



# 2024

# THE HARD ROAD AHEAD

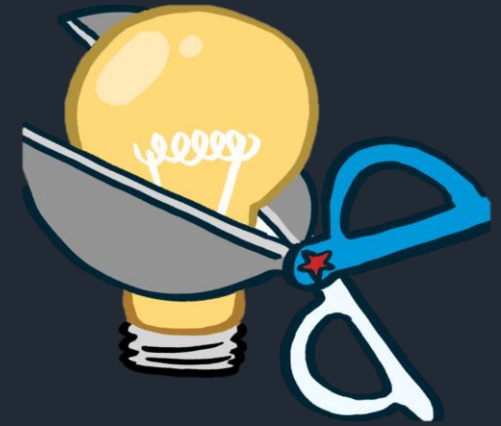
By Bismarck Rewane  
Financial Derivatives Company Ltd.  
December 12<sup>th</sup> , 2023



# WHICH WAY, NIGERIA?!



OR



**SLOW RECOVERY**

**LIGHTS OUT**

# OUTLINE

1

**2023: The Past is Gone**  
but the **Memory Lingers**

2

**Global Economy:**  
**Business Trends in 2024**

3

**Nigerian Policy &**  
**Macroeconomic**  
Environment **in 2024**

4

**Stock Market Outlook**

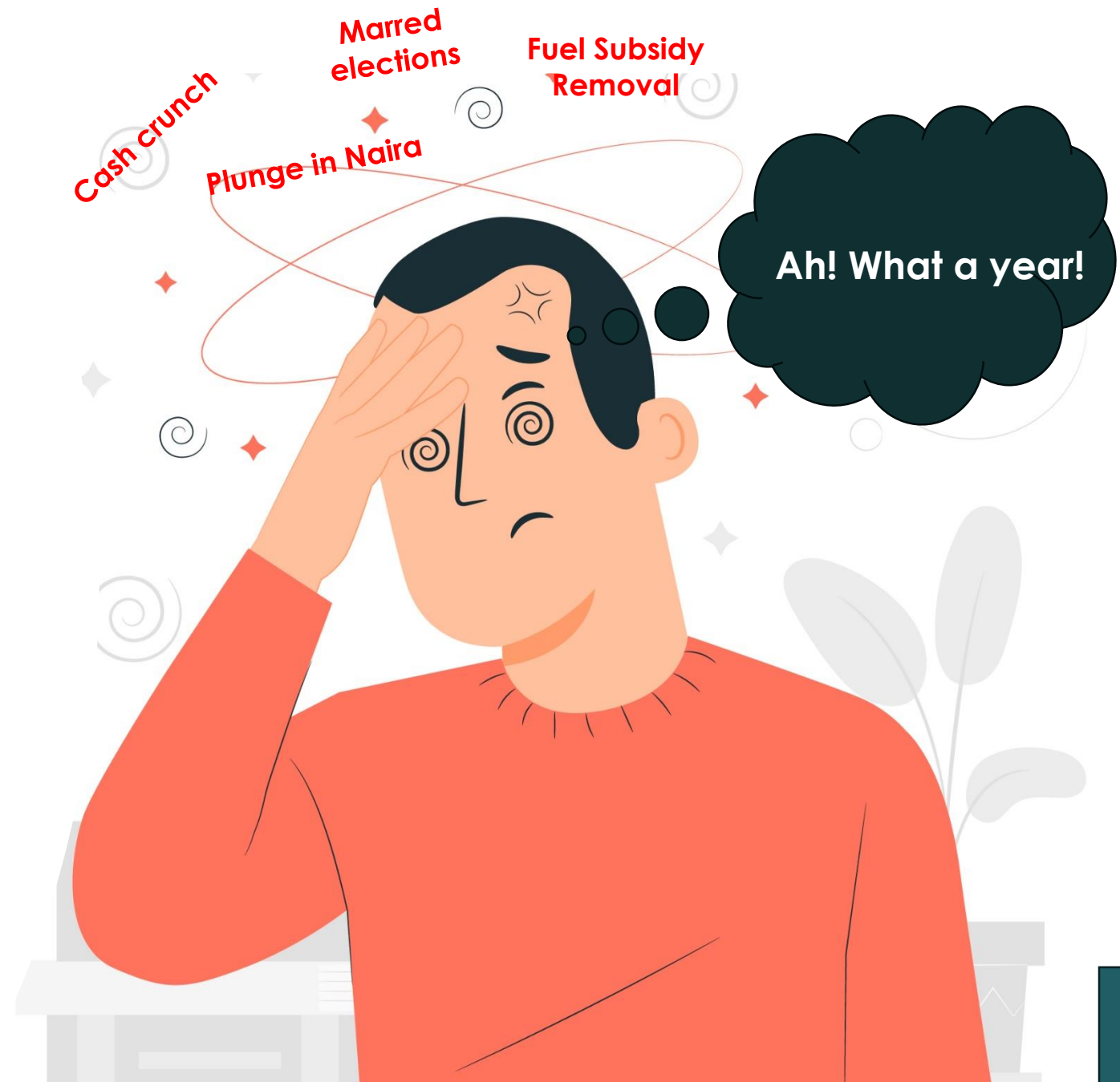
5

Market **Proxies**

6

Summary & **Conclusion**

# 2023: THE PAST IS GONE BUT THE MEMORY LINGERS





Election won



Litigation won



Problems remain

# 2023: TUMULTUOUS YEAR – FOUR DISTINCT QUARTERS

- Naira scarcity
- Marred elections

**Q1'23**

- Presidential inauguration
- Fuel subsidy reduction
- Exchange rate unification

**Q2'23**

- The PEPT & Supreme Court dismissed oppositions' claims of fraud and electoral law violations
- And affirmed Tinubu's presidential victory

**Q3'23**

- 2023 supplementary budget
- Proposed 2024 budget
- Central bank governor's statement at the Chartered Institute of Bankers of Nigeria's annual dinner
- Dangote refinery

**Q4'23**



William Ruto  
**President of Kenya**



Javier Milei  
**President of Argentina**

# HONEYMOON OR SQUANDERING POLITICAL CAPITAL

## *Nigeria is not alone*

- Kenya's President removed subsidies on fuel & and maize flour immediately after he assumed office
- Faced violent anti-government protests over high living costs
- Subsidies were reinstated in August 2023
- New Argentina President, Javier Milei, implements shock economic measures
  - Devalued currency by over 50%
  - Slashed public spending

# CURRENCY REDESIGN & CASH CRUNCH



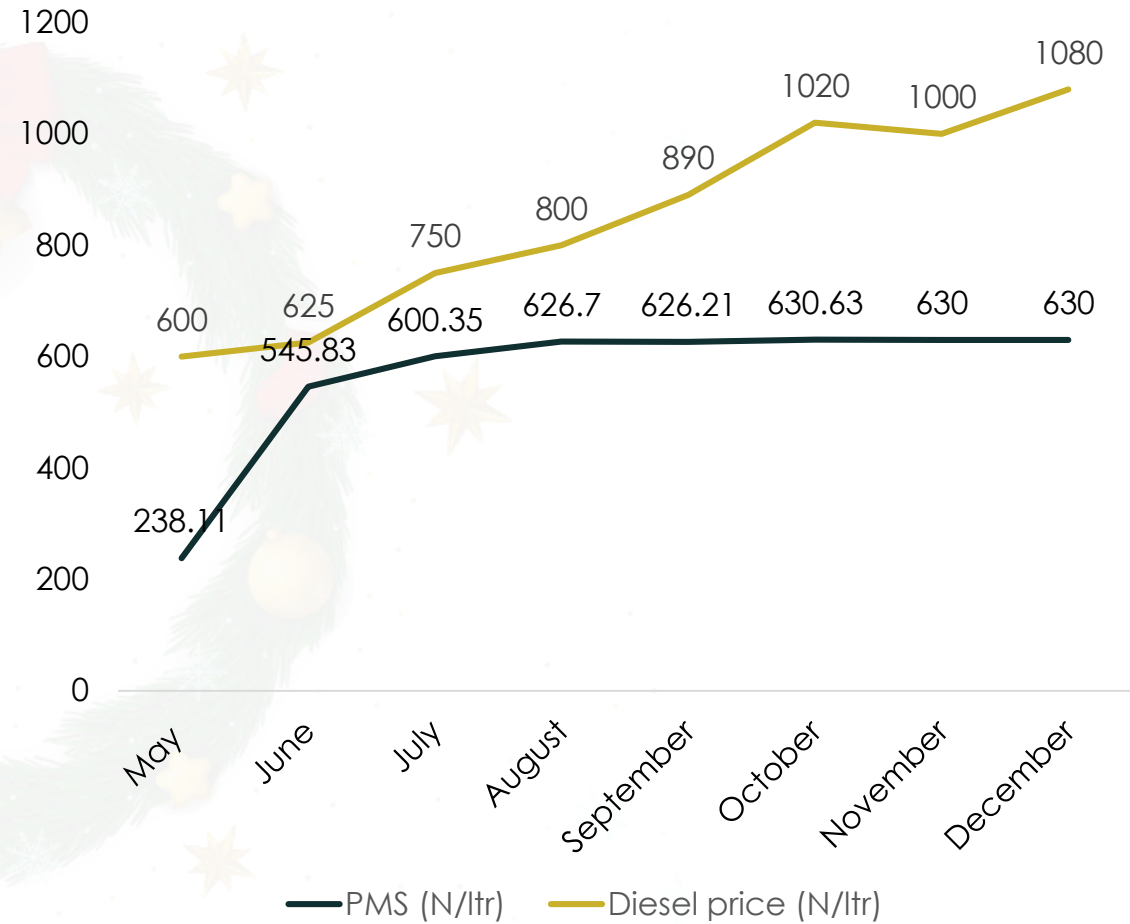
- Cash in circulation fell by 69% to a low of N982.1bn in February
- Decline in productivity
  - Total man-hour loss estimated at 120 hours in a month
  - Resulting in lower GDP growth – down 0.79% to 2.31% in Q1 '23 from 3.1% in Q4 '22
- Multiple pricing
- Inflation at 21.91% in February
- Delayed internet transactions due to increased volume of transactions and network glitch



# SUBSIDY REMOVAL OR REDUCTION?

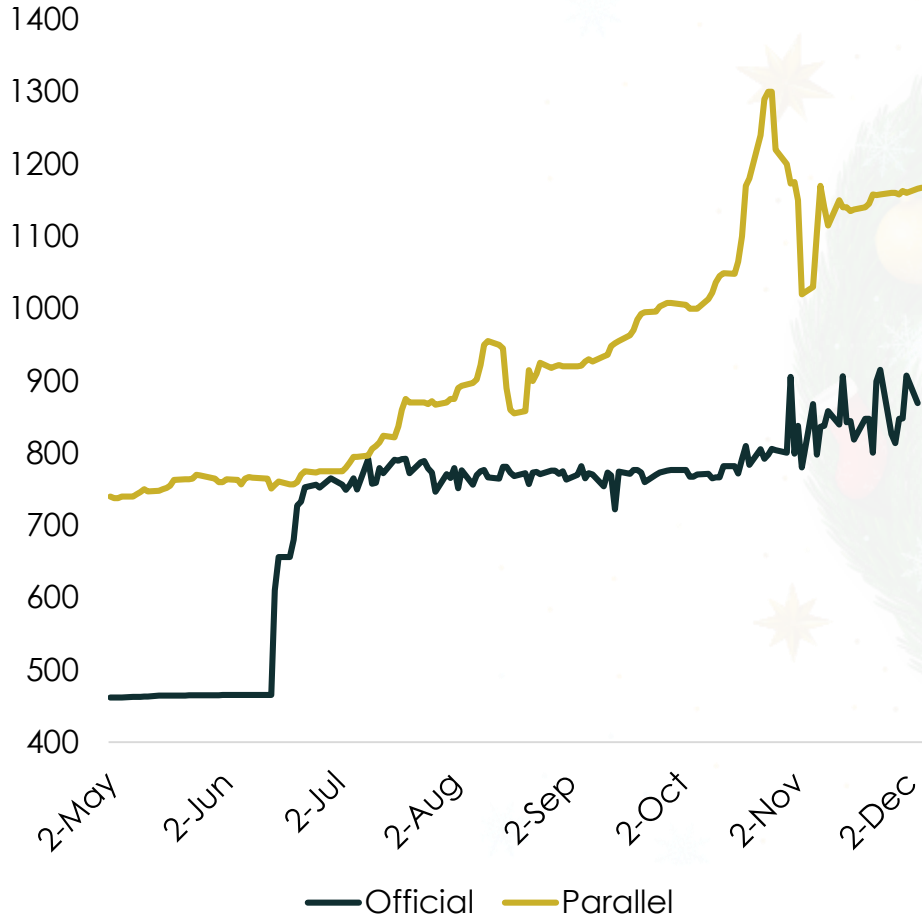
4-3 = 2 ??

- The gap between the price of diesel and PMS has increased to N450/ltr from N120/ltr



# NAIRA WOBBLED AS CBN TRIES TO CATCH A FALLING KNIFE

Exchange Rate (N/\$)



- 39% depreciation of the parallel market rate since the policy pronouncement in June
  - Naira crossed the N1,000/\$ psychological threshold
- Exacerbating inflationary pressures (currently at an 18-year high of 27.33%)
- FX translation losses for businesses
- Spike in import costs
  - Exchange rates for computing import duty adjusted to reflect the current rates:
    - From N422/\$ to N589/\$ on June 24
    - N770.88/\$ on July 6
    - N783.17/\$ on Nov. 14
    - Now N951.94

# WORST HIT VERSUS GAINERS



	Consumers	Corporates	Banks (with dollar-denominated assets)	Government
Cash Crunch	Worst hit	Worst hit	Gained	-
Fuel subsidy removal	Worst hit	Worst hit	Gained	Gained
Exchange rate depreciation	Worst hit	Worst hit	Gained	Gained



- Consumers and businesses were badly hit by the reforms

FAAC rose by 38.3% in July 2023

# MACROECONOMIC SNAPSHOT – 2022 VS 2023 (THE GOOD)

	2022	2023*	% Change
Oil production (mbpd)	1.21	1.45	19.82
Trade balance (\$bn)	6.0	12.0	100
Stock market cap (Ntrn)	27.92	39.56	41.69



# PUT ALL YOU HOLD DEAR UNDER **OUR COVER**



 **Consolidated Hallmark  
Insurance**  
*Anxiety Away, Value Assured*

 @MyCHIPlc  
Tel: +234 0700 24467 872623

NALCOM/CC/ADV/2023/4819

# MACROECONOMIC SNAPSHOT – 2022 VS 2023 (THE BAD)

	2022	2023*	% Change
Real GDP Growth (average; %)	3.10	2.45	-0.65
GDP Per capita (\$)	2,187.4	1,679.4	-23.22
Inflation (average; %)	18.77	23.71	4.94
Gross external reserves (\$bn)	37.08	32.88	-11.33



# MACROECONOMIC SNAPSHOT – 2022 VS 2023 (THE UGLY)

	2022	2023*	% Change
Exchange rate (parallel N/\$)	740	1,245	40.56
Capital importation (\$bn)	5.33	4.56	-14.45
Total Debt (N'trn)	46.25	87.38	88.93



# IT'S NOT ALL GLOOM & DOOM...



Dangote Refinery  
Commissioned – May 22<sup>nd</sup>



Road concessioning



Nigeria wins \$1.1bn P&ID case in  
UK court



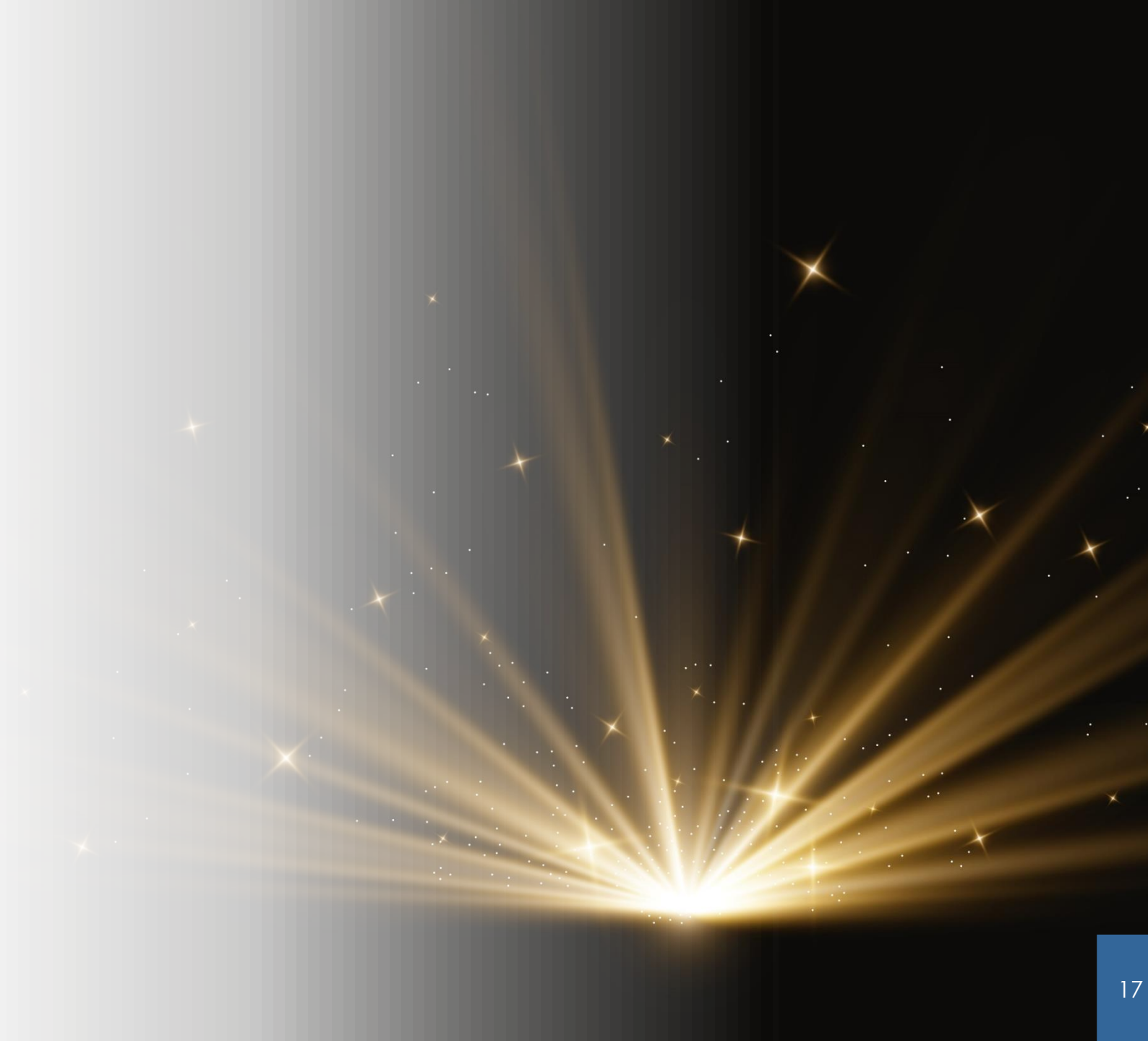
Moody upgrades Nigeria's  
outlook to positive





# 2024: A LEAP YEAR WITH BRIGHT LIGHTS

---



# Goldilux – No Recession & Lower Inflation??



**GLOBAL  
ECONOMY**





# 2024 - BUSINESS TRENDS (The Economist)

01

## End of Monetary Tightening Cycle

- Central banks including the US Fed end monetary tightening cycle as inflation eases and
- Could likely begin rate cuts in 2024

02

## Mild GDP growth

- Global institutions are forecasting weak economic growth in 2024
- The world's two largest economies (the US and China) will experience a slowdown in real GDP growth

03

## Renewable Energy

- Renewable energy consumption will climb by 11% to a new high
- Fossil fuels will still meet 80% of energy demand

04

## Infrastructure Gap

- The global infrastructure gap will come to \$3trn
- Asia's gross fixed investment will expand by 4%



# 2024 - BUSINESS TRENDS

05

## Stress Testing

- Stress testing to include banks' exposure to geopolitical risks

06

## Tourism

- International tourism revenue will spike to \$1.5trn
- High prices & post-pandemic effect

07

## Health Spend

- A greying world will spend rigorously on health
- 10% of the 65 & above will contribute 10% of the global GDP

08

## US election

- USA will spend \$886bn on defense

# 2024 - BUSINESS TRENDS

09

## EVs

- One in four new cars will be EVs
- With more than 50% sold in China, up from 15%

10

## IT Spending

- IT spending to pick up in 2024
- Rising by about 9% to \$5.1 trn

11

## Advertising

- Revenue in the advertising industry will increase by 5%
- Supported by election spending in the U.S


12

## Debt in World Poorest Countries

- Most developing economies will continue to struggle with a high debt burden as global interest rates remain elevated



# FAMILY-OWNED BUSINESSES TO THRIVE – MCKINSEY

- Family-owned businesses (FOBs) are a significant force in the global economy
  - Contributing over 70% to the global GDP
  - Generating \$60-70 trillion in turnover annually, and employing about 60% of the global workforce
  - They also play a crucial role in supporting community development, including education, healthcare, and infrastructure
  - The success of FOBs can be linked to:
    - Diversified portfolio
    - Capital efficiency & operational excellence
    - Dynamic resource allocation
    - Relentless focus on talent
    - Strong governance processes
- 

# GLOBAL & REGIONAL RISKS

Lag between when CBs increase rates and when the economy feels the effect

Cracks are showing that unemployment in low jobs are becoming hard to find – Tech displacement effect

Extension of monetary policy tightening leading to global recession

Extreme weather events caused by climate change will disrupt global supply chains

Israel-Hamas war escalating into a regional war

**Coup Contagion**

**Disorderly change in SSA**

**Class war**

**+**

**Sectarian clashes**

**+**

**Ethnic conflicts**

**Cost of living crisis spilling over in SSA**

# The World Economy's Biggest Problem is Africa

**Ruchir Sharma**  
*Author of Breakout Nations*



**REGIONAL  
ECONOMY IN  
2024**





# Leo

## on WhatsApp

Chat on +234-903-000-2455

Check Account Balance?

Top up your airtime?

Bank Transfers?

Bills Payment?

<https://m.me/ubachatbanking> ✉️ [Leo@ubagroup.com](mailto:Leo@ubagroup.com) 📞 CFC (+234-1-2807400)

■ Africa

• New York

• London

• Paris

Web: [www.ubagroup.com](http://www.ubagroup.com)

Email: [cfc@ubagroup.com](mailto:cfc@ubagroup.com)

Africa's global bank

# REGIONAL ECONOMY

- In the last 5 years only, 3 African economies have grown at 6% and above
  - Ethiopia, Benin & Rwanda
- Africa is adding workers but not increasing output
- One reason for low productivity is corrupt leadership
  - 14 of the 20 most corrupt governments in the world are in Africa
  - Up from 10 in 2010



# KEY TRENDS IN 2024

Modest GDP growth

Moderating Inflation

Reduced currency  
volatility

Sustained fiscal  
pressures

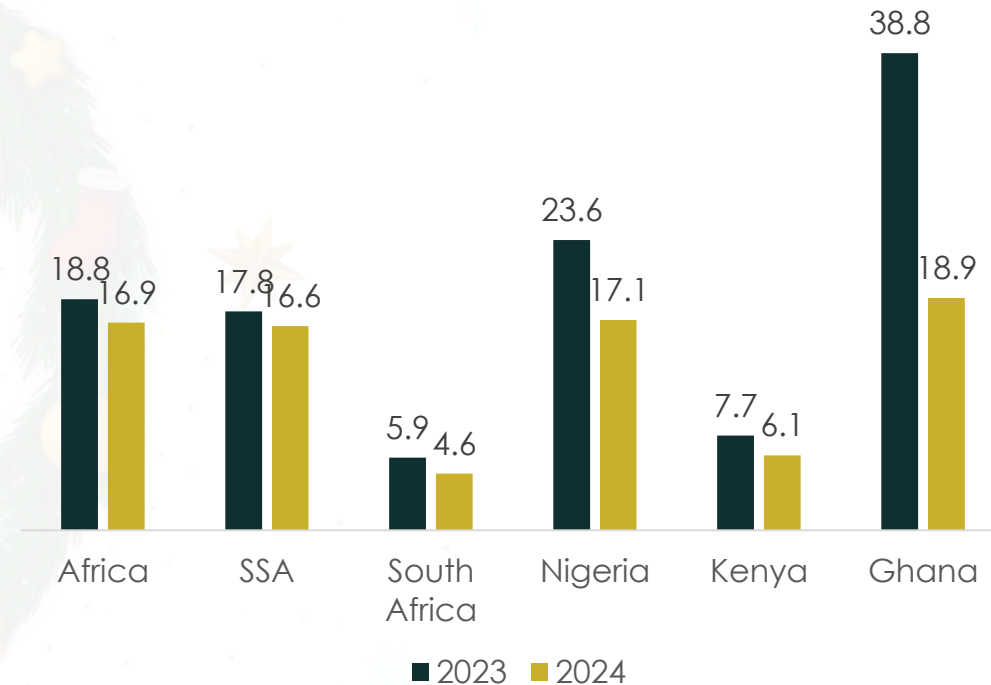
IMF policy support  
program & debt  
rescheduling

Political instability

# AFRICA IN 2024 – INFLATION TO DECLINE

- Inflationary pressures are expected to ease across Africa from the elevated levels recorded in 2023
  - African inflation is projected to fall to 16.1% in 2024 from 18.6% in 2023
- Primarily due to reduced currency pressures and improved global supply chain distribution
- Of the African countries under review, Ghana will record the fastest pace of price deceleration
  - Supported by reduced currency depreciation following the Extended Credit Facility by the IMF

Inflation (%)



# AFRICA IN 2024 – FISCAL DEBT

- Africa's average external government debt service as % of revenue is now 18%
- 19 countries in SSA will spend more than 20% of their revenues servicing external debt
- Including Ethiopia, Ivory Coast & Kenya
- Countries that want to boost growth by borrowing will face soaring costs
- Rising interest rates and access to new credit is a major hurdle
- No new issues from African countries since early 2022
- Chinese loans are drying up

# AFRICA IN 2024

- Some major African countries will hold presidential and legislative elections in 2024
- Incumbent regimes are expected to prevail in most of the elections
- But there is a heightened risk of reduced parliamentary majorities and much more challenging governing conditions
- Widespread discontent with the performance of current governments will prompt a transfer of power to the opposition in some states
- Heightened political tensions will increase the risk of civil unrest, especially in Algeria, the DRC, Egypt, Ghana, Madagascar, South Africa, and Tunisia

African elections, 2024



# AREAS OF COMMONALITY – NIGERIA VS SSA

	SSA	Nigeria
Weak Growth	<ul style="list-style-type: none"> <li>Real GDP growth to increase although remains weak</li> </ul>	<ul style="list-style-type: none"> <li>Real GDP growth to increase but still below the SSA average</li> </ul>
Slowing inflation	<ul style="list-style-type: none"> <li>Gradual ease in price pressures as oil prices decline but weak currencies will keep the general price level high</li> </ul>	<ul style="list-style-type: none"> <li>Inflation falling faster in some African countries than Nigeria</li> </ul>
Debt accumulation from global rate hikes	<ul style="list-style-type: none"> <li>Debt crisis in some African countries due to weaker currencies and global monetary tightening</li> </ul>	<ul style="list-style-type: none"> <li>High debt burden but Nigeria is likely to withstand the shock</li> </ul>

# AREAS OF COMMONALITY – NIGERIA VS SSA

	SSA	Nigeria
Political instability & structural bottlenecks	<ul style="list-style-type: none"> <li>Heightened political tensions will increase the risk of civil unrest, especially in Algeria, the DRC, Egypt, Ghana, Madagascar, South Africa, and Tunisia</li> </ul>	<ul style="list-style-type: none"> <li>Reform-induced economic hardship amid low political capital heightens political risks</li> <li>Structural bottlenecks remain, impeding productivity</li> </ul>
IMF Support policy program	<ul style="list-style-type: none"> <li>Some African countries have visited the IMF</li> </ul>	<ul style="list-style-type: none"> <li>Nigeria likely to request for IMF policy supports as financial pressures mount</li> </ul>
Exchange rate depreciation due to external imbalances	<ul style="list-style-type: none"> <li>Most SSA countries will battle with weak currencies</li> </ul>	<ul style="list-style-type: none"> <li>Naira will remain under pressure as the CBN has little firepower to defend the currency</li> </ul>



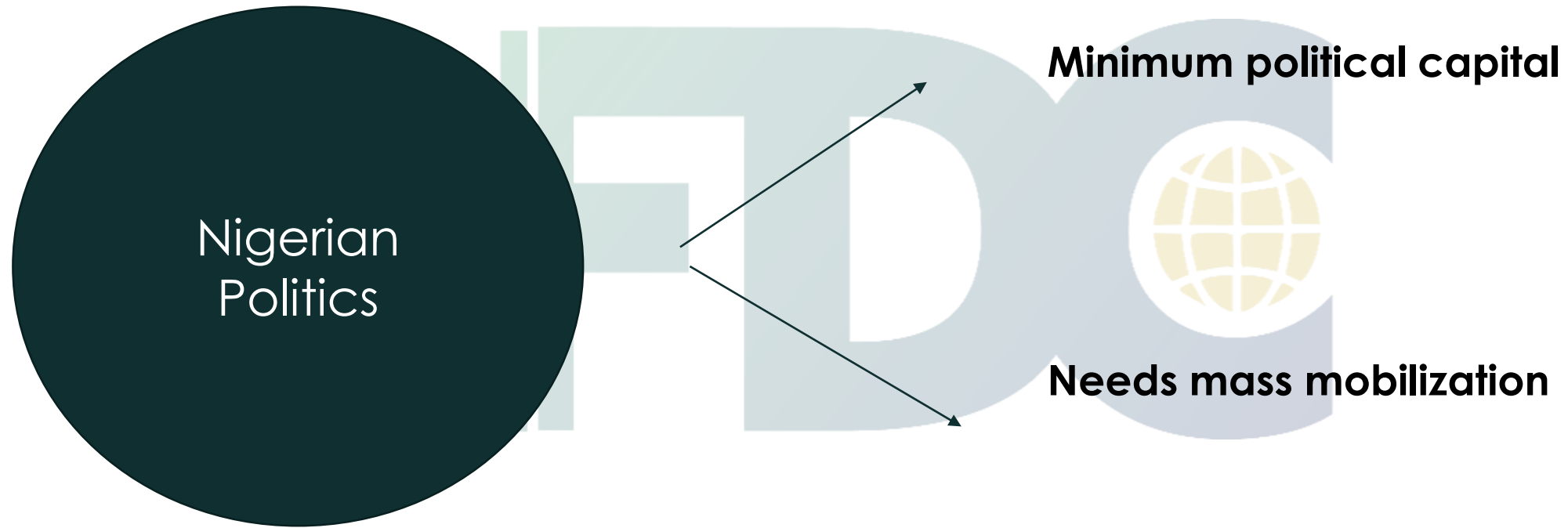


**THE NIGERIAN  
MACROECONOMIC  
& POLICY  
ENVIRONMENT  
IN 2024**





# NIGERIAN POLITICS



# POLITICS OF CONSOLIDATION OR ATTRITION

- The APC leadership is taking an iron grip on the political architecture
- Placing a premium on loyalty ahead of other considerations
- A slide towards autocracy and benevolent despotism
- The judicial decisions in Kano, Zamfara, and Plateau appear to reinforce the view of power consolidation
- The rapprochement or truce in Rivers State is only kicking the can down the road
- The hangman will still come for his victim
- The tribal split between the Ijaws and the Ibo-speaking will likely erupt in the near term

# POLITICS OF CONSOLIDATION OR ATTRITION

- The economy of Rivers State with high unemployment and insecurity is taking its toll
- There is an urgent need to support economic reform with a Marshall plan to fight poverty
- The cost of living crisis is not abating anytime soon
- The President's men need all the skills and luck to steer the economy back to winning ways

# 2024 - POLICY IMPERATIVES

## Fiscal

- Fiscal consolidation
- Elimination of subsidies
- Aggressive tax collection
- Minimum wage review
- Policy support program with the IMF
  - Privatization
  - Debt rescheduling

## Monetary

- Bank recapitalization
- Orthodox monetary policy
- Clear exchange rate management system
  - A wholesale Dutch auction system



***Connect Everything,  
Everywhere within  
one ecosystem***

Power your digital transformation strategy with secure, high performance interconnections, seamless connectivity to cloud providers, and lower latency for critical services and applications over the MainOne network across West Africa using Equinix Fabric.

Get connected today, visit [www.mainone.net](http://www.mainone.net) or email [info@mainone.net](mailto:info@mainone.net)

# MONETARY POLICY

- The CBN has expressed commitment to ensuring price stability
  - General price level
  - Exchange rate

## **Summary of CBN Governor's speech at the CIBN**

- No more unorthodox activities
- Recapitalization (Consolidation 2.0)
  - Focusing on inflation targeting
- The Feedback rule monetary policy
- A transparent forex market based on minimum restrictions and portfolio inflows
- Higher interest rates and national savings

## *What he did "NOT SAY"*

- True level of Nigeria's net external reserves
  - Inflation target

- The lack of independence of the central bank remains a big risk to policy implementation

# 2024 PROPOSED BUDGET BREAKDOWN

**Revenue: N18.32trn**

- Oil-related sources = N7.94trn
- Non-oil sources = N10.39trn

**Expenditure: N27.5trn**

- Debt service = N8.25trn (45% of expected revenue)
- Non-debt recurrent exp. = N9.92trn
- Capex = N8.7trn

**Fiscal Deficit : N9.18trn (3.88% of GDP)**

**To be funded through borrowing**

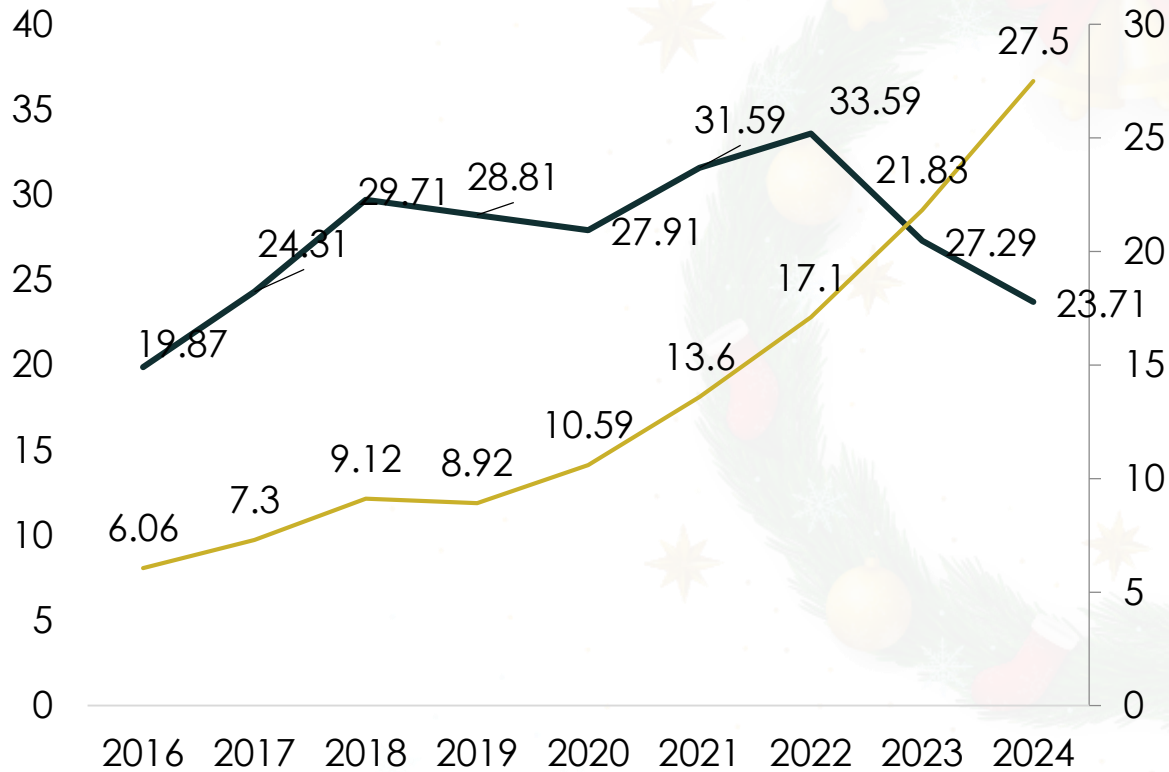
33%  
↓

- New borrowing = N7.82trn    Privatization proceeds = N298.49bn    Multilateral & Bilateral loans = N1.05trn
- The ambitious revenue projection indicates FG's commitment to reducing the deficit through
  - Aggressive tax collection
  - Gradual elimination of subsidies



# PROPOSED 2024 BUDGET

**Budget (in dollar terms \$'bn)**



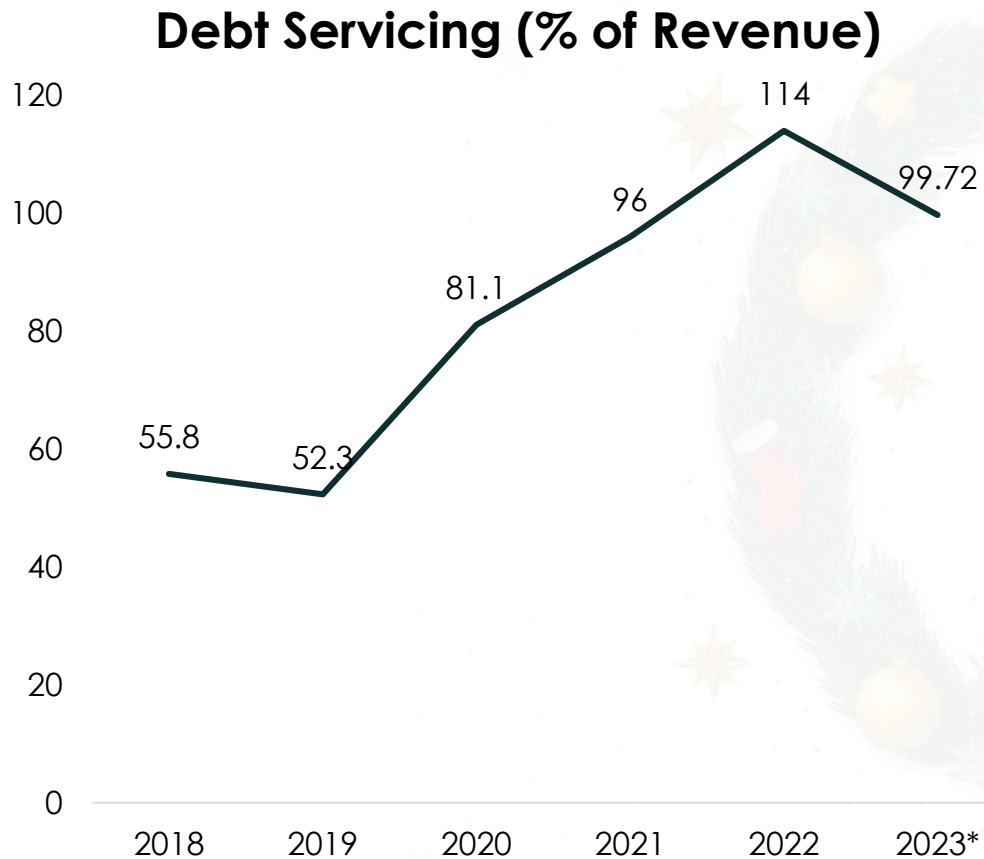
— Budget (in dollar terms \$'bn)  
 — Budget (in Naira terms N'trn)

- Nigeria is spending less in dollar terms
- Fiscal budget of N27.5trn is \$23.71bn in dollar terms
  - 13% lower than the dollar value of the 2023 budget: \$27.29bn
- Limiting the government's ability to stimulate growth

# BUDGET ASSUMPTIONS – HOW REALISTIC?

Indicators	2023	2024	Comments
GDP growth (%)	3.75	3.76	<ul style="list-style-type: none"> <li>○ Average growth rate in the last 5 years = 1.9%</li> <li>○ IMF projects 2.9% for 2024 while EIU forecasts 2.6%</li> </ul>
Oil price (\$pb)	75	77.96	<ul style="list-style-type: none"> <li>○ Initial projection = \$73.96pb</li> <li>○ Average oil price (YTD) = \$83.63/pb</li> <li>○ 2024 JP Morgan estimates - \$90 - \$110/pb</li> </ul>
Oil production (mbpd)	1.69	1.78	<ul style="list-style-type: none"> <li>○ Average oil production in the past 5 years = 1.53mbpd</li> <li>○ 2024 OPEC Production Quota = 1.5mbpd</li> </ul>
Exchange rate (N/\$)	435.57	750	<ul style="list-style-type: none"> <li>○ Initial forecast = N700/\$</li> <li>○ Parallel market rate currently N1,245/\$</li> </ul>
Inflation (%)	16.98	21.4	<ul style="list-style-type: none"> <li>○ IMF: 23</li> <li>○ EIU: 23.5</li> </ul>

# DEBT SERVICING AMID HIGH INTEREST RATES

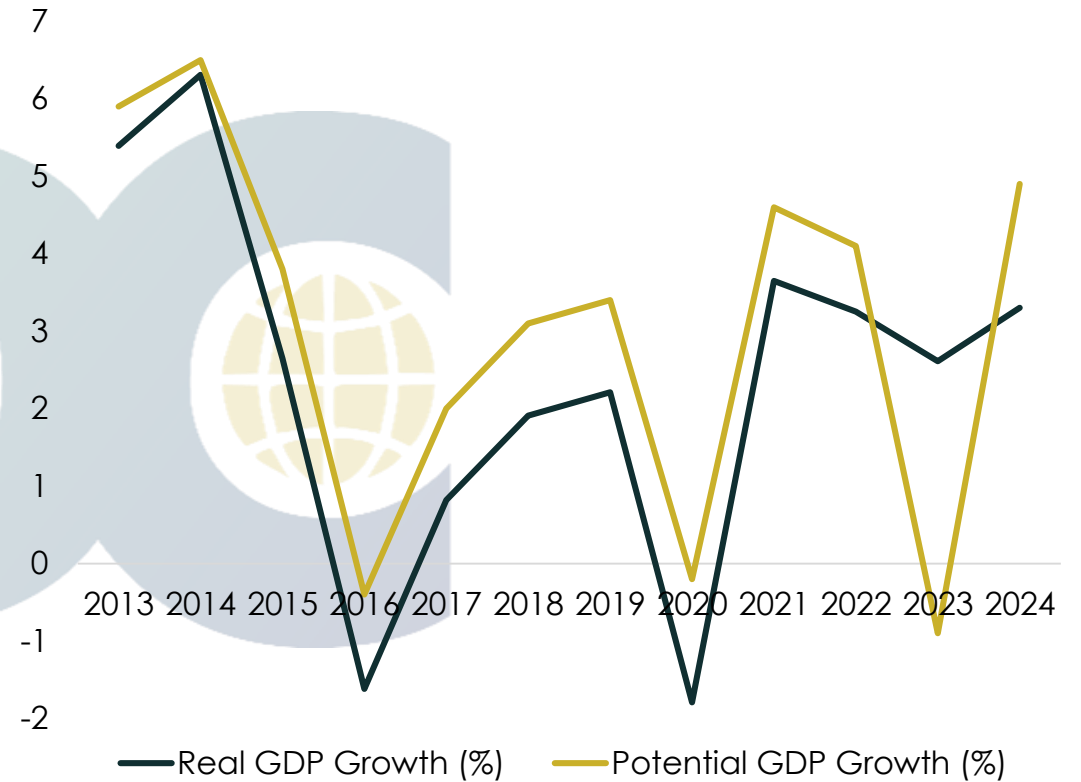


- Nigeria's debt is becoming unsustainable
- Nigeria serviced its debt with 99% of its revenue in H1 '23
- Nigeria's debt burden will be exacerbated by high interest rates in 2024
- Efficient use of borrowed funds is crucial for its debt sustainability
- The federal government must spend on productive sectors to boost revenue sources

# ECONOMIC OUTLOOK

- Nigeria's GDP to grow by 3.3% in 2024
  - Up from an estimated growth rate of 2.61% in 2023
- Underpinned by:
  - Reduced pace of inflation
  - Improved foreign exchange supply
  - Dangote Refinery
  - Improved investment
- Nigeria's business environment will improve as the policy direction becomes clear

## Real Vs Potential Growth (%)



# MAJOR DRIVERS OF ECONOMIC GROWTH-Q1'2005 to Q3'2023

$$\text{GDP} = 1.7 - 0.13\text{INF} - 0.169\text{INT} - 0.167\text{DEBT} - 0.185\text{EXR}$$

- GDP = Gross Domestic Product
- INF = Inflation
- EXR = Exchange rate
- DEBT = Debt

	Drivers of Economic Growth	Implications
Inflation	<ul style="list-style-type: none"> <li>• A 1% increase in inflation has a 13% negative impact on GDP growth</li> </ul>	<ul style="list-style-type: none"> <li>• If inflation increases to 27.6%, real GDP growth will fall to 2.2%</li> </ul>
Interest rates	<ul style="list-style-type: none"> <li>• 1% increase in effective interest rates will have a 16.9% adverse effect on GDP growth</li> </ul>	<ul style="list-style-type: none"> <li>• If effective interest rates rises to 16.16%, real GDP growth will decline to 2.11%</li> </ul>
Debt	<ul style="list-style-type: none"> <li>• 1% increase in public debt will have 16.7% negatively significant effect on GDP</li> </ul>	<ul style="list-style-type: none"> <li>• If public debt increases to \$114.3bn, real GDP growth will fall to 2.12%</li> </ul>
Exchange rate	<ul style="list-style-type: none"> <li>• A 1% increase in the exchange rate will lead to a 18.5% decline in GDP growth</li> </ul>	<ul style="list-style-type: none"> <li>• If the Naira falls to N1,262.5/\$, real GDP growth will decline to 2.07%</li> </ul>

# 2024 – WHAT GROWTH STRATEGY?

$$\begin{array}{ccccccc}
 \mathbf{Y} & = & \mathbf{C} & + & \mathbf{I} & + & \mathbf{G} & + & \mathbf{X-M} \\
 \$379.9\text{bn} & & \$228.5\text{bn} & & \$97.2\text{bn} & & \$14.8\text{bn} & & \$36.3\text{bn}
 \end{array}$$

↓

**Growth Strategy**

- Consumption-led?
- Investment-led?
- Government-led?
- Export-led?



- Nigeria needs an investment-led strategy

# CANVASSING FOR INTERNATIONAL INVESTMENT

- The series of visits different countries by the president indicates an investment-led growth strategy



**President in Dubai**



**President in New York (rang the closing bell)**



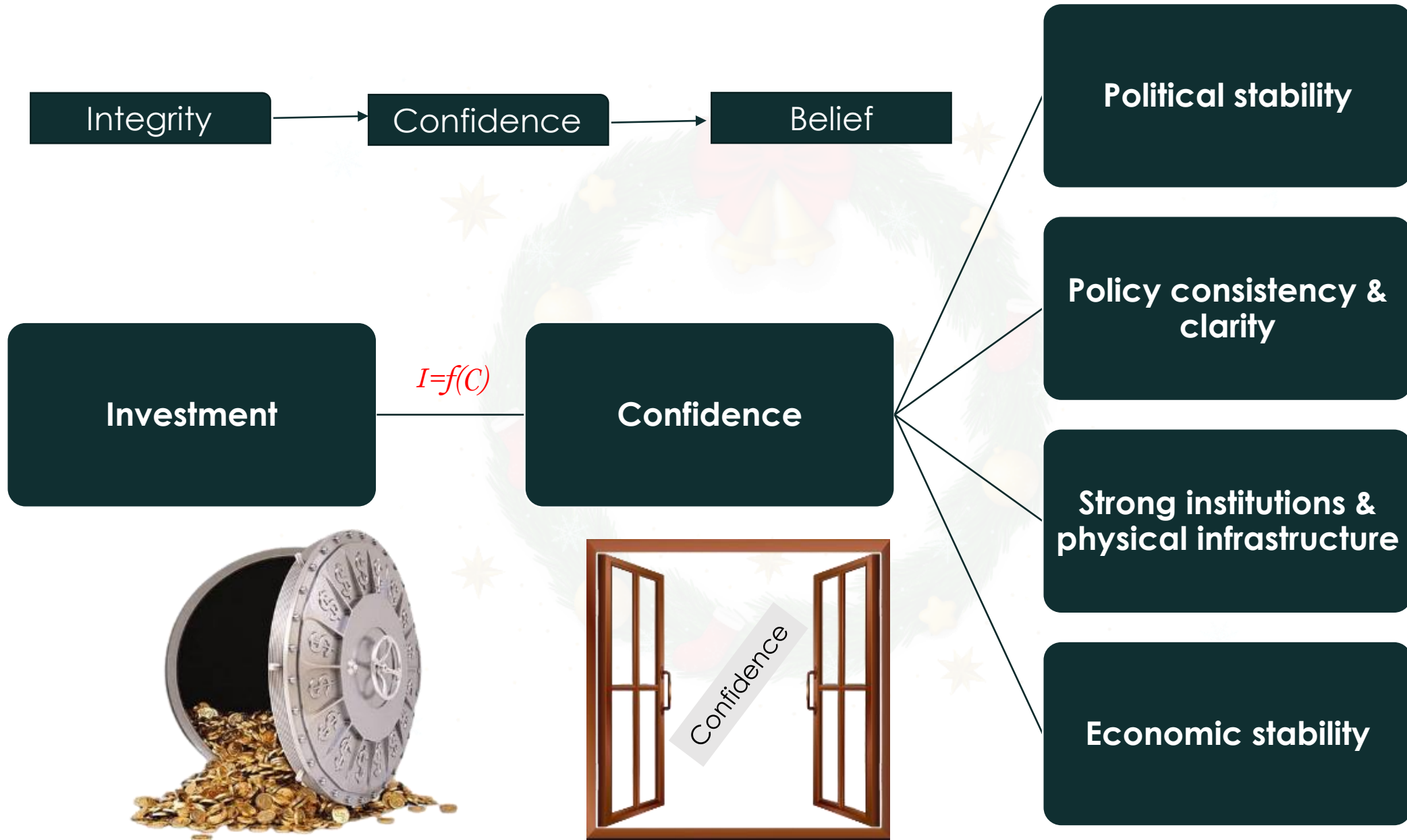
**President in Paris**



**President in India**

- Markets want more than photos
- They want the real deal – facts, figures and action

# INVESTMENT IS A FUNCTION OF CONFIDENCE



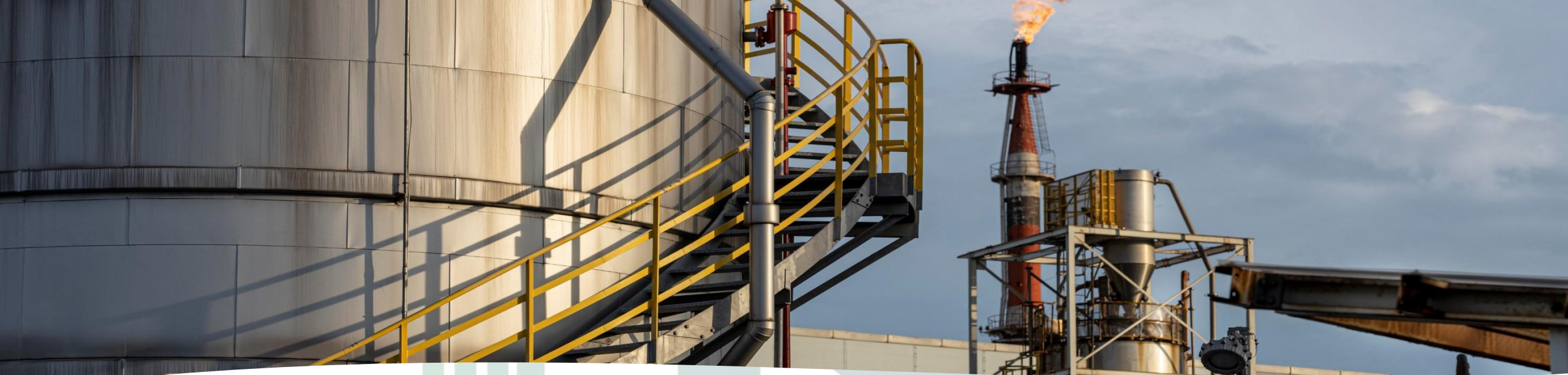


# THE ROLE OF THE GOVERNMENT IN THE ECONOMY

$$\begin{array}{ccccccccc}
 Y & = & C & + & I & + & G & + & X-M \\
 \$379.9\text{bn} & & \$228.5\text{bn} & & \$97.2\text{bn} & & \$14.8\text{bn} & & \$36.3\text{bn}
 \end{array}$$

The letter 'G' in the equation is highlighted with a yellow oval.

- Government expenditure only accounts for 3.9% of GDP in the national income identity
- Not an adequate prescription of the role of the government
- Government power & policies influence economic activities
- Nigeria needs government policies that will incentivize investment



# GAME CHANGERS IN 2024 – DANGOTE REFINERY

- Production of Diesel and Aviation Fuel to commence in 2024
  - Will reduce demand for forex for the import of refined petroleum
- Sale of products to neighbouring countries to boost Nigeria's external earnings
- Will enhance Nigeria's energy security by reducing vulnerabilities associated with external supply chains
- More opportunities in the downstream sector including petrochemical industries





# 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



[www.alphamorgan.com](http://www.alphamorgan.com)



[info@alphamorgan.com](mailto:info@alphamorgan.com)

# 2023 ELECTRICITY ACT

- States are allowed to generate their power supply
- The Electricity Act empowers renewable energy and other forms of power generation
- Increased private investment in the generation of power supply – renewable energy sources
- Tax incentives to attract more investments into the power sector

Sectors that will benefit

Manufacturing

Energy

Telecommunication

Real Estate

# ROAD & AIRPORT CONCESSIONING

- Increased public-private partnership business will help bridge the infrastructure gap
- Improved infrastructure will raise productivity and reduce downtime

## Sectors that will benefit

Construction

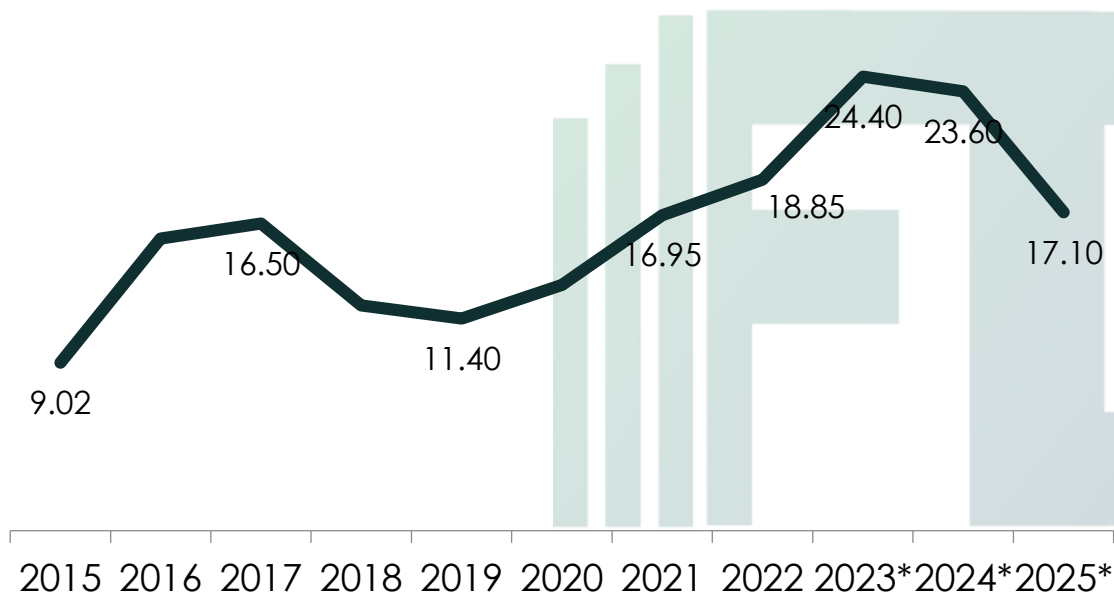
Manufacturing  
- Cement

Transportation  
& Logistics



# INFLATION OUTLOOK

## Inflation Rate



- Inflation will increase at a slower pace in 2024
- Primarily due to:
  - Reduced pace of currency depreciation
  - Monetary policy tightening to reduce money supply saturation
  - CBN to reduce deficit financing
  - Ease in global commodity prices

# WHERE NAIRA IS LIKELY TO SETTLE?

- The naira is expected to be less volatile in 2024
- Primarily due to:
  - Change in the structure of the forex market
    - Reduction in capital controls and increase in transparency and price discovery
    - CBN likely to adopt a wholesale Dutch auction system
  - Monetary policy tightening
  - Improved forex supply

Exchange rate	N/\$ Current	N/\$ (2024)
PPP	800.01	850
JP Morgan	850	-
EIU (average)	640.2	857.5

# EXCHANGE RATE SUPPLY - OUTLOOK

- Nigeria's external sector is expected to improve in 2024
- Supported by:
  - A favorable terms of trade
  - Increase in domestic oil production
  - Sale of Dangote refined petroleum to West African countries to push up Nigeria's foreign exchange earnings
- Clear policy direction and ease in global monetary tightening to support investment flows in H2'24

	2024	2025
Oil price (\$/pb)	84.1	79.2
LNG (\$/mmbtu)	14.3	11.2
Cocoa (\$/mt)	3,600	2,850
Terms of trade	54.9	51.5
Oil production (mbpd)	1.32	1.45
Trade balance (\$'bn)	16.9	17.0
Current account balance (\$'bn)	9.8	9.3















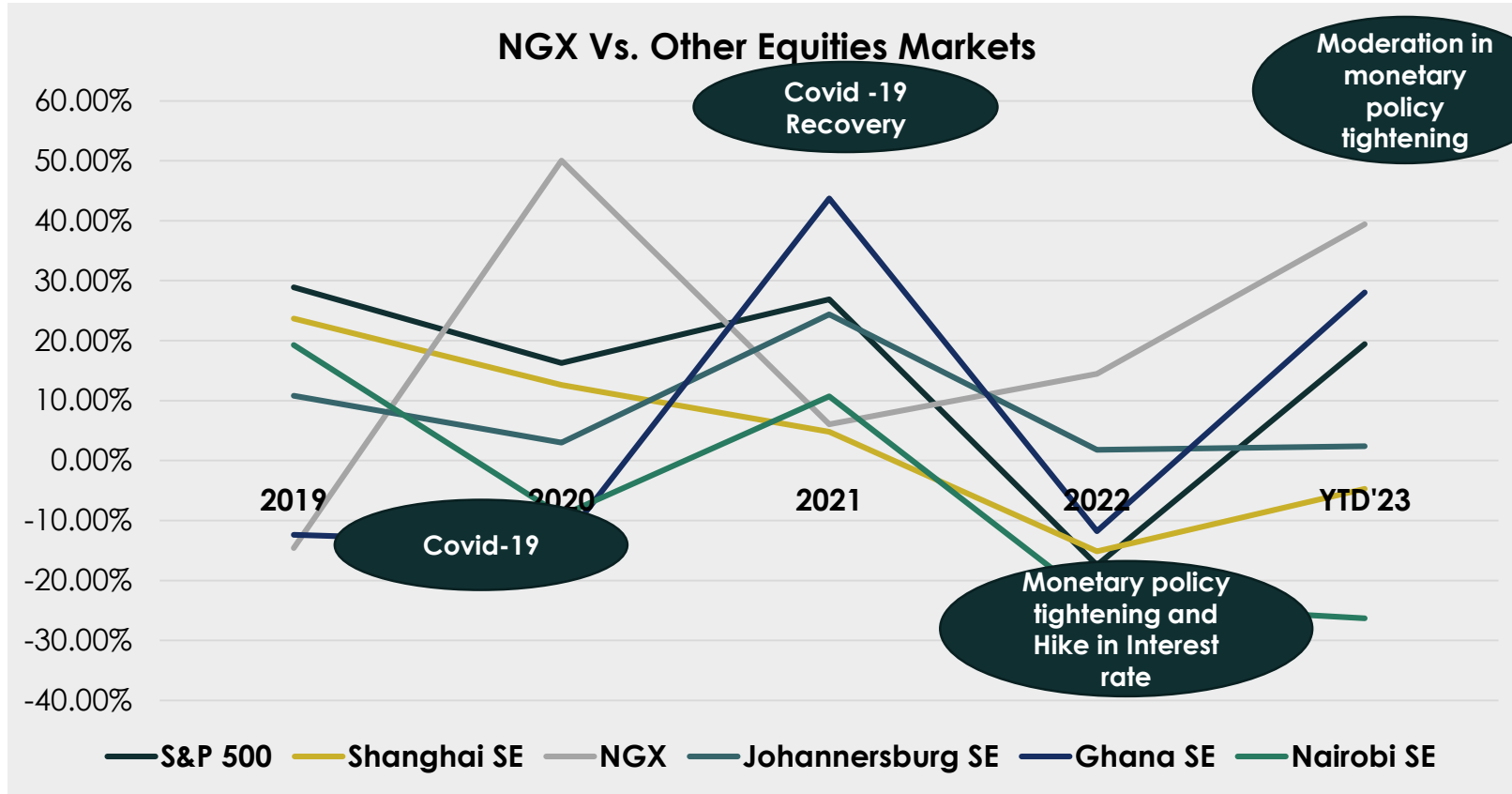
# STOCK MARKET OUTLOOK



# INVESTMENT ASSETS IN 2023- MODERATE RRR

Assets Classes	YTD Return	Real Rate of Return	Driver
Gold	 10.23%	 17.97%	<ul style="list-style-type: none"> <li>Economic and geopolitical backdrops are favorable triggers for gold</li> </ul>
S and P 500	 23.4%	 58.43%	<ul style="list-style-type: none"> <li>Artificial intelligence frenzy</li> <li>Moderation in inflation and pause in interest rate hike</li> </ul>
Nigerian Stock Market	 41.24%	 13%	<ul style="list-style-type: none"> <li>Increased domestic investor participation</li> <li>Buy opportunities amidst policy reforms</li> <li>Rally for banking stocks due to proposed recapitalization</li> </ul>
Real Estate	 40%	 11.80%	<ul style="list-style-type: none"> <li>Good hedge against inflation</li> <li>Higher returns due to high borrowing cost</li> </ul>
Bitcoin	 146.4%	 118.20	<ul style="list-style-type: none"> <li>Expectations of a consent for exchange traded funds to invest in the largest cryptocurrency token intensifies</li> <li>Currency devaluation across major economies</li> </ul>

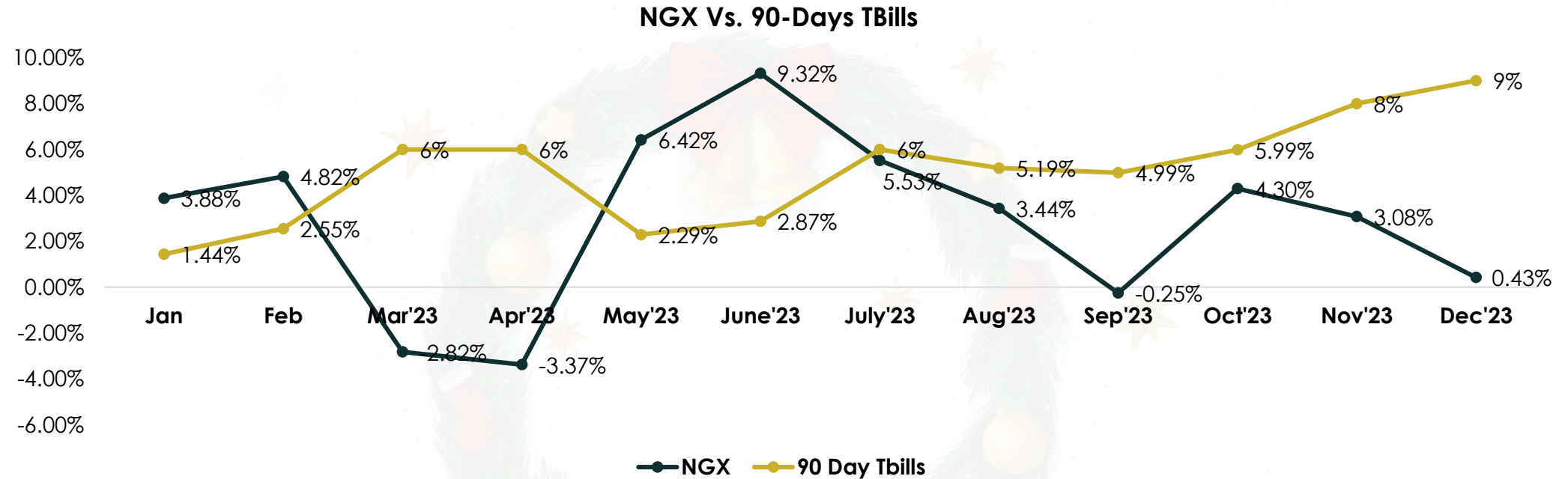
# PEER COMPARISON- FIVE YEAR TREND



- Nigerian equities market outperforms others- Returns an average of 19% in five years
- Performance boosted by new listings of capitalized stocks
- Investors forced to invest with trapped funds

Markets	2019	2020	2021	2022	YTD'23	Avg Growth
S&P 500	28.88%	16.26%	26.89%	-17.45%	23.40%	15.60%
Shanghai SE	23.70%	12.62%	4.80%	-15.13%	-4.72%	4.25%
NGX	-14.60%	50.03%	6.07%	14.47%	41.24%	19.44%
Johannesburg SE	10.80%	3.00%	24.40%	1.81%	2.38%	8.48%
Ghana SE	-12.40%	-13.80%	43.70%	-11.76%	28.02%	6.75%
Nairobi SE	19.30%	-9.20%	10.72%	-23.80%	-26.31%	-5.86%

# NIGERIAN MONEY MARKET PERFORMANCE

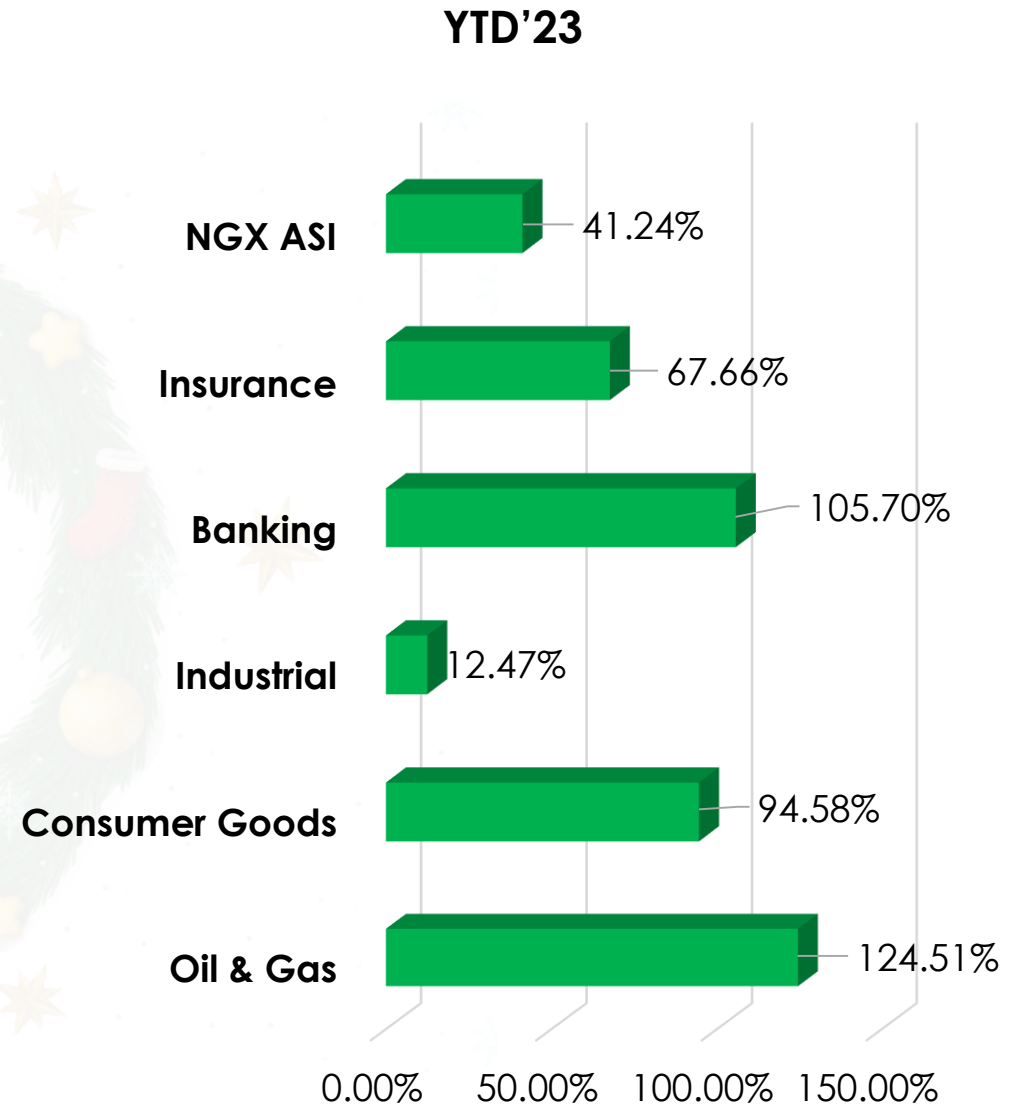


- NGX performance is more volatile than T-bills rates
- T-bills rates firmly above NGX returns in the last three months
- Stock price volatility to continue

# NGX SO FAR IN 2023

- NGX gains 41% so far in 2023
- Closing the year on a positive note
- Makes three years of straight gains- Renewed investor sentiment in Nigerian equities
- Oil and Gas outperform others
- Effect of petrol subsidy removal and high oil price
- Proposed recapitalization within the banking system

necessitated a rally for banking stocks



# NIGERIAN STOCK MARKET OUTLOOK- 2024

- The stock market will adjust to the direction of the MPR in January 2024
- The Nigerian equities market will experience a market correction in 2024
- A further hike in interest rate will dampen investor appetite for equities
- New stock listing will bolster market capitalization and attractiveness
- The NGX Oil and Gas index is set for another rally
- The proposed listing of Dangote refinery will strengthen investors' sentiment in Nigerian equities
- The stock will ride on the group's Goodwill

# NIGERIAN STOCK MARKET OUTLOOK- 2024

- Earnings will remain a function of exchange rate losses or gains
- Moderation in inflation is expected to reduce the strain on corporate margins in 2024
- Top Nigerian banks are set for recapitalization exercise in 2024
- Merger and acquisition is imminent
- Recapitalization will further strengthen the financial health and liquidity of Nigerian banks
- Nigerian banks will continue to be a major beneficiary of high yields from investment securities

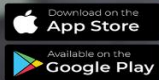


Custodian

# Your focus, Our priority

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

Call 0700CUSTODIAN  
or Download the Adapt  
by Custodian App



INSURANCE | PENSIONS | REAL ESTATE | TRUSTEES

...exceeding expectations

[www.custodianplc.com.ng](http://www.custodianplc.com.ng)



# NIGERIAN STOCK MARKET OUTLOOK- 2024

- Nigerian banks relying on one-off FX gains will face severe headwinds
- Customers would likely default on FCY loans
- Debt service will be significantly impacted
- Borrowing costs for manufacturing firms will remain elevated
- Overall, investors are expected to watch the market closely

# EARNINGS PROJECTION FOR FY'2024

Industry	Stock	Revenue	Net income	Rationale
Telecommunications	MTN	↑ 27% to N3.25 trn	↑ 32% to N393bn	<ul style="list-style-type: none"> <li>•4G &amp; 5G network expansion</li> <li>•Interest rate cut will stabilize FX and curb rise in finance cost</li> <li>•Continued focus on increased network capacity and expanding rural coverage</li> </ul>
Industrial	Dangote Cement	↑ 35% to N2.6trn	↑ 12% to N457bn	<ul style="list-style-type: none"> <li>•Higher prices</li> <li>•Moderation in finance cost will boost bottom line</li> </ul>
Crop production	Okomu Oil	↑ 21% to N90.75bn	↑ 20% to N32.4bn	<ul style="list-style-type: none"> <li>•A major beneficiary of the government's protectionist policy</li> <li>•Increased local production</li> <li>•High commodity price</li> </ul>

# EARNINGS PROJECTION FOR FY'2024

Industry	Stock	Revenue	Net income	Rationale
Banking	Zenith Bank	↑ 62% to N2.9trn	↑ 22% to N702bn	<ul style="list-style-type: none"> <li>• Strong balance sheet footing</li> <li>• Impressive yields on investment securities</li> <li>• Loan portfolio growth</li> <li>• Will leverage on digital technology and partnerships with PSBs</li> </ul>
Brewery	Guinness	↑ 15% to N263bn	↑ 7% to N16bn	<ul style="list-style-type: none"> <li>• Growing demography</li> <li>• Growth in business and economic activities</li> <li>• Moderation in interest rate will drive finance cost lower</li> </ul>

# WHERE TO INVEST IN 2024

Assets Classes	Portfolio Allocation	Rationale and Outlook for 2024
<b>Gold</b>	17%	<ul style="list-style-type: none"> <li>✓ Safe haven asset for recession and geopolitical tension</li> <li>✓ A tone down on hawkish monetary stance</li> </ul>
<b>US Equities</b>	30%	<ul style="list-style-type: none"> <li>✓ Interest rate cut hike will boost stock prices</li> <li>✓ Moderation in borrowing cost will strengthen corporate earnings and valuations</li> <li>✓ AI frenzy will continue to drive investor sentiment</li> </ul>
<b>Nigerian Stock Market</b>	10%	<ul style="list-style-type: none"> <li>✓ Need for portfolio diversification</li> <li>✓ Long-term investors will position for undervalued stocks</li> <li>✓ Listing of more capitalized stocks will boost market liquidity</li> </ul>
<b>Real Estate</b>	10%	<ul style="list-style-type: none"> <li>✓ A cut in interest rate hike will weigh on mortgage prices</li> </ul>
<b>Treasury Bills</b>	30%	<ul style="list-style-type: none"> <li>✓ 50% of funds invested is secured in a risk-free asset</li> <li>✓ Certainty of capital preservation</li> </ul>
<b>Bitcoin</b>	3%	<ul style="list-style-type: none"> <li>✓ Price appreciation due to the growing adoption of cryptos</li> <li>✓ Expected to remain volatile due to speculative activities</li> </ul>



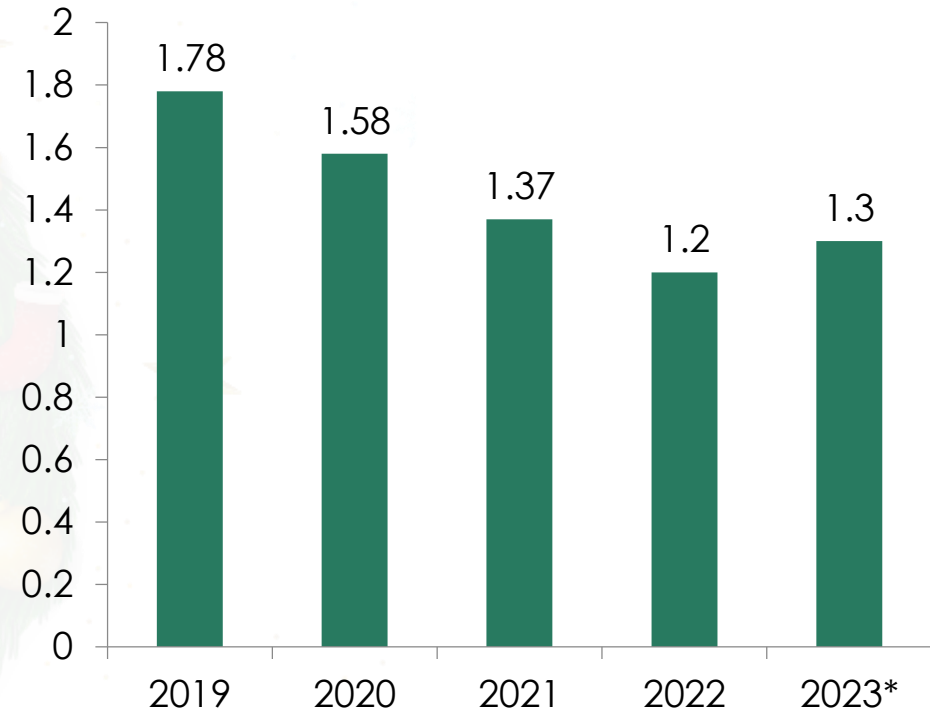
# MARKET PROXIES



# DOMESTIC OIL PRODUCTION

- Nigeria's domestic oil production has experienced a declining trend from 2019 to 2022
- 2023 saw a recovery in oil production due to increased efforts by the FG to curb oil theft and pipeline vandalism
- Also supported by the commencement of major oil rigs
- Including the resumption of crude oil export by Forcados terminal
- Domestic oil production is expected to increase in line with the new OPEC quota (1.5mbpd)
- While also edging closer to the 2024 budget benchmark of 1.78mbpd

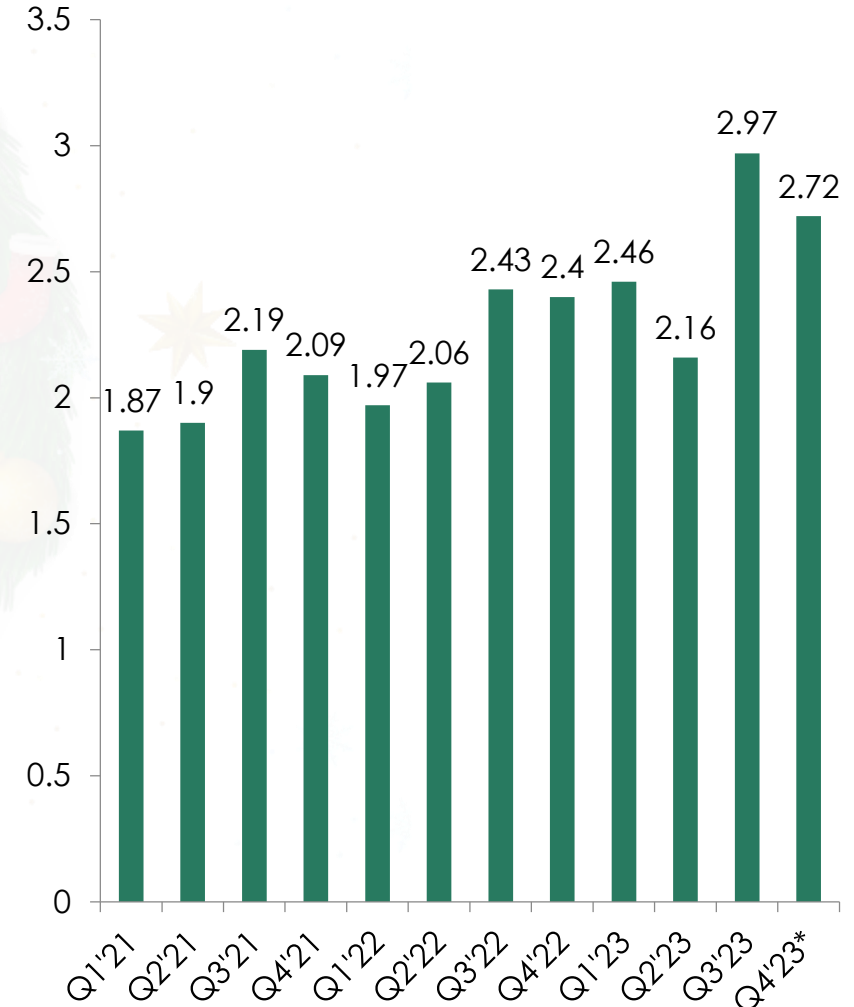
**Domestic Oil Production (mbpd)**



# FAAC TO REMAIN ELEVATED ON EXPECTATION OF HIGHER OIL PRICES

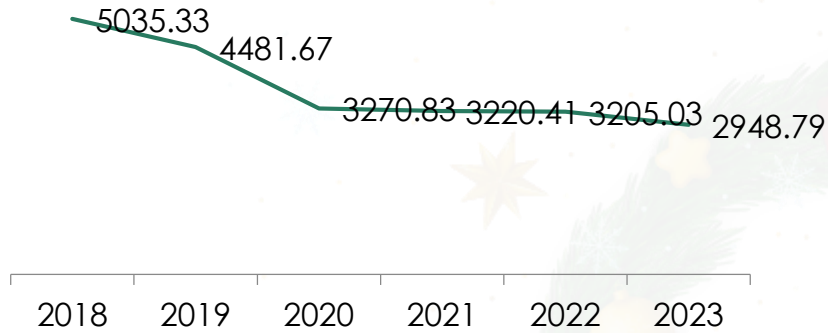
- FAAC allocation so far in Q4'23 amounted to N1.99trn
  - November FAAC rose 19.78% to N1.09trn, up N906.96bn in October
- It reached a peak at N2.97trn in Q3'23
  - Largely due to the fuel subsidy removal and exchange gains from the naira depreciation
- We expect a significant rise in FAAC allocation in Q1'24
- Due to higher oil earnings:
  - Oil prices expected to rise on supply shortfall
  - Domestic oil production expected to sustain upward trend

FAAC Allocation (N'trn)

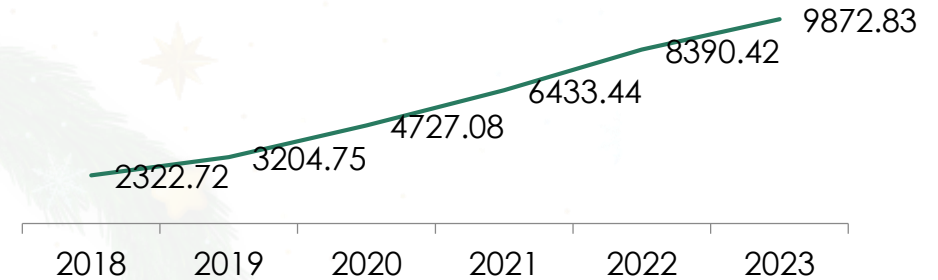


# VALUE OF TRANSACTIONS – DIGITAL TRANSACTIONS TAKE THE LEAD

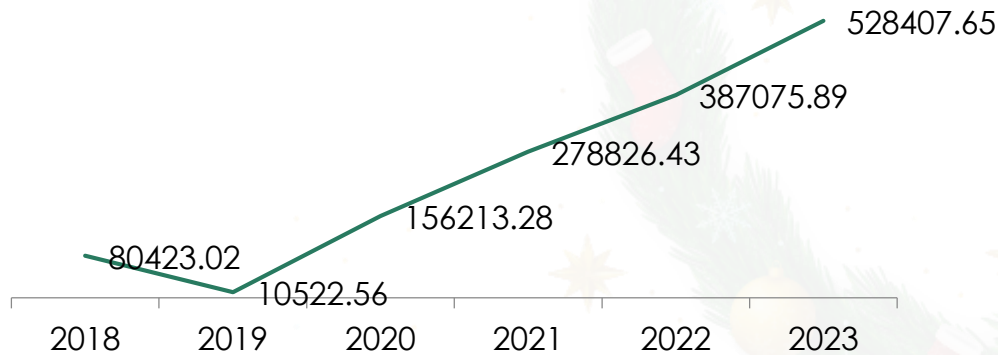
### Cheques (N'bn)



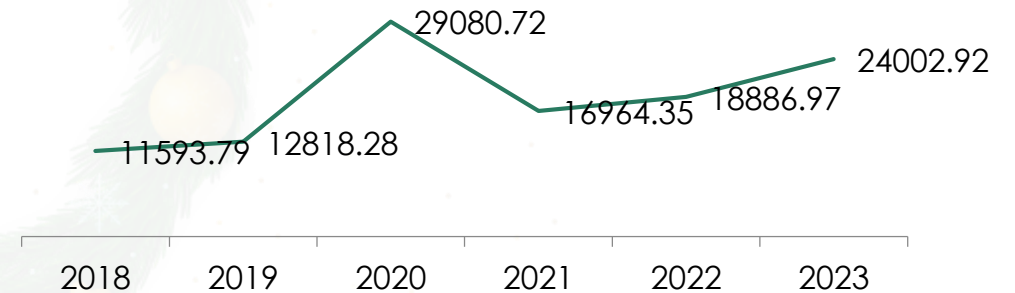
### POS (N'bn)



### NIP (N'bn)



### NEFT (N'bn)

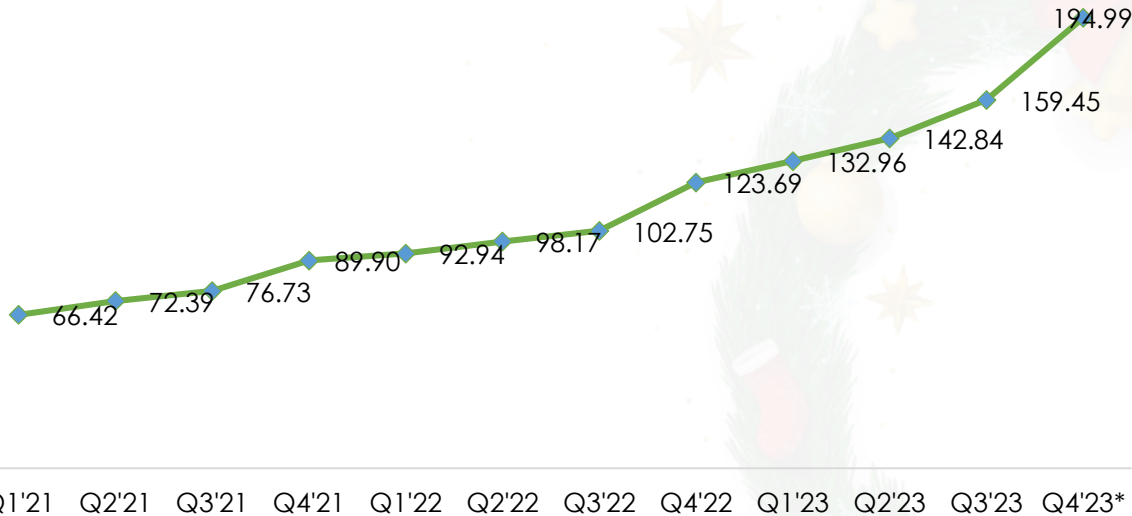


- Payment systems are evolving as cheques are becoming more obsolete as a means of payment
- Cheques consistently declined since 2019
- Digital payment systems, especially POS and NIP, rose sharply in the last five years

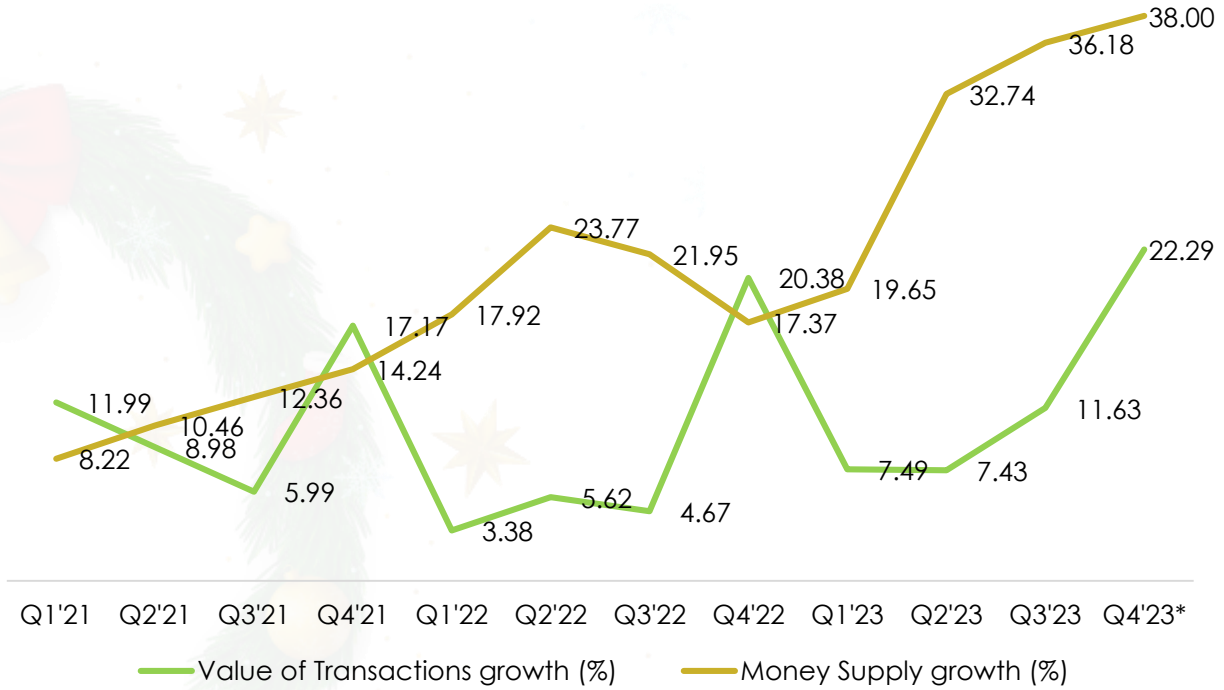


# VALUE OF TRANSACTIONS

Value of Transactions (N'trn)



Value of transactions and money supply growth (%)



- Value of transactions maintained upward trend in Q3'23
  - Supported by the sustained rise in digital modes of payments (POS and NIP)
- Money supply is directly proportional to value of transactions



# TOURISM & AVIATION



# GLOBAL AVIATION

- International tourism revenue to reach \$1.4 trillion in 2023, 93% of pre-pandemic levels
- Passenger traffic will be closely related to economic growth
  - ↑ Faster-growing economies = ↑ Higher passenger traffic growth
- Savings accumulated during the COVID-19 pandemic are now being unleashed
- With a rapid recovery in duty-free and travel-related shopping

## Busiest Airports in the World in terms of Passenger Traffic:

Airport	City	Number of Passangers (2022)
Hartsfield–Jackson Atlanta International Airport	Atlanta	93.7 million
Dallas/Fort Worth International Airport (DFW)	Dallas	73.4 million
Denver International Airport (DEN)	Denver	69.3 million
Chicago O'Hare International Airport (ORD)	Chicago	68.3 million
Dubai International Airport (DXB)	Dubai	66.1 million

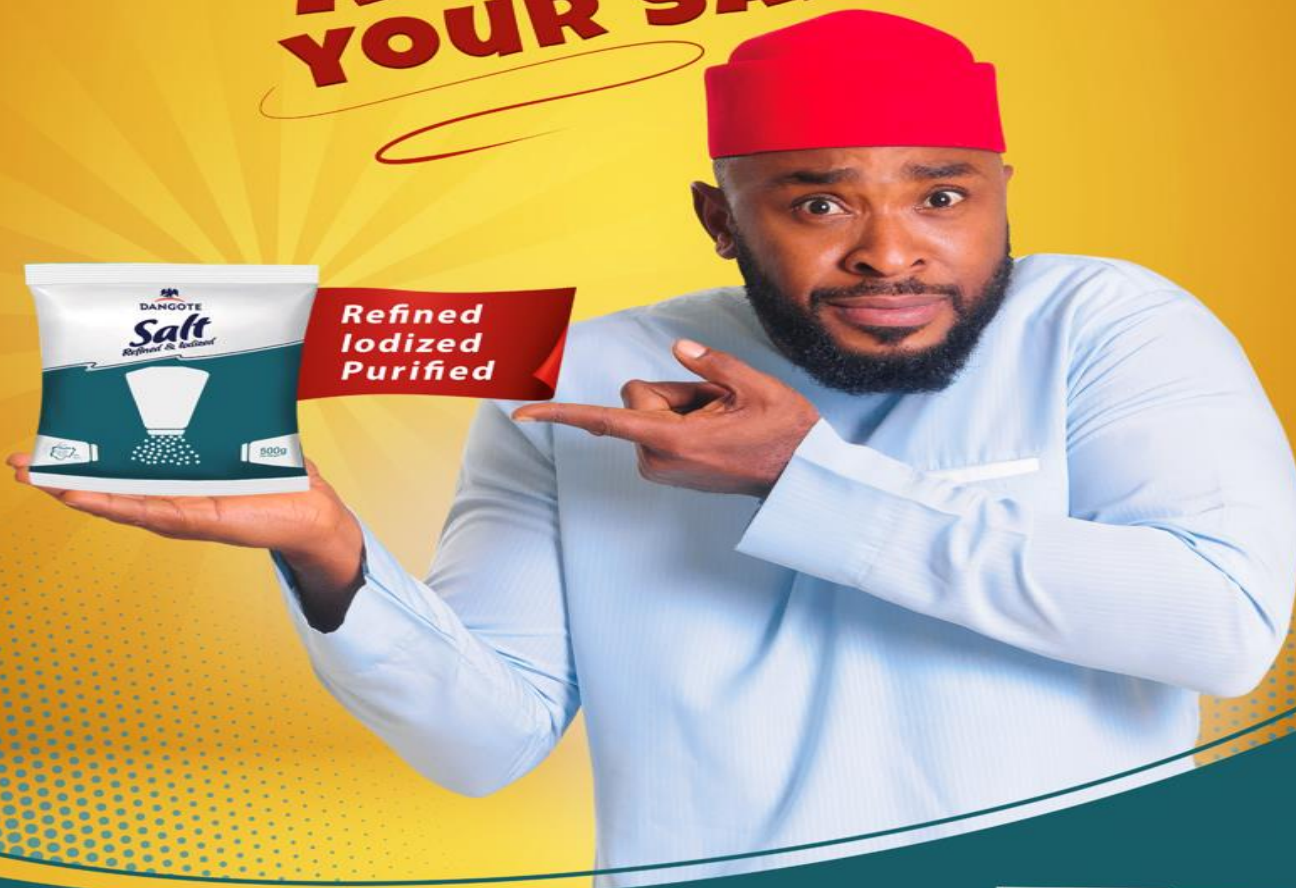
# MEGA TRENDS IN AVIATION AND TOURISM



- Increase in revenge tourism
- New markets in Africa, Asia and Arab are opening to tourists
  - Saudi Arabia gets 25% stake in London Heathrow Airport
  - The attractiveness of these markets are strongly tied to declining terrorism

↓ Decline in Terrorism = ↑ Growth in Tourism

IT'S TIME TO  
**CARE**  
**ABOUT**  
**YOUR SALT**



Choose Quality, Choose Dangote Salt



[www.nasconplc.com](http://www.nasconplc.com)

# AVIATION – DOMESTIC HIGHLIGHTS



Nigeria's government overhauls aviation sector leadership for industry repositioning

Appointments of CEOs, MDs, and directors of the six Aviation and Aerospace Development agencies were terminated in December 2023



Air Peace remains the top airline in Nigeria in terms of volume



Ibom Air has remained efficient and a leader in terms of on-time performance.

Ibom Air has received the first of its 10 new A220-300 aircrafts ordered from Airbus.



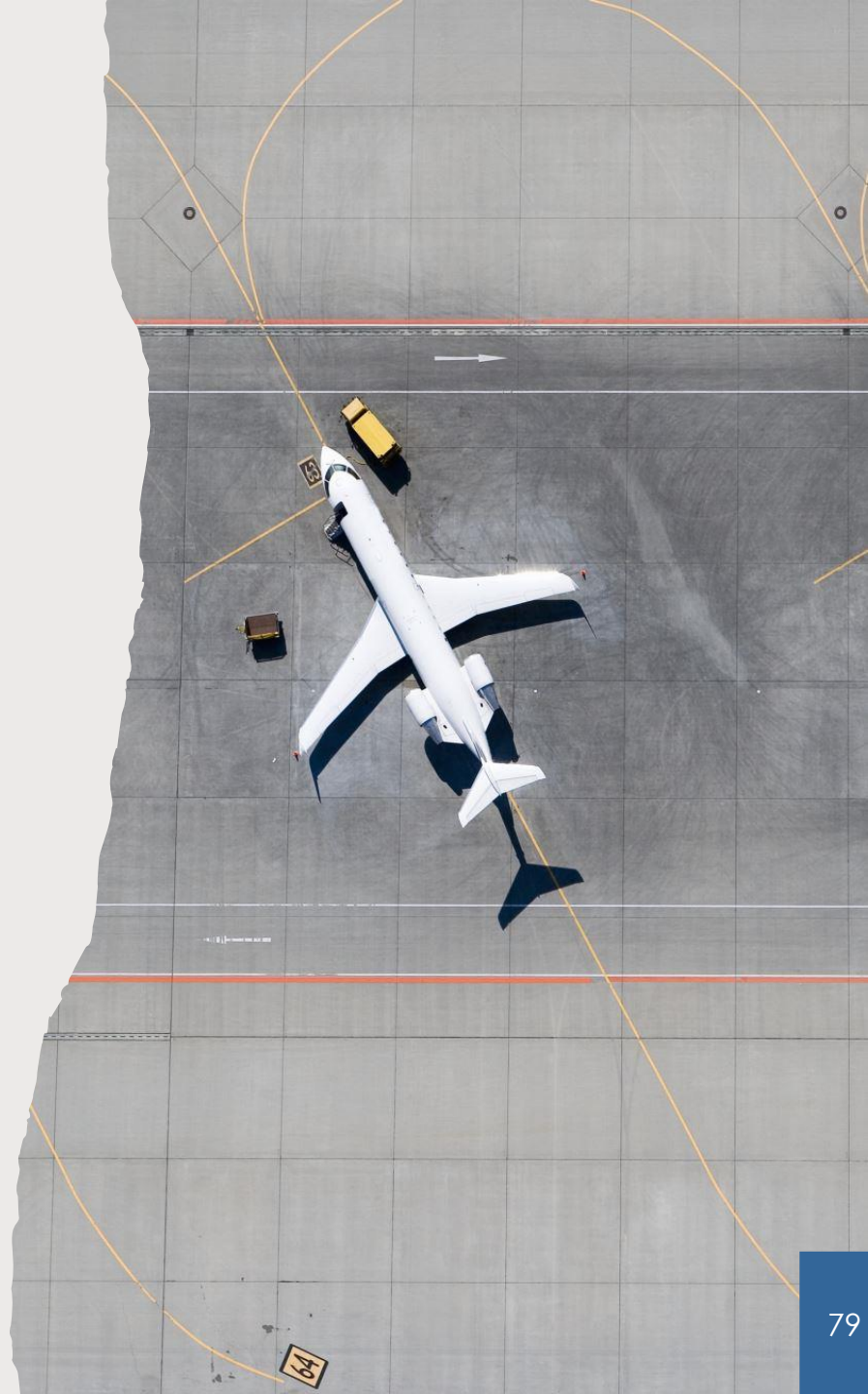
Nigeria Eagle -  
*Now you see me,  
Now you don't!*

A new private airline established by the Asset Management Corporation of Nigeria (AMCON) undertook its inaugural flight on December 10, 2023, flying from Lagos to Abuja using an Airbus A320



# OUTLOOK

- Major alliances (Star Alliance, Oneworld, and SkyTeam) will witness a paradigm shift towards consolidation, defining the new normal in the post-COVID era
- Debt restructuring conversations for trapped airline funds in Nigeria (\$792 million) will take centre stage
- The Ministry of Aviation to play a pivotal role, increasing local airport concessions and improving airline operational efficiency
- Likely emergence of new domestic airlines through mergers and acquisitions, an offshoot of the challenging economic environment in the past decade
- A positive shift in international airline operations and reciprocation of more BASA agreements
- Domestic aviation sector growth will be cyclical, largely synced with tourism as the creative economy expands





# **SUMMARY & CONCLUSION**





# SUMMARY & CONCLUSION

- 2024 looks promising
- But the impact will be felt more in the second half of the year
- Nigeria's government expenditure only contributes about 4% to the GDP
- Not an adequate prescription of the role of the government
- Government power & policies influence economic activities
- Policies must be credible to drive investment flows
- Which is key to driving Nigeria's growth in the mid to long-term

# SUMMARY & CONCLUSION

- Higher effective interest rates in Q1 and Q2
- Minimum and full wage review – **done in 2019**
- Reconstituting the inflation basket – **last revised in 2009**
- Overhauling the forex market arrangement (CBN must participate in an open auction) and allow for a floating rate
- The naira will fall towards N1,350/\$ before bouncing back in Q2
- Dangote refined petroleum products will be a boost to productivity but not a silver bullet
- Some super stocks will see their sizzle fizzle
- Real estate in some markets will remain red-hot
- Banking consolidation process is now inevitable

# CORPORATE HUMOUR

There is enough in the world for everyone's need, but not enough for everyone's greed

– *Frank Buchman*

The roots of education are bitter, but the fruit is sweet

- *Aristotle*

Education is what survives when what has been learned has been forgotten

- *B. F. Skinner*

# CORPORATE HUMOUR

A committee is a group of men who individually can do nothing but as a group decide that nothing can be done.

- *Fred Allen*

Wives are young men's mistresses, companions for middle age and nurses for old men

- *Francis Bacon*

A statesman is a politician who places himself at the service of the nation. A politician is a statesman who places the nation at his service

- *Georges Pompidou*

# CORPORATE HUMOUR

You cannot strengthen the weak by weakening the strong

- *William Boetcker*

Crime isn't a disease, it's a symptom. Cops are like a doctor that gives you aspirin for a brain tumour

- *Raymond Chandler*

The old believe everything, the middle-aged suspect everything and the young know everything.

- *Oscar Wilde*

# CORPORATE HUMOUR

Genius is only a greater aptitude for patience

- *Comte de Buffon*

Regular naps prevent old age, especially if you take them while driving.

- *Anonymous*

“Housewives” is a term I employ that means anybody who has ever had to clean up somebody else’s shit and not been paid for it.

- *Roseanne Barr*

# CORPORATE HUMOUR

A child's greatest period of growth is the month after you've purchased new school uniforms.

– *Anonymous*

The problem with marriage is that it ends every night after making love, and it must be rebuilt every morning before breakfast.

– *Gabriel Garcia Marquez*

Don't marry the person you want to live with, marry the one you cannot live without, but whatever you do, you'll regret it later.

– *Anonymous*

# CORPORATE HUMOUR

Laziness is nothing more than the habit of resting before you get tired.

– *Anonymous*

Marriage is give and take. You'd better give it to her or she'll take it anyway.

– *Anonymous*

A woman's mind is cleaner than a man's: she changes it more often

– *Oliver Herford*



# CORPORATE HUMOUR

They call our language the mother tongue because the father seldom gets to speak!

– *Anonymous*

It's funny when people discuss Love Marriage vs Arranged Marriage. It's like asking someone, if suicide is better than being murdered

– *Anonymous*

**MERRY  
CHRISTMAS  
&  
A  
PROSPEROUS  
NEW YEAR**



Bismarck J. Rewane, MD/CEO  
Financial Derivatives Company Ltd.  
Lagos, Nigeria  
01-6320213