



LBS BREAKFAST SESSION



The world awaits in nervous anticipation...for **MADAM PRESIDENT?**

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PERFORMANCE



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AVIATION, TOURISM &
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POLITICAL UPDATE &
OUTLOOK



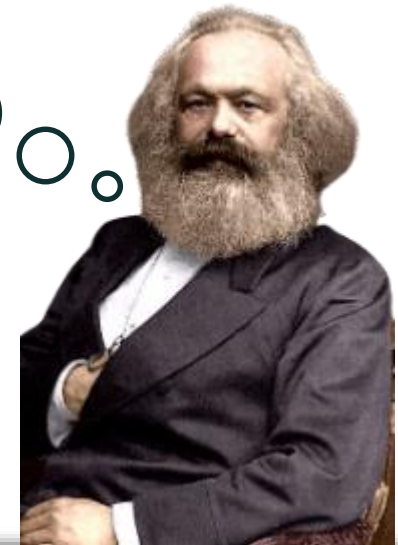
QUOTES!



Rana Foroohar
Writer, Financial Times

“It is as if, over the past few years, America has become one giant emerging market – full of peril and promise but most of all unpredictability.”

“From each according to his ability, to each according to his needs.”



Karl Marx



ECONOMIC PERFORMANCE

—

GLOBAL & DOMESTIC



GLOBAL HIGHLIGHTS

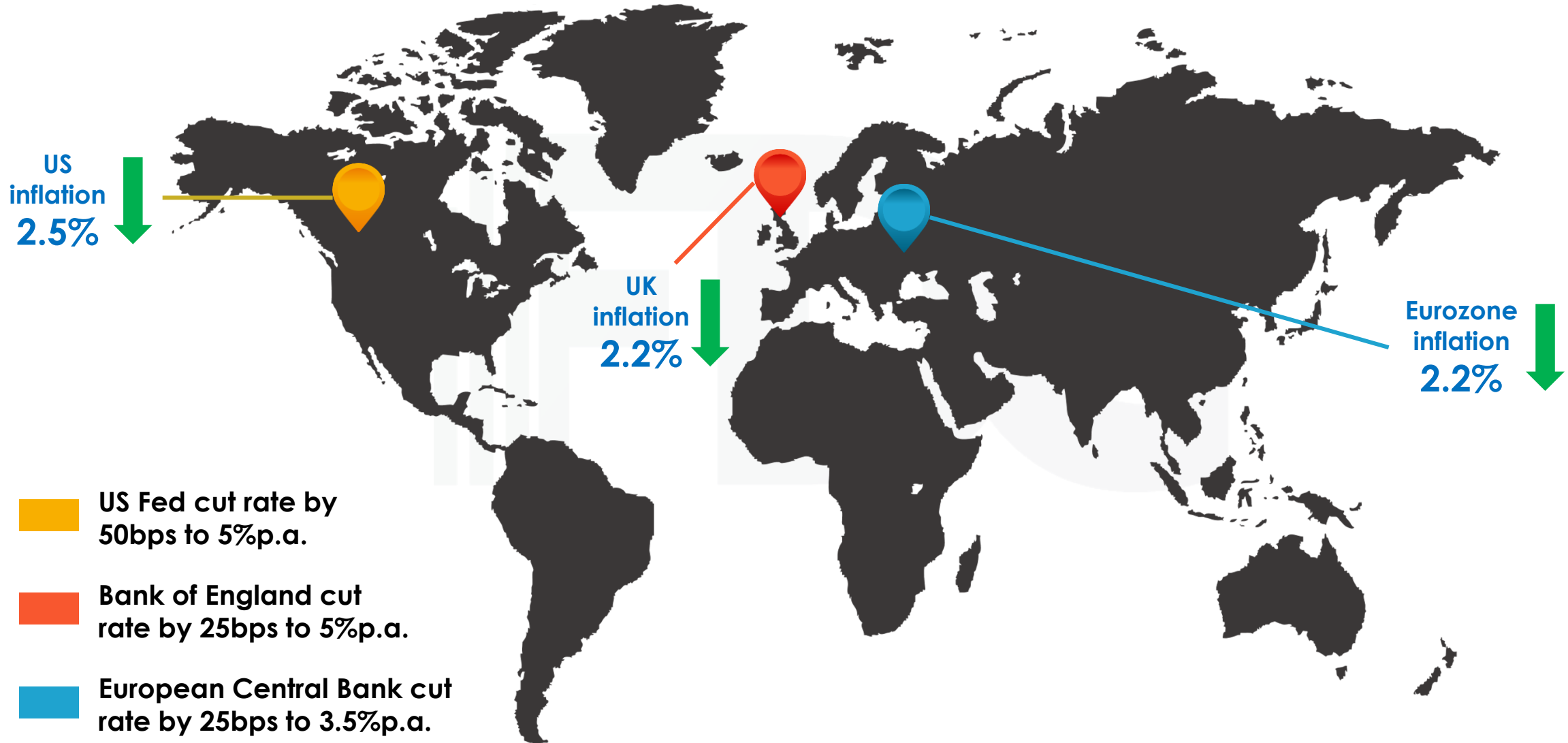
- Global real GDP will expand by 2.5% in 2025, unchanged from the 2024 growth estimate
- Inflation in developed markets will average 2.3% in 2025 and 2.1% over the next five-years
- Emerging markets will benefit from a rebound in global trade and firm demand for commodities
- Global monetary policy easing gained momentum as half of the 10 major central banks have started cutting interest rates
- Interest-rate cuts in the US will pave way for new debt issuances by African nations, including Nigeria and Angola
- Inflationary pressures could restrict the scope of monetary loosening in the coming years
- Geopolitics will drive changes in the global economy
- Global economic divergence will seep into domestic political trends



GLOBAL HIGHLIGHTS

- The US presidential race remains on a knife-edge, with both candidates gaining & losing the lead in polls and betting markets
- Crude oil prices are projected to soften to an average of \$76/barrel a year in 2025-2026
- The US dollar will depreciate only slowly, despite monetary loosening
- US economic growth is slowing but will remain firm
 - To be supported by strong household finances, a rising trend in manufacturing and technology sector investments
- Momentum in Europe will build gradually, but growth in China would remain sedate given constrained stimulus

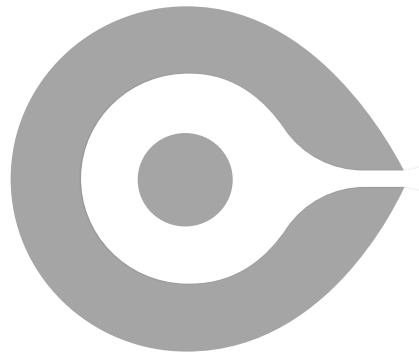
GLOBAL MONETARY EASING KICKS OFF



IMPACT OF THE US FED'S RATE CUT ON NIGERIA



- Increased capital inflows into emerging markets like Nigeria, where higher returns may be available
- Leading to the short-term appreciation of the naira



- Stimulate global demand and economic activity, oil prices could rise, benefiting Nigeria's export earnings



- Lower the cost of borrowing for Nigeria in the international capital markets, as US dollar-denominated debt cheapens

- Ease imported inflation in Nigeria as the dollar weakens in tandem with the interest rate reduction

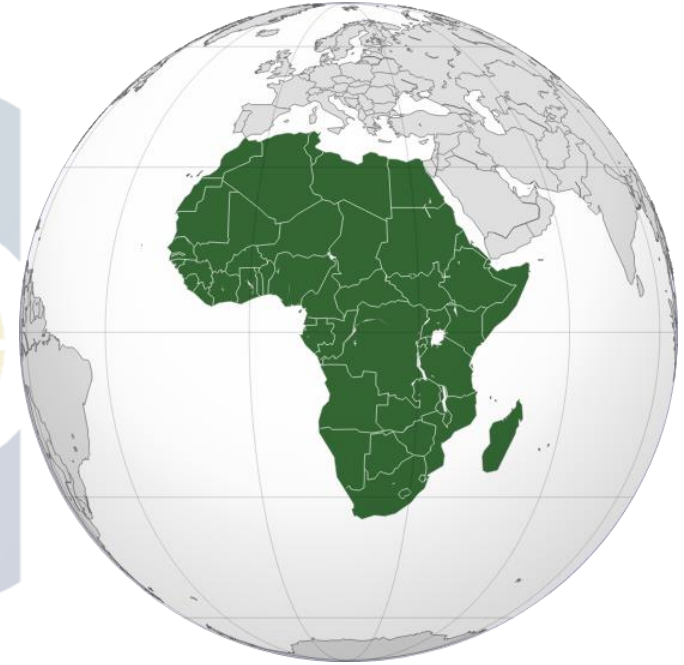
REGIONAL HIGHLIGHTS

- Real GDP growth across Africa is expected to strengthen to 3.8% in 2025, from 2.6% in 2024
 - Supported by improving consumer and business sentiment, high global commodity prices, and falling interest rates
- Many African economies are exiting periods of high inflation, with central banks likely to cut interest rates as the US Fed did
- However, some economies (Angola, Egypt, Nigeria) will be slower to loosen monetary policy
 - Due to challenges in inflation control and the need for fiscal reforms
- Meanwhile, Ghana has carried out a jumbo rate cut of 200bps as inflation slowed to 20.4% in August
- However, September's inflation rose to 21.5% on renewed food price pressures
- Kenya's inflation fell to 12-year low of 3.6% in September from 4.4% in August



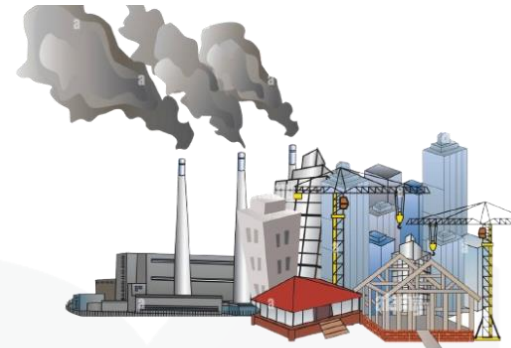
REGIONAL HIGHLIGHTS

- Many African economies will continue to rely on IMF programmes to address external imbalances and debt sustainability
- Notably, sovereign debt restructuring for Zambia and Ghana is expected to conclude by the end of 2024
- Election cycles in 2024 will lead to political risks, with Ghana potentially seeing a power transfer due to economic dissatisfaction
- External powers (Russia, China, Gulf Arab states) continue to compete for influence in regions like the Horn of Africa and the Sahel
 - Impacting stability and regional integration efforts

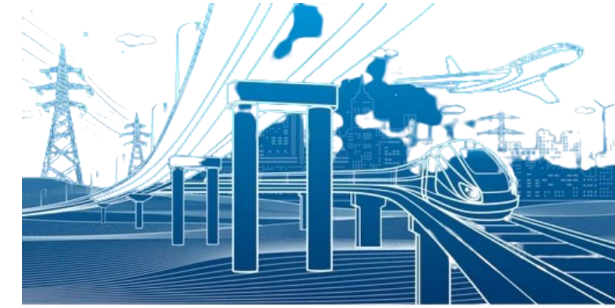


CHINA ANNOUNCES \$51 BILLION INVESTMENT BOOST FOR AFRICA

- This commitment was made during the Forum on China-Africa Cooperation (FOCAC)
- President Xi Jinping announced plans for extensive financial assistance of 360 billion yuan (\$51 billion) to 50 African countries
- The financial support is targeted at industry, agriculture, infrastructure, trade and investment
- It is aimed at enhancing infrastructure, industrialization, and sustainable development
- Reflecting China's strategic partnership with African nations



Industry growth



Infrastructure development



Agricultural development

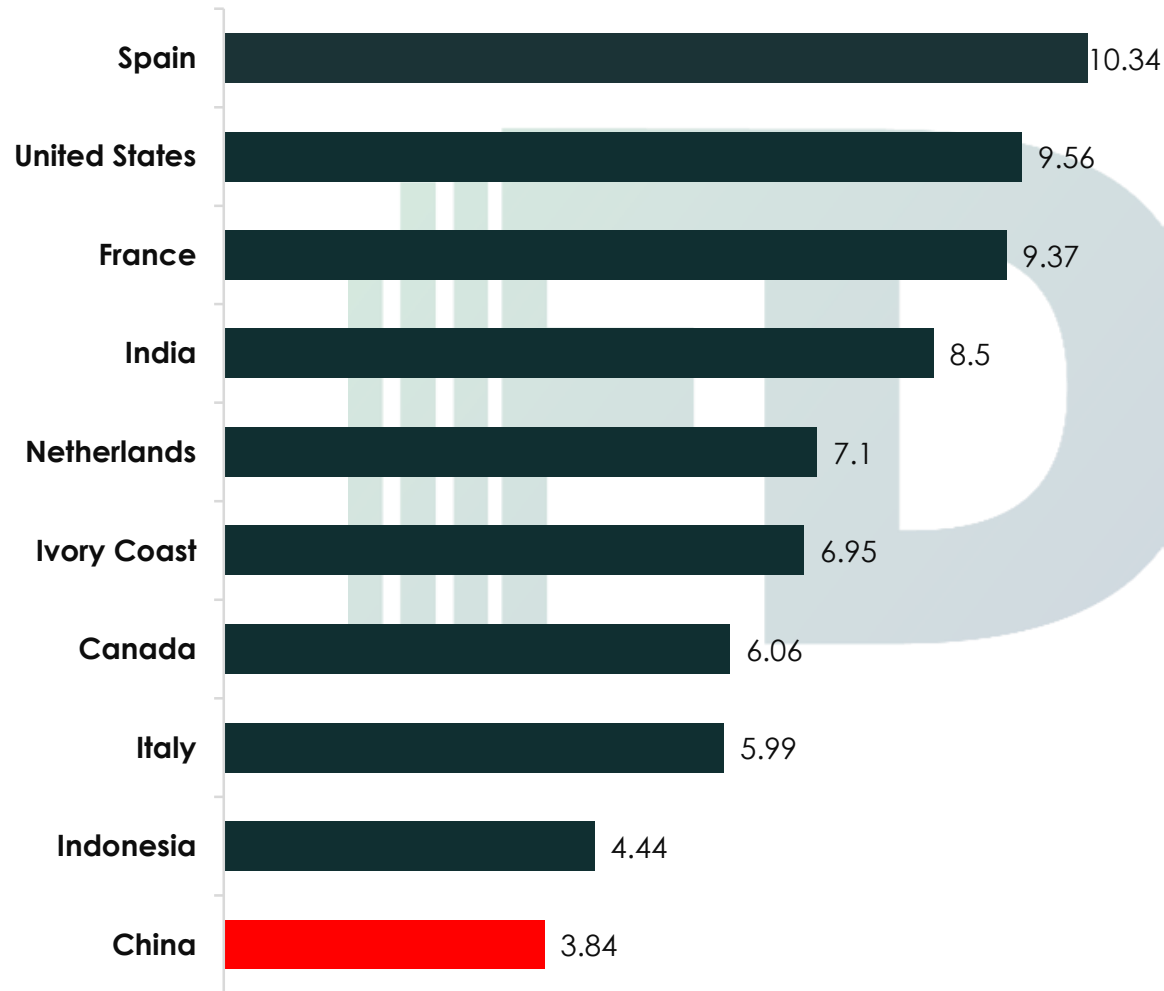


Trade & investment



NIGERIAN EXPORT MARKETS - Q2'24

Share of total exports (%)



- Nigeria's export ties are currently stronger with European countries and the United States
- China is the 10th largest export market for Nigeria
- Nigeria has appointed a special DG to manage Chinese deals

IMPLICATIONS OF CHINESE INVESTMENT FOR NIGERIA'S ECONOMY



Upgrade Nigeria's industrial capacity through the transfer of technology and technical expertise from China



Investment in agribusiness value chains, including processing, packaging, and logistics, could boost Nigeria's food production and export potential



Accelerate the construction of critical projects such as railways, roads, bridges, and energy generation

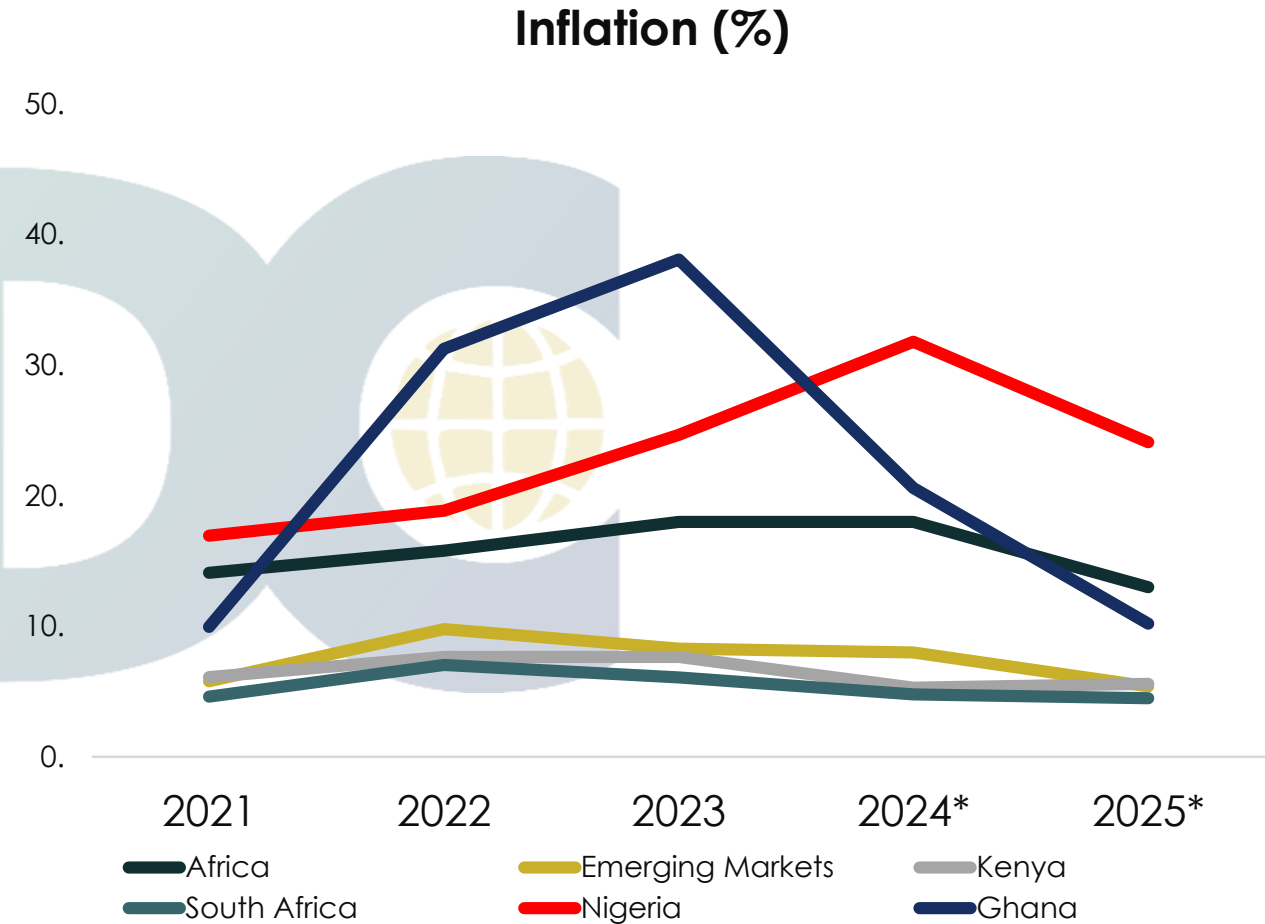


Nigeria could benefit from improved access to Chinese markets under trade facilitation agreements

- Nigeria will go to the World Bank/ IMF meetings with its:
 - growth plan
 - 2025 budget and MTEF
 - debt rationalization plan

INFLATION DECELERATING IN AFRICA

- African economies experienced a significant inflation spike in 2023, with the continent's average inflation reaching 18%
- Countries like Ghana and Nigeria saw the highest inflationary pressures
- Driven by global energy prices, currency depreciation, and economic reforms
- By 2025, inflation across Africa is forecasted to ease to 13%, with key markets like Nigeria and Ghana showing marked improvements
- As governments implement monetary & fiscal reforms and global conditions stabilize



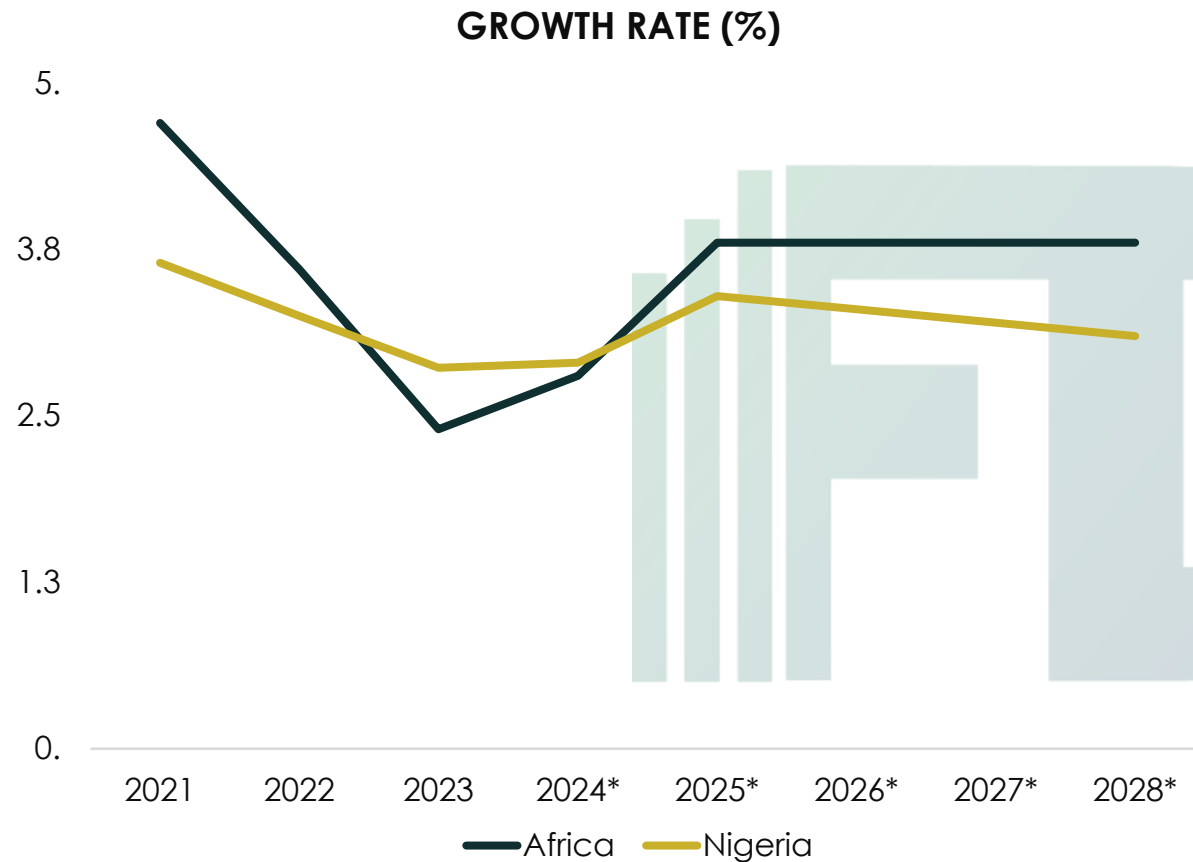
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AFRICA VS NIGERIA GROWTH OUTLOOK - EIU



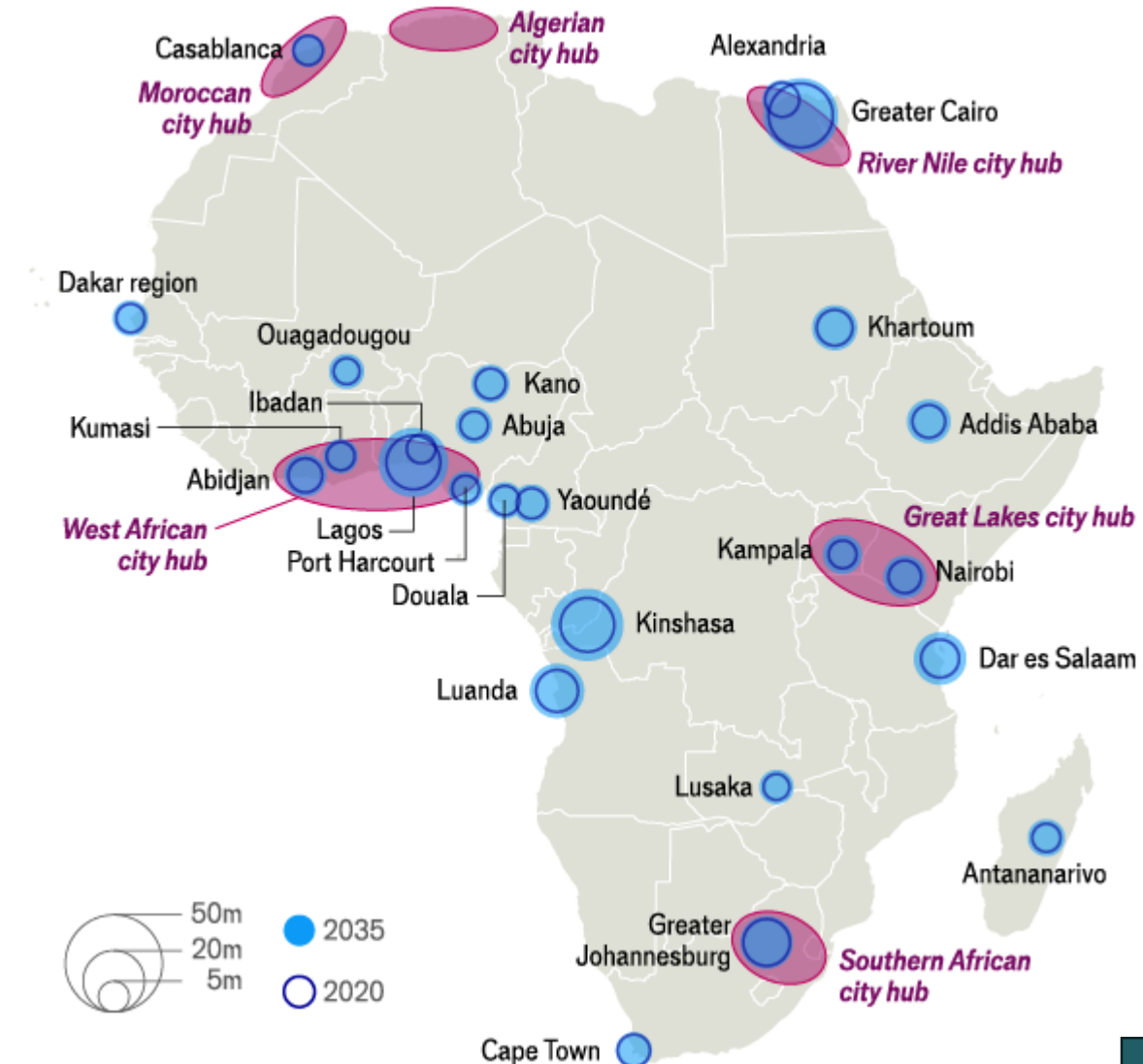
- Nigeria's growth follows a similar pattern with Africa but at a lower rate, reaching 3.4% in 2025
 - Before slightly declining to 3.1% by 2028
- Africa shows a stronger recovery from 2025, likely driven by economic reforms, policy stabilization, or external factors such as commodity price recovery
- Nigeria's recovery is slower and fluctuates slightly from 2026 to 2028
- This suggests local structural challenges such as inflation, fiscal policies, or reliance on oil revenues

Source: EIU

URBANIZATION IN AFRICA - EMERGENCE OF MEGACITIES IN 2035

- African cities are expected to record among the fastest rates of population growth worldwide through 2035
- The pace of urbanization will be particularly strong in the region's largest cities, clusters, and megalopolises
- Africa has and will continue to have the fastest rate of urbanization of the world's major regions through 2035
- Urban population will rise from about 650m in 2023 to almost 1bn in 2035, which represents a CAGR of about 3.5%
- The continent is projected to have six megacities by 2035—Luanda and Dar es Salaam will join the current giants of Greater Cairo, Kinshasa, Lagos and Greater Johannesburg

Africa's largest cities in 2035



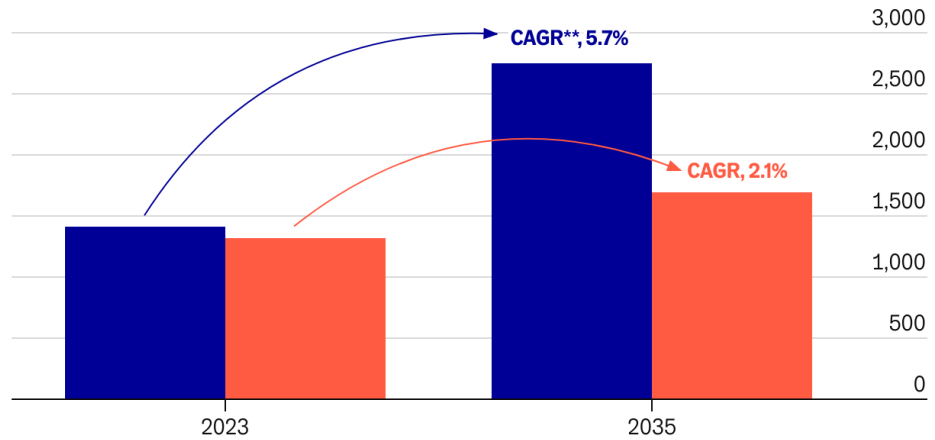
Source: EIU

AFRICA'S ECONOMIC EXPANSION – MOVERS AND SHAKERS

Africa's economic expansion

Real GDP; US\$ bn at 2020 prices and exchange rates

■ Africa100* ■ Rest of Africa

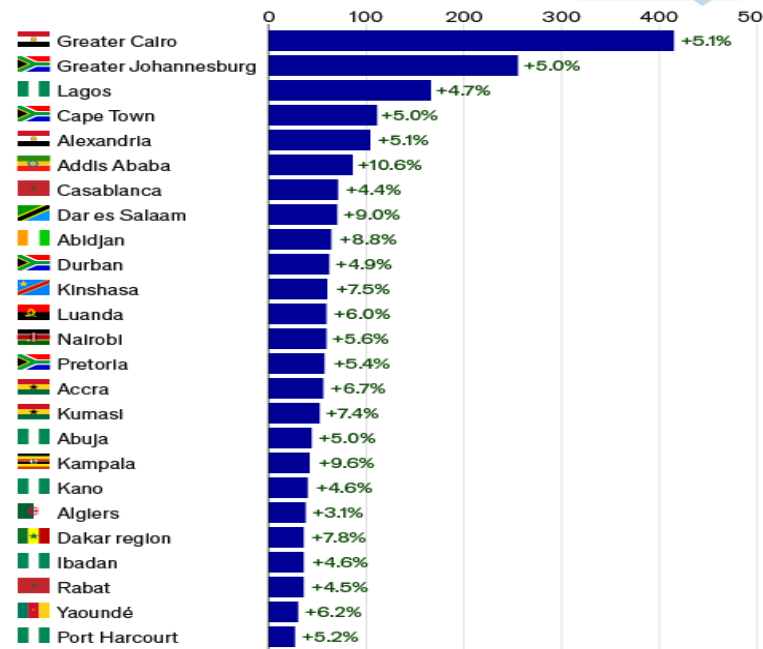


Source: EIU.

*Africa's 100 largest cities. **Compound annual growth rate. Copyright © The Economist Intelligence Unit 2024. All rights reserved.

African city GDP, 2035

US\$ bn at 2020 prices and exchange rates



*Compound annual growth rate. **Africa's 100 largest cities.

Africa100** rank

2023	2035
1	1
2	2
3	3
4	4
5	5
12	6
6	7
15	8
18	9
7	10
14	11
10	12
8	13
9	14
13	15
19	16
16	17
27	18
17	19
11	20
24	21
21	22
20	23
25	24
26	25

Source: EIU

Five Nigerian cities will make the top 25 African cities by GDP in 2035:

- Lagos
- Abuja
- Kano
- Ibadan
- Port Harcourt

- The movers and shakers of Africa's expansion are dominated by the 20 largest city economies
- Consisting of the region's megacities (populations of over 10m), heavyweights (5m-10m) and fast-moving middleweights
- Together, these larger cities will account for almost 70% of Africa100 GDP in 2035
- With the potential for further economic development and industrialization if major challenges are addressed

AFRICA'S ECONOMIC EXPANSION - CHALLENGES TO OVERCOME

Climate change

Overcrowding

Informal settlements

High unemployment

Poor public services

Stretched utility services



REGIONAL GROUPING - HOW VULNERABLE IS NIGERIA?

- The Nigerian economy is the biggest in West Africa , but proximity and porous borders pose significant security and economic risks
 - Including potential trade route disruptions and conflict spillovers
- Niger, Mali, and Burkina Faso form part of the Sahel region, which has seen increasing military influence and instability
- Earlier this year, the three countries announced withdrawal from ECOWAS
- Escalating conflicts in these neighboring countries could disrupt water management and infrastructure projects (especially electricity) that depend on these waterways
- Dangote refinery petrol exports to West African countries will boost Nigeria's economic leverage and create some influence over less-stable neighbours

West African regional groupings



Source: EIU.

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Dangote refinery

ELECTION CYCLES WILL CREATE PERIODS OF POLITICAL RISK

- Some major African countries will hold presidential and legislative elections in the remainder of 2024 including Ghana and Tunisia



Ghana:
December 7

- Ghana is likely to experience a transfer of power to the opposition in December
- Largely driven by declining living standards, limited job opportunities, and poor public services

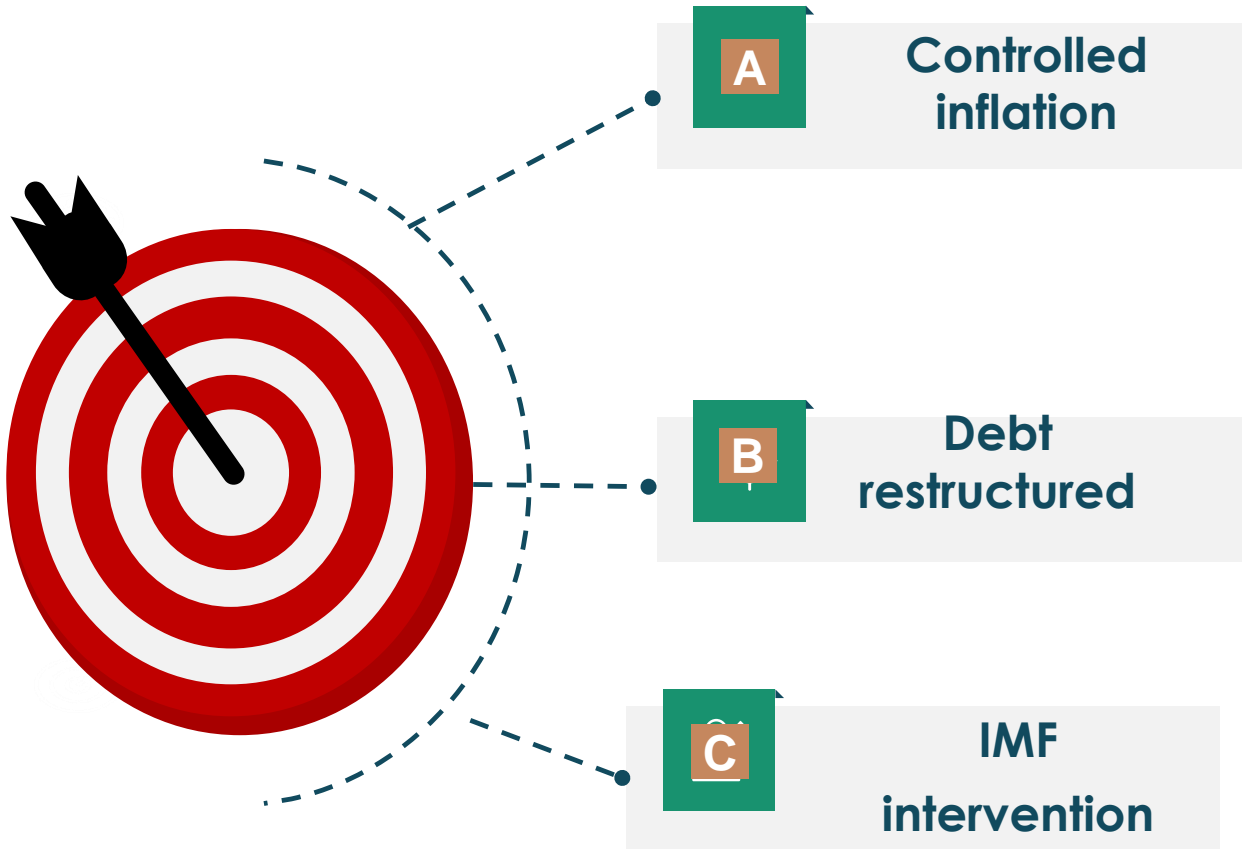


Tunisia:
October 6

- An ongoing authoritarian crackdown in Tunisia will lead to the incumbent winning a carefully managed presidential election in October
- Despite simmering public discontent, we expect the incumbent, Kaïs Saïed, to secure re-election

- However, rising economic strains will compel the presidents to adopt some politically uncomfortable economic reforms to avoid plunging the country into debt default and a deeper crisis

GHANA BACK FROM THE DEAD



- Ghana has made significant strides in controlling inflation, reducing it from a staggering 54.1% in December 2022 to 20.4% by August 2024
- MPR was reduced by **200 basis points** to 27% from 29%
- Growth recovered significantly to 6.9% in Q2, the fastest rate in five years
- Ghana has signed a memorandum of understanding (MoU) with its bilateral creditors, including China and France, to restructure \$5.4 billion of debt
- The government sought assistance from the IMF, which led to the approval of a \$3 billion Extended Credit Facility (ECF) in May 2023



GHANA POLITICAL & ECONOMIC OUTLOOK - EIU

- Real GDP growth will remain below potential in 2024 due to high inflation, with stronger growth expected in the medium term
- Ghana relies on hydrocarbons, golds and cocoa exports, making it vulnerable to global commodity price fluctuations
- The National Democratic Congress (NDC) is expected to win the December general election, ousting the New Patriotic Party (NPP)
- A smooth transition to the NDC is expected, but mass unrest could occur if electoral irregularities are claimed or if the NPP wins
- Short term policy will prioritize macroeconomic stability and fiscal sustainability
 - Supported by a \$3bn IMF extended credit facility from 2023 to 2026
- External debt restructuring negotiations are expected to conclude by the end of 2024, allowing for new debt inflows
- Ghana is the fourth African country to request bilateral debt restructuring under the G20's Common Framework
- There are 6 Nigerian banks in Ghana, and an average of 52 flights per week from Nigeria to Ghana



**DOMESTIC
ECONOMIC
PERFORMANCE**



DOMESTIC HIGHLIGHTS

- PMS production has commenced in Dangote Refinery Ltd
 - With an initial production of 25 million litres daily & 30 million litres by this month.
- NNPC announced a new hike in the petrol PMS price to N897 per litre from the previous official price of N617 per litre
- Increase in fuel prices could stoke inflation
- Nigeria's headline inflation dropped for the second consecutive time to 32.15% in August
- The collapse of the Alau Dam in Borno State led to a severe flooding crisis, a threat to food security
- Nigeria signed eight partnership agreements with the United Kingdom
- The federal government issued a \$500 million domestic dollar bond in August with a 9.75% coupon
 - Part of a \$2 billion bond plan aimed at boosting forex liquidity
 - The bond was oversubscribed with the government raising \$900 million
- The federal government have begun payments of the new minimum wage, with arrears dated back to July

MACROECONOMIC INDICATORS OF INTEREST

**GDP
growth**



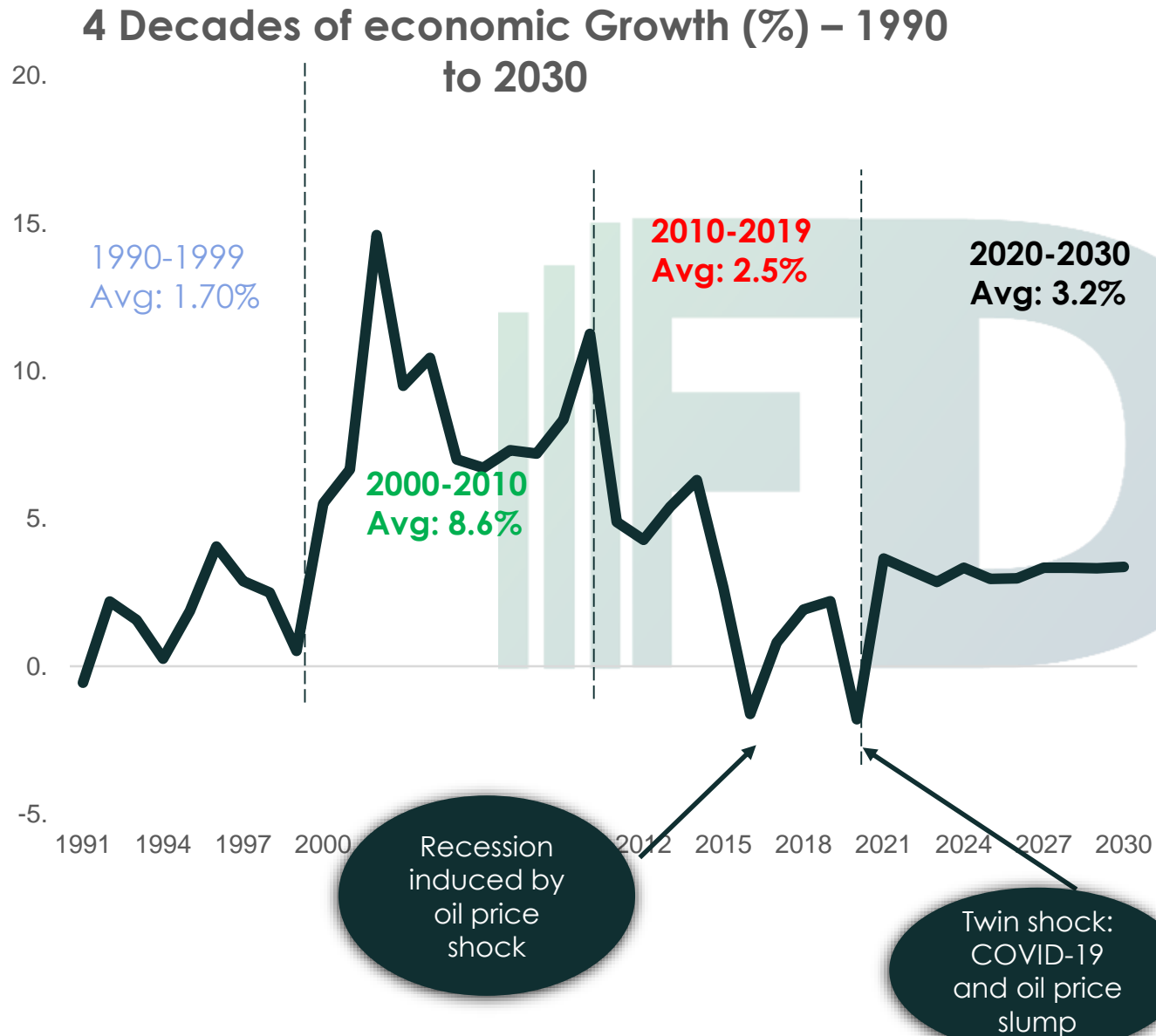
**Money
supply**



Inflation



4 DECADES OF GROWTH VARIABILITY - IS IT OVER?

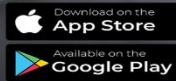


- Nigeria's economic growth has shown substantial volatilities since 1990 characterized by
 - The era of growth renaissance – 2000 to 2010
 - The age of retardation – 2010 to 2020
 - The period of recovery – 2021 to 2030

Your focus, Our priority

Whatever your dreams are,
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when you succeed, we succeed.

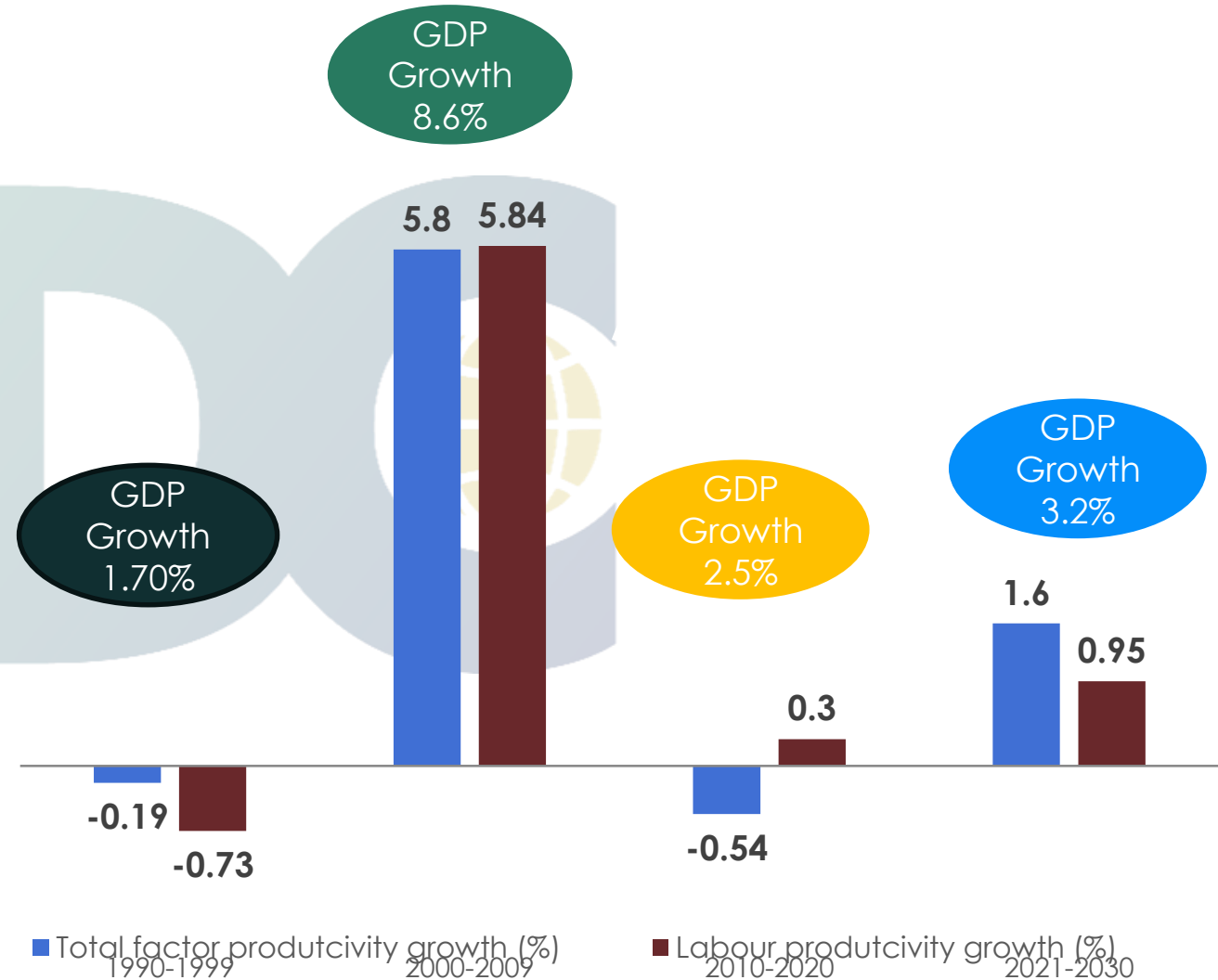
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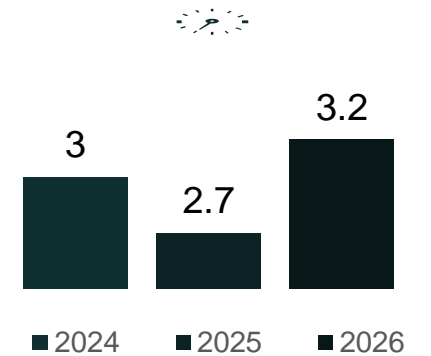
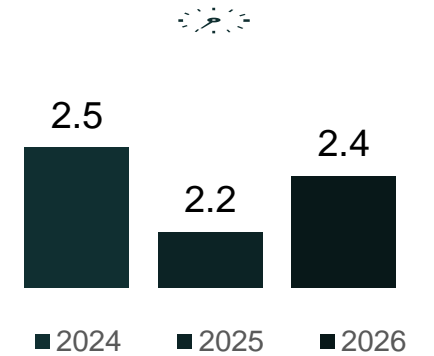
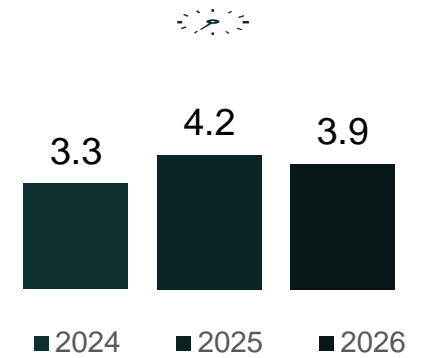
LOW PRODUCTIVITY GROWTH - A PATHWAY TO CHAOS?

- Overall productivity of capital and labor inputs is a major determinant of economic growth
- Periods of low TFP corresponds with periods of economic stagnation
- There is a strong correlation (89%) between TFP and economic growth



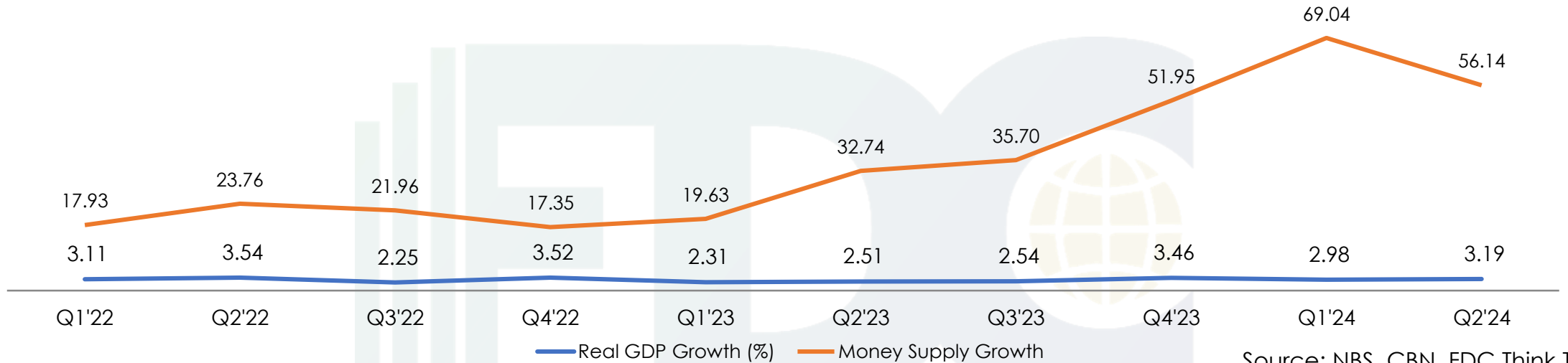
GDP GROWTH OUTLOOK – 2024 TO 2026

The growth outlook for 2025 through 2026 will depend on the policy thrust



GDP GROWTH VS MONEY SUPPLY GROWTH

GDP Growth Vs Money Supply Growth (%)



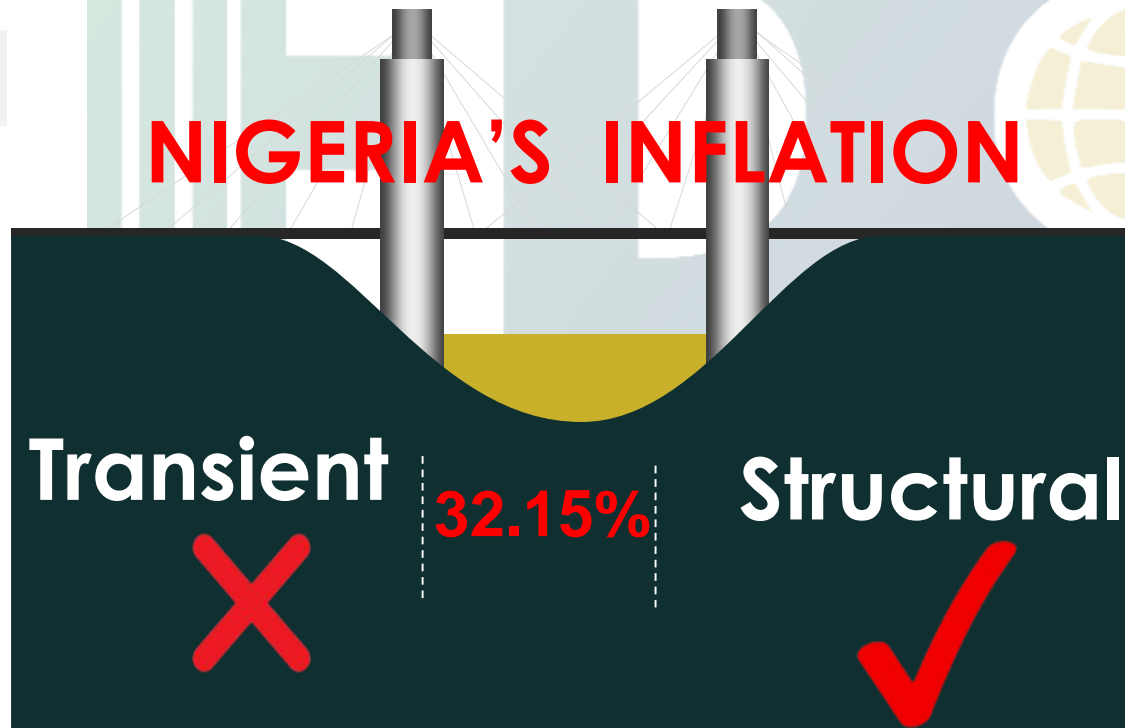
- Despite the decline in money supply, it remains significantly above the GDP growth
- Suggesting potential inflationary pressures
- **Money supply (56.14%) - GDP growth (3.19%) = 52.95% (inflationary impact)**

INFLATION - MORE STRUCTURAL THAN TRANSIENT

- Inflation decelerated to 32.15% in August from 33.40% in July, but risks remains high
- In August, annual and monthly core inflation remained high at 27.58% and 2.27%, respectively

Transient factors

- 01 Seasonal variations
- 02 Energy price shocks
- 03 Supply chain disruption
- 04 Currency depreciation
- 05 Pandemic-related shocks

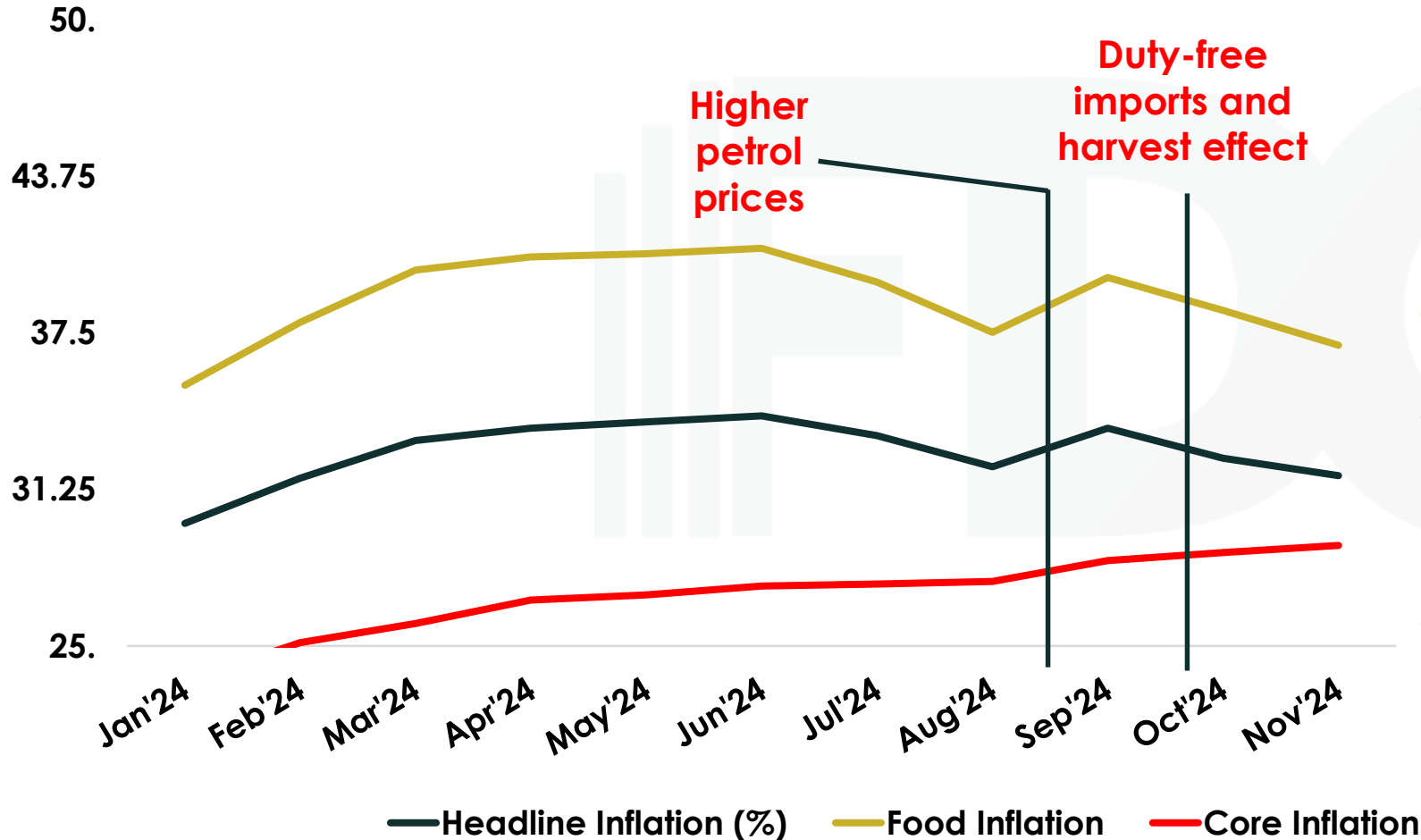


Structural factors

- 01 Low productivity
- 02 Infrastructural deficit
- 03 High insecurity issues in farming communities
- 04 Frequent scarcity of PMS
- 05 High inflation expectation
- 06 Flooding

INFLATION OUTLOOK – TWO DATA POINTS, NOT A TREND!

Headline, Food and Core Inflation (%)



- Inflation will rise in October after the petrol price increase
- Minimum wage effect
- Core inflation needs drastic measures
- Takes longer to moderate

Source: NBS, FDC Think Tank



POLICY MEASURES TAKEN SO FAR...

1

MPR increase
CRR Increase

2

New minimum
wage

3

Stimulus package

4

Import duty waiver

CBN MAINTAINS ITS HAWKISH STANCE

CBN continues with its hawkish stance

- **MPR increased by 50bps to 27.25%**
- **CRR (commercial banks) raised by 50bps to 50%**
- **CRR (merchant banks) raised by 20bps to 16%**
- **Retained liquidity ratio at 30%**
- **Retained asymmetric corridor at +500/-100bps**



The further increase in interest rate was based on:

- Exchange rate stability
- Upward pressure on energy prices
- Persistent inflationary pressure
- Increase in money supply

Plus, other downside risks

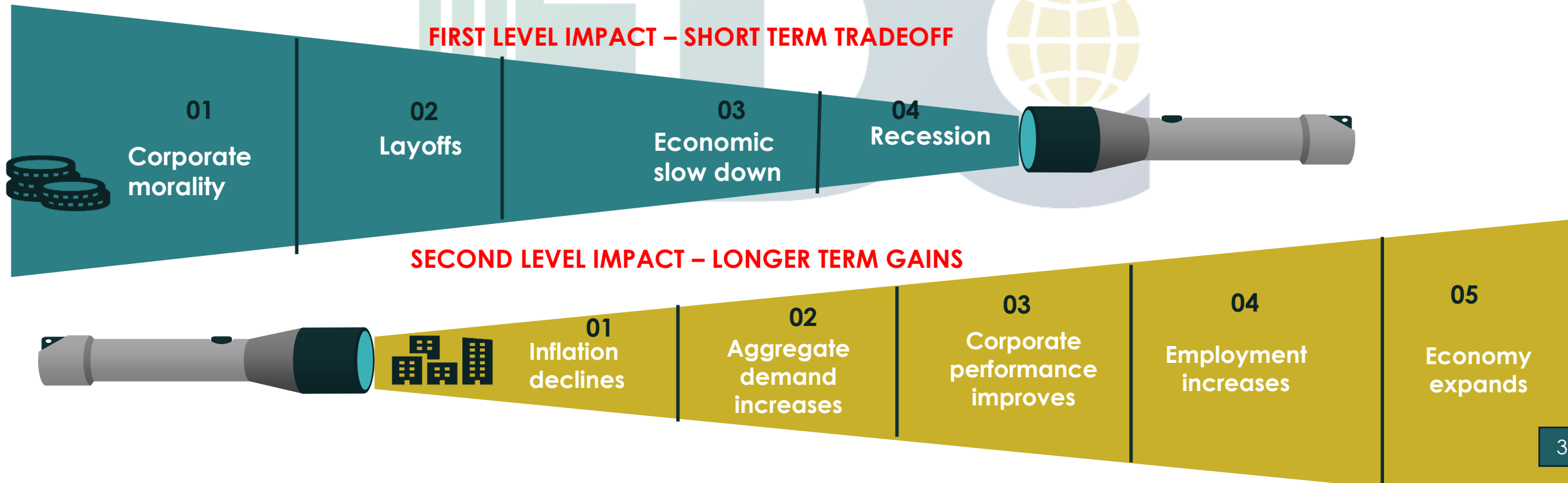
Flooding

Food inflation etc.

IMPACT ON THE ECONOMY – ARE THERE TRADEOFFS? **YES!**

“You can't make omelets without breaking eggs”

- Interest rate hike is a balancing act
- The impact on the economy depends on how it is managed with other complementary policies



IMPACT ON....

Businesses/Corporate

- Reduced access to credit
- Increased borrowing costs
- Cutbacks on expansion plans, investments, or hiring
- Directly impacts company's bottom line by increasing operational expenses
- Increase in corporate morality



The Consumers

- Higher borrowing costs
- Reduced access to credit
- Higher interest rates on savings
- Reduced consumer spending
- Slower job creation or layoffs
- Shift in consumer preferences

IMPACT ON....

Investors

- Higher borrowing cost at 33-34%
- Stifle investment growth as businesses adopt a wait-and-see approach
- Potential shift in investment focus
- Attraction of foreign investors
- Foreign investment could support the Naira's value

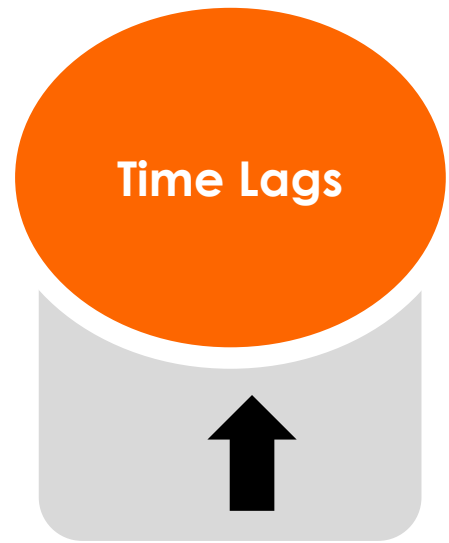


The Banking Industry

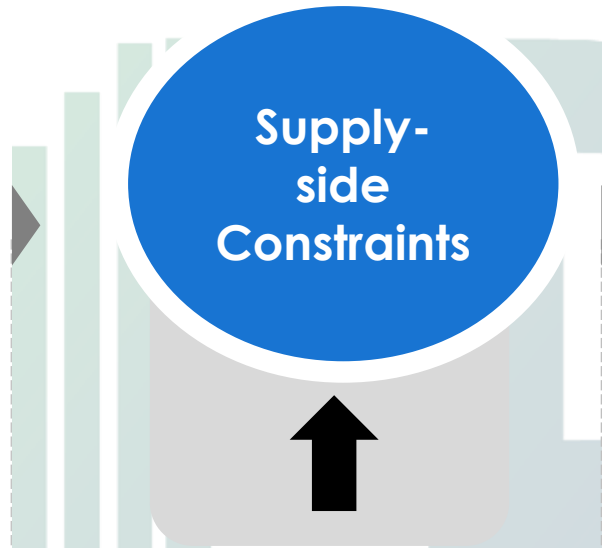
- Reduced demand for loans
- Increase in default rates
- Leading to higher NPLs
- Increased interest income
- Potentially increasing profitability
- Stock prices of banks may experience short-term volatility



LIMITATIONS OF MONETARY POLICY



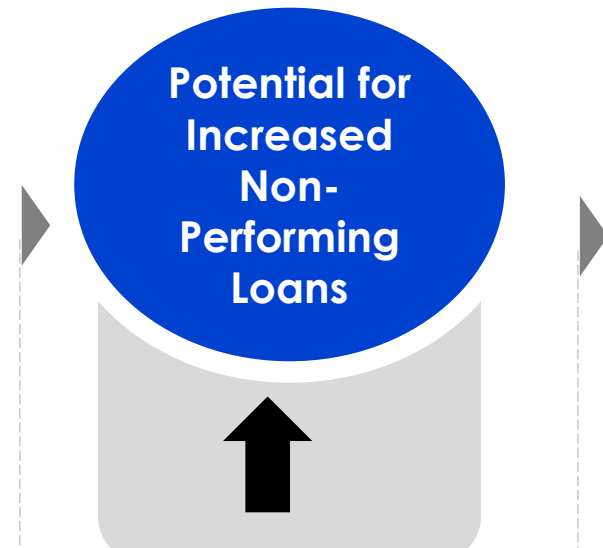
The effects of monetary policy changes are not immediate; they often take months or years to materialize in the economy.



Monetary tightening primarily addresses demand-pull inflation but may be less effective against cost-push inflation



Sustained monetary tightening can slow down economic growth as higher borrowing costs discourage investment and consumption



It raises the risk of defaults and non-performing loans. This situation can exacerbate financial instability within the banking sector



MONETARY POLICY: NECESSARY BUT NOT SUFFICIENT

- The necessity for a handshake between monetary and fiscal policy in Nigeria is critical
- Without this balance, monetary tightening could lead to a recessionary environment
- Businesses are struggling under the weight of high borrowing costs while consumer spending contracts

Demand-side

MONETARY POLICY

While the CBN focuses on controlling inflation through contractionary monetary policy e.g. higher rates, higher CRR, sales of OMO, etc. to mop up liquidity



HANDSHAKE

Supply-side

FISCAL POLICY

Fiscal measures can target underlying structural problems in the economy, such as insecurity affecting food supply chains, investing in infrastructure and social programs that enhance productivity

MINIMUM WAGE - MONEY ILLUSION

- A minimum wage hike in an inflationary environment can often be considered a money illusion
- The core issue of rising prices persists, leaving workers with little or no real improvement in their financial situations
- Nominal wages increase but real wages may not significantly improve due to rising prices

- **Nominal wage = N70k**
- **Inflation = 32.15%**
- **Real wage = N52.970 ≈ N53k**
- Workers focus on the nominal value of their wage without considering the real value





RECENT DEVELOPMENTS

Petrol price hike

Flooding



Alpha Morgan Capital

Growing Your Wealth...

FUNDS MANAGEMENT

INVESTMENT BANKING

FINANCIAL ADVISORY

Head Office (Lagos)

Union Bank Building (2nd floor) Plot 1668b,
Oyin Jolayemi Street, Victoria Island, Lagos.
081 51 71 71 71

Abuja Branch

Phase 1, 5th Floor, Suite F5. 1 Rivers House,
Plot 83 Ralph Shodeinde Street, CBD, Abuja.
+234 09 292 5164



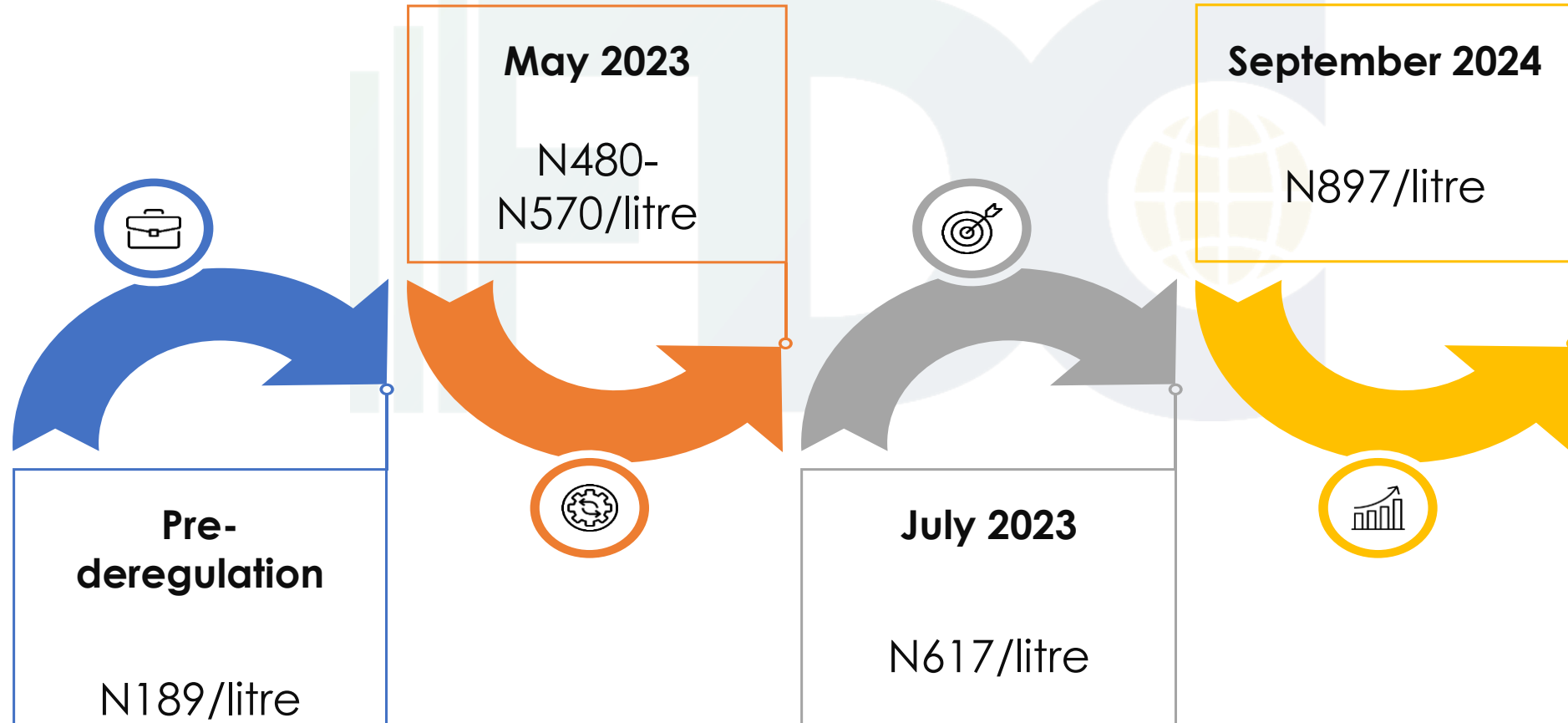
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PMS DEREGULATION & PRICING SO FAR

- The Nigerian government announced the complete removal of fuel subsidies as part of its economic reforms
- Since the beginning of 2023, the NNPCCL has revised the price of petrol 4 times



EFFECTS OF PMS DEREGULATION ON THE ECONOMY

Impact on Government Finances & Exchange rate

- Reduction in subsidy burden
- Increased Revenue Generation through taxes and deregulated petrol prices
- Better control over fiscal spending enhances Nigeria's credit rating
- Making it easier to attract foreign investments

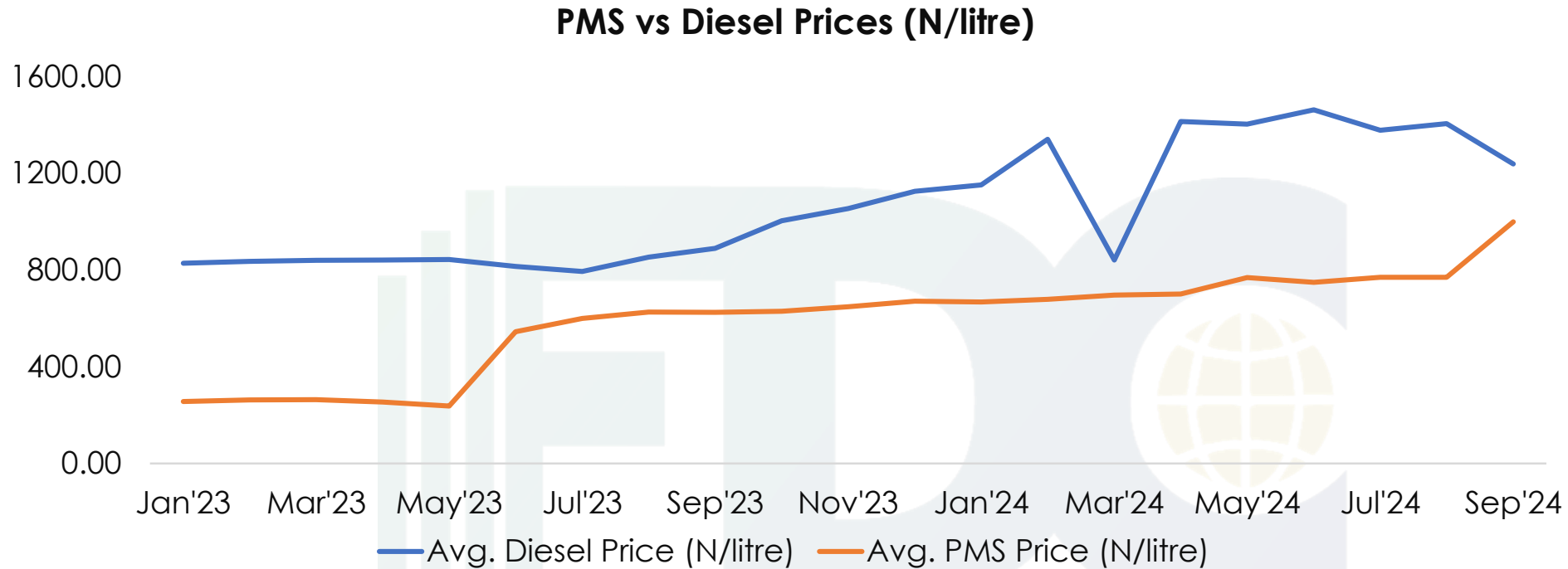
Inflation and Cost of Living

- Inflationary pressures as petrol price hike pushes transport and logistics cost up
- Erosion of purchasing power (the recent hike in PMS price will reduce consumer disposable income by N5 trillion annually)
- Increased operational costs for businesses

Long-Term Economic and Market Restructuring

- Investment in local refining capacity
- Market competition and efficiency
- Ease exchange rate pressures and forex demand

PMS PRICES VS DIESEL PRICES IN NIGERIA

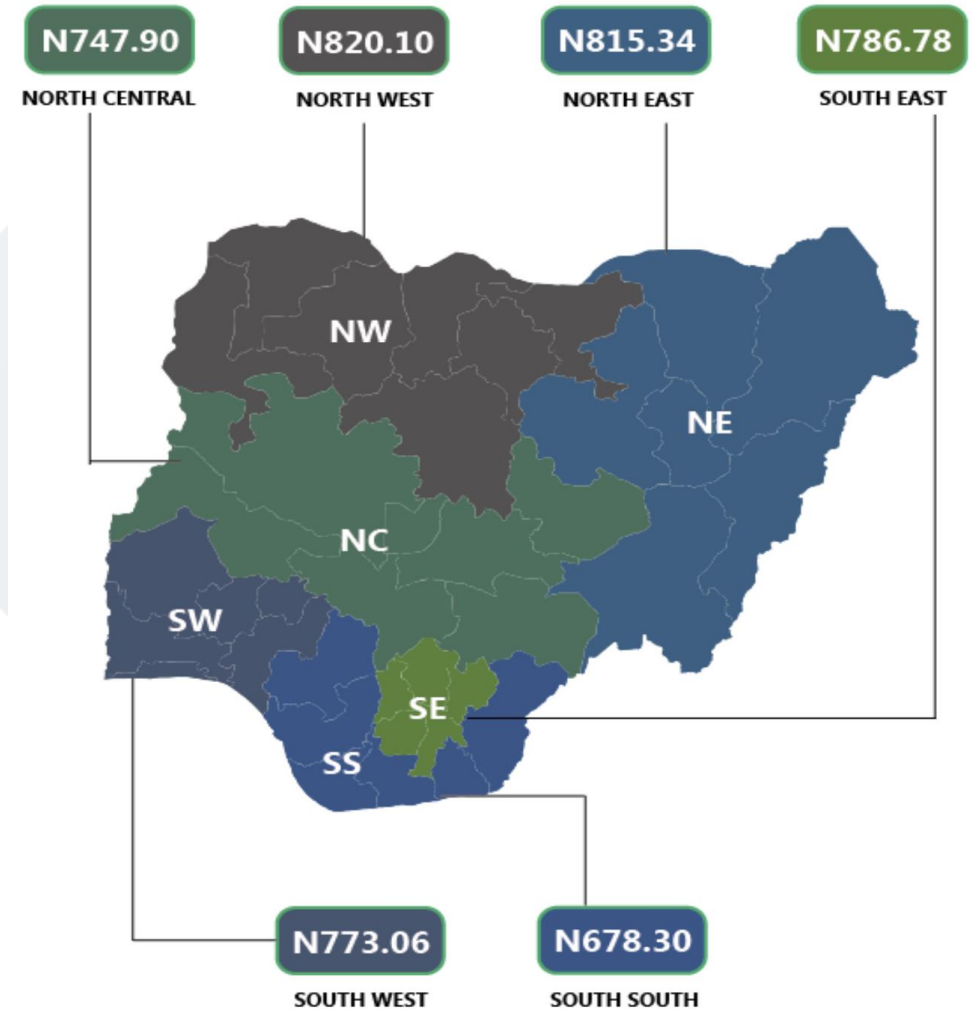


- The narrowing gap between diesel and petrol prices post-deregulation signifies a shift towards a more market driven price
 - Influenced by global dynamics and local economic conditions
- However, the higher energy cost has renewed inflationary pressures in the country

DIFFERENTIAL PETROL PRICING IN NIGERIA

- The average petrol prices in different zones of Nigeria show significant variations
- Ranging from N678.30/litre in SS to N820.10/litre in NW in July'24
- Several factors contribute to these disparities including:
 - Distance from distribution centres
 - Poor road infrastructure & pipeline networks
 - Insecurity & pipeline vandalism (risk premiums)
 - Demand-supply dynamics (scarcity in the northern region compared to the southern parts)
- Contributes to varying commodity prices across the region
- Efficient pipeline networks will eliminate the transport cost and impact of delays on petrol prices

Average PMS prices across zones in Nigeria – July 2024



Source: NBS

CRISIS OF FALSE EXPECTATIONS

Factors that will determine the price of petrol



Global oil prices



Exchange rates movements



- Refining cost
- Transportation and logistics cost



Taxes & levies



Naira crude oil sales

- Dangote refinery is not a silver bullet
 - Guarantees quality supply but not lower prices
 - Will eliminate fuel shortages and queues across the country
- Dangote will not produce below his marginal cost

IF PETROL PRICES INCREASE FURTHER, IMPACT ON...

Markets

- Inflationary pressures
- Reduced consumer disposable income
- Lower consumer demand
- Supply chain disruptions

Investors

- Inflation will put pressure on the currency
- Investors will become wary of sectors affected by low consumer demand due to petrol price increase

Businesses/corporates

- Increased cost of production
- Reduced output
- Shift to alternative sources of energy like solar
- SMEs will be hit the hardest due to lower capital reserves and less ability to absorb increased costs
- Shutdowns or job losses

FLOOD ALERT – WE ARE HERE AGAIN!

2022

- 33 out of 36 states are affected
- Mostly agrarian and oil-producing states - Anambra, Bayelsa, Cross River, Delta, Rivers & FCT
- Over 600 people dead
- Over 1.4mn displaced
- Over 2.5m people affected

2024

- Maiduguri, Borno State capital experienced extreme flooding
- When the Alau Dam overflowed due to heavier-than-usual rainfall
- According to ReliefWeb, so far, about 40 people have been confirmed dead
- 400,000 displaced and over one million people affected

Flood alert!

The Nigerian Hydrological Services Agency (NHSA) issued warnings regarding potential flooding in 11 states following controlled water releases from the Lagdo Dam in Cameroon

Communities along the Benue River are to take precautions

AFFECTED STATE, THE PECULIARITIES & IMPACT

	Commodities produced	Economic impact of flooding
Maiduguri, Borno State	<ul style="list-style-type: none"> • Maize, millet, cowpea, groundnut and vegetables • Borno is a major supplier of cattle in Nigeria, with a significant livestock market in Maiduguri 	<ul style="list-style-type: none"> ✓ Worsen food security crisis ✓ Health challenges ✓ Offset the harvest season impact on inflation ✓ Exacerbate inflation ✓ Increase poverty levels ✓ Infrastructural damage and increase in logistics costs

Infrastructure damage – six collapsed bridges in the North-East due to flood have severely affected the region

Impact on logistics



- Transport costs have increased significantly
 - Maiduguri to Geidam – **From N6,000 to N16,000**
 - Maiduguri to Kano – **From N12,000 to N20,000**
 - Geidam to Damaturu – **From N4,000 to N13,000**



MARKETS & INVESTOR RESPONSE







KEY MARKETS



COMMODITIES MARKET



GLOBAL COMMODITIES UPDATE

Some Key Commodities	August 2024	September 2024	% Change
Oil	\$78.88pb	\$73.15pb	7.26 
Cocoa	\$7,262/mt	\$7,515/mt	3.48 
Wheat	\$543.68/bushel	\$574.73/bushel	5.71 
Corn	\$397.44/bushel	\$408.97/bushel	2.90 
Sugar	\$18.42/pound	\$20.37/pound	10.58 
Gas	\$2.09/MMBtu	\$2.32/MMBtu	11.00 
Average			6.28



Five of the tracked global commodities have seen price increases

With three—wheat, corn, and sugar—being major imports for Nigeria

As the costs of these essential food items rise globally, Nigeria will face higher import bills

Pushing up imported inflation

GLOBAL COMMODITIES OUTLOOK - EIU

Oil



- Oil prices will be volatile in the months ahead owing to geopolitical threats and concerns about growth in China and the US
- Will average \$83.1pb for 2024 and \$81.3pb for 2025

Grains



- Grain prices are set to stabilize at their current elevated levels in 2025-26
- Owing to adequate supply and a tepid outlook for global demand

Cocoa



- Cocoa price will fall to an average of \$5,250/tonne in 2025 but remain above historical levels
- Driven by the assumption that a La Niña weather cycle continues to disrupt weather and output

Sugar



- Average sugar prices will decline by 14.2% in 2024
- Will continue to weaken in 2025 and 2026
- Due to expectation of bumper export volume from Brazil

A top-down view of a desk with a tablet displaying a candlestick chart. The chart is overlaid with a dark rounded rectangle containing the text 'FOREX MARKET'. The desk also features a cup of coffee, several pens, and sticky notes.

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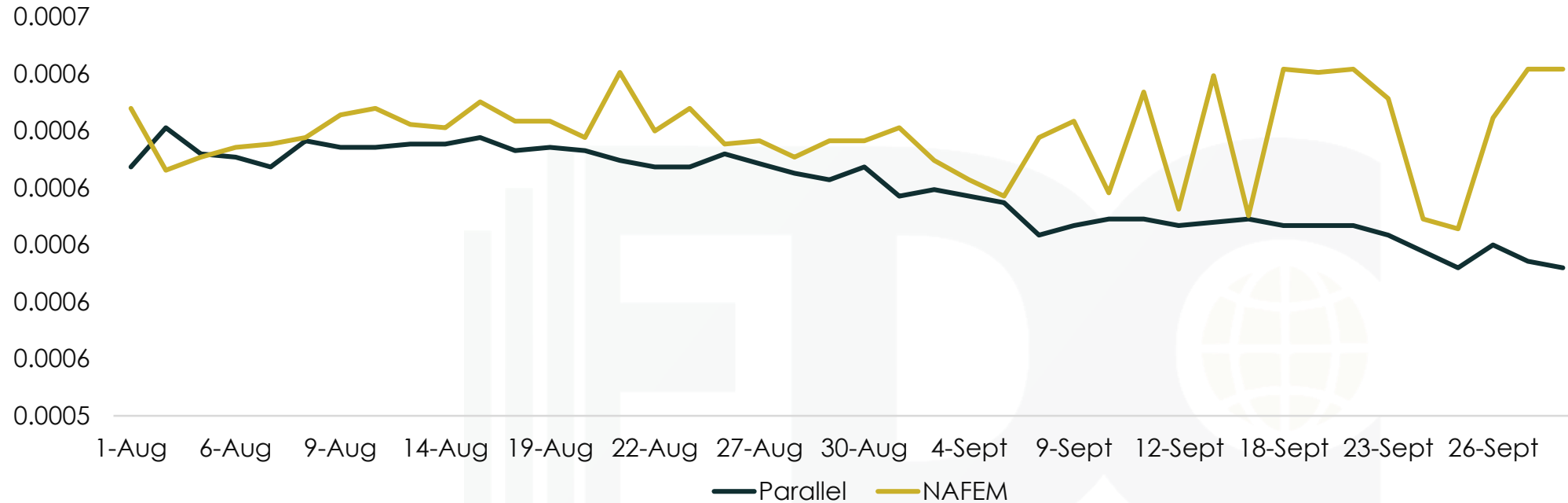


**INTERCONTINENTAL
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THE NAIRA UNDER RENEWED PRESSURE

Exchange rate (N'/\$)



Source: FMDQ, FDC Think Tank

- Persistent forex demand stemming from stockpiling ahead of the festive season, high import demand, and speculative activities have renewed pressures on the naira
- The naira fell to a low of N1,700/\$ at the parallel market on September 30



POLICY RESPONSES HAVE LIMITATIONS

Intended impact

Restrictive Monetary Policy

MPR = 27.25%

- Increase in the propensity to save
- Decrease in the demand for dollar
- Increased forex inflows

Retail Dutch Auction

Sold \$876mn in the first auction

- Enhance market transparency
- Allocate foreign currency efficiently
- Discourage speculative activities

Domestic Dollar Bond

\$2bn bond program

- Attract foreign investment
- Increase foreign currency reserves
- Enhance investor confidence

Limitations

- Time lag effect
- Weak transmission mechanism

- Frequency of the auction
- Since the introduction of the RDAS, only one auction has been conducted

- Frequency of the bond issuance
- Fund allocation to critical sectors
- Limiting the impact on the naira

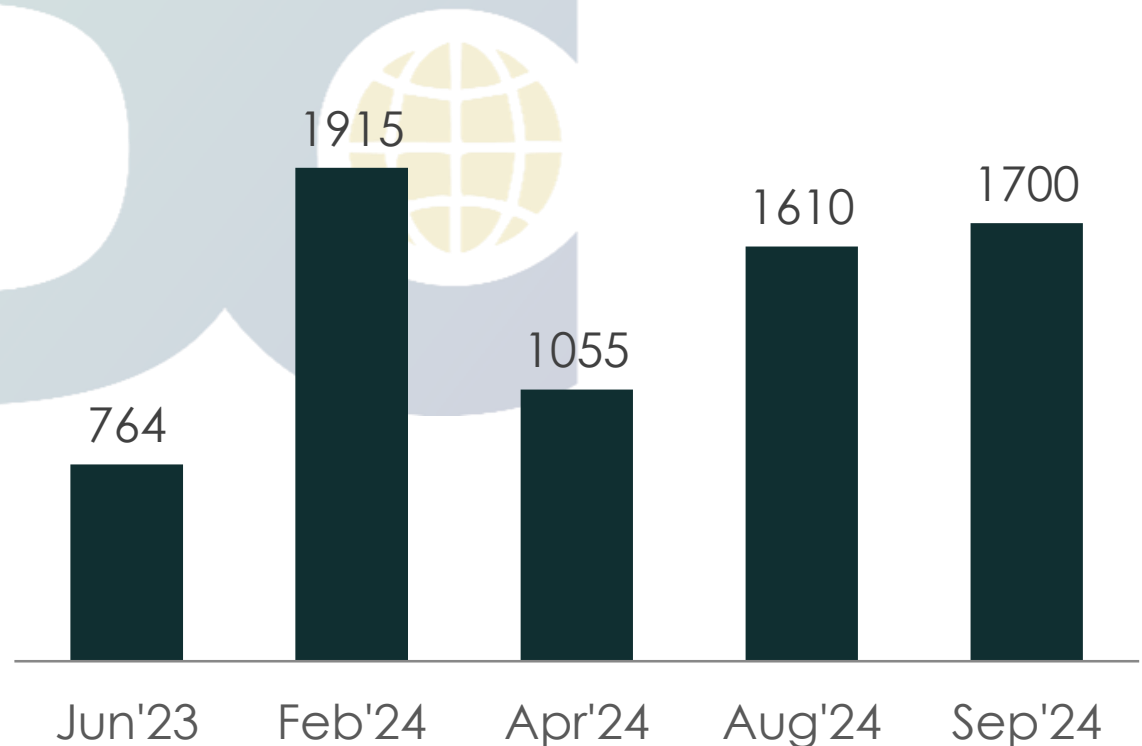
- A scheduled and systematic forex supply program could provide the much-needed support to stabilize the naira

THE FAIR VALUE OF NAIRA TODAY

Purchasing Power Parity			
	=N=	Sep-24	
		US \$	PPP ('=N=/US\$)
Bottle of Pepsi (50cl)	400	0.83	481.93
Heinekin Beer (60cl)	855	1.33	642.86
Hamburger (Burger King)	9,900	6.99	1416.31
Movie tickets (non-blockbuster)	7,000	9.95	703.52
HP Pavilion 14 X360 (12 gen, core i13,	1,450,000	629.99	2301.62
Diesel Price (1 litre)	1,170	0.96	1218.75
Vegetable oil (5 litres)	8,000	43.00	186.05
Indomie (1 unit)	300	0.67	447.76
Nestle Bottled Water (60cl 1 unit)	300	0.28	1071.43
Big Loaf Bread	1,600	3.42	467.84
Corrola (2023 Model)	50,000,000	22795.00	2193.46
Irish Spring Soap (1 cake)	1,350	3.13	431
Chicken Breasts (1 kg)	5,800	1.81	3204.42
Trolley	2,500	6.02	415.28
Peak evaporated milk (pack of 24)	18,600	24.99	744.30
Uncle Ben's rice (5.44kg 1 pack)	26,000	18.00	1444.44
Eggs (30 large eggs)	4,800	14.79	324.54
Medicine (Panadol extra 50 caplets)	11,700	14.17	825.69
Shoes (Loafers)	25,000	16.49	1516.07
Note book (hard cover)	2,400	1.97	1218.27
Average PPP			1062.79
Naira Price at NAFEM			1540.78
PPP (%)			
Decision: Naira is		Undervalued	-31.02%
Spot Rate (Parallel)			1,700
Outcome: Compared to NAFEM rate of N1,540/\$1, the Naira is undervalued by 31.02%			

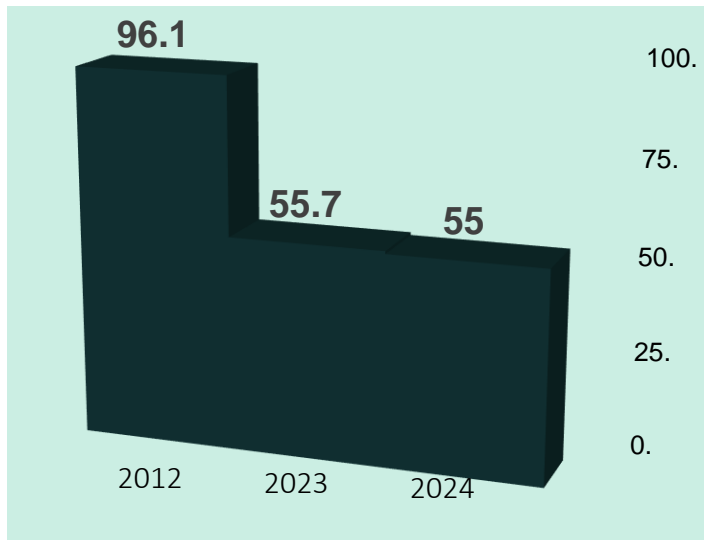
- The naira is undervalued by 31.02%
- Where will the naira likely settle?

Parallel Market Rate (N/\$)



EXTERNAL IMBALANCES...1/2

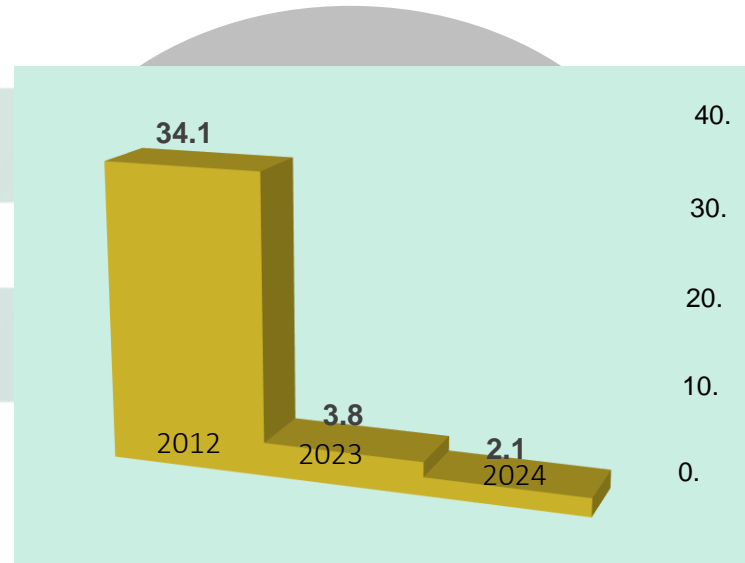
Exports



- Exports has fallen by 42% since 2012
- Due to decline in total factor productivity
- Decrease in oil output

Currently at 21% of GDP

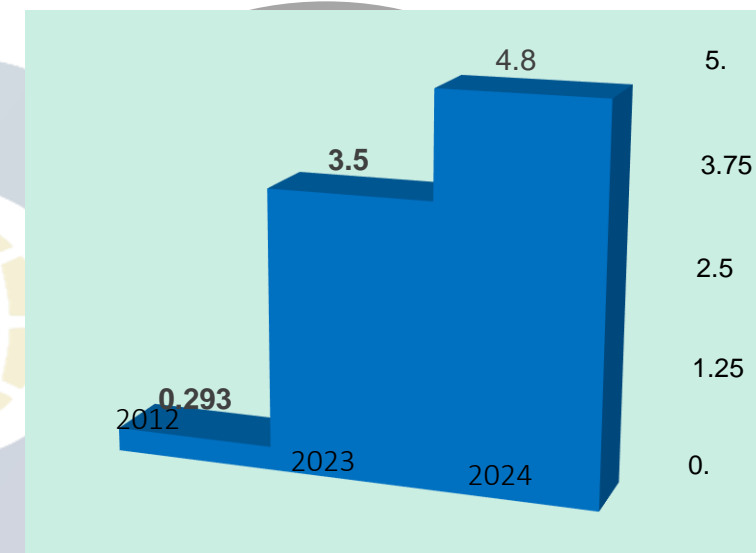
Trade Balance



- Trade balance has worsened since 2012,
- Due to rising imports and falling export

Currently at 0.02% of GDP

External Debts Service

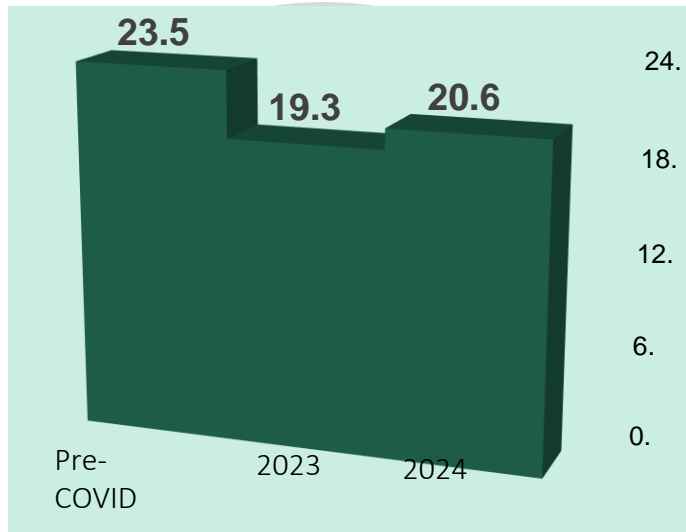


- External debts have risen by more than 500% since 2012
- Repayment and debt service obligation puts pressure on the FX

Currently at 95% of exports

EXTERNAL IMBALANCES - ... 2/2

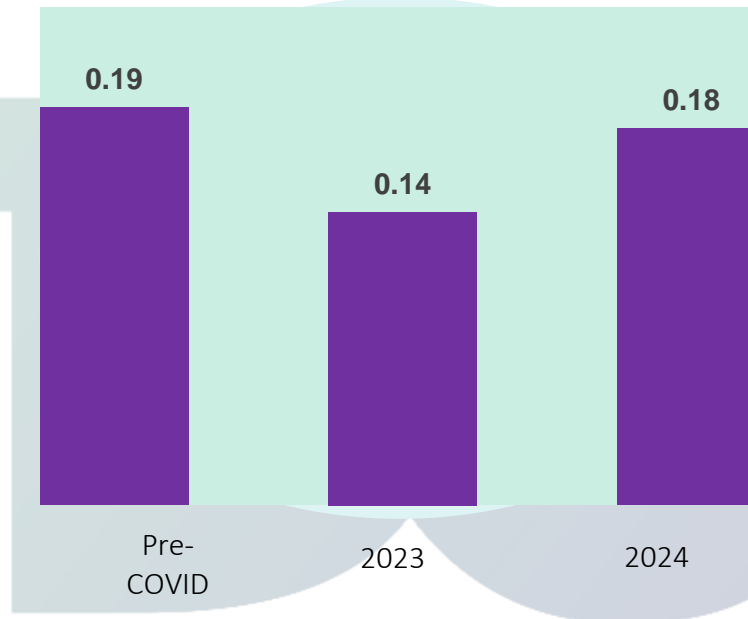
Remittance Inflows



- Diaspora remittance has remained resilient
- Averages N20bn (35% of exports) in the past 5 years.

Currently at 35 % of Exports

Net FDI Flows (as % global Flows)



- Nigeria's share of global FDI is projected to increase to 0.18 in 2024

Currently at 0.48% of GDP

WHAT NEXT?

Short-term measures

Scheduled and programmed approach in forex interventions

Increase dollar liquidity

CBN keeps interest rates elevated until 2025

Long-term measures

Improving Transparency in FX markets

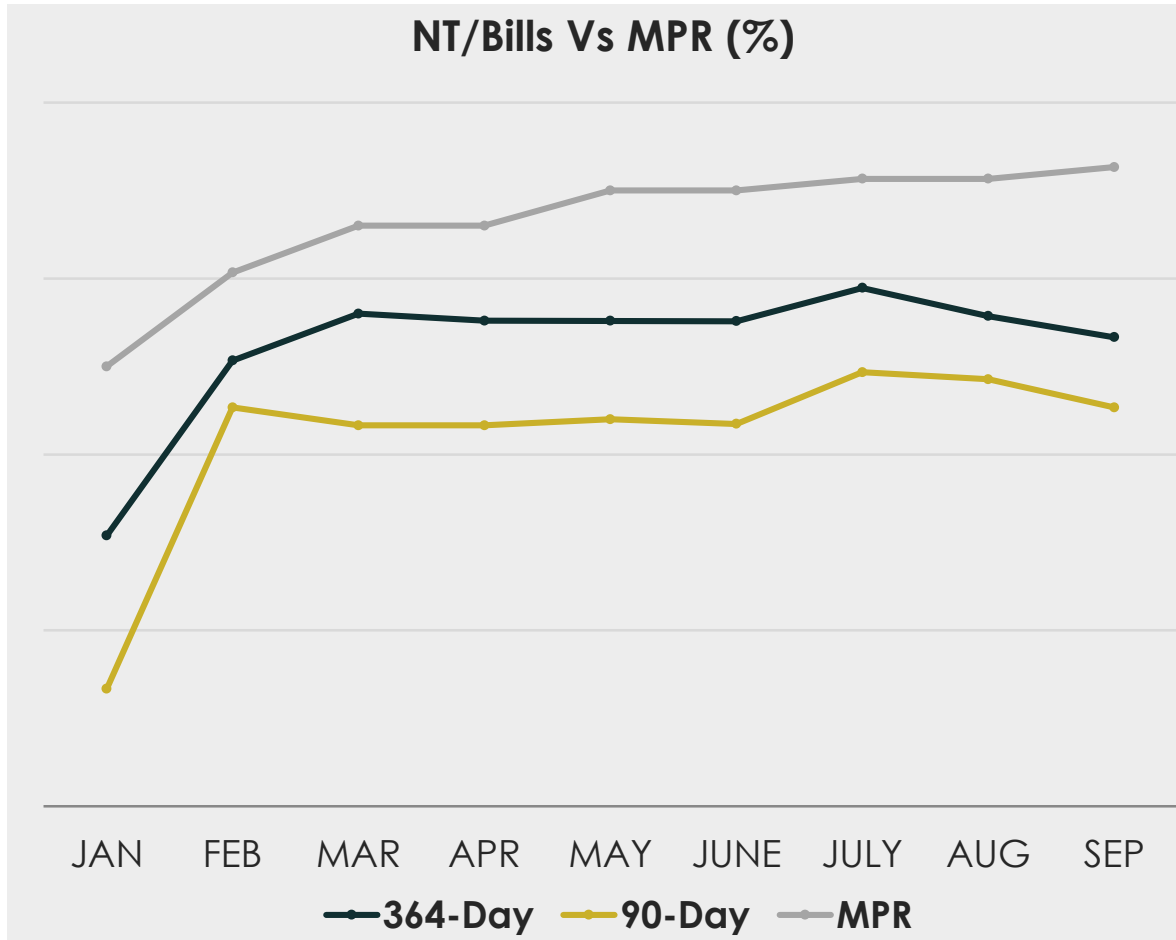
Improve the external sector by boosting exports

Structural reforms



MONEY MARKET

NIGERIAN T/BILLS MOVE IN TANDEM WITH MPR HIKE



- Yields on Nigerian treasury bills moved in tandem with the MPR hike
- Money market instrument yields at the primary markets remain attractive
- An average of 17% for the short-dated instrument relative to a 2.05% return in the stock market



NIGERIAN MONEY MARKET OUTLOOK - OCTOBER 2024

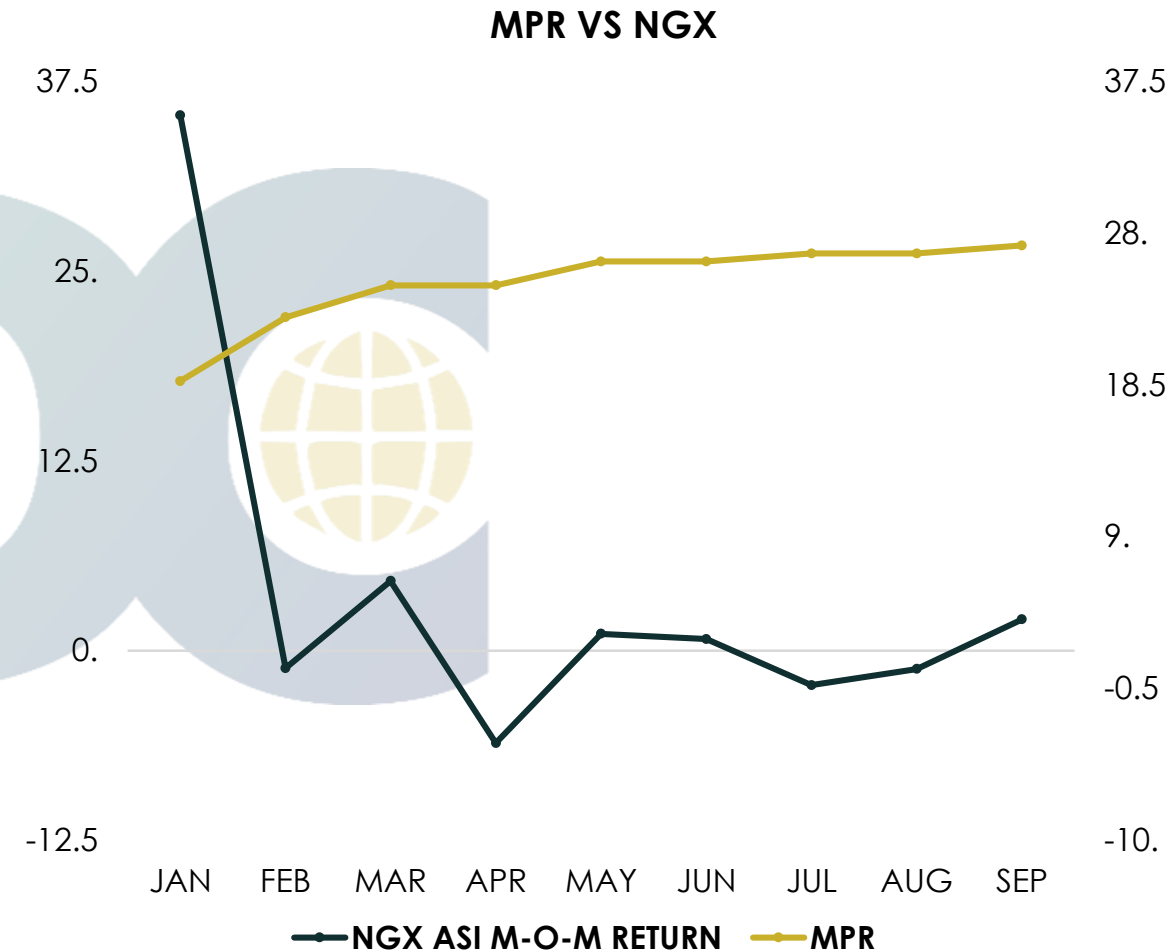
- Higher yields will make T-Bills more attractive to both domestic and foreign investors
 - Potentially leading to increased demand for these securities
- This could result in oversubscriptions at upcoming auctions, similar to recent trends where T-Bills have seen substantial investor interest
- Investors may favor T-Bills over longer-term investments due to inflation and economic uncertainty
- This shift could lead to a more pronounced increase in T-Bill rates as demand surges
- The CRR hike to 50% will tighten liquidity in the banking system, raising borrowing costs in the interbank market
- As T-Bill yields rise, commercial banks may increase lending rates, making borrowing more expensive for businesses and consumers

STOCK MARKET



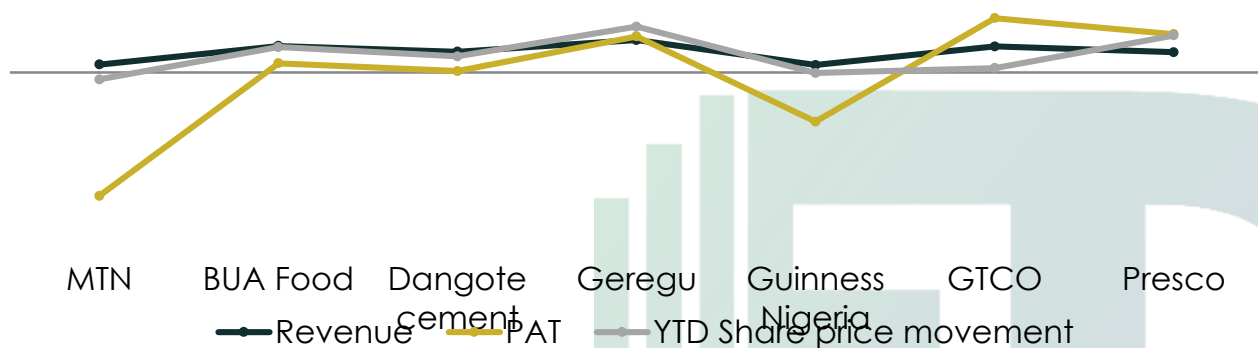
HIKE IN MPR - IMPACT ON THE NIGERIAN STOCK MARKET

- There is an Inverse relationship between a hike in the MPR and the NGX
- For every hike in monetary policy rate, there is a decline/slow demand for equities
- Elevated interest rates limits the amount of capital accessible for investing in equities
- Increased interest expense on loans
- Weak asset quality results in weak investor sentiment
- Limits businesses from taking on new projects resulting in slower growth and lower earnings



EARNINGS TRAJECTORY AND SHARE PRICE MOVEMENT

Earnings Trajectory and Share Prices

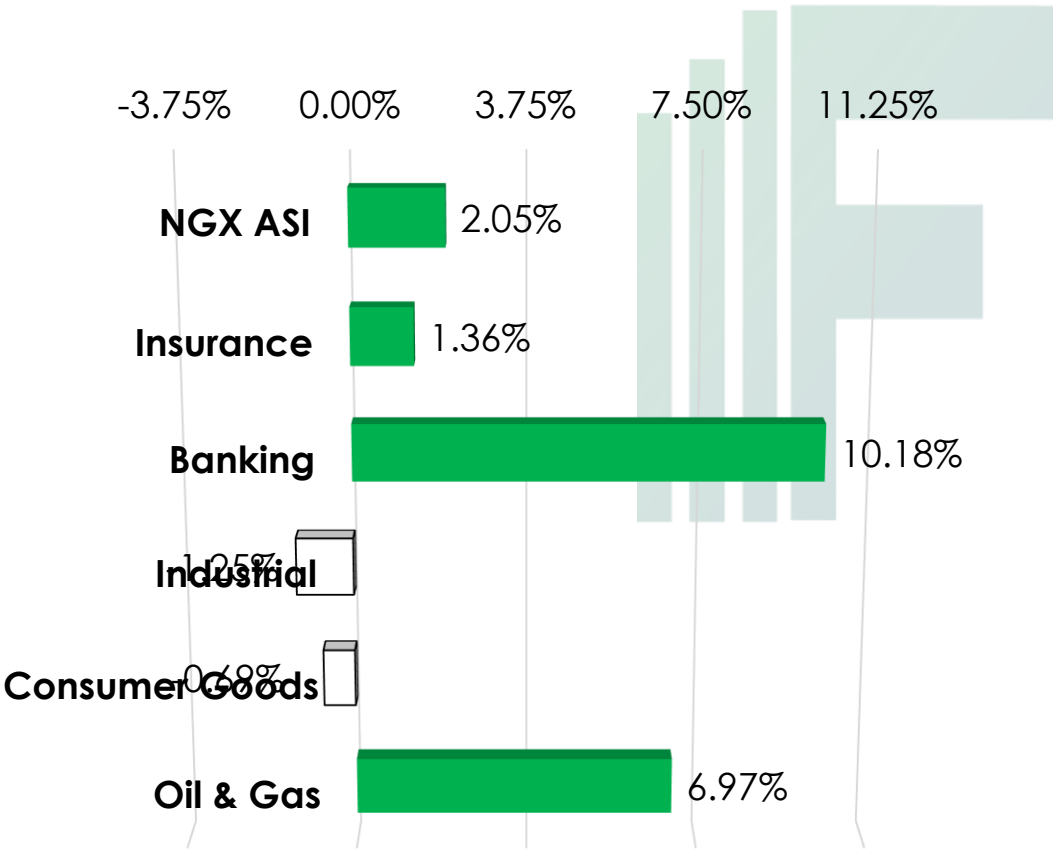


- Share price growing faster than earnings and profitability
- Companies with negative bottom-line growth suffer a share price downturn and vice versa
- Particularly sectors prone to FX woes

Stocks	Revenue Growth	PAT Growth	YTD Share price movement
MTN	33%	↑ 504%	-27.70%
BUA Food	109%	38%	104%
Dangote cement	85%	6.33%	66.30%
Geregu	133%	148%	188%
Guinness Nigeria	31%	-201%	-1.52%
GTCO	107%	223%	18.50%
Presco	83%	157%	152%
Avg Growth	83%	-19%	71%

NGX PERFORMANCE

Sep'24



- The Nigerian equities market bounced back to a positive territory in September 2024 (2.05%)
- Underpinned by gains in the banking space
- Capital-raising activities drove increased participation and renewed sentiment within the sector
- Industrial sector topped the laggards
- Profit-taking activity among top players (Dangote and BUA Cement)



NIGERIAN STOCK MARKET OUTLOOK - OCTOBER 2024

- Continuous monetary policy tightening poses a threat to the NGX's profitability in October 2024
- Institutional investors will redistribute assets, tilting towards higher return on investment
- As high interest rates remain persistent, the attractiveness of fixed-income securities appreciates
- Prompting institutional investors' exodus from Nigerian equities
- Average dividend yield on capitalised stocks on the NGX is 5.00% , significantly lower than the yield on a 365-day N/Tbill (18.59%)
- High borrowing cost will hamper corporate margins and share price valuation
- Investors may deepen position in the banking space as they benefit from higher returns on investment securities and high interest income



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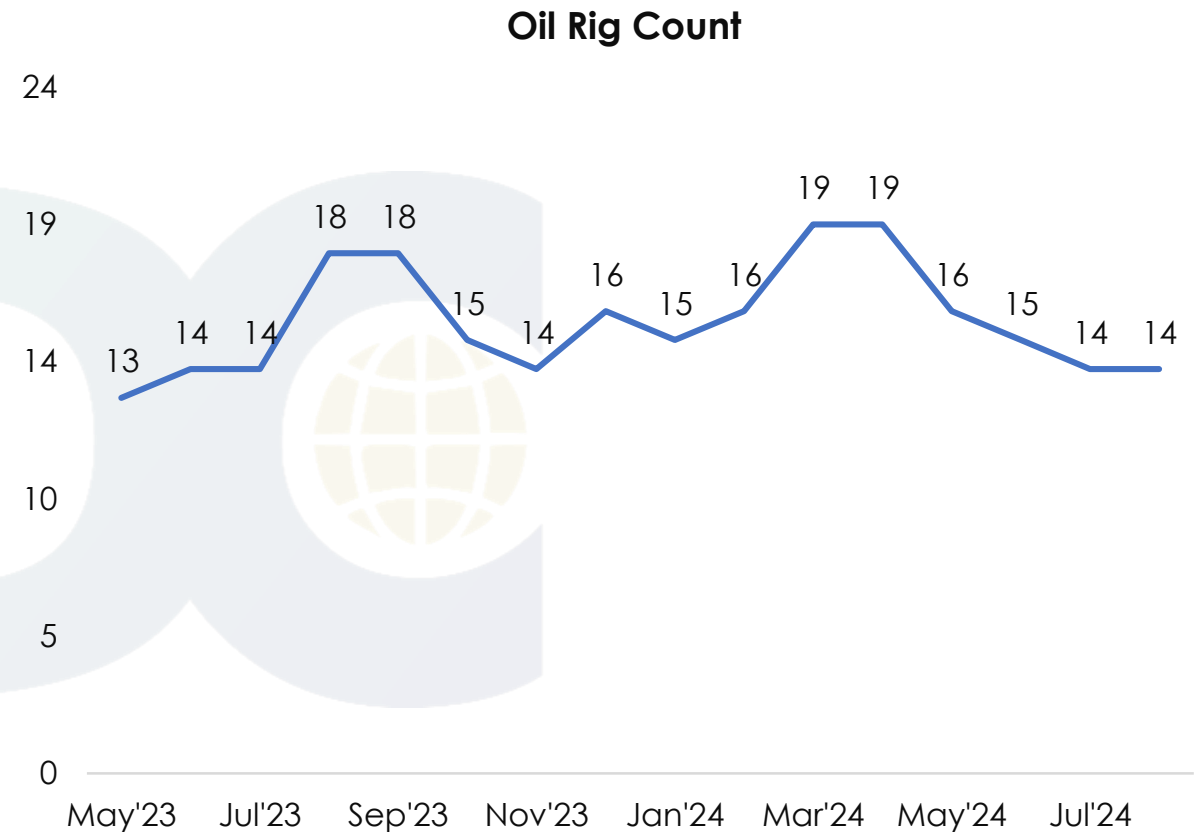
 <https://m.me/ubachatbanking>
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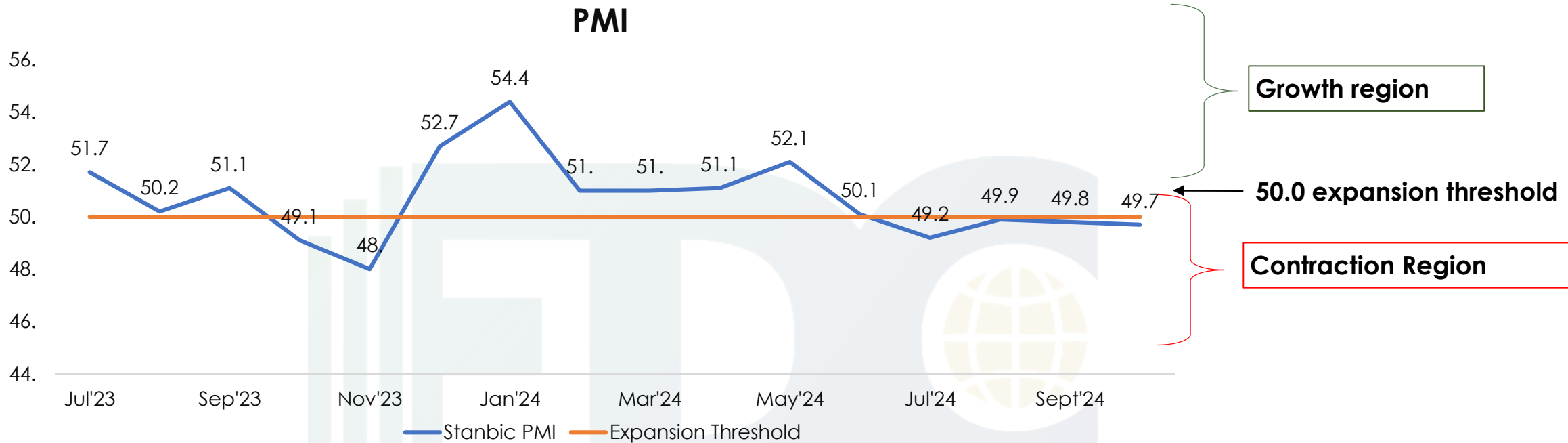
MARKET PROXIES

OIL RIG COUNT STAYED FLAT IN AUGUST

- Nigeria's oil rig count remained unchanged in August at 14
 - As long-term underinvestment lingers
 - Oil theft & vandalism severely impact production capabilities
 - Market dynamics as investors shift focus towards other African countries like Namibia & Angola
- Growth is possible if infrastructure and security issues are addressed, along with effective reforms



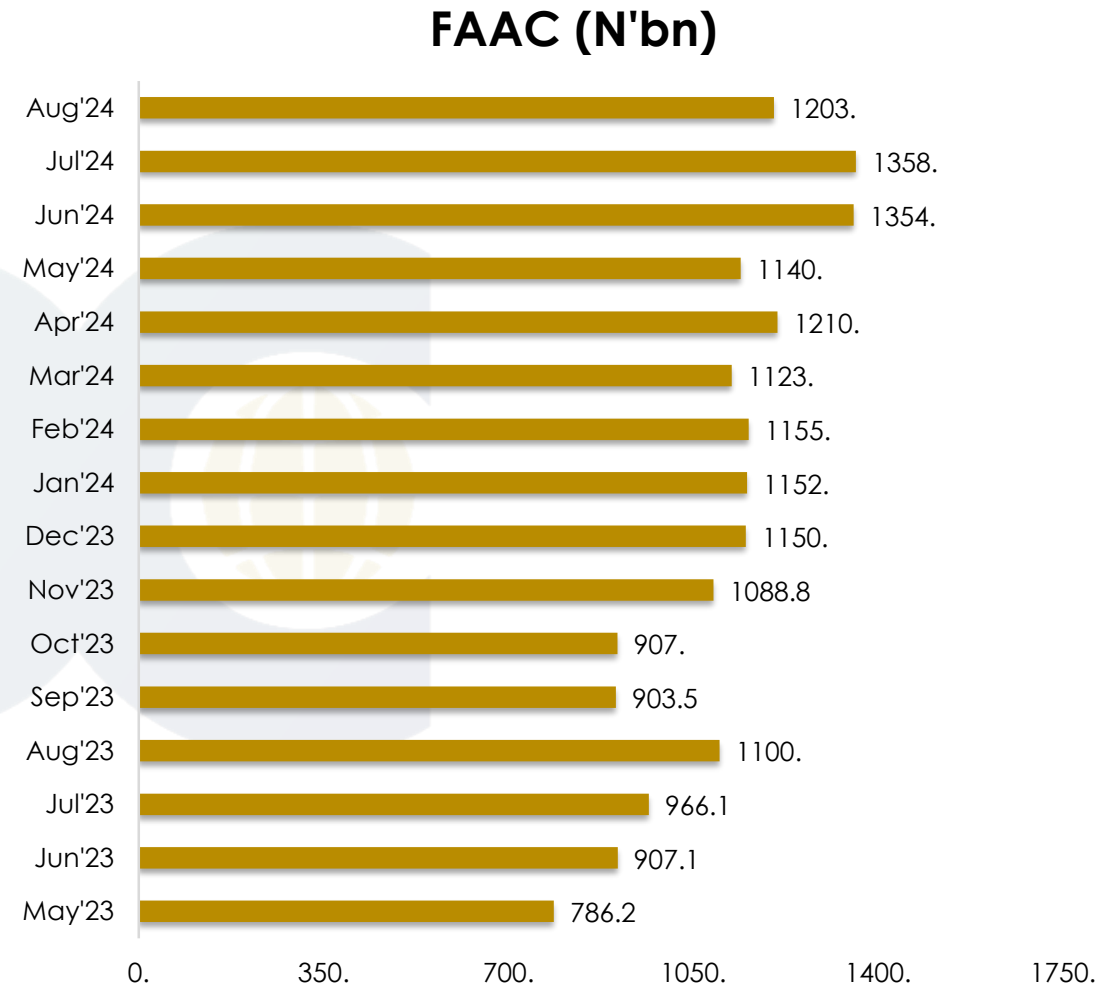
HIGH BORROWING COST WILL SHRINK PRIVATE SECTOR ACTIVITIES



- Private sector activities contracted for the second consecutive month to 49.8 in September 2024
- Down 0.2% from 49.9 in August 2024
- The decline is largely attributed to weak consumer demand and rising cost of inputs, amid the lingering inflationary pressures
- Activities are projected to fall further to 49.7 in October 2024 due to the high interest environment and expected rise in inflation

FAAC REVENUE DIPPED IN AUGUST

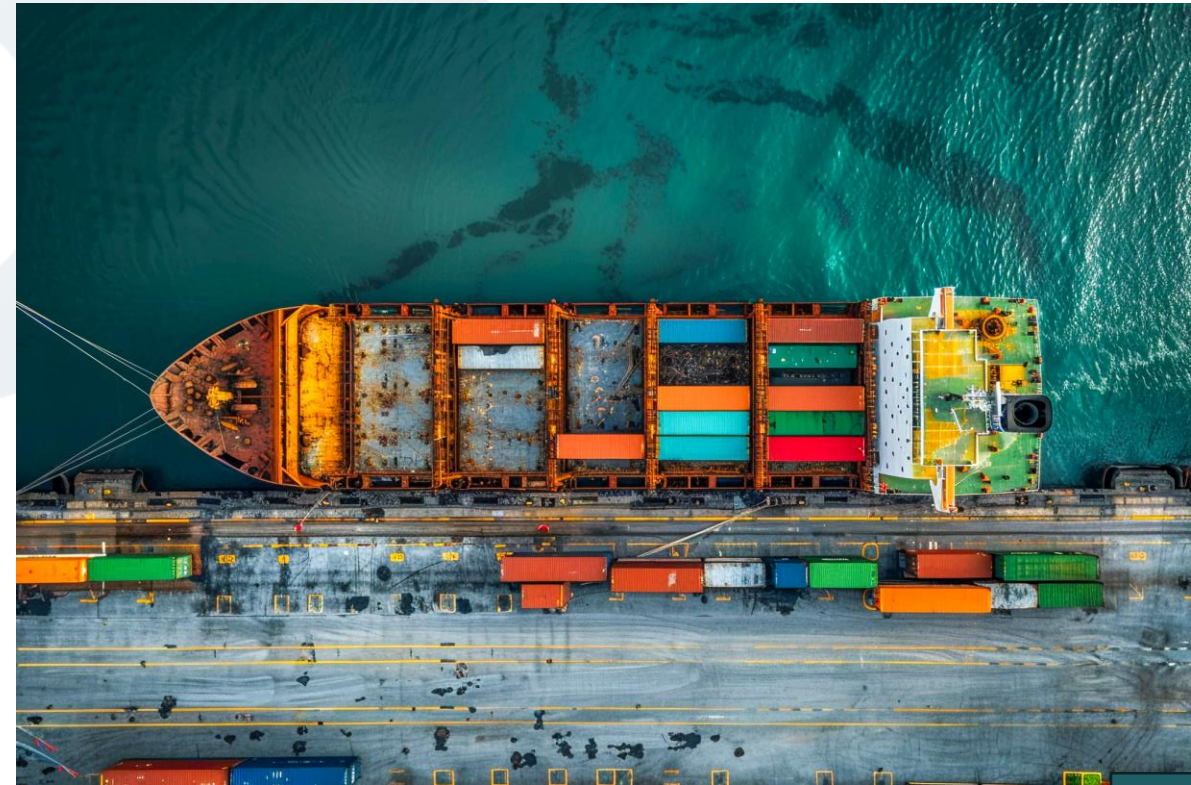
- FAAC disbursement dropped by 11.76% to N1.20 trillion in August from N1.36 trillion recorded in July
- Exchange difference revenue witnessed the largest fall in August to N468.25, a 19.50% decrease from N581.71 billion in July
- Additionally, oil and gas royalty, petroleum profit tax (PPT), VAT, import & excise duties, electronic money transfer levy (EMTL), CET levies & Companies Income Tax (CIT) witnessed declines
- However, FAAC allocations may increase in the near future due to the expectation of higher oil prices



SHIPS AWAITING BERTH

- Ships awaiting berth increased in September by 10% to 22 from 20 recorded in August
- This increase occurred majorly at Lagos ports due to
 - High utilization of terminal yards
 - Breakdown of cranes
 - Long truck queues which delayed operations for shipping liners
 - Additionally, the influx of vessels strained the already congested port facilities

Aug'2024	Sept'2024	% change
20	22	10%

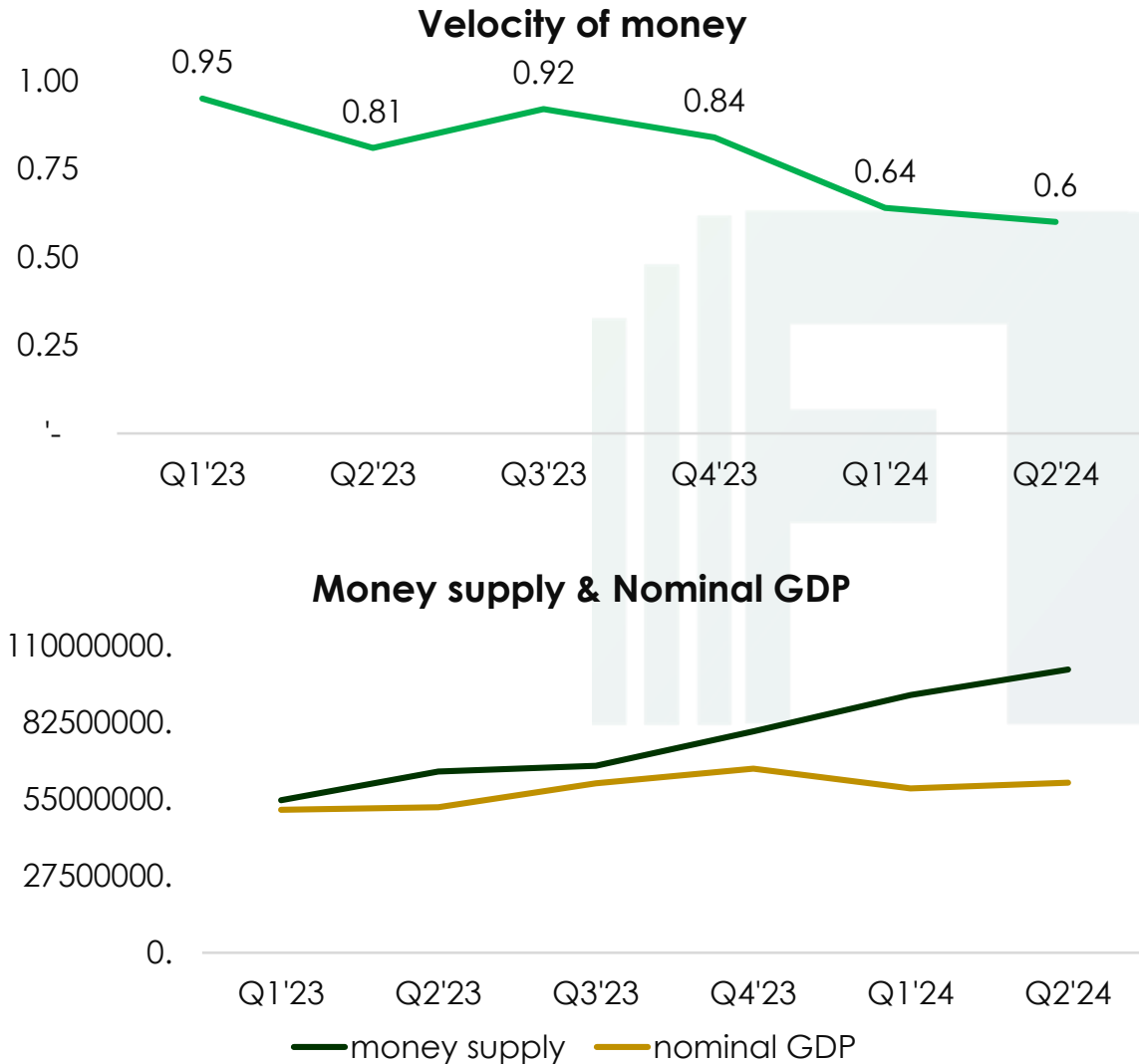


VALUE OF TRANSACTIONS

- Total value of transactions increased by 5.05% to N260.10 trillion in Q2 2024 from N247.60 trillion in Q1 2024
- This rise was driven by high inflation, which reduced consumer purchasing power and spending
- Increased consumer confidence in digital payments and advancements in financial technology led to growth in NIP (Nigeria Interbank Payment) and NEFT (National Electronic Funds Transfer) transactions
- POS (Point of Sale) transactions declined slightly by 0.11% in Q2 2024
- The largest drop occurred in April 2024, where POS transactions fell by 21.95% to N811.78 billion from N1.04 trillion in April 2023

Mode of payment	Q1'24 (N'bn)	Q2'24 (N'bn)	Change (%)
NIP	234,495.91	242,392.80	3.37
POS	2,614.13	2,611.19	-0.11
NEFT	9,631.48	14,274.65	48.21
CHEQUES	855.24	825.38	-3.49
Total	247,596.76	260,104.03	5.05

RELATIONSHIP BETWEEN MONEY SUPPLY, VELOCITY OF MONEY & GDP



$$\text{Velocity of Money} = \frac{\text{Nominal GDP}}{\text{Money Supply (M2)}}$$

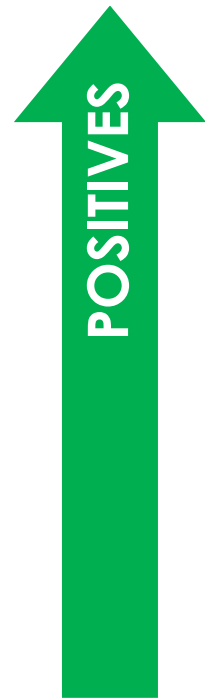
- While the economy is growing slightly and money supply rapidly, the speed at which money changes hands is slowing down
- In Q1'24, velocity of circulation declined for the third consecutive quarter to 0.60x in Q2'24 compared to 0.64x
- This points to underlying issues including inflationary concerns, weak demand, and higher savings due to interest rate hike



AVIATION AND TOURISM

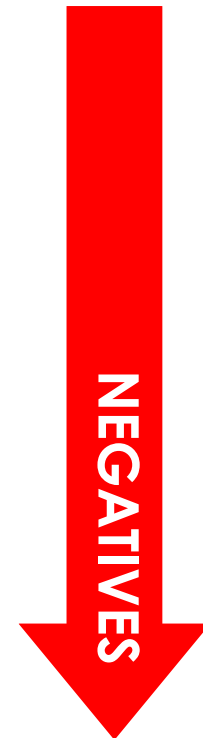
A STRONGER NAIRA: MIXED EFFECTS ON AIR TRAVEL

- The Naira is premised to gain against the dollar in Q4'24 driven by recovering oil prices and rate hikes



- Reduction in flight fares
- Increased Int'l. and local travel and tourism
- Increased passenger load factor

- Reduced inbound tourists
- Environmental impact
- Travel infrastructure strain



EMIRATES RESUMES DAILY FLIGHTS BETWEEN LAGOS & DUBAI

1 Emirates plans to resume **daily flights** between Lagos and Dubai, after a near **two-year suspension**

2 The service will entail **8 First Class suites, 42 Business Class seats** and **304 Economy seats**

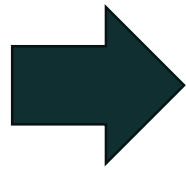
3 Emirates SkyCargo will offer **300 tonnes of belly hold capacity** in and out of Lagos **every week**

4 Emirates' cargo arm will offer export availability into key markets such as the **UAE, Malaysia, Hong Kong** etc.



PRIVATE AVIATION FOSTERS BI-LATERAL RELATIONS

TIMELY DEMAND



PRIVATE CHARTER



DESTINATION



- China is Africa's largest trading partner, accounting for 20% of exports and 16% of its imports
- Growing regional trade and forums facilitates increased demand for mobility, flexibility and safety
- This is provided by private charters readily on demand such as Visa Jet, utilized by political leaders

TAPERED DEMAND COULD SLOW AVIATION GROWTH

- Airlines have begun to increase fares to remain profitable
- Average fares have increased by 25.5% to N123,700 in August compared to N79,011 in July
- Air travel exchange rates depreciated by 3.3% m/m to N1670/\$ as of September 2024
- As a result, domestic air travel could witness dampened growth in Q3 and Q4 2024



NIGERIA LOSES \$1 BILLION YEARLY TO MEDICAL TOURISM

- The global medical tourism market is projected to grow by 67.7% between 2024-2027 to \$78.8bn
- Nigeria's tourist arrivals are projected to grow by 28% from 4.85mn in 2023 to 6.22mn by 2027
- However, Nigeria's tourism sector loses over \$1.5bn due to outbound medical tourism, stemming from:

Costly supplies



Brain drain



Lack of medical technology



- **Investments in health position's Nigeria to tap from global \$78.8bn medical tourism market**



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CHAMPIONS LEAGUE – NIGERIANS LOSING THEIR SHINE?



Samuel Chukwueze, AC Milan
(earns \$4.84mn annually)



Ademola Lookman, Atalanta BC
(earns \$2.46mn annually)



Victor Boniface, Bayer Leverkusen
(earns \$2.20mn annually)



Nathan Tella
(earns \$1.94mn annually)



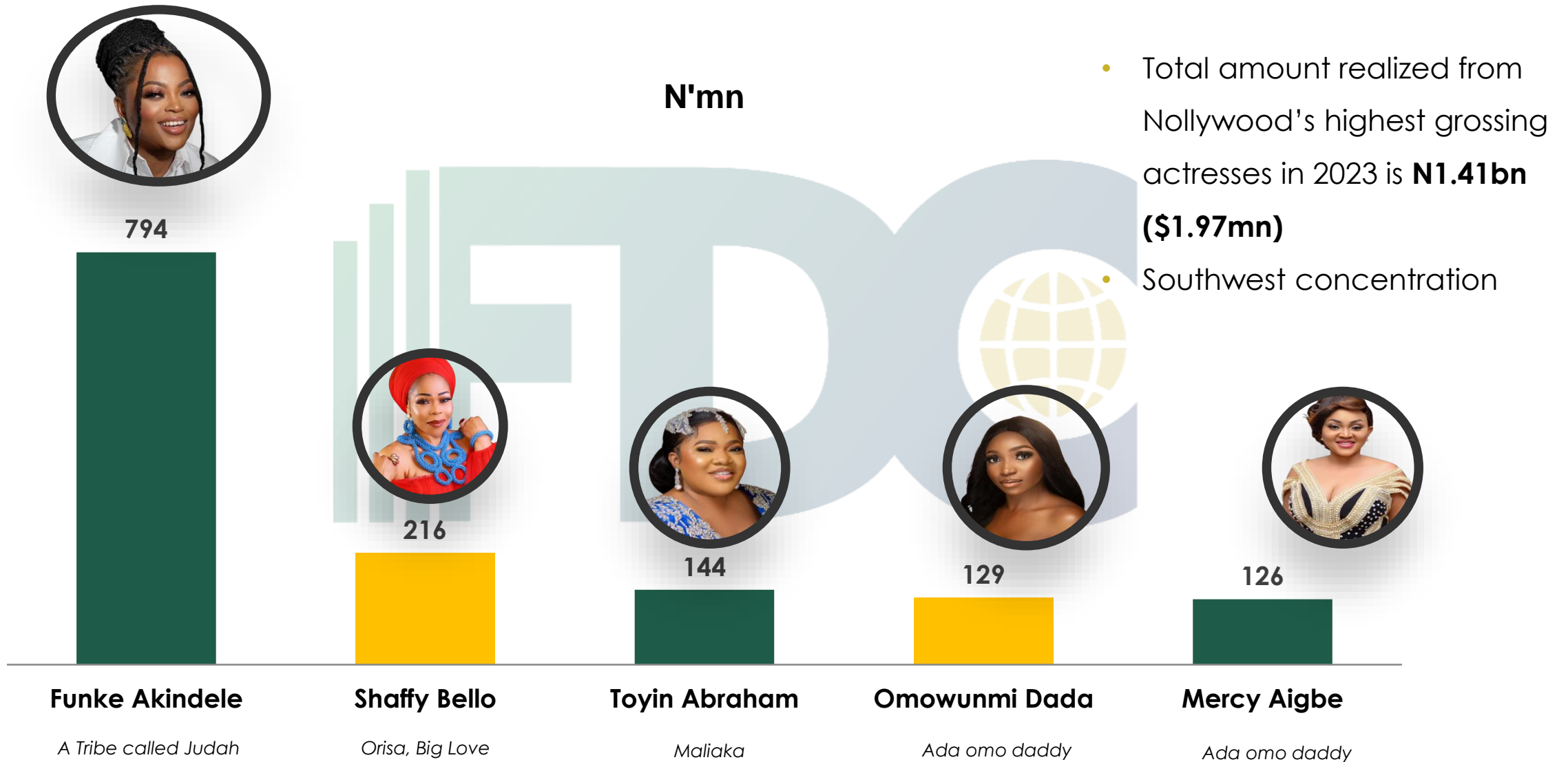
- The 2024/2025 UEFA Champions League began on September 17, 2024, and is set to conclude on January 29, 2025
- Notable Nigerians playing in the tournament include the 4 on this page.
- Total amount realized **\$11.44mn**

SPORT INDUSTRY SPOTLIGHT-VICTOR OSIMHEN



- Victor Osimhen is a Nigerian professional footballer who plays as a striker for Süper Lig club Galatasaray and the Nigerian national team
- He is currently on loan from Serie A club Napoli
- Osimhen began his football career at the Ultimate Strikers Academy in Nigeria before moving to Europe to play for several clubs
- His breakthrough came in 2015 when he led the Nigerian U-17 team to victory at the FIFA U-17 World Cup, where he won the Golden Boot and Silver Ball
- Osimhen has an estimated net worth of **\$10mn- \$12mn**
- Osimhen's annual salary is **\$16.96mn**

5 HIGHEST GROSSING NOLLYWOOD ACTRESSES IN 2023



AWESOME AGGREGATE IMPACT OF THE CREATIVE INDUSTRY

Diaspora Remittances from the Creative Industry

The influx of remittances from Nigerians involved in the global creative industry, could help stabilize the naira

Regionalization of Creative Industry Revenue


States where creatives originate can benefit directly from their earnings, spurring local economic growth and development

Competitive Advantage

Nigeria's diverse talent pool provides a significant competitive edge in the global creative economy, positioning the country to attract substantial investment in this sector



CREATIVE INDUSTRY TRENDS TO WATCH

- In Africa, YouTube offers a new kind of news, empowering local creators and independent journalists
 - Amazon is currently known for the worst Hollywood shows, but praised for its successful business model
 - Platforms like TikTok and Instagram offer monetization tools, allowing creators to turn content creation into full-time careers
 - Afrobeats continue to dominate global charts, solidifying its place in mainstream music culture
 - Netflix and Spotify lead in global content distribution
- 

LOOK OUT FOR THESE



Ballon d'Or

The 2024 Ballon d'Or awards ceremony will take place on the 28th of October, at the Théâtre du Châtelet in Paris. Nigerian footballer **Ademola Lookman** has been nominated for an award



BET Hip Hop Awards

The 2024 BET Hip Hop Awards, the 18th edition, will take place on October 8, recognizing the best in hip hop. Nigeria's very own **Burna Boy** and **Odumodublvck** have been nominated



**POLITICAL
UPDATE &
OUTLOOK**

AXIS OF POLITICAL RESISTANCE IN NIGERIA – BREWING AGAIN



The usual suspects

POLITICAL UPDATE – PRE-AMALGAMATION (1914)

- The axis of political resistance in Nigeria is not in the Southeast
- Nigerian elites are generally conformist and meek
- Not known to disrupt the status quo or rile authority
- The areas of national resistance in Nigeria are Benin, Kano, Ibadan
- Surprising not in the Southeast
- These areas have strong monarchies and are politically sophisticated
- Fighting the British
 - Ovonramwen of Benin 1896
 - Nana of Warri 1894
- Kano resistance to the British army in 1903 - Battle of Kano
- Ibadan - the termination of the Fulani Jihad in 1840



POLITICAL UPDATE – POST INDEPENDENCE

- In Kano: Maitasine riots between 1980 - 1985
- In Ibadan: Agbekoya – sacking of Agodi prison in 1969
- First student killed by police on protest: Adekunle Adepeju in 1971
- Benin has been the bastion of the resistance against dictatorship
- Biafrans overran the Midwest region in August 1967 – declared the Republic of Benin
- Nigerian army led by Murtala Muhammed recaptured Benin City on Sept. 20, 1967
- September 21, Murtala appoints Samuel Ogbemudia as military administrator
- After chasing the Biafran army away
- Exactly 58 years later, the Edo state election: Sept. 21, 2024
- April 1, 1990, Ebony riots started in Benin City against IBB misrule
- Lawrence Anenih, the Robin Hood armed robber stealing from the rich to empower the poor
- Seen as many as a socialist resistance
- The battle against Godfatherism started in Edo, followed by the demolition of structures of oppression



POLITICAL UPDATE – POST INDEPENDENCE

- The axis of resistance has been consistent in its struggle
- The 1959 general elections
- Kano – NEPU- Northern Elements Progressive Union led by Aminu Kano
- Challenged the dominant Northern Peoples Congress
- In 1979 - the People Redemption Party challenged the WPN
- Again, under Mallam Aminu Kano and Balarabe Musa in Kaduna
- Now coagulating around the NNPP
- Fighting the dominant APC



POLITICAL UPDATE - POST INDEPENDENCE

- Ibadan has been purely an opposition stronghold in the southwest
- Challenged the action group government led by Awolowo in 1950
 - Led by Adebabu and later by Adelokun Adedibu, etc
- Awolowo party never won any election in Ibadan till 1979 under Bola Ige
- Apart from Ajumobi, no governor in the old Oyo state won a second term
- Ibadan is the bedrock of opposition politics in Yoruba land
- Today it is a PDP state



POLITICAL UPDATE - POST INDEPENDENCE

Benin in 1959

- Benin was the nucleus of opposition politics
- It was strongly NCNC against the western region Action Group
- Led by OMO-Osagie the popular head of the Owegbe Cult
- Not until 1979 did Awolowo's UPN win in Benin City
- The Action group dominated Esan politics under Tony Enahoro
- In 2007, the stronghold of Anenih was broken by a coalition of forces
- The battle against Godfatherism continues till today



AXIS OF RESISTANCE -2027 & THE WEAPON OF POVERTY

- As the campaign for 2027 begins
- The axis of resistance cannot be ignored
- Any struggle against autocracy will start from there
- It is in the DNA of the people to fight dictatorship
- Better to woo them than to intimidate them
- The strategy will be to build a grand alliance for economic progress
- It is still early days but as they say it's the economy, stupid



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OUTLOOK – OCTOBER 2024



OUTLOOK FOR OCTOBER 2024

- September inflation numbers will come in above 32%
 - Mainly due to the high petrol price
- The CBN is likely to announce more forex auctions
- The naira will appreciate marginally towards N1,600/\$ in October
- The effect of the CRR increase on interest rates will push up borrowing costs to 33 – 35% p.a.
- The duty-waived imported commodities will start arriving at the end of October
- The default rate of loans will increase proportionately
- Forex losses due to the payment of backlog at the new exchange rate will hurt corporate performance



Doing what is right is no guarantee against misfortune

-William McFee

If A equals success, then the formula is A equals X plus Y and Z with X being work, Y play, and Z keeping your mouth shut

- Albert Einstein

Adversity makes men and prosperity makes monsters

- Victor Hugo



People who enjoy meetings should not be in charge of anything

- **Thomas Sowell**

Friends come and go but enemies accumulate

- **Anonymous**

Price is what you pay, value is what you get

- **Warren Buffet**



Nearly all men can stand adversity, but if you want to test a man's character, give him power—**Abraham Lincoln**

You have to take it as it happens, but you should try to make it happen the way you want to take it.
- **Old German proverb**

Life is 10 percent what you make it, and 90 percent how you take it
-**Irving Berlin**



True success is overcoming the fear of being unsuccessful

-Paul Sweeney

A champion is afraid of losing. Everyone else is afraid of winning

- Billie Jean King

Happy people plan actions, they don't plan results

-Dennis Wholey



A problem well stated is a problem half solved

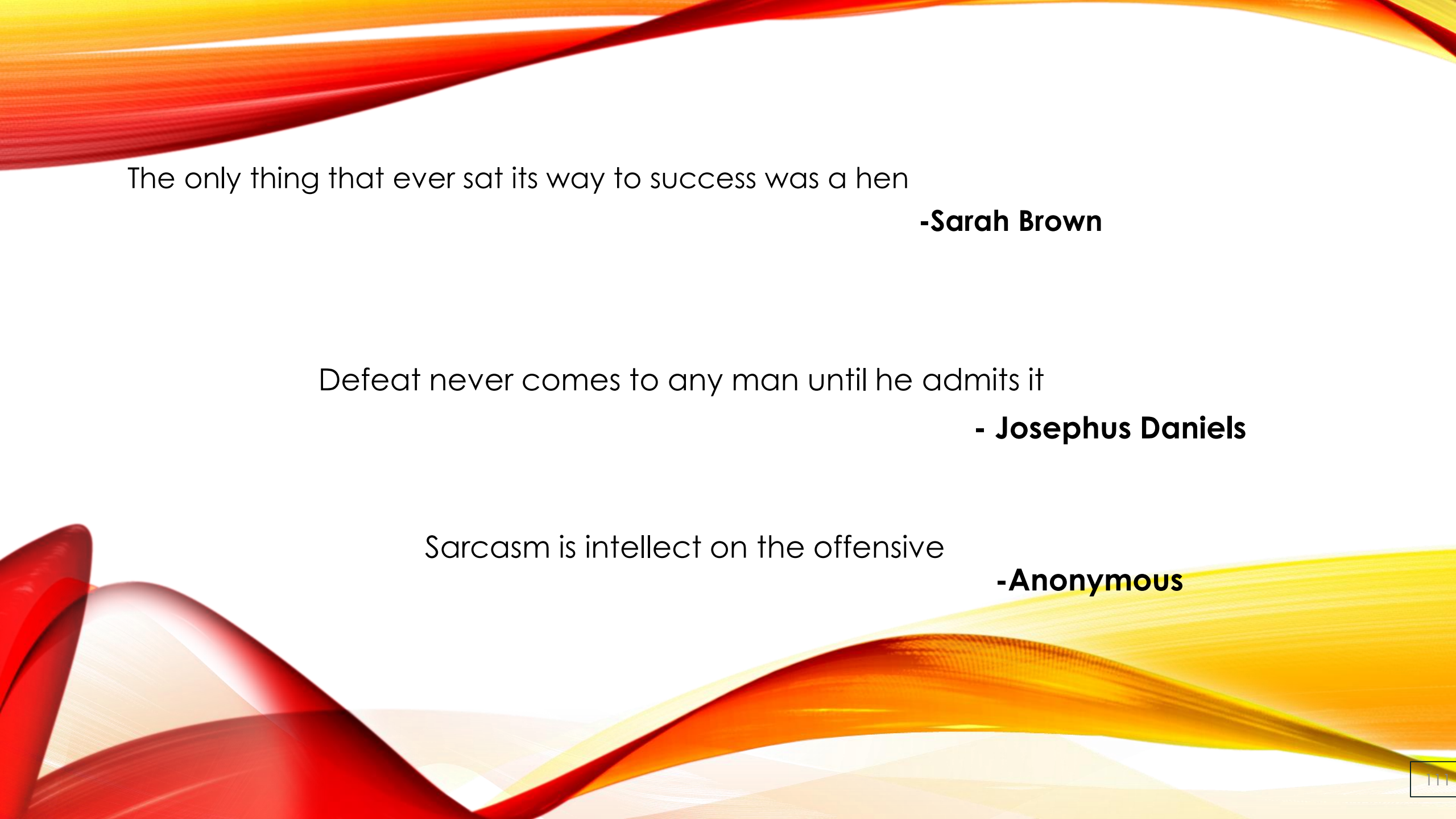
– Charles F. Kettering

Ask God's blessing on your work, but don't ask him to do it for you

- Dame Flora

Self-pity is our worst enemy and if we yield to it, we can never do anything wise in this world

-Helen Keller



The only thing that ever sat its way to success was a hen

-Sarah Brown

Defeat never comes to any man until he admits it

- Josephus Daniels

Sarcasm is intellect on the offensive

-Anonymous



In victory, you deserve champagne, in defeat, you need it

-Anonymous

The fools shouts loudly, thinking to impress the world

- Marie de France

*Thank
you*



Bismarck J. Rewane, MD/CEO
Financial Derivatives Company Ltd.
Lagos, Nigeria
08148894309