United Capital

Rocky Road to STABILITY

2024 Economic Review and 2025 Outlook

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2024 Global Review:

The global economy in 2024 presented a mixed picture. While some regions like the US and the Eurozone showed mixed performance, the UK showed signs of recovery, others like China faced challenges.

The US economy showed mixed performance in Q1-Q3 2024: slow growth in Q1 (1.60%), a rebound in Q2 (3.00%), and a slowdown in Q3 (2.70%). Overall growth was impacted by global factors, high interest rates, and economic adjustments. Inflation rose in Q1 but eased to 2.30% in Q3, with an uptick towards the end of 2024 (2.60%), suggesting slower rate cuts in 2025. The Fed cut rates three times in 2024 by 100bps to address inflation.

In China, economic growth slowed from 5.30% in Q2 to 4.60% in Q3 due to weak demand and a property sector downturn. The IMF projects a growth of 4.8% in 2024. China's monetary policy supported recovery via stimulus, with new loans reaching RMB13.3trillion and manufacturing growth. Corporate loan rates fell to 3.63%, and the RMB appreciated by 2.70%.

The UK economy grew by 0.30% in Q1, 0.70% in Q2 and 0.10% in Q3-2024, driven by the services sector, rising wages, and lower inflation. The IMF projects 1.10% growth for 2024, supported by rate cuts, government stimulus, and easing supply chains. UK's inflation dropped from 11.10% in 2022 to 1.70% in 2024, with a rise to 2.50% expected by year-end. The BoE cut rates twice in 2024 to 4.75%.

The Eurozone economy grew by 0.90% in Q3-2024, the strongest in two years, driven by France and Spain, while Germany avoided recession, but Italy stalled. The ECB forecasts 0.80% growth for 2024. Inflation dropped to 1.70% in September but rose to 2.00% in October due to base effects and supply chain issues. Central banks in the region, including the ECB, have started rate cuts to support growth.

Japan's economy grew by 0.70% in Q2 and 0.30% in Q3-2024, with wage increases and automotive recovery. The IMF projects slower growth of 0.30% in 2024 due to demographic challenges. Inflation peaked at 3.00% in August before falling to 2.50% in September. The BoJ raised its policy rate to 0.25% to address yen depreciation and plans to cut bond purchases to ¥3.00 trillion by Q1-2026.

2025 Global Outlook:

- **Global GDP:** IMF foresees 3.30% growth in 2025 compared to estimated 3.20% in 2024. This is due to the slower expansion in China, potential tariff wars and structural challenges in advanced economies.

  Advanced economies will grow at 1.80%, while emerging markets and developing economies maintain a stronger pace of 4.20%.

- **Inflation:** Inflation would moderate further, falling from estimated 5.90% in 2024 to 4.50% in 2025, due to easing supply chain issues and stabilizing commodity prices, howbeit, inflation will remain above pre-pandemic levels.

  Advanced economies will likely see inflation closer to 2.30%, aligning with policy targets.

- **Interest Rates:** Central banks will continue to adjust interest rates to balance economic growth and inflation. The Fed may lower policy rate gradually, while the ECB may cut rates more aggressively due to weak economic performance.

- **Geopolitical Tension:** Trump and other world leaders may broker peace between Russia and Ukraine, failing which may impact global supply chains fostering inflation.

- **Economic Policies and Investments:** Climate change and sustainability will remain important factors influencing economic policies and investment decisions in 2025.

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2024 Sub-Saharan Africa Review:

South Africa's post-pandemic economic recovery has been uneven. While Q1-2024 contracted by 0.10%, Q2-2024 saw a 0.40% GDP rebound driven by increased consumer spending and a stable electricity supply, but Q3 fell by 0.30%. Unemployment rates have remained stubbornly high at a peak of 33.50% in Q2-2024 before declining to 32.10% in Q3-2024. The IMF projects a 1.10% growth rate for 2024, with unemployment expected to settle at 33.70%. South Africa's inflation rate has been steadily declining, reaching 3.80% in Sept-2024 from a peak of 5.60% in Feb-2024. This moderation is attributed to a stable rand, favorable trade balances, and lower import costs. The IMF projects inflation to average 4.70% in 2024, below the AfDB's forecast of 4.80%. In response to easing inflation, the SARB cut its key interest rate by 25bps to 8.00% in Sept-2024, and a further 25bps bringing the rate to 7.;75%.

Kenya's GDP declined from 5.10% in Q4-2023 to 5.00% in Q1-2024 and 4.60% in Q2-2024, affected by political unrest, and insecurity. The IMF projects a 5.00% GDP growth rate for 2024. Inflation has declined to 5.14% in Oct-2024, within the CBK's target range of 2.50%-7.50%. The CBK has cut interest rates twice to 12.00% to bolster economic growth. The IMF forecasts 2024 inflation at 5.10%. Kenyás inflation dropped further to 2.80% in Nov-2024.

Ghana's economy experienced significant growth in Q2-2024 of 6.90%, driven by successful debt restructuring, IMF program adherence, and rising commodity prices. However, currency volatility remains a concern. The IMF projects a 3.10% GDP growth rate for 2024. While economic recovery is underway, Ghana's debt burden continues to rise. Ghana's inflation averaged 22.83% in the first ten months of 2024 but rebounded to 22.10% in October. Despite recent pressures, the IMF projects 2024 inflation at 19.50%, down from 39.20% in 2023. In response to the easing inflation, the Bank of Ghana reduced its interest rate by 200bps to 27.00%.

Ivory Coast's GDP grew from 5.70% in Q4-2023 to 6.50% in Q2-2024, driven by higher cocoa and coffee exports. The IMF projects GDP growth at 6.50% in 2024, up from 6.20% in 2023. Inflation moderated to 2.8% in Q3-2024, with the IMF forecasting 3.8% for 2024, down from 4.4% in 2023. Interest rates have remained unchanged at 5.50%.

2025 Sub-Saharan Africa Outlook:

- **SSA GDP:** IMF forecasts a growth rate of 4.20% in 2025, up from estimated 3.60% in 2024.

  Growth will be driven by rising private consumption, investment, and potential exploitation of natural resources during the global low-carbon transition. However, growth remains uneven, with large economies like Nigeria and South Africa facing structural challenges in energy, transportation, and governance.

- **Inflation:** SSA Inflation would decline from estimated 18.10% in 2024 to 12.30% in 2025. It will remain above pre-pandemic levels in several countries, driven by food and energy costs, currency depreciation, and supply chain disruptions.

- **Interest Rates:** Monetary policy decisions across the region will vary, with hawkish stances in high-inflation countries and potential rate cuts where inflation eases.

- **Debt Distress:** A significant portion of countries in the region will continue to grapple with high debt distress risks, with about 53.00% of IDA-eligible countries facing high risk or already in debt distress. This will complicate fiscal space for necessary investments.

- **Currency Depreciation:** Currency depreciation will continue, exacerbated by reliance on imports and weak export revenues.

- **Challenges:** Political instability, climate change, and conflicts remain significant barriers to economic progress.

- **Opportunities:** Rapidly growing working-age population, abundant natural resources, and digital economy offer an avenue for economic growth.

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2024 Domestic Economy Review:

The Nigerian economy was resilient in 2024, growth was faster than in 2023, despite macroeconomic challenges. Real GDP grew by 3.46% y/y in Q3-2024 and 3.19% y/y in Q2-2024, up from 2.51% in Q2-2023 and 2.98% in Q1-2024. The non-oil sector contributed 94.30% of GDP, grew by 2.80% y/y in Q2-2024, slightly below the 3.58% in Q2-2023 due to tight monetary policy, volatile exchange rates, and reduced spending.

Since 2016, Nigeria has faced persistent double-digit inflation driven by high energy costs, imports, and Naira depreciation. Headline inflation peaked at 34.19% y/y in Jun-2024, the highest since 1996, up from 28.92% in Dec-2023. Inflation eased slightly in July and Aug-2024 due to a high base effect. However, it rebounded to 32.70% y/y in September, driven by high cost of PMS, and severe floods affecting food supply.

Thus, the MPC maintained a hawkish stance. It raised the MPR by a cumulative 850bps across five meetings, bringing the MPR to 27.25% in September from 18.75% in Dec-2023. It further increased to 33.88% in Oct-2024 and 34.60% in November. The CRR was tightened by 17.50ppts to 50.00%, while the Asymmetric Corridor was adjusted to +500/-100bps. The Liquidity Ratio remained stable at 30.00%.

Meanwhile, revenue generation in Q2-2024 fell by 43.20% below the pro-rated budget, totaling N6.29tn against the N9.00tn target. Oil revenue underperformed at N1.73tn versus the N5.30tn budget, while non-oil revenue was stable due to tax reforms. Expenditure reached N12.19tn in H1-2024, with Q2 spending rising by 27.79% q/q to N6.84tn. Debt servicing costs dominated, accounting for 65.03% (N4.45tn), above N2.07tn budget. Thus, the fiscal deficit grew by 16.56% q/q to N4.53tn, nearly doubling the N2.29tn budgeted.

Debt sustainability was increasingly precarious due to weak revenue and heavy reliance on borrowing. Public debt rose by 144.06% y/y to N121.67tn in Q1-2024, with domestic debt accounting for 53.95% (N65.65tn), up by 117.30% y/y, driven by the securitization of N22.70tn in CBN loans under the Ways and Means provision. Foreign debt surged by 185.20% y/y to N56.02tn due to a 188.97% depreciation of the Naira to N1,330.26/$. However, in Dollar terms, foreign debt decreased slightly by 1.30%, as Nigeria avoided the ICM in 2024.

FX volatility persisted in 2024, with the Naira depreciating by 85.08% YTD in the NAFEM to N1,678.87/$ and 43.80% YTD in the parallel market to N1,740.00/$ as of Nov-2024. Dangote Refinery's domestic fuel supply was expected to ease Dollar demand and strengthen the Naira. However, low crude oil revenues continued to affect FX supply.

Nigeria's external reserves rose by 19.20% YTD to $39.23bn as of Nov-2024, boosted by Dollar loans from the IMF and World Bank, and $900m raised via the foreign-currency domestic bond, which was oversubscribed by 180.00%. Despite this, the Naira continued to depreciate, down by 85.08% in the official market and 43.80% in the parallel market YTD.

Total trade merchandise stood at N31.90tn in Q2-2024, down 3.80% q/q but up by 150.40% y/y compared to Q2-2023, which was impacted by electioneering and Naira redesign policy. The trade surplus widened to N6.90tn, increasing by 33.60% q/q and 5,115.00% y/y. Naira's devaluation since mid-2023 boosted trade figures in Naira terms.

Foreign capital inflows rebounded in H1-2024, reaching $5.98b, a 176.51% y/y increase from $2.16b in H1-2023, reversing the decline since the Covid-19 pandemic. Foreign Direct Investment (FDI) was low, contributing 2.49% of total inflows, with an 11.50% y/y rise to $149.01m. Debt sustainability concerns, insecurity, and infrastructure gaps continue to deter FDI. However, "Other Investments" saw strong growth of 84.69% y/y ($2.35b).

In H1-2024, FPI dominated Nigeria's capital inflows, accounting for 58.19% of total imports, relative to 34.96% in H1-2023. FPI inflows rose by 360.28% y/y to $3.48bn due to money market investments, which rose by 1,830.68% y/y to $2.68bn due to higher rates offered by the CBN. However, foreign investment on the NGX fell by 13.66% y/y due to volatility and Naira instability. Bond instrument inflows rose by 54.93% y/y to $598.61m, benefiting from higher yields.

EXECUTIVE SUMMARY 4/4

2024 Domestic Economy Review:

In 2024, NGX grappled with high inflation and CBN's hawkish stance. Inflation and Naira depreciation impacted corporates, especially those in the telecoms, brewing, and consumer goods sectors. The sharp Naira depreciation, peaking at N1,900-N2,100/$ affected firms with FX liabilities. High financing costs led some blue chips to pursue IPOs or Rights Issues for funding.
In the fixed income market, long-dated bonds were quiet, mainly in the secondary market, due to short-term instruments' dominance. Irregular auction calendars resulted to bond supply uncertainty with the DMO raising 85.00% of the annual bond target (N4.67trn of N5.48trn). Supply and demand, system liquidity, and MPR movements affected bonds yields in 2024.
The CBN prioritized OMO for liquidity management, supported by higher FAAC payments, bond coupon inflows, maturities, and CRR refunds. OMO was central to maintaining high interest rates and attracting FPIs. The CBN sold N8.7trn in OMO bills (a 1,092.00% y/y increase), keeping interbank funding rates elevated and reflecting a financial system deficit.

2025 Domestic Economy Outlook:

- **GDP Forecast:** IMF projects GDP to grow by 3.10%. However, United Capital Research foresee a GDP growth rate of 3.03% in 2025 driven by anticipated improvements in oil production and domestic refining, which will stabilize the economy and enhance the value of the Naira.

- **GDP Rebalancing:** GDP will jump higher due to rebalancing. Nigeria will become the largest economy in Africa after rebalancing. This will motivate the government to borrow more as debt-to-GDP will drop due to rebalancing.

- **Oil Production and Refining:** Oil production is estimated at 1,83mbpin 2025, coupled with enhancements in domestic refining capacity. This could reduce fuel import costs and strengthen the Naira, contributing to economic stability.

- **Crude Oil Prices:** Crude oil prices may tapper as the US flood the market with excess oil. The relative peace in the middle east would also drive crude oil prices southwards.

- **Inflation:** We project that inflation will tapper at 30.72% in 2025, though IMF was more optimistic projecting 28.23%. Inflation will ease as exchange rate stabilize, and the impact of recent policy changes subsides.

- **Interest Rates:** The MPC may gradually ease monetary policy to stimulate economic growth. This could involve a HOLD decision or adopting a more accommodative stance. However, if inflation remains stubborn, the MPC may maintain a hawkish stance.

- **Exchange Rate:** The Naira may potentially stabilize. In the official market the Naira would hover around N1,407.76/$ to N1,742.55/$. In the parallel market the Naira would range at N1,584.20/$ to N1,822.45/$. The Naira will mirror broader macroeconomic dynamics like oil revenues, FX market liquidity and government policies.

- **Debt Profile:** Debt levels will remain high in 2025, reflecting ongoing borrowings and rising debt servicing costs.

- **Equities Market:** The equities market will improve due to the impact of the banking sector recapitalization. The potential listings of NNPC and Dangote Refinery would further strengthen the equities market. However, high interest rates and FX volatility would continue to impact the NGX negatively.

- **Fixed Income Market:** The government will continue to borrow to finance its deficit budget. High interest rates would incentivize both foreign and domestic investors to invest in the fixed income market. CBN will continue to use OMO to mop up excess liquidity. Liquidity will determine the direction of rates. Inflows from FAAC payment, OMO, fiscal sustainability concerns, global ease in financial conditions will continue to impact the fixed income market in 2025.

2024 ECONOMIC REVIEW: GLOBAL ECONOMY

2024 GLOBAL ECONOMIC SNAPSHOT

	GDP		INFLATION		INTEREST RATES		DEBT LEVELS		UMEMPLOYMENT	
	Q1 2024	Q3 2024	JAN 2024	NOV 2024	Q1 2024	Q4 2024	Q1 2024	Q4 2024	Q1 2024	Q4 2024
USA	1.6%	2.7%	3.1%	2.6% *Oct	5.5%	4.8%	124.3%	123.8%	3.7%	4.1%
CHINA	5.3%	4.6%	-0.8%	0.3% *Oct	3.5%	3.1%	23.8%	24.6%	5.2%	5.0%
UK	0.3%	1.0%	4.0%	2.3% *Oct	5.3%	4.8%	100.0%	101.2%	4.0%	4.2%
EURO AREA	0.3%	0.4%	2.8%	2.3%	4.5%	3.4%	80.8%	81.5%	6.5%	6.3%
FRANCE	1.4%	1.2%	3.1%	1.3%	4.5%	3.4%	922.4%	927.55	7.5%	7.4%
CANADA	0.6%	0.9% *Q2	2.9%	2.0% Oct	5.0%	3.8%	931.8%	935.0%	5.7%	6.5%
INDIA	7.8%	5.4%	5.1%	6.2% *Oct	6.5%	6.5%	59.0%	58.3%	7.4%	10.1%
JAPAN	-0.8%	0.3%	2.2%	2.3% *Oct	-0.1%	0.3%	217.0%	217.0%	2.4%	2.5%
GERMANY	-0.1%	-0.3%	2.9%	2.2%	4.5%	3.4%	62.9%	61.9%	5.9%	6.1%
ITALY	0.6%	0.4%	0.8%	1.4%	4.5%	3.4%	137.3%	139.6%	7.2%	5.8%
SOUTH KOREA	3.3%	1.55	2.8%	1.55	3.5%	3.0%	45.5%	46.1%	3.0%	2.7%

GDP Growth: India led with strong growth (7.80% in Q1 and 5.40% in Q3-2024), while Germany and Japan saw negative or stagnant growth.

Inflation: India saw a higher inflation of 6.20%, US, UK, and Euro Area recorded modest decline from Q1 to Q4, while China and Japan stood out with lower inflation rate.

Interest Rates: Generally, interest rates declined across most advanced economies, with the U.S. and UK seeing significant reductions.

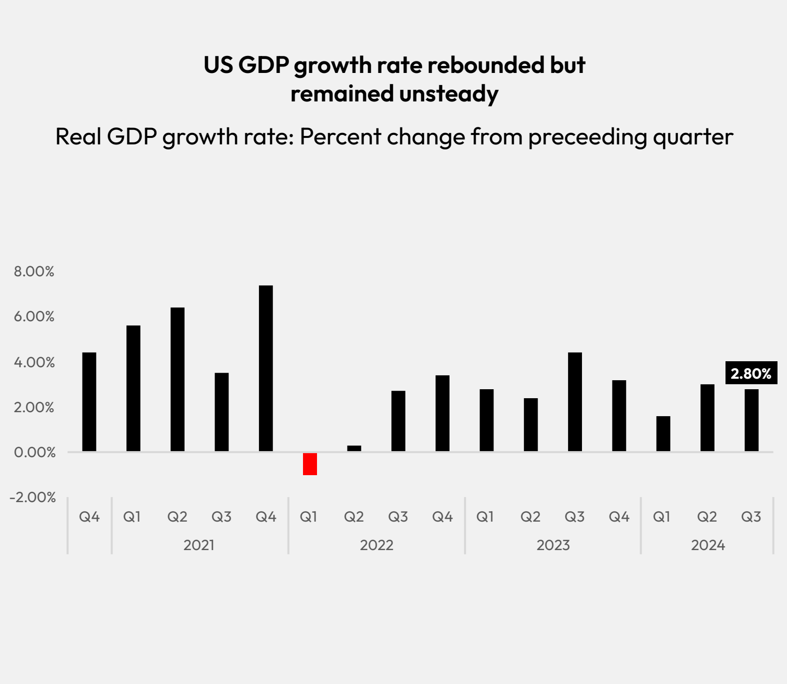
Debt Levels: Advanced economies like France and Canada have the highest debt-to-GDP ratios, exceeding 900.00%, while India and South Korea maintained relatively low levels.

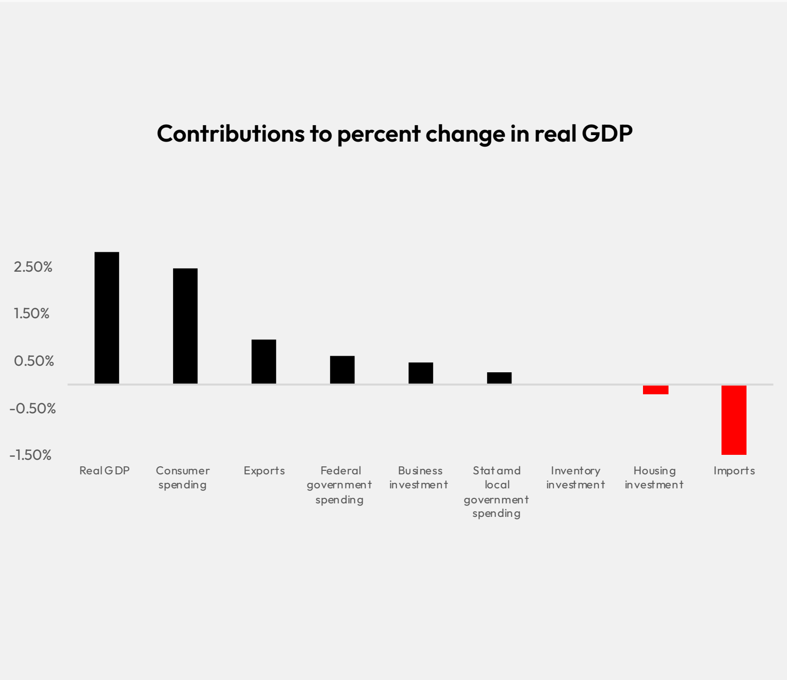
Unemployment: Unemployment rates in the advanced economies were mixed, with some countries experiencing a slight increase and others a decrease.

Source: Bloomberg, United Capital Research

UNITED STATES (US) ECONOMY

UNITED STATES: GROWTH REBOUNDED BUT REMAINED UNEVEN

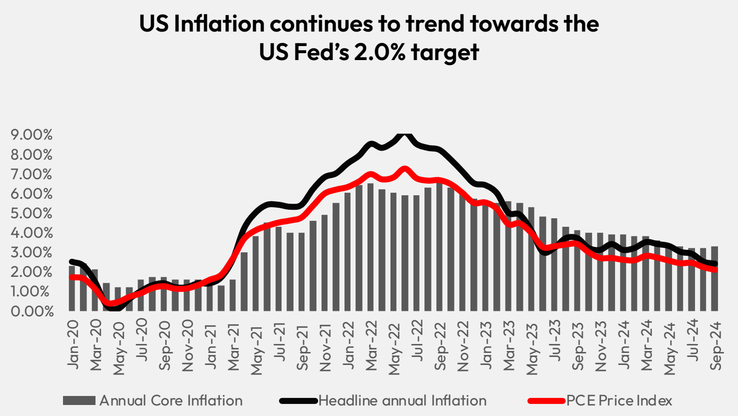


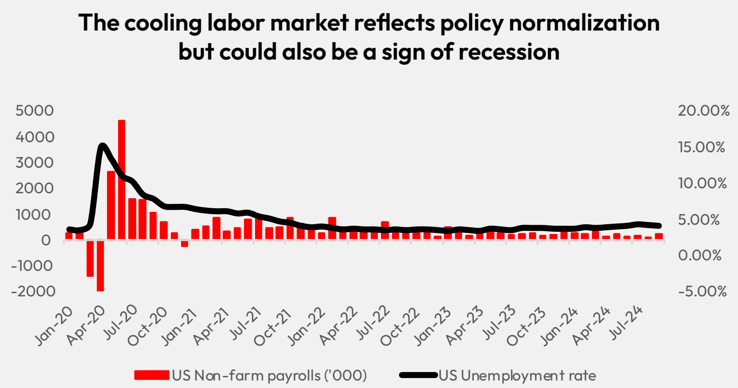


- The US economic growth underperformed in Q1-2024 at 1.60% due to high interest rates, cooling consumer spending, tight labor market conditions, and reduced inventory investments.
- However, the economy rebounded to 3.00% growth in Q2-2024 from the previous quarter's 1.60% due to a resilient job market, moderating inflation, easing supply chain constraint, robust federal and consumer spending.
- Meanwhile, the US saw a slight deceleration in Q3-2024, growing at a 2.80% annualized rate compared to the 3.00% growth in Q2-2024 as a result of slower consumer spending, inventory buildup, job market tightening and export softening.
- The Q3 2024 growth rate of 3.00% reflects a 140-basis-point decline compared to the 4.40% growth reported in the same period of 2023. Imports (-1.49%) and housing investments (-0.21%) were key negative contributors to the Q3 2024 GDP.
- The International Monetary Fund (IMF) projects an annual growth rate of 2.80% for the U.S. economy in 2024, down from 2.90% in 2023. This adjustment reflects an uncertain global landscape, the impact of sustained high interest rates, inventory rebalancing, and labor market tightness.

Source: Bloomberg, United Capital Research

UNITED STATES: STEAKY INFLATION HOVERING ABOVE FED'S TARGET





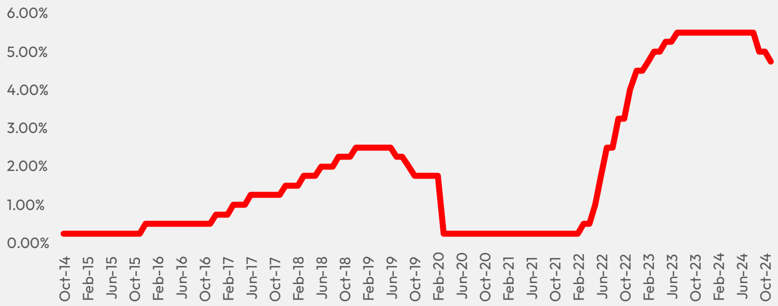
- US inflation regained momentum in Q1-2024. After dropping from a historic high of 9.10% y/y in Jun-2022 to 3.40% in Dec-2023, inflation remained persistently high around 3.10% and 3.50% y/y from Jan to May-2024.
- The highs were driven by persistent core inflation, geopolitical tensions, supply chain disruptions, and wage growth, which kept consumer demand at 3.70% y/y in Q3-2024.
- However, prices eased in Q3-2024, with headline inflation at 2.30% y/y and core personal consumption expenditure (PCE) inflation at 2.70% y/y, both the lowest since Q1-2021 and nearing the Fed's 2.0% target.
- Progress on prices stalled as inflation rose in Oct-2024 at 2.60% and 2.70% in November for the first time since Mar-2024. However, underlying trend suggests another rate cut, but pace of rate cuts will slow in 2025.
- The IMF projects that US inflation will decline to 1.90% in 2024, down from an average rate of 4.1% in 2023. This is due to cooling energy prices, base effect, reduced demand pressure and impact of tight monetary policy.
- Looking at the job market, unemployment rate remained steady at 4.10% in October, with the number of unemployed individuals little changed at 7.00 million. The participation rate also held steady at 62.70%. Job creation has slowed considerably, averaging 184,000 per month, down from 314,000 per month in 2022-2023.
- The cooling labor market may reflect normalisation rather than recession. Despite fears triggered by rising unemployment, stable layoffs and unemployment claims suggest no imminent economic downturn.

Source: Bloomberg, United Capital Research

UNITED STATES: POLICYMAKERS CUT RATES TO SUPPORT ECONOMIC GROWTH

The US Fed began the new phase of interest rate cut in Sept-2024 with a bold move, trimming its benchmark rate by 50bps

US Fed Funds Interest Rate (Midpoint of Range, %)



Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, September 2024.

VARIABLE	MEDIAN				
	2024	2025	2026	2027	Longer run
Change in real GDP	2.0	2.0	2.0	2.0	1.8
Unemployment rate	4.4	4.4	4.3	4.2	4.2
PCE Inflation	2.3	2.1	2.0	2.0	2
Core PCE Inflation	2.6	2.2	2.0	2.0	-
Federal Funds Rate	4.4	3.4	2.9	2.9	2.9

*For each period, the median is the middle projection.

- The Fed held interest rates steady in its first five meetings of the year as it assessed inflationary pressures. However, on 18-Sept, it implemented a 50bps rate cut to 4.75 – 5.50%, signaling confidence in a declining inflation trend.

- Its decision to cut interest rates by 50bps was driven by a combination of moderating inflation and a cooling labor market. The US inflation rate had fallen to 2.50% by August, showing progress toward the Fed's target rate of 2.00%, while core inflation remained slightly elevated, signaling a need for continued policy attention. The labor market, though still robust, showed signs of slowing, making the rate cut a balanced approach to support economic stability without overheating the job market.

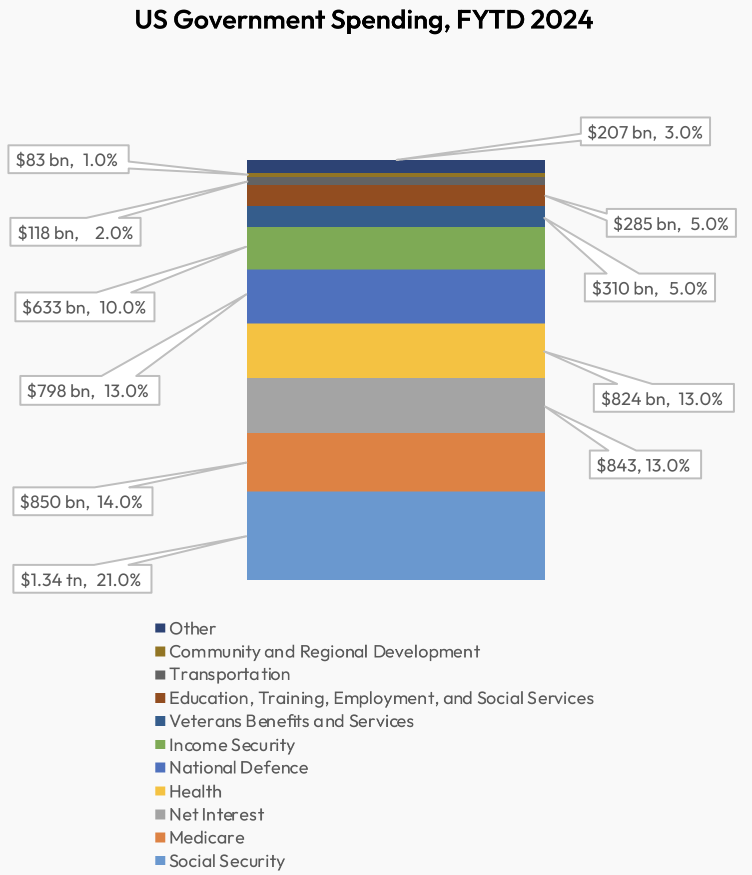
- At its 07-Nov-2024 meeting, the Fed further reduced the interest rate by 25bps, bringing it to a range of 4.50% to 4.75%. This marks the second rate cut of the year, bringing the total reduction to 75bps over the first eleven months of 2024.

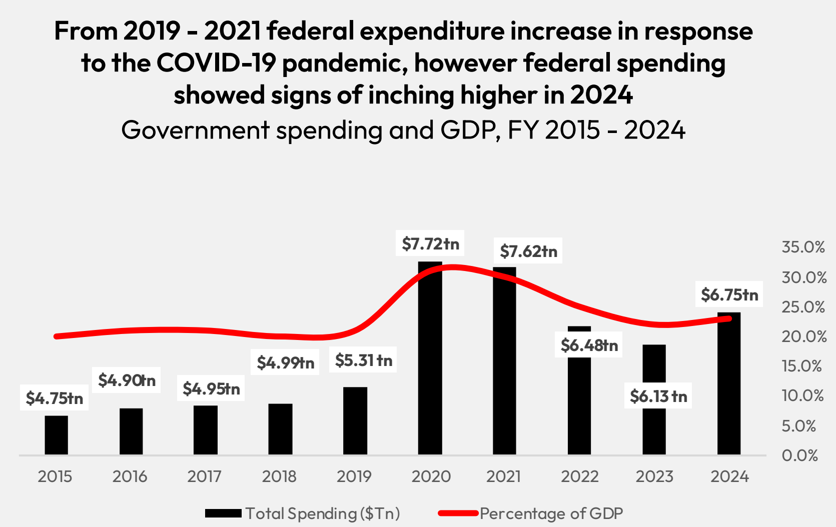
- Fed's decision to further cut the interest rate by 25bps in Nov-2024 reflects its ongoing assessment of economic conditions, particularly the need to support sustainable economic growth amid signs of easing inflation.

- Ultimately, Fed's last meeting in Dec-2024 saw another 25bps rate cut. This sums up to 100bps interest rate cut in 2024, bringing the interest rates to 4.25% to 4.50%. Fed may consider a gradual rate cuts through 2025 and 2026.

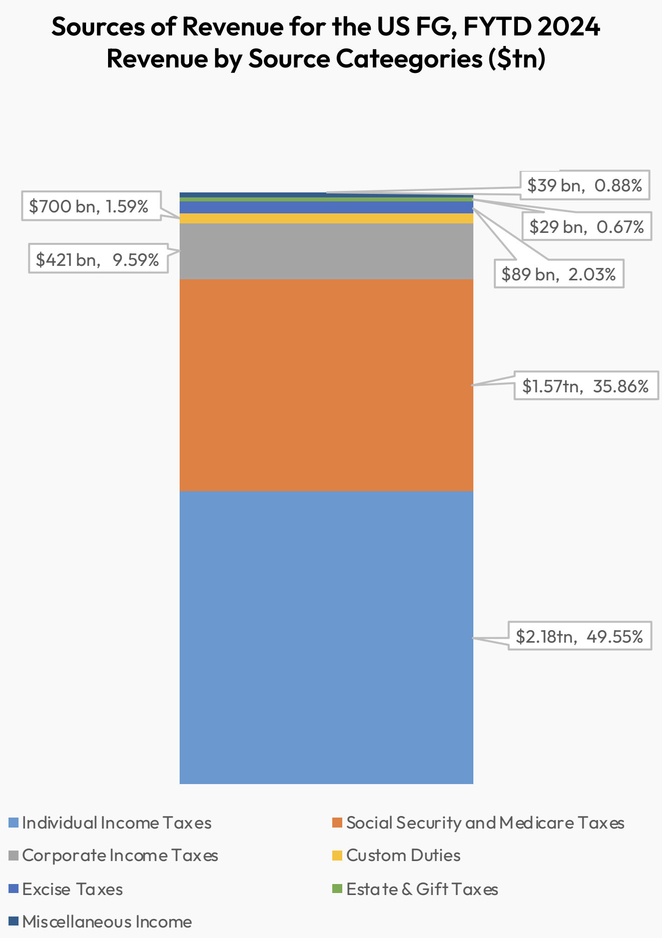
UNITED STATES: GOVERNMENT EXPENDITURE TICKED UPWARD

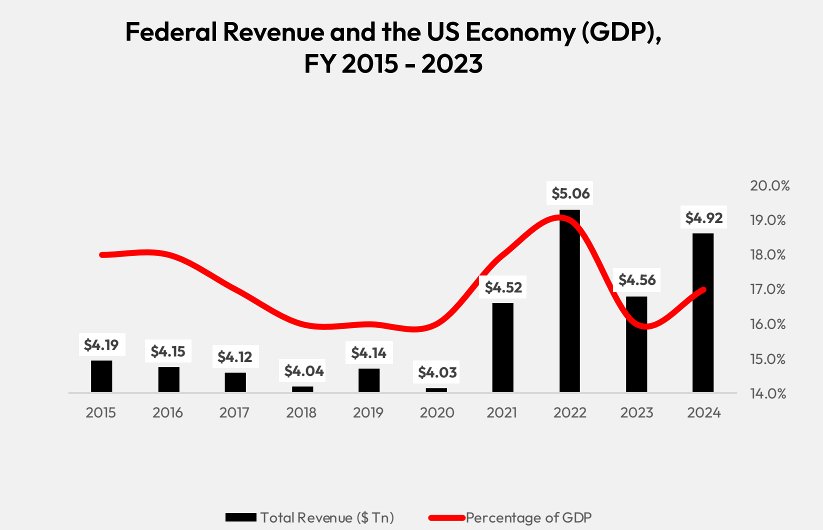
In FY 2024, US Federal Government spending has totalled $6.75tn. This represents a $617.0 bn increase compared to FY 2023. This spending has gone to Social Security, Healthcare, Net Interest, Medicare, National Defence and others. It represents 23.0% of GDP.





UNITED STATES: GOVERNMENT REVENUES TAPERED BUT SHOWED SIGNS OF RECOVERY



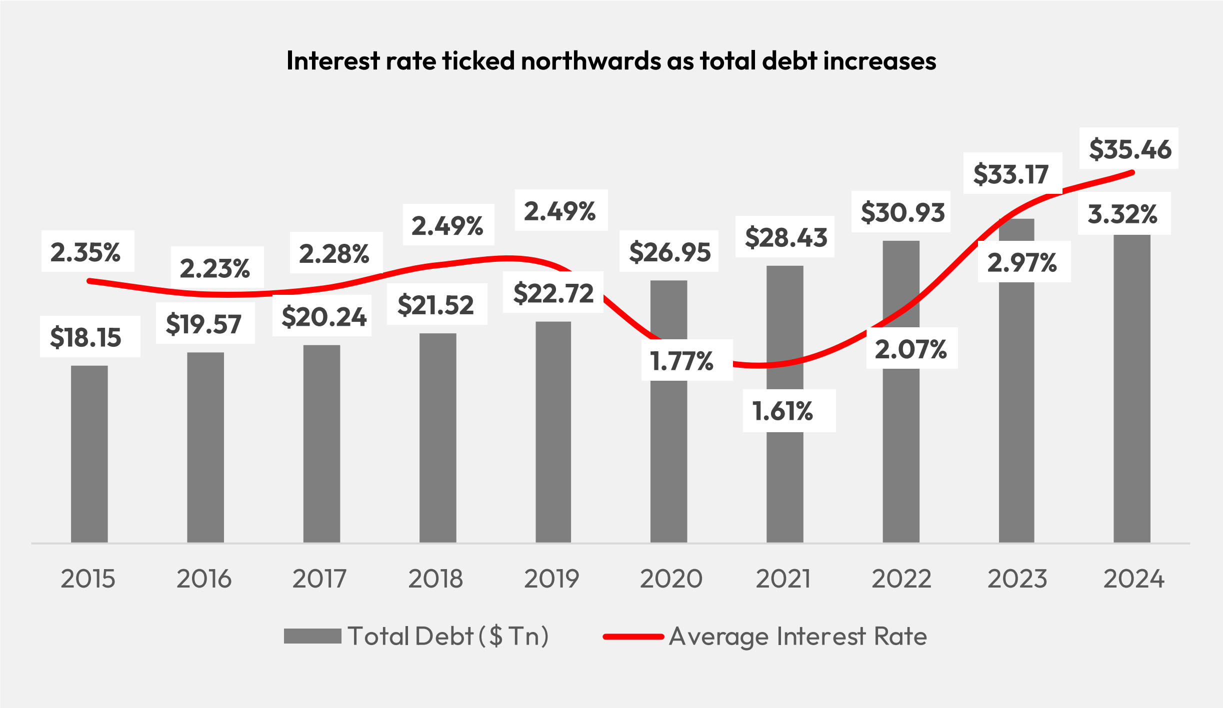


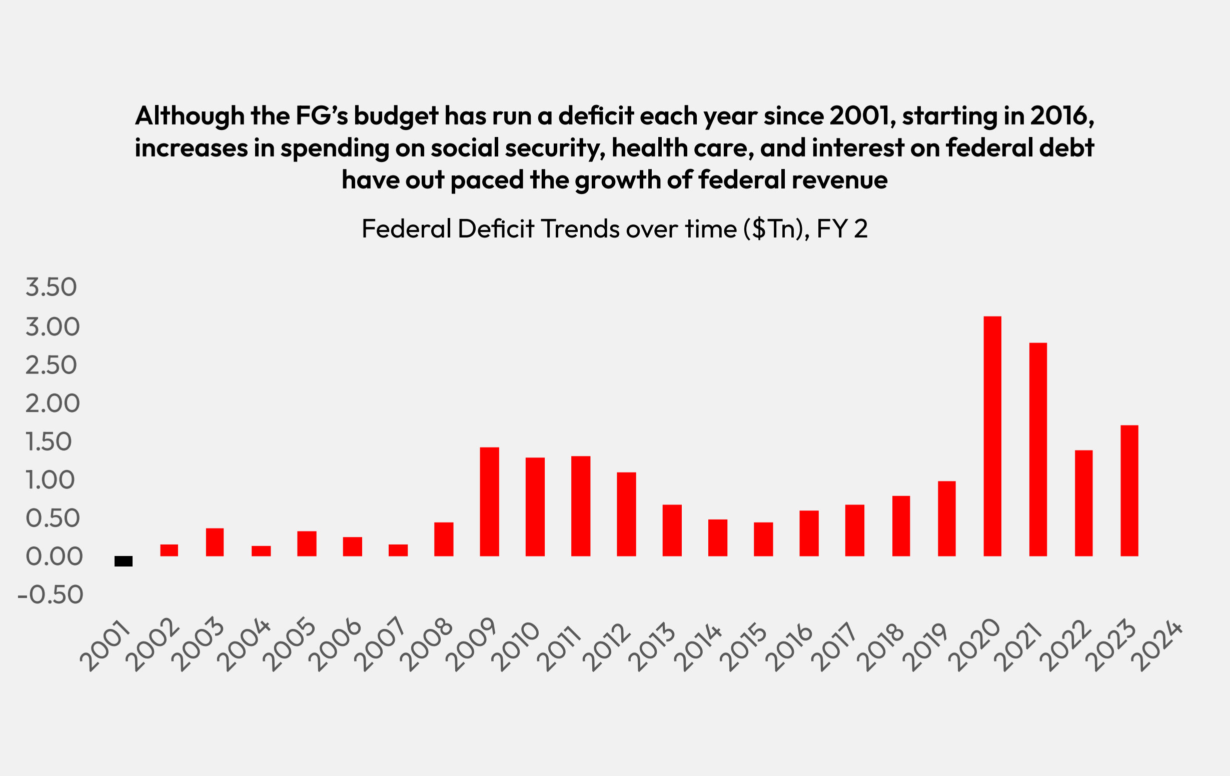
- The US Federal Government has collected $4.39tn in revenue in 2024 vs $4.44tn in 2023. This revenue is comprised of contributions from individual taxpayers, small businesses, and corporations through taxes. Additional sources of tax revenue consist of excise tax, estate tax, and other taxes and fees.

- The US government may experience improved revenue in 2024. The majority (85.41%) of federal revenue comes from individual and corporate taxes as well as customs duties. Federal revenue increases during periods of higher earnings for individuals and corporates because more income is collected in taxes.

- Nonetheless, there is a budget deficit because government spending in FY 2024 was $6.75 tn.

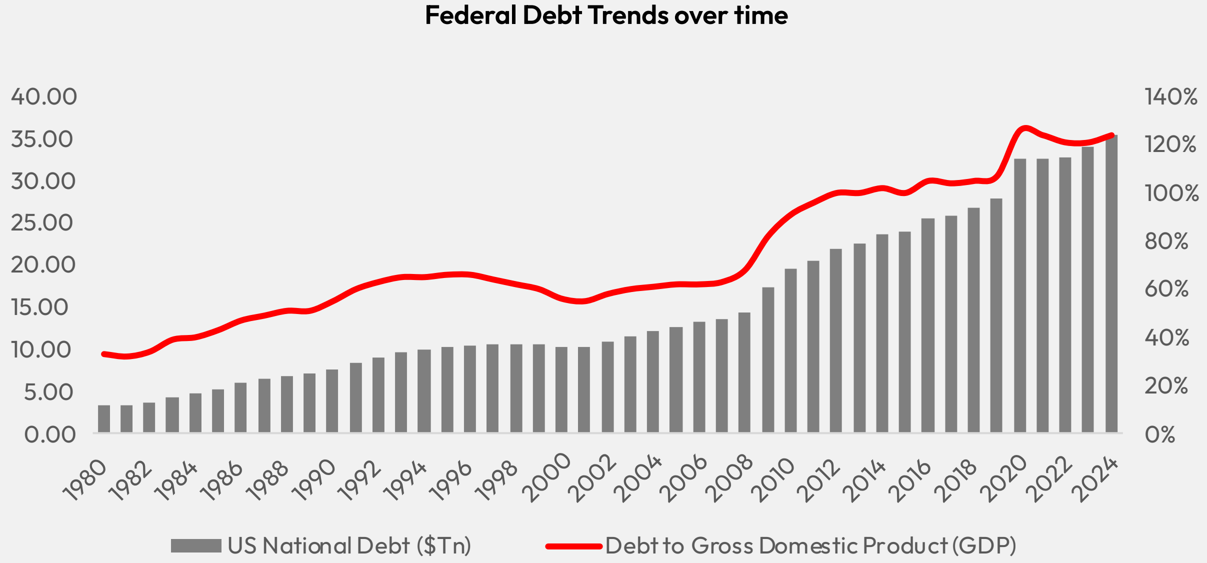
UNITED STATES: INTEREST RATES SOARED AS DEBTS BURDEN ACCELERATES





Source: Bloomberg, United Capital Research

UNITED STATES: INTEREST RATES SOARED AS DEBTS BURDEN ACCELERATES



Explainer:

	Revenue	Spending	Deficit
Year 1	$400	$500	($100)
Year 2	$600	$800	($200)
Debt			($300)

Source: Bloomberg, United Capital Research

CHINESE (CHN) ECONOMY

CHINA: ECONOMIC PERFORMANCE REMAINED UNDERWHELMED IN 2024

China's economy underperformed in 2024
China GDP Growth Rate

Growth rate of major economic indicators

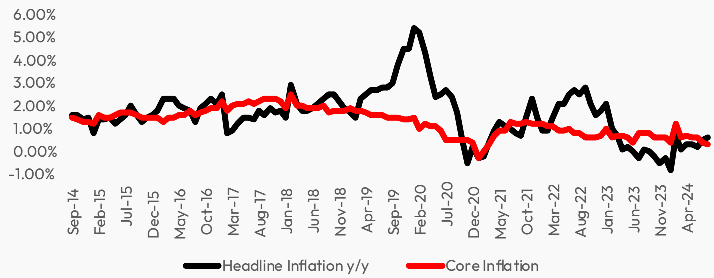
	2020-23 Average	Q2-2023	Q3-2023	Q4-2023	Q2-2024	Q2-2024
GDP	4.8%	6.3%	4.9%	5.2%	5.3%	4.7%
Industrial Production	5.0%	4.5%	4.2%	5.2%	6.1%	5.9%
Retail Sales	4.1%	10.7%	4.2%	8.3%	4.7%	2.6%
Fixed Asset Investment	4.4%	3.1%	1.9%	2.7%	4.5%	3.6%
Exports	9.0%	-4.9%	-9.9%	-1.2%	1.5%	5.8%
Imports	6.4%	-7.0%	-8.5%	0.9%	1.6%	2.5%
Income Per Capita	4.8%	8.3%	6.1%	6.7%	6.2%	4.2%
Fiscal Revenue	4.6%	31.7%	-0.9%	-1.0%	-2.3%	-3.2%
Fiscal Expenditures	3.7%	1.0%	4.1%	9.2%	2.9%	1.1%

- The Chinese economy slowed from 5.30% y/y in Q1-2024 to 4.70% y/y in Q2-2024, reflecting a deceleration in economic activity. This resulted in a 5.00% growth for the first half of the year. On a quarterly basis, Q2 growth was 0.7% higher than Q1-2024.
- GDP reached RMB 61.68tn (US$8.49tn), driven by strong industrial and service sector performance, despite challenges in the real estate market and weak domestic demand.
- In Q3-2024, GDP growth declined further to 4.60% from 4.70% in Q2-2024. This slowdown was primarily due to weakened aggregate demand, impacted by a downturn in the property sector and subdued private consumption. Additionally, the pace of infrastructure investment slowed, and there was a relatively high base of comparison from Q3 2023.
- Meanwhile, the stimulus measures released in Sept and Oct-2024, and the expected fiscal stimulus announced in November, will support growth, but a major part of it will only be felt in 2025. A sustainable rebound in the Chinese economy requires significant structural reforms which may take time to impact the economy. Hence, the Chinese economy may continue being characterized by weak spending and intense price-based competition.
- Consequently, the IMF has projected an annual growth rate of 4.80% compared to 5.20% actual growth rate in 2023.

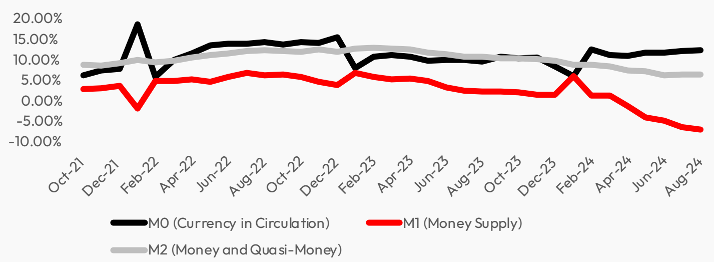
Source: Bloomberg, United Capital Research

CHINA: INTRODUCED STIMULUS INITIATIVES TO REVAMP ECONOMY

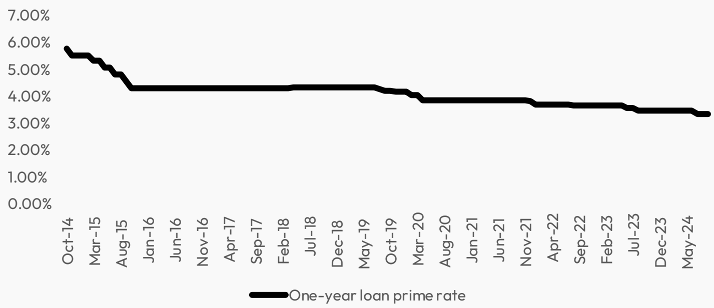
Inflation remains subdued due to weak domestic demand and strong supply-side output



China's Monetary Policy remains accommodative in 2024, supporting economic recovery with stable credit growth and lower loan costs



The People's Bank of China (PBOC) has steadily cut the 1 year prime loan rate in response to signs of slowing price recovery momentum



- In 2024, China's monetary policy remained accommodative, supporting steady economic recovery amid a complex external environment. The People's Bank of China (PBOC) implemented various stimulus measures, including a 0.25 ppt rate cut for rural and small business loans, and a 0.1 ppt cut to the 7-day reverse repo rate.

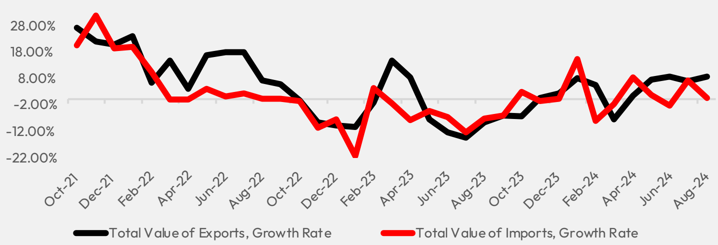
- Outstanding Aggregate Financing to the Real Economy (AFRE) and broad money supply (M2) grew 8.10% y/y and 6.20% y/y, respectively, with new loans totaling RMB13.3tn. The credit structure improved, with medium and long-term loans to manufacturing up by 18.10%, and MSB loans rising 16.50%.

- Financing costs remained stable, with the weighted average rate on new corporate loans down to 3.63%. The RMB exchange rate rose by 2.70%, reflecting a stable currency environment.

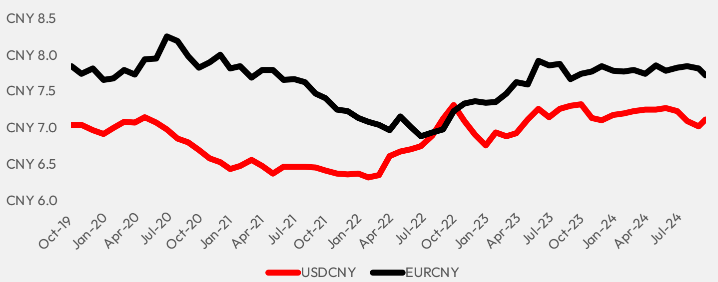
Source: Bloomberg, United Capital Research

CHINA: FOREIGN TRADE EXPANDED IN 2024

Foreign trade expanded, driven by improvement in external demand. ASEAN remains China's largest trading partner.



The Chinese Yuan has remained relatively stable, underpinned by stable domestic economic fundamentals



- In the first ten months of 2024, China's total goods trade reached RMB36.02trnn (US$5.05trn), marking a 5.20% y/y increase. This includes RMB20.80trn (US$2.89trn) in exports, up by 6.70%, and RMB15.22trn (US$2.09trn) in imports, up by 3.2%.

- This was the first time in the same period of history that China's total value of goods trade imports and exports broke through 32 trillion yuan. Notably, the trade surplus expanded by 17.60%, reaching RMB5.58trn RMB (US$770bn).

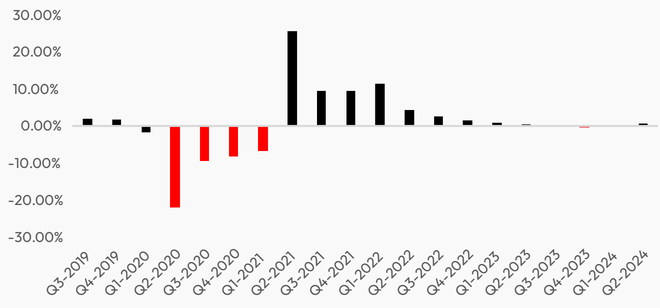
- The Chinese recorded impressive trade figures in 2024 due to robust demand for Chinese products in various sectors, including electronics, machinery, and textiles. Also, supportive policies aimed at boosting exports, such as streamlining customs procedures, providing export subsidies, and encouraging the development of export-oriented industries bolstered Chinese trade figures in 2024.

- Generally, the World Trade Organization (WTO) asserted that exports in the Asian region will grow faster than those of any other region in 2024, rising by as much as 7.40%. This will be driven by key manufacturing economies such as China, Singapore and the Republic of Korea. It also indicated that Chinese import growth for 2024 will remain moderate.

UNITED KINGDOM (UK) ECONOMY

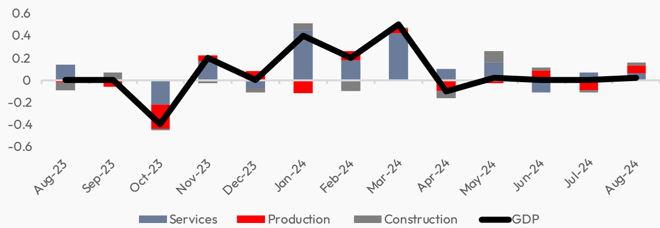
UNITED KINGDOM: ESCAPED TECHNICAL RECESSION IN 2024

UK economy rebounds from technical recession but growth remains underwhelming



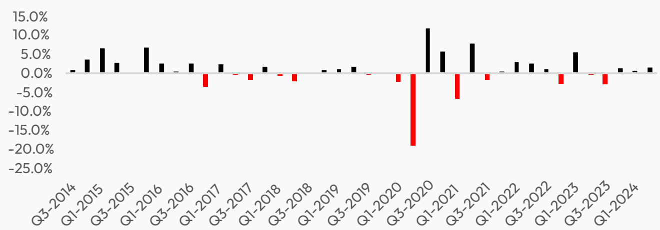
GDP increased by 0.20% m/m in Aug-2024, with growth in all the main sectors

Contributions to monthly GDP growth



UK business investment grew by 1.4%y/y in Q2 -2024, driven by positive contributions from buildings, transport, and intellectual property products (IPP)

Contributions to monthly GDP growth



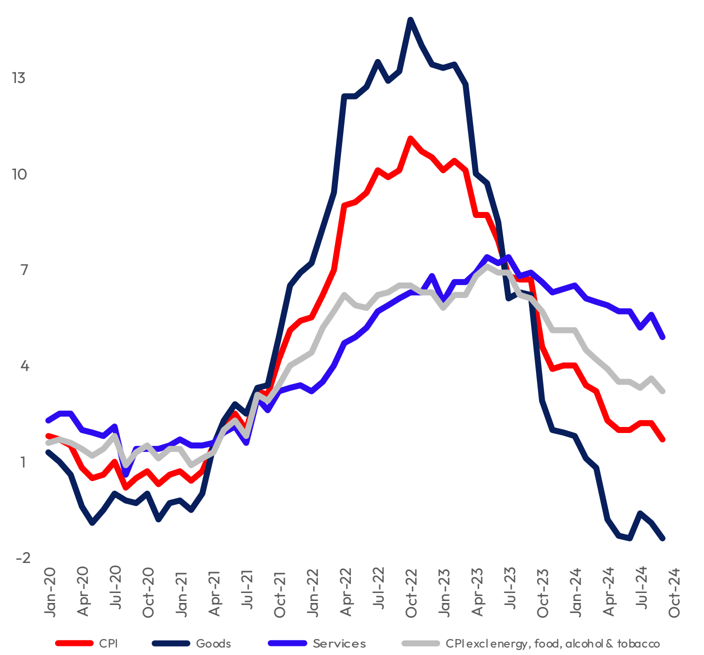
- The UK economy grew by 0.30% y/y in Q1-2024, down from 0.90% in Q1-2023. This was followed by 0.70% growth in Q2 2024, and 0.10 in Q3-2024- escaping a technical recession in late 2023 (Q3 and Q4-2023).

- Economic activity was strongest in the services sector, with consumers benefiting from wage rises and a decrease in inflation. Investments also increased as financing conditions improved, with investors anticipated rate cuts.
- The IMF indicated that the UK's GDP will grow by 1.10% in 2024, up from 0.30% in 2023, driven by stronger-than-expected growth in key sectors such as services, manufacturing, and exports. Contributing factors include the impact of interest rate cuts by the Bank of England, government stimulus measures, easing supply chain disruptions, and the ongoing post-pandemic recovery.

Source: Bloomberg, United Capital Research

UNITED KINGDOM: INFLATION ON A DOWNWARD TRAJECTORY

UK's inflation increased from 1.70% in Sep-2024 to 2.30% in Oct-2024



- Inflation in the UK has fallen significantly since it hit 11.10% in October 2022, which was the highest rate for 40 years. However, that doesn't mean prices are falling - just that they are rising less quickly.
- Post-pandemic inflation surged due to the Russia-Ukraine conflict. Although food costs have eased, certain areas of the economy, such as the services sector continue to experience notable price increases.
- Inflation rose from 1.70% in Sept-2024 to 2.30% in Oct-2024/ It is also expected to increase to around 2.50% by the end of the year as weakness in energy prices falls out of the annual comparison.
- The BoE cut interest rates thrice in 2024 (since Mar-2020), recently by 25bps from 5.00% to 4.75% in Nov-2024. This follows a 16-month period of elevated rates.
- The decision to reduce interest rates was to slightly reduce the tightness of monetary policy. The impact of past external shocks had waned, and there was evidence of a moderation in persistent inflationary risks.
- There has been progress in disinflation, particularly as previous external shocks have abated, although remaining domestic inflationary pressures are resolving more slowly.
- BoE Governor, Andrew Bailey noted that that they will make sure inflation stays close to target and cannot cut interest rates too quickly or by too much.

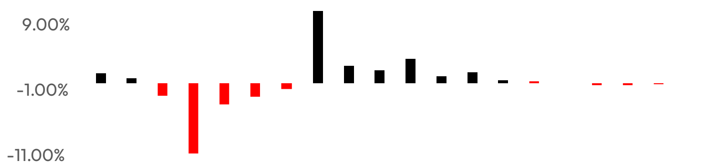
Source: Bloomberg, United Capital Research

EURO AREA (EA20) ECONOMY

EURO AREA: WITNESSED STRONGEST GROWTH IN TWO YEARS

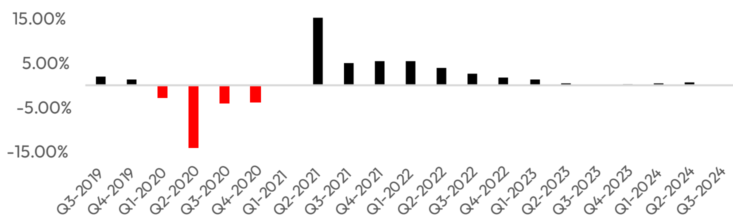
Italy GDP Growth

Germany GDP Growth



France GDP Growth

Euro Area GDP Growth



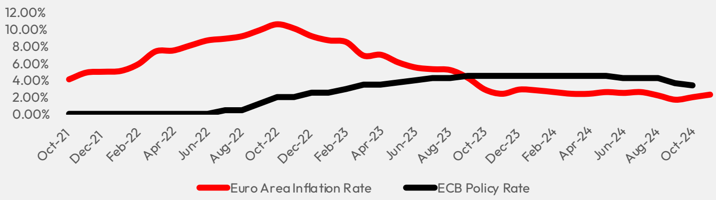
- Eurozone GDP grew by 0.90% in Q3-2024, marking the strongest growth rate in two years and surpassing the 0.20% increase in Q2-2024 as well as forecasts of 0.20%.
- Germany's economy expanded by 0.20%, unexpectedly avoiding recession after a revised 0.30% contraction in Q2-2024. Growth also rose in France (0.40% vs. 0.20% in Q2), while Spain maintained robust growth at 0.80%. Ireland rebounded (2.00% vs. -1.00%), but Italy stalled after a 0.20% rise in Q2-2024.
- Year-on-year, Eurozone GDP expanded by 0.90%, its best performance since Q1-2023, compared to a 0.60% increase in the previous quarter and exceeding forecasts of 0.80%. The ECB anticipates Eurozone GDP growth of 0.80% for the year.
- As the year progressed, Euro Area GDP expanded at a soft and modest pace. Recovery in the industrial sector was fostered by improved external demand, driving exports. Also, the disbursement of EU funds supported economic activity. However, the higher-than-expected debt-servicing costs for the already highly indebted Mediterranean governments due to increased financial and geopolitical instability placed downward pressure on growth.
- Sectoral performance was mixed, with the services sector, including tourism and ICT, outperforming manufacturing. While pharmaceuticals are growing, energy-intensive industries, housing-related sectors, and automotive are in recession.
- There have been disparities across Europe Southern, Central, and Eastern Europe (CEE) showing strength, while Germany, Austria, the Netherlands, and Nordic stagnated. Southern Europe benefited from a strong tourism sector, while CEE growth was driven by fiscal stimulus.

Source: Eurostat, United Capital Research

EURO AREA: INFLATION COOLED AS POLICYMAKERS CUT RATES

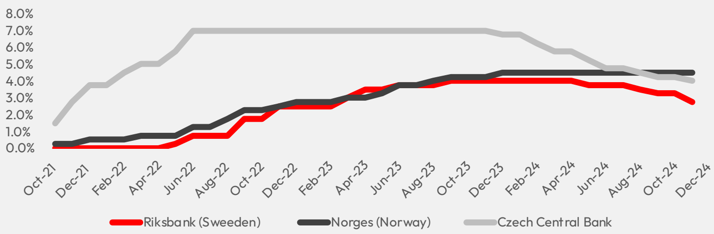
The ECB cuts interest rates for three consecutive times in 2024 as inflation dropped to 1.70% y/y below its 2.00% target

EA inflation vs ECB interest rate



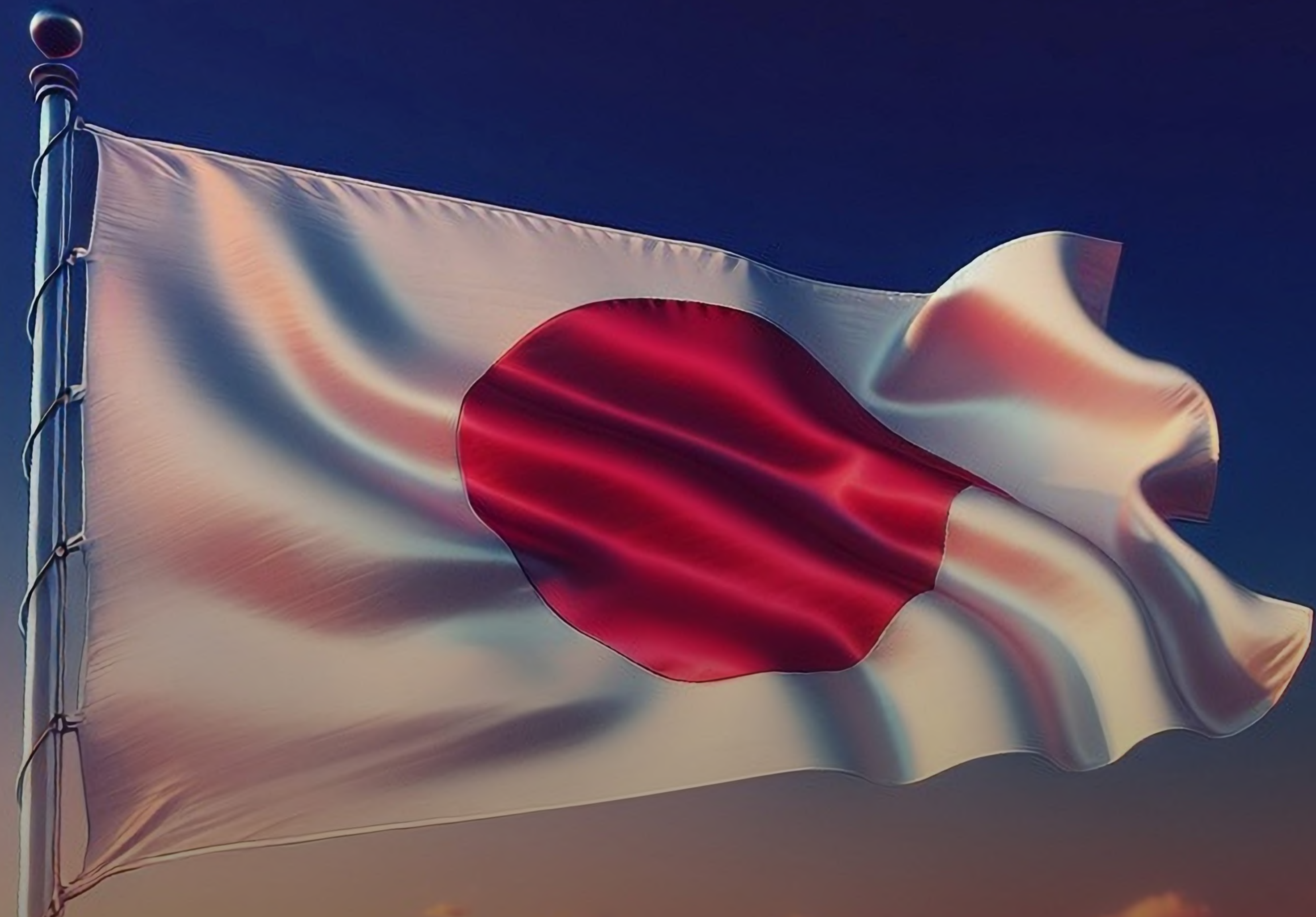
European Central Banks have pivoted to dovish monetary policy, though they differ in approach

Central Bank benchmark interest rate cuts



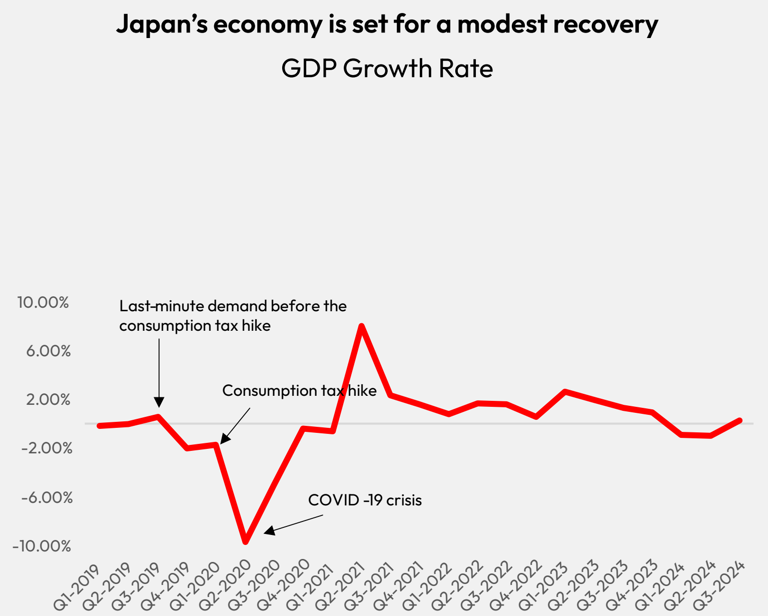
- Eurozone inflation steadied at 2.40% in Q1, marking the 7th consecutive month below 3.00%. As services sector price growth slowed to 3.70%, expectations for rate cuts in Q2 increased.
- Inflationary pressures eased in Q3, falling to 1.70% in September. However, it rebounded to 2.00% in October and 2.30% in November.
- Inflation varied across Europe, with CEE countries like Poland, Hungary, and Romania facing high inflation, while Switzerland, Italy, and Ireland saw rates below 1.00% due to different wage growth and price regulation policies.
- The Euro area remain influenced by both external and internal factors, including global energy markets and domestic demand conditions.
- The IMF forecasts Eurozone inflation to hit 2.40% in 2024, surpassing the ECB's 2.00% due to concerns that rising wages may drive up prices, as well as sustained energy costs (though lower than pre-crisis levels) and persistent core inflation.
- Meanwhile, due to the downward trend of inflation at the 2.00% target and the subdued momentum of the EU economy, Central Banks in the region began cutting their interest rates, though at varying paces. The ECB decided on three 25bps cuts in Jun, Sept and Oct-2024. In Sweden, the Riksbank opted for an aggressive path, cutting its rate by 50bps to 2.75%, targeting a 2.00% rate.

Source: Bloomberg, United Capital Research



JAPANESE (JP) ECONOMY

JAPAN: ECONOMY SET FOR A MODEST RECOVERY



	Real GDP	CPI (all items less fresh food)	CPI (all items less fresh food and energy)
Fiscal 2024	0.5 to 0.7 [0.6]	2.4 to 2.5 [2.5]	1.9 to 2.1 [2.0]
Fiscal 2025	1.0 to 1.2 [1.1]	1.7 to 2.1 [1.9]	1.8 to 2.0 [1.9]
Fiscal 2026	0.8 to 1.0 [1.0]	1.8 to 2.0 [1.9]	1.9 to 2.2 [2.1]

*Figures in brackets indicate the medians of the Policy Board member's forecasts.

- Japan's GDP grew by 0.30% y/y in Q3-2024 showing a 1.10% improvement when compared to Q2 reading. This increase is due to the success of spring wage negotiations that saw the highest average pay in over 30 years, and a recovery in the automotive industry after scandals involving some big automakers.

- Japan's economy has experienced moderate recovery, with some areas showing weakness.

- Corporate profits have improved, and business sentiment remains favorable, leading to a moderate increase in business fixed investment. Employment and income levels have improved, contributing to a steady rise in private consumption, despite challenges from price increases and other factors. However, housing investment has been relatively weak, and public investment has remained stable. Financial conditions have been accommodative, supporting economic activity.

- Although overseas economies have grown moderately, Japan's exports and industrial production have remained largely flat. Real exports improved by 1.40% q/q as goods exports rose by 0.60% q/q with the return of automobile production. However, this was offset by a 1.70% q/q growth in real imports, led by goods imports.

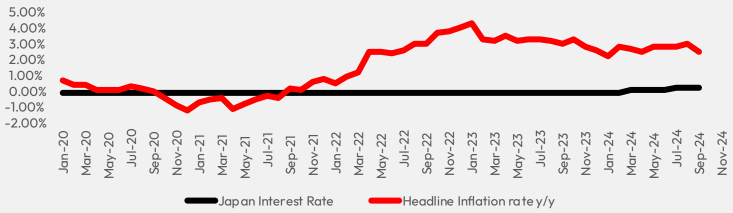
- The IMF has projected that the Japanese economy will grow at 0.30% in 2024 as against 1.70% actual in 2023. This is due to prolonged period of ultra-low interest rates which left limited room to stimulate growth via monetary easing, and rapidly aging population leading to a shrinking labor force, limiting growth potential and consumer demand, which constrains the economy's ability to sustain higher growth rates.

Source: Cabinet Office Japan, United Capital Research

JAPAN: HIGHER GLOBAL COMMODITY PRICES SPURRED INFLATION

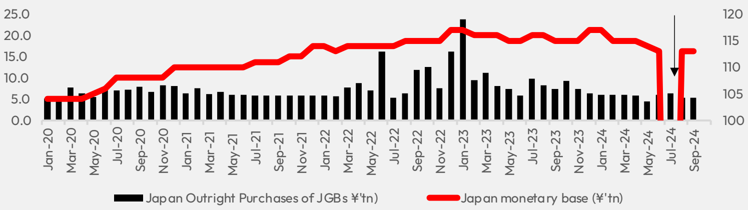
The BOJ exits its ultra-loose monetary policy, bringing its Quantitative and Qualitative Easing (QQE) programme to a close

The BOJ set the overnight call rate as its new policy rate



The BOJ has decided to reduce the volume and frequency of its purchase of Japanese Government bonds

Japan Outright Purchases of JGBs (¥'tn) vs Monetary Base MO



- Inflation in Japan has hovered around 3.00%, a significant departure from its historical norm of sub -1.00% or outright deflation. This shift is partly due to supply chain disruptions, higher import costs linked to a weaker yen, and energy price fluctuations.

- Core consumer inflation accelerated to 2.20% in Nov-2024 compared to 1.80% in Oct-2024, above the central bank's 2.00% target. This exceeds a median market forecast of 2.10%.

- Japan's households are hit by rising rent, utility bills and food costs. Part of the increase in core CPI was due to a phase-out of utility subsidies.

- Japan's aging population and slow wage growth continue to moderate inflationary pressures. However, external factors like higher global commodity prices are contributing to sustained price increases.

- The BoJ raised its policy rate from 0 – 0.10% range to 0.25% with a hawkish tilt subject to the economic outlook. This was the second rate increase this year; the first hike was done in Mar-2024 after 17 years. It aimed to curb the JPY/USD slide which had weakened to ¥160.00/$ levels. The BoJ also outlined its plan to reduce the bond buying program, cutting the monthly purchases of JGBs to ~¥3.00tn or $19.64bn in Q1-2026.

EMERGING ECONOMIES

2024 EMERGING ECONOMIES SNAPSHOT

	GDP		INFLATION RATE (%)		INTEREST RATE (%)		DEBT TO GDP (%)	
	Q1 2024	Q3 2024	JAN 2024	ENDING OF 2024	JAN 2024	ENDING OF 2024	Q1 2024	ENDING OF 2024
INDIA	6.70	5.40	5.10	5.96	6.50	6.50	56.80	81.59
BRAZIL	2.5	0.90	3.69	4.76	11.25	11.25	75.00	84.68
MEXICO	1.60	1.10	4.90%	4.76	11.25	10.25	50.00	49.70
INDONESIA	5.11	4.95	3.35	1.55*	5.75	6.00	38.75	39.30
SOUTH AFRICA	-0.10	-0.30	5.30	2.80	8.25	7.75	74.70	72.20
TURKEY	5.70	2.10	54.7	47.09	45.00	50.00	26.10	29.50
RUSSIA	5.40	3.10	0.86	8.50	16.00	21.00	14.60	14.90
VIETNAM	5.66	7.40	3.40	2.77	3.83	4.50	33.80	37.10

GDP Growth: In 2024, GDP growth in emerging economies was mixed with India and Vietnam showing robust growth, while South Africa experienced a contraction. Brazil and Mexico show moderate growth.

Inflation: Inflation remained elevated across most emerging economies with Turkey and Russia having the highest rates. Indonesia and Vietnam stood out with lower inflation rates.

Interest Rates: Interest rates decisions across central banks were mixed as Indonesia, Turkey, Russia, and Vietnam saw interest rate hikes, while, Mexico and South Africa recorded interest rate cuts but India and Brazil maintained their interest rates.

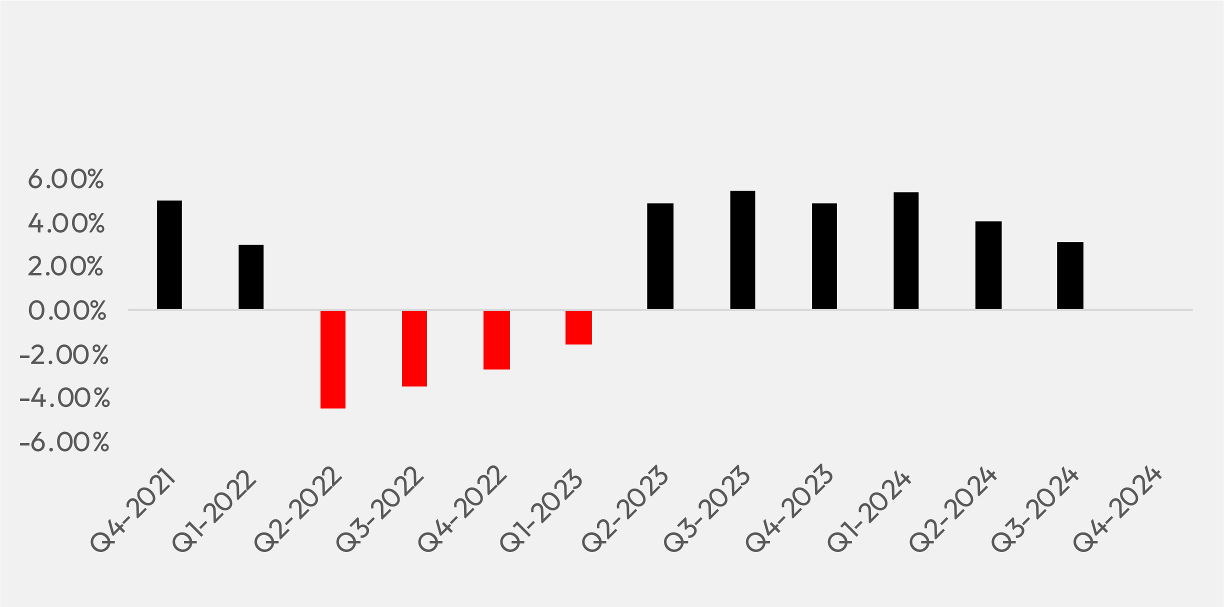
Debt Levels: Debt levels continue to rise in most emerging countries with India and Brazil having the highest levels. However, South Africa recorded a slight decline in its debt level, howbeit still high at 72.20%.

Overall: The emerging market economies faced a challenging environment with persistent inflation, rising interest rates, and ongoing geopolitical uncertainty. While some countries showed signs of resilience, others struggled with economic headwinds.

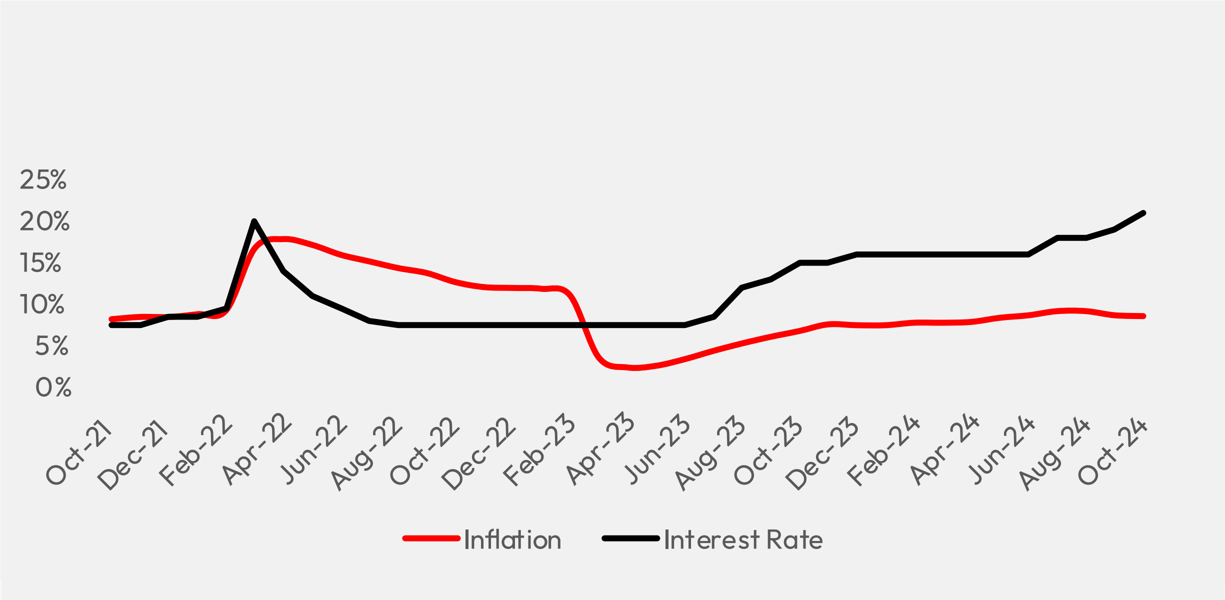
Source: Bloomberg, United Capital Research

EMERGING ECONOMIES: EURASIA

Russia's economy continues to post strong despite heavy sanctions
GDP Growth Rates



The Bank of Russia has tightened monetary policy to steer inflation towards its 4.0% target
Inflation rate vs benchmark interest rate

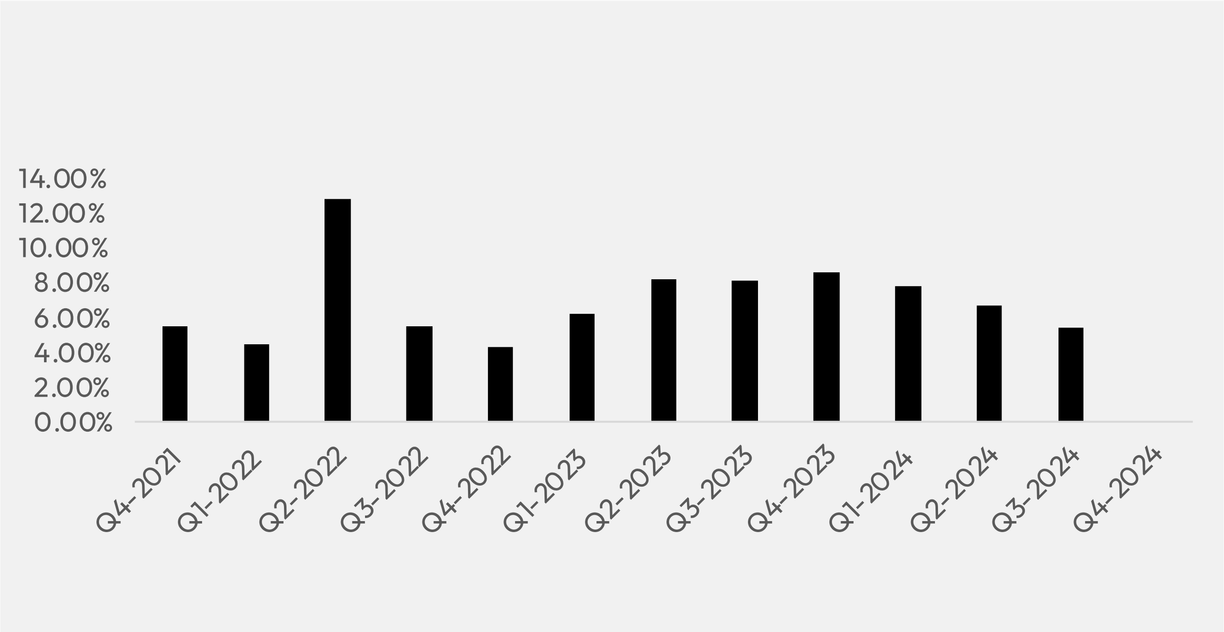


Source: Bank of Japan, Bloomberg, United Capital Research

EMERGING ECONOMIES: EURASIA

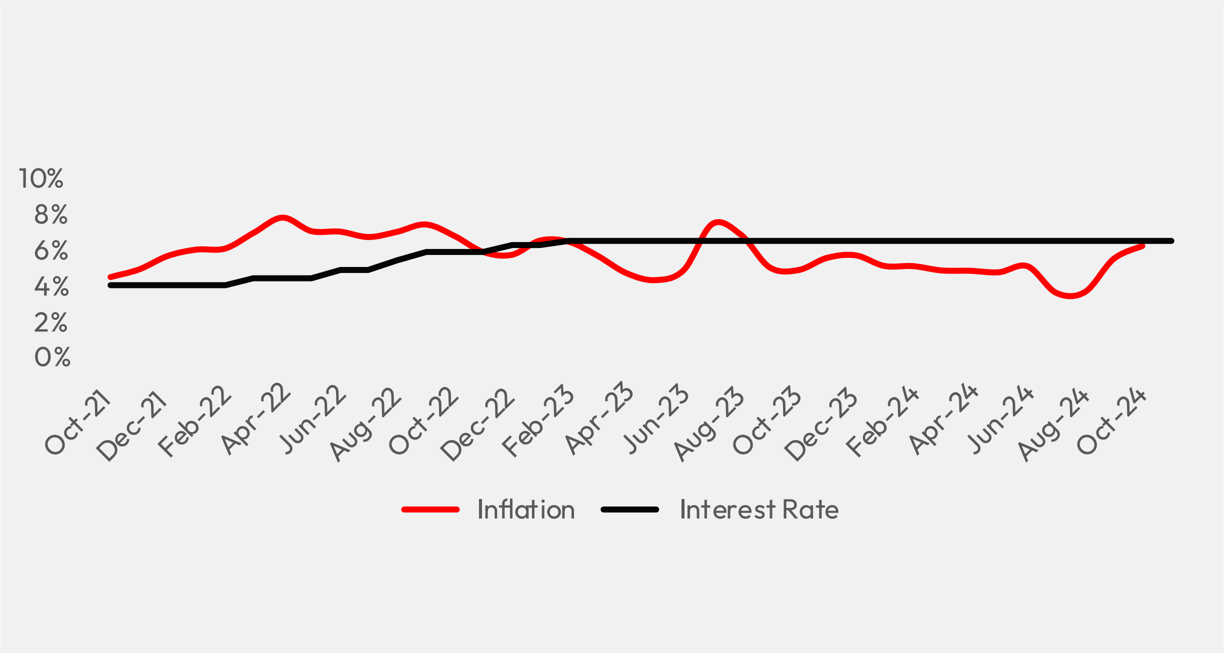
India continues robust economic growth, supported by increased household spending

GDP Growth Rate



India MPC decided to keep repo rate unchanged, focused on supporting economic growth

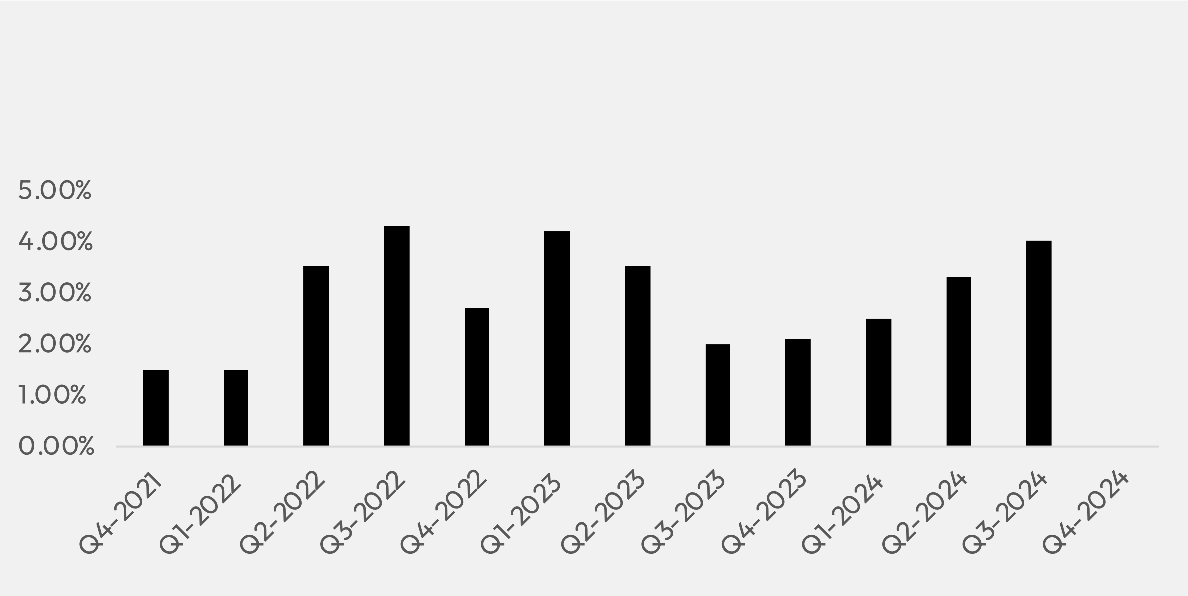
Inflation vs benchmark interest rate



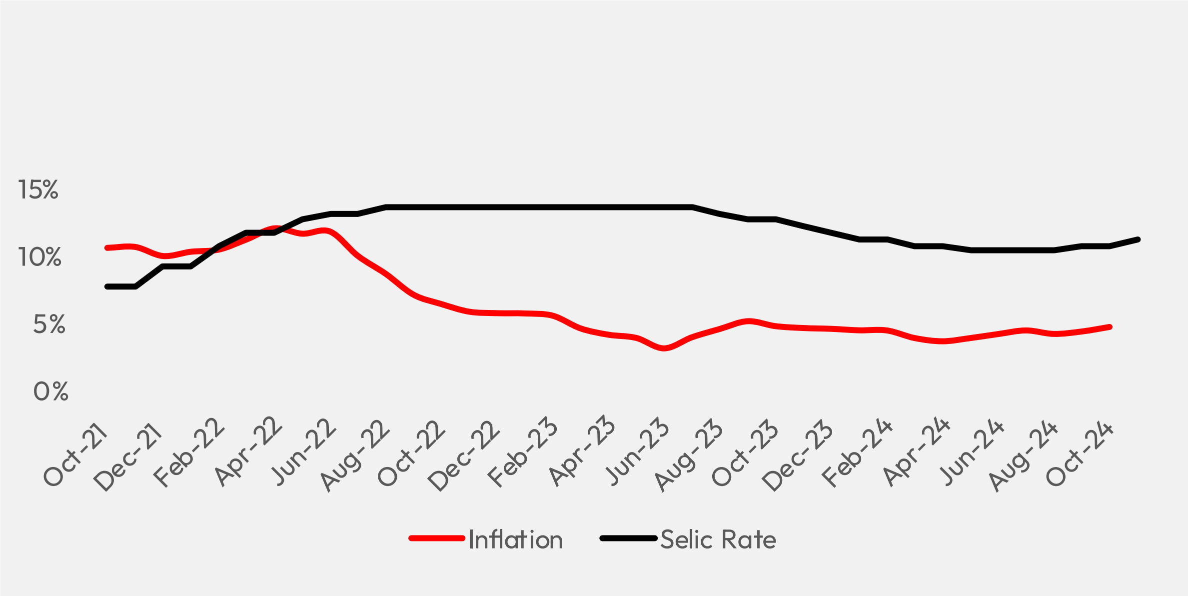
Source: Bank of Japan, Bloomberg, United Capital Research

EMERGING ECONOMIES: SOUTH AMERICA

Brazil's economic growth is supported by its domestic demand and resilient
GDP Growth Rates



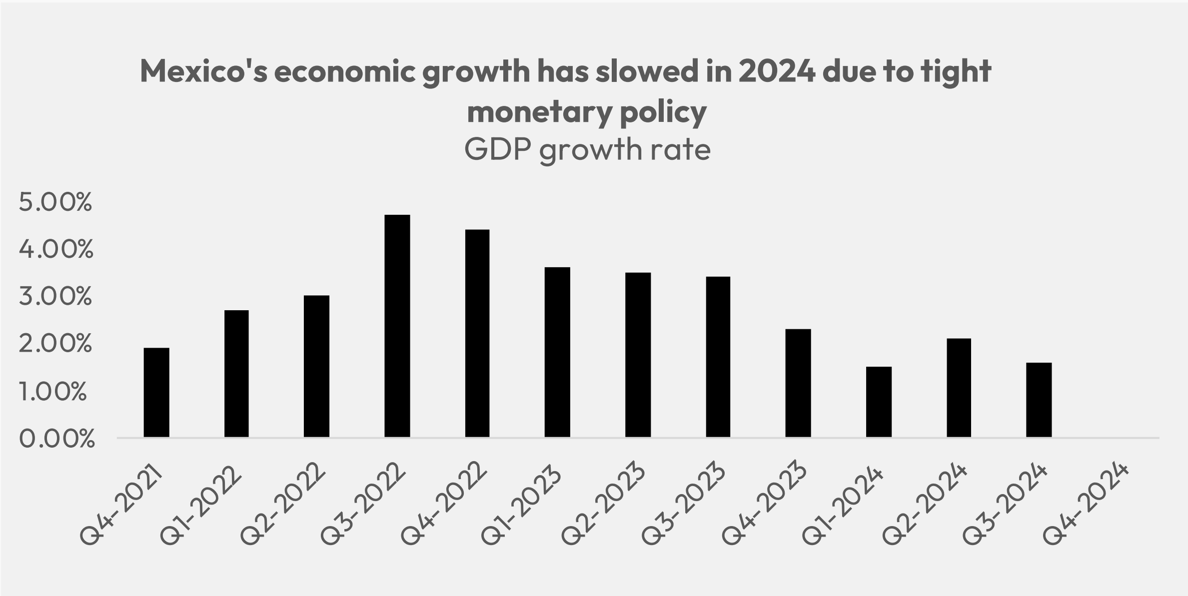
Brazil tightens its monetary policy as annual inflation deviates from its 3.0% y/y target
Inflation rate vs benchmark interest rate



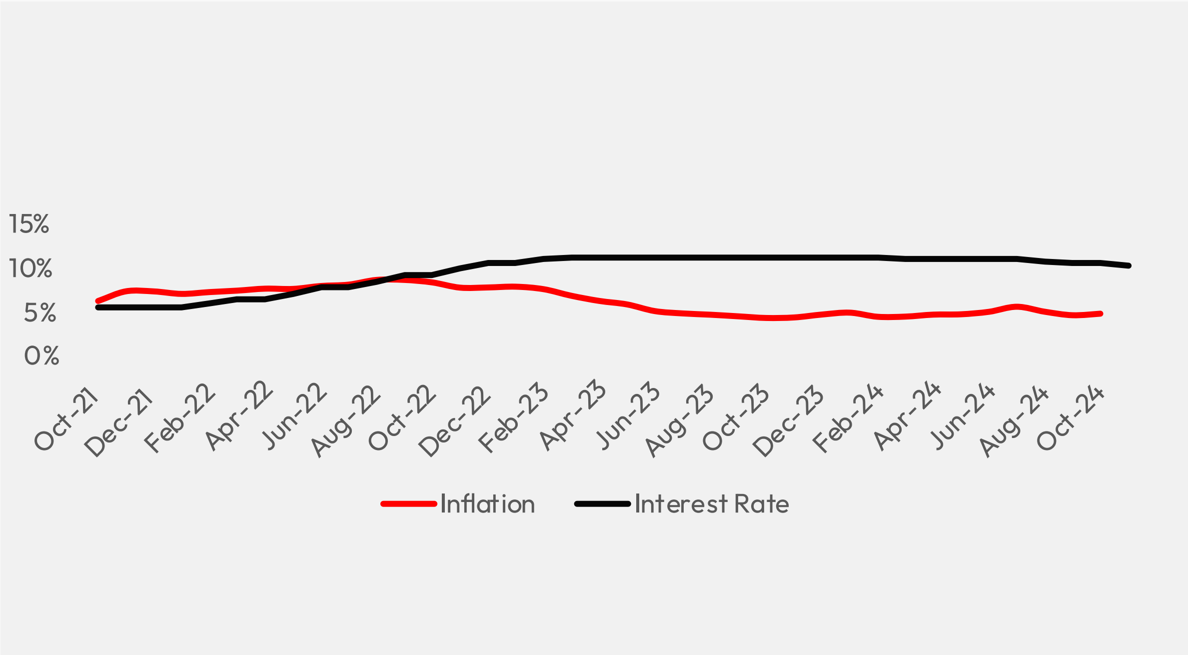
Source: Bank of Japan, Bloomberg, United Capital Research

EMERGING ECONOMIES: SOUTH AMERICA

Mexico's economic growth has slowed in 2024 due to tight monetary policy
GDP Growth Rate



Mexico's monetary policy implementation by Banco de Mexico have created conditions for relatively stable and low inflation
Inflation vs benchmark interest rate



MIDDLE EAST

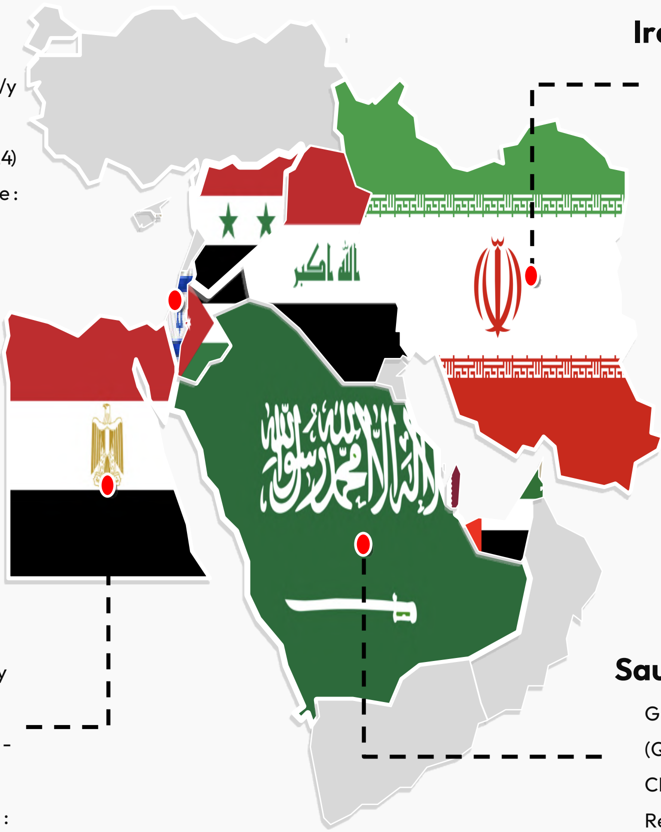
MIDDLE EAST: GULF COOPERATION COUNCIL SUPPORTED ECONOMIC GROWTH

Israel

GDP growth rate: 0.10% y/y (Q2-2024).
CPI rate: 3.50% y/y (Sept -2024)
Benchmark Interest Rate: 4.50%

Iran

GDP growth Rate: 4.60% y/y (Q2-2024).
CPI rate: 34.50% y/y (Oct -2024)
Benchmark rate: 23.00%



Egypt

GDP growth rate: 2.40% y/y (Q2-2024)
CPI rate: 26.50% y/y (Oct -2024)
Benchmark Interest Rate: 27.25%

Saudi Arabia

GDP growth Rate: 2.80% y/y (Q3-2024)
CPI rate: 1.90% y/y (Oct -2024)
Reverse Repo Rate: 4.50%

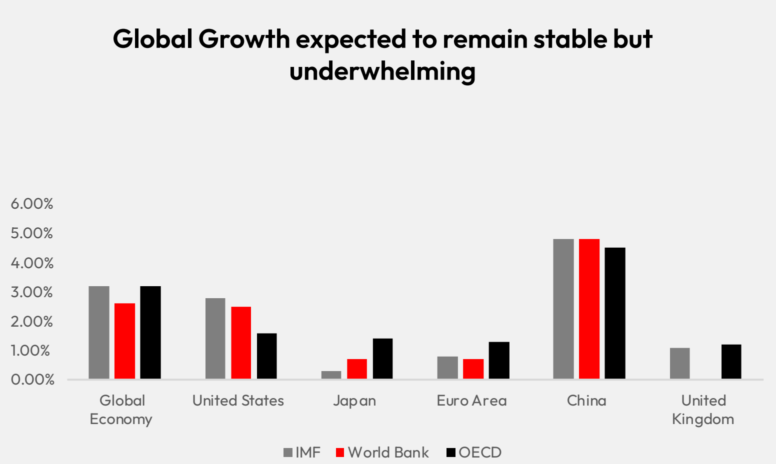
- The Gulf states have relied on their abundant hydrocarbons, particularly oil, to pursue economic and political activities that serve their national interests. The foreign and domestic policies of the Gulf Arab countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates, or UAE) significantly affect global energy security, international stability and global markets. The region holds more than 30.0% of the world's proven crude oil and 20.0% of its natural gas reserves.

- Real GDP growth in the Middle East has been modest in 2024. Most of the growth has been driven by Gulf Cooperation Council (GCC) countries. According to the World Bank's Gulf Economic Update, economic growth in the GCC is expected to grow by 2.80% in 2024 and 4.7% in 2025. The region's prospects builds on the strong momentum of the non-oil economy, and the recovery in oil output.

- On a country level, there are disparities in factors driving economic growth. Whereas Bahrain's performance hangs on oil market prospects, Kuwait's growth has been driven by expansionary fiscal policies. Oman has focused on increasing its gas production and diversification efforts, and Qatar's non-oil growth has been driven by tourism

2025 OUTLOOK: GLOBAL ECONOMY

GLOBAL FORECASTS: GLOBAL GROWTH TO REMAIN STABLE BUT SLIGHTLY UNDERWHELMING



Economic Outlook of Advanced Economies

	2023 (%)	2024 (%)	2025 (%)
World Output	3.3	3.2	3.2
Advanced Economies	1.7	1.8	1.8
United States	2.9	2.8	2.2
Euro Area	0.4	0.8	1.2
Germany	- 0.3	0	0.8
France	1.1	1.1	1.1
Italy	0.7	0.7	0.8
Spain	2.7	2.9	2.1
Japan	1.7	0.3	1.1
United Kingdom	0.3	1.1	1.5
Canada	1.2	1.3	2.4
*Other Advanced Economies	1.8	2.1	2.2

* 2024 forecasts

- Global output will moderate slightly to 3.20% in 2024 and 2025 compared to 3.30% in 2023.

- This is due to the concerns that continued geopolitical uncertainties, particularly around trade relations, energy supplies, and geopolitical risks in Eastern Europe and the Middle East, may hinder global trade flows and investor confidence, limiting overall output growth.

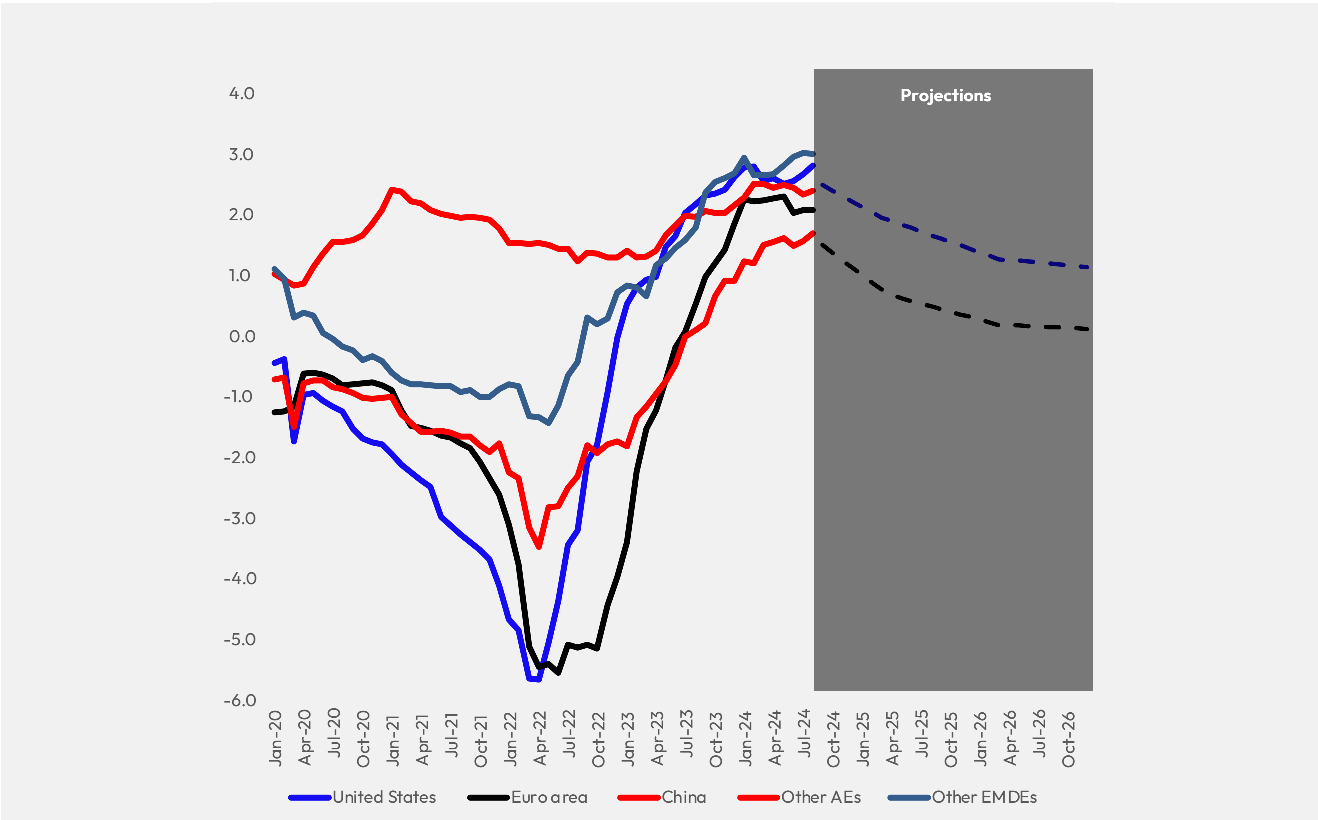
- Many countries are winding down the fiscal support measures that were implemented during the pandemic and global energy crisis. As these supports phase out, public spending will contribute less to GDP growth, particularly in developed economies.
- Trump's tariff policies will reduce global GDP as global trade and investments may be affected due to uncertainties, cut down in trade volumes, and restructured supply chain.

- Japan's aging population, China's demographic shifts, and Europe's energy transition are structural issues that may limit the potential for rapid growth in these economies, affecting global output as a result.

- While inflation has started to moderate in many countries, it remains elevated in some regions and sectors, particularly in services. This persistent inflation could lead to tighter monetary policies and higher interest rates in some regions, which can dampen economic activity.

GLOBAL FORECASTS: POLICYMAKERS FACE INFLATION-GROWTH TRADE-OFF

Monetary Transmission: Real Policy Rate Paths in major economies (Percent)



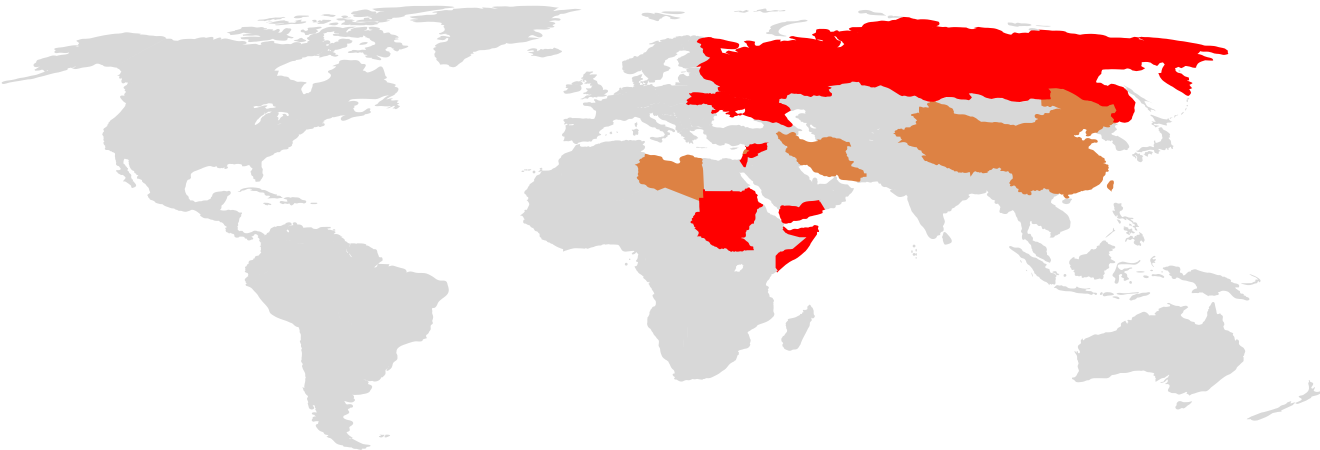
Real Policy Rate forecasts in the US and Euro Zone

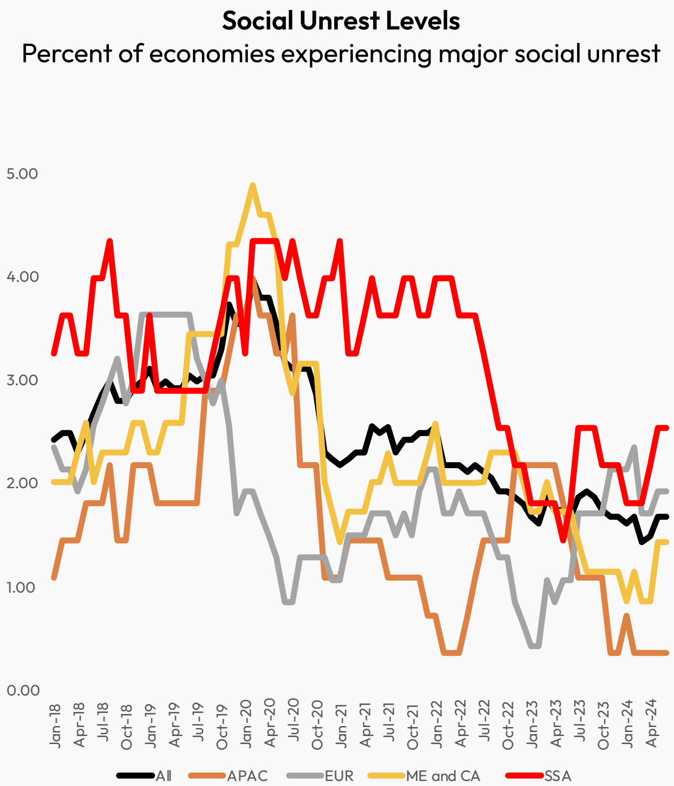
	US - 2024 (Actual) %	US - 2025 Forecast (%)	- (Actual) %	Euro Zone - 2025 Forecast (%)
Jan	2.78	2.13	2.26	1.01
Feb	2.79	2.04	2.23	0.88
Mar	2.55	1.95	2.23	0.76
Apr	2.61	1.90	2.26	0.69
May	2.50	1.84	2.29	0.62
Jun	2.55	1.78	2.03	0.58
Jul	2.66	1.73	2.07	0.53
Aug	2.82	1.67	2.08	0.49
Sep*	2.49	1.61	1.49	0.45
Oct*	2.40	1.55	1.37	0.40
Nov*	2.31	1.50	1.25	0.36
Dec*	2.22	1.44	1.13	0.31

- Policymakers will look to strike a balance between fighting inflation and supporting their fragile economies.
- However, real policy rates are expected to continue in their downward trajectories in major economies like the US (1.44% - December 2025) and the Eurozone area (0.31% December 2025).
- Has inflationary pressures cool in some key economies, central banks will look to cut interest rates to bolster economic activity.

Source: IMF, United Capital Research

GLOBAL FORECAST: TRUMP TO REPRISE HIS FIRST-TERM FOREIGN POLICY SUCCESSES



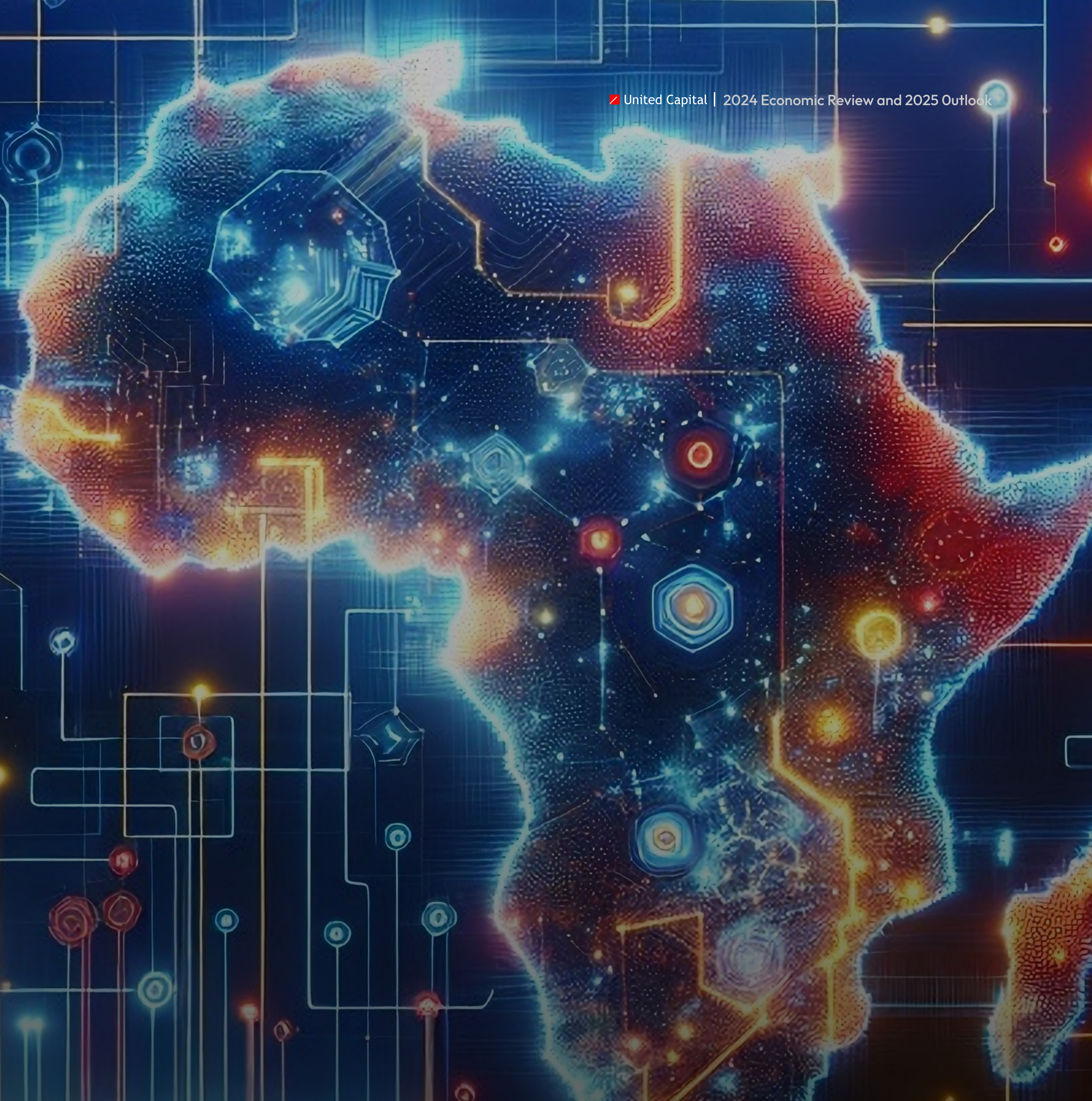


Will Trump 2.0 have a more decisive impact on geopolitics?

A second Trump administration is expected to reprise his first-term foreign policy successes, such as the Abraham Accords and NATO cost-sharing, but with a more loyal, ideologically aligned team. However, the global context has shifted dramatically, with heightened risks from China, Russia, Iran, and North Korea, as well as a sluggish global economy and disruptive technologies. Trump's "America First" approach, while still assertive and transactional, now faces greater geopolitical challenges.

On China, Trump's tough stance—starting with tariffs—could escalate tensions, potentially sparking a new cold war. In the Middle East, his support for Israel's actions and efforts to expand the Abraham Accords could risk broader conflict, particularly over Iran. In Ukraine, Trump's proposed ceasefire may deepen European divisions, either strengthening or fracturing NATO. With rising global instability, Trump's return could lead to both volatile breakdowns and unlikely breakthroughs, heightening geopolitical risks.

Source: IMF, United Capital Research



2024 ECONOMIC REVIEW: SUB-SAHARAN AFRICA (SSA)

2024 SUB-SAHARAN AFRICA SNAPSHOT

	GDP		INFLATION (%)		INTEREST RATES (%)		GROSS DEBT POSITION (% OF GDP)		UMEMPLOYMENT RATE (%)	
	Q1 2024	Q3 2024	JAN 2024	NOV 2024	Q1 2024	Q4 2024	2023	2024F	Q1 2024	Q4 2024
ANGOLA	4.60	4.10	21.99	29.17	19.00	19.50	73.68	59.28	32.40	32.30
CAMEROON	3.20	N/A	5.20	4.40	5.00	5.00	43.15	40.34	3.70	3.70
COTE D'IVORIE	6.30	6.50	3.10	2.60	5.50	5.50	58.07	59.28	2.60	2.60
GHANA	4.80	6.90	23.50	22.10	29.00	27.00	82.94	82.51	3.60	3.60
KENYA	5.00	4.60	6.90	2.80	12.50	12.00	73.11	69.87	5.70	5.70
NIGERIA	2.98	3.46	29.90	33.88	18.75	27.50	46.41	51.27	5.30	4.30
SENEGAL	2.30	3.90	2.10	-0.20	5.50	5.50	81.20	84.34	23.20	21.60
SOUTH AFRICA	0.05	0.30	5.30	2.80	8.25	7.75	73.36	74.98	32.90	32.10
RWANDA	9.70	9.80	3.10	0.50	7.50	6.50	64.47	71.36	12.90	15.30
UGANDA	6.70	6.60	2.80	2.90	10.00	9.75	51.03	51.38	2.90	2.90

GDP Growth: Sub-Saharan Africa witnessed a mixed growth with Rwanda, Ghana, Uganda and Cote d'voire showing robust growth, while South Africa experienced a slight contraction. Most other countries showed moderate growth.

Inflation: Inflation remained elevated across most SSA countries, with Nigeria, Ghana, and Angola having the highest inflationary pressure. Cote d'Ivoire, Rwanda, and Uganda stood out with lower inflation rates.

Interest Rates: Central banks tightened monetary policy rates as inflationary pressure became stubborn across the board. Nigeria, Ghana, and Angola recorded the highest interest rates in 2024.

Gross Debt Position: Debt levels continue to rise in most SSA countries, with Senegal, Ghana, South Africa, and Rwanda having the highest debt levels.

Unemployment Rate: Unemployment rates were relatively stable across most SSA countries, with a few exceptions like Rwanda seeing a notable increase.

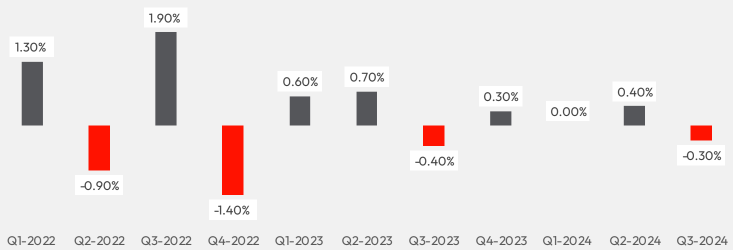
Overall: SSA faces persistent inflation, rising interest rates, and ongoing geopolitical uncertainty. Some countries showed signs of resilience and others struggled with economic headwinds.

Source: IMF, United Capital Research

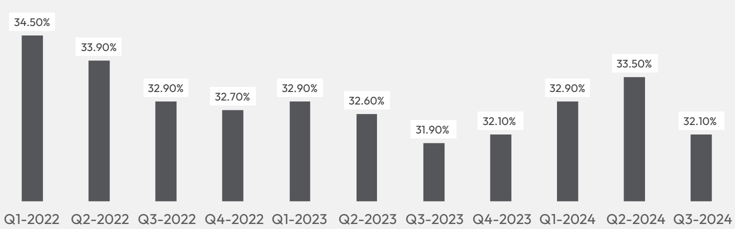
SOUTH AFRICA

SOUTH AFRICA: UNEVEN GROWTH SINCE AFTER COVID

South Africa's post-pandemic output has been uneven, but showed prospect of rebounding to 1.10% in 2024



Unemployment Rate

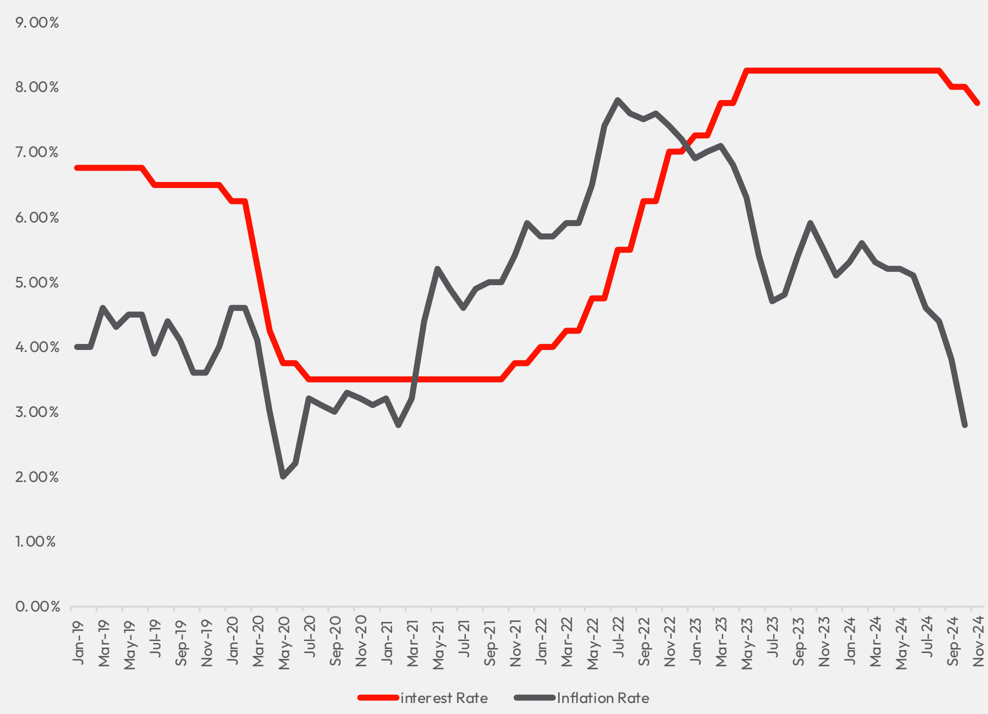


- South Africa's post-pandemic recovery has been uneven. While Q2-2024 saw a 0.40% GDP expansion due to increased consumer spending and reduced load shedding, Q1 and Q3-2024 experienced contractions of 0.10% and 0.30%, respectively.
- The economy remains vulnerable to domestic challenges and global uncertainties, with sectors like manufacturing, mining, construction, agriculture, transport, trade, and government services experiencing fluctuations.
- Despite the -0.30% contraction in Q3-2024, the IMF projected a 1.10% growth rate for the economy in 2024 compared to 0.70% recorded in 2023. This is due to the continued efforts to address load shedding and stabilize electricity supply which may boost productivity in key sectors.
- Meanwhile, unemployment rate in the 1st and 2nd quarters of 2024 showed upward trend of 32.90% and 33.50% respectively from the 32.10% in Q4-2023. However, Q3-2024's saw unemployment rate reversed to 32.10% majorly driven by increased business confidence and hopes for economic reforms under the new coalition government.
- The IMF projected unemployment to settle at 33.70% in 2024, 60bps lower than 33.10% in 2023.

Source: Statistics South Africa, United Capital Research

SOUTH AFRICA: INFLATIONARY PRESSURE EASED AS RAND STABILIZED

South Africa's inflationary pressure continued to cool and is projected to decline further averaging 4.70% at the end of 2024



- South Africa's inflation rate continued to ease, declining from a high of 5.6% in February 2024 to 2.8% in October 2024, with an average of 4.73% over the first ten months.

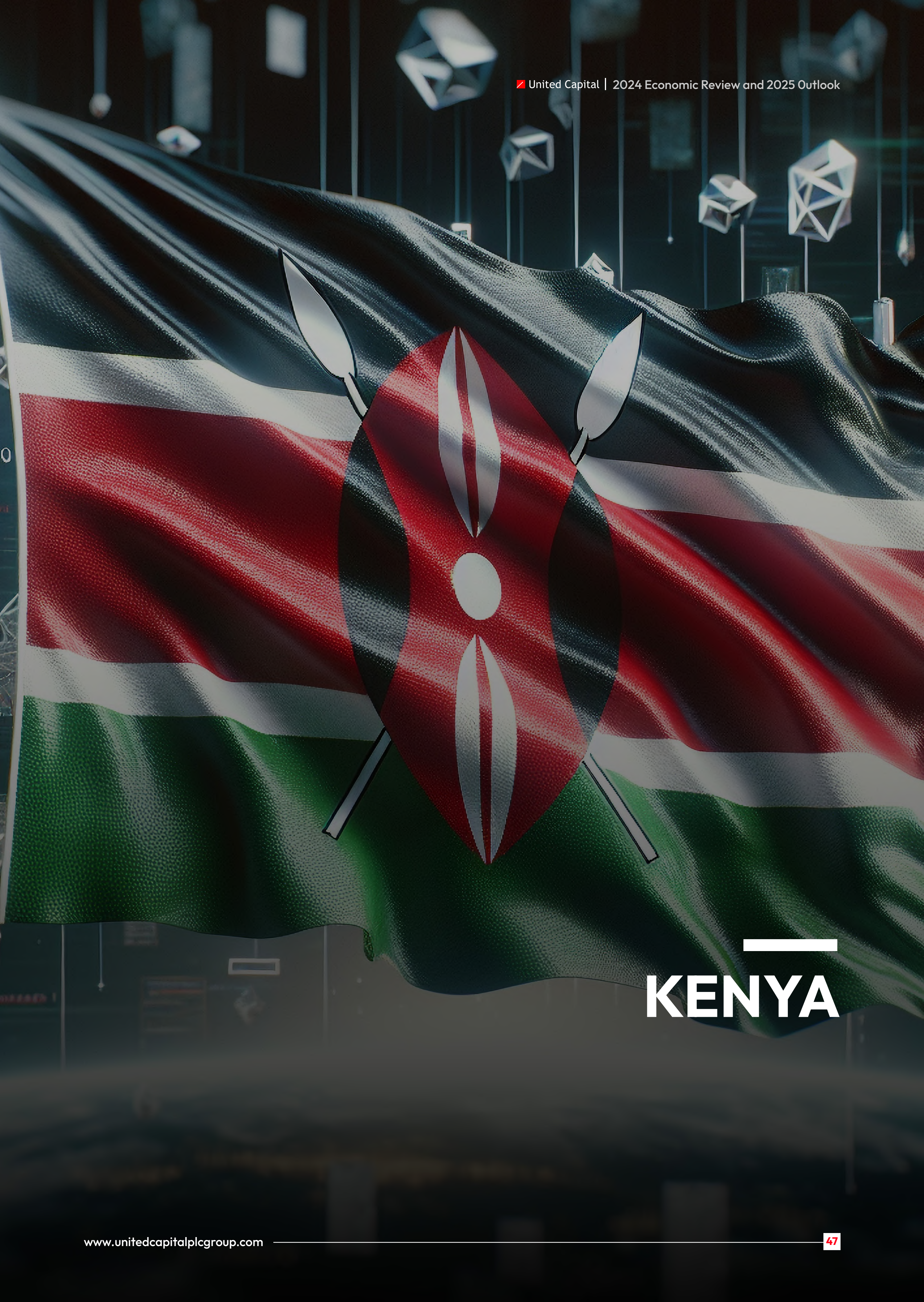
- South Africa's inflation is on track expected to drop lower than the African Development Bank (AfDB)'s projected 4.80% for 2024.

- The moderation in inflationary pressure was largely due to a relatively stable rand against major currencies, bolstered by favorable trade balances and inflows from key sectors, which helped lower import costs, particularly for essential goods and commodities. This stability mitigated imported inflation, a significant factor in an import-reliant economy.

- At the same time, the IMF has projected that inflation in South Africa will average 4.70% in 2024 compared to 5.90% in 2023.

- Subsequently, The South African Reserve Bank (SARB) slashed its key interest rate by 25bps to 7.75% in Nov-2024, bringing borrowing costs to their lowest level since Apr-2023. This marks the SARB's second policy easing since the pandemic in 2020, as price pressures cooled.

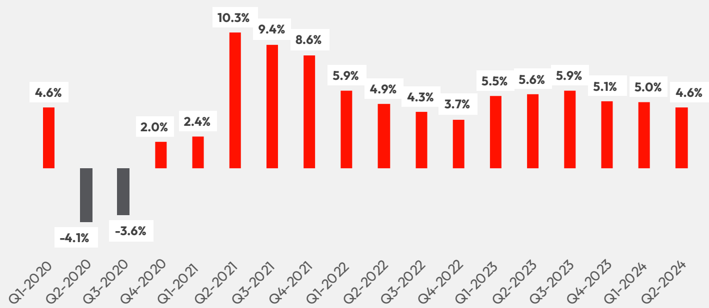
Source: South African Reserve Bank, Statistics South Africa, United Capital Research



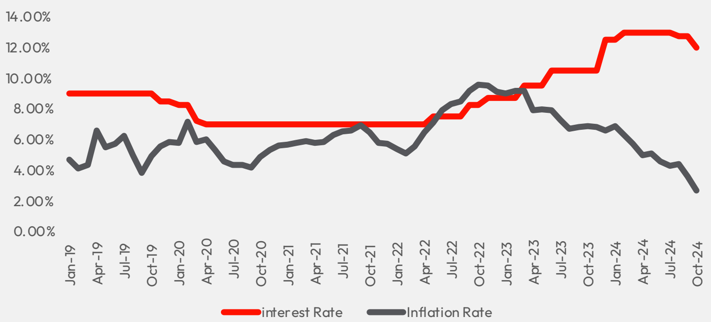
KENYA

KENYA: POLITICAL UNREST AND INSECURITY DAMPENED ECONOMIC GROWTH

Political unrest, insecurity, dampened investors confidence slowed output especially in tourism and manufacturing sectors



Average annual inflation continued to trend downwards within CBK's target of 2.50% - 7.50%

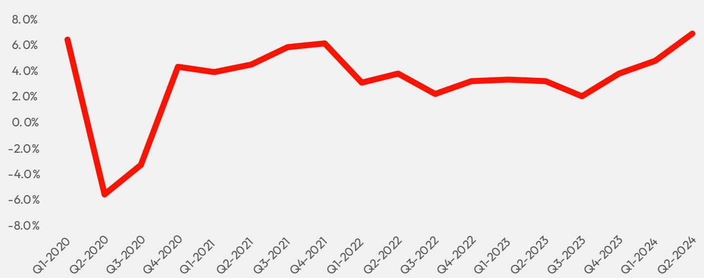


- Kenya's GDP marginally declined by 10bps to 5.00% in Q1-2024, down from 5.10% in Q4-2023, and further dropped to 4.60% in Q2-2024.
- Kenya faced political unrest and insecurity, mainly in urban areas, reducing investor confidence and slowing economic activities, especially in tourism and manufacturing. Also, geopolitical tensions, negatively impacted Kenya's export sectors and foreign investment. Hence, IMF projected that Kenya's GDP will stabilize at 5.00% in 2024.
- Meanwhile, the country's annual average inflation has declined from 7.50% in January 2024 to 5.14% in October 2024. This places the country within the Central Bank of Kenya's target range of 2.50% to 7.50%, indicating effective management of price stability. IMF projected 2024 inflation at 5.10%.
- The decline in inflation was driven by increased agricultural output, stabilizing food prices, prudent monetary policies by the Central Bank of Kenya (CBK), a stronger Kenyan shilling that lowered import costs, and government efforts to improve supply chains and market efficiency.
- With easing inflation reaching the lower end of the CBK's target range (2.50% to 7.50%) and a stronger Kenyan shilling, the CBK reduced its interest rate twice in 2024 to support private sector lending. In August, the rate was lowered by 25bps to 12.75%, followed by a 75bps cut to 12.00%, facilitating easier borrowing to stimulate economic growth.
- The IMF forecasted Kenya's annual average inflation at 5.10, 260bps lower than 7.70% in 2023.

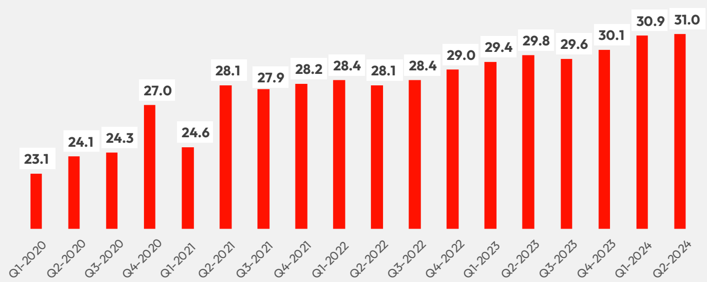
GHANA

GHANA: GROWTH INCHED UPWARDS AS COMMODITY PRICES IMPROVED

Ghana's GDP shows upward trend in 2024 bouyed by a successful debt restructuring and a rise in gold and cocoa export prices



Ghana's public debt ($'mn) on a northward trajectory with estimated 82.52% debt to GDP ratio



- Ghana's GDP surged to 6.90% in Q2-2024, its highest quarterly growth in five years, compared to 4.70% and 3.80% in Q1-2024 and Q4-2023, respectively.

- Economic output was driven by successful debt restructuring, which reduced the debt burden and created fiscal space for investment. Adherence to the IMF program stabilized the economy and boosted investor confidence. Rising gold and cocoa prices increased export earnings, while growth across services, industry, and agriculture further fueled GDP expansion.

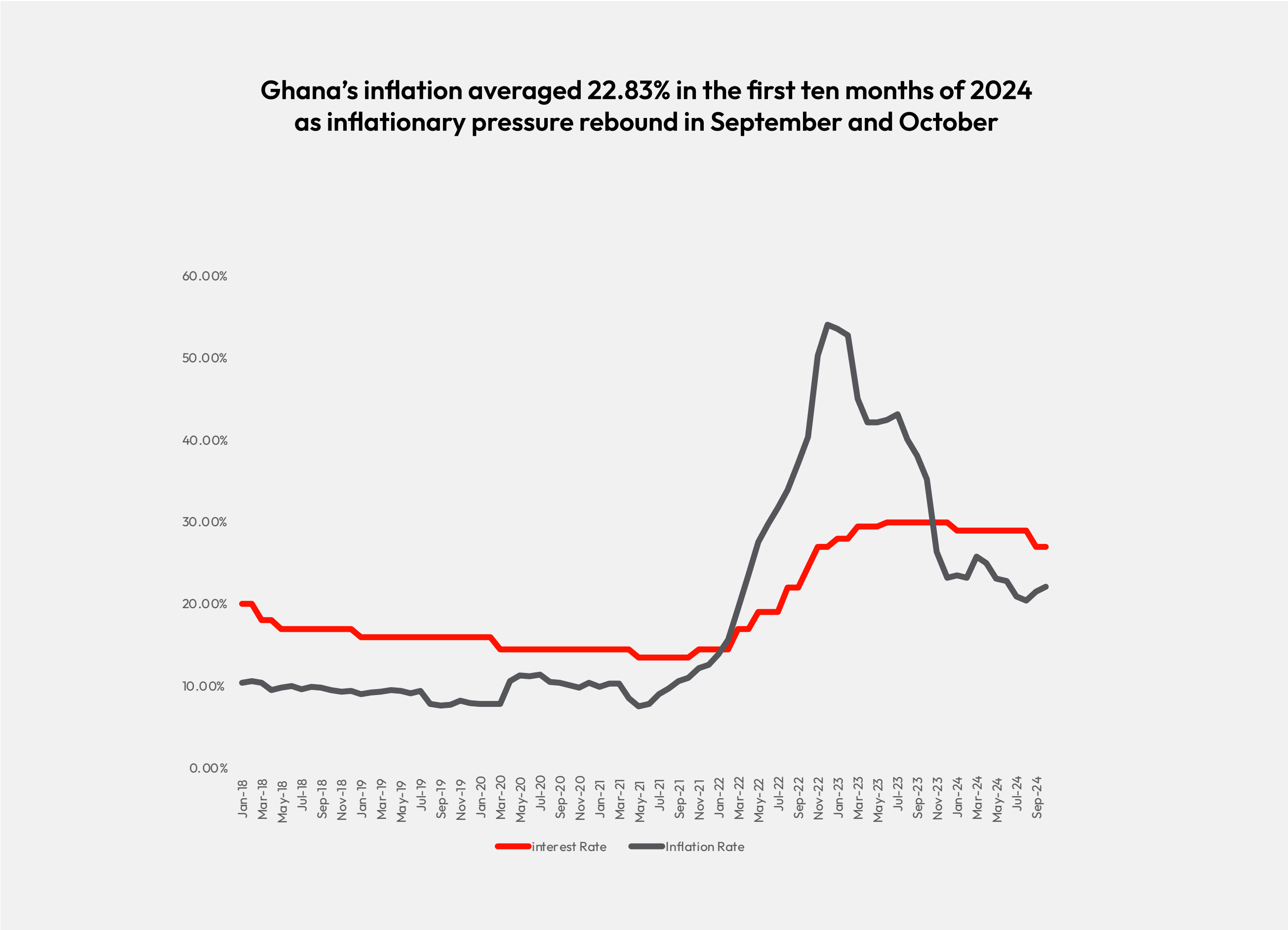
- Nevertheless, currency volatility has been a major challenge, with the Ghanaian cedi depreciating due to high import dependence and external debt. The central bank has intervened in forex markets and built reserves through export-focused policies and IMF support to stabilize the cedi.

- The IMF projects Ghana's GDP growth to increase by 20bps to 3.10% in 2024, compared to 2.90% in 2023.

- Ghana's fiscal health shows a continued rise in debt, with debt estimated at 82.52% of GDP. As of Q2-2024, the country's debt reached a peak of $31.0 billion, up from $29.8 billion in the same period last year.

Source: Bank of Ghana, Ghana Statistical Service, United Capital Research

GHANA: INFLATIONARY PRESSURE EASED IN A GREATER PART OF 2024



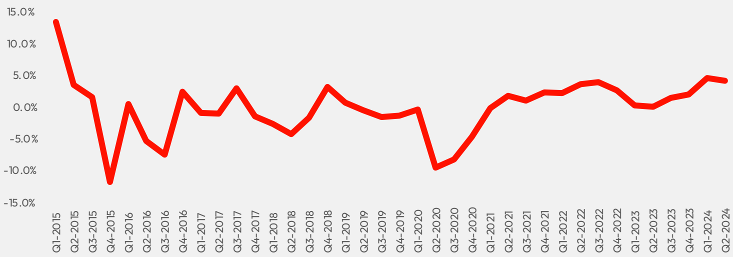
- Ghana's inflation trended downward in 2024, averaging 22.83% in the first ten months. However, inflationary pressures rebounded in September (21.50%) and October (22.10%) after marginal declines in the preceding months.
- Initial improvements in food production and monetary tightening slowed inflation. However, the rebound in inflationary pressure was driven by seasonal price increases in food and energy, currency volatility raising import costs, supply chain disruptions, and increased government spending on debt management and economic support, which contributed to higher inflation.
- Despite recent inflationary pressures, the IMF projects Ghana's inflation at 19.50% in 2024, down from 39.20% in 2023.
- In response to inflationary trend, Ghana's Central Bank slashed its interest rate by 200bps from 29.00% to 27.00%, marking the first rate cut since Jan-2024. This was the most significant reduction since March 2018. The decision comes as inflation slows and expectations build for the disinflation trend to continue.

Source: Bank of Ghana, Ghana Statistical Service , United Capital Research

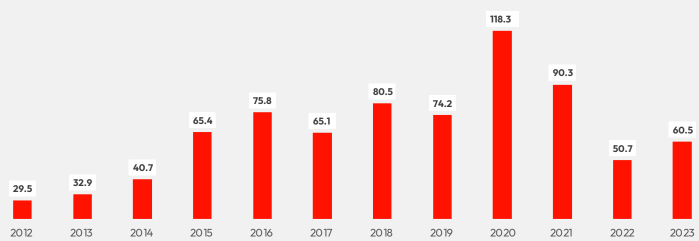
ANGOLA

ANGOLA: GROWTH MODERATED AS GLOBAL PRICES FLUCTUATE

Angola's GDP growth rate moderated from 4.10% to 2.40% in Q2-2024 due to vulnerability to global price flunctuations



Angola's fiscal reforms have impacted debts levels though still high with a projected debt to GDP ratio of 69.00%



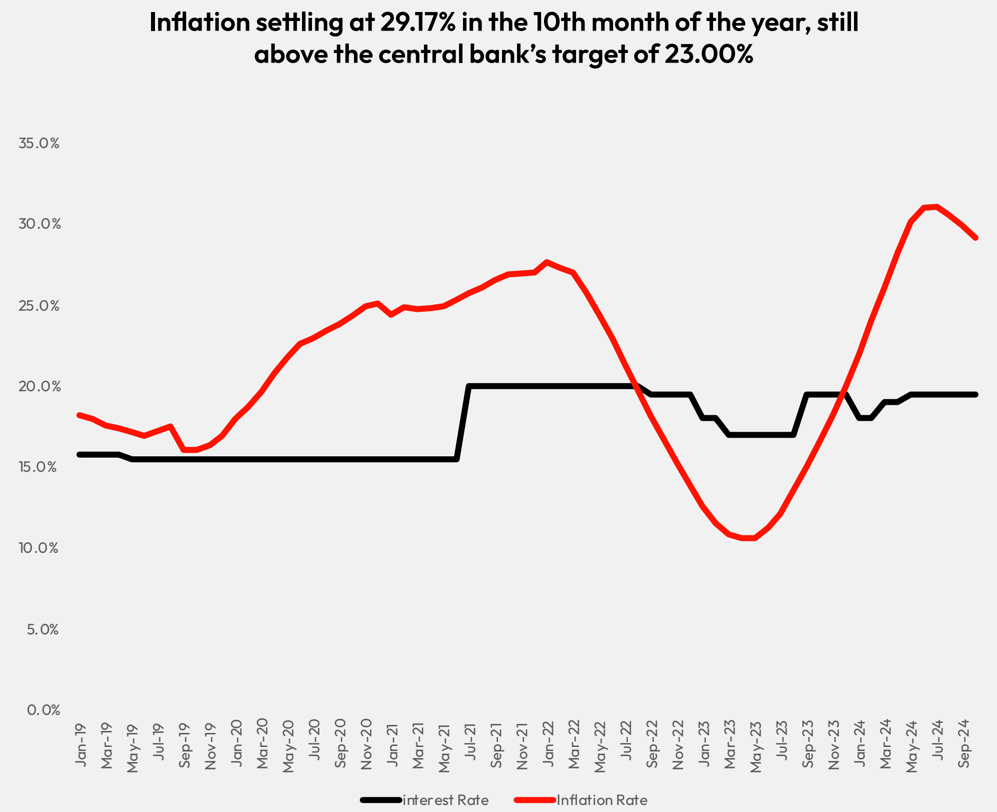
- Angola's economy grew by 4.60% y/y in Q1-2024, the fastest since Q1-2015, doubling Q4-2023's revised 2.00% growth. This surge was driven by a 15.00% increase in oil production in March and over 5.00% growth for the quarter. In Q2-2024, growth slowed to 4.10% y/y but marked the 14th consecutive quarter of expansion, with oil sector gains moderating from Q1 highs.

- The IMF projects Angola's growth to moderate to 2.40% in 2024, due to heavy reliance on oil, vulnerability to global price fluctuations, and limited economic diversification. Additionally, slower global growth could reduce demand for Angolan exports, impacting the country's overall economic performance.

- Angola has implemented fiscal reforms to reduce its deficit and improve efficiency. These include tax reforms, state-owned enterprise (SOE) modernization, and public sector streamlining. However, challenges persist due to oil dependency, external shocks, and a significant debt burden of around $40.00billion, with a projected 69.00% debt-to-GDP ratio in 2024. This debt, coupled with high-interest payments, continues to constrain fiscal policy.

Source: National Bank of Angola, Instituto Nacional de Estatística, Angola, United Capital Research

ANGOLA: INFLATION REMAINS ELEVATED DESPITE SIGNS OF COOLING



- Angola's annual inflation rate decreased to 29.17% in October 2024, down from September's 29.93%. However, it remains above the central bank's target of 23.00%. High inflation is driven by rising food, education, and transport costs, exacerbated by the depreciating Kwanza. The currency's weakness stems from low foreign reserves and import dependency. Despite tighter monetary policy, inflation remains stubborn due to supply-side constraints.

- The IMF projects Angola's inflation to stabilize at 28.40% in 2024, up from 13.60% in 2023, driven by Kwanza depreciation, rising import costs, and supply-side bottlenecks like infrastructure and logistical challenges.

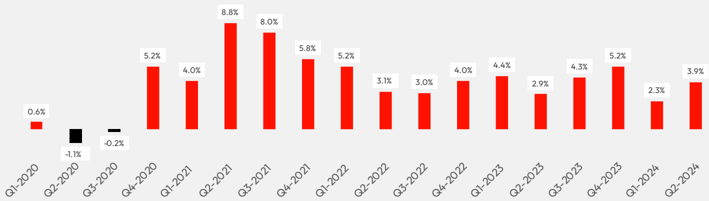
- In response to high inflation rate, the National Bank of Angola (BNA) raised its benchmark interest rate twice in 2024 to curb inflation, increasing it by 100bps to 19.00% in March and by 50bps to 19.50% in May. However, it held the rate steady at 19.50% later in October. This high rates have restricted affordable credit, particularly for SMEs, and slowed investment in non-oil sectors.

Source: National Bank of Angola, Instituto Nacional de Estatística, Angola, United Capital Research

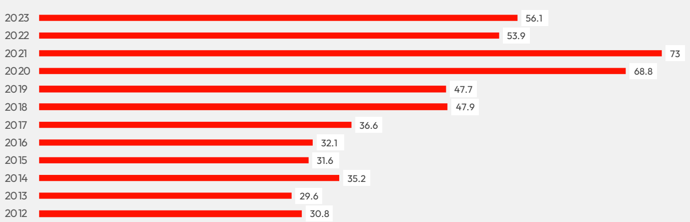
SENEGAL

SENEGAL: OIL AND GAS PRODUCTION SPURRED GROWTH

Senegal GDP estimated at 6.00% in 2024 due to commencement of oil and gas production



Government Debt to GDP increased to 83.00% above WAEMU'S 70.00% threshold



- Senegal's economy grew by 3.90% y/y in Q2-2024 following a 2.30% growth in Q1-2024. This was driven by increased capital formation, consumption, and exports.

- The IMF projects Senegal's economy to grow by 6.00% in 2024, driven by the anticipated commencement of oil and gas production from the Grand Tortue Ahmeyim (GTA) and Sangomar fields, boosting the energy sector, attracting investment, and increasing government revenues.

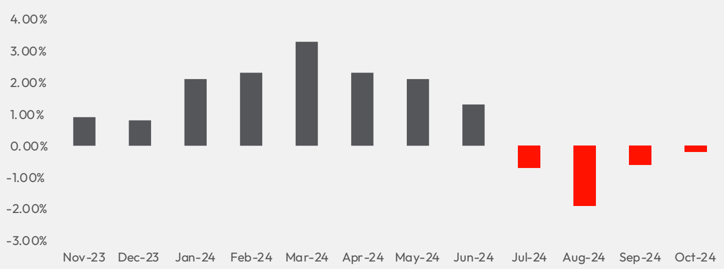
- Additionally, government efforts in infrastructure upgrades, renewable energy expansion, business environment reforms, fiscal management, and private sector growth, as outlined in the Plan for an Emerging Senegal (PSE), will contribute to its growth.

- Senegal's debt-to-GDP ratio has increased to 83.00%, surpassing the West African Economic and Monetary Union (WAEMU)'s threshold of 70.00%. This rise is attributed to ambitious infrastructure projects under the Plan Sénégal Émergent (PSE). While this poses a concern, the government aims to reduce debt while stabilizing the economy.

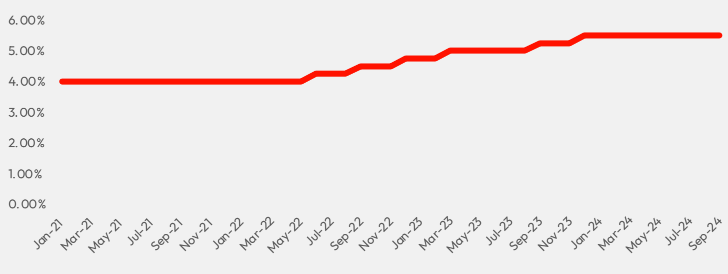
Source: ANSD, Senegal, Central Bank of West African States (BCEAO), United Capital Research

SENEGAL: DISINFLATIONARY TREND EMERGED AT THE LATER PART OF 2024

Senegal's inflationary pressure has consistently declined with disinflation occuring from July to Oct-2024



Despite the deflationary enviroment since Jul-2024, Policymakers have retained interest rates at 5.50% in 2024



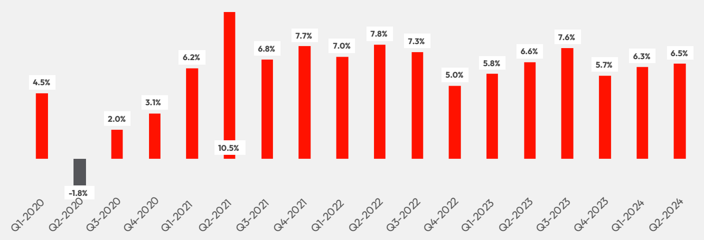
- Senegal's inflation increased to 2.10% in January 2024 from 0.80% in December 2023. While March 2024 saw a peak of 3.30%, inflation has consistently declined since April, with disinflation occurring from July to October.
- Senegal's 2024 inflation trend reflects base effects from prior high inflation, improved supply chain efficiency, and infrastructure under the Plan Sénégal Émergent (PSE). The April-June decline and July-October disinflation were likely driven by better agricultural output, stabilized food prices, and a stronger local currency reducing import costs.
- Nevertheless, the IMF foresee inflation settling at 1.50% in 2024, 440bps lower than the 5.90% in 2023.
- Despite the continuous decline of inflationary trend and the disinflation from July to Oct-2024, Senegal's interest rates have been retained at 5.50% since the beginning of the year.
- Senegal's high interest rate is maintained to attract foreign investment, manage fiscal deficits, and guard against potential inflationary pressures. This is particularly important given the country's membership in the WAEMU and the global economic environment.

Source: ANSD, Senegal, Central Bank of West African States (BCEAO), United Capital Research

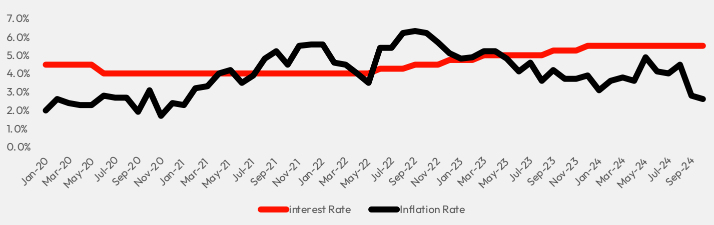
IVORY COAST

IVORY COAST: UPTICK IN COMMODITY PRICES BOLSTERED GROWTH IN 2024

Ivory Coast's GDP grew steadily in 2024 to settle at 6.50% y/y



Inflation has moderated to 2.60% in Oct-2024 down from 4.50% recorded earlier. However, the Central Bank maintains a tight monetary stance to curb inflation



- Ivory Coast's GDP grew steadily, rising from 5.7% in Q4-2023 to 6.3% in Q1-2024 and further to 6.5% in Q2-2024.
- The growth is driven by higher cocoa and coffee export revenues due to favorable weather and prices, infrastructure investments boosting productivity, and stronger regional trade. A favorable business climate, improved revenue collection, and prudent debt management have also attracted investments and bolstered economic stability.
- Consequently, the IMF noted that Ivory Coast's GDP growth would stabilize at 6.50% in 2024 from 6.20% in 2023, a 30bps increase.
- Inflation moderated to 2.60% in Oct-2024, down from 4.50% earlier in the year. While this is a positive trend, the country's reliance on imported goods and potential global supply chain disruptions and oil price fluctuations could still pose inflationary risks.
- Despite these, the IMF indicates that the country's inflation will stabilize at 3.80% in 2024 down 60bps from 4.40% in 2023.
- Meanwhile, interest rates have remained steady at 5.50% since Dec-2023, as policymakers maintain a tight stance to control inflation.

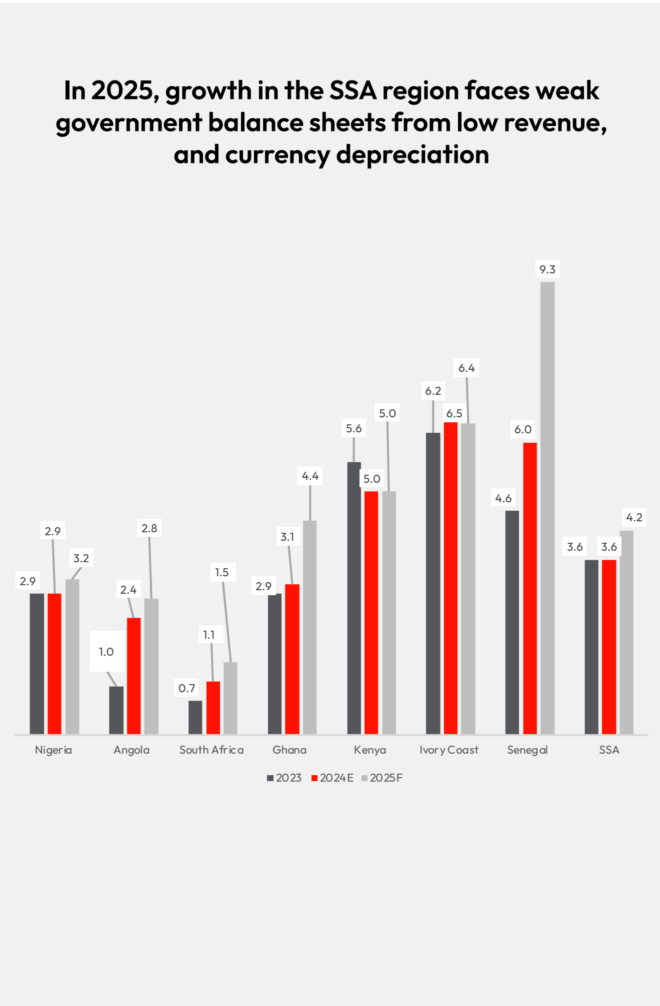
Source: Central Bank of West African States (BCEAO), United Capital Research

2025 OUTLOOK: SUB-SAHARAN AFRICA

SUB-SAHARAN AFRICA: 2025 FORECAST SNAPSHOT

	Gross Domestic Product (%)			Annual Inflation Rate (%)			Gross Debt Position (% of GDP)		
Countries	2023	2024 Full Yr. Est.	2025 Full Yr. Est.	2023	2024 Full Yr. Est.	2025 Full Yr. Est.	Gross Debt Position (% of GDP)	2024 Full Yr. Est.	2025F Full Yr. Est.
Sub-Saharan Africa	3.6	3.60	4.20	17.60	18.10	12.30			
Oil Exporters	2.4	2.70	3.20	20.70	29.30	22.60			
Nigeria	2.9	2.90	3.20	24.70	32.50	25.00	46.41	51.28	50.03
Angola	1	2.40	2.80	13.60	28.40	21.30	73.68	59.28	52.08
Gabon	2.4	3.10	2.60	3.60	2.10	2.20	72.12	73.31	79.96
Chad	4.9	3.20	3.80	4.10	4.90	3.70	32.74	31.53	32.43
Equatorial Guinea	-6.2	5.80	-4.80	2.50	4.00	2.80	37.37	35.08	35.60
Middle Income Countries	3.1	3.10	3.90	9.40	6.30	5.20			
South Africa	0.7	1.10	1.50	5.90	4.70	4.50	73.36	74.98	77.40
Kenya	5.6	5.00	5.00	7.70	5.10	5.20	73.11	69.87	72.36
Ghana	2.9	3.10	4.40	39.20	19.50	11.50	82.94	82.51	79.51
Cote dÍvoire	6.2	6.50	6.40	4.40	3.80	3.00	58.07	50.28	55.90
Cameroon	3.2	3.90	4.20	7.40	4.40	3.50	43.15	40.34	38.26
Senegal	4.6	6.00	9.30	5.90	1.50	2.00	81.20	84.34	80.48
Zambia	5.4	2.30	6.60	10.90	14.60	12.10	127.31	114.09	94.11
Low income Countries	5.7	5.20	5.90	26.30	23.10	11.00			
Ethiopia	7.2	6.10	6.50	30.20	23.90	23.30	38.74	33.56	41.79
Tanzania	5.1	5.40	6.00	3.80	3.20	4.00	46.87	47.33	46.28
DRC	8.4	4.70	5.00	19.90	17.80	9.20	99.01	93.33	89.04
Uganda	4.6	5.90	7.50	5.40	3.50	4.40	51.03	51.38	50.29
Mali	4.4	3.80	4.40	2.10	2.50	2.00	55.89	55.72	55.92
Burkina Faso	3.1	5.50	5.80	0.70	2.10	2.00	55.90	57.36	56.04

SUB-SAHARAN AFRICA: GROWTH PROJECTIONS

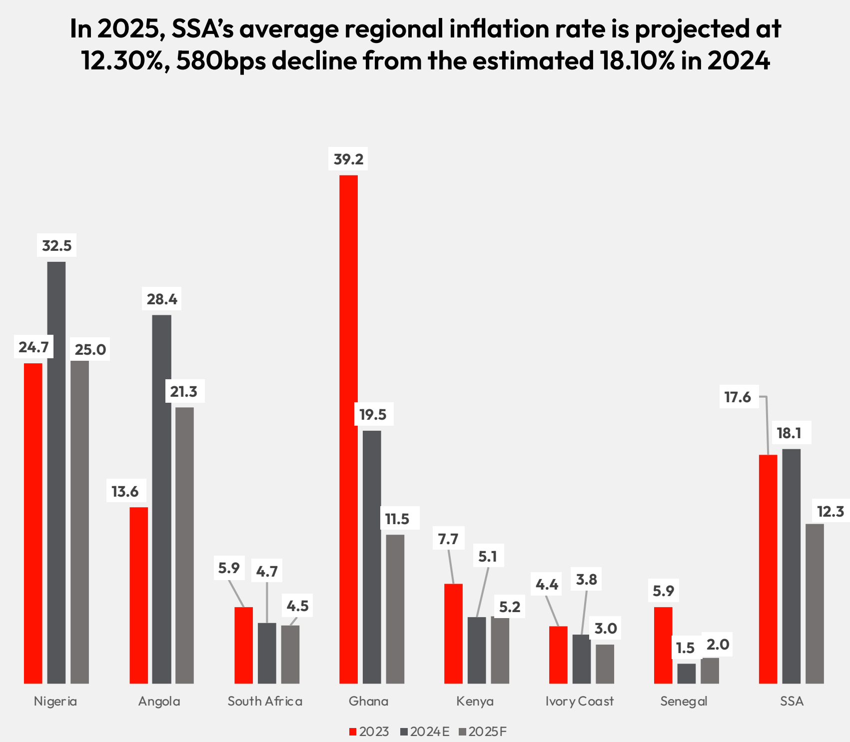


In 2025, SSA's growth will improve to 3.60% in 2025, driven by easing inflation, and increased private consumption and investment. However, risks such as geopolitical tensions, regional instability, and economic slowdowns in China pose significant threats to this outlook.

- **Nigeria (3.20%):** Modest growth will be driven by oil production recovery. However, persistent challenges like insecurity and fiscal imbalances constrain faster growth.
- **Angola (2.80%):** Angola's growth reflects stabilized oil production and reforms but faces vulnerabilities from external oil price fluctuations.
- **South Africa (1.50%):** Slow growth due to structural issues like energy shortages, high unemployment, and policy uncertainties.
- **Ghana (4.40%):** Recovery will be supported by improved agricultural output and oil and gas production, though high debt and inflation pose risks.
- **Kenya (5.00%):** Growth driven by a strong performances in agriculture, services, and infrastructure development.
- **Ivory Coast (6.40%):** Robust public and private investments, agricultural productivity, and industrial growth will help the economy in 2025..
- **Senegal (9.30%):** Will be boosted by the oil and gas sector coming online, alongside infrastructure projects and a favorable policy environment.

Source: IMF, United Capital Research

SUB-SAHARAN AFRICA: GROWTH PROJECTIONS



- In 2025, SSA's average regional inflation rate is projected at 12.30%, 580bps decline from the estimated 18.10% in 2024.

- Despite the projected drop, inflationary pressures will continue to vary significantly across the region, driven by a combination of external supply shocks, currency depreciation, and domestic factors such as food and energy prices.

- The cost of food and energy will remain the largest driver of inflation in SSA. Supply chain disruptions, particularly those resulting from geopolitical tensions will have direct impact on the region.

- Monetary policy decisions in the region will be mixed. Countries with sticky and stubborn inflationary pressure will continue to maintain a hawkish stance, those with mild inflation rates will take a Hold decision with a possibility of hiking, while countries with lower inflation rate will consider interest rate cut.

- The region's debt profile is expected to burgeon as countries continue to borrow both internally and externally to finance their deficit budgets.

- Countries in the region will continue to experience currency depreciation as global currencies become stronger. Dependence on imported goods and sparse exportation of low-priced raw items will continue to negatively impact the region in 2025.

Source: IMF, United Capital Research

2024 ECONOMIC REVIEW: DOMESTIC (NIGERIAN) ECONOMY

NIGERIA'S 2024 ECONOMIC SNAPSHOT

2024 Macroeconomic Indicators

	Jan - 2024	Dec - 2024	Percentage Change (%)
GDP Growth Rate	2.8%	3.46%	0.48%
Inflation Rate	29.90%	33.88%	3.98%
Exchange Rate	988.46	1672.69	69.22%
Exchange Rate: Parallel Market	1,210.00	1,755.00	45.04%
Unemployment	5.4%	4.3%	1.1%

2024 Monetary Policy Indicators

	Jan - 2024	Dec - 2024	Percentage Change (%)
Monetary Policy Rate (MPR)	18.75%	27.50%	8.75%
Cash Reserve Ratio	32.50%	50.00%	17.50%
Assymetric Corridor Around MPR	+100/- 300bps	+500/- 100bps	
Liquidity Ratio	30.00%	30.00%	

2024 Oil and Gas Sector

	Jan - 2024	Dec - 2024	Change (%)
Crude Oil Production (mbpd)	1.43	1.33	
Crude Oil Price: Brent	75.86		
Crude Oil Price: WTI	71.97	68.10	
Petroleum Revenue	2.38	4.09	71.85

Source: NBS. Bloomberg, CBN, , NUPRC, DMO, , FMDQ, United Capital Research

NIGERIA'S 2024 ECONOMIC SNAPSHOT

2024 Fiscal Policy and Government Finance

	Jan - 2024	Dec - 2024	Percentage Change (%)
Domestic Debt (N'tn)	59.12	71.22	20.47
Foreign Debt (N'tn)	38.22	63.07	65.03
Tax Revenue (N'tn)	3.31	3.81	15.11
Oil Revenue (N'tn)	2.38	4.09	71.85
Fiscal Deficit (N'tn)	9.58	4.05	-57.72
Recurrent Expedtiture (N'tn)	5.46	4.37	19.96
Capital Expenditure (N'tn)	4.82	3.55	26.35

2024 Trade and External Sector

	Jan - 2024	Dec - 2024	Percentage Change (%)
Foreign Reserve ($'tn)	33.02	40.26	21.93
Foreign Direct Invest ($'bn)	0.38	0.15	-60.53
Foreign Portfolio Invest ($'bn)	1.15	3.48	202.61
Remittances ($'bn)	4.90	5.35	9.18
Current Account Balance (Net Inflows Vs. Net Outflows) ($'bn)	3.35	5.15	53.73

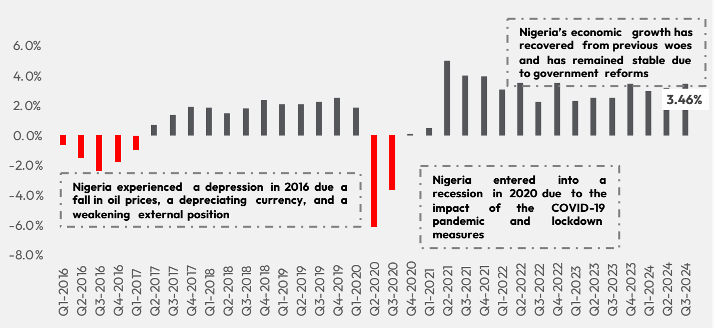
Source: NBS. Bloomberg, CBN, , NUPRC, DMO, , FMDQ, United Capital Research

REAL SECTOR

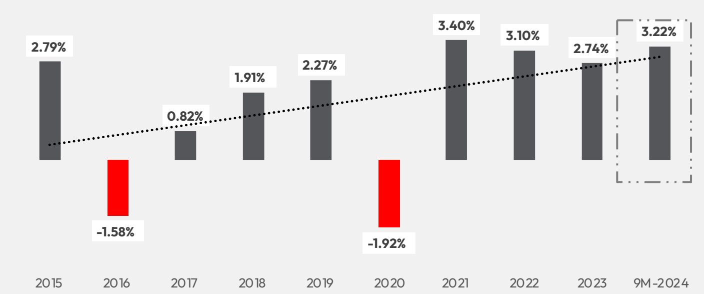
- Economic Growth
- Crude Oil Production
- Inflation

NIGERIA'S ECONOMIC GROWTH MAINTAINED A STABLE MOMENTUM IN 2024

Nigeria's Gross Domestic Product (GDP)



Full-Year GDP Growth



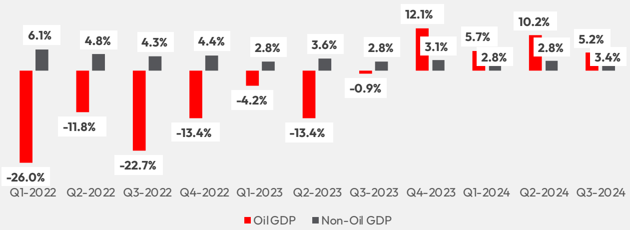
- The Nigerian economy remained resilient in 2024, growing at a faster pace compared to 2023.
- Economic growth in H1-2024 was steady despite the continued headwinds in the macroeconomic environment.
- Nigeria's real GDP grew by 3.46% y/y in Q3-2024, 92bps increase from 2.54% growth in Q3-2023 and 27bps increase from 3.19% growth in Q2-2024.
- Non-oil sector was the main driver of economic growth, accounting for 94.43% of Nigeria's GDP in Q3-2024. The sector grew by 3.37% y/y in real terms in Q3-2024, 57bps higher than the 2.80% y/y in Q1-2024.
- Similarly, the growth in Q2-2024 is 62bps higher than the 2.75% y/y growth recorded in the same quarter of 2023 due to improved economic activities despite a challenging macroeconomic environment.
- The IMF has indicated that the economy will moderate at 2.90% in 2024 same as 2023 actual GDP.
- IMF's cautious outlook for Nigeria stemmed from significant risks such as political uncertainties, slow implementation of reforms, structural issues, FX instability, inflationary pressure, elevated interest rates, infrastructural deficit, insecurity, volatile oil prices, subpar crude oil production and external shocks.
- Subsidy removal and FX liberalization hold potential, but their short-term economic costs may prevent immediate benefits.

Source: NBS, United Capital Research

ECONOMIC GROWTH: OIL GDP REBOUNDS

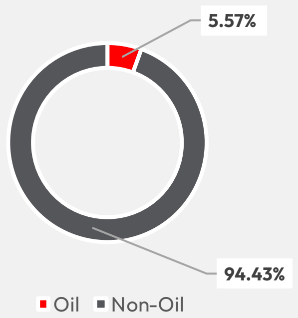
Growth in the oil sector has rebounded in recent quarters compared to previous periods of contractions

Oil GDP vs Non-Oil GDP



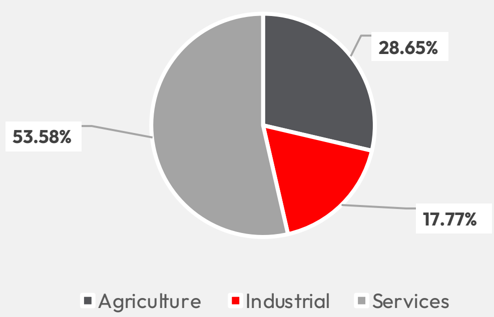
The non-oil sector accounts for the bulk of Nigeria's GDP, accounting for 94.43% of Nigeria's Q3-2024 GDP

Contribution to GDP



The service sector remains the major contributor to Nigeria's GDP

Contribution to GDP



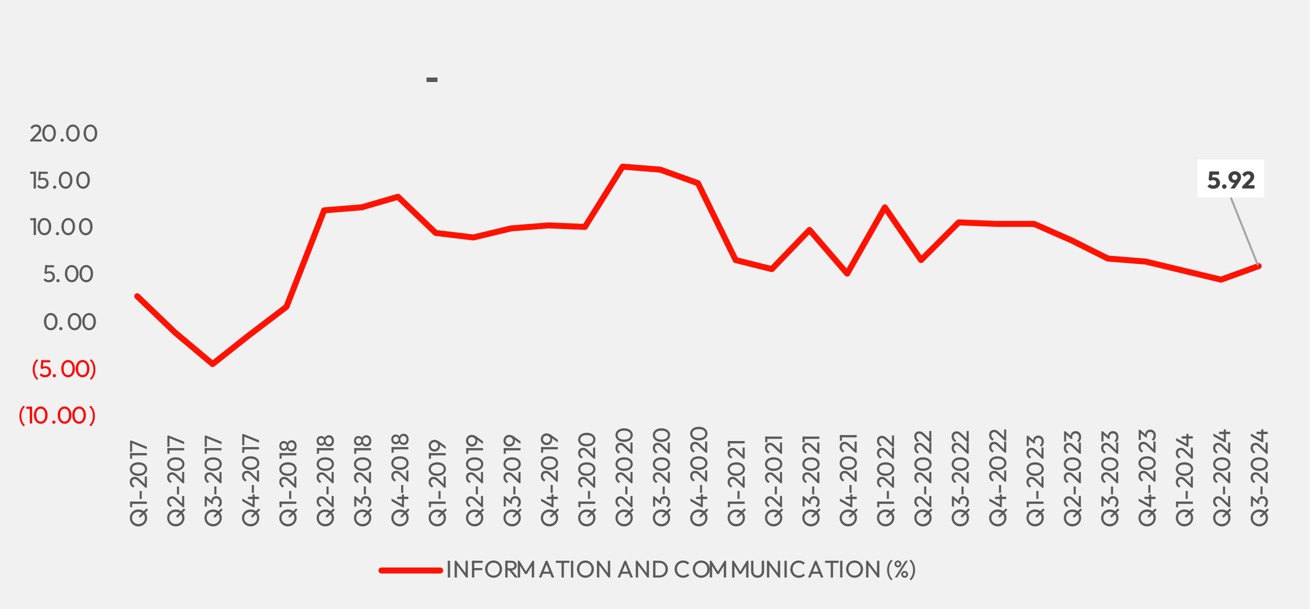
- The oil sector recorded an impressive growth of 5.17% y/y in Q3-2024 in real terms, indicating an increase of 602bps compared to the contraction of 0.85% y/y in the corresponding quarter of 2023. Meanwhile, it marks a slower pace of growth when compared to the +10.15% y/y recorded in Q2- 2024.
- This marks the fourth (4th) consecutive quarter of expansion in the oil sector. The impressive performance came on the back of the improvements in crude oil production during the quarter following the Federal Government's efforts in combatting oil theft and pipeline vandalism.
- Notably, average daily oil production printed at 1.47 million barrels per day (mbpd) in Q3-2024, 1.38% higher than the 1.45mbpd in Q2-2023 and 4.26% y/y higher than the volume of 1.41mpd in Q2-2024.

- Q3-2024 GDP performance was mainly driven by the Services sector, which recorded a growth of 5.19% y/y and contributed 53.58% to the aggregate GDP.
- The Agricultural sector, which accounted for 28.65% of Nigeria's GDP, slowed to 1.14% y/y from the growth of 1.30% y/y recorded in Q3-2023.
- Meanwhile, the Industry sector grew by 2.18% y/y in Q3-2024, slower than the 3.53%y/y in Q2-2024 and the contraction of 0.46% recorded in Q3-2023.

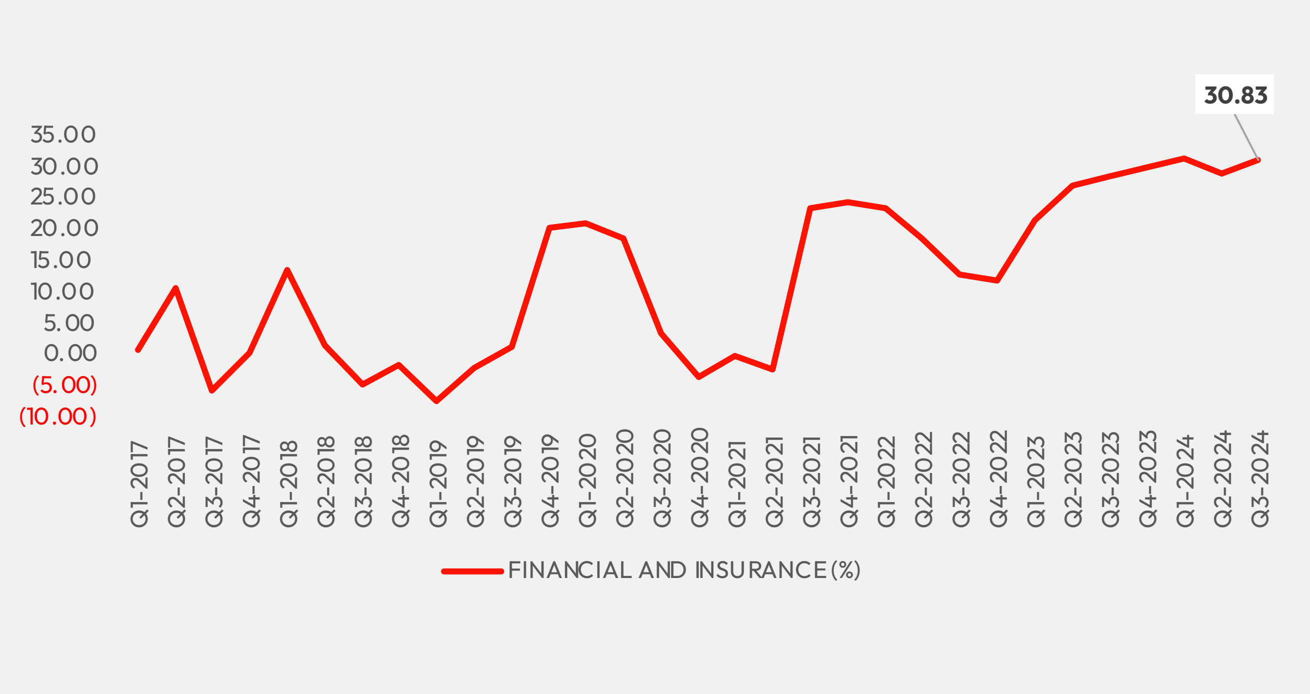
Source: NBS, United Capital Research

ECONOMIC GROWTH: SECTORIAL ANALYSIS

The Information and Communication sector expanded, reflecting the sustained broad-based improvement in telecoms fundamentals



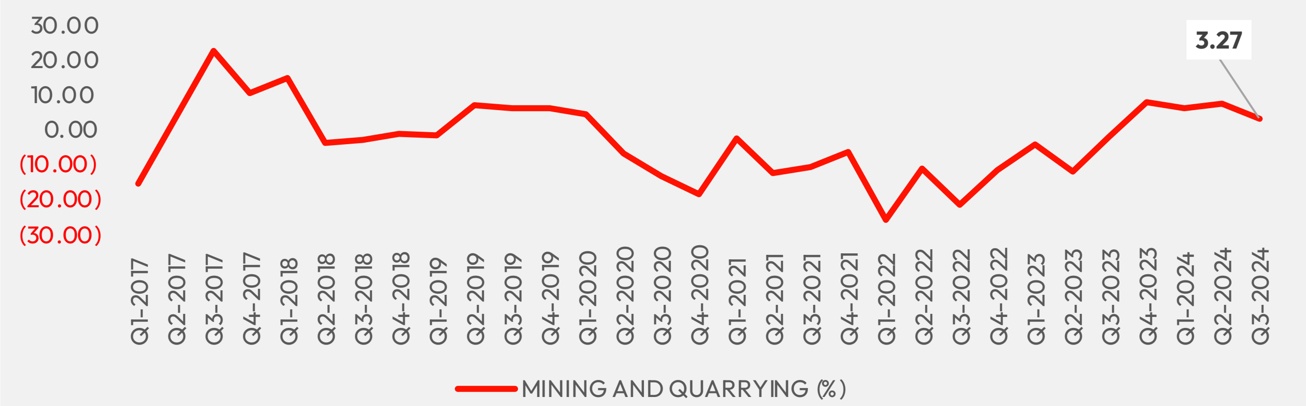
The Financial and Insurance sector improved in Q3-2024 following the advancement in digital banking and adoption



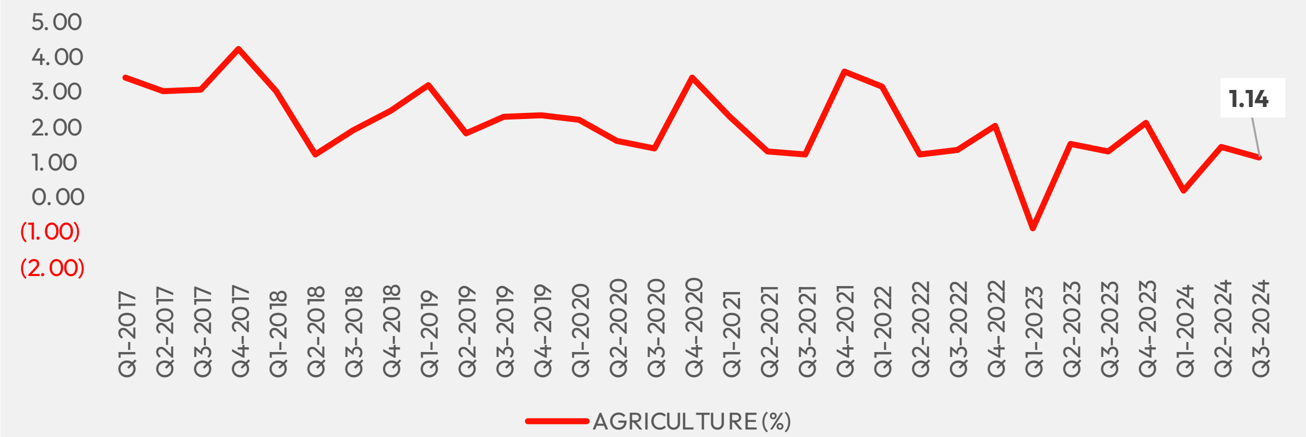
Source: NBS, United Capital Research

ECONOMIC GROWTH: SECTORIAL ANALYSIS

The Mining and Quarrying sector improved reflecting the Government's effert to boost oil output. Also, the opening of the Dangote refinery and other local refineries within the country contributed to the sector's performance



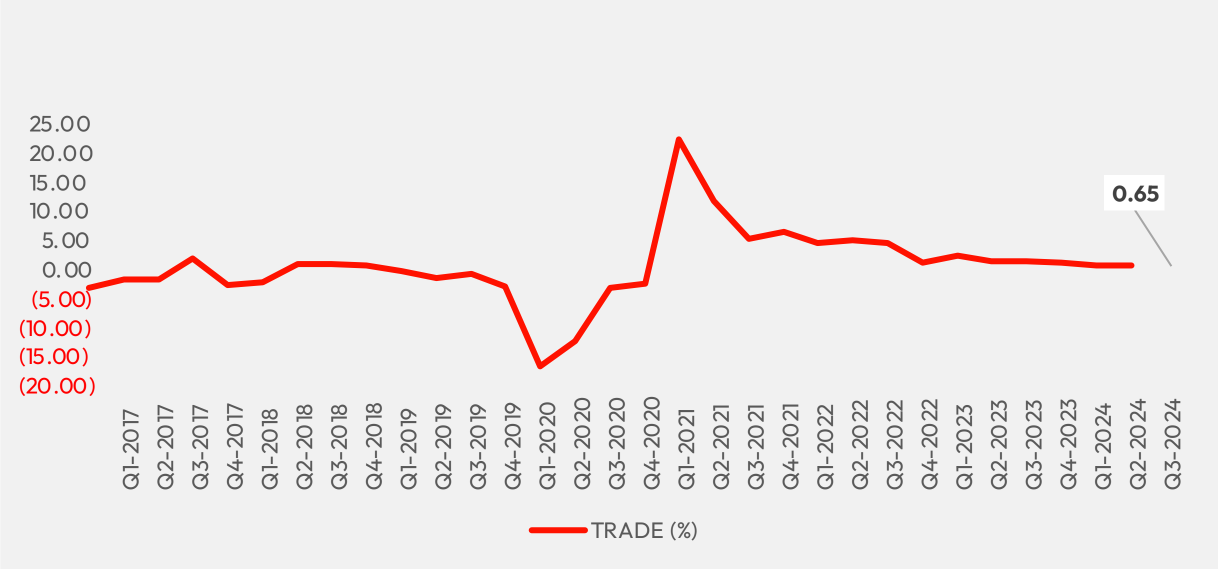
The Agricultural sector was impacted in particular by the flooding in food-producing states. Also, legacy inhibitions (security, poor storage facilities) remained headwinds



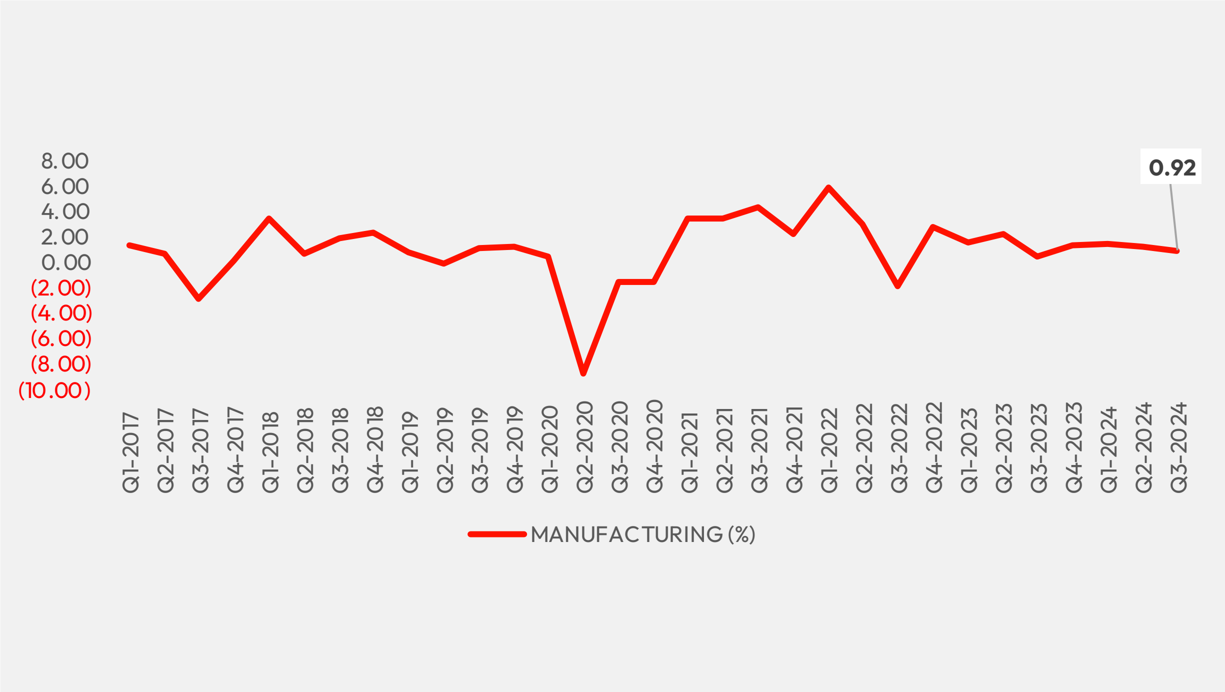
Source: NBS, United Capital Research

ECONOMIC GROWTH: SECTORIAL ANALYSIS

Trade's contribution to GDP printed at 14.78% in Q3-2024, higher than the 16.39% recorded in the second quarter of 2024



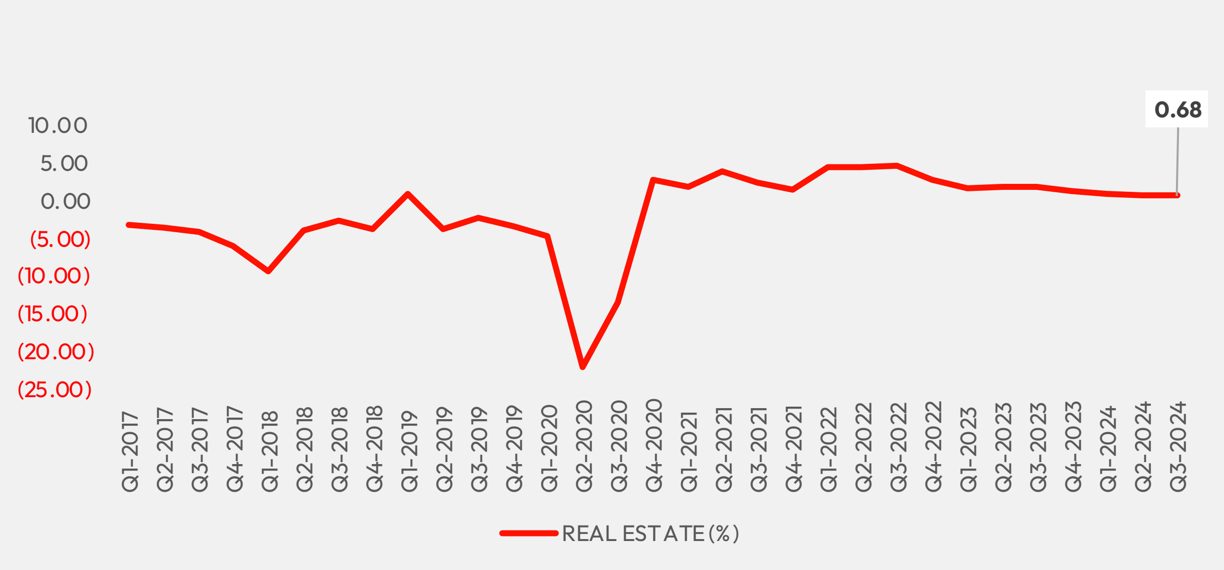
The slowdown in the Manufacturing sector can be attributed to the nation's volatile Foreign Exchange (FX) market, increasing the cost of imported raw materials for local manufacturers



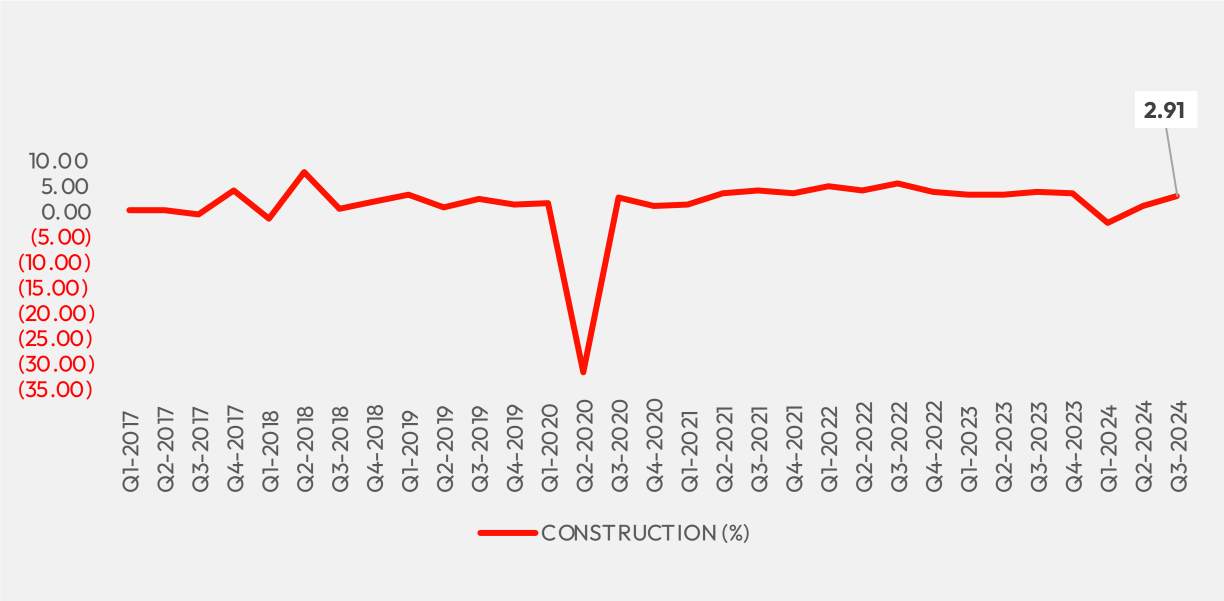
Source: NBS, United Capital Research

ECONOMIC GROWTH: SECTORIAL ANALYSIS

Growth in the Real Estate sector has remained steady, contributing 5.43% to Nigeria's real GDP in Q3-2024



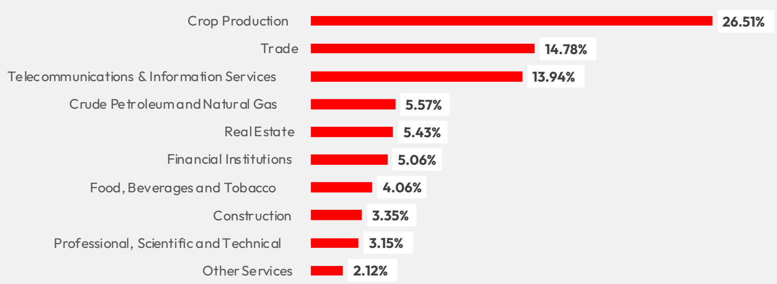
The Construction sector grew in Q3-2024 from the 1.05% recorded in the preceeding quarter, supported by the Federal Government's high CAPEX allocation despite the high cost of borrowing



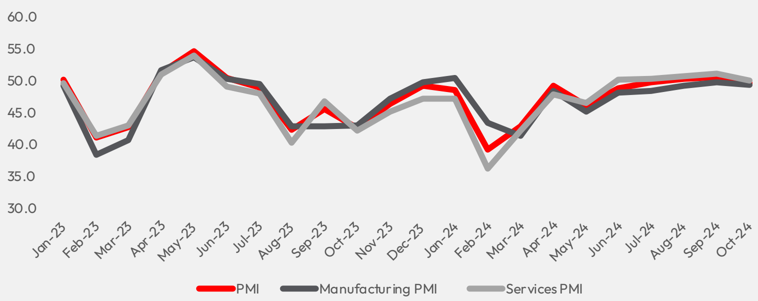
Source: NBS, United Capital Research

ECONOMIC GROWTH: PRIVATE SECTOR ACTIVITIES REMAIN WEAK

Total 10 contributing activities to real GDP in Q3-2024



Purchasing's Managers Index (PMI) Historical



- Nigeria's private sector activity dwindled in 2024, remaining in the contractionary region (below 50.00pts) for most of 2024. This can be attributed to the currency's weakness and higher raw material costs for producers. In turn, this translated into sharp price increases, negatively impacting customer demand and reducing both business activities & new orders.

- Notably, the Composite PMI for Oct-2024 stood at 49.60pts, indicating a contraction in economic activities. Both new orders and output declined markedly, primarily due to the intensification of already strong inflationary pressures driven by currency weakness and rising costs for fuel and transportation. In fact, overall input costs increased at one of the sharpest rates on record, prompting a corresponding rise in selling prices.

- However, the Services PMI printed at 50.00pts in Oct-2024. Among the 14 subsectors surveyed, 6 recorded expansion, Health care, and social assistance were stationary, while the remaining seven 7 indicated contractions. The subsector with the highest expansion was Educational services, whereas Transport and warehousing recorded the highest contraction.

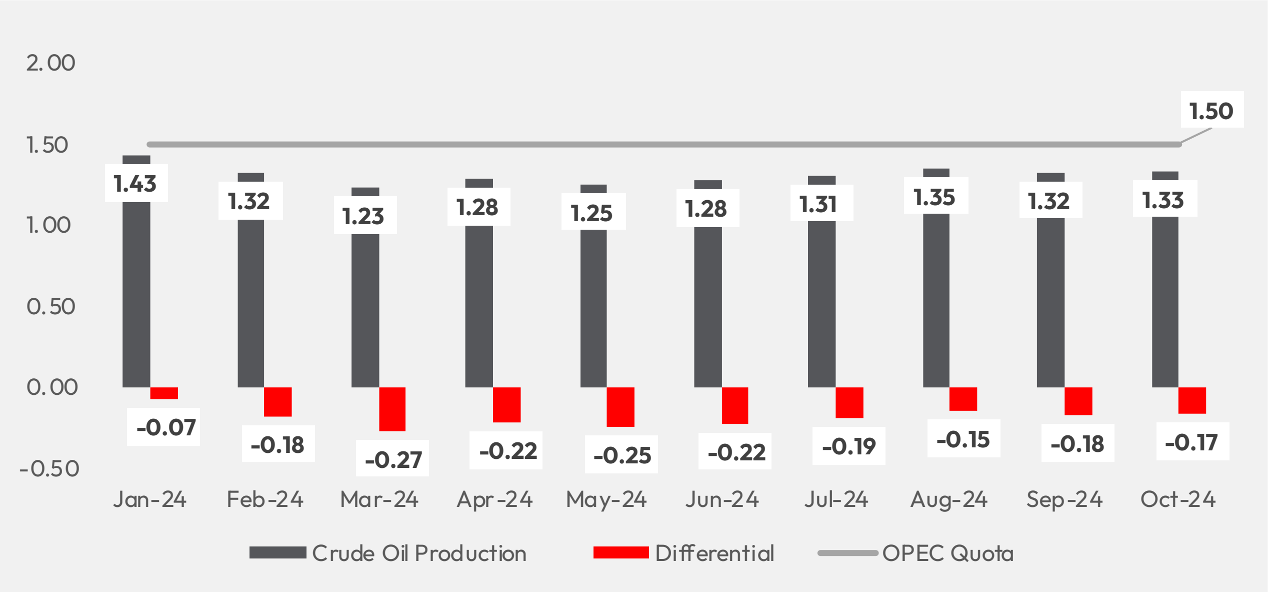
- The Manufacturing PMI stood at 49.30pts in Oct-2024. Although the sector remains in a state of contraction, there has been a noticeable rebound in industrial activities in recent months. Analysis of the sector shows that the Food, Beverage & Tobacco Products, whereas Cement recorded the highest expansion.

Source: CBN, United Capital Research

CRUDE OIL PRODUCTION: BELOW CAPACITY AND ESTIMATED QUOTAS

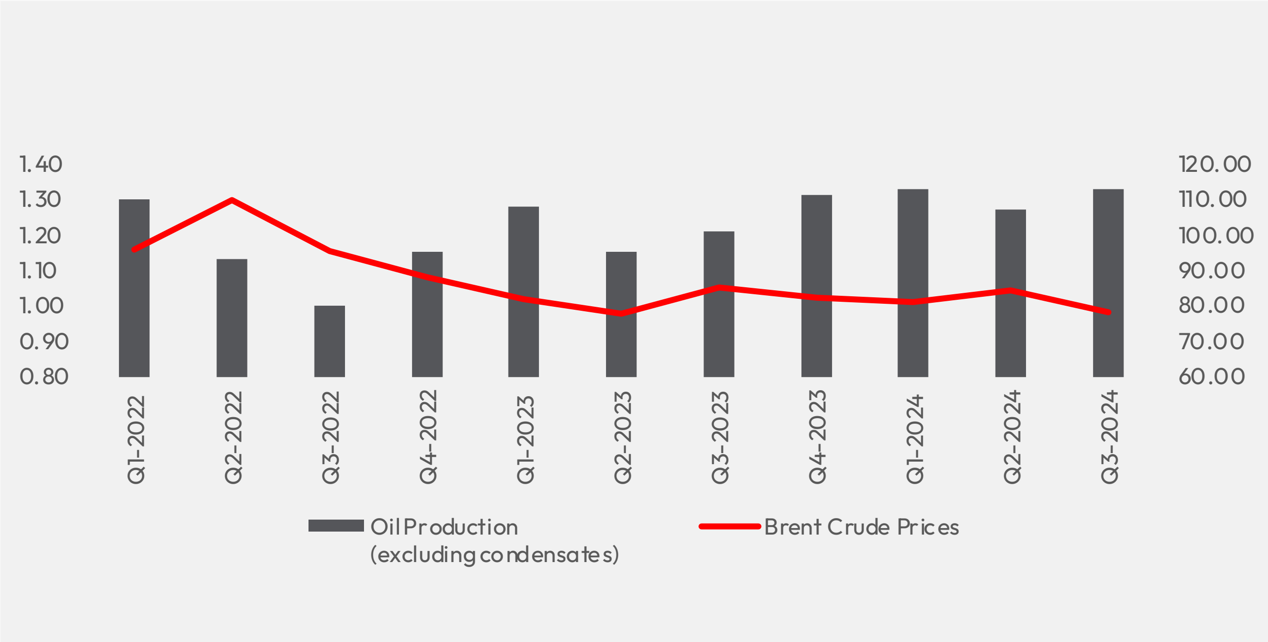
Nigeria's oil production in 2024 has been performing below OPEC+ quota

Crude Oil Production vs OPEC Quota



Crude oil revenue generation remains low due to low ouput levels despite elevated oil prices

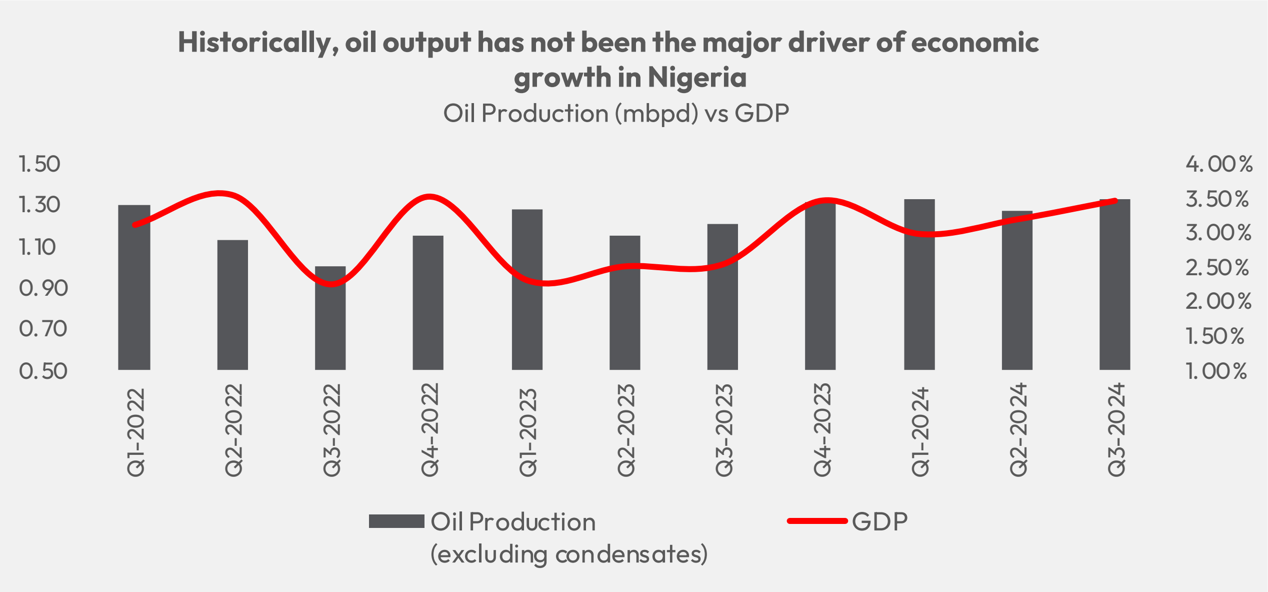
Crude Oil Production vs Brent Crude Oil Prices



CRUDE OIL PRODUCTION: BELOW CAPACITY AND ESTIMATED QUOTAS

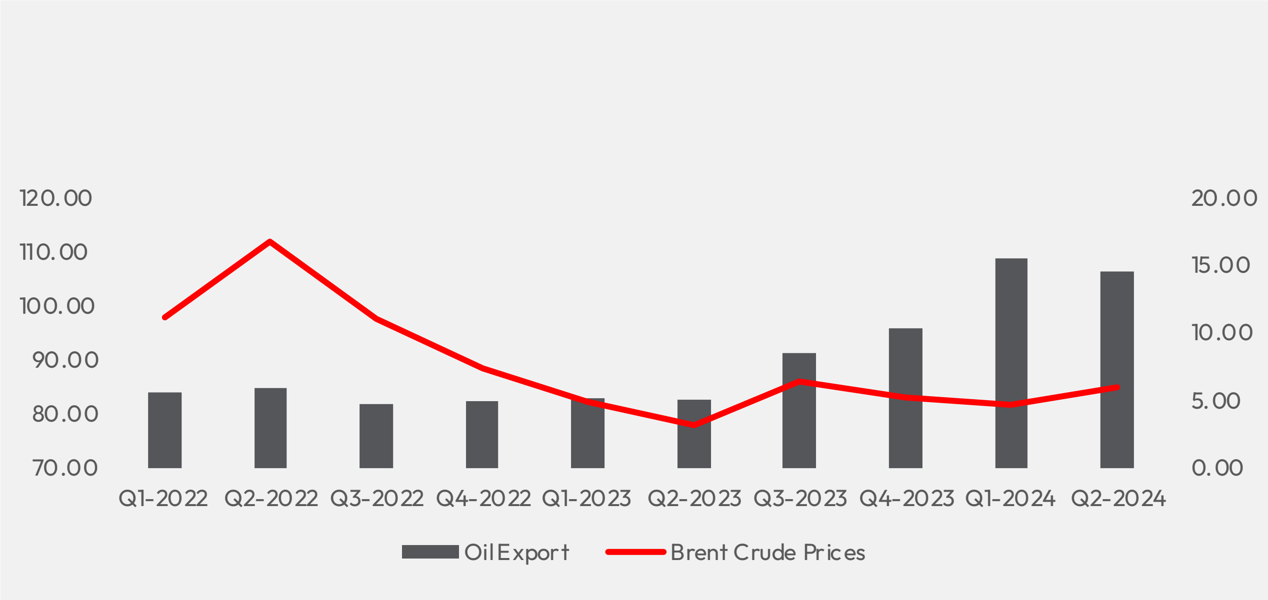
Historically, oil output has not been the major driver of economic growth in Nigeria

Oil Production (mbpd) vs GDP



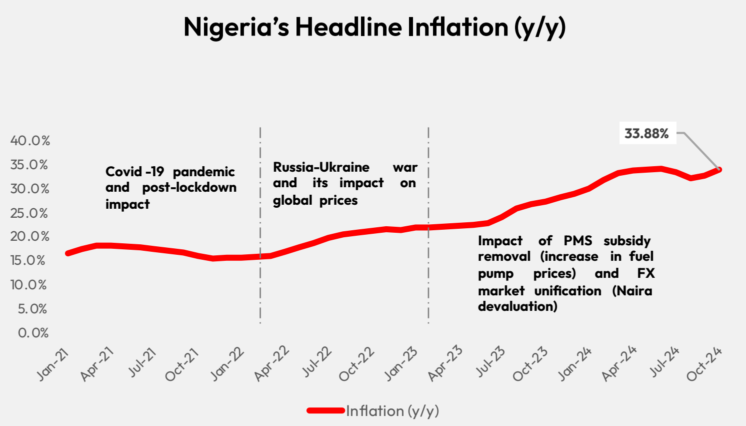
Crude oil export does not respond to the direction of crude oil prices. However, Naira depreciation has helped drive crude oil export higher in recent quarters

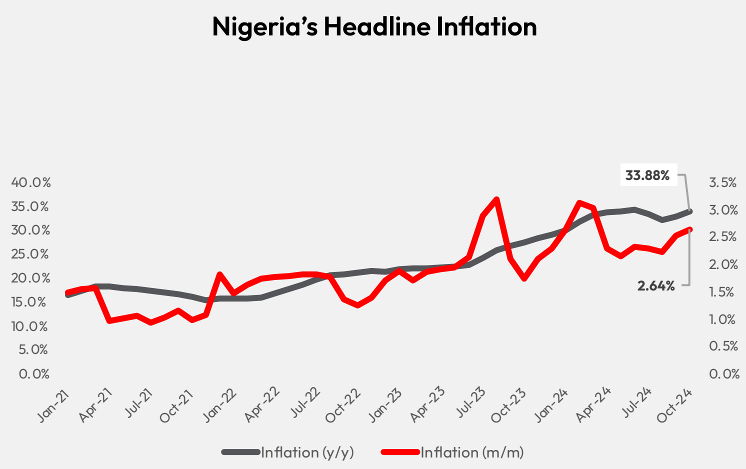
Oil Export vs Brent Crude Oil Prices



Source: NUPRC, NBS, United Capital Research

INFLATION: INFLATIONARY PRESSURES REMAINED UNABATED IN 2024

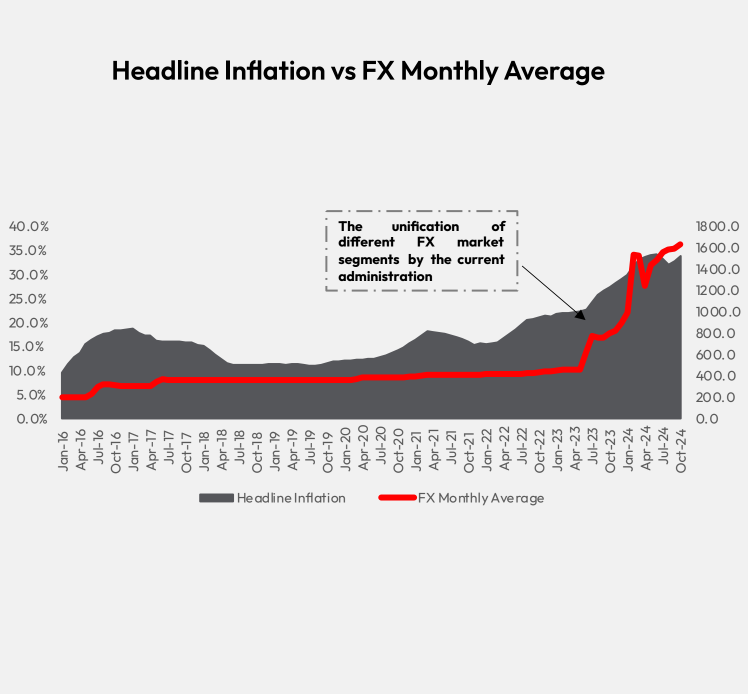


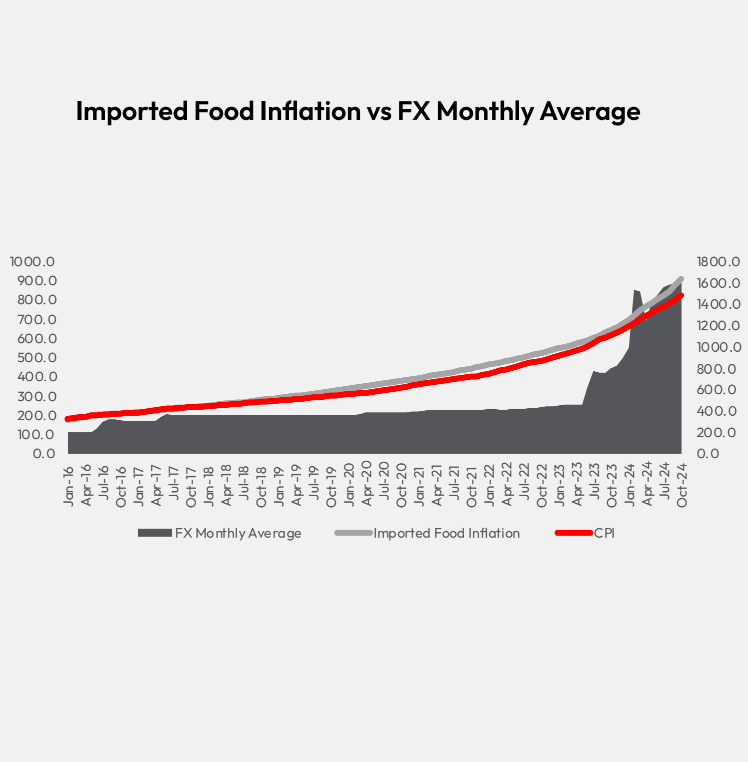


- Since 2016, Nigeria has been grappling with persistent double-digit headline inflation, with no signs of significant improvements. Nigeria's inflation is primarily caused by cost-push factors rather than demand-pull effects.
- Consequently, headline inflation rose to 34.19% y/y in Jun-2024, the highest since Mar-1996 amid the lingering effects of fuel subsidy removal and a weakening local currency. This represents a 527bps increase compared to the 28.92% y/y recorded in Dec-2023.
- Nevertheless, we saw a slowdown in inflation print for the months of July and August 2024 as the high base effect from 2023 kicked in. Also, this was aided by higher corn yields and a six-month duty-free window for corn and wheat imports.
- However, this was short-lived as inflationary pressure ticked higher in Sept and Oct-2024, printing at 32.70% y/y and 33.80% y/y, respectively. Contributing factors include further depreciation of the Naira and the increase in transportation prices (following the double hikes in fuel prices in Sept-2024).
- Additionally, food inflation, which accounts for the bulk of Nigeria's inflation basket, rose amid the impact of the severe floods in food-producing areas.
- The IMF stated that inflation will moderate at 32.50% in 2024 compared to 24.70% in 2023 as the economy absorbs the lingering effects of fiscal and structural reforms.

Source: NBS, FMDQ, United Capital Research

INFLATION: FX VOLATILITY DROVE IMPORTED INFLATION HIGHER





- Following the unification of the different FX markets by the CBN in Jun-2023, Naira was devalued in the official market from the N450.00/$ - N470.00/$ levels to N750.00/$ - N750.00/$. Nevertheless, the underlying issues in the FX market persisted as Dollar supply remains underwhelming compared to Dollar demand within the nation. As a result, the Naira depreciated further to the N1500.00/$ - N1700.00/$ region in the official market.

- Due to heavy reliance on imports, pressures arising from the Naira depreciation and high global costs played a key role in driving inflation higher. Notably, imported food inflation rose to 40.96% y/y in Sept-2024, up 1606bps from the 24.90% y/y in Dec-2024. This reflects the FX pass-through effect on food inflation.

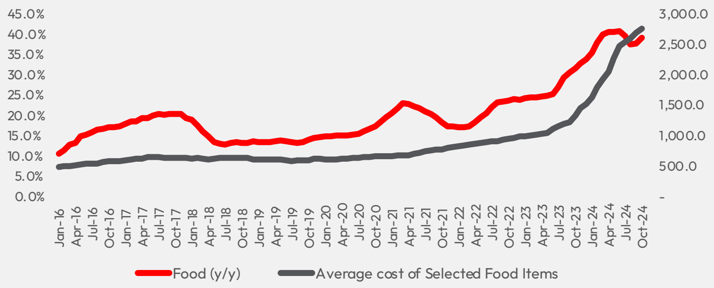
- The Naira has depreciated by 45.04% at the parallel market to settle at N1,755.00/$ as of Nov-2024 compared to N1210.00/$ as of Jan-2024. Meanwhile, at the Nigerian Foreign Exchange Market (NAFEM), the Naira depreciated by 82.94% to print at N1,659.44/$ versus the N907.11/$ as of Jan-2024.

- The depreciation was mostly driven by the sustained demand for the greenback - for international trade activities. Legacy inhibitions like the lingering security concerns in food-producing states, supply chain disruptions, inadequate storage infrastructures, high energy costs, and elevated transportation costs limit food supply and thus encourage food imports.

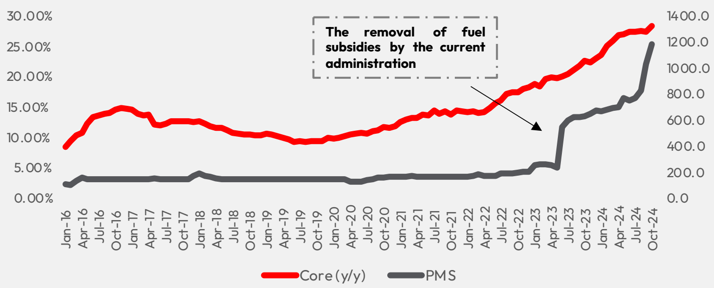
Source: NBS, FMDQ, United Capital Research

INFLATION: FOOD COMPONENT REMAINS THE MAIN DRIVER

Nigeria's Food Inflation vs Average Cost of Selected Food Items



Nigeria's Core Inflation vs Average PMS Prices



- Food inflation remains the major driver of headline inflation in the economy as Nigeria suffers from acute food shortage. Food supply has been underwhelming compared to demand owing to legacy inhibitions.

- Notably, food prices surged to 39.16% y/y in Oct-2024, a 523bps climb when compared with the 33.93% y/y in Dec-2023. This was particularly fueled by passthrough effects from the exchange rate on food imports and cases of flooding in food-producing states (weighing on local food supply).

- Average cost of selected food items have risen by 80.94% YTD. These food items include eggs, beans, beef, bread, fish, chicken, milk, garri, oils, potatoes, onion, plantain, rice, tomato, and yam, amongst others.
- Core inflation component remains under pressure, printing at 28.37% y/y, 531bps higher than the 23.06% y/y recorded in Dec-2023. Elevated petrol pump prices, petrol scarcity, and the unprecedented electricity tariff hike for band A electricity users plagued the core inflation component in 2024.

- Petrol pump prices surged by 76.3% YTD from an average of N671.86/litre as of Dec-2023 to N1184.83/litre as of Oct-2024. Similarly, the electricity tariff for band A users was raised by 230.88% to N225.00/kWh in Apr-2024, following rising power generation costs. The decision received backlash, and the government reduced the tariff by 8.09% to N206.80/kWh. However, this was short-lived as the tariff was increased again to N209.50/kWh in Jul-2024.

Source: NBS, United Capital Research

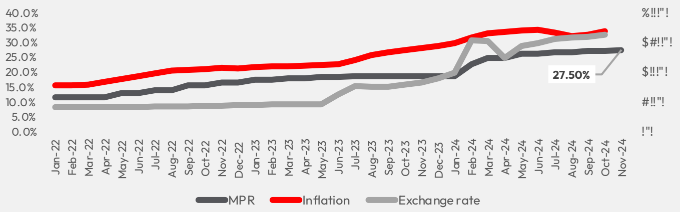
MONETARY SECTOR

- Interest Rate
- Private Sector Credit

INTEREST RATE: MPR SURGED TO NEW-HIGHS

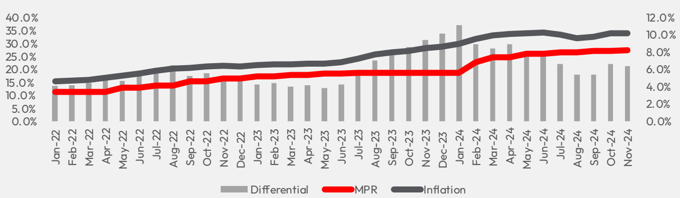
Headline inflation have remained elevated (due to FX pressure) despite the hawkish monetary policy stance of the Central Bank

Monetary Policy Rate (MPR) vs Headline Inflation vs Exchange Rate



The disparity between headline inflation rate and interest rate narrowed in the first seven months of 2024. However, it has reversed momentum due to the rise in inflationary pressures arising from recent hikes in fuel prices

Benchmark Rate (MPR)



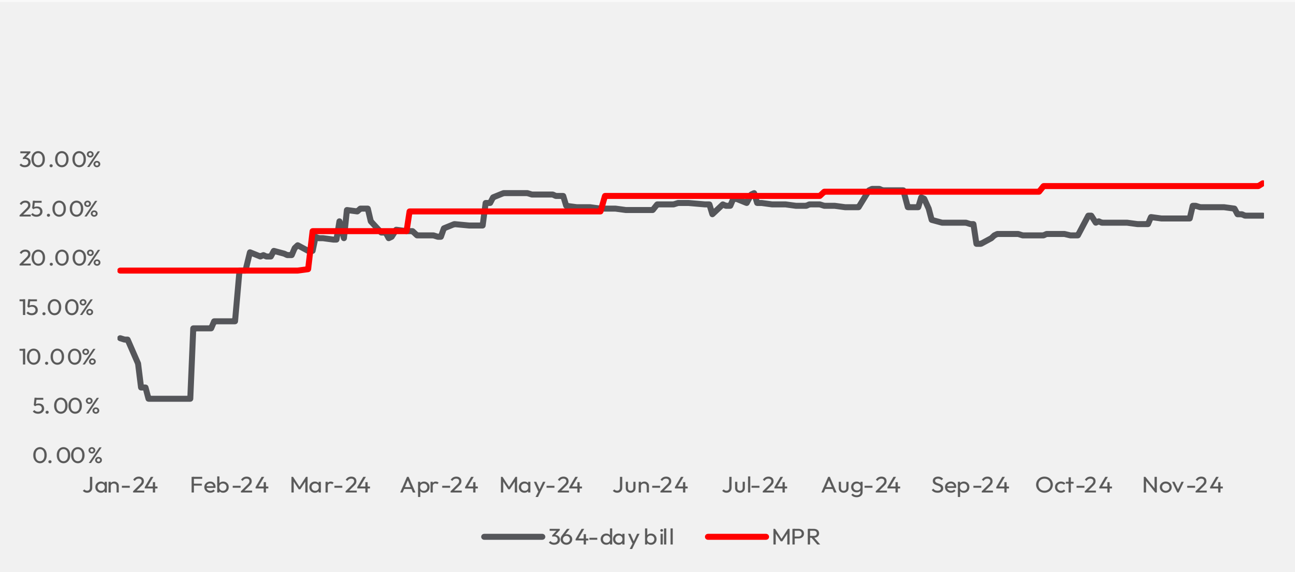
- The Monetary Policy Committee (MPC), conducted six out of the six meetings scheduled for 2024. At five meetings, the MPC maintained a hawkish stance as combatting rising inflationary pressures was the key consideration for the CBN.
- So far in 2024, the MPC has increased the Monetary Policy Rate (MPR) by 400bps, 200bps, 150bps, 50bps, 50bps, and 25bps in Feb-2024, Mar-2024, May-2024, Jul-2024, Sept-2024, and Nov-2024, respectively. This brings the cumulative number of hikes in 2024 to +875bps, with the MPR currently at 27.50% as of Nov-2024 versus 18.75% as of Dec-2023.
- The CBN reiterated its commitment to rein down inflation and bring it under control. Nigeria's headline inflation is currently at two-decade-high levels.
- The MPC also voted to tighten the Cash Reserve Ratio (CRR) of the banks by 17.50ppts from 32.50% at the start of the year to 50.00%.
- Meanwhile, the Asymmetric Corridor was adjusted from +100/-300bps at the start of the year to +500/-100bps around the MPR.
- Lastly, the Liquidity Ratio was retained at 30.0%.

Source: NBS, CBN, United Capital Research

INTEREST RATE: IMPACT ON THE FINANCIAL SYSTEM AND MARKETS

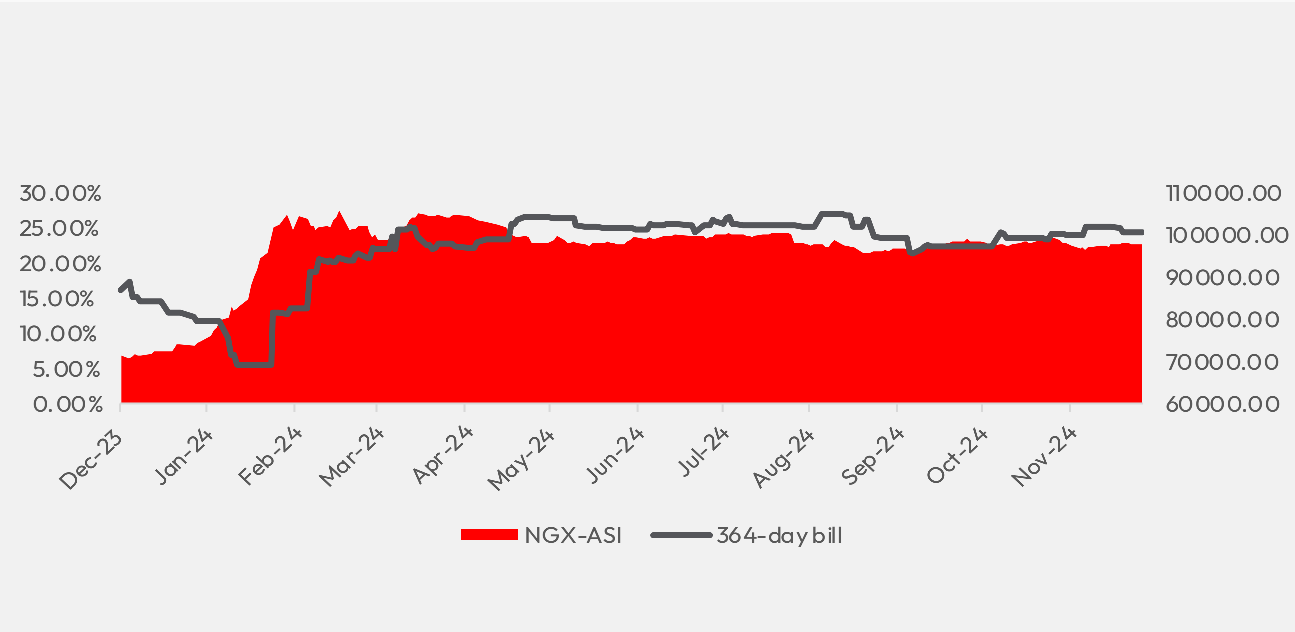
Yields on fixed income instruments have surged higher since the start of the year when the MPC began its hawkish stance

MPR vs 365-day bill



The equities market has remained resilient despite the hawkish monetary policy environment. This has been majorly supported by the rally witnessed in January

MPR vs Nigerian Equities Market

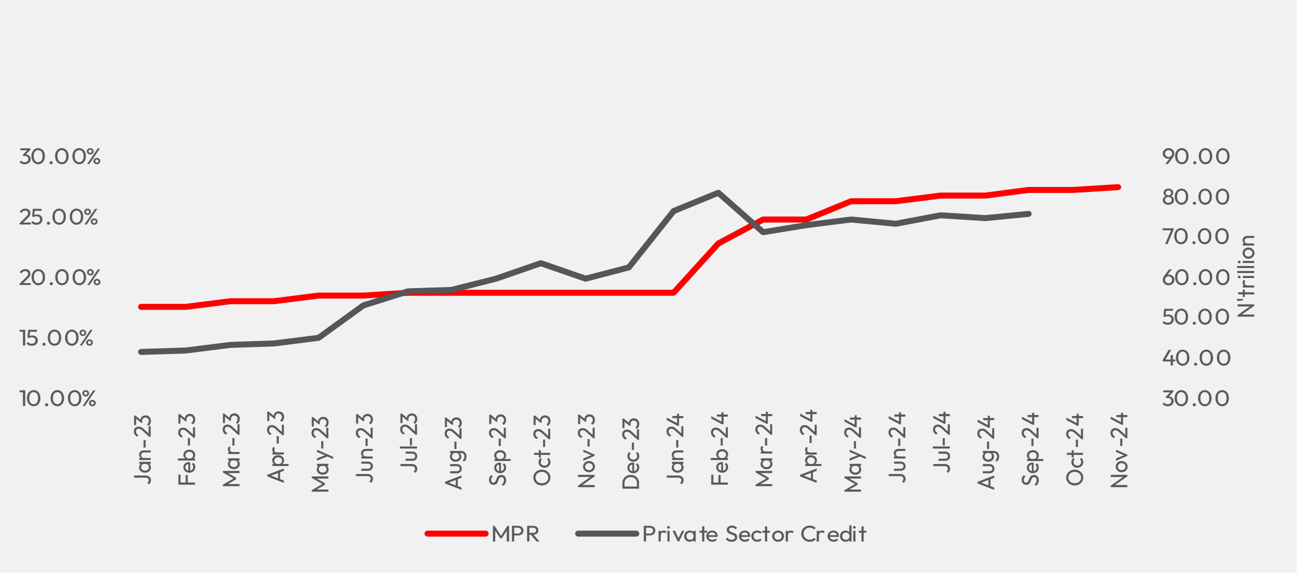


Source: CBN, United Capital Research

INTEREST RATE: IMPACT ON THE FINANCIAL SYSTEM AND MARKETS

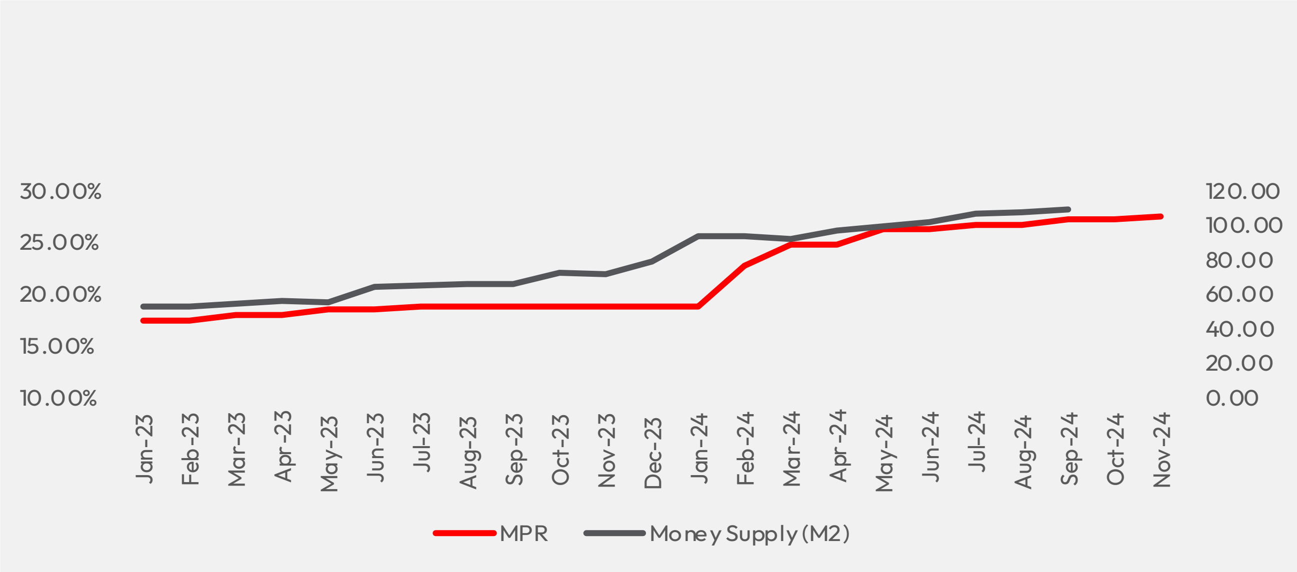
The eleevated interest rate environment discouraged private sector credit as borrowing costs were high

MPR vs Credit to Private Sector



Money supply within the nation has continued to increas despite the series of rate hikes by the Central Bank. This shows the ineffectiveness of the MPR hikes in easing inflationary pressure

MPR vs Money Supply (M2)



Source: CBN, United Capital Research

PRIVATE SECTOR CREDIT

	SECTORIAL CREDIT ALLOCATION(N'TN)					
	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
AGRICULTURE	1.89	1.84	1.82	2.26	2,58	2.44
INDUSTRY	12.33	16.31	16.81	18.78	22.49	24.57
OF WHICH MANUFACTURING	5.66	6.98	7.34	7.73	8.70	9.26
SERVICES	16.12	19.32	20.46	23.50	28.15	28.70
OF WHICH FINANCE, INSURANCE AND CAPITAL MARKET	2.64	3.48	3.63	4.33	3.41	6.16
OF WHICH TRADE/ GENERAL COMMERCE	2.33	2.88	3.21	3.58	3.80	3.57
TOTAL	30.35	37.48	39.11	44.54	53.22	55.71

Overall Credit Allocation: There was a steady increase in total credit allocation across Q1-2023 to Q2-2024.Total credit allocation increased from N0.35trn in Q1-2023 to N55.71trn in Q2-2024. This represents a substantial growth of approximately 84.00%.

Industrial Sector: The industrial sector consistently received the highest credit allocation throughout the period. It saw significant growth from N12.33trn in Q1-2023 to N24.57trnn in Q2-2024.

Services Sector: The services sector also witnessed a steady increase in credit allocation, moving from N16.12trn in Q1-2023 to N28.70trn in Q2-2024.Notably, Finance, Insurance, and Capital Market experienced a significant jump in credit allocation in Q2-2024, suggesting increased lending activity.

Agriculture: While showing an upward trend, Agriculture received the least credit allocation compared to other sectors.

Source: CBN, United Capital Research

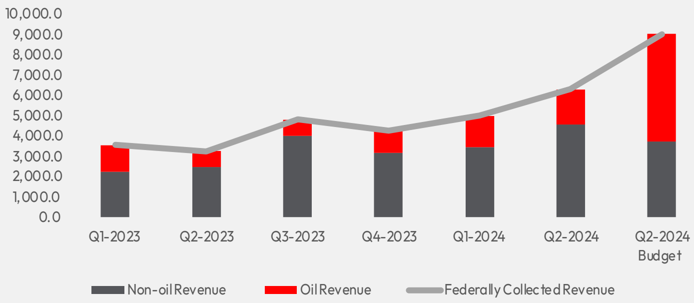
FISCAL SECTOR

- Budget Performance
- 2025 Budget
- Public Debt
- Debt Servicing

BUDGET PERFORMANCE: BUDGET DEFICIT INCREASES

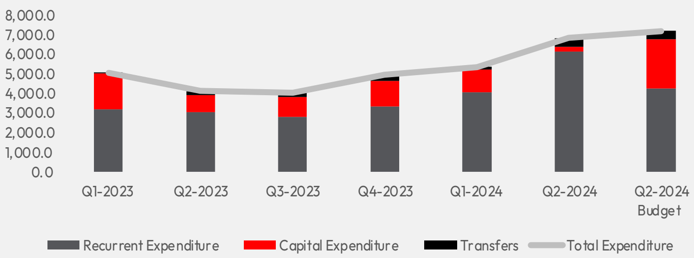
Nigeria's revenue generation capacity remains underwhelming

FGN Revenue Performance and Benchmark (N'bn)



Recurrent expenditure increased significantly due to debt servicing costs. Meanwhile , funds were not deployed for capital projects compared to the budget estimate

FGN Expenditure and Benchmark (N'bn)



- Nigeria's revenue generation remains under-par and below budget estimates. In Q2-2024, the country generated a total of N6.29tn in revenue. This represents a budget underperformance of 43.20% compared to the pro-rated N9.00tn. This was due to the low oil revenue generated during the period, as crude oil production remained weak. For context, oil revenue printed at N1.73tn versus the budget estimate of N5.30tn. Meanwhile, non-oil revenue remained stable supported by strong tax revenue collections.

- On expenditure, the Federal Government has spent a total of N12.19tn between Jan-June 2024. In Q1-2024, total expenditure settled at N5.35tn. It increased further by 27.79% q/q to N6.84tn in Q2-2024. The bulk of the expenditure was spent on debt servicing costs (N4.45tn) as it accounted for 65.03% of total expenditure for Q2-2024. This represents a 215.07% increase compared to the budgeted estimate of N2.07tn for Q2-2024.

BUDGET PERFORMANCE: BUDGET DEFICIT INCREASES

Fiscal Balance (N'bn)

	Retained Revenue	Expenditure	Overall Fiscal Deficit
Q1 -2023	1,316.00	5,056.11	-3,740.11
Q2-2023	1,480.38	4,114.17	-2,633.79
Q3-2023	1,693.02	4,040.18	-2,347.16
Q4-2023	1,682.24	4,951.46	-3,269.22
Q1 -2024	1,462.34	5,351.76	-3,889.42
Q2-2024	2,305.54	6,838.96	-4,533.42
Q2-2024 Budget	4,899.62	7,194.35	-2,294.73

- As a result, the nation's overall fiscal deficit expanded, up by 16.56% q/q from N3.89tn to N4.53tn in Q2-2024. It also marks a 97.56% climb compared to the budgeted estimate of N2.29tn.

2025 BUDGET: UNREALISTIC ASSUMPTIONS

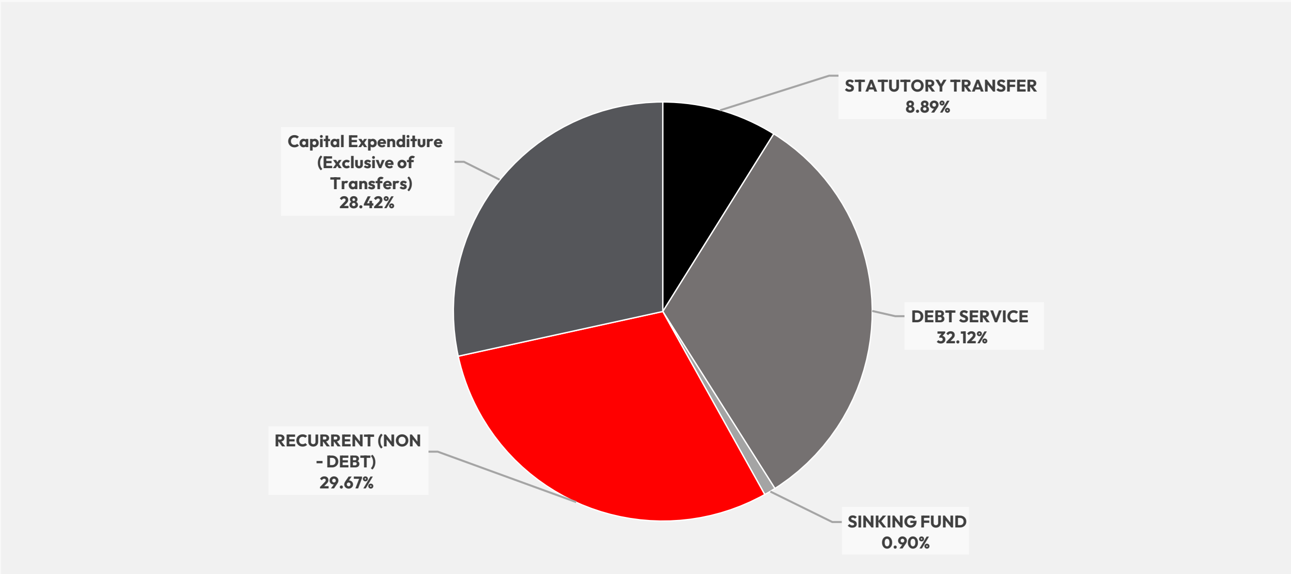
Proposed Budget

	2025 N' Trillion	2024 N' Trillion (NASS Approval + Amendment)	Percentage Change
Aggregate Revenue	**34.82**	**25.88**	**34.58%**
Oil	19.60	8.18	139.74%
Non - oil	6.10	3.57	70.99%
Independent & Other Sources	9.15	14.13	-35.26%
Aggregate Expenditure	**47.90**	**35.06**	**36.64%**
Recurrent Non -Debt	14.21	11.27	26.13%
Debt Service (excluding sinking fund)	15.38	8.05	91.16%
Capital Expenditure	13.61	13.77	-1.15%
Statutory Transfers (including capex)	4.26	1.74	144.49%
Sinking Fund	0.43	0.22	92.83%
Budget Deficit	**13.08**	**9.18**	**42.47%**

Source: CBN, United Capital Research

2025 BUDGET: UNREALISTIC ASSUMPTIONS

2025 Proposed Aggregate Expenditure



KEY ASSUMPTIONS	2023 Budget	2023 Actual	2024 Budget	2024 Actual*
Oil Price Benchmark ($/bbl.)	75.00	81.22	77.96	79.94
Oil Production (mbpd)	1.69	1.39	1.78	1.52
Exchange Rate (N/$)	435.60	672.85	750.00	1476.90
Inflation (%)	17.20	24.54	21.40	32.88
GDP Growth Rate (%)	3.75	2.74	3.76	3.22

KEY ASSUMPTIONS	2024 Budget	2025	2026	2027
Oil Price Benchmark ($/bbl.)	77.96	75.00	76.20	75.30
Oil Production (mbpd)	1.78	2.06	2.10	2.35
Exchange Rate (N/$)	800.00	1400.00	1400.00	1400.00
Inflation (%)	21.40	15.75	14.21	10.04
GDP Growth Rate (%)	3.80	4.60	4.40	5.50

Source: NBS, FMDQ, NUPRC, Bloomberg, Budget Office of the Federation, United Capital Research

BUDGET ANALYSIS

	2015A	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023A	2024F	2025F
Oil Revenue	1,218.2	697.8	2,103.5	2,320.3	1,923.7	1,667.5	997.8	776.4	2,377.3	6,132.2	13,721.2
Non -Oil Revenue	769.3	818.5	946.9	1,121.1	1,328.4	1,276.1	1,792.6	2,388.9	3,312.4	4,640.7	7,016.1
Independent & Other	1,252.9	1,431.2	1,337.3	522.3	2,418.1	993.7	1,786.2	3,340.0	4,548.9	10,806.6	5,450.5
Total Revenue	**3,240.3**	**2,947.5**	**4,387.7**	**3,963.7**	**5,670.1**	**3,937.4**	**4,576.6**	**6,505.3**	**10,238.7**	**21,579.5**	**26,187.8**
Budgeted Revenue	3,603.0	3,855.7	5,084.4	7,165.9	6,998.5	5,365.4	6,772.6	8,240.8	8,626.0	23,015.5	31,953.7
Revenue Performance (%)	**89.9%**	**76.4%**	**86.3%**	**55.3%**	**81.0%**	**73.4%**	**67.6%**	**78.9%**	**118.7%**	**93.8%**	**82.0%**
Statutory Transfers	338.6	344.0	384.5	456.5	462.6	428.0	496.5	810.1	1,034.7	1,638.2	3,961.0
Capital Expenditure	601.3	173.1	540.0	1,743.0	1,212.6	1,744.5	2,893.3	2,176.8	4,818.8	5,950.2	5,086.3
Recurrent Expenditure	2,550.1	3,157.3	3,600.5	3,103.6	4,224.9	4,645.2	4,458.0	5,050.2	5,459.1	8,167.1	9,842.5
Debt Service Cost	1,277.5	1,467.5	2,054.6	2,152.7	2,564.9	3,265.5	4,221.7	5,656.6	8,556.9	12,406.4	22,139.7
Total Expenditure	**4,767.4**	**5,141.9**	**6,579.6**	**7,455.8**	**8,464.9**	**10,083.2**	**12,069.4**	**13,693.7**	**19,869.4**	**28,162.0**	**41,029.5**
Budgeted Expenditure	4,358.0	6,060.0	7,441.2	9,120.3	8,917.0	9,973.7	12,512.2	15,267.6	20,633.0	32,123.1	41,624.1
Expenditure Performance (%)	**109.4%**	**84.9%**	**88.4%**	**81.7%**	**94.9%**	**101.1%**	**96.5%**	**89.7%**	**96.3%**	**87.7%**	**98.6%**
Budget Deficit	**(1,527.0)**	**(2,194.4)**	**(2,191.9)**	**(3,492.1)**	**(2,794.8)**	**(6,145.8)**	**(7,492.8)**	**(7,188.4)**	**(9,630.8)**	**(6,582.5)**	**(14,841.7)**
Nominal GDP	94,145.0	101,489.5	113,719.0	127,736.8	144,210.5	152,324.1	173,527.7	199,336.0	229,912.0	229,912.0	229,912.0
Debt Service to Revenue (%)	**39.4%**	**49.8%**	**46.8%**	**54.3%**	**45.2%**	**82.9%**	**92.2%**	**87.0%**	**83.6%**	**57.5%**	**84.5%**
Budget Deficit to GDP (%)	**1.6%**	**2.2%**	**1.9%**	**2.7%**	**1.9%**	**4.0%**	**4.3%**	**3.6%**	**4.2%**	**2.9%**	**6.5%**

Revenue Trends

Oil Revenue: Shows a volatile pattern, with significant fluctuations y/y There was a notable peak in 2017 followed by a sharp decline. The forecast for 2024F and 2025F are unrealistic given the revenue pattern over the years.

Non-Oil Revenue: Generally shows a positive trend, increasing steadily over the years. This suggests efforts to diversify revenue sources away from oil dependence.

Independent & Other Revenue: Exhibits growth, albeit with some fluctuations. This category likely includes revenues from various sources like dividends, fees, and other miscellaneous income.

Total Revenue: Reflects the combined impact of oil and non-oil revenue sources. While there were years with significant shortfalls compared to budgeted revenue, the forecast for 2024F and 2025F predicts a substantial increase in total revenue.

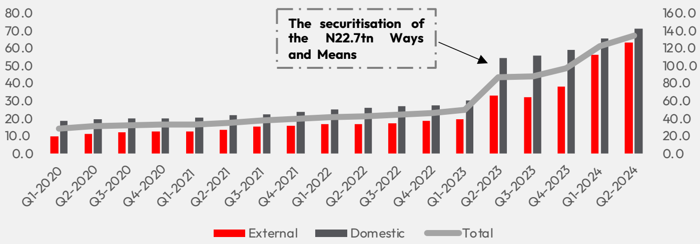
Expenditure Trends:
Statutory Transfers: Generally increased over the years, indicating a growing commitment to funding specific government entities, programs, or initiatives.

Capital Expenditure: Shows significant fluctuations, with some years seeing very low capital spending. This is concerning as capital expenditure is crucial for long-term economic growth and infrastructure development.

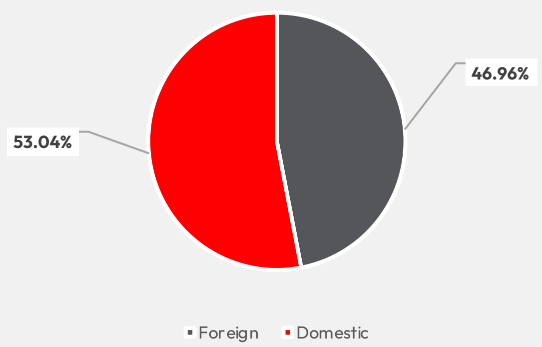
Recurrent Expenditure: Has consistently been the largest component of expenditure. This includes salaries, wages, and other day-to-day operating costs.

PUBLIC DEBT: WEAKENING FISCAL HEALTH

Nigeria's remains heavily dependent on debts to finance its expenditures
Nigeria's Total Public Debt Stock (N'tn)



Distribution of Total Public Debt Stock



- Nigeria's debt sustainability remains a major concern as the nation's fiscal health keeps deteriorating. The weak revenue generation capacity has made the government heavily reliant on borrowings to finance its expenditures.

- Nigeria total public debt stock has risen by 53.69% y/y from N87.38tn as at Q2-2023 to N134.30tn as at Q2-2024. Of this lump sum, domestic debt accounts for 53.04%, settling at N71.22tn as at Q2-2024. This represents a 31.58% y/y climb from the 54.13tn recorded as at Q2-2023.

- The surge in domestic debts is attributed to the securitisation of the loans owed by the Federal Government to the CBN under the Ways and Means provision. In May-2023, the National Assembly approved the securitisation of the N22.7tn loans owed at a 9.00% interest rate. This, in turn, added more pressure to the domestic component of Nigeria's debt stock.

- For foreign debts, Nigeria did not play in the International Capital Market (ICM) in the last two years. However, in Q4-2024, the government approached the ICM offering $500 million worth of Eurobonds (first tranche). Currently, foreign debts in Naira terms rose significantly by 89.70% y/y to settle at N63.07tn as at Q2-2024 compared to N33.25tn in Q2-2023.

- The surge in foreign debts is attributed to Naira's depreciation. The local currency depreciated by 90.83% y/y to N1470.19/$ as at Jun-2024 from N770.38/$ as at Jun-2023. To reiterate, foreign debts in Dollar terms decreased by 0.60% y/y to N42.90tn (previously, N43.16tn).

Source: DMO, United Capital Research

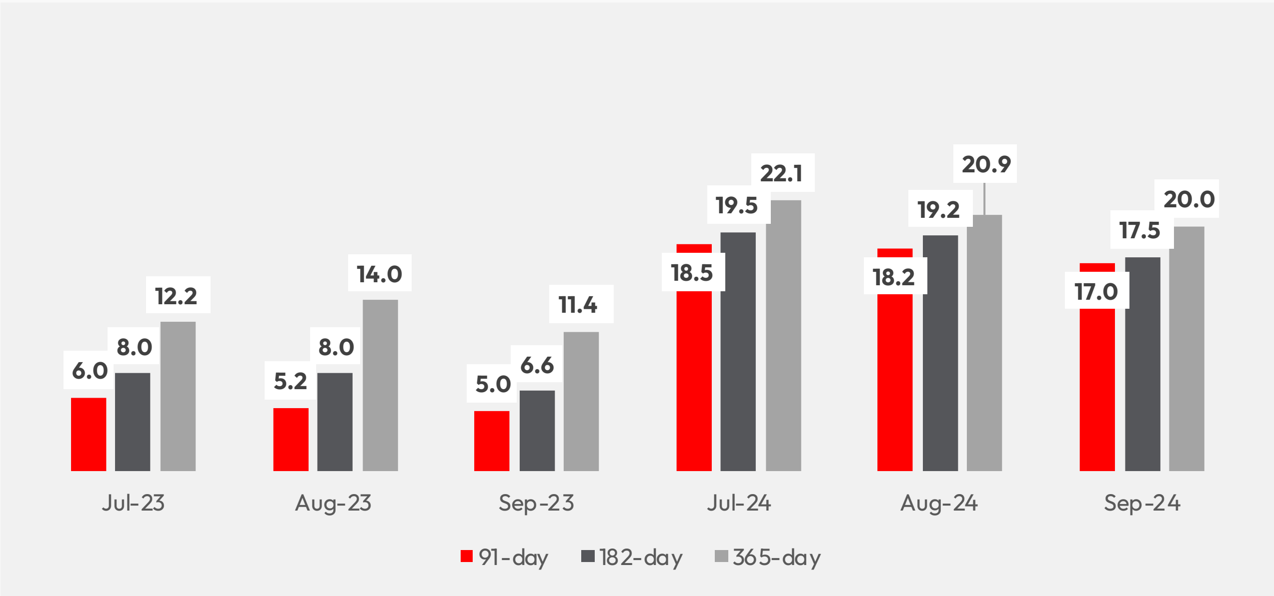
DEBT SERVICING COSTS: ELEVATED BORROWING COSTS

Domestic Debt Servicing by Instruments

N'bn	H1-2023	H1-2024	% change	% of H1 -2024 Total
NTBs	105.98	203.99	92.48%	7.15%
FGN BONDS	1195.32	2479.67	107.45%	86.92%
FGN GREEN BONDS	1.08	1.09	0.30%	0.04%
FGN SUKUK BONDS	51.44	79.20	53.96%	2.78%
FGN SAVINGS BONDS	1.28	2.26	77.11%	0.08%
PROMISSORY NOTES	84.92	86.56	1.94%	3.03%
TOTAL	**1440.01**	**2852.76**	**98.11%**	**100.00%**
INTEREST	1355.09	2766.20	104.13%	96.97%
PRINCIPAL	84.92	86.56	1.93%	3.03%
TOTAL	**1440.01**	**2852.76**	**98.11%**	**100.00%**

Interests in NTB have increased in 2024 compared to 2023 due to the CBN's drive to keep rates elevated to attract foreign investors

NTB Auction Stop Rate (%)



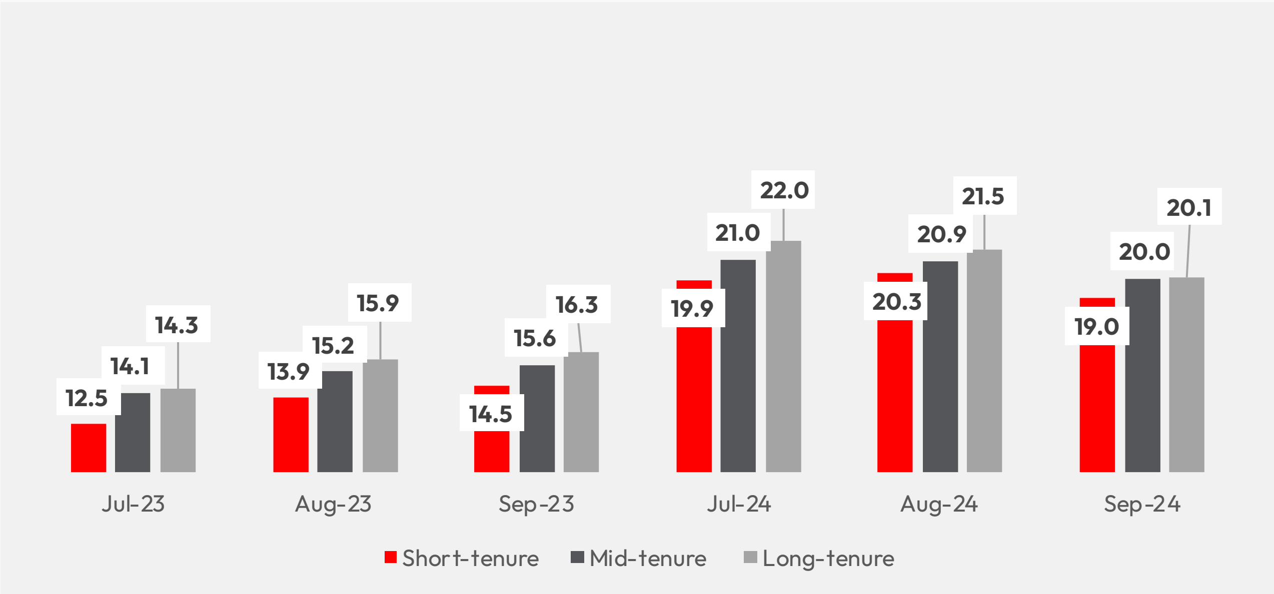
DEBT SERVICING COSTS: ELEVATED BORROWING COSTS

External Debt Servicing By Instruments

$'mn	H1-2023	H1-2024	% change	% of H1 -2024 Total
MULTILATERAL	386.75	1306.41	237.80%	58.31%
BILATERAL	175.61	241.35	37.44%	10.77%
EUROBONDS	592.24	576.30	-2.69%	25.72%
SYNDICATED LOANS	15.04	116.34	673.71%	5.19%
TOTAL	**1169.63**	**2240.40**	**91.55%**	**100.00%**

Interests in FGN Bonds have increased in 2024 compared to 2023 due to illiquidity in the financial system following the MPC's tightening stancet

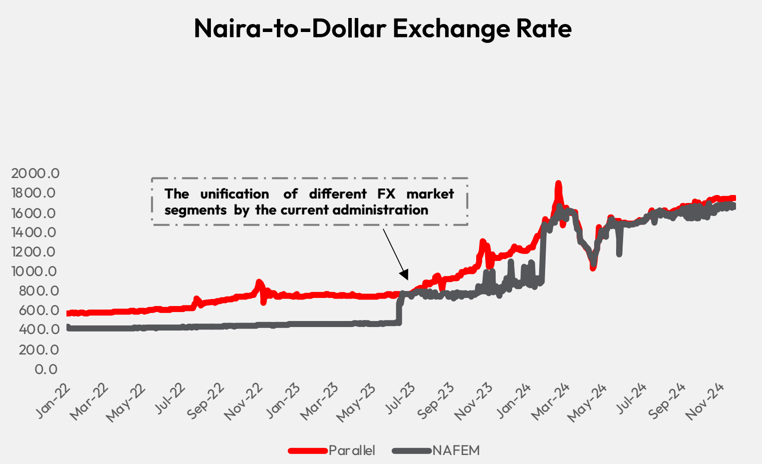
FGN Bonds Auction Marginal Rate (%)

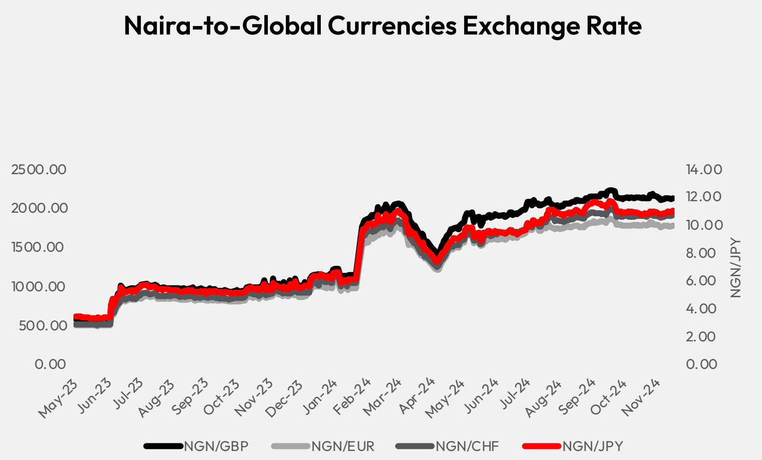


EXTERNAL SECTOR

- Exchange Rate
- External Reserves
- Foreign Trade
- Capital flows

EXCHANGE RATE: NAIRA LOSSES VALUE AGAINST GLOBAL CURRENCIES





- The volatility in the FX market persisted in 2024 following the unification of the different FX market segments. This led to the devaluation of the Naira from the N450.00/$ levels to N750.00/$ levels by the end of 2023

- So far in 2024, the Naira has depreciated by 82.94% YTD in the official market to settle at N1659.44/$ as at 26-Nov-2024 from N907.11/$ as at the start of the year. Similarly, the Naira has depreciated by 45.04% YTD in the parallel market to print at N1755.00/$ as at 26-Nov-2024 from N1210.00/$ as at the start of the year.

- Port Harcourt Refinery and Dangote Refinery's supply of Premium Motor Spirit (PMS), will help reduce PMS importation, with significant freight cost savings from domestic refining. The reduced demand for Dollars will help ease the pressures in the FX market. Ultimately, this will help strengthen the Naira against the Dollar and improve the exchange rate.

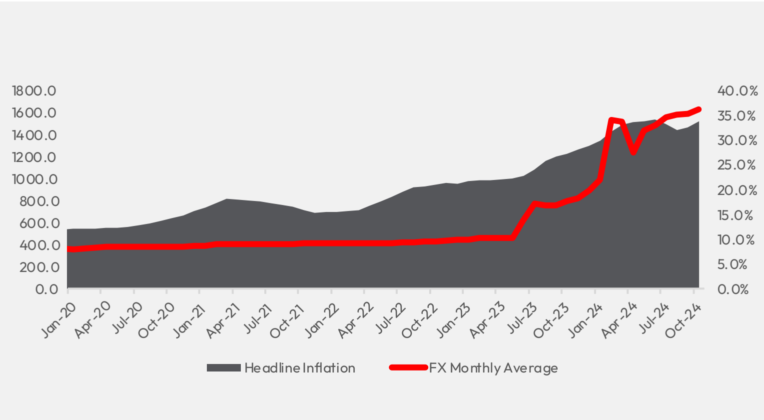
- Key risks to this outlook include potential fiscal reliance on CBN overdrafts amidst an expansive budget, unlikely CBN policy reversals that could widen negative real interest rate gaps, and significant oil production declines that may impact Dollar earnings. These factors could lead to reduced CBN FX sales to Bureaux De Change (BDCs) and the Nigerian Autonomous Foreign Exchange Market (NAFEM).

- That said, we project that N/$ will hover around N1800.00/$ - N2000.00/$ in the official market and N1900.00/$ - N2,200.00/$ in the parallel market.

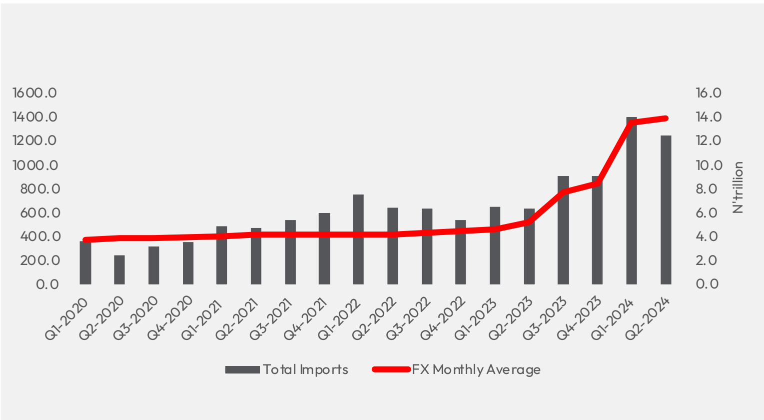
Source: Bloomberg, United Capital Research

IMPACT OF EXCHANGE RATE ON INFLATION, TRADE, AND DEBTS

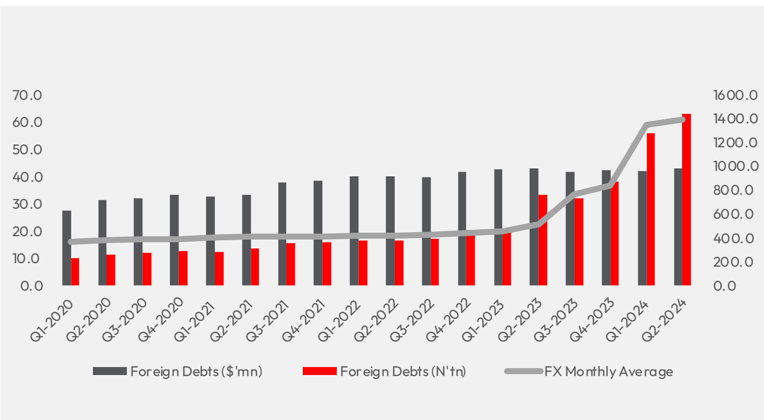
Headline Inflation vs FX Monthly Average



Total Imports vs FX Monthly Average



Foreign Debt vs FX Monthly Average

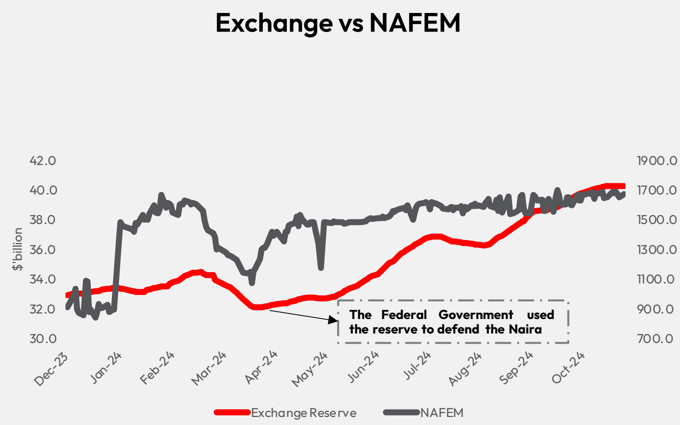


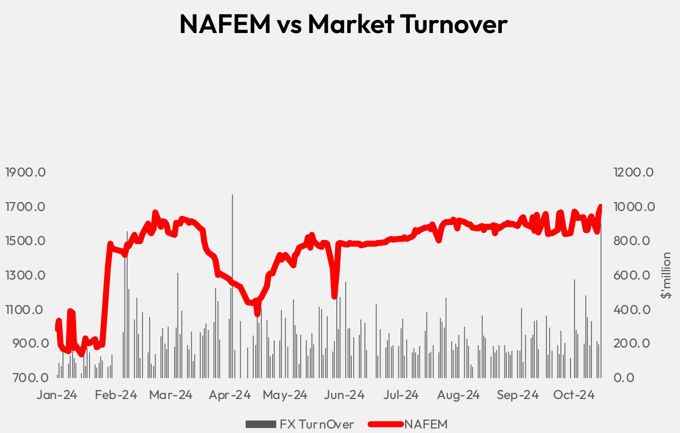
- **Headline Inflation:** Inflationary pressures remained elevated following the devaluation of the Naira in 2023. Nigeria is heavily dependent on imported food items due to weak manufacturing capacity and low quality of local produce. The pass-through effect of the exchange rate resulted in a surge in the general price level within the nation.

- **Trade:** Import bills increased largely due to improved local demand for imported goods. Nevertheless, these import costs surged higher as a result of the weakening of the Naira.

- **Foreign Debts:** In Naira terms, Foreign debts inched higher due to the depreciation of the Naira against the Dollar. Notably, foreign debts did not increase in Dollar terms.

EXTERNAL RESERVES: NAIRA WEAKENS DESPITE HIGHER LIQUIDITY IN THE RESERVES





- Nigeria's external reserves have seen a significant upsurge, reaching $40.26bn as of 25-Nov-2024, marking a notable 22.32% YTD rise from $32.91bn at the start of the year.

- During the year, the government was able to secure Dollar loans from the IMF and World Bank, which helped improve Dollar inflows. Also, Nigeria raised its first-ever foreign-currency domestic bond and secured a total of $900.00mn in subscriptions. This marks an oversubscription rate of 180.00% compared to the offer size of $500.00mn. The oversubscription reflects local investor confidence in Nigeria's economic stability and potential for growth.

- This looks impressive, but the reality for the Naira is far more complex. Despite the surge in the reserves, the Naira has continued its downward trend in both the official and parallel markets. Year-to-date, the Naira has depreciated by 85.08% in the official market and 43.80% in the parallel market.

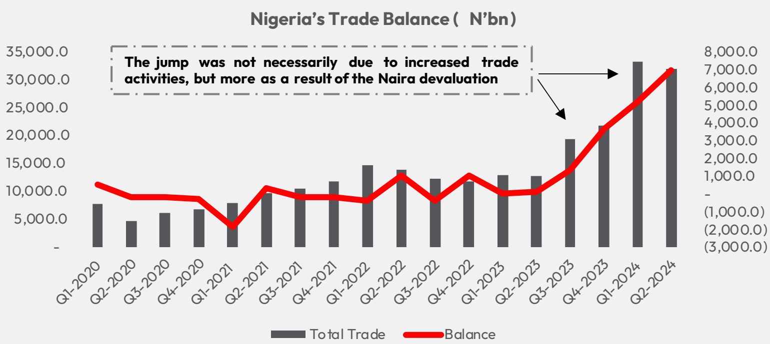
- Lastly, the International Finance Corporation (IFC), a member of the World Bank Group, and the Central Bank of Nigeria (CBN) announced an agreement to scale up local currency financing, unlocking over $1.00bn in investments across key sectors of the Nigerian economy.

- The agreement will provide Naira-based financing to sectors such as agriculture, infrastructure, housing, energy, small and medium enterprises, and Nigeria's youth and creative industries.

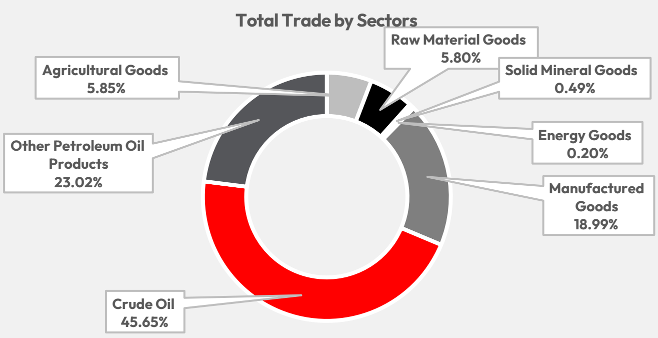
Source: FMDQ, United Capital Research

TRADE BALANCE: TRADE SURPLUS EXPANDS FURTHER

Nigeria's Trade Balance (N'bn)



Total Trade by Sectors



- Nigeria's external reserves have seen a significant upsurge, reaching $40.26bn as of 25-Nov-2024, marking a notable 22.32% YTD rise from $32.91bn at the start of the year.

- During the year, the government was able to secure Dollar loans from the IMF and World Bank, which helped improve Dollar inflows. Also, Nigeria raised its first-ever foreign-currency domestic bond and secured a total of $900.00mn in subscriptions. This marks an oversubscription rate of 180.00% compared to the offer size of $500.00mn. The oversubscription reflects local investor confidence in Nigeria's economic stability and potential for growth.

- This looks impressive, but the reality for the Naira is far more complex. Despite the surge in the reserves, the Naira has continued its downward trend in both the official and parallel markets. Year-to-date, the Naira has depreciated by 85.08% in the official market and 43.80% in the parallel market.

- Lastly, the International Finance Corporation (IFC), a member of the World Bank Group, and the Central Bank of Nigeria (CBN) announced an agreement to scale up local currency financing, unlocking over $1.00bn in investments across key sectors of the Nigerian economy.

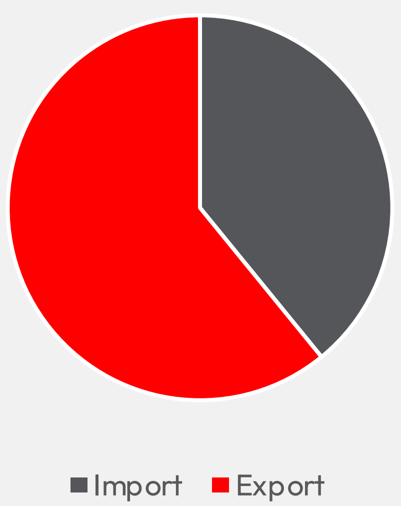
- The agreement will provide Naira-based financing to sectors such as agriculture, infrastructure, housing, energy, small and medium enterprises, and Nigeria's youth and creative industries.

Source: NBS, United Capital Research

TRADE BALANCE: TOTAL TRADE IMPROVED DUE TO HIGHER EXPORT RECEIPTS

Nigeria records eight consecutive quarters of trade surplus
Nigeria's Total Trade (N'bn)

Distribution of Total Trade

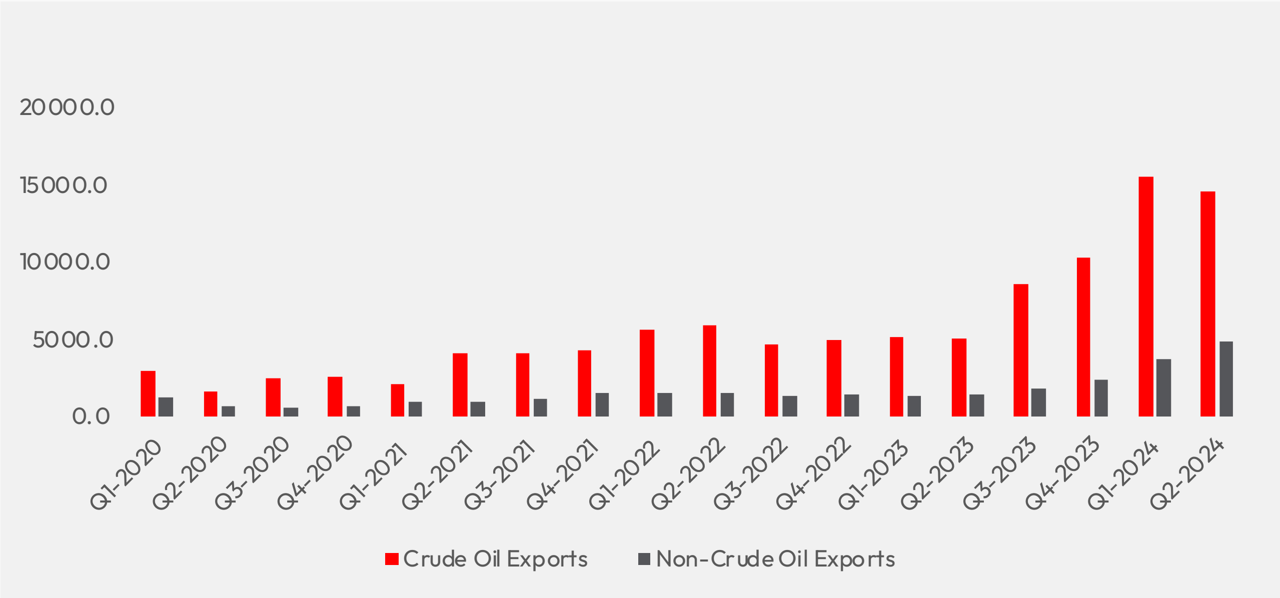


- Taking a dive into the numbers revealed that total exports grew by 201.8% y/y to N19.4tn, driven by higher crude oil exports as demand for crude oil remained strong. In addition, higher crude oil prices supported the growth in export value as the average Brent Crude oil price climbed by 4.0% q/q and 9.4% y/y to $85.03/bbl. in Q2-2024 from $81.76/bbl. and $77.73/bbl. in Q1-2024 and Q2-2024, respectively.
- Interestingly, crude oil exports contributed 75.00% of the total export bills as Nigeria made N14.6tn from crude oil exports, up 190.90% y/y. However, crude oil export receipts declined by 6.00% q/q due to low production levels recorded in Q2-2024. According to the Q2-2024 Gross Domestic Product (GDP) report by the NBS, Nigeria's crude oil output fell from 1.57mbpd in Q1-2024 to 1.41mbpd in Q2-2024.
- More positively, the proportion of the country's non-oil exports to total exports increased from 19.20% in Q1-2024 to 25.00% in Q2-2024, indicating some progress in the country's efforts to diversify its FX earnings. Nevertheless, we note that the critical factor driving the increase in trade numbers was the depreciation of the Naira over the period.
- On the other hand, import bills expanded to N12.5tn in Q2-2024, up 97.90% y/y from N6.3tn, largely due to improved local demand for imported goods. In addition, we note that the global inflationary environment was broadly elevated, impacting the nominal value of trade activities and, consequently, Nigeria's imports.

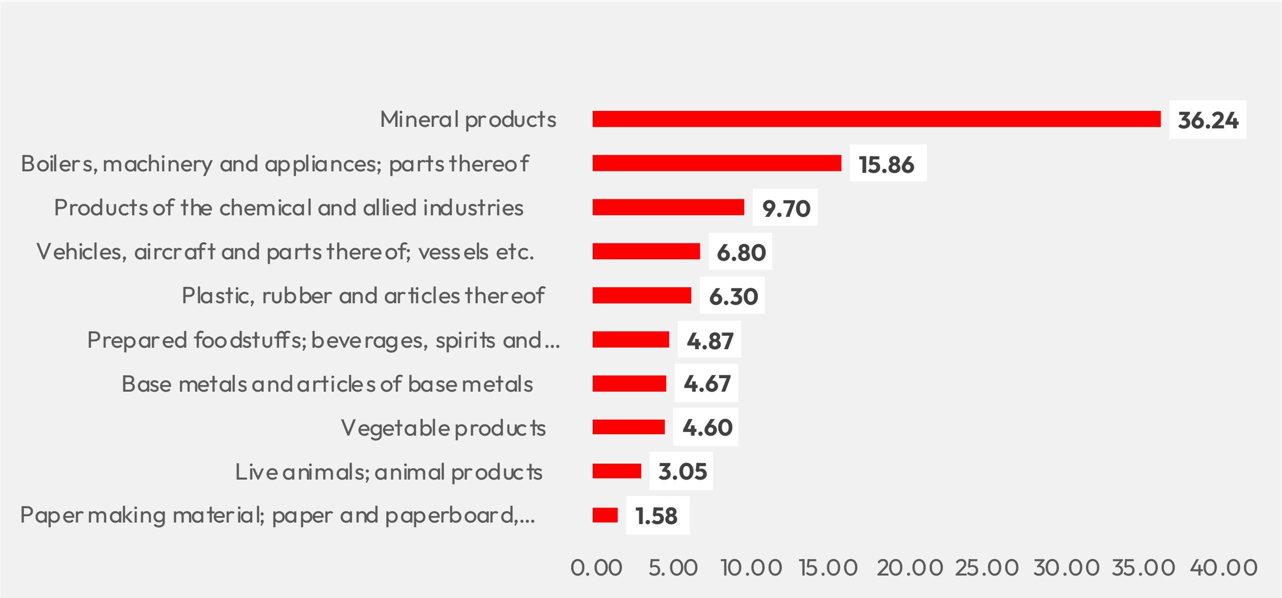
IMPORT & EXPORT BY TYPE OF PRODUCT

Crude oil exports accounted for the bulk of exports, reflecting the lack of diversification to other sectors of the economy. Nevertheless, the proportion of non-oil exports is increasing at a slow pace

Exports by Type of Product (N'bn)



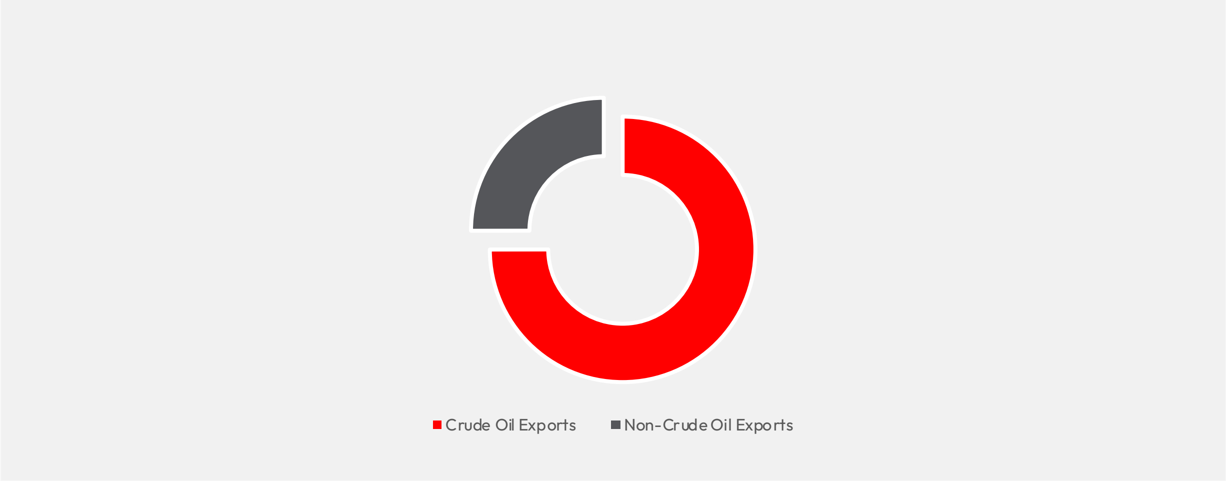
Distribution of Import by Type of Product (N'bn)



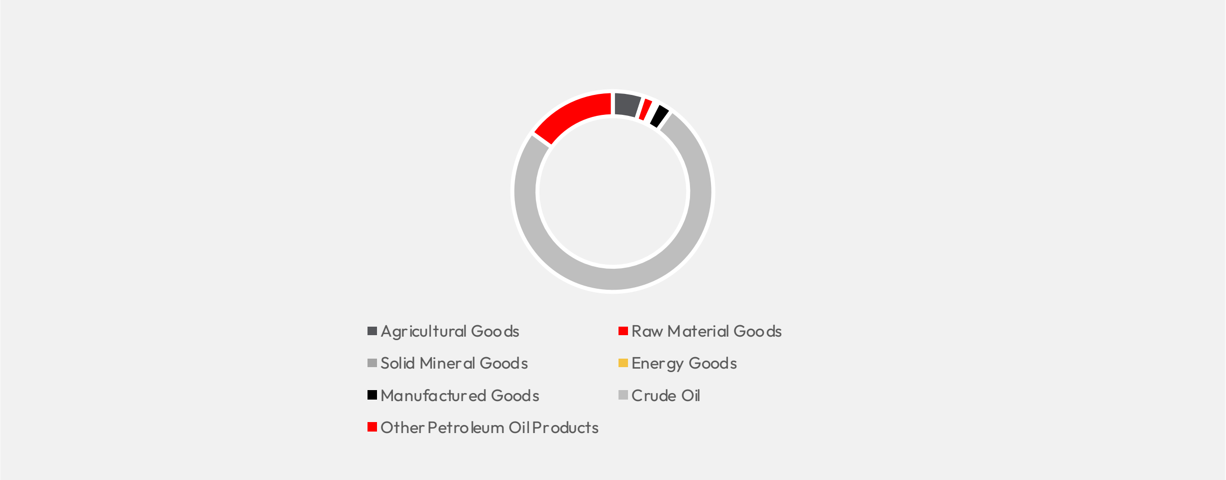
Source: NBS, United Capital Research

IMPORT & EXPORT BY TYPE OF PRODUCT

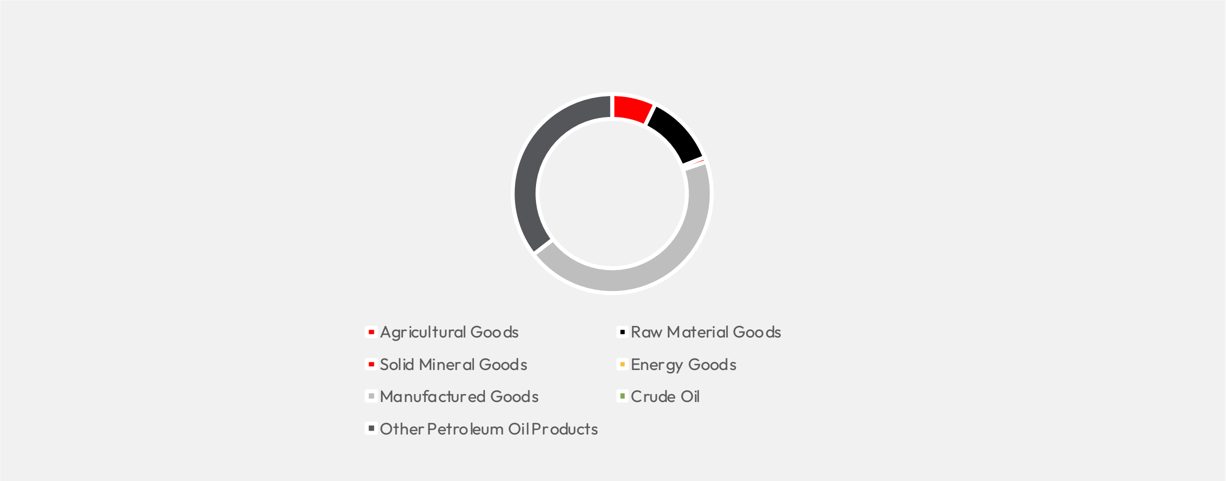
Distribution of Export by Type of Product



Distribution of Export by Sectors



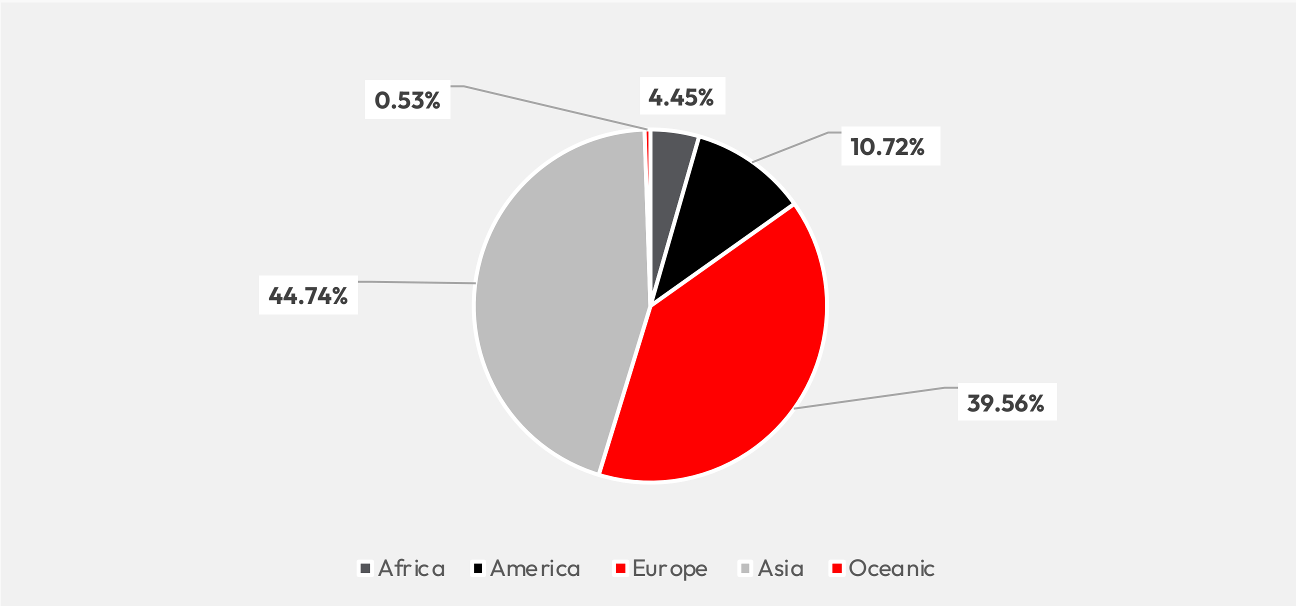
Distribution of Import by Sectors



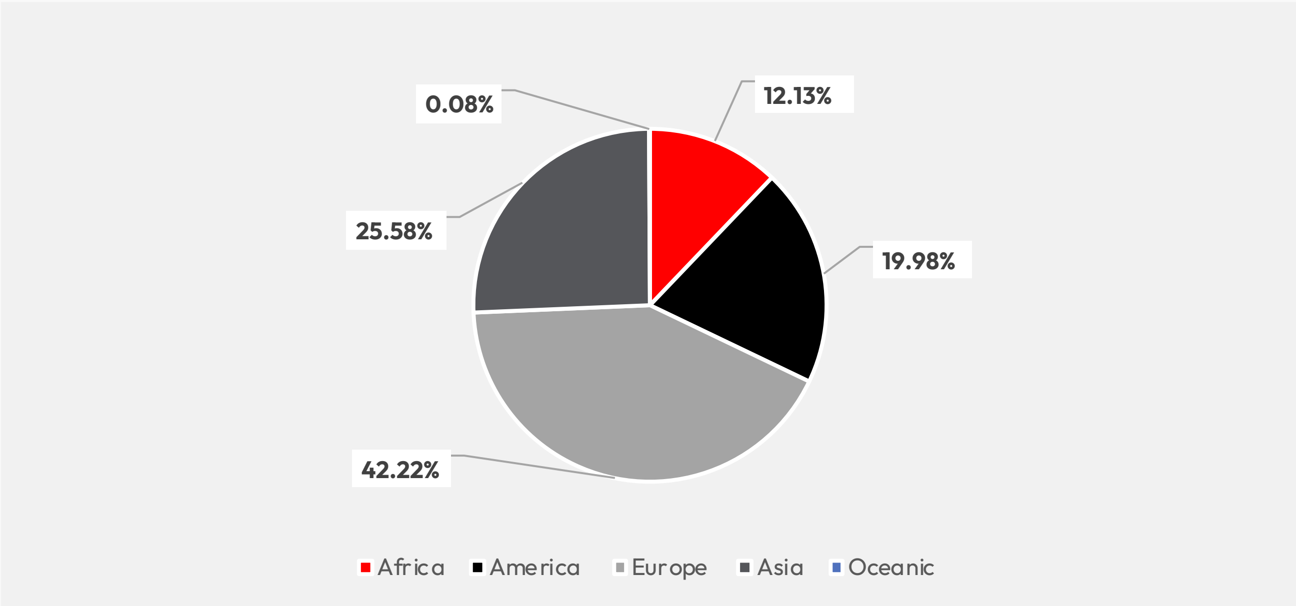
Source: NBS, United Capital Research

IMPORT & EXPORT BY DESTINATION

Distribution of Imports by Region



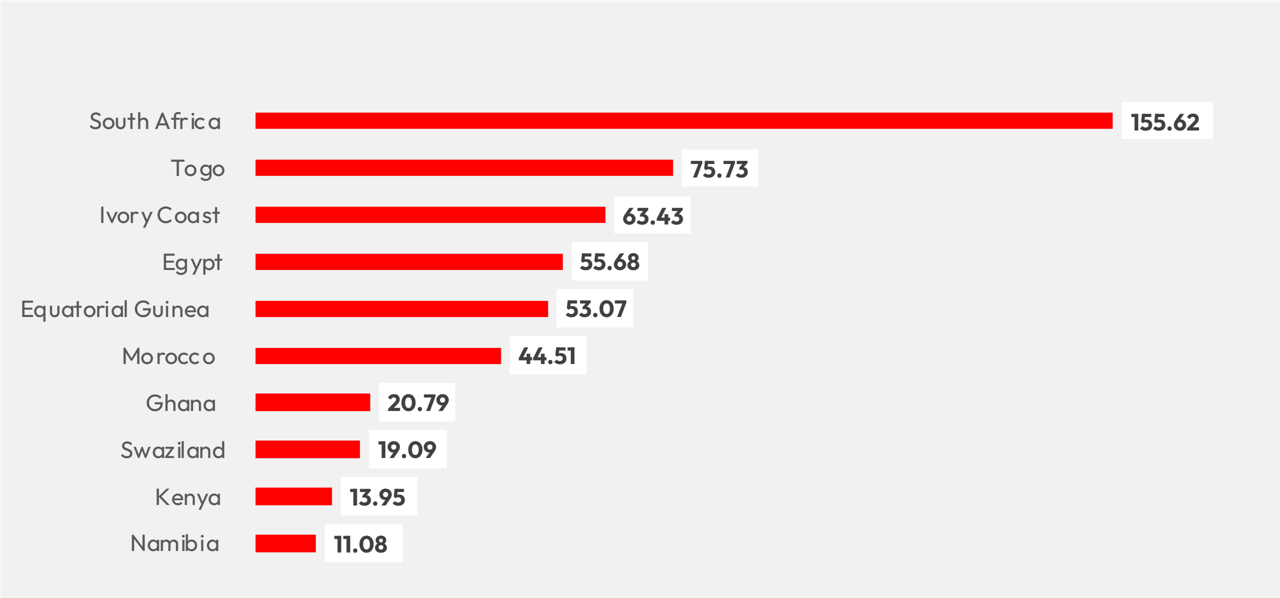
Distribution of Exports by Region



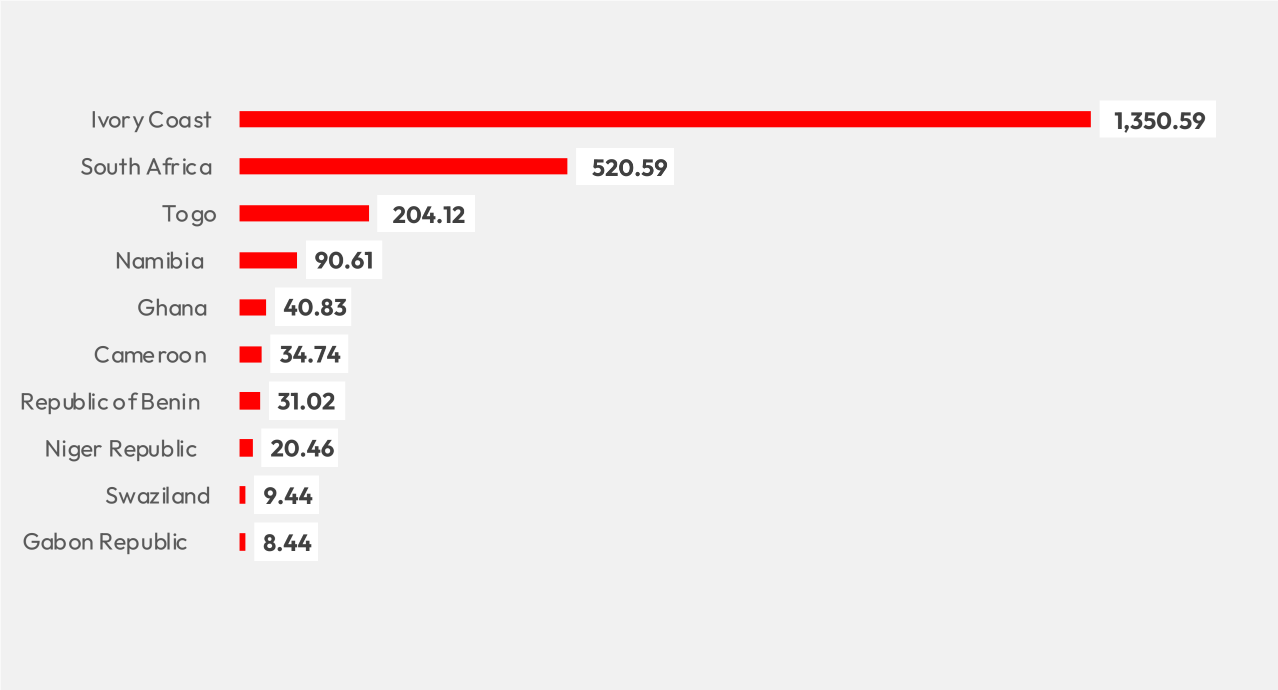
Source: NBS, United Capital Research

IMPORT & EXPORT BY DESTINATION

Exports with Top 10 African Countries (N'bn)

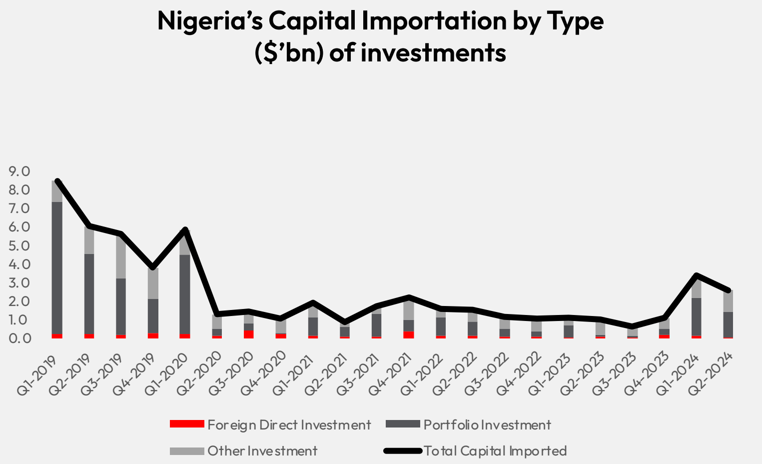


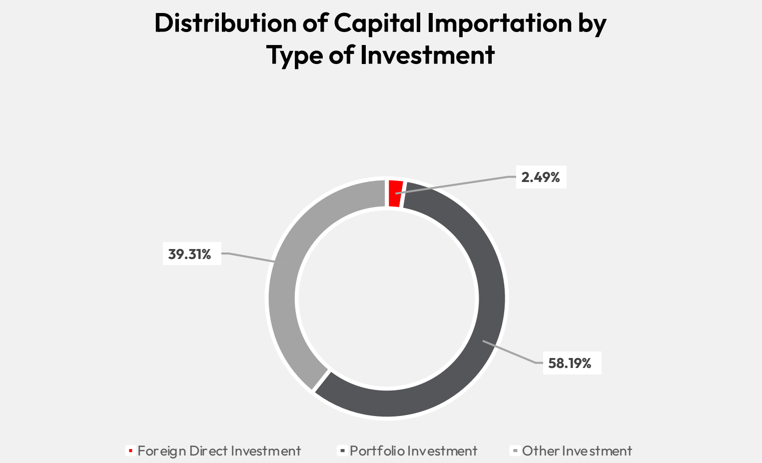
Exports with Top 10 African Countries (N'bn)



Source: NBS, United Capital Research

CAPITAL IMPORTATION: REBOUNDS IN CAPITAL INFLOWS INTO NIGERIA





- Asides trade, another major source of Dollar earnings for Nigeria is foreign capital inflows. It had been riding on a weak momentum since the Covid-19 pandemic hit the nation in 2020. Capital flows crashed from the high levels of $5.85bn in Q1-2020 to as low as $875.62mn and $654.65mn in Q2-2021 and Q3-2023, respectively. We observed a capital flight as foreign investors were negatively biased towards investing in the Nigerian economy given the macroeconomic woes and volatility in the financial markets.

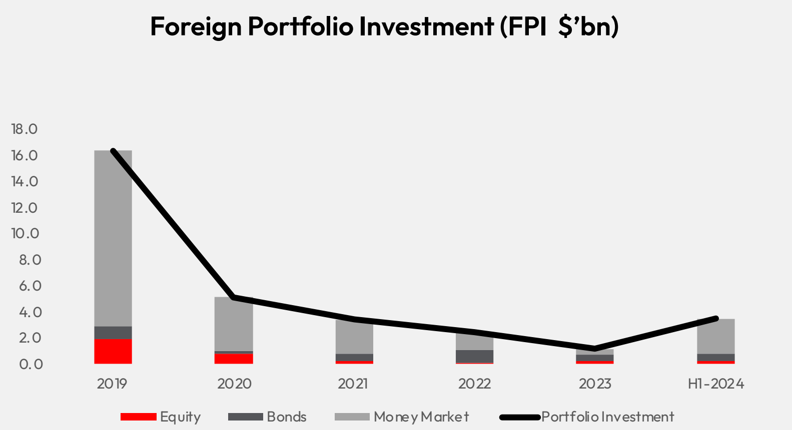
- However, the tide was turned around in 2024 as the current administration looked to boost foreign capital inflows into the nation. As a result, total capital imported into the country in H1-2024 printed at $5.98bn. This represents a 176.51% y/y increase when compared to $2.16bn in H1-2023.

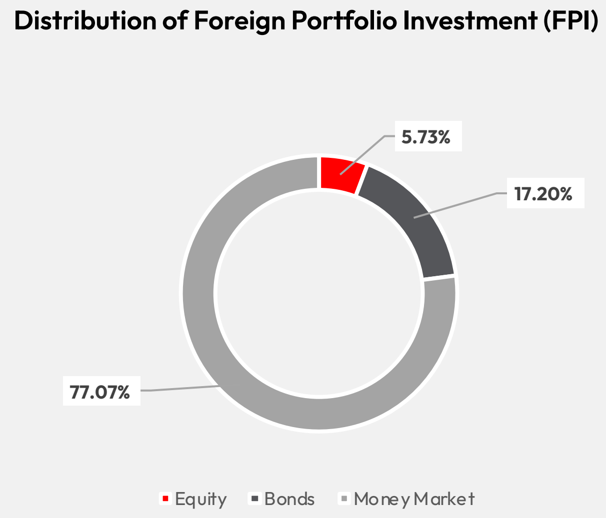
- Foreign Direct investment (FDI) remains underwhelming, contributing only 2.49% to the total capital imported into Nigeria. Total FDI inflows rose by 11.50% y/y from $133.63mn in H1-2023 to $149.01mn in H1-2024. We note that debt sustainability concerns, insecurity, and a chronic lack of enabling infrastructures, such as power and transportation constraints, continue to discourage long-term commitments to the country through FDI.

- Meanwhile, we observed improvements in the Other Investments category, as it increased by 84.69% y/y from $1.27bn in H1-2023 to $2.35bn in H1-2024. This category accounted for 39.31% of the total capital imported. Inflows emanated mainly from loans.

Source: NBS, United Capital Research

FOREIGN INVESTORS' INTEREST IN MONEY MARKET INSTRUMENTS INCREASED





- Taking a further dive into the numbers, Foreign Portfolio Investment (FPI) contributed the bulk of the total capital imported into Nigeria in H1-2024, accounting for 58.19% (23.32ppts higher than its 34.96% contribution in H1-2023). Total FPI inflows printed at $3.48bn in H1-2024, 360.28% y/y higher than its prints of $756.13mn in H1-2023.

- Notably, foreign investments majorly flowed into money market instruments, which expanded by 1830.68% y/y to settle at $2.68bn in H1-2024 compared to the $138.93mn recorded in H1-2023.

- This is on the back of the higher money market rates experienced in the period under review. In 2024, the CBN began its inflation-targeting framework and strong fight against FX pressures. Accordingly, the CBN conducted OMO auction to mop-up excess liquidity and offered very attractive rates to appeal foreign investors into the nation.

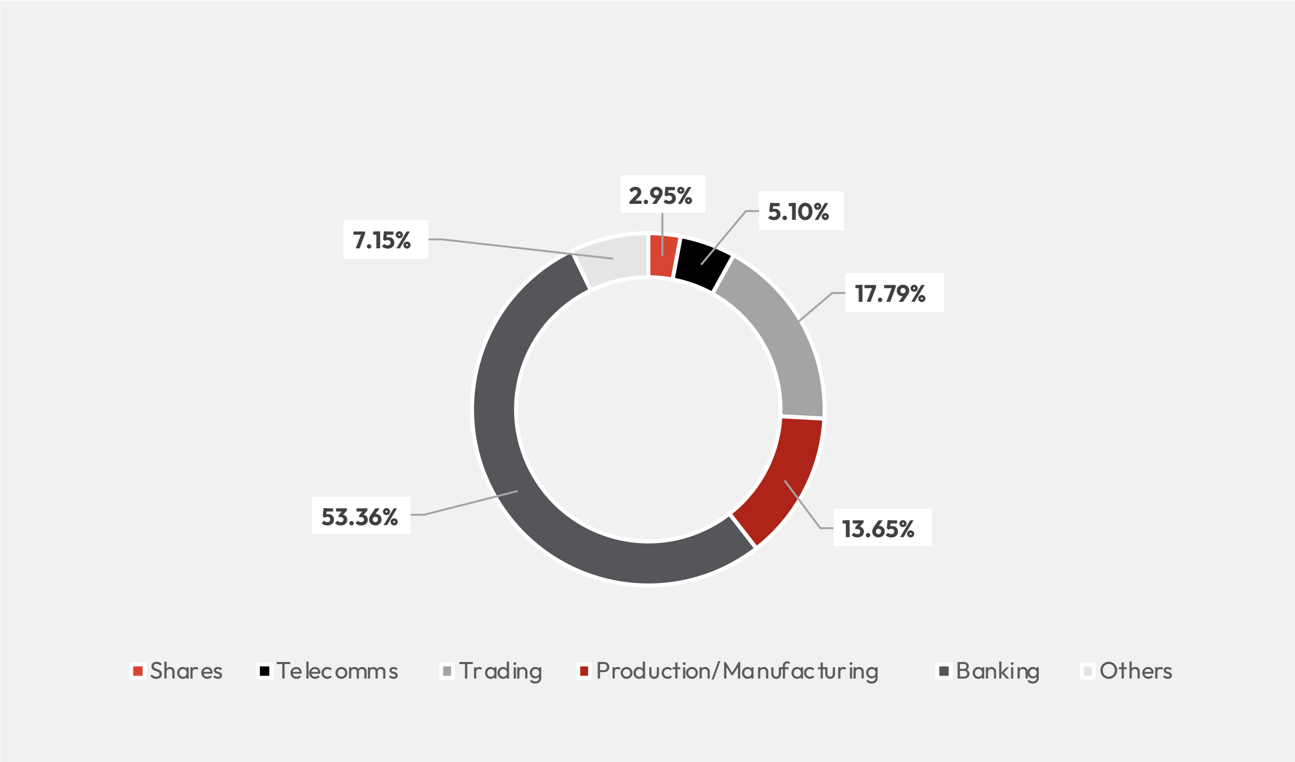
- Meanwhile, foreign investments into the Nigerian equities market remains low given the volatility in that market. Also, the instability of the Naira to Dollar exchange was another factor that weighed on foreign investors' sentiments. That said, total inflows into the equities market decreased by 13.66% y/y from $230.83mn in H1-2023 to $199.29mn in H1-2024.

- Lastly, total inflows into bond instruments climbed by 54.93% y/y from $386.37mn in H1-2023 to $598.61mn in H1-2024, given the elevated yield environment in 2024.

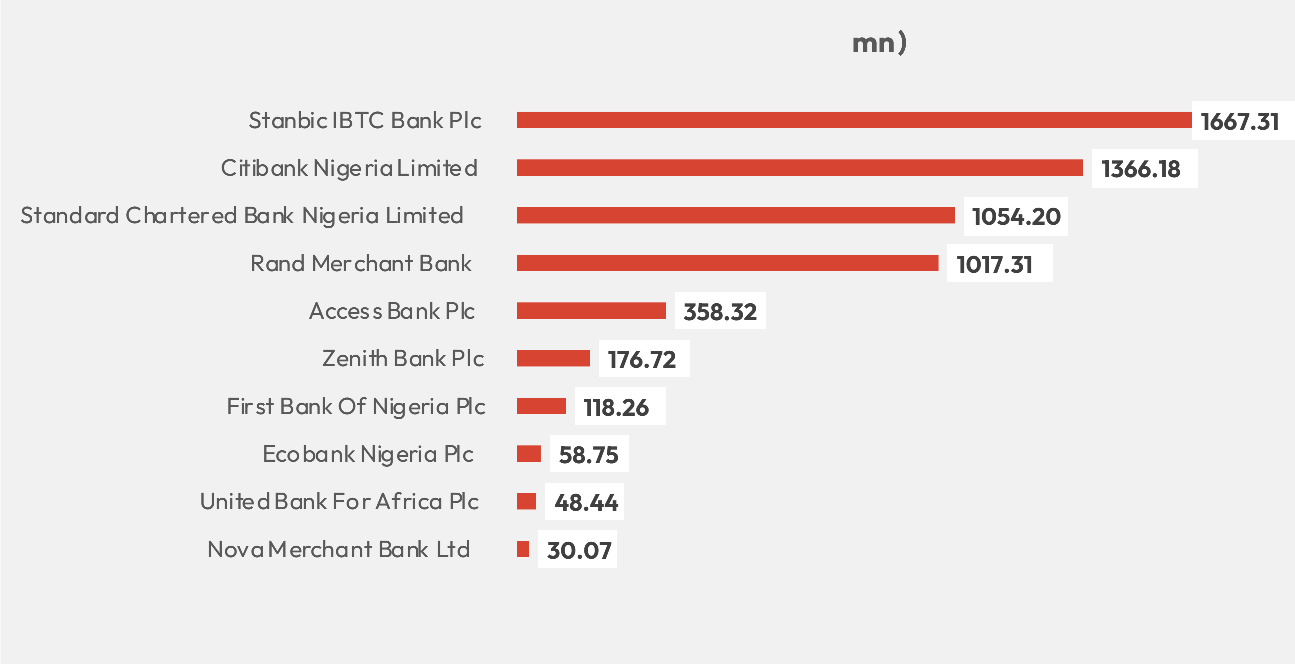
Source: NBS, United Capital Research

CAPITAL IMPORTATION ANALYSIS

Capital Importation by Sector



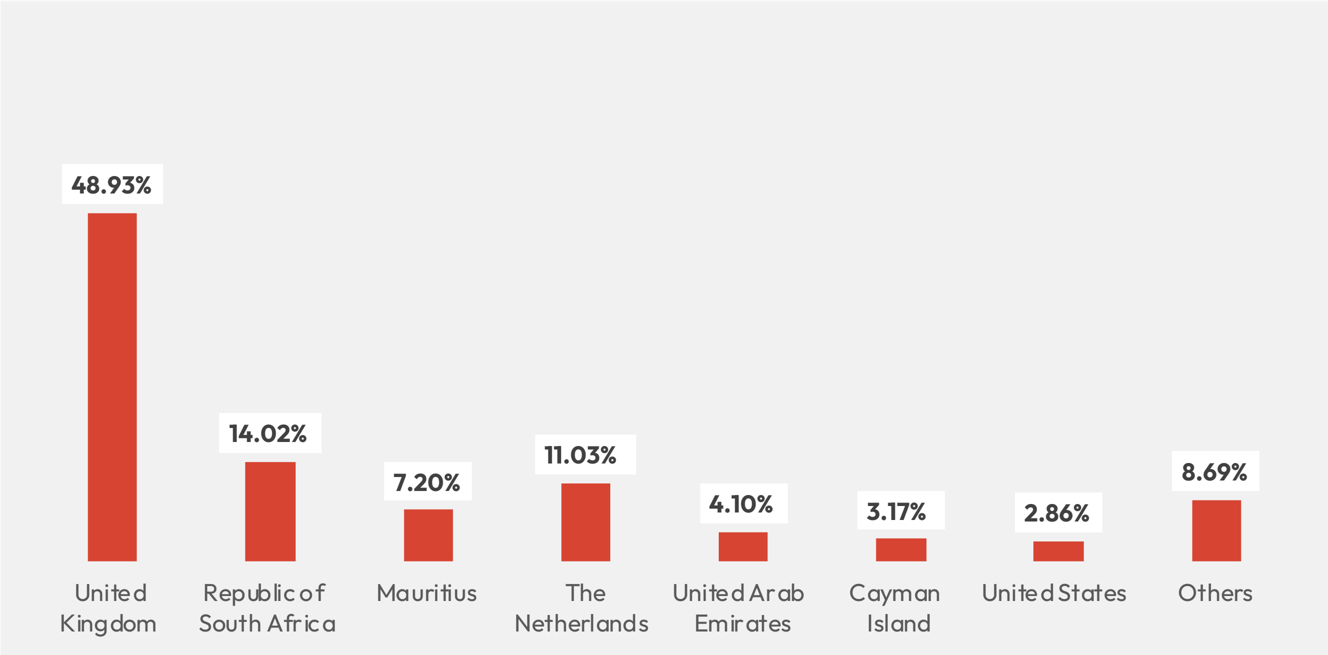
Capital Importation by Banks ($'mn)



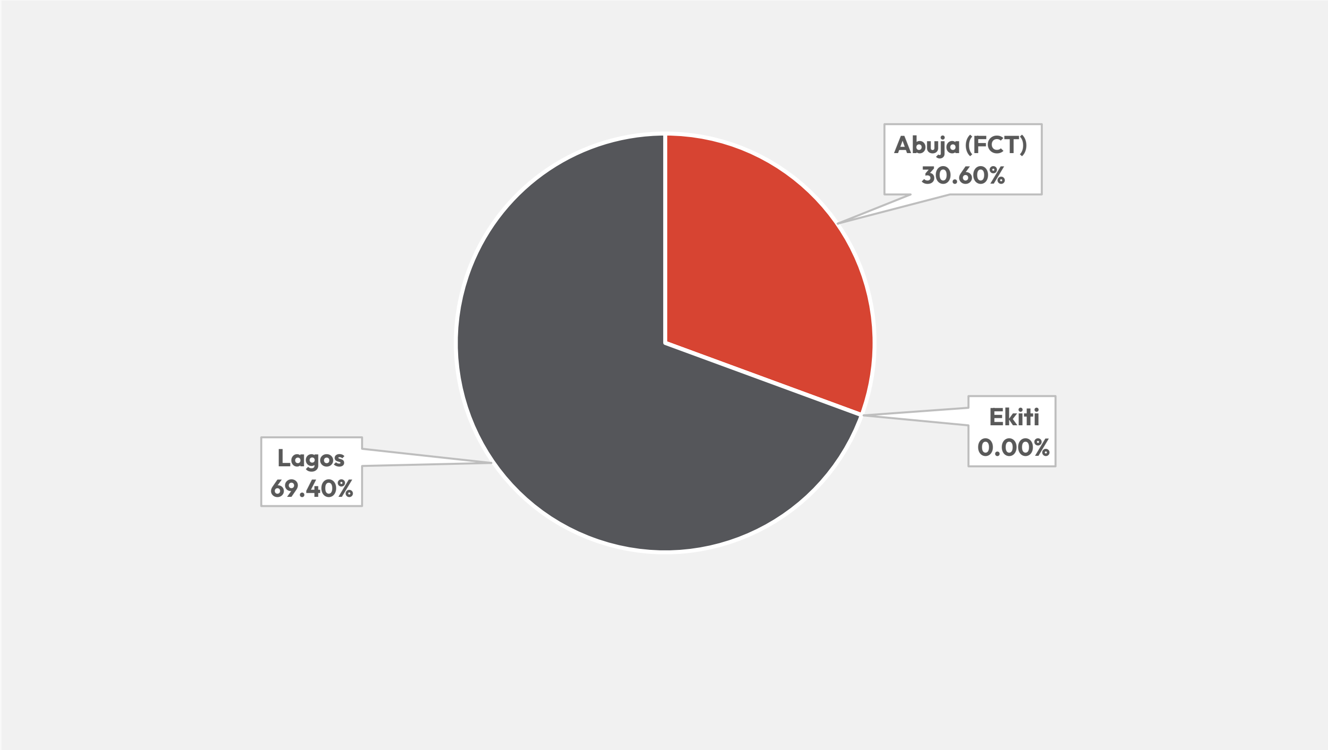
Source: NBS, United Capital Research

CAPITAL IMPORTATION ANALYSIS

Capital Importation by Originating Country



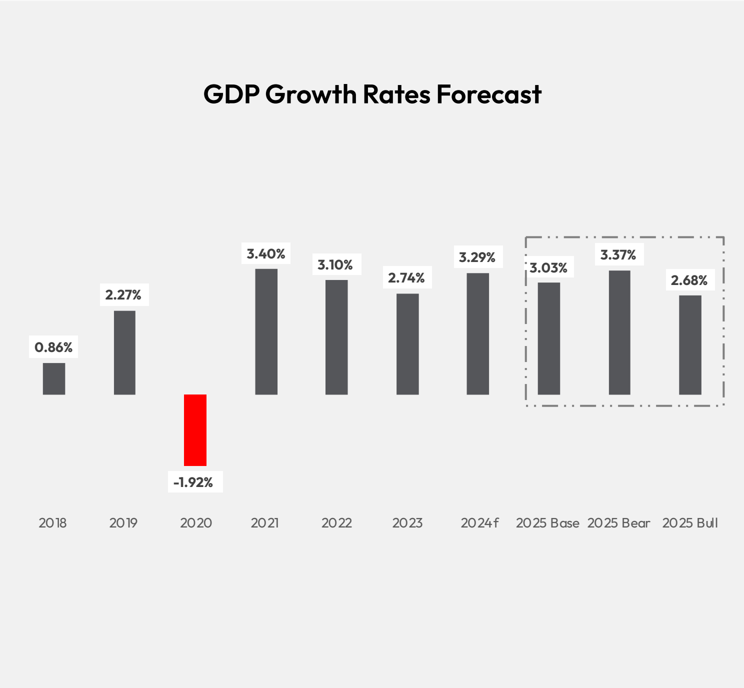
Capital Importation by Distribution

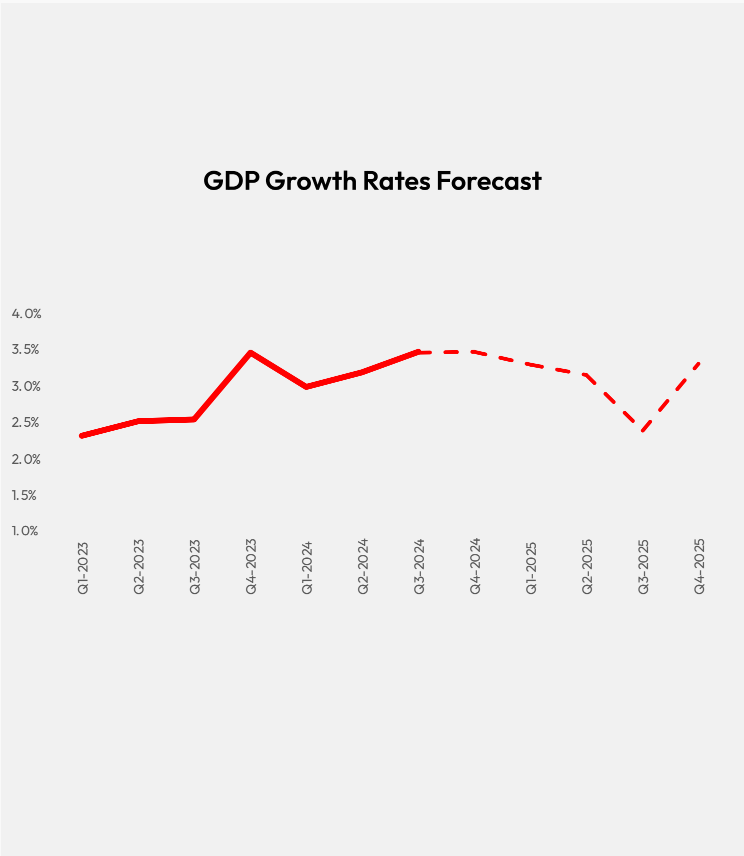


Source: NBS, United Capital Research

2025 OUTLOOK: DOMESTIC ECONOMY

GDP FORECAST: THE NIGERIAN ECONOMY TO MAINTAIN A STEADY GROWTH PERFORMANCE





- The Nigeria's GDP will maintain its steady growth in 2025, driven by a sustained rebound in the oil sector and slow but steady growth in the non-oil sector. We project that Nigeria's real GDP will increase modestly to 3.03% in 2025.

- In the oil sector, the Nigerian economy is set to benefit from favourable developments, as evidenced by 2024 performance. Net exports are expected to be the primary growth driver, with rising oil export volumes due to improved security in the Niger Delta, commencement of production at Port Harcourt Refinery and increased production from Dangote refinery displacing most of the fuel and chemical imports in 2025.

- In the non-oil sector, we expect sustained growth in the services sector and industrial sub-sectors. We foresee that the financial services and Information & Communication Technology (ICT) sectors will continue to benefit from sustained digital adoption and transformation. The agricultural sector is forecasted to grow but at a slow pace, hindered by ongoing security issues and unfavourable weather conditions. Meanwhile, the industrial sector's growth will be bolstered by higher crude oil production and a modest base effect improvement in manufacturing.

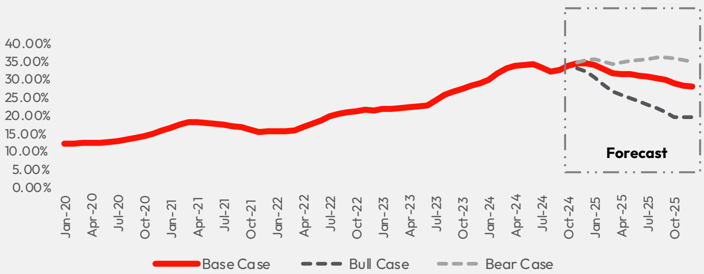
- However, we note that rising inflationary pressures and further rate hikes, which will lead to weakened consumer demand, serve as downside risks to our projection. In addition, volatility in the FX market will weaken manufacturing output as input costs from imported raw materials will skyrocket.

Source: NBS, United Capital Research

INFLATION FORECAST: INFLATIONARY PRESSURE TO EASE

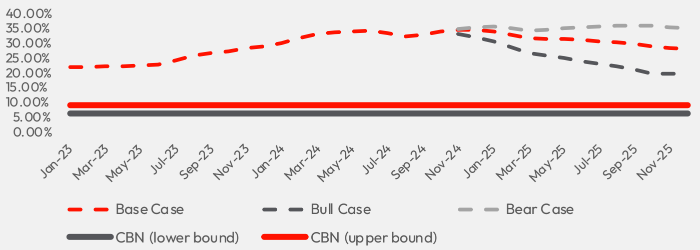
Inflationary pressure is expected to moderate in 2025 owing to the high base effect from the prior year

Inflation Rate



Heading into 2025, our inflation projections remains well-above the CBN's target

Inflation Rate vs CBN's Tolerance Corridor



- We anticipate that food inflation will remain the primary driver of the general price increase. Without a doubt, legacy insecurity issues in the food-producing states will continue to exert significant strain on the overall food supply.

- In addition, elevated farm input costs, supply-chain bottlenecks, and poor transport & storage facilities will remain headwinds. Meanwhile, we expect food demand to sustain its upward momentum, thus adding more pressure on the already-low food supply.

- For core inflation, we expect that high global energy prices and FX pressures will remain the most significant concerns. This will trickle down into another aspect of the economy, such as transport. However, we expect petrol prices to tapper slightly, supported by the sustained supply of fuel by the Port Harcourt and Dangote Refineries. This will help ease inflationary pressures.

- Another focus point is the impact of imported inflation. Given Nigeria's dependence on the importation of consumables and raw materials, we anticipate increased imported inflation as global inflationary pressures and FX pressures persist. A confluence of these issues will remain a pain point.

- Nevertheless, we expect the high-base effect from 2024 to kick in to stem the rising headline inflation print. We also expect harvest periods and fiscal interventions to continue to douse as much pressure as possible, helping the prices of food attain some relative stability at intervals. As such, we project that inflation will average 30.72% in 2025, down 621bps from 2024's average of 33.13%.

Source: NBS, United Capital Research

FORECAST: EXCHANGE RATE AND OTHER KEY VARIABLES

NAFEM Forecast

Baseline Scenario	Bull Case Scenario	Bear Case Scenario
N1,575.16/$	N1,407.76/$	N1,742.55/$

Parallel Market Forecast

Baseline Scenario	Bull Case Scenario	Bear Case Scenario
N1,643.77/$	N1,584.20/$	N1,822.45/$

Crude Oil Production Forecast

Baseline Scenario	Bull Case Scenario	Bear Case Scenario
1.46mbpd	1.83mbpd	N1.20mbpd

- **Oil Production and Refining:** Oil production is estimated at 1,83mbpin 2025, coupled with enhancements in domestic refining capacity. This could reduce fuel import costs and strengthen the Naira, contributing to economic stability.

- **Crude Oil Prices:** Crude oil prices may tapper as the US flood the market with excess oil. The relative peace in the middle east would also drive crude oil prices southwards.

- **GDP Rebalancing:** GDP will jump higher due to rebalancing. Nigeria will become the largest economy in Africa after rebalancing. This will motivate the government to borrow more as debt-to-GDP will drop due to rebalancing.

- **Inflation:** We project that inflation will tapper at 30.72% in 2025, though IMF was more optimistic projecting 28.23%. Inflation will ease as exchange rate stabilize, and the impact of recent policy changes subsides.

- **Interest Rates:** The MPC may gradually ease monetary policy to stimulate economic growth. This could involve a HOLD decision or adopting a more accommodative stance. However, if inflation remains stubborn, the MPC may maintain a hawkish stance.

- **Exchange Rate:** The Naira may potentially stabilize. In the official market the Naira would hover around N1,407.76/$ to N1,742.55/$. In the parallel market the Naira would range at N1,584.20/$ to N1,822.45/$. The Naira will mirror broader macroeconomic dynamics like oil revenues, FX market liquidity and government policies.

- **Debt Profile:** Debt levels will remain high in 2025, reflecting ongoing borrowings and rising debt servicing costs.

Source: United Capital Research

2024 EQUITIES MARKET REVIEW

2024 EQUITIES MARKET SNAPSHOT

Market Performance Indicators

	Jan-2024	Dec -2024	Percentage Change (%)
NGX ASI	74,773.77	98,107.52	31.21%
Market Cap	N40.9trn	N59.50trn	45.48%
Volume Traded	476.84mn	497.37mn	4.31%
Value Traded	N7.06bn	N9.42bn	33.43%

Index Performance

	Jan-2024	Dec -2024	YTD Change (%)
NGX 30 Index	2,790.28	3,710.14	32.97%
NGX Premium Board Index	7,227.22	9,426.60	30.43%
NGX Main Board Index	3,461.22	4,721.33	36.41%
NGX AseM Index	639.55	1,583.71	147.63%
NGX Growth Index	6,299.16	6,173.17	-2.00%
NGX Consumer Goods Index	1,121.29	1,591.68	41.95%
Banking Index	897.20	1,036.50	15.53%
Insurance Index	321.66	539.14	67.61%
NGX Oil/Gas Index	1,043.06	2,496.60	139.35%
NGX Industrial Index	2,712.27	3,615.13	33.29%

Source: NGX, United Capital Research

2024 EQUITIES MARKET SNAPSHOT

Equities Market Participation in 2024

	Value (N)	Value ($)	% of Contribution
Foreign Transaction	744.34bn	444.25mn	16.65%
Domestic Transaction	3.73trn	2.22bn	83.35%
Foreign Outflows	400.04bn	238.76mn	8.95%
Foreign Inflows	344.30bn	205.49mn	7.70%
Domestic Investors:			
(1) Institutional Investors	1.82trn	1.08bn	40.72%
(2) Retail Investors	1.91trn	1.14bn	42.73%

Best Five Performed Stocks

	Jan-2024	Dec -2024	Change (%)
EUNISELL	3.20	19.27	+502.19%
OANDO	10.50	61.60	+486.67%
SUNUASSU	1.10	5.41	+412.48%
CONOIL	83.90	320.00	+289.10%
J/BERGER	43.00	155.25	+274.26%

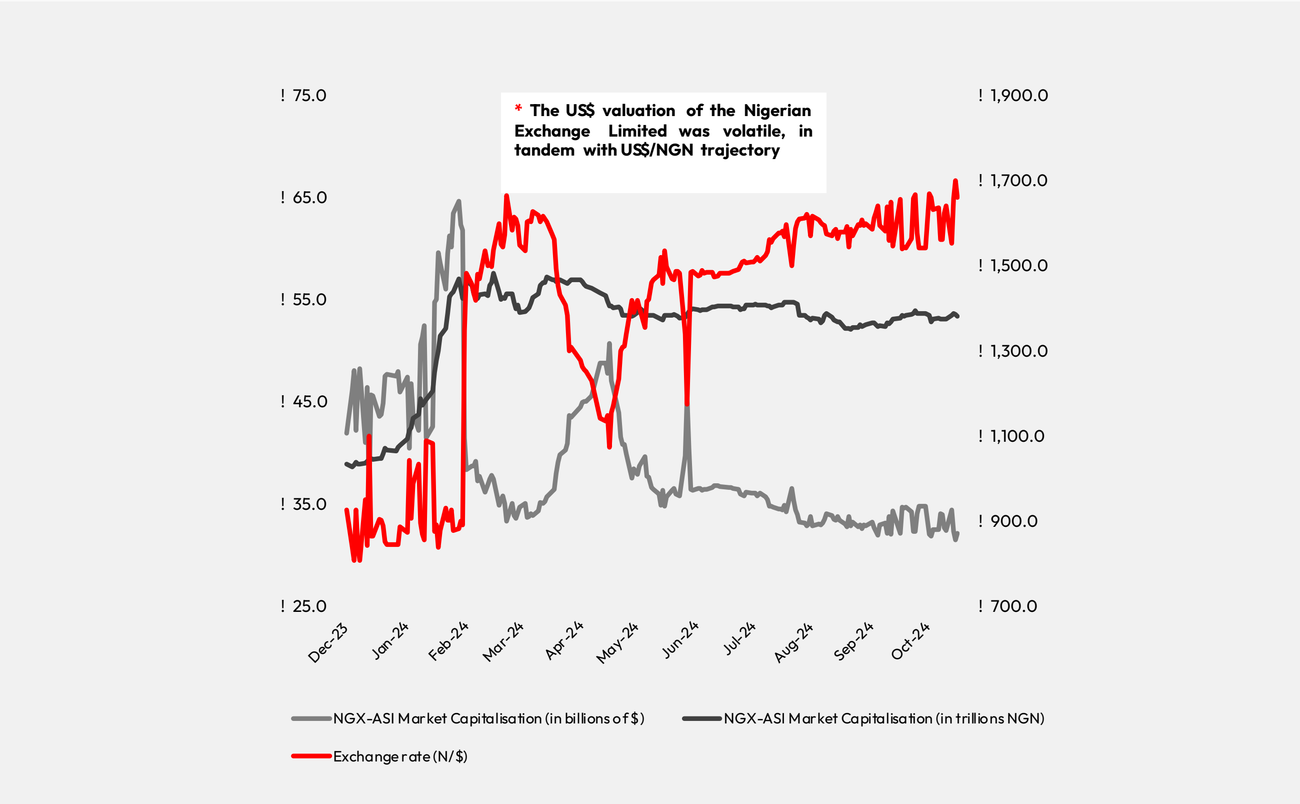
Worst Five Performed Stocks

	Jan-2024	Dec -2024	Change (%)
MULTIVERSE	18.57	5.90	-68.12%
NASCON	52.70	31.70	-39.84%
DANGSUGA	57.00	35.15	-38.33%
THOMASWY	2.70	1.71	-36.67%
DAAR COMM	0.90	0.58	-35.56%

Source: NGX, United Capital Research

NIGERIAN EQUITIES MARKET: RESILIENCE AMID ECONOMIC HEADWINDS

The Market Capitalization of the NGX fell in Q1-2024, following the sharp devaluation of the Naira @ NAFEM



- The Nigerian equities market in 2024 demonstrated resilience despite a challenging macroeconomic and monetary policy environment. Persistent inflation and a hawkish CBN under the Cardoso administration pressured investors throughout the year.

- Following the MPC's hawkish stance, financing costs for local corporates soared. This was compounded by the May 2023 government policy shift: "petrol subsidy removal" and unification of exchange rate segments", which drove up operating expenses (OPEX).

- Industry leaders resorted to price hikes for survival, while exchange rate pressures led to the exit of multinational pharmaceutical firms like GlaxoSmithKline (GSK) and Sanofi. Unilever Nigeria Plc also discontinued an unprofitable operation due to escalating operational costs.

- The sharp Naira depreciation (c.45.00% in 2024, peaking at N1,900-N2,100/$) negatively impacted blue-chip corporates, especially in telecommunications, brewing, and consumer goods sectors. These sectors, with significant foreign currency (FCY) liabilities and debt-heavy capital structures, suffered substantial losses (including corporates reliant on FCY for importation of essential plant and equipment).

- High financing costs prompted some blue-chip firms to pursue IPOs for equity funding, while those affected by liability revaluation turned to Rights Issues. Many also relied on commercial papers to address working capital needs.

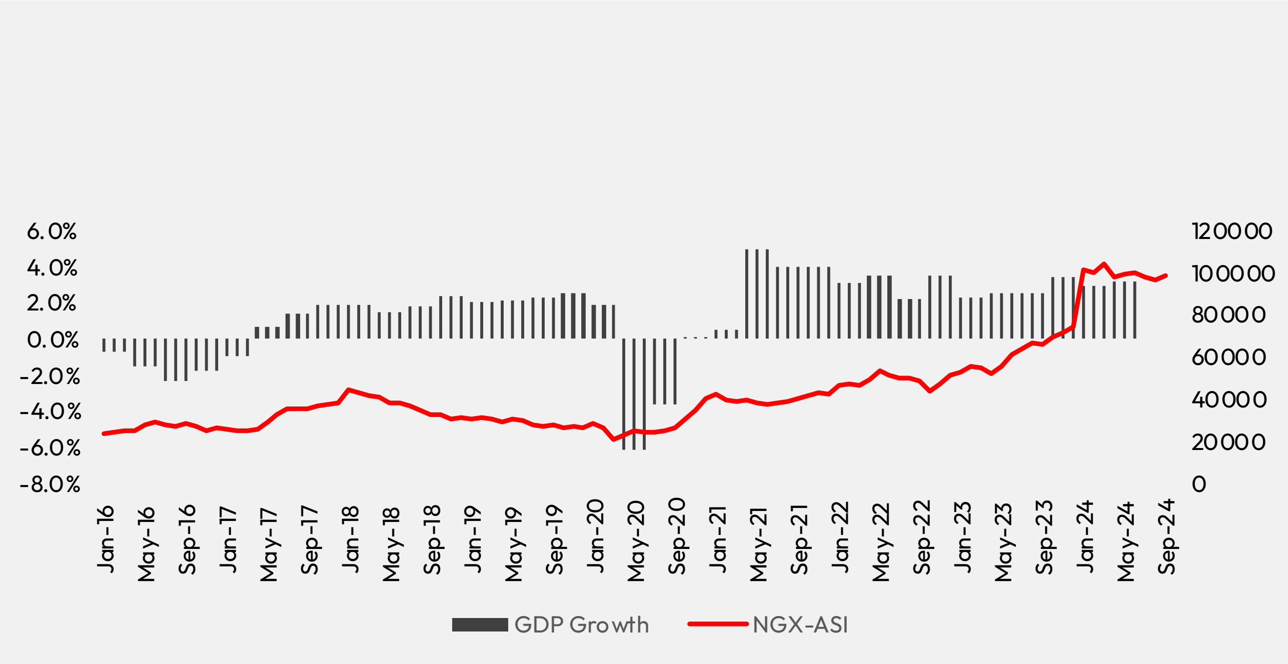
- Policy inconsistencies strained the banking sector in 2024, compounded by the recapitalization directive. In contrast, the oil and gas sector experienced growth, driven by higher output and regulatory approvals for mergers and acquisitions.
- Ultimately the elevated level of risk-free rate encouraged risk-off sentiments for the better part of 2024.

Source: NGX, United Capital Research

THE IMPACTS OF MACROECONOMIC INDICATORS ON NGX PERFORMANCE

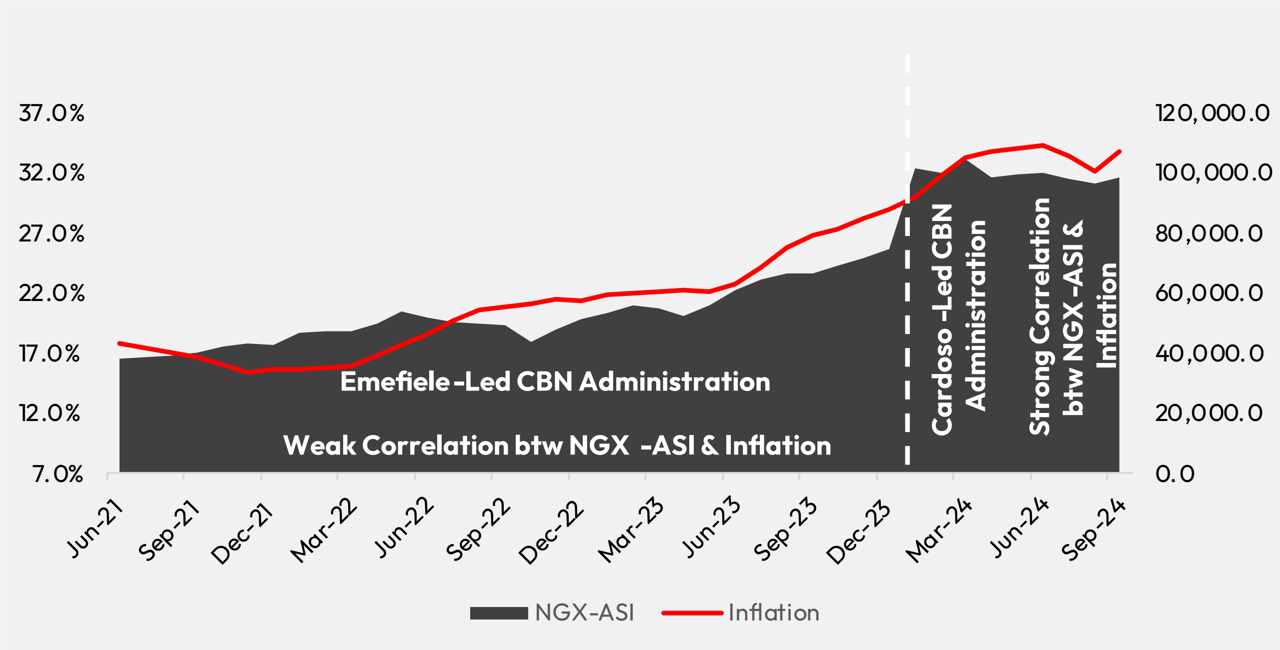
Since the resurgence of economic activities post-pandemic, the NGX continued to gain traction amid torrid monetary policy landscape since 2022

GDP vs NGX-ASI



In 2024, the CBN buckled up in its fight against inflation, rising financing costs of corporates amid the elevated exchange rate environment

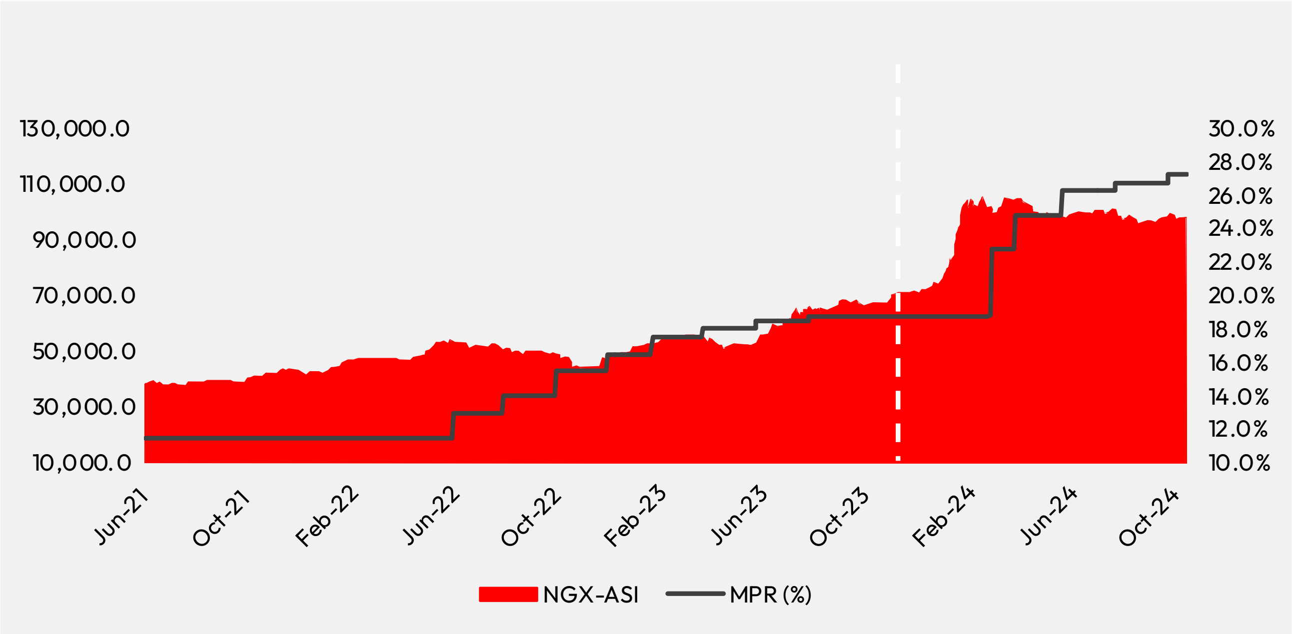
NGX-ASI vs Inflation



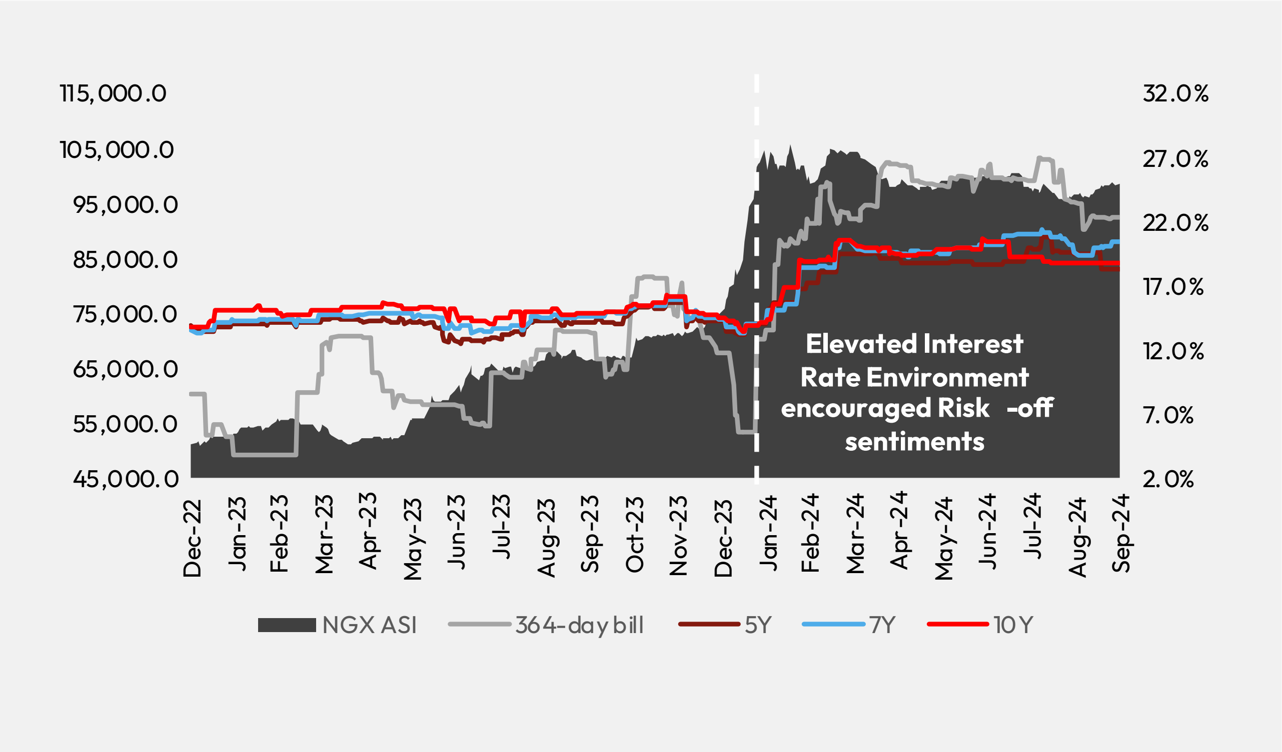
Source: NGX, United Capital Research

THE IMPACTS OF MACROECONOMIC INDICATORS ON NGX PERFORMANCE

Higher MPR dampens activities in risky asset classes
NGX-ASI vs MPR



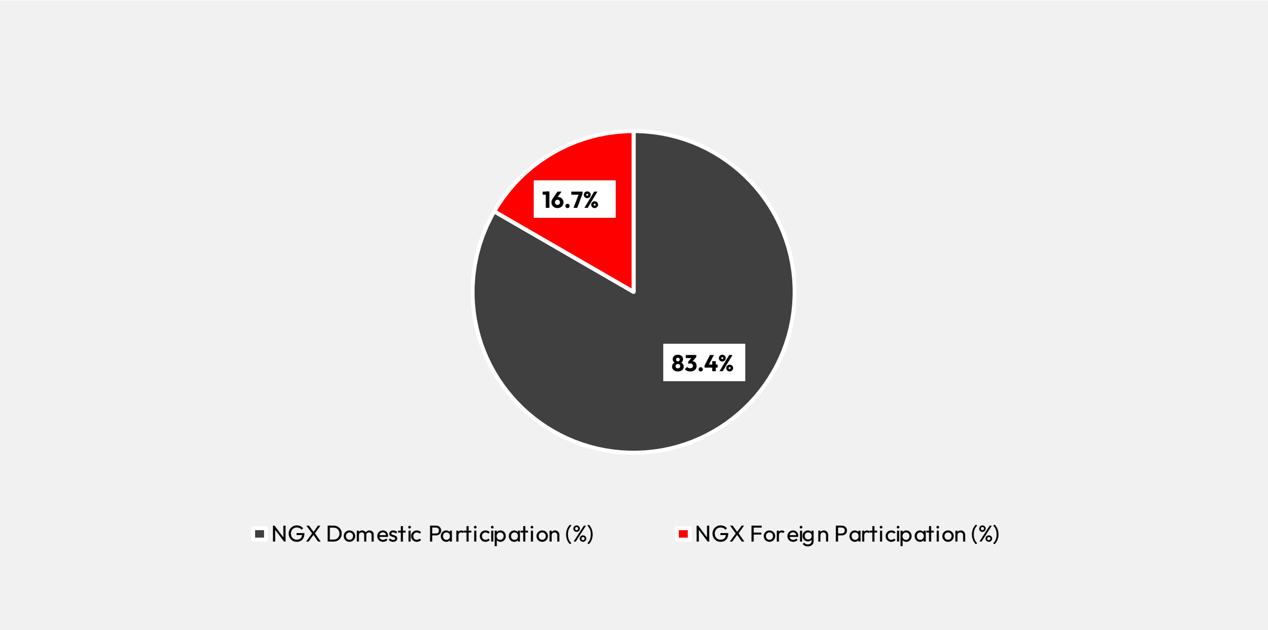
The elevated interest rate environment resulted in a volatile environment on the floor of the NGX
NGX-ASI vs Money Market & Fixed Income Yields



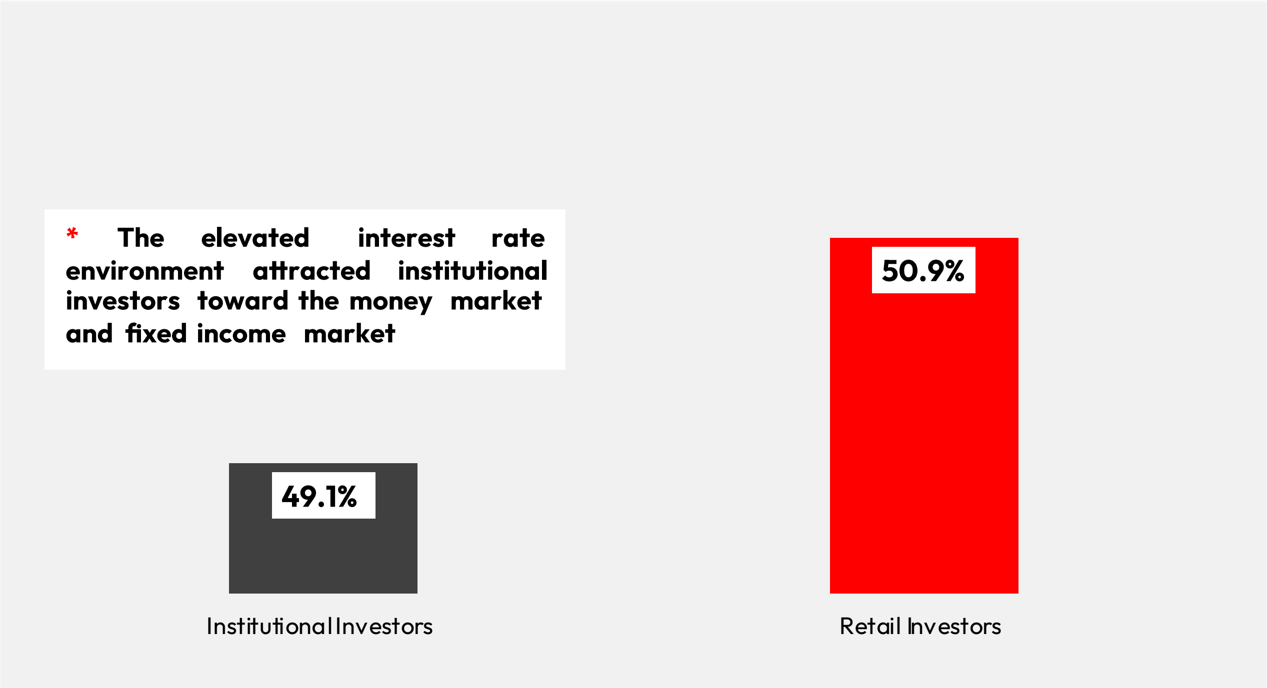
Source: NGX, United Capital Research

DOMESTIC PARTICIPANTS OUTPERFORMED FOREIGN COUNTERPARTS ON THE FLOOR OF NGX

Local Participation on the NGX continued to outweigh foreign participation
2024 YTD



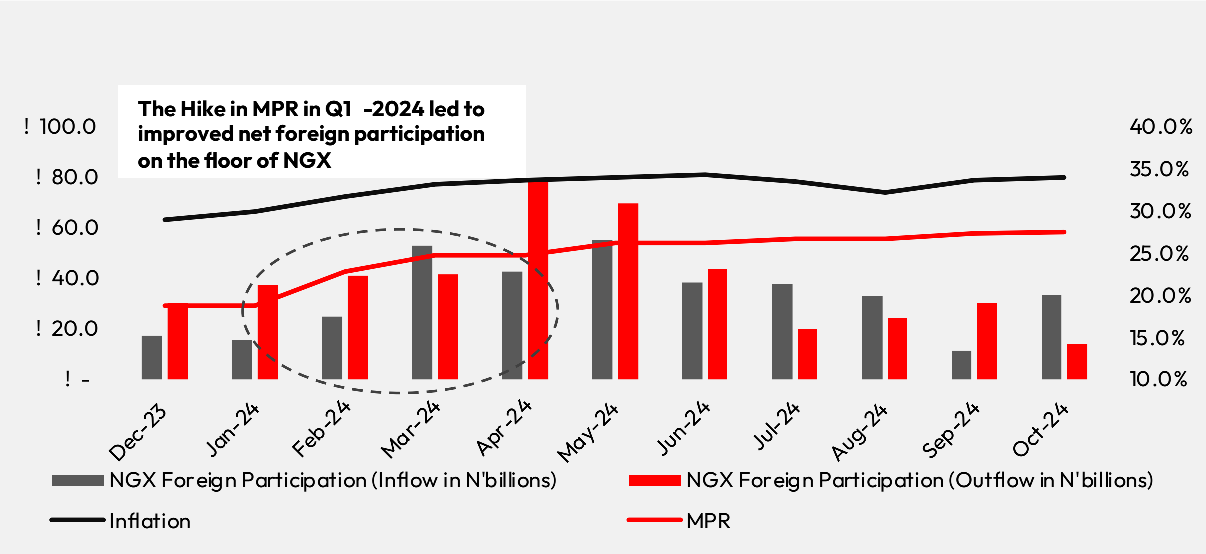
Retail investor outpaced thier institutional counterparts in 2024, resulting to more volatile sessions
2024 YTD



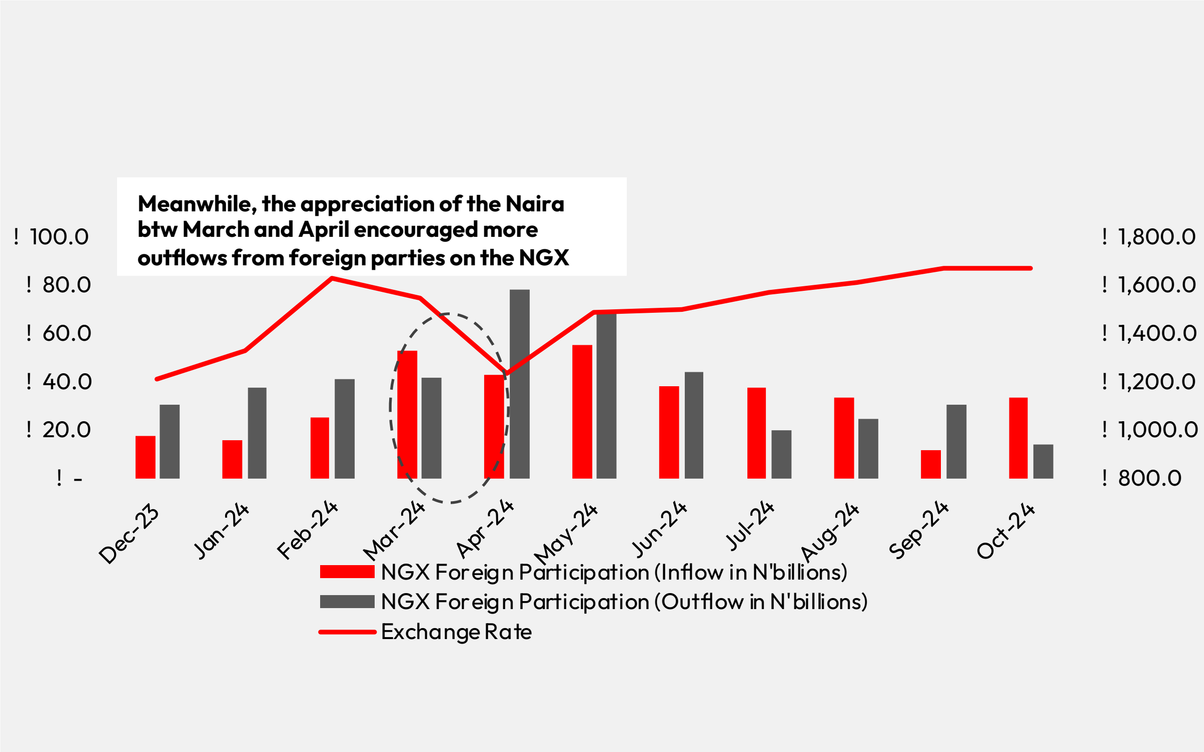
Source: Bloomberg, NGX, United Capital Research

DOMESTIC PARTICIPANTS OUTPERFORMED FOREIGN COUNTERPARTS ON THE FLOOR OF NGX

Analysis of foreign participation on the NGX vs Inflation rate and MPR
2024 YTD



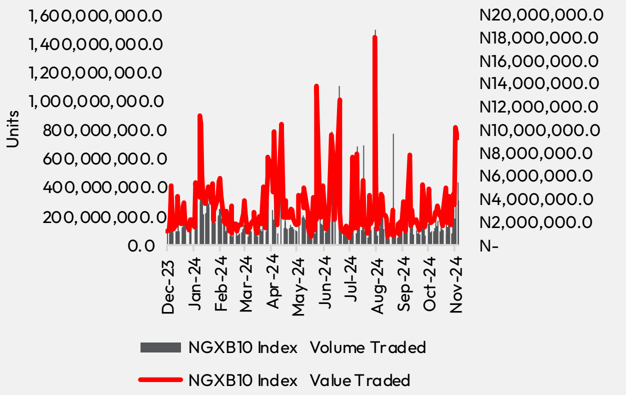
Analysis of foreign participation on the NGX vs Exchange rate
2024 YTD



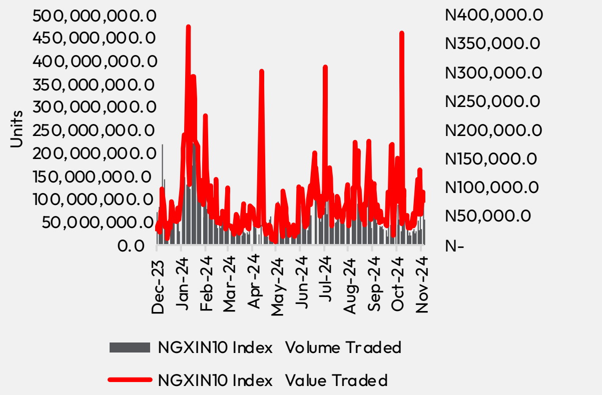
Source: Bloomberg, NGX, United Capital Research

SECTOR PERFORMANCE ANALYSIS: MARKET LIQUIDITY

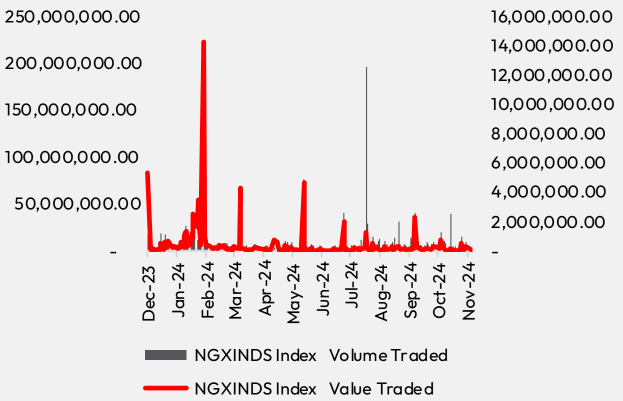
The Banking Sector emerged as the most liquid sector in 2024



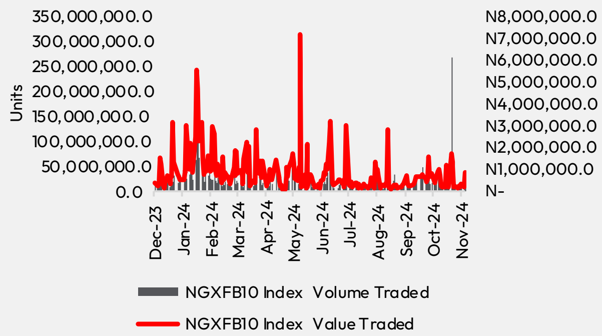
The Insurance sector came in 2nd in terms of liquidity



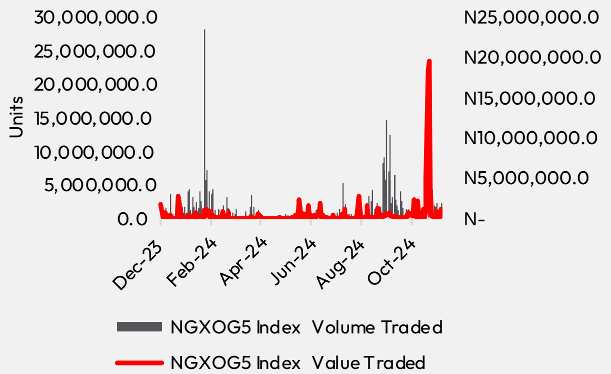
The Industrial goods sector was the most illiquid sector, registering the least activity level in 2024



The Consumer goods sector comes 3rd in our liquidity ranking for 2024



The Oil & Gas sector comes in 4th in our ranking for 2024

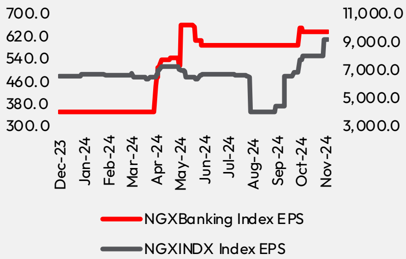


- Despite the equities market resilience amid elevated inflation, heightened interest rates, FX volatility and security concerns, the various sectors of the market were differently impacted.
- The Banking services was the most liquid sector with increased level of activities majorly emanating from the recapitalization exercise.
- The Insurance sector came next followed by the consumer goods sector and the oil and gas sector in that order.
- Conversely, the industrial goods sector was the most illiquid sector under our coverage in 2024.

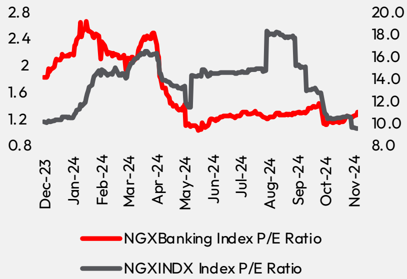
SECTOR PERFORMANCE ANALYSIS: KEY RATIOS

NGX Banking Index vs NGX Index

The earnings of the Banks received boost from the elevated interest rate environment and revaluation gains

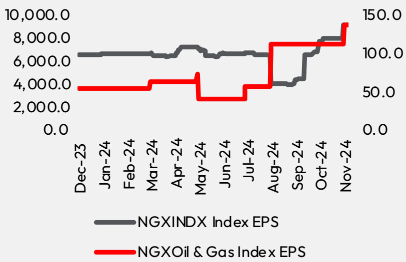


Banking equities trading at a mild premium compared to industry average PE ratio

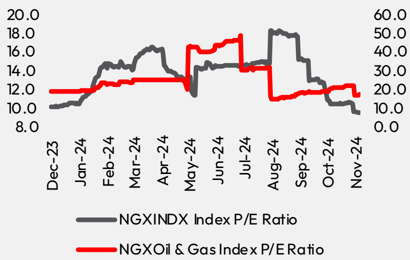


NGX Oil & Gas Index vs NGX Index

The earnings of some oil & gas corporates were negatively impacted by high OPEX, FX loss and high tax rate

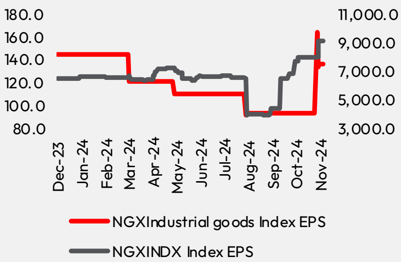


Oil & Gas corporate currently trade at a premium, given the enormous value in the sector

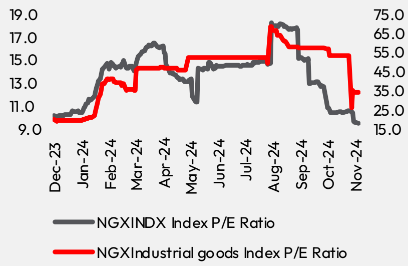


NGX Industrial Goods Index vs NGX Index

Corporates in the Industrial goods received boost from increased turnover, helped by price hikes

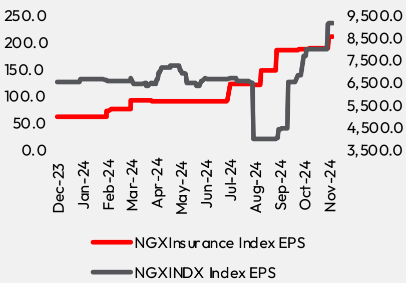


Given the mild FX exposure of the sector, equities in this space are trading at a discount

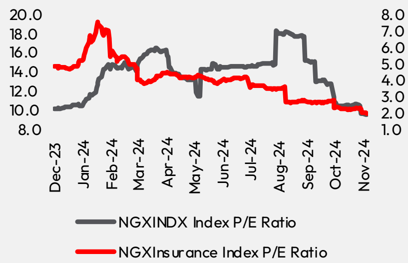


NGX Insurance Index vs NGX Index

Insurance equities earnings also (+) benefitted from 2023 revaluation exercise

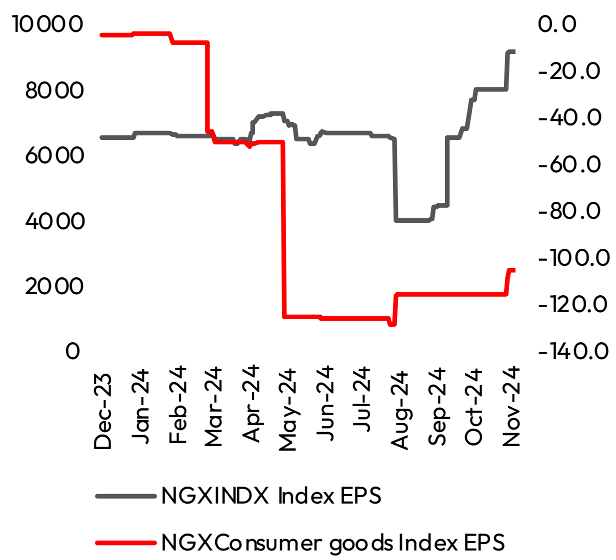


Insurance equities are mostly penny - stocks, and given their volatility, they have been trading at a discount

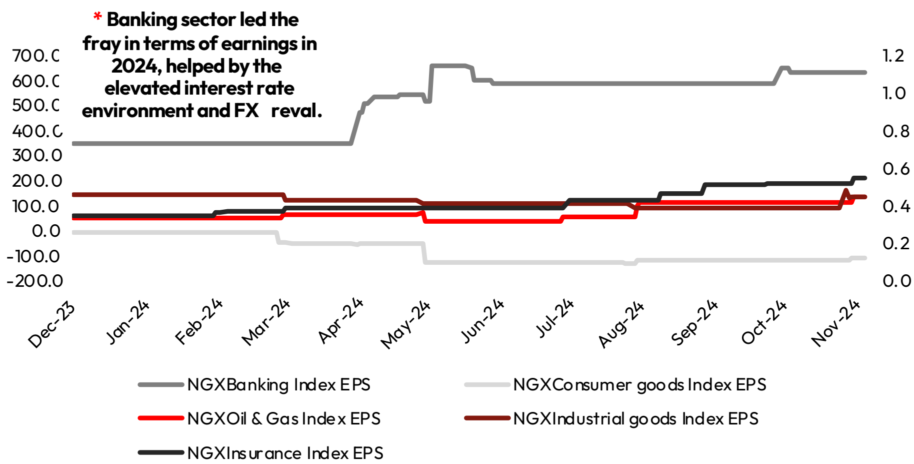


SECTOR PERFORMANCE ANALYSIS: KEY RATIOS (CONTD.)

NGX Consumer Goods Index vs NGX Index

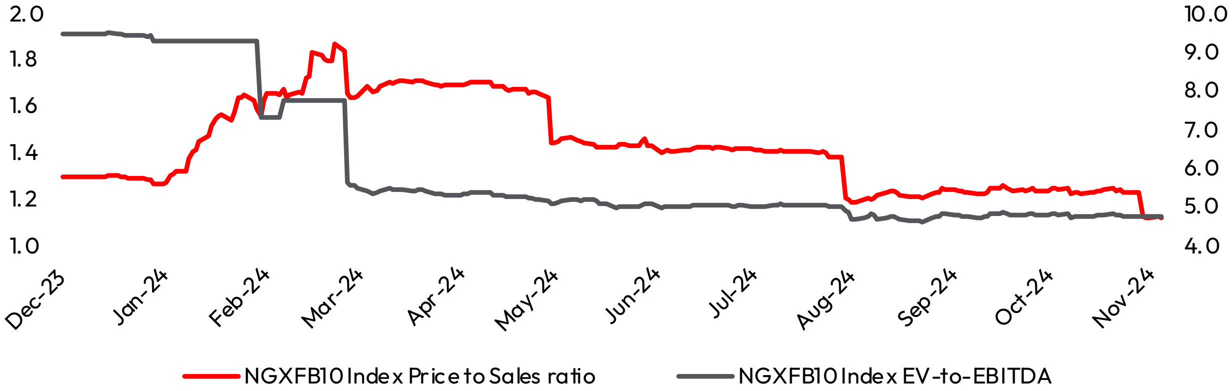


- The Consumer goods sector recorded very significant negative impacts from government policy shifts in 2023 (reference to petrol subsidy removal & Unification of exchange rates).
- The negative EPS results from sector-wide losses and dividing by a negative or zero EPS doesn't yield a meaningful ratio for comparison or valuation. Hence, we will be using P/S Ratio vs EV-EBITDA.

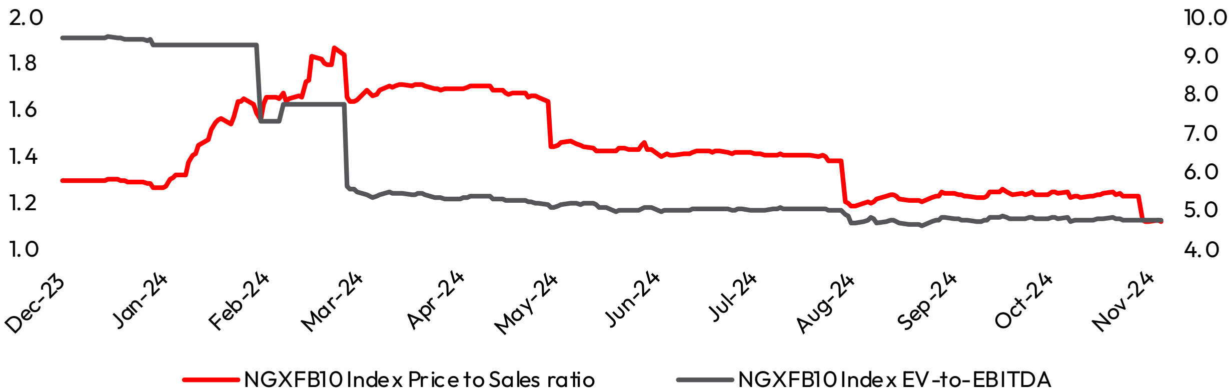


SECTOR PERFORMANCE ANALYSIS: KEY RATIOS (CONTD.)

Corporates in the consumer goods sector recorded strong topline performances, however, high OPEX and FX losses robbed off profitability...
Consumer goods P/S ratio vs EV/EBITDA



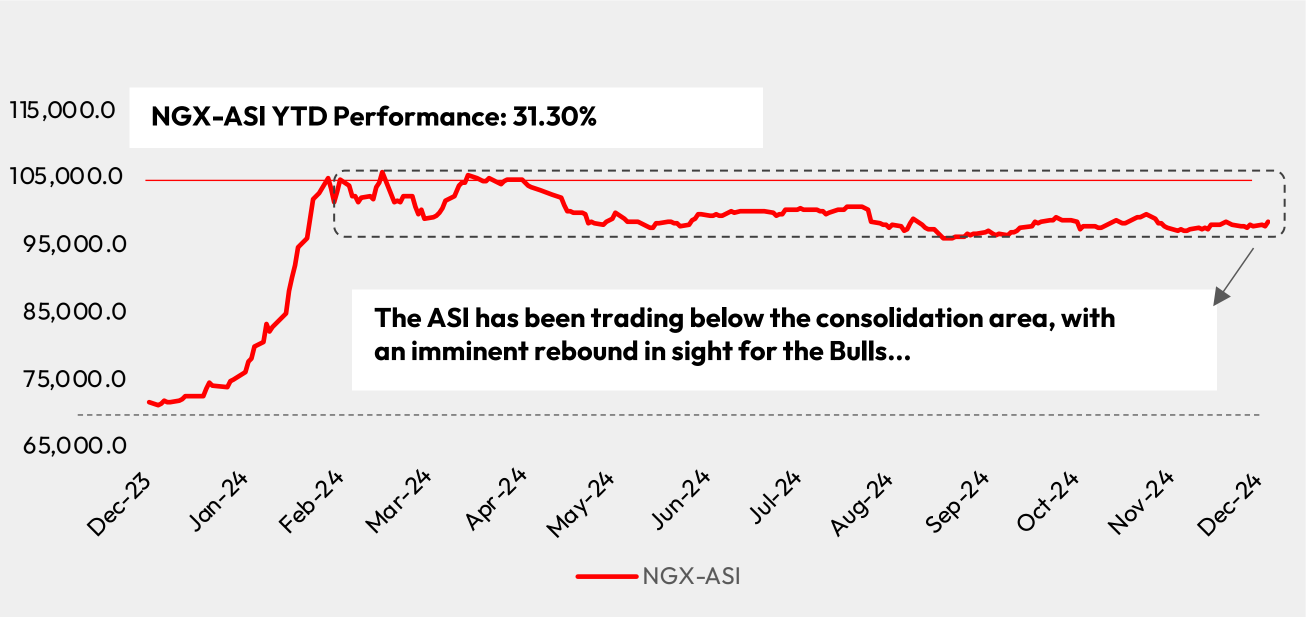
Corporates in the consumer goods sector recorded strong topline performances, however, high OPEX and FX losses robbed off profitability...
Consumer goods P/S ratio vs EV/EBITDA



THE OIL & GAS SECTOR OUTPERFORMED IN 2024

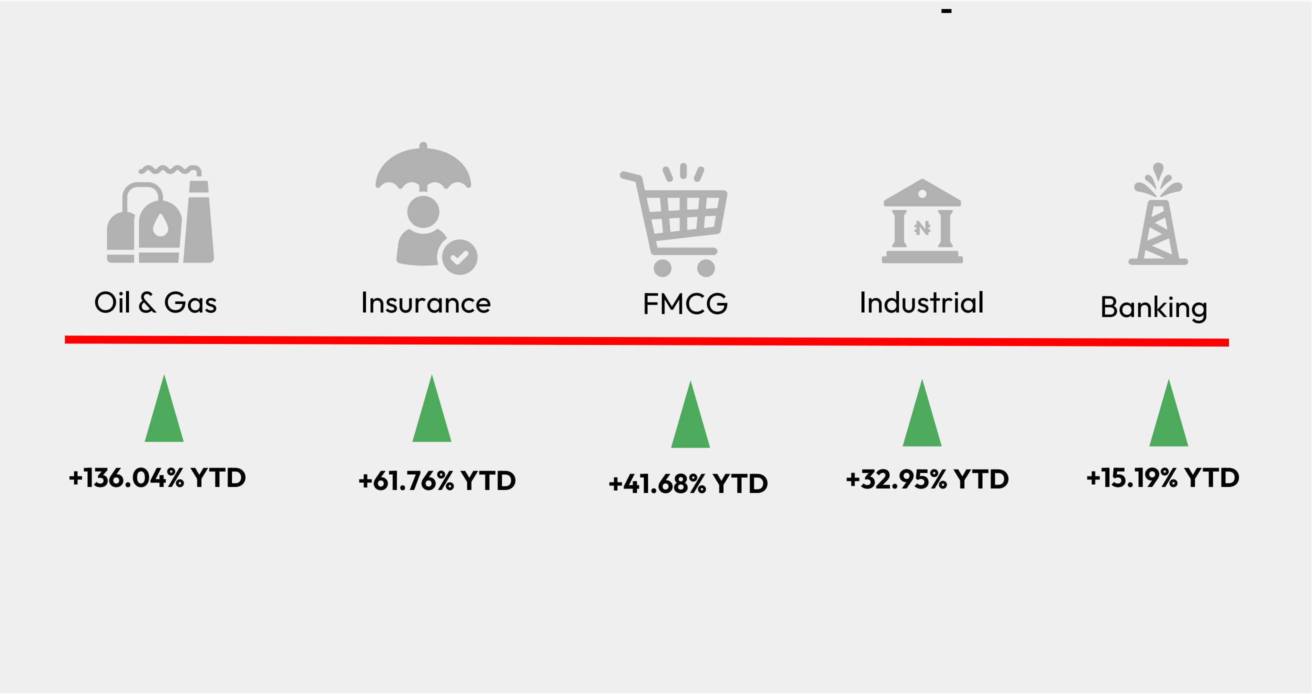
The inverse relationship between fixed income market and equities market crystallised in 2024

NGX-ASI vs Inflation



All the five (5) sectors we cover closed in the green territory, despite the challenging/torrid macro-economic and monetary policy environment

NSE-ASI Sector YTD Performance



THE OIL & GAS SECTOR OUTPERFORMED IN 2024

Top three (+) index movers
(by Index weighing)

BUA FOODS	+107.20% YTD
DANGOTE CEMENT	+56.51% YTD
Seplat energy	+162.05% YTD

Top three (-) index movers
(by Index weighing)

MTN	-35.61% YTD
DANGOTE SUGAR	-38.60% YTD
Nestlé	-22.73% YTD

Top three gainers by %

eunisell	+502.19% YTD
Oando	+500.00% YTD
JULIUS BERGER	+315.84% YTD

Top three losers by %

MULTIVERSE MINING & EXPLORATION PLC	-68.12% YTD
DANGOTE SUGAR	-38.60% YTD
NASCON	-38.52% YTD

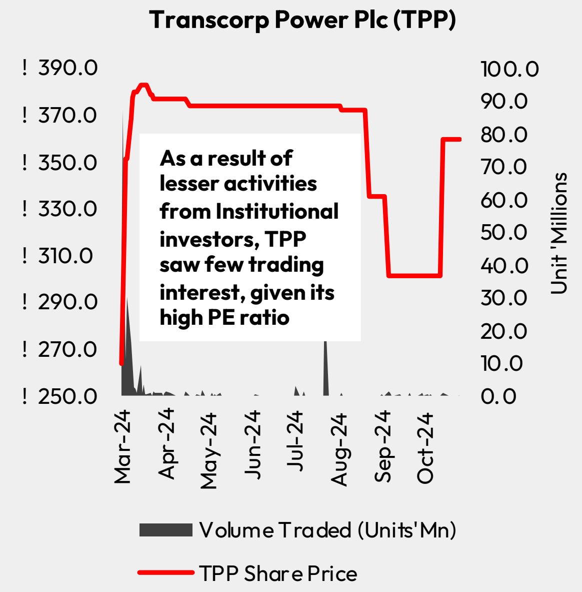
Source: Bloomberg, NGX, United Capital Research

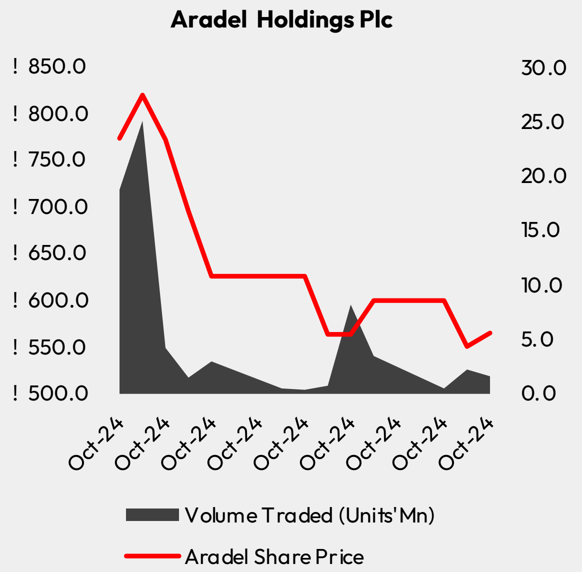
NEW LISTINGS ON THE NIGERIAN EXCHANGE (NGX) IN 2024

Among other listings, the NGX saw two (2) monumental listings in 2024. These two (2) listings include:

Corporate	Sector	Listing Date	Listing Price	Current Price	S/Outstanding (Units'Mn)	Market Cap. (N'Mn)
Transcorp Power Plc	Power	04-May-24	N240.00	N359.90	7,500.00	N2,699,250.00
Aradel Holdings Plc	Oil&Gas	14-Oct-24	N702.69	N550.10	4,344.84	N2,390,098.88
					Σ	**N5,089,348.88**

Stock Performance YTD

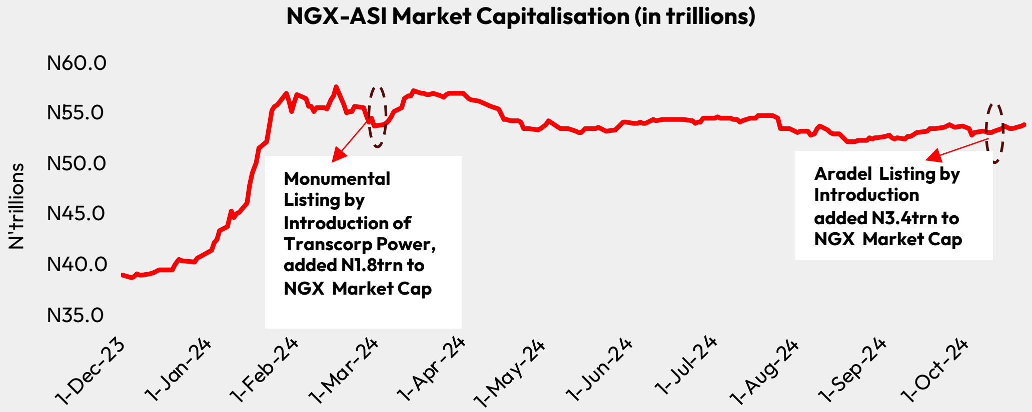


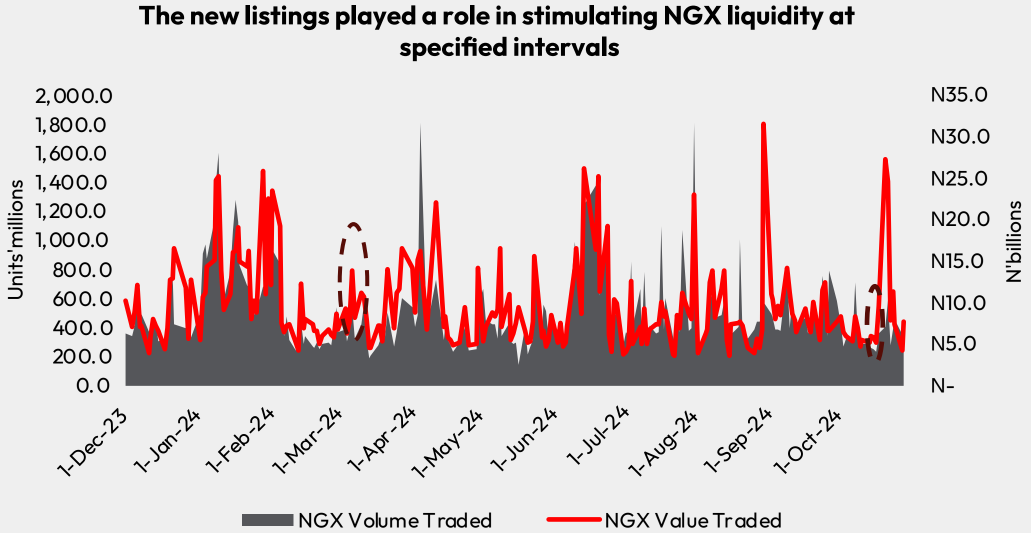


Source: Bloomberg, NGX, United Capital Research

NEW LISTINGS ON THE NIGERIAN EXCHANGE (NGX) IN 2024

Impacts of Monumental Listings on Market Cap & Liquidity





KEY CORPORATE ACTIONS IN 2024

Under the terms of agreement signed on 11-Jun-2024, Tolaram acquired Diageo's 58.02% shareholding in Guinness Nigeria, and entered into long-term license and royalty agreements for the continued production of the Guinness brand and its locally manufactured Diageo ready-to-drink and mainstream spirits brands. The transaction is expected to be completed during Fiscal 2025, subject to obtaining the requisite regulatory approvals in Nigeria.

On 24-Apr-2024, the merging entities, Dangote Sugar Refinery, NASCON, and Dangote Rice Limited agreed to temporarily suspend the merger of the three (3) entities, given the recommendations of the Securities & Exchange Commission (SEC).

Oando Plc announced the successful completion of the acquisition of 100% of the shareholding interest in the Nigerian Agip Oil Company (NAOC) from the Italian energy company, Eni, for a total consideration of US$783 million comprised of consideration for the asset and reimbursement.

On 22-Oct-2024 Seplat Energy Plc announced that the Nigerian Upstream Petroleum Regulatory Commission ("NUPRC") had confirmed that consent has been granted by the Honourable Minister of Petroleum Resources in Nigeria, President Bola Ahmed Tinubu GCFR, to proceed with the acquisition of the entire issued share capital of Mobil Producing Nigeria Unlimited ("MPNU").

KEY CORPORATE ACTIONS IN 2024

On 04-Jun-2024, Presco Plc announced the decision of its board on the proposed acquisition of a 100% equity stake in Ghana Oil Palm Development Company Limited, GOPDC. The acquisition consideration was disclosed to be settled in phases, with an initial consideration payment of Sixty-four Million Nine Hundred and Sixty-one Thousand Eight Hundred and Thirty-two USD$ (NS$64,961,832).

On 22-Oct-2024, Aradel Holdings Plc informed the market that on 16- Jan-2024, Shell announced that it had reached an agreement to sell its Nigerian onshore subsidiary, Shell Petroleum Development Company of Nigeria Limited, (SPDC) to Renaissance - a consortium of five (5) companies comprising four (4) exploration and production companies based in Nigeria and an international energy group, which had emerged as the preferred bidder, subject to regulatory approvals.

Aradel Energy Limited, a subsidiary of Aradel Holdings is one of the five (5) companies in the consortium.

On 28-Oct-2024, Transnational Corporation Plc (Transcorp Group) announced the successful completion of its share reconstruction, a strategic action aimed at maximising long-term shareholders value.

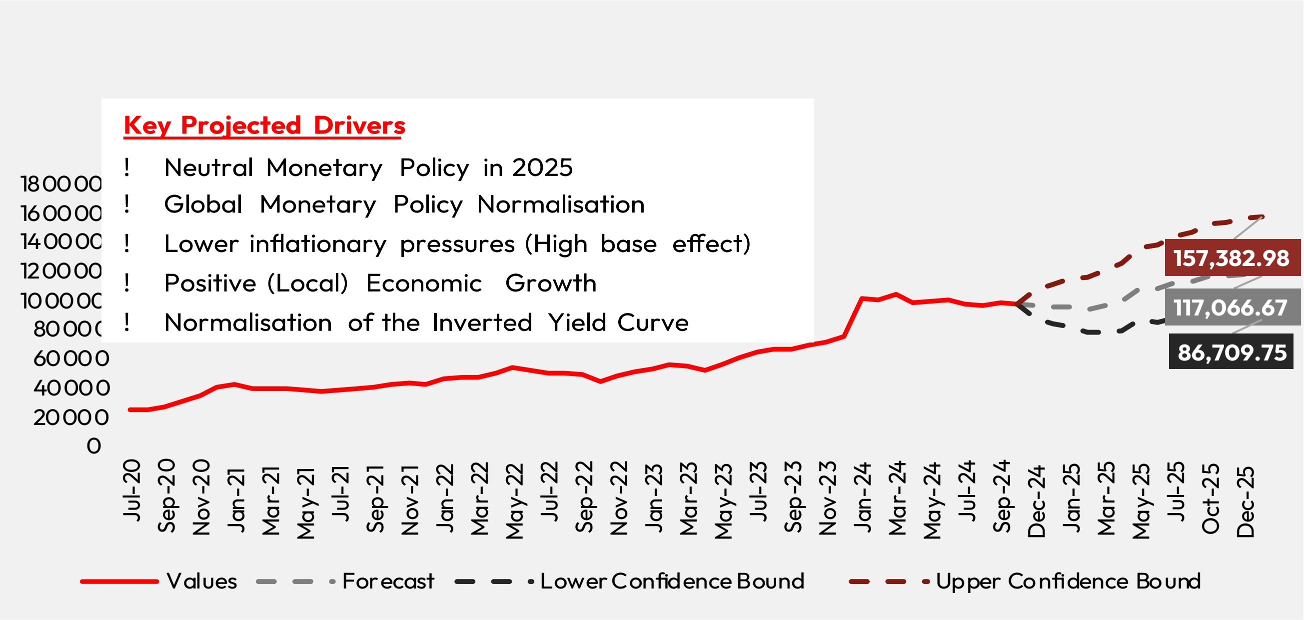
The share reconstruction involved a consolidation of the total number of issued shares at a ratio of 1 to 4, reducing the total issued and fully paid shares of Transcorp Group from 40.6 billion shares to 10.2 billion shares.

On 1-Dec-2024, HOLCIM Group signed an agreement with HUAXIN Cement to sell its 83.81% shareholding in Lafarge Africa Plc (LARFARGE). Upon completion, the Huaxin Cement entities will hold a combined 83.81% shareholding in Lafarge Africa Plc. This transaction is subject to regulatory approvals and is expected to close in 2025.

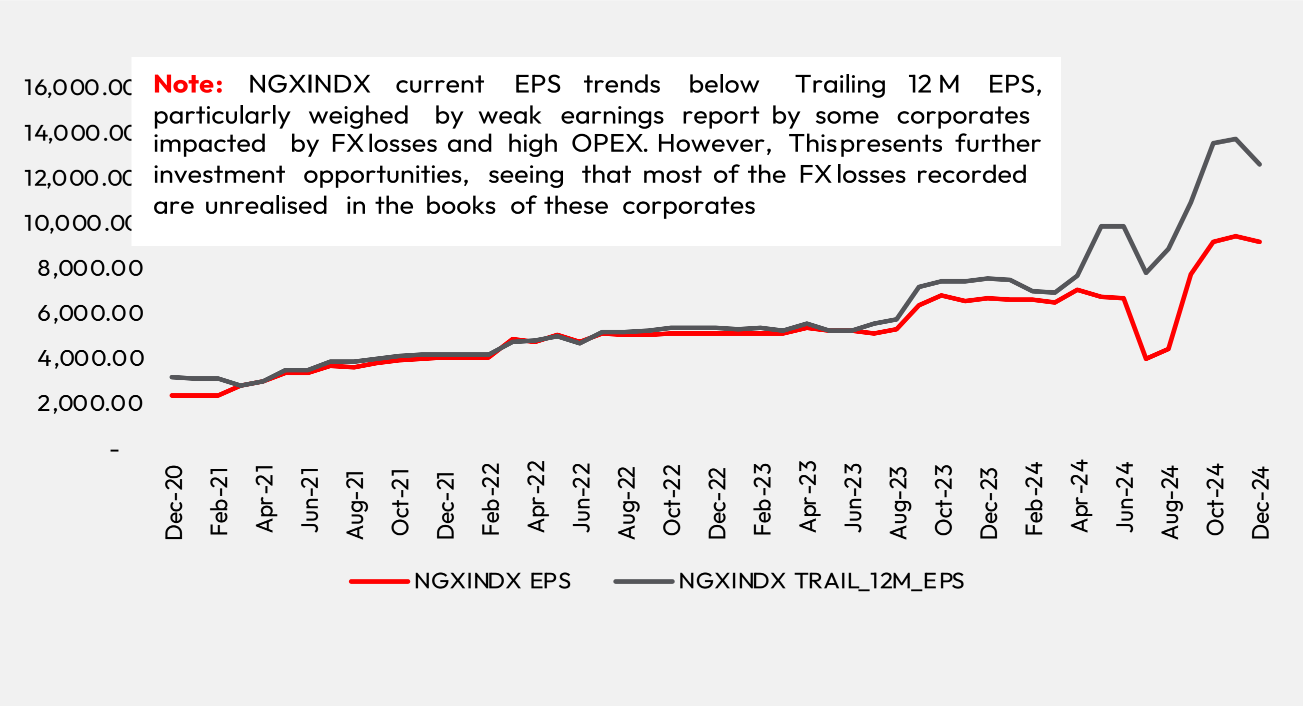
2025 OUTLOOK: EQUITIES MARKET

THE PERFORMANCE OF THE NGX-ASI IS EXPECTED TO IMPROVE IN 2025

NGX ASI Forecast
Base-, Worst-, and Best- Case Scenarios



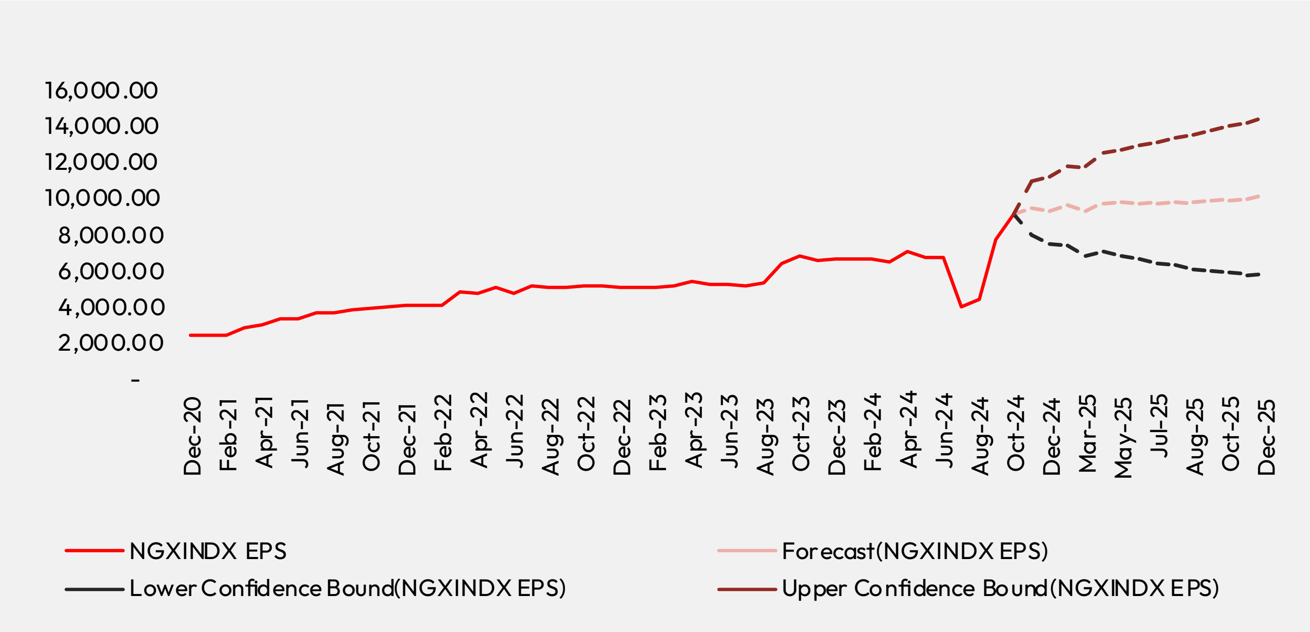
NGX Index Current EPS vs Trailing 12M EPS



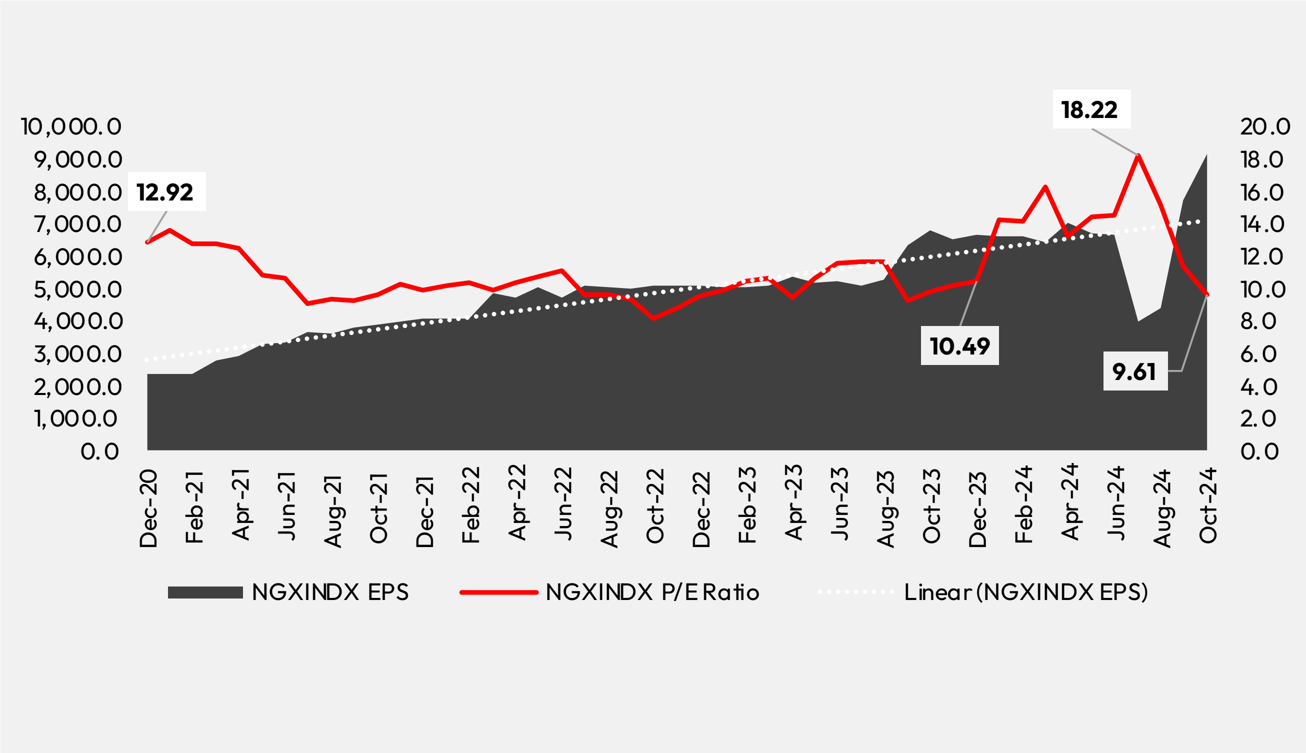
Source: Bloomberg, United Capital Research

THE PERFORMANCE OF THE NGX-ASI IS EXPECTED TO IMPROVE IN 2025

Corporate earnings is expected to improve in 2025, in tandem with financial conditions

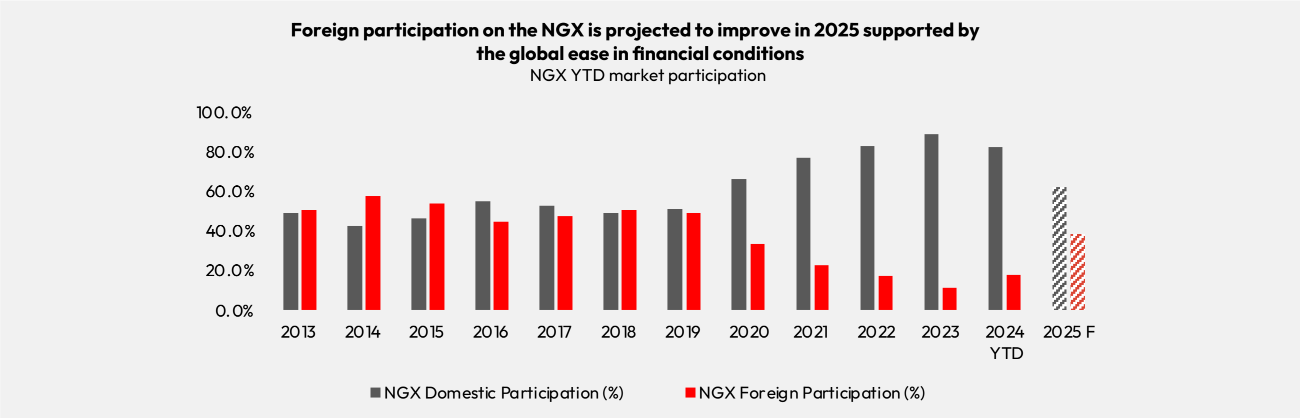


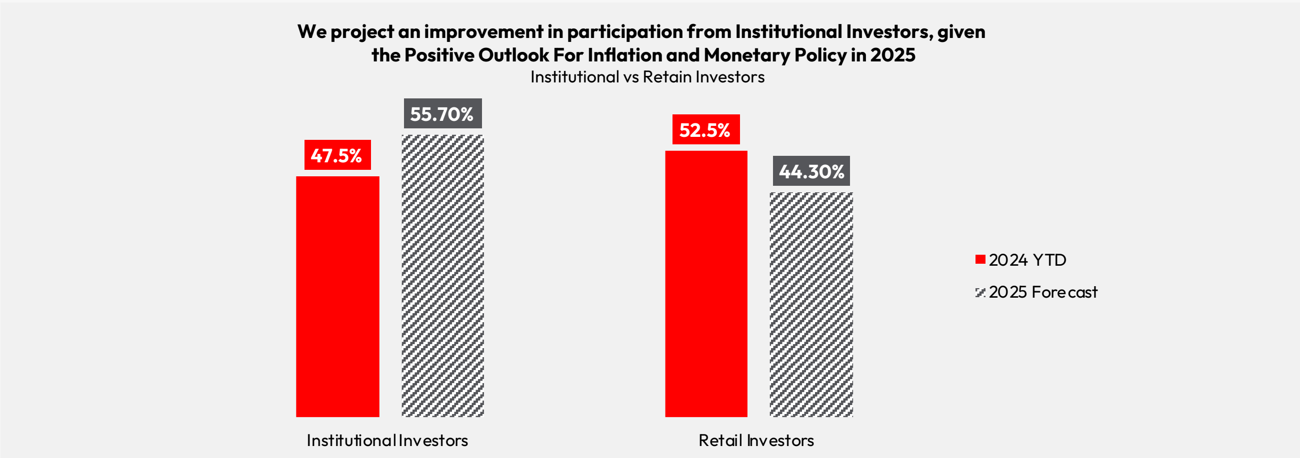
Sell-offs across Nigerian Equities in Q4-2024, drove PE-Ratio of NGXINDX lower, improving potentials for discount purchases in terms of undervalued equities



Source: Bloomberg, United Capital Research

POTENTIAL NGX DRIVERS IN 2025





Dangote Refinery revealed plans to be listed on the Nigerian Exchange Limited before the end of Mar-2025. The refinery's listing is part of a strategy to expand the company's investor base and increase value for shareholders. The refinery is the world's largest single-train facility, and was inaugurated in Lekki, Nigeria in May 2023.

The Group Chief Executive Officer of the Nigerian National Petroleum Company Limited (NNPC), Mele Kyari, disclosed in Q1-2024 that the anticipated public listing of the company's shares at the stock market as provided for in the Petroleum Industry Act (PIA) will start soon **(timeline was not communicated).**

Source: NGX, United Capital Research

SECTORS TO WATCHOUT FOR IN 2025

Power

The FG intends to offer tax credits and streamline contracting processes for new oil & gas projects. This is in a bid to attract foreign investments. (Insecurity, high inflationary environment, and slow progress in Naira stability will continue to weigh overall sentiments of foreign investors toward Nigeria, particularly the much-needed FDIs)

According to NNPC, the Ajaokuta-Kaduna-Kano (AKK) Gas Pipeline Project will be delivered by the first quarter of 2025. The pipeline can transport two billion standard cubic feet of natural gas per day to three proposed independent power plants in Abuja, Kaduna, Kano, and other gas-based industries as well as other identified and proposed commercial off-takers along the entire pipeline route. A game changer for the Nigeria power sector.

GEREGU POWER PLC

transcorp

Agriculture

In 2024, FG announced a 50.0% reduction in agricultural input prices, with a plan to distribute seeds, fertilizer, herbicides, and pesticides to farmers. This initiative should invariably improve the output of the sector.

FG has just recently announced a 150-day duty-free import window for food commodities as it stepped up efforts to tackle rising inflation which had impoverished many Nigerians. Among other things, the latest directive is expected to reduce demand for forex by food importers. In 2023, Nigerians spent $2.13bn to import food items from foreign countries.

PRESCO PLC

OKOMU

Financial Services

The earnings performance of the Banking sector was outstanding in 2024, completely insulated from the adverse effect of the government's policy shift, which translated into FX losses in the books of a class of corporates, specifically in the consumer goods sector.

The recapitalisation exercise mandated by the Central Bank of Nigeria (CBN) was directed to reduce investment risks in the financial sector. This exercise will also improve the overall profitability of Banks mid-long term.

UBA United Bank for Africa

GTBank

Fidelity

ZENITH

SECTORS TO WATCHOUT FOR IN 2025

Oil & Gas

Precisely on May 8, the government invited investors to bid for 12 oil blocks and seven deep offshore assets in the 2024 marginal fields bid round. 17 new deep offshore blocks were eventually added to the 2024 Licensing Round.

FG recently re-engineered Nigeria's oil bidding process with emphasis on production bonus in order to enable investors channel their scarce resources into immediate development and early production. The NUPRC revealed some of these incentives; the removal of entry barriers, including the slashing of the signature bonus to only $10.0mn for deepwater assets and $7.0mn for shallow water and onshore assets.

Cement & Construction

Given the N16.48trn budgeted as CAPEX in 2024 (89.4% higher than the N8.7trn), we expect construction and cement companies with a strong spell in the sector, in terms of capacity, to reap the dividends via contracts, which will impact positively on their revenue.

2025 STRATEGY: EQUITIES MARKET

2025 EQUITIES STRATEGY: "CORE-SATELLITE STRATEGY"

The Core-Satellite Strategy:

The Core-Satellite Strategy enables a portfolio to maintain stability through core holdings, while positioning for growth-oriented opportunities as interest rates are anticipated to ease.

Components Breakdown:

Core Holdings (Stability & Cash Flow): This component of the strategy involves being overweight (60-80%) on stable, income generating assets such as dividend paying equities, equities with long-term value plays (select-growth stocks).

The Core Component:

Objectives: To provide steady returns, align with market performance, and ensure low portfolio turnover
Common Investments: Broad market index funds (like S&P 500 ETFs), large-cap stocks, or diversified bond funds.
Recommendable Free float: For a company to qualify as a core holding in a portfolio, a recommendable free float is generally above 50.00%. This is because, a higher free float is beneficial for core portfolio holdings to ensure portfolio liquidity & stability, reduced volatility. Also, these stocks often have heightened market confidence.

Satellite Positions (Opportunistic Growth): This component rides on an improved cash position, as it involves opportunistic investments in growth-oriented stocks with strong underlying market sentiments and fundamentals. Most importantly, this component focuses on equities likely to benefit from inflation & MPR easing.

The Satellite Component:

Objectives: To enhance the portfolio's returns by capturing specific market trends or taking advantage of short-term opportunities.
Common Investments: Sector-specific funds, small-cap stocks, emerging markets, growth stocks, or alternative assets (like REITs or commodities).
Recommendable Free float: For a company to qualify as a core holding in a portfolio, a recommendable free float ranges between 20.00% and 50.00%. Because satellite holdings tend to be more volatile or niche investments, the moderate free float range ensures liquidity for opportunistic trades.

MODEL CORE-SATELLITE PORTFOLIO FOR 2025

A Model of Core-Satellite Allocation for 2025

Portfolio Segment	Allocation	Investment Type	Sector	Asset	%	NGX Free Float (%)	Beta	EPS	Sh/Price	Earnings yield (%)	Div. Yield (%)	P/E Ratio
Core	70%	Equities	Banking	UBA	20%	92.18%	0.95	14.78	33.00	44.79%	13.03%	2.23
			Oil & Gas	Aradel	15%	99.83%	n/a	25.45	533.80	4.77%	3.75%	20.97
			Banking	Fidelity	12%	99.03%	0.98	7.02	15.00	46.80%	9.67%	2.14
			Conglomerate	UACN	10%	93.90%	0.98	4.67	20.15	23.18%	4.07%	4.31
			Power	Trans Power	8%	100.00%	n/a	7.79	359.90	2.16%	2.78%	46.20
			Cement	Larfarge	5%	100.00%	0.92	3.73	38.75	9.63%	7.30%	10.39
Satellite	20%	Equities	FMCG	Unilever	8%	24.04%	0.86	1.92	24.00	7.98%	6.25%	12.52
			Agric	Okomu	8%	31.62%	0.59	29.71	338.10	8.79%	7.10%	11.38
			Brewery/FMCG	Guinness	2%	49.81%	0.48	-5.55	65.00	-8.54%	na	-11.71
			Oil & Gas	Eterna	2%	37.15%	1.72	0.12	24.80	0.46%	0.60%	215.42
Short-term	10%	TBD	TBD	Money/Fixed Income Market	10%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
				∑:	100%							

		Trend Indicator			Momentum Indicator	
S/N	**Ticker**	**MACD Signal**	**DMI**	**ADX**	**ROC**	**RSI Status**
1	**UBA NL Equity**	Bearish Signal	Bullish	Strong Trend	Bullish Momentum	Oversold
2	**ARADEL NL Equity**	Bullish Signal	Bearish	Strong Trend	Bearish Momentum	Oversold
3	**FIDELITY NL Equity**	Bullish Signal	Bullish	Strong Trend	Bullish Momentum	Oversold
4	**UACN NL Equity**	Bullish Signal	Bullish	Weak trend/ Consolidation	Bullish Momentum	Oversold
5	**TRANSPOW NL Equity**	Bearish Signal	Bearish	Strong Trend	Neutral	Overbought
6	**WAPCO NL Equity**	Bullish Signal	Bullish	Strong Trend	Bullish Momentum	Overbought
7	**UNILEVER NL Equity**	Bullish Signal	Bullish	Strong Trend	Bullish Momentum	Overbought
8	**OKOMUOIL NL Equity**	Bullish Signal	Bullish	Strong Trend	Bearish Momentum	Oversold
9	**GUINNESS NL Equity**	Bearish Signal	Bearish	Strong Trend	Bearish Momentum	Oversold
10	**ETERNA NL Equity**	Bearish Signal	Bearish	Strong Trend	Bearish Momentum	Oversold

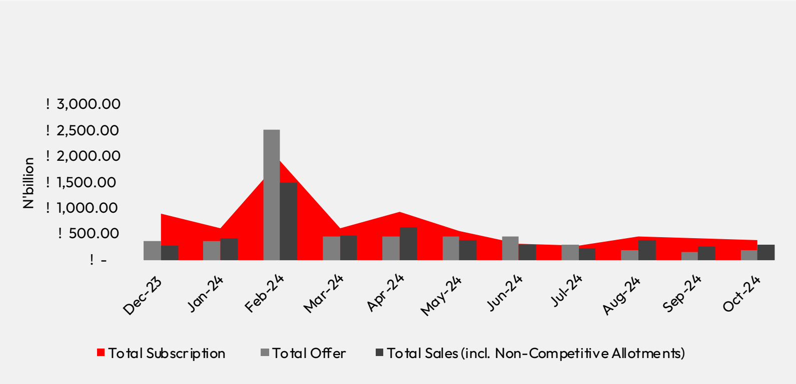
Source: Data as at Friday, 29 December 2024

2024 FIXED INCOME MARKET REVIEW

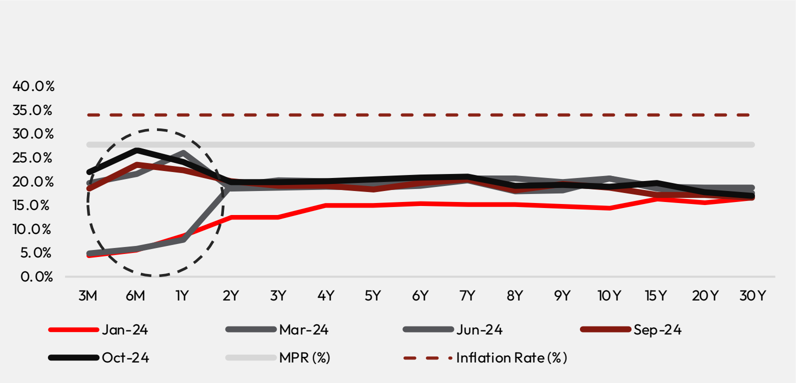
INVERTED YIELD CURVE: RAISED SHORT-TERM YIELDS DIMINISHED INVESTOR INTEREST IN BONDS

Investors interest towards duration exposure was lacklustre for the better part of 2024

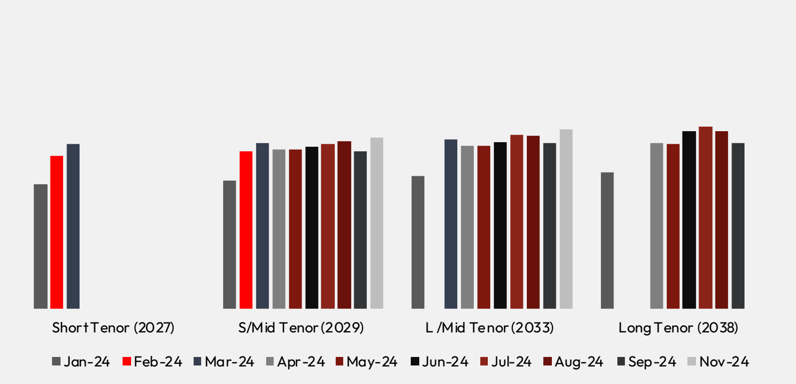
Total Offer vs Total Subscription vs Total Sales at DMO Auction



Yields on short-term instruments becom more attractive than yield on duration-exposed instruments



We observed at the primary market, with focus tilting more towards shorter-end of the bond curve. Marginal Rates on Bond Papers (@PMA)

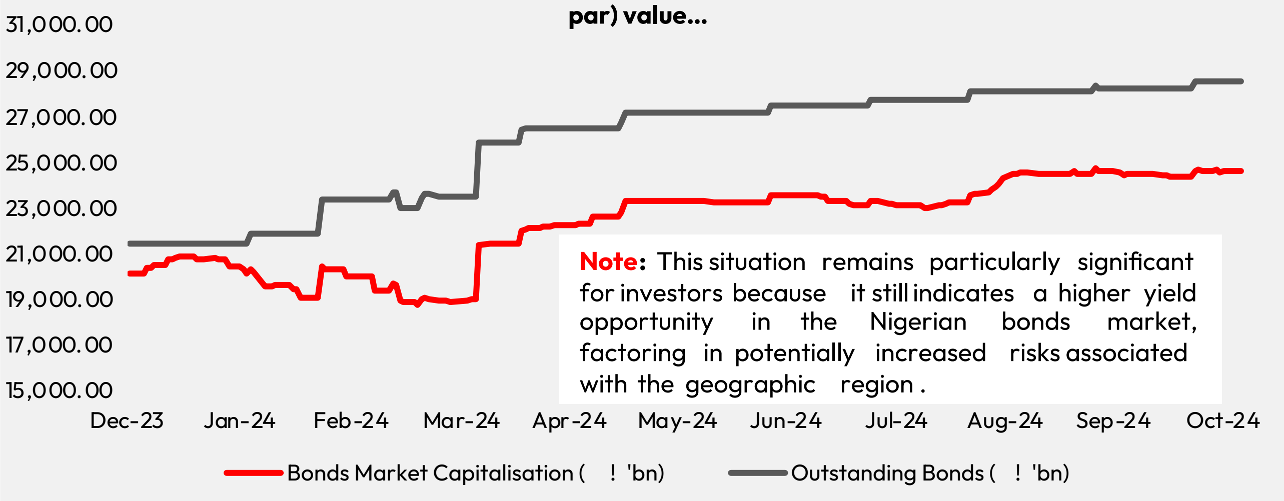


- The market for sovereign duration-exposed instruments ("long-dated bonds") was relatively quiet in 2024 (particularly at the secondary market), given the elevated level of short-term duration instruments in the same period.
- Uncertainty surrounded bond supply in H1-2024 due to irregular auction calendars. The FG conducted sporadic bond auctions, in H1-2024, raising 85.0% (N4.67trn) of the total amount (N5.48trn) raised in 2024. The proceeds from the bond auctions conducted were used for budgetary support and clearing out a significant portion of FG's outstanding Ways and Means with the CBN.
- Ultimately, factors that drove bond yields/prices in 2024 include: supply and demand fundamentals, system liquidity, and MPR movements.

Source: Bloomberg, NGX, United Capital Research

HAWKISH MONETARY POLICY SUPPORTED BOND YIELDS TO REMAIN ELEVATED IN 2024

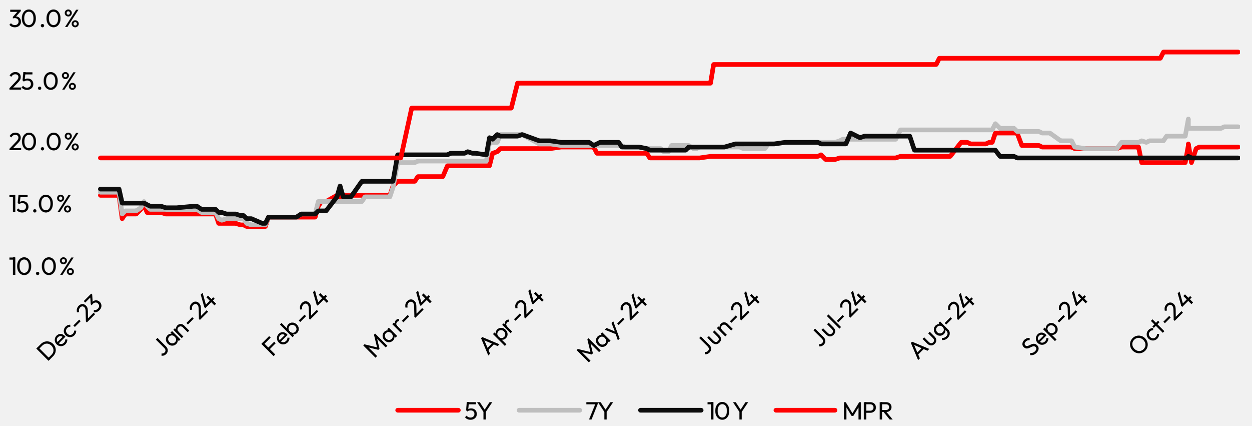
In 2024, the total value of outstanding bonds consistently trended above the bond market's capitalization, indicating that Nigerian bonds traded below their face (or par) value...



Key Drivers of Bond Yields/Prices in 2024

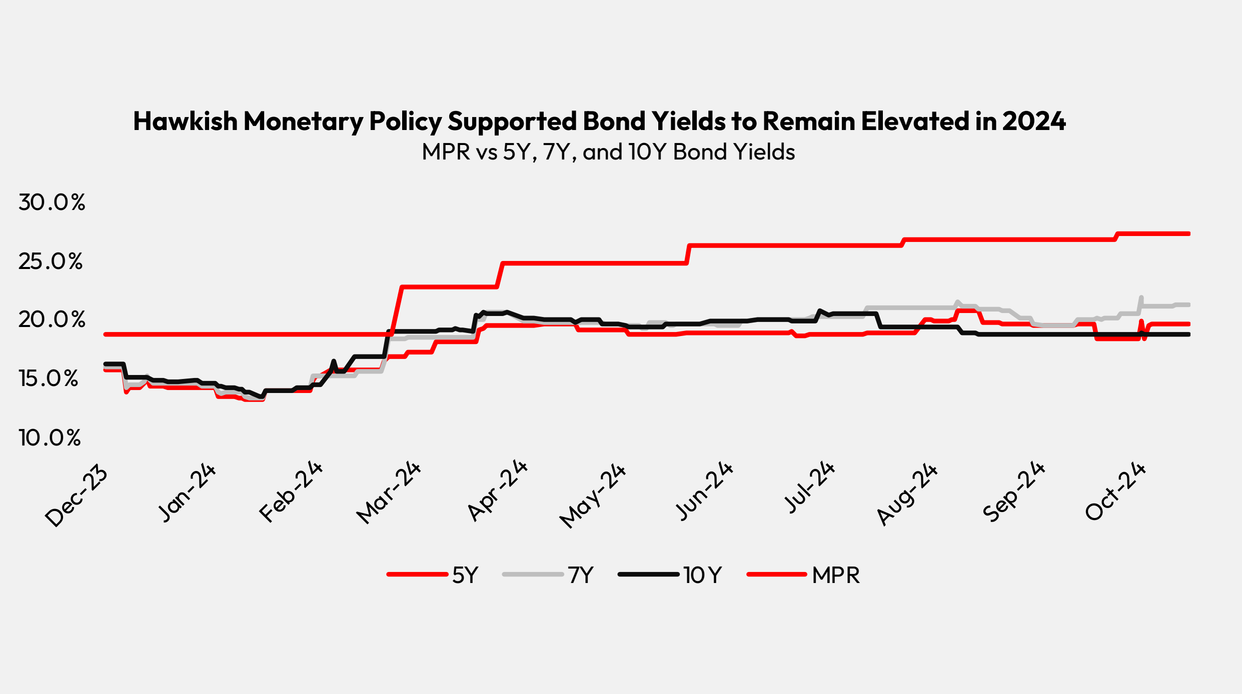
Hawkish Monetary Policy Supported Bond Yields to Remain Elevated in 2024

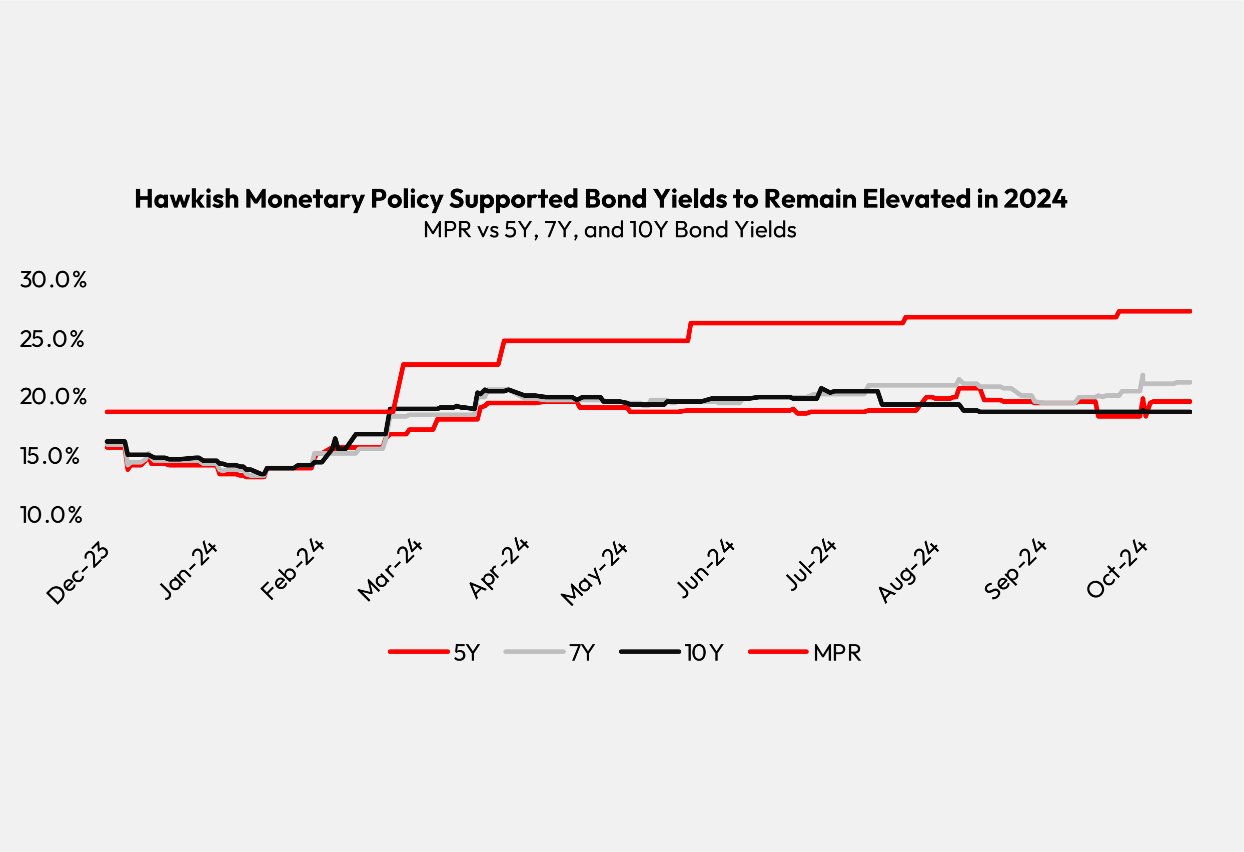
MPR vs 5Y, 7Y, and 10Y Bond Yields



Source: Bloomberg, NGX, United Capital Research

HAWKISH MONETARY POLICY SUPPORTED BOND YIELDS TO REMAIN ELEVATED IN 2024





Source: Bloomberg, NGX, United Capital Research

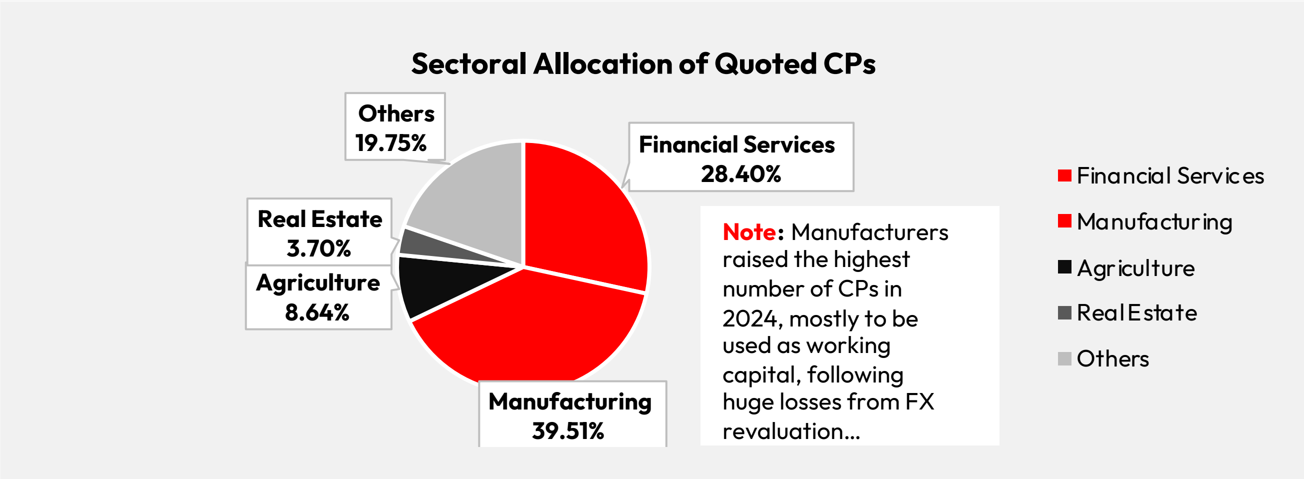
MPR HIKES IN 2024 TIGHTENED FINANCIAL CONDITIONS FOR CORPORATES IN THE CAPITAL MARKET

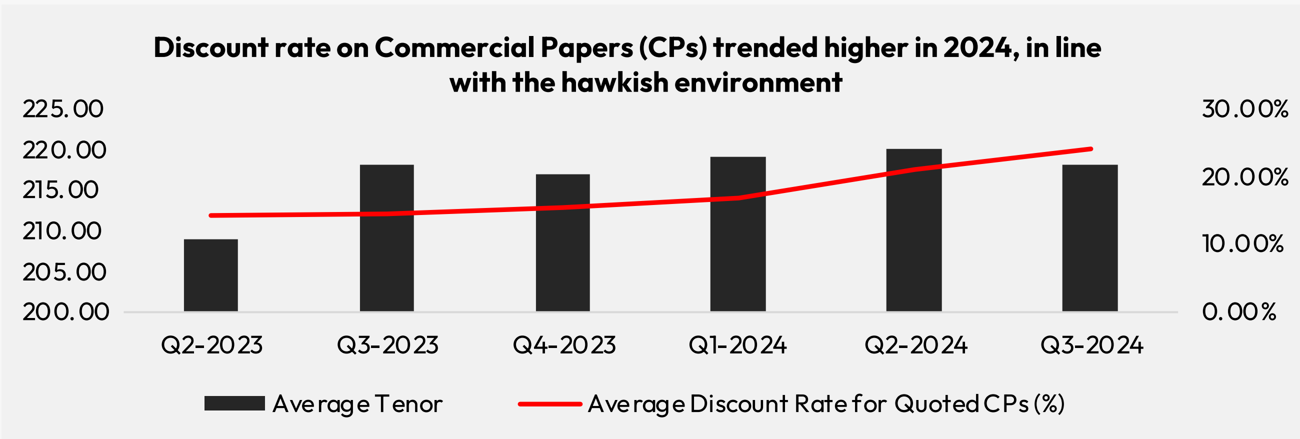
Average Rates for Non-Sovereign Securities

Type	Tenor	Q1-2024	Q2-2024	Q3-2024
CPs	≤90D	-	-	17.00%
	91D – 180D	16.96%	21.13%	24.19%
	181D – 270D	17.00%	21.09%	24.54%
Non-Sovereign Bonds/Corporate Bonds	<=5Y	16.00%	18.00%	21.50%
	>5Y – 10Y	-	18.00%	21.50%

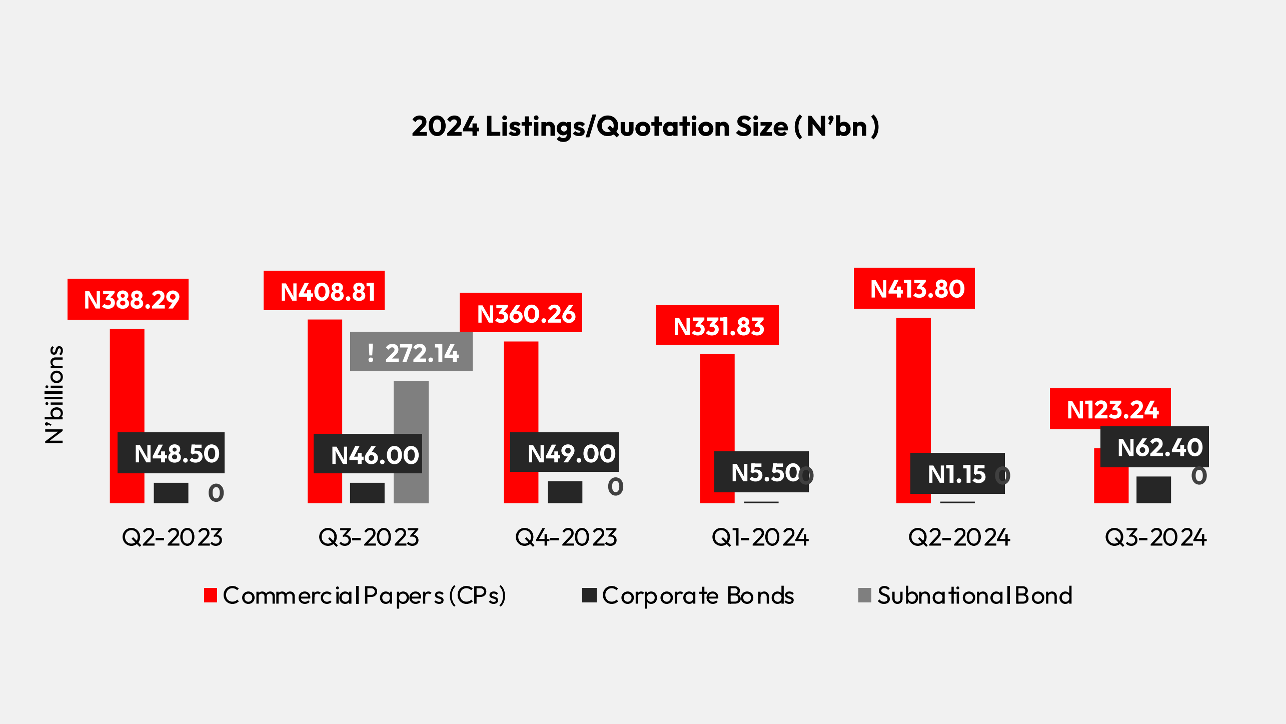
In 9M- 2024 four (4) Non-Sovereign Bonds (Corporate Bonds) with total face value of N69.05bn were listed on FMDQ Exchange, representing 78.55% y/y decline from N321.92bn in 9M-2023 (which saw 7 corporate bonds listings, with total face value of N321.92bn).

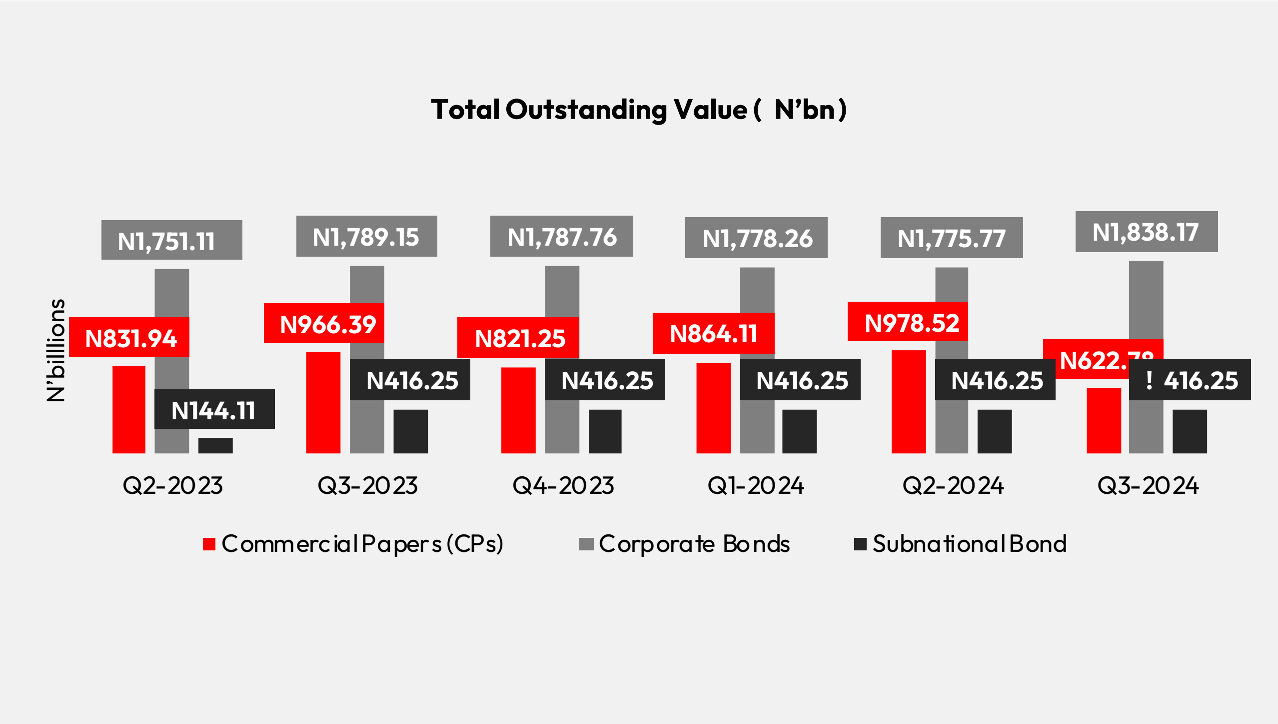
Meanwhile, a total of 127 Commercial Papers (CPs) with face value N868.87bn, representing 36.67% y/y decline from N1,371.96bn (which saw 195 corporate bonds listings, with total face value of (N321.92bn).





MPR HIKES IN 2024 TIGHTENED FINANCIAL CONDITIONS FOR CORPORATES IN THE CAPITAL MARKET



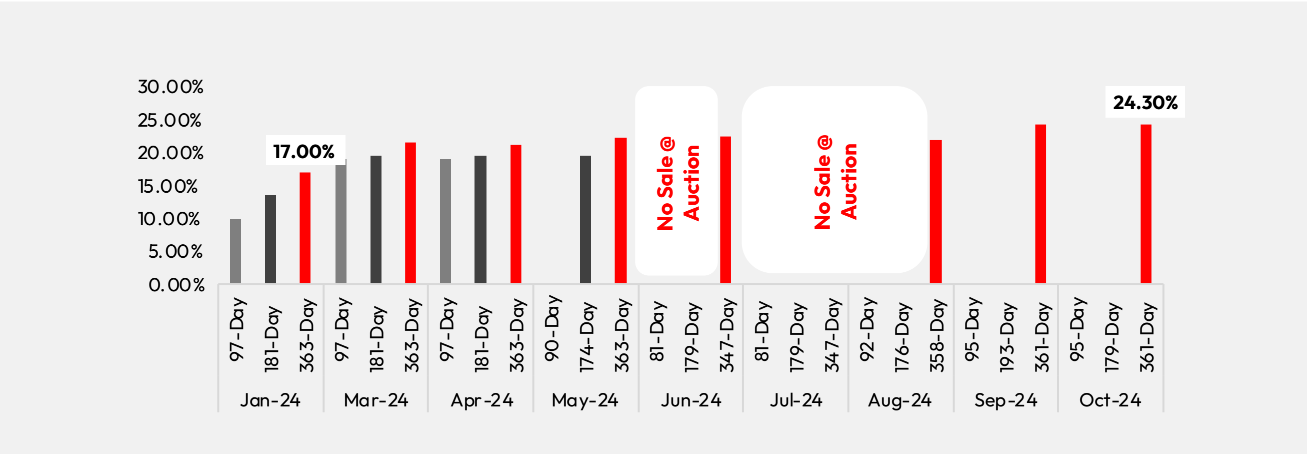


Source: Bloomberg, NGX, United Capital Research

CBN'S OMO-CENTRIC APPROACH: SHAPING 2024'S LIQUIDITY LANDSCAPE

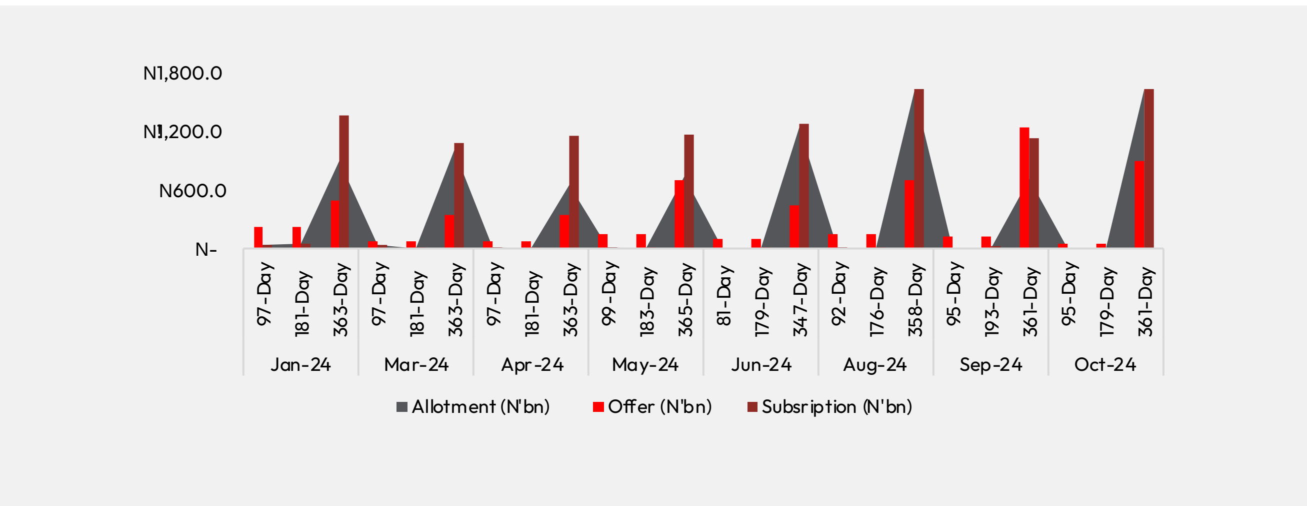
Given the CBN's preference for Open Market Operations (OMO), it became increasingly hard to manage investor's demand for higher rates

Stop Rates @ Open Market Operations in 2024



Demand for short term instruments was very much heightened in 2024, given their elated yield levels

2024 OMO Auctions (Offer vs Subscription vs Allotment



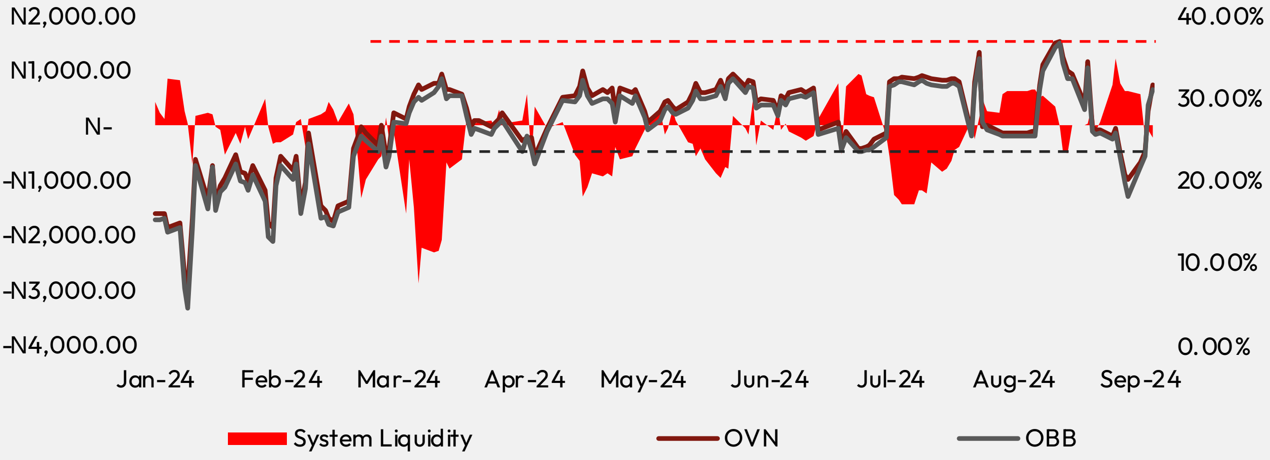
- In 2024, the CBN retained preference for Open Market Operations (OMO), as its favourite mop-up mechanism in its system liquidity management. System liquidity was positively impacted by improved FAAC payments, increased inflows from bond coupons, OMO maturities and CRR refunds. A positive correlation between system liquidity (particularly from FAAC payments) and exchange rate volatility was eventually identified.
- OMO played a key role in the CBN's strategy to sustain high interest rates and attract FPIs. The CBN aggressively mopped up liquidity, selling N8.70trn in OMO bills (1,092.00% y/y increase from N728.00bn in 2023). This kept interbank funding rates elevated, underpinned by the deficit situation of the financial system.

Source: Bloomberg, NGX, United Capital Research

CBN'S OMO-CENTRIC APPROACH: SHAPING 2024'S LIQUIDITY LANDSCAPE

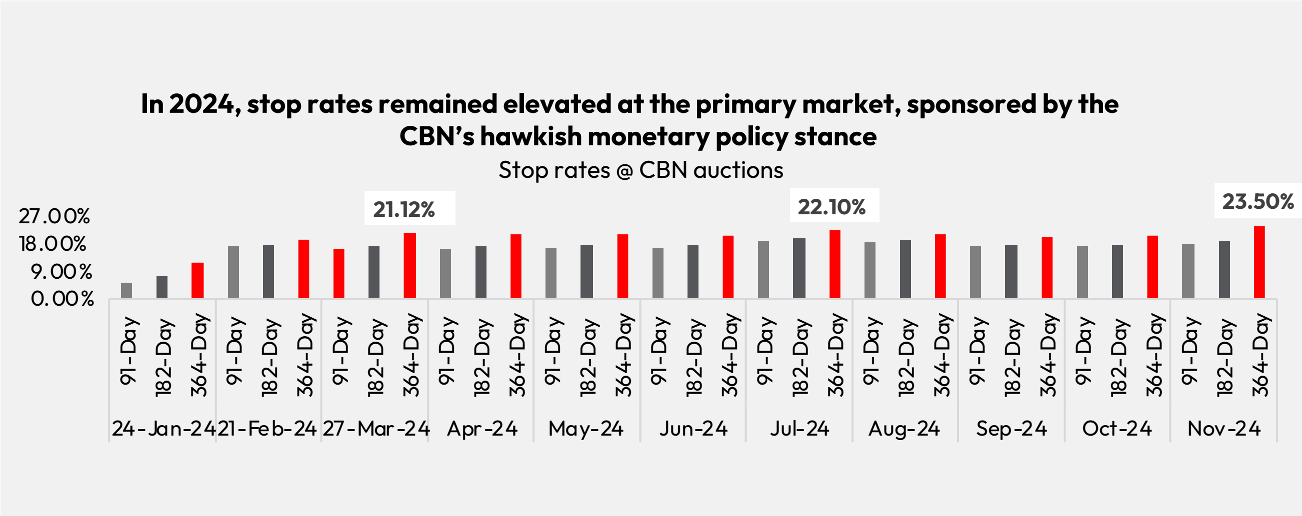
Funding rates between banks fell, albeit remaining in the double digit terrain

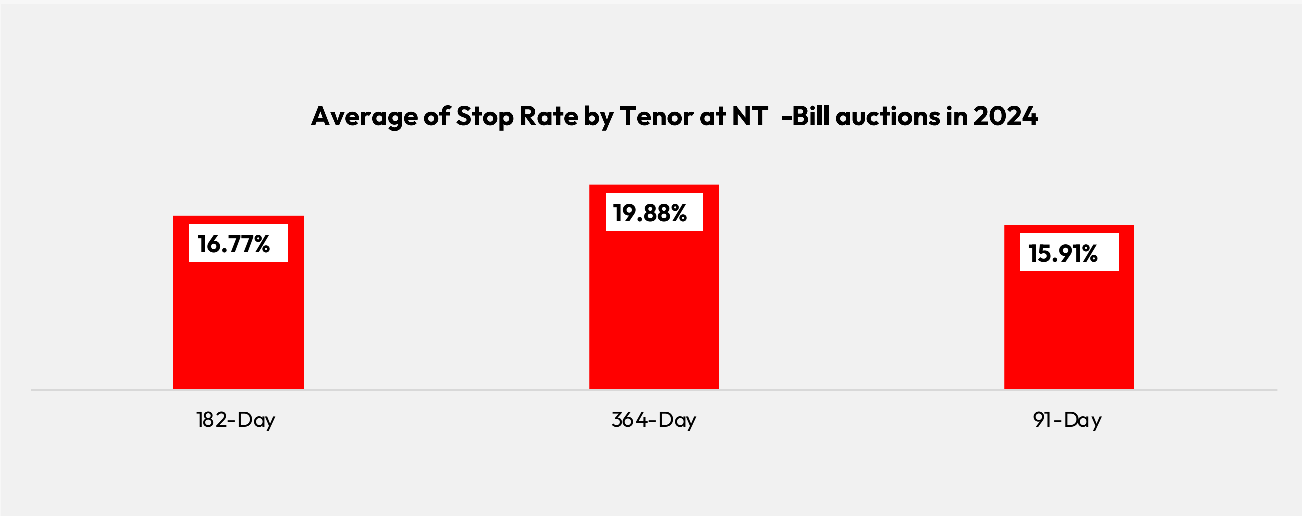
System Liquidity vs Overnight Rate vs Open Repo Rate

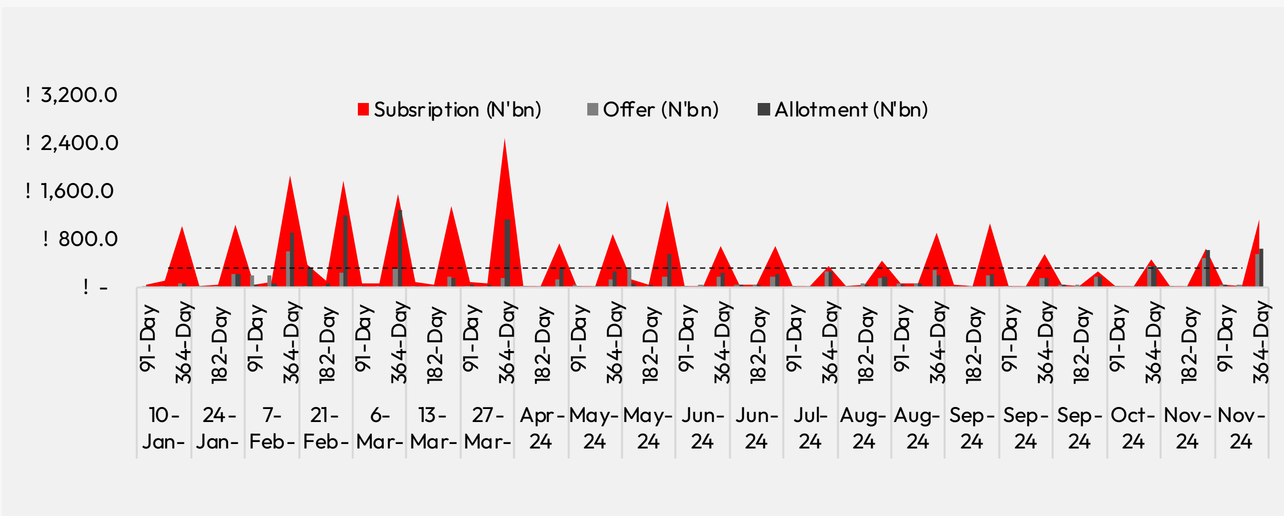


Source: Bloomberg, NGX, United Capital Research

YIELDS ON SHORT TERM INSTRUMENTS SURGED HIGHER THAN BOND YIELDS IN 2024



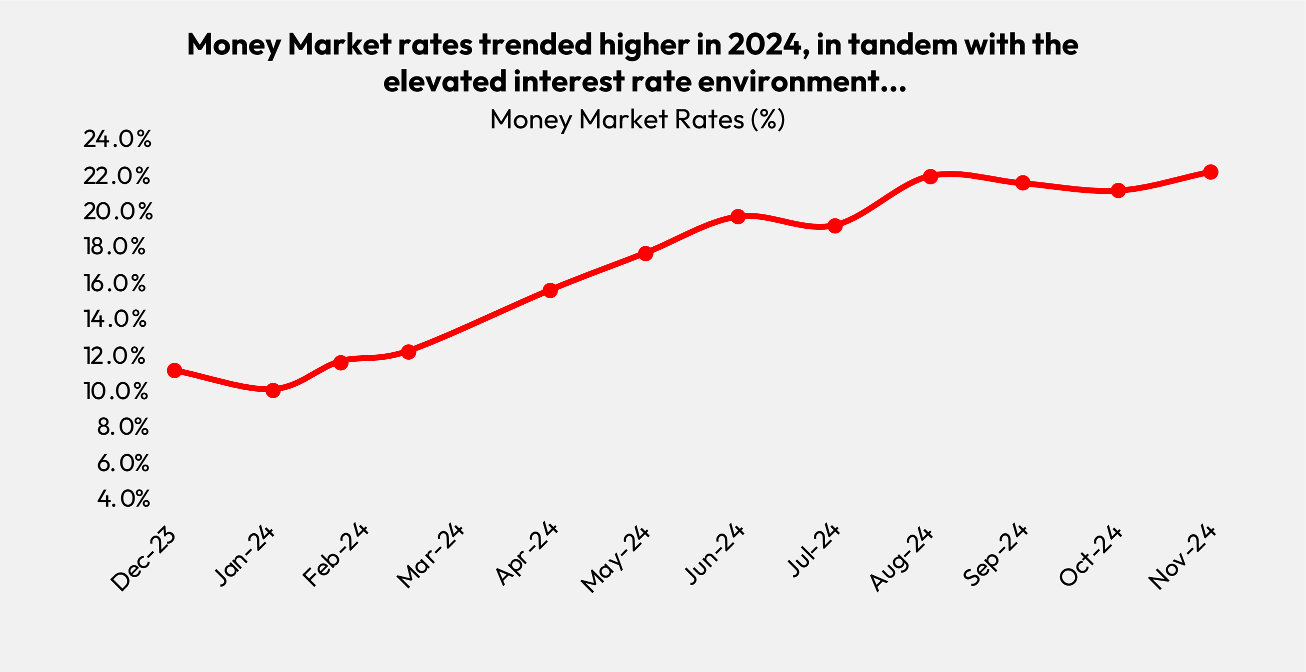


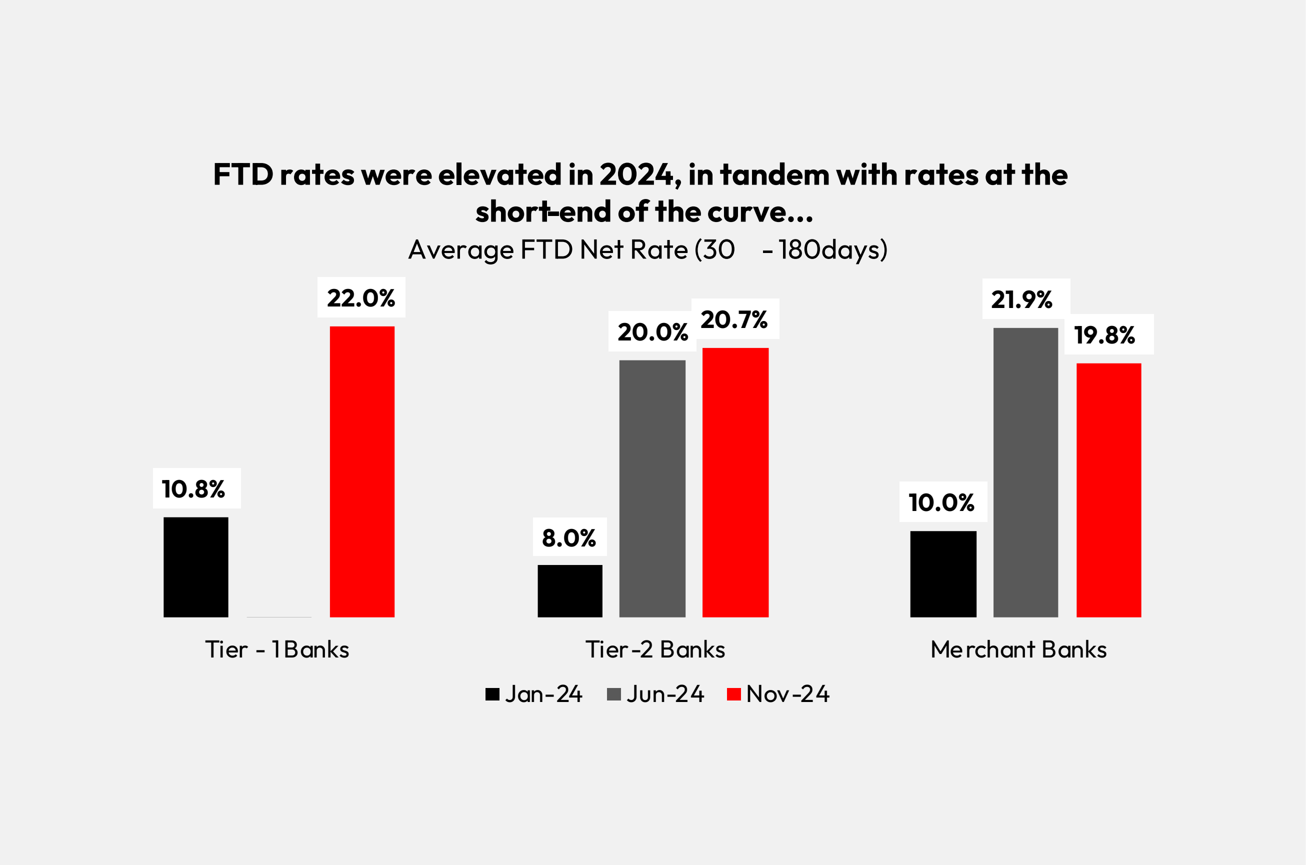


Source: Bloomberg, NGX, United Capital Research

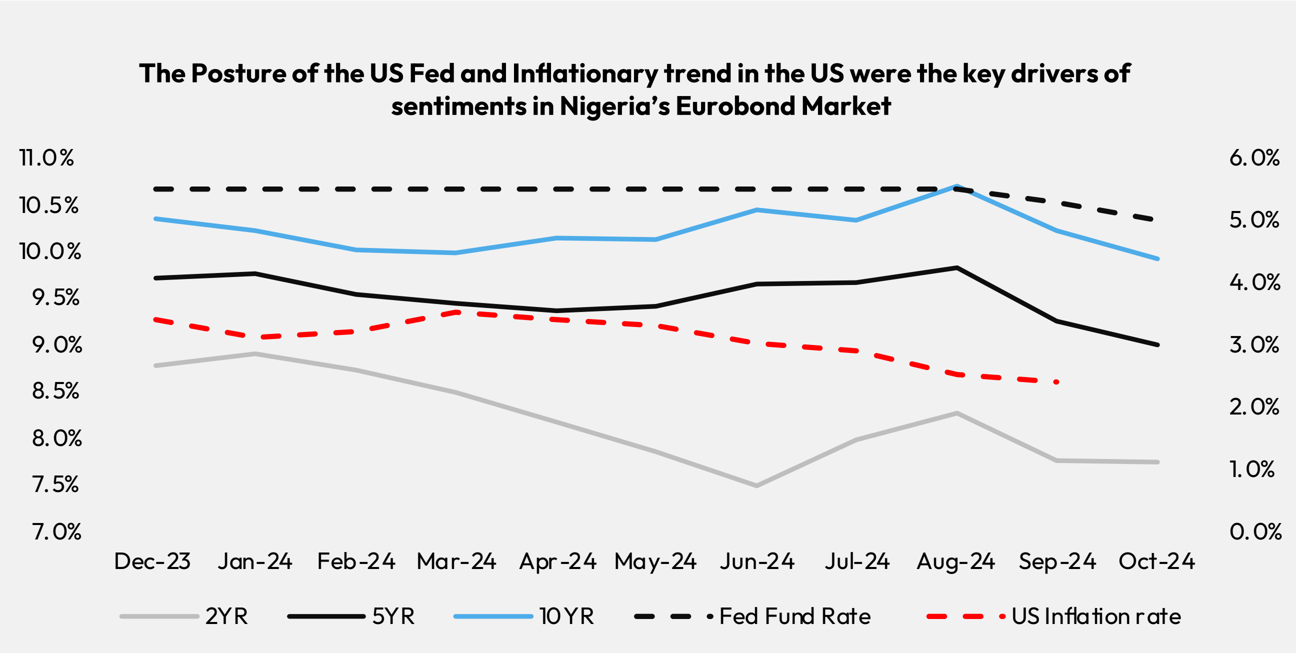
YIELDS ON SHORT TERM INSTRUMENTS SURGED HIGHER THAN BOND YIELDS IN 2024

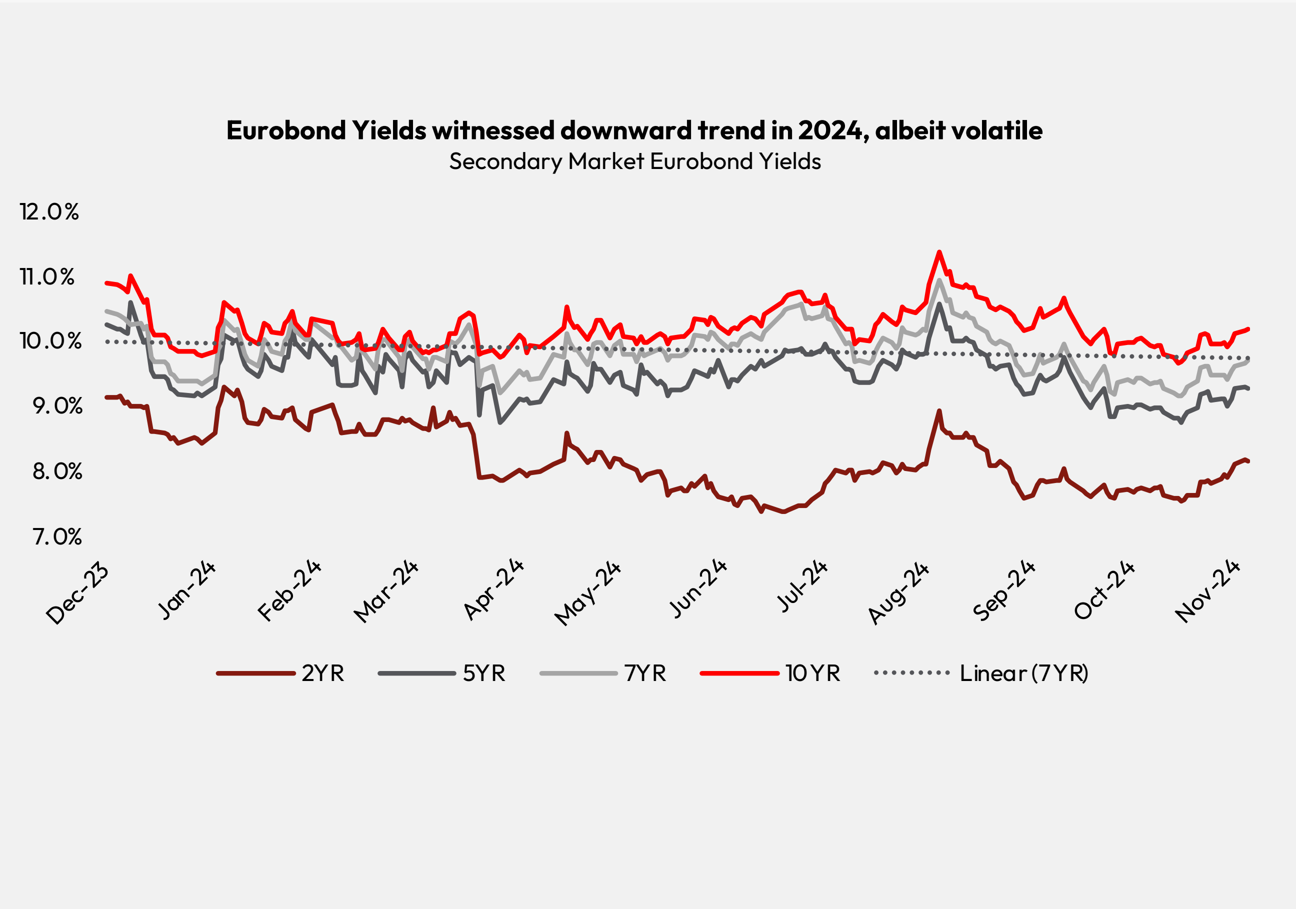
Other Short-term Instruments saw Yields Elevated in 2024





EUROBOND YIELDS WITNESSED DOWNWARD TREND IN 2024, ALBEIT VOLATILE

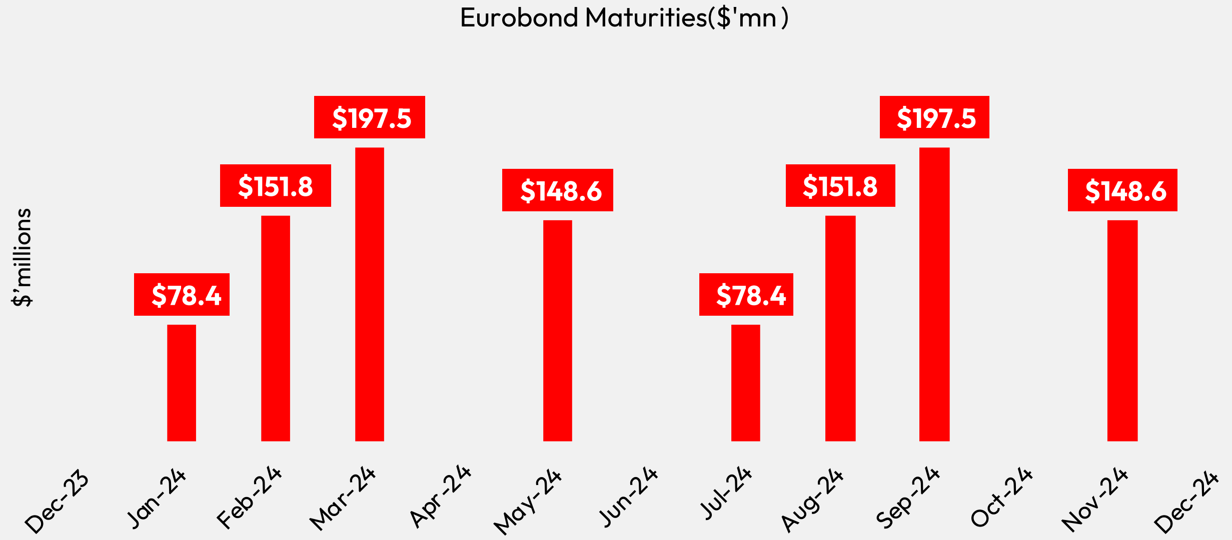




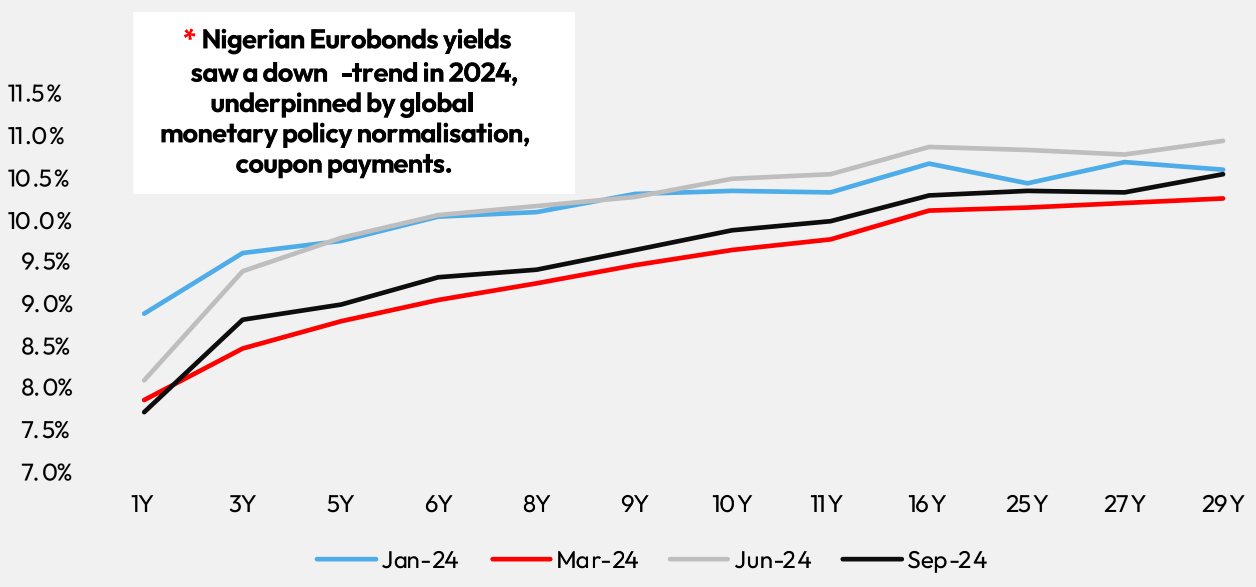
Source: Bloomberg, NGX, United Capital Research

EUROBOND YIELDS WITNESSED DOWNWARD TREND IN 2024, ALBEIT VOLATILE

Inflows from Eurobond maturities ($1.15bn) encouraged buy-interests at intervals in 2024...



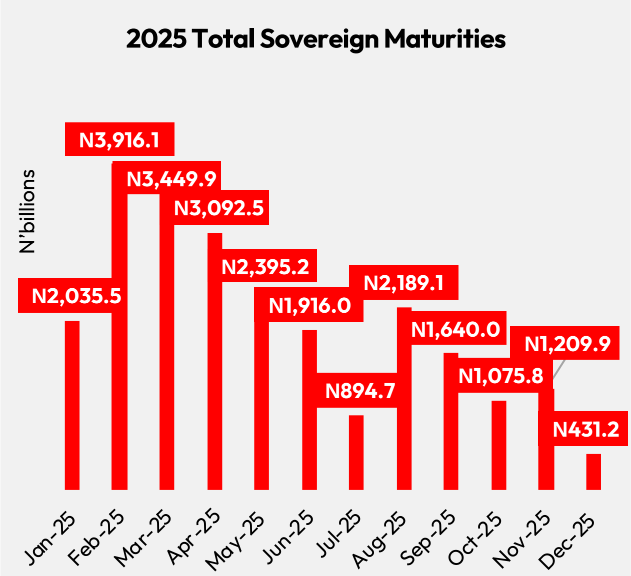
Nigeria Eurobonds Curve

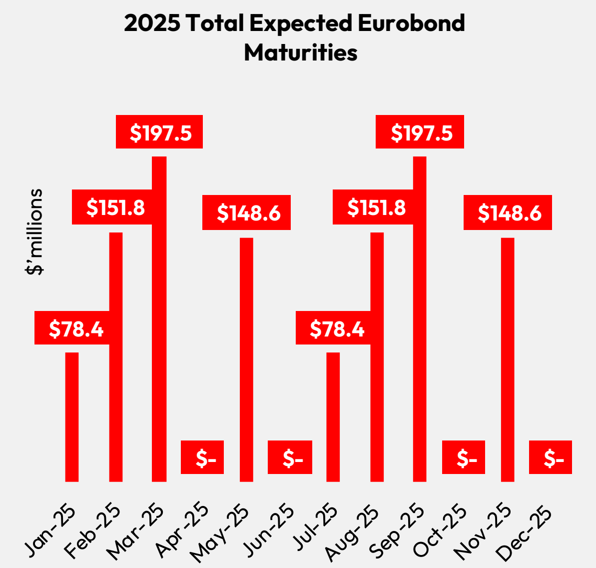


Source: Bloomberg, NGX, United Capital Research

2025 OUTLOOK: FIXED INCOME MARKET

2025 YIELDS PROJECTION

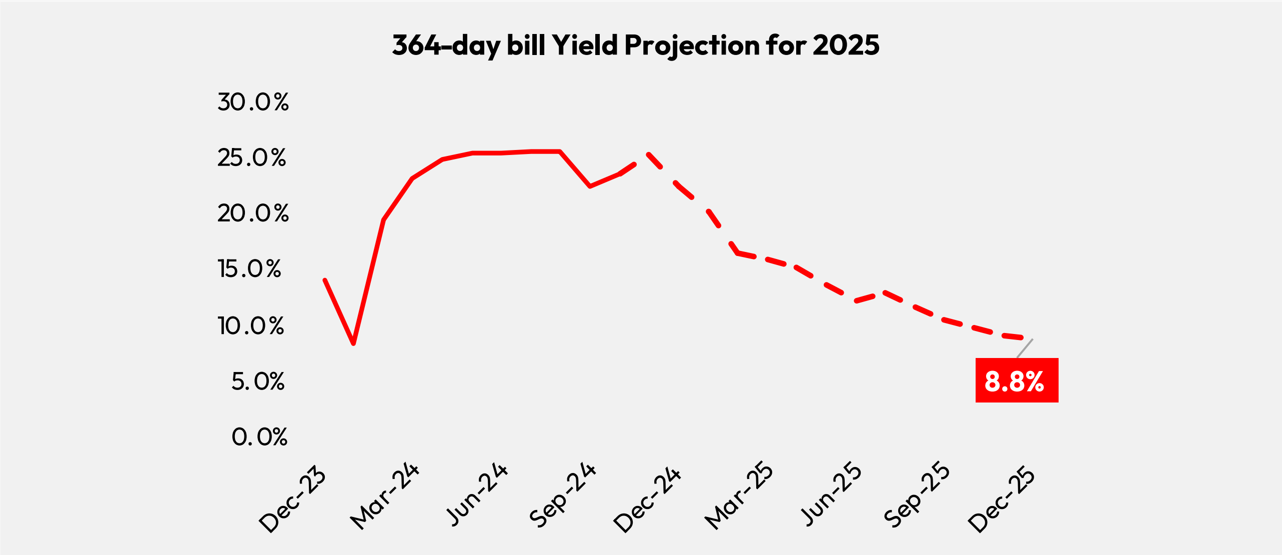


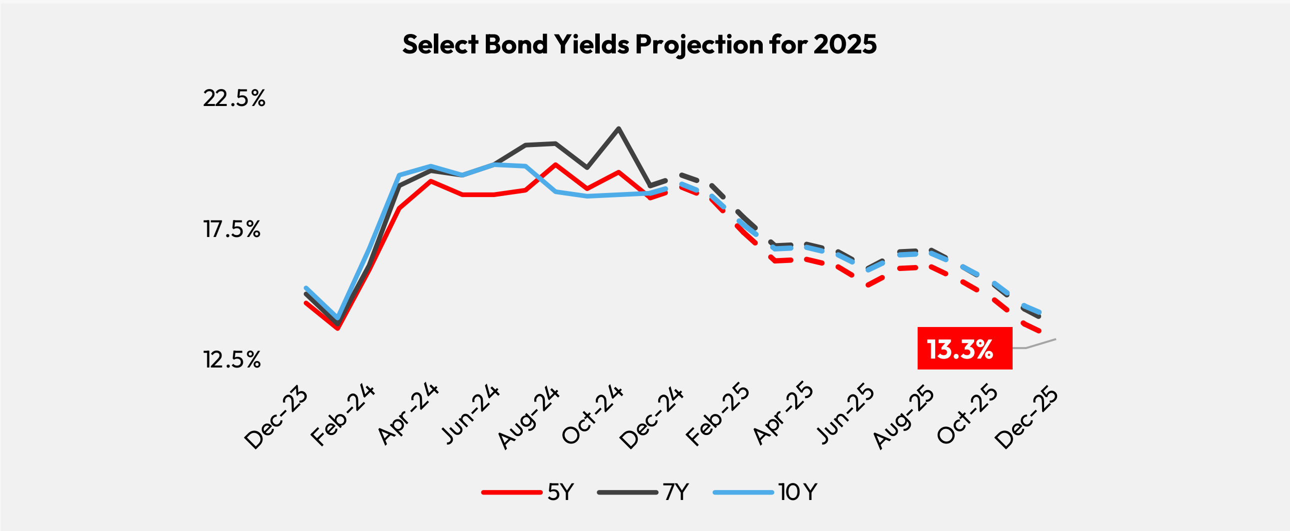


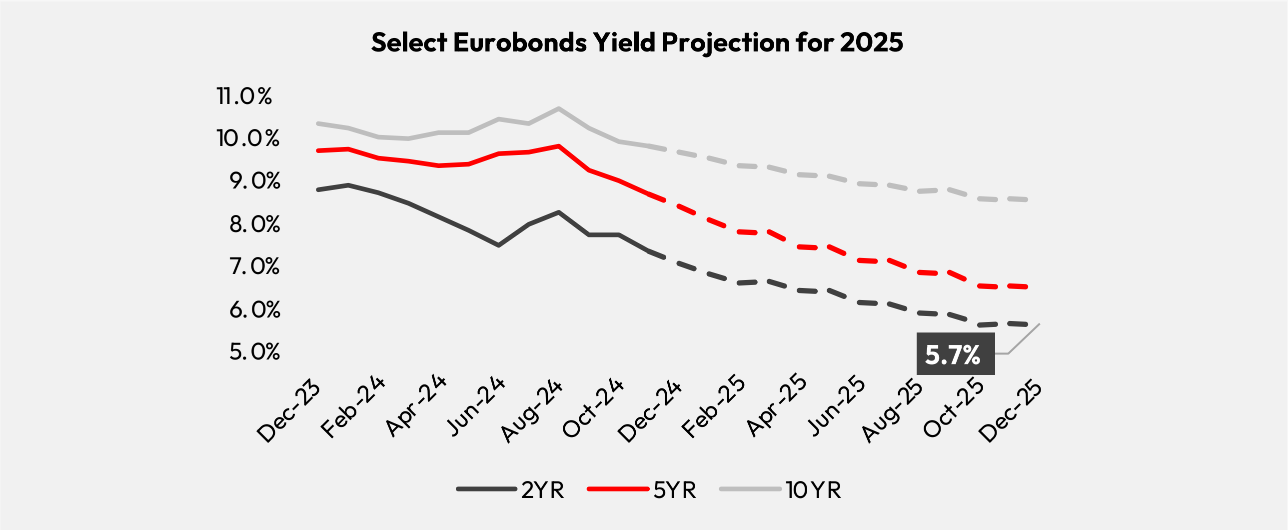
Month	Total Maturities (N'Mn)	Total Auctions (N'Mn)	Surplus/Deficit
Jan-25	1,724,021	311,483	1,412,538
Feb-25	1,716,613	2,199,464	(482,851)
Mar-25	844,401	2,605,459	(1,761,059)
Apr-25	1,843,221	1,249,287	593,934
May-25	1,589,355	805,870	783,484
Jun-25	1,656,261	259,755	1,396,505
Jul-25	466,621	428,058	38,563
Aug-25	1,829,218	359,857	1,469,362
Sep-25	1,267,989	371,983	896,006
Oct-25	658,624	417,203	241,420
Nov-25	600,992	608,933	(7,941)
Dec-25	431,232	-	431,232
Note: Data excludes potential OMO auctions		∑:	5,011,194

Source: CBN, FMDQ, United Capital Research

2025 YIELDS PROJECTION

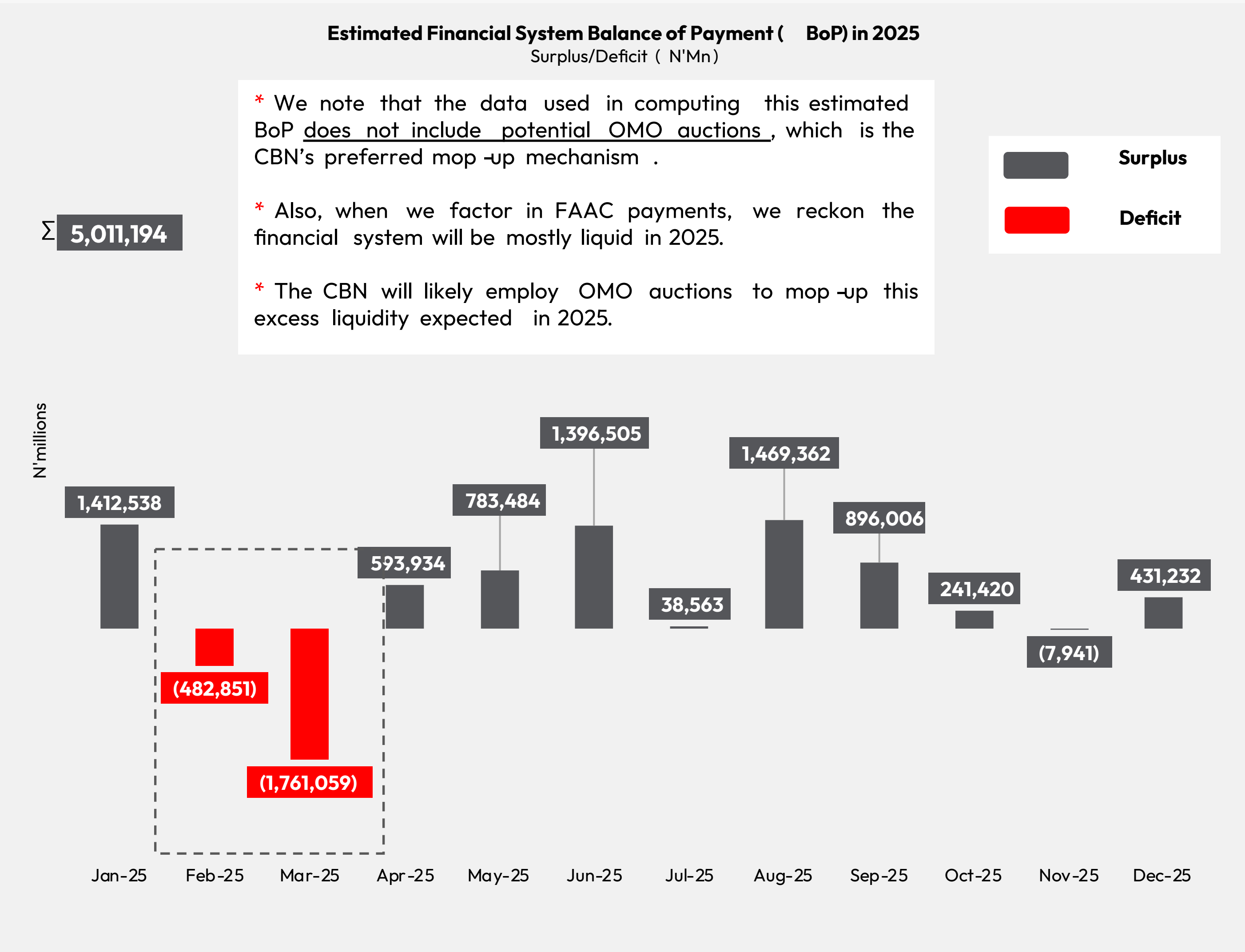






Source: CBN, FMDQ, United Capital Research

ESTIMATED BALANCE OF PAYMENT (BOP) OF THE FINANCIAL SYSTEM IN 2025



Key Drivers of Yields in 2025

Looking into 2025, we expect the following factors to influence yields in the Nigerian Financial Markets:

1. Southward Trajectory of Headline Inflation Rate
2. Anticipated Neutral/Dovish Monetary Policy Stance
3. Normalisation of the Yield Curve: An inverted yield curve reflects an environment where growth expectations are weak, and financial dynamics discourage economic expansion. FG and CBN will likely intervene in 2025 through fiscal stimulus or monetary easing to counteract negative effects on economic growth and credit availability.
4. Fiscal Sustainability Drive: This will most likely reduce borrowing pressures in local market, further compressing bond yields (following a normalisation of the yield curve).
5. Sovereign Maturities
6. Inflows from FAAC payments
7. Open Market Operations (OMO)
8. Global Ease in Financial Conditions

Overall, we expect 2025 to be mostly liquid. The progress of Inflation in H1-2025 will play the most significant role in determining the accuracy of all projections of yields (across all segments) in 2025.

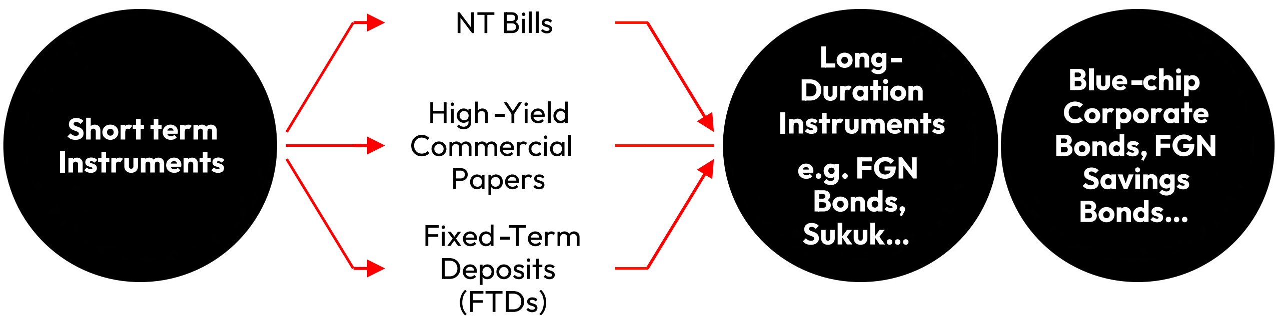
Source: CBN, FMDQ,, United Capital Research

2025 STRATEGY: FIXED INCOME MARKET

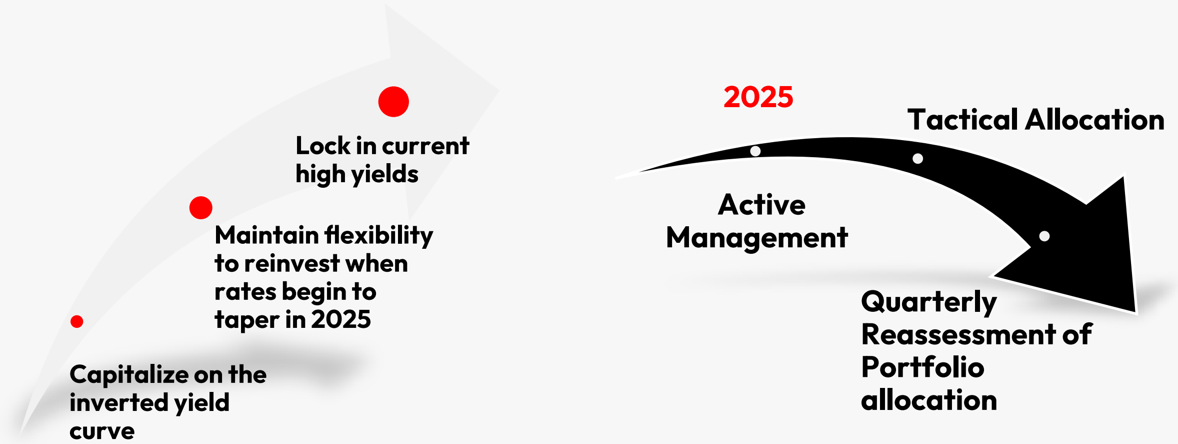
STRATEGY: BARBELL STRATEGY WITH TACTICAL ALLOCATION

Barbell Strategy with Tactical Allocation: Brief Summary

This strategy is fortified to leverage the high yields of short-term instruments, while positioning for future gains on long duration bonds. It seeks to strike a balance between income generation, stable liquidity, and portfolio growth.



Blueprint:



Strategy Rationale:

The Current Yield Environment

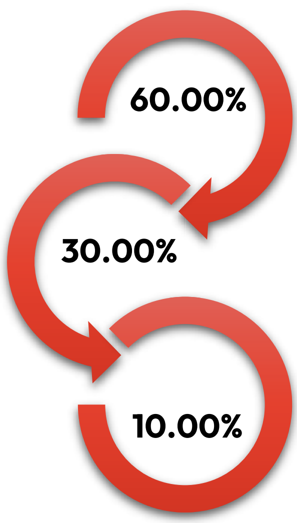
The elevated short-term yields allow for strong income generation while anticipating a neutral shift in monetary policy.

Dovish Outlook for Rates in 2025

Investments in long-term instruments will record strong gains in a normalised yield curve situation

Risk Mitigation

Diversifying across the yield curve will reduce the portfolio's exposure to rate volatility



STRATEGY: BARBELL STRATEGY WITH TACTICAL ALLOCATION

How to Allocate:

Short Term Instruments

60.00% Allocation
“Roll-over” proceeds into longer duration instruments

Long-Duration Instruments

30.00% Allocation
Strict focus on bonds with attractive coupon rates

Inflation-Protected Securities

Allocate (5-10%) to inflation- linked instruments like FGN Savings Bonds

Steps to Take:

Access Portfolio Objectives

Determine income needs, liquidity preferences, & risk tolerance

Select High -Quality Instruments

Prioritise sovereign and high-grade corporate services

Active Rebalancing

Monitor interest rate trends and economic indicators to adjust allocations dynamically

Leverage Research

Stay updated on monetary policy and fiscal trends, as well as global economic influences

CONCLUSION

CONCLUSION

The global economic landscape in 2024 was shaped by varying regional dynamics, with advanced economies grappling with inflation moderation and interest rate adjustments. The US and the Eurozone showed mixed performance, the UK showed signs of recovery, and others like China faced challenges.

The emerging and developing economies continued to face structural and policy-driven challenges. Sub-Saharan Africa (SSA) displayed resilience amidst significant hurdles, with key countries like South Africa, Kenya, Ghana, and Ivory Coast experiencing uneven recovery paths influenced by inflation control measures, fiscal constraints, and currency volatility.

In 2025, the global economy is expected to grow at a moderate pace of 3.30%. Advanced economies will grow at a slower pace of 1.80%, while emerging markets and developing economies will maintain a stronger pace of 4.20%. Inflation is expected to moderate further, easing from an estimated 5.90% in 2024 to 4.50% in 2025. Central banks will continue to adjust interest rates to balance economic growth and inflation. Geopolitical tensions and economic policies will continue to shape the global economic landscape in 2025.

In Sub-Saharan Africa, the economic outlook is mixed. While some countries like Ivory Coast and Ghana are experiencing strong growth, others like South Africa and Kenya face challenges such as high unemployment and political instability. The region's economic growth is expected to accelerate to 4.20% in 2025, driven by rising private consumption, investment, and potential exploitation of natural resources. However, high debt levels, currency depreciation, and political instability remain significant risks.

In Nigeria, the economy demonstrated commendable resilience despite persistent inflation, currency volatility, and fiscal deficits. Key reforms, improved non-oil sector performance, and external financing provided crucial support. However, vulnerabilities such as debt sustainability concerns, infrastructure gaps, and insecurity continued to weigh on investor confidence.

In 2025, the Nigerian economy is expected to grow at a moderate pace of 3.03%, driven by improvements in oil production and domestic refining. Inflation is expected to ease, and the central bank may gradually ease monetary policy. However, high debt levels and currency volatility remain significant risks.

THANK YOU

DISCLAIMER

RESEARCH
research@unitedcapitalplcgroup.com

SECURITIES TRADING
securities@unitedcapitalplcgroup.com

ASSET MANAGEMENT
assetmanagement@unitedcapitalplcgroup.com

TRUSTEES
trustees@unitedcapitalplcgroup.com

INVESTMENT BANKING
investmentbanking@unitedcapitalplcgroup.com

CONTACTS

Dr Sylvester Anaba (PhD, FCS)
Team Lead: United Capital Research

SamFrancis Okoro-Ude
Research Analyst

Oluwakemi Afolabi
Research Analyst

Benjamin Ozoude
Research Analyst

Inemesit Kufre-Ofon
Research Analyst