ACCESS

QUARTERLY

Q3 2024

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Section 0.1

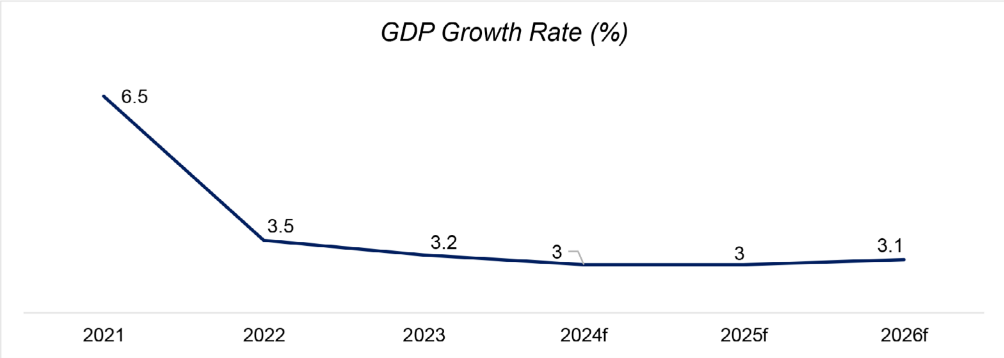
GLOBAL ECONOMY

Global growth is expected to stay stable, but a bit weak. The U.S. growth forecast has improved, which balances out declines in other advanced economies, especially the largest countries in Europe. In emerging markets and developing economies, disruptions in production and shipping—particularly in oil—along with conflicts, civil unrest, and extreme weather have led to lowered forecasts for the Middle East, Central Asia, and sub-Saharan Africa. However, positive updates for emerging Asia, driven by strong demand for semiconductors and electronics from significant investments in artificial intelligence, have helped boost growth. The global growth forecast for the next five years is set at 3.1%, which is modest compared to averages before the pandemic. Ongoing challenges like aging populations and low productivity are holding back potential growth in many countries.

Since the beginning of the year, cyclical imbalances have eased, improving economic activity and potential output in major economies. This adjustment is helping bring inflation rates closer together across countries and has contributed to a decrease in global inflation. It is expected that global headline inflation will drop from an average of 6.7% in 2023 to 5.8% in 2024 and 4.3% in 2025, with advanced economies likely reaching their inflation targets sooner than emerging and developing economies. As global disinflation continues, there may still be some challenges ahead. While prices for goods have stabilized, inflation for services remains high in many areas, highlighting the need to understand sector-specific issues and adjust monetary policy accordingly. The risks to the global outlook are leaning negative due to ongoing uncertainty in policies.

Sudden spikes in financial market volatility, like those in early August, could tighten financial conditions and hurt investment and growth, especially in developing economies with significant short-term external financing needs, which may lead to capital outflows and debt problems. Any disruptions to the disinflation process, potentially triggered by rising commodity prices amid ongoing geopolitical tensions, could prevent central banks from easing monetary policy, posing serious challenges to fiscal policy and financial stability. A deeper or longer downturn in China's property sector, particularly if it leads to financial instability, could hurt consumer confidence and have negative global impacts, given China's significant role in world trade. Increased protectionist policies might raise trade tensions, reduce market efficiency, and disrupt supply chains. Rising social tensions could lead to unrest, damaging consumer and investor confidence and possibly delaying important structural reforms.

As cyclical imbalances in the global economy lessen, near-term policy priorities should be carefully adjusted to ensure a smooth transition. Many countries need to quickly modify fiscal policy to keep public debt on a sustainable path and rebuild financial buffers, with the pace of adjustments tailored to each country's situation. Structural reforms are crucial for improving medium-term growth prospects, but support for vulnerable populations should still be a priority.



Source: World Bank
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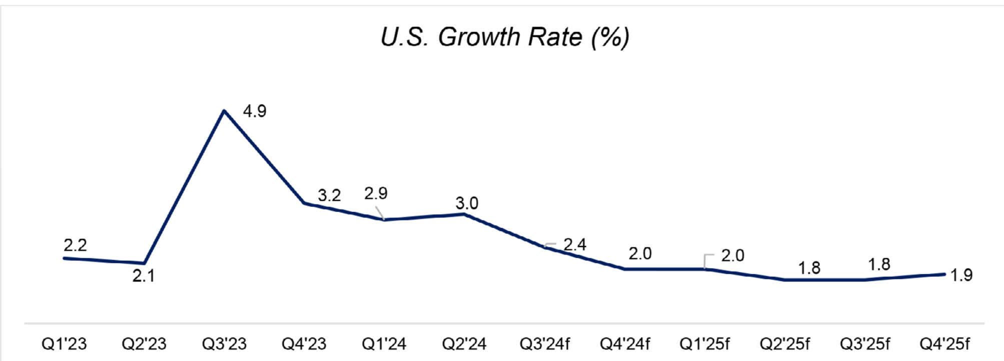
UNITED STATES/EURO AREA

United States

According to the U.S. Bureau of Economic Analysis, in the second quarter of 2024, the U.S. real GDP grew at an annual rate of about 3%, driven by higher consumer spending, private inventory investment, and nonresidential fixed investment. At the September meeting focused on inflation trends and risk assessments, the Federal Open Market Committee (FOMC) decided to cut the federal funds rate target range by 0.5 percentage points to 4.75% to 5%. This is a notably large decrease, the first of this magnitude since the pandemic. Current FOMC forecasts suggest the federal funds rate could fall to 4.4% by year-end.

The consumer price index (CPI) increased by 2.5% over the year ending in August, marking the smallest annual rise since March 2021. Core inflation held steady at 3.2% (annualized) in August. Consumers' inflation expectations for one and five years ahead remained unchanged in August at 3.0% and 2.8%, respectively.

The unemployment rate fell to 4.2% in August, down from 4.3% in July (compared to 3.5% in January 2020). Nonfarm payroll employment rose by 142,000 in August, and the number of temporary layoffs decreased by 190,000 to 872,000, largely offsetting the previous month's increase. The count of individuals with permanent job losses remained stable at 1.7 million in August. The NY Fed's survey indicated the likelihood of job loss rose to 4.4%, the highest rate in ten years. Retail and food services sales for August 2024, adjusted for seasonal variations and holidays, reached $710.8 billion, a 0.1% increase from the previous month. The consumer confidence index from the Conference Board increased to 103.3, up from a revised 101.9 in July.



Source: Bloomberg
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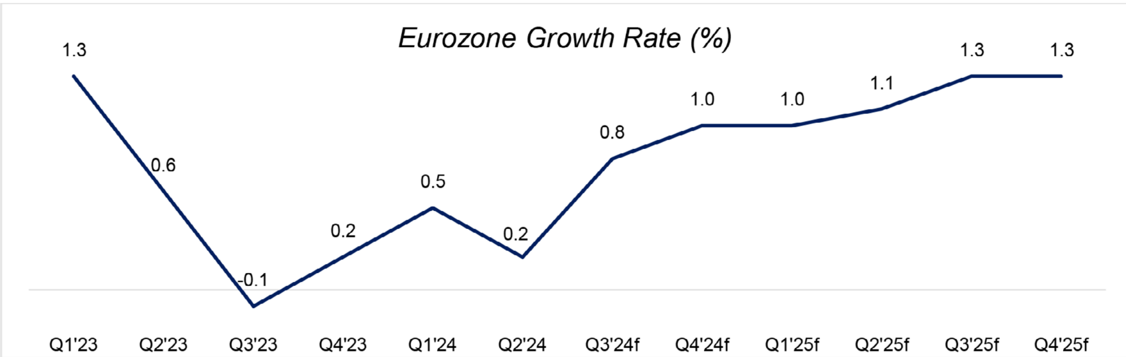
Euro Zone

GDP growth rate for the Eurozone area declined to 0.2% in the second quarter of 2024 from 0.5% in the preceding quarter. This was due to stagnant private consumption growth (0 percentage points contribution to growth) and declining investment (–0.4 percentage points contribution to growth), as well as weaker inventories—and despite a stronger than expected contribution from net trade (+0.4 percentage points contribution to growth). By sector, services have been expanding while manufacturing is weakening.

Looking ahead, real GDP growth is expected to be 0.8% in 2024, 1.3% in 2025, and 1.5% in 2026, according to the European Central Bank's (ECB) September projections. The ECB cut the deposit facility rate by 25 basis points to 3.5% on September 12. ECB president Christine Lagarde said inflation is aligned with expectations, so it was right to take a further step to moderate monetary policy.

In August, headline inflation decreased to 2.2%, largely due to a drop in energy prices (– 3%), while core inflation remained at 2.8%. However, services inflation rose to 4.1%, indicating persistent domestic price pressures, with wage growth still high at 4.7% for Q2 2024. According to the ECB's September projections, inflation is expected to remain at 2.5% in 2024 and 2.2% in 2025, with a slight decline to 1.9% in 2026. For core inflation, ECB staff predict rates of 2.9% in 2024 (up by 0.1 percentage points), 2.3% in 2025 (also up by 0.1 percentage points), and 2% in 2026.



Source: Bloomberg
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BRICS+

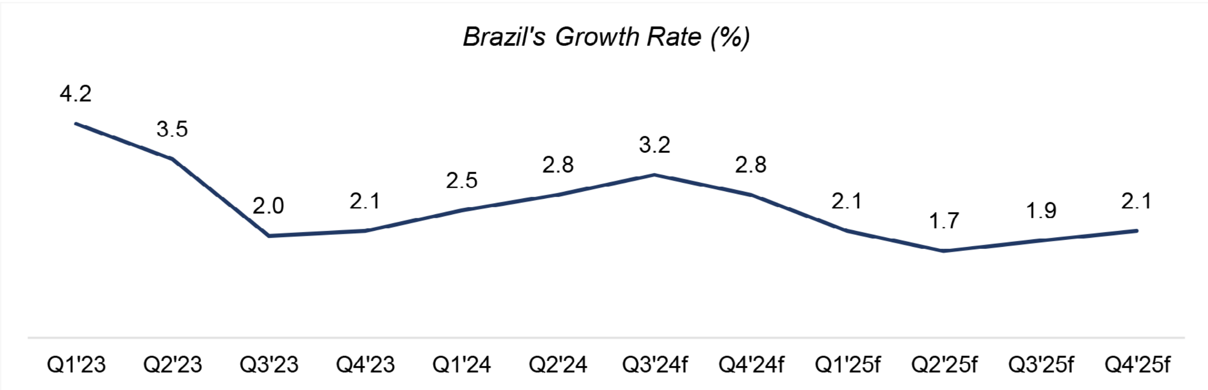
In Q2 2024, BRICS economies grew by 4.8%, but this growth is expected to slow to 4.7% in Q3 2024 due to factors such as elevated energy prices and currency depreciation. Among the BRICS nations, India experienced a 6.7% growth in Q2 2024, with a forecasted growth of between 6.6% and 7.0% until Q4 2025. China recorded a year-on- year economic growth rate of 4.7% in the second quarter of 2024, down from 5.3% recorded in the preceding quarter, while Brazil grew at 3.3% in Q2 2024 and is expected to slightly decline by 0.1 percentage points to a 3.2% growth rate in Q3 2024.

Regarding inflation, in Q3 2024, inflation in BRICS economies slightly ticked up to 2.1% from 1.9% in the preceding quarter. The headline index is forecasted to slightly rise to 2.4% in Q4 2024 and Q1 2025. From Q2 2025 to Q4 2025, the inflation rate in BRICS economies is expected to stabilize between 2.1% and 2.3%.

Brazil

Inflation dropped to 4.24% in August, down from 4.50% in July, marking its first decline since April and falling within the Central Bank's upper target limit of 4.50%. Brazil's GDP for Q2 2024 grew by 2.8% compared to the same period last year. While the agriculture sector shrank by 3.2%, the industrial sector saw a 3.8% increase, and the services sector grew by 3.4%. Compared to the previous quarter, GDP rose by 1.4%. Brazil's Central Bank increased benchmark interest rates by a quarter point to 10.75%, signaling the start of a new cycle of monetary tightening—the first-rate hike in two years.

Consumer confidence, while still below the neutral mark of 100, rose by 0.3 points to 93.2 in August, up from 92.9 in July, marking a third consecutive month of improvement. Business confidence also increased to 97.9 in August, up from 97.6 in July, reaching its highest level since September 2022. Additionally, the three-month moving average unemployment rate fell slightly to 6.8% in July, down from 6.9% in June. This marks the fourth decline this year and is lower than the rate of 7.9% during the same period last year.



Source: Bloomberg
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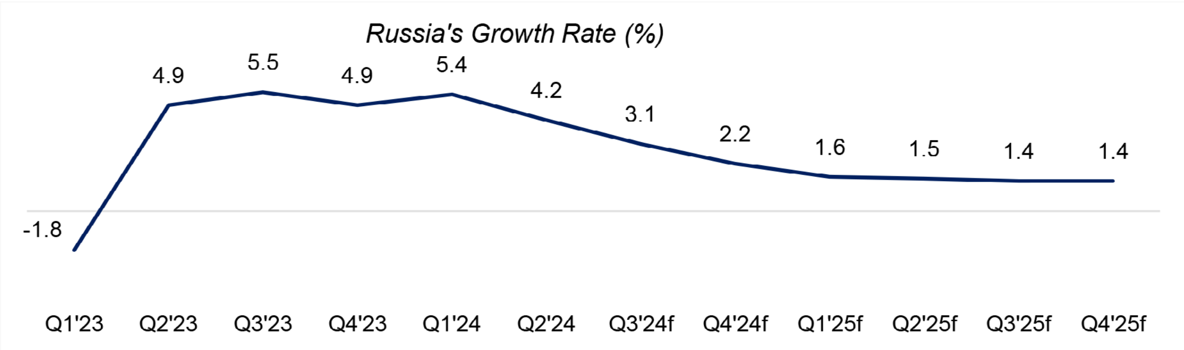
Russia

Year-on-year GDP growth in June and July was approximately 3%, down from 4.5% in April and May. Overall output contracted month-on-month in June but rebounded by 1.5% in July. On an annual basis, growth stood at 4.2%, below the Q1 average of 5.4%. Industrial output declined further in July, impacted by reductions in both mining—due to Russia's ongoing cuts in oil production as part of its commitment to OPEC+—and manufacturing. Retail sales growth also stalled, remaining almost unchanged from the average Q2 level in July.

Most major institutional forecasters published in July or August predict Russian GDP growth in the range of 3–3.5%. Meanwhile, the Central Bank of Russia (CBR) estimates GDP growth between 3.5% and 4% this year. However, expectations for the coming quarters suggest a slowdown. The overheated demand from the first half of the year, fueled by rapidly rising real wages and social transfers, is expected to diminish due to tighter monetary policy. To address this overheating, the government has begun gradually phasing out popular loan subsidies, though other subsidies remain in place, which, along with a tight labor market, will help sustain demand. Forecasts for 2025 are projected to be between 1.4% and 1.6%.

Inflation remains elevated, reflecting ongoing supply shortages, with consumer prices rising 9% year on year in August, significantly above the central bank's target of 4%. Service prices increased by nearly 12%, food prices by 10%, and non-food goods by 6%. While inflation showed little year-on-year decline in August, the month-on-month increase eased to 0.8% in seasonally adjusted terms—the lowest monthly growth rate since April.



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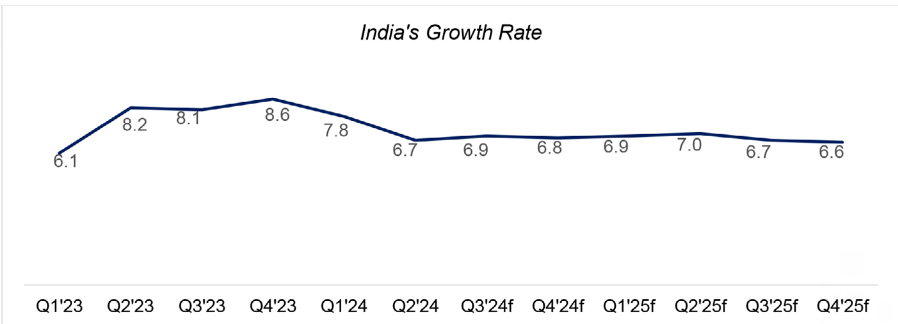
India

The economy grew by 6.7% in Q2 2024, with government consumption remaining unchanged. Inflation is under control, and the central bank has maintained stable interest rates. Both the manufacturing and services sectors are experiencing strong growth, with the government heavily investing in the semiconductor industry. The growth in the second quarter was neither surprising nor disappointing. Although it slowed from 7.8% in the first quarter to 6.7% in the second, it remained above the long-term average. The expansion was widespread, with government spending being the only area that has remained nearly flat since Q2 2023. Investments increased by 7.3%, while consumption rose by 7.6%. Price momentum has stabilized, with headline and core consumer price index (CPI) inflation at 3.7% and 3.3%, respectively. This stability has been consistent across all sub-categories, allowing the Reserve Bank of India to keep the key repo rate steady at 6.5%.

The unemployment rate increased modestly in August, reaching 8.5%. This rise is likely seasonal, as other labor market indicators, such as the employment rate and labor force participation, also showed increases. The Periodic Labour Force Survey confirmed employment figures for the July 2023 to June 2024 period, noting that the manufacturing sector did not add any jobs.



Source: Bloomberg

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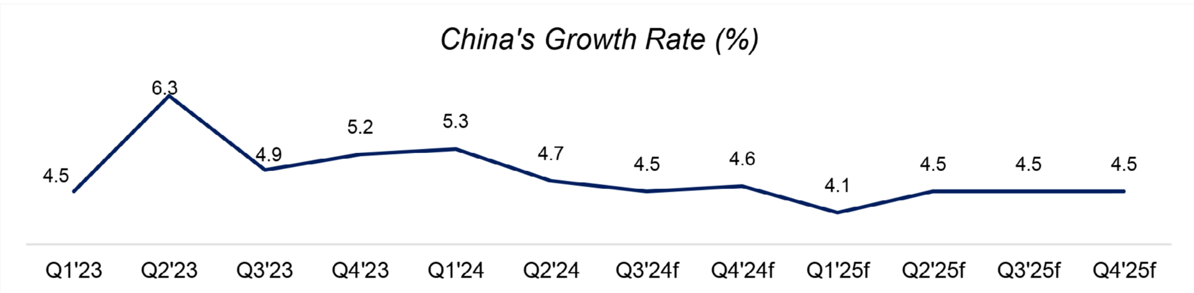
China

China's output growth decelerated in the second quarter of 2024 to 4.7% from 5.3% in the first quarter. The manufacturing and mining sectors experienced reduced growth rates of 4.3% and 3.7% in August, respectively, down from 5.3% and 4.6% in July. Conversely, growth in the utility sector accelerated to 6.8% in August, up from 4.0% in July. Fixed- asset investment growth increased to 2.2% in August, up from 1.9% in July. Manufacturing investment remained strong at 8.0%, though it slowed from 8.3% in July. Infrastructure investment grew at a slower pace, rising by 1.2% compared to 2.0% in July.

The decline in real estate investment moderated to −9.8%, an improvement from −11.7% in July. The real estate slowdown continued, with demand indicators showing a −12.6% decrease in the floor space sold for new residential properties, slightly down from −12.3% in July. The average price of new homes dropped by −5.7%, following a −5.3% decline the month before. On the supply side, floor space started to decrease by −17.0% in August, compared to a more significant −24.4% drop in July. The overall urban unemployment rate rose to 5.3% in August, up from 5.2% in July.

The youth unemployment rate increased further to 18.8% in August, compared to 17.1% in July. Cross-border trade growth slowed to 5.2% in August, down from 7.1% in July, mainly due to a deceleration in import growth, which dropped to 0.5% from 7.2% the previous month as base effects diminished. In contrast, export growth remained strong at 8.7%, an increase from 7.0% in July. Consumer price inflation remained low at 0.6% in August, slightly up from 0.5% in July. Meanwhile, producer prices saw a deeper decline, falling by −1.8% in August compared to −0.8% in July.



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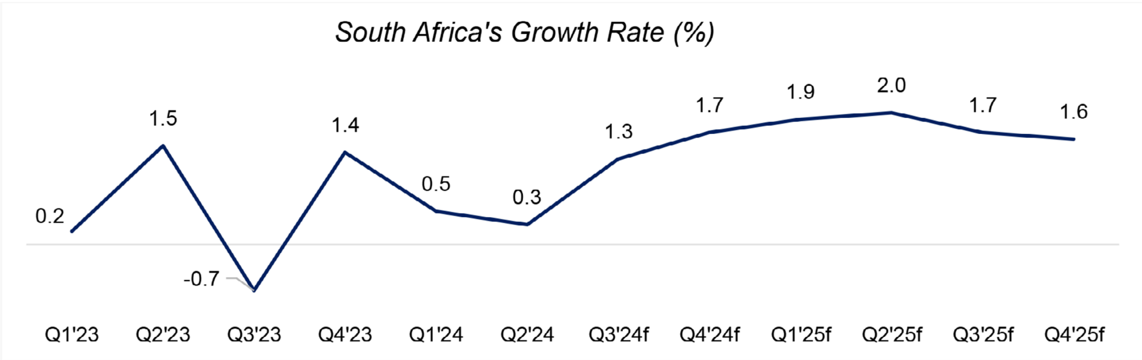
South Africa

South Africa's economy saw a modest expansion in Q2 2024, with a year-on-year GDP growth rate of 0.3%, down slightly from the 0.5% growth recorded in Q1 2024. The economic landscape was marked by high interest rates and low confidence, particularly as the general election approached at the end of May 2024. According to the Q2 Quarterly Employment Statistics (QES) report, non-farm payrolls rose by 0.4% quarter-on-quarter in Q2 2024, a recovery from a revised contraction of -0.5% in the previous quarter. However, year-on-year formal employment decreased by 1.3% in Q2 2024, reflecting the tough economic conditions in South Africa.

As of August 2024, the headline Consumer Price Index (CPI) inflation rate slowed to 4.4% year-on-year, slightly below the South African Reserve Bank's (SARB) target midpoint of 4.5%, while core inflation stood at 4.1%. The decline in inflation was attributed to lower fuel prices, a stronger rand, the lack of load-shedding, and base effects related to food prices. Nevertheless, there were concerns about rising oil prices due to conflicts in the Middle East. In response to these inflation trends, the SARB reduced interest rates by 25 basis points to 8.00% in September 2024, marking the first rate cut in four years. The SARB adopted a more dovish stance than anticipated, suggesting the possibility of further rate cuts in the future.



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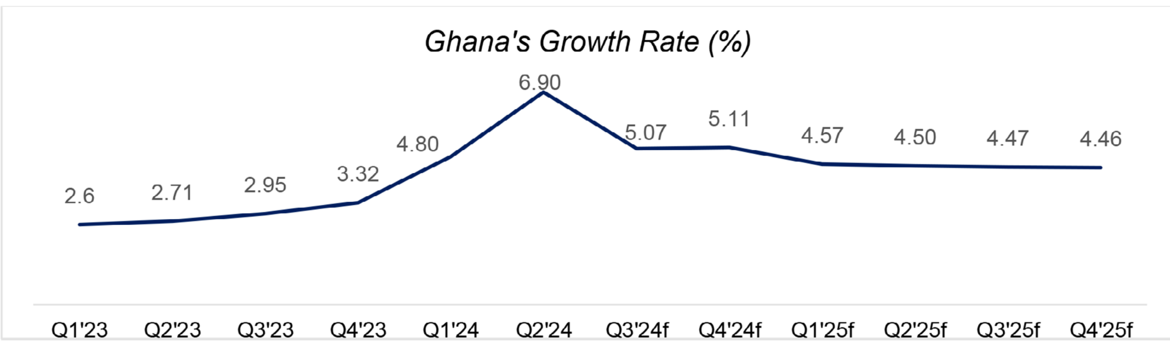
AFRICA

Ghana

As of Q2 2024, Ghana's economy showed remarkable growth, with real GDP increasing by 6.9% year-on-year—the highest growth rate in five years and a significant rise from the 4.8% recorded in Q1 2024. This strong performance was largely fueled by the industrial sector, with significant contributions from the services sector, especially in IT and finance. This growth surpassed economists' expectations and signified a resilient recovery from prior economic difficulties, including high public debt levels.

In September 2024, Ghana's inflation rate reversed its downward trend, rising to 21.5% year-on-year, up from 20.4% in August. This increase was linked to a poor food harvest and a declining base effect, marking the highest inflation rate since June 2024. The main driver of this rise was a jump in food prices, which surged by 300 basis points to 22.1% in September. This unexpected increase in inflation created challenges for the Central Bank of Ghana's year-end target range of 13% to 17%. The inflation rise in September 2024 represented a notable shift from the declining trend observed for five consecutive months prior, with August 2024's inflation rate at 20.4% year-on-year and a monthly deflation of 0.7%.



Source: Bloomberg
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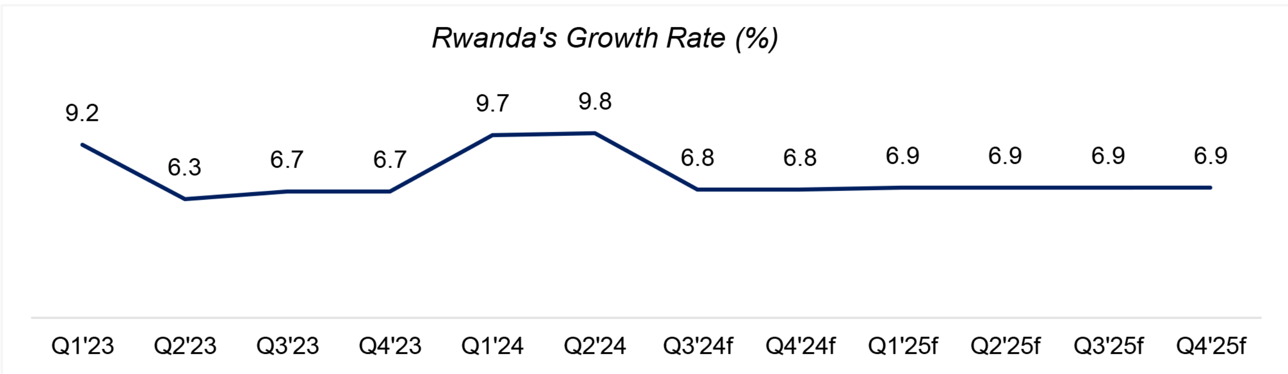
Rwanda

As of Q2 2024, Rwanda's economy exhibited strong growth, with real GDP increasing by 9.8% year-on-year, up from 9.7% in Q1 2024. This expansion was primarily driven by significant contributions from both the industrial and services sectors. The industrial sector saw a notable acceleration, with growth rising from 11% year-on-year in Q1 to 15% in Q2, largely due to construction and manufacturing activities. Similarly, the services sector grew from 8% to 10% year-on-year in Q2 2024.

The agriculture sector also made a positive contribution, achieving a growth rate of 7% year-on-year in Q2 2024, supported by an 8% increase in food crops and a 7% rise in livestock and livestock products. Rwanda's Consumer Price Index (CPI), the primary measure of inflation, rose by 2.5% year-on-year in September 2024, down from 5% in August 2024. Regarding Rwanda's primary inflation drivers in September 2024, the 'Food and non-alcoholic beverages' category experienced a decrease of 4.5% year-on- year, but increased by 2.5% month-on-month, while 'Housing, water, electricity, gas, and other fuels' saw a 4% increase on an annual basis and a slight rise of 0.1% compared to the previous month. Transport costs increased by 18.2% year-on-year, with a monthly increase of 0.1%.



Source: Bloomberg
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Section 2

THE NIGERIAN ECONOMY

The Nigerian economy continue to show resilience despite the significant impact of the bold reforms of the current administration. The reforms were aimed at addressing long- standing structural issues and propelling the economy towards accelerated growth. The CBN has continued its aggressive policy measures to combat inflation and support the exchange rate. With significant rise in MPR to 27.25%, commercial bank CRR to 50%, and merchant bank CRR to 16% among others. However, the Naira depreciated by 10.6% to N1,669.15 at the end of the third quarter from N1,508.99 in Q2 2024. The inflation rate slowed on a quarterly basis to 32.7% in September from 34.19% in June 2024. On a monthly basis it rose slightly to 32.7% in September after slowing for two consecutive months (July 33.4% & 32.15% in August 2024). The Central Bank of Nigeria (CBN) and the Federal Government project economic growth for 2024 at 3.38% and 3.88% respectively, while the International Monetary Fund (IMF) and the World Bank estimate a similar growth rate of 3.3%.

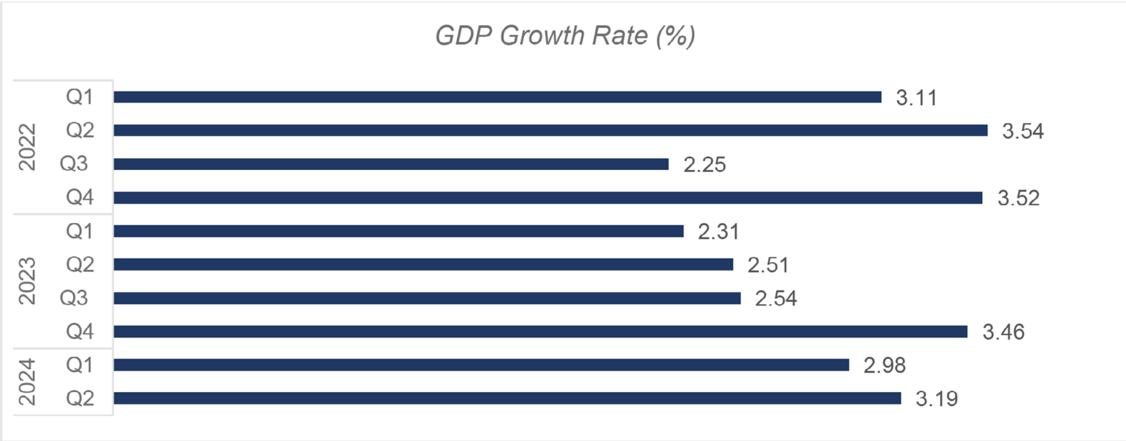
A snapshot of the domestic economy for Q3 2024 is presented below:

Real GDP rose to 3.19% in Q2 2024 compared to 2.98% in Q1 2024	Oil prices fell to $73.4/b in Sept 2024 from $86.59/b posted in June 2024	Exchange rate rose to □1,673.95/$ in Sept 2024 from □1,505.3/$ in June 2024
The ASI declined to 98,558.79 points in Sept 2024 from 100,057.49 point in June 2024	Reserves rose to $38.35bn in Sept 2024 from $34.19bn in June 2024	Inflation printed at 32.70% in September 2024 compared to 34.19% in June 2024
Composite PMI rose to 50.5 points in Sept 2024 from 50.1 points in June 2024	MPR rose to 27.25% in Sept 2024 from 26.25% in May 2024	Oil production rose to 1.32mbpd in Sept 2024 from 1.28mbpd in June 2024

2.1. GDP Growth

Nigeria's economy grew by 3.19% year-on-year in Q2 2024, accelerating from 2.98% in the previous three-month period. The crucial oil sector expanded by 10.15% in Q2, much faster than 5.70% in the previous period, driven by increased oil output. Additionally, the non-oil sector maintained solid growth at 2.80%, consistent with the pace in Q1, primarily driven by robust performance in the services sector, which expanded by 3.79% and accounted for 58.76% of GDP. Key contributors included Financial and Insurance services (28.79%) and Information and Communication, particularly telecommunications, which grew by 5.17%. Meanwhile, the industrial sector advanced by 3.53% and the agricultural sector rose by 1.41%.

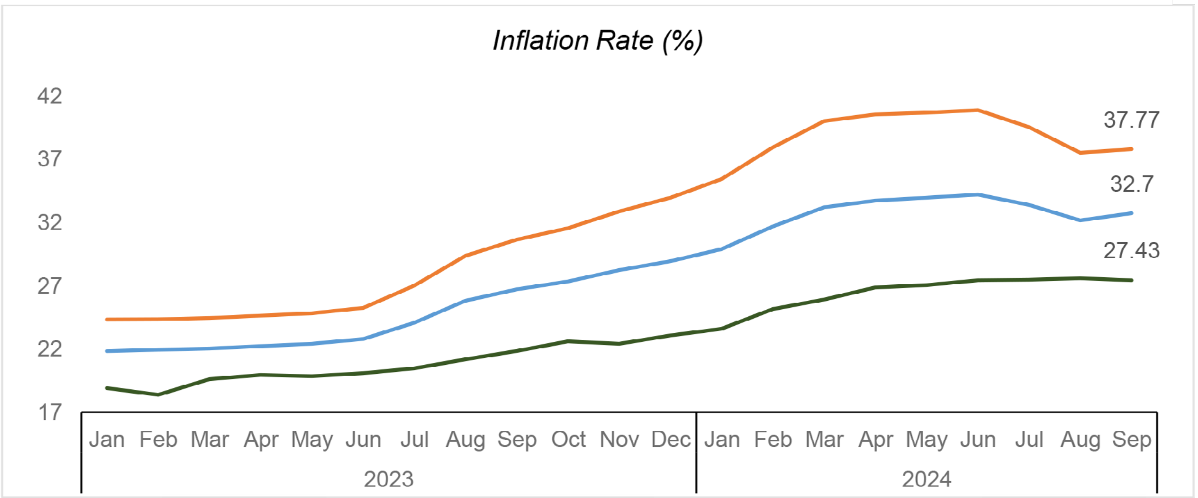
On a quarterly basis, GDP rose by 0.04% in Q2, reflecting a slight improvement in economic activities.



Source: NBS

2.2 Inflation

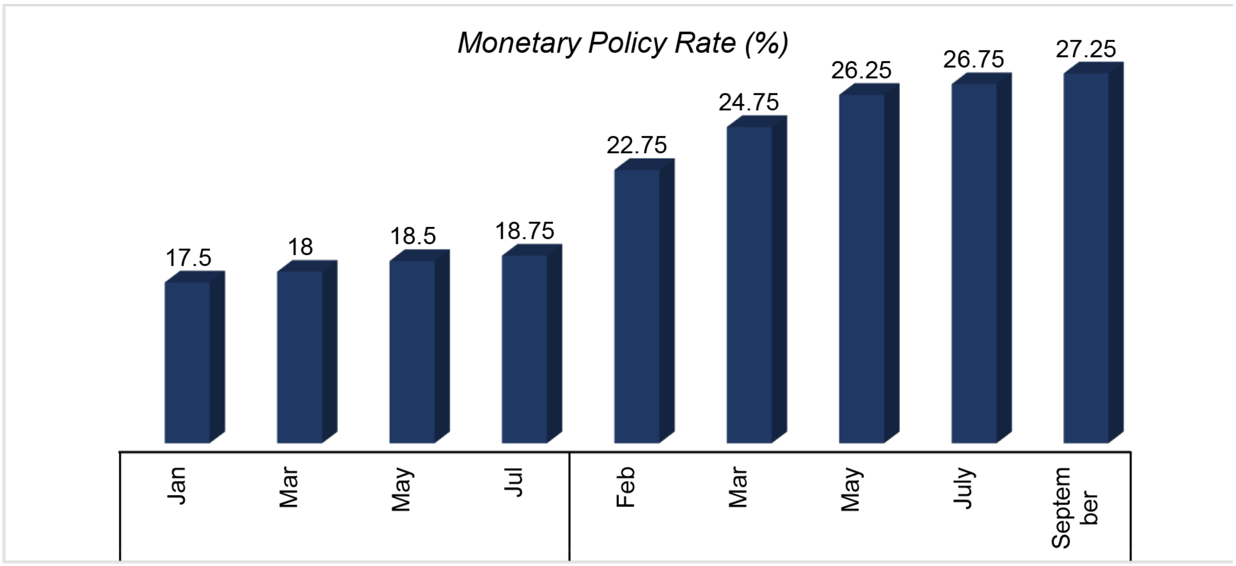
Nigeria's headline inflation rate for September 2024 rose to 32.70% after slowing consecutively in the previous two months of July and August, reflecting ongoing price pressure across the country majorly higher fuel prices. Food inflation, which makes up a significant part of the country's inflation basket, edged up slightly to 37.77%, up from August's 37.52%. Conversely, the annual core inflation rate, which excludes farm produce and energy, decreased slightly to 27.43% in September from 27.58%. On a monthly basis, consumer prices increased by 2.52% compared to 2.22% in the prior month.



Source: NBS

2.3 Monetary Policy

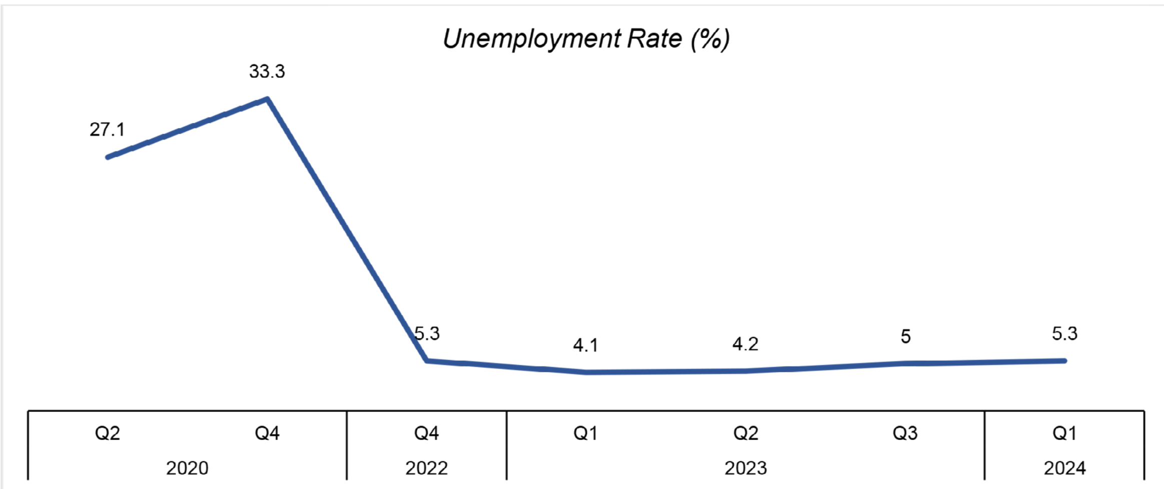
At its September 2024 meeting, the Central Bank of Nigeria decided unanimously to further raise its benchmark interest rate by 50 basis points, reaching a new record high of 27.25%. This marks the fifth consecutive increase aggregating to 850 bps this year. The move is intended to curb inflation, stabilize the naira, and attract investments. Governor Olayemi Cardoso highlighted that the series of rate hikes have contributed to moderating inflation and reiterated the bank's dedication to controlling it. The MPC observed that while headline inflation has decreased due to lower food inflation, core inflation remains high, mainly driven by increasing energy prices.



Source: NBS

2.4 Unemployment

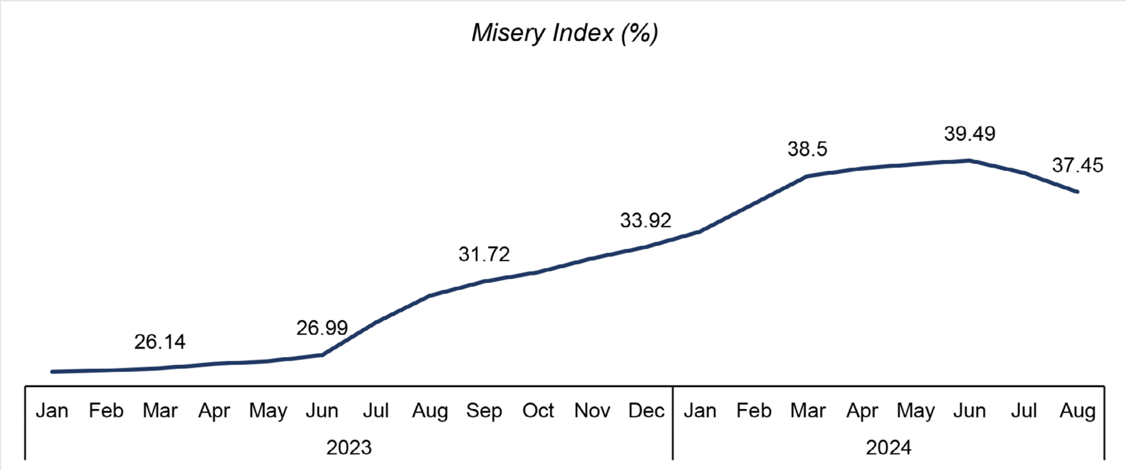
The Nigeria Labor Force Statistics report for Q1 2024 revealed that the unemployment rate increased to 5.3%, up from 5% in Q3 2023. The youth unemployment rate fell to 8.4% in Q1 2024, compared to 8.6% in Q3 2023. The report also highlighted that time- related underemployment, which measures the proportion of workers available for additional work hours, decreased to 10.6 per cent in Q1 2024 from 12.3 per cent in Q3 2023.



Source: NBS

2.5 Misery Index

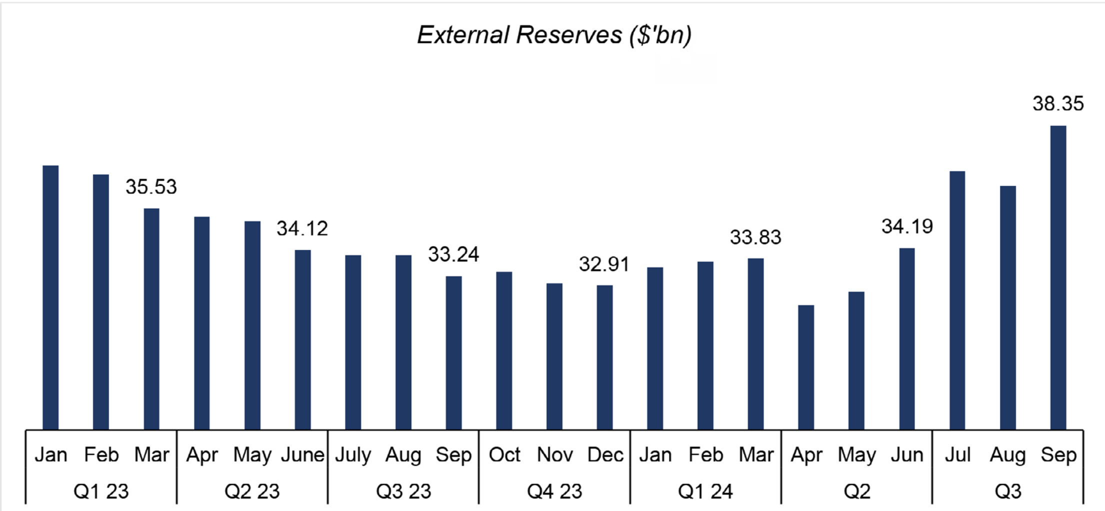
The misery index, which combines inflation and unemployment rates, decreased by 125 basis points to 37.45% in August 2024 from 39.49% in June 2024. The impact of the higher PMS prices and the depreciating currency became more evident in Nigerians' living standards in Q3 2024.



Source: NBS

2.6 External Reserves

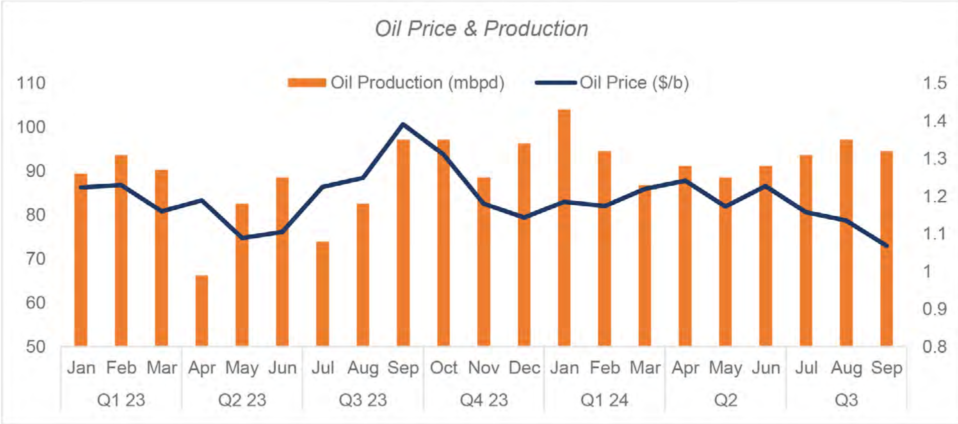
In Nigeria, increased foreign exchange inflows during Q3 2024 were driven by several factors, including higher oil production, foreign portfolio investments, and remittances. These inflows contributed to a positive quarter-on-quarter change in foreign reserves. By the end of Q3 2024, foreign reserves had increased to $38.35 billion, up from $34.19 billion at the end of the previous quarter. This rise in reserves reflects the country's improved ability to manage its external financial obligations and stabilize its currency amid global economic fluctuations.



Source: CBN

2.7 Oil Price & Production

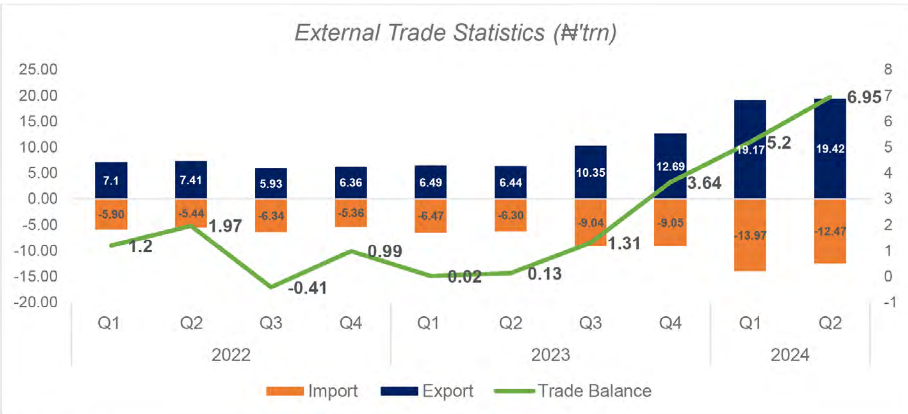
Oil prices fell in Q3 2024 owing to increased US inventories and depressed demand form China despite the heightened tensions in the Middle East and speculations that the Organization of the Petroleum Exporting Countries Plus (OPEC+) might extend supply cuts. Nigeria's oil production increased to 1.32 million barrels per day (mbpd) in September 2024, up from 1.28 mbpd recorded in June 2024, reflecting a rise of 48,133 barrels per day from June.



Sources: CBN, NUPRC

2.8 External Trade

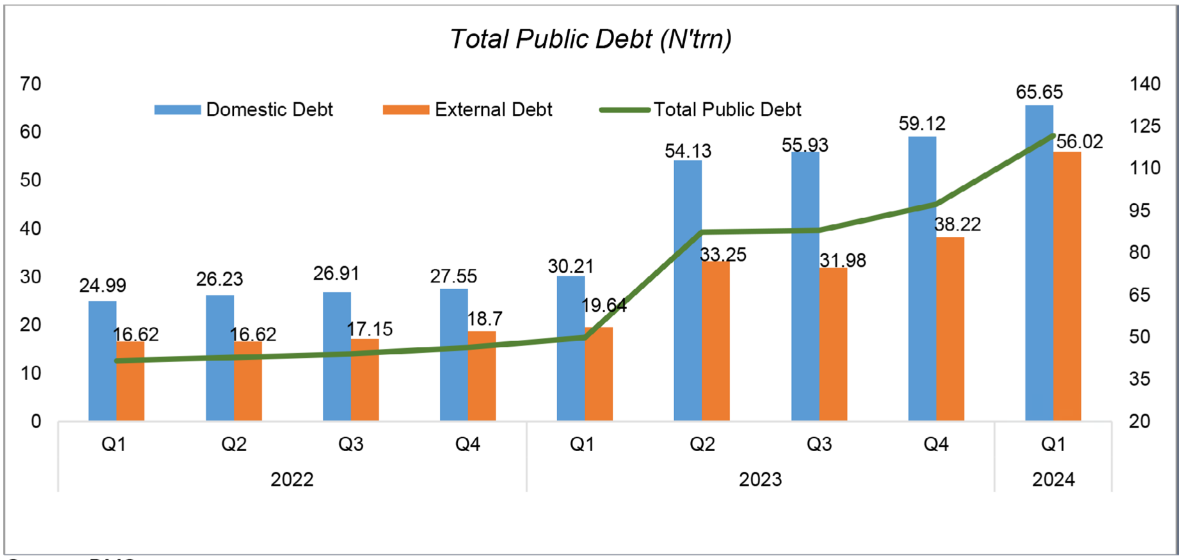
Nigeria's trade balance reached N5.19 trillion in Q2 2024, according to the latest Foreign Trade in Goods Statistics report from the National Bureau of Statistics (NBS). The total value of merchandise trade for the quarter stood at N31.89 trillion, reflecting a 3.76% decline from Q1 2024 but a remarkable 150.39% increase compared to Q2 2023. Exports accounted for 60.89% of total trade, amounting to N19.42 trillion, a substantial 131% rise from Q1 2024's export value of N19.17 trillion. During this period, import trade volume stood at N12.47 trillion, while exports totaled N19.42 trillion. Crude oil remained the dominant export, contributing N14.56 trillion, which represented 74.98% of total exports. Non-crude oil exports made up the remaining N4.86 trillion, accounting for 25.02% of export activity. In a separate development, the Debt Management Office (DMO) reported a highly successful $500 million Federal Government bond issuance, which was oversubscribed by 80%, reaching $900 million. This strong demand highlights growing investor confidence in Nigeria's economic outlook.



Source: NBS

2.9 Total Public Debt

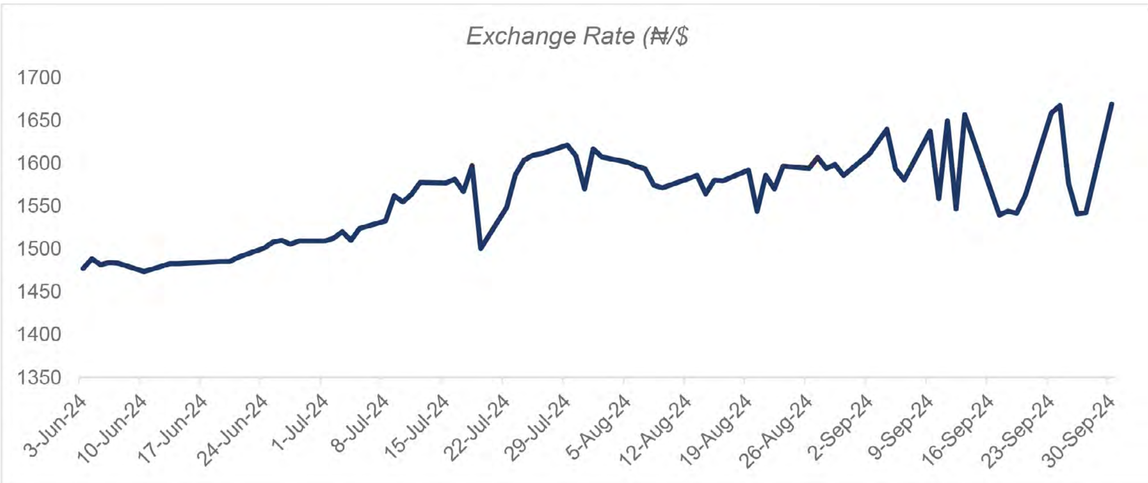
The Q1 2024 debt report from the Debt Management Office (DMO) revealed that Nigeria's total debt stock increased by 24.99%, rising from ₦97.34 trillion in Q4 2023 to ₦121.67 trillion. This substantial rise is largely due to new borrowings totaling ₦2.81 trillion, as part of the ₦6.06 trillion domestic borrowing outlined in the 2024 Appropriation Act, and an additional ₦4.90 trillion in domestic borrowing related to the securitization of the ₦7.3 trillion Ways and Means Advances approved by the National Assembly. The increase was also affected by the depreciation of the Naira, which fell from ₦899,39/$ in Q4 2023 to ₦1330.26 in Q1 2024. Domestic debt accounted for 53.95% of the total, amounting to ₦65.65 trillion ($49.35 billion), while external debt contributed 46.05%, totaling ₦56.02 trillion ($42.12 billion).



Source: DMO

2.10 Exchange Rate

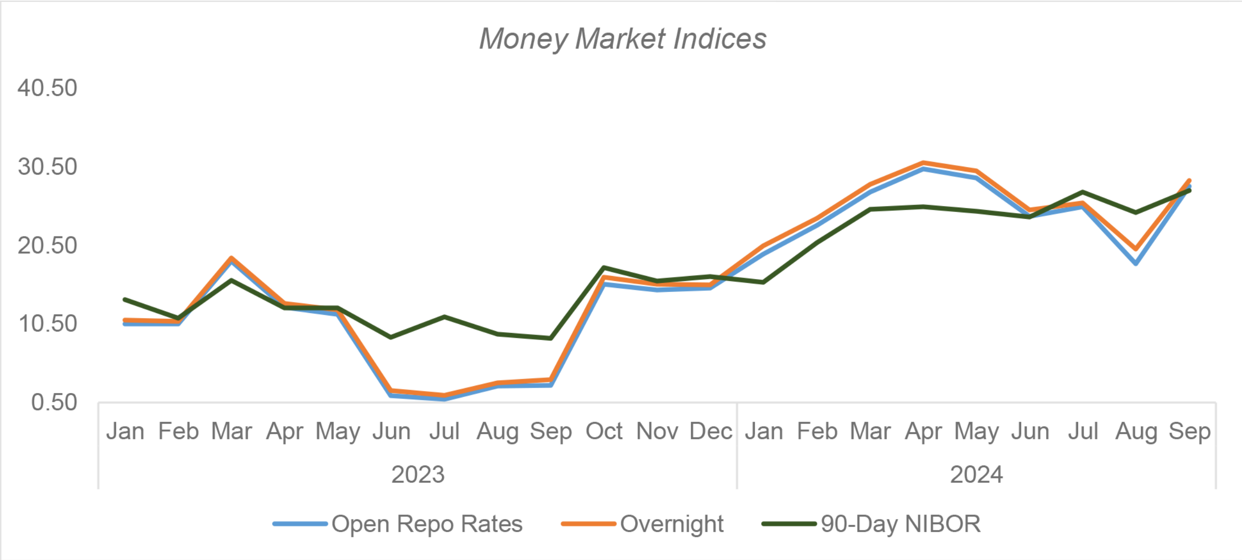
In Q3 2024, the official foreign exchange market experienced a significant shift in the exchange rate, primarily due to higher demand for the USD against limited supply. By the end of Q3 2024, the Naira was trading at ₦1,669.15/$ from ₦1,508.99/$ at the end of Q2 2024.



Source: FMDQ

2.11. Money Market

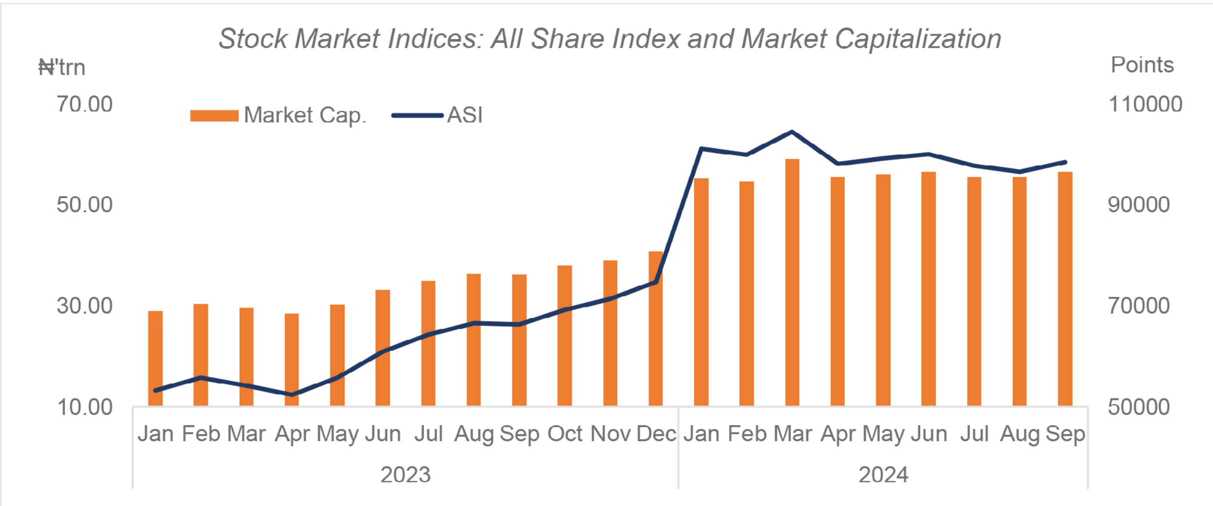
Depressed liquidity in the money market continued in Q3 2024 owing to CBN's tight monetary stance in combating inflationary pressures. Consequently, the Open Repo Rate (OPR) and Over Night (ON) rates surged to 28.03% and 28.72%, respectively, compared to 24.17% and 25.00% in the prior quarter. The 90-day Nigerian Interbank Offered Rate (NIBOR) also rose to 27.46% from 24.10%.



Source: FMDQ

2.12. The Stock Market

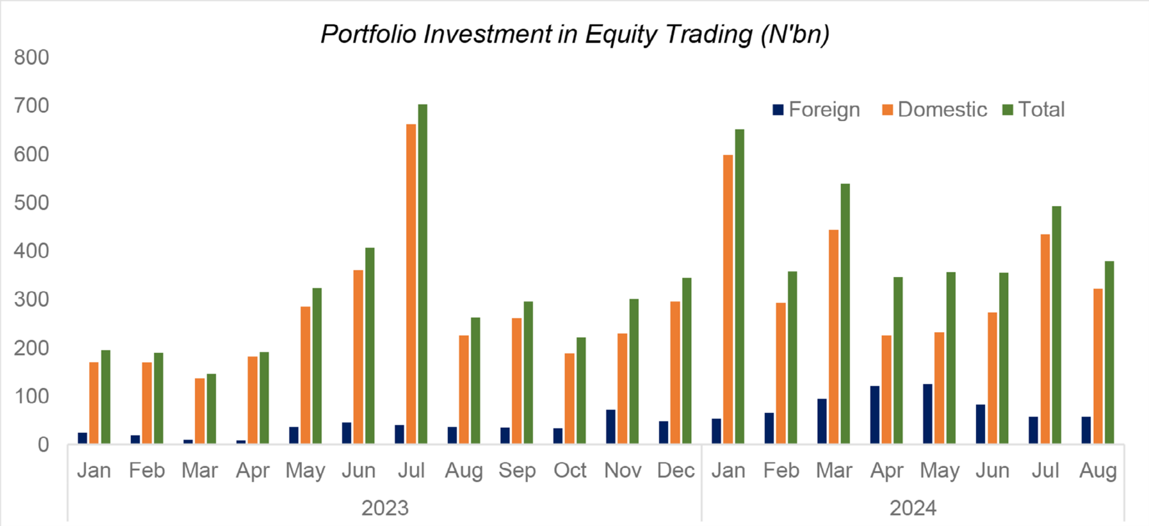
In Q3 2024, the Nigerian Exchange reversed its bullish trend slightly, as investors sought higher yields in the fixed income market. However, the banking and oil and gas sectors witnessed significant quarterly growth. The All-Share Index (ASI) fell to 98,559 points in September 2024, losing 1,499 points from 100,057 points in June 2024. Additionally, the market capitalization reached ₦56.64 trillion by the end of September 2024, from ₦56.6 trillion in June 2024.



Source: NGX

2.13. Portfolio Investment – NGX

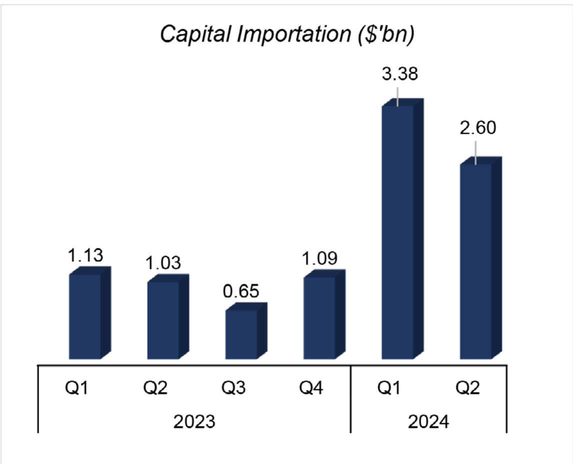
Total equity transactions in September 2024 amounted to ₦379.52 billion, up from ₦354.55 billion in June 2024. In August 2024, the total value of transactions executed byDomestic Investors outperformed transactions executed by Foreign Investors by circa 70%. Retail Investors outperformed Institutional Investors by 12%.

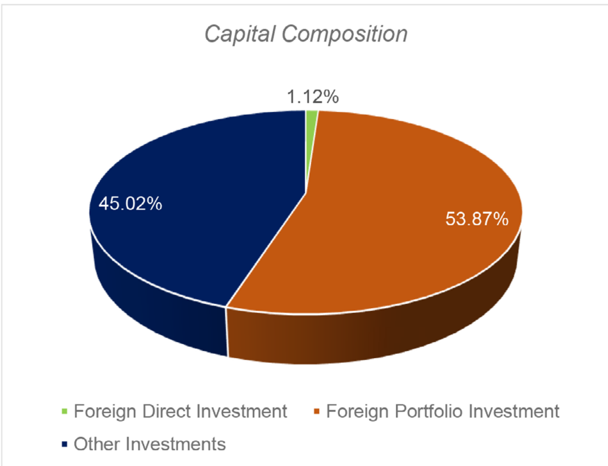


Source: NGX

2.14. Capital Importation

In Q2 2024, Nigeria's total capital importation surged to US$2.60 billion, a re markable 152.81% increase from the US$1.03 billion recorded in Q1 2024. However, when compared to the previous quarter, capital importation saw a 22.85% decline from the US$1.03 billion registered in Q1. Foreign Portfolio Investment (FPI) led the inflow, contributing US$1.40 billion, which accounted for 53.87% of the total. This was followed by Other Investments, totaling US$1.17 billion (45.02%), while Foreign Direct Investment (FDI) remained the smallest contributor at US$29.83 million, representing just 1.12% of the total capital importation in Q2 2024. The banking sector attracted the highest volume of inflows, receiving US$1.12 billion, or 43.15% of the total capital imported during the quarter. The manufacturing sector followed with US$624.71 million (23.99%), and the trading sector drew US$569.22 million (21.86%). Lagos State continued to dominate as the top destination for capital inflows, attracting US$1.37 billion, or 52.52% of the total, while Abuja (FCT) followed closely with US$1.24 billion, accounting for 47.48% of the overall capital imported.





Source: NBS

2.15. Purchasing Managers' Index

The Composite PMI for September 2024 rose to 50.5 index points from 50.1 in the previous quarter, signaling a continued expansion in economic activity and the second consecutive month of expansion. A sectoral breakdown reveals that the Services Sector expanded for the fourth straight month, while the Agricultural Sector grew for the second consecutive month. Although the Industry Sector remained in contraction, the pace of contraction slowed. Of the 36 subsectors reviewed across the Industry, Services, and Agriculture sectors, 23 sub-sectors experienced growth, with Cement posting the strongest growth during the review month. Conversely, 10 subsectors reported declines, with Transportation & Warehousing recording the steepest decline.

Source: CBN, Stanbic IBTC

2.16. Credit Ratings

Moody's Ratings, an international credit rating agency, upgraded its outlook on Nigeria from stable to positive. This change is due to the potential reversal of the country's fiscal and external challenges, attributed to recent reform efforts by the authorities. Moody's also affirmed Nigeria's long-term foreign currency and local currency issuer ratings at "Caa1". The agency notes that these policy changes, along with anticipated future reforms, enhance the prospects for improvement in Nigeria's fiscal and external credit profile.

Fitch Ratings maintained Nigeria's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'B-' with a Stable Outlook. The 'B-' rating reflects Nigeria's large economy, developed domestic debt market and substantial oil and gas reserves. However, it is constrained by weak governance, very low non-oil revenue, high reliance on hydrocarbons, security issues, high inflation, low net FX reserves and weakness in the exchange-rate framework. Although the government has made significant strides in reducing fuel subsidies and reforming the exchange rate, recent setbacks, such as diminished price discovery in the FX market, have cast doubt on the sustainability of these reforms, hence the stable outlook.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2.17. Socio-Economic Landscape

To mitigate the short-term inflationary impact of ongoing reforms, the government is implementing various social and economic initiatives. These include the approval of the regulation of the implementation of zero per cent duty rate Value added tax (VAT) exemption on selected basic foods. The new policy took effect on August 15, 2024, and will last till December 31, 2024. The measure aims to mitigate the high cost of food items in the Nigerian market by making essential commodities more affordable for citizens.

2.18. Financial Sector Developments

The Nigerian government introduced a windfall tax targeting banks' foreign exchange gain, initially set at 50% and later increased to 70% for 2023-2025. This tax applies retrospectively to profits realized in the 2023 financial year and extends to all foreign exchange profits accrued until the end of 2025. The Federal Inland Revenue Service (FIRS) oversees the assessment, collection, and enforcement of this levy, allowing banks to enter into deferred payment agreements with penalties for defaults. The steep hike in the windfall tax, combined with the existing 30% corporate income tax, imposes a substantial financial strain on banks.

The International Finance Corporation (IFC), a member of the World Bank Group, and the Central Bank of Nigeria (CBN) announced a partnership to expand local currency financing, unlocking over $1 billion in investments for critical sectors within Nigeria's economy. The agreement will deliver Naira-based funding to support agriculture, infrastructure, housing, energy, small and medium enterprises, and Nigeria's youth and creative industries. This initiative aims to enhance private sector growth by increasing access to affordable, long-term local currency financing, which is essential for reducing currency risks.

Section 3

OUTLOOK FOR Q4 2024 - Nigeria

GDP Growth

The economy is expected to remain resilient with growth expected to be at 3.20% in Q4 2024, However, ongoing protests across the country and decreased private consumption could pose challenges to this forecast.

Foreign Exchange

Foreign exchange is expected to fluctuate between 1,550 and 1,650 as the CBN continues to remain active in the market. However, the Naira is expected to strengthen as the dollar supply improves.

Crude Oil

Oil price is expected to remain above $75/b as current instability in the middle east and cuts from OPEC+ are expected to support the price. However, weak demand from key consuming economies and an increase in the US crude stockpile could weigh on oil prices.

Monetary Policy

Given the recent trends and the MPC's commitment to managing inflation and stabilizing the economy, it is likely that the MPC will continue to adopt hawkish stance in the near term. However, specific future actions will depend on ongoing economic conditions and external factors such as global oil prices and geopolitical developments.

Foreign Reserves

Improving oil production, import substitution and export promotion initiatives is expected to bolster reserves to around $40 billion - $43 billion.

Inflation

Inflation is expected to slow gradually toward the end of Q4 2024 due to the base effect and the implementation of aggressive tightening by CBN aimed at absorbing excess liquidity in the system, which is expected to counteract the rising inflationary pressure.