

#### Burning Issues & Resolution Options



Is the Worst
Over...

or
Yet to Come??



# Burning Issues with Only 226 Days Left...



Naira weakness





Budget! Deficit!! Debt !!! Subsidy!!!









Wages, unemployment & poverty



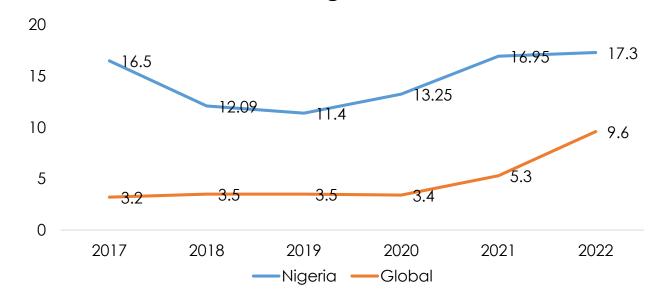


Inflation!

Inflation!!

# Inflation! Inflation!! Inflation!!!

#### Global Vs Nigerian Inflation



14.38%

5-yr. average inflation rate

3.78%

Global average

- ✓ Nigeria's average inflation rate (5 years) = 14.38%, relative to
  - ✓ Global average = 3.78%
  - ✓ Sub-Saharan Africa average = 9.65%

9.65%

SSA average

# Inflation Ranking in Africa

	Inflation Rate (%)	Rank (H-L)
Zimbabwe	285	1 st
Sudan	149	2 <sup>nd</sup>
Ethiopia	33.5	3 <sup>rd</sup>
Ghana	31.7	4 <sup>th</sup>
Sierra Leone	28	5 <sup>th</sup>
Malawi	24.6	6 <sup>th</sup>
Angola	21.4	7 <sup>th</sup>
Nigeria	19.64	8 <sup>th</sup>
Rwanda	19.6	9 <sup>th</sup>
Burundi	19.06	10 <sup>th</sup>



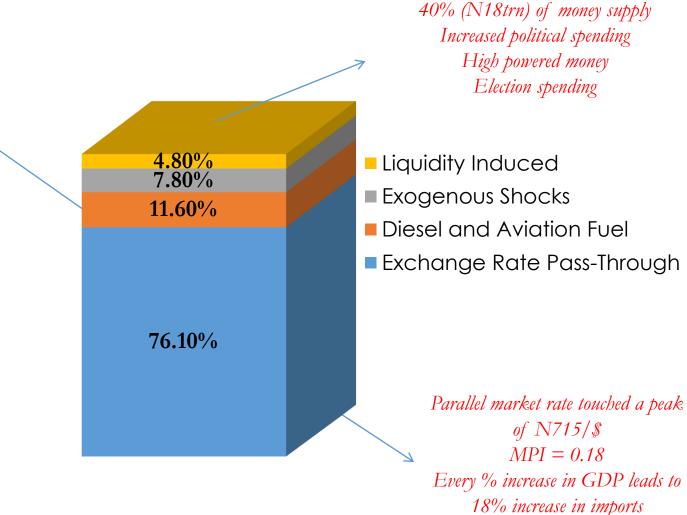
- ✓ Two of the SSA countries are oil producers (Nigeria & Angola)
- ✓ Inflation in SSA mainly driven by higher energy & food prices



# Nigerian Inflation Causative Factors

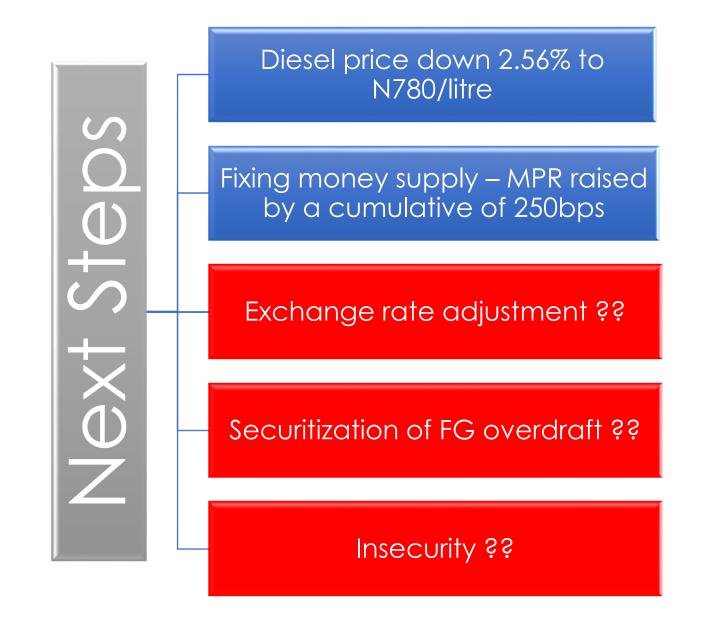
Diesel price is 209.5% higher at N780/litre (y-o-y) Aviation fuel up 268.42% to N700/litre





Ways & means advances is approx.

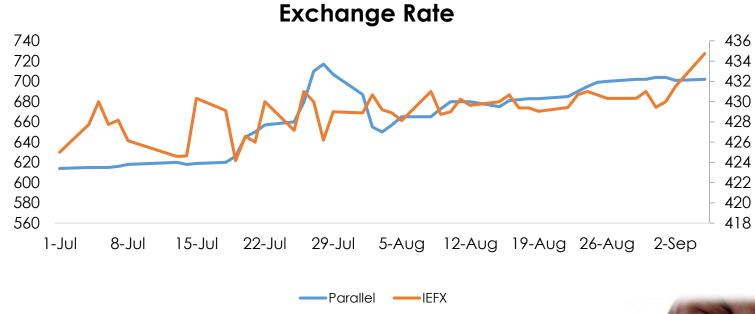
#### Policy Options — What Can Be Done in the Short run?



What has been done

What needs to be done

#### Naira Has Lost 94.87% in 5 Years



- ✓ Crossing N715/\$ before falling to N645/\$
- ✓ Now trading at N703/\$



#### Other Falling Currencies

	Jun'22	Aug'22	% Change
South Africa	15.530	17.027	-9.64
Ghana	7.566	9.926	-31.19
Kenya	116.45	120.10	-3.13
Angola	414.32	418.0	-0.89
Rwanda	1,012.7	1,027.8	-1.49
Nigeria	616	704	-14.29

- ✓ Nigeria not alone
- ✓ Other African countries are grappling with currency weakness

#### <sup>10</sup> Major Causes of Falling Naira

Market structure



Restrictive policies

Low oil sales and revenue

Rationing of Forex Supply



#### Multiple Exchange Rates – What Next?

FINANCIAL DERIVATIVES COMPANY
_

	Exchange Rate (N/\$)
Parallel transfer	715
Cash	703
IATA	438
1 & E	434



2% appreciation in the parallel market rate



√ 1% devaluation of the official rate

√ Adopting Crawling peg strategy





#### **FUNDS MANAGEMENT**

**INVESTMENT BANKING** 

**FINANCIAL ADVISORY** 

#### Head Office (Lagos)

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www.alphamorgan.com



### Forex Rationing-The Corporate Experience 2022

✓ Top manufacturers complaining about limited forex supply

#### √12 months ago – forex bought ratio



✓ Other sources = 75%

#### ✓ Now, it is

✓ Other sources = 95%

✓ Effective exchange rate = N690/\$



#### What Next? — In the Next 3 Months

- ✓ Increased oil sales, courtesy of Tompolo
  - ✓ Pipeline protection contract (400,000bpd) = \$1.08bn in a month



✓ Upstream investments Deepwater

$$= $1.0bn$$

= \$2.08bn a month

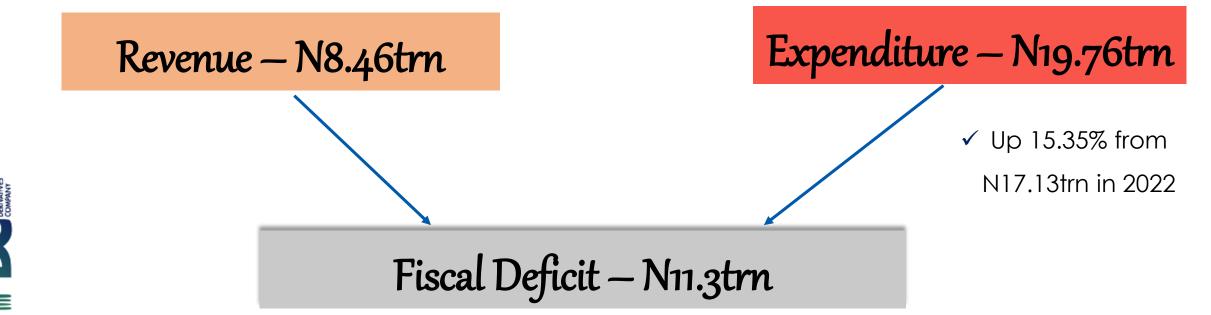
= \$6.24bn in 3 months

Arrears = \$4.0bn

Free cash flow = \$2.24bn a month

Arre

#### Budget! Deficit!! Debt!!! Subsidies!!!!



#### **Key Assumptions**



\$70pb



1.69mbpd



3.75%



17.16%



N435.02/\$

# Policy Option: Gradual Removal of Subsidy

PROBABILITY: 10% in 2022

- ✓ Fuel subsidy is economically costly
- ✓ Target is N215 per liter in December- Savings = N1.25trn

Exchange rate adjustment to N470/\$ will free up N600bn per month to FAAC

$\checkmark$	Daily subsidy payment: \$43.8mn (\$15.99bn
	annually)

- ✓ A major drain on government revenue
- ✓ But removing it is politically undesirable
  - ✓ Public resistance

	Naira (N)	Dollar (\$)
2015-2020	2.029trn	5.5bn
2021	1.57trn	3.8bn
H1-2022	2.6trn	6.2bn
Current		
daily bill	18.4bn	43.8mn

Expected
subsidy bill for
FY2022
\$15.7bn

Total expenditure
by all 36 states of
the federation in
2021
\$9.8bn

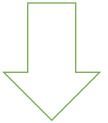
#### 1s Gradual and Unannounced Subsidy Removal Possible?

✓ Yes – discontinued fixed price of PMS across Nigeria

Raise pump price of PMS by N10



- ✓ FGN may opt for gradual reduction not removal
- ✓ PMS national uniform pricing abandoned
- ✓ Subsidies are consistently abused



Reduce subsidy bill by N250bn

# Other Security Challenges

✓ Oil theft

✓ Boko Haram

✓ Kidnapping & Ransom

✓ Herdsmen & Banditry

✓ Warlords & Extortion



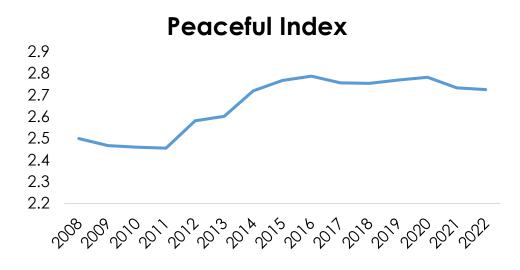
#### More Violence, Less Peace — The Casualty

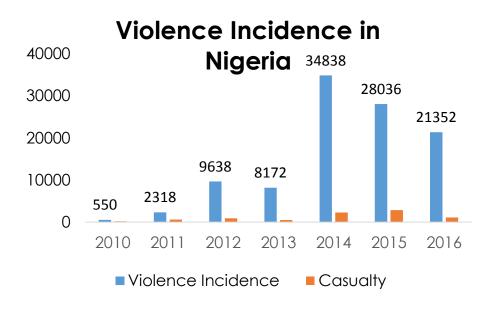
- ✓ Nigeria ranked 8<sup>th</sup> least peaceful country in the world in 2021
- ✓ More than 300,000 people lost to Boko



Haram insurgency in a decade

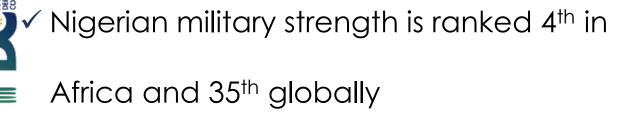
- √ 15,000 people are casualty of banditry
  and kidnapping
- √ 143,110 are internally displaced
- ✓ Nigeria lost N44.41bn in Q2'22 from rail transport due to Abuja-Kaduna rail attack





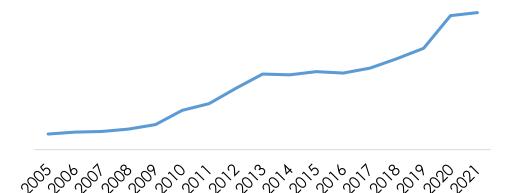
# Is Nigeria Folding its Arms??

✓ Military expenditure has grown by more than 200% in the last decade due to insurgency



- ✓ Nigeria has the largest land force in Africa
- ✓ Nigerian military has a total of 140 aircrafts
  - ✓ Ranked 58 globally out of 142 countries by global fire power

#### Nigerian Military Expenditure (N'bn)

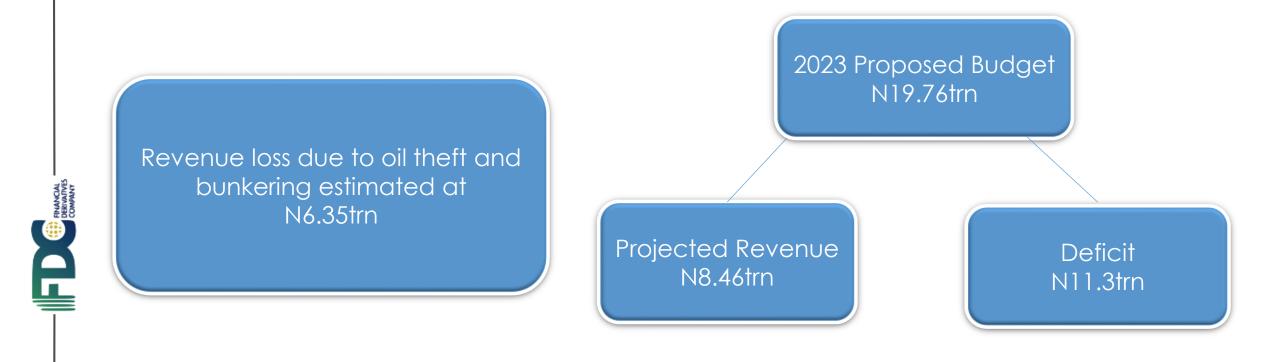




Additional 38 military aircraft were bought between 2016-2021



# Oil Theft



- √ 400,000 barrels of oil lost per day to oil theft and bunkering
- ✓ Equivalent to revenue loss of \$1.2bn per month
- ✓ Combined budget of Osun, Ekiti and Kwara in 2021

# Is Nigeria Folding its Arms??

**Actions Taken** 



**Expected Results** 



Securing the pipelines –
Tompolo's N4bn contract
per month



- ✓ Oil revenue to increase by \$1.2bn monthly
- ✓ Boosting investor confidence in the sector

Securing the railways –
Private security's N718mn
contract



- ✓ Will boost government revenue
- ✓ And improve passenger traffic as confidence is returned

# Is Nigeria Folding its Arms??

#### **Actions Taken**



#### **Expected Results**



Setting up of Military Trust Funds

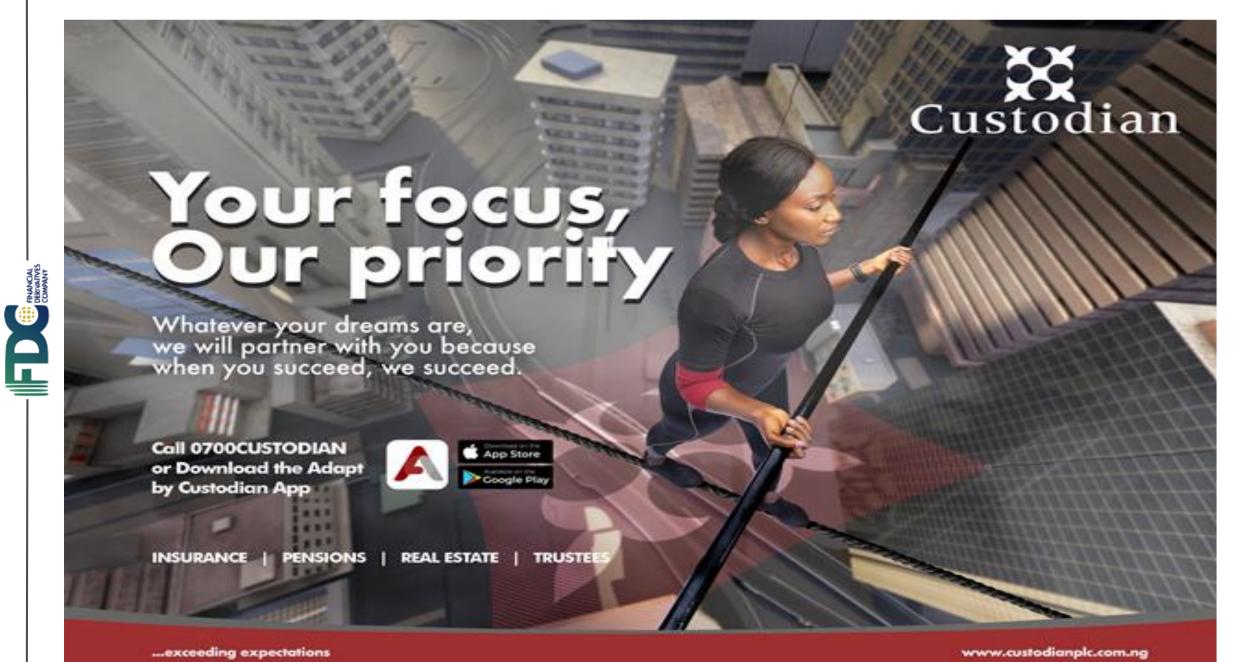


- ✓ Will improve Military capacity to curb insecurity
- ✓ And support weaponry expenditure

NASS committee on Military Finances

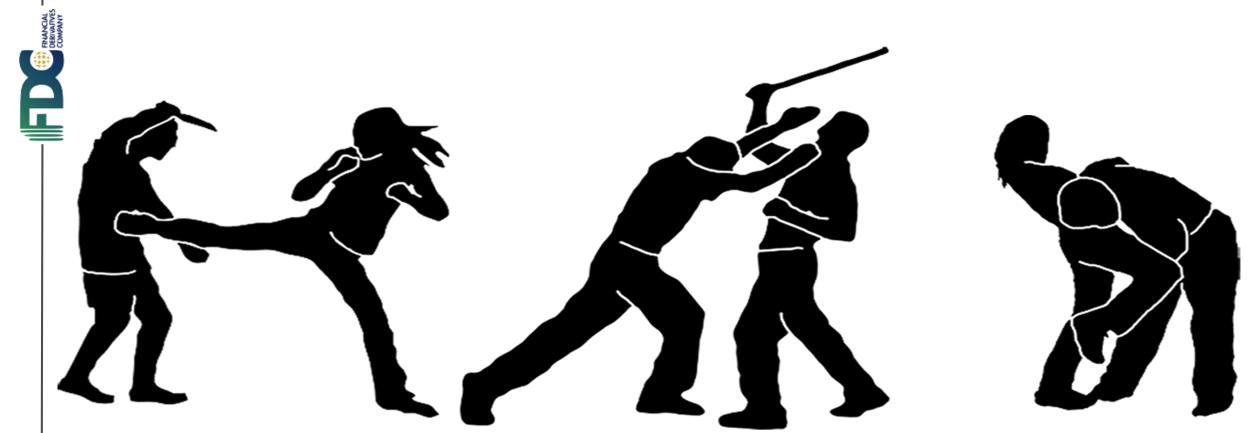


✓ Judicious allocation of military scarce resources



#### Is It Enough??

- ✓ Fighting Insecurity is Beyond Combat
- ✓ Conventional warfare is no longer adequate
- √ 9/11 showed that soft targets are more impactful

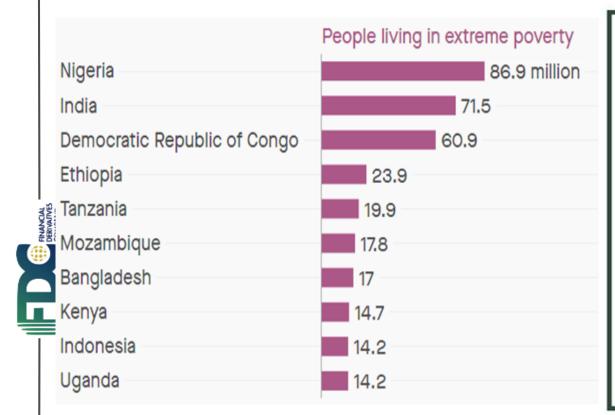


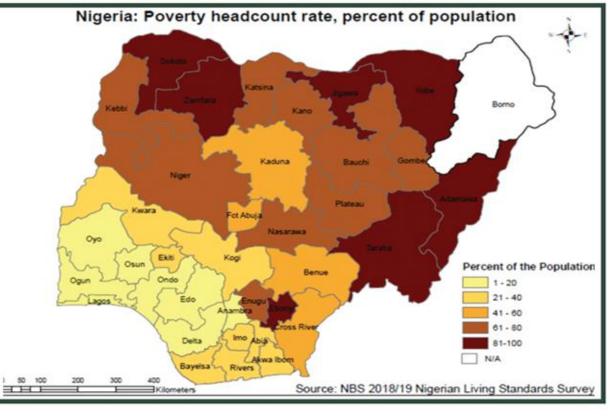
#### Wages Stagnant As Prices Rise

Minimum wage	Naira value	Dollar value
2019	N30,000	\$82.16
2022	N30,000	\$42.73

- ✓ Consumer purchasing power has declined sharply by almost 100%
- ✓ Inflation has risen by a cumulative of 59.5% in the last 3 years

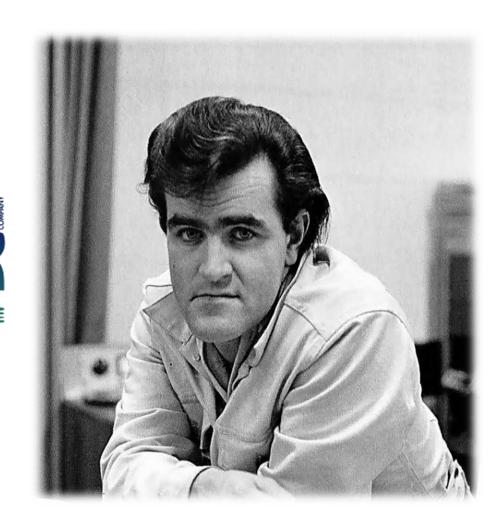
# Multidimensional Poverty





- ✓ More than 5mn additional people to be pushed into poverty in 2022 World Bank
- ✓ Increasing the number of poor Nigerians to 95.1mn from 86.9mn in 2018
- ✓ Poverty map is almost similar to the insecurity foot print

#### Solution & Timing



#### "You have to move very fast to stand still"

#### - Ian Stewart

- ✓ Create opportunities with a Marshall plan
- ✓ Resuscitate the irrigation dams
- ✓ Tree planting and reforestation project
- ✓ Empower local government
- ✓ Invest in tertiary education at community level



#### Economic Events/Policies & Lag Effects

✓ There are basically two types of lags.



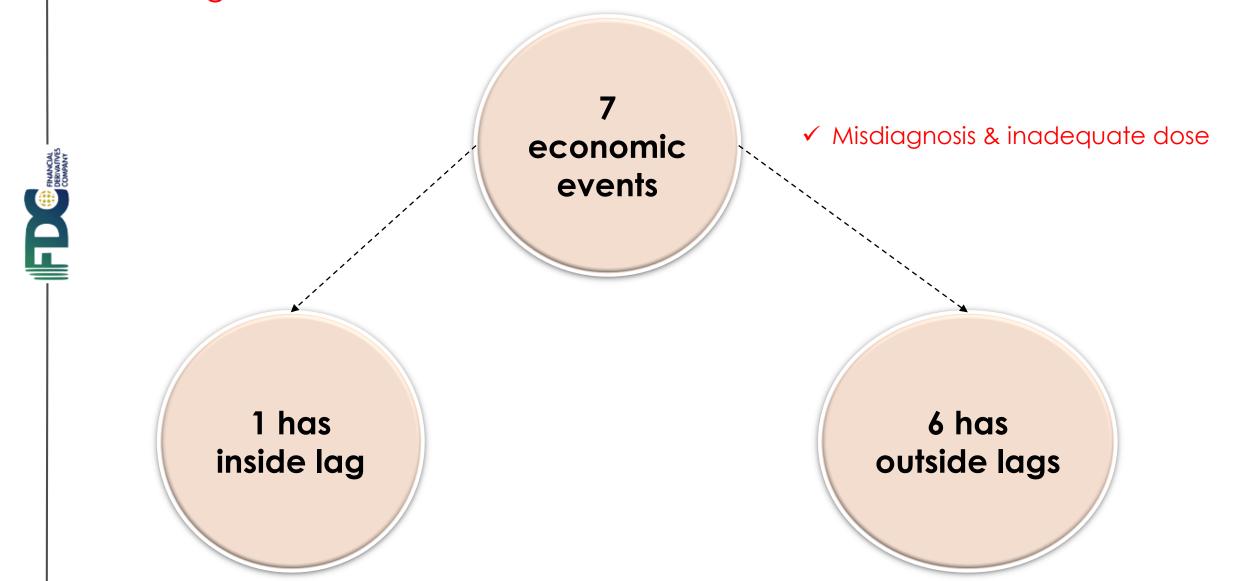




- ✓ Time between event occurring and policy makers response
- ✓ Time between policy decision and market impact

#### Quick to See, Slow to Respond

✓ Average time between events and action = 6-9 months



	Event period	Response time	Impact
IATA blocked funds	✓ Trapped funds increased to \$600mn in June from \$450mn in April	<ul> <li>✓ FG released \$265mn in         August     </li> <li>✓ Nigeria and other African         countries still withholding         over \$550mn     </li> </ul>	<ul> <li>✓ Emirates to resume 4- weekly flights</li> <li>✓ 2 other airlines have</li> <li>suspended operations</li> <li>indefinitely</li> </ul>
Lagos-Ibadan Road Rehabilitation	✓ Berger-OPIC axis closed for repairs in June	✓ Construction works still on- going	<ul> <li>✓ Traffic congestions</li> <li>✓ Reduced productivity</li> <li>due to loss of man</li> <li>hours</li> </ul>

	Event period	Response time	Impact
Eko Bridge Closure	✓ Bridge closed due to fire outbreak in March	<ul><li>✓ Delayed response</li><li>✓ Bridge closed</li><li>✓ No clear rehabilitation plans</li></ul>	<ul> <li>✓ Increased congestion</li> <li>✓ Decline in labour</li> <li>productivity due to loss of man hours</li> </ul>
Budget & fiscal deficit	✓ Fiscal balance has been in deficit in the last decade	<ul> <li>✓ Delayed and inadequate response</li> <li>✓ Tax for project swaps</li> <li>✓ VAT raised to 7.5% from 5%</li> <li>✓ Indefinite postponement of subsidy removal</li> </ul>	<ul> <li>✓ Worsening fiscal pressures</li> <li>✓ Increased borrowing amic dwindling government</li> <li>revenue</li> </ul>

	Event period	Response time	Impact
PETROLEUM INDUSTRY BILL  PANAMON PROPERTIES	✓ Over two decades of deliberations	✓ PIA signed into law in August 2021	<ul> <li>✓ NNPC now a limited liability company but petrol subsidies remain</li> <li>✓ Lingering operational challenges limiting oil production</li> </ul>
Spiraling inflation	✓ Inflation has remained in double digits in over 6 years	Dec'21	<ul> <li>✓ Consumer prices remained stubbornly high despite border reopening</li> <li>✓ Other interest rates are not effectively responding to the MPR</li> <li>✓ Negative real rate of return persists</li> </ul>

		Event period	Response time	Impact
	Gap Between Parallel and IEFX rates	✓ Nigeria has a	✓ Delayed and	✓ Persistent currency pressures due
		multiple exchange	inadequate response	to a distorted market structure
ENANCAL		rate system	✓ RT200 FX programme	✓ Dollar shortages remain the
			✓ Ban on forex sales to	principal challenge
			BDCs	✓ Undermining the performance of
			✓ Clampdown on AbokiFX	the non-oil sector
	idies		activities	✓ Nigeria's exports still largely
			✓ NAFEX rate now the	dominated by oil and oil-related
			official rate	products



# IT'S TIME TO YOUR SALT Refined, Iodized & Purified





## Global Highlights

 Central Banks officials at the Jackson hole symposium gave a clear hawkish message on interest rates

99 countries have increased policy rates this quarter

Stock markets were rattled, falling sharply across the globe

✓ Annual inflation in the Eurozone rose to 9.1% in August

✓ In the UK, Goldman Sachs is forecasting inflation of 22.4% by December

## Global Highlights

✓ China, Nigeria's largest trading partner, cut its mortgage lending rate for the third time in 2022

✓ China's GDP is underperforming its 3-year trend at 0.4%

The euro fell below parity with the dollar again - the lowest level in two decades

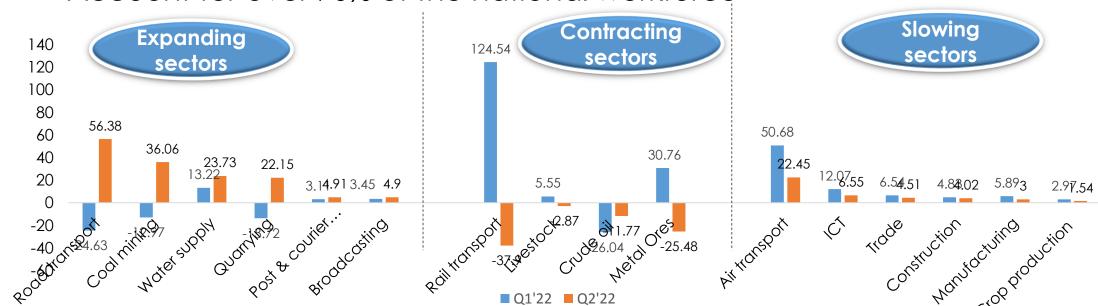
✓ Britain, one of Nigeria's leading trading partners, reported a GDP fall of 11% in 2020- largest fall since 1709

## Global Highlights

- ✓ Turkey, another major trading partner and the preferred producer of similar goods, reported annual inflation of 80%
- ✓ The Turkish lira has lost 26% in 2022. Mr Erdogan behaves based on a dogma of unorthodox economics
- ✓ Walmart, the worlds largest retailer, published quarterly earnings with revenues sharply higher
- ✓ Walmart says customer behavior has changed with lower income shoppers buying more canned meat and less fresh produce

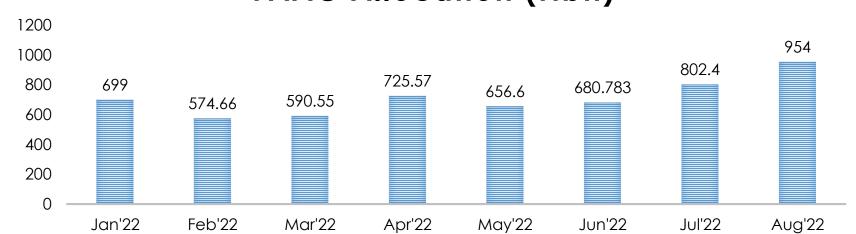
- ✓ Q2 GDP sustained its positive trend (3.54%)
  - √ 0.43% higher than in Q1 (3.11%)
- ✓ Only 33% (15) of the 46 activities expanded compared to 54% in Q1
- Slowing and contracting sectors are major employers of labour

✓ Account for over 70% of the national workforce



- ✓ FAAC allocation rose to N954bn in August from N802.41bn in July
- ✓ Buoyed by CIT arrears, increase in PPT, Excise Duty and oil & gas royalties
- Revenues from import duty and VAT declined significantly
- ✓ Excess crude account balance up 24.94% to \$470,599.54 still less than \$1 million

#### FAAC Allocation (Nbn)



- Average opening position of banks spiked 117.58% to N99.39bn in August
  - ✓ Partly supported by an OMO inflow of N144.21bn
- ✓ Opening balance was negative for six trading days
- ✓ Average short-term interbank rates (OBB/ON) down 148bps to 12.91%pa
- √ 364-day t/bill rates up 100bps to 8.5% p.a.
- ✓ Cumulative increase in 2022 of 400 basis points

- ✓ Oil production rose marginally by 0.51% to 1.183mbpd in July
  - ✓ Still below OPEC quota (1.826mbpd)



Oil theft, pipeline vandalism and other operational challenges undermining oil output

- ✓ Oil rig count was flat at 11 Showing no new investment
- ✓ FGN flip flop on Seplat purchase of Mobil is a black eye for Nigeria

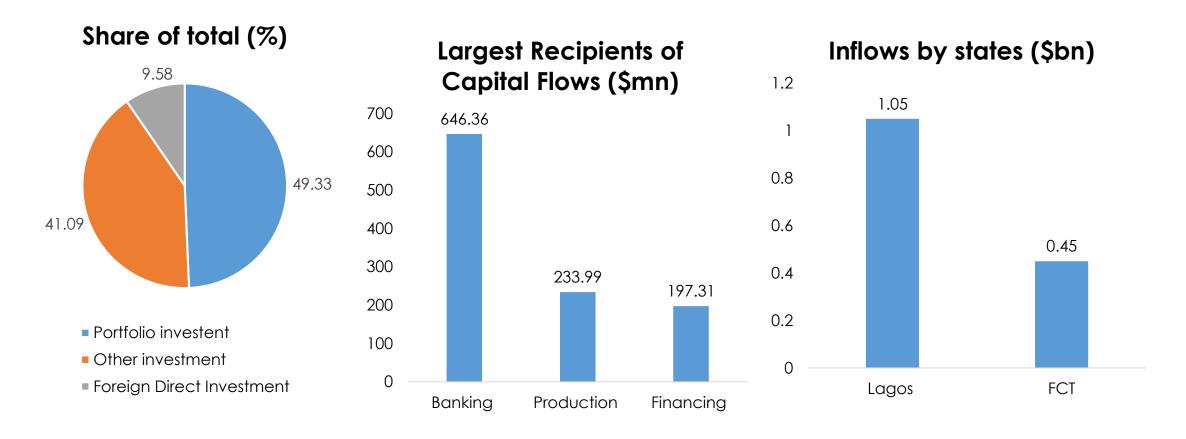
- ✓ Gross external reserves lost 0.41% to close the month at \$39.02bn
  - ✓ Now 6.72% below the 2021 peak of \$41.83bn



- ✓ Naira reached N715/\$ before appreciating to the N695/\$ N705/\$ range
- ✓ I & E rate now at N434/\$ with a marginal increase in forex supply

- ✓ Capital importation down 2.4% to \$1.54bn in Q2 from \$1.57bn in Q1
- ✓ Lagos remained the top destination of capital inflows





## Domestic Highlights - Aviation

- Emirates to resume 4-weekly flights in Nigeria
- ✓ Had earlier announced suspension of flights to Nigeria effective
  September 1
- ✓ Due to inability to repatriate ticket sales proceeds worth \$85mn
- ✓ MTN to launch 5G services in 6 states and FCT
  - ✓ Lagos, PH, Ibadan, Kano, Owerri, Maiduguri





Africa's global bank





## Global Inflation — Point of Inflection or Respite

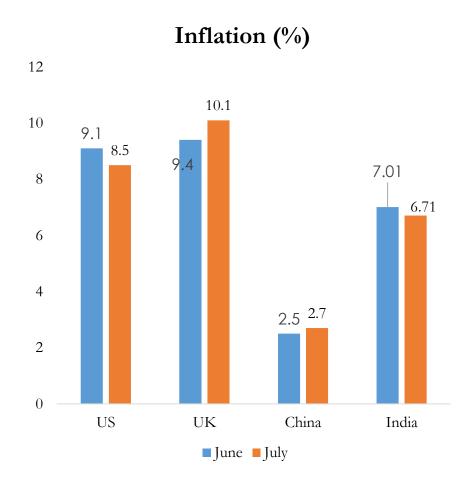
✓ Most economies are grappling with spiraling

inflation

The aftermath of

✓ Pandemic related stimulus & quantitative easing

✓ Russia-Ukraine war-induced supply disruptions



## Global Inflation — Point of Inflection or Respite

✓ There is a growing concern of whether inflation is tapering or about to rekindle



- √"Will the rise in debt burden force central banks to finance
  government obligations by creating new money to buy
  bonds?"
- ✓ The big threat is the impact of winter gas demand in the EU
- ✓ If energy prices spike it could lift inflation over the target rates

## Interest Rate Hikes to Linger Despite Slowing Growth

- ✓ Fed Chair reaffirmed commitment towards achieving 2% inflation target
- ✓ Signaling more aggressive rate hikes



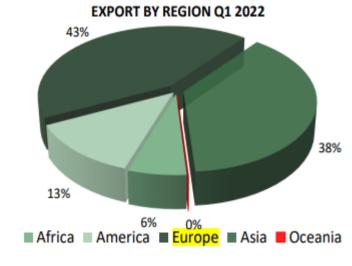
- ✓ So far in 2022, the Fed has raised rates 4 times by a cumulative of 225pbs
- ✓ More than 97 countries have also raised interest rates in 2022
- ✓ Major concern remains slowing growth and the risk of a recession

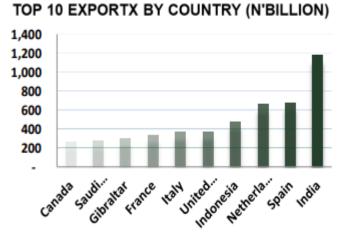
#### Europe is Heading for Recession — What Does it Mean for Nigeria?

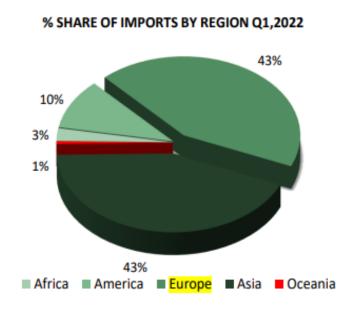
✓ Recession in Europe suggests a possible decline in trading activities

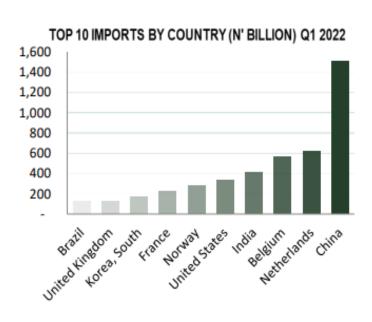


- √ 43% of Nigeria's exports
- √ 43% of Nigeria's imports

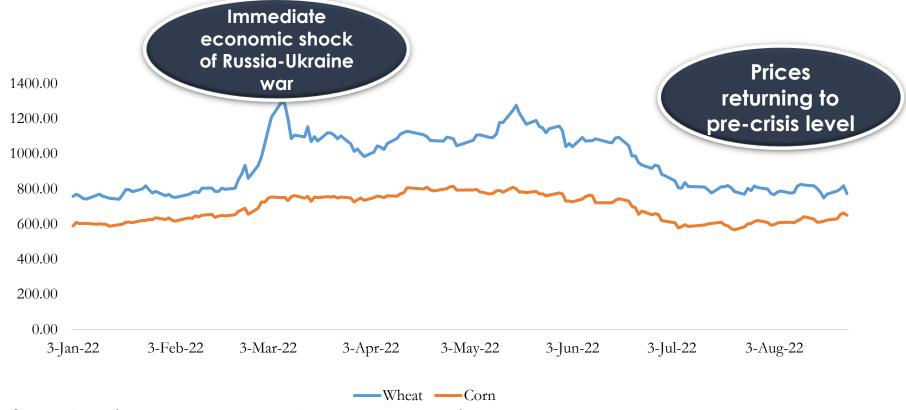








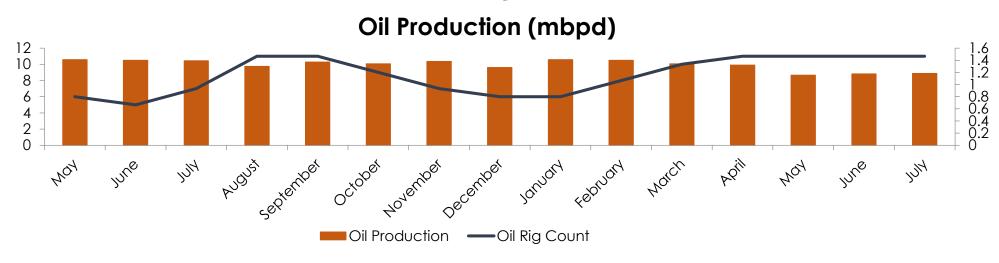
## Global Food Prices Returning to Pre-crisis Level



- ✓ Global food prices are gradually returning to pre-war level
- ✓ Russian-Ukraine deal to resume grain exports from the Black Sea Port
- ✓ Expectations of bumper harvest from Russia due to favorable weather conditions



## Oil Production Still Sub-Optimal



- ✓ Oil production rose slightly by 7,000bpd to 1.183mbpd in July
- ✓ Still below OPEC+ quota (1.80mbpd) for July
  - ✓ Pipeline vandalism, theft, poor upstream infrastructure and other operational challenges remain threats to oil production in Nigeria
  - ✓ Would impair government revenue and external reserves accretion
- ✓ Oil rig count remained flat at 11

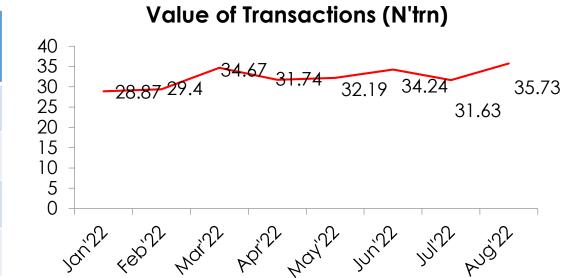
Ships Awaiting Berth

Ships Awaiting Berth	Jan'22	Feb'22	Mar'22	Apr'22	May'22	Jun'22	Jul'22	Aug'22
Apapa	6	3	8	3	3	8	10	8
Tincan	2	3	4	3	1	2	2	0
Rivers	1	0	Ī	0	2	2	0	1
Calabar	2	2	2	1	2	1	2	1
Warri	3	3	6	5	4	9	4	6
Onne	0	0	0	0	0	0	0	0
Total	14	11	21	12	12	22	18	16

- ✓ In August, the number of ships awaiting berth declined by 11.11% to 16 vessels
- ✓ Onne and Rivers are underutilized because of lower oil production
- ✓ Apapa remains the most congested port in Nigeria
- ✓ More cargoes build up Warri port as activities slow down

## Value of Transactions

Channels	Juľ22 (N'bn)	Aug'22 (N'bn)	% Change
Cheques	240.32	290.69	20.96
POS	724.73	711.47	-1.87 👢
NIP	29,285.45	33,238.49	13.50
NEFT	1,375.94	1,493.54	8.55 🛖



- Value of transactions across the e-payment channels totaled N35.73trn in August
  - ✓ Up 12.99% from 31.62trn in July
- ✓ As manufacturers front load their inventory requirements due to fear of dollar scarcity
- ✓ Payment of school fees also supported e-payment transactions
- ✓ Possible decline in new orders suggest a likely drop in value of transactions, pextumonth

#### Value of Transactions

✓ Velocity of circulation fell to 0.36x in Q2'22 from 0.38x in Q1'22

✓ Reflective of the tight liquidity in the system





Source: NIBSS, FDC Think Tank







## Aviation - Highlights

- ✓ Jet fuel price stayed stubbornly high across the globe
- ✓ Airlines increased capacity into major hubs of Dubai, Atlanta, New York, and



**Paris** 

- ✓ Aircraft leasing rates are sharply higher owing to surging demand
- ✓ Labor day vacation travellers reached pre-pandemic levels
- ✓ Lufthansa pilots have embarked on 3 warning strikes in August on pay disputes
- ✓ Heathrow airport is still rationing slots to control the traffic spike

## Ticketing in the Low Fare Categories

- ✓ Only the high fare buckets are available to naira paying passengers.
- ✓ Average Lagos London return ticket in economy is now N2.4m and in club class
   N4m.
  - The CBN released \$265m out of the \$650m in blocked funds.
- Prompted by Emirates who threatened to exit the Nigerian market.
- ✓ Airlines are still not opening up bookings because only 50% of arrears paid.
- ✓ The backlog is still growing as December bookings build up for visiting friends and relatives.

## Aviation Highlights

- ✓ B/A is still operating 5 flights a week with a Boeing 777
- ✓ Delta Airlines is to stop the summer schedule from Lagos to New York in October



Dana and Aero Contractors remain grounded by NCAA

Air Peace are requesting slots at Heathrow for a Lagos-London route

- ✓ Unlikely to get the approval very soon
- ✓ Domestic air fares remain stubbornly high: up 120% in 2022
- ✓ Aviation fuel now N800 per liter.

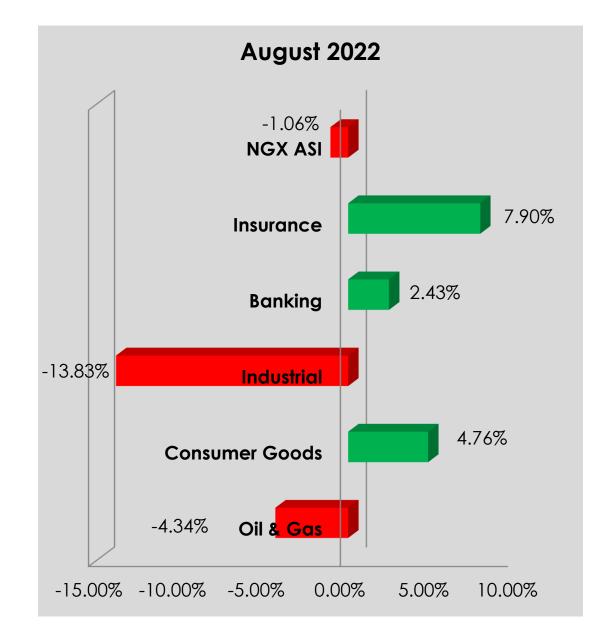


## Stock Markets are Struggling-Red Ink all Over

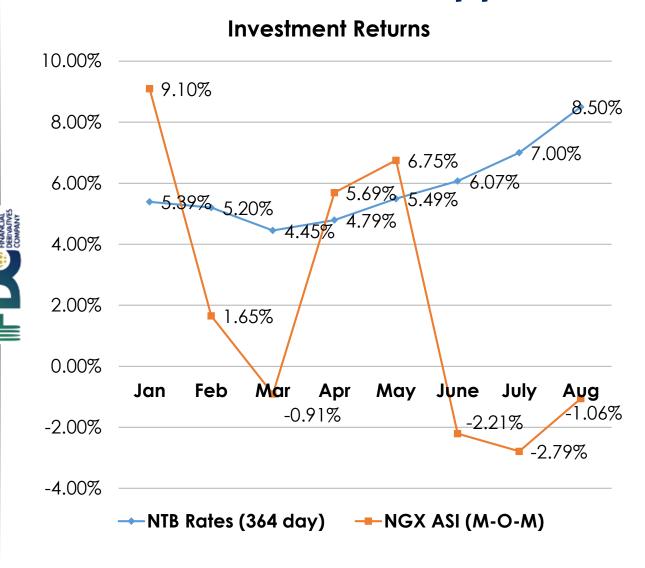
	Market	August'2022 Return	Driver
			✓ Alarming spread of Covid-19 cases in China
	SSE	1.57%	✓ Contraction in factory activities due to strict covid restrictions
ES.			✓ Aggressive monetary policy tightening to tame inflation
COMPAN	S&P 500	4.24%	✓ Fear of a possible recession due to consecutive interest rate hikes
5	JSE		✓ Depreciation in the value of the South African rand
		2.43%	✓ Listed companies systematically withdraw from the equities market
	GSE		✓ Equities market dwindles due to high interest rate
	•	0.39%	✓ Depreciation in the value of Ghana cedi
	NGX		✓ Consecutive rate hikes takes a toll on the equities market
	1.06%		✓ Investors rotate funds in favor of investment securities with attractive interest rate

#### NGX in August

- ✓ NGX ASI 1.06% to 49,836.51
- ✓ Driven by profit taking activities
  - Weak investor sentiment persists
    - ✓ Investors exit the market to hunt for attractive interest rates
- ✓ Industrial sector topped the losers
- ✓ Driven by profit taking activities in Dangote Cement



#### Domestic Investment Opportunities-Sentiment Barometer



- ✓ Three consecutive months of losses in the equities market
- ✓ Consecutive interest rate hikes drives investors towards the fixed income space
- ✓ Fixed income investors earn approx.0.7% in a month
- ✓ Smart investors will take advantage of equities market dip now

## A Selected Portfolio of Nigerian Stocks

**Invested Amount: N50 million** 

Stocks	Dividend Yield	YTD Return	Allocation (N)	Investor's Return (N)
Guinness	0.08%	125%	5,000,000	6,250,000.00
Airtel Africa	0.63%	114%	10,000,000	11,400,000.00
MTN	7.09%	1.52%	10,000,000	152,000.00
Seplat	5.03%	100%	5,000,000	5,000,000.00
BUA Foods	11.52%	32.5%	5,000,000	1,625,000.00
Fidelity	5.03%	33.3%	2,500,000	832,500.00
FBN	3.26%	-5.70%	3,500,000	-199,500.00
Okomu Oil	7.97%	32.6%	4,500,000	1,467,000.00
Dangcem	8.16%	-4.67%	4,500,000	-210,150.00
Total	Avg,5.2%		50,000,000.00	26,316,850.00

- ✓ There are opportunities in a bear market- Valuable stocks outperforms the market
- ✓ Hypothetical portfolio returned 53% YTD, outperforming the NGX (17.16%)



## MDXi Data Centers

# Our footprints are the lifeline of the region's business.

Our Data Centers are present in key locations across West Africa to deliver access and guarantee maximum availability.



- ACCRA, GHANA
  - ABIDJAN, COTE D'IVOIRE





## H1'2022 Earnings-Nigerian Banks Weathering the Storm

- ✓ Banks on our earnings' dashboard recorded a top-line growth of 24%
  - ✓ Supported by significant improvement in digital and fintech services



- ✓ Increased yield on investment securities
- ✓ Robust Ioan portfolio spurred interest on Ioans
- ✓ However, impairment charge increased by 8% due to increased loan portfolio
- ✓ Net Income grew by 20% supported by top-line growth
- ✓ Prudential ratios remain within regulatory limit

# H1'2022 Earnings-Nigerian Banks Weathering the Storm

	Stock	Revenue Growth	Net Interest Income	Non Interest Income	Impair- ment	PAT Growth	NPL	Cost to Income Ratio	CAR
	Zenith	17% to N404bn	16% to N184bn	18% to N148bn	26% to N25bn	<b>1</b> 5% to N111bn	4.22%	55.0%	22.1%
DERIVATIVES	FBNH	<b>1</b> 22% to N359bn	147% to № N153bn	<b>↓</b> 0.2% to 121bn	♣19% to N21.7bn	1 49% to N56.5bn	<b>↓</b> 25% to5.4%	<b>1</b> 0.15% to 68%	1.9% to16%
	Stanbic Ibtc	145% to N134.9b n	1 53% to N50.4bn	1 37% to N63bn	1 323% to N5.5bn	136% to N30.7bn	18% to 2.62%	15% to 60%	15% to 19.7%
	Sterling bank	<b>1</b> 6.5% to N78.4bn	<b>1</b> 9% to N33.7bn	148% to N19bn	10	<b>1</b> 40.8% to N8bn	<b>↓</b> 38% to1.1%	♣2.8% to 76.1%	4%         To         14.4%
	Fidelity	137.9% to N154bn	↑50% to N75.6bn	₽9.4%to N13.5bn	13% to N1.99bn	↑ 21% to N23bn	4% to 2.7%	1.4% to 69.6%	

# Banking Sector Resilience and the Threat of Fintechs

- ✓ Nigerian banks facing increased threats from Fintechs
- ✓ Big telecom players expected to dominate the payment and settlement service space
  - ✓ Leveraging on economics of scale
- ✓It is not all bad news for the Nigerian banking industry
- ✓ Nigerian banking industry recorded \$1.47 billion as capital inflows in H1'22
- (\$1 billion in H1'21)
- ✓ Supported by inflows through Fintech start ups
  - ✓ Fintech firms raised a sum of \$658.4 million in H1'2022 across 23 deals
- ✓ Five Nigerian banks raised a total of \$2.2bn through Eurobond issuance Source: CBN, Nairametrics

### Banking Sector Resilience and the Threat of Telcos

- ✓ Fidelity bank joins peers in expanding footprints to harness more opportunities beyond the Nigerian market
- ✓ Fidelity bank's stock price expected to maintain an upward trajectory
  - Nigerian banks expected to deliver stronger performance in H2'22
    - ✓ Significant improvement in Fintech and digital services
    - ✓ impressive performance will trickle down to impressive bottom-line performance and robust dividend payment
- ✓ Investor sentiment will be driven by robust dividend or contraction of margins
- ✓ The upward review on savings rate to 4.2% is expected to mobilize savings, boost banks' deposit portfolio, but increase interest expense
- ✓ Bank customers expected to hunt for better bargains

### Stock Market Outlook

- ✓ Global equities market likely to trend downwards
- ✓ Central banks expected to continue monetary policy tightening as inflation heightens
- ✓ Maintaining of status-quo by the MPC will prompt continuous exit of investors from the Nigerian equities market
- ✓Institutional investors expected to rotate their funds for attractive yield in the fixed income space
- ✓ Net foreign outflow expected to linger due to currency weakness
- ✓Stock specific events and business strategic actions will strengthen market sentiment



✓ The twin factor of social media(technology) and youth anger is
keeping old politicians up at night



- ✓ With the new bio-technology and transmission of results from polling booths the election is becoming a wild card
- ✓ Nigeria is still a non-industrialized society as defined by Lucy Mair
- ✓Old norms, values and habits still dominate the mindset of voters

✓ Stressed, resentful and angry urban dwellers are becoming a majority

✓ Campaigns will kick-off on September 28

✓ The gloves will be off, and the dirty tricks departments will
come alive

✓ The Labour Party, which is most endeared to the youths, is raising diaspora funding

✓ The establishment parties are busy settling domestic squabbles



- ✓ The PDP's VP selection drama will become an anti-climax after campaigns and rallies begin
- ✓ The BAT machine is engaging the international financial community with their economic recovery blueprint
- ✓ The Atiku machine is overhauling its ground game

- ✓ The election is till too close to call with less than 50 days to voting.
- ✓ The time is long and there are legal disputes and tussles.



Delta state is a problem for the PDP

- ✓ The old structures are fighting the incumbent governor.
- Projections show that tribal sentiment may set in after the whispering campaigns at Christmas

- ✓ The biggest problem is the carry over of the endSARS, anger network
- ✓ The APC are defining their campaign on structures



- ✓ The Labour Party is relying on anger and youth frustration
- ✓ Like Harold Wilson said: a week is a long time in politics

### **ANYTIME CAN** BE BANKING TIME

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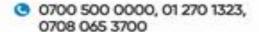


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### September Outlook

- ✓ Inflation data may rise to 20.4% for August
- ✓ Harvest season will taper food inflation



- ✓ The FGN will have a huge representation at the U.N general assembly
- ✓ As well as at the IMF/World Bank meetings in October
- ✓ The MPC meeting in September is likely to leave rates unchanged

### September Outlook

✓ Expect an increase of at least 200 basis points in the general level of interest rates

✓ Also, a gradual securitization of FGN debt at the CBN

✓ The CBN is likely to allow an adjustment at the I & E window towards
N440/\$

✓ The CBN will increase forex supply at the window

✓ The oil revenue will increase due to pipeline protection

## September Outlook

✓ The naira is likely to appreciate at the parallel market towards N670/\$ - N680/\$ in October



Stock market will trade flat through September until the MPC meeting

There will be a rash of C.P and bond issues in November to hedge against higher interest rates

✓ There might be a kindle of hope at the end of a dark tunnel

Happiness must not be sought for; when what disturbs passes away, happiness comes of itself.

- The gospel according to Zen



Enjoyment is not a goal, it is a feeling that accompanies important ongoing activity

- Paul Goodman

Happiness is like a cat. If you try to coax it or call it, it will avoid you. It will never come. But if you pay it no attention and go about your business, you fill find it rubbing against your legs and jumping into your lap.

- William Bennett

Comparison more than reality makes men happy or wretched

- Thomas Fuller



The Jealous are troublesome to others but torment to themselves

- William Penn

The opposite of talking is not listening. The opposite of talking is waiting.

- Fran Lebowitz

The ideal client is the very wealthy man in very great trouble

John Sterling



Lawyers believe a man is innocent until proven broke

- Robin Hall

A jury consists of 12 persons chosen to decide who has the better lawyer.

- Quentin Crisp

The quickest way to make a red light turn green is to try to find something in the glove compartment.

- Billy Connolly



Finding a parking space is like going to a prostitute: why pay for one, when if you try you can get one for free

- George Costanza Seinfield

Anybody going slower than you is an idiot, and anybody going faster is a maniac.

- George Carlin

A gossip talks about others, a bore talks about himself and a brilliant man talks to you about yourself

Lisa Kirk



To cut a long story short, just see your boss walk in - Doris Lily

An expert is a person who can take something you know already and make it sound confusing

- Herbert Prochnow

The neurotic builds castles in the air, the psychotic thinks he lives in them and the psychiatrist collects the rent

- Jerome Lawrence



Gardeners law: 87 percent of all people in all professions are incompetent

George Gardener

A male gynaecologist is like a mechanic who has never owned a car.

- Carrie Snow



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