



LBS BREAKFAST SESSION



end bad governance

Presented by Bismarck Rewane
August 14, 2024

COST-OF-LIVING PROTEST

WAS IT
POLITICALLY MOTIVATED
OR
HUNGER INDUCED?



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COST-OF-LIVING CRISIS

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POLITICS AND ECONOMICS



QUOTES!

“*To revolt on behalf of an ignorant people, is like to set yourself on fire in order to light the way for a blind man!*”



Mohamed Rachid Rida

QUOTES

“If they have no bread, let them eat cake”



Queen Marie-Antoinette

“The poor don’t sleep because they are hungry, and the rich won’t sleep because the poor are awake and hungry ”



Professor Sam Aluko

“The comfort of the rich depends upon an abundant supply of the poor”



Voltaire

WHAT IS ECONOMIC HARDSHIP?

“A condition where individuals or groups experience significant financial difficulty or distress that impairs their ability to meet basic needs and maintain a reasonable standard of living”

General Definition

“Economic hardship occurs when individuals face significant difficulties in meeting basic needs due to limited income or resources”

Gary Becker

“A poverty trap is where individuals or communities are stuck in a cycle of deprivation due to systemic factors”

Robert Chambers



WHAT IS A COST-OF-LIVING CRISIS?

"A situation in which the cost of everyday essentials like groceries and bills are rising faster than average household incomes"

"A manifestation of broader economic disparities, where global economic dynamics and policies contribute to increasing living costs and unequal access to resources."

THE BIG ISSUE

UK's number one street newspaper, supporting vulnerable and homeless persons



Francois Bourguignon

A French economist, former Director of the Paris School of Economics and former Chief Economist and Senior Vice President of the World Bank

PROTEST ARE AS OLD AS MANKIND

- Social systems are usually held together by, norms, values and mores
- The flip side of social order is anarchy
- The social contract is an unwritten fact between the governed and governing
- Nigeria has a chequered history of protests
 - Ali must go
 - Ango Abudulahi must quite ABU
 - Occupy Ojota – Anti-subsidy removal
 - Ghana must go
 - June 12 – NADECO
 - End Sars
 - Ebi n Kpawa



PROTEST ROOT CAUSE ANALYSIS



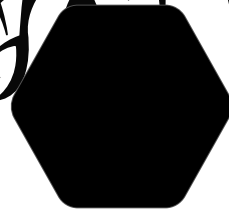
Ideological class struggle



Political opportunism



Economic hardship



Ethnic and xenophobic pogroms and ethnic cleansing



TODAY CRISIS IS ECONOMIC HARDSHIP

- Multidimensional poverty makes it more potent
- Trust deficit and credibility gap exist
- Policy change without institutional reform
- Hardship hijacked by politicians
- Profligacy and lavish living by the government official



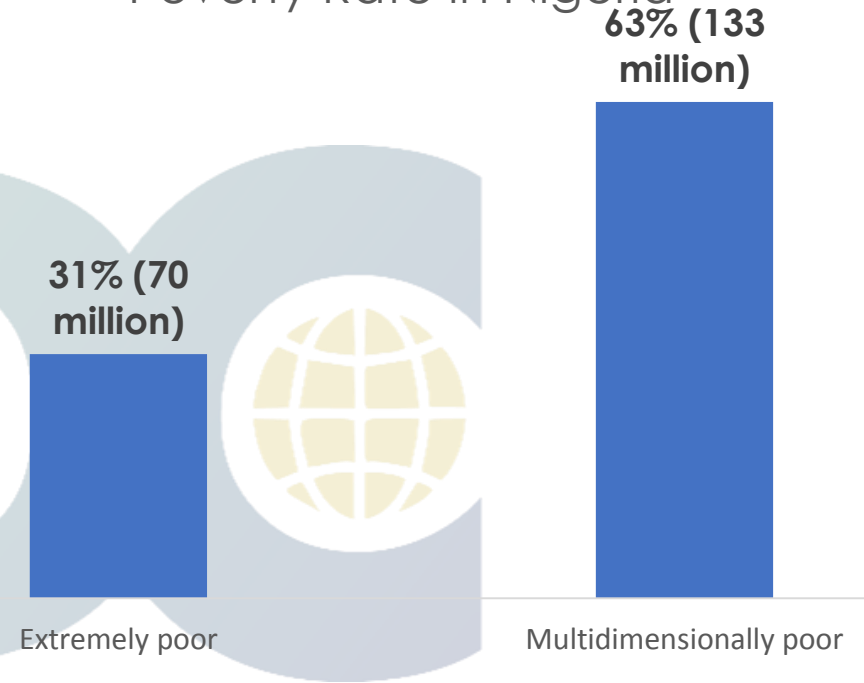
MULTIDIMENSIONAL MAP OF NIGERIA

Population of Nigeria's multidimensionally poor people



Sources: NBS

Poverty Rate in Nigeria



- Poverty is highest in the northern states
- Out-of-school children, kidnap-for-ransom and insecurity more potent in the poverty-stricken areas

SYMPTOMS ARE GLARING



1 Bag 

Q2 2024: N80,000
Current Price: N85,000

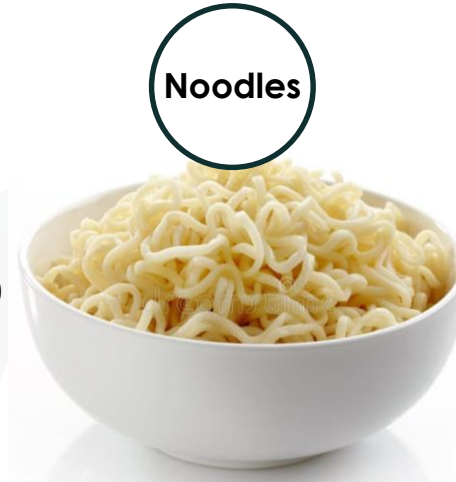
UP BY 6.25%



5 Litres 

Q2 2024: N6,000
Current Price: N8,000

UP BY 33.3%



1 Carton 

Q2 2024: N7,500
Current Price: N7,800

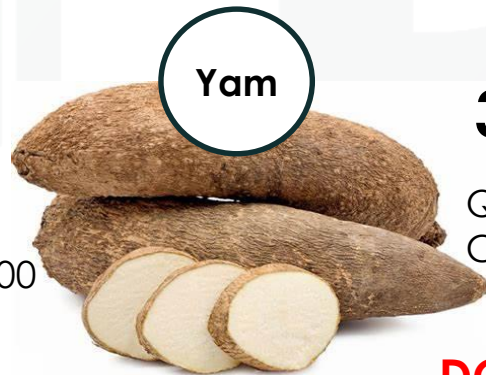
UP BY 3.85%



1 Bag 

Q2 2024: N95,000
Current Price: N150,000

UP BY 36.67%

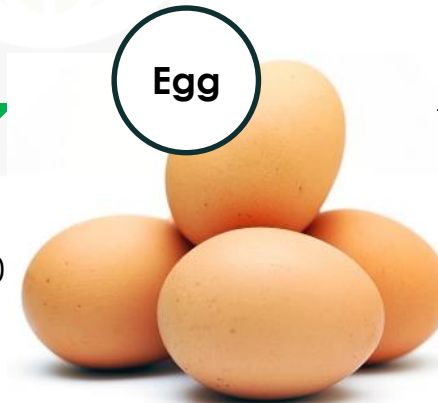


3 Tubers 

Q2 2024: N18,000
Current Price: N10,500

DOWN BY 41.67%

Underpinned by harvest season



1 Crate 

Q2 2024: N4,000
Current Price: N5,500

UP BY 27.27%

Your focus, Our priority

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

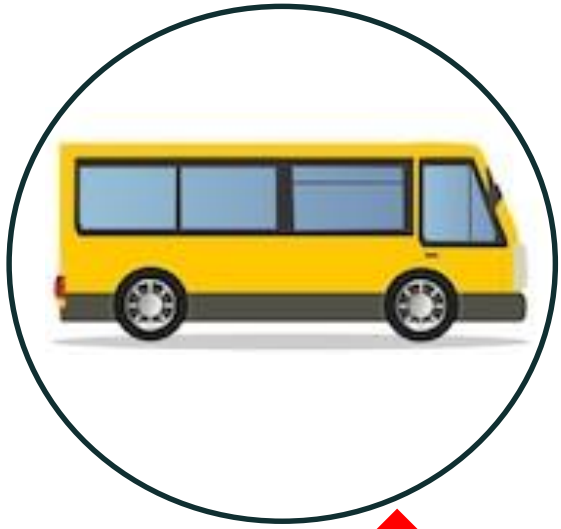
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THINGS ARE GETTING WORSE

Transport Fare



Obalende to Victoria Island  BY 33%



House Rent  BY 66%



Cost of medical tourism 



International school fees 

IS DANGOTE REFINERY (DR) THE WHITE KNIGHT? YES & NO!

- DR is a 650,000bpd single train refinery
- Will guarantee quality and availability of refined products in Nigeria
- Can satisfy the aggregate demand of West Africa
- Will not produce below marginal cost
- Therefore, the price subsidy will continue at a reduced pace
- The global price of PMS is typically higher than diesel
- Diesel price in Nigeria is deregulated and not subsidized
- Diesel is now selling at N1,180/litre
- The current average price of PMS is N610/litre
- Deregulated market price (equilibrium) should be above N1200/litre
- In the current cost of living environment N1200/litre NOT feasible NOR possible
- Reduced subsidy will continue for some time



BENEFITS OF DR TO NIGERIA

1

Sell refined products to
West African countries
in dollars

2

Pipeline and deport
infrastructure to be
developed

3

Positive linkages with
other sectors

PROTEST ARE A UNIVERSAL PHENOMENON

- Inflation is a common denominator of crisis



Political rising in Brazil in 1990s



Political rising in Germany 1922/23



The French Revolution between (1789-1799)

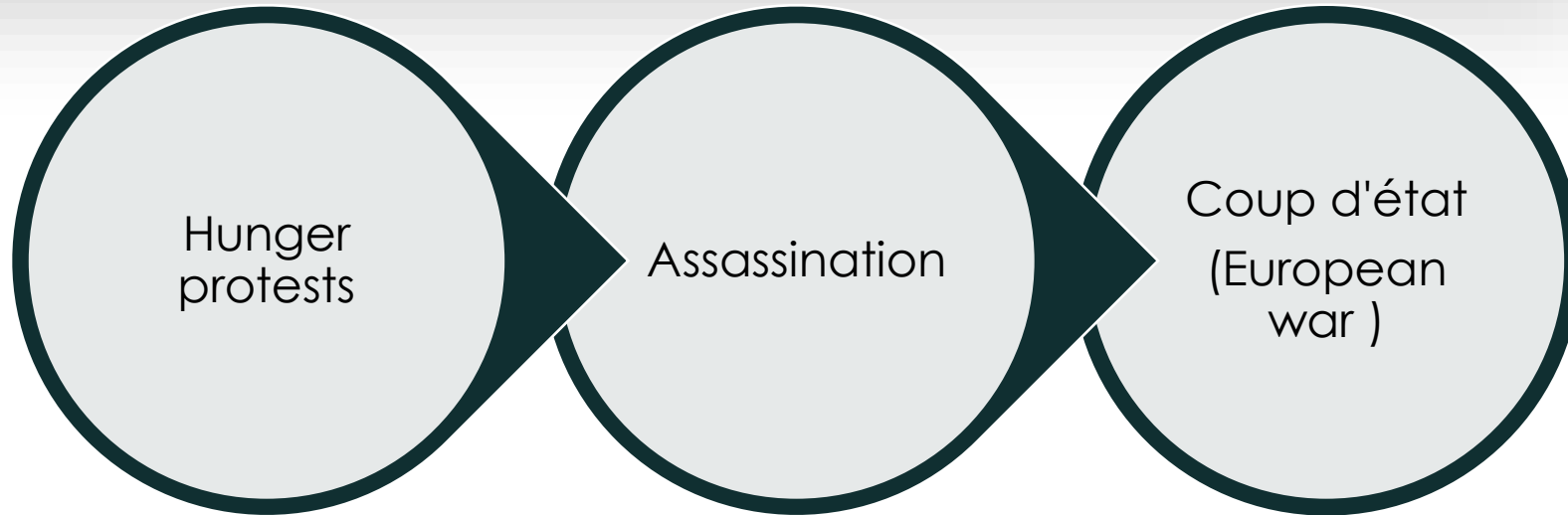


Kenya Financial Act Protest 2024

Emphasis is on the French Revolution due to its similarities with Nigeria's recent cost-of-living crisis

THE FRENCH REVOLUTION IS THE LONGEST AND MOST VIOLENT

- It is a template for most revolutions





AFRICAN NATIONS WITH COST-OF-LIVING CRISIS

Country	Trigger	Consequences
South Africa	<ul style="list-style-type: none">• Upward adjustment in domestic fuel price• Lingering impacts of global shocks	<ul style="list-style-type: none">• High level of inequality• Structural unemployment
Kenya	<ul style="list-style-type: none">• Unpopular tax hikes• Tightening global financing conditions	<ul style="list-style-type: none">• Protest• Food insecurity<ul style="list-style-type: none">• Discontent in government
Ghana	<ul style="list-style-type: none">• Fiscal crisis• Currency depreciation	<ul style="list-style-type: none">• Proposed protest• More people pushed into extreme poverty
Nigeria	<ul style="list-style-type: none">• Subsidy removal• Currency devaluation	<ul style="list-style-type: none">• Protest• Loss of confidence in government



CRISIS IN AFRICA - COMMON ATTRIBUTES



Imported inflation

State capture &
Corruption

Excruciating debt
service/debt trap

High
unemployment

ECONOMIC HARDSHIP

IT HAS BEEN A LONG TIME COMING



ORIGIN OF COST-OF-LIVING CRISIS IN NIGERIA

3 DECADES OF CUMULATIVE DECAY

1980s

Cash-rich, asset-poor and SAP years

- Economic recession due to the collapse of oil prices from an average of \$117 per barrel in 1980 to \$23.57 per barrel
- The economy contracted by -10.93% in 1983
- This led to falling living standards and economic decline
- SAP reform imposed by IMF worsened the situation

2000s

Democratic Consolidation & Economic Liberalization

- The global financial crisis of 2008-2009 negatively affected macroeconomic aggregates
- Although GDP growth was strong at 8.3%
- It failed to keep pace with population growth, resulting in a steady decline in per capita income (\$1,231.41)
- Hence, the growth did not translate into significant poverty alleviation

2020s

Policy change, institutional weakness & the reset button

- The COVID-19 pandemic triggered the worst recession due to reduced economic activities
- Recently, subsidy removal and exchange rate unification further worsened the cost-of-living issues
- Inflation rose to 34.19% and food inflation skyrocketed to 40.87%
- As a result of ill-prepared and incomplete reforms

- Despite several efforts to stabilize the economy, reform slippages which slow the pace of recovery
- Due to long-delayed and inconsistent policy reforms

HISTORY OF PROTEST

Protests have been more intense in the north



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THE WAY OUT

Short term

Long term

Stimulus package

Minimum wage

Exchange rate stability

Duty waiver on staples

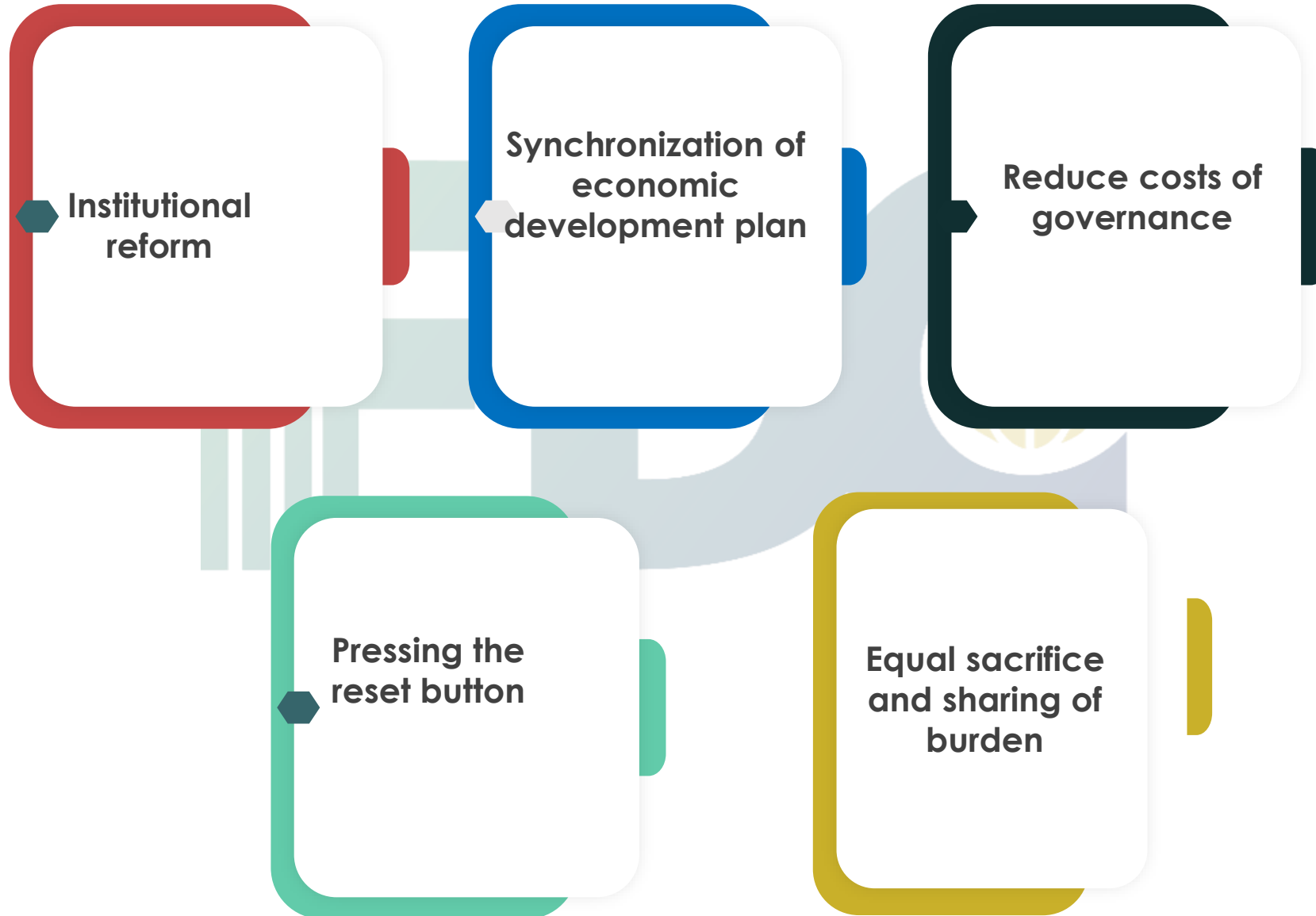
Stabilization measures

Combating inflation





WHAT NEXT?



IMF: **ENEMY** OR FRIEND?



IMF POLICY REFORM - THE CASE OF NIGERIA

In the 1980s, Nigeria faced significant economic challenges, leading to the adoption of IMF-backed Structural Adjustment Programs

SAP aimed at currency devaluation, reduction of government spending, and liberalization of trade

However, these measures were often met with public resistance due to their adverse social impacts, including increased poverty and unemployment

The Fund advised Nigeria to manage its debt by implementing economic reforms as part of the assistance agreements

The reliance on IMF policies has been associated with increased economic hardship for the lower-income segments of society



SOUTH-EAST ASIAN COUNTRIES HAVE SUCCEEDED WITH IMF REFORMS



Indonesia

IMF program

1997-2000 Financial Crisis

- The IMF provided a bailout package of approximately \$43 billion
- The IMF's involvement helped to stabilize the Indonesian economy
- Structural Reforms: The program included structural measures that reformed the banking sector, reduce public debt, and improve fiscal policy



Philippines

IMF program

Economic Crisis 1983

- Engage with the IMF for technical assistance and policy advice through Article IV consultations

Key Areas of Support

- Public financial management (PFM)
- Infrastructure investments above 5% of GDP
- Technical assistance to strengthen tax administration and public financial management



Thailand

IMF program

Asian Financial Crisis 1997-98

- IMF's support helped stabilize the Thai economy
- However, the harsh conditionality of the bailouts provoked resentment and a "stigma" towards the IMF
- This prompted efforts to establish regional financial safety nets like the Chiang Mai Initiative Multi-lateralization (CMIM)

CONDITIONALITIES OF IMF PROGRAMMES IN ASIA

6

Structural Reforms – trade liberalization, investment climates improvement, and governance reforms implementation

1

Fiscal Austerity - Governments were required to implement significant cuts in public spending

2

Tax Increases - To improve fiscal balances, the IMF mandated increases in taxes



3

Monetary Policy Tightening
Countries had to raise interest rates to stabilize their currencies and combat inflation

5

Exchange Rate Flexibility - Countries were encouraged to adopt more flexible exchange rate regimes

Financial Sector Reforms - The IMF required countries to strengthen their financial systems (capitalization)

4

IS IMF A TOOL FOR NEOCOLONIALISM?

Debt Traps and Loss of Sovereignty

- Countries that borrow from the IMF often end up in a cycle of debt
- This can lead to a loss of economic sovereignty as countries are forced to implement IMF-dictated policies

Prioritizing Profits Over People

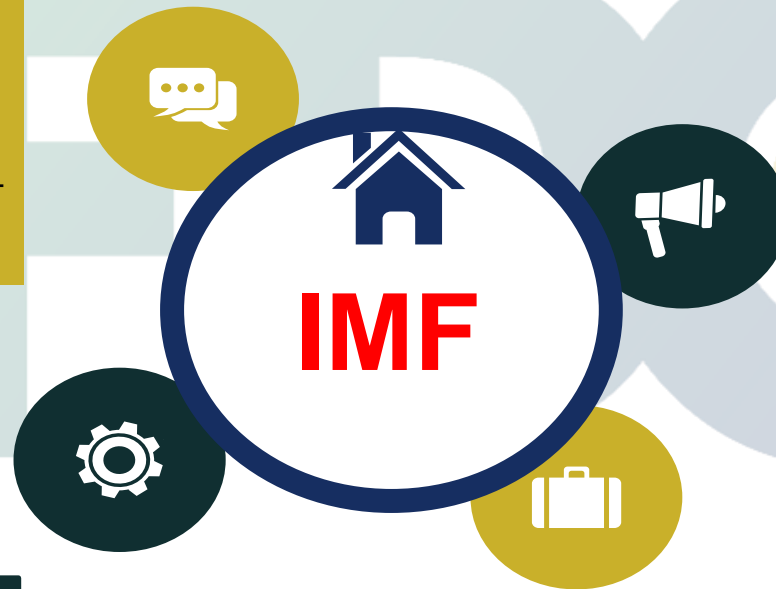
IMF policies have been linked to rising inequality, cuts to social services, and economic instability in borrowing countries

Undemocratic Governance Structure

- Undemocratic governance structure allows rich countries to impose their will on the Global South
- IMF serves the interests of its major shareholders rather than the needs of borrowing countries

Neoliberal policies

2016 IMF study even acknowledged that neoliberal policies promoted by the IMF have often exacerbated inequality



A hand in a dark suit jacket points towards a thick red line graph that trends upwards from left to right. The background is a light gray grid. Below the red line is a white line graph with several peaks and valleys. At the bottom of the image, there is a bar chart with several vertical bars of varying heights. A semi-transparent gray box with a white border is centered over the red line, containing the text 'BROAD MACROECONOMIC ISSUES'.

**BROAD
MACROECONOMIC
ISSUES**



ECONOMIC SCORECARD

LEI	Jan'24	July'24	% Change	Comments	H2'24*
GDP Growth (%)	3.46 (Q4'23)	2.98 (Q1'24)	0.48	Real GDP growth to remain positive but seasonality and low aggregate demand will have a significant impact on it	3.00
Average oil Production (mbpd)	1.43	1.31	8.38	The decline occurred despite the fight against crude oil theft and pipeline vandalism.	1.30– 1.41
Average oil price (\$pb)	79.18	85.85	12.21	Oil prices to rise as supply shortage due to OPEC oil production cut outweigh demand concerns	90.00
Inflation (%)	29.90	34.19 (June)	16.69	High PMS prices and cost-push factors have continued to mount pressure on inflation, despite monetary policies and fiscal interventions to curb inflation	28-30
PMI	54.4	49.2	9.55	This shows a contraction in economic activities due to a squeeze in consumer income but is likely to improve due to inventory buildup by manufacturers for Christmas	50-51
FAAC (N'trn)	2.07	2.48 (June)	18.8	Subsidy removal and aggressive tax collection impacted fiscal revenue which in turn increased FAAC for the three tiers of government	2.4 – 2.5

Source: CBN,NBS, EIU, OPEC, FBNQuest *: FDC's forecast

ECONOMIC SCORECARD

LEI	Jan'24	July'24	% Change	Comments	H2'24f
Primary T-Bills (%): 364-days	11.54	22.10	91.50	The money market rate is expected to rise further as the CBN continues to tighten interest rates in a bid to rein in inflation	22.30 – 23.70
Bond yields (10-year)	16.00	21.89 (9-year)	36.81	Bond yields are anticipated to remain high as the CBN continues its hawkish stance	22.00 – 23.00
Exchange Rate (N/\$; end period): Parallel	1530	1605	4.90	Due to fluctuations and CBN policy interventions and guidelines, the naira is expected to appreciate further	1400 -1500
External Reserves (\$bn; month-end)	33.35	36.84	10.47	The external reserve is anticipated to rise due to increase in portfolio inflows triggered by higher interest rates	38.50 – 40.50
Stock Market Cap (N'trn)	55.36	56.48	2.02	The interest rate will have an adverse effect on the stock market performance and investors are likely to shift their portfolios towards fixed-income securities	55 - 56

Source: CBN, NBS, NSE, FMDQ, EIU, *: FDC's forecast



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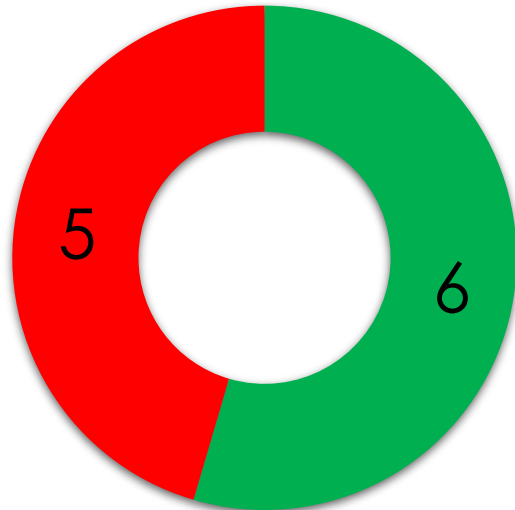
SYNOPSIS

Of 11 variables monitored

6 = positive

5 = negative

Macroeconomic performance scorecard



■ Positive ■ Negative

The CBN has raised the policy rate by a cumulative 800 basis points, to a record 26.75%

- The CBN is attempting to switch to an inflation-targeting system
- But fiscal dominance and a growth-focused economic policy will be impediments
- Inflation remains well above the 6-9% target range at 34.19%
- We expect a policy rate of 12% in 2028

Economic growth will be slow, at 2.9% in 2024

- Growth is then expected to average 3.1% a year in 2026-28 as global oil prices decline coupled with the Dangote refinery
- We expect debt to accumulate throughout 2024-28, and fiscal buffers will erode quickly



SYNOPSIS

- The stock capital market increased as investors shifted their portfolios towards fixed-income securities
- Oil production has continually declined despite the fight against crude oil theft and pipeline vandalism
- The decline in PMI signifies that business activities within the economy are on the decline
- This suggests weakening demand, reduced business confidence, and potential issues in the supply chain
- We expect debt to accumulate throughout 2024-28, and fiscal buffers will erode quickly

MAJOR FOCUS

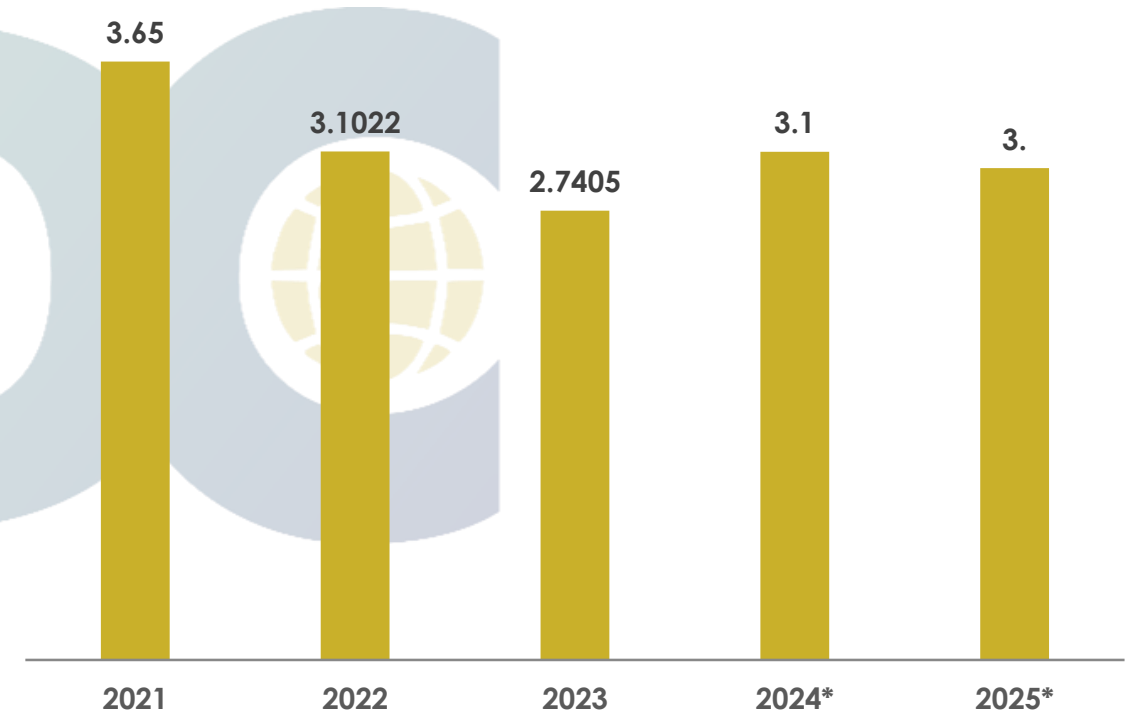
- GDP growth
- Inflation
- Exchange rate



GDP OUTLOOK - 3.1% FY'2024

- GDP data for Q2'2024 will be released this month
- PMI entered contractionary territory in July (49.2)
 - Companies reporting losses
- Low economic activities could change the growth trajectory
- Real GDP needs to grow at least 4% in the next 3 quarters to meet target
- Expected to improve to 3.1% in 2024
- This growth level can only be achieved when there is:
 - Pro-growth strategy
 - Increased productivity
 - Privatization and pro-market investment reforms

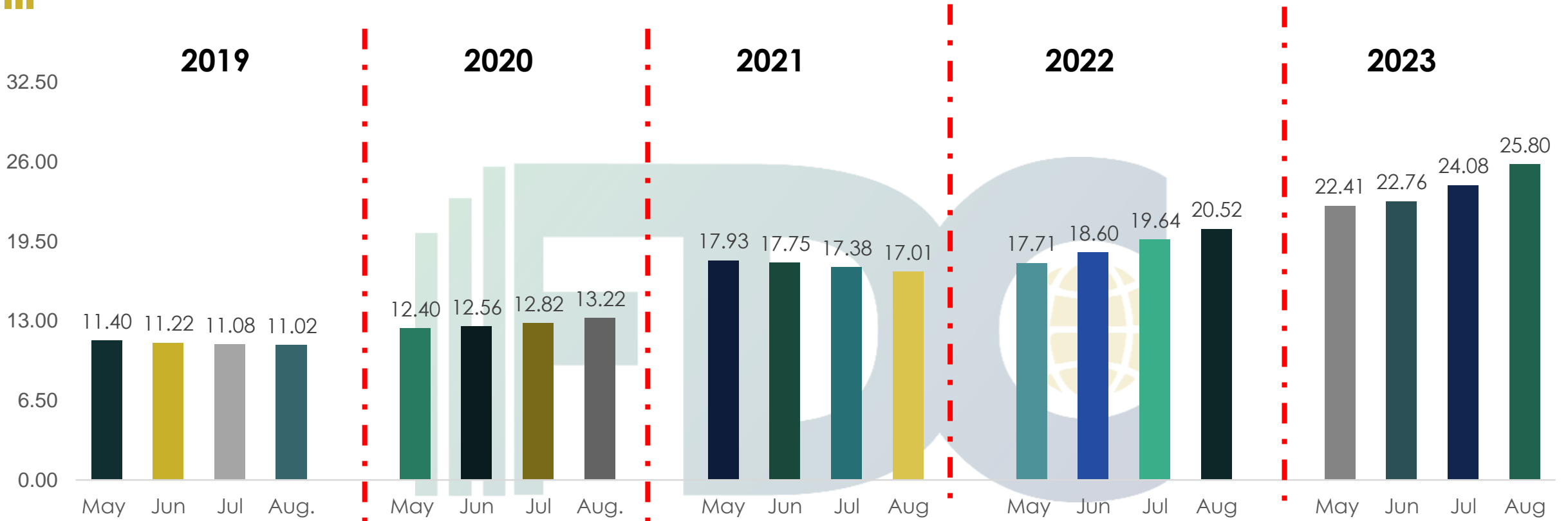
Annual Output Growth (%)



Source: EIU, FDC Think Tank



INFLATION TREND JULY/AUGUST (2020-2023)

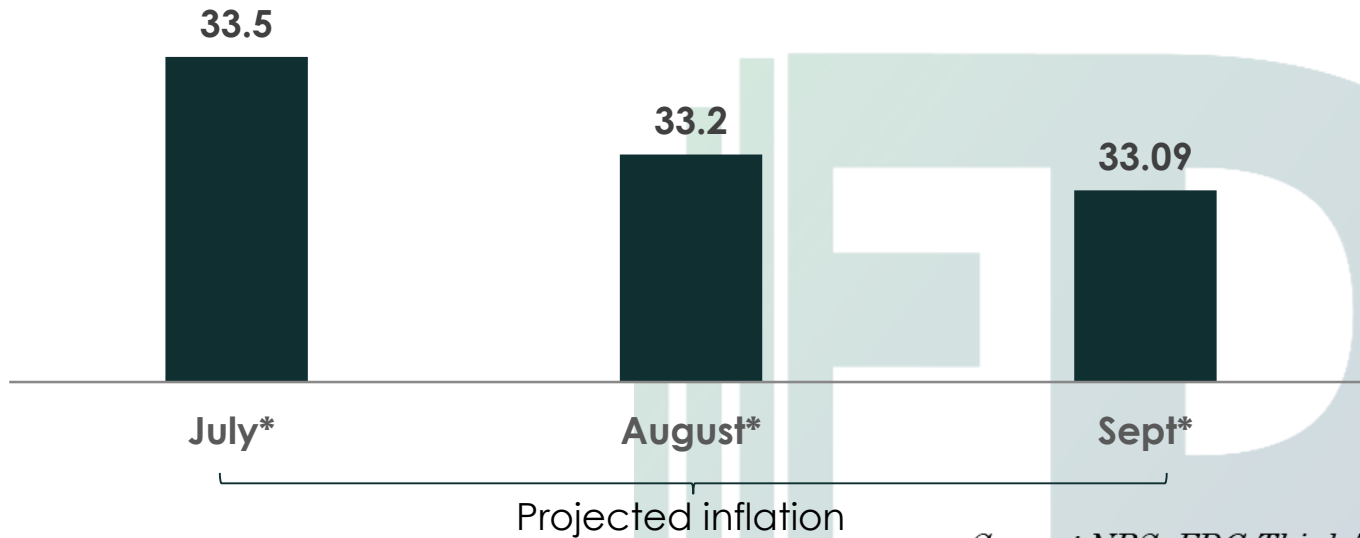


- Following the trend analysis, inflation is expected to start moderating in July/August
- In 2023 after the subsidy reduction and exchange rate devaluation, inflation increased to 24.08% in July
- Is 2024 going to follow the same trend?



INFLATION OUTLOOK

Inflation 2024 (%)



Source: NBS, FDC Think Tank

- Inflation above 12% is growth retarding – CBN
- So, whether inflation will taper depends on these drivers listed below

- Drivers of inflation in the next three months remain

1
Exchange Rate
Depreciation
(N1,568/\$)

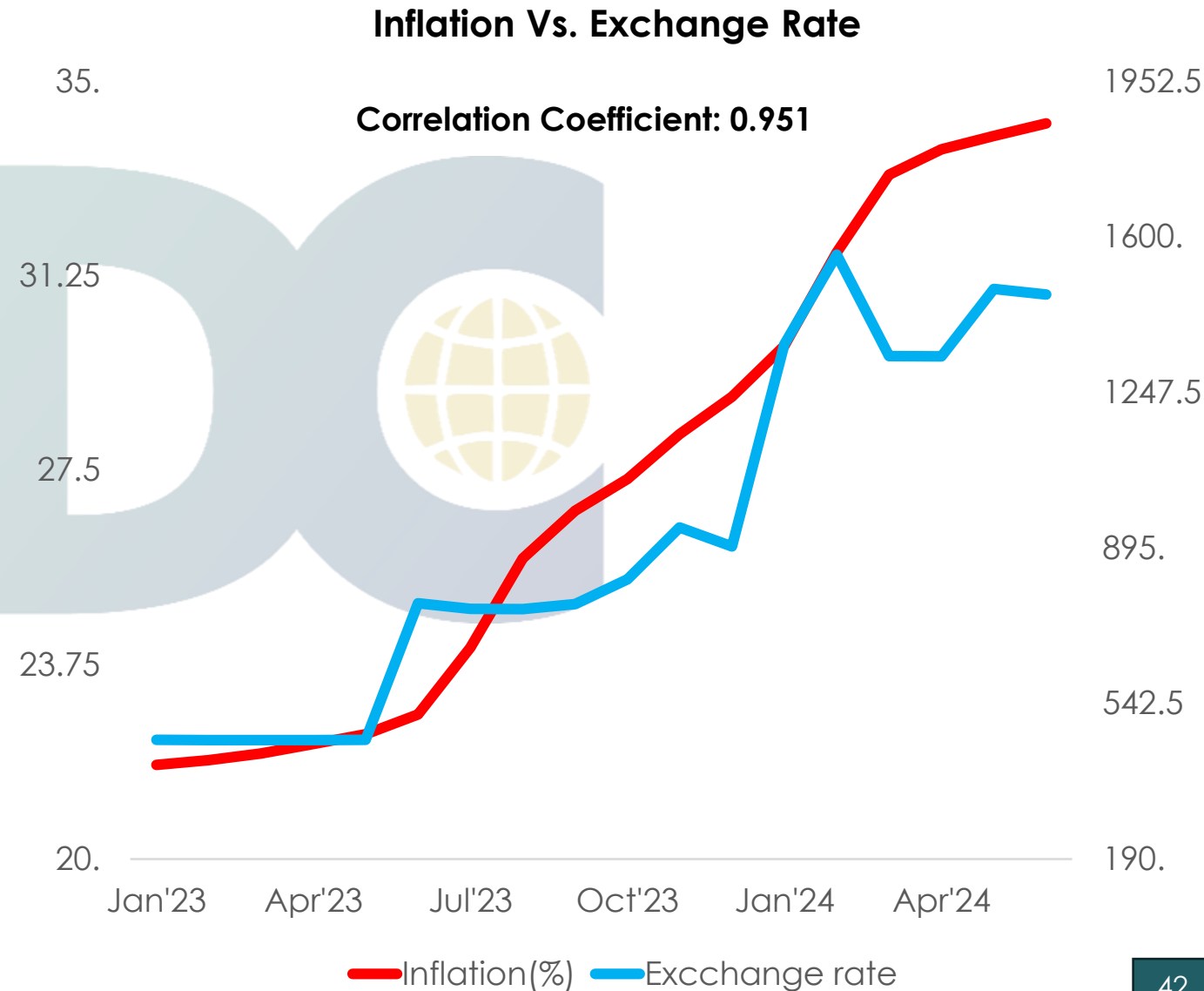
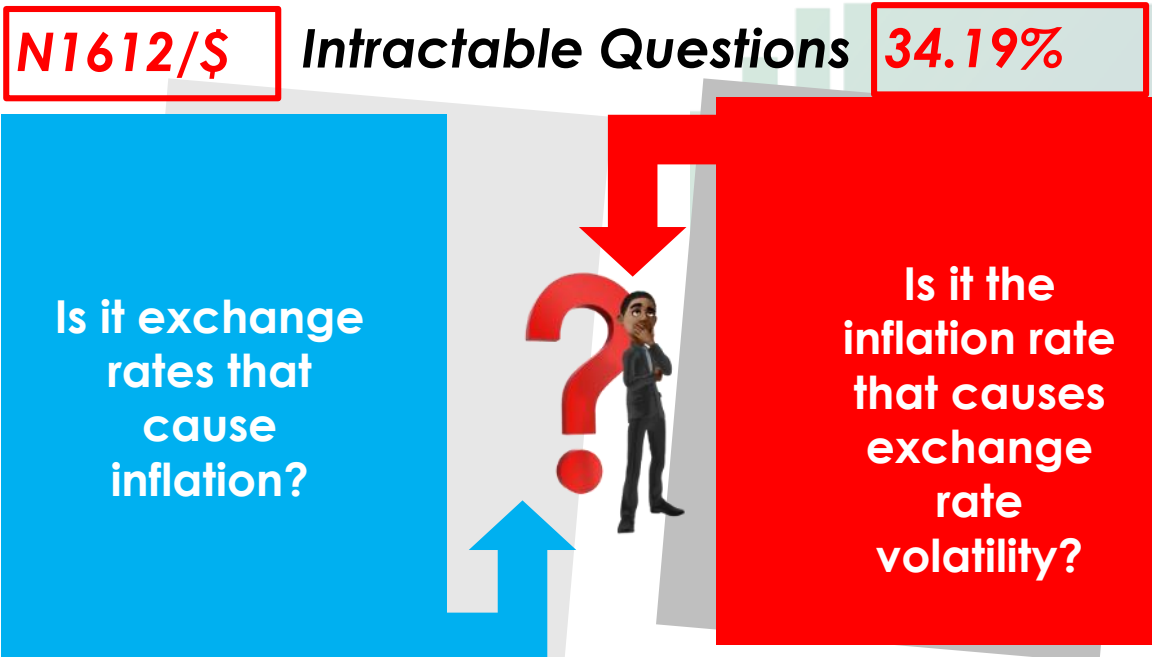
2
Money Supply
Growth (56% y-o-y)

3
Supply
Chain
Disruption

4
PMS Price
(N750/litre)

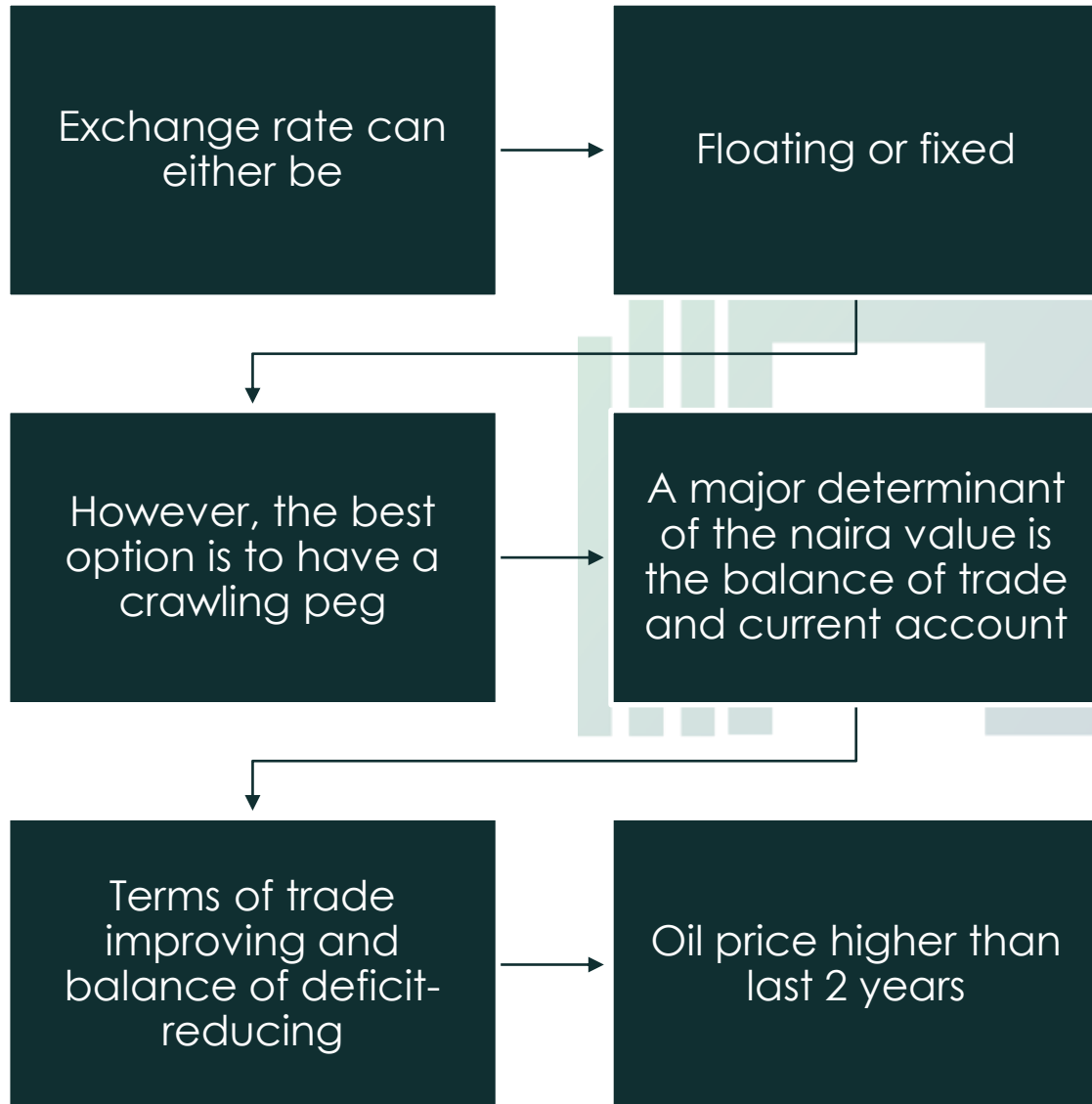
5
New minimum
wage with
productivity gains

SPIRALLING INFLATION VS EXCHANGE RATE CRISIS



- The causality can run in both directions
- Exchange rate interacts with other stocking factors that collectively influence inflation

EXCHANGE RATE MECHANISM



Major Determinants of Exchange Rate

	2023	2024*	2025*
Avg. Oil price (\$'pb)	82.49	86	88
Oil production (mbpd)	1.23	1.36	1.47
Trade balance (\$'bn)	8.1	8.9	8.3
Terms of trade (1990=100)	27.6	27.5	26.3
Current account (\$'bn)	6.0	4.4	4.5
External Reserves (\$'bn)	37.76	40.2	40.6
Remittances (\$'bn)	19.8	19.52	19.55

Source: EIU & EIA, FDC Think Tank

EXCHANGE RATE OUTLOOK



Speculative activities, importation, seasonal demand coupled with low forex liquidity



Remain sources of forex demand pressure

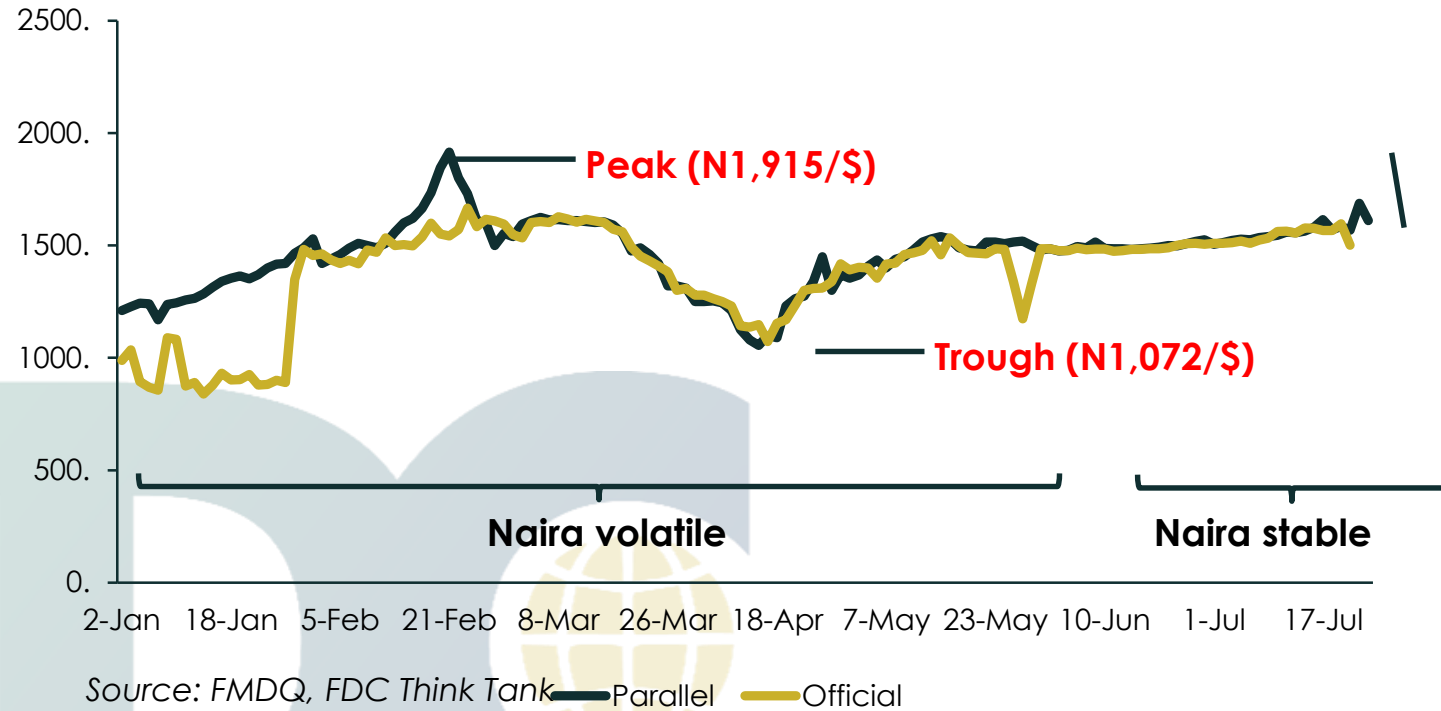


Would mount pressure on external reserves (could fall to \$32-\$34bn)

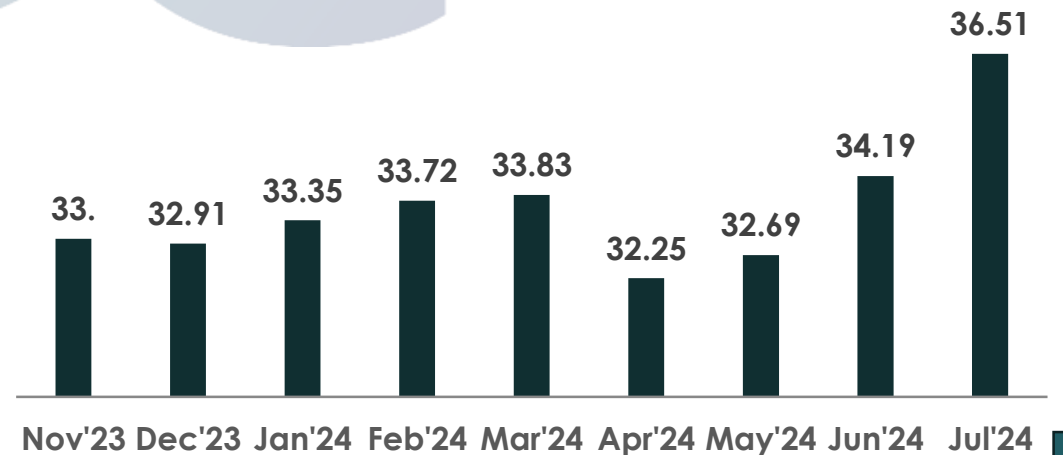


The exchange rate has had little impact on price inflation since May 2024

Exchange rate volatility



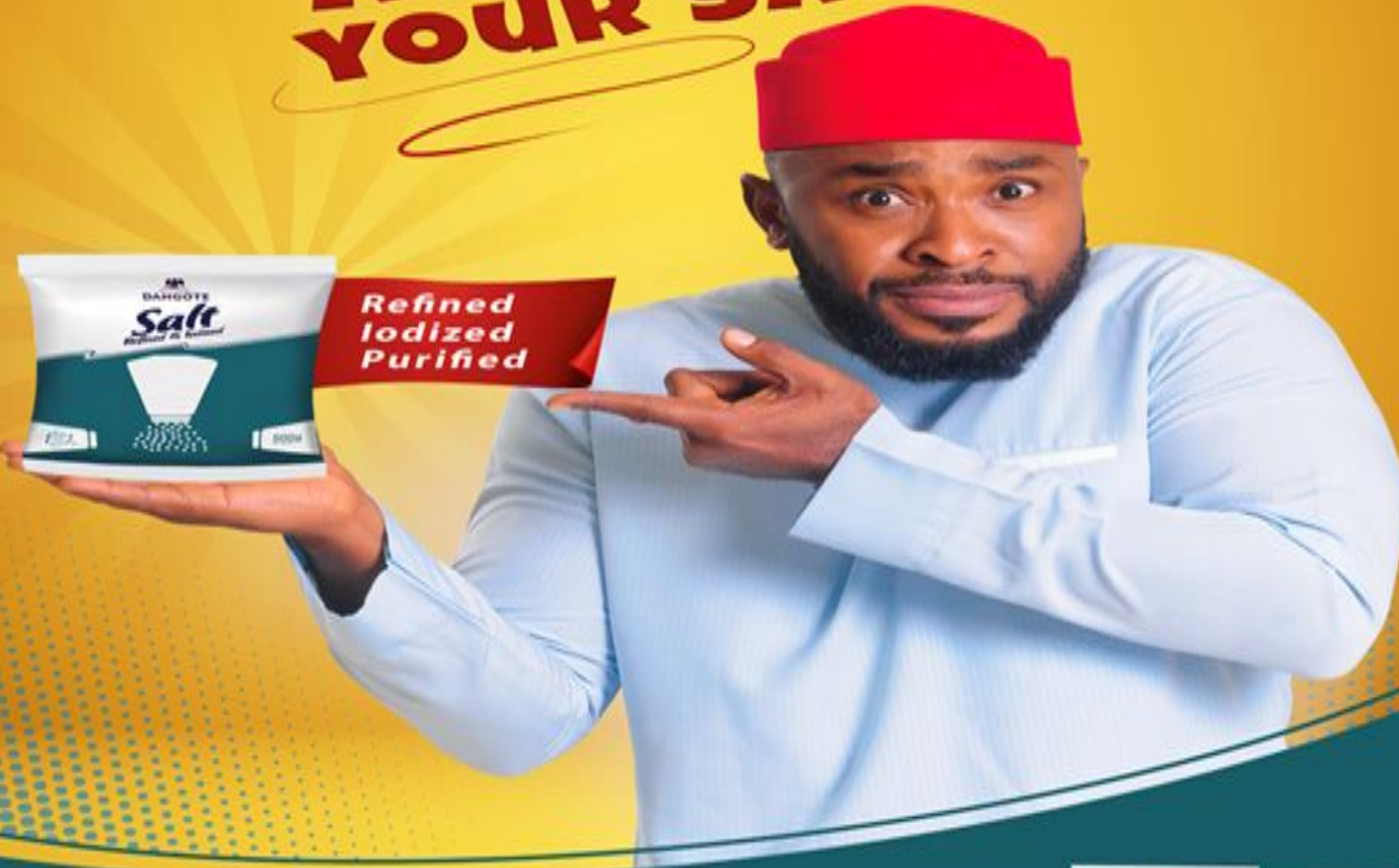
External Reserves (\$ US)



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CBN'S RETAIL DUTCH AUCTION FX SALES TO BANKS

The CBN in its retail Dutch auction on Aug. 6 sold \$876.26mn to 26 qualified banks

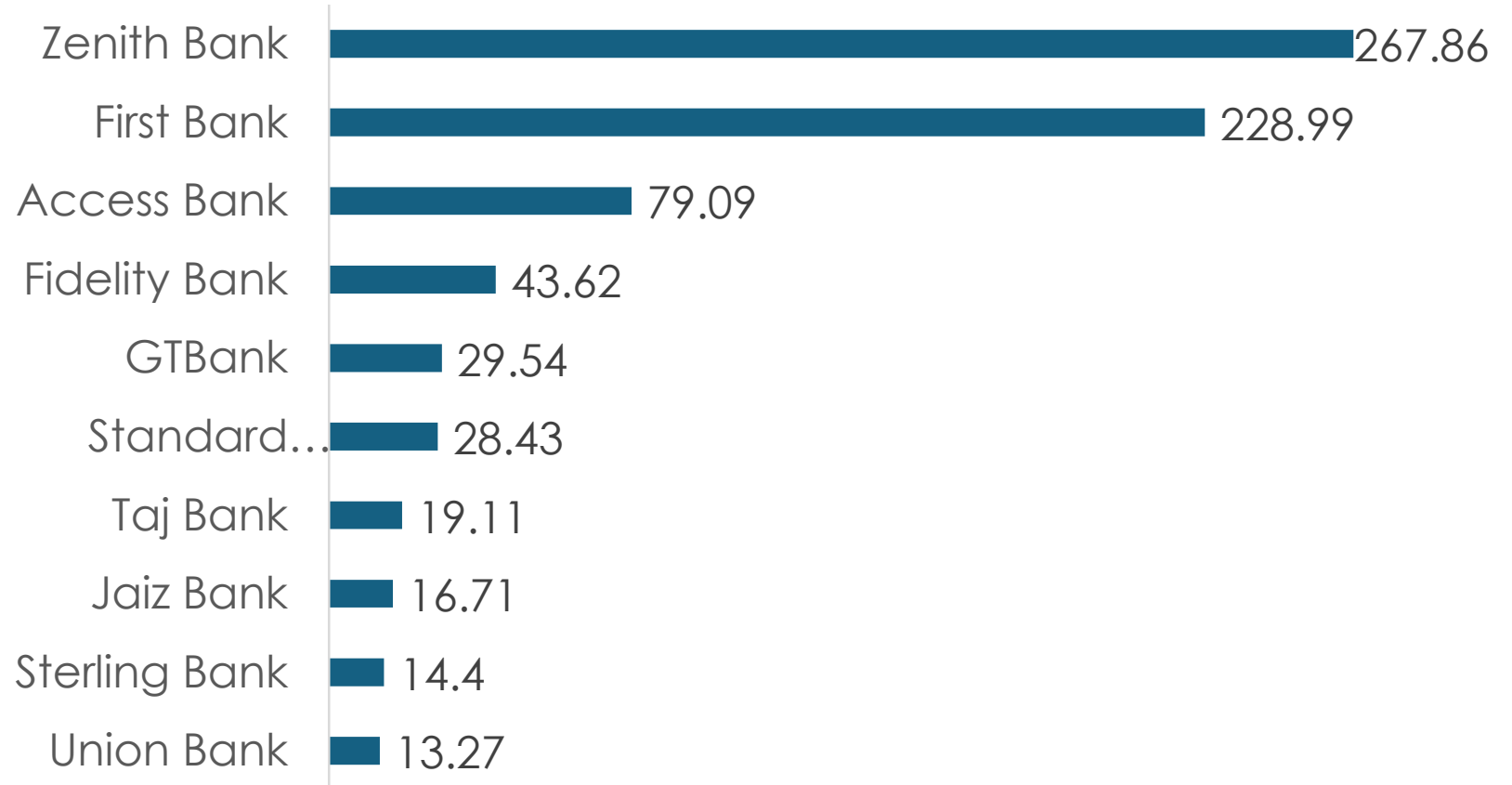
The top three banks accounted for 65.7% of total FX sales.

Zenith Bank: \$267.86mn

First Bank:\$228.99mn

Access Bank:\$79.09mn

FX sales (\$'mn)

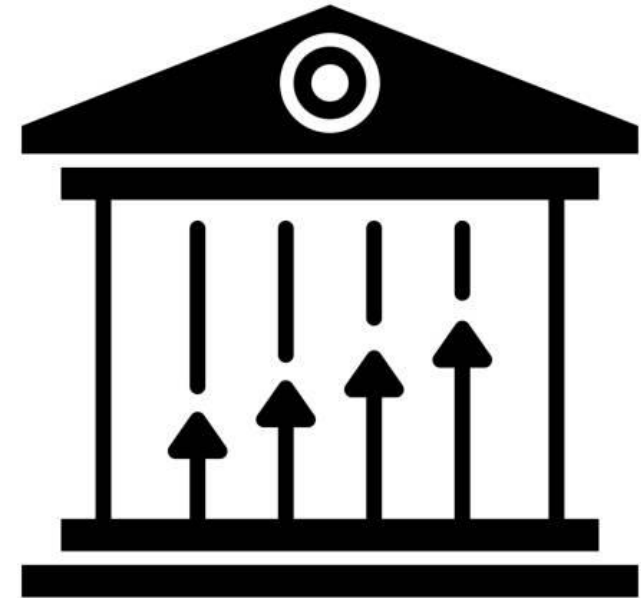




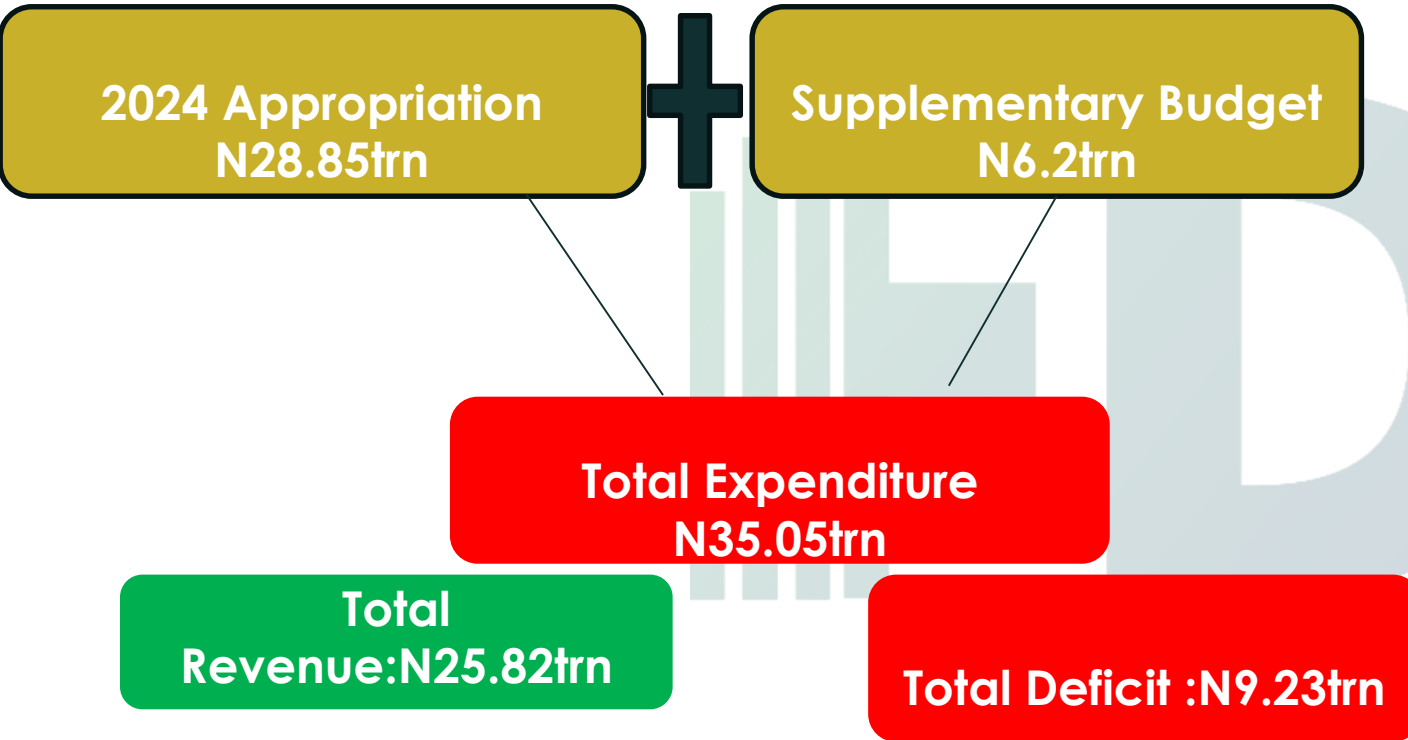
POLICY PRESCRIPTION

FISCAL POLICY

TAX
BUDGET
SUBSIDY
DUTY WAIVER



SUPPLEMENTARY BUDGET 2024



- The supplementary budget will be funded through Foreign Exchange Gain
- New minimum wage consequential cost
- N2bn fiscal stimulus
- Critical infrastructure (eg, Lagos-Calabar Coastal Highway)
- Budget as % of GDP remains low at 15%



SUPPLEMENTARY BUDGET – IMPLICATIONS

Nigeria's debt sustainability will depend on its ability to manage and service its debt



Increased domestic borrowing can drive up interest rates



Contribute to inflationary pressures if the government resorts to monetary financing (printing money)



Naira depreciation will erode the actual value of the foreign exchange gains



Increased government spending and potential monetary financing will lead to higher inflation

IMPACT OF IMPORT WAIVER ON FOOD

Intended consequences

Unintended consequences

The likely outcome after the duty waiver - Sept.



Rice

1 Bag



July 2024: N82,000
Sept. 2024: N70,000

DOWN BY 2.44%



Maize

1 Bag



July 2024: N105,000
Sept. 2024: N95,000

DOWN BY 9.52%



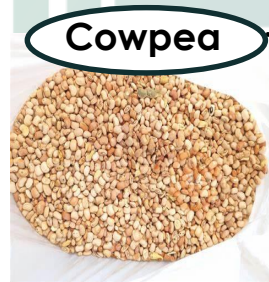
Flour

50kg



July 2024: N59,000
Sept. 2024: N50,000

DOWN BY 2.31%



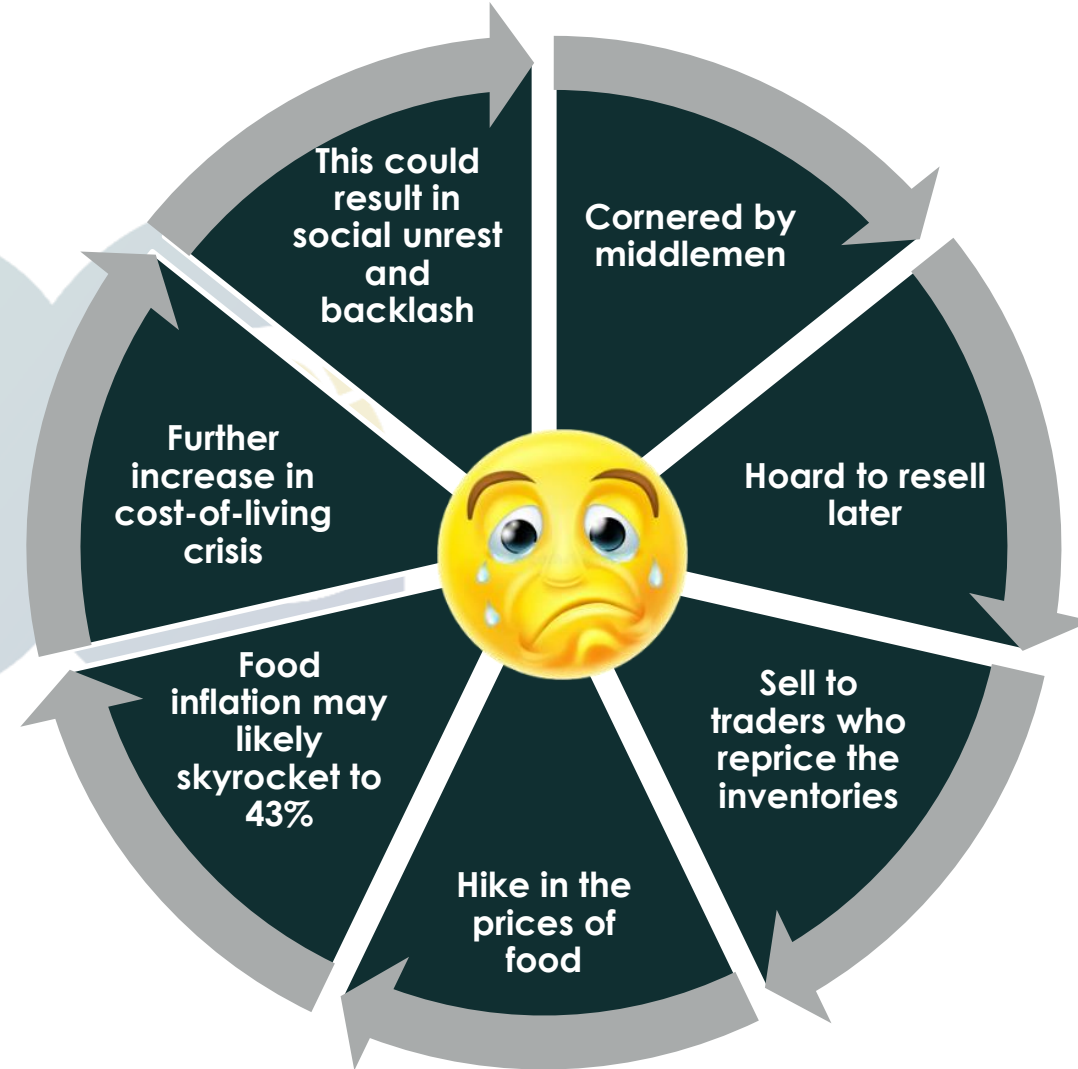
Cowpea

1 Bag



July 2024: N150,000
Sept. 2024: N110,000

DOWN BY 36.67%



- The prices of food are expected to decline
- Hence, food inflation will taper to 38% before the end of the 150 days
- A decline in food inflation will result to decline in headline inflation

FUEL SUBSIDY REDUCTION IN NIGERIA

Before

- The government spent N400 billion (about \$500 million) on petroleum subsidy monthly
- Increased government expenditure & depletion of revenue
- Inflation was kept in check due to lower transportation costs.
- Smuggled to neighbouring countries led to economic loss.

After

- Freed up government resources, which could lead to sustainable fiscal policy
- Significant increase in fuel prices
- Immediate increase in inflation due to increased transportation costs.
- Increased pressure on households due to higher cost of living
- Public outcry and protest

NEW MINIMUM WAGE – NO DISRUPTION EFFECT

Minimum wage per day

$$\frac{N70,000}{20\text{days}} = N3,500/\text{day}$$

N30k to N70k

133.3% ↑

N70k a fair living wage?

What can N437.5 buy?

Can N437.5 buy a loaf of bread?

What!!



Minimum wage per hour

$$\frac{N70,000}{160\text{hrs}} = N437.5/\text{hr}$$

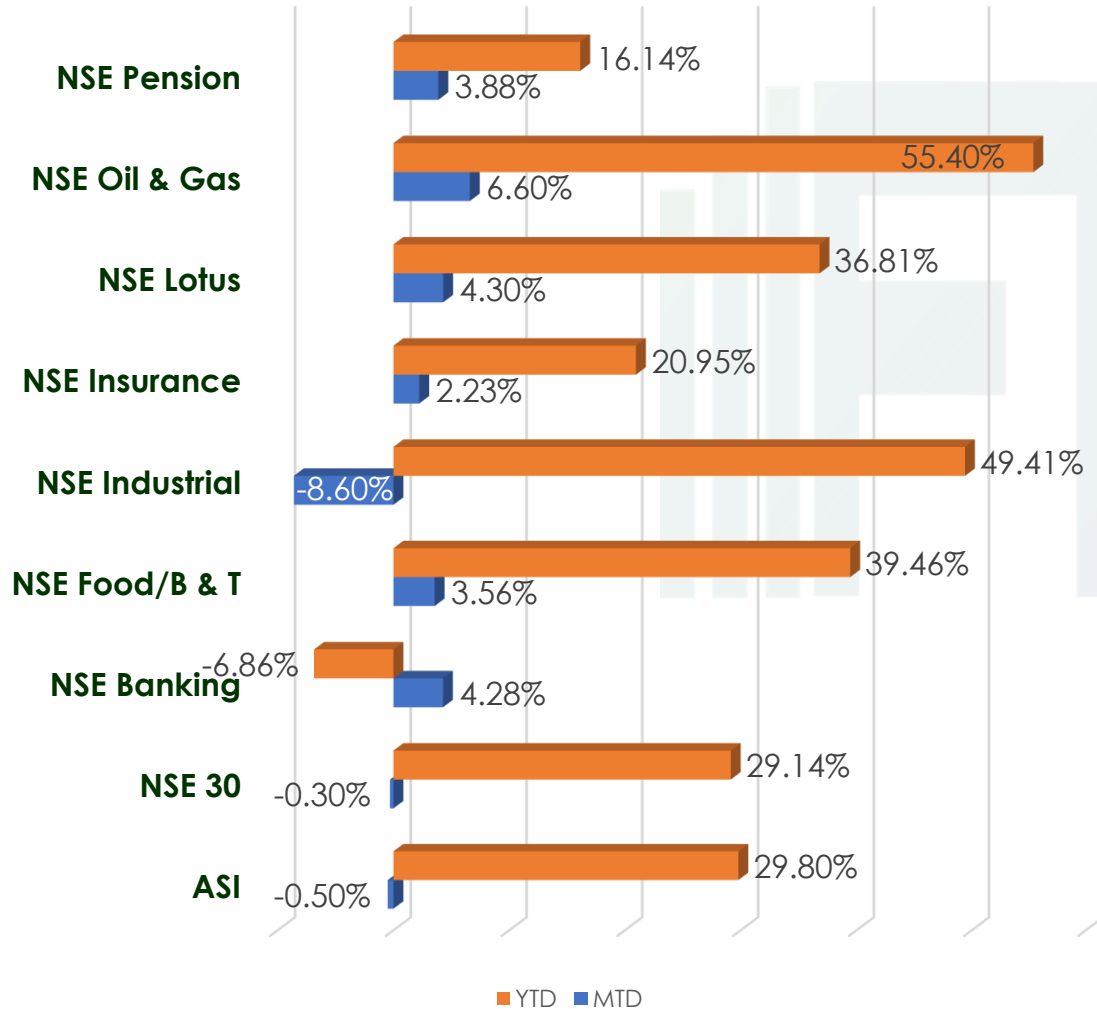
If the new minimum wage does not keep pace with inflation, the real purchasing power of workers may not improve significantly



STOCK MARKET

NGX PERFORMANCE – JAN'24 TO AUG'24

MTD Vs. YTD



- The Nigerian equities market lost 0.05% in August 2024
- YTD gains declined to 29.8% in August from 30.76% in July
- NGX Industrial lost on MTD, while Banking lost on YTD
- With Oil & Gas (Industrial) recording the highest (lowest) returns in August
- Negative performance of Dangote Cement affected the Industrial sector and the entire market
- Underwhelming corporate earnings further dampened investor sentiment and share price movement
- High oil prices positively impacted the oil and gas sector



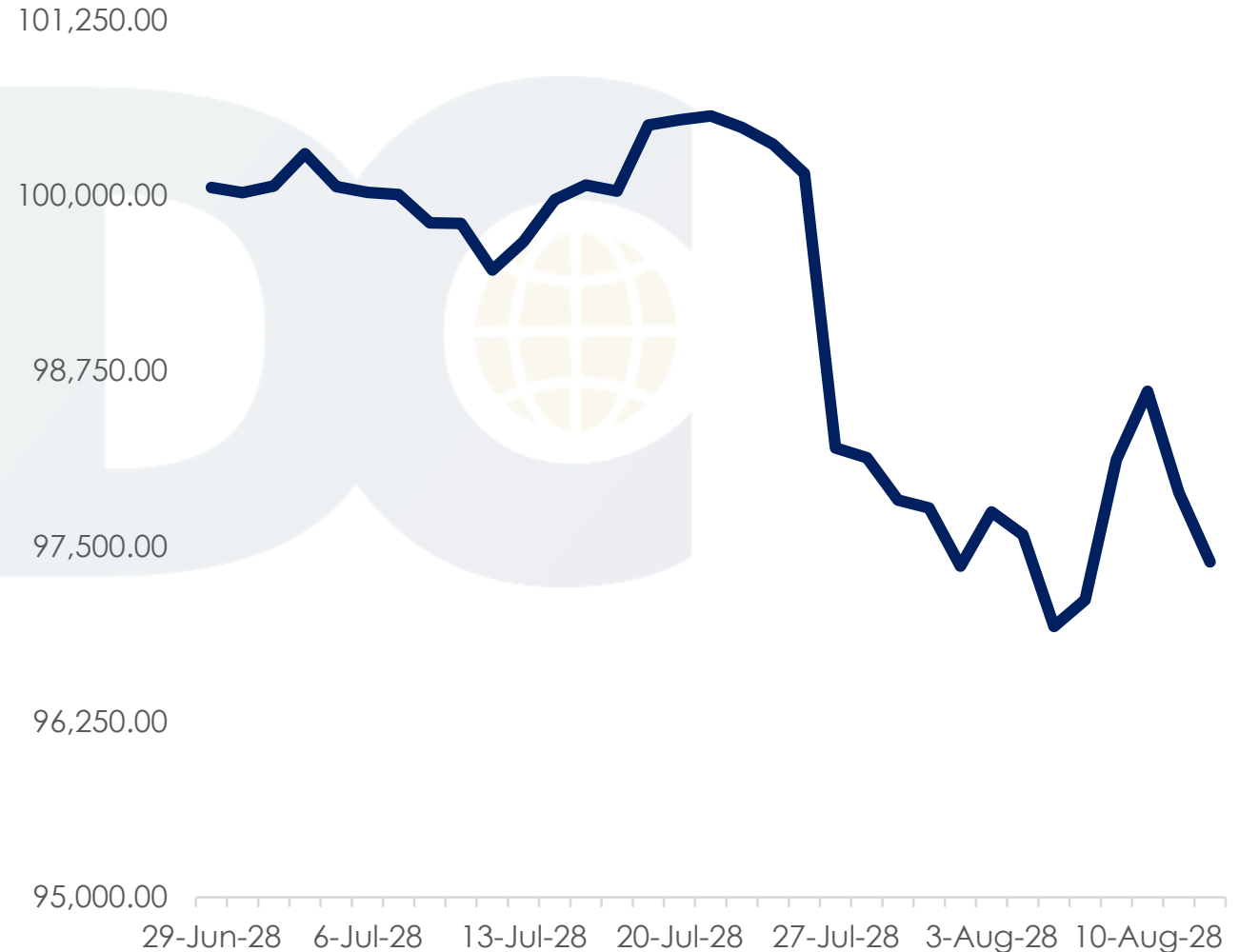
NGX MARKET REMAINS BEARISH IN Q3'24

The NGX Index Plunges to 97,000 basis points

- Stock market plunge continues in August

Due to

- Interest rate hike - shift to fixed-income instruments
- Exchange rate instability
- Investors' sentiments





NIGERIAN STOCK MARKET OUTLOOK-AUGUST 2024

- More corporate performance will be impacted by declining consumer purchasing power, rising cost of production, huge FX losses, and high borrowing costs
- These factors are expected to result in disappointing corporate earnings, which will likely dampen investor sentiment and drive down share prices
- Nigerian companies' inability to pay interim dividends due to lackluster earnings will prompt continuous exodus of investors from the NGX
- Attractive fixed-income yields remain a major threat to Nigerian stocks
- Strict regulations in the banking sector may also continue to exert pressure on banking stocks in the near term

THE HIGH COST OF LIVING'S RIPPLE EFFECT ON NIGERIAN COMPANIES

1

High operating costs

2

Reduced investment
and innovation
impacting business
expansion

3

Decline in consumer
spending due to low
disposable income

4

Lower demand fueled
by higher prices

- High cost of living in Nigeria has a complex impact on Nigerian companies
- Affecting cost structures, top and bottom-line growth, investment plans, workforce management as well as operating margins

*770#

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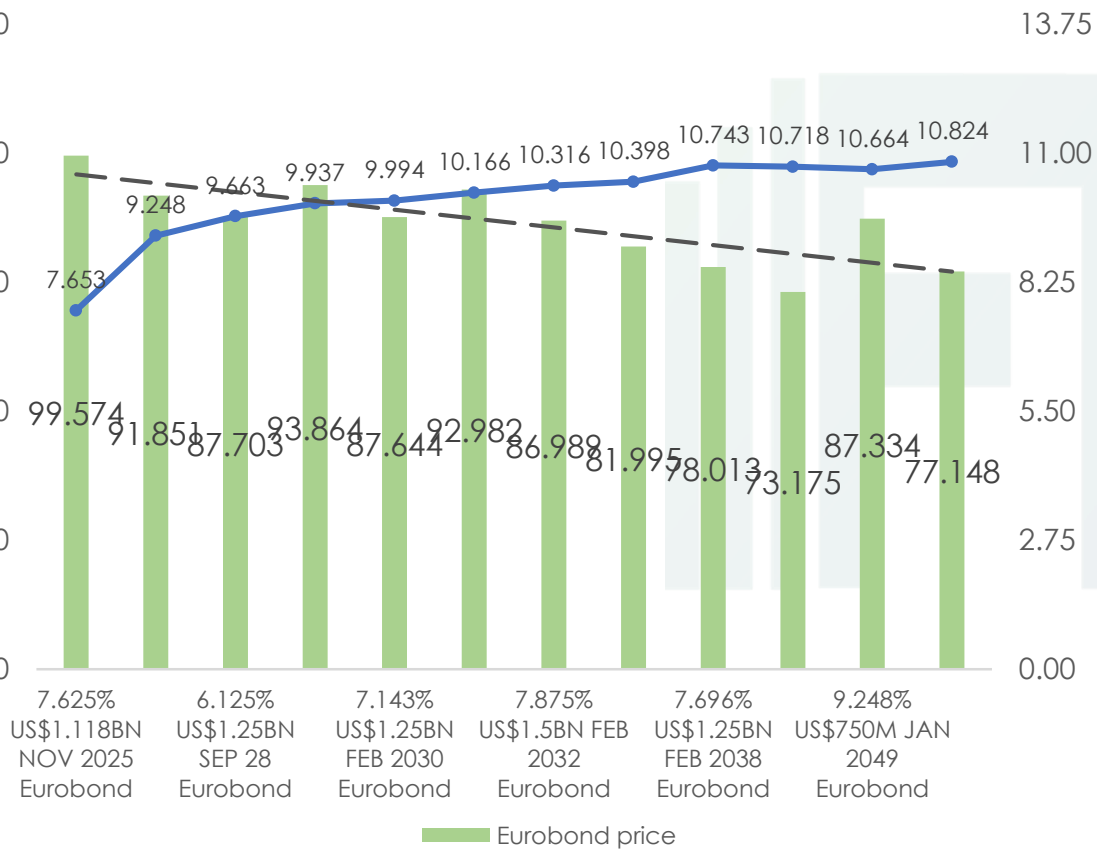


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EUROBOND TRADING – PRICE VS YIELDS

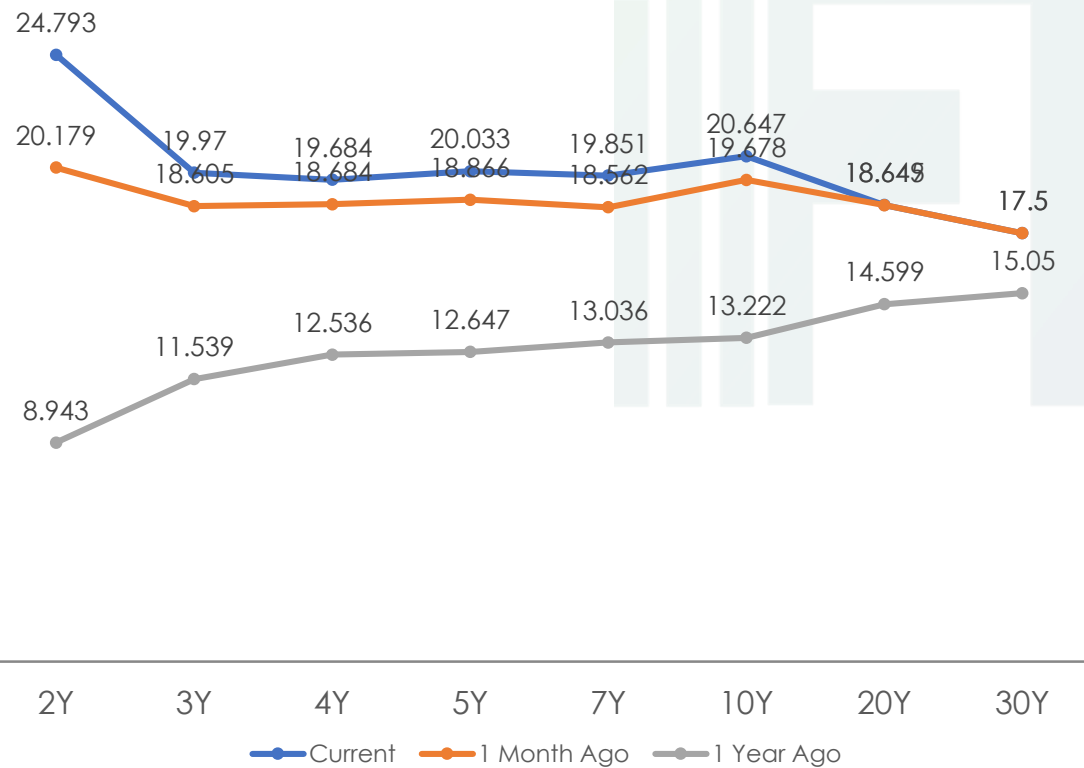
Eurobond Trading (25/7/2024)



- There is an inverse relationship between bond prices and yields
 - as bond prices decrease, yields increase
- Higher yields reflect higher perceived risk
- Higher yields imply higher borrowing costs for the government and corporations
- The government might face higher costs to refinance or issue new debt
- Businesses face higher borrowing costs by seeking financing through bond markets
- High yields can signal economic instability, potentially leading to cautious investor sentiment in equity markets

NIGERIAN GOVERNMENT BONDS YIELD CURVE

Nigeria – Government Bonds – The yield curve



- There is a decline in yields across almost all maturities
- suggests a loosening monetary policy
- a shift towards lower interest rates
- lowers borrowing costs for businesses, including manufacturing firms

YIELD CURVE – IMPLICATIONS

Investment and Capital Flows

- Bonds may become less attractive due to lower yields in the short to medium term
- Leading to capital outflows
- Triggers forex shortage and exchange rate depreciation

Long-term Planning

The decline in yields could reflect lower inflation expectations

Can stabilize input costs and preserve margins for firms

If deflationary pressures arise, it could hurt pricing power and profitability

Inflation Expectations

- The decline in yields could reflect lower inflation expectations
- For manufacturing firms, this can be positive as it stabilizes input costs and preserves margins
- If deflationary pressures arise, it could hurt pricing power and profitability

Economic Outlook

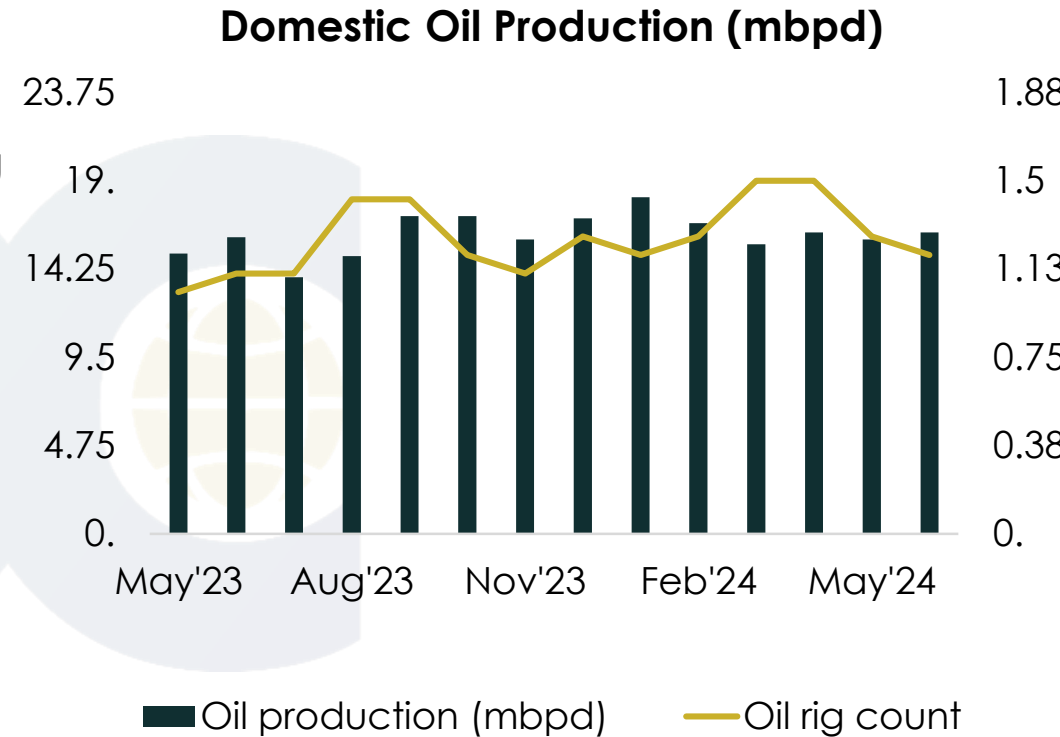
- A falling yield curve indicates expectations of slower economic growth or a recession
- Leading to lower demand for goods and services
- However, lower borrowing costs could boost investment



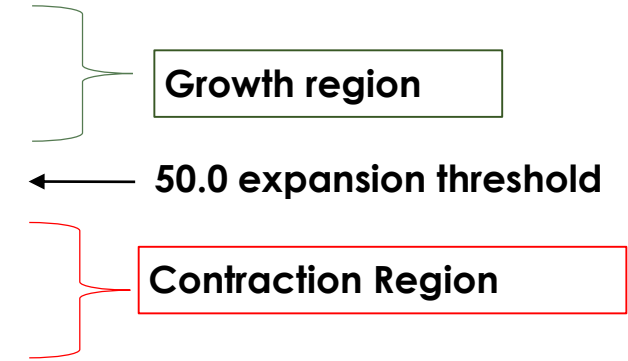
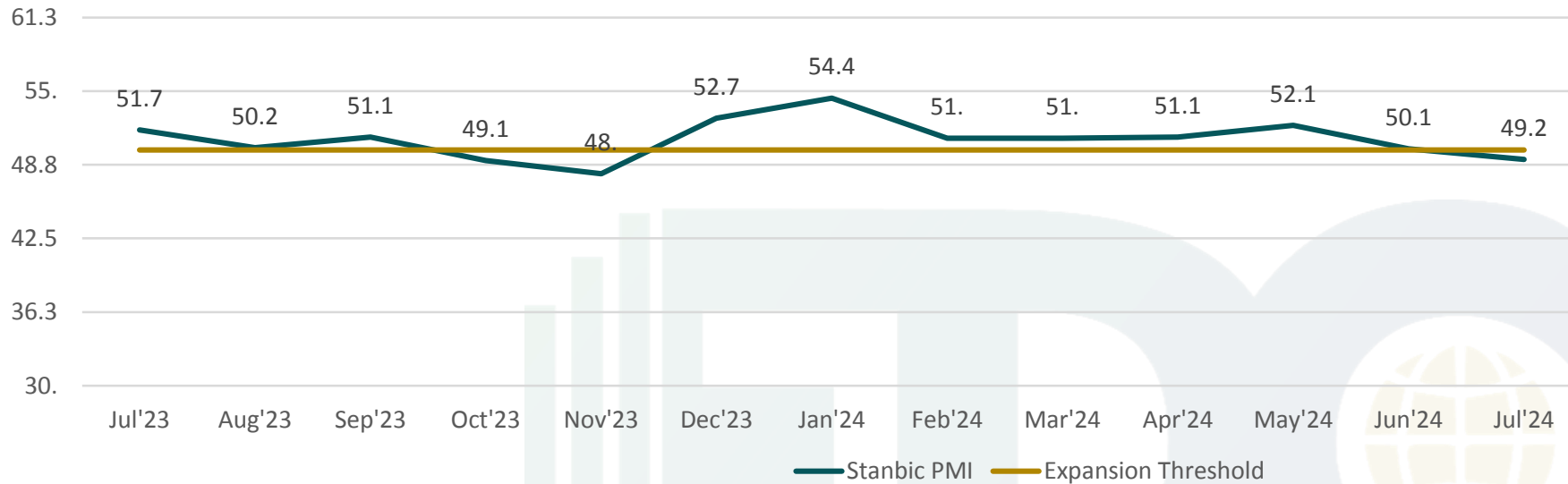
MARKET PROXIES

OIL PRODUCTION

- In June, domestic oil production increased by 2.4% to 1.28mbpd, up from 1.25mbpd in May.
- The gain is attributed to the Forcados oil terminal's production, rising to 7.10 million barrels
 - A 2.60% month-on-month increase from 6.92 million barrels in May
- However, oil rigs declined to 15 in June from 16 in May.
- For H1 '24, Nigeria has consistently failed to meet the OPEC quota of 1.5mbpd and budget target of 1.78mbpd.
- We expect oil production to increase further due to expansion projects and enhanced security measures



PMI SLUMPS FURTHER IN JULY

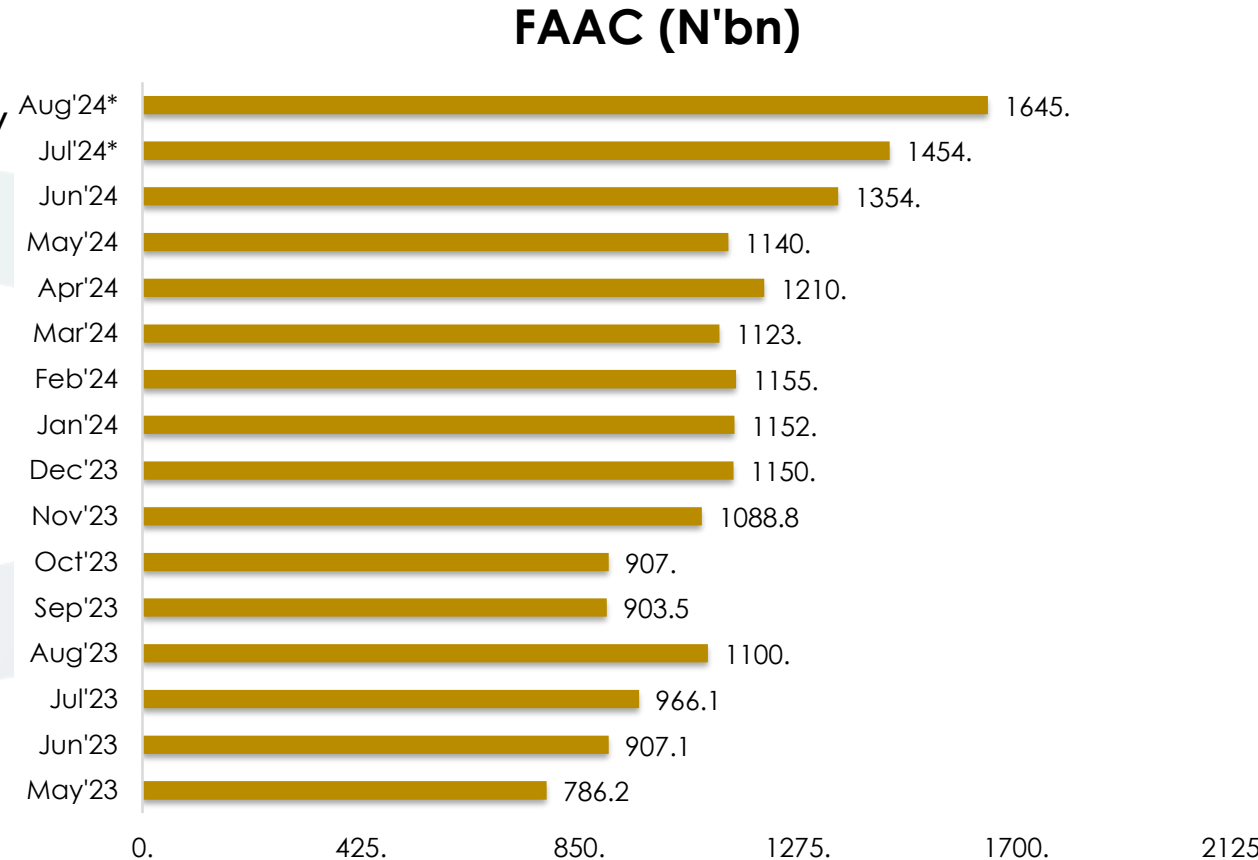


- PMI fell to an eight-month low of 49.2 points,
 - 1.80% down from 50.1 points in June and 1.6% below the 50-points expansion threshold
- Indicating a contraction in the private sector and a deterioration in businesses' operating conditions
- The decline is partly due to rising price pressures, which has shrunk consumer demand
- The PMI is expected to return to the growth region as inflation is likely to moderate in H2'24
 - Driven by currency stabilisation and harvest season
- A recovery in private sector activities will support growth in H2'24



FAAC ALLOCATION

- FAAC disbursement increased in June by 18.42% to N1.35 trillion from N1.14 trillion recorded in May
- A significant increase was recorded for companies' income tax (CIT) and value-added tax (VAT)
- Import and excise duties and the electronic money transfer levy (EMTL) increased marginally
- FAAC allocation could rise further in the near term due to rising oil production & the gradual recovery of oil prices.



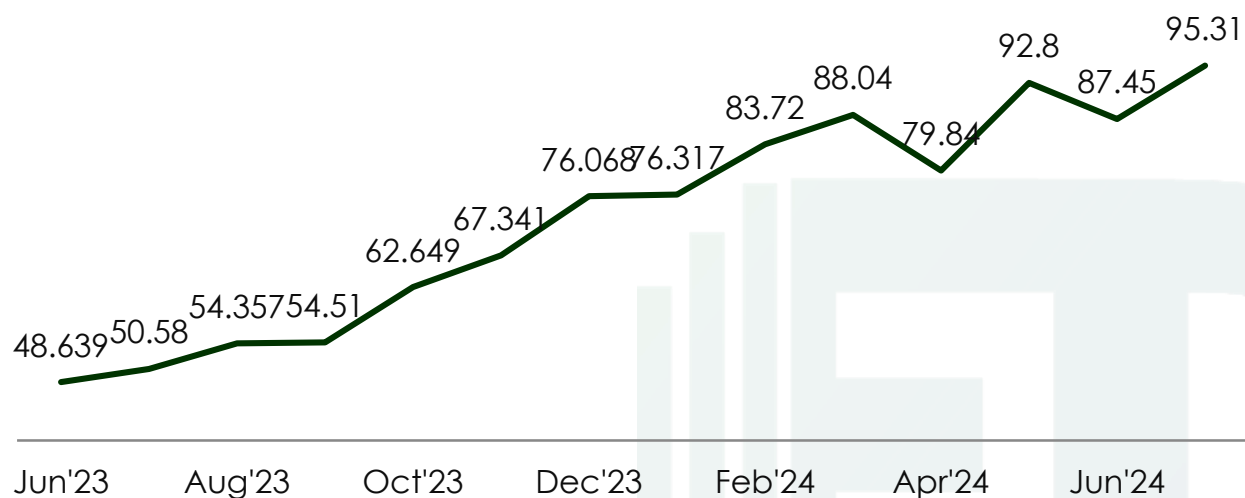
SHIP AWAITING BERTH

Ports	May'24	June'24	July'24
Lagos-Apapa	5	2	5
Lagos-Tincan	2	3	5
Calabar Port	1	1	1
Warri Port	11	4	3
Onne Port	1	1	1
Rivers Port	0	0	0
Lekki Deep Sea Port	6	6	6
Total	26	17	21

- Ships awaiting berth up to 21 in July
- 23.53% higher than 17 recorded in the previous month
- Logistical challenges including the inability to unload multiple vessels simultaneously, contributed to this increase
- The increase was further supported by the arrival of 16 ships carrying petroleum products to alleviate fuel scarcity
- Ships awaiting berth is likely to rise further as port activities improve

VALUE OF TRANSACTIONS SKYROCKETED IN JULY

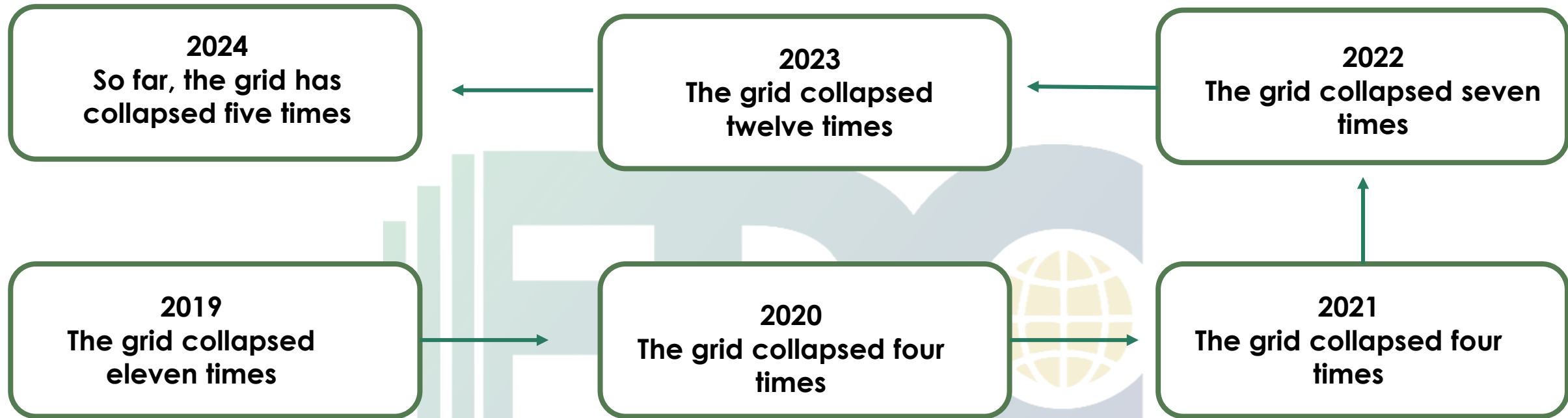
Value of Transactions (N'trn)



Mode of payment	Jun'24 (N'bn)	Jul'24 (N'bn)	Change (%)
NIP	79,586.73	89,502.72	12.46 ↑
POS	930.76	1,005.42	8.02 ↑
NEFT	6,710.74	4,509.08	-32.81 ↓
CHEQUES	226.30	293.76	29.81 ↑
Total	87,454.53	95,310.98	17.48 ↑

- The total value of transactions increased by 17.48% to N95.31trn in July from N87.45trn in the previous month
- The surge in Nigeria's foreign transactions, reaching N540.48bn in H1 '24, contributed to the increase
- It skyrocketed by 272.54% from N145.08bn compared with H1 '23

GRID COLLAPSE



- According to the Transmission Company of Nigeria, 105 cases of grid collapse were recorded from 2015 to date
- The International Energy Agency reported that the power grid collapsed 46 times between 2017 and 2023
- Power generation dropped to 50MW from nearly 4,000MW
- Nigeria's grid continued to face significant challenges partly due to obsolete equipment and constraints in gas supply
- Hindering its overall performance and reliability



AVIATION AND TOURISM

NAIRA STABILITY TO AID LOWER FLIGHT TICKET PRICE

- The CBN's retail Dutch auction on August 06 led to forex sales of \$876.26mn.
- This has increased forex supply and boosted forex market transparency, which is favourable for naira's stability.
- The naira at the parallel market has appreciated by 1.13% to N1,597/\$ on August 13 from N1,615/\$ on August 08.
- IATA rate has also dropped by 1.19% to N1,601/\$ from N1,620/\$
- As a result, airline ticket prices are expected to decline.
- However increased forex demand due to summer holiday travels and fees payment as school resumes could constrain expected price fall.





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NIGERIA CONSIDERS RETALIATION AGAINST UK AIRLINES

- Nigerian Aviation Minister Festus Keyamo threatens to ban British Airways and Virgin Atlantic from Lagos and Abuja airports.
- This is due to Air Peace being repeatedly denied a slot at London Heathrow
- Air Peace, currently flying from Gatwick, has sought a Heathrow slot since March 2024, with no success for the November 2024 IATA Winter Season.
- If unresolved, Nigeria may restrict British airlines' access to its major airports next Winter Season.



GLOBAL AIRLINES WEATHER THE STORM

2024
Forecast

\$996bn

Revenue

21006

Unique City Pairs

11.4%

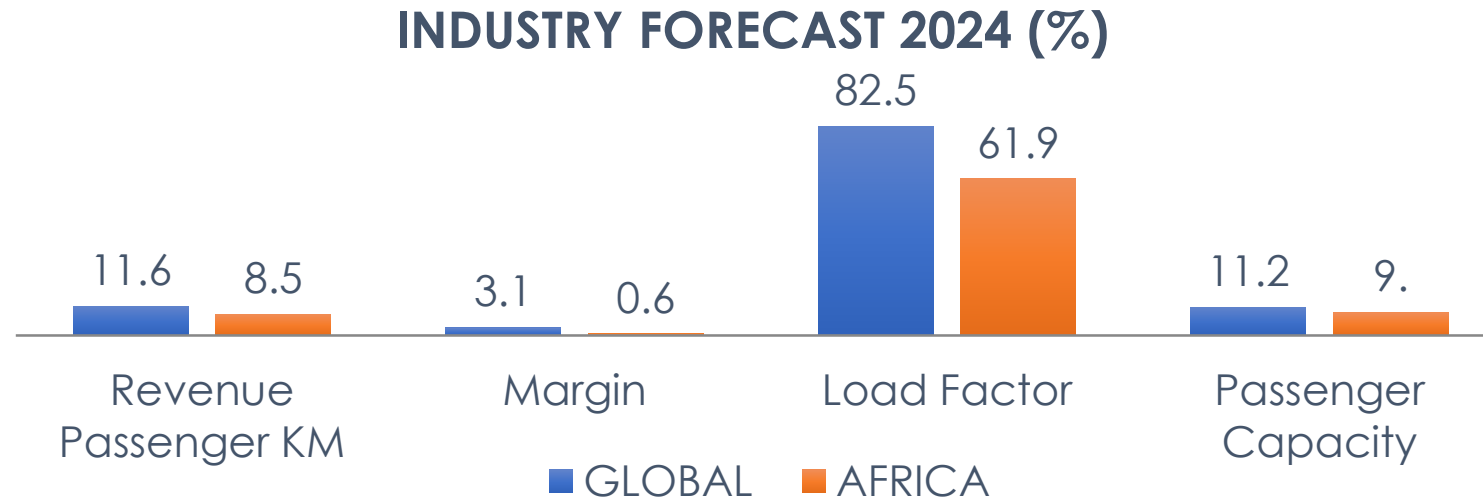
Revenue Passenger KM

\$30.5bn

Net profits

- Global airline revenues are forecasted to grow by 9.7% to \$996bn in 2024
- Owed to pent-up demand, stable economic growth, and easing inflation
- Unique city pairs are also currently at an all-time high of 21006
- However, the solid performance overshadows constraints
- Labor costs are expected to reach \$214bn, driven by a shortfall in pilots and mechanics
- Hundreds of Airbus jets are to be grounded this summer, driven by engine repair bottlenecks
- Jet fuel prices are also expected to remain elevated in 2024, between \$111pb – \$116pb, up from \$112.5pb in 2023

AFRICAN SKIES: SLOW BUT STEADY GROWTH



- Africa is poised to experience 2nd consecutive year of post COVID profits, at \$100m
- AFRAA projects a 15% rise in passenger traffic for 2024, June saw 16.9% increase with the load factor up 7% to 77%
- AFCAC has undertaken validations of the regulations to harmonize regulation and improve the Single African Air transport market (SAAM)
- IATA reports that a major obstacle to SAAM is non-compliance by government's bi-lateral air service agreements

THE GLOBAL TOURIST EPIDEMIC

- Several tourist destinations are now implementing policies to deter over tourism
- Amsterdam, Milan, and Paris have the largest number of tourists per resident as of 2023



- The policies include reducing the supply of hotel accommodation, banning cruise ships and raising hotel taxes.
- The large number of tourists boost tourism revenue as Amsterdam & Paris have the highest spending per resident at \$11,200 per local and \$9,200 per local respectively
- However, residents would prefer a small number of high-spending visitors such as in Dubai with 4.8 arrivals per resident and \$8,200 spending per resident



OUTLOOK

- Nigeria's Tourism and Travel sector revenues are forecasted to reach \$3.31bn by 2024 and \$5.64bn by 2029, a growth of 11.23% annually.
- By 2029, online platforms are expected to facilitate 70% of the total revenue in Nigeria's Travel & Tourism market.
- Religious pilgrimages and aviation sector development are expected to bolster tourism prospects in the country.
- The projected increase in domestic and international airports in the country is also favourable for inbound tourism
- International arrivals to spike 100% to 5.7mn in 2025 from 2.8mn in 2022



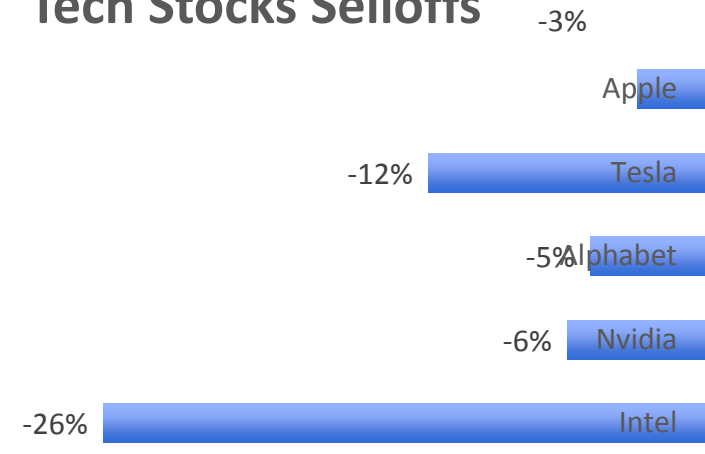
GLOBAL HIGHLIGHTS

GLOBAL HIGHLIGHTS – VOLATILITY ROCKS MARKET

- US stocks have rebounded, and panic has eased after the volatility index reached a 4-year high last week.
- The S&P 500 is up 3%, following an 8.5% decline last week due to fears of a recession in the US triggered by slowed job growth in July.
- The Nasdaq Composite fell into correction territory (more than 10% loss) as investor jitters concerning AI led to a tech sell-off.
- Meanwhile, Warren Buffett's Berkshire Hathaway sold half its Apple stock in Q2, shifting focus from equities to short-term bonds.



Tech Stocks Selloffs





GLOBAL HIGHLIGHTS – THE YEN CARRY TRADE

- The Bank of Japan recently increased its main rate, affecting investors who borrow cheaply in yen to make higher-yielding investments in dollars.
- In Japan the Topix plunged by 12% in a day, its worst performance since 1987, as the yen strengthened at a blistering pace.
- Investors are betting that America's Federal Reserve will now be forced into making more and deeper cuts to interest rates.
- In the UK, British pay grew at its slowest pace in nearly two years, likely reassuring the Bank of England that inflation pressures are easing
- Investors see a roughly one-in-three chance of a September BoE rate cut.



GLOBAL HIGHLIGHTS

- Deutsche Bank announced it would stop buying back its shares for the remainder of the year, after spending €1.6bn (\$1.7bn) on litigation during the second quarter.
- The fallout from a botched software update by CrowdStrike on July 19th triggered one of the largest-ever IT outages, continuing to disrupt firms around the world.
- The malfunction, which affected equipment reliant on Microsoft Windows, led to thousands of flight cancellations, delayed hospital operations, and the temporary cessation of trading by banks.
- Some businesses may take weeks to recover, while insurers are preparing for losses that could stretch into the billions.
- In the aviation sector, the owner of British Airways is now unlikely to complete the takeover of Air Europa after EU officials stated the company had done too little to address competition concerns.

A wooden gavel with a brass band is positioned on a wooden surface. In the background, an open book is visible. The gavel has a dark wooden handle and a dark wooden head with a brass band. The wooden surface is light-colored with a prominent grain. The open book is in the upper left corner, showing its pages and spine.

**POLITICS
AND
ECONOMY**

POLITICAL UPDATE

- The APC-led government faced a baptism of fire
- As predicted, the faltering economy is the underbelly of the party
- The paranoia of protests sponsored by the opposition did not help
- What was a small protest became widespread
- Because of self-denial and being defensive
- The leadership has now come to terms with reality
- And is responding positively





THERE ARE NO EASY OPTIONS ... 1/2

- The true position is now being laid bare
- Economic data is now being released more frequently with greater integrity
- Conciliatory moves are being made across the aisle
- The National Council of State meeting and the Patriot Group are evidence of reaching out
- The management and crackdown on the protesters was carefully managed
- The use of traditional rules, union leaders, and discredited politicians backfired
- The notion that there was a communication problem is dead wrong
- There is a credibility problem, not a communication problem
- The APC is now regrouping to consolidate its hold on power

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THERE ARE NO EASY OPTIONS ... 2/2

- The favourability rating in the North shows general resentment
- The good news is that damage control is beginning to work
- There is a strong possibility of leadership changes at the management level
- The Edo election is now a toss-up but is inclining towards the PDP
- Strong ground game and a weak APC candidate
- Labour Party is a dark horse
- The jingles of the Labour Party are resonating
- The Peter Obi factor is potent in urban areas
- Zoning favours the PDP and APC because of the Esan factor
- The APC candidate is considered short on communication skills,
- In a debate setting, he could be shredded

H'2 2024 OUTLOOK



OUTLOOK FOR AUGUST/SEPTEMBER .. 1/2

- August inflation data will likely come in at 33.2%
- Q2'24 GDP will show a 3.16% modest increase, annual average annual likely at 3.07%, in line with the IMF's revised projection
- The supplemental budget of N6.2trn is already passed
- Disbursement and spending will commence
- The goods and commodities under the duty waiver scheme will start arriving in September
- The prices of domestic commodities will begin falling in late September
- Due to the harvest season and import waiver food impact



OUTLOOK FOR AUGUST/SEPTEMBER ...2/2

- There will be at least one more RDAS auction in August
- The naira will trade at N1,550-N1,600/\$
- Stock market correction already commenced and will continue
- Money supply growth (M2) will continue falling towards 50%
- Forex sales will help mop up liquidity
- Minimum wage payment will increase the cost of doing business
- Most private sector companies are already paying more than N70,000 monthly
- Dangote refinery to commence the production of PMS, and aviation fuel in August
- The sales of oil to other African countries will further increase forex, reducing currency pressure
- The impact of Dangote refinery will guarantee the availability of PMS and other products in the market





In war there is no substitute for Victory

-Yale dictionary of Modern Proverbs

A single death is a tragedy (misfortune), a million deaths is a statistic

- Yale dictionary of Modern Proverb

If you can't be good, be careful

- Yale dictionary of Modern Proverbs



A cynic is what an idealist calls a realist

- **Nigel Hawthorne**

Bad humor is an evasion of reality; good humor is an acceptance of it

- **Malcolm Muggeridge**

A pessimist is a man who thinks everybody is as nasty as himself, and hates them for it.

- **George Bernard Shaw**

The difference between tax evasion and tax avoidance is the
thickness of the prison wall **-Anonymous**

Happiness is the perpetual possession of being well deceived
- Lytton Strachey

I go to women dentists because it is a relief to be told to open your
mouth instead of shut up **-Bob Monkhouse**



If there are no bad people, there would be no good lawyers

-Charles Dickens

A woman's best love letters are always written to the man she is
betraying

- Lawrence Durrell

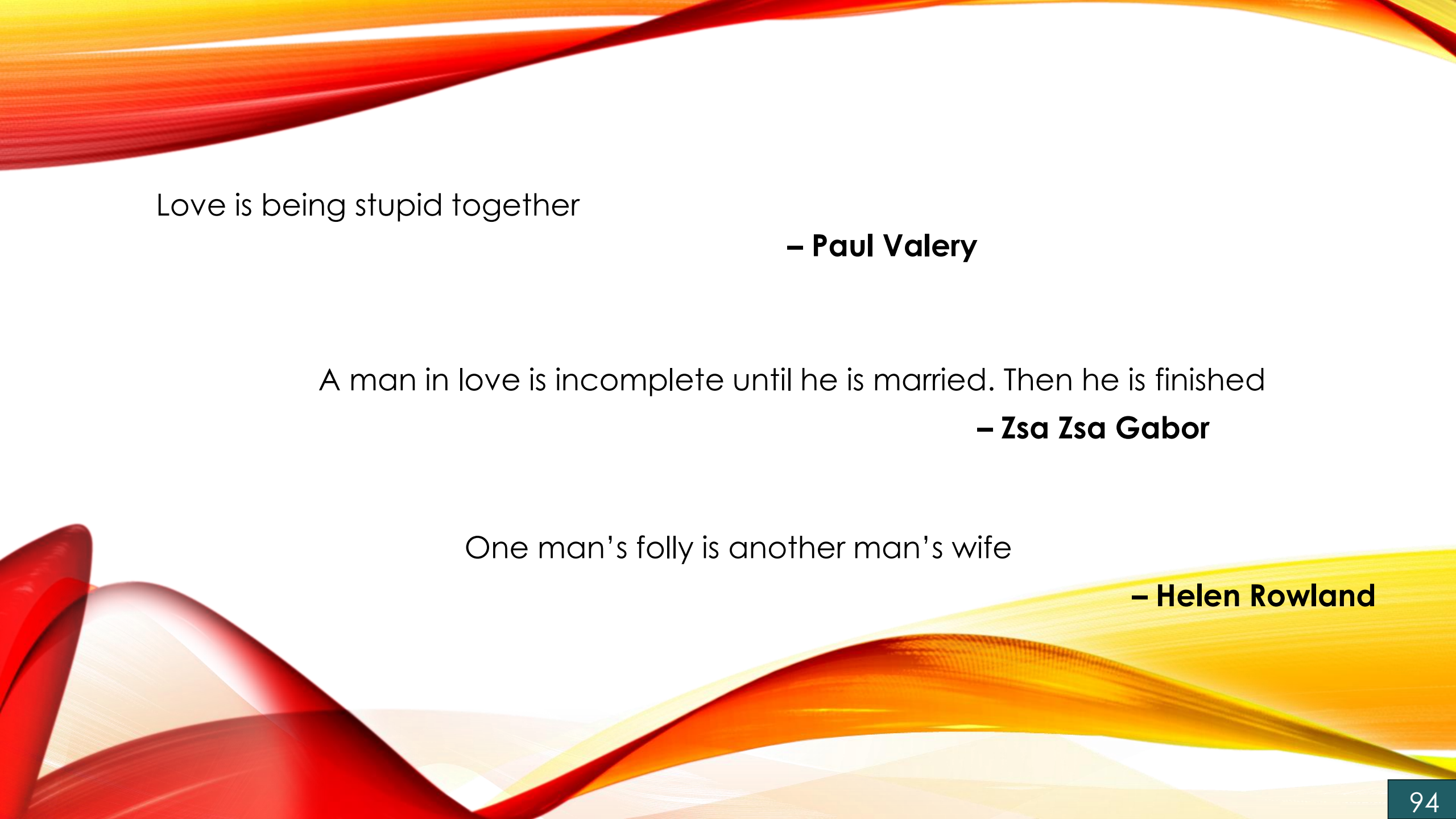
Big girls need big diamonds

-Elizabeth Taylor

When a man opens a car door for his wife, it's either a new car or a
new wife
-Prince Philip

Love is blind and marriage is the institution for the blind
- James Graham

When you marry your mistress you create a job vacancy
- James Goldsmith



Love is being stupid together

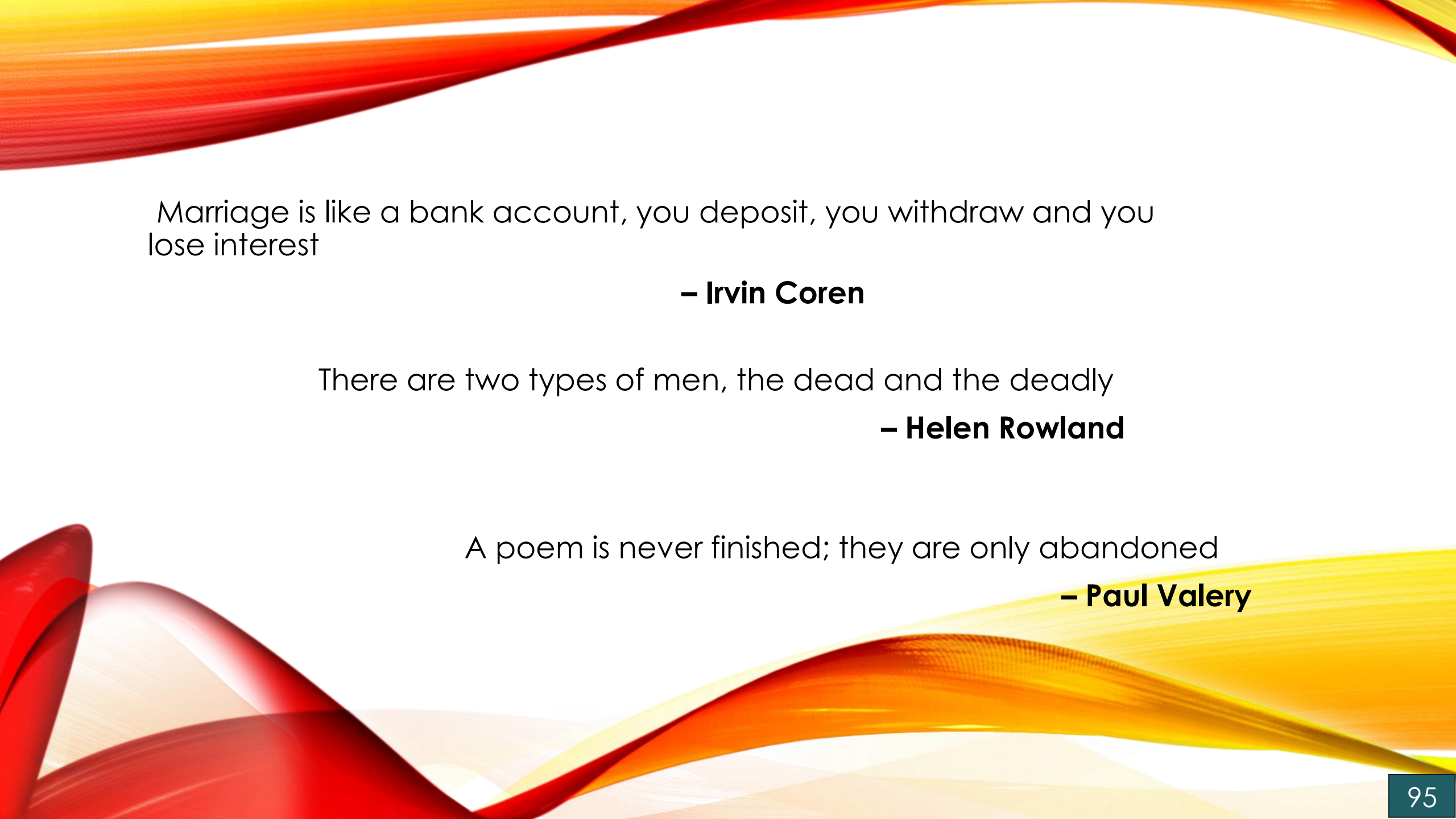
– **Paul Valery**

A man in love is incomplete until he is married. Then he is finished

– **Zsa Zsa Gabor**

One man's folly is another man's wife

– **Helen Rowland**



Marriage is like a bank account, you deposit, you withdraw and you lose interest

– Irvin Coren

There are two types of men, the dead and the deadly

– Helen Rowland

A poem is never finished; they are only abandoned

– Paul Valery



Middle age begins with the first mortgage and ends when you drop
dead

– **Helen Caen**

The shortest distance between two points is usually under repair

– **Anonymous**

Two heads are better than none

– **Jean Greene**

*Thank
you*



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