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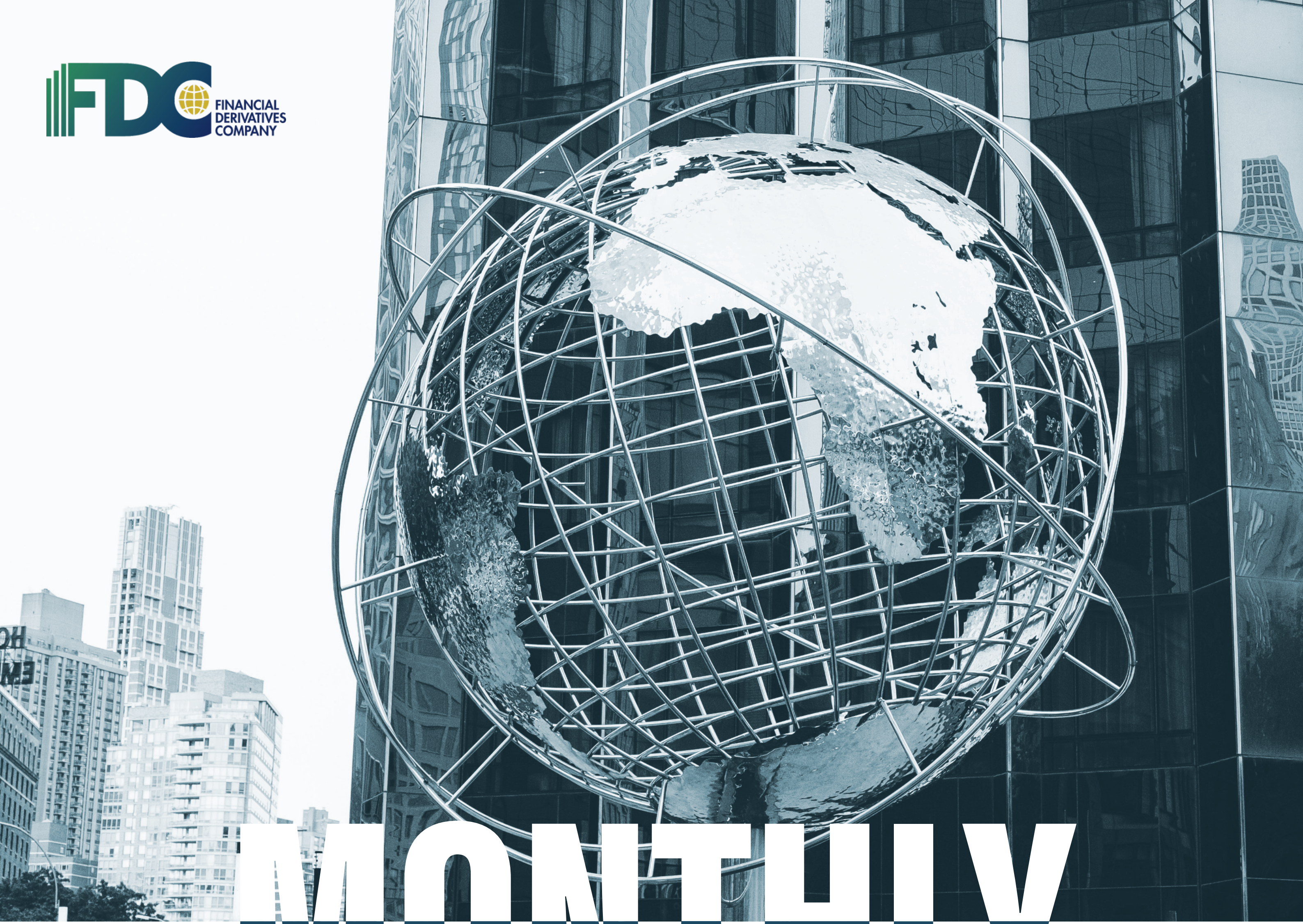

# MONTHLY ECONOMIC UPDATE

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MARCH 03, 2023

# content

# NIGERIA'S HIGHLY CONTESTED ELECTION AND ITS FALLOUT

An interesting and keenly contested election with the longest campaign period in the short history of Nigeria's plural democracy came to an end at 4am on Wednesday. Bola Tinubu was declared winner having won 8.9million votes out of 24.96mn votes cast. The election was marred by violence, thuggery and ballot box snatching. It is the election with the lowest voter turnout (26.07%) since the return to civil rule in 1999. It points to the fact that, in all previous elections voter turnout numbers were grossly exaggerated.

## Diverse Nation with ethnic tension

The four leading candidates represented the quadrangle of tribe, religion and cultural diversity in Africa's largest economy ($503bn). The Southwest and Southeast had Bola Tinubu and Peter Obi, whilst the Northeast and Northwest was represented by Kwankwaso and Atiku. The voting pattern of the electorate reflected their regional biases.

The legal authority of the winner is now seriously undermined by the weak moral authority arising from the narrow vote and the electoral malpractices.

Data integrity in Nigeria has always been a major source of controversy, not just in elections, but also in terms of census, inflation and even the level of external reserves. Therefore, as technology continues to improve, the Big Lie of false data is beginning to catch up with Nigeria.

In the next week, as the country prepares for the governorship and state assembly polls, the political atmosphere is pregnant with expectations of the future and frustrations of the past. The economy is still reeling from the mismanagement of policy and the series of missed opportunities to put it on the path of economic take off. In particular, the bungled currency redesign project which has left the average Nigerian cash strapped.

## Never ending currency saga

The macroeconomic disruption caused by a sharp drop of over 20% in the velocity of circulation of cash in a mostly informal economy has impoverished many and squeezed economic output and GDP. The GDP is expected to contract by as much as 3-5% in Q1'23 as a result of the currency redesign saga. The massive downtime and labour productivity losses from idle workers at the ATM is another sore point.

Therefore, the macroeconomic implications of the political uncertainty arising from electoral malpractices and the near insanity of the cash squeeze is likely to push most Nigerians to the edge.

The supreme court has just ruled that the legal tender status of the old Naira notes is now extended to December 31, 2023. However the Naira as a medium of exchange and a store of value remains enigmatic.

## The spectre of June 12 haunts again

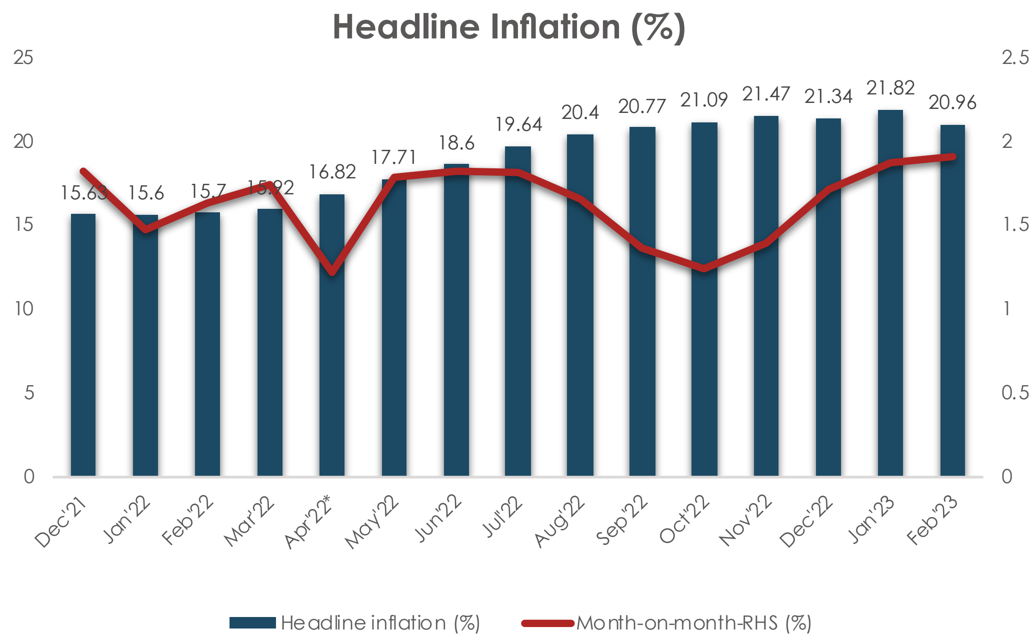
There is an eery similarity between the atmosphere in 2023 and that of June 12, 1993, which led to the near collapse of the nation with significant human and material sacrifices. Therefore, it is hoped that the fall out of this election drama will be different from that of June 12, since they say that lightning does not strike the same place twice.

# HEADLINE INFLATION
## TO SLOW TO 20.96% IN FEBRUARY

The FDC econometric model is indicating that February headline inflation is likely to decline by 0.86% to 20.96% from 21.82% in January. If our projection is correct, February inflation will be the lowest since September 2022.

Moreso, the model is also showing that food inflation will decelerate significantly by 1.1% to 23.22% from 24.32%, and core inflation is expected to decelerate marginally by 0.08% to 19.08% from 19.16% in January. Meanwhile, month-on-month inflation is expected to inch up 0.08% to 1.91% from 1.87% in January.

The immediate effects of the naira currency crisis, lowering logistical costs, and a comparatively stable exchange rate are thought to be the main moderators of inflation in February. Because the naira was scarce, customers' purchasing power was reduced, which weighed on overall demand and forced businesses to drop their prices. Also, as is being witnessed all around the nation, the price of fuel, which increased by 234% in January, has started to level off to its official price in the states of the federation.



## GDP is up, and inflation is expected to cool off – what next?

Notwithstanding the global headwinds, the Nigerian economy experienced a miracle growth in 2022, growing by 3.1%, above the average global growth rate of 2.9%. This is the first time since 2015 that domestic economic growth would overtake global GDP growth. This can be an indication that the economy is recovering and heading toward Rotow's take-off stage of economic growth. Nonetheless, the Nigerian economy lagged behind other oil-producing nations that benefited from the oil windfall emanating from Russia's invasion of Ukraine. More so, the economy is expected to suffer a setback in Q1'23 as a result of unintended consequences of the naira redesigning program. The economy is anticipated to be resilient in 2023, nevertheless, as inflation slows, the naira currency crisis subsides, and supporting policies are prioritized to remedy market and fiscal imbalances.

### Outlook

We expect the Central Bank to maintain the status quo in its next meeting on March 22 and continue to watch out for the implications of previous interest rate hikes. Also, we expect the inflation rate to start trending downward on moderating logistic costs and improved exchange rates.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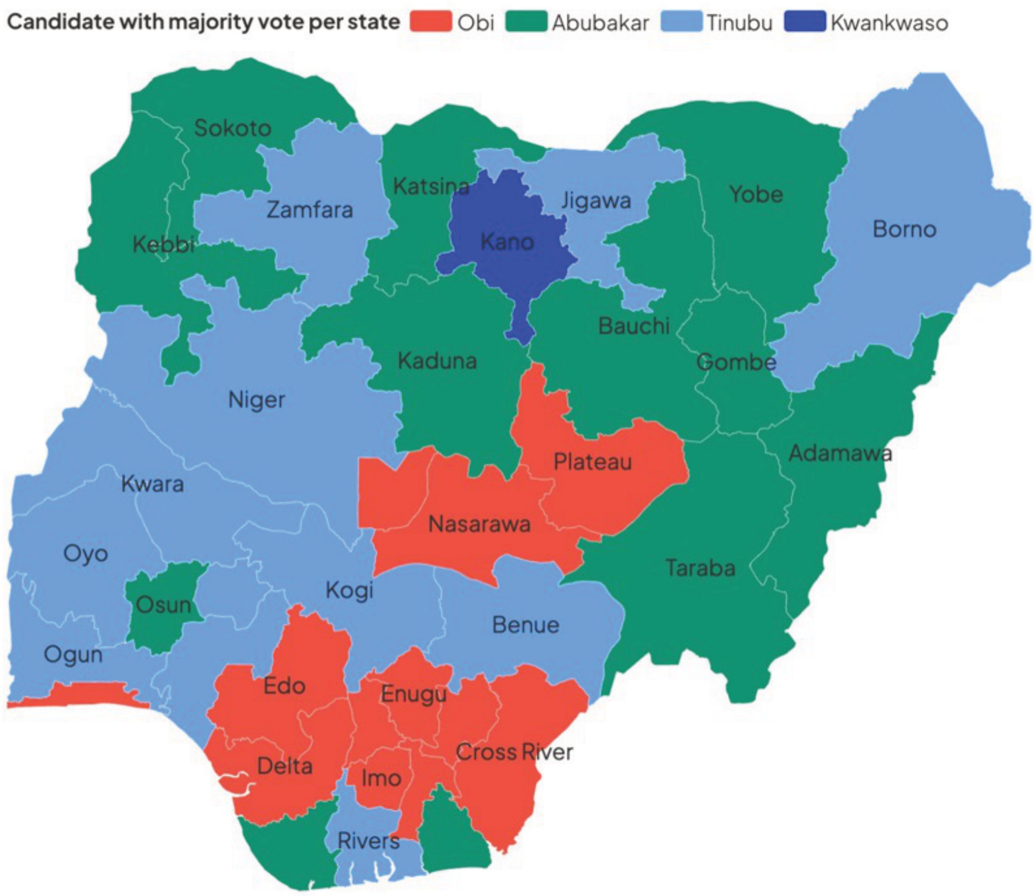
# OLD DOGS & NEW TRICKS
## NIGERIA'S ELECTION THROWS UP INTERESTING OUTCOMES

The 2023 presidential elections will be recorded in Nigeria's history books. For good or bad? We'll leave you to decide.

On February 25, 2023, Nigeria held its sixth presidential election under the new electoral laws institutionalized in 2022. This was the tightest race since the 1999 elections with a strong third force. APC, PDP and the Labour Party (LP).

In the end, the APC presidential candidate, Bola Ahmed Tinubu emerged as the winner with a total of 8.79 million votes, while PDP's Atiku came in second with 6.98 million votes and Labour party's Obi came in third with 6.10 million votes.

### TINUBU WINS NIGERIA'S 2023 PRESIDENTIAL ELECTIONS




Source: Stears

The 2023 election was different or supposed to be different for two reasons. First, INEC introduced the Bimodal Voter Accreditation System (BVAS)—a semi-digital gadget—to limit electoral malpractice and rigging. Second, Nigeria's youths, known to be passive about the electoral process, were keen on translating their social media frenzy to actual votes on election day.

Many hoped the status quo of ballot box theft, thuggery and electoral manipulations will be far from their polling units. Many hoped on INEC's BVAS machines. But alas, like other election stories, Nigeria happened.

Unfortunately, these recurrent issues including past problems like bloated voter registers from migrant and underage voters (which inflate the numbers), forced many to relinquish their voting rights for their safety and security, leading to a low voter turnout. Only 26.60% (25 million) of the 94 million registered voters voted.

However, two defining factors present in all of Nigeria's elections did not fail to surface—religion and tribalism. It's probably the reason the presidential candidates of four parties, APC, PDP, LP, and NNPP recorded landslide victories in states, heavily skewed towards religion and tribalism that favour them. Of course, this excludes Lagos and the FCT. Noteworthy is that each candidate has strong ties to their ethnic roots, hence the loyalty and support from the said voters.

## What next for the president-elect?

With opposition press conferences happening and possible court action against INEC and the APC, our eyes are on the next events to unfold before the swearing-in ceremony in May.

However, in the interim, Nigeria's new president-elect, Tinubu, has his work cut out for him. He has inherited a crippled economy from his fellow party man. Growth is sluggish at barely 3%, inflation remains in double digits, near 22% (the highest in 20 years) and the country's debt is massive at ₦44.06 trillion as of Q3 2022. Meanwhile, insecurity still plagues the nation, stifling output growth of the real sectors of the economy.

Nigeria's macroeconomic difficulties are hydra-headed, and Tinubu will need to implement a prioritization program before he hits the ground running. At the top of this list should be tackling insecurity as this would first create a sane macroeconomic environment to then attract foreign investment. According to the World Bank, Nigeria currently needs $100 billion annually to bridge its infrastructure deficit.

This approach will unyoke important sectors (oil, agriculture, manufacturing, and trade) of the economy that contribute to GDP growth and employment. The expectation is that output will increase from these sectors, then boost domestic supply and possibly taper prices (disinflation). Then, it would also improve export earnings and bolster the government's coffers and external reserves. An increase in government revenue will aid infrastructural development in critical sectors like health and education, which will, in turn, boost labour productivity. A healthy and productive workforce will contribute positively to economic growth and development. Additionally, a boost to the government's purse could gradually aid debt and interest payments.

Noteworthy is that the new president-elect will have to prioritize attracting foreign direct investments (FDI) which have fallen by 77% in the last three years. FDIs are stable, and lasting, with long-term economic benefits to growth.

## Nigerians will smile, for now!

Tinubu's starter pack aside, the possible end to the naira scarcity and its attendant black market could come to an end soon. This is because the naira swap policy was initially implemented to reduce vote buying, and the elections are over (almost).

As such, people will begin to access the new notes, albeit in trickles and Nigerians can finally spend. This is important because consumption contributes 70% to the economy's growth.

In addition, businesses will have access to cash to build up inventories and increase supply, positively contributing to economic activities. However, worthy of note is that the other aspect of the naira swap policy which is to encourage a cashless economy could be in view as the value of digital transactions rose by 28% in December 2022 from (₦30.26 trillion) in December 2021. The currency in circulation has declined by 57.1% in January to N1.1trn from N3.2trn in October 2022.

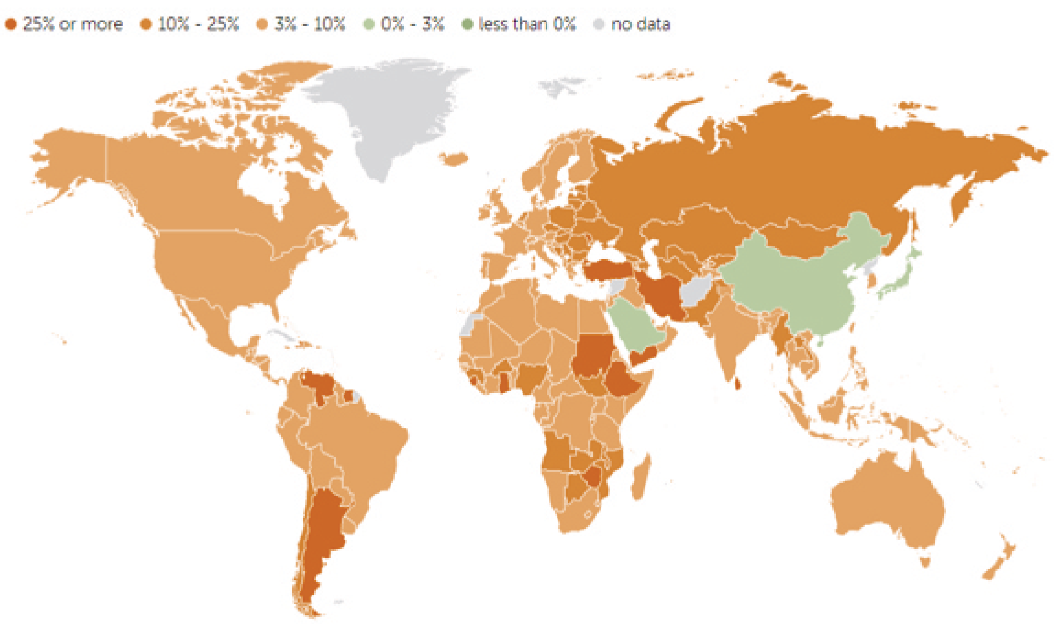
Ultimately, till the formal handover on May 29, 2023, Muhammadu Buhari, will continue to preside over the affairs of the government.

In the meantime, governorship elections will be conducted across 25 states in Nigeria. So, get your PVCs ready for the next round of voting.

# MONETARY POLICY INTERVENTION WITHOUT STRUCTURAL REFORMS: A PANACEA OR PALAVER?

Last year, as inflation reached record highs in many countries, central banks around the world adopted one of the most aggressive monetary tightening policies in decades. In response to the COVID-induced recession of 2020, most countries implemented both fiscal and monetary stimulus fireworks simultaneously. For example, the US threw in about $5.2 trillion of fiscal stimulus into the economy in an attempt to close an output gap of about $400 billion. In what is popularly known as quantitative easing phase four (QE4), the US Federal Reserve Bank grew its balance sheet from $3.9 trillion in mid-March 2020 to $8.8 trillion in early 2022. Other economies, such as Japan, the EU, etc., followed the same trajectory with massive monetary easing. Shortly, the US and other economies experienced a rebound in economic activity.

## INFLATION RATES ACROSS COUNTRIES OF THE WORLD IN 2022[1]




[1]Inflation 2022: https://www.imf.org/external/datamapper/PCPIPCH@WEO/WEOWORLD/VEN

By 2021, the US would have crossed its pre-pandemic long-term growth level. But exiting the recession brought another shock: inflation! Inflation began brewing in 2021, rising to 7.0% in December 2021 in the US from a pre-pandemic level of 4.5%. In Nigeria, inflation hit a high of 18.17% in 2021 before decelerating to 15.60% in January 2022. The invasion of Ukraine by Russia in late February 2022 disrupted the global supply chain, led to spikes in energy and commodity prices, and monumentally quickened the inflationary pressure. Inflation reaccelerated in Nigeria to a high of 21.82% in January 2023.

The Central Bank of Nigeria (CBN) ditched its earlier accommodative monetary policy in May 2022 and began raising the policy rates in what became the fastest and most aggressive interest rates hike since the 2001 tightening cycle. So far, the monetary policy committee (MPC) of the CBN has raised the benchmark interest rate by a cumulative 600 basis points to 17.5%p.a. from 11.5%p.a. in May 2022. However, after eight straight months of monetary tightening, inflation remains persistent and accelerating. In January 2023, inflation hit a record high of 21.82%, up from 17.71% in May 2022 when the CBN adopted its restrictive monetary policy. Although the CBN has reiterated its commitment to remain committed to tackling the spiralling inflation, it appears that the price pressure is falling out of its control.

## This time, inflation is more structural than monetary

Interest rate hikes are usually employed by the central bank to rein in inflation. This is based on the understanding that inflation is at all times a monetary phenomenon – *too much money is chasing too few goods*. Thus, raising interest rates and reducing money supply will reduce the demand for goods and moderate the pressure on prices. In this regard, monetary tightening is a panacea for controlling rapidly rising prices.

## MONETARY TIGHTENING CYCLES IN NIGERIA SINCE 2000

| Cycle period | Cumulative rate hike (%p.a.) | Peak inflation (%) | Inflation at the end of the cycle period (%) |
|---|---|---|---|
| **Jan'2001 – Sept'2001** | 6.5 | 23.2 | 12.2 |
| **Jul'2006 – Nov'2006** | 1.0 | 7.8 | 7.8 |
| **Oct'2007 – Aug'2008** | 2.25 | 14.0 | 12.4 |
| **Jan'2011 – Oct'2011** | 5.75 | 12.9 | 9.37 |
| **May'2022 – Jan'2023** | 6.0 | 21.82 | 21.34 |

Source: FDC

### Exchange rate pass-through

However, what we have seen is that this current inflationary pressure is more of a structural problem than a monetary one, and if such structural problems are not addressed, the CBN may be flogging a dead horse. First, based on our estimates, the major drivers of inflation in Nigeria are the exchange rate pass-through, supply shocks, and fiscal deficit monetization. In the past year, the naira depreciated by 26% to N765/$ from N569/$ in February 2022. Nigeria is a net importer economy with a fairly inelastic import demand. In other words, exchange rate depreciation will translate to higher prices.

### Supply shocks

Nigeria has seen one of its most supply shocks in the past year. Escalating insecurity in food-producing, including Benue, Plateau, Kastina, Zamfara and other northern states, has reduced the volume of the cultivated lands. As the number of displaced farmers increases (now estimated at 7.2 million farmers), the supply of farm produce for both food and industrial purposes becomes increasingly constrained. Insecurity, especially kidnapping for ramson has also disrupted the supply and distribution of agricultural products, creating an excess demand problem which is usually inflationary. Also, the price of diesel (a major source of industrial energy and logistics fuel) spiked to a high of ₦828.82 per litre in January 2023 from ₦288.09 per litre in the corresponding period in 202, which is 187.69% higher. PMS scarcity distorted the uniform pricing with the price more than doubling to about ₦300 - ₦450 in most cities.

### Fiscal deficit monetization

Another structural constraint is fiscal deficit monetization. Nigeria began a borrowing spree in 2015 raising its debt stock by 389% to N77.3 trillion at the end of 2022. The most interesting aspect of the fiscal rascality is the unprecedented increase in Ways & Means by 3,574% to N23.7 trillion from N645 billion in 2014. Fiscal deficit monetary involves "printing money" to finance government spending through the CBN and the inevitable macroeconomic cost is inflation.

## INFLATION RATES IN SELECTED NET-OIL EXPORTING COUNTRIES (APRIL - DECEMBER, 2022)

| Net-Oil Exporting Countries | Inflation (%) – April 2022 | Inflation (%) – December 2022 | Change (%) |
|---|---|---|---|
| **Saudi-Arabia** | 2.3 | 3.3 | 1 ↑ |
| **Iraq** | 5.3 | 4.2 | 1.1 ↓ |
| **Angola** | 25.8 | 13.9 | 11.9 ↓ |
| **Algeria** | 10.0 | 8.2 | 1.8 ↓ |

Source: FDC

### Inflation pattern in most net oil exporting countries

Indeed, a look at the inflation pattern in most net oil exporting countries shows that most of the net oil exporters dodged the inflation bullet except Nigeria and a few other countries with legacy constraints. For example, in Angola, inflation decelerated to 14% in December 2022 from 25.8% in April same year. Inflation also moderated in Iraq and Algeria over the same period. In Saudi Arabia, inflation rose marginally by 1% to 3.3% in December from 2.3% in April. Indeed, net oil-exporting countries enjoyed a tailwind in 2022, while Nigeria suffered a headwind with net oil importers.

### The MPR, an anchorless anchor

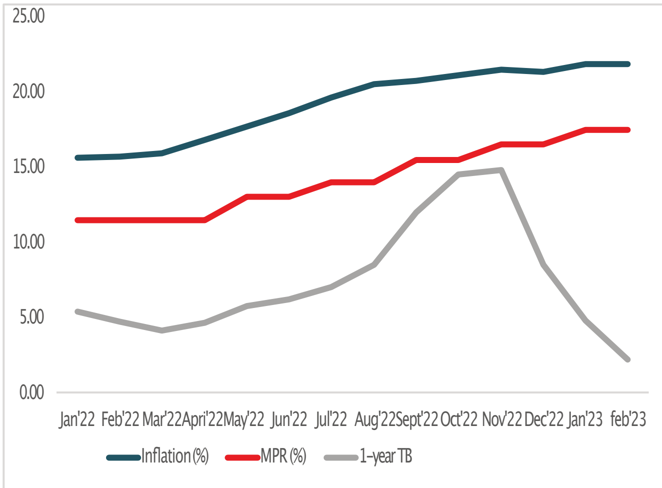
Second, the MPR as an anchor and signaling rate is increasingly becoming disconnected from the short-term interest rates. This distortion in the term structure of interest rate deflates the effectiveness of interest rate hikes in Nigeria. Available data shows that after raising the MPR by 100 bps to 17.5% last month, the auction price of the 1-year Treasury bill rate declined to 2.24% from 14.84% at the end of November 2022. This apparent contradiction sends a mixed signal to the market, and undermines the potency of the rate hike. In the US and most other countries, one-year TB moves in the same direction as the MPR with inflation moving in the opposite direction. However, in Nigeria the case is different. Inflation moves with the MPR in the same direction while TB diverges.

### How has inflation impacted Nigerians?

Inflation is a cankerworm and an unauthorized catchpole. It imposes inestimable costs and losses on consumers, savers, fixed-income earners, and businesses.

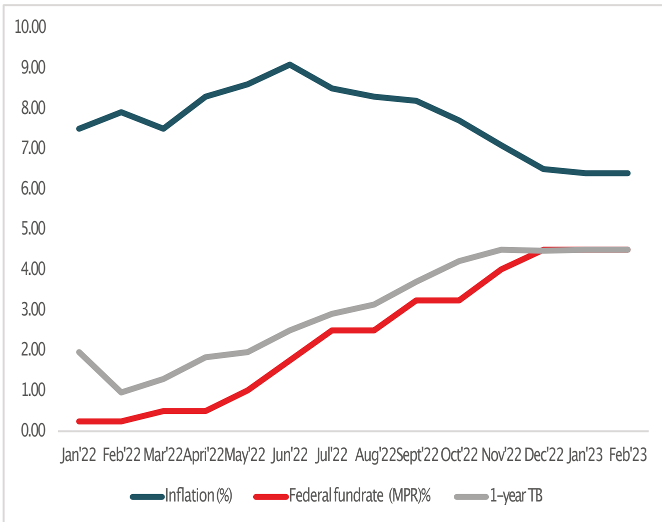
**Consumers:** Households are worse off when prices rise faster than their nominal income, especially in countries where wages or salaries are not indexed to inflation. Inflation erodes purchasing power, and to the extent that consumption is a function of income, it affects the poor disproportionately. Given that low-income households spend a greater proportion of their income on essentials, inflation is indeed hitting the poorest households twice as hard as the richest ones.

## INFLATION, MPR AND TB TRENDS IN NIGERIA




Source: CBN, NBS, FDC

## INFLATION, MPR AND TB TRENDS IN THE UNITED STATES




Source: FRED, FDC

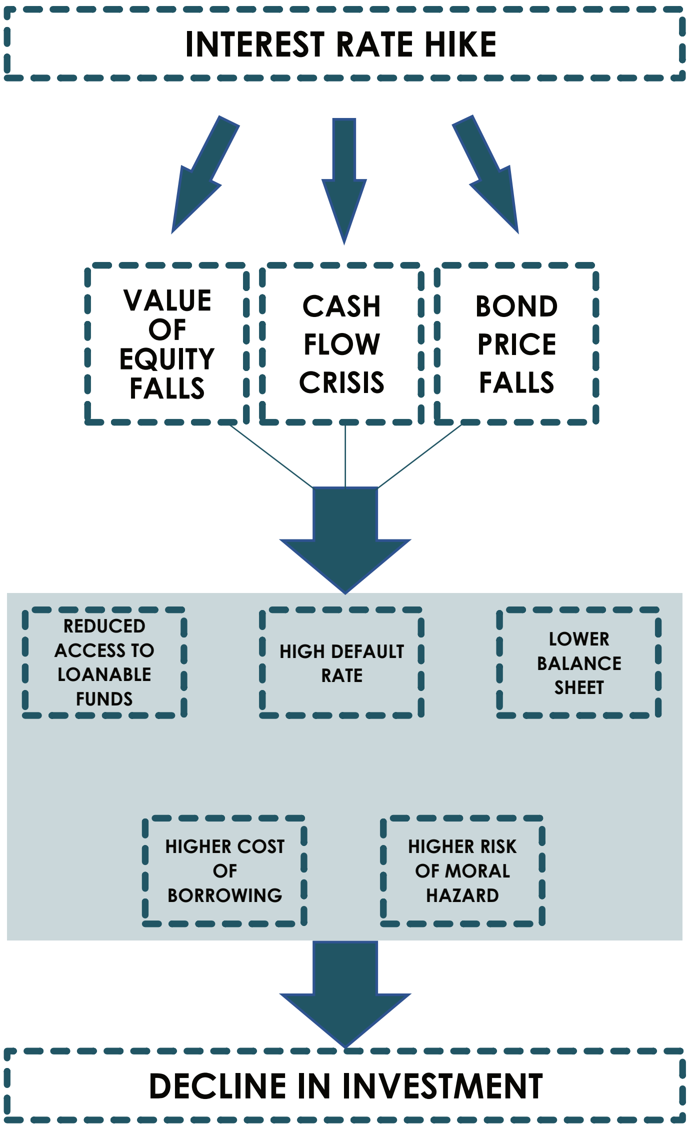
A new Oxfam report shows that "the richest 1% bagged nearly two-thirds of all new wealth over the past two years, nearly twice as much money as the bottom 99% of the world's population." It went further to say that the three richest men in Nigeria have more wealth than 83 million citizens. Indeed, Nigerian consumers are living on edge. With stagnant wages and rising costs of living, deprivation and desperation are currently at an all-time high.

**Savers:** When inflation rises quickly, money loses its value rapidly. This is because interest rates rarely keep up with increases in the general price level. With the saving rate of 5.25% (30% of MPR) and inflation at 21.34%, savers lose 16.09%p.a on their savings. In other words, N1million kept in savings account will only buy goods worth N839,100 after one year. The save lost N160,900! Anecdotally, the loss could be as much as N440,000 in one year. In other words, inflation discourages savings in the domestic currency and could force savers to fly to safety in dollar, a recipe for dollarization.

**Fixed income earners:** Workers who are locked into fixed-wage contracts are another group who could suffer substantially from inflation. One of the most difficult things in Nigeria is wage/salary adjustment. A typical Nigerian worker can be on the same salary for over five years and salary is hardly adjusted during inflationary episodes. For example, the CPI has grown by around 82% since the last minimum wage of N30, 000 was announced. This implies that in naira terms, a civil servant that is paid N100,000 today has real income of N18,000 relative to the value of the same amount received in 2019.

**Fixed income investment:** Inflation shrinks the real returns with double digit inflation most likely to yield negative real returns. Since the return on fixed income investment is static, every unit

## CHANNEL THROUGH WHICH INTEREST RATES HIKE AFFECTS INVESTMENT




increase in inflation constitutes a unit increase in real returns.

**Businesses:** When inflation rises rapidly and persistently, the prices of production inputs (such as raw materials), and capital goods (like machines) also rise. In other words, businesses lose purchasing power. The production budget constraints shrinks and total output dwindles. Companies often increase the prices of their goods or services in reaction to inflation, with the result that volume purchases decline. Also, the risk of bad and doubtful debt increases, and provide margin fells.

### Impact of interest rate on businesses

Interest hike is a two-edged sword. When the economy is running hot and inflation is exceeding permissible thresholds, an interest rate hike could be a veritable tool for cooling the economy and bringing inflation under control. This is most potent when inflation is a "monetary phenomenon": too much money chasing too few goods. It increases the propensity to save due to an increase in the saving rate, reduces access to cheap money, and induces holders of idle cash to invest their cash in interest bearing securities rather than holding idle cash for transactional purposes. By raising the borrowing costs, excess spending is moderated and inflationary pressure subsides. A higher interest rate can also strengthen the naira and lead to an increase in capital inflows. But this is not the end of the story!

Interest rate hikes raise borrowing costs and can trigger a fall in asset prices. This can further depress a firm's balance sheet and induce a cash flow crisis. It also heightens the risk of loan default and reduces businesses' access to loanable funds. Overall, investment falls, aggregate demand declines, and output growth slows or even contracts.

### Has Nigeria hit a brick wall?

Although Nigeria seems to be on the precipice with the sword of Damocles hanging over its macroeconomy, there are still viable policy options that could pull the economy out of the woods. Nigeria must rethink its inflation containment measures. It must prioritize structural reforms. Structural reforms are the best policies to alter the supply-side economy. They are targeted at removing market impediments, thereby increasing the efficiency of the market process. Structural reforms can lead to an increase in the supply of inputs and the efficiency of resource use.

To tackle inflation, Nigeria must reform its exchange rate system. Empirical evidence shows that exchange rate volatility as well as large depreciations are consistent with spiralling inflation. The current multiple exchange rate system must be jettisoned for a more efficient regime that removes the impediments in the willing-buyer-willing-seller market.

The policymakers must show commitment to stop the current fiscal rascality. Mindless borrowing and the culture of financing recurrent expenditure by printing money must be discontinued. The policymakers must rethink their several price control and subsidy programs—fuel subsidy, interest rate subsidy, electricity tariff subsidy, fertilizer subsidy, and many more. The time for action is now or never.

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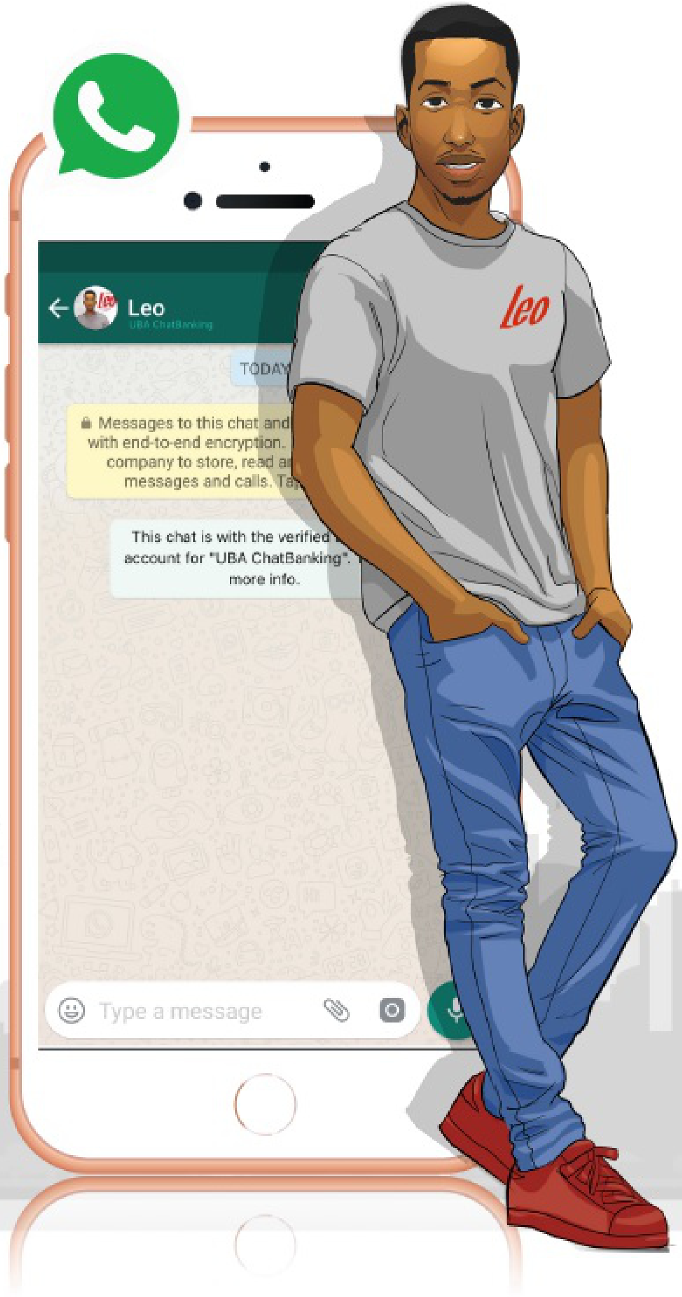


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# BLOCKCHAIN:

## A SOLUTION TO NIGERIA'S BANKING SECTOR INSECURITY IN 2023

Blockchain technology is a type of distributed ledger that is gaining widespread attention and its use is rapidly expanding. The global blockchain market was valued at $708 million in 2017 and is projected to reach $60.7 billion by 2024[2]. In fact, 90% of banks and financial institutions in the United States and Europe have started exploring blockchain technology[3]. JP Morgan has developed a blockchain platform called Quorum that is being used to securely and efficiently process financial transactions. Similarly, the Monetary Authority of Singapore and the Bank of Canada have been testing blockchain technology for interbank payments and securities settlement.[5]

Blockchain technology can be defined as an incorruptible digital ledger of economic transactions that can be programmed to record financial transactions and virtually everything of value.[6]

Blockchain technology can be applied to a variety of industries, which include banking, agriculture, healthcare, and cyber security. In the agricultural sector, it can be used to increase food security, increase traceability, decrease fraud, reduce errors, and do away with paper-based documentation, which can boost productivity and cut costs. The use of blockchain in the healthcare sector can help minimize errors, improve system performance, and build a secure, decentralized electronic medical records system. Internet of Things (IoT) and other linked devices, as well as communication systems and other sectors of digital infrastructure, can all be secured using blockchain-based solutions. Blockchain can be used to improve the security and efficiency of financial transactions, reduce costs, and increase transparency in the banking sector.

The Nigerian banking sector has recorded rising cases of fraud in the past few years. The banks use a variety of security practices to protect their networks and infrastructure. This includes network segmentation, virtual private networks, firewalls, advanced threat protection, security information

2. Research and Markets. 2018. "Worldwide Blockchain Report: Market shares, Strategies, and Forecasts, 2018-2024". https://www.prnewswire.com/news-releases/worldwide-blockchain-report-market-shares-strategies-and-forecasts-2018-2024-market-is-anticipated-to-reach-607-billion-with-ibm-microsft--accenture-driving-blockchain-300581333.htmlnsert citation
3.ACCENTURE. 2016. "Nine out of 10 Major Banks in North America and Europe are Exploring the use of Blockchain Technology for Payments, Accenture Survey Finds" https://newsroom.accenture.com/news/nine-out-of-10-major-banks-in-north-america-and-europe-are-exploring-the-use-of-blockchain-technology-for-payments-accenture-survey-finds.htm
4. Anna Irrera. 2020. "ConsenSys acquires JP Morgan's blockchain platform Quorum". Reuters. https://www.reuters.com/article/us-jpmorgan-consensys-quorum-idUSKBN25L1MR
5. IMF. 2020. "Distributed Ledger Technology Experiments in Payments and Settlements". https://www.imf.org/-/media/Files/Publications/FTN063/2020/English/FTNEA2020001.ashx
6.Terry Brock. 2017. "One Word: Blockchain". https://www.bizjournals.com/bizjournals/how-to/technology/2017/10/one-word-blockchain.html

and event management, biometric authentication, two-factor authentication, and security compliance.

However, with these security practices in place, Nigerian banks still recorded fraud and forgery cases totaling N120.79 billion in 2020.[7] Additionally, the Nigeria Inter-Bank Settlement System Plc revealed that fraud attempts via mobile channels climbed by 330% year on year between 2019 and 2020, while those via web and POS channels increased by 173% and 215%, respectively.[8] In 2021, the total number of recorded Nigerian fraud cases was 17,697. 9

The security practices of Nigerian banks are threatened by several problems that make it difficult for them to safeguard their networks, systems, and client information from cyberattacks. These challenges include:

**Inadequate security infrastructure:** several Nigerian banks have not fully deployed modern security infrastructure to protect against cyber-attacks.

**Human error:** despite training and awareness programs, employees may fall victim to phishing scams, mistakenly share sensitive information, or fail to follow security protocols.

**Lack of security compliance:** some banks have not completely implemented industry standards like ISO 27001 or complied with all regulatory requirements for cyber security.

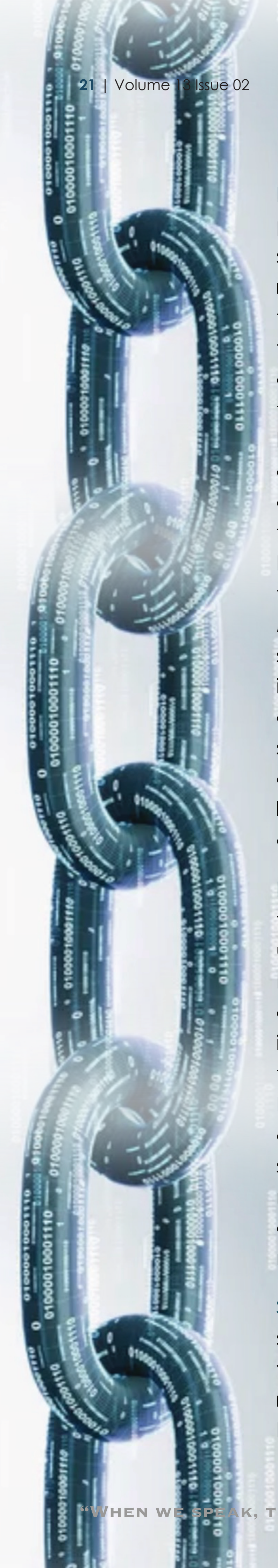
**Insufficient investment**: banks are not investing sufficiently to bolster their information security posture; this can include a lack of investment in technology, employees, and training.

**Lack of incident response**: many Nigerian banks are not adequately prepared to manage security issues and do not have incident response strategies, which makes it challenging to react to a security breach swiftly and effectively.

**Cyber-attack detection and response:** Nigerian banks are facing challenges in detecting, responding to, and mitigating cyber-attacks. This is partly due to the sophistication of the attack methods and the lack of necessary technical expertise to detect, respond, and mitigate the cyber-attack.

In several ways, blockchain technology can address the security issues Nigeria's banking sector is now experiencing. These include:

7. Omedele Adigun. 2022. "Bank fraud, forgeries amounted to N120.79bn in 2020". Sun News. https://www.sunnewsonline.com/bank-fraud-forgeries-amounted-to-n120-79bn-in-2020-ndic/
8.NIBSS. 2020. "Fraud in the Nigerian Financial Services". https://nibss-plc.com.ng/media/PDFs/post/NIBSS%20Insights%20Fraud.pdf
9.SAHARA REPORTERS. 2022. "CBN Places Over 6000 BVN On Watch List for Fraudulent Transactions". https://saharareporters.com/2022/12/27/central-bank-nigeria-places-over-6000-bank-verification-



**Increased transparency**: blockchain provides an open and transparent system in which all transactions are recorded in real-time, offering a tamper-proof record of all transactions that can be audited at any moment, increasing the system's transparency. That being said, it also has the potential to increase anonymity, which can make it more difficult to track and trace financial transactions. This is why many blockchain platforms have adopted the Know Your Customer and Anti-Money Laundering compliance standards, which are aimed at identifying and verifying the identities of users and detecting and reporting suspicious transactions. This can enhance regulatory adherence and lower the likelihood of fraudulent activity.

**Improved Security:** The technology secures transactions using powerful cryptography, and because it is decentralized, it eliminates the need for intermediaries, making it more secure than traditional financial systems. Decentralization also makes it more challenging for hackers to successfully attack the entire network; even if they manage to compromise one node, this would not compromise the overall network.

**Smart contracts**: blockchain-based smart contracts can automate various procedures, minimize error rates, and do away with paper-based paperwork, which boosts productivity and cuts expenses. Additionally, smart contracts would do away with the necessity for intermediaries in many transactions, lowering the possibility of human error and thus boosting security.

**Compliance:** blockchain technology can help with regulatory compliance by providing a tamper-proof, real-time record of transactions and making transactions easier to track and verify.

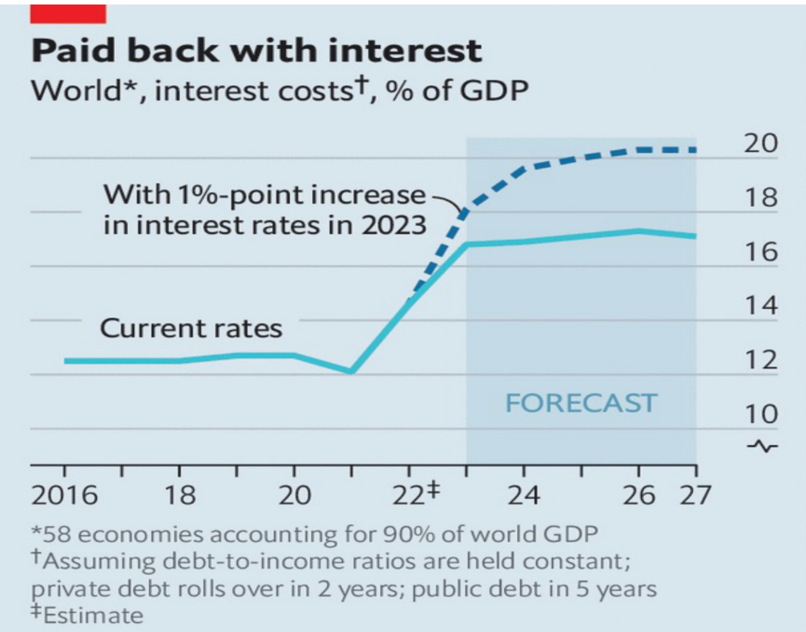
Nigeria can draw valuable lessons from other countries that have implemented blockchain technology in the financial sector. For example, the United Arab Emirates has launched a blockchain-based financial system, allowing companies to use one platform to access their accounts, manage transactions, and exchange funds. India has also experimented with blockchain technology, launching a pilot program to use the technology for bank settlements and other financial transactions. Overall, Nigeria stands to benefit from the implementation of blockchain technology in the financial sector. By leveraging lessons learned from other countries, Nigeria can ensure a successful and secure implementation of the technology.

# GLOBAL PERSPECTIVE:
## THE WORLD'S $13TRN INTEREST BILL
*-THE ECONOMIST*

After a calm 2010s, in which interest rates hardly budged, inflation is putting central-bank officials to work. Indeed, policymakers have rarely been busier. In the first quarter of 2021, policy rates in a sample of 58 rich and emerging economies stood at an average of 2.6%. By the final quarter of 2022, this figure had reached 7.1%. Meanwhile, total debt in these countries hit a record $300trn, or 345% of their combined GDP, up from $255trn, or 320% of GDP, before the covid-19 pandemic.

The more indebted the world becomes, the more sensitive it is to rate rises. To assess the combined effect of borrowing and higher rates, The Economist has estimated the interest bill for firms, households and governments across 58 countries. Together these economies account for more than 90% of the global GDP. In 2021 their interest bill stood at $10.4trn, or 12% of the combined GDP. By 2022 it had reached a whopping $13trn, or 14.5% of GDP. Our calculations make certain assumptions. In the real world, higher interest rates do not push up debt-servicing costs immediately, except for those of floating-rate debt, such as many overnight bank loans. The maturity of government debt tends to range from five to ten years; firms and households tend to borrow on a shorter-term basis. We assume that rate rises feed through over the course of five years for public debt, and over a two-year period for households and companies.

To project what might happen over the next few years, we make a few more assumptions. Real-life borrowers respond to higher rates by reducing debt to ensure that interest payments do not get out of hand. Nonetheless, research by the Bank for International Settlements, a club of central banks, shows that higher rates do raise interest payments on debt relative to income—ie, that deleveraging does not entirely negate higher costs. Thus we assume that nominal incomes rise according to IMF forecasts and debt-to-GDP ratios stay flat. This implies annual budget deficits of 5% of GDP, lower than before covid.




Our analysis suggests that, if rates follow the path priced into government-bond markets, the interest tab will hit around 17% of GDP by 2027. And what if markets are underestimating how much tightening central banks have in store? We find that another percentage point, on top of that which markets have priced in, would bring the bill to a mighty 20% of GDP.

Such a bill would be vast, but not without precedent. Interest costs in America exceeded 20% of GDP in the global financial crisis of 2007-09, the economic boom of the late 1990s and the last proper burst of inflation in the 1980s. Yet an average bill of this size would mask big differences between industries and countries. Ghana's government, for instance, would face a debt-to-revenue ratio of over six and government-bond yields of 75%—which would almost certainly mean eye-watering cuts to state spending.

Inflation may ease the burden slightly, by pushing up nominal tax revenues, household incomes and corporate profits. And global debt as a share of GDP has fallen from its peak of 355% in 2021. But this relief has so far been more than offset by the rise in interest rates. In America, for instance, real rates as measured by the yield on the five-year Treasury inflation-protected security sit at 1.5%, against an average of 0.35% in 2019.

## Borrow trouble

So, who is bearing the burden? We rank households, companies and governments across our 58 countries according to two variables: debt-to-income ratios and the increase in rates over the past three years. When it comes to households, rich democracies, including the Netherlands, New Zealand and Sweden, look more sensitive to rising interest rates. All three have debt levels nearly twice their disposable incomes and have seen short-term government bond yields rise by more than three percentage points since the end of 2019.

Yet countries that have less time to prepare for rate rises may face greater difficulties than their more indebted peers. Mortgages in the Netherlands, for instance, often have longer-term fixed rates, meaning the country's households are more insulated from higher rates than our rankings suggest. In other countries, by contrast, households tend to either have shorter term fixed-rate loans or borrow on flexible terms. In Sweden, floating-rate mortgages account for nearly two-thirds of the stock, which means problems may emerge more quickly. In emerging economies, the data are patchier. Although debt-to-income ratios are lower, this partly reflects the fact that formal credit is hard to obtain.

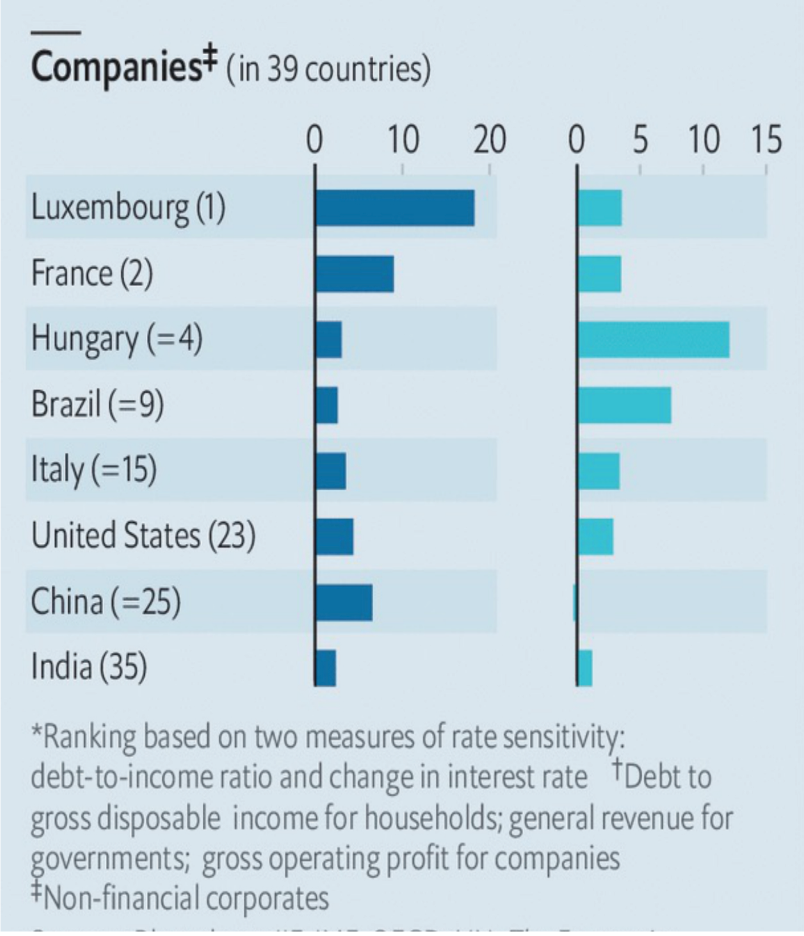

In the business world, surging consumer demand has lifted profits. In 33 of the 39 countries for which we have data, the ratio of debt to gross-operating profit has fallen in the past year. Indeed, parts of the world look surprisingly strong. Despite the woes of Adani Group, a conglomerate under fire from a short-seller, India scores well thanks to a relatively low debt-to-income ratio of 2.4, and a smaller rise in rates.

Big debt burdens and tighter financial conditions may still prove too much for some companies. S&P Global, a research firm, notes that default rates on European speculative-grade corporate debt rose from under 1% at the start of 2022 to more than 2% by the end of the year. French firms are especially indebted, with a ratio of debt to gross-operating profit of nearly nine, higher than any country bar Luxembourg. Russia, cut off from foreign markets, has seen short-term yields spike. Hungary, where the central bank has rapidly raised rates to protect its currency, has heavy debts relative to the size of its economy.

Last and most consequential is government debt. Daleep Singh of PGIM, an asset manager, says a crucial variable to watch is the risk premium on debt (the extra return markets demand to hold a country's bonds over and above the yield on an American Treasury). Rich-world governments are mostly doing fine on this measure.

But Italy, which has seen a bigger increase in bond yields than any other European country in our sample, remains a risk. As the European Central Bank tightens policy, it has stopped buying sovereign bonds, and will begin to shrink its balance-sheet in March. The danger is that this prompts a crunch.

Emerging economies increasingly borrow in their own currencies, but those struggling with external debts may require help. Argentina recently reached a bail-out agreement, which will require uncomfortable belt-tightening, with the IMF. It sits near the top of this category, and already defaulted on its external debt in 2020. Egypt, which has medium-government bond yields around four to five percentage points above pre-pandemic levels, is trying not to follow suit. Ghana, which recently joined Argentina in the severely distressed camp, is now embarking on fiscal and monetary tightening in an attempt to secure support from the IMF.



# GLOBAL PERSPECTIVE:
## GLOBAL BAROMETERS SHOW UPWARD CORRECTIONS
### *-CULLED FROM KOF SWISS ECONOMIC INSTITUTE*

The Global Barometers increased in February for the first time since November 2022 across all regions, with the Asia, Pacific & African regions standing out for the improved climate in the region.

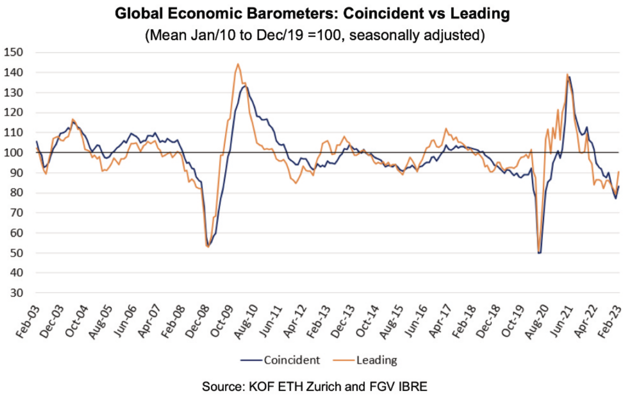
The Global Economic Barometers are a system of indicators enabling timely analysis of global economic development. They represent a collaboration between the KOF Swiss Economic Institute of the ETH Zurich in Switzerland and Fundação Getulio Vargas (FGV), based in Rio de Janeiro, Brazil. The system consists of two composite indicators, the Coincident Barometer and the Leading Barometer. The Coincident Barometer reflects the current state of economic activity, while the Leading Barometer provides a cyclical signal roughly six months ahead of current economic developments. The two Barometers comprise the results of economic tendency surveys conducted in more than 50 countries with the aim of achieving the broadest possible global coverage.

The advantages of economic tendency surveys are that their results are usually readily available and are not substantially revised after first the publication. The Coincident Barometer includes more than 1,000 different time series, while the Leading Barometer consists of over 600 times. Cross-correlation analysis is used to decide which individual time series are included in the barometers. This involves correlating the individual time series with a reference series. The reference series used is the year-on-year growth rate of global gross domestic product (GDP), in which individual national GDPs are aggregated at purchasing power parity to form global GDP.

A time series is only included in a Barometer if it shows a sufficiently high correlation and a suitable synchronization or leads with the reference series. The series of the two Barometers are revised each month at publication and are standardized to have a mean of 100 and a standard deviation of 10 for the 10-year period previous to the most recent observations. The coefficients of the component series of the Global Barometers have remained stable since the April 2020 edition.

In February 2023, the Coincident Global Economic Barometer rises 6.2 points to 83.3 points. The Leading Global Economic Barometer increases 11.2 points to 90.5 points, the highest level since March 2022.

With this result, the Coincident Barometer recovers almost 50% of the loses recorded in the previous three months, while the Leading Barometer recovers more than 100% of the losses in the same period. The increase in both indicators is to a large extent driven by the Asia, Pacific & African regions.



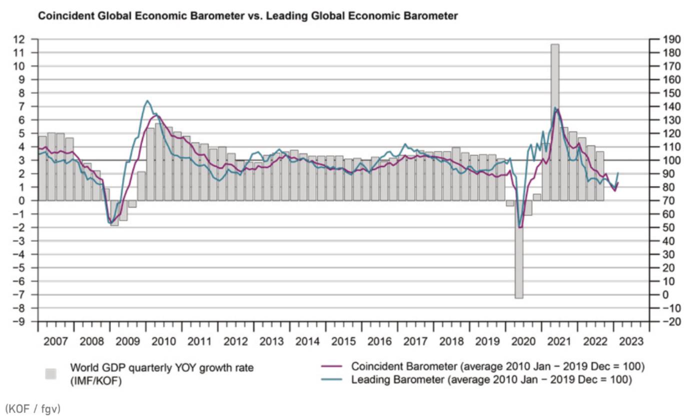

"In recent months, the Asia, Pacific and Africa region has been a major driver of the global economic barometers. This time it is the end of the zero-covid policy in China that is improving sentiment across the region. At least from this perspective, the rollercoaster ride of economic sentiment regarding the Chinese economy may be coming to an end. Together with a milder-than-feared winter in Europe and a generally quite robust US economy, a somewhat more positive tone is now being struck for the coming months than at the beginning of the year. Nevertheless, the barometer readings are still far below their long-term averages, indicating that momentum remains weak", evaluates Jan-Egbert Sturm, Director at KOF Swiss Economic Institute.

The rollercoaster ride of economic sentiment regarding the Chinese economy might come to an end. This, the milder winter in Europe and a quite robust US economy, a somewhat more positive tone is now being struck for the coming months. Nevertheless, the barometer readings are still far below their long-term averages, indicating that momentum remains weak

## Coincident Barometer – regions and sectors

In February, Asia, Pacific & Africa nregion contributes 5.0 points to the 6.2-point increase in the Coincident indicator, the Western Hemisphere 0.8 points, and Europe 0.5 points. The rise in the regional indicator for the Asia, Pacific & Africa region reflects the reopening of the Chinese economy, with the end of the Covid zero policy, and the impact of this opening in other countries in the region. The graph below illustrates the contribution of each region to the deviation of the Coincident Barometer from the historical mean of 100 points.

All the coincident sector indicators increase in February 2023, which has not happened since March of 2021. The Services sector records the highest level among the sectors for the third month in a row.



## Leading Barometer – regions and sectors

The Leading Global Barometer leads the world economic growth rate cycle by three to six months on average. The Asia, Pacific & Africa region contributes 8.6 points to the 11.2-point rise in the indicator in February after four months of heading in the opposite direction. Europe and the Western Hemisphere also contribute positively, but to a lesser extent, with 1.7 and 0.8 points, respectively.

All the Leading indicator sectors increase in February, with Industry standing out with a rise of almost 14 points for the month. As in the case of the Coincident indicator, Construction has the lowest level among the sectors, reflecting a pessimistic outlook for the coming months.

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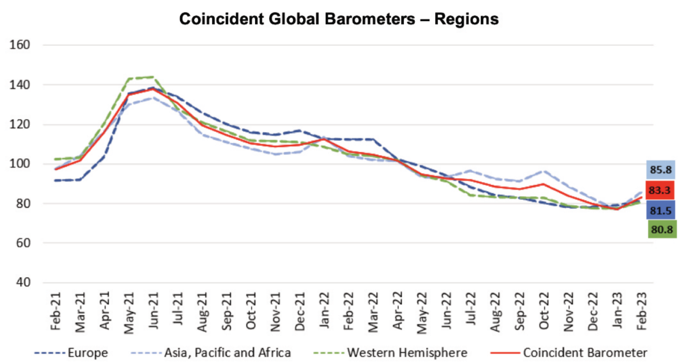
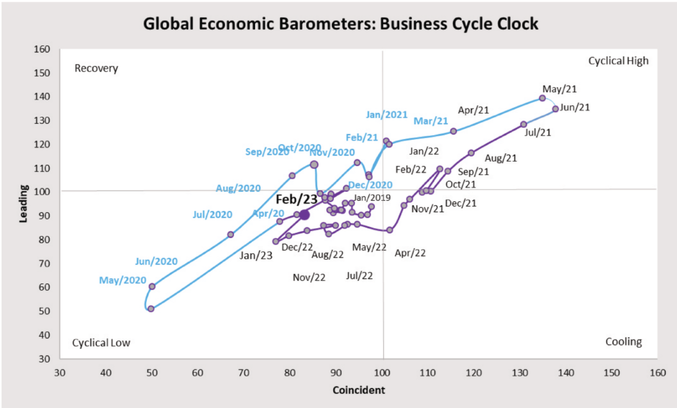


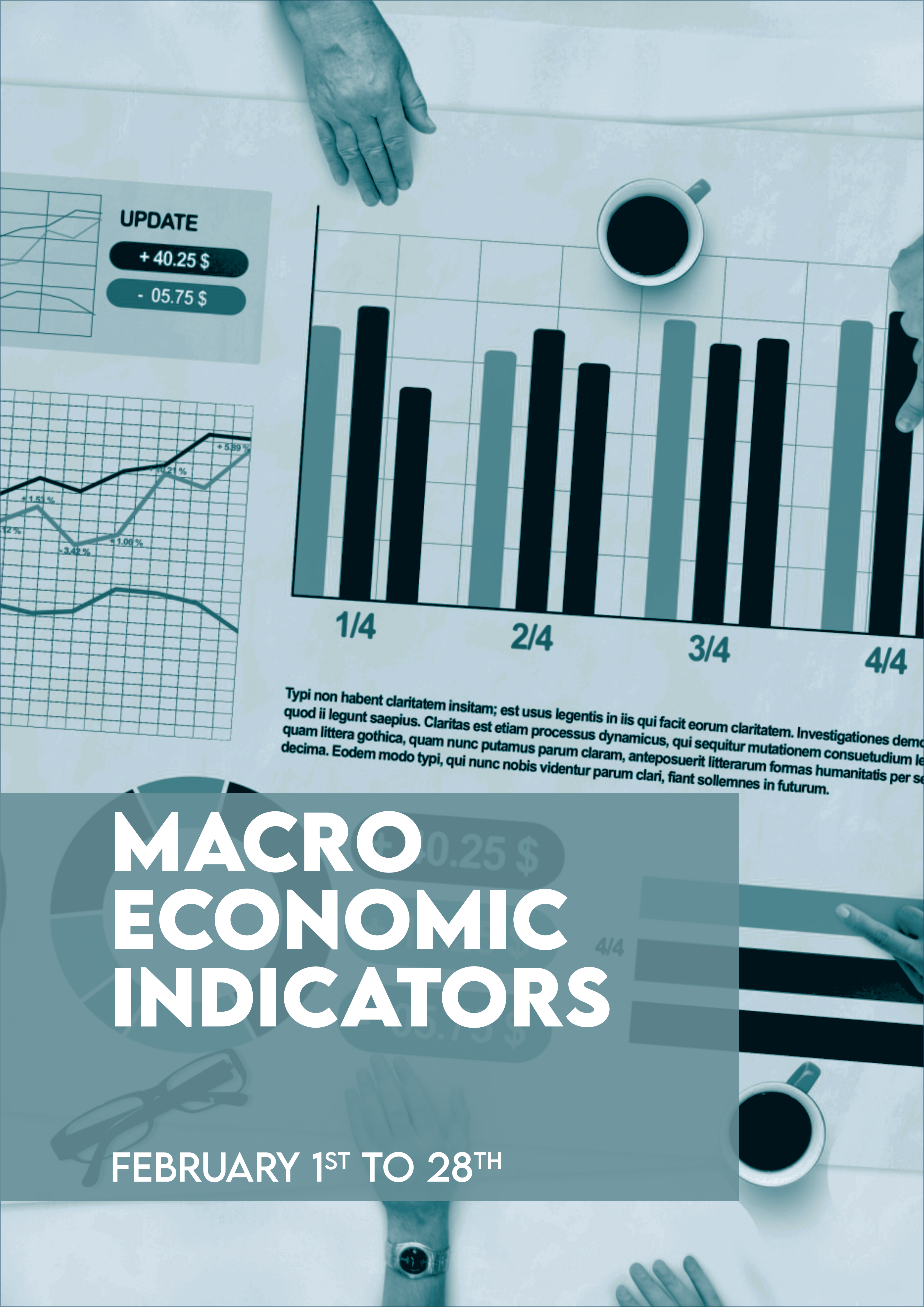

Source: KOF ETH Zurich and FGV IBRE




| Period | Global Coincident Barometer Vintages | | Global Leading Barometer Vintages | |
|---|---|---|---|---|
| | February 2023 | January 2023 | February 2023 | January 2023 |
| Feb-22 | 106.2 | 106.1 | 97.0 | 97.0 |
| Mar-22 | 104.9 | 104.7 | 94.3 | 94.2 |
| Apr-22 | 101.8 | 102.0 | 84.1 | 84.3 |
| May-22 | 94.8 | 94.5 | 86.4 | 86.3 |
| Jun-22 | 92.6 | 92.8 | 86.5 | 86.6 |
| Jul-22 | 92.0 | 91.9 | 85.9 | 85.9 |
| Aug-22 | 88.6 | 88.5 | 82.3 | 82.2 |
| Sep-22 | 87.5 | 87.4 | 86.0 | 86.0 |
| Oct-22 | 90.0 | 89.9 | 86.0 | 85.9 |
| Nov-22 | 83.9 | 83.8 | 83.7 | 83.7 |
| Dec-22 | 79.9 | 79.8 | 81.7 | 81.7 |
| Jan-23 | 77.1 | 76.5 | 79.3 | 79.6 |
| Feb-23 | 83.3 | | 90.5 | |

Source: KOF ETH Zurich and FGV IBRE

*The Global Barometer series are revised monthly to reflect updates in the component series and revision of the seasonal adjustment.



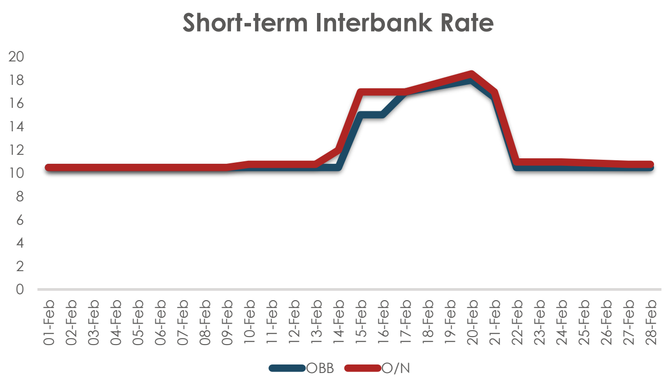

# MACRO ECONOMIC INDICATORS

FEBRUARY 1ST TO 28TH

# MONEY MARKET

In February, the average opening position of banks declined sharply by 30% to N503.87bn from N722.37bn in January. This is in line with the CBN's aggressive liquidity mop-up. During the review period, banks' opening balance slipped into negative territory and there were no OMO bills sales. Liquidity fell despite the OMO repayment of N103bn as well as the FAAC disbursement of N750.17bn. The average NIBOR rate (OPR, O/N) increased by 198bps to 12.17% p.a. in February from 10.19% p.a. in January.

So far in February, two primary market auctions were conducted, just like in January. A total of N680.5trn was allotted in February, up 145% from the total allotment of N277.41trn in the previous month. At the primary market, rates increased across all three tenors at an average of 327bps. Similarly, at the secondary market, yields on the three benchmark maturities increased at an average of 239bps during the period of review.




Source: FDC Think Tank

| Tenor | Primary market (February 8th 2022) (%) | Primary market (February 22nd 2022) (%) | Secondary market (February 1st 2022) (%) | Secondary market (February 28th 2022) (%) |
|---|---|---|---|---|
| 91-day | 0.29 | 3.0 ▲ | 0.98 | 4.2 ▲ |
| 182-day | 1.8 | 3.24 ▲ | 1.83 | 4.11 ▲ |
| 364-day | 4.23 | 9.9 ▲ | 2.83 | 4.5 ▲ |

Source: FMDQ, FDC Think Tank

▼ 30.00%

N503.87BN

BANK OPENING POSITION

## OUTLOOK AND IMPLICATION

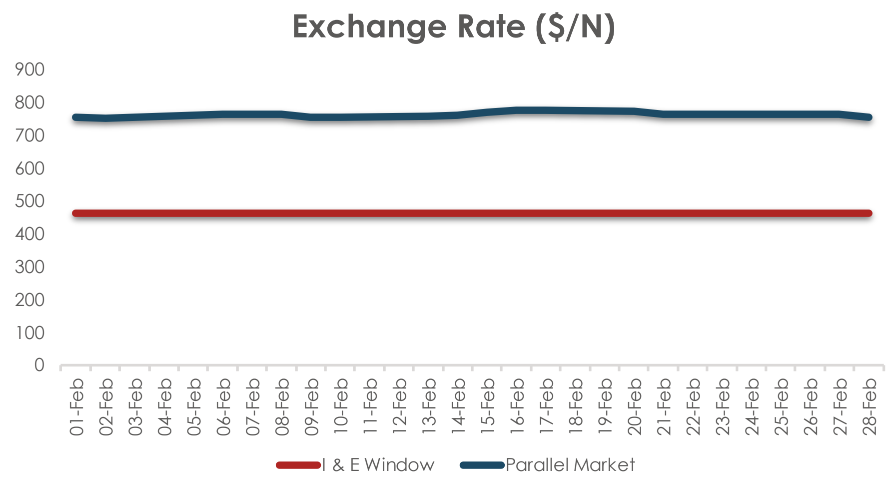
Short-term interbank rates as well as money market rates are expected to remain elevated as CBN continues to mop-up liquidity from the system. Higher interest rate will lead to an increase in yields for fixed income investors, while borrowers will be at a disadvantage as bank lending rate.

# 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

In February, the naira continued to trade flat against the dollar at N462/$ at the Investors and exporters window since the start of the year. However, the naira weakened at the parallel market due to speculative activities in the forex market as well as the cash crunch. It plunged to a low of N775/$ on Feb 16th before appreciating marginally by 2.5% to close the month at N755/$. On average, the naira depreciated by 2.16% to N762.75/$ in February from N746.57/$ in January.




Source: FDC Think Tank

▼ 2.16%

N755/$

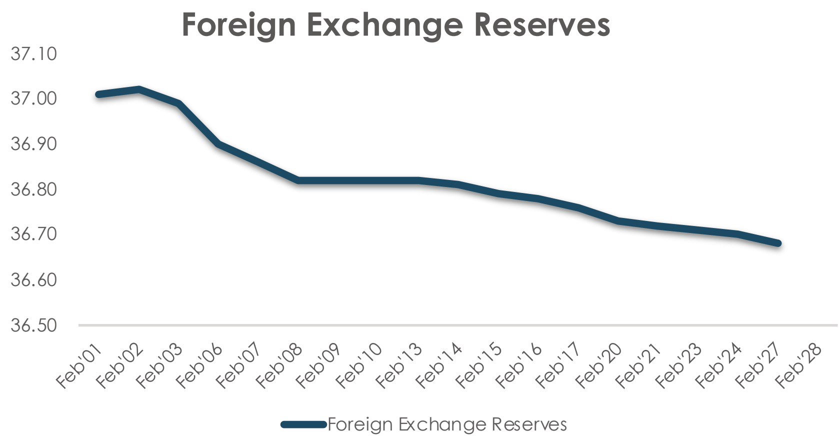
PARALLEL MARKET RATE

## 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

Nigeria's gross external reserves declined further as the CBN continued to intervene in the forex market to stabilize the naira. In February, it lost 0.89% ($33mn) from $37.01bn at the beginning of the month. This was despite an increase in oil price within the period. During the review period, average gross external reserves declined by 0.86% to N36.82bn from N37.14bn in January. The country's import and payment cover also slipped by 0.9% to 8.32 months.




Source: CBN, FDC Think Tank

▼ 0.89%

**$36.68BN**

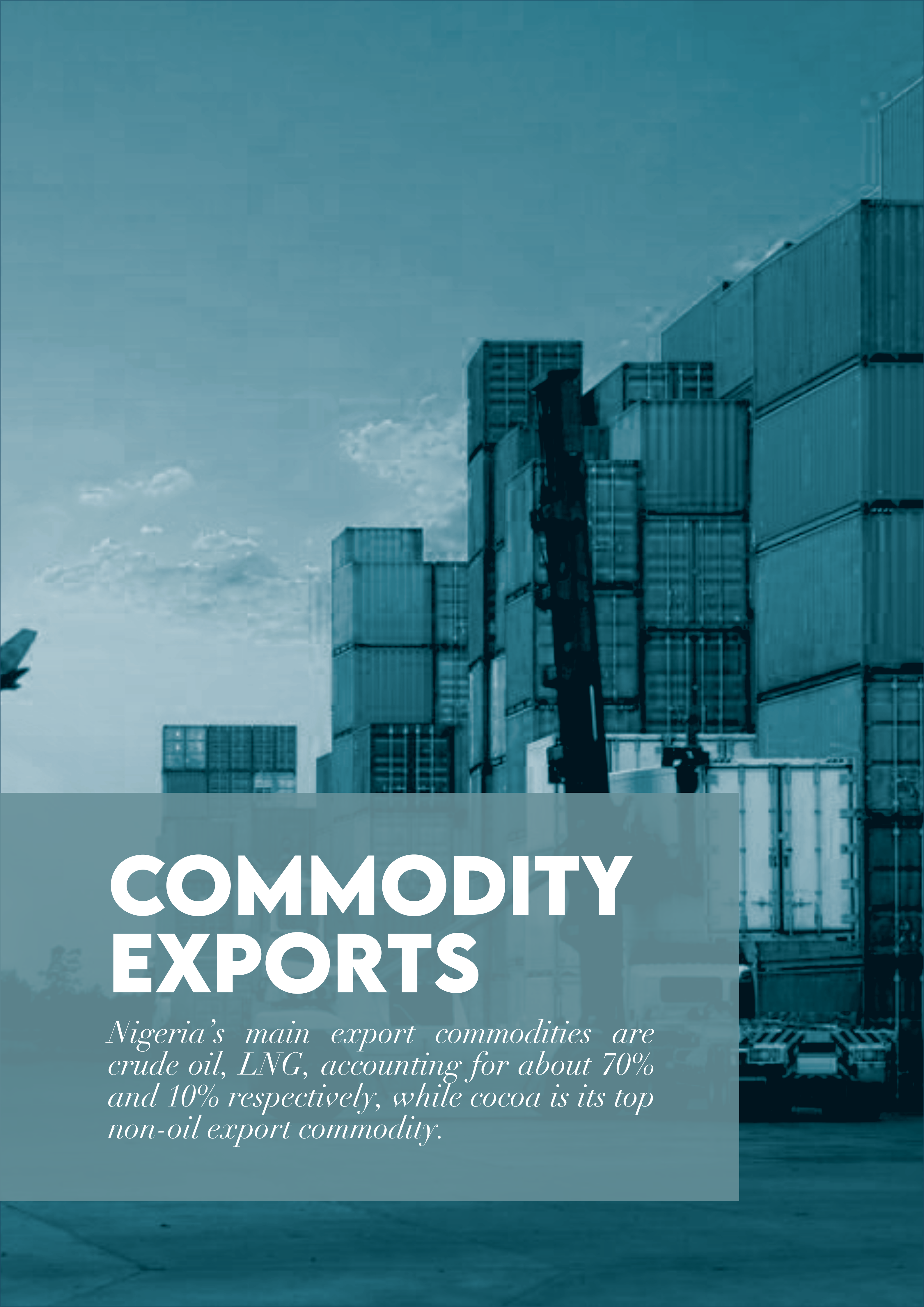
NIGERIA'S EXTERNAL RESERVES

## OUTLOOK

Nigeria's foreign reserves is likely to maintain its 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 would limit CBN's efforts to stabilize the Naira and may possibly further currency depreciation in the near term.



# COMMODITY EXPORTS

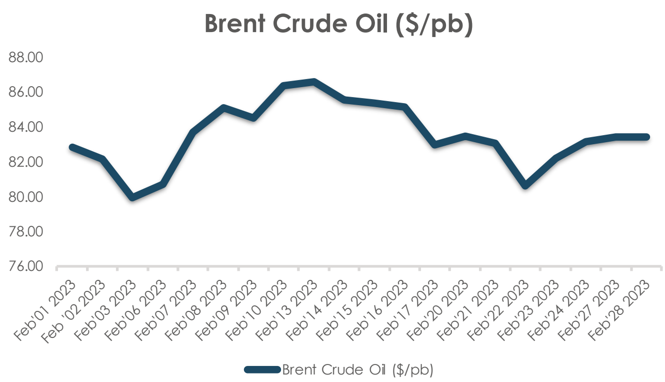
*Nigeria's main export commodities are crude oil, LNG, accounting for about 70% and 10% respectively, while cocoa is its top non-oil export commodity.*

# OIL PRICES

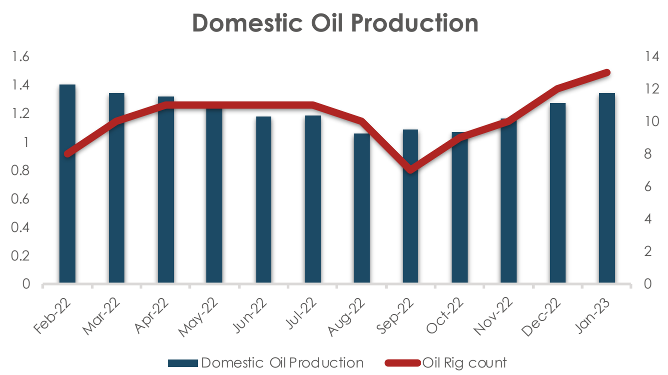
In February, the price of oil increased by 0.73% from $82.84pb at the start of the month. It touched a high of $86.61pb on Feb 13th before declining to close the period at $83.45pb as expectations of a hike in US policy rate sparked demand concerns. On average, the price of oil fell by 1.25% to $83.41pb compared to $84.47pb in January owing to Russia's recent plans to cut oil production by $500,000 barrels per day.

# OIL PRODUCTION

Domestic oil production increased by 7.82% to 1.336 million barrels per day in January 2023 from 1.271 million barrels per day 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 49,000 barrels per day in January 2023, to an average of 28.88mb/d when compared to 28.97mb/d 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

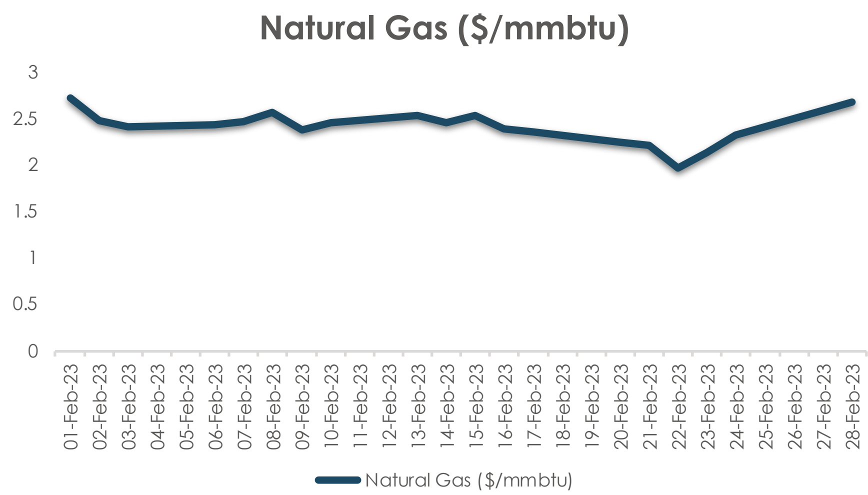
## OUTLOOK AND IMPLICATION

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

Higher oil prices is 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

The price of gas declined further in February. It lost 1.47% to close the month at $2.68/mmbtu from $2.72/mmbtu at the beginning of the month. On average, it fell by 29.3% to $2.41/ mmbtu from $3.41/mmbtu in January. This continuous depletion in the price of gas in February can be attributed to prospects of improved LNG stockpiles in the US and milder weather in Europe.




Source: Bloomberg, FDC Think Tank

▼ 29.30%

$2.41/MMBtu

AVG NATURAL GAS PRICE

## OUTLOOK

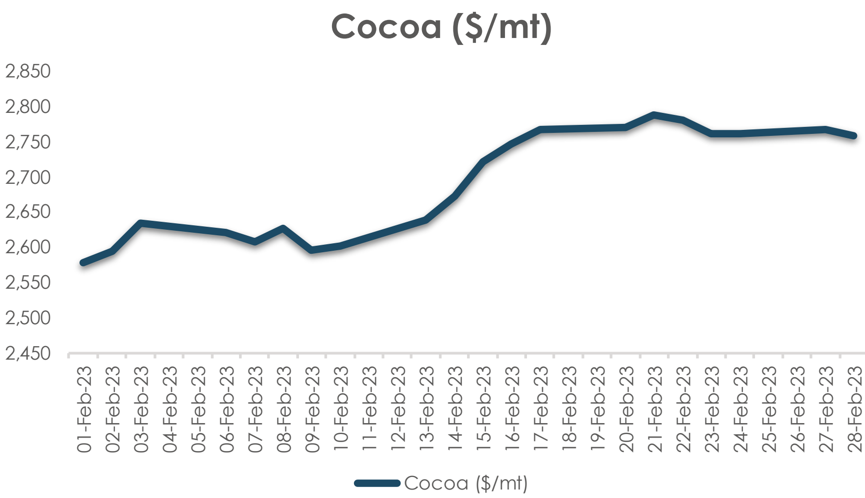
The price of gas is likely to reverse its downward trajectory in the coming month owing to a colder weather forecast and expectations of a rise in demand from Europe.

## 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

The price of cocoa skyrocketed in the month of February. It gained 7.02% from $2,578/mt at the start of the month to close at $2,759/mt on Feb 28th. This increase was due to expectations of default in top producer, Ivory Coast. Additionally, Nigerian cocoa exporters suspended operations as a result of the naira cash scarcity. On average, the price of cocoa rose by 3.06% to $2,690/mt in February from $2,610/mt in January.




Source: Bloomberg, FDC Think Tank

▲ 3.06%

$2690/mt

AVG COCOA PRICE

## OUTLOOK

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

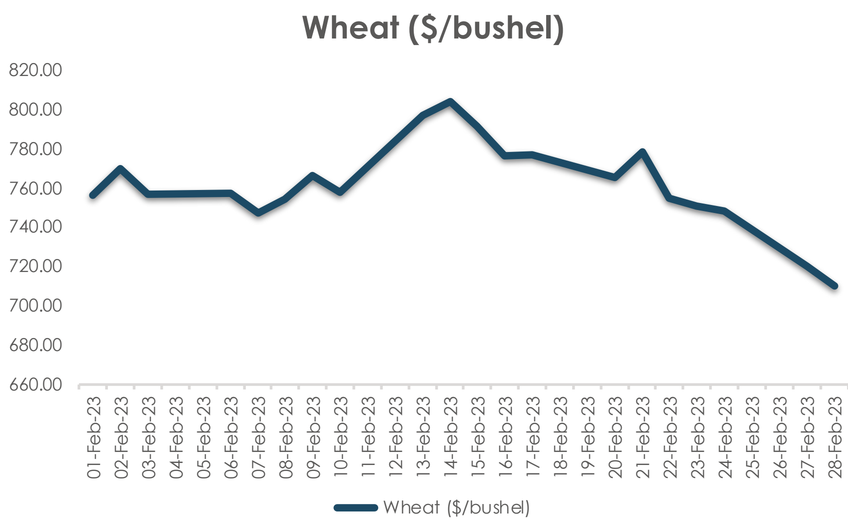
## IMPLICATION

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

In February, the average price of wheat increased by 2.18% to $761.99/bushel when compared to $745.69/bushel in January owing to black sea supply concerns. During the period of review, the price of wheat touched a high of $804.25/bushel on Feb 14th due to the Russia-Ukraine war which disrupted supplies from the black sea region, before losing 11.68% to close at 710.25/bushel on Feb 28th.




Source: Bloomberg, FDC Think Tank

▼ 2.18%

$761.99/b

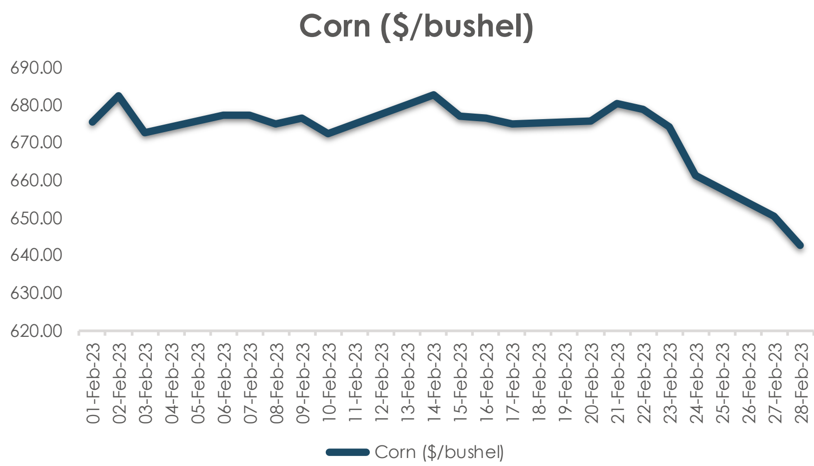
AVG WHEAT PRICE

## 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 top producer, US.

# CORN

Corn price averaged $673.26/bushel in February, up 0.63% from the average price of $670.82/bushel in January, buoyed by limited crop yields in Argentina as a result of the dry weather. During the review period, corn price lost 4.85% from $675.5/bushel at the start of the month. This was despite growing uncertainty about Black Sea exports and rising oil prices.




Source: Bloomberg, FDC Think Tank

▲ 0.63%

$673.26/b

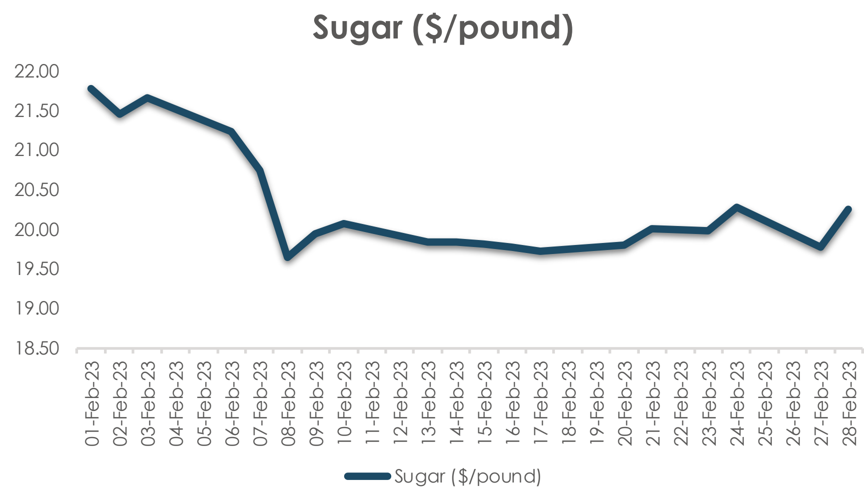
AVG CORN PRICE

## 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 would also lower manufacturing costs for companies that rely on processed wheat (flour) and corn.

# SUGAR

The price of sugar declined by 7.02% from $21.78/pound at the start of February. It fell to a low of $19.64/pound on Feb 8th despite concerns over a decline in sugar production in top exporter, India, before rising marginally to close the month at $20.25/pound. During the review period, sugar price averaged $20.28/pound, slightly above (1.65%) from the average of $19.95/pound in January. This increase was driven by forecast of a decline in output in India, top producer, owing to adverse weather conditions.




Source: Bloomberg, FDC Think Tank

▲ 1.65%

$20.28/lb

AVG SUGAR PRICE

### OUTLOOK

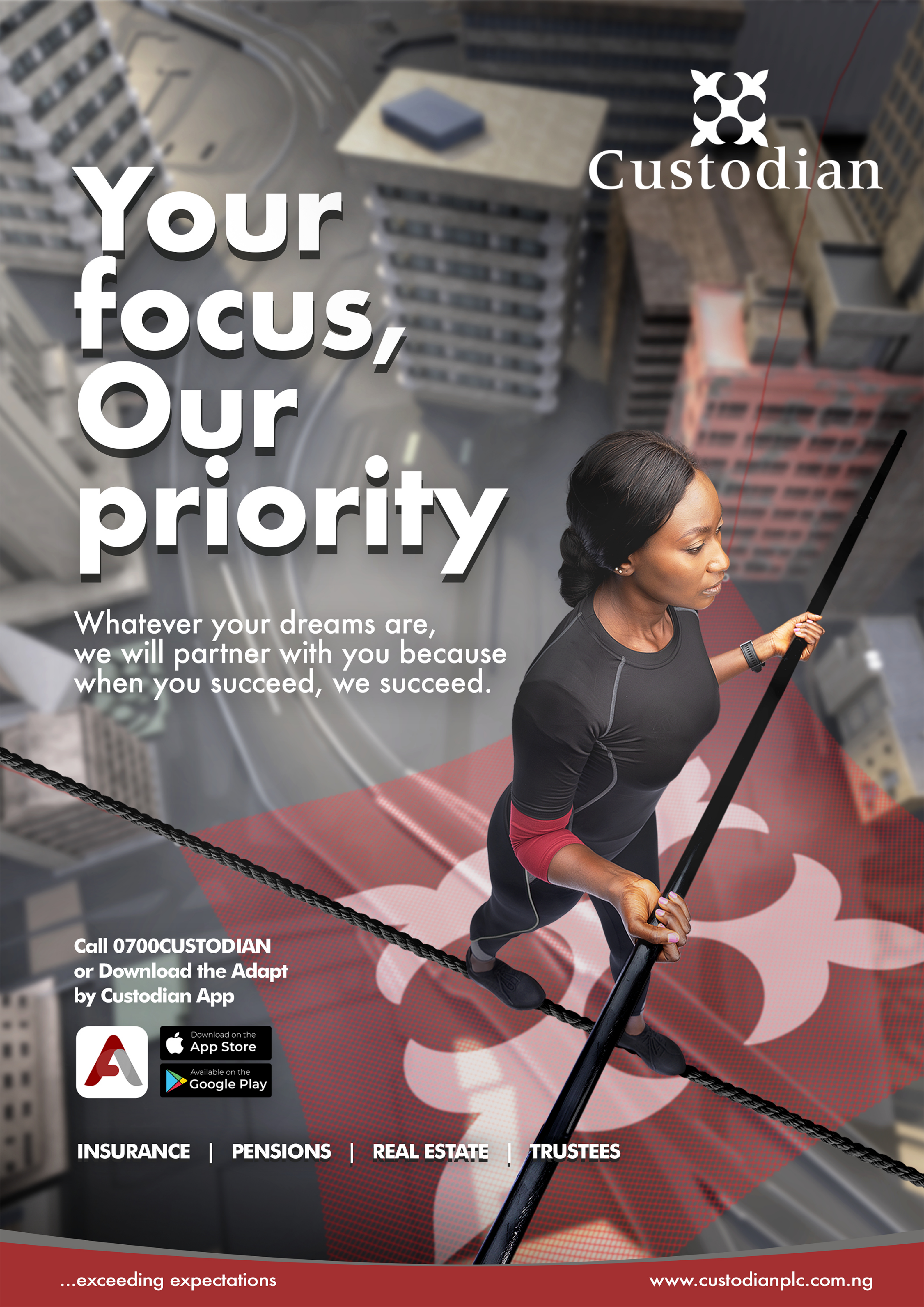
The price of sugar is likely to rise in the near term on prospects of tight global supplies as the production of ethanol increases.

### IMPLICATION

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

### TERMS OF TRADE

The country's terms of trade is projected to be negative as the price of its imports rises in relation to its exports.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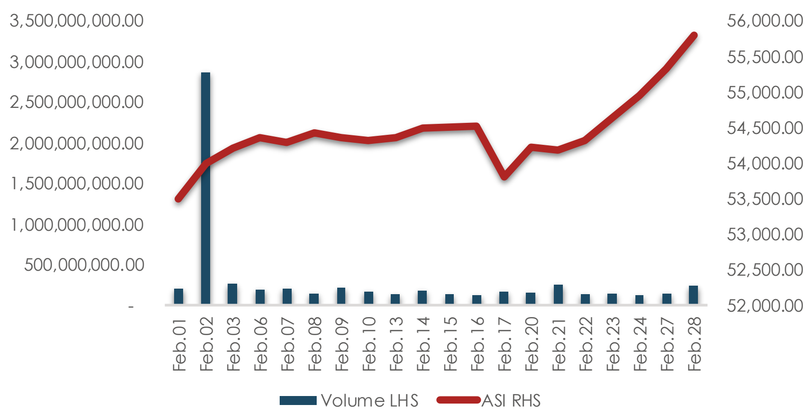
# STOCK MARKET REVIEW

FEBRUARY 1ST TO 28TH

Trading activities on the NGX closed on a positive note from February 1st – 28th. It gained 4.82% to close at 55,806.26 points on February 28th, up from 53,238.67 points on January 31st. Also, the market capitalization increased by 4.83% to N30.40 trillion (trn) relative to its close of N29.00trn on January 31st. The market YTD return increased to 8.89% from 3.88% in the review period. The market breadth was positive at 1.38x as 55 stocks gained, 62 stocks remained unchanged, and 40 lost.

NGX PERFORMANCE




Source: NGX, FDC Think Tank

The market activity level was positive in the review period. The average volume traded increased by 40.20% to 310.89million (mn) units from 221.74mn. Similarly, the average value of trades rose by 1.94% to N4.73bn from N4.64bn in the review period.

The performance of the sectors was positive in the review period as four sectors gained and only one lost. The Oil & Gas sector recorded the highest gain (15.79%). This was followed by the Consumer goods sector (8.24%), the Banking sector (3.99%) and the Industrial sector (2.57%). Meanwhile. The Insurance recorded a loss of -2.26% in the review period.

## SECTOR PERFORMANCE


| Industrial | FMCG | Banking | Oil &Gas | Insurance |
|---|---|---|---|---|
| 2.57 | 8.24 | 3.99 | 15.97 | -2.26 |

# TOP 5 GAINERS

Tripple Gee and Co Plc topped the gainers' list with a 172.92% increase in its share price. This was followed by MRS Nigeria Plc (130.31%), Conoil Plc (76.79%), International Energy Insurance Plc (58.67%) and Northern Nigeria Flour Mills Plc (48.65%).

# TOP 5 LOSERS

The laggards were led by Mutual Benefits Assurance Plc (-15.38%), Japaul Oil & Maritime Services Plc (-15.15%), RT Briscoe Nigeria Plc. (-12.90%), Ardova Plc (-11.52%) and Pharma-Deko Plc (-10.00%).

| Company | Jan-31 (N) | Feb- 28 (N) | Absolute Change | Change (%) |
|---|---|---|---|---|
| TRIPPLEG | 0.96 | 2.62 | 1.66 | 172.92 |
| MRS | 16 | 36.85 | 20.85 | 130.31 |
| CONOIL | 26.5 | 46.85 | 20.35 | 76.79 |
| INTENEGINS | 0.75 | 1.19 | 0.44 | 58.67 |
| NNFM | 7.4 | 11 | 3.6 | 48.65 |

| Company | Jan-31 (N) | Feb- 28 (N) | Absolute Change | Change (%) |
|---|---|---|---|---|
| MBENEFIT | 0.39 | 0.33 | -0.06 | -15.38 |
| JAPAULGOLD | 0.33 | 0.28 | -0.05 | -15.15 |
| RTBRISCOE | 0.31 | 0.27 | -0.04 | -12.90 |
| ARDOVA | 19.1 | 16.9 | -2.20 | -11.52 |
| PHARMDEKO | 2.1 | 1.89 | -0.21 | -10.00 |

## Outlook

The NGX's performance this month was driven by the higher-than-expected Nigerian real GDP growth of 3.52% in Q4'22. We expect this, coupled with the release of favourable corporate earnings results, to direct market performance in the near term.

# OUTLOOK FOR NEXT MONTH

Although Nigeria's presidential election has been concluded, there is still tentativeness and rising uncertainty due to post-election concerns. There are incipient agitations across the country, and given the series of alleged judicial miscarriages by the courts in recent times, it is unclear whether the aggrieved and their supporters will patiently go through the court process. This mounting uncertainty could weigh on the stock market and the overall economic activity in the coming days. However, it is expected that profit-taking activities may keep the market boisterous. As indicated by the S&P purchasers' managers index (PMI), it is expected that in addition to the post-election tentativeness, the ongoing cash crunch will further stymie economic activity. FDC is forecasting that output will contract in the first quarter of 2023.

The CBN is expected to remain hawkish in their next meeting in March as inflation remains elevated. In the forex market, we do not expect any substantial rates convergence in March. In the parallel market, the exchange rate will trade between N750/$ and N770/$. Oil prices will continue to hover between $80 and $90 per barrel in the month of March. We expect oil production to average 1.39mbpd.

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