



2022 Midyear Economic Outlook

War Slows Global Recovery

July 2022

Outline

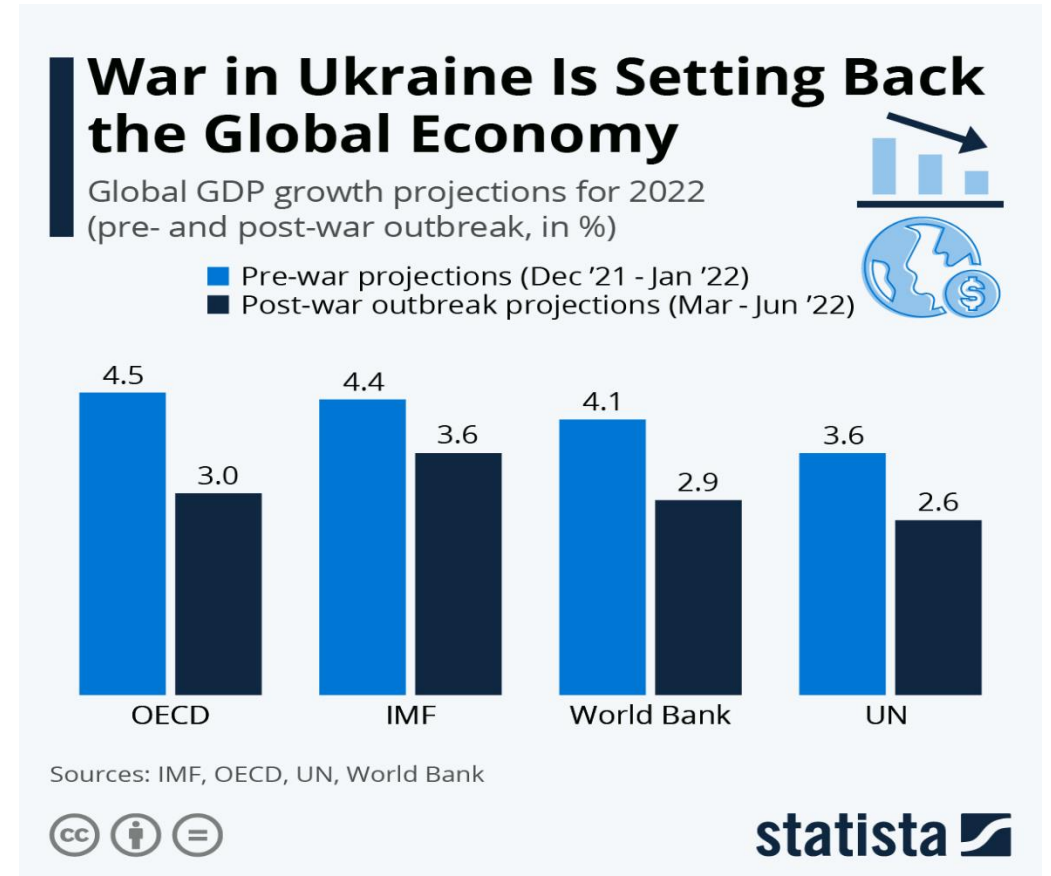
- ***Global Economy.***
- ***Covid-19 Pandemic Review***
- ***Commodities – Energy, Agriculture, Metal***
- ***Nigerian Economy***
- ***Outlook for Q3; 2022***

Global Economy Highlight of H1: 2022

- The world economy entered 2022 with expectations of a strong post-pandemic recovery.
- However the Russia's invasion of Ukraine and its effects on commodity markets, supply chains, inflation, and financial conditions have steepened the slowdown in global growth.
- The conflict has caused a surge in commodity prices, threatening food security in many parts of the world
- China's COVID Zero policy continues to weigh on the global outlook
- All major international organizations, such as the IMF, the World Bank, the OECD have revised their forecasts of global economy growth in 2022 downward

Ukraine-Russia war is setting back the global economy

- The war adds to the series of supply shocks that have struck the global economy over the course of the pandemic, contributing to more shortages beyond the energy and agricultural sectors.
- Through closely integrated global supply chains, production disruptions in one country can very quickly cascade globally.
- Firms in Russia and Ukraine supply specialized inputs, and shortfalls in some of those inputs are already having impacts on manufacturers.



Global growth downgraded as Ukraine drags

- The World Bank predicts that the effects of the COVID-19 pandemic, Russia's invasion of Ukraine, and supply-chain disruptions in China, global growth will slow from 5.7% to 2.9% in 2022, with an average of 3% in 2023–2024.
- Growth in advanced economies is projected to sharply decelerate from 5.1% in 2021 to 2.6% in 2022
- Emerging market and developing economies, growth is also projected to fall from 6.6% in 2021 to 3.4 % in 2022
- For Nigeria, 2022 GDP growth forecast for Nigeria to 3.4 %, citing robust recovery in the non-oil economy and higher global oil price

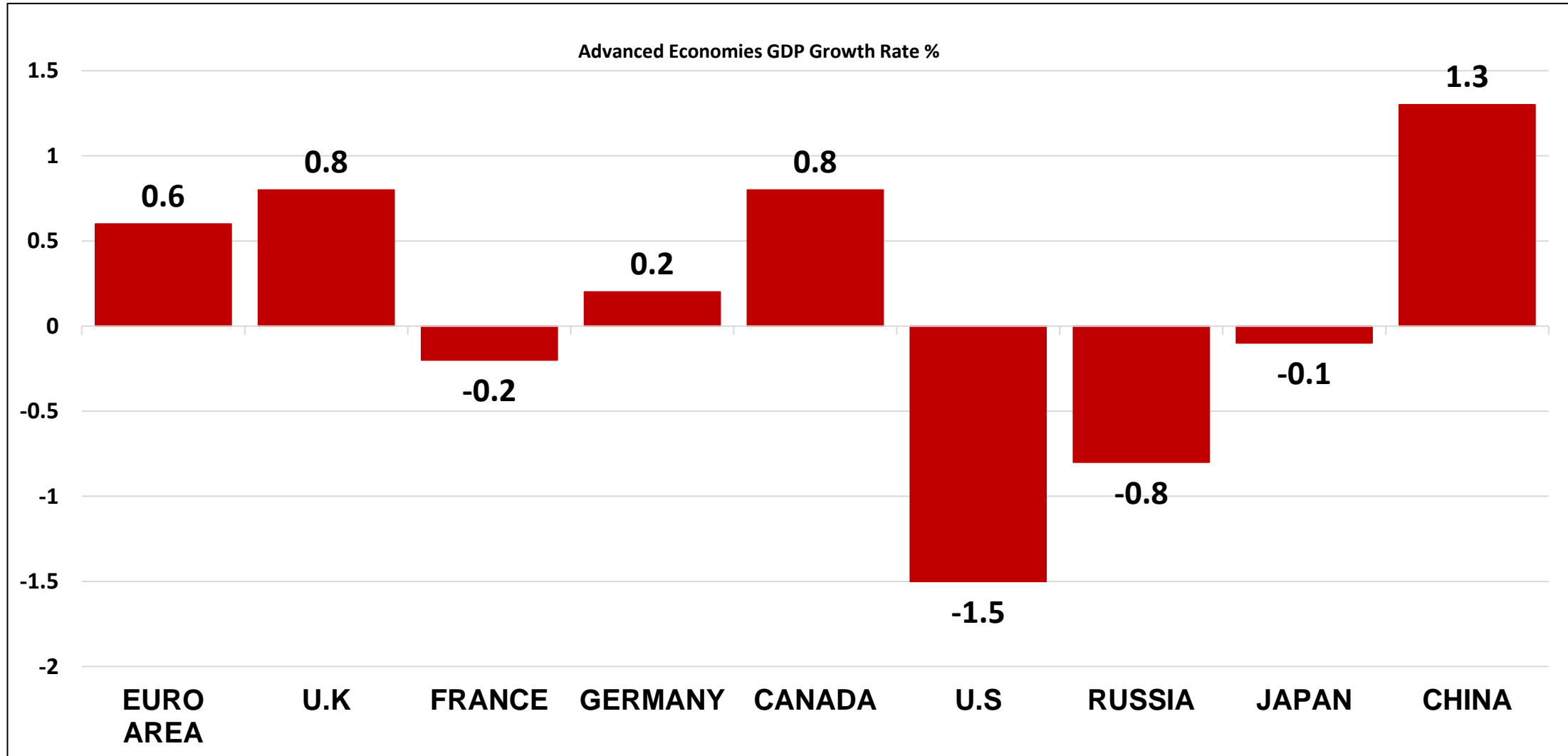
Global Economy- 2022 growth is revised downwards



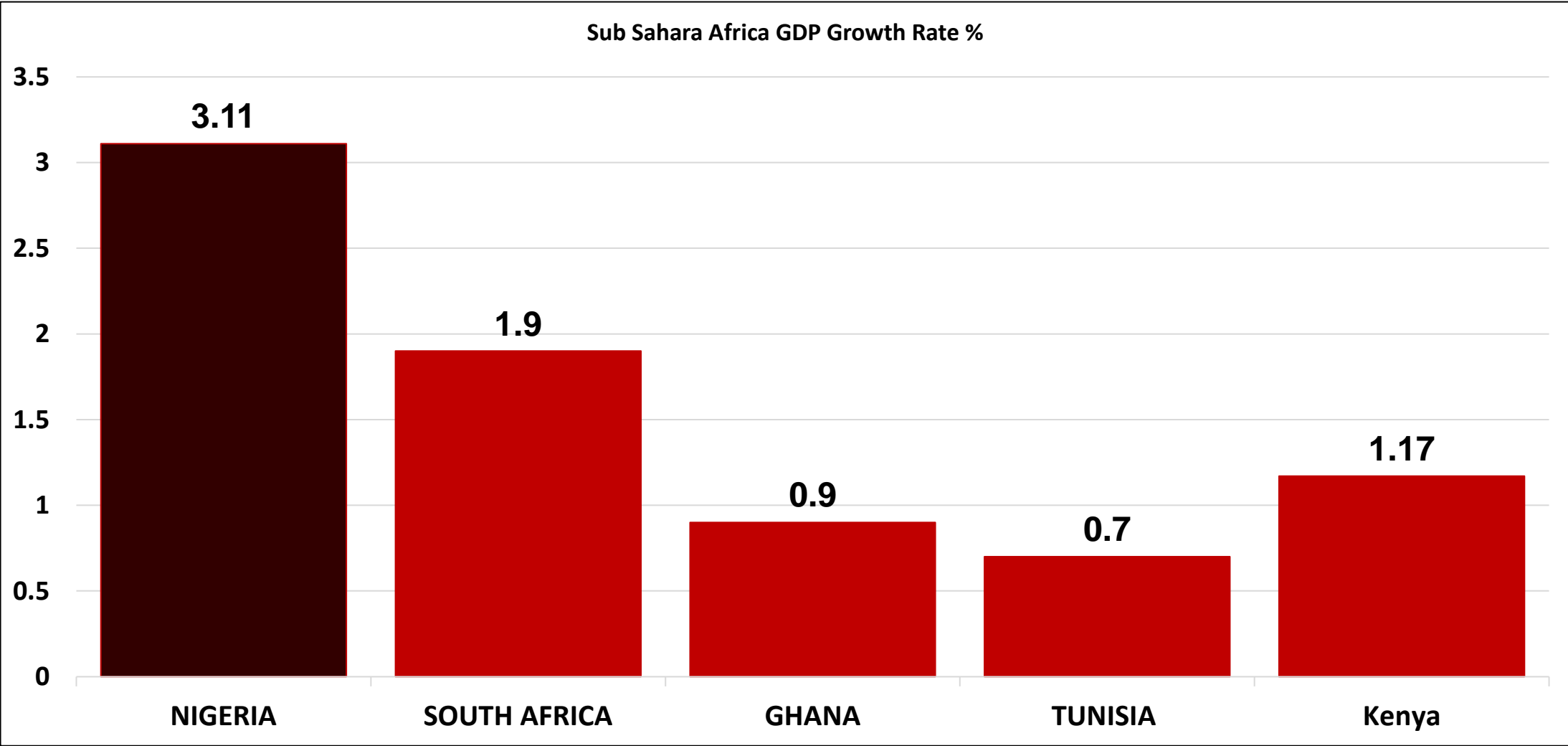
Forecasted Real GDP (%)	2022	2023	2024
Advanced Economies	2.6	2.2	1.9
United State	2.9	3.0	3.0
Euro Area	2.5	1.9	1.9
Japan	1.7	1.3	0.6
Emerging Market And Developing Economies	3.2	4.0	4.4
China	4.4	5.2	5.1
Russia	-6.9	-2.0	2.2
Egypt	6.1	4.8	5.0
Sub-Saharan Africa	3.7	3.8	4.0
Nigeria	3.4	3.2	3.2
South Africa	2.1	1.5	1.6
Angola	3.1	3.3	3.2

SOURCE: WOLRD BANK

Advanced Countries GDP Growth Rate Q1:2022



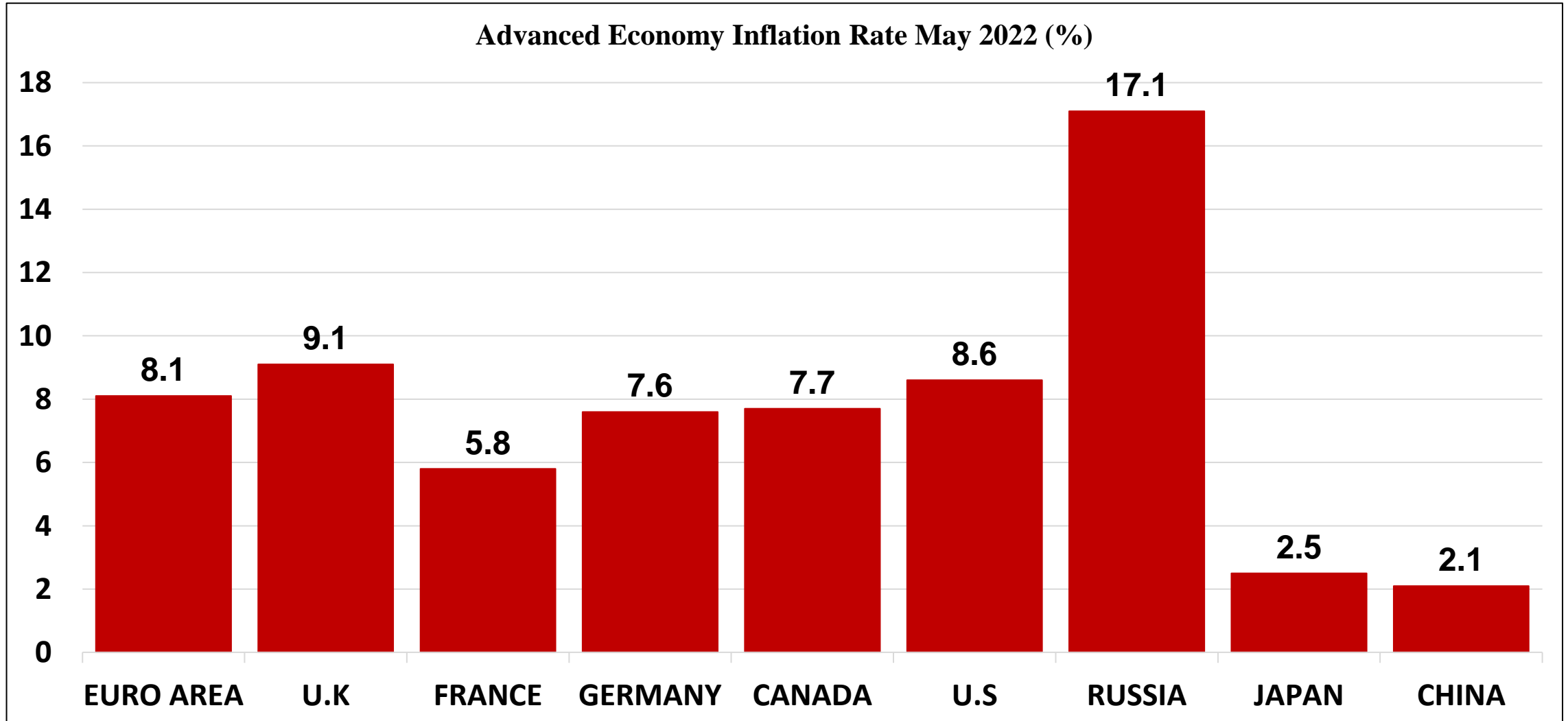
Sub Sahara GDP Growth Rate Q1:2022



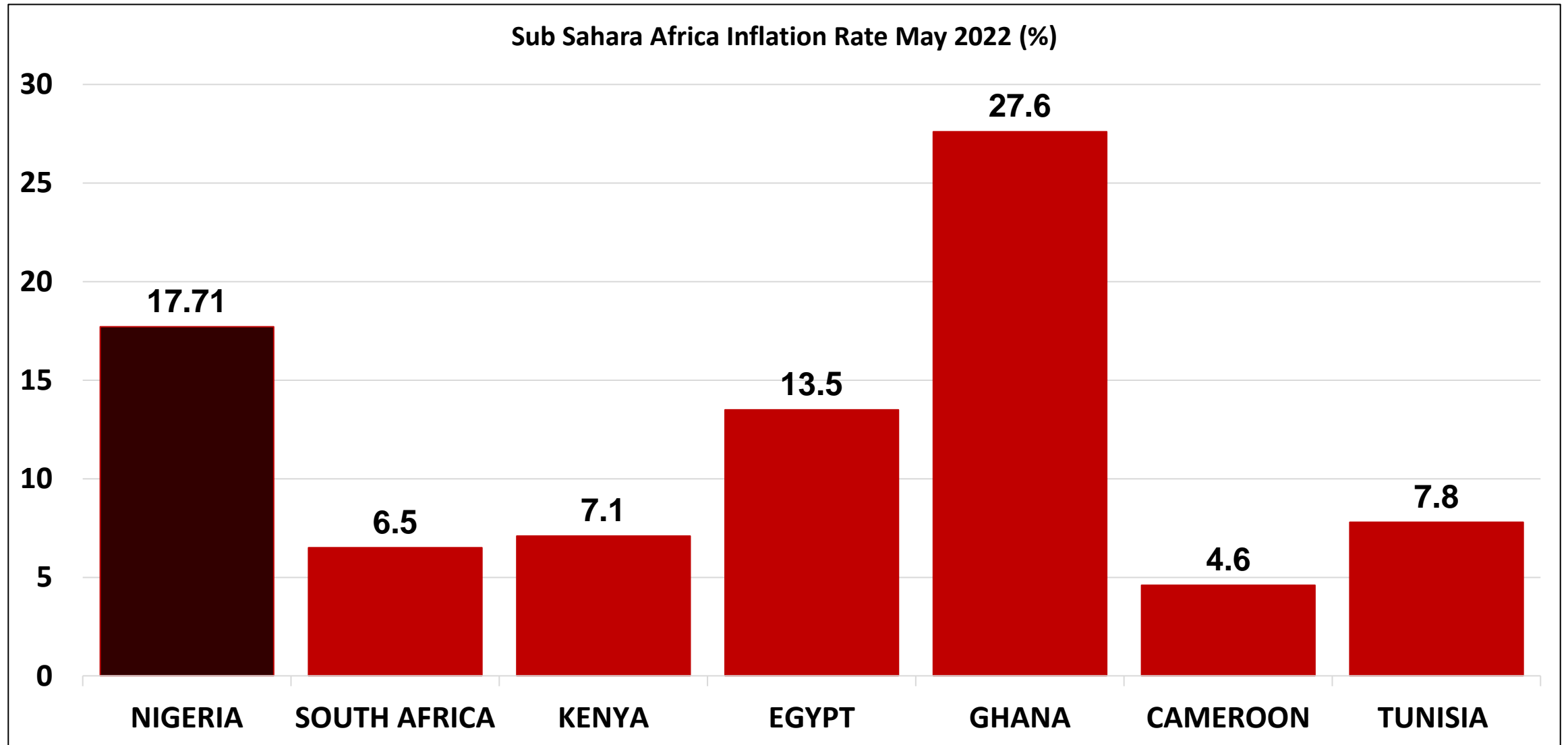
Inflation is Still High, But Peaking

- Global inflation has risen sharply from its lows in mid-2020, on rebounding global demand, supply bottlenecks, and soaring food and energy prices, especially since the Russian's invasion of Ukraine
- Global food markets have been plunged into turmoil, with soaring prices, export bans and shortages of basic foodstuffs.
- The ongoing conflict has critically reduced food exports from Russia and Ukraine, resulting in food shortages globally.
- Russia and Ukraine – known collectively as “the world’s breadbasket” – normally account for almost a third of the world’s wheat exports and 80 per cent of sunflower-oil exports.
- But these commodities have been wiped from food stocks overnight by the blockade of the Odesa-area ports in southern Ukraine.

The War In Ukraine is fueling inflation



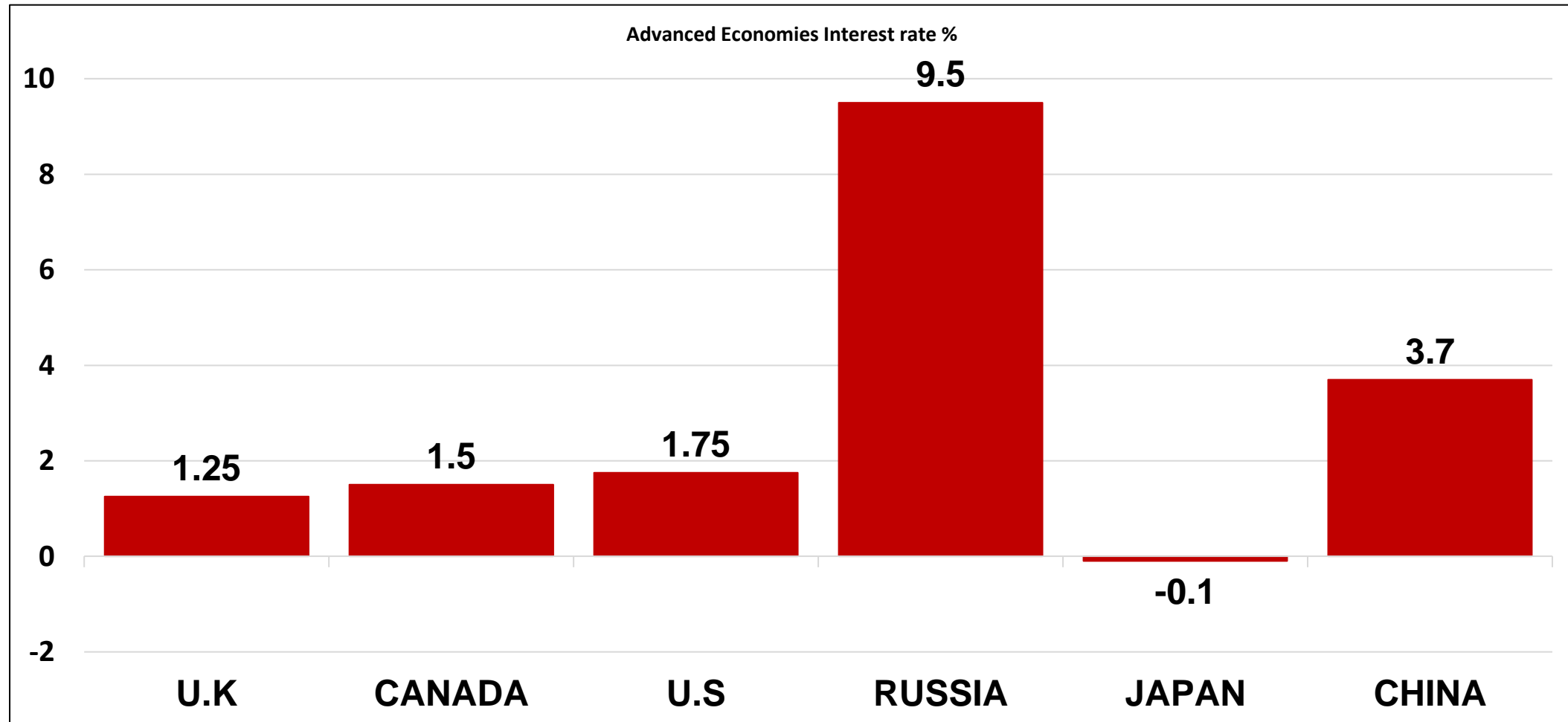
The War In Ukraine is fueling inflation



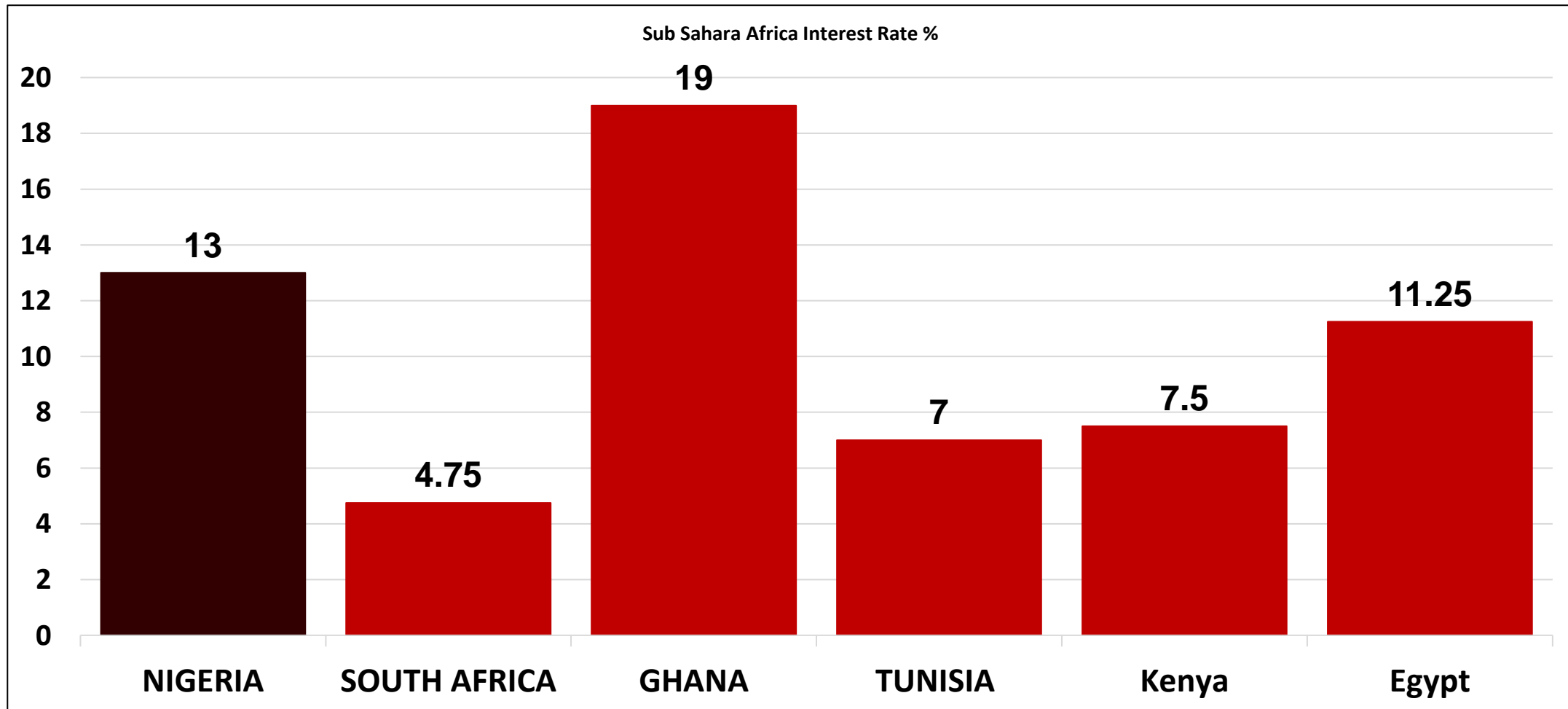
Central Banks Continue to Tighten

- Central banks all over the world have been tightening monetary policies and increasing interest rates in order to combat inflation.
- Central banks are pursuing interest rates hike in response to inflationary pressures (either effectively or in their forward guidance).
- Central banks are mostly aligned
- All four countries that have held MPC meeting in June hiked their interest rates
- 36 countries raised interest rates in May
- Only Russia reduced interest rates
- Russia had increased rates to 12% p.a earlier to protect the ruble

Advanced Countries –Interest Rate 2022



Sub Sahara Africa Countries –Interest Rate 2022



Chinese activity remains stagnant due to lockdowns.

- Zero-COVID policy restrictions and legacy COVID-19 related disruptions have led to a deeper-than-expected economic contraction.
- Industrial output and consumer activity hit their weakest levels since the height of the pandemic.
- Industrial output unexpectedly fell 2.9% in April from a year ago, while retail sales contracted 11.1%, nearly double the decline market participants had expected.
- The Chinese government's zero-COVID strategy led to restrictions in major cities like Shanghai and Beijing for several weeks, cutting into spending, shutting factories, and blocking supply chains.

Russia Economy- Currency

- The Central Bank of Russia cut its key interest rate by 150bps to 9.5% during its June 2022 meeting, to levels prior to the Ukraine invasion
- Russia is pulling in nearly \$20 billion a month from energy exports. Since the end of March, many foreign buyers have complied with a demand to pay for energy in rubbles, pushing up the currency's value
- Russia is the world's largest exporter of gas and the second-largest exporter of oil.
- Strict capital controls-The result is money is flowing in from exports while there are relatively few capital outflows. The net effect of all this is a stronger ruble.”
- Russia's gross domestic product advanced by 3.5% from a year ago in the first quarter of 2022, in line with preliminary estimates, below a 5% expansion in the previous period.
- It was the slowest growth in a year, on the back of weakening domestic demand amid the fallout from the Russia-Ukraine war and associated international sanctions

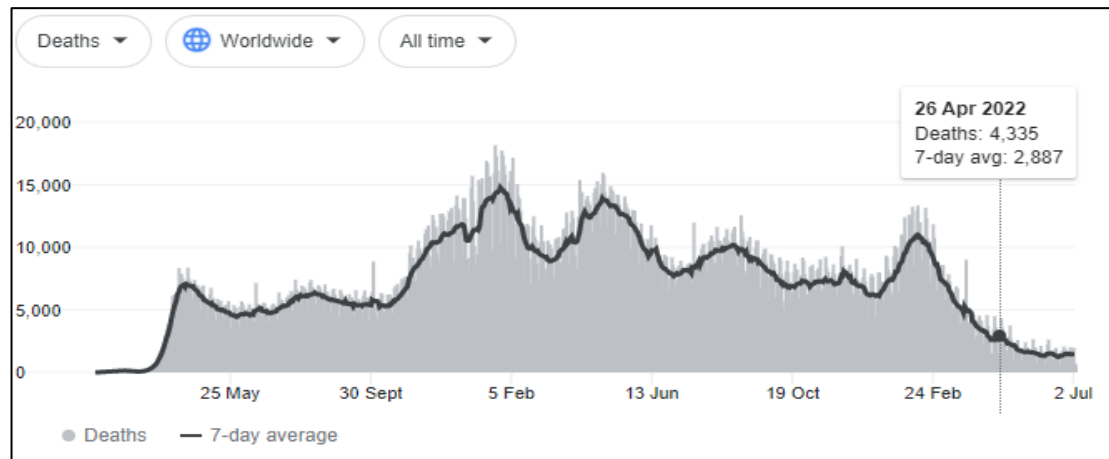
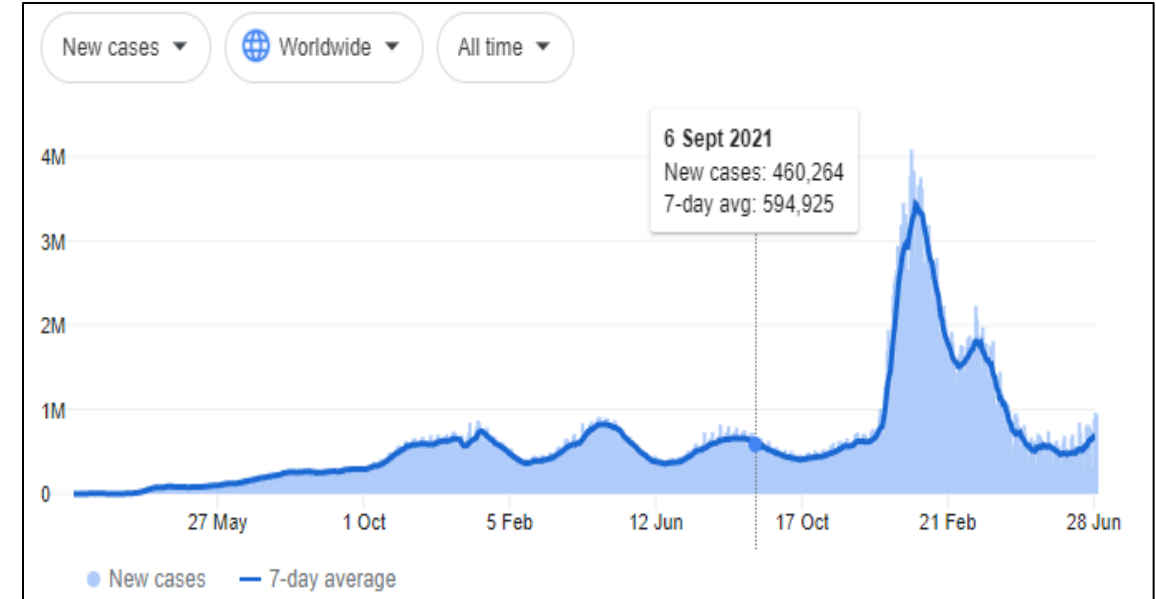
COVID 19 Pandemic finally subdued Globally

- New cases and death resulting from the Covid 19 pandemic which started in 2020 has finally been brought down to a minimum and manageable level
- Restrictions have been lifted in almost all countries around the world
- China adopted a strict lockdown in the city of Shanghai to contain the spread which was successful
- North Korea was also able to manage the spread of the disease to stop it spreading globally
- Travel and tourism have fully recovered but global supply chain disruption persists

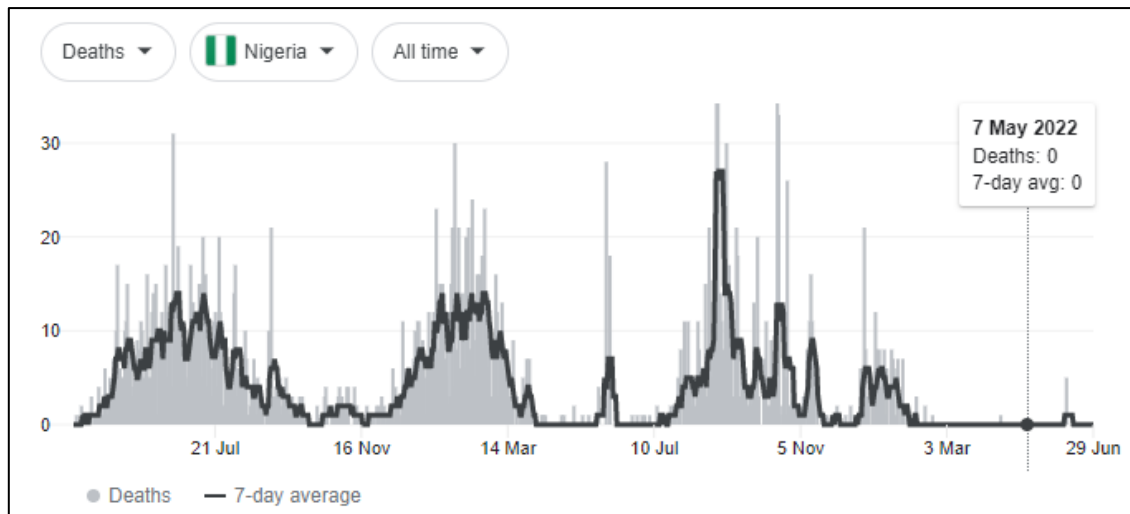
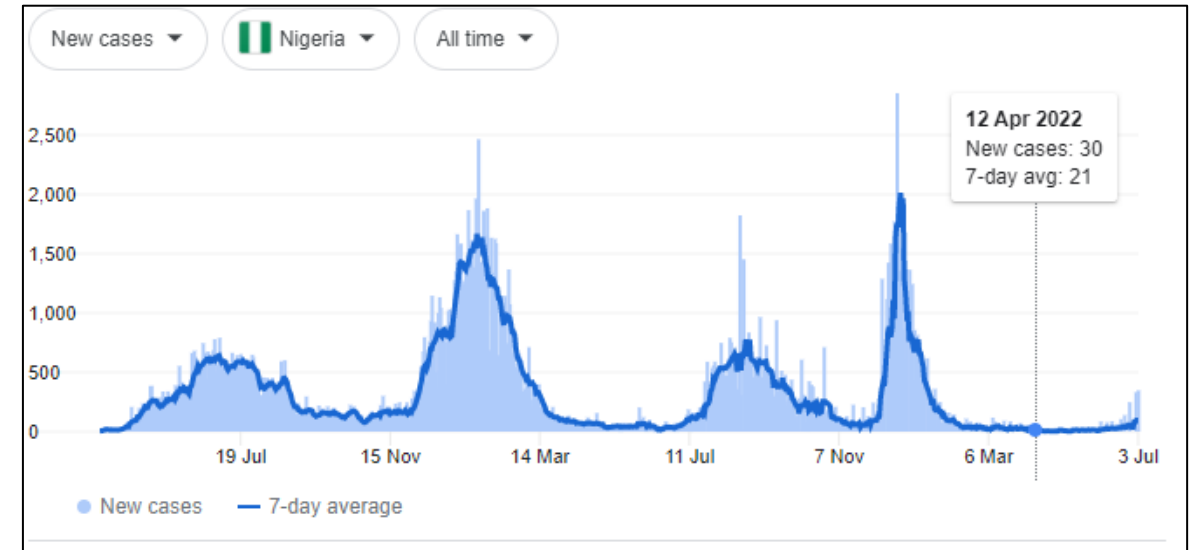
Covid-19 Statistics Worldwide



Cases		Deaths	
549M		6.34M	
+333K		+558	
Location	Cases ↓	Deaths	
United States	87.6M +10,402	1.01M +10	
India	43.5M	525K	
Brazil	32.5M +18,575	672K +53	
France	30.3M	146K	
Germany	28.4M +2,365	141K +3	



Covid-19 Statistics- Nigeria

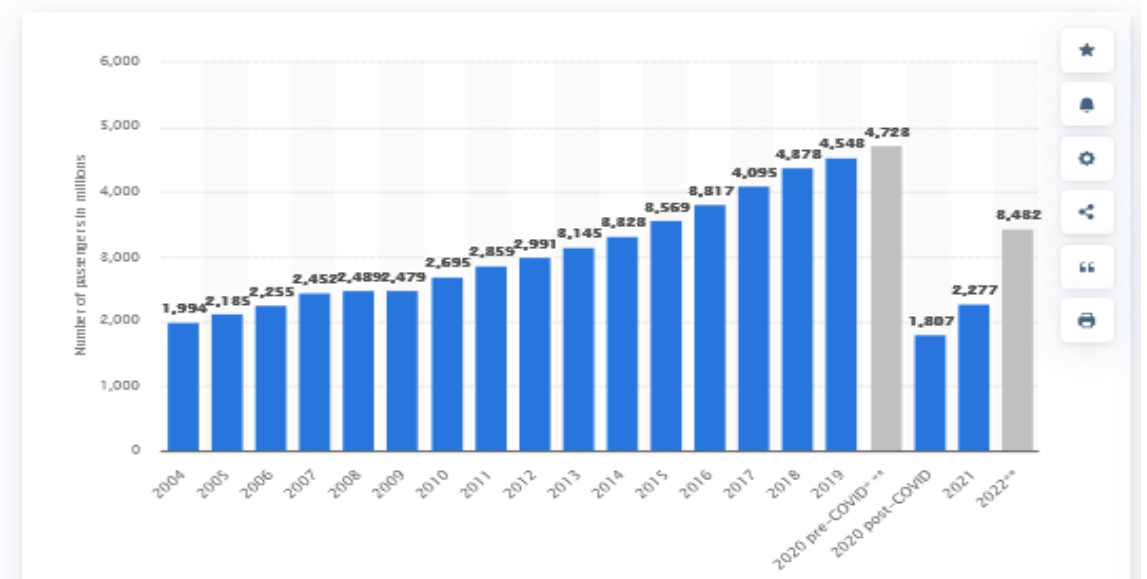


Covid 19 Pandemic- Air Traffic on recovery path

- The International Air Transport Association (IATA) expects overall traveller numbers to reach 4.0 billion in 2024 (counting multi-sector connecting trips as one passenger), exceeding pre-COVID-19 levels (103% of the 2019 total).
- Expectations for the shape of the near-term recovery have shifted slightly, reflecting the evolution of government-imposed travel restrictions in some markets.
- Impacts from the conflict in Ukraine on air travel demand were quite limited overall

Transportation & Logistics > Aviation

Number of scheduled passengers boarded by the global airline industry (in millions)



Global stock markets end a turbulent first half of 2022.



- Global stock markets are on track for their worst first half-year performance in decades.
- After two years of COVID-19 chaos, investors expected 2022 to be a bumpy ride, but no one expected the most turbulent first half of global markets in history.
- **MSCI's All-Country World** Index has fallen by 20% since the beginning of 2022, as stocks have been battered by recession fears. According to Reuters, this is the index's worst six-month to a-year start since its inception in 1990, wiping \$13 trillion off share values.
- Since the start of the year, the **Stoxx 600** index in **Europe** has lost 16%, the **Topix** in Japan has lost 6%, and the **S&P 500** in the United States has lost 5%. The **FTSE 100** index in the **U.K** has fared better, down more than 3% so far this year, with oil companies rallying.
- Thus far this year, **Asia's** performance has been hampered by valuation de-rating and margin underperformance. Asia now trades at close to the greatest discount to the US, at more than 30%.

Global stock markets end a turbulent first half of 2022



- The MSCI Asia **Pacific** ex Japan index fell 15.1 % this year, compared to -20.8 % for **MSCI Europe** (total returns in USD) and -21.1 % for the S&P 500 in the U.S.
- The improved development of COVID-19, combined with the gradual re-opening of more Asian economies, should provide a significant boost to domestic services consumption.
- Energy and commodity prices have skyrocketed in response to Russia's invasion of Ukraine.
- With inflation at its highest level in decades, stocks have plummeted as central bankers tightened monetary policy and pledged to keep prices low.

Global stock markets end a turbulent first half of 2022

Stock Exchange	Level	Weekly Change(%)	YTD(%)
Dow Jones (USA)	31,470	0.94	-13.40
NASDAQ (USA)	12,131	2.23	-25.67
FTSE (England)	7,244	0.68	-1.91
DAX (Germany)	12,985	1.13	-18.26
Nikkei (Japan)	26,788	1.02	-6.96
Shanghai Composite	3,278	-1.07	-9.95
CATX (Canada)	18,394	-3.30	-13.33
SENSEX (India)	54,305	-0.15	-6.78
TA SI (Saudi Arabia)	11,513	-1.89	2.05

SOURCE: NGX,TRADING ECONOMIC

Oil Price surges to highest since 2008



- U.S. oil surged to the highest level since 2008 in H1;2022 before reversing course as the market weighs supply disruptions from Russia against a possible Iran nuclear deal.
- The oil market was already tight prior to Russia's invasion of Ukraine, and with countries now shunning oil from key producer Russia, traders are worried that supply shortfalls will follow
- energy price increases—already driven higher by increased demand as post-pandemic economies re-opened and now exacerbated by the crisis in Ukraine

War drives Commodities prices higher

- As the world's third-largest oil producer (and second largest exporter of crude oil) and second-largest natural gas producer (and largest exporter), Russia supplies nearly a sixth of the global oil and gas supply.
- Russia's dominance is particularly evident in Europe, where it supplies more than 20% of the continent's oil and more than 30% of its gas.
- Russia is a major producer of several base metals, including aluminium, titanium, palladium and nickel.
- Following spikes in all of these markets last year, prices will remain at peak levels for as long as the conflict continues.
- This will have a substantial impact on industrial sectors (such as the automotive industry) across the globe, but especially in Europe.

Crude Oil Production – OPEC Comparisons

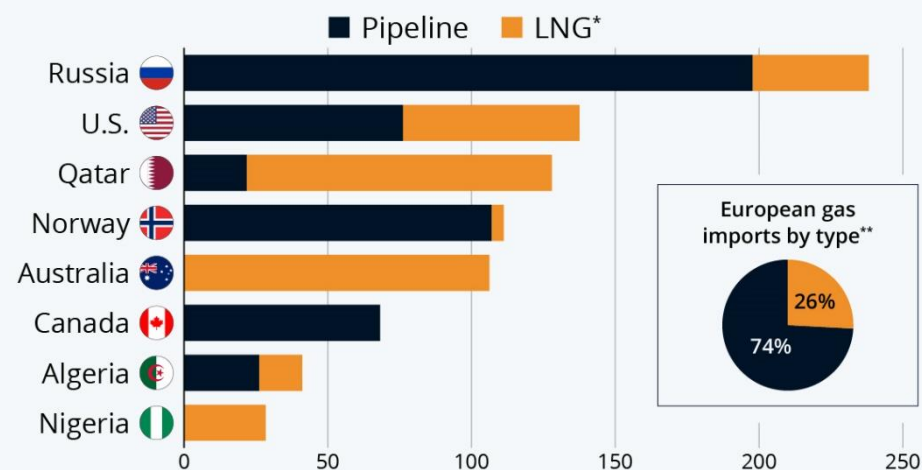
Table 5 - 8: OPEC crude oil production based on *direct communication*, tb/d

Direct communication	2020	2021	3Q21	4Q21	1Q22	Mar 22	Apr 22	May 22	Change May/Apr
Algeria	899	911	924	958	984	996	1,006	1,015	9
Angola	1,271	1,124	1,114	1,123	1,161	1,133	1,183	1,162	-21
Congo	300	267	266	260	267	264	261	261	0
Equatorial Guinea	114	93	92	79	95	95	95	89	-6
Gabon	207	181	180	183	197	198	174	183	9
IR Iran	..	..	..	..	..	..	..	..	..
Iraq	3,997	3,971	3,979	4,167	4,188	4,148	4,430	4,470	40
Kuwait	2,438	2,415	2,447	2,528	2,612	2,639	2,664	2,639	-25
Libya	389	1,207	1,220	1,182	1,151	1,166	..	..	..
Nigeria	1,493	1,323	1,269	1,260	1,299	1,238	1,219	1,024	-195
Saudi Arabia	9,213	9,125	9,565	9,905	10,224	10,300	10,441	10,538	97
UAE	2,779	2,718	2,758	2,854	2,949	2,970	3,011	3,032	21
Venezuela	569	636	635	817	756	728	775	735	-40
Total OPEC	..	..	..	..	..	..	..	..	..

World Gas Reserve

What Alternatives Does Europe Have to Russian Gas?

Main gas exporting countries in 2020,
by type of export (in billion cubic meters)



* typically exported by ship

** EU-27 + UK (2020)

Sources: BP - Statistical Review of World Energy 2021,
U.S. Energy Information Administration



statista

WORLD NATURAL GAS EXPORTS BY COUNTRY (M STANDARD CU M)

	Russia	199,928
	United States	149,538
	Qatar	143,700
	Norway	112,951
	Australia	102,562
	Canada	70,932
	Germany	50,092
	Netherlands	39,976
	Algeria	39,459
	Nigeria	35,586

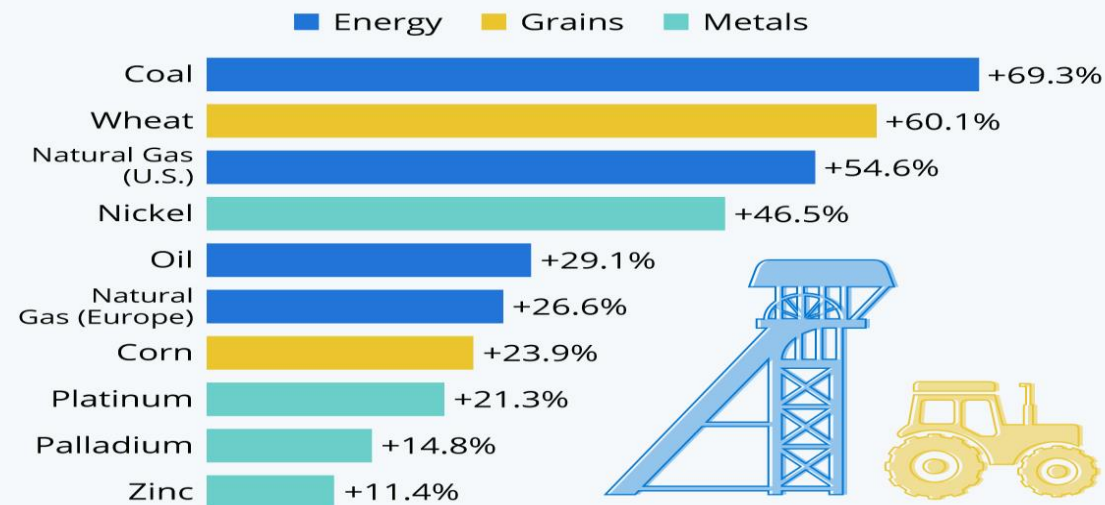


Source: OPEC Annual Statistical Bulletin 2020, International Energy Agency | March 16, 2022

War drives Commodities prices higher

Raw Materials Fetch Premium Prices

Average change in the price of selected raw materials since January 2022*



* Change from Jan 2022 average to average daily price between Feb 24 and June 1, 2022, except wheat and corn: to between Mar and May 2022

Source: OECD



statista

- As a result of the Russian invasion of Ukraine, the prices of many of the commodities in question have risen sharply.
- This is particularly the case for coal and wheat, whose prices increased between 60% and 70% on average.
- The price surge is also significant for other important raw materials, such as gas and oil (from 25% to 55%) as well as metals such as nickel and platinum (between 21% and 47%)

- Price tensions in the grain market are expected to ease due to improved supplies from top producing countries.
- The price of sugar remained high in Q2. 2022 owing majorly to tight supplies.
- Cocoa price is expected to remain low in the near term as supply continues to improve, following the harvest season and improved rainfalls in top producing countries (Ivory Coast, Ghana and Nigeria).

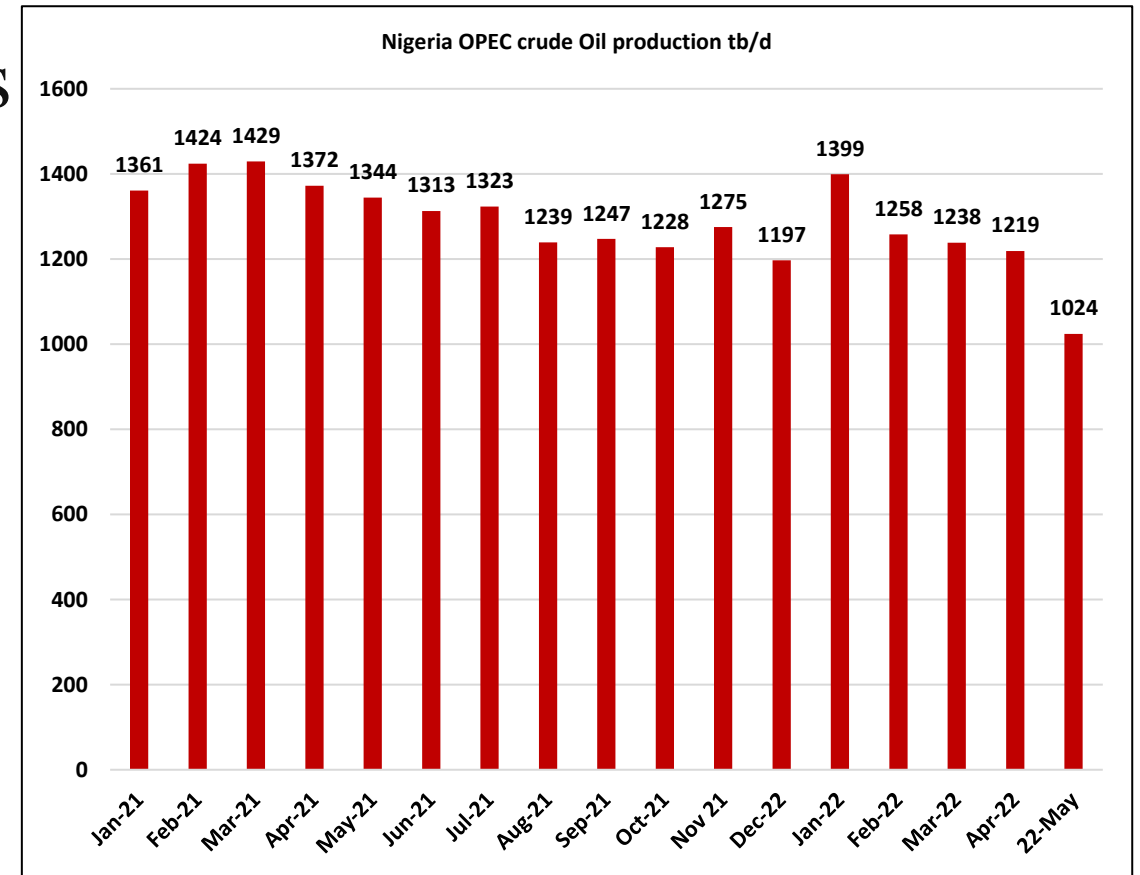
Market-friendly candidates emerge ahead of 2023



- Party primaries concluded , Nigeria's main political parties have selected presidential contenders, setting the scene for a long campaign season ahead of elections in early 2023.
- Across 18 registered political parties, 15 presidential candidates are vying for the top job in Nigeria.
- 2023 presidential election is now effectively between four major candidates Peter Obi, of Labour Party, Alh. Atiku Abubakar, Peoples Democratic Party, Rabiu Kwankwaso, New Nigeria People's Party, and Asiwaju Bola Tinubu, All-Progressives Congress.
- Electioneering to intensify in the coming months

Nigeria struggling while oil prices are so high

- Oil output drops 23.8% to 1.024mbpd in Q2:2022 mainly as result of pipeline vandalism, oil theft and illegal refining in the Niger Delta.
- Nigeria did not meet its 1.753mbpd May 2022 OPEC quota.
- Bonny Light price has remained high at \$126 per barrel for the most part of May 2022.



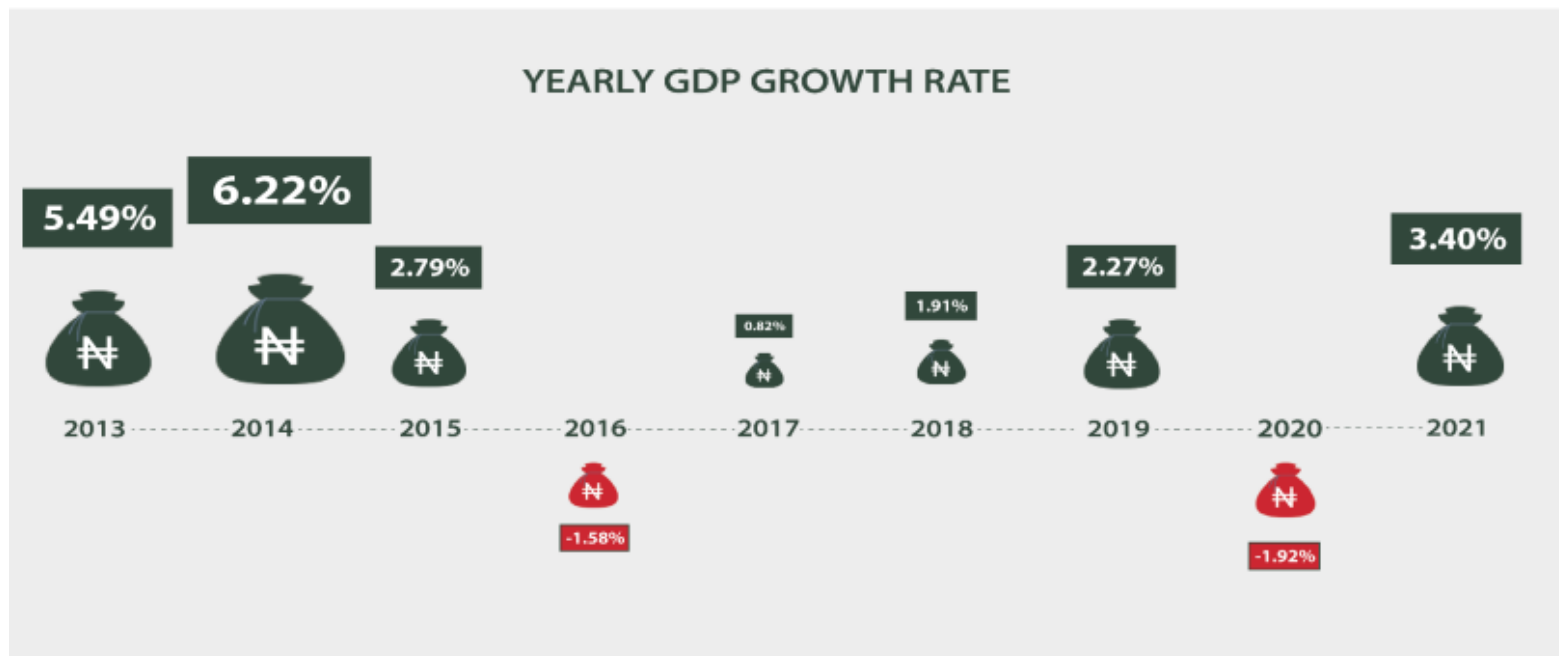
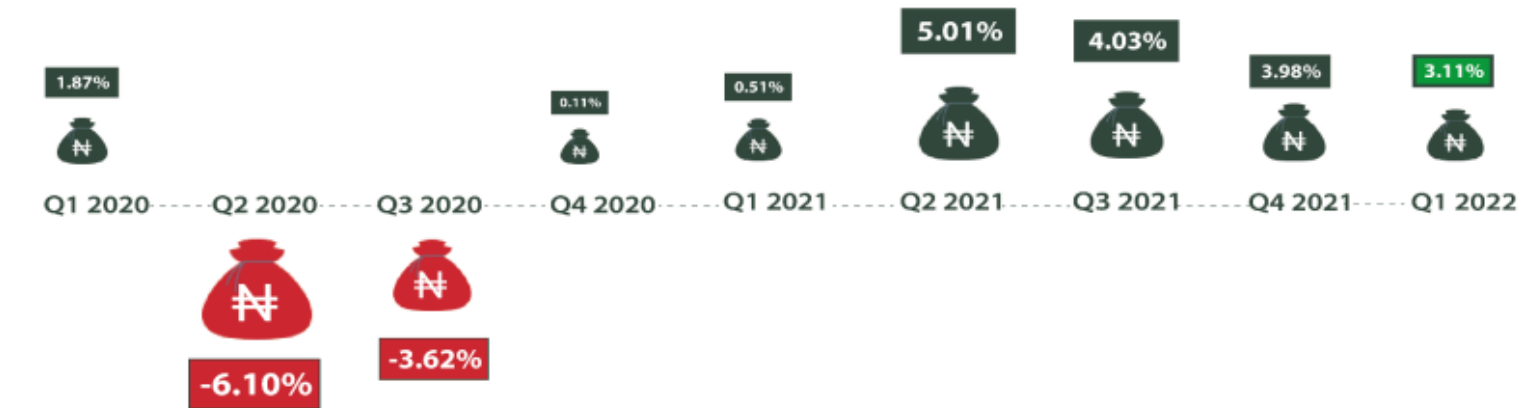
However, Nigeria Gas export proceed rises

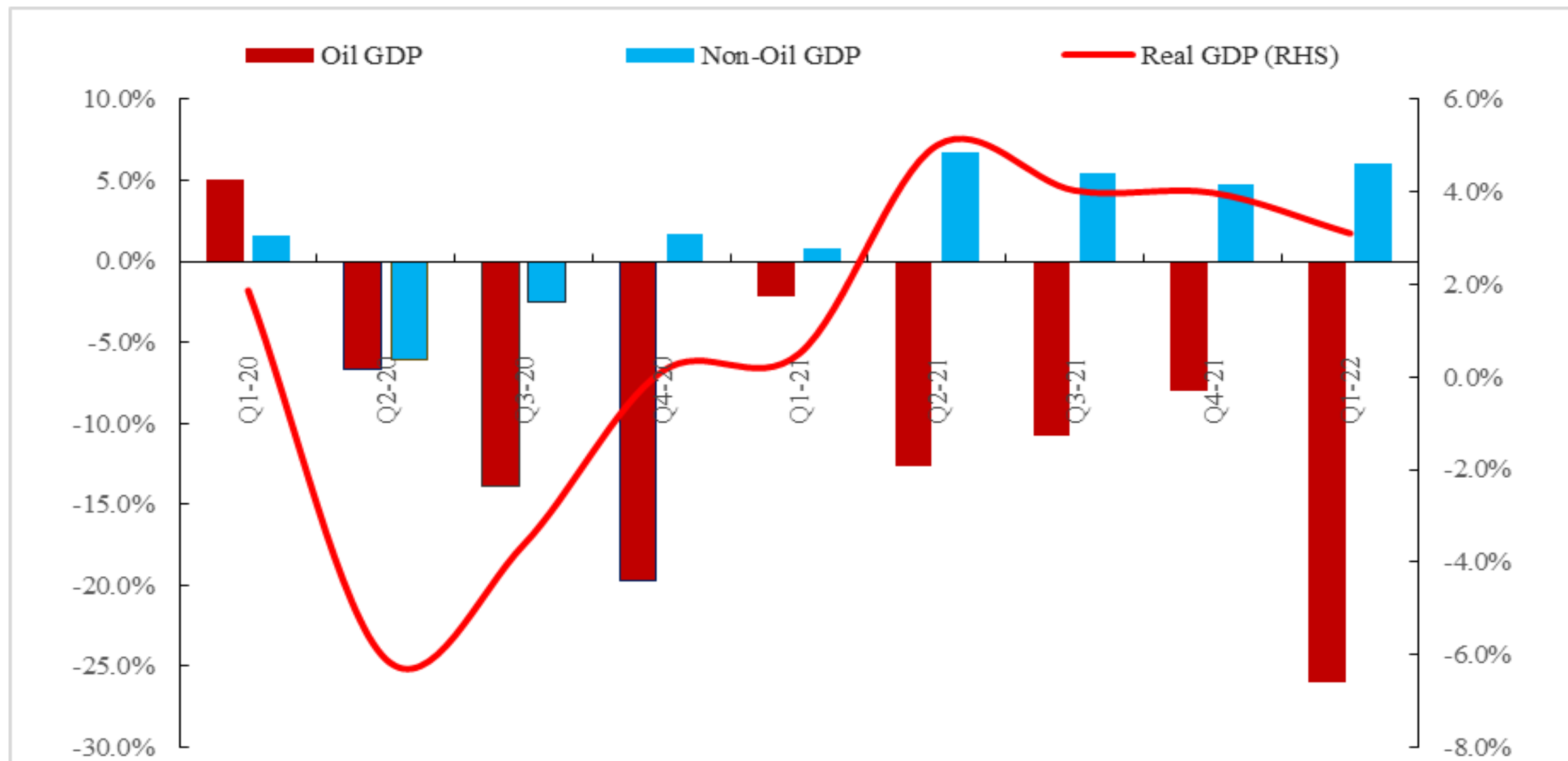
- Gas export revenue surpasses oil receipts by 259.4%
- Revenue from gas export and sales to the Nigeria Liquefied Natural Gas Limited hit \$243.57 million in Q1'22, surpassing receipts from crude oil export by 259.4%.
- Latest data from the NNPC receipts from crude oil export stood at \$93.89 million within the three-month period.
- Nigeria has 207 trillion cubic feet of natural gas reserves worth over \$807 trillion representing the largest gas reserves on the African continent and is the ninth in the world and more than five times its oil reserves.

Nigeria GDP Q1:2022 grew by 3.11%

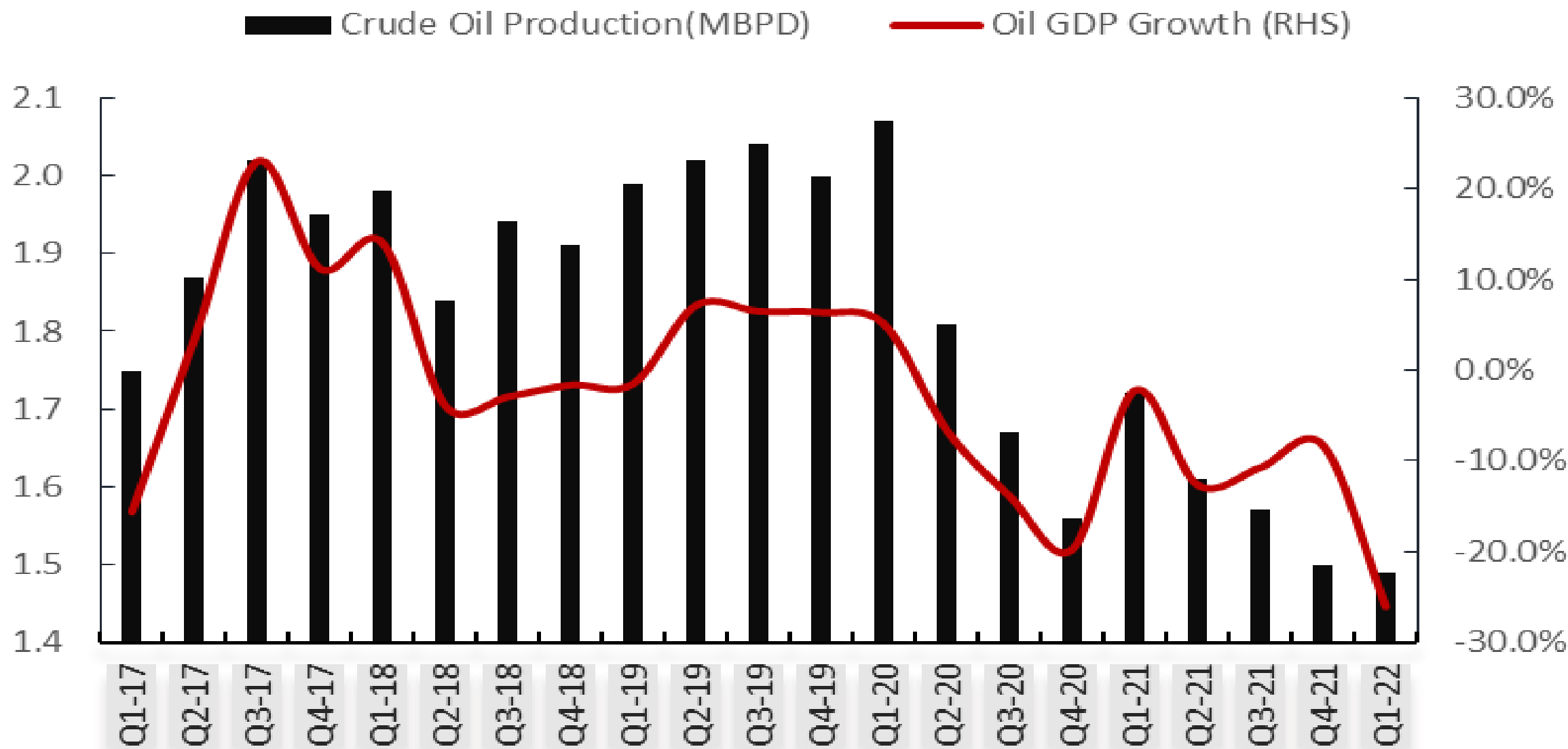
- Real GDP growth sustained its positive trend for the 6th consecutive quarter.
- Grew by 3.11%, representing a decline of 0.88% relative to a growth rate of 3.98% in Q4'21.
- When compared to the corresponding period in 2021 (0.51%), it was higher by 2.6%.
- The slowdown in economic performance largely reflects seasonal effects (planting season) and the economic shock from the Russian-Ukraine crisis. The impact of the war-induced global supply chain disruptions is
- Oil production has struggled to meet its targets due to operational challenges and insecurity amid growing crude oil theft and pipeline vandalism
- This Non-oil sector was driven mainly by Information and Communication, Trade, Financial and Insurance (Financial Institutions), Agriculture (Crop Production), Manufacturing (Food, Beverage & Tobacco)

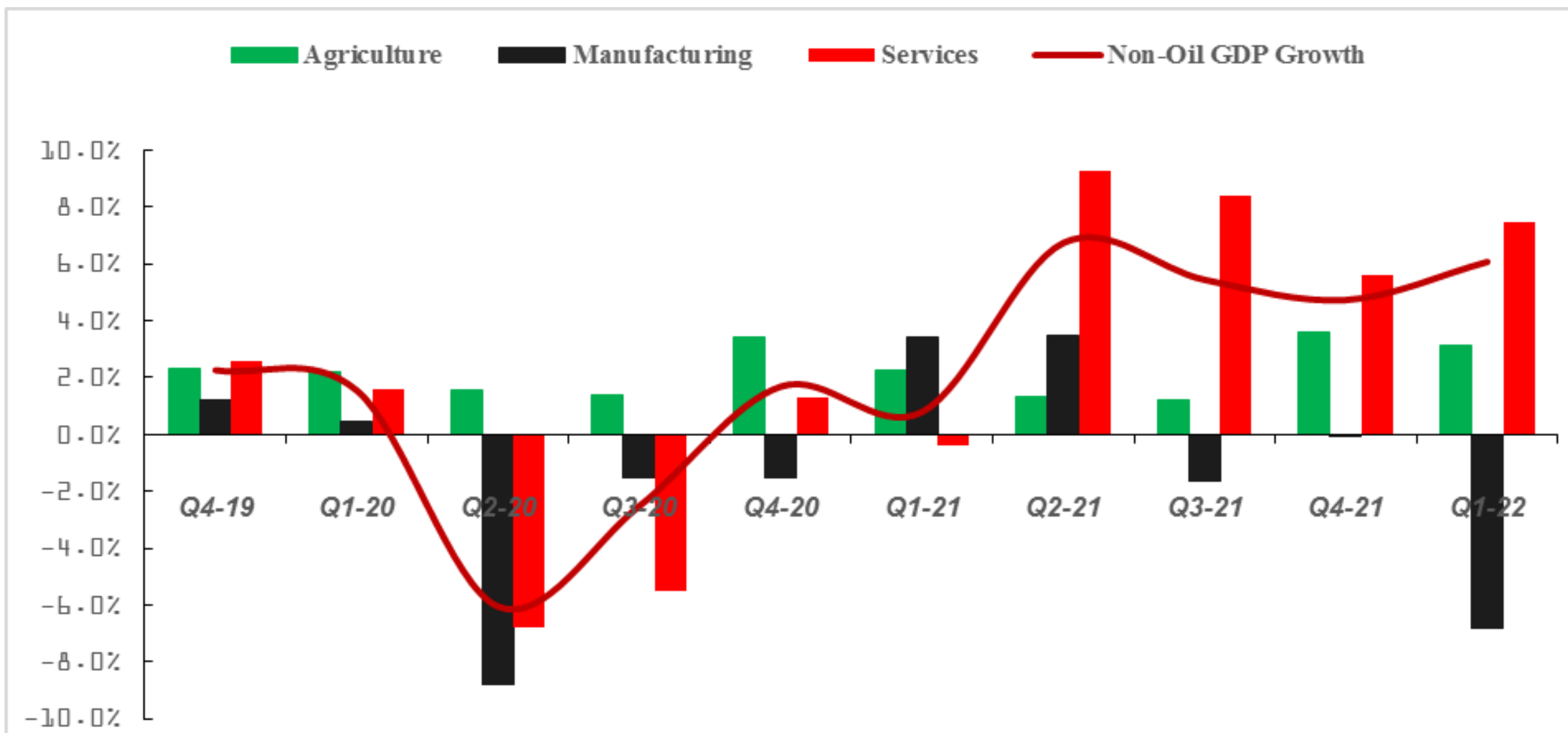
GDP Q1:2022



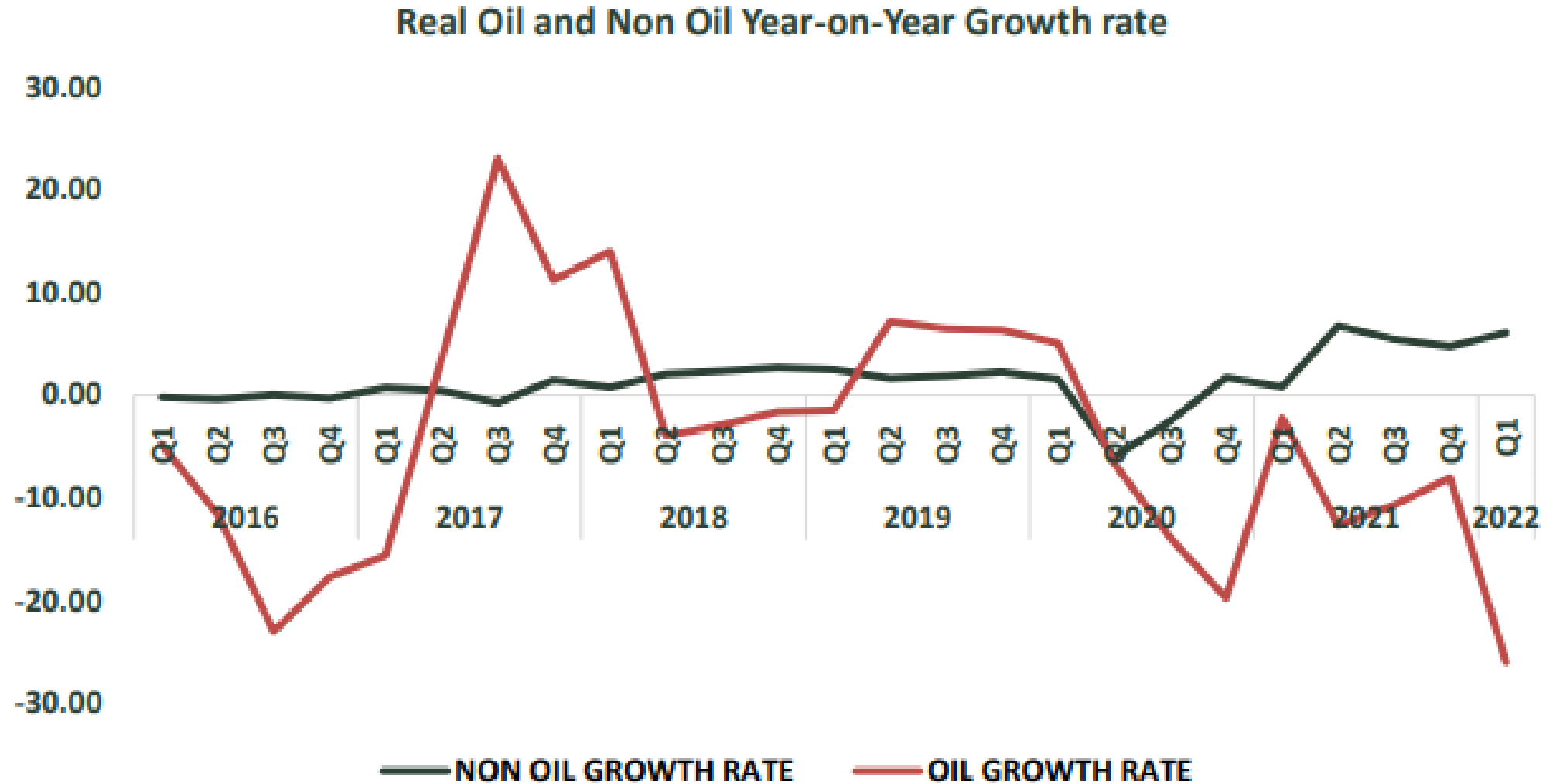


GDP Q1:2022

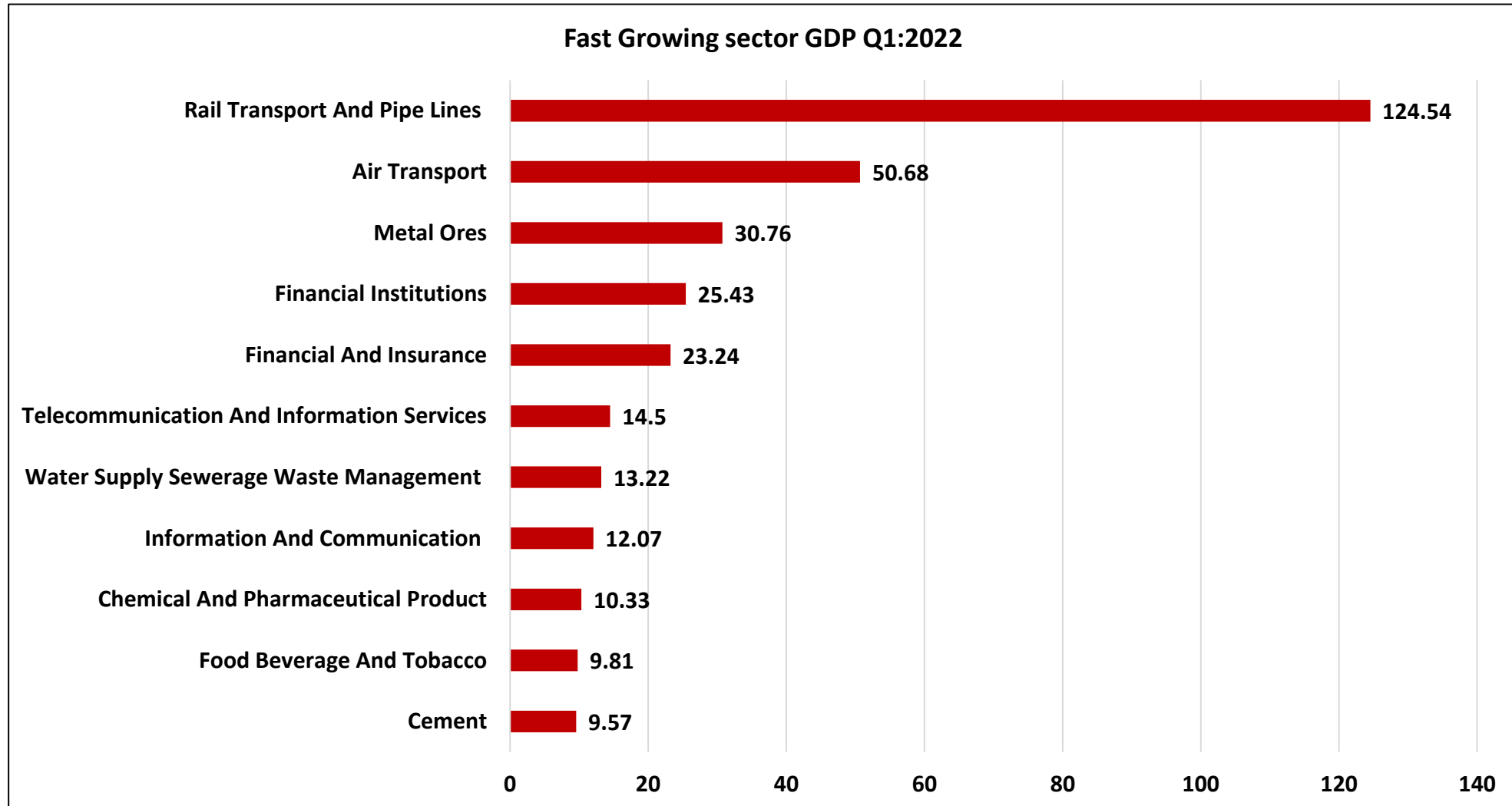




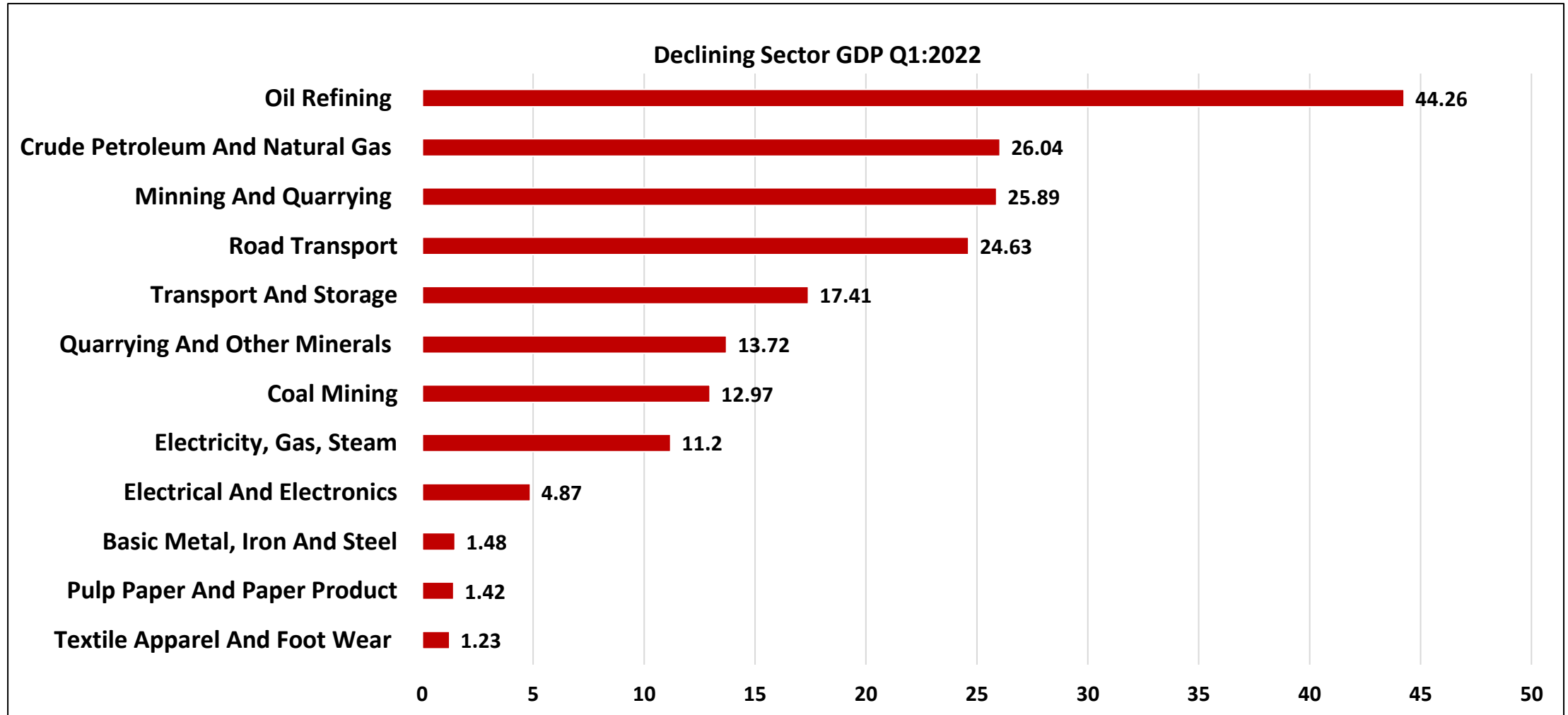
GDP Q1:2022



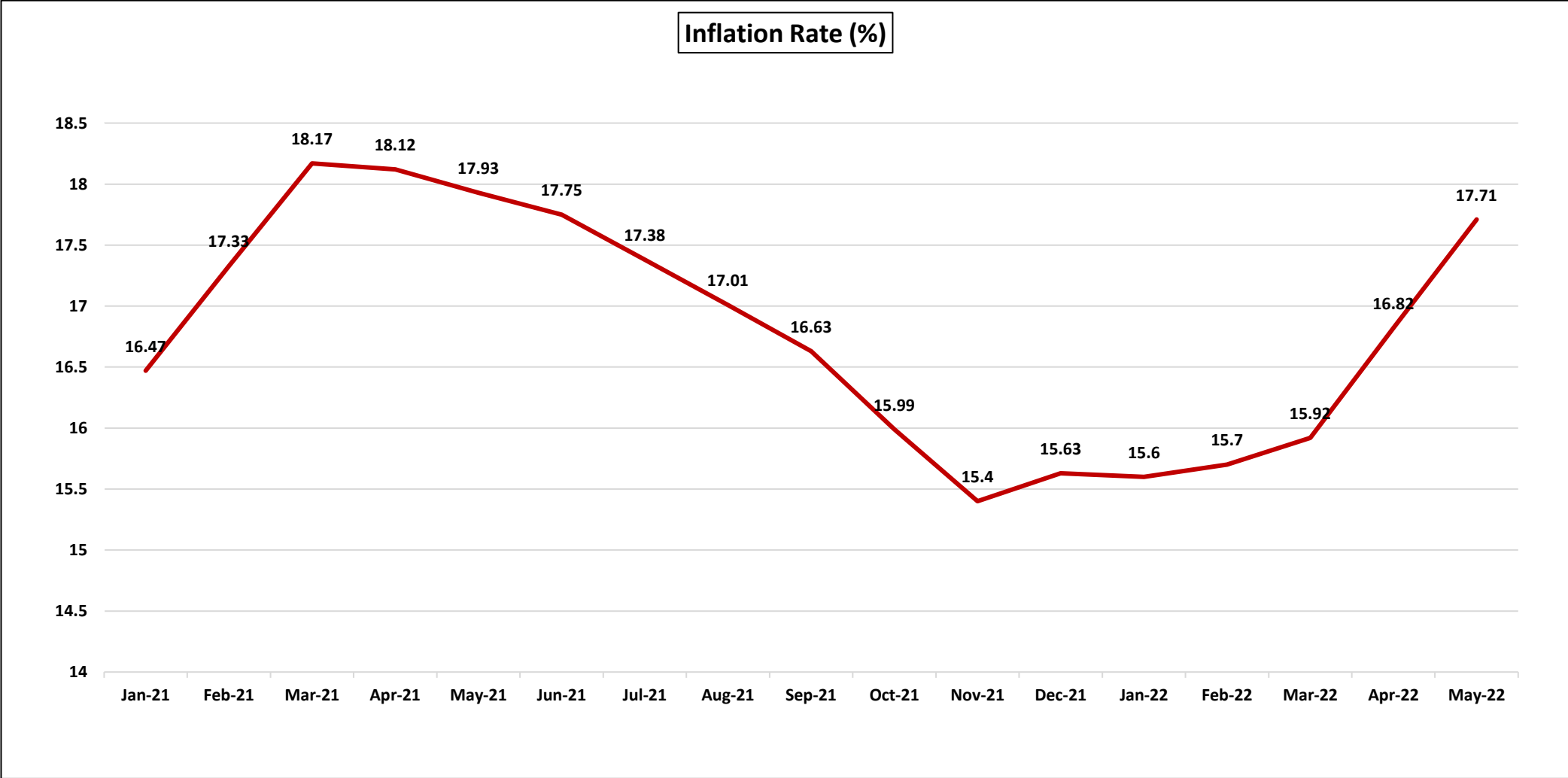
Fasting Growing Sector GDP Q1:2022



Declining Sector GDP Q1:2022



Nigeria Inflation Rate Picks Up to 11-Month High



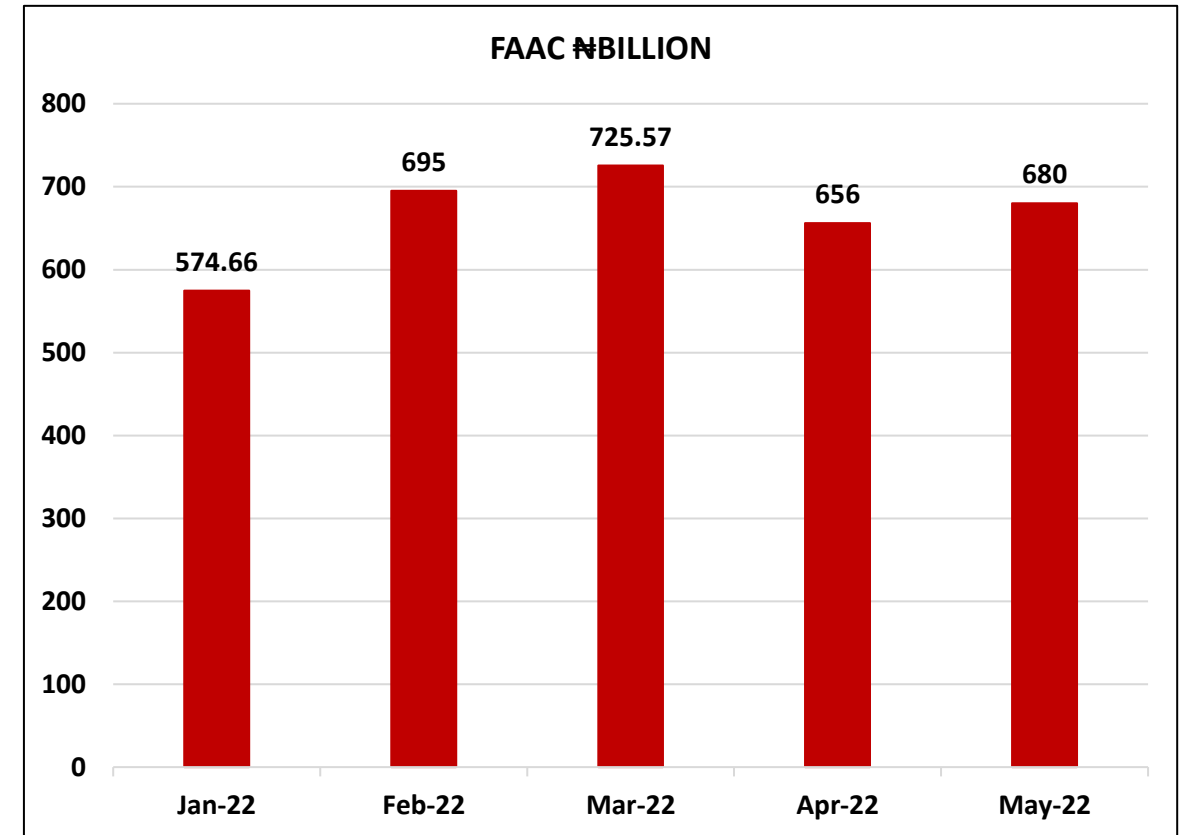
Nigeria Inflation Rate Picks Up to 11-Month High



- Nigeria's annual inflation rate accelerated for the fourth month to 17.71% in May of 2022 from 16.82% in the previous month
- Rise in inflation rate, driven by rising prices of food, soaring diesel prices and the ongoing dollar shortage
- For the month of June, inflation is expected to reach 18 %
- Supply shocks from the Russia-Ukraine war will continue to exacerbate price pressures.
- Food inflation rising but will fall during harvests
- Election spending to buoy liquidity
- Interest rate hike to slow the pace of increase in market liquidity

Federal Accounts Allocation Committee – May 2022

- N680.783 billion total distributable revenue comprised
 - Distributable statutory revenue of N385.004b
 - Distributable Value Added Tax (VAT) revenue of N198.512b
 - Electronic Money Transfer Levy (EMTL) revenue of N97.267b
- Total 680.783 was shared:
 - federal government N229.563b
 - State government N241.824b
 - Local Government Councils N175.942b
 - N33.454b was shared to the relevant States as 13% derivation revenue
- Total deductions for the cost of the collection were N36.996 billion and total deductions for transfers and refunds were N186.672 billion
- Excess Crude Account (ECA) is \$35.377 million.



Monetary Policy Rate May 2022

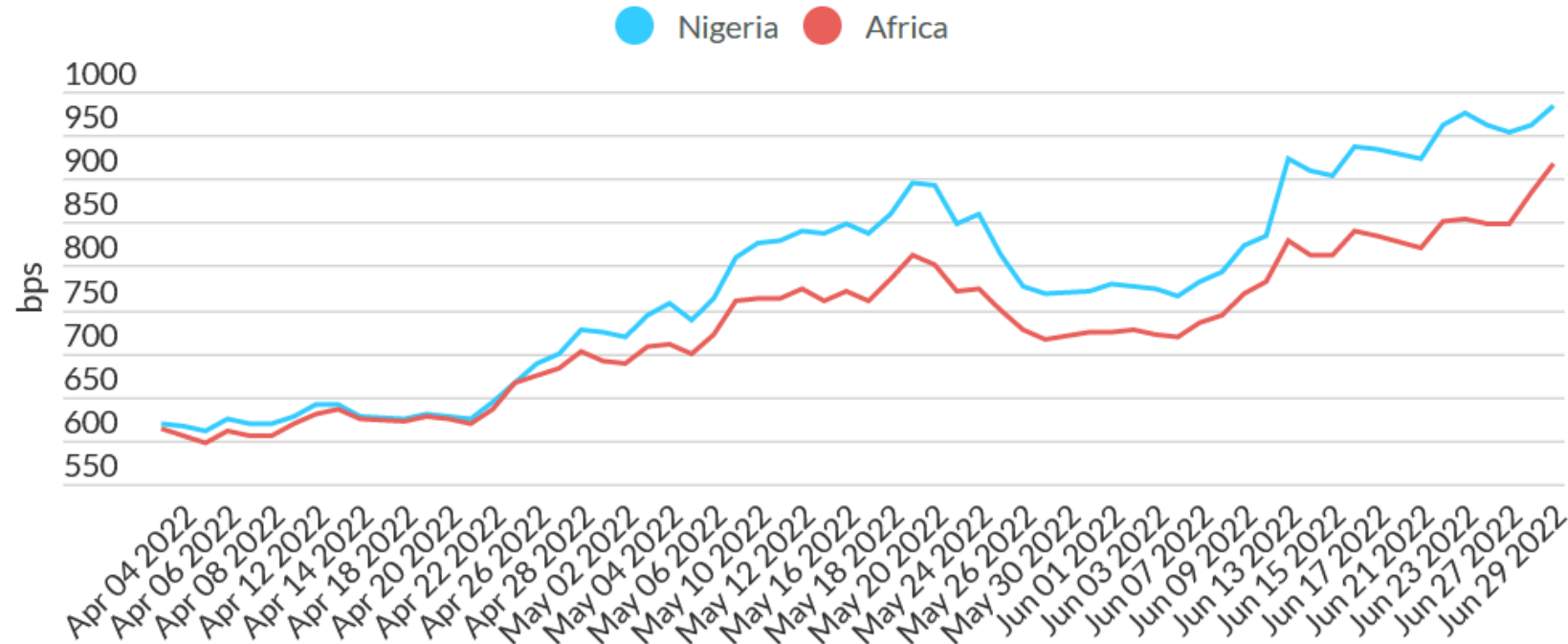
- The Central Bank of Nigeria unexpectedly raised its monetary policy rate by 150 bps to 13% at its May 2022 meeting, bringing borrowing costs to the highest since April of 2020.
- It was the biggest rate hike since July of 2016, amid concerns that persistent inflationary pressures could weigh on the country's fragile recovery.
- General interest rates to rise in tandem with hike in MPR



Monetary Policy Rate May 2022

Nigeria Sovereign Spread Fell After the Rate Hike

(JP Morgan Emerging Market Bond Indexes)



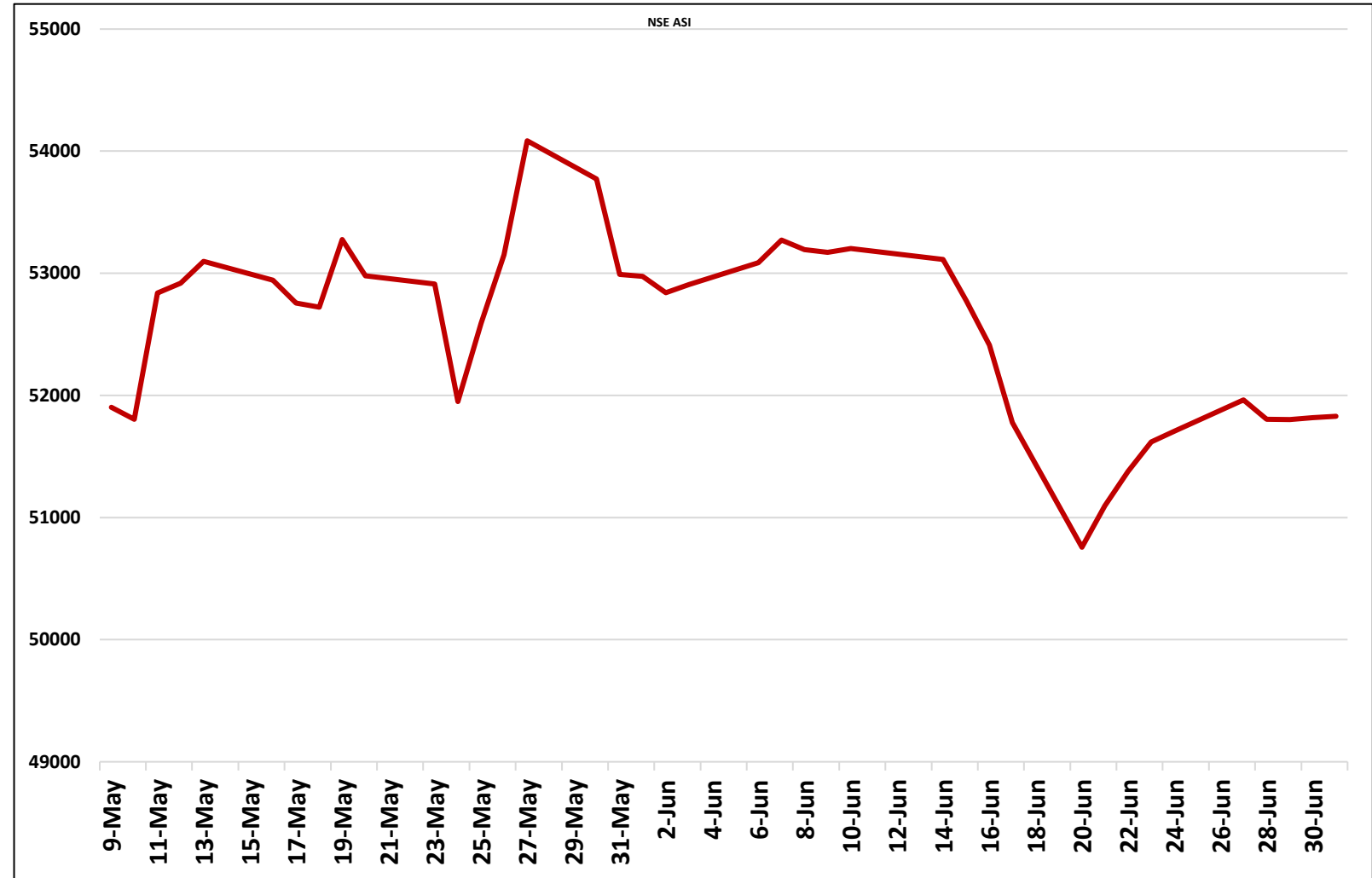
Note: Africa=Angola, Cameroon, Cote d'Ivoire, Egypt, Ethiopia, Gabon, Ghana, Kenya, Morocco, Mozambique, Namibia, Nigeria, Senegal, South Africa, Tunisia, Zambia

Source: Fitch Ratings, Haver Analytics, JP Morgan

Equities Market(Week Ending 24th June 2022)

■ The NGX All-Share Index and Market Capitalization depreciated by - 0.14% to close the week at 51,705.61 and N27.87 trillion respectively.

■ The YTD is currently 21.04%

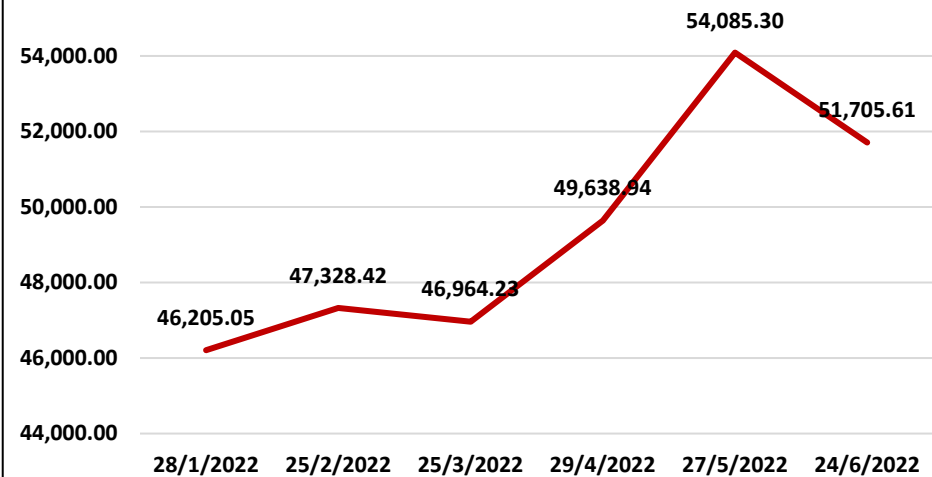


SOURCE: NGX

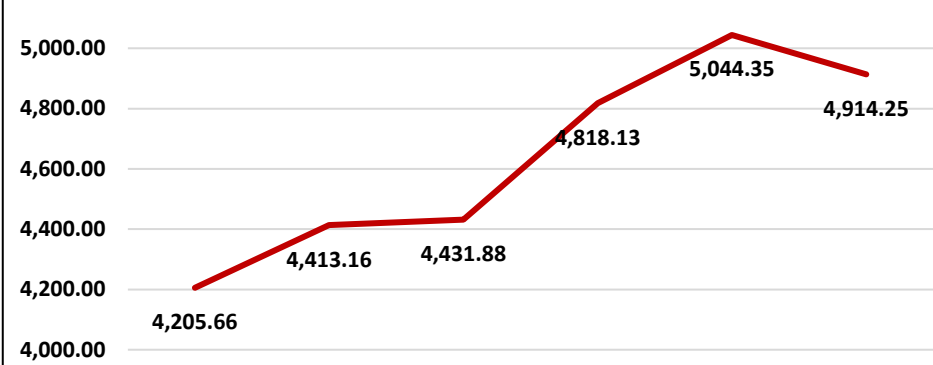
Nigeria Stock Market



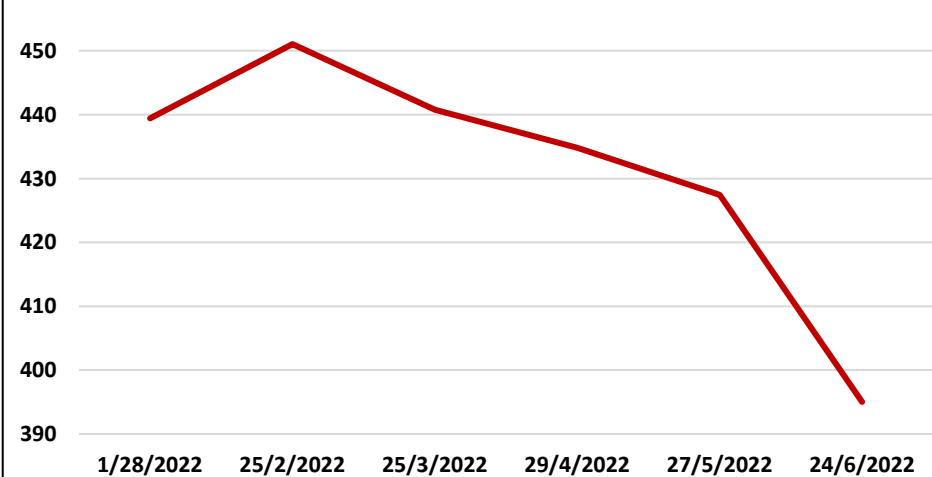
NGX All-Share Index (ASI)



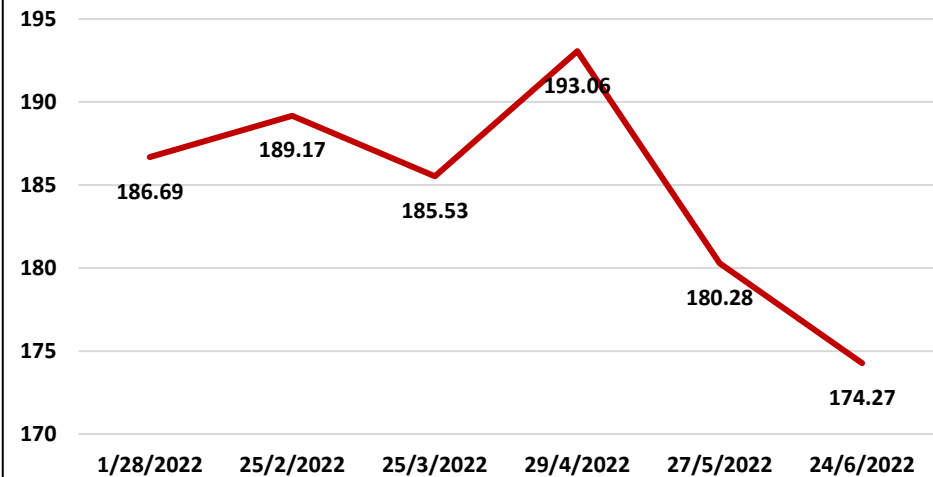
NGX Premium Index



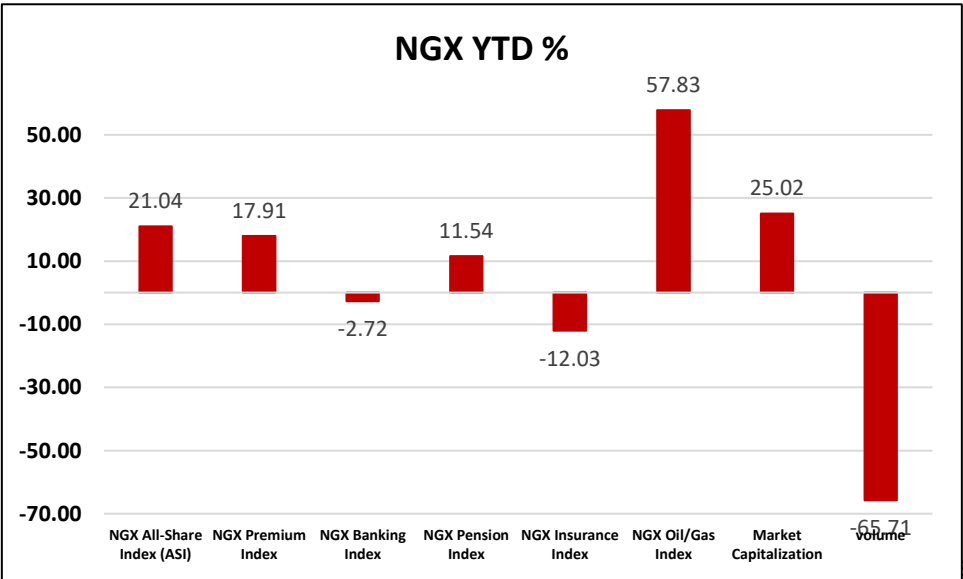
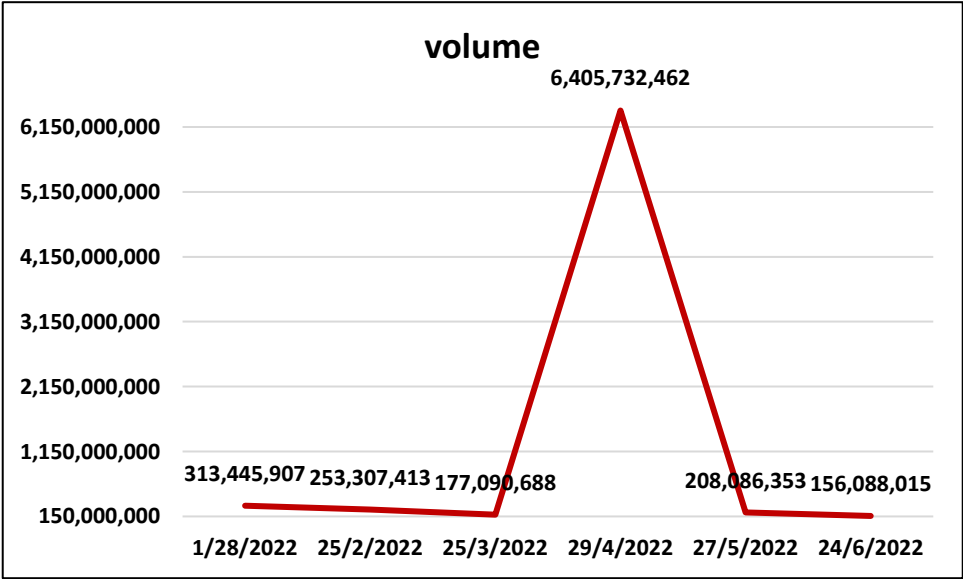
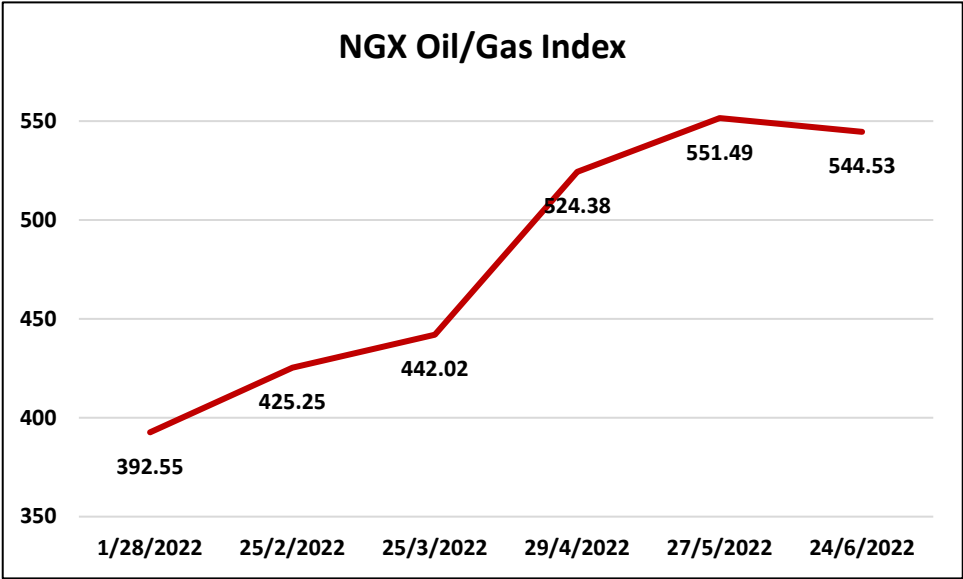
NGX Banking Index



NGX Insurance Index



Nigeria Stock Market



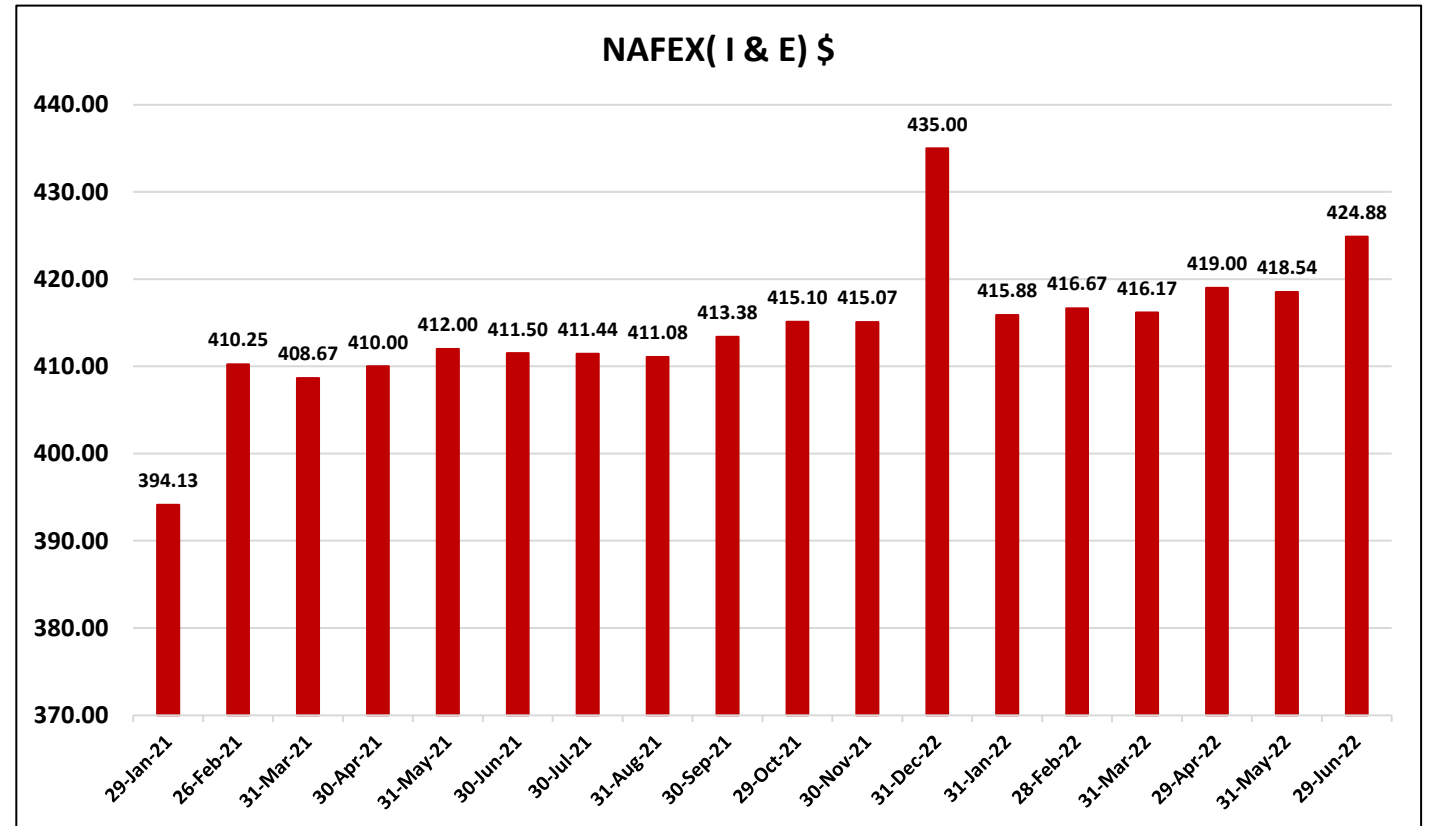
Nigerian Money Market

NTB	Current				Previous
	June 29 th , 2022				15-Jun-22
Tenor	Rate (%)	Offer (N'bn)	Sub (N'bn)	Sales (N'bn)	Rate (%)
91 days	2.4	13.88	131.13	122.83	2.49
182 days	3.79	2.16	17.35	17.15	3.79
364 days	6.07	158.04	297.96	297.96	6.07
FGN Bonds	June 20 th , 2022				16 May -2022
Maturity	Rate (%)	Offer (N'bn)	Sub (N'bn)	Sales (N'bn)	Rate (%)
MAR 2025	13.53	75.00	132.60	79.59	13.53
APR 2032	12.50	75.00	84.32	39.91	12.50
JAN 2042	13.00	75.00	335.44	106.62	13.00
FGN Saving Bonds	June 09 th , 2022				09-May-22
Maturity	Rate (%)	Offer (N'bn)	Sub (N'bn)	Sales (N'bn)	Rate (%)
June 2024	8.20	50.00	50.00	50.00	7.93
June 2025	9.20	50.00	50.00	50.00	8.93
OMO	June 02 nd , 2022				26-May-22
Tenor	Rate (%)	Offer (N'bn)	Sub (N'bn)	Sales (N'bn)	Rate (%)
103 DAYS	7.00	10.00	56.79	10.00	7.00
180 DAYS	8.50	10.00	69.90	10.00	8.50
362 DAYS	10.10	20.00	211.32	20.00	10.01

- The NTB was released on June 29th
- The NTB was oversubscribed
- The NTB rate for 91days increase while 182 days and 364days remain constant across the board

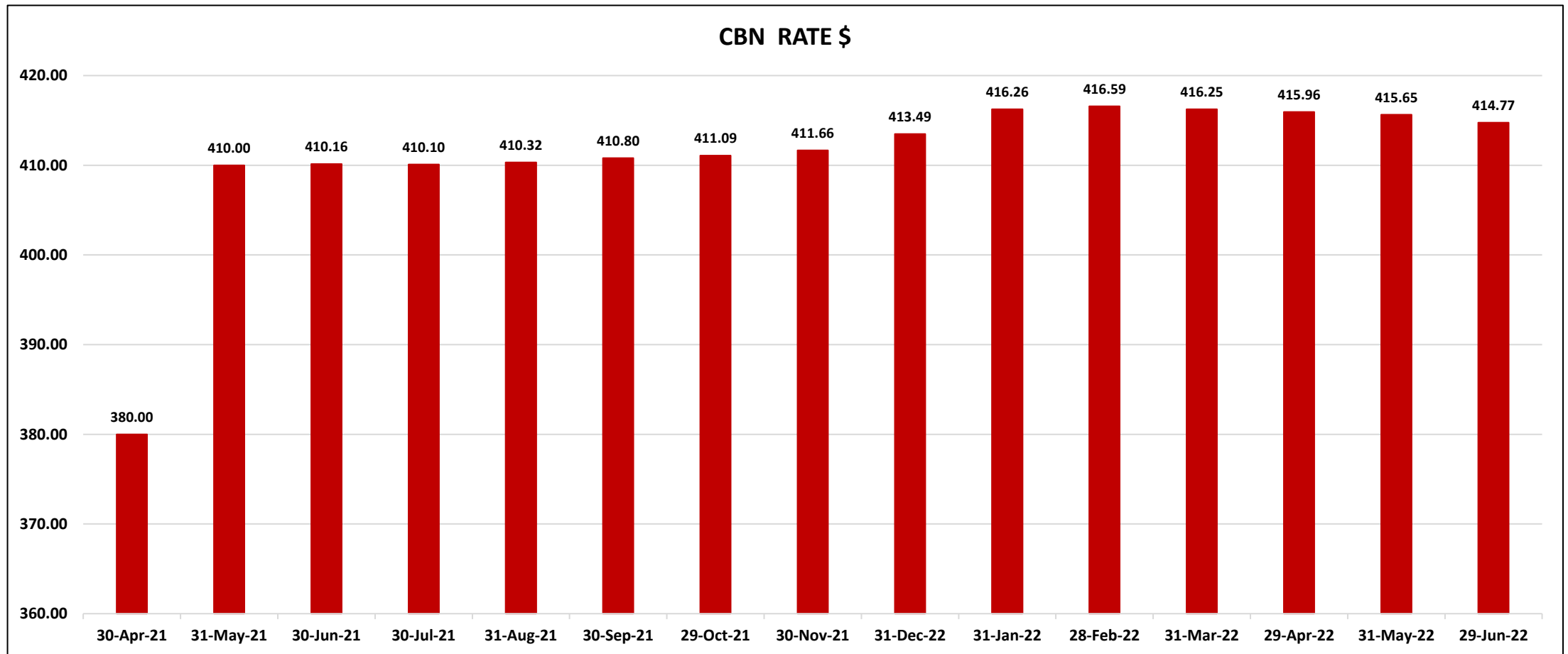
Nigeria's Exchange Rate

- NAFEX(I & E) rate started the year with a rate of N426.25 and appreciated to N425.25 at the end of the Q2:2022



Nigeria's Exchange Rate

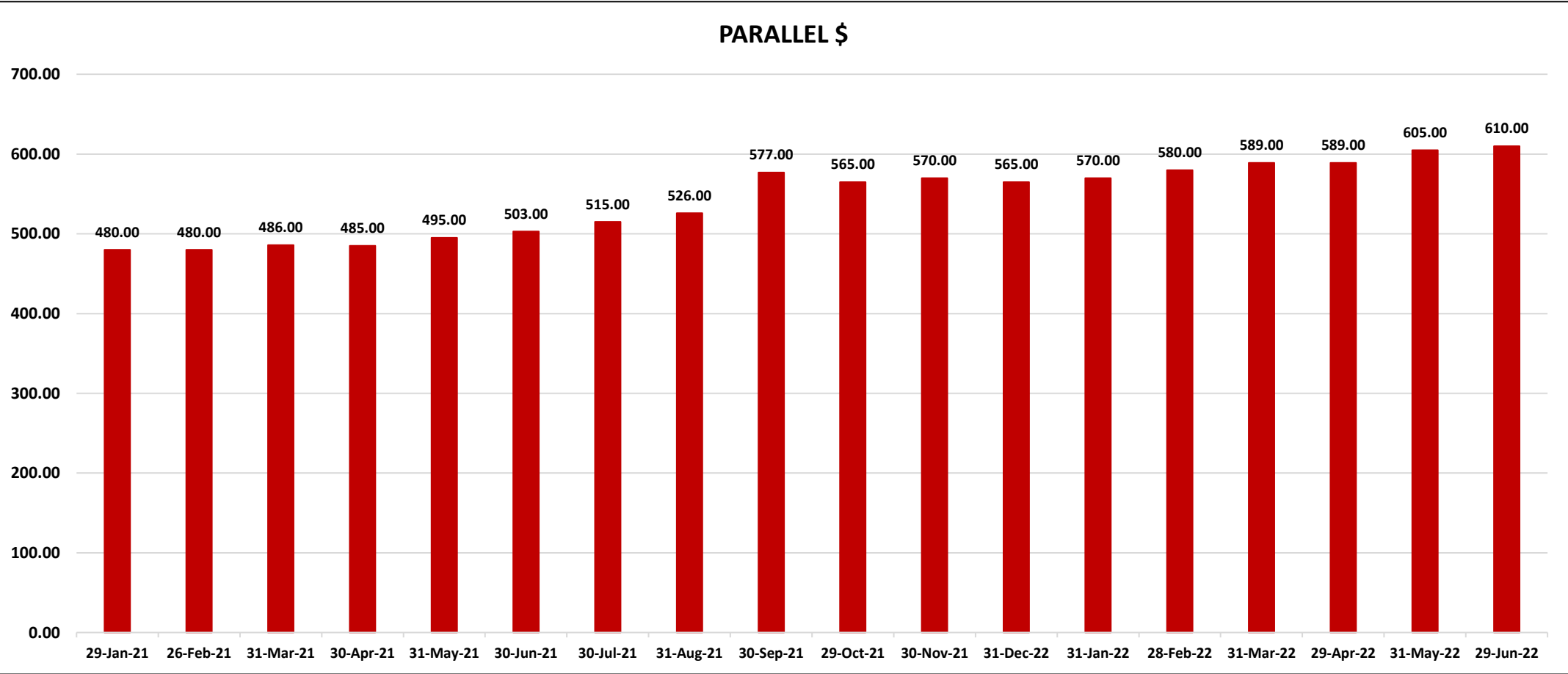
- The CBN official Rate started the year at N413.67 and depreciated to N415.72 at the end of Q2:2022



Nigeria's Exchange Rate



- The Parallel Market started the year at N567.00 and depreciated to N610.00 at the end of the Q2:2022

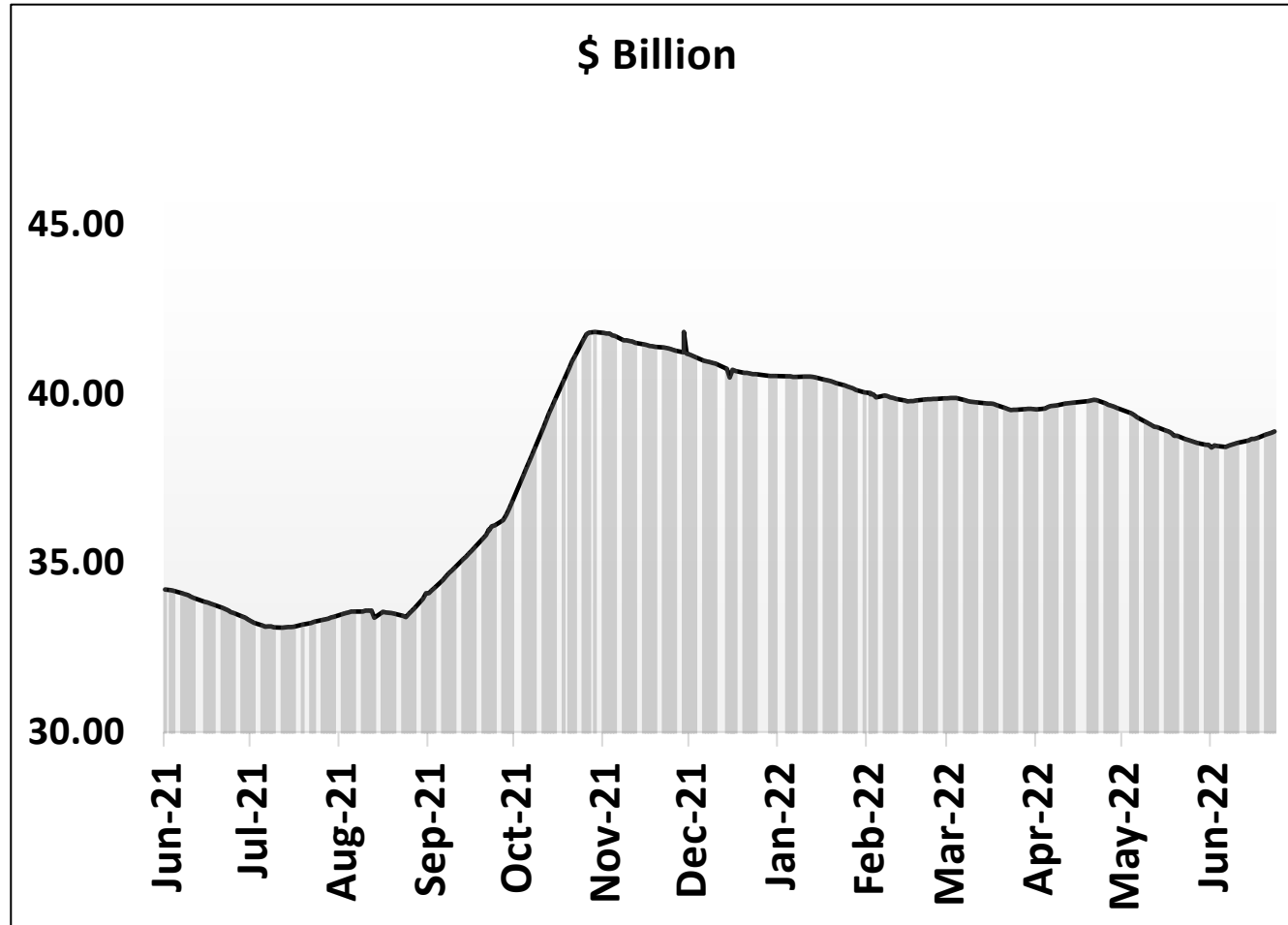


Nigeria's Exchange Rate

	April 2022	May 2022	June 2022	CHANGE % (FROM March ending April)	CHANGE% (FROM April ending to May)	CHANGE% (May Ending to June ending)
NAFEX (I & E)	419.00	418.54	424.88	0.68	-0.11	1.51
Parallel Market	589.00	605.00	610.00	0.00	2.62	0.83
CBN OFFICIAL	415.96	415.65	414.77	-0.07	-0.07	-0.21

- In recent weeks there has been an increase in dollar supply leading to fluctuations in the exchange rate between US Dollar and Naira causing appreciations to occur
- Parallel market rate depreciated to N614/\$ - now back to N610/\$.

Nigeria's External Reserves



- Despite the increasing price of crude oil, Nigeria's external reserves depreciated by \$1.37billion or 3.37 per cent in the first six months of 2022 to \$39.16billion as of June 30 from \$40.52 billion it closed in 2021
- This was also attributed to the weak exports and the high cost of importation of refined petroleum products.
- CBN defends the naira with \$3.36bn in two months with little impact on parallel market

Outlook for H2: 2022

- Real GDP growth is expected to remain positive in the coming quarter but could slow due to the lingering impact of the Russian-Ukraine war.
- The recent hike in interest rates may also pose downside risks to economic growth.
- Manufacturers are likely to begin to grapple with high borrowing costs while financial institutions could be faced with an increased risk of default on loans lent to the private sector.
- We expect moderation in inflation to the harvest season.
- Investor sentiment has been jittery due to expectations of another interest rate hike in July as inflationary pressures remain in the country.
- The interest rate hike will make investors rotate their funds to fixed income securities due to higher yields and dampen market sentiment.

Outlook for H2: 2022

- Stock Market performance will likely slow due to the rise in interest rates
- Market is expected to trade horizontally until the release of H1'22 corporate results.
- Exchange rate will depreciate marginally in H2;2022.
- Forex supply at the IEFX window will remain constrained in the near term as the rate of external reserves accumulation slows.
- Higher oil prices will boost FGN revenue in H2: 2022 but production will remain around the same level
- MPC will likely maintain status quo again at the next meeting

Disclaimer



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Thank you

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