

Happy New Month!

The month of September is here, below is a recap of 4 key highlights in the month of August and our outlook for the new month.

Nigerian Labour Force

In the month of August, the National Bureau of Statistics (NBS) adopted a new methodology in line with International Labour Organisation (ILO) guidelines. As a result, Nigeria's unemployment rate printed at 5.3% in Q4'22 and 4.15% in Q1'23 from 33.33% in Q4'2020.

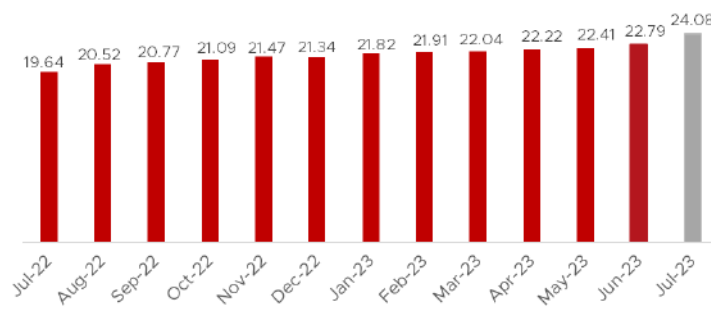
The NBS sampled 35,520 households across the country in the new methodology, which basically considers individuals to be employed if they were involved in any activity to generate goods or services for a wage or profit for at least one hour each week. Individuals who work less than 40 hours per week yet are willing and available for more hours of labor were also described as underemployed.

Though the unemployment data may appear misleading because it does not reveal the true position of the unemployment rate in Nigeria, the NBS included a disclaimer indicating that working for one hour does not imply sufficiency to meet a person's needs. The Bureau also identified countries with low unemployment but high poverty rates. As a result, the labour survey does not represent Nigerians' standard of living; instead, the NBS's poverty and welfare data does. In conclusion, despite a significant drop in unemployment figures, Nigeria remains the world's poverty capital, according to the World Poverty Clock 71 million Nigerians are extremely poor, while the National Bureau of Statistics (NBS) reported that over 133 million (that is 63% of total population) Nigerians are multidimensionally poor.

Inflation

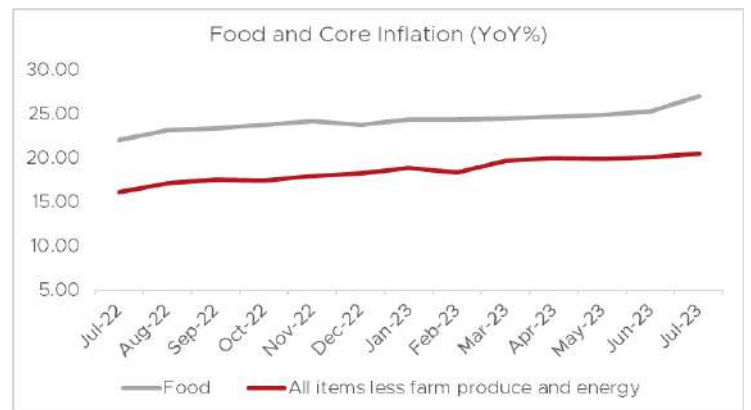
Nigeria's headline inflation rate jumped by 1.29% to 24.08% in July (from 22.79% in June) as the impact of the withdrawal of petroleum subsidies and the liberalization of the official currency rate hit the economy harder. During the period, food and non-alcoholic beverages contributed the most to inflation numbers.

Headline Inflation YoY%



Food inflation climbed by 0.43% year on year (YoY) to 25.25% in June, up from 24.82% in May, due to price increases in Oil and fat, Bread and cereals, Fish, Potatoes, Yam and other tubers, Fruits, Meat, Vegetable, Milk, Cheese, and Eggs.

"All items less farm produce and energy" or Core inflation, which excludes volatile agricultural produce and energy, climbed by 0.47% year-on-year to 20.47% (from 20.06% in June 2023) owing to an increase in the prices of Passenger Transport by Air, Passenger Transport by Road, Vehicle Spare Parts, Medical Services, Maintenance, and repair of personal transport equipment.



Outlook: In the new month, we expect the rising inflation trend to persist as the impact of the petroleum subsidy removal as well as other factors driving inflation such as insecurity and expected flooding in food producing states, foreign exchange weakness, and rising energy costs continue to linger.

Gross Domestic Product (GDP)

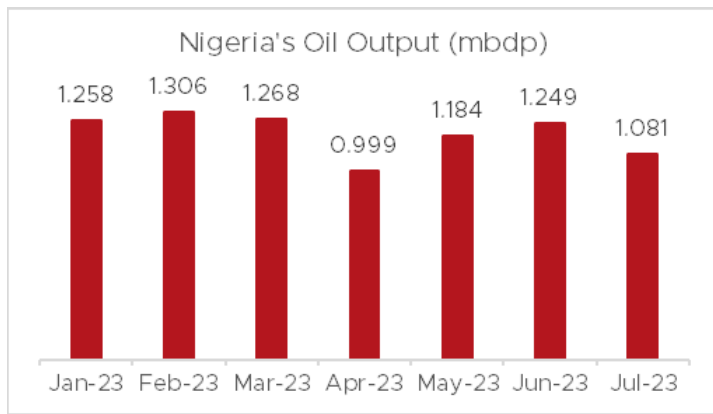
Nigeria's Gross Domestic Product (GDP) growth rate printed 2.51% in Q2' 2023, 0.20% higher than the rate (2.31%) reported in Q1' 2023. Growth within the period is however lower than the 3.54% recorded in Q2'22 amid lingering economic challenges which have negatively affected economic and commercial activities in the country

Real GDP (YoY %)



According to figures published by the NBS, the quarter's performance was majorly driven by the service sector which recorded a growth rate of 4.42% and contributed 58.42% to the aggregate GDP.

In Q2'23, the country's oil production fell to 1.22 million barrels per day as challenges such as pipeline vandalism, crude oil theft and inadequate investment lingered during the period in view. The drop in production indicates a 14.69% and 19.21% decline to the Q2'22 and Q1'23 oil production figures. As a result, the oil sector growth rate further worsened to -13.43% from -4.21% in Q1'23 and -11.77% in Q2'22. Overall, the Oil sector contributed 5.34% to aggregate GDP in Q2'23.



The Non-Oil sector growth stood at 3.58% indicating a 1.19% drop from 4.77% in Q2'22 and a 0.81% growth from 2.77% in Q1'23. Performance in the sector was driven by growth in the Information and Communication (Telecommunication); Financial and Insurance (Financial Institutions); Trade; Agriculture (Crop production); Manufacturing (Food, Beverage & Tobacco); Construction; and Real Estate. Overall, the non-oil sector contributed 94.66% to aggregate GDP.

Outlook: We expect growth to remain challenging in the coming quarter as the immediate impact of the fiscal and monetary policies implemented by the new administration on individuals, firms and households continues. However, we expect that the country's growth would again be led by the service sector, owing to higher earnings from telecommunications and financial services.

On the other hand, we do not anticipate a substantial recovery in the oil industry, as the sector's troubles persist. Furthermore, crude oil production for the month of July declined to 1.08 million barrels per day, indicating no improvement in output. We anticipate minor improvement in the agriculture sector as insecurity and structural issues continue to hamper it

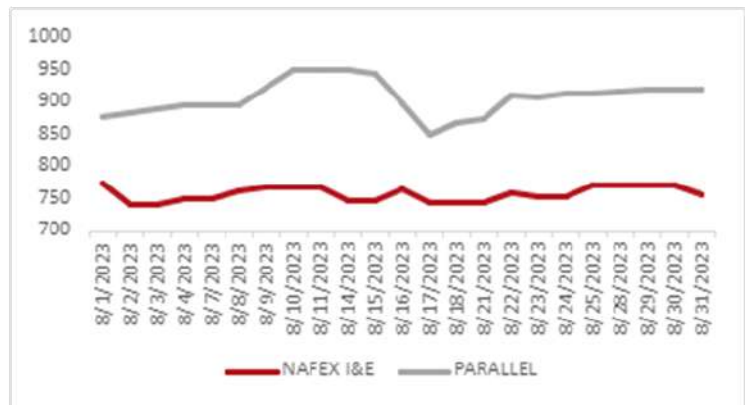
Foreign Exchange

The parallel market Naira sank 5.75% to N920/USD, while at the Nigerian Autonomous Foreign Exchange (NAFEX) window declined by 0.62% to N762.71/USD as summer demand pressure from demand for vacation travels, student payments for school fees overseas etc, drove the Naira's weak performance for the period.

Oil prices increased for the third month in a row to 86.83 dollars per barrel as predictions that cuts by the OPEC+ group of oil producing nations, led by Saudi Arabia, would continue until the end of 2023 fueled supply concerns in the markets.

Nigeria's foreign reserves increased by 0.01%, or 1.86 million dollars, closing at 33.95 billion dollars on the last business day of the month.

| FOREIGN EXCHANGE | 31-Aug | 31-Jul | %Change |
|------------------|--------|---------|---------|
| I & E Window | 762.71 | 758.022 | ↑ 0.62% |
| Parallel | 920 | 870 | ↑ 5.75% |



Outlook: Given that Nigeria's imports continue to outweigh its exports, oil production remains low due to oil theft and low manufacturing output. The Naira is expected to weaken further in September

Equities Market

The local bourse closed the month on a positive note as the NGX-ASI climbed by 3.44% to 66,548.99 points (from 64,337.52 points last month) breaking the Index's previous 15year high in 2008 just before the global credit crisis at the time. The markets positive return was driven by renewed buy interest in the consumer goods sector as they took advantage of low prices occasioned by the impact of FX losses the price of stocks in the sector. Market capitalization posted a higher rise of 4.03% due to the supplemental listing of 3 billion additional units of shares listed by Fidelity Bank after its private placement, which led to investors wealth rising by N1.41 trillion to N36.42 trillion (from N35.01 trillion last month). Consequently, year to date return on the ASI stood at 29.85% in the month under review.

Transaction levels however declined as volume of trades fell by 59.84% to 9.15 billion units (from 22.78 billion units last month) and trade value fell by 57.04% to N132.833 billion (from N309.19 billion).

Sectoral performances were bullish as 4 of the five major sectors closed in the positive region. Buy interests in DANGSUGAR (+103.70%), GLAXOSMITH (+87.84%), BUAFOODS (+32.60%), CADBURY (22.67%), FLOURMILLS (+14.39%), PZ (+7.03%), NB (+6.85%), and GUINNESS (+3.75%) drove the Consumer Goods sector up by 24.51% making it the months top performer. CORNEST (+59.09%), SUNUASSUR (+30.30%),GUINEANS (+20.83%), LINKASSUR (+16.88%) drove the Insurance sector up by 3.08%, OANDO (+9.16%) and SEPLAT drove the Oil and Gas sector up 0.91%, and DANGCEM (+2.27%) and JBERGER (+3.57%) drove the Industrial sector up by 0.57%.On the other hand, selloffs recorded in FBNH (-6.67%),ZENITHBANK (-2.95%), ACCESSCORP (-2.35%), and ETI (-1.96%) drove the Banking sector down by 3.57% making it the months lone sectoral loser.

Investor sentiments, as determined by market breath was negative at 0.93x as 54 stocks appreciated in price while 58 stocks depreciated in price during the month.

Outlook

In the new month the market is expected to record increased demand on the bank of attractive entry levels and the release of long-awaited half-year numbers from the banking sector, especially from Tier 1 banks which are expected to benefit from foreign exchange revaluation gains. The Consumer Goods space has recorded increased positioning as investors take advantage of the low entry levels to position for medium to long term gains in fundamentally sound symbols with consistent dividend rewards. Traditionally also, the month of September usually provides a cushion from the selloff that occurs in Q3 as a result of the absence of market drivers and sees investors begin their bargain hunting activities.

| INDICATORS | 31-Aug | 31-Jul | %Change |
|--------------------------|------------|------------|------------|
| NGX ASI | 66,548.99 | 64,337.52 | ↑ 3.44% |
| Market Cap (N'bn) | 36,422.73 | 35,011.46 | ↑ 4.03% |
| Volume Traded (Units' m) | 9,150.23 | 22,786.52 | ↓ (59.84%) |
| Value (N'mn) | 132,833.20 | 309,185.49 | ↓ (57.04%) |

| SECTOR | 31-Aug | 31-Jul | % Change |
|----------------------|----------|----------|-----------|
| BANKING INDEX | 646.29 | 670.22 | ↑ (3.57%) |
| INDUSTRIAL INDEX | 2,860.45 | 2,844.36 | ↑ 0.57% |
| CONSUMER GOODS INDEX | 1063 | 853.75 | ↑ 24.51% |
| OIL & GAS INDEX | 939.87 | 931.42 | ↑ 0.91% |
| INSURANCE INDEX | 268.76 | 260.74 | ↑ 3.08% |

Top Gainers

| Symbol | Opening Price(N) | Closing Price(N) | Gain (N) | % Change (+) |
|------------|------------------|------------------|----------|--------------|
| DANGSUGAR | 27.00 | 55.00 | 28.00 | ↑ 103.70% |
| GLAXOSMITH | 7.40 | 13.90 | 6.50 | ↑ 87.84% |
| ABCTRANS | 0.49 | 0.88 | 0.39 | ↑ 79.59% |
| TRANSCORP | 3.53 | 6.07 | 2.54 | ↑ 71.95% |
| ABBEYBDS | 1.00 | 1.70 | 0.70 | ↑ 70.00% |
| THOMASWY | 1.30 | 2.17 | 0.87 | ↑ 66.92% |
| CORNERST | 0.88 | 1.40 | 0.52 | ↑ 59.09% |
| NASCON | 32.50 | 50.55 | 18.05 | ↑ 55.54% |
| CHELLARAM | 2.33 | 3.57 | 1.24 | ↑ 53.22% |
| TIP | 0.80 | 1.16 | 0.36 | ↑ 45.00% |

Top Losers

| Symbol | Opening Price(N) | Closing Price(N) | Loss (N) | % Change (-) |
|------------|------------------|------------------|----------|--------------|
| ETERNA | 25.95 | 16.00 | (9.95) | ↓ (38.34%) |
| JOHNHOLT | 2.00 | 1.31 | (0.69) | ↓ (34.50%) |
| SOVRENINS | 0.63 | 0.43 | (0.20) | ↓ (31.75%) |
| MCNICHOLS | 0.75 | 0.59 | (0.16) | ↓ (21.33%) |
| JAIZBANK | 1.87 | 1.50 | (0.37) | ↓ (19.79%) |
| RTBRISCOE | 0.56 | 0.45 | (0.11) | ↓ (19.64%) |
| FIDELITYBK | 8.60 | 7.05 | (1.55) | ↓ (18.02%) |
| DEAPCAP | 0.34 | 0.28 | (0.06) | ↓ (17.65%) |
| DAARCOMM | 0.32 | 0.27 | (0.05) | ↓ (15.63%) |
| MBENEFIT | 0.52 | 0.44 | (0.08) | ↓ (15.38%) |

Fixed Income Market

Mixed investor sentiments remained in the fixed income market in the month of August as the sell pressure overwhelmed investor demand at the long and short ends of the curve.

The Debt Management Office (DMO) reopened the APR 2029, JUN 2033, JUN 2038, and JUN 2053 bond instruments in the primary market auction with N90 billion offers apiece. All maturities were under-subscribed, with the exception of the JUN 2033 instrument. The marginal rate for each instrument at the end of the auction was 13.85%, 15.00%, 15.20%, and 15.85%, compared to 12.50%, 13.60%, 14.10%, and 14.30% in the previous auction. However, 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 was maintained.

At the FGN Bond secondary market, selloffs dominated all ends of the yield curve especially the 23-Mar-25 (2.40%) and 26-Apr-29 (1.54%) instruments. As a result, average yields went up by 96 basis point to 14.06% (from 13.10% last month).

At the NT-Bills primary market, the Central Bank of Nigeria (CBN) conducted two auctions for a total offer of N437.03 billion (vs N406.10 billion in July) across board. The first auction of the month took place on the 9th of August, with stop rates for the 91-day, 182-day, and 364-day bills settling at 5.00%, 5.90%, and 9.80% respectively. However, by the second auction on the 23th of August, stop rates for the 91-day, 182-day and 364-day instruments closed higher at 5.19%, 8.00% and 13.97%.

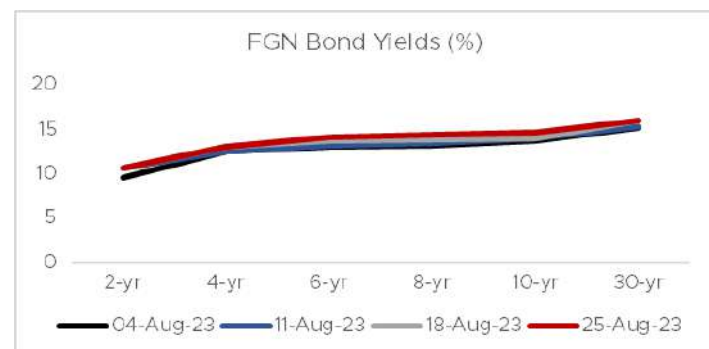
At the secondary market, purchases dominated the short and mid end of the yield curve, however, due to selloffs at the long end of the yield curve as well as the inclusion of two new instruments (11-Jul-24 and 25-Jul-24) average yields went up by 14 basis point to 7.27% from 7.12% in July.

Additionally, the CBN auctioned new OMO instrument, thus stop rate at the 96-day, 187-day and 362-day instruments stood at 10.00%, 12.98% and 14.49% from 7.00%, 8.50% and 10.00% .

Due to low open balances, and primary market auctions, system liquidity fell by 66.05% month-on-month to N267.81 billion (vs. N788.93 billion in July). Nonetheless, Open-Buy-Back and Overnight rates increased by 0.98% and 1.18%, respectively, to settle at 1.90% and 2.60% (up from 0.92% and 1.42% in July).

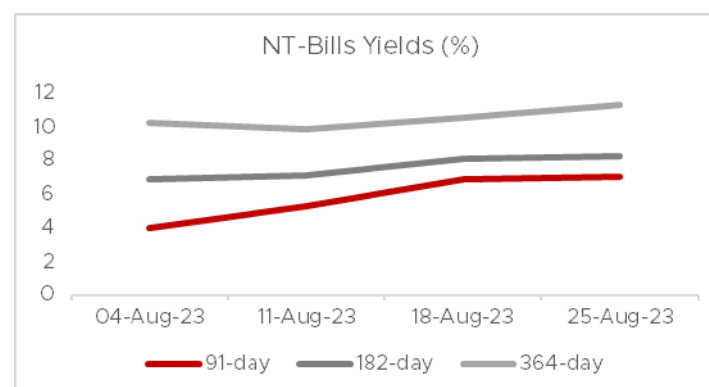
Outlook: In the month of September, we expect investors to tread cautiously as they watch for drivers in terms of liquidity levels and policy actions that would determine market direction.

| FGN BOND | 31-Aug | 31-Jul | %Change |
|----------|--------|--------|----------|
| 2-Year | 11.37 | 8.97 | ↑ 26.76% |
| 4-Year | 13.05 | 12.54 | ↑ 4.07% |
| 6-Year | 14.04 | 12.56 | ↑ 11.78% |
| 8-Year | 14.33 | 12.9 | ↑ 11.09% |



| Auction Date | Maturity Date | Tenor | Stop Rate | Offer (NGN'million) | Subscription (NGN'million) |
|--------------|---------------|---------|-----------|---------------------|----------------------------|
| 09-Aug-23 | 09-Nov-23 | 91-Day | 5.00% | 4,522.00 | 13,836.38 |
| 09-Aug-23 | 08-Feb-24 | 182-Day | 5.90% | 1,314.90 | 14,777.15 |
| 09-Aug-23 | 08-Aug-24 | 364-Day | 9.80% | 148,150.79 | 807,677.68 |
| 23-Aug-23 | 23-Nov-23 | 91-Day | 5.19% | 9,962.53 | 17,241.38 |
| 23-Aug-23 | 22-Feb-24 | 182-Day | 8.00% | 10210.00 | 12,353.58 |
| 23-Aug-23 | 22-Aug-24 | 364-Day | 13.97% | 283,043.58 | 1,513,565.49 |

| NT-BILLS | 31-Aug | 31-Jul | %Change |
|----------|--------|--------|------------|
| 91-Days | 4.35 | 5.06 | ↓ (14.03%) |
| 182-Days | 6.98 | 6.85 | ↑ 1.90% |
| 364-Days | 12.06 | 10.25 | ↑ 17.66% |



Macroeconomic Release Data Calendar for September 2023

| Release Dates | Indicators |
|----------------|---|
| September 2nd | Company income Tax (Q2 2023) |
| September 2nd | Sectoral Distribution of Value Added Tax (Q2 2023) |
| September 7th | Foreign Trade in Goods Statistics (Q2 2023) |
| September 11th | Daily Energy Generated and Sent Out (Q3 2023) |
| September 14th | Nigerian Domestic and Foreign Debt (Q2, 2023) |
| September 14th | Rail Transportation Data (Q1 & Q2 2023) |
| September 15th | CPI and Inflation Report August 2023 |
| September 17th | National household kerosene watch August 2023 |
| September 17th | Premium motor spirit (PETROL) Price watch August 2023 |
| September 19th | Automotive Gas oil(DIESEL) Price watch August 2023 |
| September 19th | Liquefied Petroleum Gas (Cooking Gas) Price Watch August 2023 |
| September 21st | Selected food prices August 2023 |
| September 21st | Transport Fare Watch (August 2023) |
| September 22nd | Q2, 2023 Terms of Trade Report |
| September 25th | Federation Account Allocation Committee (FAAC) (August 2023 Disbursement) |
| September 27th | Air Transportation Data (Half Year 2023) |
| September 28th | Nigerian Gross Domestic Product Report (Expenditure and Income Approach) Q1 & Q2 2023 |