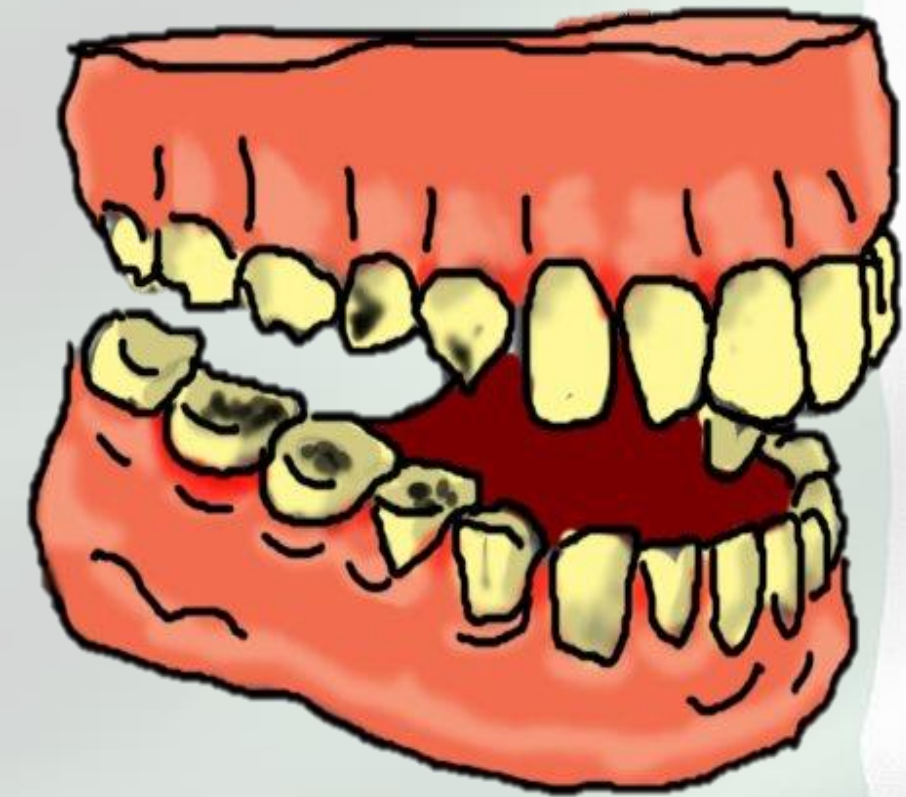


ECONOMIC DECAY

—

A CAUSE OR CONSEQUENCE
OF SOCIAL ROT IN NIGERIA?

A Case Study on Degeneracy



OUTLINE

1

**Economic-Social Decadence:
Cause-Effect Analysis**

2

**Reform 3.0 Where is the
Beef?**

3

Are Reforms Enough?

4

Policy Reforms & Implications

5

**Market Proxies & Data
Points**

6

Summary & Conclusion

The Jury is out as to which comes first



**Economic
Decadence**

or

Social Rot?

- Cause and effect analysis has dominated intellectual discourse and discipline for centuries

WHAT IS DEGENERACY?



- Degeneracy is defined as when moral standards have fallen to a level that is very low and unacceptable to most people

|| SOCIAL ROT – GEORGE WEIGEL

“In Ambassador Mahbubani’s considered opinion, it is time for the West to rethink its basic notions of human freedom and social responsibility, its devotion to human rights (especially civil rights and political freedoms) and broadly participatory democracy.



And why should the West in general, and the United States in particular, undertake this “critical self-analysis”? Because the United States is, in a word, decadent. And a decadent nation is on its way “off a cliff.”

WHAT IS SOCIAL ROT?

- Fall of a complex human society characterized by the loss of cultural identity, deterioration of social systems, collapse of government & rise of violence - *Wikipedia*

- Social rot results from a feeling of injustice & inequitable distribution of income & opportunities

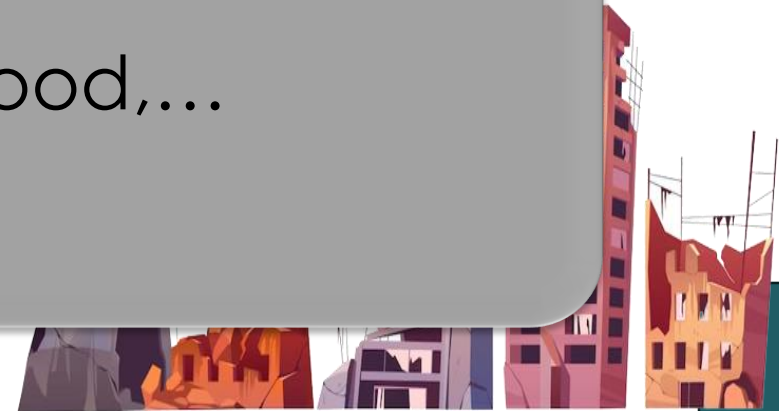


|| SOCIAL ROT – BIBLICAL DEFINITION



That in the last days, perilous times shall come. For men will be lovers of themselves, lovers of money, boastful, arrogant, abusive, disobedient to parents, ungrateful, unholy, unloving, unforgiving, slanderous, without self-control, brutal, without love of good,...

2 Tim. 3:2



CHARACTERISTICS OF SOCIAL ROT

Rampant
Corruption

Distrust in
institutions

Lack of
accountability

Inequality &
unfairness

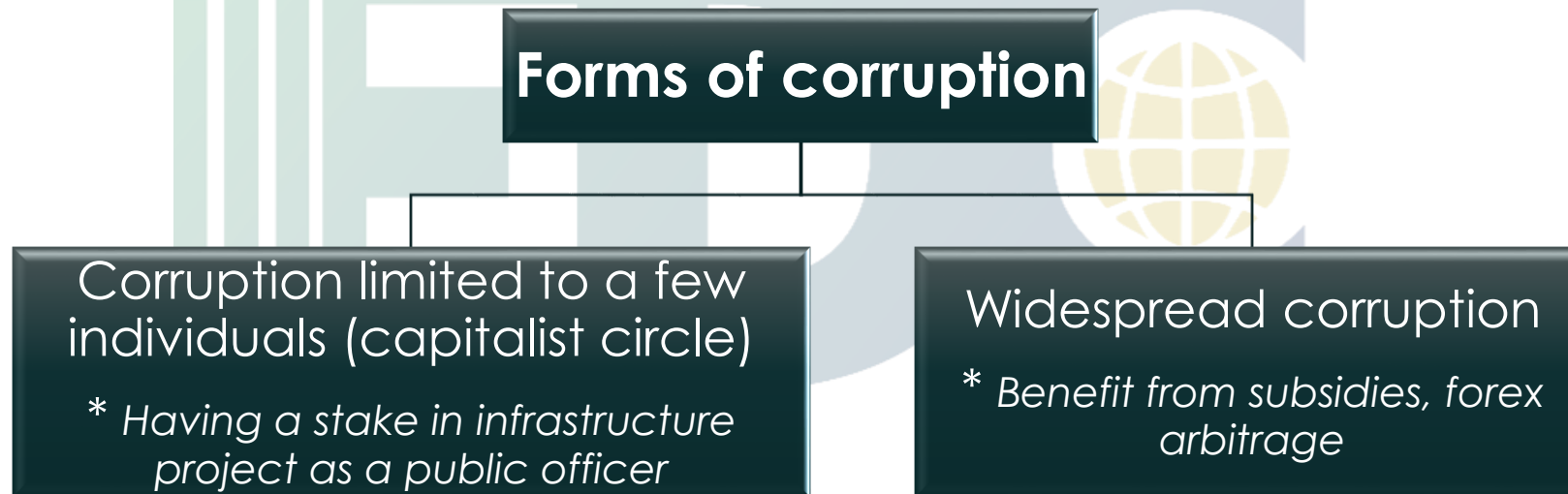
Erosion of
social values

Cynicism &
Apathy

Disintegration
of social fabric

SOCIAL ROT - DIMENSIONS OF CORRUPTION & EFFECTS

- **Moral Dimension:** Every act of corruption is unacceptable
- **Economic Dimension:** Different forms of corruption yield different results



- Economy likely to grow due to investment multiplier effect
- But only a small group gets to be extremely wealthy
- Severe damage to the economy
- Corruption at this level is not associated with investment

WHAT IS ECONOMIC DECADENCE?

- Decline in the economic performance and vitality of a society or nation
- Becomes a decay curve when sustained over time

Countries with economic decadence are usually characterized with:

Stagnant
economic
growth

High
unemployment

Low total
labour & factor
productivity

Spiraling
inflation

High income
inequality

IS ECONOMIC DECAY A CONSEQUENCE OF SOCIAL ROT?

- Countries with a high Gini coefficient usually end up in conflict and economic degradation

	Gini coefficient	Income per capita
South Africa	63	\$6,780
Mexico	45.4	\$10,410
Namibia	59.1	\$4,880
Columbia	54.2	\$6,510
Brazil	48.9	\$8,140

- Not always: Brazil has high income inequality but enjoys BRIC status
- South Africa is a different story - Liberation movement turned political party

FRAGILE, FAILING & FAILED STATE

- A state that has lost its ability to govern its populace
- Maintains legal sovereignty but experiences a breakdown in political power, law enforcement, and civil society
- Leading to a state of near-anarchy

Examples of failed states

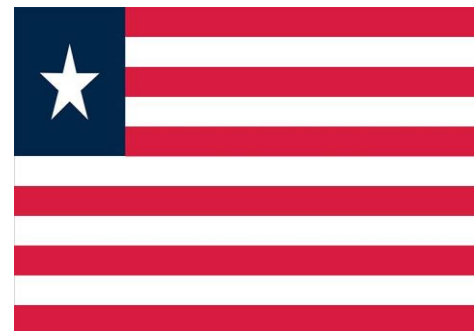
Afghanistan



Somalia



Liberia



Sudan



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**IS ECONOMIC DECAY A
CAUSE OR CONSEQUENCE
OF SOCIAL ROT?**



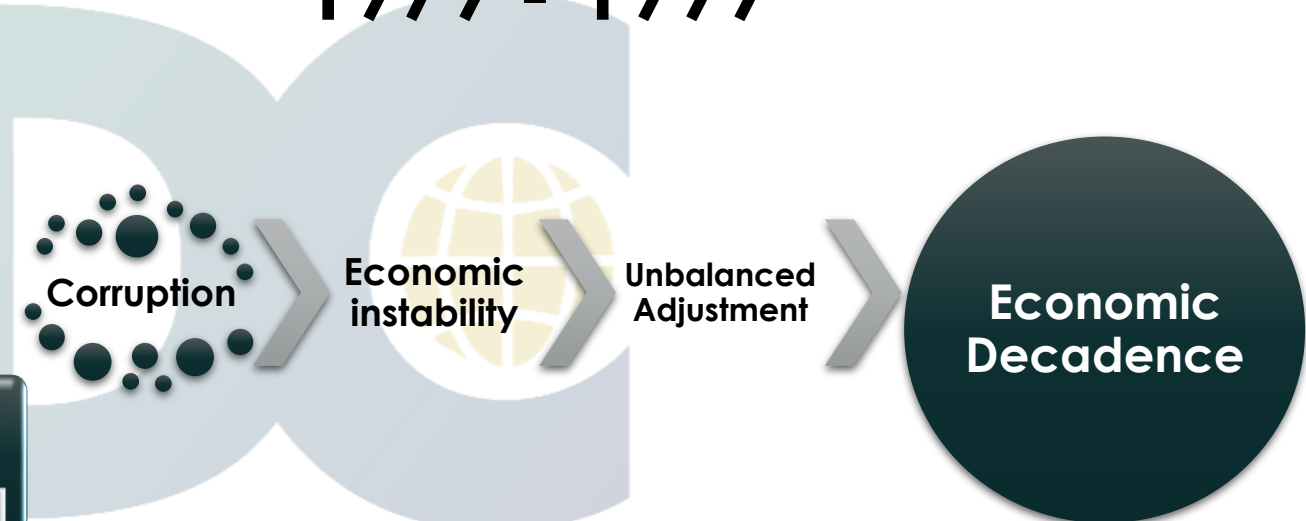
**THE NIGERIAN
EXPERIENCE**

HISTORY OF ECONOMIC & SOCIAL DECADENCE IN NIGERIA

1960 - 1979



1979 - 1999



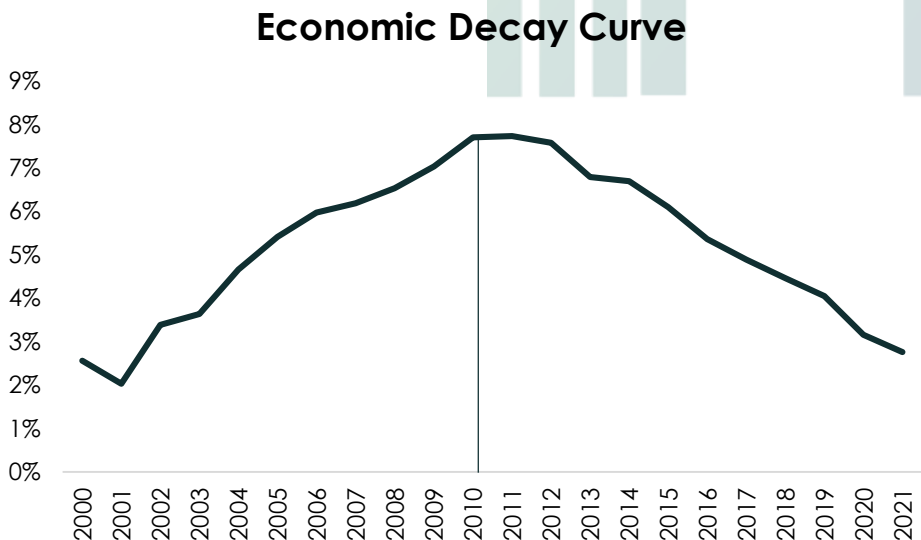
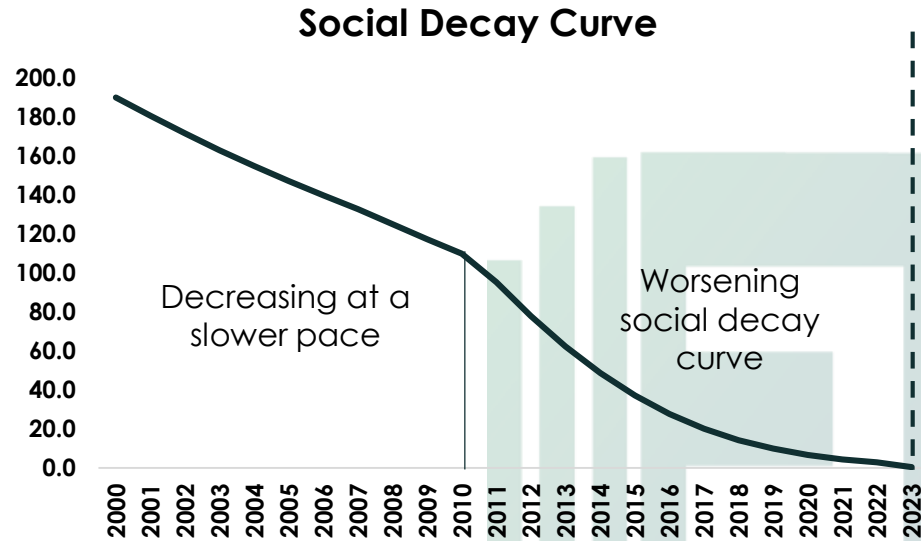
IS ECONOMIC DECAY A CONSEQUENCE OF SOCIAL ROT?

1999 - 2023



- Nigeria is more polarized now than ever
- Social decadence after the civil war was compounded by the corruption of the Second Republic
- Metamorphosed into economic decadence
- Currently, the country is suffering from both social and economic decadence

IS ECONOMIC DECAY A CONSEQUENCE OF SOCIAL ROT?



- Steep decline in social decadence led to economic malfunctioning
- Societal conflict and political arrangement not working
- Economic decadence was compounded by failure to address societal defects
- Leading to sustained period of economic decadence & the beginning of state capture

ECONOMIC – SOCIAL DECADENCE: COUNTRY COMPARISON

Country	Global Corruption Index Rank (L-H)	Per Capita Income (\$)	Global Crime Rate Rank (L-H)
Denmark	1 st	68,300	21 st
Finland	2 nd	53,510	22 nd
New Zealand	3 rd	45,230	40 th
Norway	4 th	83,880	39 th
Singapore	5 th	64,010	27 th
Nigeria	155 th	2,080	130 th
Chad	168 th	640	135 th
Burundi	171 st	220	55 th
Equatorial Guinea	172 nd	5,150	77 th

- Negative correlation between social decadence and economic outcomes
- Countries with high corruption index and crime rates have low per capita income
- Most of the countries with high level of social decadence are in Sub-Saharan Africa

RESOURCE NATIONALISM & MORAL BANKRUPTCY

- Resource nationalism is the counterfactual

Blood Diamonds in Liberia & Sierra Leone



Children Soldiers in Liberia & Sierra Leone



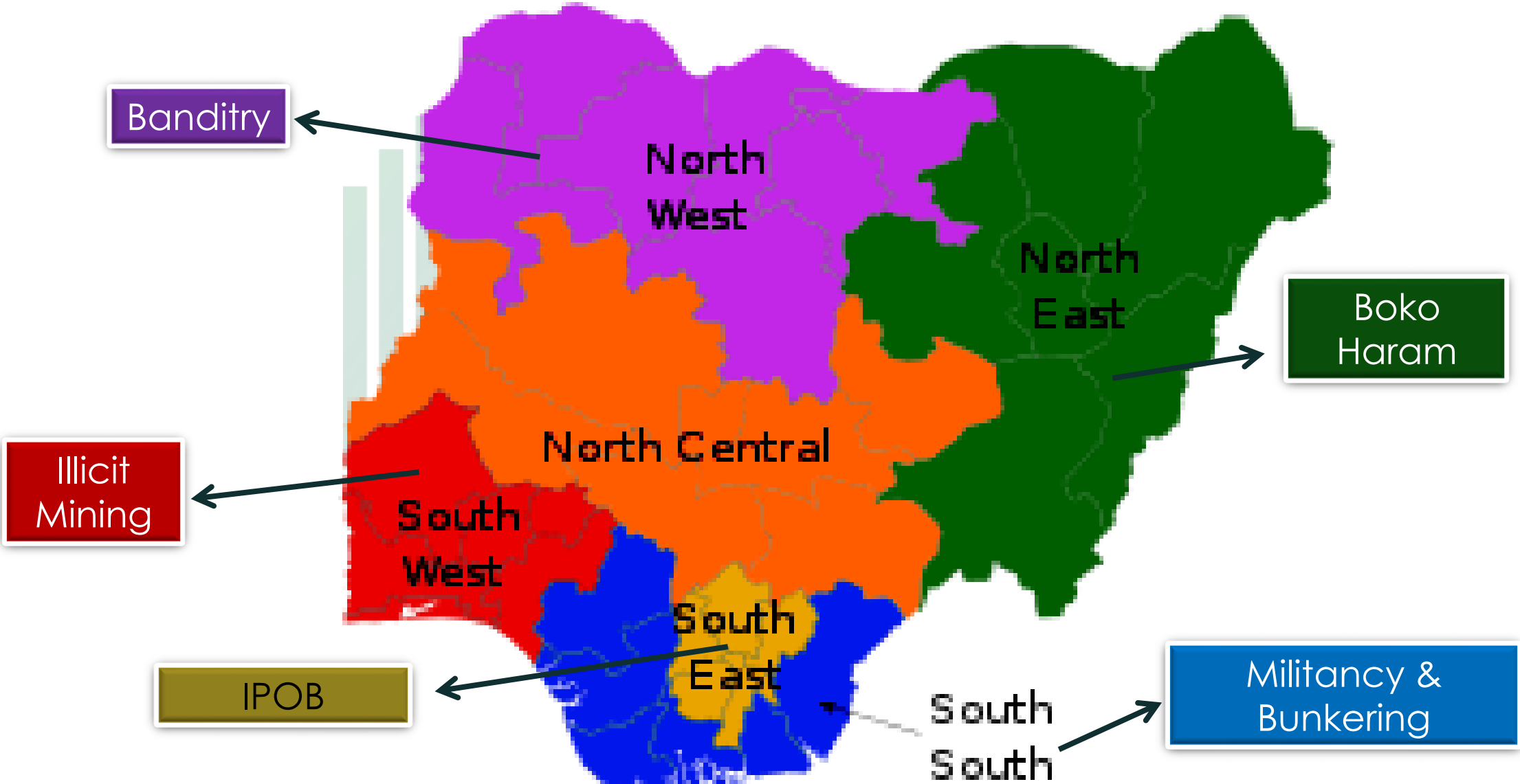
Illegal mining of precious metals in Ilesha & Zamfara



- Economic agents seize the natural resource for self interest because they loose confidence in the state



SOCIAL DECADENCY IN NIGERIA



NIGER DELTA CRISIS – LOSS OF CONFIDENCE



- 13.5% Derivation fund misappropriated
- Militants see bunkering as more rewarding
- A failing state in the Niger Delta

State	Unemployment (%)	Inflation (%)	Total Debt (N'bn)	Monthly FAAC (N'bn)
Akwa-Ibom	51	23.15	206.6	48.51
Bayelsa	36.7	24.7	140.0	33.30
Cross river	53.7	22.1	196.3	5.79
Delta	31.1	23.8	421.8	46.14
Edo	49.0	23.7	126.44	11.01
Rivers	41.6	25.0	225.51	40.38
National Average	33.3	22.4	148.1	11.01



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Plot 83 Ralph Shodeinde Street, CBD, Abuja.
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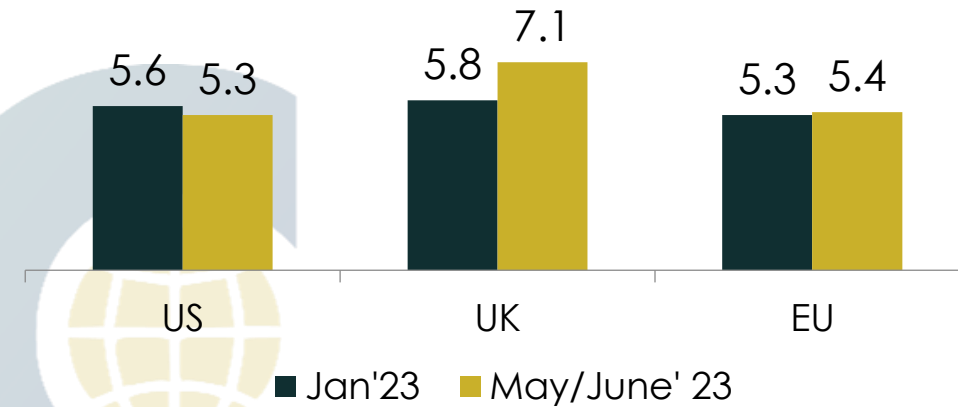


GLOBAL HIGHLIGHTS

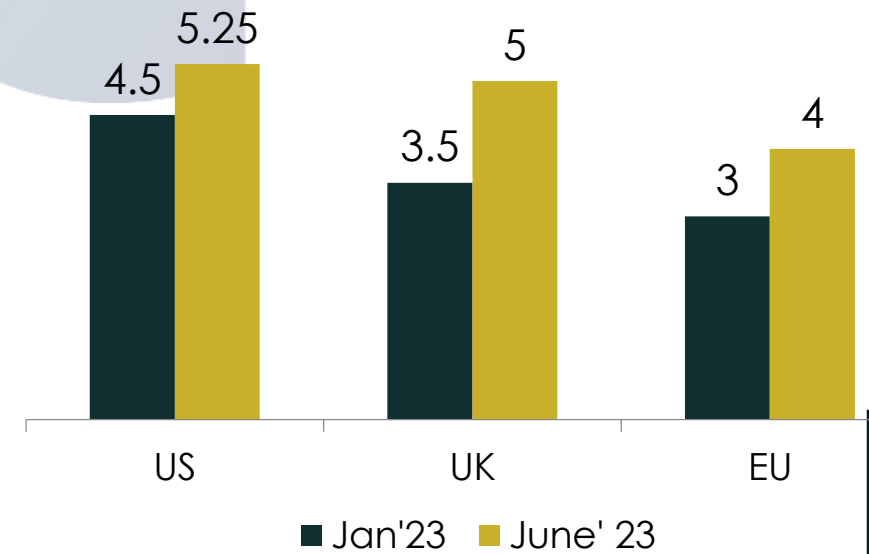
CORE INFLATION STILL A CONCERN TO CENTRAL BANKS

- Global inflation decelerating but core inflation remains sticky downwards
 - Core inflation is inflation less seasonalities
 - An inflation measure closely watched by central banks
- Wage growth & strong labour market boosting consumer demand
- Central banks to maintain hawkish monetary policy stance as core inflation remains high

Core Inflation



Benchmark Interest Rate



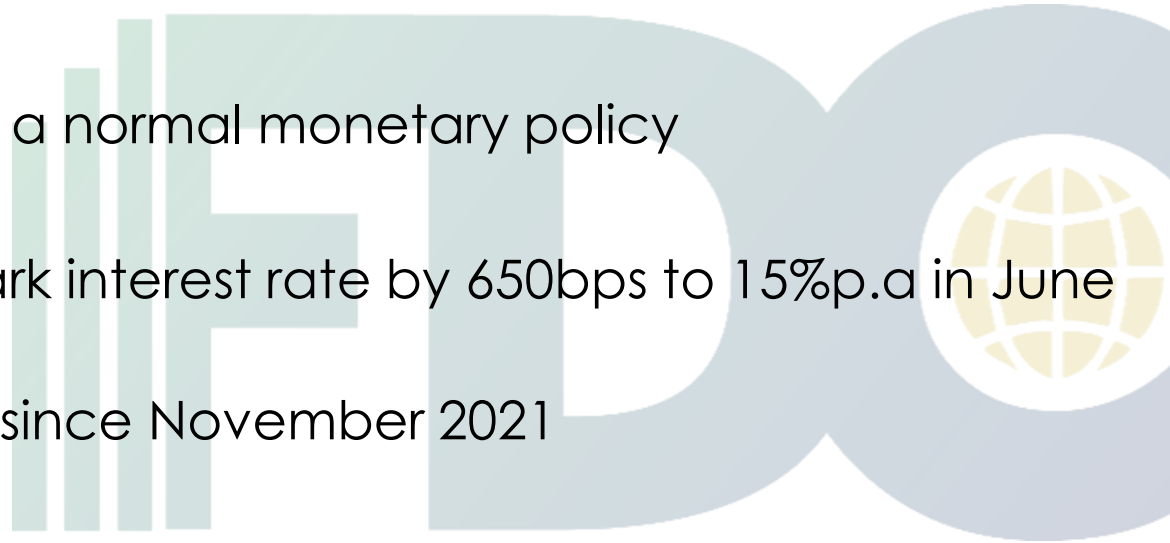


US ECONOMY GROWS FASTER THAN ESTIMATED IN Q1'23

- The US economy grew by 2% in Q1 '23 despite higher interest rates
 - Higher than market expectations of 1.4% and previous estimate of 1.23%
 - But 0.6% lower than Q4'22 growth rate of 2.6%
- Resilient labour market and consumer spending supporting growth momentum
- Against analysts' expectations of a possible recession at the beginning of the year
- S&P Global Market Intelligence revised Q2'23 GDP growth estimates upwards to 1.7% from 0.8%

TURKEY STOPS ECONOMIC UNORTHODOXY

- Turkey appoints a new Central Bank Governor – Mrs Hafize Gya
- Moves quickly to a normal monetary policy
- Raised benchmark interest rate by 650bps to 15%p.a in June
 - Highest level since November 2021
- Despite declining inflation
 - Inflation fell to 39.6% in May from 43.68%
- Began monetary tightening process to rein in inflation





SAUDI ARABIA & RUSSIA DEEPEN OIL CUTS

- Saudi Arabia to extend oil production cut (1mbpd) to August
 - Likely to be extended further in coming months
- Russian Deputy Prime Minister announced, shortly after, a cut of 500,000bpd in August
- Bringing total cuts to 5.16mbpd and 1.5% of global supply
- Algeria will also cut its oil output by 20,000bpd in August
- Brent crude rose by 0.6% to \$75.84pb immediately after the announcement of further output cuts
- But steadied at \$75pb despite a tighter oil market

MARKETS ARE BETTING ON LOWER OIL PRICES

- Saudi officials predict demand will outstrip production in H2'23
- Potentially restoring profits to oil producers
- However, oil markets are in contrast
 - Expect supply to outweigh demand
- Chinese growth has lost momentum
 - Second world largest consumer of oil
- Germany's economy is also showing signs of weakness
 - Accounts for 2.5% of global demand for oil





ECONOMY

**THE NIGERIAN
ECONOMY
TODAY**



ECONOMIC SNAPSHOT ANALYSIS

Variable	1986	1999	2023
GDP Growth (%)	0.061	0.58	2.31
Unemployment	5.31	3.99	35.5*
Inflation	5.72	6.62	22.41
Poverty	32.27	38.5	52.1
Debt/GDP Ratio	35.28	26.04	38.5
Fiscal deficit/GDP	-4.2	-5.2	-6.4
Industry's contribution to GDP (%)	60.3	35.1	20.55
Trade Balance (\$'bn)	1.33	20.1	5.1

- Previous reforms were taken when the economy faced a myriad of challenges
- Both in 1986 and 1999, the economy was in shambles
- Faced higher inflation, rising unemployment and high debt
- Currently, inflation is at a 17-year high
- And debt is at record-high



STRUCTURAL PROBLEMS ARE WELL DOCUMENTED

- Anemic growth and misallocation of resources
- Productivity hobbled by structural bottlenecks
- Economy characterized by crony capitalism and rent-seeking
- High cost of living as inflation spirals out of control
- Pushing 4 million Nigerians into poverty – *World Bank*
- Weak government finance and overwhelming debt burden
- Lack of transparency & accountability within institutions



REJECTION OF STATUS QUO AS DECAY CURVE DETERIORATES



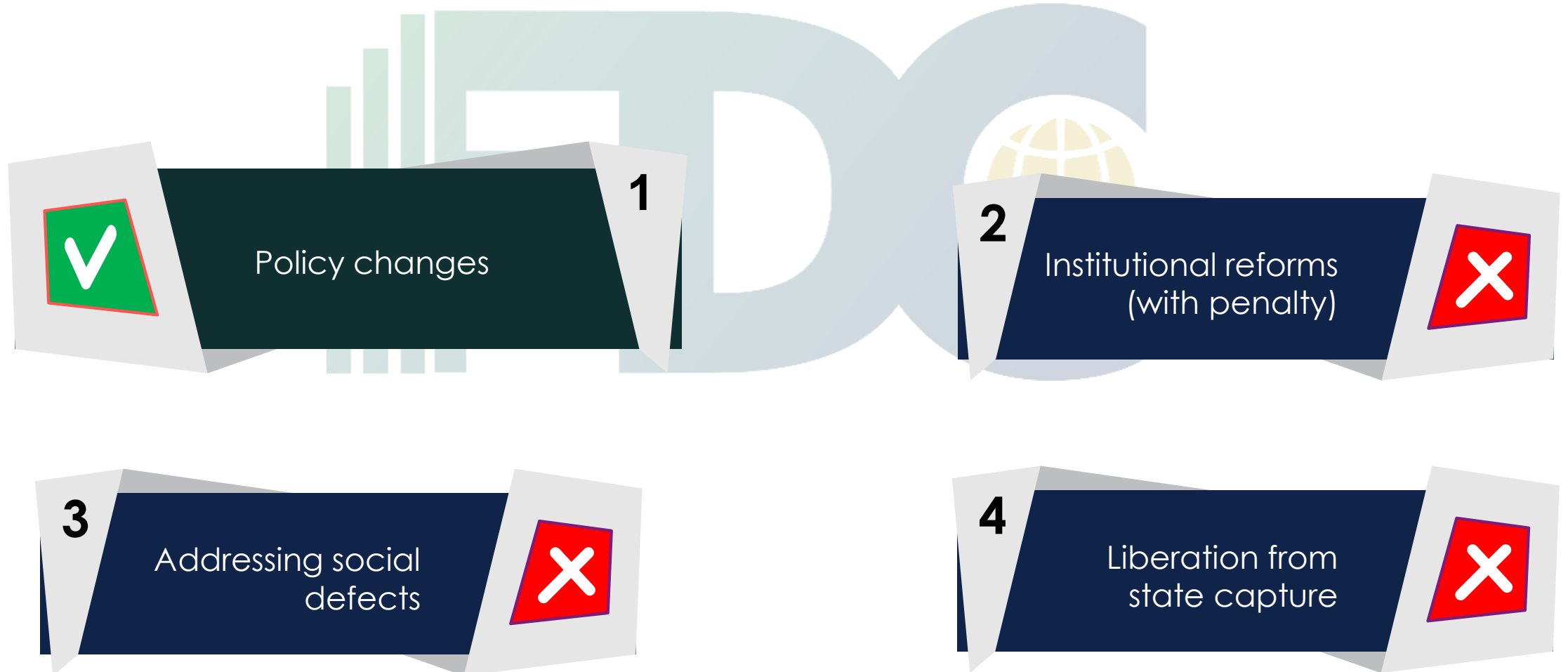
Accentuated
by



- Global revolution has reduced the level of information asymmetry – '**Discovery of truth**'
- In Nigeria, rejection of status quo started with education revolution (ASUU & student protest)
 - Decline in the quality of education
 - Misallocation of economic resources
- It was accentuated by social media (EndSARS)

AT WHAT POINT DO WE BREAK OUT OR TAKE-OFF?

- To change the current economic and social narratives, there is a need for





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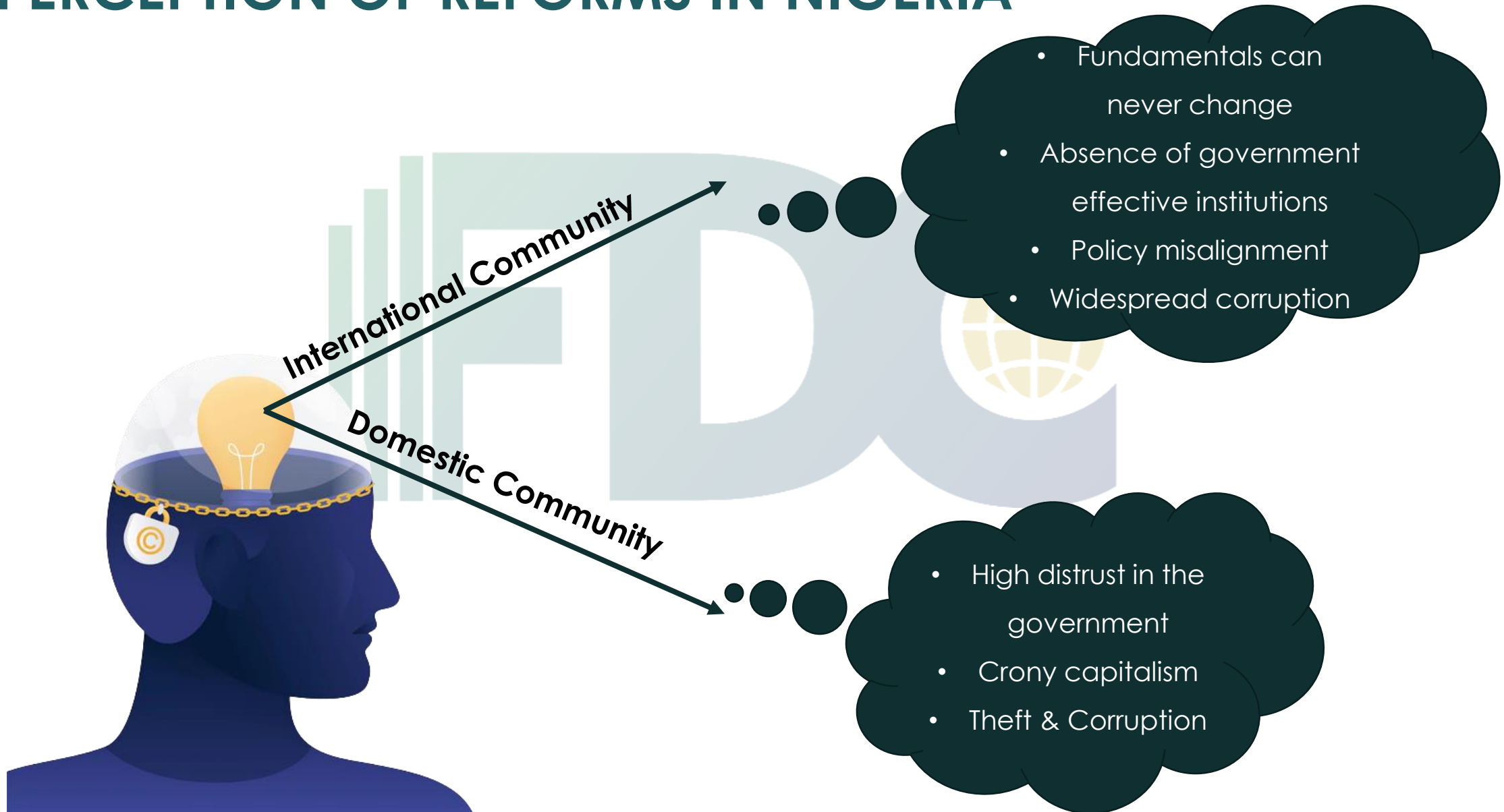
REFORM 3.0...
WHERE IS THE
BEEF?

WHAT IS REFORM?

- “Changing that which is the established order to something else with a view to making the society a better place”
- Reform is multi-dimensional
 - Religious, economic, education, political, policy, electoral, land, etc.



PERCEPTION OF REFORMS IN NIGERIA



TIMELINES OF REFORMS IN NIGERIA



Reform 1.0

Type of reform – Exchange rate

- Structural adjustment program (SAP)
- Introduced a second-tier foreign exchange market (SFEM)

• Policy change but social rot worsened



Reform 2.0

Type of reform – Economic, Fiscal, Electoral & Institutional reforms

- Partial privatization of state-owned companies (NITEL, NPA, NNSL, NEPA)
- Debt relief
- Establishment of INEC, EFCC, NHIS & ICPC
- Implementation of various agricultural & infrastructure programs



Reform 3.0

Type of reform – Economic, Policy Changes & Personnel Change

- PMS subsidy reduction
- Exchange rate unification
- Implementation of VAT on diesel

WHY WERE REFORMS NOT SUSTAINED?

01

Institutional weaknesses

02

Discontinuation of programs & policies by new administration

03

Lack of transparency & accountability

04

Resource mismanagement & corruption

05

Crony capitalism

COUNTRIES WHERE POLICY REFORMS FAILED

Argentina



Venezuela



Zimbabwe



**Democratic Republic
of Congo**



- Inability to address structural bottlenecks
- Poor implementation
- Inadequate planning
- External economic or geopolitical factors



**ARE
REFORMS
ENOUGH?**

ARE POLICY CHANGES ENOUGH?

- Policy changes are not enough
- There is a need for

Institutional
Reforms (with
penalty)

Addressing
Social
defects

Liberation
from state
capture

INSTITUTIONAL REFORM




- Reform of key institutions is crucial for the effective implementation of economic/policy reforms

Clear separation
of power
between policy
makers and
regulators

Institutional
autonomy - less
influence of the
politicians on
policy makers

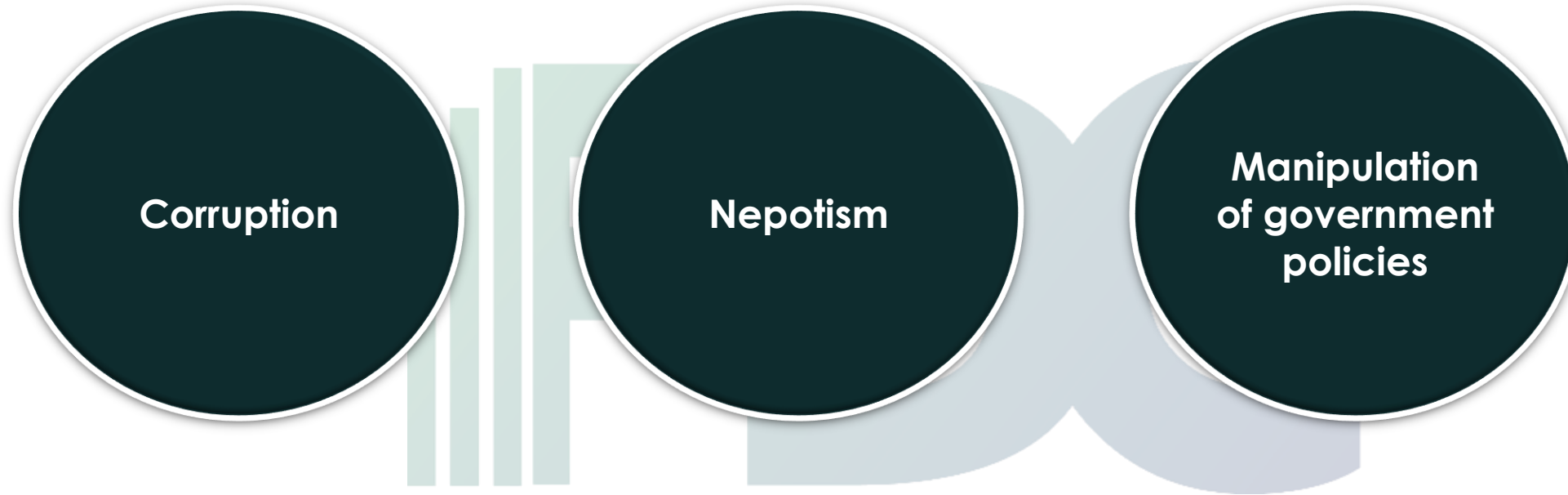
Penalties should
be greater than
benefits of
wrong doings

COUNTRIES WHERE INSTITUTIONAL REFORM HAVE TAKEN PLACE

Country	When?	How?	Outcome
 China	<ul style="list-style-type: none"> • 1998 • 2012 	<ul style="list-style-type: none"> • Definition of government core functions • Increase professionalism of judges • Impose strict penalties for environmental violation 	<ul style="list-style-type: none"> • Better accountability within the system • Improved transparency & citizens' access to information • High per capita income
 India	<ul style="list-style-type: none"> • 1950 - • 1960 • 1990 • 2005 	<ul style="list-style-type: none"> • E-governance initiatives • Decentralization of power • Digitalization of records • Simplification of administrative procedures & reduction of bureaucracy 	<ul style="list-style-type: none"> • Increased transparency & accountability • Reduced corruption and strengthening of democracy • Improved governance
 Singapore	<ul style="list-style-type: none"> • 1952 • 1988 • 2004 • 2006 • 2018 	<ul style="list-style-type: none"> • Establishment of a series of anti-corruption agencies and laws • Strict penalties for bribery, embezzlement, and other corrupt practices • Ensured integrity & professionalism in the public sector 	<ul style="list-style-type: none"> • Low levels of corruption • Clean & efficient bureaucracy • Strong deterrence against corruption • Increased public trust



STATE CAPTURE



- It ends in the manipulation of state apparatus for personal and individual benefits
- Diverting resources from common use to individual use
- 1% of the population enjoy 90% of national resources
- While 99% struggle for the remaining 10% of national resources

LIBERATION FROM STATE CAPTURE

- Reduction in policy manipulation and political influence
- Promotion of the rule of law and enhancement of transparency and accountability
- Fostering a culture of integrity
- Will create room for the implementation of policy and institutional reforms that are crucial to jumpstart the economy



LIBERATION FROM STATE CAPTURE - PORTER'S 5 FORCES

- Michael E. Porter identified five forces that help to determine the competitiveness of an industry
- He introduced the 6th force in 1990s – **'complementary products'**
- For developing economies, the five forces must be complemented with regime relationship
 - A firm that has political influence is more competitive





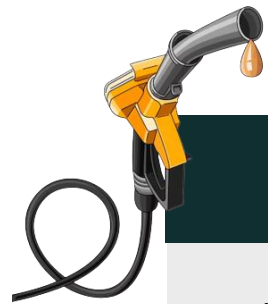
ECONOMY

**POLICY
REFORM &
IMPLICATIONS**

MAJOR POLICY PRONOUNCEMENTS



POLICY CHANGES - IMPACT (SHORT-TERM)



PMS subsidy reduction

- High inflation
- Low purchasing power
- Decline in aggregate demand
- Reduction in profit margin
- Unemployment



Exchange Rate Convergence

- Reduction in arbitrage activities
- Reduced transaction costs & currency risks
- Increased forex inflow through the official window



Increase in electricity tariff

- Increased supply of electricity & productivity
- Reduced consumption of fuel & diesel as electricity supply increases

POLICY CHANGES - IMPACT (MEDIUM TO LONG-TERM)

PMS subsidy reduction

- Increased competition and investment in the petroleum industry
- Higher government revenue

Exchange Rate Convergence

- Improved foreign investor confidence & investment flows
- Easy repatriation of dividends
- Higher growth rate & macroeconomic stability

Increase in electricity tariff

- Will support private investment in the power sector & increase productivity





EFFICIENT ALLOCATION OF RESOURCES IS CRUCIAL

- Policy change and the transfer of resources from consumers to government
- Circular flow of income is shunted, and the funds are stranded in state coffers
- Negative multiplier and leakages
- Spend the money before withdrawals helps the trust deficit
- The effect is FAAC spikes from N750.9bn to N1.5trn in one quarter
- The absorptive capacity and the transmission mechanism is weak
- Forex movement of rates without increased supply is a major problem



EFFICIENT ALLOCATION OF RESOURCES IS CRUCIAL

- Fiscal consolidation of power and the equitable distribution of spoils & patronage
- The carriage of perceived nepotism and state capture is palpable
- Better than the past is comparing failure with a race to the bottom
- Tinubu is rapidly making policy change but slow on institutional reform
- Too many allies are tainted
- How to navigate the waters to avoid hurting allies and building credibility
- The PR machine and spin doctors can only do so much

POSSIBLE SOCIAL EFFECT OF POLICY CHANGES



- Economic reforms must be accompanied with social safety nets
- And targeted support for vulnerable population
- To mitigate the negative social consequences that may erupt from policy changes

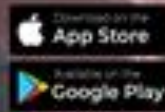


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STRUCTURE OF THE FOREX MARKET

CHANGE IN MARKET STRUCTURE WITHOUT INCREASE IN FOREX SUPPLY

- Change in market structure without alteration in forex supply will keep the market in disequilibrium



Purely imperfect market

- Rationing & restrictions
- Leading to deviation from the REER
- Financial osmosis between market A & B
- Regulatory arbitrage & self-serving practices



Perfectly competitive market

- Numerous buyers & sellers
- Homogenous product
- Easy entry & exit
- Perfect information
- Price discovery

PRICE DISCOVERY POINT



PPP: N685.64\$

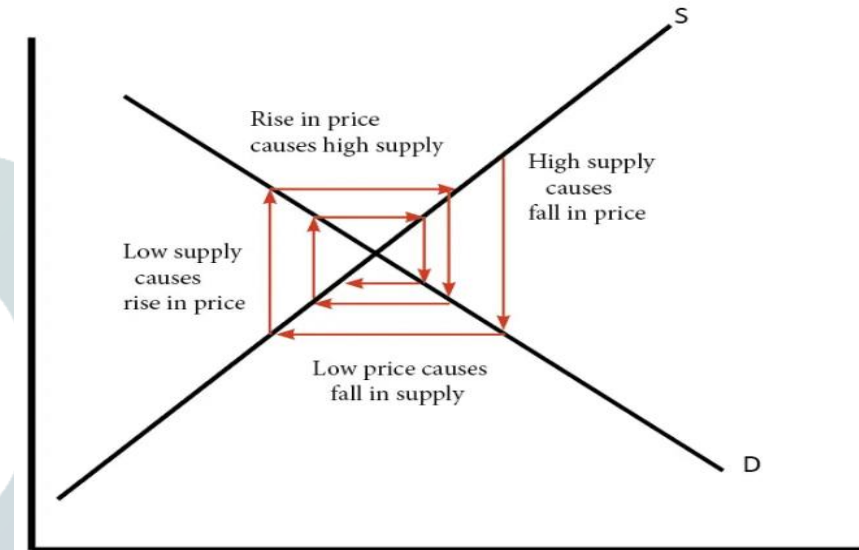
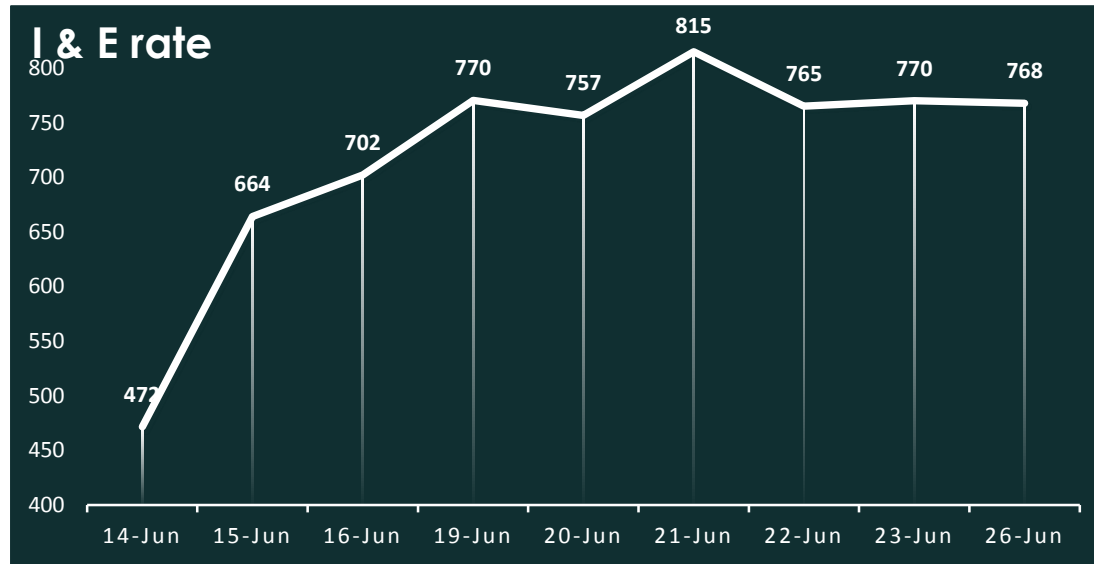


Hamburger Index:
N808.92



Parallel Market: N775/\$

WHAT NEXT? (COBWEB THEOREM)



- Price volatility is natural in a market that is in temporary disequilibrium
- Markets usually exaggerate prices
- However, the level of exaggeration shrinks as markets gradually move towards equilibrium
- Increase in the level of forex supply will reduce price swings

SOURCES OF FOREIGN EXCHANGE



Invisible flows

Invisible flows are a function of confidence



Net Exports

Export-oriented policies



Loans & Grants from multilateral & bilateral agencies (IMF, World Bank)

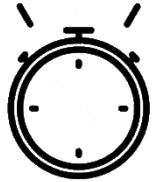
WHERE THE NAIRA IS LIKELY TO SETTLE?

Purchasing Power Parity			
	=N=	Jun-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)	25,000,000	24000.00	1041.67
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			685.64
Naira Price at IEFX			770.00
PPP (%)			
Decision: Naira is		Undervalued	-10.96%
Spot Rate (Parallel)			750

Outcome: Compared to IEFX rate of N462/\$1, the Naira is undervalued by 11%

- Naira is undervalued
- Naira is likely to settle at N680/\$ at the I & E window
 - JP Morgan – N600/\$
 - Big Mac – N808.92/\$
 - IATA rate – N630
 - BofA – N680/\$
 - PPP – N685.64

NEXT STEPS



Short-term

- Tighten monetary conditions
- Eliminate forex restrictions (Ban on 43 items on the I & E window)
- Move effective interest rates towards the rate of inflation

Long-term



- Export-oriented policies
- Elimination of structural bottlenecks that constrain production & export activities

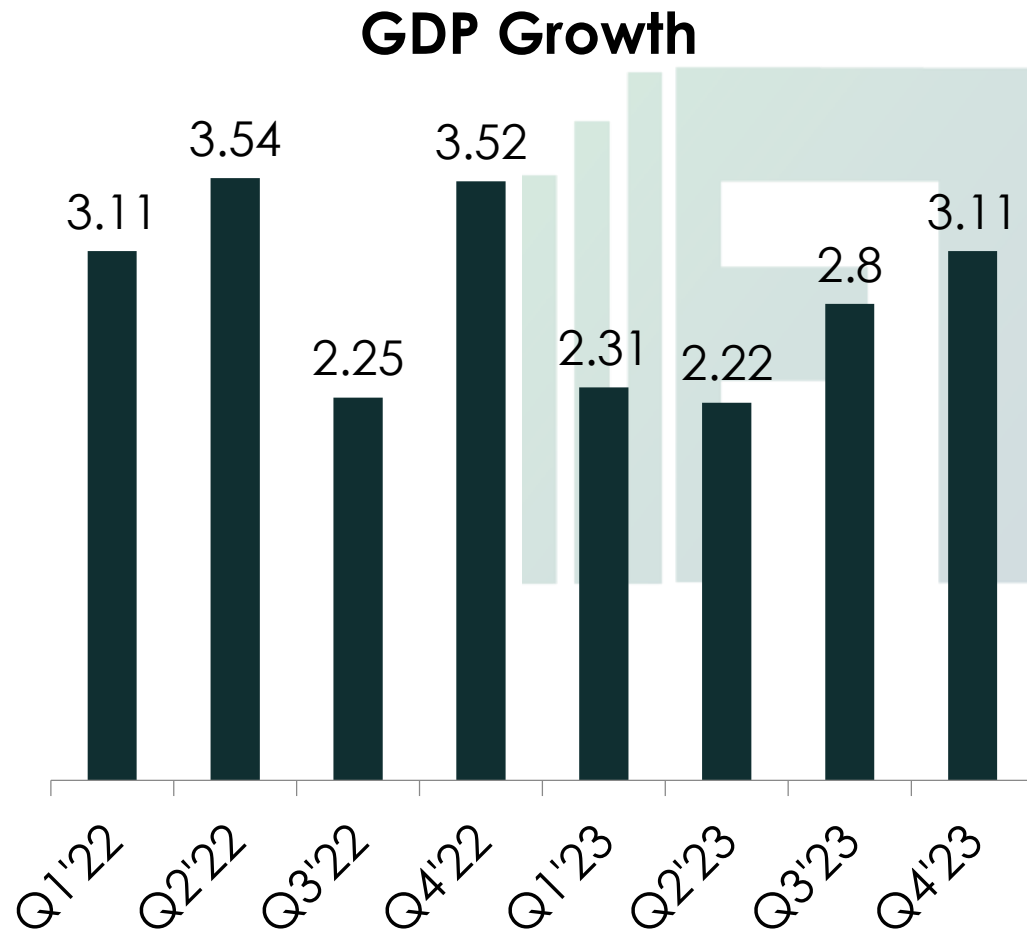


ECONOMY

MACROECONOMIC OUTLOOK

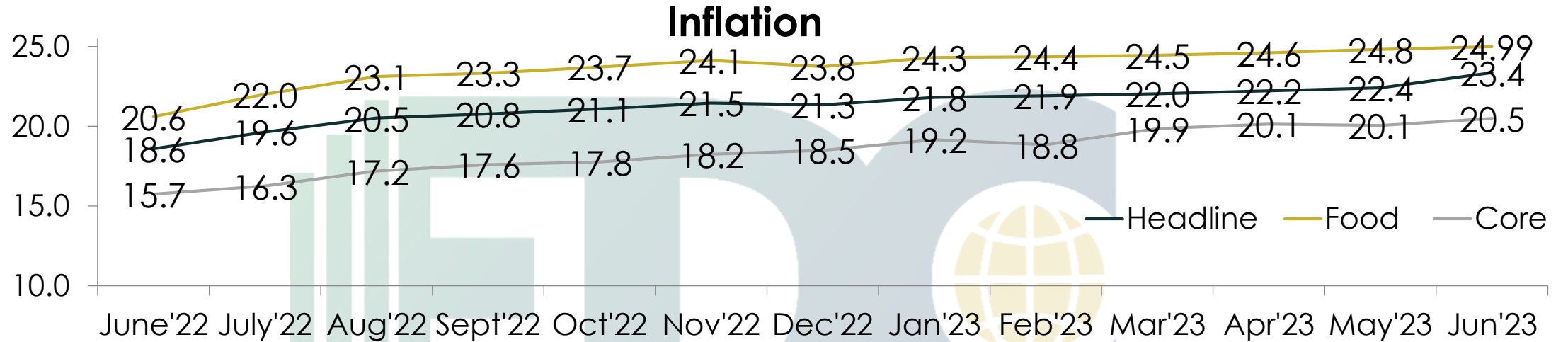


GDP GROWTH



- GDP growth estimated to slow further to 2.22% in Q2'22 due to:
 - Weak investment & political uncertainty
 - Low aggregate demand due to high inflation
- Increased investment and policy reforms to drive GDP growth upwards in H2'23

INFLATION

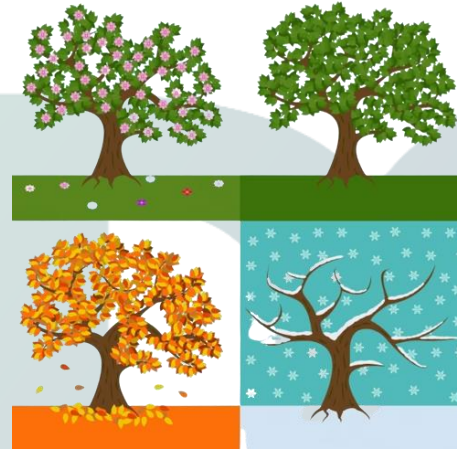


- Headline inflation to jump to 23.36% in June 2023
 - Up from 22.41% in May
 - Monthly inflation to increase to 2.18% from 1.94% in May
- Primarily due to surge in transportation & logistics costs
- Following the increase in PMS price
- Year-end inflation projected at 22.9%

INFLATION DRIVERS



High logistics & transportation costs



Seasonality



Money supply growth (y-o-y – 15% to N55.8trn in May)



Soaring energy costs



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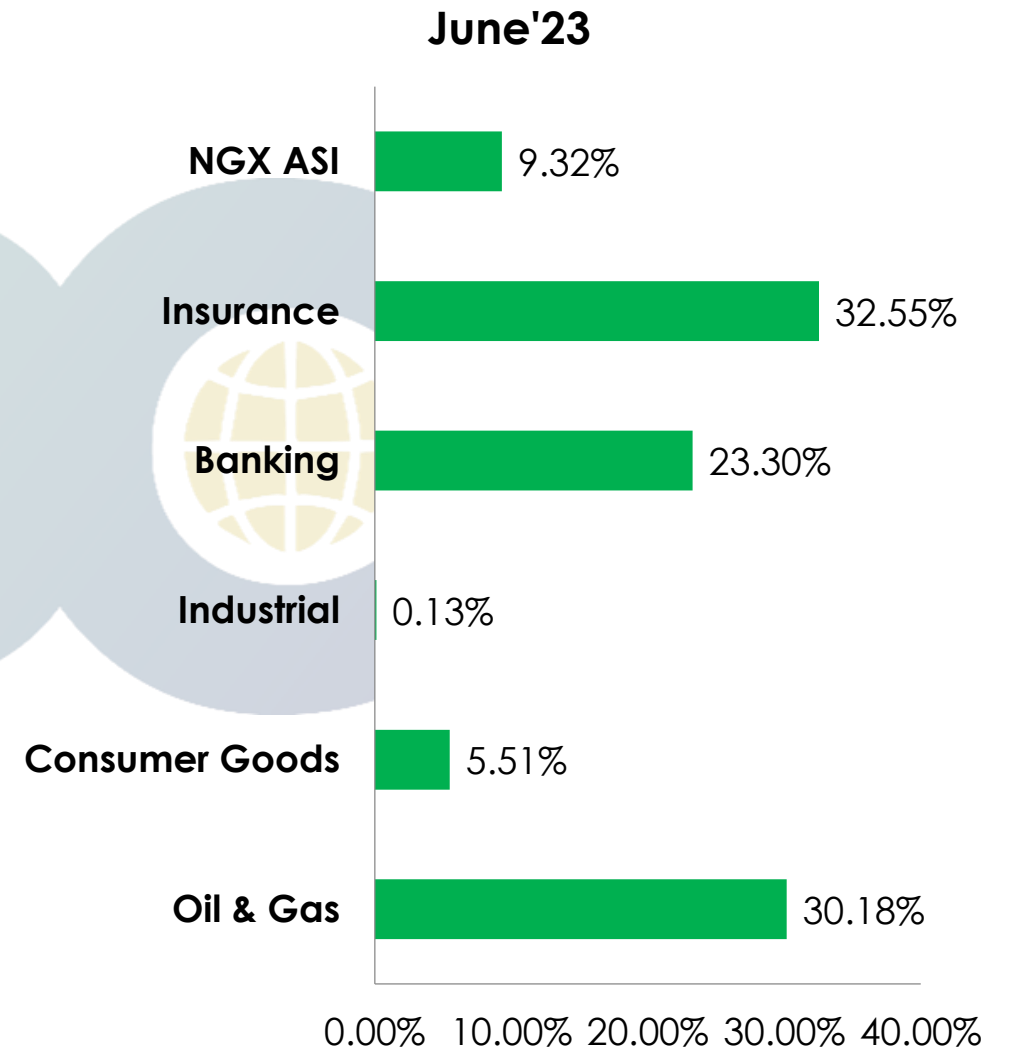
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POLICY PRONOUNCEMENTS & IMPACT ON STOCK MARKET

NGX PERFORMANCE

- NGX gains 6.42% in June 2023
- All indices in the green territory
- Favorable economic policies wets investor appetite for Nigerian equities
- Apex bank's policy on FX trading strengthened investor sentiment for banking stocks
- Oil subsidy removal sustains investors optimism for oil and gas downstream stocks



BANKING SECTOR OUTLOOK- Q3'2023

Gross Earnings

- Increased top line performance but Fintechs to compete with market share
- Increased yields on investment securities
- Robust loan portfolio
- Increased interest on loan & advances

Net Income

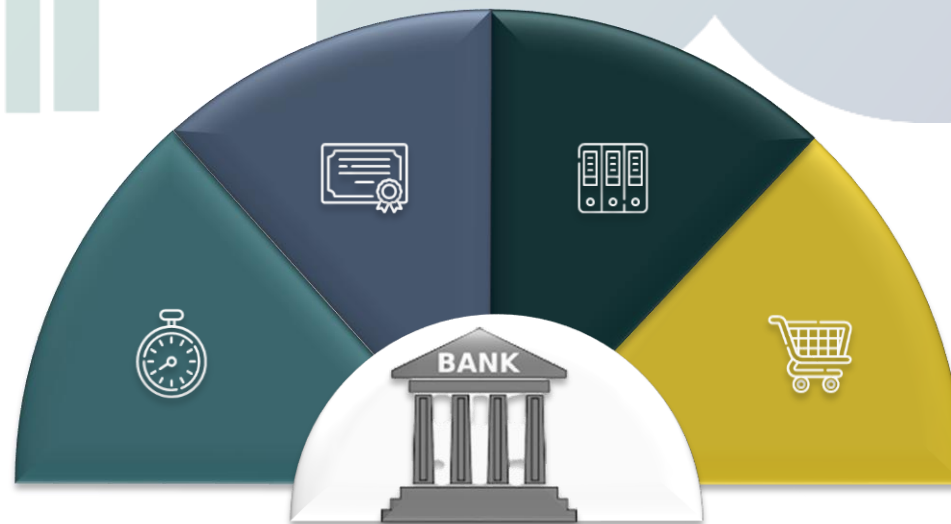
- High operating expenses due to high inflation weighing on bottom line performance
- To be offset by strong revenue growth

Capital Adequacy Ratio

- Robust capital position will encourage banks' continuous expansion

Non-performing loan

- Moderation in non-performing loans due to weighty exposure to the oil and gas sector
- Will be offset by inflationary pressures and hike in borrowing cost



POLICY REFORMS AND IMPACT ON CORPORATES

Banking Sector



Fuel subsidy removal

- Low consumer purchasing power to reduce individual deposit portfolio
- Robust loan portfolio for banks with high exposure to the oil & gas downstream
 - High operating cost

Exchange rate unification

- High forex risk for banks with large Eurobonds
- Banks to benefit from increased foreign capital inflows

Hike in electricity tariffs

- Heightened cost of operations will weigh on margins and net income

Impact on financial performance

- Double-digit revenue growth fueled by high interest rate on investment securities
- Increased demand for digital services
- High operating costs to shrink margins
- Share price to improve in the short term on renewed investor sentiment

POLICY REFORMS AND IMPACT ON CORPORATES

Telecom Sector

Fuel subsidy removal

- Businesses likely to transition to hybrid & remote working conditions due to high operating cost
- Will increase demand for telco services

Hike in electricity tariffs

- High operating costs to weigh on profit margins & net income

Impact on financial performance

- Impressive top line performance
- Reduced margins due to high inflationary pressures
- Share price appreciation fostered by foreign portfolio participation and interest

Exchange rate unification

- Easy access to FX to fund capital expenditure



POLICY REFORMS AND IMPACT ON CORPORATES

FMCG Sector

Fuel subsidy removal

- Positive top line performance supported by price increase despite squeezed consumer wallet
- Will offset impact of slowdown in demand

Hike in electricity tariffs

- Increase in utility bill to stoke operating costs

Impact on financial performance

- Reduction in profit margin supported by high inflationary pressures
- Choppy share price performance due to speculative trading activities

Exchange rate unification

- Improved access to FX to reduce transaction cost
- Low currency risk due to reduced arbitrage activities
- Higher export value



POLICY REFORMS AND IMPACT ON CORPORATES

Oil & Gas Sector



Fuel subsidy removal

- High private investment in the oil & gas space
 - Increased revenue for oil & gas industries due to improved market price of PMS
- Lower demand for PMS as consumers seek for alternatives

Exchange rate unification

- Will push up cost of refined petroleum imports

Impact on financial performance

- Blockbuster top line performances
- Short term renewed demand for oil and gas stocks will push share price up



STOCK MARKET OUTLOOK- JULY 2023

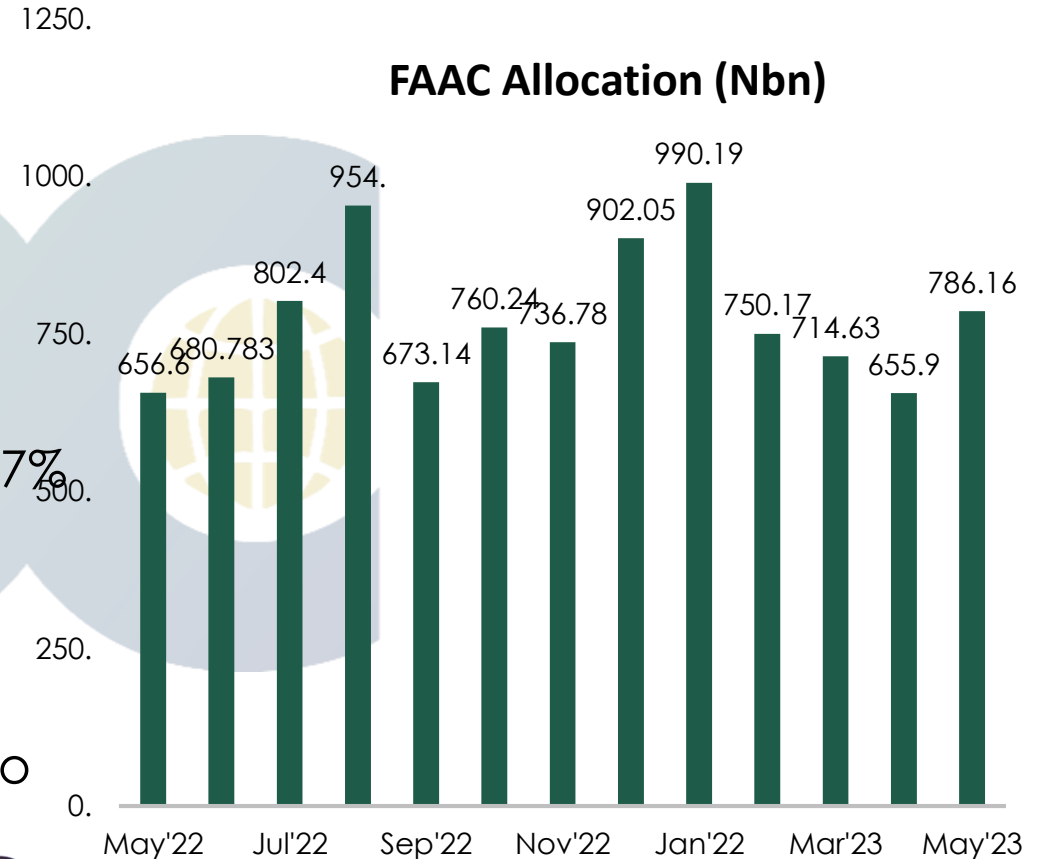
- NGX will experience a blend of gains and losses
- Strict economic policies will attract foreign inflows to the equities market
- Improved equity market liquidity through revived foreign portfolio participation
- NGX expected to shed some gains via profit taking activities from speculative investors
- A further hike in interest rate at the next MPC meeting could push investors back to high yielding securities
- Dwindling consumer purchasing power will taper earnings and share price valuations
- Squeezed consumer wallet will discourage savings and investment culture



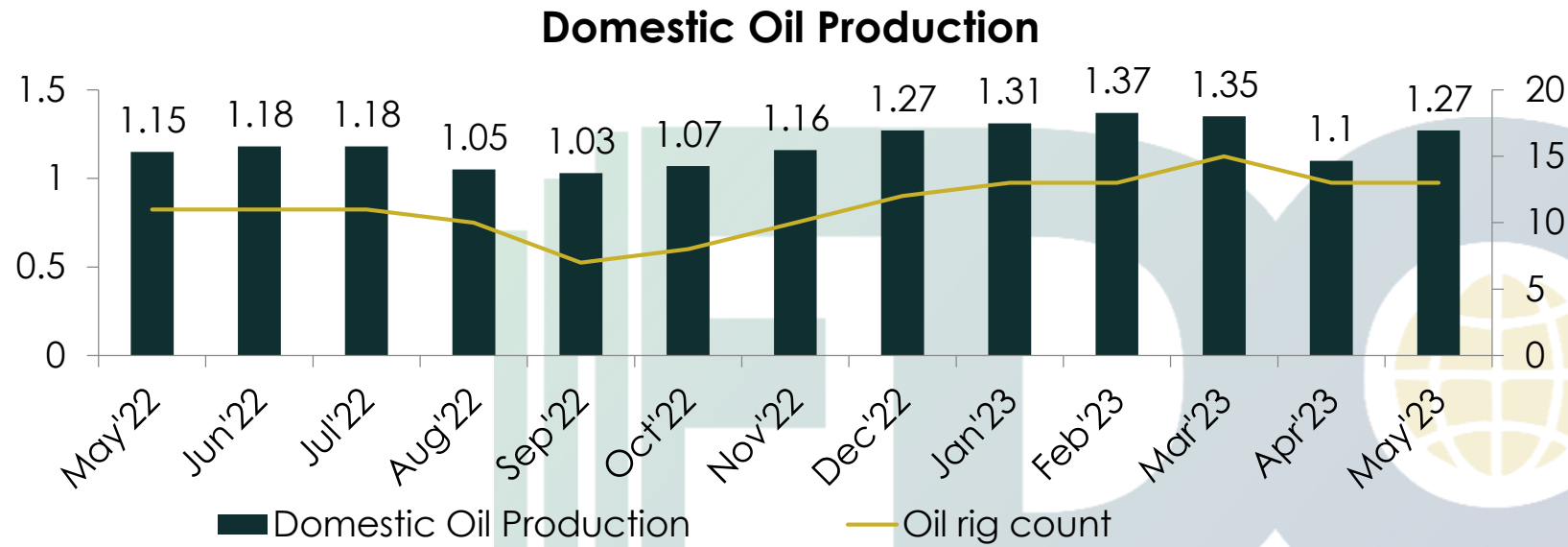
MARKET PROXIES

FAAC DISBURSEMENTS TO INCREASE

- Total FAAC disbursements increased by 19.86% to N786.16bn in May'23
 - From N655.9bn in April'23
- Partly due to increase in statutory revenue by 41.07%
- Excess crude account balance stood at \$473,754
- Exchange rate unification and subsidy reduction to boost FAAC disbursement in June 2023



DOMESTIC OIL PRODUCTION



- Domestic oil production increased by 15% to 1.27mbpd in May
- Supported by the resumption of oil production & exports in ExxonMobil
 - ExxonMobil declared force majeure in April due to strike actions by staff members
- Oil production to increase further as Federal government clamps down on oil theft

SHIPS AWAITING BERTH

- Ships awaiting berth rose to 12 vessels in Jun'23 from 11 vessels in May'23
- The increase is due to heightened activities in Nigeria's busiest ports of Tin-Can and Apapa
- During the period, the ports announced the arrivals of the biggest vessels to ever call at their port terminals
- Onne and Calabar ports remain underutilized

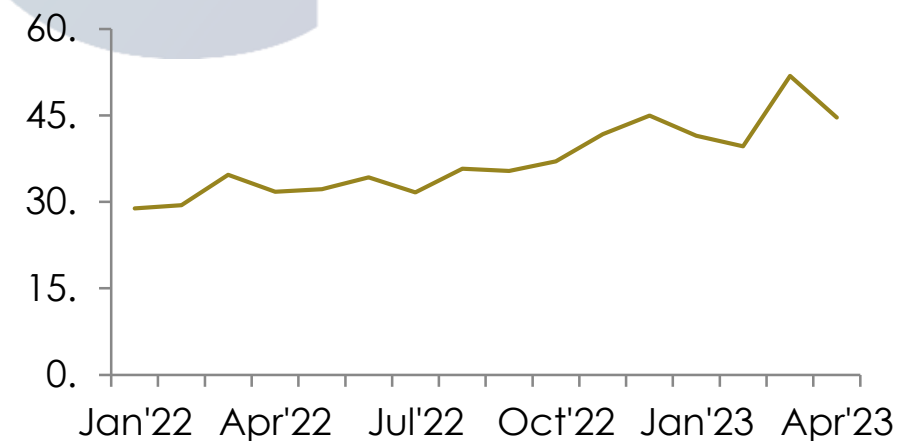
Ships Awaiting Berth	Feb'23	Mar'23	Apr'23	May'23	Jun'23
Apapa	2	7	2	4	7
Tincan	3	0	1	3	2
Rivers	0	3	2	2	2
Calabar	0	3	0	0	0
Warri	3	6	3	2	1
Onne	0	0	0	0	0
Total	8	19	8	11	12

VALUE OF TRANSACTIONS

- Total value of transactions across the e-payment channels declined by 1.9% to N48.64trn in June
 - Compared to N49.58trn recorded in May
- Partly due to the decline in consumer demand and spending as inflation bites hard
- Value of transactions likely to decline further in July due to exchange rate swings

Channels	May'23 (N'bn)	Jun'23 (N'bn)	% Change
Cheques	316.01	289.61	-8.35
POS	1,036.00	943.38	-8.94
NIP	45,964.45	45,307.68	-1.43
NEFT	2,267.07	2,098.82	-7.42
Total	49,583.53	48,639.48	-1.90

Value of Transactions (N'trn)





TRAVEL & TOURISM

AFRICAN AIRLINES RECOVERING STEADILY - IATA

- African airlines have experienced a swift

recovery in 2023

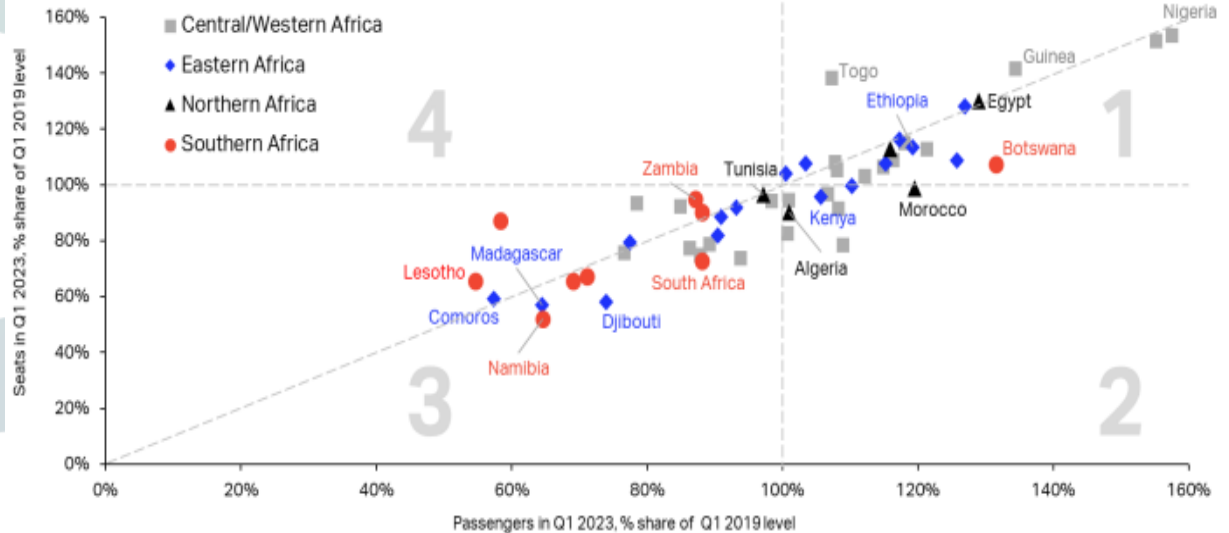
- Revenue passenger kilometers (RPKs) are only 9.4% below their 2019 levels

- However, the region continues to grapple

with structural, financial and economic

barriers that dampen air travel demand

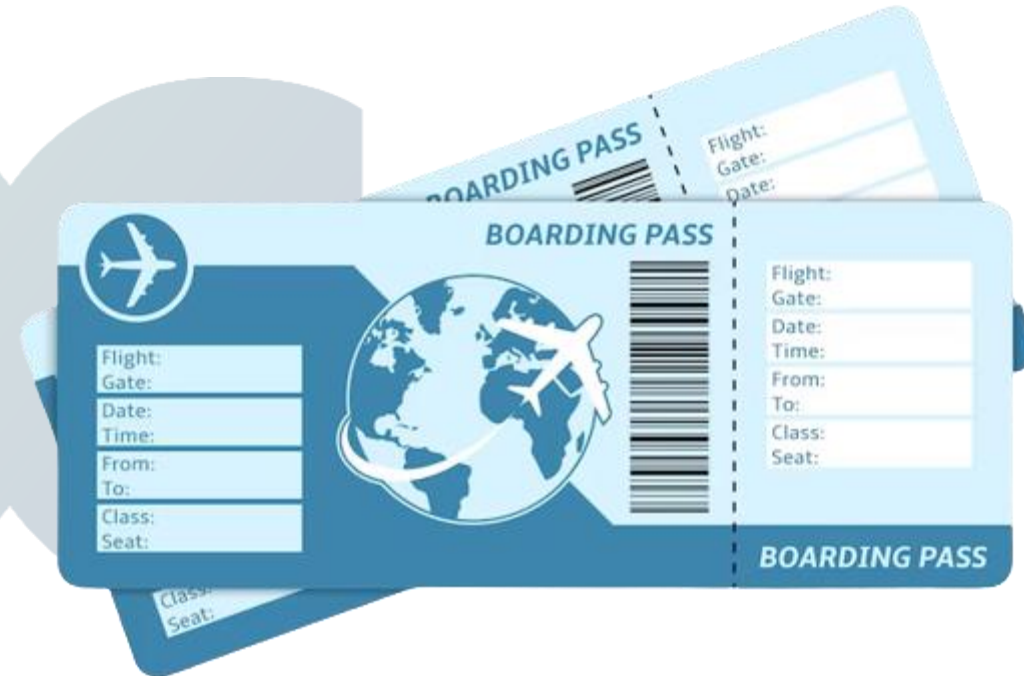
Air passenger traffic and capacity recovery in Africa



Source: IATA Sustainability and Economics, using data from DDS and OAG

AIRFARES SPIKES AS CBN FLOATS THE NAIRA

- The decision by the CBN to float the naira has led to a spike in airfares
- The average British Airways Lagos-London-Lagos now costs about N2.2m
- Many Nigerians have suspended their travel plans to Europe and to the United States



DOMESTIC TRAVEL UPDATE

- Domestic airlines recorded a total of 2,791,591 passenger traffic in the first quarter of 2023
- This included 1,391,560 inbound passengers and 1,400,031 outbound passengers
- There were 18,288 domestic flights between January to March 2023.
- There were 10,128 delays, 284 cancelled flights and 28 air returns



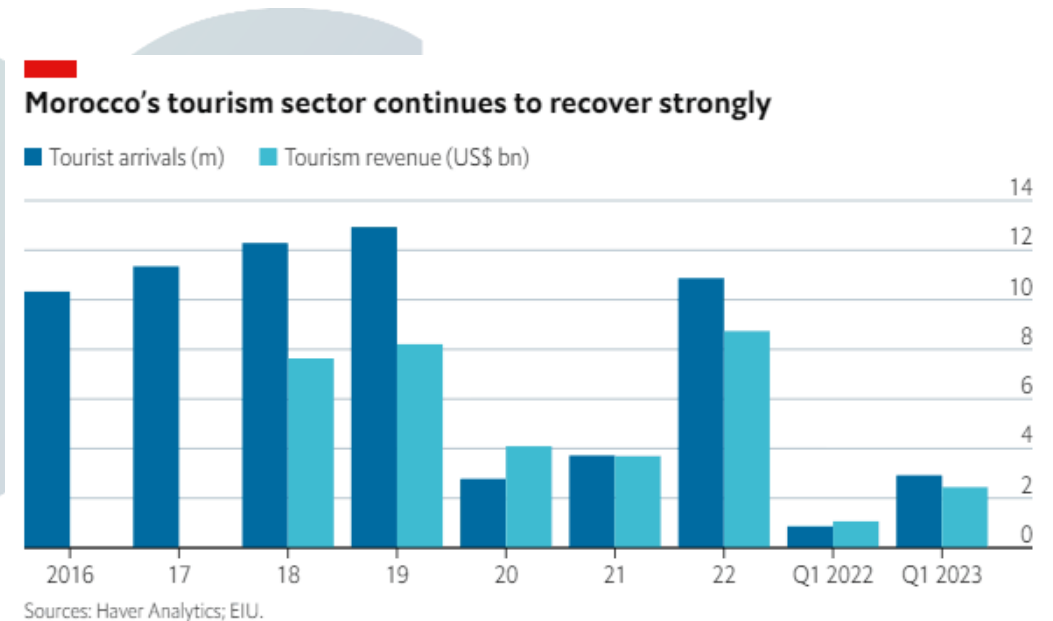
TRAVEL & TOURISM

- Edo State sets up tourism promotion agency
- Ethiopian Airlines passes new milestone at Skytrax Awards
- Tinubu renames 15 airports after Buhari, Usman, Awolowo, others
- With only six airline occupants, \$100m MMIA terminal still underutilized



TRAVEL & TOURISM

- Morocco's national carrier (**Royal Air Maroc**) to expand fleet as tourism surges
- Visitor arrivals reached a record 4m in January-April of this year
- Tourism revenue in January-April also surged, to US\$3.2bn, 40% higher than pre-pandemic, and more than double the US\$1.5bn recorded in January-April 2022



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POLITICAL UPDATE

TURKEYS DON'T VOTE FOR CHRISTMAS – THE POLITICAL ROAD AHEAD

- Consolidate power and position your boys for the battle to come
- Pursue policies that are business friendly and endears you to the International Financial Community
- Engage the Washington Consensus and Multilaterals
- As they say “the way to London is through Washington and Paris”



- Reform the institutions and block leakages



THE STRATEGY IS A WIN-WIN FORMULA

- If the tribunals rule against you
- You have distanced yourself from the stained Buhari team
- The bar was so low or disappeared that anyone could beat the abysmal record
- In an interim government you have changed all the players and they will pledge their loyalty to you



THE ELECTORATES ARE FATIGUED

- Naira redesign hemorrhage took a toll on GDP
- Petrol price squeeze **(- \$10bn from consumers)**
- Forex adjustment and Marginal Propensity to Import (MPI) : **0.29**
- Exchange rate pass through into domestic price level : **0.83**



THE STRATEGY IS A WIN-WIN FORMULA

- The tribal fault lines and drums of crisis are getting louder
- The whispering campaign of nepotism of the South West is gaining ground
- The most qualified for the jobs are mainly from the South West or South East
- The resentment against these two groups is growing
- The cabinet selection will need to be based on

Competence

Integrity

Independent
Thinking

THE STRATEGY IS A WIN-WIN FORMULA

- A dictatorship of the Oligarchs is the worst possible outcome
- It will only entrench the special interests
- The Presidential election tribunals are likely to reach a verdict in July/August
- The cabinet is likely to be a mixed bag of a few technocrats & political allies
- A philosophy of my enemies' enemy is my friend will be manifest
- After the political sound bite, not much will change in the area of institutional reform during the honeymoon period



JULY OUTLOOK



JULY/AUGUST OUTLOOK

- Headline inflation likely to accelerate to 23.3%
- The Naira will trade horizontally at N775/\$ – N790/\$, GBP: N1,010 - N1,020
- The activity level at the I&E window will increase by an average of 20% from June levels
- Airline remittances will commence but backlog of over \$800mn will linger
- Domestic interest rates will inch upwards by 300-400 basis points

JULY/AUGUST OUTLOOK

- FAAC allocation will rise towards N1 trn in July/August
- Supplementary budget will be presented to the NASS in August
- The MPC will maintain status quo as it watches the exchange rate stabilize
- The stock market will give back some of its gains as Q1 results show the effect of the Naira cash crunch



CORPORATE HUMOUR

One today is worth two tomorrows.

– **Benjamin Franklin**



Never put off until tomorrow what you can do today, because if you enjoy it today,
you can do it again tomorrow.

– **Anonymous**

Whatever with the past has gone, the best is always yet to come

– **Anonymous**



CORPORATE HUMOUR

The past is never completely lost however extensive the devastation, your sorrows are the bricks and mortar of a magnificent temple. What you are today and what you will be tomorrow are because of what you have been.

– Gordon Wright



Growth begins when we start to accept our own weakness.

– Jean Vanier

Striving for excellence motivates you, striving for perfection is demoralizing

– Anonymous



CORPORATE HUMOUR

I long to accomplish a great and noble task, but it is my chief duty to accomplish small tasks as if they were great & noble.

– Helen Keller



Doing what is right is no guarantee against misfortune.

– William Mcfee

You risk as much as being credulous as in being suspicious

– Denis Diderot



CORPORATE HUMOUR

It is better to die on your feet than to live on your knees

– *Dolores Ibárruri*



All great reforms require one to dare a lot to win a little.

– *William*

You can't expect to hit the jackpot if you don't put a few nickels in the machine.

– *Flip Wilson*



CORPORATE HUMOUR

Success is always achieved by those who don't know that failure is inevitable.
– **Coco Chanel**



Truth can be outraged by silence quite as cruelly as by speech.
– **Amelia Barr**

A hard beginning makes a good ending.
– **John Heywood**



CORPORATE HUMOUR

At first people refuse to believe that a strange new thing can be done, then they begin to hope it can be done – then they see it can be done – then it is done and all the world wonders why it was not done centuries ago.

– **France Burnett**



Every artist was first an amateur.

– **Anonymous**

Skills are fine and genius is splendid, but the right contacts are more valuable than either.

– **Archibald McIndoe**



**THANK
YOU**

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