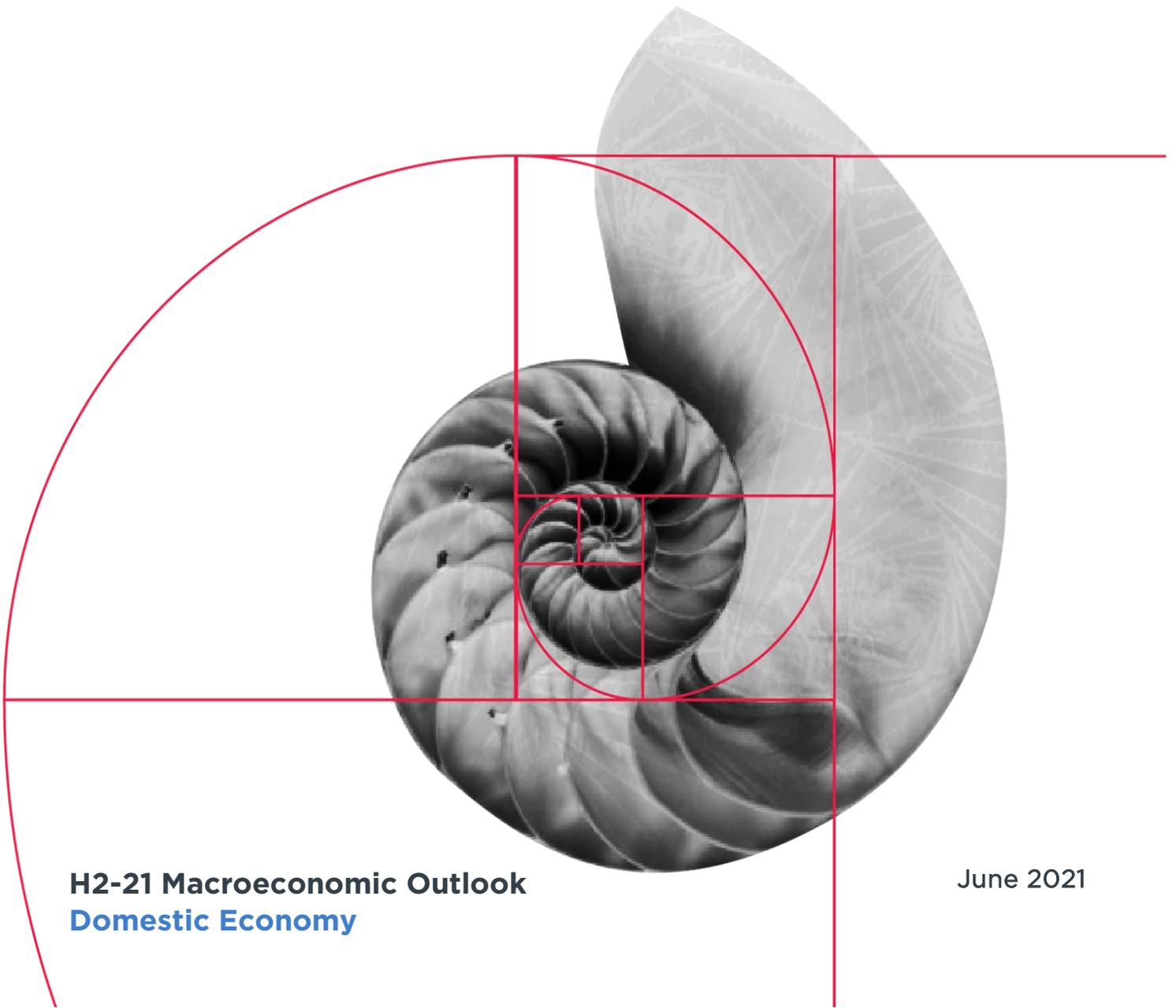


Navigating the Uneven Path of Recovery.



Executive Summary.

More than one year after the pandemic struck, the scars are yet to heal fully. Though administration of vaccines, and consequent phased reopening of economies, has helped rescue economies from the troughs in the prior year, divergence in the evolution of the pandemic and pre-existing macroeconomic frailties has made the path to recovery uneven. As a result, policymakers are confronted with the delicate task of navigating the recovery phase appropriately to ensure it transcends into a broad-based, inclusive and sustainable growth. We analysed the economy and financial market within this context and make recommendations for investments.

We are optimistic that low base effects, improved activities in the contact-facing sectors and recovery in the oil sector will sustain the recovery that kicked off in the last quarter of the prior year. Despite persistent security challenges in food-producing states, we expect headline inflation to moderate in H2-21 driven primarily by the high base effect. In addition, we see scope for improvement in liquidity conditions in the FX market given the knock-on effects of the rally in oil prices and the proposed Eurobond issuance on the FX reserves. We believe this will put the apex bank better positioned to step up its intervention across the various segment of the FX windows.

On monetary policy, we believe the body language of the MPC in the three meetings held so far this year suggests that its short-term objective is to support economic recovery despite the stubbornly high inflation and imbalances in the external sector. Consequently, we do not see the Committee tweaking any monetary policy parameters at its July and September meetings. However, we envisage a 50bps hike in the MPR at the November meeting as the MPC shifts to a tightening phase.

Finally, we do not envisage any significant divergence from historical trends in the spending pattern of the government. We believe a substantial revenue generated will be directed towards recurrent expenditure and debt servicing, while capital expenditure will be financed mainly by borrowings. However, we are slightly positive on non-oil revenue given the sustained implementation of the 50% increase in VAT that commenced last year, improvement in tax administration framework and the pass-through impact of the rebound in economic activities on non-oil revenue items.

Analysts

Jolomi Odonghanro
jolomi.odonghanro@cordros.com

Gbolahan Ologunro
gbolahan.ologunro@cordros.com

Opeoluwa Oluwa
opeoluwa.oluwa@cordros.com

Abdulazeez Kuranga
abdulazeez.kuranga@cordros.com

Jennifer Chiwetelu
jennifer.chiwetelu@cordros.com

Omotayo Ajisebiolowo
omotayo.ajisebiolowo@cordros.com

Chidera Mbelede
chidera.mbelede@cordros.com

Oreoluwa Busari
oreoluwa.busari@cordros.com

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Growth.

Q1-21 GDP: Economy Consolidates on Tepid Recovery in Q4-20

Nigeria's economy grew by 0.51% y/y in Q1-21 (Q4-20: 0.11% y/y and Q1-20: 1.87% y/y) as the non-oil sector continued to drive the overall economic performance amid a slower decline in the oil sector. Pertinently, the oil sector declined by 2.21% y/y (Q4-20: -19.76% y/y) while the non-oil sector grew slower by 0.79% y/y (Q4-20: +1.69% y/y). Although the outturn underperformed Cordros' estimate of 0.94% y/y by 43bps, we like that the growth, albeit fragile, consolidated the recovery that kicked off in Q4-20. Our attribution analysis shows that the GDP growth in the quarter was primarily driven by Agriculture and Industries, which contributed 0.50% and 0.22%, respectively. The growth in both sectors helped to neuter the negative contribution of the Services (-0.21%) sector to the GDP growth rate.

Figure 1: COVID-19 statistics

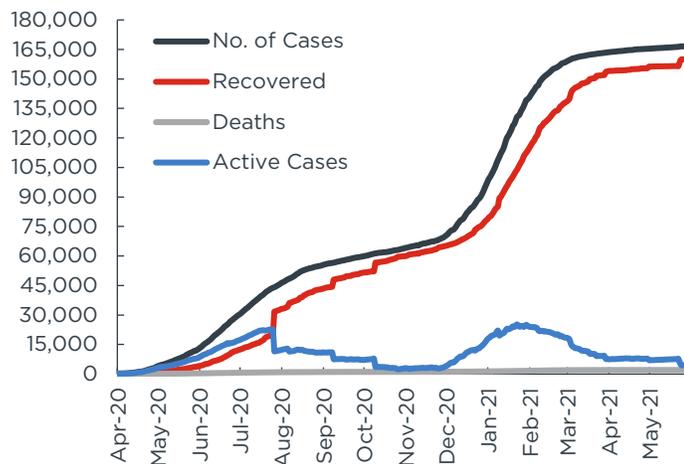
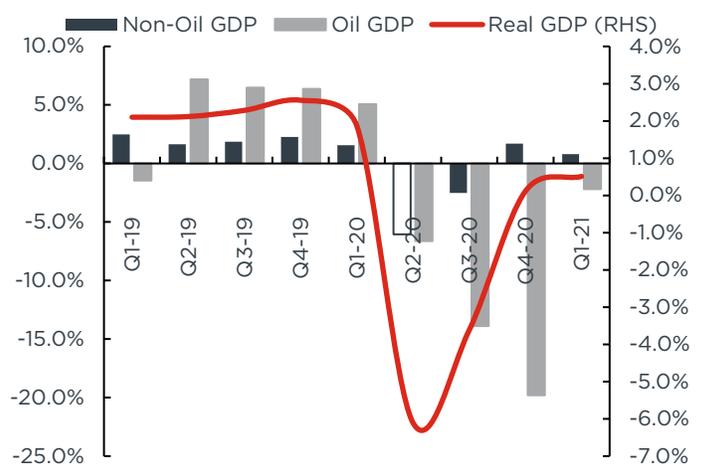


Figure 2: Nigeria's real GDP growth



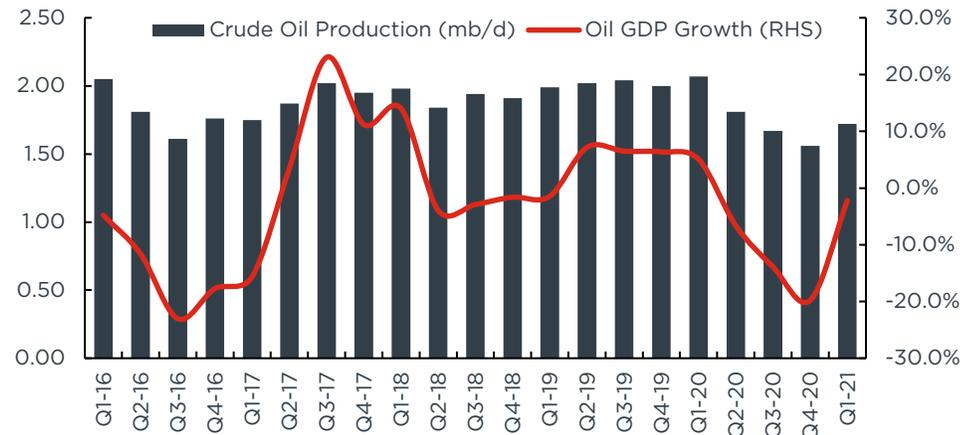
Source: NCDC, NBS, Cordros Research

Oil Sector Growth: Gradually Rediscovering Lost Aura

In our 2021FY outlook report, we postulated that Nigeria's crude oil production would increase in 2021FY given OPEC+'s decision to gradually reduce production cuts in line with a recovery in global demand for crude oil. Consequently, we expected Nigeria's crude oil production (excluding condensates) to average 1.52mb/d in Q1-21 based on the January OPEC+ agreement, given that the country fully compensated for overproduction in December 2020. Contrary to our expectation, Nigeria's crude production (ex-condensates) declined by 20.6% y/y to 1.43mb/d in Q1-21, reflecting infrastructure challenges at some of the country's production terminals (specifically Forcados and Qua Iboe). However, oil production (including condensates) increased by 10.26% q/q but declined by

16.91% y/y to 1.72mb/d given the high base effect of the prior year. To cover for the lost output, the country ramped up condensates production (+141.7% q/q and +7.4% y/y) in Q1-21.

Figure 3: Crude production vs Oil GDP growth

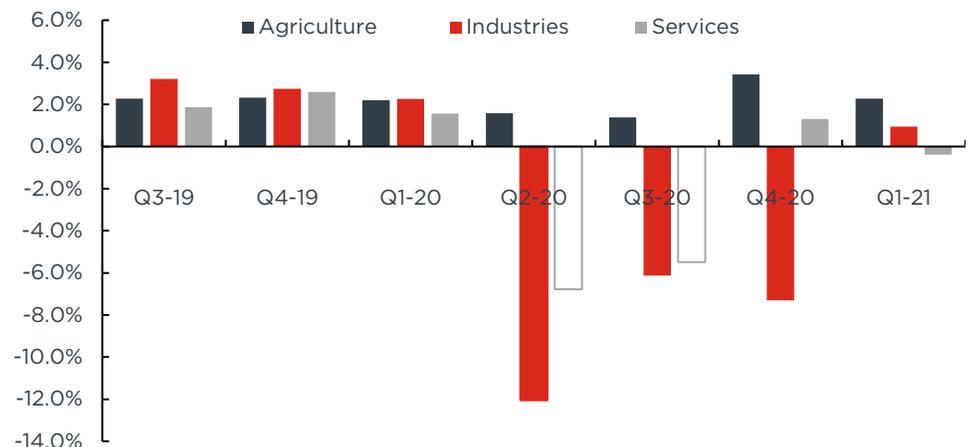


Source: NNPC, NBS, Cordros Research

Non-Oil Sector: Out of the Woods but Still Crawling

Elsewhere, non-oil GDP grew slower by 0.79% y/y in Q1-21 compared to 1.69% y/y in Q4-20. Although the main drivers of the non-oil sector's growth were the ICT (+6.47% y/y vs Q4-20: +14.95% y/y), Agriculture (+2.28% y/y vs Q4-20: +3.42% y/y) and Manufacturing (+3.40% y/y vs Q4-20: -1.51% y/y) sub-sectors, it is pertinent to note that the slower growth in the Agricultural and ICT sectors compared to Q4-20 dragged the overall performance of the non-oil sector in Q1-21. On an industry basis, the Services GDP declined by 0.39% y/y (vs 1.31% y/y in Q4-20); Agriculture grew by 2.28% y/y (vs 3.42% y/y in Q4-20); Industries grew by 0.94% (vs. -7.30% y/y in Q4-20).

Figure 4: Non-oil GDP major components

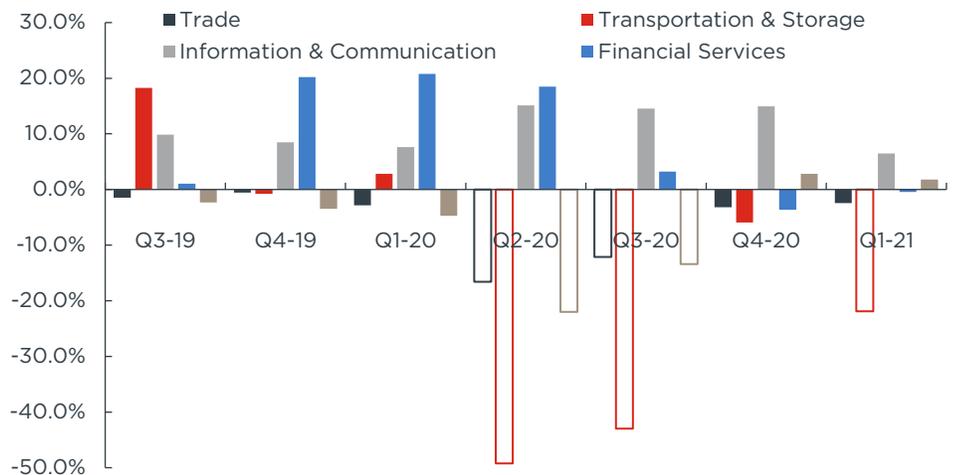


Source: NBS, Cordros Research

Subdued Growth in ICT and Decline in Transport Drag Services GDP

Using attribution analysis, we highlight that the service sector contributed negatively (-0.21% vs +0.70% in Q4-20) to the overall GDP growth rate of 0.51% y/y recorded during the period. Sifting through the components of Services GDP, we note that the (1) negative contribution of transportation and storage (-0.39% vs Q4-20: -0.08%) and (2) positive but the lower contribution of the ICT sub-sector (+0.91% vs Q4-20: +1.96%) were enough to offset the positive contributions of all the remaining components of the Services sector, making the Service sector contribute negatively to the GDP growth. Overall, the Services GDP declined by 0.39% y/y (Q4-20: +1.31% y/y).

Figure 5: Services GDP major components (%)

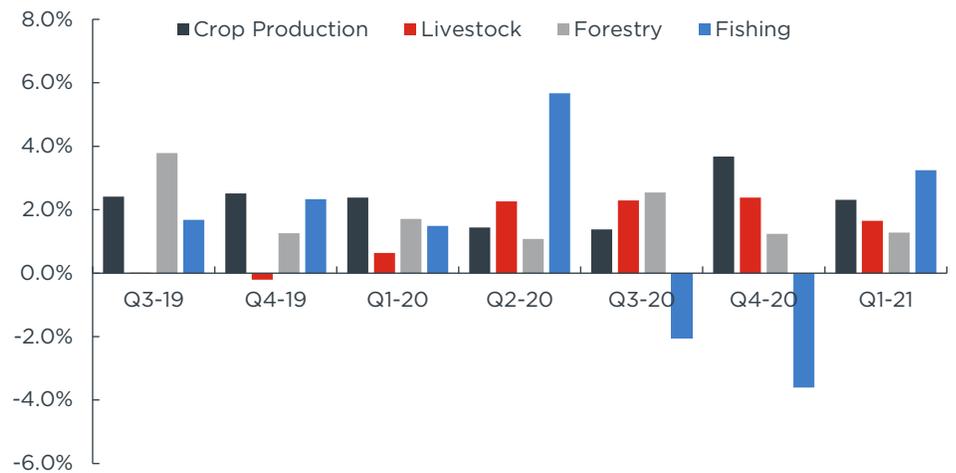


Source: NBS, Cordros Research

CBN Liquidity Injections Continue to Support Agriculture Sector

Despite the persistent security challenges in the country, the agriculture sector still recorded positive growth in Q1-21, albeit weaker than the prior quarter. We believe this demonstrates the sector's resilience even as CBN's liquidity injections continue to provide support. However, considering that the impact of security issues, particularly in the Northern region and some parts of the South-West, was more pronounced in Q1-21 than in Q4-20, the growth in the sector slowed to +2.28% y/y (vs +3.42% y/y in Q4-20). The slower growth in the sector emanated from the weaker growth in Crop production (+2.31% y/y vs Q4-20: +3.68% y/y) and Livestock (+1.65% y/y vs Q4-20: +2.38% y/y) - both of which accounted for 95.6% of the Agriculture sector. The slower growth in both sub-sectors neutered the robust pace of growth in Fishing (+3.24% y/y vs Q4-20: -3.60% y/y) and Forestry (+1.28% y/y vs Q4-20: +1.24% y/y).

Figure 6: Agriculture GDP growth breakdown

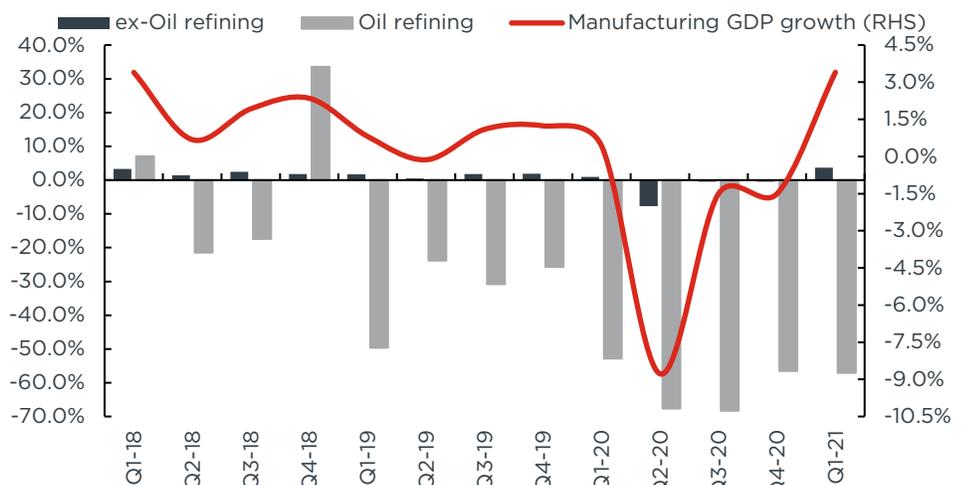


Source: NBS, Cordros Research

Manufacturing Sector Exits Three Consecutive Quarters of Decline

Despite the persistent FX liquidity challenges amid structural bottlenecks in the country, the Manufacturing sector exited three consecutive quarters of decline. Specifically, the sector grew by 3.40% y/y in Q1-21 (Q4-20: -1.51% y/y) - the highest quarterly growth since Q1-18 (+3.40% y/y). We believe the recovery in the sector is due to (1) increased demand from consumers given the full reopening of the economy and (2) the lagging impact of the Federal Government (FG) stimulus packages rolled out in the prior year to mitigate the impact of the pandemic. Elsewhere, Oil refining (-57.05% y/y) contracted for the ninth consecutive quarter as the refineries remained non-operational due to poor maintenance.

Figure 7: Manufacturing GDP breakdown



Source: NBS, Cordros Research

Non-Oil Sector to Provide Impetus for Sustained Recovery

Following two quarters of positive albeit sub 1.0% growth levels, we expect Nigeria's economy to remain on the path of growth over the rest of 2021. The preceding is based on our expectation of no further lockdown of the economy while the full reopening continues to support domestic demand. Meanwhile, the increase in oil production and oil prices will also have a positive ripple effect on the other sectors of the economy, given the country's heavy reliance on the external sector. **Accordingly, we forecast a 2.63% y/y real GDP growth in 2021E (2020FY: -1.92% y/y), supported by broad-based expansion across the oil and non-oil sectors.**

Figure 8: GDP growth projection

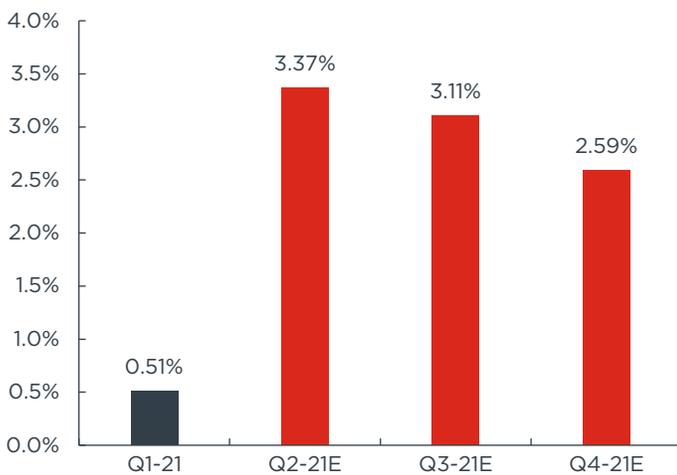
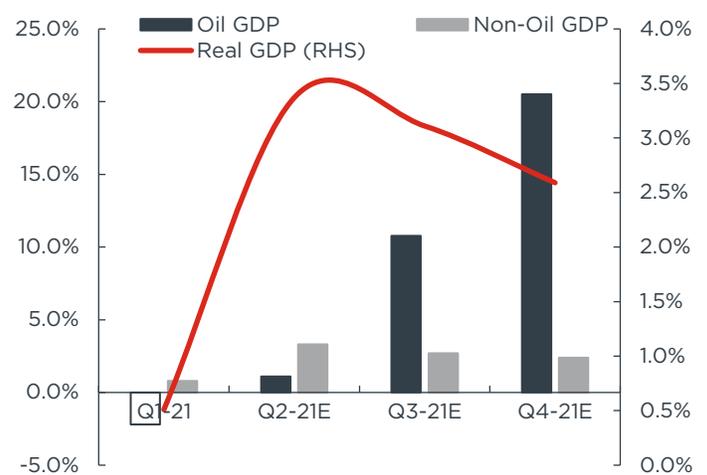


Figure 9: GDP growth by segments



Source: NBS, Cordros Research Estimates

Following the optimism on the global oil demand recovery, OPEC+, in its April meeting, agreed to raise crude oil output by 300.00 kb/d from May, 350.00 kb/d in June and 450.00 kb/d in July. The plan includes increasing general production levels for members while allowing Saudi Arabia to ease voluntary reduction from May gradually. Based on the preceding, the OPEC+ agreement allows Nigeria to reduce the magnitude of its allocated production cut to 0.29mb/d in May and 0.28mb/d in June compared to an average of 0.31mb/d in Q1-21 (production reference of 1.52mb/d in Q1-21 given the cut). Accordingly, OPEC+ expects Nigeria's crude oil production (excluding condensates) to be 1.54mb/d in May, 1.55mb/d in June, and 1.58mb/d in July. Over the rest of the year (August to December), we expect OPEC+ to continue to reduce the production cuts slowly, in line with the recovery in global oil demand. Overall, we expect Nigeria's oil production (including condensates) to average 1.82mb/d in 2021E (2020FY: 1.78mb/d). Given improved oil output alongside the low base from the prior year, we estimate oil GDP will grow by 6.71% y/y over 2021E (2020FY: -8.89% y/y).

Figure 10: Crude oil benchmark prices (USD/bbl)

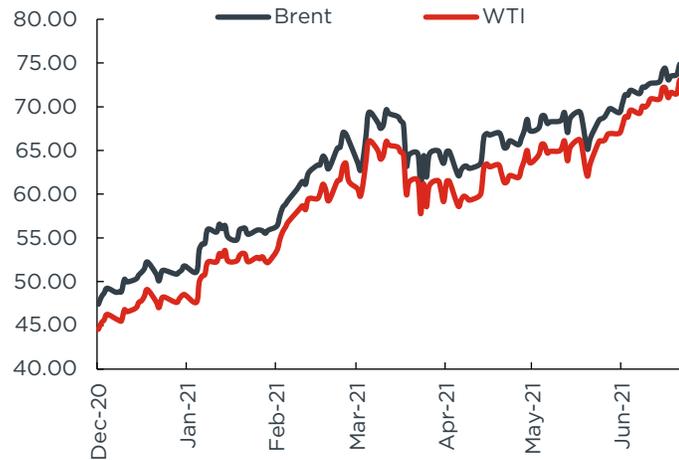
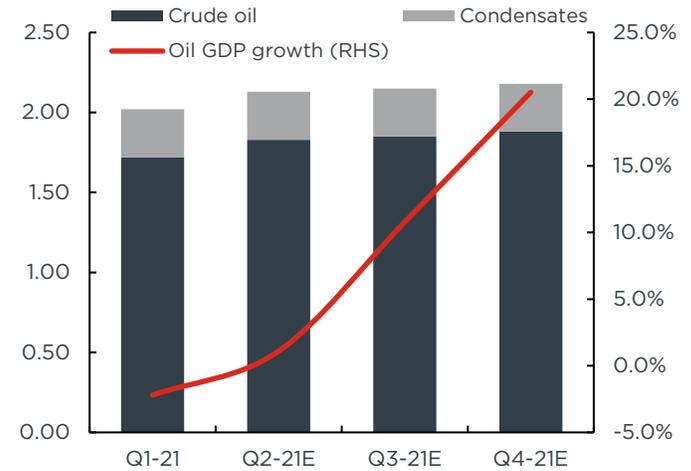


Figure 11: 2021 oil production (mb/d) vs oil GDP

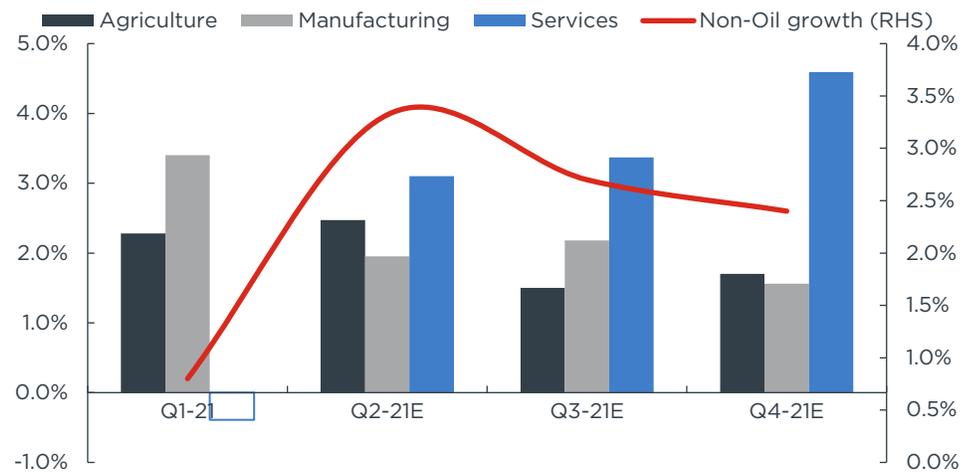


Source: Bloomberg, NBS, Cordros Research Estimates

Recovery in Economic Activities to Buoy Non-oil Sector Growth

In line with our 2021FY outlook, we still expect the non-oil sector to spearhead the rebound in economic growth. Specifically, we expect the Services sector to benefit from the full reopening of the economy as service-oriented companies expand operations after the pandemic-induced rationalisation of activities. Improved activities in the informal sector and the rising activities of payment service banks are also positive for the Telecommunications industry. Meanwhile, government support for the Manufacturing and Agricultural sectors have started yielding results. Overall, we expect Non-oil GDP to grow by 2.31% y/y in 2021E (2020FY: -1.25% y/y).

Figure 12: Growth in non-oil GDP key components



Source: NBS, Cordros Research Estimates

Improved Mobility to Support Growth in Services Sector

Considering that the restriction of movement to combat the pandemic underpinned the slump in services GDP in 2020FY, we expect the relaxation of the restrictive measures to drive a rebound in the sector. Increased movement of people and goods would positively impact the contact-dependent sectors (Transportation, Education, Accommodation, Entertainment and Trade) despite inflationary pressures. Similarly, we expect the ICT sector to sustain its growth, albeit slower than last year, as the (1) impact of high base effect and (2) normalisation of economic activities reduce the demand for internet subscriptions. Elsewhere, we expect commercial banks to expand holdings of government securities at the expense of lending to the real sector despite the penalty implications under the recently instituted LDR/LFR policy. Hence, the preceding should moderate the overall growth of the Financial and Insurance sector. Overall, we now expect the Services GDP to grow by 2.73% y/y (vs -2.22% y/y in 2020FY).

Figure 13: ICT and Services GDP growth

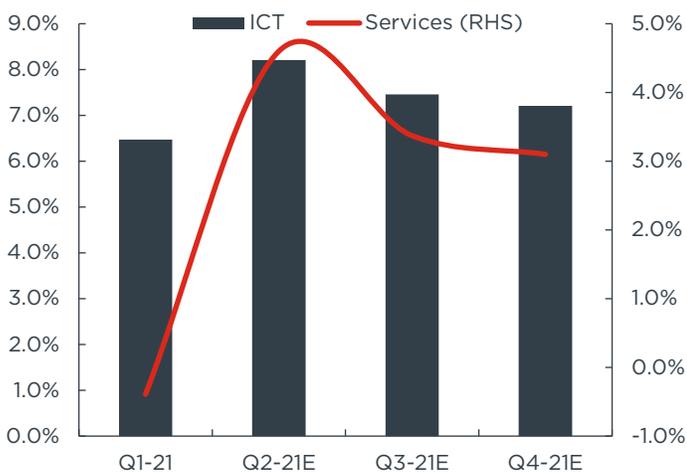
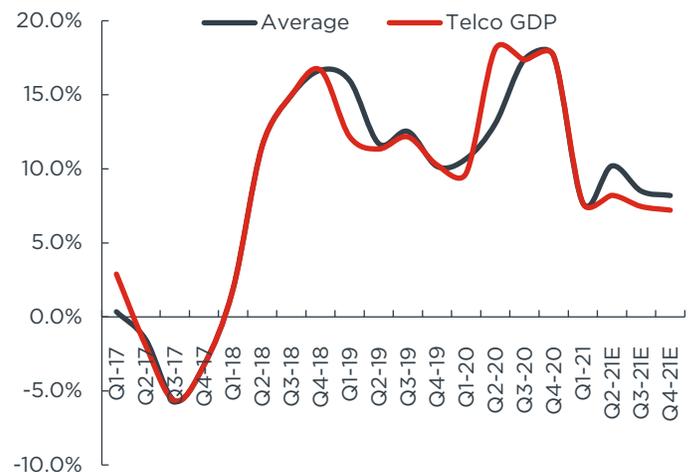


Figure 14: Average growth in callable minutes/internet subscription and Telco GDP



Source: NCC, NBS, Cordros Research Estimates

Manufacturing Sector to Benefit from FG Support & Improved Demand

Although the effects of the COVID-19 pandemic dealt a significant blow to the Manufacturing sector in 2020FY, Q1-21 performance revealed that improved demand and government COVID-19 stimulus packages were instrumental in the positive growth in the sector despite lingering structural constraints and FX liquidity challenges. We think the Manufacturing sector will continue to grow over the rest of the year as consumer demand recovers and supply chain disruptions begin to dissipate. However, we highlight that infrastructural bottlenecks and FX liquidity issues will continue to limit the pace of expansion in the sector. Overall, we estimate the sector will grow by 2.28% y/y in 2021E (2020FY: -2.75% y/y).

Figure 15: Manufacturing GDP growth

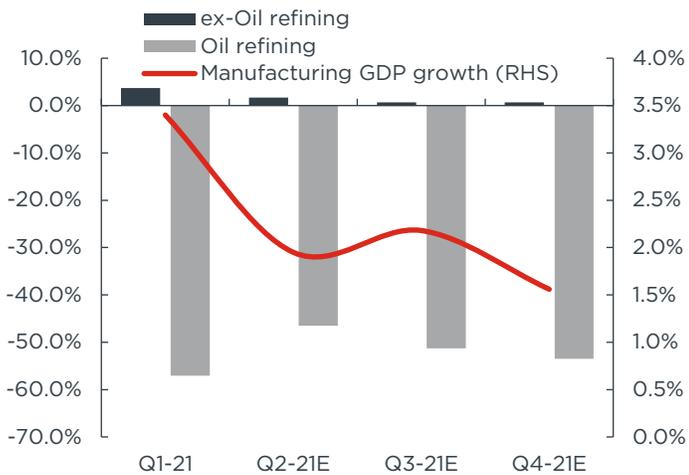
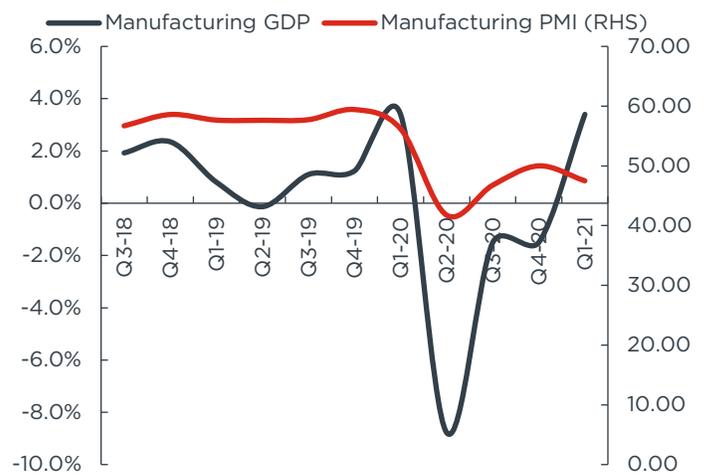


Figure 16: Manufacturing PMI vs manufacturing GDP

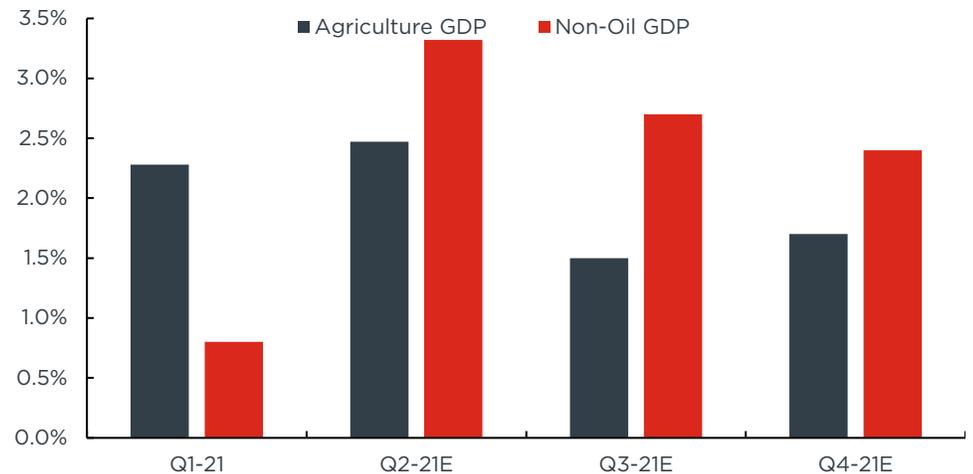


Source: NBS, CBN, Cordros Research Estimates

FGN's Fiat-Led Interventions to Support the Agriculture Sector

Following the positive impact of sustained monetary and fiscal fiat-led support on the Agricultural sector in Q1-21, we expect the sector to remain in the expansionary phase over the rest of 2021. Specifically, the injection of NGN1.50 trillion into the real sector, loans to MSMEs, and moratoriums on existing CBN interventions such as the "Commodity Development Initiative" should support sustained growth in the Agriculture sector. In addition, relaxation of lockdown rules should also improve activities on farmlands, generating positive spill-overs on crop production, livestock, and fishing subsectors. Therefore, having factored in the pre-existing risk elements such as the herder/farmers' conflicts and banditry, particularly in the country's Northern region, we project an average growth of 2.14% y/y in 2021E (2020FY: 2.17% y/y).

Figure 17: Agriculture and non-oil GDP growth



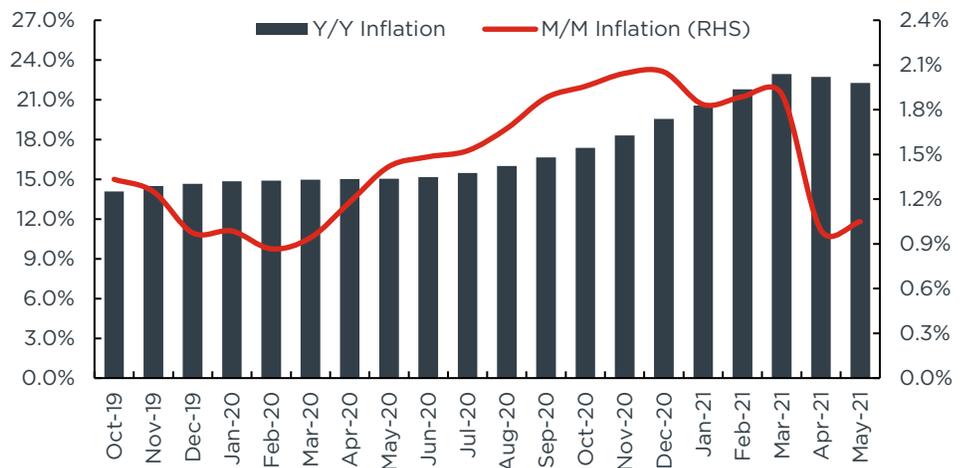
Source: Cordros Research Estimates

Inflation.

Food Prices Stoke Pressure on CPI

In our 2021FY outlook report, we stated that the combination of (1) the sustained implementation of hikes in electricity tariffs, (2) market-determined fuel prices, (3) persisting security challenges and FX supply constraints, and (4) an unfavourable base effect from the prior year, will keep the headline CPI elevated in 2021. In line with our expectations, headline consumer prices rose consistently from January through to March but declined marginally in April and May. Notably, headline CPI rose by 218bps to 17.93% y/y between December 2020 and May 2021 compared to 42bps between December 2019 and May 2020. In addition, we note that persistent conflict in food-producing regions of the country further pressured headline CPI over the review period as food supply became limited relative to demand. For context, headline inflation hit a peak of **18.17% y/y in March 2021 - the highest level since January 2017 - on the back of the spike in the food index to 22.95% y/y in March 2021, which was the highest level since the NBS started keeping the current data series.**

Figure 18: Historical food inflation

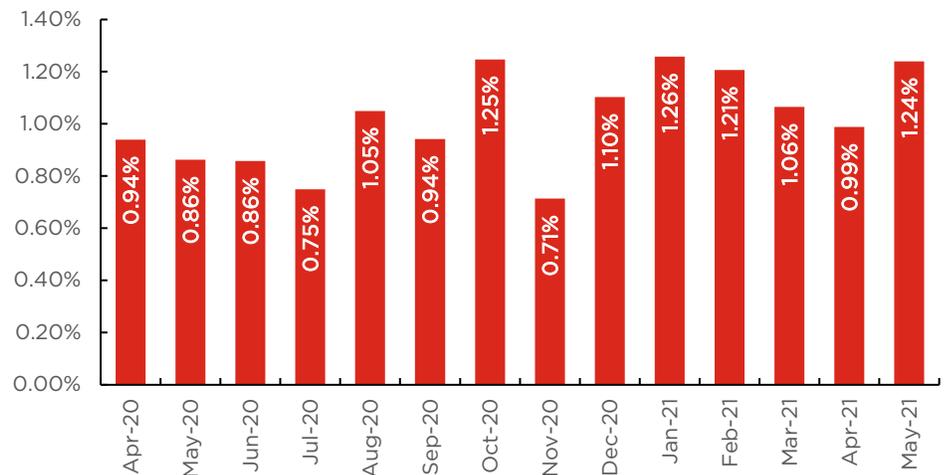


Source: NBS, Cordros Research

Headline inflation moderated by 5bps to 18.12% y/y in April, driven mainly by the food basket. We attributed the moderation in food prices to the rational expectation of consumers in line with the Rational Expectation Hypothesis in economic theory, where people base their decisions on the information available to them and past experiences. Hence, we think consumers' most likely frontloaded food items in March in anticipation of the Ramadan-induced price increase in April. Although food inflation resumed uptrend on a month-on-month basis in May, we highlight that it moderated year-on-year mainly due to the favourable base effect from the prior year. Similarly, the core inflation snapped a

three-consecutive month of decline as it increased by 25bps to 1.24% m/m in May, translating to a y/y print of 13.15% (April: 12.73% y/y). We believe the preceding reflect the (1) increase in PMS (+29.6% y/y) and diesel prices (+9.0% y/y) and (2) increased demand for transport services that accompanied the relative increase in the movement of people compared with a year ago.

Figure 19: Historical m/m core inflation

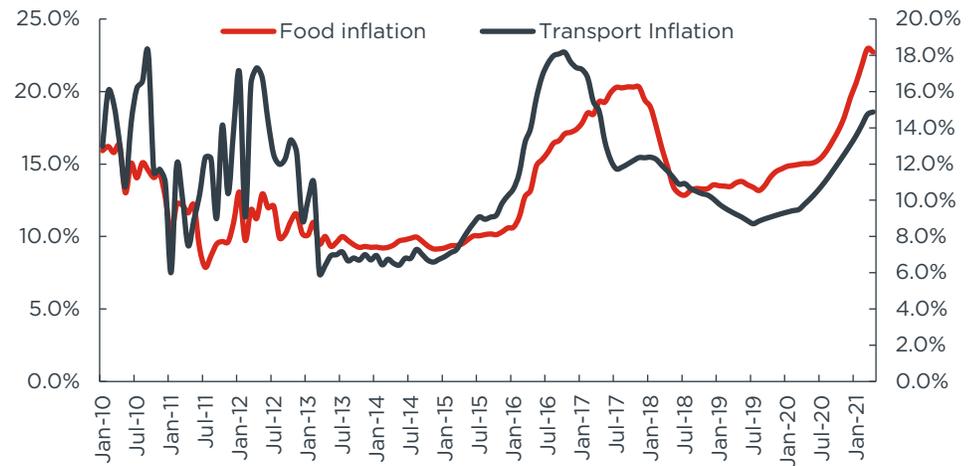


Source: NBS, Cordros Research

Inflationary Pressure to Moderate but Fresh Risks Mount

Central to our inflation outlook for H2-21 is the commencement of the primary harvest season, which typically pushes food prices lower as the supply of consumer staples improves. However, in May, the National Hydrological Services Agency (NHSA) reported that 28 states of the Federation are at severe risk of flooding in 2021, with states surrounding River Niger and Benue likely to experience severe flooding. The agency also notes that except for Kebbi state, all other states have ignored the recommended measures to limit the impact of flooding. Accordingly, we think the prospect of a bountiful harvest season in 2021 is not bright unless states proactively work together to avert the crisis. Meanwhile, the Nigeria Governor’s Forum (NGF) has recommended that the retail price of PMS range between NGN380.00 and NGN408.50 per litre compared to the average of NGN168.06 per litre as of the end of May 2021. Although we do not envisage the magnitude of adjustment suggested by NGF, given that it is likely to be met with protests from labour unions, we note that any upward adjustments will negatively affect transportation costs with negative spillovers on food prices.

Figure 20: Trend in food and transport inflation

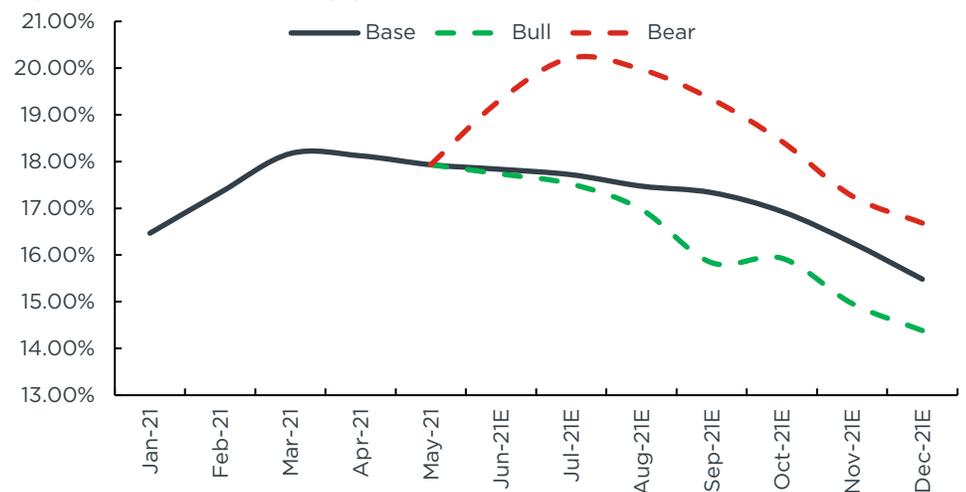


Source: NBS, Cordros Research

On the core basket, the Nigerian Electricity Regulatory Commission (NERC) has stated that it would effect a new electricity tariff hike from July, in line with the changes in inflation, foreign exchange, gas price and available generation capacity, among other factors. Our baseline expectation is that implementation will commence in July. Consequently, we believe higher electricity prices combined with the prospect of increased fuel prices will impact the sub-components of the core index, particularly the Housing, Water, Electricity and Gas and Other Fuels (HWEGF) basket.

On a balance of factors, we expect headline inflation to settle at an average of 17.26% y/y over 2021E (2020FY: 13.21%) and 15.48% y/y by year-end (2020FY: 15.75%) based on our base case.

Figure 21: Headline inflation (y/y) scenarios



Source: NBS, Cordros Research Estimates

Bull case: If the NERC fails to implement the planned electricity price hike, fuel price will continue to trade within the NGN162.00 and NGN168.00 per litre price band. We expect the headline CPI to average 16.78% y/y over 2021E and settle at 14.38% y/y by year-end.

Bear case: On the other hand, complete deregulation of fuel prices based on the NERC's full implementation of the planned electricity price hike implies further pressure on the headline CPI. In this scenario, we expect the headline inflation to average 18.28% y/y over 2021E and a year-end print of 16.68% y/y.

Balance of Payments.

Deterioration in Trade Balance Widens the CA Balance

Nigeria's current account (CA) position stayed in a deficit position for the tenth consecutive quarter, with the balance in Q4-20 (USD5.26 billion or -4.5% of GDP) representing the largest CA deficit since Q4-19 (USD6.68 billion). **The Q4-20 data now puts the total CA deficit for 2020FY at a new record high of USD16.98 billion (or -4.2% of GDP vs USD16.74 billion in 2019FY), in line with our estimate of USD17.28 billion.** The deficit in Q4-20 was primarily due to the goods imports (USD14.69 billion) outstripping goods exports (USD8.44 billion). Beyond that, services, and income, both of which have historically printed net debits, grew by 77.6% q/q and 48.2% q/q, respectively. Meanwhile, the net current transfer rose by 29.5% q/q but was not enough to mask the deficits in the other line items.

Figure 22: Trade balance (USD billion)

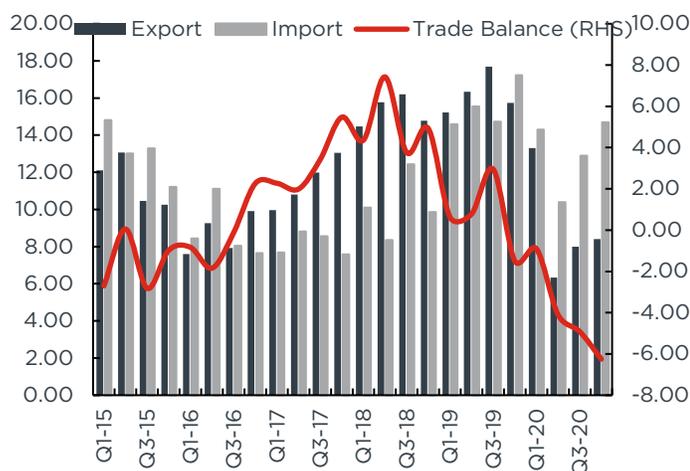
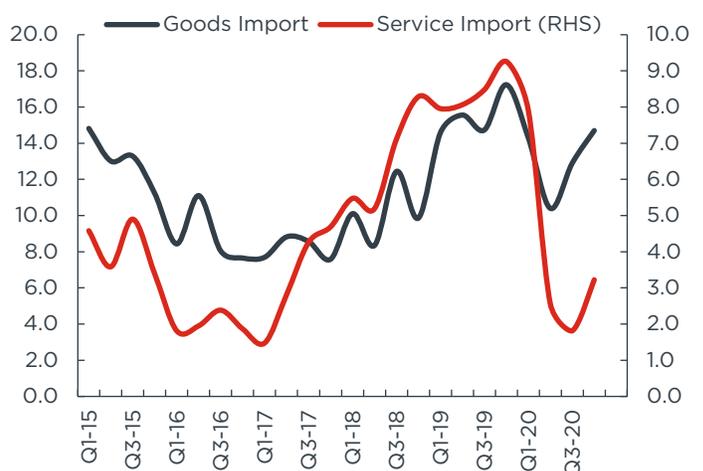


Figure 23: Goods vs Services imports (USD billion)



Source: CBN, Cordros Research

While we note that the pressure on the services account must have been due to the gradual reopening of world economies, we believe the increase in trade deficit resulted from rapid growth in the importation of petroleum products and non-oil commodities. We also highlight that the widening of the deficit in the income balance reflects the repatriation of investment income by foreigners as the rebound in global trade flows enabled them to exit the economy in light of unstable macroeconomic conditions.

Figure 24: Goods, Service, Income, Current transfer (USD billion)

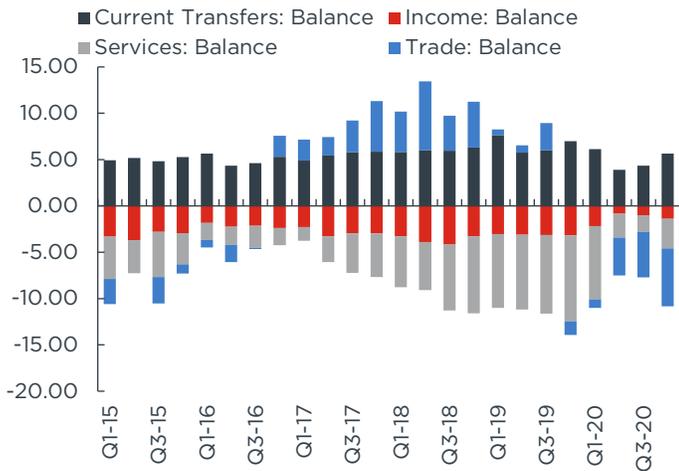
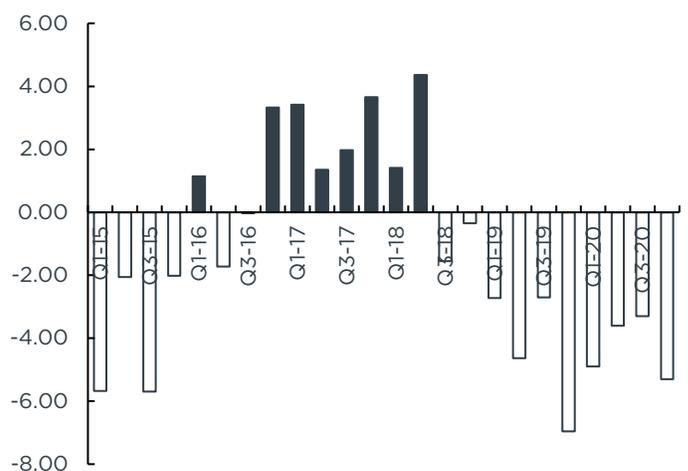


Figure 25: Current Account (USD billion)

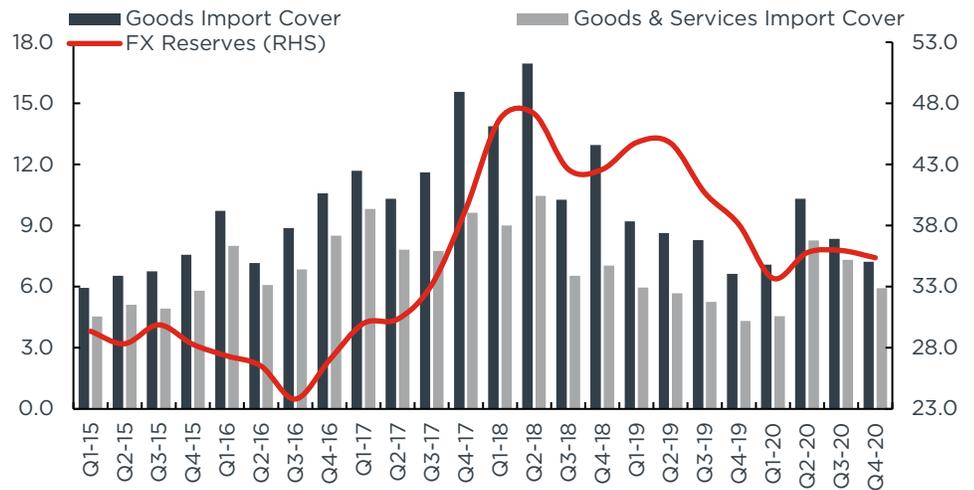


Source: CBN, Cordros Research

Despite the wide CA gap, the reserve drawdown was marginal at USD405.68 million in H2-20 (H2-19: USD6.65 billion) as the CBN relied on the (1) IMF’s budget support facility (USD3.40 billion), (2) World bank’s USD500.00 million loan under the Adolescent Girls Initiative for Learning and Empowerment (AGILE) and (3) BOI’s USD1.10 billion syndicated facility from the international capital market to support micro, small, medium and large enterprises across critical sectors of the Nigerian economy. Besides, the CBN also significantly reduced interventions (H2-20: USD15.72 billion vs H2-19: USD32.10 billion) to the different segments of the FX market during the review period.

However, the increased import and gradual resumption in global economic activities reduced the months of import cover in 2020FY. For one, we note that Nigeria’s current reserves can cover approximately seven months of imports. However, when we account for services imports, FX reserves of USD35.37 billion as of December 2020 covers approximately six months of imports (Q3-20: seven months), in line with the six-month cover recommended by the IMF for the West African Monetary Zone (WAMZ).

Figure 26: Trend in FX reserves (USD billion) and import cover (monthly)



Source: CBN, Cordros Research Estimates

CA Deficit Likely to Be Wider Than We Previously Estimated

In our 2021FY outlook update, we projected that the 2021E CA deficit would reach USD17.28 billion. However, given the improvement in domestic demand for goods and services in line with economic recovery, we are now more pessimistic as we believe the CA deficit will widen.

We expect total exports to increase above the 2020 levels due to higher oil prices. We forecast crude oil prices to average USD60.00/bbl. in 2021E (2020FY average: USD41.96/bbl.). However, lower oil production volumes due to compliance with the OPEC+ agreement means that exports are unlikely to reach pre-COVID levels. Oil exports account for c. 84.0% of total exports. Accordingly, our model suggests a 31.4% increase in total exports to USD47.23 billion in 2021E (2020FY: USD35.94 billion) – 27.3% below the 2019FY level.

Figure 27: Oil vs non-oil exports contribution (%)

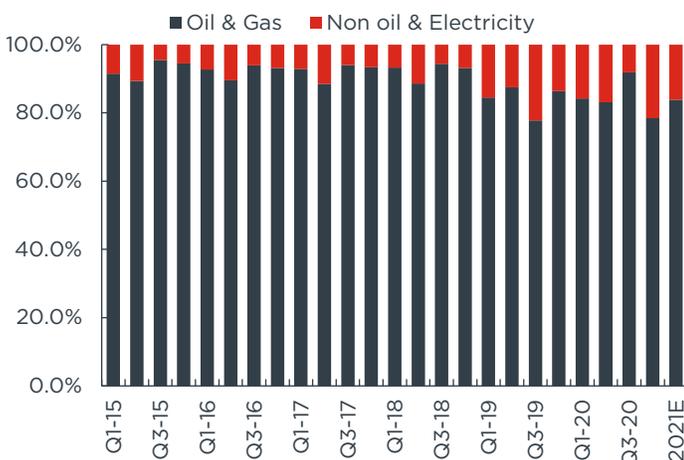
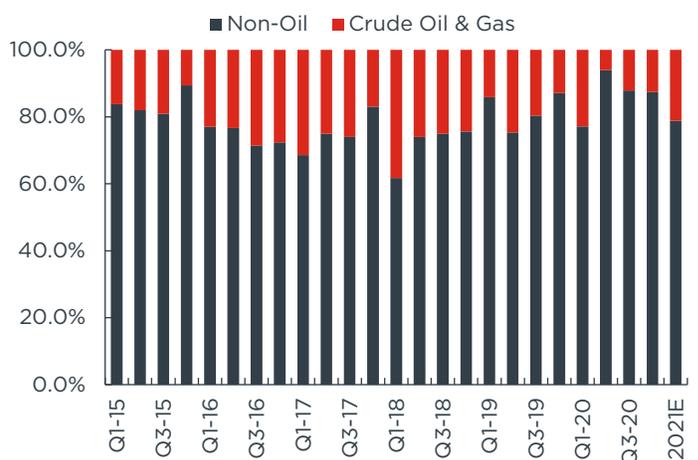


Figure 28: Oil vs non-oil imports contribution (%)

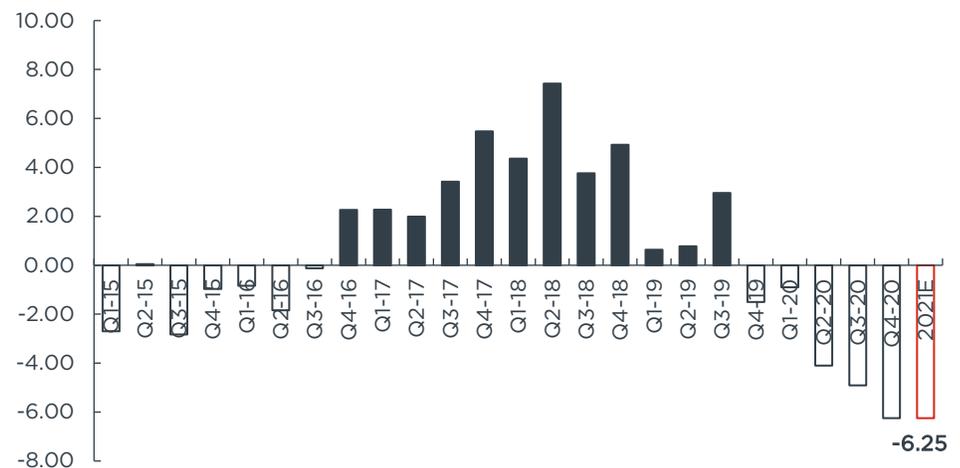


Source: CBN, Cordros Research Estimates

As earlier stated, the economic recovery means domestic demand will improve in the current year. However, given the reliance on imports, we expect importation to increase marginally compared to 2020 levels (given that 2020 already formed a high base). Also, we highlight that the resumption of subsidy payments on PMS is a bad omen for imports as it encourages smuggling to neighbouring countries given arbitrage opportunities. Thus, we forecast a 2.2% y/y increase in imports.

Overall, given our estimate of faster growth in exports (+31.4% y/y) compared to imports (+2.2% y/y), we expect the 2021E trade deficit to settle at USD6.25 billion (2020FY: USD16.40 billion deficit).

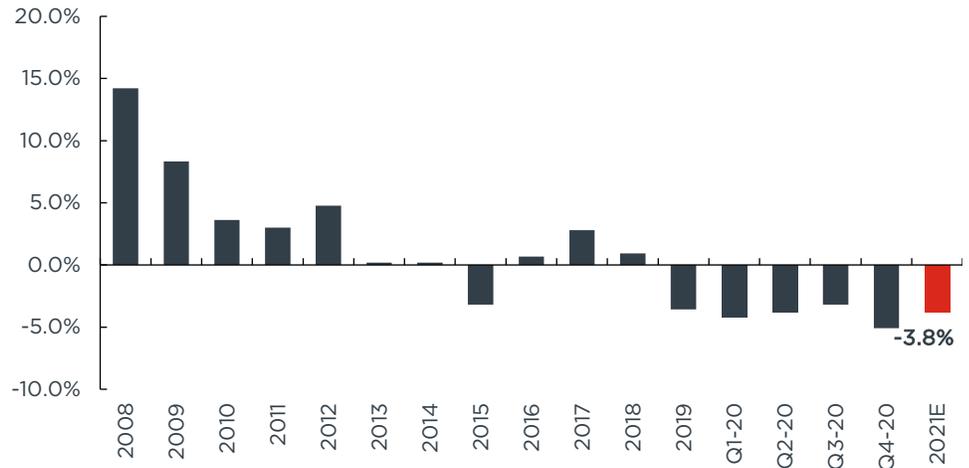
Figure 29: Trade balance (historical and forecast; USD billion)



Source: CBN, Cordros Research Estimates

In line with our 2021FY outlook, we expect the gradual recovery in travel and tourism to increase demand for foreign currencies for service-based transactions. Consequently, we expect the services account (net) to increase by 56.2% y/y to USD24.75 billion in 2021E (2020FY: USD15.84 billion). Similarly, our model suggests that the primary income balance will widen by 92.0% y/y, as foreigners' repatriate investment income amid the expectation that the CBN may gradually relax its capital control measures. Meanwhile, we expect the surplus in the secondary income balance to increase by 14.6% y/y due to the (1) reopening of world economies, implying nationals residing overseas can now send funds home after regaining employment and (2) the impact of CBN's remittance policy. **Thus, on balance, we now look for the CA deficit to settle at USD17.95 billion in 2021E (2020FY: USD16.98 billion), translating to -3.8% of GDP (nominal).**

Figure 30: CA balance (as a % of GDP)



Source: CBN, Cordros Research Estimates

Capital Importation: Foreign Investors Stay on the Sidelines

Capital importation which used to be the bedrock of build-up in the reserves in the past, has continued to dry up. The persistent decline in capital importation over 2020FY reflects (1) foreign investors' risk aversion towards naira assets following the impact of the COVID-19 pandemic on the domestic economy and (2) weak investor's confidence due to reform inertia and inconsistent policy frameworks.

Over 2021FY, we expect a marginal pickup in capital importation on account of (1) a low base effect, (2) higher yields in the OMO market, and (3) gradual improvement in liquidity conditions in the FX market, given the rebound in oil prices. Thus, we see scope for improvement in portfolio inflows. On FDI, we do not expect any significant divergence from historical trends due to the continued presence of structural rigidities and, in recent times, socio-economic problems which will continue to deter long-term investments in our view.

Figure 31: Capital importation (USD billion)

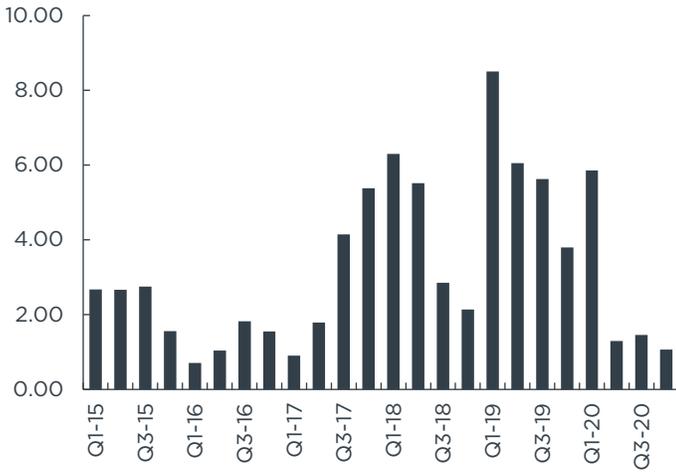


Figure 32: Capital importation composition (USD billion)

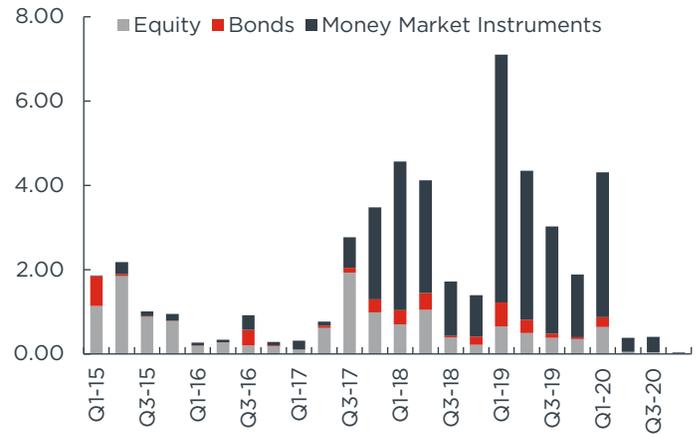


Figure 33: FPI contribution to total inflows (%)

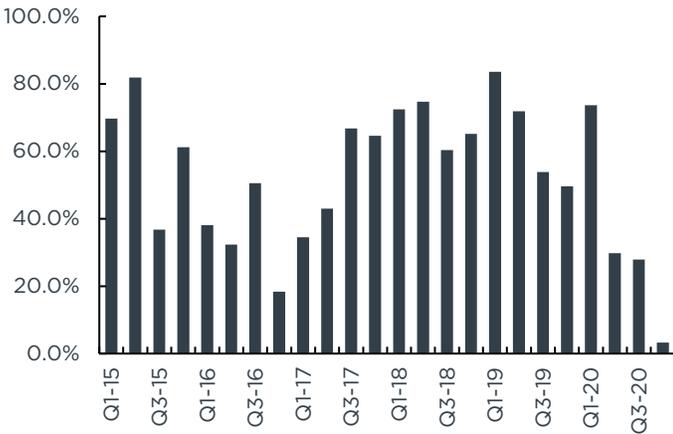
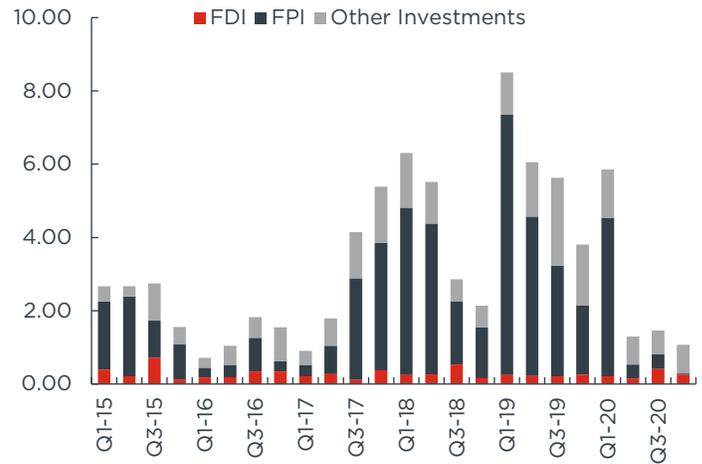


Figure 34: FPI composition (USD billion)



Source: NBS, CBN, Cordros Research

Currency.

The Naira Depreciates Further at the I&E Window

In our [2021FY outlook report](#), we projected that the CBN would devalue the Naira by 5.1% to NGN415.00/USD at the Investors and Exporters Window (IEW) to ease the liquidity crunch in the foreign exchange market. In line with our expectations, the currency was devalued by 3.9% to c. NGN410.00/USD by the end of March at the IEW. We attribute the marginal adjustment to CBN's quest to lure FPIs in the face of persistent pressure on the Naira. Although FPI inflows into the IEW increased to USD175.20 million in March (February: USD17.90 million) partly due to the marginal depreciation, it was still far below the pre-pandemic level (2019 monthly average FPI inflow: USD1.31 billion). Given the low level of intervention evidenced by the lower FX reserve drawdown in H1-21 as of 25th June (USD1.85 billion vs H1-20: USD2.32 billion drawdown) and persistently low foreign inflows amid the deteriorating CA picture, the Naira weakened by 4.3% YTD to NGN411.67/USD at the IEW as of 25th June.

Meanwhile, the exchange rate at the parallel market depreciated at a faster pace by 5.1% to NGN498.00/USD as of the end of May, given the (1) impact of the build-up of unmet FX demand at the official channels and (2) activities of speculators. On the latter, we highlight that the Naira depreciated by 1.2% (the most significant single-day decline in 2021) on 26th May after the CBN governor confirmed that the official rate had been equalised to the NAFEX rate. For us, the action of the apex bank increased speculative activities as market participants scrambled for foreign currencies in expectation of further devaluation.

So far in 2021, the Naira (-3.1%) is one of the worst-performing currencies relative to other major African currencies - ZAR/USD (+3.6%), KSH/USD (+1.4%), GHC/USD (+0.6%), EGP/USD (+0.3%) and TND/USD (-2.8%) as of 25th June. However, over the rest of 2021, we believe the exchange rate at the IEW will be relatively range-bound given an increased level of intervention as higher oil prices and expected Eurobond issuance support the FX reserves accretion.

Figure 35: IEW vs parallel rates

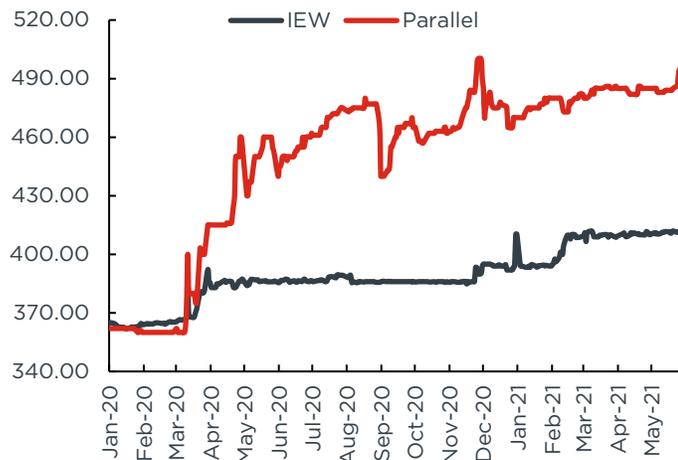
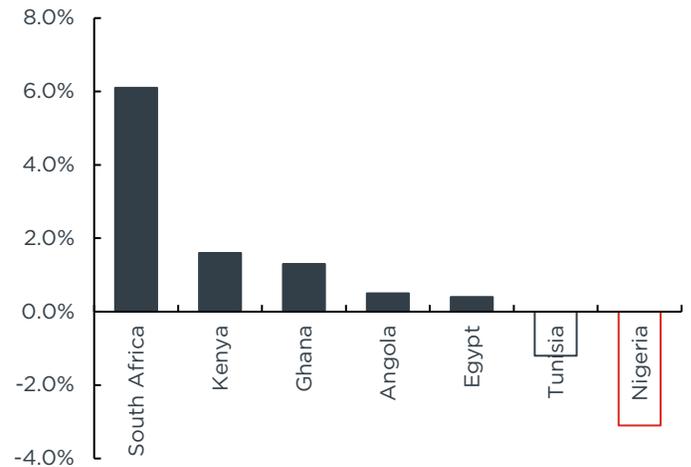


Figure 36: NGN vs comparable currencies (YTD)



Source: Bloomberg, AbokiFX, Cordros Research

CBN Attempts to Set the Stage for FPIs to Return

At the 4th February 2021 OMO primary auction, the CBN more than doubled the yields on instruments sold, increasing the average stop rate by 467bps to 8.5%. As a result, the stop rate of the long-dated instrument (362-day) closed at 10.1% (previous stop rate: 5.7%) – the highest level since the 30th April 2020 auction (12.6%). The preceding occurred despite the auction being undersubscribed and the CBN allotting c. 90.0% of the total amount offered on each tenor. Interestingly, local banks had limited participation due to the tight liquidity conditions arising from CRR debits and FX retail auctions during that week. Hence, we believe that the hike in stop rates was done majorly to ignite FPI interest which would support US dollar inflows.

Figure 37: Cash inflows to the IEW (USD billion)

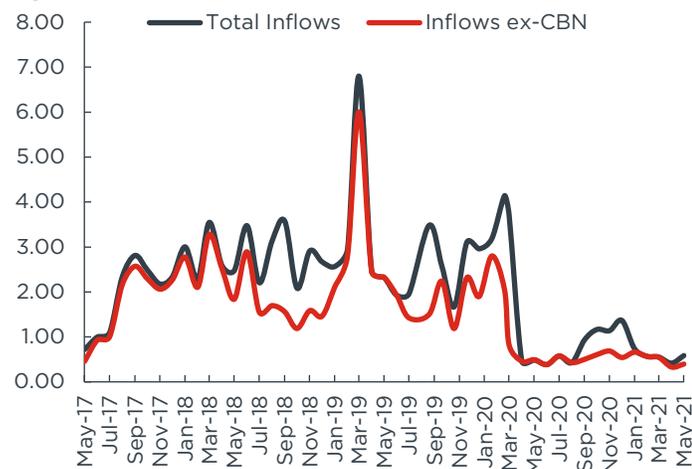
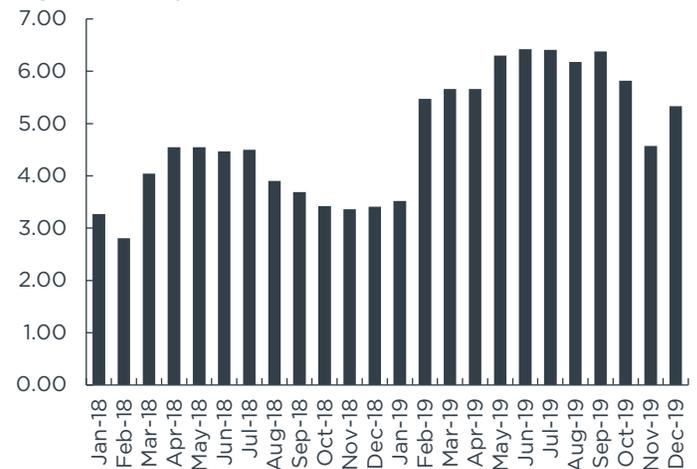


Figure 38: FPI portion of OMO bills (NGN trillion)



Source: FMDQ, CBN, Cordros Research

Meanwhile, data obtained from FMDQ shows that the one-year Non-Deliverable Forward (NDF) rate was adjusted by 2.7% to NGN452.82/USD (Previously: NGN440.86/USD) on the 2nd February 2021. Similarly, the CBN also revised the NDF maturing on 24th February to NGN412.14/USD (Previously: NGN405.13/USD), a premium of 4.3% over the IEW spot rate of NGN395.00/USD on the 2nd February 2021. In our view, the rationale behind this was to (1) retain FPI flows given the size of NDF maturities over the year and (2) attract new FPI flows to ease the pressures on the Balance of Payments (BoP) balance.

Figure 39: Futures contracts settlement dates (USD billion)

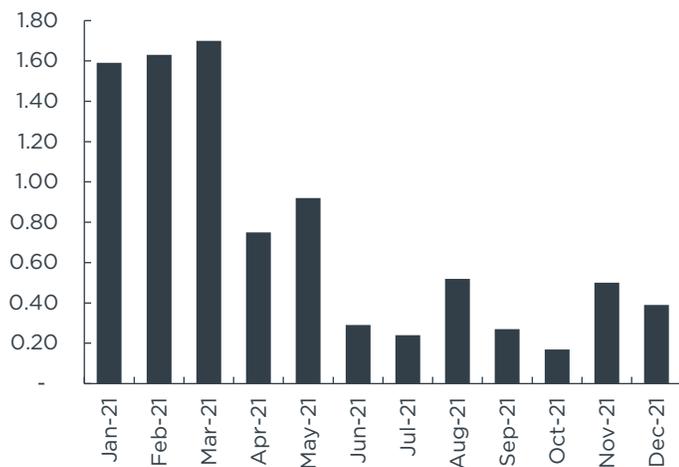
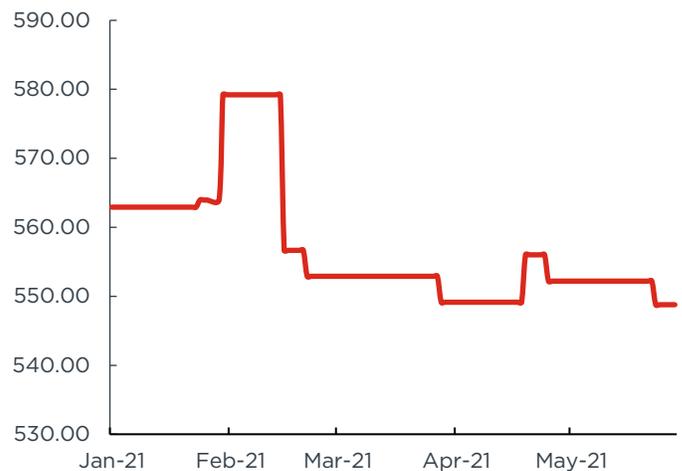


Figure 40: Movement in NGUS JAN 29 2025 rate

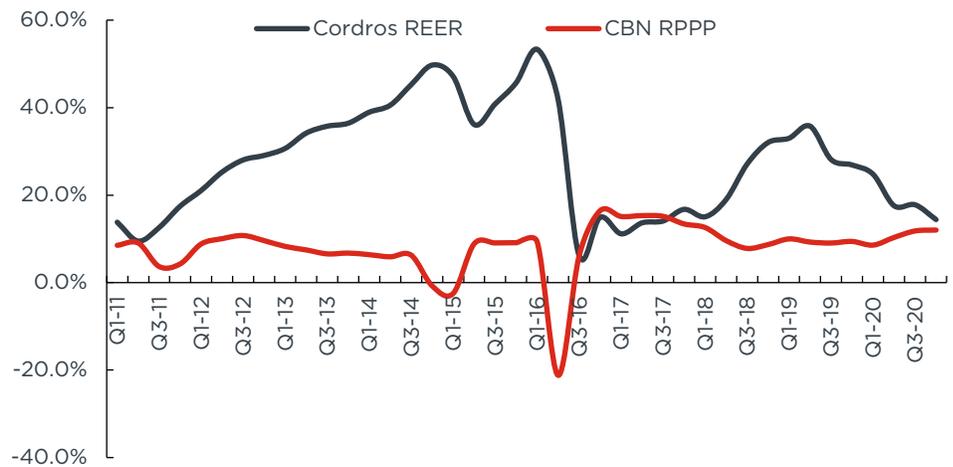


Source: FMDQ, Cordros Research

The REER Gap has Narrowed, but the Naira is still not Fairly Valued

Based on our REER analysis, the Naira would need to depreciate by 7.6% (2021E: NGN445.32/USD) at the IEW to trade at its fair value. Our prognosis on the magnitude of weakening in the currency is lower than the 14.9% average depreciation in 2020FY, given that (1) the CBN has already devalued the currency by 4.1% in March, and (2) the strong rebound in oil prices and the prospect of Eurobond issuance, which should reinforce the CBN's FX reserves to support the currency. However, given that currencies hardly trade at their fair values in the short term, due to a plethora of fundamental issues and the influence of monetary authorities, we think the divergence between that NAFEX rate and that indicated by REER may persist in the short to medium term.

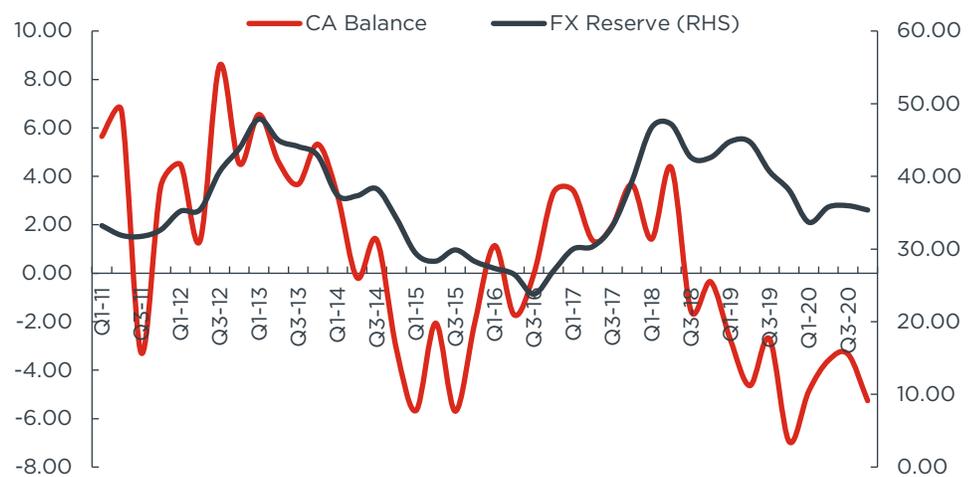
Figure 41: Fair Value of the Naira



Source: CBN, Cordros Research Estimates

That said, since the CA balance has a positive correlation with the FX reserves, we believe the CBN would not be wary about drawing down on the reserves to continue to defend the currency due to (1) the Eurobond issuance, which we expect to be a record issuance of USD4.00 billion, (2) the impact of a continued rally in oil prices, and (3) gradual return of FPIs as the CBN clears the latent demand in the IEW. Sequentially, we think the era of significant pressures on the local currency is gradually coming to an end.

Figure 42: CA Balance vs FX Reserves (USD billion)



Source: CBN, Cordros Research

Covering All Bases

On the CBN's liquidity position, our crude oil price and production estimates translate to average monthly oil inflows of USD1.48 billion (+141.8% y/y) over the second half of 2021. Although foreign investors will not return in droves, we expect non-oil inflows to be supported by inflows from the Eurobond issuance

(c. USD4.00 billion). Consequently, we project average monthly non-oil inflow will increase by 93.2% y/y to USD3.70 billion in H2-21. Sequentially, we expect the total inflows into the CBN's coffers to average USD5.18 billion in H2-21 (H2-20: USD2.53 billion).

Elsewhere, OMO maturities over H2-21 are relatively low (USD8.16 billion vs H2-20: USD19.57 billion), and we assume that FPIs own c. 66.0% (pre-market segregation: c. 35.0%) of the maturities. We also believe that the CBN will relax its capital control measures given the Eurobond issuance's expected inflow, which will boost external reserves, enabling the bank to step up its intervention at the IEW. Hence, we expect the FPI liquidation percentage to increase to c. 47.0% from its capital control level of c. 35.0%. Accordingly, we arrived at total FPI outflows of USD2.77 billion in the second half of the year, translating to a monthly average of USD461.94 million.

Sequentially, the increased external reserves would also allow CBN to increase its intervention at the interbank and BDC segments of the market. Thus, we project the CBN's average monthly cash outflow to increase by 101.3% y/y to USD5.27 billion.

On balance, our estimated monthly average net cash flow translates to a reserve drawdown of c. USD696.05 million over H2-21 (vs drawdown of USD1.29 billion in H2-20). We expect the reserves to settle at USD38.79 billion at the end of 2021, translating to import cover (goods and services) of 6.5 months.

Figure 43: CBN's Monthly Cashflows (USD billion)

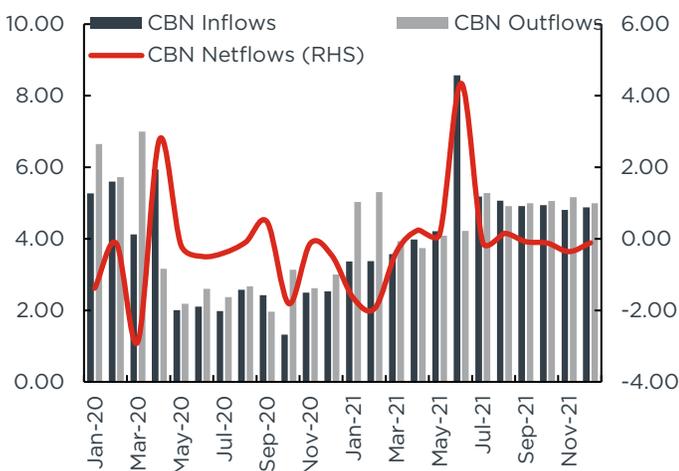
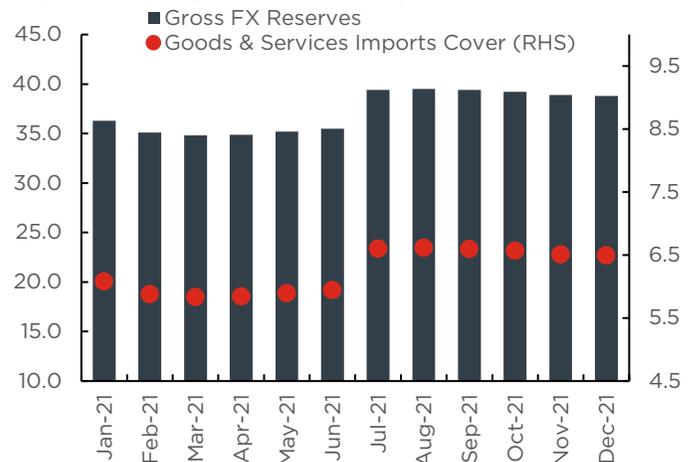


Figure 44: Foreign reserves and import cover (USD billion)



Source: CBN, Cordros Research

Our baseline expectation is that there will be no significant movement in the IEW rate for the rest of the year as we see the rate settling at USD415.00/USD by year-end. Given the current premium of c. 21.0% between the NAFEX and parallel market rates, we believe the CBN will be focused on bringing down the premium

by increasing US dollar sales to BDCs. Notwithstanding, we do not envisage that the premium will be eliminated as this will require further devaluation of the Naira at the IEW to the fair value implied by REER (NGN445.32/USD). Also, we do not expect the apex bank will concede to further devaluation of the currency given the attendant impact on speculative activities in the parallel market. In our opinion, the CBN would lean towards (1) expected inflows from Eurobond issuance and (2) hike in OMO rates in a bid to boost capital inflow and ultimately increase dollar supply to BDCs to reduce the premium between parallel and NAFEX rates.

Our bear case scenario suggests that the CBN would depreciate the Naira between the range of NGN420.00/USD and NGN425.00/USD at the IEW.

Monetary Policy.

MPC Maintains Status-Quo to Consolidate Tepid Recovery

In our 2021 outlook report, our base case scenario was for the Monetary Policy Committee (MPC) to remain dovish until Q2-21, where we expected the combination of (1) positive growth and (2) sustained inflationary pressures to trigger a 50bps hike in the key policy rate. However, contrary to our expectations, the MPC decided to maintain the status quo during the first half of the year. The MPC noted that while tightening would address the stubbornly high inflation, an accommodative monetary stance is needed to enable previous policy actions to permeate the economy. For us, the underlying tone of the Committee reflects the difficult task of achieving the competing goals of price stability and supporting economic recovery. Accordingly, the Committee continued to favour the use of its administrative measures and secondary "toolbox" such as the (1) Naira for Dollar Scheme, (2) CRR debits, (3) Loan-to-Deposit Ratio (LDR) and (4) direct intervention in the agriculture and manufacturing sectors to manage system liquidity, enhance FX liquidity and boost output growth.

Figure 45: MPR & Inflation

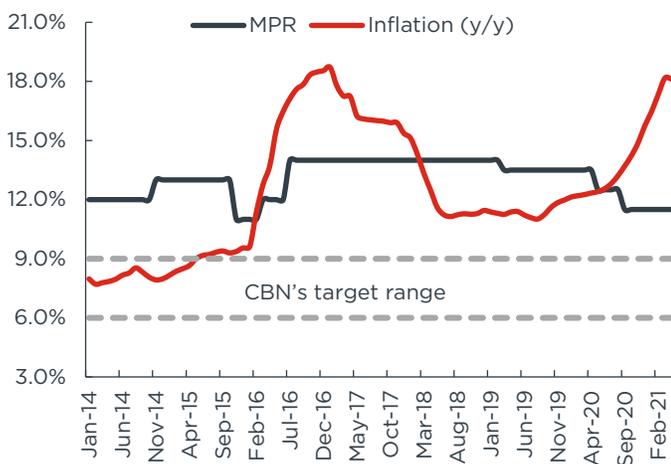
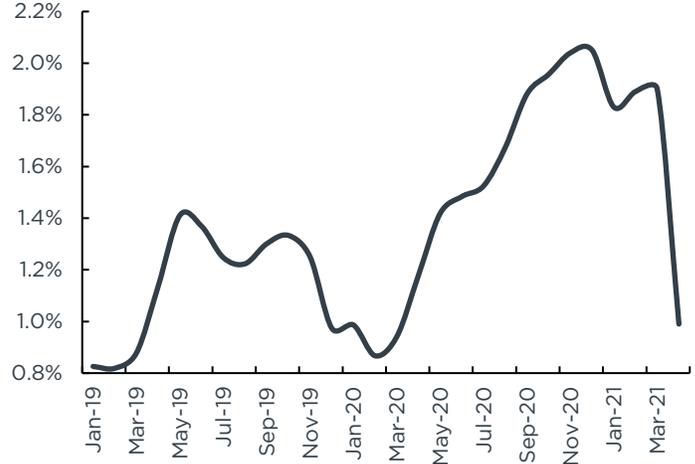


Figure 46: Food inflation (m/m)



Source: NBS, Cordros Research

CBN Shifted Stance to a Tightening Cycle without Tweaking the MPR

Despite the dovish stance of the MPC in the first half of the year, data on money supply from the CBN provides evidence that the CBN has embarked on liquidity tightening even though MPR has remained unchanged at 11.5%. The aggregate money supply (M2 + CBN bills) increased marginally by 1bp to NGN38.65 trillion as of the end of March (vs December 2020: NGN38.63 trillion). The subdued growth in the aggregate money supply emanated from a 53.1% decline in CBN bills as the apex bank continued to trim its OMO portfolio (4M-21: -81.5% y/y)

even as M2 remained on a tepid growth path in Q1-21 (+1.4% vs Q1-20: +7.7%). At the same time, the CBN continued to use arbitrary CRR debits to manage financial system liquidity. As of Q1-21, the CBN debited banks to the tune of c. NGN2.00 trillion as excess CRR. Consequently, the overnight lending rate has been elevated since January, averaging 12.2% in the YTD as of 25th June (June-20 YTD average: 8.3%) and settling at 23.0% at the end of the period. The preceding reinforces our view that the apex bank has in principle shifted to a tightening phase.

Figure 47: Average OMO net inflow (NGN billion)

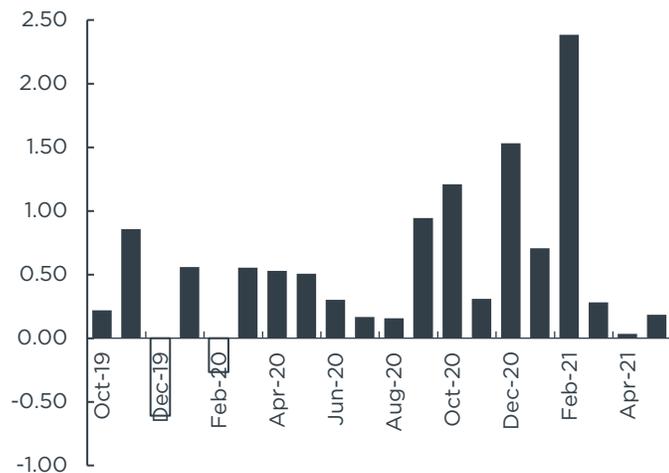


Figure 48: Average OMO stop rate (%)



Source: FMDQ, CBN, Cordros Research

MPC to Lean Towards Supporting Fragile Economic Recovery

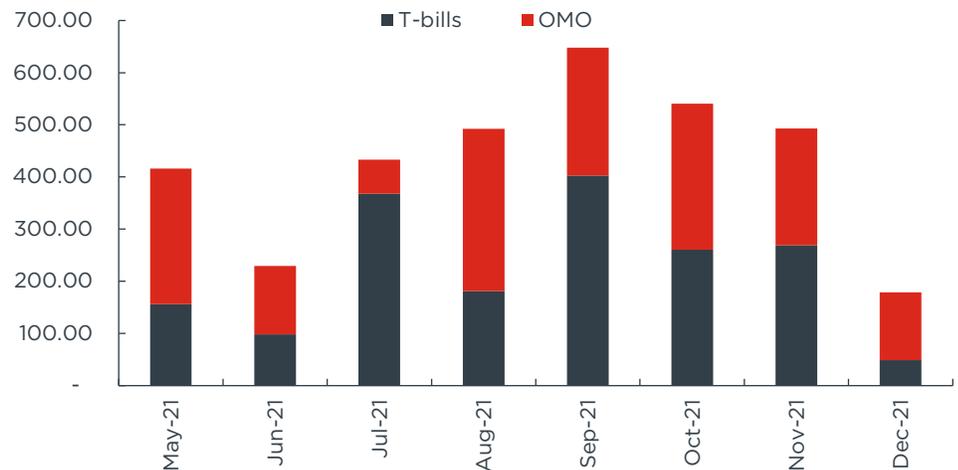
For the rest of the year, the trajectory of economic growth and inflation rate are central in framing our outlook for the MPR. On the former, the body language of the MPC suggests that its short-term objective is to enable the recovery to gain a foothold, given the weak growth numbers in Q4-20 (+0.11%) and Q1-21 (+0.51%). Furthermore, based on the minutes of the three policy meetings held this year, we highlight that the MPC has consistently attributed the economic recovery to the combined impact of fiscal and monetary stimulus rolled out since the onset of the pandemic. However, it is pertinent to note that the growth numbers are still not broad-based, with the Telecommunications sub-sector contributing the most to the economic growth recorded in Q4-20 and Q1-21. Accordingly, we believe the Committee will continue to keep the policy parameters unchanged until satisfied that the recovery has gained a foothold.

Although inflationary pressures remain elevated, we expect the base effects to taper the increase in the second half of the year. Moreover, though the MPC expressed that improved supply of goods due to the apex bank's liquidity injections to the agriculture sector will outweigh aggregate demand in the second half of the year, we think climate change would limit the impact of supply during

the harvest season. As a result, the expected slowdown in the inflation rate is at the mercy of the favourable base effects from the prior year amid the lingering security challenges across food-producing states.

On a balance of factors, we expect the MPC to favour holding the status quo in its next two meetings (July and September) of the year, particularly as the Q2-21 GDP figures would be flattered by a favourable base effect from the prior year. However, we think the Q3-21 growth numbers will be the deciding factor in influencing a rate hike in the November meeting. This is because it would give a better picture of the growth consolidation than the base effect induced growth figures in Q2-21. If the growth numbers surprise positively, we believe the MPC would resolve to hike the interest rate to enhance capital inflow into the country and address the imbalances in the external sector. In this case, we envisage a 50bps hike in the MPR at the November meeting.

Figure 49: Maturity Profile (NGN billion)



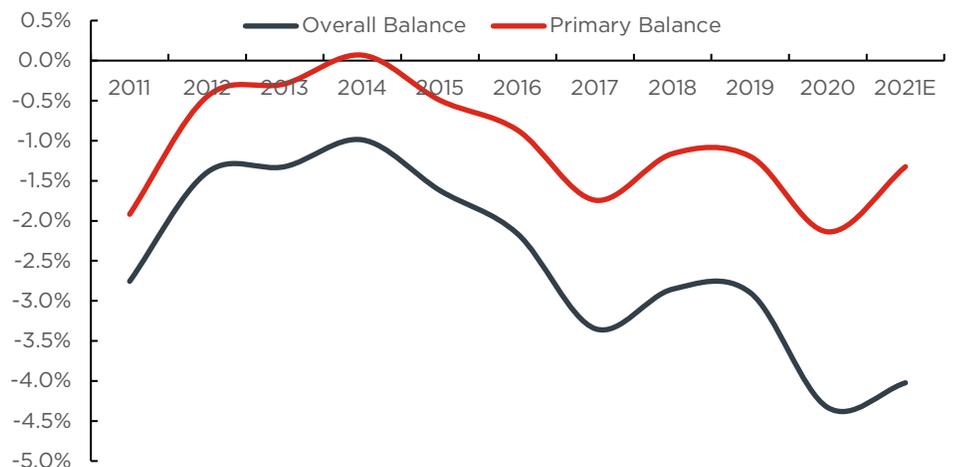
Source: FMDQ, CBN, Cordros Research

Fiscal Policy.

FG Expands Fiscal Spending Despite Pandemic-Induced Decline in Revenue

In line with historical precedence, Nigeria’s fiscal policy position in 2020FY remained largely unimpressive as actual revenue remained below the budget estimates while actual expenditure exceeded planned expenditure. Specifically, the achieved revenue of NGN3.94 trillion over 2020FY translates to only 73.4% (2019: 58.9%) of the year’s budgetary estimates. Although the revenue performance exceeded the 2019FY performance, we attribute the below-budget performance to lower-than-expected oil and non-oil revenue numbers, following (1) the country’s compliance with OPEC+ production cuts, (2) unprecedented decline in oil prices and (3) low revenue mobilisation from non-oil sources following the various restrictive measures adopted to curtail the COVID-19 outbreak. Meanwhile, the Federal Government (FG) understandably maintained an expansionary fiscal policy stance in 2020, as it stepped up to reflate the economy from the pandemic-induced decline. Consequently, aggregate expenditure (excluding GOEs) increased by 20.7% y/y to NGN10.02 trillion – ahead of the budgeted figure of NGN9.97 trillion. The performance of recurrent (non-debt) expenditure stood at 100.2% (vs 2019FY: 104.6%) while capital expenditure performance in relation to the budget settled at 89.0% (vs 2019FY: 41.4%). Meanwhile, debt servicing costs, which constituted one-third of the total actual expenditure, increased by 33.5% y/y to NGN3.27 trillion (2019FY: NGN2.45 trillion).

Figure 50: Movements in the budget deficit (% of GDP)



Source: Budget Office, CBN, Cordros Research estimates

Faster Growth in Expenditure to Offset Recovery in Revenue in 2021FY

In 2021, we expect the FGN's revenue to improve given the impact of the (1) rally in oil prices, (2) devaluation of the currency at the official window, and (3) improved revenue mobilisation reflecting gains from the full reopening of the economy. However, we expect the increased expenditure over the year to outweigh the improvement in revenue, leading to a wider fiscal deficit above the budgetary estimates.

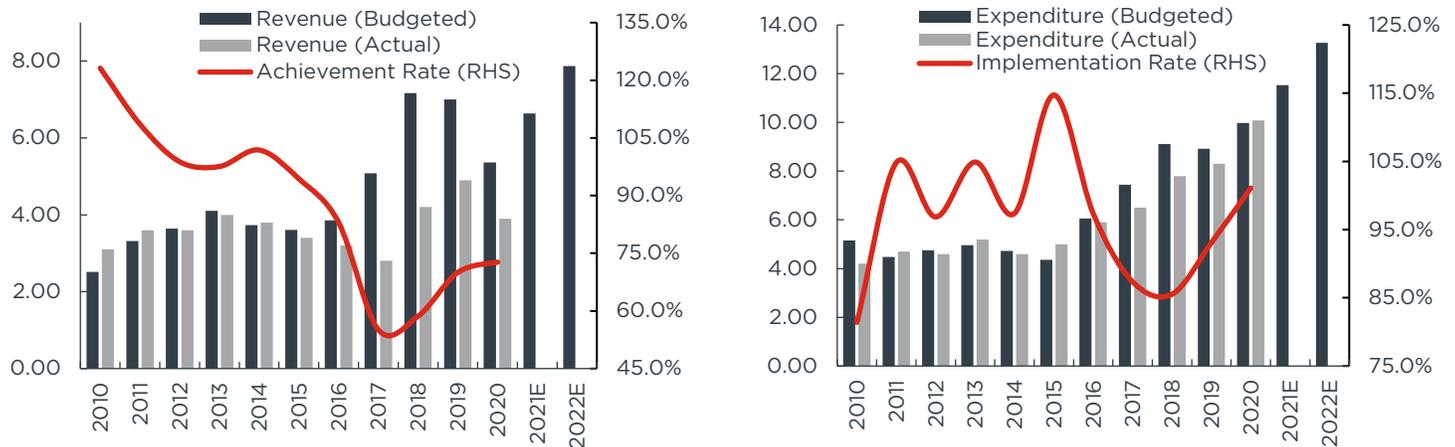
For context, Nigeria's monthly FAAC disbursements to the FGN and its federating units have consistently increased since the start of the year. Precisely, the average monthly FAAC disbursement in the first four months of 2021 amounts to NGN639.48 billion (vs 4M-20: NGN694.82 billion). We understand that FAAC disbursements must average at least NGN650.00 billion for federal and state governments to meet their obligations. However, given that the NNPC has started deducting subsidy payments before remitting funds to the Federation Account, we imagine that FAAC distributions over the coming months will likely fall below the NGN650.00 billion mark.

However, we think the CBN may stop deducting its budget support facility to offset the decline in FAAC. As seen from March's FAAC communiqué, "augmentation" and exchange rate adjustment could cover the shortfall. Meanwhile, the prospects of subsidy removal remain high as state governors' continue to battle with the NNPC on deregulating fuel prices to reduce the pressure on FAAC allocations to states. Preliminary estimates obtained from the CBN showed that Ways and Means to the FG in Q1-21 was NGN1.47 trillion – 33.5% of the total Ways and Means in 2020FY. That said, the total amount of Treasury bonds allotted in Q1-21 stood at NGN635.01 billion, which is ahead of NGN450.00 billion on offer during the same period. Given the substantial amount of borrowings made by the FG in Q1-21, we imagine that growth in expenditure must be running ahead of the increase in revenue, leading to a widening in the fiscal deficit.

To further underscore our view, we note that the Federal Executive Council (FEC) approved a supplementary budget of NGN895.84 billion and was sent to the National Assembly for approval on 22nd June. The supplementary budget consists of (1) NGN83.56 billion for the COVID-19 vaccine programme, (2) NGN41.60 billion for salaries and other health-related expenditure, (3) NGN48.20 billion for recurrent expenditure on defence and security, and (4) NGN722.40 billion for capital expenditure on defence and security. We note that the government aim to fund the supplementary budget through (1) drawing on existing World Bank loan (USD113.20 million), (2) borrowing from special reserve levy accounts (NGN135.00 billion), and (3) new borrowings (NGN722.53 billion).

We expect the new borrowings to be financed domestically, raising the expected total domestic borrowing for the year to NGN3.06 trillion from NGN2.34 trillion.

Figure 51 (a & b): Budget revenue and expenditure - trend and forecast (NGN trillion)



Source: Budget Office, CBN, Cordros Research Analysis

FGN 2021 Budget: Fiscal Deficit to Widen More than Expected

FGN sustained its expansionary fiscal policy thrust in 2021 with a historic budgetary estimate of NGN13.59 trillion. The large budget size is understandable given that the COVID-19 pandemic has essentially forced the FGN to play a leading role in salvaging the economy from the havoc caused by the recession. Accordingly, the National Assembly approved a budget of NGN11.531¹ trillion (+6.7% y/y), split across recurrent non-debt (NGN4.28 trillion), debt service (NGN3.12 trillion), and CAPEX (NGN4.37 trillion). Meanwhile, projected revenue is set at NGN6.64 billion, implying a budget deficit of NGN4.89 trillion (3.2% of GDP). In addition, the FGN expects the combination of privatisation proceeds and project tied loans to deliver NGN914.84 billion in additional financing. Therefore, on balance, the FGN expects to raise NGN4.69 trillion in new borrowing to plug the deficit shortfall, divided equally between domestic debt (NGN2.34 trillion) and foreign (NGN2.34 trillion) borrowing.

¹2021 budget including GOEs amount to NGN13.59 trillion

Table 1: Breakdown of 2021 proposed budget (NGN trillion)

Fiscal items	2021 (Approved)	2020 (Actual)
Assumptions		
Oil production volume (mb/d)	1.86	1.80
Benchmark oil price (USD/bbl.)	40.00	28.00
Average exchange rate (USD/NGN)	379.00	360.00
Revenue		
FGN retained revenue	6.64	3.42
Oil & related revenue	2.01	1.41
Non-oil tax revenue	1.49	1.26
Other revenue	3.14	0.75
Expenditure		
Gross FGN expenditure	11.53	10.02
Statutory transfers	0.50	0.43
Debt service	3.12	3.34
Sinking fund	0.20	0.05
Recurrent (non-debt) exp.	4.28	4.65
Capital exp. (ex of transfers)	4.37	1.60
Fiscal deficit	4.89	6.60

Source: Budget Office, Cordros Research

Fiscal Deficit to Decline on Higher Oil Receipts

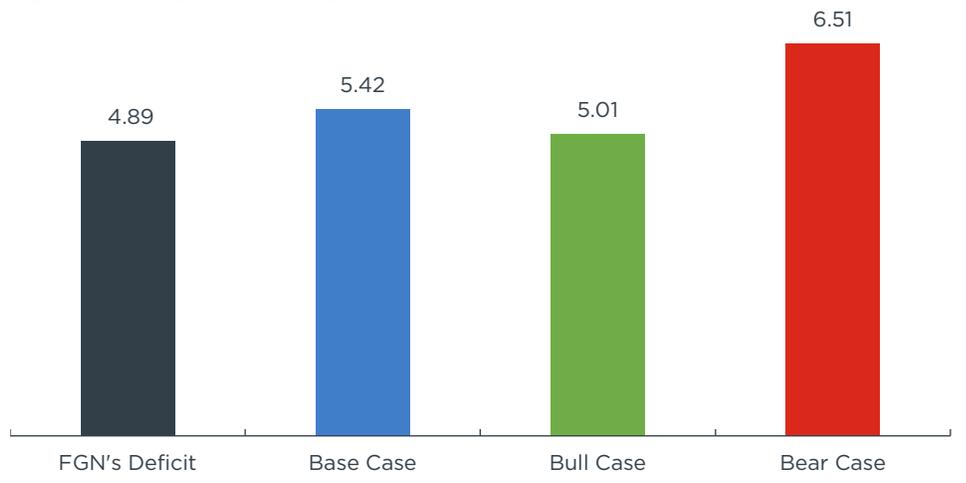
Relative to 2020FY, the FGN expects crude oil production to average 1.86 mb/d (+4.6% y/y). Based on the OPEC+ pact, Nigeria's production quota is pegged at 1.54mb/d in May, 1.55mb/d in June, and 1.58mb/d in July. Accounting for condensates, we expect actual oil production to average 1.82 mb/d (+2.4% y/y) in 2021E. Incorporating insights gleaned from the crude oil section of our strategy report, we forecast crude oil price to average USD68.00/bbl (+54.9% y/y) in 2021E. The preceding combined with currency depreciation (-7.6%) informs our project retained oil revenue of NGN2.53 trillion - 12.2% above the FGN's assumption of NGN2.01 trillion.

Elsewhere, the proposed non-oil tax revenue of NGN1.49 trillion - 22.4% of total revenue - may be achievable, especially with the continued implementation of a 50.0% increase in VAT, improved tax administration framework and pass-through impact of pickup in economic activities. Meanwhile, we expect the other revenue line to grossly underperform the budget due to the ambitious targets, especially independent revenue (NGN1.06 trillion) and signature bonus (NGN677.02 billion). The preceding is also in line with gross historical underperformance (5-year average performance ratio: 46.7%), given the weak operational efficiencies in

most state-owned enterprises (SOEs). Overall, we project FGN's total retained revenue to settle at NGN5.02 trillion (75.6% performance ratio vs 2020FY: 73.4% and 2019FY: 58.9%).

On balance, assuming a budget implementation rate of 90.5%, our scenario analysis indicates that the fiscal deficit could range between NGN5.01 trillion and NGN6.51 trillion. Therefore, our baseline expectation is that the fiscal deficit will print NGN5.42 trillion in 2021 compared to NGN6.14 trillion in 2020.

Figure 52: Budget deficit range (NGN trillion)



Source: Budget Office, Cordros Research Estimates

Foreign Borrowing Remains Crucial in Plugging the Deficit

Comparing the revenue prospects for 2021E with the last five years, we believe the FGN's capacity to mobilise sizeable debt is central to attaining a meaningful implementation rate. As stated earlier, the FGN expects to raise NGN914.84 billion through (1) privatisation proceeds (NGN205.15 billion) and (2) project tied loans (NGN709.69 billion). We assume that the FGN will achieve 70% of its additional funding plan, amounting to NGN640.39 billion. Elsewhere, the FGN plans to raise NGN2.34 trillion in foreign borrowings, for which the President sought approval from the National Assembly in May 2021. We expect the FGN to successfully raise the amount through a combination of (1) Eurobond sales and (2) multilateral loans, and (3) loans from foreign national banks. We highlight that the National Assembly recently approved the FGN's USD2.70 billion loan request - (1) USD1.50 billion from the World Bank and EUR995.00 million from the Export-Import Bank of Brazil (BNDES) & Deutsche Bank of Germany. While the World Bank funding is targeted at states under the Fiscal Transparency, Accountability and Sustainability Programme, we highlight that the loan to be obtained from BNDES & Deutsche Bank of Germany is under the Green Imperative Scheme to enhance the mechanisation of agriculture and agro-processing in the country.

In our base case of NGN5.42 trillion, we expect the balance of the funding gap of NGN2.43 trillion to be sourced through domestic borrowings. Between January and June, the FGN has raised NGN1.56 trillion from the domestic capital market (NGN1.41 trillion from bonds and NGN146.30 billion from T-bills). Consequently, the FGN would need to borrow an additional NGN1.50 trillion (including supplementary borrowing of c. NGN722.53 billion) from the domestic capital market over the rest of the year, in line with the borrowing pace in the first six months.

Figure 53: Debt Service to Revenue Ratio

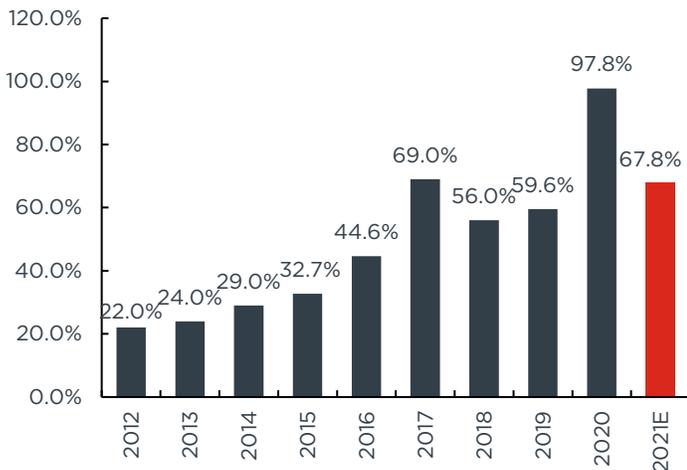
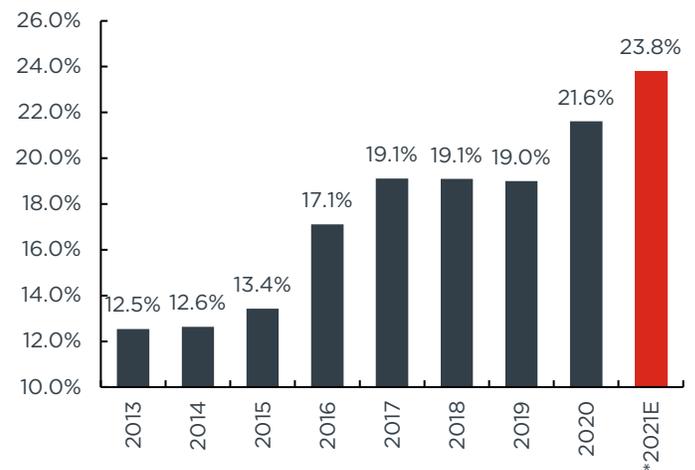


Figure 54: Debt to GDP Ratio



Source: Budget Office, CBN, Cordros Research Analysis | *Excluding CBN's Ways and Means to the FGN

Appendix. Nigeria – Key Economic Forecasts.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E
Activity													
Real GDP (% YoY)	8.4	9.5	5.3	4.2	5.5	6.2	2.8	(1.6)	0.8	1.9	2.3	(1.9)	2.8
Private consumption (% YoY)			2.6	0.3	29.3		(0.3)	11.9	9.8	5.2	9.9	0.8	0.9
Government consumption (% YoY)	(8.1)	17.8	4.6	(2.0)	(10.3)	(7.0)	(0.4)	(2.2)	(3.8)	24.2	12.2	61.6	22.3
Oil production (million b/d year-end)	2.1	2.4	2.4	2.0	2.2	2.2	2.1	1.6	1.9	1.9	2.0	1.8	1.8
Nominal GDP (NGN billion)	44,286	54,612	62,980	71,714	80,093	89,044	94,145	101,489	113,712	127,737	144,210	152,324	188,210
Nominal GDP (USD billion)	292	363	410	459	515	569	495	405	376	398	448	402	473
Real GDP (NGN billion)	49,856	54,612	57,511	59,930	63,219	67,153	69,024	67,931	68,491	69,800	71,388	70,014	71,941
Population (million)	155	160	165	170	176	181	187	193	199	205	211	218	224
GDP per capita (USD)	2,180	2,292	2,350	2,385	2,477	2,564	2,563	2,456	2,412	2,396	2,387	2,023	2,209
Gross national saving (% of GDP)	23.2	10.9	10.4	11.2	10.8	13.5	12.2	12.1	11.4	11.8	11.8		
Stock of bank credit to the economy (NGN billion)	8,912	7,706	7,313	8,150	10,006	12,889	13,086	16,117	15,741	15,134	17,188	20,373	23,138
Stock of bank credit to the economy (% of GDP)	20.1	14.1	11.6	11.4	12.5	14.5	13.9	15.9	13.8	12.1	11.1	13.4	12.3
Loan to deposit ratio (%)	85.7	74.2	44.8	42.3	38.0	64.2	69.6	80.0	78.2	64.3	59.9	65.0	65.0
Fiscal balance (% of GDP)													
Federal government balance	(1.8)	(2.0)	(1.8)	(1.4)	(1.4)	(0.9)	(1.7)	(2.6)	(3.2)	(2.8)	(3.4)	(4.3)	(4.0)
Total public debt	9.6	9.6	17.6	17.7	18.6	17.5	20.3	23.4	25.3	28.4	19.9	21.6	27.4
Capital Expenditure	2.6	1.6	1.5	1.0	1.1	0.7	0.6	0.2	1.3	1.3	0.8	1.1	1.6
Debt Indicators													
Gross external debt (USD billion)	3.9	4.6	5.7	6.5	8.8	9.7	10.7	11.4	18.9	25.3	27.7	33.4	38.2
Gross external debt (% of GDP)	1.3	1.1	1.1	1.0	1.1	1.1	2.0	2.6	3.0	4.7	5.6	8.3	8.1
Gross external debt (% of exports)	6.7	5.7	5.7	6.7	9.0	11.7	23.3	32.9	41.3	41.3	42.6	92.8	80.9
Total debt service (USD billion)	1.7	2.8	3.4	4.3	5.3	5.9	5.5	5.6	6.0	7.1	8.0	8.9	8.3
Total debt service (% of GDP)	0.6	0.8	0.8	0.9	1.0	1.0	1.1	1.4	1.6	1.8	1.8	2.1	1.7
Total debt service (% of exports)	2.9	3.4	3.4	4.4	5.4	7.2	12.0	16.2	13.0	11.5	12.3	24.8	17.6
External Balance													
Exports (NGN billion)	7,435	13,010	19,036	22,446	14,245	16,304	9,593	8,527	13,598	18,532	19,192	12,523	16,608
Exports (USD billion)	58.2	80.6	99.9	97.0	97.8	82.6	45.9	34.7	45.8	61.2	65.0	35.9	47.2
Imports (NGN billion)	5,048	6,649	10,033	5,625	7,016	7,374	6,698	8,818	9,563	13,165	16,960	19,898	19,494
Imports (USD billion)	33.9	44.2	65.2	35.7	44.6	46.5	34.7	34.8	31.3	43.0	55.3	52.4	53.5
Trade balance (NGN billion)	2,387	6,361	9,003	16,821	7,229	8,930	2,895	(290)	4,036	5,367	2,232	(7,375)	(2,886)
Trade balance (% of GDP)	5.4	11.6	14.3	23.5	9.0	10.0	3.1	(0.3)	3.5	4.2	1.5	(4.8)	(1.5)
Current account balance (USD billion)	14.0	14.6	12.7	18.9	20.1	1.3	(15.4)	2.7	10.4	5.3	(17.0)	(17.0)	(18.0)
Current account balance (% of GDP)	5.3	4.0	3.1	4.1	4.0	0.2	(3.2)	0.7	3.0	1.5	(3.6)	(4.2)	(3.8)
Net FDI (USD billion)	7.1	5.2	8.1	8.1	4.4	3.1	1.6	3.1	2.2	0.6	1.8	2.7	1.4
Net FDI (% of GDP)	2.7	1.4	2.0	1.7	0.9	0.6	0.3	0.8	0.6	0.2	0.4	0.7	0.3
Current account balance plus FDI (% of GDP)	8.0	5.4	5.1	5.8	4.8	0.8	(2.9)	1.5	3.7	1.7	(3.2)	(3.5)	(3.5)
Exports (% YoY, NGN value)	(22.3)	75.0	46.3	17.9	(36.5)	14.5	(41.2)	(11.1)	59.5	36.3	3.6	(34.8)	32.6
Imports (% YoY, NGN value)	53.0	31.7	50.9	(43.9)	24.7	5.1	(9.2)	31.6	8.5	37.7	28.8	17.3	(2.0)
Foreign exchange reserves (ex. gold, USD billion)	42.4	32.3	32.6	43.8	42.8	34.2	28.3	27.0	39.4	42.6	38.1	36.5	38.8
Foreign exchange reserves adequacy (months of imports)	16.4	9.0	6.1	8.6	10.0	7.4	7.0	9.1	12.0	13.8	8.2	6.1	6.5
Prices													
CPI (average % YoY)	12.6	13.8	10.9	12.2	8.5	8.0	9.0	15.6	16.5	12.1	11.4	13.2	17.3
CPI (year-end % YoY)	13.9	11.8	10.3	12.0	8.0	8.0	9.6	18.5	15.4	11.4	12.0	15.8	15.5
Interest & Exchange Rates													
Monetary policy rate (MPR), % year-end	6.0	6.3	12.0	12.0	12.0	13.0	11.0	14.0	14.0	14.0	13.5	11.5	12.5
Broad money supply (NGN billion)	10,781	11,526	13,303	15,481	15,681	18,886	20,030	23,592	24,141	27,069	29,138	34,033	35,769
Broad money supply (% YoY)	17.6	6.9	15.4	16.4	1.3	20.4	6.1	17.8	2.3	12.1	7.6	16.8	5.1
Credit to the private sector (NGN billion)	10,219	9,830	14,184	15,152	16,191	18,126	18,721	21,982	22,291	22,708	26,637	30,739	31,692
Credit to the private sector (% YoY)	26.8	(3.8)	44.3	6.8	6.9	11.9	3.3	17.4	1.4	1.9	17.3	15.4	3.1
3-month interest rate (T-bill year-end %)	4.3	7.5	14.1	11.7	10.9	10.8	5.7	21.0	14.0	11.3	5.2	0.4	5.0
5Y yield (% year-end)	9.4	12.0	11.2	12.0	13.3	15.3	11.0	11.4	14.0	15.2	10.3	6.3	11.9
Official exchange rate, (NGN/USD) year-end	148.1	148.8	156.7	155.8	155.7	168.0	197.0	305.0	306.0	307.0	307.0	380.0	410.0
Official exchange rate (NGN/USD) annual average	148.9	150.3	153.9	157.5	157.3	158.6	193.3	253.5	305.8	306.1	306.9	357.0	400.2
BDC exchange rate (NGN/USD) annual average	161.6	153.1	159.3	160.9	162.4	171.5	222.7	372.9	395.4	361.5	359.5	435.3	453.0
BDC exchange rate (NGN/USD) year end	155.0	156.0	165.0	159.0	172.0	191.5	267.0	490.0	363.0	361.0	362.0	475.0	450.0
I & E exchange rate (NGN/USD) annual average									365.6	362.1	361.9	381.5	409.3
I & E exchange rate (NGN/USD) year end									360.3	364.0	364.5	395.0	415.0

Source: World Bank, CBN, NBS, Cordros Research estimates

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