Insecurity a Path to Instability ??

Political Fragility!!

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Outline

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April Highlights

Highlights – The Good

- FBN PMI up 2 points to 53 points in April
- Indicating a likely surge in Q2'21 GDP growth to 1.5%
- Value of transactions fell by 6.3% to N23.19trn in April from N24.75trn in March
- FAAC disbursements up 12.5% to N681.33bn from N605.59bn
- Average FAAC in Q1'21 was N621.74bn
- Forex sold at the I & E window in April was $59.08mn

Highlights – The Good

- External reserves slipped by 0.96% in April to $34.91bn
- Suggesting that part of the backlog ($2bn) of FPI trapped funds are being cleared
- The average price of oil in April was $65.33pb, 0.56% lower than March ($65.7pb)
- Production rose by 0.68% to 1.48mbpd in March
- 10 new IMTOs were licensed to enhance the efficiency of remittance inflows into Nigeria

Highlights – The Good

- CBN intensified CRR debits pushing up average overnight rates as high as 27.75%pa
- 364 day T/bill stop rates up to 9.75%
- Reducing the negative rate of return on financial instruments (-8.42%)
- Stock market up 2.02% in April

Highlights – The Bad

- Headline inflation at 18.17%, 9.17% above the CBN ceiling of 9%
- Food inflation now above 22% as supply chain disruptions, energy costs and forex restrictions linger
- CBN considers adding sugar and wheat to its forex import restriction list (44 commodities)
- The price of flour already at N15,000 per bag

Highlights – The Bad

- Forex pressures intensified at the I & E window, as the currency depreciated by 5% to N412/$
- Manufacturers still source 90% of forex from the parallel market and 10% from official sources
- Leaving them with a blended rate of N477/$ as rationing bites
- NNPC announces under recovery of N112bn per month: N1.3trn for the year

Highlights – The Bad

- Unable to remove subsidies at this time as labour will ground the economy
- NNPC will not remit any surplus to the federation account in April
- Oil revenue from crude sales will still be shared by FAAC

Highlights – The Ugly – It is all about Insecurity

- Insecurity remained a hot topic as kidnappings, banditry and hijacks persisted
- Spreading its tentacles towards the South West
- FGN has asked the US armed forces to intervene
- Scanty farming activities significantly reduced food production, supply and reserves
- Leading to a significant spike in inflation to 18.17% - the highest level since 2017

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Woes of Insecurity

Misery Index × Insurgency = Molotov Cocktail

- In 2020 the force majeure in the Niger Delta reduced
- But piracy increased in the bight of Benin

In April...

- About 400 Nigerians murdered by Boko Haram, bandits, herdsmen
- Bandits also kidnapped about 150 persons
- Abduction and killing of Greenfield University students

	No of Killings
Boko Haram & other Islamic terrorists	100
Random shooters/Arsonists	40
Fulani herdsmen	60
Bandits	200

Source: Civic Media Lab

Terrorist Ranking

2018	
Country	**Rank**
Afghanistan	1
Iraq	2
India	3
Nigeria	4
Philippines	5
Somalia	6
Pakistan	7
Yemen	8
Cameroon	9
Syria	10

2020	
Country	**Rank**
Afghanistan	1
Iraq	2
Nigeria	3
Syria	4
Somalia	5
Yemen	6
Pakistan	7
India	8
DRC Congo	9
Philippines	10

- In 3 years, Nigeria ranked 3rd globally in terrorist attacks

Source: Global Terrorism Index

Woes of Insecurity – The Causes

Multi-dimensional poverty
(Eroding consumer disposable income)

High unemployment

Lack of opportunities

Woes of Insecurity – Economic Loss

- Food crisis as farming activities decline
- Inflation spiralling
- Loss of new investments and increase in capital flight
- No hub status as AfCFTA progresses
- Destruction of properties and infrastructure
- Squeeze in corporate margins
- Displacement effect and rise in emigration

Woes of Insecurity – Economic Fallout

- Nigeria becomes a high risk destination
  - Canada, US, UK, Australia issued travel warnings on Nigeria
- Multilateral organizations could be forced to declare 'pariah state'
- Downward credit rating

Woes of Insecurity – Solution

Short – medium term

- Increase armoury
- Bridge government trust deficit
- Address the political enigma surrounding insecurity
- Strike out religious bias
- Tackle socio-economic problems swiftly - ***SDGs***

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Global Developments

US Fed Keeps Interest Rates Unchanged

- Janet Yellen says modest increase in interest rates possible if the economy is overheated
- Sending the US stock markets plunging
- Fears of higher inflation rise
- Warren Buffet says substantial inflation is expected

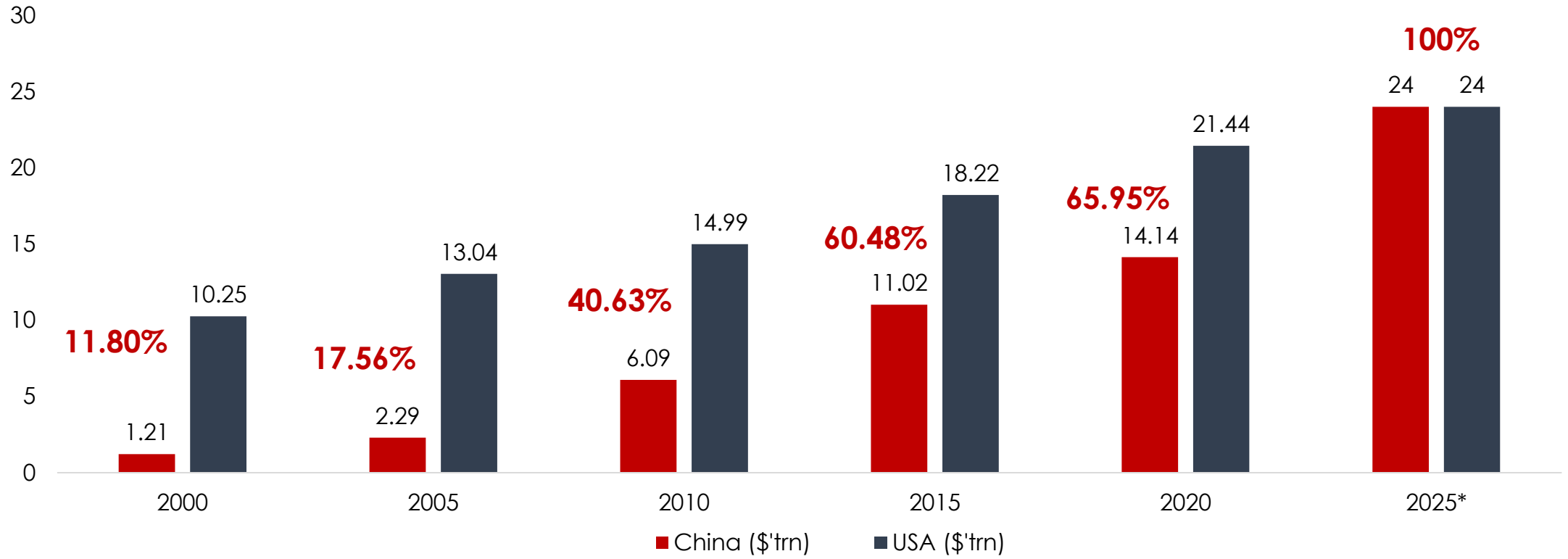
US Fed Keeps Interest Rates Unchanged

- Fed left its benchmark interest rates unchanged (0% - 0.25% pa)
- Fed says it is determined to keep rates low through 2022-2023
- Despite acknowledging that the US economy is accelerating and inflation is rising
- US inflation climbed to 2.6% in March, the highest inflation since August 2018

US Stimulus Package & Infrastructure Plan

- 58% of Americans are favourable towards Biden's $2.3trn infrastructure plan
- The Republicans have countered with a $900bn plan
- The ambitious plan aims to boost infrastructural development
- Biden is planning to increase the personal income tax rate for Americans earning above $400k
  - And increase capital gains tax
- Massive injections of capital can fuel price inflation due to extra spending

China Playing Catch Up With the US



- China's economy is growing faster than the US
  - Chinese economy expanded by 18.3% in Q1'21 while the US grew by 0.4%
- Projected to overtake the US as the world's largest economy by 2028

India Faces 3rd Wave of COVID-19

- India is experiencing a deadly wave of the COVID-19 pandemic
- Despite producing most of the COVID vaccines

- Reports over 300,000 cases on a daily basis with fatalities rising above 200,000
- India and Nigeria have similar features
- Pointing to a possible resurgence in virus cases in the country
- This increases the risk of another lockdown that Nigeria cannot afford – a South Africa déjà vu

Can Nigeria Face a 3rd Wave Like India? – Not Likely!

Similarities

- Demography: India (1.4bn) & Nigeria (200mn) have growing populations
- Colonization: Both were under the colonial rule of Britain

Differences

	Nigeria	India
	Vaccinated only 1.1mn (0.55% of population)	Vaccinated about 1% of its total population
Population growth rate (%)	2.6	1.0
GDP growth rate (%)	0.11 (Q4'20)	0.4% (Q4'20)
Health expenditure ($mn)	3.5	8,300
Median age (years)	18.1	28.4
Density (pop per km2)	226	464
Urbanization (%)	52	35

Post-Pandemic Booms – Lessons from History

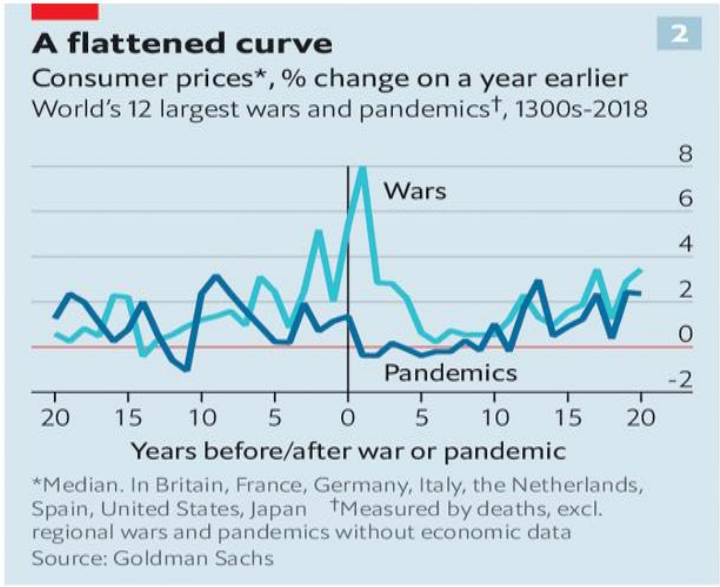
- Pandemic occurs once in every 100 years
- GDP tends to bounce back after a period of disruptions such as wars and pandemics

Evidence from earlier pandemics suggests that people accumulate savings as spending opportunities decline

  - In the 1870s with smallpox outbreak, Britain's household-savings rate doubled
  - Japan's savings rate more than doubled during the first World War in 1914
  - In 1919-20, as the Spanish flu raged, savings rate rose in America to 40% of GDP

Post-Pandemic Booms – Lessons from History

- The great lockdown during Covid-19 pandemic is not any different
- As the economy recovers and activities increase
- Spending rises, leading to a post pandemic boom
- Post-pandemic booms result in three outcomes:
  - People are ready to go out and spend although uncertainties linger
  - The pandemic encourages new ways of doing things
  - People demand more from political leaders



Source: The Economist

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Sub-Saharan Africa

SSA Outlook - EIU

- Economic activities in the SSA region will continue to pick up in 2021/22
- But recovery will be uneven as public finances remain under pressure
- Unemployment in the formal economy will decline slowly while jobs in the informal sector will rebound
- Many SSA countries will continue to rely heavily on bilateral and multilateral support to meet BOP needs
- Only a few creditworthy economies will access the private capital markets

SSA Outlook - EIU

Indicators	2020	2021	2022
GDP Growth (%)	-3.80	2.3	3.5
GDP per head ($'bn)	2,005	2,085	2,168
Inflation (%)	9.9	8.1	8.0
Trade balance ($'bn)	-24.90	-21.05	-20.37
External debt ($'bn)	666.3	720.1	753.2
Debt service ratio (%)	12.8	11.8	11.8

Source: EIU

SSA: Increased Borrowing From the Eurobond Market

- Several African countries are planning to borrow from the international capital markets
  - Ghana, Kenya, South Africa & Nigeria
  - Nigeria will raise $3bn in 2021
- Increased borrowing to meet infrastructure needs will force Nigerian policy makers to implement structural reforms
- Cote d'Ivoire was the first SSA country to visit the Eurobond market since the pandemic ($1.2bn in Nov'20)

G20 Extends Debt Relief to Low Income Countries

- G20 countries extend debt-relief programme to low-income countries until the end of 2021
- With a new repayment timeline of 6 years upon the expiration of the initiative
- The debt service suspension initiative (DSSI) was established in May'20
- As the COVID pandemic weighs on government finances globally
- 46 of the 73 eligible countries have so far applied to defer an estimated $12.5bn in debt repayments

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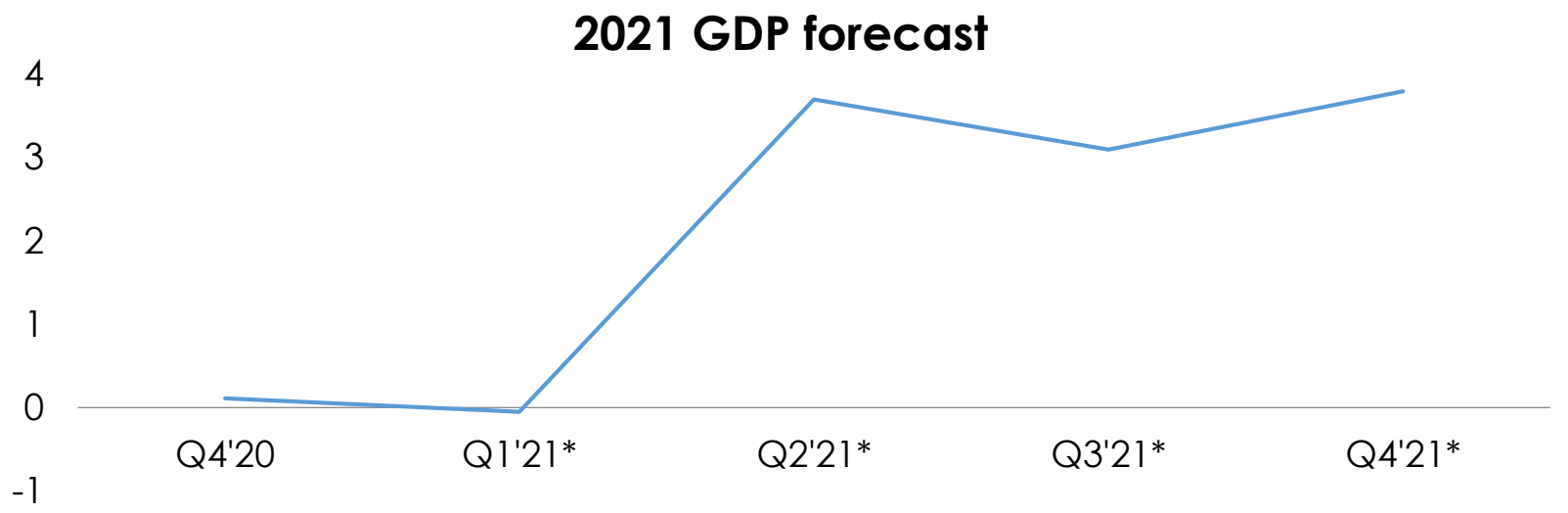
Domestic Economic Performance

Q2'21 GDP Likely Positive



Full year growth of

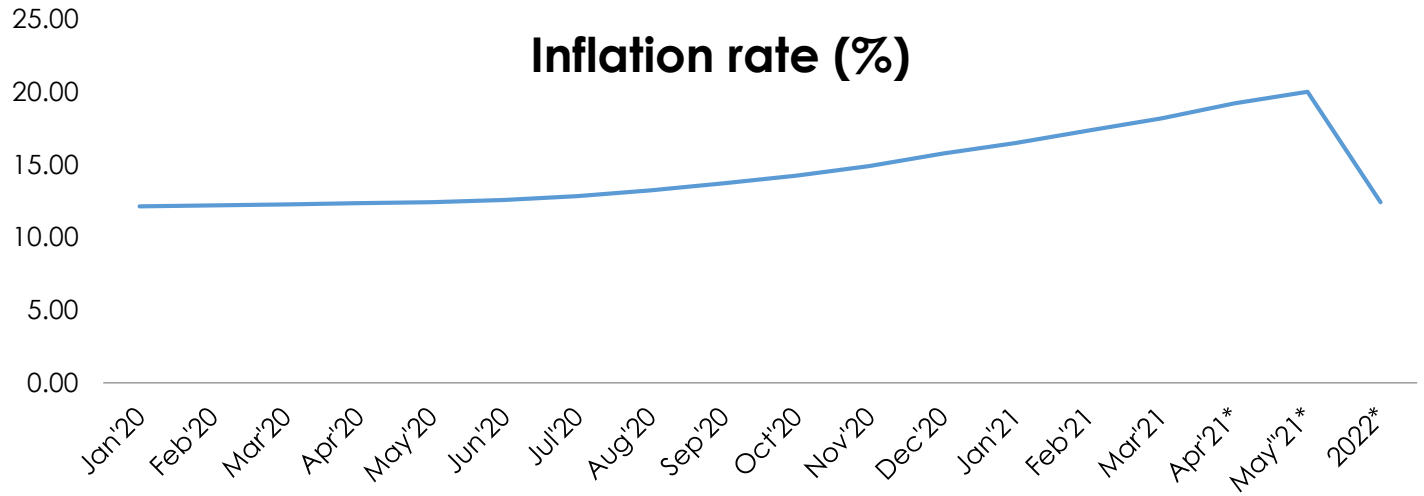
2.5% – 3%

*Source: *FDC Think Tank*

- GDP growth could stall in Q1 due to the base year effect
- Q2 GDP estimated at 3.7% mainly due to:
  - Informal sector resilience
  - Massive vaccination and herd immunity
- Convergence of exchange rates and liberalization of markets

Inflation Rate to Maintain Upward Trend

- Headline inflation heading towards 20% in May'21
  - Expected to taper down slightly in Q3 (17.5%)
- Inflation is currently100% above CBN's 9% threshold
- Inflationary pressure continues to weaken disposable income and manufacturers' profitability



Source: NBS, FDC Think Tank

Jollof Rice Index – Q1'21

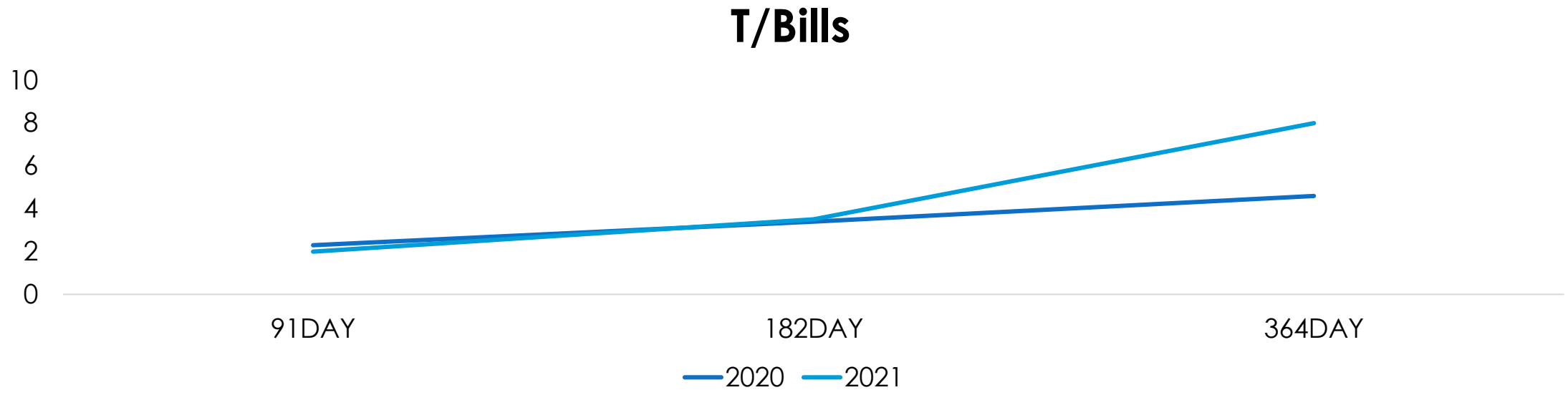
- Average cost of making a pot of jollof rice rose by 7.8% y-o-y in Mar'21
- Due to low food supply and exchange rate pass through
- Jollof condiments like tinned tomatoes, rice, turkey and seasoning are imported
- A 50kg bag of rice costs N27,000 - N35,000 which is higher than the minimum wage (N30,000)

Inflation Mitigating Effect

Drivers	Dimension	Nature of Impact
M2 growth	25%	Persistent
Insecurity in the food belt	20%	Structural
Forex restrictions on food imports	15%	Transient
Disruptions' cost	5%	Structural
Higher energy costs	4%	Structural
Seasonality factors	12%	Structural
Exchange rate pass through ($)	15%	Transient

- Inflation is beyond a monetary phenomenon in Nigeria
- It is also episodic
  - Driven by factors specific to a particular period
- These factors are;
  - 42% structural
  - 25% monetary
  - 30% transient

T/bill Rates Fast Approaching 12%



- Interest rate on T/bills will continue to rise, 364-day t/bill rates fast approaching 12% pa in Q2
- Negative returns on investments are falling
- Average short-term interbank rates (OBB/ON) climbed by 1888bps to 27.63%

Source: CBN, FSDH, FDC Think Tank

Exchange Rate Policy Outlook

Managed Floating Vs Managed Fixed Exchange rate

- Determinants:

	2020	2021	% Change
Oil Price ($'pb) Q2	33.4	65.39	95
Oil Production (mbpd) Q2	1.62	1.58	-2.47
Balance of Trade	-$15.2bn	-$2.4bn	84.2
External reserves ($'bn)	35.26	35.08	-0.5
Parallel Market (N/$)	447.75	484.25	-7.5

Source: EIU, OPEC, Bloomberg, CBN, AbokiFX, FDC Think Tank

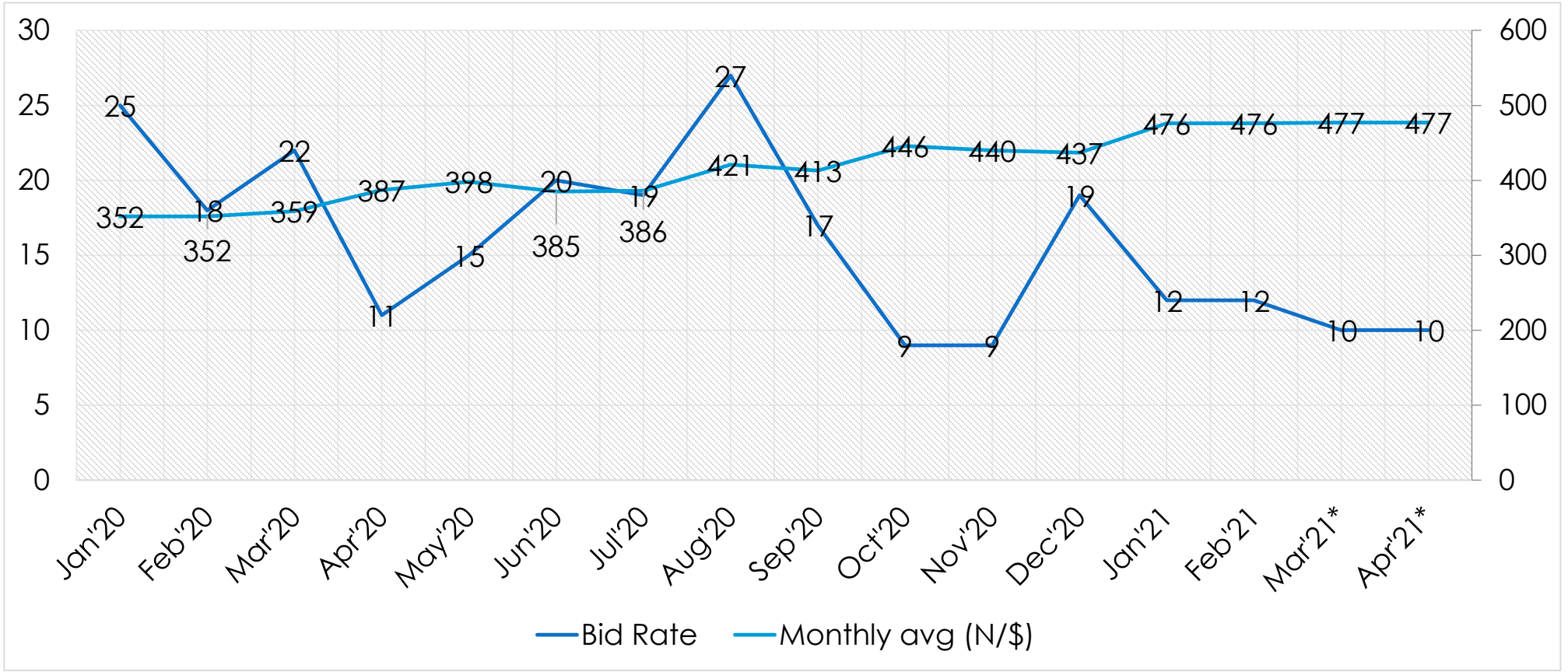
Exchange Rate Policy Outlook

- Our view is that a $4-5bn disbursement to the market by the CBN will:
  - Reduce external reserves by $2-3bn
  - Allow the parallel market to converge towards N470/$
  - Will reduce naira liquidity in the system and push interest rates up at the interbank market by 300-400bps
  - Increased supply of goods and parallel market discount will help moderate inflation

Exchange Rate Policy Outlook

- What will make this possible
  - An approach to the Eurobond market will make Nigeria move towards exchange rate correction

Exchange Rate Policy Outlook

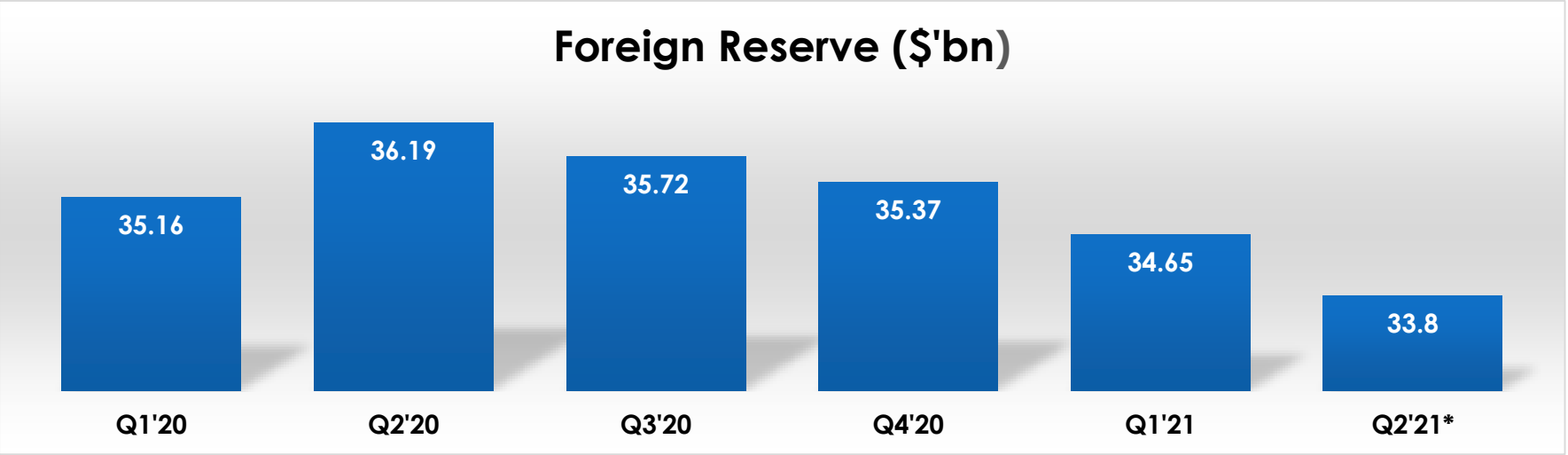


- Average blended rates for corporates estimated at N477/$ in April
- Could appreciate to N470/$ in May if CBN increases forex sales

Average Blended Rate

	CBN Bid Rate	Parallel market Bid Rate	Monthly avg (N/$)
Jan'20	25	75	352
Feb'20	18	82	352
Mar'20	22	78	359
Apr'20	11	89	387
May'20	15	85	398
Jun'20	20	80	385
Jul'20	19	81	386
Aug'20	27	73	421
Sep'20	17	83	413
Oct'20	9	91	446
Nov'20	9	91	440
Dec'20	19	81	437
Jan'21*	12	88	476
Feb'21*	12	88	476
Mar'21*	10	90	477
Apr'21*	10	90	477

Clearing of Forex Demand Backlog to Reduce Reserves

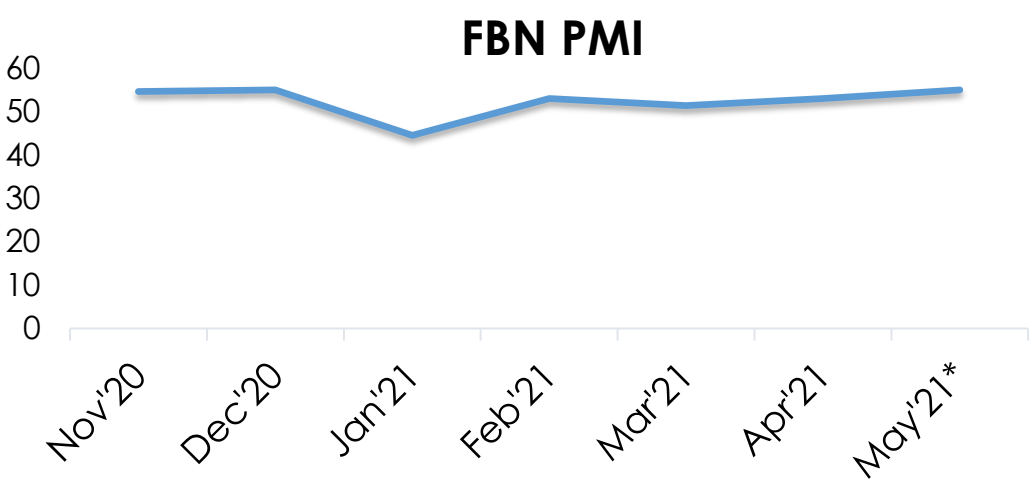


- External reserves rose steadily above $35bn on higher oil proceeds and improved remittances
- But started to decline as CBN began clearing its $2bn backlog to FPIs
- CBN sold $1.47bn foreign exchange to authorized dealers in Jan'21
  - 64% lower than Jan'2020 ($4.1bn)

Market Proxies

FBN PMI to Remain in Expansion Territory

Sub-index	Mar'21	Apr'21
Output	52	54
Employment	50	51
Supplier delivery time	46.5	49.5
New orders	56.5	54.5
Stocks of purchases	52	56



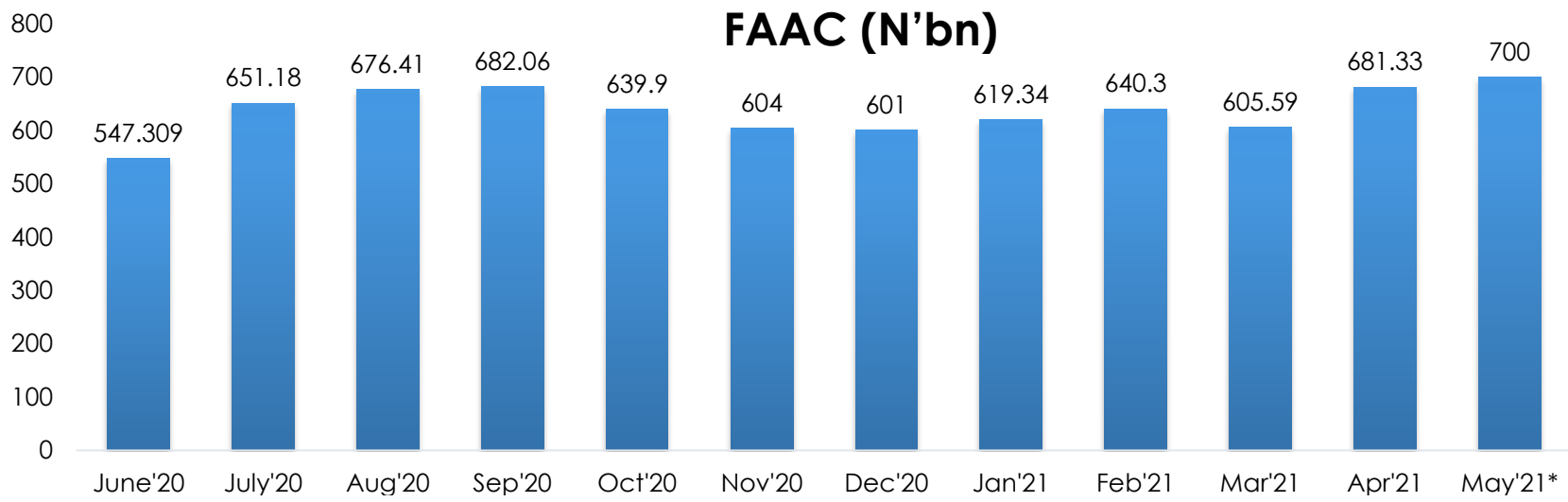
- PMI could climb to 55 points in May as economic activities improve
  - Rose marginally by 3.1% in April (53 points)
- Would be supported by better access to forex to acquire raw materials
- But inflationary pressures to keep suppressing aggregate demand

Value of Transactions

	Mar'21 (N'bn)	Apr'21 (N'bn)
Cheques	317.19	243.7
NIP	22,502.95	21,190.67
NEFT	1,393.5	1,252.67
POS	531.38	507.86

- Total value of transactions fell by 6.3% to N23.19trn in April from N24.75trn in March
- Value of transactions expected to rise towards N25trn in May
- On the backdrop of increasing economic activities

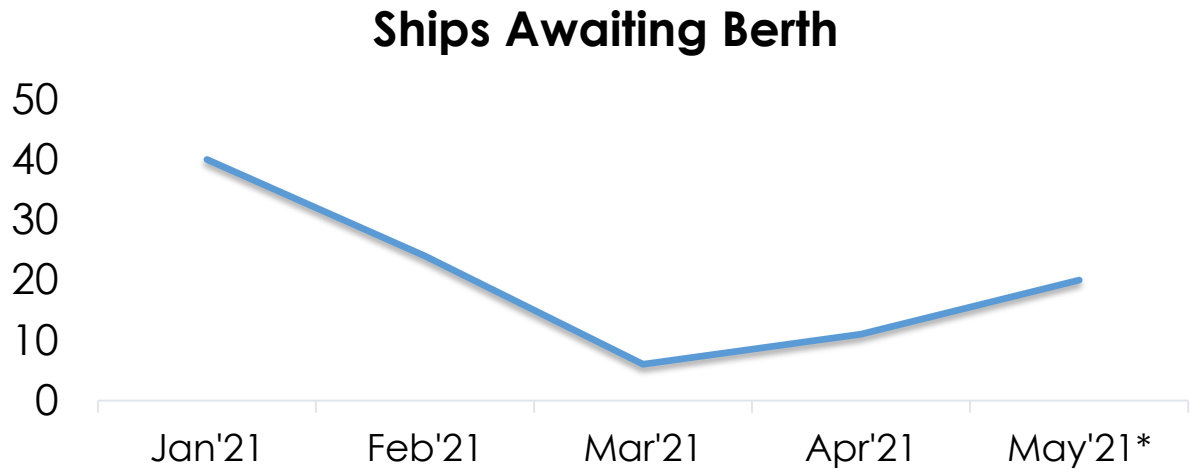
Exchange Rate Gains to Increase FAAC allocation



- FAAC allocation up by 12.5% to N681.3bn in April from N605.59bn in March
- Supported by exchange rate gains, VAT & CIT revenue, import & excise duty
- Rise in FAAC to temporarily support state & local government financial obligations

Ships Awaiting Berth

Vessels Awaiting Berth	Mar'21	Apr'21
Apapa	3	5
Tincan	3	6



- Ship awaiting berth increased by 83.3% in April to 11 from 6 vessels in March
- Could increase further as international trade improves in coming months
- Compared to years ago, the ships turnaround time has improved
- Thus reducing the ships awaiting berth
- Also many ships are using PH and Calabar

Rig Count to Rise

- Brent crude averaged $65.33pb so far in April
  - 6.18% lower than March's peak ($69.63pb)
- OPEC+ eased output cuts for May – July by a total of 1.14mbpd
- Active rigs to increase as oil production increases from May
- Higher output and oil price above $60pb to support government revenue and FAAC disbursements

	New Quota
May 2021	1.54
June 2021	1.55
July 2021	1.58

Source: OPEC, Bloomberg, FDC Think Tank

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Hydropower Generation to Pickup on Rainy Season

5,801MW	4,099MWH/H	-	29,621`	2204MWH/H
Peak Energy Generated	Average Energy Generated	Total Grid Collapses	Constrained Revenue (Million Naira)	Total constrained energy

- FG rules out major electricity tariff hike
- Electricity generation falls to 3,922mw, 11 plants idle
- Africa's biggest city (Lagos) plans own power market to guarantee supply
- Power supply subsidy may gulp N3.4tn by 2023 — World Bank
- 78% Nigerian power consumers get less than 12-hour daily supply — World Bank

Source: Lavayo Advisors

Policy Review, Implications & Outlook

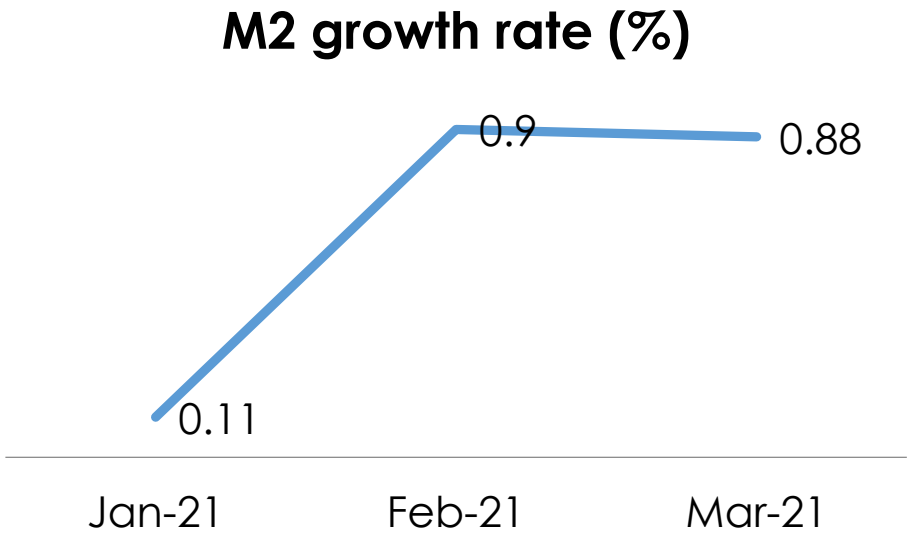
Monetary Policy Update

Policy Update	Impact on Economy
Licensing of 10 additional IMTOs	• To enhance efficiency in international money transfer transactions
CBN asks exporters to repatriate proceeds	• To increase forex inflows and boost external reserves • CBN's ability to intervene at the IE window to increase
Dollar sales to FPIs	• Ease forex demand pressures but could taper external reserves level
FX restriction on wheat and sugar	• Likely to boost external reserves but could stoke inflationary pressures

Monetary Policy Outlook – tightening inevitable

- CBN already tightened without using the MPC

	2020	2021
Average Interbank Interest rates Q1	8.4%	8.11%
Average Interbank Interest rates Q2	7.38%	15.95%
Average T/Bill rates 12 months Q1	5.74	4.31
Average T/Bill rates 12 months Q2	2.00	9.38



Source: CBN, FSDH, FDC Think Tank

Monetary Policy Outlook – Tightening Inevitable

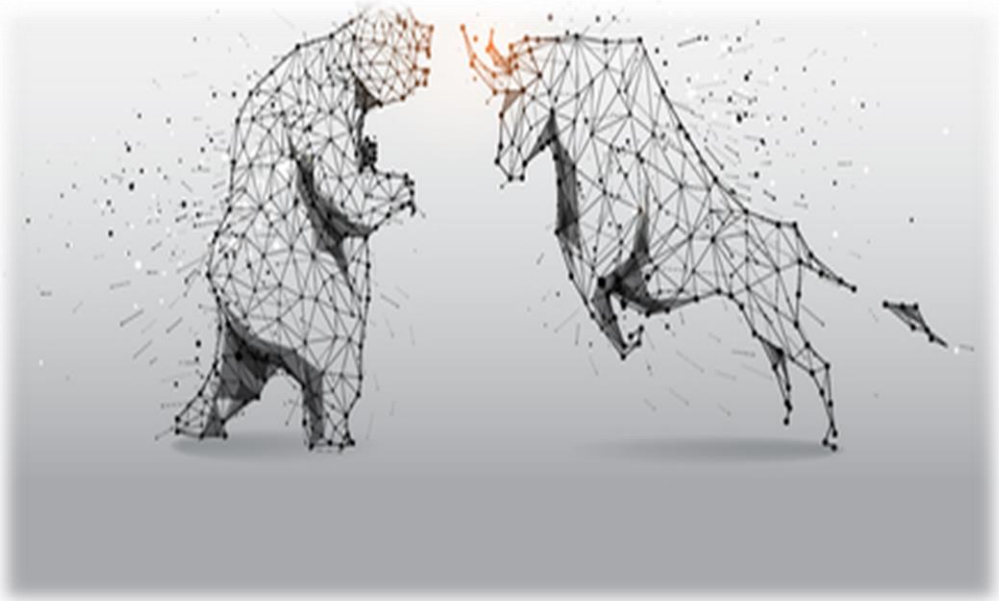
- Inflation outlook still trending upwards
- Need to increase marginal propensity to save
- Next MPC meeting – May 24/25
- Major considerations would be the April inflation and Q1'21 GDP numbers
- The MPC will likely increase the MPR by 0.25%
- Sending a signal of targeting to defend the naira in the forex market
- Reduce the risk premium for borrowing in the Eurobond market

Fiscal Policy Update

Policy Update	Impact on the Economy
Electricity tariffs likely to rise in July	• Cost-reflective electricity tariff to boost investor sentiment in the power sector • And boost labour productivity • But consumer disposable income will be further squeezed
Senate approves $2.7bn external borrowing	• Foreign debt to increase • Further exposing the economy to external shocks • Efficient utilization of loan could spur economic growth

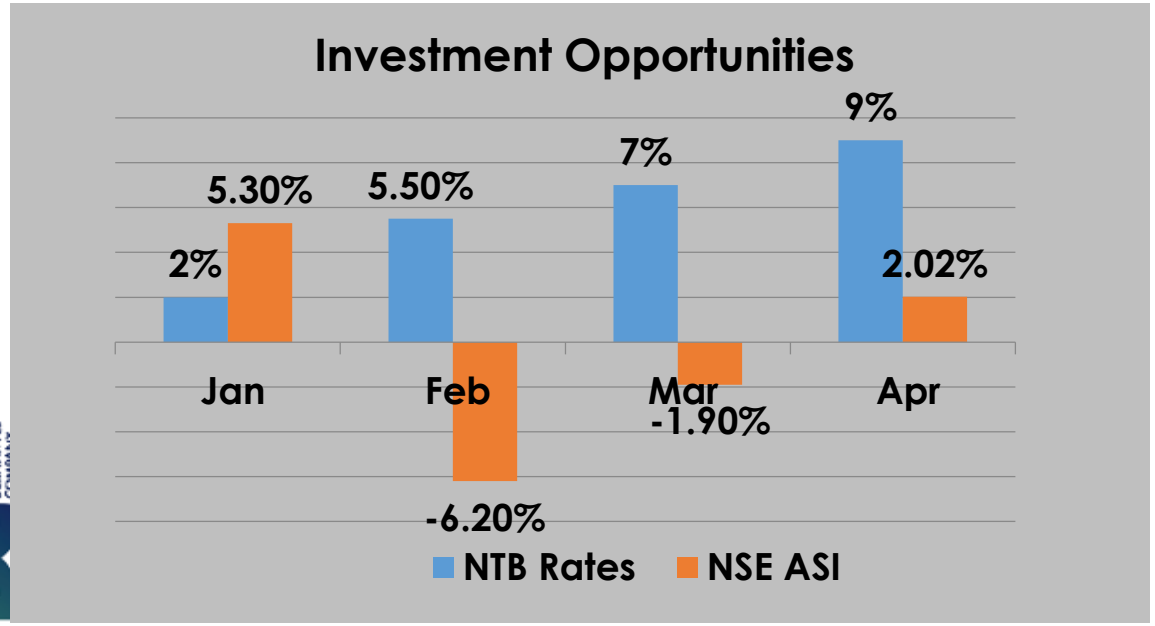
Fiscal Policy Outlook

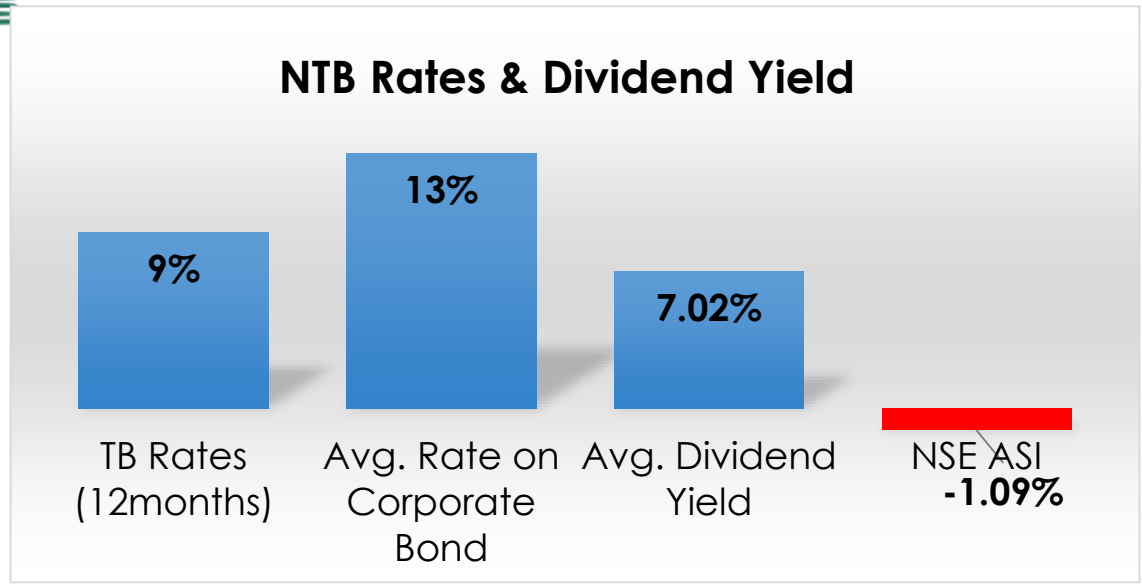
- External debt to climb towards $36.35bn on new Eurobond issue of $3bn
- No pull back on reforms (electricity tariff & PMS price deregulation)
- Signing of the long-awaited PIB by the end of May
- Securitization of FGN debt, but CBN borrowing likely to continue



Stock Market Review

Investment Opportunities





- Stock market performance sensitive to uptick in the fixed income space
- Sustained investor preference for risk free securities
- Impressive corporate earnings supported stock market's performance in April

Nigerian Stock Market in April

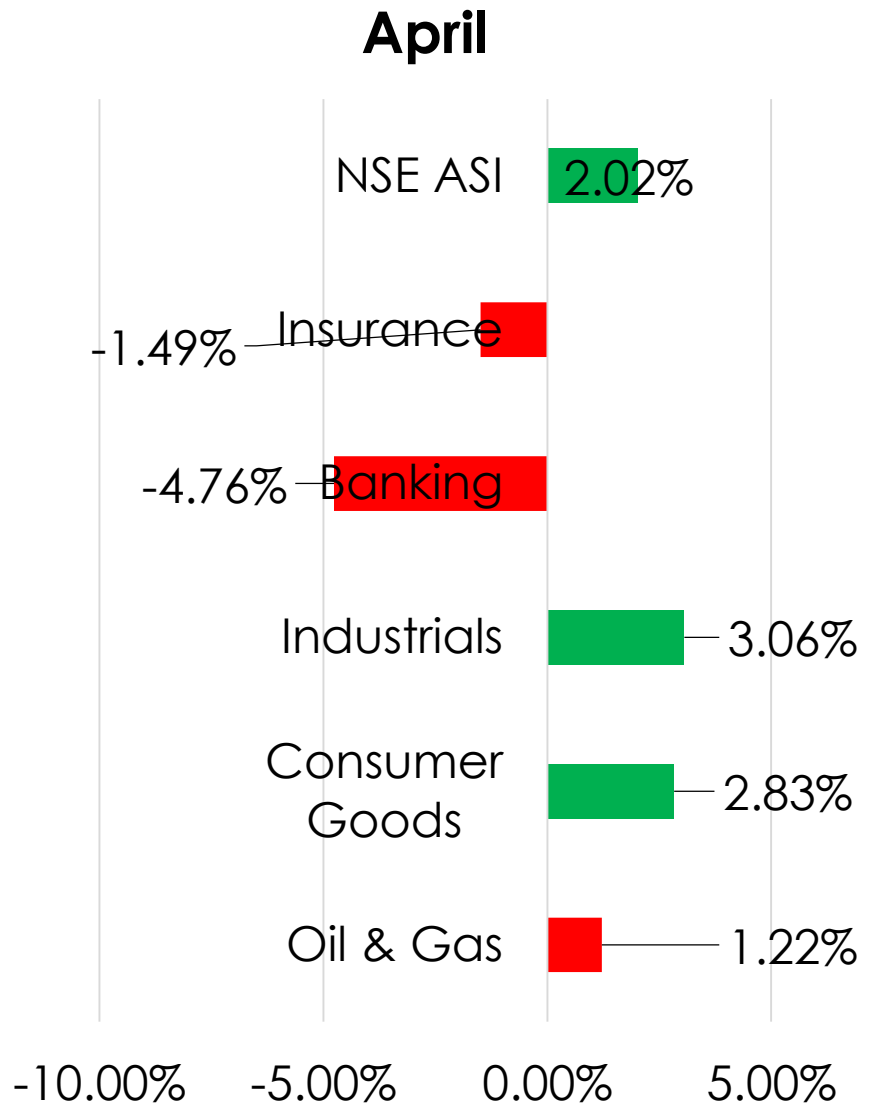
- Market cap ↑ 2.06% to N20.85trillion
- P/E ↑ 0.94% to 13.95 x
- NSE ASI ↑ 2.02% to 39,834.42

Peer Comparison

Exchange	YTD Return	Driver
NSE ASI	↓ 1.09%	• Continuous uptick in the fixed income space • Investors shift towards risk free securities
JSE ASI	↑ 12.67%	• Gradual rebound in economic activities • Optimism among investors for possible listing of coca cola on the exchange
GSE	↑ 31.93%	• Impressive earnings performance boosts investors' sentiment • Investors hunts for higher returns on investments as yields on government securities declines • Gradual rebound in economic activities

Indices Performance in April

- Mixed performance across indices
  - Impressive earnings driving investor sentiment
  - Investors sceptical about high risk securities
- Banking recorded the highest loss (-4.76%)
  - Investors pessimistic about rising issues in the banking space
- Industrials recorded the highest gain (3.06%)
  - Driven by gains in Dangote Cement



Stock Market Outlook- May

- Economic policies expected to reflect in share price performance
  - CBN's orthodox policy to mop up excess liquidity and push up interest rates
  - Forex restrictions
  - USSD controversy between telcos and banks
- Possible return of the bulls to the equities market
  - Impressive corporate earnings to further boost investors' sentiment

Stock Market Outlook- May

- Increase in economic and business activities will drive investment
- Institutional investors will be forced to rebalance asset mix

Banking index expected to further contract

- Investors pessimistic about rising issues in the banking space
- Investors expected to trade cautiously

FDC FINANCIAL DERIVATIVES COMPANY

Corporate Earnings

Access Bank Q1'21 - Result

- Access bank's performance supported by FX gains and growth in net interest income
- Gross earnings grew by 5.9% to N222bn supported by:
  - 30% growth in net interest income to N93.96bn
  - Non-interest income increased by 0.5% to N78.34bn
  - Retail banking revenue surged by 112% to N57.5bn supported by:
    - Increased adoption of digital channels and growing customer base

    (941,631 new customer sign-on via the bank's financial inclusion drive)
- Bottom line grew by 28% to N52.5bn supported by top line growth

Access Bank Q2'21 - Outlook

Continuous expansion strategy to strengthen African footprint

- Expected to maintain its market share (19%) in asset size
- Continuous leverage on digital channels will drive strong earnings growth and profitability
- Continuous insecurity issues expected to weigh on customer base and top line performance

Banking Industry Outlook- Moody's

Profitability

- Economic environment to dictate banks' provision for credit loss
- Stabilized economic activities to support earnings
  - Recovery in oil demand and prices
  - Estimated GDP growth of 2.1%

Asset Quality

- Increased restructuring activities attributable to exposure to pandemic vulnerable sectors
- Increased pressure on borrowers' repayment
- Exposure to large volumes of foreign currency loans sensitive to currency devaluation

Banks & Fintech Competition Continues...

- Evolving consumer demand changing the scope and delivery of financial services
- Competition to intensify – especially in the retail space
- Fintechs' leverage on product differentiation to strengthen position in the financial services industry
  - Higher ROI to attract customers
  - Attractive lending solutions

Banks & Fintech Competition Continues...

- Nigeria's underserved financial industry to fuel partnerships with international players
- Need for banks to offer similar products to retain customers
- Large customer base to serve as an advantage for banks to provide customer-tailored products
- Ability of banks to diversify its product offerings would be limited by regulatory concerns
- Possible mergers and acquisitions between players

MTN Nigeria-Q1'2021 Result

- Revenue grew by 17% to N385bn and operating income grew by 20.38% to N113bn
- Increased network capacity following the acquisition and activation of an additional 800MHz spectrum
- Data revenue grew by 42.6% to N105.7bn supported by an 86.7% increase in data traffic and a 48.5% increase in data usage from existing subscribers
- Mobile subscribers declined by 5 million to 71.5 million due to restrictions on SIM activations

MTN Nigeria-Q1'2021 Result

- Voice revenue grew by 8% to N245 bn
- Digital and fintech revenue grew by 101% and 28.5% respectively on the back of continuous adoption of digital products
- MoMo agents and fintech customers increased to 449,100 and 4.6 million respectively
- Bottom line grew by 42.5% to N73.7bn supported by growth in revenue

MTN Nigeria - Outlook Q2'21

Strong growth potentials

- Increased capex (19.3% growth in Q1'2021) will give it an edge
- Increased network capacity- the telecomm giant will continue to benefit from the activation of the acquired 800MHz spectrum
- Aggressive collaboration with the Nigerian Identity Management Commission (NIMC) expected to boost customer base and volume of subscribers
- Continuous leverage on digital channels expected to boost top line
- Pressing security issues expected to weigh on customer base

Dangote Cement – Q1'21 Result

- Dangote Cement maintains its market leadership at 72%
- Revenue up by 33.6% to N333bn and PAT up by 48% to N89.7bn
- Recorded the highest quarterly volume domestic sales of 4.8MT courtesy economies of scale
- Increased efficiency of the company's 3Mt Obajana Line 5
- Rising demand for cement supported by continuous construction activities

Dangote Cement - CSR

- Dangote remains the highest tax payer (47% to N40.4bn)
- Expenses on corporate social responsibility increased by 793% to N1.25bn in Q1 from N143mn in 2020
    - Currently running a daily feeding program

Dangote Cement –Q2'21 Outlook

- Profit projection of about N420bn in Q2 due to cash flow increase by 35% to N233bn
- Q2 2021 earnings to be driven by:
  - Extra spending by government
  - Resumption of clinker exports
  - Border re-opening to support increased export activities
- Consistent insecurity issues will likely disrupt construction activities and contract earnings

Lafarge Cement -Q1'21 Result

- Revenue grew by 12.2% to N71.5bn owing to:
  - Increased real estate investment
  - Increased construction activities
- Higher maintenance cost and production cost weighed on gross margin (declined by 3.2% to 26.7%)
- Bottom line grew by 13.3% to N9bn supported by 25% growth in operating income to N14.7bn from N11.8bn
- Higher income tax (177% to N3.6bn) impacted bottom line growth

Lafarge Cement –Q2'21 Outlook

- Increased construction activities will drive growth in Q2 2021
  - Expected to maximize volume opportunities
- Cost optimization strategy
- Consistent insecurity issues will likely disrupt construction activities and contract earnings

Unilever Q1'2021 Result

- Top line grew by 46% to N19.4bn from N13.3bn due to:
  - Increased business and economic activities
  - Food product revenue grew by 40% to N10.4bn
- Increased cost of sales remains a threat to profitability
  - Gross profit margin compressed by 11.5% to N23bn
- Cost of sales increased by 51% to N14.95bn

Unilever Q2'21 - Outlook

- Performance to be impacted by:
  - Weak consumer spending
    - Product perceived as necessities to gain market share
  - Volatility in commodity prices
  - FX restrictions on companies dependent on import of key raw materials

Aviation Update

Global Update

- Airlines continue to post losses in Q4 and Q1
- Initial Q1 results indicate an improvement especially for North American carriers
- Mainly Delta, South West, Jet Blue and American airlines
- Delta started full capacity seat sale on May 1st
- European carriers are bleeding cash
- The EU bungling of the vaccine program has delayed recovery at Lufthansa, Air France/KLM

Global Update

- B/A is struggling and is unable to pull Iberia out of red ink
- Airline demand in Europe will remain subdued till September 2021
- On the cost side, airlines have implemented stronger cost cutting measures
- Emirates is still disallowed from the Nigerian market on PCR testing disagreements
- The step up in vaccination and the possible vaccine passport will help relieve the pressure

Regional & Domestic Update

- Ethiopian Airlines has taken advantage of preferential landing rights in China
- ET never stopped flying into China in 2020
- Enugu, Kano, PH have joined Lagos and Abuja in resuming international flights
- There is very low patronage and traffic out of these regional markets
- Azman Air's operating license has been restored by the WCAA

Real Estate Update

Real Estate in Q2'21 – Residential

- Lack of effective demand for housing units to widen vacancy factor
- Would be driven by weak consumer disposable income
- Likely revision in rent payment as building and maintenance costs climb
- Increased preference for cheaper options like 1 or 2 bedroom apartments particularly on the mainland
- Rise in serviced apartments and condos in the Lekki – Ikate - Ajah axis

Real Estate in Q2'21 – Commercial

- Hotels, luxury apartments, shopping malls, clubs, event centres making a comeback as covid restrictions ease
- Would support the recovery in accommodation & food services sector
- But weak demand remains a threat
- Increase in shared office space as companies look to minimize operating costs and maintain skeletal work from home strategy
- Construction of high rise commercial buildings in VI and Ikoyi to continue

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Political Update

Political Update- There can be no 2023 without 2021

- Insecurity takes its toll on Nigeria
- Beclouding the political landscape and scrambling the 2023 chess board
- It is 750 days to handover
- 650 days to the presidential election
- 470 days to open campaigning amongst candidates
- Yet no candidates have emerged with a plan to deal simultaneously with insurgency, insecurity and restiveness

Political Update

- Also to resolve the underlying structural economic problems and mass mobilization
- The elimination of a rent seeking economy and crony capitalism needs to be frontally attacked
- The APC and PDP are deep in squabble over the convention and election of a NEC
- The fear of making a commitment on zoning is the albatross of both parties

Matters Arising

- Who stands to benefit from the elevated level of insecurity?
- Is the insecurity problem a class war or a sectarian struggle
  - The poor cannot sleep because they are hungry
  - The rich cannot sleep because the poor are awake
- The combination of sectarian strife, ethnic suspicion and multidimensional poverty is a political Molotov cocktail

Political Update- Anambra State a Litmus Test for 2023

- Anambra state election is a litmus test on the survival of plural democracy in Nigeria
- It is looking like a 3 horse race

APC, PDP & APGA

- The state has a strong economy
  - 16th highest inflation (18.61%)
  - 9th highest unemployment (44.22%)
  - Low debt ratios
  - No arrears on salaries

Political Update

- This is the legacy of the frugal management of Peter Obi
- Incumbent governor has capitalised on the work of Peter Obi
- Charles Soludo's pedigree and tying himself to the coat tails of the incumbent could give him an advantage
- The PDP have some strong candidates with capacity and clout
- The APC will also use its federal might
- At the national level it is open season in the APC

Political Update

- The PDP are waiting for the APC to make its first move but time is not on their side
- Obasanjo has dropped a hint of conscripting the AfDB president, Akin Adesina, as a presidential candidate for 2023
- Players to watch include Dr. Fayemi, Bola Tinubu, Amosun, Saraki, Tambuwal, Wike, Kwakwanso, Dakwambo & Peter Obi
- President Buhari is likely to be more assertive in the coming weeks
- His democracy day broadcast could address some of the burning issues
- Q2 is going to witness positive economic growth above 2.5%

May Outlook

Outlook for May

Sell in May and go away

- The stock market will slide in May as usual
- Some stocks will rally especially MTN, Dangote Cement, Nestle, Guinness
- MPC could increase MPR by 25 basis points
- Headline inflation will come in at 18.77%
- Food inflation will cross 24%
- FGN will commence the securitization of overdraft at the CBN

Outlook for May

- The price of Brent will trade flat between $65-68pb
- Interbank interest rates will remain elevated above 18%pa
- There will be a flight to quality by bank depositors in spite of assurances
- The naira will trade flat at the parallel market at N485/$ and N410-415/$ at the I&E window

Corporate Humour

A mathematician is a blind man in a dark room looking for a black cat which isn't there

– Charles Darwin

The laws of probability are so true in general, so fallacious in particular

– Edward Gibbon

Drama is life with the dull bits cut out

– Alfred Hitchcock

Corporate Humour

For the first half of your life, people tell you what you should do and for the second half they tell you what you should have done

– Richard Needham

Life is a short visit to a toy shop between birth and death

– Desmond Morris

Americans of the future will need to know Spanish to give instructions and Chinese to take instructions

– Argus Hamilton

Corporate Humour

My motto is the same as my blood type B positive
– Cynthia Nelms

Only a doctor can ask a woman to undress and then send a bill to her husband
– Jackie Mason

Middle age is when a narrow waist and a broad mind begin to change places
– Glenn Dorenbush

Corporate Humour

You are only young once, but you can be immature forever
– Germaine Greer

The lovely thing about being forty is that you appreciate twenty five year old men more
– Colleen McCullough

It is hard to be nostalgic when you can't remember anything
– Anonymous

Corporate Humour

If the shoe fits, it's too expensive

– Adrienne Gusoff

Every life should have nine cats

– Anonymous

Flight attendant "In case of a drop in cabin pressure, an oxygen mask will drop down in front of you for two dollars

– Anonymous

Corporate Humour

The difference between wandering and travelling is that we wander for distraction and we travel for fulfilment

– *Hilaire Belloc*

There was a time when a fool and his money were soon parted, but now it happens to everybody

– *Adlai Stevenson*

THANK YOU!

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