The second quarter of 2021 marked three consecutive quarters of economic growth (year-on-year) as the Nigerian economy continues to recover from the headwinds experienced in 2020. According to the National Bureau of Statistics (NBS), real gross domestic product (GDP) grew year-on-year by 5.0% in Q2 2021. However, relative to Q1 2021, the economy contracted by 0.8%. The Services, Industrial and Agricultural sectors contributed 55%, 22% and 23% respectively to the aggregate real GDP as at H1 2021.

Capital importation into Nigeria stood at $2.79billion in H1 2021, a 61% year-on-year decline when compared to the $7.15billion recorded in H1 2020. Of the $2.79billion, Foreign Portfolio Investment (FPI) accounted for 54.8%, while Other investments and Foreign Direct Investment (FDI) accounted for 36.8% and 8.4% respectively.

In terms of macroeconomic policy, in line with the CBN’s drive to unify the exchange rate, the NAFEX rate was adopted as the official exchange rate in May 2021, signaling a naira devaluation by 7.6%. Meanwhile headline inflation was 17.4% as at July 2021, up by 4.6% from the 12.8% recorded in July 2020.

The challenging macroeconomic landscape impacted the performance of the equities market, as the Nigerian Exchange Group All Share Index (NGX ASI) posted a negative return of -5.87% in H1 2021.

<table>
<thead>
<tr>
<th>Year</th>
<th>Equity</th>
<th>Bonds</th>
<th>Money market instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0.9</td>
<td>0.4</td>
<td>0.6</td>
</tr>
<tr>
<td>2017</td>
<td>3.6</td>
<td>0.5</td>
<td>3.2</td>
</tr>
<tr>
<td>2018</td>
<td>2.4</td>
<td>1.0</td>
<td>8.5</td>
</tr>
<tr>
<td>2019</td>
<td>1.9</td>
<td>1.0</td>
<td>13.4</td>
</tr>
<tr>
<td>2020</td>
<td>0.8</td>
<td>0.2</td>
<td>4.2</td>
</tr>
<tr>
<td>H1 2021</td>
<td>0.1</td>
<td>0.2</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Source: National Bureau of Statistics, Nigeria
Equities market activities started on a positive note, with the NGX ASI reaching an all-year high of 42,412 points in January 2021, following a 50% return recorded in 2020. However, these gains were gradually eroded as the upturn in yields in the fixed income markets, rising inflation, adverse exchange rate movements and instability, weak participation of foreign portfolio investors, and profit taking by investors led to sell-offs.

As at June 2021 year-to-date, returns on the equities market proxied by the NGX ASI dipped by -5.87%, while market capitalisation shed N1.297 trillion (a dip of 6.13%). Relative to other global and emerging market indices, the Hang Seng Index (4.93%), FTSE 100 (10.90%), S&P 500 (14%), FTSE SA (8.74%), Nairobi ASI (14.08%) all recorded positive returns while the EGX 30 recorded a negative return of -5.43% as at June 2021 year-to-date. In the West-African sub-region, the Ghana Stock Exchange posted a positive return as the GSE composite index recorded a 36% increase as at H1 2021.

In terms of secondary market activities, domestic retail and institutional investors accounted for 32% and 46% respectively, with foreign participation representing 22% of trading activities in H1 2021. While the IPO market remained inactive, issuers continue to take advantage of the capital markets to fund their growth objectives; a total of N13.6 billion was raised by two issuers in follow-on rights issues as at 3 September 2021.

Source: NGX and PwC research
Debt market

The yield on the benchmark 10-year FGN bond increased from 7.3% as at the end of 2020, to 12.7% in June 2021 and hovered around 11.4% as at the end of August 2021.

Rising inflation coupled with the dip in stock market returns meant investors have had their interest increasingly skewed towards fixed-income assets, thereby offering corporates incentive to access funds needed for growth, debt refinancing among other uses.

In H1 2021, landmark corporate issuances include the N41.21billion issuance by Fidelity bank in February. The 10-year bond was the largest by a Nigerian bank. Furthermore, the market also witnessed the debut N110billion issuance by MTN Nigeria Communications Plc in May – marking the first-time issuance by a telecommunications company. Proceeds are to be channeled towards refinancing existing debt, as well as developing infrastructure. Summarily, a total of N246.24billion was raised in 11 corporate bond issuances in the first half of 2021. Over the last five years, the market has seen a 23% compound annual growth rate in the value of corporate issuances.

Furthermore, sub-nationals are increasingly adopting alternative financing structures to fund critical infrastructure projects through the private debt market amidst dwindling statutory transfers from the central government. This demonstrates the potential of the private debt market, which is at its nascency, in unlocking private investments for infrastructure funding.

| Year | # of transactions | N'billions
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>6</td>
<td>88.37</td>
</tr>
<tr>
<td>2017</td>
<td>5</td>
<td>54.7</td>
</tr>
<tr>
<td>2018</td>
<td>16</td>
<td>179.5</td>
</tr>
<tr>
<td>2019</td>
<td>9</td>
<td>162.5</td>
</tr>
<tr>
<td>2020</td>
<td>16</td>
<td>367.59</td>
</tr>
<tr>
<td>H1 2021</td>
<td>11</td>
<td>246.24</td>
</tr>
</tbody>
</table>

Source: NGX and FMDQ
Over N2trillion has been raised through the commercial paper market between 2017 and June 2021 as large corporates and blue chip companies continue to access the CP market for their short-term funding and working capital from a diverse pool of investors. In H1 2021, a total of N237.7billion was raised in 33 commercial paper issuances by 13 entities.

The industry spread shows that the financial services and telecommunications sectors had 50% and 31% share respectively of the value raised in H1 2021, with consumer goods and real estate having 9% and 4% respectively, and 6% represented issuances from Other sectors. MTN Communications Plc had the largest issuance in H1 2021, with a 31% share (N73.5 billion) of the total value raised, followed by Coronation Merchant Bank limited and Union Bank Plc with 22% and 15% share, respectively.
Exchange demutualisation
❖ The NGX Group Plc successfully completed its demutualisation process that started in 2017 and subsequently listed its shares on the NASD OTC securities exchange.
❖ The demutualisation created the NGX Group, and three subsidiaries; Nigerian Exchange Limited (NGX Limited) – which acts as the operating exchange; NGX Regulation Limited (NGX REGCO) and NGX Real Estate Limited (NGX RELCO)

Derivatives market
❖ The Nigerian Exchange Limited (NGX) received approval for seven derivative contracts from the Securities and Exchange Commission (SEC). The approved contracts are Access Bank Plc Stock Futures, Dangote Cement Plc Stock Futures, Guaranty Trust Bank Plc Stock Futures, MTN Nigeria Communications Plc Stock Futures, Zenith Bank Plc Stock Futures, NGX 30 Index Futures and NGX Pension Index Futures.
❖ The approval was obtained after the successful registration of the NG Clearing by SEC, as a premier Central Counterparty, effective 7 June, 2021. It was reported that NGX is inching closer to launch West Africa’s first Exchange Traded Derivatives supported by NG Clearing in the risk management process.

Implementation of crowdfunding rules
❖ The SEC crowdfunding rules came into force in January 2021 and all fundraisers and investment-based crowdfunding platforms were required to comply with the rules by 30 June 2021.
Across other African markets

Wael African Markets

Launch of USSD trading feature in Ghana
The electronic trading platform, launched by a broker, and authorised by the Ghana Stock Exchange, is the first of its kind in the Ghanaian capital market.

Eurobond issuance – Ghana
The Ghanaian government successfully issued its maiden zero coupon bond, maturing in 2025, as part of a broader $3billion Eurobond issuance. Plans are afoot to tap into Green bonds in the second half of 2021.

GSE set for highest return in last five years
Fueled by renewed investor confidence, the GSE Composite Index (GSE CI) is set to record its highest return in five years. Year-to-June 2021, the market posted returns of 36.16%. For the years 2018 to 2020, returns were -0.29%, -12.25% and -13.98% respectively.

Across Africa

Launch of African Continental Free trade area
Trading officially commenced under the African Continental Free Trade Agreement on 1 January 2021, providing an avenue to foster strategic collaboration and partnership between capital market regulators in different African countries to facilitate the free flow of capital across the continent. This is expected to not only boost investment, but also promote cross-boarder capital market activities if properly harnessed.

Plans afoot to establish Ethiopia’s capital market
Plans are underway to establish a capital market in Ethiopia following the enactment of the Capital Markets Proclamation by the Ethiopian Parliament. With the support and contribution of various capital market stakeholders, the formation of the capital market is expected to stimulate the growth of the economy and attract foreign investors as well as bring about innovation and flexibility in the highly controlled financial sector in the country.

The African Exchanges Linkage Project (AELP) Link Order Platform
The drive to integrate African capital markets inched a step closer to realization as the African Securities Exchanges Association (ASEA), in July 2021, signed a contract to procure an order-routing system in preparation for the design and roll out of the AELP link technology platform for routing orders and trade confirmations in pilot phase.

The AELP is a joint initiative of ASEA and the African Development Bank (AfDB), aimed at facilitating cross borderer capital market activities, support diversification for investors and deepen the African capital markets, amongst others. The AELP comprises seven participating exchanges across Africa.
Globally, the outlook for the second half of the year looks positive as top markets bid to sustain the momentum aided by renewed investor confidence. With record breaking IPO activities in the first half of the year, the trend heading into the second half of the year is likely to be shaped by policy drives and the political landscape. In the US, markets would likely be influenced by reforms undertaken by the new government and recently appointed head of the Securities and Exchange Commission, coupled with the responses of the Federal Reserve.

Across in the UK, the second half of 2021 would offer more clarity as to the impact of the recommendations from the Hill review published in March 2021, on the global attractiveness of the London markets.

On the domestic front, macroeconomic signals would be key in shaping the direction of the market, especially against the backdrop of the negative stock market returns in the first half of the year. In the equities market, activities by domestic investors would also play a major role, with foreign capital importation down in the first half of the year.

Over at the debt market, investors demand for higher yields offers a viable opportunity for corporates to continue to raise funds needed for business expansion, and also take advantage of heightened investor need for higher yields.

Events in the digital asset space is also one to watch out for especially on the back of the SEC’s recent regulatory policies and programs.
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.

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.

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Acknowledgements

We would like to thank Adebayo Araeye, Nosakhare Agbonlahor, Aghogho Odjegba and Umar Gbadamosi for their important contributions to this publication.