ACCESS
QUARTERLY

Q2 2024

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Section 0.1

GLOBAL ECONOMY

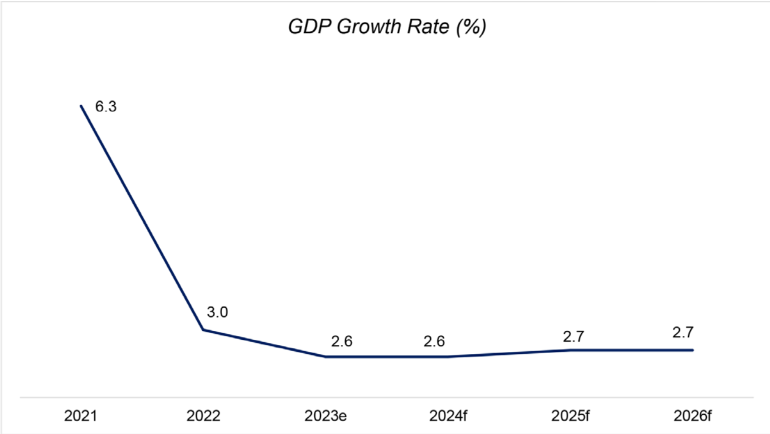
The global economy is stabilizing after enduring multiple years of overlapping negative shocks. Despite facing higher financing costs and increased geopolitical tensions, global economic activity strengthened in early 2024. According to the World Bank, growth prospects for the global economy this year are anticipated to be slightly higher than previously predicted, primarily driven by robust expansion in the U.S. economy. However, the expected decline in global interest rates has moderated due to ongoing inflation pressures in key economies. Compared to the decade before the pandemic, growth forecasts for both advanced economies and emerging markets and developing economies (EMDEs) suggest a slower pace from 2024 to 2026.

In many emerging markets and developing economies (EMDEs), domestic demand is expected to improve this year as they recover moderately from the impacts of high inflation, tight financial conditions, and subdued industrial activity. Despite this, aggregate growth across EMDEs is expected to decelerate slightly, primarily due to specific challenges in some major economies. Particularly vulnerable economies, including low-income countries (LICs) and those affected by conflict and violence, have seen markedly deteriorated growth prospects since January.

Global trade growth is recovering, supported by a recovery in goods trade, although growth in services trade is expected to offer less support this year, given that tourism is nearing pre-pandemic levels. Nevertheless, the overall trade outlook remains subdued compared to recent decades, partly due to an increase in trade-restrictive measures and heightened trade policy uncertainty. Commodity prices overall have risen since late last year. Average oil prices are projected to be slightly higher in 2024 compared to 2023, driven by a tight demand-supply balance amidst ongoing geopolitical tensions, despite fluctuations in the market.

Nonetheless, average energy prices are expected to decline slightly this year compared to the previous year, primarily due to a significant drop in natural gas and coal prices. However, they will remain considerably above pre-pandemic levels. Metal prices are expected to remain stable this year, supported by demand from clean energy investments and a broader global industrial recovery. This stability is expected to offset the reduced demand from a slowdown in China's real estate activity. Markets for grains and other agricultural commodities are expected to remain well-supplied, leading to modest declines in prices for edible food crops.

Global inflation is decreasing more slowly than initially anticipated, aiding progress toward central bank targets in both advanced economies and emerging markets and developing economies (EMDEs). Persistent high core inflation in many economies is driven by rapid increases in service prices. Throughout the rest of 2024, ongoing tight monetary policies and moderated wage growth are expected to further alleviate inflationary pressures. The World Bank projects that global inflation will stabilize at an average rate of 2.8% by 2026, aligning closely with the objectives of most central banks worldwide.



Source: World Bank
f – Forecast

UNITED STATES/EURO AREA, AFRICA

United States

According to the U.S. Bureau of Economic Analysis, the United States real GDP grew at an annual rate of 2.8% in the second quarter of 2024 from 1.4% in the first quarter, driven by higher consumer spending, private inventory investment, and nonresidential fixed investment. Consumer spending increased across both services - particularly health care, housing, and recreation - and goods, including motor vehicles, recreational items, and energy products. Private inventory investment rose mainly in wholesale and retail trade, though this was tempered by declines in mining, utilities, and construction. Non-residential fixed investment saw gains in equipment and intellectual property, offset by lower spending on structures. The acceleration in GDP from the first to the second quarter was mainly driven by increased private inventory investment and consumer spending, although it was partially offset by a decrease in residential fixed investment.

Consumer prices in the US increased by 3.3% in Q1 2024, which slowed to 3.0% in Q2 2024. In the second quarter, core inflation eased to an average of 0.2% per month, down from 0.4% in the first quarter, bringing the annual rate to 2.1%. The twelve-month core inflation rate dropped to 3.3% in June, half of its peak from autumn 2022 and the lowest in over three years. Core goods prices continued to fall, down 0.1% on average for the quarter and 1.7% year-over-year, the largest decline in about twenty years. Inflation for housing services moderated, increasing by only 0.4% on average, while inflation for non-housing core services slowed due to lower airfare prices, despite still- high costs for medical care and motor vehicle-related expenses.

Source: Bloomberg
f – Forecast

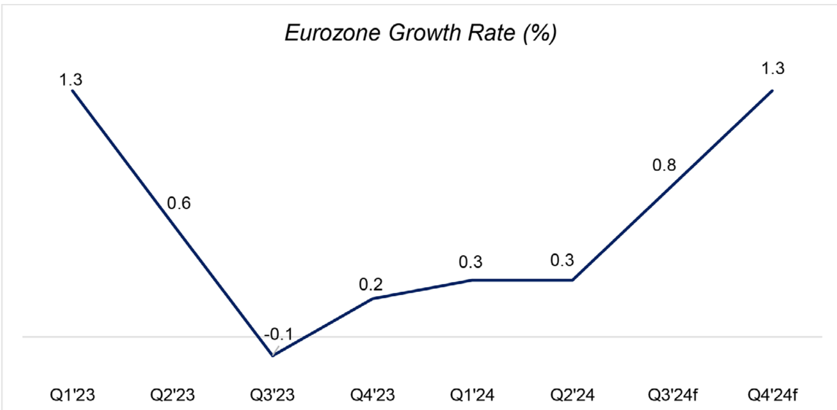
The unemployment rate as of the end of Q2 2024 slightly increased to 4.1% from 4.0% in the prior month of May and is expected to stabilize between 4.0% and 4.2% until Q3 2025.

Euro Zone

In the euro area, economic growth significantly slowed in 2023 due to tight credit conditions, weak exports, and high energy prices, then increased by 0.3% in Q2 2024 (according to Eurostat – the statistical office of the European Union). In the first quarter of 2024, GDP had also grown by 0.3% in the region. Among the European Union (EU) member states for which data are available for the second quarter of 2024, Ireland (+1.2%) recorded the highest increase compared to the previous quarter, followed by Lithuania (+0.9%) and Spain (+0.8%). The highest declines were recorded in Latvia (-1.1%), Sweden (-0.8%) and Hungary (-0.2%). The year-on-year growth rates were positive for eight countries and negative for three. Growth is expected to marginally strengthen in 2024, reaching 0.7%, supported by ongoing recovery in real incomes but tempered by subdued investment and export growth. Consumer spending is projected to increase slightly in 2024 as inflation decreases and wages continue to rise at a slower rate.

Further growth is forecasted for 2025 at 1.4%, driven by a pickup in export and investment growth, the latter sustained by lower interest rates and utilization of EU funds.

According to Eurostat – the statistical office of the European Union, the annual inflation in the euro area decreased to 2.5% in June 2024 from 2.6% in May 2024, down from 5.5% a year earlier. In the European Union, inflation dropped to 2.6% in June 2024 from 2.7% in May 2024, compared to 6.4% the previous year. Finland (0.5%), Italy (0.9%), and Lithuania (1.0%) had the lowest inflation rates, while Belgium (5.4%), Romania (5.3%), Spain, and Hungary (both 3.6%) had the highest. Inflation decreased in seventeen EU countries from May 2024, stayed the same in one, and increased in nine.
Services (+1.84 percentage points) contributed the most to the annual inflation rate, followed by food, alcohol & tobacco (+0.48 percentage points), non-energy industrial goods (+0.17 percentage points), and energy (+0.02 percentage points).



Source: Bloomberg
f – Forecast

BRICS

After starting out as an economic and financial acronym, BRICS (Brazil, Russia, India, China, and South Africa) has gradually evolved into a more formal political grouping. At the 15th Summit held in Johannesburg in August 2023, the group reached a new milestone by inviting six emerging and developing countries (Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates) to join, with effect from 1 January 2024. With the expansion, the new "BRICS+" has increased its global economic and political weight which will promote collaboration, solidarity, and strategic partnerships. BRICS+ carries significant demographic and economic weight, accounting for nearly half the world's population (46%, up from 41% for BRICS). China still holds the dominant position within the group, however, accounting for more than 50% of its total GDP.

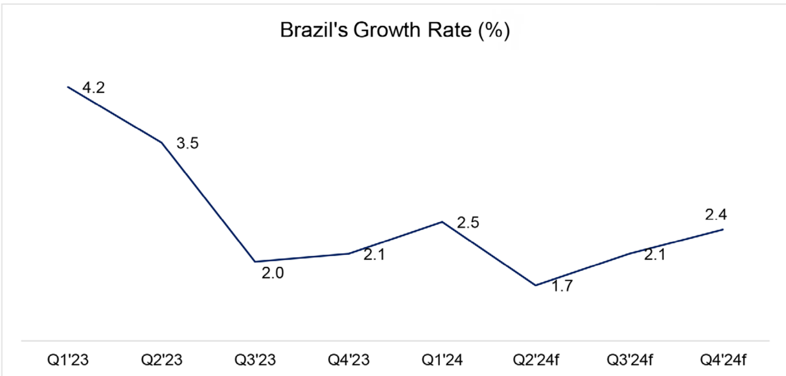
In Q1 2024, BRICS economies grew by 5.3%, but this growth is expected to slow to 5.0% in Q2 2024 due to factors such as elevated energy prices and currency depreciation. Among the BRICS nations, India experienced a 7.8% growth in Q1 2024, with a forecasted growth of 7.1% in Q2 2024. China recorded a year-on-year economic growth rate of 4.7% in the second quarter of 2024, down from 5.3% recorded in the preceding quarter, while Brazil grew at 2.5% in Q1 2024 and is expected to decline by 0.8 percentage points to a 1.7% growth in Q2 2024.

Regarding inflation, in Q1 2024, inflation in BRICS economies slightly ticked up to 1.7% from 1.6% in the preceding quarter The headline index is forecasted to decline to 1.5% in Q2 2024 before rising to 1.9% in Q3, 2024. From Q4 2024 to Q3 2025, the inflation rate in BRICS economies is expected to stabilize between 2.3% and 2.5%.

Brazil

From January to March (Q1 2024), the country's GDP rose by 0.8% compared to the previous quarter and increased by 2.5% compared to the same period last year. On the other hand, GDP growth is expected to slow in Q2 2024, due to structural challenges, such as a cumbersome business environment discouraging entrepreneurship, low infrastructure investments, limited integration in global markets which hinder competitiveness, etc.

In its policy meeting held from June 18 th to 19 th 2024, the Central Bank of Brazil cut its monetary policy rate. The bank's rate-setting committee cut its Selic policy rate to 10.5%, compared with 10.75% in the prior quarter, marking the seventh time in a row the bank's policy committee has opted for a reduction. The annual inflation rate in Brazil rose to 4.2% at the end of the second quarter in 2024 (June 2024), picking up from 3.9% in May 2024, driven by elevated food and beverage prices, which increased by 0.44% in June and accounted for half of the overall inflation for the month. In addition to food and beverage prices, health and personal care costs experienced a notable rise of 0.54% during the month.



Source: Bloomberg
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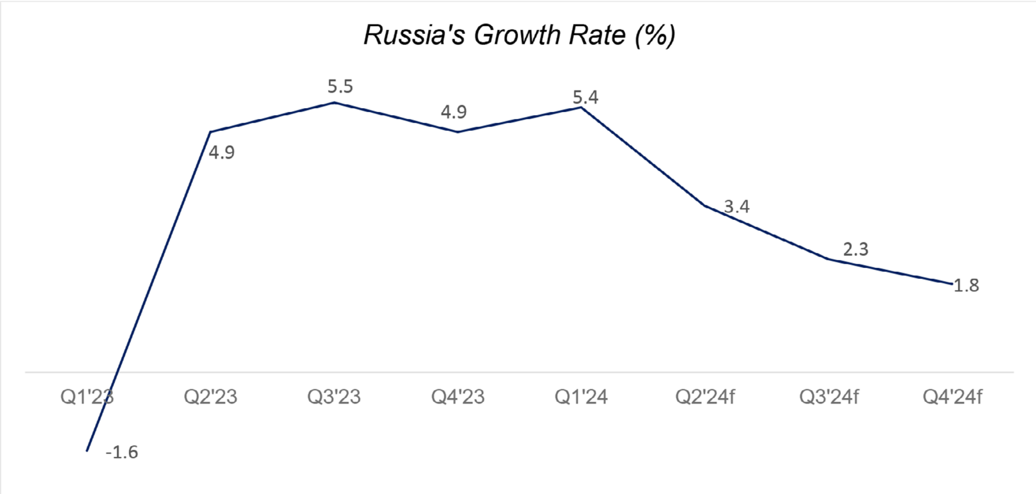
Russia

The Russian economy is projected to grow by 3.0% in 2024 despite being subject to a wide array of powerful economic sanctions and being cut off from major global markets, due to the ongoing Russia-Ukraine conflict. Though Russia's growth rate is projected to decline from a 5.4% growth rate in Q1 2024 to a 3.4% growth rate in Q2 2024, this growth rate is expected to be primarily driven by Russia's government injecting massive spending into the defense industry and into shielding domestic businesses. According to the Federal State Statistics Services data, inflation slightly increased to 8.6% in June 2024 from 8.3% in the prior month, which was well above Russia's 4% target. This increase in inflation can be primarily attributed to food inflation which increased to 9.81% and services inflation which rose to 8.79%. At a meeting held on June 7 th , the Board of Directors of the Bank of Russia chose to maintain the key interest rate at 16.00% annually, since the price growth rate stopped decreasing and remains close to the levels of Q1 2024.



Source: Bloomberg
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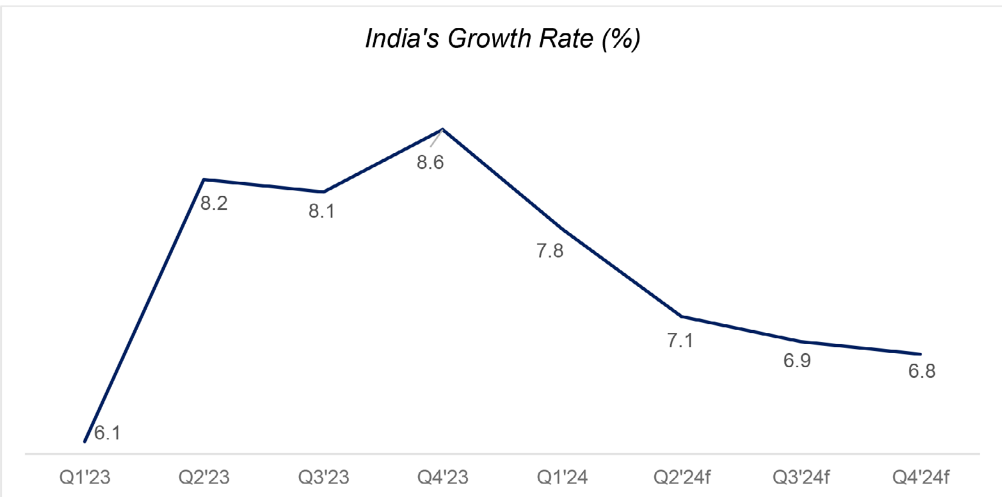
India

India's economy expanded by 7.8% in Q1, 2024 and is projected to slightly decline to 7.1% in Q2, 2024. Despite this slight decline, India's robust growth globally is expected to be largely driven by strong public investment and resilient private consumption. While subdued international demand will continue to impact the growth of merchandise exports, there is expectation of strong expansion in the exports of pharmaceuticals and chemicals especially.

In accordance with market forecasts, the Reserve Bank of India (RBI) upheld its decision to maintain the benchmark interest rate (repo rate) at 6.5% during its second bi-monthly policy announcement for the fiscal year 2024–25. The decision was backed by a 4:2 majority within the committee and marks the eighth consecutive occasion that the RBI has opted to keep the repo rate unchanged. Notably, the repo rate remained stable at 6.5% throughout the entirety of the 2023 fiscal year.

India's retail inflation reached a four-month high of 5.08% in June 2024, up from 4.75% in May 2024, primarily due to rising vegetable prices. Food and beverage prices increased by 8.36% in June 2024, up from 7.9% in May 2024, with vegetable prices surging by 29.32% year-over-year and 14% sequentially. Core inflation, which excludes food and fuel, edged up to 3.15% in June 2024 from 3.12% in May 2024.



Source: Bloomberg
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China

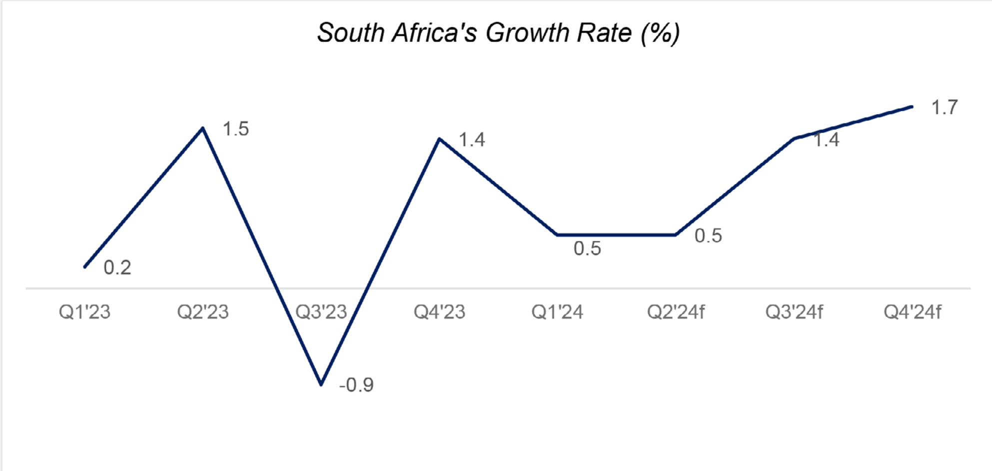
China's economy slowed to a 4.7% year-on-year growth rate in Q2 2024, compared to 5.3% in the prior quarter, due to a slowdown in infrastructure investment and manufacturing on a year-to-date basis in June 2024 versus in May 2024, while real estate investment also declined. Industrial production year-on-year growth in June, however, beat expectations at 5.3% and high-tech manufacturing saw an 8.8% increase in value added in June.
Consumer inflation declined to 0.2% in June 2024, down from 0.3% in May 2024, reaching its lowest level since March and falling short of market expectations. While food prices declined, increased non-food prices had a greater impact. Recent low inflation has been driven by subdued domestic demand, a sluggish housing market, substantial domestic manufacturing capacity, and strong competition in sectors like electric vehicles.
The People's Bank of China held its second quarterly meeting in Beijing on June 25 th to review domestic and global trends and emphasized stability in macroeconomic policies, implementing a flexible and effective monetary policy. The Bank utilized various tools like interest rates, required reserve ratios and central bank lending to support the economy, manage financial risks and promote recovery. Reforms in the loan prime rate (LPR) and deposit rates were successful, enhancing monetary policy transmission and reducing financing costs.

Source: Bloomberg
f – Forecast

AFRICA

South Africa

South Africa's economy grew by 0.5% YoY in Q1 2024 and is projected to maintain this growth rate in the subsequent quarter. However, the economy contracted by 0.1% quarter-on-quarter in the first quarter of 2024 due to a weaker automotive sector, which was the primary reason behind manufacturing's poor performance, while mining was dragged lower by metals, coal, gold and manganese ore. Other industries that performed poorly on the supply side of the economy include transport, storage & communication; electricity, gas & water; as well as general government services. However, agricultural output increased significantly due to stronger horticultural production. Conversely, sectors such as trade catering & accommodation, personal services, and finance, real estate & business services saw much smaller growth.
In June, annual CPI inflation slightly declined to 5.1% from 5.2% in May, maintaining a 5% to 6% range over the past ten months. Food inflation varied, with some categories like vegetables seeing lower rates, while hot beverages and bread and cereals experienced increases. Hot beverage inflation jumped to 16.5%, and bread and cereal prices rose to 5.2%. Inflation for milk, eggs, and cheese slowed to 7.3%, and housing inflation fell to 5.5%. Transport inflation also decreased to 5.5%, with fuel prices dropping by 4.6% and reducing the annual fuel inflation rate to 7.6% from 9.3%.
After the widely attended May 29 election, the South African Reserve Bank's Monetary Policy Committee (MPC) kept the policy rate steady at 8.25% in its May 30 meeting, aintaining the rate unchanged for the 13 th straight time since May 2023 to address rising food inflation risks, currency volatility and re-anchoring inflation expectations to stabilize the economy.



Source: Bloomberg
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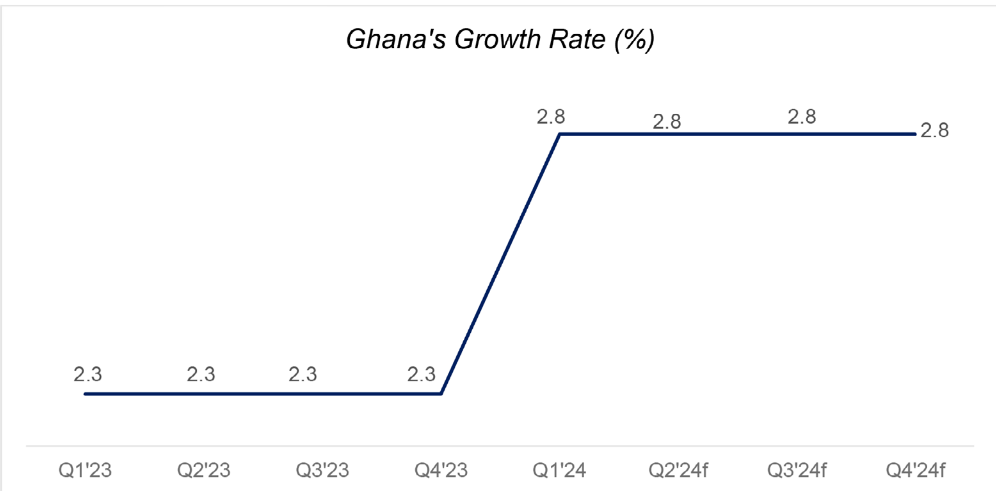
Ghana

Ghana's GDP grew by 4.70% in Q1 2024, marking its second consecutive quarter of growth and the fastest rate since Q4 2021 (6.10%). This represents a 0.90 percentage point increase from Q4 2023 (3.80%). The growth was driven by the industrial sector, which expanded from 1.30% in Q4 2023 to 6.80% in Q1 2024. The mining and quarrying sub-sector, in particular, grew by 12.90%, contributing significantly to the overall industrial performance. However, the services and agricultural sectors, which together account for about 69% of GDP, experienced notable slowdowns due to exchange rate pressures and adverse weather conditions affecting output.

In 2024, growth is forecasted to stay subdued at 2.8%, influenced by continued fiscal adjustments, high inflation, elevated interest rates, and lingering macroeconomic uncertainties. These factors are expected to restrain private consumption and investment, thereby limiting growth in non-extractive sectors. Nevertheless, growth is anticipated to gradually recover towards its long-term potential of around 5% by 2026 as conditions stabilize.

Ghana's annual consumer inflation fell to 22.8% in June 2024, its lowest level since March 2022, down from 23.1% in May. Despite this decrease, inflation remains significantly above the central bank's target range of 6% to 10%. The overall decline in inflation was primarily due to a drop in non-food prices (21.6% compared to 23.6% in May), while food prices continued to rise (24% versus 22.6%).



Source: Bloomberg
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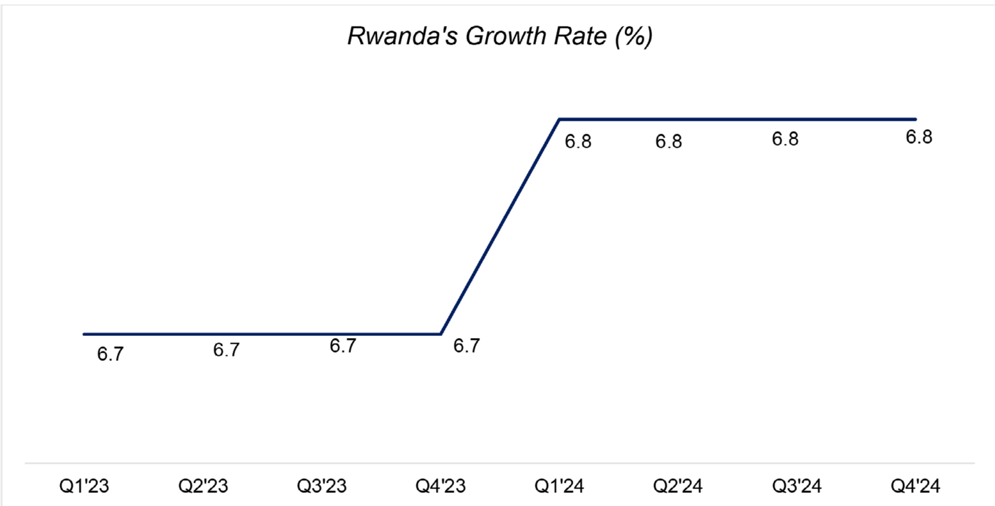
Rwanda

In Q1 2024, Rwanda's economy witnessed a notable growth of 9.7%, driven by an 8% growth rate in the country's agriculture sector. Food crops production rose by 8%, primarily driven by the agriculture production season in 2024. Export crops production remained unchanged, with coffee production declining by 13% while tea harvests increased by 21%. The industry sector expanded by 10%, driven by a strong performance in mining and quarrying, which grew by 22%, construction activities by 16%, and manufacturing activities by 4%. Manufacturing growth was driven by a 12% increase in metal products, machinery & equipment manufacturing, a 25% increase in wood & paper printing manufacturing, and a 9% increase in non-metallic minerals manufacturing. Food processing increased by 1% following a 22% growth in Q1 of 2023. Finally, the service sector grew by 11% overall. Wholesale and retail trade increased by 21%, transport activities by 13%, hotel and restaurant services by 13%, financial services by 6%, and telecommunication services by 28%.

Rwanda's economy is projected to expand by 6.8% in 2024 compared to 6.7% in the preceding year, attributed to an anticipated recovery in global tourism, new construction projects, as well as increased manufacturing activities, respectively. In June 2024, Rwanda's Consumer Price Index (CPI) rose by 5% year-over-year, down from 5.8% in May. Regarding inflation drivers, prices for food and non-alcoholic beverages increased by 3.1% annually but fell by 1% monthly. Transport costs surged by 23.2% year-over-year, though they decreased by 0.6% from the previous month. Local product prices grew by 3.8% annually and dropped by 0.2% monthly, while imported products saw a 9% annual increase and a 0.7% monthly decline. Fresh product prices rose by 3.2% year-over-year and 0.1% monthly, energy prices increased by 3.7% annually but fell by 2.3% monthly.



Source: Bloomberg
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Section 2

THE NIGERIAN ECONOMY

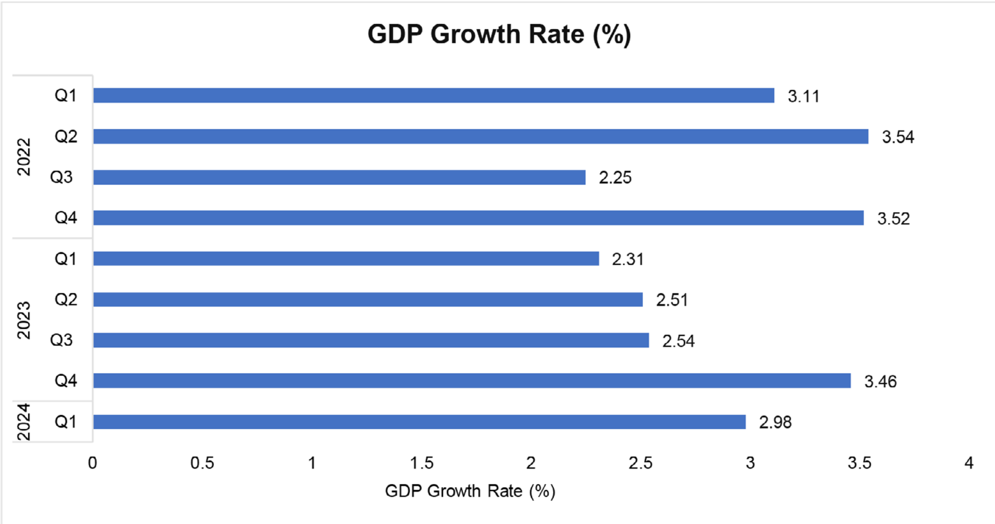
The ripple effects of the bold reforms implemented by President Tinubu's administration have had a substantial impact on Nigerians' living standards. The decision to unify the forex market resulted in the Naira depreciating as much as ₦1,488.21/$ by the end of Q2 2024 from ₦1,303.33/$ at the end of Q1 2024. This depreciation led to higher import costs, exacerbated by rising energy expenses and a depreciating Naira, pushing inflation to a 28-year high of 34.19% in June 2024, compared to 33.2% in the previous quarter. Consequently, living conditions worsened, evidenced by the Misery Index rising to 39.19% in June 2024 from 38.2% in March 2024. To curb inflationary pressures and attract foreign exchange inflows to stabilize the exchange rate, the Monetary Policy Committee (MPC) increased the Monetary Policy Rate (MPR) for the fourth time this year, raising it to 26.75% in July from 26.25% in May 2024. The Central Bank of Nigeria (CBN) and the Federal Government project economic growth for 2024 at 3.38% and 3.88% respectively, while the International Monetary Fund (IMF) and the World Bank estimate a similar growth rate of 3.3%.

A snapshot of the domestic economy for Q2 2024 is presented below:

Real GDP declined to 2.98% in Q1 2024 compared to 3.46% in Q4 2023	Oil prices rose to $86.59/b in June 2024 from $86/b posted in Mar. 2024	Exchange rate rose to ₦1,505.3/$ in June 2024 from ₦1,309.39/$ in Mar. 2024
The ASI declined to 100,057.49 points in June 2024 from 104,554 points in Mar. 2024	Reserves rose to $34.19bn in June 2024 from $33.83bn in Mar. 2024	Inflation printed at 34.19% in June 2024 compared to 33.2% in Mar. 2024
Composite PMI fell to 50.1 points in June 2024 from 51 points in Mar. 2024	MPR rose to 26.25% in May 2024 from 24.75% in Mar. 2024	Oil production rose to 1.28mbpd in June 2024 from 1.23mbpd in Mar. 2024

2.1. GDP Growth

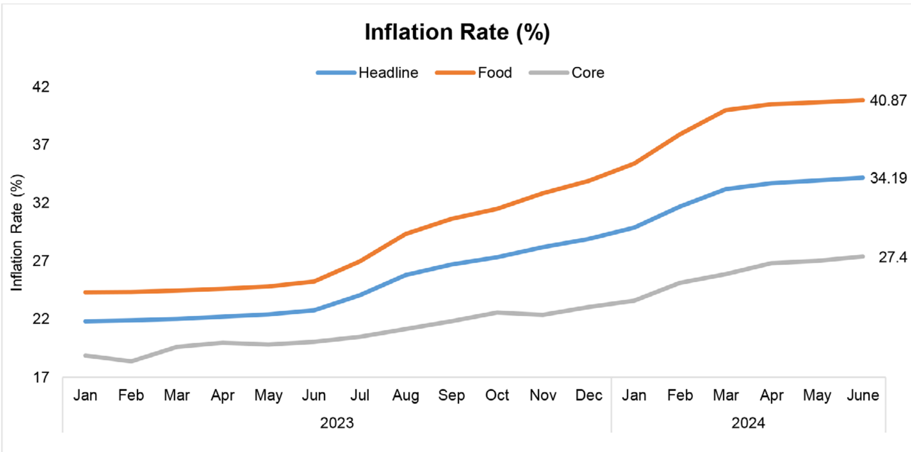
In the first quarter of 2024, Nigeria's economy grew by 2.98% year-on-year, a slight decrease from the 3.46% growth recorded in the previous quarter. The Services sector was the primary driver of GDP growth, expanding by 4.32% and accounting for 58.04% of total GDP. Agriculture also experienced growth, although modest, with a 0.18% increase compared to a decline of -0.90% in the first quarter of 2023. This marked the 14th consecutive quarter of economic expansion. In contrast, the non-oil sector expanded by 2.80% (down from 3.07% in Q4), mainly bolstered by the Services sector, while the industrial sector grew by 2.19%, a decrease from 3.86% in the previous quarter. However, agricultural growth slowed significantly to 0.18% from 2.10%, due to adverse weather conditions and security issues. On a quarterly basis, GDP contracted by 16.1% in Q1, reflecting seasonal fluctuations and economic dynamics.



Source: NBS

2.2 Inflation

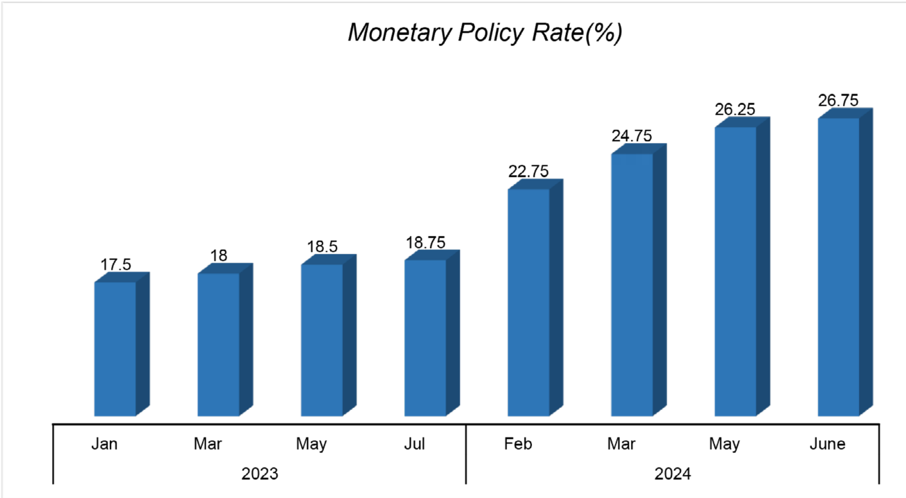
Nigeria's annual inflation rate surged to 34.19% in June 2024, the highest level since March 1996, largely due to the removal of fuel subsidy and the depreciation of the Naira. The sharp rise in inflation is mainly driven by increased prices of essential foods. According to the National Bureau of Statistics (NBS), food inflation, which constitutes a significant portion of Nigeria's inflation basket, soared to 40.87% in June from 40.66% in May, marking the highest rate since August 2005 and up from 33.93% in December 2023. Additionally, the annual core inflation rate, excluding farm produce and energy, hit a new peak of 27.40% in June from 25.90% recorded in March 2024.



Source: NBS

2.3 Monetary Policy

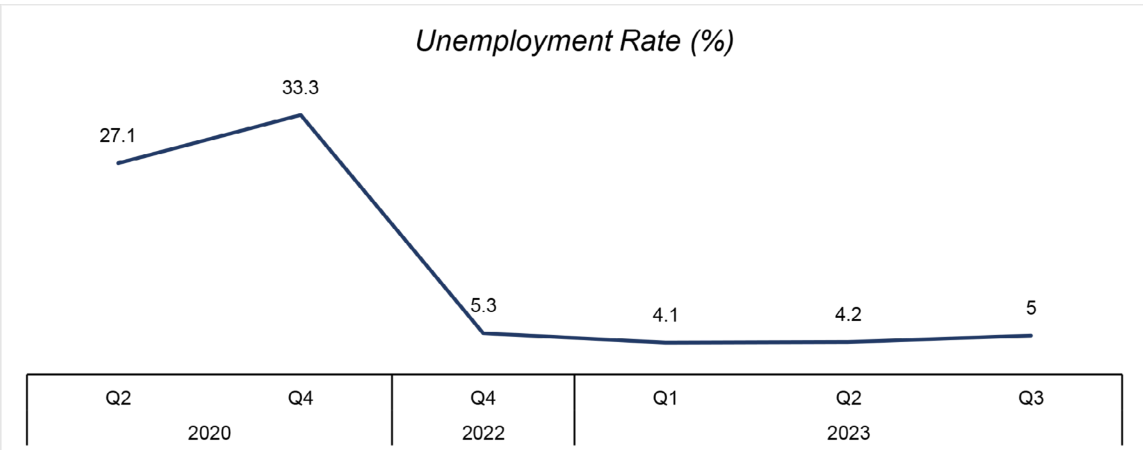
The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) raised its benchmark lending rate by 50 basis points to 26.75%, marking the fourth consecutive increase this year. This follows previous hikes of 150 basis points in May, 200 basis points in March, and 400 basis points in February - the largest increase in 17 years. The rate hikes are intended to address escalating inflation, which reached 34.19% in June due to the partial removal of fuel subsidies and the depreciation of the Naira. Since the tightening commenced in May 2022, the rate has risen by a cumulative 1,525 basis points. The MPC emphasized the need to tackle inflationary pressures, while remaining optimistic that prices will stabilize soon.



Source: NBS

2.4 Unemployment

The Nigeria Labor Force Statistics report for Q3 2023 revealed that the unemployment rate increased to 5.0%, up from 4.2% in the preceding quarter but down from 5.3% in the last quarter of 2022. The youth unemployment rate rose to 8.6% in Q3 2023, compared to 7.2% in Q2 2023 and 8.3% in Q4 2022.It is imperative to note that a new methodology was introduced, which includes a broader working age population (15 years and older) and considers individuals who work at least 1 hour per week considered as employed.



Source: NBS

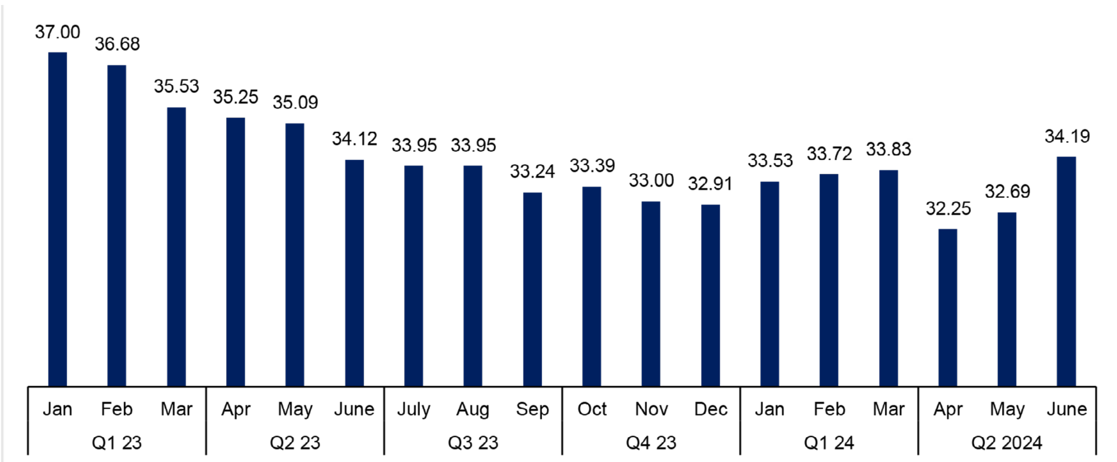
2.5 Misery Index

The misery index, which combines inflation and unemployment rates, increased by 99 basis points to 39.19% in June 2024 from 38.2% in March 2024. The impact of the fuel subsidy removal and exchange rate unification became more evident in Nigerians' living standards in Q2 2024.

Source: NBS

2.6 External Reserves

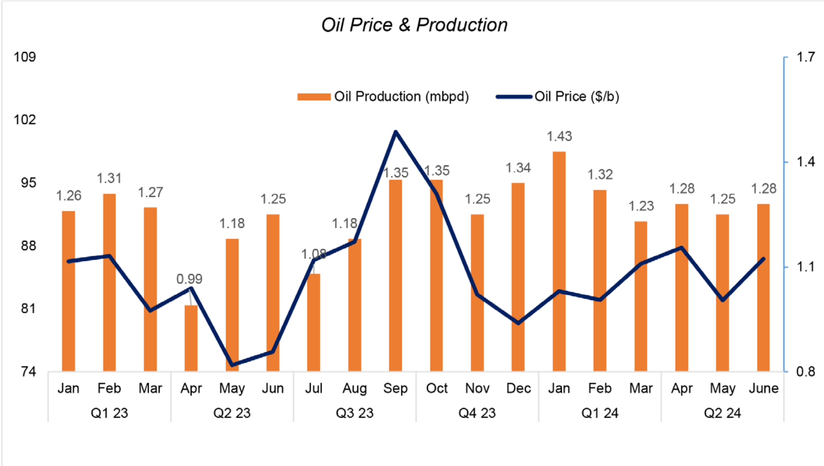
In Nigeria, increased foreign exchange inflows during Q2 2024 were driven by several factors, including rising oil prices, foreign portfolio investments, and remittances. These inflows contributed to a positive quarter-on-quarter change in foreign reserves. By the end of Q2 2024, foreign reserves had increased to $34.19 billion, up from $33.83 billion at the end of the previous quarter. This rise in reserves reflects the country's improved ability to manage its external financial obligations and stabilize its currency amid global economic fluctuations.



Source: CBN

2.7 Oil Price & Production

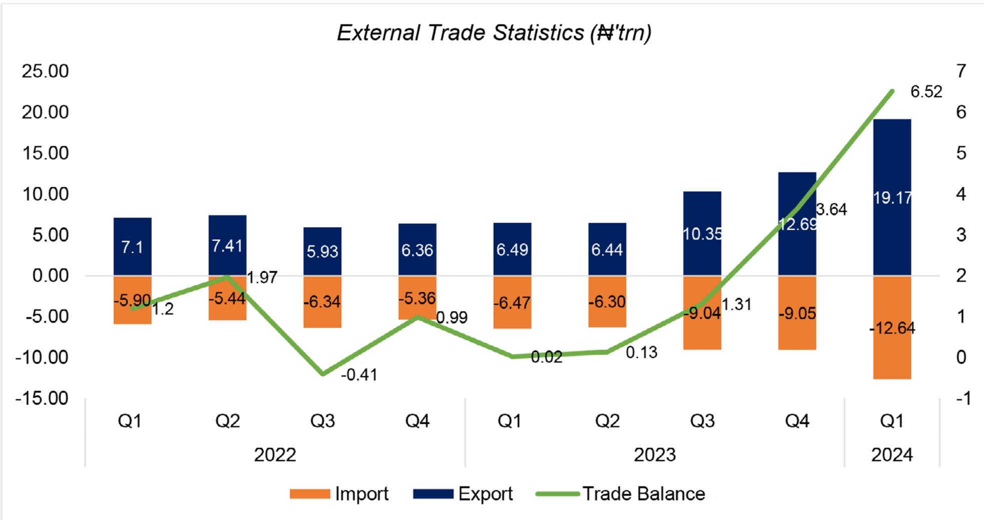
Oil climbed in Q2 2024 due to heightened tensions in the Middle East and speculations that the Organization of the Petroleum Exporting Countries Plus (OPEC+) might extend supply cuts. Nigeria's oil production increased to 1.28 million barrels per day (mbpd) in June 2024, up from 1.23 mbpd recorded in March 2024, reflecting a rise of 25,000 barrels per day from 1.25 mbpd in May.



Sources: CBN, NUPRC

2.8 External Trade

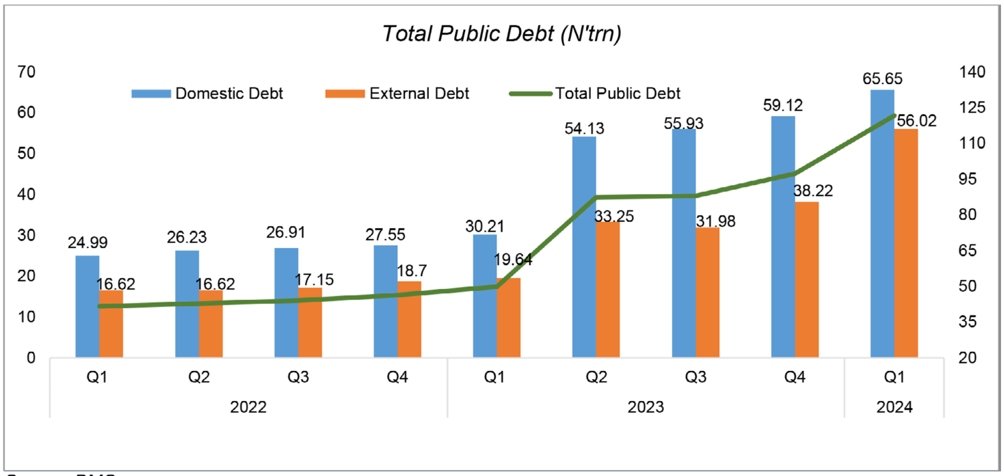
The Q1 2024 foreign trade report revealed that Nigeria recorded a positive trade balance in the quarter. Exports outweighed imports in Q1 2024, resulting to a positive trade balance of ₦6.52 trillion. Comparing Q1 2024 figures to Q4 2023, exports increased by 51.0% to reach ₦19.17 trillion. On the other hand, imports grew, but at a slower pace, increasing by 39.6% to reach ₦12.43 trillion. Overall, total trade volume rose by 46.3% to reach ₦31.81 trillion. Nigeria's top 5 export trading partners for Q1 2024 were France, Spain Netherlands, India and the US while the top 5 import trading partners were China, India, US, Belgium and Netherlands.



Source: NBS

2.9 Total Public Debt

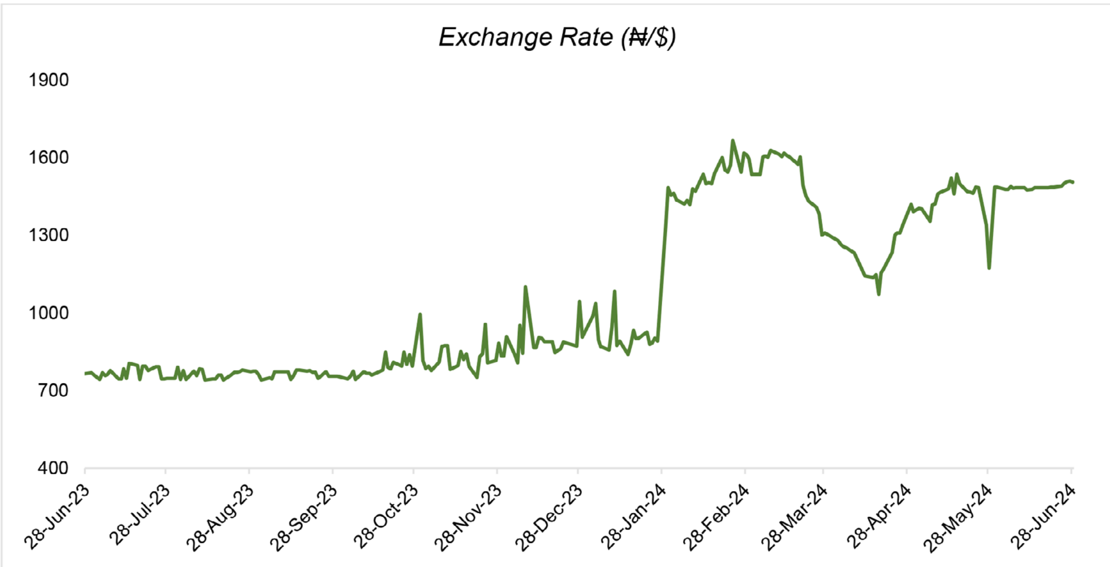
The Q1 2024 debt report from the Debt Management Office (DMO) revealed that Nigeria's total debt stock increased by 24.99%, rising from ₦97.34 trillion in Q4 2023 to ₦121.67 trillion. This substantial rise is largely due to new borrowings totaling ₦2.81 trillion, as part of the ₦6.06 trillion domestic borrowing outlined in the 2024 Appropriation Act, and an additional ₦4.90 trillion in domestic borrowing related to the securitization of the ₦7.3 trillion Ways and Means Advances approved by the National Assembly. The increase was also affected by the depreciation of the Naira, which fell from ₦899,39/$ in Q4 2023 to ₦1330.26 in Q1 2024. Domestic debt accounted for 53.95% of the total, amounting to ₦65.65 trillion ($49.35 billion), while external debt contributed 46.05%, totaling ₦56.02 trillion ($42.12 billion).



Source: DMO

2.10 Exchange Rate

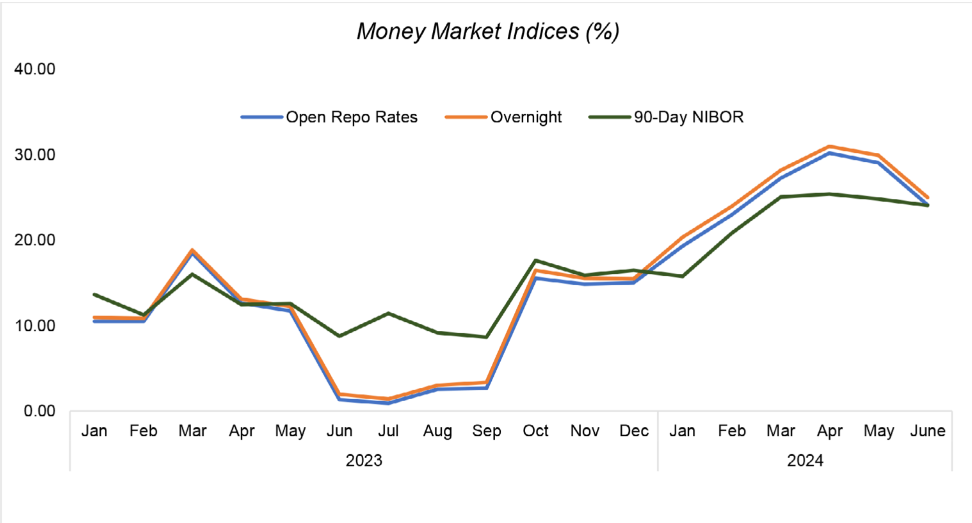
In Q2 2024, the official foreign exchange market experienced a significant shift in the exchange rate, primarily due to a change in the methodology for calculating the closing foreign exchange rate in response to recent market developments. By the end of Q2 2024, the Naira was trading at ₦1,505.3/$ from ₦1,309.39/$ at the end of Q1 2024.



Source: FMDQ

2.11. Money Market

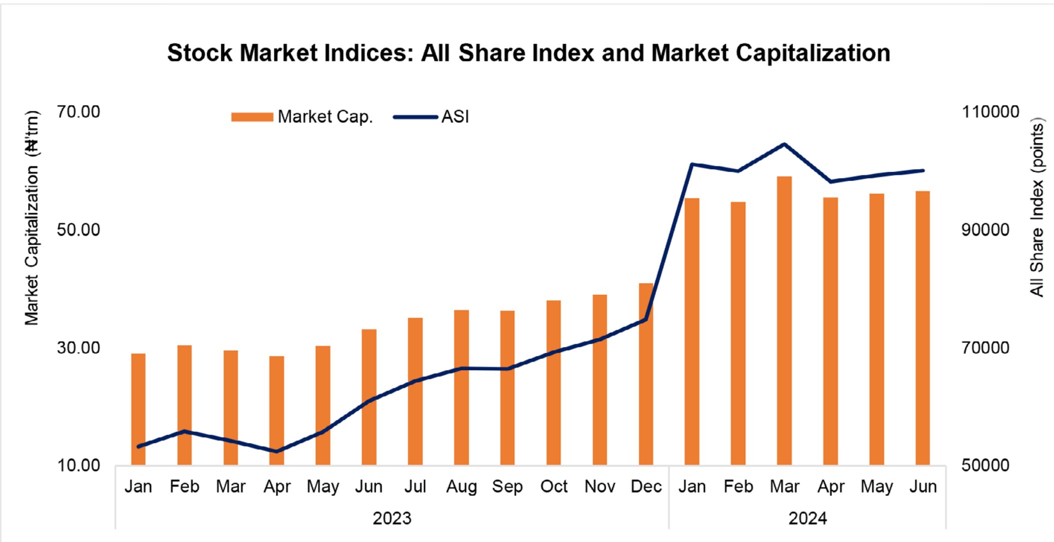
At the end of Q2 2024, the money market experienced reduced liquidity as the Central Bank of Nigeria (CBN) maintained its tight monetary policy to combat rising inflationary pressure. Consequently, the Open Repo Rate (OPR) and Over Night (ON) rates surged to 27.29% and 28.21%, respectively, compared to 15.06% and 15.47% in the prior quarter. The 90-day Nigerian Interbank Offered Rate (NIBOR) also rose to 25.10% from 16.50%.



Source: FMDQ

2.12. The Stock Market

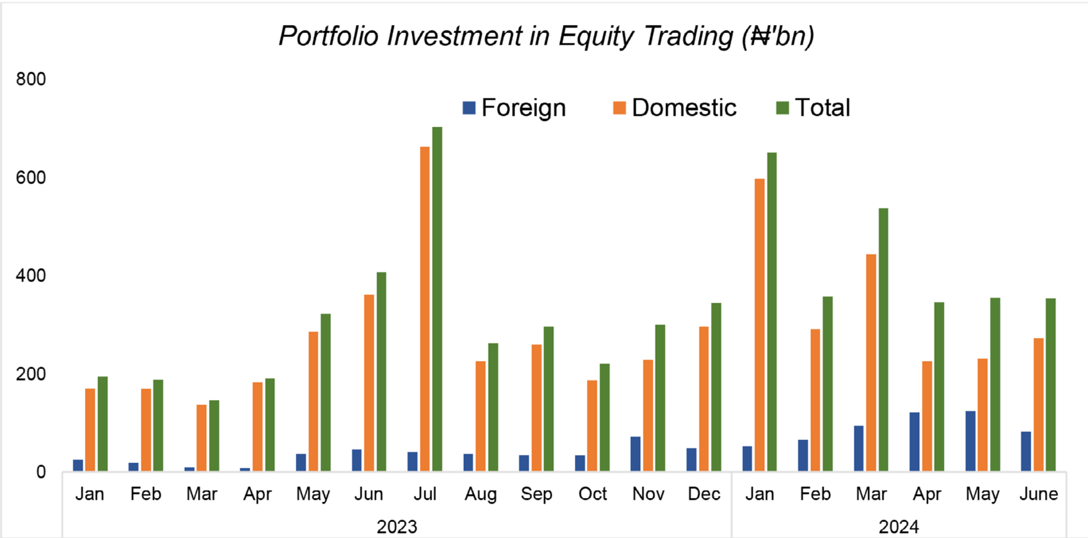
The bullish trend on the Nigerian Exchange was maintained in Q1 2024, driven by strong investors' confidence in the country's equities which led to an upward surge in market activities. All segments of the market, especially the banking segment, witnessed a boost as investors showed increased interest in the equities market. The All-Share Index (ASI) rose to 104,554.13 points in March 2024, gaining 29,780 points from 74,774 recorded in December 2023. In addition, market capitalization closed March 2024 at ₦59.12 trillion relative to ₦40.92 trillion recorded in December 2023.



Source: NGX

2.13. Portfolio Investment – NGX

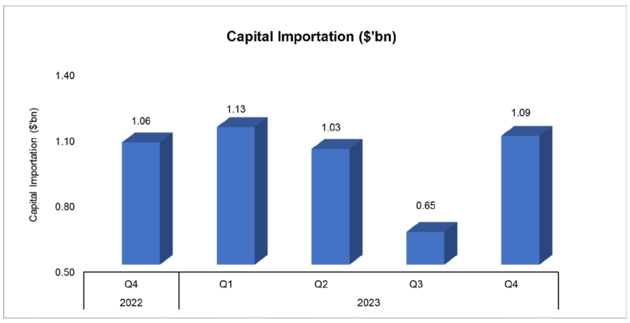
Total equity transactions in June 2024 amounted to ₦354.55 billion, down from ₦538.54 billion in March 2024. However, total equity transactions for Q2 2024 increased by 183.99%, reaching ₦1.056 trillion compared to ₦530.23 billion in Q2 2023. The significant activity in early 2024 was driven by both local and foreign investors seeking higher yields. In March 2024, domestic portfolio equity contributed 82.50% of total equity on the Nigerian exchange, while foreign portfolio equity accounted for 17.50%.

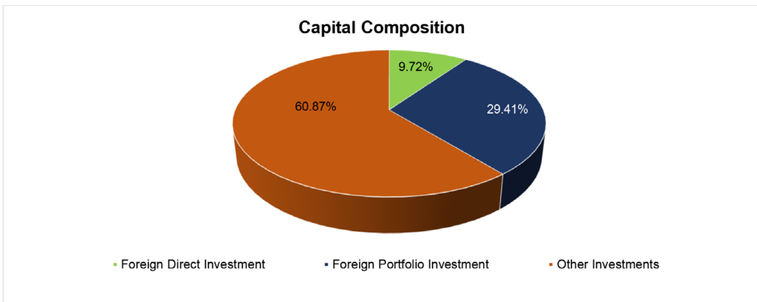


Source: NGX

2.14. Capital Importation

Capital importation increased by 66.27% and 2.62% to reach $1.09 billion in Q4 2023, compared to $0.65 billion in Q3 2023 and $1.06 billion in Q4 2022. For the year 2023, total capital inflow into Nigeria was $3.91 billion, representing 26.70% decrease from $5.33 billion in 2022. Among the sources of capital, other Investments were the largest contributor, accounting for 60.87% or $2.38 billion. Foreign Portfolio Investment (FPI) and Foreign Direct Investment (FDI) contributed 29.41% and 9.72%, respectively. The production/manufacturing sector attracted the most capital, comprising 40.7% of the total inflow in 2023. The United Kingdom was the leading source of capital, while Lagos remained the top destination for these investments.

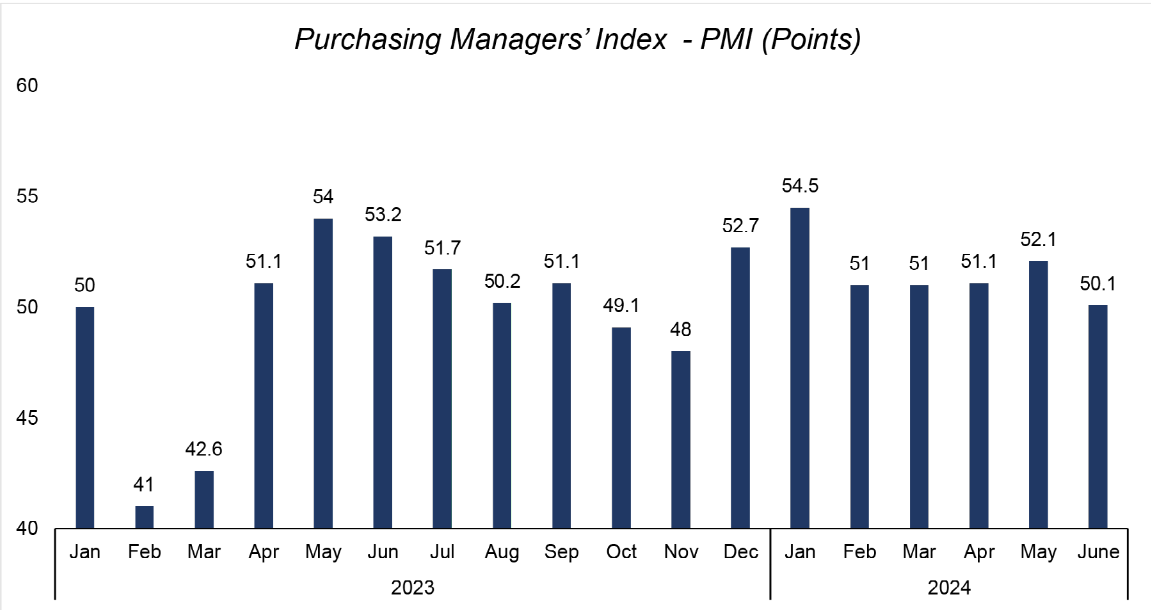




Source: NBS

2.15. Purchasing Managers' Index

The Purchasing Managers' Index (PMI) declined to 50.1 points in June 2024, down from 51.0 points in March 2024. This decline was primarily due to diminished domestic demand and pronounced inflationary pressures. Rising price pressures in the private sector, exacerbated by currency weakness caused input costs to surge to their highest level since January 2014 and led to unprecedented increases in output charges. As a result of these inflationary pressures, growth in both output and new orders slowed markedly.



Source: Stanbic IBTC

2.16. Credit Ratings

Moody's Ratings, an international credit rating agency, revised its outlook on Nigeria to positive from stable. The reason for the outlook upgrade was attributed to possible reversal of the deterioration in the country's fiscal and external position due to authorities' reform efforts. The agency also affirmed the long-term foreign currency and local currency issuer ratings at "Caa1". According to the rating agency, these policy changes, and those potentially to come, have raised the prospects of a fiscal and external improvement in the country's credit profile.

Fitch Ratings, an international credit rating agency affirmed Nigeria's Long-Term Foreign- Currency Issuer Default Rating (IDR) at 'B-' with a Stable Outlook. The 'B-' rating is supported by a large economy, a developed and liquid domestic debt market, and large oil and gas reserves. However, the rating is constrained by weak governance, structurally very low non-oil revenue, high hydrocarbon dependence, security challenges, high inflation, low net FX reserves and ongoing weakness in the exchange-rate framework. The government has taken important steps to reduce fuel subsidies and reform the exchange rate framework. However, there has recently been some backtracking on reforms, notably a lower degree of price discovery in the FX market than in late June, raising doubt about the strength of this positive momentum, hence the stable outlook.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2.17. Socio-Economic Landscape

To mitigate the short-term inflationary impact of ongoing reforms, the government is implementing various social and economic initiatives. These include ₦500 billion allocated for multi-sector interventions, ₦100 billion for procuring CNG-fueled buses and supporting infrastructure, ₦200 billion for food production, and ₦200 billion for funding small and medium-sized enterprises (SMEs) and the manufacturing sector. The SME funding is further divided into ₦50 billion for the Presidential Conditional Grant Scheme to support eligible nano business owners, ₦75 billion for micro, small, and medium enterprises, and ₦75 billion for Nigerian manufacturing firms.

2.18. Financial Sector Developments

The Nigerian government introduced a windfall tax targeting banks' foreign exchange gain, initially set at 50% and later increased to 70% for 2023-2025. This tax applies retrospectively to profits realized in the 2023 financial year and extends to all foreign exchange profits accrued until the end of 2025. The Federal Inland Revenue Service (FIRS) oversees the assessment, collection, and enforcement of this levy, allowing banks to enter into deferred payment agreements with penalties for defaults. The steep hike in the windfall tax, combined with the existing 30% corporate income tax, imposes a substantial financial strain on banks.

On March 28, 2024, the Central Bank of Nigeria (CBN) announced an increase in its minimum capital requirements for commercial, merchant, and non-interest banks. For international, national, and regional commercial banks, the requirements were increased to ₦500 billion, ₦200 billion, and ₦50 billion, respectively, up from ₦50 billion, ₦25 billion, and ₦10 billion. National merchant banks and national and regional non- interest banks saw their minimum capital requirements raised to ₦50 billion, ₦20 billion, and ₦10 billion, respectively, from ₦15 billion, ₦10 billion, and ₦5 billion. This policy aims to fortify the resilience and solvency of the banking sector amidst ongoing macroeconomic challenges, including a high inflation rate of 31.7% and a volatile naira. The compliance deadline for these revised requirements is March 31, 2026.

Section 3

OUTLOOK FOR Q3 2024

GDP Growth

The economy is expected to remain resilient with growth expected to attain 3% in Q3 2023, However, ongoing protests across the country and decreased private consumption could pose challenges to this forecast.

Foreign Exchange

Foreign exchange is expected to fluctuate between 1,400 and 1,500 as convergence of exchange rates is anticipated to result in short-term volatility. However, the Naira is expected to strengthen as the dollar supply improves.

Crude Oil

Oil price is expected to remain above $80/b as current instability in the middle east and cuts from OPEC+ are expected to bolster the price. However, weak demand from key consuming economies and an increase in the US crude stockpile could weigh on oil prices.

Monetary Policy

Given the recent trends and the MPC's commitment to managing inflation and stabilizing the economy, it is likely that the MPC will continue to adopt a cautious and hawkish stance in the near term. However, specific future actions will depend on ongoing economic conditions and external factors such as global oil prices and geopolitical developments.

Foreign Reserves

Improving oil production, import substitution and export promotion initiatives is expected to bolster reserves to around $40 billion - $42 billion.

Inflation

Inflation is expected to slow gradually toward the end of Q3 2024 due to the base effect and the implementation of aggressive tightening by CBN aimed at absorbing excess liquidity in the system, which is expected to counteract the rising inflationary pressure.