

Q2 2024 NEWSLETTER



Dear Esteemed Client,

We would like to welcome you to another edition of our periodic newsletter. In this edition, you will find updates on the Macroeconomic Environment and Financial Markets, the Pension Industry, and VGP Pensions update.

If you have any questions, kindly send an email to info@vgpensions.com, contactcenter@vgpensions.com, or call us on 02012803550. You can also reach us through any of our social media platforms.

We would love to hear from you.

Thank you for reading.



GDP grew Marginally by +2.98%

The Nigerian economy maintained its growth trajectory for the fifth consecutive quarter. According to the recently published GDP report by the National Bureau of Statistics (NBS), the domestic economy expanded by +2.98% YoY in Q1-24 compared to +2.31% YoY in Q1-23.

The growth recorded was driven by the service sector, which grew by +4.32% YoY and contributed 58.04% to the GDP. The Oil Sector sustained its improvement as it expanded by +5.70%.

PUBLIC DEBT



The Debt Management Office (DMO) in its recent quarterly report revealed that the nation's overall debt burden increased by +25% QoQ to N122.83 trillion in Q1-24. In terms of composition, the domestic and external debt components make up 54% and 46% of the gross public debt respectively.

- The substantial increase is primarily attributed to the naira devaluation, which escalated costs for dollar-denominated debt.
- The Total debt-to-GDP ratio reached 53.34%, surpassing the 41.50% and 23.20% recorded in Q1 '23 and Q4 '23, respectively. Consequently, the ratio has exceeded the DMO's public debt ceiling of 40%, outlined in its Medium-Term Debt Management Strategy.

Update on External Reserves

The Nigeria's external reserves recorded accretion in Q2-24, rising by US\$364.17 million to US\$34.19 billion, majorly attributed to reforms in the foreign exchange market.

Inflation Rates

Nigeria's headline inflation reached a new 28-year peak of 33.95% in May 2024, driven by persistent cost-push factors and recent increases in electricity tariffs.

Nigeria Equities Market Update

Despite closing the month of June 2024 on a positive note with a return of +0.76%, the Nigerian stock market ended Q2:2024 in the red, as reflected by the NGX All-Share Index (ASI) declining by -4.31% to close at 100,057.49 points.

Besides the NGX Oil & Gas sector which rose by +11.30% in Q2:2024, all other NGX sectoral indices ended in the negative territory, with the NGX Banking index witnessing the most significant drop at -19.37%. The NGX Pension index followed closely, with a loss of -4.37%.

The NGX Banking index year-to-date remains negative at -7.47%, while other indices maintain positive performance.

Bond & Treasury Bills Markets Update



- Significant buying activity was observed across all maturities in the bond space during the quarter, resulting in average yields decreasing across the board: at the short end by -76bps to 19.05%, in the mid-segment by -26bps to 18.68%, and at the long end by -108bps to 17.50%.
- However, yields in the Treasury and OMO bills markets ended with varied outcomes. The latest treasury bills auction saw a decrease in the stop rate to 20.68%, translating to an approximate yield of 26.04%. Meanwhile, at the most recent OMO auction, the stop rate for the 347-Day bill increased to 22.48%, resulting in a yield of around 28.58%

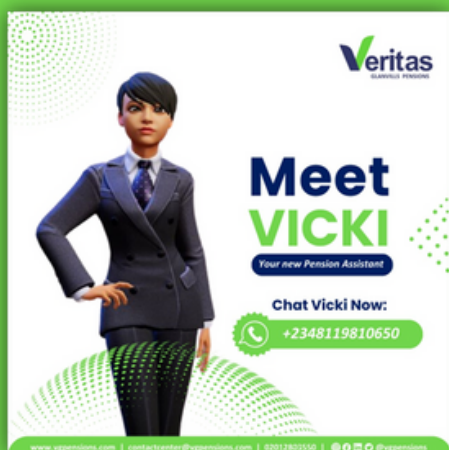
Money Market Update

- In the Money Market space, rates within the fixed deposits segment hovered between 23.00% and 27.00% for banks rated A and BBB.
- At the end of June 2024, the overnight (O/N) and Overnight Policy Rate (OPR) rates settled at 25.00% and 24.17% respectively.
- Several commercial papers were also offered at attractive yields in the market.

PENSION INDUSTRY NEWS

- The most recent update from the National Pension Commission (PenCom) shows that the total pension assets under management (AUM) increased by N440.40bn MoM or (+2.23% MoM) to N20.22trn as at end-May '24.
- All major asset categories contributed to the higher MoM growth in AUM value in May 2024, except for Money Market securities, which experienced a mild decline of -1% m/m to N1.93trn.
- FGN Bonds, which constitute a significant proportion of the overall pension funds (63.22%) AUM, was the primary driver behind the MoM increase. The sizable allocation of pension fund holdings in government bonds can be attributed to the higher yield environment resulting from the unprecedented MPR hike.
- The PenCom data also revealed that the total number of RSA holders stood at 10,351,624.
- The guidelines for Voluntary Contribution have been reviewed by the Commission. The review led to the reduction of the retention period, achievement of uniform withdrawal rules and adjustment in the tax deductions.
- With the recent enhancement, mandatory (Active RSA holders) and non-mandatory (Retirees) contributors can now access the 50 percent contingent portion of their voluntary contributions after one year, a reduction from the previous two-year requirement. The reduction aims to provide speedy access to funds to meet personal needs, which often arise.

VG PENSIONS BRAND NEWS - Introducing VICKI, the new VGP AI CHATBOT



With Vicki, your pension experience is seamless and enjoyable!

Disclaimer: This publication is provided by Veritas Glanvills Pensions Limited for information purposes only. Information used for this report is drawn from various sources that we believe to be accurate and up to date as of the date of publication. We reserve the right to update or correct this information at any time.