



# 2022 Nigerian Economic Outlook

By Bismarck Rewane  
CEO, Financial Derivatives  
Company Ltd.

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# Audience Analysis

- Founded in 1894 as the British Bank for West Africa
- Nigeria's pioneer bank which has reinvented itself and re-presented itself as a young old bank
- In the last 2 years, partly due to speculation and intrinsic value, share price has risen 85% to N11.4 (Dec 2021)
- Now a subsidiary of FBN Holdings – a diversified and leading financial services group

# Outline



How much money did the government spend in 2021 & how was it funded?



How did investors & corporate bodies fare in 2021?



How did the people fare in 2021?



2021 Overall Scorecard



2022 Prognosis?



What are the growth sectors and opportunities in 2022?



What could go wrong in 2022?



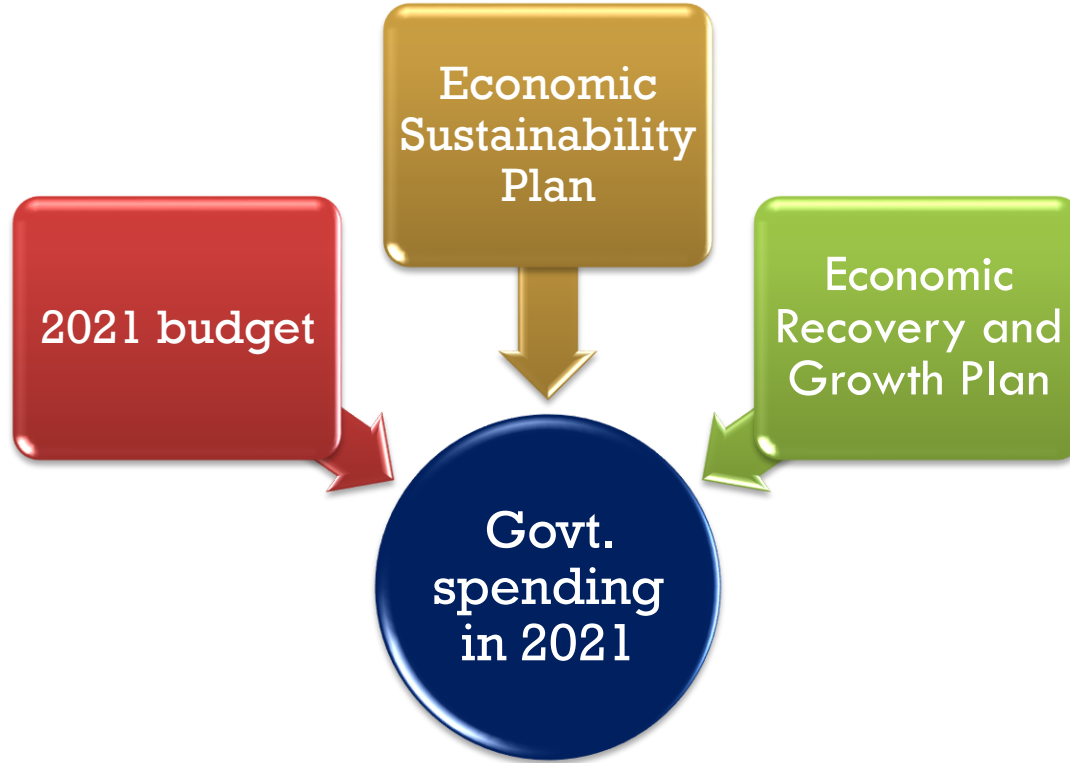
Summary & Conclusions



How much money did the government spend and  
how was it funded?

(Score: 40%)

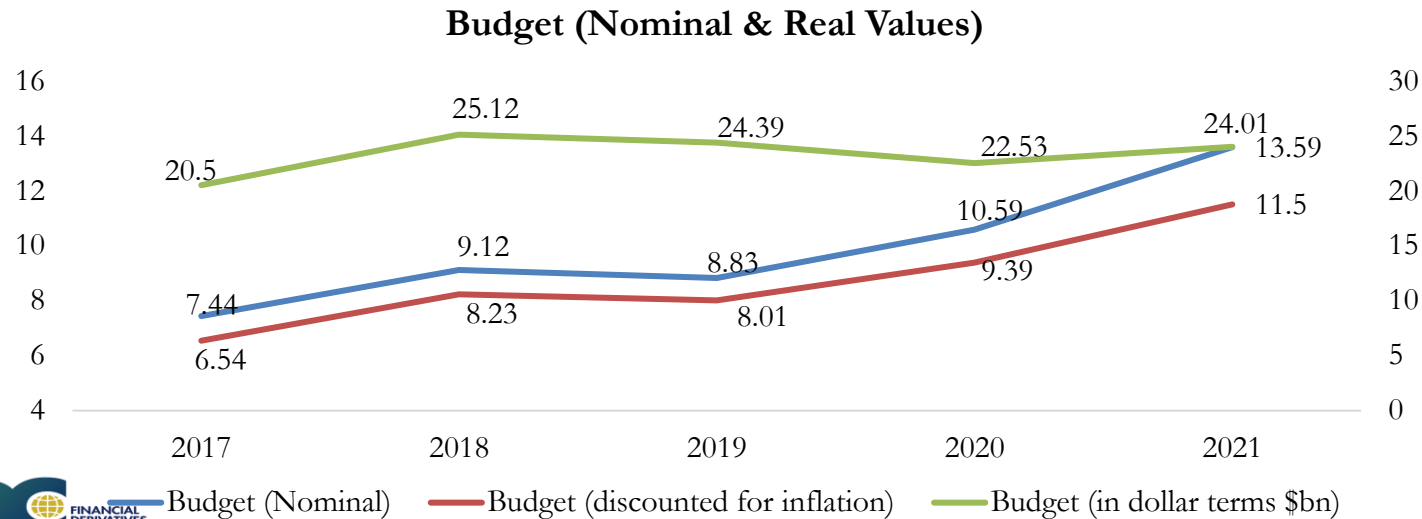
# Government expenditure in 2021



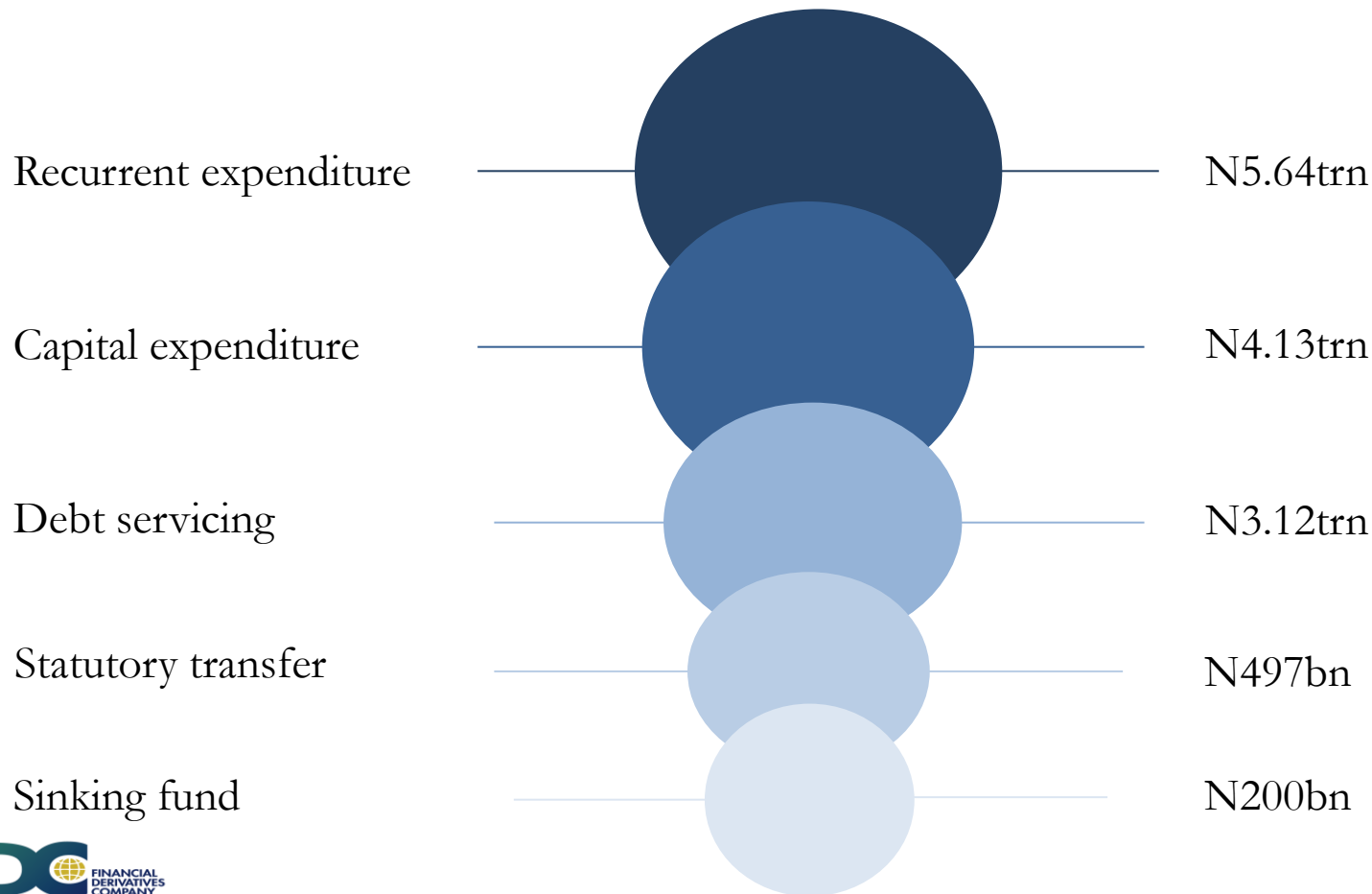
- The Economic Sustainability Plan was a success given the rebound in GDP growth
- However, the Economic Recovery and Growth Plan (ERGP) was not a success

# What Was the Size of the Budget?

- Total budget expenditure increased by 28.33% to N13.59trn in 2021
- In dollar terms, it only increased by 6.57%
- When discounted for inflation, it grew by 22.47%



# How was the Budget Allocated?



# How was the Budget Allocated?

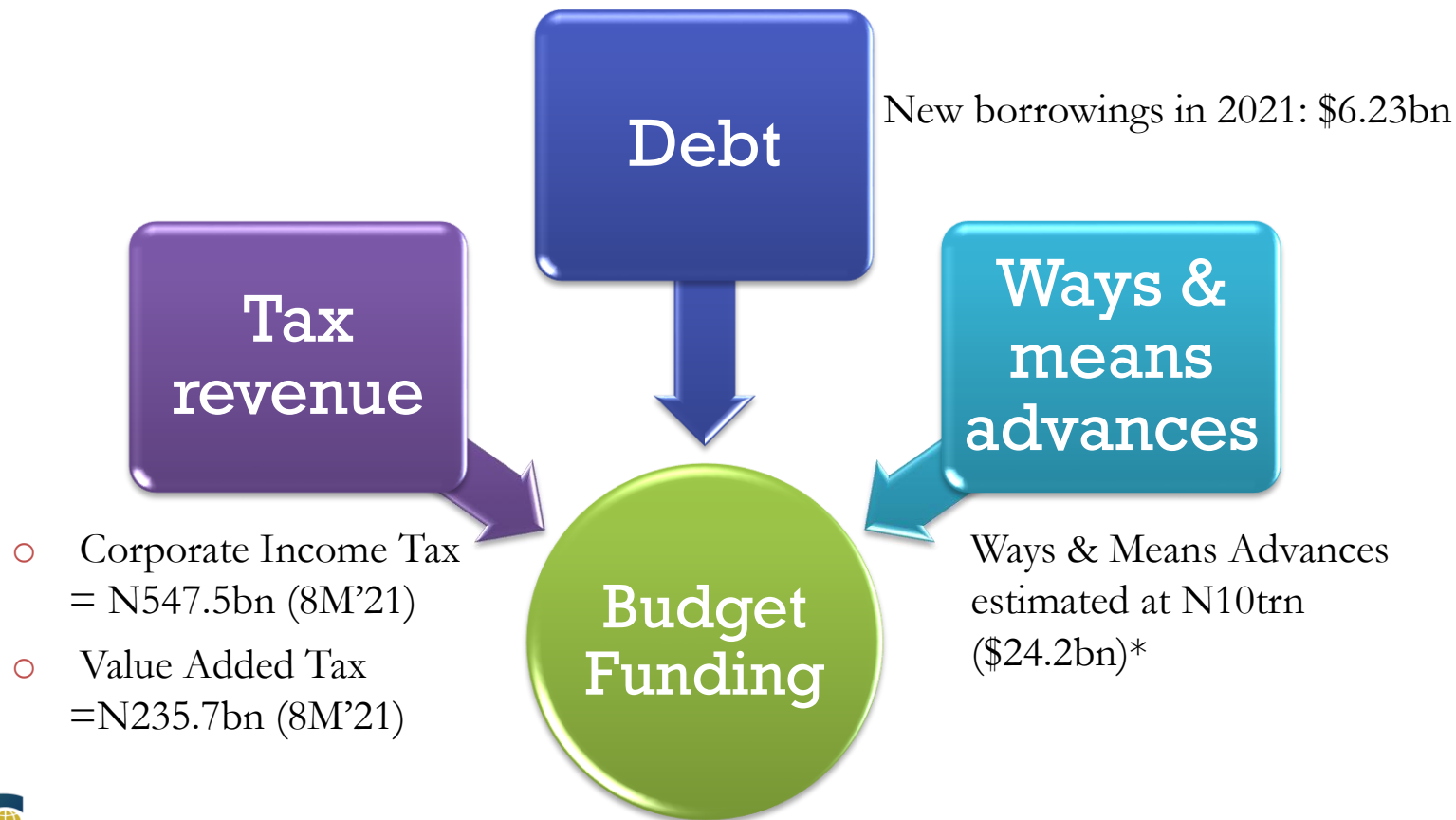
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<b>Top MDAs</b>	<b>Capital Allocation (N'bn)</b>	<b>Share (%)</b>
Works & Housing	404	20%
Transportation	256	13%
Power	198	10%
Water Resources	153	8%
Health	132	6%
Education	127	6%
Defense	121	6%
<u>Agriculture/Rural Development</u>	110	5%

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# How Did Government Fund its Budget?



\* Cumulative

# Actual Revenue (Jan'21-Aug'21)

## Projected Revenue

N7.99tr



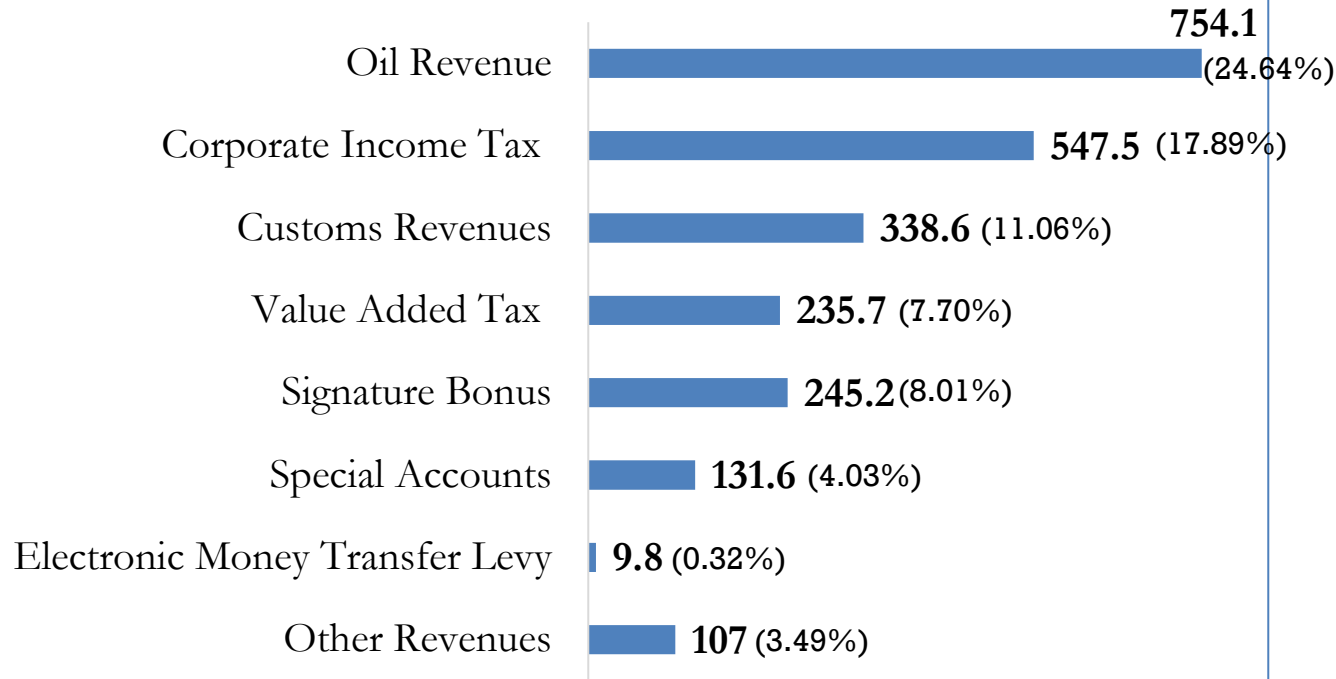
Revenue  
Performance  
< 40%

N3.06tr

## Actual Revenue

\*8M'21 excluding  
Government owned  
Enterprises (GOEs)

## Revenue Breakdown (N'bn)

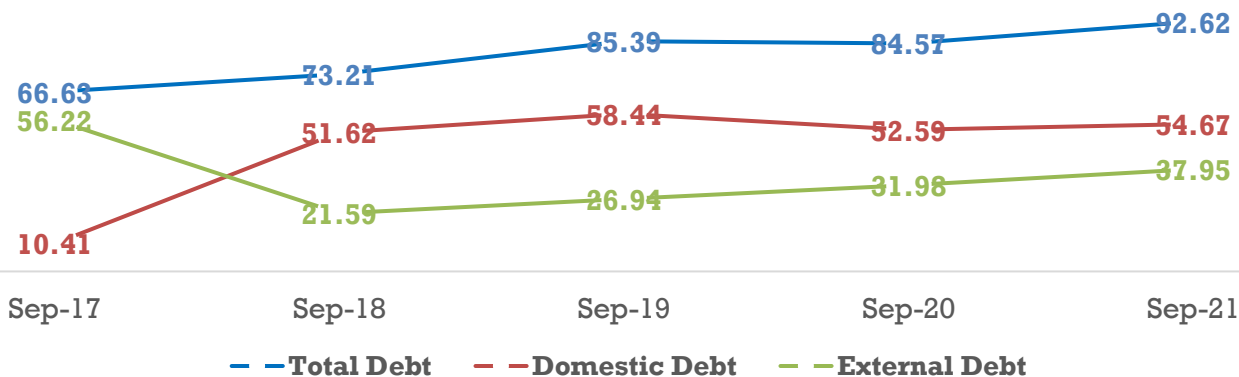


*Nigeria's revenue is still largely oil dependent*

# Debt Profile

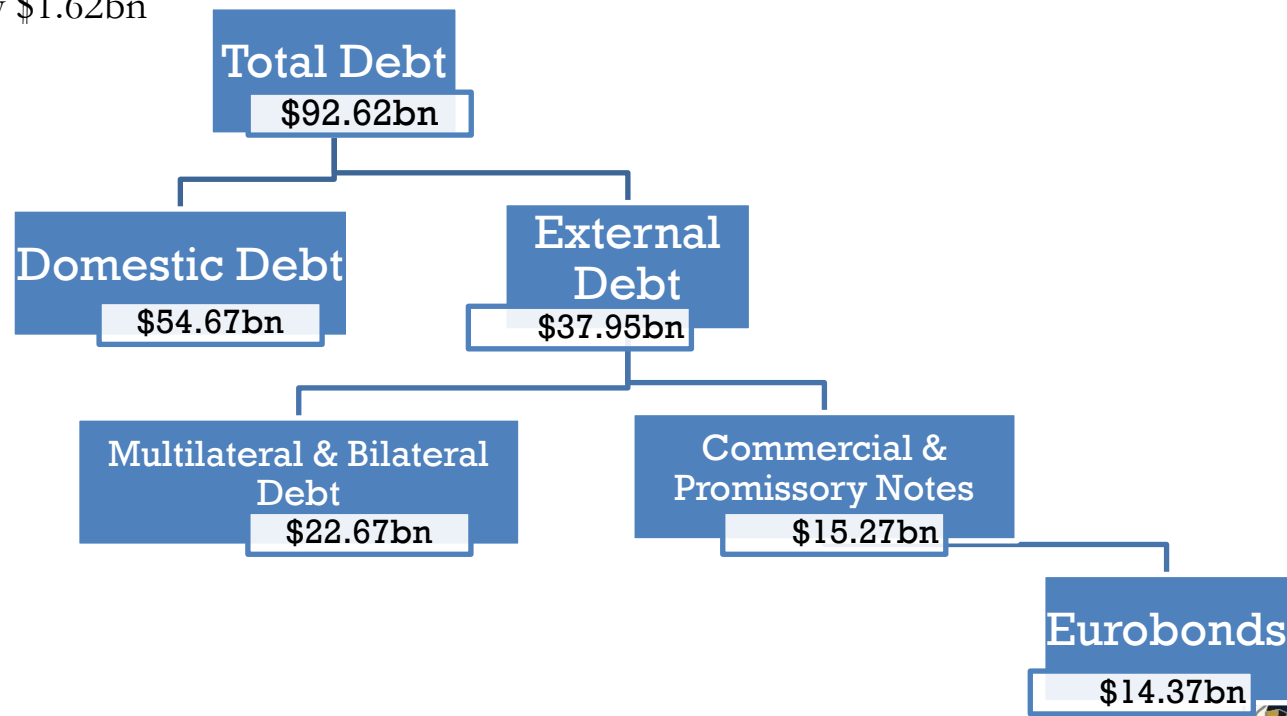
- Total debt: \$92.62bn (Sep-21), ratio of 59:41 (domestic/external)
- Up by \$6.23bn (7.2%) since Dec-21 (\$4.6bn external, \$1.63bn domestic)
- Debt/GDP ratio: 19.91% (Sept-21) vs 18% (Sept-20), borrowing limit is 40%
- Debt/exports ratio: 119.8% (Sept-21) vs 106.3% (Sept-20)

## TOTAL DEBT (\$'BN)



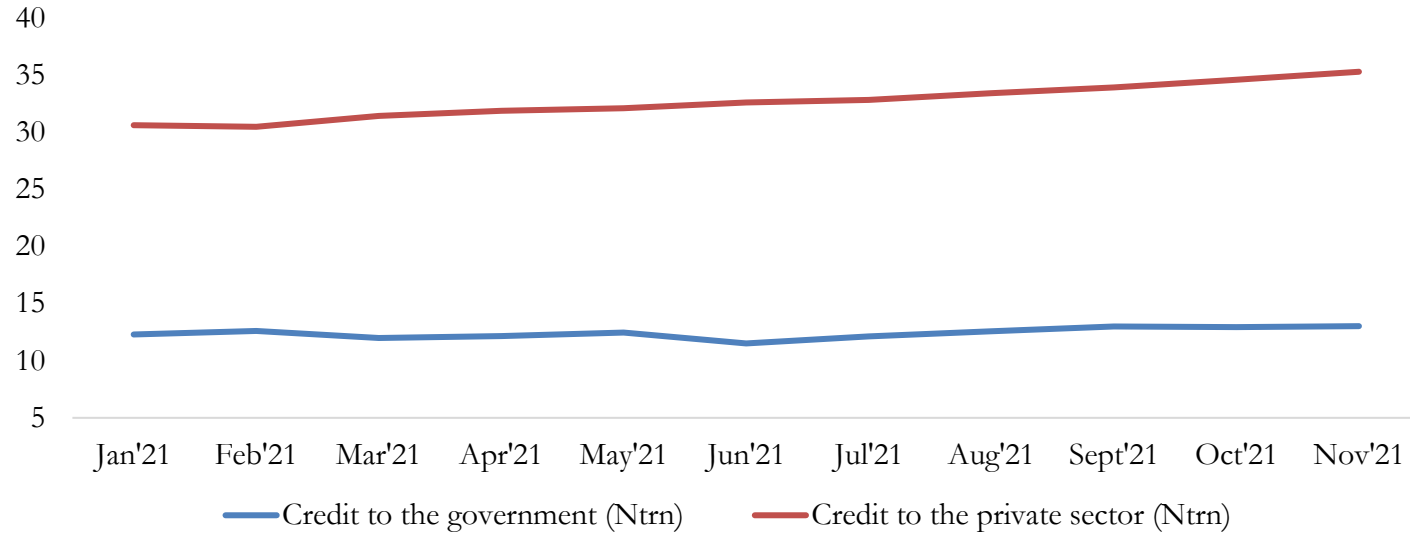
# Debt Breakdown

- Total debt up by \$6.23bn in 2021
  - External debt up by \$4.6bn in 2021 (73.8% of new borrowings in the period)
  - Domestic debt up by \$1.62bn



# Does Govt. Borrowing Crowd-out Private Investment?

## Government Borrowing Vs Private Sector Credit



- Credit to the private sector increased by 15.2% to N35.31trn
- While credit to the govt. grew marginally by 5.93% to N13.03trn

# Other Economic Indicators



Average GDP growth in 9M'21 = 3.18%  
(9M'20 = -2.62%)



Average inflation in 11M'21 = 17.11%  
(11M'20 = 12.98%)



Average oil price up 63.88%  
to \$70.96pb



Average oil production down  
12.5% to 1.4mbpd



Gross external reserves gained 14.56%  
(currently at \$40.51bn)

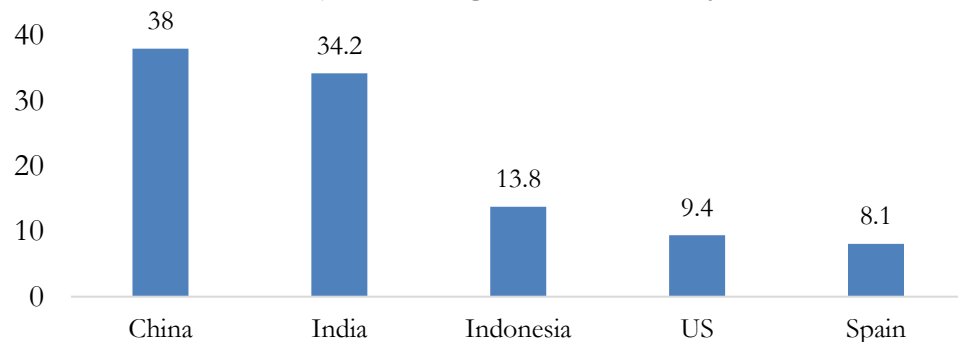


Naira lost 20.43% at the parallel market  
and 6.03% at the official window

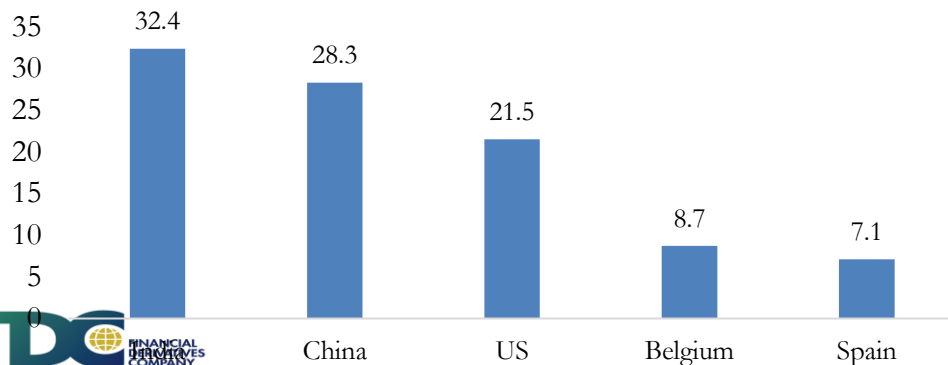
# Nigeria's Trading Partners

- Total merchandise trade increased by 10.43% to N13.28trn in Q3

## Major trading partners today

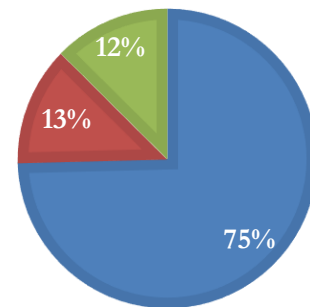


## Major trading partners (2017)



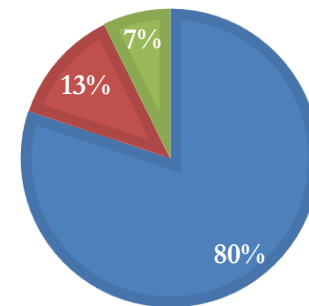
## MAJOR TRADED COMMODITIES TODAY

■ Crude oil ■ Gas ■ Others



## MAJOR TRADED COMMODITIES (2017)

■ Crude oil ■ Gas ■ Others



# Fastest Growing Cities in the World

S/N	City	Population growth (%)
1	Bujumbura, Burundi	33.3
2	Abomey-Calavi, Benin	30.2
3	Nnewi, Nigeria	29.6
4	Kampala, Uganda	29.3
5	Mwanza, Tanzania	29.2
6	Abuja, Nigeria	28.4
7	Uyo, Nigeria	28.3
8	Malappuram, India	28.1
9	Dar es Salaam, Tanzania	27.8
10	Aleppo, Syria	27.2

S/N	City	Population growth (%)
11	Bukavu, Congo-Kinshasa	27.0
12	Ouagadougou, Burkina Faso	26.7
13	Liuyang, China	26.3
14	Port Harcourt, Nigeria	25.6
15	Antananarivo, Madagascar	25.5
16	Mbuji-Mayi, Congo-Kinshasa	25.1
16	Lusaka, Zambia	25.1
18	Onitsha, Nigeria	24.9
19	Mogadishu, Somalia	24.7
20	Kananga, Congo-Kinshasa	24.6



# 5 of the Fastest Growing Cities (PoP) in the World



Nnewi (29.6%)



Abuja (28.4%)



Uyo (28.3%)



Port Harcourt (25.6%)



Onitsha (24.9%)

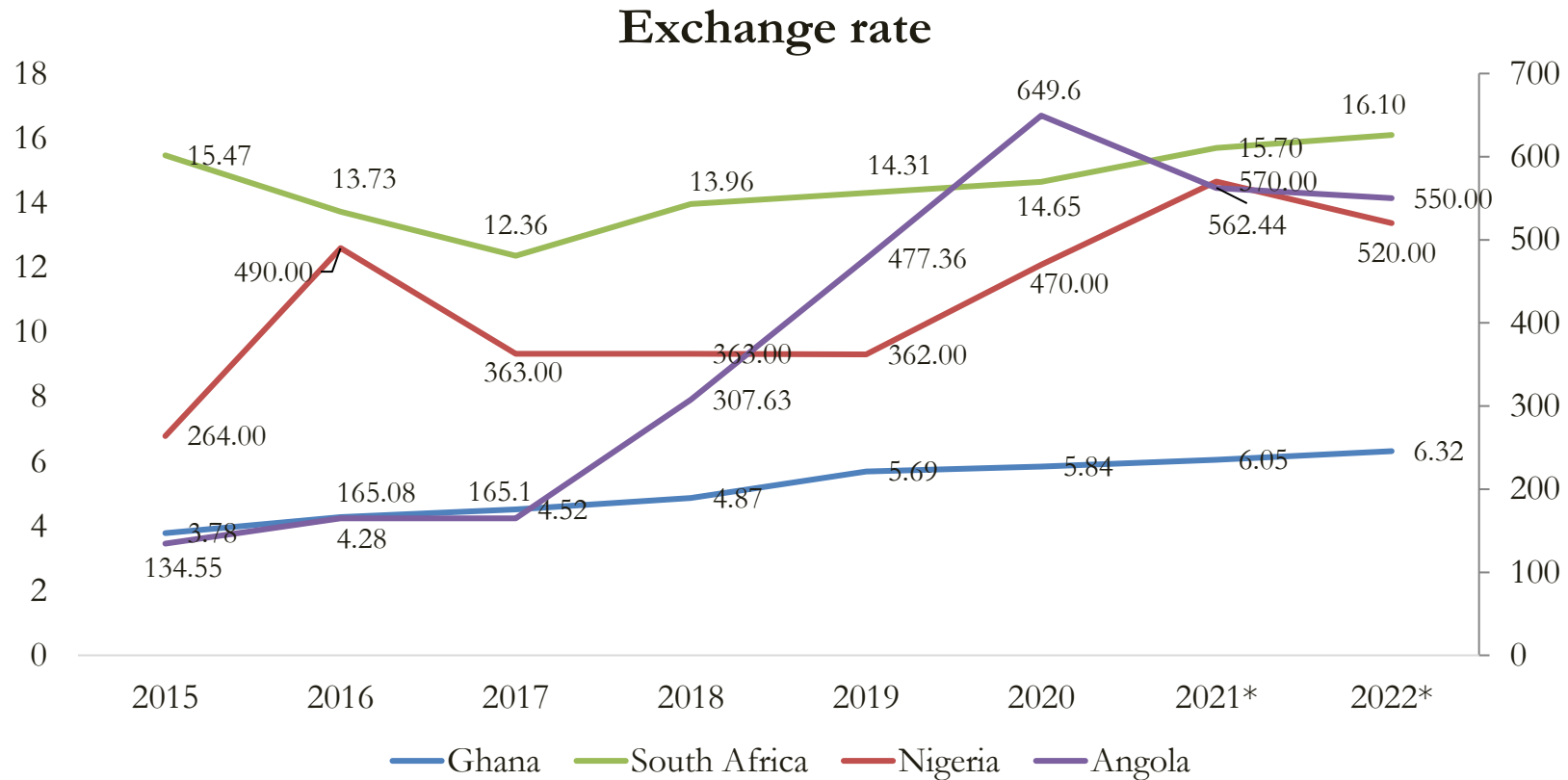
*Average growth of 27.36%*

# SSA: How did the Currencies Perform?

	Inflation	Currency (\$; 2018)	Currency (\$; 2020)	Currency (\$; 2021)	% Change (2018/2021)	% Change (2020/2021)
Angola	26.98	307.06	649.60	561.32	-82.80	+13.59
Nigeria	15.40	363	470	566	-55.92	-20.43
Ghana	12.2	4.80	5.84	6.05	-26.04	-3.60
South Africa	5.5	14.35	14.69	15.96	-11.22	-8.65

- Most African currencies depreciated in the last 3 years
- The Angolan Kwanza and Nigerian Naira depreciated the most
- Both are oil dependent economies

# SSA: How did the Currencies Perform?





How Did Corporate Bodies Fare?  
(Score: 60%)

# Companies Are Doing Great



Dangote cement



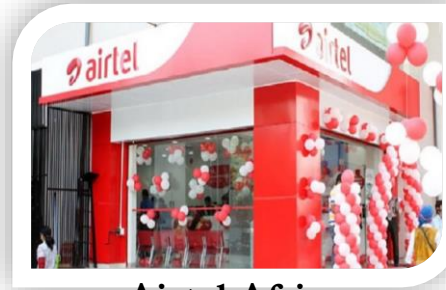
Nestle



MTN Nigeria



BUA cement



Airtel Africa

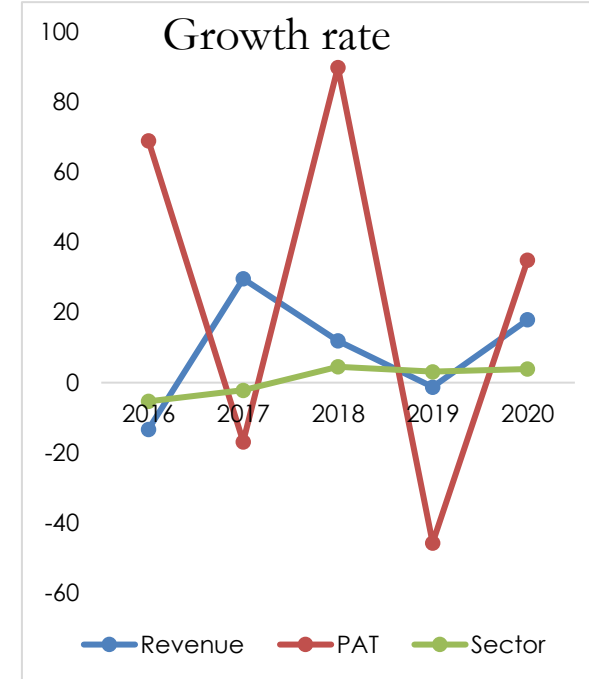
- Top 5 companies made a total of N788bn in PAT
- And paid taxes of N386bn in total

Employed more than 250,000 people

# Corporate Performance and Opportunities for 2022



- Dangote cement outperforms sector growth
- Revenue up 34.2% to N1.02trn and PAT increased by 33% to N278bn- A positive real rate of return of 17.6%
- Profit projection of about N320bn in 2022
- Concessioning of airports and re-introduction of tolls
- Dangote refinery to commence operations in Q4'22
- Will enhance refined petroleum distribution in Africa and attract foreign investors



# Corporate Performance and Opportunities for 2022



- MTN Nigeria outperforms sector
- Revenue up 23% to N1.2trn and PAT grew by 52% to N220bn
- Profit projection of about N340bn in 2022
- Increased capex and network capacity
- Successful bid for 5G technology will give it an edge
- PSB operations will further boost telecom earnings and revenue base

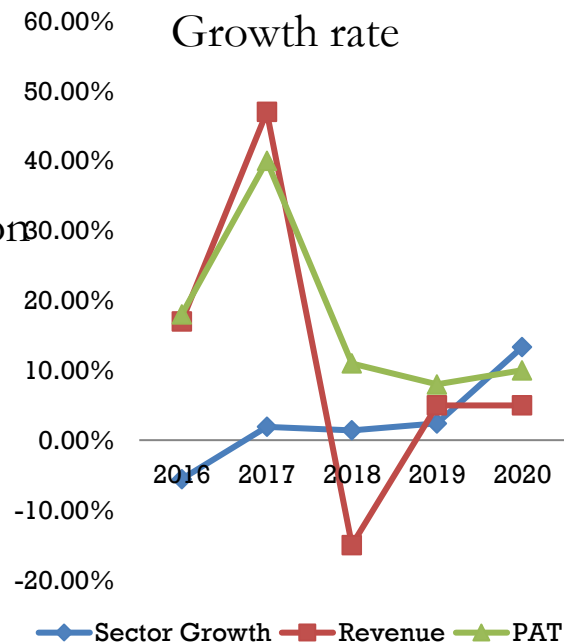




# Corporate Performance and Opportunities for 2022

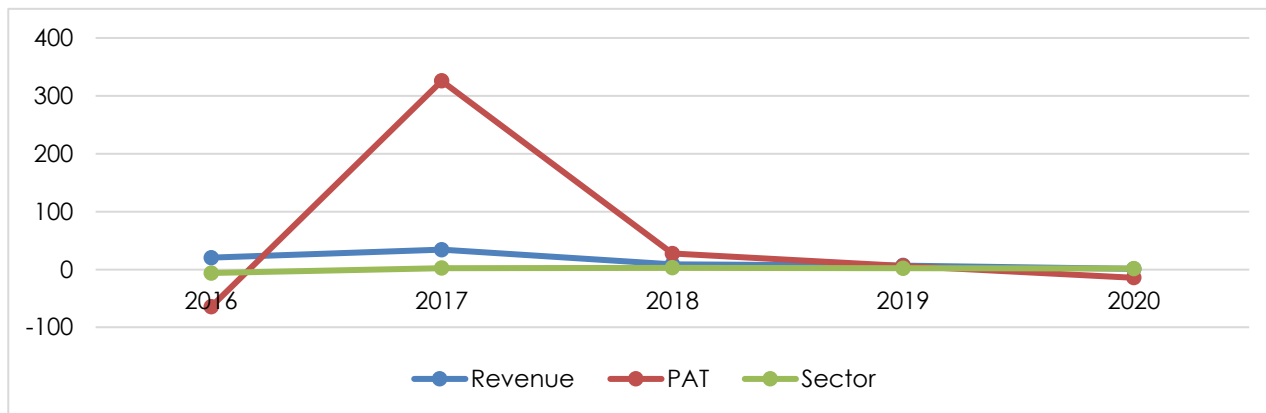


- Gross earnings up 1.9% to N518.7bn and PAT up 0.8% to N160.6bn
- Zenith bank expected to tap into more opportunities
- Brand and customer strength to deepen retail market penetration
- Increased partnership and collaborations with telcos
- Weighty exposure to the oil and gas industry to tap into likely robust revenue growth
- Optimize yields in the FX and money markets





# Corporate Performance and Opportunities for 2022



- Top line up 23% to N261bn and PAT up 5.2% to N33.5bn
- Underpinned by increased business and economic activities
- Profit projected to reach N38bn in 2022
- Nestle would benefit from brand loyalty

# Corporate Performance

- Shareholder value increased faster than inflation (15.40%)
- The revenue of top 10 companies grew by 17% to N5.6trn
- But accounts for only 2.6% of total revenue of Top 5 companies in South Africa
- Profit after tax grew by 22% to N1.19trn
- Exceeded GDP growth of 4.03% by 1,797 basis points
- Paid dividend of N796bn and taxes of N436bn

# Corporate Performance

Stocks	Sector	Market Cap	Revenue Growth	PAT Growth	Tax
DangCem	Cement	N4.40trn	↑ 34.2% to N1022bn	↑ 33% to N278bn	↑ 101% to N127bn
MTN	Telco	N3.79trn	↑ 23% to N1206bn	↑ 52% to N220bn	↑ 50% to N101bn
Airtel	Telco	N2.93trn	↑ 25.2% to \$2.27bn	↑ 131% to \$335mn	↑ 59% to \$232mn
BUA	Cement	N2.32trn	↑ 19% to N186bn	↑ 23% to N65.9bn	↑ 47% to N8.4bn
Nestle	FMCG	N1.14trn	↑ 23% to N261bn	↑ 5.2% to N33.5bn	↑ 20% to N6.35bn

# Corporate Performance

Stocks	Sector	Market Cap	Revenue Growth	PAT Growth	Tax
Zenith Bank	Banking	N797bn	↑ 1.9% to 518bn	↑ 0.8% to N160bn	↑ 7.0% to N19.2bn
Gtco	Banking	N750bn	↑ 3.5% to N318bn	↓ 9.1% to N129bn	↓ 10% to N22.5bn
Stanbic Ibtc	Banking	N483bn	↓ 20% to N146.6bn	↓ 40% to N39.9bn	↓ 50% to N5.36bn
FBNH	Banking	N430bn	↓ 2.8% to N427bn	↓ 40% to N40.8bn	↑ 35% to N12bn
WAPCO	Cement	N415bn	↑ 22.3% to N219bn	↑ 43% to N40bn	↓ 42% to N3.5bn
<b>TOTAL</b>		<b>N17.46trn</b>	<b>N5.59trn</b>	<b>N1.19trn</b>	<b>N436bn</b>

# Five Most Capitalized Stocks in South Africa & Nigeria

## Nigeria

Top Capitalized Stocks	Revenue (\$) @N570	PAT (\$)
Dangote cement	1.75bn	487mn
MTN Nigeria	2.1bn	386mn
Airtel Africa	2.2bn	335mn
BUA cement	326mn	114mn
Nestle	458mn	59mn
<b>Total</b>	<b>6.834bn</b>	<b>1.381bn</b>

## South Africa

Top Capitalized Stocks	Revenue (\$)	PAT (\$)
Prosus Investment	16.6bn	2.9bn
Ab inbev	40bn	3.7bn
Richemont	10.06bn	1.4bn
Glencore	93.8bn	1.27bn
Anglo	217bn	5.2bn
<b>Total</b>	<b>377.46bn</b>	<b>14.4bn</b>

**Total revenue (\$6.8bn) of Nigeria's top 5 capitalized stocks is 1.8% of the revenue of SA's top**

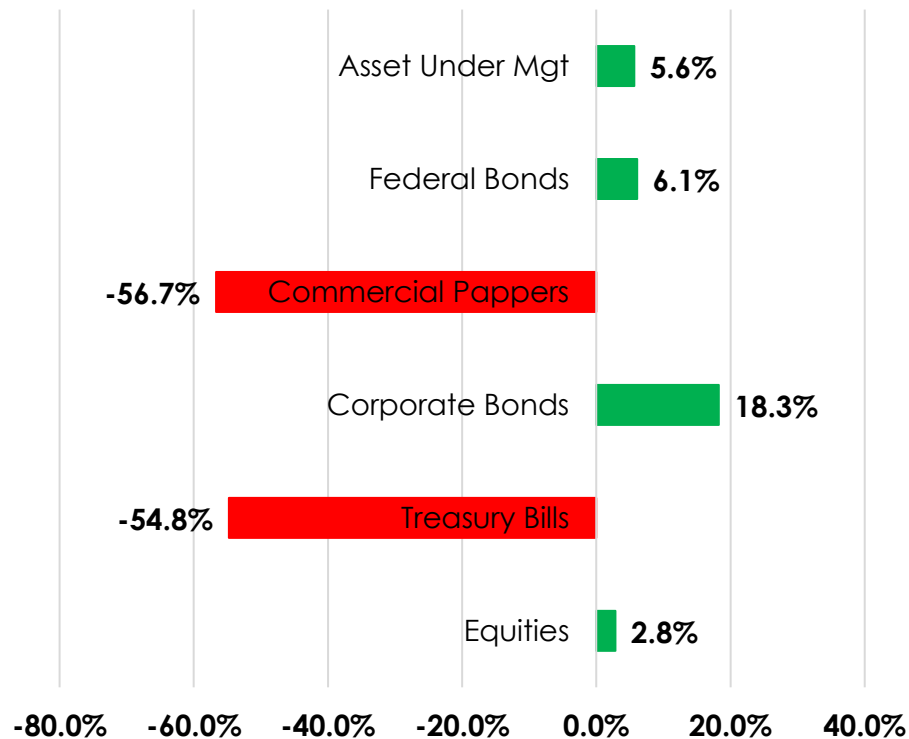
**5 capitalized stocks (\$377.46bn)**



How Did Investors Fare?  
(Score: 30%)

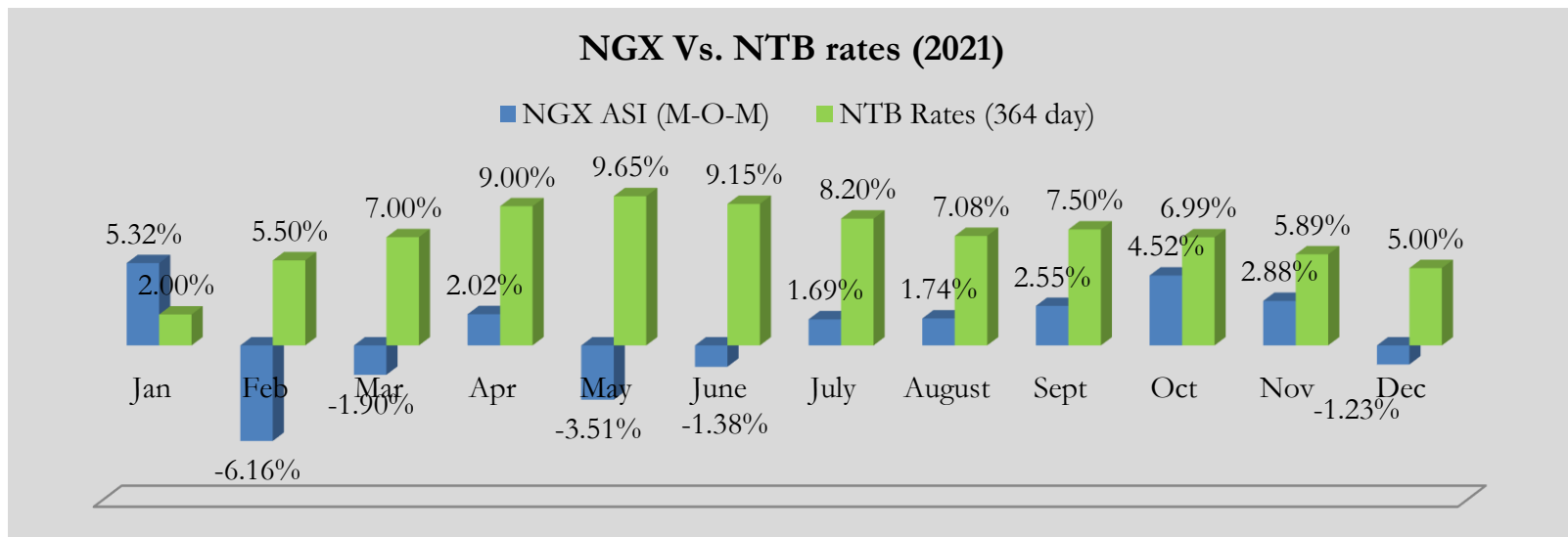
# Pension Funds Portfolio in 2021

**Pension Fund YTD Performance (Sept'21)**



- Pension funds represent the largest form of investors in Nigeria
- Asset under management grew by 5.6% (ytd) and surpassed the N13 trillion mark
- Driven by the portfolio's weighty exposure in FGN securities (63.2%)
- But unable to beat inflation (15.4%)
- Due to the conservative nature of the fund

# Investment Securities -2021 Performance



- Market performance influenced by economic vulnerabilities, corporate earnings and company specific events
- Nigerian stock market gained 6.07% in 2021, best performing stock gained 306%
- Higher than 364 day rate of 5.00% as at December 2021





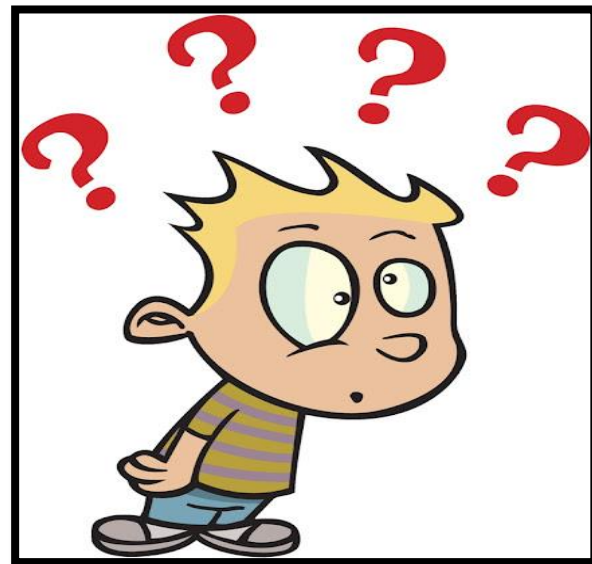
How Did the People Fare?  
(Score: 25%)

# Strong Data



&

# Perplexed People



“Perplexed = Completely baffled and puzzled”

# Data – Strong & Rosy

## Strong

- Positive GDP growth - 4.03% (Q3'21)
- Total factor productivity positive - 1.4%
- Inflation down from 18.17% to 15.4%
- Gross external reserves up 14.56% (above \$40bn)
- Brent = \$70.96pb (63.88% above the 2020 avg.)
- 2022 budget expenditure = N17.13trn (26.05% higher than 2021 budget)
- To commission largest refinery in the world
- Construction of fertilizer plant

## Rosy

- Corporate profits up 30.8% (N1.3trn)
- Stock market capitalization up 6.03% to N22.33trn
- Nigeria raised \$547.2mn from 5G license
- Raised \$4bn from the Eurobond market
- Airline passengers up 17.75% to 12.34mn from 10.48mn

# Well-being – People Perplexed



4<sup>th</sup> highest unemployment rate in Africa (33.3%)



Inflation eroding consumers' purchasing power (15.4%)



Declining income per capita – approx. 3% to \$2,100



Misery index – 50.41%  
Up from 40.3% in 2020



Poverty rate – 93.9mn people in poverty

# Official Inflation Falling But Prices Rising...

	Dec'20 (N)	Dec'21 (N)	Change
Cooking gas (12.5kg refill)	3,600	8,200	127.8%
Rent (3 bed on mainland)	600,000	900,000	50%
Flight ticket (Lagos - Abuja)	36,000	73,000	102.8%
Diesel (litre)	195	350	79.5%
Flour (50kg)	13,500	21,500	52.3%
Sardine (Titus)	350	600	71.4%
Chicken (1 ki35lo)	1,500	2,200	46.7%
Beans (Oloyin 50kg)	21,000	56,000	166.7%
Table water (75cl)	50	100	100%

**Synthetic basket:**  
**Avg. 88.58%**



**National  
Basket: 15.40%**



# Well-being – People Perplexed



Life expectancy – 55.75 years  
(4th lowest in the world)



Road accidents 7.79%  
Total casualties 4.57%



Air passenger traffic up 16.43%  
amid heightened insecurity

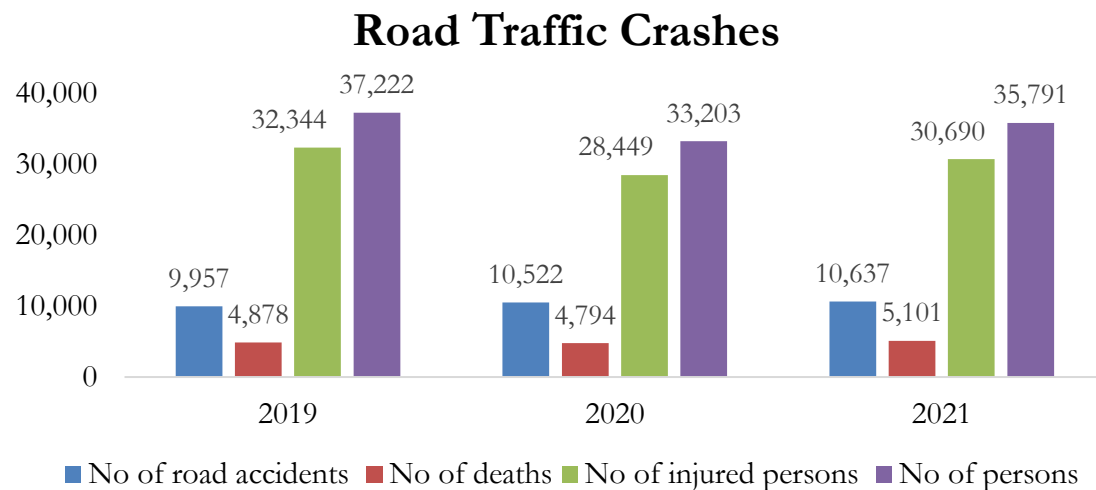


Naira down 20.43% to N566/\$  
from N470/\$



Diaspora remittances fell by  
26.09% to \$17bn

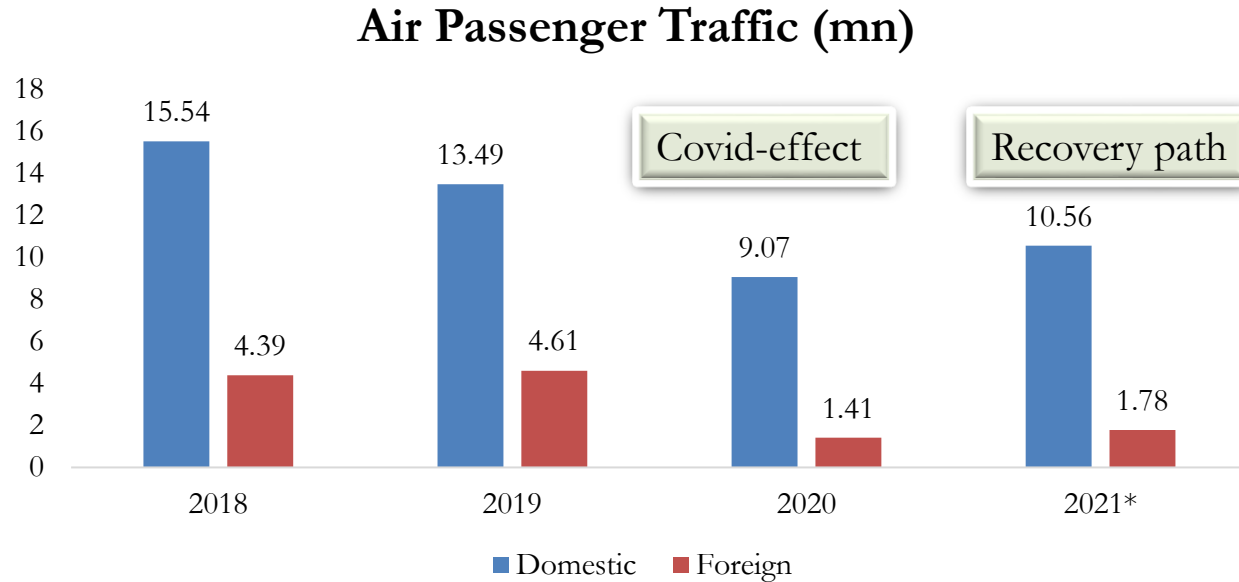
# Road Accidents Increasing



- Total deaths increased by 4.57% to 5,101 in 2021
- Ogun state recorded the highest number of road accidents while Bayelsa had the least
- Positive correlation between the quality of roads and road traffic crashes

States with the highest casualties	Total
Ogun	337
FCT	252
States with the lowest casualties	Total
Bayelsa	10
Akwa-Ibom	16
Borno	17

# Air Passenger Traffic Recovering



- More people travelling by Air
- Due to kidnappings and accidents

No fatalities in the last 5 years



# Traffic Congestions – Top 10 Cities (2021)

City	Hours
London	148
Paris	140
Brussels	134
Palermo	109
Moscow	108
Rome	107
Chicago	104
Lyon	102
New York	102
Bucharest	98
<b>*Lagos</b>	<b>1,080</b>

- London is the World's most congested city - an average of 148 hours (1.87%) spent in traffic Jams

# Are You Better-off Today?



2017

Pre-covid



2021

Post-Covid

# In the last 5 years – Prosperous or Miserable?

Indicators	5-yr Avg.	2020	2021	% change
Real GDP growth (%)	1.22	-1.92	3.0*	1.78
GDP per capita	2,157.4	2,100	2,100*	-2.73
Total factor productivity growth (%)	-0.98	-0.90	1.4*	2.38
Inflation rate (% , avg)	14.04	17.0	17.11 (11M'21)	21.87
Unemployment rate (%)	20.4 (Q4'17)	33.30 (Q4'20)	35*	14.6
Misery Index	34.44	46.5	49.3*	14.86
Meat consumption	n/a	8.8	8.8 (2025)	-
Milk consumption	n/a	8.2	8.5 (2025)	3.66
Oil Production (mbpd) - end period	1.63	1.58	1.42	-12.88
Oil Price(\$'pb, end period)	63.91	51.34	79.11	23.78
External Reserves (\$'bn, end period)	38.94	35.37	40.52	4.06
Exchange rate (N/\$, end period)	363 (2017)	470	566	55.92
Stock Market Cap (N'trn) - end period	16.28	21.06	22.33	37.16



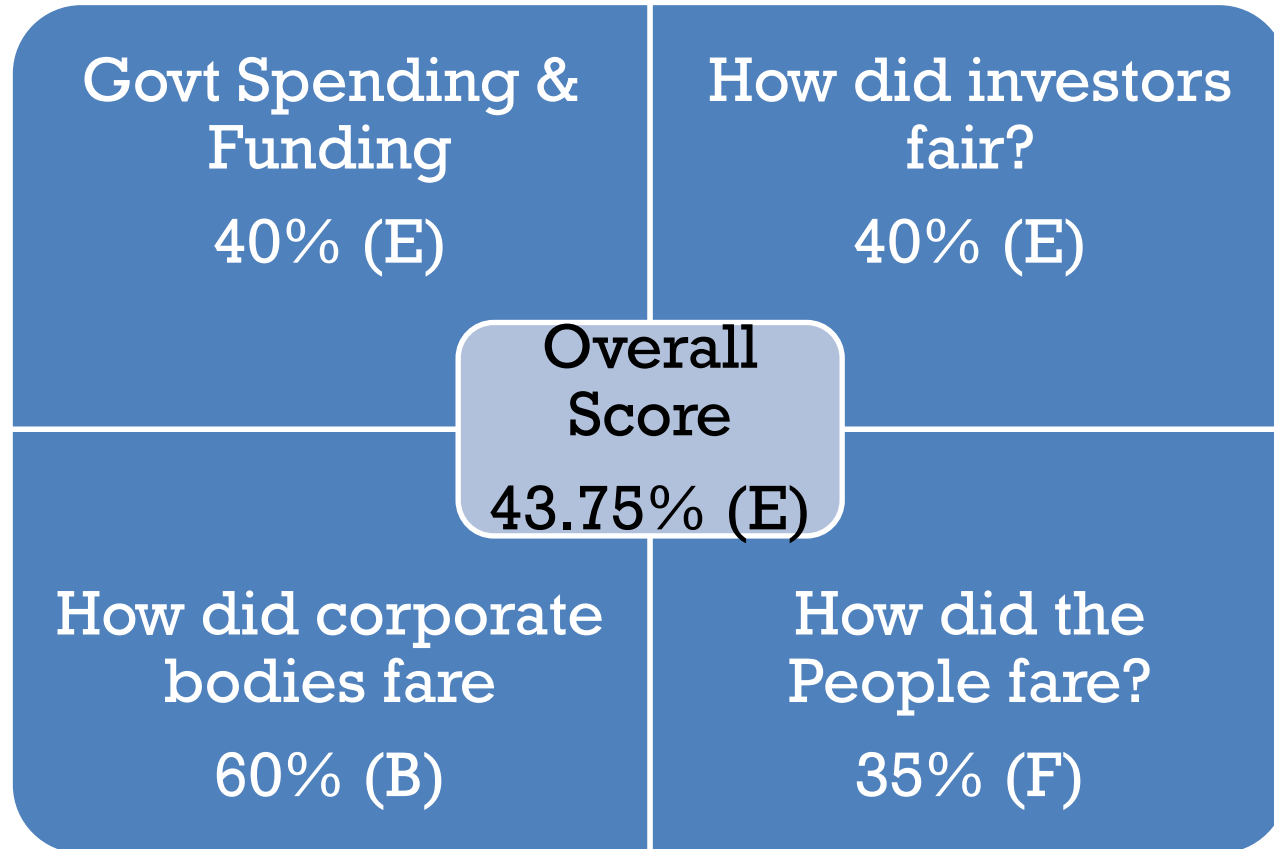
*Good-bye 2021!!!*

*What A Year!*



*“Ups, Downs & Bumps Along the Road”*

# Overall Score Chart



# 2022 Prognosis



*What Next???*

H1'22: Economic Policies & Reforms

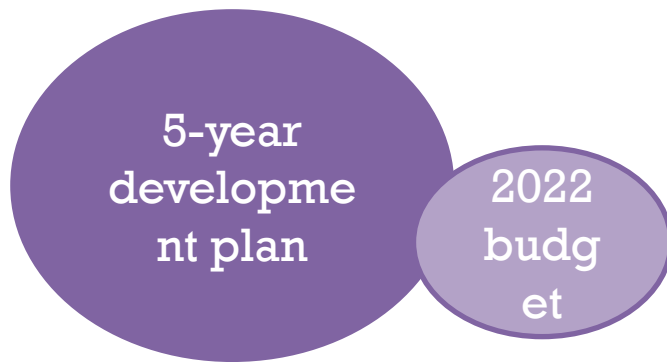
H2'22: Politics! Politics!! Politics!!!

# What will be peculiar to Nigeria in 2022?

- Politics of 2022 will be different from 2021
  - 2 elections (Ekiti & Osun)
- Oil price expected to average \$70-85pb
- Oil production quota expected to rise further as OPEC+ continues to expand output, but output will remain limited by sabotage: 1.4 – 1.6mbpd
- CBN likely to increase forex supply to manufacturers
- Pre-election spending to drive up cash in circulation and increase money supply

# What will drive economic performance in 2022?

- Economic performance will be largely determined by the successful implementation of 2022 budget
- And the newly approved 5-year development plan
- The 2022 budget is an offspring of the 5-year development plan



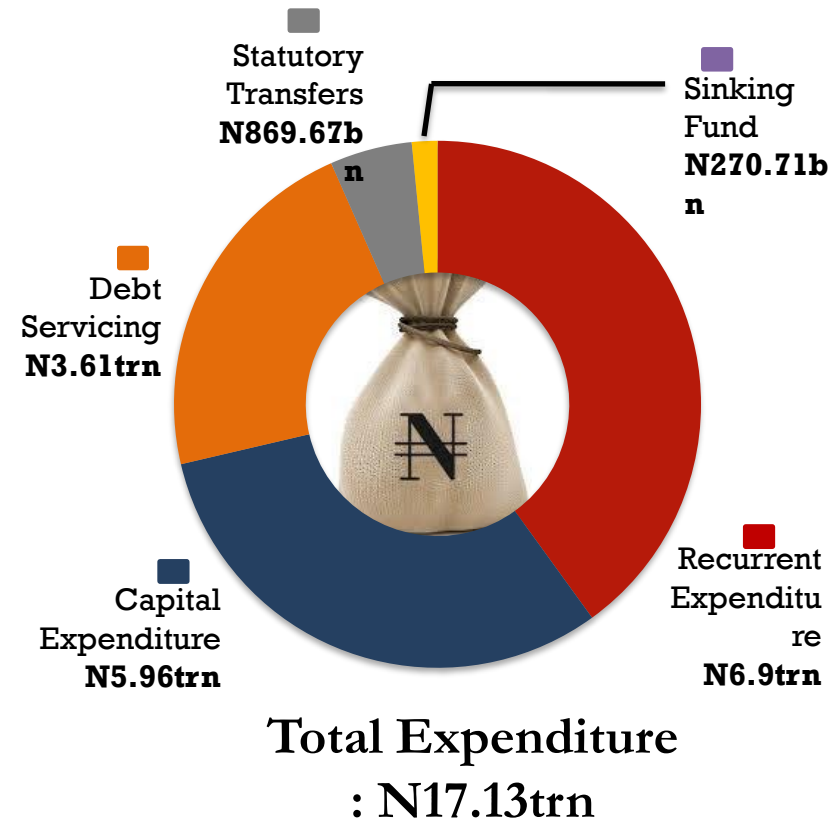


# FGN's 5-Year Development Plan

- Newly approved 5-year National Development Plan (NDP) for 2021-2025
- To succeed the ERGP, which expired in 2020
- Aims to achieve an average real GDP growth of 5% over the planned period
- The funding strategies for the plan includes
  - Broadening the tax base
  - Enhancing the capacity of the private sector by creating investment opportunities
  - Deliberate policy engagements and incentives

# FGN's Approved 2022 budget

- The President has signed a N17.13trn budget for 2022
  - 26.05% above the 2021 budget of N13.59trn
- Aggregate revenue projected at N10.7trn
- Implying a fiscal deficit of N6.4trn (3.46% of GDP)
- Deficit to be financed by drawdown on previously approved loans, new loans & privatization proceeds



# Scenario A: Legacy (Dynamic equilibrium)

- Reform-oriented
- Driven by the need to leave a legacy
- Election neutral – will not care about electoral outcomes
- Will become election friendly if reforms are carried out very quickly and results are tangible

# Scenario A: Legacy (Policy Expectations)

- Fuel subsidy removal
- Implementation of cost-reflective tariffs
- Key amendments to the Finance Act to support revenue mobilization (VAT, excise duty, digital tax)
- Shift to a convergent floating exchange rate
- Increased supply in the forex market by the CBN

# Scenario A: Legacy (Policy Impact)

- The elimination of subsidies and the lower exchange rate will free up funds for all tiers of government
- Fiscal deficits will decline and supplementary budgets are likely
- Lower deficit financing requirements will put downward pressure on T/Bill rates
- Inflationary pressures will intensify for 2-3months before abating if it coincides with the increase in forex supply
- Cos reflective tariffs to incentivize investment in power sector
- Reforms to boost investor confidence & trigger investment flows

# Scenario A: Legacy (Indicators)

LEI	2022	Key Drivers
GDP growth (%)	4.5%	<ul style="list-style-type: none"> <li>Increased infrastructure spending (rail, roads) to boost growth</li> <li>Cost reflective electricity tariffs to boost power supply &amp; productivity</li> <li>Completion of Dangote refinery in 2022</li> <li>Domestication of gas</li> <li>Insecurity is tackled and FDI inflows increase</li> <li>Food production increases as insecurity subsides</li> </ul>
Inflation (end period %)	12	<ul style="list-style-type: none"> <li>Forex restrictions, higher energy costs &amp; M2 growth to keep inflation high in Q1'22</li> <li>Impact to be cushioned by increased forex supply and stronger naira in parallel market</li> </ul>
Money supply growth (end period %)	26	<ul style="list-style-type: none"> <li>Increased money supply in 2022 due to election spending</li> </ul>
External reserves (\$bn; end period)	40	<ul style="list-style-type: none"> <li>Increased capital inflows and less need for CBN intervention will lead o stability in external reserves</li> </ul>
Parallel (N/\$) Official (N/\$)	520 475	<ul style="list-style-type: none"> <li>Shifting towards exchange rate convergence leading to more market-determined rate</li> </ul>

# Scenario B: Steady State (Stable Disequilibrium)

- Will not rattle anything – will defer on reforms on likely backlash from labor
- Maintain some semblance of stability then leave (temporary equilibrium)
- To go all out to avoid protests
- Future will take care of itself
- Election friendly – kick the can down the road
- Hope nothing goes wrong (unstable disequilibrium)
- Worst case scenario – the wheels come off just before an election and there could be riots

## Scenario B: Steady State (Indicators)

LEI	2022	Key Drivers
GDP growth (%)	3.3	<ul style="list-style-type: none"> <li>Increased investment in infrastructure to boost productivity</li> <li>Improved power supply on gradual shift to cost reflective electricity tariffs</li> <li>Completion of Dangote refinery in 2022</li> </ul>
Inflation (end period %)	14.5	<ul style="list-style-type: none"> <li>Forex restrictions, heightened insecurity and higher logistics cost will keep inflation structurally high</li> <li>Impact likely to be cushioned by relative currency stability</li> </ul>
Money supply growth (end period %)	24	<ul style="list-style-type: none"> <li>Increased money supply in 2022 due to election spending</li> </ul>
External reserves (\$bn; end period)	35	<ul style="list-style-type: none"> <li>Decline in external reserves as the CBN increases effort to defend the naira</li> </ul>
Parallel (N/\$) IEFX (N/\$)	560 415	<ul style="list-style-type: none"> <li>Currency appreciation on increased CBN intervention</li> </ul>



# Our Scenario: Mixed Bag (Partial Reform)

- CBN to deplete reserves to maintain exchange rate stability
- MPC will raise interest rates sharply as a way to curb inflation
- Cost reflective tariffs on power will be implemented
- CRR will be lowered so banks can lend more
- OMO will be used for liquidity management
- FG to securitize debt
- Stock market will rally and FPI flows will increase

# Mixed Bag: Partial Reform

- It could be too little too late
- Proximity to elections could raise questions... “Why Now?”
- There will be heightened uncertainty about what next

# GDP- Sustained Recovery in 2022 (FY'22: 3.4%)

## Q1 2022: 3.2%

- Q1 is typically a slow quarter
- Proposed PMS subsidy removal in February to further erode purchasing power due to higher retail petrol prices

## Q2 2022: 2.7%

- Planting season resulting in reduced aggregate output
- However, increased infrastructure spend will boost productivity

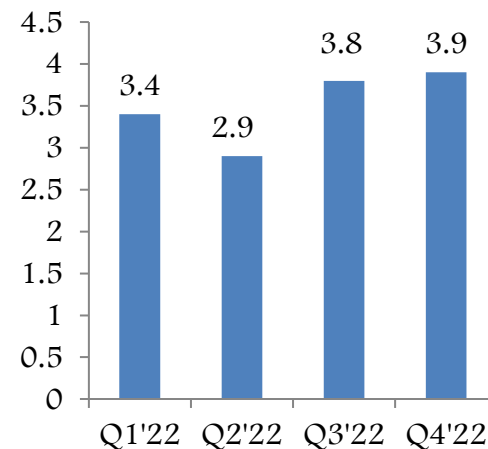
## Q3 2022: 3.7%

- Higher agriculture output due to the harvest
- Pre-election spending to boost consumer demand

## Q4 2022: 3.9%

- Robust demand due to festive season and sustained election spending

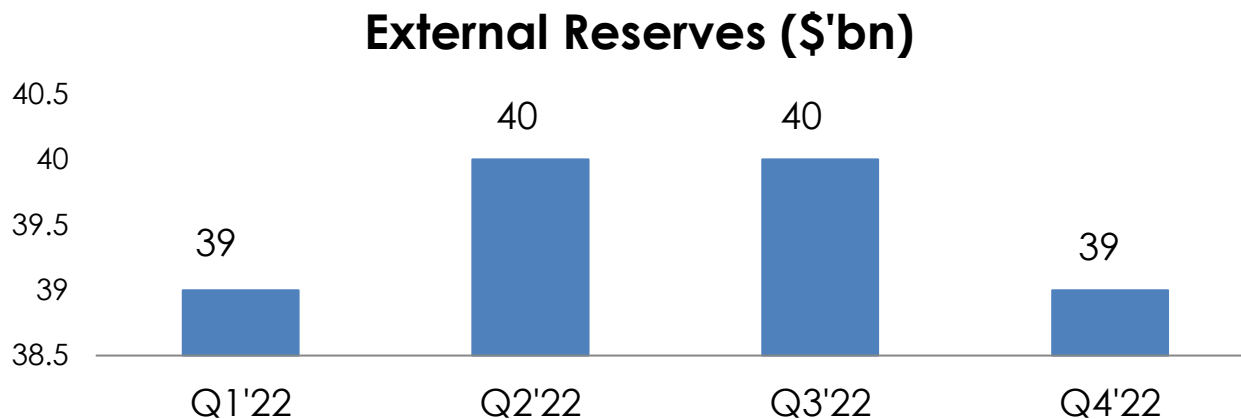
Real GDP Growth (%)



# Inflation to Remain Structurally High in 2022– 13.3% (Avg.)

Q1'21	Q2'21	Q3'21	Q4'21
<b>14.2%</b>	<b>14.6%</b>	<b>13.1%</b>	<b>13.5%</b>
<ul style="list-style-type: none"><li>➤ Inflation to remain elevated</li><li>➤ Driven by cost-push factors such as:</li><li>➤ PMS subsidy removal, exchange rate pressures and supply chain disruptions</li></ul>	<ul style="list-style-type: none"><li>➤ Reduction in aggregate output due to the planting season</li><li>➤ Insecurity threats and sustained forex restrictions on food imports</li></ul>	<ul style="list-style-type: none"><li>➤ Inflation pressures to be tapered by harvest &amp; productivity gains from infrastructure initiatives</li></ul>	<ul style="list-style-type: none"><li>➤ Increased money supply due to election spending</li><li>➤ Increased Christmas spending to reflect on commodity prices</li></ul>

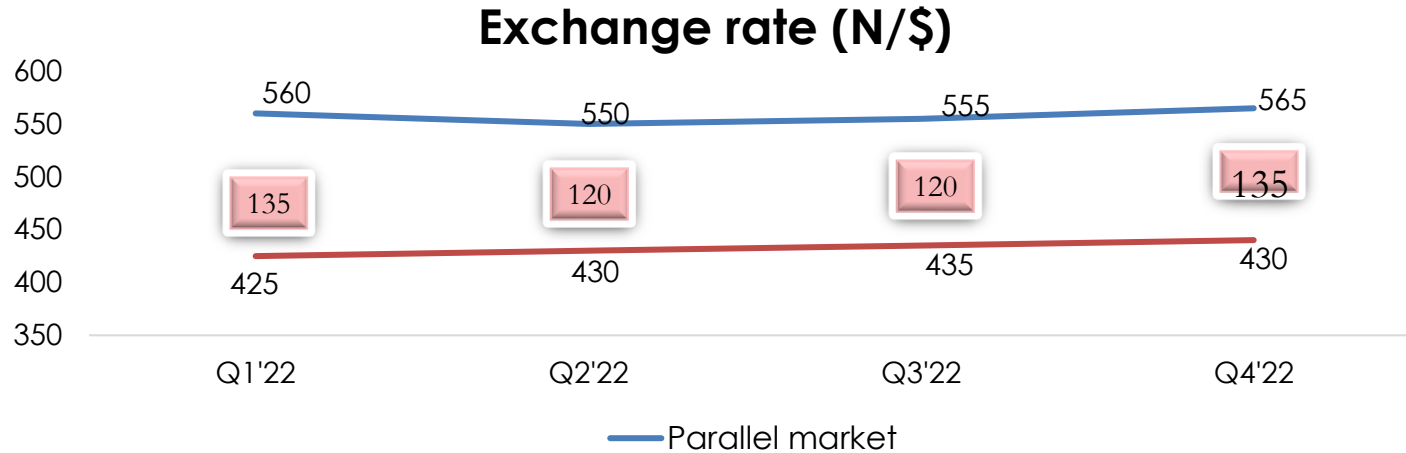
# Gross External Reserves Likely to Decline in 2022



Source: FDC forecast

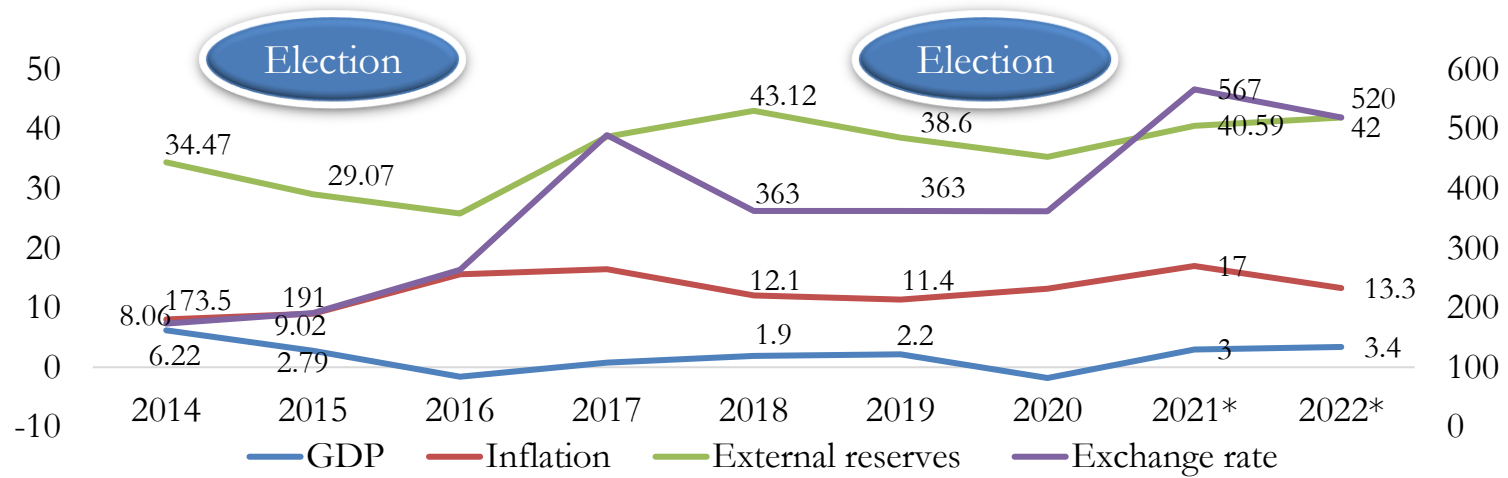
- Gross external reserves to decline towards \$39bn
- As the CBN increases forex supply
- And foreign portfolio investors exit due to political uncertainties

# Exchange Rate Outlook in 2022



- The CBN is expected to step up efforts towards exchange rate convergence
- Another currency adjustment in 2022 will bring the official & parallel market rates closer
- Political jitters would heighten forex demand pressures in Q4

# Election Impact on the Economy



- In most markets, election uncertainty roil investors
- Leading to downturns in growth and market meltdowns
- In Nigeria, a premature democracy, the trend is not obvious
- Electronic transmission of results will make elections more credible

# 2022 prognosis – Two Major Themes

H1'22

## Economic Policies & Reforms

- Possible visit to the Eurobond market
- Subsidy removal - could trigger backlash
- More forex to manufacturers
- Likely currency devaluation & monetary policy tightening

## Political Issues

- Signing of Electoral Amendment Act
- Electronic voting & direct primaries could be game changers
- Party Conventions will be concluded



# 2022 prognosis – Two Major Themes

## H2'22 – Politics! Politics!! Politics!!!

- Presidential campaigns will kick off
- FG to intensify efforts at infrastructure projects
- Dangote refinery to commence operations
- FG to go all out to avoid protests
- Necessary but unpopular reforms could slow

# What to Watch out for



Concessioning of  
airports



Completion of  
Dangote refineries



Construction of  
fertilizer plants



Adoption of 5G  
network



Tolling of roads



Affordable housing

# Sector Opportunities

# ICT Industry

- FGN budget on ICT -N120bn in 2022
- ICT Sector is likely to grow by 9.72% in 2022
  - Telephone penetration will rise sharply
  - Surge in Fintech and mobile payments
  - Increased level of activities to be supported by 5G operations
  - The sector will consolidate
- Telecom infrastructure will expand with cable acquisition
- Top players (MTN Nigeria and Airtel Africa) will report profit surge of 72% in 2022
- An average P/E ratio of 10.64x
- MTN Nigeria and Airtel Africa has returned 13.8% and 24.2% respectively in one year

# Construction Industry

- Construction sector is likely to grow by 3.07% in 2022
- State government are also spending massively as election approaches
- Roads will be concessioned and tolled
- 22 highways will be tolled
- Industry giant (Julius berger) well positioned to benefit from government activities
- The activities will extend to the cement and building materials companies
- All quoted cement companies are well positioned to take advantage of the opportunities
- Top players will report profit surge of 64%

# Financial Services Industry

- Financial services sector is likely to grow by 8.32% in 2022
- Rationalization and drift within the industry
- Increased partnership and collaborations with fintechs in promoting financial inclusion
- Aggressive digital innovation and lending solutions
- Possible mergers and acquisitions within and across tiers to boost capital structure
- Tier I banks will leverage on robust customer base and balance sheet size
- Deepen penetration to the unbanked and under banked
- Increased African footprints
- Improved corporate governance within the banking space
- First bank shares has returned 62.16% in one year
- Industry average P/E ratio of 5.00x

# Manufacturing and Agriculture Industry

- Manufacturing sector is likely to grow by 4.70% in 2022
- Improved FX liquidity and increased product innovation will boost sector growth
- Players would benefit from volume and value growth
- Top players (Nestle Nigeria and Unilever) will report profit growth of 20% in 2022

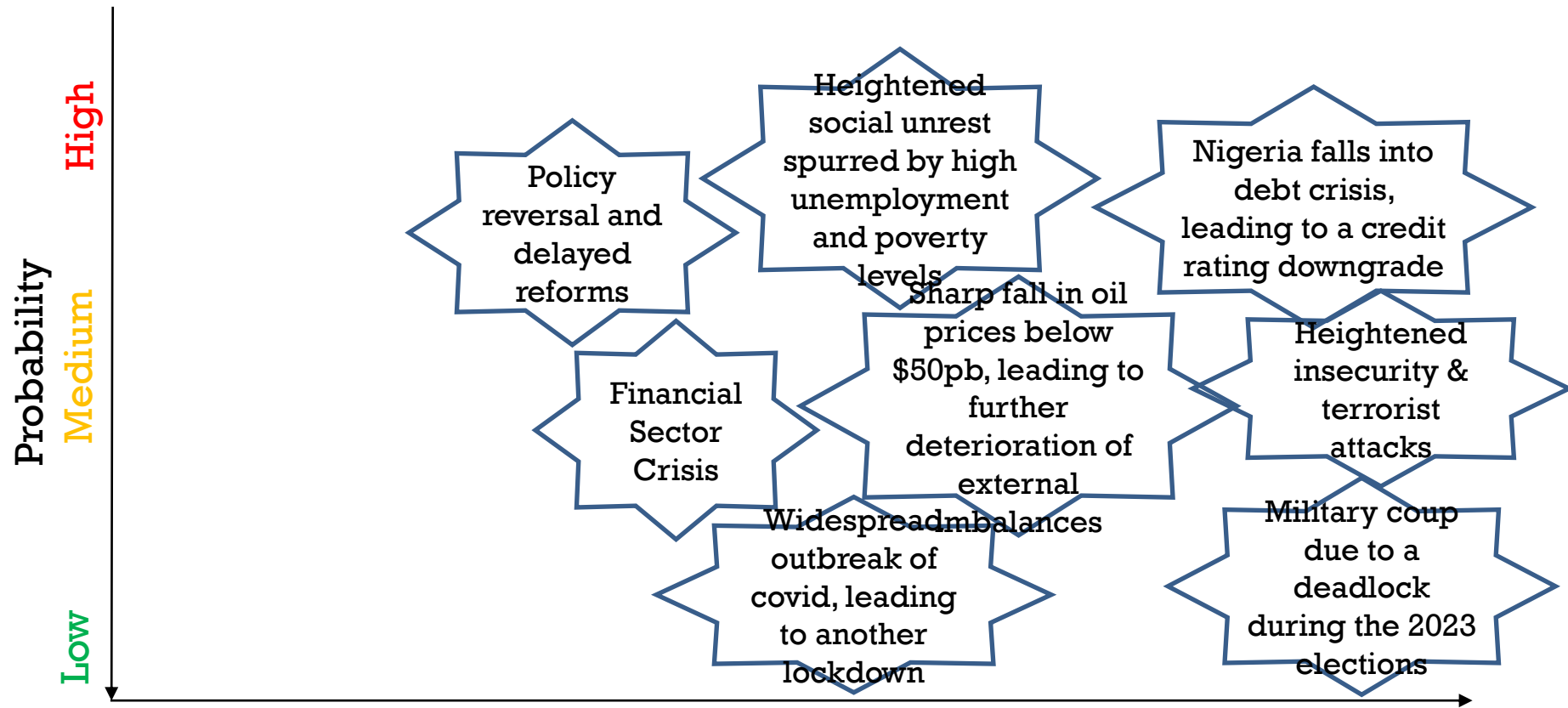
- Agriculture sector is likely to grow by 1.6% in 2022
- An efficient rail system will ease logistics constraints and boost productivity
- Quoted companies (Okomu oil and Presco) well positioned to benefit
- Profit expected to grow by 27% in 2022



What Could Go Wrong?



# Risk Matrix



# Summary & Conclusion

# Summary & Conclusions

- It will be a year of 2 halves
- If you go into reform, it could be one half
- But reform could be impeded by political considerations and labour union activities
- Insecurity could prove tricky to contain and will become a political campaign tool for the opposition
- CBN to increase forex supply to manufacturers and ease currency pressures
- Pre-election spending will be positive for aggregate demand and will boost corporate performance

# Summary & Conclusions

- Declining inflation will be positive for consumer purchasing power
- Monetary tightening in advanced economies could trigger capital outflows
- Oil prices will remain relatively stable
- Real GDP growth will be sublime
- Competition between traditional banks and fin-techs will intensify
- Forcing banks to reduce or eliminate transaction costs
- Banks with constant innovation and regional diversification to remain resilient

*Thank  
you*

