

# FIRST IDEAS CAPITAL MARKET REPORT

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## KEY ECONOMIC INDICATORS

### THE ECONOMY

NIGERIA KEY ECONOMIC INDICATORS														
	30/6/18	30/9/18	31/12/18	31/3/19	30/6/19	30/9/19	31/12/19	31/3/20	30/6/20	30/9/20	31/12/20	31/3/21	30/6/21	Change
Bonny Light Crude Oil Prices (USD/B)quarter average	75.43	76.5	69.89	64.75	71.32	64.25	64.87	52.51	26.75	43.29	44.01	61.04	70.47	15%
Average Crude Oil production quarter ended (mb/d)	1.84	1.94	1.91	1.99	2.02	2.04	2	2.07	1.81	1.67	1.56	1.72	1.61	-6%
Real GDP growth Quarter ended	1.50%	1.81%	2.38%	2.10%	1.94%	2.28%	2.55%	1.87%	-6.10%	-3.62%	0.11%	0.51%	5.01%	4.5%
Industry capacity quarter ended	54%	55%	55%						40.10%	43.80%				
External reserves(USD billion)*	47.16	42.61	42.54	44.74	44.75	40.90	38.06	33.69	35.78	35.67	36.46	35.138	32.78	-7%
Exchange Rate (N/USD)	305.77	306.35	307	306.95	306.9	307	307	361	361	380	380	380	411.28	-8%
Net inflow of forex through CBN(USD billion)	0.53	-3.98	-0.09	1.40	3.80	-3.70	-2.30	-2.60	-4.40	-0.02	0.30			
Forex sales(WDAS and BDC) quarter ended(USD billion)	7.9	11.9	9.2	10.66	7.37	10.13	9.98	13.7	4.5	4.37	5.62			
I&E Fx intervention(USD billion)	0.08	2.84	2.1	0.83	0.08	2.02	2.62	0.6	0.48	0.39	1.6			
Headline Inflation Month ended	11.23%	11.28%	11.44%	11.25%	11.22%	11.24%	11.98%	12.26%	12.56%	13.71%	15.75%	18.17%	17.75%	-0.4%
MPR	14%	14%	14%	13.5%	13.5%	13.5%	13.5%	13.5%	12.5%	11.5%	11.5%	11.5%	11.5%	0.0%
91 days treasury bill yield	12.75%	11.20%	14.00%	10.56%	11.63%	12.68%	4.52%	3.28%	1.94%	1.10%	0.35%	2.43%	4.96%	2.5%
Interbank Call Rate Month ended	5.00%	4.57%	22.68%	11.50%	8.38%	11.61%	3.32%	10.29%	5.75%	2.00%	1.25%	10.10%	16.57%	6.5%
30 days NIBOR rate	14.43%	13.09%	15.45%	12.20%	11.61%	13.25%	10.79%	14.71%	5.15%	2.38%	0.38%	5.44%	15.36%	9.9%
FGN 10 years bond Yield	13.81%	15.07%	15.50%	14.36%	14.50%	14.43%	12.00%	12.60%	9.76%	7.69%	7.26%	11.50%	13.50%	2.0%
Prime Lending Rate(quarter average)	17.16%	16.69%	16.60%	16.05%	15.80%	15.33%	14.99%	14.71%	15.10%	11.80%	11.42%	11.20%	11.40%	0.2%
Credit growth to private sector quarter ended	-0.70%	1.30%	0.70%	5.70%	3.20%	2.90%	4.80%	5.80%	3.30%	1.90%	1.50%	3.60%	4.50%	0.9%
Gross Banking Credit (Naira trillion)											22.68	23.53		
New Jobs created (Formal and Informal sectors)**	19,276	152,896							(11,016,000)		(12,039,000)			
CBN Standing lending Facilities granted (SLF) Nbillion	3,960	978	3677	8406	3,624	6,203	1,303	1,811.99		1,700.46	136.13			
CBN Standing Deposit Facilities accepted (SDF) Nbillion	5,986	5,788	4407.04	2.9	4,984	2,081	1,932	843.09		1,884.92	2143.8			
CBN credit to banks outstanding at quarter ended (N bil.)	1,250.94	1,210.49	1,098.52	1,292.38	1,174.33	1,357.09								
Foreign Direct Investments Equities (USDm)	261	531	156	247	223	203	250	214	149	415	249	155	78	-50%
Foreign Portfolio Investments(Equities) (USDm)	1,048	394	218	656	498	386	354	640	53	44	18	27	85	217%
Foreign Portfolio Investments (Bonds) (USDm)	400	37	193	567	316	92	47	231	-	-	-	139	15	-90%
Foreign Portfolio Investments (Money Mkt.)(USDm)	2,671	1,291	983	5,883	3,535	2,550	1,483	3,439	332	363	17	809	452	-44%
Foreign Other Investments (Loans/Trade Credit/Others)	1,139	602	589	1,156	1,480	2,397	1,669	1331.06	761.04	639.44	785.8	783.19	246	-69%
Total Foreign Portfolio Investments (USDm)	4,119	1,723	1,395	7,106	4,349	3,027	1,884	4,309	385	407	35	974	551	-43%
Total Foreign Investment Inflows (USDm)	5,519	2,855	2,140	8,508	6,052	5,627	3,802	5,855	1,295	1,461	1,070	1,912	876	-54%
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 2021

- Significant growth in GDP of 5.01% in Q2 2021 representing highest quarterly growth from 2015. This was against GDP growth of 0.51% in Q1 2021. Real GDP growth in H1 2021 was 2.7%.
- International Monetary Fund (IMF) upward review of Nigeria's 2021 GDP growth forecast in its April 2021 World Economic Update to 2.5% reflecting improved outlook for global demand and international crude oil prices.
- Listing of Nigerian Exchange Group (NGX Group or Nigerian Stock Exchange) on the NASD OTC Securities Exchange on 13<sup>th</sup> April 2021.

- *Increase in the minimum capital requirements of Pension Fund Administrators by Nigerian Pension Commission (PENCOM) on 27<sup>th</sup> April 2021 from N1 billion to N5 billion with transition period of one year for existing operators.*
- *Adoption of I&E rate as the official exchange rate of the Naira by the Central Bank of Nigeria (CBN) on 17<sup>th</sup> May 2021 resulting in Naira depreciation of 8% to N411/USD.*
- *CBN intervention in FBN Holdings Plc on 29<sup>th</sup> May 2021.*
- *Increase in international crude oil prices above USD71/barrel on 2<sup>nd</sup> June 2021 representing the highest price from the onset of COVID 19 pandemic in 2020. This followed decision of OPEC meeting of June 1, 2021, to gradually ease production cuts.*
- *Nigeria's Federal Executive Council (FEC) approval of Supplementary Budget of N895.84 billion for procurement of COVID 19 vaccines, health expenses and military hardware.*
- *Publication by World Bank of its June 2021 Nigerian Development Update with low 2021 GDP forecast for the country of 1.8%.*

Nigeria's economy recorded impressive GDP growth of 5.01% in the second quarter of 2021 representing the highest year on year quarterly growth from 2015. The high GDP growth is attributable principally to base period effects against the worst period of pandemic lockdowns of Q2 2020. Quarter on quarter Real GDP growth in Q2 2021 was negative at -0.8% and Nigeria's GDP remains significantly below pre pandemic levels in 2019.

The impressive GDP growth in Q2 2021 was driven by strong recovery in the non-Oil sectors which offset the decline in Oil GDP. Nigeria's Oil Real GDP declined by -12.65% in Q2 2021 while Non-Oil Real GDP increased by 6.74%. The key drivers of growth in the non-Oil sector are Trade, Telecommunications and Manufacturing with year on year growth of 22.49%, 5.9% and 6.78% respectively. On a quarter on quarter basis, Telecommunications and Agriculture recorded growth of 22.73% and 5.55% compared to Q1 2021 while Manufacturing and Real Estate/Construction declined.

The decline in Oil GDP has been attributed to the decrease in crude oil production arising from production challenges in the Niger Delta Nigeria's average oil production declined from 1.72 million barrels/day (mbpd) in Q1 2021 to 1.6 mbpd in Q2 2021. This was against production of 1.81 mbpd in Q2 2020 and 2021 Budget of 1.86 mbpd. Crude oil prices however increased during the period. The price of Nigeria's Bonny Light Crude increased by 24%, from USD62.98/barrel on 31/3/21 to USD78.01/barrel on 30/6/21. Average price of Nigeria's Bonny Light Crude increased by 15%, from USD61.04/barrel in Q1 2021 to USD70.47/barrel in Q2 2021.

Foreign portfolio inflows into the Nigerian economy declined by 43% during the quarter reflecting persisting trend over the last four quarters. This has been largely attributed to the difficulties in capital repatriation, uncertainties around the Naira exchange rate and negative real yields on fixed income securities. Foreign portfolio investments in domestic Bonds declined by 90% during the quarter to an

insignificant USD15 million while Foreign Portfolio investments in money market instruments declined by 44% to USD452 million. Total Foreign Portfolio investment inflows into the Nigerian economy declined by 54% to USD876 million.

Nigeria's External Reserves declined further by 7% from USD35.14 billion on 31/3/21 to USD32.78 billion on 30/6/21 representing about 7.1 months of merchandise imports and 5.3 months of goods and services. This has been attributed principally to increasing forex sales at the interbank and Bureau de Change markets and declining foreign portfolio inflows. Nigeria's Trade Balance remained negative at - N1.9 trillion in Q2 2021.

The exchange rate of the Naira depreciated on the official and parallel markets by 0.6% and 3% respectively to close at N411.5/USD and N500/USD. The parallel market premium increased from 17% in March 2021 to 21% in June 2021. The Naira has remained under pressure in the third quarter following the decision of the CBN Monetary Policy Committee (MPC) of 27<sup>th</sup> July 2021 to suspend sale of forex by the CBN to BDCs. The outlook for the fourth quarter is positive with increased forex supply and possible resolution of forex demand backlog. This outlook is based on sustained increase in crude oil prices above USD70/barrel, increased OPEC quota, accretion to Reserves from the additional allocation of USD3.35 billion Special Drawing Rights by IMF on 23<sup>rd</sup> August 2021 and planned Eurobond borrowings of about USD3 billion to partly fund 2021 Budget Deficit.

Nigeria's protracted rising Inflation trend reversed in the second quarter with Headline Inflation recording three consecutive months of decline from 18.17% in March to 17.75% in June 2021. The positive trend is attributable principally to slow down in the growth of food prices. Food Inflation declined from 22.95% in March 2021 to 21.83% in June 2021. Core Inflation (All items less Farm Produce) however increased from 12.67% in March to 13.15% in May but declined to 13.09% in June 2021. The increase in Core Inflation has been attributed to pass through effects of Naira depreciation. Quarter on Quarter Headline Inflation annualized also declined sharply from 20.41% in March to 13.49% in June 2021. This trend has continued in July with Headline and Food Inflation declining to 17.38% and 21.03% respectively. The outlook for the fourth quarter however remains challenging with the increasing parallel market premium and implications for market prices. Nigeria's Budget Office has revised 2021 Inflation forecast from 11.95% to 15% and expects inflation to remain elevated in 2022 at 13%.

Credit Growth to the Private Sector increased from 3.6% in Q1 2021 to 4.5% in Q2 2021 representing improved liquidity in the banking system and robust lending growth. This is against the background of increased disbursement of intervention loans by CBN and decrease in Cash Reserve debits. Total CBN disbursements of intervention loans increased by N295 billion from N2.085 trillion on 25<sup>th</sup> May 2021 to N2.381 trillion on 27<sup>th</sup> July 2021. Effective Cash Reserve Ratio in the Banking Industry from our computations declined from 27% on 31/3/21 to 24% on 30/6/21.

<b>Disbursements under CBN Intervention Funds as at 27/7/21</b>			
<b>Facility</b>	<b>Amount (N bil)</b>	<b>Amount (N bil)</b>	<b>Amount (N bil)</b>
	<b>25/5/21</b>	<b>27/7/21</b>	<b>Increase</b>
Anchor Borrowers Program	631.40	756.51	125.11
AGSMEIS	111.70	121.57	9.87
Targeted Credit Facility	253.40	318.17	64.77
National Youth Investment Fund	2.04	3	0.96
Creative Industry Financing Initiatives	3.19	3.22	0.03
Real Sector Intervention Fund	856.30	923.41	67.11
Healthcare Support Intervention Fund	97.40	98.41	1.01
CBN Health Care Grant for Research on COVID-19 and Laser Fever	0.23	0.233	0.00
National Mass Metering Program	35.90	36.04	0.14
Nigerian Electricity Stabilization Facility 2	93.80	120.29	26.49
<b>Total</b>	<b>2,085.36</b>	<b>2,380.85</b>	<b>295.49</b>

## Other Recent Developments

### World Bank June 2021 Nigeria Report

The World Bank in its June 2021 Nigeria Development Update raised concerns on the country's economic policies and highlighted the need for continuation of macroeconomic and structural reforms. Specific recommendations set out in the report aimed at reducing inflation and supporting macroeconomic stability include:

- Exchange Rate Reforms by increasing flexibility of the official rate (Nafex) to reduce misalignment, boost competition and reduce the parallel market premium. This is because market prices and inflation are dictated by parallel market rates. In the longer term, they recommended reestablishing of the dollar interbank market by allowing banks to trade forex on their own account rather than on behalf of customers, granting banks direct access to oil companies' forex and merger of all exchange rates into a single window that reflects market fundamentals.
- Trade Reforms by full reopening of all borders, replacement of forex bans on specific items with high tariffs, removal of fuel subsidies and publication of guidelines for sale of fuel products that do not incentivize smuggling.

- Fiscal Policy Reforms by reducing recourse of the FGN to CBN monetary financing, elimination of fuel subsidies, increasing taxes on tobacco and alcohol, charging fees for electronic money transfers, rationalizing tax expenditures, removing loopholes in tax laws, and improving tax administration.
- Monetary Policy Reforms by resuming CBN Open Market Operations (OMO) based on a transparent issuance structure as instrument for controlling banking liquidity, reduction of CBN subsidized lending to expand scope of commercial banks to intermediate funds at market rates and phasing out of excessive reliance on Cash Reserve Debits as liquidity management tool and source of financing of the CBN.
- Review of the Social Protection and Jobs Programs to ensure effectiveness and accountability.

## **Enactment of Nigeria Petroleum Industry Act 2021**

Nigeria's President signed the Petroleum Industry Act 2021 into law on 16<sup>th</sup> August 2021 following process of legislation spanning 20 years. The objectives of the Act include:

1. Creation of effective governance institutions for the petroleum industry with clear and separate roles.
2. Establishment of framework for the creation of a commercially oriented and profit driven national petroleum company.
3. Promotion of transparency, good governance, and accountability in the administration of Nigeria's petroleum resources.
4. Fostering a business environment conducive for petroleum operations.
5. Deepening local content participation in Nigeria's oil and gas industry.

The Act makes provisions for the following:

- Specific roles for the petroleum minister.
- Creation of Nigerian Upstream Petroleum Regulatory Commission.
- Creation of Nigerian Midstream and Downstream Regulatory Commission to be headed by the petroleum minister whose responsibilities will include regulation of the base prices of gas and monitoring petroleum product pricing.
- Establishment of a Frontier Exploration Fund to be funded from 30% of the oil & gas profits of NNPC. The fund shall be utilized for the development of frontier acreages subject to the approval of National Assembly.
- Incorporation of Nigerian National Petroleum Company within 6 months to assume the assets and liabilities of NNPC including staff. The company will be owned equally by Ministry of Petroleum Incorporated on behalf of FGN and Ministry of Finance Incorporated on behalf of the

Federation. The company will be entitled to 60% participation in all petroleum mining leases in Nigeria.

- Setting up of a Host Community Development Trust Fund to be funded from 3% of prior year's annual operating expenditures of oil production companies. Communities will however forfeit entitlements in any year there was disruption in petroleum activities arising from vandalism, sabotage or civil unrest and cost of repairs will be offset from the Fund.

Implementation of the provisions of the Act is expected to have positive impact on the oil sector and Nigerian economy in coming years. The major concerns relate to the provision for the Frontier Fund which signals continuation of wasteful spending on politically motivated unviable exploration activities. Concerns have also been raised on the adequacy of the 3% provision for the Host Community Fund which is below the 5% approved by the House of Assembly.

### **FGN 2022-24 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP)**

The finance minister presented the draft 2022-24 MTEF/FSP to the National Assembly on 8<sup>th</sup> July 2021 containing the parameters for the 2022 National Budget. The key parameters for 2022 in the draft document include:

Average crude oil price of USD57/barrel.  
Average crude oil production of 1.88 million barrels per day  
Naira Exchange Rate of N410.15/USD.  
Inflation Rate of 13%.  
GDP Growth Rate of 4.2%  
Budget Deficit of -N5.623 trillion being -3.05% of GDP  
New Borrowing of N4.894 trillion.

Further details are provided in the table below. The MTEF/FSP was prepared against the background of 50% achievement of FGN net Oil & Gas Revenue Budget and 67% achievement of FGN Retained Revenue Budget in the first five months of 2021. FGN Debt Service Ratio during this period was an alarming 98%. The major variance in net Oil Revenues was attributed to unbudgeted expenditures on Petroleum Subsidies.

FGN 2022-24 MEDIUM TERM EXPENDITURE FRAMEWORK					
		2021 Revised			
	2021 Budget	Forecast	2022 Forecast	2023 Forecast	2024 Forecast
<b>Assumptions</b>					
Crude oil Price	USD40/barrel	USD40/barrel	USD57/barrel	USD57/barrel	USD55/barrel
Average oil production	1.86 mbpd	1.86 mbpd	1.88 mbpd	2.23 mbpd	2.22 mbpd
Naira Exchange Rate	N379/USD	N410.15/USD	N410.15/USD	N410.15/USD	N410.15/USD
Projected GDP growth	3.00%	2.50%	4.20%	2.30%	3.30%
Inflation	11.95%	15%	13%	11%	10%
<b>Projections</b>					
Non Oil GDP (N Billions)	132,592	154,102	169,697	185,558	203,799
Oil GDP (N Billions)	10,102	14,500	14,685	15,595	17,977
Nominal GDP (N Billions)	142,192	168,603	184,382	201,153	221,776
Imports (N Billions)	13,440	30,349	33,189	36,208	39,920
Deficit (N Billions)	-5602	NA	-5623	-5278	-5876
New Borrowing (N Billions)	4686.8	NA	4894	4750	5356
Deficit/GDP (excluding GOEs and project tied loans)	-3.43%	NA	-2.52%	-2.31%	-2.45%
Aggregate Deficit/GDP	-3.93%	NA	-3.05%	-2.62%	-2.65%

## Increase in OPEC Production Quotas

OPEC+ agreed on 16<sup>th</sup> July to increase production quotas by 400,000 barrel/day monthly until existing 5.8 million barrels/day (mbpd) adjustment is phased out in 15 months. This decision was taken in view of improved outlook for crude oil demand. The implication for Nigeria is an upward review of its production quota from 1.554 mbpd to 1.829 mbpd by Q3 2022.

## Suspension of Sale of Forex to Bureau de Change Operators (BDCs)

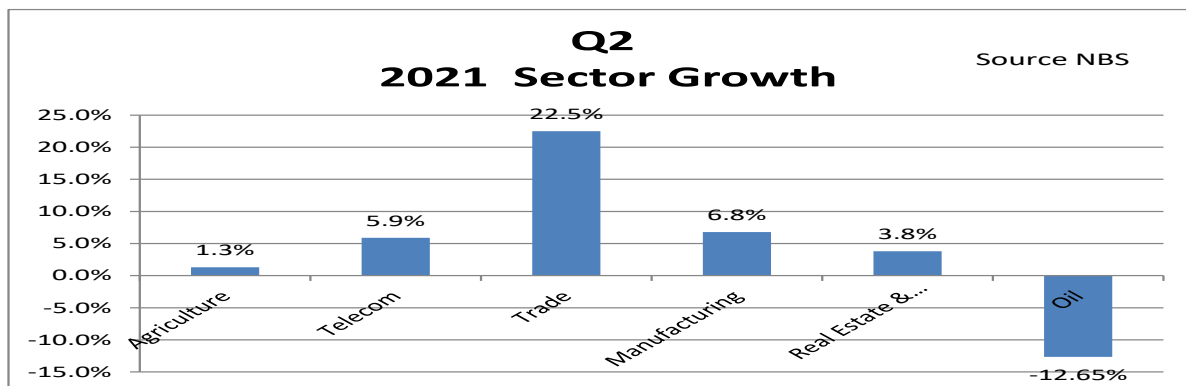
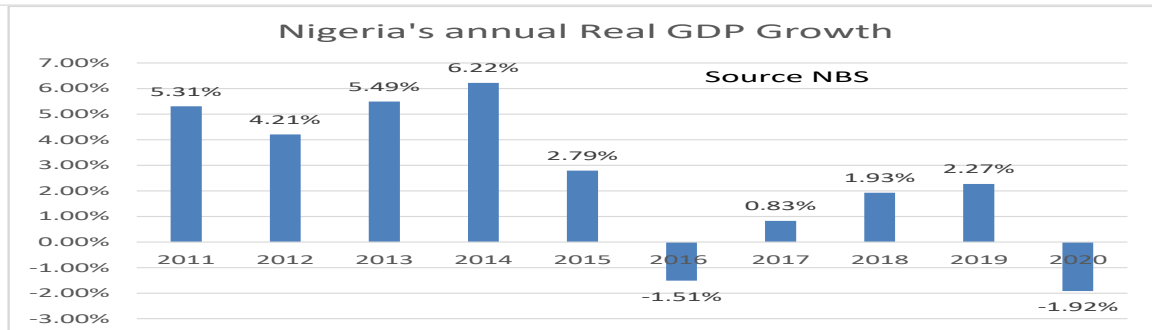
The Monetary Policy Committee of the CBN (MPC) at its meeting of 27<sup>th</sup> July 2021 suspended the sale of forex by CBN to BDCs and issue of new BDC operating licenses effective immediately. This is in response to large scale infractions in the sector including sales for ineligible transactions and at prices far beyond allowable margins and encouraging and exploiting speculations against the Naira. CBN will divert current weekly allocation of forex to the BDCs of USD110 million to the banks for retail customers. Naira exchange rate on the parallel market has depreciated significantly as expected in the absence of forex inflows. The parallel market is sustained by demand for ineligible imports and will remain significant until a review of forex ban on specific items and resolution of forex demand backlog in the banks.

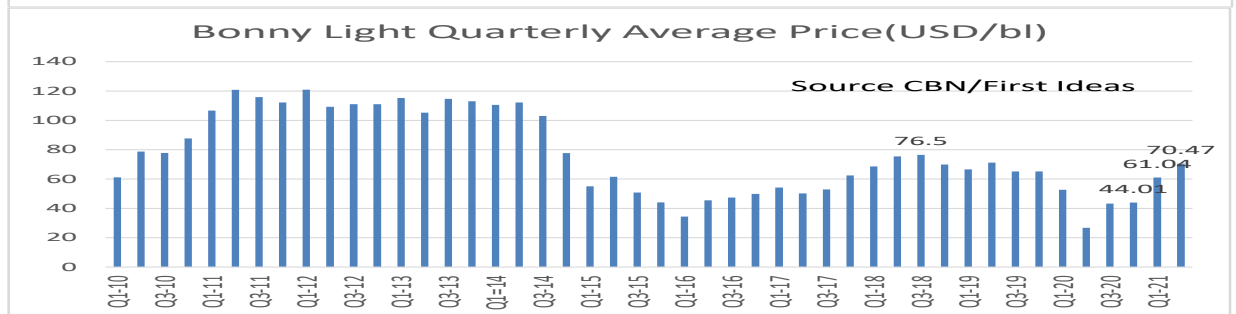
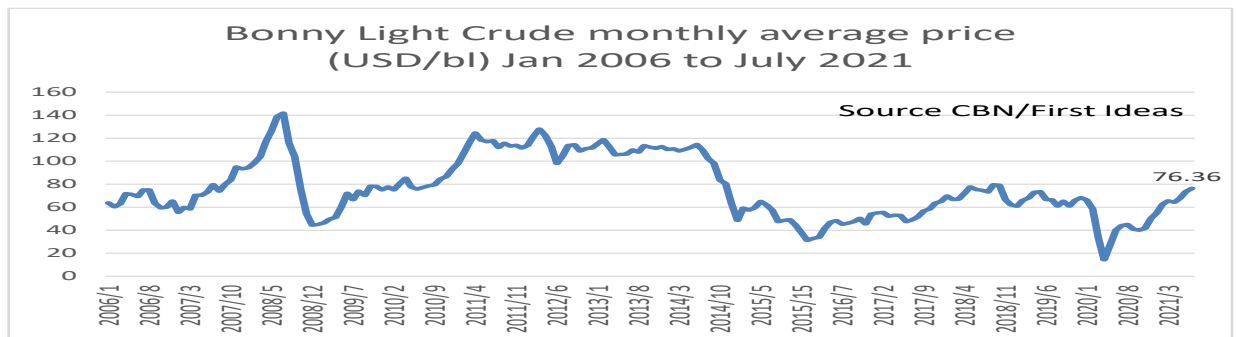
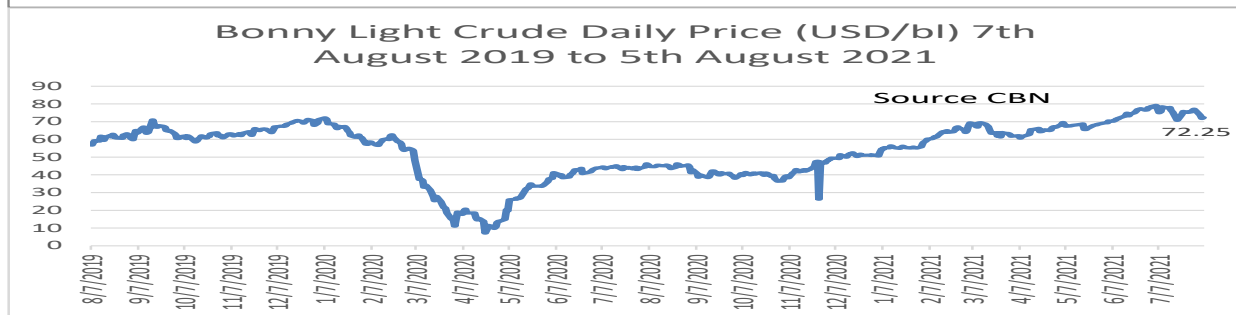
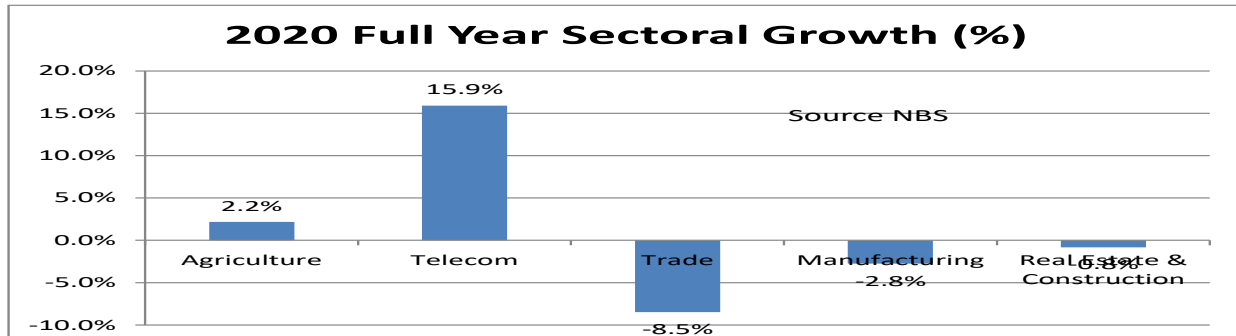
## IMF disbursement of USD650 billion Special Drawing Rights (SDR)

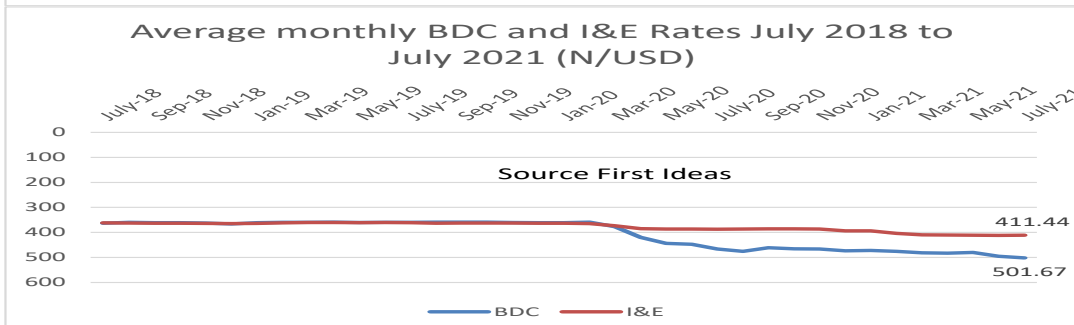
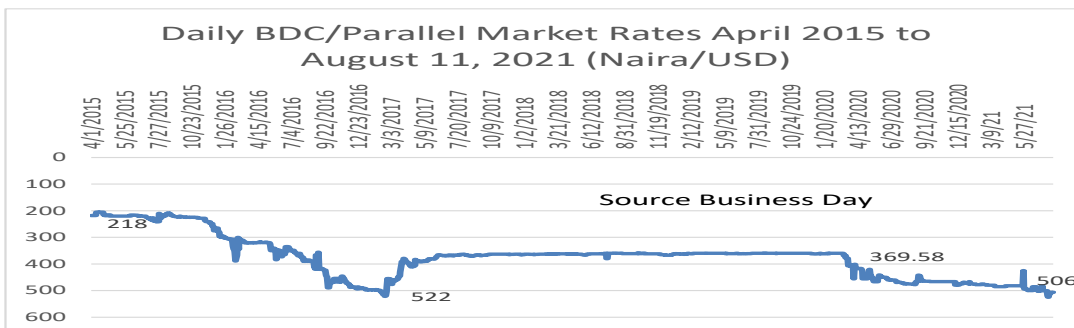
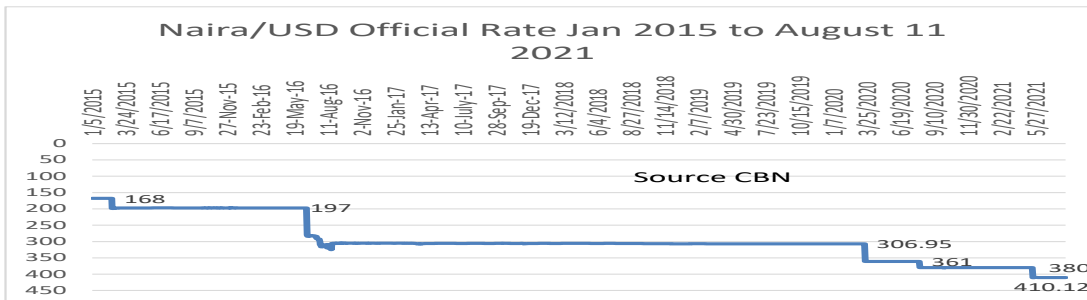
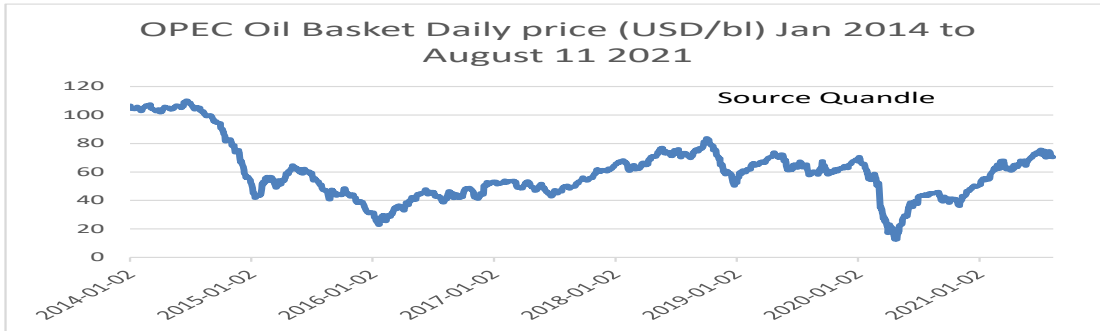
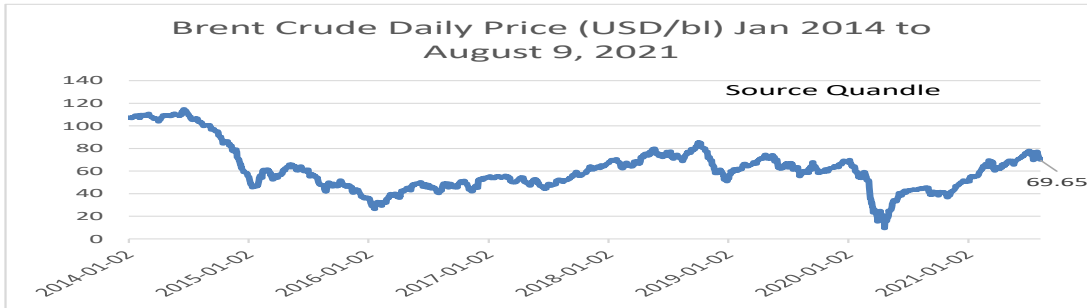
The International Monetary Fund (IMF) effected the largest allocation of USD650 billion Special Drawing Rights in history on 23<sup>rd</sup> August 2021 to member countries to supplement their External Reserves, reduce reliance on expensive borrowings and support their recovery from the pandemic. Nigeria

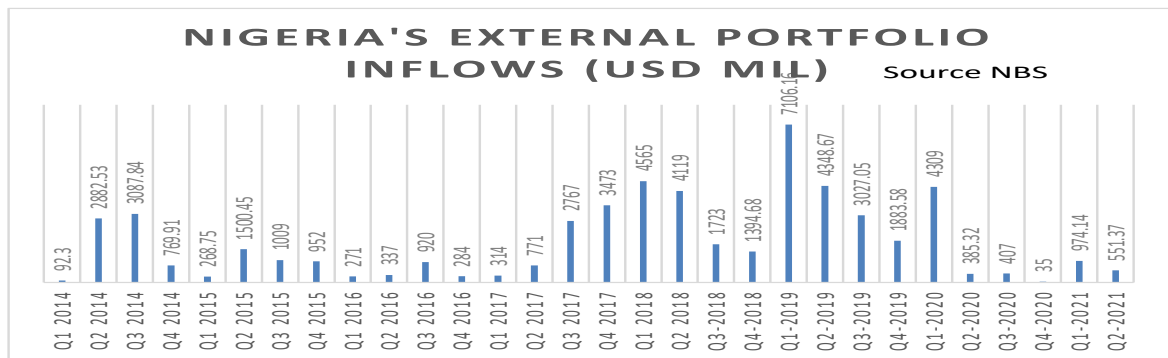
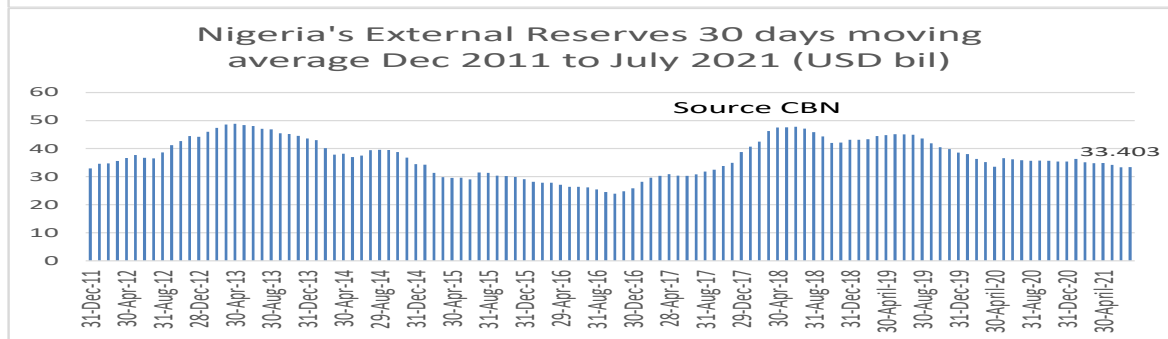
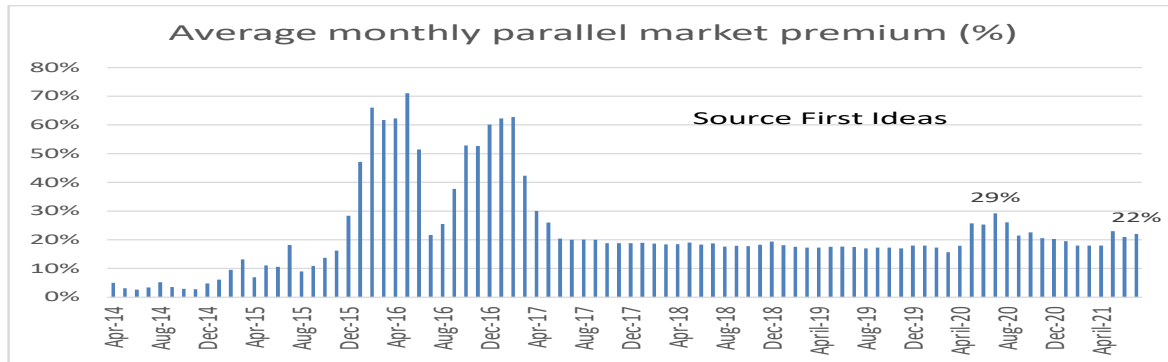


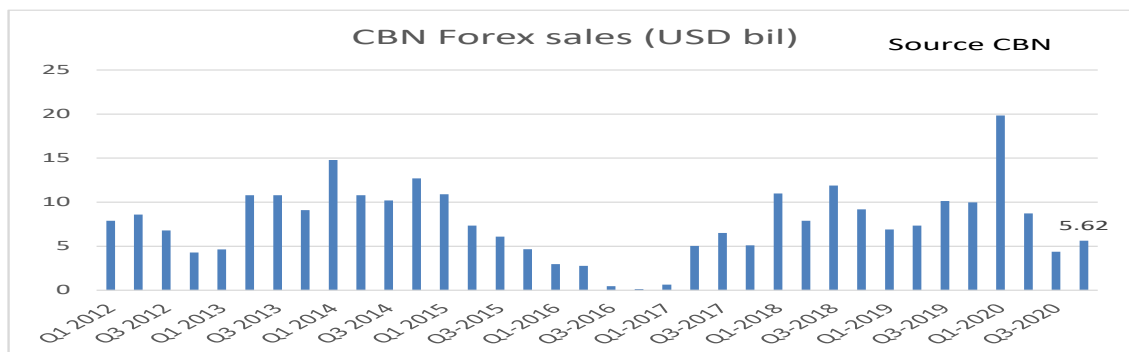
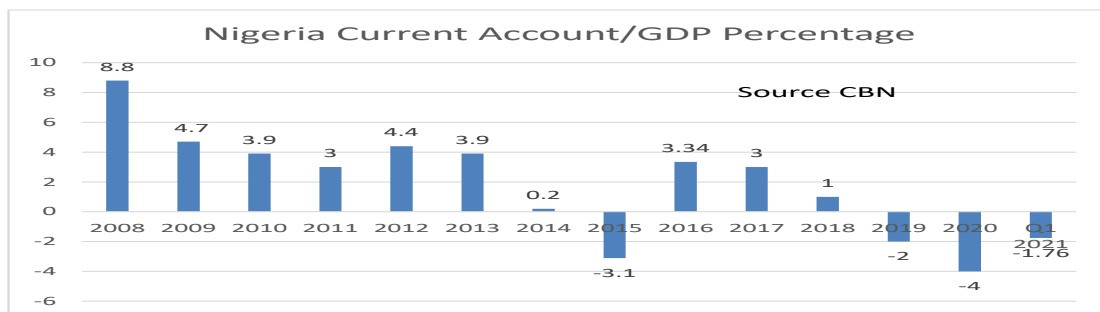
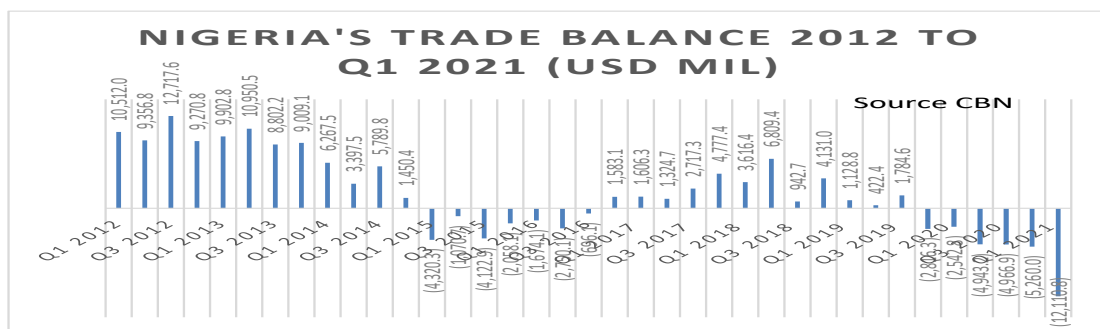
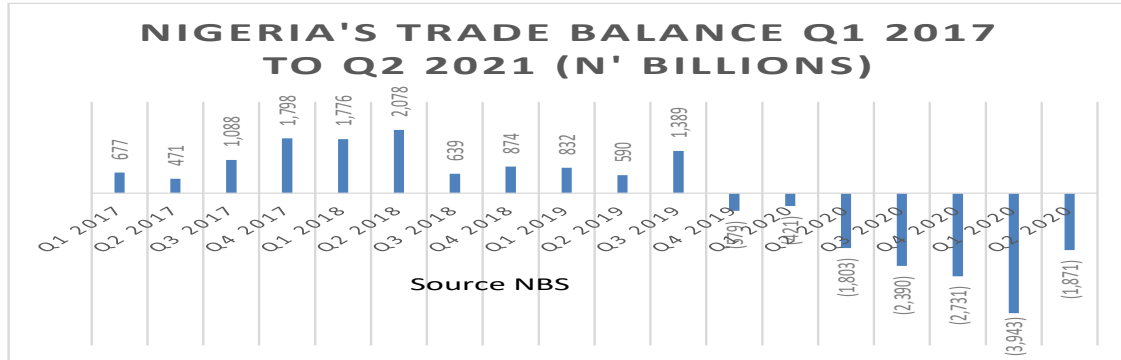
received an allocation of USD3.35 billion based on our IMF quota representing an increase of 10% in her External Reserves. This disbursement will assist in the resolution of the forex demand backlog.

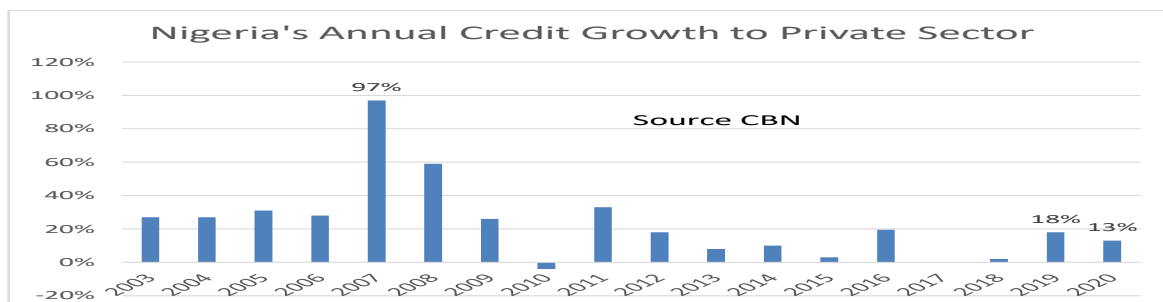
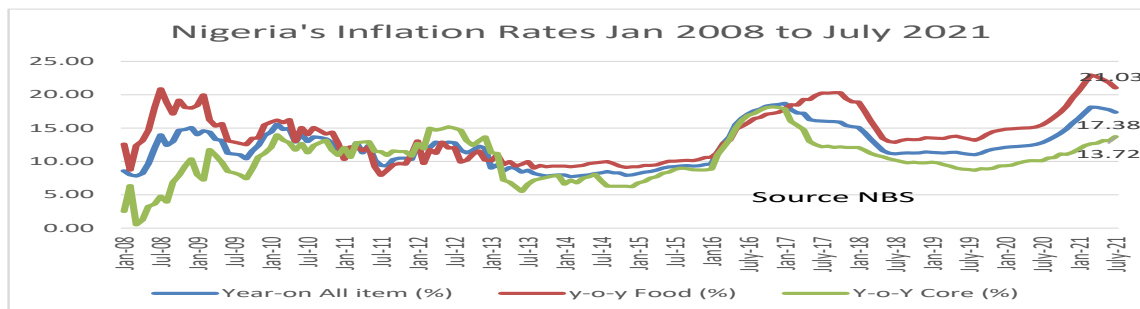
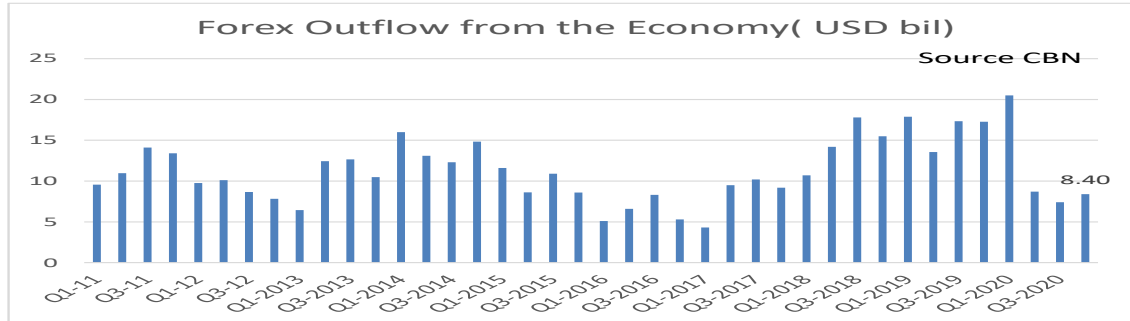


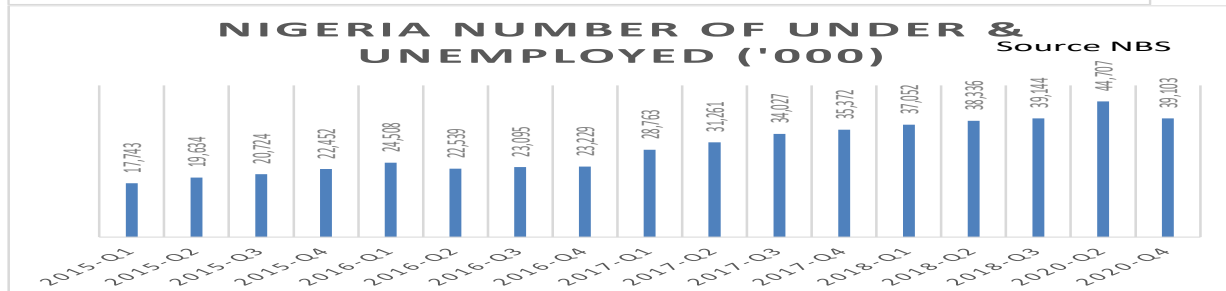
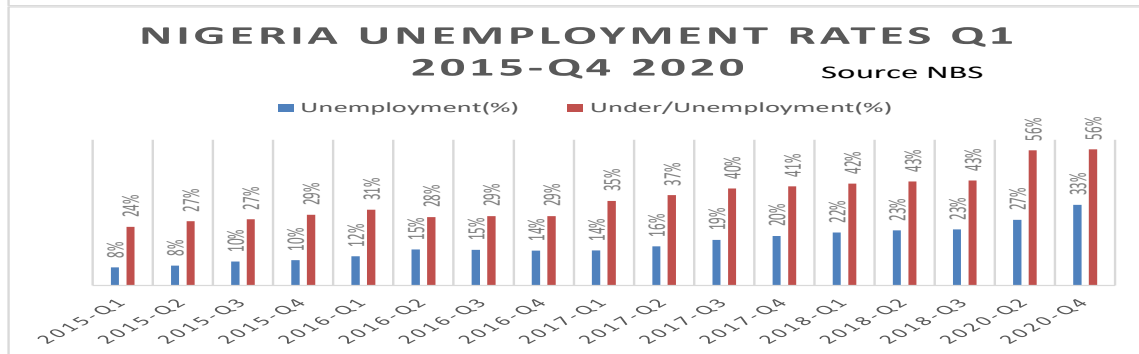
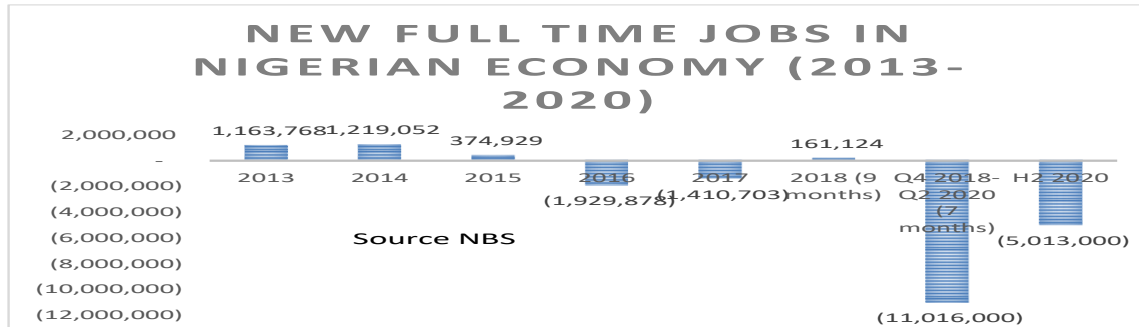










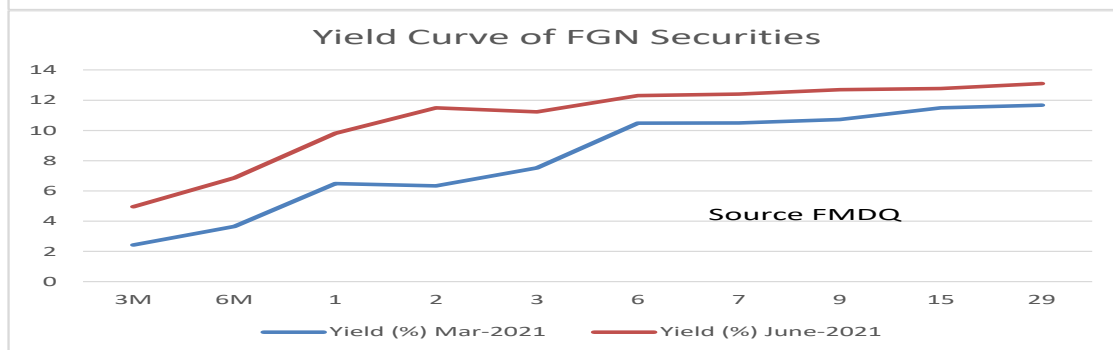
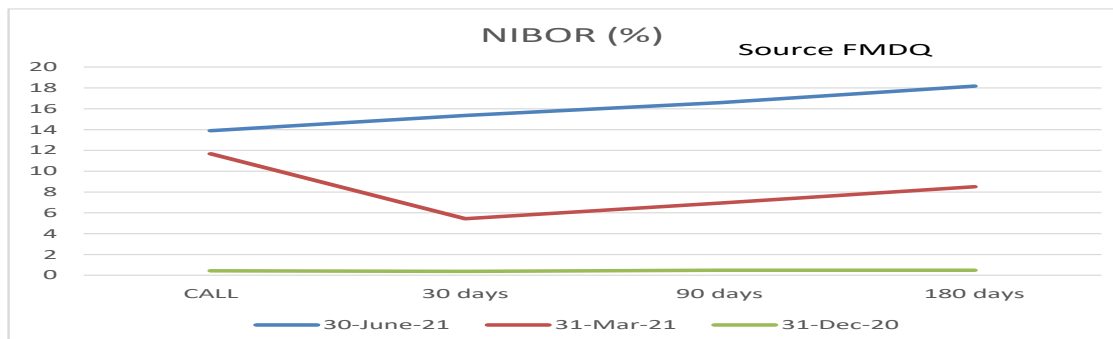
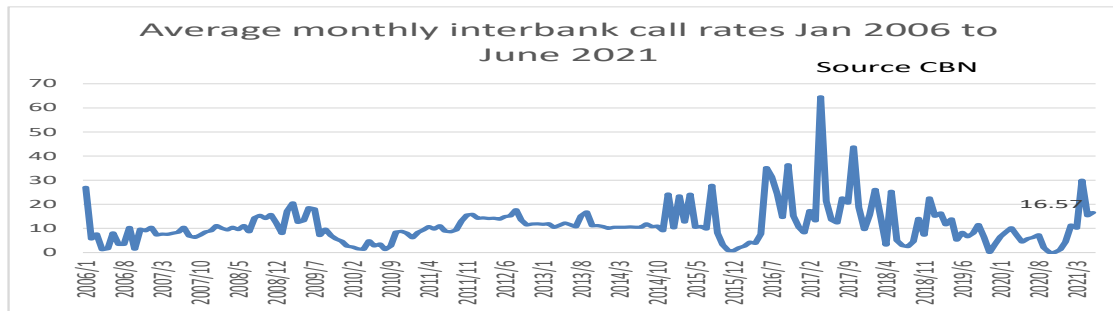
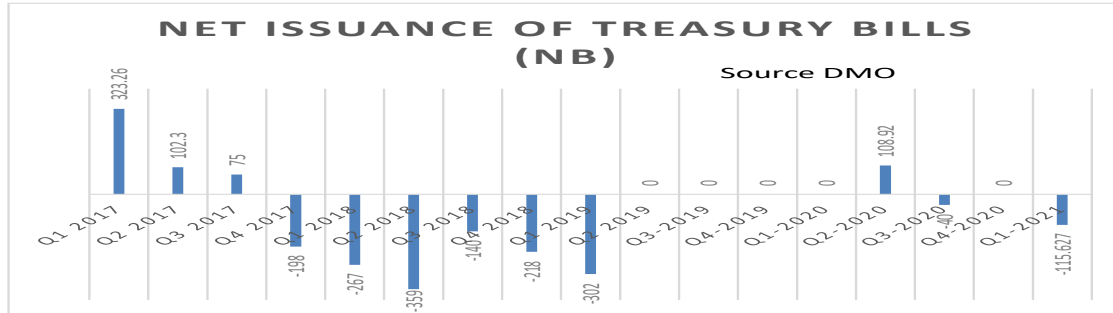


LABOUR FORCE STATISTICS Q4 2020								
State	Labour Force	Work 40 Hrs	Work 20 -39 H	Full/Under-employe	Total unemploye	total unemployed	Unemployment	Unemployment
	Fully employed	Underemployed				Underemployed	Rate	Underemployment Rate
Imo	1,946,682	340,034	504,123	844,157	1,102,525	1,606,648	56.64%	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%

## THE MONEY MARKET

The upward trend in interest rates in the money markets continued in the second quarter. Interbank call rates were volatile increasing from 10.1% in March to 15.23% in May and 16.57% in June 2021. 30 days, 90 days, and 180 days NIBOR increased by an average of 970 basis points to close at 15.36%, 16.58% and 18.18% respectively. 91 days, 182 days and 364 days treasury bills increased by an average of 302 basis points to close at 4.96%, 6.87% and 9.81% respectively. The exceptionally large spread between NIBOR and treasury bills is an indication of tight liquidity in the banking system driven by the recovery in economic activities and loan growth. The slow recovery in treasury bill yields is attributable to increasing demand by domestic institutional investors.





## THE BOND MARKET

Yields on FGN medium and long term Bonds followed the trend in the money markets with an average increase of 247 basis points in the second quarter. The rising trend however decelerated in June and July 2021 in line with yields on treasury bills and reflecting the increasing demand from domestic institutional investors and size of failed bids at DMO FGN Bond primary auctions. Yields on 15 years Bonds at the DMO auctions increased from 11.5% in March to 14% in May before declining in subsequent two auctions in June and July 2021 to 13.5% and 13.15% respectively.

Subscription volumes at the DMO auctions increased by 25% from N772 billion in Q1 2021 to N965 billion in Q2 2021 reflecting increasing patronage by domestic institutional investors as yields recover. Percentage of offer raised increased from 103% in Q1 2021 to 146% in Q2 2021 with allotment volumes increasing to record high of N706 billion during the quarter inclusive of non-competitive allotments. Percentage of offer raised however declined at the July auction as a result of the reduction of the marginal rate on the 6 years medium term bonds from 12.74% to 12.35%. Volume of unsuccessful bids increased from N92 billion at the June auction to N148 billion at the July 2021 auction.

Secondary market turnover on the FGN Bond over the counter market (OTC) declined further by 10% from N5.2 trillion in Q1 2021 to N4.7 trillion in Q2 2021. This is attributable to the improving success at the primary Bond auction as DMO frontloaded allotments.

Corporate Bond new issues volumes increased marginally from N212.833 billion in Q1 2021 to N216.325 billion in Q2 2021. Number of issuers however increased significantly from four to seven. Details of the issues during the quarter are as follows:

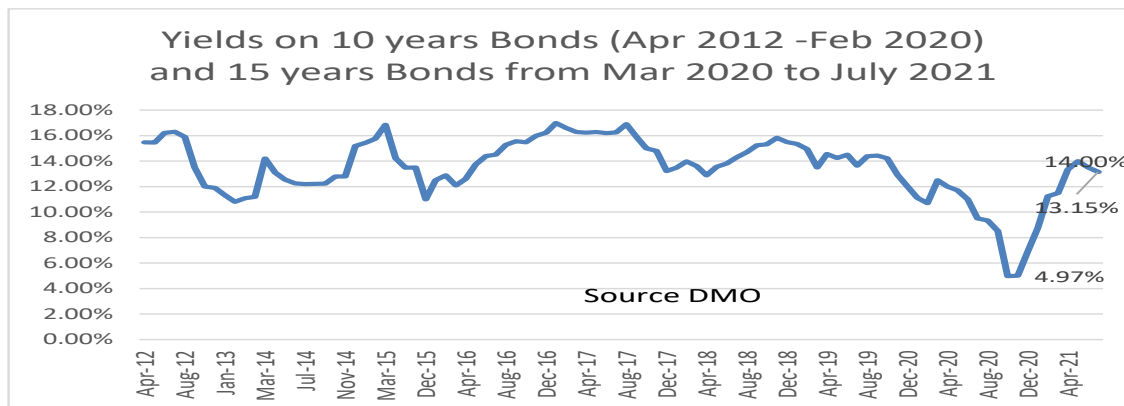
- FSDH Funding (FSDH Merchant Bank Limited) N7.05 billion 5 years 8.5% Subordinated Unsecured Bond due 2026.
- FSDH Funding N4.95 billion 5 years 8.0% Fixed Rate Senior Unsecured Bond due 2026.
- NSP-SPV PowerCorp Plc N6.325 billion 10 years 12% Senior Unsecured Fixed Rate Green Bond due 2031.
- Mecure Industries Funding SPV N3 billion 5 years 13% Senior Secured Fixed Rate Bond due 2026.
- MTN Plc N110 billion 7 years 13% Senior Unsecured Fixed Rate Bond due 2028.

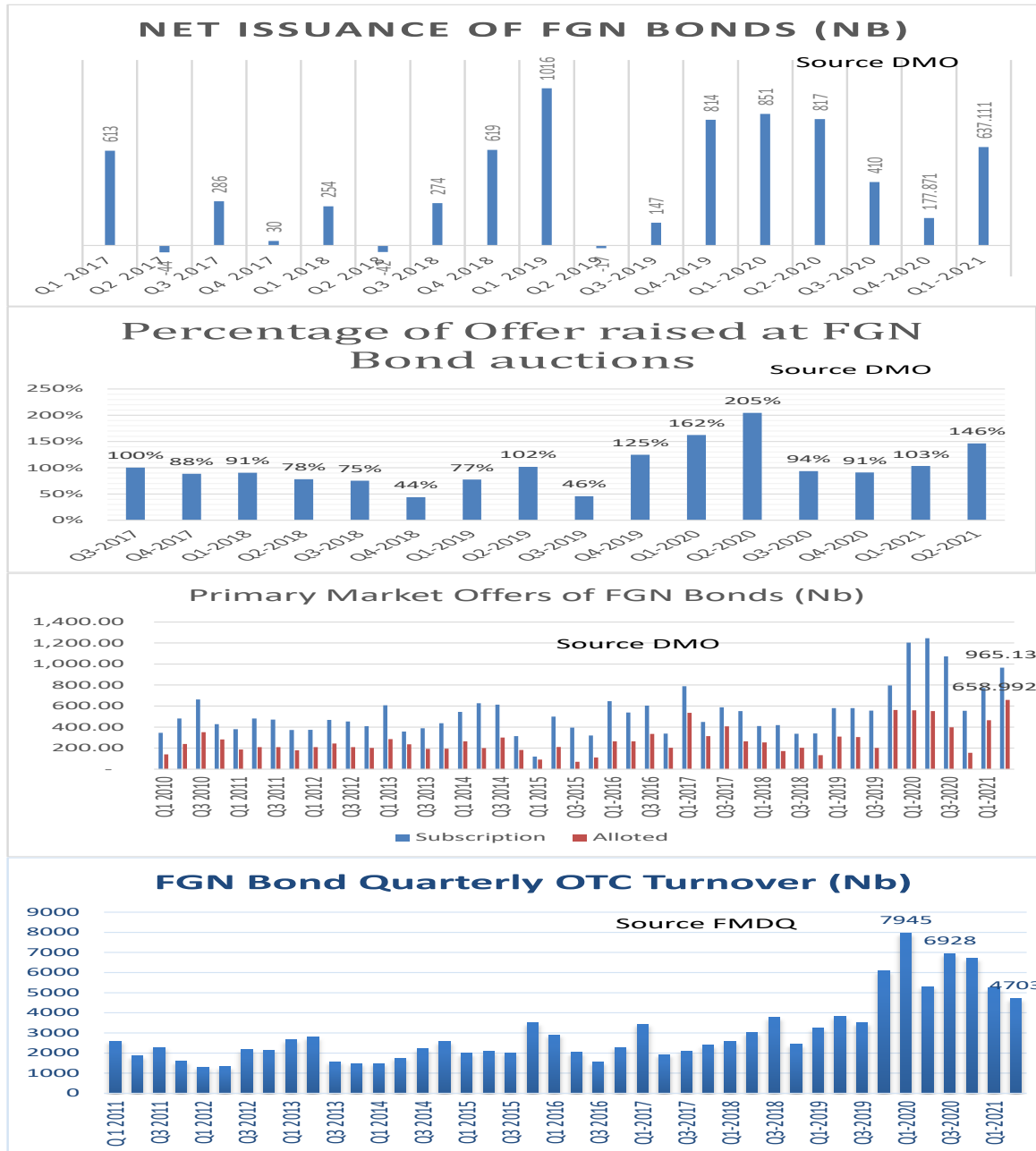
- Coronation Merchant Bank (Coronation MB Funding SPV Plc) N25 billion 4 years 6.25% Fixed Rate Subordinated Unsecured Bond due 2025.
- Dangote Cement N3.643 billion 3 years 11.25% Senior Unsecured Fixed Rate Bond due 2024.
- Dangote Cement N10.449 billion 5 years 12.5% Senior Unsecured Fixed Rate Bond due 2026.
- Dangote Cement N35.908 billion 7 years 13.5% Senior Unsecured Fixed Rate Bond due 2028.
- C&I Leasing Plc N10 billion 7 years 15.5% Senior Secured Bond due 2028.

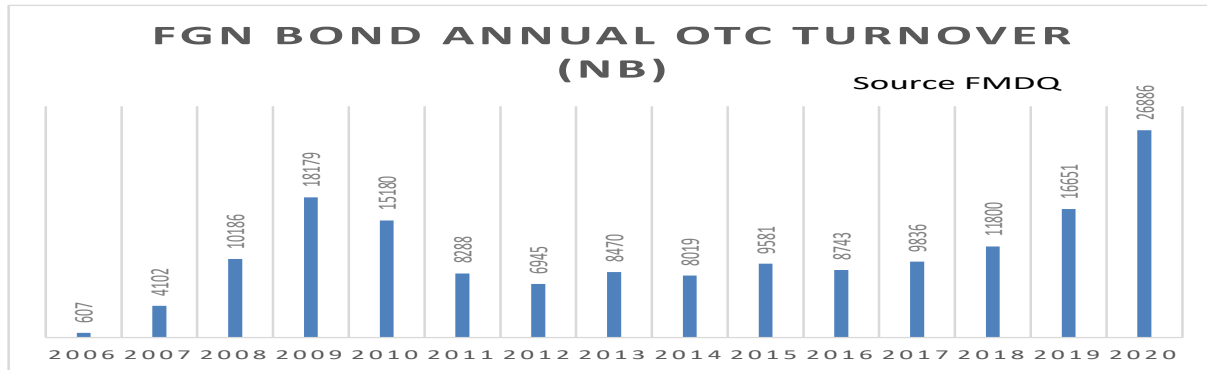
The NSP-SPV Powercorp and MTN issues were substantially oversubscribed at 158% and 132% respectively.

The primary market for subnational bonds remained dormant during the period except for the early redemption notice to bondholders of Lagos State N47 billion 16.5% Fixed Rate Bond due December 2023. Lagos State Government redeemed the stock on 30<sup>th</sup> June 2021, two and half years before maturity.

There was only one major external bond by local corporates during the period. Ecobank Transnational Incorporated USD350 million 10 years 8.75% Tier 2 Sustainable Notes due 2031 was concluded in June 2021. The Eurobond issue which is non-callable for 5 years was oversubscribed with order book of USD1.3 billion.







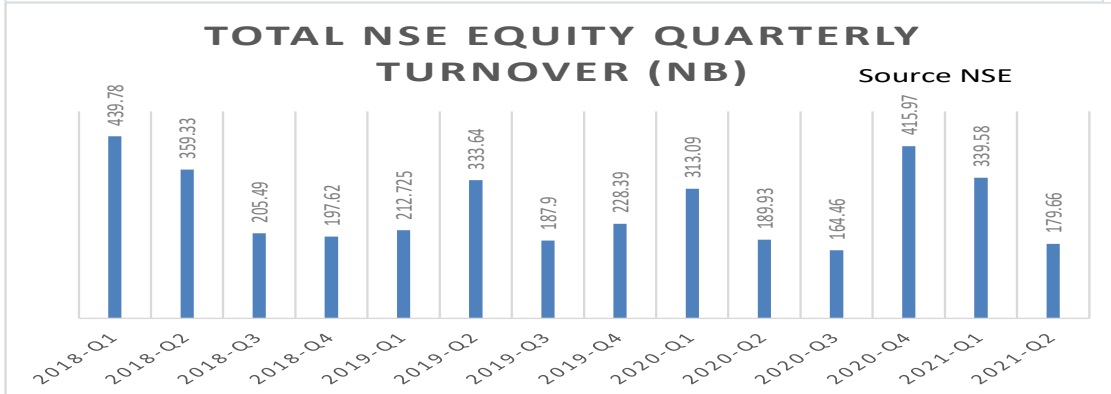
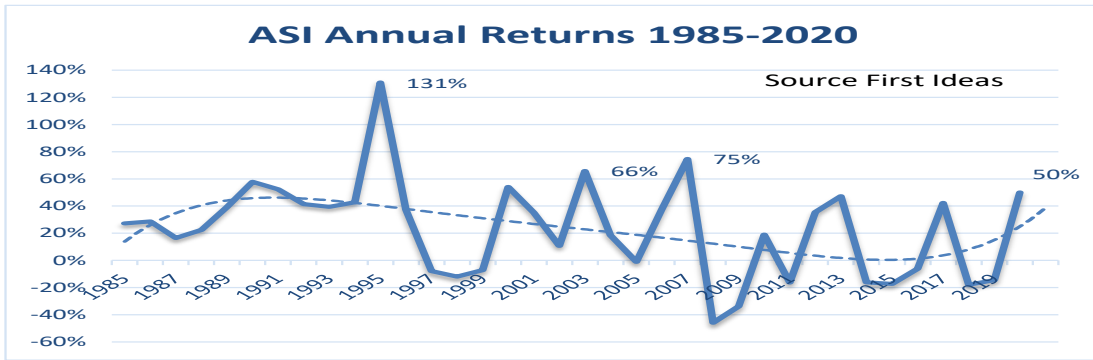
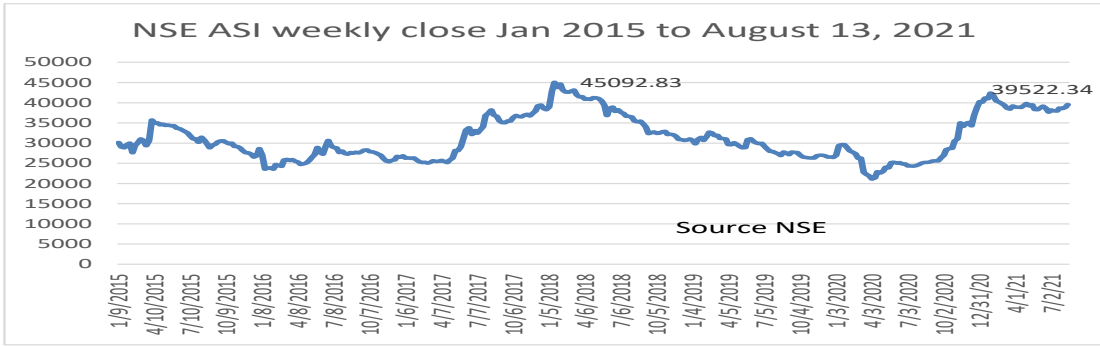
## THE EQUITY MARKET

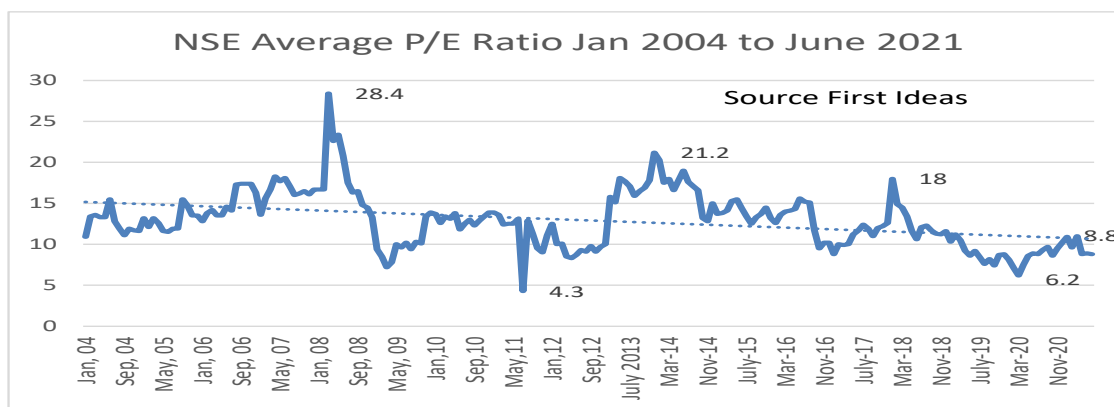
Activities in the equities primary market remained tepid in the second quarter with only one completed issue of N4.4 billion by a Mortgage Bank. The combined issues of NPF Microfinance Bank Plc comprise N3.4 billion Rights Issue of ordinary shares and N1 billion public offer for subscription both priced at N1.5/share representing 14% discount on the quoted price of N1.75/share on 24<sup>th</sup> June 2021 being the issues opening date. The combined issues which represent 53% of enlarged capital were fully subscribed. Activities in the last quarter is expected to be driven by the demands of increased regulatory capital in the financial sector.

Other developments in the first quarter include:

- Listing of the Nigerian Exchange Group (NGX Group) on the NASD Over the Counter Market on 14<sup>th</sup> April 2021. NGX was listed at N25/share representing valuation of N49 billion but closed at N25.59/share on the date of listing. NGX Group is expected to migrate to the NSE (NGX) in Q4 2021.
- Announcement of 52% subscription of E-Transact Plc N7 billion Rights Issue of ordinary shares.

- Adoption by Seplat Energy Plc of quarterly dividend policy commencing with dividend of 2.5 cents/share for Q1 2021. This made Seplat the first quoted company on the NGX to pay quarterly dividends.
- SEC approval of the proposed mandatory takeover offer by Custodian Investment Plc (Custodian) to minority shareholders of UPDC Plc of 90 kobo per share representing 18% premium on the quoted price of 76 kobo. The mandatory offer is for 34,415,332 shares of UPDC representing 3.02% of minority shareholding and 0.2% of total shareholding. Custodian acquired 51% shareholding from UACN Plc in 2020. The Takeover was concluded early in the third quarter.
- Announcement of renewal of Dangote Cement Plc Share Buyback program on 27<sup>th</sup> May 2021.
- CBN intervention of 29<sup>th</sup> May 2021 in FBN Holdings Plc and replacement of boards of Holding Company and Bank.
- Publication of notice of Annual General Meeting of UACN Plc to approve amendments to the articles to include provisions for acquisition of own shares (Share Buyback).
- Neimeth International Pharmaceuticals Plc board approval of proposed N5 billion capital raising comprising N3.679 billion Rights Issue of ordinary shares at N1.55/share and N1.32 billion private placement of ordinary shares at N2.1/share. The combined issues represent 60% of enlarged capital.
- Announcement of divestment of South African retailer, Retail Supermarkets Nigeria Limited, of Shoprite stores in Nigeria to Ketron Investments Ltd, a company owned by a group of Nigerian investors led by Persinos Investments Limited and Mr. Tayo Amusan. Shoprite is the largest retail supermarket chain in Nigeria with 25 outlets in 8 states including Abuja FCT. The terms of the sale include continuing right to use the Shoprite brand name and administrative and technical support for 5 years. Disclosed payment terms include 70% upfront payment and balance in four equal installments over 30 months (two and half years).
- Announcement of decision of Capital Hotels Plc board of 15<sup>th</sup> June 2021 to accept offer from 11 Plc (former Mobil Oil Plc) to acquire 51% controlling shareholding in the company subject to shareholders and regulatory approvals. The proposed terms include price of N7/share and sale of half of the shareholding of the core shareholder, Han's Gremlin Nigeria Limited on the same terms. The offer price represents 191% premium on the company's pre-offer price of N2.4/share.
- Announcement of planned acquisition by Presco Plc of an undisclosed oil palm company.
- Conclusion of the reorganization of Guaranty Bank Plc with the listing of the holding company on the NGX on 24<sup>th</sup> June 2021.
- Major secondary market acquisitions by foreign majority shareholders in domestic quoted companies include acquisition of 1,657,041 ordinary shares of Nestle Nigeria Plc by Nestle SA valued at N2.3 billion. This followed acquisition of shares valued at N4.8 billion in Q1 2021.





## NSE ALL SHARE INDEX QUARTERLY PERFORMANCE

Date	Q1 2020	Q2 2020	Q3 2020	Q4 2020	31.12.20 Year	Q1 2021	Q2 2021	30.6.21 H1
ASI	21,300.47	24,479.22	26,831.76	40,270.72	40,270.72	39,799.89	37,907.28	37,907.28
Growth	-20.6%	+14.92%	+9.61%	+50.09%	+50.03%	-1.17%	-4.76%	-5.87%

*Average Dividend Yield as at 30/6/21 (First Ideas Index): 4.4%*

*Average P/E Ratio (weighted) as at 30/6/21: 41.18*

*2021 Prospective P/E Ratio (First Ideas Index un-weighted) as at 30/6/21: 8.8*

*Market Capitalization (Equity) as at 30/6/21: N19.767 trillion (USD48.04 billion)*

*Equities Daily Average Turnover in Q2 2021: N3.05 billion (USD7.41 million)*

Currency Exchange rate (I&E) as at 30/6/21: N411.5/USD.

Trading days Q2 2021: 59

The bear market on the Nigerian Stock Market continued in the second quarter with the NGX All Share Index (ASI) declining by -4.76% and bringing aggregate decline in the first half of 2021 to -5.87%. H1 2021 performance of the ASI compares unfavorably with the positive growth of +6.5% in the Morgan Stanley Emerging Market Index (MSCI) and +11.5% in the South African JSE-AS Index in local currency. The mediocre performance on the NSE has been attributed to persisting negative investors sentiments driven by poor perception of government monetary and fiscal policies, weak economic fundamentals, reported forex repatriation difficulties and negative medium term economic and political outlook.



Foreign portfolio equity inflows on the NSE decreased by 25% from N60 billion in Q1 2021 to N45 billion in Q2 2021. Domestic Retail and Institutional equity inflows on the NSE also declined by 60% and 46% respectively. The decline in institutional inflows has been partly attributed to the recovering yields on fixed income securities and increasing supply. Total Equity Turnover on the NGX declined by 47% from N340 billion in Q1 2021 to N180 billion in Q2 2021. Average Turnover/day declined by 44% from N5.4 billion/day in Q1 2021 to N3.1 billion/day in Q2 2021.

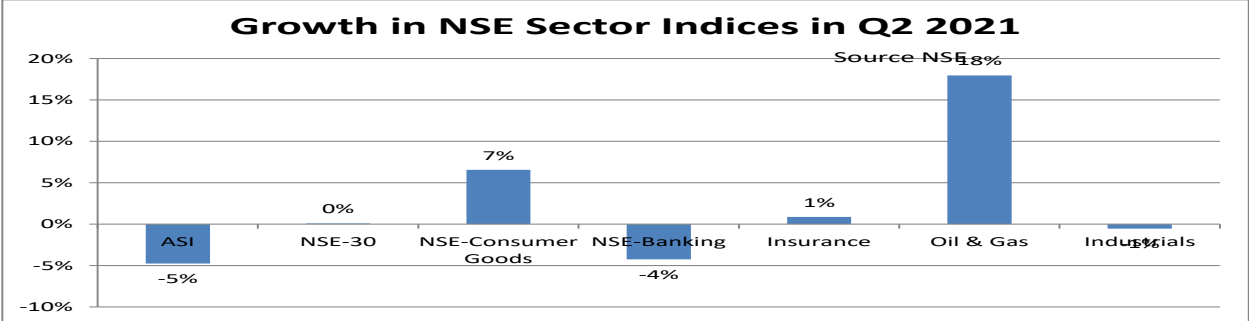
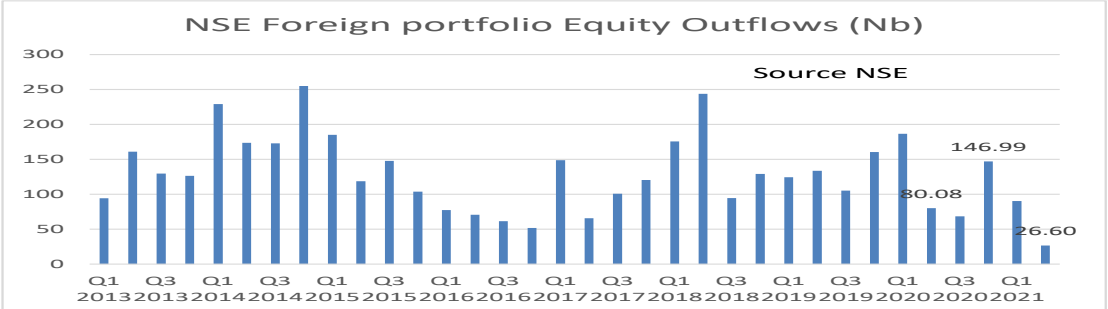
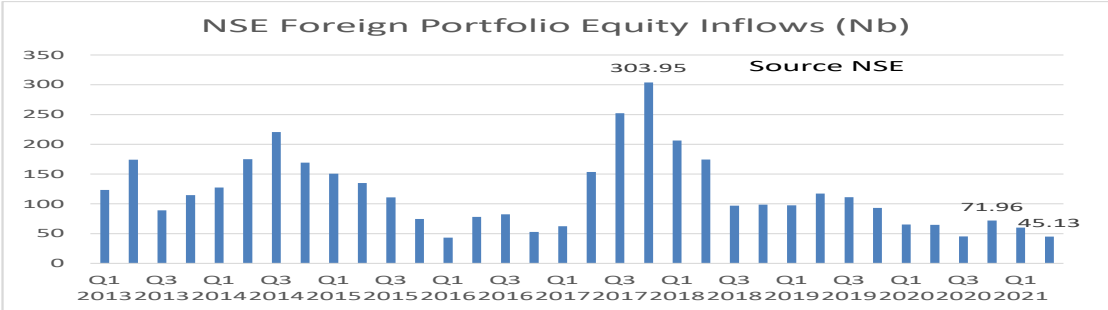
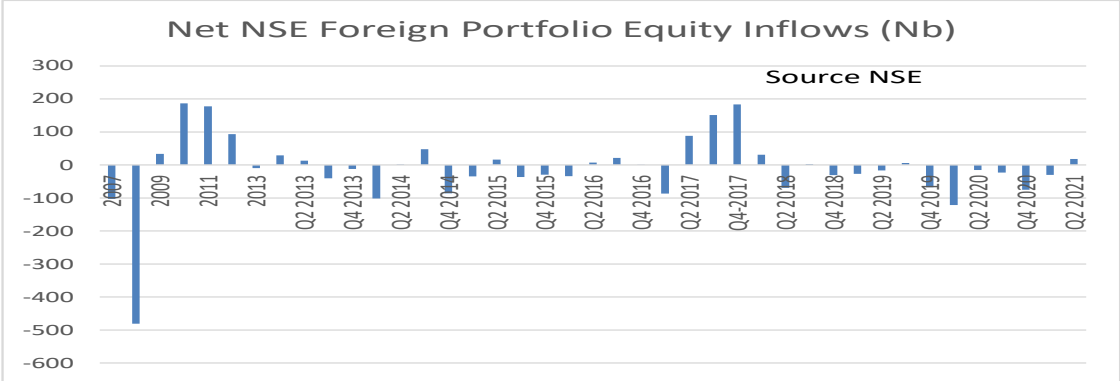
The bear market has persisted despite recovery in international crude oil prices, Nigeria's recovery from recession in Q1 2021 and positive H1 2021 performance of major corporates and banks. Average H1 2021 corporate earnings growth based on our First Ideas Index was +27%.

The performance of the NGX Sector Indices in Q2 2021 was largely in line with Q1 2021 with strong performance in the Oil & Gas, Consumer Goods and Insurance sectors and negative growth in Banking and Industrials sectors. H1 2021 growth in the key NGX Sector Indices are set out below:

Oil & Gas	+38%
Insurance	+8%
Consumer Goods	+5%
Banking	-7%
Industrials	-8%

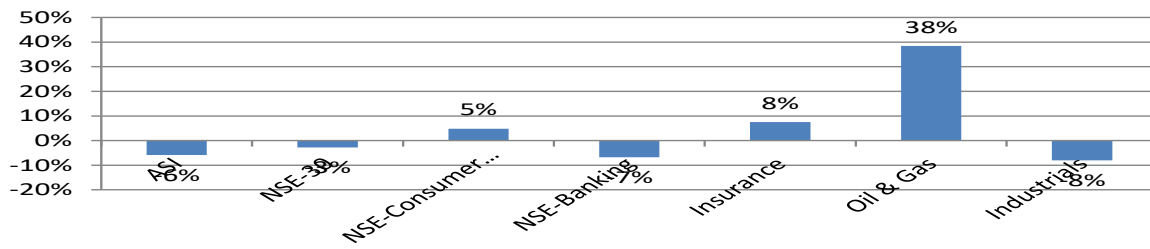
The leading sectors in our First Ideas Index in H1 2021 by price appreciation are Insurance, Breweries, Construction, Agriculture and Petroleum Marketing. The worst performance was in Telecommunications, Pharmaceuticals and Banking with capital loss of -13%, -7% and -6% respectively.

We expect a slow recovery in Q4 2021 driven by improving forex liquidity, continuing recovery in crude oil prices and production and publication of improved Q3 2021 corporate earnings of major corporates and banks. We also expect the anticipated Share Buyback of Dangote Cement Plc towards year end to have a positive bounce on the market closing numbers.

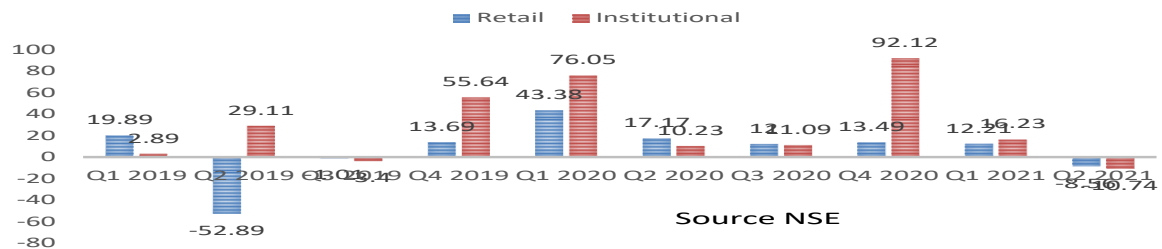


## Growth in NSE Sector Indices in H1 2021

Source NSE

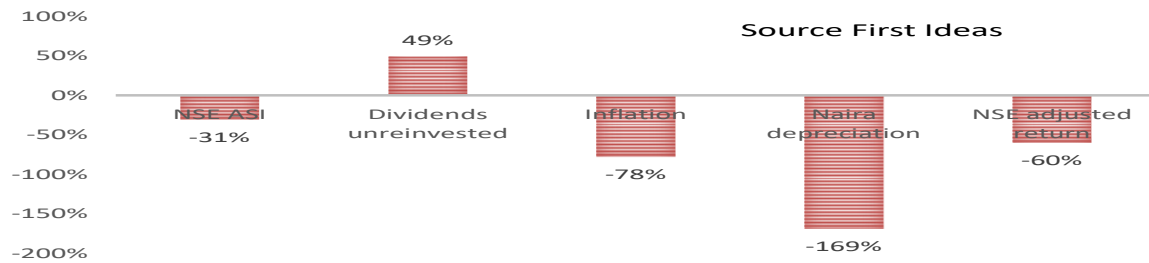


## NET QUARTERLY NSE DOMESTIC EQUITY INFLOWS (NB)



## ANALYSIS OF NSE INVESTMENT RETURNS 2008 TO 2020

Source First Ideas



<b>Average Prospective P/E Ratio by Sector</b>	
<b>30/6/21</b>	
<b>Sector</b>	<b>P/E</b>
Construction	2.8
Banking	4.3
Insurance	4.9
Agriculture	4.9
Petroleum Marketing	6.1
Pharmaceuticals	7.1
Food	13.2
Paint	14.4
Telecomm	14.7
Cement	15.6
Conglomerate	18.6
Breweries	20.7
<b>Average Dividend Yield by Sector</b>	
<b>30/6/21</b>	
<b>Sector</b>	<b>Yield</b>
Paint	7.9%
Banking	6.8%
Food	4.9%
Cement	4.9%
Pharmaceuticals	4.7%
Agriculture	4.5%
Telecomm	4.1%
Insurance	3.8%
Conglomerate	3.1%
Petroleum Marketing	2.9%
Construction	2.0%
Breweries	0.5%
<b>Profit Growth of select sectors</b>	
<b>Period ended 30/6/21</b>	
Agriculture	135%
Petroleum Marketing	97%
Telecom	49%
Breweries	37%
Cement	32%
Conglomerates	23%
Food	6%
Banking*	5%
Paint	-16%
Insurance	-31%
Pharmaceuticals	-39%
Note * Reports published as at 18/8/21	

## BANKING RATIOS AS AT 30TH JUNE 2021

S/N	BANK	Total Assets	Gross Earnings		PBT	PAT	Equity	COST/INCOME*	COR	CAR***	ROA (pre tax)	ROE (after tax)	MARKET-BOOK RATIO**	NPL***	Securities/Risk Assets
		30/6/21	6 months	6 months	6 months	30/6/21								Times	
		N mil	N mil	N mil	N mil	N il		%	%	%	%	%		%	%
<i>Tier 1 Banks (Total assets above N4 trillion)</i>															
1	Zenith Bank Plc	8,515,471	345,559	117,059	106,026	1,142,367	55%	1.3%	19.0%	2.7%	19%	0.7	4.5%	41%	
2	GTBank Plc	5,017,282	207,914	93,056	78,415	780,212	51%	0.6%	23.1%	3.7%	20%	1.0	6.6%	43%	
3	Access Bank Plc	10,054,850	450,621	97,496	86,100	764,426	60%	1.5%	16.3%	1.9%	23%	0.4	2.6%	34%	
4	First Bank of Nigeria Plc	8,023,579	291,200	38,045	37,682	762,637	68%	1.9%	15.7%	1.1%	10%	0.4	7.2%	36%	
5	UBA	8,315,310	316,036	76,186	57,767	721,183	62%	0.3%	21.9%	1.8%	16%	0.4	2.5%	52%	
<i>Tier 2 Banks (Total assets between N1 trillion and N4 trillion)</i>															
6	Stanbic IBTC bank Plc	2,427,364	93,592	24,707	21,268	338,430	70%	0.0%	17.1%	2.0%	13%	1.6	3.2%	44%	
7	Fidelity	3,110,835	112,304	20,628	19,306	273,372	74%	0.3%	18.8%	1.3%	14%	0.2	2.8%	21%	
8	Union	2,211,061	76,305	11,594	9,835	251,438	78%	0.0%	16.1%	1.0%	8%	0.6	4.3%	33%	
9	FCMB Plc	2,242,506	94,228	8,911	7,528	234,061	81%	0.8%	15.8%	0.8%	6%	0.3	3.3%	27%	
10	Sterling Bank Plc	1,464,473	68,609	6,061	5,691	129,540	78%	1.1%	18.0%	0.8%	9%	0.3	1.8%	25%	
Average (Industry)							68%	0.8%	18%	2%	14%	0.6	4%	36%	
Average Tier 1 banks							59%	1.1%	19%	2%	17%	0.6	5%	41%	
Average Tier 2 banks							76%	0.4%	17%	1%	10%	0.6	3%	30%	
Note															
* Income adjusted to exclude non-recurring and exceptional income															
** Market price as at 31/8/21															
*** CAR for FCMB and Sterling as at 31/12/20. NPL for FCMB as at 31/12/20															
NA: Not available															
COR: Cost of Risk															
NPL: Non Performing Loan ratio															
Ranking by Net Asset Value															

RANKING OF SECTORS BY CAPITAL APPRECIATION				
Half Year ended	Quarter ended			
30/6/21	31/3/21		Sector	Capital Appreciation
	1	3	Insurance	29%
	2	1	Breweries	16%
	3	2	Construction	14%
	4	9	Agriculture	13%
	5	7	Petroleum Marketing	12%
	6	5	Conglomerates	11%
	7	4	Paint	5%
	8	10	Food/Beverages	5%
	9	11	Cement	-5%
	10	12	Banking	-6%
	11	8	Pharmaceuticals	-7%
	12	6	Telecomm	-13%

Structure of Commercial Banks Deposits (N millions)										
	3/31/2018	6/30/2018	9/30/18	12/31/2018	3/31/2019	6/30/19	9/30/19	12/31/19	Percentage	Growth Q4 2019
Private Sector and States demand deposits	6,585,747	6,210,238	6,318,277	6,724,353	6,434,455	6,439,537	6,466,061	6,964,259	28%	8%
Private Sector/States Time and Savings	8,824,386	9,293,989	9,547,554	11,046,541	11,266,837	11,450,878	11,067,780	12,185,722	48%	10%
Federal Govt Naira deposits	95,577	126,275	82,509	86,409	97,688	113,631	130,811	122,332	0%	-6%
FX/Domiciliary accounts	4,566,060	4,818,905	5,048,023	5,574,730	5,912,494	6,320,363	6,151,318	5,911,673	23%	-4%
Total Deposits	20,071,770	20,449,407	20,996,364	23,432,032	23,711,474	24,324,408	23,815,971	25,183,986	100%	6%

Structure of Pension Fund Investments (N millions)														
	6/30/2020	9/30/2020**	12/31/2020	3/31/2021	6/30/2021	Percentage	Growth Q2 2021	Prudential Max Limits	New Limits (Mn-Max)					
									Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Fund 6
Domestic ordinary shares	524,766	585,770	858,465	841,798	843,197	7%	0%	25%	17.5%-30%	7.5%-25%	5%-10%	0%-5%	0%-5%	0%-25%
Foreign ordinary shares	70,851	76,460	92,919	97,005	105,191	1%	8%							
Private Equity/Infrastructure	88,808	89,030	99,666	100,814	100,597	1%	0%	5%	2.5%-10%	2.5%-5%	0.00%	0.00%	2.5%-10%	0%-20%
Open/Closed Funds	24,199	22,920	76,359	62,092	31,967	0%	-49%	20%	0%-25%*	0%-20%*	0%-10%	0%-5%		0%-20%
Govt Securities	7,608,597	7,703,200	8,267,272	8,615,736	8,572,888	68%	0%	80%	0%-70%	0%-85%	0%-100%	0%-100%	0%-75%	0%-85%
Corporate Bonds/Supra-National	750,917	671,790	837,781	620,572	950,984	8%	53%	35%	0%-35%	0%-40%	0%-45%	0%-45%	0%-35%	0%-40%
Money Market instruments	1,630,130	2,026,630	1,706,158	1,684,049	1,736,972	14%	3%	35%	0%-30%	0%-30%	0%-35%	0%-35%	0%-60%	0%-30%
Real Estate/REIT	234,142	229,780	244,736	241,866	241,255	2%	0%	5%	0%-10%*	0%-5%*				
Others/cash	153,384	162,210	122,797	76,008	74,123	1%	-2%							
Total	11,085,794	11,567,790	12,306,153	12,339,960	12,657,174	100%	3%							

Note: \* Minimum for private equity includes open/closed end funds and Real estate.  
\*\*56% of RSA Funds in Fund 2 and 33% in Fund 3