



Macroeconomic Review and Outlook: *The Resilience in Nigeria Citizen*



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1. Global Economy in 2021



Covid-19 vaccines restore hope to the global economy

➤ In 2020, the emergence of the Covid-19 pandemic changed every projection. However, exactly a year after WHO revealed the Covid-19 virus from Wuhan, China, WHO listed the Comirnaty Covid-19 mRNA vaccine for emergency use, making the Pfizer/BioNTech vaccine the first to receive emergency validation from WHO.

➤ Since then, over 12 different vaccines have been approved for usage by various countries.

➤ Despite the approval of various Covid-19 vaccines, the number of Covid-19 cases has increased by 238.44% to 282.80Mn Dec 2021, from 83.56Mn cases in Dec 2021. This was impacted by the new variants of Covid-19 (Omicron) and its resistance to the existing vaccines

Vaccination			
Region	Fully Vaccinated	Partly Vaccinated	Total
World	47.02%	9.84%	56.86%
Asia	53.51%	11.91%	65.42%
Africa	8.40%	4.52%	12.92%
South America	62.47%	13.31%	75.78%
North America	56.48%	10.93%	67.41%
Oceania	57.43%	3.12%	60.55%
Europe	60.26%	4.15%	64.41%

Source: OWID, Atlass Research

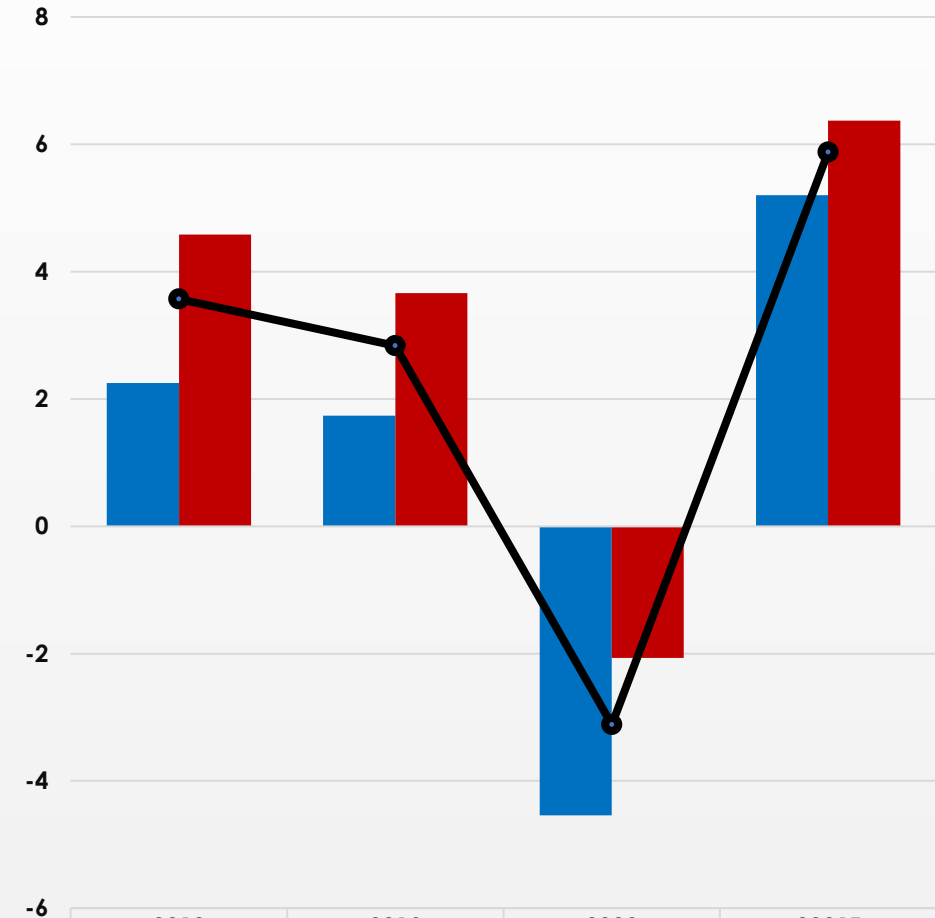
Covid-19 Variants	
WHO Label	Earliest sample
Alpha	U.K. - Sept 2020
Beta	South Africa - May 2020
Gamma	Brazil - November 2020
Delta	India - October 2020
Omicron	South Africa - November 2021

Source: Wikipedia, Atlass Research

Global Economy to bounce back despite Omicron fear

- In the October 2021 edition of World Economic Outlook, the International Monetary Fund (IMF) projected the global economic growth to improve by 5.9% in 2021 from the contraction of 3.1% in 2020 following the impact of the Covid-19 pandemic.
- The expectation was predicated based on the vaccine-powered strengthening of economic activities within the year and additional policy support in large economies.
- Based on the above, economic growth in Advanced Economies is projected to print at 5.2% in 2021, while growth in Emerging Markets and Developing Economies (EMDEs) is projected to settle at 6.4% (vs -2.1% in 2020) due to the expectation of strong growth in Emerging and Developing Asia (7.2% vs -0.8%) and Sub-Saharan Africa (3.7% vs -1.7%) relative to 2020.

Real GDP Growth Rate



	2018	2019	2020	2021F
Advanced Economies	2.251	1.739	-4.539	5.202
EMDEs	4.582	3.666	-2.066	6.375
World	3.569	2.836	-3.116	5.88

Advanced Economies EMDEs World

Fiscal and Monetary Policies to stimulate the economy to pre-Covid-19 era



Fiscal Policy
Monetary Policy

United State

- A \$1.9 trillion relief package called "The American Rescue Plan" was approved by the president Joe Biden.
 - Trade talks with China revisited.
 - Biden signed Infrastructure deal
-
- Maintained Federal Funds Rate benchmark at a range of 0% - 0.25%
 - Inflation rate sustain uptrend to reach 4.99% in May'2021
 - Overnight and Repo rate remain pressured.
 - Decided to commence tapering of bond purchases, with reductions of \$15 billion each month.



Fiscal Policy
Monetary Policy

Britain

- Extends Covid-19 restriction till July-19
 - Trade deficit, excluding precious metals, narrowed by £8.4 billion to £1.4 billion
 - Urged U.S. to launch formal talks on cutting tariffs on steel and aluminum before 2022
-
- Maintain an interest rate of 0.1% for the 12th consecutive months.



Fiscal Policy

China

- China GDP grew by 18.3% in Q1'2021 but grew slowly by 7.9%y/y and 4.9%y/y in Q2 and Q3'2021, respectively.
- Extends Tax breaks to 2023.
- Unemployment rate fell to two years low of 4.9%

Monetary Policy

- Lowered the One-year Lending Prime Rate 3.80% after 20 months.
- Cut, the relending rate by 25bps as the 3M relending rate stands at 1.7%, the 6M rate at 1.9% and the 1Yr rate at 2%.

Source: Wikipedia, Atlass Research

2. Sub-Sahara Economy in 2021



The Sub-Saharan Africa in 2021

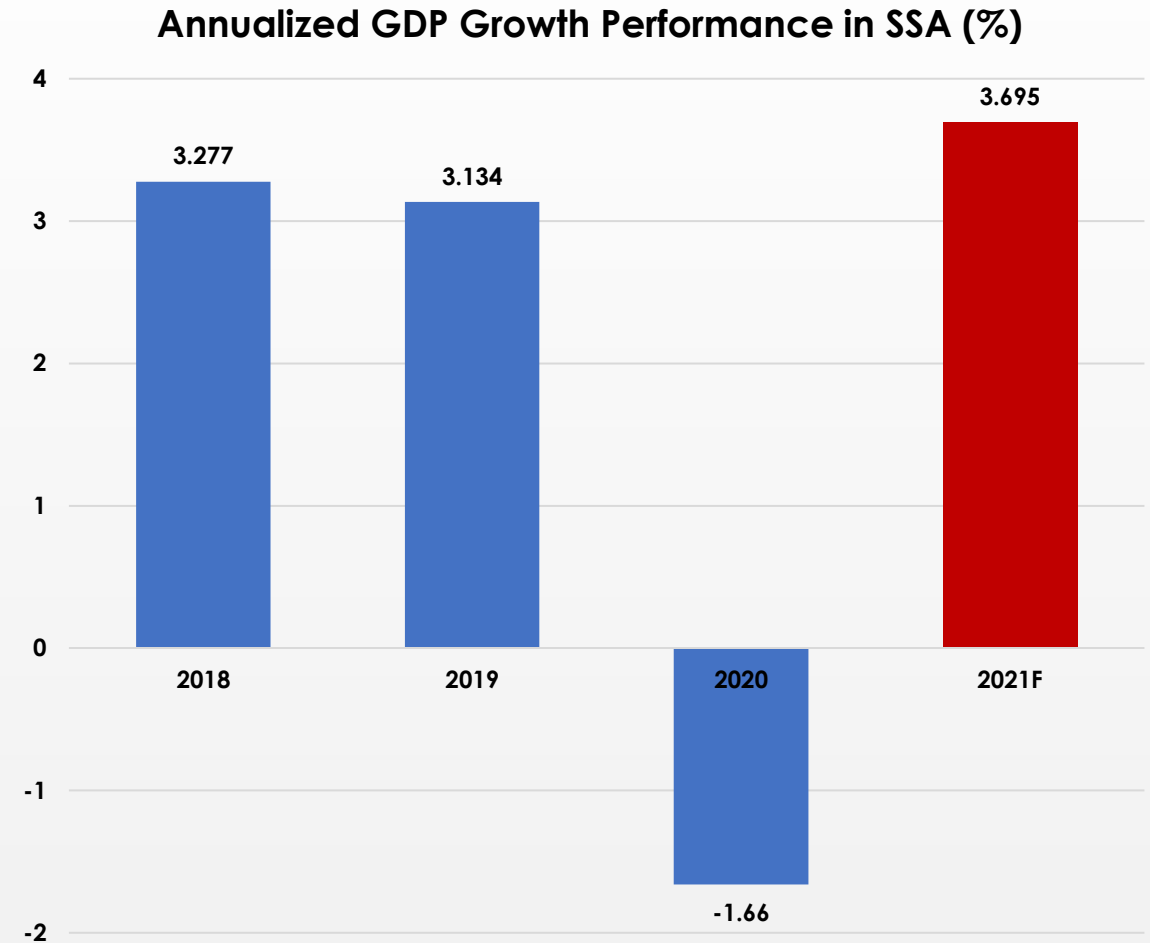
Like every other economy in the world, growth in Sub-Saharan Africa (SSA) in 2020 contracted by 1.93%, impacted by the Covid-19 pandemic.

However, with the rollout of the Covid-19 vaccines and the general reopening of the economy, the two biggest economies in SSA, Nigeria and South Africa in Q3'2021 expanded by 4.03%y/y and 2.90%y/y, respectively.

SSA Country	Q3'2021 GDP	Exchange Rate (Per USD)	MPR	Inflation	External Reserve	PMI	Unemployment Rate
Nigeria	4.03%	415.07	11.50%	15.40%	\$40.71 Bn	47.30	33.30%
Ghana	3.90%	6.14	14.50%	11.00%	\$10.73 Bn	51.00	4.50%
South Africa	2.90%	15.84	3.75%	5.00%	\$57.618Bn	57.20	34.90%
Kenya	10.10%	112.9	7.00%	6.50%	\$14.50B	53.00	6.60%

The Sub-Saharan Africa in 2021

- However, amidst the discovery of vaccines and recovery of the global economy, the International Monetary Fund (IMF) projected an expansion of 3.7% for the SSA, 2.6% below the global projected growth of 6.0%, supported by improved exports and commodity prices, along with a recovery in both private consumption and investment



Source: IMF, Atlass Research

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3. Nigeria Economy in 2021



Insecurity & Covid-19 force Nigeria to borrow more

2021 Approved Budget

Revenue	₦7.99 Trillion
Expenditure	₦13.59 Trillion
Deficit	₦5.60 Trillion
Oil Revenue	₦2.01 Trillion
Non-Oil Revenue	₦1.48 Trillion

2021 Supplementary Budget ₦895.8 Billion

World Bank	– ₦39.58 Billion
Special Reserve Lobby Account	– ₦135 Billion
Borrowing	– ₦722.53 Billion



President Muhammadu Buhari signed the 2021 Appropriation Bill into law on the 31st of December, 2020. The budgeted expenditure of ₦13.59 Trillion was 4% higher than the initial ₦13.08 Trillion presented to the National Assembly (NASS) in Oct 2020. The budget was based on the revenue assumption of 1.86 million barrels of Crude Oil per day at \$40 per barrel and an exchange rate of ₦360/\$.

However, with the need to increase the number of vaccinated citizens against the Covid-19 and the quest to curtail the rising rate of insecurities in the country, the president approved a supplementary budget of ₦982.73 Billion. In the Supplementary budget, ₦39.58 came from the World Bank Loan, ₦135 Billion from Special Lobby Account, while ₦722.53 Billion came from domestic and Foreign Borrowings.

Also, the fund was to acquire ₦83.56 Billion worth of J&J Covid-19 Vaccine, ₦1.69 Billion for the Nigerian Comprehensive AIDS programme, ₦40 Billion under the public service-wide wage adjustments to take care of the needs for allowances to the health and education sector, and ₦770.60 billion for defence spending.

Insecurity & Covid-19 force Nigeria to more borrowings

2022 Proposed Assumption

Oil Price	\$62 per barrel
Oil Production	1.88 million barrel per day
Exchange Rate	₦410.15 per USD
GDP Growth	4.20%
Inflation Rate	13.00%

Going forward, President Muhammadu Buhari is expected to approve the 2022 budget, tagged Budget of Economic Growth and Sustainability, before the year-end. The budget expenditure is estimated at ₦16.39 trillion, which is 20.6% higher than ₦13.59 trillion of 2021 budget.

The 2022 budget was assumed based on an exchange rate of ₦410.15/\$ (vs ₦379/\$ for 2021), 1.88mbpd oil production at \$57pb (vs 1.86mbpd oil production at \$40pb), GDP target of 4.20% and an inflation target of 13.00%.

However, the budget revenue is estimated at ₦10.13 trillion, while the budget deficit rose by 14.4% compared to the 2021 budget deficit of ₦6.26 trillion. Of which, the budget deficit is to be financed by borrowings from Domestic sources (₦2.51 trillion), Foreign sources (₦2.51 trillion), multi-lateral/bi-lateral loan (₦1.16 trillion) and Privatization proceed (₦90.7 billion).

Meanwhile, looking at the budget deficit of ₦6.26 trillion, 3.39% of the nation's GDP and 0.39% above the threshold of 3%, we believe that the government needs to expand its revenue base by taxing the informal sector and reviewing excise duties on certain goods.

Trillion	2021	2022 Proposed	Change
Budget	₦13.59	₦16.39	20.60%
Revenue	₦8.12	₦10.13	24.75%
Deficit	₦5.47	₦6.26	14.44%
Oil Revenue	₦2.01	₦3.53	75.62%
Non-Oil Revenue	₦1.49	₦2.13	42.95%
Debt Services	₦3.12	₦3.6	15.38%

Source: Budgetoffice, Atlass Research

Petroleum Industry Act 2021 ending an era of petroleum subsidy

- On August 16, 2021, the long-awaited Petroleum Industry Bill (PIB) was finally signed into law by President Muhammadu Buhari (now Petroleum Industry Act) to end nearly two decades of political gymnastics on the bill. For context, the PIB is omnibus legislation aimed at repositioning the Nigerian oil & gas industry through far-reaching reforms in four (4) key areas of Governance, Administration, Host Communities Welfare, and Fiscal Provision.
- Despite being Nigeria's leading source of FX earnings (c.90.0% of goods export earnings) and the largest source of FG's revenue (c.58.0%), the oil & gas industry in Nigeria is still largely governed by the outdated Petroleum Profit Tax (PPT) Act of 1959 and the Petroleum Act of 1969.
- The PIA, however, signified the end of the Department of Petroleum Resource (DPR), Petroleum Products Pricing Regulatory Agency (PPPRA) and the Petroleum Equalization Fund (PEF). While the Midstream and Downstream Petroleum Regulatory Authority, Upstream Regulatory Commission was inaugurated

Petroleum Industry Governance

To drive an effective governance system in the industry

Host Community Development

To improve the socio-economic welfare of the host community

Fiscal Provision

Establish fiscal framework that encourage investment in the oil & Gas industry, expand government revenue base, and ensure fair return to investors

Petroleum Industry Administration

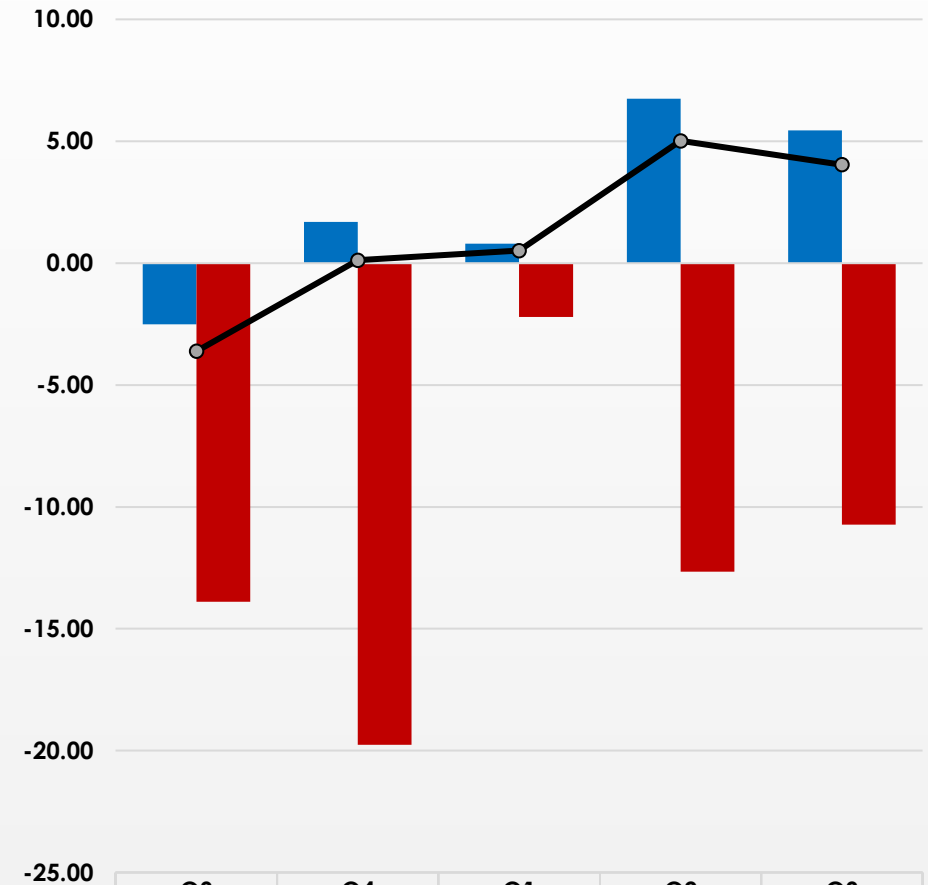
To promote the exploration and exploitation of petroleum products for the benefit of the Nigerian people.



Nigeria sustains expansion amid second wave of Covid-19

- The Nigeria GDP grew in real-term by 4.03% in Q3'2021, sustaining recovery to four consecutive quarters.
- The Non-Oil component of the GDP expanded by 5.44%, compared to the 6.74% expansion in Q2'2021. This was impacted by the 8.41% and 2.28% slow growth in the Services and Agricultural Sectors, respectively, compared to the 9.27% expansion and 1.30% expansion in Q2'2021. However, the decline could be attributed to the high rate of insecurities, high electricity tariffs, and the high cost of doing business in Nigeria.
- However, the Oil component of the GDP contracted by 10.73%, compared to the 12.65% contraction in Q2'2022 despite the 7.4% increase in the average crude oil (Bonny Light) price to \$73.84/barrel.
- The sectoral contribution to the real GDP in Services, Agriculture and Industries was 49.65%, 29.94% and 20.41% in Q3'2021, compared to 55.66%, 23.78% and 20.57%, respectively in Q2'2021. This implies that only the Agriculture sector had a positive growth contribution to the real GDP quarterly.

Nigeria Real GDP Growth Rate



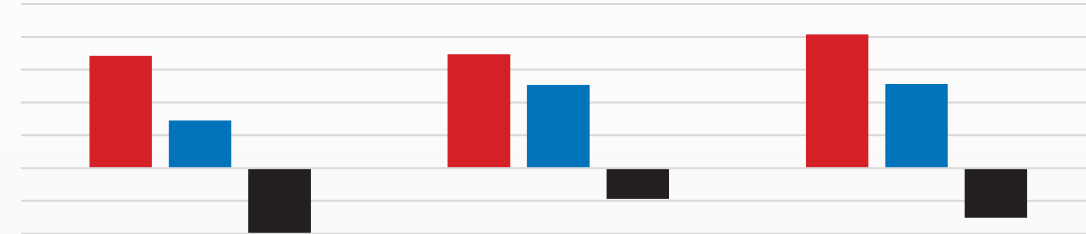
	Q3	Q4	Q1	Q2	Q3
	2020		2021		
Non-Oil Growth Rate	-2.51	1.69	0.79	6.74	5.44
Oil Growth Rate	-13.89	-19.76	-2.21	-12.65	-10.73
Real GDP Growth Rate	-3.62	0.11	0.51	5.01	4.03

■ Non-Oil Growth Rate ■ Oil Growth Rate ● Real GDP Growth Rate

Trade deficit persist as Nigeria become more of importing nation

- Total trade in 2021 was valued stood at ~~N~~35.07 trillion as of Q3'2021, 8.18% higher than ~~N~~32.42 trillion posted in FY'2020. The import component, which was valued at ~~N~~21.95 trillion in 2021, was higher than the export component valued at ~~N~~13.12 trillion for same period. Still, growth in imports outperformed growth in exports so far in 2021 when compared to 2020. The value of exports grew by 104.75% mainly driven by the increase in the export value of crude oil while the value of imports uptick by 110.34%.

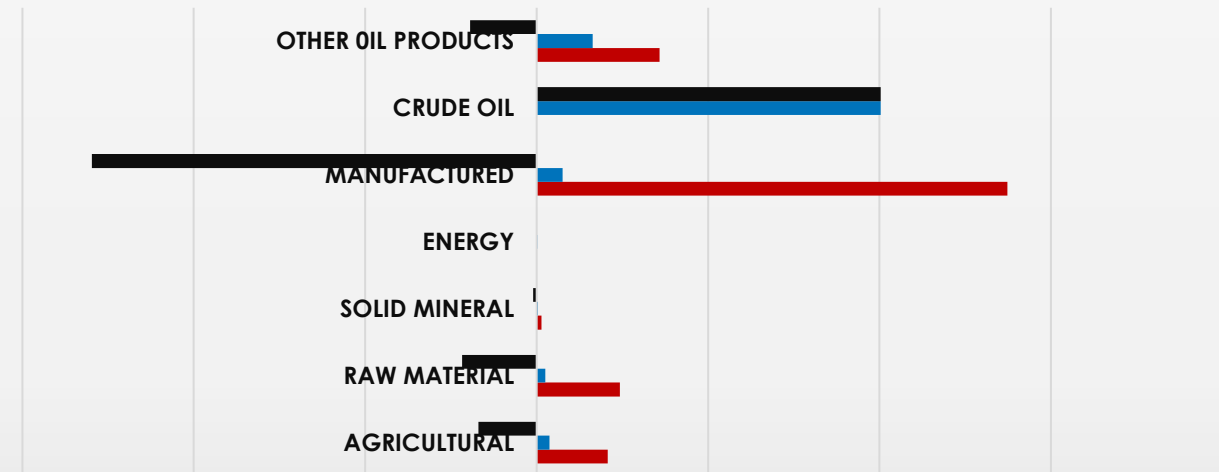
2021 Trade Data



	Q1	Q2	Q3
■ Import	6850657.61	6950205.874	8153794.859
■ Export	2907212.016	5079435.41	5130295.114
■ Balance	-3943445.594	-1870770.464	-3023499.745

■ Import ■ Export ■ Balance

2021 YTD Trade by Products

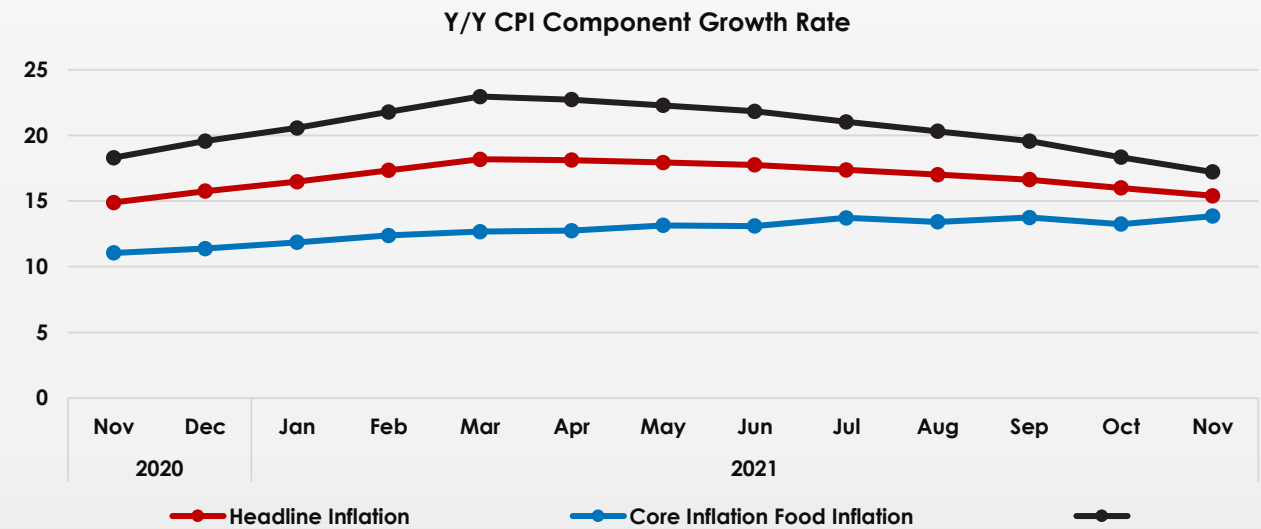
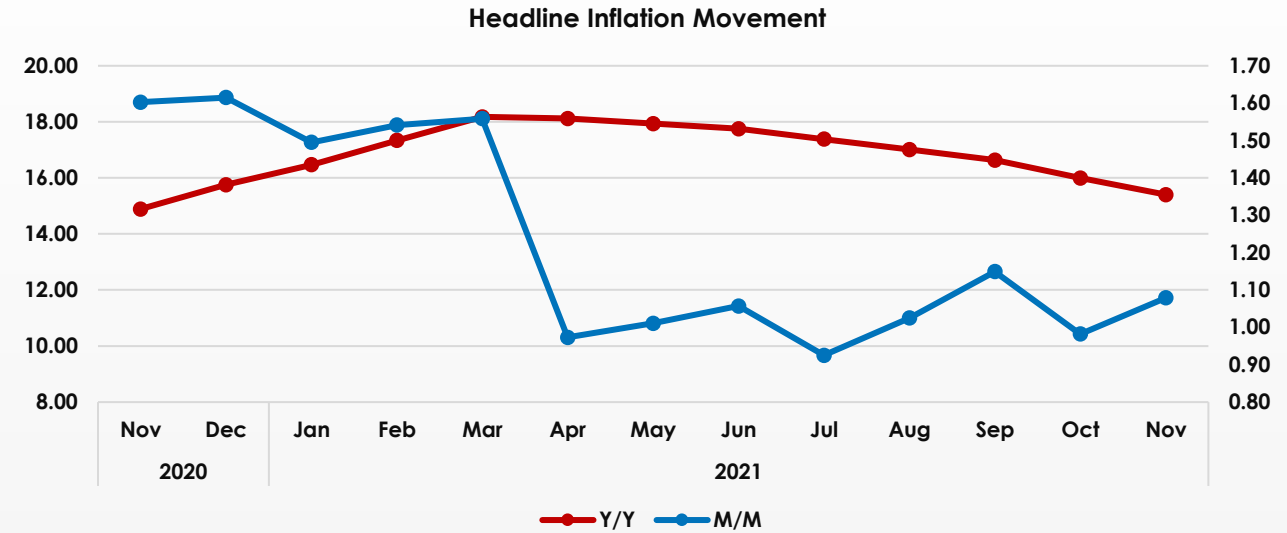


Source: NBS, Atlass Research

■ Balance ■ Export ■ Import

Inflation: Insecurities vs base effect

- The Nigeria Headline Inflation rate as of November 2021 stood at 15.44% to record the lowest rate in 12 months.
- The Core Inflation has been consistently rising in 2021, following the two times devaluation of Naira in 2020 and high electricity tariff, which has drastically affected the price of many Non-farm produced and imported goods.
- The Food inflation stood at 17.21% in Nov'2021, compared to 18.30% in Nov'2020, representing eight consecutive months of decline in the food inflation rate. This was driven by the base effect, harvest season, and various CBN interventions in the agricultural sector.
- Aggregately, the Headline inflation has been increasing at a slow rate from the beginning of Q2'2021, as a result of the base year effect of 2020 when the economy began to feel the impact of the Covid-19 pandemic.

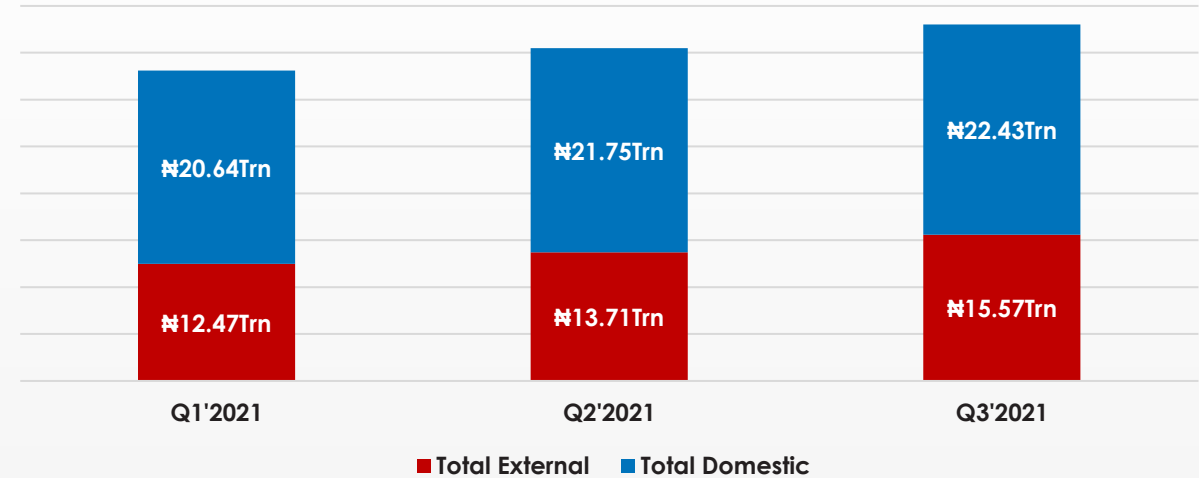


Source: NBS, Atlass Research

Low revenue vs borrowings

- Amidst the steps to increase vaccination against Covid-19 pandemic, reducing the high insecurity rate, closing the infrastructural deficit gap, and low revenue generation, Nigeria total debt (FGN, States & FCT) as of the Q3'2021 stood at ₦38.00 trillion, 7.16%q/q higher than ₦35.11 trillion in Q2'2021 and 15.46% higher than ₦32.92 trillion in Q4'2020. Accordingly, the External debt rose to ₦15.57 trillion by 22.57%YTD (from ₦12.71 trillion in Q4'2020), while the domestic debt climbed to ₦22.43 trillion by 10.99%YTD (from ₦20.21 trillion in Q4'2020). Going by the 2020 Debt status and the annual Real GDP value, the Debt to GDP ratio stood at 47.01%. We expect the Debt to Real GDP to increase to 56.4%, owing to the recent \$3.03 billion Eurobond and

National Debt

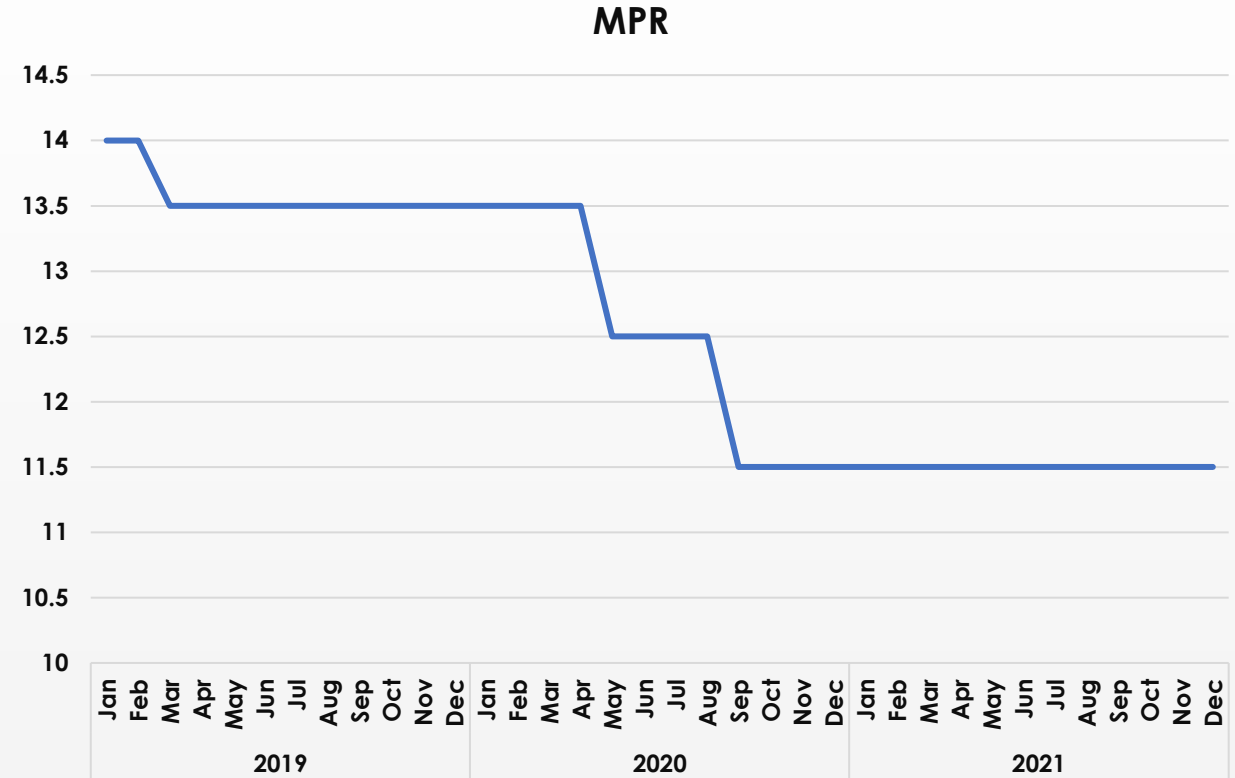


Source: DMO, Atlass Research

	2019	2020	2021F
Debt to Real GDP	38.38%	47.01%	56.40%
Debt to Revenue	652.41%	835.99%	848.46%
Debt Service to Revenue	54.76%	82.94%	77.08%

MPC knee on its recovery strategies

- The Nigeria Monetary Policy Committee, although the year 2021, decided to retain the Monetary Policy Rate(MPR) at 11.5%, compared to other EMDEs nations tightening up their respective rates.
- The MPC decisions follow the bid for a stable economic recovery from the impact of Covid-19 pandemic, as the GDP expanded by 4.03% and 5.01% in Q3'2020 and Q2'2021, respectively.



MPR	11.50%
Asymmetric Corridor	+100/-700
Cash Reserve Ratio	27.50%
Liquidity Ratio	30%

Source: CBN, Atlass Research

Economic recovery drives oil price increase

Oil prices have been bullish in 2021, with prices rising above pre-pandemic levels in February when the Brent crude oil price, the global benchmark price, rose to a seven-year high (USD86.40/bbl) in October. Overall, the Brent crude price increased by 44.2% YTD to USD74.72/barrel as of 10th December. The price rally was impacted by the increase in demand due to impressive vaccine administration in western countries, sustained restriction on production by OPEC+, shortfalls in output in the US and other non-OPEC producers, and the increased use of crude oil as a substitute for natural gas – owing to higher gas prices – for petrochemical and heating fuel and electricity generation supported the rally in oil prices

Brent Oil



Source: Oilprices.com, Atlass Research

Bonny Light Crude Oil Price History



Source: CBN, Atlass Research

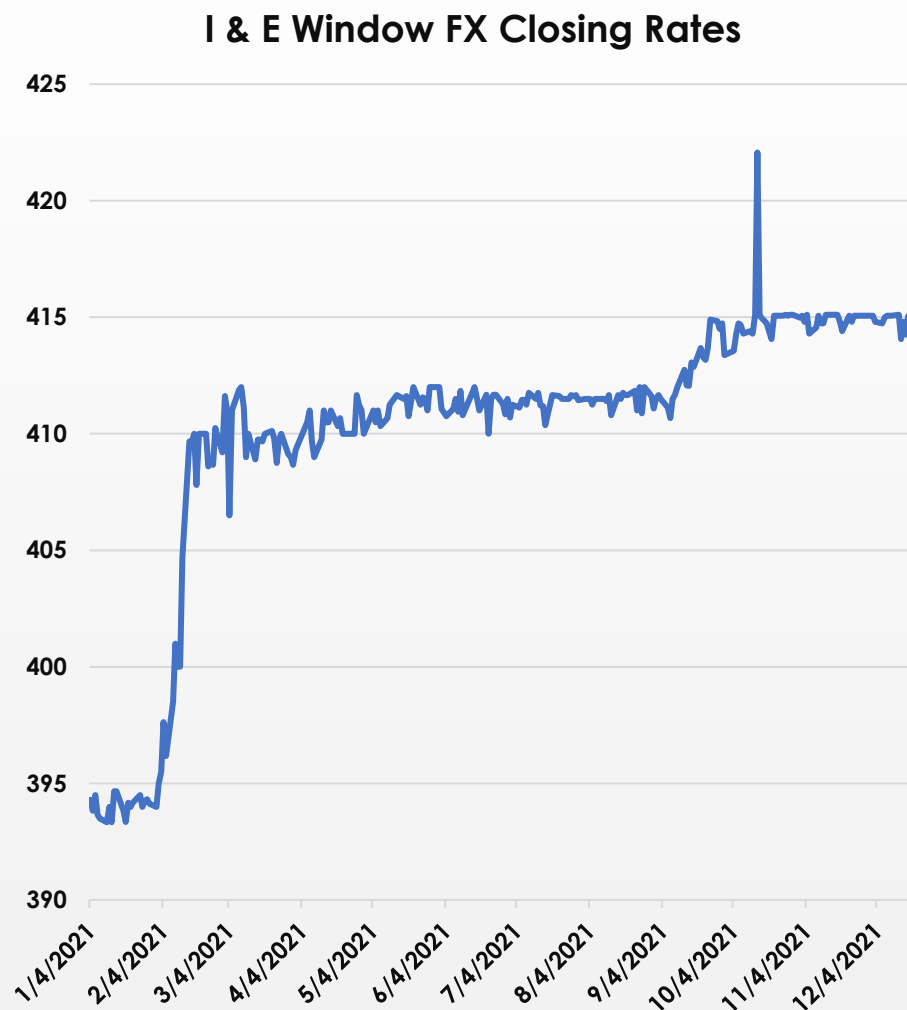
Nigeria External Reserve Rises on Borrowing

The External reserves have increased so far in 2021, printing a record high of \$11.03 billion (or five months of import cover) as of June due to the inflows from the IMF's SDR allocation (\$1.00 billion to the country; 33.3% of which was utilized for budget support purposes, a Eurobond issuance (\$3.03 billion) and Cocoa board loan syndication (\$1.50 billion).



Source: CBN, Atlass Research

Is CBN Exchange Rate Policy Effective?

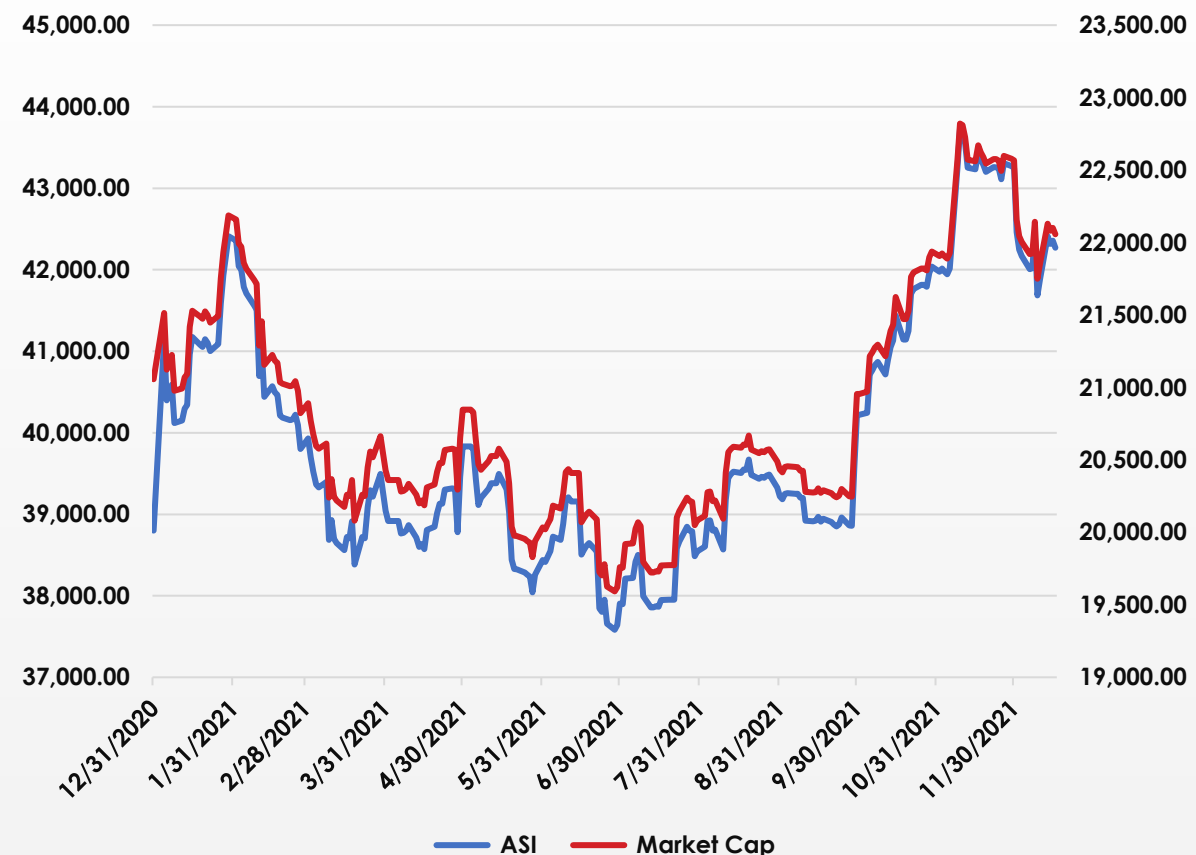


- Despite the increase in the external reserve, the demand for the Nigeria Naira continued to weaken as the CBN import bills accelerates faster than export earnings, forcing the CBN to adopt the NAFEX window as the official exchange rate window.
- CBN in its arsenal of unorthodox policy measures drew to restrict access to FX, as well as incentivized the remittance of FX. Notable among these policy measures are the ban on sales of FX to BDCs, the introduction of the “Naira 4 Dollar Scheme”, and FX ban on Sugar and Wheat importation adding to other 42 products
- Consequently, the Naira in the I&E Window market depreciated by 5.27% from ₦394.30/\$ to ₦415.07/\$. Similarly, at the parallel market, the Naira depreciated by 21.70% to ₦575/\$ from N470/\$.

Despite Profit-taking, investors see opportunities in equities market

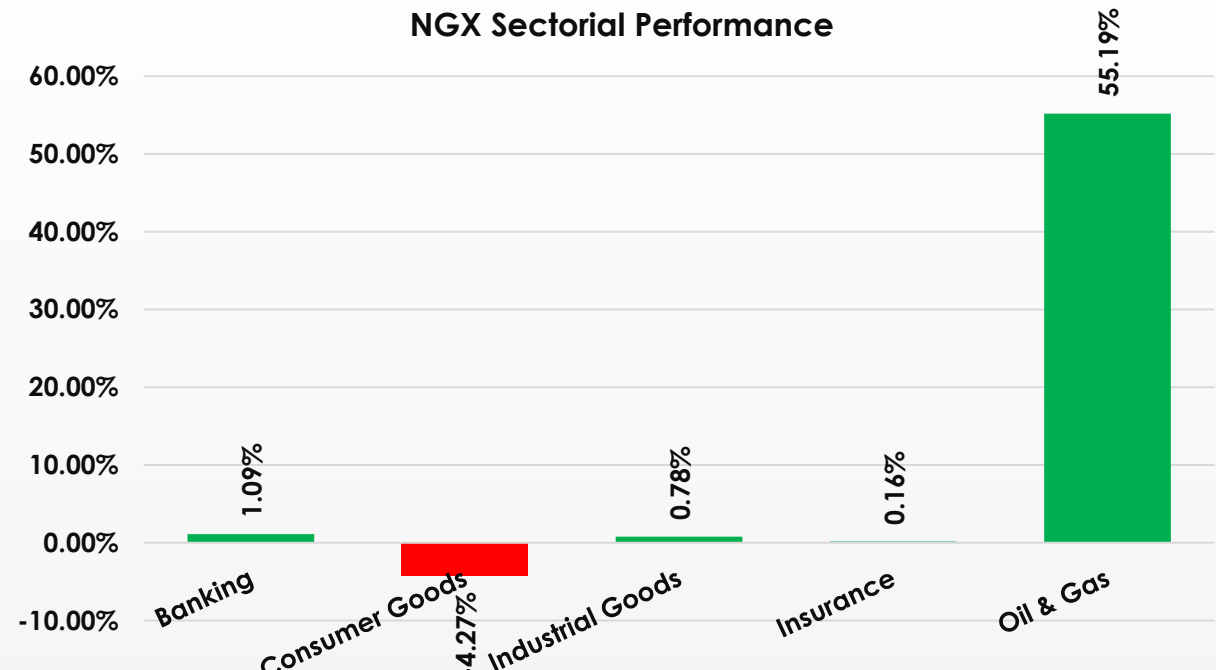
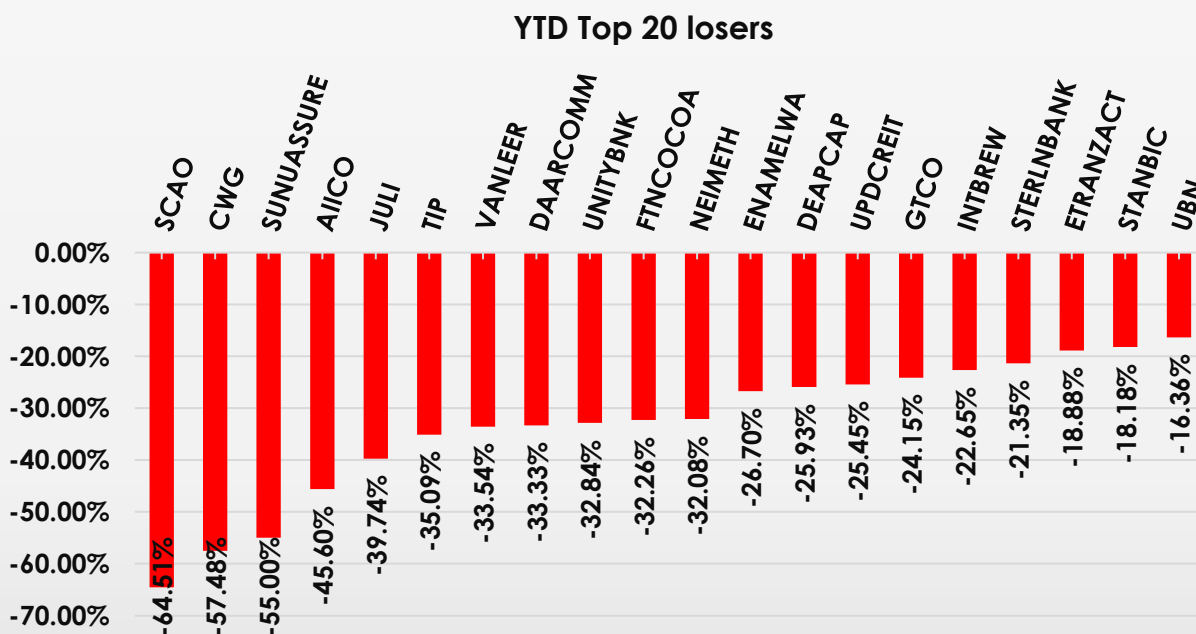
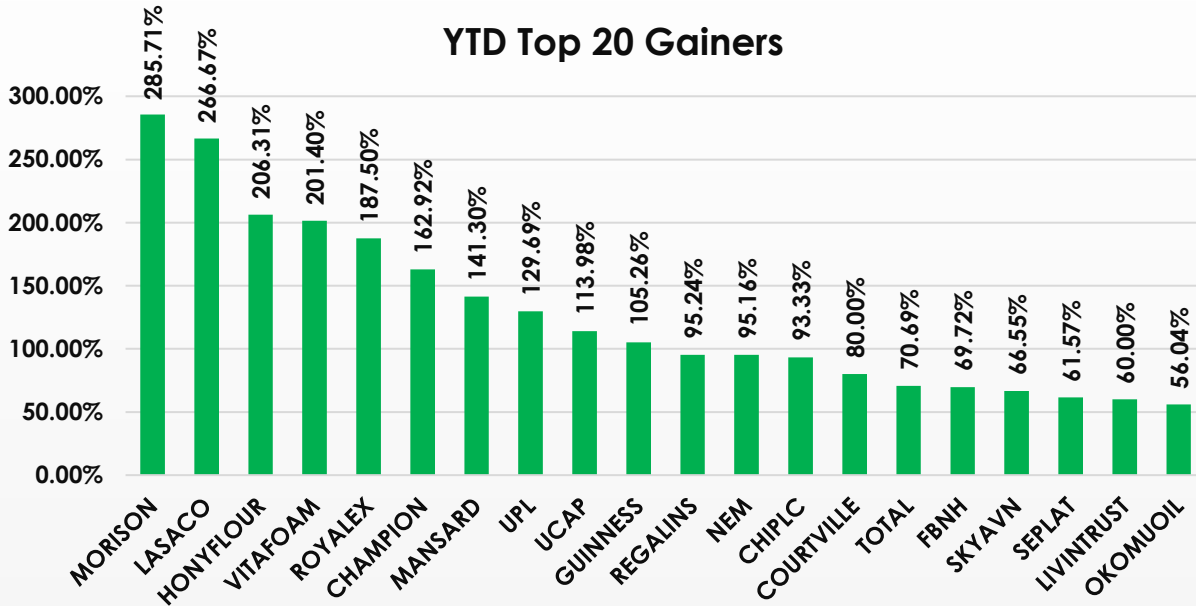
- ❑ The Nigeria equity market kick-starts 2021 with the bullish sentiment, extending the H2'2020 rally. However, investors began profit-taking following the rising yields in the fixed income environment. However, the decline in the equity market provided more return on investment amidst economic recovery that positively impacted the operating activities of the market at large. Meanwhile, in Q3'2021 positive sentiment returned to the market, following the price appreciation in MTNN, FBNH, HONYFLOUR, among others.
- ❑ In the meantime, amidst other developments in the market, the Nigeria Exchange Group Plc self listed on the NGX limited after being listed on the NASD market following the recent demutualization. Also, Guaranty Trust Bank Plc (GUARANTY) was delisted from NGX, while Guaranty Trust Holding Company Plc (GTCO) was listed, following the completion of the restructuring into a financial holding company (Holdco), which was approved by the bank's shareholders.

NGX-ASI & Market Cap.



Source: NSE, Atlass Research

Despite Profit-taking, investors see opportunities in equities market



Source: NSE, Atlass Research

The Oil & gas sectors of the equities market was seen as the most profitable sector of the equities market in 2021 with a return of 52.52%YTD as of 31 Dec, 2021 following the increase in the global crude oil price which drove positive sentiment towards the listed Oil & Gas companies. While the industrial Goods sectors was the only sectors with negative investment return for investors following huge price depreciation in BUACCEMNT and few other industrial goods companies.

Consequently, the equity market aggregately grew by 6.07% in 2021.

Investors opt for low-risk investment amid economic uncertainty

The market for short-term debt was more liquid in 2021 as lender's' charges such as the Open Repo (OPR) and Over Night (ON) rose to 11.25% and 11.75% from 1.01% and 1.36%, respectively. The 30-day and 90-day Nigerian Interbank Offered Rate (NIBOR) settled at 15.36% and 16.58% from 0.38% and 0.48%, respectively.

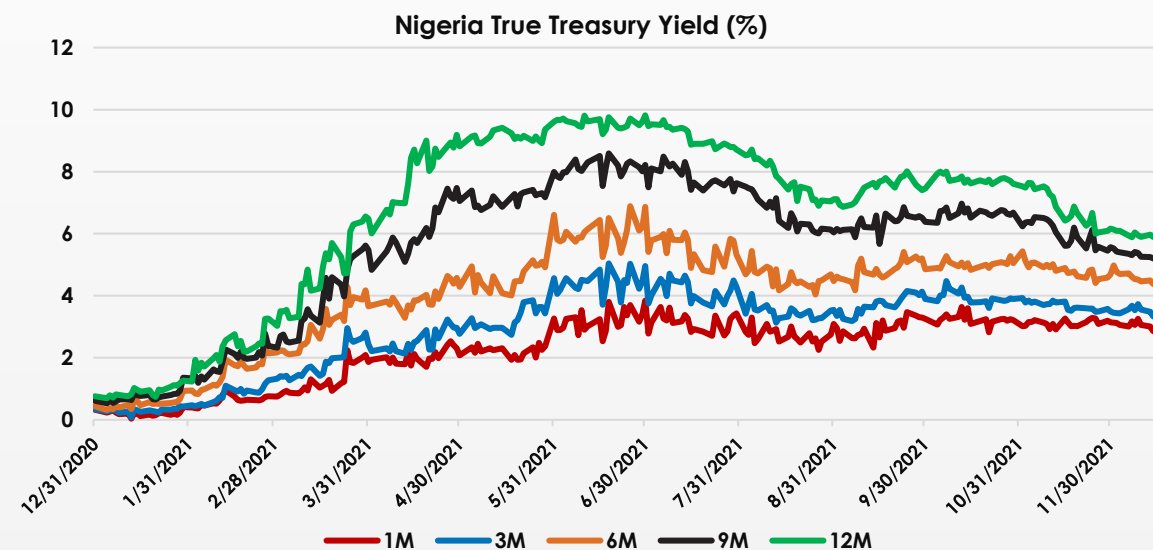
In the secondary T-bills market, the average yield on the 12-month instrument rose by 5.66% from 0.77%, after reaching a year high of 9.81%. Similarly, the 91-day and 180-day grew to 4.08% and 4.89% from the last December's close of 0.44% and 0.62%, respectively.

Similarly, yields across the bond market increased at the medium and long-term instruments as the 1yr, 2yr, 4yr, 7yr and 10yr stood at 6.17%, 8.94%, 11.60%, 12.22% and 12.59% from 0.63%, 2.30%, 4.27%, 6.48% and 7.26%, respectively in 2020.

The rise across the Money and Bond market was a rising quest of borrowings from the government to support the 2021 budget and sell down in the equity market.

Indicators	2020			2021		
	Close	Open	YTD Change	As of Dec-17	Open	YTD Change
Over Night (ON)	1.36	3.33	▼ -1.97	11.75	1.36	▲ 10.39
open Repo (OPR)	1.01	2.5	▼ -1.49	11.25	1.01	▲ 10.24

Source: FMDQ, Alass Research



Bond Yields	2021		
	Close	Open	% Change
1YR	6.17%	0.63%	▲ 5.54%
2YR	8.94%	2.30%	▲ 6.64%
4YR	11.60%	4.27%	▲ 7.33%
7YR	12.22%	6.48%	▲ 5.74%
10YR	12.59%	7.26%	▲ 5.33%
20YR	12.00%	7.23%	▲ 4.77%

Source: FMDQ, Alass Research

CitiRecovery

- ✓ Share Reconciliation
- ✓ Recovery of all outstanding shares, bonuses and dividends
- ✓ Recovery of shares trapped in inactive/suspended and dead firms
- ✓ Recovery of shares and dividend of late relatives
- ✓ Dematerialization of lost/damaged share certificates
- ✓ Consolidation of multiple shareholding accounts.
- ✓ Consolidation of CSCS accounts in multiple houses.



4. Outlook for the Global and Nigeria Economy in 2021



- On the back of stimulus packages, various government interventions in support of individuals and businesses in a bid to emerge from the fallouts of the pandemic. However, inflationary pressures leaving reactions from monetary policy authorities mixed, albeit with a hawkish tilt in key advanced economies. Consequently, we expect the global GDP to print lower than the IMF projection of 5.9%.

Nigeria Economy

- With the increase in the global oil price, stable crude export and the opening up of more business activities, we expect GDP in 2021 to print at 2.5%, despite the emergence of the Covid-19 Omicron variant.
- The Naira is expected to continue to plunge against the Dollar in 2022 as the demand for the Dollar to finance import bill continue to grow amidst sustained dependency on imported goods.
- The CBN is expected to maintain the stance of leaving the MPR at 11.5% for H1 '2022 as Monetary policymakers continue to monitor the economic recovery.

- Despite the sequence of slowing year-on-year inflation prints in 2021 (due to the low base effect), the inflation rate is expected to remain above CBN's single-digit target due to the expected Premium Motor Spirit (PMS) subsidy removal, which could increase transportation cost, election spending, high insecurity rates which have forced many farmers from planting for next year output, amongst others
- In the equities market, we anticipate a moderate selloff in 2022 as growing uncertainties around the election buildup stoke worries that could lead foreign investors to trade cautiously. However, with the higher percentage of domestic investors in recent times and SEC approval of derivatives contract for the exchange, the equity market may be resilient enough to maintain investors confidence.

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