



LBS BREAKFAST SESSION



DEATH

OR

**DEBT
TRAP??**

21ST CENTURY ROAD TO ECONOMIC SALVATION

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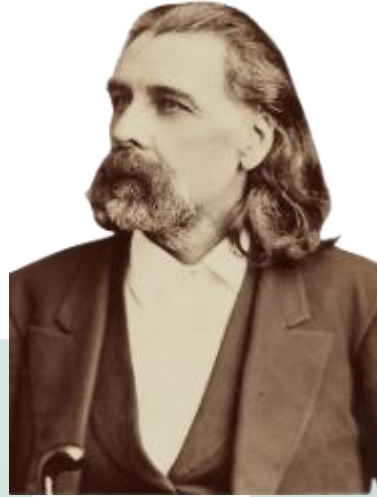
“

Debt is like any other trap, easy enough to get into, but hard enough to get out of.

”

Henry Wheeler Shaw

American humorist and lecturer



“

It's not the debt itself that's bad, but how it's managed and what it's used for that determines its value.

”

Suze Orman

An American financial advisor, author, and podcast host



DOMESTIC ECONOMIC CONCERNS





WHAT IS A DEBT TRAP! – CLASSICAL AND LIBERAL PERSPECTIVE

A situation where an entity accumulates debt to a level that is increasingly difficult to meet debt obligations without incurring further debt, thus leading to a vicious cycle of borrowing.

A situation where a country borrows excessively to the point where the burden of repayment ... stifles economic growth, leading to further borrowing and a deepening of the debt crisis.

When a country accumulates debt to such an extent that it cannot generate enough revenue to service the debt without incurring more debt. This leads to a cycle of borrowing and repayment that can become unsustainable.



Joseph Stiglitz



Paul Krugman



Jeffrey Sachs

NIGERIA'S ECONOMIC SNAPSHOT

- NNPC declares state of emergency on crude oil production
- A new insecurity bout is now reignited, especially in the Northeast
- Oil production averaged 1.27mbpd in Q2'24, down from 1.33 mbpd in Q1'24
- Nigeria has opened up a new bidding for 17 oil blocs
- Headline inflation is increasing at a slower pace towards 34.1%
- Food inflation basket is now at 40.66%
- Price of diesel stable at N1,200 per litre
- Effective lending rates climb to 32%p.a. in June
- The average opening position of the banking system has increased to N346.64 bn in June



NIGERIA'S ECONOMIC SNAPSHOT

- The IBTC PMI has fallen to 50.1pts in June from 52.1pts in May
- Indicating a further contraction in business activity
- Economic growth is slowing, and the trend will likely continue in Q3
- Foreign investment inflows rose by 210% to \$3.3bn in Q1 '24 from \$1.09bn in Q4'23
- Capital importation reports reflects an increase in borrowings
- The naira traded horizontally at N1500-N1520/\$ in June
- The CBN has allowed a virtual unification of rates
- It has reduced the documentary requirements of price verification before LCs are established
- The rate of exchange for custom duty is currently at N1511.36/\$



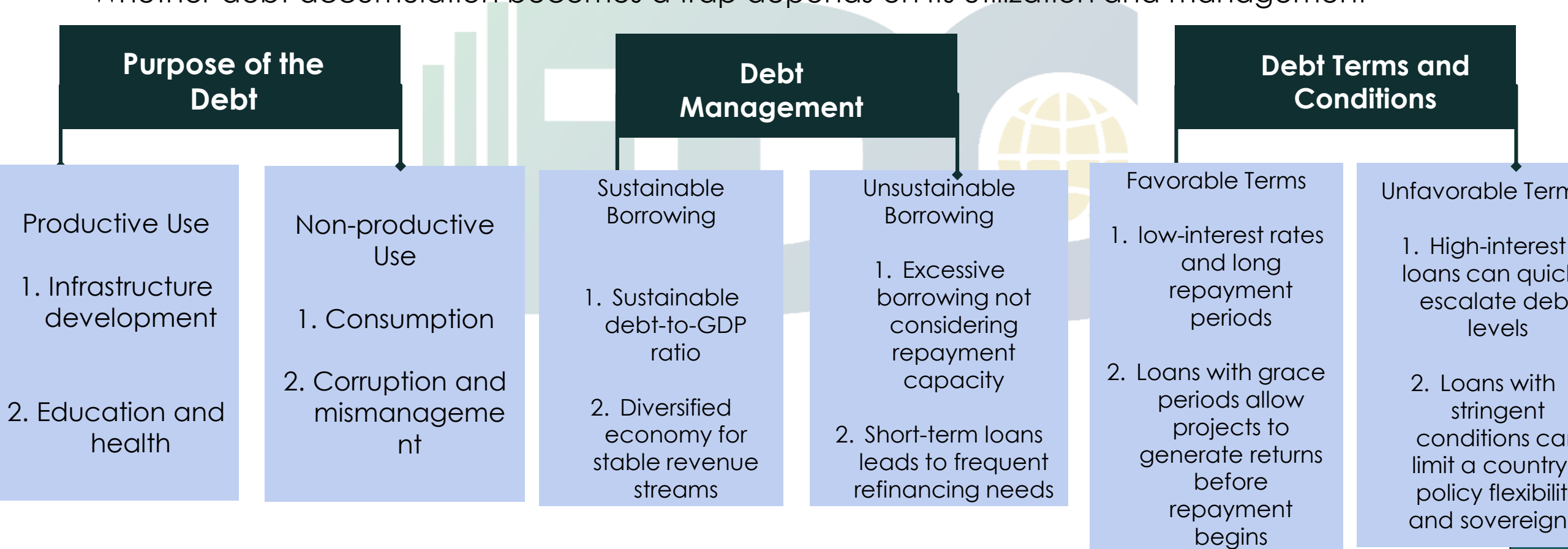
NIGERIA'S ECONOMIC SNAPSHOT

- The IATA rate for Nigeria tickets is now N1,506/\$
- Money supply growth up sharply again at 78% (yoy)
- The minimum wage is an economic problem that requires a political solution
- The Nigerian public are looking to the executive to lead by example in keeping ostentatious living in check
- FGN revenue (FAAC) is down by 5.38%; custom duty up, CIT & PPT down
- The gross external reserves have increased to \$34.19bn in June
- The terms of trade which declined in April is beginning to improve
- The price of Brent for June is \$86pb compared to \$81pb in May



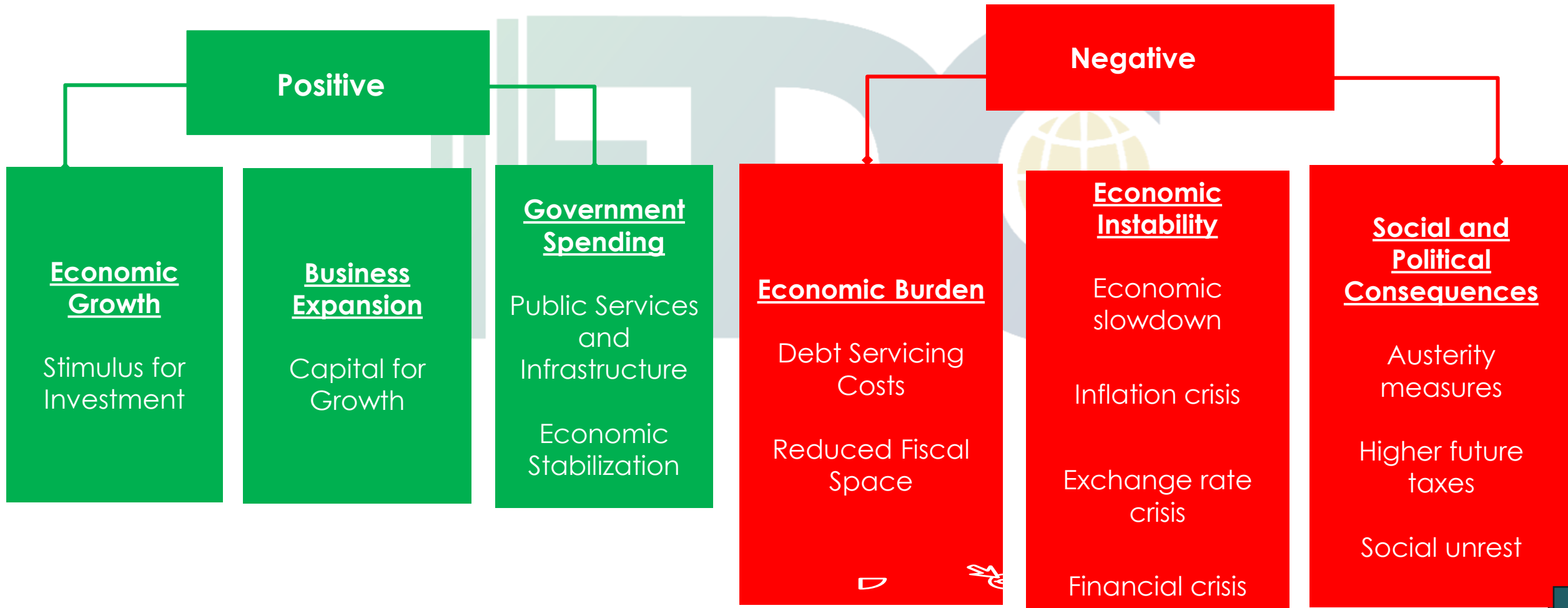
IS DEBT ALWAYS BAD ?

- He who goes a-borrowing could go a-sorrowing
- Debt accumulation is not bad in itself
- Whether debt accumulation becomes a trap depends on its utilization and management



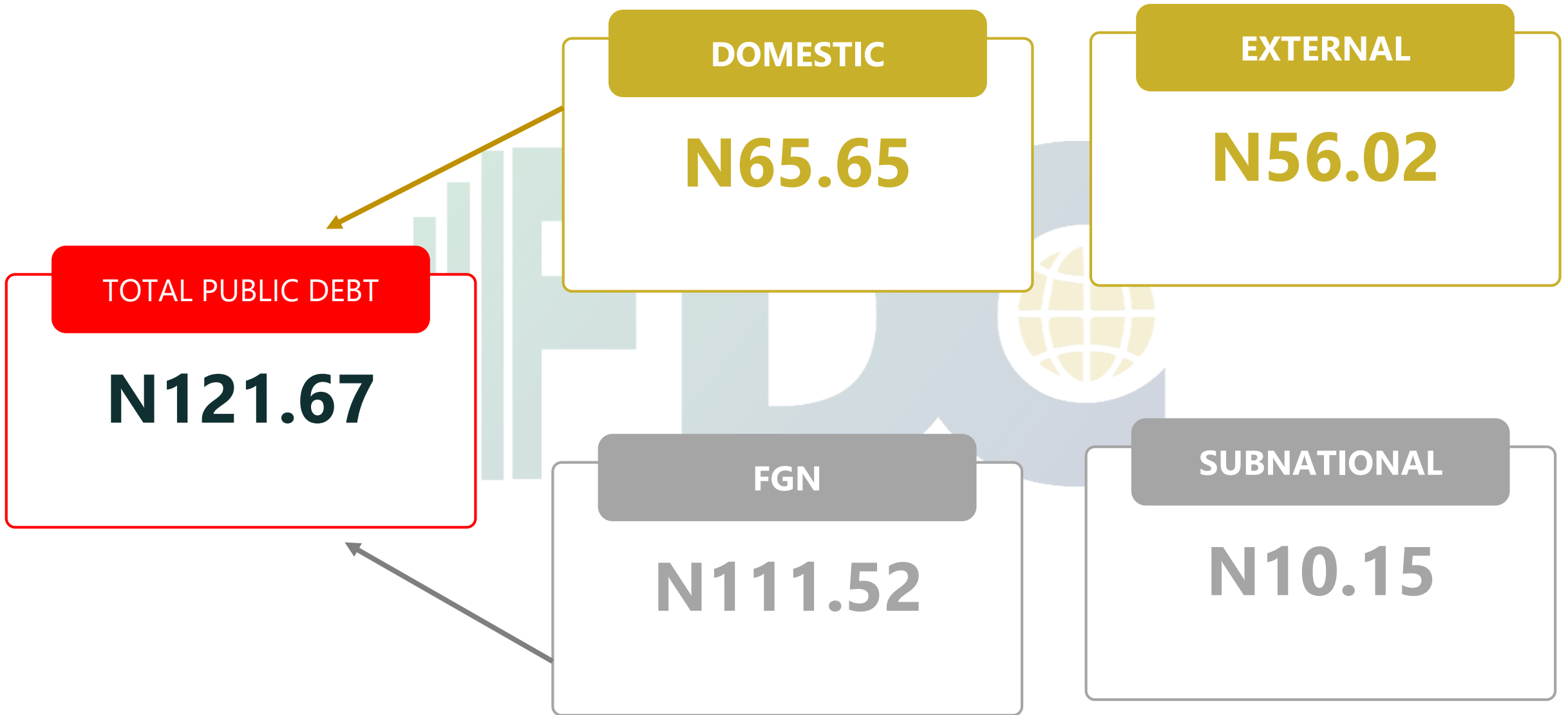
GENERAL IMPACT OF DEBT

- The general impact of debt on an economy or entity can be multifaceted
- With both positive and negative consequences depending on the level of debt and the context in which it is incurred





NIGERIA'S DEBT PROFILE – CONTRACTUAL AND NON-CONTRACTUAL

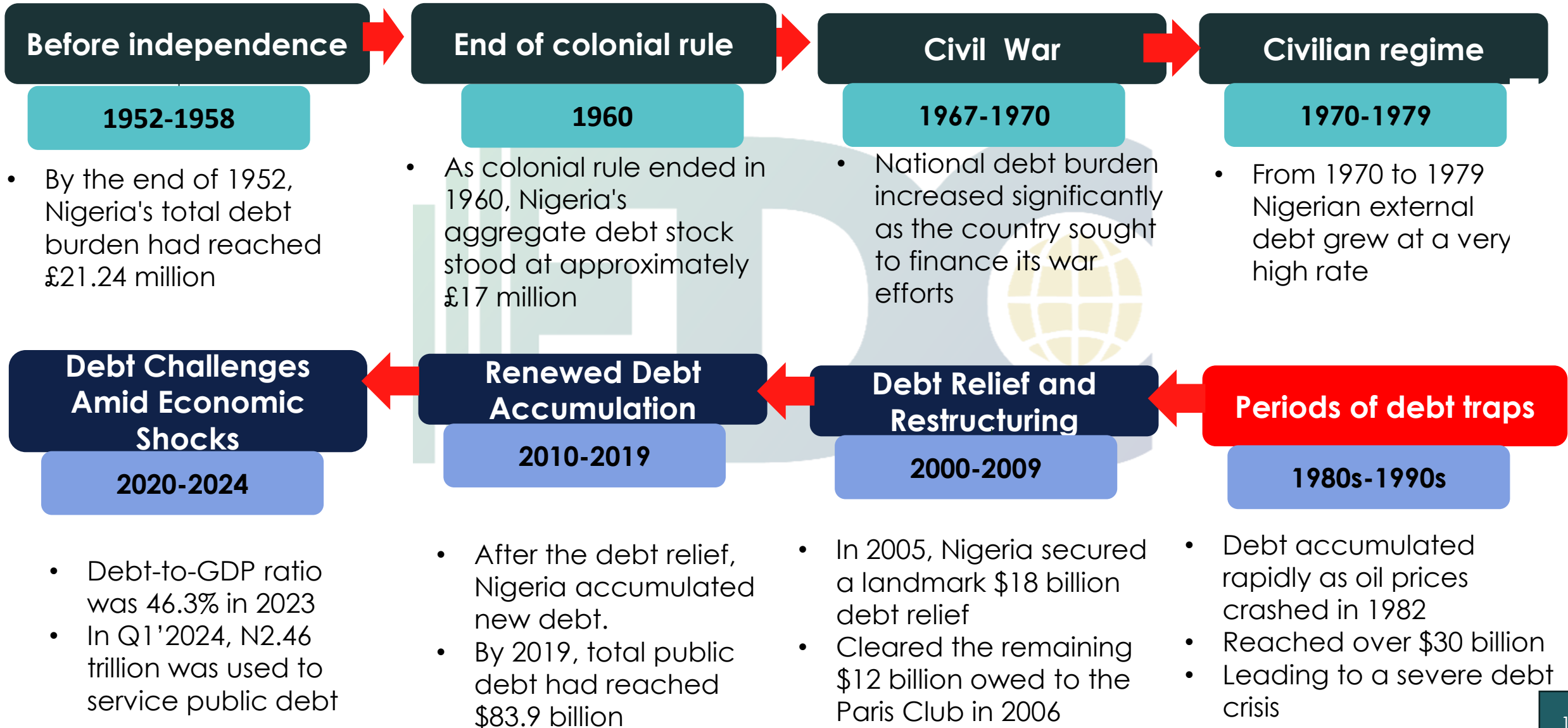


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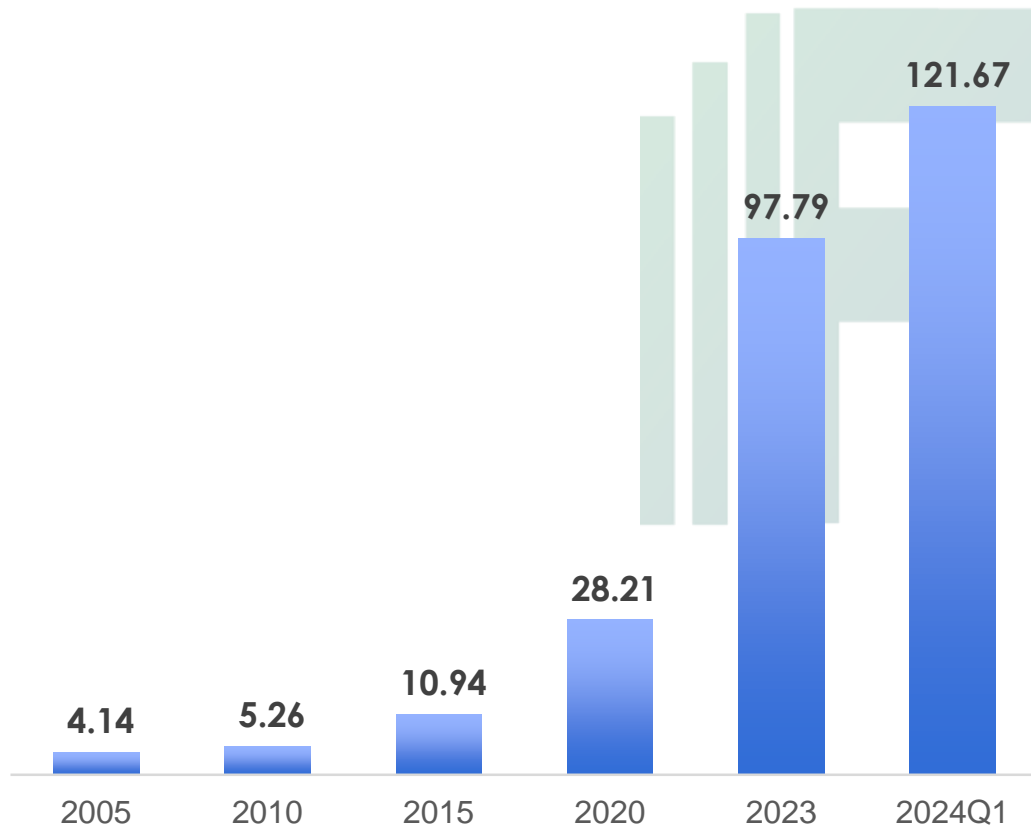
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NIGERIAN PUBLIC DEBT AND HISTORICAL CONTEXT



DEBT BUILD-UP HEADING TOWARDS UNSUSTAINABILITY?

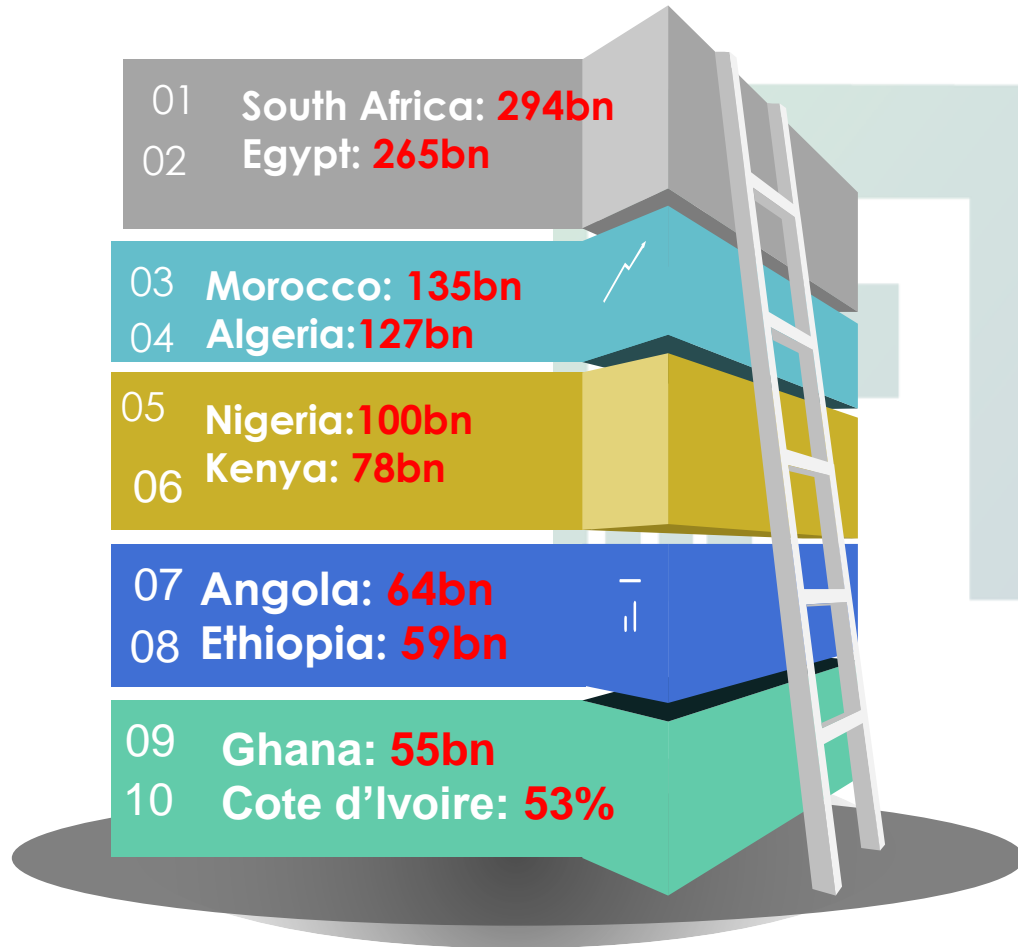
Public debt (Ntrn)



- Increasing bilateral and multilateral debt indicates rising financial commitments over time
 - increased borrowing for development projects
 - budgetary support
- Suggest potential future financial pressure if the growth in debt is not matched by **economic growth** and **revenue generation**
- Proper use of debt can lead to better infrastructure and enhanced public services (healthcare, education, etc)

TOP 10 INDEBTED AFRICAN COUNTRIES... 1/2

- **National debt (\$)**

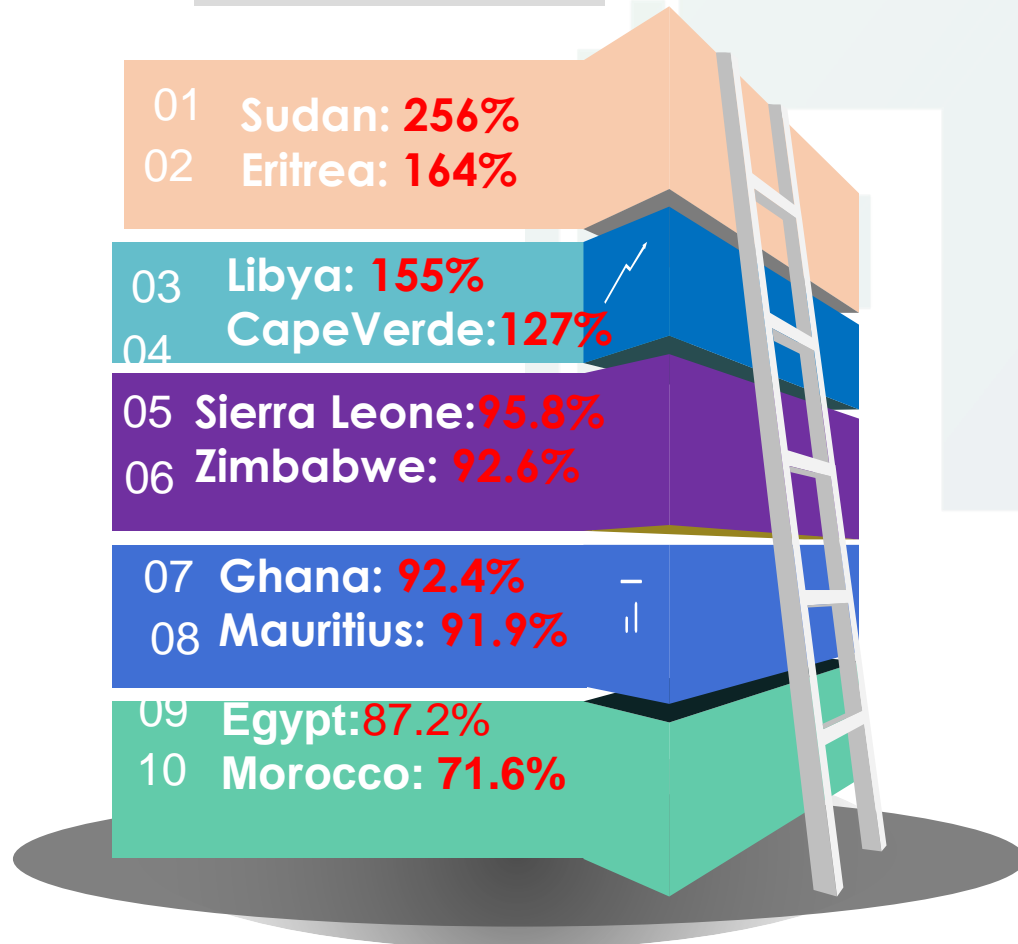


- Highly indebted countries are likely to be unstable
- African countries' high debt burden has become a call for concern
- As increased borrowing is leading to soaring debt
- Countries are becoming entangled in a vicious circle of debt
- The burden of repaying high debts is increasingly running up against political realities in African countries

TOP 10 INDEBTED AFRICAN COUNTRIES... 2/2

- **Total Debt % of GDP**

Nigeria: 52.0%



- The total debt as a percentage of GDP for African countries has been rising significantly in recent years
- The sharp rise in public debt service costs in many African economies
- Since the pandemic has increased the need for debt reduction, particularly in highly indebted countries

Source: EIU

FASTEST GROWING ECONOMIES IN SSA

	GDP Growth (%)	Nominal GDP (US\$ Bn)	Public debt (US\$ Bn)	Public debt to GDP (%)	Total debt per head \$
Niger	11.0	17.360	8.136	46	199.3
Senegal	7.5	34.112	25.395	74.2	2109.4
Ethiopia	7.4	117.127	59.017	39.0	254.4
Libya	7.0	49.145	29.819	60.2	708.9
Rwanda	7.0	14.250	10.155	73	797.6
Cote d'Ivoire	7.0	95.483	53.993	56.3	1407.0
Togo	6.5	10.200	6.955	67	353.2
Benin	6.3	20.300	10.555	51.1	708.4
Gambia, The	6.0	2.53	1.69	66.90	494
Mozambique	5.9	20.54	19.56	95.20	2144.8
Nigeria	2.6	215.900	100.775	52.0	428.4

We observed high growth with low GDP

This suggests rapid expansion from a smaller economic base

These countries are leveraging debt to finance growth

Debt sustainability remains a critical

issue for countries with high debt-to-GDP ratios and high debt per capita

NIGERIA & SOME AFRICAN COUNTRIES MOVING TOWARD DEBT DISTRESS?

- Countries with high debt-to-GDP ratios are at greater risk of falling into a debt trap
- Nigeria and several African countries have seen increasing debt levels in recent time
- High levels of debt denominated in foreign currencies can be risky due to exchange rate fluctuations
- Many African countries, including Nigeria, have significant portions of their debt in foreign currencies
- If economic growth rates are stagnating or declining, it becomes harder to generate the revenue needed to service debt
- High debt-service ratios, where a significant portion of government revenue goes to servicing debt, indicate financial strain



TOP 10 MOST INDEBTED STATES AND SUSTAINABILITY LEVEL

	State	Total Debt (NGN Bn), 2022	Total Revenue (NGN, Bn), 2022	Total Debt to Revenue (%)	Threshold	debt services to revenue (%) (2022)
					-200%	
1	Lagos	1370	931.9	147.01	GOOD	30.10%
2	Kaduna	341.48	205.37	166.28	GOOD	8.13%
3	Ogun	331.77	216.63	153.15	GOOD	12.01%
4	Delta	331.19	534.85	61.92	GOOD	13.87%
5	Cross River	291.5	92.28	315.89	BAD	16.85%
6	Rivers	264.72	490.45	53.97	GOOD	13.52%
7	Akwa Ibom	239.45	338.7	70.7	GOOD	14.00%
8	Edo	228.11	183.43	124.36	GOOD	19.85%
9	Imo	227.22	141.6	160.47	GOOD	35.00%
10	Bauchi	218.24	116.14	187.91	GOOD	14.77%

Source: Budget

- Most sub-national governments have debt above total revenue
- All states appear sustainable except Cross River
- Sub-national governments need to generate more revenue
- The debt to revenue implies that states in Nigeria face

- Reduced fiscal space – limited investment capacity
- Pressure on social services – poor public services leading to social unrest
- Governance and administrative strain – mismanagement of public funds
- Dependence on Federal Allocations – FAAC
- Economic Growth Challenges – stunted economic growth and development



IS NIGERIA ON THE PATH TO DEBT DISTRESS?

DEBT SUSTAINABILITY ASSESSMENT

	Actual Value NGN (bn)	Ratio	Benchmark	Remarks
Total Debt-to-GDP	121670	52.0%	70%	Moderate
External Debt to Export	56024.61	73.06%	240%	GOOD
External Debt to GDP	56024.61	23.94%	55%	GOOD
External Debt Service to Export	13915.52	18.14%	21%	Moderate
External Debt Service to Revenue	13915.52	77.22%	23%	BAD

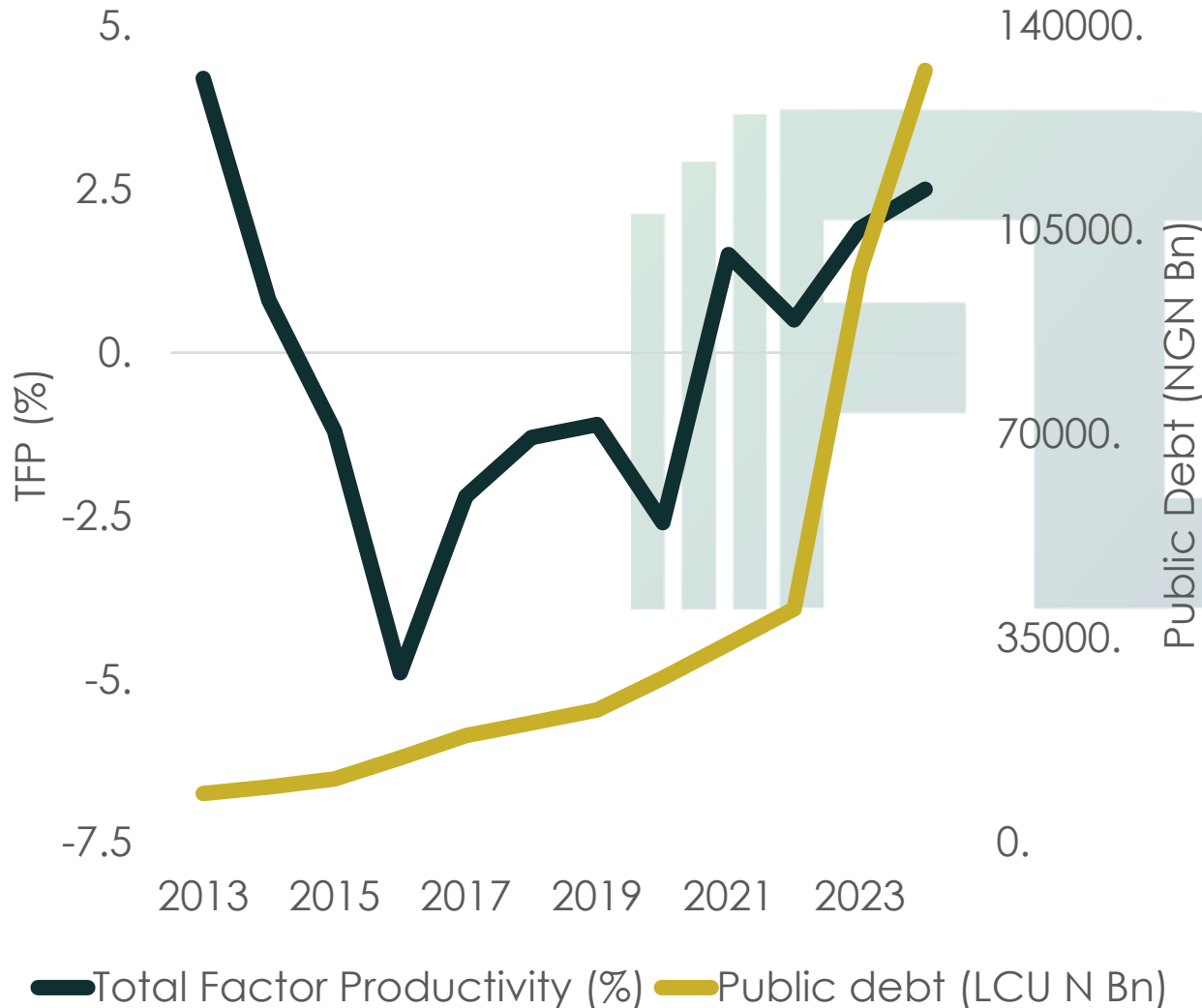
Implications for Nigeria:

- Nigeria is moving from a debt sustainability path to a debt trap path
- The high external debt-service-to-revenue ratio is a concern and highlights the need for Nigeria to significantly boost its revenue generation capacity
- Continued efforts in economic diversification, export enhancement, and fiscal discipline are essential to maintain and improve Nigeria's debt sustainability

Source: EIU, FDC

LINK BETWEEN DEBT ACCUMULATION AND PRODUCTIVITY

TOTAL PUBLIC DEBT VS TOTAL FACTOR PRODUCTIVITY



- A higher public debt than TFP leads to several adverse outcomes:
 - higher interest rates
 - reduced investment
 - higher debt servicing costs
 - fiscal sustainability issues
 - limited policy flexibility
 - slower long-term economic growth

DEBT SERVICE COSTS CROWDING OUT INFRASTRUCTURE EXPENDITURE

N3.1trn
(183.9%)

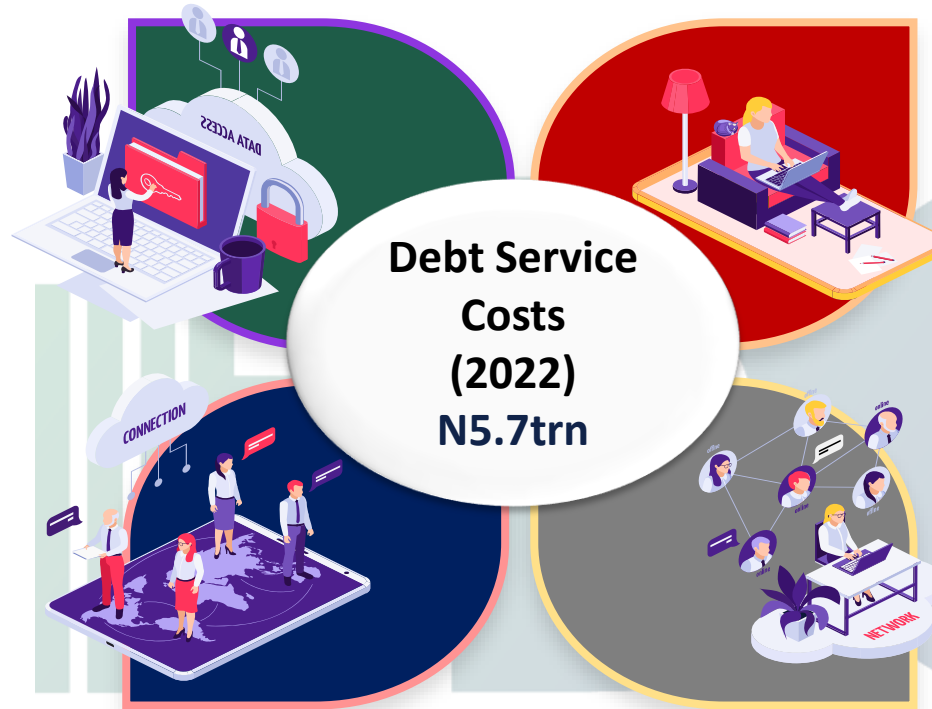
Debt service cost was **2X**
(183.9%) capital
expenditure

Capital
Expenditure
(2022)

Health Expenditure
(2022)

N651.8trn
(874.5%)

Debt service cost was **9X**
(874.5%) total health
spending in 2022.



N866.0trn
(658%)

Debt service cost was **7X**
(658%) total education
expenditure (recurrent plus
capital)

Education
Expenditure
(2022)

Defense
Spending
(2022)

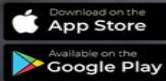
N916.9trn
(622%)

Debt service was **6X**
defense spending

Your focus, Our priority

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when you succeed, we succeed.

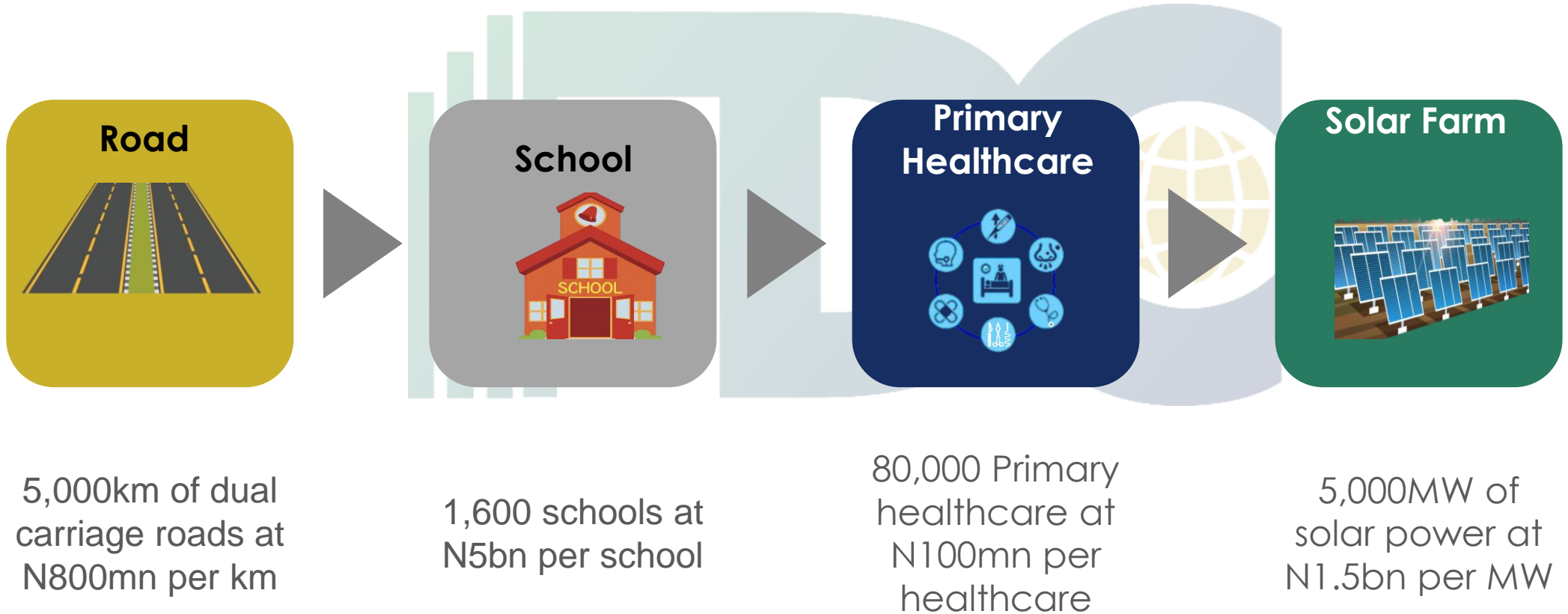
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OPPORTUNITY COST OF DEBT SERVICE SPENDING

- The debt service costs of N8trn in 2023 could have been used for:



REVENUE VS EXPENDITURE GAP - FISCAL DEFICIT

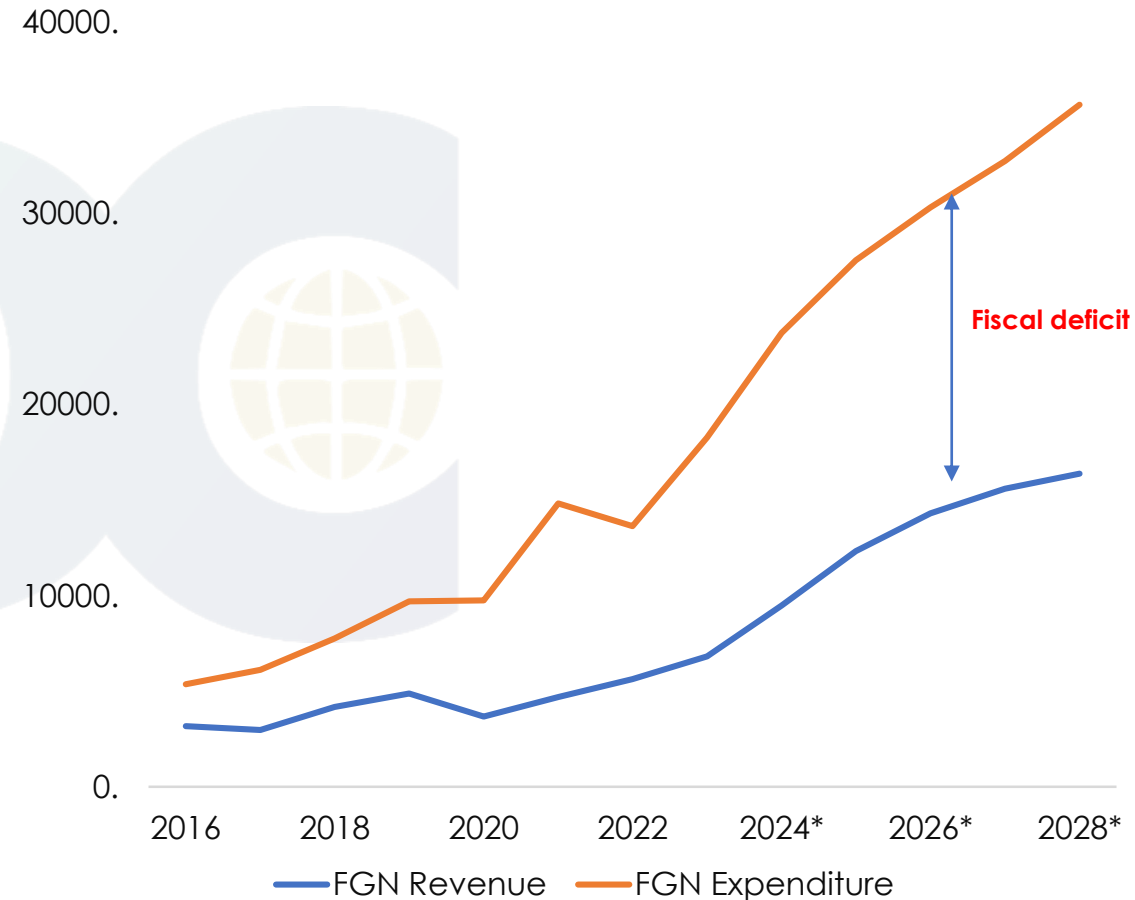
- The persistent gap between government revenues and expenditures has led to large and growing fiscal deficits in Nigeria

Due to:

- Subsidy payments
 - Weak oil earnings due to suboptimal oil production
 - Debt servicing costs
 - Corruption and misallocation
 - Lack of fiscal discipline
- EIU projects the fiscal deficit to widen to N19.32trn in 2028

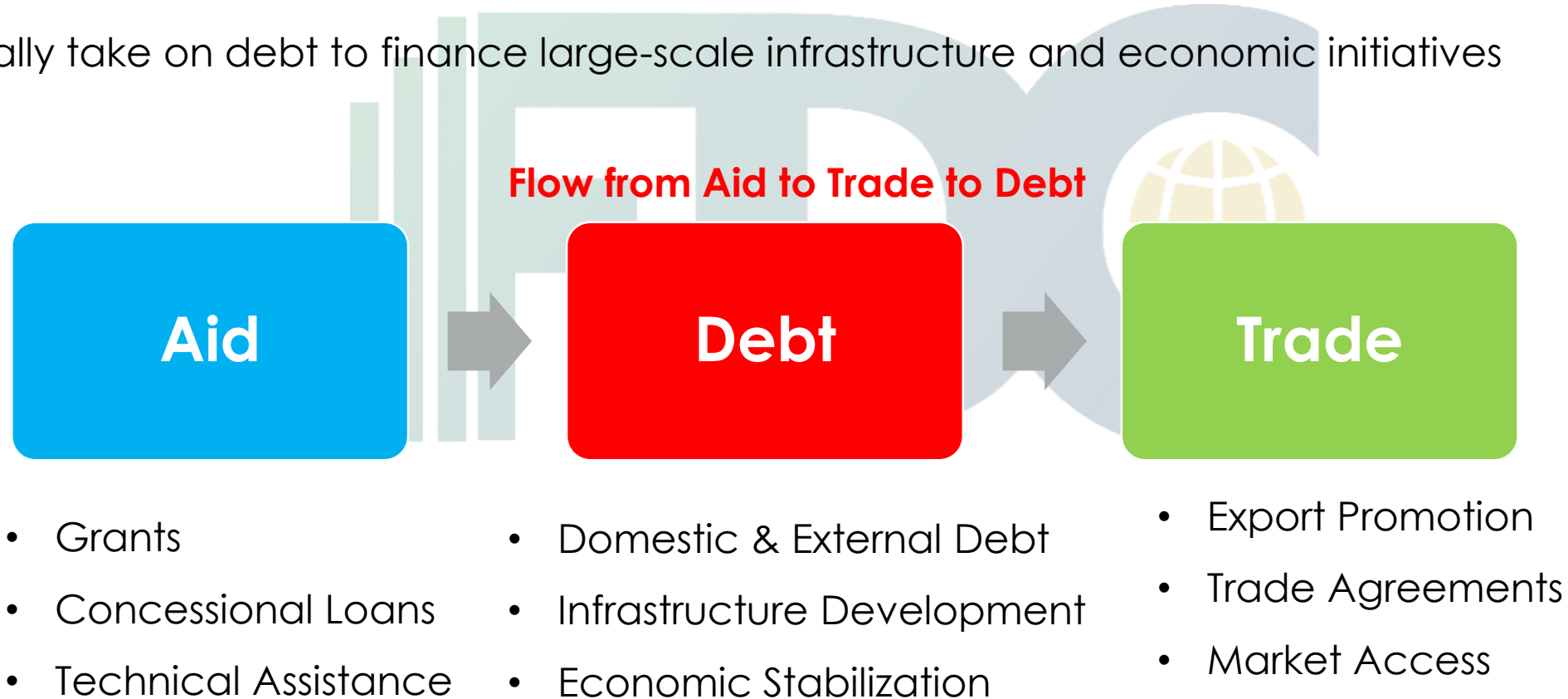
from N14.77trn in 2024

FGN Revenue-Expenditure Gap (N'bn)



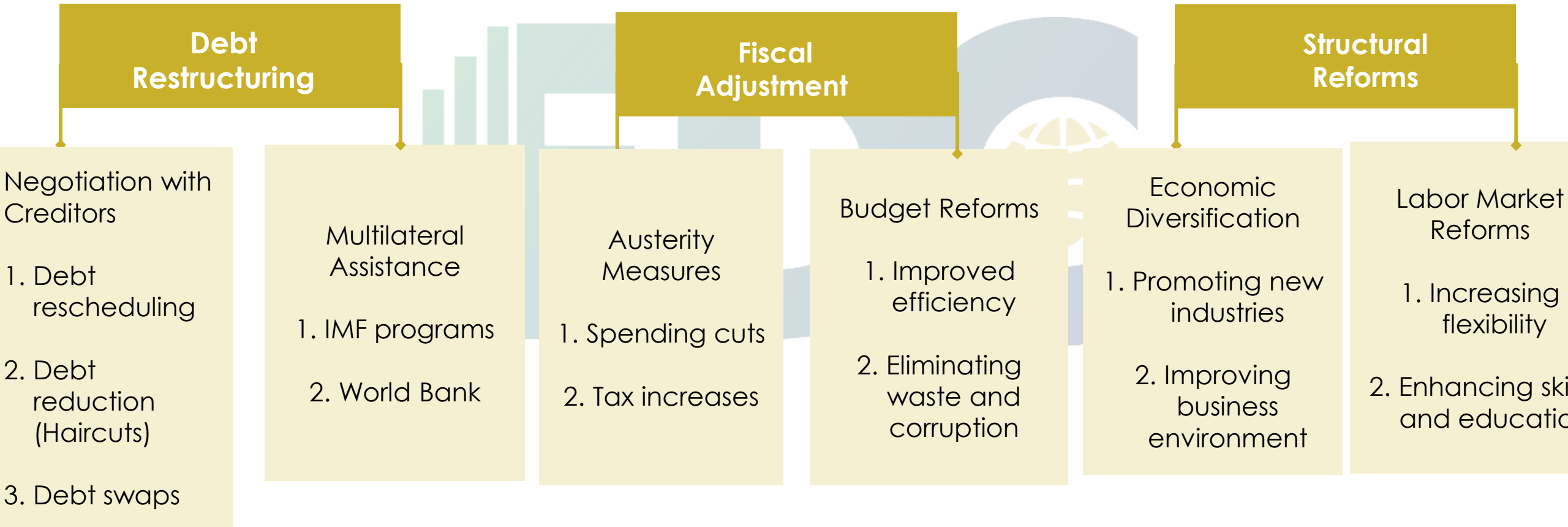
DEVELOPMENT FINANCE CYCLE

- This cycle shows how countries initially rely on aid for immediate needs and development projects
- Then transition to trade to stimulate economic growth
- Eventually take on debt to finance large-scale infrastructure and economic initiatives



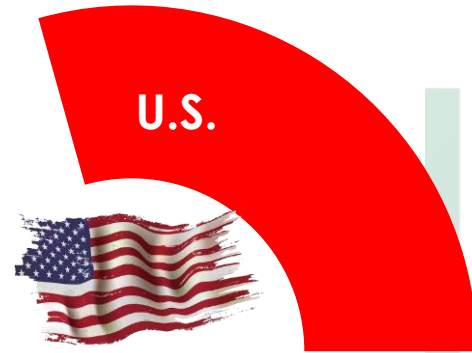


TRADITIONAL METHOD TO RESOLVE DEBT CRISIS

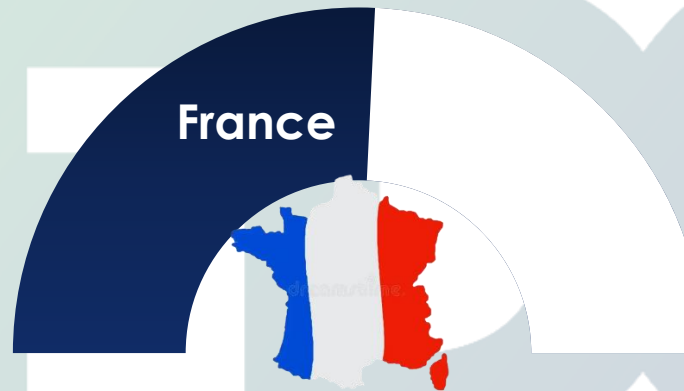


DEBT CASES - NIGERIA IS NOT ALONE

- The world has evolved around debt, investment, and trade
- Many developed countries, including the United States and European nations, have also relied heavily on borrowing to finance economic development and growth over the decades



- National debt has grown substantially over time, reaching over \$31 trillion as of 2023
- Debt accumulated through financing wars, infrastructure projects, social programs, and economic stimulus measures
- Debt-to-GDP during World War II reached over 100% of GDP



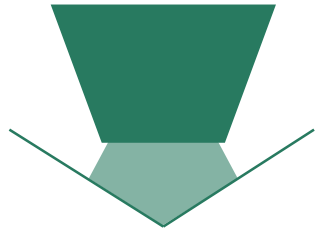
- National debt has risen from around 20% of GDP in the 1970s to over 115% of GDP in 2023
- Government borrowed to fund social welfare programs, infrastructure investments, and economic recovery efforts



- Accumulated significant public debt, with its debt-to-GDP ratio reaching around 70% in 2023
- To finance reunification after the end of the Cold War
- To stimulate the economy during the global financial crisis and the COVID-19 pandemic.

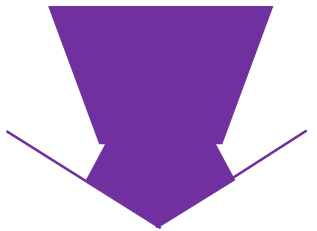
HOW DEBT IS MANAGED IS CRUCIAL

Effective debt management can be achieved through:



Preventing Over-Indebtedness

Ensures that debt levels remain sustainable



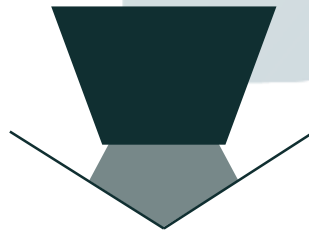
Sustainable Borrowing

Ensures that current borrowing does not place an undue burden on future generations



Responsible Fiscal Policies

Avoiding fiscal rascality



Financing Productive Investments

Prioritize utilization of debt for pro-growth spending

IS DEBT TRAP A NEW FORM OF COLONIALISM?

CHINA'S DEBT TRAP DIPLOMACY

China's Belt and Road Initiative (BRI)

Total global debt owed to China
\$1.5bn

IMF SUPPORT
(Excruciating conditionalities)

Total global debt owed to IMF
\$149bn

DISORDERLY DEBT RESTRUCTURING AND CONSEQUENCES

Ghana

- In 2022, Ghana announced a debt restructuring plan, effectively defaulting on its debt
- This decision was made due to the country's high debt levels and economic challenges
- Consequences included a downgrade of Ghana's credit rating, higher borrowing costs, and a loss of investor confidence

Argentina

- Argentina has defaulted on its debt multiple times, most recently in 2020
- The consequences have included economic turmoil, high inflation, and a prolonged recession
- Argentina's repeated defaults have made it difficult for the country to access international capital markets

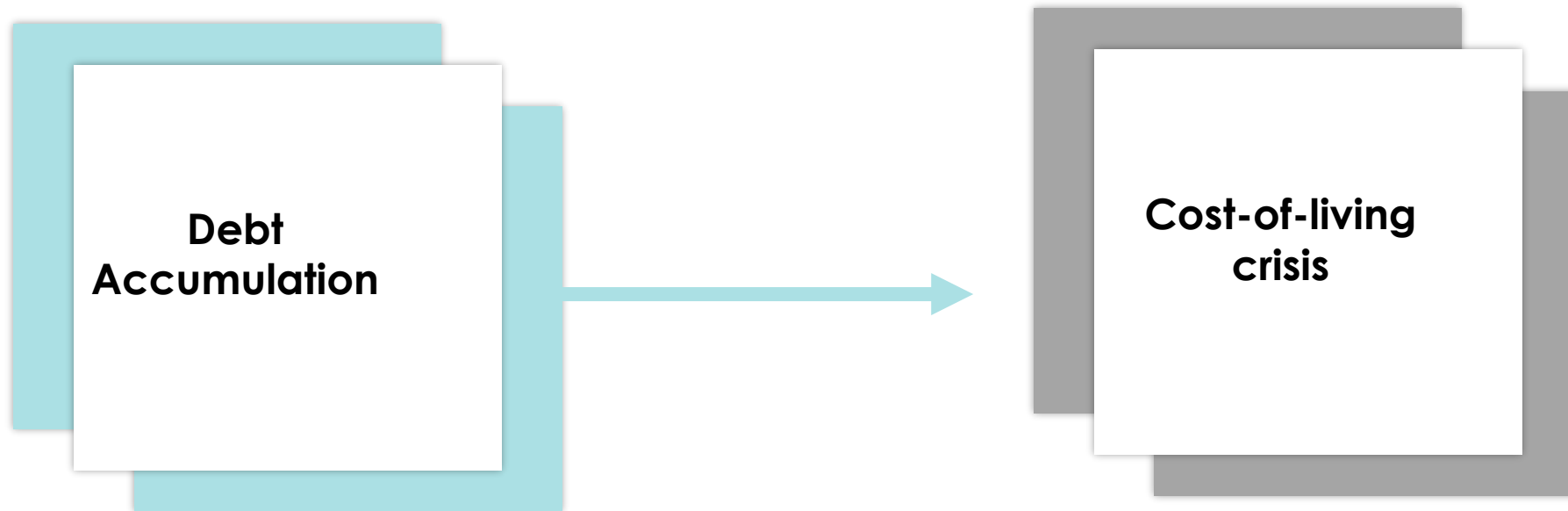
Zimbabwe

- Zimbabwe's total public and publicly guaranteed (PPG) debt stood at US\$17.7 billion
- Of this, 72% (US\$12.7 billion) was contracted externally, while 28% (US\$5 billion) came from the domestic market
- The primary drivers of Zimbabwe's public debt are arrears and penalties on existing debts. Penalties alone constitute 54.9% of the total external PPG deb

DEBT & COST-OF-LIVING CRISIS – ANY LINK?

YES!

- Economic mismanagement, debt, and the cost-of-living crisis are interconnected
- Economic mismanagement can lead to excessive debt, which in turn can contribute to a cost-of-living crisis



Poor fiscal and monetary policies, inefficient allocation of resources, corruption, and lack of accountability

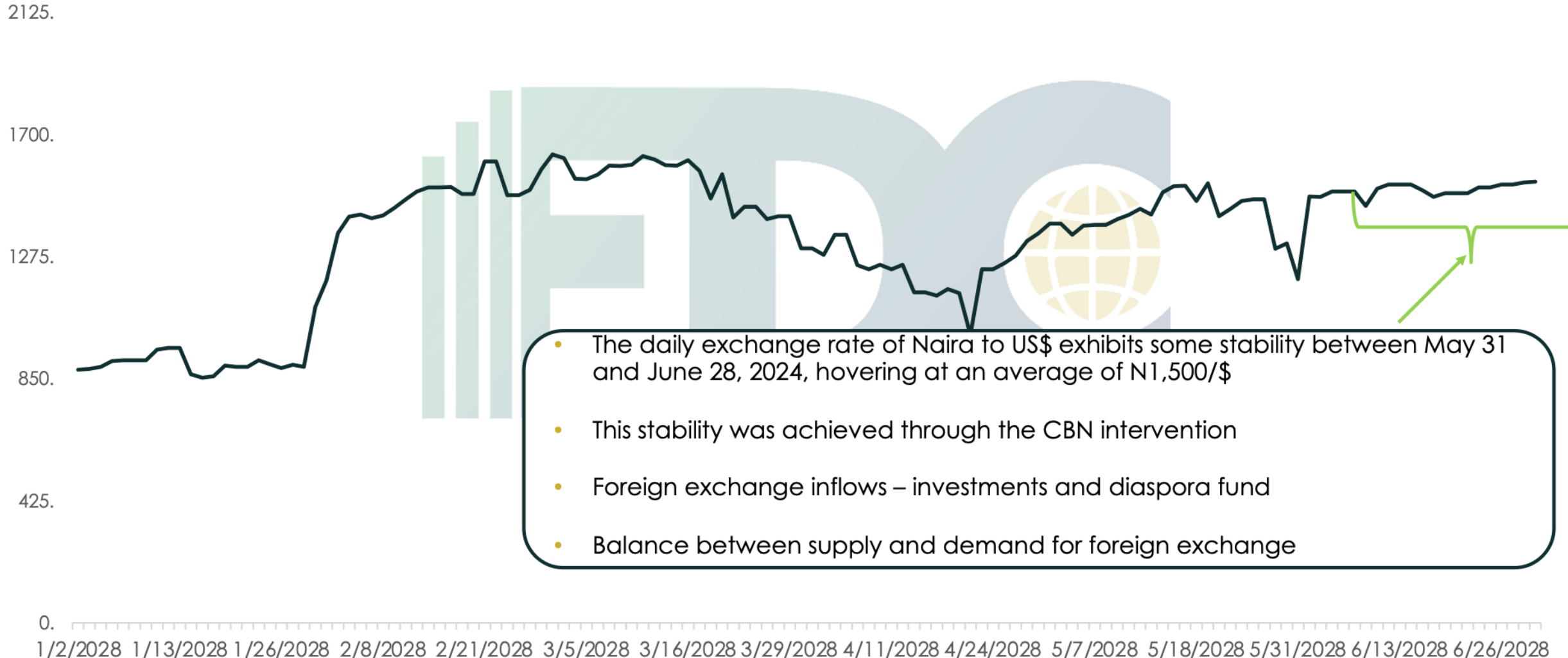
This can lead to excessive borrowing and accumulation of debt.

High levels of debt can lead to a cost-of-living crisis through inflation, currency depreciation and austerity measures



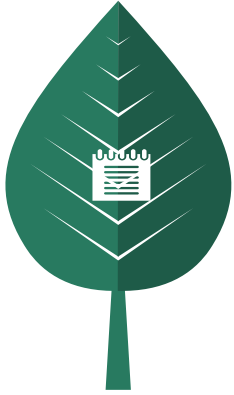
IS THE NAIRA AT ITS NEW EQUILIBRIUM LEVEL? FOR HOW LONG

Daily Exchange Rate of Naira to US Dollar



1/2/2028 1/13/2028 1/26/2028 2/8/2028 2/21/2028 3/5/2028 3/16/2028 3/29/2028 4/11/2028 4/24/2028 5/7/2028 5/18/2028 5/31/2028 6/13/2028 6/26/2028

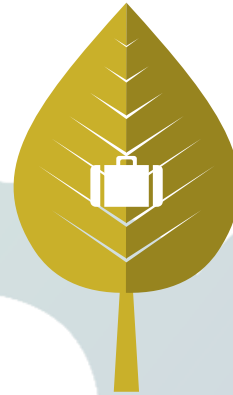
FOREX MARKET STABILITY



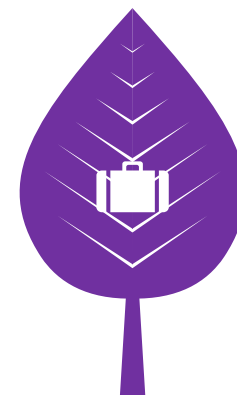
Stability in the FX market often signals increased confidence in the country's economic policies and outlook



Exchange rates are less volatile, providing businesses and individuals with more predictability in planning and budgeting

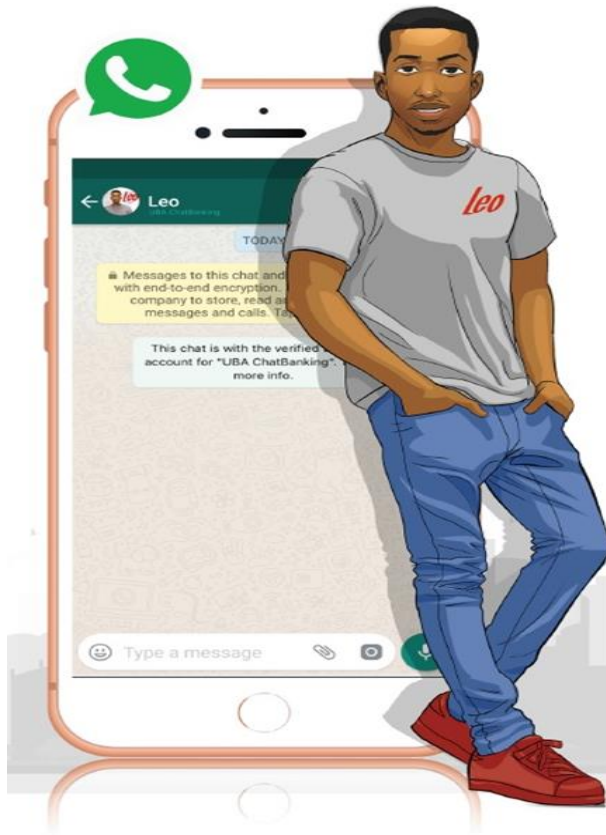


Inflation control by maintaining stable prices in the domestic market.



Stable markets that will attract FDI inflows

FX market stabilization in Nigeria can lead to enhanced economic stability, investor confidence, and overall economic growth



Leo

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Check Account Balance?

Top up your airtime?

Bank Transfers?

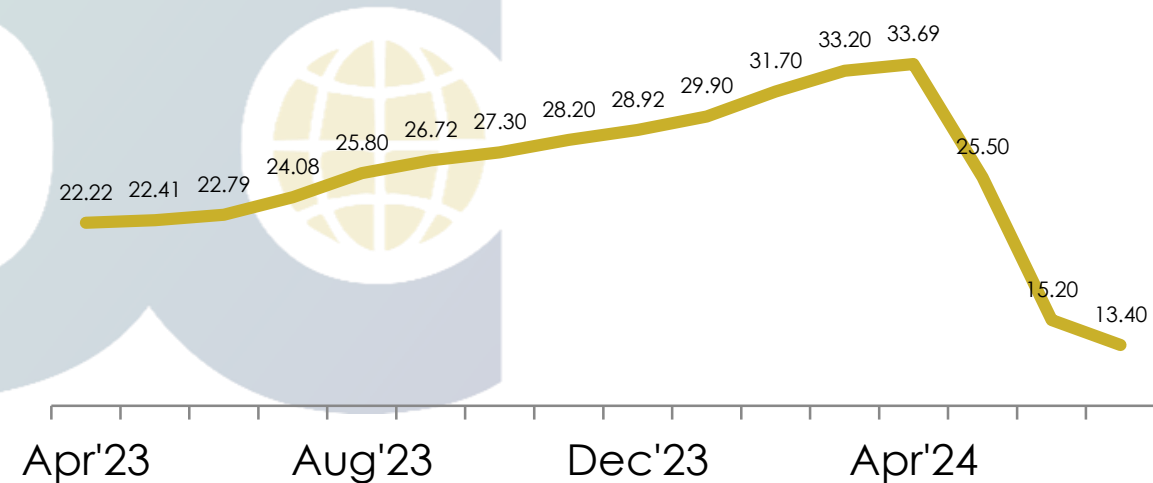
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NAIRA STABILITY GOAL - NOT CURRENCY APPRECIATION

- The naira will begin to appreciate when inflation tapers
- As currency appreciation is directly proportional to inflation
- Inflation is likely to decline to 28% before the end of the year
- And by then, the naira is likely to trade between N1200/\$ - N1300/\$

Headline Inflation Rate



Underpinned by

- Appreciation in the price of oil
- Increase in oil revenue
- FDI inflows
- Sustained hot money from portfolio investment
- Benefits from AFCTA



MONETARY POLICY AS AN FX MANAGEMENT TOOL

- The sustainability of the naira at this rate depends on:
 - Regular supply
 - FDI inflows and sustenance of hot money (portfolio investment inflows) etc.



**Clearing the FX
backlog**

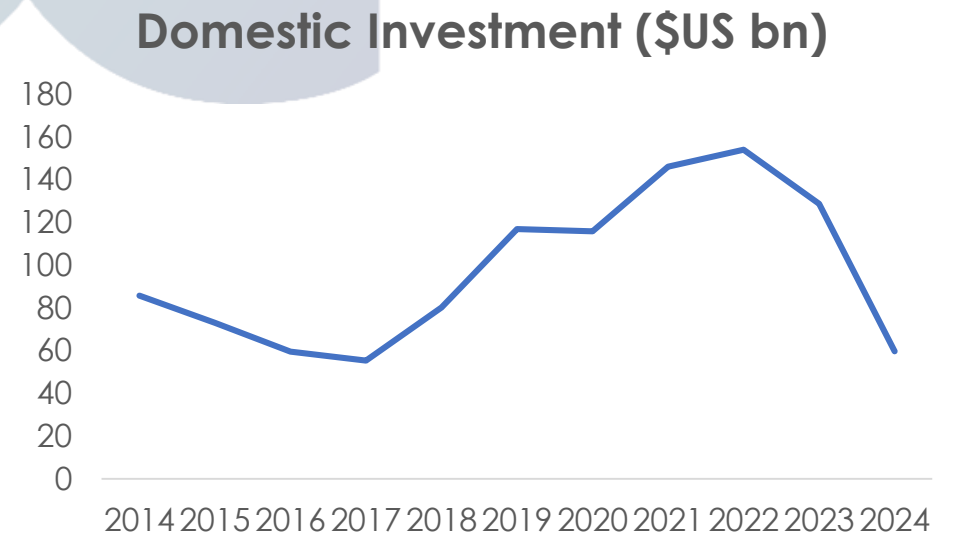
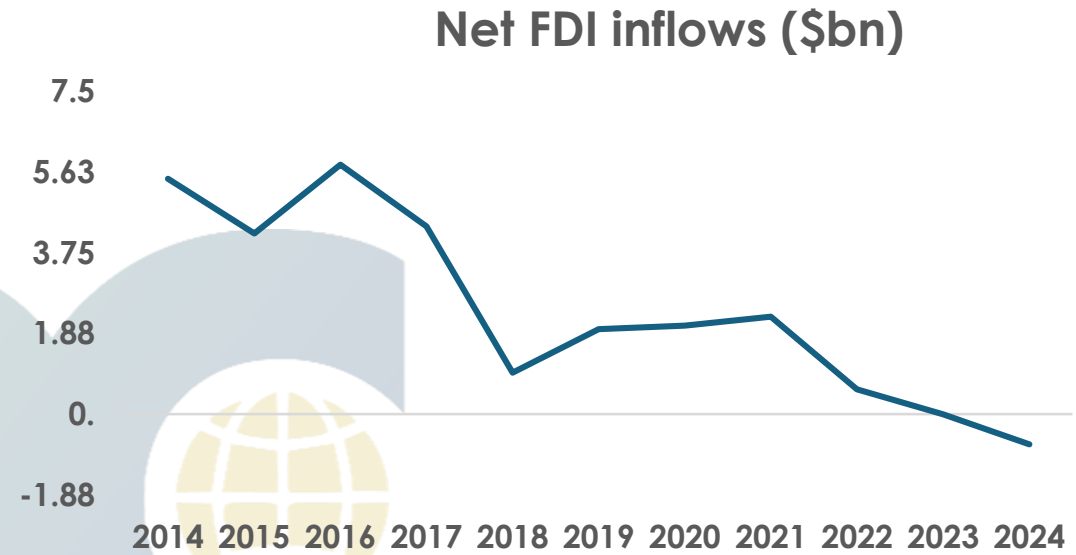
**Change market
structure**

**Stabilize the
market**

**Tighter regulations
on FX transactions**

FDI INFLOWS AND DOMESTIC INVESTMENT DECLINING

- FDI inflows to Nigeria have steadily declined
- In 2022, FDI inflows registered a decrease of around \$190 million compared to \$3.31 billion in the preceding year
- Projected to decline further by the end of 2024
- However, FDI inflows complement domestic investment in Africa
- This decline in FDI is attributed to persistent challenges in the Nigerian economy, such as
 - political and economic instability
 - infrastructure deficiencies
 - unfavorable business climate



CURRENCY PRESSURE – REASON FOR MNCs EXIT?

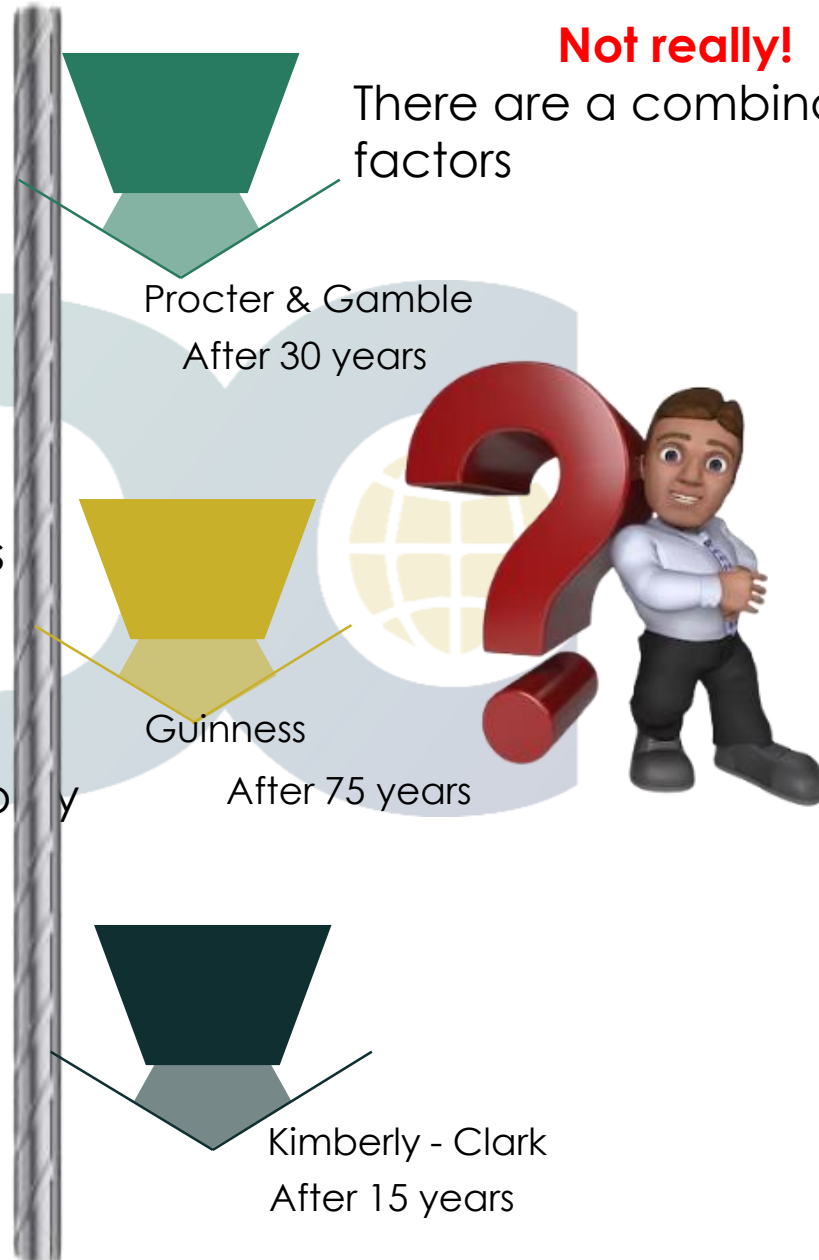
- Multinational companies have been leaving or suspending operations in Nigeria in recent times

Citing various challenges such as

- Difficulty in obtaining foreign exchange (forex)
- Unfavorable government policies and business environment
- Lack of infrastructure like reliable electricity supply
- Economic and security issues

Not really!

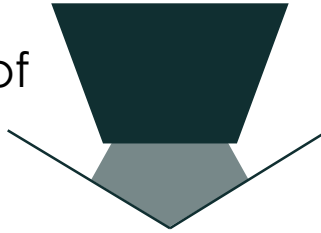
There are a combination of factors



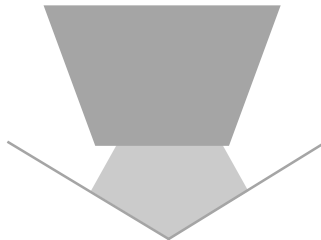
Procter & Gamble
After 30 years

Guinness
After 75 years

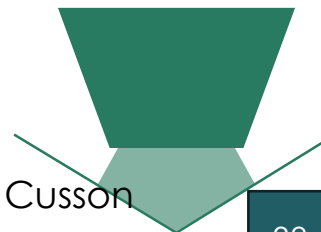
Kimberly - Clark
After 15 years



GlaxoSmithKline
After 51 years



Microsoft
After 5 years

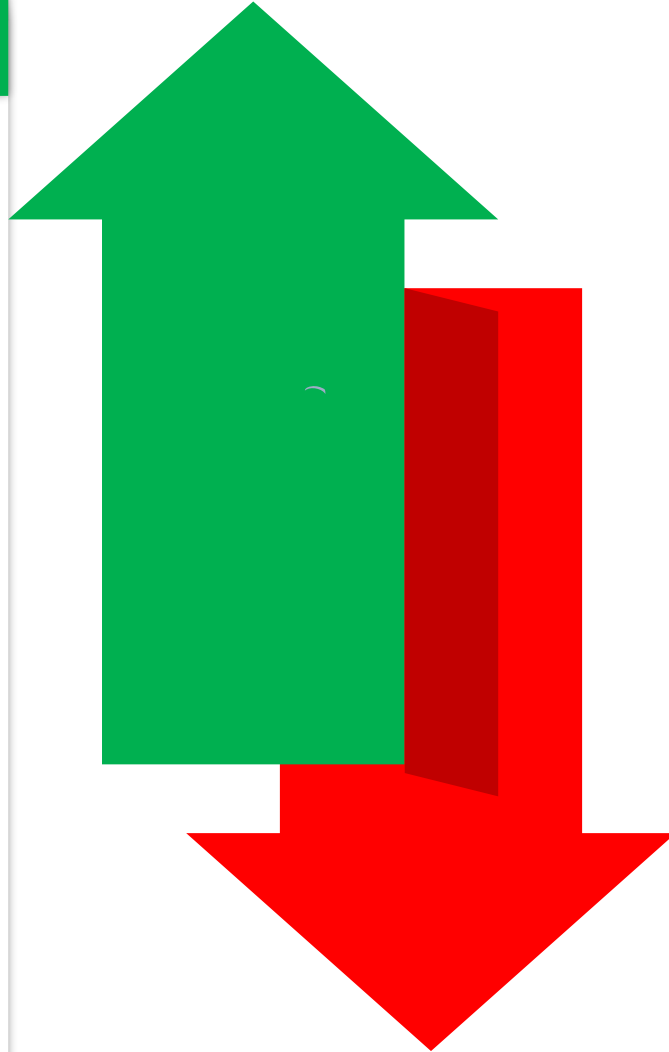


PZ Cusson
After 120 years

ECONOMIC IMPLICATION FOR NIGERIA

Positive

- Opportunities for local businesses
- Focus on domestic industry to reduce dependency on foreign corporations
- Reduced import dependency
- Leading to efforts to strengthen domestic production capabilities



Negative

- The most immediate impact is job losses
- Signals instability and may deter future foreign investment
- Slowdown of technological advancement and skill development
- Decrease in tax revenue
- Which could affect government budgets

MNCS DIVESTMENT - OPPORTUNITY FOR DOMESTIC INVESTORS? **YES!**

The exit of MNCs can pose challenges but it opens up significant opportunities for domestic investors to step in, grow, and innovate



Domestic investors is time to explore

Market Share Acquisition

- There is a gap in the market
- Domestic companies can step in to fill this void
- Capture the market share felt by MNCs

Innovation and Adaptation

- Domestic investors can introduce new products and services that meet the evolving needs of the local market
- Using locally sourced raw materials

Consumer Loyalty and Localization

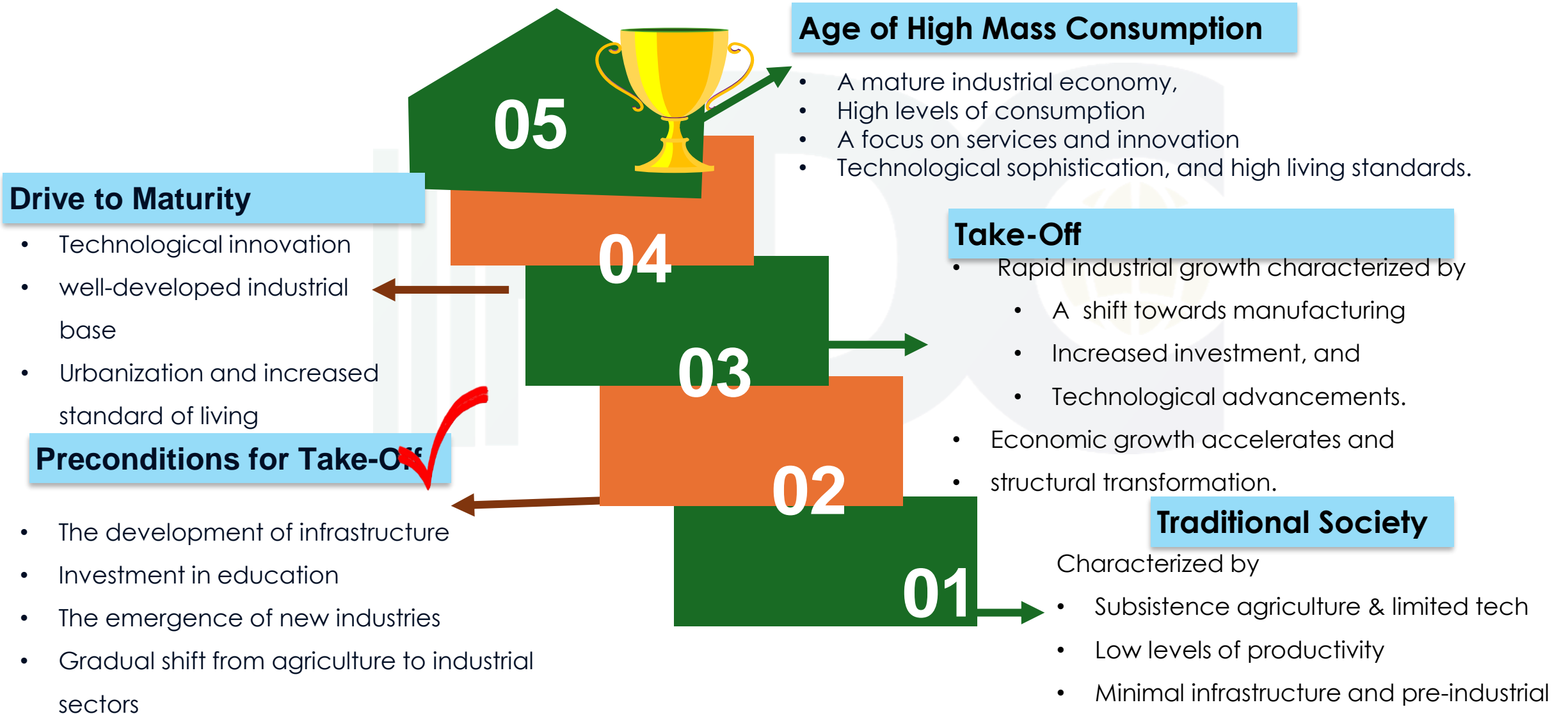
- They can tailor their products and services more effectively, gaining consumer loyalty
- As they often have a better understanding of local consumer preferences and needs

Government Support

- There is need to introduce policies and incentives to encourage local investment in the wake of multinational exits
- This can include tax breaks, subsidies, access to funding, and support programs aimed at boosting domestic businesses



WHERE IS NIGERIA ON ROSTOW'S DEVELOPMENT LADDER?



PROTECTIONISM

- Protectionism is an economic policy restricting imports to protect domestic industries from foreign competition
- This can be achieved through various means such as
 - Tariffs
 - Import quotas
 - Subsidies
 - Other regulatory barriers
- The goal is to make imported goods more expensive or less available so that domestic goods can compete more effectively



Description: This theory suggests that governments can help domestic firms achieve economies of scale and become more competitive in the global market through subsidies and protectionist measures

Rationale: By supporting key industries, a country can enhance its competitive advantage and dominate global markets



REASONS FOR THE RISE IN PROTECTIONISM

Economic factors



Domestic Industry Protection

Trade Deficits

Economic Recession

Political Factors



Nationalism and Populism

Political Pressure

Social Factors



Job Losses

Income Inequality

Strategic Factors



Technological Competitiveness

National Security

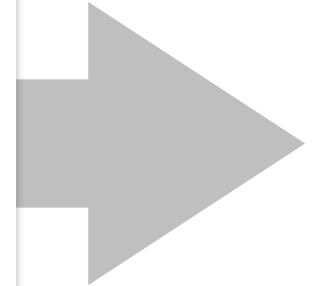
PROTECTIONISM – PROS AND CONS

Pros

- Promoting domestic industries
- Preventing dumping
- Reducing trade deficits
- Protecting domestic jobs
- Protecting domestic industries can lead to greater economic stability
- Environmental and ethical standards

Cons

- Inefficiency and lack of innovation
- Negative impact on export industries
- Other countries may retaliate with their own protectionist measures
- Leading to a trade war that can harm global trade and economic growth
- Higher prices for consumers



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HAS PROTECTIONISM BECOME A RENT-SEEKING POLICY?

- Protectionism can sometimes evolve into a form of rent-seeking behavior
- If implemented to protect specific individuals rather than foster genuine economic development

Profit Maximization

Rent seekers aim to maximize profits or economic benefits by securing advantages that allow them to earn economic rents without investing in productive activities

Maintaining Market Power

Rent seekers may use political influence to protect or enhance their market dominance, preventing new entrants or competitive threats

Risk Reduction

By seeking government protection or subsidies, rent seekers reduce their business risks and ensure stable profitability

Capitalizing on Information Asymmetry

Rent seekers may exploit information asymmetry to influence policies or regulations in their favor, gaining advantages over less informed stakeholders



IS PROTECTIONISM THE FIRST STEP TOWARDS OLIGARCHY?

- Protectionism itself is not necessarily the first step toward oligarchy
- Can contribute to conditions that may facilitate oligarchic tendencies under certain circumstances

Protectionism and Concentration of Economic Power

Support for Established Players: solidify their market dominance and reduce competition

Barrier to New Entrants: potentially leading to oligopolistic or monopolistic market structures

Capture of Regulatory Frameworks: Entrench their market power and reduce opportunities for smaller firms or new entrants.



The Russian Oligarchy Model

Oligarchy and Economic Influence

Political Influence: Protectionist policies that benefit specific industries can create incentives for them to further consolidate their economic and political power

Wealth Concentration: Protecting the interests of established players, can contribute to wealth concentration

Corruption and Cronyism: This can reinforce oligarchic structures by limiting opportunities for fair competition and innovation

IS NIGERIA GOING THROUGH THE OLIGARCHY PATH?

- Nigeria has faced challenges related to wealth concentration and elite political influence, which are characteristics often associated with oligarchic tendencies



Oligarchic tendencies

- Economic Inequality
- Political Influence
- Corruption and Cronyism
- Resource Dependency
- Weak Institutional Framework

To mitigate oligarchic tendencies there is a need for:

- Stronger Institutions
- Diversification of Economy
- Social Policies

IS NIGERIA AN ICON OF PROTECTIONISM?

- Adopted a policy of import substitution industrialization (ISI)
- Enacted the Indigenization Act to enhance transfer economic power to Nigerian citizens
- Imposed high tariffs and import restrictions to protect local industries
- Focused on developing domestic manufacturing capabilities in sectors such as textiles, steel, etc .



1960 – 1979

(Trade Protectionism)

1980-1989

(Transition to Trade Liberalism)



- Economic challenges prompted a shift towards trade liberalization.
- SAP fostered economic deregulation
- Policy thrust included reducing tariffs, removing import restrictions, and promoting export-oriented industries

- Adopted a mix of trade protectionist and liberalization policies
- Became a member of the World Trade Organization (WTO) in 1995, started reducing trade barriers.
- Also supported key sectors through import restrictions and subsidies



1990-2009

(Mixed Policies)

2010-2024

(Return to Trade Protectionism)



- Seen a resurgence of trade protectionism driven by a desire to protect domestic industries and protect the currency.
- Temporarily closed the land borders in 2019 to curb smuggling and promote domestic production

The move to protectionism must be strategic and sequenced.

PROTECTIONISM – CASE STUDY



The United States has a long history of protectionist policies, though it has also been a major advocate for free trade at times

Imposed tariffs on import commodities citing unfair trade practices by trading partners



Protectionism has been a key part of China's state-led economic model, helping transform the country into a manufacturing powerhouse

Maintains high tariffs, import quotas, and other barriers to protect industries like agriculture, automobiles, and technology



Germany has historically maintained some protectionist policies, though it is also a major proponent of free trade

Protectionist measures have helped support Germany's export-oriented manufacturing sector, contributing to its economic strength

PROTECTIONISM VS AfCFTA

- AfCFTA and protectionism are two contrasting approaches to economic policy and trade within the African continent

Protectionism

Objectives

- Promote Intra-African Trade
- Economic Integration
- Economic Growth

Benefits

- Market Access
- Diversification
- Attract Investment

At the stage of developing its industries, a balanced approach that incorporates elements of both protectionism and open trade policies, like those promoted by AfCFTA, can be beneficial

AfCFTA

Objectives

- Protect Domestic Industries
- Preserve Jobs
- National Security

Benefits

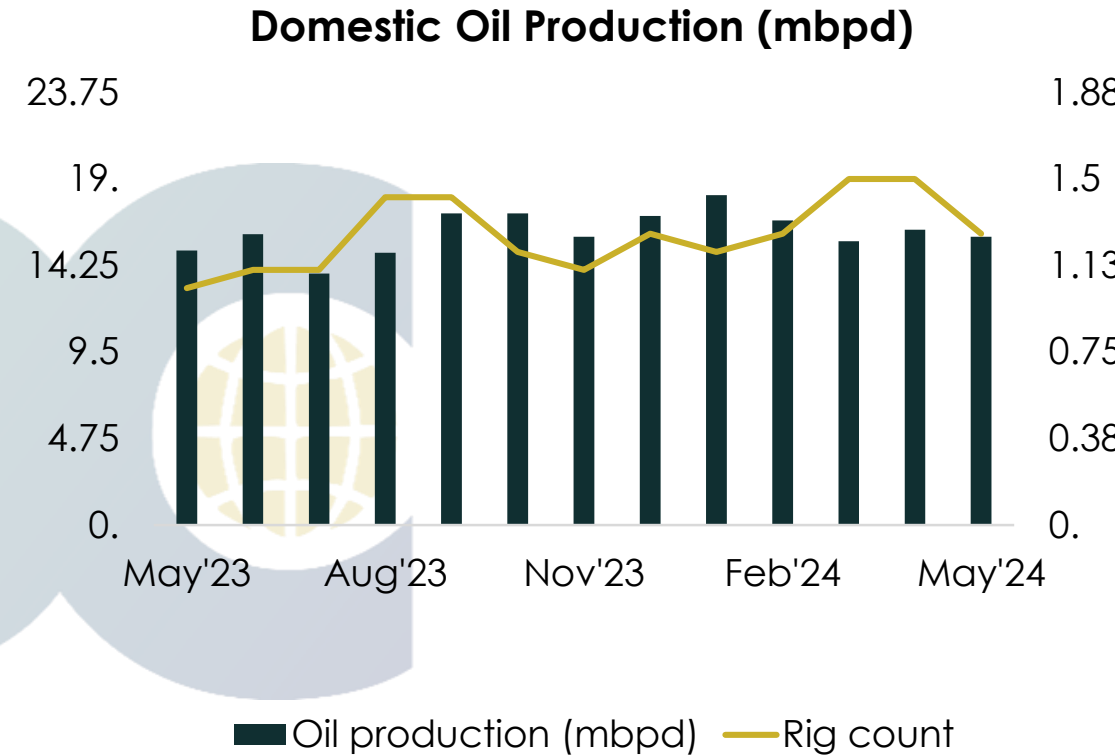
Industry Growth
Job Preservation
Trade Balance



MARKET PROXIES

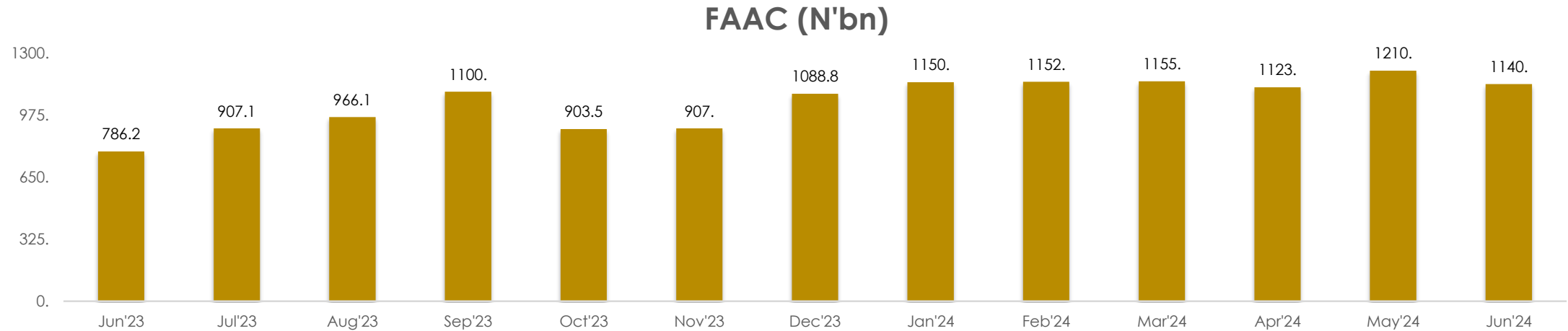
OIL PRODUCTION

- Domestic oil production dropped by 2.34% to 1.251 million barrels per day (mbpd) in May
- From 1.281 mbpd in the previous month
- The decline was partly due to the decline in oil rigs, down to 16 from 19 in April
- Worsened by persistent oil theft, pipeline vandalism, and underinvestment in the oil sector
- Oil production remains further below the OPEC quota of 1.58 mbpd and the 2024 oil production target of 1.78 mbpd





FAAC ALLOCATION



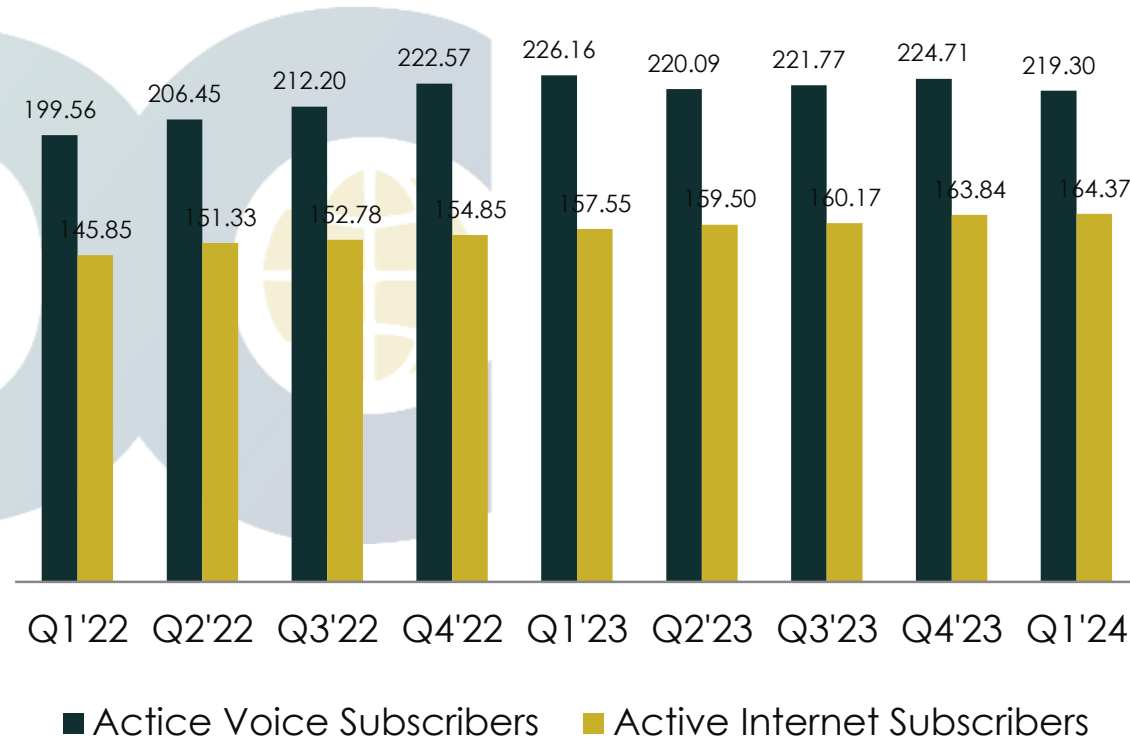
- FAAC disbursement declined by 5.79% to N1.14trn in Jun'24 from N1.21trn in May'24
- Import and excise duties, oil & gas royalty and value-added tax decreased significantly
- FAAC could increase marginally as oil price remain elevated
- Subsidy will continue to eat into distributable income



ACTIVE VOICE SUBSCRIBERS DOWN BY 3.03% (y-o-y)

- In Q1'24, the number of active voice subscribers fell by 3.03% year-on-year to 219,304,281 from 226,161,713
- Marking the lowest figure since Q3'22
- Compared to Q4'23 (224,713,710), it declined by 2.41%
- This decrease was primarily due to the ongoing NIN-SIM linkage exercise
- Which led to the barring of lines for subscribers who failed to link their SIMs to their respective NINs
- In contrast, active internet subscribers continued to rise in Q1'24
- Reflecting the growing penetration of internet services
- Supported by a rising population and increased digital adoption

Active Subscribers



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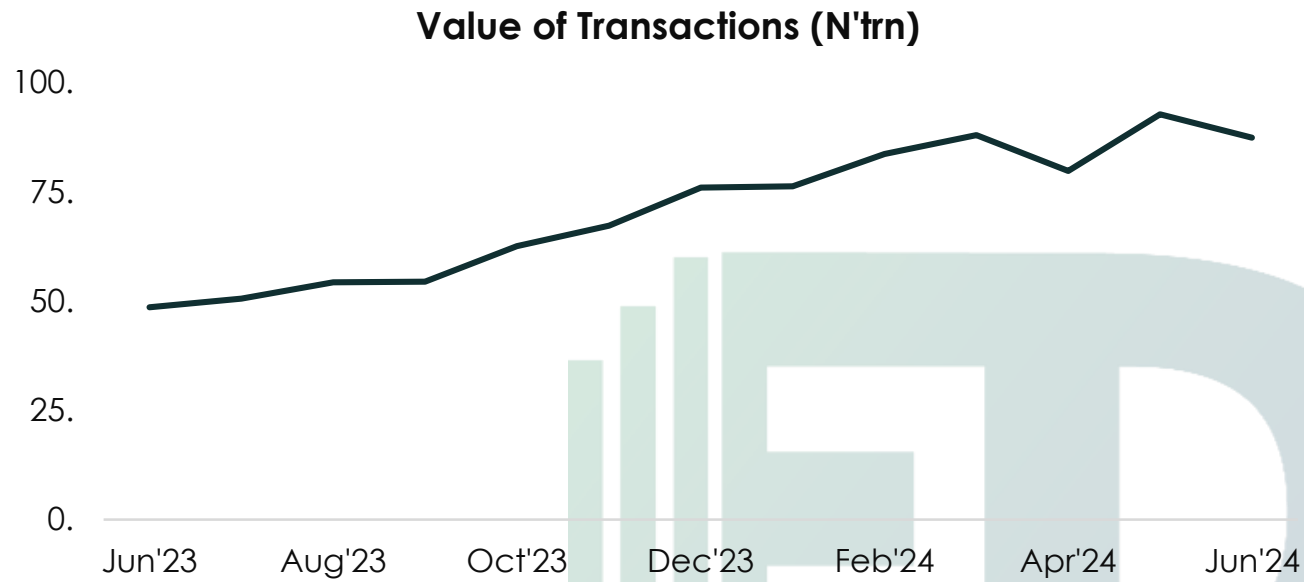


SHIPS AWAITING BERTH

Ports	Apr'24	May'24	Jun'24
Lagos-Apapa	1	5	2
Lagos-Tincan	9	2	3
Calabar Port	6	1	1
Warri Port	4	11	4
Onne Port	1	1	1
Rivers Port	1	0	0
Lekki Deep Sea Port	1	6	6
Total	23	26	17

- In June, the total number of ships awaiting berth fell by 34.62% to 17, down from 26 in May
- This decrease is attributed to the slowdown in port operations in the country
- According to the Nigerian Ports Consultative Council (NPCC), container traffic has decreased by 1.56 million 20-Foot Equivalent Units (TEUs), a 6.8% decline from 1.68 million TEUs in 2023
- Also, the number of containers carried by a vessel in Nigerian ports has dropped significantly to 300 from 4,000.
- Cargo imports are down by 20%, containerized goods by 30%, and vehicle imports by 55%.
- Largely due to the unstable exchange rate used in computing import duty, as set by the CBN
- Meanwhile, Rivers Port remains underutilized

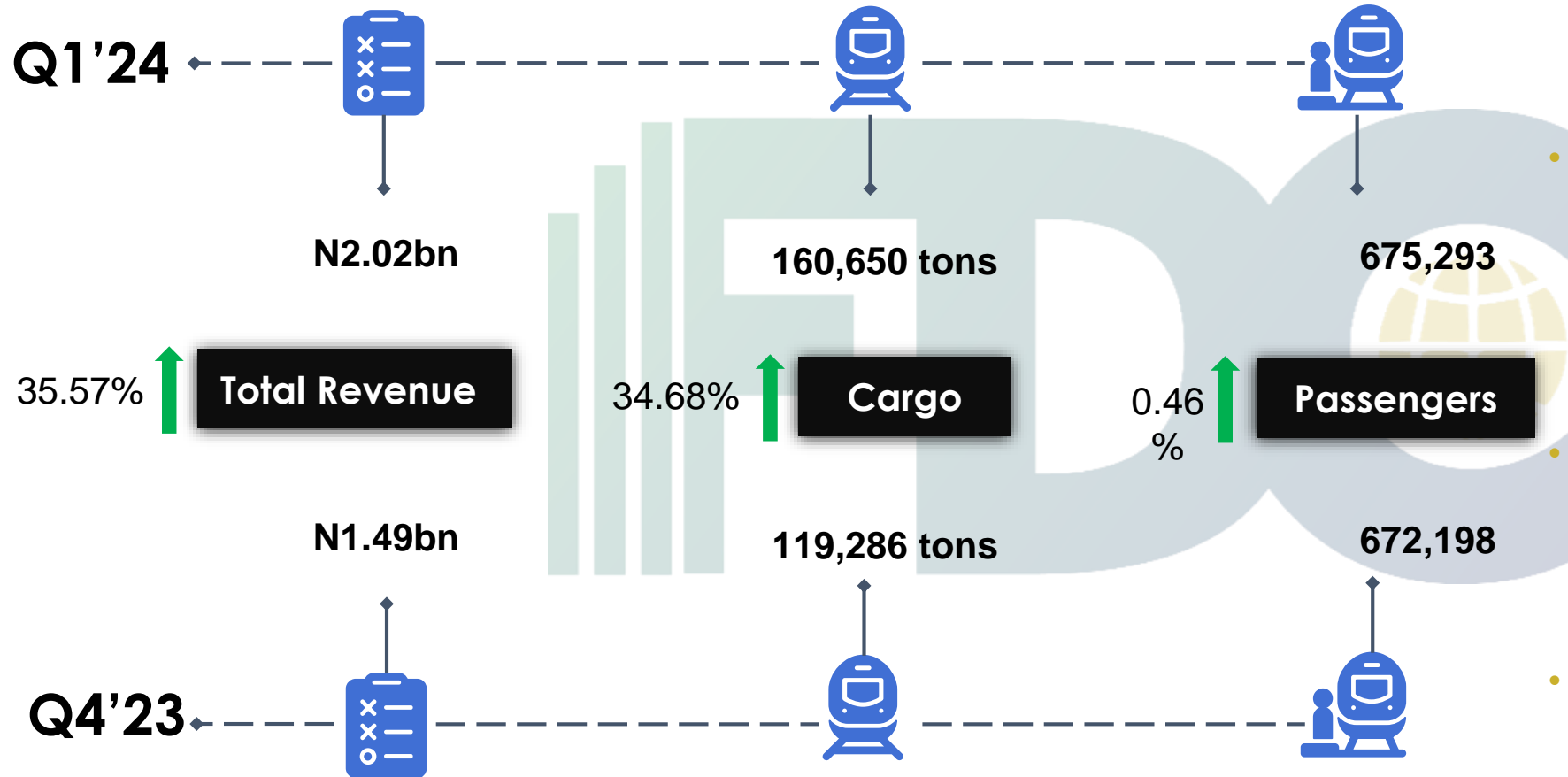
WEAK CONSUMER SPENDING WEIGH ON VALUE OF TRANSACTIONS



Mode of Payment	May'24 (N'bn)	Jun'24 (N'bn)	Change (%)
NIP	87,484.03	79,586.73	-9.03
POS	868.66	930.76	7.15
NEFT	4,140.96	6,710.74	62.06
CHEQUES	308.72	226.30	-26.70
Total	92,802.38	87,454.53	-5.76

- Total value of transaction declined by 5.76% to N87.45trn in June from N92.80trn in May
- The decline was due to lower consumer spending as inflation continues to bite
- Notably, NIP transactions declined by 9.03% in June
- As the NIN-SIM linkage limits bank transfers using code

RAIL TRAFFIC DATA



- Both the volume of goods/cargo transported by rail and the revenue generated rose in Q1'24
- Cargo transport by rail increased by 34.68% supported by lower cost per kilometre and convenience
- However, the rise in rail passenger traffic was marginal (0.46%)
- Could be attributed to lingering fears about safety
- Fueled by terrorist attacks and abduction



STOCK MARKET

IMPACT OF DEBT TRAP ON EQUITIES MARKET PERFORMANCE

Erosion of investor confidence

Erosion of investor confidence in the financial health of companies, leading to a sell-off of shares

High Non-Performing Loans

Banks may suffer high loan defaults due to high borrowing costs leading to high non-performing loans and weak margins

Weak currency and FX woes

A debt trap will harm the currency of the country due to the exit of investors

A devaluation in the value of the naira will weigh on company's profit and erode shareholder's value

High interest rates

Increase borrowing costs for corporates and weigh on profit and share prices

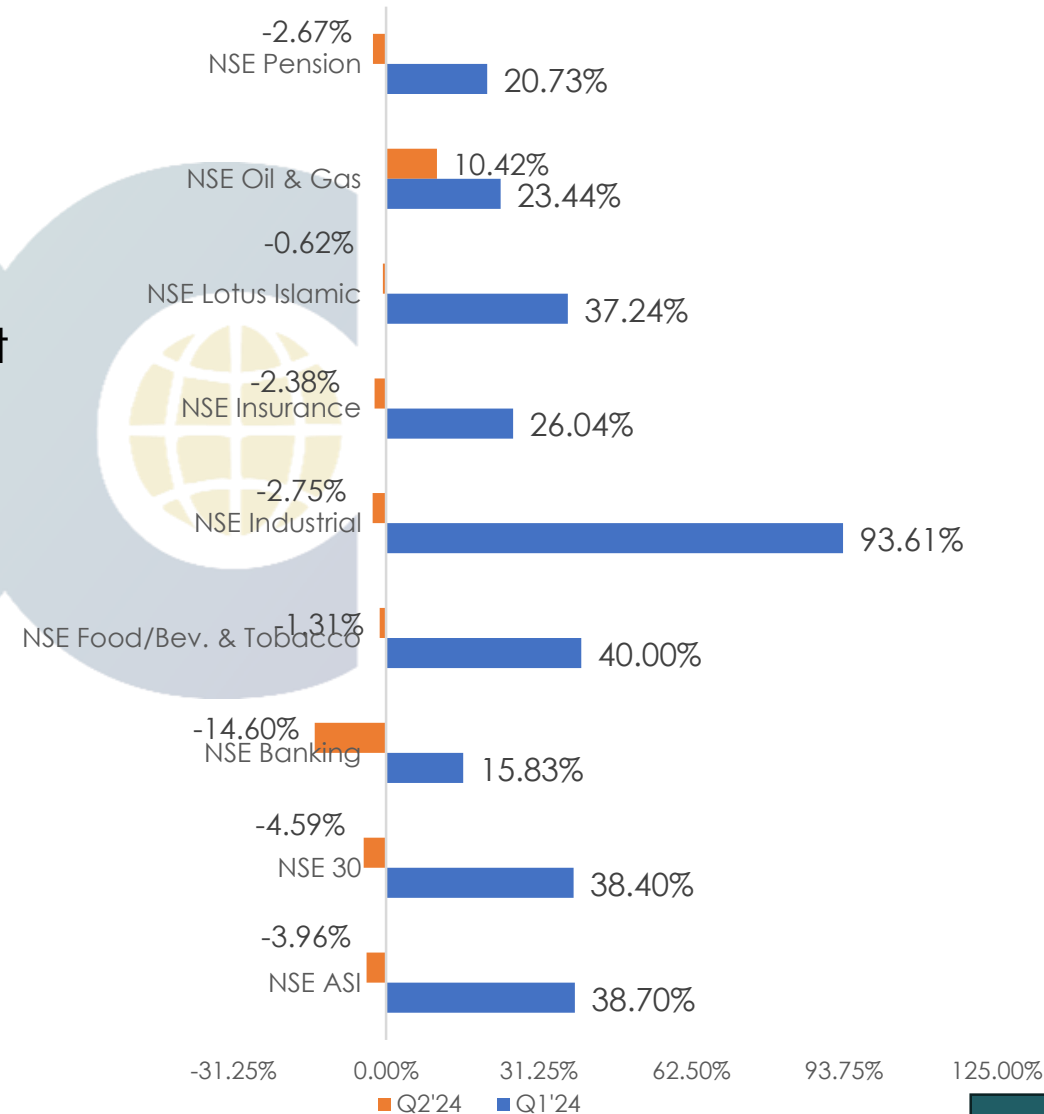
Exit of MNCs and Capital outflows

Increased risk of investment leading to huge capital outflows and MNCs

NGX PERFORMANCE Q1'24 VS. Q2'24

- Returns on NGX ASI and NGX 30 approx. at 38% in Q1'24
- Negative returns in Q2'24
- Stock prices do not represent earnings performance
- The value of stocks should reflect the discounted present value of their anticipated future earnings
- Q1'24 gains indicated an asset bubble
 - Driven by speculations in the industrial sector
- The Nigerian equities market lost 3.96% in Q2'24
- **NSE Banking returned about 15.83% in Q1'24**
- Declined by **-14.60%** in Q2'24

NSE Performance Q1'24 VS. Q2'24



KEY CONTRIBUTORS TO THE Q2 NEGATIVE RETURNS ON THE BANKING SECTOR

- High inflation eroded the value of financial assets and impacted banks' profitability
- Currency depreciation – affects foreign-denominated liabilities
- Increased regulatory requirements – MPR(24.75%), CRR (45%) and LR(30%)
- **Credit Risk:**
 - Rising Non-Performing Loans (NPLs)
 - Credit crunch - tightening credit conditions limit the ability of banks to lend
 - thereby reducing their income from interest

NIGERIAN STOCK MARKET OUTLOOK

JULY 2024

- Interest rate movement and capital raising activities will be a major driver of the NGX performance in July 2024
- FMCG and telecommunications sectors will be significantly impacted by substantial foreign exchange losses
- Huge FX losses will further dampen bottom-line performance and erode shareholder value
- The high borrowing costs will negatively impact the profitability and valuations of Nigerian firms
- A moderation in rising treasury bill rates will encourage greater diversification and participation in the NGX
- More banks are expected to flood the NGX with attractive capital-raising activities which will boost the supply of shares but hamper prices

H2' 2024

- Credit downgrade will weigh on investor sentiment
- Exit of MNCs will weigh on investor participation in the Nigerian equities market
- Blue-chip companies may choose to recapitalize to restore lost shareholder value
- This action will increase aggregate supply relative to aggregate demand, consequently driving prices lower
- Persistent FX woes will remain a major challenge to Nigerian companies' profitability and share prices



**AVIATION
AND
TOURISM**

RECORD BREAKING - 4TH OF JULY TRAVEL IN 2024

With each summer holiday, airlines are continuing to see record travel trends.



Busiest July Fourth ever

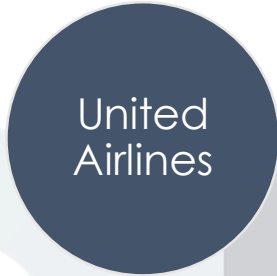
8% increase in customers compared to last year

July 7: Forecasted busiest day with 6,500 flights



International Revenues up 12% in Q1 '24

Expects to fly 5.8mn passengers between June 28 and July 7 (6% increase)



Projects 5mn customers between June 28 and July 8 (7% increase)

Top destinations: Orlando, Seattle, Boston, Honolulu, London.

TOP DESTINATIONS



SPAIN



ITALY

Demand for air travel remains strong and is projected to reach an all-time high in 2024



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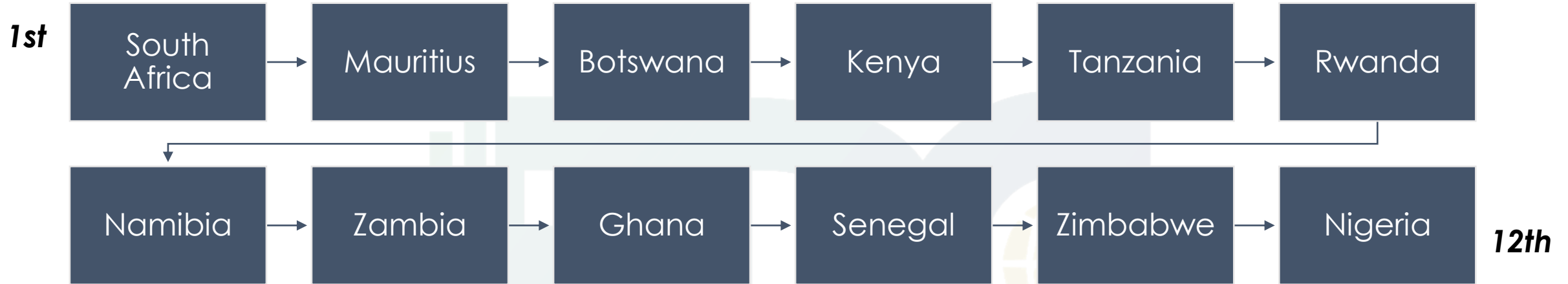
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NIGERIA ABSENT FROM TOP 10 AFRICAN TOURIST DESTINATIONS

Travel & Tourism (T & T) Development Index 2024 Africa rankings - World Economic Reform



Nigeria's Top Strengths

Score

Economic & Social Impact of Travel & Tourism

5.34 / 7

Cost of Travel to Nigeria

4.96 / 7

Nigeria's Top Weaknesses

Score

Government's promotion & development of T & T sector

2.24 / 7

Healthcare infrastructure, accessibility, and security

2.09 / 7

Utilization of cultural resources

1.84 / 7

MORE AIRPORTS ~~≠~~ MORE FLIGHTS

- Airports in Nigeria are increasing every year
 - However, only 5% of the population use air travel

	Nigeria	Brazil
Population	223.80mn	216.42mn
Domestic Traffic	12mn	119.6mn
Domestic Traffic as % of Population	5.4%	55.26%

- This is attributed to low income & purchasing power
 - And expensive flight ticket prices

Minimum Wage

N30,000

Average Domestic Flight Fare

N89,000 (May 2024)



EXCESSIVE CHARGES AND TAXES DRIVE UP PRICES

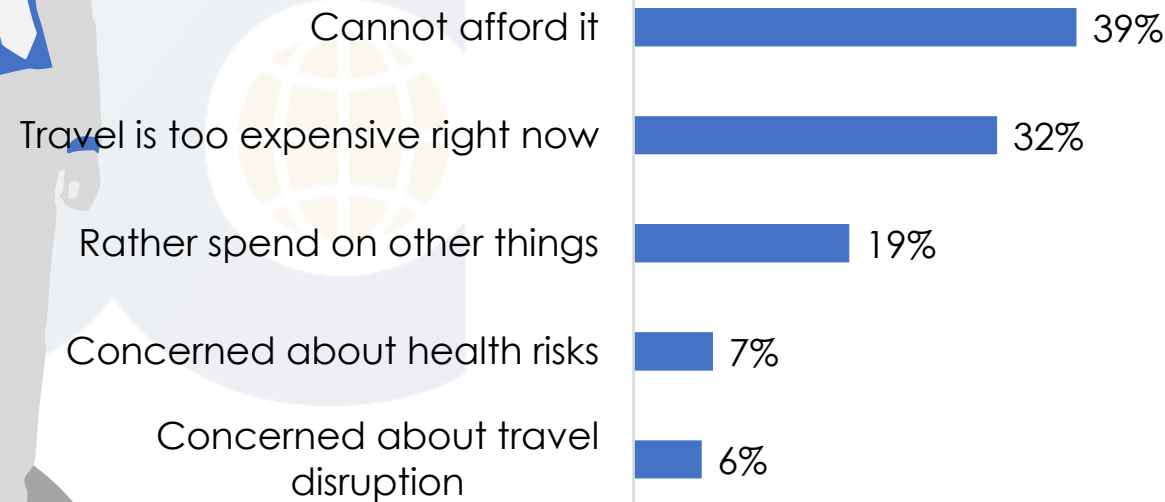
Lufthansa has introduced an "Environmental Cost Surcharge"

42% of Americans won't travel this summer, up from 37% last year, due to price concerns.

Regulations	Airlines Affected	Surcharge Fee
<ul style="list-style-type: none">• Sustainable Aviation Fuel (SAF) quotas• Carbon offsetting programs• Emissions trading systems	<ul style="list-style-type: none">• Lufthansa• Austrian Airlines• Euro wings• Brussels Airlines• Swiss	<ul style="list-style-type: none">• Economy: €5-12• Business: €7-36• First Class: €72



Reasons for not travelling



Abuja and Lagos airports have the highest charges, taxes, and fees in Africa

WAY FORWARD

- Nigeria's travel and tourism sector is largely underutilized
- Requires

Increased government attention

Investment in training, infrastructures, quality control, security and information systems

Removal of excessive charges and taxes

Increased cooperation with foreign airlines (codeshare agreement)

Private sector participation

Development of tourism products

Higher income and consumer purchasing power to boost air travel demand

- Growth of the sector is favourable for increased employment, higher GDP and per capita income, as well as lower poverty



**POLITICS
AND
ECONOMY**



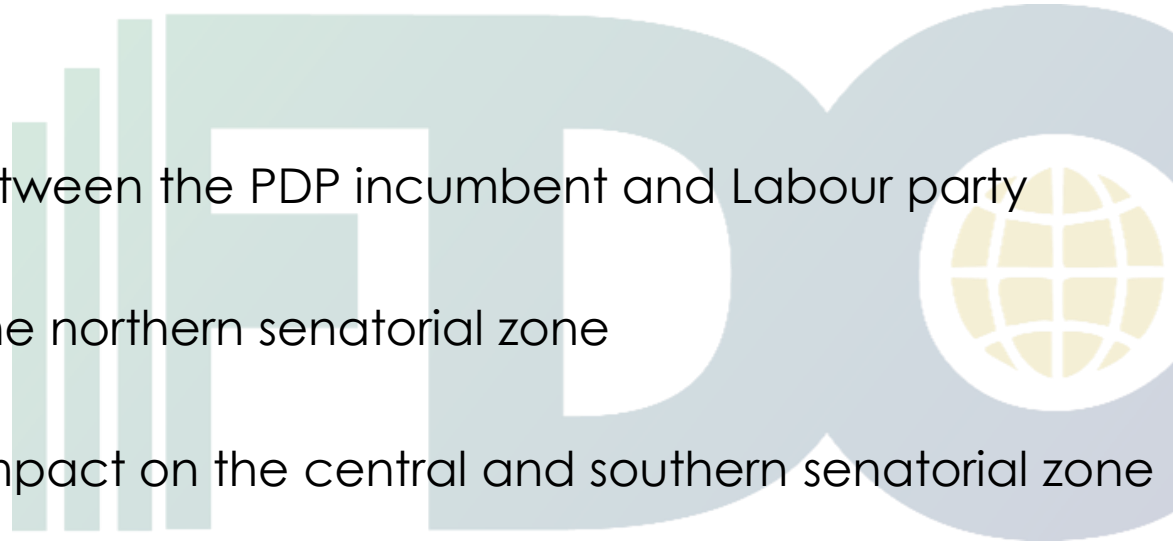
POLITICAL UPDATE

- FGN will struggle with the minimum wage negotiation and implementation
- Attempts to have different wages for various zones will fail
- An increase in VAT from 7.5% to 10% will be resisted by labours but it is almost inevitable
- The implementation of the fiscal stimulus and stability package will be an attempt to reduce economic pain but will mostly cosmetic
- The Kano and Rivers state crisis of FGN overreach will lead to negative blowback on the APC
- Talks of restricting will be taken with a pinch of salt
- Fears of APC dominance will face resistance from the cost-of-living disturbances



POLITICAL UPDATE

- INEC and the police will face huge challenges in running a free and fair election in Edo state
- It is a straight race between the PDP incumbent and Labour party
- The APC will sweep the northern senatorial zone
- Zoning will have an impact on the central and southern senatorial zone
- Ondo state election will be marred by voters' apathy
- The APC will sweep the stakes





**KEY
GLOBAL
HIGHLIGHTS**

NEO NATIONALISM VS NEO COLONIALISM

Geopolitical shift to the right and Africa's wake up call



Tori party lost to Labour party after 14 years in power



- The US election landscape is changing



- ANC now in its first alliance since Apartheid



Modi formed the first coalition government since 2014



France

- The Far Right are back again, but couldn't win a majority.
- Coalition expected from Macron's party and the Leftist alliance.

POST-ELECTION FALLOUT – IS POLITICS STUPID?

Global



Over 240 antigovernment protests since 2023

Kenya



Protest against new Finance Bill imposing more tax on the people

Bolivia



Failed coup attempt

Nigeria



Escalating costs of living protests

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GEOPOLITICS IS DISRUPTING THE GLOBAL ECONOMIC ORDER

- Geopolitical shifts are reshaping global structures and relationships
- The Russia-Ukraine war and the Israel-Hamas conflict are polarizing the world
- China is leading a Russia-friendly alliance against the US-EU's Ukraine-friendly alliances
- Rising geopolitical tensions increase skepticism towards multilateralism, boosting inward-focused policies' appeal
- Global FDI declined by 2% to \$1.3trillion in 2023, projected to decline further in 2024
- US and Europe to funding Ukraine war with Russia's money (\$50bn) could deepen the geopolitical divide
- Israel-Hamas-Hezbollah crisis is changing global alliances

US vs CHINA - GLOBAL ORDER UNDER FOUR SCENARIOS

Dragon Ascendant Weak US, Strong China

- Economic hegemony shifts from US to China
- Heightened tensions in the South China Sea region
- China leads new alliances in Africa, Latin America, Asia
- The Chinese yuan gains prominence as an alternative to the U.S. dollar.
- The U.S. focuses inward, dealing with domestic challenges

Dual Titans

Strong US; Strong China

- Continued rivalry between the U.S. and China for global supremacy
- Greater competition between the U.S. and China in AI and EVs
- Heightened risk of proxy conflicts between the duo and their respective allies.
- Efforts to manage nuclear weapons and emerging technologies continue.

VRIO

Tectonic Plates Weak US, Weak China

- Other nations (e.g., India, EU, Russia) assert influence in their spheres.
- Growing unpredictability and volatility in global politics as the traditional power structures erodes.
- Increased geopolitical tension

Dragon Decline Strong US, Weak China

- U.S. continues to assert its dominance in shaping international norms and institution
- U.S. heightens efforts to contain Chinese expansionism
- Efforts to reduce dependence on each other's tech ecosystems.
- Strengthened alliances between the U.S. and countries wary of Chinese assertiveness

GLOBAL GROWTH TO STABILIZE AT 2.6% - WORLD BANK

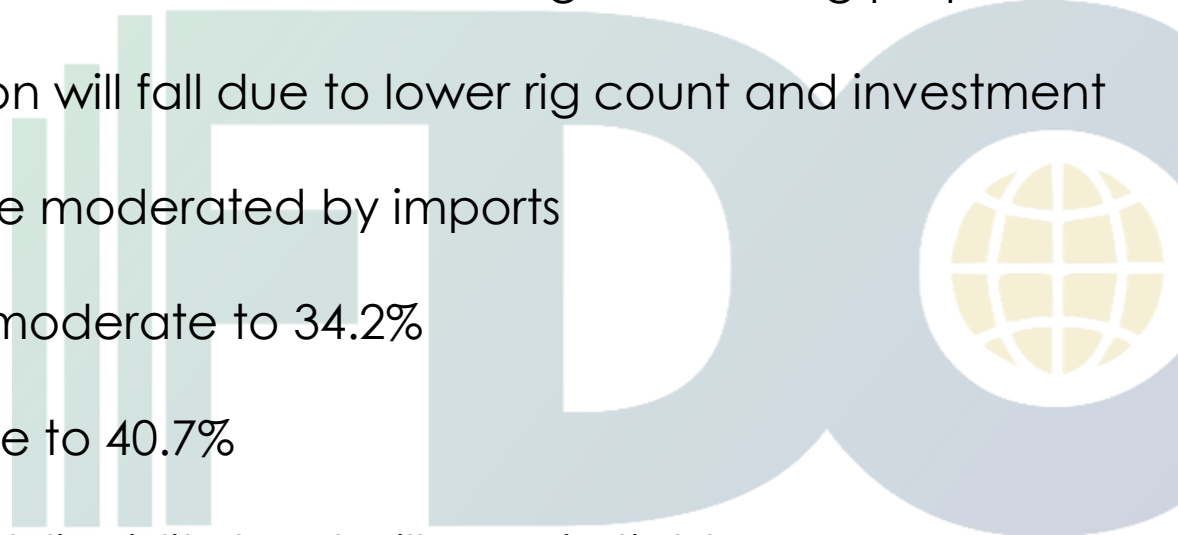
- The World Bank is projecting that the global economy will stabilize at 2.6% after years of negative shocks
- Will be supported by
 - A solid expansion of the U.S. economy
 - Interest rate normalization
 - Subsided inflation
- Global IPOs declined by 12% in the first half of 2024, plunged 15% in Q2'24
 - Revenue realized from the IPOs also declined 16% in the same period.
- Due to 73% drop IPO deals in Asia-Pacific
- Technology sector excelled, raising \$10.8 billion in IPO proceeds, mainly from the US.

JULY OUTLOOK





OUTLOOK FOR JULY

- Average temperatures across the world will be much higher in July
 - Leading to higher oil prices for air conditioning and driving purposes
 - Nigeria's oil production will fall due to lower rig count and investment
 - Planting season will be moderated by imports
 - Inflation for June will moderate to 34.2%
 - Food inflation will spike to 40.7%
 - The average interbank liquidity level will remain tight
 - O/N and OBB rates will reach 29-32%p.a.
 - The average supply by the CBN into the forex market will increase to \$250mn per week
 - The naira will trade in a stable range of N1,500-N1,550/\$
- 



OUTLOOK FOR JULY

- The level of oversubscription on T/Bill auctions will decline as the liquidity squeeze bites
- FGN & state governments will face pressure to meet minimum wage obligations & debt service costs
- NNPC national emergency is aimed at achieving 2mbpd in 2025
- Calls for new investment in upstream infrastructure
- Stock market performance will be mainly in correction territory, losing 5-10% in July
- Earnings reports will show further forex losses based on Q1 exchange rate
- Exchange rate stability will improve corporate earnings in Q3
- The FGN will launch the fiscal stimulus and stability package this week
- Minimum wage will likely end up at an average of N90k monthly

Television has proved that people will look at anything rather than at each other
-Ann Landers

Conversation is when three women stand on the corner talking; Gossip is when one of them leaves

- Herb Shriner

The expression, its a small world is euphemism for I keep running into people I can't stand
-Brock Cohen



Writing is not a profession, but a vocation of unhappiness
-George Simenon

Anything you buy will be on sale next week
-Erma Bombeck

The easier way to find something you have lost is to buy a replacement
-Rosenbourns Law

The slowest drivers in the world are those people who are getting out of a parking space you want to get into

-Miles Kinglon

Finding a parking space is like going for a hooker: why pay for one, when if you apply yourself you can get it for free

-George Costanza

Every woman should have four pets in her life

- a mink in her closet
- Jaguar in her garage
- a tiger in her bed
- a Jackass who pays for everything

-Paris Hilton

Other people's babies, that's my life, mother to dozens, and
nobody's wife
- **A. P. Herbert**

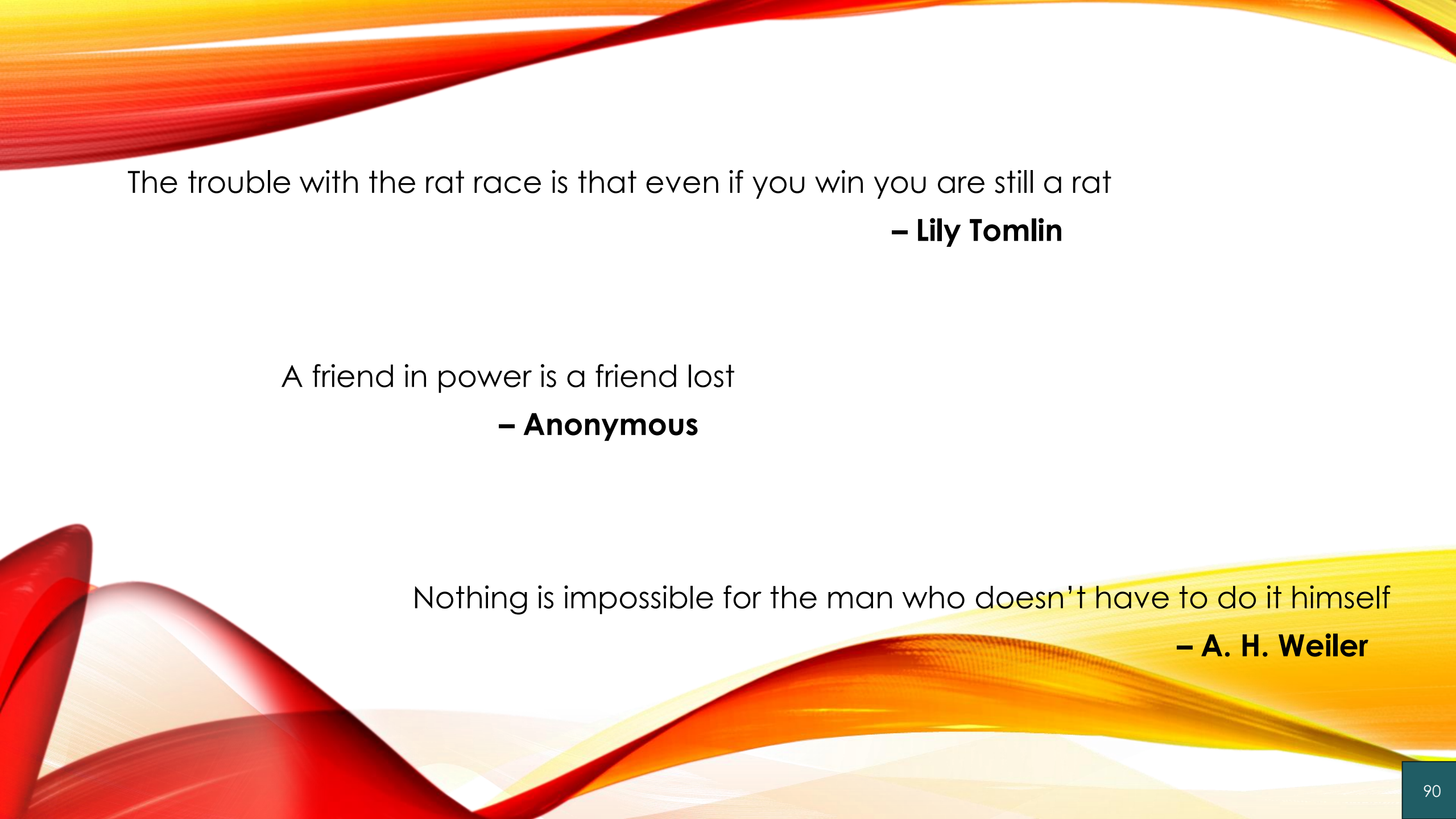
Democracy must be something more than wolves and a sheep voting
on what to have for dinner
- **James Bovard**

The average girl would rather have beauty than brains because she
knows that the average man can see much better than he can think
- **Anonymous**

If you have never been hated by your child, you have never been a
good parent
– **Bette Davis**

When a man retires his wife gets twice the husband but only half the
income
- **Anonymous**

Charity degrades those who receive it and hardens those who
dispense it
- **George Sand**



The trouble with the rat race is that even if you win you are still a rat
– **Lily Tomlin**

A friend in power is a friend lost
– **Anonymous**

Nothing is impossible for the man who doesn't have to do it himself
– **A. H. Weiler**



The reason why worry kills more people than work is that more people
worry than work

- **Anonymous**

*Thank
you*



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