



NEWSLETTER

28TH December -1ST January, 2020

Highlights:

- China's Central Bank orders Jack Ma's Ant Group to overhaul business
- Lagos State House of Assembly Approves the sum of N1.163 trillion for 2021 Budget
- Equity Market extends weekly gains by 5.42%
- Manufacturers fault Port operations over extortion, rigorous process
- Unexecuted Contracts: Senate indicts NIMASA for N1.5bn payment

Global Economy: Oil pushed higher with support from a weakening dollar as investors weighed a worsening short-term demand outlook against an eventual rebound as Covid-19 vaccines are rolled out.

Futures in New York rose above \$48 a barrel, though liquidity was thin in the period between Christmas and New Year. A dip in the dollar boosted the appeal of commodities such as oil that are priced in the currency. Crude was also aided by broader market strength, with equities nearing record levels following U.S. President Donald Trump's signing of a \$900 billion virus-relief package. West Texas Intermediate for February delivery rose 1.2% to \$48.18 a barrel as of 8:28 a.m. New York time. Brent for February settlement also climbed 1.2% to trade at \$51.44

RATE MONITOR

Inflation Rate	→	14.89%
GDP Growth Rate	→	3.2 %
MPR	→	11.50 %

Trading volumes for both benchmarks were below their average levels over the previous 10 sessions

OPEC+ will meet next week to decide on production levels for February, with traders looking out for indications of changing sentiment among its members. Over the longer term, Iranian plans to ramp up oil output may undermine the alliance's efforts to raise production. European stocks traded higher on Tuesday following a rally on Wall Street in the previous session.

The pan-European Stock 600 index was up 0.8% during afternoon deals, with most sectors and major bourses in positive territory. Sentiment in Europe has been buoyed by a rally in U.S. stocks on Monday that came after President Donald Trump signed a \$900 billion coronavirus relief package into law; the measure includes a direct payment of \$600 to most Americans.

Trump had previously demanded a \$2,000 direct payment days before the signing. The House voted Monday to increase the second round of federal direct payments to \$2,000, leaving it up to the GOP-controlled Senate. U.S. stock futures were higher early Tuesday morning following the rally.

Positive sentiment in Europe comes after a Brexit trade deal was agreed between the EU and U.K. on Christmas Eve. London's FTSE 100 index traded nearly 2% higher Tuesday. On Monday, the 27 Ambassadors from EU member Nations formally approved the deal that will be implemented on Jan 1.

Drug maker **AstraZeneca** was among the best performers on the FTSE index Tuesday afternoon with its shares up 3.8%. The company's coronavirus vaccine is expected to be approved for use in the U.K. this week.

The Financial Times reported Sunday that government officials confirmed that the U.K.'s drug regulator, the Medicines and Healthcare products Regulatory Agency, would imminently approve the vaccine, saying the announcement could come as soon as Tuesday.

Meanwhile, stocks in Asia-Pacific were mixed in Tuesday trade following the gains on Wall Street. In Japan, the Nikkei 225 gained 2.66% — trading at levels not seen since August 1990, according to data from Refinitiv. Shares of index heavyweight Fast Retailing and conglomerate Softbank Group gained more than 4% each. The Topix index advanced 1.74%.

There are no major earnings or data releases Tuesday.

Domestic Economy: Lagos State House of Assembly has upwardly reviewed and approved the sum of N1.163 trillion as the Budgetary Allocations for 2021, The House in its plenary session today, considered the 2021 Appropriation Bill forwarded by the Governor. The motion to consider the bill was moved by Honorable G.O Yishawu. After much deliberations and comments on the presentations of the reports, Honorable Adedamola Kasumu, moved a motion that the reports be adopted by the resolutions of the House. The motion was seconded by Honorable Lukmon Olumoh.

Majority leader of the House, Honorable Agunbiade S.O.B, gave a summary of what transpired in the committee of Supply as the House reverts back to plenary. Finally, the House approved a budget size of N1, 163,522,460,717. The recent development is a big boost to expediting the implementation of the 2021 budget, especially as the state government strives to rebuild the economy from the ruins of the COVID-19 pandemic and EndSARS protests that negatively impacted the state. The 2021 budget is centered on advancing the T.H.E.M.E.S agenda of the State Government and expected to rekindle hope in the state on the implementation of its content. With the legislative passage, what remains for the Budget to take its full course is the Executive Assent which is the next and final stage.

Manufacturers fault Port operations over extortion, rigorous process: It Costs \$4,000 to truck containers in Lagos, same price to ship from China. The Heavy gridlock has forced business entities to pay more than \$4,000 to truck a 40ft container 20km to the Nigerian mainland, recently, almost as much as it costs to ship a container about 12,000 kilometres from China. The tightened gridlock at the Nigerian Ports has become severe to the point that it allegedly costs more than \$4,000 to truck a container 20km to the Nigerian mainland in recent times.

The report, however, cements previous takes on the recent issues at the Port Terminals, as well as the sporadic increase in detention and demurrage costs. The gridlock has become a long-running crisis at the Apapa and Tin Can Island Ports, which are the main commercial entry points into Nigeria, Africa's largest economy.

The issues at the Terminals, however, can be attributed to the weak State of the Country's transport infrastructure as 90 per cent of cargo go by road. However, the increased sea traffic since the closure of the Country's Land Borders to combat smuggling last year, the Pandemic-Induced Economic slump and the recent unrest in Nigeria's commercial capital have exacerbated the current issues at the port, as dozens of ships remain idle at sea, while hundreds of empty trucks sit in traffic for days or weeks, owing to the lack of automation. It is important to know that the Port's capacity has not increased since 1997, even as Lagos's population has roughly tripled. Nigeria imports a lot of raw materials and almost all finished goods, and the congestion is causing production delays for Multinationals. With the Port area even more crowded at the busy year-end period, the Seaport Terminal Operators Association estimates that the congestion costs the country \$55m a day in lost economic activity.

The Managing Director of Nigerian Ports Authority (NPA), Hadiza Bala-Usman, disclosed that Trucks Park had been established in Orile, Lagos, to serve as a call-up centre for truck waiting to evacuate goods at the ports. This, with the implementation of the electronic call-up system, which had been put in place for the evacuation of goods by the Port Authority for trucks accessing the ports, are expected to play major roles to help decongest the Ports. The Minister of Transportation, Mr Rotimi Amaechi, launched a new operation command center built by Terminal operator, APM Terminals Apapa, to boost efficiency and service delivery in the Maritime Industry.

However, Government has embarked on other projects to beef up the Country's infrastructure in a bid to decongest the Port, including Public-Private-Partnership arrangement to build Deep Seaports. One of them includes the Akwa-Ibom Deep Seaport, another arrangement of this kind is located 60km east of Lagos, where the Singaporean food company, Tolaram, and China Harbour Engineering Company are building a \$1.5bn deep seaport. But it is not expected to be completed until 2022. On-road infrastructure, one 35km stretch of road from the port is being refurbished by Nigerian billionaire, Aliko Dangote's construction company, in return for a tax holiday. More companies are also using barges to move containers to Bonded Warehouses, where they can clear customs away from the Port.

In other News Nigeria stands as the number one Country in Africa in the International Monetary Fund (IMF) 2020 World Economic Outlook's ratings of countries. According to the News Agency of Nigeria (NAN), using Countries' GDPs, IMF ranked Nigeria among the first 26 countries in the World with an average 442,976 million US dollars. Countries are sorted by nominal GDP Estimates from Financial and Statistical Institutions, which are calculated at Market or Government official Exchange Rates.