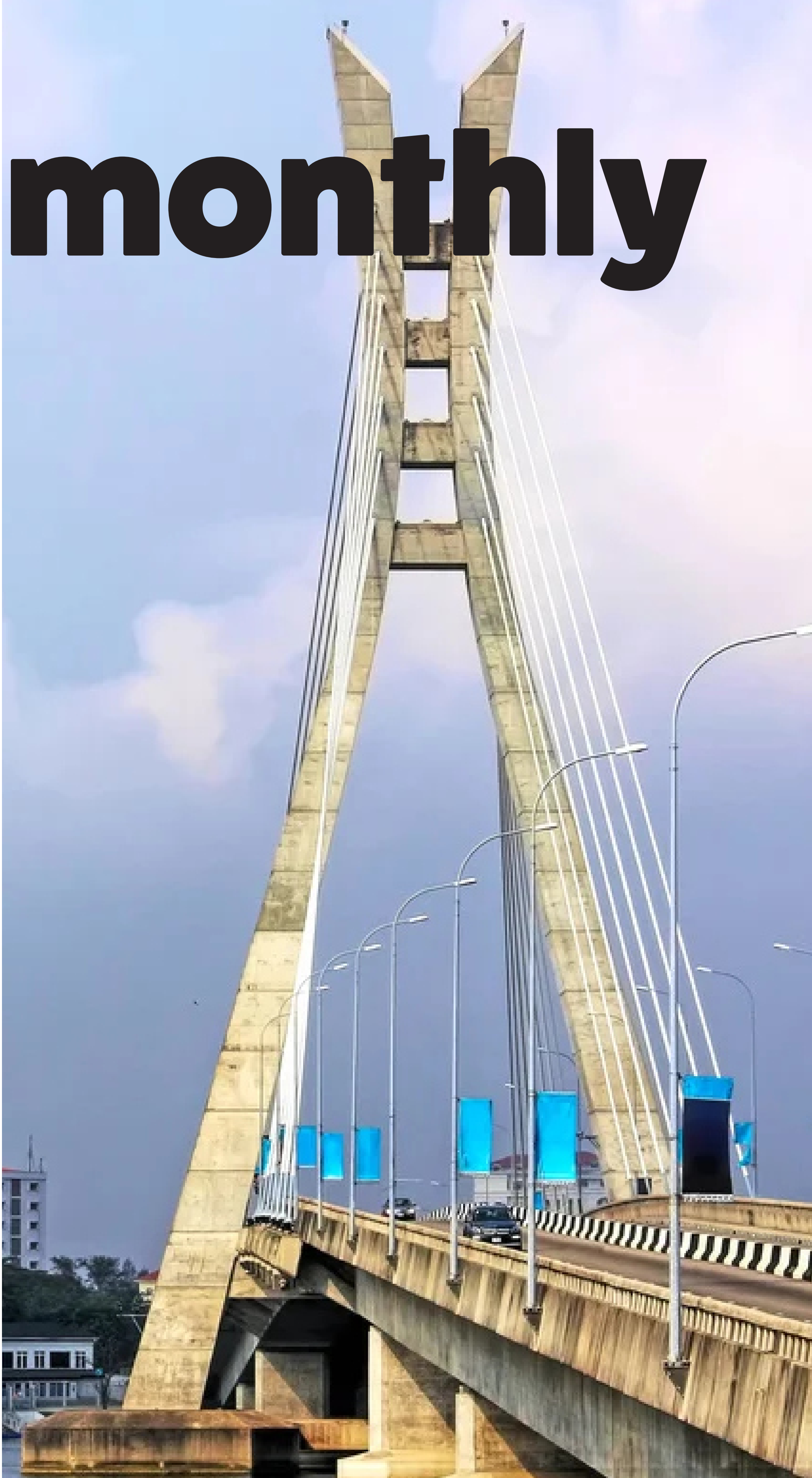
FDC FINANCIAL DERIVATIVES COMPANY

bimonthly

VOLUME 13 ISSUE 08

MAY 08, 2023



CONTENT

Farming just got easier

With Dangote Fertiliser Urea's low moisture that helps easy application to crops, farmers now have a choice of fertiliser that delivers healthy crop, high yield, rapid growth and quality produce.

DANGOTE
FERTILISER

Power to Farmers

@DangoteGroup www.dangote.com

Infrastructure Paradox - Rethinking Infrastructure Investment in Nigeria

Infrastructure investment is a critical requirement for the realization of Sustainable Development Goal 9[1]: "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation".

As observed by the United Nations[2], infrastructure investments in transportation, irrigation, electricity, and information and communication technology are critical to ensuring sustainable development, and inclusive growth. In line with the SDG target of realizing the goals by 2030, global infrastructure investment has increased by $7.8 trillion in the past decade.

Although Nigeria is the largest economy in Africa and is also the most populous country on the continent, it is ranked as one of the countries with the least infrastructure stock. Nigeria's infrastructure gap is well documented. According to Nigeria's Integrated Infrastructure Master Plan[3], the country needs infrastructure investments of $2.3 trillion over the next 30 years. In other words, Nigeria needs to spend nearly $80 billion annually to close the infrastructure gap. However, in the past decade, both states and the Federal Government channeled only $60 billion to capital expenditure.

Underinvestment in infrastructure stymies industrial development, and this could have implications for competitiveness. For example, the 2019 Global Competitiveness Index ranked Nigeria 130 out of 141 countries with a score of 48%. According to the United Nations[4], industries contributes only about 14.7% to total employment in Nigeria, as against 28.3% in middle- and upper-income African countries.

1 United Nations (UN). Goal 9: Build resilient infrastructure, promote sustainable industrialization and foster innovation. https://www.un.org/sustainabledevelopment/infrastructure-industrialization/
2 ibid
3 FRN (2020). Reviewed National Integrated Infrastructure Master Plan. https://nationalplanning.gov.ng/wp-content/uploads/2022/10/REVIEWED-NIIMP.pdf
4 FRN (2020). Reviewed National Integrated Infrastructure Master Plan. https://nationalplanning.gov.ng/wp-content/uploads/2022/10/REVIEWED-NIIMP.pdf

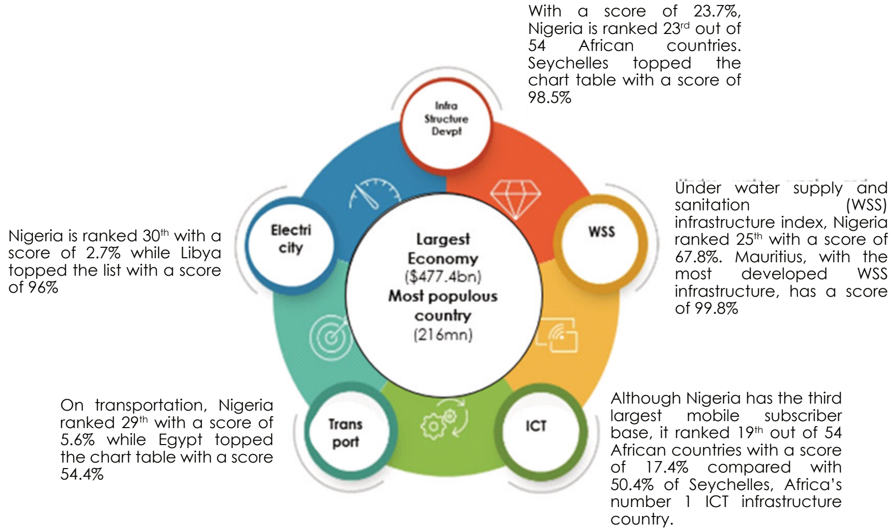
Nigeria ranks low on African Infrastructure Index

African Development Bank's infrastructure development ranking shows Nigeria's low performance on all infrastructure development indexes, including transportation, electricity, water supply and sanitation, and ICT infrastructure. Overall, Nigeria ranked 23rd out of 54 African countries with a score of 23.7%, while Seychelles, Egypt, Libya, and South Africa topped the chart table with scores of 98.5%, 88.7%, 83.6%, and 80.2% respectively.

On electricity, Nigeria ranked 30th with a score of 2.7% while Libya topped the list with a score of 96%. Power generation in Nigeria as of 2022 was around 4,863.25MW.[5] In essence, electricity generation is only 1.02% of GDP in Nigeria, while in Egypt, Libya, and South Africa, it stands at 12.42%, 18.61%, and 14.32%, respectively.

Put differently, the electricity availability in Nigeria is 22 watts per head. Meanwhile, in Egypt, Libya, and South Africa, electricity availability per person is 567 watts, 1,210 watts, and 959 watts, respectively. Nigeria's electricity problem has persisted in spite of the ₦1.6 trillion ($3.5 billion) investment in electricity between 2013 and 2021, resulting in the addition of a mere 1,463.25 megawatts to the existing capacity of 3,400 megawatts in 2013. Access to electricity in Nigeria is also estimated at 55.4%, indicating that about 97 million Nigerians do not have access to electricity.[7,8]

FIGURE A.1: NIGERIA IN AFRICA INFRASTRUCTURE DEVELOPMENT INDEX RATING



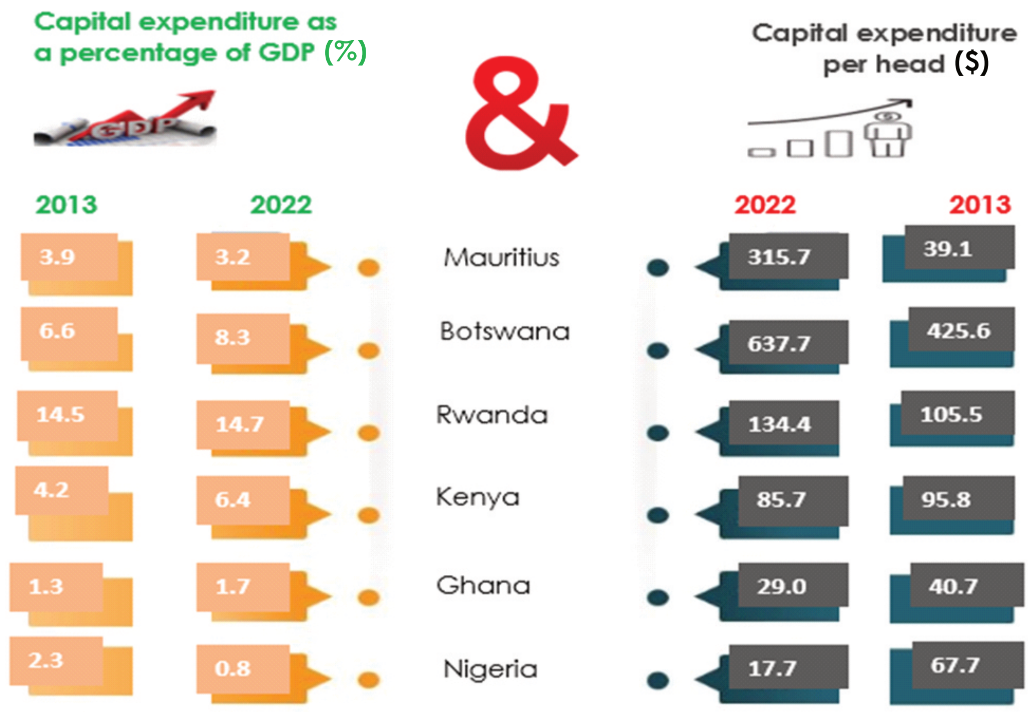
Source:FDC

Nigeria also slacked in transport infrastructure, ranking 29th with a score of 5.6%, while Egypt led the chart table with a score of 54.4%. Nigeria has about 193,200km of roads, out of which only 30% (5,960km) are paved.[9] The infrastructure gap is even worse for rail, air, and water transportation.

Similarly, Nigeria ranks low on ICT infrastructure despite having the third-largest mobile subscriber base in Africa. In terms of access barriers, content limits, and abuse of user rights, Nigeria is ranked in the top 5 in sub-Saharan Africa. In other words, Nigeria has well-established internet freedom in Africa. Also, Nigeria has one of the world's youngest populations, with a median age of 18 years. This notwithstanding, the internet penetration rate is just 51%, trailing far below Morocco, which tops Africa with an internet penetration rate of about 84%.

5. Dataphyte (November 8, 2022). Nigeria takes 9yrs to add 1000mw despite N1.6 trn investment. https://www.dataphyte.com/latest-reports/nigeria-takes-9yrs-to-add-1000mw-despite-n1-6-trn-investment/
6. https://www.usaid.gov/powerafrica/south-africa#:~:text=According%20to%20the%20Ministry%20of,of%20the%20country's%20energy%20mix.
7. https://www.egypttoday.com/Article/3/100896/How-Egypt-s-electricity-production-rank-rose-from-145th-to
8. FRN (2020). Reviewed National Integrated Infrastructure Master Plan. https://nationalplanning.gov.ng/wp-content/uploads/2022/10/REVIEWED-NIIMP.pdf
9. FRN (2020). Reviewed National Integrated Infrastructure Master Plan. https://nationalplanning.gov.ng/wp-content/uploads/2022/10/REVIEWED-NIIMP.pdf

FIGURE A.2: CAPITAL EXPENDITURES PER HEAD AND AS A PERCENTAGE OF GDP IN SELECTED AFRICAN COUNTRIES



Source: FDC

Inadequate budgetary provision for capital expenditure

One of the most important enablers of infrastructural development is the budgetary allocation for capital spending. In Nigeria, capital spending has remained comparatively low for decades. In 2022, capital spending accounted for only about $4 billion of the total expenditure of $30 billion. For a country with an infrastructure stock of only 35% of GDP, compared to the World Bank benchmark of 70% of GDP for emerging markets and developing economies (EMDEs), the capital expenditure does not even scratch the surface.

As shown in Figure capital expenditure as a percentage of GDP in Nigeria declined from 2.3% in 2013 to 0.8% in 2022. This is relatively low when compared with 3.2%, 8.3%, 14.7%, and 6.4% in Mauritius, Botswana, Rwanda, and Kenya. In the same vein, capital spending per head declined to $17.7 in 2022 from $67.7 in 2013. This is one of the lowest in Africa. For example, capital expenditure per head in Mauritius rose from $39.1 in 2013 to $315.7 in 2022. In Botswana and Rwanda, capital spending per head stands at $637.7 and $134.4, respectively.

More often than not, Nigeria espouses big visions about infrastructural development. However, the worst nightmare has remained the implementation of some of the budgetary allocations for capital expenditure. For example, although the FGN budgeted to spend $12 billion on capital projects in 2022, only a third of that allocation was spent on capital projects ($4 billion). Worse still, the infrastructure landscape is littered with abandoned projects, a phenomenon that is akin to what McKinsey described as the "infrastructure paradox".[10] The infrastructure paradox refers to a situation in which there is limited investment in infrastructure projects in a country despite significant demand for such projects, a sufficient supply of capital and investors, and a large number of viable projects. According to McKinsey, "80 percent of infrastructure projects fail at the feasibility and business-planning stages." [11]

Policy options for addressing Nigeria's infrastructure paradox

Infrastructure, such as roads, bridges, ports, airports, and public transportation systems, provides the physical foundation for economic growth by facilitating the movement of people, goods, and services. Energy infrastructure is a key enabler for industrial development. When infrastructure is in disrepair or inadequate to meet the needs of businesses and individuals, it can slow down economic activity. For example, businesses may face increased transportation costs, longer shipping times, and limited access to markets because of poor road conditions or inadequate public transportation. A dearth of electricity or other forms of energy infrastructure could lead to high production costs. This can reduce the competitiveness of businesses, lower total factor productivity, and lead to higher prices for consumers.

Moreover, inadequate infrastructure can discourage investment, as investors may be reluctant to commit capital to countries with poor infrastructure. In addition, underinvestment in infrastructure can have broader social and environmental consequences. For example, inadequate water and wastewater systems can result in health problems, while poorly maintained transportation infrastructure can lead to increased pollution and greenhouse gas emissions. Thus, investing in infrastructure is essential for promoting economic growth, creating jobs, and improving the quality of life for citizens. To address the problem of gross infrastructure deficit, we suggest the following policy options or strategies.

10. McKinsey (March 6, 2020). Solving Africa's infrastructure paradox. https://www.mckinsey.com/capabilities/operations/our-insights/solving-africas-infrastructure-paradox
11. ibid

Option 1: Adopt the South Africa model

South Africa operates two separate budgets, namely the capital budget and the operating budget, with clearly defined financing sources. This system is also practiced in Namibia, Mauritius, and Botswana, where the capital budget is called the development budget. To ensure that recurrent spending does not crowd out infrastructural development, the government at various levels may adopt the South African model. In this model, there are revenue sources that are directed exclusively to financing the capital budget. In this way, capital spending could get the priority attention it requires.

Option 2: The Indian model

India is one of the countries that had a gross infrastructure deficit in the 1970s and 1980s. However, recognizing that rural infrastructure is critical for stimulating the rural economy and achieving the SDGs by 2030, India adopted a rural infrastructure development strategy. This was also aimed at realizing the vision of becoming a $5 trillion economy by FY2025. Over the years, India implemented several programs to develop rural infrastructure. One of such program is the Pradhan Mantri Gram Sadak Yojana (PMGSY), which was launched in 2000 with the aim of providing all-weather road connectivity to every rural habitation with a population of 500 persons or more. The program has been implemented through a partnership between the central and state governments. Apart from PMGSY, the government has also launched several other rural-based infrastructure development programs, especially focusing on public works infrastructure like roads, water conservation structures, and rural sanitation facilities. To leapfrog Nigeria's infrastructure development, Nigeria may adopt India's model, which has been implemented through a partnership between the central and state governments as well as through private sector initiatives and community participation.

Option 3: Adopt the Japanese model:

Japan has a long-standing tradition of private sector-led infrastructure development, particularly in areas such as transport, energy, and telecommunications. As opined by McKinsey[12], "There is no shortage of private-sector finance". To take advantage of this model, there must be a well-defined framework with a long-term guarantee of returns. One key feature of Japan's private sector-led approach to infrastructure development is the role of the government in ensuring the commercial viability of the project, including assisting in the mitigation of political, currency, and regulatory risks and improving the deal flow of bankable projects.[13]

12 ibid
13 ibid

Some of the projects financed through private sector-led investment include:

1. The Tokyo-Osaka Shinkansen (bullet train) - This was constructed with private sector funding and operates on a privately owned railway line.

2. The Tokyo Skytree - This is a broadcasting tower which was partially financed by private sector companies such as Tobu Railway and Mitsubishi Estate.

3. Solar Power Plants - Many solar power plants in Japan are financed by private companies such as Softbank and Kyocera.

4. Osaka Gas' LNG Terminal - This is a liquefied natural gas terminal which was constructed and is operated by Osaka Gas Co. Ltd.

5. Sasago Tunnel - This is a privately financed motorway tunnel which was funded by Central Nippon Expressway Company.

6. Suzuka Circuit - This is a motorsport race track which is owned and operated by Honda Motor Co. Ltd.

7. JR Higashi-Nihon's E7 Series - This is a Japanese bullet train which is owned and operated by JR Higashi-Nihon, a subsidiary of the Japan Railways Group.

8. Inpex's Ichthys LNG Project - This is a natural gas project which was financed by Inpex, a private sector oil and gas exploration company.

9. Narita International Airport - This airport was built using private sector financing and is operated by Narita International Airport Corporation.

10. Roppongi Hills - This is a mixed-use development in Tokyo which was financed by Mori Building Co. Ltd.

Overall, unless the problem of infrastructure deficits is addressed, the goals of industrialization and economic diversification will remain a mirage. Thus, governments at different levels need to adopt and operationalize a model of infrastructural development that could potentially address the problem of a gross infrastructure deficit. This includes rethinking its infrastructure development and financing model.

Fiscal and Monetary Policy Coordination in Nigeria

Monetary policy is a set of actions to control a nation's overall money supply for the primary purpose of price stability while spurring economic growth.[14] Its primary tools are interest rate adjustments, reserve requirements (amount required for banks to have with the central bank) and open market operations (purchase & sale of securities in the open market by central banks). Meanwhile, fiscal policy is the use of government spending and taxation to influence the economy.[15] Its primary tools are taxes and budget expenditures.

Both policies have similar objectives: to stabilize prices and spur economic growth. Expansionary policies (monetary and fiscal) are employed in times of economic recession and depression, while contractionary policies are adopted to stabilize the economy, especially when inflation rates are above undesirable levels.

During periods of economic shock, coordination of both policies becomes extremely relevant to limit the impact of the shocks on macroeconomic stability and growth. For example, during the height of the COVID-19 pandemic, most economies went into recession as a result of lockdowns. This led to monetary authorities increasing the money in circulation to boost demand by lowering interest rates. Monetary policies were supported by increased government spending to stimulate economic growth. This supported a quick economic recovery in most countries after the pandemic.

Forward to 2022/23, the global economy is battling with decade-high inflation and global supply shocks due to the emergence of the

14. The Investopedia Team. 2022. "Monetary policy meaning, types, and tools". Investopedia. https://www.investopedia.com/terms/m/monetarypolicy.asp

15. Mark Horton, Asmaa El-ganainy. "Fiscal Policy: Taking & Giving Away." IMF. Mark Horton, Asmaa El-ganainy. "Fiscal Policy: Taking & Giving Away." IMF. https://www.imf.org/en/Publications/fandd/issues/Series/Back-to-Basics/Fiscal-Policy

Russian-Ukraine war and excess money that resulted from expansionary policies during the pandemic. As a result, monetary authorities are now adopting contractionary measures to curb rising inflation. However, fiscal policies are diverging from monetary policies as most fiscal authorities have maintained high spending & large fiscal deficits, most especially in sub-Saharan Africa including Nigeria. Adopting contractionary fiscal policy entails increasing its revenue through taxes or cutting its expenditure and in some cases both. This is therefore downplaying and limiting the effect of monetary policies on price stability.

In Nigeria, inflation is currently at a record high of 22.04%. It averaged 18.8% in 2022, the highest in 21 years. The Russia-Ukraine war led to a spike in global commodity prices. Since Nigeria is a net-importing country, the price shock partly contributed to high inflation in Nigeria. Currency depreciation, which is a major contributing factor to inflation, was fueled by capital flight as global monetary authorities raised interest rates to curb inflation. The Monetary Policy Committee in Nigeria responded to the spiralling inflation by raising interest rates cumulatively by 500 basis points (bps) to 16.5% per annum in 2022. It raised it by another 100bps early this year. However, the federal government maintained an expansionary policy, with budget expenditure at an all-time high of N12.87 trillion as of November 2022. Nigeria's budget deficit rose by 83% compared to N4.1 trillion in 2021.

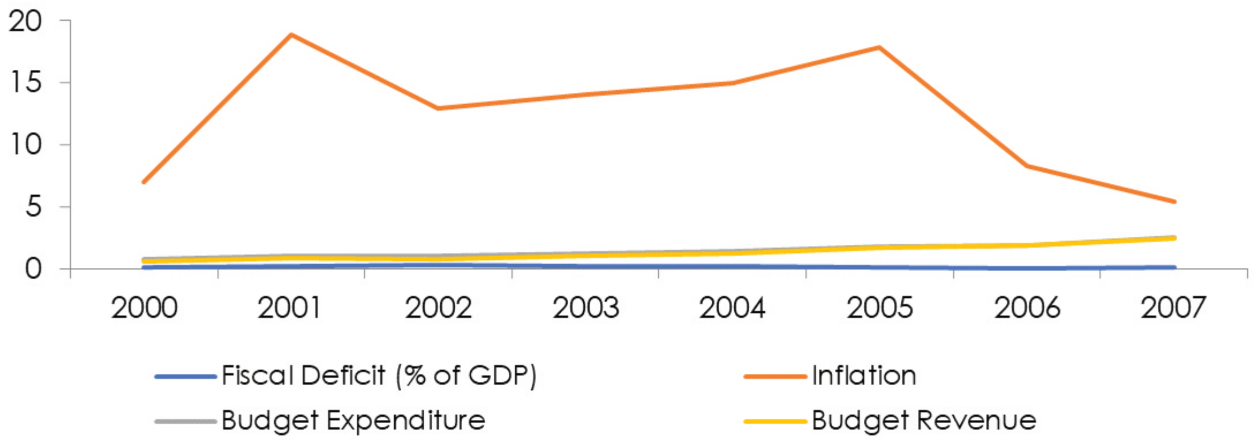
Another noteworthy trend is the growth in the CBN's loans to the government, known as Ways and Means advances. Typically, the CBN grants loan to the government when fiscal expenditure outpaces fiscal revenue. In most cases, the terms and conditions of the loan are backed by the law. For Nigeria, the CBN is expected to loan the government 5% of its previous year's actual revenue, which is estimated at N252bn when computed for 2022, since the government's actual revenue was N5.05trn in 2021. Although this law has not been followed over time, it worsened in 2022. Due to the country's deteriorating sources of revenue and burgeoning expenditure, the CBN's loan to the government increased by 65% to N23.5trn in December 2022 from N14.90trn in January. The CBN's loan to the government was 99 times higher than the stipulated amount. Furthermore, the loan supports the growth in money supply at a time when the CBN is tightening its monetary policy. That is, due to the CBN's monetary policy tightening, the money supply is expected to decline or grow at a slower pace compared to the period of monetary policy expansion. The IMF identifies this as the subordination of monetary policy to fiscal needs, which is inflationary.[16]

Now that the national assembly has approved the securitization of N22.7trn of the WMA, it is expected that the DMO will proceed with the securitization. This could moderate the debt service burden and increase transparency in reporting the nation's debt burden. Strick compliance with the legal limit of 5% of the previous year's earnings in the administration of the WMA will moderate the inflationary effect of deficit monetization.

History of Monetary and Fiscal Policy Coordination in Nigeria

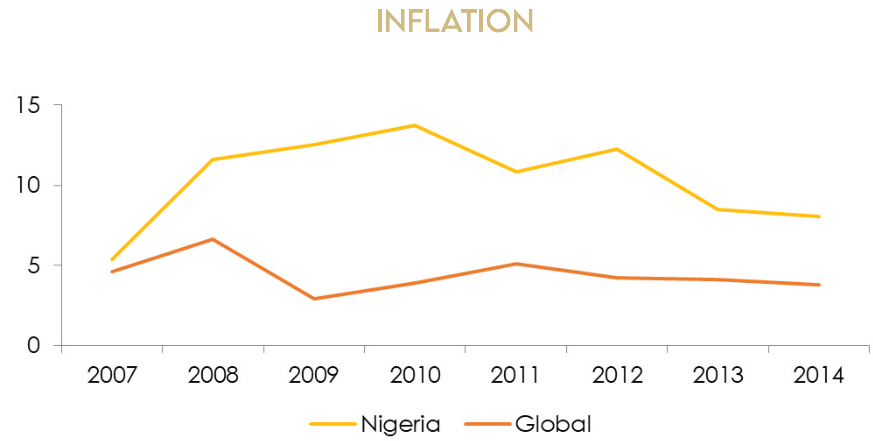
Nigeria's monetary and fiscal policies have previously been coordinated to combat inflation. Nigeria's inflation increased sharply to an average of 17.86% in 2005 from single-digit average inflation of 6.94% in 2000. At this time the global economy was relatively stable and so the drivers of inflation were mainly internal. Inflation was driven by fuel shortages, which pushed up prices of petroleum products and transportation costs; naira depreciation; and supply chain disruption induced by insecurity and conflicts, especially in the Niger Delta region. However, due to the coordination of both fiscal and monetary policies, inflation declined significantly in 2006 and 2007, to an average of 8.23% and 5.39%, respectively. The CBN increased its policy rate to 14% in 2006, up from 13% when the minimum rediscount rate was implemented, while the federal government also slowed its spending while increasing revenue through tax increases. The Nigerian budget expenditure increased by approximately 2% to N1.83trn in 2006 from N1.8trn in 2005. This is compared to an average increase of 21% in previous years. Its budget deficit fell significantly from N137.2 billion in 2005 to N0.6 billion in 2006.

FISCAL POLICY AND INFLATION RATE

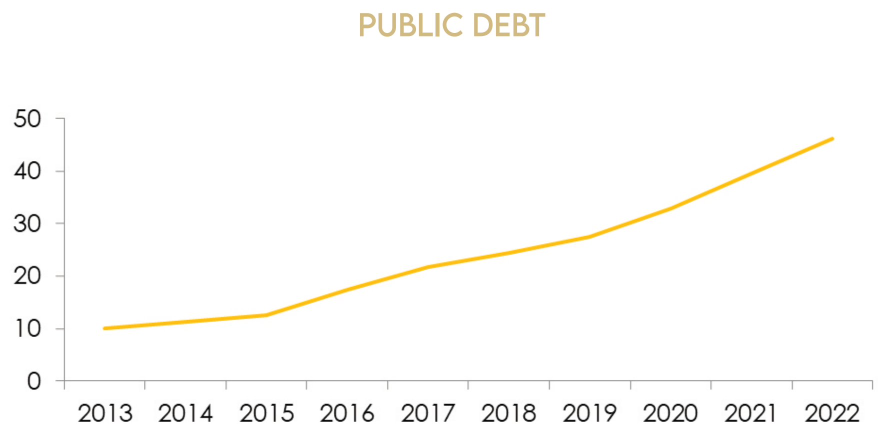


Source: EIU, CBN, FDC Think Tank

Another example is the 2008/2009 global financial crisis which fueled inflationary pressures in Nigeria in 2008. Global commodity prices rose sharply at the start of the crisis, pushing up imported inflation in Nigeria. The second phase of the crisis was the plunge in global commodity prices, especially oil. The oil price fell to a low of $39.09/pb from $133.88 in less than a year. Due to the country's reliance on oil proceeds as a source of foreign exchange, the plunge in oil prices led to currency depreciation and supported the increase in inflationary pressures. The official exchange rate was adjusted by over 30% to N150.85/$ in 2009 from N117.74/$ in 2008. Inflation rose to an average of 11.58% in 2008 from 5.39% in 2007 and remained in double digits. However, in 2012 the federal government began to cut its budget expenditure mainly by reducing its payment on subsidies, while the fuel price was adjusted to N120/ltr from N65/ltr. At this time, the CBN had raised its monetary policy rate to 12%pa, from 9.25% in September 2011, and maintained it for 2012 and 2013. The increase in the fuel price pushed up inflation to an average of 12.22% in 2012 but inflation began to decline in 2013, averaging 8.5%. It further declined in 2014 to an average of 8.05%, as the federal government again cut its budget expenditure by approximately 14% to N4.48 trillion.



Source: EIU, FDC Think Tank



Source: DMO, FDC Think Tank

Currently, Nigeria's payment of petrol subsidies is one of the main factors contributing to its enormous fiscal expenditure. The total subsidy payment in 2022 was approximately 36% of the total expenditure. The increasing activity of oil theft has also limited the inflow of oil revenue, which used to be the major source of government revenue. Consequently, fiscal borrowing has increased significantly while the CBN's loan to the government is about 53% of the total money supply compared to 27% in 2019. The upsurge in Nigeria's debt stock has risen by 361% in the past 10 years.

The Way Forward

Although the primary objective of central banks is reducing inflation to the barest minimum, the government also has a role to play in supporting this objective, which entails adopting contractionary measures by cutting its budget expenditure, while seeking ways to buoy its revenue. The Nigerian government can reduce its expenditure by phasing out its subsidy payments on fuel. The government can also increase its revenue by improving its tax collection methods and raising the tax rate. Nigeria's tax-to-GDP ratio of 8% is one of the lowest in the world. This is due to poor collection methods and low tax rates.

Another key reform that will increase government revenue is the adjustment of the official exchange rate to its fair value. The current official exchange rate of N462/$ is overvalued by 50% based on FDC's purchase power parity estimates. An adjustment on the official exchange rate by the CBN to about N560/$ - N580/$ will increase the government revenue as oil proceeds are repatriated to the government at a fair value. The adjustment of the official exchange rate is unlikely to stoke inflationary pressures as the parallel market rate is already at N745/$ and most firms now get their foreign exchange from the parallel market due to the CBN's restrictions and forex rationing.

Conclusion

The federal government must intensify its efforts to increase its revenue and cut its expenditure to reduce its reliance on the CBN's ways and means. This will support the effectiveness of the CBN's monetary tightening policy on curbing inflation.

Furthermore, funds recovered from subsidy payments and revenue collected from tax should be directed to productive sectors which also have a direct impact on the poor, such as increasing expenditure on education and health.

Global Perspective- Women Chief US Economists Have Gotten Even Rarer on Wall Street –Culled from Bloomberg

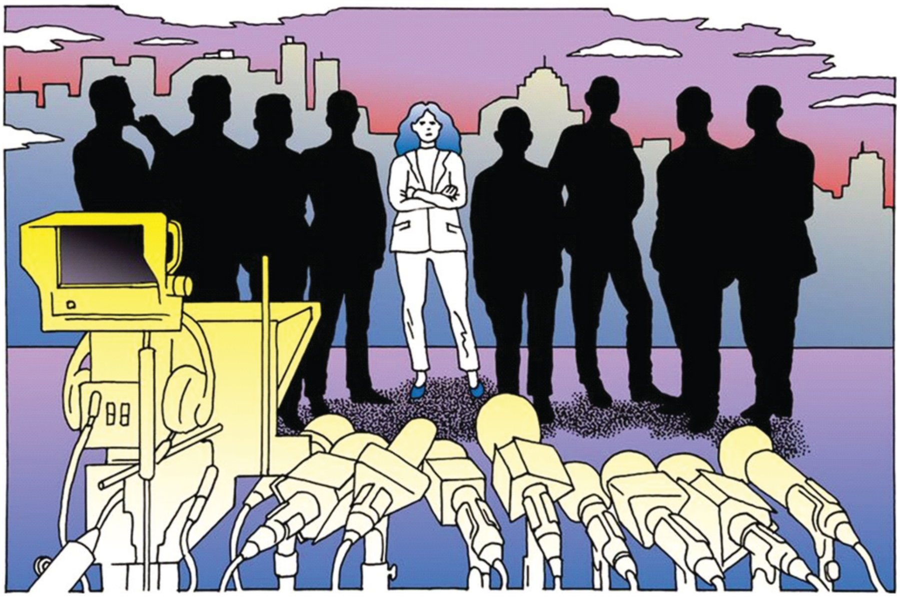
Only one primary dealer has a woman in the role, which is key to helping markets and the public make sense of current trends.

It's lonely at the top for women economists on Wall Street. Among the nearly two dozen financial institutions designated by the Federal Reserve as primary dealers and that employ a chief US economist or equivalent, only Morgan Stanley currently has a woman, Ellen Zentner, in that job. Eighteen months ago, at least three women held such roles.

Primary dealers have prestige among financial firms, because they help the Fed implement monetary policy. One reason for the gender disparity is that the pipeline of women aspiring to be a chief economist is smaller than that for men. But other issues—from bias to balancing family with the job's grueling travel schedule—are also at play, according to women who are or have been economists at Wall Street firms.

The result is a shortfall of women in a position crucial to setting market expectations ahead of key economic reports, steering discourse on subjects such as inflation and the labor market, and ultimately shaping investors' and the public's views on the path of the US economy.

A bank's chief US economist not only needs a deep understanding of the economy but must also play a high-profile role in representing the institution with clients and polishing its image through media interviews and public-speaking engagements.



"You need different perspectives. You need different lived experiences," says Dana Peterson, who's now chief economist at the Conference Board after nearly two decades at Citigroup Inc. "You really need to understand what's going on in the full population, and I think having women in these roles helps bring to light different aspects."

One of the clearest obstacles to promoting more women to these roles is that not enough seek them out. In any given year more men than women earn master's degrees in economics—a common credential for Wall Street economists. The share of women earning these degrees has held near 40% for the last two decades. But women with advanced degrees in economics often choose concentrations such as labor markets and education, rather than macroeconomics and finance.

The bank mergers of the 1990s, which resulted in job cuts within economics departments, also squeezed the talent pipeline. "It took out a generation of women who should have been, could have been, chief economist," says Diane Swonk, chief economist at KPMG LLP. She'd held that role at Bank One Corp., one of the largest banks in the US before JPMorgan Chase & Co. acquired it in 2004. "They were just coming up in the ranks."

Morgan Stanley's Zentner pointed out in a 2018 podcast for the St. Louis Fed that attrition is higher among women as they move up the ranks. Zentner, who became chief US economist in 2015, declined to comment for this story. At the end of 2021, Michelle_Meyer left her position as head of US economics at Bank of America Corp. for a similar position at Mastercard Economics Institute. Her role was filled by Michael Gapen, formerly chief US economist at Barclays Plc. Bank of America declined to comment on its hiring practices. And last month, Aneta Markowska, who was chief financial economist at Jefferies LLC and led its US economics team, left for the private investment firm Moore Capital Management. Jefferies declined to comment on whether it has filled the position.

At financial firms globally, women occupy key economic roles. Outside the US, for instance, Beata Caranci is chief economist for Canadian lender TD Bank Group. And at HSBC Holdings Plc, Janet Henry is the global chief economist. Women also hold other economics positions at Wall Street banks, including Wells Fargo & Co. and BNP Paribas SA.

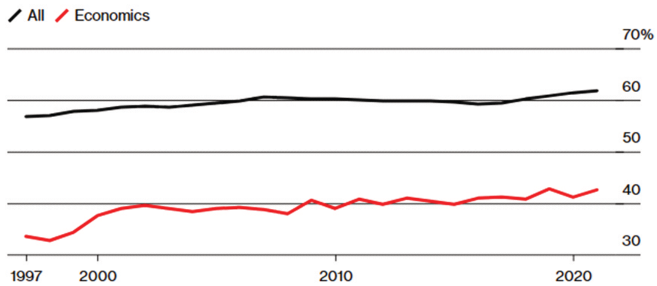
Some of the women who spoke to Bloomberg News for this story pointed to the challenge of being treated differently than their male peers, whether by colleagues or clients. "When I would show up to do a speech with a banker, they would ask me if I was there to take notes," says Swonk, recalling experiences from earlier in her career. "And then when they found out I was a speaker, the ways they would introduce me were just—I thought like I was supposed to stand up and do a strip tease. And it was horrible."

The very nature of being a chief US economist at a big bank also keeps some women from reaching for it in the first place. The job is what the well-known economist Claudia Goldin calls "greedy" work, where the higher pay and broader responsibility often come with long hours and loss of weekends. Chief US economists at big banks may travel 10 weeks or more a year to attend client meetings, give speeches and attend conferences in the US, Europe and Asia.

While some banks have allowed their economists to maintain a hybrid schedule—making it easier to balance home responsibilities with travel—others are quickly moving back toward five days a week in the office. JPMorgan Chase & Co. in April told its managing directors, a rank that includes its chief US economist, Michael Feroli, that they must be in the office every weekday.

The lack of flexibility, while not unique to Wall Street economists, can be particularly challenging for women who must rely

SHARE OF MASTER'S DEGREE AWARDED TO WOMEN



Source: NATIONAL CENTRE FOR EDUCATION STATISTICS DATA, BLOOMBERG on child care, either because they're single parents or their spouses can't or won't adjust their hours. Many women in the US, no matter their occupation, have found it hard to find child care that meets their needs.

Some banks have generous parental leave policies, yet balancing motherhood and work isn't just a parental leave issue. "Children are not short-term capital goods," says Goldin, an economics professor at Harvard University and author of Career and Family: Women's Century-Long Journey Toward Equity. "They last for a very long time. Parental leave lasts for a very short time."

The economics profession as a whole has struggled under the shadow of discrimination and harassment. An American Economic Association survey of current and former members published in 2019 showed nearly half of women respondents said they'd been discriminated against or treated unfairly based on their sex. Only 4% of men said the same, though a third of male respondents said they'd witnessed discrimination against others based on their sex.

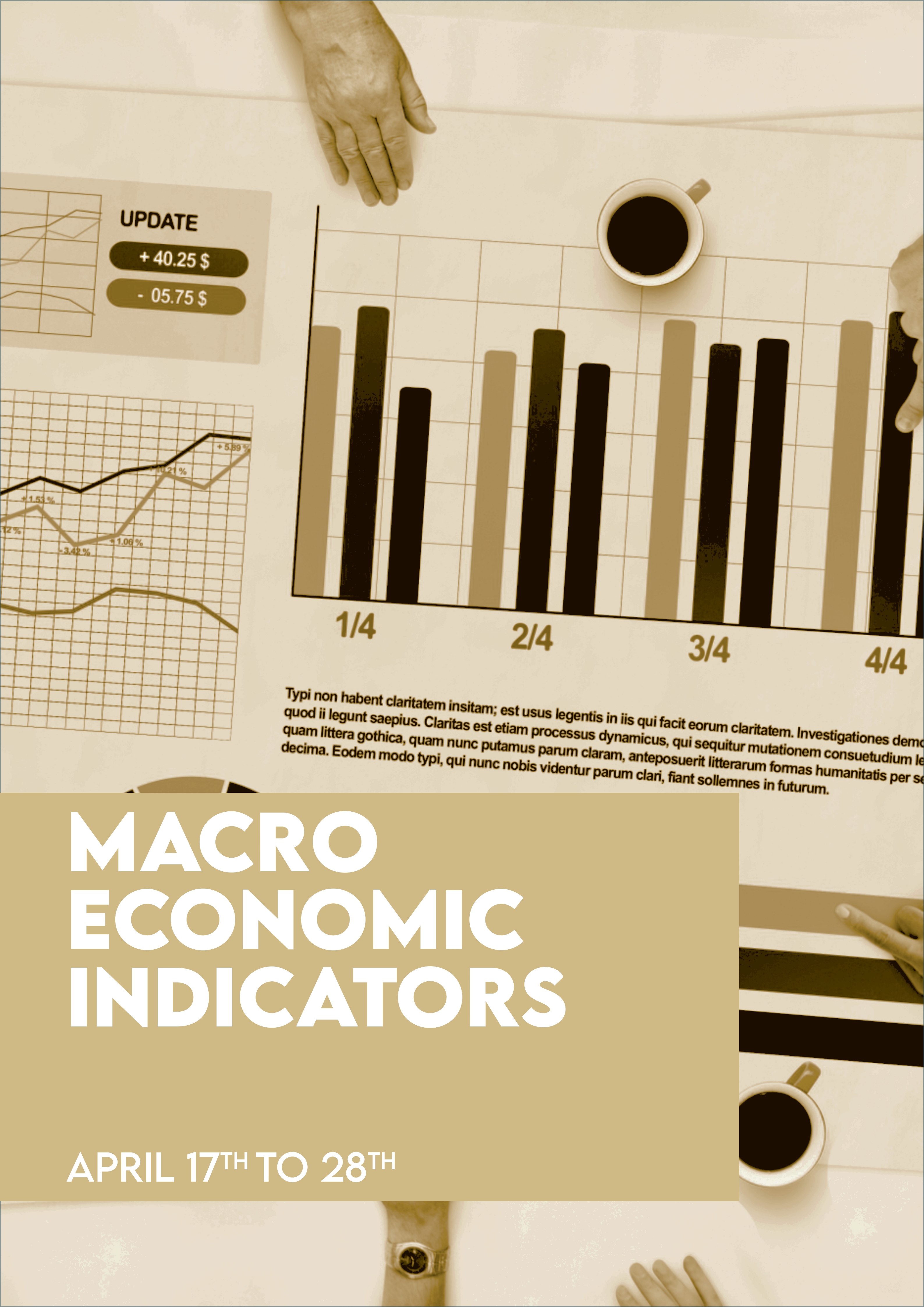
"Knowing what some of the younger women that I know have had to deal with," says Swonk, "it sends chills down my spine that it hasn't changed more." The difference in treatment can also be as simple as perceiving women's words and mannerisms differently than men's. In the same St. Louis Fed podcast, Morgan Stanley's Zentner said the word "aggressive" was viewed as a positive trait for male job candidates—equivalent to being a go-getter—while women candidates described as aggressive were viewed negatively.

Women economists indicated that solving such a complex problem likely requires a multifaceted approach, including encouraging more women to join—and stay in—financial economics and making sure they're aware of the variety of positions available. "You have to make the profession attractive and then the job attractive," says the Conference Board's Peterson.

Veronica Clark, an economist at Citi, says she hadn't really considered finance as a career path until a professor in her master's program at New York University suggested she apply for an internship at the bank. She did, and she's now been there for eight years. Swonk, Zentner and Peterson also mentioned the importance of mentorships.

Ultimately, elevating more women to chief US economist may require rethinking the role, such as by offering more flexibility through a hybrid work schedule, limiting travel where possible and allowing some virtual meetings and speaking engagements. "It's so important for those of us who are in the profession to encourage the younger generations to come and bring their voices to this," says Peterson.


Fidelity
*770#
Start now. **Dial *770#**
Buy Data
Pay bills
Transfer
Check Balance
FastLoan
Open Account
Cardless Withdrawal
Buy airtime
Contact Us: trueserve@fidelitybank.ng
Branch
ATM
Online Banking
Instant Banking
POS
True Serve
Fidelity Bank Plc
FOLLOW US:
www.fidelitybank.ng



MACRO ECONOMIC INDICATORS

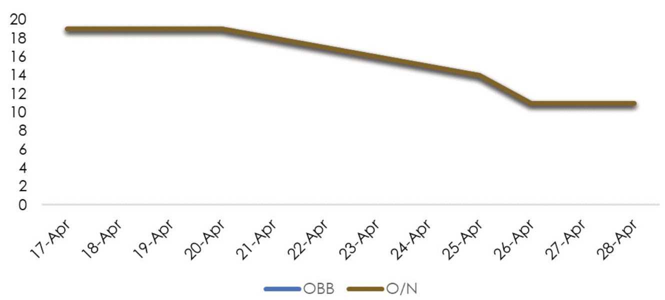
APRIL 17TH TO 28TH

MONEY MARKET

Banks' average opening position was N75.68bn long in the second half of April, 136% higher than the average of N210.18bn short in the second half of March. This was as a result of the net inflow of N566.07bn following the primary market sale of N683.93bn and primary market repayments of N1.25trn. The spike in bank liquidity led to a sharp drop in short-term interbank interest rates. Average NIBOR rates (OPR, O/N) declined by 313bps to 15.37%p.a. in the second half of April from 18.5% p.a. in the corresponding period in March.

In the second half of April, one primary market auction was conducted in which a total of N149.63bn was allotted, which is 69.25% lower than the sum of N145.46bn allotted in the second half of March. At the primary market, the 91-day and 364-day t/bill rates declined by an average of 262bps while the 182-day t/bill rate was unchanged at 8.00%p.a. Meanwhile, at the secondary market, the 91-day t/bill rate remained unchanged at 5.50%p.a. while the181-day and 364-day yields fell by 188bps and 266bps respectively.

SHORT-TERM INTERBANK RATE (%)



Source: FDC Think Tank

Tenor	Primary market (March 12th 2023) (%)	Primary market (April 26th 2023) (%)	Secondary market (April 14th 2023) (%)	Secondary market (April 28th 2023) (%)
91-day	6.00	5.30 ▼	5.50	5.50 ↔
182-day	8.00	8.00 ↔	8.25	6.37 ▼
364-day	14.70	10.17 ▲	10.43	10.77 ▼

Source: FMDQ, FDC Think Tank

▲ 136.00%

N75.68BN

AVERAGE BANK OPENING POSITION

OUTLOOK AND IMPLICATION

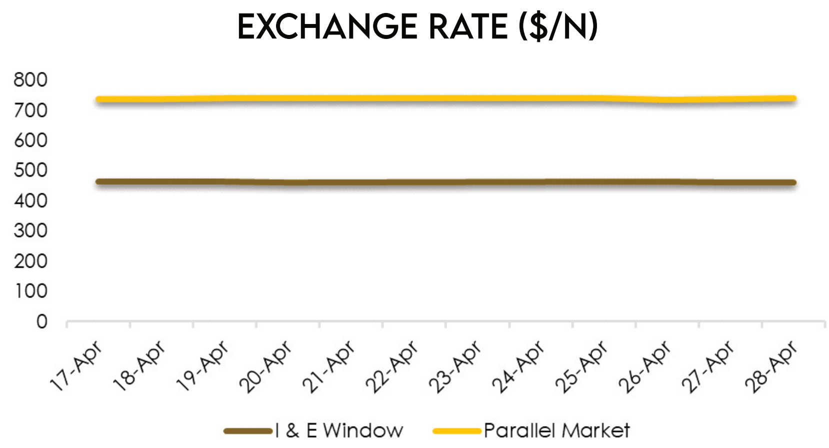
The CBN is expected to continue mopping up liquidity in response to its tightening monetary policy stance. Short-term interbank interest rates would be dependent on the level of withdrawals and injections into the system.

FOREX MARKET

The Nigerian forex market is segmented with multiple exchange rates. The most important rate is the Investors and Exporters window (IEFX). Currently, the volume of forex transaction traded on this window is estimated to be less than 45%. The CBN, and exporters and investors use this window. It serves not only as a source of price discovery but also a barometer for measuring potential and actual CBN intervention in the market.

EXCHANGE RATE

At the Investors and Exporters Foreign Exchange window, the naira appreciated by 0.4% against the dollar to close at N462.13/$ on April 28 from N464/$ on April 17. Whereas, at the parallel market, forex demand increased amidst limited supply. This led to a slight depreciation (0.27%) in the value of the currency to N740/$ on April 28th from N738/$ at the beginning of the review period.



Source: FDC Think Tank

▼0.27%

N740/$

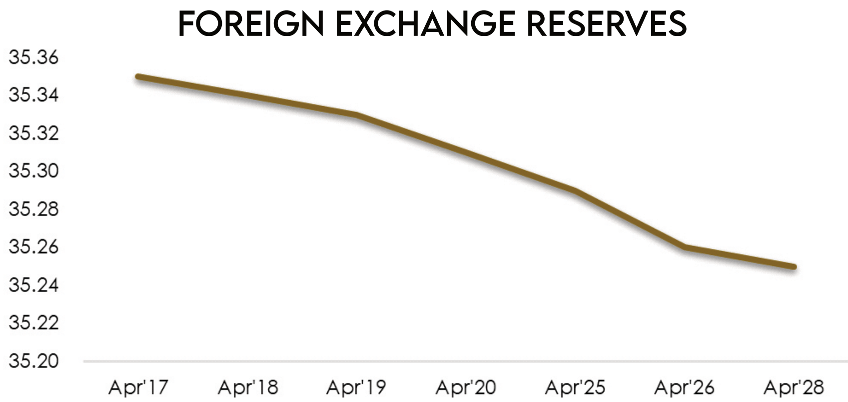
PARALLEL MARKET RATE

OUTLOOK

The gross external reserves will most likely continue its downward trend in the coming weeks as major sources of forex inflows deteriorate. This would be compounded by the persistent fall in oil prices and CBN's effort to support the naira in the forex market.

EXTERNAL RESERVES

The country's external reserves declined by 0.28% to close at \$35.25bn on April 28th from \$35.35bn at the beginning of the period (Apr 17). The steady depletion of gross external reserves can be largely attributed to the country's deteriorating sources of forex inflows.



Source: CBN, FDC Think Tank

▼ 0.28%

\$35.25BN

NIGERIA'S EXTERNAL RESERVES

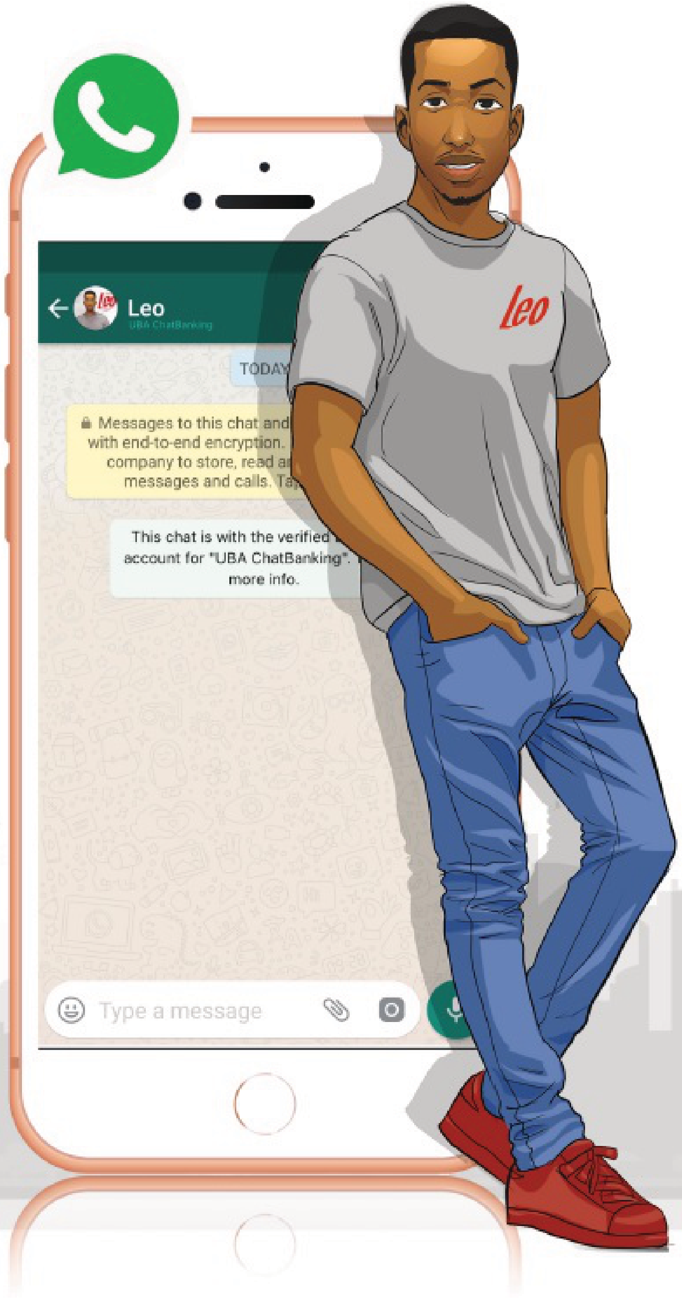
IMPLICATION

This is expected to worsen the country's external imbalance and limit the CBN's ability to support the naira at the forex market. Thus, leading to a depreciation of the naira.

UBA
United Bank for Africa

Leo
on WhatsApp

Chat on +234-903-000-2455



Check Account Balance?

Top up your airtime?

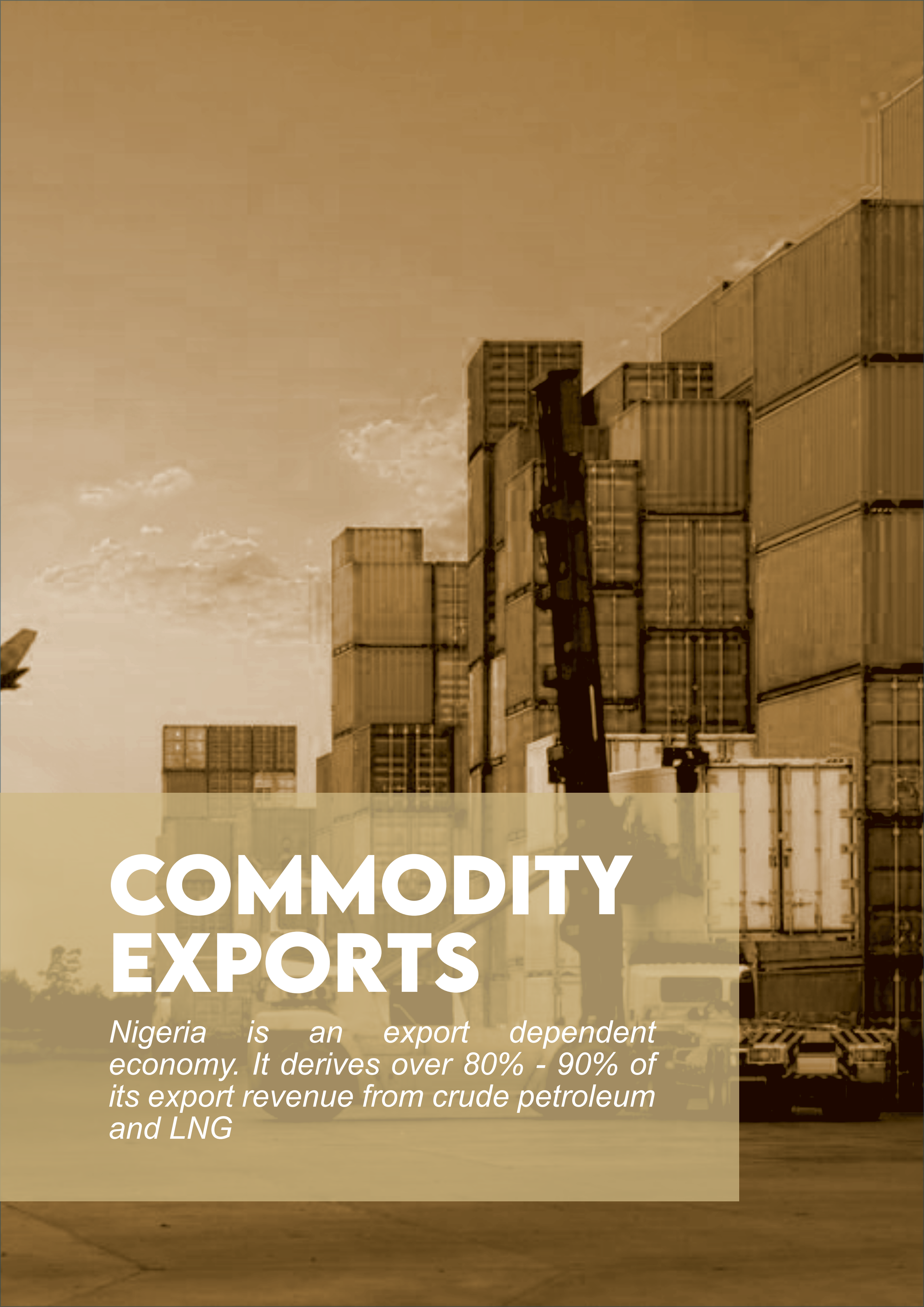
Bank Transfers?

Bills Payment?

https://m.me/ubachatbanking **Leo@ubagroup.com** **CFC (+234-1-2807400)**

- Africa • New York • London • Paris

Web: www.ubagroup.com Email: cfc@ubagroup.com *Africa's global bank*



COMMODITY EXPORTS

Nigeria is an export dependent economy. It derives over 80% - 90% of its export revenue from crude petroleum and LNG

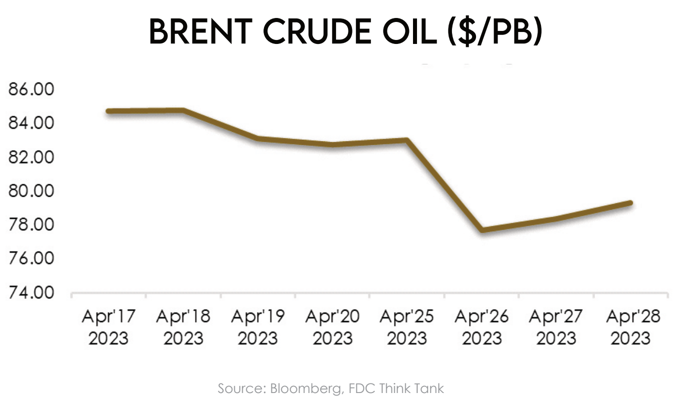
OIL PRICES

The price of Brent crude traded higher in the second half of April compared to the same period in March. It traded within the range of $77.69/pb - $84.77/pb. On average, oil prices increased by 7.6% to $81.72/bp from $75.94/bp in the second half of March. The bullish market sentiment was mainly as a result of expectations of a decline in US crude stockpiles coupled with the OPEC+ decision to reduce oil output by an additional 1.66 million barrels per day.

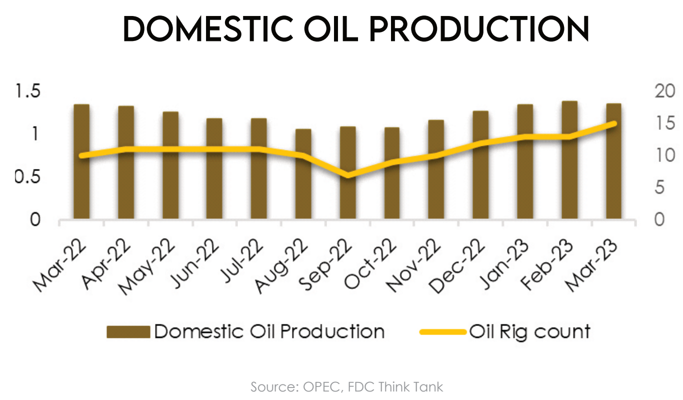
OIL PRODUCTION

Domestic oil production fell slightly by 1.45% to 1.35mbpd in March from a revised figure of 1.37mbpd in February. This is the first decline in the last four months. However, the country's oil rig count increased to 15 points from 13 points in February.

OPEC's crude oil production fell by 86,000 bpd in March, to an average of 28.80mbpd compared to 28.92mbpd in the preceding month. Oil production declined in Nigeria, Iraq and Angola while it increased mainly in Saudi Arabia.



Source: Bloomberg, FDC Think Tank



Source: OPEC, FDC Think Tank

▼ 1.45%

1.35mbpd

DOMESTIC OIL PRODUCTION

OUTLOOK

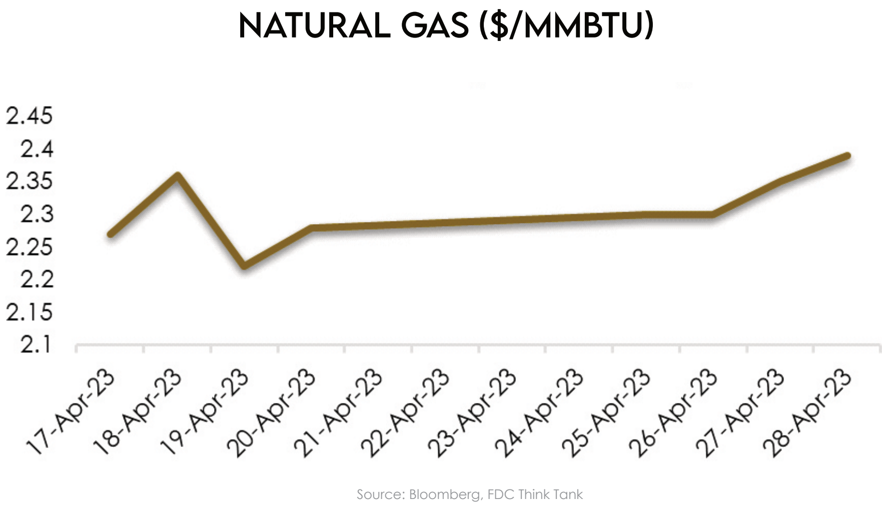
Oil prices are expected to decline in the near term as heightening recession fears owing to expectations of more rate hikes by the Fed outweigh growing optimism of improved China demand.

IMPACT

The fall in oil prices will lower the country's oil revenue and limit its foreign exchange earnings. As a result, FAAC allocation to the three tiers of government will shrink and could raise government borrowings, pushing up debt burden. Lower forex earnings would also affect the ability of the CBN to defend the Naira.

NATURAL GAS

Gas prices averaged $2.30/mmbtu within the review period (April 17th to 28th), up 3.6% from the average of $2.22/mmbtu in the second half of March. It touched a low of $2.22/mmbtu before rising to close the review period at $2.39/mmbtu from $2.27/mmbtu on April 17th. This increase was mostly due to expectations of improved natural gas demand due to the forecast for colder weather in some European countries like the UK.



▲ 3.60%

$2.30/MMBtu

AVG NATURAL GAS PRICE

OUTLOOK

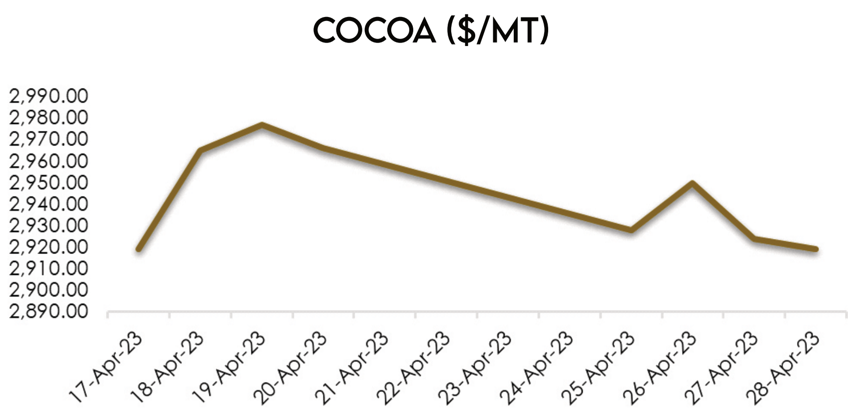
The price of gas is expected to remain elevated as Australia seeks to extend its domestic price cap on natural gas.

IMPLICATION

Gas accounts for 10.4% of total exports. Hence, higher gas prices will bolster the country's external and fiscal revenues.

COCOA

Cocoa prices fluctuated during the review period. It touched a high of $2,977/mt on April 19th before losing ground to close at $2,919/mt on April 28th. The price of cocoa averaged $2,943/mt in the second half of April, up 3.99% from the average of $2,830/mt in the preceding month. This increase was buoyed by tight global supply due to lower production in major producing countries in West Africa.



Source: Bloomberg, FDC Think Tank

▲ 3.99%

$2943/mt

AVG COCOA PRICE

OUTLOOK

Cocoa price is likely to decrease in the near term owing to expectations of improved supply due to favourable weather in Ivory Coast, a top producer

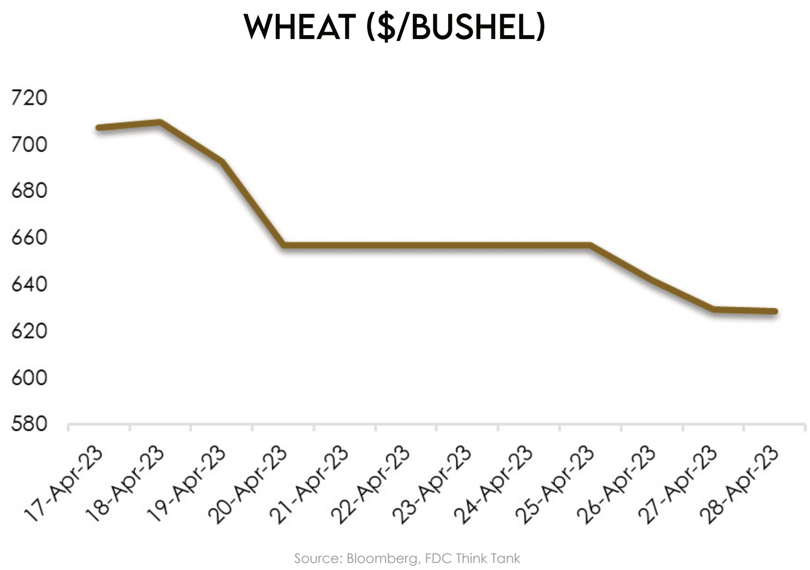
IMPLICATION

Cocoa is a major non-oil export commodity in Nigeria. A fall in cocoa prices will limit the country's foreign exchange earnings as well as government revenue. This will also result in a fall in the income of cocoa farmers.

COMMODITY IMPORTS

WHEAT

The price of wheat fell significantly in the second half of April largely as supply concerns eased due to the resumption of inspections of ships carrying Ukrainian grains. Wheat prices declined by 11.13%, to close the period at $628.5/bushel from $707.25/bushel on April 17th. On average, wheat prices fell to $665.41/bushel within the review period from $693.54/bushel in the second half of March.



▼ 4.06%

$665.41/b

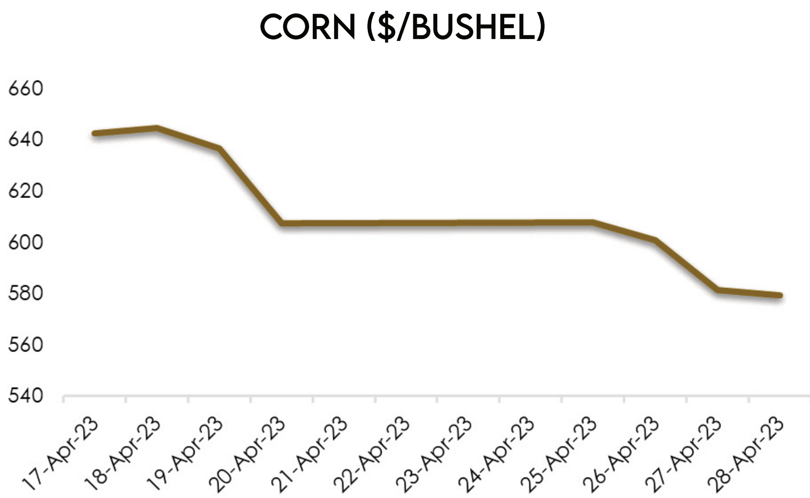
AVG WHEAT PRICE

OUTLOOK- GRAINS

The price of wheat is expected to fall on expectations of improved supply due to favorable weather in top producing country (the United States). Similarly, corn prices are likely to remain low in the near term buoyed by increased supply as Argentine transporters end strike.

CORN

The price of corn declined steadily during the review period owing to a higher production forecast for the 2022/2023 season in the US. It lost 9.8% from $642.5 on April 17th to close the period at $579.25/bushel on April 28th. On average, the price of corn fell by 4.32% to $612.56/bushel in the second half of April from $640.25/bushel in the same period in March despite traders assessing Brazil's export competition.



Source: Bloomberg, FDC Think Tank

▼ 4.32%

$612.56/b

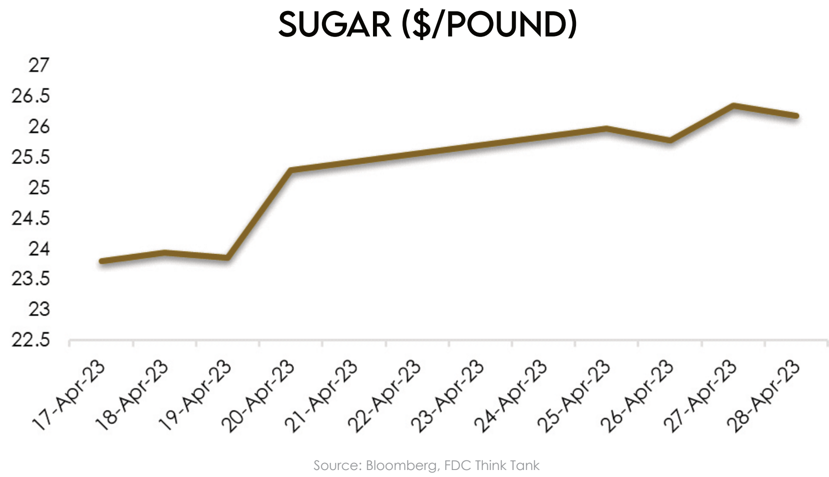
AVG CORN PRICE

IMPLICATION - GRAINS

Lower grain prices are expected to reduce the country's import bill as well as the cost of production for food processing industries. This will lower inflation risk as retail prices taper, leading to an increase in consumers' real income.

SUGAR

The price of sugar maintained its upward trend in the first half of April. It rose by 9.95% to close the period at $26.17/pound from $23.8/pound on April 17th. Overall, sugar prices averaged $25.14/pound in the first half of April, 19.37% higher than the average of $21.06/pound in the same period in March. This increase was driven by expectations of a drop in India's output to 32.8 million tonnes in the 2022-2023 marketing year.



▲ 19.37%

$25.14/lb

AVG SUGAR PRICE

OUTLOOK

The price of sugar is expected to remain elevated supported by prospects of tight supply as a result of adverse weather in major producing countries in Asian.

IMPLICATION

Higher sugar prices will put pressure on the foreign exchange reserves as the country's import bill rises. It will also increase the cost of production for confectioners.

TERMS OF TRADE

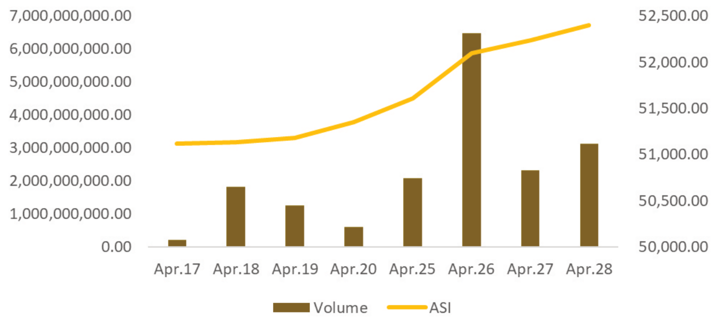
The country's terms of trade is expected to be negative as the price of its exports reduces in contrast to that of its imports. This would result in an unfavorable balance of trade.

STOCK MARKET REVIEW

APRIL 17TH TO 28TH

Nigerian Exchange Limited closed on a positive note between April 17-28. It gained 0.98% to close at 52,403.51 basis points on April 28 from 51,893.94 basis points on April 14. Also, the market capitalization increased by 0.92% to N28.53trn relative to its close of N28.27trn on April 14. The market YTD return closed at 2.25% in the review period. The market breadth was positive at 2.00x as 54 stocks gained, 76 stocks remained unchanged while 27 lost. The positive performance of the NGX in the review period could be partly attributed to renewed investor sentiment as investors took advantage of the previous dip in stock prices as well as increased liquidity in the money market.

NGX PERFORMANCE



Source: NGX, FDC Think Tank

Market activity level was positive in the review period. The average volume traded increased by 398.35% to 2.24bn units from 449.48mn units. Similarly, the average value of trades rose by 254.37% to N9.32bn from N2.63bn in the review period.

SECTOR PERFORMANCE

Industrial

0.07%

FMCG

5.36%

Banking

-0.88%

Oil &Gas

-1.40%

Insurance

3.46%

TOP 5 GAINERS

Transnational Corporation of Nigeria topped the gainers' list with a 66.27% increase in its share price. This was followed by Honeywell Flour Mill Plc (42.27%), Cadbury Nigeria Plc (32.35%), Ikeja Hotel Plc (25.86%) and Japaul Oil & Maritime Services Plc (22.22%).

TOP 5 LOSERS

The laggards were led by Nigerian Breweries Plc (-11.97%), Champion Breweries Plc (-11.36%), Prestige Assurance Plc (-10.00%), Red Star Express Plc (-10.00%) and United Bank for Africa Plc (-8.82%).

Company	Apr- 14 (N)	Apr- 28 (N)	Absolute Change	Change (%)
TRANSCORP	1.69	2.81	1.12	66.27
HONYFLOUR	2.20	3.13	0.93	42.27
CADBURY	10.20	13.50	3.30	32.35
IKEJAHOTEL	1.16	1.46	0.30	25.86
JAPAULGOLD	0.27	0.33	0.06	22.22

Company	Apr- 14 (N)	Apr- 28 (N)	Absolute Change	Change (%)
NB	36.35	32.00	-4.35	-11.97
CHAMPION	4.93	4.37	-0.56	-11.36
PRESTIGE	0.40	0.36	-0.04	-10.00
REDSTAREX	2.80	2.52	-0.28	-10.00
UBA	8.50	7.75	-0.75	-8.82

OUTLOOK

We expect the market to remain volatile as investors remain cautious ahead of the MPC meeting scheduled for May 22–23, 2023. However, the release of impressive Q1'23 corporate earnings results could positively impact the NGX's performance in the near term.

OUTLOOK FOR NEXT MONTH

With the announcement of the end of the emergency designation for COVID-19 by the World Health Organisation coupled with the Fed Reserve's signals of a possible pause in interest rate hikes, global economic activity is expected to rebound, especially in China. Although the price of crude oil plunged 8% this week, we expect a narrow rally to the north of $80pb in the coming days. This will be buoyed by improved optimism on China and OPEC+ output cut which takes effect this month. As investor tentativeness persist, the demand for forex will remain subdued amidst falling external reserves.

We expect the exchange rate to remain relatively stable in the near term in the parallel market. However, at the IEFX window, the exchange rate will remain under pressure. Amid the announcement of the securitization of N22.7 trillion in ways and means by the DMO, we expect the stock market to remain volatile as investors remain cautious ahead of the MPC meeting coming up on May 22. However, the release of impressive Q1'23 corporate earnings results could positively impact NGX's performance in the near term.

FDC FINANCIAL DERIVATIVES COMPANY

Let's Get Social

@fdcsocial

@fdc_ltd

@fdc_ltd

@financialderivatives company

Follow Us Now!

www.FDCNG.COM

"WHEN WE SPEAK, THE WORLD UNDERSTANDS"