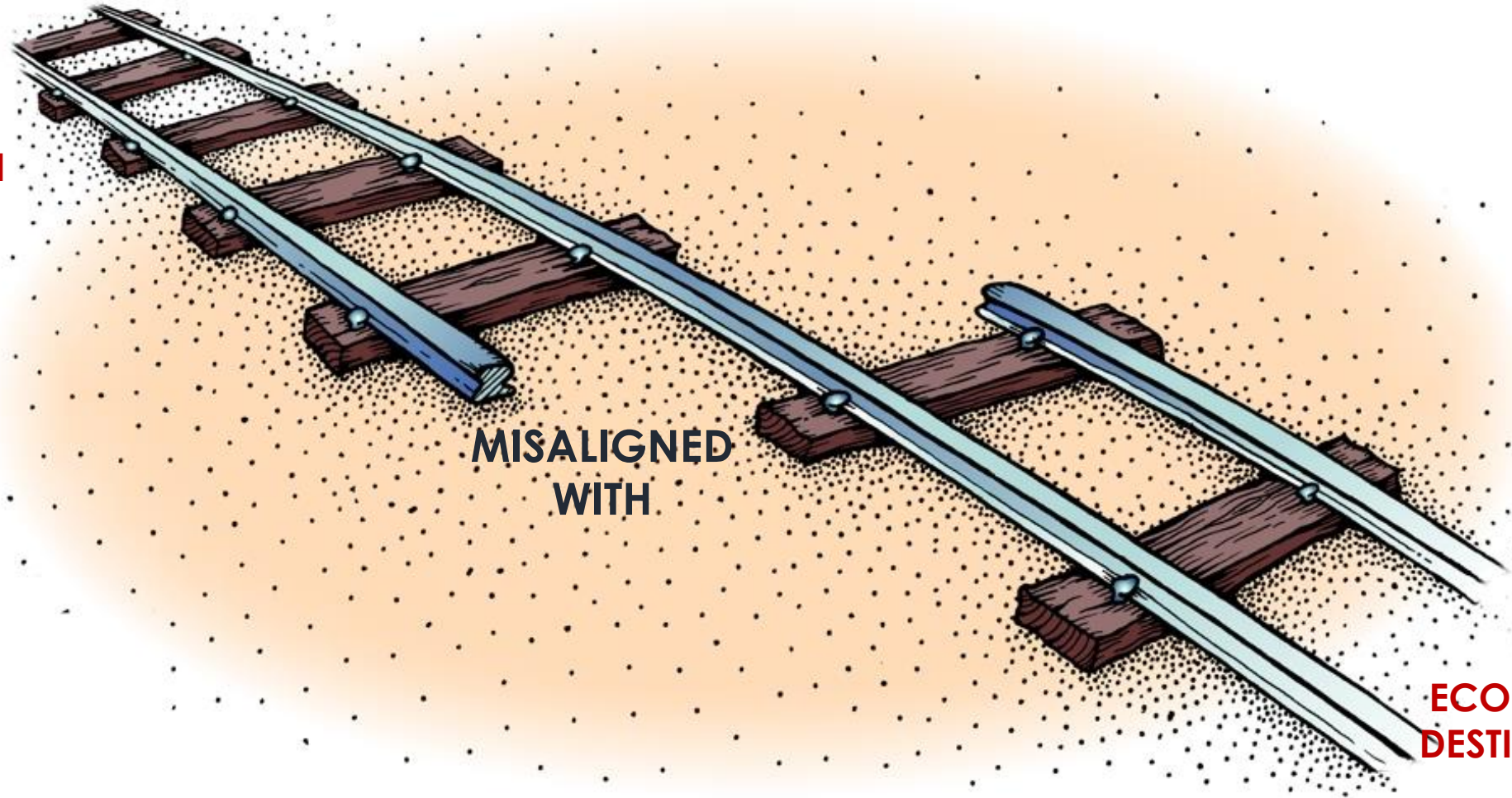


# LBS BREAKFAST SESSION

**POLICY  
DIRECTION**



**MISALIGNED  
WITH**

**ECONOMIC  
DESTINATION**

# OUTLINE

## GLOBAL ECONOMY

*Geopolitical tension  
clouding economic outlook*

1

2

## DOMESTIC HIGHLIGHTS

*Caught in a web of economic  
contradictions*

3

## POLICY UPDATE

*Disconnection between  
policy direction &  
Economic Destination*

4

## MARKET PROXIES

5

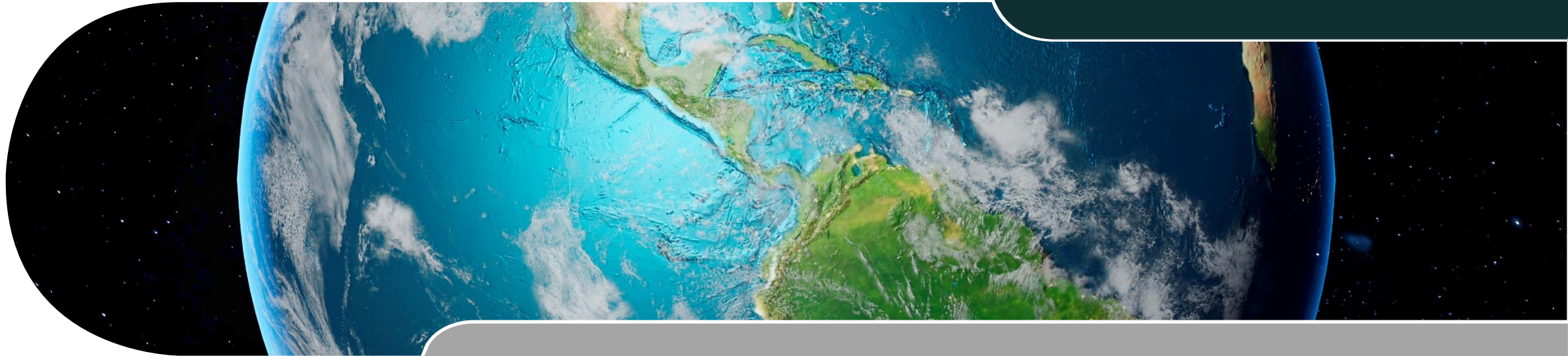
## POLITICAL UPDATE

6

## NOVEMBER OUTLOOK

# GLOBAL HIGHLIGHTS

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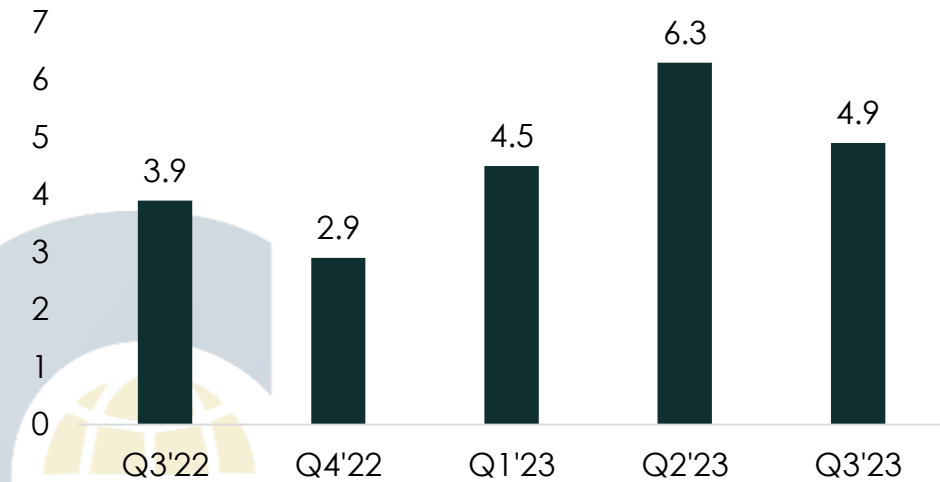
## US GDP SPIKES TO A RECORD (4.9%) - BUT NOT SUSTAINABLE

- US economy grew by 4.9% (q-o-q) in Q3'23 – highest level since 2021
  - Up from 2.1% in Q2'23
- Robust growth supported by strong consumer spending
- It's a seasonal spike that is not sustainable
- Likely to force the Fed into another hike in rates
- The US stocks have been languishing on fears of a Fed hike

# CHINA'S ECONOMY RECOVERING

- China's economy expanded by 4.9% in Q3'23
  - Above market expectations of 4.4%
- Stronger than expected growth in industrial output and retail sales
- Sustained stimulus from Beijing offset the impact of a prolonged property crisis and weak trade
- Needs a GDP growth rate greater than 4.4% in Q4 to reach the annual GDP target of 5%
- PBoC held its loan prime rate at 3.45% in October after a rate cut in August

GDP Growth (%)



# CHINA COMPETES FOR INFLUENCE IN AFRICA

- China's share of trade with Africa has increased from 29% in 2019 to 35% in 2021
- Emphasizing BRICS without Nigeria
- New members are

Argentina



Egypt



Ethiopia



Iran



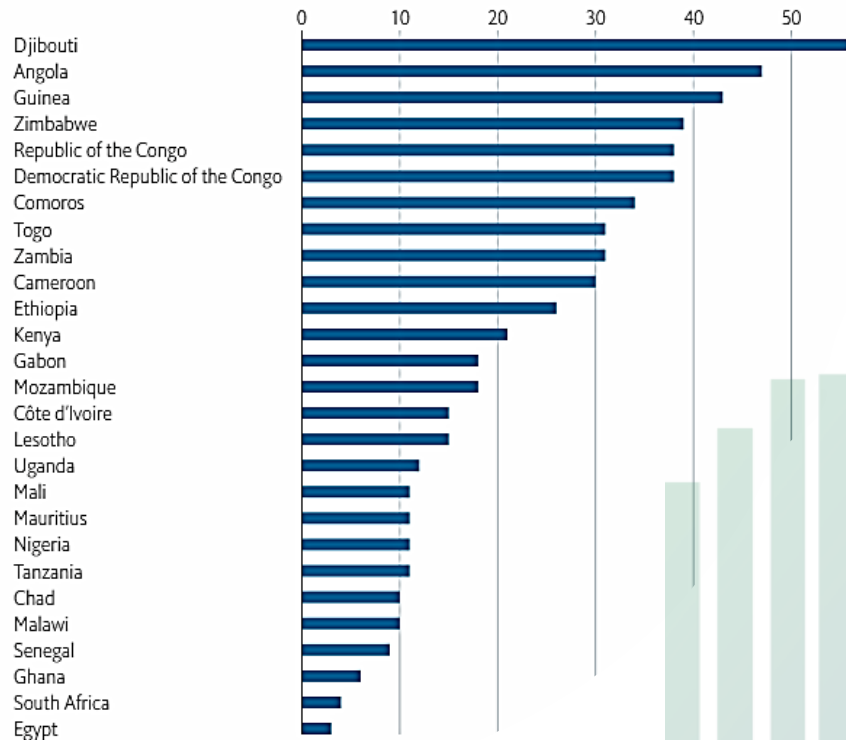
Saudi Arabia



UAE



Share of Chinese debt in external public debt  
(%, 2021)



Source: World Bank.

# CHINA REBOOTS BELT & ROAD INITIATIVE (BRI)

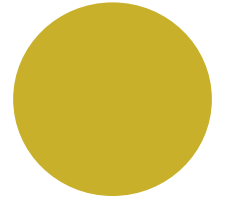
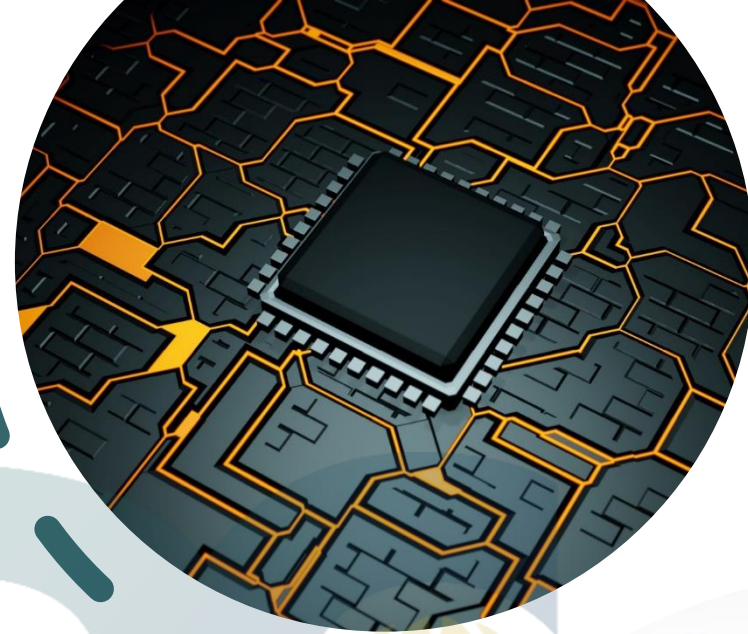
- The 10<sup>th</sup> anniversary of China's BRI was celebrated in October
- China Development Bank and EXIM Bank of China to establish a \$47.9bn financing window to support Belt and Road projects
  - To increase the size of the Silk Road Fund by \$11bn
- Emphasis on environmental and social responsibilities
- Shift away from mega-projects likely to reduce future instances of unsustainable debt
  - Stock of debt owed to China has risen dramatically over the past decade in Africa
- Enforcement of stricter lending terms



# US-CHINA RIVALRY CONTINUES

---

- The U.S. government further restricted chip sales to China for AI purposes
- Halted majority of advanced semiconductor exports from the United States to Chinese data centres
  - Where it is mostly used to create AI-capable models
- The clampdown is bad news for **Nvidia** – a top US tech giant
  - Would apply to the sale of its H800 AI Chip
- The US warns that China's access to advanced technology poses a security risk
  - potentially enhancing its military capabilities







# COST OF LIVING CRISIS FEEDS INTO POLITICAL DISCONTENT

- UK to increase real living wage by 10% in 2024
  - From 10.90 pounds/hr to 12 pounds/hr
- As workers battle with high living costs
- 40% of employees earning less than the voluntary living wage skipped meals regularly for financial reasons
- While 60% have visited a food bank in the past year
- High inflation is stoking political discontent
- Tory party lost woefully in the 2 bye-elections to Labour



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## EUROZONE INFLATION PLUNGES TO 2.9%

- Eurozone inflation declined to 2.9% in October 2023
  - Lowest level since July 2021
  - Below market expectations of 3.1%
- Driven by a decline in energy and food prices
  - Core inflation eased to 4.2%
  - Lowest in 16 months
- ECB held its policy rate at a multi-year high of 4.5% in October
- After 10 consecutive rate hikes



## GEOPOLITICAL TENSION RISES

- The Israel-Hamas war is heightening geopolitical tension
- Weighing on the global economic outlook
- An escalation of the conflict to a regional war (the Middle East) could push oil prices to \$150/pb
- Driving up energy costs and stoking inflationary pressures
- Expectations are that the war is unlikely to escalate
- Limiting the impact on the global oil market

## Israel-Hamas war: probability and impact of conflict scenarios

Scenario	Probability	Regional economic Impact	Description
Contained confrontation	Very high	Low	<ul style="list-style-type: none"> <li>• Minor and short-lasting economic impact on Israel.</li> <li>• Some disruption to the wider region through protests and demonstrations.</li> <li>• Slight upwards pressure on global energy prices.</li> </ul>
Multi-front proxy war	High	Moderate to high	<ul style="list-style-type: none"> <li>• Major impact on Israeli economy as country in lockdown, as well as Lebanon and Syria.</li> <li>• International trade through the Red Sea and the Strait of Hormuz still largely unaffected.</li> <li>• Global energy markets: modest disruption and price spikes.</li> </ul>
Regional escalation	Low	Very high	<ul style="list-style-type: none"> <li>• Major impact on the Israeli economy, neighbouring countries and the wider Middle East.</li> <li>• Slump in regional economic growth and likely recession in a wider range of countries.</li> <li>• Global economy derailed by sharp rise in oil prices and severely disrupted international trade.</li> </ul>

Source: EIU.

# ISRAEL-HAMAS CONFLICT – SCENARIO ANALYSIS

# MARKET RESPONSE IN GEOPOLITICAL CRISIS

Financial markets have been relatively calm despite the geopolitical tension

Moderate price fluctuations in the global stock market including the S&P 500

This trend is consistent with historical patterns

Markets tend to recover quickly after geopolitical crisis

Collective market sentiment tends to view geopolitical risks as a constant part of history and react less anxiously than individual investors



Ruchir Sharma

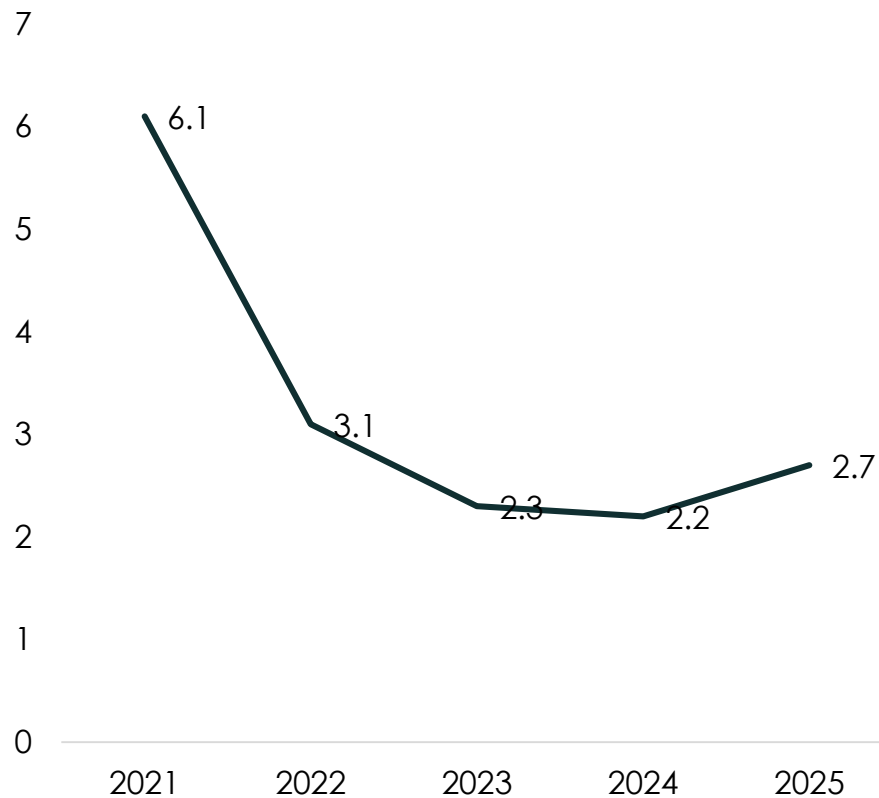
# GLOBAL FINANCIAL MARKET PERFORMANCE

Assets	YTD Performance (%)	1-Month increase (%)	Rationale
US Stock Market (S & P 500)	8.96	-2.83	<ul style="list-style-type: none"> <li>Rise in treasury yields and auto workers' strike</li> </ul>
EU600	4.76	-3.68	<ul style="list-style-type: none"> <li>Geopolitical volatility resulting from the outbreak of the devastating Israel-Hamas war</li> </ul>
SSE	-3.14	-2.52	<ul style="list-style-type: none"> <li>Lackluster economic recovery and weak property sector</li> </ul>
Bitcoin	106.62	25.97	<ul style="list-style-type: none"> <li>Bullish investors' sentiment</li> </ul>
Gold	2.30	8.67	<ul style="list-style-type: none"> <li>Shift in investors reaction ahead of U.S. Fed policy meeting and high Treasury yield</li> </ul>

- Mild impact of the Israel-Hamas war on asset prices

# GLOBAL ECONOMIC OUTLOOK

**Global GDP Growth (%)**



## GLOBAL ECONOMY AVOIDS A RECESSION

- Modest global growth but no impending recession
  - Average growth of 2.2% in 2024 from 2.3% in 2023
- A soft landing as interest rates and the monetary tightening cycle are slowed
  - BOE to hold interest rates again in its next meeting
- Europe's robust recovery poised to offset the deceleration in US GDP growth
- China to exceed growth expectations as it reinvigorates its Belt and Road Initiative



# GLOBAL ECONOMIC OUTLOOK



- China will take advantage of its weakening currency to capture export market share
- China's share of world trade is expected to reach 20%
- A massive boost in the US and to Israel and Ukraine will force Russia into a Rethink
- Supply chain disruptions in 2023/24 will not be as potent as in 2022
  - Will reduce inflationary pressures
- The global food index is expected to slow to 119.5 points
- The Israel-Hamas war is unlikely to escalate
  - Limiting the impact on oil prices
- A slowdown and end of tightening will lead to a fall in the value of the dollar in the forex markets



# OUTLOOK OF NIGERIA'S TRADING PARTNERS

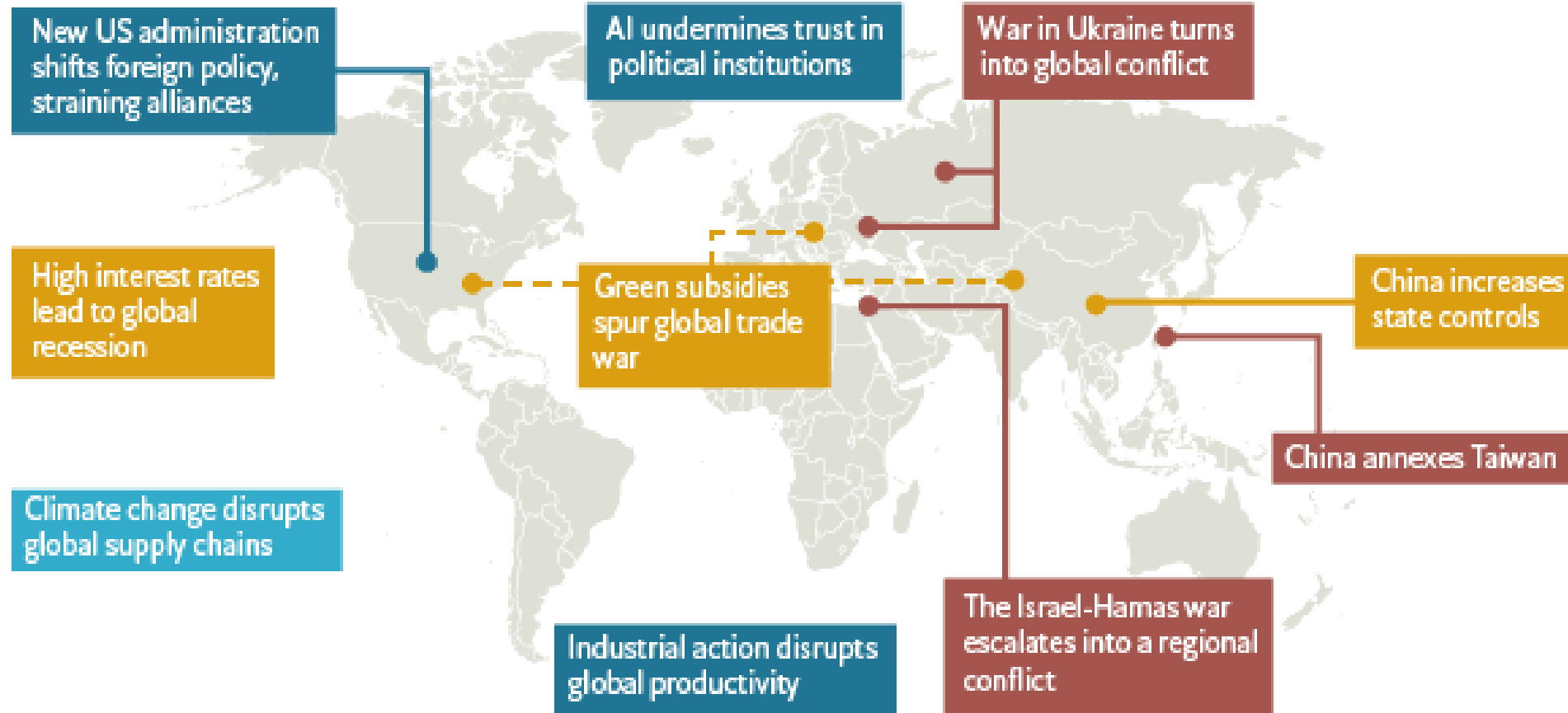
Country	Inflation (avg; %)		Interest Rates (end period;%p.a)		GDP Growth (%)	
	2023	2024	2023	2024	2023	2024
China	0.7	1.9	-	-	5.2	4.8
India	5.5	4.6	-	-	6.3	6.3
US	4.1	2.5	5.38	4.88	2.0	0.8
EU	5.6	2.7	4.50	4.00	0.7	1.8

Source: EIU, IMF

# GLOBAL RISK SCENARIOS

## Global risk scenarios

■ Political ■ Military ■ Economic ■ Environmental



Source: EIU.

## GLOBAL RISK SCENARIOS

Scenarios	• Probability	• Impact
<ul style="list-style-type: none"> <li>• Monetary policy tightening extends into 2024</li> <li>• Leading to a global recession and financial volatility</li> </ul>	<ul style="list-style-type: none"> <li>• Moderate</li> </ul>	<ul style="list-style-type: none"> <li>• High</li> </ul>
<ul style="list-style-type: none"> <li>• A green technology subsidy race becomes a global trade war</li> </ul>	<ul style="list-style-type: none"> <li>• Moderate</li> </ul>	<ul style="list-style-type: none"> <li>• High</li> </ul>
<ul style="list-style-type: none"> <li>• Extreme weather events caused by climate change disrupt global supply chains</li> </ul>	<ul style="list-style-type: none"> <li>• High</li> </ul>	<ul style="list-style-type: none"> <li>• Moderate</li> </ul>
<ul style="list-style-type: none"> <li>• Industrial action spreads, disrupting global productivity</li> </ul>	<ul style="list-style-type: none"> <li>• High</li> </ul>	<ul style="list-style-type: none"> <li>• Moderate</li> </ul>
<ul style="list-style-type: none"> <li>• China moves to annex Taiwan, forcing sudden global decoupling</li> </ul>	<ul style="list-style-type: none"> <li>• Low</li> </ul>	<ul style="list-style-type: none"> <li>• Very high</li> </ul>

## GLOBAL RISK SCENARIOS

Scenarios	Probability	Impact
<ul style="list-style-type: none"><li>A change in the US administration leads to abrupt foreign policy shifts, straining alliances</li></ul>	Moderate	Moderate
<ul style="list-style-type: none"><li>Stimulus policy failures in China lead to increased state controls and diminished growth prospects</li></ul>	Low	High
<ul style="list-style-type: none"><li>The Israel – Hamas war escalates into a regional conflict</li></ul>	Very low	High
<ul style="list-style-type: none"><li>Artificial intelligence disrupts elections and undermines trust in political institutions</li></ul>	Moderate	Low
<ul style="list-style-type: none"><li>The Ukraine-Russia war spirals into a global conflict</li></ul>	Very low	Very high

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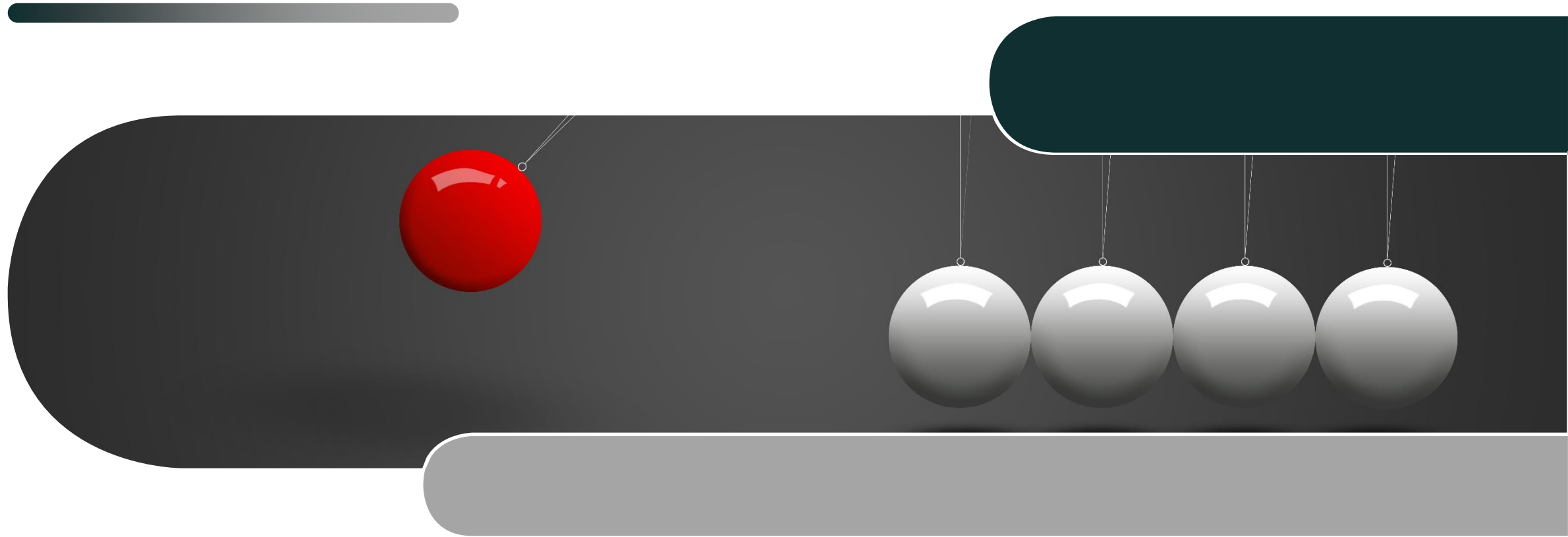


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# IMPACT ON NIGERIA

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# NIGERIA IS GEOPOLITICALLY NEUTRAL

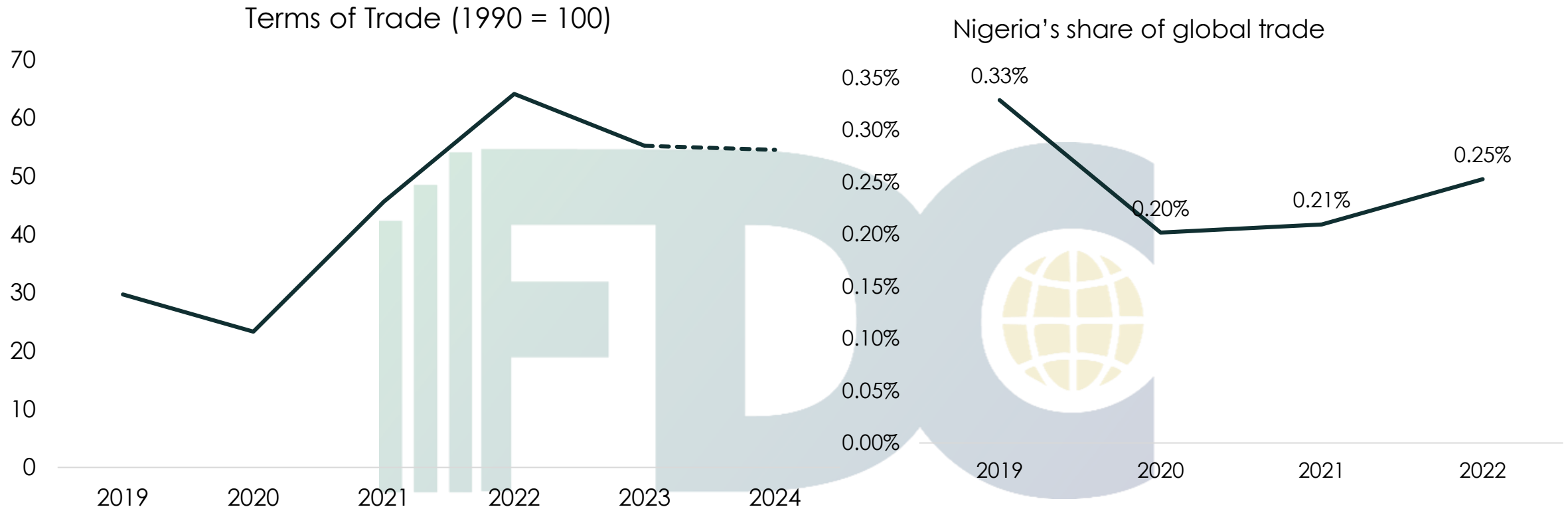
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- Nigeria is considered non-aligned and geopolitically neutral
- Will not be drawn into any camps
- The US new rapprochement with Niger Republic is awkward for Nigeria
- The French lukewarm condemnation of Gabon is also difficult for Nigeria





# IMPACT ON NIGERIA: GLOBAL COMMODITY PRICES



- Nigeria's terms of trade are likely to be positive as the price of its exports rises relative to the price of its imports
- However, Nigeria's sub-optimal production will limit it from benefiting from higher prices

# IMPACT ON NIGERIA: GLOBAL COMMODITY PRICES

- The 2024 budget assumption on oil price of \$73.97pb gives very little room to wriggle for Nigeria
- The fiscal breakeven oil price in Nigeria is approx. \$100pb
- Nigeria's oil production is lower than its OPEC quota by 13%
- An increase in oil price pushes up the subsidy bill
- But does not improve the revenue picture
- Most of Nigeria's oil production is in swaps
- With no clarity on the end period



# DOMESTIC HIGHLIGHTS

---

Caught in a web of economic contradictions





# DOMESTIC HIGHLIGHTS

- MSCI reclassifies Nigeria from Frontier to Standalone Market on FX liquidity concerns
- IMF revised Nigeria's 2023 GDP growth downwards by 0.3% to 2.9% from 3.2%
  - As high inflation and the weak oil sector weigh on GDP growth
- The Fund expects GDP growth to improve by 0.2% to 3.1% in 2024 as inflationary pressures ease
- Year-end inflation for 2023 is estimated at 30%
- Inflation is expected to fall to an average of 23% in 2024
- IMF encourages full-fledged market reforms in Nigeria for a positive impact on the economy
  - Reiterates the need for monetary and fiscal policy coordination



# DOMESTIC HIGHLIGHTS

- Headline inflation rose to 26.72% in September from 25.80% in August
  - Primarily driven by higher energy costs, money supply growth, and exchange rate pass-through
- Impact of policy changes gradually easing as month-on-month inflation fell to 2.10% from 3.18%
- Food inflation maintained an upward trend despite the harvest period
  - Rose by 1.30% to 30.64% in September from 29.34% in August
  - Due to increased logistics costs, insecurity, and post-harvest losses
- Core inflation (inflation less seasonality) rose by 0.7% to 21.84%
- Rural-urban inflation now at 3.59% from 0.93% a year ago
  - Partly reflecting higher transportation costs due to the surge in energy costs

# DOMESTIC HIGHLIGHTS

- Monetary conditions remained loose as money supply grew by 36% to N67.18trn in September (y-o-y)
- Banks' average liquidity increased significantly by 1039% to N557.03bn in October from N48.9bn in September
  - Liquidity supported by bond and treasury bill market repayments
- Interbank rates declined to an average of 2.55%p.a in October from 10%p.a
- The 365-day T-bill rate rose by 3.75% to 13%p.a from 9.25%p.a
  - Reducing the real interest rate to -13.72% from -16.55%
- FAAC allocation declined by 18% to N903.48bn in September from N1.1trn in August
  - Due to reduction in VAT, import and excise duties, electronic money transfer levy (EMTL)



# DOMESTIC HIGHLIGHTS

- CBN removes FX ban on the 43 items to reduce demand pressure in the parallel market
- Tinubu announced expected dollar inflows of \$10bn
  - Through the issuance of domestic debt instruments in foreign currency
  - To include \$7 billion from Goldman Sachs - backed by future gas sales
- Naira reached a low of N1,300/\$ on increased speculative activities and forex scarcity
  - Lost 23% in one month
- Before appreciating by 7.7% to close the month at N1,200/\$
- Official rate shifting towards a market-determined exchange rate
  - Traded as high as N999.9/\$ in October
- Gross external reserves gained 0.18% in October, closing at \$33.3bn from \$33.24bn in September
- Average daily turnover rate increased by 13% to \$107.34mn in October from \$94.76mn in September



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# POLICY DIRECTION MISALIGNED WITH DESTINATION

Disconnection between policy direction & economic destination



*Credibility gap makes policy ineffective*

*Lags are increasing as people's belief evaporates*

# POLICY DIRECTION MISALIGNED WITH ECONOMIC DESTINATION

## Economic Destination

*In the Next 8 Years...*

GDP of \$1trn

Average annual growth rate of 7%

Interest rate of 9%

Inflation rate of 13%

Exchange rate of N550-N600/\$

Unemployment to fall to 17% from 33%

## Policy Direction



Monetary tightening but loose monetary conditions



FX market reform in theory but managed fixed exchange rate in reality



Palliatives targeted towards consumption not production



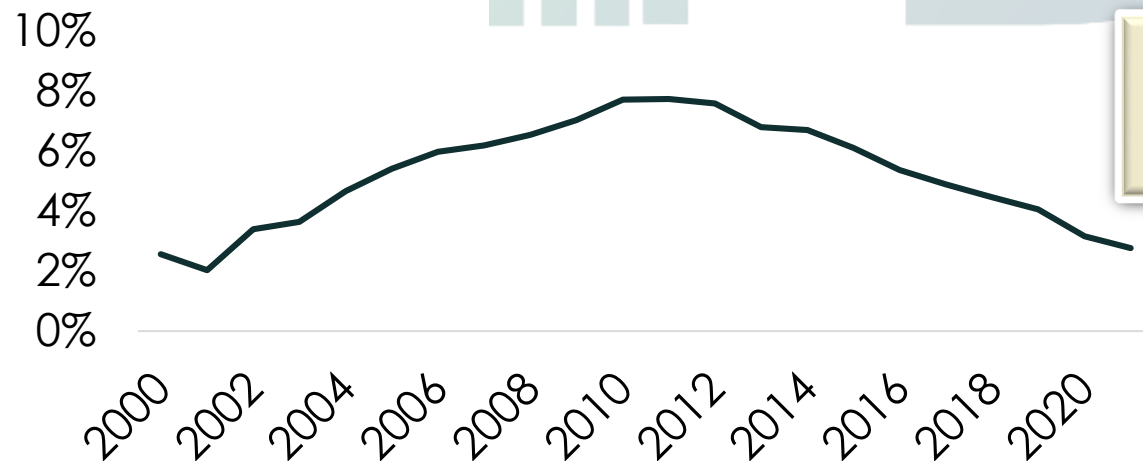
Personnel changes (not the same as policy changes)



# SUBNATIONAL EXPERIENCE IS INADEQUATE FOR RUNNING FEDERAL POLICIES

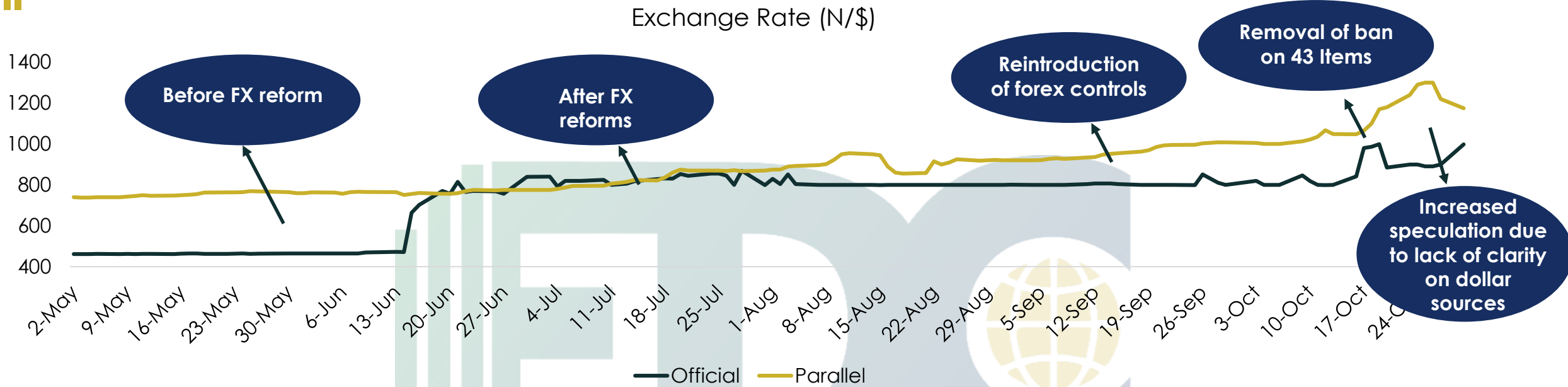
- State executive councils do not have responsibility for
  - Macros, i.e. growth, inflation
  - External obligations and exchange rate management
  - Foreign policy and external affairs management
- Transplanting a state team to run a federal structure has serious limitations
- Nigeria has moved far ahead in the economic decay curve

**Economic Decay Curve**



- New skills and capacity required

# FX MARKET - CRISIS OF FALSE EXPECTATIONS



- Price is a function of demand & supply
- Lack of clarity on dollar sources fueling currency speculation
- Naira reached a low of N1,300/\$ before appreciating to N1,135/\$ on false expectations
- Announcement of securitization of \$7bn NLNG dividends

# NAIRA IS THEORETICALLY UNDERVALUED

**Parallel Market Rate**

N1,160/\$

**Official Rate**

N993.82/\$

**PPP**

N790.44/\$

**Hamburger**

N1226.8/\$

- But market is structurally defective and opaque
- Controlled by rent-seeking oligarchs
- Who also control the political machine

Purchasing Power Parity			
	=N=	Nov-23 US \$	PPP (=N=/US\$)
Bottle of Pepsi (50cl)	300	0.76	394.74
Beer (60cl)	755	2.17	347.93
Hamburger (Burger King)	6,600	5.38	1226.77
Indomie (1 unit)	300	0.50	600.00
Nestle Bottled Water (60cl 1 unit)	150	0.32	468.75
Big Loaf Bread	1,300	1.78	730.34
Corrola (2023 Model)	33,000,000	25000.00	1320.00
Irish Spring Soap (1 cake)	900	1.16	775.86
Chicken Breasts (1 kg)	3,650	3.48	1048.85
Trolley	5,500	5.00	1100.00
Peak evaporated milk (pack of 12)	9,000	12.96	694.44
Uncle Ben's rice (5.44kg 1 pack)	15,550	24.66	630.58
Eggs (30 large eggs)	3,000	3.20	937.50
<b>Average PPP</b>			<b>790.44</b>
Naira Price at NAFEM			993.82
PPP (%)			
Decision: Naira is		Undervalued	<b>-20.46%</b>
Spot Rate (Parallel)			1,160
Outcome: Compared to NAFEM rate of N789.94/\$1, the Naira is Undervalued by 20.46%			

Undervalued by **20.46%** at NAFEM rate of **N993.82**

Purchasing Power Parity			
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Eggs (30 large eggs)	3,000	3.20	937.50
<b>Average PPP</b>			<b>790.44</b>
Naira Price at NAFEM			1160.00
PPP (%)			
Decision: Naira is		Undervalued	<b>-31.86%</b>
Spot Rate (Parallel)			1,160
Outcome: Compared to NAFEM rate of N1160/\$1, the Naira is Undervalued by 31.86%			

Undervalued by **31.86%** at NAFEM rate of **N1160** (assuming the unification of exchange rates)

# FX – CURRENT STRUCTURE



- Price discriminating monopoly
- CBN controls 85%
- Of which autonomous market is 15%
- No price discoveries
- Creating arbitrage opportunities

# DEMAND & SUPPLY OF FOREX

## Supply

01

### Oil Sale Proceeds

- Joint Ventures (land & swamps)
- Offshore & deep waters



02

### LNG

Natural gas



03

### Cash Calls

Cash calls in joint ventures to IOCs



04

### Other Commodity Sales

- Cocoa
- Cashew nuts
- Soya beans e.t.c



05

### Diaspora Remittances & investment flows



## Demand

01

### Tradeable goods

- Wheat
- Corn
- Sugar, e.t.c



02

### Payment for Invisibles

- Education
- Medical tourism
- Travel



03

### Repatriation of dividends



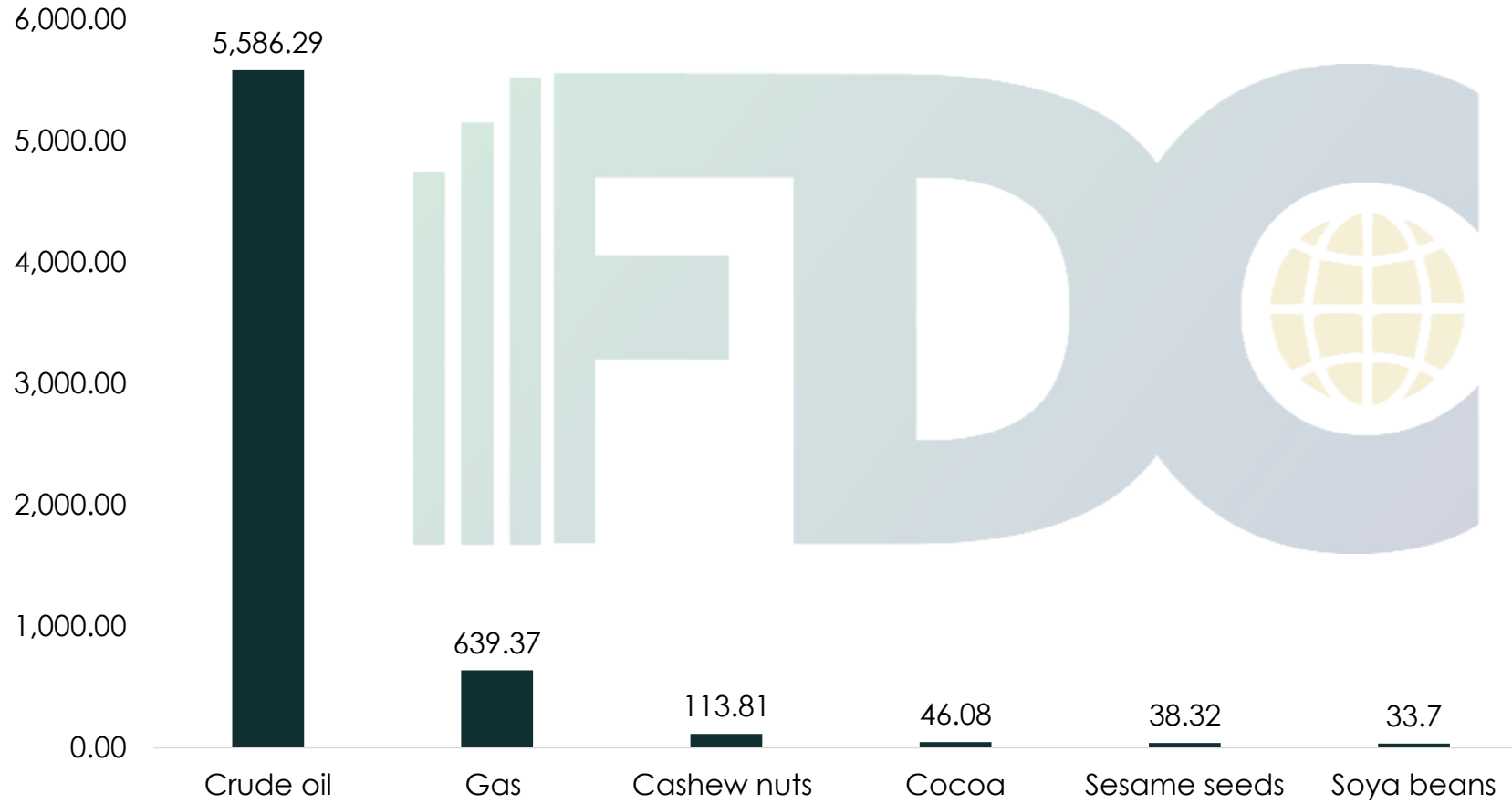
04

### Swap Arrangements



# TRADEABLE COMMODITIES

## Major Exports (Nbn)





# WHAT IS THE SOLUTION?

- CBN must promote transparency, efficiency & price discovery in the forex market
- Through a **wholesale auction system**

*Banks, financial institutions and large corporations submit bids and offer for specific currency pairs (e.g., USD/NGN, GBP/NGN) at specified prices and quantities*



## Benefits

- **Transparency:** Enhances transparency in the forex market as participants have equal access to pricing information
- **Price Discovery:** Exchange rate determined based on bids & offers (market forces)
- **Stability & Liquidity:** Promotes stability and liquidity of the forex market

# COMMODITY OUTLOOK - EXPORTS

## Brent

- Oil prices to average \$90/b in Q4'23
- On an assumption that the Israel-Hamas war doesn't escalate
- Global oil market to remain extremely tight in 2024
- OPEC+ to observe production cuts as agreed till Q1'24
- Global oil demand could expand by 1.1m b/d to 102.8m b/d in 2024
- Oil price to average \$84.8pb in 2024 from \$83.8pb in 2023



## Gas

- Natural gas prices to fall by as much as two-thirds in the main global markets in 2023
- El Niño could be positive for global natural gas demand and prices in late 2023 and 2024
- European prices to continue falling in 2024-25, amid subdued demand and increased supply



## Cocoa

- Cocoa prices to stay high in Q4'23
- Average cocoa price to increase by 7.6% to \$3,388/tonne in 2024
- Primarily due to low global cocoa supplies induced by poor weather conditions (primarily related to El Niño) in top producing countries (Ivory Coast, Ghana & Nigeria)





# COMMODITY OUTLOOK - IMPORTS

## Wheat

- Wheat prices to decline marginally in Q4'23 as supply improves further
- Primarily due to increased wheat exports from Russia
- Projected to fall by 7.3% in 2024
- Ukraine now ships grains through alternative roads and rail transport
- The wheat market remains susceptible to supply-side shocks
- Partly due to the damage to export infrastructure in Ukraine

## Sugar

- El Niño conditions in late 2023 and 2024 will create uncertainty about future supply of Sugar
- El Niño events typically reduce output in major producers such as Brazil, India and Thailand
- Sugar price gains should moderate in 2024 as market supply improves
- Global output to rise by 2.7% in 2023/24 on higher Brazilian production
  - Will offset the decline in Indian sugar output

### Terms of Trade



Nigeria's terms of trade is expected to be positive as the prices of its export rises relative to the prices of its imports

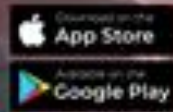


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# BUDGET AS A TOOL OF ECONOMIC MANAGEMENT

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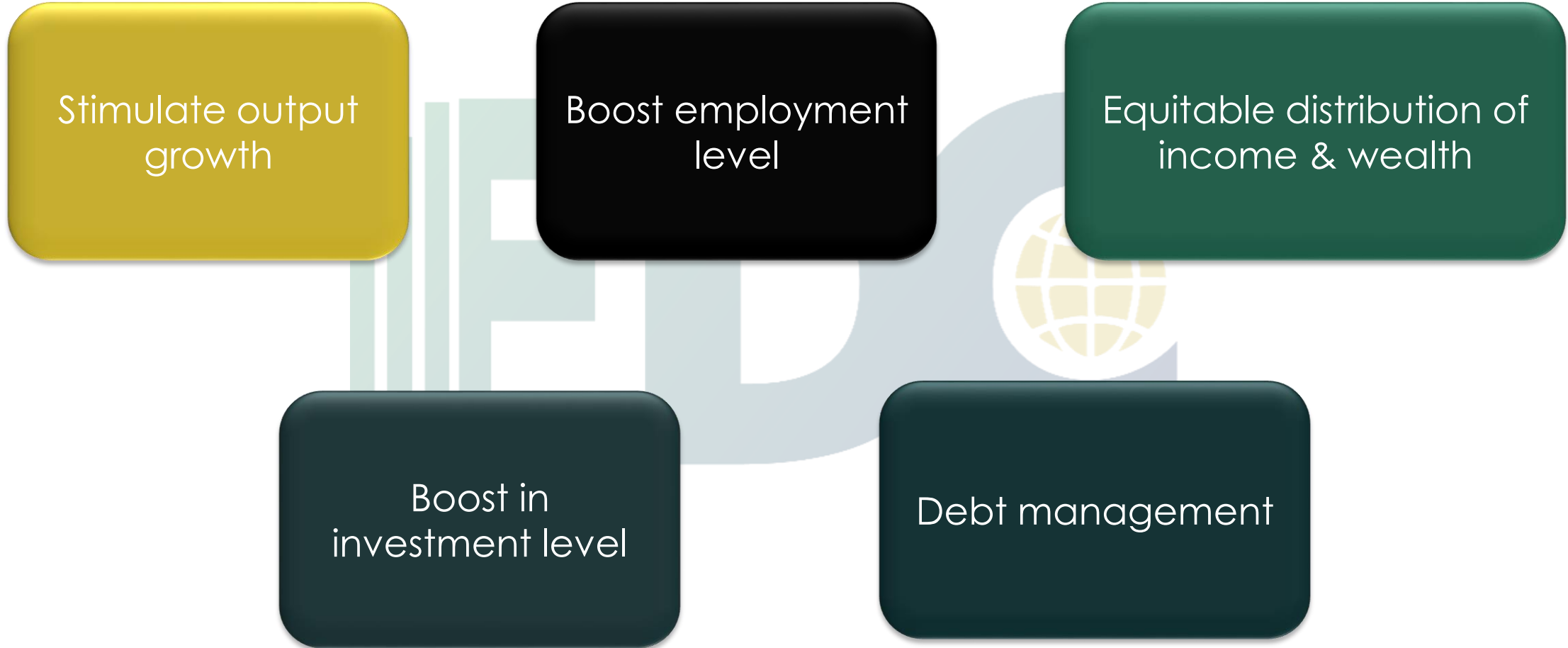


# BUDGET AS A CONCEPT

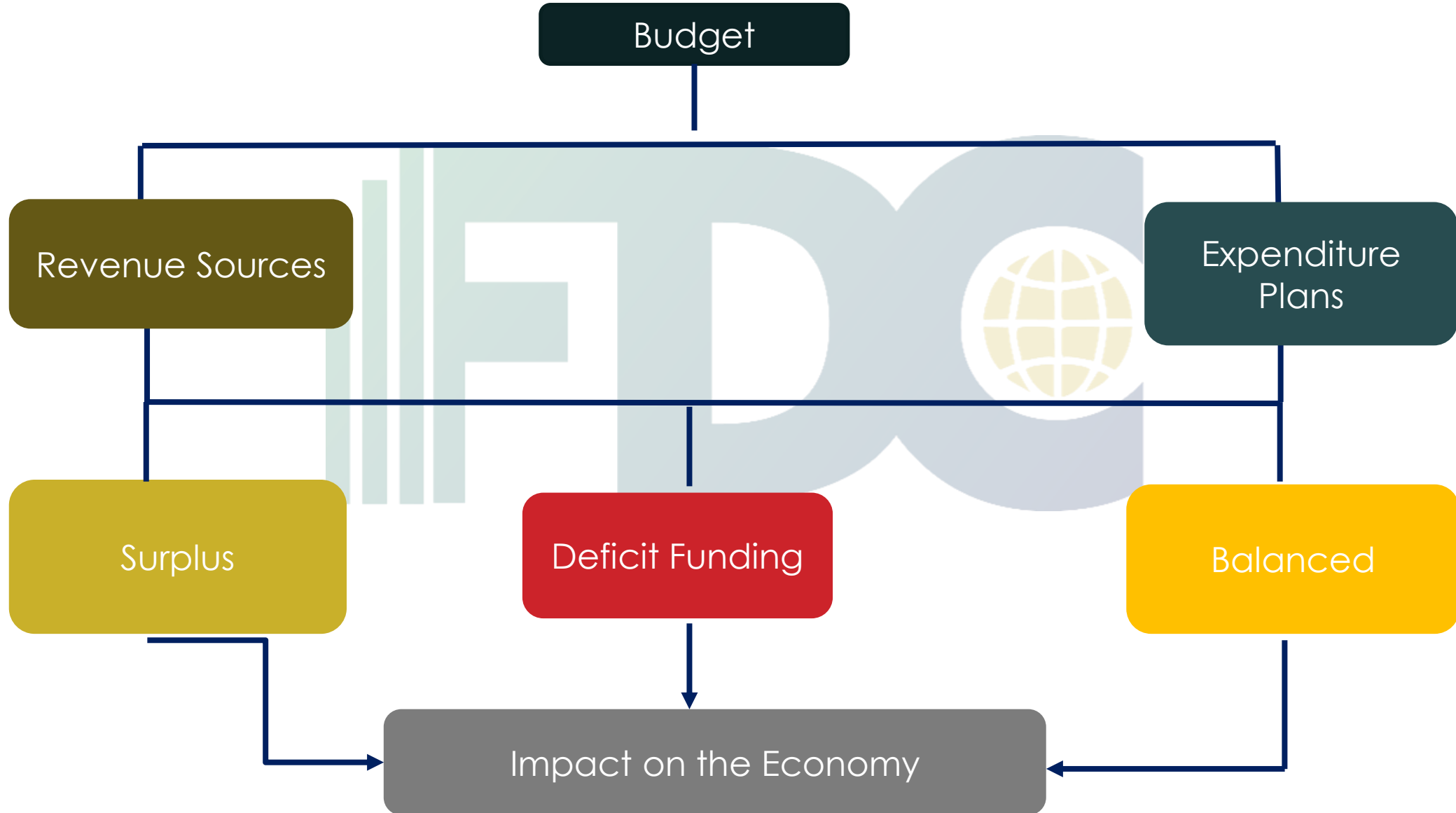
- A budget is an estimate of expenditure and revenue
- It is a critical tool for economic management
- Budgets should not be evaluated by spending accomplishments
- But by how much the economic indicators have improved
- i.e. growth, unemployment, inflation and standard of living



# KEY FISCAL POLICY OBJECTIVES



# 5 RULES OF THUMB IN BUDGET PREPARATION & PLANNING





# NIGERIA ADOPTS AN EXPANSIONARY FISCAL POLICY



Nigeria is currently adopting an expansionary fiscal policy



With loose monetary conditions



Stoking inflation and possible stagflation



Exchange rate weakness

# POLICY ANNOUNCEMENTS & SEQUENCING

**2024-2026** *Medium-term Expenditure Framework & Fiscal Strategy Paper*

Oct 16



Oct 16



**2024 Budget**  
(N26.1 trn)

**2023 Supplementary Budget**  
(N2.18trn)

Oct 30



- Ideally, the supplementary budget for 2023 should precede the budget for 2024

# FGN APPROVES N2.18TRN SUPPLEMENTARY BUDGET

- N2.18trn supplementary budget approved
  - About 10% of the 2023 budget (N21.83trn) as against an inflation rate of 26.72%

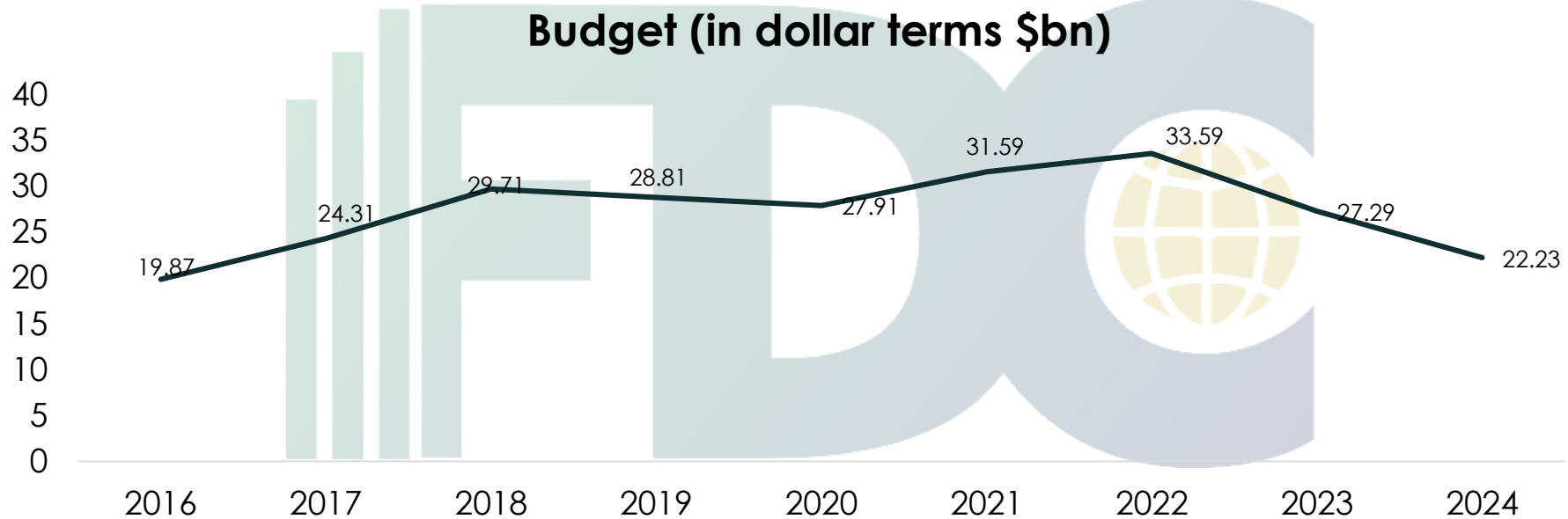
## Why?



- Security
- Wage review
- Cost savings from petrol subsidy reduction
  - Brent crude is 5.6% higher than 2023 oil price assumption (\$79.21)
  - Oil production is 18% lower than 2023 assumption
- FX market reform
- Naira has crossed the N1,000/\$ mark compared to 2023 assumption of N435.57/\$

# NIGERIA'S BUDGET SIZE HAS BEEN DECLINING IN DOLLAR TERMS

- Aggregate expenditure (N26.01trn) is higher in nominal terms but lower in real terms



$$\begin{array}{ccccccccccc}
 \mathbf{Y} & \downarrow & \mathbf{=} & \mathbf{C} & \mathbf{+} & \mathbf{I} & \mathbf{+} & \mathbf{G} & \downarrow & \mathbf{+} & \mathbf{X-M} \\
 \$379.9\text{bn} & & & \$228.5\text{bn} & & \$97.2\text{bn} & & \$14.8\text{bn} & & & \$36.3\text{bn}
 \end{array}$$

- Government contribution to GDP (13%) is low but its impact through its agencies is huge

# 2024 PROPOSED BUDGET BREAKDOWN

Revenue – N17trn

Fiscal Deficit – N9.05trn

Expenditure – N26.1trn ↑ 32%

Debt Service – N8.3trn ↑ 32%

Capex – N7trn ↑ 8.4%

Recurrent – N10.3trn ↑ 24%

66% to be raised from the  
domestic debt market

- Budget revenue is overestimated
- Nigeria has underperformed its revenue target by an average of 40% in the past five years
- Average revenue in the past 5 years = N4.39trn
- Capital expenditure as a % of GDP is minuscule: 3%

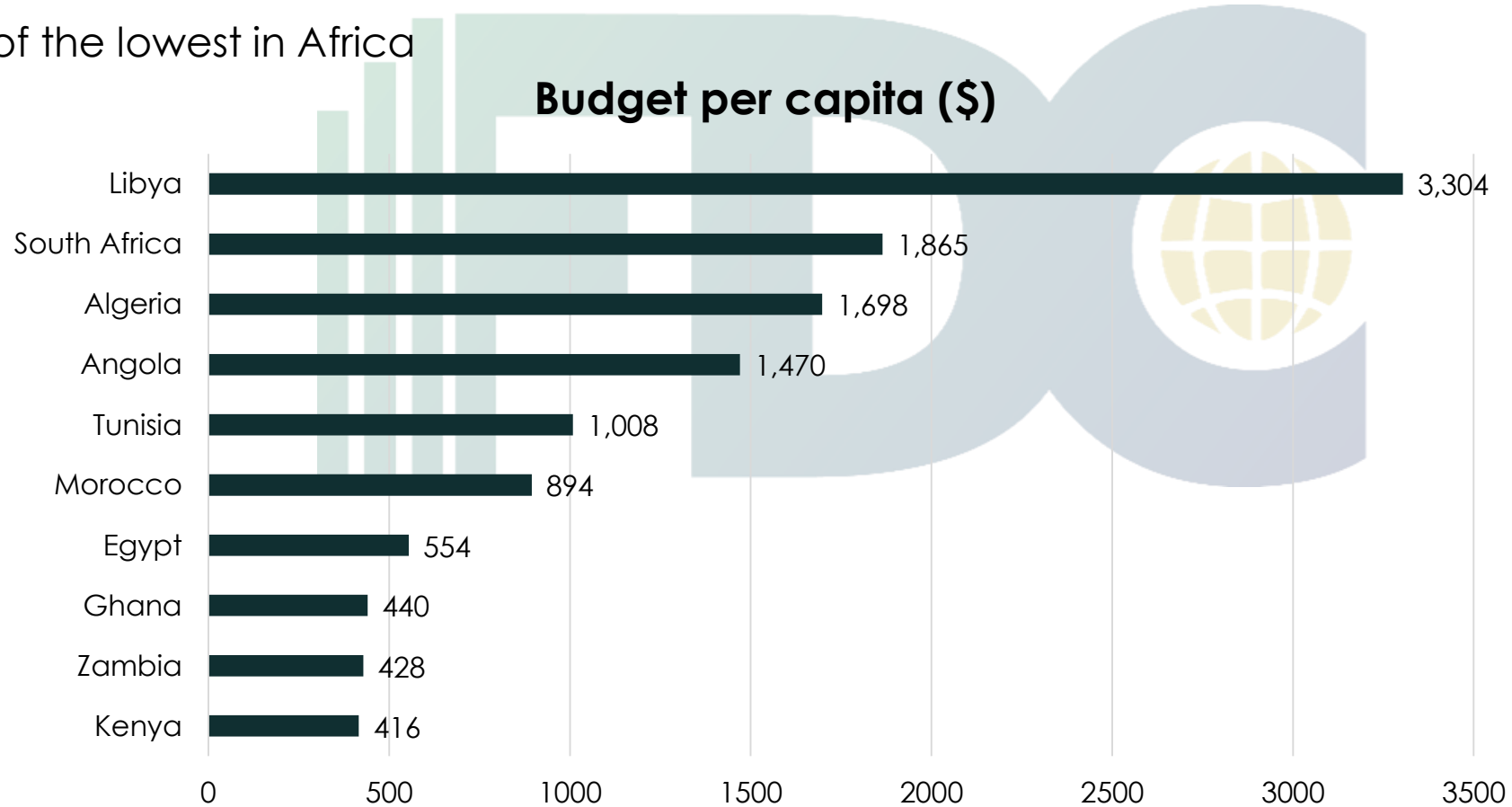
# BUDGET ASSUMPTIONS

Indicators	2023	2024	Comments
GDP growth (%)	3.75	3.76	<ul style="list-style-type: none"> <li>Average growth rate in the last 5 years = 1.9%</li> <li>IMF projects 3.1% for 2024 while EIU forecasts 2.6%</li> </ul>
Oil price (\$pb)	75	73.96	<ul style="list-style-type: none"> <li>Average oil price (YTD) = \$83.24/pb</li> <li>2024 JP Morgan estimates - \$90 - \$110/pb</li> </ul>
Oil production (mbpd)	1.69	1.78	<ul style="list-style-type: none"> <li>Average oil production in the past 5 years = 1.53mbpd</li> </ul>
Exchange rate (N/\$)	435.57	700	<ul style="list-style-type: none"> <li>Naira now trading at N1,310/\$ at the parallel market and N847.77/\$ at the official window</li> </ul>
Inflation (%)	16.98	21	<ul style="list-style-type: none"> <li>IMF: 23%</li> <li>EIU: 23.5%</li> </ul>



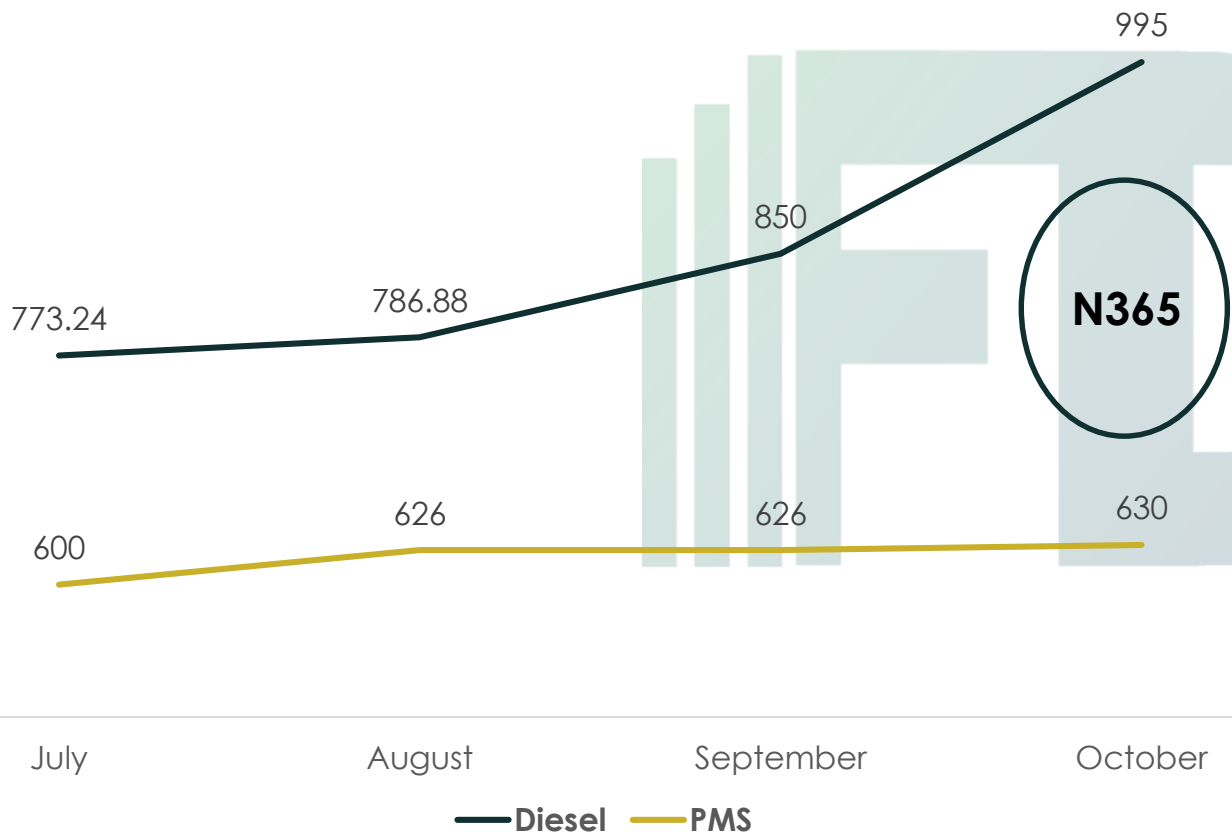
# 2024 PROPOSED BUDGET & WELFARE IMPACT

- Annual budget size of N26.1trn
- Equivalent to budget per head of N130,500 (\$110.59) per annum and N357.5 (\$0.30) per day
- One of the lowest in Africa



# SUBSIDY REMAINS BUT HAS DECLINED

Diesel vs PMS price (N/ltr)



- Diesel is deregulated and is a proxy for PMS
- Price of diesel has increased by 29% in the past three months
- But PMS price have risen by only 5%

Neighboring Countries	PMS Price (\$/ltr)	PMS Price (Parallel rate - N1150/\$)	PMS Price (NAFEM - N990/\$)
Cameroon	1.18	1,357	1,168
Benin Republic	1.09	1,253	1,079
Togo	1.12	1,288	1,108
Ghana	1.15	1,322	1,138





# PALLIATIVES & WAGE REVIEW - IMPACT

- Six-month wage increase for low-grade workers
- General wage review
- N25,000 for 15 million poor households for 3 months

## Impact

Money Supply (M2)



Value of the naira



Inflation



Leakages



\*770

Start now. Dial \*770#



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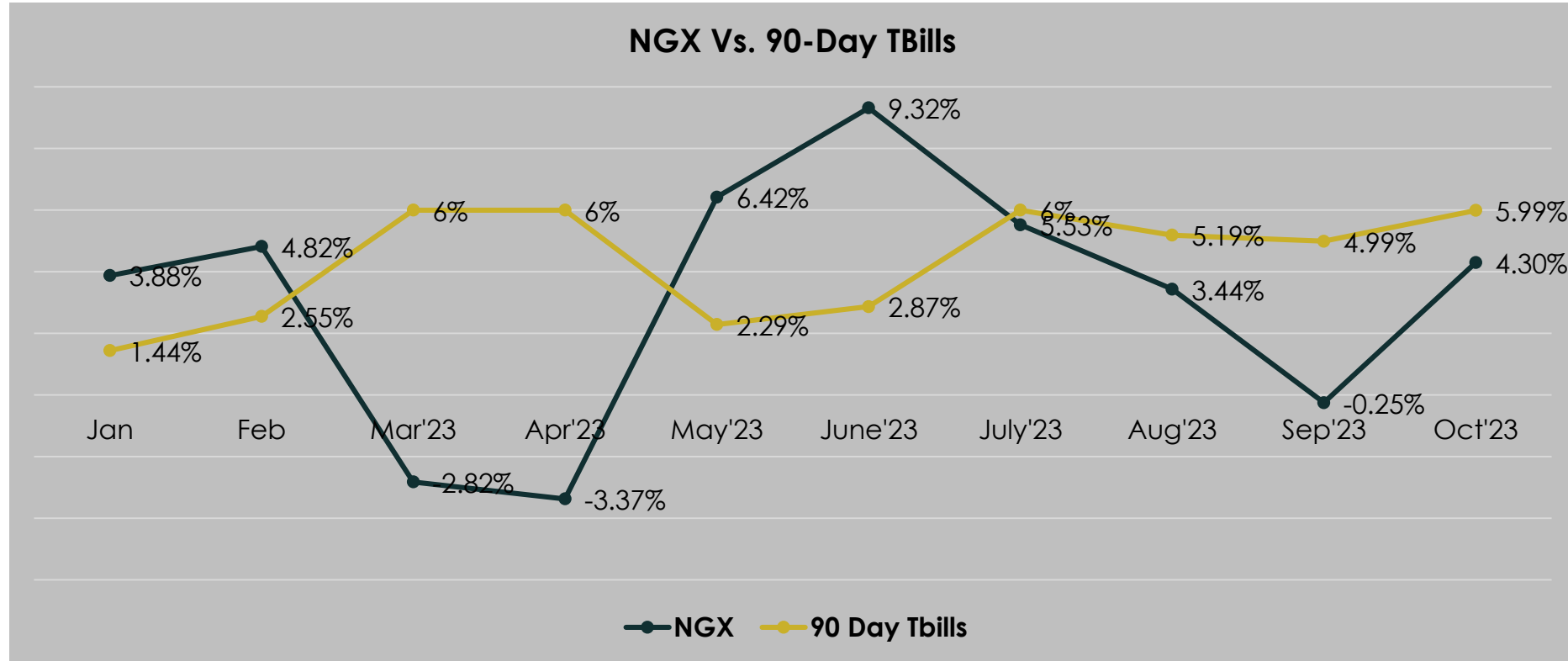
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# STOCK MARKET

Swinging Along But For How Long?



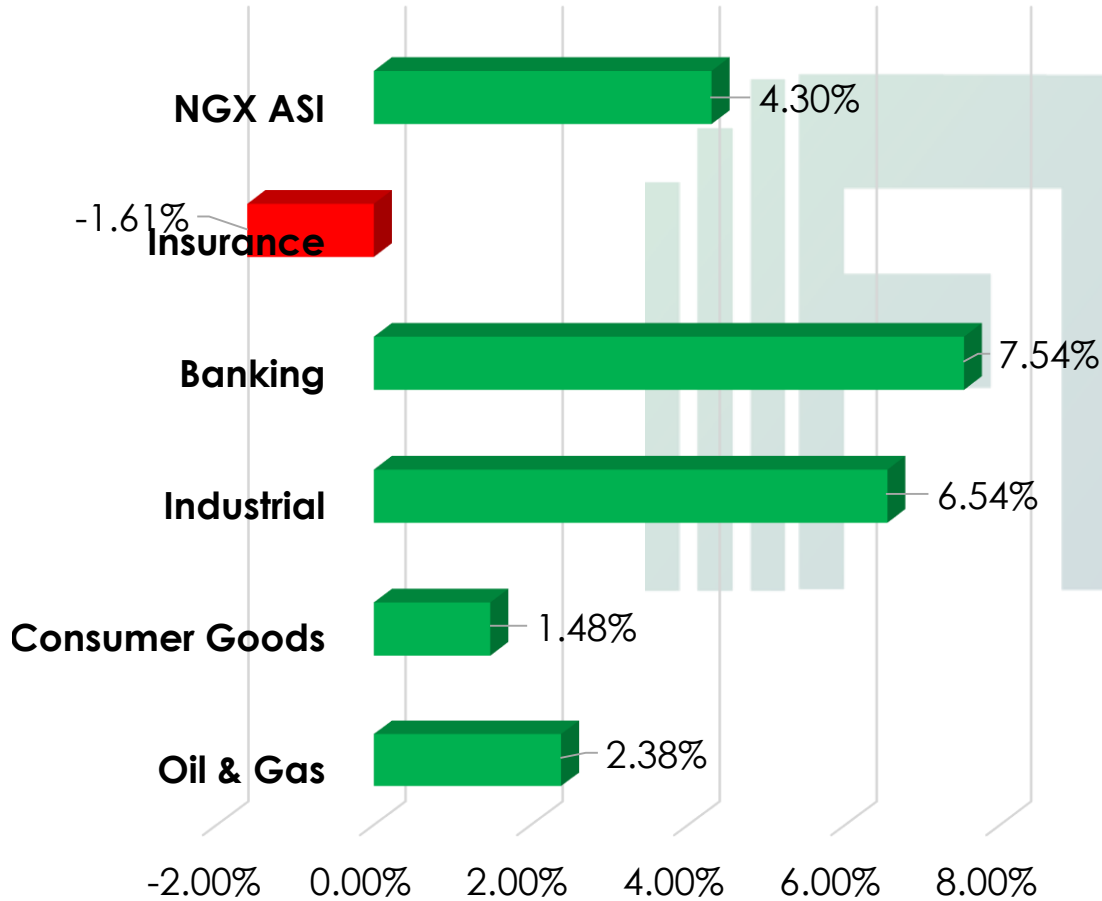
# NIGERIAN MONEY MARKET PERFORMANCE



- T-bills rates swinging along with dividend yields
- NGX performance over 10 months is more volatile than T-bills rates
- Stock price volatility to continue













# NGX PERFORMANCE

October'23















- NGX gained 4.30% in October 2023
- All index in green except the insurance sector
- Gains in the banking space spurred by impressive corporate earnings
- Nigerian banks are major beneficiaries of the high-interest rate environment
- Dwindling Investor's appetite for insurance amidst inflationary pressure took a toll on the index

# EARNINGS BAROMETER

Stock	Revenue (9M'23)	Operating Profit (9M'23)	PAT (9M'23)	Rationale
<b>Dangote Cement</b>	 28.66% to N1,514.60bn	 29.38% to N561.01bn	 30.24% to N277.55bn	<ul style="list-style-type: none"> <li>Higher prices supported revenue growth</li> <li>Pan-African operations contributed to the bottom-line performance</li> </ul>
<b>Nigeria Breweries</b>	 2.12% to N401.80bn	 22.97% to (N27.26bn)	 487.63% to (N57.20bn)	<ul style="list-style-type: none"> <li>The huge loss is attributed to a FX loss of N86.8bn</li> </ul>
<b>Unilever</b>	 25.95% to N81.58bn	 217.87% to N1.73bn	 579.86% to N1.67bn	<ul style="list-style-type: none"> <li>Topline performance supported by sales growth across product items</li> <li>Increased market share across key categories</li> </ul>
<b>Cadbury</b>	 39.17% to N59.20bn	 191.37% to N9.65bn	 463.64% to (N10.24bn)	<ul style="list-style-type: none"> <li>Higher prices supported revenue growth</li> <li>Bottom line hampered by FX loss of N20.68bn</li> </ul>

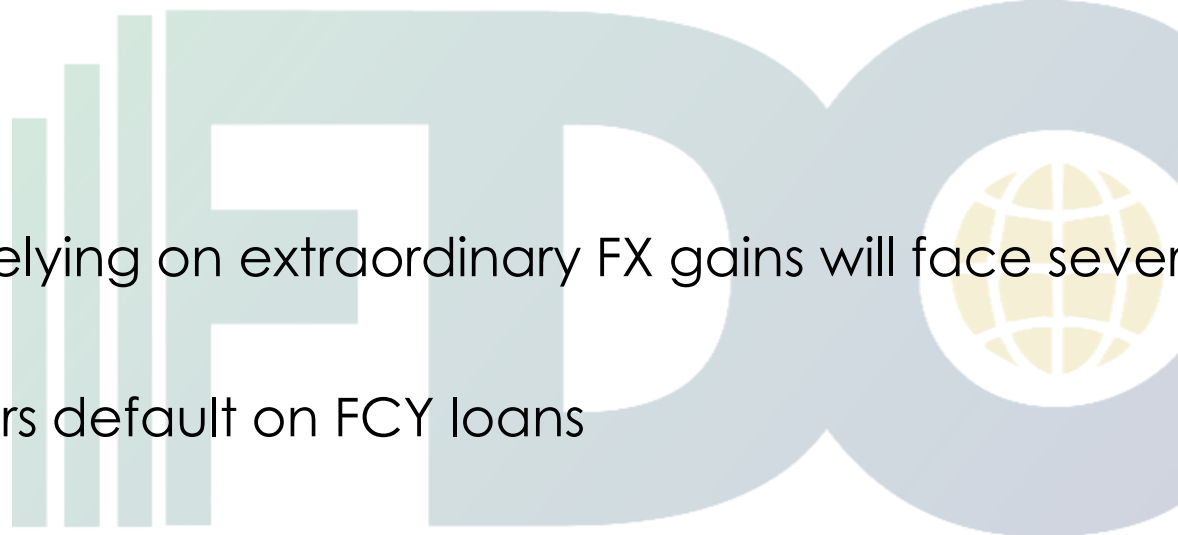
# EARNINGS BAROMETER

Stock	Revenue (9M'23)	Operating Profit (9M'23)	PAT (9M'23)	Rationale
<b>Access Corp</b>	 91.74% to N1.59trn	 100% to N294bn	 83.13% to N250.44bn	<ul style="list-style-type: none"> <li>• Topline gains attributed to strong growth in interest income</li> <li>• Access Holdings recorded a foreign exchange gain of N314.6 billion in 9M'2023</li> </ul>
<b>GTCO</b>	 133% to N850bn	 155% to N433bn	 181.87% to N367.42bn	<ul style="list-style-type: none"> <li>• Topline gains attributed to strong growth in interest income</li> <li>• GTCO raked in a foreign exchange gain of N334 billion in 9M'2023</li> </ul>
<b>MTN</b>	 21.76% to N1,772.95bn	 13.16% to N608.43bn	 45.23% to N147.36bn	<ul style="list-style-type: none"> <li>• Impressive growth across all revenue lines</li> <li>• Mobile subscribers increased by 4.8% to 77.6 million</li> <li>• Bottom line hampered by finance cost of N397.08bn</li> </ul>
<b>Zenith</b>	 114% to N1.3trn	 149% to N505bn	 149.05% to N434.17bn	<ul style="list-style-type: none"> <li>• Zenith bank raked in a foreign exchange gain of N378 billion in 9M'2023</li> </ul>



# NIGERIAN STOCK MARKET OUTLOOK- NOVEMBER 2023

- Earnings will remain a function of exchange rate losses or gains
- Nigerian banks will continue to be a major beneficiary of high yields from investment securities
- Nigerian banks relying on extraordinary FX gains will face severe headwinds
- As their customers default on FCY loans
- And Nigeria seeks to refinance its obligations
- Debt service will be severely hit
- Borrowing costs for manufacturing firms will remain heightened







# NIGERIAN STOCK MARKET OUTLOOK- NOVEMBER 2023

- The downgrade of NGX by FTSE Russell will remain a turn-off for foreign investors
- Limited investment options will force domestic investors to rotate their funds across several asset classes (including the Nigerian stock market)
- The recent appreciation in the value of Naira will revive investor confidence in Nigerian stocks in the short term
- Hence, we expect to see a moderation in foreign exchange losses in the coming quarter
- Accelerated inflation remains a threat to revenue and bottom-line growth of Nigerian companies

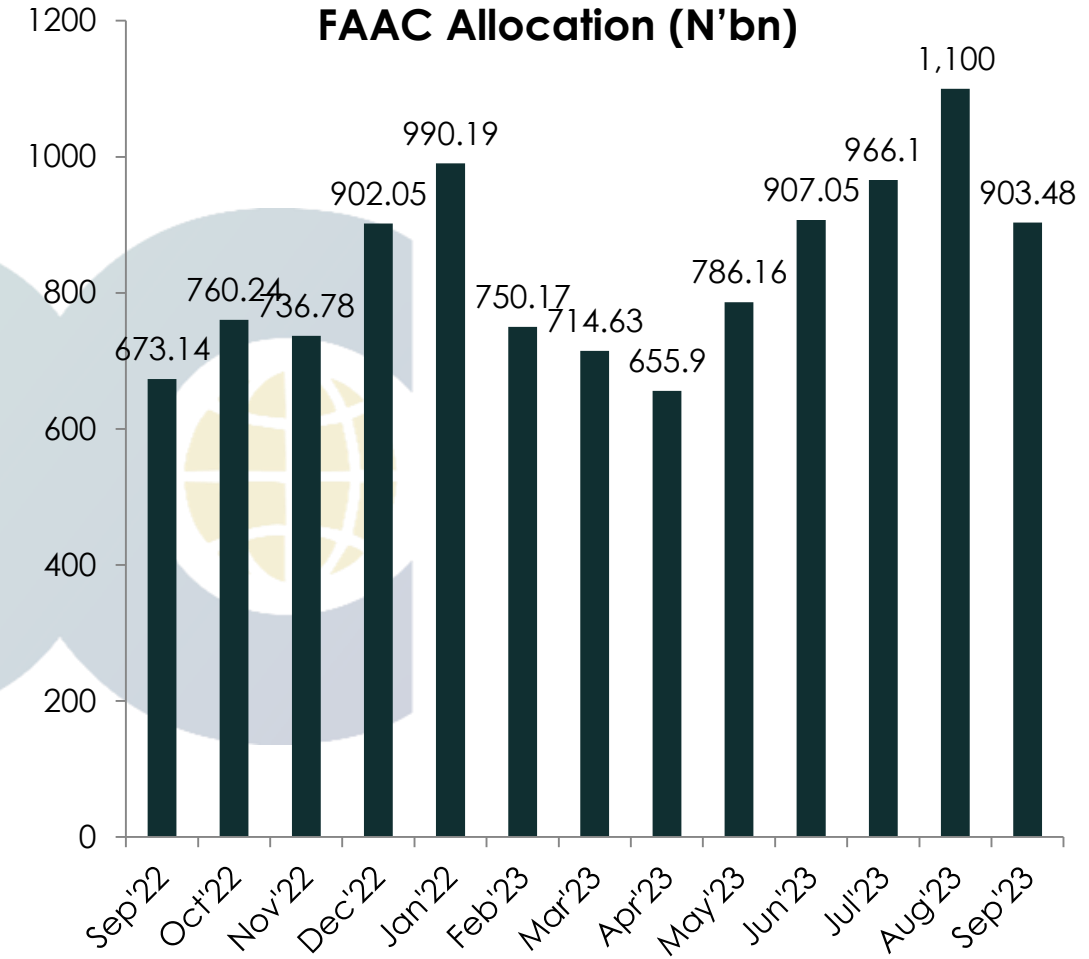
# MARKET PROXIES

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# FAAC ALLOCATION DECLINES FOR THE FIRST TIME SINCE MAR'23

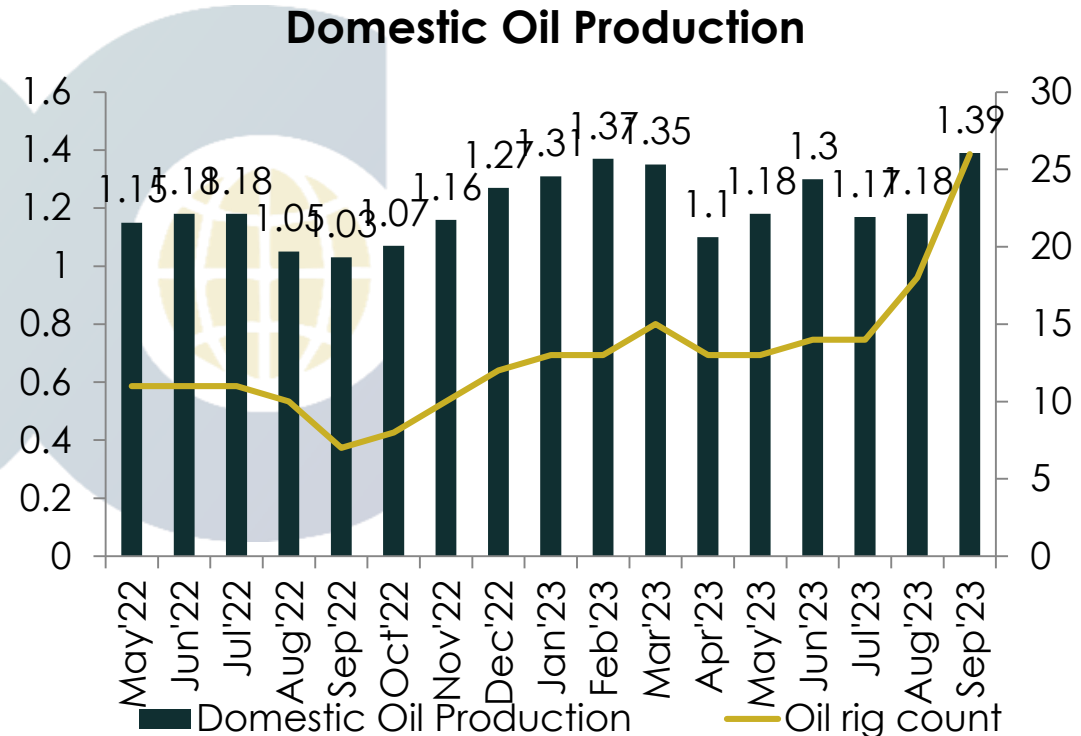
- FAAC down 17.87% to N903.48bn in October
- Due to lower revenue from VAT, CIT, import and excise duties, and custom external tariff
- Exchange rate gains amounted to N264.81bn
  - Supported by the depreciation in the value of the Naira
- We expect FAAC disbursement in November to fall due to the decline in oil prices





# DOMESTIC OIL PRODUCTION

- Domestic oil production increased by 11.2% to 1.39mbpd in September
- Oil rig count fell by 17% to 15 from 18 in August
- Increased domestic oil production supported by the sustained efforts by the FG to combat oil theft and pipeline vandalism
- We expect oil production to increase further in October



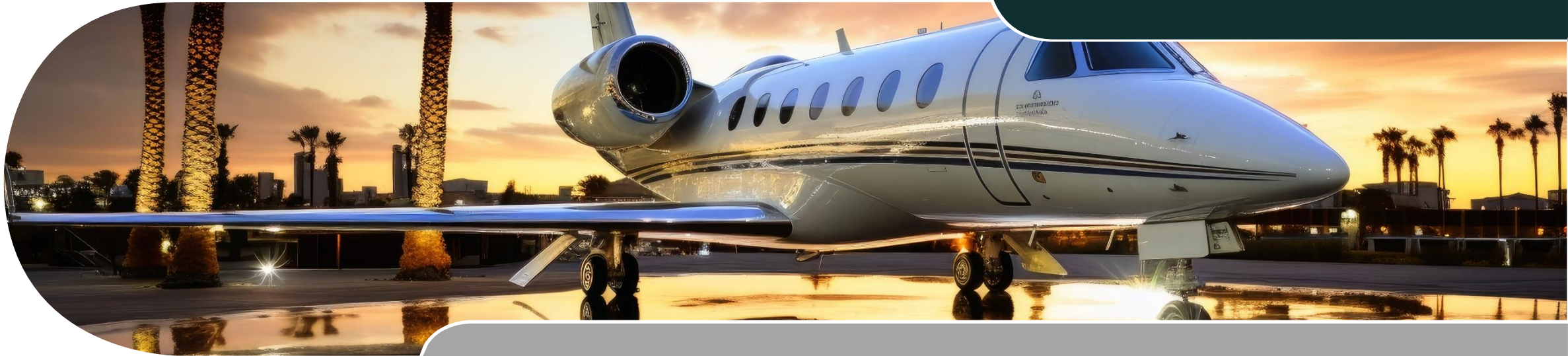
# SHIPS AWAITING BERTH

Ships Awaiting Berth	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23
Apapa	2	7	2	4	7	6	1	2	3
Lekki Deep Sea	-	-	-	-	-	-	-	1	1
Tincan	3	0	1	3	2	1	2	0	0
Rivers	0	3	2	2	2	1	1	1	0
Calabar	0	3	0	0	0	0	0	0	0
Warri	3	6	3	2	1	1	8	5	5
Onne	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>8</b>	<b>19</b>	<b>8</b>	<b>11</b>	<b>12</b>	<b>9</b>	<b>12</b>	<b>9</b>	<b>9</b>

- The total number of ships awaiting berth was unchanged at 9 in October
- Warri port remains the most utilized port

# AVIATION & TOURISM

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# GLOBAL AVIATION

- The momentum in the recovery of international passenger travel demand continues
- Industry-wide RPKs (Revenue passenger kilometres) increased by 28.4% year on year
- Passenger traffic now up to 95.7% of the pre-covid levels of 2019
- International travel now at 88.5% of the 2019 levels
- Domestic travel especially in the U.S. is leading the change
- Thanksgiving day travel booking is now at record levels
- In the international markets, Central and S. E. Asia are the leaders



# GLOBAL AVIATION

- There is a strong correlation between travel demand & economic growth & resilience
- Cargo traffic has maintained its growth trajectory
- Network carriers have responded by increasing capacity
- Bringing about an equilibrium in demand and supply
- Fares in the international markets have declined in real terms







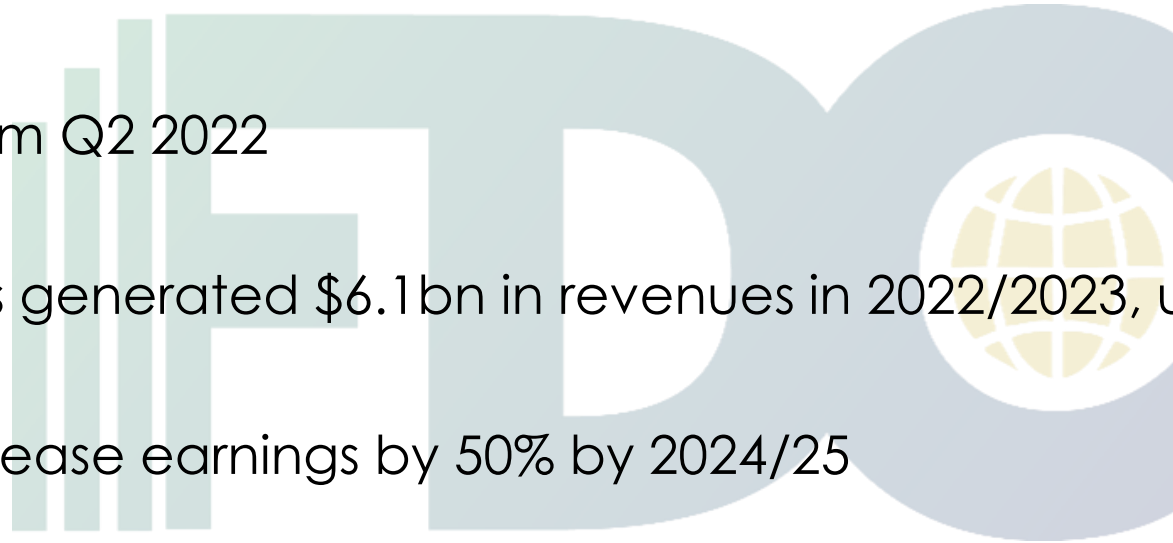
# DOMESTIC AVIATION

- The backlog or IATA trapped funds are now approx. \$1bn
- Carriers are selling tickets in dollars
- IATA rate of exchange is now N1,010/\$ up from N985/\$
- FAAN has hiked car parking fees & VIP lounge rate by 33%
- New terminal at MMI remains chaotic and a passenger nightmare
- Ethiopian Airlines has distanced itself from the Nigeria Air project
- Essentially describing it as a scandal



# DOMESTIC AVIATION

- IATA reports that African carriers recorded second highest growth in passenger traffic in Q2, 2023
- RPK up 38.9% from Q2 2022
- Ethiopian Airlines generated \$6.1 bn in revenues in 2022/2023, up by 20%
- It expects to increase earnings by 50% by 2024/25
- It has added new routes to China, making it attractive for Nigerian traders
- It operates into 4 airports in Nigeria





# DOMESTIC AVIATION

- Ethiopian Airlines also earns revenues through its equity investments in 3 other regional operators: Asky, Malawi Airlines and Zambia Airways
- Plans to increase its fleet from 130 to 270 aircraft
- And quadruple passenger traffic to 60m by 2025
- Ibom Air commenced international traffic on October 17 into Accra
- It operates a twice daily frequency from Lagos to Accra
- Ibom Air has enjoyed a reputation for the best on-time performance in Nigeria





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# POLITICAL UPDATE

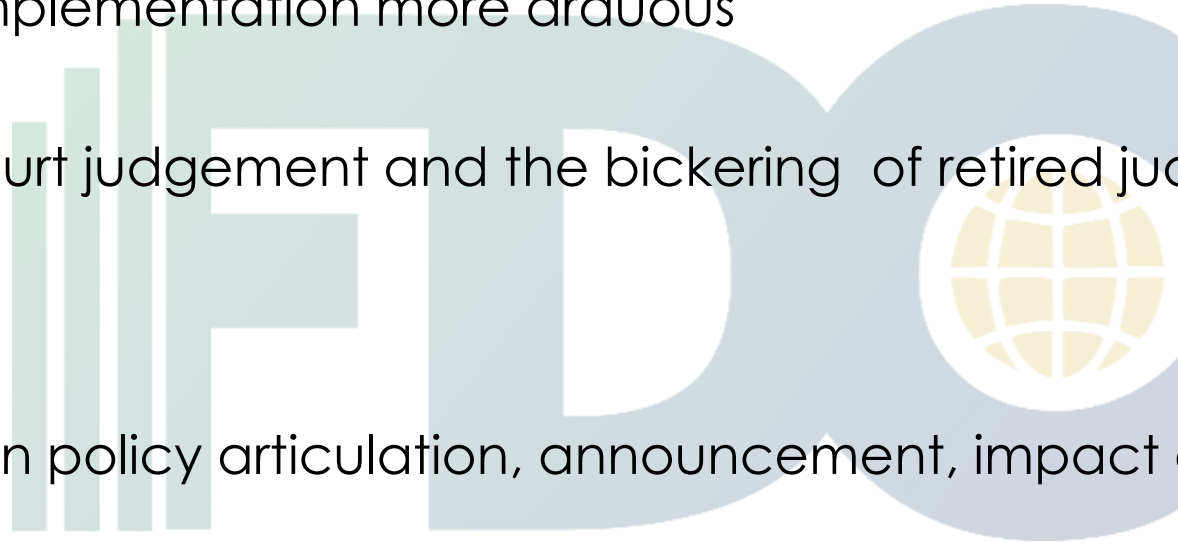
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# POLITICAL UPDATE

- Credibility gap continues to widen
- Making policy implementation more arduous
- The Supreme Court judgement and the bickering of retired judges making a bad situation worse
- The lags between policy articulation, announcement, impact and peoples' belief is becoming wider
- Macroeconomic stability is dependent mainly on good policies but more on credibility



# POLITICAL UPDATE

- Institutions for conflict resolution i.e. trade unions, student unions, market associations & traditional rulers, INEC and judiciary are badly compromised
- Making the tasks of the leadership more difficult
- The alignment of the domestic economic policy with international best practices is the key challenge
- The APC will have to prove that it is not an oligarch machine
- The management team are vast and experienced in subnational economic policies





# POLITICAL UPDATE

- There is a need to ramp up the skills in understanding federal and national economic dynamics
- The presidency will have to maintain a distance from political cronies and hustlers
- And focus on pure economic management for the next 12 – 18 months
- Exchange rate management and allowing for price discovery are critical to the political favourability calculus
- One key test is the integrity of the Nov. 11 polls in Kogi, Bayelsa & Imo





# POLITICAL UPDATE

- It is a make or break for Nigeria
- With an INEC that lacks capacity and credibility, a derailed electoral process is a recipe for chaos
- There is likely to be trade-offs between the opposition and APC for sharing political spoils
- A winner-takes-all approach is no longer tenable
- Too much is at stake



# OUTLOOK FOR NOVEMBER

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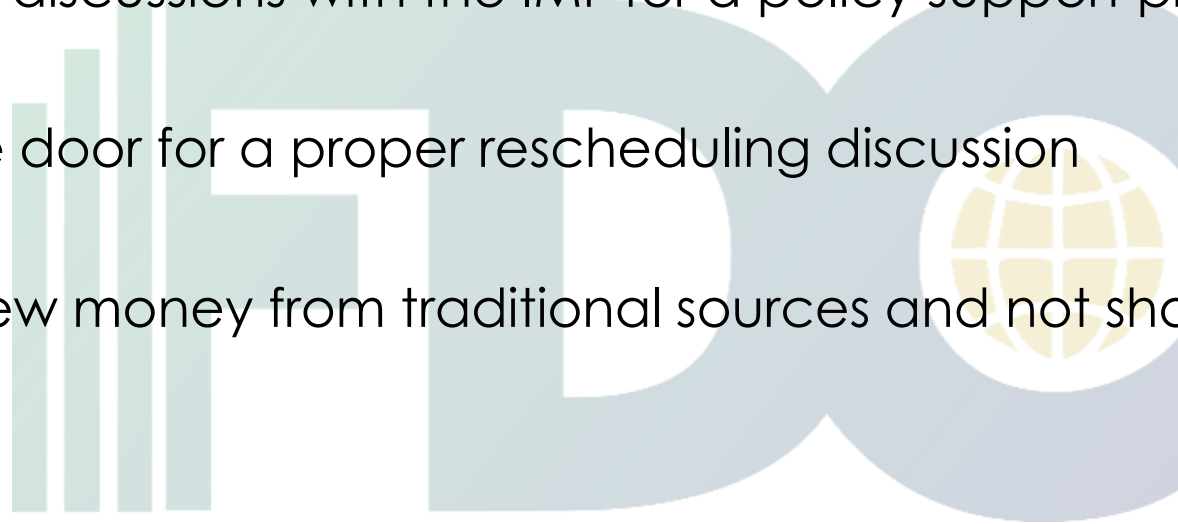
# OUTLOOK FOR NOVEMBER

- The MPC will meet in November
- Will tighten interest rates by 100 basis points to 19.75% p.a.
- T/Bill rates already rising - will increase further to 18% p.a. for 360-day maturity
- Headline inflation will test 28% in October
- More companies will report exchange rate losses which will depress stock prices
- The official exchange rate will cross N1,000/\$ whilst the parallel market will appreciate towards convergence



# OUTLOOK FOR NOVEMBER

- A proper auction system will be adopted, forcing proper price discovery
- Nigeria will have discussions with the IMF for a policy support programme
- This will open the door for a proper rescheduling discussion
- Nigeria needs new money from traditional sources and not shotgun financial weddings
- There will be more pain before any gain
- The real test is the political resilience and credibility to withstand the shocks





# CORPORATE HUMOUR

Men are born ignorant, not stupid. They are made stupid by education  
– *Bertrand Russell*



One snap of my fingers and I can raise hemlines so high the whole  
world would be your gynaecologist  
- *Joanna Lumley*

A true friend is one who likes you  
despite your achievements  
- *Arnold Bennett*



## CORPORATE HUMOUR

Nostalgia is heroin for old people.

- *Dara O Brian*



A woman is as young as her knees.

- *Mary Quant*

Bad humour is an evasion of reality,  
good humour is an acceptance of it.

- *Malcolm Muggeridge*



## CORPORATE HUMOUR

Happiness is the perpetual possession of being well deceived.

- *Lytton Strachey*



The crisis of today is the joke of tomorrow.

- *H. G. Wells*

Human history becomes more and more a race  
between education and catastrophe

- *Anonymous*



## CORPORATE HUMOUR

The past is always tense, the future perfect.

- *Zadie Smith*

Perhaps the world's second worst crime is boredom. The first is  
being a bore.

- *Cecil Beaton*

Men always want to be a woman's first love  
– Women like to be a man's last romance.

- *Oscar Wilde*





## CORPORATE HUMOUR

Love is staying awake all night with a sick child or a very healthy adult.

– *David Frost*



A rich man's joke is always funny.

– *Edward Brown*

Money may not buy happiness, but it can damn well give it.

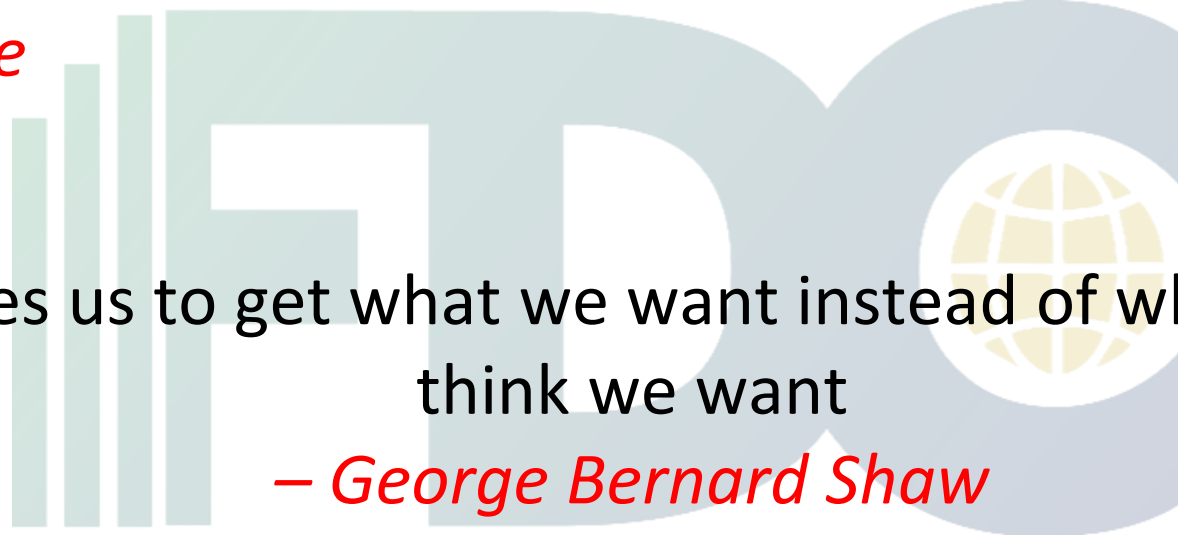
– *Freddie Mercury*



## CORPORATE HUMOUR

Teach a parrot the terms demand and supply and you have got an economist.

– *Thomas Carlyle*



Money enables us to get what we want instead of what other people think we want

– *George Bernard Shaw*

Inland Revenue says that we have got what it takes to take what you've got.

– *Anonymous*



**THANK YOU**

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