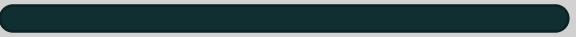


POLITICAL HONEYMOON: NO!



Presented by Bismarck Rewane
June 7, 2023

POLICY GRENADE: YES!

**MORE QUESTIONS THAN
ANSWERS!!!**



**BUT THERE IS CAUTIOUS
OPTIMISM**



Q1

With a contentious election yet unresolved and an economy that sucks, i.e. slowing GDP growth (2.31%), high inflation (22.22%) & recessionary gap (-0.85% of GDP).

a) Is the Nigerian economy into a free fall or at the point of inflection?

b) What is the economic outlook?



IS NIGERIA AT AN INFLECTION POINT?

- Economies are evaluated mainly by



NIGERIA – THE GIANT OF AFRICA

- Nigeria remains Africa's largest economy
- Accounts for 16% of African GDP (**\$3.14trn**)
- One in four Africans is a Nigerian
- The country is in the midst of political & economic transition
- Economy at the risk of falling back into recession
 - Currency redesign sucked Naira liquidity and threatened output growth
 - PMS subsidy removal squeezing consumer spending power and reducing aggregate demand



***770**

Start now. Dial *770#



Contact Us: trueserve@fidelitybank.ng

 Branch  ATM  Online Banking  Instant Banking  POS  True Serve

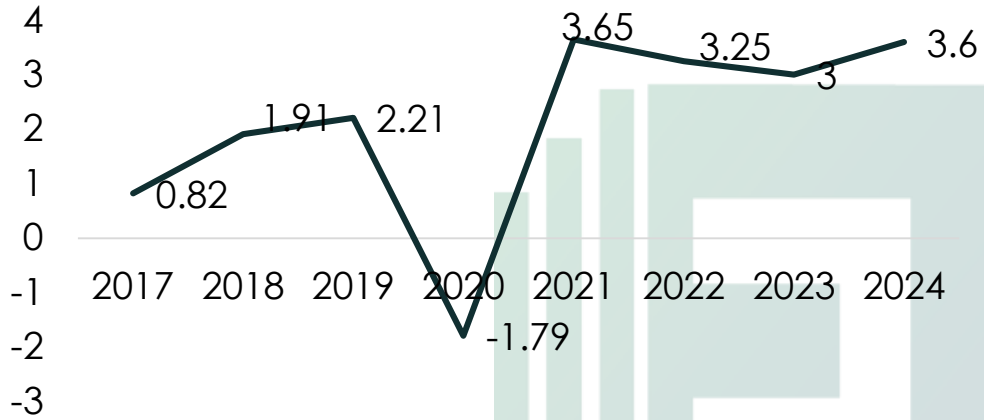
Fidelity Bank Plc

FOLLOW US:     

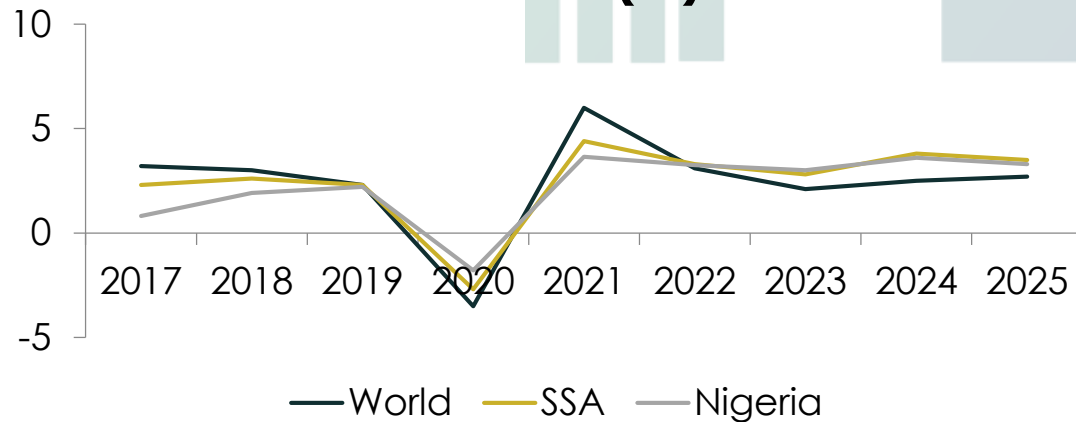
www.fidelitybank.ng

THE NIGERIAN ECONOMY

GDP Growth (%)

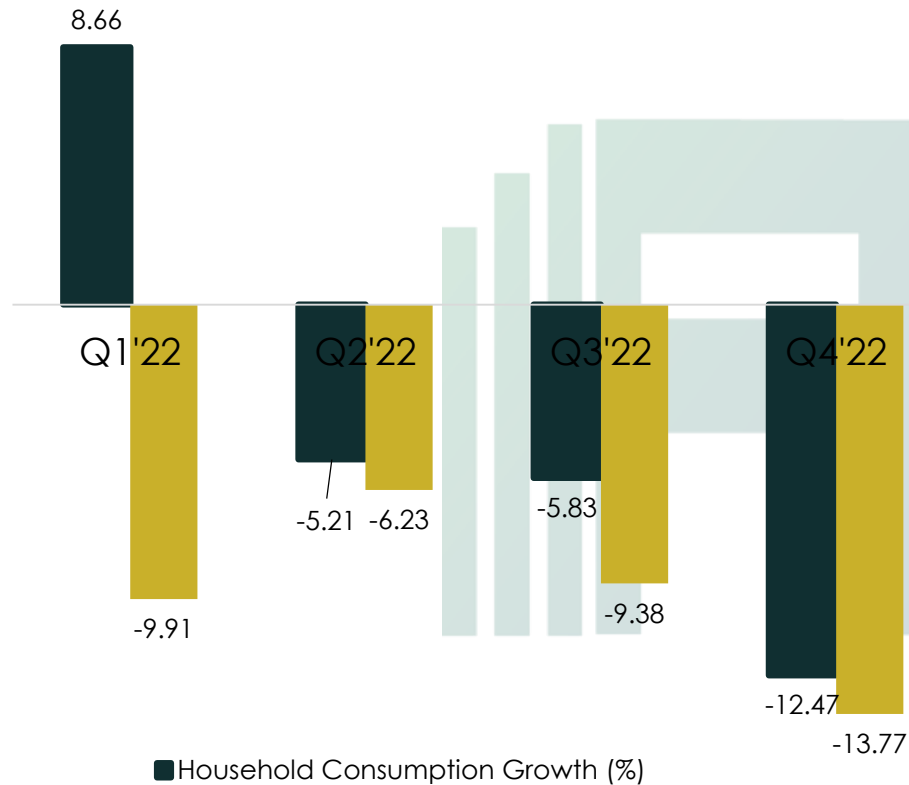


GDP Growth (%)



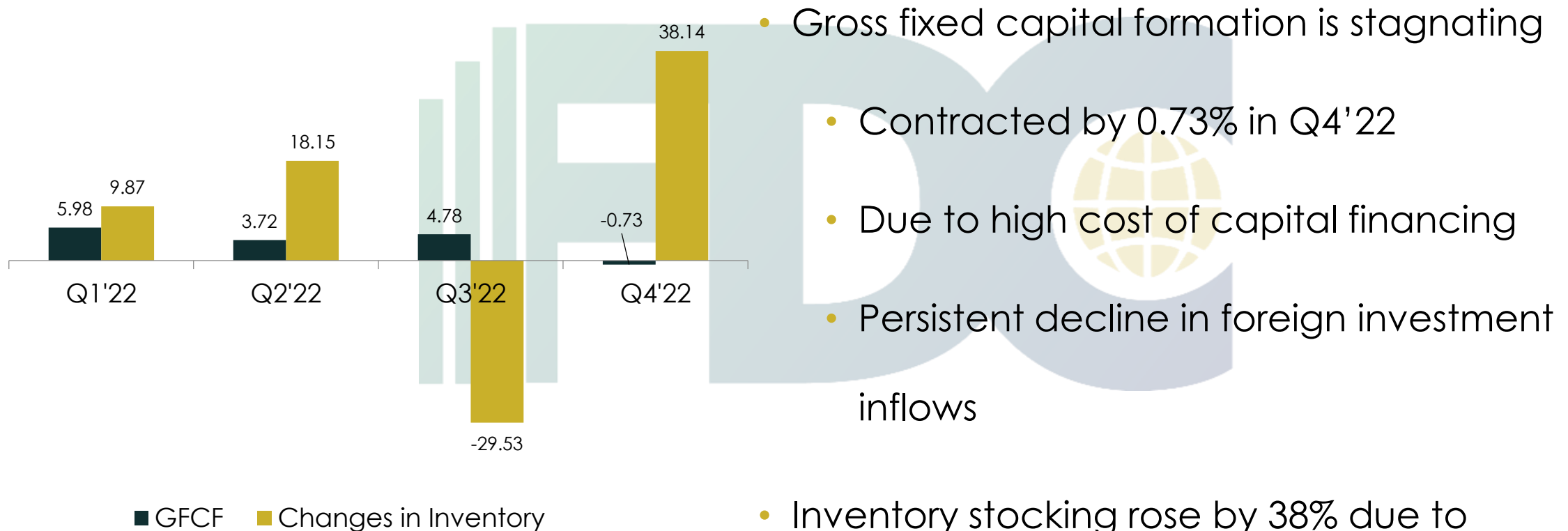
- The Nigerian economy outperformed global & regional growth at 3.1% in 2022/23
- Gross fixed investment is now approx. \$145bn or 29% of GDP
- The oil sector had underperformed because of vandalism & underinvestment
- Growth rate of oil is now -4.21%
- Service sector is growing at 4.35%
- Policy change has started and is irreversible

CONSUMPTION EXPENDITURE ON A FREE FALL



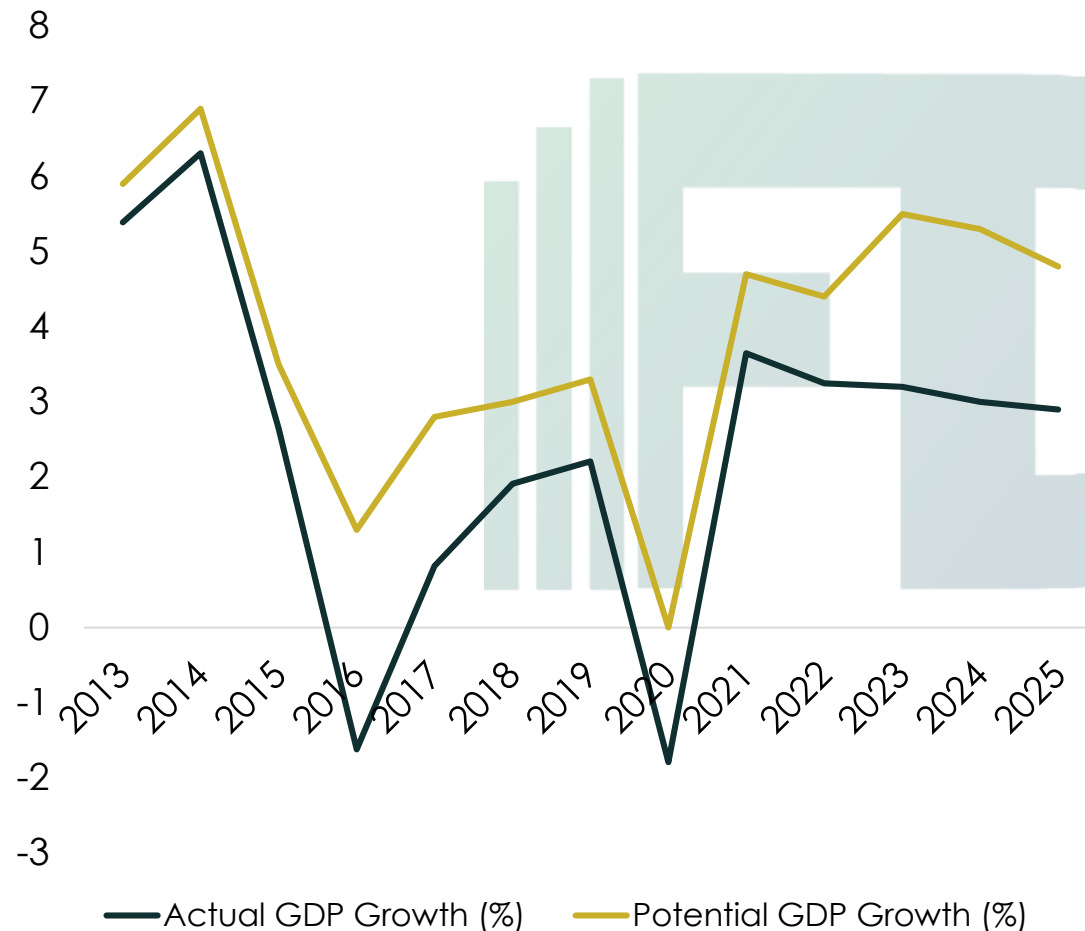
- Consumption expenditure has been on a free fall since Q2'22
 - Contracted by 12% in Q4'22
- Due to
 - spiraling inflation
 - Interest rate hikes
- Government spending is also declining due to
 - Falling revenue
 - Limited fiscal headroom
 - High debt service burden

GROSS CAPITAL FORMATION STAGNATES



REAL VS POTENTIAL GDP

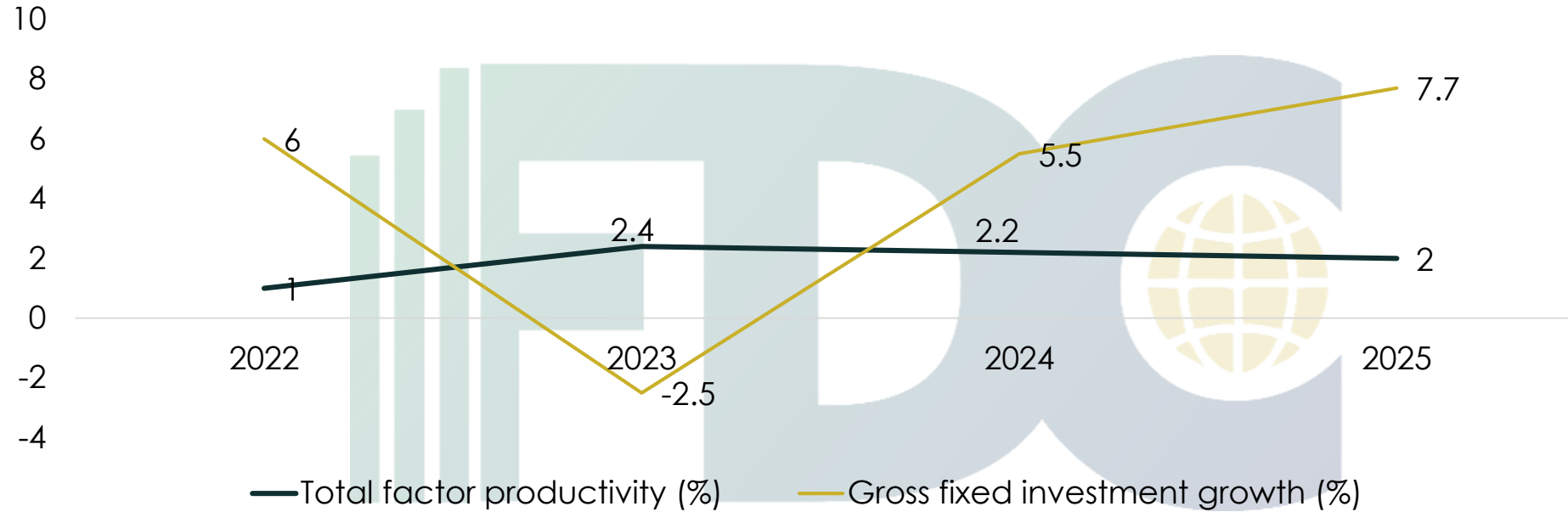
Real Vs Potential GDP Growth (%)



- No long term threat to the growth trajectory
- Productivity inhibited by policy bottlenecks and push back
- Policy harmonization and adjustment between monetary & fiscal policy should catalyze growth

CAPITAL STOCK OPTIMIZATION

Total Factor Productivity Vs Gross Fixed Investment Growth (%)



- The growth in investment in 2023-25 is at record levels
- Based on credible reforms and policy consistency
- Labour unrest and industrial action will disrupt short term output

REFORM OR PERISH

- The reform agenda will be driven by



Anxious creditors

Total
Debt

N46.25trn
\$103.11bn



Hungry consumers

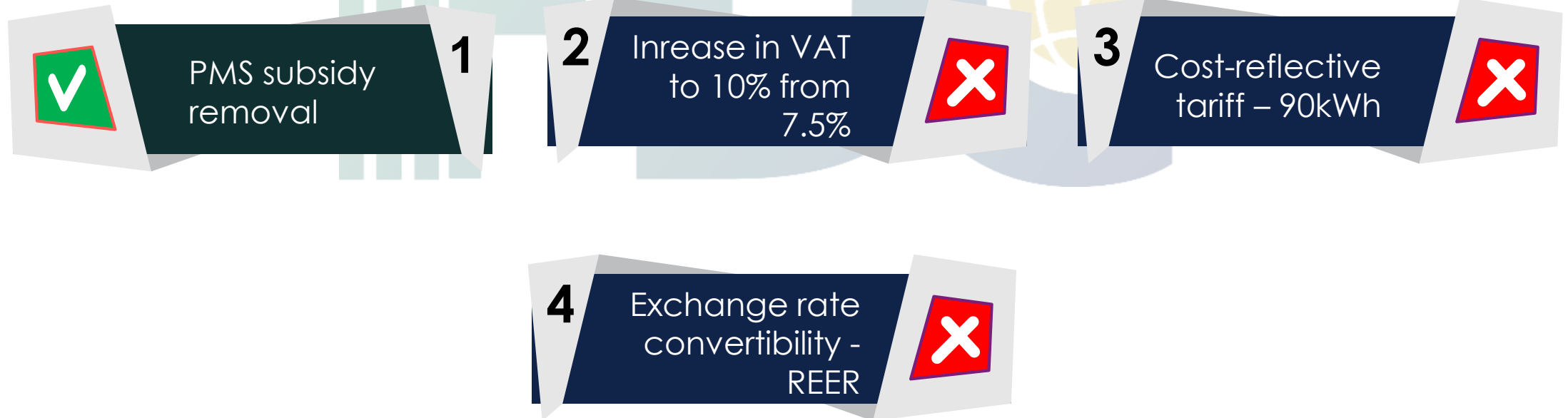


Poverty
level

Multidimensional
Poverty
63%

REFORM OR PERISH

- A cocktail of measures that will drive reform will kick in by July – September 2023
- Growth does not guarantee an equitable distribution of income



IMPACT OF POLICY REFORMS – SHORT-TERM (T+1)

\$508bn \$350bn \$132.1bn \$39.6bn (\$13.2bn)

$$Y = C + I + G + X-M$$

	Y	C	I	G	X-M
VAT Increase	508	344.16 ↓	132.1 ↔	45.44 ↑	(13.2) ↔
PMS subsidy removal	501.9	340 ↓	125.5 ↓	49.6 ↑	(13.2) ↔
90kWh electricity tariff	505.9	349.05 ↓	129.5 ↓	40.55 ↑	(13.2) ↔
Exchange rate adjustment	514.11	351.2 ↑	133.6 ↑	42.11 ↑	(12.8) ↓

Aggregate Demand -0.5% ↓	Consumption -1.6% ↓	Investment -5.8% ↓	Government revenue 48.7% ↑	Trade Deficit 3.1% ↓
-----------------------------	------------------------	-----------------------	-------------------------------	-------------------------



IMPACT OF POLICY REFORMS – LONG-TERM

\$508bn \$350bn \$132.1bn \$39.6bn (\$13.2bn)

$$Y = C + I + G + X-M$$

	\$508bn	\$350bn	\$132.1bn	\$39.6bn	(\$13.2bn)
VAT Increase	524.5	355.7	136.4	46.6	(12.7)
PMS subsidy removal	558	376.5	141.6	49.6	(9.2)
90kWh electricity tariff	522.7	353.2	140.3	40.8	(11.1)
Exchange rate adjustment	520.1	354.14	134.2	42	(8.8)

Aggregate Demand
18% ↑

Consumption
11% ↑

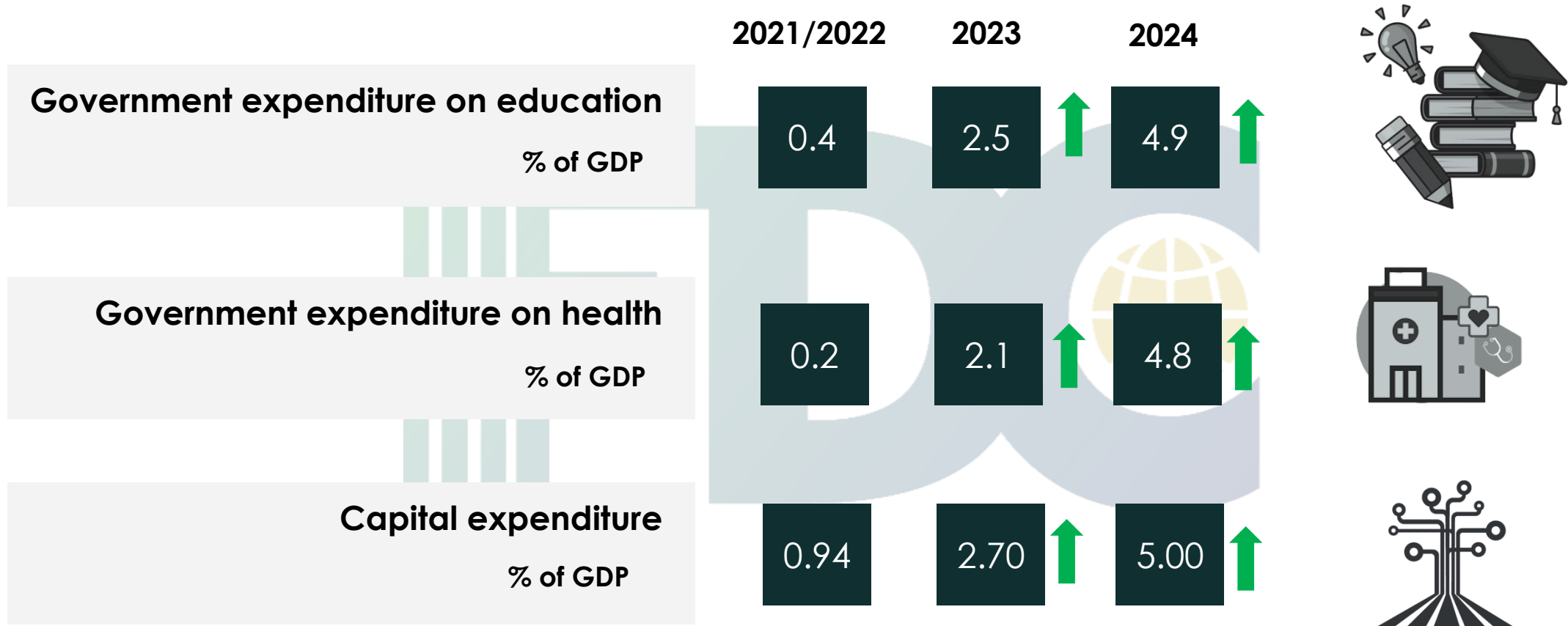
Investment
18% ↑

Government revenue
52% ↑

Trade Deficit
69% ↓



HOW WILL THE FG SPEND ITS INCREASED REVENUE?



- Government expenditure on education, health & infrastructure to increase in 2023 & 2024

SECTORIAL IMPACT- TELCOS

- Growing demand for Telcos services to boost investment in 5g network
 - Video streaming, tele-education & medicine, virtual meetings & classes and games for children
- Growing dominance of telcos/PSBs
- High yields on pool of funds as interest rates remain high
- Mobile broadband subscription to grow at an annual average of 11.54% within 2023-2027



SECTORIAL IMPACT - POWER

- Increase in private investment in the power industry as electricity subsidy is gradually phased out
- Total removal of subsidies on electricity will make tariff more cost reflective
- Improved power supply & higher productivity



SECTORIAL IMPACT- BANKING

- Splitting bank regulation from monetary policy like in the US & the UK
- Clear audit on net external reserves
- Increase in net-interest income as interest rates remain elevated
- Banking industry to benefit from increase in foreign direct investment due to policy reforms



SECTORIAL IMPACT - FMCGs

- Possible increase in the supply of forex as Nigeria moves towards a unified exchange rate system
- Increased investment in backward integration to boost local production of raw materials
- Implementation of AfCFTA to provide wider market for FMCGs
- More foreign investor participation due to policy & institutional reforms





**Alpha Morgan
Capital**

Growing Your Wealth...

FUNDS MANAGEMENT

INVESTMENT BANKING

FINANCIAL ADVISORY

Head Office (Lagos)

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

Abuja Branch

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



www.alphamorgan.com



Info@alphamorgan.com

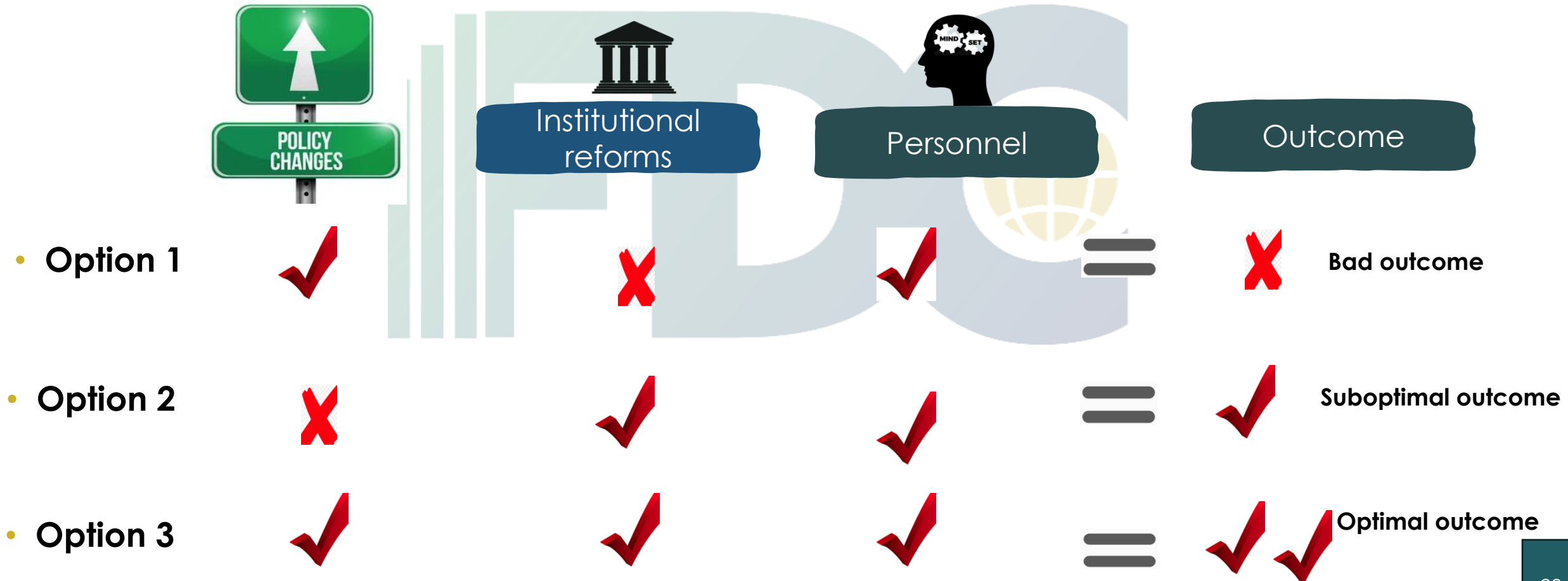
Q2

Are policy changes enough to foster and ensure macroeconomic stability in Nigeria?

Or are there other factors necessary to make these conditions possible?



POLICY REFORMS ARE NECESSARY BUT NOT SUFFICIENT



IMPERATIVES FOR INSTITUTIONAL REFORM

- To address systemic challenges such as corruption, electoral malpractices, etc
- To enhance transparency and accountability
- To improve public service delivery
- To increase efficiency
- To guarantee optimal resource use
- To support policy implementation



INSTITUTIONAL REFORM

- Institutions for reform



CENTRAL BANK OF NIGERIA



Judiciary



FEDERAL MINISTRY OF EDUCATION

POLICY REFORMS ARE NECESSARY BUT NOT SUFFICIENT

Countries	Aims	Institutional reforms	Outcomes
Singapore (Early 1990s)	Transition to advance economy	<ul style="list-style-type: none"> • Strict anti-corruption laws • Educational reforms • Set up agencies for the promotion of innovation and entrepreneurship 	<ul style="list-style-type: none"> • Per capita income now \$79,426.14 from \$12,763.34 in the 1990s
Georgia (2003) After Rose Revolution	To reduce corruption and improve democratic governance	<ul style="list-style-type: none"> • Judicial reforms • Police service reforms • Civil service reforms 	<ul style="list-style-type: none"> • Corruption ranking improved to 45th position from 99th position in the early 2000

POLICY REFORMS ARE NECESSARY BUT NOT SUFFICIENT

Countries	Aims	Institutional reforms	Outcomes
Rwanda (1994) After the genocide	To achieve aggressive and sustainable growth	<ul style="list-style-type: none"> • Constitutional reforms • Creation of a new government structures • Justice system reforms 	<ul style="list-style-type: none"> • Post reform avg. growth rate (8.25%) • Pre-reform avg. growth rate (0.9%)
Uruguay (2000)	To reduce inequality and poverty	<ul style="list-style-type: none"> • Educational system reforms • Healthcare reforms • Social security system reforms 	<ul style="list-style-type: none"> • Poverty rate declined to 9.9% in 2022 from over 30%

The FGN has started the process of PMS subsidy elimination. The NNPC followed with an immediate roll out of a new pricing structure. This included differential pricing across the zones. The PMS pump price for Lagos is N488/ltr, while it is N540/ltr in Kaduna and N550/ltr in Jigawa.

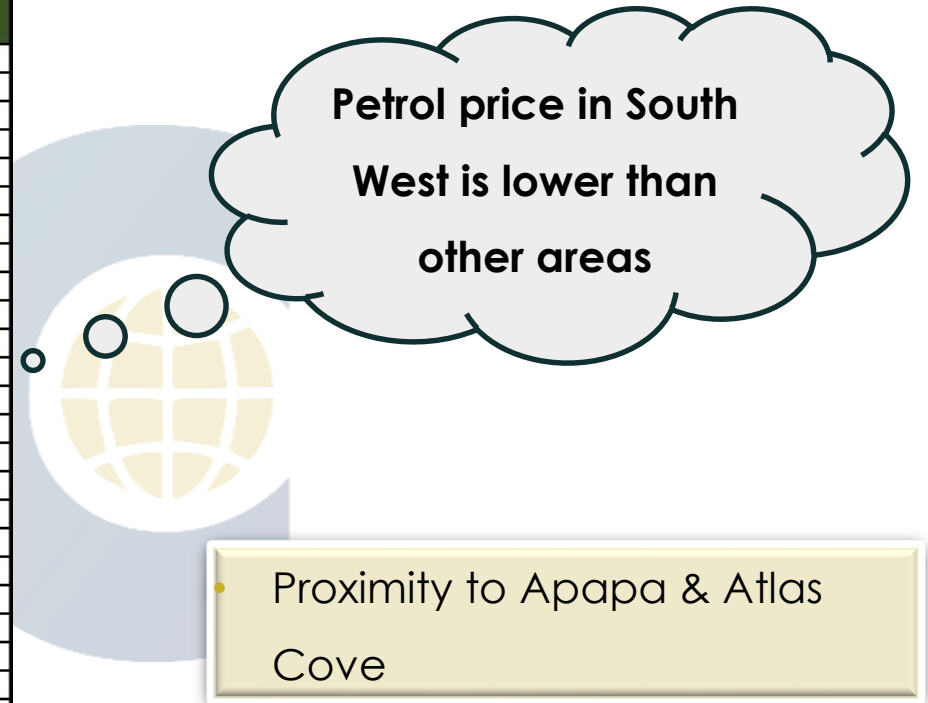
a) What are the macro-economic implications of this new dispensation on consumers, businesses and the economy?

b) What is the outlook for headline & core inflation this quarter and at the end of the year



NNPC ADOPTS DIFFERENTIAL PRICING

S/N	State Capital	State	Region	Current NNPC Pump Price	New Pump Price per 31st May 2023
1	Abuja	FCT	NC	194	537
2	Lafia	Nasarawa	NC	189	537
3	Jos	Plateau	NC	189	537
4	Ilorin	Kwara	NC	189	515
5	Lokoja	Kogi	NC	189	537
6	Makurdi	Benue	NC	189	537
7	Minna	Niger	NC	189	537
8	Yola	Adamawa	NE	199	550
9	Jalingo	Taraba	NE	199	550
10	Bauchi	Bauchi	NE	199	550
11	Gombe	Gombe	NE	199	550
12	Maiduguri	Borno	NE	199	557
13	Damaturu	Yobe	NE	199	557
14	Kano	Kano	NW	194	540
15	Kaduna	Kaduna	NW	194	540
16	Katsina	Katsina	NW	194	540
17	Sokoto	Sokoto	NW	194	540
18	Dutse	Jigawa	NW	194	540
19	Birnin Kebbi	Kebbi	NW	194	545
20	Gusau	Zamfara	NW	194	540
21	Umahia	Abia	SE	189	515
22	Owerri	Imo	SE	189	515
23	Awka	Anambra	SE	189	520
24	Enugu	Enugu	SE	189	520
25	Abakaliki	Ebonyi	SE	189	520
26	Port Harcourt	Rivers	SS	189	511
27	Uyo	Akwa Ibom	SS	194	515
28	Yenagoa	Bayelsa	SS	189	515
29	Calabar	Cross Rivers	SS	194	511
30	Benin	Edo	SS	189	511
31	Asaba	Delta	SS	189	511
32	Lagos	Lagos	SW	184	488
33	Abeokuta	Ogun	SW	189	500
34	Ibadan	Oyo	SW	189	500
35	Osogbo	Osun	SW	189	500
36	Akure	Ondo	SW	189	500
37	Ado Ekiti	Ekiti	SW	189	500



Petrol price in South West is lower than other areas

- Proximity to Apapa & Atlas Cove

Ranges between N488/ltr – N500/ltr



PETROL DIFFERENTIAL PRICING

	Average price of PMS (per litre)	Internally generated revenue (N'bn)	Average inflation rate (%)	Average poverty rate (%)	Unemployment (%)
South-West	498.00	972.60	23.12	12.12	22.07
South-South	512.33	313.56	23.68	21.28	43.85
South-East	517.00	103.72	22.91	42.44	44.54
North-Central	533.86	253.22	21.85	42.70	29.02
North-West	540.71	147.39	21.24	64.85	25.49
North-East	552.33	78.30	20.69	71.86	41.29

- Petrol price highest in the region with the least IGR and the highest poverty rate
- Ability of the government to increase salaries likely to be affected
- Benin Republic prices doubled as smuggling is less attractive

WHY DIFFERENTIAL PRICING?

- Price differential largely reflects logistics costs - most refined products are imported via Apapa port
 - Storage facilities (tank farms)
 - About 80% of tank farms are located in Apapa, Ibafo & Coconut
 - Trucks for lifting refined petroleum products to hinterlands



PETROL PRICE INCREASE – IMPACT ANALYSIS

Consumers

- Squeezed purchasing power
- Due to the hike in petrol price and higher food prices



Business

- Drop in sales
- Increased logistics costs



Economy

- Spike in inflation
- Reduction in aggregate demand
- Reduced forex demand pressure – leading to Naira appreciation



PETROL PRICE INCREASE – IMPACT ANALYSIS

- Subsidy removal will move \$10bn from aggregate consumption to the government

C ↓

G ↑



- The government must recycle the funds immediately
- Only problem is leakages but that can be curtailed
- The multiplier effect of government spending will lead to increase in the national income

PETROL PRICE INCREASE – IMPACT ON INFLATION

- Pump price of petrol up 150% to N488/ltr
- Based on our econometric model,
 - A 100% increase in the pump price of PMS will drive up inflation by 2%
 - Hence, a 150% spike in petrol price will lead to a 3% surge in inflation to 25.22%



DIESEL PRICE INCREASE – IMPACT ON INFLATION

- Diesel price up 18% to N745/ltr
- Based on our econometric model,
 - A 100% increase in the pump price of diesel will push up inflation by 5%
 - Hence, a 18% rise in diesel price will lead to a 1.1% increase in inflation

18%
increase in
diesel price

1.1% surge
in headline
inflation

EFFECTS OF PRICE INCREASE – SLUTSKY EQUATION

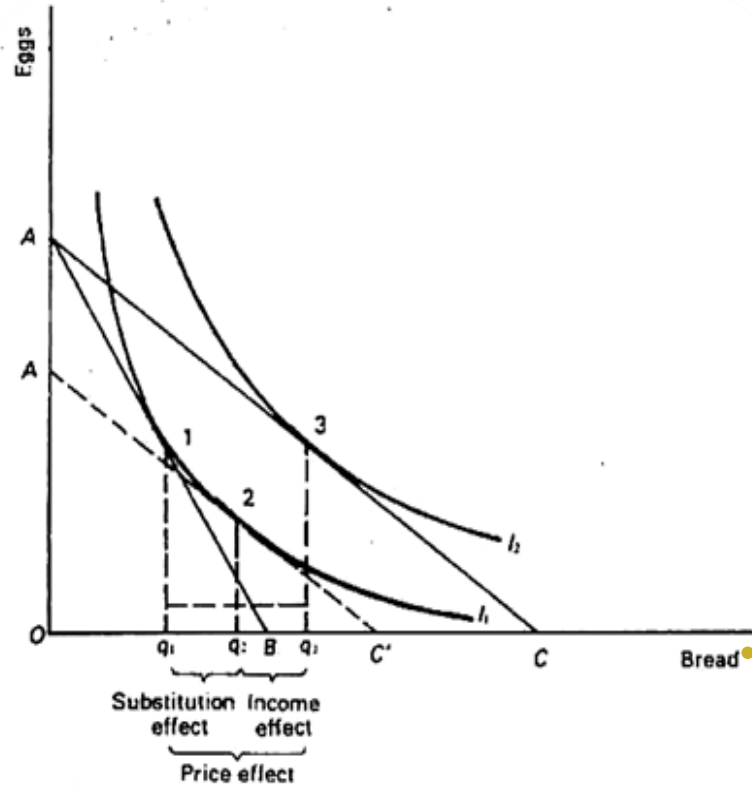
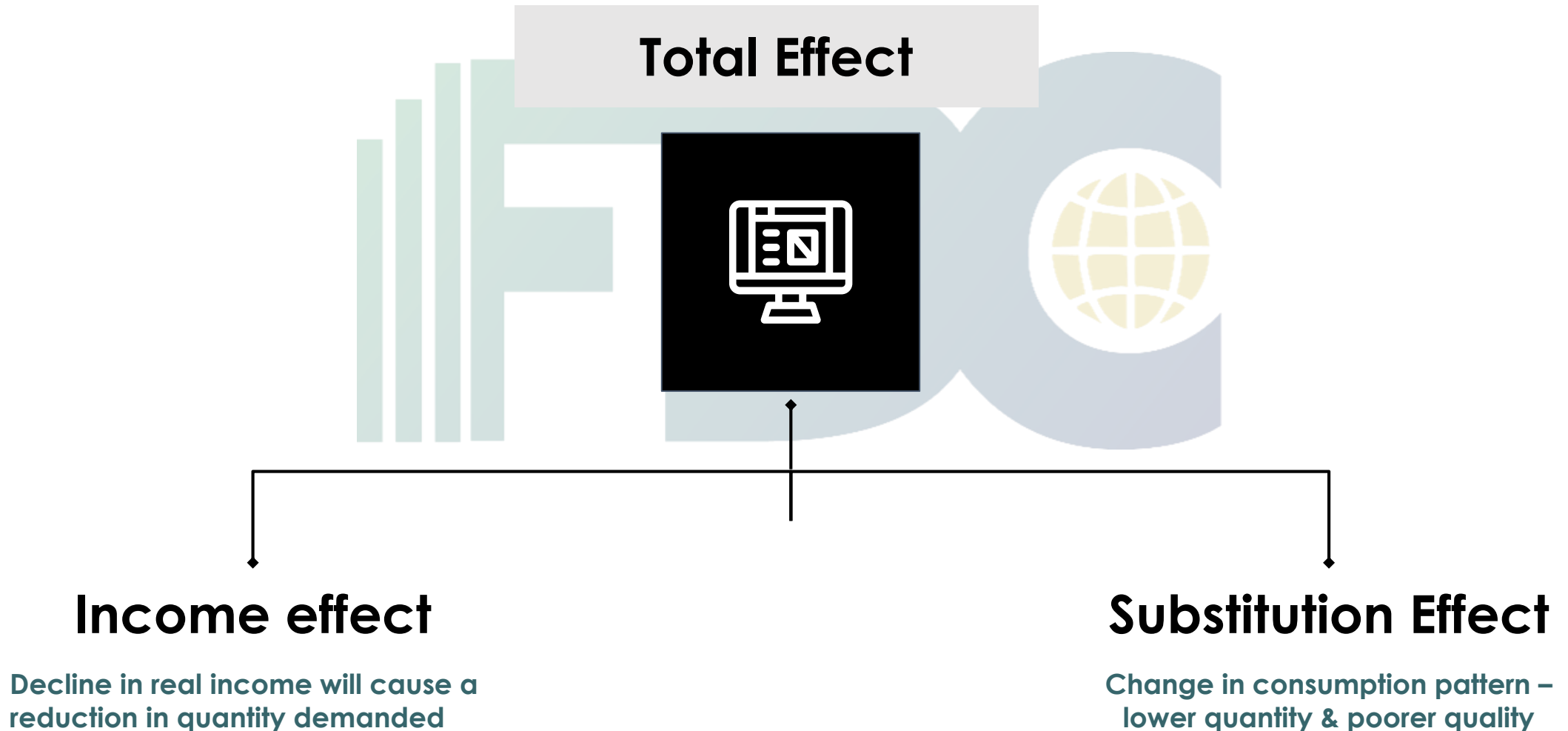


Fig. 11 : The price effect

- When prices change (increase or decrease)
- Consumers' response is captured by:
 - **Income** and **Substitution** effects
 - As the price of a commodity increases,
 - Consumer real income declines leading to decline in quantity demanded – **income effect**
 - Other commodities become relatively cheaper causing the consumer to substitute dearer goods with cheaper ones - **substitution effect**
- To keep consumption level constant, there could be a need for wage review

EFFECTS OF PRICE INCREASE – SLUTSKY EQUATION

$$\text{Total Effect} = \text{Income Effect} + \text{Substitution Effect}$$



PETROL PRICE INCREASE – LONG-RUN EFFECT ON INFLATION

SHORT-RUN IMPACT OF
SUBSIDY REMOVAL



CENTRAL BANK'S RESPONSE



LONG-RUN IMPLICATION



- *Inflation to taper as liquidity reduces in the long-run*

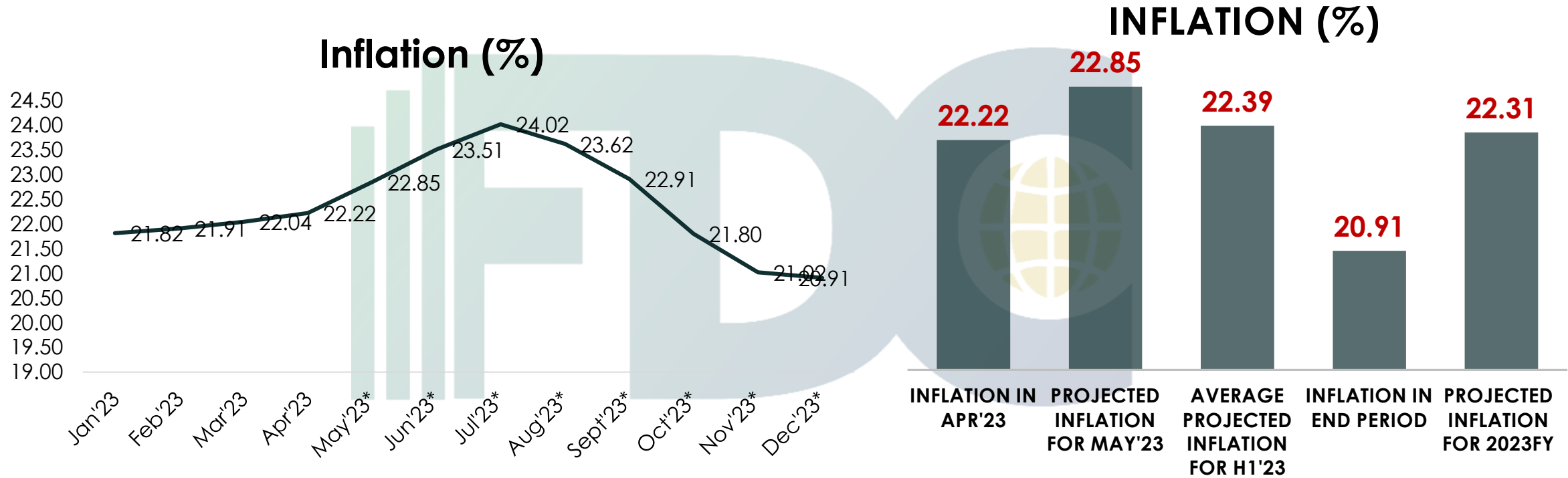


INFLATION DRIVERS

- $\text{INFLATION} = 14.91 - 0.11xr + 0.05Dp + 0.02Pp + 0.027Ms + 0.002ES + 0.05E$

Variables	Response
PMS price (Pp)	<ul style="list-style-type: none"> • A 100% increase in PMS price will lead to a 2% increase in inflation
Diesel price (Dp)	<ul style="list-style-type: none"> • A 1% increase in diesel price will result in a 0.05% rise in headline inflation
Exchange rate (xr)	<ul style="list-style-type: none"> • A 1% depreciation in the exchange rate will lead to a 0.11% increase in inflation
Money supply growth (Ms)	<ul style="list-style-type: none"> • A 1% increase in M3 growth will result in a 0.03% increase in inflation

INFLATION OUTLOOK



- Inflation to spike to 24.02% before tapering to close the year at 20.91%



Custodian

Your focus, Our priority

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

Call 0700CUSTODIAN
or Download the Adapt
by Custodian App



INSURANCE | PENSIONS | REAL ESTATE | TRUSTEES

...exceeding expectations

www.custodianplc.com.ng

Q3

Saudi Arabia has announced plans to cut oil production by 1mbpd to support the stability and balance of oil markets. The proposed cut, which will be for July is likely to be extended. Nigeria, Congo and Angola have also agreed that the highest production volumes of the last six months (November 2022 – April 2023) be used as the basis for the determination of their 2024 production quota.

- a) What is the outlook for global oil prices in the near term?
- b) What does an oil production cut mean for Nigeria?

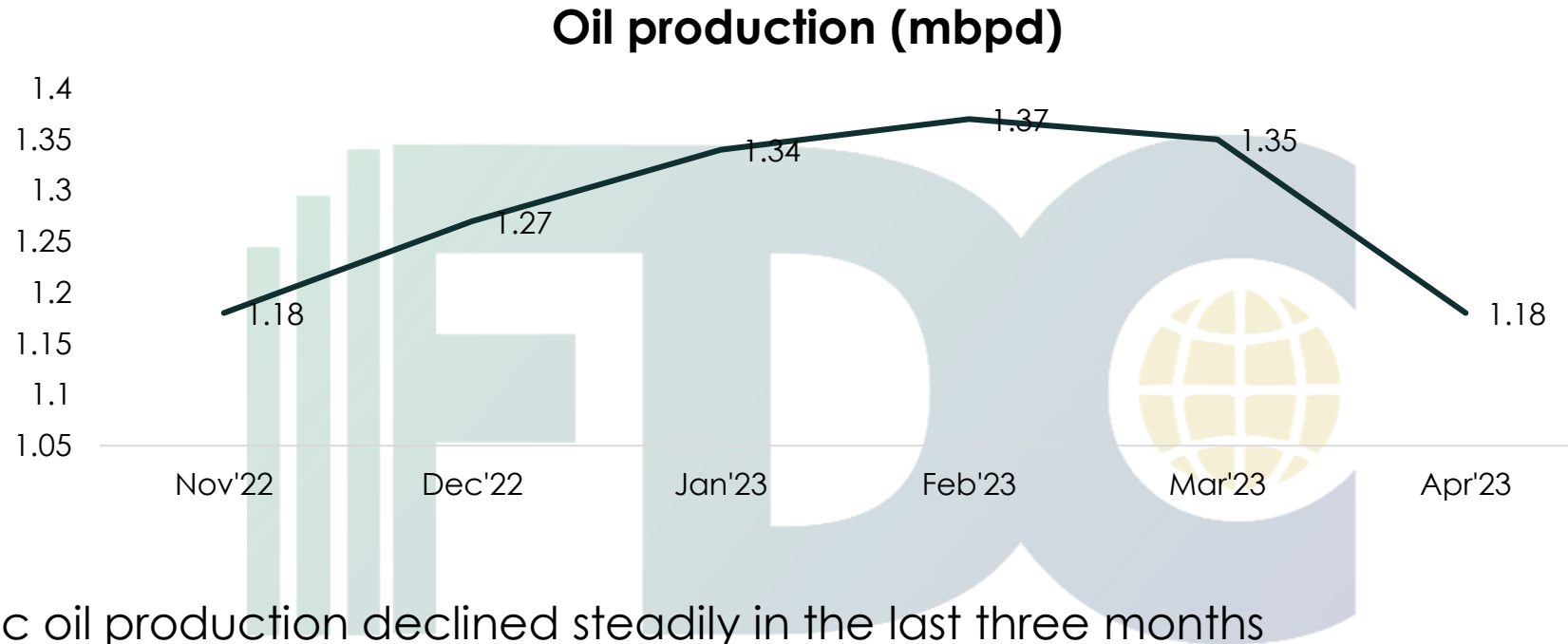


OPEC+ OIL PRODUCTION CUTS



- Saudi Arabia to cut oil production by 1mbpd starting from July
- Biggest reduction in years
- OPEC's total oil production cuts – **4.66mbpd**
 - 4.5% of global demand
- OPEC'S output cuts extended to the end of 2024
- Oil price jumped by 3.4% to \$79/barrel after announcement

NIGERIA'S OIL PRODUCTION FALLING



- Domestic oil production declined steadily in the last three months
 - No new investment
 - Natural rate of attrition in reserves & wells
- Nigeria to produce 1.37mbpd in 2024 based on new OPEC agreement
- Domestic refining of crude oil likely to reduce crude oil exports

OIL PRICES TO INCREASE SLIGHTLY IN THE NEAR TERM

- Oil prices likely to increase albeit marginally in the near term
 - Projected to hover around \$77-\$78pb
- As expectations of reduced demand due to the bleak economic outlook undermine the impact of OPEC output cut





IMPACT ON THE NIGERIAN ECONOMY

- Nigeria is more sensitive to oil production than prices
- Possible drop in oil production could cap the projected marginal gain in oil prices
- Would weigh on government revenue and foreign exchange earnings
- Meanwhile, improved business environment & clear policies due to the reforms will
 - Boost investor confidence
 - Increase investment flows
 - Increase foreign exchange earnings

WILL THE DANGOTE REFINERY AFFECT PETROL PRICE?

- Dangote refinery is not likely to significantly reduce petrol price
- **Why?**

- Cost savings only on haulage and insurance
- Constitutes an insignificant proportion of total importation costs

Other benefits of Dangote refinery

- *Increased productivity due to the reduction in downtime (fuel queues)*
- *Increased availability of petrol products*

Increase in government revenue due to higher tax payment



Dangote refinery



Minimal direct jobs but massive indirect jobs due to sector linkages

- *Will indirectly boost FX earnings due to export potentials*
- *Improved trade balance*



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

Q4

There is a raging controversy over what is the true & effective exchange rate of the Naira to the U.S dollar. The exchange rate is what brings consistency between the external & domestic economy. Some say it is N463/\$, others say it is N630/\$, and some others N765/\$. The airlines say it is N650/\$.

a) What is the Real Equilibrium Exchange Rate (REER) of the Naira to a Dollar

b) What is the outlook for Naira to dollar exchange rate in the near term and the supply of dollars in this market?



WHAT IS THE TRUE VALUE OF THE NAIRA?

PPP VALUE



N685.64/\$

BIG MAC INDEX
VALUE



N808.92/\$

I & E WINDOW



N464.67/\$

IATA RATE



N650/\$

PARALLEL
MARKET RATE



N760/\$

THE TRUE VALUE OF THE NAIRA (REER)

True Value of the naira (N/US\$)

Current official exchange rate = N464.67/\$

Overvaluation = 41.3%

(based on real equilibrium exchange rate)

True Value of the naira = N656.58/\$

- Policy makers' focus will shift from balance of trade to balance of payments management

The true value of the Naira is **above** the official rate but **below** the parallel market

THE US DOLLAR APPRECIATES AGAINST MAJOR CURRENCIES

- The US dollar has risen in 2023 at a slower pace relative to 2022
- The naira has lost 20.13% in the past one year

Countries	Currency changes (y-o-y)%
Nigeria	-20.13
South Africa	-21.4
China	-6.2
EU	-1.1
UK	-2.5
India	-6.2
Brazil	-7.4

EXCHANGE RATES DETERMINANTS

- **Supply factors**

- *Eg invisible inflows, export earnings*



- **Demand factors**

- *Eg health tourism, imports, etc*



- **Money supply**

- $MS \uparrow = \downarrow$ exchange rate



- **Interest rate effect**

- *Higher interest rate = stronger currency*

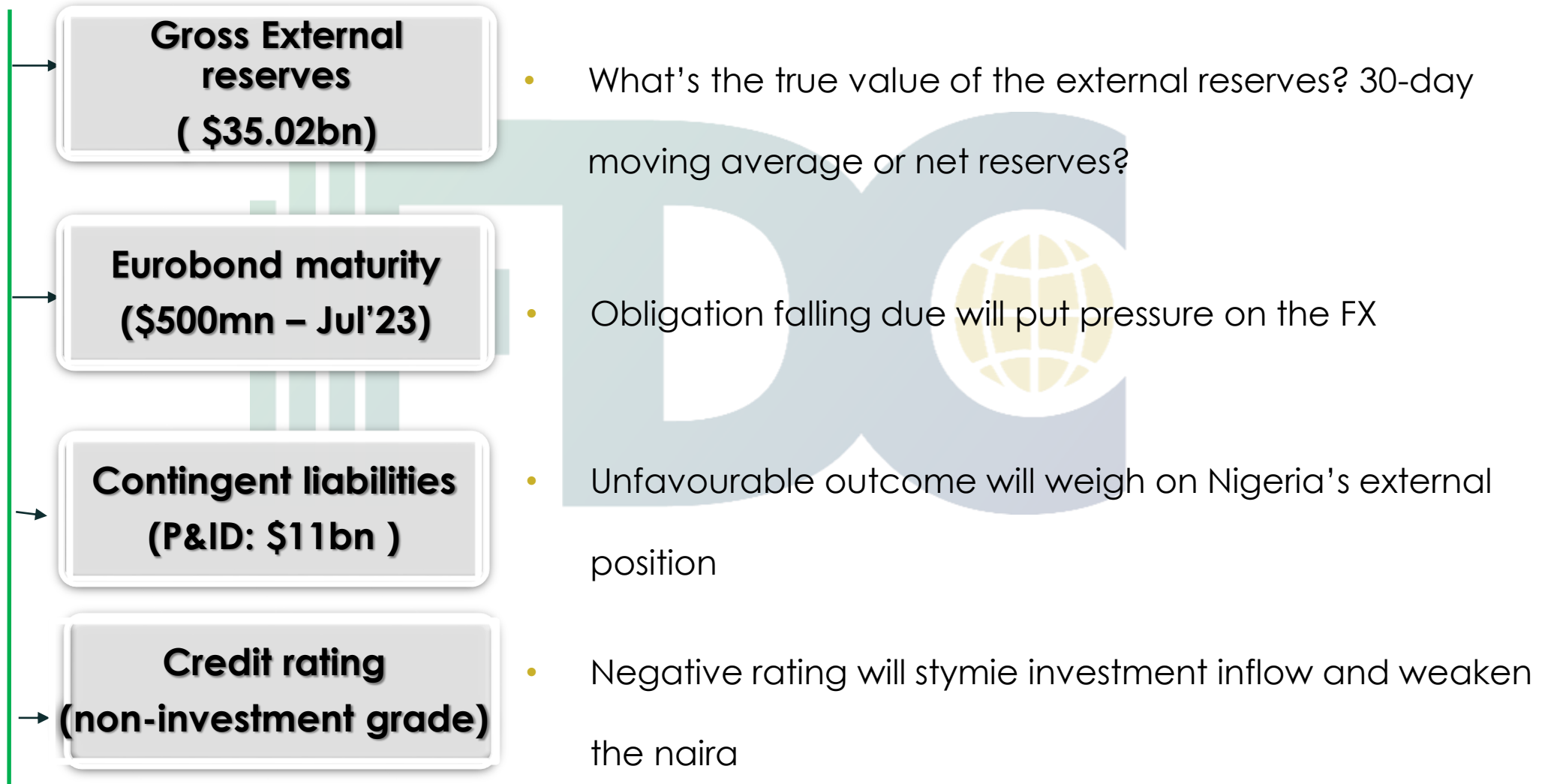
- **Political factors**

- *Eg elections, socio-political crises, etc*

- **Inflationary effect**

- *Weakens the currency*
- *Flight to safety, etc*

OTHER FLASHPOINTS



EXTERNAL RESERVES IN AFRICA

African Countries	Net FX Reserves (\$'billion)
Egypt	34.5
South Africa	61.7
Nigeria (Gross)	35.0
Ghana	6.2
Angola	14.3
Cote d'Ivoire	18.6
Kenya	6.5
Zambia	3.0
Ethiopia	1.9
Mozambique	3.1
Namibia	2.3
Benin	18.6
Senegal	18.6

- Nigeria reports 30-day moving average of

gross external reserves

- Down 9% to \$35bn (YoY)
- Amounts to 8 months import cover
- Other countries report net external reserves
- South Africa's reserves is \$61.7bn
- Amounts to 14 months import cover

PATH TO EXCHANGE RATE CONVERTIBILITY

Full Restriction

Retail Dutch Auction

- Customer-based bids

Wholesale Dutch Auction

- Banks buy and sell to their clients

Inter Bank Rate System

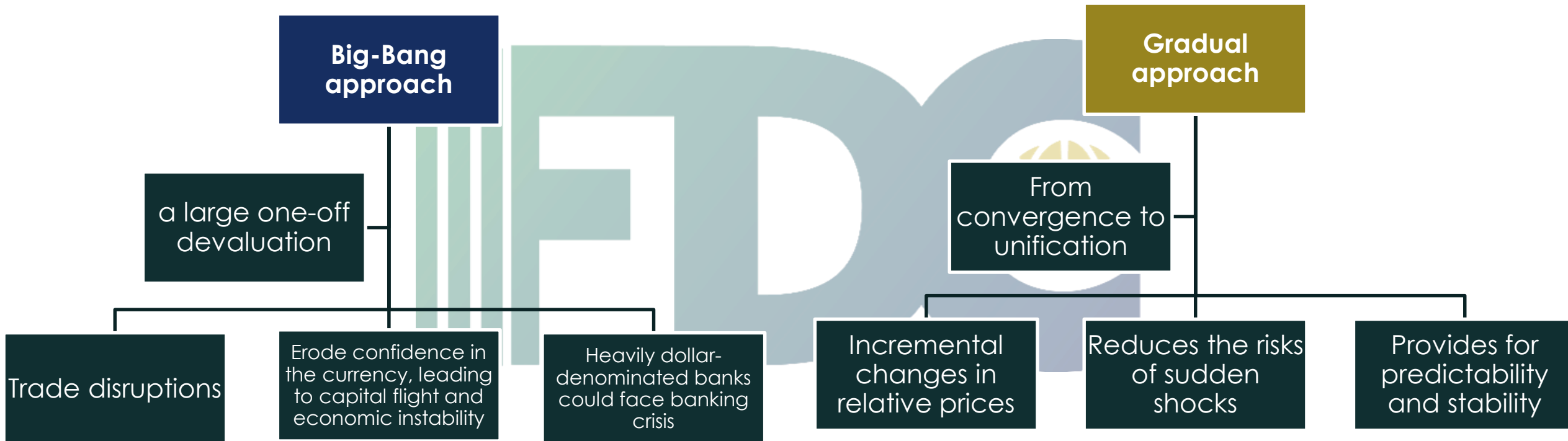
- All items are traded on the interbank market

Full exchange rate convertibility

Full convertibility

- Guarantees that the Naira can be freely exchanged for other currencies
- Rates to be determined by the forces of demand and supply
- Can be subject to substantial swings

PATH TO EXCHANGE RATE UNIFICATION



- A one-off path to unification could be disruptive
- Gradual adjustment towards convergence is more desirable

SCENERIO ANALYSIS – CURRENCY ADJUSTMENT

- Devaluation of the official rate by 30%
 - Will cause parallel market to appreciate by 15%
 - Pushing the two rates towards convergence



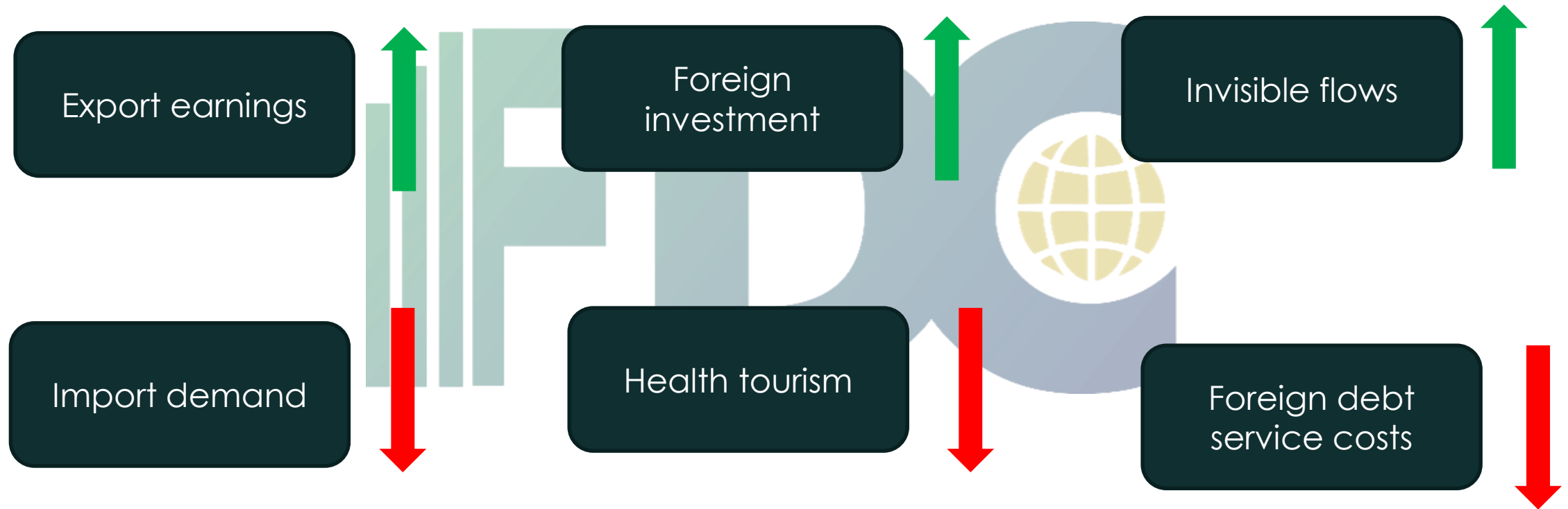
POST-REFORM: ADOPT A CRAWLING PEG

- **Crawling peg**
- Exchange rate adjusted within a predetermined range
- The rate or the range can be adjusted from time to time based on economic conditions
- **Why crawling peg?**
- Eliminate the complexities of the multiple exchange rates
- Guarantees stability of the naira
- Bring more transparency to the foreign exchange market

NX/\$ ±5%



HOW TO MAKE THE NAIRA STRONG



- Full convertibility is almost inevitable

Q5

The Nigerian equities market has a YTD return of 8.89% and outperformed other markets due to extraordinary factors.






a) Is this a trend or a blip?

b) What should investors do? Should investors go short or long on equities?

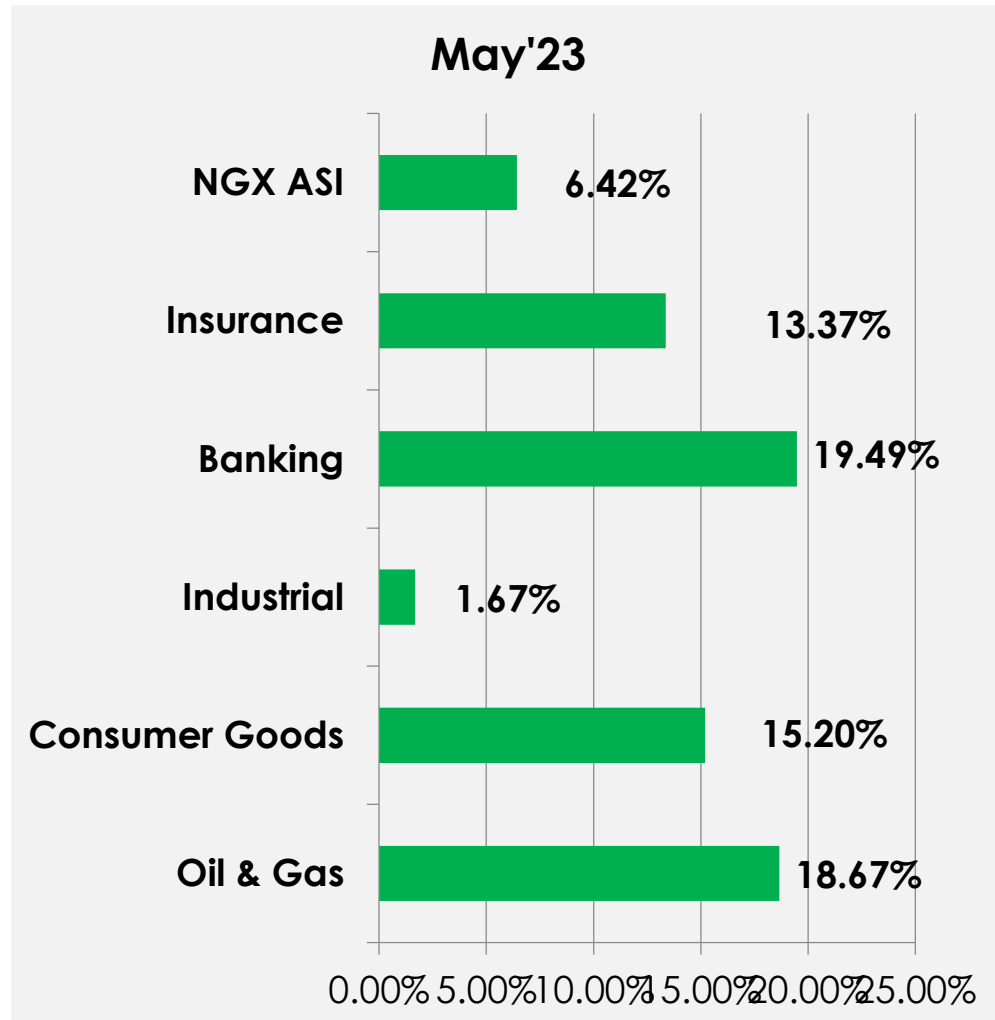




NGX OUTPERFORMS ITS PEERS

Market	YTD Return	Driver
SSE	 3.43%	<ul style="list-style-type: none">• Rally for Chinese tech stocks• Likelihood of a pause in interest rate hike
JSE	 4.87%	<ul style="list-style-type: none">• Slower pace of interest rate hike• Currency volatility
GSE	 2.91%	<ul style="list-style-type: none">• Break on steepest phase of monetary tightening• Foreign exchange pressures
NGX	 8.89%	<ul style="list-style-type: none">• Rally for oil and gas downstream and technology stocks• Positioning for market opportunities due to favourable reforms
NSE	 16.77%	<ul style="list-style-type: none">• Currency crises in Kenya• Mass exit of foreign investors

NIGERIAN EQUITIES MARKET IN MAY 2023



- NGX ASI gained 6.42% in May 2023
- Largely supported by a 5.22% surge following president's inaugural speech
- All index responded to the positive wave of the market
- Removal of petrol subsidy buoyed investors sentiment for oil and gas as well as banking stocks
- Investors positioned for banks' weighty exposure to the oil and gas space

INVESTMENT ASSETS IN MAY 2023

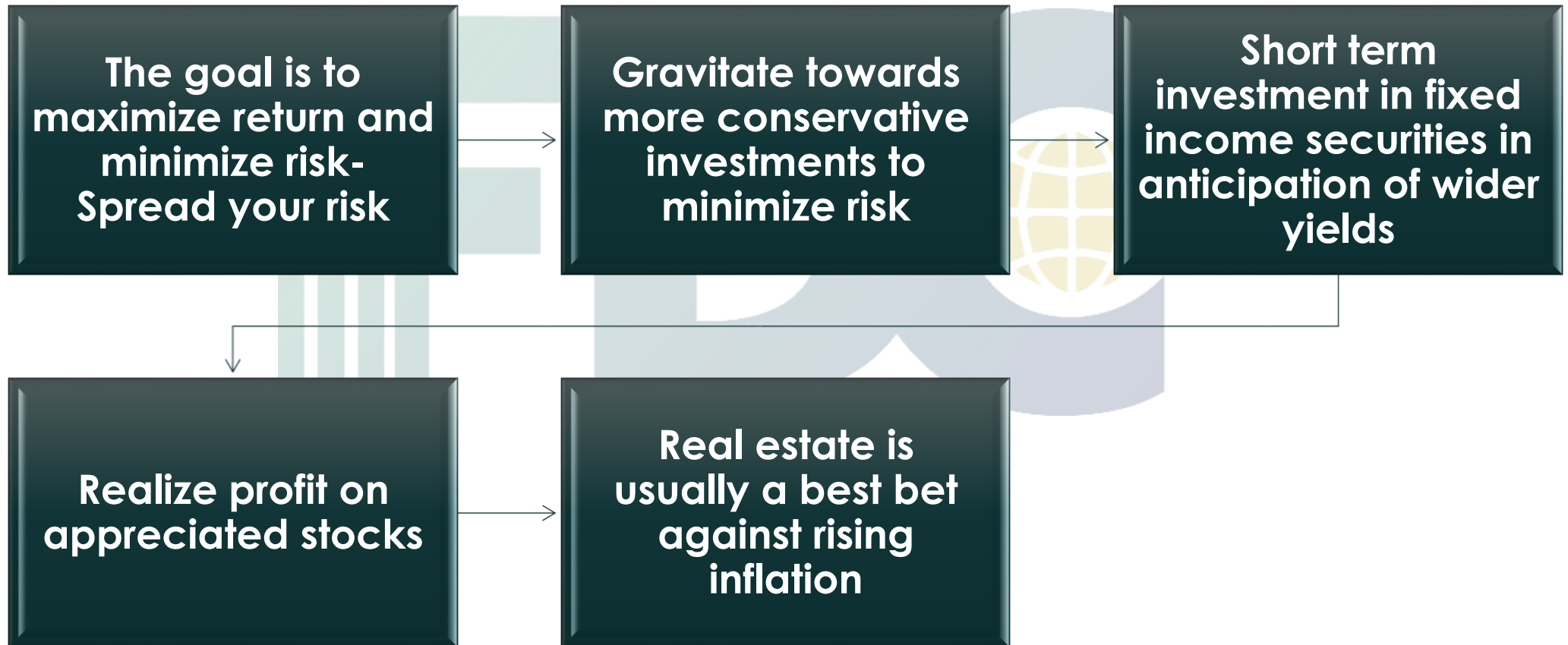
Asset Classes	May' 23 Return	Inflation rate	Real rate of return	Outlook
US equities	↑ 0.25%	22.22%	↓ 21.97%	The likelihood of a pause in interest rate hike will wet investors appetite for US equities
Nigerian equities	↑ 6.42%	22.22%	↓ 15.80%	NGX will face major headwinds from dwindling consumers' purchasing power and interest rate hike
NTB (91 day)	2.29%	22.22%	↓ 19.93%	Additional hike in monetary policy rate is expected to push NTB rates higher
Real Estate	↑ 3.17%	22.22%	↓ 19.05%	Real estate will remain a good hedge against spiraling inflation
Bitcoin	↓ 6.78%	22.22%	↓ 29.00%	Lawsuit against major players could further dampen investor sentiment



THE MARKET IS LIKELY TO FACE SOME HEADWINDS IN JUNE

- Dwindling consumer purchasing power will taper earnings and share price valuations
- Squeezed consumer wallet will discourage savings and investment culture
- Increased consumer spending amidst petrol subsidy removal will trigger surging inflation in June
- Another monetary policy rate hike is expected
- NGX will respond negatively to additional increase in interest rates
- H1 '2023 corporate results will reflect the negative impact of cash crunch on revenues and margins

WHAT SHOULD INVESTORS BE DOING NOW?



IT'S TIME TO
CARE
ABOUT
YOUR SALT

Refined, Iodized & Purified



CHOOSE QUALITY, CHOOSE DANGOTE SALT

www.nasconplc.com

Q6

Amongst IATA airlines in Africa, Nigeria has the highest amount of trapped funds (\$812.2mn).



a) What is the implication of this to domestic & international travels especially during the summer months?



TRAPPED FUNDS STILL BITING HARD

- Nigeria has the highest level of trapped funds (\$812mn) in SSA
- The IATA rate of exchange has depreciated by 2.52% to N650/\$
- Airlines only publish fares in US\$
- The average B/A Lagos-London, Lagos return is approx. N4.8m biz. class
- Network carriers are taking advantage of Emirates exit
- Ethiopian Airlines & Qatar Airways report block buster load factors

COUNTRY	TRAPPED FUNDS
Nigeria	\$818.2mn
Bangladesh	\$214.1mn
Algeria	\$196.3mn
Pakistan	\$188.2mn
Lebanon	\$141.2mn

TRAPPED FUNDS STILL BITING HARD

- Rwanda air & ET are filling in the gap of SAA non-daily flights to Johannesburg
- B/A, KLM, Lufthansa & Air France have locked their grip on north-bound traffic out of Lagos/Abuja
- Egypt Air, Turkish Air, ET & Qatar are in full control of far east and mid east traffic
- Domestic flights are dominated by Air Peace
- Ibom Air has lost its reputation for its on-time performance
- The airline has suffered a major blow to its brand



TRAPPED FUNDS STILL BITING HARD

- The concessioning of Nnamdi Azikwe airport in Abuja & Kano airports are still awaiting details
- The last-minute transactions are raising eyebrows
- The launch of Nigerian Air as a national carrier was mired in controversy
- We expect the CBN to reduce its restrictions on forex supply to airlines
- The CBN will need to allow the IATA rate to be more reflective of the unified rate of exchange



IMPLICATIONS ON DOMESTIC AND INTERNATIONAL TRAVEL

- Disruptions to flight operations ranging from flight cancellations, rescheduling or reduced frequencies
- Increased ticket prices as airlines try to cover their operational costs
 - Economy flight from Lagos to London now costs N1.2 million
 - Economy flight from Lagos to Abuja costs N150,000
- Limited connectivity and availability of international flights



Q7

The global tourism industry is rapidly recovering. Leading countries in the world include Thailand, France & Italy. In Africa, there's Kenya, Morocco & Egypt.

Nigeria has many initiatives to boost tourism. Edo state recently launched the tourism Agency and some say it's punching above its weight.



a) What is the implication of this to domestic & international travels especially during the summer months?



TOURISM & CULTURE

- Nigeria is punching below its weight in tourism arena
- Tourism visitors to Nigeria for 2022 was well below – Ghana, Kenya, Tanzania and Senegal
- Impediments to tourism remain mainly insecurity, kidnapping for ransom etc
- Bureaucracy in the process to obtain visa into Nigeria, and unfriendly airports are major problems



EDO TOURISM INITIATIVES

- Edo state took a major leap into tourism
- Launched its tourism agency in May and appointed a CEO
- It expects to achieve over 250,000 visitors in Edo state by 2024
- Leveraging on its rich history and cultural heritage



Is *Japa* hitting your IT operations hard? Let us handle your Data Center workload

In today's fast-paced and unpredictable world, where skilled IT staff are migrating to other destinations, MainOne provides stability for your Data Center workload



www.mainone.net

For more information and enquiries, reach out to your Account Manager.
New to MainOne? Reach out via email to info@mainone.net or call **0700MAINONE**

The background of the top half of the page is filled with a dense, overlapping pattern of light gray, 3D-style question marks. Each question mark has a subtle shadow, giving it a sense of depth. The text 'POLITICAL UPDATE' is centered horizontally over this pattern.

POLITICAL UPDATE



SHARING THE SPOILS AND NOT THE WORK

- President Bola Tinubu has started his tenure with a bang
- Going off script and dismantling the subsidy regime in Nigeria
- The markets have responded in expected ways
- First there was scarcity and price hikes
- Transport fares spiked by 150% before settling at 50%
- A reputable research house is projecting a 6% jump in inflation from 23% to 29%
- The domination of the policy-making community from a particular zone is already raising eyebrows
- This is deja-vu, same as in Jonathan and Buhari era

SHARING THE SPOILS AND NOT THE WORK

- Leadership is easier than dominance
- The complexities of ethnic nationalities metamorphosing into Nation States is haunting Nigeria
- The country is looking out for the capacity and competence of the new cabinet
- The policy change and institutional reform that is necessary to get creditor buy-in for debt restructuring will be closely watched
- The Nigerian government will most likely go for a Washington consensus approach to debt restructuring
- Nigeria already defaulted on the Azura power financing and the guarantees have been called



SHARING THE SPOILS AND NOT THE WORK

- The government in power will seek to consolidate the debt and go for a comprehensive restructure
- Simultaneously the political class will be watching the election petition tribunal
- Running the government, defending the mandate and mobilizing the people for economic sacrifice is a tall order
- NASS assembly officers are a major part of the political unknowns
- In the case of a run-off election the NASS officers will run the country during the inter-regnum

Q8

**WHAT IS THE OUTLOOK FOR
THE MONTH OF JUNE?**





OUTLOOK FOR JULY

- Inflation numbers will spike higher to 22.85% for May and further for June
- The Naira will appreciate in the parallel market to N750/\$
- An initial 30% devaluation in the official I&E market towards N585/\$ is almost imminent
- The market will not clear fully at this rate but will bring some stability in the forex market
- Market interest rates will surge towards 13-15% from the subsidized rates of 8-10%

OUTLOOK FOR JULY

- The price of PMS likely to reach N630/ltr to bring it into equilibrium
- The stock market will fizzle initially on Q1 earnings before rallying in August
- The price of cooking gas will rally again as demand for CNG increases



CORPORATE HUMOUR

“You always learn a lot more when you lose than when you win.”

– *African proverb*

Men fall in love with their eyes, women fall in love with their ears

– *Dr. Phil McGraw*

I have enjoyed life a lot more by saying Yes then by saying No

– *Richard Branson*

CORPORATE HUMOUR

A woman can say more in a sigh than a man can say in a sermon
– *Arnold Haultain*

“Knowledge is a garden. If it isn’t cultivated, you can’t harvest it”
– *African proverb*

A word to the wise is not necessary, It’s the stupid ones that need the
advice
– *Bill Cosby*

CORPORATE HUMOUR

Joy is one emotion that you can't contrive

– *Bono*

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

– *Laurence Peter*

“The axe forgets but the tree remembers.”

– *African proverb*

CORPORATE HUMOUR

One of the secrets of life is to make stepping stones out of stumbling blocks

– *Jack Penn*



“Examine what is said, not who is speaking.”

– *African proverb*

You have to date a lot of Volkswagens before you get to your Porsche

– *Debby Atkinson*

CORPORATE HUMOUR

The worst solitude is to be destitute of sincere friendship.

– *Francis Bacon*

Plant a seed of Friendship; reap a bouquet for happiness.

– *Lois L. Kaufman*

“If you are filled with pride, then you will have no room for wisdom.”

– *African proverb*

CORPORATE HUMOUR

“If you want to fast, go alone. If you want to go far, go together”

– *African proverb*



It is easier to visit friends than to live with them.

– *Chinese proverb*

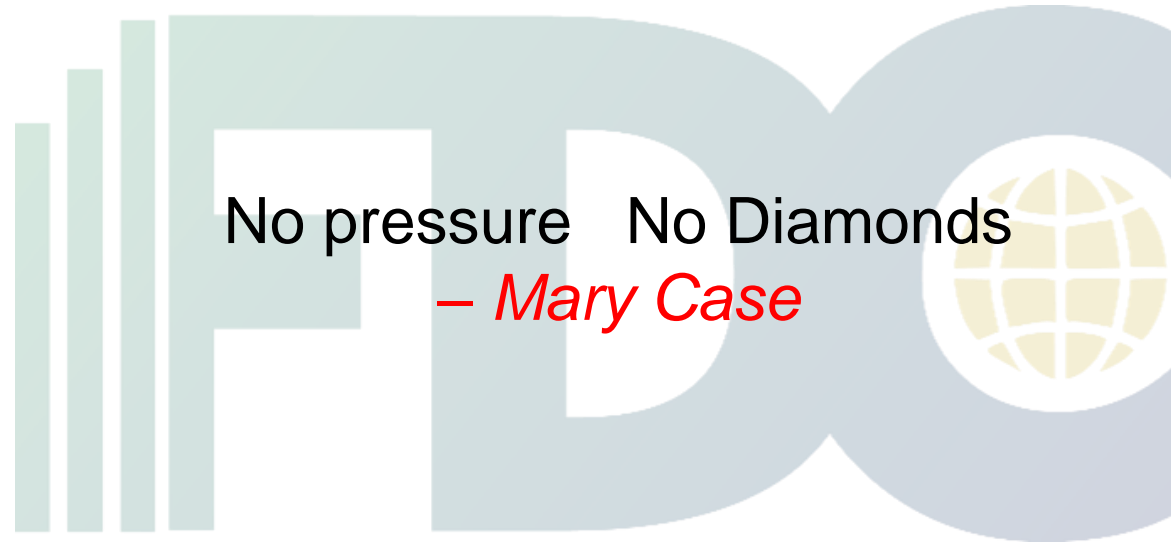
The only way to have a friend is to be one.

– *Ralph Waldo Emerson*

CORPORATE HUMOUR

“A roaring lion kills no game.”

– *African proverb*



When wealth is lost, nothing is lost
When health is lost, something is lost
When character is lost, all is lost

– *Rev. Billy Graham*

CORPORATE HUMOUR

Giving never happens by accident, it's always intentional

– *Amy Grant*



“We do not inherit the earth from our ancestors, we borrow it from our children”

– *African proverb*

CORPORATE HUMOUR

Forgiveness is a gift of high value, yet it costs nothing

– *Betty Smith*

“If you want to know the end, look at the beginning.”

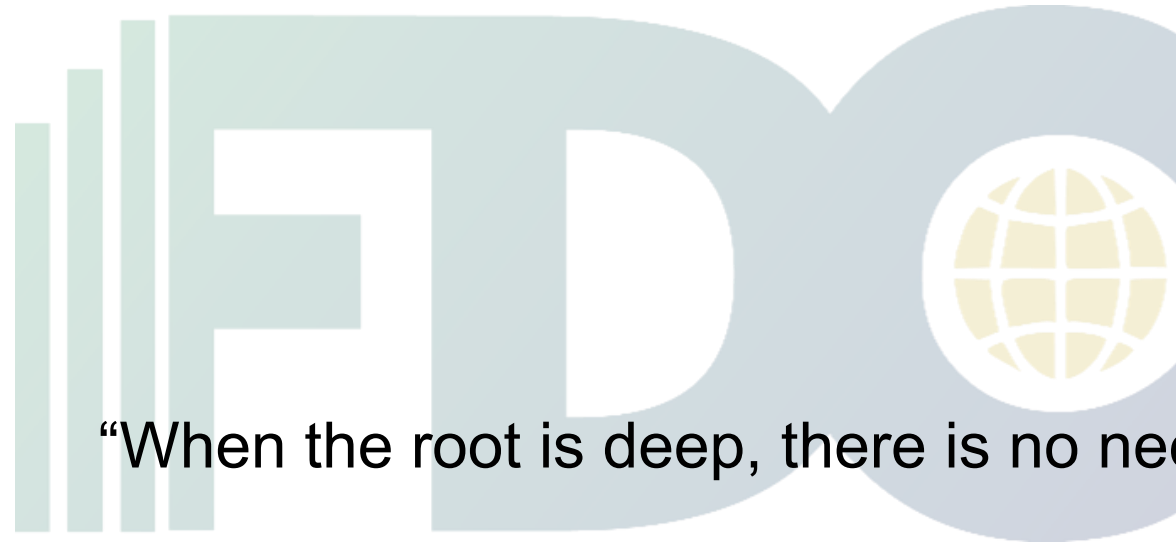
– *African proverb*

The fear of death follows from the fear of life. A man who lives fully is prepared to die at anytime

– *Mark Twain*

CORPORATE HUMOUR

Wear a smile and have friends; wear a scowl and have wrinkles.
– *George Eliot*



“When the root is deep, there is no need to fear the wind”
– *African proverb*



**THANK
YOU**

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