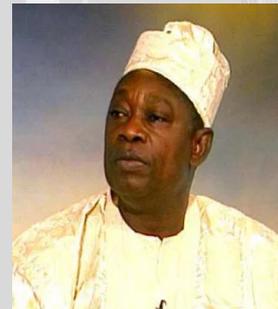


The New Political Calculus

Autocracy > Liberty = Anarchy > Stability

2019 – Economics Recessive, Politics Dominant



*Bismarck Rewane,
CEO Financial Derivatives Company Ltd,
June 6th, 2018*



Outline



- **May Highlights**
- **Global Picture**
- **Domestic Economic Performance, Sector Review and Stock Market**
- **Policy Outlook**
- **Political Environment**
- **Outlook for June**



May Highlights



May Highlights



- A looming unemployment crisis in Nigeria
- FDC Think Tank is estimating that Q4 unemployment will spike to 21.5%
- NBS shelves the release of unemployment data scheduled for June 5
- Q1 GDP number shows a very fragile but growing economy: 1.95%
- Oil sector to the rescue: 14.77% against non-oil of 0.76%
- Thanks to the magnanimity of the Niger Delta militants
- IMF is projecting a consistent decline in income per capita for the next 8 years
- Population growth in 2018 is 3.2%- NBS



May Highlights



- Average power output for the month of May was 3,780MWh/h
- The PMI in May fell 3.53% to 49.2
- After a very sharp decline of 13.56% from 59 to 51 in April
- Suggesting an accelerating fall in economic activity
- And that Q2 GDP will come in much lower than consensus
- Oil price in record territory trading at an average of \$77pb
- Forcados pipeline shutdown for maintenance
- 250,000bpd affected, reducing average output in May to an estimate of 1.75mbpd



May Highlights



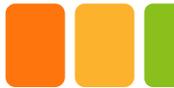
- FAAC allocation reaches a 4-year high of N701bn
- New exchange rate of N325 used for conversion of oil proceeds
- Broad money supply expanded 2.17% to N24.52trn in April
- The average opening position of Deposit Money banks was N168.4bn long
- Down from N541.6bn in April
- The coupon rates on T/bills declined by 368bps in May to 10.43%p.a
- Bringing the interest rate inflation differential down to -2.05%



May Highlights



- April Headline inflation declined for the 15th consecutive month, to 12.48%
- Month-on-month inflation moved slightly lower to 0.83%
- The naira came under a speculative attack and fell to N367/\$
- It increased to N363/\$ after massive intervention by the CBN
- CBN sold 71% more dollars in May (\$1.43bn) than in April (\$837mn)
- Leading to external reserves depletion 11 times of 1.87% to \$47.62bn



May Highlights

- BDCs allowed increased trading margin from N2 to N3
- The average price of diesel in the country declined to N204.35/ltr in April
- PMS now sold at N151.4/ltr (avg) in April, the state with the highest price in Kebbi
- The stock market gave up all its gains for the year in May
- Dipping 7.6% and moved into a correction
- Excise duty on alcoholic beverages and spirits kicked on June 4
- Budget passed but not yet assented
- MPC does the expected i.e. nothing



The Changing Global Economy



US – Fed



- Fed content to let inflation run briefly above 2% target
- As the economy continues to recover
- All signs point to a rate hike in June meeting
- 223,000 jobs added in May, unemployment down to 3.8% - lowest level since 2000
- Fed proposing changes to the Volcker Rule – regulation that limits proprietary trading
- Part of efforts by Trump administration to roll back reforms made by the Dodd-Frank Act of 2010
- Trump and the banks blame Dodd-Frank for stifling growth



US –Trade Skirmishes



- The US has imposed tariffs on some its biggest allies and trading partners – the EU, Canada and Mexico – after a temporary reprieve
- 25% duty on steel and a 10% duty on aluminium
- The EU has responded with a planned tariff of 25% on \$7.5bn worth of US exports
- Canada to retaliate with tariffs on US goods including aluminium and steel
- US is world's top steel importer (\$25bn in 2017), mainly from Canada and Mexico
- This will likely complicate ongoing negotiations on modifications to NAFTA ..

Nigeria's Changing Trade Patterns- IMPORTS

- South Korea is now one of Nigeria's top suppliers
 - Displacing the UK
- The Asian country is the 5th biggest exporter in the world
- Top exports: integrated circuits, motor vehicles, passenger and cargo ships and refined petroleum

2017

Top Suppliers	Share (%)
China	22.3
US	9.1
Belgium	8.4
UK	4.8

2018

Top Suppliers	Share (%)
China	19.8
US	8.1
Belgium	7.5
South Korea	2.2

Nigeria's Changing Trade Patterns- EXPORTS

- UK and Belgium have been displaced by Spain and China on top market list
- China has increased its demand for Bonny Light
- Post-Brexit UK could return to the top 4 list as it establishes out bilateral trade agreements with Commonwealth countries

2017

Top Markets	Share (%)
India	39.7
US	10.6
Belgium	6.9
UK	6.7

2018

Top Markets	Share (%)
India	36.1
US	10.2
Spain	6.6
China	4.5



Impact on Nigeria



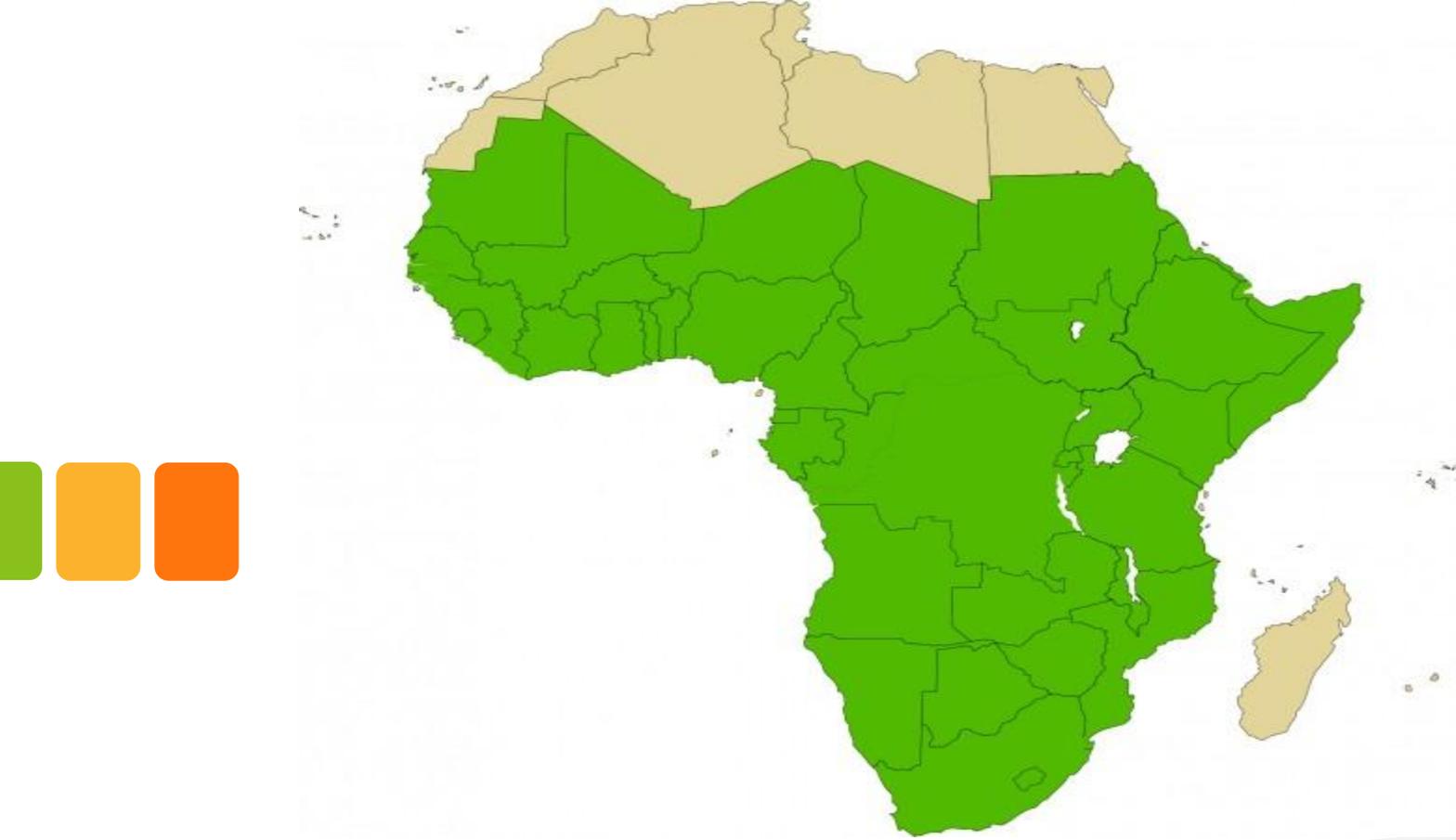
- A global trade war is becoming more and more of a possibility, and this could derail global growth and demand
- US Fed likely to raise rates in June, which will lower capital inflows into Nigeria
- And lead to dollar strengthening and an uptick in commodity prices
- Restoration of output in Libya and Venezuela, in addition to sanctions on Iran, could upset the delicate balance achieved by OPEC and Russia, and dampen oil prices

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Sub-Saharan Africa

Big 3- Less of a drag than they once were

All together now

Sub-Saharan African GDP*

Contribution to growth, percentage points

Oil exporters

■ Nigeria
■ Other

■ Angola

Oil importers

■ South Africa
■ Other



Sources: IMF;
The Economist

*Weighted by purchasing-power parity
†Forecast

- Aggregate figures for SSA driven by Big 3 – Nigeria, South Africa & Angola
- IMF projects income per capita in 2018 to fall in all 3 countries for 4th consecutive year
- Best performing SSA economies are mid-sized – from Tanzania to Ivory Coast
- With growth rates above 5% – most are oil importers
- Reaping rewards of innovation like mobile banking
- Public investment is boosting growth & trade



3 Giants Face Economic Headwinds



- South Africa slips back into negative growth of -2.2% (annualised)
 - Mining, agriculture, manufacturing recorded marked declines
- Suffers worst quarterly contraction in a decade
- The rand slumped 2% on the news
- The currency has lost 8% since Ramaphosa became president
- South Africa has cut rates twice in the last 12 months



3 Giants Face Economic Headwinds



- The EIU expects GDP growth in SSA to strengthen, helped by recovery in investment
- Movements in global commodity prices will continue to play a crucial role
- Brexit will have a mixed impact on Africa
- China will continue to increase its investment in the region



SSA – Major Risks



Public Finances

- Govt borrowing has replaced revenues from commodities
- Median level of public debt rose to 53% in 2017 from 30% in 2012
- Median country's interest payments now swallow 10% of revenues

World Economy

- Trade wars could lessen demand for African raw materials
- Interest rate hikes in the US push up the cost of refinancing debt

Politics

- Elections typically come at a huge cost to the public & give rise to long periods of uncertainty



Domestic Economic Performance

Leading Economic Indicators

Leading Economic Indicator	April	May	% Change	June*
GDP growth (%)	1.95 (Q1'18)	*2.00-2.20 (Q2'18)	0.05-0.25	2.00-2.20 (Q2'18)
Oil Price (\$pb; avg)	71.68	76.98	7.39	75-80
Oil Production (mbpd)	1.8(Mar)	1.79(Apr)	-0.56	1.75-1.79 (May)
Natural Gas (\$/MMBtu; end)	2.76	2.90	5.07	2.80
Power (MW; avg)	3,985	3,805	-4.52	3,850-4000
Inflation (%)	13.34(Mar)	12.48(Apr)	-0.86	11.8 (May)
PMI	FBN:51 CBN:56.9	FBN:49.2 CBN:56.5	FBN:-3.53 CBN: -0.70	FBN: 50 CBN: 57
FAAC (N'bn)	638.09	701	9.86	700-720

*: FDC's Forecast

Leading Economic Indicators

Leading Economic Indicator	April	May	% Change	June
T Bills (91 day) – Primary (%)	10.9	10	-0.9	9.50-10.00
T Bills (91- day) – Secondary (%)	10.53	11.59	1.06	11-12
Average NIBOR (%) (O/N, OBB)	3.20	20.25	17.05	13-15
Average Lending Rate (% pa)	23.00	23.00	-	22-23
Average Opening Position(N’bn)	514.62	168.40	-67.28	200-300
Money Supply (N’trn)	24.30 (March)	24.52 (April)	2.17	24.6
External Reserves - \$’bn (end)	47.49	47.62	0.27	47-48
Exchange rate (N/\$; month-end)	Parallel: 362 IFEM:305.7 IEFX:360.51	Parallel: 363 IFEM: 305.95 IEFX: 360.97	0.28 0.08 0.13	Parallel: 363-367 IFEM: 305.5 IEFX: 360-362
Stock Market Cap (N’trn)	14.95	13.80	7.69	12-13



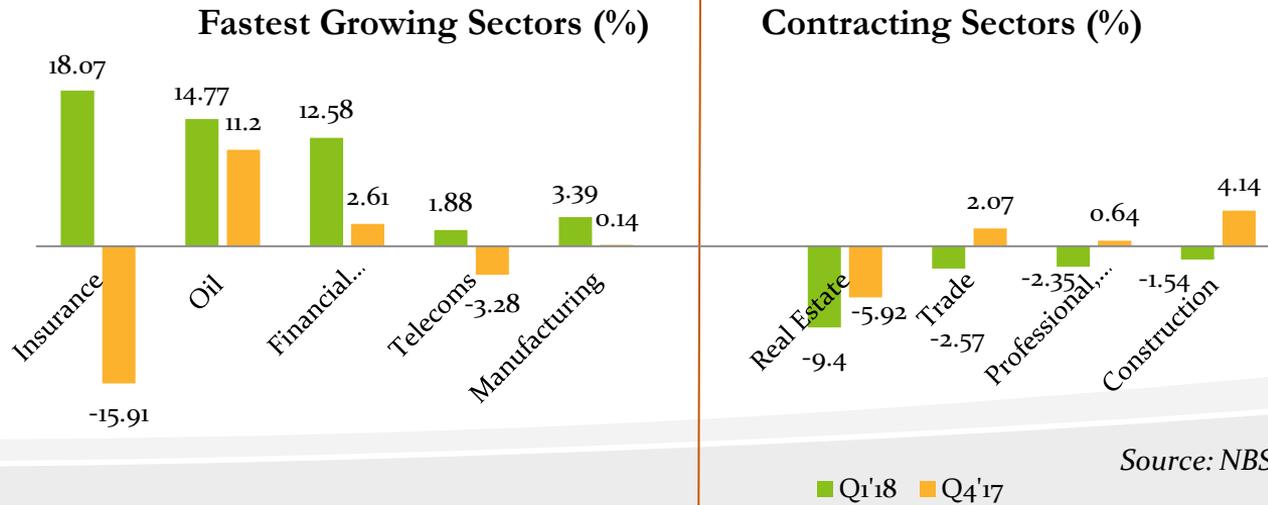
Leading Economic Indicators



- Most leading indicators maintained positive trend
 - 9 positive, 7 negative, 1 amber
- Inflation continues its downward trend, slowly reaching inflection point
- Aberrational movement in the exchange rate to N367/\$ due to mounting pressure
- PMI drops into contraction region (49.2) as real sector continues to feel the pinch of high borrowing costs
- Stock market slides into price correction mode

GDP

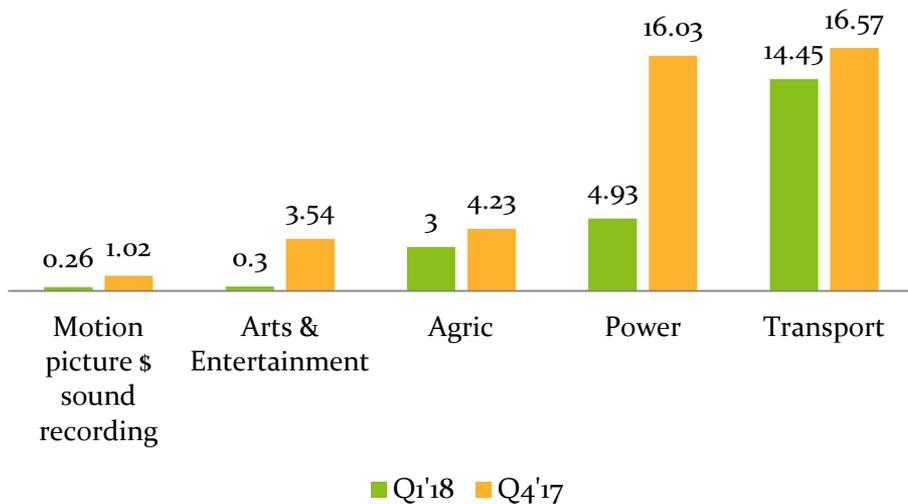
- GDP slowed to 1.95% in Q1 2018, from 2.11% in Q4 2017
- Oil sector expanded by 14.77%
- While non-oil sector performed sub-optimally at 0.76%



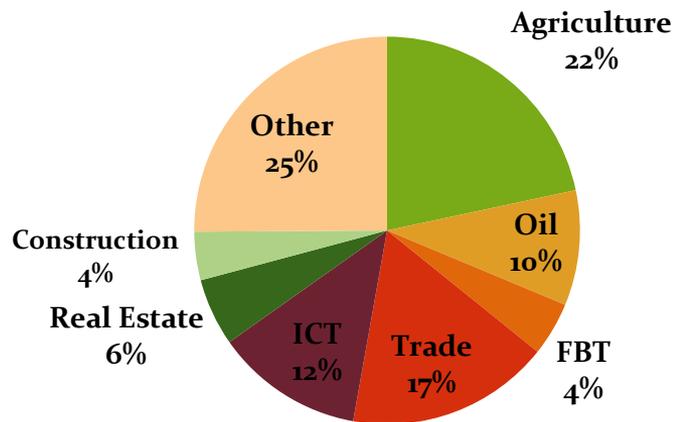
Source: NBS, FDC Think Tank

GDP

Slowing Sectors (%)



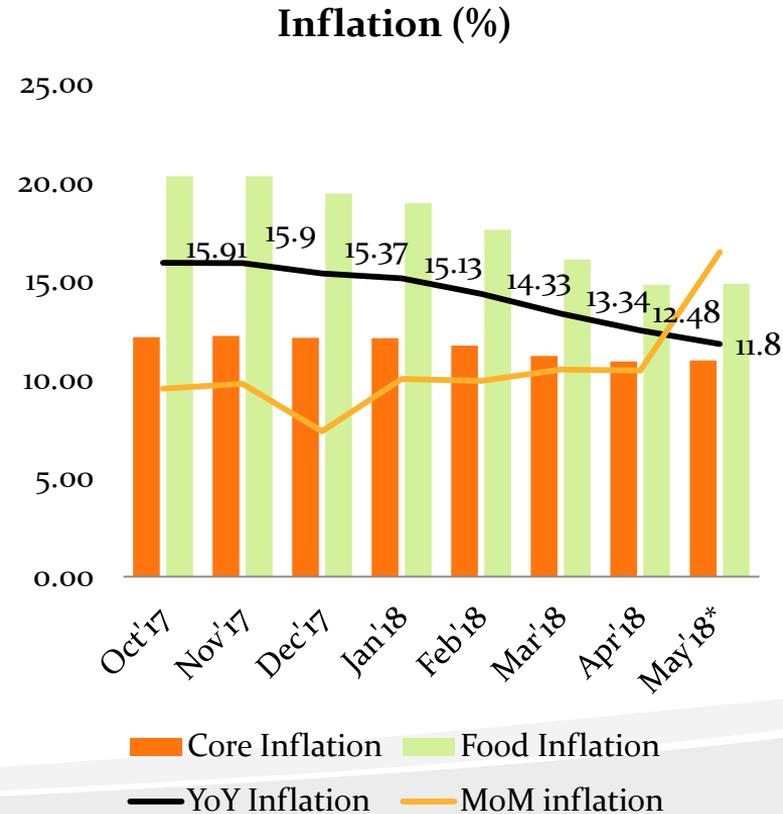
Sectors Contribution to GDP (%)



Source: NBS

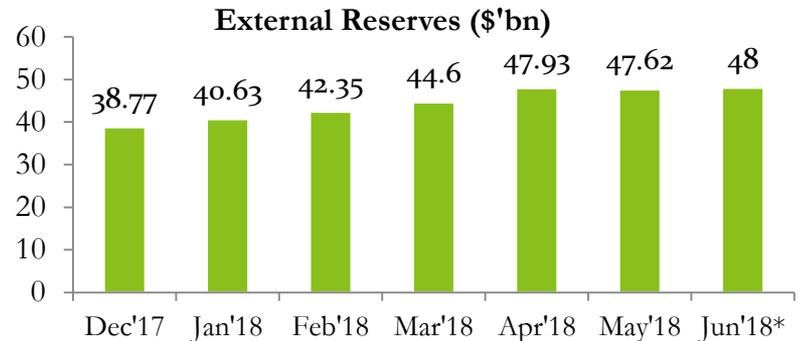
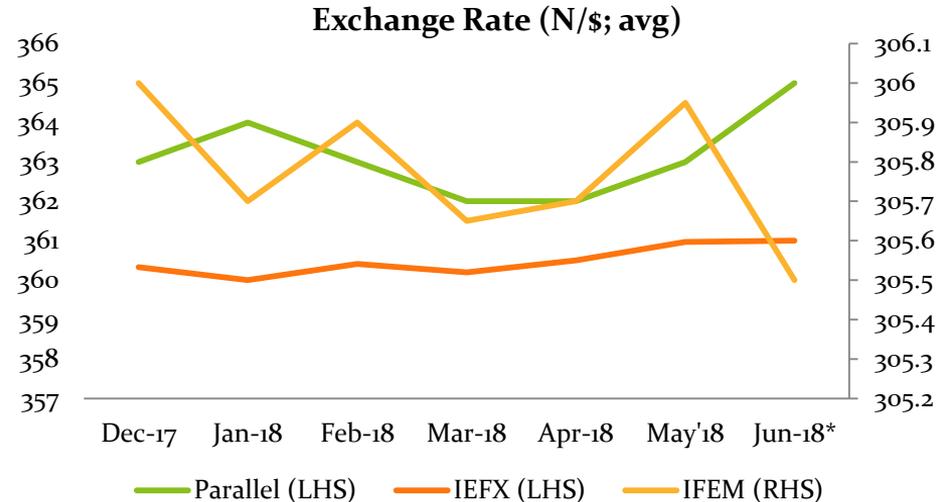
Inflation Outlook

- Projected to decline further to 11.8% in May
- Food inflation likely to reach point of inflection soon
- Planting season and Ramadan fast
- Likely risks to inflation:
 - Upward review and signing of funds of 2018 budget
 - Increased election spending



Forex Market Outlook

- Increased forex demand pressure due to heightened liquidity
- Disbursement of budget funds and election spending
- PPP rate is now N356.49/\$
- 8.03% overvalued
- Exchange rate pressure to continue but CBN will hold the line
- CBN's reaction to naira weakness was more controls and increased supply

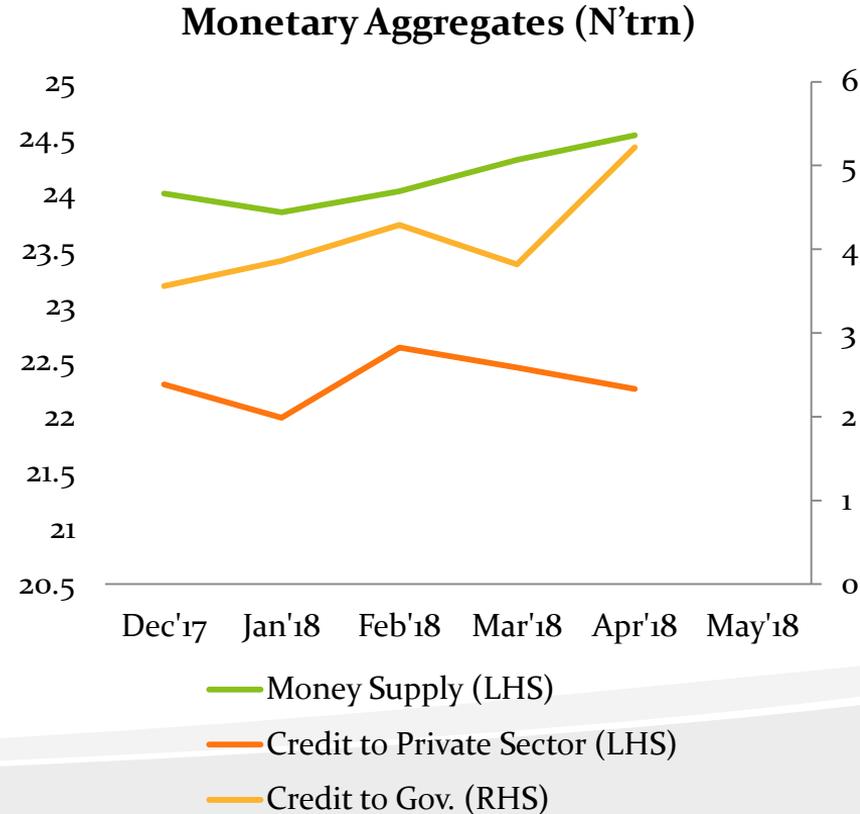


Source: CBN, FMDQ, FDC Think Tank

Increased Monetary Aggregates

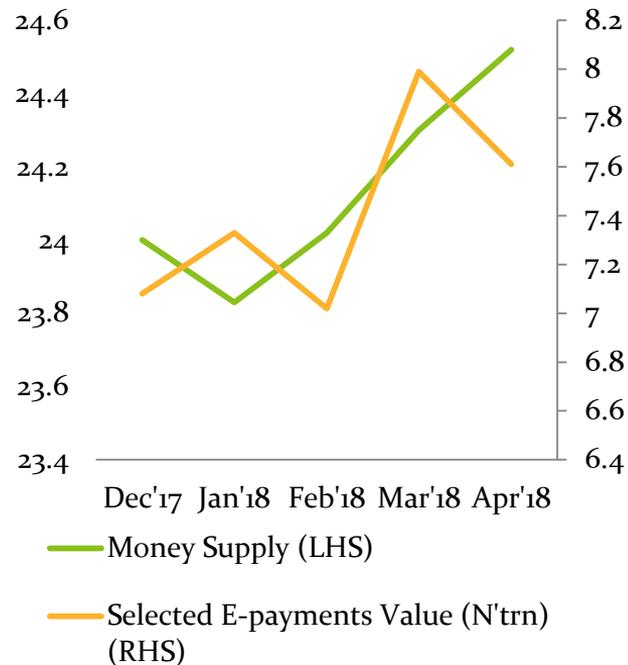
Source: FMDQ, FDC Think Tank

- Money Supply (M2) grew by 2.17% (annualized at 6.48%) to N24.52trn in April
 - CBN growth benchmark of 10.29%
- Net Domestic Credit grew 4.6%
- Private sector credit (down 0.85%)
- Government credit (up 36.65%)



Mixed Movements in E-payments

	Change in Volume (%; m-o-m)		Change in Value (%; m-o-m)	
Cheques	8.54	↓	1.30	↓
NIP	5.25	↓	6.69	↓
NEFT	1.17	↑	6.63	↑
POS	0.11	↑	3.06	↓



- Value of E-payments moving in tandem with money supply

- Up 7.48% YTD

Source: CBN, NIBSS

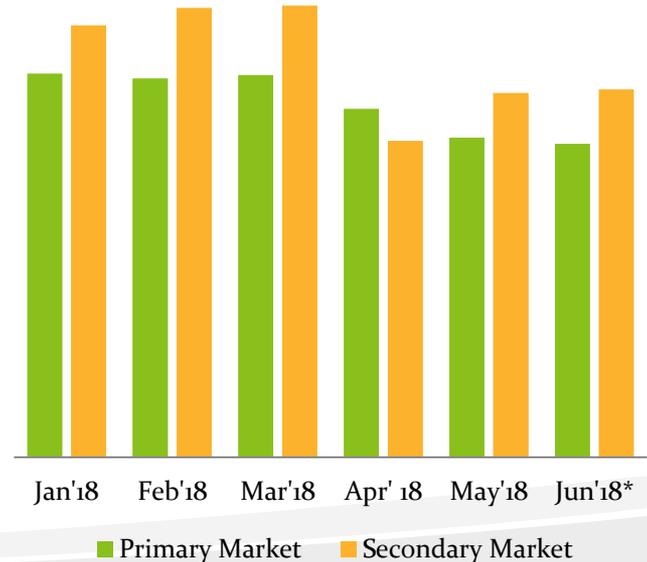
- Annualized money supply growth: 6.48%

T-Bills Rates

- Declining interest rate environment to continue
- Would ease government debt burden

Tenor	Primary market rates (April 18 th) (%)	Primary market rates (May 30 th) (%)	Secondary market rates (April 18 th) (%)	Secondary market rates (May 30 th) (%)
91-day	10.9	10 ↓	11.32	11.39 ↑
182-day	12	10.3 ↓	11.41	11.43 ↑
364-day	12.08	11 ↓	12.96	12.54 ↓

91-Day T/Bills (%)





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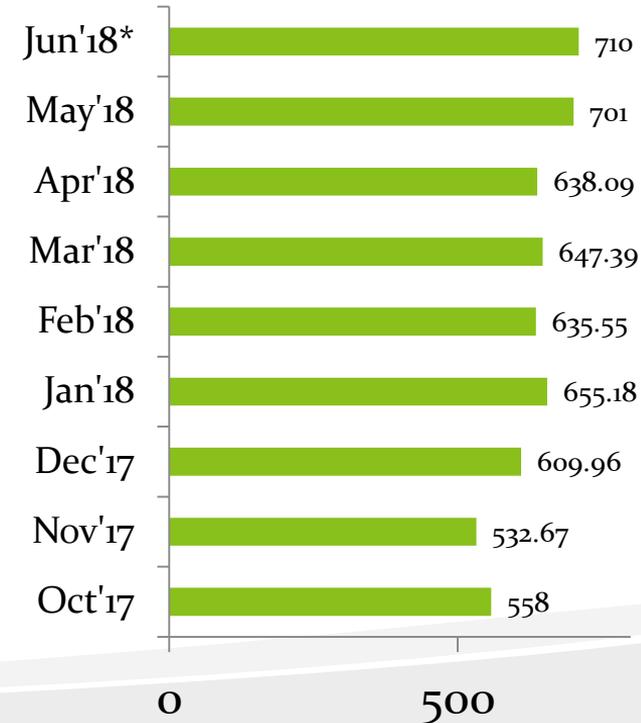


Market proxies

FAAC at 4-year High

- FAAC up 9.86% to N701bn, 4-year high
- Driven by strong oil proceeds, exchange rate adjustment
- Projected to expand further as oil proceeds increase
- Committee also looking to review sharing formula from
 - FG = 52.68%
 - States = 26.72%
 - Local governments = 20.60%

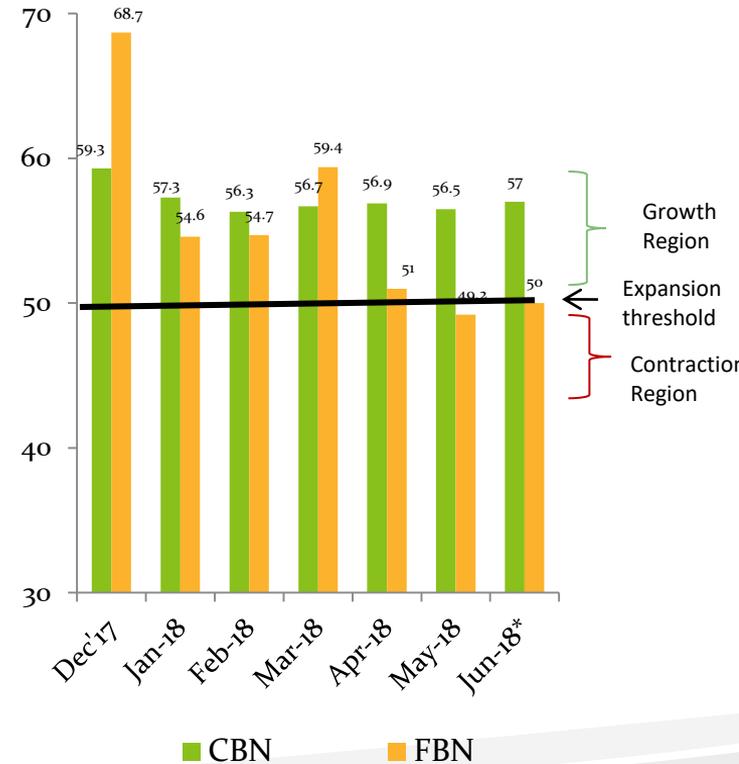
FAAC (N'bn)



May PMI



- FBN PMI fell below the 50 points threshold to 49.2
 - For the first time since January 2017
 - From 51 in April and 59.4 in March
- All indices (except employment) dipped during the month
- CBN PMI declined marginally to 56.5 from 56.9 in April
- Driven by uncertain future demand and negative producer sentiment
- High borrowing costs continues to discourage inventory build up
- PMI expected to improve in June, as budget spending acts as a catalyst to activity and private consumption



Avg. Power Output Down 4.52%

4271 MW

Peak
Energy
Generated

3775 MWh/H



Average
Energy
Generated

662 MMSCF/D



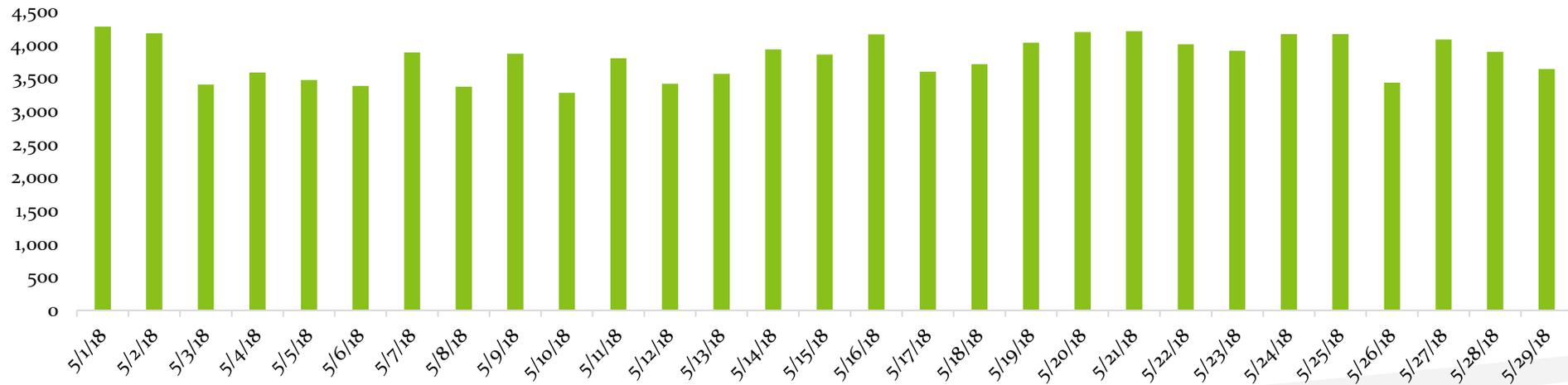
Average Gas
Delivered to
Plants

3277 MW



Average
constrained
energy

Power Output MWh/h





Power Sector News



- FG to provide N72bn loan facility to Discos to fund upgrades and network expansion
- FG targets 1,2000 MW of nuclear power by 2020 with assistance from Russian Company Rosatom
- India pledges to invest \$75mn in solar projects in Nigeria
- NDPHC Gbarain NIPP shuts down as employees strike over salary arrears
- AfDB approves \$1.5mn grant to fund solar projects in Jigawa
- New chairman for NERC, Prof. James Momoh, promises to review electricity tariffs in near future
- Ibom Power seeks investors for the \$500m phase 2 of its power plant development

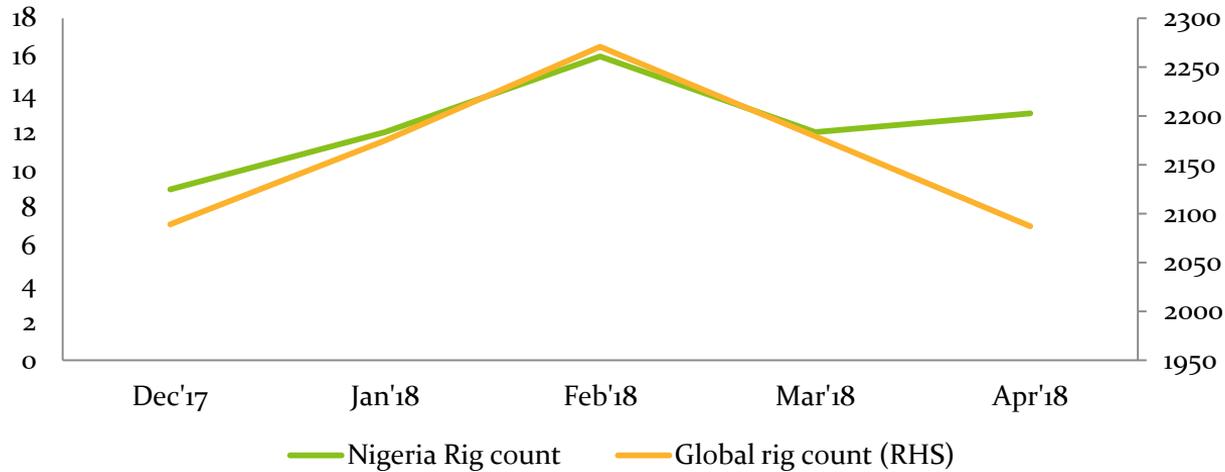


Power Sector News



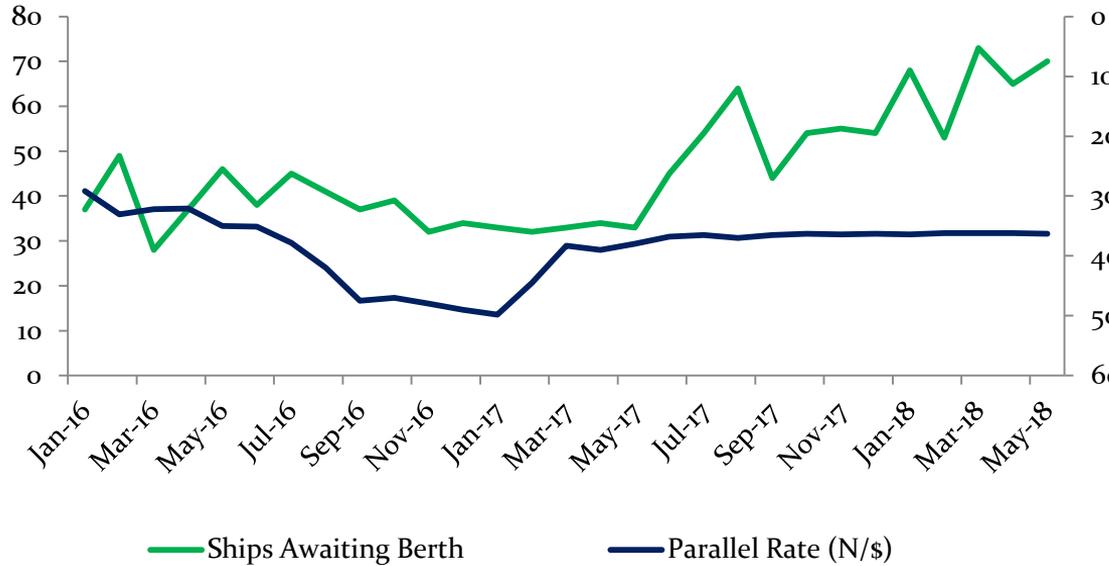
- FG threatens to probe investments of \$16bn into power sector by previous governments
- LASG announces plans to launch 3,000 MW embedded power project in July
- NNPC and NAOC to develop 500 MW Okpai phase II power plant
- NERC discards MYTO methodology for calculating electricity tariff
 - Bi-annual tariff review scheduled for June
- Power outage in Daura as transmission tower collapses
- Sabotage suspected as DSS commences investigation
- MAN seeks FG's intervention on N29bn debt dispute with Discos and NERC

Nigeria's Oil Rig Count



- The number of operational rigs increased 8.3% to 13 in April from 12 in March
- In contrast with global trend
- Global rig count fell 4.22% to 2,087

Ships Awaiting Berth



- Ships awaiting berth  7.69% to 70 in May from 65 in April
- Climbed to 75 in the April, before retreating
- Forex liquidity has reduced need for inventory hoarding/build up



Commodities

Commodity Outlook & Nigeria

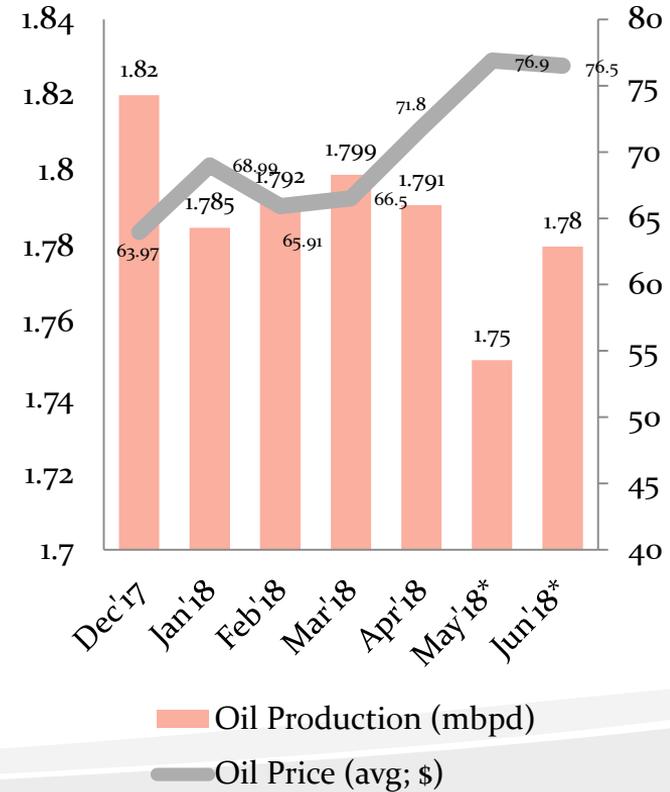
Export Commodities	May	%Change (Apr-May)	Import Commodities	May	%Change (Apr-May)
Oil (\$/b) 	77.01	7.31% ↑	Wheat (\$/bushel) 	5.17	6.95% ↑
Liquefied Natural Gas (\$/mmbtu) 	2.83	3.81% ↑	Sugar (\$/pounds) 	11.83	-1.13% ↓
Cocoa (\$/mt) 	2,692	0.95% ↑	Rice (\$/cwt) 	12.36	-4.06% ↓

Export Commodities



Export Commodities- Oil Markets

- OPEC meeting to hold June 22
- Main considerations:
 - Reduced supply in Iran and Venezuela
 - Possibility of ease in output cut
- Oil prices will remain robust at \$72pb (2018 forecast)
- Driven by re-imposed Iran oil sanctions
- Nigeria's oil production to dip to 1.75-1.78mbpd in May
- Due to closure of Trans Forcados pipeline





Other Export Commodities



LNG

- Futures currently trading at \$2.96/MMBtu
- Production and consumption projected to grow by 8% to 313.4mn tonnes in 2018
- Prices to rise marginally by 0.2% to \$8.06mmBtu in 2018

Cocoa

- Futures trading at \$2,450/MT
- Consumption to rise slightly by 1.4% to 4.06mn tonnes in 2018
- Supply to fall by 10.1% to 4.23mn tonnes
- Nigeria's production to advance by 1.2% to 248,000mt
- Prices projected to expand by 17.6% to \$2,386/mt

Import Commodities





Import Commodities



Wheat

- Average price  6.95%
- Demand revised downwards- to grow marginally by 0.2% to 736.4mbpd in 2018
- Production to grow by 0.4%

Sugar

- Average price  1.13%
- Consumption to expand by 1.1% to 173.5mn tonnes in 2018, supply to expand by 11.3%
- Inefficient supply chains & cheap imports will delay the development of Africa's sugar industries

Rice

- Prices projected to surge by 7.3%
- Demand to rise by 1.6% to 492mn tonnes
- Global rice production revised - to increase by 0.8% to 492.1mn tonnes in 2018

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services



Collocation



Connectivity
services



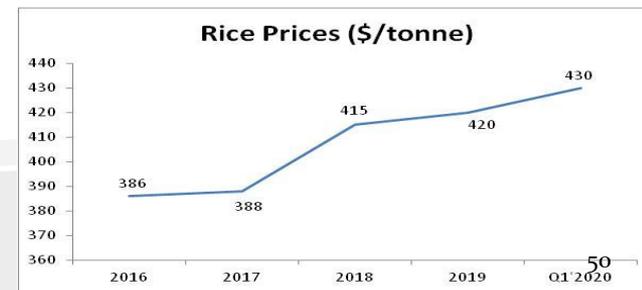
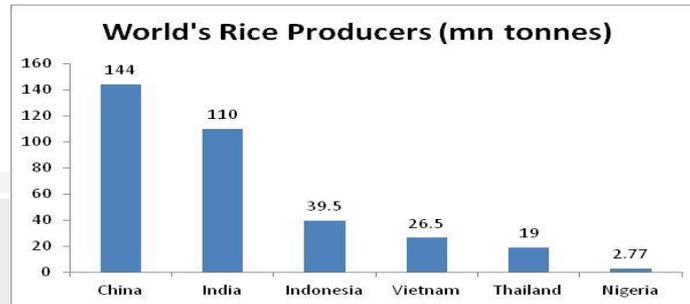
Cloud services



Commodity in Focus - Rice

Commodity in Focus - RICE

- Total global production (2016/2017): 485.4mn tonnes (\$188.34bn)
- 2017/2018 production forecast: 484.4mn tonnes
- World's top producers: China, India, Indonesia, Vietnam
- World's top consumers: China, India, Indonesia
- There is a positive correlation between highly populated countries and rice consumption
- Global price of rice rose by 0.6% in 2017, forecast to gain 6.9% in 2018
- Uses: mainly cooked, tuwo (shinkafa), rice flour, laundry starch





Rice Production in Nigeria



- Nigeria is a fringe player in global rice production
- **Rice output:** Approximately 2.77mn tonnes (0.57% of global production), valued at \$1.07bn
- Nigeria's rice output is suboptimal
- **Production potential:** 8mn tonnes
- **Major producing states:** Ebonyi, Kaduna, Kano, Niger, Benue
- **Rice imports:** Estimated at 7mn tonnes (\$2.72bn)



Stock Market



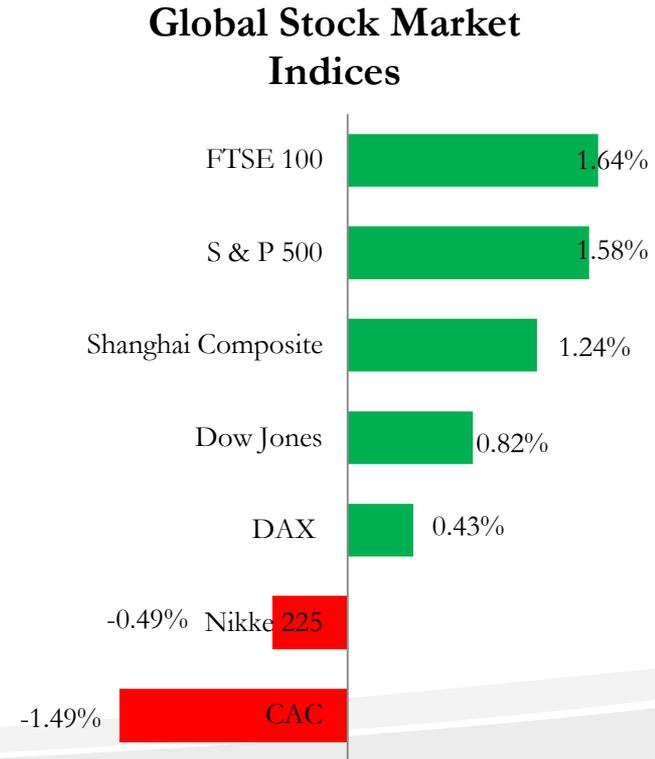
Losing Streak Continues in May

- NSE posted 2 days of gains after a dreary month of May
- NSE ASI went on a 10-trading day losing streak
- Due to growing uncertainty in the capital market
- Index has lost 14% of its value since February
- Partially driven by the rise in US fed rate
- Threatening the attractiveness of Nigeria's capital market
- Exerting pressure on the IEFX window
- Bourse lost all gains recorded in 2018
- Gradually moving towards a bear market

Slides into Negative Territory

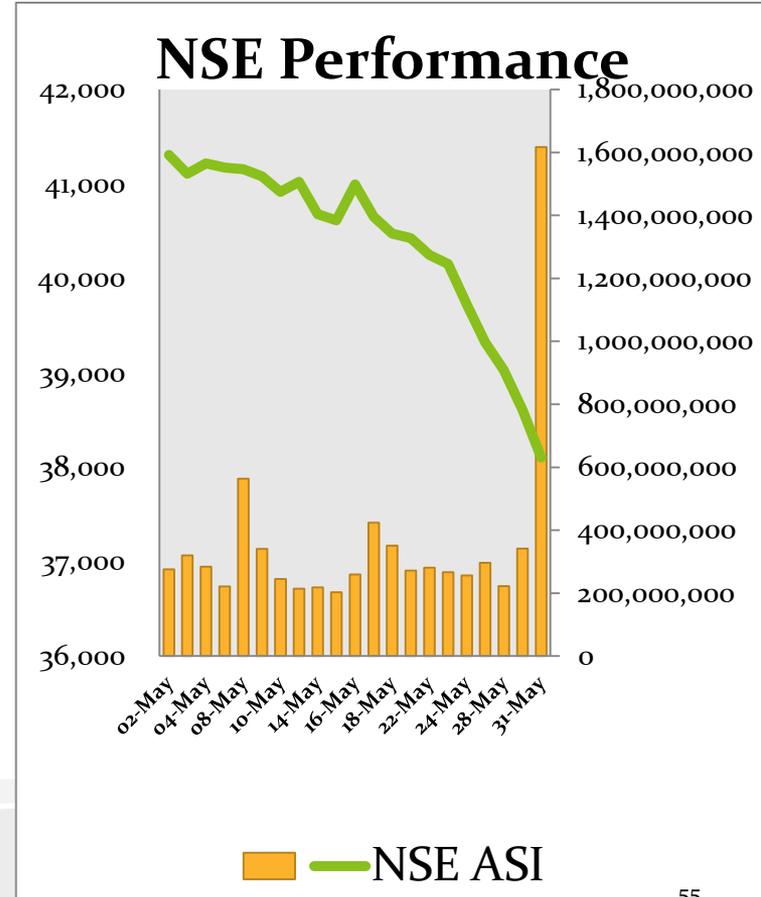
- Stock market maintained a downward trend
- Market cap  7.67% (N1.15trn) to N14.24trn
- NSE ASI  7.67% to 38,104.54 points
- As most global stock markets gained in the period
- YTD position now negative at -0.36%
- 4 days positive, 17 days negative
- P/E ratio down 7.63% to 10.89x
- Market performance has been undermined by profit

taking



Trading Activities Continue To Slow

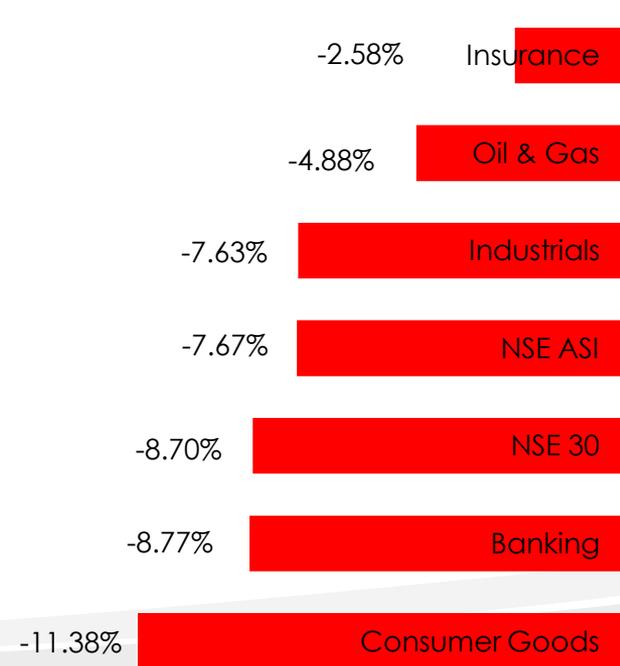
- Average volume traded  15.8% to 356mn units
- Average value of transactions  37.8% to N7.58bn
- Daily turnover jumped 1,402% to N71.20bn on the last trading day
- Acquisition of additional shares in Stanbic IBTC
- Negative market breadth of 0.33x
- 79 stocks lost, 68 remained neutral and 22 gained



Sub Sector Indices Performance

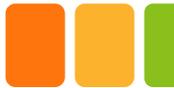
- All sector indices closed negative
- Consumer goods index led the laggards (11.38%)
 - Remains the worst performing index YTD (-8.76%)
 - Dragged down by losses of brewing stocks
 - Due to approved excise duty on tobacco and alcohol
- Banking index continued its losing streak
 - As investors reduced their positions in banks
 - Due to the overwhelming impact of IFRS 9
 - Losers chart was dominated by banks with late filings

Sector performance





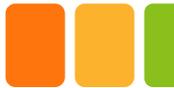
MTN Group's Q1'18 Financial Results



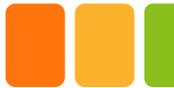
- MTN Group, dominant mobile operator in 22 countries
- Across Africa & Middle East
- Continued positive momentum into Q1'18
- Revenue up 9.1%
- Owing to stronger than expected growth in Nigeria (14.4%) and Ghana (29.3%)
- Coupled with tight cost containment and stable FX in most host countries
- Consolidating market position with the impending listing in Ghana and Nigeria



MTN Nigeria Q1'18 Results



- MTN Nigeria revenue up 14.4%
- Voice and data revenue increased by 15.2% and 73.2% respectively
- Subscriber base increased by 4.3% to 54.5mn subscribers
- Mobile financial services (MFS) users up 27%
- Due to increased SIM registration footprint
- Controlling 57% of market revenue
- Highest ARPU (\$4.24/subscriber)
- Cost control and stability in naira positively impacted results
- As EBITDA margin expanded to 41.8% of total revenue



MTN Nigeria Listing

- \$1.1bn bond raising will compliment \$500mn IPO
- Benefitting from the declining interest rate environment
- Improved economic indicators
- To improve infrastructure and broaden service base – maintaining dominance
- Expected to stimulate positive investors' sentiment on the bourse
- With investors rebalancing portfolios
- Helping MTN penetrate the Nigerian payment system



Market Activity



- Standard Bank increased stake in Stanbic IBTC by 11.35%
- Parent now controls 64.44% of shareholdings
- Company's free float dropped below 1%
- NSE fined 20 companies an aggregate sum of N68mn for late filing
 - Alluding to improved regulatory governance and enforcement



Stock Market Outlook – June 2018



- NSE performance will be driven by economic developments
- Expect market performance to be mixed
- Underpinned by bargain hunting
 - Market gained 2.82% from June 4th-5th
- As market is now in correction
- Profit taking expected to continue
 - Due to low dividend payout/yield
- Projected rise in US interest rate (June 12/13) to have an effect on the market
 - Exacerbating capital flows reversal



Q1'18 Corporate Earnings

Corporate Earnings – International Breweries

- Posted revenue of N25.97bn in Q1'18
- A surge of 175% compared to N9.44bn recorded in Q1'17
- Due to a 15% q-o-q rise in its Trophy ledger and Hero brands
- Costs outweighed revenue growth resulting in a loss after tax of N2.24bn in Q1'18
- Compared to a profit of N1.36bn posted in Q1'17
- Company posted a loss per share of 26 kobo in Q1'18



Profit Before Tax	↓ 32% - (N2.56bn)
Free Cash Flow	↓ 251% - (N10.89bn)
Dividend Yield	-
P/E Ratio	54.24x

Corporate Earnings – Nestlé



- Revenue grew by 10% to N67.5bn in Q1'18 from N61.15bn in Q1'17
- Due to a favorable product mix
- Beverage segment grew by 17% amid relatively flat prices
- Food segment grew by 7% due to a 5% price increase
- A 15% decline in tax expense to N5.04bn boosted profit for the year
- Profit after tax was up 3% to N8.61bn in Q1'18

Profit Before Tax	 5% - N13.64bn
Free Cash Flow	 36% - N24.68bn
Dividend Yield	2.72%
P/E Ratio	36.40x

Corporate Earnings – Dangote Sugar

- Recorded a 30.9% decline in revenue to N41.14bn in Q1'18
- Due to a 24% fall in sugar prices to N13,000/50kg compared to a high of N17,000 in Q1'17
- A 13% decline in sales volume owing to the Apapa gridlock
- A 40.3% decline in production cost to N30.85bn bolstered bottom-line earnings growth
- EPS increased by 12.5% to N0.45 in Q1'18



Profit Before Tax  19% - N8.39bn

Free Cash Flow  89% - N1.8bn

Dividend Yield 14.71%

P/E Ratio 5.06x

Corporate Earnings - Presco



- Presco reported an 8% decline in its Q1'18 revenue to N6.59bn from N7.17bn in Q1'17
- Due to a 270% plunge in export sales to N0.46bn
- Although it recorded a 13% increase in palm product sales
- Despite a 30% decline in local prices in Q1'18 to N10,000 (25-ltr keg)
- Total borrowings up 49% as it plans to cultivate an additional 4,000ha of oil palm in 2018

Profit Before Tax	↓ 32% - N3.43bn
Free Cash Flow	↓ 119% - (N470mn)
Dividend Yield	2.67%
P/E Ratio	3.11x



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Aviation Update



Aviation Update - IATA



- Airline share prices declined by 4.8% in April
 - Third consecutive monthly decline
- Global oil prices rose to a 4-year high (50% higher than 2017)
- Passenger yields recorded strongest month-on-month rise in 7 years in February
- Premium-class cabin accounted for 5.4% of total international O-D passenger traffic
- Revenue passenger kilometers increased by 9.5% year-on-year in March -the fastest pace in 12 months



Aviation Update - International



- Increasing price of Brent oil pushing jet fuel prices up
- Many airlines remain unhedged against oil price shocks
- Delta Airlines outbound load factor now between 85%-87%
- Lufthansa load factor between 90%-95% (inbound & outbound)
- No trapped funds
- Faster turn around time

Aviation Update – Regional

- Accra opening new terminal in July
- AWA, Air Peace and Med View controlling Accra-Lagos traffic
- AWA resumes flights to Freetown
- Abidjan competing for hub status:
 - Ivory Coast launches flights to Newark





Aviation Update –Domestic



- Nigeria clears \$600mn airline ticket sales backlog
- National carrier set to resume operations in December 2018
- The carrier would ease capacity burden of existing national airlines
- Inbound load factor > outbound factor due to influx of summer tourists
- IATA rate depreciated from N360/\$ to N361.61/\$
- Domestic aircraft undergo B-checks

Aviation Update - Domestic



Selective business travel routes (U.S, China, Dubai)



Popular destinations for student travel include US, UK, Canada

India still controlling traffic for medical tourism



Government travel demand flat, likely to peak as 2019 election draws closer





Real Estate



Real Estate Update - Northcourt



- CBN's intervention in the forex market & rise in global oil prices helped in stabilising the real estate sector
 - Traditional Residential Developers are willing to explore other use-classes to improve profitability and competitiveness
 - Brokers report closing more transactions compared to H1'17
 - As the economy improves and landlords agree to more flexible lease terms.
- 



Real Estate Update - Northcourt



- Grade-A developments which commenced before the recession made marked progress.
- Completed Grade-A projects saw increased but insufficient interest from international and local occupiers
- Demand for grade B spaces (and below) is relatively stable
- Demand for co-working spaces continues to grow
- Furthermore, providers have been proactive and even more flexible in their pricing and terms.
 - The focus remains on volume, partnerships and programs to drive profitability



Real Estate Update - Northcourt



- High vacancies still exist in the high to medium income residential locations
- Developers are reducing plot sizes, car parks and built-up areas to intensifying land use
- To supplement the decline in profits caused by weakened prices in 2016/17
- High street malls within central locations continue to experience high demand
- Development of commercially available logistics bases and warehouses on the rise
- Due to increased demand from the manufacturing, tech, oil and gas and financial services industries.



Policy Outlook



Policy Outlook



- New excise duty on alcoholic beverages and tobacco commenced on June 4th
- Increase of 10 –12% on brewed alcohol, spirits increased more sharply
- Price of beer (60cl bottle) up 10% to N260, 60cl bottle of stout up 10% to N330
- Some domestic distillers currently seeking a court injunction, while some international distillers have stopped selling their products.
- This is likely to create a temporary shortage and prop up prices.



Policy Outlook



- Companies likely to bear more of the burden of the tax
- Passing it all to the consumer likely to impact sales negatively
- Will need to adopt cost cutting measures – may lay off workers
- Voluntary Asset and Income Declaration Scheme (VAIDS)extension expires on June 30th, not likely to be extended any further
- Number of taxpayers up by 38% to 19.3mn since 2016
- We are likely to see the investigation and prosecution of defaulting individuals and companies



Policy Outlook



- National minimum wage review postponed indefinitely by FGN
- No provision for new wage structure in 2018 budget
- May lead to industrial action and civil unrest
- The Joint Health Sector Union have been on strike since April
- NUPENG threatening to follow suit
- Budget 2018 increased by 6% (N510) to N9.12trn, oil price benchmark raised from \$45pb to \$51pb
 - 27% lower than the YTD average of \$70.2pb (as at June 6th)
- This will lower the savings accruable to the ECA to \$19.2pb from \$25.2pb



Policy Outlook



- Higher CAPEX – raised by 18.11% to N2.87trn – to have positive multiplier effect
 - Recurrent expenditure higher by 9.45% to N3.52trn – will boost consumer demand
 - FG to borrow less as fiscal deficit is down to 1.73%/GDP – will put downward pressure on interest rates
 - Budget passage will trigger increased forex demand
- 



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Political Environment



Politics of Limited Objectives



- APC goes into damage control after some self inflicted wounds
- Ahead of the June 23rd APC national party congress
- The party will pull through the month of June intact after the messy squabbles
- APC may be unable to placate the feuding groups
- Leading to major defections by the disgruntled
- The harassment of opponents will help to galvanize the opposition
- The new zeal in prosecuting corruption cases is driving the jitters up the spines of the PDP



Politics of Limited Objectives



- The war against corruption may shift to APC members to show balance
- Or may cut some slack for the PDP suspects
- The Ekiti election may show a surprise outcome
- The PDP bye-election victory in Oyo State is the price of internal squabbling
- There is opposition resentment against the growing autocratic tendencies
- The APC will need to recalibrate the economic message to be more appealing
- Poor unemployment data could kill voter enthusiasm
- The opposition could coagulate and produce a credible candidate in July
- Or splinter into disarray



Politics of Limited Objectives



- Setting the stage for a highly competitive and interesting 2019 race
- The incumbent has a clear edge but it is not a slam dunk
- Buhari took his opponents and allies by surprise in declaring June 12 as democracy day
- Equally stunning was the conferment of GCFR award on Moshood Abiola
- The winner of the June 12, 1993 election
- A deft move to win the hearts and minds of the South West and democrats alike



Politics of Limited Objectives



- Hailed by many as a great move but coming 3 years late
- Others have likened it to the desperation of Jonathan in naming University of Lagos as Moshood Abiola University
- This act on its own is unlikely to swing the S. West voters or appeal to the base in the long-run
- All the same the timing and the move is shrewd



Outlook for June



Outlook for June



- The APC Congress will hold with Oshiomole as the new Chairman
- The Federal Reserve will increase interest rate by 25 basis points
- Inflation for May will slip below 12%
- OPEC will meet and extend the production cut on June 22
- The CBN will push secondary market rates back to 12-13%p.a. to defend the naira
- The President will assent to the budget



Outlook for June



- The pressure on the naira will start again
- The stock market will slip back into correction territory again as more Q1 numbers are released
- The unemployment data will not be released soon

Corporate Humour



A dollar won is twice as sweet as a
dollar earned
– *Fast Eddie Felson*

By and large, mothers and
housewives are the only workers
who do not have regular time off.
They are the great vacationless class
– *Anne Morrow Lindbergh*

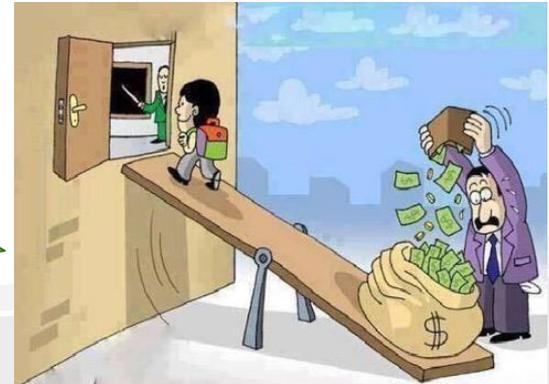


Corporate Humour

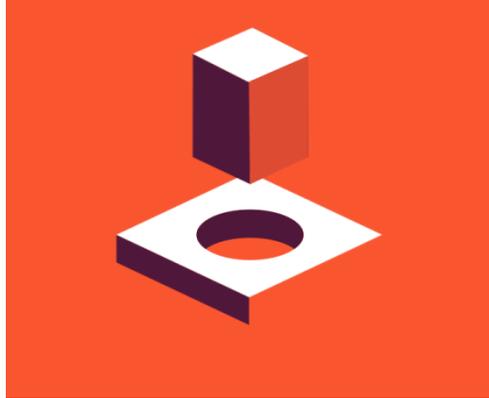


Give a woman a job and she
grows balls
- Jack Gelber

If you think education is
expensive, try ignorance
- Derek Bok



Corporate Humour



Corporations no longer try to fit square pegs into round holes, they just fit them into square cubicles - Robert Brault

Out of intense complexities, intense simplicities emerge
- *Winston Churchill*



Corporate Humour



I am doing everything I can to sabotage my career. It is a little thing called “Fear of Success”
- *Jon Stewart*

If you think your boss is stupid, remember: You would not have a job if he was any smarter
- *John Gotti*





A diplomat is a man who always
remembers a woman's birthday
but never remembers her age
- *Robert Frost*

Love is like wine: To sip is fine,
but to empty the bottle is a
headache
- *Julio Iglesias*



Corporate Humour



There are only 3 things women need in life: Food, water and compliments
- *Chris Rock*

To be happy with a man, you must understand him a lot and love him a little. To be happy with a woman, you must love her a lot and not try to understand her at all
- *Helen Randlam*



Corporate Humour



Going to work for a large
company is like getting on a
train. Are you going sixty miles
an hour or is the train going sixty
miles an hour and you are just
sitting still
- *J. Parish Cretty*

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*Thank
you*

