WEEKLY NEWS HIGHLIGHTS: **3rd – 7th January, 2022.**

WEEKLY RATE MONITOR

MPR:	**11.5%**
GDP:	**2.67%**
INFLATION:	**15.99%**
NIBOR:	**8.542 %**

GLOBAL ECONOMY

- **Bitcoin and other cryptos slump in value after hawkish US Federal Reserve minutes released**
- **Crypto crime hit record $14 billion in 2021,**
- **Private equity firm TPG seeks $9.5 bln valuation in U.S. IPO**

DOMESTIC ECONOMY

- **Nigeria's N3tr trade deficit alarming**
- **OPEC+ raises Feb quota by 400,000mbpdNigeria's external reserve is experiencing its worst run since 2020**
- **Data shows 2021 was an economic-fail for Nigeria**
- **FOREX inflow into Nigeria surges by 64% to $30 billion in Q3 2021**

GLOBAL ECONOMY:

- **Bitcoin And Other Cryptos Slump In Value After Hawkish US Federal Reserve Minutes Released:**

Bitcoin and other cryptocurrencies fell sharply on Thursday, following the release of minutes from the Federal Reserve's last meeting, which showed it leaned toward more aggressive policy action, sapping investor appetite for riskier assets such as cryptos. Bitcoin, the world's largest cryptocurrency fell below $43,000 (€38,000) on Thursday, down nearly 7 per cent from the 24 hours previous, according to CoinDesk data. A break below last month's trough of $42,000 (€37,000) would make it the weakest since September. The token hit a record high of $69,000 (€61,000) in November.

Other cryptocurrencies fell too, with Ether, the world's second-largest cryptocurrency which underpins the Ethereum network, lost 5.2 per cent on Wednesday, and touched its lowest level since October, before bouncing back slightly to $3,460 (€3,060). The Fed's minutes showed expectations of less monetary policy support and higher interest rates. The Fed indicated it could move up its timetable for raising interest rates to mid-March, meaning it will stop printing money and make it more expensive to borrow.

The fall "correlated with the 'risk off' move across most traditional asset classes," said Matt Dibb, COO of Singapore-based crypto fund distributor, Stack Funds, pointing to the declines in the Nasdaq in particular. Moves in cryptocurrency markets are becoming more aligned with those in traditional markets as the number of institutions trading both crypto and other assets grows. The Nasdaq plunged more than 3 per cent overnight in its biggest one-day percentage drop since February, after Fed minutes showed US policymakers had discussed reducing the bank's balance sheet at their December meeting, when they also decided to accelerate finishing their bond-buying programme. Share markets in Asia sold off on Thursday as well, while US Treasury yields edged higher.

- **<u>Crypto Crime Hit Record $14 Billion In 2021, :</u>**

Crime involving cryptocurrencies hit an all-time high of $14 billion (€12.4 billion) last year, blockchain researcher Chainalysis said on Thursday, a record that comes as regulators call for more powers over the fast-growing sector. Crypto received by digital wallet addresses linked to illicit activity including scams, darknet markets and ransomware jumped 80 per cent from a year earlier, Chainalysis said in a report. However, the growth in legitimate trading far outstripped the growth in crime. The activity represented just 0.15 per cent of total crypto transaction volumes, its lowest ever. Total transaction volume surged to $15.8 trillion (€13.9 trillion) last year, up more than 550% from 2020 levels.

Digital assets, from bitcoin to non-fungible tokens, exploded in popularity in 2021 amid an embrace from institutional investors and major companies. Newcomers have been drawn to the **promise of quick gains** touted by crypto backers, as well as hopes that bitcoin offers a hedge against soaring inflation. Yet cryptocurrencies are still subject to patchy regulation, leaving investors with little recourse against crime. Financial watchdogs and policymakers from Washington to Frankfurt have fretted over the use of crypto for money laundering, with some urging lawmakers to grant them greater powers over the industry.

"Criminal abuse of cryptocurrency creates huge impediments for continued adoption, heightens the likelihood of restrictions being imposed by governments, and worst of all victimises innocent people around the world," Chainalysis said. Driving the increase in crime was an explosion of scams and theft at decentralised finance - DeFi - platforms, it said. DeFi sites - which offer lending, insurance and other financial services while bypassing traditional gatekeepers such as banks - have been plagued by problems that include flaws in underlying code and opaque governance.

Overall cryptocurrency theft grew over five-fold from 2020, with around $3.2 billion (€2.8 billion) worth of coins stolen last year. Around $2.2 billion (€1.9 billion) of those funds, some 72 per cent of the total, were stolen from DeFi sites. **Scams** at DeFi platforms - such as "rug pulls," where developers set up phoney investment opportunities before disappearing with investors' cash - hit $7.8 billion (€6.9 billion), an 82 per cent jump from 2021, Chain analysis said.

- **<u>Private equity firm TPG seeks $9.5 bln valuation in U.S. IPO:</u>**

Private equity firm TPG disclosed on Tuesday it is aiming for a $9.5 billion valuation in its U.S. initial public offering (IPO), as it presses on with a stock market flotation later this month. The underperformance of its peers' shares over much of the last decade gave TPG pause in pursuing a public listing, sources previously said. The firm was also trying to recover from a string of poor investments in the 2000s and diversify its private equity platform into growth and social impact investing. With interest rates at record lows and the global economic recovery from the COVID-19 pandemic turbocharging the buyout industry's profits and driving a rally in the shares of its peers, TPG decided to pull the IPO trigger. The Fort Worth, Texas-based firm, an investor in Airbnb Inc (ABNB.O), Uber Technologies Inc (UBER.N) and Spotify Technology SA (SPOT.N), said it planned to sell about 28.3 million shares priced between $28 and $31 apiece in the offering.

TPG would raise about $877.6 million at the top end of its indicated price range. About 40% of that would go to TPG shareholders who plan to cash out. That excludes its founders, who plan to keep their holdings for now. The rest of the proceeds will be used for expenses and funding TPG's business, including growth initiatives, the firm said. Founded as Texas Pacific Group in 1992 by David Bonderman and Jim Coulter, TPG made its first investment in 1993 in then-bankrupt Continental Airlines. It now has around $109 billion in assets under management in sectors from retail to HealthCare. The firm made huge bets two decades ago that went sour on companies such as Texas power utility Energy Future Holdings Corp, casino operator Caesars Entertainment Corp (CZR.O) and floundering bank Washington Mutual Inc. During the 2008 financial crisis, federal regulators seized Washington Mutual and reached a deal to sell most of its operations to JPMorgan Chase & Co (JPM.N). TPG managed to convince enough of its investors to stick with it, and its fortunes gradually recovered. Its business is now booming; it reported its net income for the nine months to September 2021 jumped more than fivefold to $1.7 billion. Its revenue surged to $3.89 billion, from $564.4 million a year earlier.

TPG will continue to be controlled by Bonderman, Coulter, Chief Executive Jon Winkelried and other partners under a dual-class share structure that gives the executives about 98% voting control over firm. This is an arrangement that was also adopted by TPG's peers when they went public, although most of them have converted in the last two years into a one-share-one-vote structure. Blackstone Inc (BX.N) has remained an exception, with CEO Stephen Schwarzman keeping control. TPG will continue to be controlled by Bonderman, Coulter, Chief Executive Jon Winkelried and other partners under a dual-class share structure that gives the executives about 98% voting control over firm.

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In 2021, Bonderman collected about $174 million as dividends and compensation, which consists of carried interest, base salary and bonuses. Coulter received $23.8 million in compensation, Winkelried earned $11.6 million while TPG President Todd Sisitsky took home $42 million, the filing showed. J.P. Morgan, Goldman Sachs, Morgan Stanley, TPG Capital BD LLC and BofA Securities are the lead underwriters for TPG's offering. It expects to list on the Nasdaq under the symbol "TPG."

DOMESTIC ECONOMY*:*

- **Nigeria's N3tr Trade Deficit Alarming:**

The Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA) has raised the alarm over Nigeria's growing trade deficit, which stood at N3 trillion in the third quarter (Q3) of last year. The Chamber said the huge trade deficit was a reflection of the fact that the country has not rigorously implemented its policies to truly consume and produce what it consumes.

Speaking with The Nation, NACCIMA Director-General Amb Ayo Olukanni said from the beginning of last year, the Chamber had at every opportunity raised alarm about Nigeria's growing trade deficit.

The NACCIMA chief, therefore, said this year, Nigeria must rigorously pursue policies especially as envisioned in the 2022 Budget to reduce importation and improve on her non-oil export. Amb Olukanni said. According to him, Nigeria has the capacity to produce most of what it imports. "We should, therefore, put a stop to importation of such categories of goods such as textile, canned food and drinks etc. Government must also provide the enabling environment for our industries to rise to the occasion," he admonished. Olukanni said NACCIMA is of the firm opinion that members of the Chambers movement across the country are credible partners that can help improve the nation's local productive capacities.

"We, therefore, call on state governments to work with city and state Chambers in their jurisdiction to ensure that the private sector at the sub-national level truly serves as a platform to increase local production. "The objective should be to reduce importation of goods as we concertedly work to reduce and even end our trade deficit," he said, noting that "year 2022 is an opportunity for us to truly walk the talk as a less import dependent country."

- **<u>Opec+ Raises Feb Quota By 400,000mbpd:</u>**

The Centre for the Promotion of Private Enterprise, an economic think tank, has advised the Central Bank of Nigeria to review its ban on some of the over 40 items which the regulator has stopped importers from accessing foreign exchange to bring into the country. Economists at the centre also said there was a need for the CBN to review its foreign exchange policy in 2022 with a view to improving dollar liquidity in order to rescue the ailing naira and help industries to grow.

The group disclosed this in its economic and business environment review for 2021 and agenda for 2022, a copy of which was obtained by our correspondent on Sunday. According to the CPPE, there is a need for the CBN to engage stakeholders as its current forex policy regime is negatively affecting investors, manufacturers and other stakeholders. The CPPE said, "In the bid to reduce the pressure on foreign reserves, the CBN had excluded over 40 items from access to foreign exchange in the official window. "Some of the products on this list are intermediate products for some manufacturing firms which have negatively impacted some manufacturers. It would be advisable for the CBN to have a robust engagement with the stakeholders to review this list in the New Year." According to the organisation, the CBN should adopt a flexible exchange rate policy regime, and allow the pricing mechanisms to reflect the demand and supply fundamentals in the foreign exchange market. It said, "Our proposition is that we should adopt a flexible exchange rate policy regime. We would like to clarify that this is not a devaluation proposition. "Rather, it is a pricing mechanism that reflects the demand and supply fundamentals in the foreign exchange market. It is a model that is sustainable, predictable and transparent. It is a policy regime that would reduce uncertainty and inspire the confidence of investors.

"It is a policy framework that would minimise discretion and arbitrage in the foreign exchange allocation mechanism. A flexible exchange rate regime is a policy choice adopted to cope with changing demand and supply conditions in the forex market." According to the centre, adopting a market rate would deepen the autonomous foreign exchange market by liberalising inflows from export proceeds, diaspora remittances, multinational companies, donor agencies, diplomatic missions, and others. It added that a flexible exchange rate would enhance liquidity in the forex market, increase investors' confidence, and ensure a more transparent model for forex allocation.

Also, the CPPE said the Cash Reserves Requirements imposed on Nigerian banks by the CBN is one of the highest globally, adding that it is a major impediment to financial intermediation by banks. According to the experts, some of the banks have a CRR of 50 per cent and more against the official CRR of 27.5 per cent. It said, "Yet, financial intermediation is supposed to be the major function and essence of the banking system. The high CRR has made it difficult for the banks to play their primary role of financial intermediation. Their profitability is also adversely impacted because of limited room for credit creation activities. The CPPE also said challenges of infrastructure, rising insecurity, climate change, low productivity in agriculture, monetisation of fiscal deficit, and depreciation of the naira were fuelling inflation in the nation.

It said headline inflation was 16.47 per cent in January, and rose to a peak of 18.17 per cent in March, before falling to 15.40 per cent in November. The organisation said, "Headline inflation has been on the increase on a month-on-month basis from January to date, albeit at a reducing rate. According to the organisation, the implications of these include, increasing poverty, increasing risk of malnutrition, increasing social tension, and criminality. It added that businesses had had to deal with weak purchasing power, low sales and low profit margin, low-capacity utilisation, high production and operating cost, and high risk of increased business mortality.

The CPPE said in order to tackle inflation, the nation needed to boost productivity to drive output growth, reduce the depreciation of the naira exchange rate, and improve the flow of foreign exchange. The CPPE added that the nation needs to, "Minimise the monetisation of fiscal deficit. CBN financing of deficit should be strictly limited to statutory threshold spelt out in the CBN Act.

- **Data Shows 2021 Was An Economic-Fail For Nigeria:**

Nigeria's economy recovered from its economic recession in Q4 2020 following two consecutive quarters of negative movement in the country's GDP. However, the economy still struggled to reach pre-pandemic levels in 2021 on the back of galloping inflationary pressure, rising unemployment rate, surging debt profile amongst others. The year 2021 can be regarded as a tough economic year for the African giant given the less than desired macro numbers printed in the review year. Although, it is worth noting that Nigeria recovered from its economic downturn faster than anticipated, posting 0.11% real growth in Q4 2020, to overturn negative numbers recorded in Q2 and Q3 2020. As we embark on the New Year, Nairametrics recounts the factors that paint 2021 as an economic failure for the country.

Nigeria's official exchange rate depreciated by 6.03% in 2021, closing at N435/$1 on the last day of the year, despite averaging at N410.3/$1 for the year. Naira faces the risk of a further devaluation after it depreciated by 4.82% on the 30th December 2021, likely repeating the events that played out in the previous year. The official exchange rate on the last trading day of 2020, depreciated by 4.12% to close at N410.25/$1, which indeed indicated the rate for the year. This implies that the official rate could be on its way to the region of N435 to a dollar. On the flip side, the parallel market also recorded significant depreciation as the naira closed at N565/$1 for the year, representing a fall of 22.8% against the US dollar. The continuous volatility at the black market further widened the market differential to N140.74 from just N49.75 in the previous year.

The Central Bank of Nigeria continues to intervene in the Investors & Exporters window to ensure the stability of the local currency, with over $32 billion traded in the year. However, the pressure from negative trade balance, decline in diaspora remittances, dwindling capital inflow, drop in crude export amongst others, is persistently mounting pressure on the exchange rate.

In time past, Nigeria's problems have been attributed to low revenue rather than over-spending. This issue is still not looking green owing to the underperformance of the federal government's oil revenue purse. As of May 2021, FGN's retained revenue was N1.84 trillion, which was 33.3% lower than the prorated figure of N2.77 trillion. This was largely due to the performance of the oil revenue as of the review period. Notably, oil revenue was estimated at N423 billion, representing just 50.5% performance rate compared to the prorated figure of N837.9 billion. On the other hand, non-oil revenue only marginally fell below the prorated target with CIT and VAT surpassing targets by 2.4% and 24.7% respectively. Nigeria's oil revenue is still likely to suffer from shortages, with the country unable to meet the OPEC+ production quota and petrol subsidy still gulping a significant amount of our scarce income.

In March 2021, the National Bureau of Statistics (NBS), released the labor force report for Q4 2020, which spelt more woes for the country with unemployment rate estimated at 33.3%, indicating that at least 23 million Nigerians were without jobs. Unemployment has been a topical issue in the Nigerian economy, however, at 33.3%, it represents the highest rate on record. As if the surging rate is not enough, the nation's labor force population reduced by over 10 million to 69.7 million as of Q4 2020. In the same vein, the number of full-time employed citizens dropped by 14% from 35.6 million recorded as of Q2 2020 to 30.6 million people as of the end of the year. The surging rate reflects how much Nigerians are losing their jobs and many more people falling out of the labor force bracket. Recall that during the covid-19 lockdown in 2020, several businesses were forced to halt their operations during the period, which led to some of these firms downsizing, while some workers were forced to accept pay-cut to hold on to their jobs. The situation is also reflected in the Q4 2020 labor report, as Nigerian businesses were yet to recover from the lockdown as of the time of releasing the report. The Nigerian economy grew by 0.51%, 5.01%, and 4.03% in Q1, Q2, and Q3 2021 respectively, indicating a recovery from the two consecutive contractions recorded in the previous year. The significant growth recorded in the year under review was however due to favorable base period.

The GDP is compared to the corresponding quarter in the previous year, and we could recall that Nigeria's real GDP dipped by 6.1% in the second quarter of 2020, which birthed the 5.01% growth in Q2 2021, while a 3.62% contraction in Q3 2020 resulted in a 4.03% growth in Q3 2021. Meanwhile, the growth was attributed to the performance of the non-oil sector, with the telecommunications and trade sector of the economy printing stellar performances.

The year 2021, was quite eventful with ups and downs, which we hope would be better in the new year. The monetary policy voted to hold rates throughout the year in a bid to ensure economic growth, the federal government also increased the budget earmarked for the year in a bid to spur growth. The Central Bank incentivised the withdrawal of dollar from official channels, also it discontinued the sales of forex to BDC operators in the country. It will be interesting to see how some of these monetary and fiscal policies will reflect on the macro numbers in 2022.

- **<u>FOREX Inflow Into Nigeria Surges By 64% To $30 Billion In Q3 2021:</u>**

The amount of foreign exchange that came into Nigeria in Q3 2021, skyrocketed by 64% to $30.18 billion compared to $18.4 billion recorded in the previous quarter. A surge which is attributed to newly acquired federal government loans, recorded in the review period. This is according to data from the Central Bank of Nigeria (CBN) statistical bulletin for Q3 2021. Dollar inflow of $30.18 billion in the third quarter of 2021, represents the highest quarterly inflow recorded by Nigeria since Q1 2020, before the effect of the covid-19 pandemic. Similarly, on a year-on-year basis, the inflow increased by 14% compared to $26.47 billion recorded in the corresponding period of 2020.

During the period under review, the Nigerian government secured two external loans, which summed up to $7.34 billion, representing $3.34 billion IMF Special Drawing Rights (SDRs) in August and $4 billion Eurobond in September 2021. Moreso, the increase in the forex inflows from the CBN can be attributed to the significant increase recorded in flows through the Treasury Single Account (TSA) and Third Part Funds in September 2021.

Specifically, funds through the TSA and Third Party Funds grew by over 600% to $2.47 billion in September of the review year, while a sum of $3.2 billion was recorded in Q3 2021, accounting for 11% of the total inflows recorded in the quarter under review. The Central Bank of Nigeria has continued to intervene in the official forex market, following the ban on the sale of FX to BDC operators in the country. In the same vein, a total of $32 billion exchanged hands in the official Window, while the CBN supplied a sum of $13.16 million to the market between January and September 2021.

Research and Training Department