



**THE Nigerian
STOCK EXCHANGE**

2020
MARKET
RECAP

**2021
OUTLOOK**



**Tuesday 19
January 2021**



**10.30A.M.
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ZOOM YouTube

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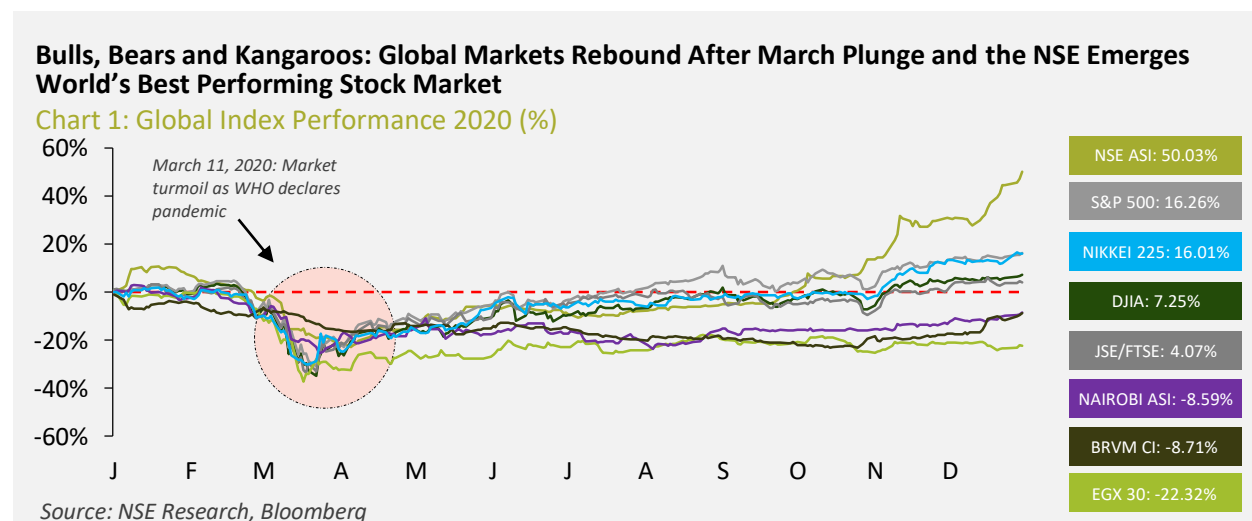
1. Global Capital Market Review 2020

The year 2020 was indeed a historic one for global capital markets. Facing buffeting headwinds, including an unprecedented pandemic, a weak global economy leading to manufacturing recessions, historically low crude oil prices, elevated geopolitical risks and social unrest – to name just a few, world markets saw sharp swings and steep losses, but largely remained resilient and orderly amid rising uncertainty.

The outbreak of the novel coronavirus disease (Covid-19) and its rapid spread across the globe in the first quarter of the year, triggered panic selling by global investors. According to the World Federation of Exchanges (WFE), global capital markets lost USD 18 trillion due to the pandemic over the course of February and March 2020 alone. Several equity market indices lost up to 20% of their value in the second week of March, when the World Health Organization (WHO) declared Covid-19 a pandemic. On March 12, the S&P 500 plunged 9.5 percent, its steepest one-day fall since 1987.

As the pandemic spurred world governments to enact preventive measures such as restrictions on movement and “social distancing”, economic activities waned drastically in the second quarter of the year, prompting revisions of global growth forecasts for 2020. In June, the International Monetary Fund (IMF) revised its 2020 forecast from 3.3% to -4.9%, *which represents lower economic growth than during the 2008 global financial crisis*. However, diverging from grim economic projections, global markets saw a rebound following the sharp drop in March, with many indicators recovering to pre-pandemic levels by June 2020, fueled by extraordinary stimulus packages, monetary policy actions and public health responses from world governments and economic actors.

Defying expectations, many world markets closed the year in positive territory. The final quarter of the year saw global investors react positively to US election results, announcement of promising Covid-19 vaccines, recovering consumer demand and stabilization of oil prices and geopolitical risks. For The Nigerian Stock Exchange (NSE), renewed investor optimism coupled with improved economic conditions and low fixed income yields, propelled a year end bull run. Of 93 global equity indices tracked by Bloomberg, the NSE All Share Index (ASI) emerged the *best-performing index in the world*, surpassing the S&P 500 (+16.26%), Dow Jones Industrial Index (+7.25%) and other global and African market indexes, to post a one-year return of +50.03%.



2. NSE Market Performance 2020

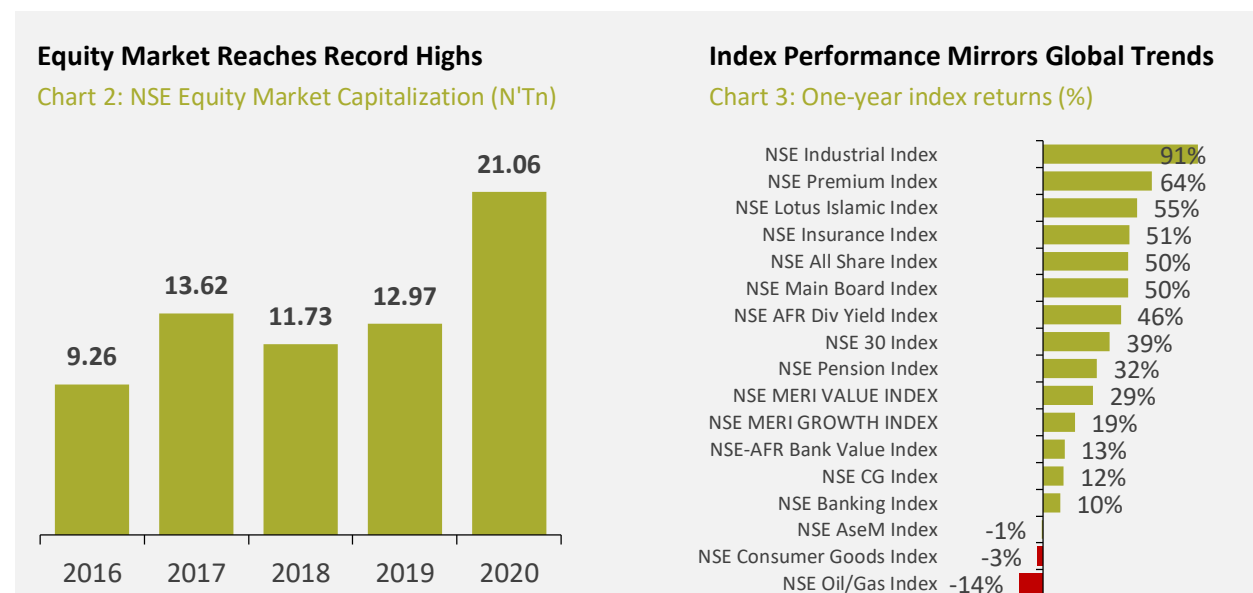
2.1. NSE Equity Market Review

The Nigerian equities market got off to a strong start in 2020, returning 10.4% by the eighth trading session. This was fueled in part by moderation in fixed income yields after the Central Bank of Nigeria (CBN) banned individual investors and Pension Fund Administrators (PFAs) from accessing Open Market Operation (OMO) bills as well as subdued political risk after the 2019 general elections. The run was short-lived as global risks including Covid-19 and the Saudi-Russia oil price wars, coupled with challenges in the local economy, prompted flight to safety for foreign investors and strong risk-off sentiments by domestic investors. By the close of the first quarter of 2020, the All Share Index had lost 20.53% of its value.

In April, the market began a fragile recovery, but hovered largely between 24,000 – 26,000 points in the second and third quarters of the year, mirroring the slowdown in the domestic economy. The Nigerian economy contracted by -6.10% year on year (YoY) in Q2'20 and -3.62% YoY in Q3'20 ending a three-year trend of low but positive real growth rates. These worse-than-expected contractions were on the back of an oil price crash, rising inflation rates, foreign exchange (FX) shortages, weak consumer demand due to Covid-19 lockdown measures and social unrest arising from nationwide protests against police brutality (“#EndSars”).

By October, the equities market entered a much awaited bull run. Buoyed by the formal declaration of the U.S president-elect, unattractive fixed income yields and better-than-expected corporate earnings, the NSE ASI recovered from Q1'20, to close the year at 40,270.72 (+50.03%) and erase losses of -14.90% recorded in 2019. During its remarkable year end run, the ASI gained 6.23% in a single trading session which triggered a 30-minute halt of trading on all stocks for the first time since the NSE *Circuit Breaker* was introduced in 2016, to safeguard market integrity in periods of extraordinary volatility.

At the close of the year, the NSE's equity market capitalization was up by 62.42%, from N12.97 trillion in 2019 to N21.06 trillion in 2020. The NSE Industrial Index emerged the top performing index of 2020 (with +90.81% returns) followed by the NSE Premium Index (+64.01%). All other NSE market indices recorded



positive returns except the ASeM, Consumer Goods Index and Oil/Gas Index which posted losses of -0.70%, -3.29% and -13.84% respectively.

Initial Public Offering (IPO) activity in the year remained mute as prospective issuers weighed market volatility and valuation concerns amid the pandemic. However, the value of supplementary issues increased dramatically from the previous year, rising by 851.37% to N1.42 trillion, from N148.77 billion in the previous year. This includes the listing of BUA Cement Plc., which resulted from the merger between the BUA-owned entities, Cement Company of Northern Nigeria (CCNN) and Obu Cement Co., and saw BUA cement emerge as the third largest company on the NSE by market capitalization, with a valuation of N1.18 trillion.

Market turnover also saw an uptick of 7.25%, from N0.96Tn in 2019 to N1.03Tn in 2020. For the second consecutive year, equity market transactions were dominated by domestic investors, who accounted for 65.28% of market turnover by value (Retail: 44.98%; Institutional: 55.02%) while foreign portfolio investors accounted for 34.72%.

2.2. NSE Fixed Income Market Review

Capital-raising activities in the fixed income market increased significantly in 2020. The NSE's bond market capitalization rose by 35.52% from N12.92 trillion in 2019 to N17.50 trillion. Continuing the trend in recent years, the Federal Government of Nigeria dominated issuances, raising over N2.36 trillion which comprised ~92% of total bond issuances. Corporates also leveraged the low yield environment to fund expansion objectives and pursue debt refinancing, raising a total of N192 billion.

Kicking off 2020, the NSE welcomed Nigeria's first 'unicorn', Interswitch, in a historic listing of its *N23 billion 15.00% Fixed Rate Series 1 bond*. The premier bond listing - part of a N30 billion debt issuance program listed through a Special Purpose Vehicle, Interswitch Africa One Plc. - illustrates the powerful potential of The Exchange to support FinTechs and growth companies across various economic sectors to achieve their growth ambitions. In another milestone for the Nigerian fixed income market, Dangote Cement listed its *N100 billion 12.50% Series 1 bond*, under its N300 billion bond programme. The offer, which was 1.5 times oversubscribed, became the largest corporate bond issuance in Nigeria's fixed income market. The NSE also welcomed Primero Plc to market as they listed their first bond on the NSE – the Primero BRT Securitization SPV Plc bond valued at N16.5 billion.

During the year, bond yields moderated from 2019 levels, declining between 1% to 10% across various tenors, as investors sought higher returns in alternative asset classes. Consequently, the fixed income market recorded a significant reduction in trading activities, with turnover declining by 71.10% by value.

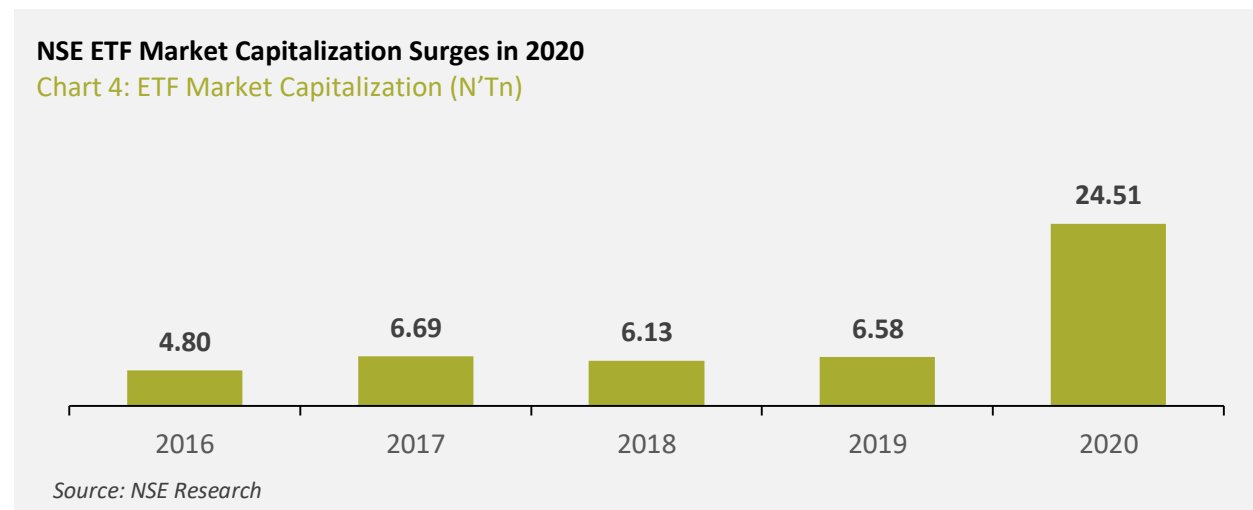
2.3. NSE ETF Market Review

The NSE Exchange Traded Fund (ETF) market experienced its best year yet. Market capitalization increased by 272.30% from N6.58 billion recorded in 2019 to N24.51 billion in 2020 while trade volumes increased by 218.23% from 4.15 million units in 2019 to 13.20 million units in 2020.

Turnover skyrocketed by 51,830.59% in 2020 showing increased interest in Nigerian ETFs. This can be attributed to several factors including:

- growing adoption of the asset class by investors and asset managers on the back of strong year on year growth;
- launch of two new ETFs – Meristem Growth ETF and Meristem Value ETF by Meristem Wealth Management Limited which track the NSE Meristem Growth Index and NSE Meristem Value Index respectively; and
- unattractive yields in the fixed income market which led investors to seek alternative asset classes as also experienced in the equity market.

The NEWGOLD ETF, which tracks the price of gold and offers investors the opportunity to invest in a listed instrument that is backed by a gold bullion and serves as a good currency hedge, was the best performing ETF for the second year running as it returned 66.03% in 2020, reflecting investors’ continued preference for risk-backed securities.



2.4. NSE Mutual Funds Review

The NSE launched its mutual fund trading platform in 2019, to enhance the visibility of listed funds and promote financial inclusion by providing retail investors with access to professionally managed, diversified portfolios of equities, bonds and other securities. In the year under review, the NSE welcomed two new mutual funds: the ARM Eurobond fund and the ARM Fixed Income fund with net asset value of USD 1 million and N 500 million respectively at the time of listing; bringing the total number of mutual funds listed on the NSE to 52.

The Cordros Milestone Fund 2028 and the Legacy Fund experienced the highest gains year-on-year as their offer prices increased by 53.95% and 31.96% respectively. At the close of the year, the net asset value of listed mutual funds was N1.14 trillion. The Exchange will continue to work with its ecosystem to ensure a vibrant, transparent, liquid and accessible mutual funds market which meets the investment needs and risk profiles of our diverse community of investors.

3. NSE Strategic Performance 2020

Our goal of launching Exchange Traded Derivatives experienced a significant boost as NG Clearing Limited received approval in principle from the Securities and Exchanges Commission (SEC) to launch clearing and settlement of exchange-traded derivative products, as Nigeria’s premier Central Counterparty Clearing House (CCP). We have subsequently fast-tracked engagements with stakeholders as we look forward to launching our first derivatives product in 2021.

In March 2020, the NSE held a Court Ordered Meeting (COM) and Extraordinary General Meeting (EGM) to facilitate our conversion to a demutualized exchange. Members of The Exchange unanimously voted in favor of the resolutions presented for consideration. Following the success of these events, the required documents were filed and, the Federal High Court, Lagos on 14th May, 2020, granted an order sanctioning the Scheme of Arrangement for the NSE’s demutualization.

The Exchange is currently awaiting SEC regulatory approvals to finalize demutualization, which when received, will align the business with global best practices and enable our transition to a new corporate structure, The Nigerian Exchange Group Plc (“NGX Group” or “the Group”), which includes an operating exchange, a regulatory services business, as well as a real estate focused entity as subsidiaries.

The NSE’s new organizational structure will position the Group as a more competitive and agile organization while maintaining full compliance with our regulatory and governance requirements. Our non-operating holding company, NGX Group, will be responsible for delivering on shareholder’s investment aspirations & strategic intent, leading capital raising/allocation efforts and developing group wide policies to drive success. The new operating company – The Nigerian Exchange Limited (NGX) will be responsible for listing, trading, technology, market data and other core exchange functions. NGX Regulation Limited (NGXREGCO) will be an independent company responsible for performing the regulatory functions of the Exchange business, as licensed by the SEC; while NGX Real Estate Limited (NGXRELCO) will be an independent company responsible for property letting and real estate investment activities for the Group.

Other milestones during the year include:

3.1. Business Development

- **Growth Board:** Launched the Growth Board to support SMEs to access the capital market, by offering advisory support, relaxed entry criteria and reduced post-listing obligations. Four (4) companies – McNichols Consolidated Plc, The Initiates Plc, Livingtrust Mortgage Bank Plc and Chellarams Plc., have been successfully migrated from the ASeM Board.
- **Listings:** Key listings in 2020 include the Interswitch Africa One Plc. N23 Billion bond; Ondo State Government N14.8 Billion bond; Dangote Cement Plc N100 Billion bond; International Breweries Plc’s Rights Issue of N164.4 billion; and BUA Cement Plc.
- **Customer Experience:** Revamped the NSE Data Portal to facilitate easier access to NSE market data.
- **Digital Innovation:** Upgraded the X-Issuer platform to further enhance market integrity and launched X-Mobile 2.0 and X-Po, to boost retail participation in the market and automate listing processes.

3.2. Market Development

- **Market Forums:** Hosted industry leaders at the Oil and Gas webinar, Sustainable Capital Markets forum, Smart Investing Workshop, 5th Market Data Workshops, 2nd NSE CEO's Stakeholder Engagement Call, Nigerian Securities Lending Forum and 2nd Islamic Finance Forum.
- **Index Review:** The Pension Index was reviewed and amended to ensure that the index represents the appropriate benchmark for evaluating Pension Fund Administrators' equity portfolios.
- **Derivatives Market:** Collaborated with the SEC to train capital market operators on Legal and Regulatory requirements of derivatives trading.
- **Fee Structure:** Revised trading fee charge on debt instruments to 0.0005% (₦5 per million) to boost liquidity in the fixed income market.
- **SentryGRC:** Launched the SentryGRC platform which automates back-office functions like Governance, Risk Management and Compliance, and enables organizations to pursue a systematic and organized approach to managing GRC-related strategy and implementation.
- **Privatization of State owned enterprises:** Co-hosted a robust engagement with the 36 State Governors on the privatization of state-owned-enterprises, in collaboration with the Nigerian Investment Promotion Commission (NIPC) and Nigeria Governor's Forum (NGF).
- **Capital Market Education:** The X-Academy got accredited by the Chartered Institute of Bankers, Nigeria (CIBN) and partnered with them to run several trainings. The academy also partnered with the Institute of Chartered Secretaries and Administrators of Nigeria (ICSAN) and the IoD Centre of Corporate Governance (IoDCCG) to run Corporate Governance trainings in view of the pandemic.

3.3. Investor Protection

- **Investor Protection Fund:** Compensated a total of ₦17.02Mn to 49 investors/claimants who suffered pecuniary losses in 2020.
- **Recoveries:** Pursuant to The Exchange's strategic focus on Investors Protection, the NSE facilitated restitutions and recoveries of shares worth N305.11 million for investors in 2020.
- **X-Whistle:** Upgraded X-Whistle to strengthen investor protection. The upgraded portal features a single repository for complaints, tips and referrals; and the ability to generate detailed and varied reports with analytics for proper tracking.

3.4. Corporate Citizenship

- **Covid-19 Response:** Committed N100Mn to support the fight against Coronavirus in Nigeria. N60Mn was donated to Capital Market Support Committee for COVID-19 (CMSCC), while N40Mn was donated to the NSE's "Masks for All Nigerians" campaign which saw the distribution of face masks to vulnerable people throughout the country.

- **Gender Equality:** Hosted a half day symposium which ended with the closing bell to commemorate the International Women’s Day (IWD) and gender equality.
- **Financial Literacy:** Published the first and second editions of StockTown, a comic book aimed at promoting financial literacy in Nigeria.
- **Awards:** Won the Best Regulatory Information Management award from the Lagos Public Relations Industry Gala and Awards (LaPRIGA Awards).

3.5. Government Relations

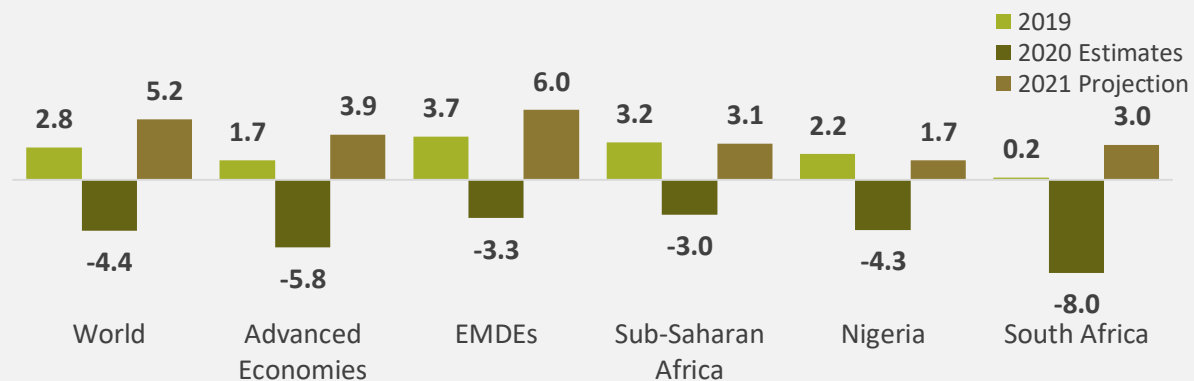
- **Covid-19 Response:** Engaged with the Federal Government to secure an “essential service” status for the market. Also engaged with Regulators on issues of Annual General Meetings, maturing financial instruments, financial reporting, to mention a few in order to secure the right regulator actions and responses for the benefit of our ecosystem.
- **Finance Acts 2019 and 2020:** Engaged with the Federal Ministry of Finance, Budget and National Planning to achieve specific capital market incentives in the Finance Acts of 2019 and 2020, which follow the 2020 and 2021 budgets respectively.
- **Company and Allied Matters Act 2020:** Supported the legislative process for doing business reforms, leading to the Presidential assent to the Company and Allied Matters (Repeal and Re-enactment) Bill 2020.

4. Outlook for 2021

The global economy is projected to stabilize in 2021 and consolidate on growth made in the second half of 2020, albeit, below pre-pandemic levels. This is hinged on the distribution of a COVID-19 vaccine, persistent social distancing, rekindling economic activities, and increased consumer demand. The IMF projects the global economy will grow by 5.2%.

Optimism for a Global Recovery in 2021

Chart 5: Real GDP growth rates (%)



Source: IMF WEO (Q3'2020)

The year has started on a positive note as the ASI has already returned 1.72% after nine trading sessions while on the global front, the US markets continues to look forward to a Biden administration as illustrated by a record-breaking Dow Jones performance in 2021 and the quick condemnation of the political turmoil in the United States. We expect the marginal reopening of businesses, normalization of the economy and revenue-diversification drive of the Nigerian government to elicit positive sentiments throughout the year. Our growth expectations should be noted with caution, as the recent second wave of Covid-19 in Nigeria and globally, may slowdown renewed social and economic activities.

As the NSE transitions to a demutualized exchange group, the appointments of Mr. Temi Popoola as the CEO of NGX and Ms. Tinuade Awe as CEO of NGXREGCO were recently announced. We believe that these appointments will support the NSE's vision to be "Africa's preferred Exchange Hub" and look forward to consolidating on the benefits of demutualization in the coming year. We intend to aggressively pursue cutting-edge products and services, access new markets and deliver better value to our valued stakeholders.

This will be my last presentation of the market recap and outlook report as I come to the conclusion of my second term as the CEO of the NSE, and make the transition away from running core exchange business. Thank you all for your support over the last 10 years.

Appendix 1: NSE Index Performance

	2020	2019	% Change Y-o-Y
NSE All Share Index	40,270.72	26,842.07	50.03%
NSE 30 Index	1,640.11	1,177.83	39.25%
NSE AseM Index	729.87	734.99	-0.70%
NSE Banking Index	393.02	356.84	10.14%
NSE CG Index	1,220.61	1,087.37	12.25%
NSE Consumer Goods Index	573.35	592.85	-3.29%
NSE Industrial Index	2,052.33	1,075.60	90.81%
NSE Insurance Index	189.50	125.82	50.61%
NSE Lotus Islamic Index	2,846.19	1,834.76	55.13%
NSE Main Board Index	1,725.91	1,151.80	49.84%
NSE Oil/Gas Index	226.20	262.54	-13.84%
NSE Pension Index	1,388.64	1,054.06	31.74%
NSE Premium Index	3,470.77	2,116.22	64.01%
NSE-AFR Bank Value Index	1,113.18	988.09	12.66%
NSE MERI GROWTH INDEX	1,654.15	1,393.54	18.70%
NSE MERI VALUE INDEX	1,851.31	1,429.74	29.49%
NSE AFR Div Yield Index	2,017.91	1,384.95	45.70%
NSE Growth Index	991.89		

Appendix 2: NSE Market Performance

	2020	2019	% Change
Total Market Capitalization ¹ (₦)	38,589,577,101,647.53	25,890,216,320,603.50	49.05%
(\$)	94,063,563,928.45	71,058,642,296.15	32.37%
Equities Market Capitalization ² (₦)	21,063,170,804,405.60	12,968,586,413,349.10	62.42%
(\$)	51,342,281,058.88	35,593,759,882.93	44.25%
Bonds Market Capitalization (₦)	17,501,897,620,954.10	12,915,046,844,922.80	35.52%
(\$)	42,661,542,037.67	35,446,814,450.17	20.35%
ETF Market Capitalization (₦)	24,508,676,287.82	6,583,062,331.57	272.30%
(\$)	59,740,831.90	18,067,963.03	230.65%
Total Volume – Equities	96,945,983,300.00	79,425,740,816.00	22.06%
Total Value (Turnover) – Equities (₦)	1,028,172,951,731.47	958,700,004,489.41	7.25%
(\$)	2,506,210,729.39	2,631,261,162.31	-4.75%
Avg. Daily Volume – Equities	370,022,837.02	325,515,331.21	13.67%
Avg. Daily Value (Turnover) – Equities ³ (₦)	3,924,324,243.25	3,929,098,379.05	-0.12%
(\$)	9,565,689.81	10,783,857.22	-11.30%
Turnover Velocity - Equities (%) ⁴	4.88%	7.39%	
Value of Issues - Equities New ⁵ (₦)	-	3,202,409,317,452.00	
(\$)	-	8,789,376,471.67	
No. of New Equity Issues	-	3	
Value of Issues - Equities Sup ⁶ (₦)	1,415,308,928,633.00	148,765,982,970.00	851.37%
(\$)	3,449,869,417.75	408,305,154.30	744.92%
No. of Supplementary Equity Issues	14	8	75.00%
No. of Listed Companies	156	160	
No. of Preference Shares	-	-	
No. of Listed Investment Funds	5	4	
No. of Listed Equities	161	165	
No. of Listed Bonds	133	132	
No. of Listed ETPs	12	10	
No. of Listed Securities	306	307	
No. of Trading Days	262	244	
Exchange Rate (Naira:USD) ⁷	410.25	364.35	

1 Figure includes equities, ETFs and bonds.

2 Figure includes shares listed on Premium Board and ASeM.

3 Total value of share trading divided by the number of trading days.

4 Turnover Velocity – Equities Turnover divided by Equities Market Capitalization.

5 Figure includes IPO and listing by introduction.

6 Figure includes rights issue, placement, employee share plan, listing of underwriting commitment shares, merger and acquisition, takeover bid, conversion of preference shares to ordinary shares and block divestments.

7 Source: Investors' & Exporters' FX Window



Disclaimer

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EM – Outlook and opportunities in the Nigerian capital markets

Razia Khan
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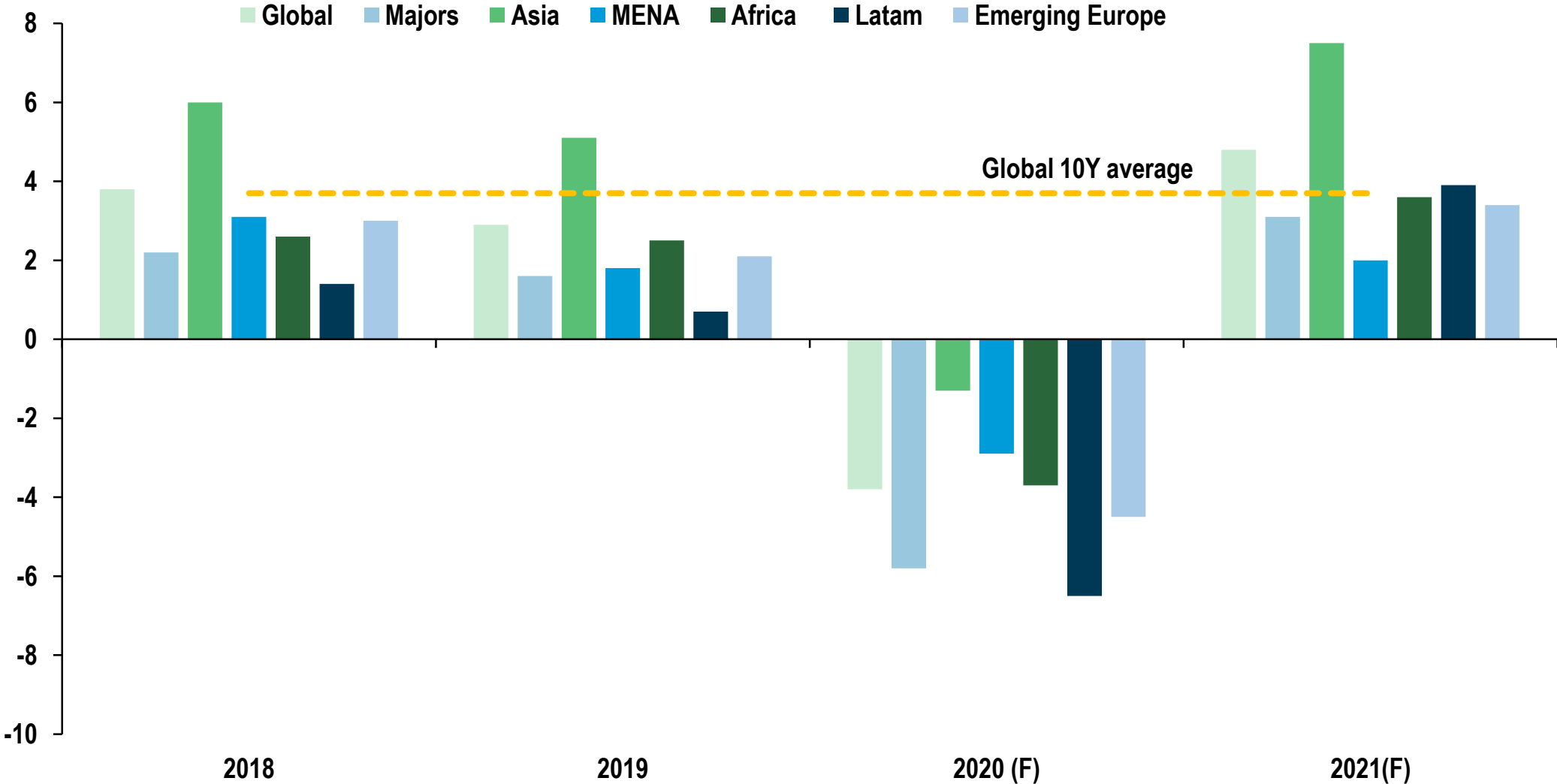
January 2021



Global overview

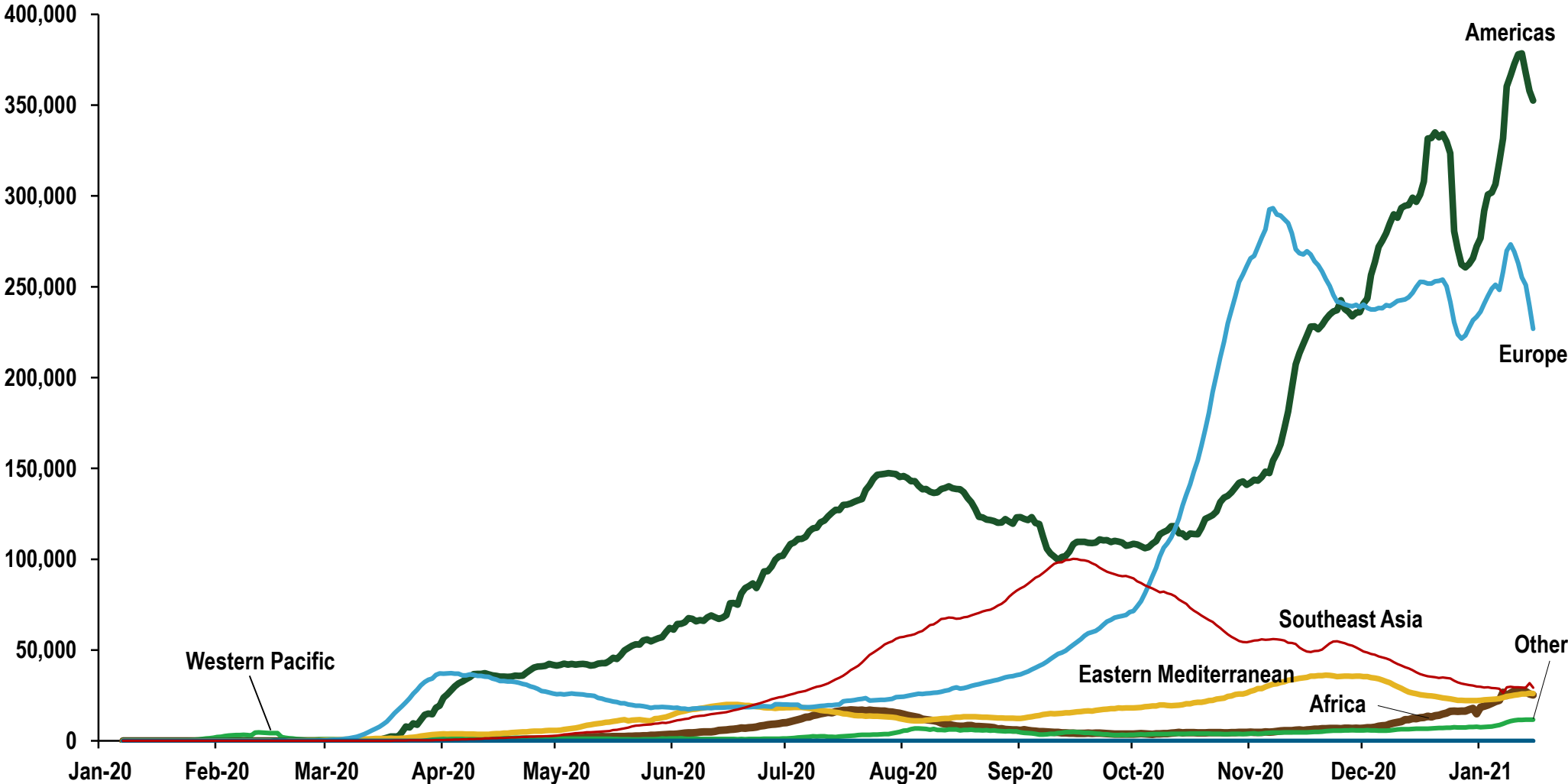
Global growth is set to rebound in 2021 partly due to base effects

Asia is set to outperform again *GDP, annual %*



Europe, Americas continue to see elevated COVID-19 cases; Africa cases are rising

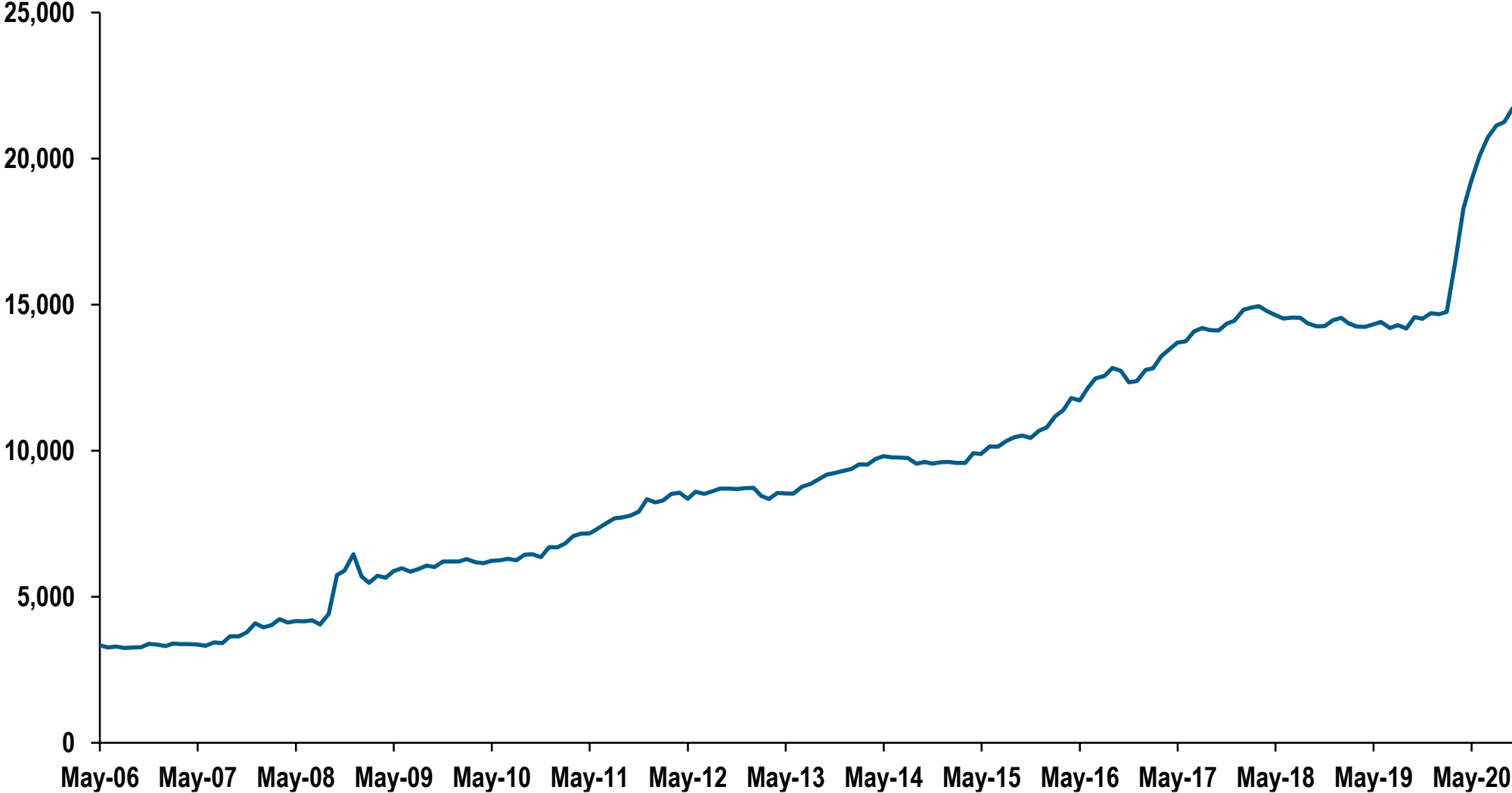
Daily new COVID-19 cases
7-day moving average of confirmed cases



Policy response to the COVID-crisis has been key to recovery

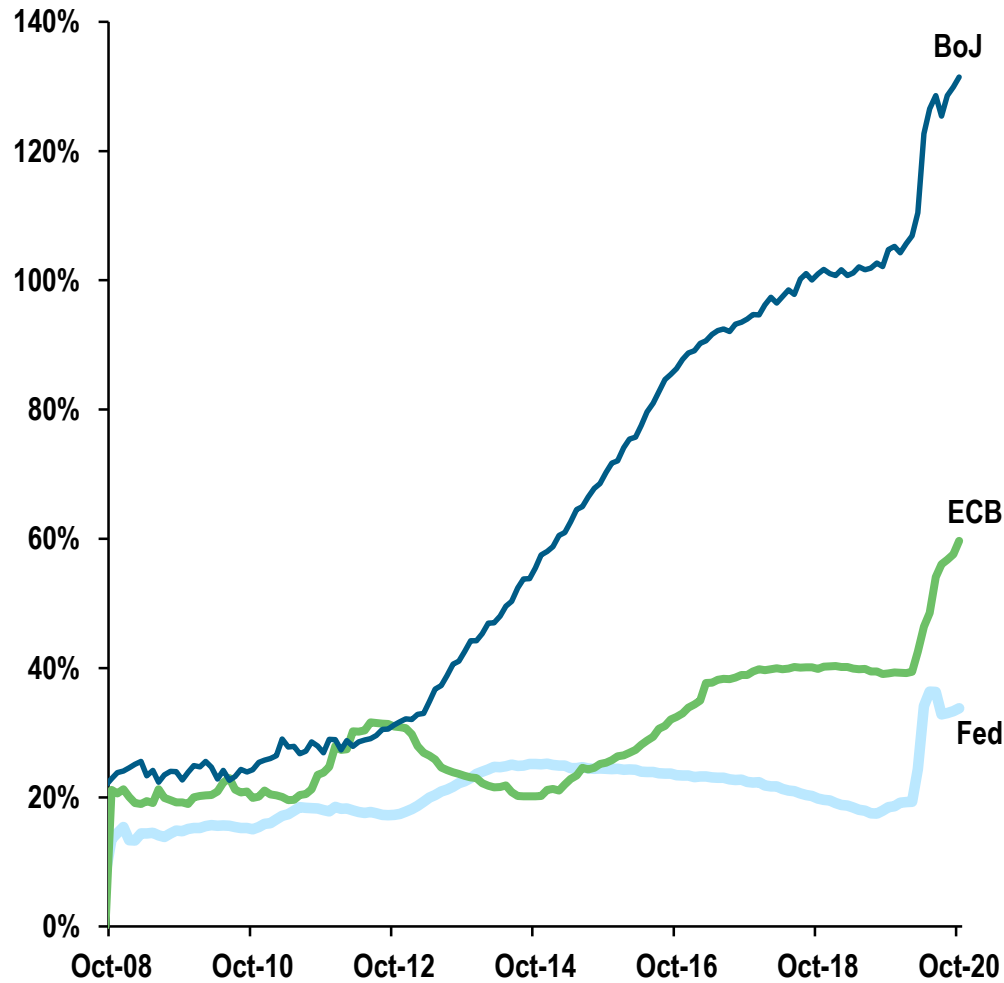
Now that's balance-sheet expansion

Federal Reserve + ECB + BoJ combined balance sheet, USD bn



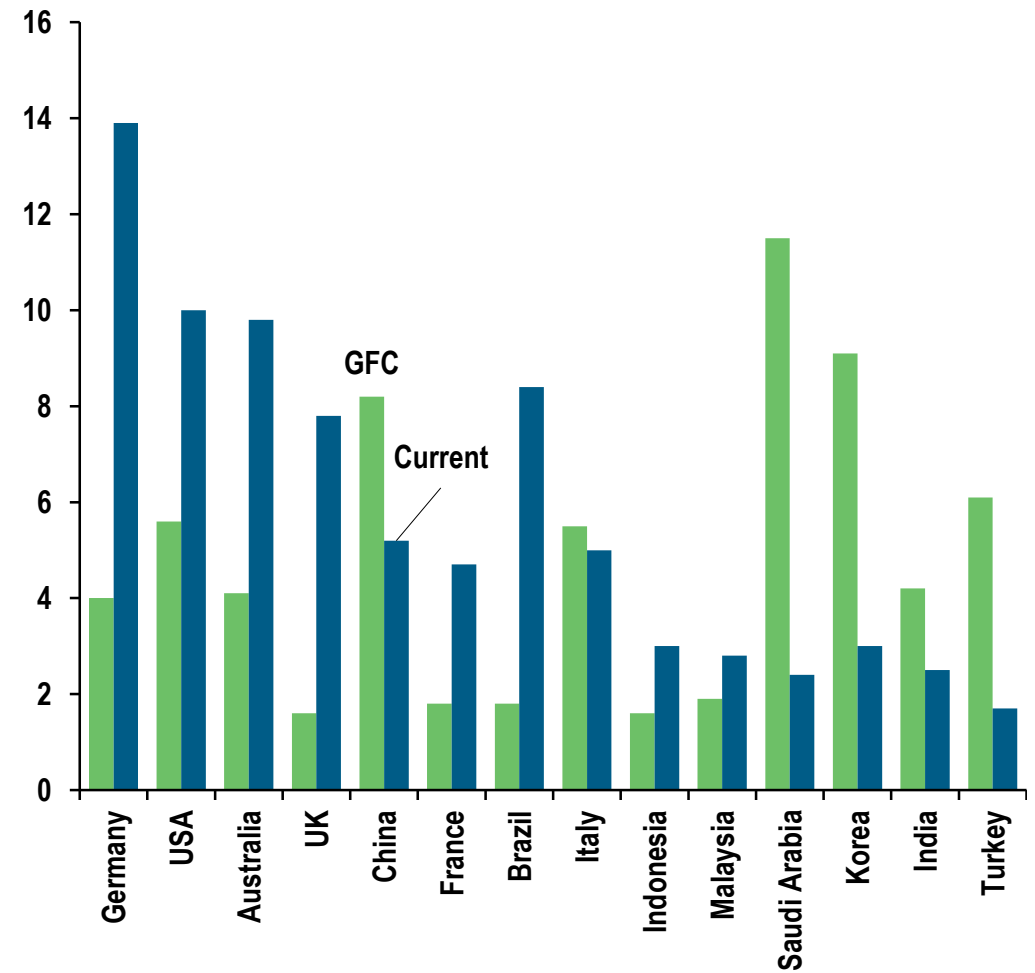
Unprecedented policy support likely to continue

Balance sheets to continue to expand *G3 balance-sheet size, % of GDP*



Source: Fed, ECB, BoJ, Bloomberg, Standard Chartered Research

Fiscal stimulus announced in 2020 versus during the global financial crisis (% of GDP)



Note: Excludes loan guarantees and other financial support measures
Source: ILO, Standard Chartered Research

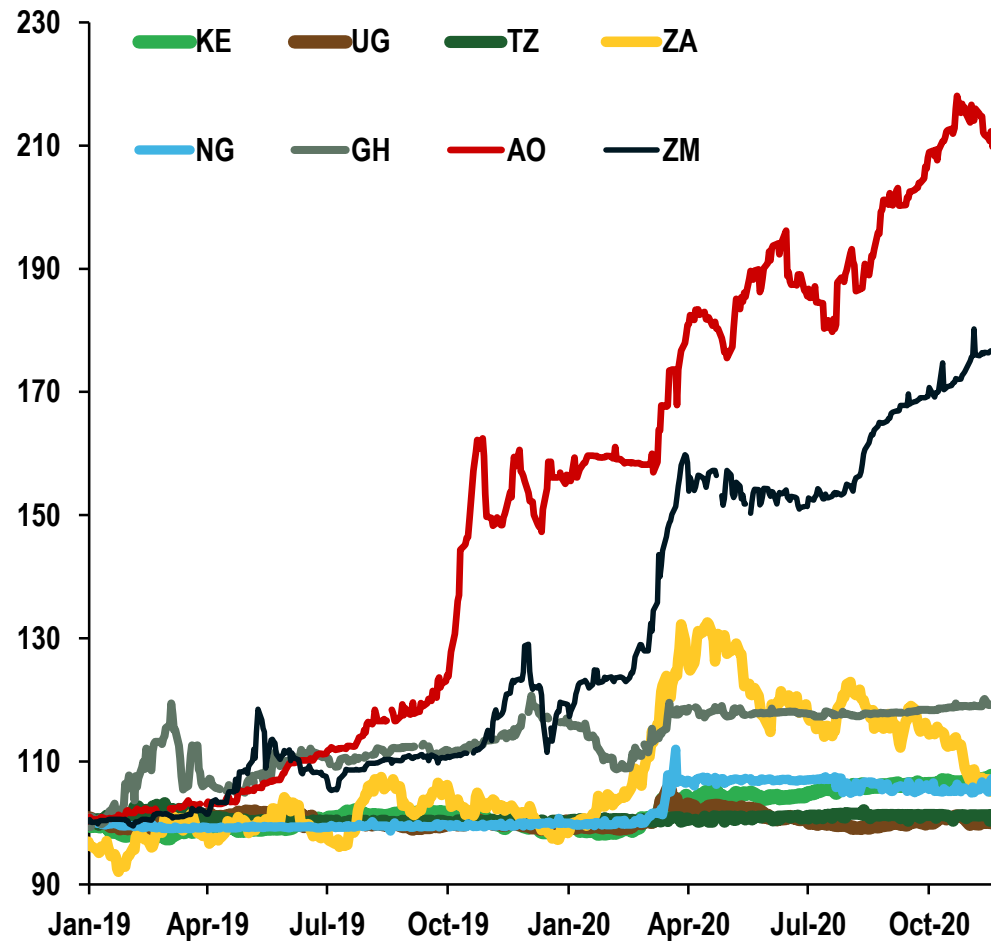


Economies – Africa

SSA in 2021 – Building back (with higher debt)

More liquid SSA markets to benefit from USD weakness

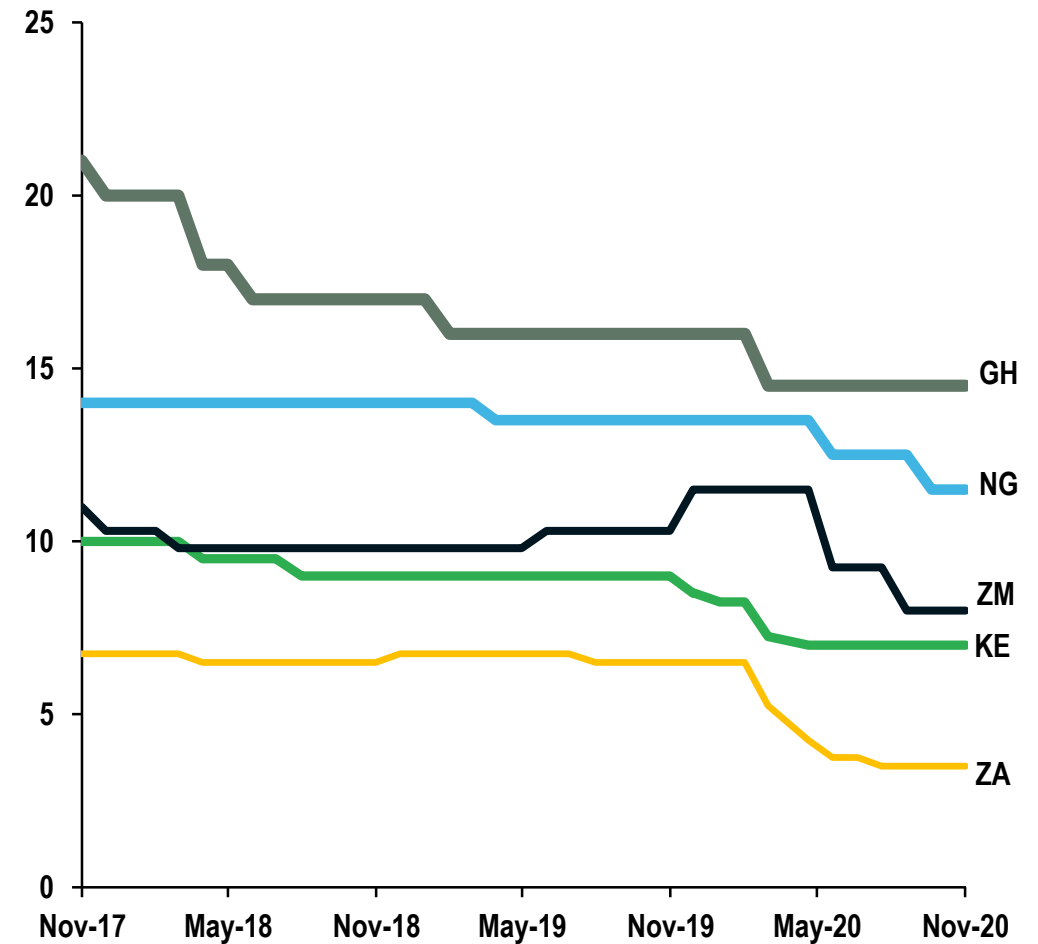
SSA FX rebased, Jan 2019=100, USD-LCY



Source: Bloomberg, Standard Chartered Research

SSA easing cycle has largely ended

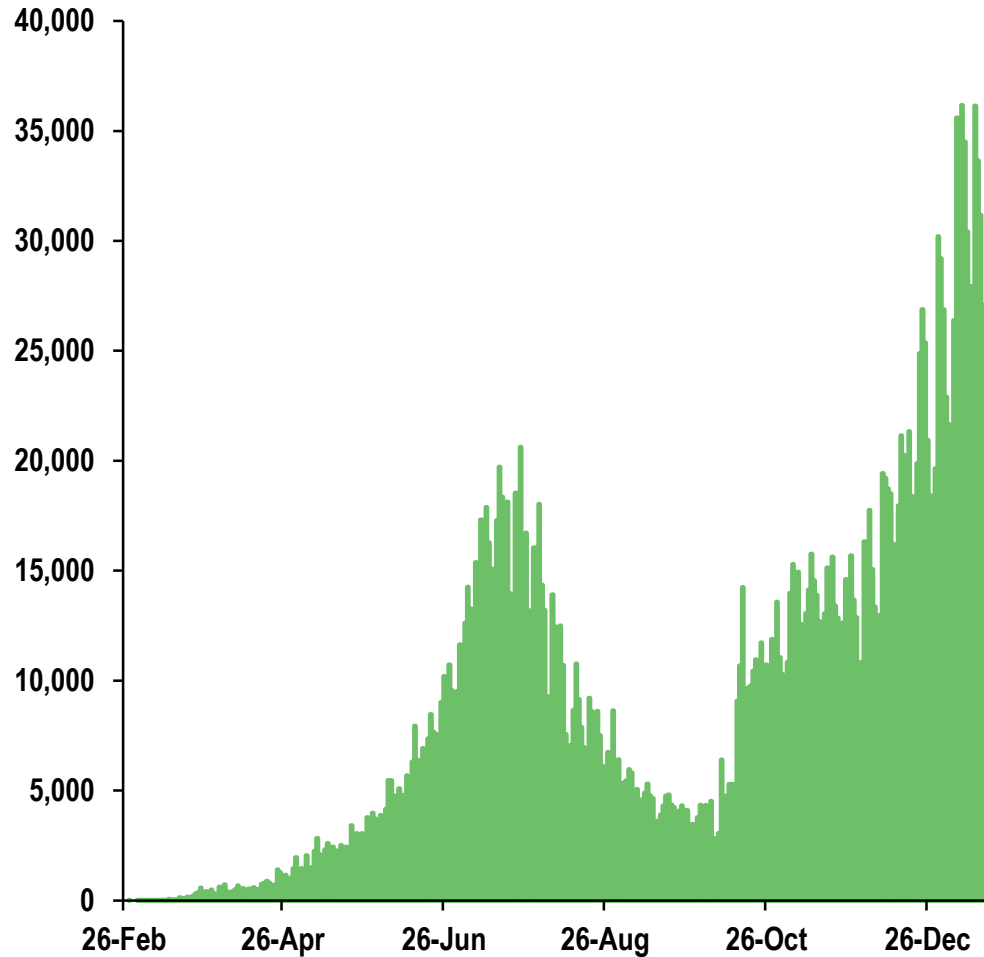
Policy rates, %



Source: National sources, Standard Chartered Research

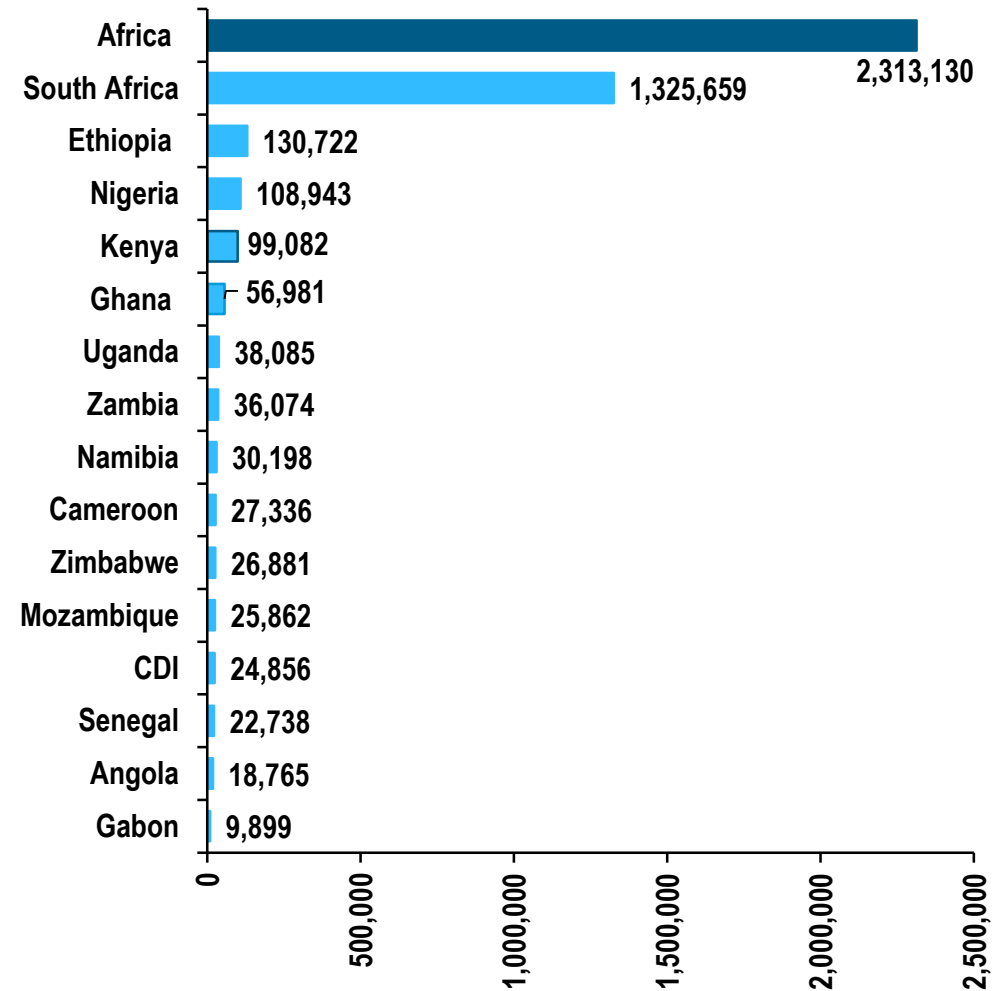
SSA – More recently, COVID cases have risen sharply

Daily confirmed COVID cases reach new highs *Confirmed cases in Africa*



Source: Bloomberg, Standard Chartered Research

Over 50% of Africa's cases are in South Africa *Confirmed COVID cases to 17 January 2021*

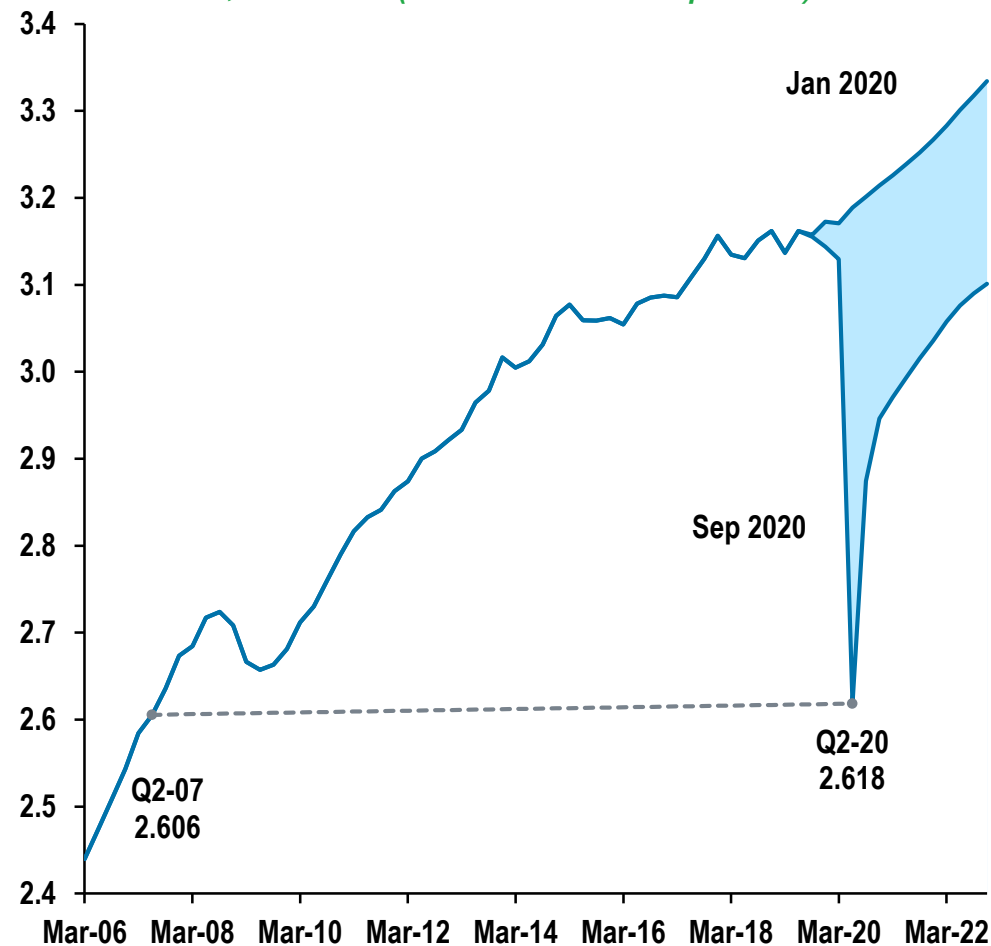


Source: WHO, Standard Chartered Research

Africa – Differentiated growth profile, but debt is an increasing focus almost everywhere

South Africa saw one of SSA's sharpest downturns in 2020

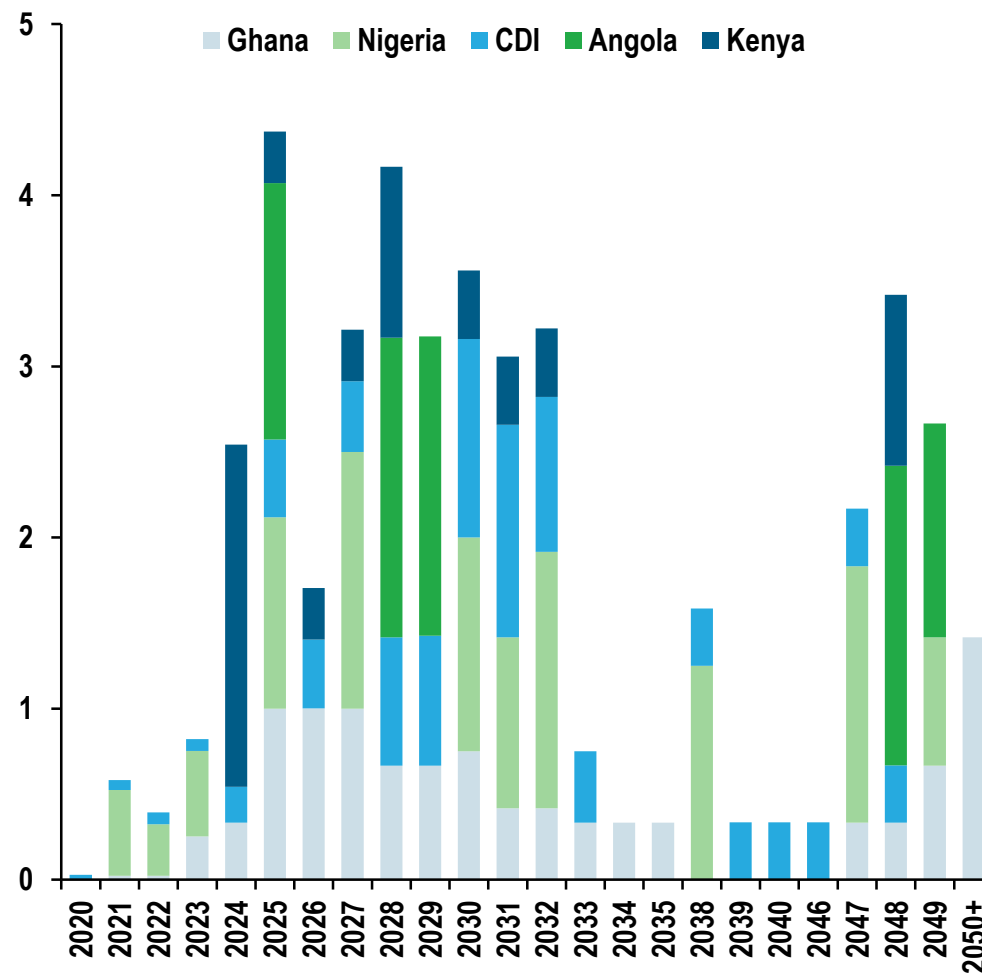
GDP levels, ZAR tn (constant 2010 prices)



Source: Stats SA, SARB, Standard Chartered Research

Sizeable debt maturities raise refinancing needs

Eurobond maturities (USD bn)

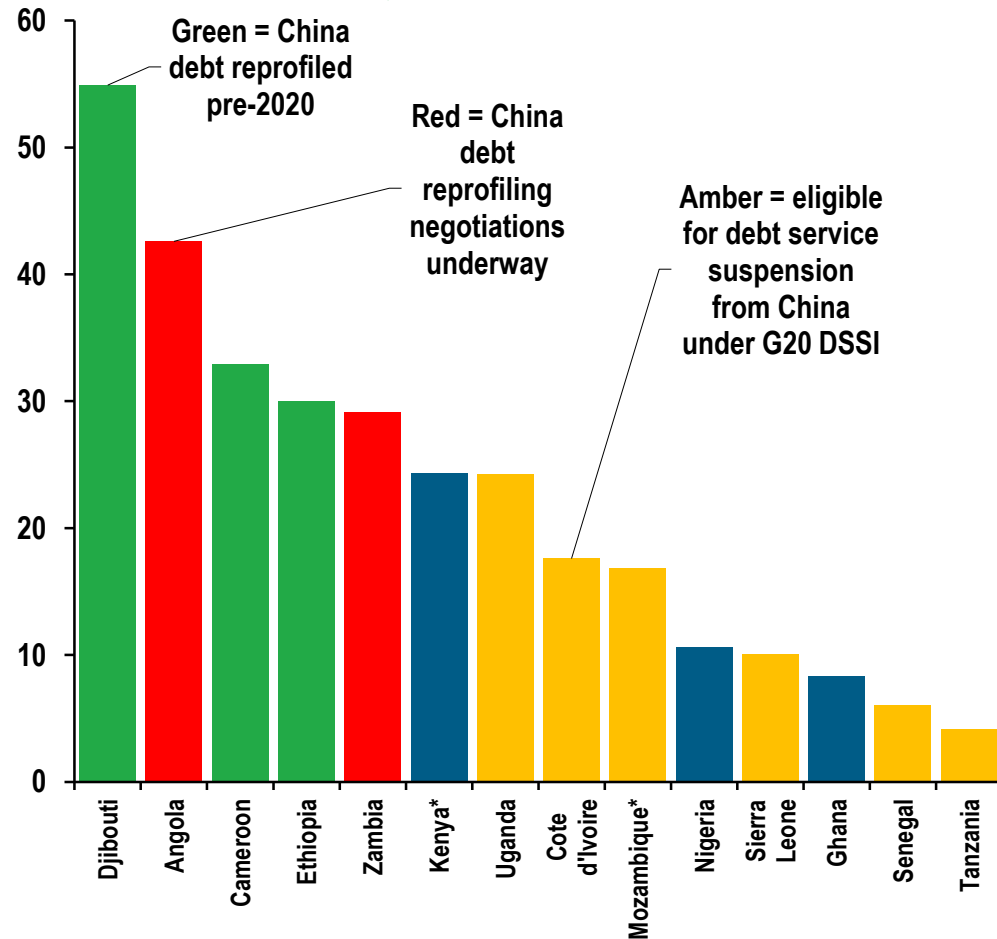


Source: Bloomberg, Standard Chartered Research

Debt carrying capacity to remain a key theme in SSA

New common framework on external debt aims to restore debt sustainability sooner

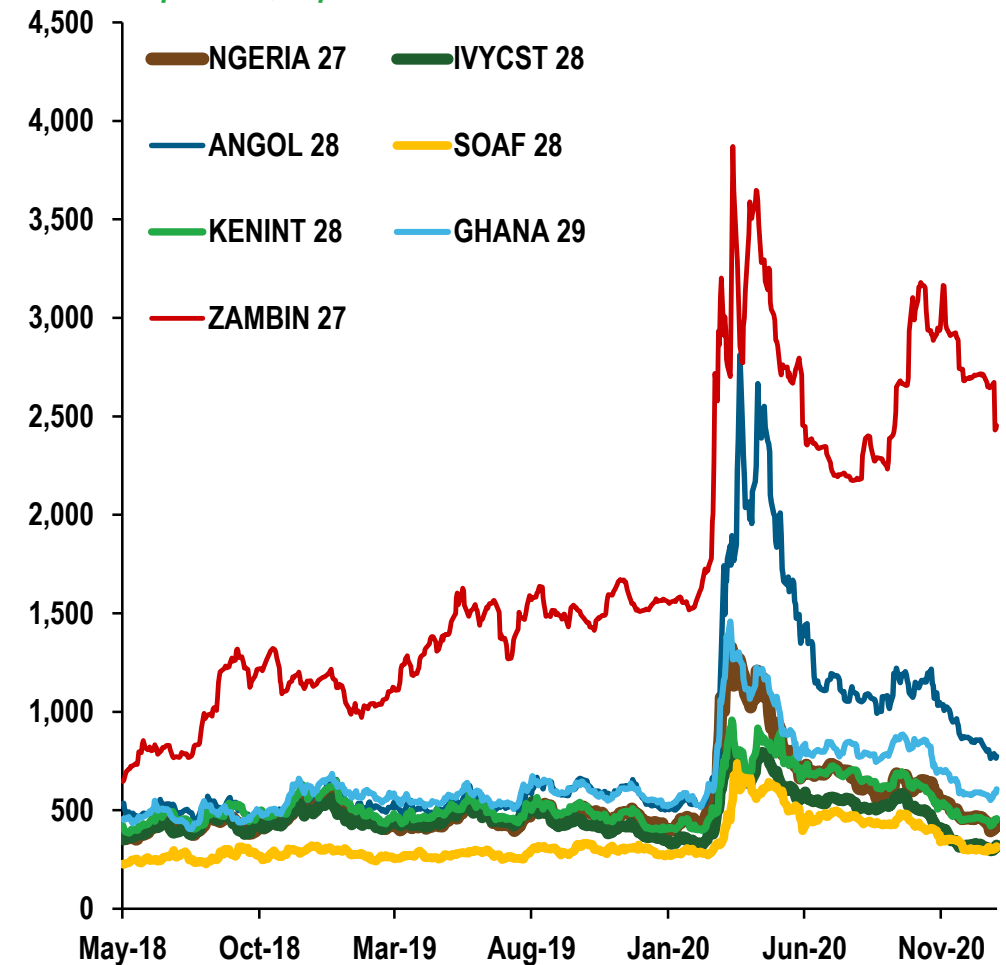
Debt owed to China, % of external debt



*DSSI participation to be confirmed; Source: World Bank, Standard Chartered Research

Spreads on SSA Eurobonds have mostly tightened; Zambia (in default) is the exception

Mid Z-spread, bps



Source: Bloomberg, Standard Chartered Research

Nigeria – 2021 outlook

Nigeria – Tough times spur initial reforms

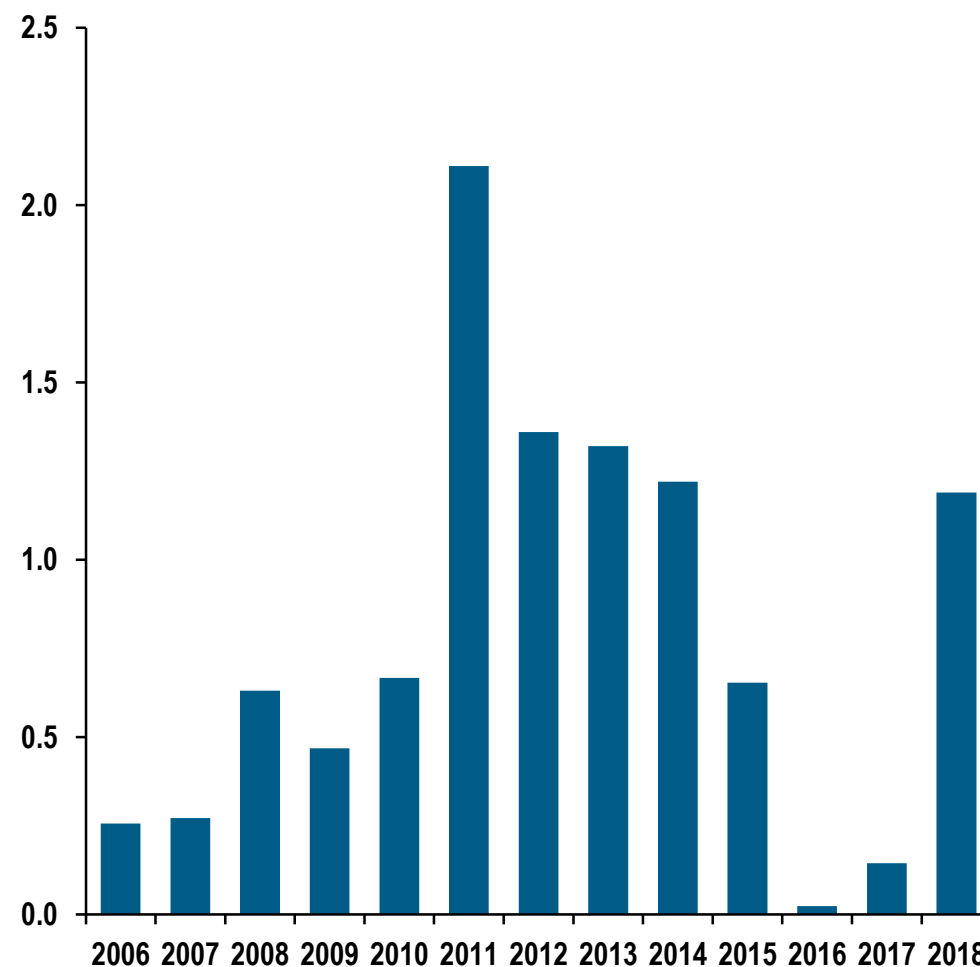
Nigeria macroeconomic forecasts

	2020	2021	2022
GDP growth (real % y/y)	-4.3	2.5	3.1
CPI (% annual average)	13.1	13.4	9.1
Policy rate (%)*	11.50	11.00	11.00
USD-NGN*	394.0	440.0	490.0
Current account balance (% GDP)	-3.3	-2.5	-2.0
Fiscal balance (% GDP)	-5.0	-6.3	-6.0

*end-period; Source: Standard Chartered Research

Fuel price deregulation – A key test of reform

Estimated cost of fuel subsidy, NGN tn

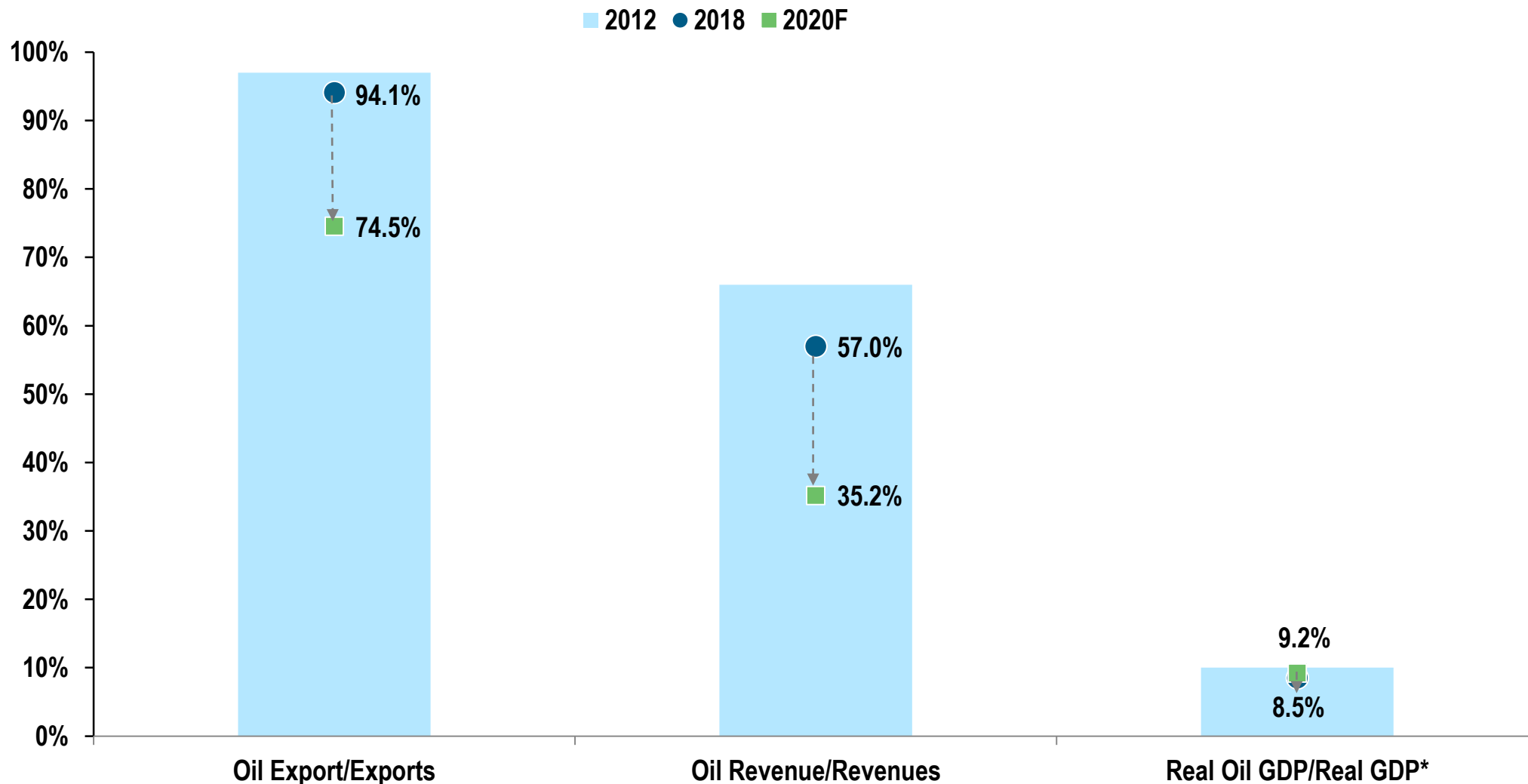


Source: NNPC, Business Day Think Business, Standard Chartered Research

Oil dependency – Nigeria has made little structural progress

Oil's share of total exports, revenue and real GDP – 2012, 2018 and 2020

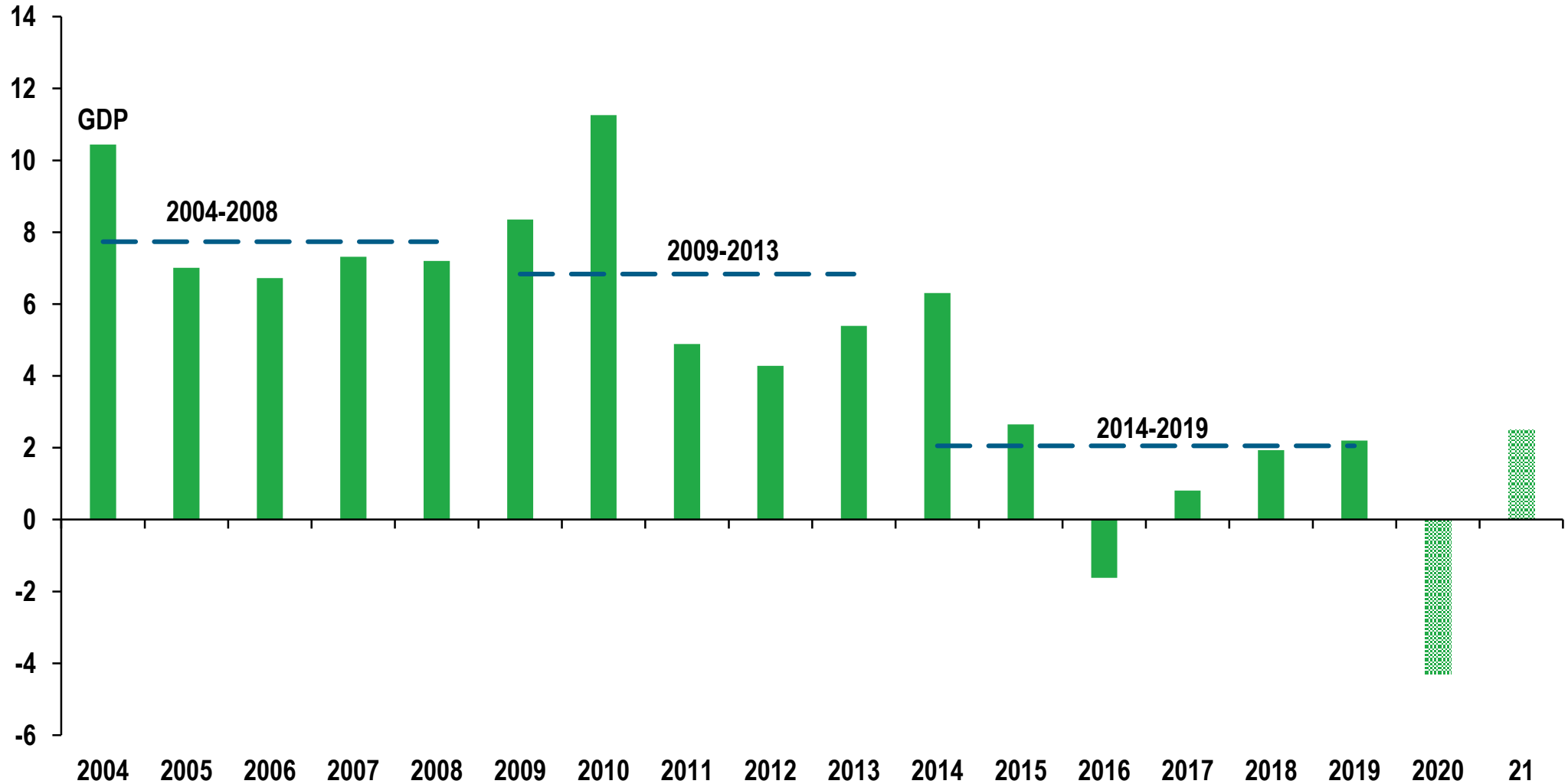
Even after the oil price shock of late 2014, Nigeria's basic oil dependency did not change significantly



Nigeria's trend growth has declined; how much does it matter?

How easy will it be to achieve a growth turnaround?

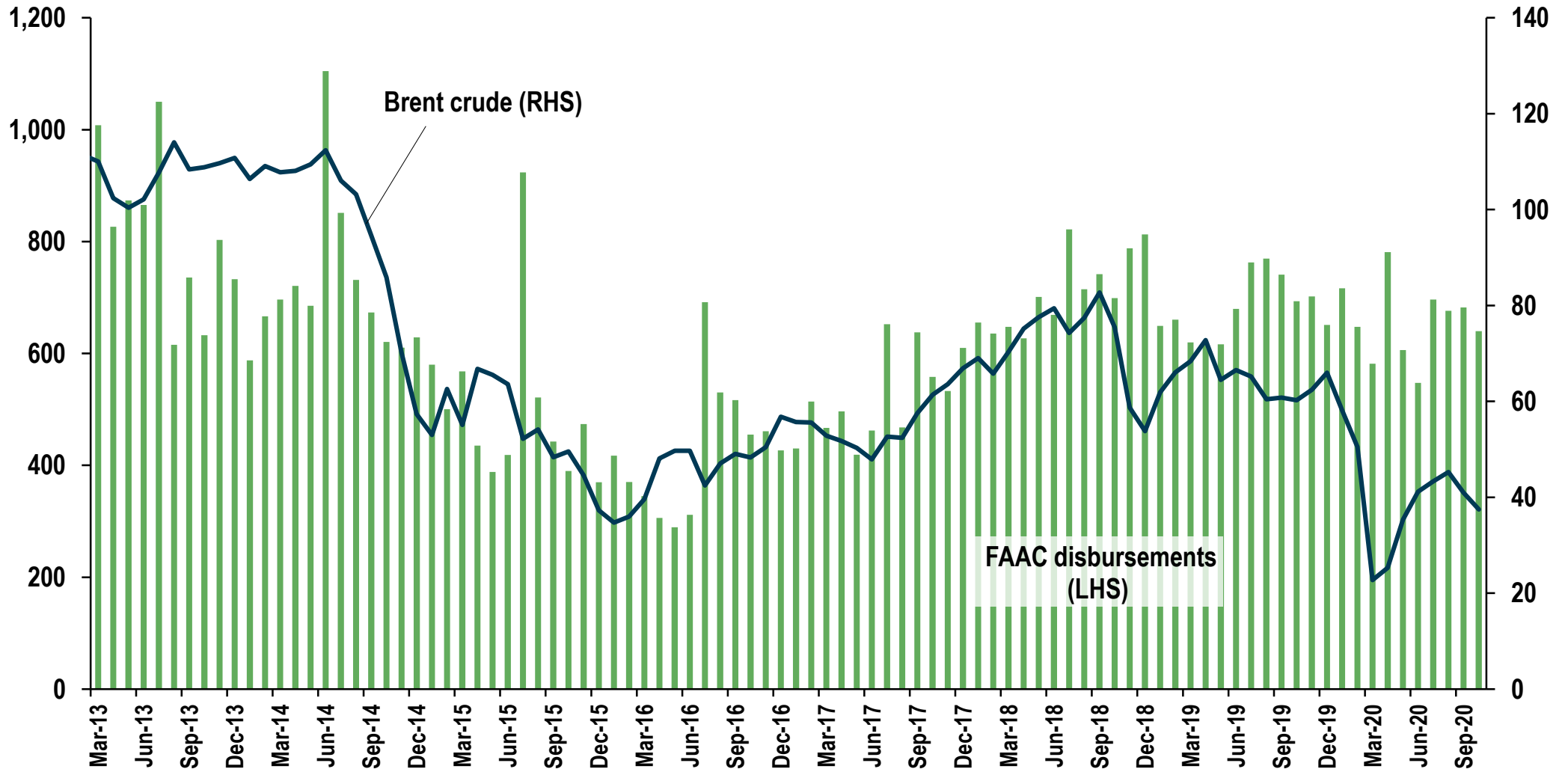
GDP, % y/y



Nigeria's old 'allocation model' economy is no longer sufficient

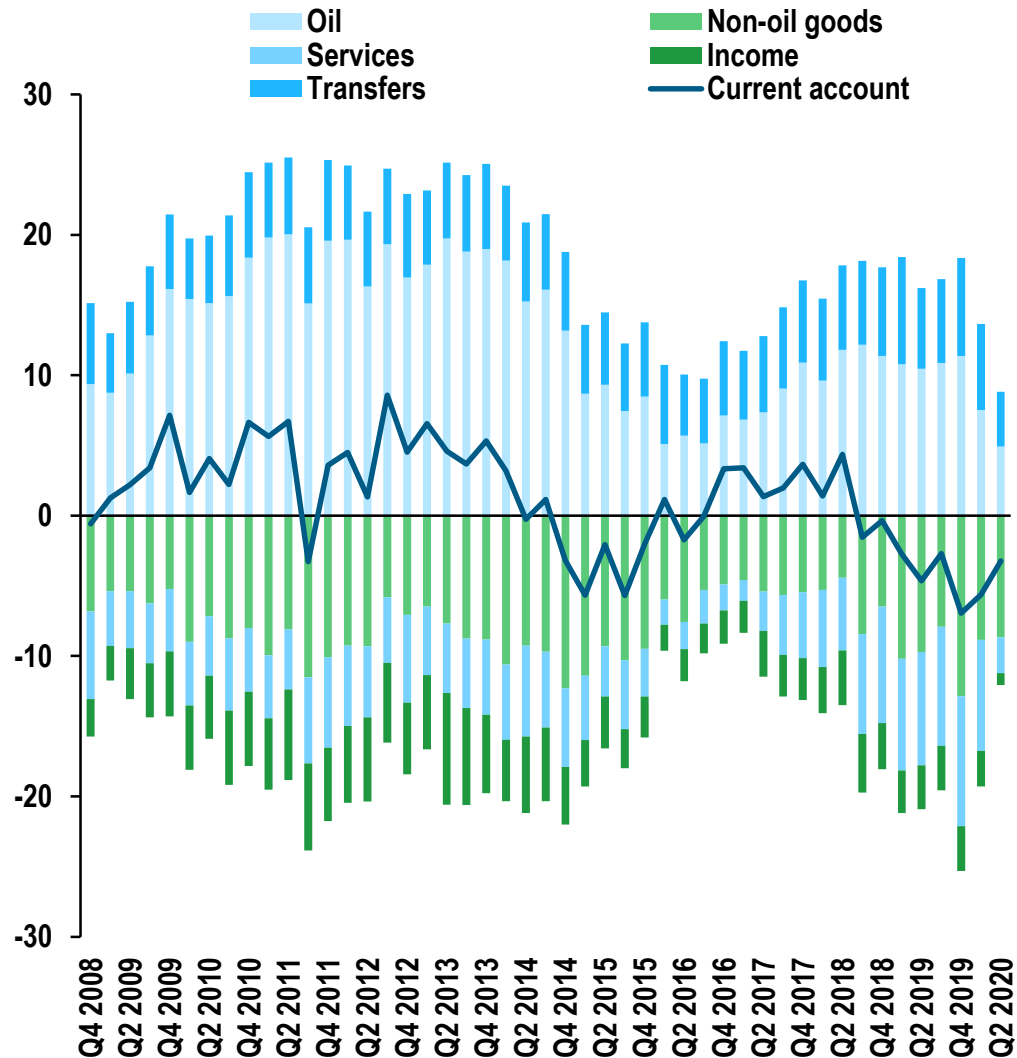
Softer oil prices and weaker FAAC allocations despite official devaluation

FAAC disbursements, NGN bn (LHS); Brent crude, USD/bbl

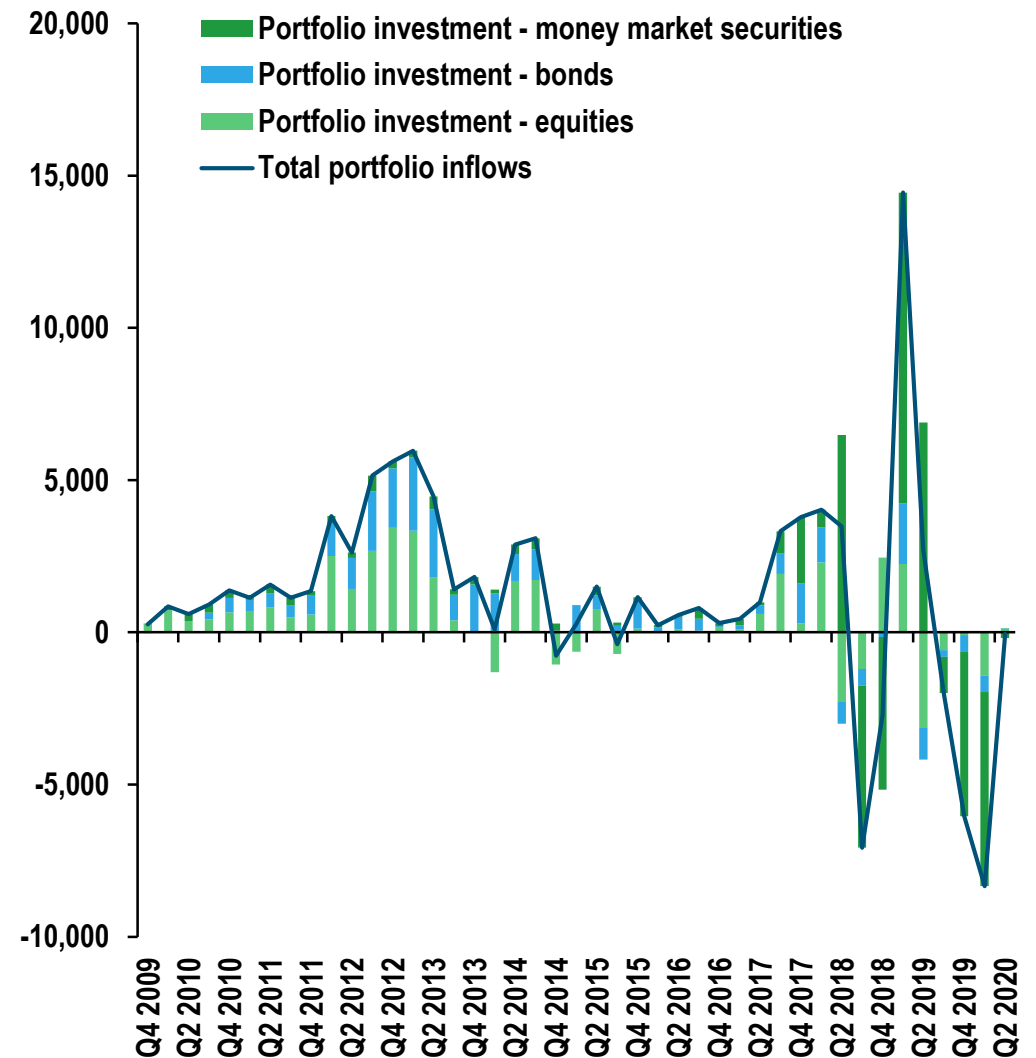


Current account balance is likely to remain in deficit...

Current account balance
USD bn

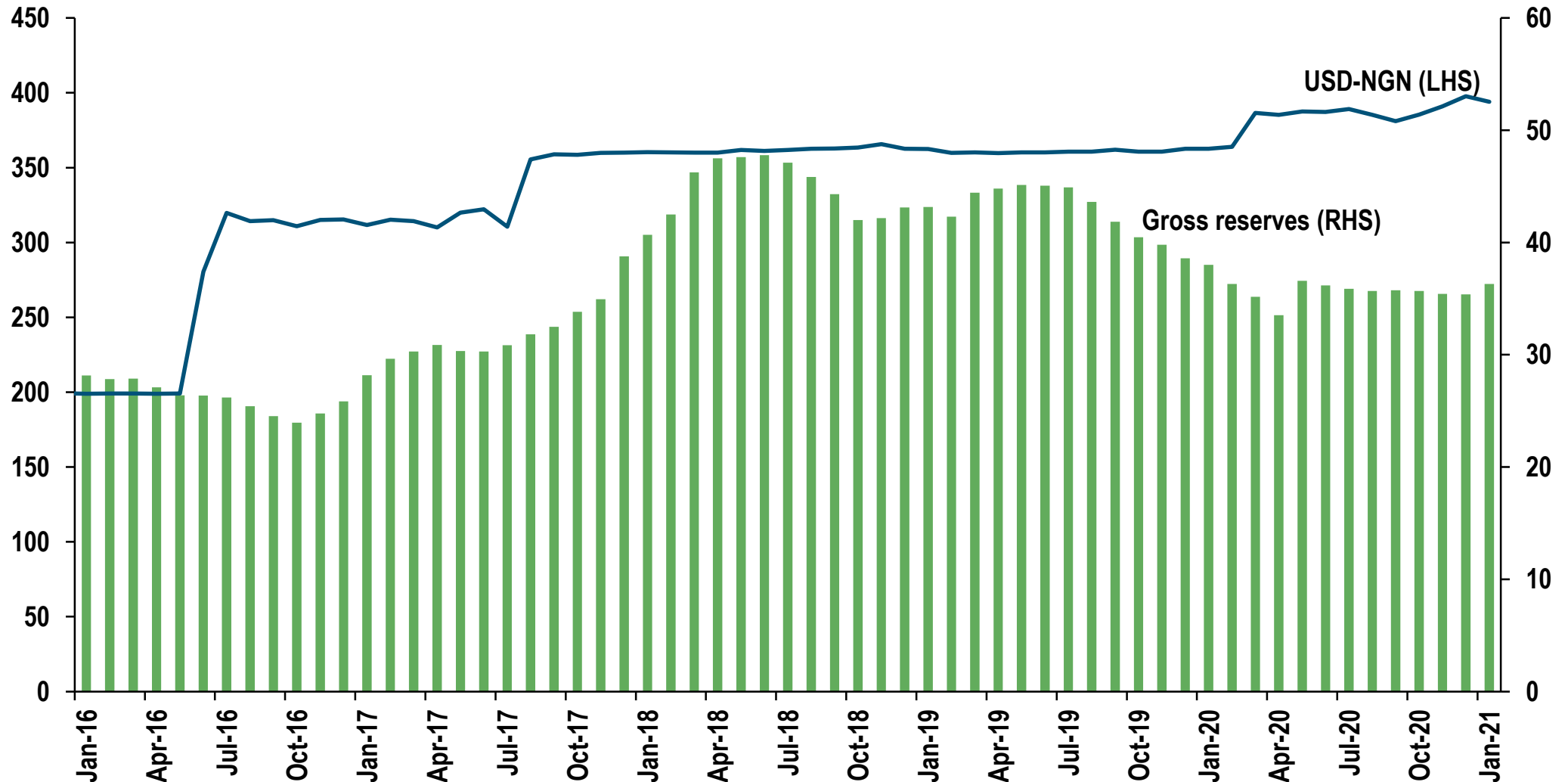


Breakdown of portfolio investment
USD mn



... making inorganic accumulation of FX reserves difficult

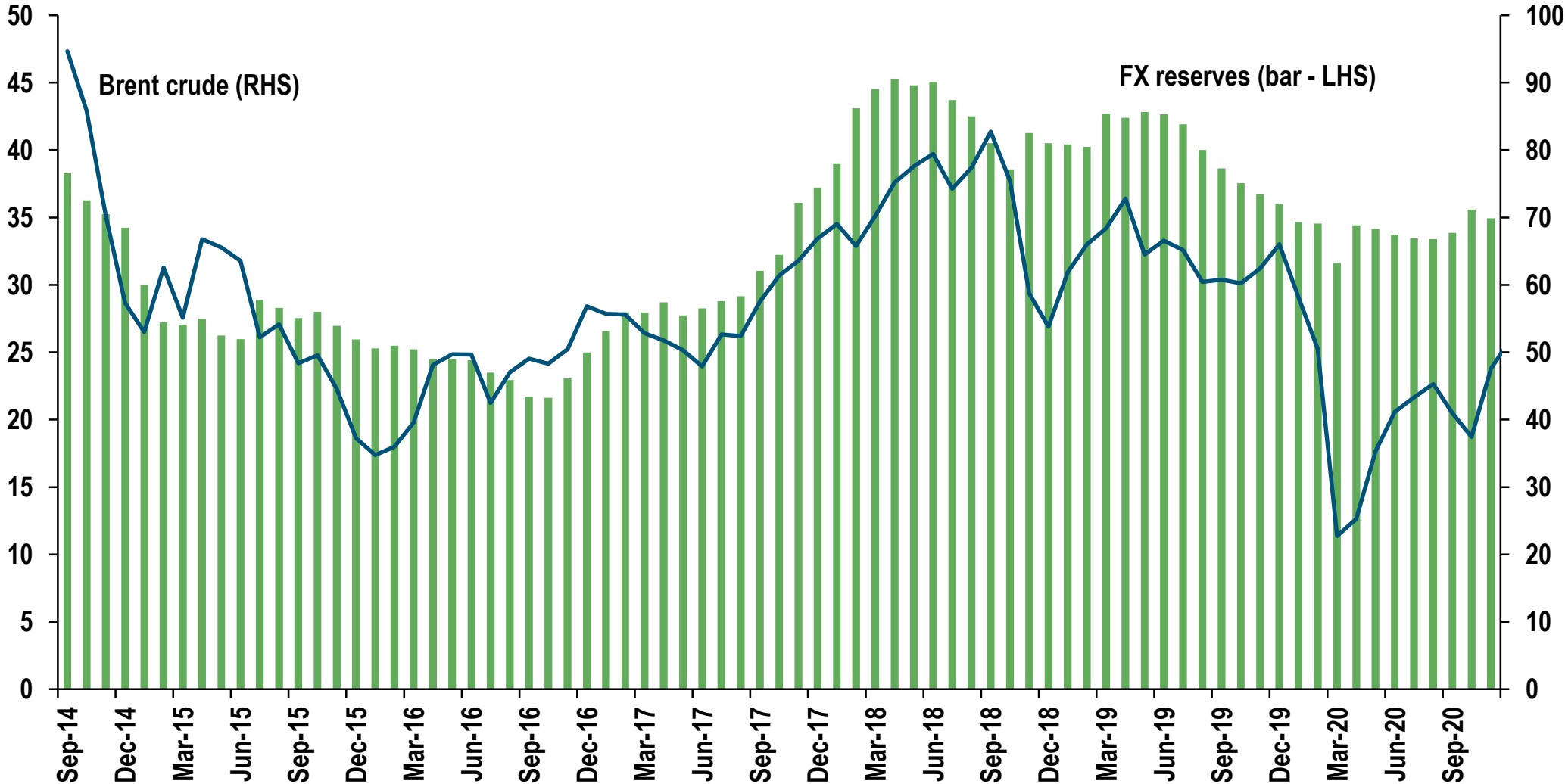
USD-NGN (LHS); gross international reserves, USD bn (RHS)



FX (and rate) policy choices – Nigeria likely to ‘miss out’ on substantive portfolio flows

Fitch estimates that swaps may account for c.15% of FX reserves

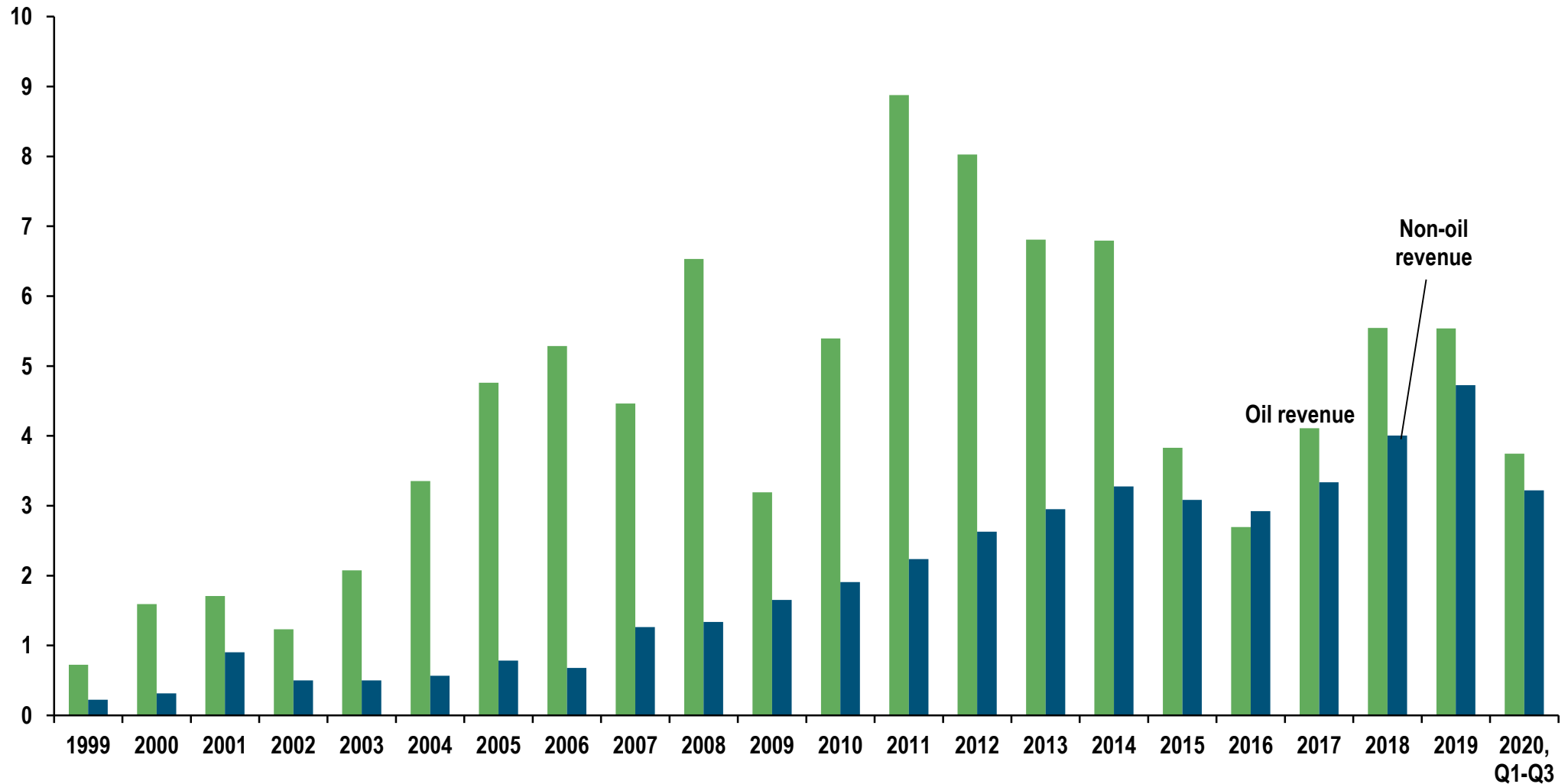
FX reserves, USD bn (LHS); Brent crude, USD/bbl (RHS)



Fiscal concerns: despite reform, COVID-19 takes toll on revenue

Higher VAT rate, revised PSCs were promising; COVID-19 sees setback to revenue growth

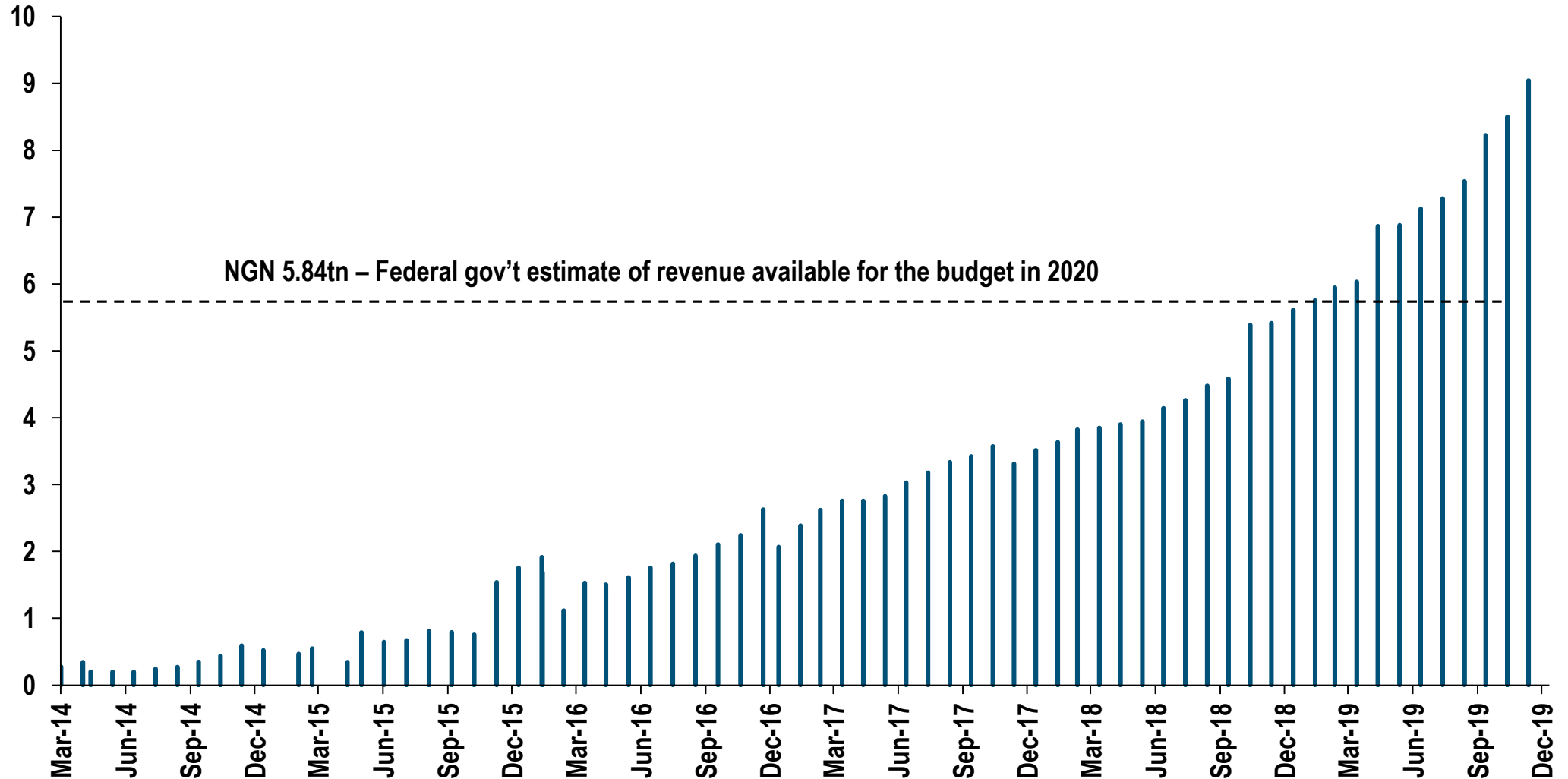
Federal government revenue, NGN tn



Revenue shortfalls met by increased use of overdraft with CBN

Federal government overdraft at CBN

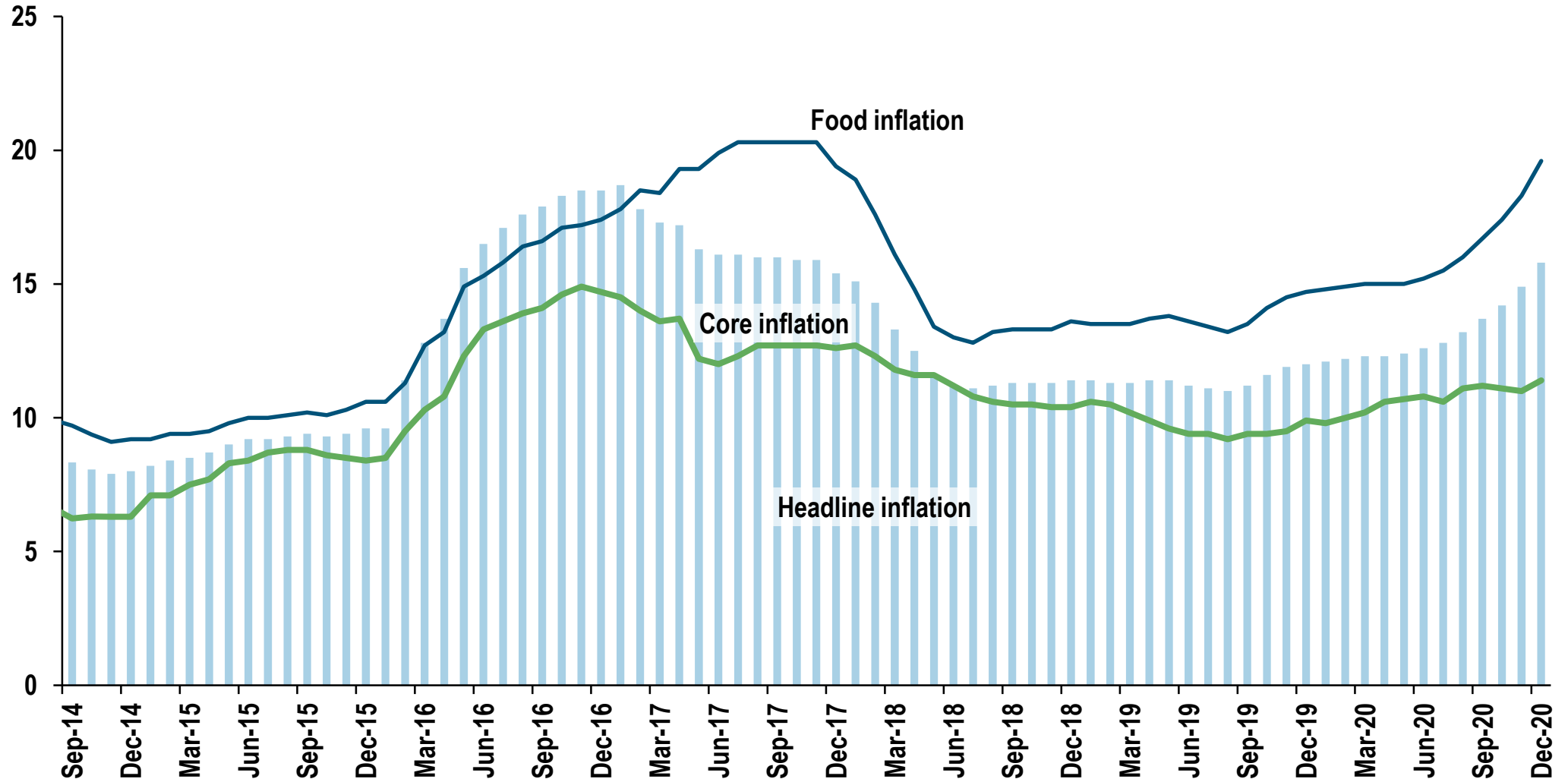
NGN tn




Inflation pressured by rising food prices

Border closures, supply disruptions, flooding and the parallel market FX premium all played a role

Inflation, % y/y





Capital Markets:
Wealth preservation
Channeling investment funds
Equities to rally further, as yields remain low

Disclosures appendix

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