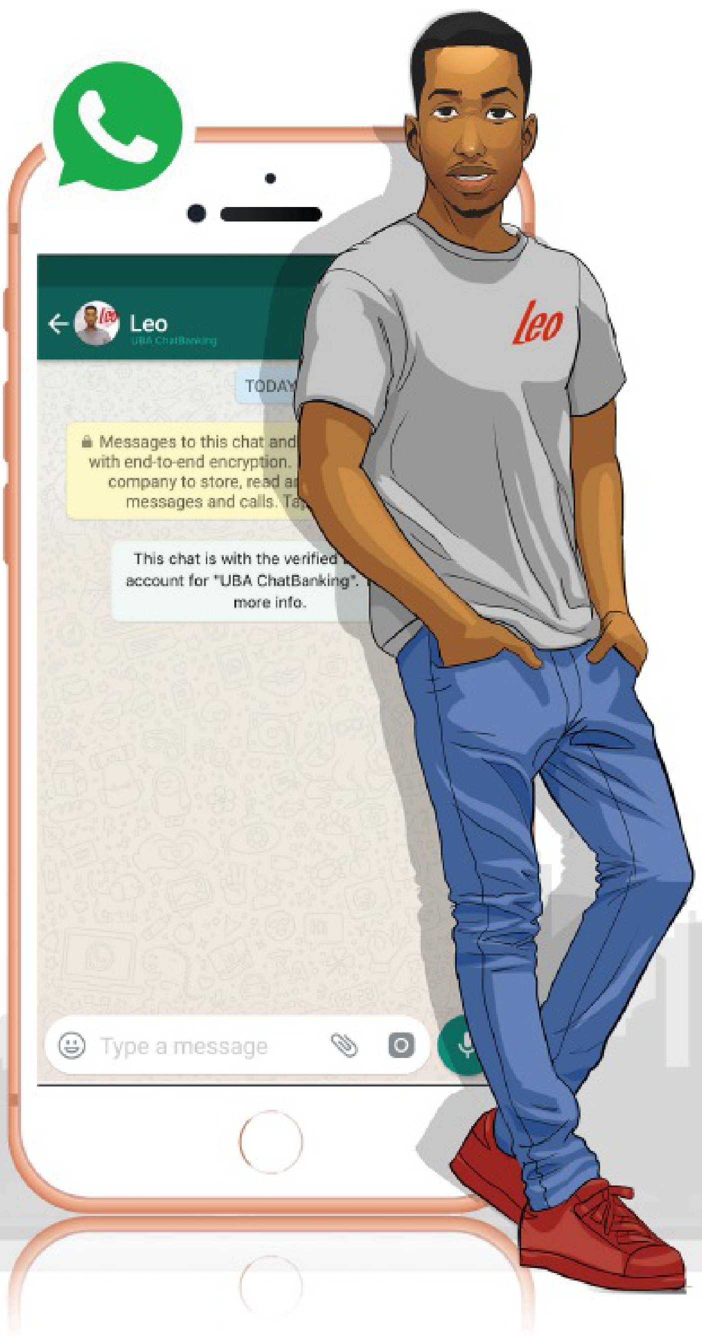


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# GLOBAL PERSPECTIVE:

## IN MAJOR SHOCKS , BEST RESPONSE COMBINES ALL-OUT, LARGE-SCALE POLICIES - IMF

Economists will be studying the pandemic for generations to learn from the dramatic global downturn and the ensuing credit crunch, but one important lesson about the scope of action needed to contain the next global crisis is already coming into focus.

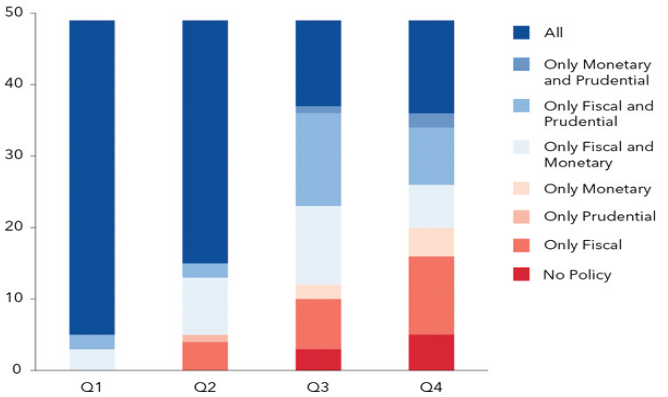
During the pandemic, countries often used all-out responses that combined large fiscal, monetary, and prudential policies like grants, credit facilities, and relaxed capital requirements. As we demonstrate in a new working paper, this kind of expansive response may be needed to support corporate borrowing and credit growth in major future crises that combine global supply and demand shocks.

Our findings are based on an analysis using a dataset we made available last year tracking national announcements of economic and financial policy responses to the pandemic. Over the course of 2020, countries most frequently used packages of more than one fiscal, monetary, or prudential policy, while standalone policy announcements were rare.

**Composition of 2020 announcements**

Most countries used multi-pronged support policies early in the pandemic.

(number of countries)




Source: Kirti et al. (2022) and authors' calculations
Note: Figure shows policies at a quarterly frequency in 2020 for the 49 countries in the sample for Kirti et al. (2023).

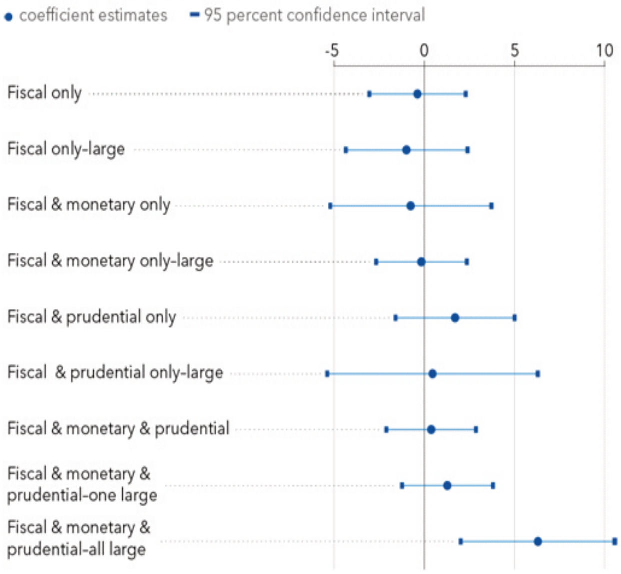
IMF

As credit growth tanked early during the pandemic, policymakers in many countries aimed to stabilize bank lending to support their economies. Our analysis indicates that all-out packages boosted credit growth by a sizable 5 percentage points per quarter. Both size and scope were critical: even packages combining all types of policies, but where only some were large, were less effective.

**Gauging efficacy**

Large packages combining fiscal, monetary and prudential policies gave the best boost to credit growth.

(effect on credit growth, percent)




Source: IMF staff estimates.

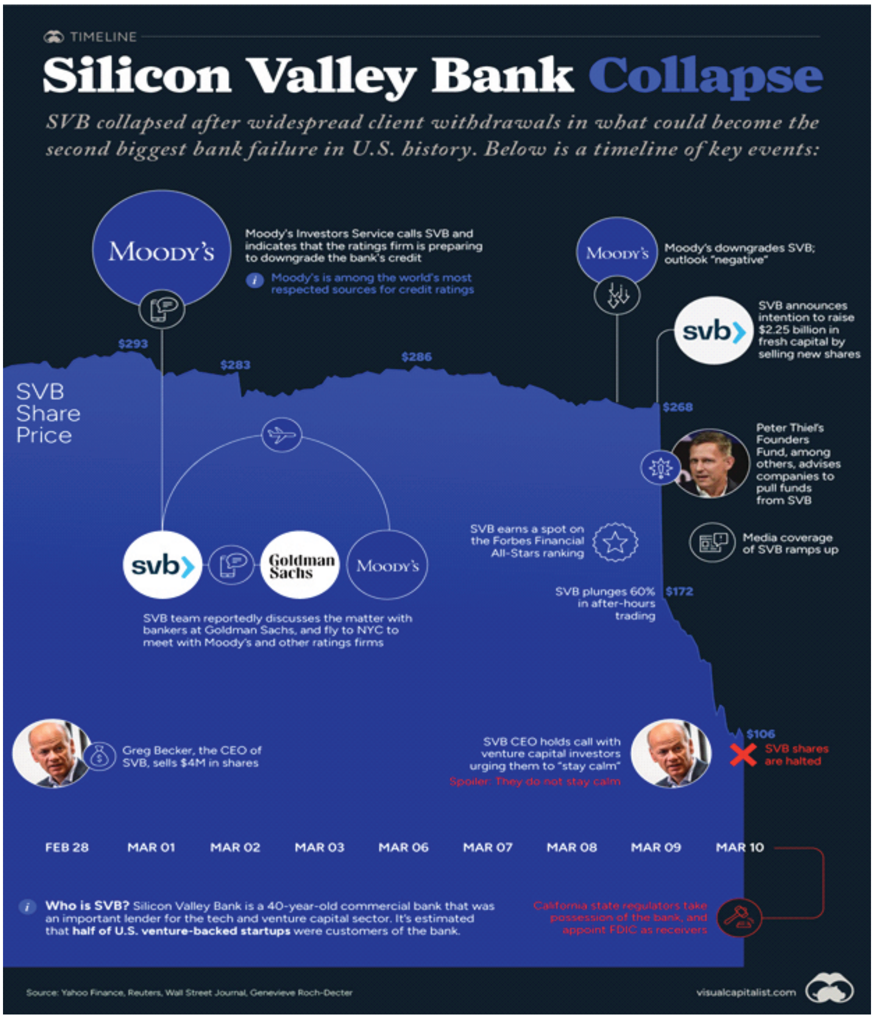
IMF

Highlighting the importance of broad policy packages, all granular policy tools we tracked were more prevalent in successful packages than in others.

# GLOBAL PERSPECTIVE:

## TIMELINE - THE SHOCKING COLLAPSE OF SILICON VALLEY BANK

CULLED FROM VISUAL CAPITALIST




SOURCE: FDC, WALL STREET JOURNAL

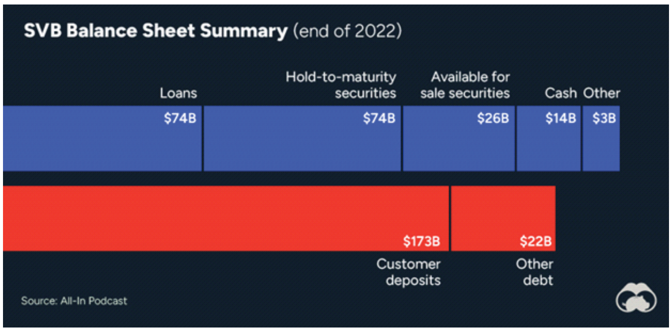
Just days ago, Silicon Valley Bank (SVB) was still viewed as a highly-respected player in the tech space, counting thousands of U.S. venture capital-backed startups as its customers.But fast forward to the end of last week, and SVB was shuttered by regulators after a panic-induced bank run. So, how exactly did this happen? We dig in below.

### Road to a Bank Run

SVB and its customers generally thrived during the low interest rate era, but as rates rose, SVB found itself more exposed to risk than a typical bank. Even so, at the end of 2022, the bank's balance sheet showed no cause for alarm. As well, the bank was viewed positively in a number of places. Most Wall Street analyst ratings were overwhelmingly positive on the bank's stock, and Forbes had just added the bank to its Financial All-Stars list.

Outward signs of trouble emerged on Wednesday, March 8th, when SVB surprised investors with news that the bank needed to raise more than $2 billion to shore up its balance sheet. The reaction from prominent venture capitalists was not positive, with Coatue Management, Union Square Ventures, and Peter Thiel's Founders Fund moving to limit exposure to the 40-year-old bank. The influence of these firms is believed to have added fuel to the fire, and a bank run ensued.
Also influencing decision making was the fact that SVB had the highest percentage of uninsured domestic deposits of all big banks. These totaled nearly $152 billion, or about 97% of all deposits.

The Federal Deposit Insurance Corporation (FDIC) insures up to $250,000 per account, per bank, for depositors. By the end of the day, customers had tried to withdraw $42 billion in deposits.




SOURCE: FDC, ALL-IN PODCASTS

### What Triggered the SVB Collapse?

While the collapse of SVB took place over the course of 44 hours, its roots trace back to the early pandemic years. In 2021, U.S. venture capital-backed companies raised a record $330 billion—double the amount seen in 2020. At the time, interest rates were at rock-bottom levels to help buoy the economy.

Matt Levine sums up the situation well: "When interest rates are low everywhere, a dollar in 20 years is about as good as a dollar today, so a startup whose business model is "we will lose money for a decade building artificial intelligence, and then rake in lots of money in the far future" sounds pretty good. When interest rates are higher, a dollar today is better than a dollar tomorrow, so investors want cash flows. When interest rates were low for a long time, and suddenly become high, all the money that was rushing to your customers is suddenly cut off."

Why is this important? During this time, SVB received billions of dollars from these venture-backed clients. In one year alone, their deposits increased 100%. They took these funds and invested them in longer-term bonds. As a result, this created a dangerous trap as the company expected rates would remain low.

During this time, SVB invested in bonds at the top of the market. As interest rates rose higher and bond prices declined, SVB started taking major losses on their long-term bond holdings.

### Losses Fueling a Liquidity Crunch

When SVB reported its fourth quarter results in early 2023, Moody's Investor Service, a credit rating agency took notice. In early March, it said that SVB was at high risk for a downgrade due to its significant unrealized losses.
In response, SVB looked to sell $2 billion of its investments at a loss to help boost liquidity for its struggling balance sheet. Soon, more hedge funds and venture investors realized SVB could be on thin ice. Depositors withdrew funds in droves, spurring a liquidity squeeze and prompting California regulators and the FDIC to step in and shut down the bank.

| Year | U.S. Venture Capital Activity | Annual % Change |
|---|---|---|
| 2021 | $330B | 98% |
| 2020 | $167B | 15% |
| 2019 | $145B | 1% |
| 2018 | $144B | 64% |
| 2017 | $88B | 6% |
| 2016 | $83B | -3% |

SOURCE: FDC, PITCHBOOK

| Name | Stock Price Change, March 10 2023 | Unrealized Losses/ Tangible Equity |
|---|---|---|
| SVB Financial | -60%* | -99% |
| First Republic Bank | -15% | -29% |
| Zions Bancorp | -2% | -47% |
| Comerica | -5% | -47% |
| U.S. Bancorp | -4% | -55% |
| Fifth Third Bancorp | -4% | -38% |
| Bank of America | -1% | -54% |
| Wells Fargo | 1% | -33% |
| JPMorgan | -1% | -21% |

SOURCE: MORNINGSTAR DIRECT. *REPRESENTS MARCH 9 DATA, TRADING HALTED ON MARCH 10.

### What Happens Now?

While much of SVB's activity was focused on the tech sector, the bank's shocking collapse has rattled a financial sector that is already on edge.

The four biggest U.S. banks lost a combined $52 billion the day before the SVB collapse. On Friday, other banking stocks saw double-digit drops, including Signature Bank (-23%), First Republic (-15%), and Silvergate Capital (-11%).

When the dust settles, it's hard to predict the ripple effects that will emerge from this dramatic event. For investors, the Secretary of the Treasury Janet Yellen announced confidence in the banking system remaining resilient, noting that regulators have the proper tools in response to the issue.

But others have seen trouble brewing as far back as 2020 (or earlier) when commercial banking assets were skyrocketing and banks were buying bonds when rates were low.

"***The whole sector is in crisis, and the banks and investors that support these assets are going to have to figure out what to do***."-CHRISTOPHER WHALEN, THE INSTITUTIONAL RISK ANALYST

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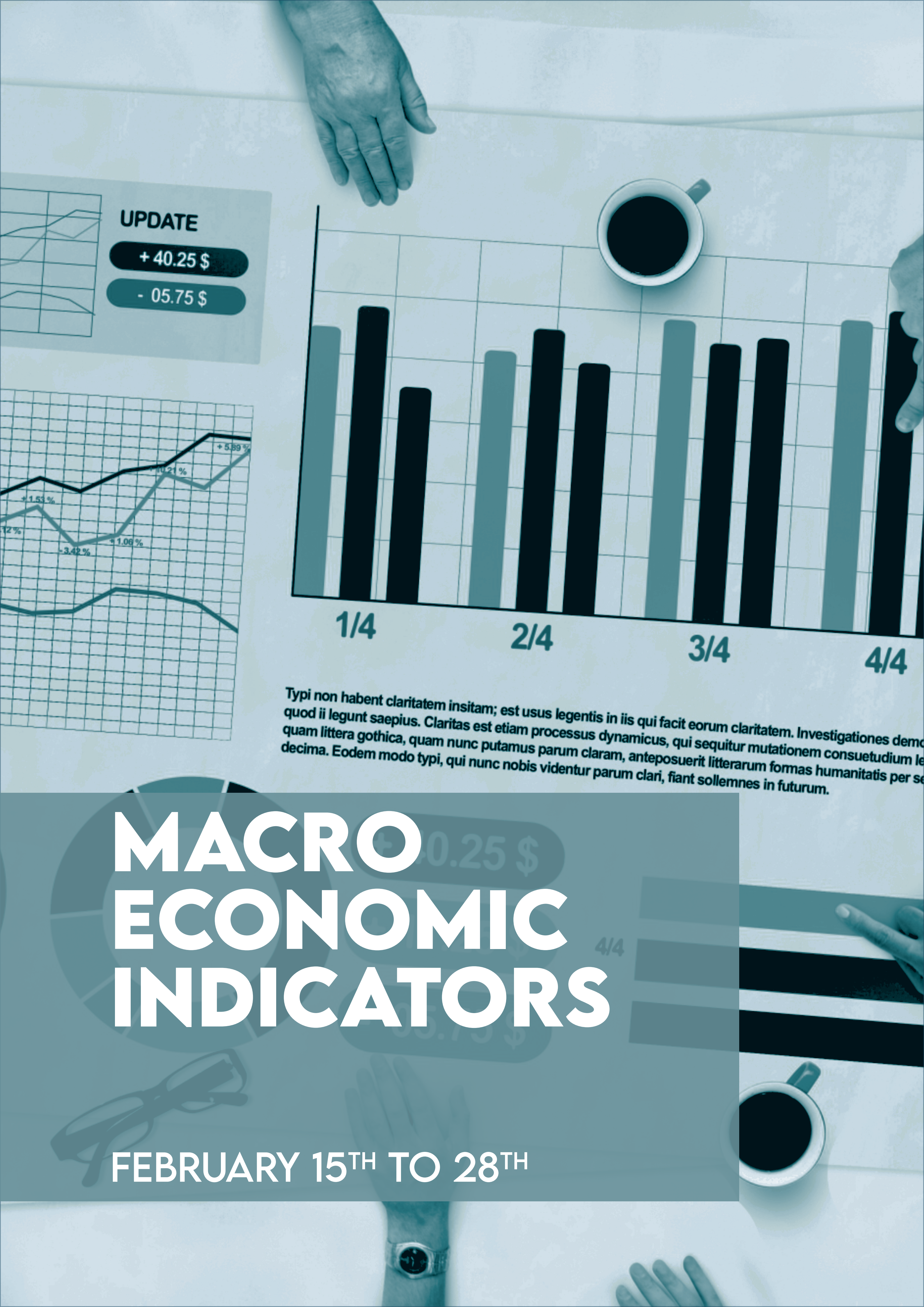


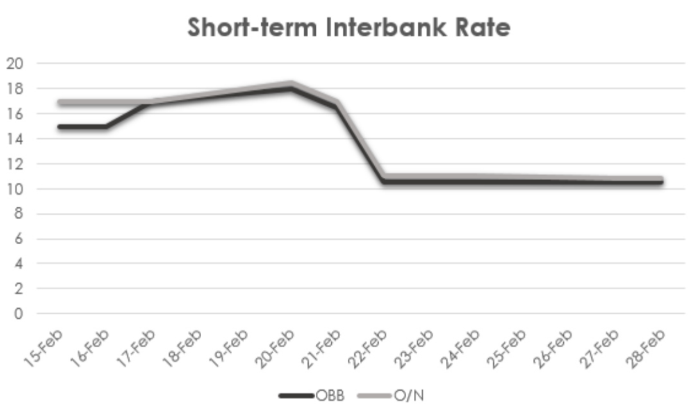

# MACRO ECONOMIC INDICATORS

FEBRUARY 15TH TO 28TH

# MONEY MARKET

Banks' average position was N369.37bn in the second half of February, 44% lower than the average of N659.78bn in the second half of January. Liquidity was partly supported by the open market operation repayment of N5bn while no open market operations bills were sold in the review period. Consequently, short-term interbank rates (overnight policy rate, over/night) averaged 13.75% pa in the review period, 346bps up from the average of 10.29% pa. in the same period in January.

Between February 15 and 28, there was only one treasury bill primary market auction, where a total sum of N263.50bn was sold. This was 19.49% higher than the total sum of N220.52bn sold in the second half of January. Primary market rates were up by an average of 327bps across all the three tenors from their respective levels at the start of February. However, yields at the secondary markets increased at the 91- day tenor, fell at the 182-day tenor and remained flat at the 364-day tenor.




Source: FDC Think Tank

| Tenor | Primary market (February 8th 2022) (%) | Primary market (February 22nd 2022) (%) | Secondary market (February 15th 2022) (%) | Secondary market (February 28th 2022) (%) |
|---|---|---|---|---|
| 91-day | 0.29 | 3.00 | 2.85 | 4.20 |
| 182-day | 1.80 | 3.24 | 4.25 | 4.11 |
| 364-day | 4.23 | 9.90 | 4.50 | 4.50 |

Source: FMDQ, FDC Think Tank

▼ 44.00%

N369.37BN

BANK OPENING POSITION

## OUTLOOK AND IMPLICATION

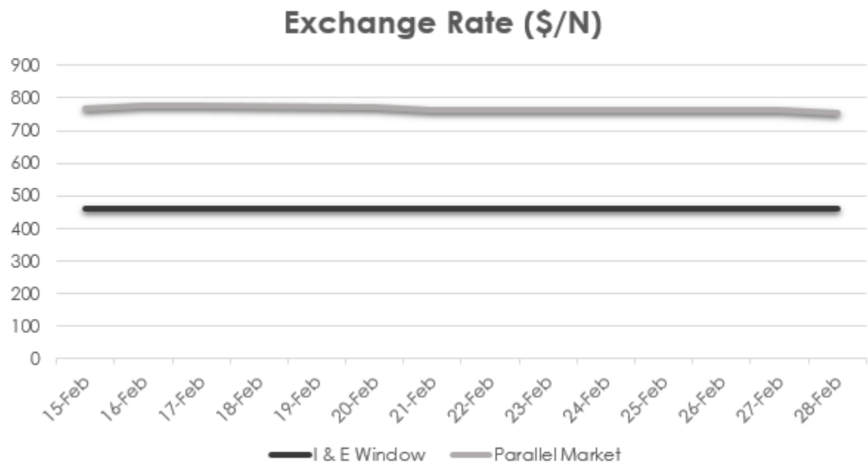
Short-term interbank rates as well as money market rates are expected to remain elevated as CBN continues to mop-up liquidity from the system. Higher interest rates will lead to an increase in yields for fixed income investors, while borrowers will be at a disadvantage as bank lending rates rise.

# FOREX MARKET

The Nigerian forex market is segmented with multiple exchange rates. The official market is the Investors and Exporters window (IEFX). The exporters and investors use this window, while the CBN intervenes to stabilize the currency. It serves as 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. Due to the wide disparity between the IEFX rate and the parallel rate (N413) and low forex supply from CBN, the parallel market has become more efficient for carrying out most foreign transactions.

# EXCHANGE RATE

During the review period (February 15-28, 2023), the naira continued to trade flat at N462/$ at the I & E window. Whereas, at the parallel market, demand pressure heightened amidst decreased forex supply and the cash crunch as the average exchange rate fell by 2.26% to N767.3/$ from N750.33/$ in the corresponding period in January. However, the naira gained 1.94% to close the month at N755/$ from N770/$ at the start of the second half of February.




Source: FDC Think Tank

▼ 2.26%

N767/$

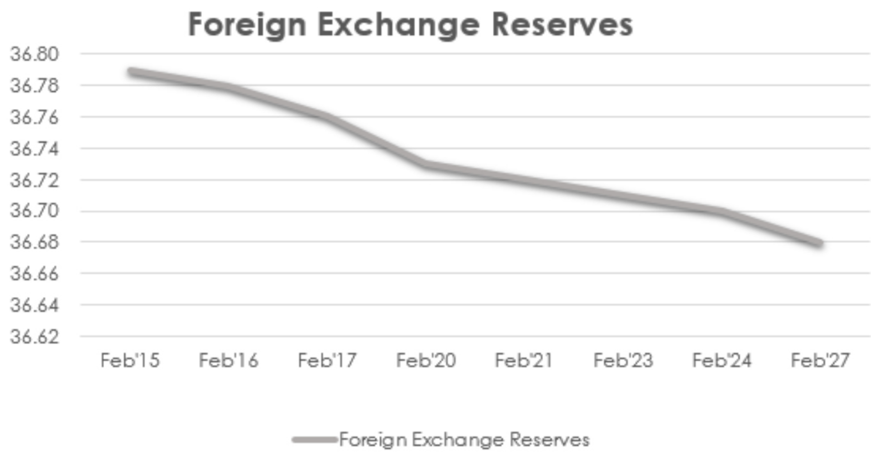
PARALLEL MARKET RATE

## OUTLOOK

The CBN is expected to continue to intervene at the I &E window to stabilize the currency. However, increased demand pressure and speculative activities will continue to support Naira depreciation at the parallel market.

# EXTERNAL RESERVES

The country's external reserves declined in the second half of February by 0.29% to close at $36.68bn on February 28 from $36.79bn at the beginning of the period (Feb 15). This steady depletion was a result of the CBN's efforts to stabilize the currency amid low oil production levels and rising subsidy payments. On average, gross external reserves lost 1.07% to $36.73bn from $37.13bn in the same period in January.




Source: CBN, FDC Think Tank

▼ 0.29%

$36.68BN

NIGERIA'S EXTERNAL RESERVES

## OUTLOOK

Nigeria's foreign reserves are likely to maintain their downward trajectory as low oil production levels and rising subsidy payments continue to constrain the country's ability to benefit from the rise in oil price.

## IMPLICATION

Lower external reserves will limit CBN's efforts to stabilize the naira and may possibly further currency depreciation in the near term.

# COMMODITY EXPORTS

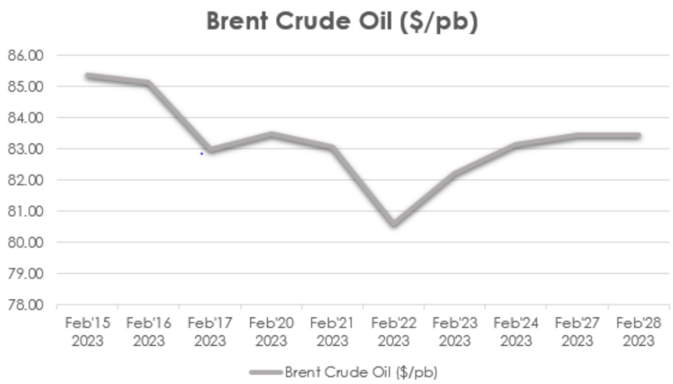
Nigeria's main export commodities are crude oil, LNG, accounting for about 70% and 10% respectively, while cocoa is its top non-oil export commodity.

# OIL PRICES

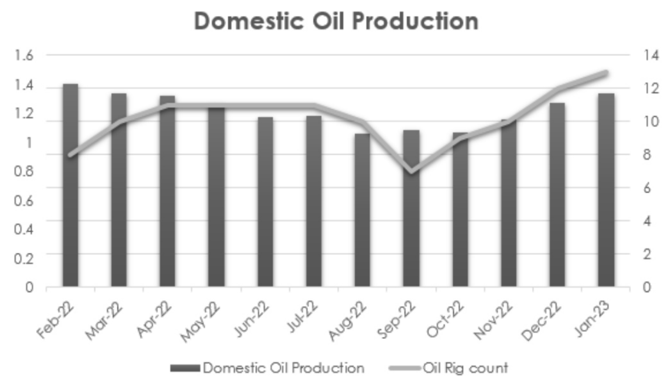
The price of oil fluctuated during the review period (Feb 15-28) and traded below the $100pb threshold. It touched a low of $80.60pb on Feb 22 from $85.38pb at the start of the period as expectations of a hike in US policy rate sparked demand concerns. It later gained 3.53% to close the period at $83.45/pb on Feb 28 as growing optimism about China's demand outweighed rate hike expectations. On average, the oil price fell by 3.61% to $83.19pb in the second half of February from $86.31pb in the corresponding period in January.

# OIL PRODUCTION

Nigeria's oil production rose by 7.82% to 1.336mbpd in January 2023 from 1.271mbpd in December 2022, making Nigeria the largest producer in Africa. Similarly, the oil rig count increased to 13 points from 12 in the previous month. OPEC's average crude oil production declined by 49,000bpd in January 2023, to an average of 28.88mbpd when compared to 28.97mbpd in December 2022. Oil production increased mainly in Nigeria, Angola, and Kuwait, while it declined in Saudi Arabia, Iran and Iraq.




Source: Bloomberg, FDC Think Tank




Source: OPEC, FDC Think Tank

▲ 7.82%

**1.34mbpd**

DOMESTIC OIL PRODUCTION

## OUTLOOK

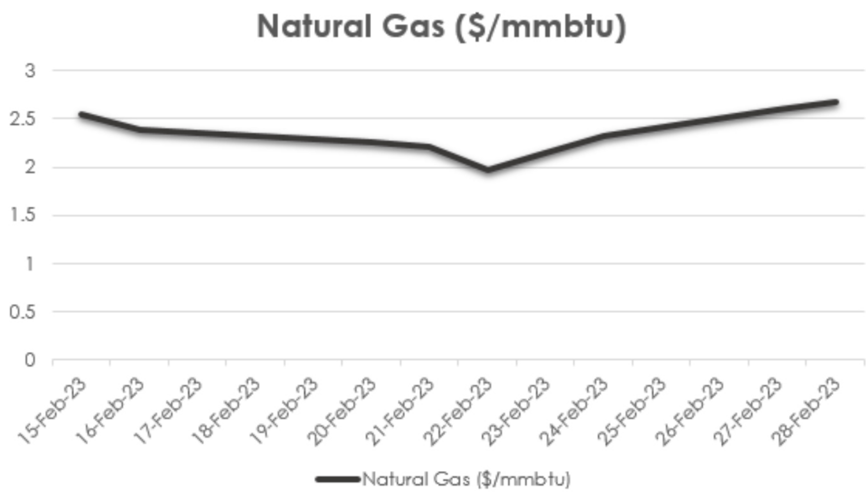
The oil price is expected to remain elevated in the near term as Russia plans to expand supply cuts by 25% in March

## IMPLICATION

Higher oil prices are expected to increase the country's foreign exchange reserves. However, the country's inability to meet its production quota may pose a downside risk. This will in turn lower government revenue and reduce the federal government's allocation of funds to states.

# NATURAL GAS

In the second half of February, the price of natural gas increased amid forecasts of colder weather and increased demand in Europe. When compared to $2.54/mmbtu at the beginning of the review period (Feb 15), the price of liquified natural gas rose by 5.51%/mmbtu to close at $2.68/mmbtu on Feb 28. However, on average, the gas price fell by 25.6% to $2.35/mmbtu from $3.16/mmbtu in the second half of January. The slowdown in gas prices was fueled by a fall in demand from Asian countries and high gas inventories in Europe.




Source: Bloomberg, FDC Think Tank

▼ 25.60%

$2.35/MMBtu

AVG NATURAL GAS PRICE

### Outlook

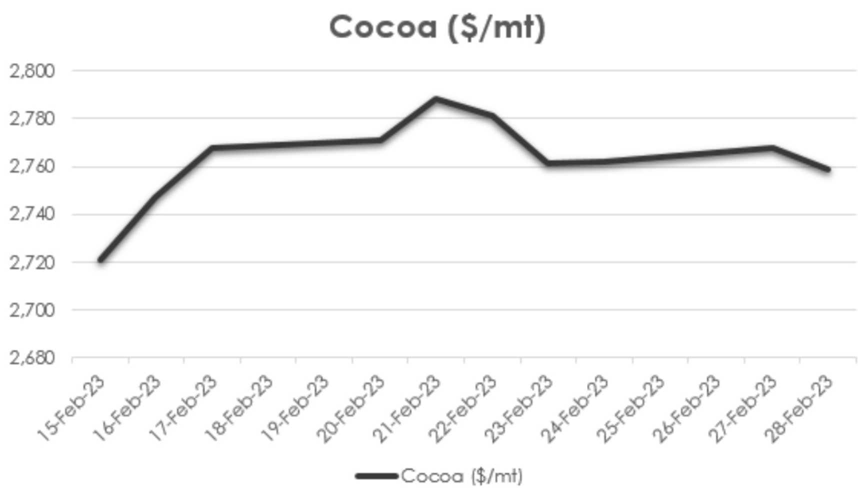
The price of gas is likely to reverse its downward trajectory in the near term owing to a colder weather forecast and expectations of a rise in demand from Europe.

### Implication

Nigeria's export revenues and foreign exchange earnings will benefit from higher natural gas prices. However, this could trigger inflationary pressures for consumers and manufacturers who utilize gas.

# COCOA

In the second half of February, the price of cocoa reached a high of $2788/mt on Feb 21owing to low crop yield Ivory Coast, the top producer. However, it eventually eased by 1.04% to close the period at $2759/mt despite tight global supply. When compared to $2651/mt at the start of the period (Feb 15), the price of cocoa was up 4.07%. On average, cocoa prices increased by 5.9% to $2763/mt from $2609/mt in the same period in January.




Source: Bloomberg, FDC Think Tank

▲ 5.90%

$2763/mt

AVG COCOA PRICE

## Outlook

Cocoa prices are expected to remain elevated in the near term on prospects of tight global supply.

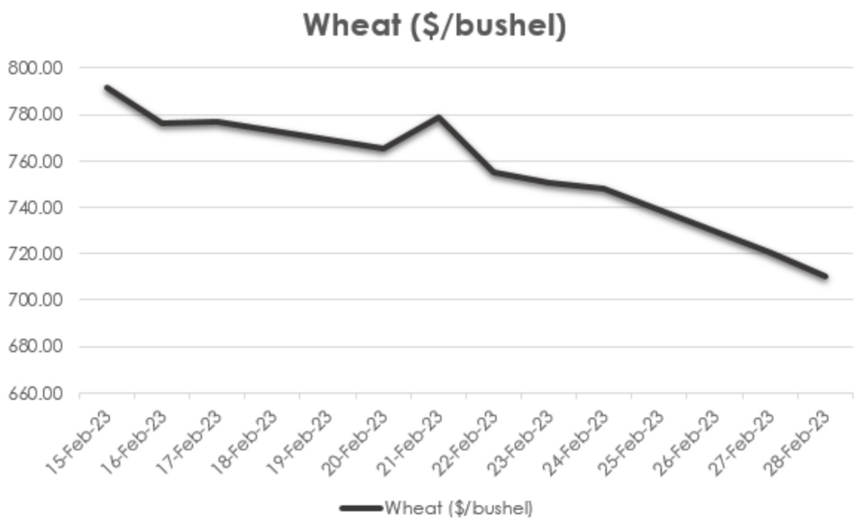
## Implication

Higher cocoa prices will increase the country's exchange earnings as well as bolster accretion in the country's foreign exchange reserves.

# COMMODITY IMPORTS

# WHEAT

The price of wheat declined steadily in the second half of February as the US projected a rise in production for the 2022-2023 season. When compared to $791.25/bushel at the start of the period (Feb 15), the price of wheat fell by 10.23% to close the period at $710.25 on Feb 28. However, the average wheat price increased marginally by 1.62% to $757.25/bushel within the review period from the average of $745.17/ bushel in the second half of January owing due to uncertainties about Black Sea supply and unfavorable weather conditions in Europe.




Source: Bloomberg, FDC Think Tank

▲ 1.62%

$757.25/b

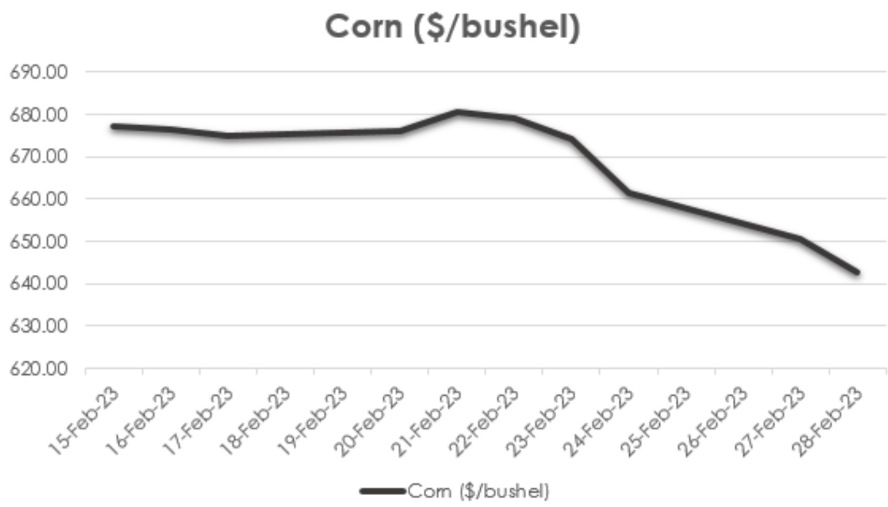
AVG WHEAT PRICE

## Outlook-Grains

The price of wheat is expected to drop as the US projects a rise in production for the 2022-2023 season. Similarly, corn prices are likely to fall in the near term on expectations of high crop yields from the US, the top producer.

# CORN

The price of corn fluctuated in the second half of February. It was relatively stable at the start of the review period before declining to close the period at $642.75/bushel on Feb 28 despite drought in Argentina. Corn prices averaged $669.26/bushel between February 15 to 18, 2023 down 1.43% from the average of $679.0/bushel in the corresponding period in January. The fall in corn price can be attributed to the forecast of high crop yields from the top producer, US.




Source: Bloomberg, FDC Think Tank

▼ 1.43%

$669.26/b

AVG CORN PRICE

## Implication-Grains

The rising price of wheat has recently stimulated demand for other commodities such as rice, manioc flour, and sorghum, which are less vulnerable to global inflation and supply shocks. However, if the price of wheat and corn falls, so will demand for these other commodities, which will benefit the country's import bill and foreign reserves. Reduced grain prices will also lower manufacturing costs for companies that rely on processed wheat (flour) and corn.

# SUGAR

In the second half of February, the price of sugar maintained its accretion owing to supply constraints in France and adverse weather conditions which lowered crop output from India, the top producer. Sugar prices increased by 2.2% to close at $20.25/pound from $19.81/ pound on Feb 15. Overall, during the review period, the price of sugar averaged $19.94/pound, slightly below (1.82%) the average of $20.31/ pound in January on prospects of a rise in supply from Brazil and Thailand.


Source: Bloomberg, FDC Think Tank

▲ 1.82%

$19.94/lb

AVG SUGAR PRICE

### Outlook

The price of sugar is likely to rise in the near term on prospects of tight global supplies due to the diversion of sugar cane towards ethanol production.

### Implication

A higher sugar price will buoy pressure on the foreign exchange reserves while raising the country's import bill. It will also increase production costs for confectioneries.

### Terms of Trade

The country's terms of trade are expected to remain negative as the prices of its imports rise relative to the prices of exports.

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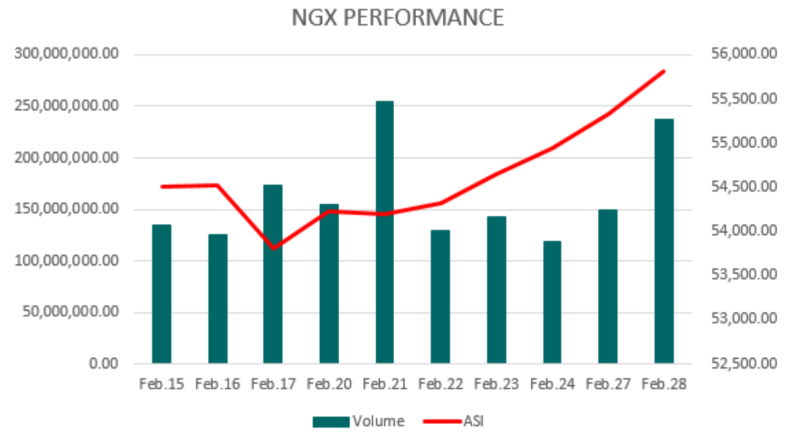
# STOCK MARKET REVIEW

FEBRUARY 15TH TO 28TH

Nigerian Exchange Limited closed on a positive note between February 15-28. It gained 2.40% to close at 55,806.26 basis points on February 28 from 54,496.31 basis points on February 14. Also, the market capitalization increased by 2.43% to N30.40trn relative to its close of N29.68trn on February 14. The market YTD return closed at 8.89% in the review period.

The market breadth was positive at 2.95x as 62 stocks gained, 74 stocks remained unchanged while 21 lost.




Source: NGX, FDC Think Tank

Market activity level was negative in the review period. The average volume traded decreased by 64.76% to 162.00mn units from 459.77mn units. Similarly, the average value of trades fell by 0.84% to N4.71bn from N4.75bn in the review period.

The performance of the sectors was positive in the review period, as all sectors gained. The consumer goods sector recorded the highest gain (8.97%). This was followed by the oil & gas sector (4.55%), the banking sector (3.01%), the insurance sector (2.29%) and the industrial sector (1.72%).

## SECTOR PERFORMANCE


| Industrial | FMCG | Banking | Oil &Gas | Insurance |
|---|---|---|---|---|
| 1.72 | 8.97 | 3.01 | 4.55 | 2.29 |

# TOP 5 GAINERS

Tripple GEE and Co Plc topped the gainers' list with a 74.67% increase in its share price. This was followed by MRS Nigeria Plc (60.22%), Livingtrust Mortgage Bank Plc (40.91%), Conoil Plc (32.91%) and John Holt Plc (32.33%).

# TOP 5 LOSERS

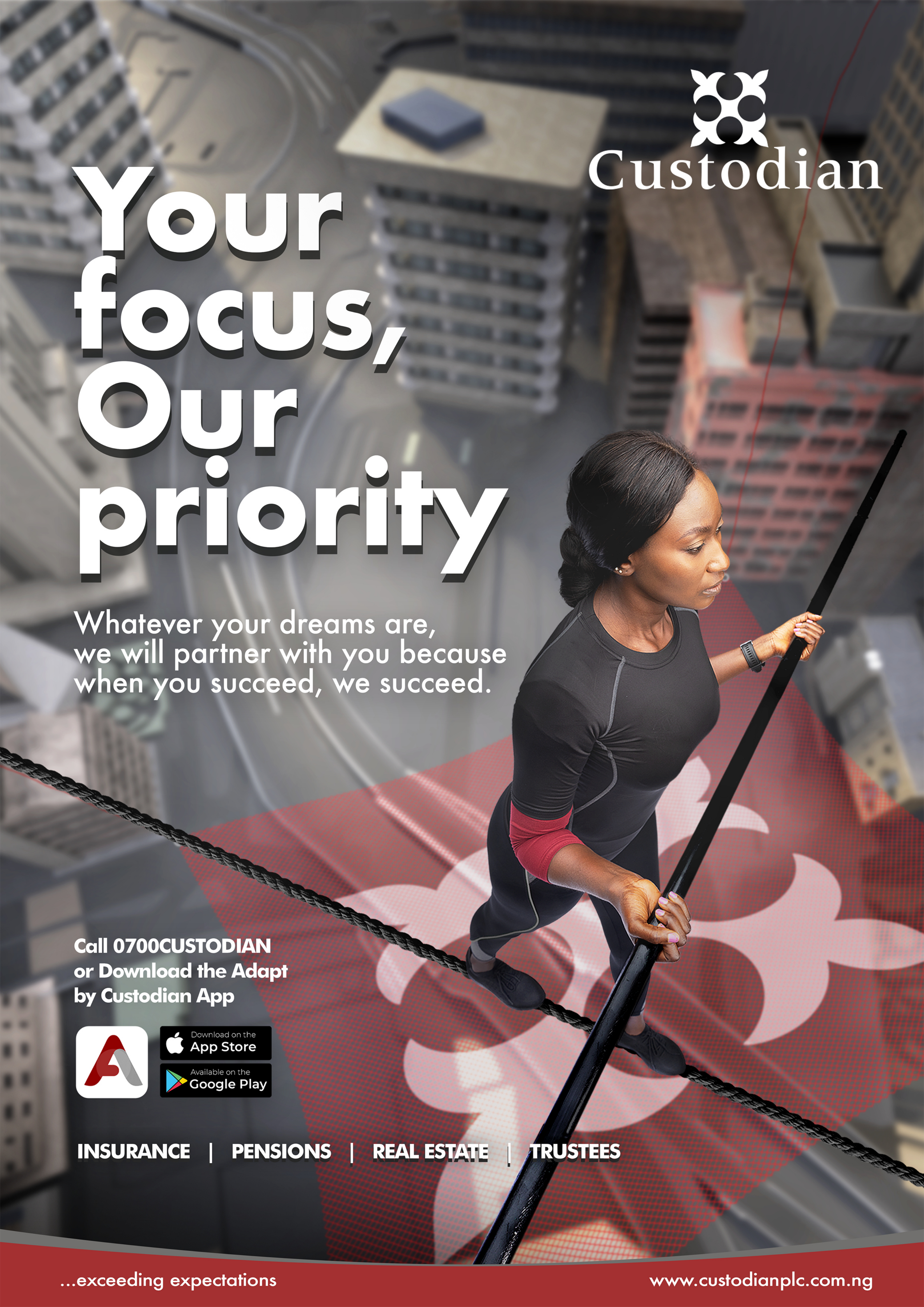
The laggards were led by Chams Plc (-10.34%), Pharma-Deko Plc (-10.00%), Multiverse Mining and Exploration Plc (-10.00%), Capital Hotel Plc (-9.42%) and Courteville Business Solutions Plc (-7.69%).

| Company | Feb-14 (N) | Feb-28 (N) | Absolute Change | Change (%) |
|---|---|---|---|---|
| TRIPPLEG | 1.5 | 2.62 | 1.12 | 74.67 |
| MRS | 23 | 36.85 | 13.85 | 60.22 |
| LIVINGTRUST | 1.98 | 2.79 | 0.81 | 40.91 |
| CONOIL | 35.25 | 46.85 | 11.60 | 32.91 |
| JOHNHOLT | 1.33 | 1.76 | 0.43 | 32.33 |

| Company | Feb-14 (N) | Feb-28 (N) | Absolute Change | Change (%) |
|---|---|---|---|---|
| CHAMS | 0.29 | 0.26 | -0.03 | -10.34 |
| PHARMDEKO | 2.1 | 1.89 | -0.21 | -10.00 |
| MULTIVERSE | 4.4 | 3.96 | -0.44 | -10.00 |
| CAPHOTEL | 2.76 | 2.5 | -0.26 | -9.42 |
| COURTVILLE | 0.52 | 0.48 | -0.04 | -7.69 |

## Outlook

Market performance in the review period was driven by renewed investor sentiment as companies began releasing favourable FY'22 earnings results. However, political uncertainty concerning the presidential and gubernatorial elections could weigh on market performance in the near term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# OUTLOOK FOR NEXT MONTH

Nigeria is besieged by a slew of uncertainties due to the outcome of the "flawed"[28] presidential election, the postponement of the gubernatorial elections, and the ongoing cash crunch. While the exchange rate is expected to remain stable in the near term, the FDC Think Tank is forecasting that the headline inflation expected to be released on March 15 will moderate mildly to 20.96%. As investors wait for the outcome of the MPC meeting scheduled for March 20-21, the stock market will be characterized by cautious optimism. Oil prices are expected to remain elevated in the near term owing to an improved demand outlook from China, the EU's price cap on Russian oil, and an unexpected decline in US oil inventories. However, the price of LNG will remain subdued, and will continue to trade below $3/ MMBtu in March on mild weather, ample storage and efforts to source alternative supplies by the EU, the US, the UK among others.

28. Financial Times (March 1, 2023). Nigeria's badly flawed election. https://www.ft.com/content/ad9bbed0-a2c4-4e20-96ae-c23cd42296fe

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