

RECOVERY FADES

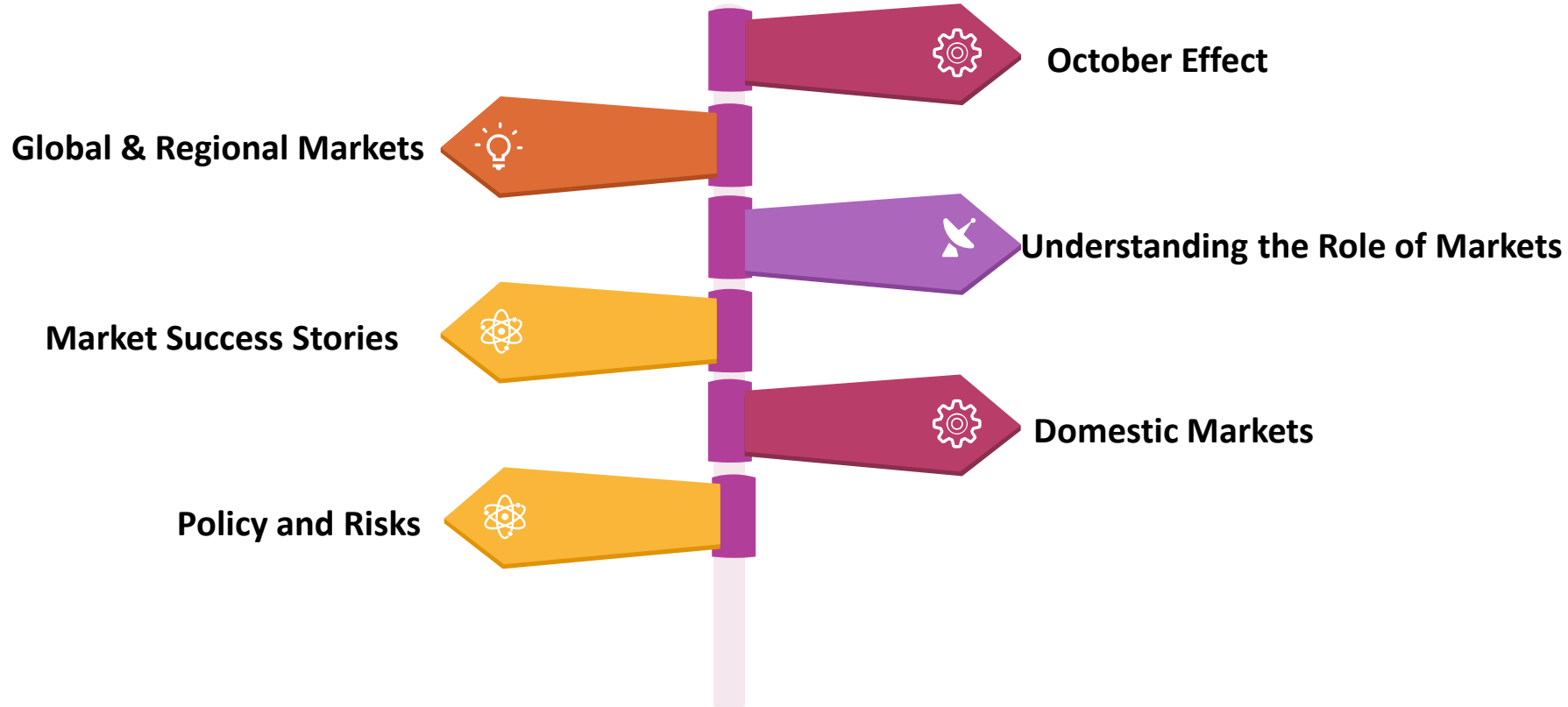
Strong Regulator VS Efficient Markets

By Bismarck Rewane

Financial Derivatives Company Ltd.

November 2nd, 2016

OUTLINE



The image features a glowing lightbulb in the center, surrounded by numerous white business-related icons such as bar charts, pie charts, flowcharts, and a lightbulb. The background is a soft blue gradient with several other lightbulbs, some of which are unlit and out of focus. The text 'The October Effect' is prominently displayed in a bold, red, serif font across the middle of the image.

The October Effect

THE OCTOBER EFFECT

- NASS rejects FGN external debt plan of \$30bn
- An objection is a request for further information
- The external funding was required for capital projects partly to fund the 2017 budget deficit
- 2017 appropriation bill projects N6.8trn expenditure
 - A 13% growth in naira terms but a 22% contraction in dollar terms

THE OCTOBER EFFECT

- FBN PMI records a sharp increase by 10.4% to 52.9
- Inventory build up towards Christmas demand by manufacturers
- A reflection of restocking after settlement of the September forwards
- Sharp fall (17%) in Federal Revenue allocated to the FGN and states
 - Largely due to 400,000 barrel per day production cut
 - Meaning the FGN will keep an eye on the fiscal deficit

THE OCTOBER EFFECT

- Average nominal interest rates on 180-day T/Bills was 17.86%
- Debt service continues to gulp over 28% of Fiscal Revenues
- Headline inflation inched up marginally to 17.9%
- Monthly inflation declined to an annualized rate of 10.3%
 - ▣ Posing a real dilemma for the MPC in November

THE OCTOBER EFFECT

- The CBN sold \$500m of 60 and 90 day forwards
 - One week after selling \$313m of 75-day forwards
 - All settlements to be in early 2017
 - Impact of forward sales on naira liquidity was magnified
- The average power output from the grid rose to 3702MW
- The average price of diesel was N195/litre
- The nationwide average price for PMS inched up to N146.3per litre

THE OCTOBER EFFECT

- Gross external reserves slipped below \$24bn
- The net reserves are believed to be far lower
- The naira closed at an average of N470/\$ after volatile trading
- At the IFEM, the controlled price was N310/\$
- The BDC/Travelex market remained a subject of controversy and abuse

THE OCTOBER EFFECT

- First Bank of Nigeria was appointed alongside Travelex to ensure national spread
- Demand for personal travel allowance (PTA) is reportedly increasing sharply
 - ▣ Just as international passenger traffic is declining
 - ▣ Confirming the assertion of widespread forex abuse
- International airline load factors are much lower
 - ▣ Discount fares being offered by most carriers
 - ▣ Emirates and Kenya Airways have jettisoned the Abuja route
 - ▣ Lagos now controls over 70% of international flights into Nigeria

THE OCTOBER EFFECT

- The average price of Bonny light in September was \$47pb
 - 3% higher than August
- Average production is now up to 1.52mbpd
 - Thanks to the restoration of the Forcados terminal pipeline
- Exxon Mobil successfully divests from the downstream
 - Selling its 60% interest to NIPCO
- Total also calls for bids in a move to spin off its downstream affiliate

Global & Regional Markets

On a Knife Edge

US

- US Q'3 GDP increases to 2.9% from 1.4% in Q2'16
- Strong growth in exports show net trade contributed positively to growth
- Consumption is the primary source of growth
- Economists maintain that figures paint a picture of cautious optimism
- GDP data to be revised two times in the coming months
- Data shows sources of weakness primarily in business investment, construction and government spending

GLOBAL UPDATE – CITI GLOBAL ECONOMIC OUTLOOK

- Fairly steady but sluggish global growth
 - 2.6% in 2016 and 2.8% in 2017
 - Advanced economies – 1.5% in 2016 and 1.7% in 2017
 - Emerging markets – 3.7% in 2016 and 4.4% in 2017
- Average inflation in advanced economies projected at
 - 0.8% in 2016 and 2% in 2017

US - CITI GLOBAL FORECAST

- ❑ IMF and Citi predict 1.6% Y-o-Y GDP growth in 2016
- ❑ Above potential real GDP growth forecast
 - IMF's 2017 forecast: 2.2%
 - Citi: 2.1%
- ❑ Growth in 2017 will be spurred by;
 - Gradual rising inflation
 - Lagged effects of commodity price decline
 - Dollar appreciation fade
 - Consumer spending

US - CITI GLOBAL FORECAST

- Expectations are raised for a marginal interest rate hike in December
 - Improved growth prospects
 - Rising inflation, currently at 1.5%; still below Fed target of 2%

EUROPE - GROWTH FLAT LINING

- EU GDP growth flat at 0.3% in Q'3
- Inflation up from 0.4% in Q2 to 0.5% in Q3
 - Highest since June 2014
 - Below European Central Bank's (ECB) target of 2%
- Growth unlikely to slow ECB asset purchase program
- Citi Global projects FY'16 growth of 1.6% and 1.7% in 2017
 - Headline inflation to increase to 1.5% in 2017

EAST AFRICA- NEW KIDS ON THE BLOCK

- Focus has shifted from Africa's economic powers: Nigeria, Egypt and South Africa to East African countries
 - Pseudo autocratic regimes proven to be unsuccessful for their economic climates
 - Resource rich countries expected to grow 0.3% on average in 2016
 - Resource under-intensive countries i.e Kenya to experience growth rates of 5.6% in 2016
- Angola has the 2nd highest inflation rate of 39%, projected to remain flat at 4.9%

GHANA - THE NEW ROLE MODEL

- Two months to an election, Ghana raises top dollars
 - Closed a \$750m Eurobond issue 5 times oversubscribed
 - Concluded an IMF program raising \$918m
 - Icing on the cake was a successful \$94.6m treasury dollar bond issue
 - Also oversubscribed
- The cedi has been stable in the last year
- Inflation range from 16.7% to 19% in 2016
- Bank of Ghana maintained interest rate at 26%

THE GHANA CASE

PROGRAM

IMF Extended Credit Facility (ECF) with \$918m in assistance (April 2015)

Concerns: *Gaping fiscal deficit, inflation above target, high public debt*

Aims: *Debt sustainability, high growth, job creation, macro stability*

CONDITIONALITIES

- Government spending cuts to rein in fiscal deficit
- Zero central bank deficit financing
- Curb financial pressures from state enterprises
- Financial and institutional reforms to drive growth

OUTCOMES SO FAR

- Debt to GDP ratio down to 65.9%
- July-end from 71.6% at the end of December 2015
- Budget deficit to GDP down to approx. 6% from 6.3% in 2015
- Parliament passed key legislations in support of economic program

Understanding the Role of Markets in Economic Recovery



MARKETS IN THE CONTEXT OF ECONOMIES

- There are three categories of economic arrangements
 - Planned economies
 - Free market economies
 - Hybrid or mixed economies

PLANNED, FREE & MIXED MARKETS - FEATURES

Planned Markets	Free Markets	Mixed Markets
High and centralized regulation	Deregulated	Mixture
Direct allocation of resources	Market based economies are driven by prices	Mixture
No role for markets	Forces of demand and supply determine price	Mixture
Government controls	No government intervention	Mixture
Centralized investment decisions	No artificial scarcities and monopoly pricing	Mixture
Material balancing	Profit determines economic behavior and consumer is king	Mixture

PLANNED, FREE & MIXED MARKETS- IDEOLOGIES & EXAMPLES

Planned Markets	Free Markets	Mixed Markets
Marxist	Adam's Smith invisible hand	Fabian Welfarist
Examples	Examples	Examples
Former Soviet Union	United States	Norway
Bulgaria	Italy	Sweden
East Germany	Canada	Finland
Romania	France	Denmark

Africa... United by One Bank



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Market Success Stories



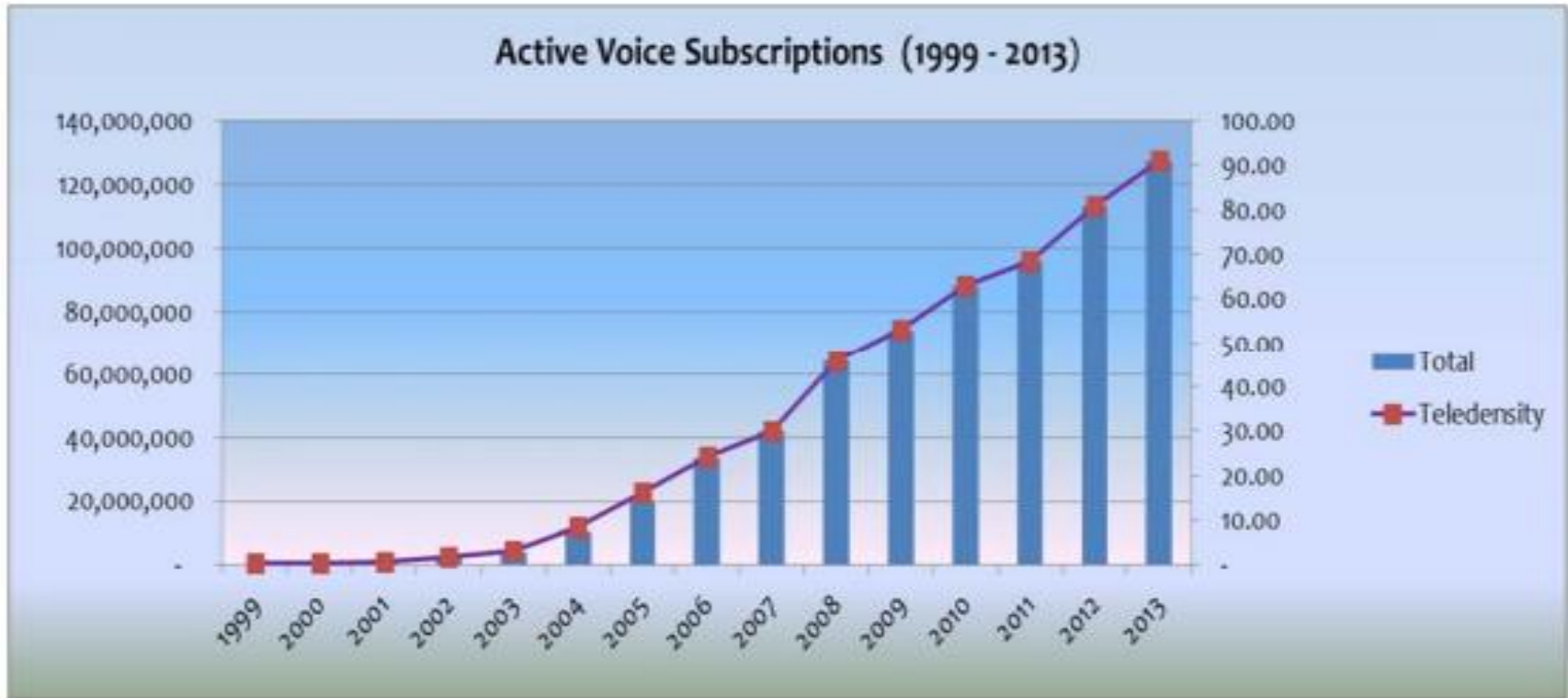
MARKET SUCCESS STORIES - TELECOMS

- The ministry of communications was responsible for:
 - Planning and project execution
 - Operation and maintenance of telecomm facilities
 - Provision of services
 - Nigerian external telecommunications LTD, responsible for international communication

MARKET SUCCESS STORIES - TELECOMS

- Formation of NITEL (now privatised) and other private telecom operators (PTO) has provided a solid market for telecoms
- Telephones:
 - Competition between major mobile service providers
 - Helped to give the consumers the best price and service
 - By means of technology and innovation
 - Demand has skyrocketed over the years
 - Consolidating the market

MARKET SUCCESS STORIES - TELECOMS



SOURCE: NCC

MARKET SUCCESS STORIES - CONSTRUCTION

- China's construction boom was a result of accelerated export-led growth
- Socialist nation of China realised the **importance of markets**
- Construction boom:
 - As a result of sustained efforts by the government to maintain welfare
 - **The participation and relentless investment by the private sector**

MARKET SUCCESS STORIES - CONSTRUCTION

- Nigerian construction industry is on the verge of a boost
 - Need for infrastructural development is popular
- Within the sector, cement has created a domestic market which is propping Nigerian revenue
 - Booming local and regional industry – Dangote, Lafarge
 - Cement import down to 30% in 2010 (from 72% in 2005)

OVER-REGULATION DESTROYS ENTREPRENEURIAL SPIRIT

- ❑ Regulation creates inefficient markets that are not pareto optimal
- ❑ Regulation restricts entry into market, price, quantity and market share
- ❑ In competitive markets, sellers cannot absorb the cost of regulation and still make normal profits
- ❑ Cost of regulation thus increases consumer prices

INEFFICIENT REGULATION - AVIATION

- Regulation makes it impossible for airlines to break-even
- Failure to improve the airports conditions
- Cost of operation remains very high
- Increasing cost of JET A1 fuel and other landing charges
- High indebtedness of domestic airlines to banks
- Multiple entry granted to many international airlines creating ineffective competition
- Lack of maintenance facilities within the country

Domestic Economy And Markets

SNAPSHOT OCTOBER 2016 – 6 RED, 3 AMBER, 1 GREEN

GDP
Growth
-2.06%
(Q2)

Inflation
Rate
17.9%

External
Reserves
\$23.94

National
Debt
N16.3trn

Exchange
Rate
N465/\$

Interest
Rate
**91-day
15%**

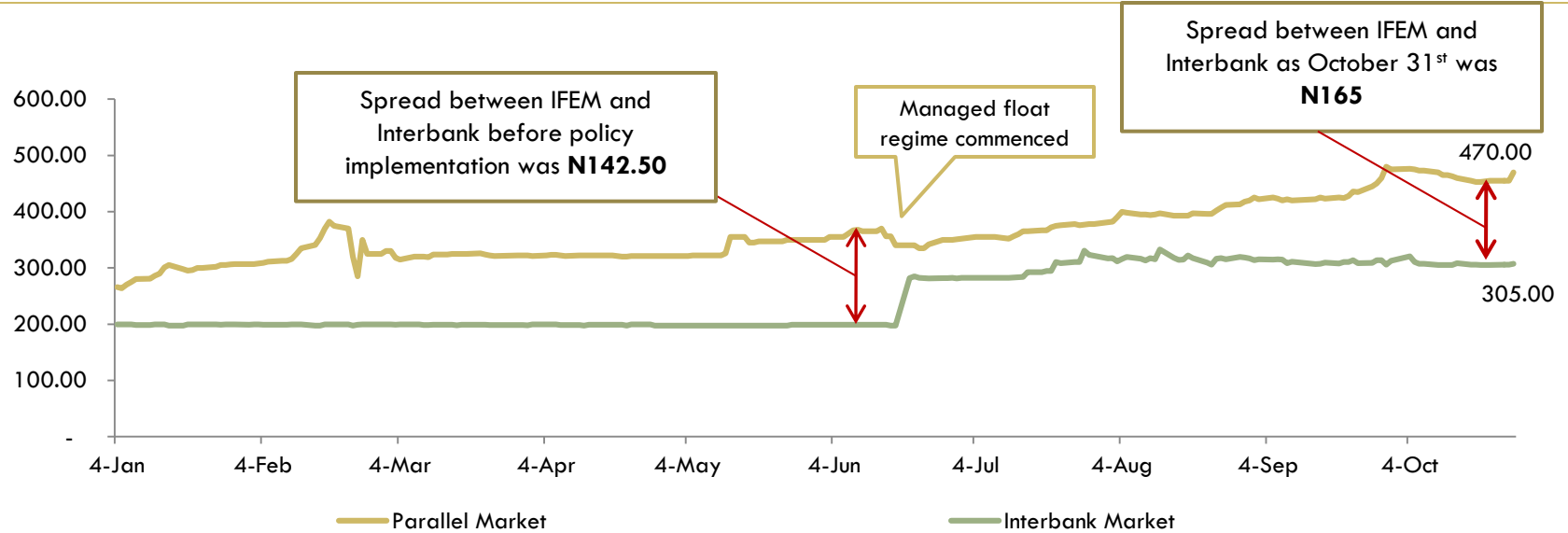
Oil Price
\$49pb

Oil
Production
1.52mbpd

Market
Cap
N9.35trn

Money
Supply
N22.13trn

EXCHANGE RATE (N/\$)



- Spread is a result of market imperfection and manipulation
- Premium from unsteady supply
- Mixed signals and market segmentation
- Parallel rate divergence amplified after 9 banks' suspension

EXCHANGE RATE – PPP VALUE

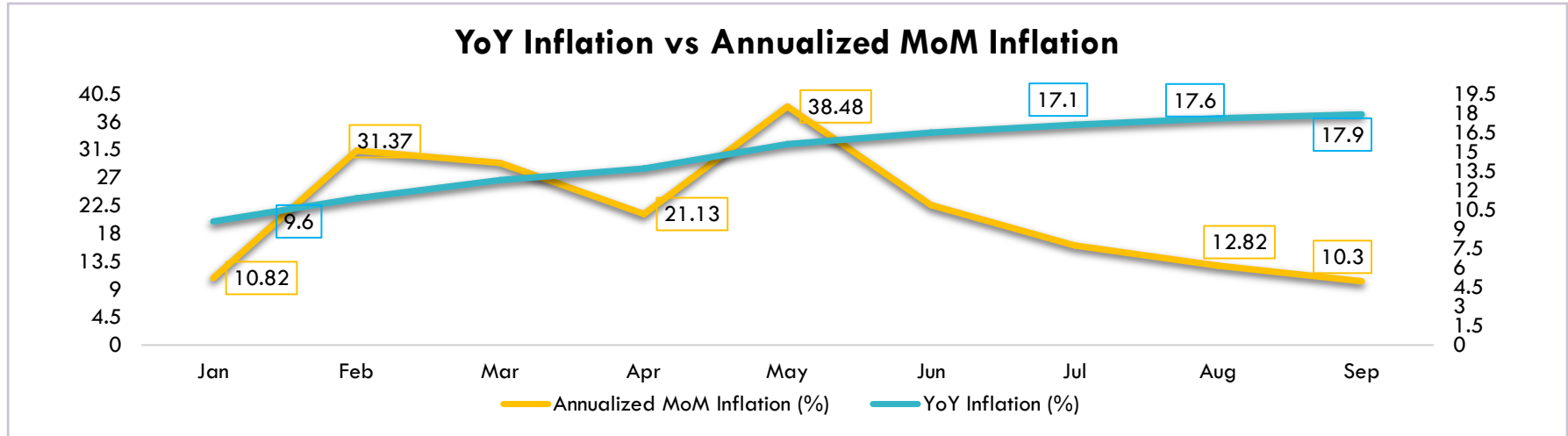
Purchasing Power Parity			
	Oct-16		
	=N=	US \$	PPP ('=N=/US\$)
Bottle of Coke (50cl)	120	2.65	45.28
Heineken	500	2.82	177.30
Hamburger (Johnny Rockets)	2,900	4.59	631.81
Uncle Ben's Rice (S. Pkt)	1,585	3.65	434.25
Toyota Camry	18,000,000	23,070	780.23
Bottled Water (1.5ltr)	150	1.31	114.50
Big Loaf Bread	350	2.39	146.44
Irish Spring Soap (1 cake)	325	0.86	377.91
Chicken Drumsticks (1 kilo)	1,680	4.15	404.82
Eggs (One dozen)	550	3.29	167.17
Average PPP			327.97
Naira Price at IFEM			305.25
PPP (%)			
Decision: Naira is		Under valued	7.44%
Spot Rate (Parallel)			465

Outcome: Compared to IFEM rate of N305.25/\$1, the Naira is undervalued by 7.44%

EXCHANGE RATE – PPP VALUE

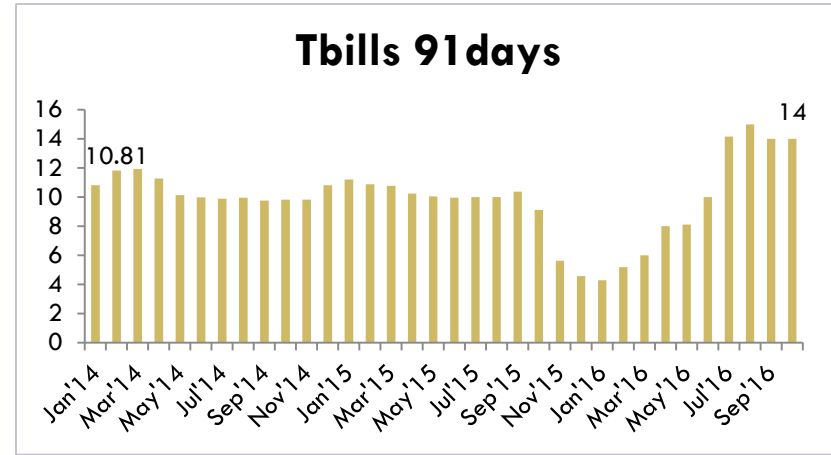
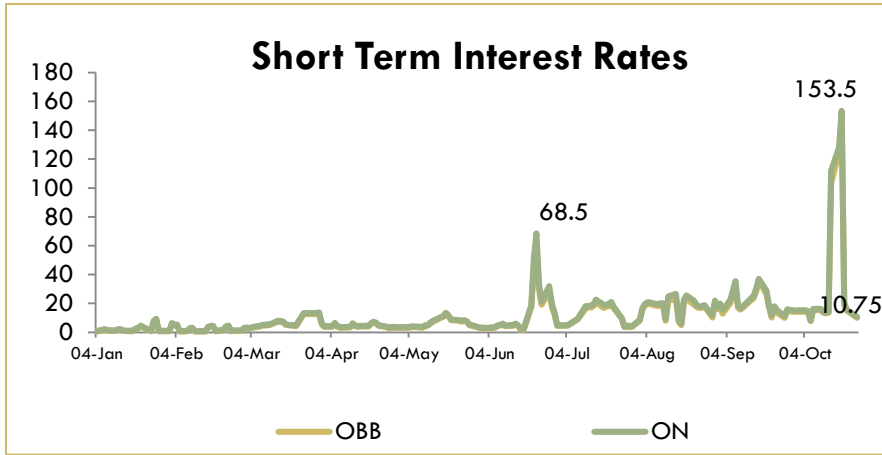
- PPP = fair value at 327
- NI2 above average IFEM spot rate
- Naira now overvalued in the IFEM market

INFLATIONARY PRESSURES STILL SIMMERING



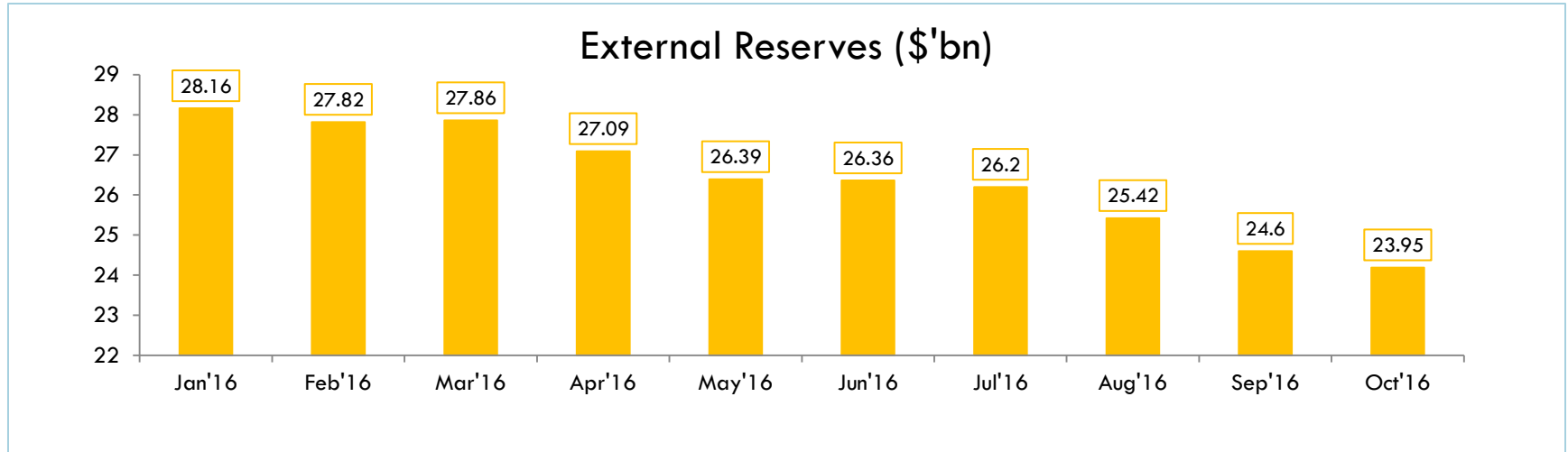
- Y-o-Y inflation rate climbing sharply after forex deregulation
- Conversely, M-o-M inflation down to 0.8% from 1.8% in Feb'16
- Consumer resistance and declining disposable income suppressing prices
- Money supply growth muted

INTEREST RATES



- Illiquid market and weak currency value driving volatility
- Temporary aberrational spikes being driven by bids for forwards and futures contract
- Short term government securities more attractive but debt servicing a cause for concern
- Mixed signals on the direction of government securities
- Lower debt service against attracting international investors

EXTERNAL RESERVES - SLOWING HAEMORRHAGE



- Oil receipts picking up slightly to above \$1bn per month
- Reserves depletion has slowed in October
- Could increase with settlement of forward contracts

A collection of various commodities including oil barrels, copper pipes, gold bars, corn, and coffee beans. The image is a collage of different raw materials. In the center is a large black oil barrel with a white oval containing the word "OIL". To the right are several copper pipes of varying lengths and diameters. In the foreground, there are two ears of yellow corn, a small pile of brown coffee beans, and several gold bars. On the left, there are stacks of white rectangular blocks, possibly silver or another metal. The background is a plain, light color.

Commodities Market

Recent oil market developments

- Atlantic basin crude markets remain oversupplied
- Promise of OPEC coordinated production cuts, boosts prices
- Geopolitical tensions remain high across the Middle East

Crude Prices

- The recent upswing in price has encouraged increased US shale activity
- Hedging by producers down the forward curve, thus locking in future production













Impact of low crude prices on producers

- Oil dependent economies are drawing official reserves or wealth funds
- Prospects of low prices continuing into 2017 behind recent OPEC announcement

OPEC production restraint

- OPEC members agree their first production target in 8 years
- Russia's commitment to a production freeze uncertain
- Iraq may not agree to a production curb as oil revenues are needed to combat ISIS
- Onus on Arab producers (i.e Saudi Arabia, UAE & Kuwait) to cut production

DOMESTIC COMMODITIES

	Sept'16 (N)	Oct'16 (N)	% Change
Cement (50kg)	2200	2200	 -
Garri (50kg)	10500	15000	 42.86
Rice (50kg)	23000	20000	 -13.04
Flour (50kg)	11000	11000	 -
Semolina (10kg)	3100	3100	 -
Semovita (10kg)	3700	3700	 -
Maize (50kg)	13250	13250	 -
Beans(50kg)	19000	19000	 -
Tomatoes (basket)	8000	9000	 12.5
Pepper (Basket)	12000	5000	 -58.33
Palm Oil (25L)	15500	17000	 9.68
Sugar (50kg)	17000	19000	 11.76

DOMESTIC COMMODITIES

- Notable movements were seen in inelastic commodities
- The price of a bag of rice declined by 13.04% on rising domestic production
 - ▣ Ebonyi & Anambra State
- Palm oil increased by 9.68% due to import restrictions and growing demand
- Sugar prices up 11.46%
 - ▣ Reflecting the trend in the global commodity market
 - ▣ YTD increase currently at 54.98%



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Domestic Retail Industry

DOMESTIC RETAIL

- Inventory levels are thinning out as dollar remains a scarce commodity
- Typical inventory build up around Christmas season may be eluded this year
- Demand has remained relatively flat despite shrinking purchasing power
- Traffic to retail stores not relenting and expected to edge up during Christmas
- Retailers are reluctant to adopt market prices for fear of consumer resistance

DOMESTIC RETAIL

- Campaign for made in Nigeria not gaining traction at retail chain outlets
- Consumer's ideology of foreign products being of better quality is strong
- Consumers are switching to imported value brands rather than local brands
- Weaker naira and sticky wages expected to bring about another switch towards cheaper local substitutes

DOMESTIC RETAIL

- Retail rentals have doubled in naira terms since December 2014 – Broll Nigeria
- Local retail brands are shifting towards shopping centres outside the prime of Lagos
- Despite economic challenges, 19,000m² retail space was added in Q2'16
 - (i.e. the opening of Onitsha mall and Maryland mall)
- Other upcoming retail developments include:
 - Asaba mall with a GLA of 9,300m² scheduled to open in December
 - Twin lakes (GLA of 30,000m²) is expected to open in July 2018

Business Proxies



SCORE CARD PROXIES – 1 GREEN, 2 AMBER, 2 RED

FBN PMI
52.9

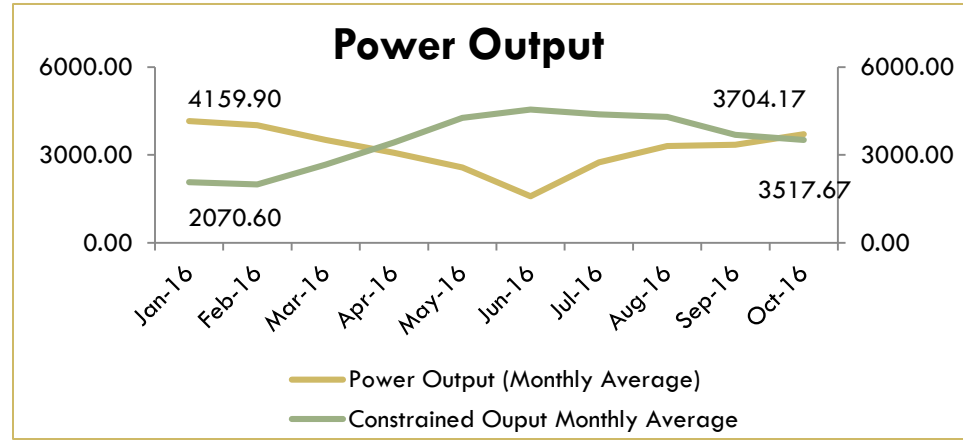
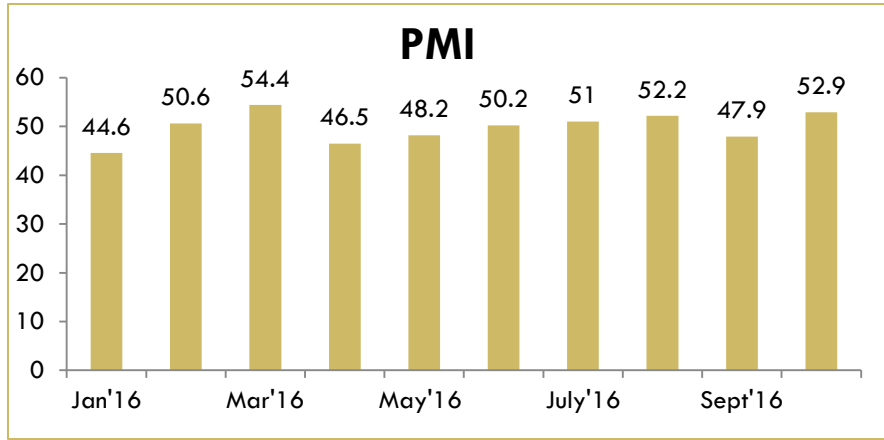
FAAC
N420bn

Power
Output
**3704.17
MW**

Consumer
Confidence
-28.2%

Business
Confidence
-24.1%

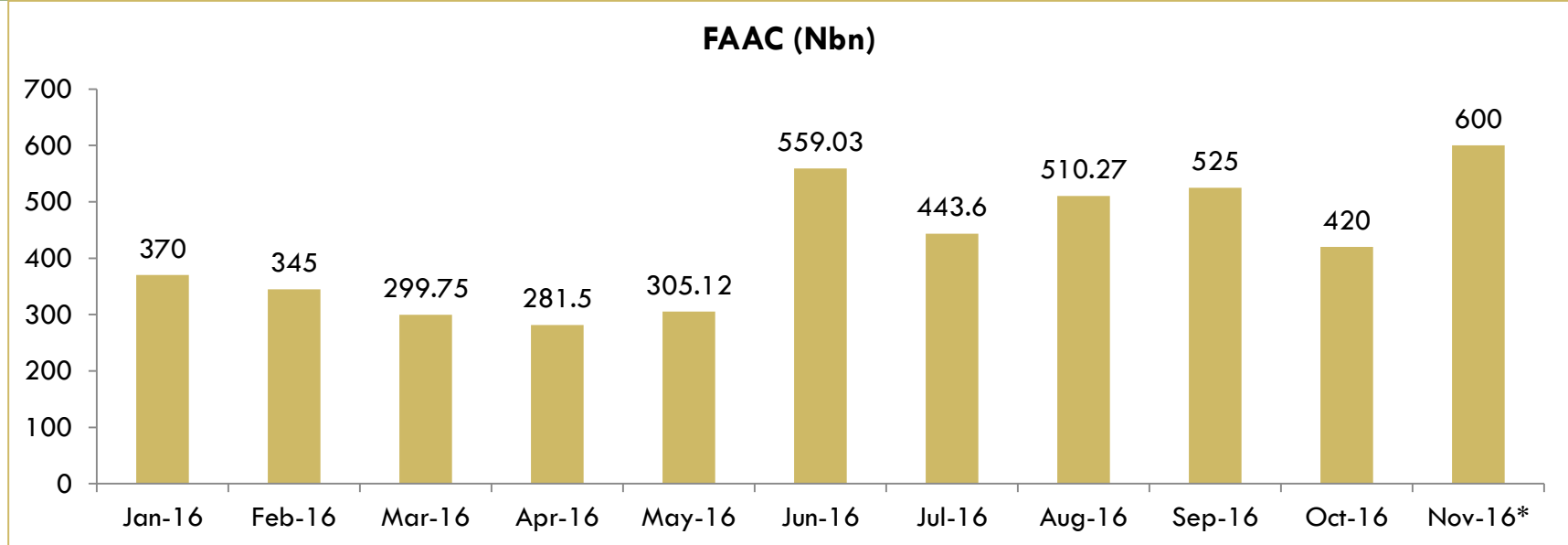
PRODUCTIVITY LEVELS – PMI & OUTPUT



- Index recovered sharply to 52.9 from 47.9 in September
- Improved power supply and inventory levels

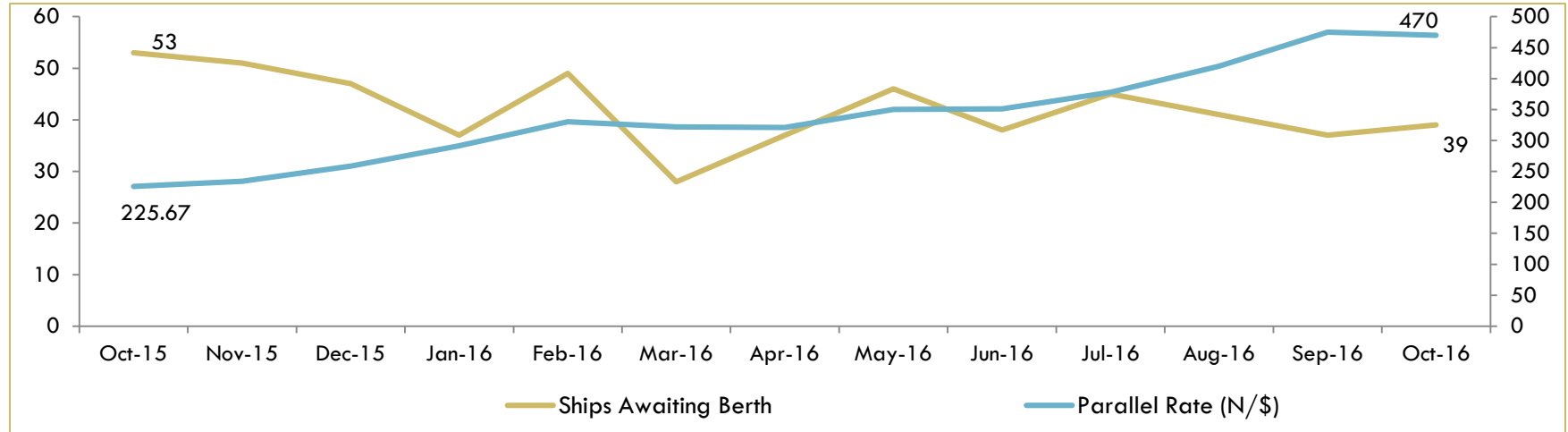
- Militant attacks have affected the supply of gas to power plants (Escravos pipeline)
- 23 of the 27 power plants are powered by gas
- Hydropower became more functional in Q3'16

FAAC ALLOCATION



- Public sector defaults (state & local governments) accounted for 7% of NPLs in 2015
- Lower revenue impedes the ability of the government to meet debt obligations

SHIPS AWAITING BERTH



- Ships awaiting berth edge up to 39 in October from 36 in September
- Higher inventory and orders for December
- Expected to increase further as traders prepare for the festive season ahead

Real Estate Industry

*Urban Renewal, Traffic
Congestion & High Vacancy*

RECENT DEVELOPMENTS IN THE LAGOS REAL ESTATE MARKET

- Vacancy rates remain stubbornly high at 74%
- Advert rates of discount housing up
- Tenants downsizing homes, looking for cheaper housing
- To rent/for sale rate at 1:2
- Expatriates adopt spartan lifestyle in terms of type of housing
- New strategies like installment payment and pay-as-you-build adopted

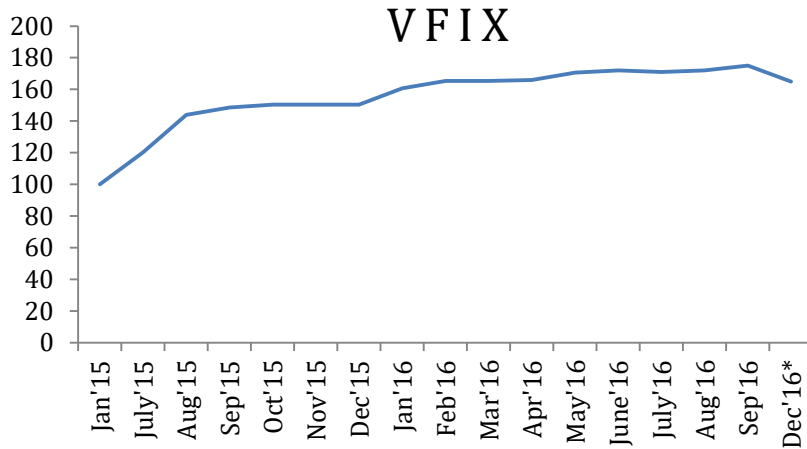


REGULATION HAS FAILED IN THE REAL ESTATE MARKET

- The sector does not have a regulatory body that directly impacts market performance
- Government regulations indirectly affects prices, preventing market efficiency
- Property tax and land use charges tremendously high, value of housing is overstated
- Regulators do not provide enabling environment for investors
- Rent control has no significant effect on rental prices leading to increasing vacancy rates

VACANCY FACTOR INDEX (VFIX) UP

Although vacancy rate remains high, demand for housing as a necessity is expected to pick up in 2017



Source: FDC

Month/Year	VFIX	Residential Index	Commercial Index
Jan'15	100	100	100
Jan'16	160.2	169.2	148
Mar'16	165.3	176.9	148
Apr'16	165.9	180.8	143
May'16	170.5	188.5	143
September'16	174	190	145

CAR PARKING CRISIS AND OPPORTUNITY

- ❑ Car parking crisis looms as business owners scramble for parking space
- ❑ Prominent in the commercial areas- Victoria Island, Ikoyi, Lagos Island
- ❑ Many buildings have badly thought out and poorly managed parking arrangements
- ❑ Multi-level car park becomes a thriving business opportunity
- ❑ The business is highly lucrative especially at this time of recession
- ❑ The opportunity eases traffic congestion

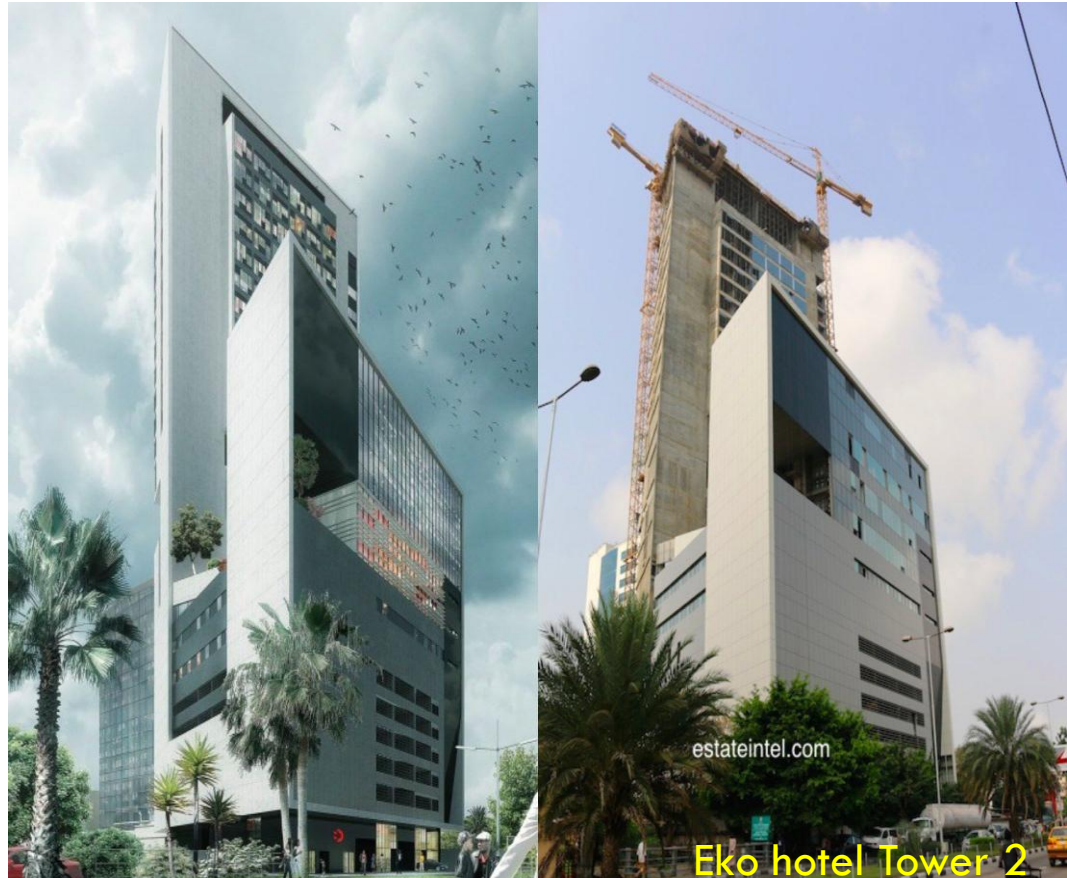
CAR PARKING CRISIS AND OPPORTUNITY

Average cost of a 300 car multi-level car park- N2 billion



NEW DEVELOPMENTS

- Despite the economic crunch, some new developments are coming up
- Tenants are now moving from older properties to newer ones



OUTLOOK

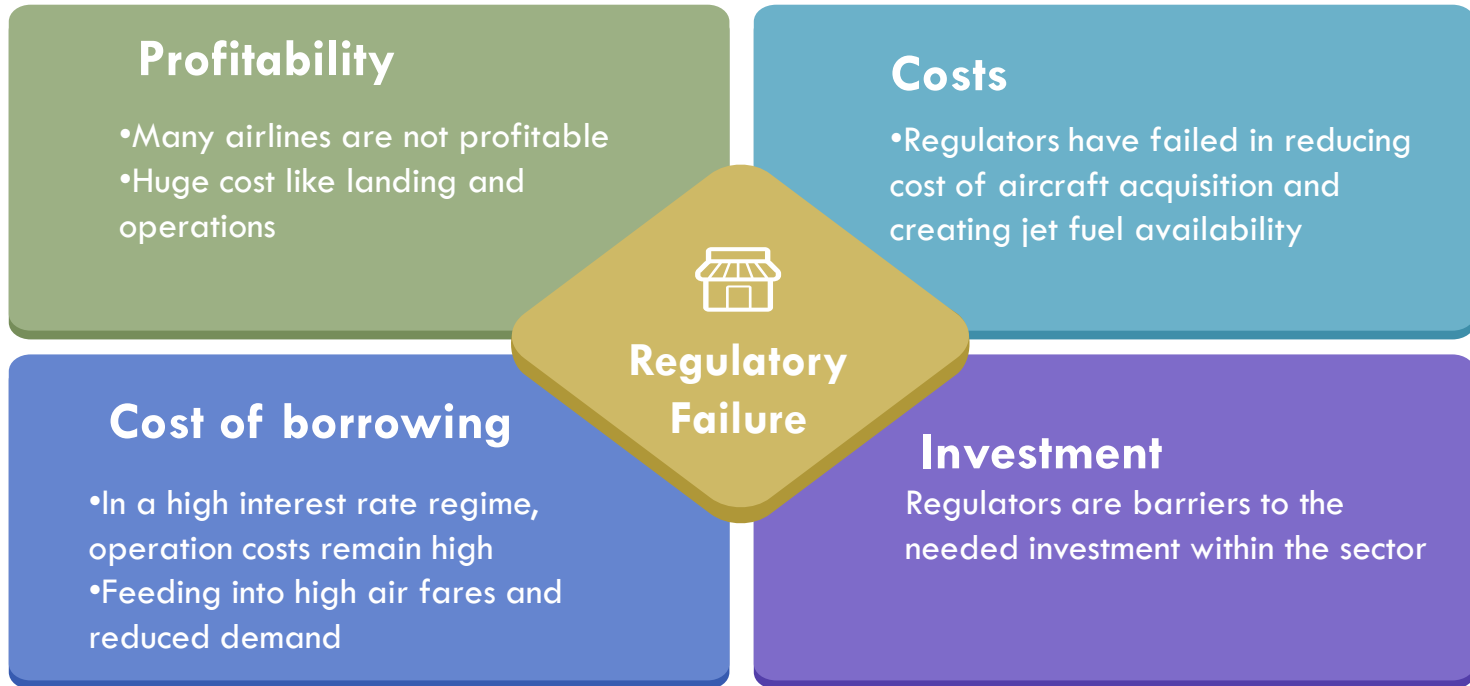
- No sectoral recovery until 2017
- Expect shift to more affordable locations
- Cost of building to remain high

Aviation Update



OVER-REGULATION STIFLING AVIATION

- Over 50 airlines liquidated since Independence (1960)
- Due to failure of regulators in the industry



WEAK NAIRA AND FALLING INCOME (TAKE THEIR TOLL)

- International passenger traffic is shrinking
 - ▣ Seems to have reached a bottom and is on a mild recovery
- Indications are that 60% of all tickets are dollar purchased
- The IATA rate of exchange rate is N308/\$
- CBN has made airline remittance a priority sector
- Too little too late and the airlines do not believe it

TRAFFIC FACTOR

- ❑ Passenger load traffic down to 60%
- ❑ Discount fares and promos are back
- ❑ Nigerian carriers on the international route are loosing shares
- ❑ Higher cancellations and poor on-time performance are hurting their brands
- ❑ They are enjoying higher patronage from Nigerians paying in naira

TRAFFIC FACTOR

- Kenya Airways reported a major loss for the second year running
 - Rationing its route network and cutting 40% of its destinations
 - Abuja was one of the first casualties.
 - Others are Gabon and Botswana
- Ethiopian Airlines and its subsidiary Asky is gaining market share across SSA
- The Lagos-Lome-Newark route is a blockbuster

TRAFFIC FACTOR

- Domestic aviation is consolidating between 3 carriers
- Arik, Medview and Air Peace
 - They are all under financial cost pressures
- NCAA are beginning to penalise carriers for delayed departures
- Safety standards are strictly enforced

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Stock Market

Forex Losses and Cost Pressures take a Toll

MARKET IN OCTOBER

- Weak corporate earnings and surprising losses
- YTD market loss of 4.97%
- Average daily turnover (ADTV) fell 32.49% to N1.60bn
- ADTV in September was N2.37bn
- Driven by switching and portfolio rotation to fixed income securities

MARKET IN OCTOBER

- Treasury bill yields are high at 14% per annum (pa), 17.09% pa and 18.3% pa for the 91, 182 and 364 day bills
- No advancing sector in October
- The industrial goods, consumer goods and oil and gas declined the most by 7.52%, 3.66% and 3.4% respectively.

MARKET IN OCTOBER - SCOTT-FREE INDEX

- Scott-Free index fell by 2.07%
 - YTD volatility 24.35%
- BC30 index down 3.41% in October
- The SFNG Blue-Chip 30 Index (USD) was down 3.45% while the SFNG Blue-Chip Index (EUR) was down 1.13%
- 30 day volatility of 10.21% (up from 6.43% in September)
- Sharpe ratio of 3.40%
- 1 year return of -9.07%
- Trailing P/E 7.23%

TURNOVER & FOREX- ACCORDING TO RENCAP

- Between 2010 and 2014
 - Nigeria's Daily turnover was higher than Kenya's more than 95% of the time
- In 2015, Nigeria's daily turnover was higher than Kenya's daily turnover 87% of the time
- In 2016, though the year is not over, Nigeria's daily turnover is higher than Kenya's daily turnover 76% of the time
- Reveals that market liquidity has collapsed significantly
- Since 2010, the Nigerian equity market traded at its peak
 - An average of \$27.8mn

IMPACT OF FOREX ON PROFITS - FOREX WINNERS

FBNH

- Gross earnings increased by 6.97% to N418bn
- Net trading income grew by 154% to N76.10bn
- PBT declined by 3.54% to N57.46bn
- PAT declined by 15.33% to N42.52bn

UBA

- Gross earnings increased by 8.16% to N265bn
- Net trading income was up 22.73% to N24.30bn
- PBT increased 7.30% to N61.56bn
- PAT also expanded 7.64% to N52.27bn

Zenith

- Gross earnings increased by 12.91% to N380bn
- Net trading income grew by 3.12% to N16.4bn
- PBT increased by 16.55% to N121.28bn
- While PAT remained flat at N100bn

IMPACT OF FOREX ON PROFITS- FOREX LOSERS

Nestle Nigeria Plc

- Revenue was up 20% to N129.48bn
- Net finance cost increased sharply by 414% to N19.85bn
- PBT declined by 73.55% to N5.5bn
- PAT declined by 97.19% to N17.24bn
- Forex translation losses of N19bn

Lafarge Africa Plc

- Revenue declined by 25% to N161bn
- Net finance cost increased 53.78% to N7.40bn
- PBT declined significantly by 190% to a loss of N40.4bn
- PAT also declined by 215% to a loss of N37.4bn

IMPACT OF FOREX ON PROFITS...

FOREX LOSERS...

Guinness Nigeria Plc

- Revenue was up 5.87% to N23bn
- Net finance cost increased sharply by 211% to N2.90bn
- Forex translation losses N3.5bn
- Loss before tax decreased to N13.7m
- PAT declined sharply by 714% to a loss of N2.2bn

Cadbury Nigeria Plc

- Revenue was relatively unchanged at N21bn
- PBT declined significantly to a loss of N842m
- PAT also declined sharply to a loss of N842m

IMPACT OF FX FORWARD ON THE MARKET

- The CBN will sell \$500 million of two-and three-month currency forwards
- The immediate impact will be low liquidity in the money market
- This would reduce activity on the Nigerian bourse
- The forward enhances the prospects of Q4'16 corporate results

OUTLOOK

- Record rates at T/bill auction of 18.5% (364-day) is crowding out equities
- Likely reduction in T/bill rates after the MPC meeting



Policy

Making Adjustments from Market

Intrusion & Fiscal Dominance

KEY EVENTS TO WATCH

- ❑ Nov 10th – 11th : Launch of the economic recovery plan
- ❑ Nov 17th : October Inflation data to be released
- ❑ Nov 21st – Nov 22nd : MPC meeting
- ❑ Nov 25th : Q3'16 GDP report
- ❑ November ending: Budget debate commences

MPC DECIDES: PRICE STABILITY OR GROWTH?

- MPC meets November 21 & 22
- Headline inflation continues to increase, though at a slower rate
 - ▣ Driven partly by core segment – fuel prices
 - ▣ Weak naira & base effects
- Consumer price increase easing on monthly basis
- Inflation rate may be losing steam

MPC DECIDES: PRICE STABILITY OR GROWTH?

- Concerns about price stability reduced
- Upside risks mainly from:
 - ▣ Weak naira exchange rate
 - ▣ Seasonalities in December
- Negative growth remains major headache
- Gives room for accommodative decision

LIQUIDITY LARGELY STERILISED

Money Supply (M2)	N22.13trn
M2 Growth	12%
Inflation rate	17.9%
External Reserves	\$23.95bn
PMA stop rates (Oct. Avg)	13.95%p.a. (91-day) 17.09%p.a. (182-day) 18.28%p.a. (364-day)

- Credit necessary to drive growth sterilised from system
- Statutory requirement of 5%
- CRR of 22.5%
- Scramble for high yields on government securities

MPC DECIDES: LIKELY OUTCOMES

**Scenario
A:**

Maintain status quo

Rationale:

Check inflation

Support naira

Implications:

High interest rates
deter credit demand

Not
accommodative

MPC DECIDES: LIKELY OUTCOMES

Scenario B:

Reduce CRR

Rationale:

Stimulate lending & economic activity

Complement fiscal stimulus plan

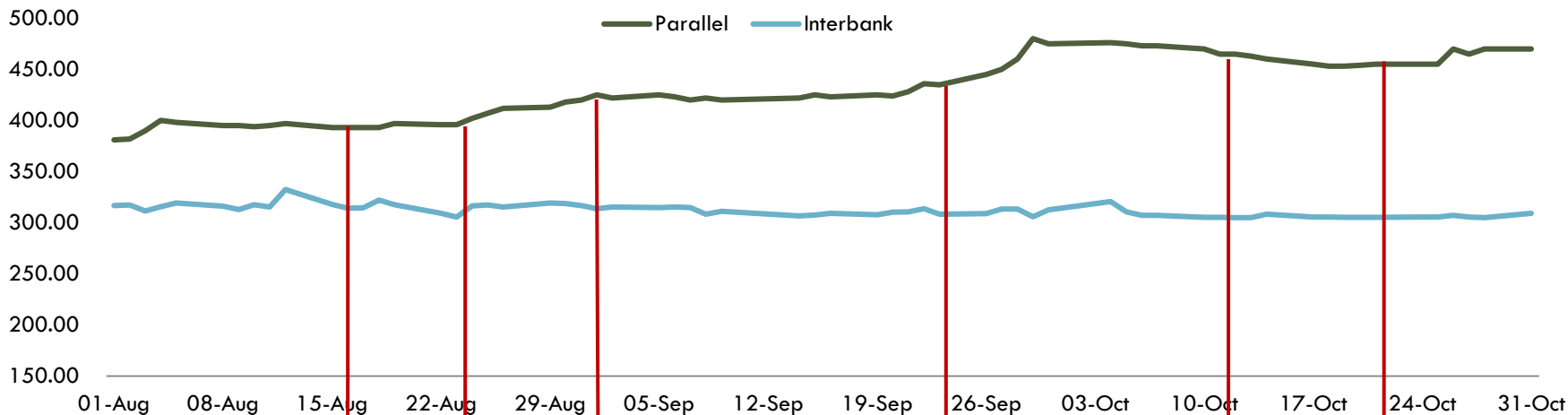
Implications:

More accommodative to growth & employment

Short-term inflationary pressures ease on output growth

Maintain mop-up actions to defend naira

FOREX: CHRONICLE OF UNFORCED ERRORS



- **BDC access to forex increased**
(from \$30K to \$50K through commercial banks)

- Banks readmitted
- 11 IMTOs licensed

Sept 22nd
Banks ordered to remit FG funds

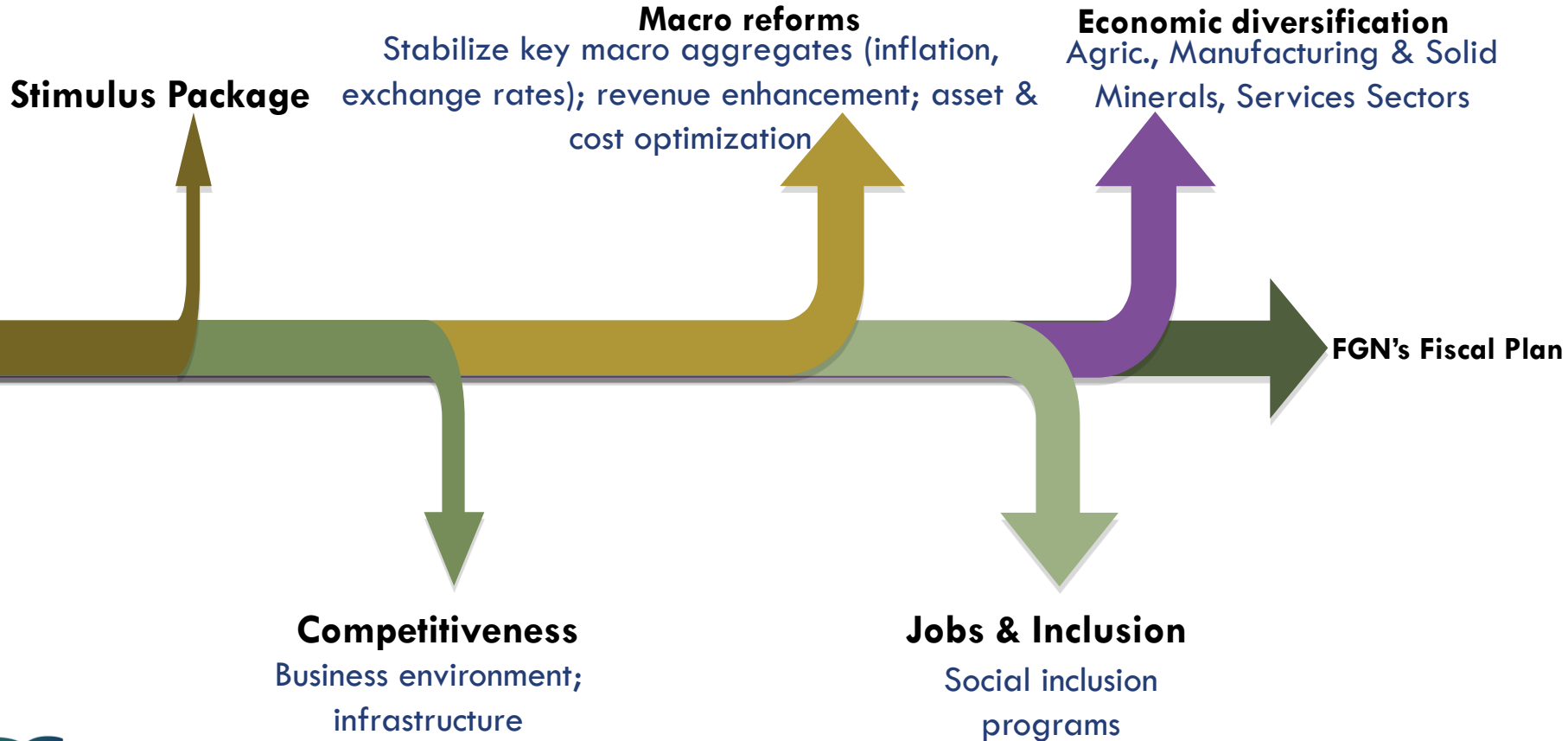
Oct 13th
Only FBN to sell IMT proceeds to BDCs

Oct 20th
CBN issues \$313mn in a 2 month forward auction

INITIAL IMPACT OF DEVALUATION

- From windfall to shortfall
- Born poor
- Poor due to devaluation- former rich
- Likely to become poor- due to devaluation

COCKTAIL OF ECONOMIC POLICIES





2016 OPEN SEMINARS (February to July)



ACCOUNTING, FINANCE & ECONOMICS

Accounting & Finance
for Non-Finance Executives
Financial Modeling

May 16 - 20
July 18 - 22



GENERAL MANAGEMENT

Managing Compliance and Legal Risk
Stepping up to Management
Managing People for Strategic Advantage

May 23 - 25
June 28 - 29
July 4 - 6



MARKETING AND SALES MANAGEMENT

Digital Marketing
Outstanding Customer Relationship
Essentials of Sales and Marketing
Strategic Account Management

April 11 - 13
May 3 - 4
July 4 - 6
July 26 - 28



OPERATIONS & MANAGEMENT INFORMATION SYSTEMS

Smart Business Decisions: The power of data analysis
Strategic Procurement/Contract Management
Developing Analytical Competencies for Managing Operations

April 18 - 22
May 3 - 5
June 20 - 24



PERSONAL LEADERSHIP & HUMAN RESOURCES MANAGEMENT

Building and Leading the 21st Century Team
Negotiation Skills & Tools
Leading with Cultural Intelligence
Mastering Human Resource Management
Improving your Personal Effectiveness
Legal Issues in HRM
Advanced HR Management

March 21-23
April 26 - 28
May 3 - 4
June 20 - 24
June 28 - 29
June 28 - 30
July 22 - Aug 26



STRATEGY, INNOVATION & GOVERNANCE

Sustainability Workshop for NGOs
Sustainability Reporting
Mastering Competitive Strategy
and Blue Ocean Strategy
Leading a Sustainable Business
Driving Strategic Innovation
and Business Development

February 23 - 24
March 21 - 22
May 9 - 13
May 16 - 17 (Lagos)
June 15 - 17 (Edinburgh)
July 4 - 6

GENERAL INFO

PROGRAMME VENUE:

Km 22, Lekki-Epe Expressway, Ajah, Lagos

TIME:

9.00 a.m. - 5.00 p.m.

PRIOR REGISTRATION is mandatory to secure a place on the seminar.

RESERVATIONS / ADDITIONAL INFORMATION

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Political Update & Risks

He is in Charge



POLITICAL UPDATE – HE IS IN CHARGE

- Buhari has a 3 dimensional challenge
- He needs to build bridges
 - ▣ Within the APC
 - ▣ With the legislature (Senate)
 - ▣ Fix the economy
- Consolidation of power and control depends on the 2019 electoral map
- He needs to figure out the fractured South-West

POLITICAL UPDATE - HE IS IN CHARGE

- The Ondo State election is likely to be an APC win
- Tilting the leadership in the S.West
- Building a firewall against a new party of APC defectors
- The judiciary shakedown will effectively curb brazen corruption
- Also reduce electoral fraud

POLITICAL UPDATE - HE IS IN CHARGE

- ❑ The FGN may be contemplating financial amnesty for returning looted funds
- ❑ Dikko, Customs boss returns N1bn
- ❑ The amount recovered so far is paltry compared to expectations
- ❑ Amnesty distorts and waivers for back taxes and arrears likely
- ❑ The South-South PDP are likely to defect en-masse to the APC
- ❑ APC can only capitalize on the incumbency if the economy is fixed
- ❑ There is a big push-back by most of the electorate as the economy sucks
- ❑ The run-off elections in Rivers State will be a litmus test for the APC

POLITICAL UPDATE - HE IS IN CHARGE

- If the economy recovers it stands a good chance
- Successful negotiations with the militants and avengers is key to the recovery
- It will boost revenues and support the social intervention programmes
- The Boko Haram settlement process will be crucial to the Northern political road map

Outlook

Bleak Christmas ???



NOVEMBER OUTLOOK

- Ondo state election is likely to be an APC win
- The economic recovery and growth plan to be launched
- A precondition for the multilateral borrowing
- Financial advisers will be appointed for the eurobond issue
- The NASS will consider the borrowing plan
- The MPC will meet and move towards an accommodative stance

NOVEMBER OUTLOOK

- Weak corporate earnings will persist and suppress the stock market
- The naira will trade flat in the parallel market at N475/\$ - N500/\$
- T/Bills auction rates will slide towards 12.5%-13.5%pa range
- Oil production will recover to 1.9mbpd
- FAAC allocation will spike to N600bn

Corporate Humour



If failure had no penalty, success would not be a prize. - Sourcery

Two types of people laugh at the law: those that break it and those that make it – Night Watch



Corporate Humour



A secret is something you tell everybody to tell nobody –
Anonymous

Argument is a discussion that occurs when you are right – and continues until they realise it - Anonymous



Corporate Humour



Love is the crocodile on the river
of desire - Bhartrihari

Two heads are better than none –
Jean Green



Corporate Humour



The closest anyone ever comes to perfection is on a job application form - Anonymous

Ask your child what he wants for dinner only if he is paying – Fran Lebowitz



Corporate Humour



A louse in the cabbage is better than no meat at all – Densisy Ivania Dutch proverb

The opposite of talking is not listening. The opposite of talking is waiting - Anonymous



Corporate Humour



Laziness is nothing but more than the habit of resting before you get tired – Steve Hawking

Fear of failure leads to failure – Paulo Coelho



Corporate Humour



Etiquette is knowing how to yawn
with your mouth closed – Herbert
Prochnow

Manners are especially the
need of the plain. The pretty
can get away with anything –
Evelyn Waugh



Corporate Humour



Never attribute to malice what can be adequately explained by stupidity – Nick Diamos

Nice guys finish last – Charlie Carust



Corporate Humour



If everyone took tranquilisers,
nobody would need them – Edmund
Orrin

*Thank
you*



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