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DaMina Advisors Note: Nigeria's GDP, corporate earnings outlook, equity markets values and Naira at risk as Boko Haram confirms presence in business capital, Lagos.

Boko Haram, the infamous Nigerian Islamist terrorist group, whose kidnapping of over 200 teenage girls has elicited an international outrage, over the weekend confirmed to a major international news outlet, Agence France Presse (AFP) that it was responsible for a recent deadly suicide car bomb attack in Lagos, Nigeria's commercial capital. The June 25 suicide car bomb, and more planned attacks are now squarely aimed at Nigeria's economic heart, Lagos.

The greater Lagos area is home to over 20 million Nigerians, (more than 11% of the country's total population), and the local Lagos economy serves as the vital spinal axis undergirding Nigeria's \$522 billion economy, the largest in Africa. Boasting a GDP of over \$100 billion, Lagos as a distinct economy is larger than the entire economies of Ghana, Kenya or Uganda, and the economies of US states Virginia, North Carolina, or Georgia. With a GDP per capita of \$4,000, the average Lagos resident has a higher consumer purchasing power than the average Ukrainian, Indonesian or the Filipino. In short, Lagos is emblematic of the fast growing African consumer market. Lagos is simply the terra firma of Africa's economic renaissance.

With the confirmed presence of Boko Haram terrorist operations in Lagos, the fundamental risks to the Nigerian economic outlook in 2014 have multiplied exponentially. A major bomb attack in Lagos will accelerate capital market flight, weaken the Naira, dent economic growth, reduce corporate earnings and slash equity market values.

With a re-based national economy that is now nearly 40% dominated by the Lagos-centered services sector, the migration of the Islamist terror threat from the poor north-eastern states into the heart of the country's commercial capital has significantly raised the negative risks to the business sector. Already reeling from high operating costs due to erratic electricity supplies, the unbudgeted costs of new security infrastructure for major airlines, telecom companies, banks, gas stations, commercial buildings and other manufacturing industries, will erode the profitability of the many stressed companies. Additionally, Muslim-Christian tensions in Lagos, which have historically been peaceful will increase complicating the 2015 election picture for the Muslim-led opposition. Already there are allegations that over 5,000 Muslims have been summarily detained without trial since the June attack. Risks that the early 2015 Nigerian general elections could be cancelled or postponed due a "national emergency" are rising.

The foreign share of transactions on the Nigerian stock exchange have dropped in recent months from over 75% to 45%, it is now expected to drop much further. This capital flight will remove the cushion undergirding the high speculative forward price earnings multiples of many listed Nigerian companies. Nigeria's 2014 GDP growth could also fall also towards 4.5% from the current bullish IMF estimate of 7%. Already Nigeria's 2013 GDP has been revised downwards to 5.49 % from 7.41%. The truly scary combination of prolonged anemic economic growth stagnation, falling oil exports, a fast depleted forex reserve stock and declining equity market valuations may be more proximate than is currently apparent. A new Boko Haram attack in Lagos may tip over the whole economic table over.

Finally, the increasing trade linkages and co-dependencies between the Nigerian economy and those of other key African economies such as Ghana and South Africa means that the deceleration of the Nigerian economy will also negatively catalyze a generalized deceleration of economic activity on the African continent.

For more in-depth analysis on Nigeria, kindly contact us.

DUE DILIGENCE, REGULATORY AND POLITICAL RISK ADVISORY SERVICES

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ABOUT THE COMPANY

DaMina is a preeminent independent frontier markets risk research, due diligence and Africa M&A transactions consulting firm.

With a special focus on African capital and commodities markets, DaMina provides exclusive, highly-tailored, 360-degree and around-the-clock regulatory, political risk advisory, due diligence and M&A consulting services to a range of marquee global firms.

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