Outline

- Highlights
- Global Developments
- Domestic Economic Performance
- March Outlook
- Stock Market Review
- Policy and Politics
February Highlights

Surprise! Surprise!!

The Boring
Surprise! Surprise!!

✓ Covid-19 rears its ugly head in Nigeria
✓ Presently confined to the South Western states of Lagos & Ogun
✓ Public health officials and government seem to be on top of it
✓ Is it optics or effective management? – Only time will tell
✓ Global markets take a bashing
✓ Fed cuts rates in surprise move
✓ Higher cut (50bps) in a decade
✓ Markets are unimpressed and fall further
✓ Losing 800 points in one day
Surprise! Surprise!!

✓ Q4’19 GDP increases sharply to 2.55%
✓ Bringing 2019 average to 2.27%
✓ Highest quarterly GDP growth since the 2016 recession

GDP Growth (%)

Source: NBS
Surprise! Surprise!!

- Potential GDP growth is 3.2% and is higher than real GDP by 0.93%
- Oil production was down in Q4 to 1.78mbpd
- 0.56% above OPEC quota
- Most sectors that expanded are oil revenue elastic sectors

![Graph showing Real GDP and Potential GDP growth from 2015 to 2019. Source: EIU]
Surprise! Surprise!! (GDP Breakdown)

Of the 46 activities:

12 outperformed GDP growth (>2.55%)
Average growth: 6.85%

34 underperformed GDP growth (<2.55%)
Average growth: -1.04%
## Surprise! Surprise!! (GDP Breakdown)

### Winning Sectors

<table>
<thead>
<tr>
<th>Activities</th>
<th>Q4 GDP growth rate (%)</th>
<th>Interest rate sensitive</th>
<th>Exchange rate sensitive</th>
<th>Job elastic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial institutions</td>
<td>22.33</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Air transport</td>
<td>14.98</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Telecoms &amp; Information</td>
<td>10.26</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Crude petroleum &amp; natural gas</td>
<td>6.36</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Arts, entertainment &amp; recreation</td>
<td>4.85</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>
### losing sectors

<table>
<thead>
<tr>
<th>Activities</th>
<th>Q4 GDP growth rate (%)</th>
<th>Interest rate sensitive</th>
<th>Exchange rate sensitive</th>
<th>Job elastic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crop production</td>
<td>2.52</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Fishing</td>
<td>2.33</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Broadcasting</td>
<td>2.17</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Accommodation &amp; food services</td>
<td>2.02</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Water transport</td>
<td>1.87</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
Surprise! Surprise!! (Another Month, Another Downgrade)

- Increased fragility of Nigeria’s public finances
- Sluggish growth prospects
- Downgrade due mainly to Nigeria’s declining external reserves
- Increased vulnerability to shocks given the current macroeconomic and policy environment

Moody’s

S&P Global Ratings
Surprise! Surprise!!

- FBN PMI crashes to 51.7pts in February
- Of the 5 sub-indices, 4 declined while 1 improved

<table>
<thead>
<tr>
<th>Sub-index</th>
<th>January</th>
<th>February</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>54</td>
<td>52.5</td>
<td>-2.78</td>
</tr>
<tr>
<td>Employment</td>
<td>50</td>
<td>48</td>
<td>-4.00</td>
</tr>
<tr>
<td>New orders</td>
<td>57</td>
<td>53.5</td>
<td>-6.14</td>
</tr>
<tr>
<td>Suppliers’ delivery times</td>
<td>50</td>
<td>49.5</td>
<td>-1.00</td>
</tr>
<tr>
<td>Stock of purchases</td>
<td>55</td>
<td>53</td>
<td>-3.64</td>
</tr>
</tbody>
</table>

Source: FBNQuest
Surprise! Surprise!!

✓ Supermarket traffic fell sharply in February owing to income squeeze and Covid-19

✓ Harmattan dust haze reduced visibility in the Lagos airport below 1,000 meters

✓ Instrument Landing Systems failure led to major cancellations with at least 6 airlines unable to land in Lagos

✓ Affected carriers include Emirates, Delta, British Airways
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Surprise! Surprise!!

✓ Runway 18L has no lighting and 18R had calibration equipment deficiency

✓ In all at least 12,000 passengers were stranded in different airports

✓ Alternate fields in Accra, Abuja and Dakar served as holding bays

✓ BA suffered the largest impact

✓ At least 4-6 flights of Boeing 747s with 90% load factor were stranded in alternate airports
Surprise! Surprise!!

- Headline inflation rose sharper than anticipated to 12.13% in January
- With food, core and monthly inflation all rising in tandem
- The projection for February to rise towards 12.3%

Source: NBS
Surprise! Surprise!!

- IMF Article IV review cut the growth forecast for Nigeria to 2% in 2020
- Based on both domestic fiscal imbalances and exogenous vulnerabilities
- Expressing concerns about financial system weakness and the transmission effect of high powered money
- M2 growth expanded by 4.99% in November 2019
- Stoking inflationary pressures: 12.13%
The Boring

- Banking system liquidity down 22.1% in February to N346.68bn long
- Interbank interest rates swung between 2% pa and 18% pa
- CBN increased its forex intervention to $761.55mn
- FAAC down 9.6% to N647.3bn
- Ships awaiting berth flat at 56 (Lagos port)
Highlights – After the S & P’s Cut on Outlook

✓ Rencap believes the naira is overvalued by 10% at current levels

✓ Is of the view that the CBN will not adjust currency in 2020

✓ The external reserves and additional borrowing will keep currency stable this year

✓ External reserves will bleed some more towards $34bn

✓ The naira weakened by 0.56% at the I & E window to N366.01/$

✓ Stayed flat at N360/$ in the parallel market

✓ Showing signs of weakness on a PPP basis

✓ No evidence of a voluntary adjustment in Q1
Global Developments

✓ Covid-19 outbreak is the most pressing uncertainty for the global economy – **IMF**

✓ Over 83,000 affected in 56 countries

✓ BoA cuts global growth forecast for 2020 to 2.8% from 3.1%

✓ Worst performance since the 2009 financial crisis

✓ OECD lowered global growth forecast by 0.5% to 2.4%

✓ Lowest since the 2008-09

✓ US growth forecast trimmed to 1.6% from 1.7%

✓ China's growth revised downwards to 5.2% from 5.6%
Covid-19: The Global Economy: Travel Among Hardest Hit

✓ The global airline industry is set to lose $26bn in 2020

✓ It has already lost $4bn so far

✓ Flights from China have fallen sharply by 55.9% year-on-year

✓ Global airline passengers jumped from 2.3bn in 2016 to 4.8bn in 2018

✓ The prices of oil and airline shares crashed

✓ Brent price fell below $50pb (4-year low) intra-day

✓ Cruise ship owners, casinos and hotels are swimming in red ink

✓ Revenue impact aside, it shows how vulnerable the world is to a fast spread and contagion

 ✓ Covid-19 has resulted in consumers engaging less in activities that might expose them to the risk of infection

 ✓ Restaurants, car dealerships and shops have reported a sharp fall in consumer demand

 ✓ Chinese car sales fell by 92% in the first half of February

 ✓ In Nigeria, traffic to restaurant, supermarkets, movie houses and clubs has slowed

- China is the “workshop of the world”
  - Accounts for one third of global manufacturing
  - World’s largest exporter of goods
- Factories pause their operations in a bid to contain the spread
- Restrictions have disrupted supply chains of companies such as Diageo, JCB and Nissan
**Covid-19 & The Global Economy: Global Shares Take a Hit**

- As of Feb 27, stock markets had fallen by 8% in America, 7.4% in Europe & 6.2% in Asia
  - Significant selloffs across global financial markets
- The risk of a recession from a weak global economy is a clear & present danger
- US Fed cut interest rates by 50bps in response to mounting concerns
- Other Central bank chiefs also promising to cut rates to support markets
- Problem is that rates are so low with little room left to cut
## Impact on Nigeria (Nigeria's Relations with Affected Countries)

<table>
<thead>
<tr>
<th></th>
<th>China</th>
<th>South Korea</th>
<th>Italy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>China Communications Construction Company (CCCCI)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecommunications</td>
<td>Huawei</td>
<td>LG Samsung</td>
<td>-</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>-</td>
<td>-</td>
<td>ENI/Agip</td>
</tr>
<tr>
<td>Automobile</td>
<td>-</td>
<td>Hyundai Kia</td>
<td>Ferrari</td>
</tr>
</tbody>
</table>
Other Global Updates

✓ India’s government unveiled infrastructure spending of $24bn

✓ The budget aims to boost the economy whose growth has been a drag in the last decade

✓ India is Nigeria’s largest market for oil with imports of $2.15bn

✓ India is the home of Nigerian medical tourism and an IT hub

✓ OPEC+ to meet on March 5/6

✓ Likely to deepen production cuts to boost oil prices

✓ Joint technical committee proposed additional cuts of 600,000bpd

✓ Joe Biden takes the lead in the Democratic primary

✓ Will compete with Donald Trump in the November election
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Outcome of OPEC's Meeting: Impact on Nigeria

- Nigeria's oil production could fall to 1.5mbpd
- Government revenue would come under severe pressure
- FAAC likely to decline to a range of N600-N620bn
- More aggressive tax policies to boost internally generated revenues
- Gross external reserves could fall towards $34bn
- Currency pressures will intensify
Likely Risks: EIU has identified 5 key global risks

1. US/ Iran conflict leads to a spike in global oil prices - probability 25%
   - Oil price reaching $90pb
   - Conflagration in Yemen, Lebanon & Syria

2. Trade war breaks out between the US and the EU - probability 25%
   - Cars, wheat, airbus, digital service tax

3. Coronavirus takes a toll on the global economy

4. Debt burden causes a recession across emerging markets

5. Hong Kong protests cause an exodus from Asia’s biggest financial center
Sub-Saharan Africa
South Africa in Technical Recession

- South Africa enters technical recession
- Q4'19 GDP growth contracted by 1.4%
- 2020 GDP growth forecast revised downwards to 0.7% from 1.5%
  - Moody's
- South Africa excluded from the US' list of developing and least-developed countries
- A potential threat to South Africa-US bilateral trade
- Government set to cut public sector wage bill
- As budget deficit widens to an 18-year high
Kenya seeks closer ties with the US

✓ Kenyan government seeks to strengthen trading relationships with the US

✓ Aimed at building a strong trading relationship

✓ Before the Africa Growth and Opportunity Act (AGOA) elapses in 2025

✓ Kenya signs amendment to bilateral air transport agreement with the US

✓ To facilitate easier movement of goods between both countries

✓ Will also allow airlines from both countries to set up and operate air cargo hubs
Ghana’s Eurobond Oversubscribed

- Ghana’s $3bn Eurobond oversubscribed by 500%
- Credit rating outlook revised upwards from stable to positive—Moody’s
Domestic Economic Performance
# Economic Scorecard - Output

<table>
<thead>
<tr>
<th>LEIs</th>
<th>Jan’2020</th>
<th>Feb’2020</th>
<th>% Change</th>
<th>Comments</th>
<th>Mar’ 2020*</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth (%)</td>
<td>2.55(Q4’19)</td>
<td>2.30*(Q1’20)</td>
<td>-0.25</td>
<td>Growth rate is still below population growth rate (2.6%)</td>
<td>2.0* (Q2’20)</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>12.13</td>
<td>12.30*</td>
<td>0.17</td>
<td>Food inflation remains the major culprit</td>
<td>12.35*</td>
</tr>
<tr>
<td>Oil Production (mbpd)</td>
<td>1.75 (Dec)</td>
<td>1.78 (Jan)</td>
<td>0.56</td>
<td>OPEC considering further cut in oil production amid the coronavirus</td>
<td>1.77 (Feb)</td>
</tr>
<tr>
<td>Oil Price ($pb; avg)</td>
<td>63.67</td>
<td>55.48</td>
<td>-12.86</td>
<td>Dwindling oil prices due to lingering impact of the coronavirus</td>
<td>52-55</td>
</tr>
<tr>
<td>Power (MW; avg)</td>
<td>3,821</td>
<td>4,114</td>
<td>7.67</td>
<td>Above 4,000 MW/h, positive for operation costs of manufacturers</td>
<td>4,200-4,500</td>
</tr>
<tr>
<td>PMI (FBN):</td>
<td>53.6</td>
<td>51.7</td>
<td>-3.24</td>
<td>A result of soft demand in February, expected to pick up due to Easter celebration</td>
<td>52.0</td>
</tr>
</tbody>
</table>

Source: CBN, NBS, EIU, FDC Think Tank
# Economic Scorecard - Markets

<table>
<thead>
<tr>
<th>LEIs</th>
<th>Jan'2020</th>
<th>Feb'2020</th>
<th>% Change</th>
<th>Comments</th>
<th>Mar'2020*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary T Bills (%):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>91 days</td>
<td>3.50</td>
<td>2.85</td>
<td>-0.65</td>
<td>Lower rate of return for investors</td>
<td>2.00</td>
</tr>
<tr>
<td>182 days</td>
<td>4.50</td>
<td>3.23</td>
<td>-1.27</td>
<td></td>
<td>3.00</td>
</tr>
<tr>
<td>Average Opening Position (N'bn)</td>
<td>445.01</td>
<td>346.68</td>
<td>-22.10</td>
<td>A result of CRR debits</td>
<td></td>
</tr>
<tr>
<td>External Reserves ($bn; month-end)</td>
<td>38.01</td>
<td>36.30</td>
<td>-4.50</td>
<td>Adversely affects Nigeria’s fiscal buffers</td>
<td>34-35</td>
</tr>
<tr>
<td>Exchange rate (N/$; month-end)</td>
<td>360.00</td>
<td>360.00</td>
<td>-</td>
<td>CBN forex intervention keeping naira stable at parallel market but</td>
<td>360-361</td>
</tr>
<tr>
<td></td>
<td>307.00</td>
<td>306.95</td>
<td>0.02</td>
<td>depreciating at IEFX window</td>
<td>306-307</td>
</tr>
<tr>
<td></td>
<td>363.97</td>
<td>365.25</td>
<td>-0.35</td>
<td></td>
<td>363-365</td>
</tr>
<tr>
<td>Stock Market Capitalization (N'trn)</td>
<td>14.86</td>
<td>13.66</td>
<td>-8.08</td>
<td>Driven by FY’19 corporate results</td>
<td>13.50</td>
</tr>
</tbody>
</table>

Source: CBN, NBS, EIU, *: FDC’s forecast
The LEIs are trending towards a weakening economy.

- **GDP growth**: Slow growth rate as a result of tapered economic activities. Too weak to break vicious cycle of poverty.

- **Rising inflation**: Adversely affects real income of consumers.

- **Falling oil prices**: Lower oil receipts resulting in bleeding external reserves.

- **Stock market**: Bearish performance is reflective of lower corporate revenue.
Nigeria: Unresolved Policy Issues & Its Impact

Border Closure

✓ 3 nation committee submits report on combating smuggling, drugs, light arms

✓ Awaiting presidential nod on opening of borders

✓ PMS imports dropped sharply by 30% to 60mn litres per day in September

✓ Climbed back up in December/January to 62mn litres per day

✓ Over 3,000 base stations suffered from lack of diesel in border areas

✓ Wholesale and retail trade declined

✓ Q3’19: -1.45%

✓ Q4’19: -0.58%
Nigeria: Unresolved Policy Issues & its Impact

Border Closure

✓ Togo, Benin & Ghana economies hit by decline in informal trade and bank loan losses

✓ Regional airline traffic rose marginally before falling again

✓ Attempt to adopt the eco as a common currency is stalled

Outlook

✓ No certainty as to timing of border opening

✓ The opening is likely to boost growth and keep production up

✓ The growth in crop production particularly cocoa main harvest could block cocoa smuggling to Ghana
Monetary Policy Heterodoxy

✓ Money supply (M3) growth of 6.22% in December
✓ Driving interest rates far lower than inflation
✓ Credit to public sector growth grew sharply by 92.95%
✓ Domestic investors barred from purchasing OMO bills
✓ Increase in CRR pushing stock market much lower
✓ The 65% LDR is making cost of credit lower
✓ More impactful is the increased financial disintermediation
✓ No less than 12 companies have issued CPs totalling over N1.3trn
Monetary Policy Heterodoxy

✓ With over N2trn of maturing OMO bills held by PFAs in search of assets

✓ Deposit rates and fixed income yields have fallen sharply

✓ There is no evidence to show that total credit & growth have responded positively
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You First
Economic Outlook
Covid-19: Immediate Economic Impact on Nigeria

- Economy was already stalling before Covid-19
- Nigeria needed Covid-19 as much as a bullet in the head
- Oil price fall & OPEC quota cut to 1.6mbpd
- New average oil price of $55pb is 12% lower than Q4
- Cocoa and sesame price expected to fall by at least 10%
- Import landed price of PMS will fall and reduce subsidies to approx. N300bn
- Trade with China is 19.7% of total imports
- Stock market has lost 2.06% since Covid-19 in Nigeria
Q1’20 GDP Outlook

✓ First quarter growth typically slows
  ✓ Owing to lull in economic activities and lower consumer spending in January

✓ Q1’20 growth outlook is much worse:
  ✓ Reduced consumer disposable income – VAT hike, rising inflation

✓ Constraints to growth:
  ✓ Infrastructure deficit
  ✓ Border closure impact on sectors such as trade

GDP Growth rate (%)

Source: NBS, FDC Think Tank
Inflation increasing but at a slower pace

✓ Base year effects waning

✓ Inflation stoking factors in coming months:
  ✓ VAT hike to 7.5%, effective February - a one-off
  ✓ Hike in electricity tariffs in April
  ✓ Increased naira liquidity - M2 growth of 5%
  ✓ Possible currency adjustment

Source: NBS, FDC Think Tank
Market Proxies
FBN PMI Slides to 51.7 Points

✓ FBN PMI reading declined by 3.54% to 51.7 points

✓ 4 indicators slowed while 1 improved

✓ Amid soft demand, power shortage and scarcity of primary materials for production

✓ FGN would need to incentivize the manufacturing sector to increase productive capacity

Source: CBN, FBN Quest
E-Payments Transactions all in the Red

**Volume of transactions** in Jan’20 relative to Dec’19

- **Cheques** ↓ 3.64%
- **PoS** ↓ 10.47%
- **NIP** ↓ 12.02%
- **NEFT** ↓ 30.84%

**Value of transactions** in Jan’20 relative to Dec’19

- **Cheques** ↓ 6.08%
- **PoS** ↓ 15.9%
- **NIP** ↓ 4.07%
- **NEFT** ↓ 7.39%

- Consistent with FBN PMI

- Confirming the view that growth will slow in Q1'2020
FAAC Down 9.6% to N647.3bn

- Decline in revenue shared in February owing to lower statutory and VAT revenues
- Could decline further in the coming months (N600bn-N620bn)
- Owing to fall in average oil prices
  - $55.48pb in February compared to $63.67pb in January
Oil production up, Rig count down

Oil production up by 1.71% to 1.78mpbd in January

Despite decline in operational rigs by 17.6% to 14 in January

Oil output expected to drop sharply as OPEC mulls additional output cuts
Ships Awaiting Berth – The Coronavirus Effect

- Flat at 56 in February
- Anticipated decline in ship traffic and volume of import & export cargoes
- A result of the aftermath of the Coronavirus outbreak in Nigeria’s key trading partners – China, US
- Supply chain of manufacturers has been negatively affected since the outbreak
- Could drastically dampen FGN revenue in the coming months
Power Output Above 4,000 MWH/H Average

- **5268 MW** Peak Energy Generated
- **4114 MWH/H** Average Energy Generated
- **No Data** Average Gas Delivered to Plants
- **0** Total Grid Collapses
- **3948 MW** Average constrained energy

Source: Lavayo Advisors

Gas remains major constraint to power generation

Presence of water constraint due to dry weather conditions
Ability + Preparation + Focus  
= Perfect Execution.
Power Sector News

- Ikeja Disco tariffs to increase by 50% in April
- FG, US sign $1.16M for 1,350MW NNPC power plant feasibility
- World Bank, REA strategize to bridge energy gap in Nigeria
- Senate considers stiffer penalties as Nigeria loses N271 billion to gas flaring
- Ajaokuta – Kaduna - Kano gas pipeline construction to commence in Q2

Source: Lavayo Advisors
What are the Proxies Saying?

- Business proxies point to a fragile economy
- Persistent decline of external reserves threatens Nigeria’s fiscal position
- Squeezed consumer disposable income – VAT hike, rising inflation
- Electricity hike in April to further drain consumer income
Corporate Humour

Tell me and I forget. Teach me and I remember. Involve me and I learn
– Benjamin Franklin

Government’s view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it.
– Ronald Reagan
Committee – a group of men who individually can do nothing but as a group decide that nothing can be done.
- *Fred Allen*

A knowledgeable fool is a greater fool than an ignorant fool.
- *Moliere*
Corporate Humour

You cannot strengthen the weak by weakening the strong.
- Williams J. H. Boetcker

He who wants a rose must respect the thorn.
- Anonymous
Corporate Humour

Power is like an egg; if you hold it too tightly, it breaks, and if you hold it too loosely, it drops and breaks. - Anonymous

Sell honestly, but not honesty. - Anonymous
Policy Update
IMF Article IV Recommendations

- Non-oil revenue mobilization is urgent to contain financing constraints
- Further tightening of monetary policy – through more conventional means
  - To contain pressures from large amounts of CBN bills
- End direct CBN interventions
- Securitize overdrafts to introduce longer-term government instruments
  - To mop up excess liquidity
- Move towards a uniform and more flexible exchange rate
- Remove restrictions on access to forex for the 42 categories of imported goods
IMF Article IV Recommendations

- Banking system vulnerabilities should continue to be addressed
- Introduce risk-based minimum capital requirements to strengthen banking system resilience
- Structural reforms remain essential to boosting inclusive growth
  - Execute the much-delayed power sector recovery plan
  - Implement the anti-corruption and financial inclusion strategy
  - Address infrastructure and gender gaps
- Resolve issues keeping the borders closed – including smuggling
MPC Meeting Outlook

✓ The next MPC meeting is scheduled for March 23/24

✓ Burning issues:
  ✓ Rising inflation trend
  ✓ Q4’19 and FY’19 GDP report
  ✓ Declining external reserves
  ✓ Money supply
  ✓ Oil prices
MPC Meeting Outlook

Likely outcomes:

✓ Increase MPR from 13.5% to 13.75%
  ✓ To cushion inflationary pressures
  ✓ Monitor economic growth recovery
  ✓ Could lead to higher interest rates and dampen private credit growth

✓ Maintain status quo
  ✓ To watch for full effect of CRR hike
  ✓ Minimal impact on credit availability
Other Tools Available to the MPC

- Cash Reserve Ratio (CRR)
- Liquidity Ratio
- Standard Deposit Facility
- Loan to Deposit ratio
- Money market instruments – OMO
## Global Commodities

<table>
<thead>
<tr>
<th>Export Commodities</th>
<th>February</th>
<th>%Change (Jan-Feb)</th>
<th>Outlook (March)</th>
<th>Import Commodities</th>
<th>February</th>
<th>%Change (Jan-Feb)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil ($/b; avg)</td>
<td>55.48</td>
<td>12.86%</td>
<td>52-55</td>
<td>Wheat ($/bushel; end-period)</td>
<td>525.0</td>
<td>5.19%</td>
</tr>
<tr>
<td>Liquefied Natural Gas ($/MMBtu; end-period)</td>
<td>1.68</td>
<td>8.70%</td>
<td>1.6-1.9</td>
<td>Sugar ($/pound; end-period)</td>
<td>14.14</td>
<td>3.22%</td>
</tr>
<tr>
<td>Cocoa ($/mt; end-period)</td>
<td>2.672</td>
<td>3.78%</td>
<td>2,600-2,620</td>
<td>Rice ($/cwt; end-period)</td>
<td>13.60</td>
<td>0.07%</td>
</tr>
</tbody>
</table>

*Source: Bloomberg*
Stock Market Review
Nigerian Stock Market in February

- Market cap down 8.07% to N13.66trn
- NSE ASI down 9.11% to 26,216.46
- 4 days positive, 16 days negative
- Average volume traded up 121% to N11.01bn

Peer Comparison

<table>
<thead>
<tr>
<th>Exchange</th>
<th>YTD Return</th>
<th>Driver</th>
</tr>
</thead>
</table>
| NSE ASI  | 9.11%      | • Low incentive to trade  
|          |            | • Unfulfilled economic potential  
|          |            | • Inconsistencies in policy making                                      |
| JSE ASI  | 8.45%      | • Impacted by spread of coronavirus – stocks of companies with exposure in China emerged biggest losers  
|          |            | • Downgrade by Moody, S&P and Fitch                                      |
| GSE      | 1.75%      | • Negative sentiment driven by lingering banking concerns  
|          |            | • Concerns about political risk                                           |
Sub-Index Performance in February

- All sectors closed in the red
  - General negative market sentiment
  - Relatively unimpressive earnings across board
- Consumer goods recorded worst performance
  - Driven by breweries and Nestle
- Industrial recorded the least loss
  - Driven by gains in Lafarge and BUA cement

### Sector Performance

- **INSURANCE**: -11.89%
- **BANKING**: -15.59%
- **INDUSTRIALS**: -1.28%
- **CONSUMER GOODS**: -18.00%
- **OIL & GAS**: -6.97%
Introducing...

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PORTLAND LIMESTONE CEMENT

42.5R GRADE CEMENT

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50+1kg

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Up to 50% Stronger After 1 Day

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Corporate Actions

✔ NSE launches comic book to boost financial literacy

✔ Ecobank group cross-border remittance partnership with Alipay

✔ Dangote acquired additional shares worth $3.99 million of Dangote cement

The Finance Act took effect – expected to favor both primary and secondary market players

✔ The NSE on a quest to demutualize driven by need to
  ✔ Diversify operations
  ✔ Evolve into a more competitive, robust and liberalized stock market

✔ 2019 FY earnings result
International vs Domestic Participation in Equities Market

✓ Trade dominated by foreign players in the period under review
  ✓ 9 out of 13 periods
✓ Trade activities recorded significant increase during periods of new listing of big names
  ✓ MTN Nigerian in May’19
  ✓ Airtel Nigeria in June’19
  ✓ BUA Cement in Jan’20
Stock Market Outlook

✓ Negative market sentiment to persist driven by
  ✓ Weak economic fundamentals
  ✓ Low incentive to trade – International investors
    ✓ Unattractive to profit seekers - repeatedly reported losses despite attractive valuations
    ✓ Low liquidity – low daily trade relative to market capitalization (0.08%)
  ✓ Nigeria has been removed from major frontier market indexes
Stock Market Outlook

✔ Low incentive to trade – domestic investors

✔ Repeatedly reported losses despite attractive valuations

✔ Most stocks relatively illiquid

✔ Inconsistencies in policy making

✔ Investors faced with dilemma due to positive correlation between yields and equity market
Corporate Earnings
### Banking Industry - FY'19 Result

<table>
<thead>
<tr>
<th></th>
<th>ZENITH</th>
<th>GTB</th>
<th>UBA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Earnings</strong></td>
<td>5.07% to N662bn</td>
<td>0.12% to N433.99bn</td>
<td>13.32% to N559.8bn</td>
</tr>
<tr>
<td><strong>Interest Income</strong></td>
<td>9.68% to N267bn</td>
<td>4% to N231bn</td>
<td>7.93% to N221.9bn</td>
</tr>
<tr>
<td><strong>Profit After Tax</strong></td>
<td>7.96% to N208.8bn</td>
<td>6.55% to N196.8bn</td>
<td>13.23% to N89bn</td>
</tr>
<tr>
<td><strong>Impairment</strong></td>
<td>31% to N24bn</td>
<td>0.08 % to N4.91bn</td>
<td>304% to N18.3bn</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>N6.65</td>
<td>N6.96</td>
<td>N2.52</td>
</tr>
<tr>
<td><strong>Dividend Yield</strong></td>
<td>15.51%</td>
<td>12.31%</td>
<td>15.50%</td>
</tr>
<tr>
<td><strong>P/E ratio</strong></td>
<td>2.86</td>
<td>2.07</td>
<td>3.93</td>
</tr>
<tr>
<td><strong>YTD change</strong></td>
<td>3.48%</td>
<td>22.3%</td>
<td>14%</td>
</tr>
</tbody>
</table>

- Positive earnings growth recorded by top players
- Increase in impairment driven by increase in LDR
- Increasing regulatory risk to weigh on future performances
- Will be affected by devaluation due to high sensitivity
# FMCG - Results

<table>
<thead>
<tr>
<th></th>
<th>NESTLE (9M’2019)</th>
<th>CADBURY (FY’2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>3.94%** to N211bn**</td>
<td>9.26%** to N39.3bn**</td>
</tr>
<tr>
<td><strong>Cost of Sales</strong></td>
<td>1.69%** to N115bn**</td>
<td>10.7%** to N31bn**</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>15.48%** to N57bn**</td>
<td>19.5%** to N1.36bn**</td>
</tr>
<tr>
<td><strong>Profit After Tax</strong></td>
<td>11.5%** to N36.8bn**</td>
<td>53.9%** to N1.27bn**</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>N46.48</td>
<td>N67.46</td>
</tr>
<tr>
<td><strong>Dividend Yield</strong></td>
<td>5.77%</td>
<td>2.82%</td>
</tr>
<tr>
<td><strong>P/E ratio</strong></td>
<td>18.66</td>
<td>13.30</td>
</tr>
<tr>
<td><strong>YTD change</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>PZ (6M’2019)</th>
<th>UNILEVER (FY’2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>5.3% to N18bn</td>
<td>33.96% to N60.76bn</td>
</tr>
<tr>
<td><strong>Cost of Sales</strong></td>
<td>0.94% to N15bn</td>
<td>16.4% to N54bn</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>135.4% to (N474.9mn)</td>
<td>199.8% to (N10.35bn)</td>
</tr>
<tr>
<td><strong>Profit After Tax</strong></td>
<td>132.7% to (N484mn)</td>
<td>141.6% to (N4.2bn)</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>(N0.12)</td>
<td>(N0.74)</td>
</tr>
<tr>
<td><strong>Dividend Yield</strong></td>
<td>3.03%</td>
<td>10.03%</td>
</tr>
<tr>
<td><strong>P/E ratio</strong></td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>YTD change</strong></td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

- The food product players tend to outperform personal care players
- Big players in the personal care sub sector significantly affected by intensifying competition from smaller brands
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Get amazing offers and value for your pick up/drop off, staff bus/school bus, airport transfers, travels and tours plus escort and protocol services. Your comfort, discretion and safety are guaranteed.

Hertz Franchise is owned and managed by C & I Leasing PLC in Nigeria.

09060004026; 09060004025; 09060004024

www.rentacar.ng
Aviation Update
Aviation Update

✓ Aviation fuel price is 12% lower than January

✓ Airline shares have crashed

✓ BA, Lufthansa and Air France have cut flights to Asia and Italy by 40%

✓ Almost all African airlines have suspended China flights

✓ For Nigeria, medical tourism, trader traffic and religious visits badly hit

✓ Easter bookings down 50%; Mediterranean cruises mostly cancelled

✓ Agents have refunded in excess of N200mn
Aviation Update

- Emirates carry 35% of the traffic to the far East
- Passengers go to far East, Saudi, Dubai and India
- Global aviation losses are estimated at $26bn annually if it continues
- Harmattan haze and faulty ILS already hurt international aviation in Lagos
- Lagos is 70% of international traffic into Nigeria
- Trading is 15% of GDP; equivalent of $160bn
- A 20% hit on trading will cut GDP by $12bn
- Power projects at Mambilla will be affected as passenger traffic slows
Aviation Update

✓ Domestic aviation is consolidating around the Golden Triangle and 4 carriers – Arik, Air Peace, Aero and Azman Air

✓ National carrier project is getting some mention
Impact of Coronavirus on Air Travel - IATA

✓ Since the outbreak:

✓ Oil & jet fuel price have lost over 10%

✓ Global airline share prices have fallen sharply

✓ January data already shows a sharp decline in China’s passenger decline
Coronavirus: Less Travel, More Tech

✓ Increased number of cancelled flights is rattling the $1.4trn travel sector
  ✓ Lufthansa slashed its short haul flights by 25%
  ✓ IAG warns of uncertain 2020 profit outlook
✓ Resulting in a cancellation of conferences and events
✓ Face-to-face meetings are being replaced by video conferencing
  ✓ Zoom shares up 45% in February
Real Estate Still in Negative Territory

- Real estate sector has been in red territory since 2016
- Contracted by 3.45% in Q4’19
- Lag between economic recovery & real estate growth
- Sector feeling the pinch of lower consumer disposable income

Source: NBS

Real Estate Growth Rate (%)
Real Estate Market – Increased demand for Small Housing Units

✓ Increased demand for student housing and small unit apartments by young professionals

✓ Owing to:
  ✓ High rate of urbanization
  ✓ Growing young population

✓ Developers remain challenged by:
  ✓ Opaque land laws
  ✓ Sub-optimal infrastructure
  ✓ Financing opportunities
**2020 EXECUTIVE EDUCATION OPEN SEMINARS**

**ACCOUNTING, FINANCE & ECONOMICS**

<table>
<thead>
<tr>
<th>DATE</th>
<th>FEE</th>
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<tbody>
<tr>
<td>Lagos - May 19 – 20, September 17 – 18</td>
<td>₦18,000</td>
</tr>
<tr>
<td>August 27 – 28</td>
<td>₦27,000</td>
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<tr>
<td>September 24 – 25</td>
<td>₦45,000</td>
</tr>
<tr>
<td>December 22 – 23</td>
<td>₦45,000</td>
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**GENERAL MANAGEMENT**

<table>
<thead>
<tr>
<th>DATE</th>
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<tbody>
<tr>
<td>April 21 – 22</td>
<td>₦17,000</td>
</tr>
<tr>
<td>July 28 – 29</td>
<td>₦120,000</td>
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<tr>
<td>September 17 – 18</td>
<td>₦120,000</td>
</tr>
<tr>
<td>November 13 – 14, 20</td>
<td>₦120,000</td>
</tr>
<tr>
<td>December 18 – 19, 20</td>
<td>₦120,000</td>
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**MARKETING AND SALES MANAGEMENT**

<table>
<thead>
<tr>
<th>DATE</th>
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<tbody>
<tr>
<td>April 21 – 22</td>
<td>₦120,000</td>
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<tr>
<td>August 10 – 12</td>
<td>₦120,000</td>
</tr>
<tr>
<td>August 15 – 17</td>
<td>₦27,000</td>
</tr>
<tr>
<td>November 17 – 19</td>
<td>₦27,000</td>
</tr>
<tr>
<td>December 22 – 23</td>
<td>₦120,000</td>
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**OPERATIONS MANAGEMENT AND MIS**

<table>
<thead>
<tr>
<th>DATE</th>
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<tbody>
<tr>
<td>June 22 – 25</td>
<td>₦27,000</td>
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<tr>
<td>July 17 – 19</td>
<td>₦120,000</td>
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<tr>
<td>June 22 – 24</td>
<td>₦120,000</td>
</tr>
<tr>
<td>October 18 – 20</td>
<td>₦17,000</td>
</tr>
<tr>
<td>December 22 – 24</td>
<td>₦27,000</td>
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**PERSONAL LEADERSHIP & HRM**

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<tbody>
<tr>
<td>July 6, 8</td>
<td>₦30,000</td>
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<tr>
<td>August 9, 11</td>
<td>₦30,000</td>
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<tr>
<td>September 13, 15</td>
<td>₦30,000</td>
</tr>
<tr>
<td>October 22, 24</td>
<td>₦30,000</td>
</tr>
<tr>
<td>November 15, 17</td>
<td>₦30,000</td>
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</table>

**SECTOR SPECIFIC**

**MANAGEMENT GOVERNMENTAL RELATIONS**

<table>
<thead>
<tr>
<th>DATE</th>
<th>FEE</th>
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<tbody>
<tr>
<td>May 15 – 18, 2022</td>
<td>₦75,000</td>
</tr>
<tr>
<td>June 19 – 22, 2022</td>
<td>₦27,000</td>
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**MANAGEMENT & BUSINESS STRATEGIES FOR COMPETITIVE ADVANTAGE**

<table>
<thead>
<tr>
<th>DATE</th>
<th>FEE</th>
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<tbody>
<tr>
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<td>₦120,000</td>
</tr>
<tr>
<td>July 3 – 6, 2022</td>
<td>₦90,000</td>
</tr>
</tbody>
</table>

**RESERVATIONS/ADDITIONAL INFORMATION**

Reservational Additional Information: Charles Abajir: 0703 793 9791
Viwan Akore: 0803 349 2768
Dee Eliezer: 0803 752 4864

email: excuatedbss@tits.edu.ng

**PROGRAMME VENUE:**

Km 22, Lekki-Epe Expressway, Ajar, Lagos

**TIME:** 9:00 am – 5:00 pm

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**10% OFF** Executive Leadership

**10% OFF** Building and Leading the 2nd Century Team Leader

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Political Update
Power Consolidation

✓ Supreme Court in surprise move nullifies Bayelsa governorship result
✓ Thus replacing one APC in Bayelsa and one PDP in Imo
✓ Insecurity across most areas increases, leading to widespread protests

President continues with power consolidation
✓ Amotekun legislation in the South West as a compromise between community policing & Federal supervision
✓ President is taken to task on security
✓ Pays surprise visit to Maiduguri
Power Consolidation

- Pressure to replace the security chiefs comes from NASS, opposition and religious groups
- The US visa ban on Nigerian immigrants made it all the more pressing
- Top security meetings held with service chiefs
- It is believed that Chadian troop withdrawal could make situation worse
- Using security empowerment as an excuse for border closure is no longer tenable
- The battle for 2023 is now in the open
Power Consolidation

✓ Team Tinubu have made their ambition clear

✓ There are a few others in the fray including Governors Forum Chairman – Fayemi

✓ The Southwest is divided into 3 camps
  ✓ Afenifere
  ✓ Team Tinubu
  ✓ Fayemi & Co

✓ Edo state and Ondo state primaries will be a litmus test for APC holding together
Power Consolidation

✓ Most likely scenario is for incumbents to win nomination and election

✓ The APC is yet to hold its congress & appoint a new NEC

✓ The PDP have more than their fair share of squabbles

✓ Economic performance will be a major determinant of political stability in 2020/21

✓ Multi-dimensional poverty, slow growth and dwindling investment income due to low interest rates may undermine stability
Outlook for March
Economic Calendar

✓ OPEC meeting – March 5/6
✓ February inflation – March 16
✓ MPC meeting – March 23/24
March Outlook

✓ OPEC to cut output quota with impact on Nigeria

✓ Oil price will trade flat at $52-$55pb

✓ Oil revenues, balance of trade and external reserves will be affected

Rationing to support local import substitution will be intensified

✓ Alternatively orderly adjustment may be contemplated to maintain macro-stability

✓ MPC may consider a hike of 50 basis points in MPR to 14% pa to check inflation
March Outlook

✓ Q1 and Q2 growth to be negatively affected by lower oil revenues and Covid-19 impact

✓ Earnings will show signs of further revenue slippage and profit hemorrhage

✓ Stock market will go into further correction of 10%

✓ Interest rates on T/Bills likely to increase towards 6% pa as OMO maturities are shortened

✓ There will be more CPs and bond issues by corporates at rates between 6% - 9% pa
Corporate Humour

When you don’t have any money, the problem is food. When you have money, it’s sex. When you have both it’s health.

- Anonymous

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

- Anonymous
Think globally, act locally.
- Anonymous

Wives are young men’s mistresses, companions for middle age, and old men’s nurses.
- Anonymous
Corporate Humour

Start where you are. Use what you have. Do what you can
- Arthur Ashe

Worry is like a rocking chair, it gives you something to do, but never gets you anywhere.
- Erma Bombeck
Thank you