



THE Nigerian STOCK EXCHANGE

THE NIGERIAN ECONOMY *2014 Trends & 2015 Outlook*

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for

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The Nigerian Economy: A True Growth Story

THE Nigerian
STOCK EXCHANGE



Nigeria today... The largest economy in Africa and the *26th largest* in the world, with a GDP of *\$510 billion*.

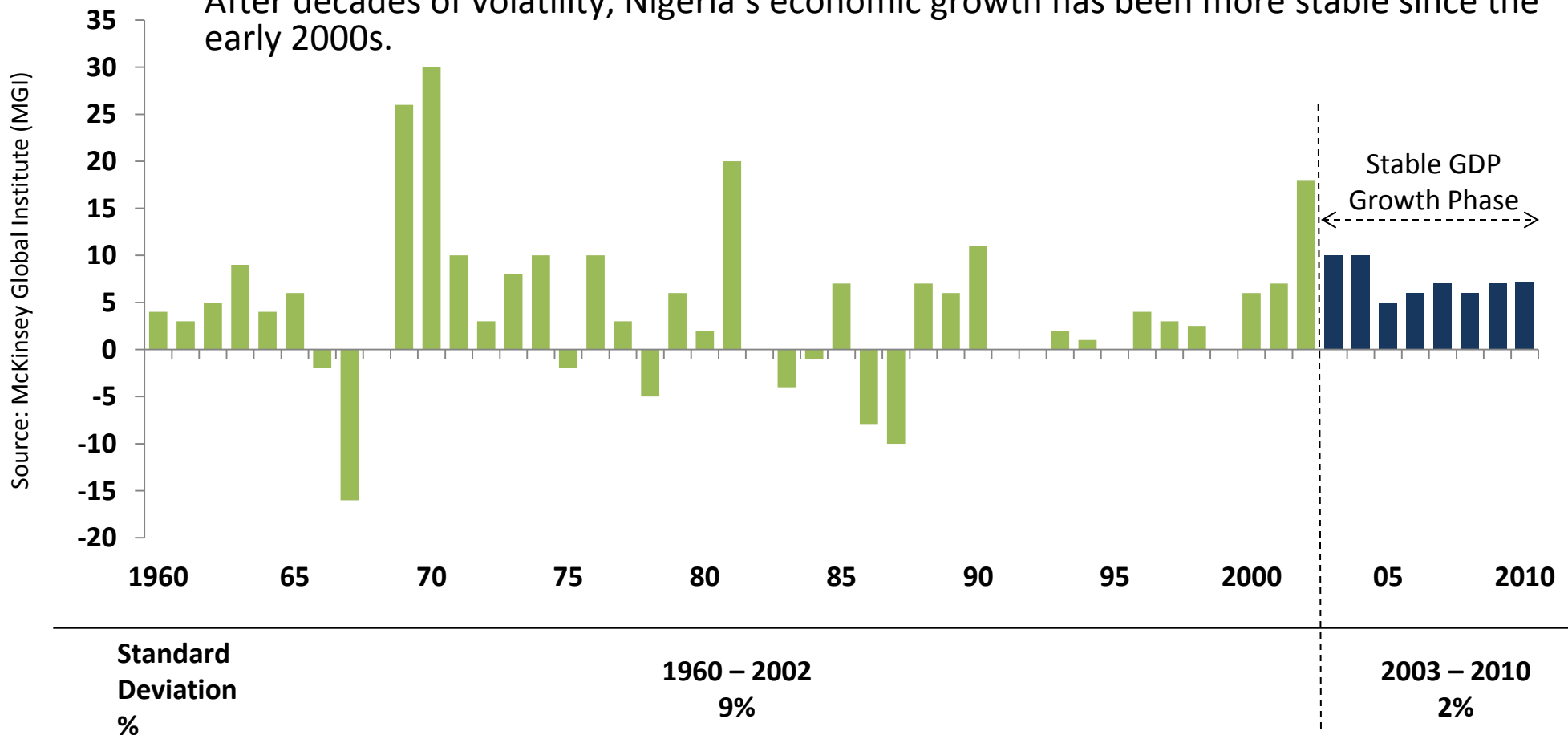
Only *14%* of GDP is from the *Oil sector*, with retail and wholesale trade being the biggest drivers of GDP growth.

Potential to achieve *7.1%* annual GDP growth could make Nigeria a top-20 economy in 2030, with GDP of more than *\$1.6 trillion*.



Nigeria's Real GDP Growth¹ (%) – 1960 to 2010

After decades of volatility, Nigeria's economic growth has been more stable since the early 2000s.



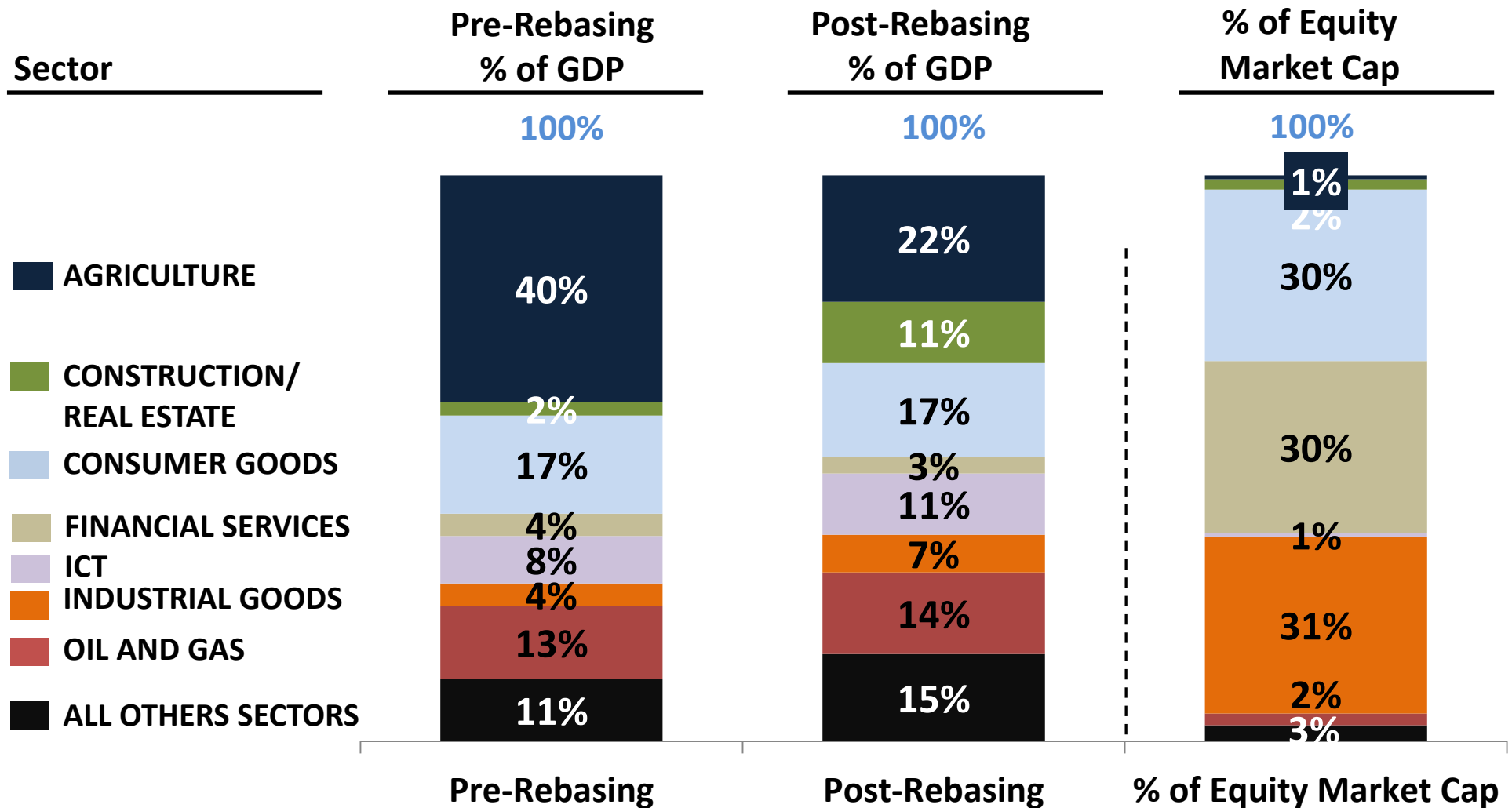
1. Data are from prior to the rebasing exercise. Rebased data, available from 2010 onward, includes additional economic sectors, making comparisons unreliable.

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Effects of rebasing on Nigeria

- Following a recently concluded GDP rebasing exercise undertaken by the NBS, with the year 2010 selected as the new base year, the new GDP figures were published on April 6, 2014.
- Accordingly, the estimated size of the Nigerian economy is now at N80.22 trillion (\$510 billion) for 2013 compared to N42.39 trillion (~\$264 billion) reported pre-rebasing in the preceding year.
- This represents an 89% increase in the reported actual size of the economy as a result of the inclusion of sectors such as telecommunications, aviation, e-commerce and the film industry.
- The services sector has grown to represent approximately 50.2% of the economy, with agriculture's share of GDP dropping from ~ 40% to ~ 20%.
- Additionally, six sub-sectors (crop production, trade, crude petroleum and natural gas, telecoms and information services, real estate and food, beverages and tobacco) are now responsible for 70% of the nation's GDP.
- The rebasing dramatically lowers Nigeria's already healthy debt-to-GDP ratio. Pre-rebasing, this was equivalent to about 22.2% of GDP, but with the new GDP figures, the ratio has fallen to 13.2%.
- The release of the new GDP figures shows that the economy is more resilient and will drive investments in sectors that have now been highlighted as key drivers of the Nigerian economy.
- Compared to South Africa's market capitalization at 160% of GDP, there is a large upside potential and a lot of room for the growth of Nigeria's capital market.

Market Cap Sector Gap Analysis - Post Rebasing

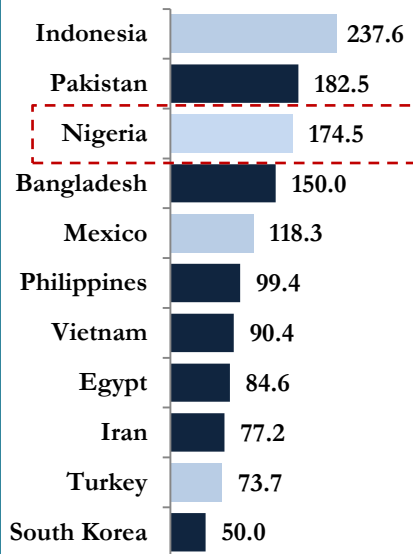


- *Market cap as % of GDP (PPP) from ~ 40% to ~ 20% post rebasing. South Africa at 160% of market cap-to-GDP.*
- *Immense gap in capital market as a reflection of the real economy.*

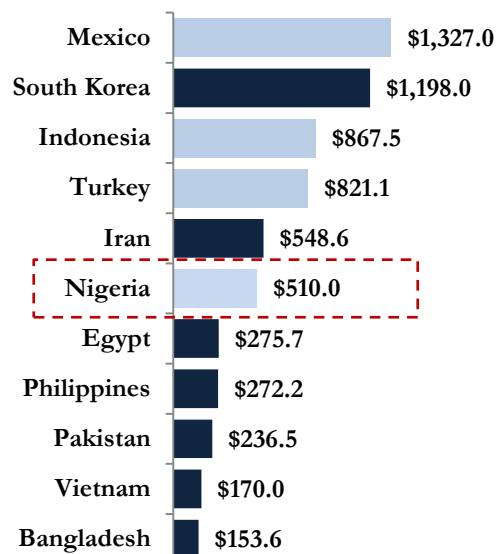
Nigeria's Global Positioning – Post Rebasing

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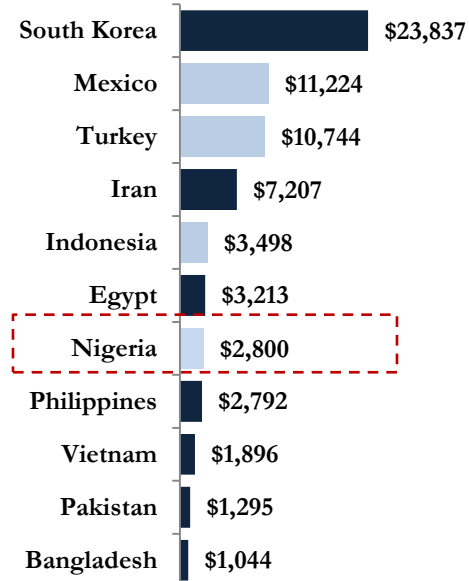
POPULATION 2013 (MM)



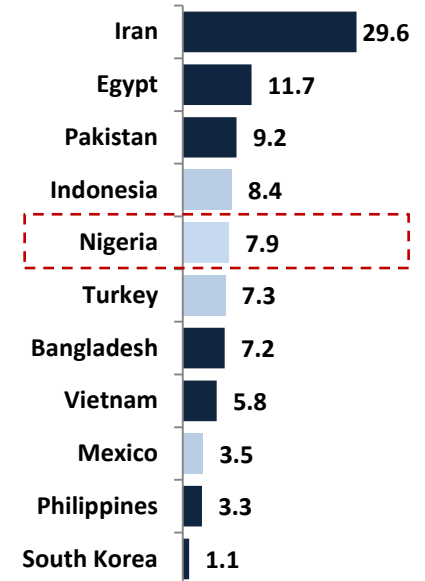
CURRENT GDP 2013 (USD BN)



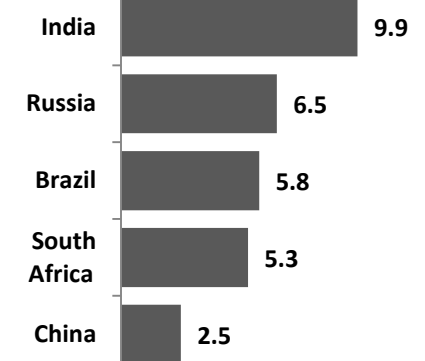
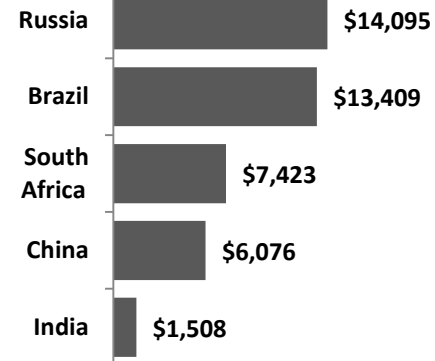
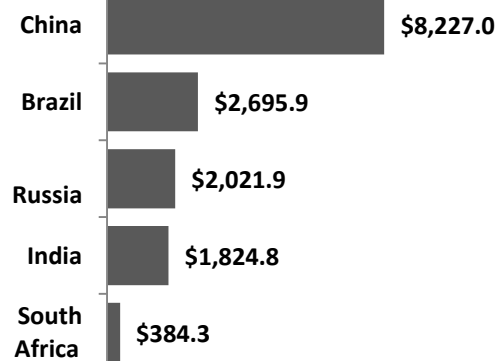
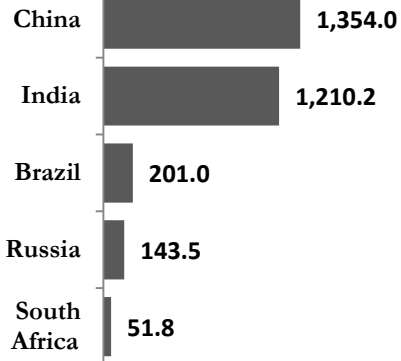
GDP PER CAPITA (USD) 2013



INFLATION (%) 2013

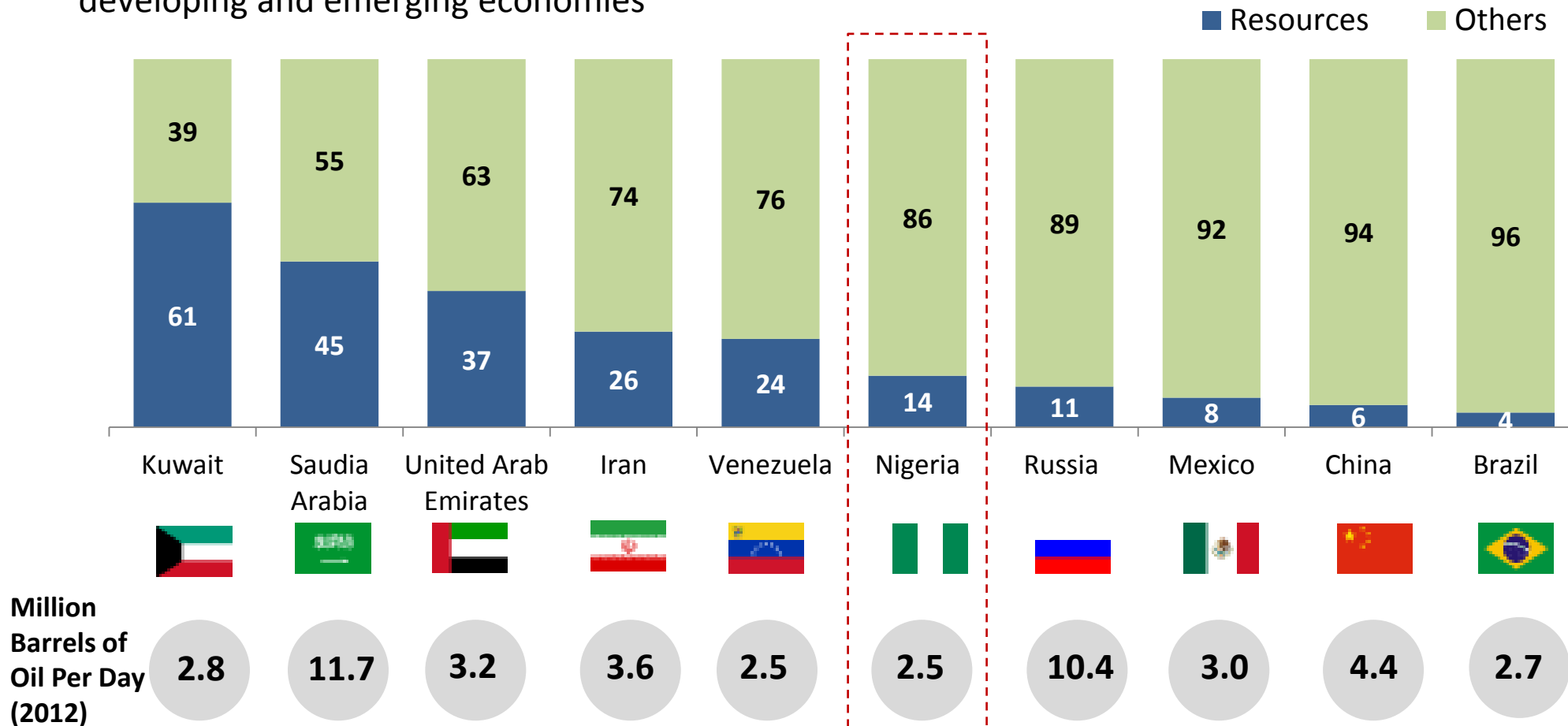


BRICS



Leading Oil Producers – % of GDP for Resources vs. Others

Nigeria's economy is relatively diversified when compared with other leading oil producers in developing and emerging economies



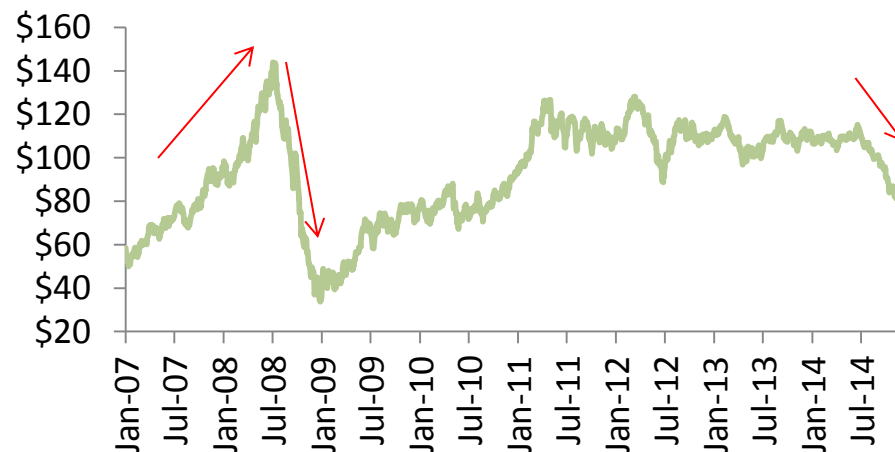
Source: McKinsey Global Institute (MGI): Nigeria resources refer to the oil sector.

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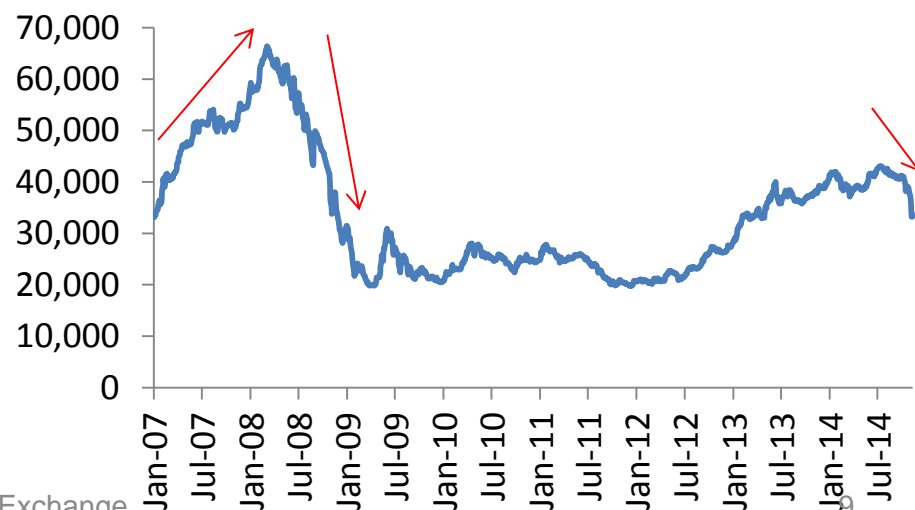
The Nigerian Stock Exchange

- Despite the country's economic diversification away from oil sector, Nigeria remains highly dependent on oil.
- Approximately 75% of federal revenues comes from taxes on the oil and gas sector, and oil and gas makes up more than 90% of exports, providing the critical sources of foreign exchange to support Nigeria's consumption of imports.
- Additionally, oil revenue ultimately ends up as earnings for individuals, so rising prices contribute to increased consumption and vice versa.
- As the charts on the right illustrate, the capital markets are closely tied to the price of oil.
- The recent downward trend in the NSE ASI in H2 '14 can be attributed to the decline in oil prices, amongst other factors.

Oil Prices – 2007 to 2014

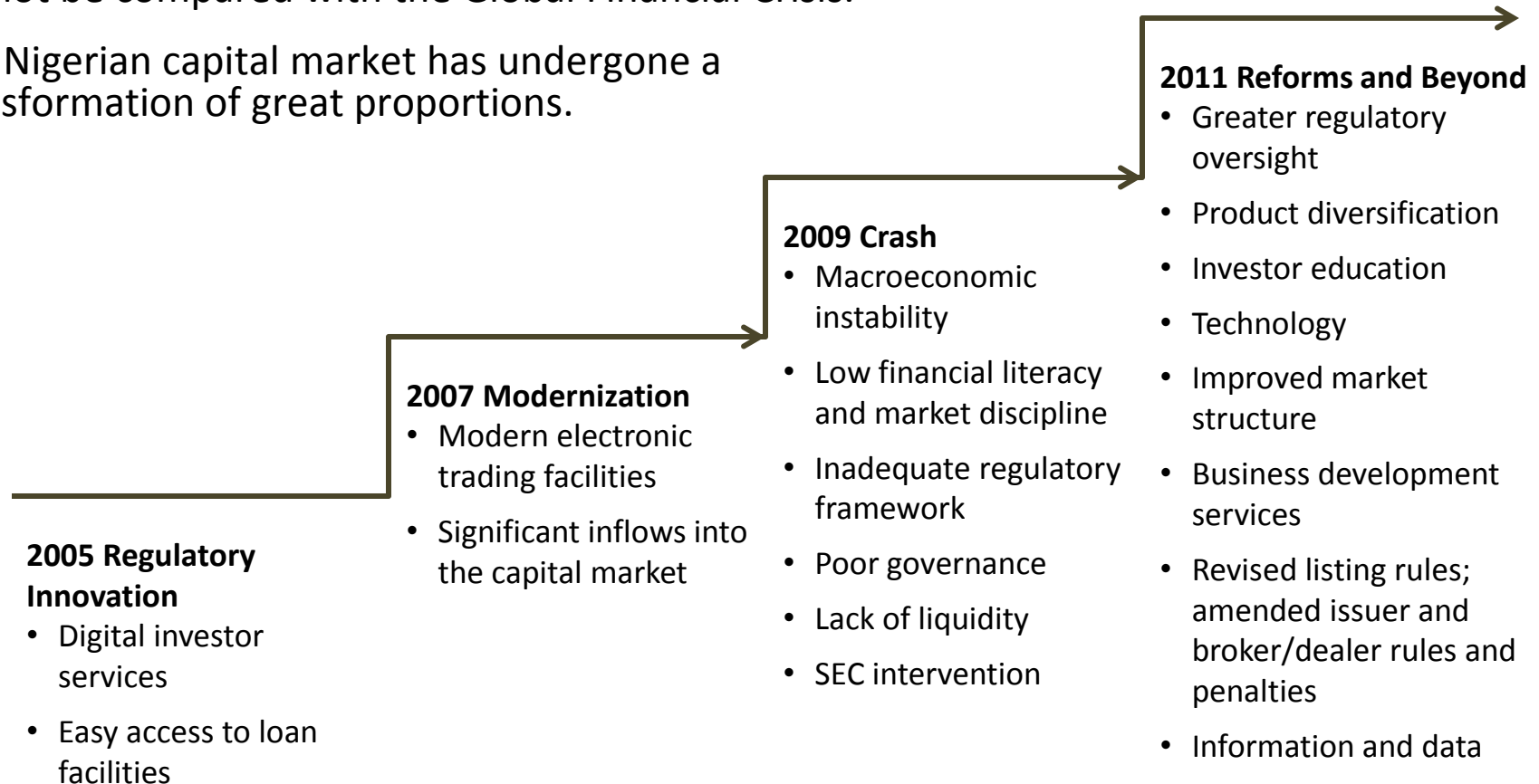


NSE ASI – 2007 to 2014



The recent down turn in the NSE ASI in H2 '14 cannot be compared with the Global Financial Crisis.

The Nigerian capital market has undergone a transformation of great proportions.



Economic Growth

- Projected GDP growth of above 7%, which is not far-off from historical growth patterns of the Nigerian economy over recent years.
- Oil production expected at 2.25 mbpd in 2015.
- Positive Government initiatives to continue - increasing power generation, financial inclusion, agricultural transformation, and strengthening fiscal discipline.

Fiscal Policy

- Continued improvement in the banking system may lead to increased lending to the real sector (SMEs).
- Government committed to maintaining fiscal stability.
- External reserves expected to remain an issue as commodity prices fall, while the CBN continues to support the naira.

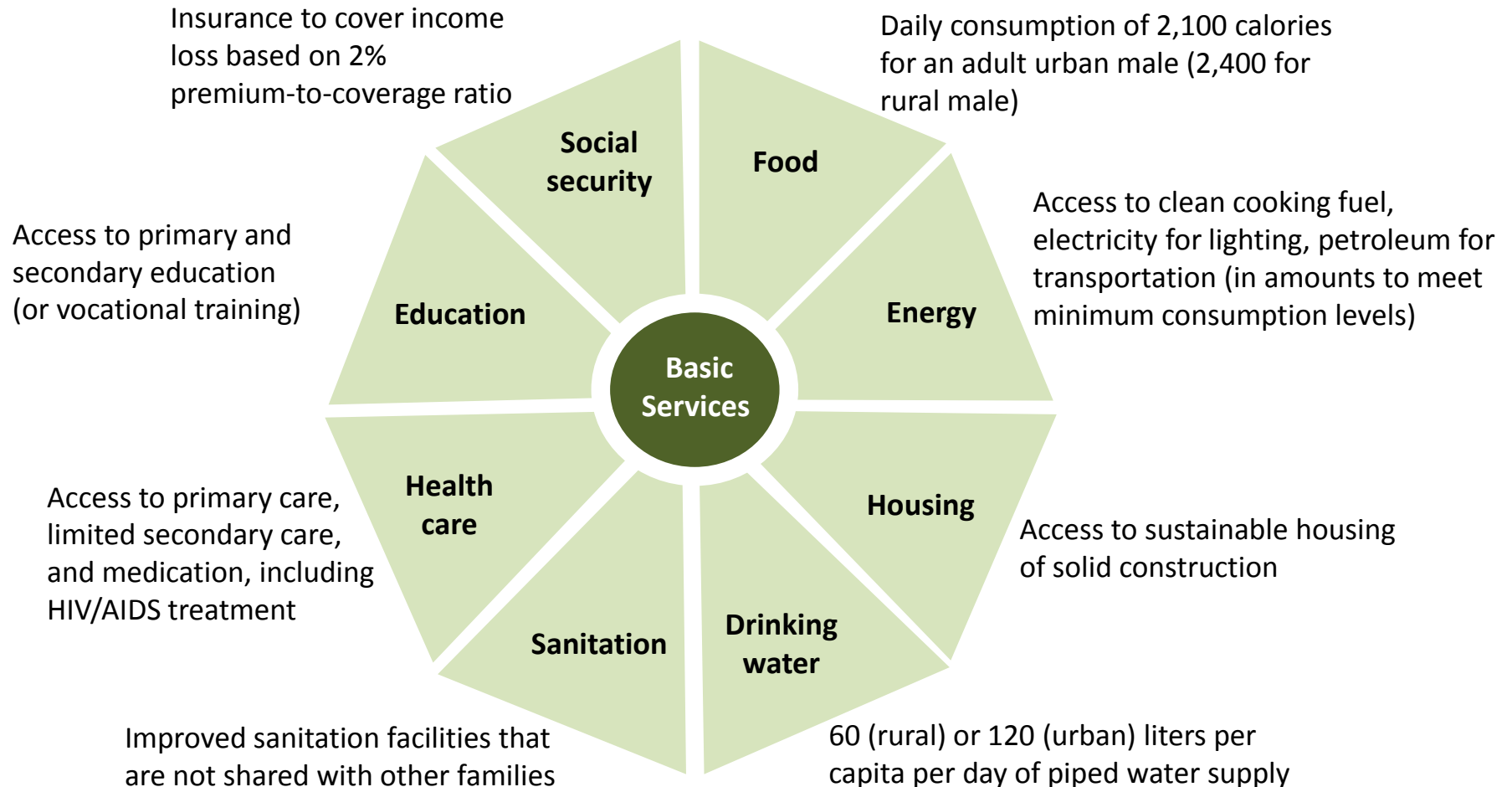
Election Season

- The International Monetary Fund, IMF, has said that increased focus on campaigns towards 2015 elections is one of the factors likely to divert the world's attention from issues that would promote the growth of Nigeria's economy.

Impact of Global Forces

- Retail investors to compose a higher percentage of trading activity on the NSE as smart money pulls out.
- Increased competition from LSE and JSE for Nigerian companies to list.
- African exchanges index performance sustainability is in question due to declining commodity prices, including gold and oil.

Nigeria will need to focus on specific areas of empowerment to reach its full economic potential.



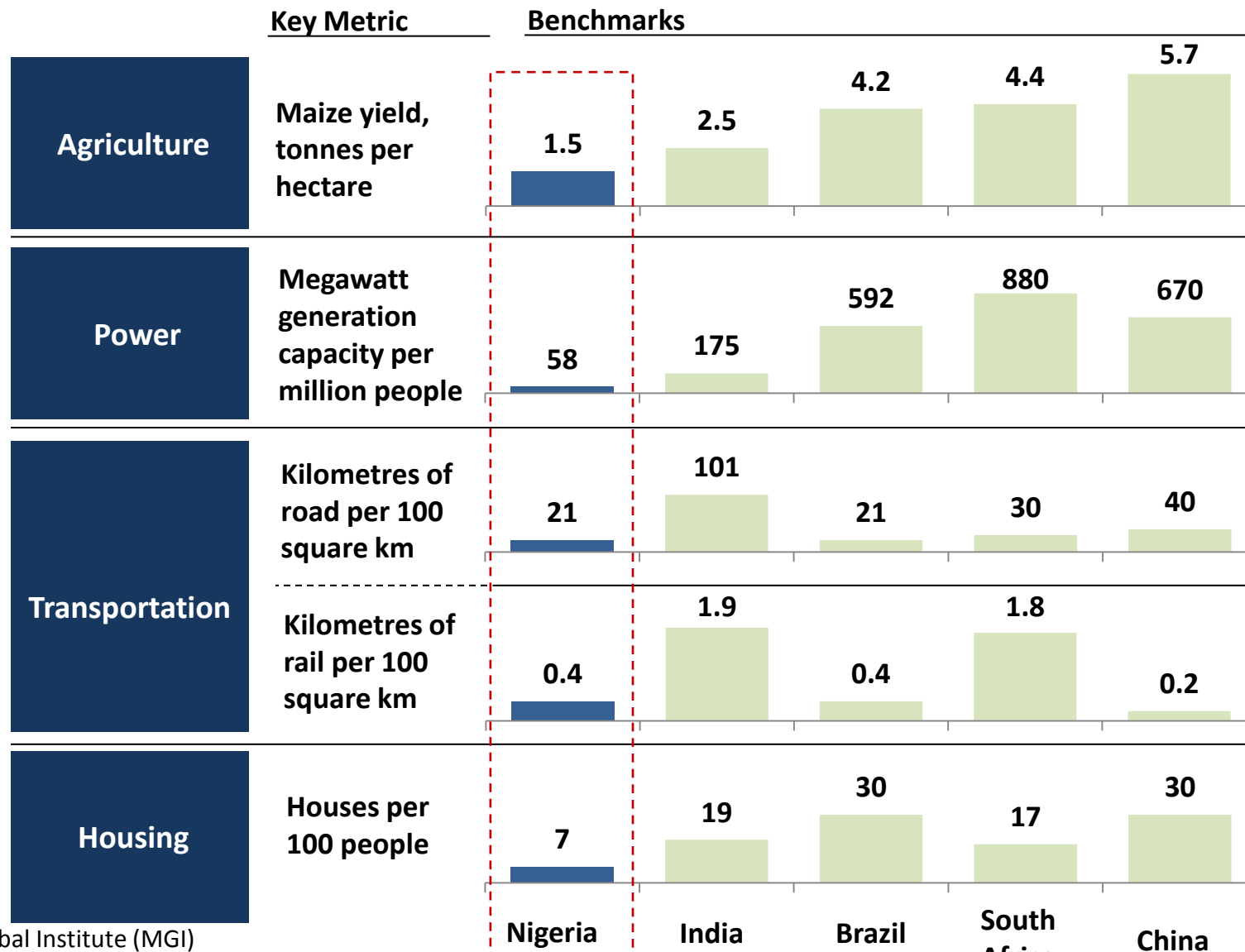
Source: McKinsey Global Institute (MGI)

The Case for Large-Scale Impact In Nigeria

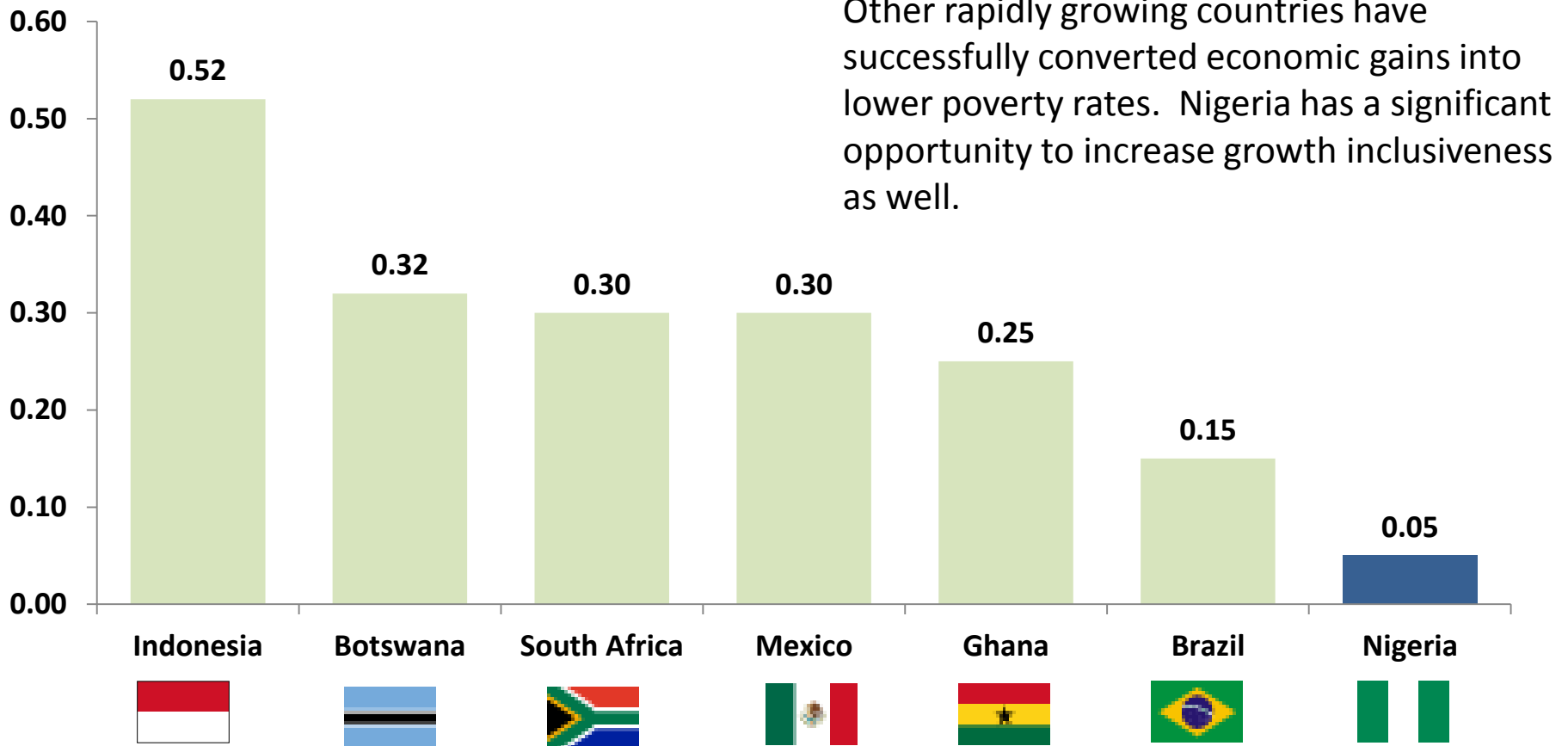
Nigeria has performance gaps relative to peer developing economies across major sectors. The country trails other countries on many performance metrics.

In agriculture, for instance, yields are far below levels in benchmark countries, and Nigeria has one-third of India's power generating capacity per million people and less than one-tenth of China's.

Source: McKinsey Global Institute (MGI)
20/11/2014



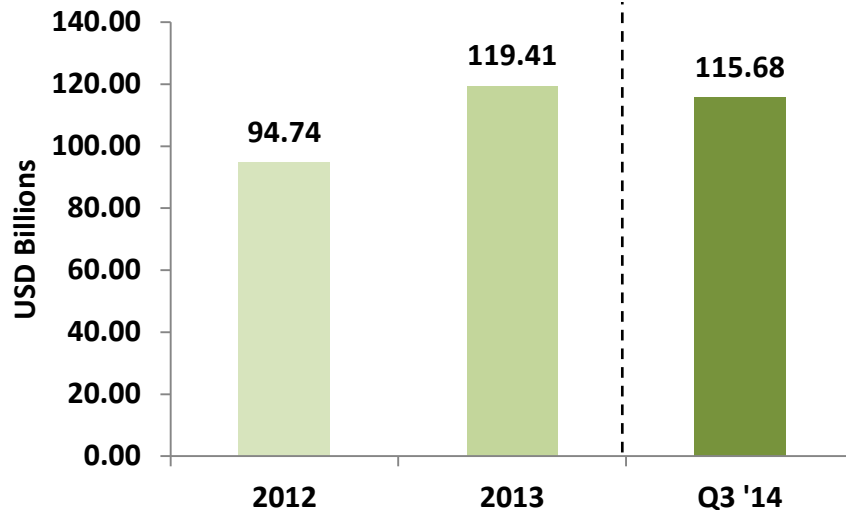
% Point Reduction in Poverty for Every % of GDP growth, 1999–2010



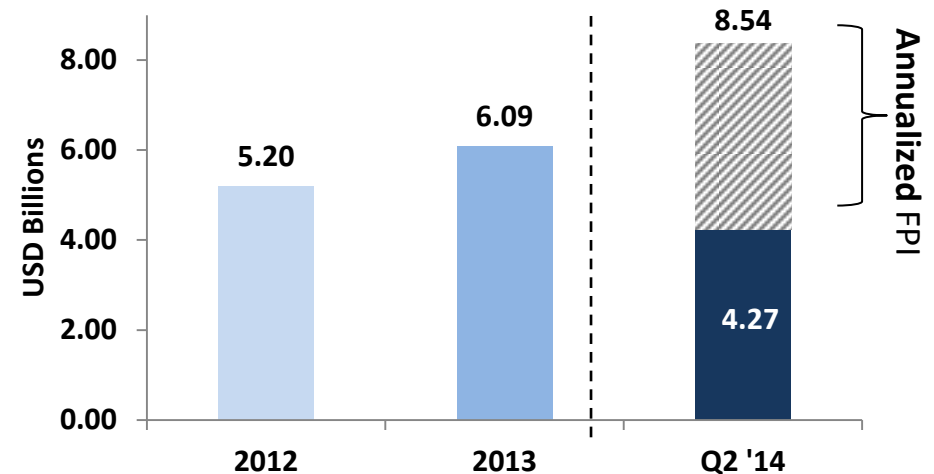
Source: McKinsey Global Institute (MGI)

Conclusion: Our Role in the Nigerian Economy

NSE TOTAL MARKET CAP



FPI MARKET ACTIVITY



The NSE plays a vital role in the Nigerian economy by:

- Providing a robust capital market infrastructure to enable savings to be funneled to investments;
- Providing a price discovery mechanism between supply and demand for listed financial products;
- Providing a platform for capital raising – for both expansion and exit opportunities;
- Ensuring an orderly, fair and equitable marketplace, and protecting the integrity of the market and investors; and
- Providing an avenue for investors (retail, institutional, domestic, foreign) to create durable wealth.



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Questions & Answers

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