

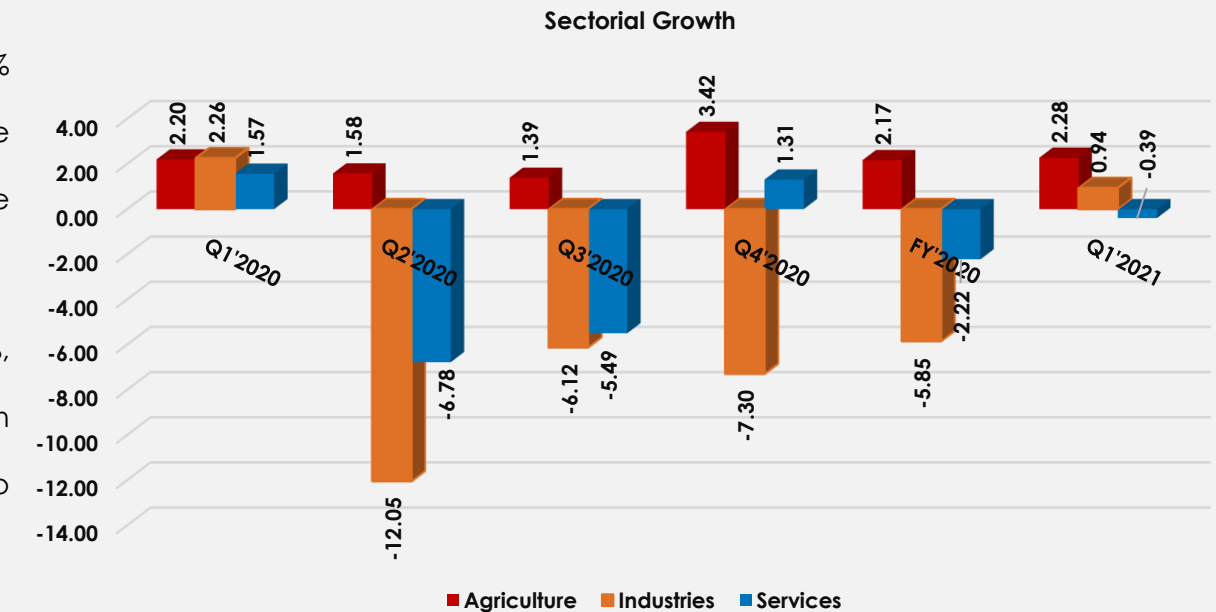
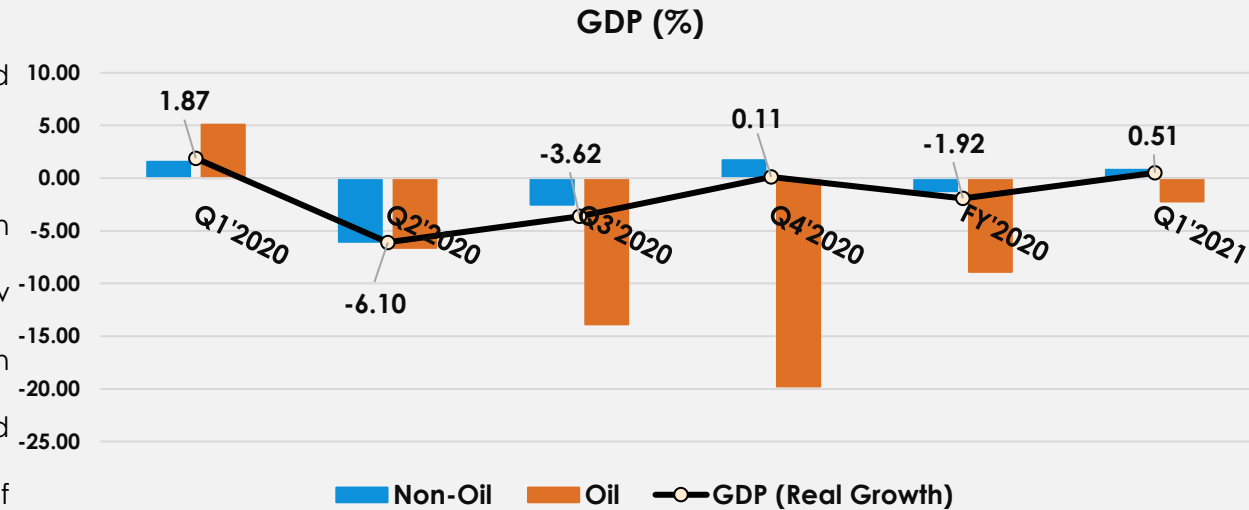
Economy Snapshot

-May'2021



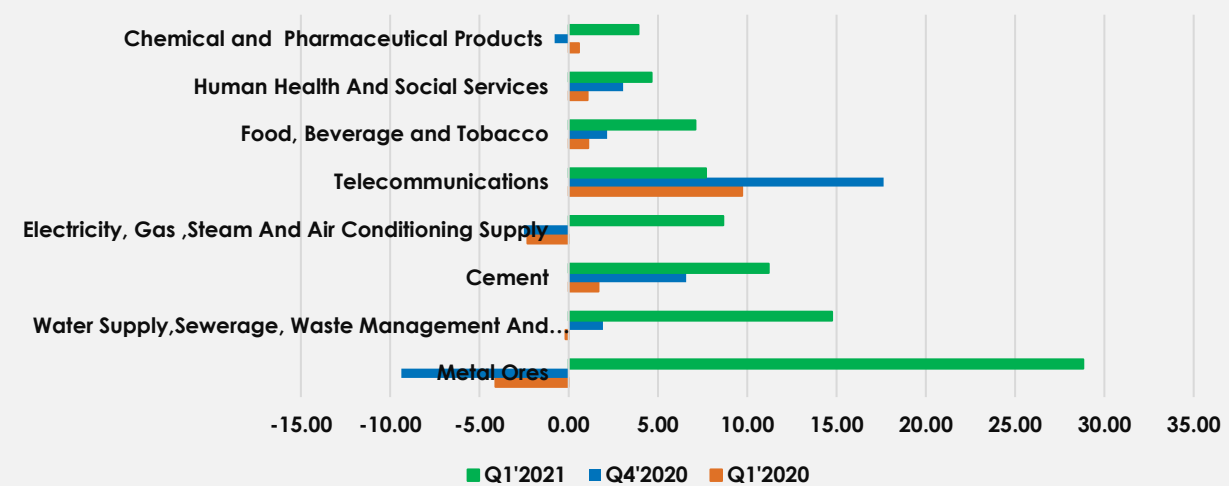
Tuesday, 01 June 2021

- The Nigeria GDP grew in real term by 0.51% in Q1'2021 to sustain the 0.11% growth reported in Q4'2020.
- The Non-Oil component of the GDP expanded by 0.79% as against the 1.69% expansion in Q4'2020. This was impacted by the 0.39% contraction in the Services Sector and 2.28% slow growth in the Agricultural Sectors, compared to the 1.31% expansion and 3.42% expansion in Q4'2020. However, the decline could be attributed to the high rate of insecurities and high electricity tariff, which also impacted the headline inflation within the first quarter of 2021.
- However, the Oil component of the GDP contracted by 2.21%, compared to the 19.76% contraction in Q4'2020. The slow contraction was largely impacted by the increase in the global crude oil price of an average of \$65pb and an increase in the Nigeria daily crude oil production output of 1.45mbpd in Q1'2021 as against 1.28mbpd in Q4'2020.
- The sectoral contribution to the real GDP in Services, Agriculture and Industries was 53.90%, 22.35% and 23.75% in Q1'2021 compared to 54.28%, 26.95% and 18.77% respectively in Q4'2020. This implies that only the Industries sector had a positive growth contribution to the real GDP quarterly

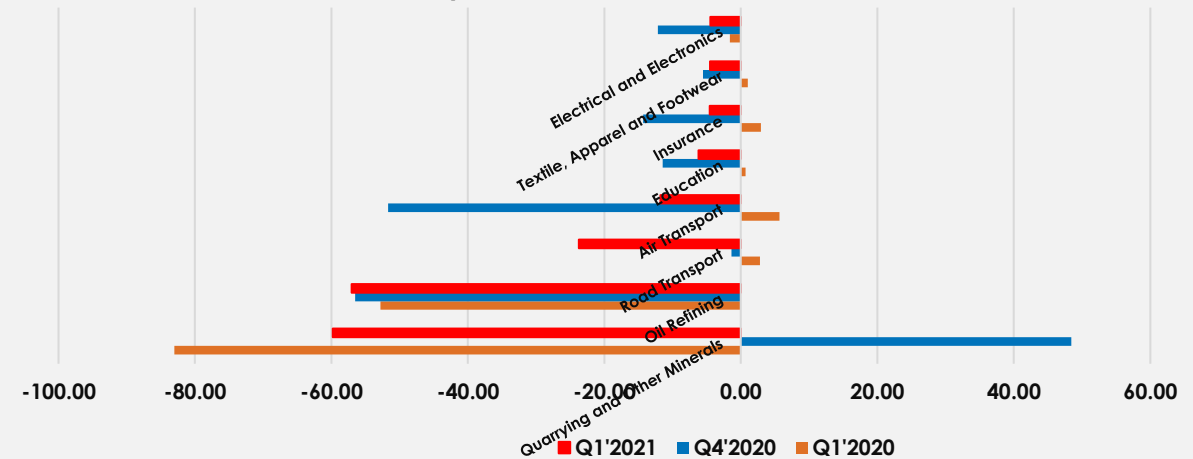


- In terms of the sub-sector of the GDP, Metal-Ores has the highest growth of 28.83%, compared with 9.38% contraction in Q4'2020. Similarly, the Cement, Telecoms and Human Health & Social Services sustained their y/y growth of 11.20%, 7.69% and 4.65% respectively. The sustained growth was supported by the government spending on capital projects, further reopening of business activities after the Covid-19 lockdown and more attention of the hospitals to more illness apart from Covid-19 related issue.
- However, Quarrying & Other Minerals declined sharply by 59.78% as against 48.42% expansion in Q4'2020. This was believed to be the effect of the rising insecurities in the country, which has stopped many miners from going to site and discouraging investors into the mining sector. Other decline sub-sectors are Road Transport, Air Transport, Education, and Electrical & Electronics with 23.75%, 11.78%, 6.20% and 4.46% respectively. The contractions are believed to be as result of Covid-19 pandemic, rising insecurities crisis, high cost of transportation, decline of Naira against the USD in the FX market

Top 8 Sub-Sector Advancers



Top 8 Sub-Sector Decliners



Headline Inflation

Mar'2021 18.17% ↓

Apr'2021 18.12%

All Items Less Farm Produce

Mar'2021 12.67% ↑

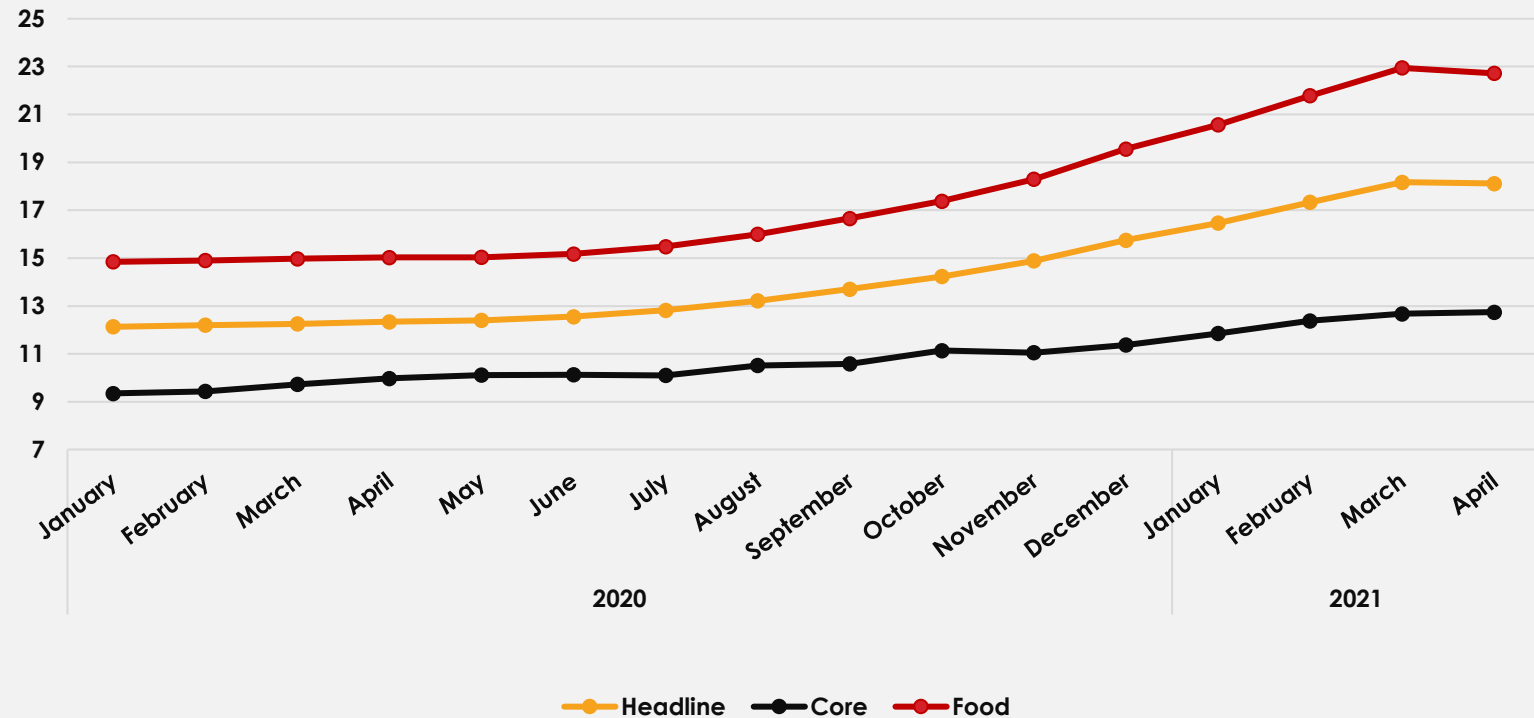
Apr'2021 12.74%

Food Items

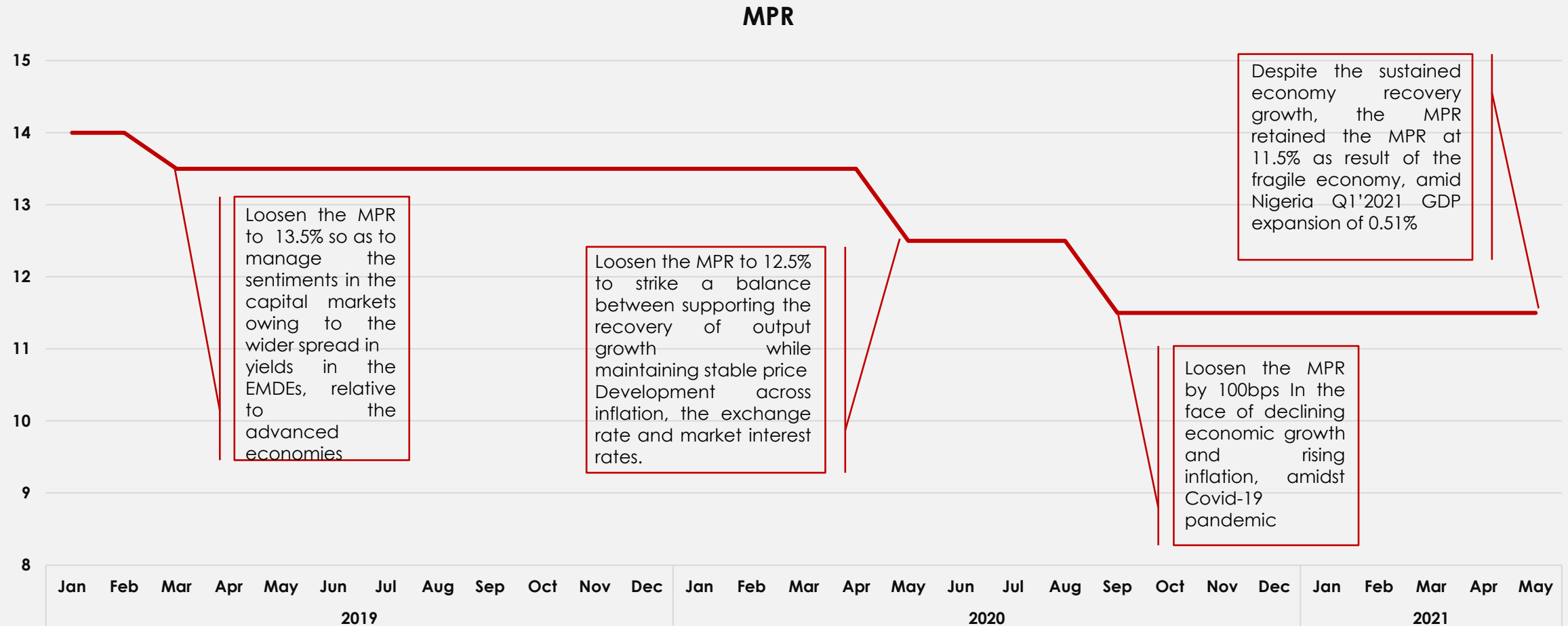
Mar'2021 22.95% ↓

Apr'2021 22.72%

Inflation (%)



- The Nigeria Inflation rate declined after 19th consecutive months of growth.
- The Food inflation declined to 22.72% from 22.95% in Mar'21, while the Core Inflation sustained growth from 12.67% in Mar'21 to 12.74%
- The decline in the headline inflation growth rate could be attributed by the base year effect of 2020 when the economy begins to feel the impact of the Covid-19 pandemic. However, the slight dip in inflation might be a temporary reprisal as insecurity crisis in food-producing regions and other parts of the country continue to increase.

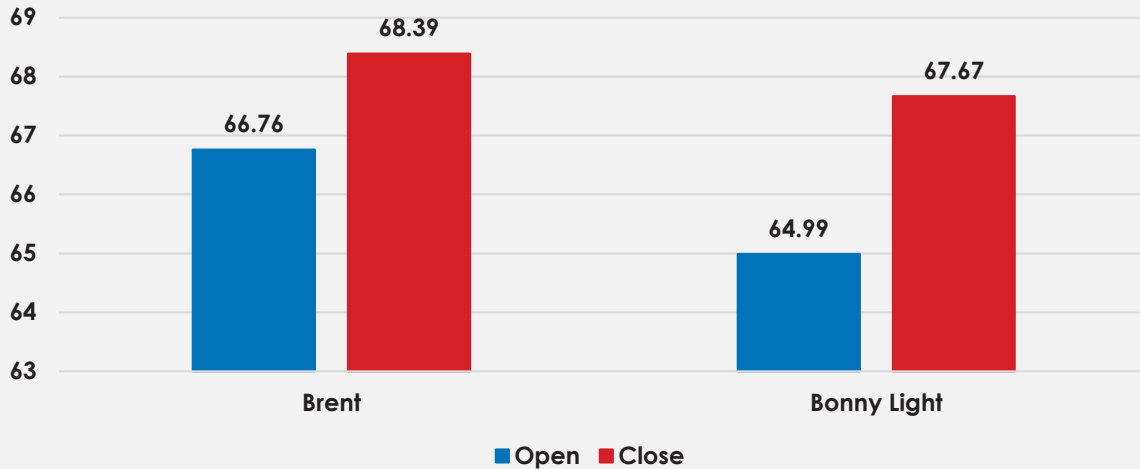


The MPC in May'2021 maintain status quo for the 4th consecutive time after the MPR and other parameters were reduced in Sept'2020.

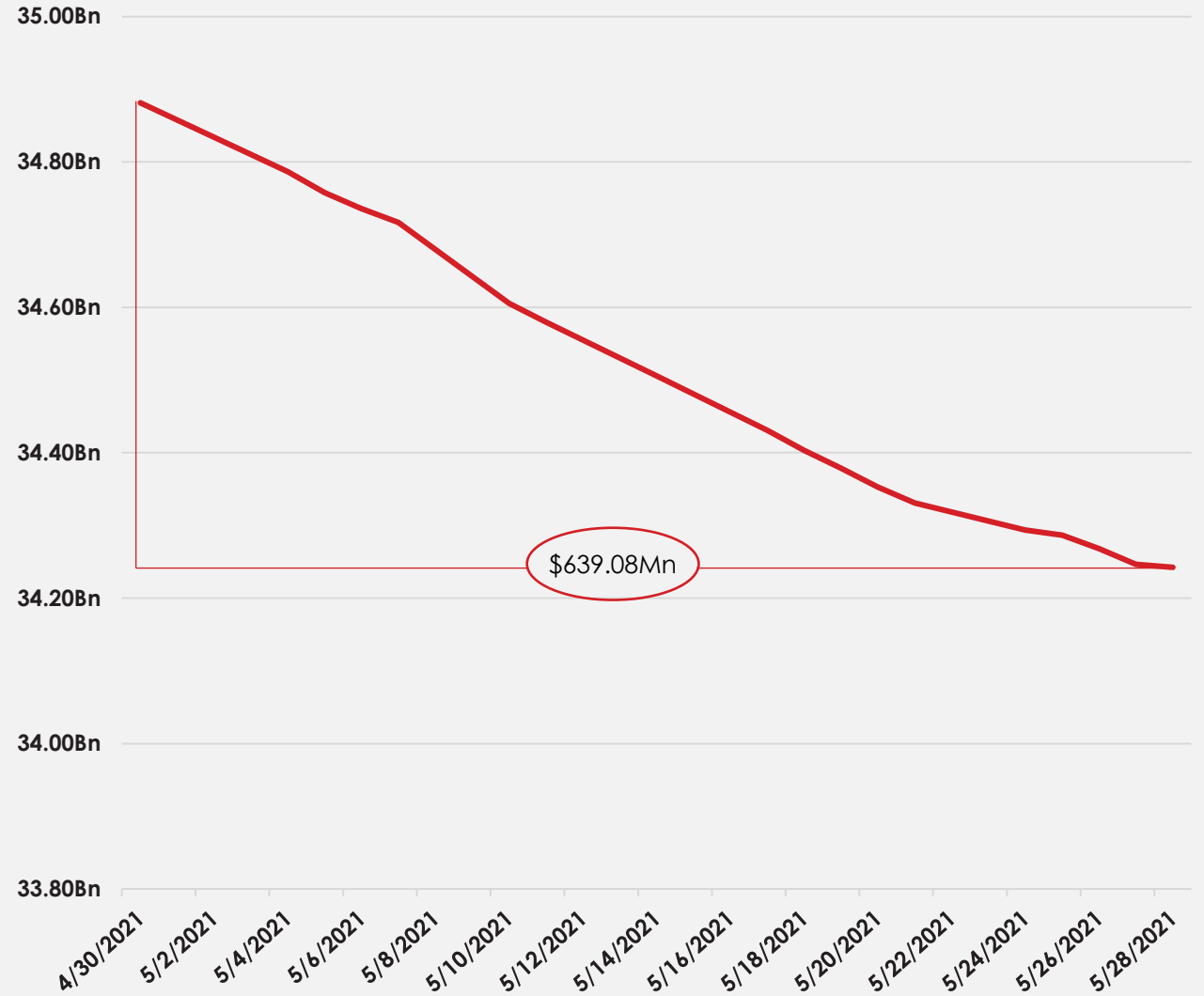
Leaving the MPR unchanged was a result of the fragile economy, as the Nigeria Q1'2021 GDP expanded marginally by 0.51%.

Oil Price and Foreign Reserve

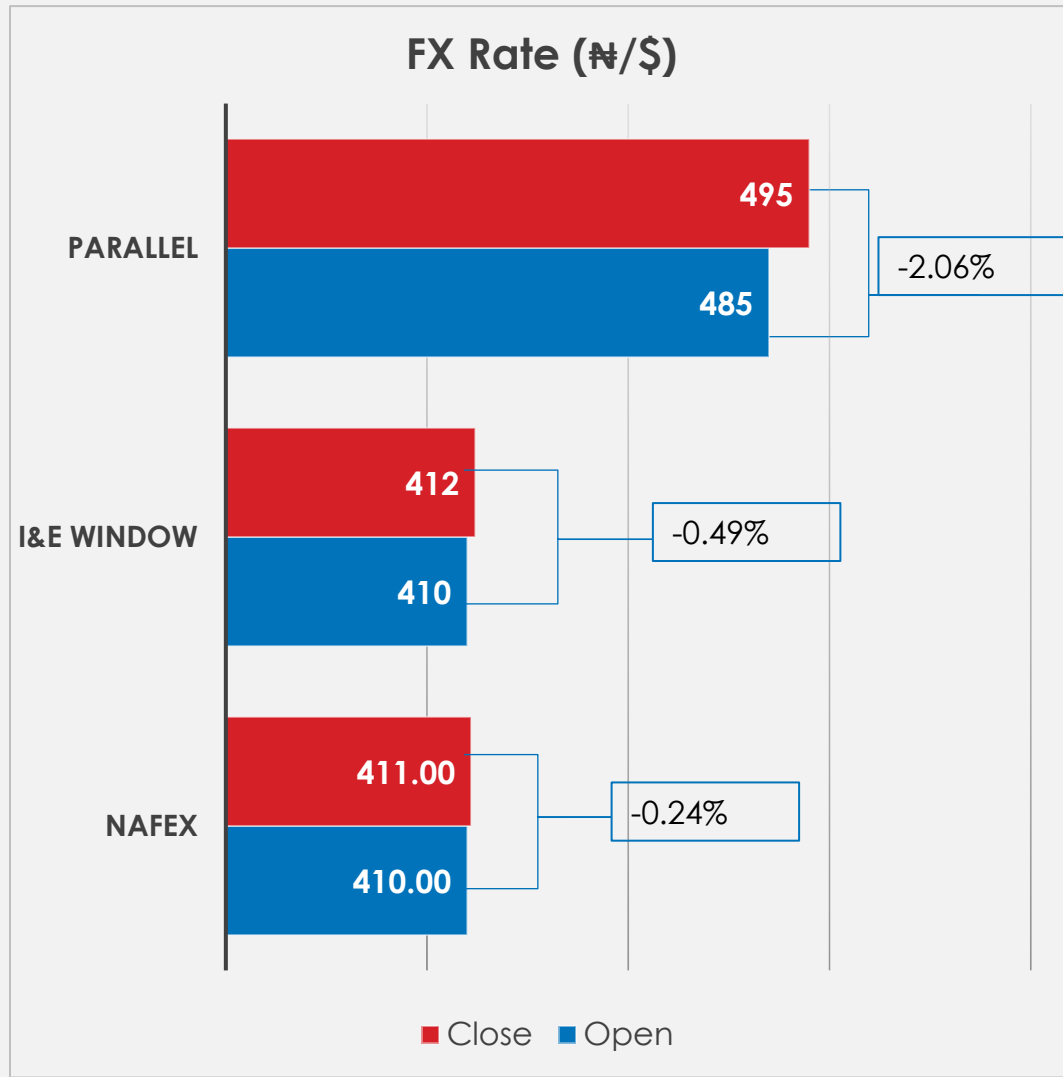
Oil Price (USD/Barrel)



Nigeria Foreign Reserve (\$)



Oil prices edged higher in the month of May as more U.S. states eased lockdowns and the European Union sought to attract travelers, the raising doubts about the future of indirect talks that could end U.S. sanctions on Iranian crude exports and the recovery of major U.S. pipeline network eased concerns over supply. Though soaring COVID-19 cases in India and fresh restrictions in Asia amid surging COVID-19 cases weighed on sentiment.



- The Central Bank of Nigeria (CBN) in the month of May adopted the usage of Nigerian Autonomous Foreign Exchange (NAFEX) as the government official exchange rate. This implies that all FX transactions involving the public and the private sector will now reference the prevailing NAFEX rate as its official exchange rate.
- Consequently, the Naira was in the NAFEX market depreciated by 0.24% from N410/\$ to N411/\$. • Similarly, at the I&E Window and the Parallel market, the Naira respectively depreciated by 0.37% and 0.26% to N411.5/\$ and N493/\$.
- The adoption of the NAFEX rate by the CBN may further uptick the inflation rate as businesses accessing the window for its needs will push the cost of their products. Although, about 44 products have been restricted from the previous official exchange rate.
- On the positive side, this will modestly up-picks inflows from the Foreign Direct Investors and unlock budget support from the world bank, as this is said to be conditional upon unspecified exchange rate.

Indicators	Apr-21			May-21		
	Close	Open	% Change	Close	Open	% Change
Index (ASI)	39,834.42	39,045.13	2.02% ↑	38,437.88	39,834.42	-3.51% ↓
Capitalization (₦'trn)	20.85	20.43	2.06% ↑	20.03	20.85	-3.93% ↓
YTD Returns	↓ -1.08%			↓ -4.55%		

- ❑ Bearish sentiment prevail in the Nigerian equity market as investors went on profit-taking, majorly on the bellwether stocks.
- ❑ The entire share capital of 11 Plc was delisted from The Daily Official List of the Nigerian Exchange Limited (the Exchange) on Friday, 7 May 2021.
- ❑ Also prices of (Eterna Plc, Berger Paint Nig. Plc, Linkage Assurance Plc, Lafarge Africa Plc, Seplat Plc MTN Nig. Plc, Courteville B.S. Plc, NPF Microfinance Bank Plc, Wema Bank Plc, Okomu Oil Palm Plc, Prestige Assurance Plc, May & Baker Plc, Nestle Nig. Plc, Aluminum Extrusion Plc and Julius Berger Nig Plc) were adjusted, following the dividend paid out by the respective companies.

Fixed Income Market

The Overnight (ON) and Open Buy Back (OBB) rates in May opened at 27.75% and 27.50% respectively to close at 13.00% and 12.50%, following the Open Market Operation (OMO) maturity inflow of ₦85 billion within the month.

In the secondary T-bills market, the average yield on the 12-month instrument rose by 0.55% from 8.81%, closing the month at 9.36%. Similarly, the 91-day and 180-day spiked to 3.42% and 4.92% from the previous month's close of 3.21% and 4.60% respectively.

Similarly, the average bond yield rose on the medium and long term instruments as the 1yr, 2yr, 4yr, 7yr and 10yr closed the month of May at 8.12%, 11.80%, 12.32%, 13.03% and 14.00% from 7.50%, 10.51%, 11.47%, 12.43% and 12.66% respectively in the previous month.

The spike across the Money and Bond market was a result of the decline in the equity market, as investors continued to drive sentiments toward the short term instrument for better returns.

Money Market	21-Apr			21-May		
	Close	Open	% Change	Close	Open	% Change
Over-Night Rate (ON)	27.75%	32.50%	↓ -4.75%	13.00%	27.75%	↓ -14.75%
Open Buy Back (OBB)	27.50%	30.00%	↓ -2.50%	12.50%	27.50%	↓ -15.00%

T.Bills Yields	21-Apr			21-May		
	Close	Open	% Change	Close	Open	% Change
1M	2.09%	1.93%	▲ 0.16%	2.37%	2.09%	▲ 0.28%
3M	3.21%	2.42%	▲ 0.79%	3.42%	3.21%	▲ 0.21%
6M	4.60%	3.97%	▲ 0.63%	4.92%	4.60%	▲ 0.32%
9M	7.05%	4.84%	▲ 2.21%	7.18%	7.05%	▲ 0.13%
12M	8.81%	6.01%	▲ 2.80%	9.36%	8.81%	▲ 0.55%

Bond Yields	21-Apr			21-May		
	Close	Open	% Change	Close	Open	% Change
1YR	7.50%	4.80%	▲ 2.70%	8.12%	7.50%	▲ 0.62%
2YR	10.51%	6.34%	▲ 4.17%	11.80%	10.51%	▲ 1.29%
4YR	11.47%	8.92%	▲ 2.55%	12.32%	11.47%	▲ 0.85%
7YR	12.43%	10.49%	▲ 1.94%	13.03%	12.43%	▲ 0.60%
10YR	12.66%	10.72%	▲ 1.94%	14.00%	12.66%	▲ 1.34%

- We expect the inflationary rate to sustain marginal decline in the month of May, relative to the base year effect and the harvest season. However, the existing rising rate of insecurities, high transport cost and decline of Naira in the FX market could increase the inflation rate in May.
- In the FX market, we anticipate further pressure on the naira amidst the recent devaluation of naira by the CBN and decline in the Nigeria Foreign Reserve.
- With the recent decline in the equity market despite the relatively Q1 '2021 performance by many listed company, we expect bargain hunting from investors in the equity market for the month of June.
- As the inflation rate began to take a decline, we expect the yields in the fixed income market to slow down in the month of June.

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