

NGX FEB 2022

Renaissance
Capital

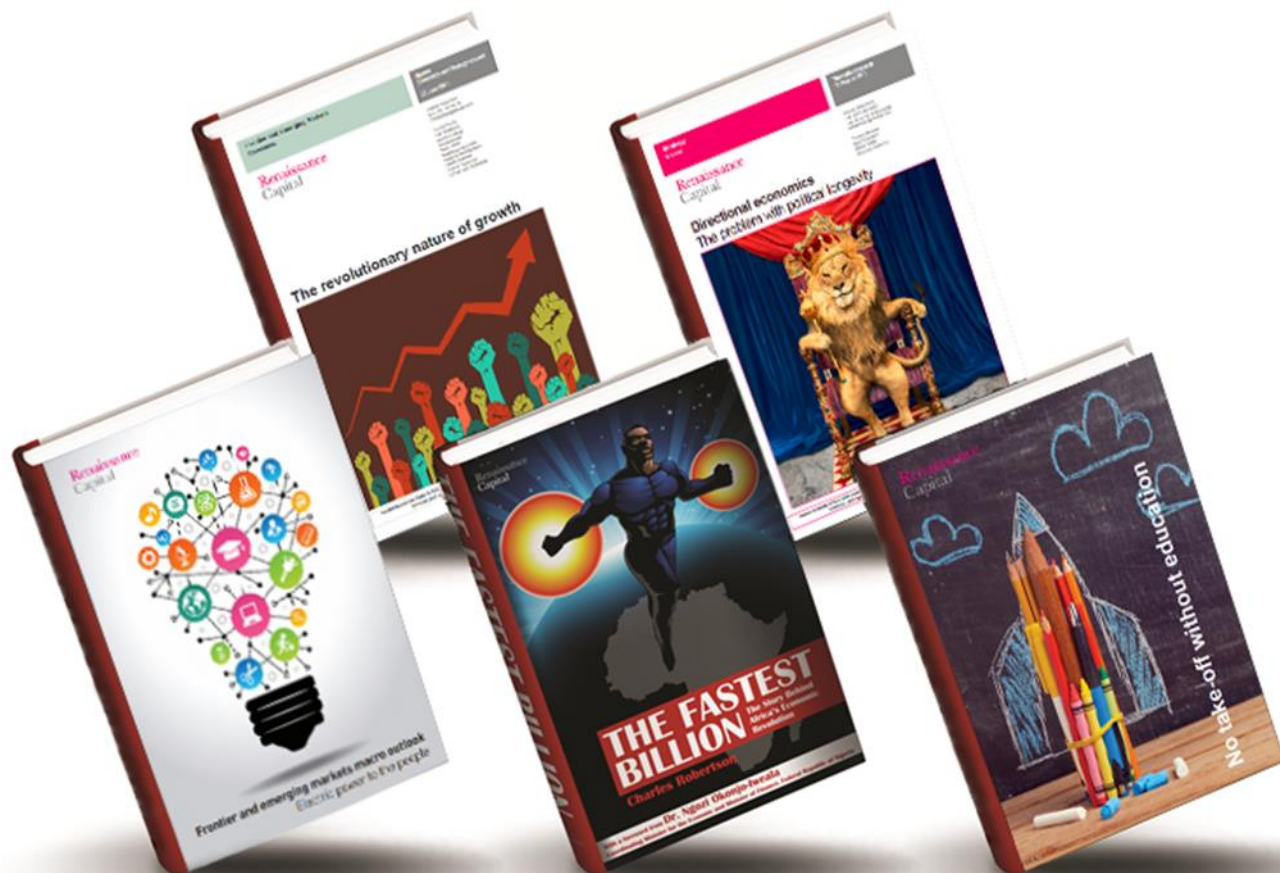
Feb 2022

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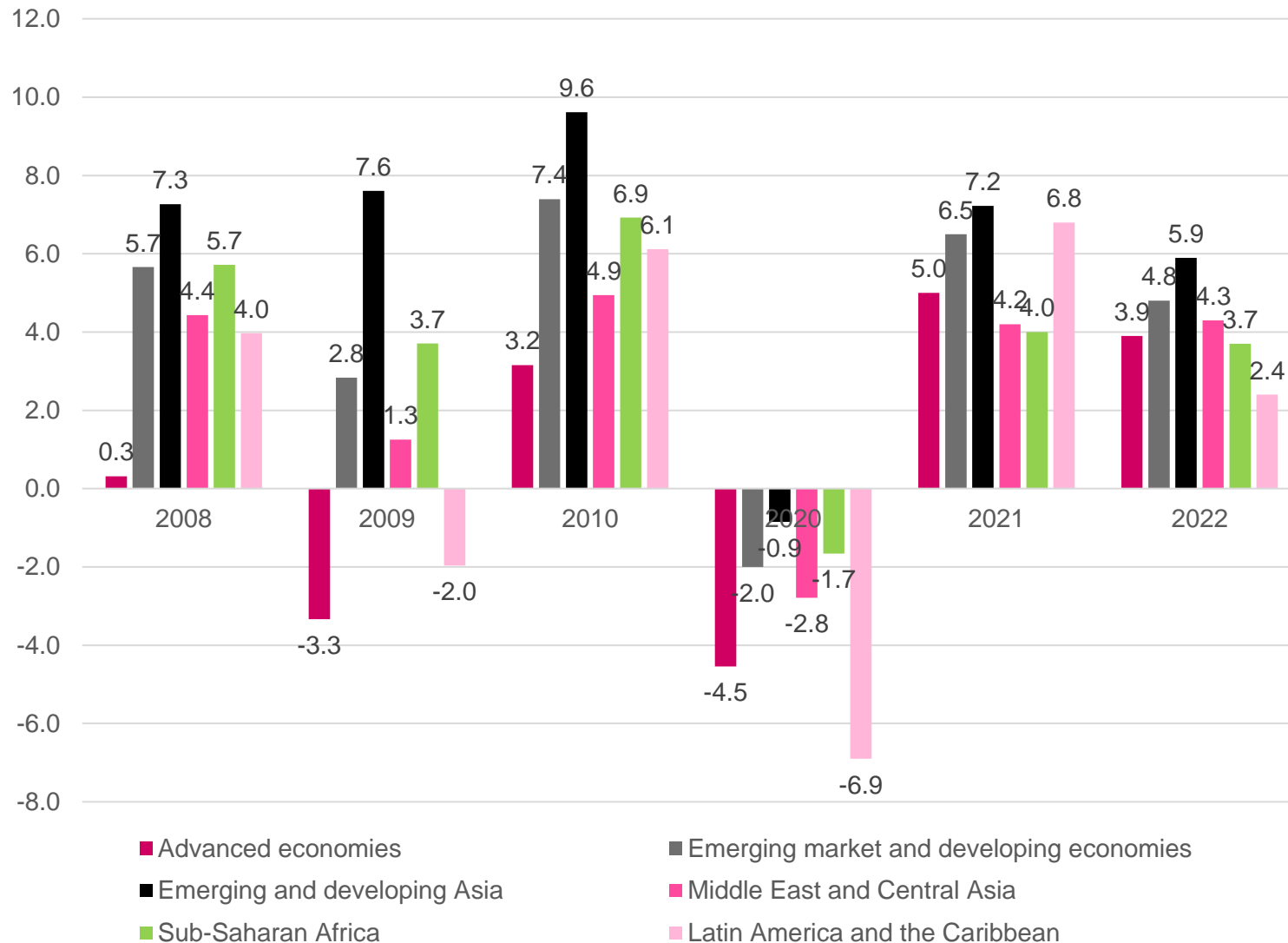


www.fastestbillion.com



AFRICA OUTPERFORMS IN A GLOBAL RECESSION

IMF - Jan 2022 WEO update



Smaller financial sector in SSA than in US in 2009

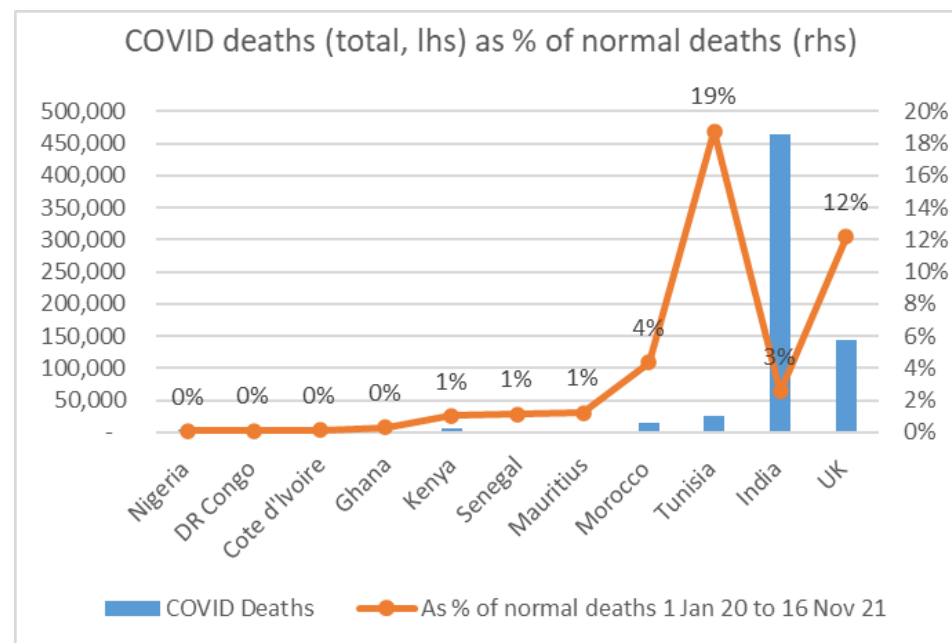
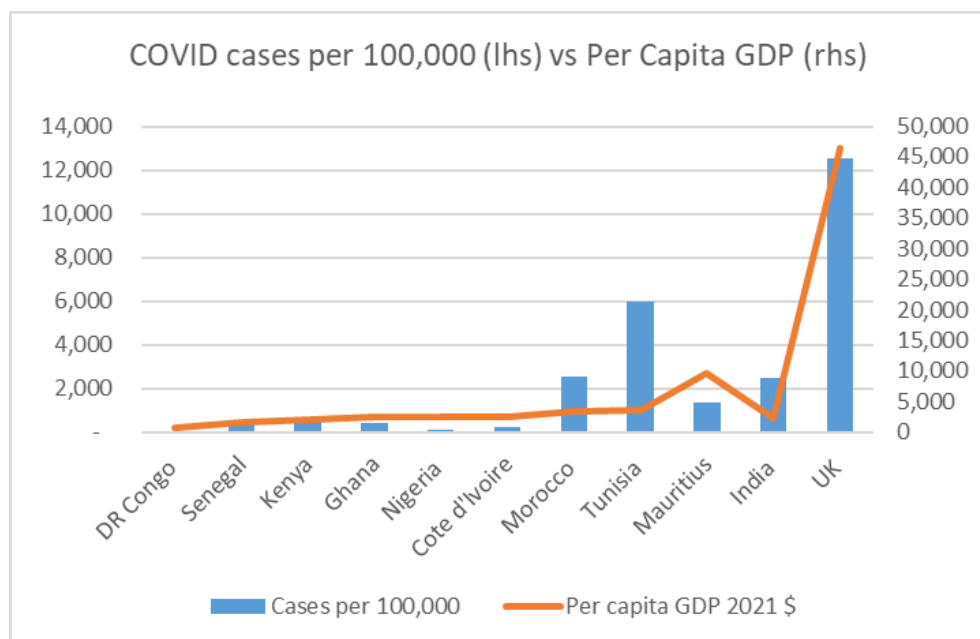
Less dependence on formal retail, more dependence on agriculture in 2020

Slower growth than world avg in 2021 because SSA outperformed in 2020

COVID - AFRICA / INDIA / UK

There appears to be a correlation between wealth and reported cases of COVID – which could reflect age & lack of symptoms or health-care capacity

COVID reported deaths are an insignificant share of normal deaths in most young SSA countries
Tunisia is an older country, but had by the far the highest ratio of deaths in Africa (which may reflect how they're recorded) as of Nov 21



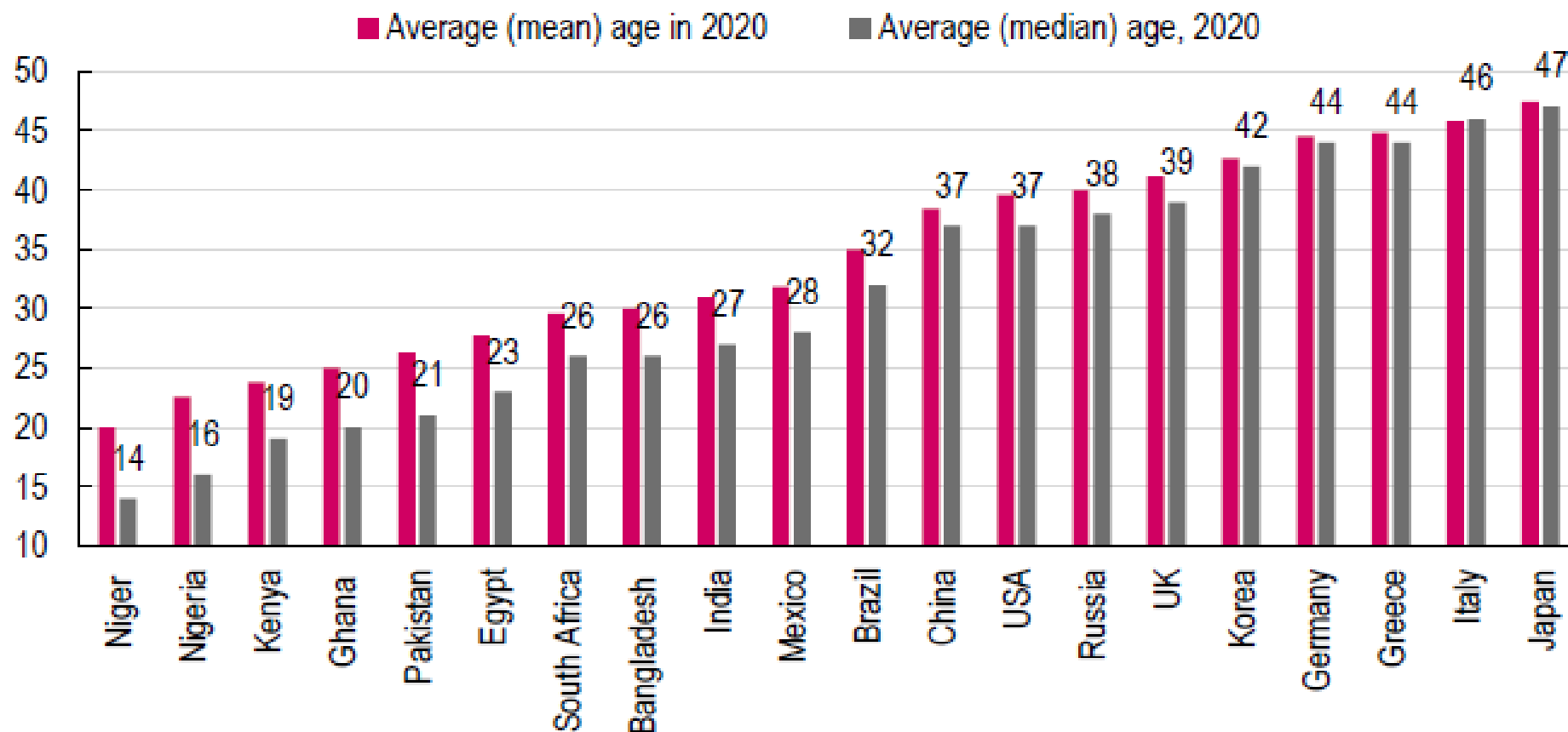
AGE MATTERS

Youth was an advantage in 2020/21.

Average age of COVID death in UK in 2020 was around 80 years old

In Nigeria, 0% of people are 80 and above (*there are decimal places of course!*)

Figure 9: Your average age strongly impacts your savings



Source: UN

SPARKLING MARKETS

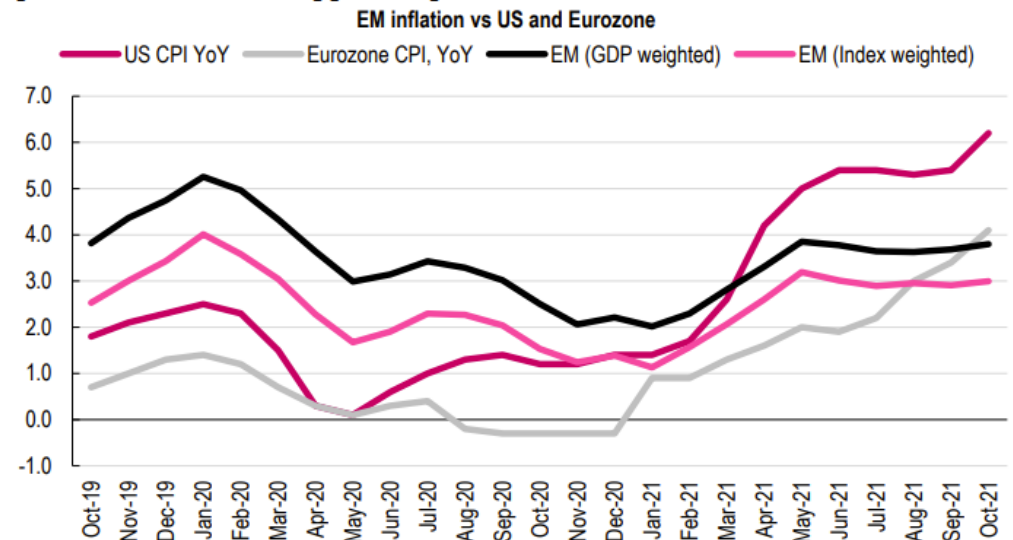


S&P500 is still high despite

Global inflation and China recession risks

US CPI +6 ppt after GFC and +7 ppt post-COVID

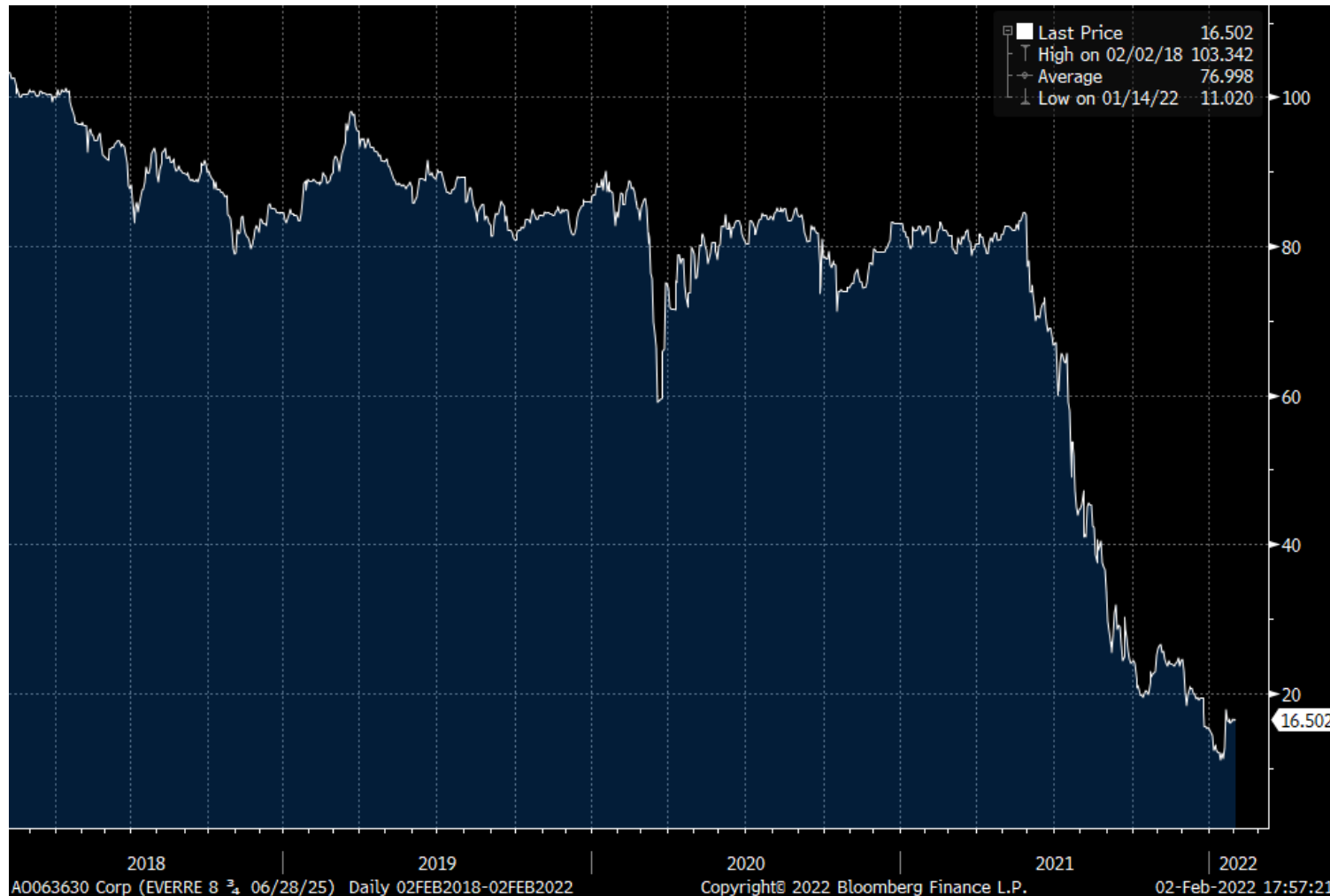
Figure 1: USD should be weakening given its high inflation – it has been versus Bitcoin



Source: MSCI, Bloomberg, Renaissance Capital

IF CHINA PROPERTY GOES .. IT'S GAME OVER FOR COMMODITIES

China's Evergrande – 2025 bond



Is Evergrande the New Century collapse of April 2007?

Despite US property problems, mkts in mid-2008 were asking when Fed would raise rates.

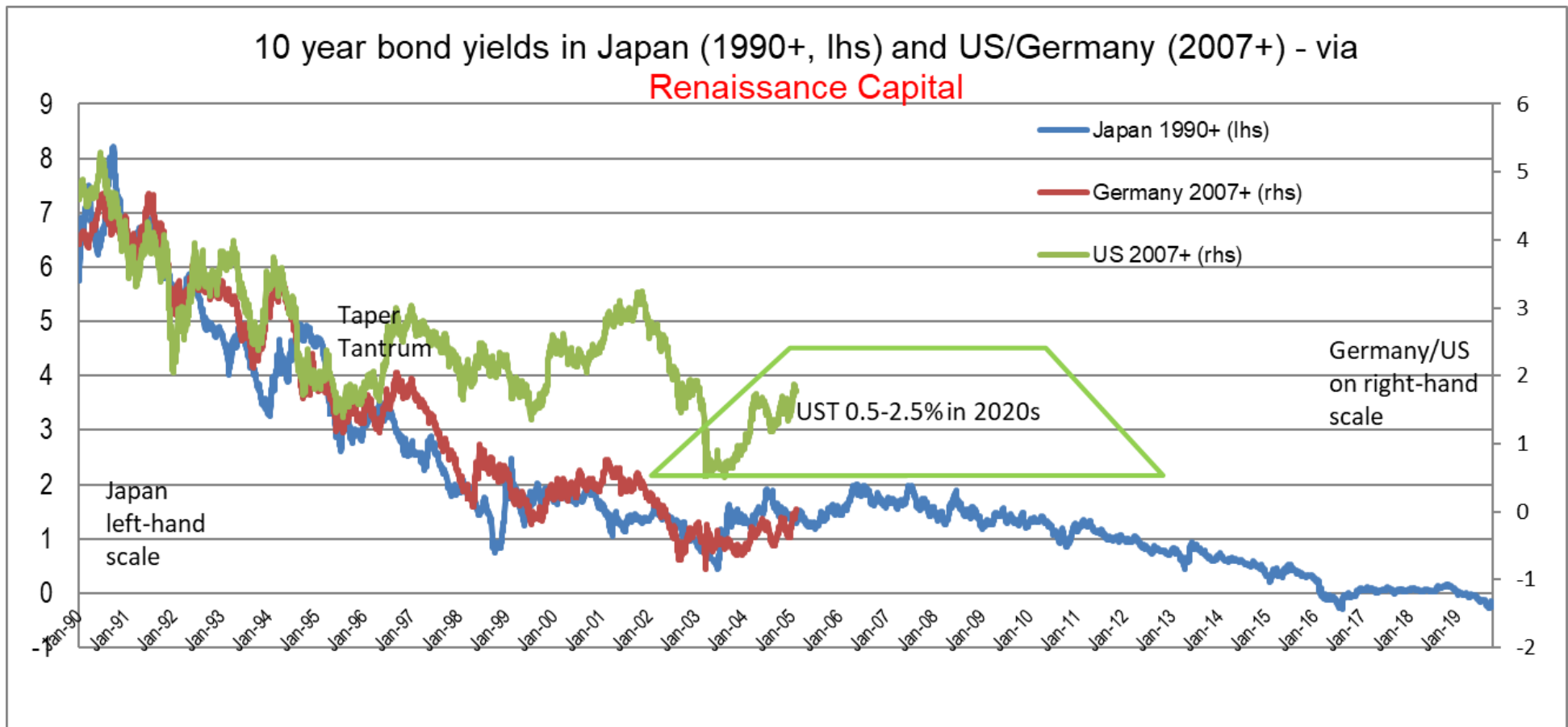
Financial collapse not the key risk. It is commodity demand.

ARE GERMANY (YES) AND THE US GOING TO EMULATE JAPAN?

The 1990 crash in Japan saw bond yields plunge over the following decades

The 2008 GFC has led to negative Eurozone yields, which anchors low UST yields, which results in a hunt for yield in EM, FM and HY

#Chartcrime warning below (different scales)

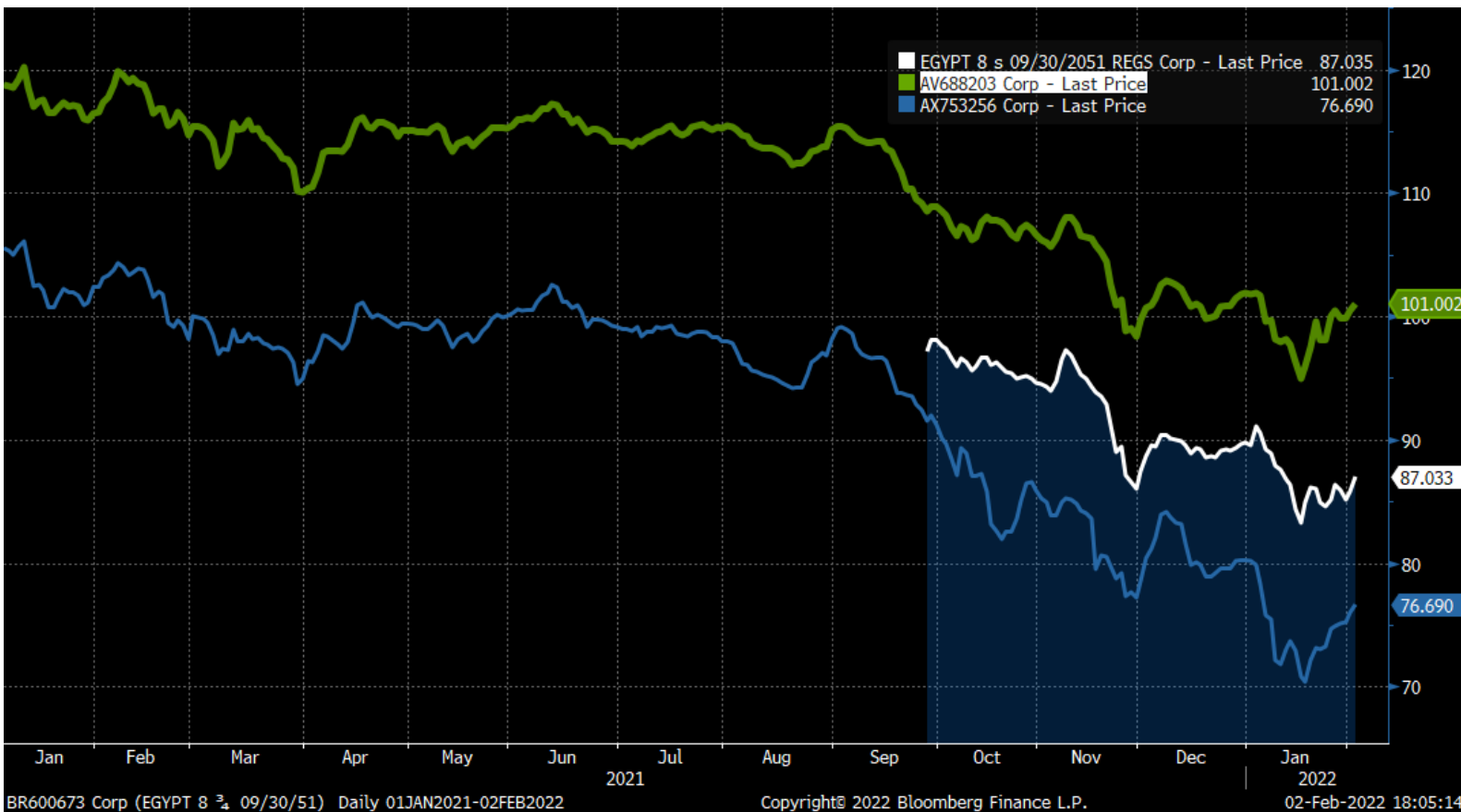


Source: Bloomberg

FRONTIER \$ DEBT PRICES HAVE FALLEN

With rising US treasury yields, we have seen pressure on African credits from Egypt's 2050 to Ghana's 2051 Eurobond and Nigeria's 2049

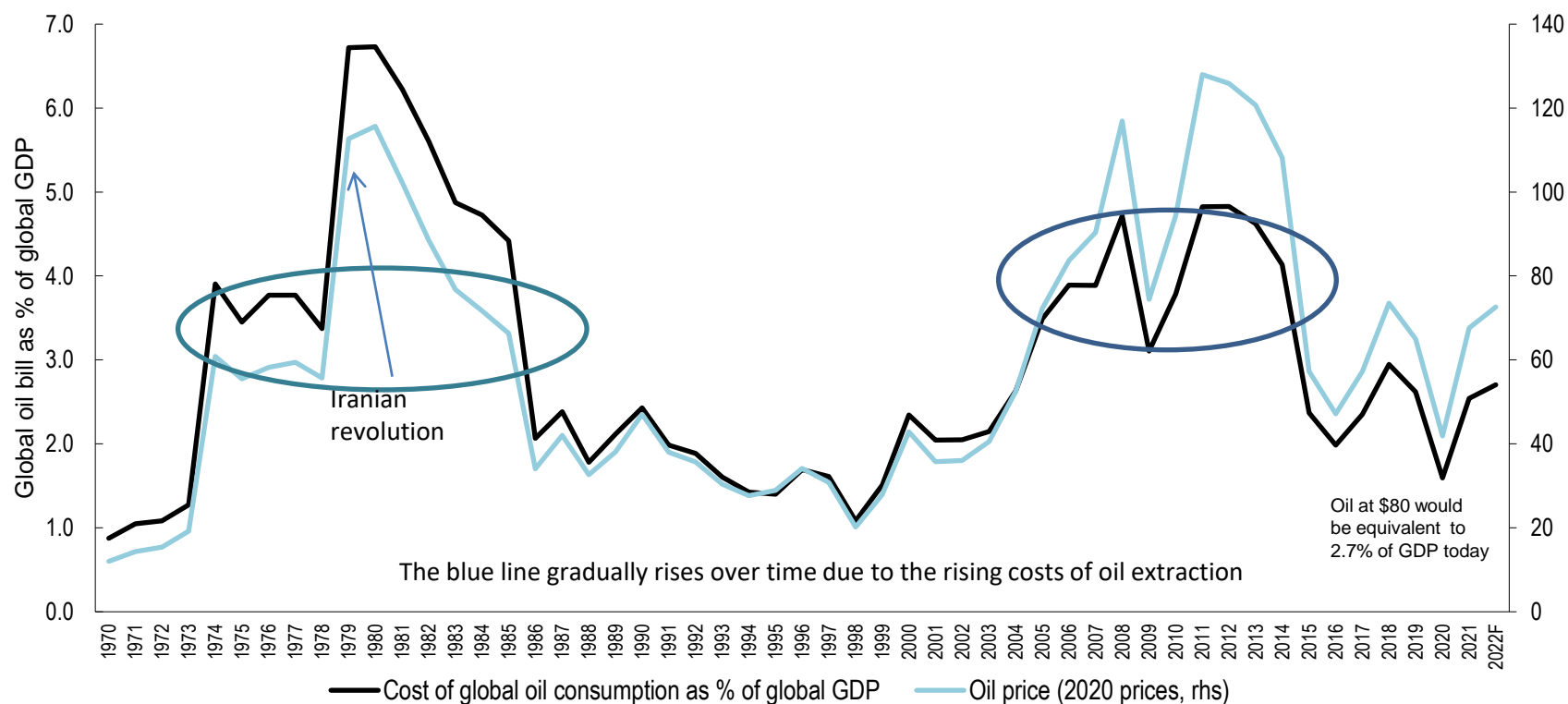
Not just Africa, Pakistan and Sri Lanka too



OIL PRICES SINCE 1970

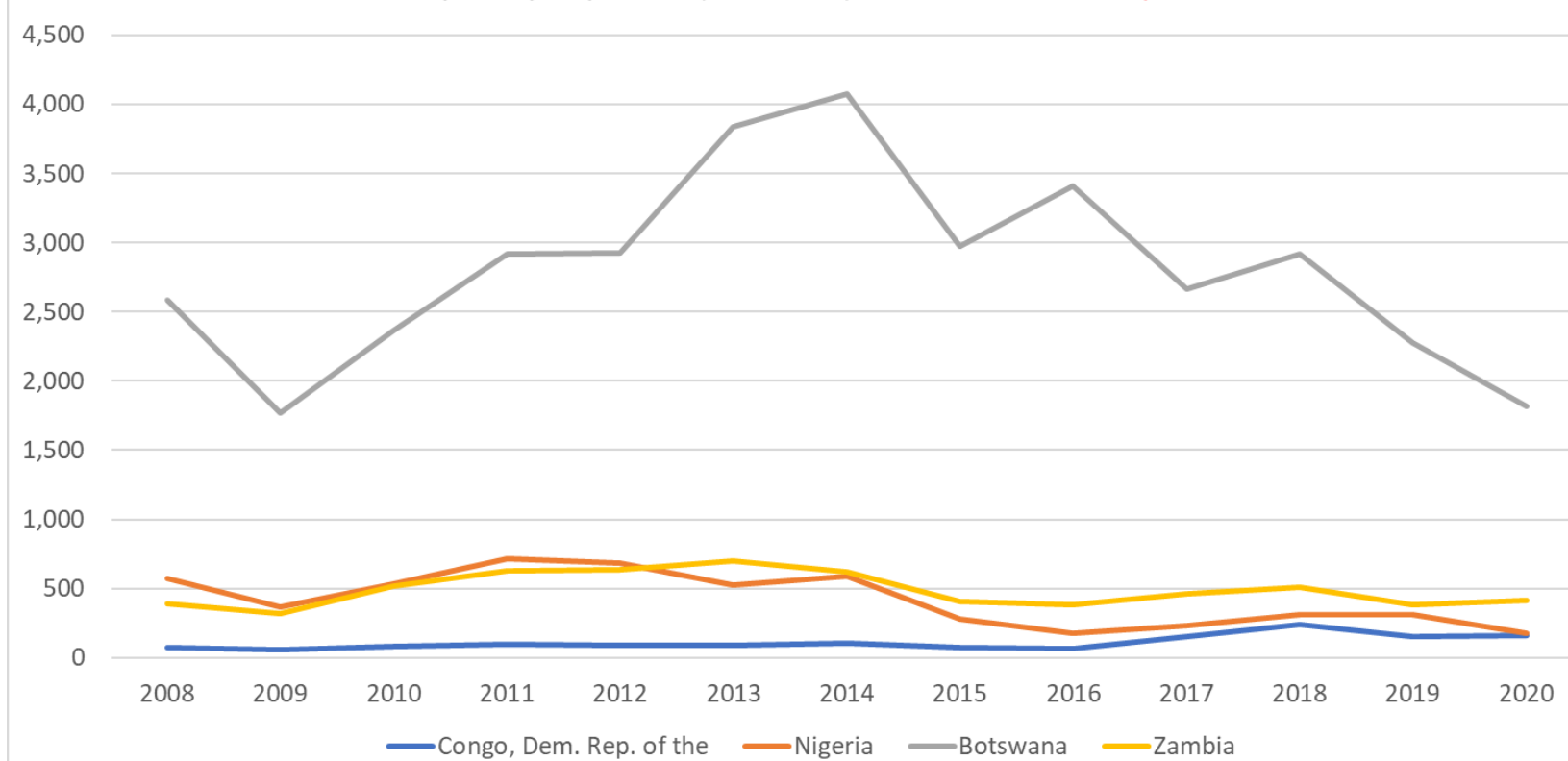
The global oil bill (production x oil price, divided by global GDP) fell from 3-4% of GDP in the 1970s and 4-5% over 1983-85 to 2% of GDP from 1986-2004. It has averaged 3.2% of GDP over 1974-2021.

1.1% of GDP was the 50-year low in 1998 (oil was \$20 in 2020 prices). *In current dollars, this graph shows Brent at \$80 in 2022 (2.6% of GDP) in current dollars*



COMMODITY PRICE LIFT

Benefit of mineral wealth depends in large part on how many people it is divided between
Exports per person (\$, annual) via Renaissance Capital



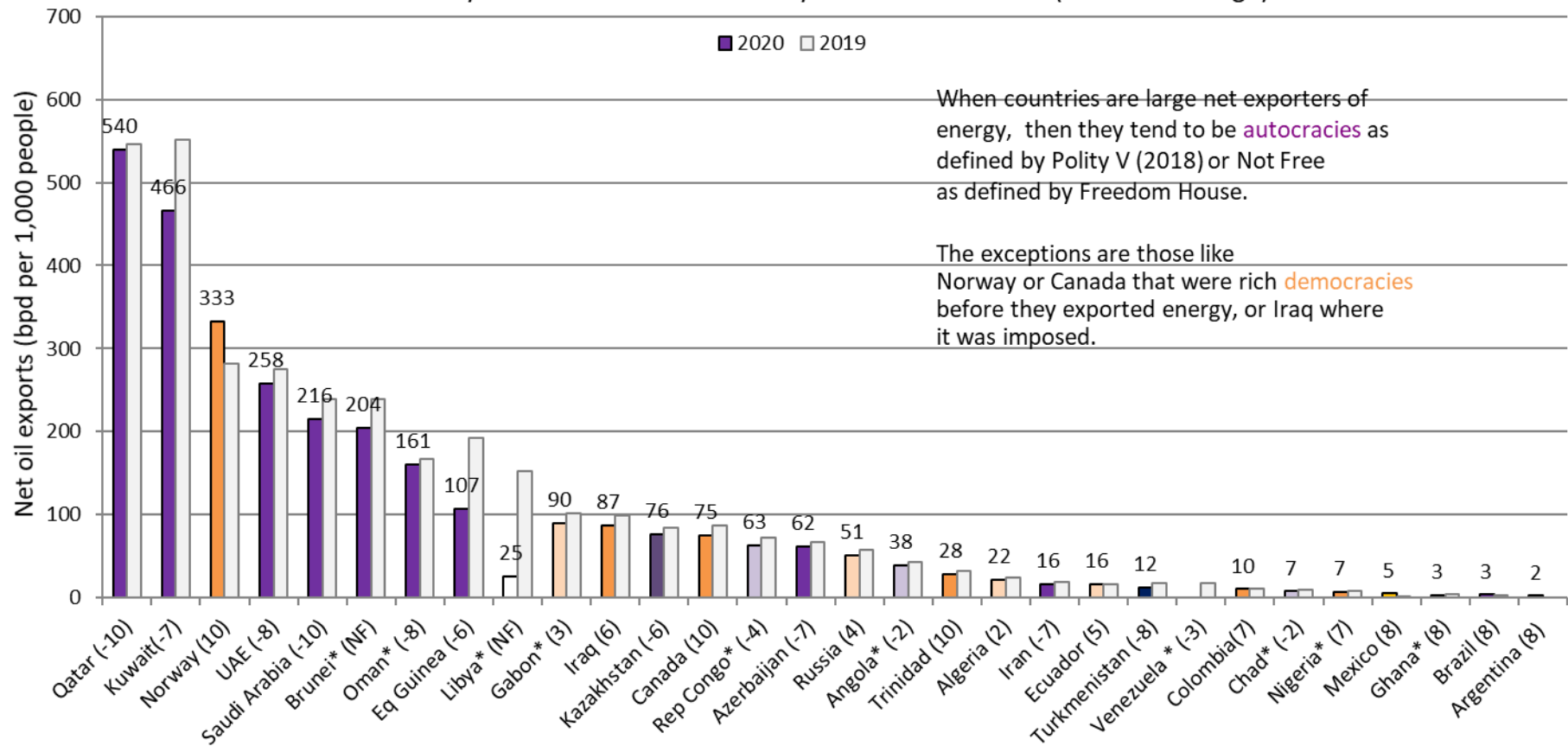
Commodity prices help provide the funds for development

But even a doubling of oil, gas or copper prices won't make most as rich as Botswana

An oil price of \$400 per barrel is required to give Nigeria revenues similar to Botswana in 2018

OIL ISN'T ENOUGH TO MAKE NIGERIA GULF-RICH

Renaissance Capital - 2020 data on net oil exports per capita (using 2018 consumption for countries with a *)
Country colours include 2018 Polity V score in brackets (-10 to +10 range)



OLD NIGERIA INDICATORS

	2019	2020E	2021E	2022E
GDP % ch	2.2	-1.8	2.5	2.8
Oil production	2.0	1.7	1.8	1.9
GDP NGNbn	145,639	154,252	182,583	211,031
GDP \$bn	404	405	442	463
Population	201	206	211	217
Stock of bank credit to private sector (NGNbn)	25,254	27,149	29,863	32,850
Stock of bank credit to private sector (% of GDP)	17	18	16	16
CPI (average %YoY)	11	13	17	12
CPI (end-year %YoY)	12	16	14	12
Federal government balance	-5	-6	-5	-4
Total public debt	29	34	35	35
Exports (US\$bn)	65	36	41	43
Imports (US\$bn)	62	52	48	56
Trade balance (US\$bn)	3	-16	-7	-13
Trade balance (% of GDP)	1	-4	-2	-3
Current account balance (US\$bn)	-15	-17	-5	-9
Current account balance (% of GDP)	-4	-4	-1	-2
Net FDI (US\$bn)	2	1	2	2
Net FDI (% of GDP)	0	0	0	0
FX reserves \$bn	38	35	39	37
Monetary policy rate (MPR), %YE	14	12	12	13
Exchange rate, NGN/\$) year-end	363	398	429	482
Exchange rate (NGN/\$) annual average	361	381	413	456

NEW NIGERIA INDICATORS

Today, we are broadcasting our new GDP forecasts based on a higher oil price of **\$80 in 2022 and 2023** (previously \$65 and \$60).

GDP growth should be 3%, or 4% if oil stays at \$90

The current account goes into surplus which 1) supports the naira and 2) helps reduce interest rates. This supports investment and growth.

More detail will be unveiled in Yvonne Mhango's next report.

Figure 6: Nigeria oil price sensitivities

Year	2021	2022E							2023E
Brent oil, \$/bbl	70.7	110	100	90	80 base case	70	60	50	80
Oil production, incl. condensates	1.68	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.8
Real GDP growth, %	3.0	5.5	4.7	3.8	2.9	2.1	1.2	0.4	3.5
NGN/\$1, YE	425	430	442	454	465	472	479	487	500
Inflation, %, avg	15.6	10.0	10.8	11.7	12.5	12.8	13.2	13.5	10.5
Policy rate, %, YE	11.5	11.0	11.5	12.0	12.5	13.0	13.5	14	12.5
C/A balance, \$bn	3.4	28.9	21.9	14.9	8.6	2.2	-3.5	-9.4	8.0
% of GDP	0.8	5.9	4.6	3.2	1.9	0.5	-0.8	-2.2	1.7
Budget balance, % of GDP	-4.8	-2.6	-3.0	-3.5	-3.9	-4.3	-4.8	-5.3	-3.8
GDP, \$bn	430	490	477	465	453	444	436	427	480

Source: Renaissance Capital estimates

SPOT RATES VS REER FAIR-VALUE ESTIMATES – AFRICA

2 FEB 2022

	Current FX rate vs \$	FX rate implied by long-term average REER	FX rate if REER falls to previous lows	Date of REER low	Long-term average divided by current rate	IMF 2021E C/A (% GDP)	IMF 2022 C/A (% GDP)	Standard deviations away from historic average	Yvonne's avg. REER estimate	RenCap Dec- 22 forecast	One-year local currency yields	Latest CPI (% YoY)	CPI (date)	Real interest rates, %
Nigeria	416	565	934	May-97	1.36	-3.2	-2.2	1	473	465	4.6	15.6	Dec-21	-11.0
C.A. Republic	580	740	980	Dec-99	1.28	-6.9	-6.1	1			na	4.8	Dec-20	na
Angola	531	671	2,629	Sep-99	1.27	7.3	5.7	0	551	540	na	27.0	Dec-21	na
Egypt	15.7	19.0	29.9	Jan-04	1.21	-3.9	-3.7	1	15.7	16.55	13.0	5.9	Dec-21	7.1
Kenya	114	130	329	Aug-97	1.15	-5.0	-5.1	0	144	119	9.5	5.4	Jan-22	4.1
Eq. Guinea	580	660	1,089	Oct-00	1.14	-4.2	-5.2	0			8.6	-1.5	Mar-21	10.2
Ethiopia	50.1	55.7	80.4	Jan-04	1.11	-2.9	n/a	0	56.8		na	35.1	Dec-21	na
Botswana	11.6	12.7	15.8	Sep-98	1.10	-4.0	-1.9	1			na	8.7	Dec-21	na
Namibia	15.4	16.3	49.2	Jan-97	1.06	-7.3	-3.9	0		16.5	5.9	4.5	Dec-21	1.4
Congo (Rep)	580	614	776	Apr-97	1.06	12.1	6.3	0			7.4	0.5	Dec-20	7.0
Cameroon	580	614	717	Oct-00	1.06	-2.8	-2.2	1			3.2	2.4	Sep-21	0.8
Gabon	580	612	687	Sep-00	1.06	-3.8	-2.0	1			na	1.7	Mar-21	na
Ivory Coast	580	596	706	Jul-97	1.03	-3.8	-3.4	0	567		2.7	5.6	Dec-21	-2.9
Tanzania	2,311	2,366	3,010	Aug-06	1.02	-3.2	-3.8	0	2425	2441	5.0	4.2	Dec-21	0.8
Zambia	18.2	18.4	30.8	Dec-00	1.01	13.5	14.9	0	14.99	19.5	15.0	15.1	Jan-22	-0.1
Chad	580	584	751	May-00	1.01	-5.2	-4.7	0			7.2	-1.0	Sep-21	8.2
DR Congo	1,992	2,003	2,718	Jan-10	1.01	-2.1	-1.8	0	1906		na	3.8	Sep-21	na
Mozambique	63.9	64.1	93.5	Sep-16	1.00	-34.0	-23.0	0			13.4	6.7	Dec-21	6.7
Uganda	3,495	3,493	4,347	Aug-11	1.00	-8.9	-7.3	0	3470		9.9	2.7	Jan-22	7.2
Morocco	9.35	9.31	9.88	Aug-12	1.00	-3.1	-3.3	0	8.43		1.5	3.2	Dec-21	-1.7
Senegal	580	553	610	Nov-00	0.95	-12.2	-11.6	-1	567		2.7	3.8	Dec-21	-1.1
Mauritius	43.9	41.1	50.7	Dec-06	0.94	-18.6	-8.9	0			0.8	6.8	Dec-21	-6.0
Algeria	140	125	149	Jan-21	0.89	-7.6	-5.5	-1			na	9.5	Nov-21	na
South Africa	15.4	13.7	19.2	Dec-01	0.89	2.9	-0.9	0	12.6	16.5	4.7	5.9	Dec-21	-1.2
Ghana	6.30	5.52	7.92	Jun-15	0.88	-2.2	-3.5	0	4.43	6.15	16.7	12.6	Dec-21	4.1
Rwanda	1,026	896	1,192	Jan-04	0.87	-13.4	-12.2	-1	890	1082	7.7	-2.0	Dec-21	9.7
Tunisia	2.88	2.43	3.39	Feb-19	0.84	-7.3	-8.4	-1		2.8	8.6	6.6	Dec-21	2.0

Note: Auction yields except: Angola, Egypt, Nigeria, Uganda, South Africa

Note: REER from Apr 2019 onwards is calculated by deflating the REER level by currency movements vs the US dollar.

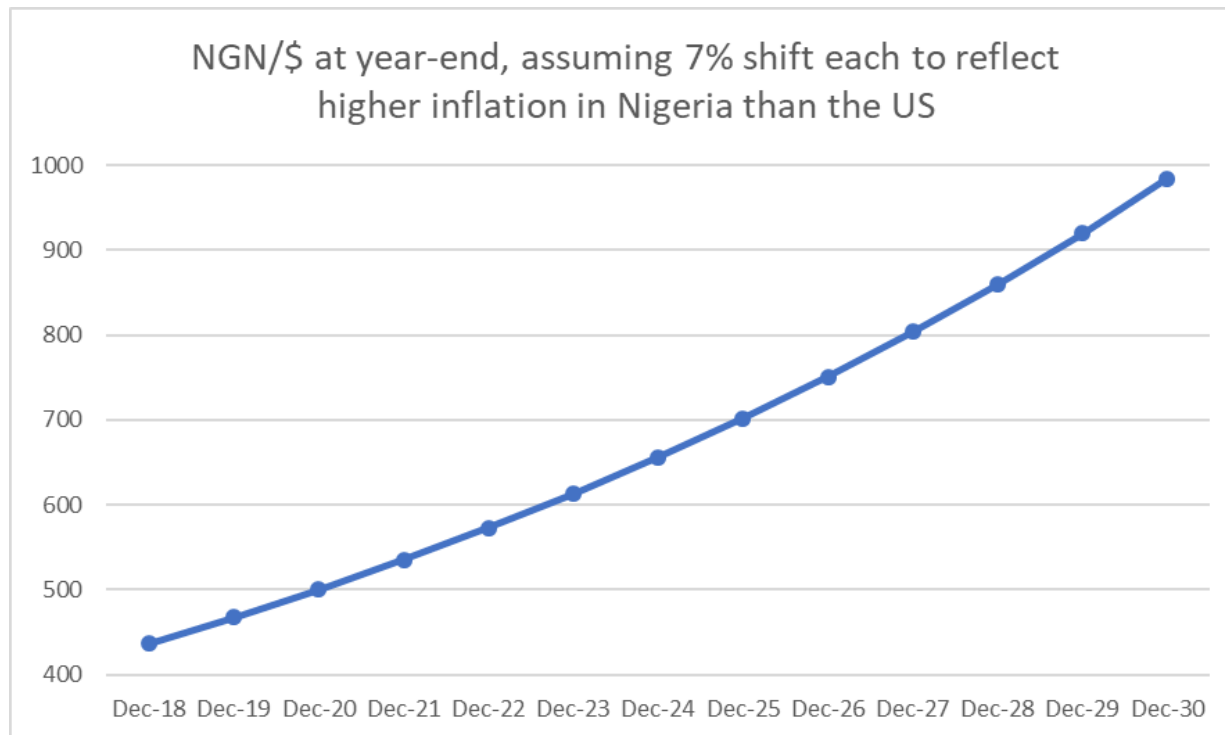
Source: Bruegel, IMF, Bloomberg, Renaissance Capital

NAIRA/\$ RATE DEPENDS ON INFLATION

If we assume our REER estimate is accurate, and that inflation will be about 10% a year vs 1-2% in the US – then the naira will need to depreciate by perhaps 7% a year. This assumes productivity rises 1% faster in Nigeria than in the US (debateable). This would put NGN fair value at around 700/\$ in 2025 and **NGN1,000 in 2030 – ie slightly stronger** in real terms than where it is today.

If literacy and electricity rise as we hope, productivity gains could limit that annual depreciation to 5% from 2024, putting the NGN at about 880/\$ in 2030.

If annual inflation was 3% in Nigeria, instead of 10%, the naira could still be 437/\$ in 2030 and beyond.



NIGERIA'S ELECTIONS

Likely to impact investment in 2022

Base case is democracy is secure in Nigeria (roughly 95% chance annually of remaining a democracy, far higher than many others in west Africa)

Hopes for a market-friendly policy stance in 2023 from the new president

Challenges will include the difficult combination of high debt and low revenues, unless oil prices keep climbing

What else do we hope for from a new president? A focus on education, electricity and fertility

AFRICA IN 2018 BY GDP

Data via Renaissance Capital

US state GDP vs African economies in 2019, US\$bn

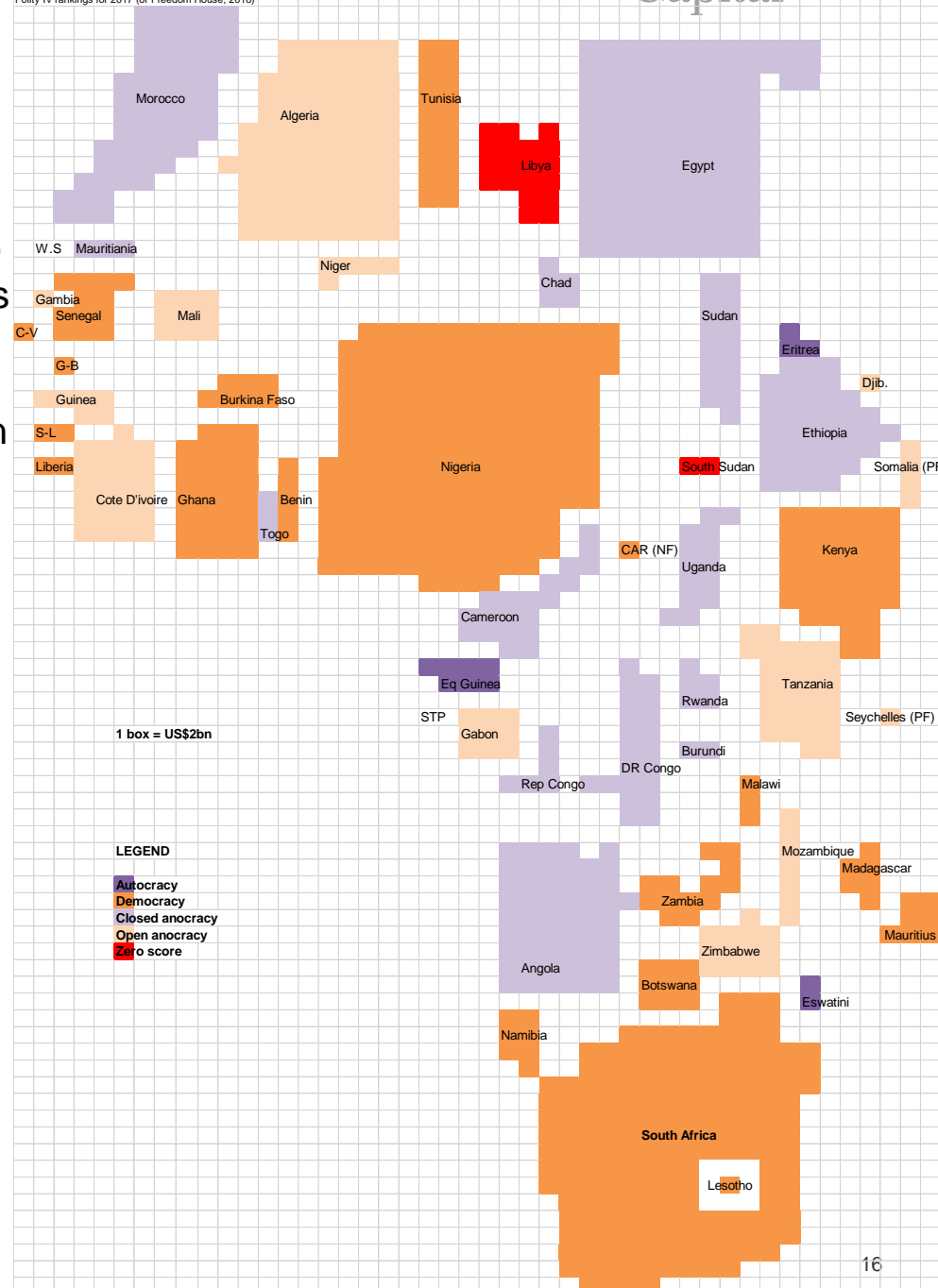
California	3,053	Connecticut	288
Texas	1,864	Louisiana	255
New York	1,778	Oregon	247
Florida	1,116	South Carolina	245
Illinois	890	Alabama	231
Pennsylvan	800	Kentucky	216
Ohio	693	Oklahoma	204
New Jersey	639	Utah	195
Georgia	638	Iowa	194
Washington	598	Nevada	182
North Carol	596	Kansas	177
Massachus	593	Algeria	171
Virginia	554	District of Colum	144
Michigan	531	Nebraska	131
Nigeria	448	Arkansas	131
Maryland	422	Morocco	120
Colorado	392	Mississippi	115
South Afri	388	New Mexico	102
Minnesota	383	Kenya	100
Indiana	381	Ethiopia	93
Tennessee	377	Hawaii	92
Arizona	370	New Hampshire	88
Wisconsin	345	Angola	85
Missouri	332	Idaho	82
Egypt	302	West Virginia	79

Nigeria joined the democracies in 2015 according to Polity V definitions (it seems they needed to see peaceful transition of power to be sure).

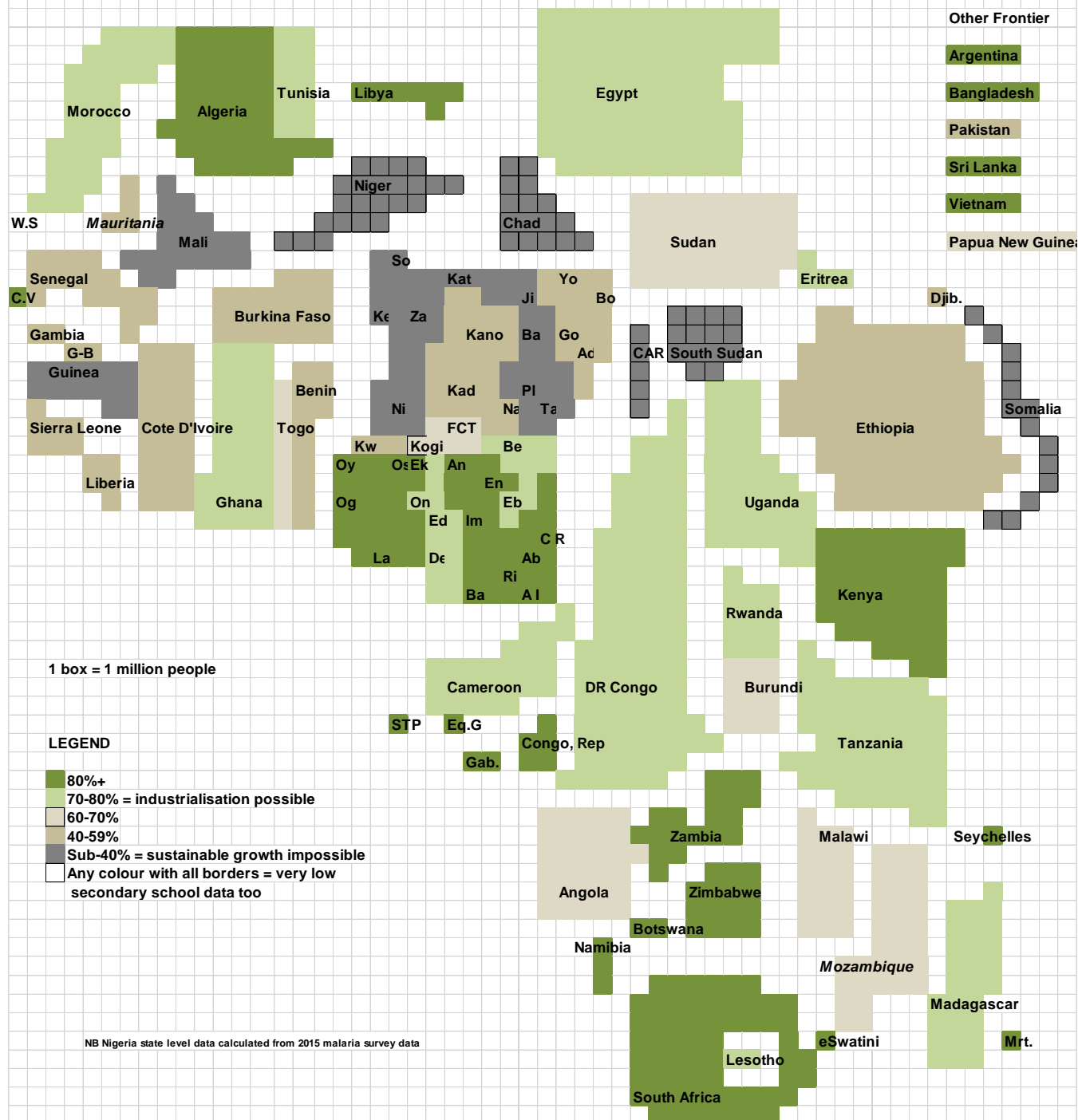
Democracy is digging deeper roots in Ghana, Kenya (99% secure each year).

Democracy is most fragile in the lowest income, lowest literacy states.

GDP of AFRICA in 2018 (US\$bn) with each box representing \$2bn of GDP
Polity IV rankings for 2017 (or Freedom House, 2018)



RENAISSANCE CAPITAL - Map of Africa by population size, 2020 (IMF) and literacy rate, latest up to 2018 (UNESCO)



Renaissance
Capital

Adult literacy

70-80% (green to dark green) = industrialisation possible

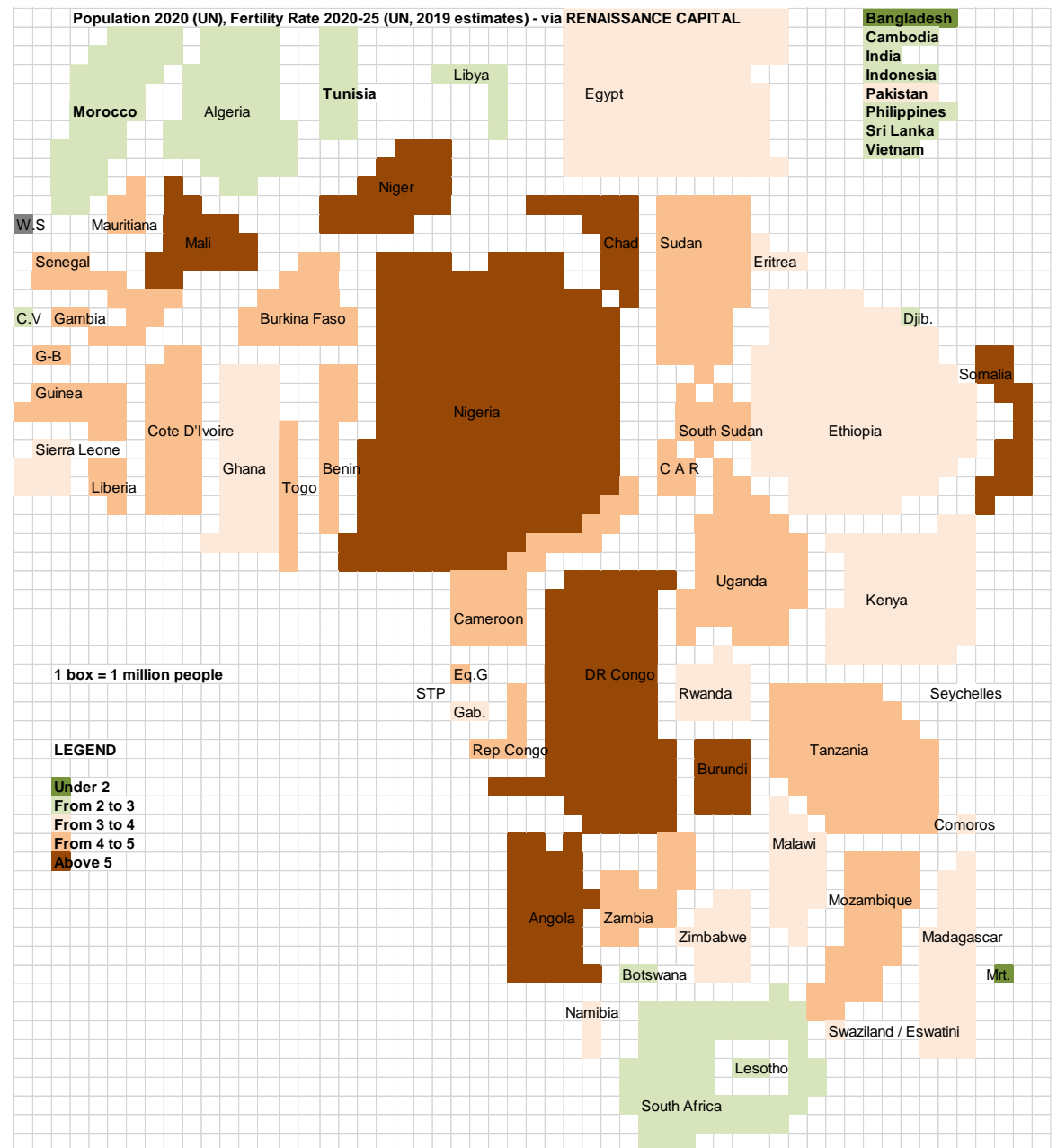
Sub-40% (grey) = GDP growth is not sustainable



AFRICA IN 2020 BY POPULATION

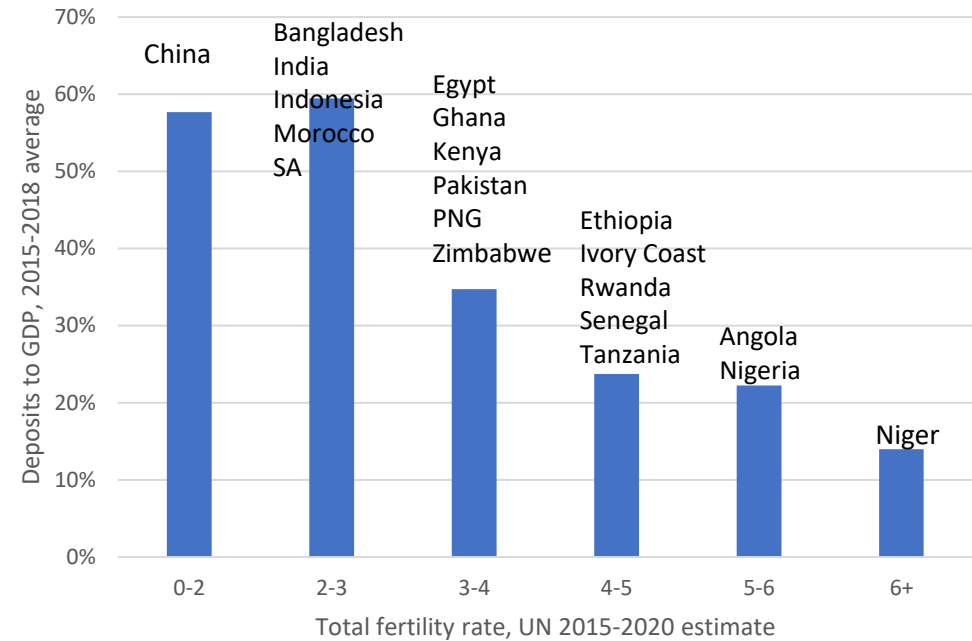
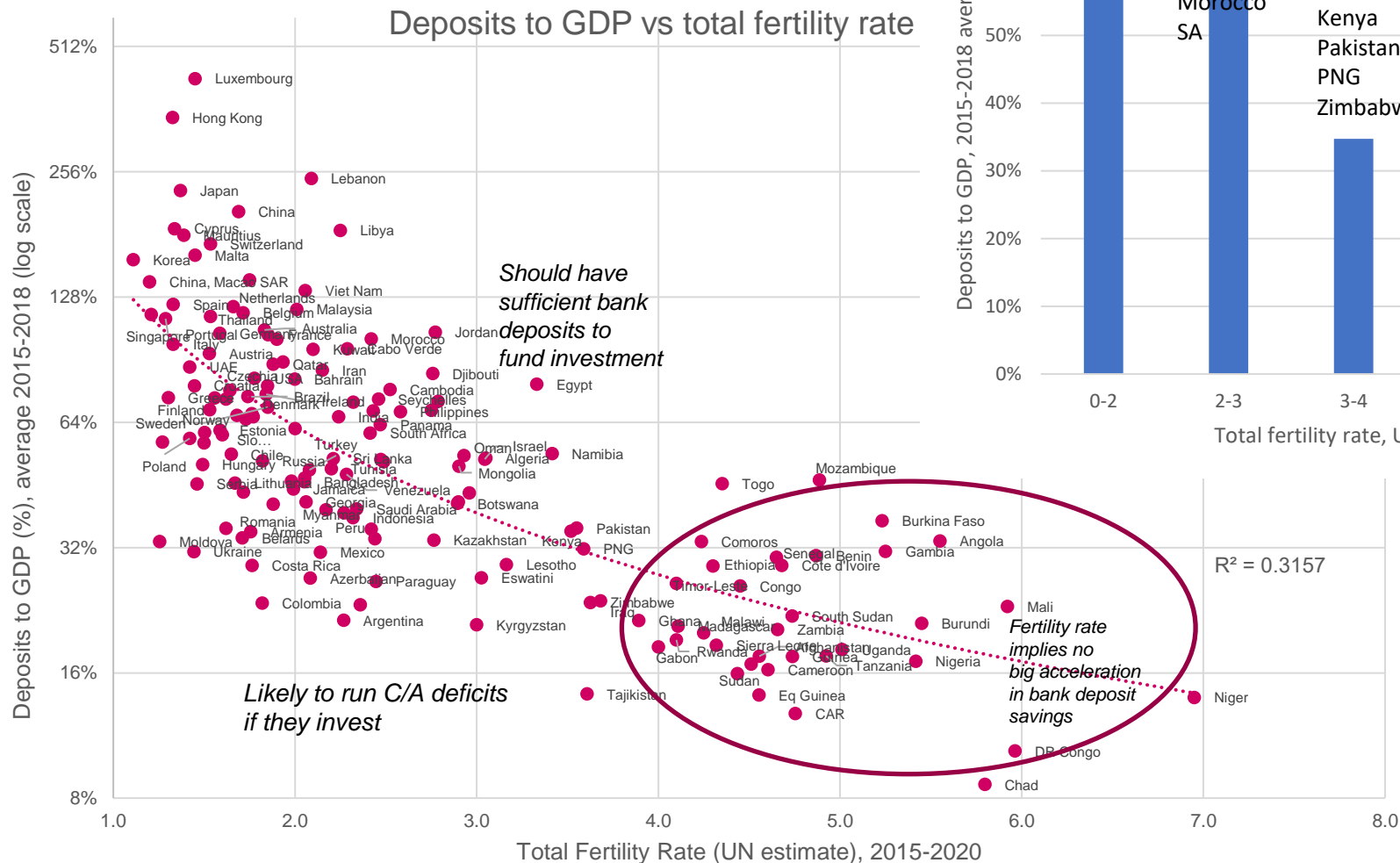
Population table (2017)

Nigeria	189	Illinois	13	Louisiana	5	Montana	1
Egypt	95	South Sudan	13	Liberia	5	Djibouti	1
Ethiopia	93	Chad	12	Kentucky	4	Delaware	1
DR Congo	87	Rwanda	12	Rep of Congo	4	Sth Dakota	1
SA	57	Ohio	12	Oregon	4	EqGuinea	1
Tanzania	50	Tunisia	12	Oklahoma	4	Comoros	1
Kenya	47	Benin	11	Mauritania	4	North Dakota	1
Algeria	42	Burundi	11	Connecticut	4	Alaska	1
Sudan	41	Georgia	10	Iowa	3	District of Col	1
California	40	North Carolina	10	Utah	3	Vermont	1
Uganda	38	Michigan	10	Arkansas	3	Wyoming	1
Morocco	35	New Jersey	9	Nevada	3	Capo Verde	1
Mozambique	30	Virginia	8	Mississippi	3	STP	0
Texas	28	Togo	8	Kansas	3	Seychelles	0
Ghana	28	Washington	7	Namibia	2	Somalia	0
Angola	28	Sierra Leone	7	Botswana	2		
Madagascar	26	Arizona	7	Gambia	2		
Ivory Coast	25	Massachusetts	7	New Mexico	2		
Cameroon	24	Tennessee	7	Lesotho	2		
Florida	21	Indiana	7	Nebraska	2		
New York	20	Libya	6	Gabon	2		
Malawi	19	Missouri	6	W Virginia	2		
Burkina Faso	19	Maryland	6	Idaho	2		
Mali	19	Eritrea	6	Guinea-Biss	2		
Niger	19	Wisconsin	6	Hawaii	1		
Zambia	17	Colorado	6	New Hamps	1		
Senegal	16	Minnesota	6	Maine	1		
Zimbabwe	15	Sth Carolina	5	Mauritius	1		
Guinea	13	CAR	5	Swaziland	1		
Pennsylvania	13	Alabama	5	Rhode Island	1		



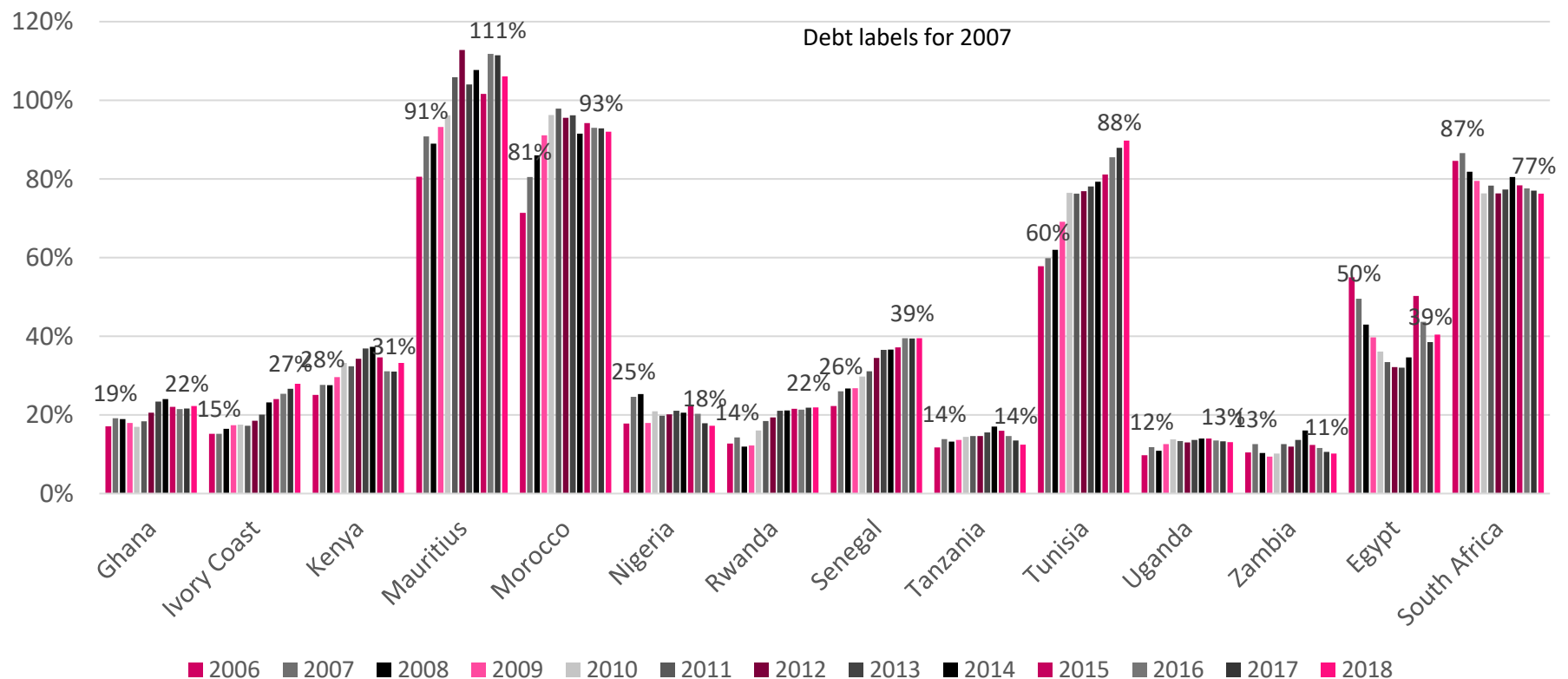
DEPOSITS JUMP WHEN FERTILITY FALLS

Bank deposits as % of GDP at Total Fertility Rate clusters, countries less than 50% of US GDP per capita



BANK LENDING (% OF GDP) – THE CFA/ECO ADVANTAGE

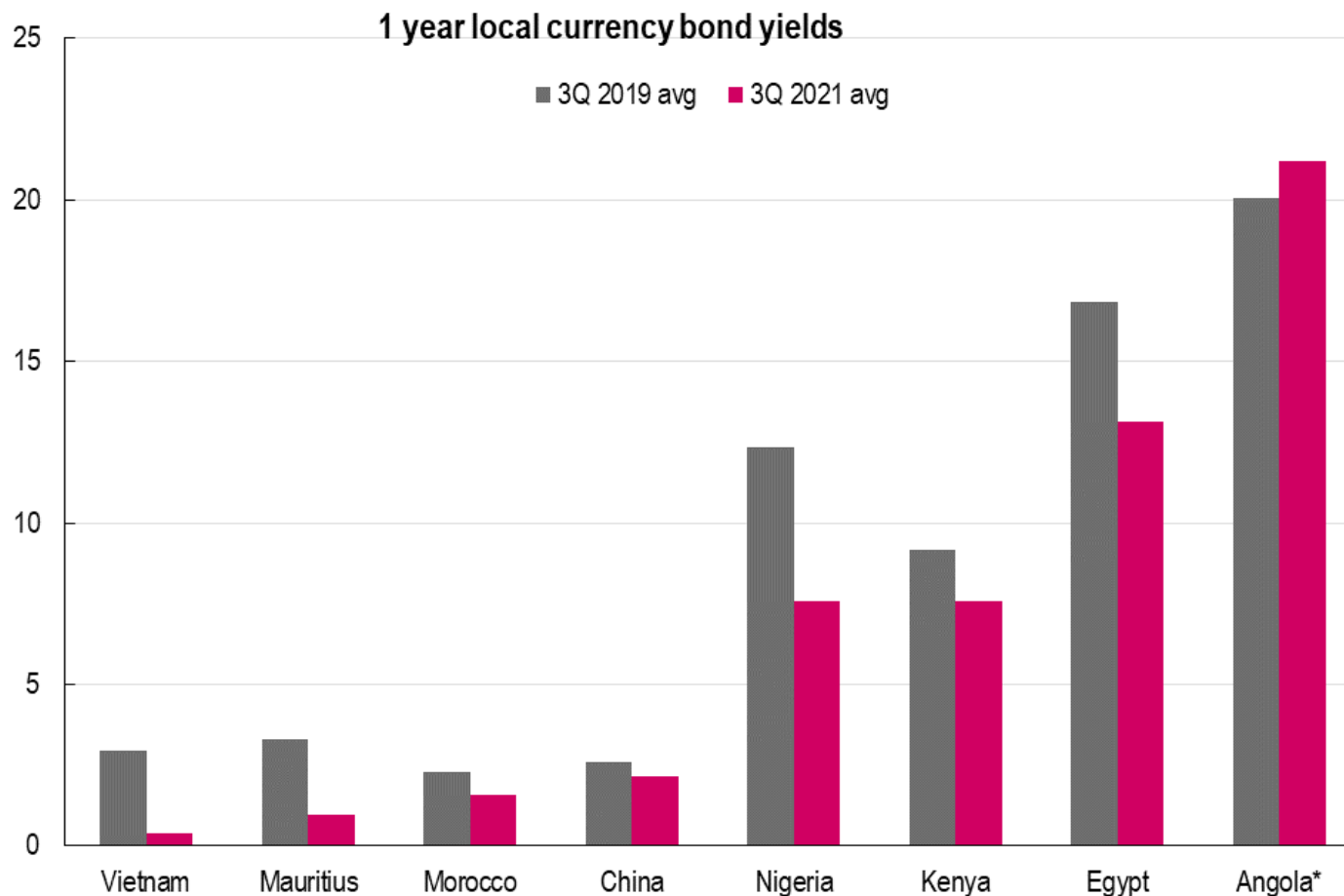
Three themes in Africa - higher debt in richer countries, Moroccan style rises in Senegal/Ivory Coast and stagnation in Anglophone Africa



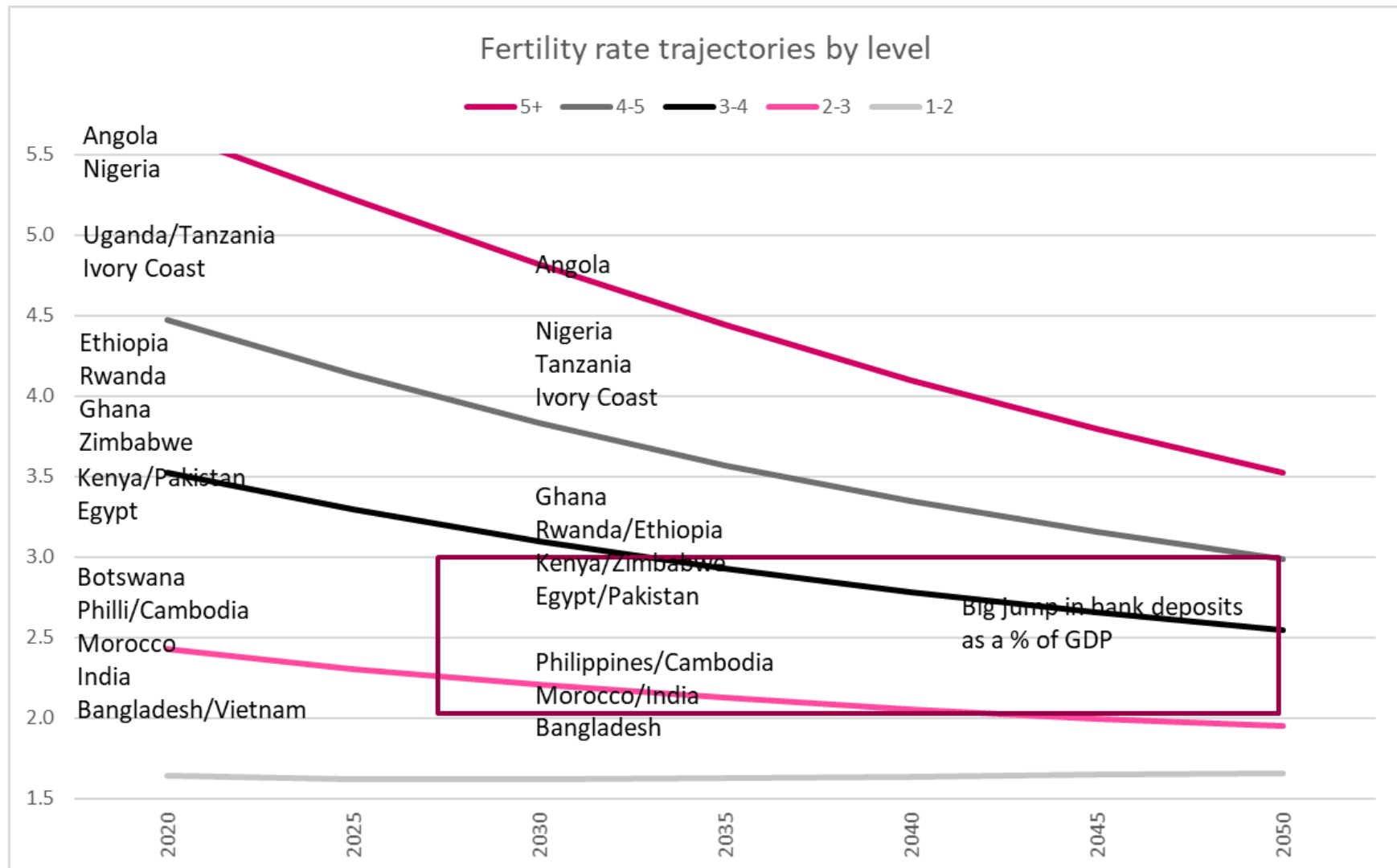
MOROCCO VS NIGERIA – A FERTILITY STORY

Interest rates reflect the quantity of deposits in the country unless you run a current account surplus, via a cheap currency or (in Nigeria's case) an oil price boom.

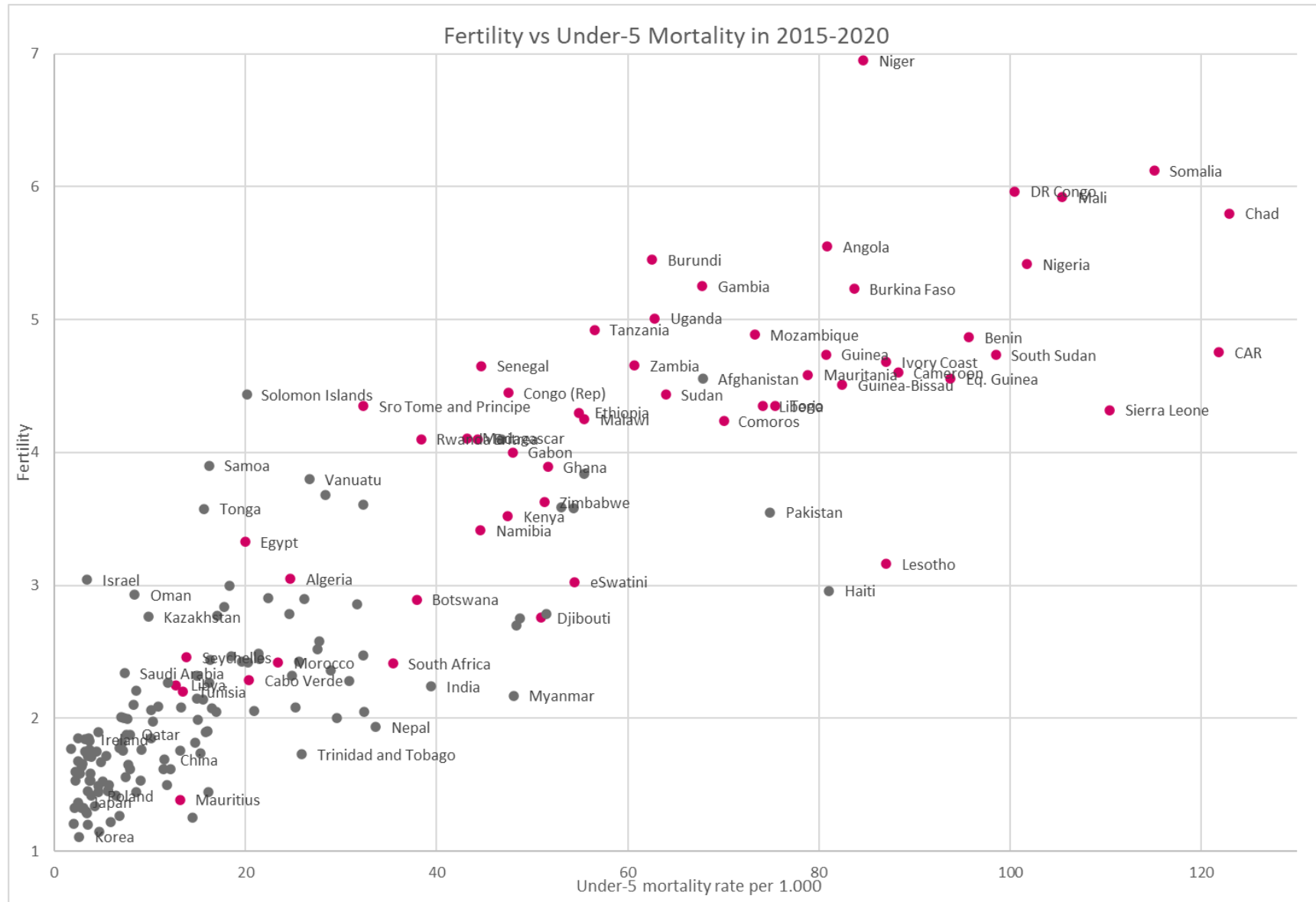
Rates can be manipulated downwards temporarily, but that usually triggers inflation. **To have sustainably low rates requires 1) a C/A surplus or 2) high deposits and low fertility**



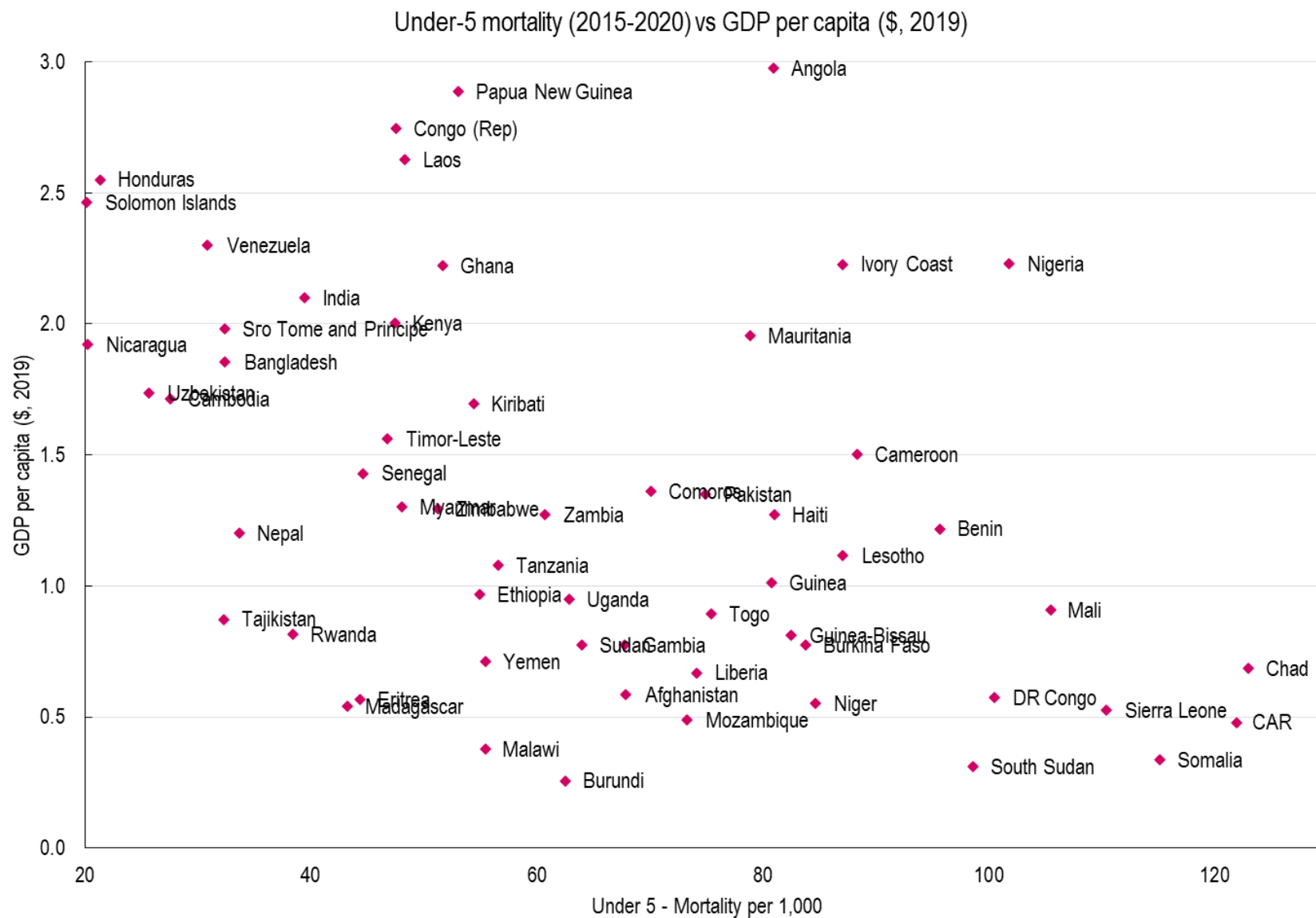
WHEN WILL FERTILITY FALL BELOW 3



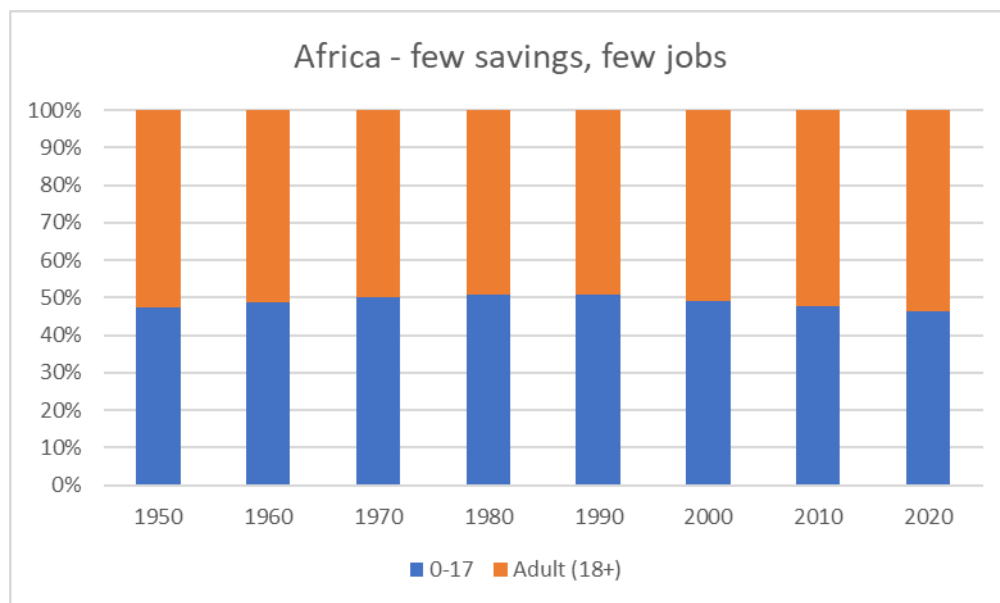
WHAT CAN BE DONE ?



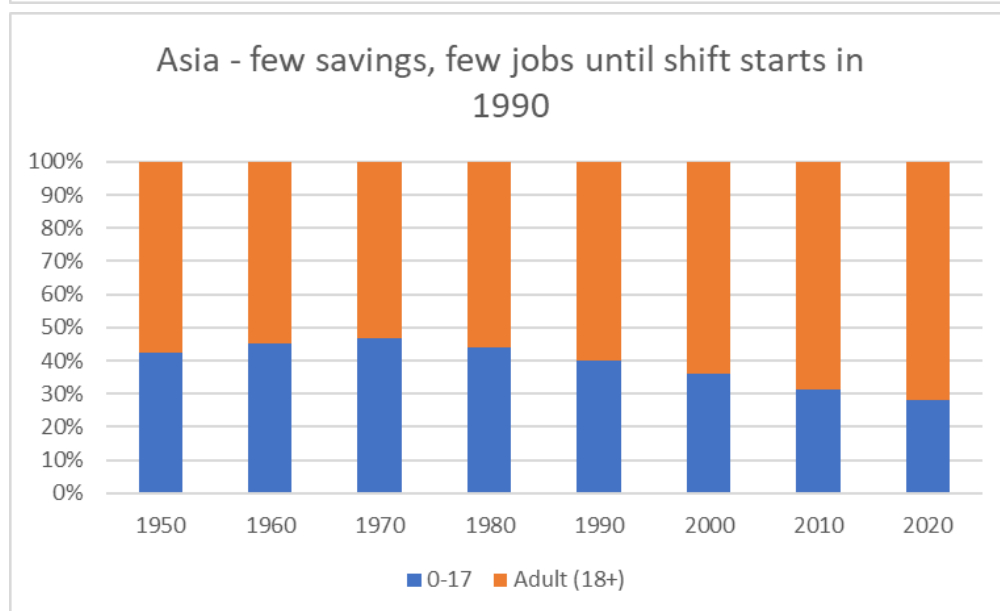
NOT JUST ABOUT MONEY



AS FERTILITY FALLS, ECONOMY IMPROVES



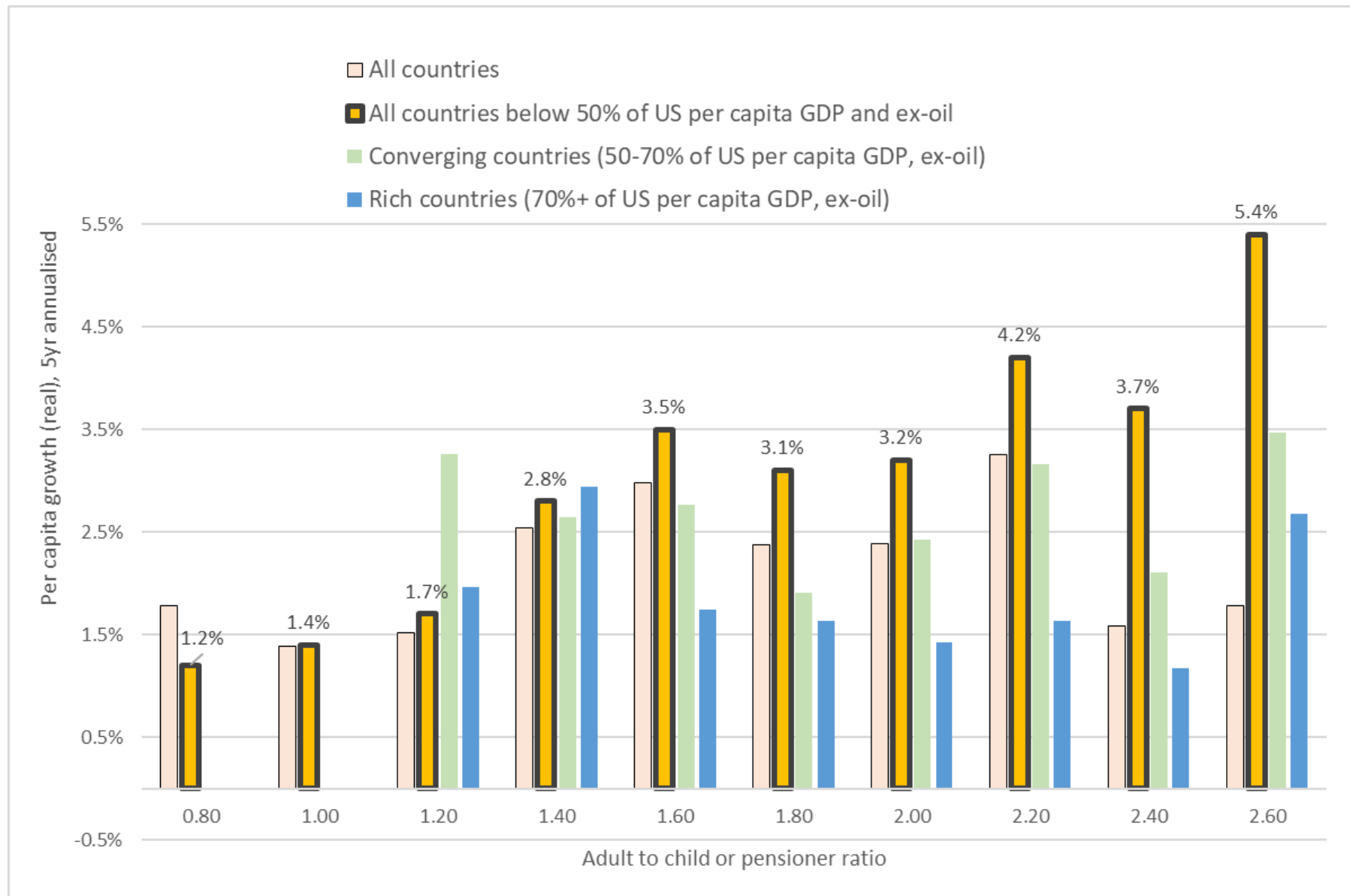
When fertility stays high, savings are in short supply, so there is no investment and a shortfall in jobs. The constant cry is “Where will the jobs come from?”



When fertility falls, savings rise, so investment rises and this creates new jobs.

The bottom chart would be more dramatic if we split out East Asia and South Asia

GDP GROWTH – A DEPENDENCY RATIO STORY



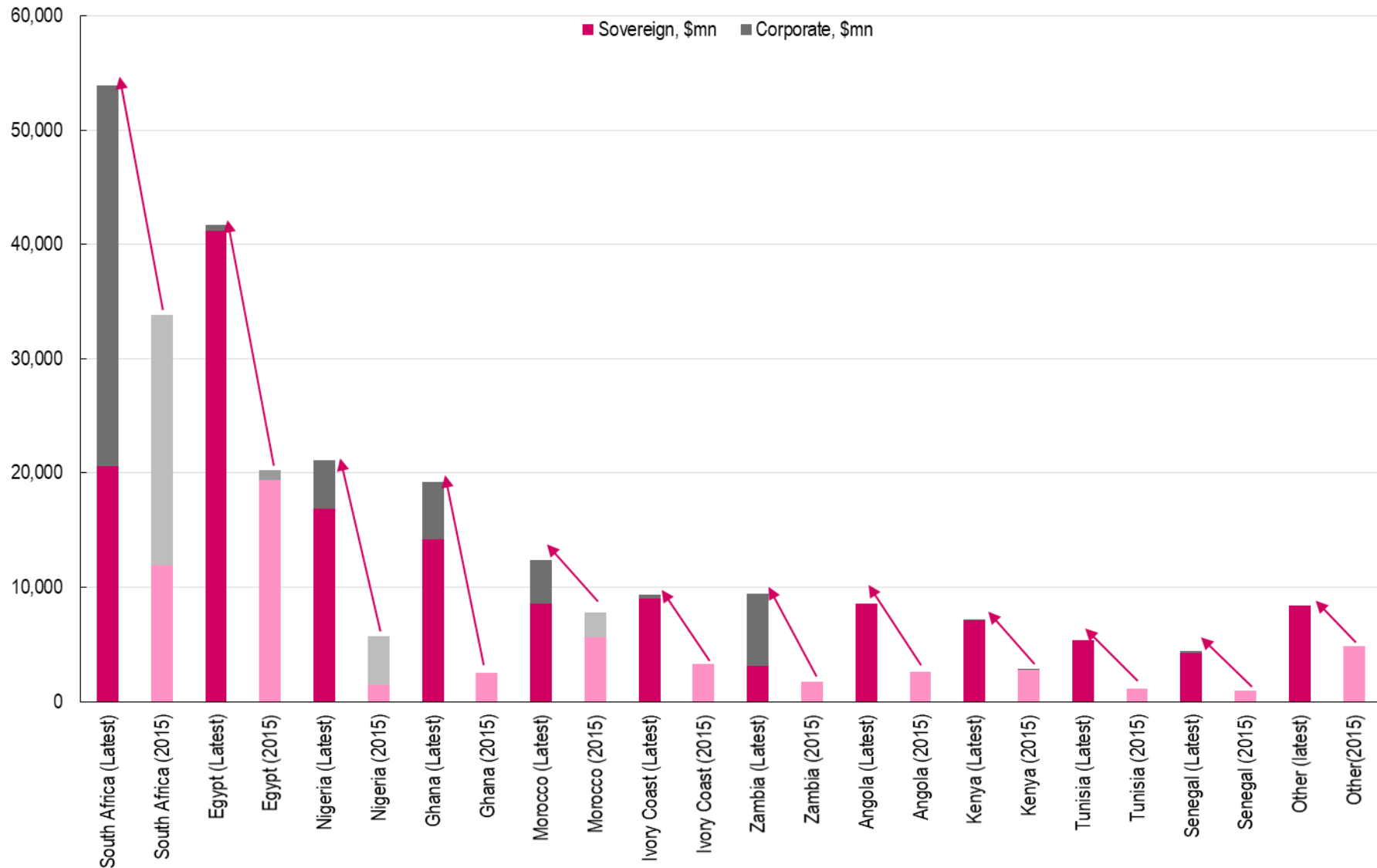
FRONTIER VS EM – RATIOS

	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050	2055	2060	2065	2070
Bahrain	1.3	1.1	1.1	1.4	1.7	1.8	1.9	2.1	2.1	2.6	3.5	3.3	3.8	3.6	3.5	3.3	3.1	2.9	2.8	2.6	2.5	2.2	1.9
Bangladesh	1.2	1.2	1.1	1.1	1.1	1.1	1.2	1.3	1.5	1.6	1.7	1.9	2.1	2.3	2.3	2.3	2.3	2.2	2.1	1.9	1.8	1.6	1.5
Croatia	1.9	2.0	2.1	2.0	2.1	2.2	2.2	2.1	2.0	2.0	2.0	2.0	1.8	1.7	1.6	1.6	1.5	1.4	1.3	1.2	1.2	1.2	1.2
Estonia	2.0	2.0	2.0	1.9	1.9	2.0	2.0	1.9	2.1	2.1	2.1	1.9	1.7	1.6	1.6	1.6	1.5	1.4	1.3	1.2	1.1	1.2	1.3
Jordan	1.1	1.0	1.0	1.0	0.9	1.0	1.0	1.3	1.3	1.4	1.4	1.5	1.7	1.9	2.1	2.1	2.0	2.0	2.0	2.0	2.0	1.9	1.8
Ivory Coast	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.1	1.2	1.2	1.3	1.3	1.3	1.3	1.4	1.5	1.5	1.6	1.7	1.7	1.8
Kazakhstan	1.4	1.3	1.3	1.5	1.6	1.7	1.7	1.7	1.9	2.1	2.2	2.0	1.7	1.7	1.7	1.8	1.8	1.8	1.7	1.6	1.7	1.8	1.9
Kenya	1.0	0.9	0.9	0.9	0.9	0.9	0.9	1.0	1.1	1.2	1.2	1.3	1.4	1.6	1.7	1.8	1.8	1.9	1.9	1.9	2.0	2.0	1.9
Kuwait	1.7	1.5	1.2	1.1	1.4	1.6	1.8	2.1	2.3	2.6	3.0	3.3	3.1	3.1	3.1	2.7	2.2	1.8	1.7	1.9	2.1	2.2	2.1
Lebanon	1.1	1.0	1.1	1.2	1.2	1.3	1.4	1.6	1.7	1.8	2.1	2.0	2.1	2.1	2.0	1.9	1.9	1.8	1.7	1.6	1.5	1.4	1.3
Lithuania	1.9	1.8	1.7	1.7	1.9	2.0	2.0	1.9	1.9	2.1	2.1	2.0	1.8	1.5	1.4	1.4	1.3	1.3	1.3	1.2	1.1	1.2	1.3
Mauritius	1.0	1.0	1.2	1.4	1.5	1.8	2.0	2.1	2.1	2.2	2.4	2.4	2.4	2.3	2.1	1.9	1.8	1.7	1.7	1.6	1.5	1.3	1.2
Morocco	1.1	1.0	1.0	1.0	1.1	1.2	1.3	1.4	1.6	1.7	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.8	1.7	1.7	1.6	1.6	1.5
Nigeria	1.3	1.2	1.2	1.2	1.1	1.1	1.1	1.1	1.2	1.2	1.1	1.1	1.2	1.2	1.3	1.3	1.4	1.5	1.5	1.6	1.7	1.8	1.8
Oman	1.1	1.1	1.0	1.0	1.1	1.1	1.1	1.4	1.5	1.9	2.5	3.1	3.0	2.9	2.9	3.1	3.0	2.8	2.5	2.1	1.8	1.7	1.7
Romania	1.8	1.9	1.9	1.9	1.7	1.9	1.9	2.0	2.1	2.2	2.2	2.1	1.9	1.8	1.8	1.7	1.5	1.4	1.4	1.3	1.3	1.3	1.3
Senegal	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.2	1.3	1.4	1.5	1.5	1.6	1.6	1.7	1.7	1.7	1.8
Serbia	1.7	1.8	2.0	2.0	1.9	2.0	2.0	2.0	1.9	2.0	2.1	2.0	1.9	1.9	1.8	1.8	1.7	1.6	1.5	1.4	1.3	1.3	1.2
Slovenia	1.8	1.9	1.9	1.9	1.9	2.1	2.2	2.3	2.3	2.4	2.3	2.1	1.8	1.6	1.6	1.5	1.4	1.3	1.2	1.1	1.2	1.2	1.3
Sri Lanka	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	2.0	2.1	2.0	1.9	1.9	1.8	1.8	1.7	1.6	1.5	1.5	1.5	1.5	1.4	1.4
Tunisia	1.1	1.0	1.0	1.1	1.2	1.3	1.4	1.5	1.8	2.0	2.2	2.2	2.0	1.9	1.9	2.0	1.9	1.8	1.6	1.5	1.5	1.5	1.5
Vietnam	1.2	1.1	1.0	1.1	1.2	1.2	1.3	1.4	1.6	2.0	2.3	2.4	2.2	2.1	2.0	2.0	1.9	1.8	1.7	1.5	1.4	1.4	1.4

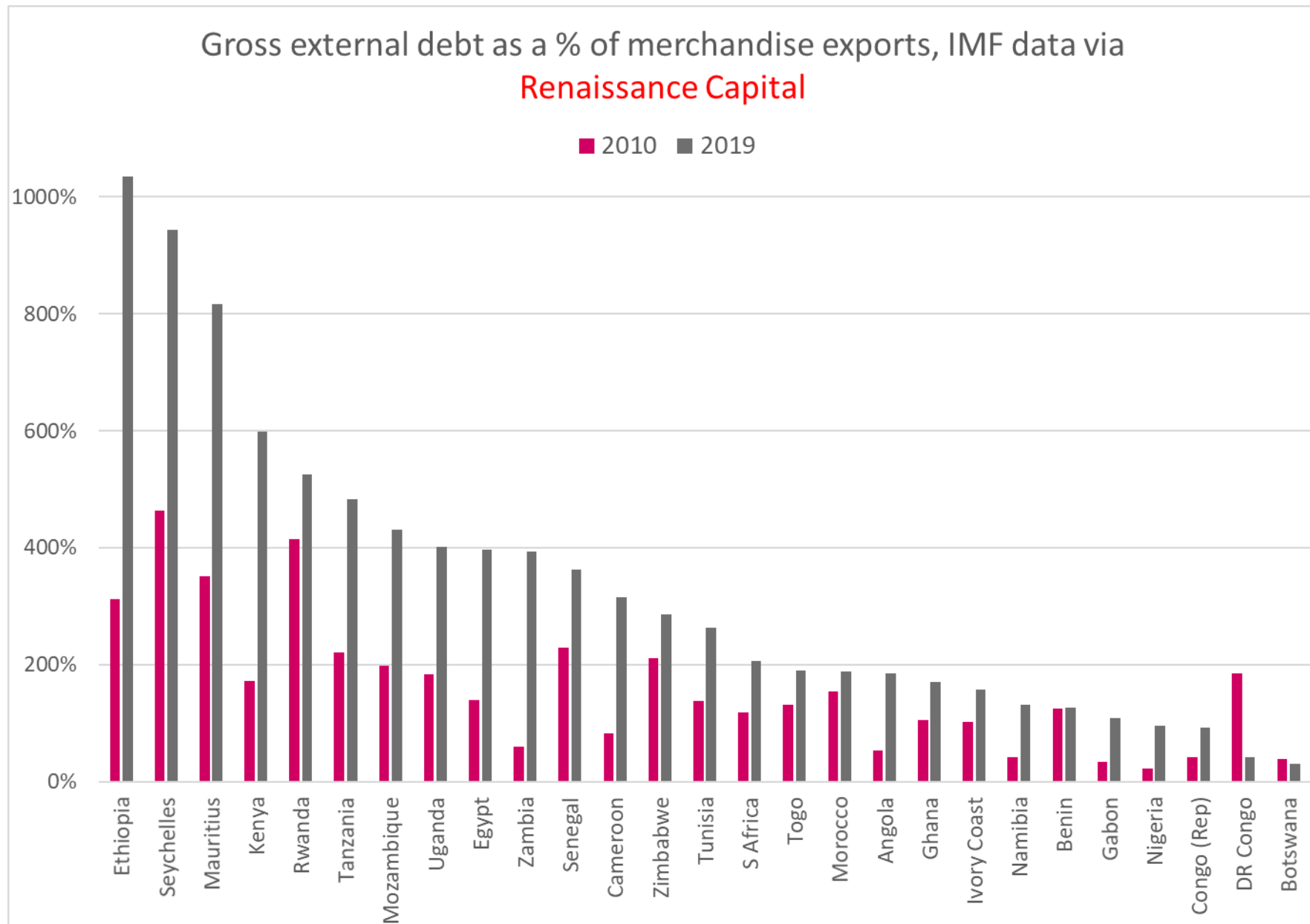
	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050	2055	2060	2065	2070
Argentina	1.7	1.7	1.7	1.7	1.6	1.5	1.5	1.6	1.6	1.7	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.7	1.7	1.6	1.6	1.5
Brazil	1.2	1.1	1.2	1.3	1.4	1.5	1.5	1.7	1.8	2.0	2.2	2.3	2.3	2.2	2.1	2.1	2.0	1.8	1.7	1.6	1.5	1.4	1.3
China	1.3	1.2	1.3	1.3	1.5	1.8	1.9	2.0	2.2	2.6	2.7	2.7	2.4	2.2	2.1	1.8	1.6	1.6	1.5	1.3	1.3	1.3	1.3
Chile	1.3	1.3	1.4	1.5	1.6	1.7	1.8	1.8	1.9	2.0	2.2	2.2	2.2	2.0	1.9	1.8	1.8	1.7	1.6	1.4	1.3	1.3	1.3
Colombia	1.0	1.0	1.0	1.1	1.3	1.4	1.5	1.6	1.6	1.8	2.0	2.1	2.2	2.2	2.1	2.0	2.0	1.9	1.8	1.6	1.5	1.4	1.3
Czech Repu	1.8	2.0	2.0	1.9	1.7	1.8	1.9	2.1	2.3	2.5	2.4	2.0	1.8	1.7	1.7	1.7	1.5	1.4	1.3	1.2	1.2	1.3	1.4
Egypt	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.4	1.6	1.7	1.6	1.5	1.5	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.9
Greece	1.9	1.9	1.8	1.7	1.8	1.9	2.0	2.2	2.2	2.1	1.9	1.8	1.8	1.7	1.7	1.5	1.3	1.2	1.1	1.1	1.1	1.1	1.1
Hungary	1.9	2.0	2.1	2.0	1.8	2.0	2.0	2.1	2.1	2.2	2.2	2.1	1.9	1.8	1.8	1.7	1.6	1.4	1.4	1.3	1.3	1.3	1.3
India	1.3	1.2	1.3	1.3	1.3	1.4	1.4	1.5	1.6	1.7	1.8	1.9	2.1	2.1	2.2	2.2	2.2	2.2	2.1	2.0	1.9	1.8	1.7
Indonesia	1.3	1.2	1.1	1.2	1.2	1.3	1.5	1.6	1.8	1.9	2.0	2.0	2.1	2.1	2.1	2.0	2.0	1.9	1.8	1.8	1.8	1.7	1.7
Korea	1.1	1.1	1.2	1.4	1.6	1.9	2.3	2.4	2.6	2.6	2.7	2.8	2.5	2.2	1.8	1.5	1.3	1.2	1.1	1.0	1.0	0.9	0.9
Malaysia	1.0	1.0	1.1	1.2	1.3	1.4	1.5	1.5	1.7	1.9	2.0	2.2	2.3	2.2	2.1	2.1	2.2	2.1	2.0	1.8	1.6	1.5	1.5
Mexico	1.0	1.0	1.0	1.0	1.1	1.2	1.3	1.4	1.5	1.7	1.8	1.9	2.0	2.0	2.1	2.0	2.0	1.9	1.9	1.8	1.7	1.6	1.5
Pakistan	1.3	1.3	1.2	1.1	1.1	1.2	1.1	1.1	1.2	1.3	1.4	1.5	1.6	1.6	1.7	1.8	1.9	2.0	2.0	2.0	2.0	2.0	2.0
Peru	1.1	1.1	1.1	1.1	1.2	1.3	1.3	1.4	1.5	1.7	1.8	1.8	2.0	2.0	1.9	1.9	1.9	1.8	1.7	1.6	1.5	1.5	1.5
Philippines	1.0	1.0	1.0	1.1	1.2	1.2	1.3	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.8
Poland	1.5	1.6	1.8	2.0	1.9	1.9	1.9	1.9	2.2	2.4	2.5	2.3	1.9	1.8	1.7	1.7	1.6	1.5	1.3	1.2	1.1	1.1	1.2
Qatar	1.3	1.4	1.6	1.8	1.8	2.3	2.4	2.5	2.6	3.3	6.4	5.9	5.5	5.2	4.7	4.1	3.7	3.4	3.0	2.6	2.3	2.1	2.0
Russia	1.7	1.8	1.9	2.1	2.1	2.1	2.0	2.0	2.3	2.4	2.6	2.3	2.0	1.8	1.7	1.8	1.8	1.7	1.5	1.4	1.4	1.5	1.6
Saudi Arabi	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.4	1.7	2.1	2.5	2.5	2.6	2.7	2.7	2.5	2.2	2.0	1.8	1.7	1.7	1.7
South Africa	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.4	1.6	1.8	1.9	1.9	1.9	2.0	2.1	2.1	2.2	2.2	2.1	2.0	2.0	2.0	2.0
Thailand	1.2	1.1	1.1	1.2	1.3	1.6	1.9	2.1	2.3	2.4	2.6	2.5	2.4	2.2	2.0	1.7	1.6	1.4	1.4	1.4	1.3	1.2	1.2
Turkey	1.2	1.2	1.2	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.0	2.0	2.0	2.0	2.0	1.9	1.8	1.7	1.6	1.5	1.4	1.4
UAE	1.1	1.5	1.8	2.4	2.4	2.0	2.1	2.5	2.7	4.2	6.2	5.6	5.2	4.7	4.2	3.5	2.9	2.4	2.2	2.1	2.0	2.0	2.1

\$147BN DOLLARS (MORE EQUITY PLEASE)

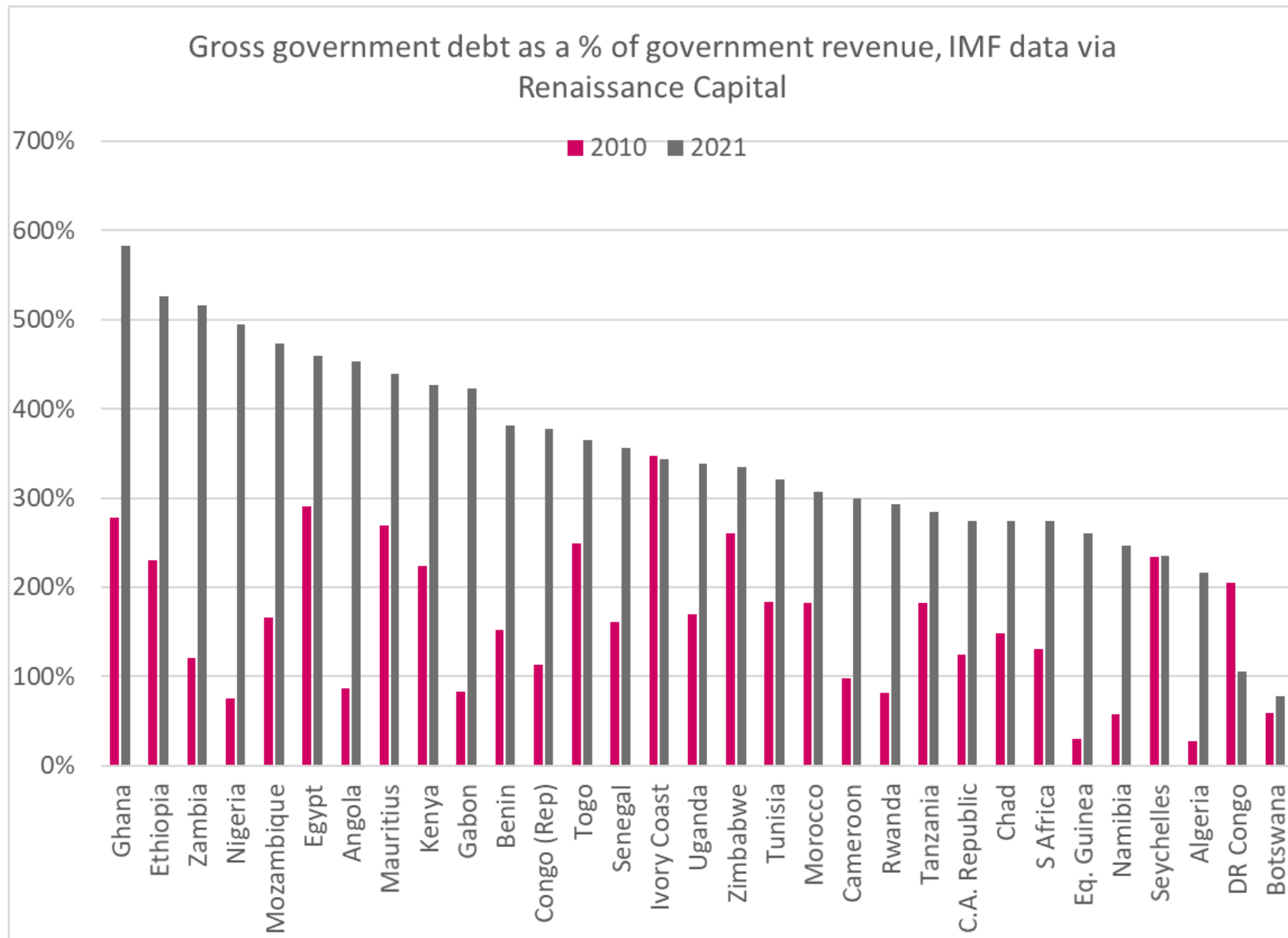
African Eurobonds, amount outstanding (Latest vs 2-Jan-2015), \$mn



WE NEED EXPORT GROWTH

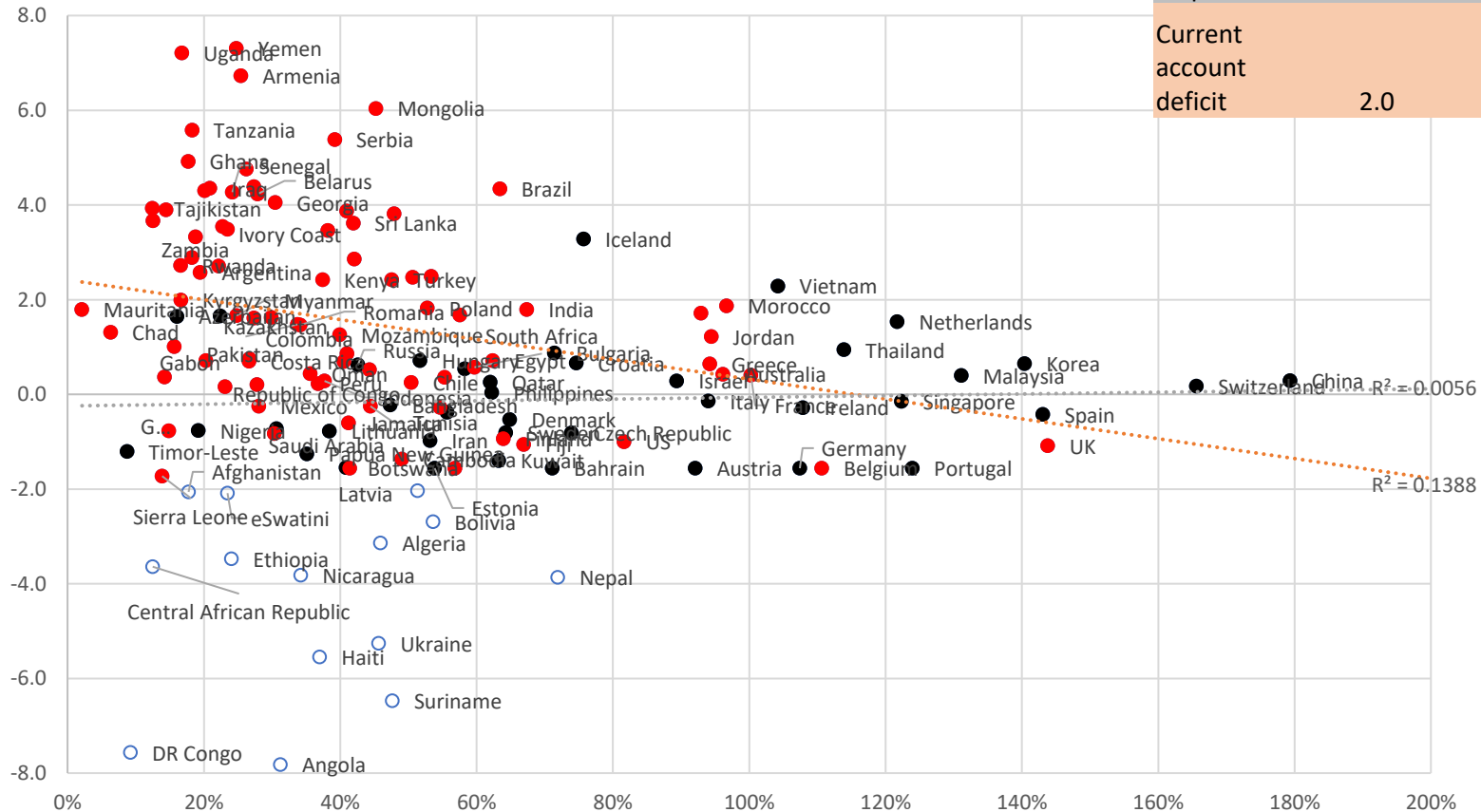


BUT THERE ARE LIMITS



C/A SURPLUS OR HIGH DEPOSIT BASE = LOW INTEREST RATES

5yr subsequent average real interest rates (lhs)
vs Deposits to GDP in 2013 (bottom axis)

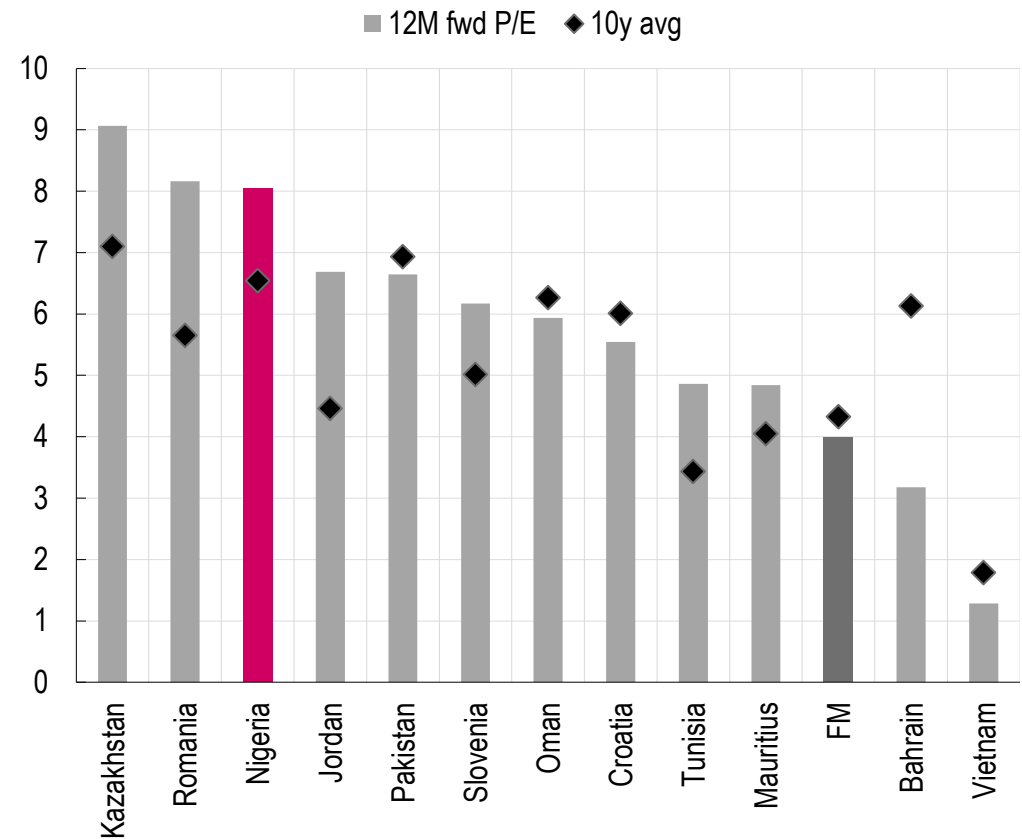
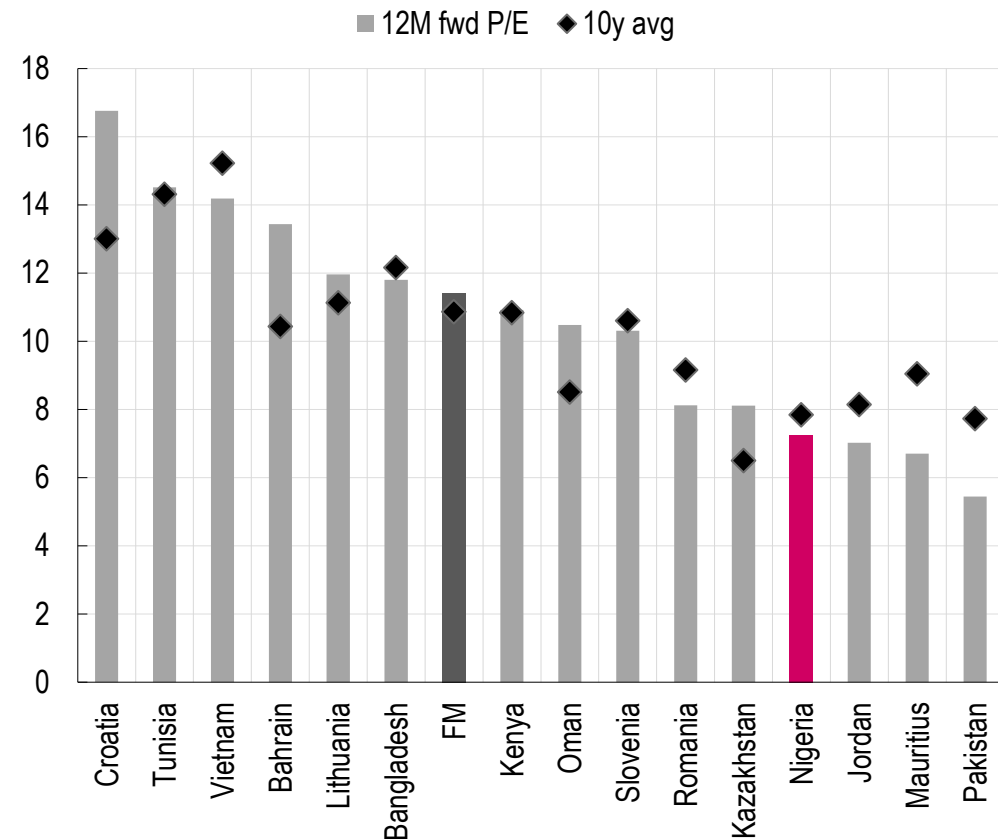


Real interest rates over time (%)

	All countries	Under 40% GDP of bank deposits	Over 40% of GDP of bank deposits
Current account surplus	-0.1	-0.2	-0.1
Current account deficit	2.0	2.7	1.0

NIGERIA'S CHEAP EQUITY MKT GIVES GOOD YIELD

One of the cheapest Frontier markets with a p/e ratio of 7, below its 10 year average. It also has one of the highest dividend yields, and they've above the 10-year average. The ideal combination for local investors.



CONCLUSIONS

- After beating most of the world in terms of GDP in 2020, Africa's 2021 recovery was obviously less dramatic than elsewhere. But a recovery is underway and Nigeria is getting an extra boost from oil.
- The long-term structural drivers of growth remain education, electricity and fertility. On literacy, Africa has made *huge* progress over 70 years, such that most countries and all of southern Nigerian now has the human capital to industrialise. Electricity means in short supply however and leaves many countries too dependent on commodities that *rarely* allow rapid per capita growth over decades. North Africa is well supplied with power and is the next region likely to industrialise, led by Morocco and probably Egypt.
- Paying for a well supplied electricity grid is expensive in high fertility countries, hence the external borrowing spree we've seen in recent years. The falling costs of cheaper renewable energy might help countries leap forward in the 2020s. But rising US interest rates are a threat, and could trigger wider debt default this decade. China recession is the 2nd threat. The countries most vulnerable to default are Sri Lanka (which missed the best of its demographic dividend), Pakistan, Egypt and Ghana – but IMF support remains a valuable lifeline. More are likely to be in the risky group over coming years. Today, Nigeria still has room to borrow externally, but it needs to be aimed at export growth.
- Meanwhile, all the economic history in the world can be invalidated by technological change. All of human history (growth not much above 0%) was upended when the industrial revolution arrived. Digital may also provide change beyond what any conventional economist might be able to predict. We believe Africa will achieve the highest growth its seen in the 21st century, with the greenest industrial revolution ever achieved, surpassing India's GDP by the 2050s, equalling China's current size by 2060 and the US current size by 2070.

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2021 MARKET RECAP & 2022 OUTLOOK

Temi Popoola
CEO, Nigerian Exchange Limited

03 February 2022

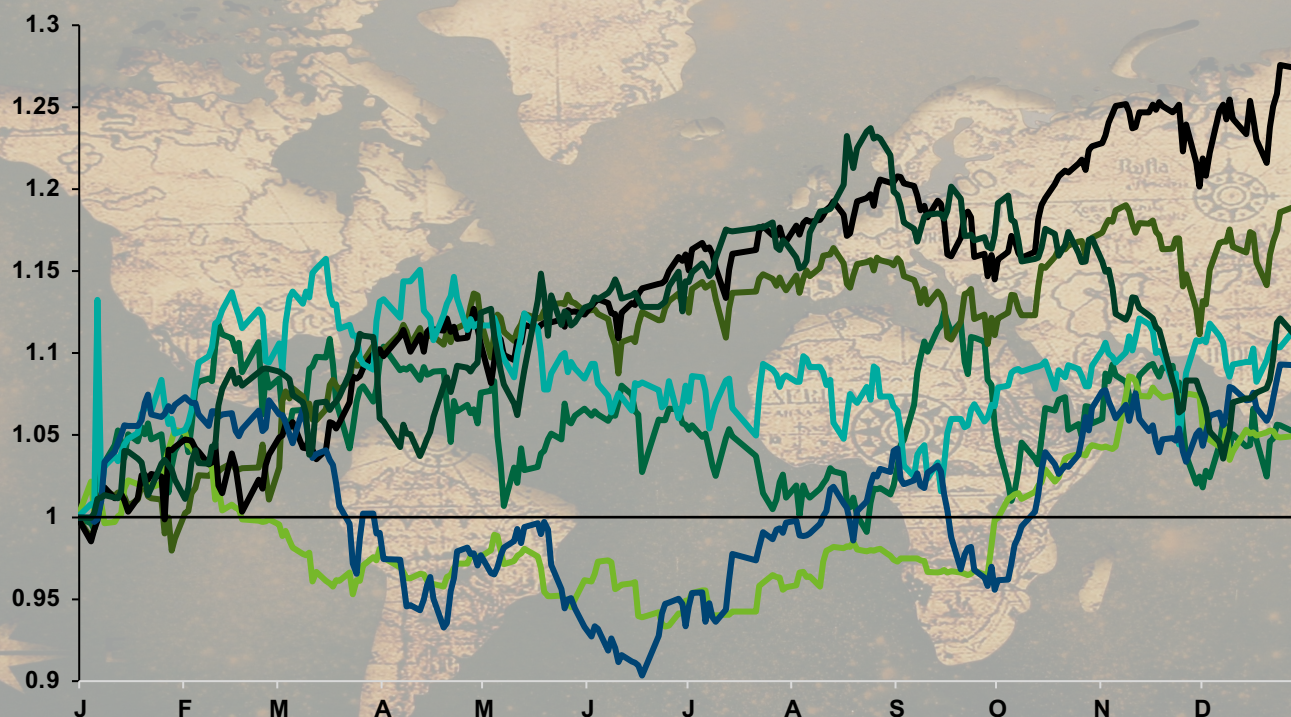


GLOBAL MARKET REVIEW



Global equities markets reflected positive sentiment boosted by the rollout of COVID-19 vaccines. General global economic recovery and recovery in corporate earnings spurred major indices around the world to end the year in the positive.

Select Global Index Performance (%)



S&P 500: 27.71%

DJIA: 19.50%

FTSE JSE: 12.79%

NAIROBI ASI: 10.26%

EGX 30: 9.95%

NGX ASI: 6.07%

NIKKEI: 4.44%

Source: NGX Research; Investing.com



- In March 2021, history was made as The Nigerian Stock Exchange (NSE) completed its demutualisation process, following statutory approvals from the Securities and Exchange Commission and Corporate Affairs Commission (CAC).
- With demutualisation, NSE transitioned into a non-operating holding company, Nigerian Exchange Group Plc. (NGX Group).
- The holding company has three operating subsidiaries, namely, Nigerian Exchange Limited (NGX), the operating exchange; NGX Regulation Limited (NGX RegCo), the independent regulatory company; and NGX Real Estate Limited (NGX RelCo), the real estate company.
- NGX Group was subsequently listed by introduction on NGX in October 2021, in line with its post demutualisation plans.
- The Exchange also registered seven (7) contracts with the Securities and Exchange Commission (SEC) ahead of the launch of Exchange Traded Derivatives.

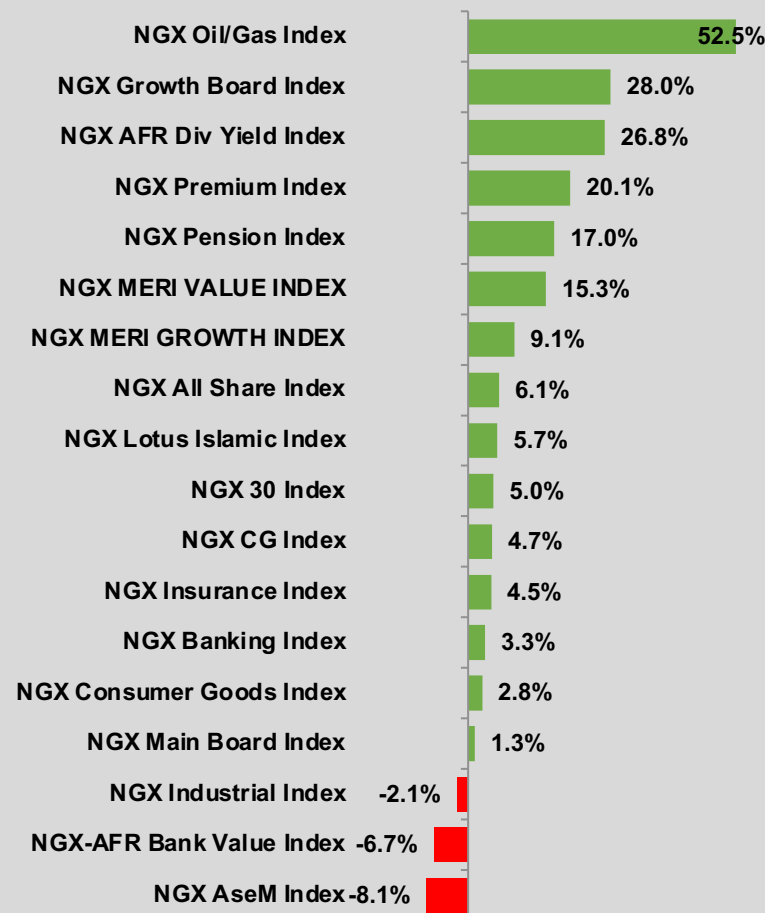


2021 NGX MARKET PERFORMANCE – EQUITIES MARKET REVIEW



- NGX's flagship index, NGX All Share Index returned 6.1%, driven by recovering corporate earnings and improved investor sentiments.
- The Equity Capitalization rose by 5.89% or N1.24Tn during the year.
- Market Turnover declined by 10.82% from N1.03Tn in 2020 to N916Bn, in 2021.
- First ever end-to-end digital offer in the Nigerian capital markets leveraging NGX sponsored digital platform.

2021 NGX Indices Performance - % Change



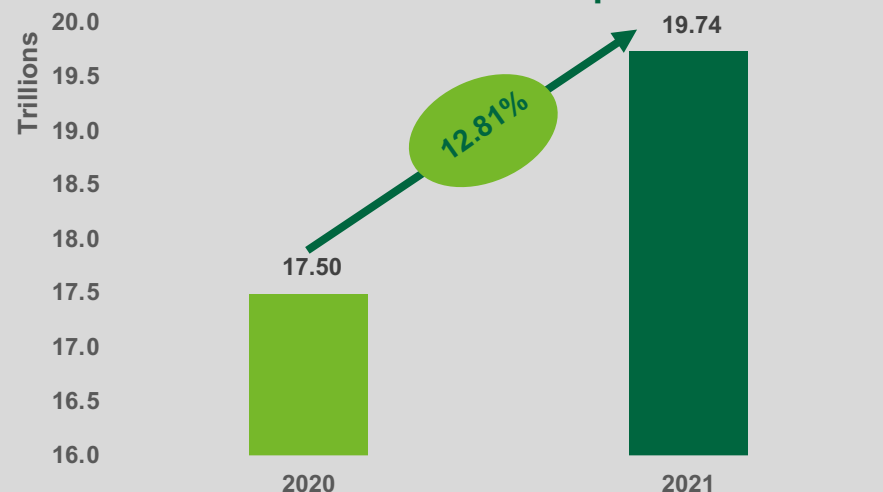
Source: NGX Research

2021 NGX MARKET PERFORMANCE – FIXED INCOME MARKET REVIEW



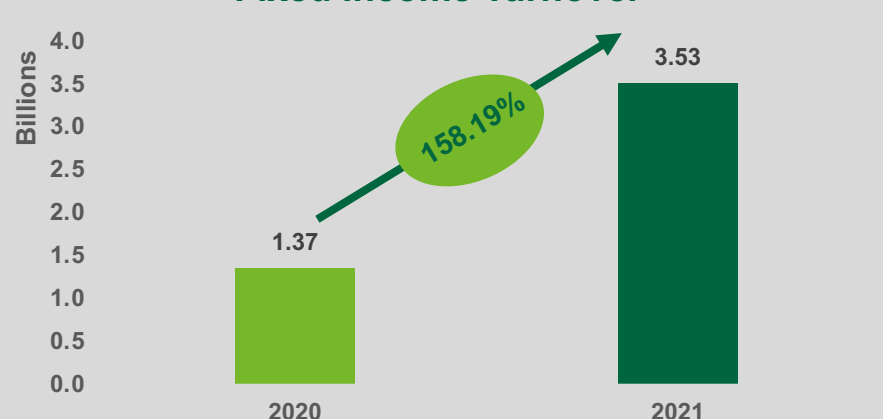
- Market Capitalization grew by 12.81% 19.74Tn in 2021.
- Significant uptick in Turnover value to N3.52Bn in 2021. This represents an increase of 158.19%.
- Groundbreaking listing of BUA Cement's N115Bn Bond, the largest corporate bond issuance.
- Listing of LFZC Funding SPV's N10Bn, the longest dated corporate bond, among other corporate and government bonds.

Fixed Income Market Capitalization



Source: NGX Research

Fixed Income Turnover



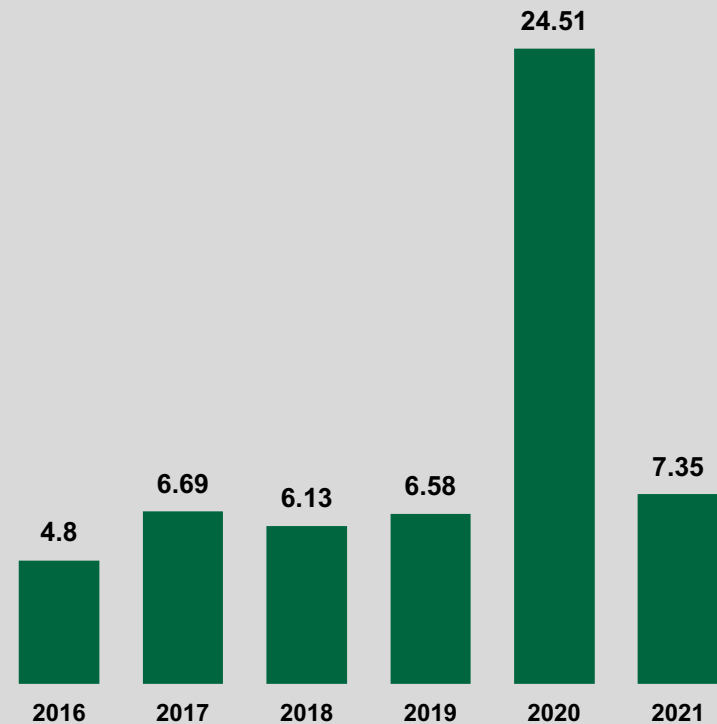
Source: NGX Research

2021 NGX MARKET PERFORMANCE – ETF MARKET REVIEW



- The ETF Market Capitalisation fell from N24.51Bn in 2020 to N7.35Bn in 2021 representing a 70% decline in the Market Capitalization of Exchange Traded Funds.
- The decline in the market capitalisation can be attributed to net redemption of ETFs particularly the New Gold ETF following strong interest the previous year.
- The Lotus Halal Equity ETF which tracks the performance of Shari'ah compliant equities listed on the Exchange was the best performing ETF returning 9.19%.
- Transactions in ETFs fell from N56.66Bn in 2020 to N34.22Bn in 2021. This represents a decline in ETF turnover of 39.6%.

ETFs Market Capitalization (N'Bn)



Source: NGX Data



Business Development

- **Customer Experience:** In line with the Exchange's drive to develop and improve the digital experience for our stakeholders, the Exchange launched the maiden edition of the Digital only version of the 2021 NGX annual Factbook (X-Factbook).
- **Operational Support for Market Efficiency:** Completed the design of a Post Trade Allocation framework and enhancing the share detachment process for investors with custodians.
- **Product Launch and Development:** Concluded UAT on Derivatives Instrument Set-Up and Trading and completed integration with the CCP technology of NG Clearing. Conceptualized and/ or developed framework for the introduction of 7 new products on the market. Conceptualized and/ or developed framework for the introduction of Environmental, Social & Governance board to attract impact investments.

Market Development

- **X-Mobile:** In September, the Exchange launched an enhanced version of its X-Mobile App. X-Mobile is a dynamic app designed to enhance participation by providing users with market snapshots and analytics, securities prices, financial news and trade simulation.
- **Retail Workshops:** 4 Financial Literacy Seminars on Retail Investments and Global Money Week Event to increase market awareness and improve market penetration.
- **Securities Lending:** Grew the total value of securities borrowed/lent in 2021 to N513.10Mn up from N95.18Mn 2020 and N340 thousand in 2019.
- **Market Making:** Received approval on amendments to the NGX Market Making Rules and relaunched the NGX Market Making Program across the various listed asset classes.



1

Coming into 2022, the IMF forecasts that the global economy is expected to grow by 4.9% in 2022 from an estimated 5.9% in 2021

2

Uncertainty about the global economy is at its highest since the early days of the pandemic. This is driven by fear of mutating variants of the Coronavirus and uneven vaccinations

3

Given the forecasts on global inflation, we expect monetary policy authorities to either continue to raise rates in countries where hikes had begun in 2021 or begin to raise rates in advanced economies like the US

4

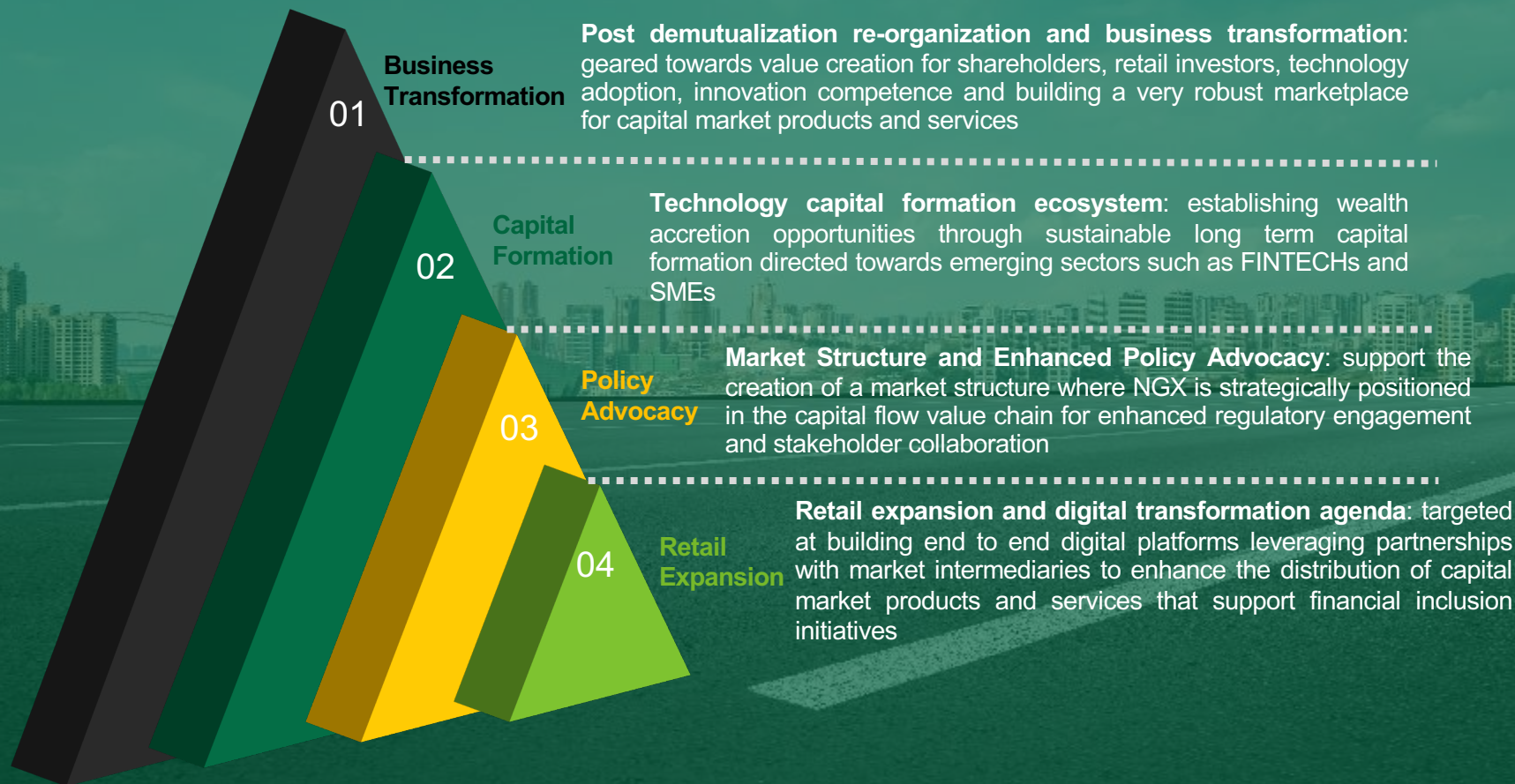
Accordingly, the global financial markets in 2022 will be shaped by monetary policy decisions focused on the balancing act of supporting economic expansion and curbing inflationary pressures

5

Financial markets will also be impacted by how quickly global policymakers are able to collaborate raising global vaccinations and dealing with variants of the Coronavirus

6

Additionally, the financial markets will be focused on reducing the devastating effects of climate change seen around the world, through its investment decisions



THANK YOU