

# 2022 MARKET RECAP & 2023 OUTLOOK

*Presented by:*  
**Temí Popoola**  
*CEO, Nigerian Exchange Limited*

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# OUTLINE



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Economy and 2022 Market Recap

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# **Economy & 2022 Market Recap**

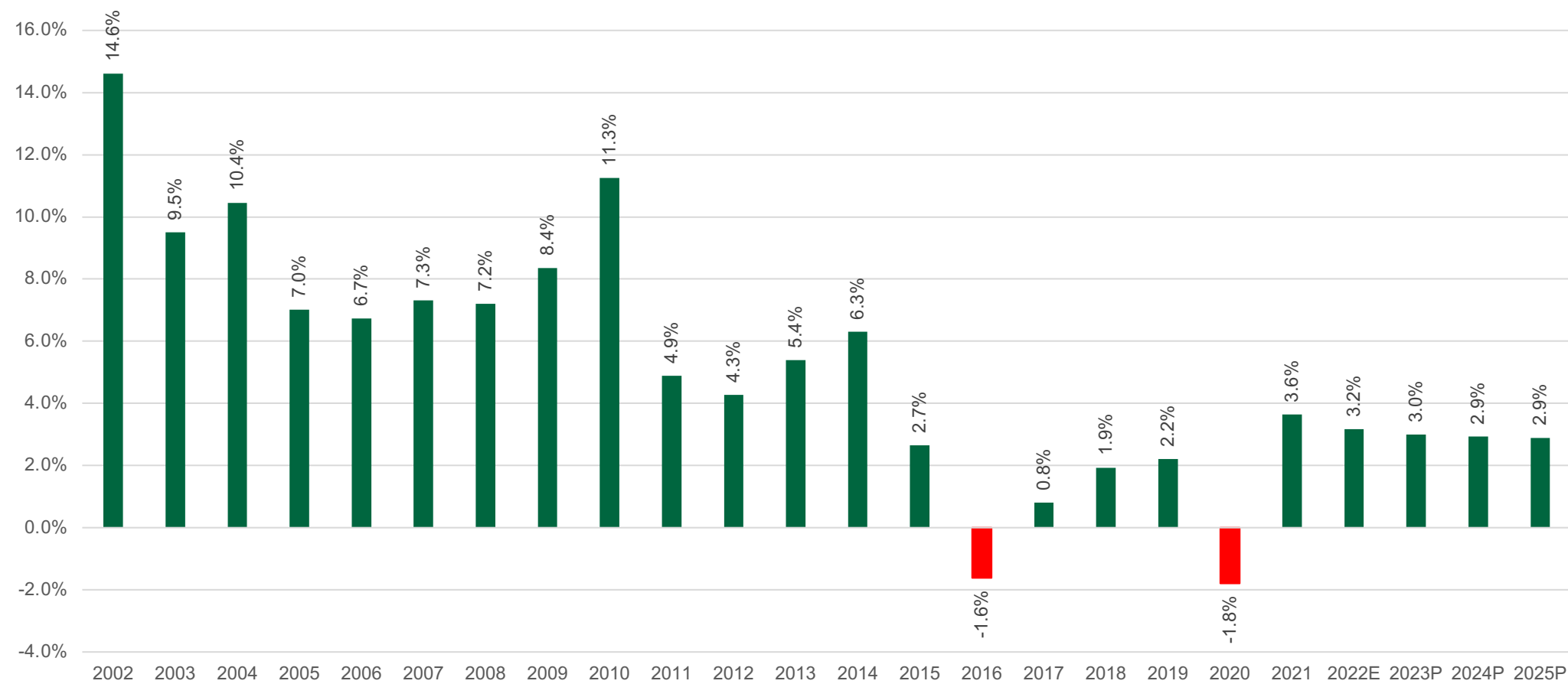


# NIGERIA'S GROWTH TRAJECTORY



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



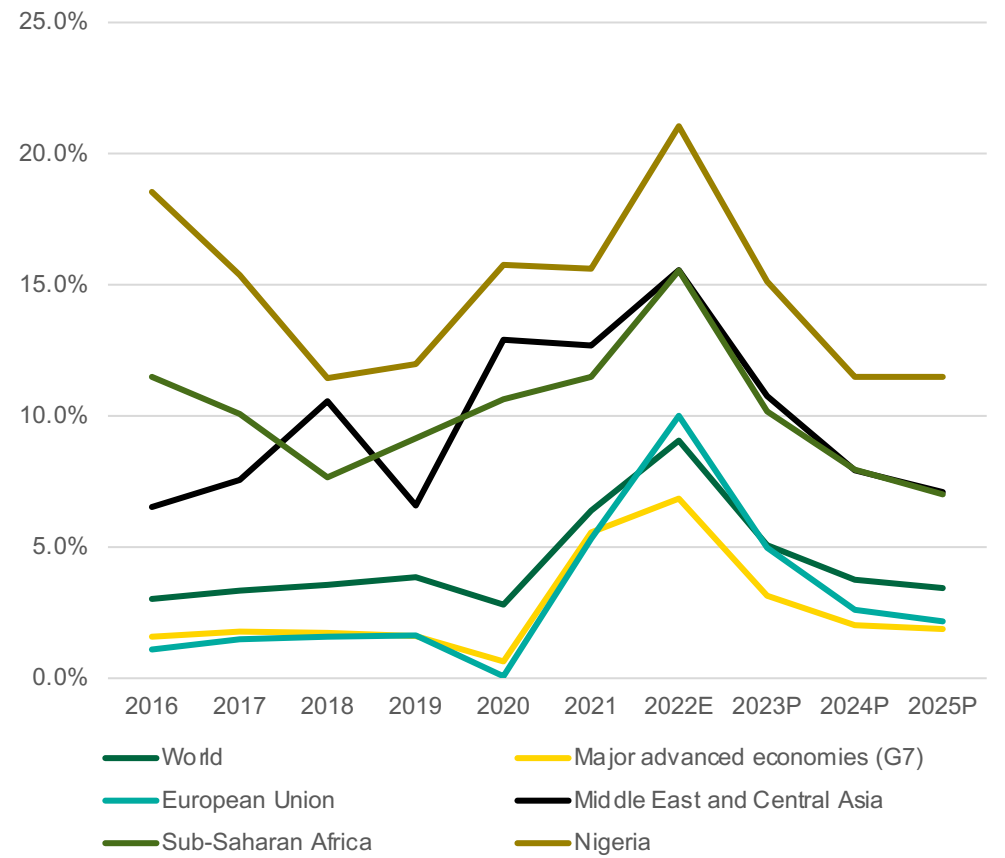
Source: IMF, Renaissance Capital

# INFLATION REMAINS A MAJOR CONSIDERATION FOR POLICYMAKERS ACROSS THE GLOBE



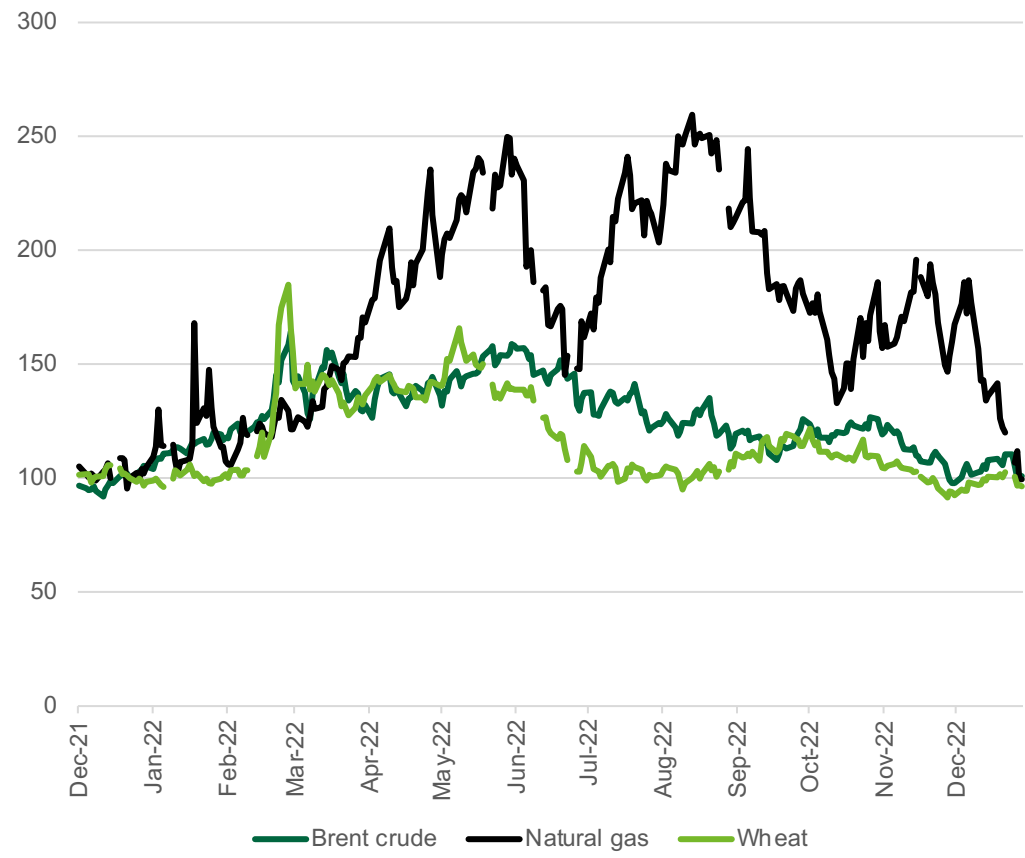
- Price levels soared to multidecade highs following geopolitical tensions and resultant spikes in energy and food costs
- This further compounded the inflationary pressure resulting from supply shortages coupled with excess demand on fiscal stimulus and monetary easing policies

Global inflationary trends (% YoY)



Source: IMF, Renaissance Capital

Commodity prices factored to 100



Source: Bloomberg, Renaissance Capital

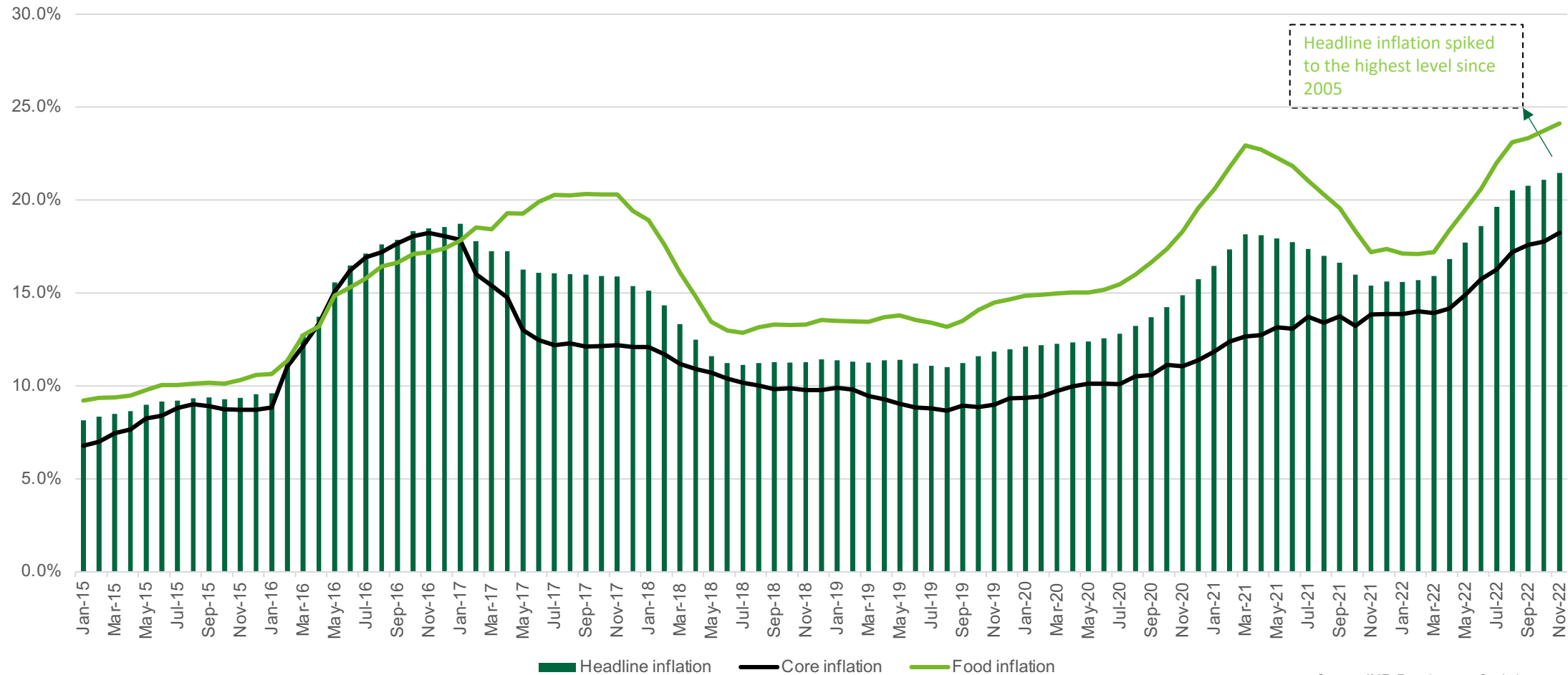


# SURGING INFLATION LED BY RISING FOOD COSTS



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

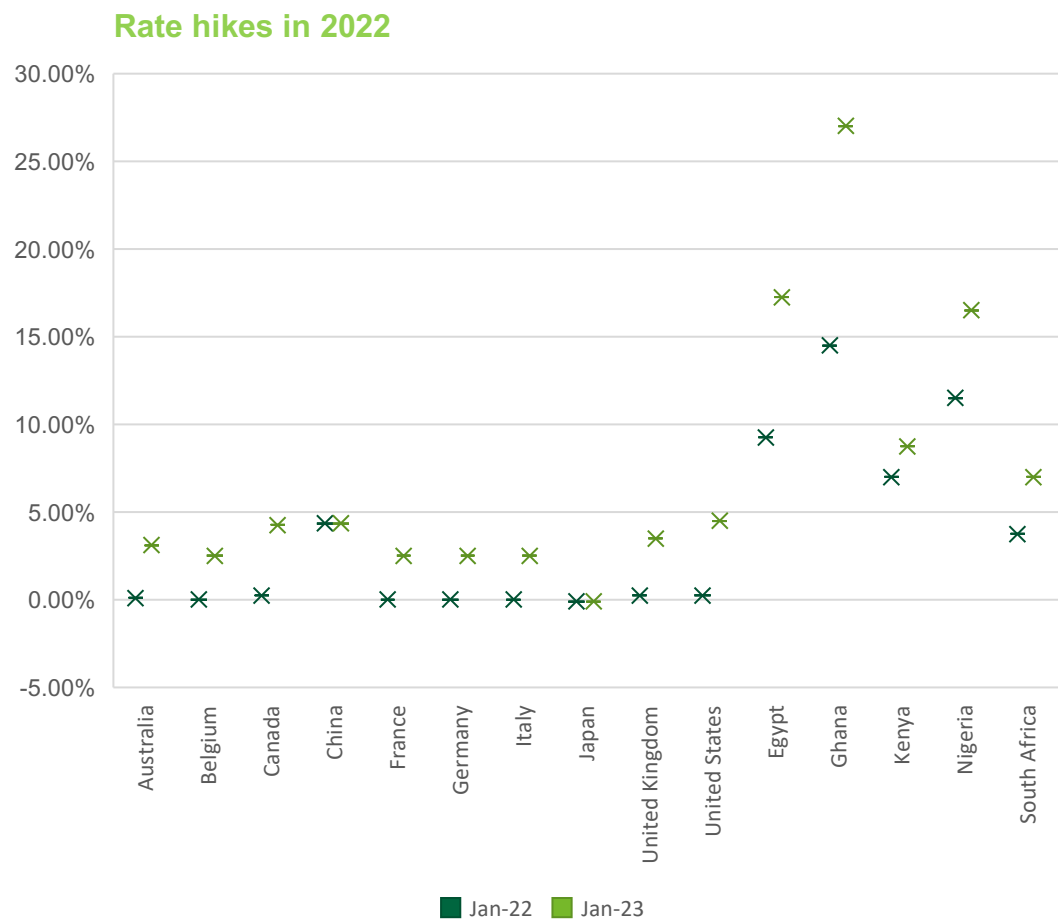


Source: IMF, Renaissance Capital

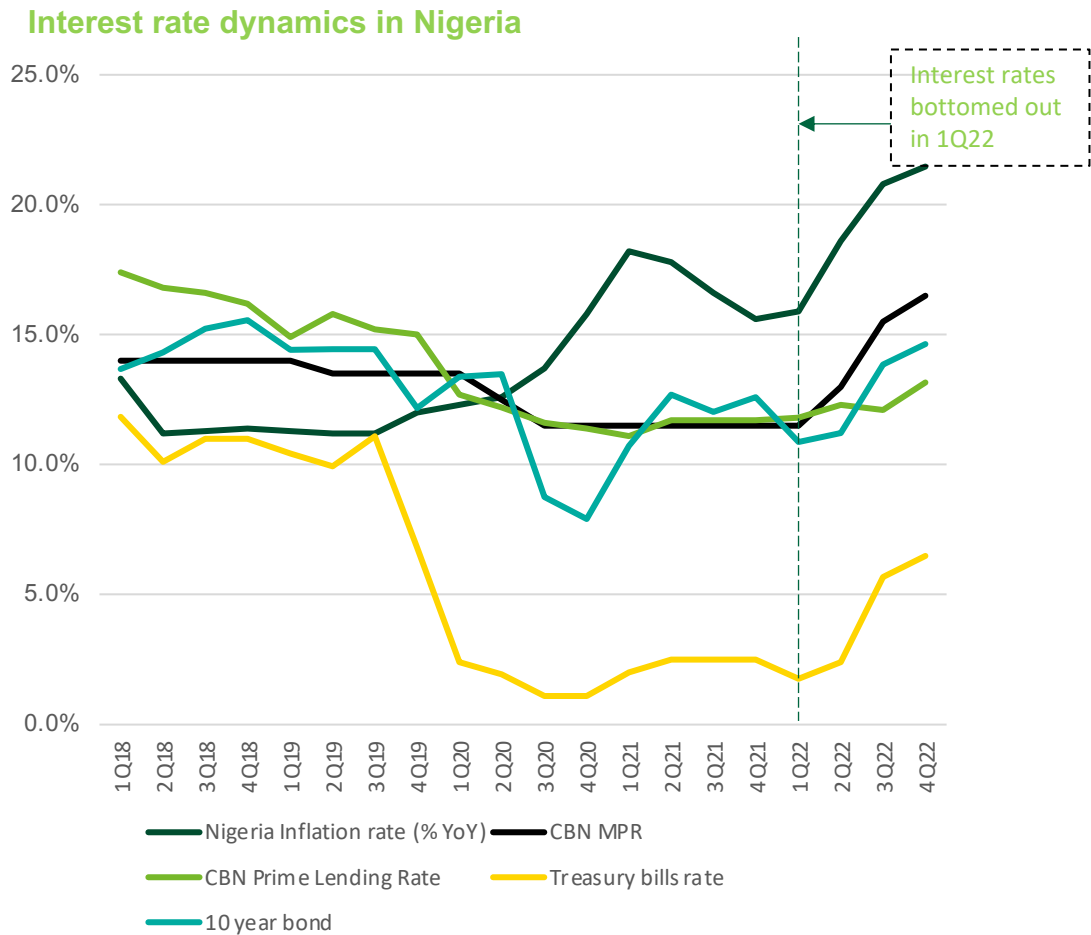
# INTEREST RATES ON THE RISE AS CENTRAL BANKS OPT FOR HAWKISH STANCE

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%



Source: Bloomberg, Central bank databases, Renaissance Capital



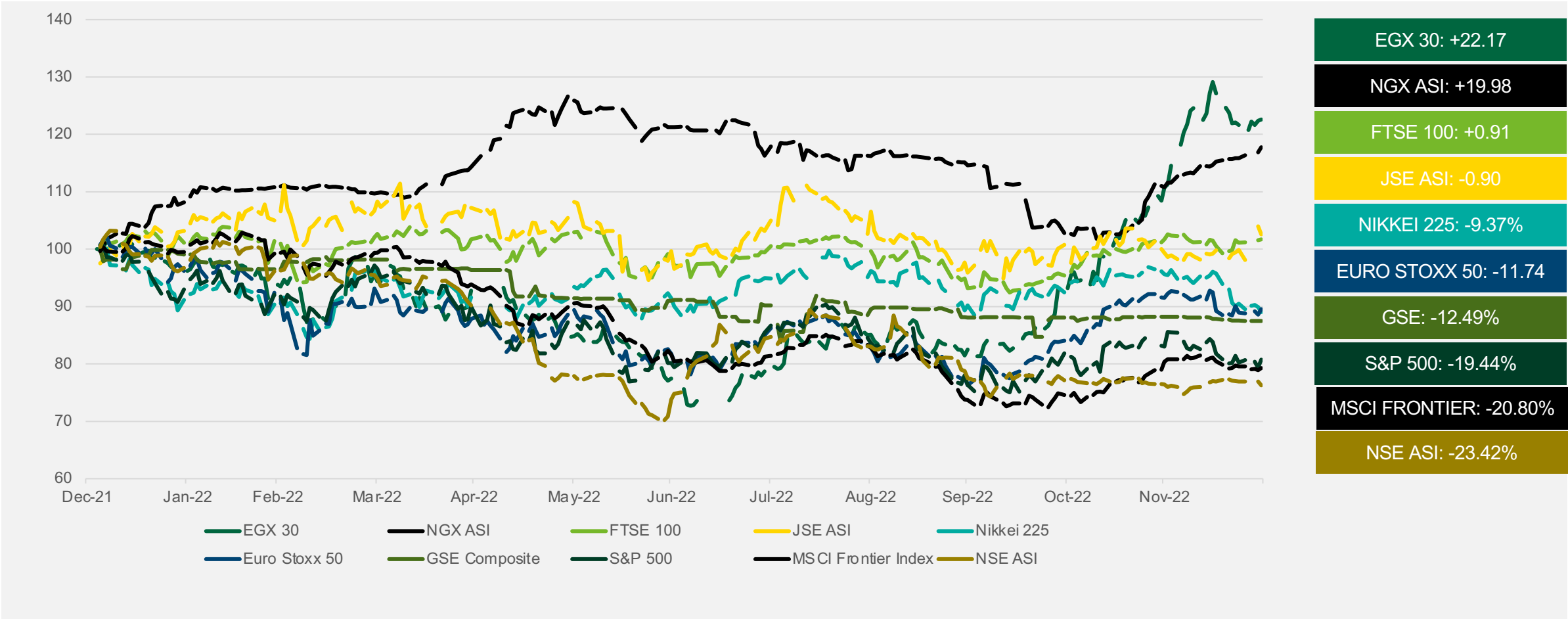
Source: CBN, FMDQ, Renaissance Capital

# 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

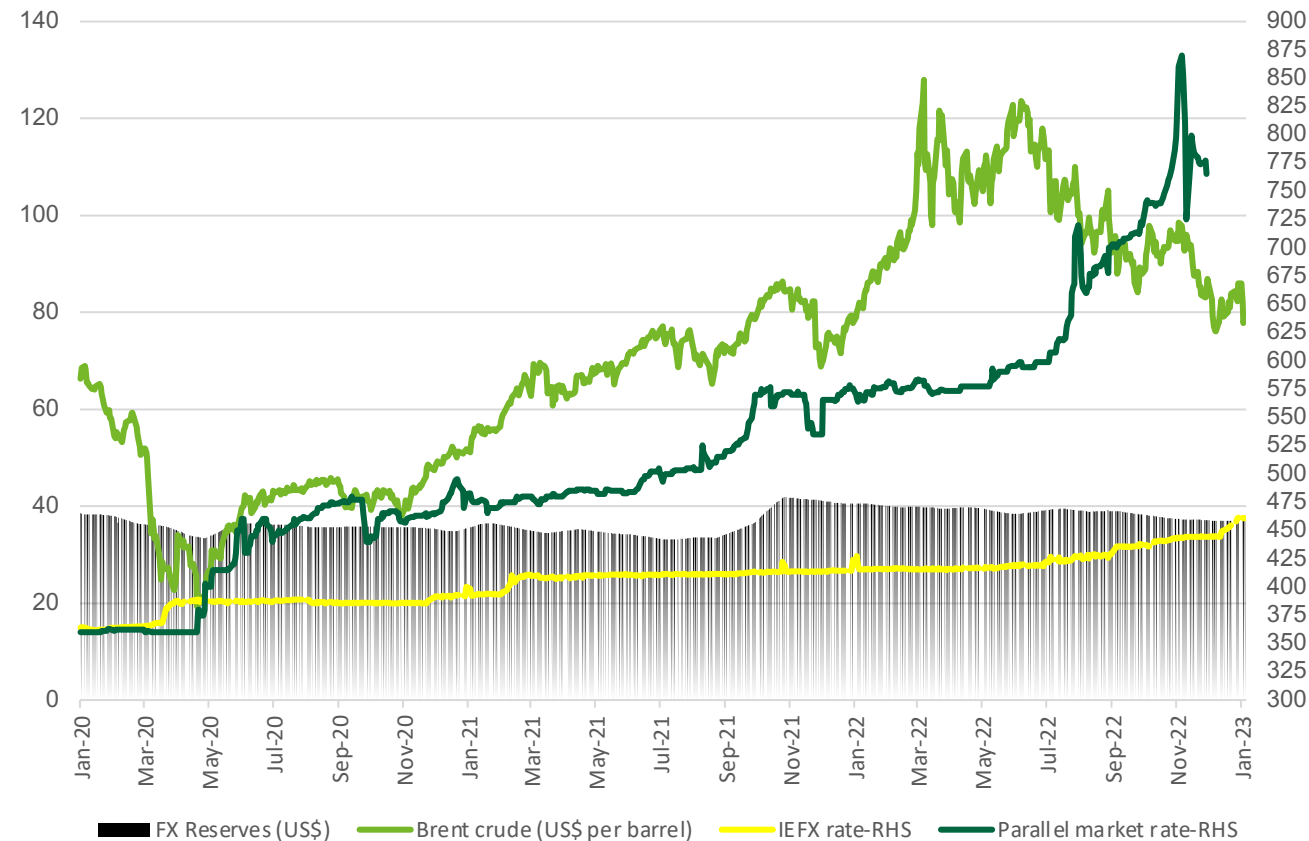


# FX CHALLENGES CONTINUE TO PLAGUE THE NIGERIAN INVESTMENT STORY

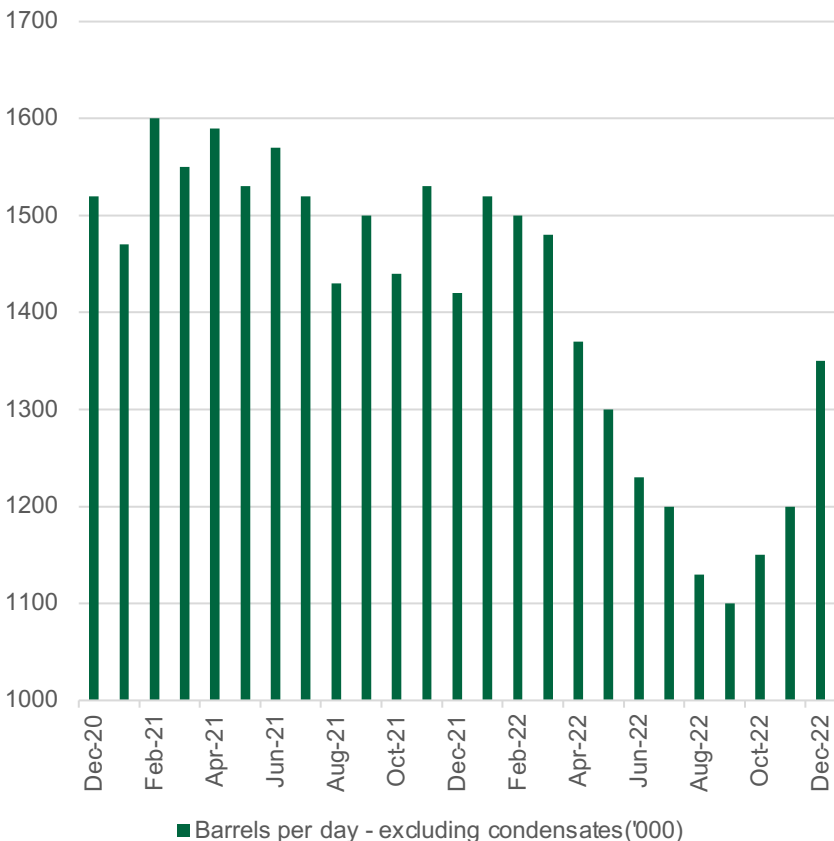


Foreign investors are demanding a market-reflective adjustment to the official exchange rate and a removal of fuel subsidy before considering Nigerian investments

Naira depreciation despite a rise in crude price



Nigeria's oil production reflecting trends of theft and poor investment



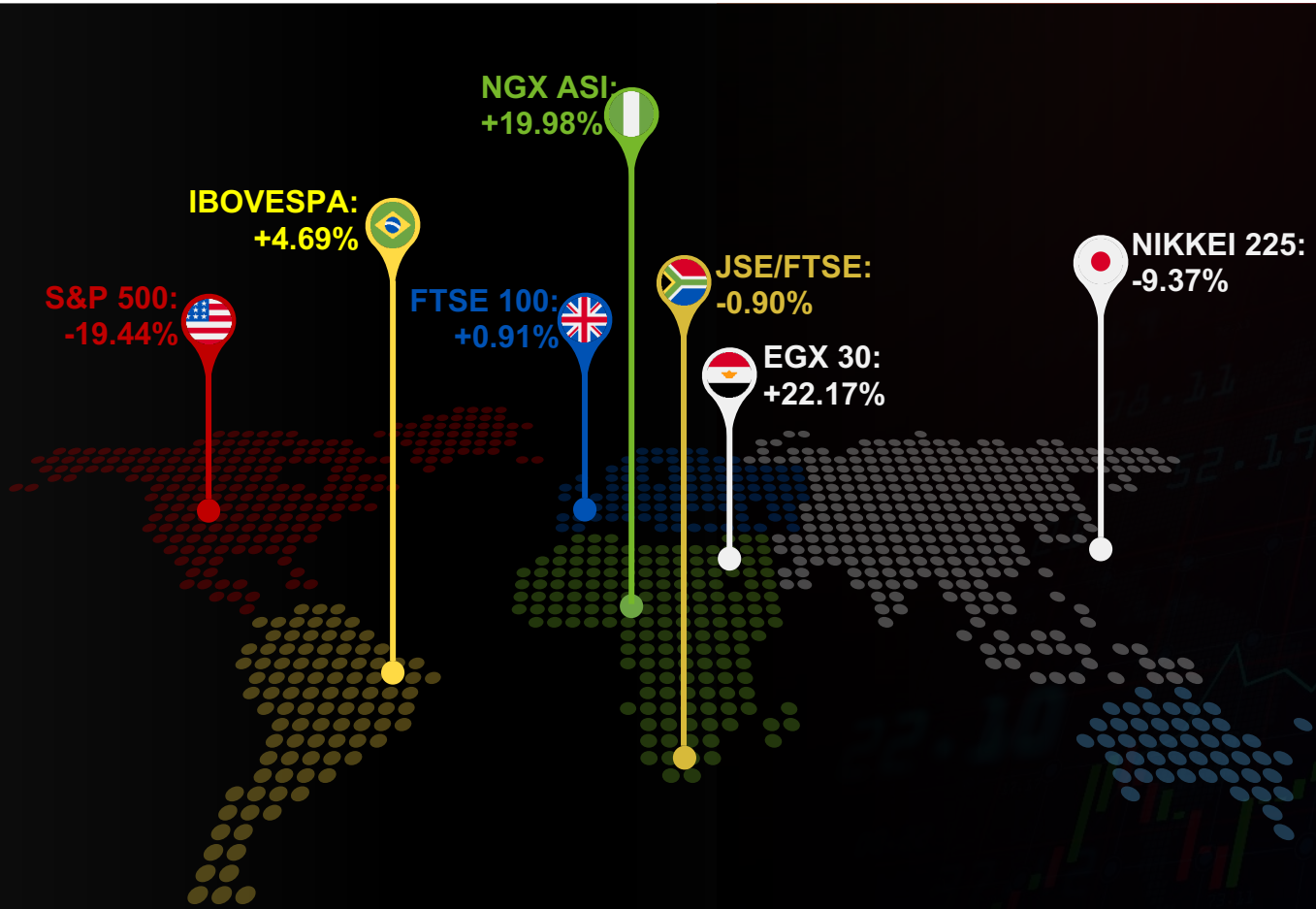
Source: Bloomberg, CBN, Renaissance Capital

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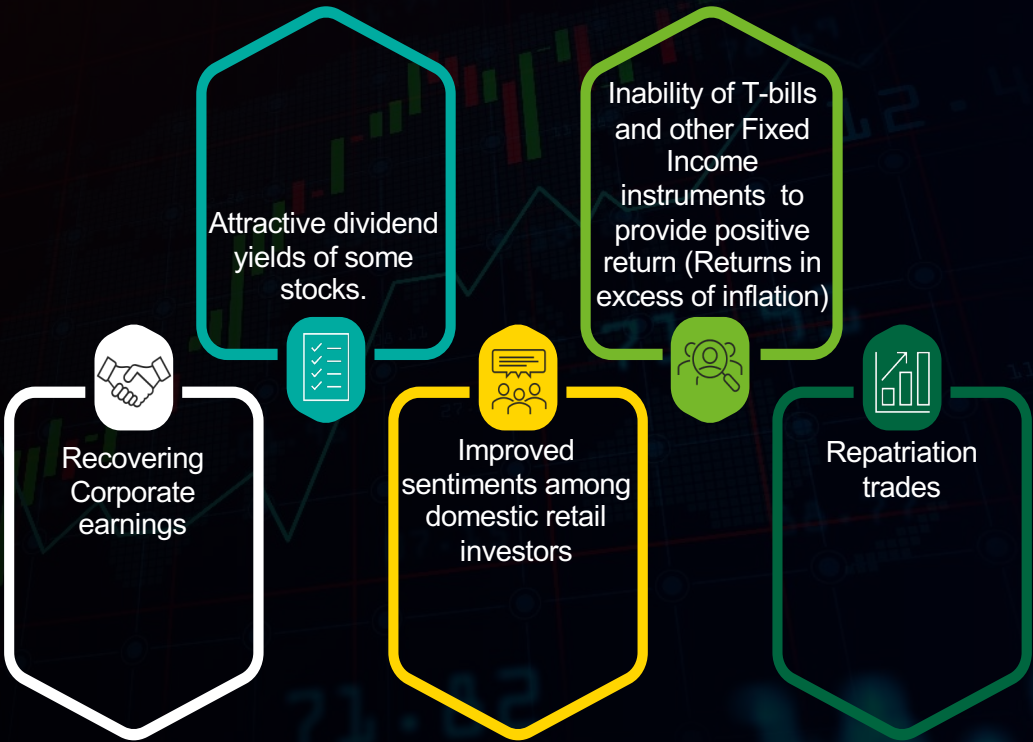
# NIGERIA OUTPERFORMS GLOBAL INDEXES ON GAINS IN FEW BELLWETHER NAMES



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



## KEY DRIVERS OF NGX ASI PERFORMANCE IN 2022



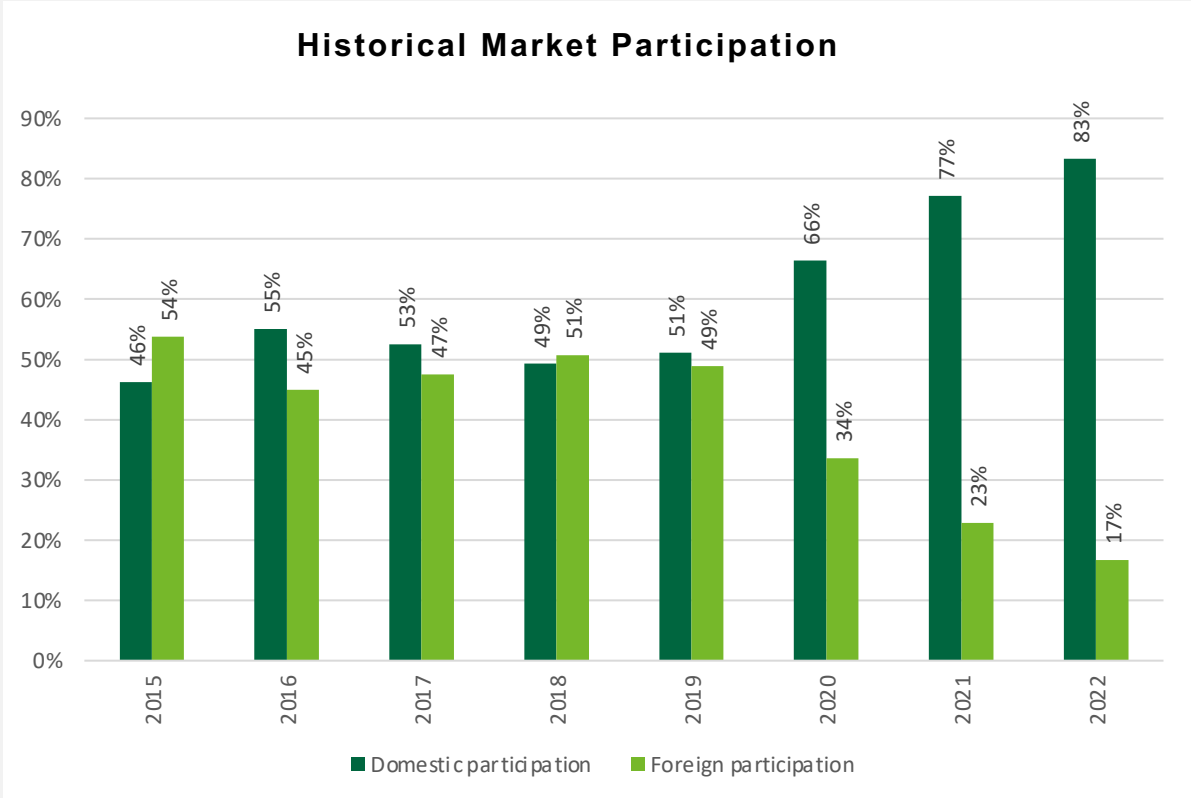
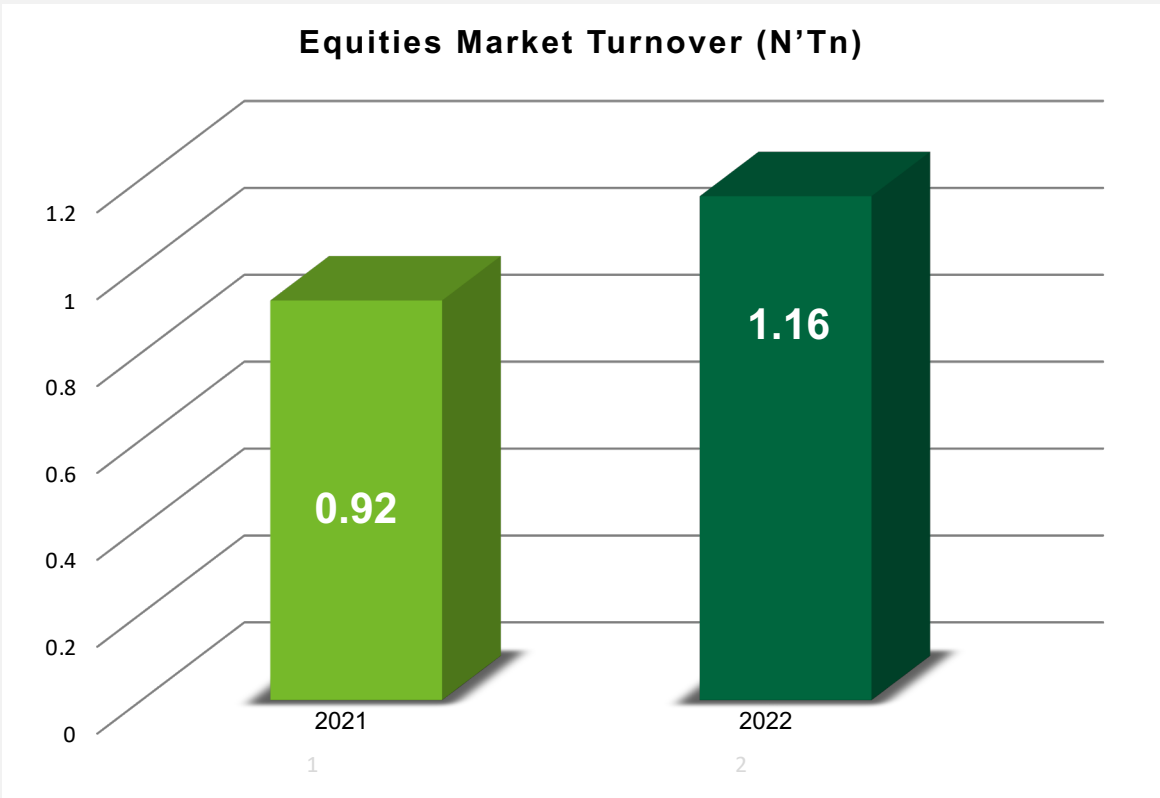
Source: NGX, Bloomberg, Renaissance Capital

# NGX MARKET PERFORMANCE – EQUITIES TRADING IN 2022



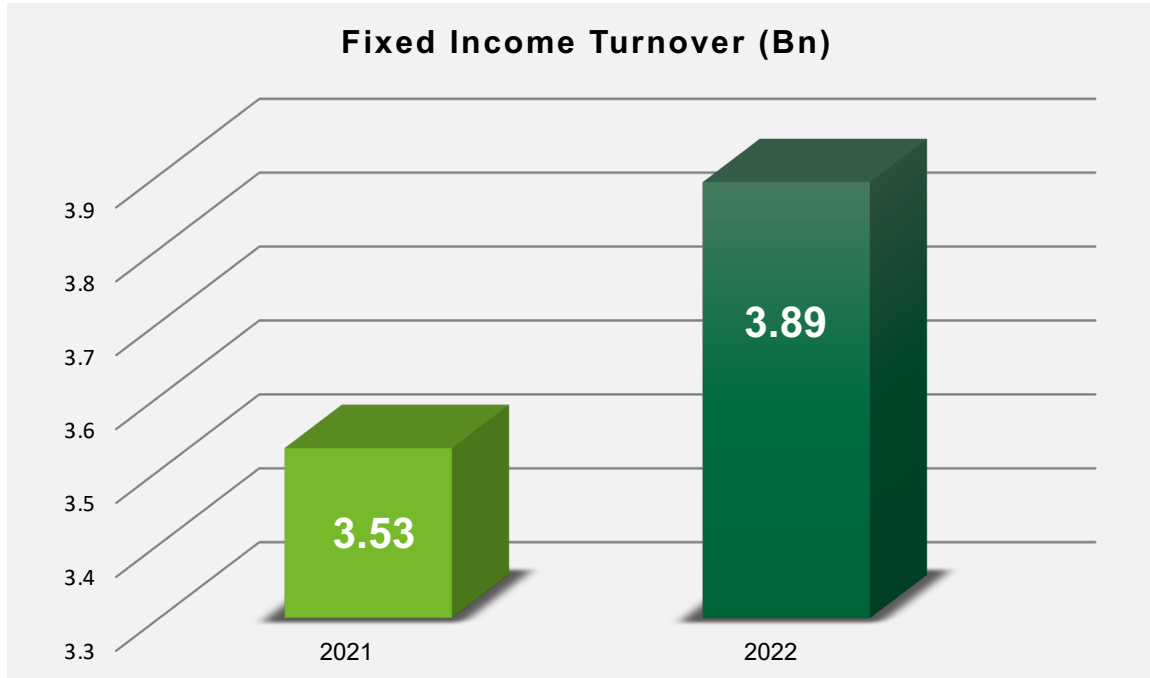
Total turnover of trades in 2022 improved by 27% from N916Bn in 2021 to N116Tn in 2022

- 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

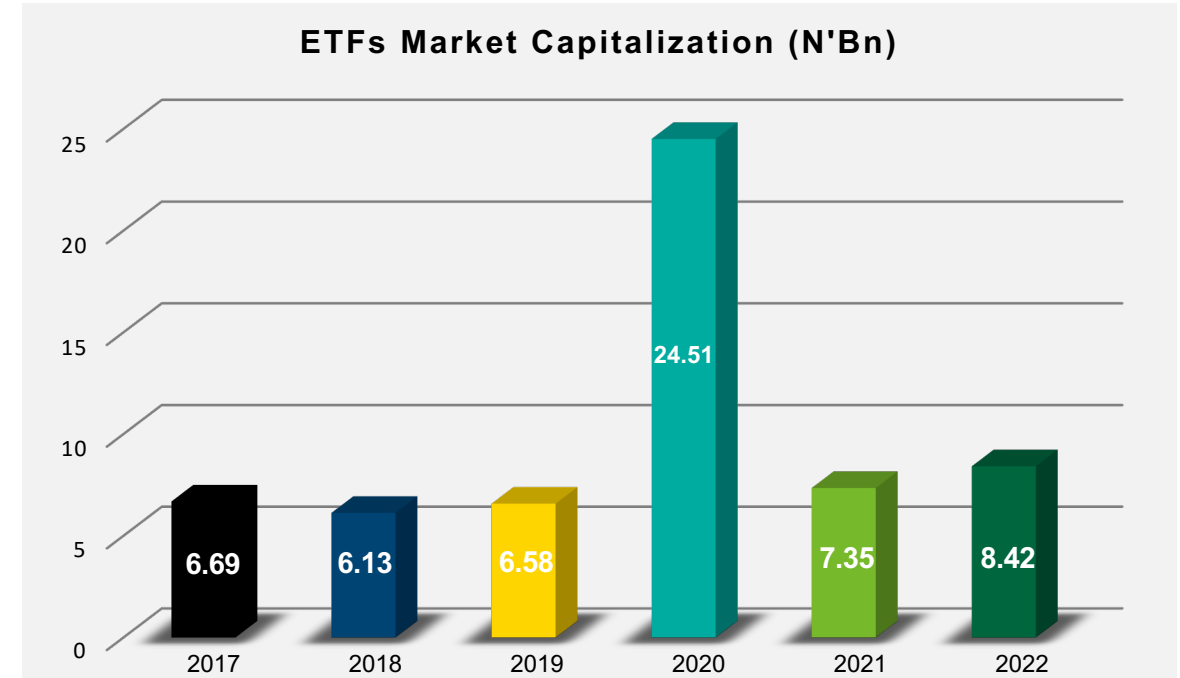


Source: NGX, Renaissance Capital

## NGX FIXED INCOME & ETF MARKETS



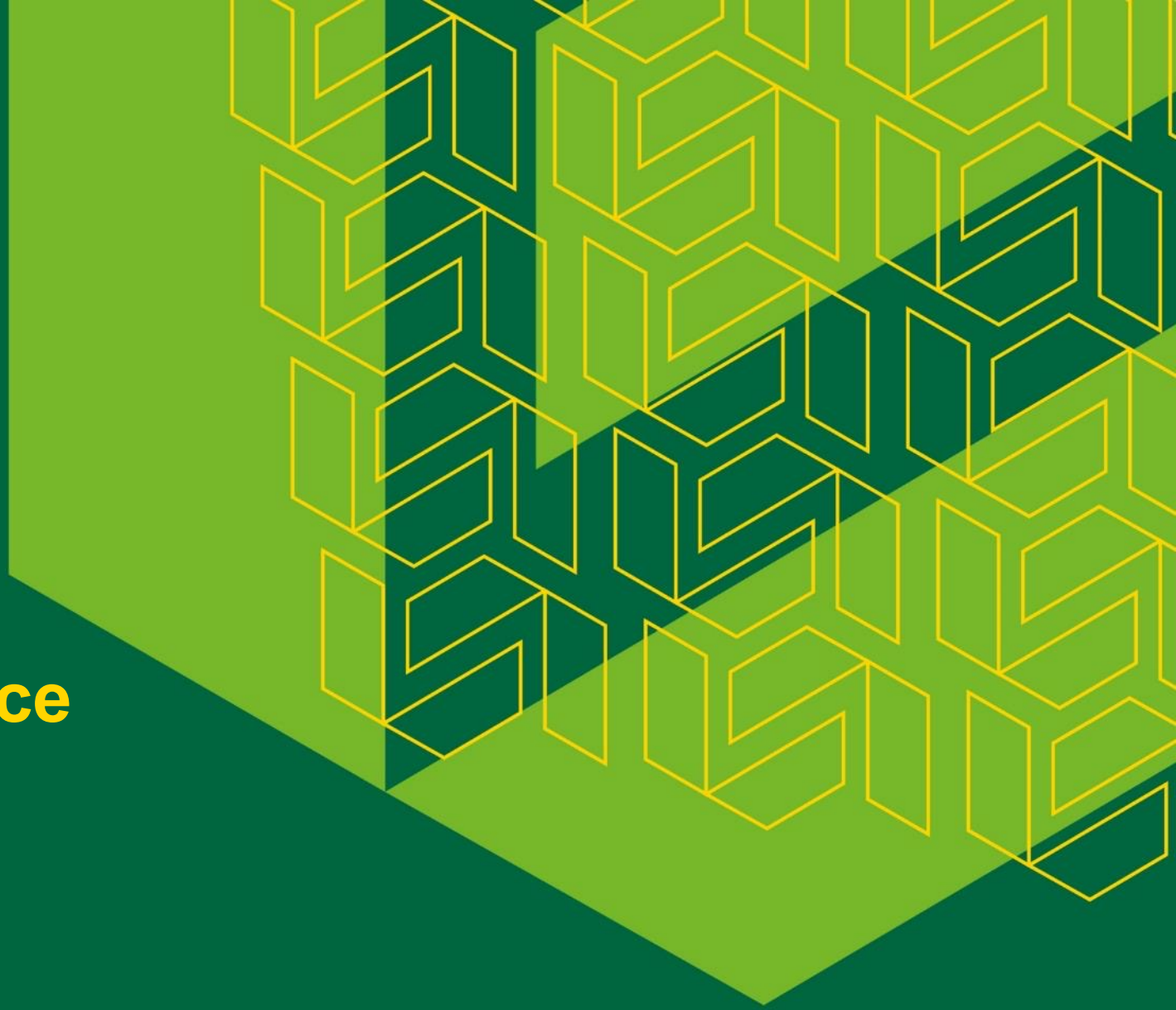
- The Fixed Income market saw a slight uptick in turnover to N3.89Bn in 2022 from N3.53Bn recorded in 2021. This represents a 10.20% Y/Y increase.



- 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

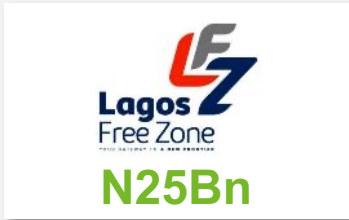
# NGX Strategic Performance



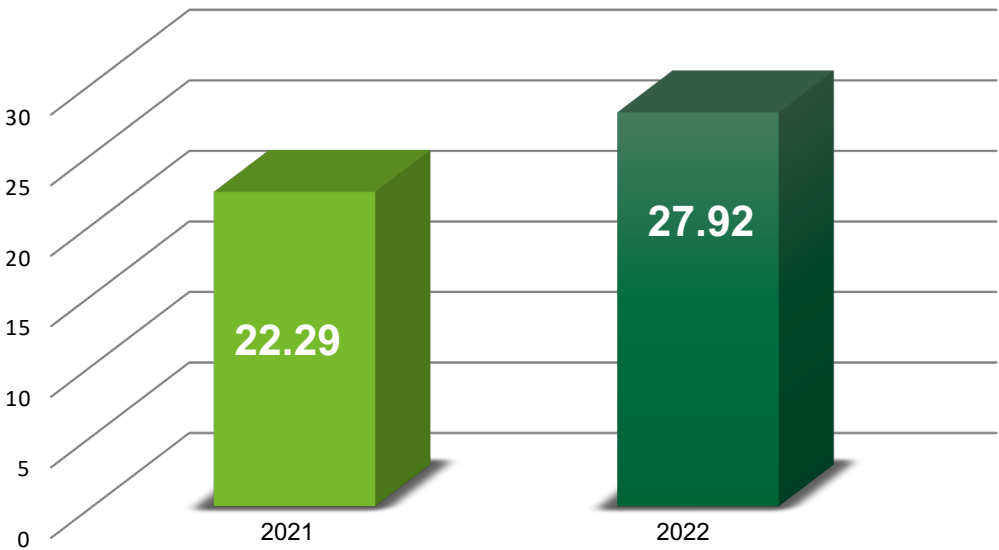
# LISTINGS ON NGX AND IMPACT ON MARKET CAPITALIZATION IN 2022



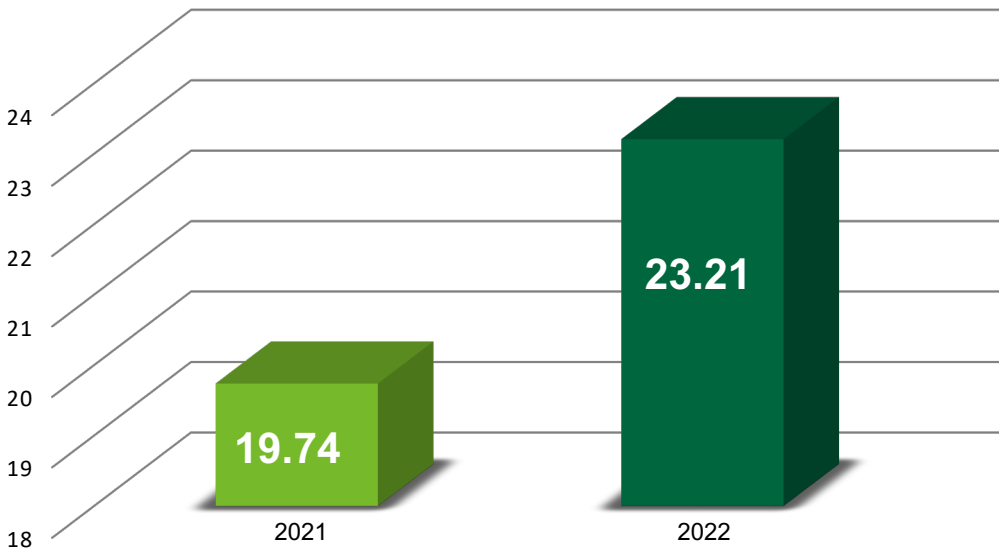
There were listings of some strong names on NGX in 2021. Equity Capitalization rose by 25.20% (from N22.29Tn in 2021 to N27.92Tn in 2022) and Fixed Income Market capitalization grew by 17.58% from 19.74Tn in 2021 to 23.21Tn in 2022



Equities Market Capitalization (N'Tn)



Fixed Income Market Capitalization (N'Tn)



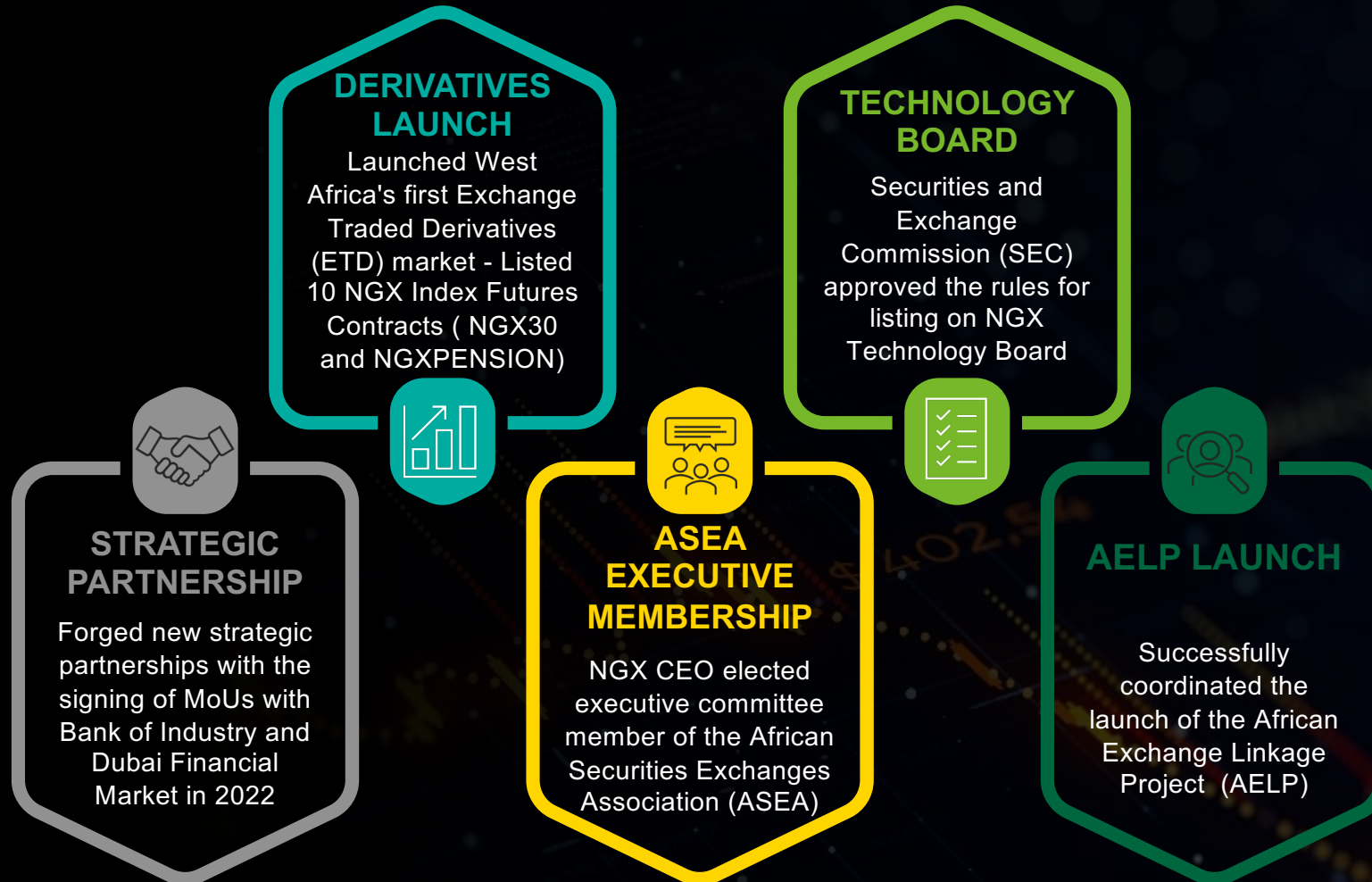
Source: NGX, Renaissance Capital



# KEY ACHIEVEMENTS OF NGX IN 2022



The Exchange showed commitment to achieving its strategic objectives during the year under review



# KEY MARKET / BUSINESS DEVELOPMENT ACTIVITIES IN 2022



... Stayed focused on target



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

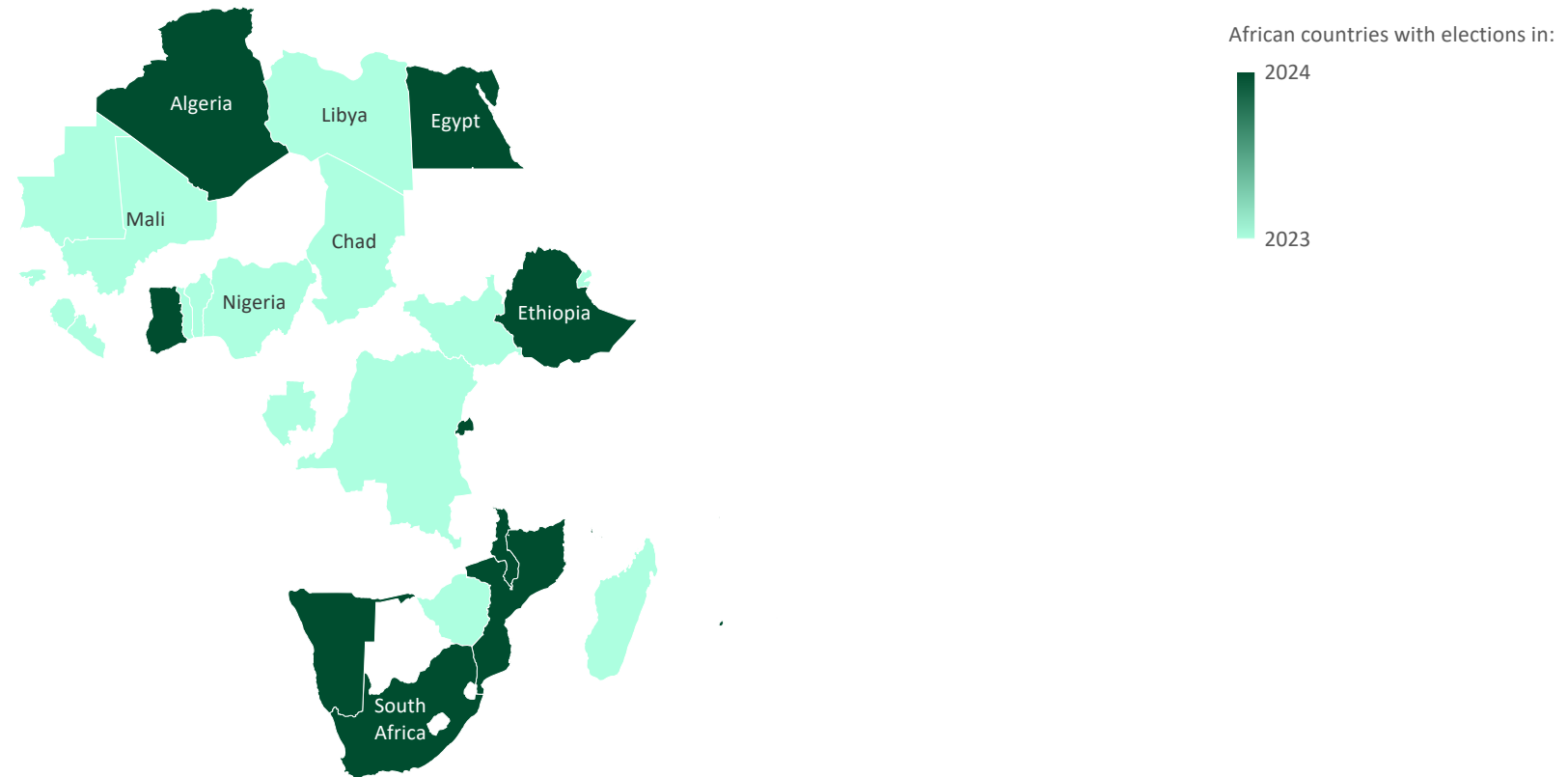


# AFRICAN NATIONS SET TO HOLD HEAD OF STATE AND NATIONAL LEGISLATURE ELECTIONS



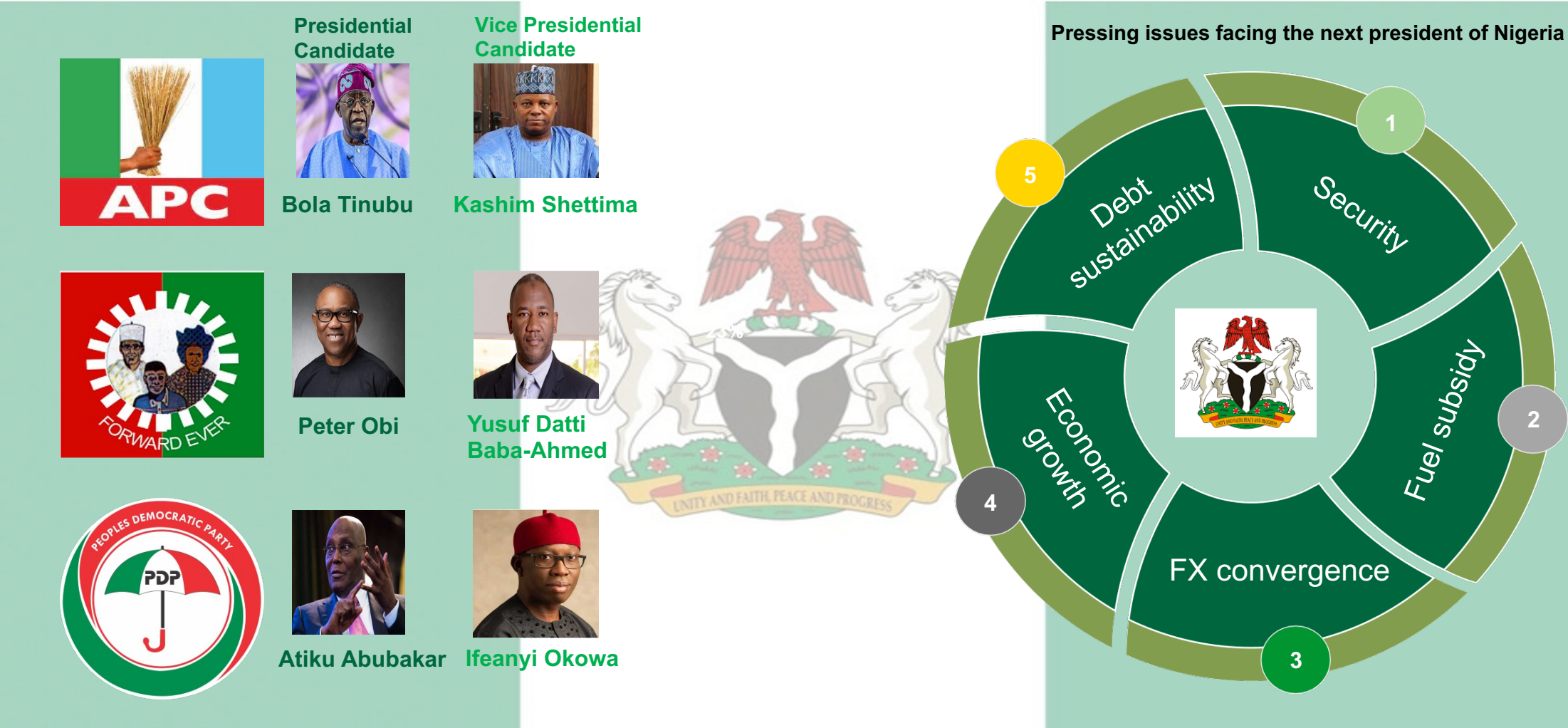
17 African countries are set to conduct elections in 2023, with a further 13 gearing up for 2024. This portends a risk of conflict, protests, policy uncertainty and ultimately a lack of clarity around investments within the region

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



Source: EIU, Renaissance Capital

# POLITICAL LANDSCAPE IN NIGERIA





# KEY THEMES TO SHAPE THE NIGERIAN ECONOMY IN 2023



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

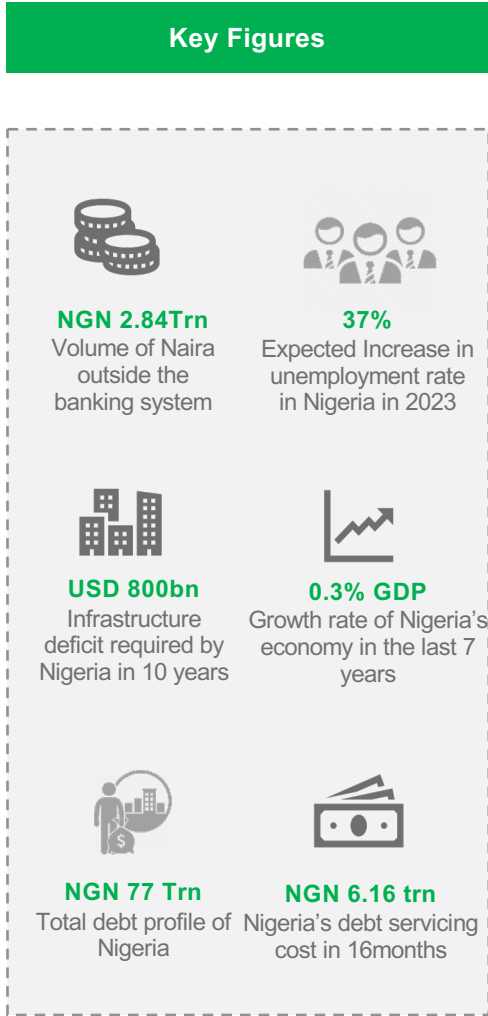
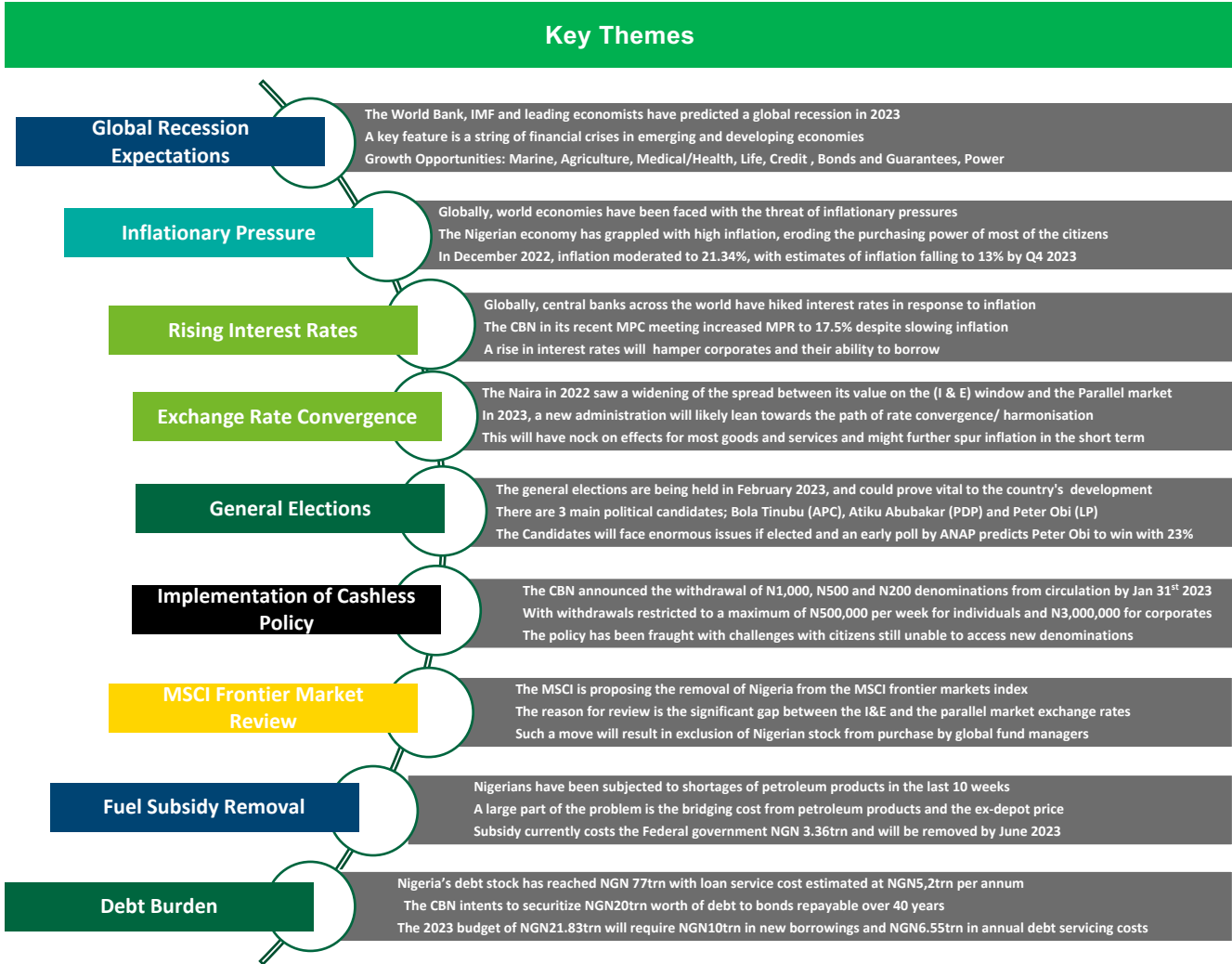
MSCI Frontier Market Review

Fuel subsidy removal

Debt Burden



# KEY THEMES IN 2023

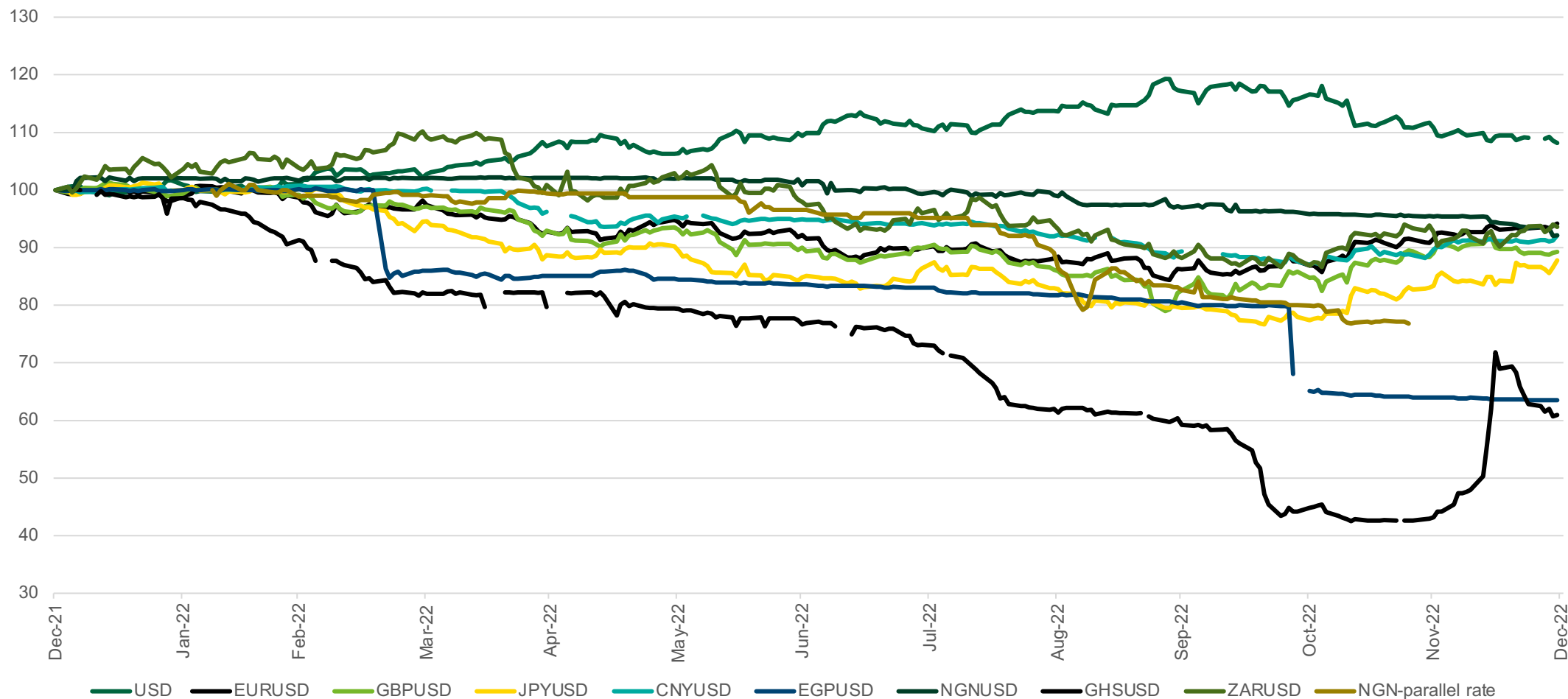


# TURBULENT FX MARKET TRENDS



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

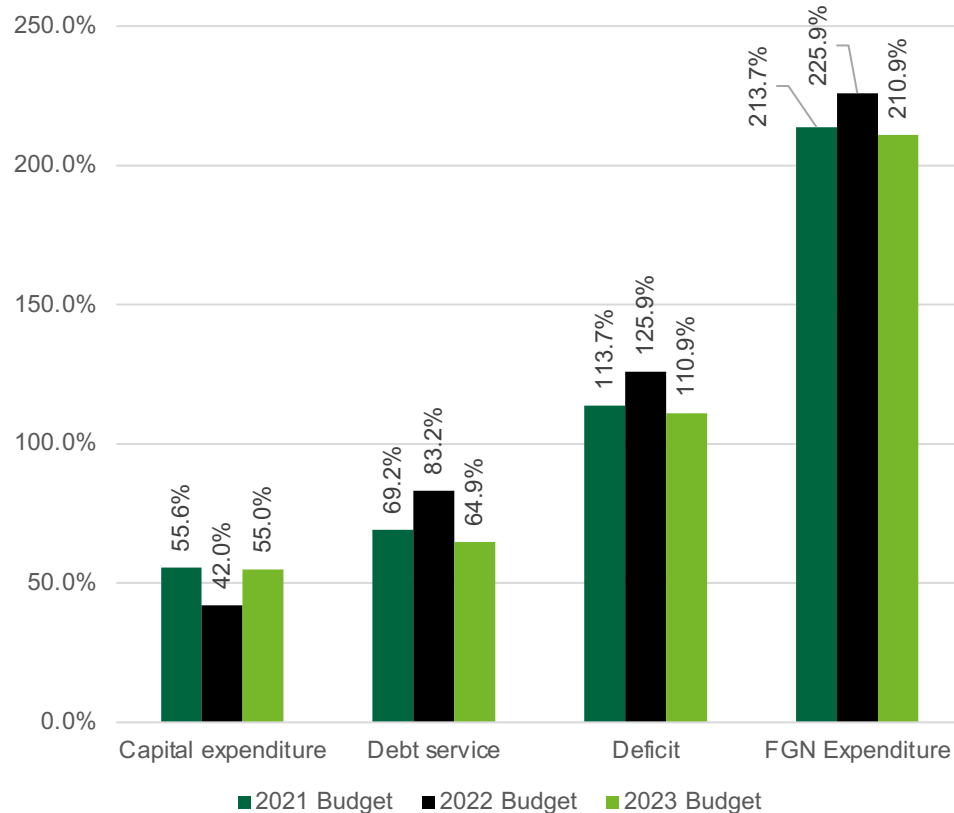


# DEBT BURDEN REMAINS A KEY CONCERN FOR ALL STAKEHOLDERS

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

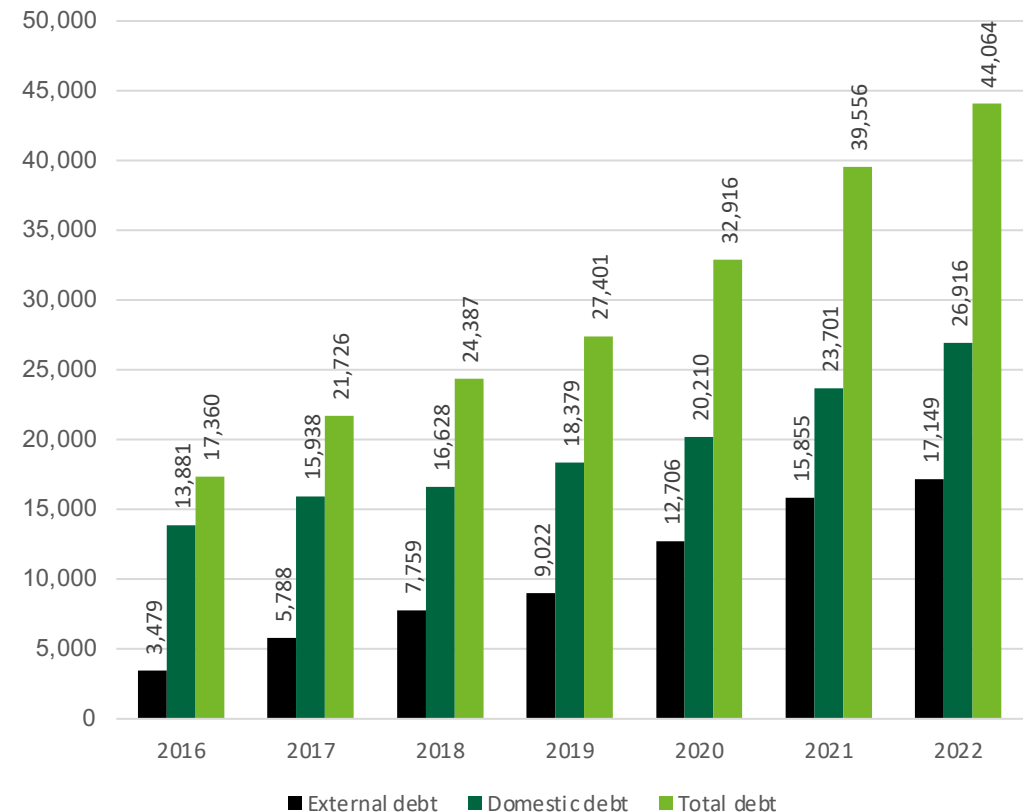
- IMF expects fiscal deficit to widen to 6.2% of GDP in 2022 mainly on fuel subsidy costs

Budget metrics as a % of revenue



Source: Budget Office, Renaissance Capital  
Note: 2022 data is Jan-Aug

Total public debt (NGN bn)

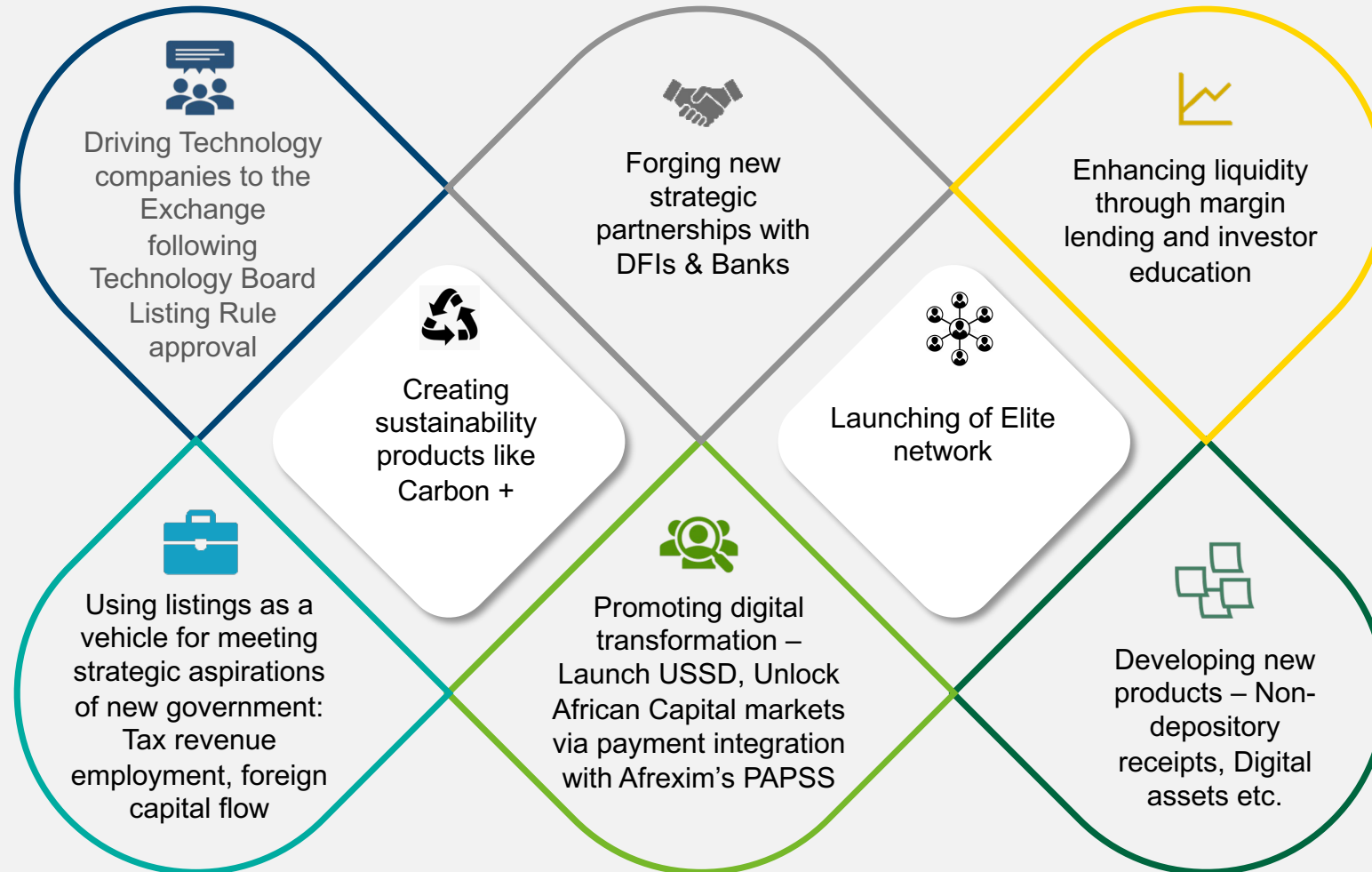


Source: DMO, Renaissance Capital  
Note: Data excludes NGN24trn in Ways and Means  
2022 data as of September 2022

# CORE NGX INITIATIVES FOR 2023



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



**THANK YOU**