

The day in review

- NSE-ASI fell by 3bps
- Interbank Rate rose marginally
- Flattish session in NTB market
- Naira shed 0.4% at NAFEX

Looking forward

CBN NTB Auction

Daily Insight

Examining the effects of the CBN policy and its impact on the Real Estate

In Q3-2019, the CBN, in bid to improve lending to specific priority segments of the economy released a circular directing banks to maintain a minimum loan-to-deposit ratio (LDR) of 60% (later reviewed to 65%). The CBN also announced it had assigned a weighting of 150% to the Real estate, Mortgage, Creative arts and the Consumer lending sectors to enhance lending to these sectors.

Nearly 2 years after, we examine the success of this policy lasering in on the real estate sector. The National Bureau Statistics recently released it select banking data report for Q4-2020; the report showed that total credit provided by the banking sector rose 18.5% y/y in FY-2020. However, credit allocation to the Real Estate sector grew 8.2% y/y to N654.2bn. This was encouraging considering that credit allocation to Real Estate Sector declined by -8.0% on average (CAGR) from Q4-2016-Q4-2019. Clearly, the CBN's decision to improve credit to these target segments may have paid off somewhat, as banks have been forced to lend more to the real estate sector. Also, we suspect the deliberate attempt to improve allocation to the industry contributed to the first q/q GDP expansion in the real estate sector since Q4-2016.

Going forward, while credit allocation to this sector has yielded some positive outcomes, evidenced by the positive growth in Q4-2020, its sectoral allocation remains below pre-2016 levels. Credit allocation in the real estate sector in Q4-2016 was N782.3bn, 19.4% higher than the figure reported in Q4-2020. Lastly, whilst we applaud the CBN's efforts to force the hand of banks to lend to the sector, we suspect that the impact of the policy may soon begin to taper if the momentum in the real sector is not sustained due to protracted FX challenges. To bolster sustainable growth in the real estate sector, the Nigerian mortgage market must be reformed in the context of housing deficit in the urban centers, land ownership/tenor system and proper regulatory framework.

Headline	Level	1 day	YTD
NSE ASI	39,305.5	0.0% ▼	-2.4%
Mkt. Cap (₦'bn)	20,570.4	0.0%	
Mkt. Cap (\$'mn)	54,275.4	0.0%	
Value (N'mn)	1,773.4	-13.9%	
Value (\$'mn)	4.7	-13.9%	
Volume	252.6	-23.4%	
Deals	3,474.0		
Market Breadth	1.3x		

T-Bills Yields	Current	Previous	%Δ
3 months	2.94	3.05 ▼	-0.11
6 months	4.21	4.21	0.00
12 months	8.05	8.06 ▼	-0.01

Bonds Yields	Current	Previous	% Δ
3 years	10.96	9.91 ▲	1.05
5 years	11.89	11.89	0.00
7 years	12.41	12.43 ▼	-0.02
10 years	12.64	12.64	0.00

Currencies	Current	Previous	% Δ
Official	379.00	379.00	0.00%
Parallel	485.00	485.00	0.00%
NAFEX	411.67	410.00 ▼	-0.41%

Other Key indices	Current	Previous	% Δ
OBB	14.3	13.8 ▲	0.50
OVN	14.8	14.3 ▲	0.50
Brent	66.3	65.8 ▲	0.84

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0% ▲	3.1% ▲	3.1%	0.0	0.0%
Banks	-0.6% ▼	-3.4% ▼	-9.1%	3.4	9.8%
Consumer	0.0% ▲	2.9% ▼	-2.6%	105.0	3.9%
Industrial	0.0% ▲	0.8% ▼	-7.2%	19.2	4.9%
Insurance	1.0% ▼	-2.1% ▲	5.7%	3.8	4.5%
Oil & Gas	0.2% ▼	-0.2% ▲	17.3%	na	5.4%
Mkt. Avg. P/E	#NAME?	Mkt. Avg. Div. Yid	4.8%		

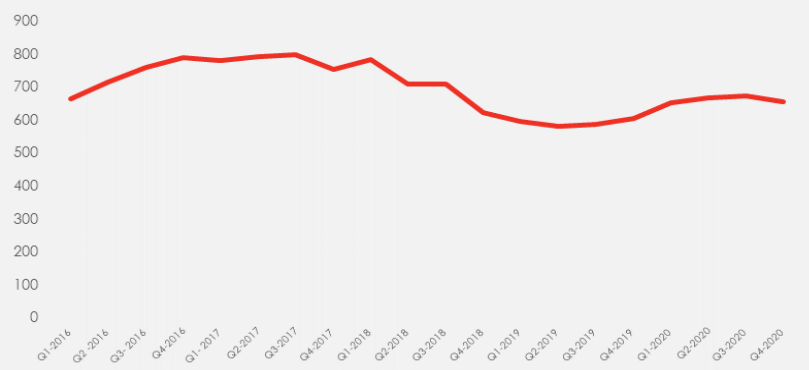
*P/Es are based on the last twelve months trailing earnings
*Dividend yields are based on past year dividend payments



Pan African Market Monitor as at today

Equities	Level	1 day	YTD	P/E (x)	Div. Yid.
BRVM	148.4 ▲	0.3% ▲	2.0%	9.2	6.4%
Egypt	10,591.4 ▲	0.6% ▼	-2.3%	11.6	3.1%
Ghana	2,342.1	0.0% ▲	20.8%	n/a	n/a
Kenya	166.4 ▲	0.2% ▲	9.4%	12.6	2.2%
Mauritius	1,641.7	0.0% ▼	-0.4%	n/a	0.9%
Morocco	312.3 ▲	0.1% ▲	2.5%	30.2	3.4%
MSCI FM	551.1 ▲	0.5% ▲	6.1%	12.8	2.7%
South Africa	67,614.9 ▲	0.1% ▲	13.8%	26.5	2.5%
Tunisia	7,071.6 ▲	0.0% ▲	2.7%	20.4	0.6%
Zimbabwe	94,859.9 ▲	6.2% ▲	104.8%	5.0	1.7%

Banking Credit to the Real Estate Sector has shrunk since 2016
Quarterly Banking credit to Real Estate sector (in bn NGN)



Source: NBS, United Capital Research

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