OUTLINE

1. Economy and 2022 Market Recap
2. NGX Strategic Performance
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Economy & 2022 Market Recap
Nigeria’s growth trajectory has been markedly weak since the 2016 recession. Weakness in Nigeria’s growth prospects to be compounded by low oil production, flooding, interest rates uptick, election-induced slowdown, and policy inertia

- Upside risks include a strong recovery in oil production, commencement of Dangote refinery and investment in gas sector
INFLATION REMAINS A MAJOR CONSIDERATION FOR POLICYMAKERS ACROSS THE GLOBE

Price levels soared to multidecade highs following geopolitical tensions and resultant spikes in energy and food costs

- This further compounded the inflationary pressure resulting from supply shortages coupled with excess demand on fiscal stimulus and monetary easing policies

Global inflationary trends (% YoY)

Commodity prices factored to 100

Source: IMF, Renaissance Capital

Source: Bloomberg, Renaissance Capital
Nigeria continues to struggle with surging inflation, led by rising food costs

- The inflation rate is set to remain heightened, albeit at a slower pace, in 2023
- Favourable risk factors include monetary tightening policy and global supply chain improvements

Headline inflation spiked to the highest level since 2005

Source: IMF, Renaissance Capital
INTEREST RATES ON THE RISE AS CENTRAL BANKS OPT FOR HAWKISH STANCE

Policy makers across the globe have been hiking interest rates in a bid to tame inflationary pressure and capital flight

- The US FOMC dot plot suggests the Fed Funds rate could rise to 5-5.25% in 2023 from the current range of 4.25-4.5%

Rate hikes in 2022

Interest rate dynamics in Nigeria

Source: Bloomberg, Central bank databases, Renaissance Capital

Source: CBN, FMDQ, Renaissance Capital
GLOBAL MARKET REVIEW

Global equities markets largely reflected negative sentiments with developed markets taking the bigger hit.

- Elevated interest rates propped by increase in inflation (food and energy inflation) proved to be strong headwinds for global equities.

Source: NGX, Bloomberg, Renaissance Capital
FX CHALLENGES CONTINUE TO PLAGUE THE NIGERIAN INVESTMENT STORY

Foreign investors are demanding a market-reflective adjustment to the official exchange rate and a removal of fuel subsidy before considering Nigerian investments.

Naira depreciation despite a rise in crude price

Nigeria's oil production reflecting trends of theft and poor investment
NIGERIA OUTPERFORMS GLOBAL INDEXES ON GAINS IN FEW BELLWETHER NAMES

Pockets of positive closes were evident in some frontier markets such as Nigeria and Egypt in 2022, despite foreign portfolio outflows.

S&P 500: -19.44%
IBOVESPA: +4.69%
FTSE 100: +0.91%
JSE/FTSE: -0.90%
EGX 30: +22.17%
NGX ASI: +19.98%
NIKKEI 225: -9.37%
FTSE 100: +0.91%

Source: NGX, Bloomberg, Renaissance Capital

KEY DRIVERS OF NGX ASI PERFORMANCE IN 2022

- Inability of T-bills and other Fixed Income instruments to provide positive return (Returns in excess of inflation)
- Attractive dividend yields of some stocks.
- Recovering Corporate earnings
- Improved sentiments among domestic retail investors
- Repatriation trades

Source: NGX, Bloomberg, Renaissance Capital
Total turnover of trading in 2022 improved by 27% from N916Bn in 2021 to N116Tn in 2022
- Market participation has remained heavily skewed to domestic investors
- BUA FOODS and GEREGU which were listed in 2022, were among the top 20 most traded stocks and accounted for 6.14% and 1.45% respectively of the total turnover in 2022

Source: NGX, Renaissance Capital
The Fixed Income market saw a slight uptick in turnover to N3.89Bn in 2022 from N3.53Bn recorded in 2021. This represents a 10.20% Y/Y increase.

The ETF Market Capitalization increased from N7.35Bn in 2021 to N8.42Bn in 2022, representing a 14.56% increase in the Market Capitalization.

Stanbic IBTC ETF 30 which tracks the performance of NGX 30 index was the best performing ETF in 2022, having began the year at N68.5 and closed at N245, reflective of 257.66% returns.

ETF transactions fell from N34.22Bn in 2021 to N211.02Mn in 2022. This represents a 99.38% decline in ETF turnover. This steep decline in turnover is attributed to Capital Controls by the apex Bank.

Source: NGX
NGX Strategic Performance
LISTINGS ON NGX AND IMPACT ON MARKET CAPITALIZATION IN 2022

There were listings of some strong names on NGX in 2021. Equity Capitalization rose by 25.20% (from N22.29Tn in 2021 to N27.92Tn in 2022) and Fixed Income Market capitalization grew by 17.58% from 19.74Tn in 2021 to 23.21Tn in 2022.
The Exchange showed commitment to achieving its strategic objectives during the year under review.

**DERIVATIVES LAUNCH**
Launched West Africa's first Exchange Traded Derivatives (ETD) market - Listed 10 NGX Index Futures Contracts (NGX30 and NGXPENSION)

**TECHNOLOGY BOARD**
Securities and Exchange Commission (SEC) approved the rules for listing on NGX Technology Board

**ASEA EXECUTIVE MEMBERSHIP**
NGX CEO elected executive committee member of the African Securities Exchanges Association (ASEA)

**AELP LAUNCH**
Successfully coordinated the launch of the African Exchange Linkage Project (AELP)

**STRATEGIC PARTNERSHIP**
Forged new strategic partnerships with the signing of MoUs with Bank of Industry and Dubai Financial Market in 2022
In the year under review, NGX relaunched its Market Making Program to tackle liquidity constraints and ensure sustained flow of funds in the capital market.

NGX executed several physical and online capacity building programs (Derivatives, Securities Lending, and Islamic Finance webinars) to enhance the knowledge of key stakeholders and increase investor participation.

NGX has been at the forefront of the promotion of the benefits that securities lending will bring to the domestic capital markets, improving liquidity and generating income for lenders.
2023 MARKET OUTLOOK
AFRICAN NATIONS SET TO HOLD HEAD OF STATE AND NATIONAL LEGISLATURE ELECTIONS

17 African countries are set to conduct elections in 2023, with a further 13 gearing up for 2024. This portends a risk of conflict, protests, policy uncertainty and ultimately a lack of clarity around investments within the region.

- The February general elections in Nigeria could prove pivotal in redefining the nation's investment narrative following its recently challenged spell.
POLITICAL LANDSCAPE IN NIGERIA

Pressing issues facing the next president of Nigeria:

1. Security
2. Fuel subsidy
3. Economic growth
4. FX convergence
5. Debt sustainability

Presidential Candidates:
- Bola Tinubu
- Peter Obi
- Atiku Abubakar

Vice Presidential Candidates:
- Kashim Shettima
- Yusuf Datti Baba-Ahmed
- Ifeanyi Okowa
Looking ahead, 2023 is likely to be the dawn of a new day for our market and the broader Nigerian economy.

- Global recession expectations
- Inflationary pressure
- Rising interest rates
- Exchange rate convergence
- General elections
- Implementation of new cashless policy
- MSCI Frontier Market Review
- Fuel subsidy removal
- Debt Burden
The World Bank, IMF and leading economists have predicted a global recession in 2023. A key feature is a string of financial crises in emerging and developing economies. Growth Opportunities: Marine, Agriculture, Medical/Health, Life, Credit, Bonds and Guarantees, Power.

Globally, world economies have been faced with the threat of inflationary pressures. The Nigerian economy has grappled with high inflation, eroding the purchasing power of most of the citizens. In December 2022, inflation moderated to 21.34%, with estimates of inflation falling to 13% by Q4 2023.

The Naira in 2022 saw a widening of the spread between its value on the I&E window and the Parallel market. In 2023, a new administration will likely lean towards the path of rate convergence/harmonisation. This will have knock-on effects for most goods and services and might further spur inflation in the short term.

The general elections are being held in February 2023, and could prove vital to the country’s development. There are 3 main political candidates; Bola Tinubu (APC), Atiku Abubakar (PDP) and Peter Obi (LP). The Candidates will face enormous issues if elected and an early poll by ANAP predicts Peter Obi to win with 37%.

The MSCI is proposing the removal of Nigeria from the MSCI frontier markets index. The reason for review is the significant gap between the I&E and the parallel market exchange rates. Such a move will result in exclusion of Nigerian stock from purchase by global fund managers.

Nigerians have been subjected to shortages of petroleum products in the last 10 weeks. A large part of the problem is the bridging cost from petroleum products and the ex-depot price. Subsidy currently costs the Federal government NGN 3.36trn and will be removed by June 2023.

Nigeria’s debt stock has reached NGN 77trn with loan service cost estimated at NGN 6.16trn in 16 months. The CBN intends to securitize NGN 20trn worth of debt to bonds repayable over 40 years. The 2023 budget of NGN 21.83trn will require NGN 10trn in new borrowings and NGN 6.55trn in annual debt servicing costs.
Monetary policymakers, particularly in emerging markets, are challenged with marked pressure on their respective local currencies due to rising global interest rates and risk off sentiments.

- Global investors rank the FX convergence of the naira in 2023 as a major policy shift that could incentivise investment flows.

Source: Bloomberg, Nairametrics, Renaissance Capital
DEBT BURDEN REMAINS A KEY CONCERN FOR ALL STAKEHOLDERS

Nigeria’s debt profile has come under investor scrutiny given the accelerated pace in debt accumulation, high debt servicing ratios, and huge budget deficits

- IMF expects fiscal deficit to widen to 6.2% of GDP in 2022 mainly on fuel subsidy costs

### Budget metrics as a % of revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital expenditure</th>
<th>Debt service</th>
<th>Deficit</th>
<th>FGN Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>55.6%</td>
<td>69.2%</td>
<td>113.7%</td>
<td>213.7%</td>
</tr>
<tr>
<td>2022</td>
<td>42.0%</td>
<td>83.2%</td>
<td>105.9%</td>
<td>256.0%</td>
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<tr>
<td>2023</td>
<td>55.0%</td>
<td>64.9%</td>
<td>110.9%</td>
<td>210.9%</td>
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</tbody>
</table>

### Total public debt (NGN bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
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</thead>
<tbody>
<tr>
<td>External debt</td>
<td>3,479</td>
<td>5,788</td>
<td>7,793</td>
<td>9,022</td>
<td>12,706</td>
<td>15,855</td>
<td>17,149</td>
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<tr>
<td>Domestic debt</td>
<td>13,881</td>
<td>15,928</td>
<td>16,628</td>
<td>24,387</td>
<td>27,401</td>
<td>32,166</td>
<td>39,556</td>
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<tr>
<td>Total debt</td>
<td>17,360</td>
<td>21,716</td>
<td>24,421</td>
<td>33,399</td>
<td>39,707</td>
<td>46,011</td>
<td>56,664</td>
</tr>
</tbody>
</table>

Source: Budget Office, Renaissance Capital

Note: Data is Jan-Aug

Source: DMO, Renaissance Capital

Note: Data excludes NGN24trn in Ways and Means

2022 data as of September 2022
CORE NGX INITIATIVES FOR 2023

NGX will take a flexible approach to strategy execution in 2023, focusing on:

- Using listings as a vehicle for meeting strategic aspirations of new government:
  - Tax revenue
  - Employment, foreign capital flow

- Promoting digital transformation – Launch USSD, Unlock African Capital markets via payment integration with Afrexim’s PAPSS

- Creating sustainability products like Carbon +

- Forging new strategic partnerships with DFIs & Banks

- Enhancing liquidity through margin lending and investor education

- Launching of Elite network

- Developing new products – Non-depository receipts, Digital assets etc.

- Driving Technology companies to the Exchange following Technology Board Listing Rule approval
THANK YOU