

As we approach the end of the year 2023, we will provide an overview of major events in the Nigerian macroeconomic environment, beginning with the Federal Government's 2024 budget.

President Bola Ahmed Tinubu presented the first appropriation bill for the 2024 Budget to a joint session of the Nigerian National Assembly on November 29, 2023. The budget's title was "The Renewed Hope Budget."

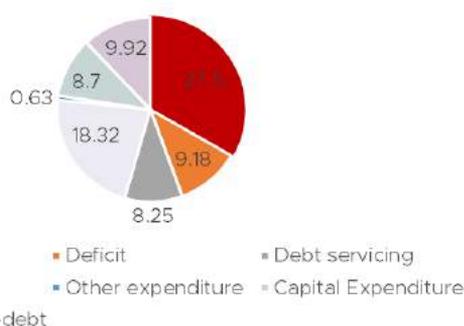
The planned budget expenditure for the year was N27.5 trillion, the largest in Nigerian history and 10.9% higher than the N24.83 trillion revised budget for 2022 (including signed +supplementary budgets).

The 2024 expenditure estimate includes statutory transfers of N1.30 trillion and non-debt recurrent expenditure of N10.26 trillion. The budget made provision of N8.25 trillion and N243 billion for Debt Service and Sinking Fund to retire maturing bonds issued to local contractors/creditors.

A total of N6.48 trillion (inclusive of N1.02 trillion for Government Owned Enterprises) was provided for personnel and pension costs, indicating a N576.16 billion increase over the 2023 provision. This is 35.4% of the projected aggregate revenues for 2024. The budget deficit is projected to be N9.18 trillion in 2024 from N13.80 trillion budgeted in 2023. The proposed deficit represents about 50% of total FGN revenues and 3.88% of the estimated GDP. The high projected level of fiscal deficit in 2024 is partly attributable to the proposed salary review of Federal workers across board, increased pension obligations and higher debt service cost. The budget made the following assumptions:

- Crude oil price - \$77.96
- Crude oil production -1.78 million bpd
- Exchange rate - N750/USD
- Inflation - 21.50%

SNAPSHOT OF FGN'S 2024 BUDGET BREAKDOWN



In other news, Olayemi Cardoso, Nigeria's latest Central Bank governor, delivered his first policy speech since taking office in September at the annual dinner of the Chartered Institute of Bankers of Nigeria in Lagos. In his speech, Cardoso emphasized the importance of assessing the banking industry's capabilities to meet the demands of a growing economy. As a starting point, Cardoso stated that banks would be required to strengthen their capital base.

Furthermore, he added that the administration's ambitious goal of building a \$1.0 trillion GDP within seven years, rather than three, will be met with a clear roadmap of priority areas and strategic initiatives.

He pointed out that technology plays a critical role in facilitating financial services and advancing financial inclusion. However, he issued a warning that licenses that go over the specified limits will be subject to penalties.

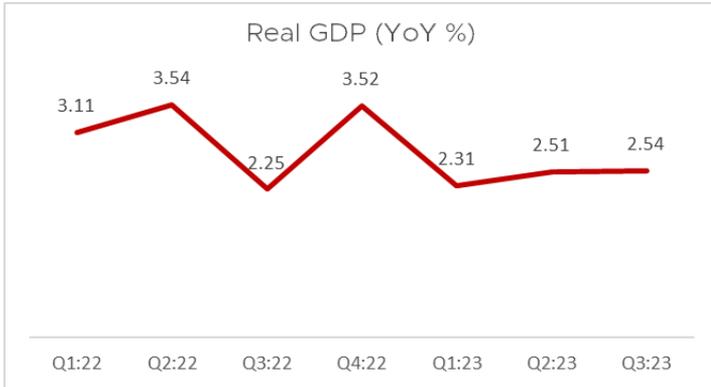
Lastly, he acknowledged that the Central Bank of Nigeria (CBN) had strayed from its primary objectives and carried out quasi-fiscal operations that brought in over N10 trillion into the Nigerian economy through a variety of programs in a wide range of industries, including youth development, agriculture, aviation, and electricity. He gave investors his word that the CBN will address institutional shortcomings, enhance laws, reinstate corporate governance, and enact sound policies.

Gross Domestic Product (GDP)

Nigeria's Gross Domestic Product (GDP) increased slightly to 2.54% in Q3'2023, up from 2.51% in Q2'2023 and 2.25% in Q3'2022. Although the service sector recorded a decline in performance, it drove the quarter's performance, growing by 3.99% (vs. 4.42% in Q2'23) and contributing 52.70% to aggregate GDP (vs. 58.42% in Q2'23). The agricultural sector grew by 1.30% (vs. 1.50% in Q2'23), while the industrial sector rebounded from its previous quarter loss as it grew by 0.46% (vs -1.94% in Q2'23).

During the quarter, the country's average daily oil production increased to 1.45 million barrels per day, up from 1.20 million barrels per day in Q3'23 and 1.22 million barrels per day in Q2'23. As a result, the oil sector's growth rate improved to -0.85% in Q3'22 from -13.43% in Q2'23. Overall, the oil sector contributed 5.48% to aggregate GDP in Q3'23 (up from 5.34% in Q2'23).

The Non-Oil sector growth grew by 2.75% indicating a 0.84% drop from 3.58% in Q2'23. Performance during the sector was driven by growth in the Information and Communication (Telecommunication); Financial and Insurance (Financial Institutions); Agriculture (Crop production); Trade; Construction; and Real Estate. Overall, the non-oil sector contributed 94.52% to aggregate GDP.

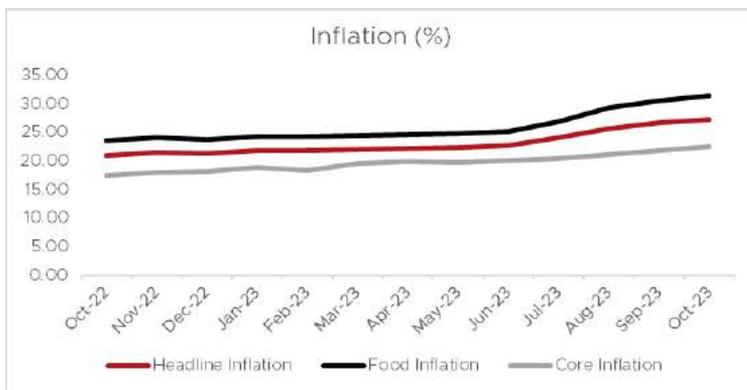


Outlook: We anticipate an increase in growth rate in Q4'23 as a result of higher demand for goods and services toward the end of the year. Furthermore, we foresee growth in the oil sector, as federal government initiatives to boost production are yielding positive results. Oil production increased to 1.35 million barrels in October, the highest level since 2023.

Inflation

In October, Nigeria's inflation rate increased for the tenth consecutive month in 2023, owing to rising food prices. According to the National Bureau of Statistics (NBS) inflation data, Nigeria's inflation increased by 0.61% to 27.33% (from 26.72% in September).

On the other hand, month-on-month inflation rate decreased for the second consecutive month, as it fell by 0.36% to 1.73% (from 2.10% in September). Food and non-beverages contributed the highest as it rose by 0.90%.



Food inflation rose by 0.88% to 31.52% (vs 30.64% in September) owing to an increase in the prices of Bread and cereals, Oil and fat, Potatoes, Yam and other Tubers, Fish, Fruit, Meat, Vegetables and Milk, Cheese and Eggs. However, on a month-on-month basis, it fell by 0.54% to 1.91% (vs 2.45% in September).

"All items less farm produce and energy" or Core inflation, which excludes volatile agricultural produce and energy rose by 0.73% year-on-year to 22.58% (from 21.84% in September).

The highest increases were recorded in prices of Passenger Transport by Road. However, month-on-month basis it fell to 1.39% from 2.22% in September.

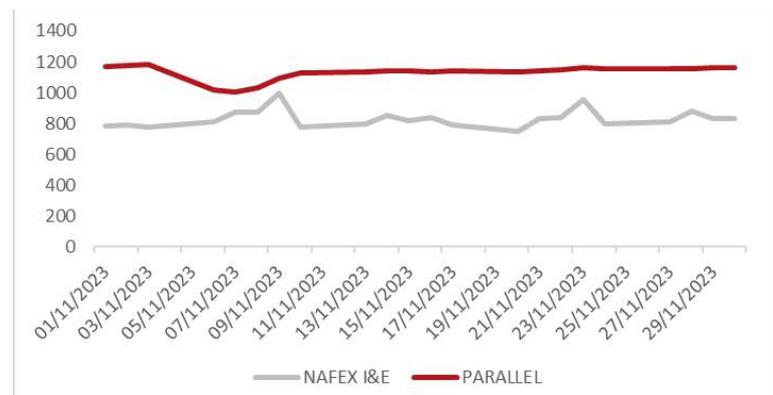
Outlook: Factors such as the impact of the removal of the petroleum subsidy, persistent depreciation of the Naira, insecurity in food producing states, increased interest rate which has trickled into cost of production, continue to fuel inflationary pressures in the economy. As a result, we expect inflation numbers to remain elevated for the remaining part of the year.

Foreign Exchange

In November, the Naira was relative stable after the Central Bank of Nigeria (CBN) issued directives to address the backlog of foreign exchange (FX). Despite this, the country continued to grapple with a shortage of dollars due to the departure of foreign investors from local assets.

Throughout the month, the Naira showed resilience, appreciating by 1.69% against the US Dollar in the parallel market, rising from 1180/USD to 1160/USD compared to the previous month. In contrast, at the Nigerian Autonomous Foreign Exchange Market (NAFEM), the Naira depreciated by 2.09%, slipping from 815.32/USD to 832.32/USD.

Outlook: We expect the appreciation of the Naira in December, fueled by an expected surge in dollar inflows from Nigerian's in diaspora coming back for the Christmas holiday season



International Crude Oil Prices

In November, oil prices experienced a decline due to the inability of major oil producers, particularly OPEC+, to meet anticipated output reduction agreements. Persistent concerns about oversupply remained a focal point, exacerbated by discouraging data from China, the world's largest oil importer, when China's purchasing managers' index contracted for the second consecutive month in November, registering at 49.4 from 49.5 in October.

Outlook: Barring any other unforeseen external factors, oil prices are poised to trend lower in the coming month, primarily influenced by the decelerating global demand for oil. However, the extent of these losses is expected to be mitigated by supply risks emanating from the Middle East.

Equities Market

The NGX-ASI and market capitalization increased by 3.08% and 2.66%, respectively, to 71,365.98 points and N39.05 trillion in November, compared to 69,236.19 points and N38.03 trillion the previous month. As a result, the ASI's year-to-date return increased to 39.25%.

Transaction levels also experienced growth, with both volume and value of transactions rising to 10.69 billion units and N142.85 billion from 7.08 billion units and N109.56 billion the previous month.

Sectorally, the market was bullish, with three of the five indices under our watch finishing in the green. The Oil and Gas sector was the best performer for the month, rising 11.85% thanks to strong performances in stocks such as OANDO (+34.48%), SEPLAT (+21.27%), and CONOIL (+7.86%). The Insurance Index came in second as it gained 8.74%, owing to a rise in price of stocks like SUNUASSUR (+48.94%), ROYALEX (+32.65%), PRESTIGE (+19.51%), MBENEFIT (+18.18%), INFINITY (+9.84%), LINKASSUR (+9.21%), and AIICO (+5.63%). The Banking Index rose by 4.42%, headed by FBNH (+23.18%), ETI (+13.33%), FCMB (+12.20%), GTCO (+12.07%), ACCESSCORP (+4.96%), ZENITHBANK (+2.71%), and UBA (+2.15%).

On the flip side, the Industrial Goods Index emerged as the worst performer, declining by 1.93%, primarily due to losses in JBERGER (-4.00%), BUACEMENT (-2.80%), and BERGER (-1.52%). The Consumer Goods Index also experienced a downturn, with notable declines in DANSUGAR (-7.94%), HONYFLOUR (-3.23%), BUAFOOD (-1.92%), and NB (-0.27%).

Outlook

The month of November is expected to see mixed trading sentiments, with some investors looking for bargains among key stocks with solid fundamentals and entry levels, while others take profit from price appreciations seen in the last few trading sessions. In the absence of market-generated triggers to drive prices, developments in the macro – economic space will play a major role in market movements in the near term.

We expect investors in the Banking sector to watch for attractive entry levels as prices retreat from recent highs due to profit taking. Currently, the banks we cover in the sector boast of a trailing dividend yield (6.69) on the NGX. As we approach year-end this will increasingly become a key parameter for investing in the market.

The Consumer Goods space initially recorded selloffs on the back of foreign exchange losses printed in their half-year earnings. The sector, however, recovered to lead gainers for the month of September with a 6.53% rise. We therefore see investors reviewing the Q3' 2023 numbers before deciding whether to take their profits or hold for the medium to long-term.

The Industrial Goods Index which comprises mainly building material companies posted a decline of 6.91% for the period, largely due to the loss of 13.7% in BUA Cement and 5.56% recorded in Dangote Cement Plc. The recent price slash in the ex-factory price of BUA Cement prices has however seen increased interest in the shares of the cement maker. Other cement makers such as Dangote and Lafarge WAPCO are expected to respond to the price slash from BUACEMENT.

INDICATORS	30-Nov	31-Oct	%Change
NGX ASI	71,365.98	69,236.19	3.08%
Market Cap (N'tn)	39,051.94	38,038.62	2.66%
Volume Traded (Units' m)	10,693.35	7,078.82	51.06%
Value Traded (b)	142,849.52	109,564.31	30.38%

SECTOR	30-Nov	31-Oct	% Change
BANKING INDEX	748.05	716.42	↑ 4.42%
INDUSTRIAL INDEX	2,782.36	2,837.10	↓ (1.93%)
INSURANCE INDEX	302.78	278.44	↑ 8.74%
OIL & GAS INDEX	1046.66	935.81	↑ 11.85%
CONSUMER GOODS INDEX	1141.95	1149.17	↓ -0.63%

Top Gainers

Symbol	Opening Price(N)	Closing Price(N)	% Change (+)
DEAPCAP	0.25	0.59	↑ 136.00%
NSLTECH	0.28	0.65	↑ 132.14%
MULTIVERSE	3.20	5.98	↑ 86.88%
NNFM	19.95	35.20	↑ 76.44%
DMATEK	0.46	0.71	↑ 54.35%
SUNUASSUR	0.94	1.40	↑ 48.94%
CILEASING	3.59	5.25	↑ 46.24%
MCNICHOLS	0.57	0.83	↑ 45.61%
VERITASKAP	0.26	0.37	↑ 42.31%
UNITYBNK	0.99	1.40	↑ 41.41%

Top Losers

Symbol	Opening Price(N)	Closing Price(N)	% Change (-)
THOMASWY	4.04	2.28	↓ (43.56%)
STANBIC	75.00	62.05	↓ (17.27%)
ETRANZACT	8.40	6.95	↓ (17.26%)
TIP	1.16	0.99	↓ (14.66%)
CHAMS	2.22	1.97	↓ (11.26%)
ETERNA	14.50	12.90	↓ (11.03%)
CAVERTON	1.55	1.38	↓ (10.97%)
NAHCO	26.95	24.00	↓ (10.95%)
REDSTAREX	3.30	2.96	↓ (10.30%)
ABBEYBDS	1.86	1.68	↓ (9.68%)

Fixed Income Market

The fixed income market experienced mixed sentiments in November, with selloffs dominating the FGN Bond market and purchases dominating the NT-Bills market.

The Debt Management Office (DMO) reopened the APR 2029, JUN 2033, JUN 2038, and JUN 2053 bond instruments at the primary market on November 14th, with N90 billion offers apiece.

Aside from the JUN 2053 instrument, the other issued instruments were under-subscribed, thus offer-to-subscription ratio stood at 0.39x, 0.37x, 0.52x, and 3.67x, respectively. As a result, marginal rates increased from 14.90%, 15.75%, 15.80%, and 16.60% in the previous auction to 16.00%, 17.00%, 17.50%, and 18.00% in this auction.

Nevertheless, the original coupon rates of 14.55% for the FGN APR 2029, 14.70% for the FGN JUN 2033, 15.45% for the FGN JUN 2038 and 15.70% for the FGN JUN 2053 were maintained.

Regardless of purchases witnessed in the 14-Mar-24 (-1.90%), 23-Mar-25 (-0.22%), 22-Jan-26 (-0.45%) and 17-Mar-27 (-0.47%) instruments, the FGN Bond secondary market closed the most bearish as selloffs dominated the mid and long term instruments. As a result, average yields increased by 40 basis points to 15.72% from 15.33% in October.

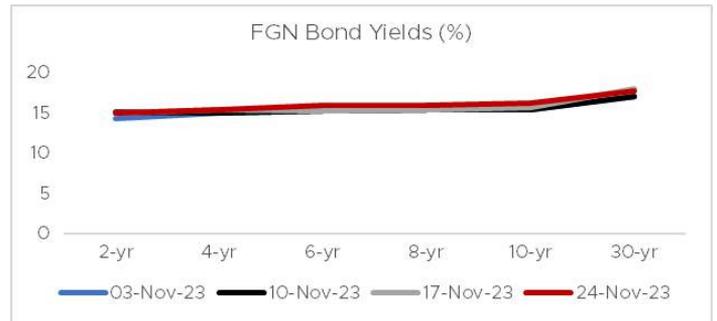
Two NT-Bills primary market auctions were conducted in November by the Central Bank of Nigeria (CBN), with a combined value of N251.69 billion (up from N144.69 billion in October). On November 8, the month's first auction took place, with stop rates set at 7.00%, 11.00%, and 16.75% for 91-day, 182-day, and 364-day bills, respectively. However, stop rates for the 91-day and 182-day bills rose to 8.00%, and 12.00%, whereas the stop rate for the 364-day instrument remained unchanged at 16.75%, at the next auction on November 22.

The NT-Bills secondary market closed bullish at the end of the month, owing to investors' optimistic sentiments towards instruments listed across the yield curve. As a result, average yields declined 72 basis points to 10.21% in November, down from 10.93% in October. Additionally, the 9-Nov-23 and 23-Nov-23 instruments were delisted as they matured during the month, whereas the 24-Oct-24 instrument was listed.

System liquidity fluctuated throughout the month as it dipped to a negative balance owing to a fall in opening balances and an increase in standing facilities. However, at the end of the month it improved significantly to N346.60 billion representing a 913.62% growth from N34.19 billion in November. Driven by the increase in system liquidity, Open-Buy-Back and Overnight rates fell to 14.84% and 15.54% from 15.58% and 16.46% in September.

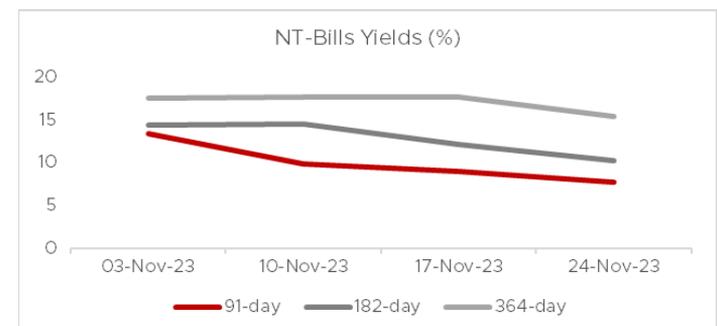
Outlook: In December, we anticipate continuous selloff in the FGN Bond market as investors shift to the NT-Bill market in anticipation of a higher rates during the month.

FGN BOND	30-Nov	31-Oct	%Change
2-Year	14.3	14.52	↓ (1.52%)
4-Year	14.31	14.78	↓ (3.18%)
6-Year	15.95	15.21	↑ 4.87%
8-Year	16.00	15.30	↑ 4.58%



Auction Date	Maturity Date	Tenor	Stop Rate	Offer (NGN'million)	Subscription (NGN'million)
08-Nov-23	08-Feb-24	91-Day	7.00%	4,522.00	16,046.75
08-Nov-23	09-May-24	182-Day	11.00%	5,439.36	32,959.81
08-Nov-23	07-Nov-24	364-Day	16.75%	30,016.27	826,786.70
22-Nov-23	22-Feb-24	91-Day	8.00%	9,962.53	12,620.85
22-Nov-23	23-May-24	182-Day	12.00%	1,817.86	10,052.91
22-Nov-23	21-Nov-24	364-Day	16.75%	199,930.14	1,208,465.45

NT-BILLS	30-Nov	31-Oct	%Change
91-Days	6.24	7.83	↓ (20.31%)
182-Days	10.64	10.25	↑ 3.80%
364-Days	14.73	16.15	↑ (8.79%)



Macroeconomic Release Data Calendar for December 2023

Release Dates	Indicators
December 11th	Internally Generated Revenue at State Level (Half Year 2023)
December 15th	CPI and Inflation Report Nov 2023 Automotive gas oil (diesel) price watch Nov 2023
December 17th	Selected food Prices Nov 2023 Liquefied Petroleum Gas (Cooking Gas) Price Watch Nov 2023
December 19th	Premium Motor spirit (Petrol) price watch Nov 2023 Transport Fare Watch (Nov 2023) Federation Account Allocation Committee (FAAC) (NOVEMBER 2023 Disbursement)
December 21st	National household kerosene price watch Nov 2023 Q3, 2023 Terms of Trade Report
December 22nd	Selected Banking Sector Data: Sectorial Breakdown of Credit, ePayment Channels, Deposits & Domestic Credit Breakdown and Staff Strength (Q3 2023) Statistical Report on Women and Men in Nigeria 2022
December 27th	Telecoms Data: Active Voice and Internet per State, Porting and Tariff Information (Q3 2023) Annual Abstract of Statistics 2022 edition
December 29th	Annual Report for 2022