Nigerian Capital Markets Update

September 2019

Slowdown in the Nigerian economy

According to Nigeria’s National Bureau of Statistics (NBS), the Nigerian economy grew by 1.94% y/y in Q2 2019, below the 2.10% y/y growth recorded in the preceding quarter. The lacklustre performance in Q2 2019 (compared to Q1 2019) was mostly due to the performance of the non-oil sector, which grew by 1.64% (Q1 2019: 2.47%).

Capital importation declined by 31% to from US$8.49 billion in Q1 2019 to US$5.82 billion in Q2 2019, majorly driven by a decline in foreign portfolio investments (FPI). FPI dropped by 40% from US$7.15 billion in Q1 2019 to US$4.3 billion. Analysis of portfolio investments showed that the bulk of FPI inflow was channelled into money market instruments (82.21%).

Investments in equity and bonds, on the other hand, declined by 52.60% y/y and 20.96% y/y, respectively.

Despite the renewed activity in the primary equity market, the Nigerian Stock Exchange All Share Index (NSE ASI) recorded a decline of 5% from 31,430.50 as at the end of December 2018 to 29,966.87 as at the end of June 2019.

Decline in corporate Eurobond activity

Nigeria corporate Eurobond activity continues to wane amidst declining appetite for dollar borrowings. In 2018, the volume and value of Eurobond issuances declined by 67% and 75% respectively, compared to 2017, while no issuance was recorded as of Q2 2019 YTD. The market also witnessed some early redemptions of Eurobonds by issuers such as Access Bank PLC, First Bank of Nigeria Limited, and Guaranty Trust Bank PLC in order to reduce their funding cost, amongst other reasons. The last corporate Eurobond issuance was recorded in Q1 2018, by Seplat Petroleum Development Company PLC, raising $347 million.

The emergence of green bonds in the domestic bond market

Domestic debt market activity increased in Q2 2019, by 80%, in terms of value raised by issuers compared to Q2 2018. N54 billion was raised by three issuers as at Q2 2019 YTD. There has also been an increase in investors’ appetite for green bonds following the introduction of the green bond framework in the Nigerian capital market, and the issuance of the first sovereign green bond in Africa, by Nigeria in 2017. As at Q2 2019 YTD, two corporate green bonds have been issued in the market; the N15 billion 5-year green bond issued by Access Bank PLC and the N8.5 billion 15-year green bond issued by NSP-SPV PowerCorp Plc (the longest-tenured corporate bond to date and the second infrastructure bond issued in Nigeria).
Primary market activity opened on a positive note with the Nigerian Stock Exchange (NSE) recording its first initial public offering (IPO) in four years. Skyway Aviation Handling Company (SAHCOL) PLC concluded its Offer for Sale of 406.1 million shares valued at ₦1.89 billion in April 2019, albeit undersubscribed by 35%.

The government’s continued effort to encourage listings resulted in the much anticipated direct listing of MTN Nigeria PLC in May 2019. Also, the market recorded the second dual listing; Airtel Africa Plc listed its shares on both the London Stock Exchange (LSE) and the NSE in July 2019, raising $750 million.

The resumed primary activity in the equities market has gained traction among potential issuers. We expect to see more companies take advantage of the positive market sentiment before the end of the year.

We expect that the global trade tensions and its resultant global economic slowdown will further impact the performance of the equities market for the rest of the year as investors are being cautious of exposure to emerging markets. However, the positive growth outlook for Nigeria in 2019 and beyond, according to the July 2019 World Economic Outlook by the International Monetary Fund also places the country among the preferred emerging markets investment destinations for long term investors who are looking for higher yields and attractive returns on investment, especially in the more stable fixed income market.

Meanwhile, the ongoing recapitalization exercise in the insurance sector is expected to drive market activity, in the short to medium term, as insurance companies explore mergers and acquisitions, and other fundraising options to meet the new minimum regulatory capital requirements.

As part of the efforts to promote sustainable finance in the Nigerian debt capital markets, the city of Lagos recently joined other world’s leading international financial centres as a member of the International Network of Financial Centres for Sustainability (FC4S Network). The initiative, which was supported by FMDQ, puts the Nigerian capital markets in a position to unlock the much-needed global sustainable investment, currently valued at over $30 trillion, especially in the areas of infrastructure financing.

In a similar vein, integration of the West African Capital markets received another boost as the West African Securities Regulatory Authorities (WARSA) agreed to issue a framework for cross-border issuance of fixed income securities within the West African sub-region. This is expected to foster a globally competitive regional market by ensuring market liquidity and efficiency in terms of capital movement.
A better path to capital

From IPO financing to executing a debt offering to ongoing regulatory reporting, our capital markets team can help you identify new ways to access capital or focus investment where it matters most. Our independent professionals equip you with the objective, unbiased guidance that you need so that you can make decisions for growing your business. We help you in areas including:

- Capital structure, capital raising, and capital alternatives
- Financial structuring
- Complex accounting and reporting issues
- IPOs, 144a debt offerings, divestitures, and carve outs
- Our capital market professionals sit at all corners of the globe – so no matter where you need to access capital, we can help to make it happen. Whether it’s accessing existing, new or alternative funding sources, our global network works together so you can get to market faster.

For a deeper discussion about our capital markets offerings in Africa, please contact one of our practice leaders:

**West Africa**  
Omobolanle Adekoya  
ombobolanle.adekoya@pwc.com  
+234 271 1700 Ext 39024

Alice Tomdio  
tomdio.alice@pwc.com  
+234 271 1700 Ext 39051

**Global IPO Centre**  
Ross Hunter  
ross.hunter@pwc.com  
+44 20 7804 4326

**Southern Africa**  
Craig Du Plessis  
craig.du.plessis@pwc.com  
+27 11 797 4055

Andrew Del Boccio  
andrew.del.boccio@pwc.com  
+27 11 287 0827

Peter McCrystal  
peter.mccrystal@pwc.com  
+27 11 797 5275

**East Africa**  
Anthony Murage  
anthony.murage@pwc.com  
+254 20 285 5347

Jean-Philippe Duval  
jean.philippe.duval@pwc.com  
+33 6 72795011

Douty Fadiga  
douty.fadiga@pwc.com  
+225 20 31 54 38

**Francophone Africa & Maghreb**  
Jean-Philippe Duval  
jean.philippe.duval@pwc.com  
+33 6 72795011

**North Africa**  
Steve Drake  
s.drake@ae.pwc.com  
+971 4 304 3421