



# **THE Nigerian STOCK EXCHANGE**

## **THE NIGERIAN CAPITAL MARKETS** *Outlook For 2015 And Beyond*

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For

The Nigerian Capital Markets Forum, 2015

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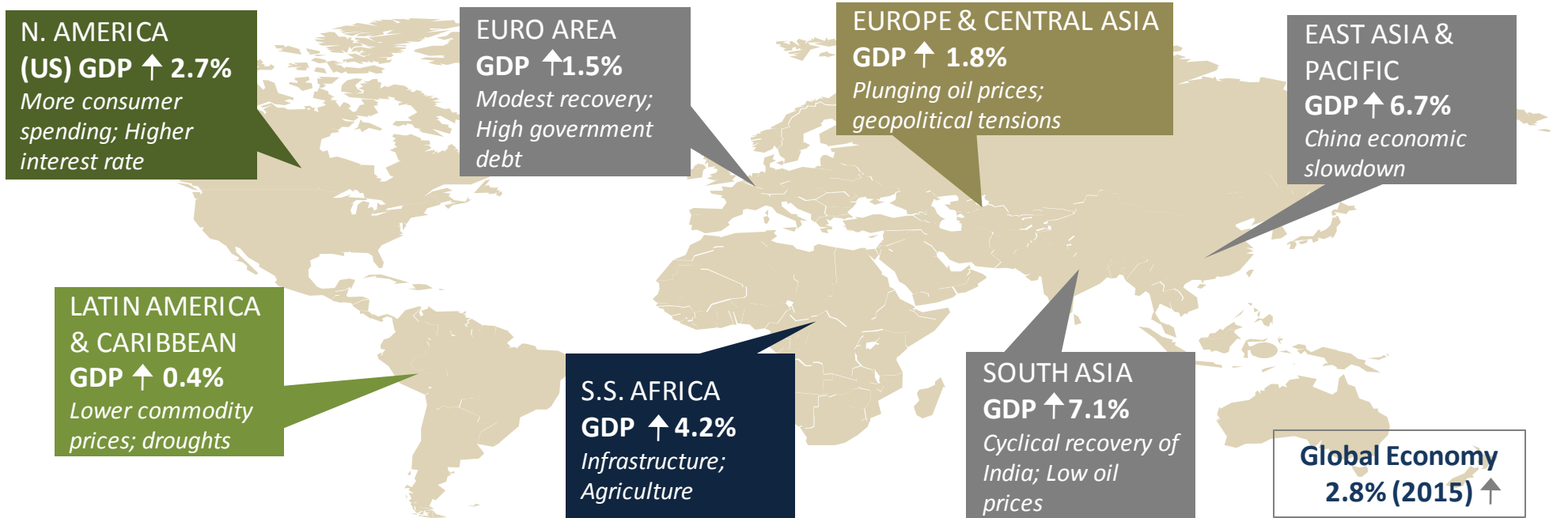
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## GLOBAL ECONOMIC OUTLOOK



## GLOBAL HEADLINES

- The global economy is expected to grow at 2.8% in 2015, down from the 3.0% predicted in January. Growth is projected to be 3.2% 2016.
- Global crude oil prices appear to have found a floor, following sharp investment cuts in the shale industry. Longer-term prospects of unconventional sources of oil suggest that prices will likely remain low.
- 6.7% growth in East Asia & Pacific reflects a continued slowdown in China that is offset by a pickup in the rest of the region.
- High government debt remains a burden for the Euro area amidst modest recovery, with inflation expected to remain around the zero mark in 2015 due to slacks in the aggregate Euro area surplus and low oil prices.
- Commodity based economies continue to feel the pinch from the decline in global commodity prices.

A nighttime photograph of a city skyline, likely Lagos, Nigeria. The sky is dark with some clouds. The city is illuminated by lights from buildings and streetlights. A body of water is visible on the left side of the image. The text is overlaid on the top half of the image.

# Nigeria today –the **26th largest economy in the world** and the **largest economy in Africa**

## ON THE BRINK OF GREATNESS ...

Internally supported growth | Sizeable youthful and active population | Rich resource base  
Economic visibility & attractiveness (potential to achieve 7.1% annual GDP growth could make Nigeria a  
top-20 economy in 2030, with GDP of more than \$1.6 tn)

September 2015

Source: McKinsey Global Institute (MGI)



## Capital Market

### Capital Market Outlook

- Govt. policy uncertainty priced into market due to pending cabinet formation
- Volatility of the naira causing slight reduction in FPI as investors will need to achieve high gains in the market to beat potential currency devaluation
- In overall terms, weak Corporate performance in H1 as a result of slowing economic growth

## Gov't & Fiscal Policy

### Staying the Course

- Govt. committed to maintaining fiscal stability, however diversification of the economy to reduce the reliance on oil is imperative
- Improved financial intermediation by banks and other financial institutions
- Foreign reserve concerns, down to \$31.43Bn in Aug'15 vs. \$34.5Bn in Dec '14

## Inflation and Currency

### Focus on Low Inflation

- Central Bank focus on maintaining single digit inflation (9.2)%, however challenges of naira devaluation and insurgency in the north to make imports/food products more expensive which could raise prices for the consumer
- Increased Govt. intervention in critical economic sectors is expected

## Moderate Economic Growth

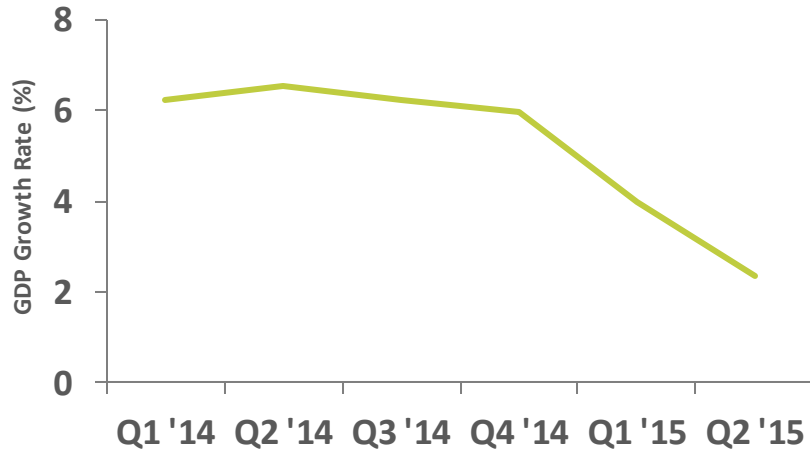
### Moderate Growth

- Outlook for H2'15 is moderately optimistic
- Announcement of Govt.'s agenda is anticipated to spur growth
- Focus will be on inclusive growth, diversification of economy, ongoing anti-graft focus, and budgetary discipline

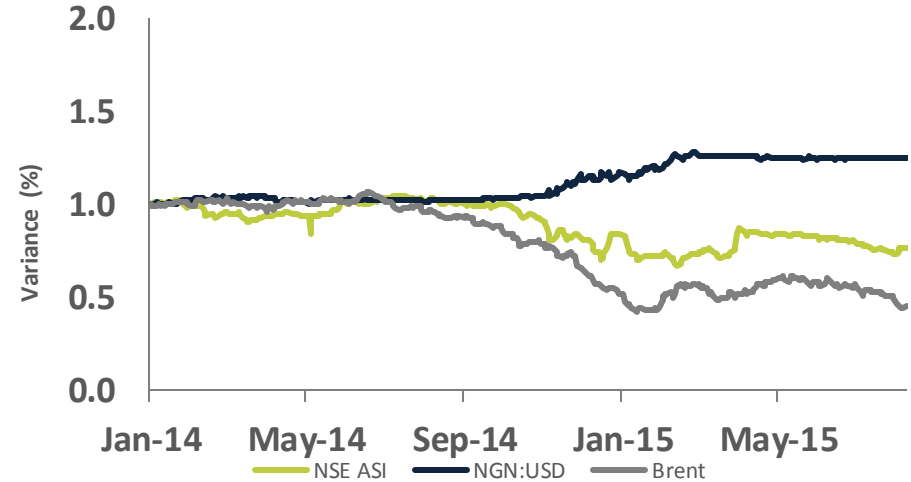
# However Key Challenges Still Exist



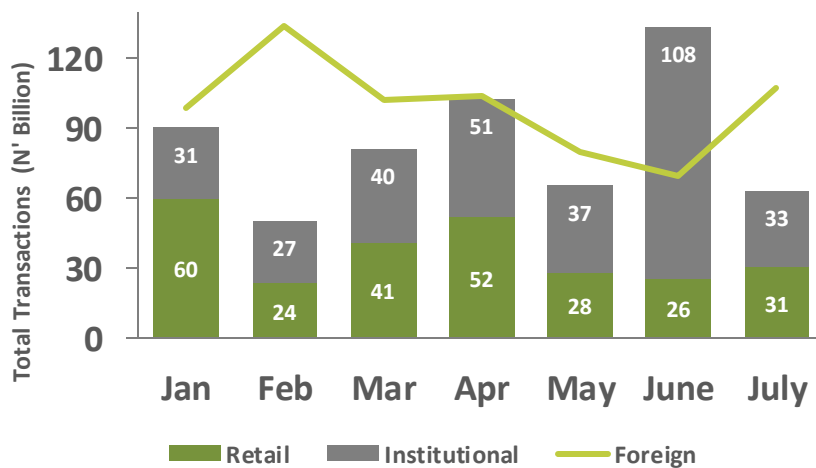
## 1 Real GDP Growth Rate YoY – Post Rebasing



## 2 Movement in Crude Oil Prices, NGN, and All-Share Index



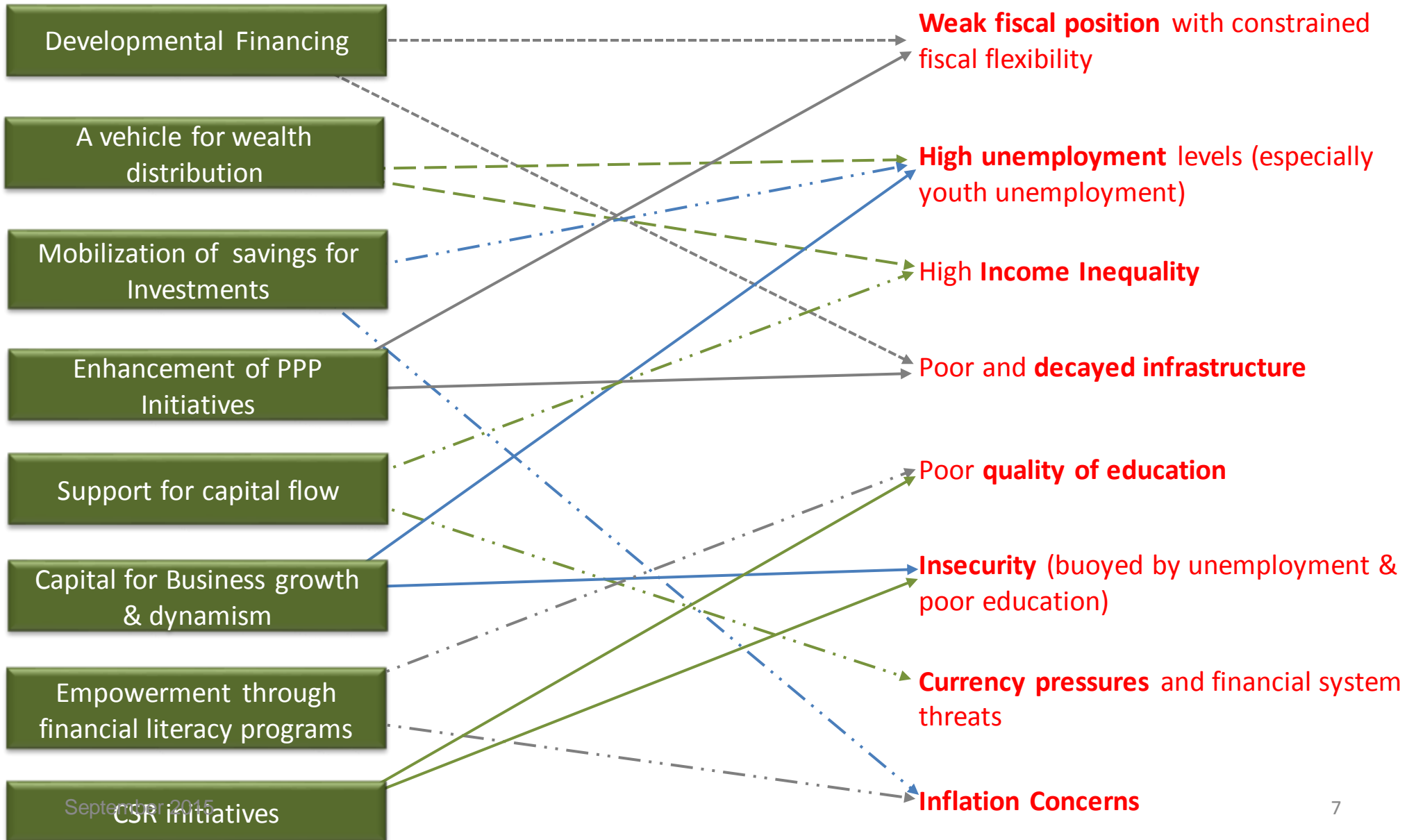
## 3 Nigerian Capital Market Transactions

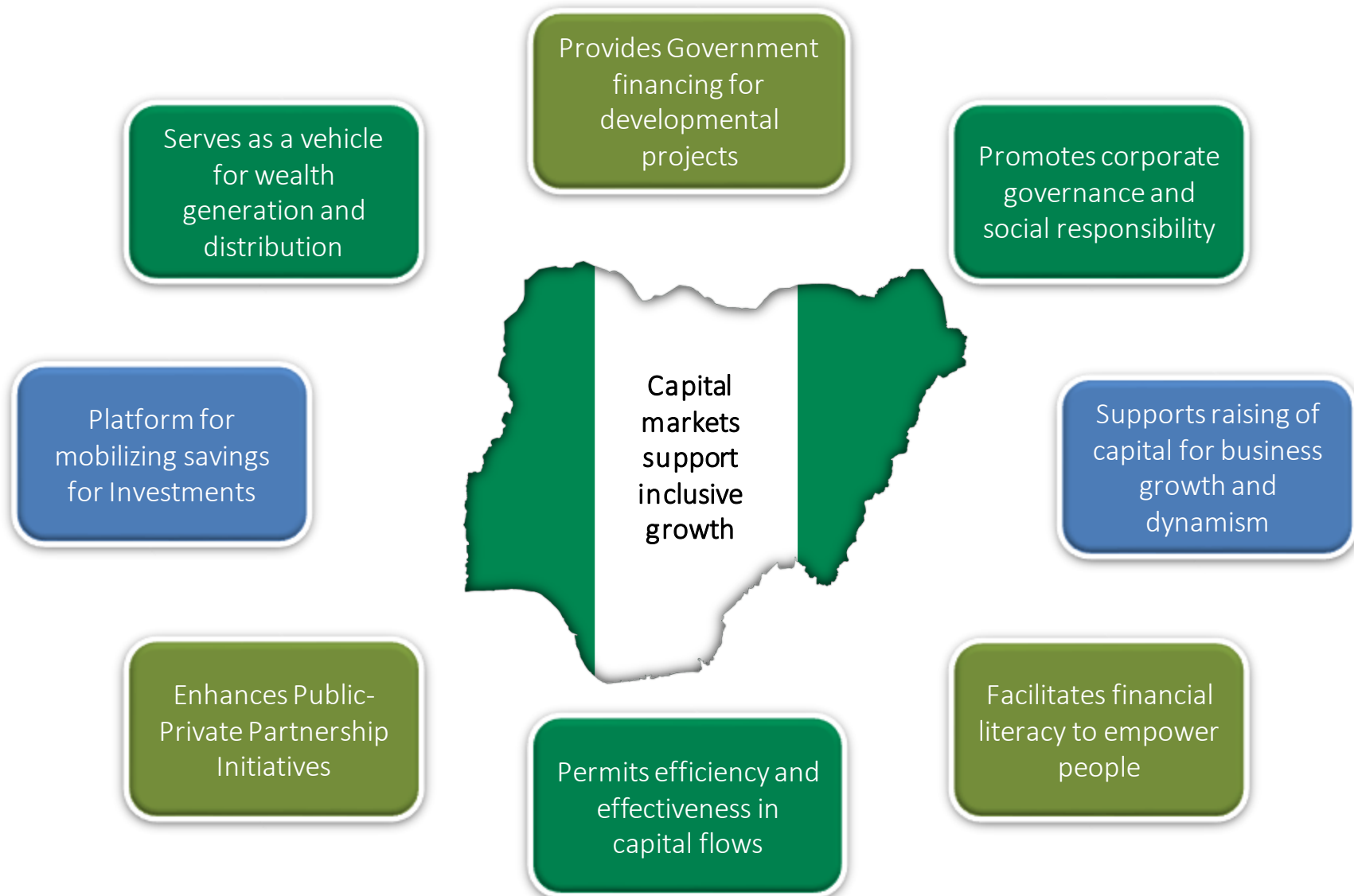


## 4 FGN Bond Index Implied Yield Curve



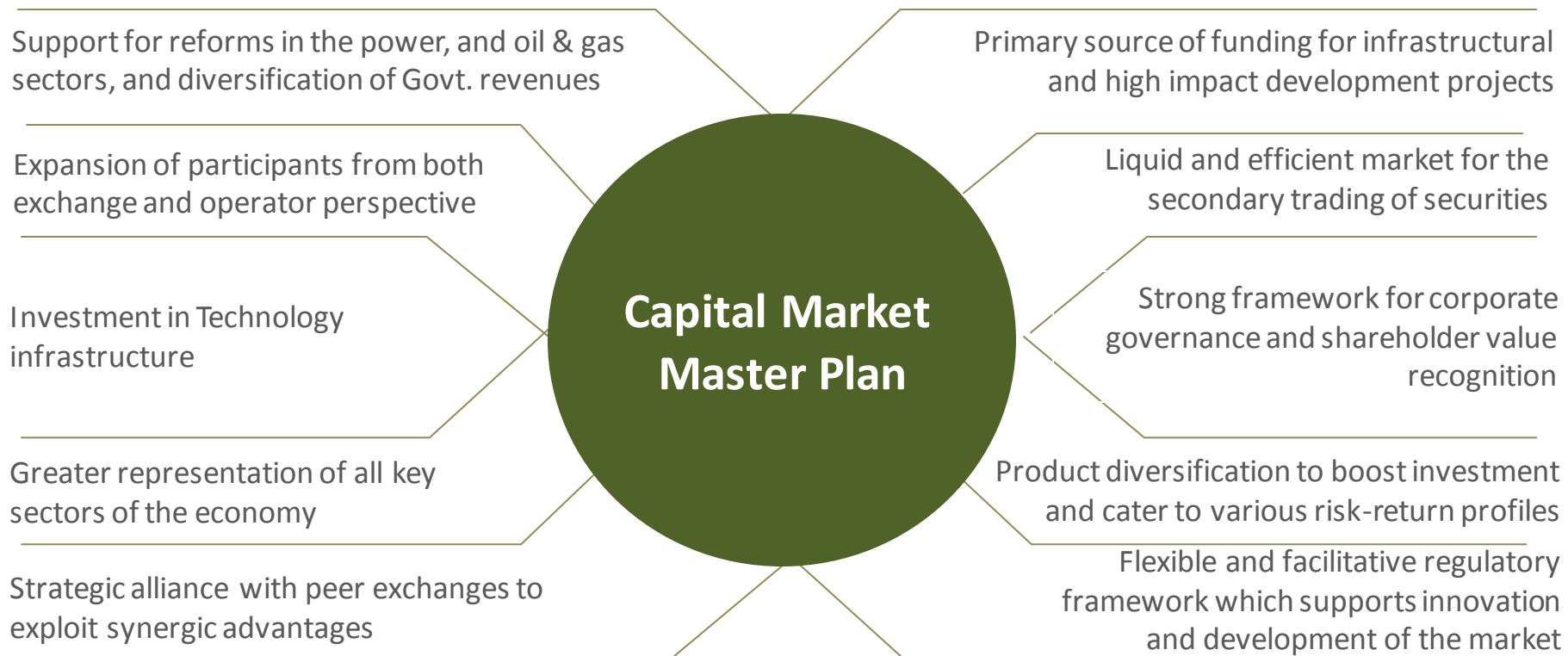
# Addressing Nigeria's Challenges

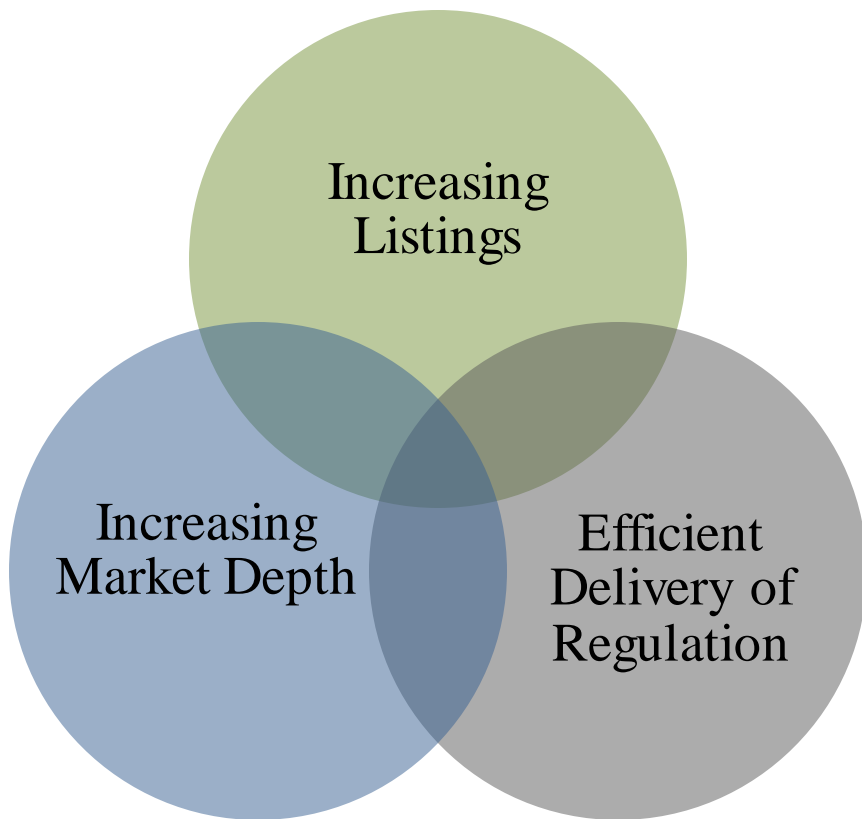






## ***The Capital market is poised to drive emergence of the Nigerian Economy***





**Competitiveness of transaction costs**

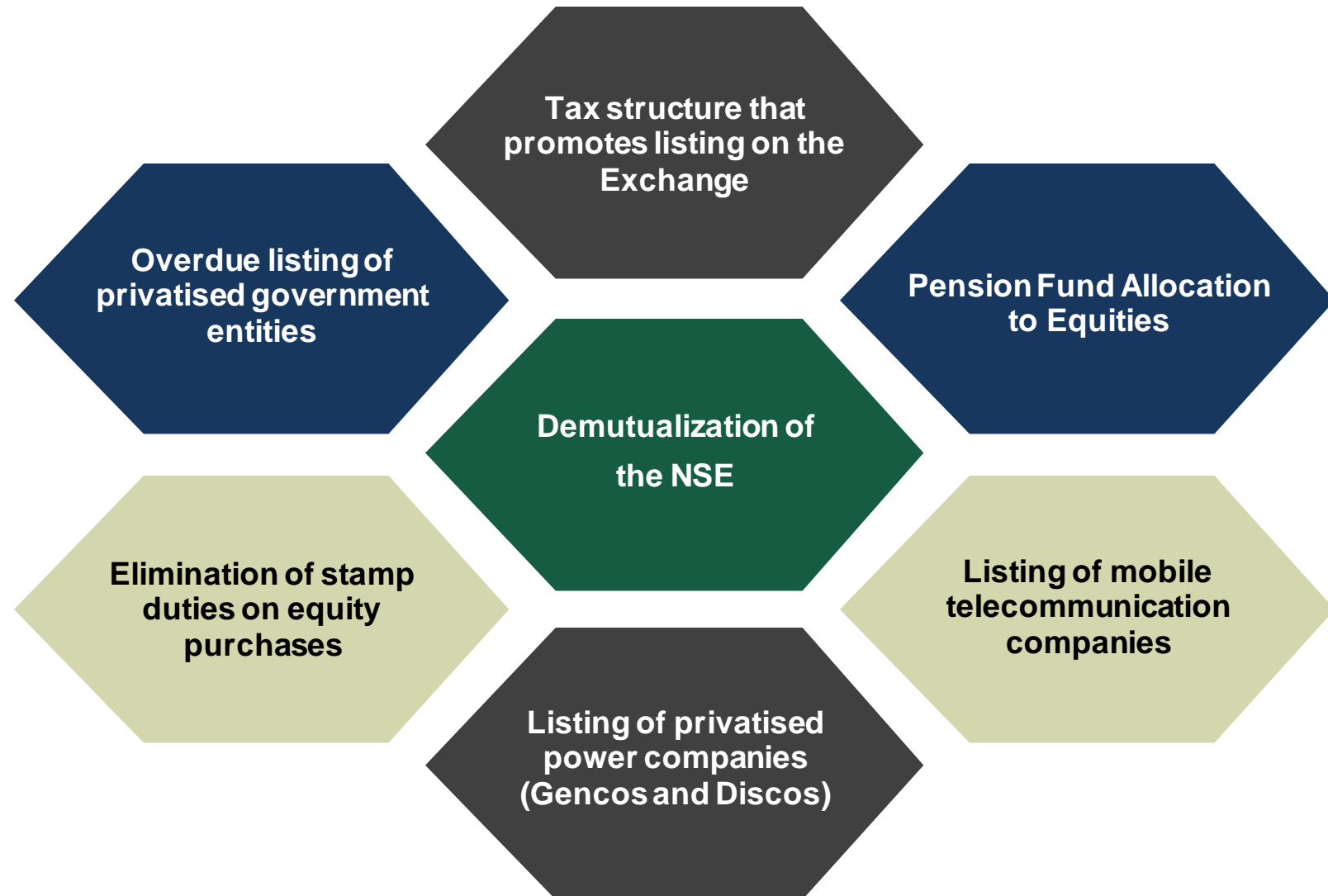
**Liquidity issues/low domestic participation**

**Relatively low numbers of listed companies and products**

**Limited capacity of operators and stakeholders**

**Funding of Investments and Securities Tribunal (IST)**

**Fragmented financial services sector**



# Background to the NSE



## Our Mission:

*To provide investors and businesses a reliable, efficient and an adaptable exchange hub in Africa, to save and to access capital.*

## Our Vision:

*To be Africa's foremost securities exchange driven by Regulation, Efficiency, Liquidity and Innovation. (R-E-L-I)*

The NSE is founded as the **Lagos Stock Exchange**

## 1970s

The Lagos Stock Exchange becomes the NSE and several branches (with trading floors) are opened across Nigeria

## 1990s

The IPF is operational; policy is enacted to encourage foreign participation; and the Exchange automates trading

## The X Era

2011

## 2012

Introduction of Primary Market Making Program

## 2014

1<sup>st</sup> dual listing of shares on NSE & LSE and admission as full member of WFE

1960

## 1961

Trading begins with 19 listed securities - 3 equities, 6 FGN bonds and 10 industrial loans

## 1980s

Focus on increasing corporate governance in the market, on the back of international exposure via Reuters

## 2000s

Modernization, strong GDP growth, an influx of local/foreign participation ignite the market; weak regulatory practices rupture the market

## 2013

Launch of revolutionary trading engine, X-Gen

## 2015

Launch of the NSE Premium Board

# NSE is Home to...





## Company Highlights:

- Today, NSE services the largest economy in Africa, and is championing the development of Africa's financial markets.
- The NSE offers listing and trading services, licensing services, in addition to market data solutions, ancillary technology services, and more.
- NSE has deployed 21<sup>st</sup> Century technologies launching several "Best-in-Class" solutions which has resulted in the NSE's revolutionary transformation.
- The Exchange offers a robust and internationally recognized regulatory environment that bolsters trust and investor confidence.
- The NSE is a full member of the World Federation of Exchanges (WFE) with meaningful participation in other global and regional organizations, some of which set global standards.

**2<sup>nd</sup>\***  
Largest Exchange in Africa  
by Market Cap  
At ₦15.8 tn (\$79.5 bn)\*\*

\*Excludes dual listing not on the primary market

\*\*As at 31<sup>st</sup> August 2015

190 Equities (N10.2 tn)  
60 Bonds (N5.6 tn)  
4 ETFs (N4 bn)\*\*

184  
Listed  
Companies\*\*

219 Active  
Dealing  
Members\*\*

Local 47.1%  
Foreign 52.9%  
Total Market  
Activity Jan - Jun '15



## Nigerian Stock Exchange

1

Enhancing  
liquid equity  
Market

2

Developing  
corporate and  
treasury debt  
market

3

Competitive  
derivatives  
market

4

Comprehensive  
offer of  
information  
services for  
investors and  
issuers

5


New business  
segments  
based on key  
competitive  
advantages

Market regulations and market operators cohesion for effective regulation

Operationally integrated, cost-efficient focused

- Focus on sales
- Effective communication and marketing
- Effective corporate governance
- Competitive pricing studies

Preferred frontier market for global investors




## Increase the number of new listings across 5 asset classes

- NDR Product
- Premium Board
- Growth Board
- Africa Growth Company Listings Drive



## Increase order flow in the 5 asset classes

- Direct Market Access
- Data Center
- Competitive Fee Structure



## Operate a fair and orderly market based on just and equitable principles

- World-Class Surveillance Program
- Rules Portal
- Minimum Operating Standards





**African Regulator of  
The Year 2015 Award**

**AFRICAN BUSINESS LEADERSHIP  
AWARDS 2015**



**Financial Institution  
of The Year**

**THE OIL & GAS YEAR  
NIGERIA 2015**



**Award For Promoting Best Practice  
Reporting and Corporate Disclosure**

**LAGOS CHAMBER OF COMMERCE & INDUSTRY (LCCI)  
COMMERCE & INDUSTRY AWARD 2015**



**Best Initiative In Support of SMEs  
& The Millenium Development Goals (2014 Winner)**

**AFRICAN INVESTOR (Ai) INVESTOR  
AND BUSINESS LEADER AWARDS**



# THANK YOU

## *Questions & Answers*

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