NEWS LETTER *8TH-12TH FEBRUARY 2021.*

HIGHLIGHTS

- EU lawmakers OK $815 billion recovery program.
- GM warns chip shortage could cut 2021 earnings by up to $2 billion
- NNPC calls for stakeholders' support over slashing operation cost
- Foreign-owned banks in Nigeria received 73% of capital inflow in 2020
- FG to Convert N10 Trillon "Ways and Means" Into 30 year Bond -DMO

RATE MONITOR:

INFLATION RATE – 15.75%

M.P.R- 11.5%

G.D.P- 2.9%

GLOBAL ECONOMY:

European lawmakers on Wednesday approved a 672.5 billion euro (USD 815 billion) recovery package of loans and grants to help member states recover faster from the coronavirus pandemic. The regulation for the Recovery and Resilience Facility was adopted with 582 votes in favour, 40 against and 69 abstentions. The RRF is the central pillar of the the bloc's 750 billion euro ($910 billion) recovery plan that was adopted by EU leaders last year.

"In the long-term, this money is going to bring about change and progress to meet our digital and climate goals," said Eider Gardiazabal Rubial, a lawmaker closely involved in the negotiations. "We will ensure that the measures will alleviate poverty and unemployment, and will take into account the gender dimension of this crisis. Our health systems will also become more resilient." To receive their share of the money, which is linked to respecting the rule of law, the EU's 27 nations must submit their plans for the funds by the end of April. The funding will be available for three years and EU countries can request up to 13% pre-financing for their recovery and resilience plans.

Each plan has to dedicate at least 37 per cent of its budget to fighting climate change and at least 20% to improving digital access and other actions.

General Motors on Wednesday reported fourth-quarter earnings that easily beat Wall Street expectations, but the company warned a global semiconductor chip shortage could cut its earnings by $1.5 billion and $2 billion this year.

Automakers and parts supplies began warning of a semiconductor shortage late last year after demand for vehicles rebounded stronger than expected following a two-month shutdown of production plants due to the coronavirus pandemic.

DOMESTIC ECONOMY:

Standard Chartered Bank, Stanbic IBTC, Citibank and Rand Merchant Bank collectively received 73% of capital inflow in 2020. The Capital importation report for Q4 2020 released by the National Bureau of Statistics (NBS) shows that the foreign-owned banks in Nigeria received the sum of $7.04billion out of the $9.68billion in 2020, representing 73%. Standard Chartered Bank (SCB) tops the list with $2.54 billion, followed by Stanbic IBTC $2.17 billion, Citibank $1.51 billion and Rand Merchant Bank $822 million. It is worthy to note that in 2019 the same 4 foreign-owned banks also dominated and received as much as $16.66 billion out of the $23.98billion capital inflows for the year, representing 69%. In 2020, inflows reduced by 60% from $23.98 billion recorded in 2019 to $9.68 billion in 2020

In 2019, Stanbic IBTC topped the list with inflows of $8.63billion, followed by Rand Merchant Bank $2.93billion, SCB $2.82billion, Citibank $2.28 billion. The top 5 banks in 2020, majorly 4 foreign-owned banks and First Bank, received the sum of $7.98 billion, representing 82%, with the other 22 operating local banks receiving only $1.70 billion (18%) Also in 2019, the top 5 banks made up of the 4 foreign-owned banks and Access Bank received the sum of $18.46billion, representing 77%, with the other 22 operating local banks receiving only $5.52 billion (23%) Why this matters?

Huge amounts of the Nigerian capital importation have been consistently received through the 4 foreign-owned banks with not much received by the entire 23 other locally owned banks. The consistent disposition of foreign investors routing their funds through the foreign-owned banks may not be unrelated to the confidence and trust they have in those banks. It may be necessary for the regulators especially the Central Bank of Nigeria (CBN) to spearhead aggressive efforts with other relevant stakeholders towards creating better images for the local banks in the minds of foreign nations and investors.

The **Nigerian National Petroleum Corporation (NNPC)** has called on stakeholders in the oil and gas industry to support in reducing operations costs to achieve the $10 or less per barrel production cost target. This was disclosed by the Group General Manager, Group Public Affairs Division, NNPC, Dr. Kennie Obaterui in a statement seen by Nairametrics when shared via the corporation's Twitter handle on Wednesday. Obateru stated that the Group Managing Director of NNPC, Mallam Mele Kyari, made the call, Tuesday at the launch of the Nigerian Upstream Cost Optimisation Programme (NUCOP), which was held in Abuja. He explained that the current reality dictated by the global energy transition and demand erosion occasioned by the Covid-19 pandemic has made cost optimization imperative. He said, "It is in our informed interest to optimize our cost of production. The realities of energy transition and investor choices are very much clear to us. There is nowhere in this world where a less cost-efficient operator can survive today." The NNPC boss tasked operators to adopt measures like transparency, collaboration, efficiency and shared services to help in driving down costs in order to meet the target. Mallam Kyari added that under the NNPC operational theme for the year known as 'Execution Excellence', the Corporation would achieve a contracting cycle of six months or less which would help create efficiency and drive down unit operating cost to sub $10 per barrel level. Meanwhile, the Minister of State for Petroleum Resources, Chief Timipre Sylva, said, "Engagement with industry stakeholders, under the NUCOP, is part of the resolve of this administration to confront this challenge of high production cost. I expect robust discussions and a realistic roadmap to achieve the cost optimization objectives."

In November of 2020, the CBN had received the nod of the federal high court in Abuja to freeze the accounts of 19 individuals and a public affairs company linked to the #EndSARS protests till January. The apex bank told the court it took the action to freeze the accounts and investigate the promoters of the protest on allegations bordering on terrorism financing, among others. Some of the affected individuals are Bolatito Racheal Oduala, Chima David Ibebunjoh, Mary Doose Kpengwa, Saadat Temitope Bibi, Bassey Victor Israel, Wisdom

Busaosowo Obi, Nicholas Ikhalea Osazele, Ebere Idibie, Akintomide Lanre Yusuf, Uhuo Ezenwanyi Promise and Mosopefoluwa Odeseye. Others are: Adegoke Pamilerin Yusif. Umoh Grace Ekanem, Babatunde Victor Segun, Mulu Louis Teghenan, Mary Oshifowora, Winifred Akpevweoghene Jacob, Victor Solomon, Idunu A. Williams, and Gatefield Nigeria Limited. The 20 accounts frozen by the CBN were domiciled in Access Bank, Guaranty Trust Bank, Fidelity Bank, United Bank for Africa, and Zenith Bank. It would be recalled that the peaceful #EndSARS protest of October was later hijacked by hoodlums who perpetrated violence that led to the loss of lives and properties in many parts of the country.

The Federal Government of Nigeria is owing to the Central Bank of Nigeria a whopping sum of about N10 trillion circa $25 billion. This is according to the Director-General of the Debt Management Office, Patience Oniha. Minister for Finance, Zainab Ahmed also touched on the murky nature of the Ways and Means loan,. *"On CBN financing, we will not normally make a line provisioning for the financing. So we have domestic borrowing in the budget and that covers whatever remit of financing required to fund the national budget. We are working with the CBN to regularise the previous borrowing that have been made to turn them into formal borrowing and by the Nigerian economy and to this extent, the CBN and I (fiscal authorities) need to agree on the rates and the tenures and the cost of the borrowing, so we would be formally doing that in early 2021 on the previous borrowing that has been made, and also projected borrowings in 2021. So we will design special instruments that limits what is done in terms of domestic borrowing from the CBN."* According to provisions of the CBN act, Ways and Means borrowing is not expected to exceed 5% of prior year revenues. Based on the N2.8 trillion borrowed last year, the CBN has lent the government 52.8% of its current year revenues or 62.2% of 2019 revenues of N4.5 trillion, thus a breach of the act. Lower oil prices over the last 6 years have decimated government revenues affecting its ability to fund capital and recurrent expenditure. With public debt has also doubled to N32 trillion from about N12.6 trillion in 2015, the government has little option but to look to the central bank for a lifeline.