AVA RESEARCH

AVA Research 2024 HY Economic Report

Reviewing the Nigerian Economy and Financial Markets

July 17, 2024

Outline

Macroeconomic Dashboard

Nigeria's Macroeconomic Dashboard

All Share Index	Inflation Rate	Monetary Policy Rate
99,936.23 YTD: ↑31.14%	34.19% YTD: ↑18.3%	26.25% YTD: ↑40%

GDP Growth Rate	Exchange Rate (Official)	Exchange Rate (Parallel)
2.98% YTD: ↓13.87%	₦1,470.69 YTD: ↑64.28%	₦1,521.63 YTD: ↑25.37%

Market Capitalization	Oil Production	FX Reserves
₦56.18tn YTD: ↑35.1%	1.25mbd YTD: ↓12.59%	$33.58bn YTD: ↑1.76%

Review of the Global Economy

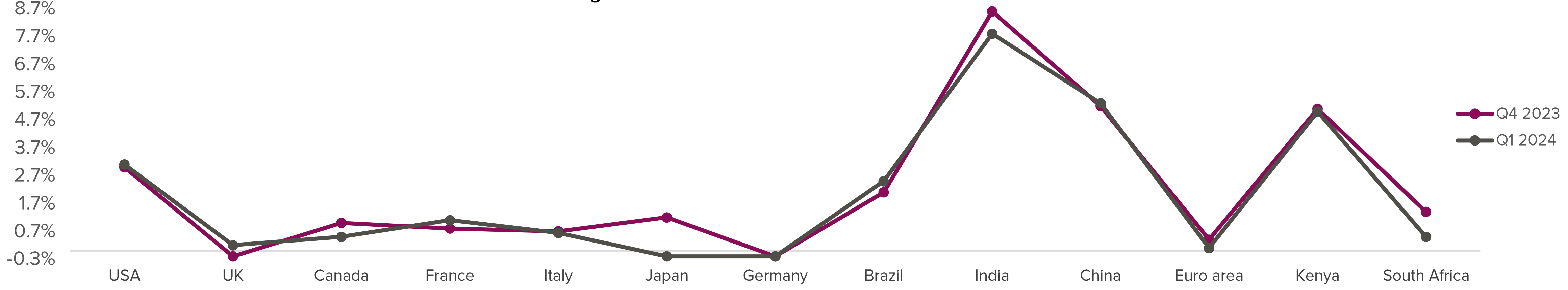
Q1 2024 Global GDP show signs of rebound amid geopolitical and economic pressures

- Q1 2024 in the global economy, presented a nuanced picture, marked by a resurgence in certain developed economies juxtaposed with recessionary trends in others, notably evidenced by the -0.2% year-on-year GDP decline in Germany. Notwithstanding, amidst pronounced geopolitical tensions in the Middle East, which resonated globally, particularly in disrupting supply chains and international trade dynamics, the resilience of the global economy persisted. This resilience was underscored by a trajectory of steady growth, on the back of a moderation in inflationary pressures from its mid 2022 peak and a semblance of unified hawkish monetary policy stance.

- The United States recorded a downturn in economic performance as high interest rates, reduced pandemic-era savings, and slower income growth contributed to this loss of momentum as reported by the ***Bureau of Economic Analysis***. Overall, year-on-year GDP growth stood at 2.9% in Q1 2024 from 3.1% in the previous quarter. Likewise, China's GDP growth rate slowed to 4.7% in Q2 2024 as policymakers seek to boost domestic demand amid a protracted property downturn.

- In Q1 2024, the GDP growth rates among G7 nations showed varied performance as the UK led with a 0.7% increase, driven by a rebound from previous contractions. The US experienced a slower real GDP growth of 0.3%, while France and Germany both saw 0.2% growth. Japan reported a 0.5% increase, and Italy's GDP grew by 0.4%. Canada experienced a modest growth rate of 0.1%. This varied performance reflects different domestic economic conditions and external influences affecting each nation.

Figure 1: GDP Growth across nations of the world



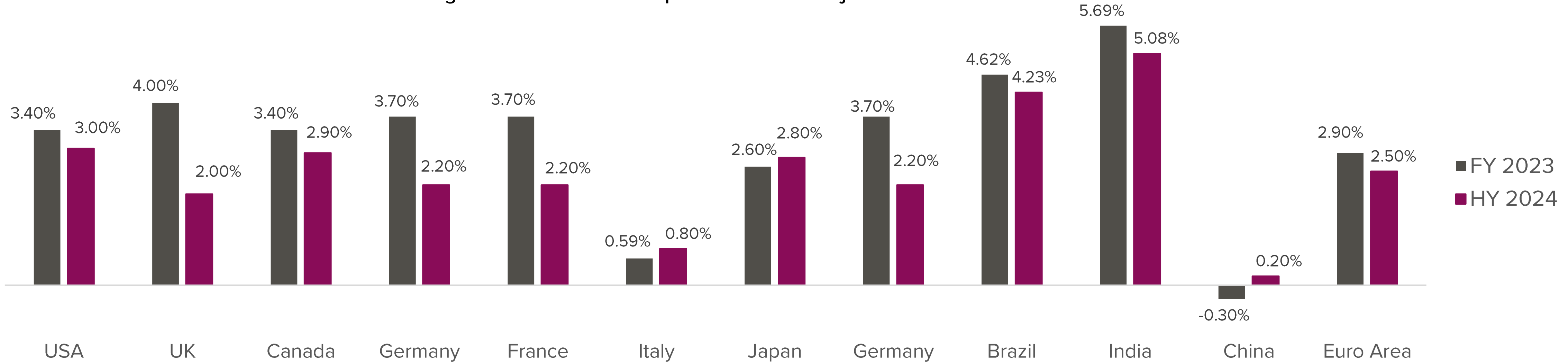
**All GDP data for 2024 as Q1*

Source: Trading Economics, IMF, Statista, World Bank, AVA Research

Varying Inflation rates reflect Global Economic Conditions

- In the first half of 2024, global inflation rates varied widely due to differing macroeconomic factors and policy responses. Developed economies like the USA, UK, and Canada experienced moderate inflation rates. The USA reported a 3.0% inflation rate by June, indicating controlled but persistent inflation pressures. The UK's inflation rate settled at 2.0% in May, supported by strategic fiscal policies, while Canada recorded 2.7% in June, driven by energy prices and domestic economic activities.
- In the Eurozone, inflation rates showed some divergence among member states but remained relatively stable overall. Germany and France both reported 2.2% inflation rates by June, underpinned by balanced fiscal measures and economic recovery efforts. Italy's lower inflation rate of 0.9% reflected slower economic growth and subdued consumer demand. The overall Euro Area inflation rate was 2.6% in May, signalling a mixed yet stable economic environment across the region.
- Emerging markets such as India and Brazil faced higher inflation rates due to unique economic challenges. India experienced a 5.1% inflation rate in June, primarily driven by elevated food and fuel prices. Brazil's rate was 4.2% in June, reflecting economic pressures and external market dynamics. These figures underscore the diverse economic landscapes and varying impacts of global and localized factors on inflation rates in the first half of 2024, highlighting the complexity of managing inflation across different regions.

Figure 2: Inflation rate depressed across major Countries in 2023

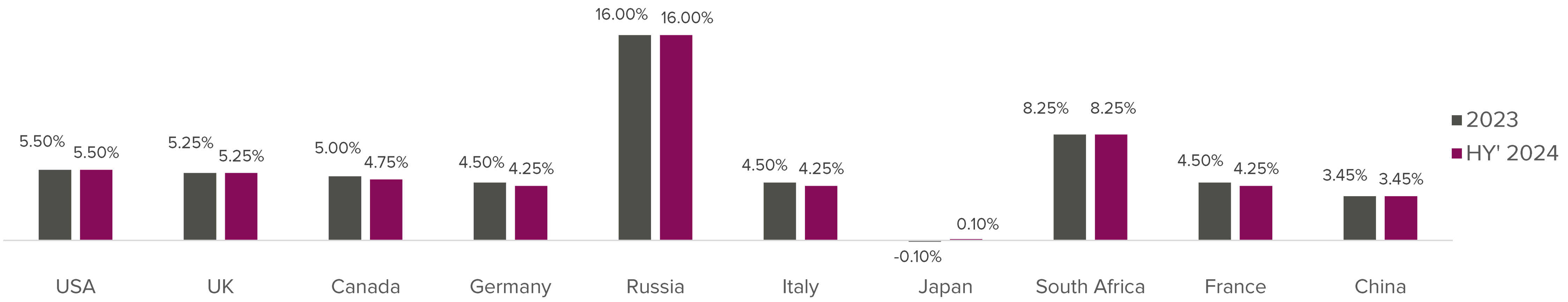


Source: *Trading economics, Statista, IMF, AVA Research*

Global Central banks held a cautious approach to interest rates

- Central banks across major economies, and some G20 countries maintained their interest rates at the same levels as they were in December 2023. this decision reflects a cautious and measured approach to balancing economic growth, inflation control, and financial stability amidst ongoing global economic uncertainties.The global economy witnessed a common strategy in H1'2024, which saw monetary authorities maintain steady rates so as to prioritize economic stability and gradual recovery. The decision to hold rates reflects concerns over potential inflationary pressures, geopolitical uncertainties, and varying degrees of economic recovery across their respective regions.
- The US Federal reserve kept the interest rates at 5.50% in its last meeting which held in June, as they hold optimism that inflation is moving towards their target of 2%. Economic indicators showed stable consumer spending and moderate unemployment rate, justifying the static rate. Similarly, the Bank of England maintained its interest rates but remains attentive to inflationary pressures and is prepared to adjust its policy as necessary.
- The People's Bank of China (PBoC) took a similar position by keeping its rate unchanged same as the close of 2023, focusing on domestic demand stimulation and external economic pressures. In addition, the Bank of Japan (BoJ) unanimously kept its interest rates at 0.1% in its June meeting after ending its negative rates in March.

Figure 3: Major Monetary authorities globally, took a steady approach on interest rates, to maintaining stability



Source: Trading Economics, IMF, AVA Research

Review of Nigeria’s Economy

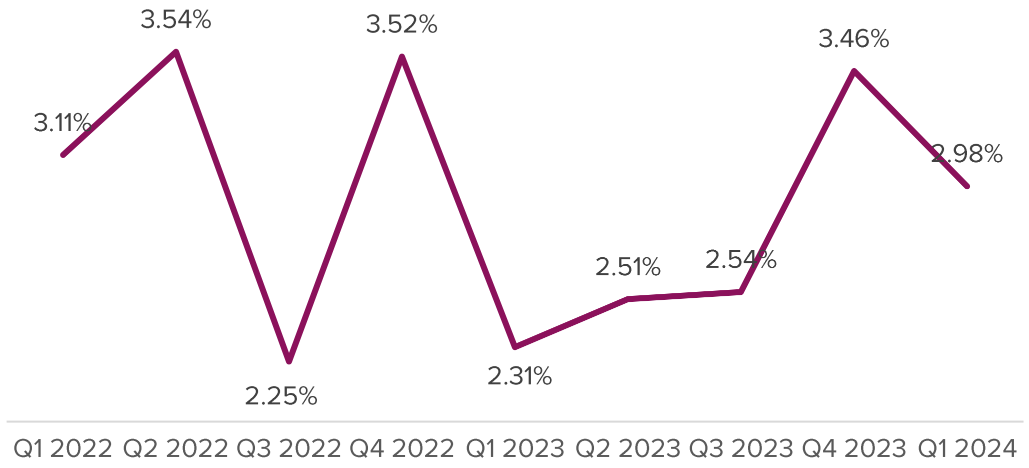


Figure 4: Nigeria's real GDP growth fell in Q1 2024

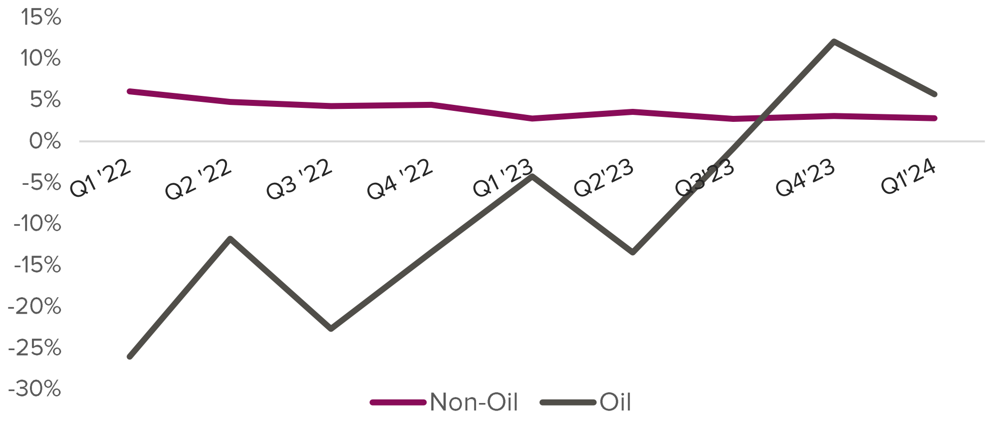


Figure 5: Nigeria's Oil sector looks set for a leap into positive growth

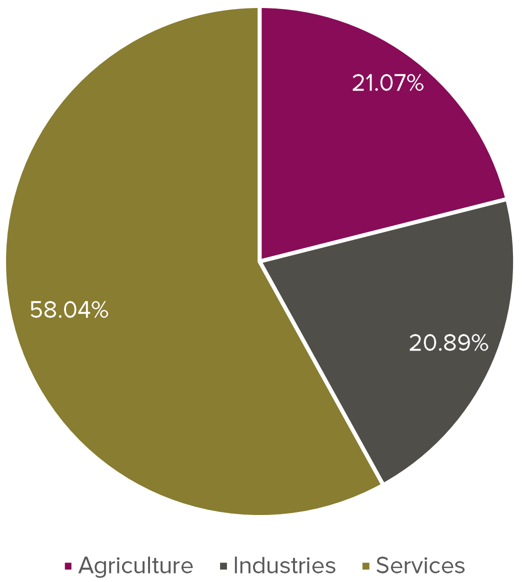


Figure 6: Sectors contributing to GDP in Q1 2024

- Nigeria's economy grew at a slower pace in the first quarter of 2024, recording a growth rate of 2.98%, compared to 2.31% in Q1 2023 and 3.46% in Q4 2023. According to the National Bureau of Statistics (NBS), Nigeria's aggregate GDP reached ₦58.86 trillion in Q1 2024, up from ₦51.24 trillion in Q1 2023, marking a year-on-year nominal growth of 14.86%.
- The real GDP growth for Q1 2024 was primarily driven by the services sector, which grew by 4.32% and accounted for 58.04% of the total GDP. In contrast, the agriculture and industry sectors contributed 25.18% and 18.65%, respectively.
- Following the recapitalization directive issued by the Central Bank of Nigeria on March 28, 2024, aimed at strengthening the financial stability of commercial banks and positioning them as pivotal players in driving economic growth across all sectors, there are high expectations for a significant boost in Nigeria's GDP. This initiative is part of the current administration's broader strategy to achieve a $1 trillion economy by 2030, emphasizing the critical role of a robust banking sector in fostering sustainable economic development.

Source: NBS, AVA Research

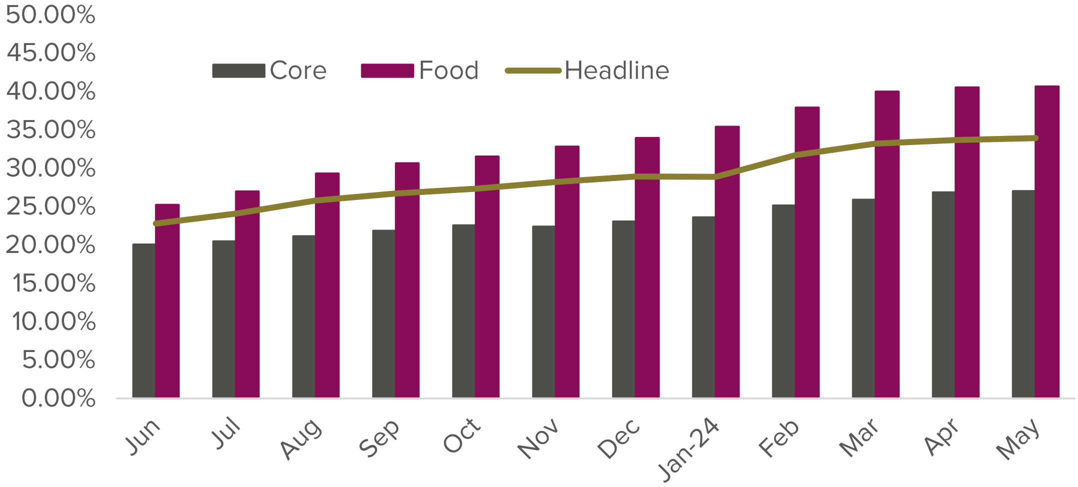


Figure 7: Nigeria inflation continues on the upside despite contractionary policy

- In the first half of 2024, Nigeria experienced significant inflation increases. Food inflation rose from 35.41% in January to 40.87% in June, driven by higher prices for grains, tubers, and cooking oil. Core inflation also increased, reaching 27.40% in June from 23.59% in January, due to supply chain disruptions, high transport costs, and the removal of fuel subsidies.
- The year began with a headline inflation rate of 28.90%, reflecting previous economic pressures from subsidy removals and currency depreciation. Inflation steadily increased, surpassing 30% in February. Despite the Central Bank's restrictive monetary policies and elevated rates, inflation continued to climb, though at a slower pace. Overall, Nigeria's inflation rate in the first half of 2024 was driven by rising food and energy prices, exchange rate volatility, and broader economic challenges.

Figure 8: Average inflation rate in 2024 soars to a multi-decade year high

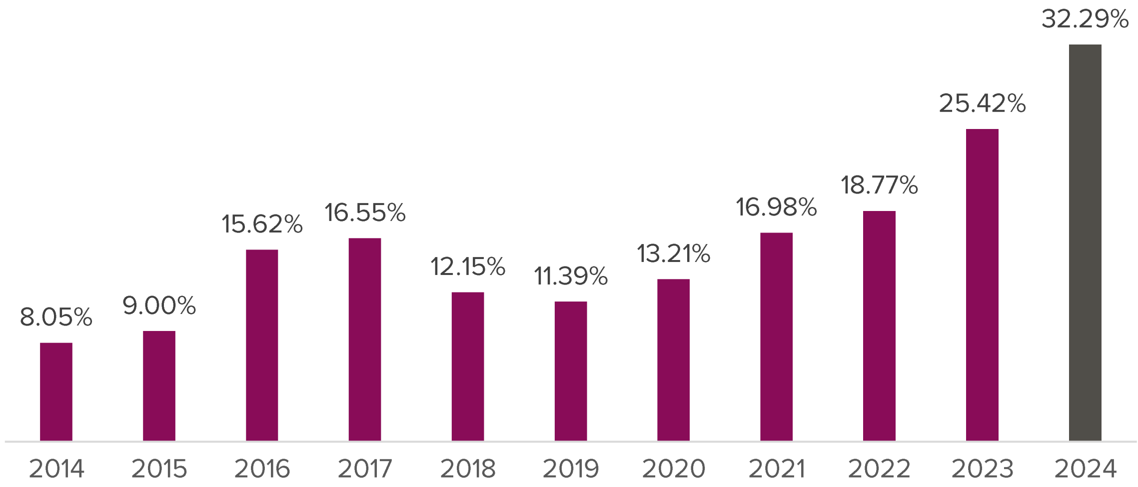


Figure 9: Key Drivers and Contributors to Nigeria's Inflation Rate

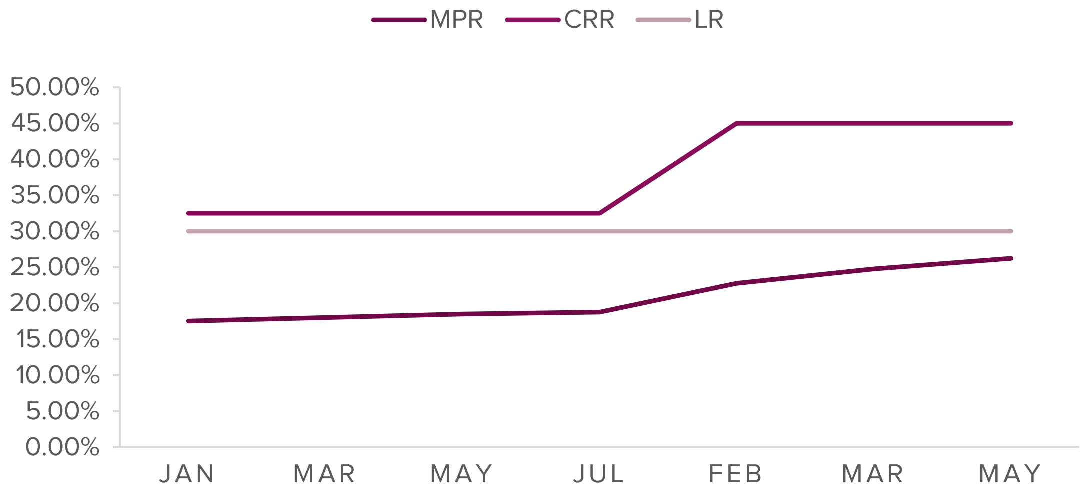
Key Drivers of Inflation
Food Prices
Fuel Subsidy Removal
Higher Transport Costs
Supply Chain Disruptions
Currency Depreciation

Top 5 Contributors to Inflation YoY	
Food & Non-Alcoholic Beverages	17.59%
Housing, Water, Electricity, Gas & other Fuel	5.68%
Clothing & Footwear	2.60%
Transport	2.21%
Furnishing, Household Equipment & Maintenance	1.71%

Source: CBN, AVA Research

Tight Monetary Policies in 2024

Figure 10: The MPC continued hawkish, albeit cautiously.



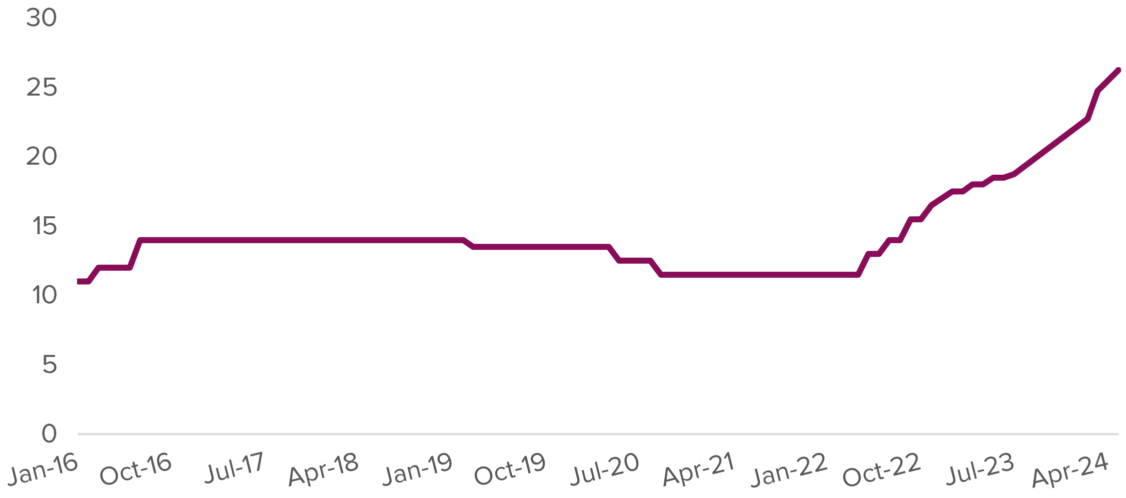


Figure 11: The MPR reached 26.25%, a new record high

Figure 12: Results from the Monetary Policy Committee meetings in 2024

Month	Rate Increase	Previous Rate	New Interest Rate
February	400bps	18.75%	22.75%
March	200bps	22.75%	24.75%
May	150bps	24.75%	26.25%

- In the first half of 2024, the Central Bank of Nigeria's Monetary Policy Committee (MPC) held three meetings, raising the Monetary Policy Rate (MPR) by a total of 750 basis points. In February, the MPR was increased by 400 basis points from 18.5% to 22.75% to address high inflation. Subsequent meetings in March and May saw further increases of 200 basis points and 150 basis points, bringing the MPR to 26.25%.
- Despite these efforts to control inflation, the strategy had minimal impact on the rising cost of goods and services. The continuous increase in MPR has made borrowing more expensive for business owners, potentially slowing down economic growth.

Source: CBN, AVA Research

Sharp Depreciation of Naira

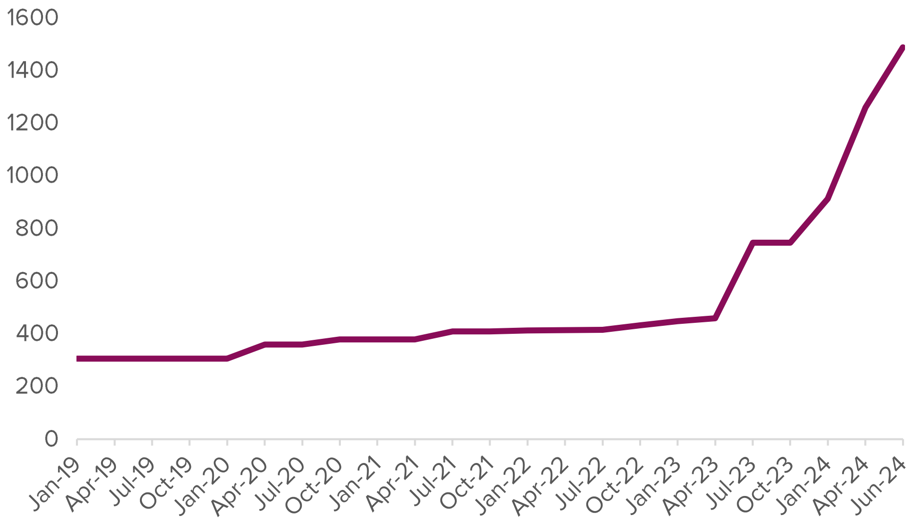


Figure 13: The ₦/$ exchange rate rose as the naira continued to depreciate.

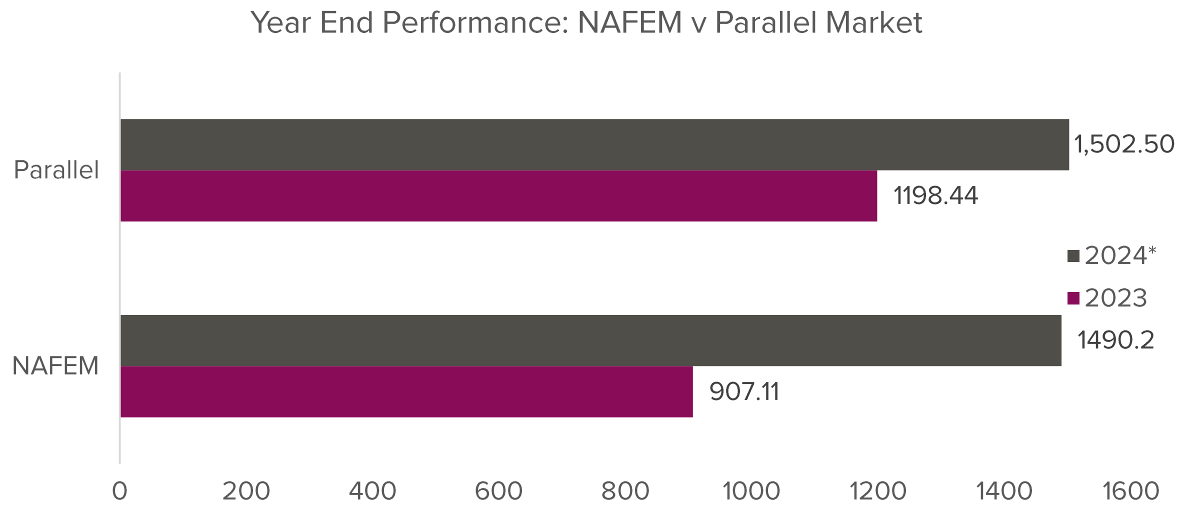


Figure 14: In 2024, the naira experienced unprecedented depreciation.

- In 2024, the NGN/USD exchange rate experienced notable volatility. It began the year at ₦913.94 per dollar on the official Investor and Exporter Window, rising from ₦899.39 per dollar at the close of 2023. Over the course of the year, the naira weakened significantly, ending at ₦1488.96 per dollar by June.
- Despite multiple efforts by the Central Bank of Nigeria (CBN) to stabilize the currency, the naira fell to a record low of ₦1,488.96 per dollar by the end of the first half of 2024, marking a 62.92% decline from the start of the year. A major contributor to this decline was the low foreign direct investment (FDI), which amounted to only US$183.97 million and accounted for 16.9% of the total capital inflows in the fourth quarter of 2023.

- The Central Bank of Nigeria (CBN) implemented several measures to stabilize the currency and reduce arbitrage in early 2024. In January, it directed banks to sell excess foreign exchange, enforced Net Open Position limits, and introduced new rules for BDCs and IMTOs. In February, the CBN adjusted the cap on the remunerable Standing Deposit Facility, and by March, it cleared all FX backlogs. It also sold dollars to BDCs as part of its efforts.
- Despite the Central Bank of Nigeria's policy interventions, the parallel market premium remained significant throughout the year, shrinking from around 32% in 2023 to 0.01% in 2024. This narrowing was mainly due to a sharp depreciation of the naira in the official market. Limited dollar availability through NAFEM, along with weak oil revenues and other financial inflows, contributed to the persistent premium.

Source: CBN, AVA Research

Decline in External Reserves

Figure 15: Nigeria's reserves had a mixed trend in HY 2024

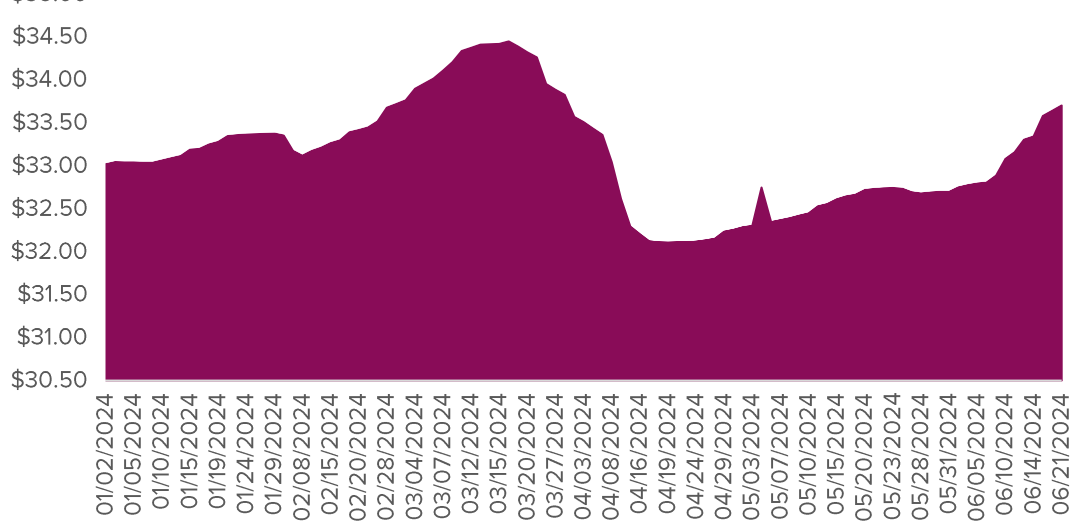
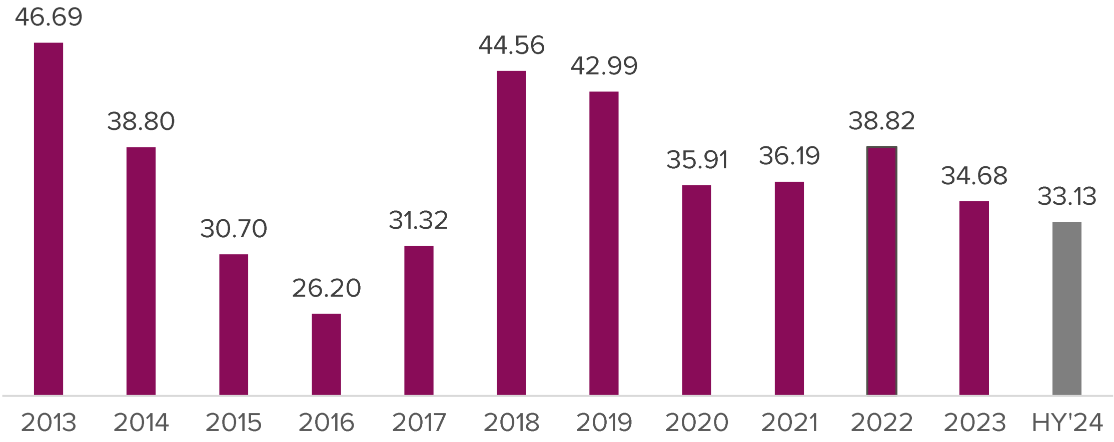


Figure 16: And the average external reserves ($' bn) reached a 5-year low

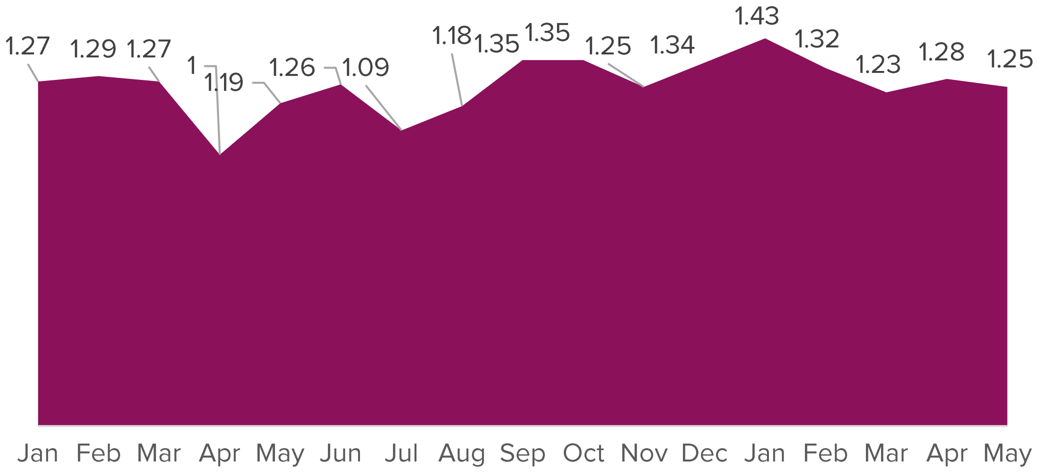


- Nigeria's foreign reserves showed volatility in the first half of 2024, characterized by an initial increase, a subsequent sharp decline, and a gradual recovery towards the end of June.
- The mixed trend reflects periods of both accumulation and depletion of reserves, mainly influenced by various economic factors such as changes in oil prices, increases in foreign portfolio activities, and government fiscal policies.
- The recovery towards the end of June further indicates some stabilization efforts by the CBN and an increase in MPR which attracted foreign portfolio investors in the short term and this helped boost the reserves.

- The external reserve position is funded largely by the federal government's share of crude oil export income, receipts of foreign loans or grants, and capital importation. Incidence of oil theft in 2023 plagued Nigeria's oil sector as the Federal Government estimated a loss in the region of N4.3 trillion worth of crude oil revenue in 2023.
- Meanwhile, local demand for the US dollar soared daily as individuals and corporations scrambled for the limited quantities of the greenback at the official rate from commercial banks. In HY '24, a further decline reflects the country's economic conditions and policy responses. The recent downward trend underscores the need for continued monitoring and possibly policy adjustments to stabilize and potentially increase the reserve levels in the future.

Source: CBN, AVA Research

Nigeria's Crude Oil Production dips



**Latest figures as at May 2024*

Figure 17: Crude oil production in Nigeria (mbpd) slipped during H1 2024

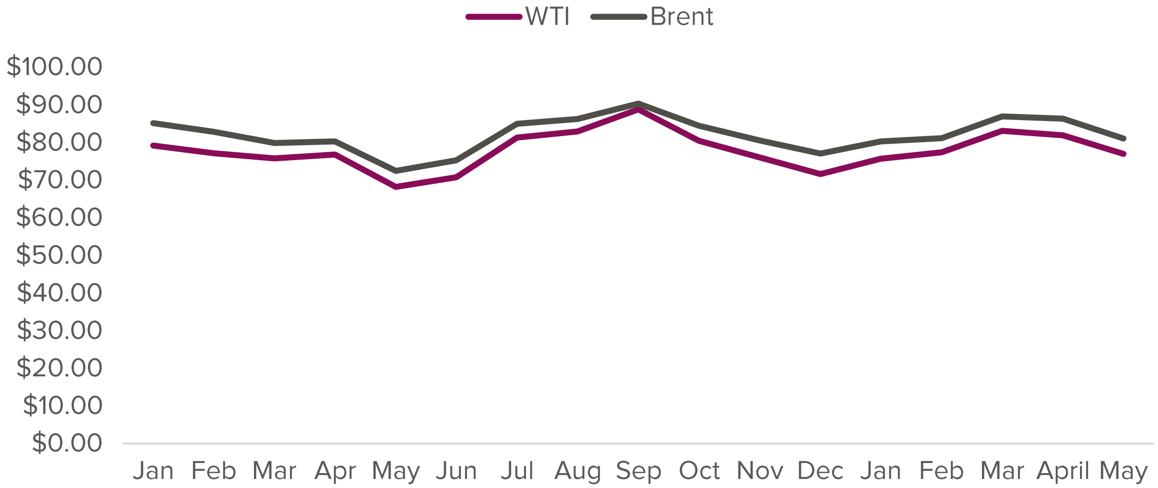


Figure 18: Global Crude oil prices slump in the closing months of H1 2024

- The crude oil production sector in Nigeria began the year on a positive note recording an uptick in output at 1.43mbpd in January against 1.34mbpd which closed the previous year. However, oil production backslid for two consecutive months, April observed an increase in output but fell quickly in May to revert to its bearish performance. As a result, the first half of the year concluded on a poor note at 1.25mbpd relative to 1.34mbpd in December 2023.
- The decline in the country's crude oil production can be attributed to the poor security infrastructure surrounding the nation's refineries which has further dampened the refineries' ability to meet OPEC+ quota. The current performance falls below the 1.5mbpd set by OPEC+ for Nigeria and the proposed amount of 1.78mbpd recorded In the country's 2024 budget.

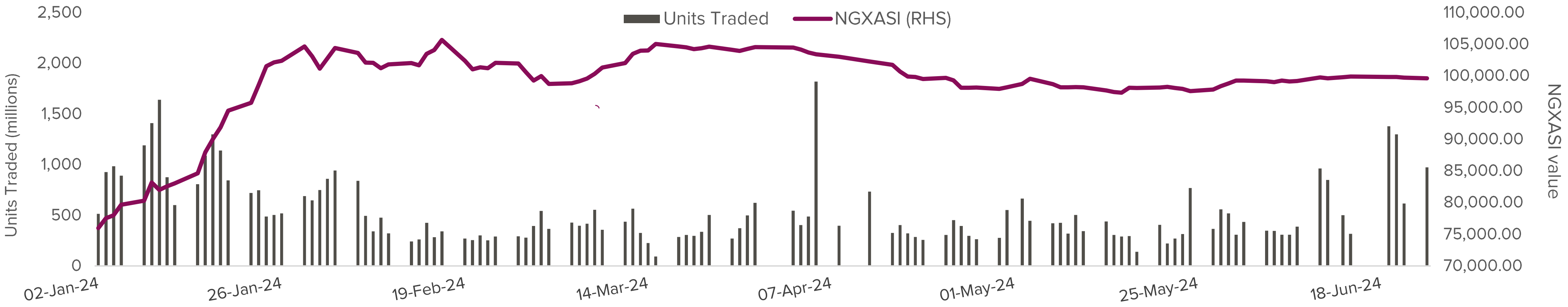
- The Global crude oil prices which include Brent and WTI crude oil both witnessed an upswing in prices at the beginning of the year due to escalating geopolitical tensions and supply constraints. The demand for crude oil ticked upward for the first quarter of 2024 possibly due to concerns surrounding a potential supply squeeze following supply cuts by OPEC+ and voluntary cuts from Saudi Arabia and Russia.
- Despite the three-month spike in oil prices, April, however witnessed a downturn in crude oil prices for both Brent and WTI crude oil which extended into the next month reversing gains recorded in the prior months. However, with the ongoing war between Israel and Hamas, Russia and Ukraine, expectations surrounding the global crude oil prices rebounding continue to strengthen.

Source: NUPRC, Trading Economics, AVA Research

Equity and Fixed Income Market Review

Mixed Performance in Nigerian Equity Market

Figure 19: NGX All Share Index stood at 99,656.38 points a 31.14% gain as of June 24 2024



- In the first half of 2024, the Nigerian equity market showed mixed performance. Initially, the NGX All-Share Index hit a record high of 101,571.11 points on January 24, but it declined to 90,000 points by April, maintaining this level due to attractive yields in the fixed-income market and economic challenges. Despite the volatility, the market is expected to close positively, driven by renewed investor confidence.

- Trading volumes varied throughout the months. In January, ₦651.52 billion was traded, with domestic trades at ₦598.41 billion and foreign trades at ₦53.11 billion. February saw a drop to ₦357.88 billion, with domestic trade at ₦292.07 billion and foreign trade at ₦65.81 billion. March volumes increased to ₦538.54 billion, April dropped to ₦346.23 billion, and May saw a slight rise to ₦355.38 billion.

- As of June 24, 2024, the NGX All-Share Index increased by 31.14% to 99,656.38 points, up from 75,990.88 at the year's start. Market capitalization grew by 35.1%, reaching ₦56.18 trillion from ₦41.58 trillion, a gain of ₦14.59 trillion.

Figure 20: Table highlighting the total volume of Domestic and Foreign trades

Month	Domestic Trades	Foreign Trades	Total Trades
January	₦598.41 bn	₦53.11 bn	₦651.52 bn
February	₦292.07 bn	₦65.81 bn	₦357.88 bn
March	₦444.28 bn	₦94.26 bn	₦538.54 bn
April	₦225.40 bn	₦120.83 bn	₦346.23 bn
May	₦231.10 bn	₦124.28 bn	₦355.38 bn

Source: NGX, AVA Research

Sectoral Overview

Figure 21: Performance of the Sectors and the broad Index

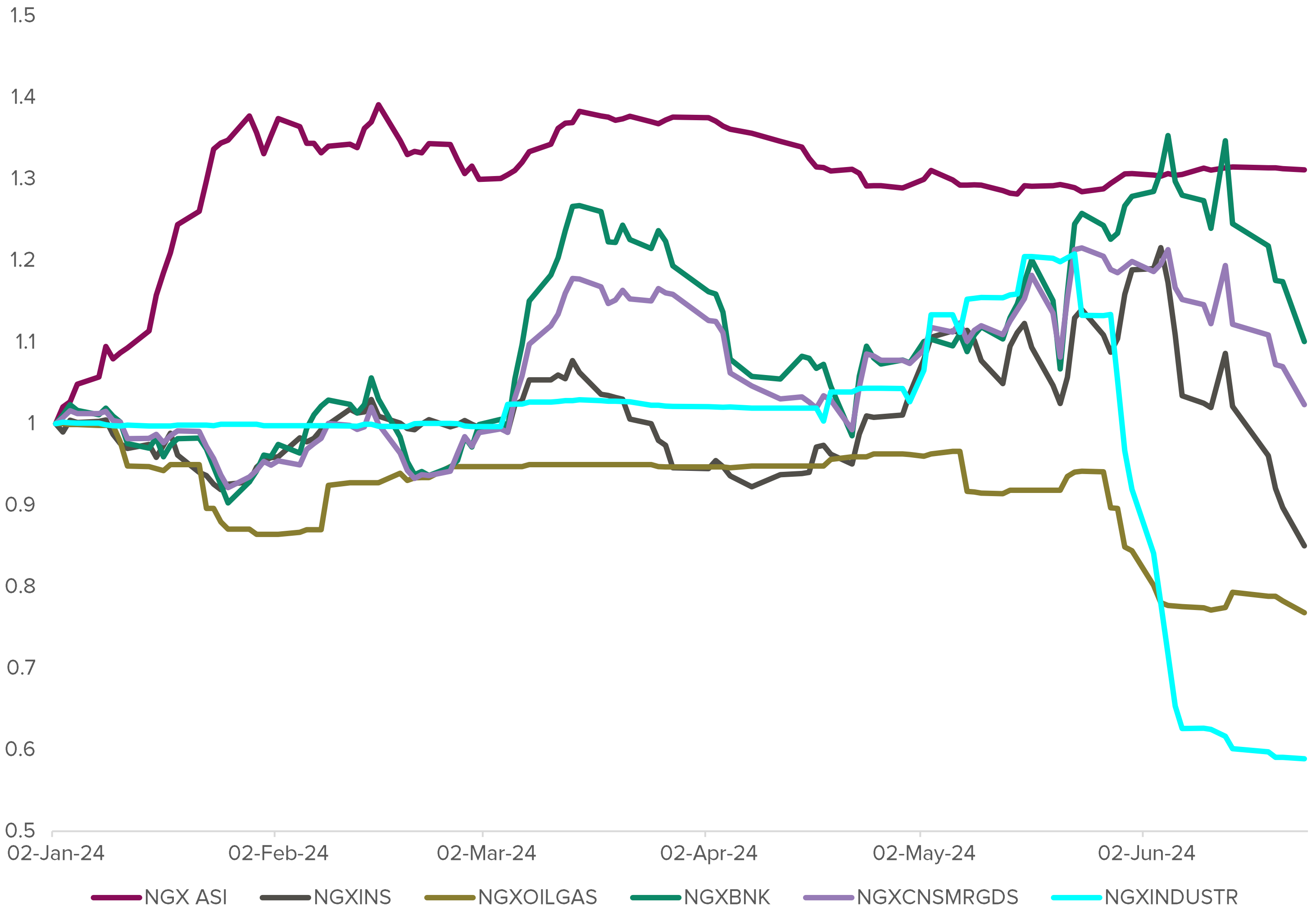


Figure 22: Performance of the Sectors in 2024

Sector	Jan 2	Jun 24	% Change
NGXASI	75,990.88	99,656.38	31.14%
NGXINS	381.92	324.68	14.99%
NGXBNK	812.35	894.20	10.08%
NGXOILGAS	1,362.80	1,046.84	23.18%
NGXCNSMRGDS	2,167.44	2,217.59	2.31%
NGXINDUSTR	4,703.56	2,770.42	41.10%

- The oil and gas index showed a downward trend, starting the year at 1,362.80 points and falling to 1,046.84 points by the close of the market on June 24. The Industrial sector and the insurance sector also ended negatively, closing at 2,770.42 points and 324.68 points respectively, down from their starting points of 4,703.56 points and 381.92 points.

- Conversely, the banking sector and the consumer goods experienced gains of 10.08% and 2.31% respectively. The banking sector began the year at 812.35 points, rising to 894.2 points by June 24, while the consumer goods sector increased from 2,167.44 points to 2,217.59 points over the same period.

Source: NGX, AVA Research

Price Trends Across The Market Breadth

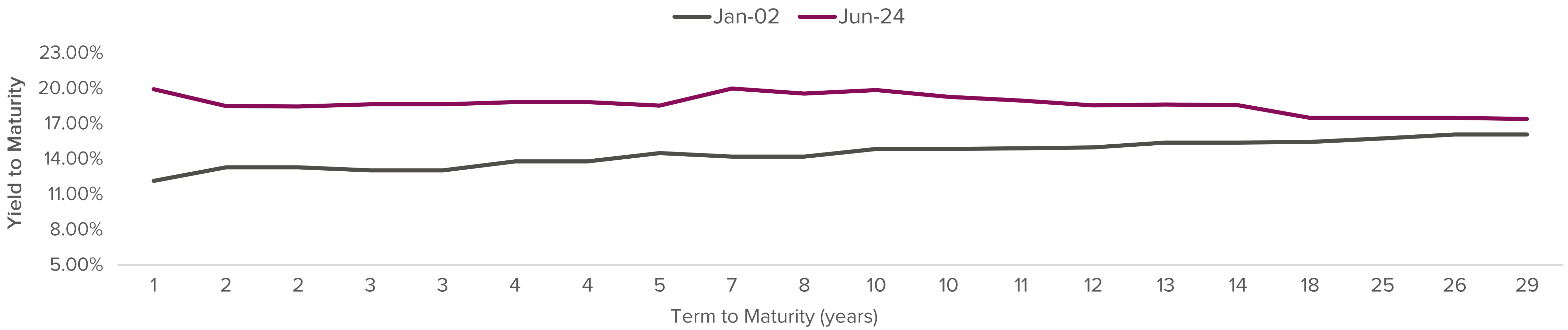
Figure 23: Top 20 Gainers

TICKER	29-Dec-2023 (₦)	24-Jun-2024 (₦)	YTD Change
JULI	0.59	9.49	1,508%
VERITASKAP	0.37	0.94	154%
GEREGU	399	1,000	151%
JBERGER	43	92.2	114%
DANGCEM	319.9	656.7	105%
BUAFOODS	193.4	379.9	96%
TRIPPLEG	2.15	4.13	92%
PRESCO	193	359	86%
CAP	20.85	36	73%
CUTIX	2.35	4	70%
TIP	1.15	1.83	59%
MORISON	2.8	4.45	59%
CORNERST	1.4	2.13	52%
SEPLAT	2,310	3,450	49%
MEYER	3.59	5.3	48%
BUACEMENT	97	143.2	48%
TRANSCOHOT	70.18	98.4	40%
TRANSCORP	8.66	12	39%
NEM	6.3	8.5	35%
UNIVINSURE	0.26	0.35	35%

Figure 24: Top 20 Losers

TICKER	29-Dec-2023 (₦)	24-Jun-2024 (₦)	YTD Change
VFDGROUP	202.9	44.6	-78%
CILEASING	5.6	2.94	-48%
DAARCOMM	0.9	0.52	-42%
MULTIVERSE	18.57	11.2	-40%
NASCON	53.75	36.8	-32%
CWG	8.3	5.75	-31%
CAVERTON	1.79	1.33	-26%
NSLTECH	0.74	0.55	-26%
STANBIC	69.65	52	-25%
ABCTRANS	0.81	0.62	-23%
DANGSUGAR	57	45.05	-21%
MECURE	12	9.57	-20%
SKYAVN	25.35	20.4	-20%
NB	36	29	-19%
ACCESSCORP	23.15	18.8	-19%
MTNN	264	214.8	-19%
VITAFOAM	22	18	-18%
PZ	26.7	22	-18%
NEIMETH	1.94	1.6	-18%
INTBREW	4.8	3.96	-18%

Source: NGX, AVA Research



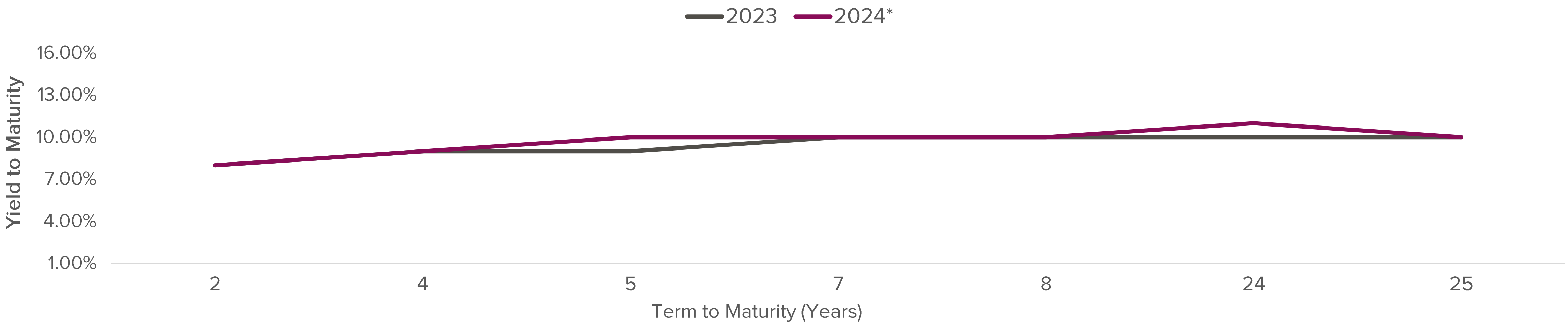
Yields from January 2 to June 24 2024

Figure 25: The FGN bond yield curve showed higher yields across tenors

- The Nigerian FGN bond market began the year with strong demand across the yield curve, driven by expectations of attractive returns. However, after the auction, the market witnessed a reversal of the bullish trend, with enthusiasm dwindling due to significant sales at the auction, where rates exceeded secondary market levels and tight system liquidity compelled investors to sell holdings for liquidity. Consequently, the market shifted to a bearish theme till the end of January. This bearish performance continued into February and March, driven by pessimistic investor sentiment and the enormous increase in the Monetary Policy Rate by the CBN.
- In the second quarter of H1, market sentiment was mixed across tenors. Yields rose throughout the first half of 2024, reflecting the government's efforts to tighten the economy. To facilitate this, the Debt Management Office (DMO), on behalf of the government, introduced five new bonds: the 2031 and 2034 bonds in February, the 2027 bond in March, the 2029 bond in April, and the 2031 and 2033 bonds in May. These bonds closed at yields of 18.50%, 19.00%, 19.94%, 19.30% and 19.89% respectively, on their auction days.

Source: FMDQ, DMO, AVA Research

Bears held sway in the FGN Eurobonds Market



Yields as of May 2024 compared to December 2023

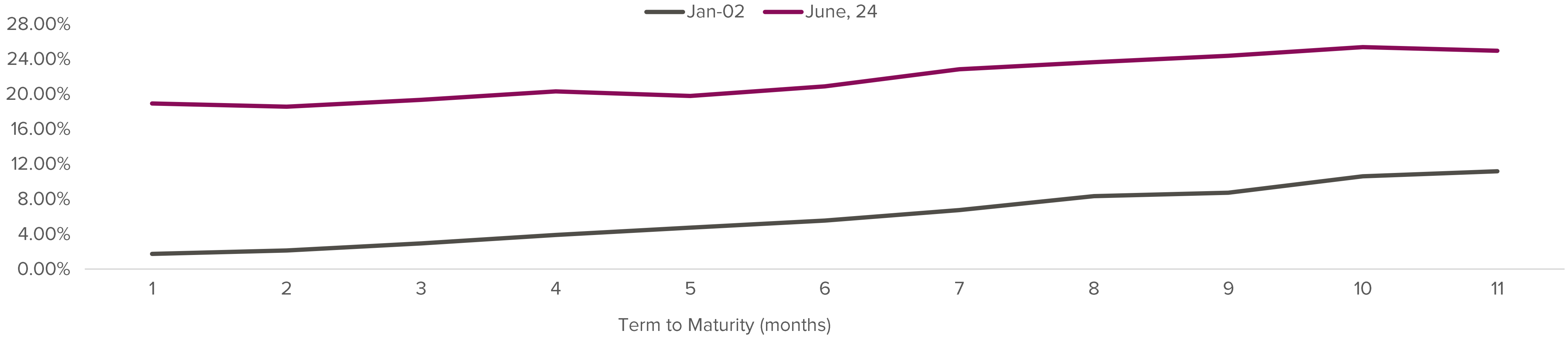
Figure 26: The FGN Eurobonds yield slightly ticked upwards buoyed by price losses

- In the first half of 2024, the FGN Eurobonds market experienced dynamic performance influenced by global economic trends, domestic policies, and cautious investor sentiment. The market started on a bearish note with rising yields but recorded gains in February and March. However, negative sentiment in April caused yields to rise again before slightly dropping in May.

- Overall, the market saw gains in three months and losses in two, but these gains were insufficient to offset earlier heavy losses. Consequently, the average FGN Eurobonds yield increased by 7 basis points, reaching 9.62% in May from 9.55% in December 2023. Significant sell-offs occurred in medium to long-term bonds, particularly the 2032 and 2047 issues. Volatility in yields and prices was driven by cautious investor behaviour, leading to the disposal of dollar-backed instruments and outweighing demand.

Source: FMDQ, DMO, AVA Research

The Nigerian Treasury Bill market



Yields as from Jan 2 to June 24, 2024

Figure 27: Treasury bill yields recovered towards the end of the year, evident in the normalization of the yield curve shape

- In the first half of the year, the Nigerian treasury bills market experienced significant fluctuations due to macroeconomic factors and monetary policy adjustments. The Central Bank of Nigeria's (CBN) tight monetary stance led to higher yields and lower prices. Despite this, investor demand remained strong, driven by the relative safety and attractive returns of treasury bills amidst economic uncertainties. Liquidity levels and foreign exchange rate movements further influenced market dynamics.
- The CBN conducted 14 treasury bill auctions from January to June, raising funds through 91-day, 182-day, and 364-day bills. All auctions were oversubscribed, particularly the 182-day and 364-day tenors, with stop rates fluctuating throughout the period. The stop rate for the one-year bill dropped from 21.50% in March to 20.50% in June, indicating strong demand. The average treasury bill yield increased to 21.73% by June 24, 2024, up from 17.63% at the end of Q1, driven by a decrease in prices.

Source: FMDQ, DMO, AVA Research

Outlook for H2 2024

AVA RESEARCH

Global Economy in H2 2024

Expectations of a slower Global GDP growth rate in H2 '24

- Economic activities across the globe is slated for a quiet upward trend in H2 2024 muted by likely headwinds, such as weak productivity, high borrowing costs and fresh geo-political tensions in the Middle East
- On the one hand, the rest of 2024 may perform better than the first and live up to the IMF's 2.8% GDP growth target. Otherwise, the unstimulating global environment may cause the IMF to downwardly revise its growth expectations for the year in its April 2024 World Economic Outlook report.

Stability to prevail across the interest rates of several banks

- In H2 2024, central banks around the world face an ever-changing economic environment due to mixed signals on inflation, growth and the ongoing geo-political war. As such, the outlook for global interest rate is one of a cautious stability. Central banks are likely to maintain their current rates in the short term, albeit, remaining vigilant to fluctuations in their inflationary environment. Any signs of the inflation rate scaling above their target levels could prompt a tightening of monetary policy.

Gradual Decline in Global Inflation Expected in H2 2024

In the second half of 2024, global inflation rates are expected to gradually decline, although regional differences will persist. The overall trend indicates a reduction in inflationary pressures, supported by easing supply chain disruptions, lower energy prices, and the continued impact of restrictive monetary policies implemented by central banks worldwide. While some regions will experience more pronounced declines due to specific economic policies and conditions, others may see more moderate reductions. Overall, the global inflation rate is anticipated to decline to around 5.4% by the end of the year, reflecting a cautiously optimistic outlook amidst varying economic landscapes.

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Nigeria's Economy in H2 2024 (1/2)

Nigeria's Gross Domestic Product

- Nigeria's economy has been projected to grow at the rate of 3.3% by the end of 2024 according to the International Monetary Fund (IMF). This was an upgrade of the forecast of 2.9% projected in 2023. The projections come on the back of CBN's hawkish monetary policy stance, fiscal policy efforts by the government and underlying productivity growth.
- The CBN's recapitalization policy issued to banks in Q1 2024 was adopted to boost the economy, ensure a more robust lending mechanism and strengthen the financial system which at the long run, will attract Foreign Direct Investments.

Anticipating gradual Inflationary Stabilization amid Reforms

- While the second half of 2024 holds promise for a gradual easing of inflationary pressures, much will depend on the effective implementation of monetary and fiscal policies, as well as external factors. The government's commitment to reforms and macroeconomic stabilization will be crucial in shaping a more stable economic environment.
- Analysts predict a gradual decline in inflation rates towards the end of 2024, assuming successful implementation of policy measures. However, inflation is expected to remain elevated compared to historical averages, with projections suggesting it could stabilize around 28-30% by December 2024

A hawkish monetary policy stance may persist during the year, albeit at a slow pace

- The MPC is poised to tighten interest rates further to address the continuous hike in headline inflation. A modest rise in interest rates is anticipated, which could potentially constrain growth in the short term. However, this measure is expected to promote price stability in the medium to long term.
- In an effort to stabilize inflation, the committee is expected to marginally increase the MPR to curb liquidity injections into the economy. The previous report indicated that gradually rising interest rates have helped slow down price increases for goods and services. Based on this assessment, we anticipate a cautious approach from the MPC in H2 2024.

Nigeria’s Economy in H2 2024 (2/2)

Nigeria’s external reserve position is expected to recover

- Closing HY 2024, Nigeria’s reserve averaged $33.13bn. Meanwhile, the International Monetary Fund (IMF) has forecast a decline in Nigeria’s external reserves to $24bn by the end of the year attributed to several factors including a lack of new Eurobond issuances, significant repayment totalling $3.5bn, and ongoing portfolio outflows.
- Despite a current account surplus, the drop in reserves has been influenced by decreased crude oil exports due to oil theft and insufficient investment in infrastructure. However, the IMF emphasizes the importance of Nigeria’s continued efforts to tighten monetary policies and enhance revenue mobilization. If these measures are successfully implemented, Nigeria’s reserves are expected to recover to $38bn by 2028 as portfolio inflows resume.

Naira Faces Depreciation Pressure in H2 2024 amid rising FX demand

- In the latter half of 2024, Nigeria's FX market is expected to face increased demand for foreign currencies, potentially depreciating the naira against the US dollar. This could raise import costs, impacting inflation and external debt management. Timely and significant dollar inflows from investments, exports, and remittances are critical for stabilizing the FX market and supporting economic stability.
- In summary, H2 2024 poses challenges for the naira with heightened foreign currency demand, highlighting the importance of substantial and prompt dollar inflows. Policymakers and investors should monitor developments closely and adopt proactive measures to manage currency risks effectively.

Nigeria’s crude oil production may rebound to an upward trajectory in H2

- With the quota from OPEC+ at 1.5mbpd and the forecasted crude oil production in the 2024 budget at 1.78mbpd, we expect the Nigerian government to take some bold steps in addressing the notable challenges faced by the oil sector. The oil sector has been a chief contributor to the country’s foreign earnings alongside the increase in its external reserves. The near-term solution to this deficit in outputs is to upgrade the security infrastructure around the functioning refineries, also monetary commitments be made to revitalise the existing refineries to bring them to near-perfect working conditions.
- With a conscious effort from the Nigerian government towards the oil sector, we expect the country’s crude oil production capacity to push upwards which will allow us to meet our quota and increase our earnings.

Nigerian Fixed Income Market in H2 2024

Yield Direction

- We expect that the yields in the fixed-income market will follow a trajectory of ongoing increase, mirroring the levels seen in H1 as we transition into H2. However, we project a deceleration in this upward movement as the influx of foreign portfolio investors into the market and the slowing of inflation rates ultimately lead to a moderation in yields.

Price Gains in the FGN Eurobond Market

- The Nigerian Eurobonds market faced a challenging first half of 2024 due to a complex interplay of domestic and global factors. However, we believe that enacting domestic policies geared towards improving the economic challenges will help bolster both investor and market confidence in the latter half of the year.

Eurobond Issuance

- We anticipate that the government will explore the possibility of issuing Eurobonds in the second half of the year largely influenced by global projections of lower yields in the market. This influx of funds is poised to strengthen our reserves, instil a degree of confidence for foreign investment and potentially foster optimism within the FX market.

Nigerian Equities Market in H2 2024

Positive Market Outlook for H2 2024

- The market outlook for the second half of 2024 anticipates significant primary market activities and strong company performance, with notable expectations for interim dividends. Additionally, the fixed income market is likely to stabilize due to decreasing inflation rates. Furthermore, we expect the country's currency to stabilize in the forex market, positively influencing the capital market by attracting foreign investors.

Recapitalization Initiatives to Boost Equity Market in H2 2024

- Due to the recapitalization initiatives undertaken by the CBN, the primary market for equities will take centre stage in H2 2024. Significant increases in capital-raising activities are expected, spurred by the recapitalization mandate for banks issued by the Central Bank of Nigeria.

Anticipated Primary Market Offerings in H2 2024

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