WHISPERS

FEBRUARY 16, 2024 | VOLUME 14 ISSUE 04

NIGERIA GOES INTO SURVIVAL MODE

WHEN WE SPEAK, THE WORLD UNDERSTANDS

FDC LIMITED

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The Whispers Overview

Nigeria is entering a new phase. The naira, at the official window, has crashed sharply by approximately 69% to the current N1,498.25/$ compared to N461.42/$ in February 2023. This can be largely attributed to the currency devaluations (two times in eight months) by the new administration aimed at attracting foreign direct investment, increasing dollar inflows, and stimulating employment and economic growth. However, given Nigeria's dependence on and preference for imported goods, the sharp exchange rate decline will lead to higher inflationary pressures in the country.

Meeting for the first time under the new administration on Feb. 26 and 27, the monetary policy committee (MPC), responsible for ensuring price stability, faces the challenge of curbing inflation expectations. The anticipation of rising prices is a key factor driving inflation, necessitating a clear, aggressive, and strict approach by the MPC to maintain price stability.

Major central banks in advanced economies have set the precedent, maintaining status quo and leaving benchmark interest rates elevated in their January meetings despite decreased inflation levels in 2023. Nigeria's headline inflation consistently rose in 2023 to reach 28.9% in December, and amid significant headwinds, we expect an interest rate hike of at least 200 bps to 20.75% p.a. While this is expected to mop up the excess money supply, borrowing costs for firms already dealing with declining profitability due to foreign exchange losses will also climb.

"When the going gets tough, the tough get going." For the average Nigerian, this has meant leaving the country for greener pastures. However, the sharp decline in the value of the naira could lead to a decrease in emigration as the cost of leaving, or "japaing," increases. Education migrants relying on domestic funds may also face challenges due to the added burden of rising fees.

Meanwhile, diaspora remittances from those who have successfully left the country may have a more significant impact domestically as the value of the dollar rises compared to the naira. This edition of the FDC Whispers sheds light on the "Japa syndrome in Nigeria and its effects on the economy."

Also included is a thorough analysis of some key macroeconomic indicators for the second half of January, along with an insightful outlook for the upcoming weeks.

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Japa Syndrome in Nigeria: Gain or Loss?

The mass exodus of professionals and skilled labor from Nigeria to other foreign shores in search of greener pastures has become the new normal. The lure of better opportunities abroad, underpinned by extreme dissatisfaction with the economy at home, leads many Nigerians to japa to other countries.[1] Japa refers to the frenzy of outmigration of youths from Nigeria. The dissatisfactions leading to this massive exodus includes but not limited to the search to secure a future for their children, the hope for better opportunities, education, economic headwinds, insecurity, poverty and rising unemployment.

Japa has been on a steady upward trajectory. Between 1990 and June 2020, the number of Nigerians residing outside the country nearly tripled, from 447,411 in 1990 to 1,670,455 in 2020, amounting to around 0.8% of the total population of Nigeria.[2] Statistics from the UK's Office for National Statistics revealed that net migration of Nigerians to the UK in 2022 increased sharply by 12.73% to 65,929, a record-high of migrants up from 57,545 in 2019.[3] And now the path to japa is tilting towards education. Tens of thousands of youths are relocating through education visas to countries like the UK and Canada. Nigerian study visas by the United Kingdom increased by 73% from 33,958 in the year ending June 2022 to 58,680 in the year ending June 2023.[4] Also, the number of students who recieved Canadian student visas increased significantly from 3,000 in 2021 to about 18,000 in 2023.[5] This implies an exponential rise in the number of individuals moving between Nigeria and the UK and Canada.

Losses Associated With Japa

Migration is not bad. We are in the era of globalization, but the brain drain due to the rising japa rate has become a loud cause for concern. A sector hard hit by this brain drain is the health sector as medical professionals seek employment abroad for better pay. Consequently, Nigeria's health statistics are dim. The doctor-to-patient ratio is now 1:5,000, a decrease of 840%, in 2022, and far beyond the World Health Organization's recommended ratio of 1:600. The education sector is also affected. About 50% of lecturers in public universities have japaed, and universities are currently running out of quality lecturers.[6, 7] The technology sector is also negatively impacted as Nigeria ranks the second-largest contributor of IT talent to Canada, with over 32,000 workers (at the economically productive stage of life) arriving between April 2022 and March

[1] Daily Trust. September 29, 2021. "Immigration Realities: Nigeria's loss, West's gain, Neighbours' win". https://dailytrust.com/immigration-realities-nigerias-loss-wests-gain-neighbours-win/b
[2] (Unicef Migration Profiles),(United Nations Department of Economic and Social Affairs, Population Division)
[3] International Centre for Investigation Reporting. 2022. "Nigeria has the highest number of migrants to the UK – Report". https://www.icirnigeria.org/nigeria-has-highest-number-of-migrants-to-the-uk-report/
[4] Bunmi Bailey . August 24, 2023. "UK student visas to Nigerians surge 73% in one year". Business Day. https://businessday.ng/news/article/uk-student-visas-to-nigerians-surge-73-in-one-year/
[5] Julia Hornstein. December 8, 2023.Nigerian students critical to ongoing success of Canada's international education sector. CIC NEWS. https://www.cicnews.com/2023/12/nigerian-students-critical-to-ongoing-success-of-canadas-international-education-sector-1241466.html#gs.4yn7uv
[6] Ayo Oyoze Baje , October 8, 2023. "Nigerian universities and the brain-drain challenge" Business day. https://businessday.ng/backpage/article/nigerian-universities-and-the-brain-drain-challenge/
[7] Chukwuma Muanya, September 7, 2022. "Doctor-patient ratio worsening in Nigeria, NMA warns". The Guardian. https://guardian.ng/news/doctor-patient-ratio-worsening-in-nigeria-nma-warns/

2023.[8] The impact of the japa syndrome on Nigeria's human capital development cannot be underestimated.

Are There Gains?

In this mass exodus, remittances stand out as a silver lining. They are one of Nigeria's primary sources of foreign capital inflow.[9] Personal remittance inflows to Nigeria increased by 3.59% to $20.13 billion in 2022 from $19.48 billion in 2021.[10] It is noted that remittances to Nigeria remained resilient, with an increase of 3.3% to $20.1 billion in 2023, accounting for around 38% of total remittance inflows to the region.[11] Remittances contribute to household income and better living standards. Providing households with additional income, which can be invested in income-generating activities, improving their earning power, and enhancing household expenditure patterns. In addition, the issue of transferred skills and knowledge acquired cannot be underestimated because if migrants return, they can impact some sectors by transferring either technological or managerial skills.[12]

A country that exemplifies the importance of remittances and harnessing human capital is Morocco.

Like Nigeria, Morocco has also been experiencing migration at an accelerated pace since the twentieth century, reaching around five million migrants in recent times.[13] To optimise the increase in migration, the Moroccan government fostered links by establishing Moroccan banks internally for easy transfer and creating a ministry for Moroccans abroad. This was mainly to guide migrants on investments and other issues, which brought about a remittance surge (rising from $9.5bn in 2021 to $11.1 bn in 2022) as it became easy and cheap for migrants to send money home.[14] The Delegate Ministry implements this strategy through several programs and projects. The goal is to achieve some basic objectives such as preserving their Moroccan identity, protecting their rights and reinforcing their contribution to the country's development.[15]

Another country Nigeria can learn from to reduce the japa wave is Mexico. To address the underlying issues causing emigration, Mexico has focused on economic reforms, particularly those that support economic growth and the creation of jobs and sharp reduction in japa. For instance, Mexico created jobs in the construction sector and focused on capital-intensive development that created new jobs.[16] Mexico improved worker employability by investing in education, aligning it with labor market needs, emphasizing technical and vocational training, and enhancing citizens'

[8] Chinedu Okafor. September 2, 2023. "A report shows that Nigerians are the second-largest tech migrants in Canada". Business Insider Africa. https://africa.businessinsider.com/local/markets/a-report-shows-that-nigerians-are-the-second-largest-tech-migrants-in-canada/hne2ckw
[9] Nwokolo, C. I., Ogbuagu, M. I., & Isola, W. A. 2021. "Migrant's remittance and investment financing nexus in Africa: Does investment climate matter?" Future Business Journal, 7, 1-11. https://link.springer.com/article/10.1186/s43093-021-00053-0
[10] Statista.2024. " Value of remittance inflows to Nigeria from 2011 to 2022". https://www.statista.com/statistics/1012368/remittance-inflows-to-nigeria/
[11] The World Bank. une 13, 2023. Remittances remain resilient but kikely to slow. https://www.worldbank.org/en/news/press-release/2023/06/13/remittances-remain-resilient-likely-to-slow
[12] Wahba, J. 2021. "Who benefits from return migration to developing countries?". IZA World of Labor. https://wol.iza.org/articles/who-benefits-from-return-migration-to-developing-countries/long#:
[13] Global Compact for Migration, December 7, 2018. "Morocco's Migration Policies and the Global Compact for Safe,Orderly and Regular Migration". https://migrationpolicy.unescwa.org/sites/default/files/policies/2018_Morocco_Migration_Policy_and_GCM_Report.pd
[14, 15] Hein de Haas, March 19, 2014."Morocco: Setting the Stage for Becoming a Migration Transition Country?". Migration Policy Institute. . https://www.migrationpolicy.org/article/morocco-setting-stage-becoming-migration-transition-country#
[16] David Simcox and Leon Bouvier. December 1, 1986. "Population, Unemployment and Emigration in Mexico and the Caribbean". Center for Immigration Studies. . https://cis.org/Report/Population-Unemployment-and-Emigration-Mexico-and-Caribbean

skills for local industries. Skill development programs in areas like information technology, manufacturing, and healthcare were initiated, aligning workforce skills with emerging industry requirements.[17] The government fostered a favorable business environment, promoting entrepreneurship and supporting small and medium-sized enterprises to create more job opportunities domestically.[18] This created a multiplier effect which boosted economic productivity and reduction in outmigration

Furthermore, the introduction of social programs targeted at reducing poverty have raised living conditions and lessened the demand for migration. The conditional cash transfer program is one initiative that lowered poverty rates, boosted educational attainment, and enhanced nutrition. It is estimated that this program has helped four million Mexicans exit poverty, benefiting approximately 25 million people, which is about one-fourth of the country's total population.[19] The budget for social spending in Mexico also grew dramatically in 2022, as 34% of Mexicans were enrolled in one social program or the other, up from 28% in 2018.[20] In the end, these social programs have reduced the need for citizens to migrate in quest of better opportunities abroad as access to healthcare and education improved.

Nigeria can leverage these strategies, adapting them to its unique context, to develop a holistic approach that addresses the underlying factors driving japa. This simply involved boosting productivity by solving the underlying structural issues impeding growth and stabilising prices.

Japa has become a concerning trend driven by economic dissatisfaction and various challenges in Nigeria. While remittances from those who leave contribute significantly to Nigeria's foreign capital inflows, substantial losses, especially in critical sectors like education and healthcare, lead to brain drain. The country could learn from other nations like Mexico, which has successfully addressed migration challenges through economic reforms, education investment, and poverty reduction programs. The ongoing trend of Nigerians pursuing education visas as a means of migration raises concerns. The challenge for Nigeria lies in finding a balance between the short-term benefits of remittances and the long-term consequences of losing skilled and economically active youths, requiring comprehensive strategies to address the root causes of the Japa syndrome. The outlook for Nigeria depends on its ability to implement effective policies that promote economic growth, reduce poverty, and create opportunities for its citizens, mitigating the need for mass migration in search of greener pastures.

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[17, 18] Michael Graybeal. May 12, 2011. "Mexico's Economic Policy and Migration". Center of Strategic and international Studies (CSIS). https://www.csis.org/analysis/mexicos-economic-policy-and-migration
[19] Banegas, I., Teruel, G., & Latapí, A. E. 2022. Mexican Social Programs, Departures and Return Migration. In Migration Between Mexico and the United States: IMISCOE Regional Reader (pp. 231-249). Cham: Springer International Publishing. https://link.springer.com/chapter/10.1007/978-3-030-77810-1_7
[20] Eduardo Porters. August 23, 2023. Mexico's Anti-Poverty Success Has a Dark Side. Buisinesshttps://www.washingtonpost.com/business/2023/08/23/amlo-s-anti-poverty-success-in-mexico-has-a-dark-side/bd82d734-41a5-11ee-9677-53cc50eb3f77_story.html

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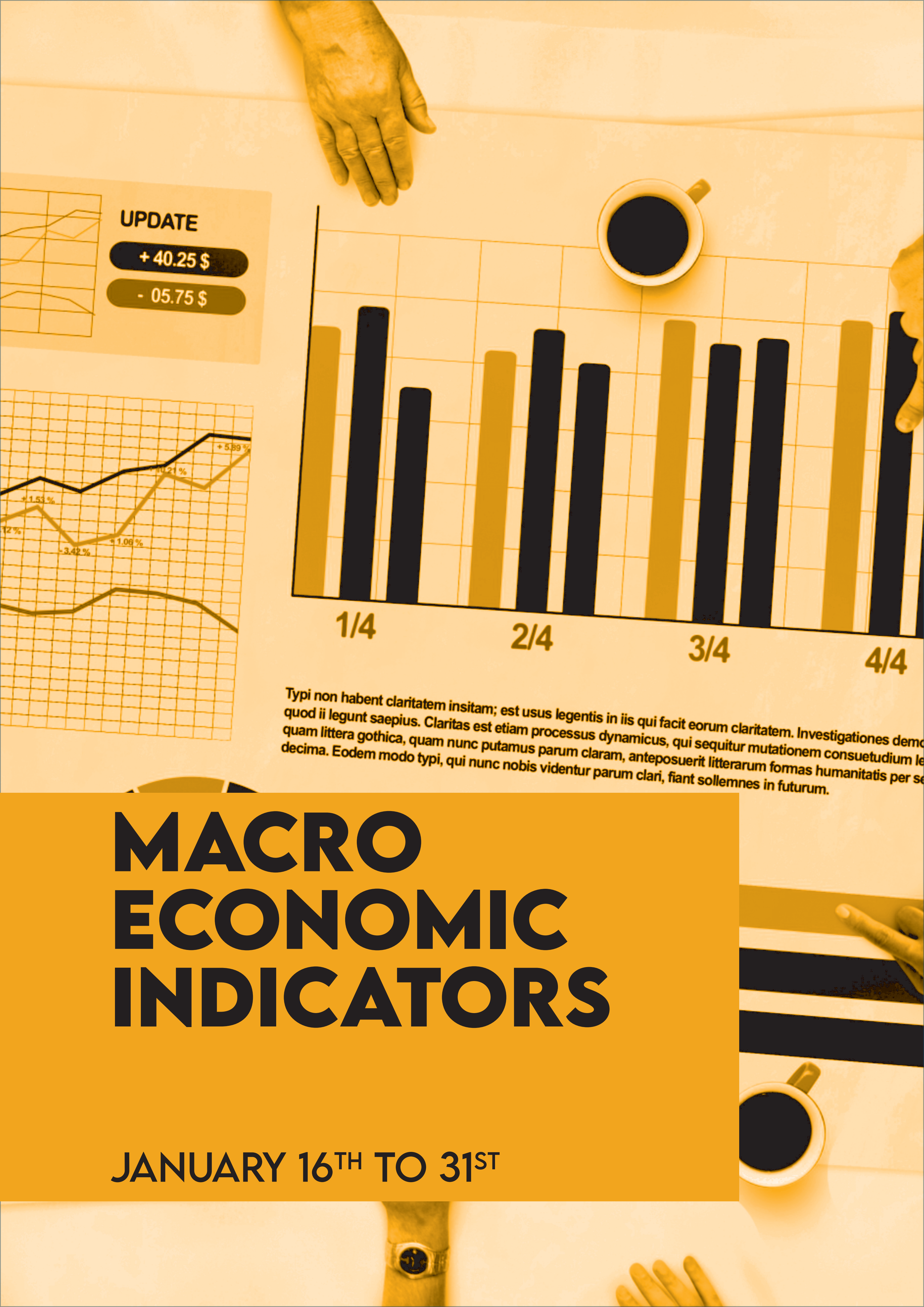


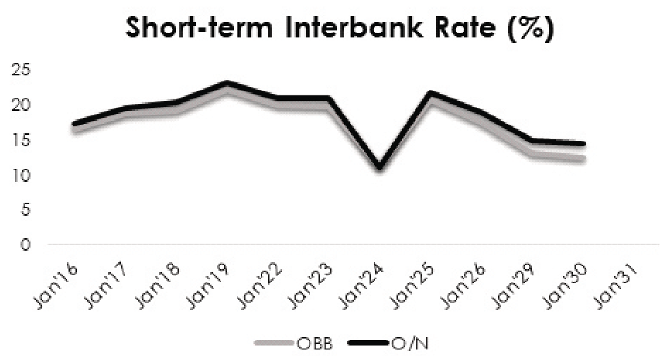
MACRO ECONOMIC INDICATORS

JANUARY 16TH TO 31ST

MONEY MARKET

Banks' opening position in the second half of January 2024 averaged N165bn, 36.01% lower than the N258bn in the second half of December 2023. The fall in liquidity led to an increase in the average short-term interbank rates (NIBOR) by 73bps to 17.90%p.a from 17.17%p.a. in December. During the period, there were two OMO sales totaling N650bn but no OMO repayment.

During the review period, there was one primary market auction wherein a total of N56.54bn was allotted compared to no primary market auction in the second half of December 2023. At the primary market, yields fell by an average of 863bps across all tenors to 5.00% p.a., 7.15% p.a., and 11.54% p.a., respectively. Meanwhile, at the secondary market, yields at the 91, 181, and 364-day tenors fell to 193.33p.a, 174.07%p.a, and 126.73%p.a respectively.



Source: FDC Think Tank

Tenor	Primary market (Jan 10th 2024) (%)	Primary market (Jan 24th 2024) (%)	Secondary market (Jan 15th 2024) (%)	Secondary market (Jan 31st 2024) (%)
91-day	2.44	7.00 ▲	3.75	11.00 ▲
182-day	4.22	10.00 ▲	4.55	12.47 ▲
364-day	8.40	12.24 ▲	5.35	12.13 ▲

Source: FMDQ, FDC Think Tank

Outlook and Implication

We expect system liquidity to reduce further in the coming weeks as the CBN continues its contractionary monetary policies. One of the recent policies is the removal of the N2 billion daily limit on funds placed at the Standing Deposit Facility (SDF), which is expected to increase the net deposits of banks at the CBN window and tighten liquidity in the money market. Also, the CBN is likely to hike interest rates by 200 bps to 20.75% at its MPC meeting on February 26-27, 2024. Meanwhile, short-term interbank rates are likely to maintain a bullish trend, trading in double digits.

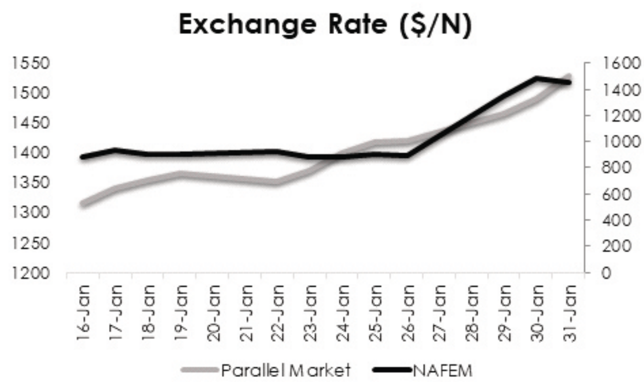
FOREX MARKET

The forex market is currently being reformed. Since the adoption of a "willing-buyer-willing-seller" model by the CBN, the exchange rate is allowed to be determined by the forces of demand and supply. Some of the exchange rate determinants are balance of payments, capital inflows, and trade balance.

EXCHANGE RATE

At the Investors' and Exporters' Foreign Exchange window, the naira depreciated by 39.64% against the dollar to close at N1,455.59 /$ on Jan 30 from N878.57/$ on Jan 16. Similarly, at the parallel market, the currency depreciated by 16.35% to N1,530.00/$ on Jan 31 from N1,315.00/$ on January 16. The steady depreciation of the naira was largely due to forex shortages as demand for dollars (for school fees payments, medical bills, importation of inputs, etc.).

During the review period (January 29 to be precise), the CBN devalued the naira at the official market (N1,338.63/$) for the second time in eight months to narrow the official-parallel market rate gap. Following this was a change in the FX rate methodology by the FMDQ, to simply ensure that published rates are truly reflective of market activities and the level of transactions. Other policies include, revising the net opening position of DMBs to a 20% short and 0% long position of shareholders funds unimpaired by losses as well as lifting the +/-2.5% rate cap around the previous trading day rates on IMTO transactions. These moves are complementary measures to the FX liberalization efforts.



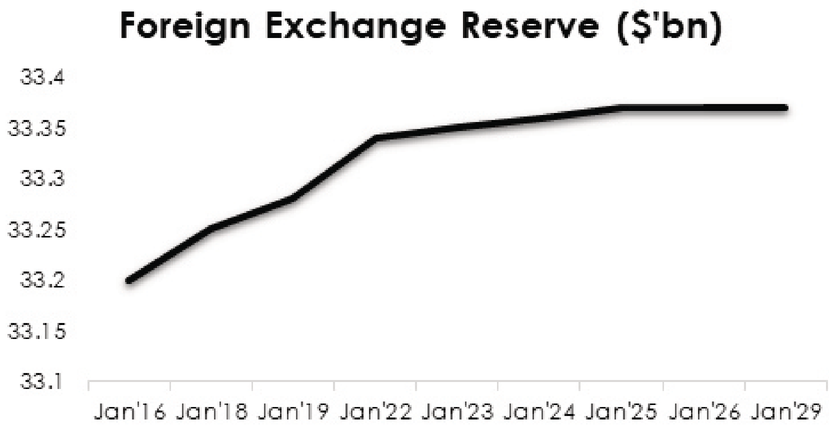
Source: FDC Think Tank

Outlook

We expect a boost in forex inflows into the country as the CBN continue to enforce price/exchange rate stabilization measures including the partial clearance of FX obligations, enforcing new operational mechanisms for BDCs & IMTOs, Net Open Position limits, adjusting the remunable SDF cap, among others. A boost in forex inflows will bolster the external reserves and bolster the CBN's ability to support the naira. Consequently, the exchange rate is expected to attain a level of stability in the short term.

EXTERNAL RESERVES

In the second half of January, Nigeria's gross external reserves remained relatively stable. It gained 0.51% to close the review period at $33.37bn from $33.20bn at the start of the period (Jan 16) as a result of stable oil prices and higher oil production. This marginal gain in the gross external reserves can be attributed to the government's effort to boost dollar inflows especially through the loan from AfreximBank. The country's import and payments cover also increased by 0.88% to 6.88months from 6.82months.



Source: CBN, FDC Think Tank

Impact

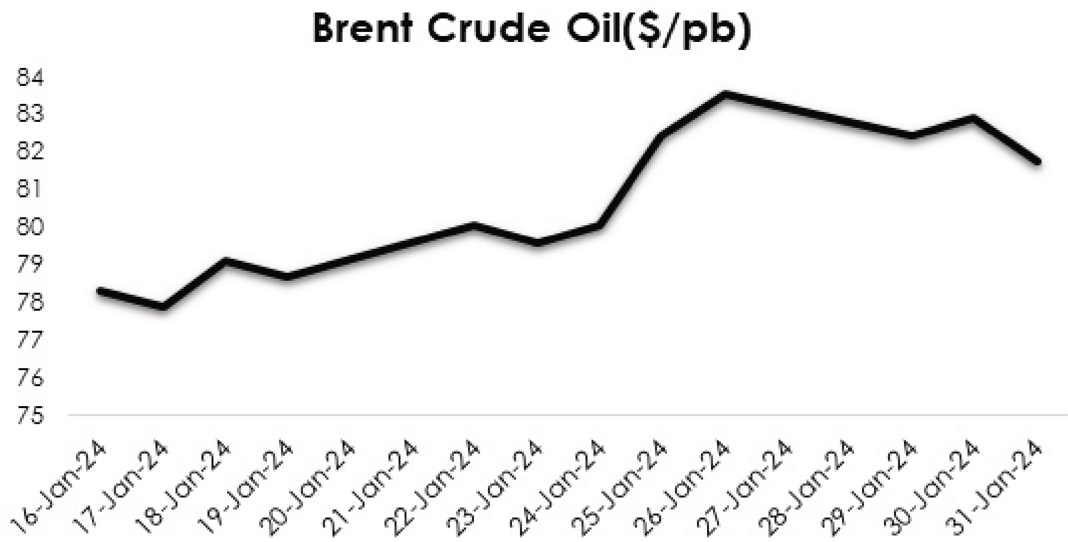
A stable naira signals a predictable and less risky investment environment, which encourages both domestic and foreign investors to commit funds to various sectors of the economy. Moreover, narrowing the official-parallel market rate gap could help reduce arbitrage activities and ensure transparency in the forex market. This results in increased foreign exchange inflows and a buildup of the nation's external reserves. Additionally, exchange rate depreciation is a key driver of inflation through its impact on prices, therefore a stable exchange rate will control the cost of living crisis and help reduce the pace of the increase in inflation.

COMMODITY EXPORTS

Nigeria participates in the commodity as both an importer and exporter. It exports crude oil (79%), LNG (9%), Cocoa (1.0%) and a few other commodities. On the other hand, Nigeria is a net importer of sugar and wheat among other commodities.

OIL PRICES

In the review period, Brent gained 6.72% to a peak of $83.55pb on January 26 from $78.29pb. This increase was mainly due to escalating tensions in the Middle East, supported by the increase in Chinese demand, a lower than expected U.S. inventories and OPEC supply cuts. It later fell to $81.71pb on concerns of Evergrande liquidation. On average, the price of Brent was $80.44pb in the second half of January, up 2.09% from $78.80pb in the same period in December 2023.



Source: Bloomberg, FDC Think Tank

Outlook

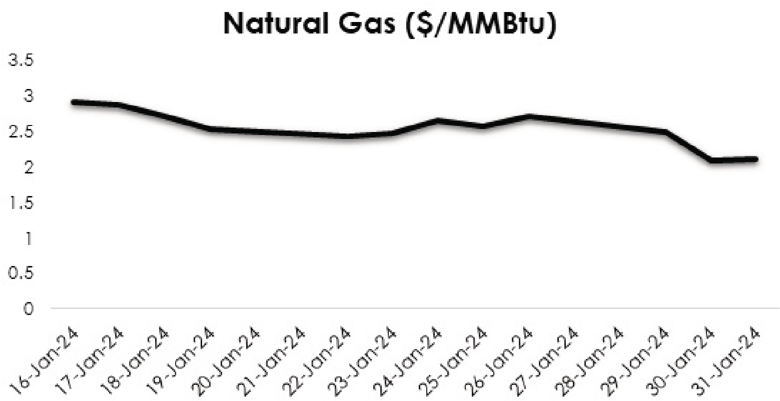
Oil prices are likely to remain elevated in the near term, driven by an escalation of Middle East tensions, as Israel turned down the truce offer from Hamas with the intention to continue the war.

Implication

Rising oil prices coupled with the increase in oil production (up 9.03% to 1.42 million barrels per day (mbpd) in December 2023 from 1.32mbpd in November 2023) will help improve Nigeria's fiscal position as it depends on oil revenue to fund its budget. More so, as oil earnings improve, the country's external reserves could be boosted.

NATURAL GAS

The price of LNG fluctuated in the second half of January. The price of LNG was at $2.10/mmbtu at the beginning of the review period and closed the period at $2.90/mmbtu, recording a 38.10% decrease in the period under review. This decline was due to a milder weather forecast in Europe and America, as winter eases thereby reducing demand for heating. On average, gas prices rose by 0.39% to $2.54/mmbtu within the review period (Jan 16th-31st) from the average of $2.53/mmbtu in the second half of December.



Source: Bloomberg, FDC Think Tank

Outlook

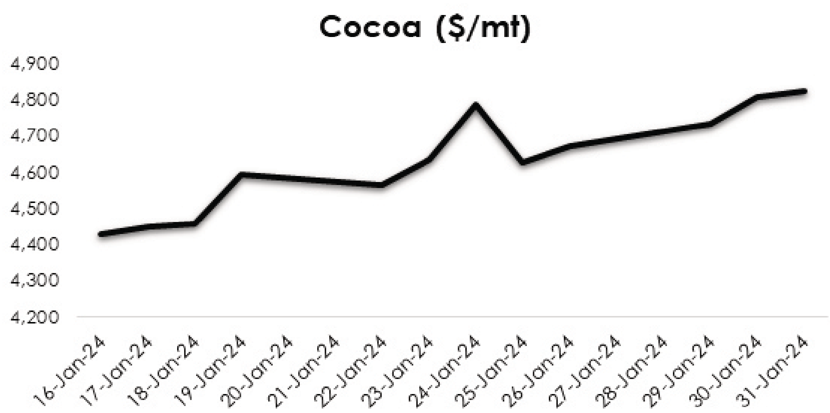
Gas prices are expected to remain low in the coming weeks due to weaker demand from Japan over increased use of renewable energy. The decline will further be supported by high storage levels in Asia and Europe.

Implication

Natural gas accounts for 9.11% of Nigeria's total exports. A decline in the price of gas will reduce Nigeria's export revenue and shrink foreign exchange earnings.

COCOA

The price of cocoa increased by 8.87% from the beginning of the period under review to close at $4,822/mt from $4,429/mt. The surge in the price of cocoa was due to tight supply from top cocoa growers, Ivory Coast and Ghana as El Nino sea temperature disrupts rainfall patterns and brings hot, dry weather to West Africa. On average, the price of cocoa increased by 7.88% to an average of $4,613 in the second half of January from $4,276/mt in December attributed to the black cocoa pod disease contracting supply.



Source: Bloomberg, FDC Think Tank

Outlook

The price of cocoa is expected to remain elevated due to tight supply from top cocoa exporters, Ivory Coast, Ghana, Nigeria and Cameroon, which collectively contribute 70% of global cocoa.

Implication

Higher cocoa prices will support Nigeria's foreign exchange earnings, as well as buoy the income of cocoa farmers. Cocoa is one of Nigeria's major non-oil export commodities, accounting for 0.41% of total exports in Q3'23.

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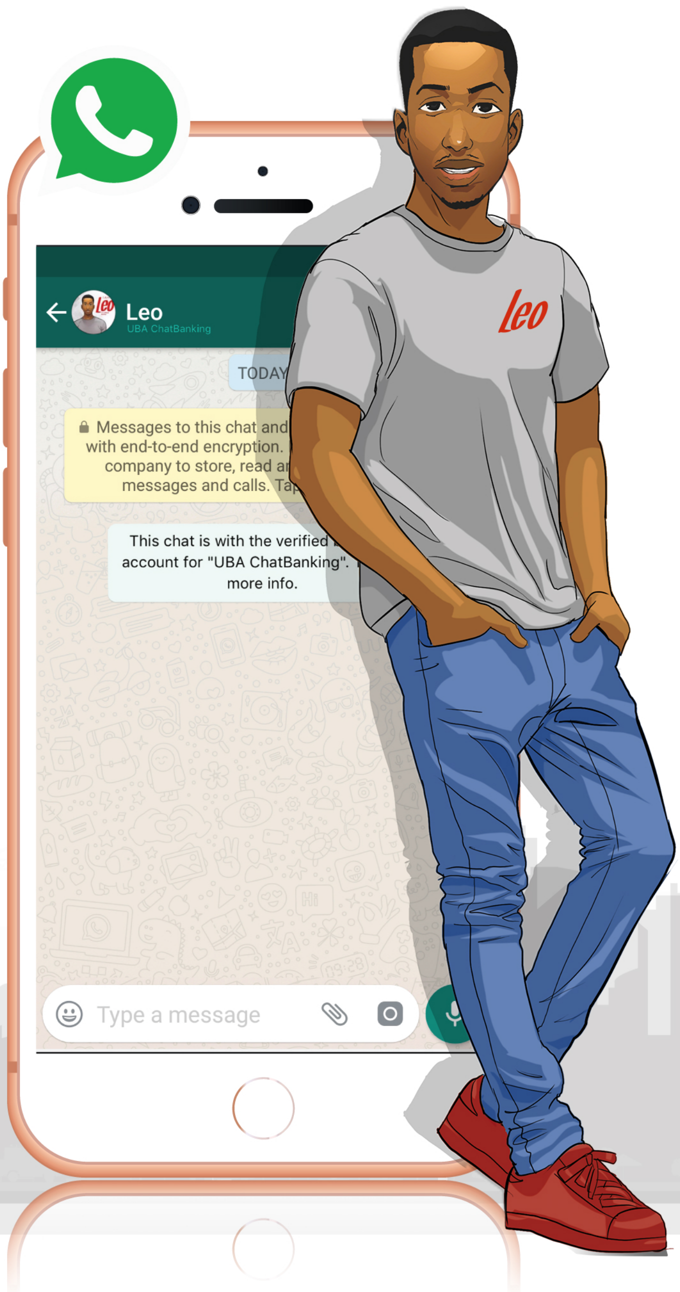

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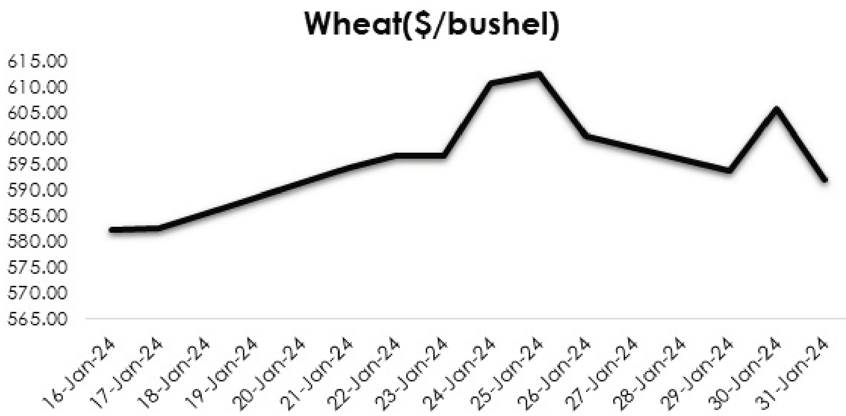
COMMODITY IMPORTS

WHEAT

In the second half of January, the price of wheat gained 1.67% to $591.75/ushel from $582.00/bushel on January 16th. Wheat prices touched a high of $612.25/bushel on January 25th driven by concerns about a ship attack on two U.S warships protecting two U.S commercial vessels carrying cargo for the department of defense on the Red Sea causing tight supplies.. However, on average, the price of wheat decreased by 3.88% to $596.32/bushel within the review period (January 16th-31st) from $620.41/bushel in the corresponding period in December.



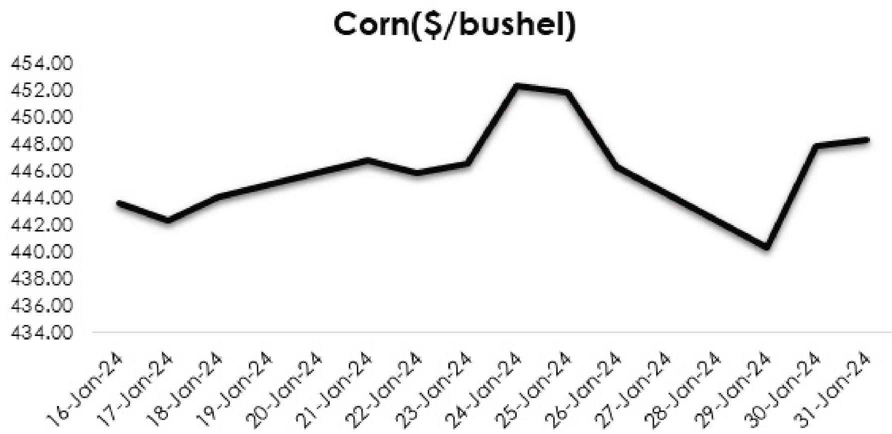
Source: Bloomberg, FDC Think Tank

Outlook - Grains

Grain prices are likely to drop in the near term due to ample global supply in major corn-producing region in South America (Brazil and Argentina).

CORN

The price of corn increased by 1.07% from $443.50/bushel on Jan 16th to close the period at $448.25/bushel. Compared to $473.38./bushel in the second half of December, the average corn price plunged by 5.76% to $446.09/bushel in the review period. The fall in the price of corn is driven by bumper harvests in Brazil and Argentina, supported by a sluggish demand in China.



Source: Bloomberg, FDC Think Tank

Implication - Grains

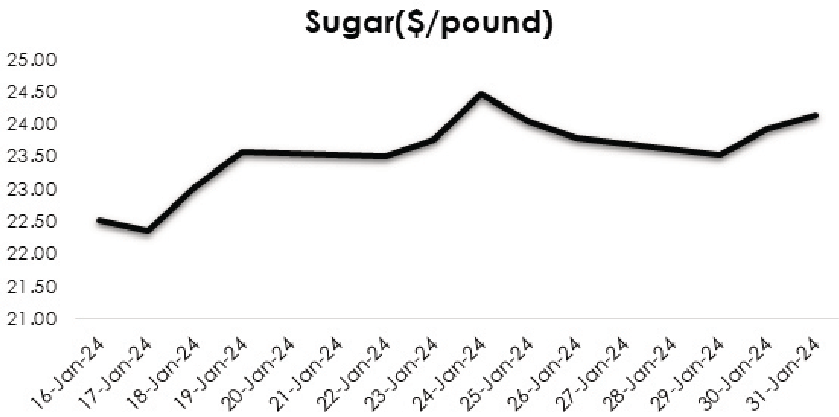
The fall in grain prices will reduce Nigeria's import bill as grains contribute 3.92% to total imports. This could in turn drive the cost of production for corn-dependent firms lower and taper the cost of animal feeds.

Terms of Trade

Nigeria's terms of trade is expected to remain negative as the imports superseded exports due the exchange rate crisis.

SUGAR

The price of sugar fluctuated in the second half of January. It rose by 8.61% from $22.52/pound to $24.46/pound on January 24th, driven by tight supply from India as it places ban on sugar export, supported by an increase in the export tax of sugar in India, before settling to close at $24.13/pound on January 31st. Overall, the price of sugar averaged $23.49/pound in the second half of January, 12.18% higher than the average of $20.94/pound in the second half of December.



Source: Bloomberg, FDC Think Tank

Outlook

The price of sugar is expected to decrease in the coming weeks due to improved global supply in Brazil.

Implication

Low sugar prices imply a lower import bill for the government. Also, confectioners and sugar derivatives prices will likely decrease as production costs ease.

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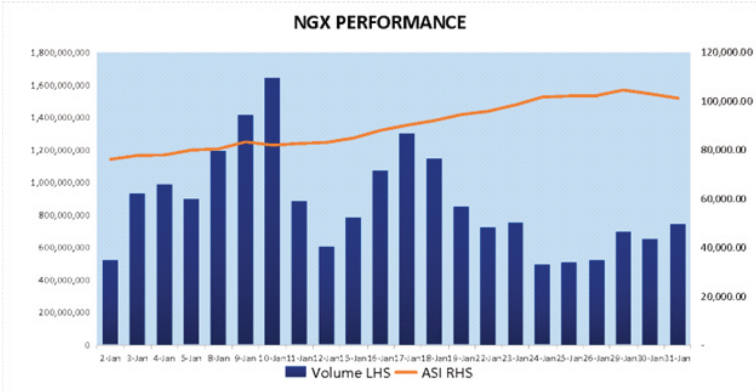
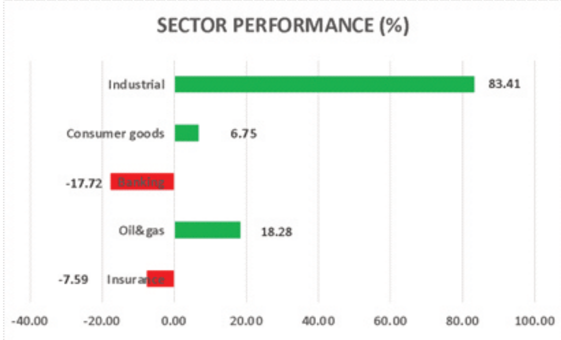
STOCK MARKET REVIEW

JANUARY 16TH TO 31ST

The Nigerian Stock Exchange closed on a positive note from January 16th - 31st. It gained 19.51% to close at 101,154.46 points on January 31st, up from 84,640.89 points on January 15th. Also, the market capitalization increased by 19.52% to N55.36 trillion (trn) relative to its close of N46.32 trillion (trn) on January 15th. In January, the NGX gained 35.28% from its close of 74,773.77 points on December 29th.





Source: NGX, FDC Think Tank

The market YTD return was 35.28% at the end of the period. However, the market breadth was negative at 0.5x as 36 stocks gained, 47 stocks remained unchanged while 72 lost. The positive performance of the NGX this period could be attributed to positive investor sentiment and buying interest in bellwether stocks with solid fundamentals, notably DANGCEM.

The market activity level was positive in the review period. The average volume traded increased by 72.03% to 784.23mn units from 455.86mn units. Similarly, the average value of trades rose by 43.85% to N15.32bn from N10.65bn in the previous period.

The performance of the sectors was mixed between January 16th - 31st, as three sectors lost while two gained. The Industrial sector gained 83.41%, followed by the Oil & Gas sector (18.28%) and the Consumer Goods sector (6.75%). Meanwhile the Banking sector lost 17.72% and was followed by the Insurance sector (-7.59%).

SECTOR PERFORMANCE

Industrial	Oil &Gas	FMCG	Insurance	Banking
83.41	18.28	6.75	-7.59	-17.72

TOP 5 GAINERS

Dangote Cement Plc topped the gainers' list with a 103.47% increase in its share price. This was followed by BUA Cement Plc (80.58%), Tripple Gee and Company Plc (75.38%), Seplat Energy Plc (33.10%) and Geregu Power Plc (32.40%).

TOP 5 LOSERS

The laggards were led by Cadbury Nigeria Plc (-34.59%), Sovereign Trust Insurance Plc (-33.33%), Daar Communications Plc (-32.32%), Ikeja Hotel Plc (-31.69%) and Regency Assurance Plc (-28.07%).

TOP 5 GAINERS

Company	Jan-15 (N)	Jan-31(N)	Absolute Change	Change (%)
DANGCEM	375	763	388	103.47
BUACEMENT	102.45	185	82.55	80.58
TRIPPLEG	1.95	3.42	1.47	75.38
SEPLAT	2310	3074.6	764.6	33.10
GEREGU	429	568	139	32.40

TOP 5 LOSERS

Company	Jan-15 (N)	Jan-31(N)	Absolute Change	Change (%)
CADBURY	26.45	17.3	-9.15	-34.59
SOVRENINS	0.66	0.44	-0.22	-33.33
DAARCOMM	0.99	0.67	-0.32	-32.32
IKEJAHOTEL	9.15	6.25	-2.9	-31.69
REGALINS	0.57	0.41	-0.16	-28.07

Outlook

We expect a bearish market in February as investors are likely to take profits following the bullish trends in 2023 and early January 2024. The poor 2023 corporate earnings, mainly due to foreign exchange losses, may also negatively affect investor sentiment next month.

WHISPERS OUTLOOK

- Nigeria's headline inflation remain elevated in January 2024 (29.9%) due to currency depreciation and money supply growth. The MPC is expected to meet on February 26-27, 2024. An increase in MPR by 200 basis points to 20.75%p.a. is likely. Meanwhile, liquidity mopping up will be intensified through OMO bills, special deposits and higher forex sales by the CBN.

- Demand pressures coupled with weak forex supply will continue to weigh on the naira at the parallel market, causing a further depreciation of the naira. The CBN is expected to keep shrinking the parallel-market exchange rate gap in the near term, allowing the naira trade towards its fair value

- Further depreciations of the naira could worsen the operating environment for businesses. This is because the exchange rate used to compute the custom duty will move in tandem with market rates, increasing costs and squeezing margins for businesses. Already, the exchange rate for import duty computation has been revised upwards to N1,472.76/$ from N951.94/$, to reflect current market rates.

- However, we expect bullish oil prices in the near term due to a combination of factors, including tepid US crude production, supply disruptions fueled by the lingering geopolitical tensions and the prospect of improved oil demand. The International Energy Agency (IEA) has upwardly revised its oil demand forecast for 2024 to 1.24mbpd.

- Meanwhile, oil production could rise further in January supported by the increase in oil rigs and sustained efforts to combat oil theft and pipeline vandalism in the Niger Delta region. Improved oil production and bullish oil prices are likely to support government revenue and foreign exchange reserves, enabling the CBN's capacity to defend the naira.

- Due to higher interest rates and bearish market sentiments on Q4'2023 corporate earnings results, the stock market performance will likely be choppy in the near term. We expect the CBN to hike interest rates at its upcoming meeting to rein in inflation and narrow the negative real rates of return on investments to boost capital inflows.