

FIRST IDEAS CAPITAL MARKET REPORT

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KEY ECONOMIC INDICATORS

THE ECONOMY

	NIGERIA KEY ECONOMIC INDICATORS													
	30/6/20	30/9/20	31/12/20	31/3/21	30/6/21	30/9/21	31/12/21	31/3/22	30/6/22	30/9/22	31/12/22	31/3/23	30/6/23	Change
Bonny Light Crude Oil Prices (USD/B)quarter average	26.75	43.29	44.01	61.04	70.47	73.87	80.43	106.29	117.85	106.78	90.86	83.96	80.25	-4%
Average Crude Oil production quarter ended (mb/d)	1.81	1.67	1.56	1.72	1.61	1.57	1.5	1.49	1.43	1.2	1.34	1.51	1.22	-19%
Real GDP growth Quarter ended	-6.10%	-3.62%	0.11%	0.51%	5.01%	4.03%	3.98%	3.11%	3.54%	2.25%	3.52%	2.31%	2.51%	0.2%
Industry capacity utilization quarter ended	39.09%	43.52%	43.93	44.34	45.07	55.9	55.1	55.4	47.69	53.8				
External reserves (USD billion)*	35.78	35.67	36.46	35.138	32.99	41.57	36.4	39.28	39.22	37.39	36.55	35.14	33.75	-4%
Exchange Rate (N/USD)	361	380	380	380	411.28	410.8	413.49	416.25	415.72	432.87	449.05	461.38	770.88	-67%
Net inflow of forex through CBN(USD billion)	-4.40	-0.02	0.30	-1.20	-2.40	8.85	-1.40	-0.8						
Forex sales by CBN quarter ended(USD billion)	8.72	4.38	5.62	8.72	8.93	7.98	10.58	8.44	8.45	8.54	7.51			
I&E Fx intervention(USD billion)	0.48	0.39	1.6	0.8	1	0.796	1.9	1.4						
Headline Inflation Month ended	12.56%	13.71%	15.75%	18.17%	17.75%	16.63%	15.63%	15.92%	18.60%	20.77%	21.34%	22.04%	22.79%	0.8%
MPR	12.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	13.0%	15.5%	16.5%	18.0%	18.5%	0.5%
91 days treasury bill yield	1.94%	1.10%	0.35%	2.43%	4.96%	3.90%	3.13%	2.68%	4.64%	7.29%	4.54%	5.46%	2.99%	-2.5%
Interbank Call Rate Month ended	5.75%	2.00%	1.25%	10.10%	16.57%	13.00%	0.00%	11.33%	11.10%	0.00%	12.00%	14.75%	11.66%	-3.1%
30 days NIBOR rate	5.15%	2.38%	0.38%	5.44%	15.36%	15.03%	9.63%	1.99%	7.37%	12.12%	11.50%	16.33%	6.65%	-9.7%
FGN 10 years bond Yield	9.76%	7.69%	7.26%	11.50%	13.50%	12.02%	12.60%	10.87%	12.50%	13.85%	14.75%	14.75%	14.70%	-0.1%
Prime Lending Rate(quarter average)	15.10%	11.80%	11.42%	11.20%	11.40%	11.64%	11.68%	11.77%	12.03%	12.23%	13.08%	13.75%	13.99%	0.2%
Credit growth to private sector quarter ended	3.30%	1.90%	1.50%	3.60%	4.50%	4.00%	3.70%	3.30%	5.70%	5.40%	3.20%	3.00%	22.60%	19.6%
Gross Banking Credit (Naira trillion)			22.68	23.53					26.85	28.20				
New Jobs created (Formal and Informal sectors)**	(11,016,000)		(12,039,000)											
CBN Standing lending Facilities granted (SLF) Nbillion		1,700.46	136.13	1,680.00	2,140.00	1,810.00	1,893.62	902.17	3,619.12	3,404.68	7,049.50	4,956.40		-29.7%
CBN Standing Deposit Facilities accepted (SDF) Nbillion		1,884.92	2143.8				595.64	1,365.90	894.88	536.5	669.46	1924.2		187.4%
CBN credit to banks outstanding at quarter ended (N bil.)	1,479	1,522	1,471	1,441	1,460	1,736	1,835				1,937	1,944		
Foreign Direct investments Equites (USDm)	149	415	249	155	78	108	358	155	147	82	84	48		-43%
Foreign Portfolio Investments(Equities) (USDm)	53	44	18	27	85	57	38	32	13	7	5	222		4474%
Foreign Portfolio Investments (Bonds) (USDm)	-	-	-	139	15	365	46	310	322	204	144	301		108%
Foreign Portfolio Investments (Money Mkt.) (USDm)	332	363	17	809	452	796	559	616	423	231	136	126		-7%
Foreign Other Investments (Loans/Trade Credit/Others)	761.04	639.44	785.8	783.19	246	406	1,187	461	631	636	691	434		-37%
Total Foreign Portfolio Investments (USDm)	385	407	35	974	551	1,217	643	958	757	442	285	649		128%
Total Foreign Investment Inflows (USDm)	1,295	1,461	1,070	1,912	876	1,731	2,187	1,573	1,535	1,160	1,061	1,131		7%
Note														
** Q2 2020 job figures is cumulative amount for 7 quarters while Q4 2020 is for 2 quarters														
NM: Not meaningful														

Key Highlights in Q2 2023

- *Weak Real GDP Growth of 2.51% in the second quarter of 2023 as against 3.54% in same period in the previous year but an improvement on growth of 2.31% in Q1 2023.*
- *Disbursements of N45.3 billion to 29 States and Federal Capital Territory (FCT) under the World Bank USD750 million Nigeria COVID 19 Recovery and Economic Stimulation Program.*

- *National Assembly approval of 3rd May 2023 of the securitization of Federal Government of Nigeria (FGN) Central Bank of Nigeria N22.7 trillion overdrafts (Ways & Means Advances) into 40 years 9% Bond with 3 years moratorium on principal repayment. Interest rate on the overdraft facility is CBN Monetary Policy Rate (MPR) plus 3% being 21% on the date of conversion.*
- *Revocation of operating licenses of 132 Microfinance banks and 3 Finance companies by the CBN due to undercapitalization.*
- *CBN Monetary Policy Committee (MPC) decision of 24th May 2023 to increase the MPR by 50 basis points from 18% to 18.5%.*
- *Senate approval of 28th May 2023 of revision of the CBN Act increasing the limit on FGN overdraft from 5% to 15% of previous year revenues.*
- *High volatility in Nigeria's Investors and Export forex window (I&E) on 28th May 2023 with the Naira depreciating to N632/USD but closing at N464.51/USD while parallel market rate depreciated to N775/USD.*
- *Inauguration of Mr. Bola Tinubu as President of Nigeria on 29th May 2023 and pronouncements on removal of petroleum subsidies.*
- *Removal of petroleum subsidy in Nigeria on 31st May 2023 with base retail price of petrol increasing by 165% from N184/liter to N464/liter.*
- *OPEC+ decision of 4th June 2023 to reduce total production by 1 million barrels per day and reduction of Nigeria's quota to 1.38 million barrels per day (mbpd) from 2024.*
- *Publication of World Bank Global Economic Prospects for June 2023 on 7th June 2023 revising downwards by 0.1% Nigeria's 2023 GDP growth forecast from 2.9% to 2.8%.*
- *Suspension of CBN Governor Godwin Emefiele by the President on 9th June 2023.*
- *Unification of Exchange rates in Nigeria on 14th June 2023 with Naira Exchange Rate at the I&E window depreciating from N473.83/USD to N791.1/USD but closing at N664.04/USD. CBN circular of 14th June 2023 collapsed all forex transactions into the I&E window, reintroduced the willing buyer, willing seller model and order based two-way quote with maximum bid-ask spread of N1/USD. The CBN also announced the cessation of the RT 200 Rebate Scheme and Naira 4 Dollar Remittance Scheme effective 30th June 2023.*
- *Appointment of key advisers by Nigeria's President on 15th June 2023 including Mr. Wale Edu as Special Adviser on Monetary Policy. Mr. Edu has since been appointed as Minister of Finance and Coordinating Minister for the Economy.*
- *Further liberalization of guidelines for operation of domiciliary accounts in Nigeria on 16th June 2023 allowing account holders to utilize forex cash up to a limit of USD10,000 per day for telegraphic transfers.*
- *Publication of Nigeria's 2022 Debt Sustainability report by the debt Management office (DMO) on 23rd June 2023.*

- *Announcement of June 27th 2023 of World Bank approval of USD500 million Scale Up Financing for Nigerian Women Empowerment Program. An initial loan of USD100 million was approved on July 27, 2018.*
- *Publication of World Bank June 2023 Nigeria Development Update on 27th June 2023*
- *Record crossing of the 60,000 level by the NGX All Share Index (ASI) on 27th June 2023 being first time since 2008. This has been attributed to positive sentiments arising from the new monetary and forex policy measures introduced by the government. ASI closed at 60,108.86 on 27/6/23 representing year to date growth of 17%.*
- *Increase in Nigeria's Total Public Debt of 75% in the second quarter to N87.4 trillion arising from 75% depreciation in the Naira exchange rate and securitization of N22.7 trillion FGN Ways & Means Borrowings.*

Nigeria's Real GDP growth increased marginally from 2.31% in Q1 2023 to 2.51% in Q2 2023 but representing decline from growth of 3.54% in Q2 2022. The half year Real GDP growth of 2.4% is below the full year growth forecast of 2.66% by CBN, 2.8% by World Bank, 3.2% by IMF and 4.2% by FGN. The continuing weak performance in the second quarter is attributable principally to the decline in Oil sector GDP of -13.43% year on year and -14.12% quarter on quarter. Non-Oil Real GDP grew by 3.58% in Q2 2023 as against 2.77% in Q1 2023.

The key drivers of growth in the non-oil sector during the quarter are Telecommunications, Finance and trade with growth of 24.1%, 26.84% and 2.41% respectively. Finance Sector Real GDP however declined by -17% quarter on quarter. Manufacturing and Real Estate/ Construction Real GDP growth however remained positive with growth of 2.2% and 2.45% on year-on-year basis but negative compared to previous quarter.

ANAYSIS OF SECTORAL CONTRIBUTION IN Q2 2023			
Sector	% Contribution	year on year	quarter on quarter
		Q2 2023/Q2 2022	Q2 2023/Q1 2023
		Growth%	Growth %
Oil	5%	-13.43%	-14.12%
Non-oil	95%	3.58%	0.75%
Telecom	16%	24.10%	13.41%
Finance	5%	26.84%	-1.72%
Trade	17%	2.41%	4.97%
Agriculture	23%	1.51%	6.06%
Real Estate & Construction	9%	2.45%	-10.75%
Manufacturing	9%	2.20%	-14.98%

The negative growth in Oil sector GDP is attributable principally to the sharp decline in Nigeria's oil production. Average crude oil production declined by 9.2% from 1.51 mbpd in Q1 2023 to 1.22 mbpd in Q2 2023 arising from oil theft and insecurity in the Niger Delta and aging production facilities. Nigeria's oil production remained significantly below its OPEC quota of 1.8 mbpd and 2023 budget of 1.69 mbpd. Crude oil prices also declined during the period with average price of Nigeria's Bonny Light Crude falling from USD83.96/barrel in Q1 2023 to USD80.25/barrel in Q2 2023. This trend has reversed in the third quarter following cut-back in production by Russia and Saudi Arabia of 1 mbpd from July 2023. International crude oil prices are expected to rise above USD90/barrel by 2023 year-end.

Total Foreign Portfolio Inflows into the Nigerian economy declined further by 84% in the second quarter driven largely by persisting negative investor sentiments attributable to challenges around forex capital repatriation and backlog of unsettled forex demand. Foreign borrowings however increased by 78% during the quarter. Nigeria's Goods trade balance improved from N0.97 trillion in Q1 2023 to N1.289 trillion in Q2 2023 attributable to import compression.

Nigeria's Gross External Reserves declined by 4% from USD35.14 billion on 31/3/23 to USD33.75 billion on 30/6/23 arising from decline in oil revenues and capital inflows. The adequacy of this balance has been called to question following disclosures in CBN 2022 audited accounts published in July on encumbrances including USD6.84 billion forex forwards and USD7.5 billion borrowings from two international banks. Net External Reserves excluding the forwards and short-term portion of the external borrowings of USD5.5 billion is USD21.41 billion estimated to cover under 5 months of imports. There are also uncertainties around currency swaps with domestic banks estimated at between USD10 billion to USD12 billion according to Fitch Rating and possible swaps with international counterparties. It is very clear that CBN is challenged in funding the forex market and might have to resort to external borrowings in the short term while exploring other longer-term options with the Treasury.

The Naira exchange rate on the Investors and Exports forex market (Nafex Rate) depreciated sharply by 67% following the unification of Exchange Rates on 14th June 2023. This represents the largest devaluation of the Naira in more than 30 years. Nafex rate declined from N461.38/USD on 31/3/23 to N770.88/USD on 30/6/23. The parallel market rate also depreciated marginally by 4% from N750/USD to N771/USD in the same period. The massive devaluation of the Naira reflects the inability of the CBN to fund the market as reflected in the large backlog of unmet forex demand diverted to the parallel market. The Naira depreciated further in the third quarter with exchange rates approaching N1,000/USD on the parallel market. We expect clear measures to increase the supply of forex in the immediate which might include external borrowings, further liberalization of the forex market and significant increase in crude oil production and revenues. Longer-term measures might include asset sales.

Nigeria External Reserves (USD billion)	31/3/20	30/9/20	31/12/20	30/9/21	31/12/21	30/9/22	31/12/22	31/3/23	Q1 Change	Q1 Change
	USDb	USDb	USDb	USDb	USDb	USDb	USDb	USDb	USDbil	%
CBN Reserves	27.52	30.94	30.95	30.99	37.98	35.67	34.98	34.2	(0.78)	-2%
Federal Government Reserves	5.85	4.95	5.44	10.52	2.19	1.72	1.62	0.94	(0.68)	-42%
Excess Crude Account (Federation Reserves)	0.32	0.07	0.07	0.06	0.06	0.01	0.01	0.007	(0.00)	-30%
Total	33.69	35.96	36.46	41.57	40.23	37.4	36.61	35.147	(1.46)	-4%

Nigeria's Inflation rates increased further in the second quarter continuing the upward trend from March 2022. This has been attributed to pass through effects of Naira depreciation, sharp increases in petroleum prices and transportation costs following removal of petroleum subsidies at the end of May 2023 and persisting insecurity in the food producing areas. Headline Inflation increased from record high 22.04% in March 2023 to 22.79% in June 2023. Food Inflation increased from 24.45% in March to 25.25% in June 2023 while Core Inflation redefined as All items less Farm Produce and Energy increased from 19.63% to 20.06%.

This elevated and rising Inflation trend continued in the third quarter with Headline Inflation reaching new highs of 24.08% in July and 25.8% in August 2023. More significant is the rise in month-on-month Headline Inflation annualized from 24.75% in March to 27.27% in June and 13 years high of 40.76% July and 45.59% in August 2023. Month on month Food Inflation annualized were at record highs of 50.2% in July and 57.7% in August 2023 highlighting the urgency for intervention to avoid runaway Inflation.

Credit Growth to the private sector increased significantly from 3% in Q1 2023 to 22.6% in Q2 2023 reflecting the impact of the 67% Naira devaluation on foreign currency loans of banks. Money Supply also increased by 34% year on year representing 14 years high.

Other Recent Developments

Publication of World Bank Global Economic Prospects for June 2023

The World Bank Global Economic Prospects for June 2023 published on 7th June 2023 reviewed upwards Global GDP Growth forecast for 2023 by 0.4% to 2.1% but revised downwards 2024 growth forecast by 0.3% to 2.4%. The World Bank expects growth in the World economy to remain fragile with global growth slowing down from 3.1% in 2022 to 2.1% in 2023 and picking up to 2.4% in 2024. The slowdown has been attributed principally to high interest rates and the recent Banking Sector crisis in Advanced Economies. It expects growth in Latin America, South Asia and Sub-Saharan Africa to weaken during the year arising from weak external demand, tight global financial conditions and high inflation. For Sub-Saharan Africa, it noted that many of the countries are confronted with increased fragility because of pervasive insecurity, political instability and persistent poverty. Nigeria's 2023 GDP Growth forecast was revised downwards by 0.1% to 2.8%. This has been attributed to low oil production, continued structural challenges in the oil sector, foreign exchange challenges, limited fiscal space, high borrowing costs, persistent fiscal and external pressures and weak domestic revenue mobilization. The report revised downwards its January forecast of 2023 average Brent Crude price from USD88/barrel to USD80/barrel.

Nigeria's 2022 Debt Sustainability Analyses Report

The Nigerian Debt Management Office (DMO) Nigeria's 2022 Debt Sustainability Analysis Report of 23rd June 2023 concluded that while the country's Debt Stock remains sustainable, its debt service ratio is very high. The report highlighted the urgent need to increase revenues, rationalize spending, reduce borrowings and adhere strictly to the limits imposed by the Fiscal Responsibility Act 2007 and CBN Act 2007 on borrowings from the CBN.

The key outcomes of the study are as follows:

- Nigeria's projected 2023 Debt Service Ratio is very high at 73.5% and above recommended limit of 50% implying that projected revenues cannot support higher levels of borrowings.
- Nigeria's projected Total Public Debt to GDP Ratio is high but slightly under the self-imposed limit of 40% in the 2020-23 Medium Term Debt Strategy.

Publication of World Bank June 2023 Nigeria Development Update.

The World Bank published its June 2023 Nigeria Development Update on 27th June 2023 following the key policy reforms announced by FGN. The World Bank commended the removal of Petroleum Subsidies which removes an unsustainable fiscal burden on the Nigerian government. The Petroleum Subsidy of N1.6 trillion in 2022 represents 32% of FGN revenues and accounted for 2.2% of GDP. Nigeria's financing needs however remain elevated and will require complementary measures to reduce debt pressures. The report cautioned on the use of the savings to maximize the impact of the reforms by avoiding large new expenditures including payment of NNPC arrears and higher wage bills.

Publication of CBN 2023 Corporate Governance Guidelines

The CBN issued new Corporate Governance Guidelines for Banks on 13th July 2023 to take effect on August 1, 2023. This was an enhancement to the provisions of the 2014 CBN Code of Corporate Governance for Banks and Discount Houses. The key changes include:

- The term limit of 12 years for Directors in Banks but 8 years for Independent non- executive directors.
- An Executive Director promoted to Managing director will have a total term limit of 24 years.

- Boards to have a minimum number of 7 directors and a maximum number of 15 directors.
- Minimum of 2 Non-Executive Directors to have ICT skills.
- All boards to have more than one gender.
- Maximum of 30% common board membership between Bank Holding company and banking Subsidiary.
- Prohibition of Chairman of Bank Holding Company from serving in any capacity in banking subsidiary and vice versa.

Reduction of Cash Reserve Ratio of Merchant Banks by CBN

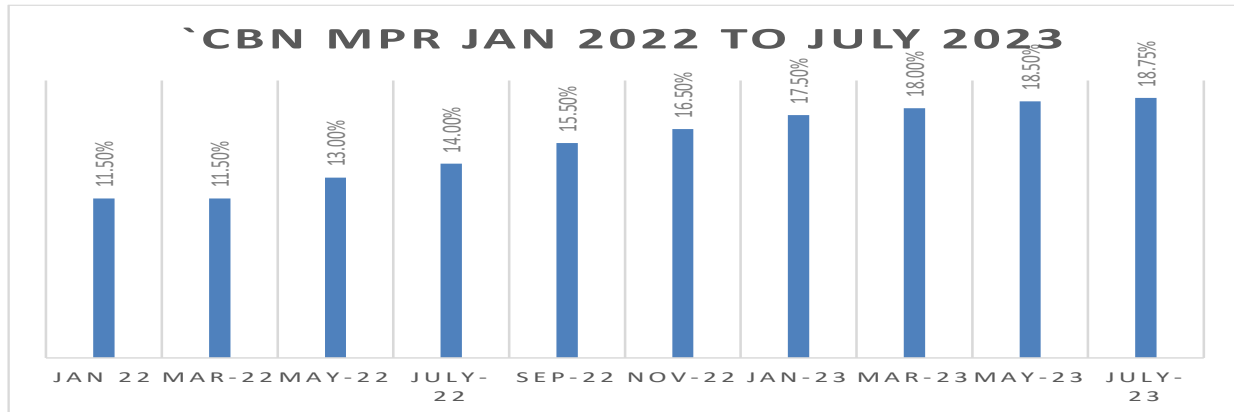
The CBN reduced the minimum Cash Reserve Ratio of Merchant Banks in Nigeria on 14th July 2023 from 32.5% to 10% effective August 1, 2023. This is in consideration of their wholesale funding structure, regulatory restrictions and permissible activities. The improved liquidity of merchant banks is expected to enhance their role in providing longer-term financing to the real sector.

Publication of IMF World Economic Outlook for July 2023

IMF published its World Economic Outlook Update (WEO) for July 2023 on 24th July 2023 reviewing upwards 2023 Global GDP Growth forecast by 0.2% from 3% in April 2023 WOE to 3.2%. It however retained Nigeria's GDP Growth forecast at 3.2% for 2023 and 3% for 2024. This compares to World Bank June forecast Nigeria's 2023 GDP Growth of 2.8%, CBN forecast of 2.66% and FGN forecast of 4.2%.

Further Increase in CBN Monetary Policy Rate

The CBN Monetary Policy Committee at its meeting of 24-25 July 2023 increased the Monetary Policy Rate by 25 basis points from 18.5% to 18.75% representing eight consecutive increases in rates. The slow down in the rate of increase is in realization of the limited impact of previous monetary tightening measures on Inflation driven principally by supply side factors and negative implications for growth of high nominal lending rates.

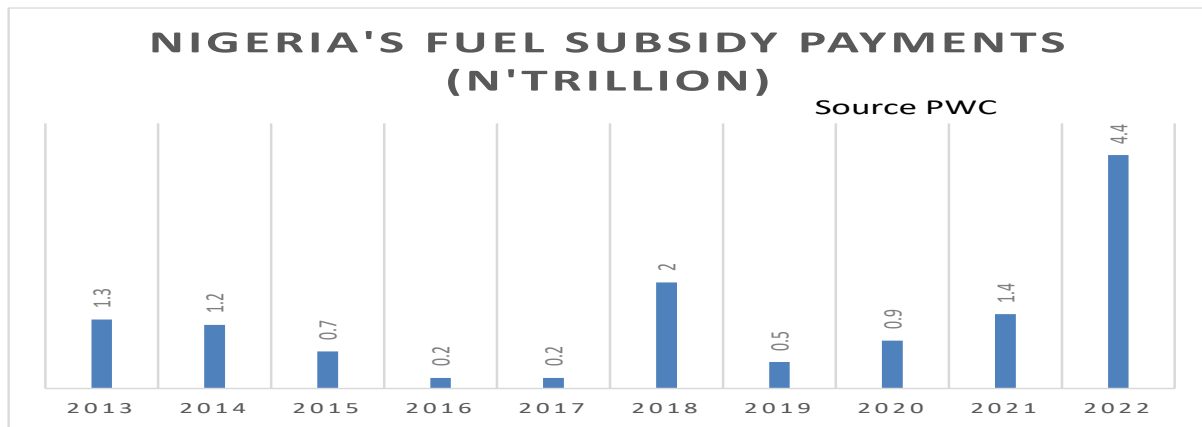


Nigeria's President's Key Policy Speech of 31st July 2023

President Tinubu at his first post inauguration broadcast defended the removal of petroleum subsidies and unification of exchange rates. He promised to implement interventions with the States to ameliorate the pains. Details of the planned N500 billion intervention programs are as follows:

- Suspension and deferment of commencement of new taxes for businesses.
- N75 billion Fund for manufacturing companies to access up to N1 billion each of credit at 9% interest rate with maximum tenor of 5 years.
- N50 billion Conditional Grant to one million nano businesses at N50,000 each (1,300 nano businesses per local government).
- N75 billion MSME Fund for 100,000 MSMEs and startups receiving loans of between N500,000 and N1 million each at 9% per annum and 3 years tenor.
- N50 billion investment in cultivation of 100 hectares of land for wheat and cassava.
- N50 billion investment in cultivation of 150,000 hectares of land for rice and maize.
- N100 billion Fund for the acquisition of 3,000 units of 20-seater Compressed Natural Gas (CNG) fuelled buses for participating transport companies under a 5-year facility at 9% per annum.
- Establishment of N100 billion Infrastructure Support Fund for the States to intervene in critical areas.
- Collaboration with labour unions to introduce a new National Minimum Wage.

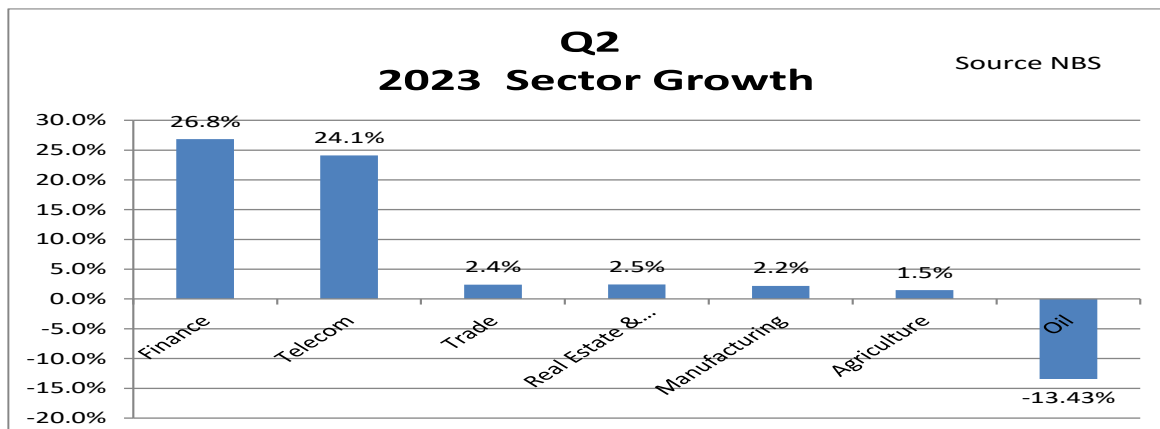
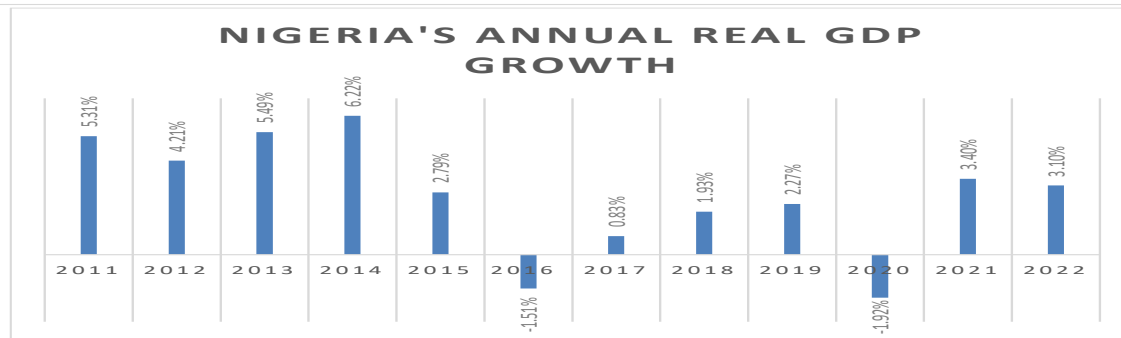
He confirmed that government will be monitoring the effect of exchange rates and Inflation on gasoline prices and will intervene as and when necessary.

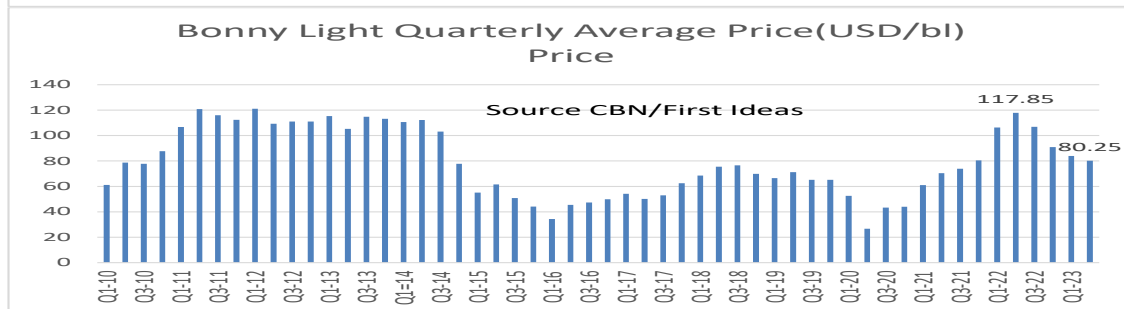
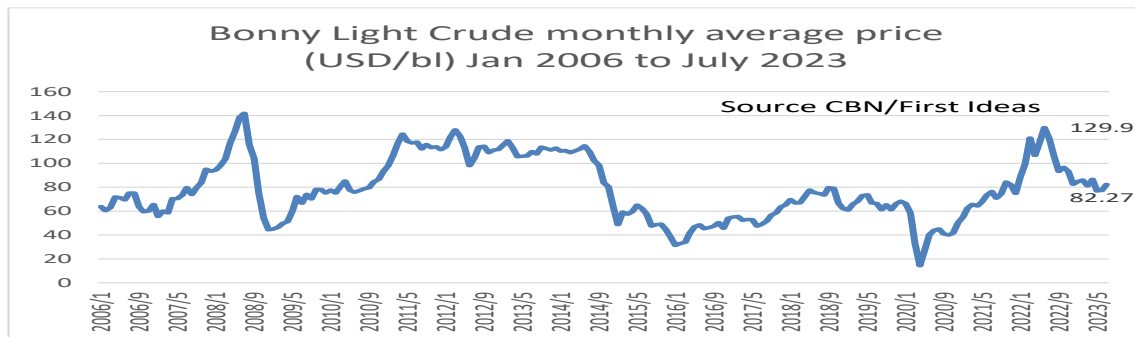
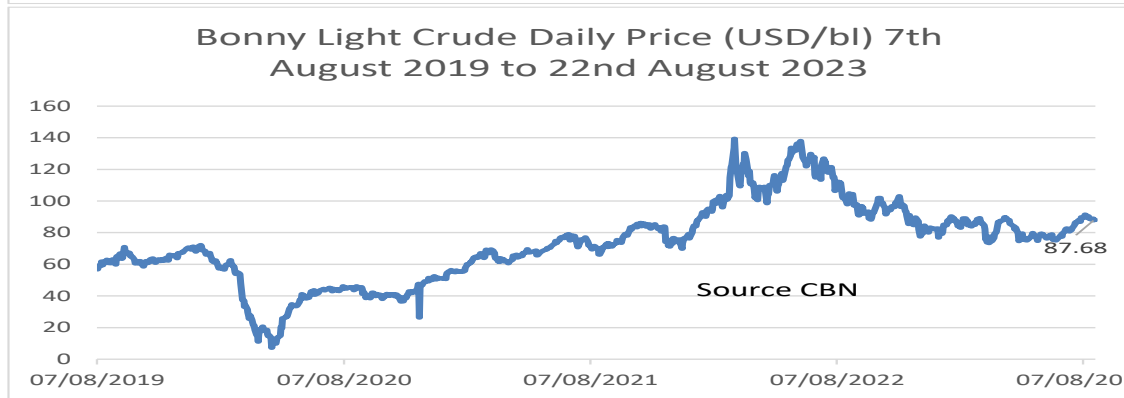
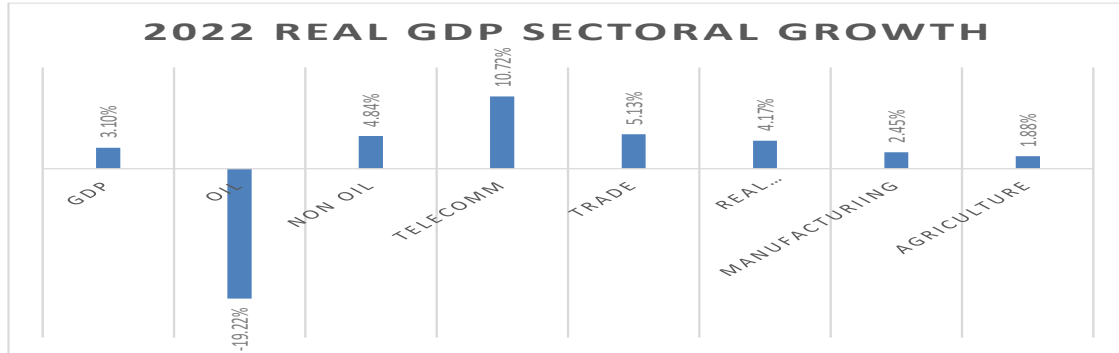


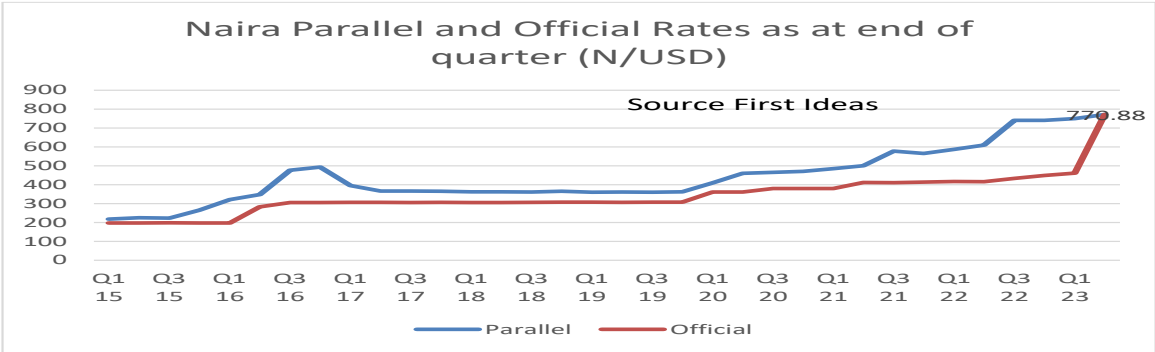
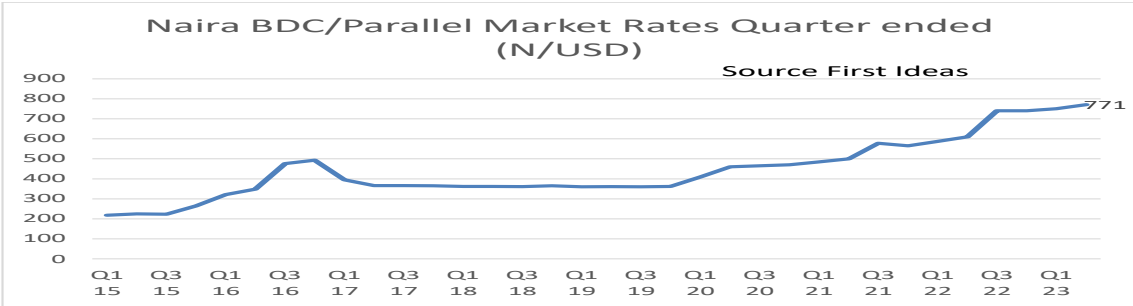
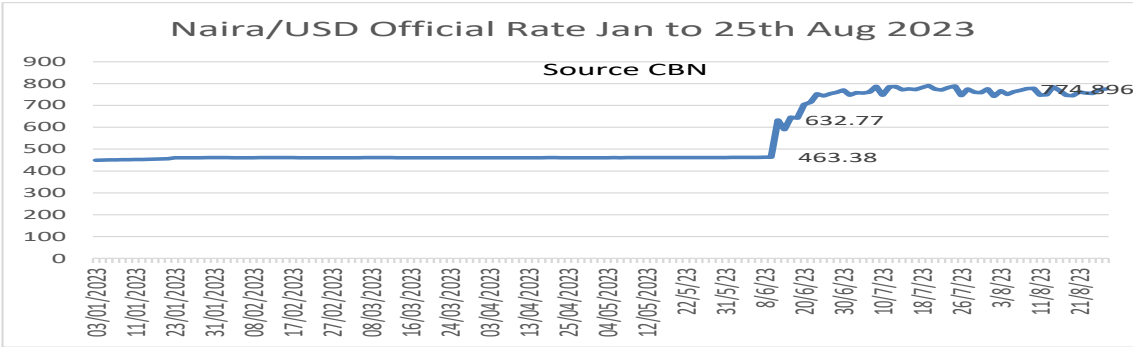
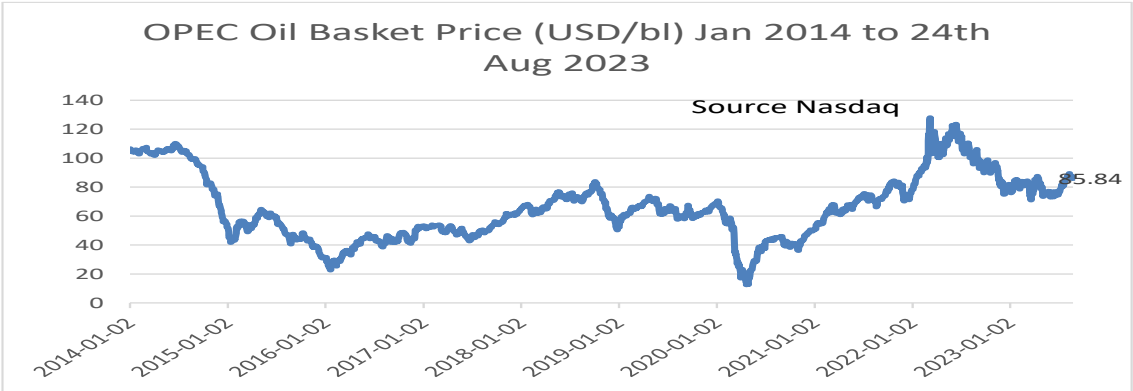
Publication of Nigeria Labor Statistics for Q4 2022 and Q1 2023

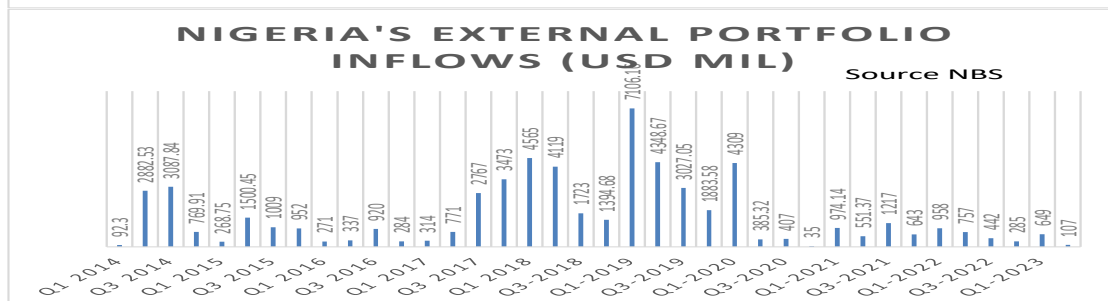
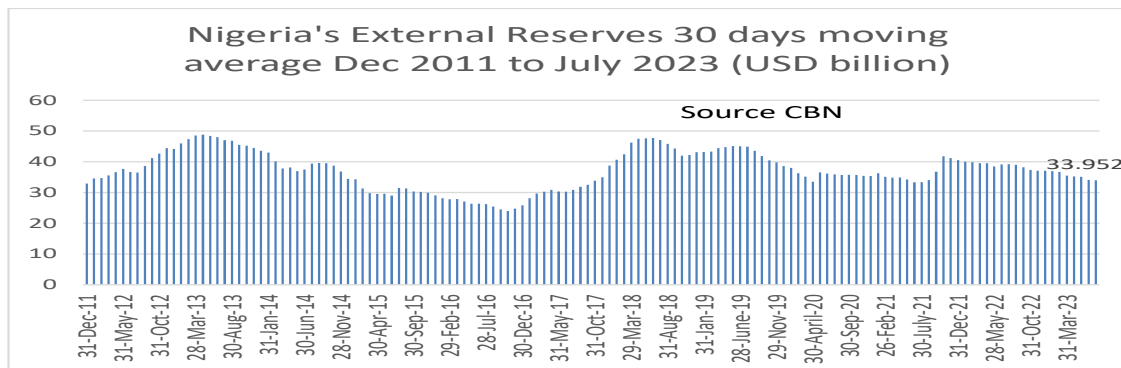
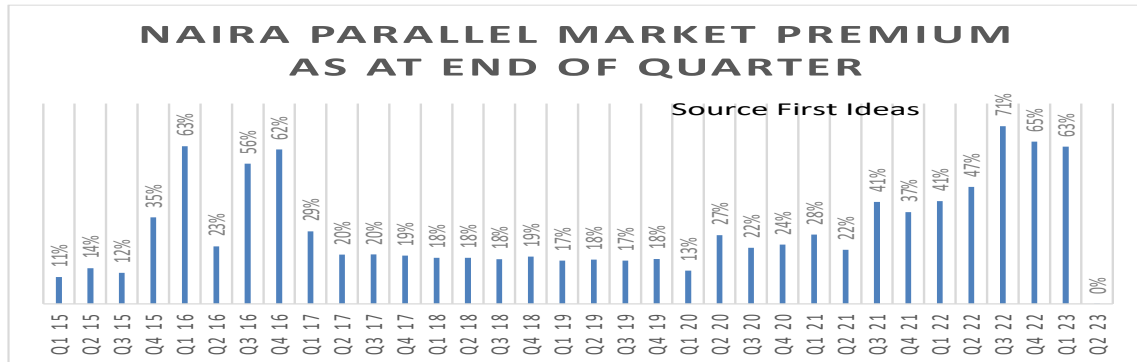
The Nigeria Bureau of Statistics (NBS) published Nigeria's labor statistics on August 1, 2023 for Q4 2022 and Q1 2023 reporting unemployment rates of 5.28% and 4.13% respectively based on a new methodology which defines employment as work for minimum of one hour per week. This is against the old methodology of 20 hours per week. It also expanded the working age population and labor force from 15-64 years to all those above 15 years employed and unemployed. Underemployment previously defined as those working between 20 hours and 39 hours is now defined as those working below 40 hours per week but willing and available for more hours of work.

The very low unemployment rate does not appear to reflect realities in Nigeria and therefore of limited use. A more useful rate is the Underemployment/unemployment rate of 36% for Q1 2023 which is an improvement on 40% for Q4 2022 under the new methodology. The rates under this new methodology represent significant improvement on the 53% underemployment/unemployment rate for Q4 2020 under the old methodology though not directly comparable due to redefinition of labor force and working population.

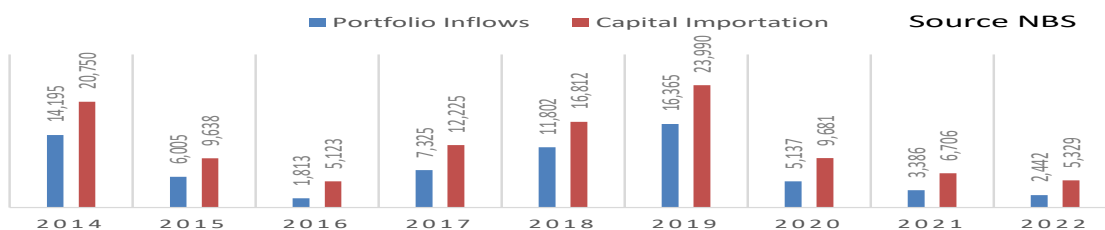




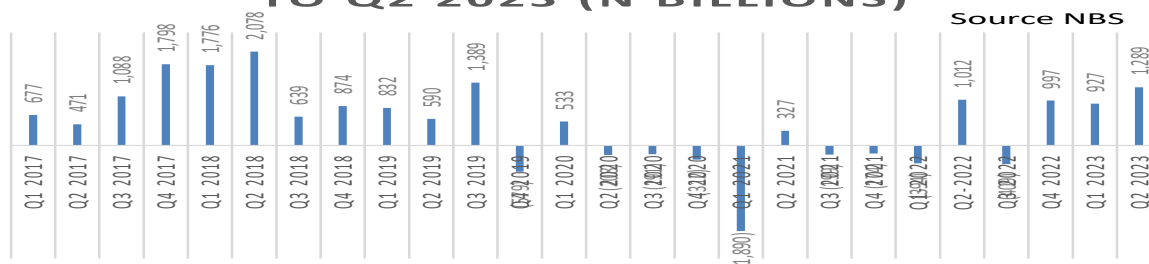




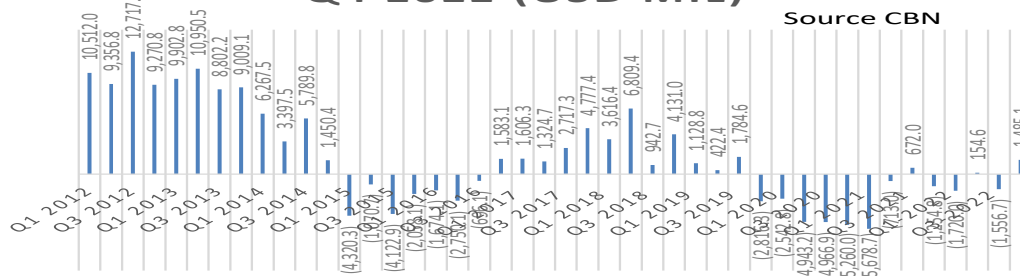
NIGERIA'S ANNUAL FOREIGN CAPITAL IMPORTATION AND PORTFOLIO INFLOWS (USD MIL)

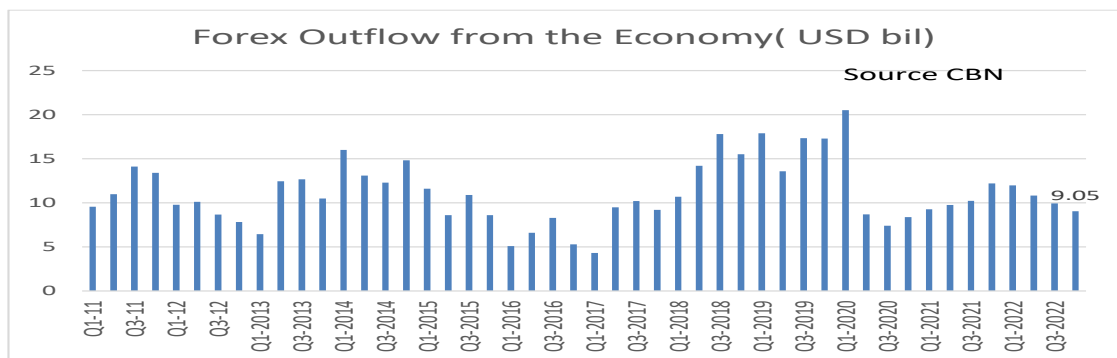
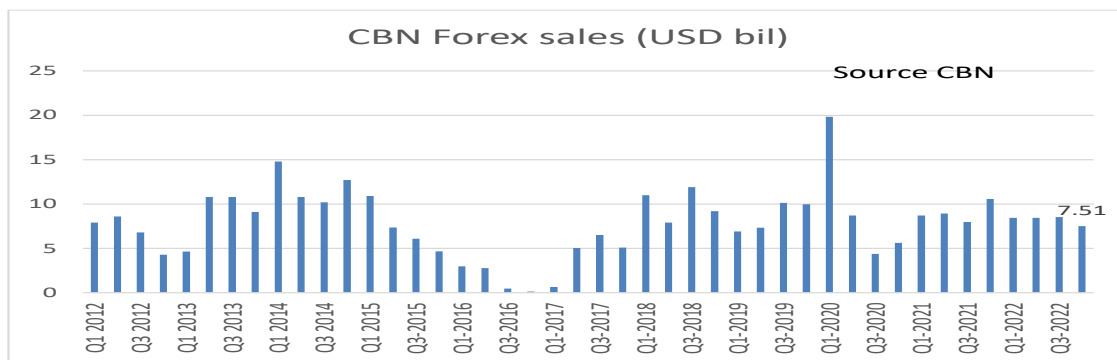
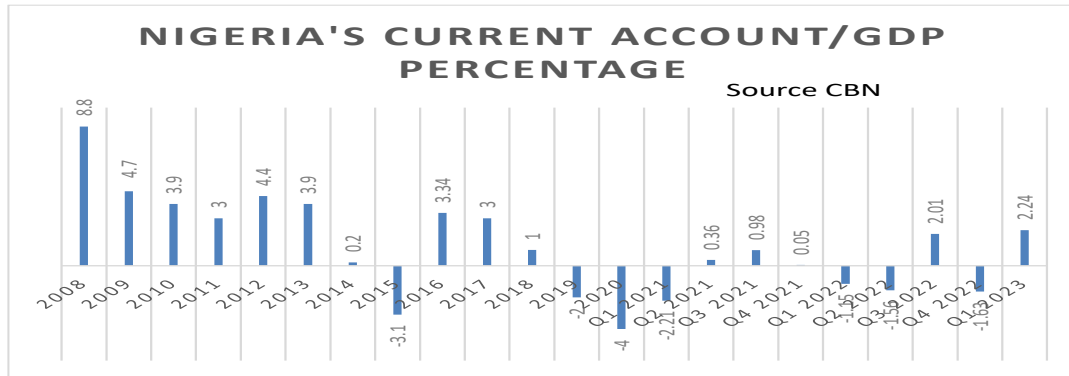


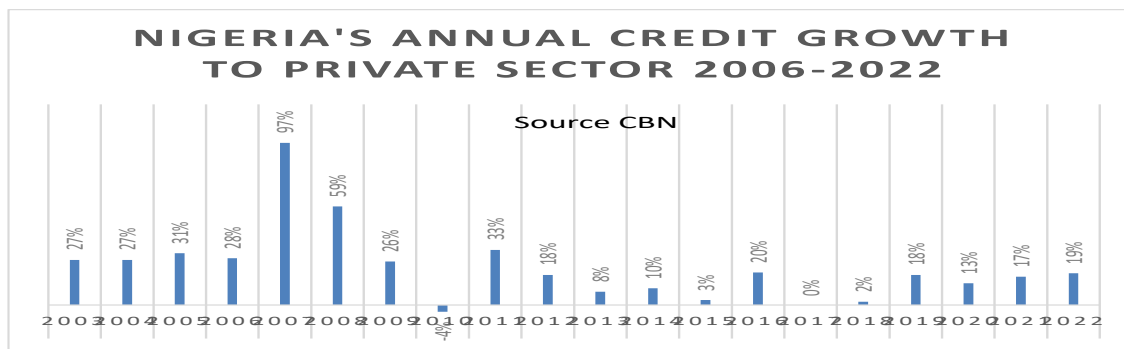
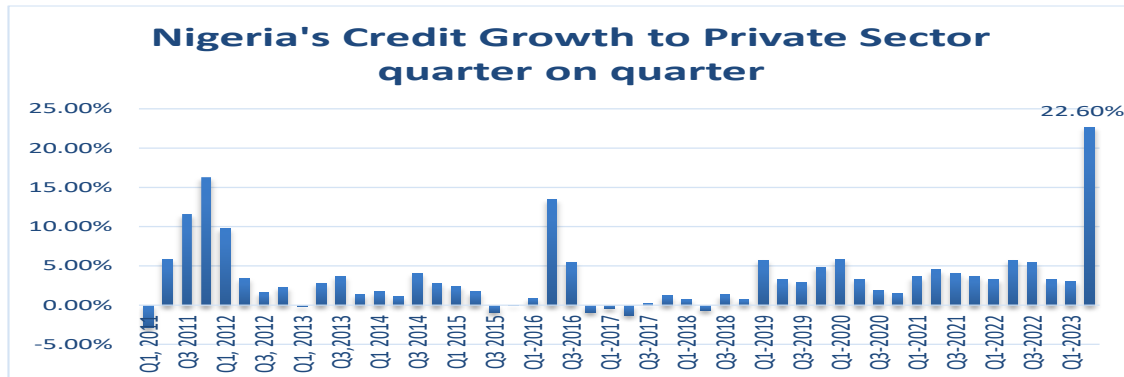
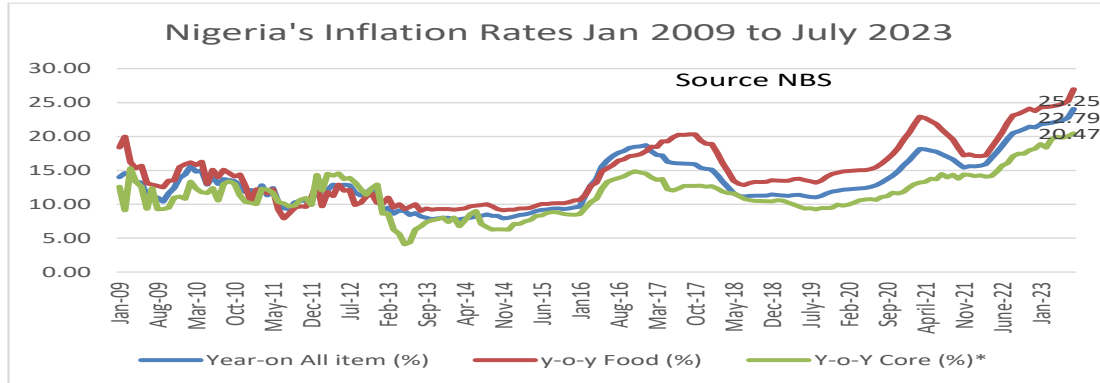
NIGERIA'S GOODS BALANCE Q1 2017 TO Q2 2023 (N'BILLIONS)

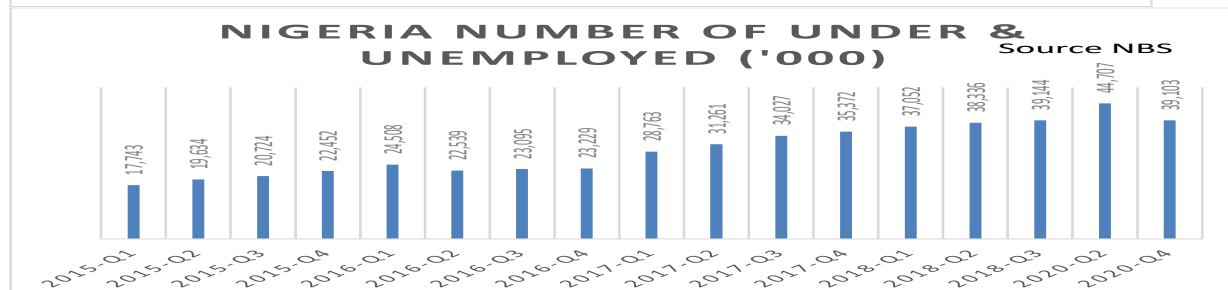
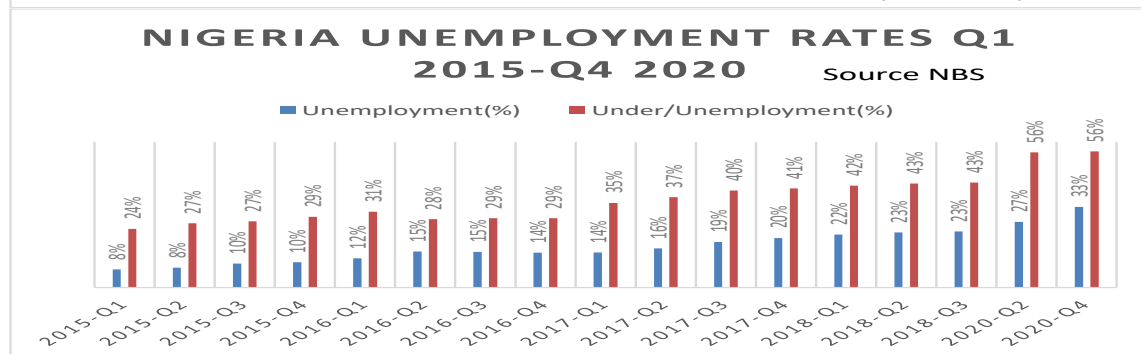
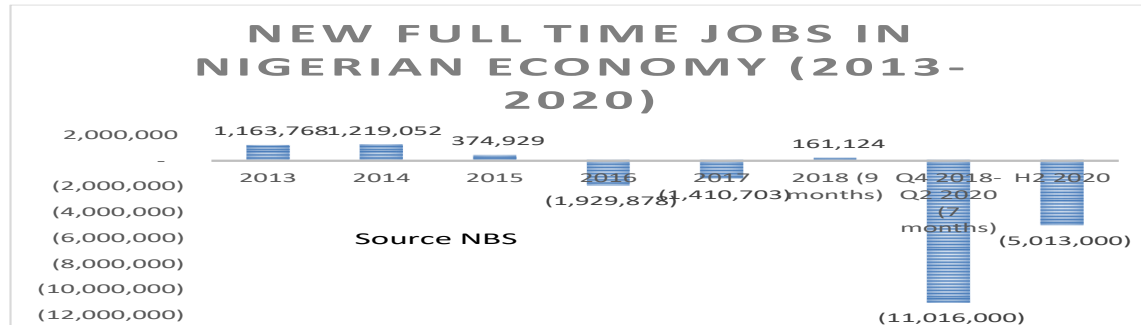


NIGERIA'S TRADE BALANCE 2012 TO Q4 2022 (USD MIL)









LABOUR FORCE STATISTICS Q4 2020								
State	Labour Force	Work 40 Hrs	Work 20 -39 Hrs	Full/Under-employee	Total unemployed	total unemployed	Unemployment Rate	Unemployment Rate
		Fully employed	Underemployed			Underemployed		
Imo	1,946,682	340,034	504,123	844,157	1,102,525	1,606,648	56.64%	82.53%
Adamawa	1,639,013	334,964	404,413	739,377	899,636	1,304,049	54.89%	79.56%
Cross River	1,860,552	531,024	331,325	862,350	998,203	1,329,528	53.65%	71.46%
Yobe	579,117	149,878	124,793	274,671	304,446	429,239	52.57%	74.12%
Akwa Ibom	2,475,522	799,644	413,272	1,212,917	1,262,605	1,675,877	51.00%	67.70%
Abia	1,635,467	557,064	259,477	816,541	818,926	1,078,403	50.07%	65.94%
Edo	1,446,453	507,889	229,466	737,354	709,099	938,564	49.02%	64.89%
Kaduna	2,505,417	826,930	567,396	1,394,327	1,111,091	1,678,487	44.35%	66.99%
Anambra	2,150,796	845,310	354,426	1,199,737	951,059	1,305,485	44.22%	60.70%
Borno	1,061,155	349,193	253,053	602,246	458,909	711,962	43.25%	67.09%
Rivers	3,940,441	1,606,693	694,827	2,301,520	1,638,921	2,333,747	41.59%	59.23%
FCT Abuja	1,643,252	763,787	215,533	979,320	663,931	879,464	40.40%	53.52%
Ebonyi	1,069,939	405,094	235,167	640,261	429,678	664,845	40.16%	62.14%
Kogi	1,983,882	639,056	571,628	1,210,684	773,198	1,344,826	38.97%	67.79%
Niger	1,716,829	648,164	402,501	1,050,665	666,164	1,068,665	38.80%	62.25%
Jigawa	1,462,821	292,872	603,972	896,843	565,978	1,169,949	38.69%	79.98%
Lagos	4,971,488	2,900,094	224,790	3,124,884	1,846,604	2,071,394	37.14%	41.67%
Bayelsa	955,031	315,844	288,838	604,682	350,349	639,187	36.68%	66.93%
Bauchi	1,792,629	641,220	537,881	1,179,102	613,527	1,151,409	34.22%	64.23%
Ekiti	1,450,037	675,929	307,084	983,013	467,025	774,109	32.21%	53.39%
Enugu	1,712,751	806,520	364,616	1,171,135	541,616	906,231	31.62%	52.91%
Taraba	990,728	319,819	358,347	678,166	312,561	670,909	31.55%	67.72%
Gombe	826,246	279,272	288,687	567,959	258,287	546,974	31.26%	66.20%
Delta	2,669,869	1,197,426	640,963	1,838,388	831,481	1,472,444	31.14%	55.15%
Nasarawa	1,102,696	431,276	342,494	773,769	328,927	671,421	29.83%	60.89%
Plateau	1,284,574	607,157	335,864	943,021	341,553	677,417	26.59%	52.73%
Kano	2,827,830	1,228,531	882,213	2,110,744	717,086	1,599,299	25.36%	56.56%
Katsina	1,735,849	888,365	408,676	1,297,041	438,808	847,484	25.28%	48.82%
Oyo	3,315,261	2,067,690	651,242	2,718,932	596,329	1,247,571	17.99%	37.63%
Kebbi	1,237,910	595,193	429,148	1,024,341	213,570	642,717	17.25%	51.92%
Ondo	2,495,918	1,466,286	603,095	2,069,381	426,537	1,029,632	17.09%	41.25%
Kwara	1,458,151	937,371	279,430	1,216,801	241,350	520,780	16.55%	35.72%
Ogun	2,370,574	1,748,592	234,080	1,982,672	387,902	621,983	16.36%	26.24%
Sokoto	1,121,328	743,911	215,068	958,978	162,349	377,417	14.48%	33.66%
Zamfara	1,559,110	705,966	650,577	1,356,542	202,568	853,144	12.99%	54.72%
Benue	2,832,948	1,260,804	1,232,833	2,493,637	339,311	1,572,144	11.98%	55.49%
Osun	1,847,205	1,157,580	474,344	1,631,924	215,281	689,624	11.65%	37.33%



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PORT-HARCOURT

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2 TransAmadi
Industrial Layout
Port- Harcourt.

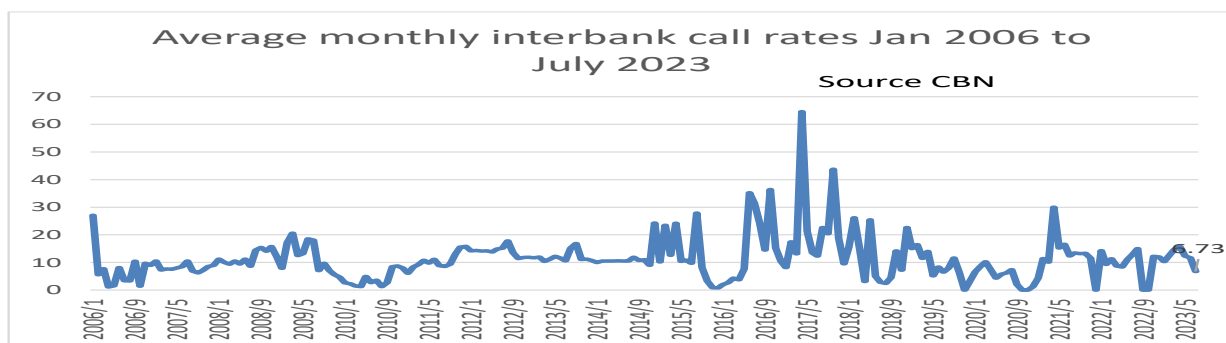
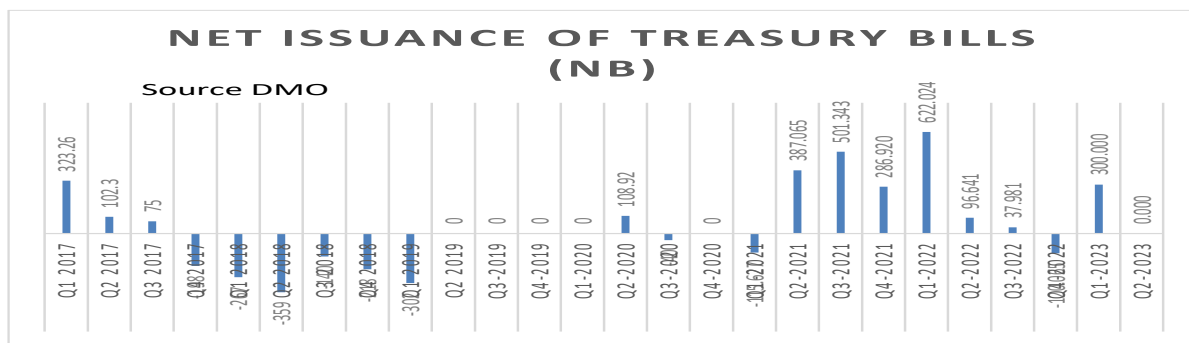
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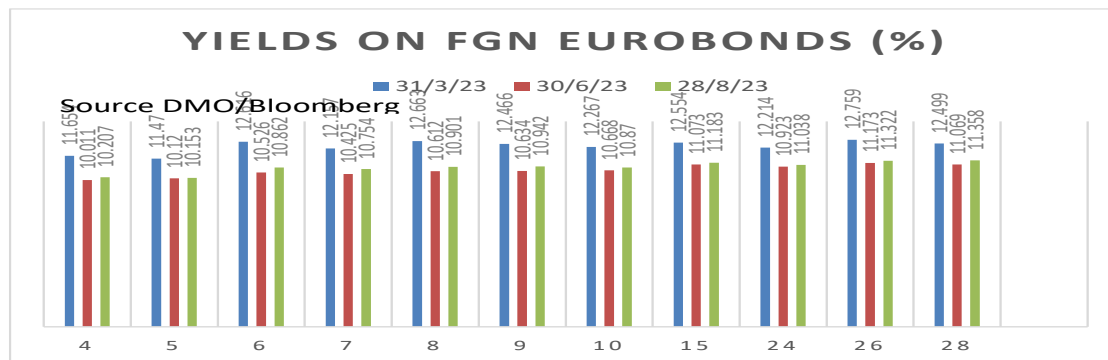
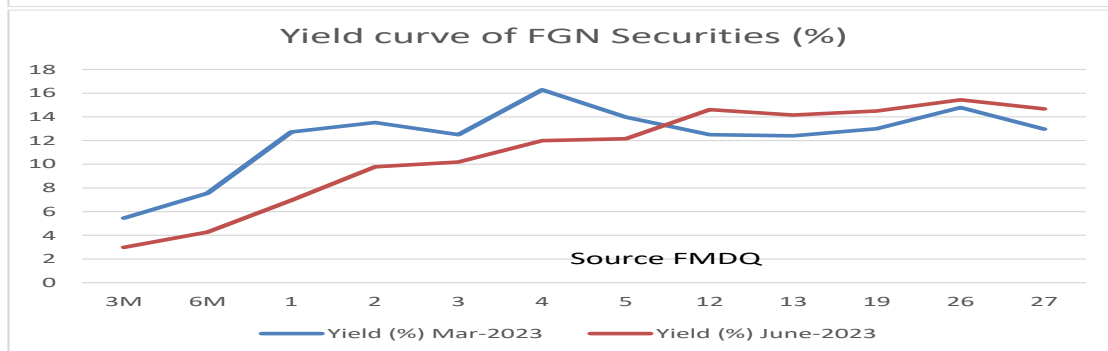
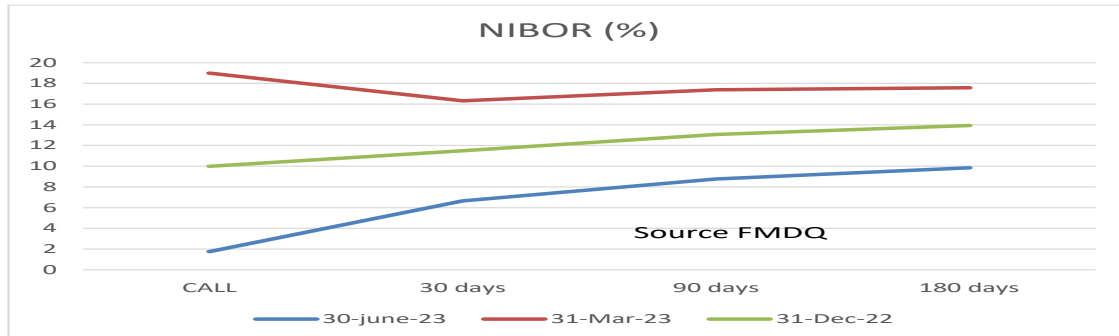
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THE MONEY MARKET

Liquidity in the money markets increased significantly in the second quarter following the massive devaluation of the Naira. This was reflected in the 34% increase in Money Supply in June 2023. Average interbank rates declined from 14.75% on 31/3/31 to 11.6% on 30/6/23. 90 days and 180 days NIBOR declined by an average of 816 basis points to close at 8.79% and 9.86% respectively at the end of the second quarter. 91 days, 182 days and 364 days Nigeria Treasury Bills declined by an average of 383 basis points to close at 2.99%, 4.27% and 6.96% respectively.





THE BOND MARKET

Yields on medium term bonds under 5 years followed the trend in the money market and declined by an average of 304 basis points in the second quarter. This trend was reversed on longer term bonds with yields rising by an average of 155 basis points resulting in normalization of the yield curve. Real Inflation adjusted yields on fixed income securities have however remained negative reflecting investors expectation that current high inflation rates will decline in the medium to long term and elevated risk aversion for equity and alternative investments.

Subscription volume at the DMO FGN Bond primary auctions declined in the second quarter but remains at record highs. Subscription declined by 40% from all time high of N2.6 trillion in Q1 2023 to N1.56 trillion in Q2 2023. FGN Bond issuance also declined by 42% from N1.97 trillion to N1.17 trillion in the same period representing 108% of offer volume. Total Bond issuance in H1 2023 including non-compete allotments was N3,567.42 billion representing 51% of 2023 full year FGN Budget for domestic borrowings.

Secondary market turnover on the FGN over the counter market (OTC) also declined by 22% from the three years high N7.18 trillion in Q1 2023 to N5.57 trillion in Q2 2023.

Concluded Corporate Bond issuance by public companies in the Nigerian capital markets declined from N144.461 billion in Q1 2023 to N77.318 billion in Q2 2023. Details of the three issues are follows:

- Wema Bank N21 billion 16% Perpetual Fixed Rate Non-resettable Tier 1 subordinated Bonds
- Niger Delta Exploration & Production Plc (now Aradel Holdings Plc) N10.318 billion 17% 5 years Senior Unsecured Fixed Rate Bond due 2008.
- Flour Mills Plc N46 billion 14.5% 3 years Senior Unsecured Fixed Rate Bond due 2026.

The Wema Bank Bond was 84% subscribed out of issue volume of N25 billion.

The market for subnational bonds recorded two issues by Lagos State Government. Details of the issues are as follows:

- Lagos State N115 billion 10 years 15.25% Bond due 2033.
- Lagos State N19.815 million 7 years 14.675% Fixed Rate Sukuk Bond due 2030.

Major international long- term borrowings by local corporates during the quarter include:

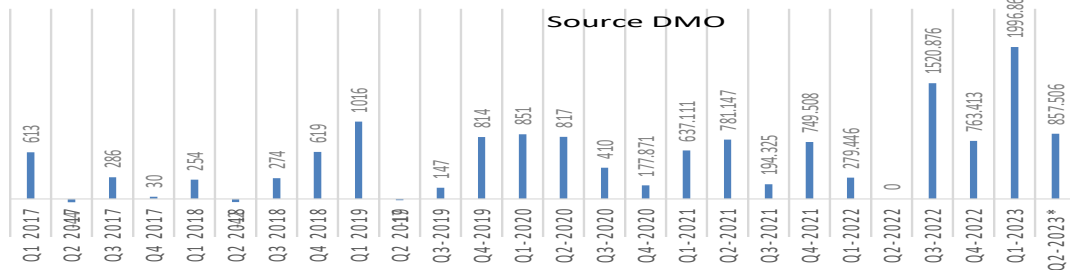
- Access Bank Plc USD300 million Tier 1 Convertible Bond.
- Africa Finance Corporation (AFC) USD625 million Secured Syndicated Loan
-

Yields on 10 years FGN Bonds (April 22 to Aug 23)



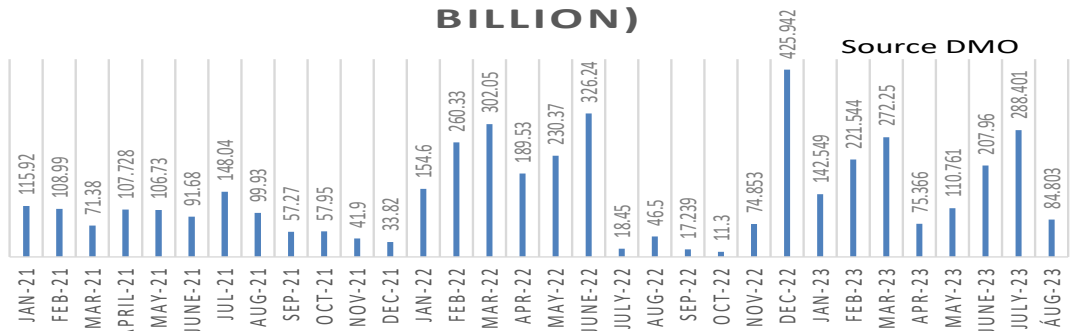
Source DMO

NET ISSUANCE OF BONDS (NB)

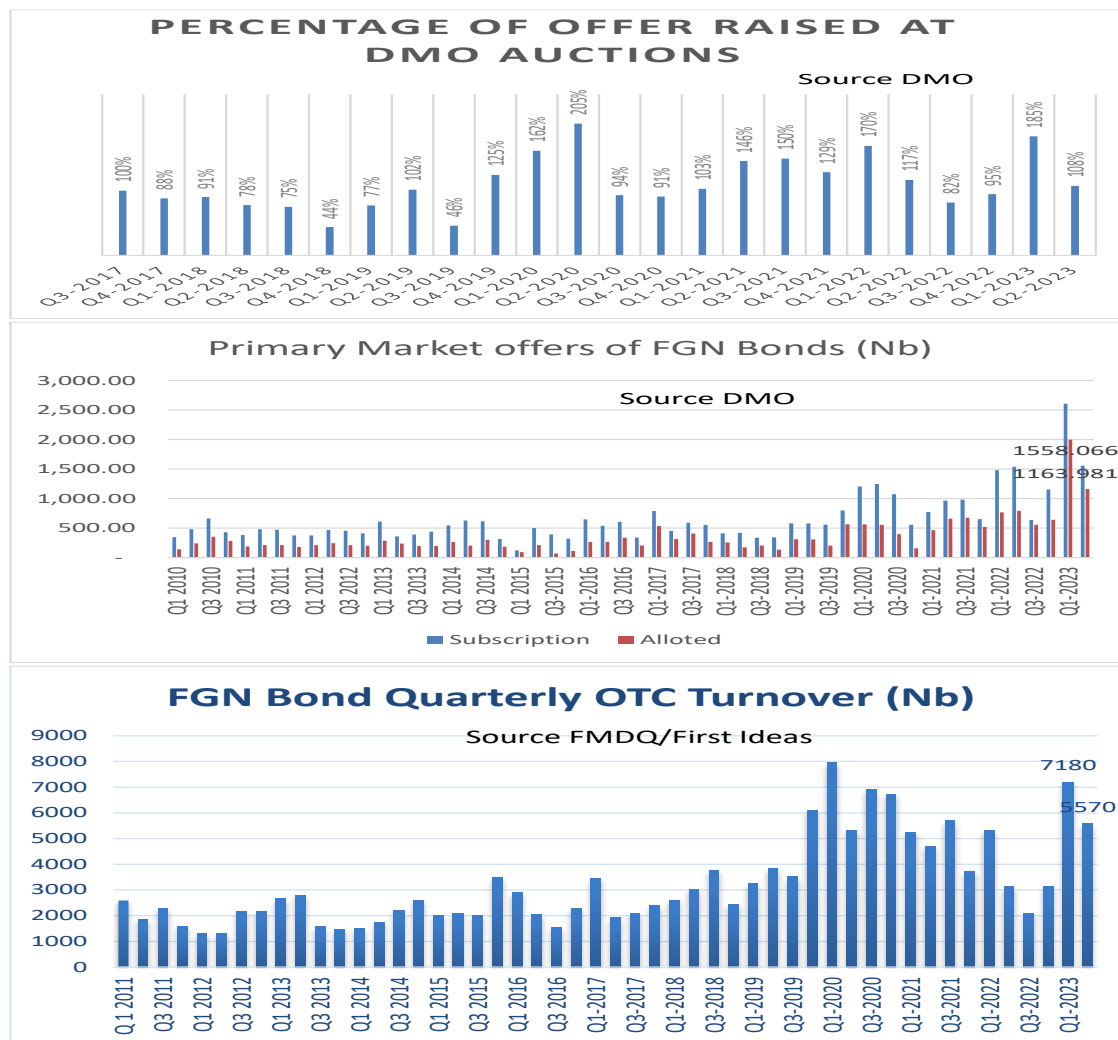


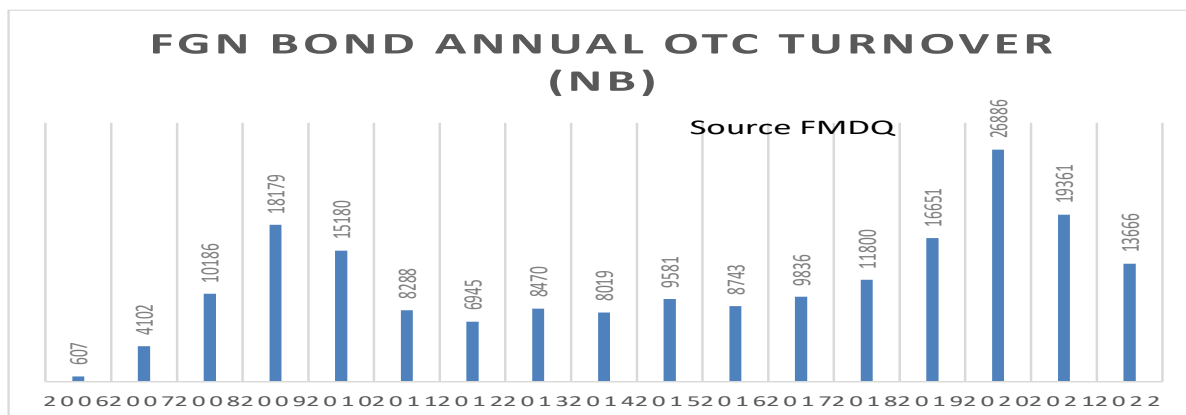
Source DMO

FAILED BIDS AT DMO AUCTIONS (N' BILLION)



Source DMO





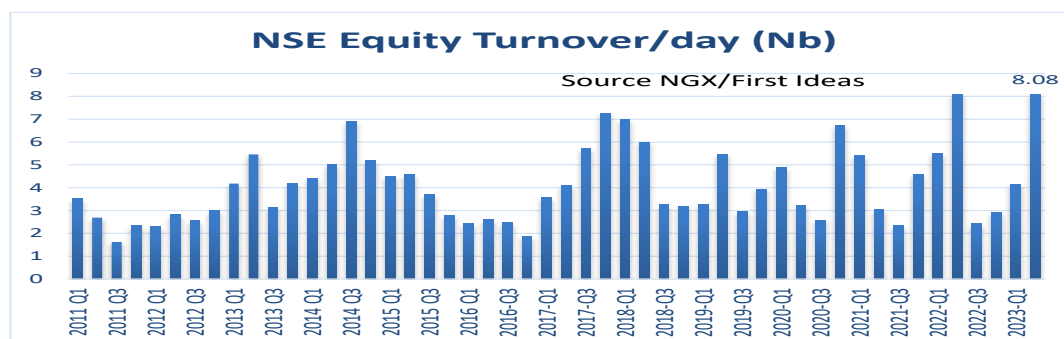
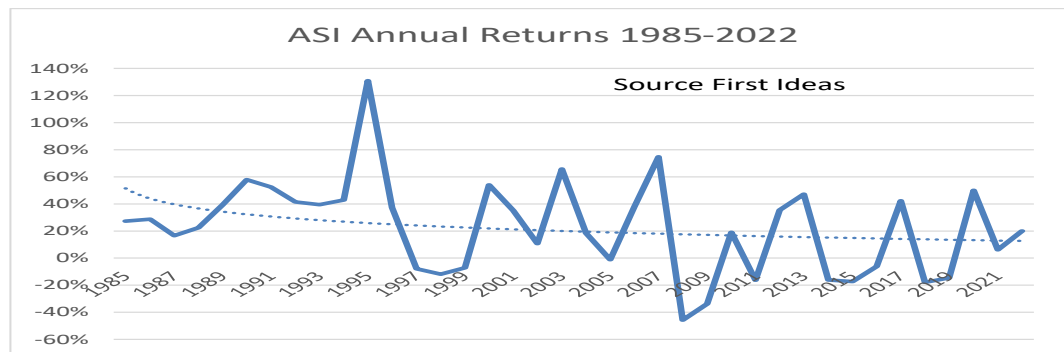
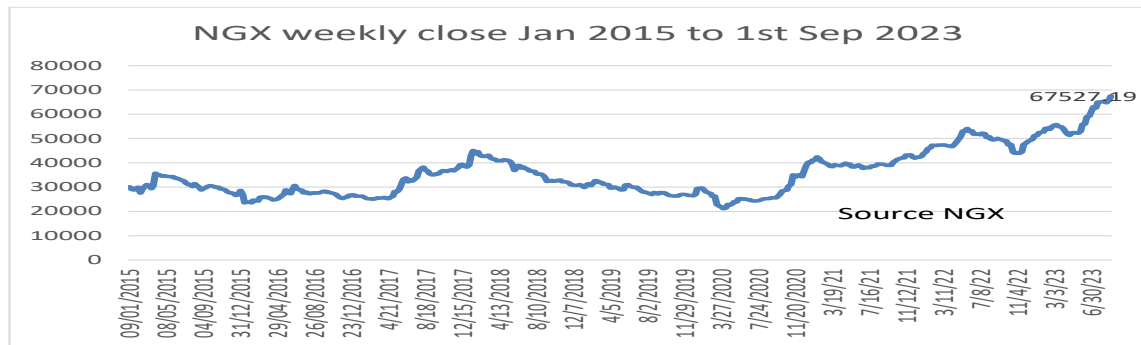
THE EQUITY MARKET

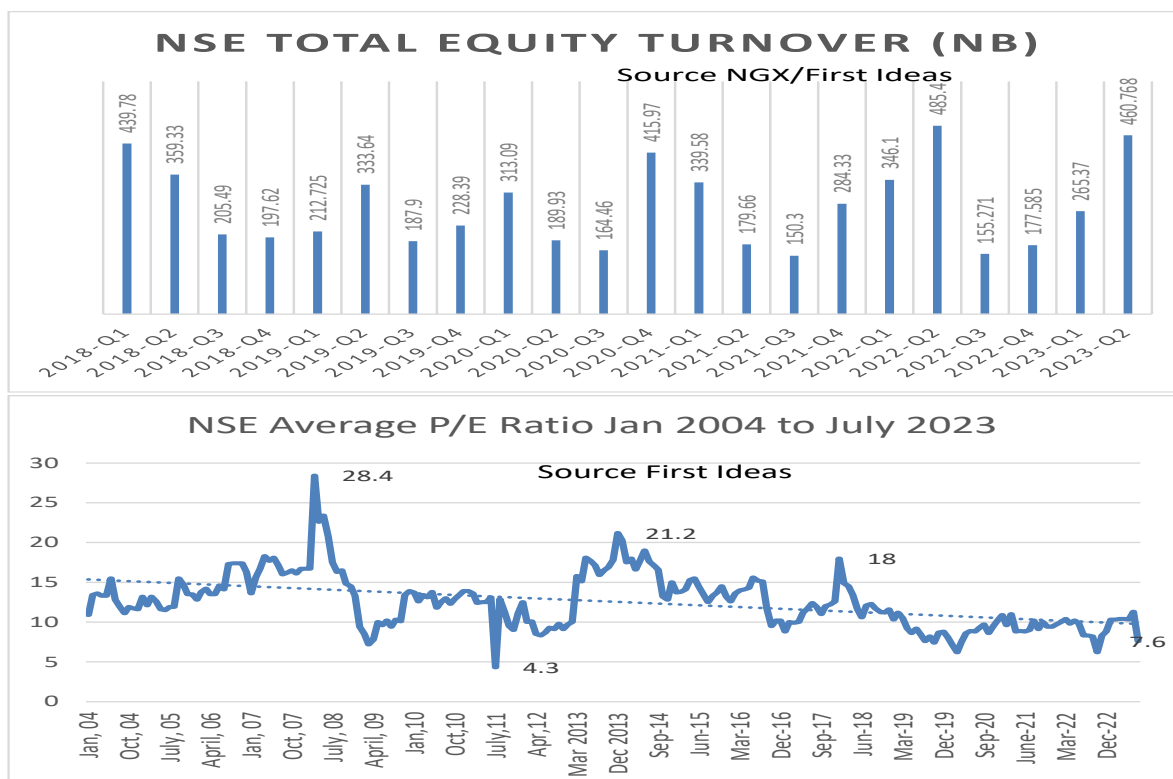
The primary markets for equities remained relatively inactive with only one concluded equity issue in the second quarter. The Fidelity Bank Plc N14 billion Private Placement of 3.037 billion shares at N4.6/share was concluded in April 2023. The issue represents 9.5% of the issued capital of the bank.

Other developments during the quarter include:

- Ardova Plc notice of court ordered meeting of 31st May 2023 to approve Scheme of Arrangement on the acquisition of shares of minority shareholders by the core investor Ignite Investments and securities Limited at N17.38/share.
- Announcement of the acquisition of 5.52% shareholding in Transnational Corporation Plc (Transcorp) by private investor and power sector competitor, Mr. Mike Otedola. The shares were subsequently bought back by controlling shareholder, Mr. Tony Elumelu at a substantial premium.
- Announcement of proposed acquisition outstanding minority shareholders in Union Bank of Nigeria Plc at N7/share through a Scheme of Arrangement.

- Bullish rise in the NGX All Share Index (ASI) following the inauguration of the new President and his pro-market acceptance speech.
- Sharp decline in secondary market share purchases by Nestle S.A in Nestle Nigeria Plc from N386.6 million in Q1 2023 to N43.3 million in Q2 2023.





NSE ALL SHARE INDEX QUARTERLY PERFORMANCE

Date	Q2 2022	Q3 2022	Q4 2022	31.12.22 Year	Q1 2023	Q2 2023	H1 2023
ASI	51,817.59	49,024.16	51,251.06	51,251.06	54,232.34	60,968.27	60,968.27
Growth	+10.33%	-5.39%	+4.54%	+19.98%	+5.82%	+12.4%	+18.96

Average Dividend Yield as at 30/6/23 (First Ideas Index): 4.4%

2023 Prospective P/E Ratio (First Ideas Index un-weighted) as at 30/6/23: 11.3

Market Capitalization (Equity) as at 30/6/23: N33.2 trillion (USD43.16 billion)

Equities Daily Average Turnover in Q2 2023: N8.08 billion (USD10.5 million)

Currency Exchange rate (I&E) as at 30/6/23: N769.25/USD. Change year to date -67%.

Trading days Q2 2023: 57

H1 2023 Comparative Indices Performance in local currency

JSE All Share Index (JSE AS): +2.24%

Egypt EGX 30: +21.0%

MSCI Emerging Markets (USD): +3.46%

The Nigerian Stock Exchange All Share Index (ASI) recorded 15 years high in the second quarter of 2023 crossing the 60,000 level on 27/6/23. This has been attributed to positive sentiments following the pro-market policies of the new government. The ASI rose by +12.4% during the quarter bringing aggregate H1 2023 growth to 18.96%. The NSE performance compares favorably with the performance of the South Africa JSE AS and Morgan Stanley Emerging Market Equity Index of +2.24% and +3.4% respectively. It however underperformed the Egypt EGX 30 Index of +21% during the period. The ASI recorded a negative growth of -29% in USD terms because of the massive 67% Naira devaluation following the implementation of Exchange Rates Unification in Nigeria.

The Naira devaluation impacted positively on the 2023 half year earnings of banks but negatively on the earnings of non-financial corporates with net foreign currency exposures. CBN has since imposed restrictions on dividend declarations by banks out of revaluation surpluses. Banks have increased bad loan provisioning on account of increased default risk of borrowers with adverse consequences for capital accretion and future profits. The outlook for the banking sector however remains positive as banks take steps to raise fresh capital to strengthen balance sheets ahead of market recovery.

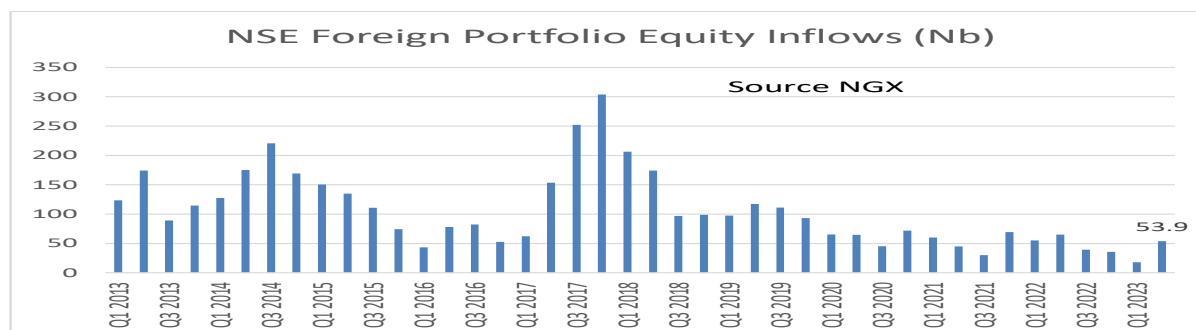
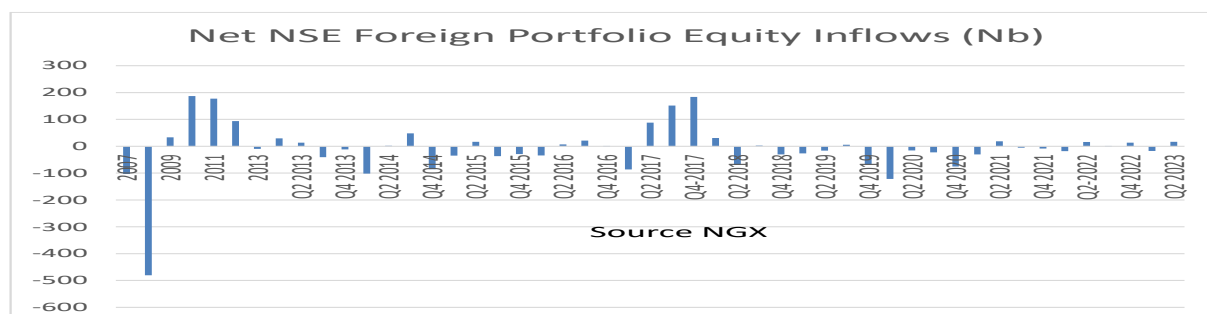
Equity Turnover on the NSE increased by 74% from N265 billion in Q1 2023 to N461 billion in Q2 2023 attributable to increased participation by domestic retail and institutional investors. Domestic retail and Institutional Equity Inflows on the NSE increased by 96% and 55% respectively. Domestic Institutional Investors were net buyers on the stock market recording a net inflow of N18 billion during the period. This was against a negative net outflow of -N33 billion for Domestic Retail Investors. Net Foreign Portfolio Equity Inflows turned positive from -N17.47 billion in Q1 2023 to +N16.43 billion in Q2 2023 reflecting a slowdown in outflows which grew by 5%. Major contributors to equity turnover in the second quarter are off-market transactions in Transcorp and Access Bank Plc totaling N47.205 billion.

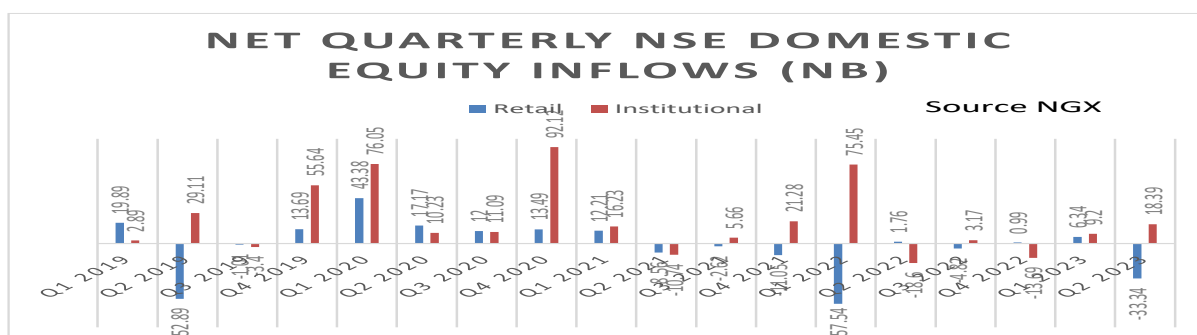
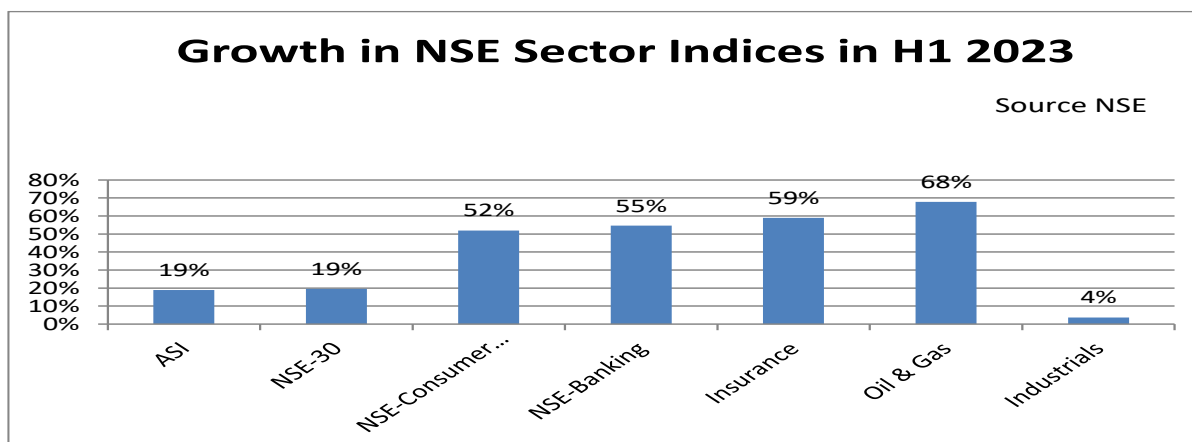
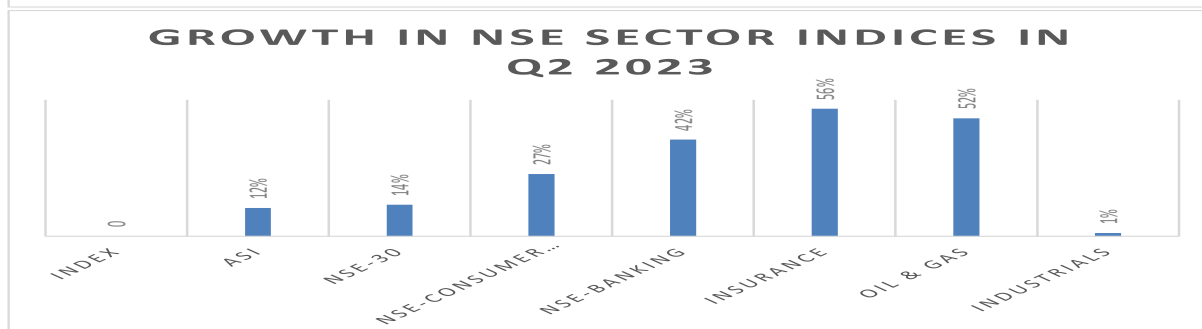
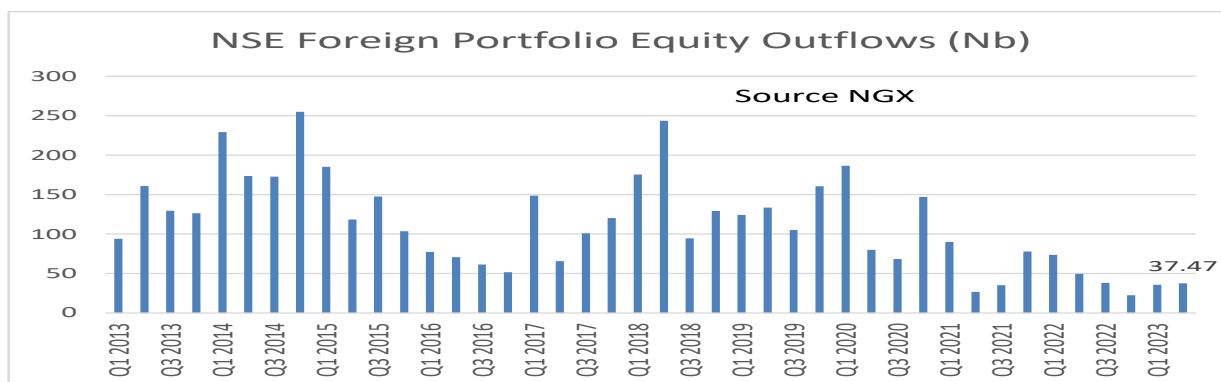
All major NGX Sector Indices recorded positive growth in the second quarter following the bullish trend in the first quarter. Growth in the quarter was led by Insurance, Oil & Gas and Banking sectors with growth of 56%, 52% and 42% respectively. Sector growth in H1 2023 was led by Oil & Gas, Insurance, Banking and Consumer Goods sectors with growth of 68%, 59%, 55% and 52% respectively. The weakest performance was by Industrials stocks with growth of 1% in Q1 2023 and 4% in H1 2023.

The leading sectors in our First Ideas Index in H1 2023 were Oil & Gas, Banking, Food Beverages and Insurance with average capital appreciation of 137%, 62%, 49% and 42% respectively. The weakest performance was in the Conglomerates, Telecommunications and Cement sectors with growth of 3%, 4% and 9% respectively.

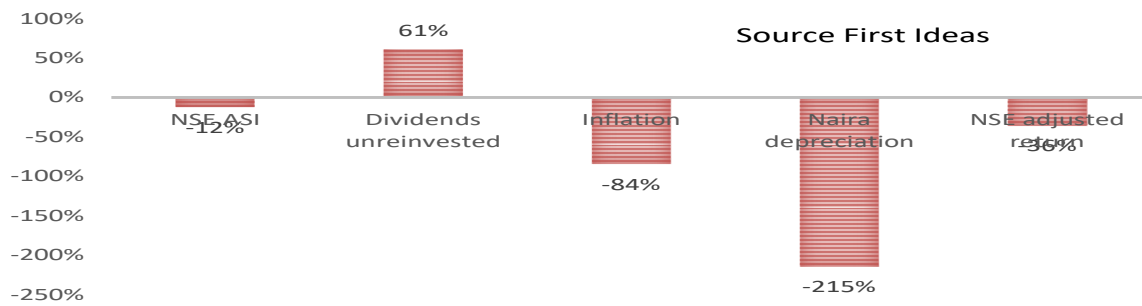
Our preferred sectors and rationale are set out below:

Sector	Investment Rationale
Banking	Low Equity valuation, High dividend yield
Petroleum Marketing	Low Equity valuation, High dividend yield, Strong earnings growth
Agriculture	Strong earnings growth
Telecommunications	Strong earnings growth





ANALYSIS OF NSE INVESTMENT RETURNS 2007 TO 2022



Average Prospective P/E Ratio by Sector		
30/6/23		
Sector	P/E	
Banking	4.8	
Conglomerate	5.8	
Construction	6.3	
Insurance	7.6	
Pharmaceuticals	9	
Paint	10.2	
Agriculture	13.7	
Petroleum Marketing	15.4	
Food	15.4	
Telecomm	15.8	
Cement	17.5	
Breweries	25	
Average Dividend Yield by Sector		
30/6/23		
Sector	Yield	
Construction	8.1%	
Paint	7.5%	
Pharmaceuticals	6.5%	
Breweries	6.1%	
Banking	5.7%	
Cement	5.6%	
Insurance	5.5%	
Food	4.6%	
Telecomm	3.4%	
Agriculture	2.8%	
Conglomerate	2.7%	
Petroleum Marketing	2.5%	
Profit Growth of select sectors		
Period ended 30/6/23		
Paint	90%	
Petroleum Marketing	81%	
Conglomerates	72%	
Insurance	56%	
Banking*	54%	
Pharmaceuticals	18%	
Construction	13%	
Agriculture	4%	
Cement	1%	
Telecom	-29%	
Food	loss	
Breweries	loss	
Note * Reports published as at 31/7/23		

BANKING RATIOS AS AT 31st MARCH 2023														
S/N	BANK	Total Assets	Gross Earnings	PBT	PAT	Equity****	COST/INCOME*	COR***	CAR***	ROA (pre tax)	ROE (after tax)	Market/Book**	NPL ***	Securities/Risk Assets
		31/3/23	3 months	3 months	3 months	31/3/23								
		N'mil	N mil	N mil	N mil	N il	%	%	%	%	%			%
Tier 1 Banks (Total assets above N5 trillion)														
1	Zenith Bank Plc	13,359,216	269,994	86,605	65,946	1,440,708	52%	0.7%	19.0%	2.6%	18%	0.7	2.0%	42%
2	Access Bank Plc	15,742,015	424,919	81,594	70,629	1,024,861	97%	1.4%	22.4%	2.1%	28%	0.4	2.1%	38%
3	First Bank of Nigeria Plc	11,093,926	259,507	56,105	49,383	988,133	60%	1.6%	15.6%	2.0%	20%	0.7	4.0%	38%
4	GTBank Plc	6,740,338	158,093	74,090	57,138	975,624	42%	0.7%	24.1%	4.4%	24%	1.1	5.4%	46%
5	UBA	11,360,779	247,565	61,373	50,416	934,813	61%	0.8%	22.0%	2.8%	22%	0.5	2.1%	54%
Tier 2 Banks (Total assets between N1 trillion and N5 trillion)														
6	Stanbic IBTC bank Plc	3,212,273	94,741	36,260	28,045	428,639	51%	1.0%	15.4%	4.5%	26%	2.1	2.5%	28%
7	Fidelity	4,142,428	101,141	17,942	15,609	328,225	65%	0.6%	19.0%	1.7%	19%	0.8	3.6%	22%
8	Union	2,925,518	66,310	13,122	12,633	302,189	57%	0.8%	15.6%	1.8%	17%	0.7	4.5%	40%
9	FCMB Plc	3,102,178	87,434	10,711	9,220	281,752	73%	1.3%	16.0%	1.4%	13%	0.5	4.0%	34%
10	Sterling Bank Plc****	1,857,992	43,785	5,109	4,825	153,998	75%	1.2%	14.7%	1.1%	13%	0.3	4.0%	31%
11	Wema	1,536,607	39,596	6,188	5,381	87,924	69%	0.2%	12.7%	1.6%	25%	0.7	6.1%	38%
Average (Industry)							64%	1%	18%	2%	20%	0.8	4%	37%
Average Tier 1 banks							62%	1%	21%	3%	22%	0.7	3%	44%
Average Tier 2 banks							65%	1%	16%	2%	19%	0.9	4%	32%
Note														
* Income adjusted to exclude forex valuation gains.														
** Market price as at 31/7/23														
*** Access CAR as at 30/9/22. Zenith,GT,UBA,Union,Wema CAR as at 31/12/22.Access,Union,Wema NPL as at 31/12/22														
**** Equity is defined as Shareholders Equity and excludes preference shares														
***** All Sterling figures as at 31/12/22 with earnings and profits prorated														
NA: Not available														
COR: Cost of Risk														
NPL : Non Performing Loan ratio														
Ranking by Shareholders Equity.														
Banks Mandatory Reserves with CBN as at 31/3/23* (N' millions)														
		Reserves	Reserves	Reserves		Deposits								
	Bank	31/12/21	31/12/22	31/3/23		31/3/23								
	Access	1,466,414	2,141,111	2,734,257		9,940,862								28%
	Zenith	1,330,897	1,749,608	2,242,406		9,136,259								25%
	UBA	969,869	1,283,163	1,280,545		8,647,891								15%
	FBN	1,348,086	1,558,263	1,810,926		7,590,849								24%
	GTB	952,295	1,014,323	1,310,322		4,913,143								27%
	Fidelity	686,097	863,090	888,578		2,667,553								33%
	FCMB	329,739	493,360	588,760		2,002,322								29%
	Union	454,802	224,563	456,490		1,626,498								28%
	Sterling	243,869	295,295											
	Stanbic	443,995	478,609	558,524		1,325,554								42%
	Wema	313,847	386,993	419,293		1,160,846								36%
		8,539,910	10,488,378	12,290,101		49,011,777								25%
Note														
* Statutory CRR was increased from 27.5% to 32.5% on 27th September 2022.														

RANKING OF SECTORS BY CAPITAL APPRECIATION				
Half Year ended	Quarter ended			
30/6/23	31/3/23	Sector	Capital Appreciation	
1	1	Petroleum Marketing	137%	
2	3	Banking	62%	
3	2	Food/Beverages	49%	
4	11	Insurance	42%	
5	6	Paint	37%	
6	4	Agriculture	36%	
7	5	Construction	36%	
8	8	Pharmaceuticals	25%	
9	12	Breweries	12%	
10	7	Cement	9%	
11	10	Telecomm	4%	
12	9	Conglomerates	3%	

Structure of Commercial Banks Deposits (N millions)															
										Growth					
	9/30/18	12/31/2018	3/31/2019	6/30/19	9/30/19	12/31/19	12/31/20	12/31/21	Percentage	2021					
Private Sector and States demand deposits	6,318,277	6,724,353	6,434,455	6,439,537	6,466,061	6,964,259	11,086,936	12,550,978	33%	13%					
Private Sector/States Time and Savings	9,547,554	11,046,541	11,266,837	11,450,878	11,067,780	12,185,722	14,133,498	16,541,351	44%	17%					
Federal Govt Naira deposits	82,509	86,409	97,688	113,631	130,811	122,332	-	-	0%						
FX/Domiciliary accounts	5,048,023	5,574,730	5,912,494	6,320,363	6,151,318	5,911,673	6,236,524	8,520,716	23%	37%					
Total Deposits	20,996,364	23,432,032	23,711,474	24,324,408	23,815,971	25,183,986	31,456,958	37,613,044	100%	20%					
Structure of Pension Fund Investments (N millions)															
							Growth	Prudential	Old/New Limits (Min-Max)						
									Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Fund 6	
	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023	Percentage	Q2 2023	Max Limits							
Domestic ordinary shares	969,155	868,582	908,024	1,043,170	1,268,757	8%	22%	25%	17.5%-30%	7.5%-25%	5%-10%	0%-5%	0%-5%	0%-25%	
Foreign ordinary shares	99,906	96,292	108,988	114,835	192,245	1%	67%								
Private Equity/Infrastructure	127,238	146,519	161,340	167,440	184,867	1%	10%	5%	2.5%-10%	2.5%-5%	0.00%	0.00%	2.5%-10%	0%-20%	
Open/Closed Funds	53,854	56,908	66,544	86,556	93,972	1%	9%	20%	0%-25%*	0%-20%*	0%-10%	0%-5%		0%-20%	
Govt Securities	9,168,860	9,358,881	9,810,333	10,359,181	11,135,437	66%	7%	80%	0%-70%	0%-85%	0%-100%	0%-100%	0%-75%	0%-85%	
Corporate Bonds/Supra-National	1,197,681	1,496,760	1,670,672	1,700,497	1,895,265	11%	11%	35%	0%-35%	0%-40%	0%-45%	0%-45%	0%-35%	0%-40%	
Money Market instruments	2,149,495	2,105,082	1,983,305	1,751,604	1,577,389	9%	-10%	35%	0%-30%	0%-30%	0%-35%	0%-35%	0%-60%	0%-30%	
Real Estate/REIT	238,498	232,086	233,874	244,339	239,780	1%	-2%	5%	0%-10%*	0%-5%*					
Others/cash	262,862	63,181	49,554	114,847	173,841	1%	51%								
Total	14,267,549	14,424,291	14,992,633	15,582,469	16,761,554	100%	8%								
Note * Minimum for private equity includes open/closed end funds and Real estate.															
**54% of RSA Funds in Fund 2 and 35% in Fund 3															