

Nigeria Capital Market Update

August 2022

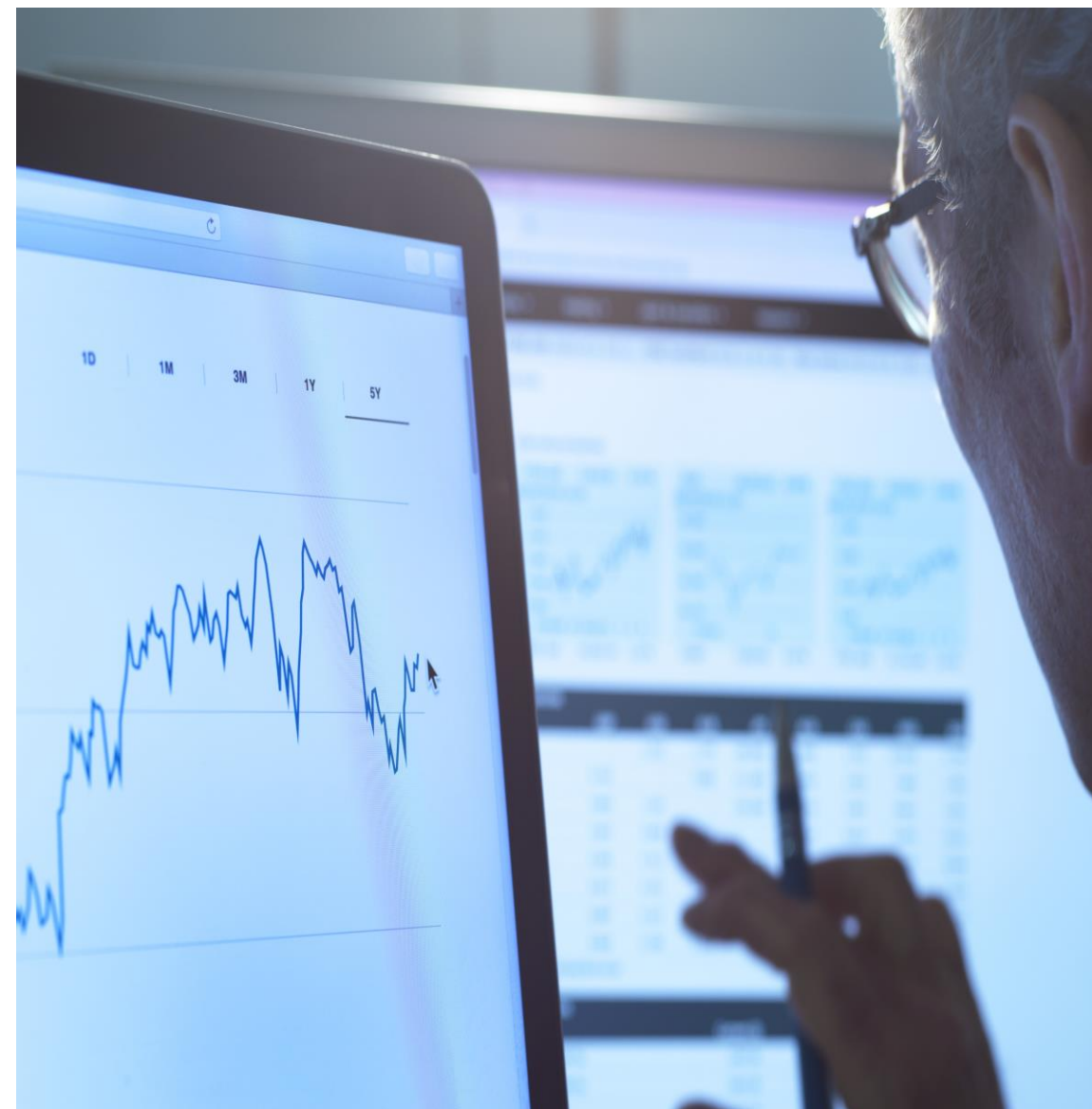


About the report



The Nigerian capital market update report is an annual research report providing useful insights on the performance of the domestic equity and capital market as well as some major activities domestically and across other African markets.

This version of the report covers events from the last date of the previous publication (September 2021) till June 2022.



In Q1 2022, the Nigerian economy grew by 3.11% Y-o-Y while Inflation rose to its highest level in the last five years at 18.60% as at Q2 2022.



Gross domestic product

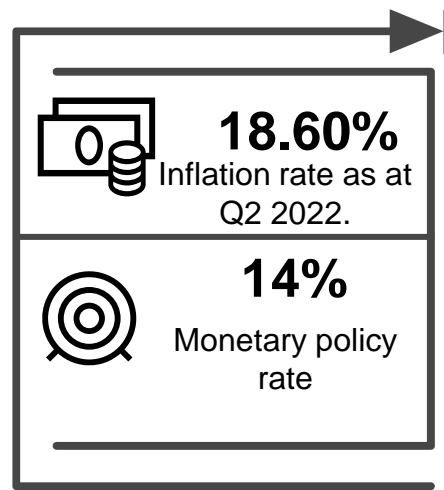


- Increase was largely supported by the non-oil sector which grew by 6.08% and contributed 93.37% to GDP.

Growth in non-oil sector was driven by:

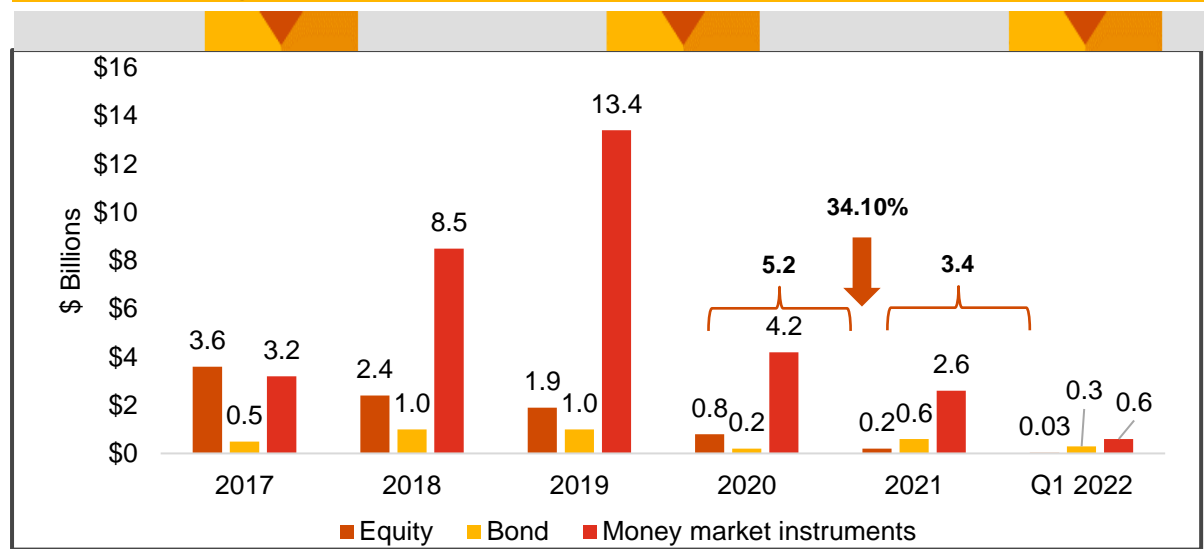


Inflation

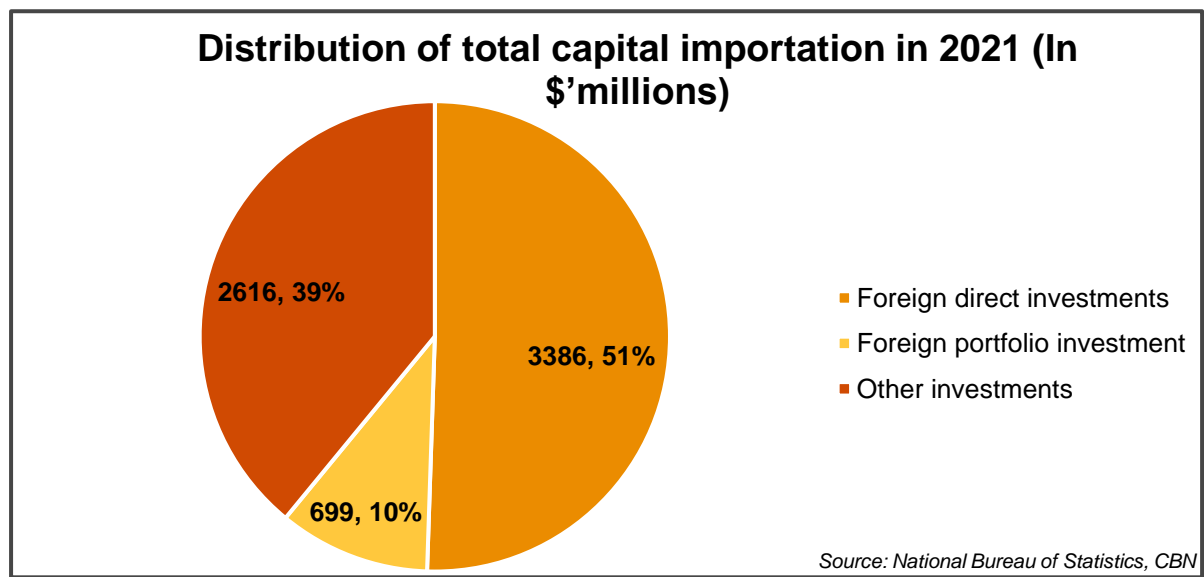


- Fueled by shortage of foreign exchange, depreciation of the Naira, rising energy prices due to the Russian-Ukraine crisis, increase in the level of insecurity in the country resulting in food shortages as well as the upcoming 2023 general elections.
- The Central Bank of Nigeria (CBN) raised the Monetary Policy Rate (MPR) to 14% from 13%.

Foreign portfolio investment trend, 2017- March 2022



Distribution of total capital importation in 2021 (In \$'millions)



Source: National Bureau of Statistics, CBN

Despite this, the domestic equities market was ranked as the 4th* best performing market index globally as at June 2022.

Return: posted by the NGXASI as at June 2022.

21.3%

25%

Delistings: Number of delistings YTD June 2022.

2

1

Listing: Listing by introduction of BUA foods with 18billion ordinary shares, adding NGN720 billion to the market capitalisation of the NGX.

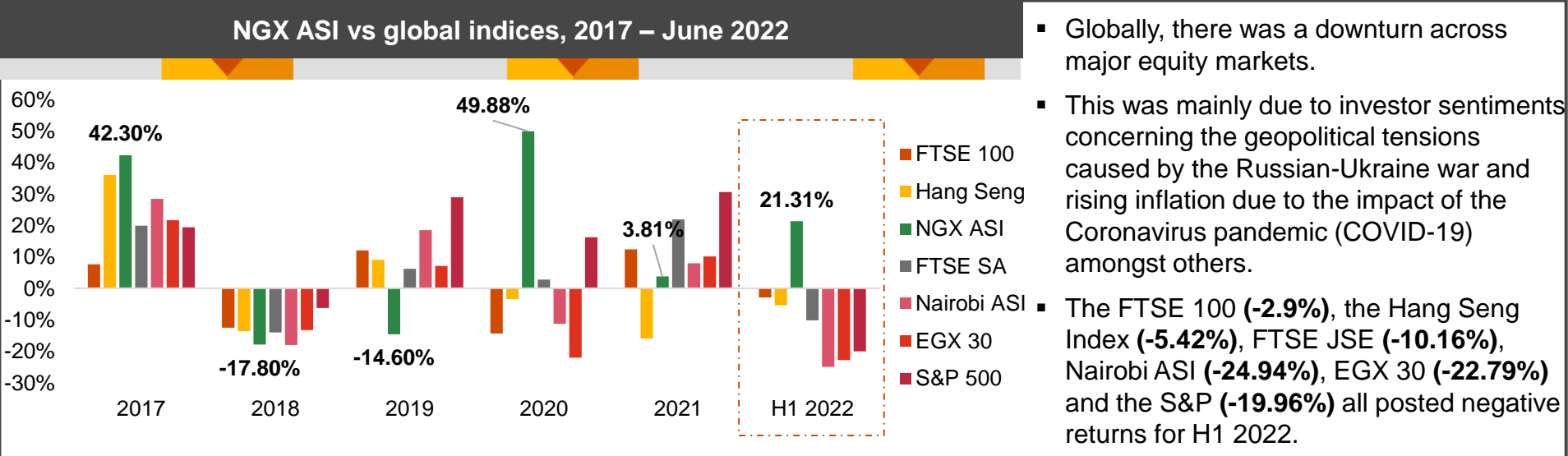
PFA's increased investment in equity: an increase of 4.93% relative to January 2022.

N1.007 trillion

4th

In H1 2022, the NGX was ranked as the 4th* best performing index globally, according to Bloomberg.

* Dropped to 7th best performing index globally as at July 25th, 2022.

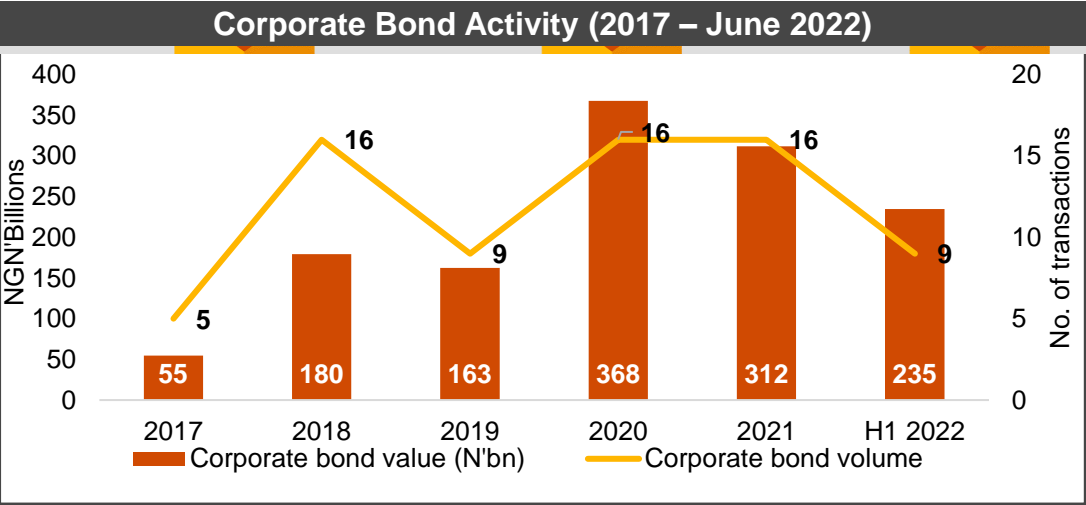


NASD as at 30 June 2022	
NASD Security Index (NSI) return YTD	2.14%
NSI	774.03 points
Market capitalisation	NGN1.02 trillion

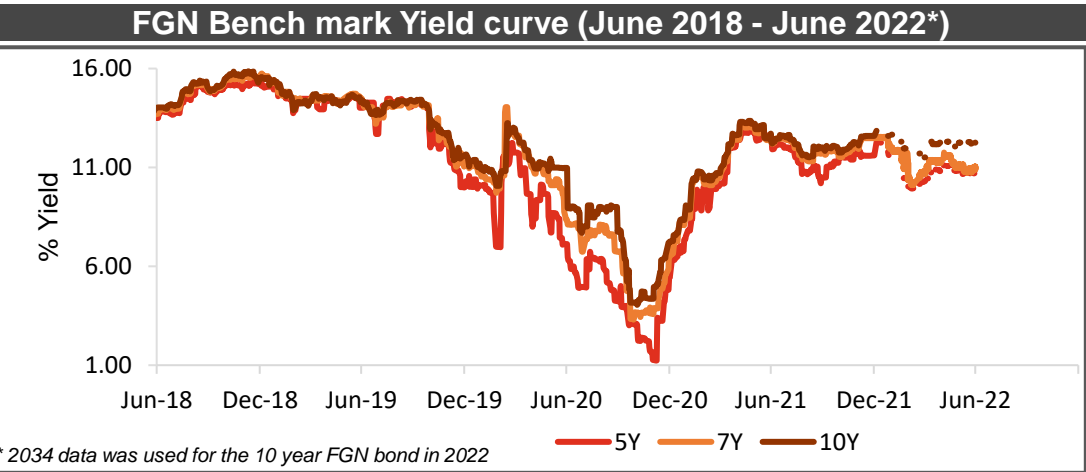
Source: NGX , NASD, and PwC research

About NGN235billion was raised via corporate bonds issuances from January to June 2022, as companies continue to access the corporate debt market to raise funds.

Dangote Cement Plc bond issuance of NGN116billion in May 2022 recorded as the largest corporate bond issuance in the history of the Nigerian capital market as at H1 2022.

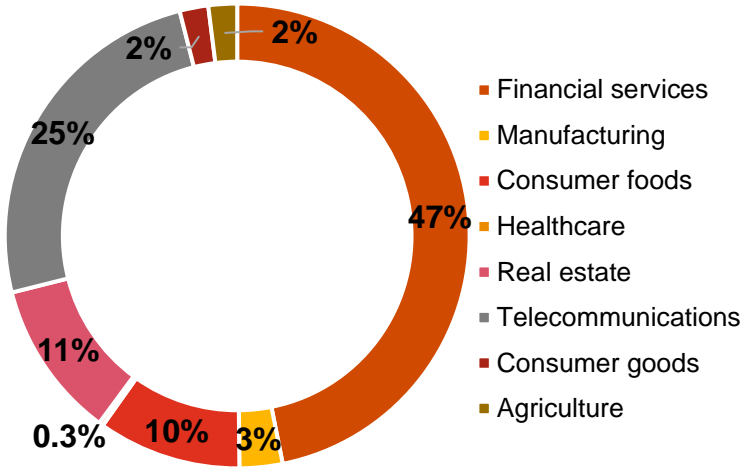


The yield on the benchmark 10-year FGN bond declined from 12.6% as at the end of 2021, to 12.26% as at June 2022.



Commercial papers

The Financial services sector accounted for 47% of total issuances for H1 2022.



NGN500billion

Value of commercial papers issued in H1 2022

58

Number of issuances / transactions

45.55%

The top three issuances accounted for 45.55% of total value raised

Across Africa, the West Africa Capital Market Conference was held, while the Ghana Stock Exchange (GSE) had its first listing in two years.

Across Africa

West Africa Capital Market Conference

The West Africa Securities Regulators Association (WASRA) held its biennial West Africa Capital Market Conference (WACMaC) in Accra, Ghana, from 23rd May to May 25th May 2022, themed “Deepening and Strengthening the Capital Markets across West Africa Through Effective Regulation”.

Speakers at the conference agreed on the importance of closer collaboration and integration of the West African sub-region’s capital markets. The focus was on how effective regulation can enable the deepening and strengthening of the capital markets in the sub-region.

The African Exchanges Linkage Project (AELP) onboards 30 brokerage firms and integrates 2 additional exchanges.

The drive to integrate African capital markets inched a step closer to realisation as the African Securities Exchanges Association (ASEA), through its flagship project, the AELP, onboarded 30 brokerage firms to facilitate cross-border trading and free movement of investments in the continent.

In the same vein, the ASEA admitted the Botswana Stock Exchange and the Ghana Stock Exchange to the AELP, thus enlarging the community of exchanges, from the original seven, integrated through the AELP.

Ghana Stock Exchange (GSE) first listing in two years

The GSE registered its first listing on the main market in the last two years. Asante Gold Corporation (GSE:ASG), an indigenous Ghanaian mining multinational company, floated about 350 million shares into the domestic equities market following approval from the Securities and Exchange Commission as well as the GSE. The listing would promote local ownership and allow Ghanaians to own shares in the company.



Globally, although there was a slowdown in initial public offering (IPO) activity, the global sustainable bond market raised \$442 billion in the first six months of 2022.

Global markets

Progress made in the creation of a single capital market in the European Union (EU)

The EU has taken some key steps in 2022 towards the integration of capital markets across member countries. These steps include the European Commission's proposal to simplify the settlement of securities, the Council of the EU's agreed positions on the 2021 legislative proposals made by the Commission, as well as the newly proposed regulation to simplify listing and post-listing requirements for certain types of companies in order to reduce costs and increase legal certainty for issuers, while safeguarding investor protection and market integrity.

Slowdown in global Initial Public Offering (IPO) activity following a record year in 2021

Year to date, global IPO volumes fell 46% to 630 deals, with proceeds down by 58% to \$95.4 billion. Relative to Q1 2022, America recorded the biggest decline in volumes and proceeds among all regions in Q2 2022. India and the Middle East performed relatively better than other regions amidst a generally bearish market.

Many IPOs were postponed due to heightened market volatility caused by unfavorable macroeconomic variables, poor post-IPO share price performance, geopolitical tensions, and declining valuations.

Global sustainable bond market raises \$442 billion in the first six months of 2022

According to global law firm Linklaters, a total of 835 green bonds have been issued globally since the start of 2022 following a record year for green bonds in 2021. In H1 2022, \$53 billion was raised – a 26.19% increase relative to H1 2021.

Momentum continues to build as companies back up their climate and net zero pledges with actions.



A number of major activities occurred in the Nigerian capital market in the period under review.

Some of these include:

Introduction of SEC Rules on Robo Advisor

- The Rules distinguishes between Robo-advisors and fully automated Robo-advisors and provides regulatory requirements to be complied with.

Launch of the first Central Counterparty Services (CCP) in Nigeria

- Launched by NG clearing, it is the first of its kind in West Africa.
- Established to facilitate the clearing and settlement of exchange-traded derivatives and commodities,

Nigeria Launches eNaira

- Africa's first Central Bank Digital Currency (CBDC) was launched by the Central Bank of Nigeria.
- According to the CBN, it is expected to accelerate financial inclusion, increase cross border trade, boost cheaper and faster remittance inflows among other benefits.

Nigeria Exchange Limited (NGX) launches West Africa's first exchange-traded derivatives market

- West Africa's first Exchange Traded Derivatives (ETD) Market with Equity Index Futures Contracts.
- Promotes risk diversification in the market and investor inclusion.

First ever Digital offer in the Nigerian market

- MTN Group offered 575 million units of MTN Nigeria shares for sale in the first ever end to end digital offer in the Nigerian Capital market in Dec 2021.

Introduction of SEC Rules on Digital Assets

- The Rules provide a clear regulatory framework for the growth of the digital asset market in Nigeria.
- [See link to PwC thought leadership on digital assets](#)

Payment Service Banks

- Airtel Africa, obtained license from CBN and has officially launched SmartCash Payment Service Bank (SmartCash PSB), its wholly-owned fintech subsidiary.
- MTN Nigeria PLC also established its fintech subsidiary, MoMo Payment Service Bank Limited, to drive financial inclusion and offer a wide range of financial service products in rural and remote areas of the country.
- Both Fintechs fully commenced operations on the 19th of May 2022.

AFEX launches Cocoa Tree Planting Initiative

- AFEX aims to plant one million cocoa trees in cocoa-producing regions in Nigeria.
- To contribute to the protection, sustainability, and economic resilience of the entire cocoa ecosystem while creating food security, foreign exchange earnings diversification among others.

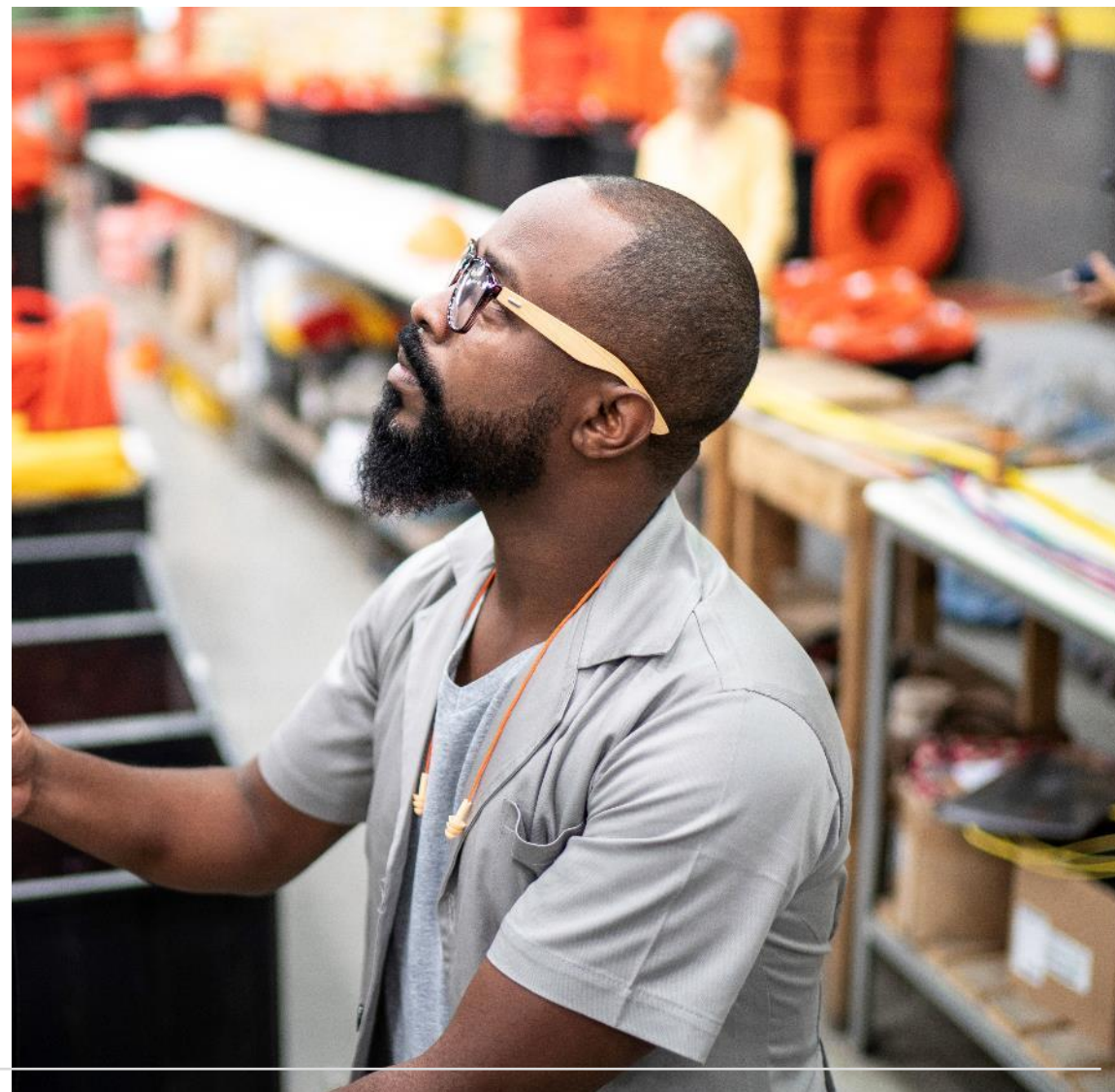
What lies ahead...

As the world continues to recover from the impact of COVID-19, several economies are slowing down more than expected. Globally, the outlook for the second half of the year looks uncertain as global indices recorded declines in H1 2022. According to the World Bank Global Economic Prospects report, growth is expected to slow down to 2.9% in 2022 as Russian's invasion of Ukraine continues to disrupt activities and trade. Heading into the second half of the year, continued effects of the Russia-Ukraine war and policies by central banks to fight rising inflation rates might affect the performance of capital markets.

At a national level, high insecurity which has caused food shortages across the country and the persistent unavailability of foreign currency would likely impact the current rate of inflation. In terms of revenue, Nigeria's crude oil export revenue has a positive outlook due to the increase in oil prices but would only be able to reap the benefits if production is ramped up as the daily production quota set by OPEC is not being met. Crude oil average daily production as at Q1 2022 stood at 1.49mbpd in comparison with the 1.772mbpd quota set by OPEC in June 2022.

The recent increase in MPR may influence the direction of the market. However, as institutional and retail investors seek higher real returns, an avenue exists for corporates to access funding from the corporate debt market.

Although the results of the upcoming elections are uncertain, this might play a role in investor sentiments across all markets.



About us



Other Africa Capital Markets publications



PwC's Capital Markets Watch is an annual report that focuses on equity and debt capital markets transactions in Africa.

The report provides a detailed and insightful analysis of major trends across Africa's capital markets, including information on initial public offerings (IPOs), further offerings (FOs) and debt issuances on African exchanges, and of African companies globally.

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

omobolanle.adekoya@pwc.com
+234 271 1700 Ext 39024

Elizabeth Ekpo

elizabeth.ekpo@pwc.com
+234 271 1700

Southern Africa

Ashley Schoombee

a.schoombee@pwc.com
+27 (0) 11 797 4960

Peter McCrystal

peter.mccrystal@pwc.com
+27 (0) 11 797 5275

East Africa

Anthony Murage

anthony.murage@pwc.com
+254 20 285 5347

Egypt

Maged Ezzeldeen

Maged.ezzeldeen@pwc.com
+20 (0) 2 27597877

Francophone North Africa

Mehdi Aouni

mehdi.aouni@pwc.com
+212 522 999 830

Francophone sub-Saharan Africa

Douty Fadiga

douty.fadiga@pwc.com
+225 20 31 54 00



Acknowledgements

We would like to thank Elizabeth Ekpo, Nosakhare Agbonlahor, Fatimo Adeniyi, Lorretta Anindu, Chinelo Obuagbaka and Ehiozogie Uwamose for their important contributions to this publication.

Thank you



© 2022 PwC. All rights reserved. Not for further distribution without the permission of PwC. "PwC" refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network. Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm's professional judgment or bind another member firm or PwCIL in any way.