NORRENBERGER ECONOMIC OUTLOOK (NEO)

NIGERIA: BEYOND THE REFORMS

H2 2024

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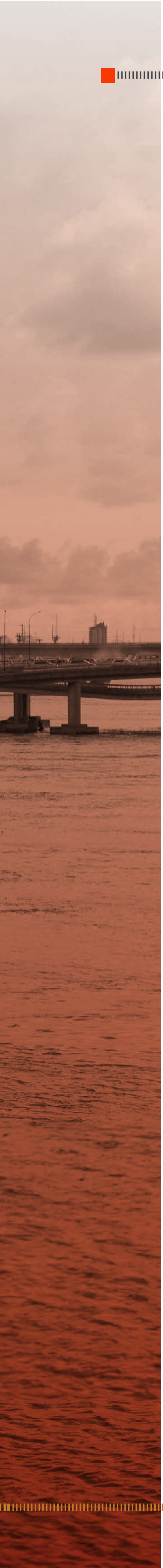

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GLOSSARY

- **ASI (All Share Index):** A stock market index that tracks the performance of all listed companies on the Nigerian Exchange, reflecting the overall market movement.
- **BDC (Bureau De Change):** Financial institutions licensed to buy and sell foreign currencies in Nigeria, serving as intermediaries in the foreign exchange market.
- **CBN (Central Bank of Nigeria):** The national banking institution responsible for regulating the Nigerian banking industry, managing monetary policy, and ensuring financial stability.
- **FGN (Federal Government of Nigeria):** The central government of Nigeria, responsible for national administration, policy-making, and governance.
- **GDP (Gross Domestic Product):** The total value of goods and services produced within a country over a specific period, used as a measure of economic performance and growth.
- **Hawkish Monetary Policy:** A stance taken by a central bank to control inflation and stabilize the economy, typically characterized by higher interest rates and reduced money supply to curb excessive spending and borrowing.
- **PMI (Purchasing Managers' Index):** An economic indicator derived from monthly surveys of private sector companies, providing information about current business conditions and economic trends.
- **NAFEM (Nigerian Autonomous Foreign Exchange Market):** A market system in Nigeria where the exchange rate is determined by supply and demand dynamics, allowing for more flexibility and transparency in foreign exchange transactions.
- **NBS (National Bureau of Statistics):** The government agency responsible for collecting, analyzing, and disseminating statistical data in Nigeria, covering various aspects of the economy and society.
- **Net Open Position (NOP):** The net difference between the overall foreign assets and foreign liabilities of a bank, which includes on-and-off-balance sheet items such as spot and forward transactions.
- **NOP (Long):** A bank is considered to have a NOP in the Long Position when total foreign assets exceed total foreign liabilities.
- **NOP (Short):** NOP is in the Short Position when total foreign liabilities exceed total foreign assets.
- **NGX (Nigerian Exchange):** The principal stock exchange in Nigeria, facilitating the buying and selling of securities such as stocks and bonds.
- **PTA/BTA (Personal Travel Allowance/ Business Travel Allowance):** Foreign exchange allowances provided to individuals for personal or business travel, aimed at facilitating international transactions and travel-related expenses.

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Executive Summary

The Nigerian economy demonstrated resilience in the first half of 2024, navigating through numerous macroeconomic challenges despite facing significant headwinds such as high inflationary pressures, increased foreign exchange (FX) volatility, insecurity, dwindling reserves, and fluctuations in foreign investments. These challenges have prompted substantial government responses, both in fiscal and monetary policies, signalling potential shifts in the economic landscape for the remainder of the year.

In response to these prevailing challenges, the President Bola Ahmed Tinubu administration has initiated several reforms aimed at addressing underlying issues and bolstering economic stability. These reforms are expected to shape the economic trajectory in the short to medium term, influencing key indicators such as inflation, interest rates, foreign exchange, and investment sentiment.

We anticipate that inflation will persist at elevated levels, driven by factors including supply chain disruptions, currency depreciation, and rising production costs. Consequently, interest rates are likely to remain high in the short-to-medium term, as the Central Bank of Nigeria (CBN) continues to employ tight monetary policy to tame rising inflation and ensure FX stability.

In terms of foreign exchange dynamics, we anticipate the exchange rate to oscillate within the range of N1,400 to N1,500 against the US dollar, driven in part by the CBN's efforts to attract foreign portfolio investments (FPIs) and normalize the FX market. This anticipated narrow band is expected to provide some respite to businesses and investors, aiding in planning and decision-making processes.

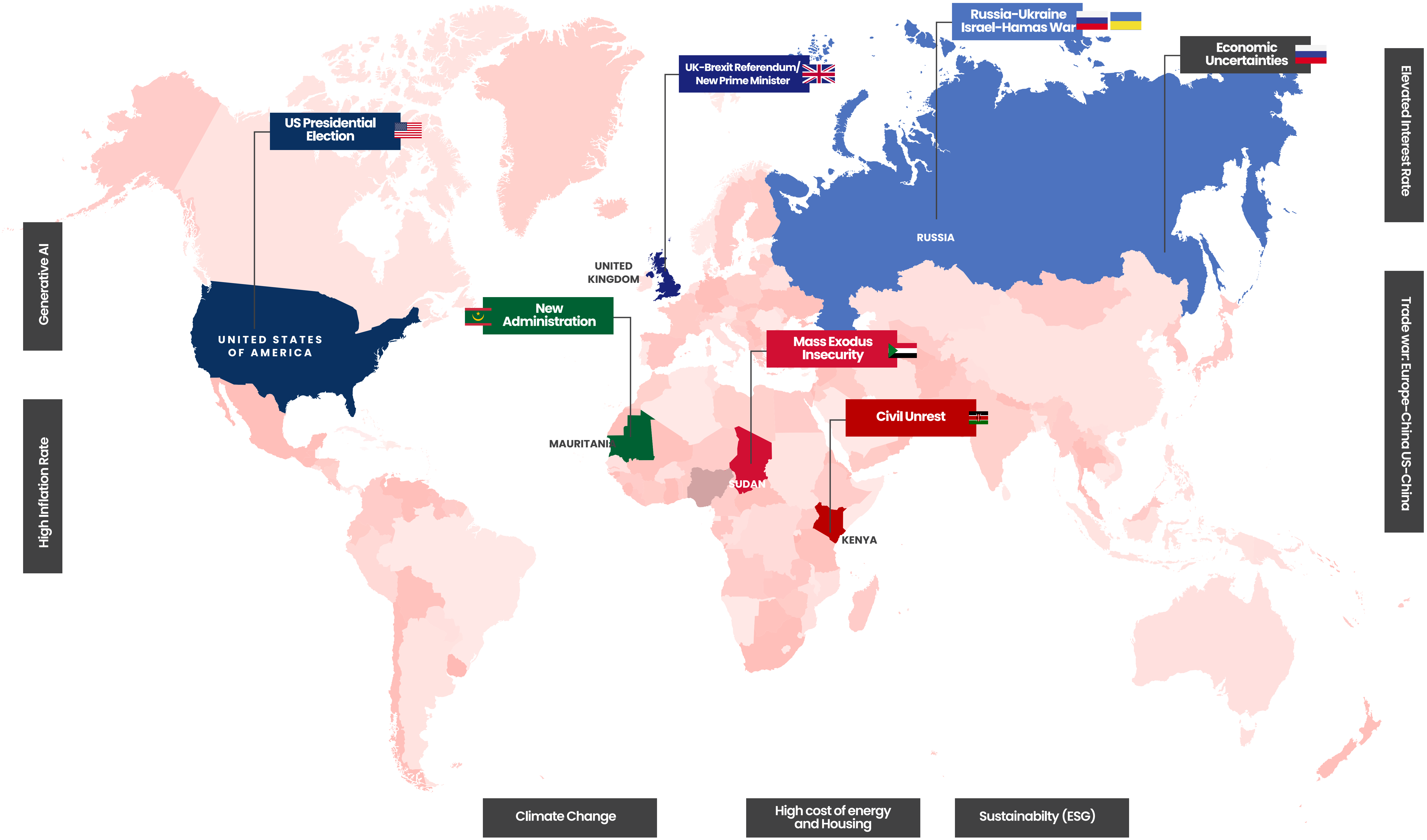
This report, "**Beyond the Reforms,**" provides a comprehensive review of the Nigerian economy in H1 2024, highlighting various changes across different markets and offering an outlook for the rest of the year. Our research extends beyond mere illumination, offering a roadmap for astute investors in 2024 while providing a detailed macroeconomic analysis. This review will help you gain invaluable insights into monitoring pivotal economic drivers and navigating fiscal pressures.

Additionally, the report delves into the economic landscape and potential of various states within Nigeria, identifying dominant and thriving sectors in the economy. From agriculture in the northern regions to technology hubs in the southwest, and oil production in the Niger Delta, the report highlights opportunities that transcend the immediate impacts of the current reforms.

In summary, "Beyond the Reforms" not only examines the current economic conditions and the effects of recent policies but also identifies future opportunities within the Nigerian economy. It serves as an essential guide for investors and stakeholders aiming to make informed decisions in a complex and evolving economic environment.

Global Economy & Markets

The World Today



Contractionary Policy Slows Global Economic Growth

The first half of 2024 has seen varying trends across major economies, reflecting a complex global economic landscape. In the United States, the economy has remained resilient, buoyed by strong consumer spending in both housing and business investments. The US economy grew by 1.4% in Q1 2024, which was slightly above previous estimate of 1.3%, although this points to the slowest growth since the contractions in Q1 and Q2 2022.

China, on the other hand, saw a 5.3% growth in Q1 2024, beating forecasts (4.7%) as a result of improved activities in key sectors such as manufacturing and services, which set the country on a path to achieving its annual economic growth target. However, weak external demand and trade tensions with major partners have suppressed growth prospects.

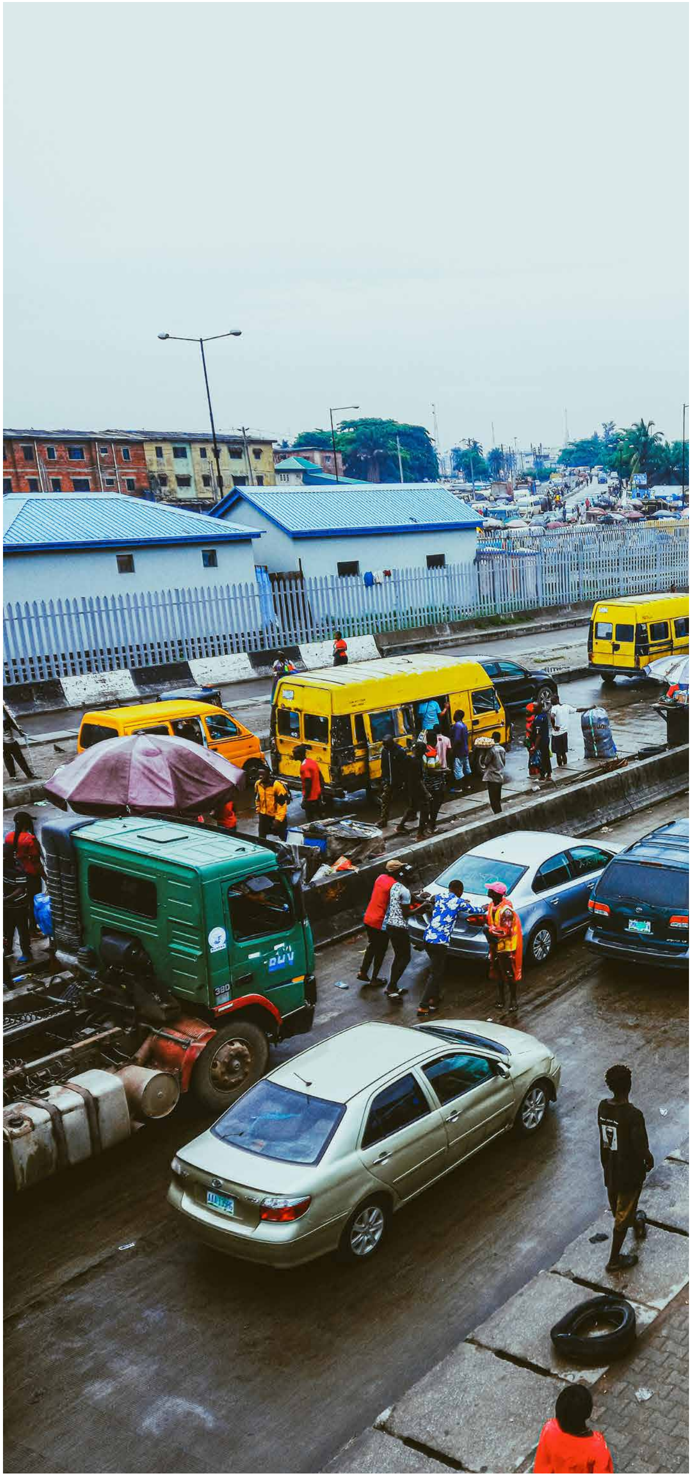
In the European Area, economic growth has been uneven. While some member states have shown robust recovery, driven by strong fiscal support and easing of pandemic restrictions, others have struggled with high energy costs and supply chain disruptions. The overall GDP growth in the EU for H1 2024 stood at approximately 1.5%, with significant variations among individual countries. Germany and France (the largest economies in the bloc) have seen modest growth, while other economies like Spain and Italy have performed relatively better due to a rebound in tourism and services.

Mixed performance trails emerging markets

Emerging markets have witnessed mixed trends in H1 2024. Countries in Latin America, such as Brazil and Mexico, have benefited from high commodity prices, particularly in agriculture and mining sectors. However, political instability and structural weaknesses continue to pose risks to sustained economic growth.

In Asia, India has emerged as a growth leader among major economies, with an estimated GDP growth rate of 7.8% in the first quarter of the year. The Indian economy was driven by strong domestic consumption, a rebound in manufacturing, and robust foreign investment inflows. Government initiatives to boost infrastructure and digital economy have also played a crucial role in sustaining high growth rates.

Africa's economic growth has been uneven, with some countries experiencing significant expansion due to rising commodity prices and others grappling with socio-political challenges. Nigeria and South Africa, the continent's largest economies, have shown modest growth, while other economies like Kenya and Ghana have performed relatively better due to diversified economic activities and improving business environments.

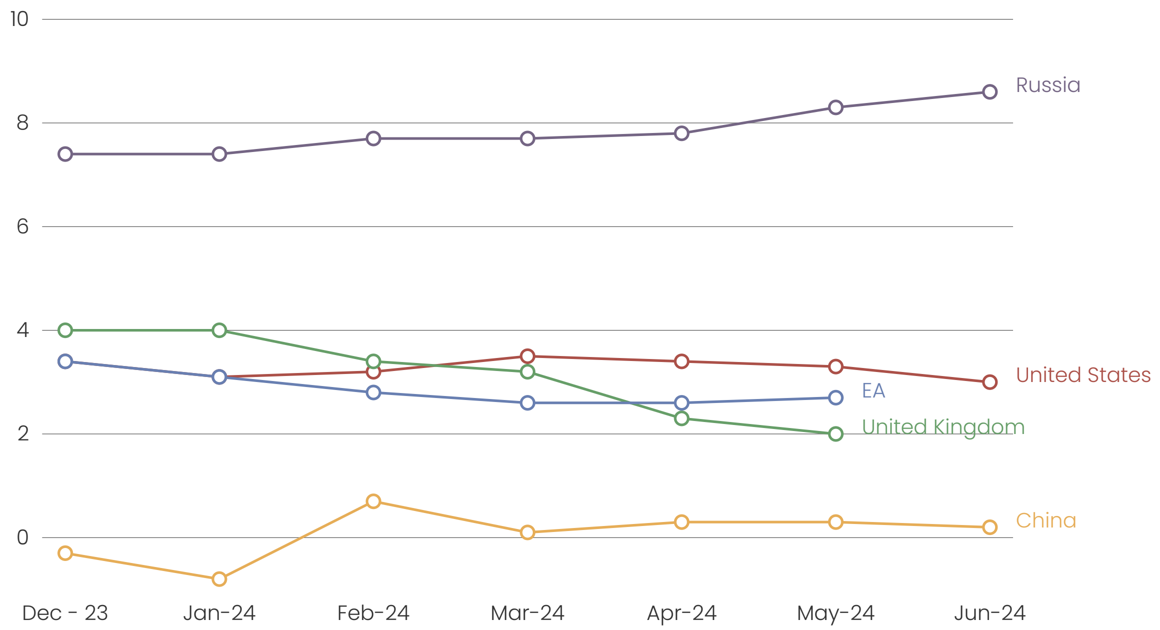


Have we seen the worst of global inflation?

The global economy continues to recover from pandemic aftershocks, including trade dislocations, outsize monetary and fiscal interventions, a prolonged inflation surge, and bouts of severe financial market volatility. Among the positives, disinflation has occurred more rapidly than anticipated in most developed economies in the first half of the year. Moreover, macroeconomic and inflation risks look more balanced than they did a year ago.

The first half of 2024 has been marked by elevated inflationary pressures across many major economies. In the United States, inflation has remained elevated, with the Consumer Price Index (CPI) rising by 3% in June, although slower than the 3.3% recorded in the previous month. Key drivers include strong consumer demand, labor market tightness, and ongoing supply chain disruptions. Energy and food prices have been particularly volatile, contributing significantly to the overall inflation rate.

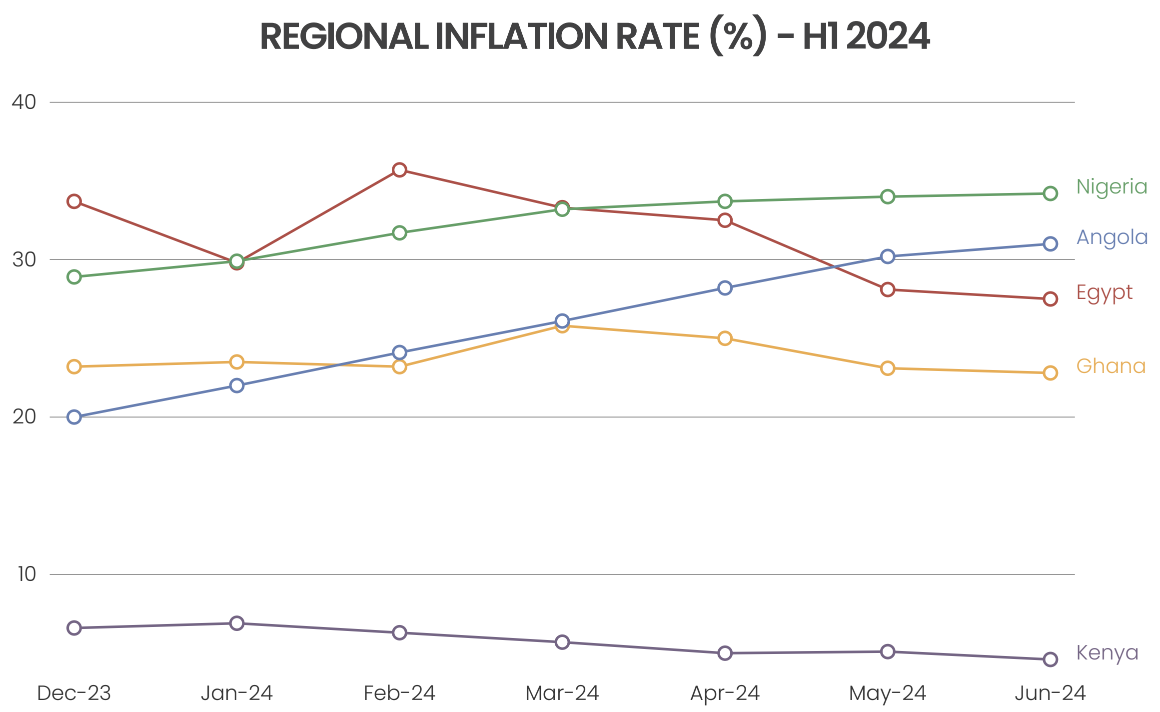
GLOBAL INFLATION RATE (%) - H1 2024



[Norrenberger Research]

The Eurozone has witnessed elevated prices, although there are signs of moderation compared to the peaks seen in 2023. The headline inflation rate for the Eurozone is estimated to slow to 2.5% in June from 2.6% recorded in May. Factors such as high energy prices, partly due to geopolitical tensions and supply constraints, have played a crucial role. Additionally, the devaluation of the euro against the dollar has made imports more expensive, further fueling inflation.

In the United Kingdom, inflation slowed to 2% in May, hitting its target for the first time since July 2021, as services price inflation, which has been viewed by the Bank of England as a source of medium-term price pressures, fell less than expected.



[Norrenberger Research]

Generally, major central banks have maintained a hawkish stance on monetary policy in H1 2024, in a bid to tame the rising rate of inflation. Although some central banks like the European Central Bank (ECB) and the Bank of Canada have started systematic rate cuts in response to moderating inflation rate in their regions. Meanwhile, the US Federal Reserve and the Bank of England have yet to follow suit, although there is anticipation of at least one interest rate cut before the end of the year.

Improved global trades but faces supply chain disruptions

The first half of 2024 has seen significant shifts in global trade patterns. Major economies, including the United States and China, have experienced fluctuating trade volumes due to ongoing geopolitical tensions and trade disputes. While the U.S. has focused on reshoring manufacturing and reducing dependency on certain foreign suppliers, China has sought to diversify its export markets in response to Western sanctions and tariffs.

Trade relationships have also been influenced by new trade agreements and regional trade pacts. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) has gained traction, with additional countries expressing interest in joining. This agreement aims to enhance trade and investment flows among member countries, reducing tariffs and harmonizing regulations.

Global supply chains continue to face disruptions, primarily driven by lingering effects of the COVID-19 pandemic, geopolitical conflicts, and natural disasters. Semiconductor shortages have impacted a wide range of industries, from automotive to consumer electronics, causing production delays and increased costs.

The war in Ukraine has further strained supply chains, particularly in energy and agriculture sectors. Sanctions on Russia and the destruction of infrastructure in Ukraine have disrupted the supply of critical commodities, including oil, gas, and grain, leading to increased prices and supply bottlenecks.

In response to these challenges, companies are increasingly adopting strategies to enhance supply chain resilience. These include diversifying suppliers, increasing inventory levels, and investing in technology to improve supply chain visibility and flexibility. Additionally, there is a growing trend towards reshoring and nearshoring manufacturing to reduce dependency on distant suppliers and mitigate risks associated with long, complex supply chains.

Global Equities Post Modest Gains

Global stock markets exhibited mixed performance in H1 2024, with a notable tilt towards bullish sentiment. The U.S. equity market demonstrated resilience, with major indices like the S&P 500 and NASDAQ experiencing moderate gains driven by strong corporate earnings and robust consumer spending.

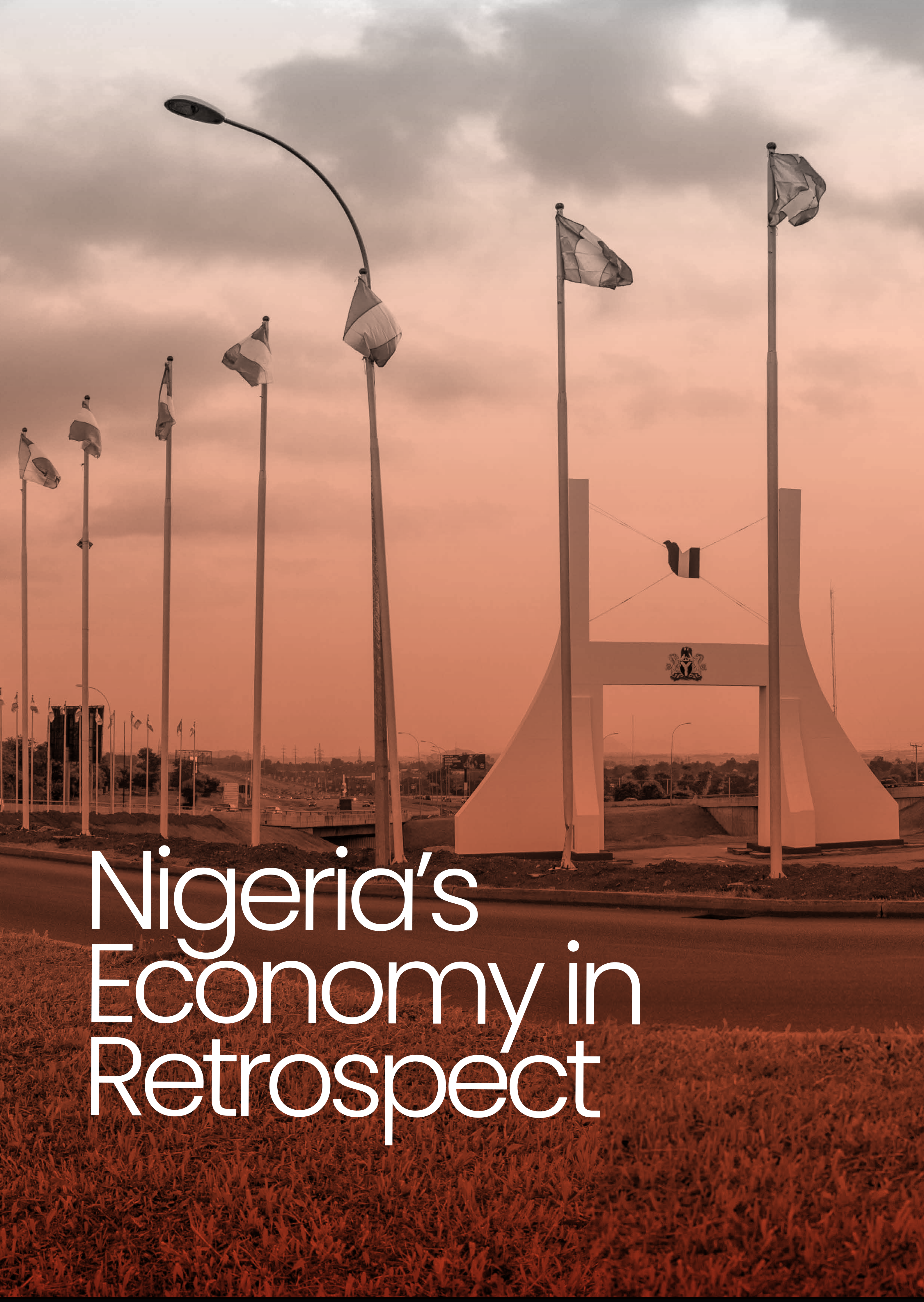
The rise in most indices during the first half of the year was fueled by the anticipated end of monetary tightening policies and expectations of lower inflation rates. Moreover, some central banks have shifted to interest rate cuts, most notably the ECB, which reduced interest rates for the first time in five years by 25 basis points in June, bringing policy rate down to 3.75%.

The technology sector led the market rally, driven by strong demand for tech company shares amid the boom in artificial intelligence. However, global stock trading was influenced by several factors, including the US Federal Reserve's decision to maintain interest rates at the 5.25-5.50% range for the fourth time year-to-date (YTD). Also, the rally in global crude oil price, driven by growing demand, rising geopolitical concerns, and OPEC's decision to extend production cuts until 2025, impacted the global equity market.

Looking ahead, global economic growth is expected to moderate, with advanced economies facing headwinds from high inflation and tight monetary policies. Emerging markets may see more robust growth, driven by structural reforms and strong domestic demand.

The International Monetary Fund (IMF) projects a global economic growth of 3.2% in 2024 and 3.3% in 2025, driven by anticipated increase in commodity and non-fuel prices, although with some near-term risks like inflation stemming from lack of progress on services disinflation and price tensions emanating from renewed trade or geopolitical tensions.

Inflation is likely to remain a concern, with central banks continuing to prioritize price stability. Supply chain resilience and geopolitical risks will be critical factors shaping global trade and investment flows. As the world navigates these challenges, the emphasis on sustainability and technological innovation will continue to drive long-term economic transformation.



Nigeria's Economy in Retrospect

Nigeria's Economic Scoreboard Shows Mixed Trends

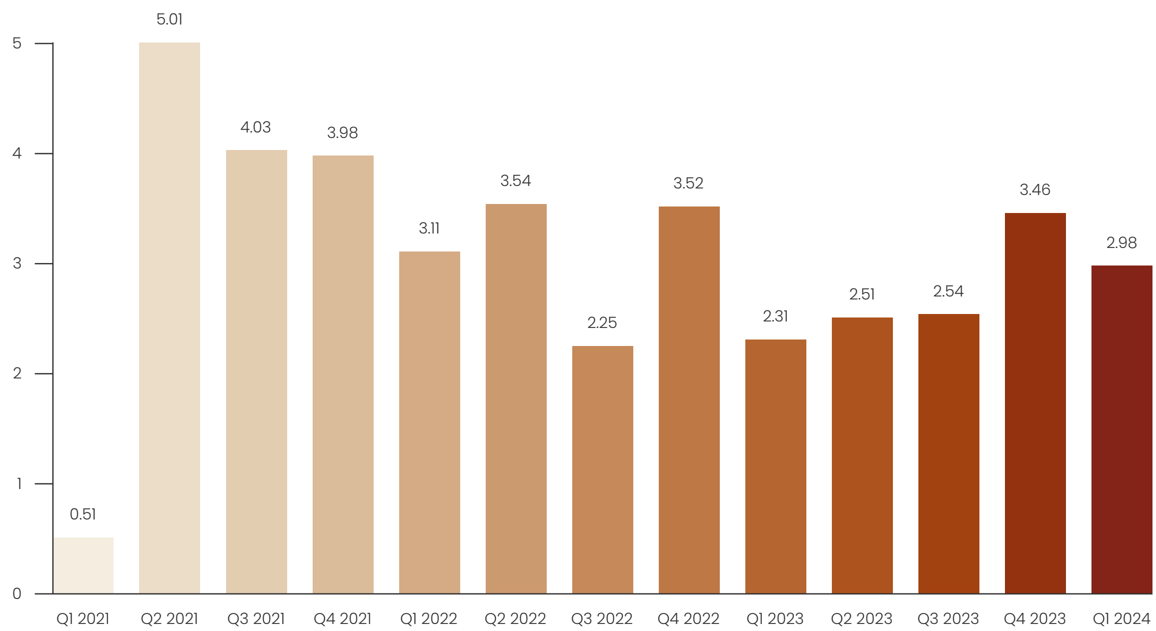
Indicator	Trend	Latest	Period	Previous	Period
INFLATION	▲	34.19%	Jun'24	28.92%	Dec'23
EXCHANGE RATE (NAFEM)	▲	N1,505.30/$	Jun'24	N907.11/$	(Dec'23)
EXCHANGE RATE (PARALLEL MARKET)	▲	N1,520/$	Jun'24	N907.11/$	(Dec'23)
GDP GROWTH (REAL)	▼	2.98%	Q1'24	3.46%	Q4'23
CRUDE OIL PRICE (BRENT/PB)	▲	$85.0	Jun'24	$77.63	Dec'23
EXTERNAL RESERVES	▲	$34.19bn	Jun'24	$32.91bn	Dec'23
UNEMPLOYMENT RATE	▲	5%	Q3'23	4.2%	Q2'23
MPR	▲	26.25%	Jun'24	18.75%	Dec'23
DEBT STOCK	▲	N121.67trn	Q1'24	N97.34trn	Q4'23
CAPITAL IMPORTATION	▲	$3.38bn	Q1 2024	$1.09bn	Q4 2023
OIL PRODUCTION (MBPD)	▼	1.27	Jun'24	1.34	Dec'23
NGX MARKET CAP	▲	N56.60trn	Jun'24	N40.92trn	Dec'23
NASD MARKET CAP	▲	N2.10trn	Jun'24	N1.28trn	Dec'23
PENSION ASSET VALUE	▲	N20.23trn	May'24	N18.36trn	Dec'23
MONEY SUPPLY (M3)	▲	N99.24trn	Jun'24	N79.25trn	Dec'23

[Norrenberger Research]

GDP: Resilience Despite Doldrums

The Nigerian economy remained resilient through the first half of the year, despite the combined impact of high inflationary pressure, FX volatility, high interest rate amongst others. According to data from the National Bureau of Statistics (NBS), Nigeria's real GDP expanded by 2.98% year over year in the first quarter of 2024, surpassing the 2.31% growth recorded in the corresponding period of 2023 but slower than the 3.46% recorded in the previous quarter (Q4 2023). In nominal terms, the GDP grew by 14.86% from 13.07% recorded in Q1 2023. The nominal GDP was estimated at N58.86 trillion, in contrast to N51.24 trillion in the same period of 2023.

NIGERIA'S REAL GDP GROWTH

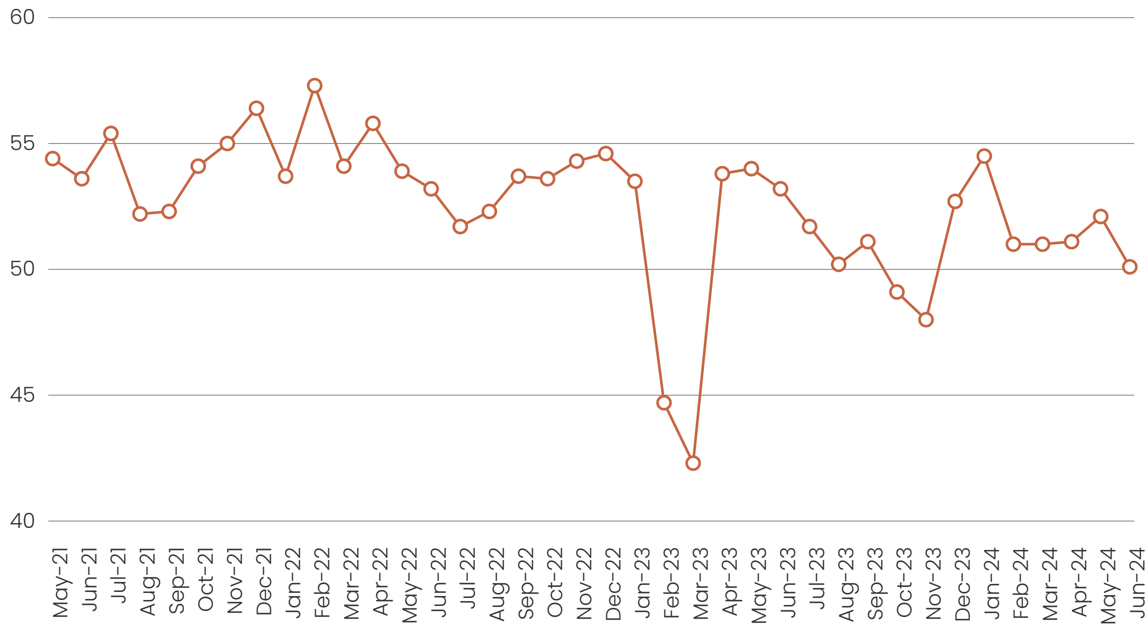


[NBS, Norrenberger Research]

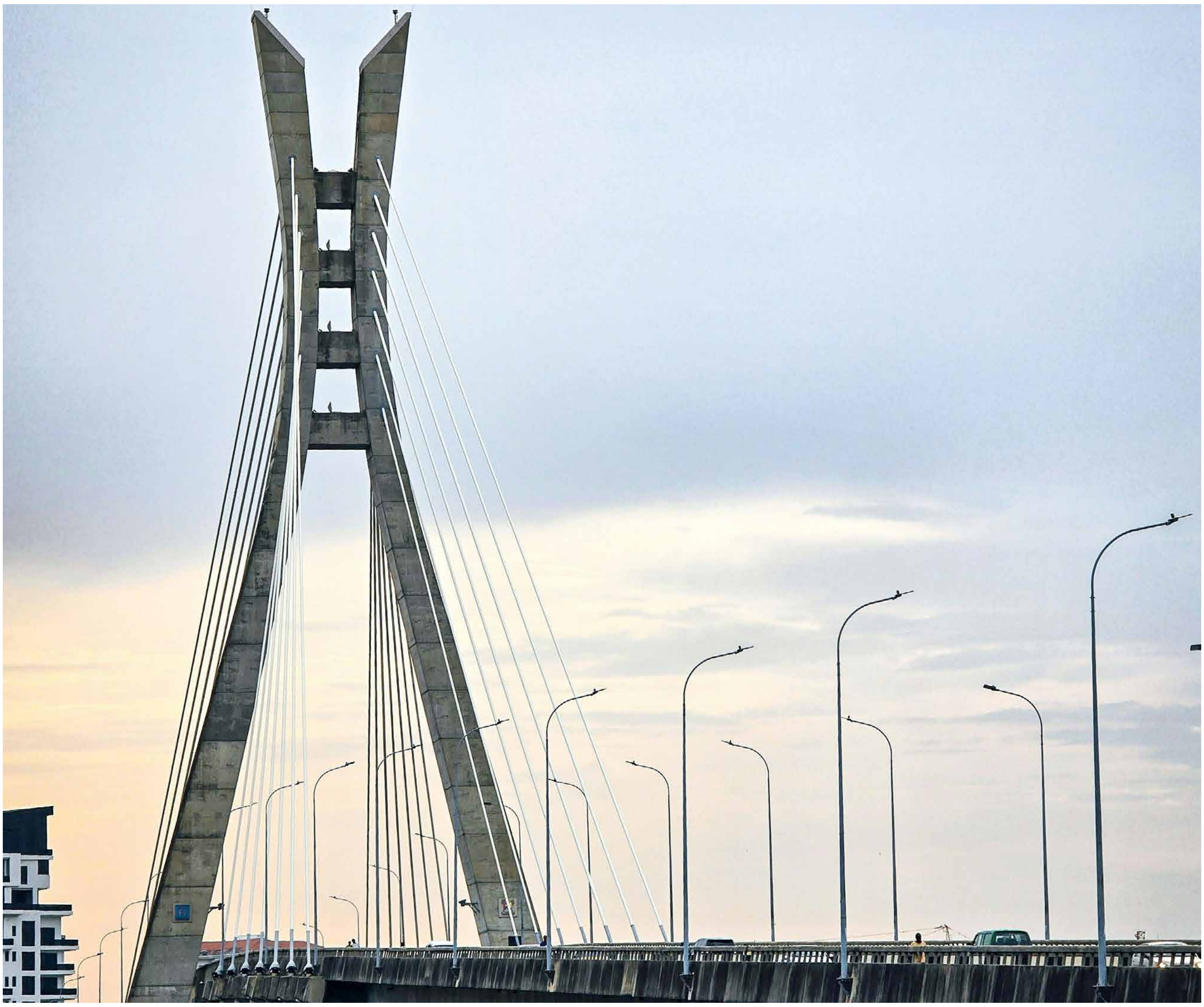
In the same vein, Nigeria's manufacturing PMI averaged at 51.6 points in H1 2024, higher than the 50.5 and 50.3 recorded in H2 2023 and H1 2023 respectively, indicative of increased productive activities in the country, largely driven by the services industry despite the surge in the operating and raw material costs as a result of currency volatility and high inflationary pressures.

The Nigerian economy was largely driven by the non-oil sector, particularly the services sector. However, expansion in the oil sector of the economy also supported the growth recorded in the review period.

NIGERIA'S HEADLINE PMI



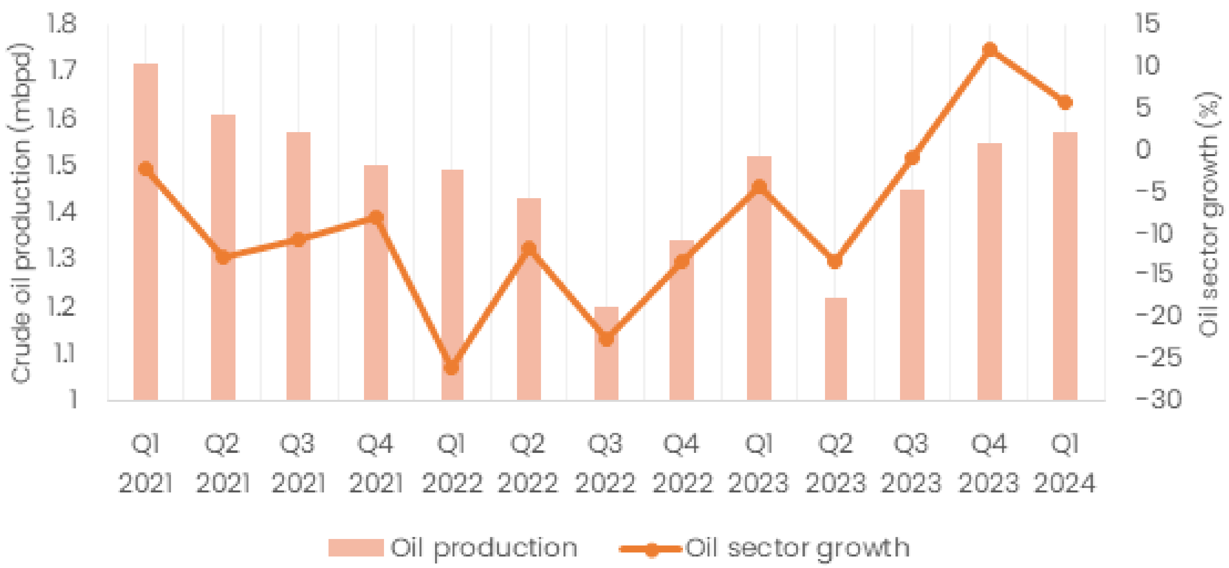
[S&P Global, Norrenberger Research]



Oil sector growth holds up amidst increased output

The oil sector experienced a growth of 5.7% during the first quarter of the year, marking the second consecutive quarter of expansion after several periods of decline. The sector had expanded by 12.11% in the previous quarter, owing to improved crude output, steady oil price as well as the impact of a slew of policies in the oil sector. Notably, Nigeria's crude oil production increased slightly to 1.57 million barrels per day (mbpd) in Q1 2024, compared to 1.55mbpd and 1.51mbpd recorded in Q4 and Q1 2023 respectively. The steady rise in output suggests a stabilizing trend that could continue to support sector's growth.

NIGERIA'S OIL PRODUCTION VS OIL GDP GROWTH



[NBS, Norrenberger Research]

Despite this improvement, the oil refining subsector of the economy contracted by 33.38% in Q1 2024, slightly below the 35.84% and 35.33% negative growths recorded in Q1 and Q4 2023 respectively. We believe that the operational kick-off of Dangote Refinery is still in its early stages and has yet to impact the output of the subsector.

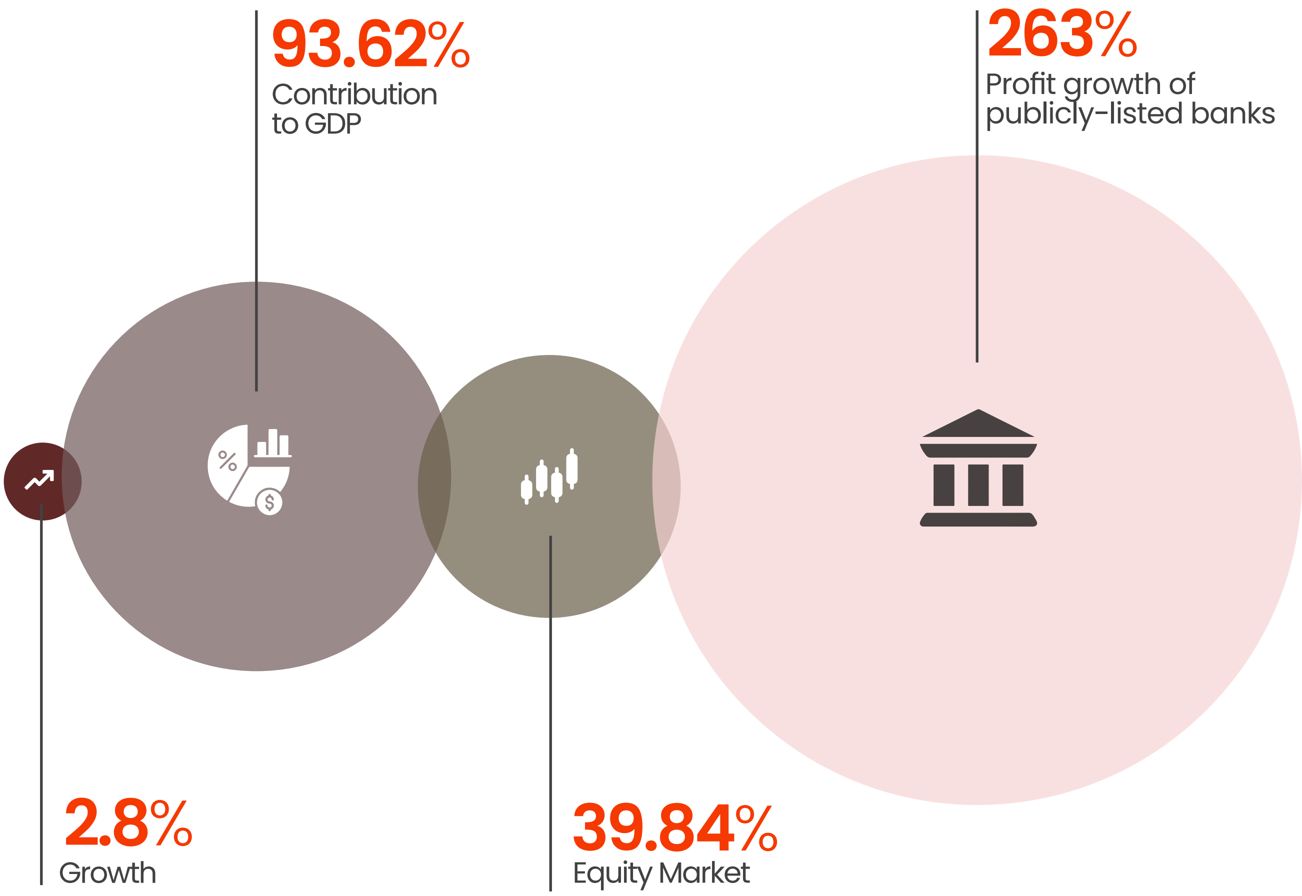
The oil sector contributed 6.38% to the nation's real GDP in Q1 2024 as against 6.21% and 4.7% contributions in Q1 and Q4 of 2023 respectively.

Banking, telco drives non-oil growth

The non-oil sector grew by 2.8% in Q1 2024, slower than the 3.07% growth recorded in the previous quarter but slightly higher than the 2.77% growth seen in the corresponding period of 2023. This growth was primarily driven by expansions in the financial, telecommunications, crop production, trade, and manufacturing sectors of the economy.

In real terms, the non-oil sector contributed 93.62% to the nation's GDP in the first quarter of 2024, lower than the share recorded in the first quarter of 2023 which was 93.79% and lower than the fourth quarter of 2023 recorded as 95.30%.

Impressive performances from financial organizations like banks, insurance, and capital market firms, as well as increased activities in the telecommunication sector supported growth level in the non-oil sector. Notably, 11 publicly listed commercial banks posted a combined pre-tax profit of N1.58 trillion in the first quarter of the year, representing a 263% increase compared to the corresponding period of 2023. In the same vein, Equities witnessed remarkable performance (up 39.84% in Q1) during the period while the capital market was generally bullish.



Industrial sector contribution shrinks as ICT and banking drives services expansion

The Nigerian industrial sector, once considered a cornerstone of economic development, comprising of mining and quarrying, manufacturing, electricity, water supply, and construction subsectors has faced significant challenges in recent years, leading to tepid growth and low GDP contribution, in contrast to the likes of services and the agricultural sector. Growth in the industrial sector has been marred by several factors, highlighting the complex interplay of economic, social, and structural issues.

Inadequate infrastructure remains a critical hurdle for the industrial sector, ranging from insufficient power supply, unreliable transportation network, dollar supply crunch, and high cost of credit. In recent years, the sector has also suffered from low investment, while witnessing some exits like the divestments of GlaxoSmithKline (GSK), Shell, Kimberly-Clark, and Diageo in the first half of the year.

CRITICAL HURDLES FOR THE INDUSTRIAL SECTOR

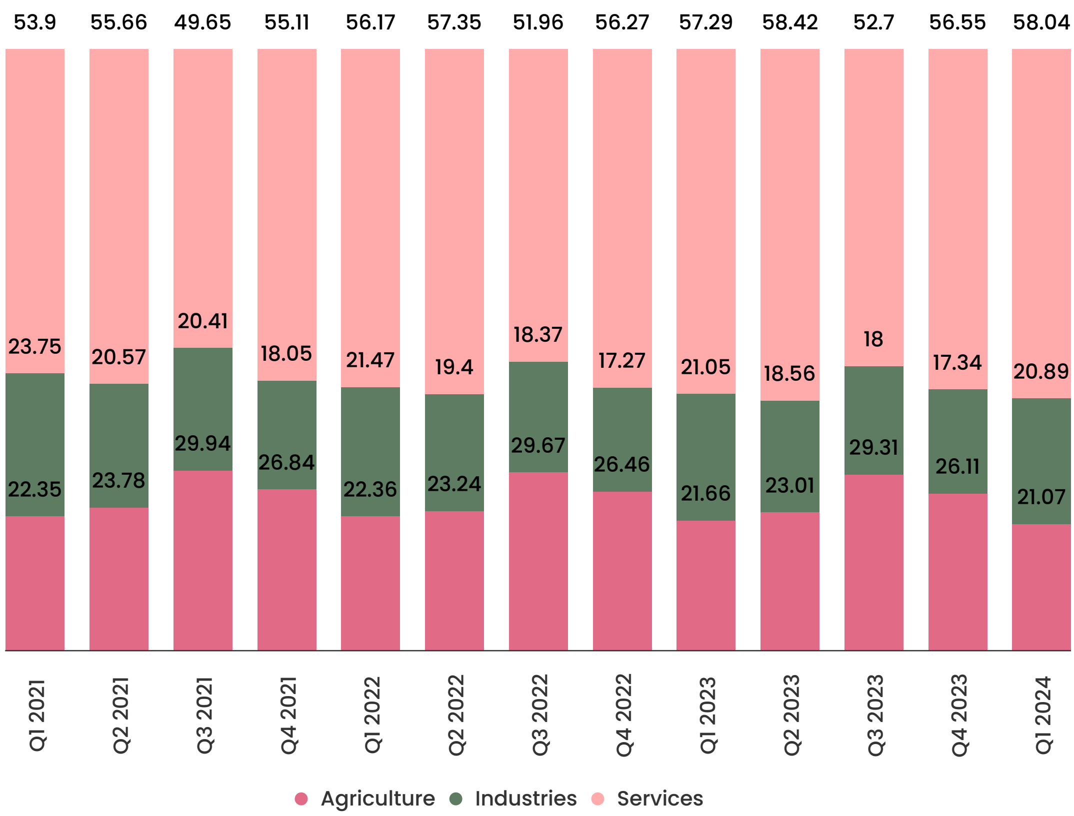
Insufficient Power Supply

Unreliable Transportation Network

High Cost of Credit

Dollar Supply Crunch

SECTOR CONTRIBUTION TO GDP (%)



[NBS, Norrenberger Research]

However, one of the major factors militating against industrial growth has been the instability in the foreign exchange market, with several businesses in the manufacturing sector posting huge losses as a result of FX revaluation losses, estimated at N1.7 trillion in 2023.

The services sector on the other hand has recorded impressive growth, driven by the ICT and banking sector, both growing by 5.43% and 33.3% respectively in Q1 2024. Interestingly, 50% of the top 10 largest companies in the Nigerian Stock market are either telcos or banks.

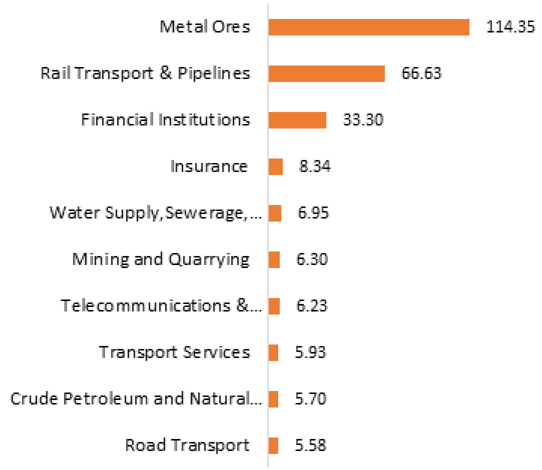
N1.7 Trillion
Manufacturing Sector Losses from FX Revaluation
2023

5.43 %
ICT Sector Growth
Q1 2024

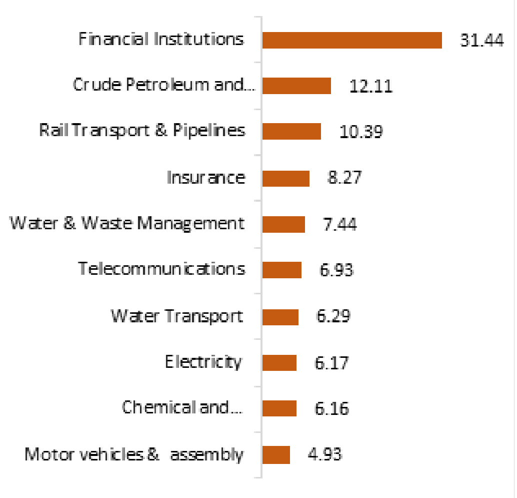
33.3 %
Banking Sector Growth
Q1 2024

FASTEST GROWING SECTORS (%)

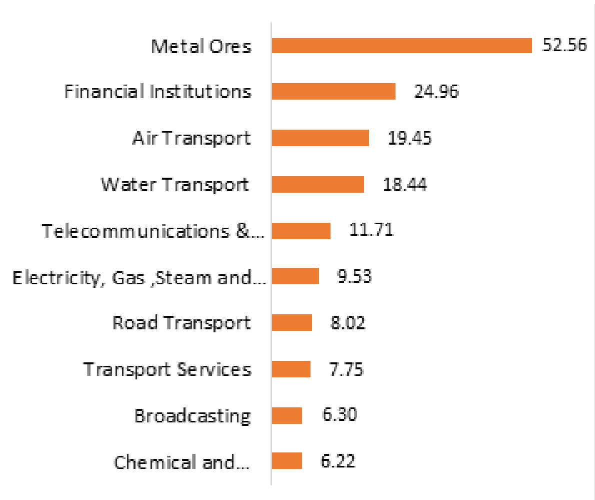
Q1 2024



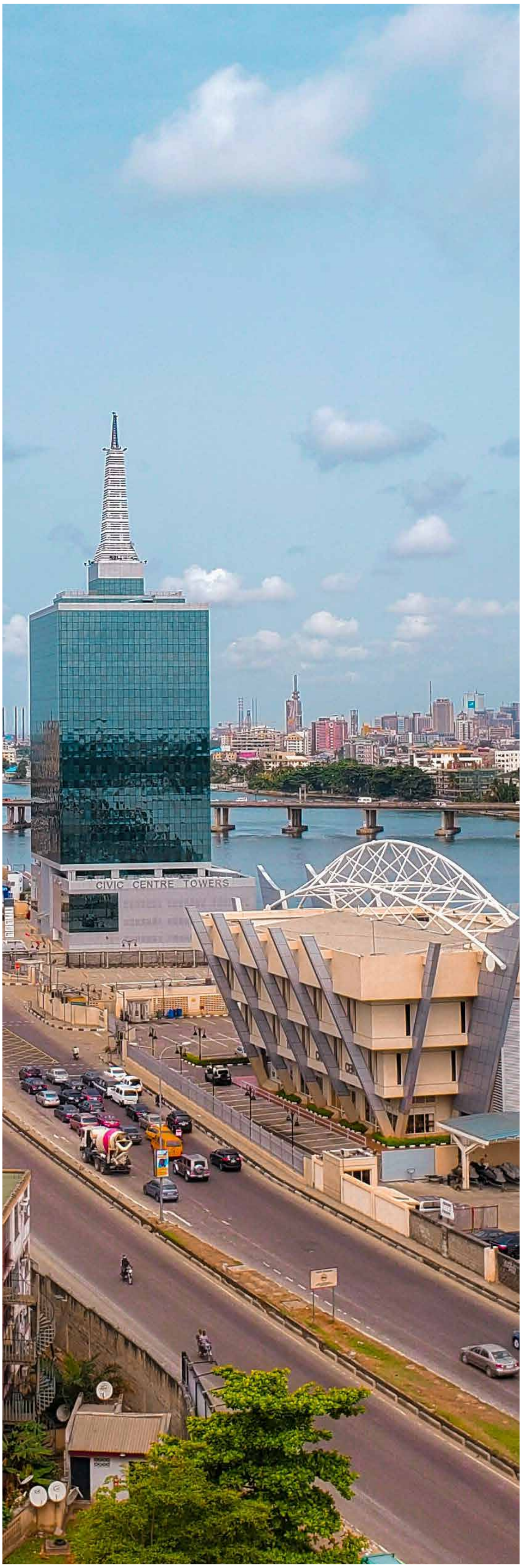
Q4 2023



Q1 2023



[NBS, Norrenberger Research]



Major economy contributors are laggards and sensitive to interest and exchange rate movements

Most major economies have recorded tepid growth in recent years, consequently slowing the anticipated growth of the broader economy. For instance, the agricultural sector, which contributes over 25% to the GDP and provides employment for more than 35% of the labour population, grew at a marginal rate of 0.18%. Similarly, the trade sector, despite accounting for 15.83% of the economy, grew by only 1.23% in Q1 2024. In contrast, the financial services sector expanded by 31.24%, yet it accounts for less than 5% of the economy.

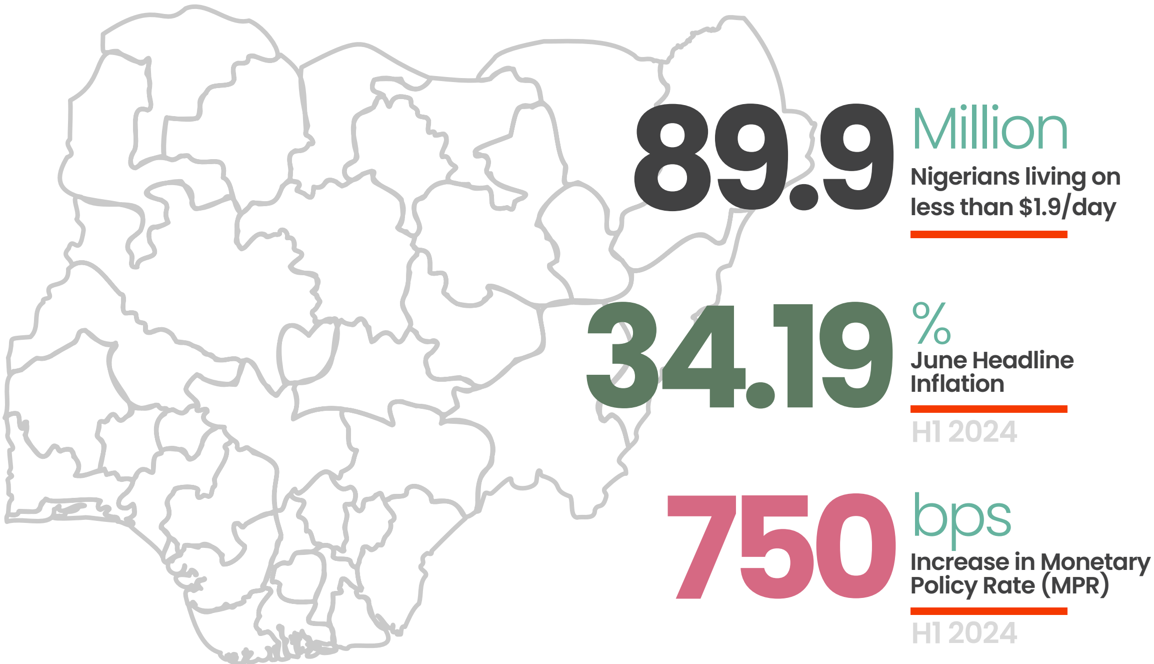
This dynamic is partly due to the sensitivity of these sectors to factors such as exchange rate volatility and high interest rates. The CBN increased its benchmark interest rate by a cumulative 750 basis points (bps) in H1 2024 to 26.25% per annum, further tightening access to credit for businesses. Additionally, the exchange rate depreciated by 39% in the official market and by 19% in the parallel market during the period. These conditions have contributed to the uneven growth across different sectors of the economy, underscoring the challenges faced by businesses in accessing affordable credit and stable currency rates.

Sub Sector	Growth Rate (%)	Contribution to GDP (%)	Share of Total Employment (%)	Interest Rate Sensitivity	Exchange Rate Sensitivity	Job Elastic
Agriculture	0.18	25.18	54.7	✔	✔	✔
Construction	-2.14	3.56	2.7	✔	✔	✖
Education	1.62	1.75	4.3	✔	✔	✔
Financial Services	31.24	4.97	1.5	✔	✔	✖
Manufacturing	1.49	8.81	8.3	✔	✔	✔
Oil & Gas	5.70	5.4	<1.0	✖	✔	✖
Trade	1.23	15.83	16.9	✔	✔	✔
Transport	3.33	1.00	4.0	✖	✖	✖

[NBS, Deloitte Nigeria, Norrenberger Research]

Inflation Hits Unprecedented Levels But May Begin to Taper

Nigeria's inflationary pressure maintained an upward trajectory in the first half of the year, leading to significant economic challenges for its citizens. The ongoing inflationary trend may be attributed to multiple factors, including elevated transportation costs resulting from last year's removal of petrol subsidy, foreign exchange (FX) volatility, imported inflation, seasonal fluctuations in food prices, and increased energy costs, among others.

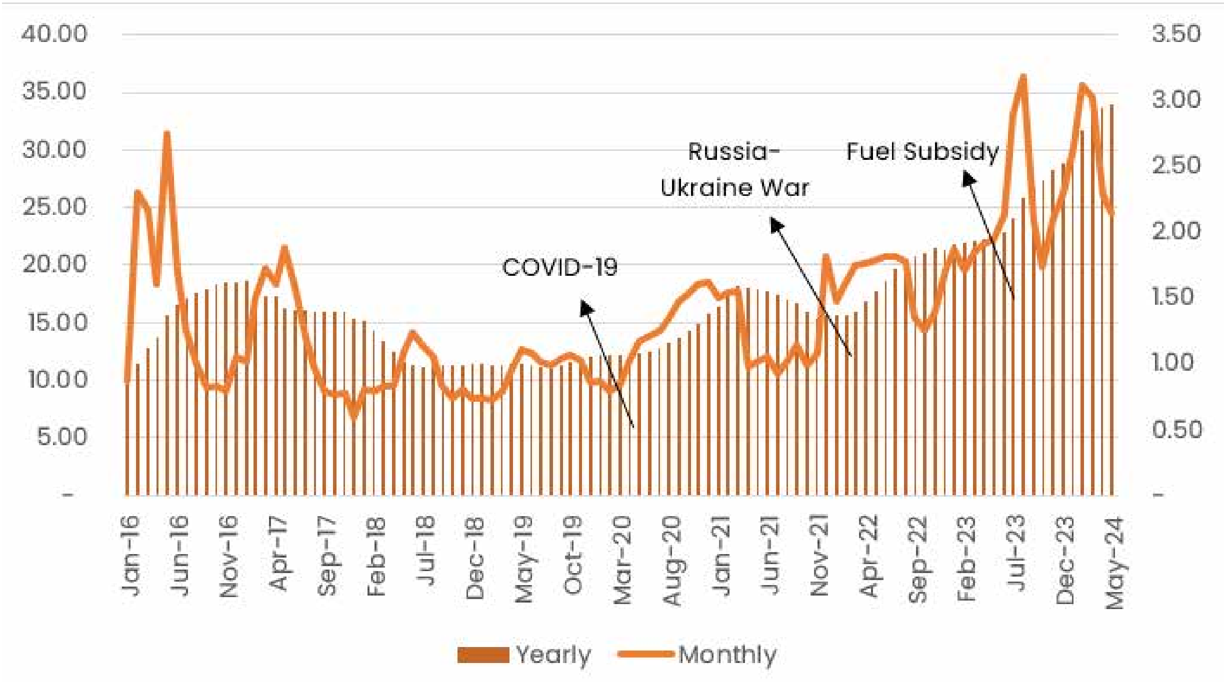


These drivers have created a perfect storm, resulting in a marked increase in the overall cost of living, driving about 10 million more Nigerians into poverty (now at 89.9 million), that is, living on less than $1.9 per day according to the World Bank.

Headline inflation surged to 34.19% in June 2024, up from 28.92% in December 2023. This represents a 5.27%-point increase from the rate reported in December 2023 and an 11.4%-point year-on-year increase. At current levels, headline inflation trails a 28-year high (Highest since March 1996). Although, the month-on-month inflation indicates slower movement, prices have remained sticky across the country.

In June 2024, month-on-month inflation rose for the first time in four months, reaching 2.31%, having shown signs of moderations between March and June, an indication that headline inflation might be hitting a point of inflection. This is following multiple interest rate hikes by the Monetary Policy Committee (MPC) of the CBN. The Monetary Policy Rate (MPR) was increased by a cumulative 750 basis points (bps) between January and June 2024, in a bid to tame the rising rate of inflation. However, the increase in monthly inflation could suggest further interest rate hikes from the CBN.

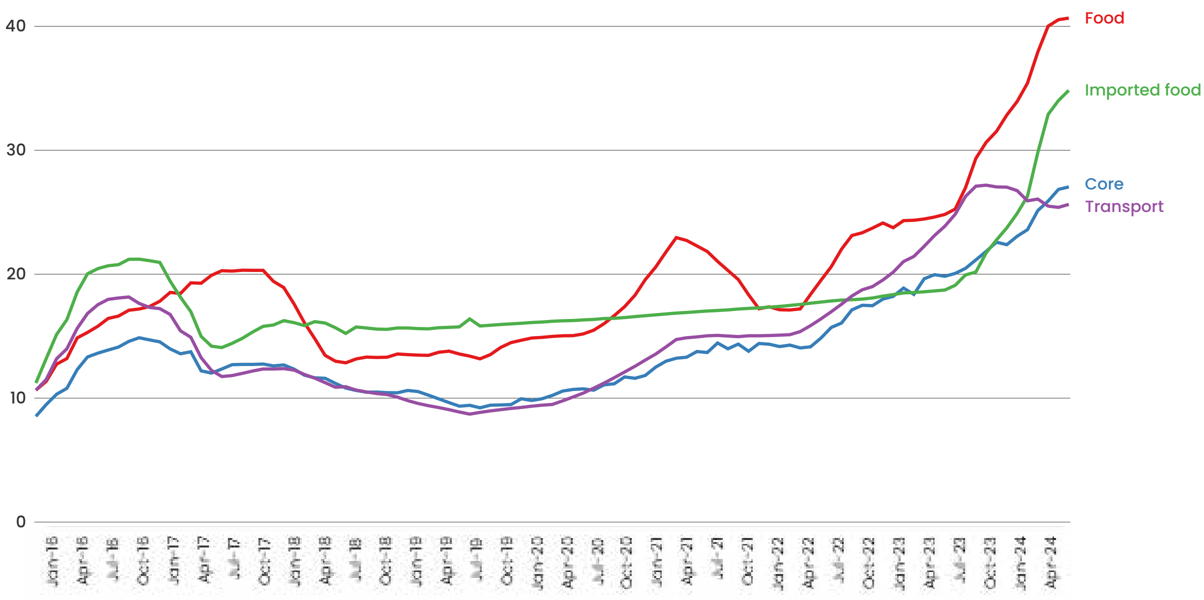
HEADLINE INFLATION: YEARLY VS MONTHLY



[NBS, Norrenberger Research]

Major components of the inflation baskets have also witnessed unprecedented increases in recent time owing to the combination of both local and global factors, ranging from the fallout of the Covid-19 pandemic, Russia-Ukraine war, global warming, as well as government reforms such as the removal of petrol subsidy, review of electricity tariff for Band A customers, and the unification of the exchange rate. Notably, food inflation rose to its highest level in over 28 years in June 2024 at 40.87%, while core inflation surged to its highest in more than 20 years, reaching a record of 27.4%.

MAJOR INFLATION COMPONENTS

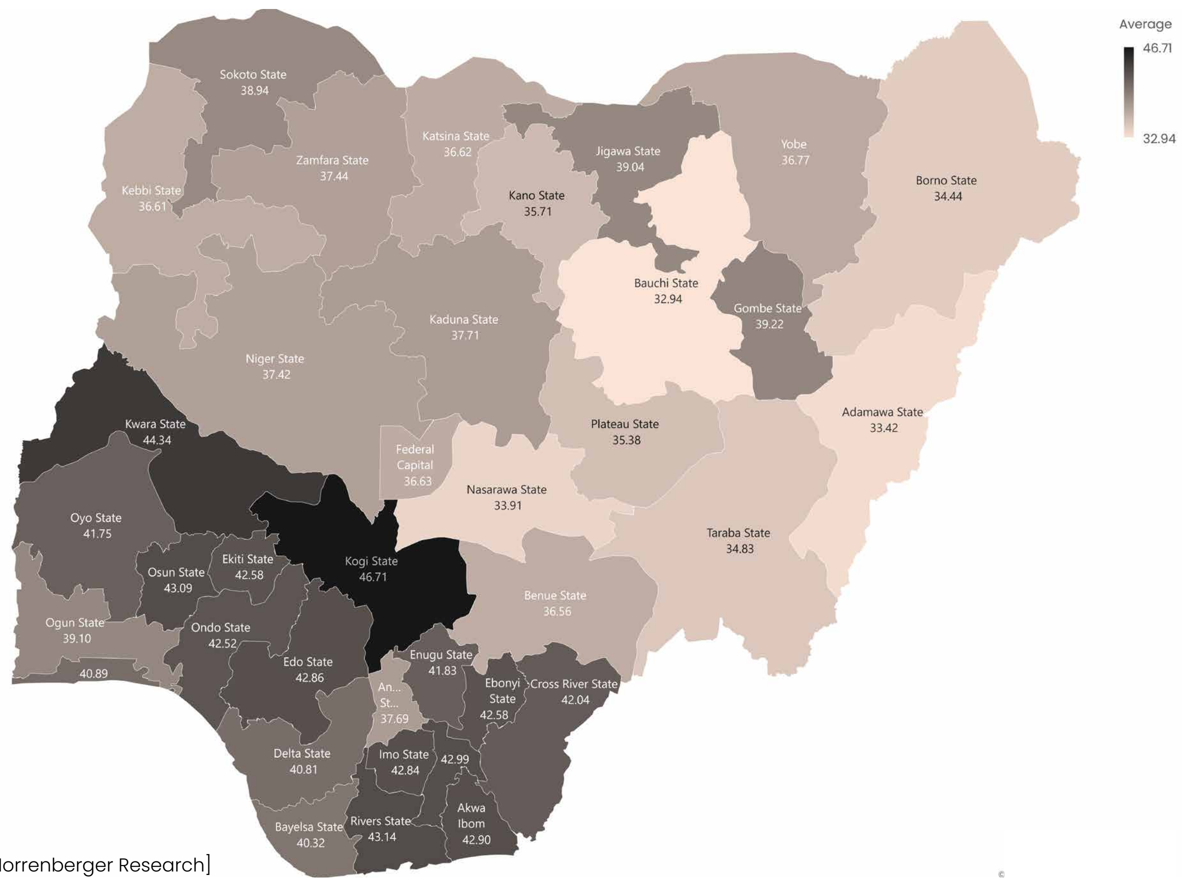


[NBS, Norrenberger Research]

Food insecurity drives high inflation in southern region

While inflation is high across the country, the southern region has been particularly hard hit, largely due to escalating food prices. This unprecedented food inflationary pressure in the south is the result of several compounding factors: seasonality, infrastructural deficits, high transportation costs, insecurity in the northern region, and challenges related to warehousing and logistics. These issues collectively exacerbate the inflationary impact, making it more acute in the southern region compared to the rest of the country.

AVERAGE FOOD INFLATION BY STATE - H1 2024



[NBS, Norrenberger Research]

The devaluation of the naira and surge in transport cost on the back of petrol subsidy removal and high diesel prices have also seen imported food and transport inflation rate hit record highs at 36.38% and 25.63% respectively in June 2024. Meanwhile, transport inflation has shown signs of moderation in the later part of the half-year period, mainly as a result of base effects, considering that transport cost rose sharply in the corresponding periods of 2023.

Inflation Erodes Corporate Earnings

The manufacturing and ICT sectors have been among the most severely affected industries due to the combination of high costs and FX devaluation. In Q1 2024, the high cost of raw materials, which surged by 86.8%, significantly eroded the 64.6% year-on-year increase in revenue reported by publicly traded manufacturing and ICT companies. This has partly contributed to a loss of N600 billion during the period.

COST OF SALES

86.8%

REVENUE

64.4%

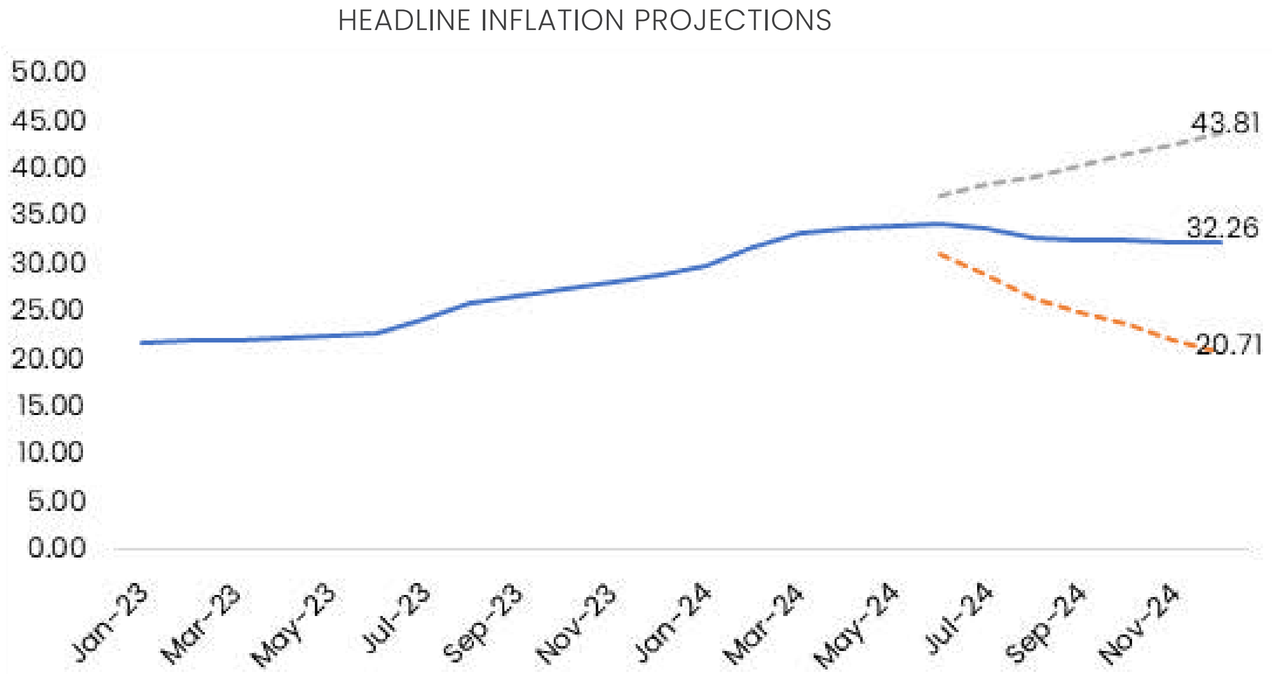
Q1 2024 LOSS (N)

N600bn

CONSUMER GOODS

ICT

INDUSTRIAL GOODS



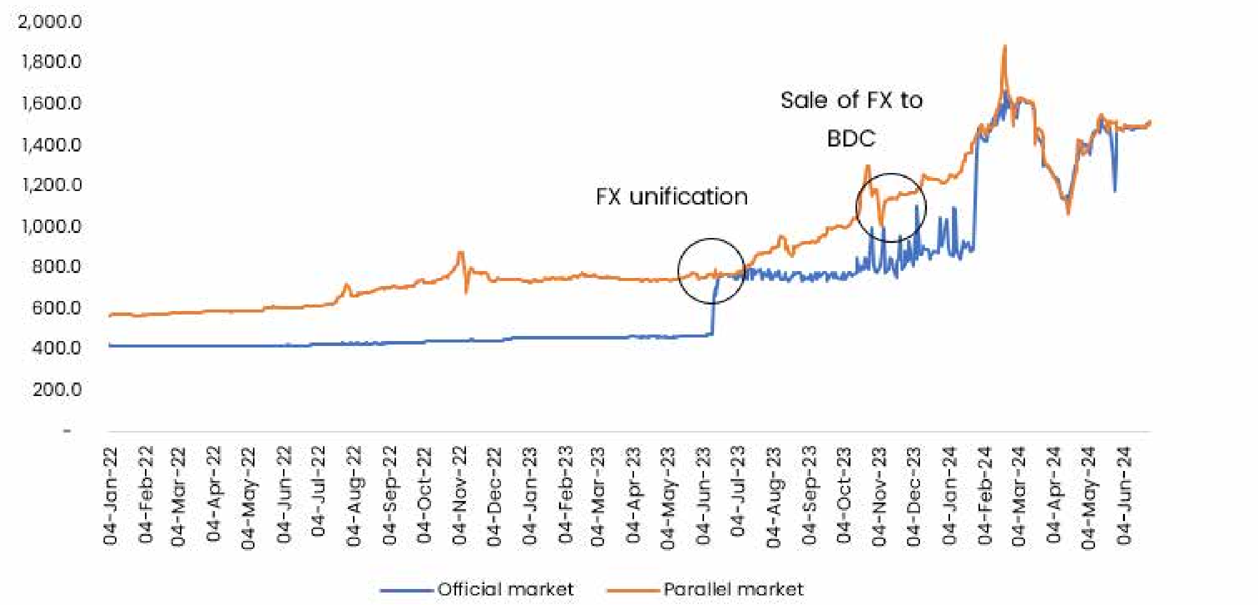
[Norrenberger Research]

We anticipate that inflation will remain sticky for the rest of the year, albeit with gradual easing. We see the June inflation as an inflection point before moderating to 32.3% by the end of the year. However, several factors could impact this trajectory, including potential increases in electricity tariffs and petrol prices, FX volatility, food insecurity, global tensions, and ongoing minimum wage negotiations. These elements could introduce upward pressure on inflation, complicating the expected moderation.

Dollar Illiquidity, Hoarding Drives Massive Devaluation

The naira weakened further against the USD and other major currencies following the adoption of the floating exchange rate system by the CBN and the revision of FX market pricing methodology by the FMDQ. The naira depreciated by 39.7% in the first half of the year at the official Nigerian Autonomous Foreign Exchange Market (NAFEM), closing at N1,505.3/$ compared to N907.1/$ recorded as of the end of December 2023. Similar movement was also recorded at the parallel market, with a depreciation of 20.1% against the US dollar to close at N1,520/$. Meanwhile, the market has been able to achieve some level of convergence between the official and parallel market rate. The market seems to have attained price discovery for the naira in the region of N1,400/$ and N1,500, placing a resistance outside of this bound.

HEADLINE INFLATION PROJECTIONS



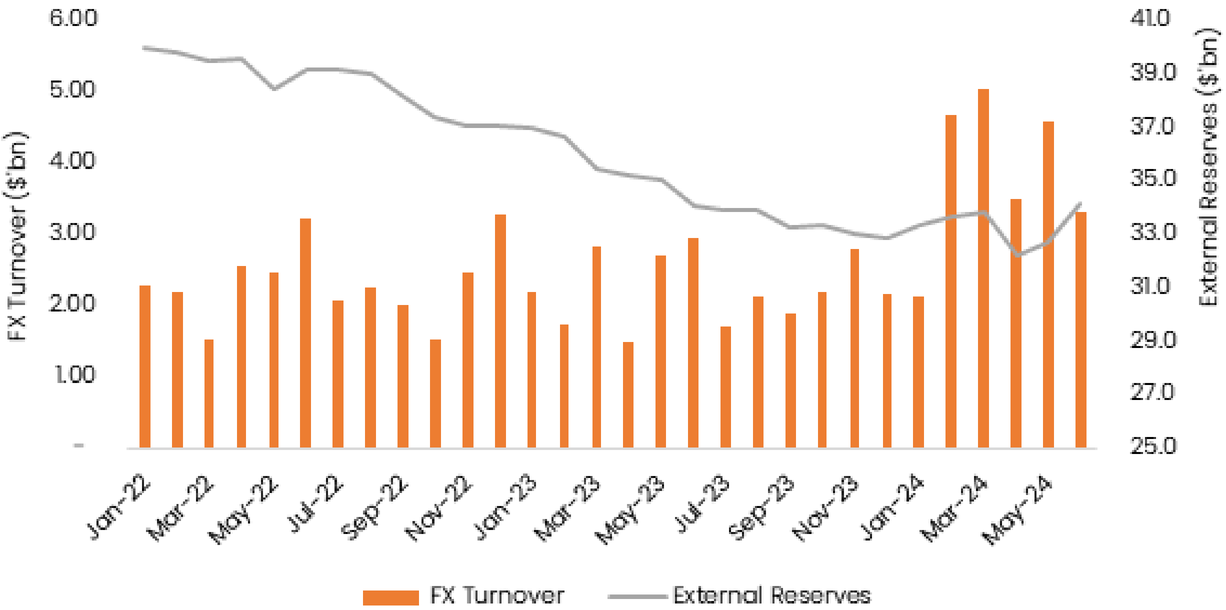
[FMDQ, CBN, Nairalytics, Norrenberger Research]

The huge devaluation of the naira may be attributable to FX illiquidity in the Nigerian economy, owing to persistent decline in foreign inflows and high demand for the greenback, either to fund importation of goods and services or citizen's hedging strategy against rising inflation. Notably, a total of $23.3 billion in foreign exchange was traded at the NAFEM in the first six months of the year, representing about 86% of the total $26.8 billion traded in the whole of 2023. An increase, which was recorded on the back of a slew of policies by the CBN aimed at sanitizing the FX market, one of which included the imposition of a Net Open Position (NOP) limit of FX assets and liabilities of deposit money banks. However, the market witnessed a decline in FX liquidity at the official market in the later part of the review period as FX turnover fell to a 5-month low in June 2024, while naira lost 1.3% against the USD in the same month.

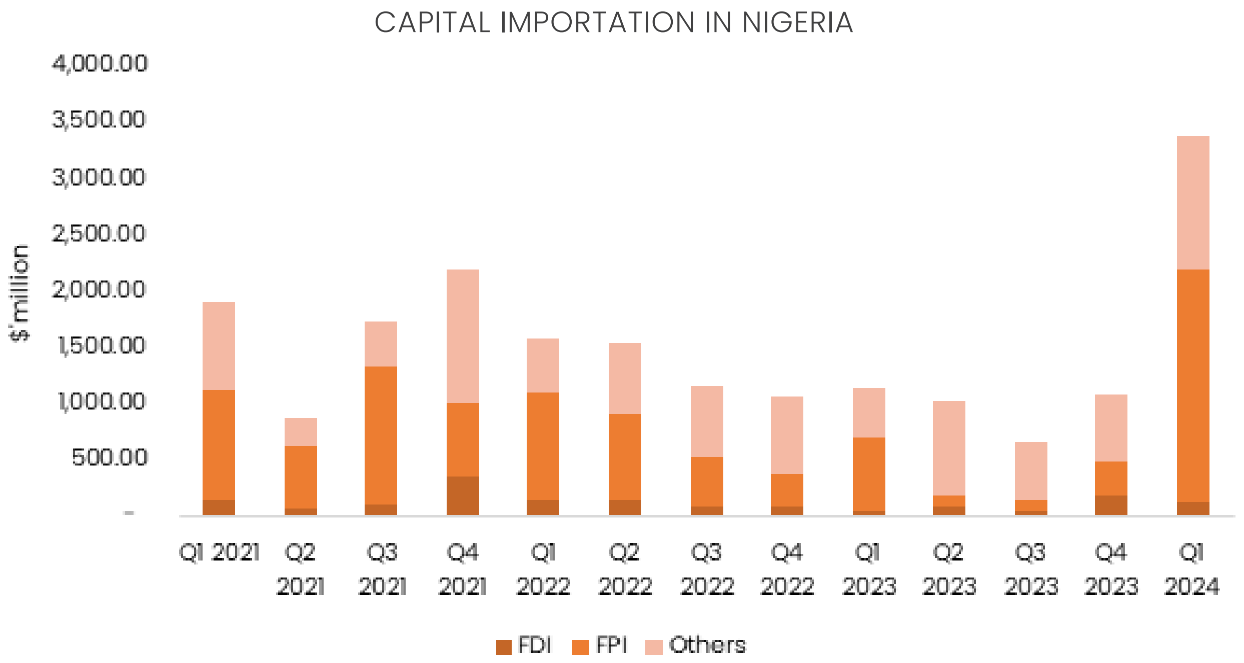
FX Reserves on Rebound But Might Be Expensive

Nigeria's external reserves took a positive turn in the later part of June, hitting a 3-month high to stand at $34.19 billion, following increased earnings from crude oil exports as well as improved inflows from foreign portfolio investors. Capital importation data from the NBS shows a staggering increase in FPIs in Q1 2024, to the tune of $2.08 billion, more than the amount received in the previous six quarters combined. Total capital imported increased by 198% year over year to $3.38 billion in Q1 2024, in stack contrast with the $1.13 billion recorded in Q1 2023, a feat which has also supported the growth in Nigeria's FX reserves. Despite the increase in Nigeria's capital importation figures for the first quarter of the year, the proportion of debt related inflows however suggests more financial strain on the government, accounting for 94% of the total inflows, which was spread across bonds, money market instruments, and loans.

OFFICIAL FX TURNOVER VS EXTERNAL RESERVES



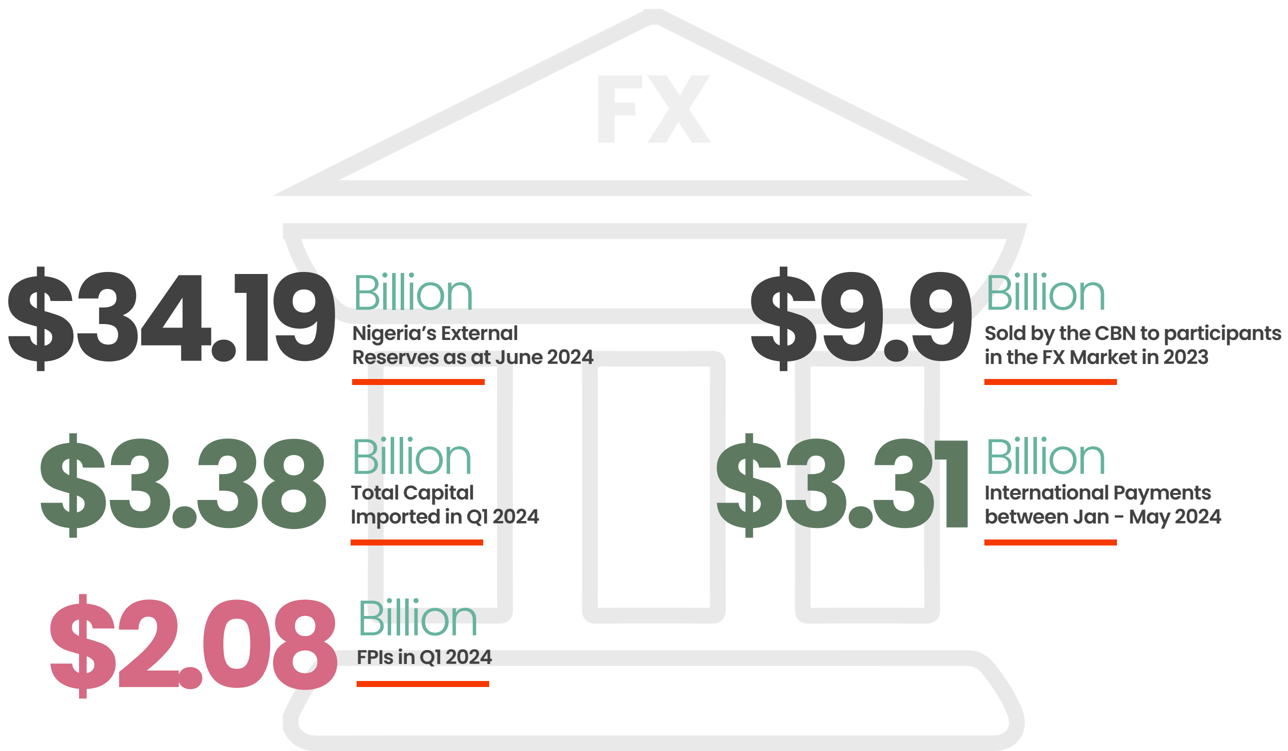
[CBN, FMDQ, Norrenberger Research]



[NBS, Norrenberger Research]

Additionally, the adoption of a free-floating exchange rate system by the CBN has also relieved the apex bank of its constant intervention in the FX market to keep exchange rate stable, hereby bolstering the reserves level. In the 2023, the CBN had sold $9.9 billion to participants in the FX market, in a bit to ensure exchange rate stability.

Meanwhile, Nigeria's international payment obligations has slowed the rate of increase in the external reserves level, having spent a sum of $3.31 billion on international payments between January and May 2024, a 31% increase compared to the $2.53 billion recorded in the corresponding period of 2023. These payments include letter of credits, direct remittances, and debt service costs.



Sustained International Trade Surplus; Suggests Concentration Risk

Nigeria maintained a favourable international trade balance in Q1 2024, buoyed by improved export earnings. In Q1 2024, Nigeria recorded total exports of N19.17 trillion (up from N12.69 trillion in Q4 2023), compared to an import bill totalling N12.64 trillion (up from N9.05 trillion in Q3 2023). This translates to a net trade balance of N6.52 trillion, marking the sixth consecutive quarters of recording favorable trade balances.

N19.17 Trillion
Total Exports
Q1 2024

N12.64 Trillion
Total Imports
Q1 2024

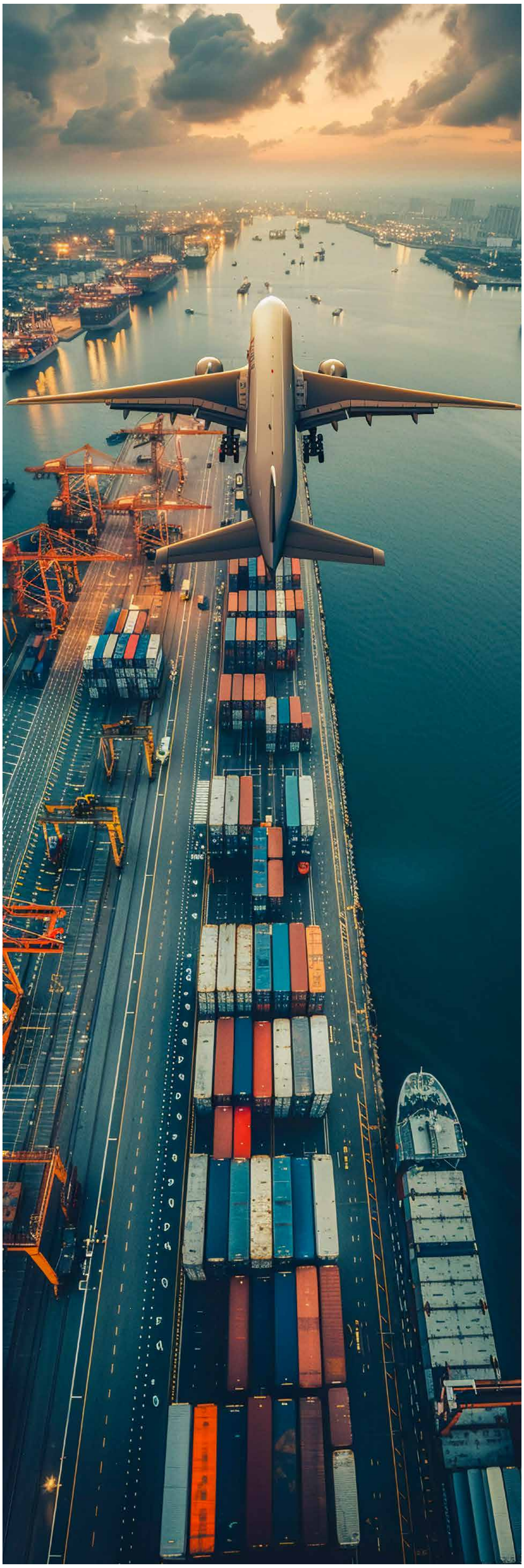
N6.52 Trillion
Net Trade Balance
Q1 2024

NIGERIA'S FOREIGN TRADE STATISTICS

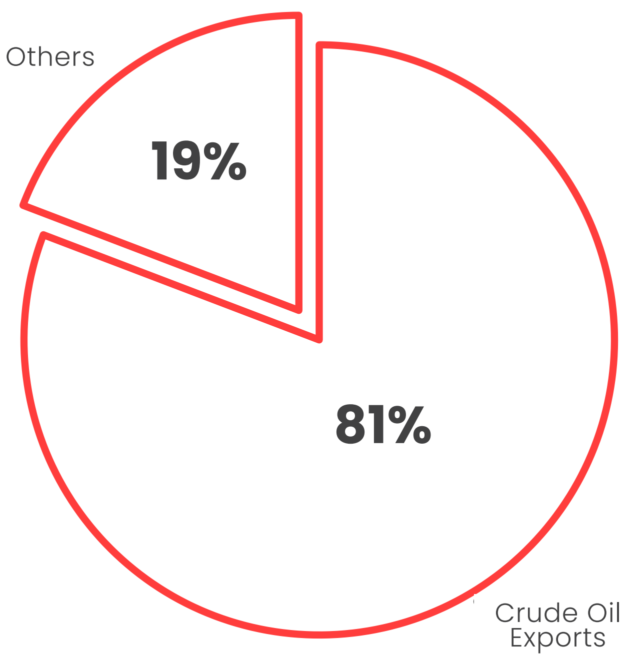
[NBS, Norrenberger Research]

The surge in export earnings was primarily driven by increased crude oil export and the devaluation of the naira. Notably, crude oil exports rose by 50% quarter-on-quarter and over 200% compared to the corresponding period of the previous year.

However, the heavy reliance on crude oil exports introduces a concentration risk, making Nigeria's trade balance highly vulnerable to fluctuations in the global oil market. According to the National Bureau of Statistics (NBS), crude oil exports accounted for 81% of Nigeria's export earnings in the first quarter of the year. This heavy reliance highlights the critical need for economic diversification to mitigate potential adverse impacts on the nation's trade and overall economic stability.



NIGERIA'S EXPORT COMPONENT - Q1 2024

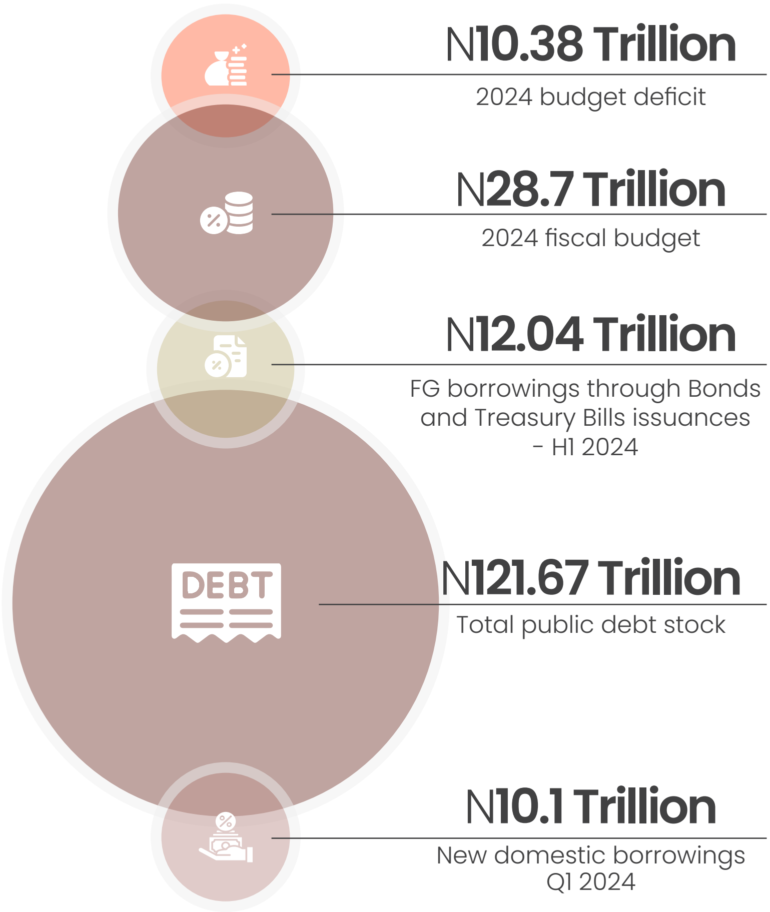


[NBS, Norrenberger Research]

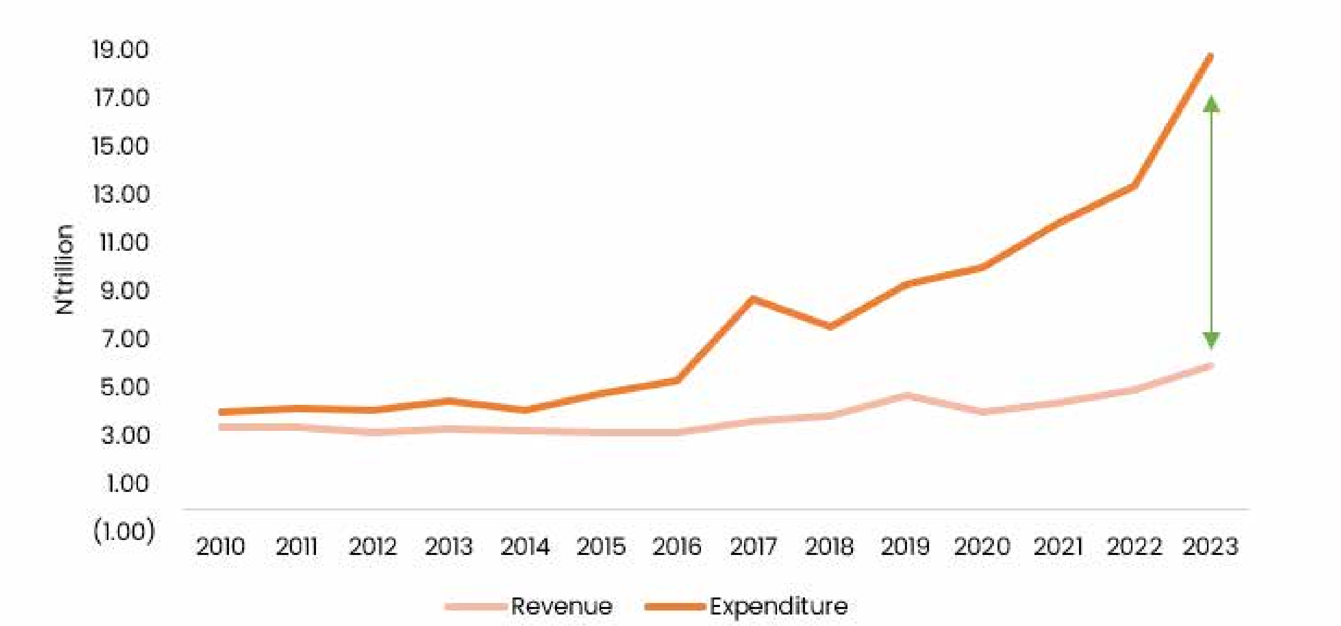
Persistent High Fiscal Deficit, a Worry

In the last decade, Nigeria has grappled with a persistently rising fiscal deficit, exacerbating economic challenges, largely due to underwhelming revenue generation and surging expense line, especially debt service cost and recurrent expenditure.

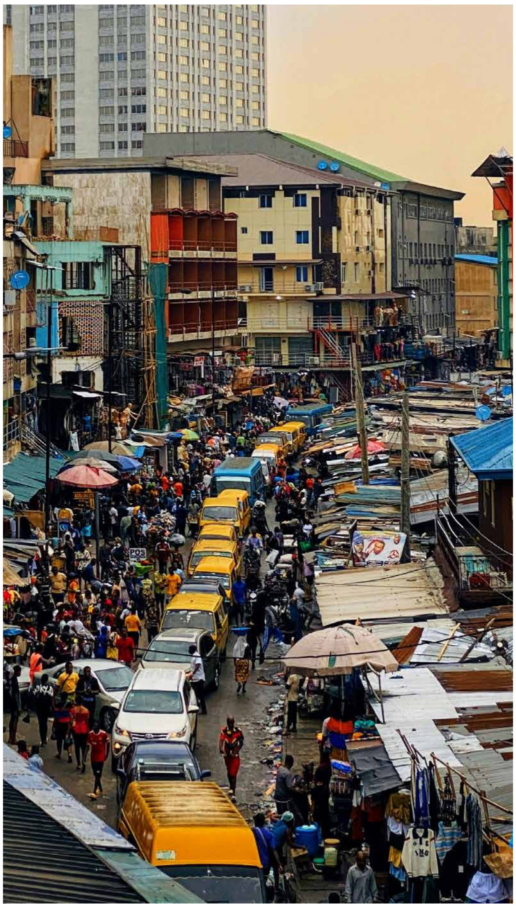
The 2024 budget estimates a deficit of N10.38 trillion, having earmarked N28.7 trillion as the fiscal budget for the year. The widening deficit has led to increased borrowings with Nigeria's debt stock surging by 25% to a record high of N121.67 trillion as of the end of March 2024 in naira terms, although a 16% decline when represented in dollars ($91.5 billion), as a result of FX devaluation.



ANNUAL FGN FINANCES



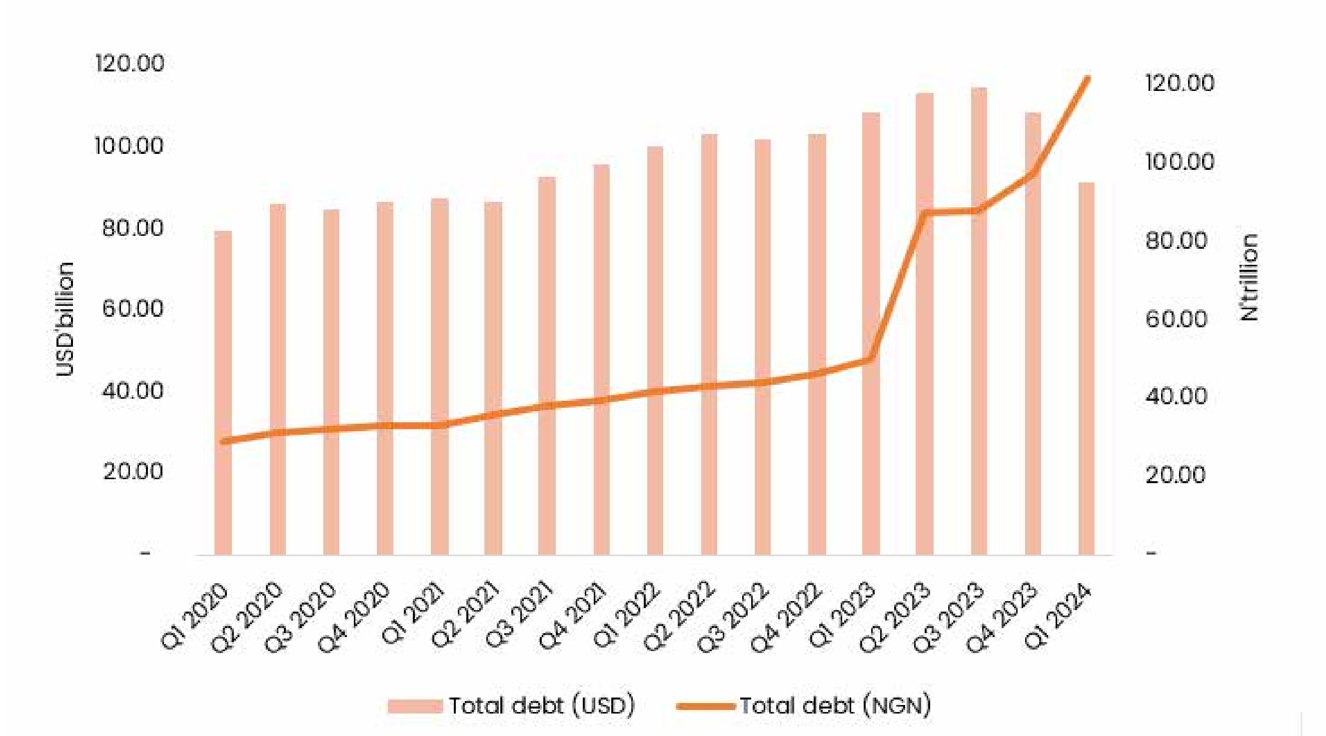
[CBN, Norrenberger Research]



The Nigerian government has also increased its borrowing both domestically and internationally in a bid to mop up excess naira liquidity and enhance FX liquidity inflows in the economy. In H1 2024, the Federal Government borrowed a total of N12.04 trillion through bonds and Treasury Bills issuances compared to N5.76 trillion recorded in the corresponding period of 2023.

The total public debt stock reached an unprecedented high of N121.67 trillion in the first quarter of 2024, rising from N97.34 trillion at the end of 2023. This substantial increase is attributed to new domestic borrowings amounting to N10.1 trillion and the consequential effects of the naira's devaluation. Consequently, the debt-to-GDP ratio now stands at 52.9%, while debt to revenue ratio for the federation stands at 6.06x, indicating further fiscal challenges for the government, particularly given the persistently weak revenue generation, especially from the non-oil sector.

NIGERIA'S DEBT STOCK (NAIRA VS DOLLAR)



[DMO, Norrenberger Research]

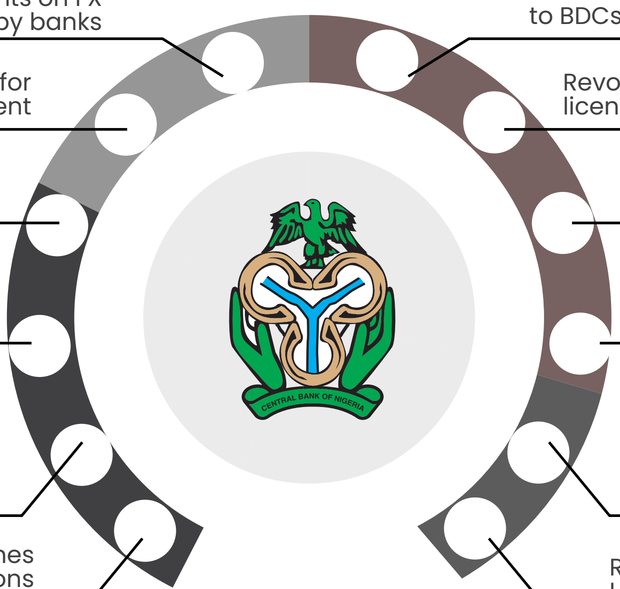
Major Policy Announcements

Major Policies in H1 2024

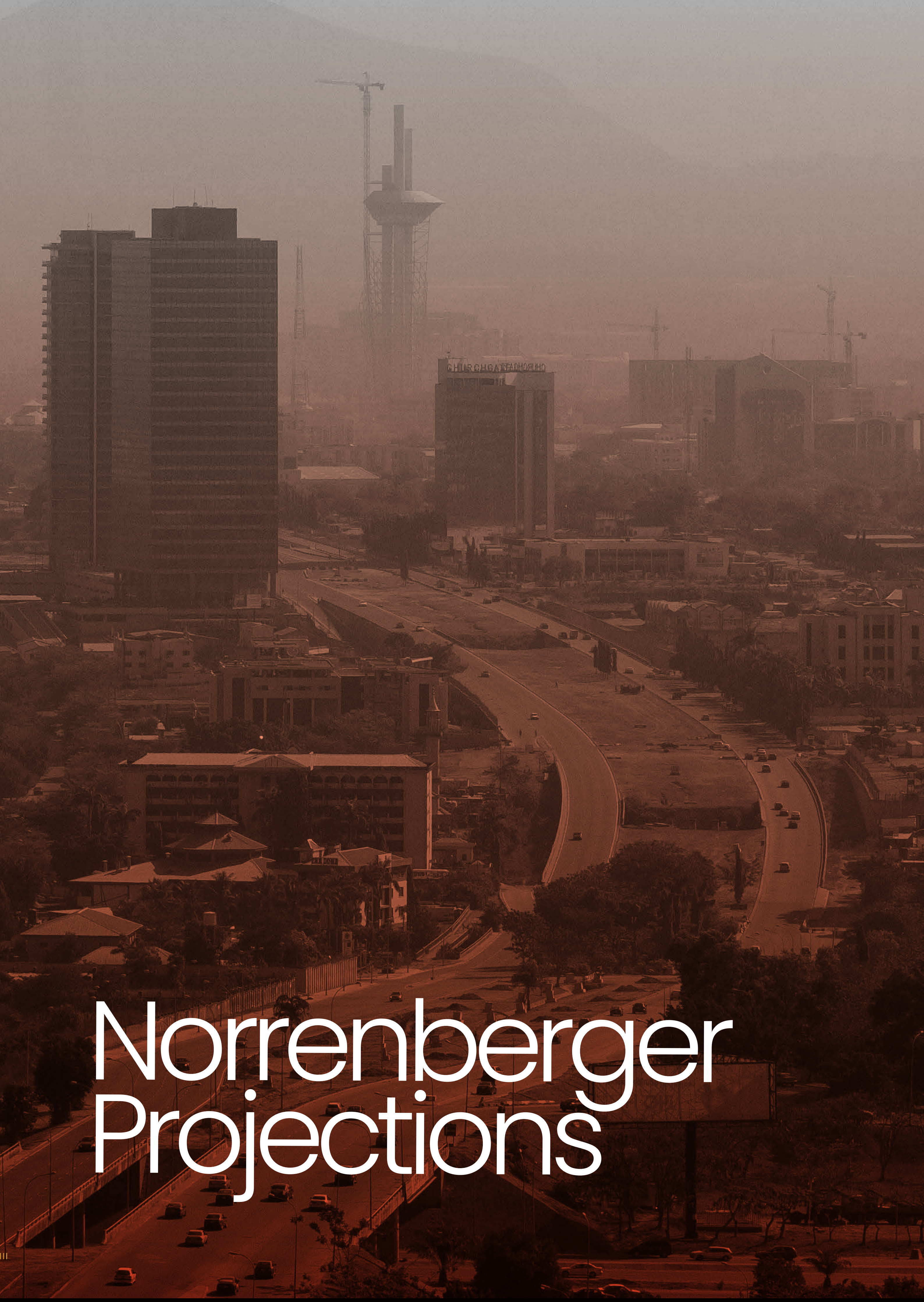
FISCAL

- Signing of N28.7 trillion Renewed Hope 2024 budget
- Executive orders on oil and gas reforms
- Reverting to old national anthem
- Executive Order removing tariffs, VAT on pharma imports
- FGN signs Electricity Act Amendment Bill into law
- Introduction of new withholding tax regime, exempts small businesses, farmers, manufacturers

MONETARY



- Harmonising of reporting requirements on FX exposures by banks
- Change in FX mechanism for import duty assessment
- Removal of spread on FX transactions
- Discontinues cash payments of PTA/BTA
- Change in FX mechanism for import duty assessment
- Revision of guidelines for BDC operations
- Resumes FX sales to BDCs
- Revokes operational licenses of 4,173 BDCs
- Hands over N100 billion worth of fertilizers to Ministry
- Increase in minimum capital requirements for banks
- Prohibition of FX-denominated collaterals for Naira loans
- Reduction of bank LDR to 50%



Norrenberger Projections

Our Projections

INFLATION (DEC'24)

Best case (CL – 10%)
20.71%

Base case (CL - 95%)
32.26%

Worst case (CL – 25%)
43.81%

GDP GROWTH (2024)

Best case (CL – 10%)
3.6%

Base case (CL - 95%)
3.1%

Worst case (CL – 25%)
2.3%

EXCHANGE RATE (DEC'24)

Best case (CL – 10%)
N1,100/$

Base case (CL - 95%)
N1,450/$

Worst case (CL – 25%)
N2,000/$

EXTERNAL RESERVES (DEC'24)

Best case (CL – 10%)
$39 Billion

Base case (CL - 95%)
$36.1 Billion

Worst case (CL – 25%)
$30.3 Billion

DRIVERS OF ASSUMPTIONS

BEST CASE

- Oil production surpasses 1.5mbpd target
- Dangote Refinery comes to full play
- Crude oil price crosses $100 per barrel

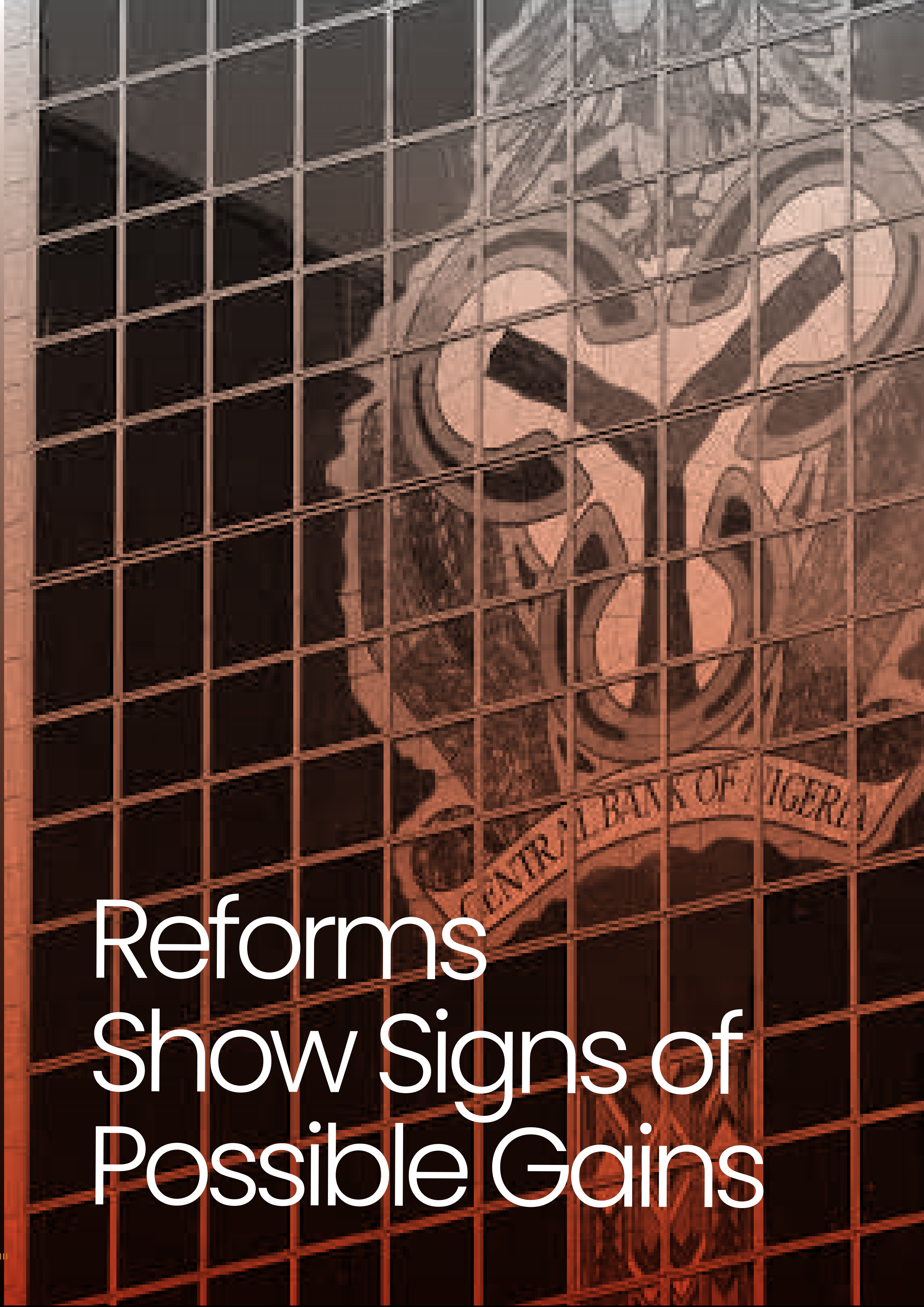
BASE CASE

- Crude oil price remain elevated
- Interest rate remains high
- Crude oil production hovers around 1.3mbpd – 1.5mbpd

WORST CASE

- Global tension intensifies
- Further increase in electricity tariff
- Crude oil production falls below 1.2mbpd
- Dovish CBN policy

Reforms Show Signs of Possible Gains



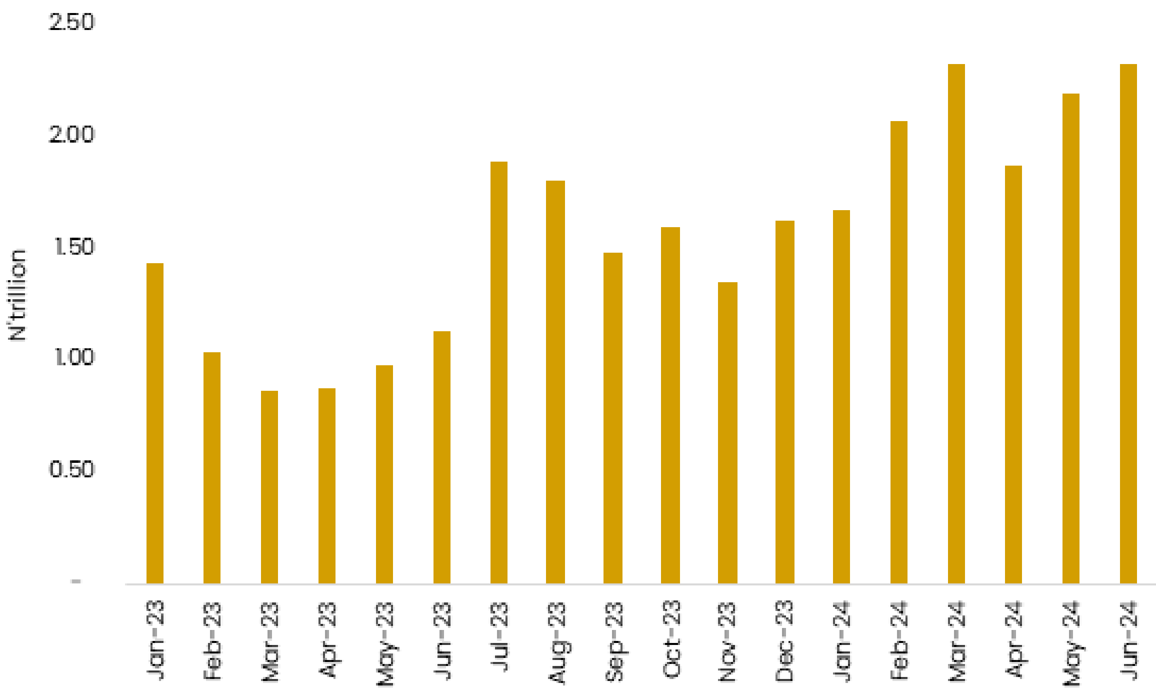
Reforms Beginning to Pay Off?

Recent policy changes such as the removal of the petrol subsidy, unification of the exchange rate, and improved oil production are beginning to show positive signs on the fiscal side of the government, reflected in the significant increase in FAAC distributions to the federal, state, and local governments since June 2023.

Between January and June 2024, the three levels of government shared a sum of N12.45 trillion from the federation account, almost double the N6.31 trillion recorded in the comparable period of 2023. A development, which is expected to improve the fiscal numbers of the different levels of government. This is particularly favorable to the state governments who rely majorly on federal allocations and credit facilities to meet up with their expenditures.

In the same vein, these reforms have also had positive effect on export earnings, FX inflows amongst others. However, there is a trade-off between the long-term gains of these government reforms and the immediate pain it has on the populace.

FAAC DISBURSEMENT TO FEDERAL, STATE, AND LOCAL GOVT.

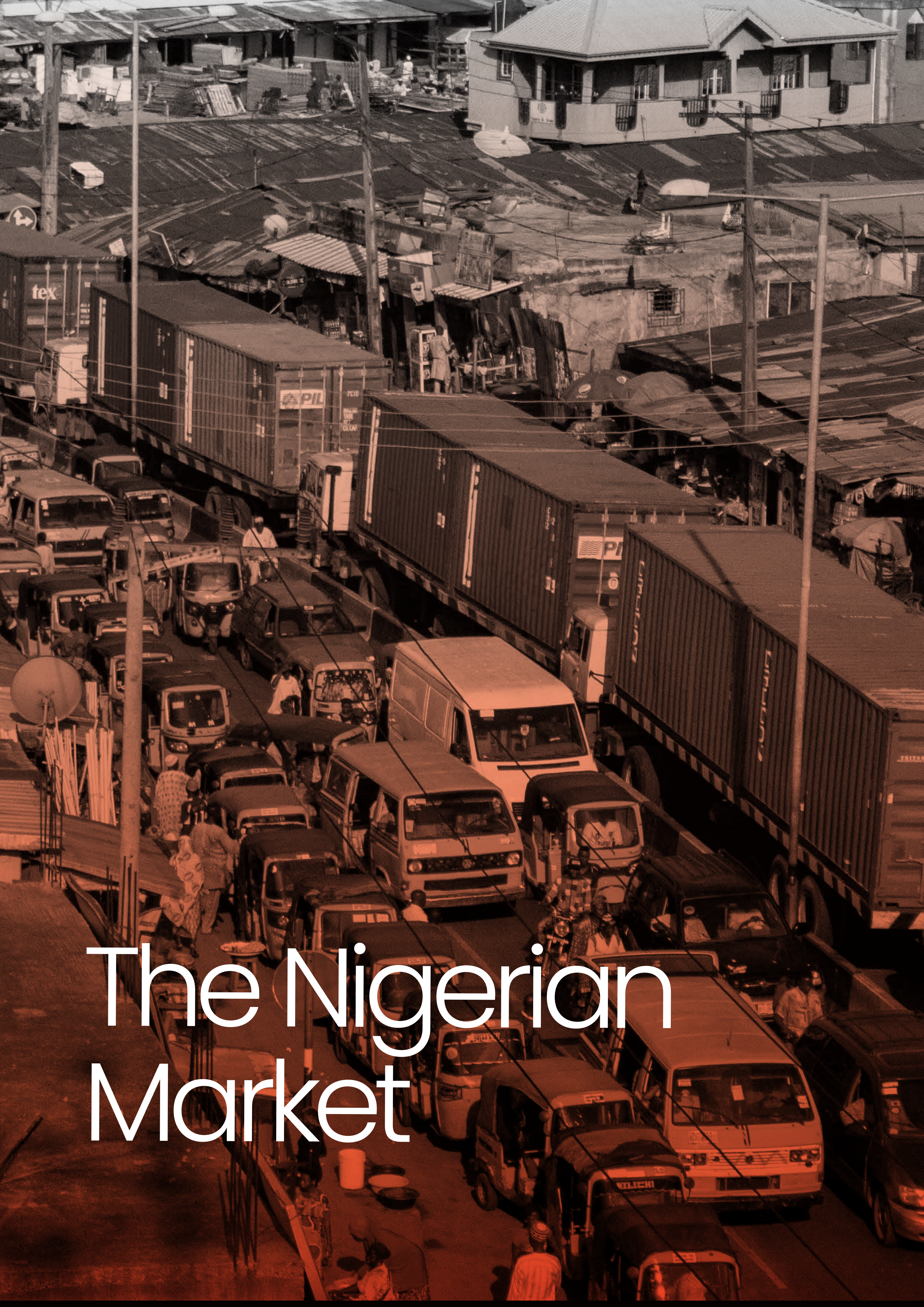


[NBS, Norrenberger Research]

While these reforms are designed to create a more resilient and self-sustaining economy especially from the fiscal side, they present increased risks of high inflation, poverty, unemployment, mass exodus of productive citizens. It is noteworthy that the successful implementation of these reforms can lead to a more prosperous and stable economic future for Nigeria. It is crucial for the government to balance these reforms with measures such as targeted fiscal support, improved social safety nets, minimum wage adjustment amongst others that can mitigate their short-term impacts on the most vulnerable populations.

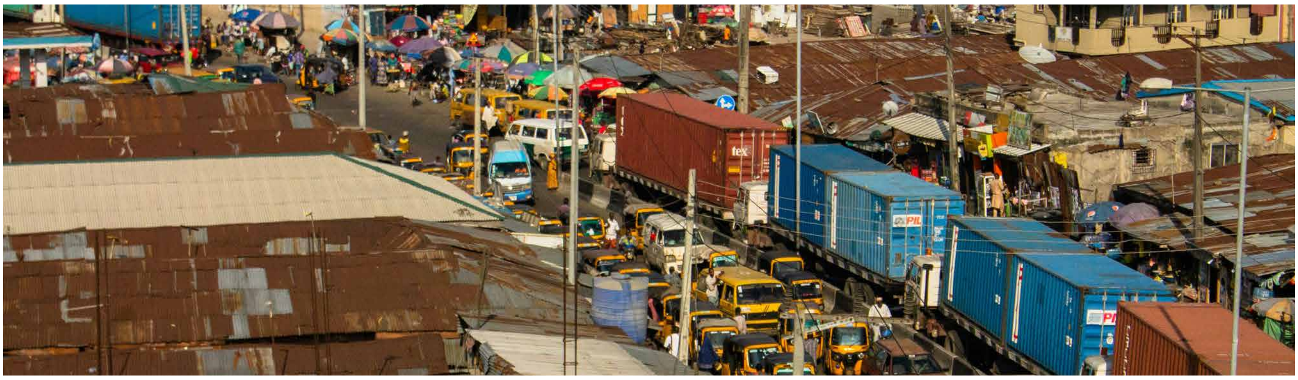
2024 BUDGET TARGETS – REALITY CHECK

	2024 Assumption	2024 Estimate	Variance (%)
Oil Price Benchmark ($/b)	77.96	80	
Oil Production (mbpd)	1.78	1.27	
Exchange Rate (N/$)	750.00	1,505.30	
Inflation (%)	21.40	32.74	
Non-Oil GDP (N'bn)	223,989.2	224,567.5	
Oil GDP (N'bn)	12,316.0	12,958.4	
Nominal GDP (N'bn)	236,305.2	237,525.9	
Real GDP Growth Rate (%)	3.76	3.1	
Imports (N'bn)	32,453.5	37,040.19	



The Nigerian Market

Hawkish CBN Drives Record-high Fixed Income Yield



In the first half of 2024, system liquidity remained tight for most of the period following the CBN's effort to tame high inflation numbers. The CBN employed intermittent CRR debits on deposit money banks and Open Market Operations (OMO) bills auctions to mop up liquidity in the system

The impact of these OMO activities was significant, with a total of N2.99 trillion being mopped up from the system. To put this in perspective, this amount is higher than the total of N1.59 trillion recorded for the entire 2022 and 2023 combined.

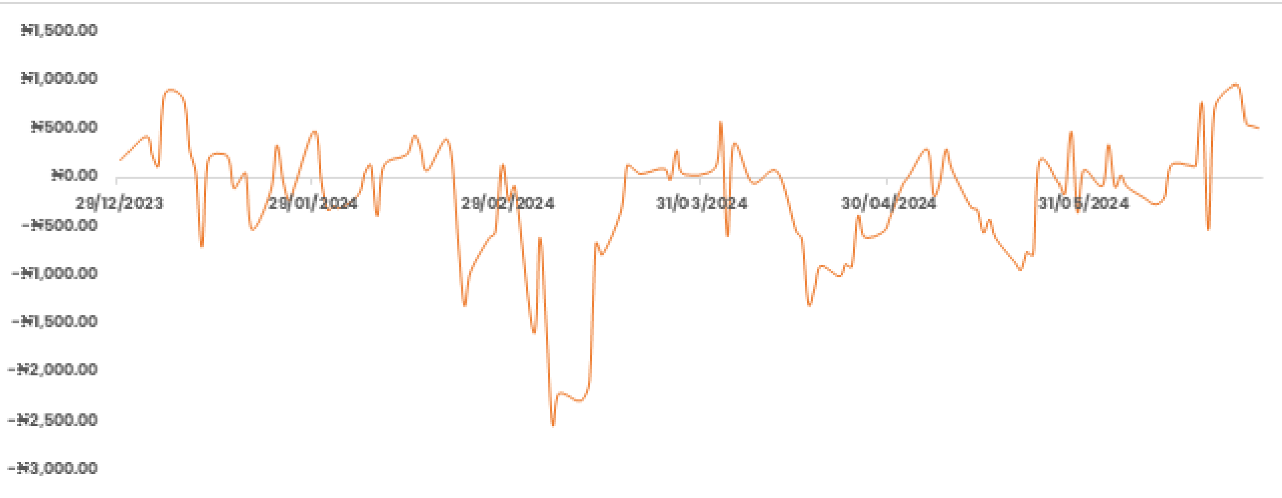
In addition to the intermittent CRR debits, the CBN increased the Cash Reserve Ratio in its February meeting from 32.5% to 45%, which ultimately led to a further tightening of system liquidity.

The hawkish tone of the Monetary Policy Committee, combined with its decision to hike the Monetary Policy Rate by 750 basis points from 18.75% to 26.25%, influenced short-term interest rates, hereby reducing the negative real rate of return.

The chart below depicts the trend of system liquidity in H1 2024, with a predominance of negative liquidity mostly experienced in the month of March. Out of the six months, January and June were largely positive, with the average daily financial system liquidity standing at N88.7 billion and N236.98 billion, respectively. Negative system liquidity dominated from February to May, with the worst month being March at N826.13 billion short.

During H1, interbank rates recorded significant increases following the hawkish actions of the CBN. The Open Rate (OPR) rose to 24.2% (+911 bps), and the Overnight rate (OVN) likewise increased to 25.0% (+953 bps).

H1 2024 FINANCIAL SYSTEM LIQUIDITY TREND



CBN, Norrenberger Research

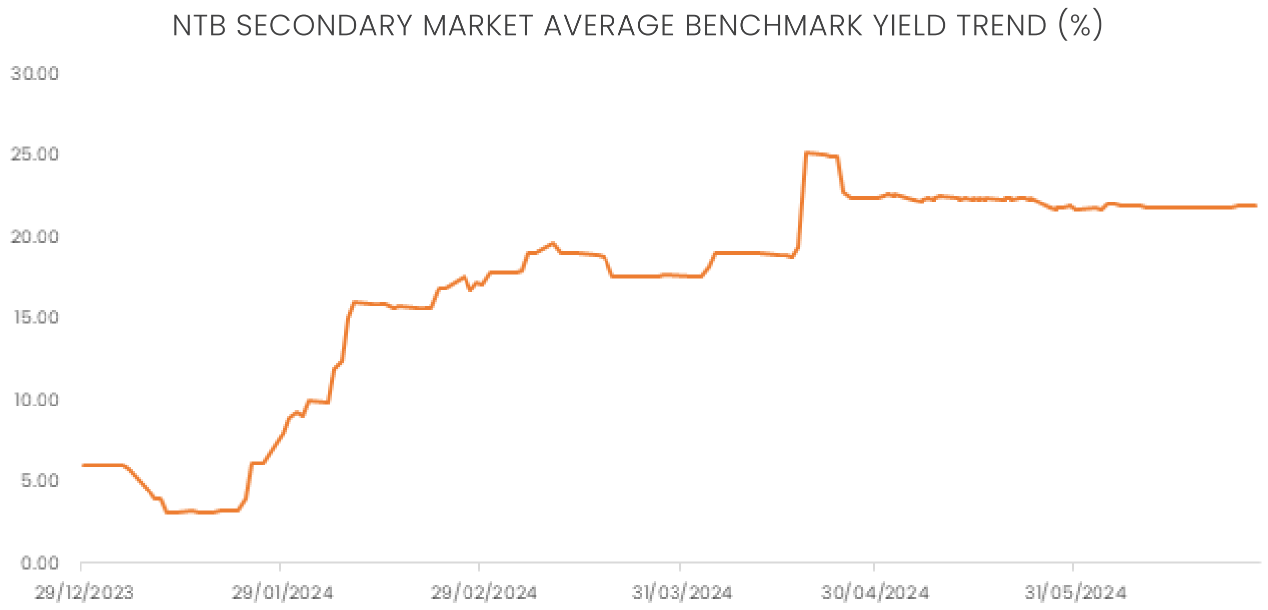
To provide context, the average OPR and OVN rates for the first half of 2024 settled at 24.9% and 25.8%, respectively. In the first half of 2023, the average OPR and OVN rates closed at 12.4% and 12.83%, respectively. The recent figures are also significantly higher than those recorded at the end of 2023, as they closed at 11.08% and 11.75%, respectively.

NTB auctions saw a total of N8.39 trillion being sold compared to the total subscription amount of N19.21 trillion across the traditional tenors in the 14 auctions that occurred in the first half of the year.

Stop rates across all tenors closed higher compared to the beginning of the year as the Debt Management Office (DMO) sought to raise funds to finance the Federal Government budget deficit. The 364-day bill reached its highest stop-rate of 21.49% at the auction on 6th March.

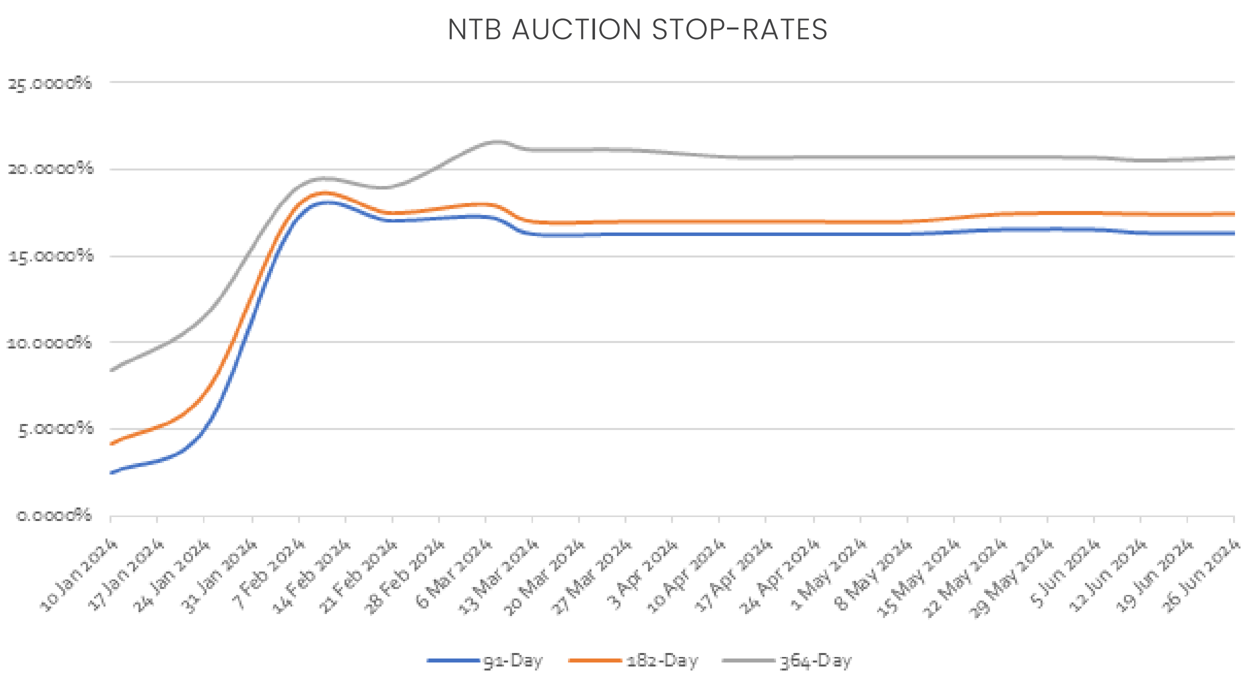
H1 2024 OPR & OVN RATES TREND (%)

FMDQ, Norrenberger Research



FMDQ, Norrenberger Research

At the start of the year, system was awash with liquidity spurring buying sentiment in the treasury bills market. However, as system liquidity decreased, largely because of CBN OMO sales, the market turned bearish, resulting in a continuous increase in yields. The average benchmark yield ended 2023 at 6.01% and rose to 21.86% by the end of H1 2024.



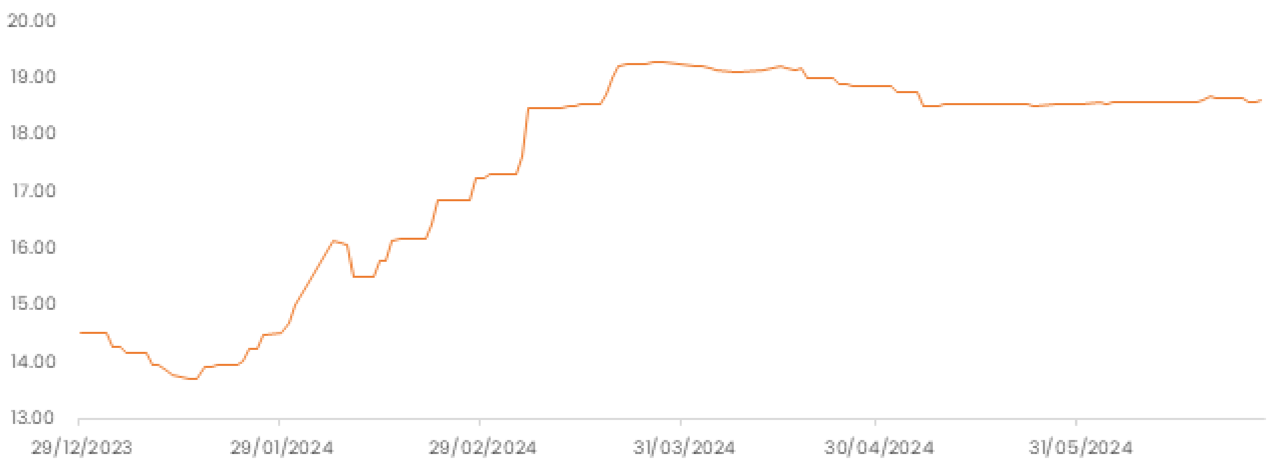
CBN, Norrenberger Research

Bonds market activities low on tight liquidity

The DMO raised a total of N3.69 trillion across the 6 bond auctions in the first half. The February auction witnessed the DMO introducing new papers: 2031s and 2034s and allotted the largest bond size in H1, amounting to approximately N1.49 trillion. Subsequently, the DMO introduced the Mar-2027 tenor in the following month. In April, the DMO introduced a new paper Apr-29 bond and in May, May-33 maturity was also introduced.

Yields in the secondary market maintained an upward trend for most of the first half as selling sentiment continued due to the CBN's hawkish stance, making short-term instruments more appealing to investors. The average benchmark yield rose from 14.5% at the end of 2023 to 18.6% in H1 2024.

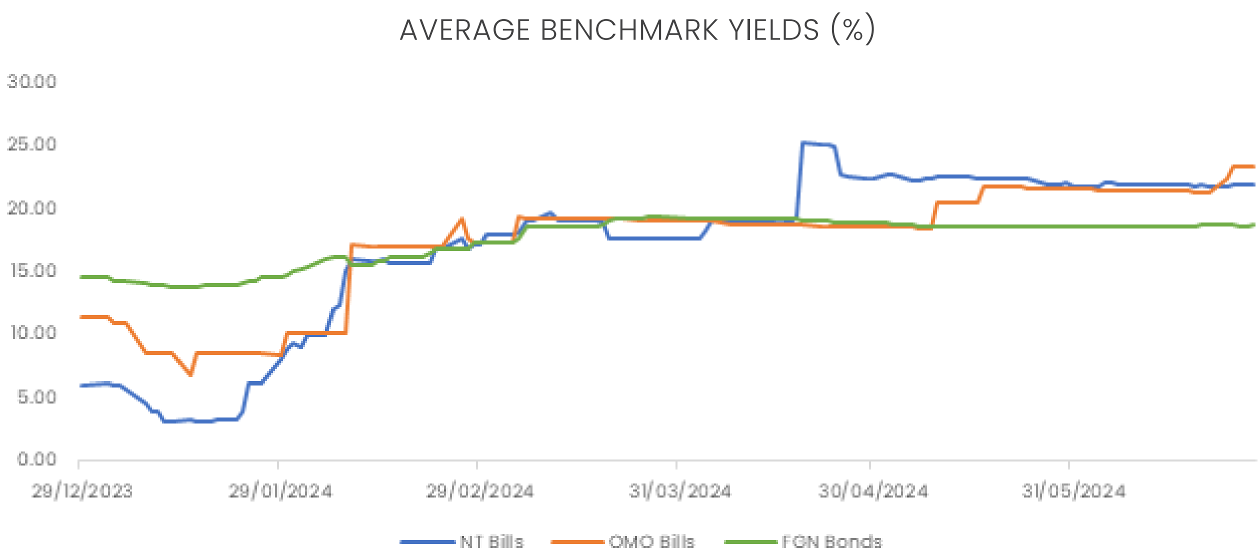
FGN BONDS AVERAGE BENCHMARK YIELD TREND



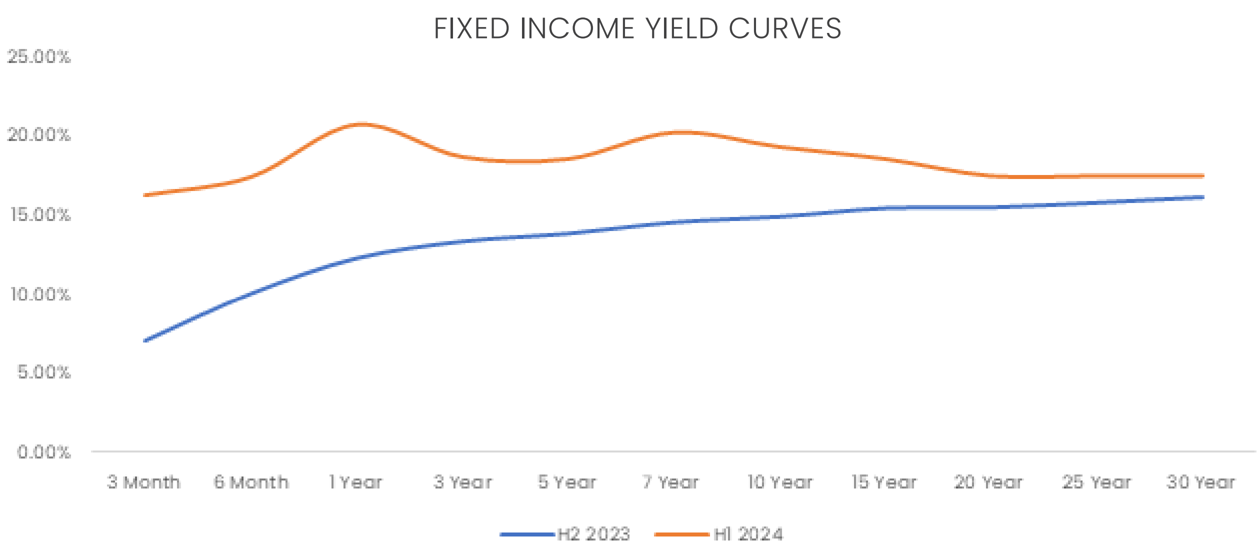
DMO, Norrenberger Research

Putting them together (Naira Market)

The hawkish stance of the CBN has strongly impacted short-term interest rates and influenced a convergence in rates between short and long-term fixed income instruments. This Monetary Policy Rate hike has led to selloffs in existing bond holdings as they become less attractive to investors with the introduction of new bonds by the DMO at the primary market auctions as well as improved attractiveness of the short-term instruments. This is quite evident as the yield curve at the end of H1 2024 has become higher and flattened compared to the second half of 2023.



FMDQ, Norrenberger Research

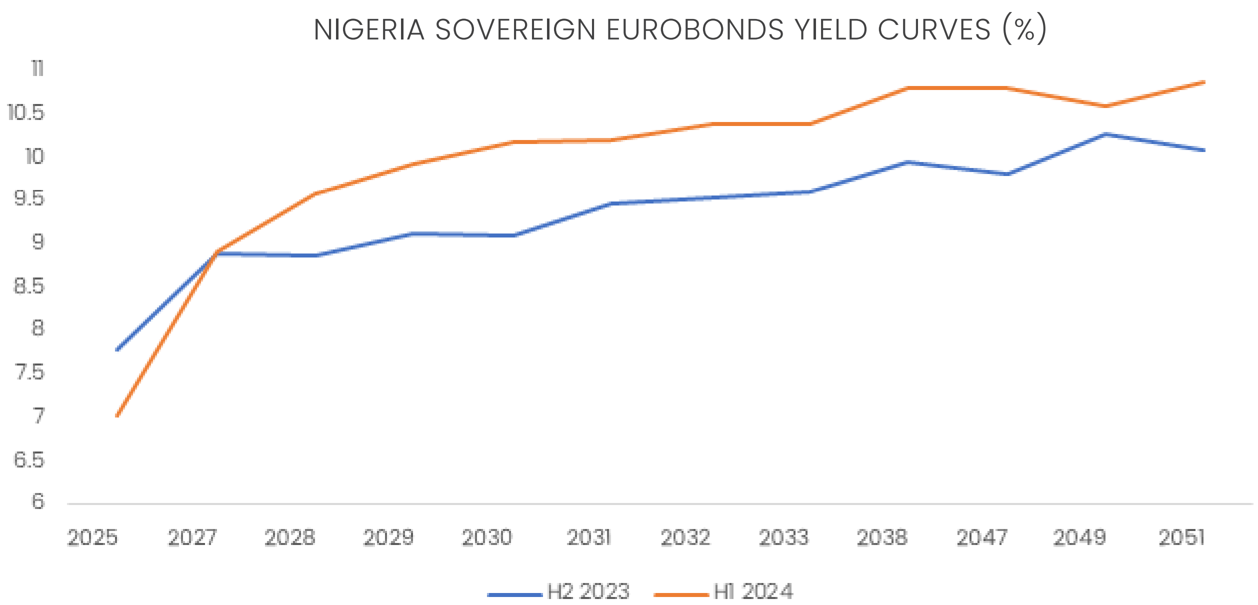


FMDQ, Norrenberger Research

Uncertain Feds direction sparks Eurobond volatility

Yields across the Nigerian Sovereign Eurobonds space have exhibited multiple phases of cycles over the period as the Federal Reserve (Fed) kept its Funds rate steady at 5.25%-5.50% since July 2023. These ups and downs have been fueled by the inconsistent and conflicting economic, inflation, and labor market trends for most part of the period in the US Economy, which has driven up uncertainty about the Fed's fight to tame inflation and thereby leading to the adoption of a higher-for-longer policy rate regime. However, towards the end of the reporting period, data from the economy suggested disinflation has begun to set in and is on course to attain the 2% target.

At the end of the period though, a risk-off sentiment was witnessed in the emerging and frontier markets sovereign bond, including Nigeria. This pushed the average benchmark yield on Nigeria sovereigns to above 10% for several sessions at the end of June. The average yield on Nigeria Sovereign Eurobonds as at the end of the H1 2024 printed at 9.98% a 60bps incline compared to 9.38% as of the end of Q4 2023.



DMO, Norrenberger Research

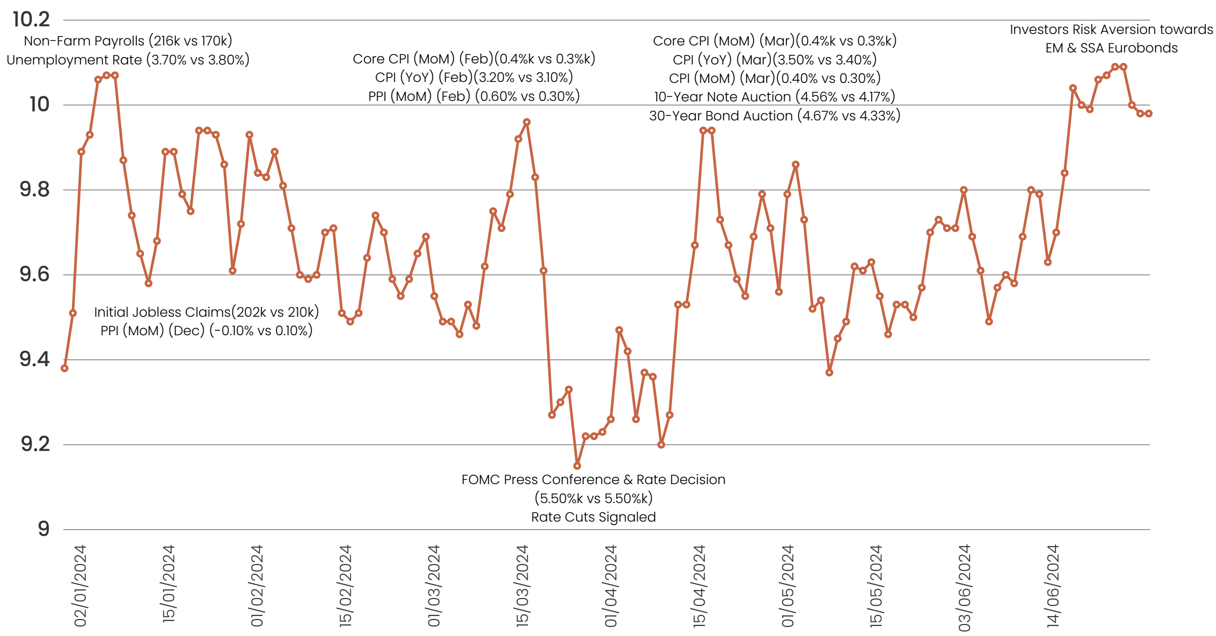
Yields to remain elevated

H1 2024 has seen yields in the Naira space hit historic highs with CBN's continuous fight against inflation and FX illiquidity. Consistent mop up of liquidity has led to a subdued and largely quiet market with few trades being passed especially in the later part of H1.

On the Eurobonds space, there is still uncertainty as to the timing of the Fed expected rate cut.

Looking ahead to H2 2024, we foresee elevated yields persisting in the fixed income market. We expect the CBN to maintain its hawkish stance through Q3, with a gradual easing anticipated in Q4.

H1 2024 AVERAGE NIGERIAN SOVERIEGN EUROBOND YIELD TREND



DMO, Norrenberger Research

Equity Market Maintains Bull Run

The Nigerian equity market started the year on a strong note, riding on the stellar performance of the previous year, as domestic investors turned towards stocks to hedge against inflation.

The All-Share Index (ASI) crossed the 100,000-point threshold for the first time, making the NGX the world's best-performing stock market in early 2024. By the end of January, the benchmark index had reached 101,154.13 points, with a year-to-date return of 35%, riding on the 46% gain recorded in 2023.

The first quarter saw a robust return of c.40%, driven by strong corporate earnings and favorable government policies, such as the removal of fuel subsidies and the floating of the naira. In contrast, the second quarter saw a decline, with returns falling 4% by the end of June. This downturn was largely due to new CBN policies, such as interest rate hikes, including an announcement on the recapitalization plan for commercial banks.

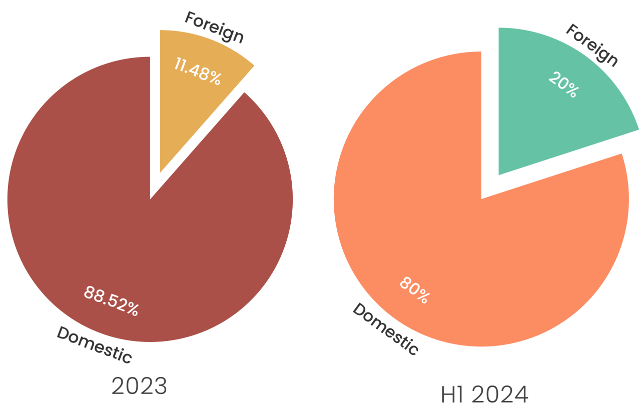
The bearish trend in Q2 was also influenced by the high yields in the fixed income markets, prompting portfolio adjustments and a temporary appreciation of the naira, which provided exit opportunities for foreign investors.

Participation in Nigerian Equities – Domestic vs Foreign

The CBN's proposed bank recapitalization affected the banking sector, leading to sell offs due to concerns about the ability of banks to raise the required capital and potential share dilution. The NGX Banking Index dipped by 197% in Q2 2024 following the recapitalization announcement by the CBN, bringing the year-to-date performance to -8%.

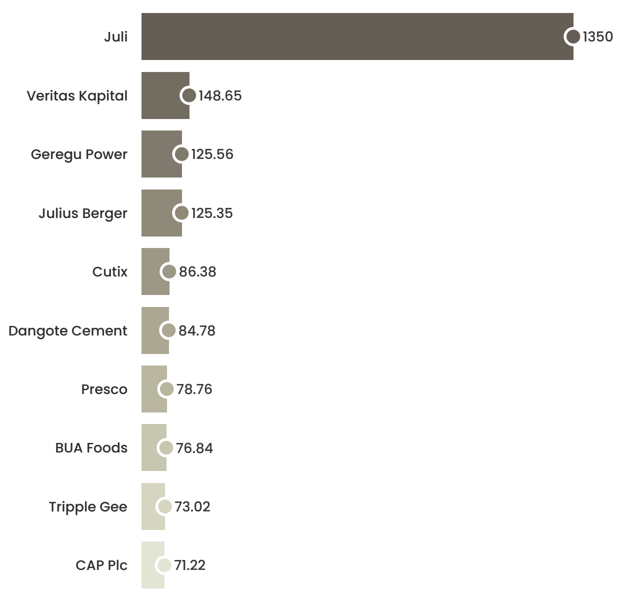
In general, the market recorded a remarkable 34% in the first half of the year, driven by improved local investor sentiments as well as participation from foreign investors. The market capitalization increased by a substantial N15.68 trillion in the six months under review to close the month of June at N56.8 trillion, driven by gains from blue chip stocks like Dangote Cement, Geregu Power, BUA Foods, amongst others.

PARTICIPATION IN NIGERIAN EQUITIES – DOMESTIC VS FOREIGN



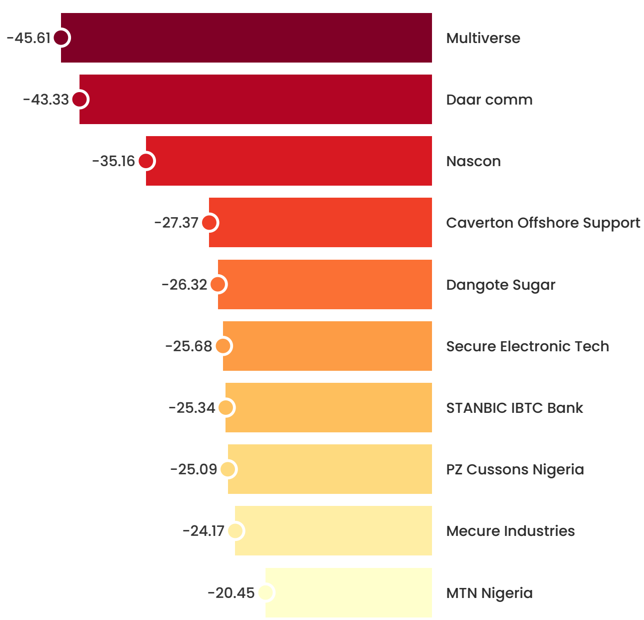
[NGX, Norrenberger Research]

TOP GAINERS IN H1 2024 (%)



[NGX, Norrenberger Research]

TOP DECLINERS IN H1 2024 (%)

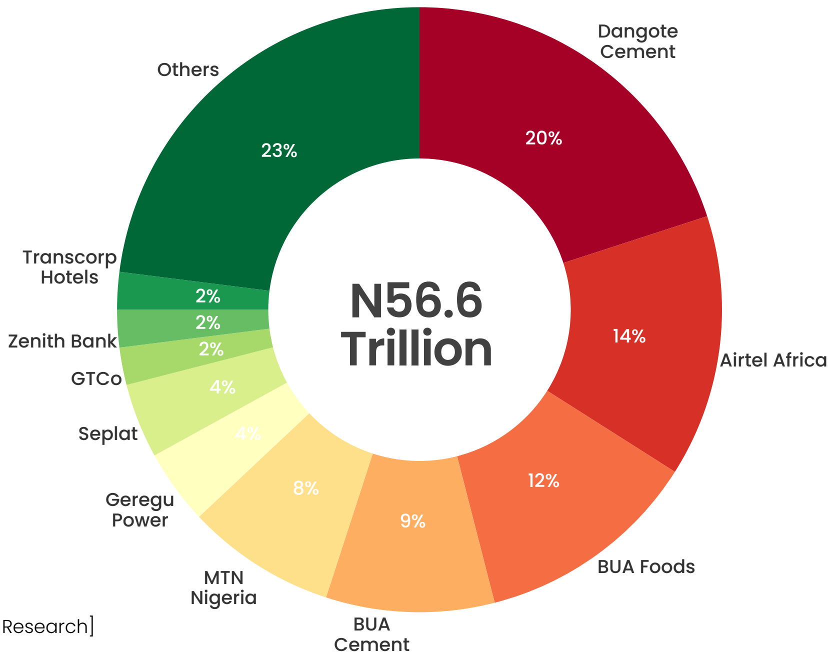


A few dominate market, portends concentration risk

The Nigerian equity market is predominantly controlled by a few blue-chip stocks, which account for more than two-thirds of the market capitalization. This indicates a concentration risk, as a decline in any of these stocks can significantly impact the overall market performance. Additionally, a potential delisting of any of these stocks could trigger a substantial downturn in stock market value. As of the end of June 2024, the top ten companies by market capitalization constituted approximately 77% of the market, while the top 20 companies accounted for 87%. Consequently, the remaining 135 listed companies hold a minimal share of the market.

We anticipate a cautiously optimistic scenario in the equity market in the second half of the year, characterized by slow bullish movements. This positive trend is expected to be driven primarily by increased earnings and anticipated dividend payouts from the companies. The IMF projects improved earnings for Nigerian corporates as they proactively focus on strategic planning, cost optimization, market diversification, and risk management. As corporate earnings continue to improve, investor confidence is likely to be bolstered, leading to gradual upward movements in stock prices. Also, we expect major bank stocks to appreciate during the period as investors position themselves to increase their stake in the banks, following banks' plan to meet their recapitalization target.

COMPANIES BY MARKET CAPITALIZATION - JUNE 2024



[NGX, Norrenberger Research]

Historical quarterly ASI performance board

Period	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Q1	-6.2%	-8.4%	-11.6%	-5.1%	8.5%	-1.2%	-20.6%	-3.0%	9.7%	5.8%	39.8%
Q2	9.6%	5.4%	17.0%	29.8%	-7.8%	-3.5%	14.9%	-3.6%	10.6%	12.4%	-4.3%
Q3	-3.0%	-6.7%	-4.3%	7.0%	-14.4%	-7.8%	9.6%	6.9%	-5.4%	8.9%	
Q4	-15.9%	-8.3%	-5.2%	7.9%	-4.1%	-2.9%	50.1%	6.2%	4.5%	12.6%	

Source: Norrenberger Research

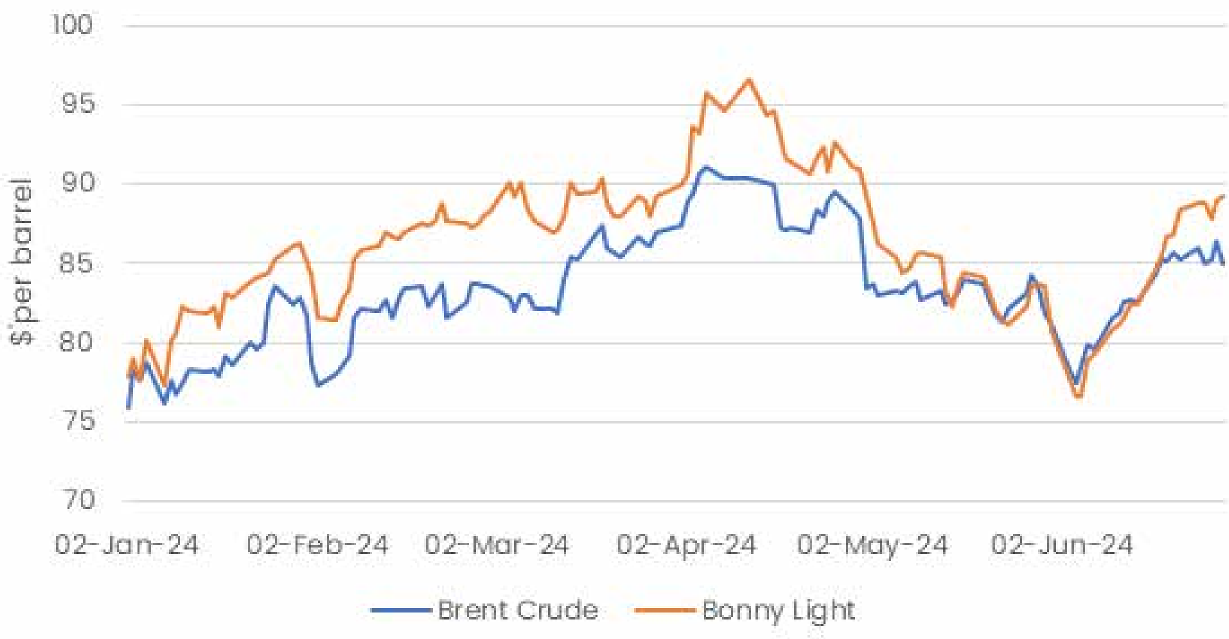
However, the market's bullish momentum may be tempered by sustained high yields in the fixed income market. The high yields on government securities and other fixed income instruments continue to present a compelling alternative for investors, particularly those with a low risk tolerance. As a result, some capital may be diverted from equities to fixed income investments, thereby moderating the pace of growth in the stock market.

Global Uncertainties, High Interest Rates Drive Volatility in Commodities Market

The global commodities market recorded mixed movements in the first half of the year as consumers and businesses continue to grapple with lingering cost pressures and high interest rates. Subdued economic activities led to softer demand for commodities, while mounting geopolitical tensions as well as the red sea security crisis drove higher prices at some point during the period.

Global crude oil prices experienced notable fluctuations, as Brent Crude rose by 12% YTD to close the month of June at $86.6 per barrel (bbl), while Nigeria's Bonny Light increased 10% in the same period to close at $78.2/bbl despite peaking at $94.7/bbl in April. The increase in crude price was driven by OPEC's production control measures, ongoing geopolitical tensions related to the Russia-Ukraine conflict, and unrest in the Middle East.

CRUDE OIL PRICE TREND - H1 2024



Source: CBN, Oil Price, Norrenberger Research

In May and early June, Brent crude futures experienced a continued decline, reflecting concerns over sluggish oil demand growth and increasing inventory levels, which suggested a comfortably supplied market. This trend emerged following the OPEC+ Alliance's announcement of plans to gradually unwind the extra voluntary output cuts implemented last year, starting from Q4 2024. OPEC+ has outlined a detailed roadmap for phasing out the additional voluntary supply reductions of up to 2.2 million barrels per day (mb/d) from Q4 2024 through Q3 2025. The alliance has assured that this production increase can be paused or reversed if market conditions warrant such adjustments. This cautious approach aims to balance the market and prevent oversupply.

Therefore, global oil supply is projected to increase by an average of 690 thousand barrels per day (kb/d) this year, primarily driven by a 1.4 mb/d increase from non-OPEC+ countries. 2025 could see a total supply gain of 1.8 mb/d, with non-OPEC+ countries contributing 1.5 mb/d and OPEC+ adding 320 kb/d. Despite these supply increases, oil demand is expected to remain weak, necessitating potential adjustments in production levels. If demand continues to flag, it may be necessary to reduce supply further next year to maintain market stability.

We expect crude oil prices to remain elevated at current level in H2 2024 due to ongoing geopolitical uncertainties and tight supply conditions. According to the OPEC, global oil consumption is projected to increase by 2.3 million barrels per day (MMbpd) year-on-year in the second half of 2024, driven by improved economic activities in China and other emerging markets.

OPEC's data suggests that the group and its allies can manage the phased supply increase without disrupting global markets or causing excessive inventory buildup. They project that the OPEC+ alliance will need to supply 43.6 MMbpd in Q3, approximately 2.7 MMbpd more than their output in Q2. Despite these projections, OPEC's demand forecasts have historically been overly optimistic. Nigeria's ability to benefit from potentially high oil prices will depend significantly on addressing its production inefficiencies and enhancing its refining capabilities.

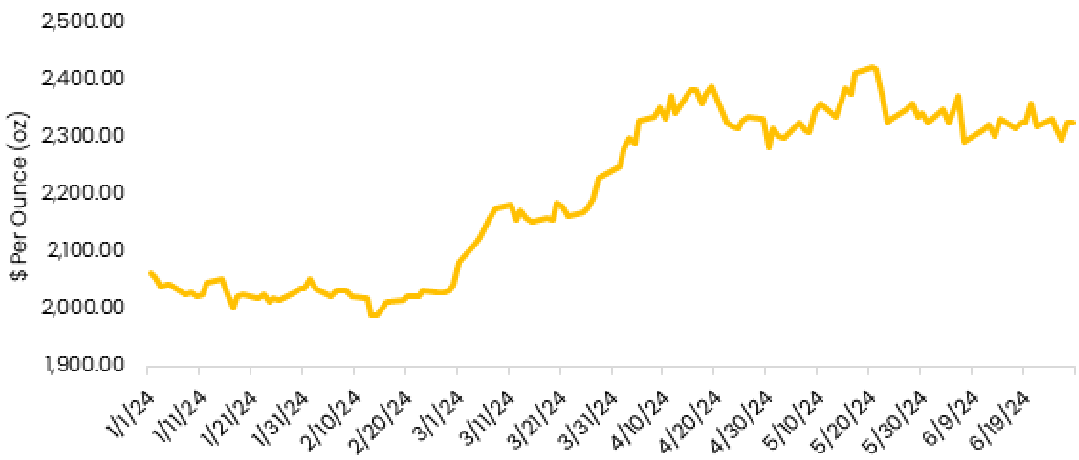
While high crude oil prices could provide a significant revenue boost for Nigeria, the benefits may be moderated by the high cost of importing refined petroleum products. Addressing production challenges and improving infrastructure will be crucial for Nigeria to capitalize on high oil prices.

Gold: nearing its peak?

In H1 2024, gold price witnessed an uptrend, increasing by 12%. Starting at $2,063.80 per ounce (oz) in January, gold surged to an all-time high of $2,450/oz by May before moderating to $2,325/oz by the end of June 2024. This upward trajectory was driven by sustained central bank purchases, investment flows from Asia, resilient consumer demand, and ongoing geopolitical uncertainties. Looking ahead, investors are keenly questioning whether gold's momentum will persist or if it is nearing its peak.

Despite higher bond yields providing attractive returns, gold maintained its appeal as a safe-haven asset, remaining one of the best performing asset classes YTD.

GOLD PRICE



Source: Norrenberger Research

The slow pace of global disinflation, coupled with central banks maintaining interest rates at multi-decade highs, has significantly contributed to gold's strong performance. In June, the US Federal Reserve revised its interest rate cut projections, reducing them from three to one, which led to a slight negative reaction in gold prices as traders had anticipated a more aggressive policy normalization.

On the other hand, major central banks, including the European Central Bank and the Swiss National Bank, have already initiated rate cuts, with the Bank of England and the US Federal Reserve expected to follow suit. These developments are closely watched by investors, as the timing and extent of rate cuts will influence gold prices. However, continued high prices for gold are anticipated, driven by ongoing geopolitical and economic uncertainties, which reinforce gold's appeal as a safe-haven asset.

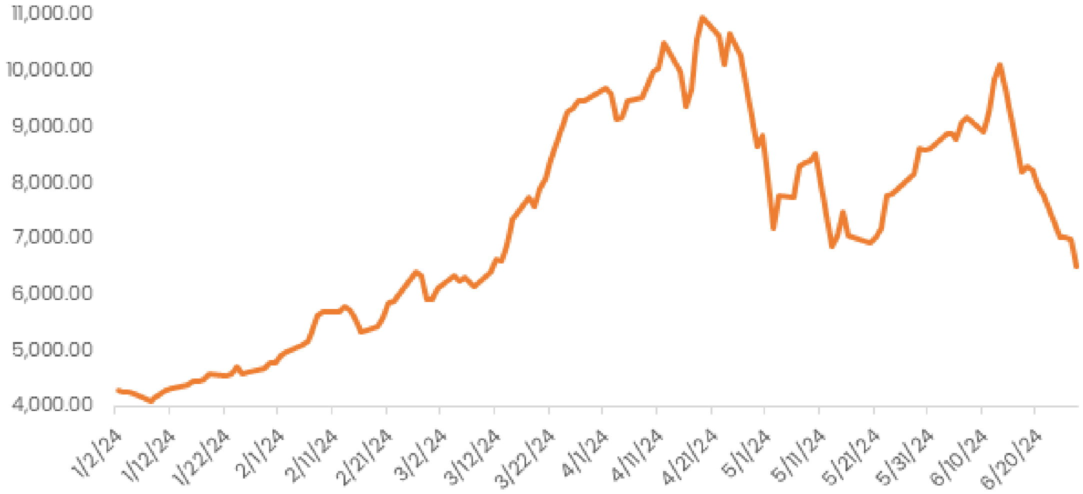
Meanwhile, the implementation of expansionary monetary policy by global central banks may dampen the appeal of gold as a safe-haven asset, leading to possible selloffs.

Cocoa: Supply constraints, freight costs supportive

Cocoa prices began 2024 at $4,289 per metric ton (MT), supported by high production rates from the previous season. Prices averaged $4,440.37/MT in January with minimal fluctuations. However, by February, prices surged to $6,400/MT due to adverse weather conditions in key cocoa-producing regions, particularly West Africa. This upward trend continued into March, with prices peaking at $9,471, driven by political instability that further disrupted supply chains.

The highest prices were observed in April, reaching $10,967/MT, due to reduced inventory levels and heightened demand from chocolate manufacturers preparing for Easter. By May, prices began to stabilize, hovering between $7,000/MT and $9,000/MT, as weather conditions improved. In June, prices showed a slight upward trend before closing at $6,524.02 on June 27, reflecting improved supply forecasts and reduced panic buying.

ICCO DAILY PRICE (US$/TONNE)

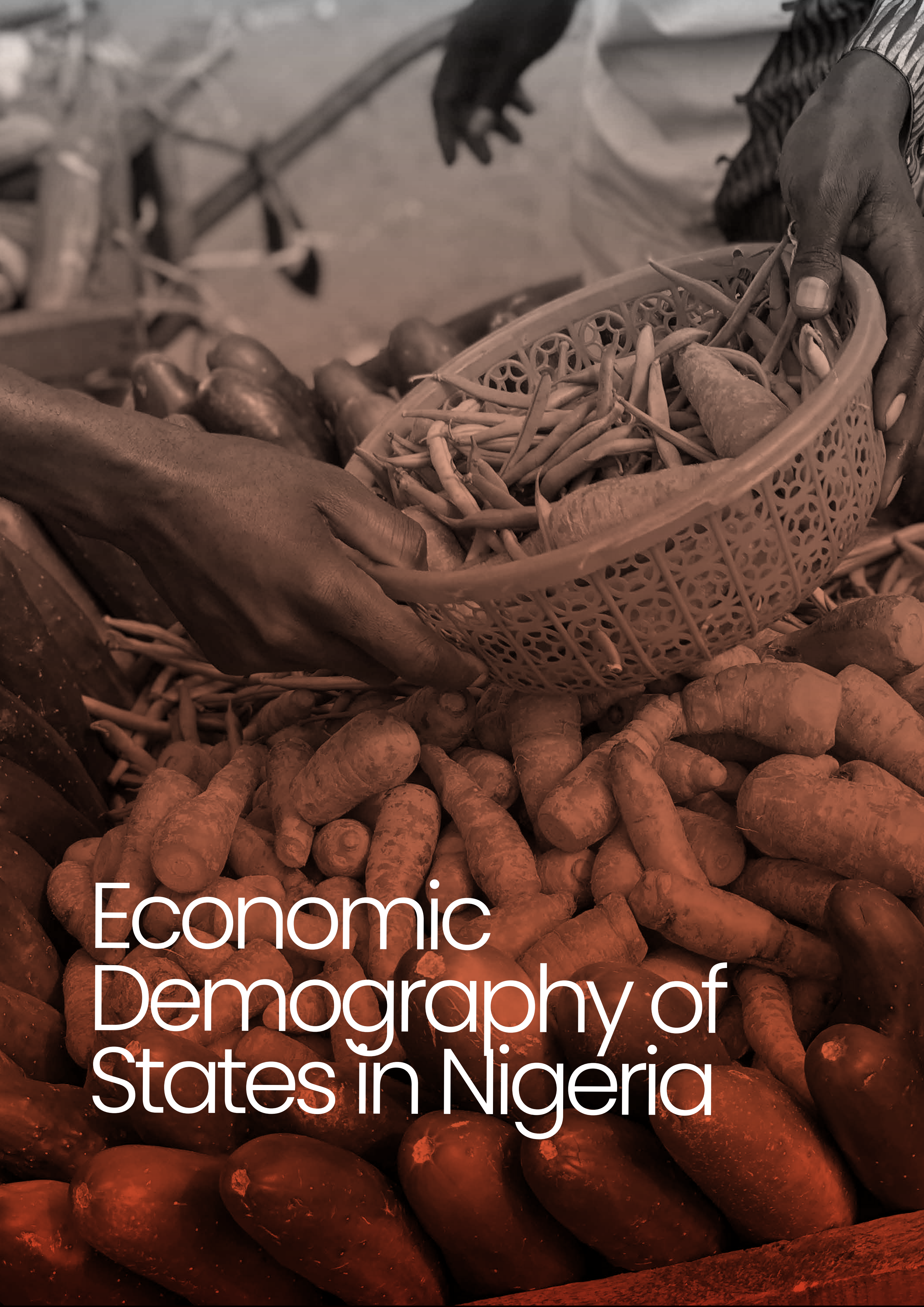


Source: ICCO, Norrenberger Research

The outlook for cocoa prices in the second half of 2024 remains positive, driven by ongoing supply constraints and escalating freight costs. The market is expected to experience a deficit for the third consecutive year in the 2024-25 marketing year.

Challenges such as climate change, increased input costs, and the threat of pests and diseases will continue to impact global cocoa production. Persistent climate change effects, including drought stress and reduced pod development, will affect West African cocoa production. Environmental and agricultural transitions, such as shifts to alternative crops and illegal mining activities, also pose additional challenges.

Efforts to improve infrastructure, combat deforestation, and address logistical inefficiencies in cocoa-producing regions will be essential for stabilizing cocoa prices and reducing market volatility. As weather conditions improve and political stabilization efforts take effect, cocoa prices are expected to stabilize, leading to a more predictable market environment for stakeholders.


Economic
Demography of
States in Nigeria

State and Business Sectors

State	Capital	Business Sectors
Abia	UMUAHIA	Trade, Agriculture, Manufacturing, Oil exploration
Adamawa	YOLA	Agriculture, Mining
Akwa Ibom	UYO	Oil and gas, Agriculture
Bauchi	BAUCHI	Agriculture, Mining
Abia	UMUAHIA	Agriculture (maize, groundnuts), Mining, Livestock farming
Bayelsa	YENAGOA	Oil and gas, Fishing, Palm oil production
Benue	MAKURDI	Agriculture (yams, soybeans, rice), Livestock farming, Food processing
Borno	MAIDUGURI	Agriculture (millet, sorghum), Livestock farming, Fishing
Cross River	CALABAR	Tourism, Agriculture (cocoa, palm oil), Timber and forestry
Ebonyi	ABAKALIKI	Agriculture (rice, yams), Mining (limestone, lead), Trade and commerce
Edo	BENIN	Agriculture (rubber, cocoa), Oil and gas, Manufacturing (cement, beverages)
Ekiti	ADO EKITI	Agriculture (cocoa, yams), Education services, Tourism
Enugu	ENUGU	Agriculture (rice, palm produce), Coal mining, Trade and commerce
Gombe	GOMBE	Agriculture (cotton, groundnuts), Livestock farming, Mining
Imo	OWERRI	Oil and gas, Agriculture (cassava, oil palm), Manufacturing (plastics, chemicals)
Jigawa	DUTSE	Agriculture (groundnuts, sesame), Livestock farming, Trade and commerce
Kaduna	KADUNA	Agriculture (ginger, cotton), Manufacturing (textiles, furniture), Education services
Kano	KANO	Agriculture (groundnuts, rice), Manufacturing (textiles, leather goods), Trade and commerce
Katsina	KATSINA	Agriculture (cotton, millet), Livestock farming, Trade and commerce
Kebbi	BERNIN KEBBI	Agriculture (rice, wheat), Fishing, Trade and commerce
Kogi	LOKOJA	Agriculture (cassava, rice), Mining (iron ore, limestone), Manufacturing (cement)
Kwara	ILORIN	Agriculture (sugarcane, maize), Education services, Manufacturing (sugar refining)
Lagos	IKEJA	Commerce and trade, Financial services, Entertainment and media
Nasarawa	LAFIA	Agriculture (yam, maize), Mining (salt, bauxite), Livestock farming
Niger	MINNA	Agriculture (rice, sugarcane), Hydroelectric power, Fishing
Ogun	ABEOKUTA	Manufacturing (cement, plastics), Agriculture (cocoa, rubber), Trade and commerce
Ondo	AKURE	Agriculture (cocoa, rubber, oil palm), Manufacturing, Oil and gas industry
Osun	OSOGBO	Agriculture (cocoa, cassava, yam), Gold mining, Trade and commerce
Oyo	IBADAN	Agriculture (cocoa, cassava, maize), Manufacturing (textiles, plastics), Education services
Plateau	JOS	Agriculture (potatoes, maize, fruits), Mining (tin, columbite), Tourism
Rivers	PORT HARCOURT	Oil and gas, Agriculture (oil palm, cassava, yam), Fishing
Sokoto	SOKOTO	Agriculture (millet, onions, wheat), Livestock rearing, Trade and commerce
Taraba	JALINGO	Agriculture (rice, cassava, yam), Livestock farming, Trade, Fishing
Yobe	DAMATURU	Agriculture (millet, sorghum, rice), Livestock farming, Trade, Fishing
Zamfara	GUSAU	Agriculture (millet, sorghum, rice), Livestock farming, Trade, Mining (gold)

Beyond the Reforms

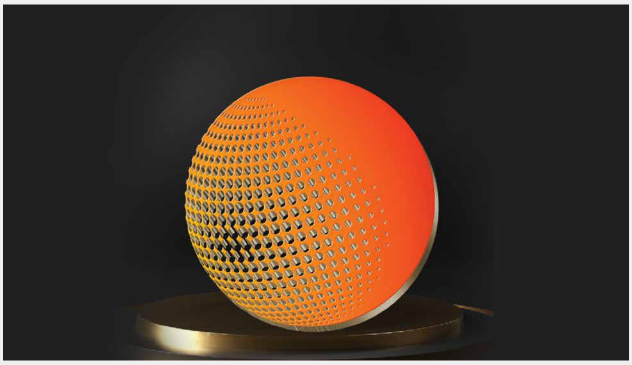
Tying it Together

It is without doubt that several reforms and policies have been put in place by the Nigeria government and regulators in the last year, each carrying significant immediate implications for businesses and citizens alike. These measures have sparked both praise and criticism from various sectors, depending on their perspectives.

While some of these policies are expected to yield substantial long-term benefits, it is crucial for the government to consolidate these reforms into a coherent and sustainable strategy for economic growth. This approach should aim to ensure efficiency in both fiscal and monetary policies and ultimately translate to improved livelihoods for the citizens.

To foster a more equitable wage structure, the government must establish a suitable minimum wage beyond current levels. Additionally, measures should be adopted to combat inflation, targeting around 20% levels, and to enhance foreign investments, particularly direct investments. Such initiatives would boost employment and productive activities. Furthermore, a well-tailored budget structure focused on infrastructural development is essential for sustainable economic progress.

ABOUT nörrenberger



INDUSTRY LEADING

Norrenberger is an industry-leading, Integrated Financial Services group that provides individuals and institutions with a comprehensive range of financial products and services including Asset Management, Private Equity, Development Finance, Investment Banking, Pensions, Securities Trading, Insurance, Fintech, and Digital Banking; tailored to meet and exceed our client needs and expectations.

UNLOCKING OPPORTUNITIES

We are guided by our mission to positively unlock the opportunities in the society for our clients and stakeholders. We are passionate about the strength of our brand and our vision – to simplify wealth creation for our clients and our people, through the benefits we bring and the results we achieve.

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At Norrenberger, we provide cutting-edge investment options and access to alternative financing which in turn allows people to bring their innovative ideas to life and expand their existing businesses.

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