



GLOBAL TREMOR BUT NO CONTAGION



Presented by Bismarck Rewane
April 05, 2023



OUTLINE

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2 **Domestic Highlights & Economic Performance**

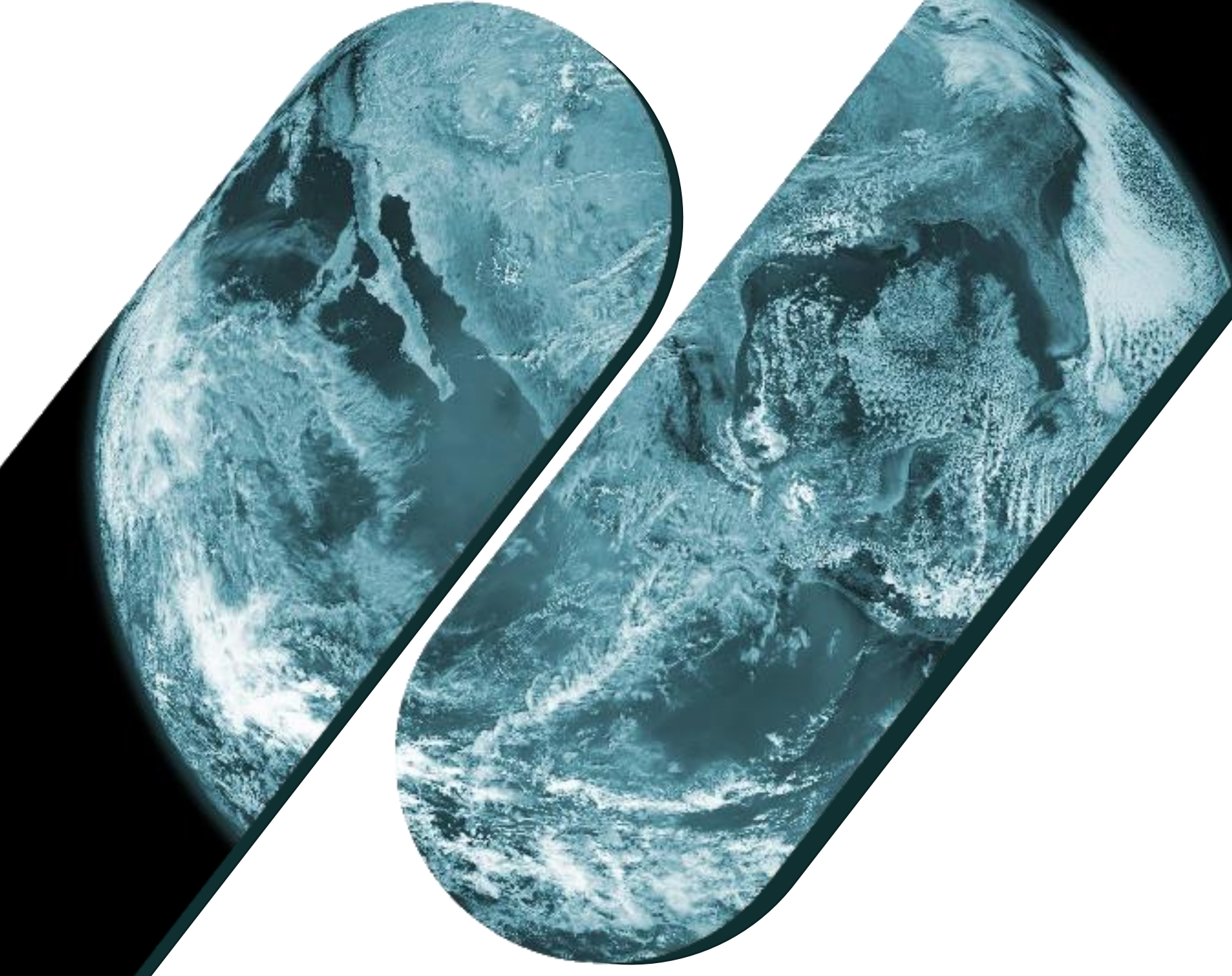
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GLOBAL HIGHLIGHTS

GLOBAL HIGHLIGHTS

- US Fed raised its policy rate by another 25bps in March to 5%p.a
 - Highest rate since 2007
- Signaled more rate hikes as inflation remains stubbornly high (6%)
- US manufacturing PMI fell by 3.02% to 46.3 points in March from 47.7 points in February
 - Lowest level since May 2020
- UK inflation reversed its downward trend
 - Increased to 10.4% in February from 10.1% in January
- China sets GDP growth target for 2023 at 5% despite elimination of zero-covid policy
 - Lower than its average growth rate of 7% pre covid



GLOBAL HIGHLIGHTS – OIL MARKETS

- OPEC+ unexpectedly announced oil production cuts of 1.66mbpd effective May
 - Saudi Arabia & Russia had the highest cut of 500,000bpd
 - Saudi Arabia remains effectively the industry price leader
- Bringing total output cuts to 3.66mbpd (3.7% of global demand)
- Immediate impact was a 7.5% jump in oil prices to \$84pb
- Oil constitutes 80% of Nigerian export earnings
- Nigerian exports for 2023 is estimated at \$60.1bn
- LNG prices dropped a further 5%, bringing the 12 month fall in excess of 50%



GLOBAL HIGHLIGHTS – MASSIVE JOB CUTS

- Google joins other techies in cutting jobs
 - Fitness classes, staplers, tape & frequency of laptop replacements for employees
- Accenture, the Irish-American professional services company, to downsize its employee by 2.5% over the next 18 months
 - In all, 119,000 jobs are on the block
- UBS to cut 30% of workforce after Credit Suisse merger
- Disney to slash 7000 jobs and reduce costs by \$5.5bn as it reveals vast restructuring
- Zoom Video communications plans to lay off 15% of its staff
 - Chief executives & other executives also taking pay cuts
- About 46 top companies around the world have announced plans to cut jobs this year
- Despite all these slashes, the US job market remains strong
- Unemployment is at a 50-year low of 3.6%



GLOBAL HIGHLIGHTS – CHATGPT

- The Italian data protection authority blocked ChatGPT over privacy concerns
 - First country to block the usage of ChatGPT
- Goldman Sachs says 300 million jobs could be affected by the latest wave of AI
- ChatGPT could complicate the identification of criminal & fraudulent activities
 - Fraudsters could properly construct email instructions with no link to fraud
- According to the EIU
 - ChatGPT will not replace Google search
 - Because of the use of static data last updated in 2021
 - Lack of business model
 - Worries about accuracy



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**GLOBAL FINANCIAL
TREMOR –
NEAR MISS OR BLACK
EYE?**

GLOBAL FINANCIAL TREMOR

SVB Bank Collapse



Shut down of
Signature Bank



Near collapse of the
First Republic Bank



Emergency take
over of Credit
Suisse

- Global financial tremor started with the collapse of SVB and Signature Bank
- The affected institutions had pre-existing conditions
- Spread of the contagion was contained
- Due to rapid & coordinated response by regulators & top banks



GLOBAL FINANCIAL TREMOR

- Jamie Dimon, the CEO of JP Morgan, says banking crisis is not over yet
- We do not expect it to be like 2008
- But we do not know when it will end
- Chairman of Saudi National Bank who failed to increase its stake in Credit Suisse, Ammar al-Khudairy, falls on his sword

SPILLOVER EFFECT



- Massive sell-offs of global banking stocks as investor jitters sent the market into turmoil
- Deutsche Bank credit default swap premium soared before the bank assured the markets of its soundness
- UBS brought back its man of all seasons Sergio Ermotti

SPILLOVER CONTAINED - NO CONTAGION YET?

- Federal Reserve took immediate steps to improve confidence in the banking system
- UK arm of SVB was rescued by HSBC
- First Citizen Bank struck a deal with the FDIC to buy part of SVB's deposits & loans worth \$72bn
- FDIC to take care of the \$20bn loss from the failure of SVB with its deposit-insurance fund
- Credit Suisse was taken over immediately by UBS before collapse
- Bank of England stated that Europe Banks were safe & liquid enough to withstand headwinds
- Deutsche Bank, Germany's largest bank, dodged the bullet due to massive liquidity & strong capital base





BIG DIFFERENCE – 2008 & 2023



Then - 2008

- Less banking regulations
- Systematic & credit risks
- Slow response from regulators
- Less capital buffers & liquidity

Now - 2023

- Robust regulations e.g bank stress test
- Market & unsystematic risks
- Swift & coordinated response from regulators & top banks
- Large capital buffers & liquidity

IMPACT OF GLOBAL FINANCIAL TREMOR ON NIGERIA

Top Fintechs in Nigeria

- Total value of fintech start-up funding by Venture Capital jumped to \$536.7mn in 2021 from \$20.9mn in 2015



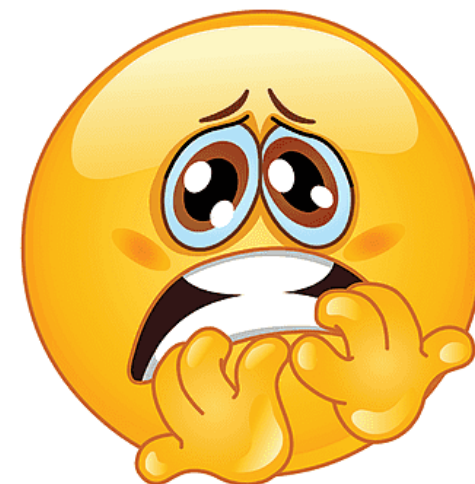
- Before declining to \$507mn in 2022
- SVB is a major financier of tech startups & venture capital in the US
- The collapse of SVB & Signature bank crisis will squeeze & restrain funding to fintech startups in

Nigeria

- Nigeria's fintech space likely to come under pressure

IMPACT OF THE GLOBAL FINANCIAL TREMOR ON EMERGING MARKETS

- More than a quarter of emerging markets have been shut out of international bond markets
- As investors adopt a 'risk off' approach to high-yield debt despite the ease in global financial crisis
- Emerging markets with shaky credit status will be the most challenged
- About \$54bn was issued in sovereign bonds in Q1 '23
 - Approximately 60% higher than the corresponding period in 2022
- Countries with restricted access to international debt markets may be forced to turn to the IMF, private market debt sales and currency devaluations



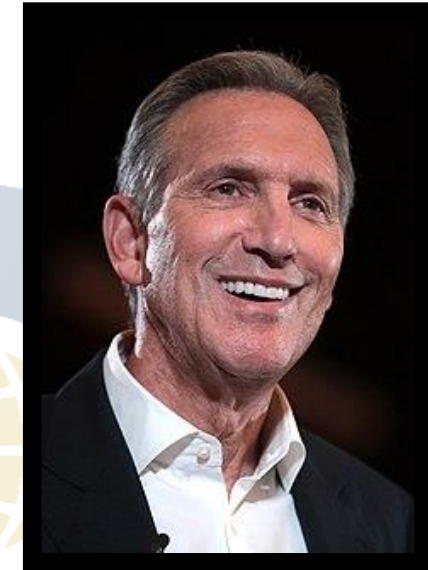
RETURN OF VETERANS - ADULTS TAKE OVER



Stephen J. Luczo
Returned as
Seagate Technology
CEO in 2007



Michael Dells
Returned as CEO of
Fortune Magazine in
2007



Howard Schultz
Returned as
Starbucks CEO in
2022

RETURN OF VETERANS – ADULTS TAKE OVER



Robert A. Iger
Returned as CEO of
Disney in 2022



Roy Hodgson
Reappointed as
Crystal Palace Manager
in March 2023



Sergio Ermotti
Returns as CEO of
UBS in March 2023

GLOBAL COMMODITY PRICES(EIU) – FOOD

- EIU Food, feedstuffs & beverage (FFB) price index to decline by 10.5% in 2023 as global supply chain concerns ease
- Average wheat prices to fall by nearly 11% (y-o-y) in 2023 but will remain elevated
 - The beverages sub-index, which includes coffee, cocoa and tea, will decline by 4.6% in 2023
 - After rising by 14.6% in 2022, the oilseeds price sub-index will decline by nearly 14% in 2023, reflecting the expected normalisation of the oilseeds market
 - Sugar prices to fall by more than 1% to 18.2 US cents/lb in 2023 owing mainly to improved supplies



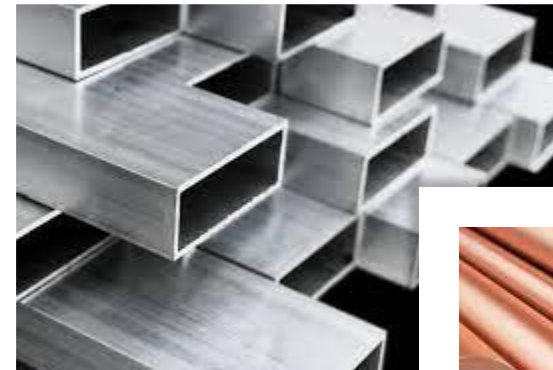
GLOBAL COMMODITY PRICES(EIU) - NON FOOD

- Average raw materials (IRM) price index to fall by 6.4% in

2023

- Will remain well above pre-pandemic levels due to Chinese re-opening
- China's infrastructure spending will boost investment and push up copper prices by 2.6% in 2023
- Average aluminum prices will decline due to global economic slowdown
- Oil prices to increase towards \$90pb following China's reopening & OPEC cuts

Commodity	2022	2023	2024
Brent (\$/pb)	99.8	87.0 ↓	85.0 ↓
Copper (\$/lb)	399.2	409.7 ↑	436.5 ↑
Aluminum (\$/tonne)	2706.1	2360.5 ↓	2463.0 ↑



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DOMESTIC HIGHLIGHTS & ECONOMIC PERFORMANCE

LEADING ECONOMIC INDICATORS

Source: CBN, NBS, EIU, OPEC, FBNQuest *: FDC's forecast

LEI	Feb'23	Mar'23	% Change	Comments	Apr/May'23*
GDP Growth (%)	2.25 (Q3'22)	3.52 (Q4'22)	1.27	GDP growth to slow significantly owing to the effect of cash crunch on aggregate demand	1.25 (Q1'23)
Oil Production (mbpd)	1.308 (Jan'23)	1.380 (Feb'23)	5.5	Oil production to maintain upward trend due to increased efforts of the government to curb oil theft and re-opening of oil terminals	1.4 - 1.42
Oil rig count	13 (Jan'23)	13 (Feb'23)	-	Oil rig count to rise as more terminals resume operations	14
Oil Price (\$pb; avg)	83.41	78.80	-5.53	Oil prices to increase on supply concerns as OPEC plans output cut in April	85-86
Money supply (N'trn)	53.14 (Jan'23)	53.30 (Feb'23)	0.30	Money supply to maintain upward trend as CBN ways and means to the government increases	54-55

LEADING ECONOMIC INDICATORS

Source: CBN, NBS, NSE, FMDQ, EIU, *: FDC's forecast

LEI	Feb'23	Mar'23	% Change	Comments	Apr/May'23*
Average Opening Position (N'bn)	503.87	166.77	-66.90	Naira devaluation to lead to liquidity squeeze in the banking system	100-150
Primary T-Bills (%): 364-days (End period)	9.9	14.74	4.84	Interest rates to remain elevated due to CBN's monetary policy tightening	14.3-15.4
Inflation (%)	21.82 (Jan'23)	21.91 (Feb'23)	0.09	Inflation to decline on waning cash scarcity, currency appreciation and lower transport costs	21.85 (Mar'23)
External Reserves (\$bn; month-end)	36.68	35.50	-3.22	Sustained intervention in the foreign exchange market to weigh on external reserves	35.2-35
Exchange Rate (N/\$; month-end)	Parallel: 755 IEFX:462	Parallel: 745 IEFX:462	1.32	Naira at the parallel market to appreciate further as the CBN continue intervening at the forex market	735-740 462

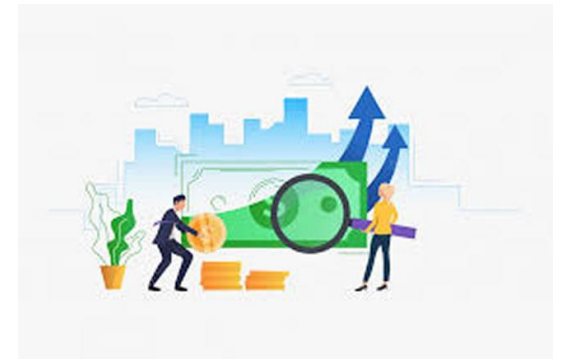
DOMESTIC HIGHLIGHTS

- Headline inflation increased marginally by 0.09% to 21.91% in February
- Partly due to higher commodity prices and money supply growth
- Money supply (M3) grew by 19.2% to N53.30trn in February
- Nominal interest rates now moving in tandem with the MPR
 - 365-day t/bill up 4.84% to 14.74%p.a
 - Narrowing the negative real rate of return on investment
- Average opening position of banks down 66.9% to N166.77bn in March
 - From N503.87bn in February 2023

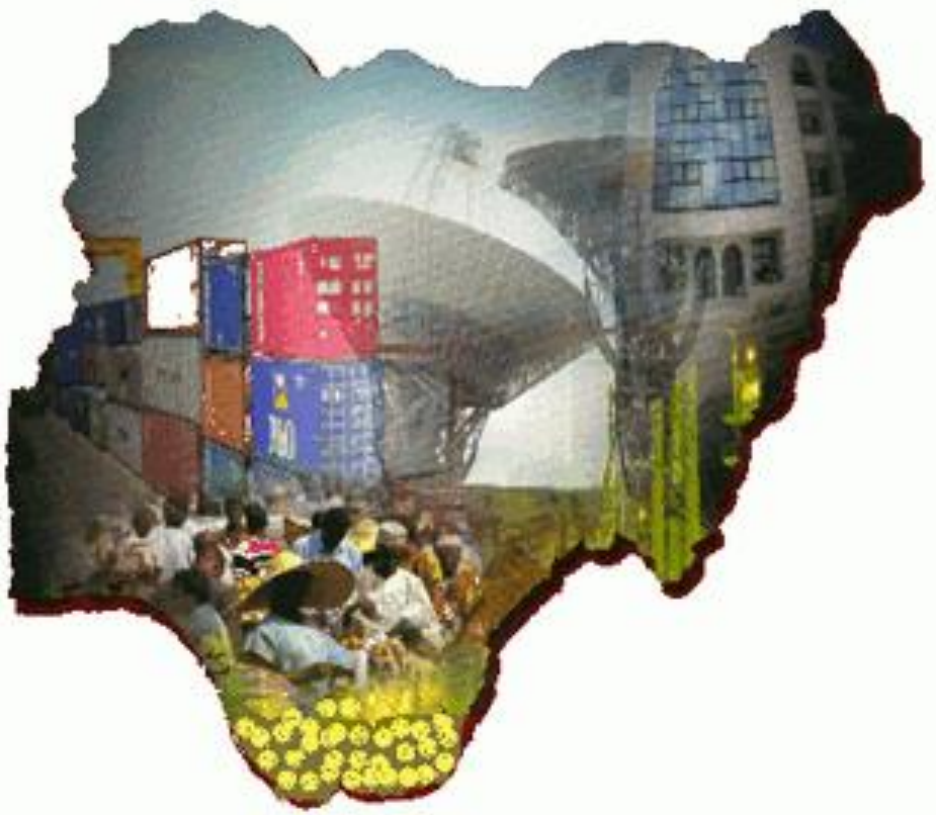


DOMESTIC HIGHLIGHTS

- FAAC disbursement fell by 3.66% to N722.68bn in March
 - Largely due to significant declines in PPT, CIT, oil & gas royalties and import & excise duties
- Excess crude account balance stood at \$473,755
- Domestic oil production up 5.34% to 1.38mbpd in February – 5th consecutive monthly increase
 - Supported by improved efforts at curbing oil theft
- Active oil rig count remained flat at 13 in February
- Brent crude price traded at an average price of \$78.80pb in March
 - It dipped to a 15-month low (\$70.63pb) before rising sharply (\$84pb) after OPEC+ surprise output cut



DOMESTIC HIGHLIGHTS



- Naira appreciated by 0.66% to close the month at N745/\$ from N755/\$ at the end of February
- Gross external reserves depleted steadily, losing \$1.11bn in one month

CASH CRUNCH OVER BUT PAIN REMAINS

- Naira redesign saga has revealed...

Potency of tips

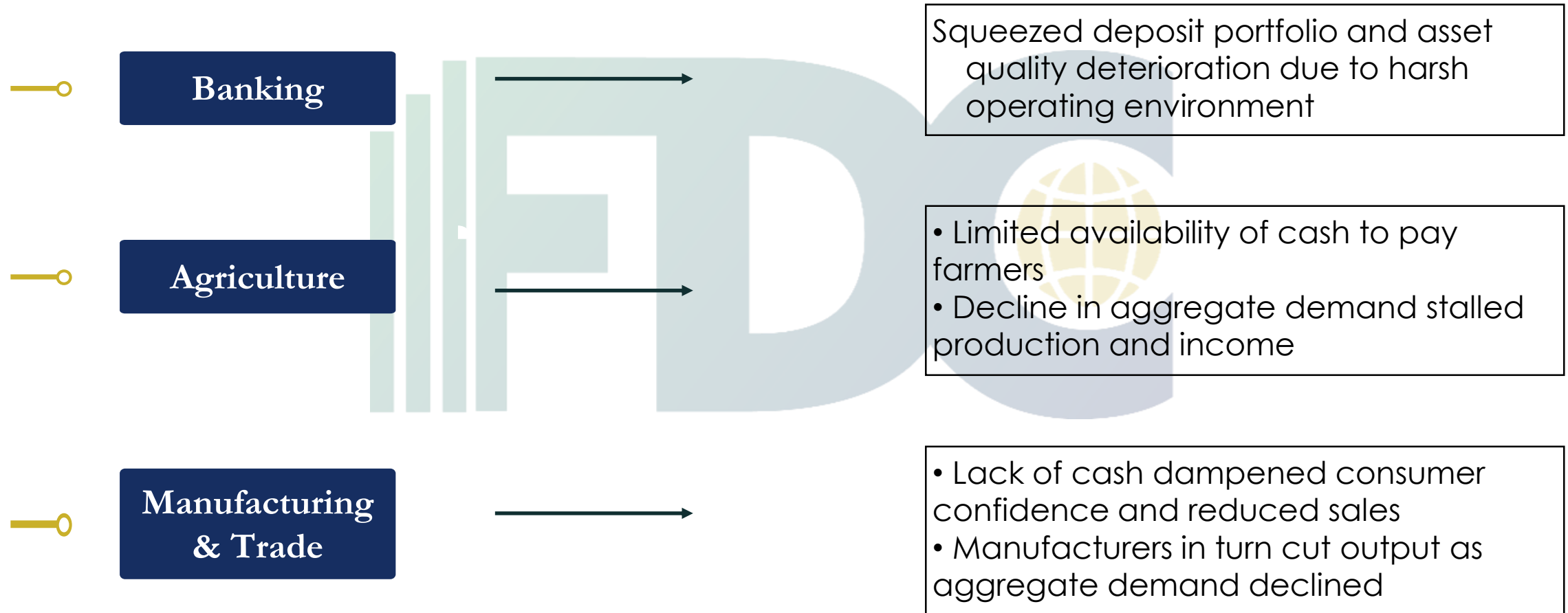


True size of the informal economy (40% of total GDP)

Cash as a catalyst of business transactions

CASH CRUNCH OVER BUT PAIN REMAINS

- Sectors affected by cash crunch in Q1



CASH CRUNCH OVER BUT PAIN REMAINS

- Cash scarcity gradually easing off as the CBN extends the validity of old naira notes

Pros

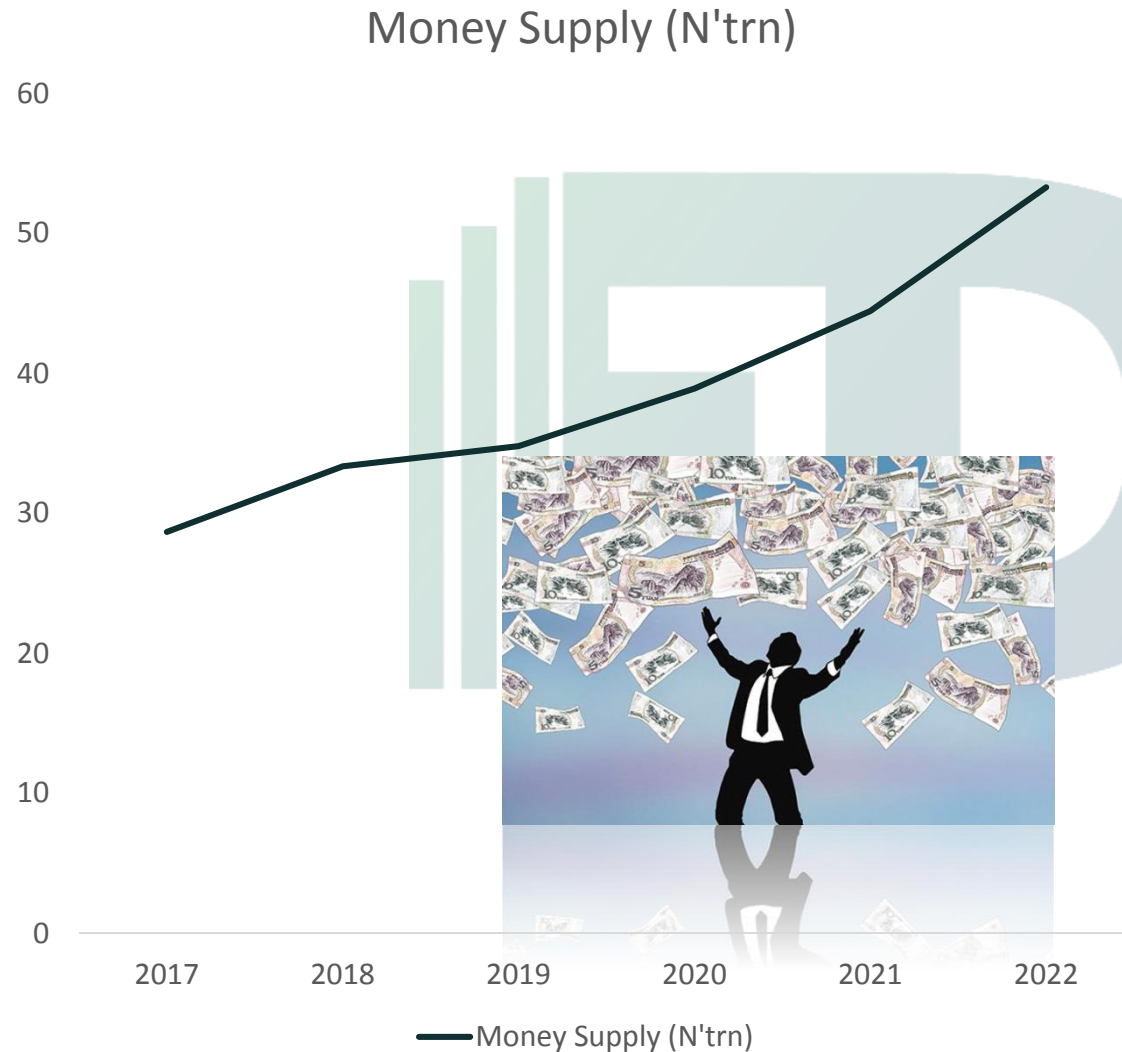
- Currency in circulation to rise
- Little or no queues at banks/ATM stands
- Reduction in transaction charges by POS operators by 50%



Cons

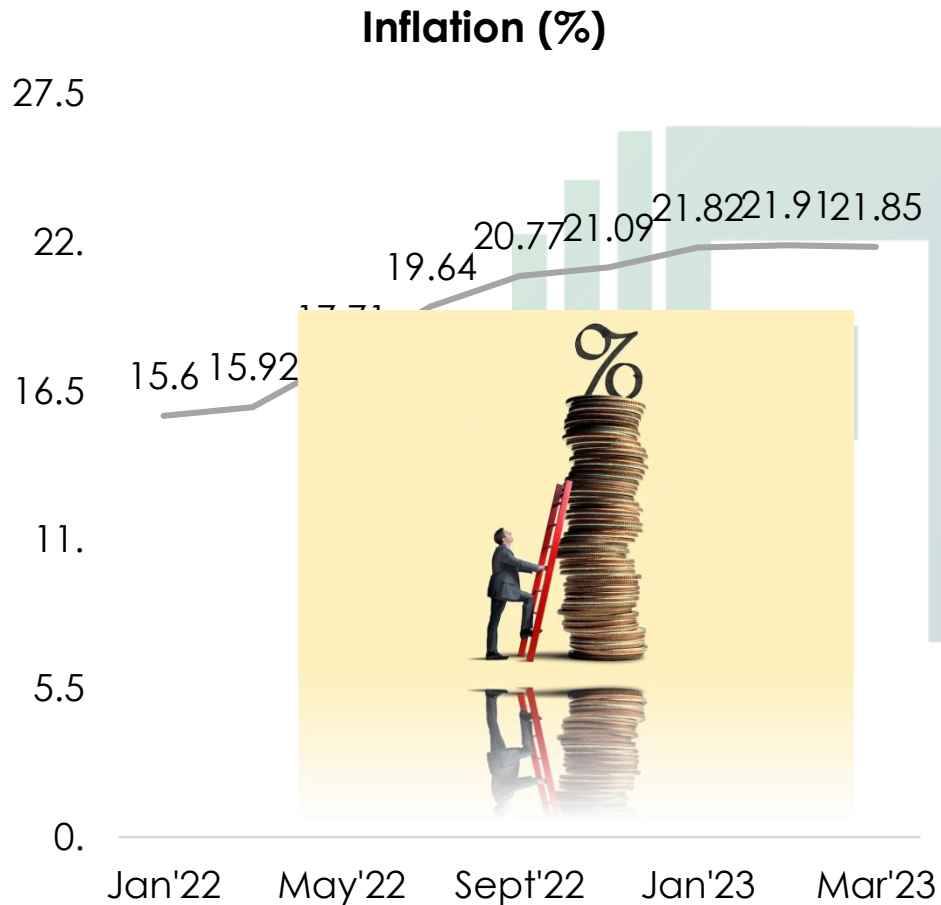
- Inflationary pressures to increase as liquidity increases
- Cash crunch slowed down business activities in Q1 '23
- Q1 '23 real GDP growth to slow to 1.25%
- Reduced confidence in the banking system

MONEY SUPPLY SHOOTING TO THE MOON (N53TRN)



- Sustained increase in money supply
- Grew by 19% (y-o-y) to N53.3trn in February
- Due to
 - Rising Ways & Means
 - Credit to the government (Ways and Means) increased by 93% in February (y-o-y)

HEADLINE INFLATION TO SLOW TO 21.85% IN MARCH -FDC



- Inflation likely to fall marginally by 0.06% to 21.85% in March

due to

- Exchange rate appreciation
- Base effects
- Reduction in transportation costs

Core Inflation



18.54%

Food Inflation



23.82%

Monthly Inflation



1.71%

MARKET SURVEY

A Bag of Garri



N20,000

1 Bag of Rice



5%

N38,000

1 basket of Tomatoes



31.58%

N25,000

A Bag of Beans



32.14%

N38,000

INFLATION STOKING FACTORS

Money supply growth

- Integration of old and new naira notes to increase currency in circulation
- Consumer price inflation will remain elevated

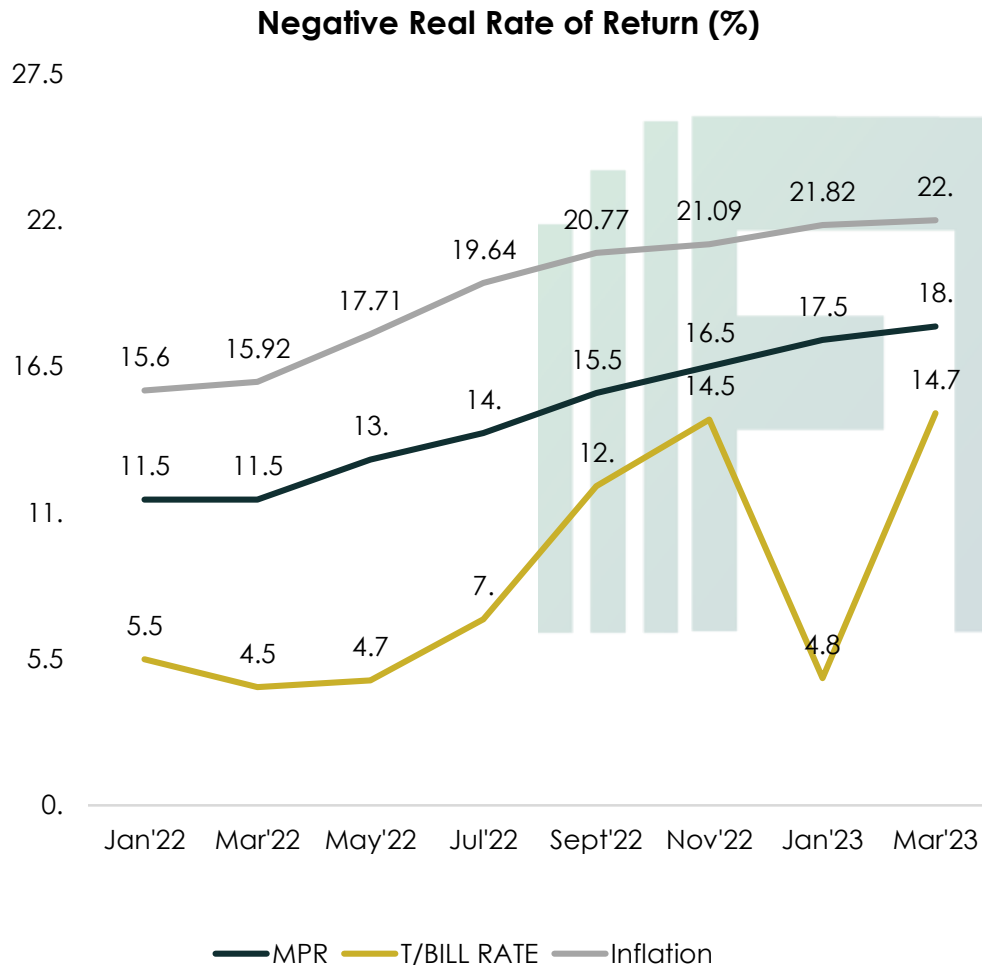
Exchange rates

- The naira at the parallel market appreciated by 1.32% to N745/\$
- Due to sustained intervention by the CBN

Transport & logistics

- Significant decline in diesel price by 12.78% to N710/\$
- Intercity bus fares are down 0.19%

INTEREST RATES



- The CBN maintains a hawkish stance in March
- Raised its monetary policy rate by a cumulative of 6.5% to 18%p.a
- MPC now anchoring general interest rates
- T/bill rate rose to 14.74%pa in tandem with the hike in MPR in March
- Narrowing the negative real rate of return on investment to 7.2% from 11.9%
- MPC likely to maintain status quo at the last meeting before handover

WHAT IS THE TRUE VALUE OF THE NAIRA?

Purchasing Power Parity			
	=N=	Mar-23 US \$	PPP ('=N=/US\$)
Bottle of Pepsi (50cl)	200	0.65	308.88
Beer (60cl)	900	0.90	1000.00
Hamburger (Burger King)	7,500	5.38	1394.05
Indomie (1 unit)	200	0.50	400.00
Nestle Bottled Water (60cl 1 unit)	150	0.32	468.75
Big Loaf Bread	1,050	1.25	840.00
Corrola (2023 Model)	30,000,000	24000.00	1250.00
Irish Spring Soap (1 cake)	400	1.16	344.83
Chicken Breasts (1 kg)	3,650	3.48	1048.85
Trolley	1,500	5.00	300.00
Peak evaporated milk (pack of 12)	8,500	12.96	655.86
Uncle Ben's rice (5.44kg 1 pack)	15,340	24.66	622.06
Eggs (30 large eggs)	2,800	5.73	488.37
Average PPP			701.67
Naira Price at IEFX			462.00
PPP (%)			
Decision: Naira is		Overvalued	51.88%
Spot Rate (Parallel)			750
Outcome: Compared to IEFX rate of N462/\$1, the Naira is Overvalued by 51.88%			

- Is it

PPP – N701.67/\$

Export proceeds – N740/\$

IATA – N551/\$

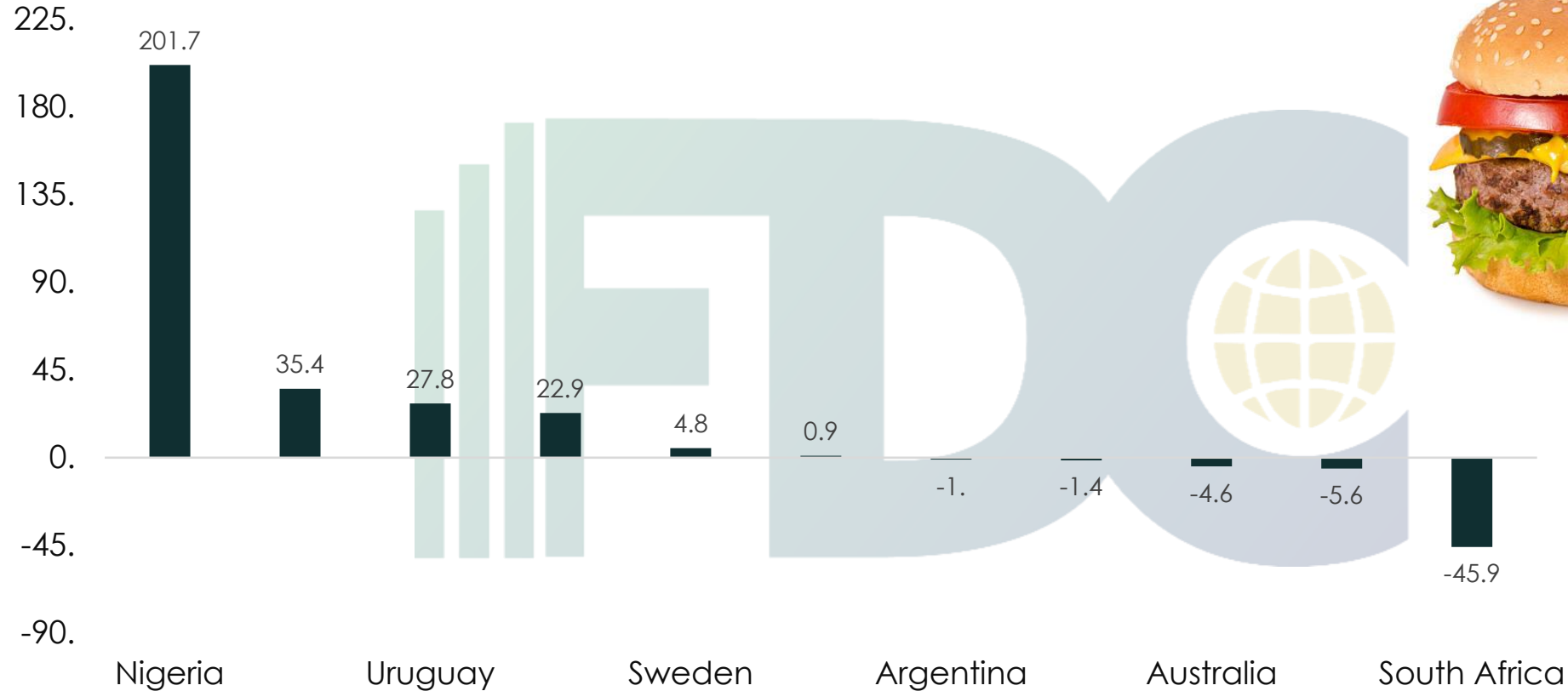
I & E spot – N545/\$

Big Mac – N1394.05/\$



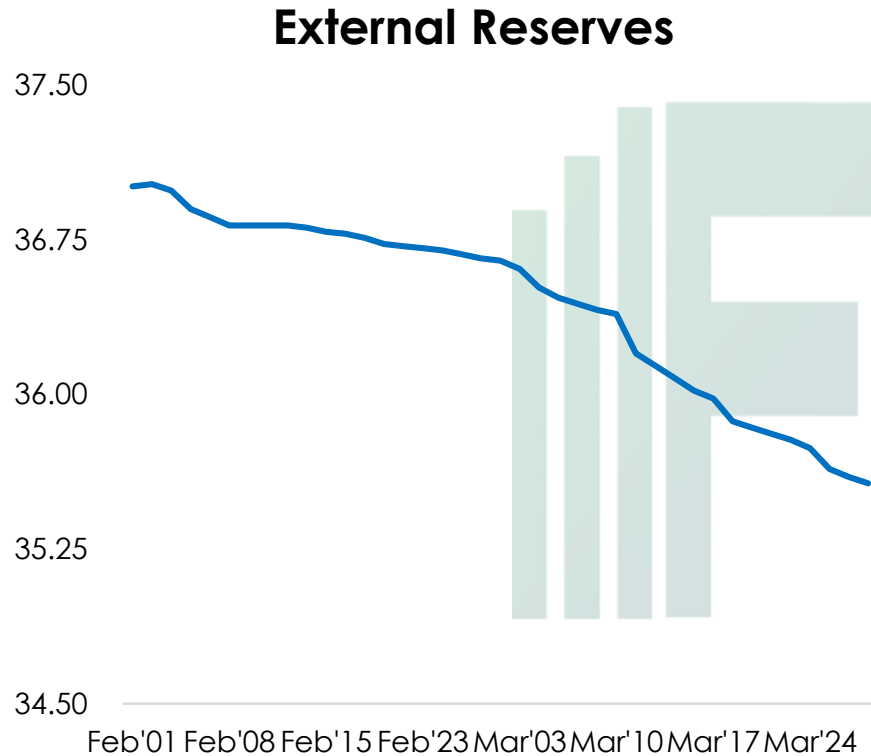
EXCHANGE RATE – BIG MAC INDEX

Under/Over Valuation (%)



- Based on the Big Mac Index, the Nigerian naira is overvalued by 201.7%

GROSS EXTERNAL RESERVES ON A FREE FALL



- Gross external reserves sustained its steady depletion throughout March
- Falling below the \$36bn benchmark to close at \$35.50bn
- Due to the CBN's sustained intervention in the forex market to defend the naira
- Compounded by lower oil earnings as oil prices decline
 - On average oil prices fell by 5.53% in March
- The free fall could continue in coming months on lower forex inflows



EXCHANGE RATE – EIU OUTLOOK

- Nigeria's heavily managed exchange-rate regime will remain unstable and prone to dysfunction
- Foreign-exchange supply will be too low to consistently clear the market
- Large gap between the parallel and the official rates will continue to encourage illicit arbitrage
- Speculative attacks will be frequent





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**DEEP DIVE:
INFRASTRUCTURE
CHALLENGES UNDER THE
NEW ADMINISTRATION**

NIGERIA'S INFLUENCE IN GLOBAL AFFAIRS WANING

- Kamala Harris visits 3 African countries excluding Nigeria



Ghana



Tanzania



Zambia

- The last time a senior US officials made a stop over in Nigeria was in 2021
- Ghana is benefiting from relative peace and strong institutions.

CHINA CUTS OFF LENDING TO NIGERIA

- China-Exim Bank turned down Nigeria's request for a \$22.8bn loan to finance the Railway Modernization project (Kano-Kaduna segment)
- The government is now seeking an initial loan of \$973.5mn from China Development Bank, which will finance only part of the project
- Next administration will struggle with funding infrastructure projects in coming years as external creditors become weary of lending to Nigeria
 - Approximately 80% of government revenue is used in serving debts
- Nigeria's infrastructure deficit is estimated at \$100bn annually
- As part of the Road & Belt initiative, China has contributed \$1bn to SSA



SOME PROJECTS FUNDED BY CHINA

- Construction of major projects - railways, roads, electricity, ICT and oil refineries



- The Abuja-Kaduna Railway



- Lagos-Ibadan Standard Gauge Railway



- Airport terminals (Abuja, Kano, Lagos, Port Harcourt)



- Lekki deep seaport



- Zungeru Hydropower Station



- Mambilla power project

YUAN FOR NAIRA SWAP

- \$2.5bn currency swap deal signed in 2018
- To facilitate trade between China and Nigeria and enhance foreign reserve management
- Chinese trade with Nigeria rose by 66% in the last 5 years to \$45bn
- But the gross external reserves has lost 18.84% in the same period to \$36.67bn

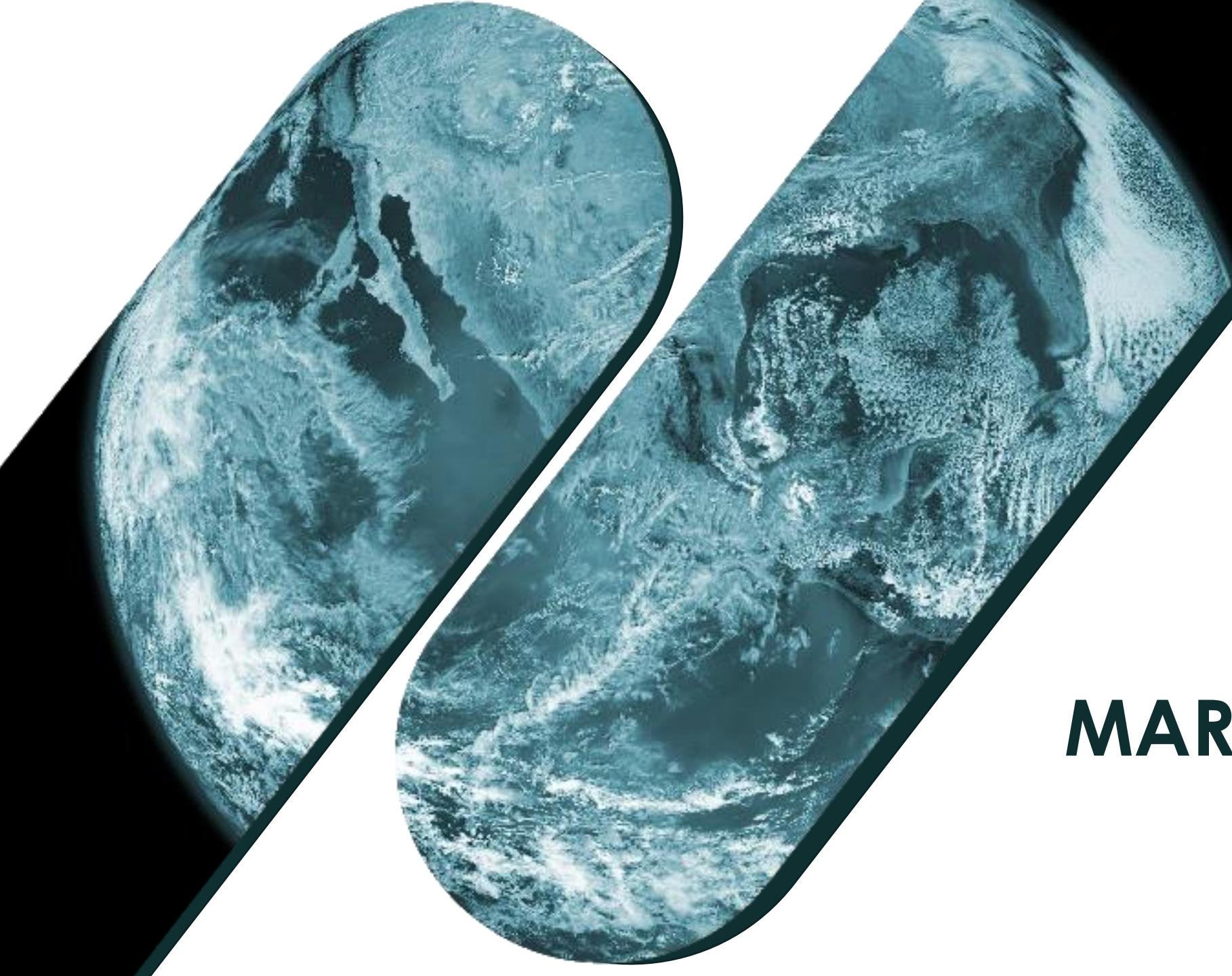


AFRICAN COUNTRIES THAT HAVE DEFAULTED ON CHINESE LOANS

- Chinese lenders account for 12% of Africa's private and public external debt
- Zambia was the first African country to default on its Chinese loan
- Seven other African nations were at the risk of a debt stress in 2020

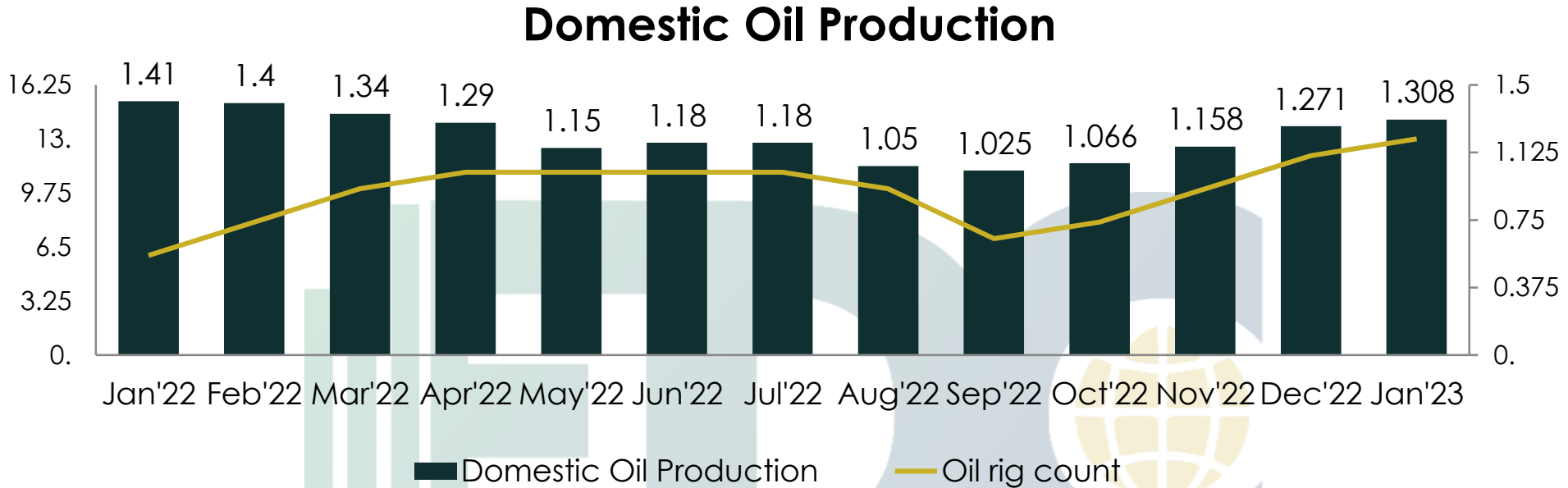


Rank	Country	Debt owed in \$ millions
1.	Angola	42,619
2.	Ethiopia	13,728
3.	Zambia	9,848
4.	Kenya	9,175
5.	Nigeria	6,732
6.	Cameroon	6202
7.	Sudan	6,169
8.	The Democratic Republic of Congo	5,390
9.	Ghana	5,308
10.	Côte d'Ivoire	3,7222



MARKET PROXIES

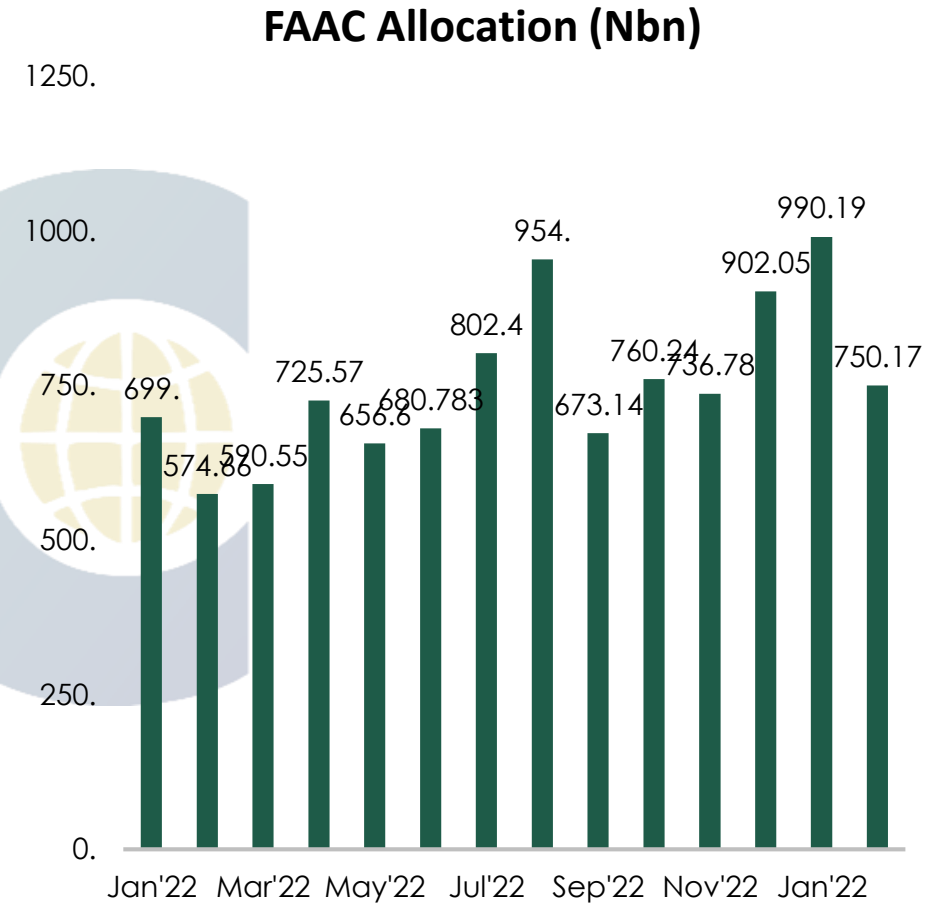
DOMESTIC OIL PRODUCTION



- Domestic oil production up 5.5% (72,000 barrels per day) to 1.38mbpd in February
- Supported by rising oil rig counts and sustained efforts by the federal government to curb oil theft and pipeline vandalism
- Oil production expected to improve further in March






LOWER OIL PRICES WEIGH ON FAAC DISBURSEMENTS

- FAAC disbursement fell by 3.66% to N722.68bn in March
- Due to significant declines in earnings from petroleum profit tax, company income tax, oil and gas royalties, and import and excise duties
- Value-added tax and electronic money transfer levies decreased marginally
- Excess crude account balance stood at \$473,755
- FAAC allocation to fall further in April on lower oil receipts

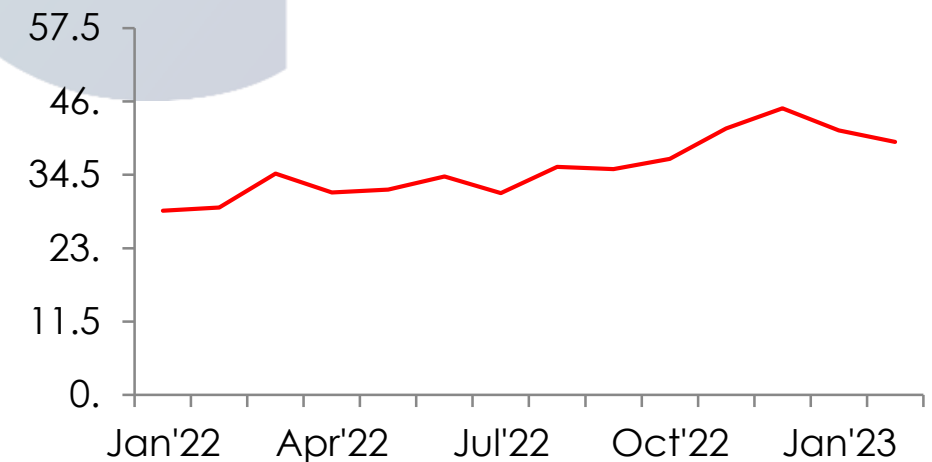


VALUE OF TRANSACTIONS (MV = PT)

- Total value of e-payment transactions surged by 30.80% in March
 - Reflecting sustained use of digital payment channels despite the waning cash scarcity
- Improved banks efficiency contributed to the increase in total volume of transactions
- All e-payment channels recorded an increase in both value and volume of transactions
- In April, total value of transactions is likely to rise further due to increased transactions ahead of Easter & Ramadan celebrations

Channels	Feb'23 (N'bn)	Mar'23 (N'bn)	% Change
Cheques	238.49	283.38	18.82 
POS	883.45	1,152.12	30.41 
NIP	36,786.42	48,326.65	31.37 
NEFT	1,726.02	2,080.23	20.52 
Total	39,634.38	51,842.37	30.80 

Value of Transactions (N'trn)



SHIPS AWAITING BERTH

Ships Awaiting Berth	Feb'23	Mar'23
Apapa	2	7
Tincan	3	0
Rivers	0	3
Calabar	0	3
Warri	3	6
Onne	0	0
Total	8	19

- Total number of ships awaiting berth rose to 19 in March
- Apapa remains the most congested port in Nigeria
- Meanwhile, the six ports are facing existential threat from the newly operational Lekki Deep Sea port
- Losing experienced hands, as well as high value customers to the more modern and efficient competitor

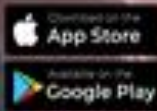


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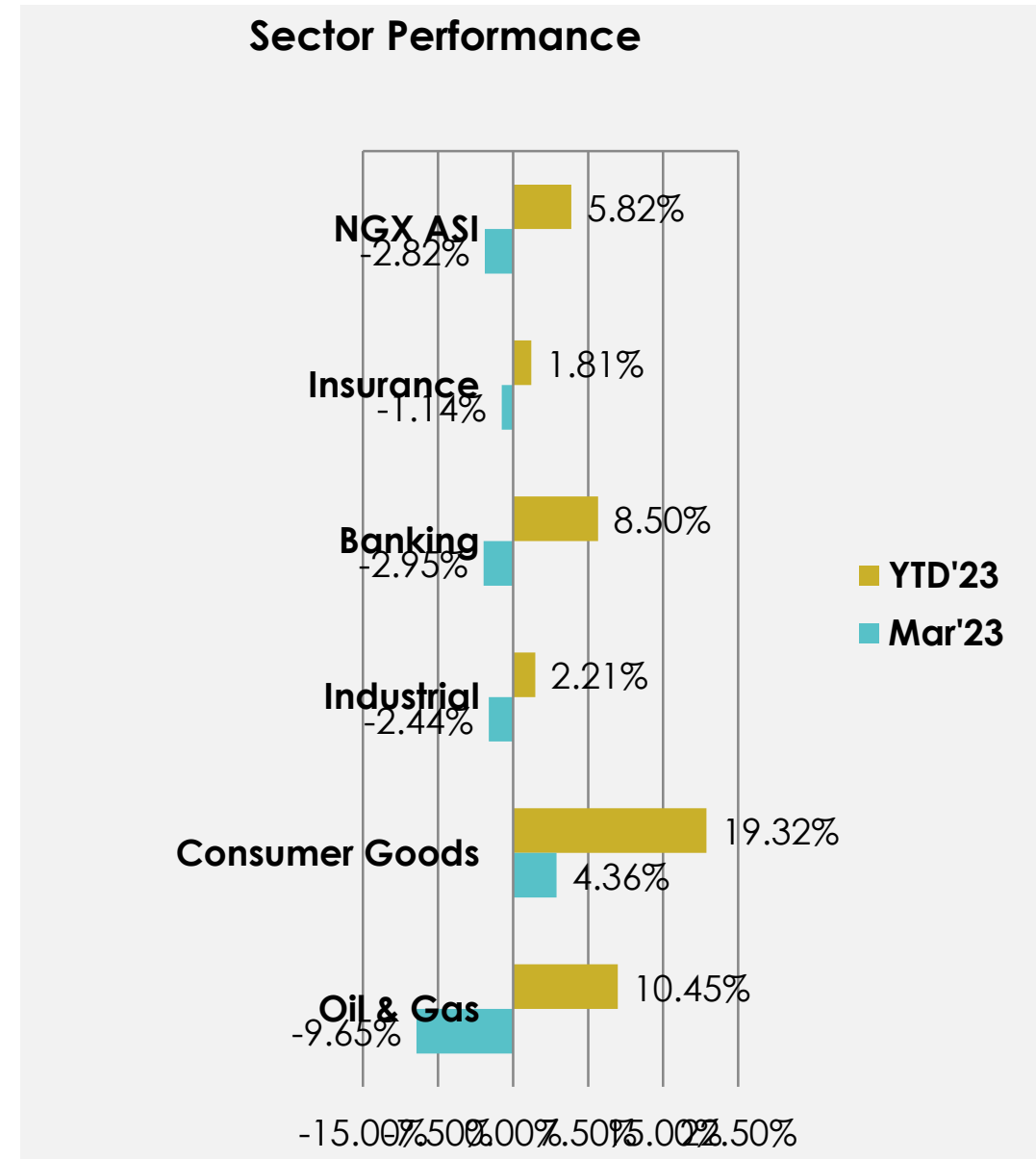
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STOCK MARKET

NGX PERFORMANCE

- NGX lost 2.82% in March 2023
- YTD return slows to 5.82% from 8.89% in February
- Interest rate hikes drive investors to attractive asset classes
- Profit taking activities as stocks get marked down for dividends
- Oil and Gas sector led the laggards in March
- Due to volatile oil prices
- Price dip in Seplat energy



STOCK MARKET OUTLOOK- APRIL 2023

- Investor sentiment will be driven by the interest rate movement, Q1 '23 quality of earnings, stock specific events
- Possibly more days of losses than gains
- Investors appetite for attractive rate on investment will linger
- Anticipation for Q1 '23 earnings
- Q1 '23 cash challenges will put pressure on corporate earnings
- Will trigger lackluster top-line figures for manufacturers
- But technology driven stocks will benefit from increased digital transactions
- Inflationary pressures will remain a threat to operating income





CASH CRUNCH GAINERS AND LOSERS-Q1'23

Gainers	Rationale	Average Revenue Growth Rate	Impact on Share Price
Telecommunications	Increased use of digital and fintech services	25%	Strong
Banking	Increased use of e-banking services	22%	Minimal

Losers	Rationale	Average Revenue Growth Rate	Impact on Share Price
Brewery	Decline in aggregate demand	15%	Average
FMCG	Decline in aggregate demand	20%	Average
Industrial	Decline in aggregate demand	18%	Minimal

Q1'2023 SECTORAL EARNINGS EXPECTATIONS

Sector

Earnings Expectation

Telecommunications

- Double-digit growth in digital and internet services will spur revenue growth
- Growth in top line will offset surge in operating cost

Banking

- Elevated yields on investment securities and increased digital services will enhance gross earnings
- Exposure to Ghana investment market will taper bottom line growth
- Asset quality will suffer from embattled business environment

Q1'2023 SECTORAL EARNINGS EXPECTATIONS

Sector

Earnings Expectation

FMCG/ Brewery

- Decline in aggregate demand due to cash challenges will stall top line performance
- Will be offset by sales from election spending
- FX challenges remain a threat to bottom line

Agriculture

- Increased backward integration strategy will boost local production and turnover
- Effective cost-cutting strategies will enhance net income growth



EIU SECTORAL OUTLOOK- FINANCIAL SERVICES

- CBN's approach limits the ability of commercial banks to maximize their traditional function of financial intermediaries
- The excess liquidity created by the various CBN interventions has necessitated the imposition of a high cash reserve requirement (CRR) on banks
- The outlook for Nigeria's financial sector will remain challenging in short term
 - Amid elevated inflation, currency stresses and serious domestic security problems
- Will be worsened by the recent inclusion of Nigeria on the Financial Action Task Force's (FATF) money-laundering grey list



EIU SECTORAL OUTLOOK- FINANCIAL SERVICES

- Financial services providers have been hindered by the slow pace of market-oriented structural reforms, corruption and extremely poor infrastructure
- The resulting sharp rise in borrowing costs will affect both consumers and businesses, dampening retail sales volumes and corporate investment in real terms in 2023
- Non-banking financial services including insurance and mutual funds are small and largely underdeveloped

WHAT SHOULD INVESTORS BE DOING NOW?

Heightened
Inflation

Global
financial
turmoil

High Interest
Rates



Equities
market
downturn

Cash Crunch
spill over
effect

- Higher interest rates will lower the value of expected future cash flows
- The goal is to maximize return and minimize risk- Spread your risk
- Investors should increase diversification to less risky and more attractive asset classes (bonds, treasury bills)
- Diversify between the short and long end side of the curve
- Buy the dip- invest in potential stocks with long-term potentials
- Real estate is usually a best bet against rising inflation

DANGOTE GROUP- JACK OF ALL TRADES, MASTER OF ALL



- Annual group turnover in excess of \$4 billion
- Dominant player across industries

Sectors	Subsidiaries	Capacity	CAGR in Revenue	Achievements
Industrial	Dangote cement	51.6 Mta/year	18%	<ul style="list-style-type: none"> •Footprints in 10 African countries •Self-sufficient cement manufacturer
Food products	Dangote salt Dangote sugar (NASCON)	1.44Mta/year	28% 23%	<ul style="list-style-type: none"> •Operates one of the largest sugar refineries in Sub – Saharan Africa
Agriculture	Dangote Fertilizer	3Mta/year	nil	<ul style="list-style-type: none"> •Second largest fertilizer plant in the world
Oil and Gas	Dangote Refinery	650,000 barrels/day	nil	<ul style="list-style-type: none"> •Largest refinery in Africa

DANGOTE GROUP- JACK OF ALL TRADES, MASTER OF ALL



- Dangote refinery to be commissioned in Q2 2023
- Will be Africa's biggest oil refinery and the world's biggest single-train facility
- Expected to refine 650,000 barrels of crude oil per day
- Will meet 100% of Nigerian liquid products, including surplus for exports
- Expected to take advantage of the free trade zone
- Dedicated steam and power generation system of 435MW
- Designed to use the latest technology
- Would reduce pressure on foreign exchange

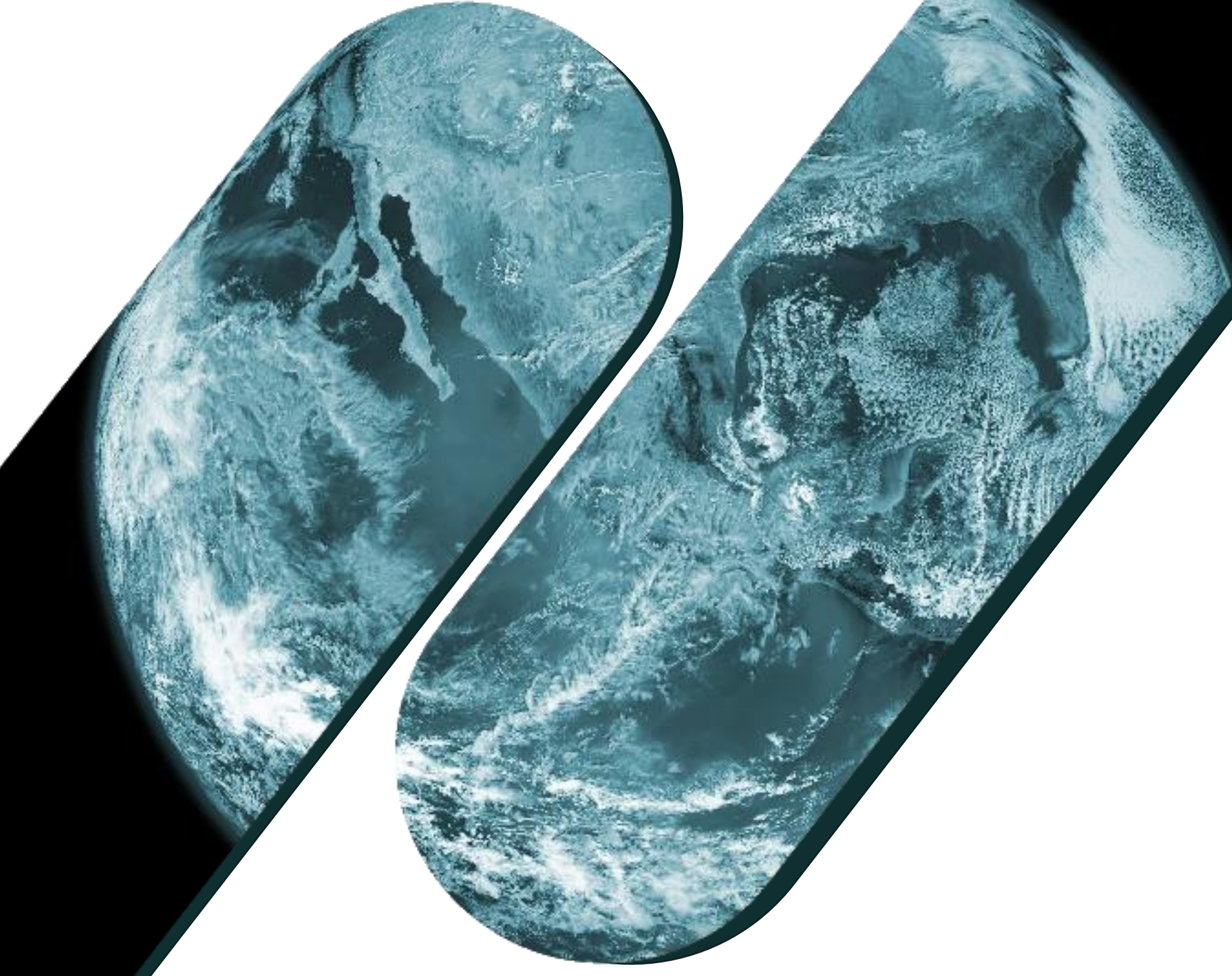


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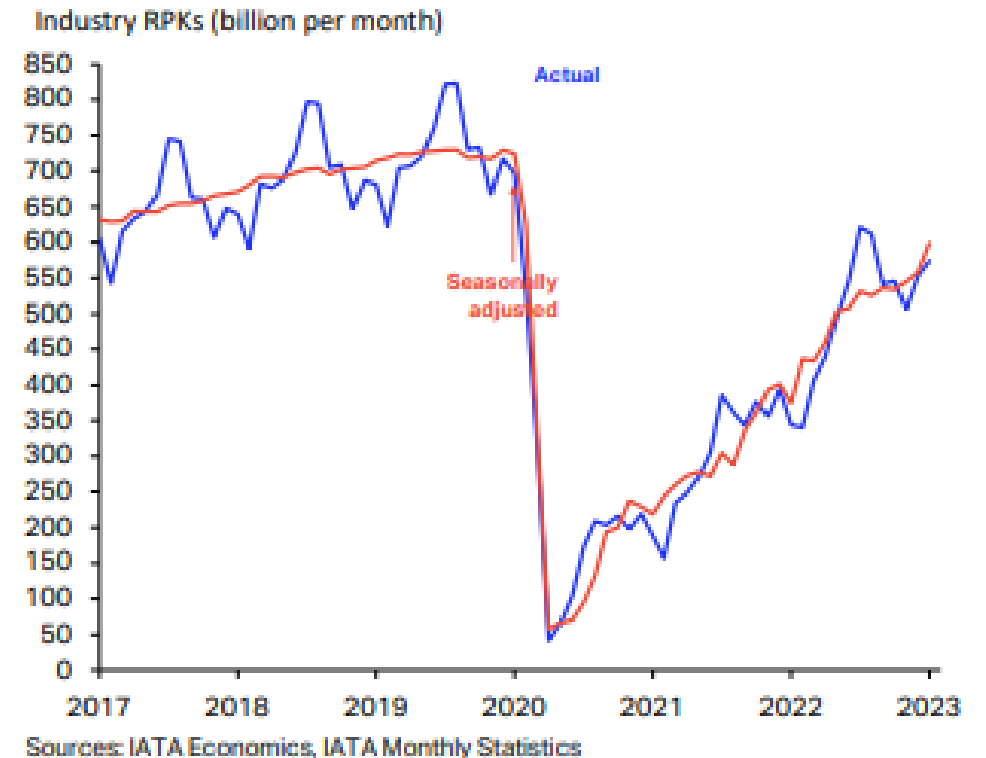
TRAVEL & TOURISM

GLOBAL UPDATE - IATA



- The start of 2023 was marked by an acceleration in passenger demand recovery
- Industry-wide revenue passenger kilometers (RPKs) grew by 67% year-on-year (YoY)
 - Global passenger demand now at 84.2% of pre-pandemic level
- Helped by the swift reopening of China from Covid-19 restrictions

Chart 1 – Global air passengers, revenue passenger kilometers (RPKs), billions

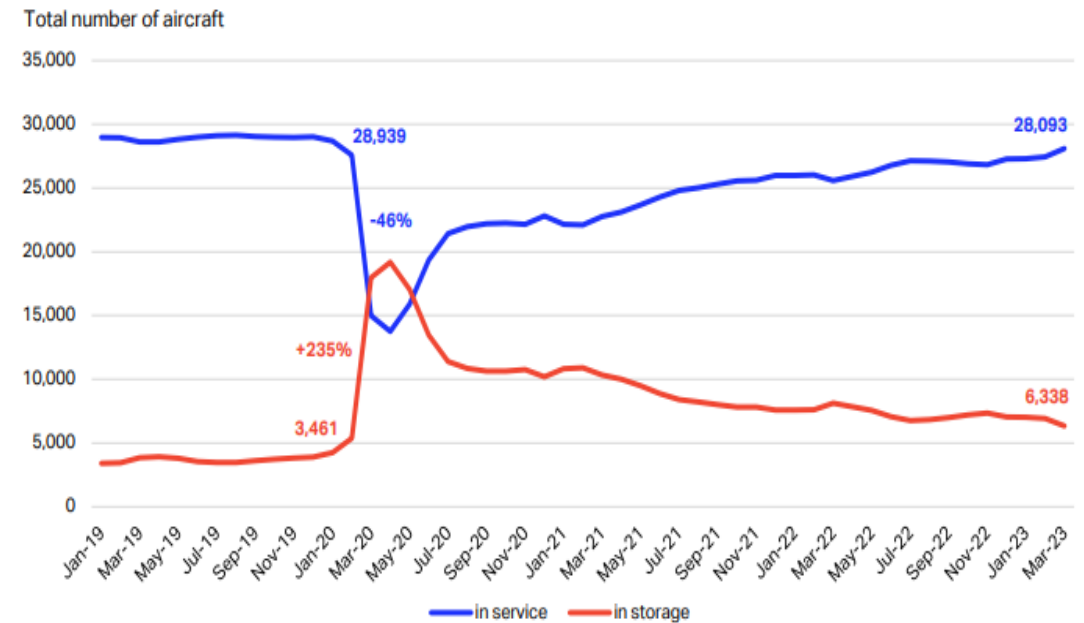


GLOBAL UPDATE - IATA



- The effect of Covid-19 on airline fleets have been steadily unwinding
- In line with the uptick in air passenger demand, airlines have shifted their assets back into service
- The number of active aircraft has recovered to 98% of pre-pandemic levels
- More than 6,300 aircraft still in storage today, which is roughly 2,900 aircraft (or 83%) more than in the pre-pandemic period

Parked aircraft returning to service support global recovery



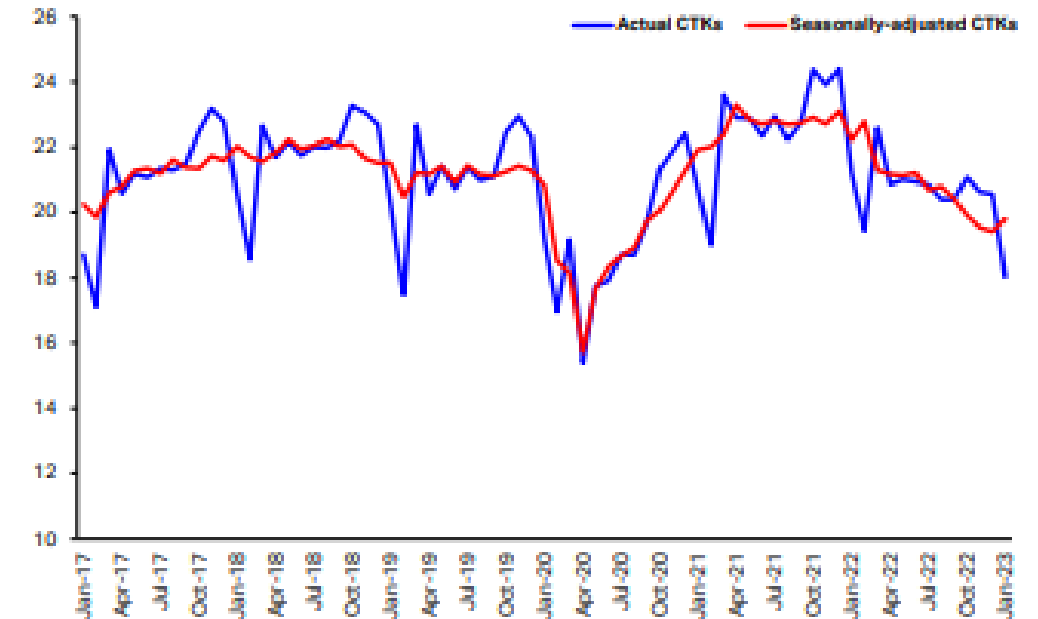
Source: Cirium

GLOBAL UPDATE - IATA



- The economic outlook for the air cargo industry in 2023 is expected to be challenging
- Macroeconomic headwinds stemming from the global pandemic persist
- Industry-wide cargo tonne-kilometers (CTKs) fell 14.9% YoY in January
 - 11th month of consecutive annual declines in global air cargo demand
- The return of sea cargo after Covid is displacing air cargo as a substitute

Chart 1 Global Industry CTKs (billions per month)



Sources: IATA Economics, IATA Monthly Statistics

GLOBAL TRAVEL & TOURISM UPDATE

- After three years of pandemic border restrictions, China is fully reopening to foreign visitors – including tourists
- Airlines have returned to profit and are forecasting that booming demand will push earnings even higher
- British Airways slashes 300 Easter flights over workers' strike
- East Africa tourist visa aims to boost tourism in the region



DOMESTIC TRAVEL & TOURISM UPDATE

- Airfares soar as foreign airlines hike exchange rate
 - The exchange rate for ticket sale was increased to N551/\$ from N462/\$
- Foreign airlines' trapped funds has risen to \$802m
- The incessant surge in airfares can be partly attributed to rising jet fuel prices and scarcity of foreign exchange
 - Jet fuel currently sells for between N790 and N800 per litre.



DOMESTIC TRAVEL & TOURISM UPDATE

- Nigeria air to begin operation before May 29 which is the end of the current administration - **Hadi Sirika (Minister of Aviation)**
- Nigerian flag carrier, Air Peace airline, scheduled to begin direct flight operations into Tel-Aviv, Israel, on April 20
- Air freight demand drops as economic headwinds persist

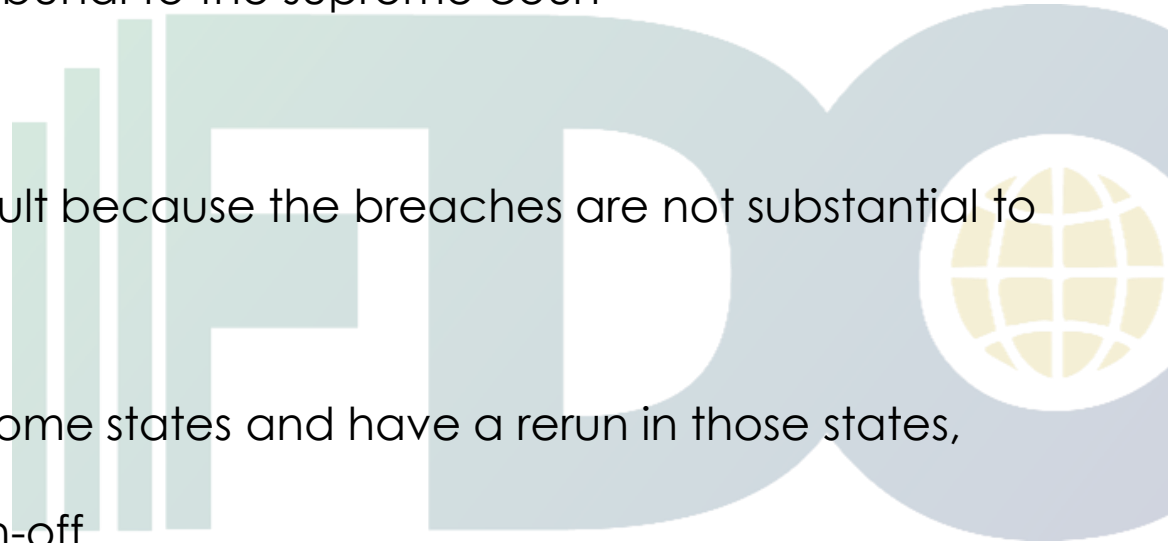




POLITICAL UPDATE

STOP THE STEAL OR CLOSE THE DEAL

- The post election legal fireworks begin
- From election petition tribunal to the supreme court
- **What are the options?**
- Endorse the election result because the breaches are not substantial to change the outcome
- Cancel the election in some states and have a rerun in those states, leading to a possible run-off
- Annul the election – the Kenya model
- In all, no verdict will please everybody – ***no win situation for the judiciary***



POLITICAL UPDATE – THE TAKEWAYS

- The parties head to the various election petition tribunals
- Judiciary is believed to be totally compromised
- The verdicts are highly predictable
- It could plunge the Republic into a downward spiral of anarchy
- The margin of electoral victory does not offer a buffer of legitimacy
- The president elect will have little political capital to make tough decisions
- Political compromises along regional, ethnic and religious lines are inevitable
- Confronting the oligarchs and agents of state capture will be a primary challenge
- ***Turkeys don't vote for Easter***



POLITICAL UPDATE – THE TAKEAWAYS

- After the election, rejection or deflection?
- The heavy lifting and real work will begin
- Securitizing the existing domestic debt including the CBN advances
- The immediate impact on interest rates will push deposit and lending rates up by 400 basis points
- Major implications on the level of non-performing loans which will increase by a minimum of 2% from the current levels
- It will also sour the stock market rally as bond and equity prices plunge
- The president elect will put together a transition team of technocrats that will boost confidence
- Simultaneously fighting the legal battles
- The outgoing administration is now in hibernation mode i.e dead duck status
- It is now open season in Abuja



POST ELECTION PROGNOSIS – THE ELECTION HANGOVER

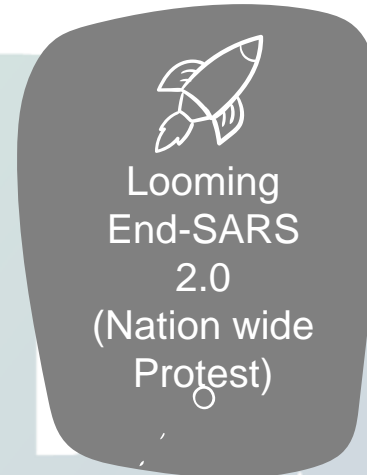
- Election is far from being over – the victor was declared but the victory came with baggage



- Ethnic profiling
- Post-election ethnic bitterness



- Moslem-Christian tension may escalate



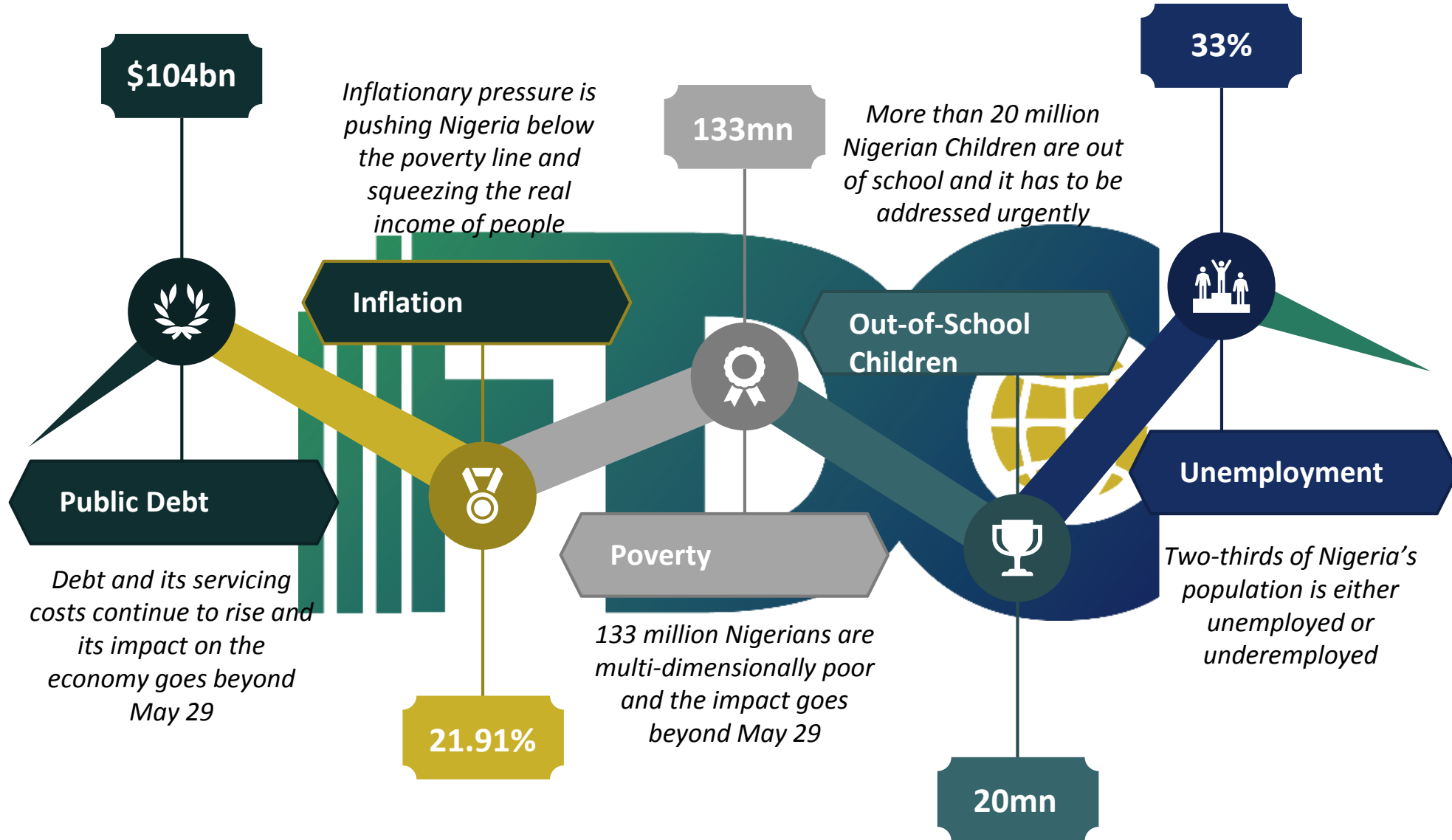
- Protest has already begun in Abuja
- May spread to other parts of the country



- Less than 5% of Nigerians voted for the president-elect

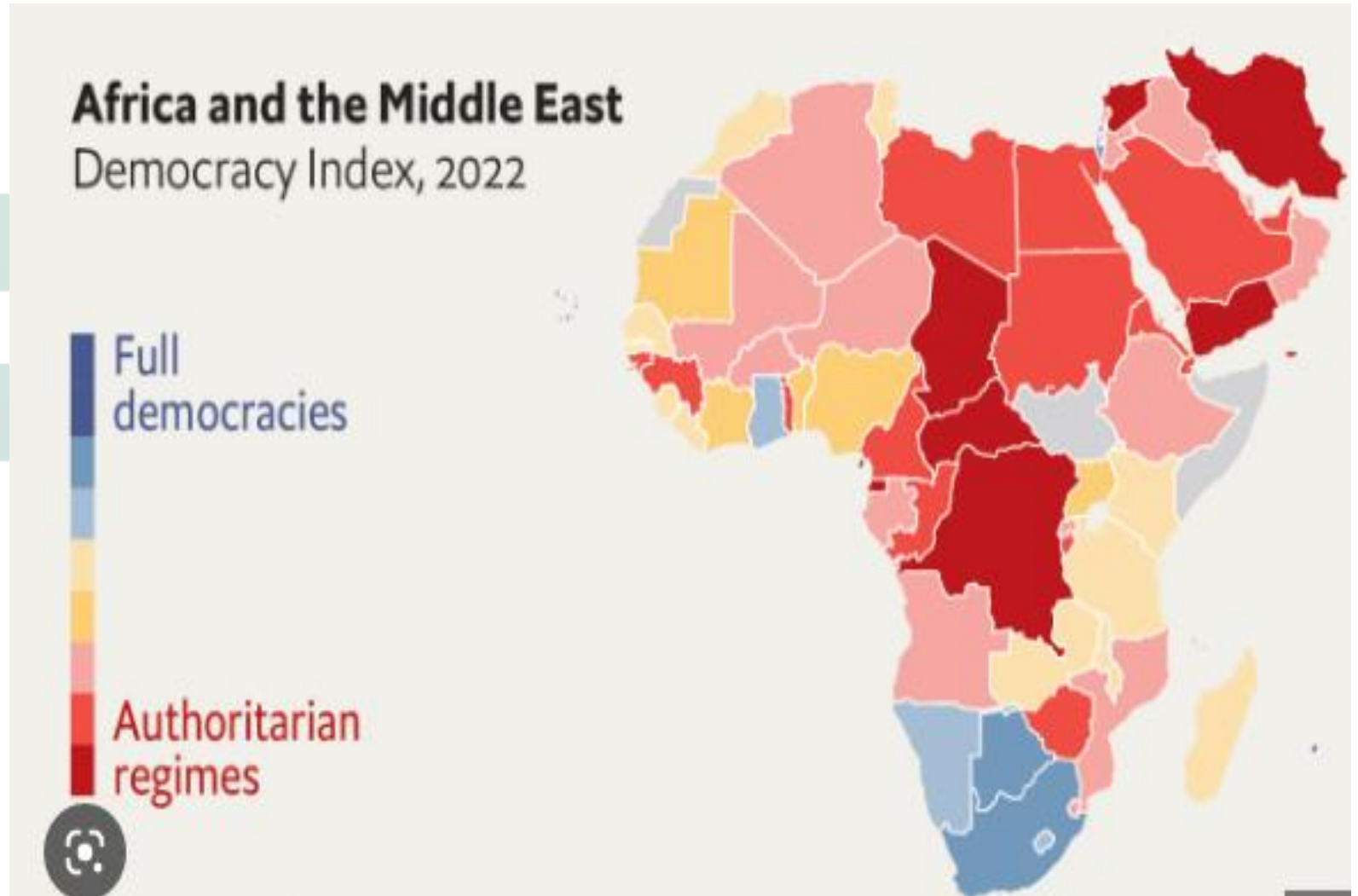


BEYOND MAY 29

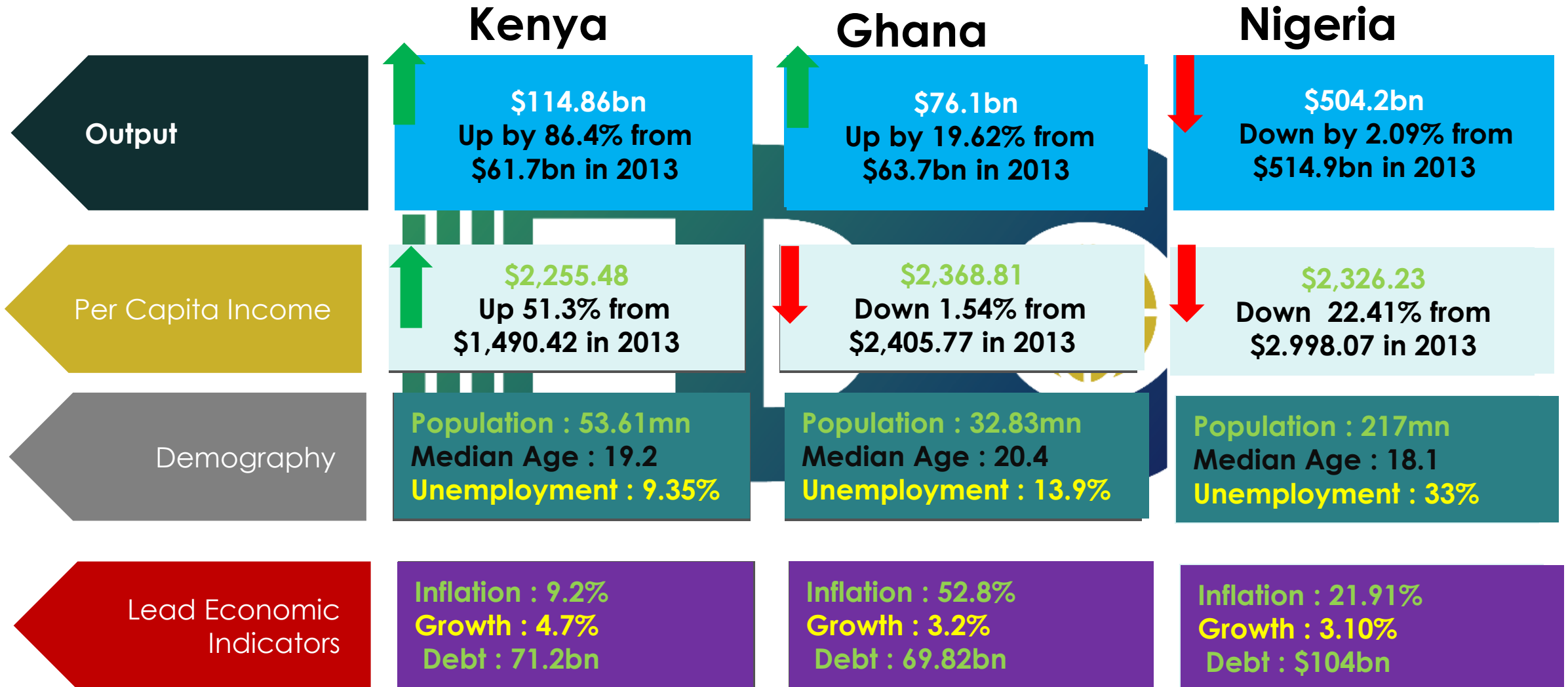


DEMOCRACY IN AFRICA IN MIDDLE EAST

- Most countries in Africa are classified as hybrid regime
- This will continue to weigh on development in Africa
- Nigeria's democracy is described as hybrid



KENYA, GHANA & NIGERIA COMPARED



ELECTIONS & OUTCOMES – KENYA, GHANA & NIGERIA

	Kenya	Ghana	Nigeria
Case Study Election	<ul style="list-style-type: none"> Conducted in 2017 There was a litigation Court annulled the outcome Fresh election was won by ruling party 	<ul style="list-style-type: none"> Conducted in 2016 Won by opposition Ruling party conceded defeat 	<ul style="list-style-type: none"> Conducted in 2015 Won by opposition Jonathan conceded defeat
Most Recent Election	<ul style="list-style-type: none"> Conducted in 2022 There was a litigation Court affirmed the outcome Opposition conceded defeat 	<ul style="list-style-type: none"> Conducted in 2020 There was a litigation Court affirmed the outcome Opposition conceded defeat 	<ul style="list-style-type: none"> Conducted in 2023 There have been litigations Awaits the court outcome Opposition may not concede defeat
Election statistics	<ul style="list-style-type: none"> Turnout : 64.30% % of Votes cast : 50.5% % of Population : 13.4% Institution – Middle Strong 	<ul style="list-style-type: none"> Turnout : 78.91% % of Votes cast : 51% % of Population : 20.5% Institution – Strong 	<ul style="list-style-type: none"> Turnout : 26.5% % of Votes cast : 36.6% % of Population : 3.9% Institution – Strong



POST-ELECTION IMPONDERABLES & THE IMPERATIVES

The Imponderables



- Who will be sworn in on May 29?
- Will subsidy be removed before or after handover?
- Will there be an interim government?
- Will there be civil unrest?

The Unknown Unknowns

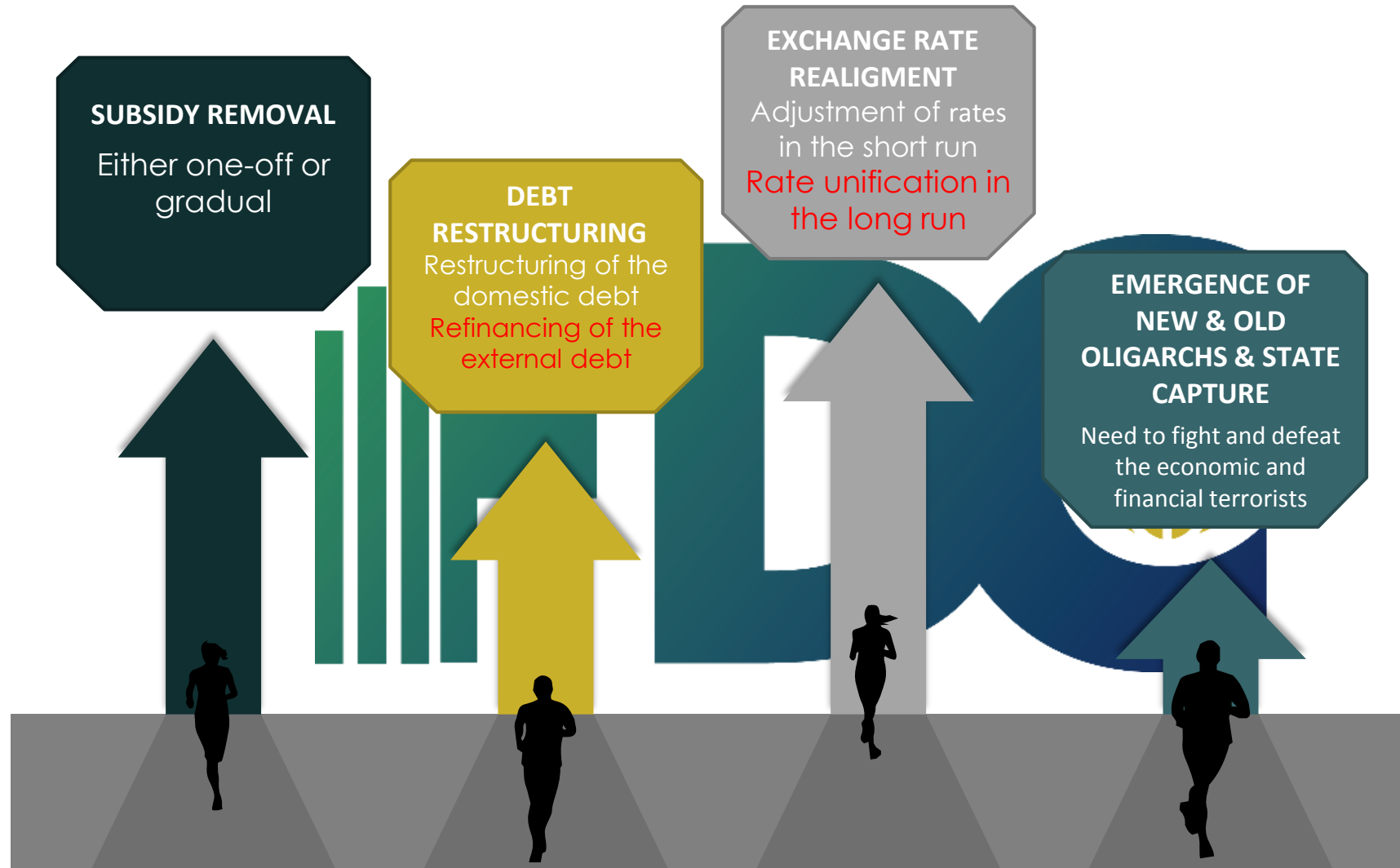
The Imperatives



- There will be change of government on May 29
- Nigeria's fiscal cliff – borrowing will be much more difficult
- Exchange rate problem
- Spiraling Inflation
- High debt service-to-revenue challenge

What we know that requires urgent attention

HARD CHOICES- THE ROUTE OF STATE VALUATION & CHINESE FUNDING



- IMF/World Bank support and policy programme
- Mixed economic model

HARD CHOICES – WHICH WAY TO GO

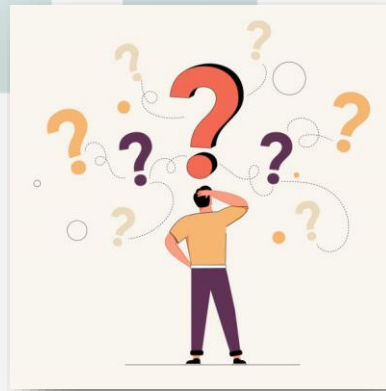
DEBT RESTRUCTURING – RESCHEDULE OR REFINANCING

STATE CAPITALISM - CHINA

- Road and Belt Initiatives
- Trade with China

FREE MARKET DEMOCRACIES- USA & WEST

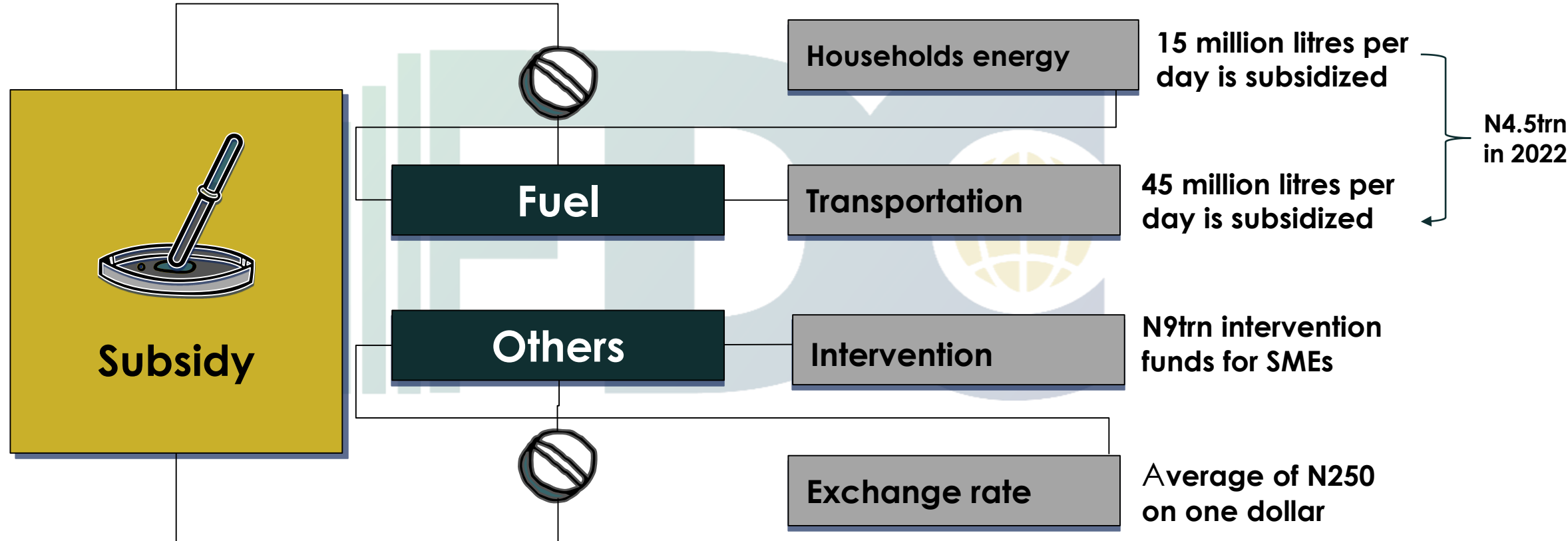
- IMF, World Bank, Paris Club, London Club
- Insist on democratic practices



- Nigeria is broke
- It is now or never

STRUCTURE OF NIGERIAN SUBSIDIES

- Subsidy is a political problem and symptoms of state capture



HARD CHOICES – WHICH WAY TO GO

EXCHANGE RATES REALIGNMENT

REALIGN THE OFFICIAL RATES



- Remove market distortions
- Higher Inflation
- Enhanced Fiscal Space
- Encourage more capital inflows

MAINTAIN STATUS QUO



- Compounded Fiscal Problem
- Inefficiency in Markets



• **Nigeria needs to make a choice**



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APRIL OUTLOOK

IT IS NO APRIL FOOL BUT IT LOOKS LIKE

- Inflation in March will decline to 21.85%
- T/Bill rates are spiking towards 15%pa for 365-day tenor
- Stock market will suffer from negative earnings from the cash crunch effect
- The naira will trade horizontally between N750/\$-N755/\$ for the rest of April
- Dangote refinery will be commissioned in Q2 2023
- Will produce a few downstream products
- PMS production will begin later in the year
- **Happy Easter and Ramadan**

CORPORATE HUMOUR

Practical politics consists in ignoring facts

– *Henry Brooks*

Politics is the gentle art of getting votes from the poor and campaign funds from the rich by promising to protect each from the other.

– *Oscar Ameringer*

Better to keep your mouth shut and appear stupid than to open it and remove all doubt.

– *Mark Twain*



CORPORATE HUMOUR

The road to success is always under construction

– *Anonymous*

Behind every successful man you will find a woman who has nothing to wear.

– *Harold Coffin*

Nothing succeeds like success and
certainly nothing fails like failure.

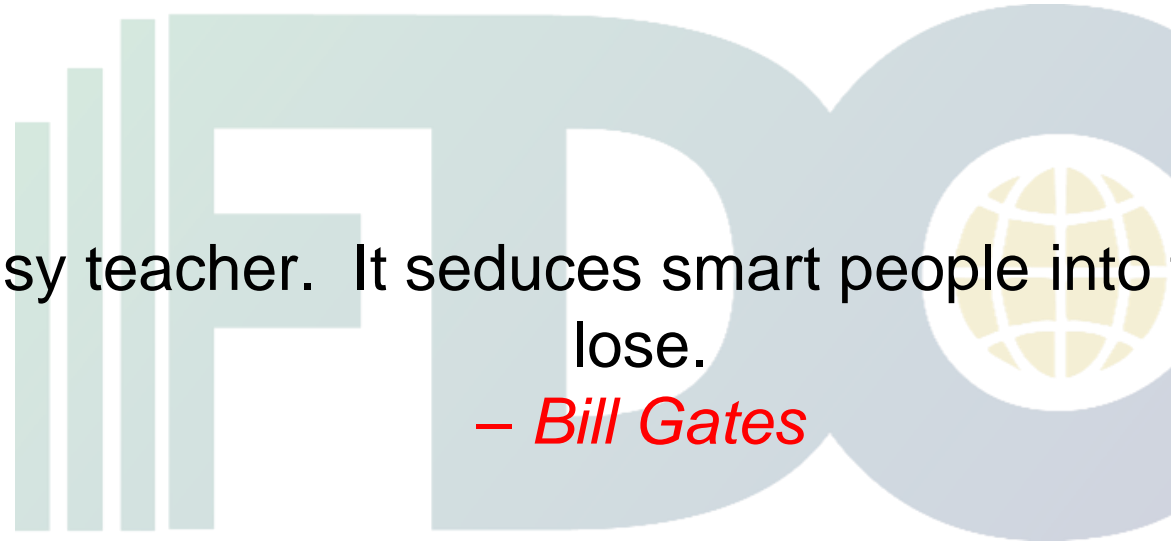
– *Margaret Drabble*



CORPORATE HUMOUR

Those whom the gods wish to destroy they first call promising

– *Cyril Connolly*



Success is a lousy teacher. It seduces smart people into thinking they cannot lose.

– *Bill Gates*

There is no deodorant like success.

– *Elizabeth Taylor*

CORPORATE HUMOUR

The world is divided into people who do things and people who get the credit. Try if you can to belong to the first class. There is far less competition.

– *Dwight Morrow*

Luck like a Russian car generally only works if you push it.

– *Tom Holt*

When the inventor of the drawing board messed things up, what did he go back to ??

– *Bob Monkhouse*

CORPORATE HUMOUR

Xerox: a trademark for a photocopying device that can make rapid reproductions of human error perfectly

– *Merie Meacham*

It is easier to find a traveling companion than to get rid of one.

– *Peg Bracken*

The longer the cruise, the older the passengers

– *Peg Bracken*



**THANK
YOU**

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