WEEKLY NEWS HIGHLIGHTS: **6th – 10th SEPTEMBER, 2021.**

WEEKLY RATE MONITOR

MPR: **11.5%**

GDP: **5.01%**

INFLATION: **17.38%**

NIBOR: **8.54%**

- **European banks still booking profits in tax havens, says report**
- **Allianz under investigation in Germany over investment funds**
- **Amazon Brings Its Cashierless Tech to Two Whole Foods Stores**
- **Nigeria's Bilateral Loans Rise by 145% in Five Years:**
- **Bitcoin, others pose danger to global economy -EFCC boss**
- **Nigeria's Green Bonds Market Hits $136m as NGX Lists Potential**
- **Lingering Challenges Dampen GDP Outlook Among Manufacturers**

GLOBAL ECONOMY:

- **European banks still booking profits in tax havens, says report:**

Top banks in Europe continue to use tax havens to book chunks of profits, a trend that has changed little since 2014 despite country-by-country disclosures becoming mandatory, the EU Tax Observatory said in a report on Monday. The independent research body, co-financed by the European Union, said disclosures from 36 major European banks showed they booked a total of 20 billion euros ($23.77 billion) or about 14% of total profits, in tax havens, even though few were employed there. Profits booked by banks in tax havens work out at around 238,000 per employee, compared with 65,000 euros in non-tax havens, the report said.

Taxes have become a sensitive issue, with cash-strapped governments plugging holes in the economy due to COVID seeking to agree on a common rate for taxing Big Tech, in particular. Country-by-country reporting to shed light on the inner workings of banks has failed to change behavior despite the rise of tax issues on the public agenda, the report said. "More ambitious initiatives — such as a global minimum tax with a 25% rate — maybe necessary to curb the use of tax havens by the banking sector."

- **Allianz under investigation in Germany over investment funds:**

German regulators have launched an investigation into the country's biggest financial company, Allianz (ALVG.DE), after the demise of some of its U.S. investment funds last year, people with direct knowledge of the matter told Reuters. The move heightens the pressure on the insurer, which is already facing a slew of investor lawsuits over its Structured Alpha Funds and related investigations by the U.S. Department of Justice (DOJ) and Securities and Exchange Commission (SEC).

The German insurer is one of the world's biggest money managers with 2.4 trillion euros ($2.9 trillion) in assets under management through bond giant Pimco and Allianz Global Investors, which managed the funds at the center of the probes.

The investigation by Germany's financial regulator, BaFin, is across multiple departments of the institution, several sources said, speaking on condition of anonymity as the investigation is ongoing. BaFin officials are examining the extent to which Allianz executives outside the fund division had knowledge of, or were involved in, events leading up to the funds racking up billions of dollars of losses, the people said.

An Allianz spokesperson on Tuesday said that the company was in regular contact with BaFin on all matters, including Structured Alpha. "It is an absolutely normal process," the spokesperson said. The sources said the German investigation was currently in a fact-finding phase and involved multiple people, but had picked up pace since Allianz announced the DOJ probe on Aug. 1.

- **Amazon Brings Its Cashless Tech to Two Whole Foods Stores:**

  Amazon is bringing its automated checkout technology to a pair of Whole Foods stores, the company announced Wednesday, marking the latest test of the grab-and-go system in a full-size supermarket.

  In a blog post, Amazon said the technology, called “Just Walk Out,” is coming to two Whole Foods locations scheduled to open in 2022. One store will be located in the Glover Park neighborhood of Washington, D.C., and the other in Sherman Oaks, California.

  Amazon’s “Just Walk Out” technology allows shoppers to enter a store by scanning an app and exit without needing to stand in a checkout line. Cameras and sensors track what items shoppers select and charge them when they leave.

  At the upcoming Whole Foods locations, shoppers who want to skip the checkout line enter the store by either scanning an app, inserting a credit or debit card linked to their Amazon account or placing their palm over the company’s palm-scanning payment system, called Amazon One.

  Shoppers who opt out of using Amazon’s cashierless technology will only be able to ring up their items using self-checkout or at a customer service booth.

  Amazon has deployed its cashierless technology across a growing number of store formats, including at several Fresh grocery stores and in its Go convenience stores. It also sells the technology to third-party retailers. Amazon launching the technology in Fresh and Whole Foods locations puts it ahead of start-ups that have developed similar systems but have largely struggled to roll them out to bigger stores due to the technical challenges.

  The expansion of Amazon’s “Just Walk Out” system is likely to raise the ire of labor unions who have previously warned the technology will lead to the elimination of cashiers. Amazon argued in the blog post that the technology will allow Whole Foods employees to do other work in the stores.

  “These locations will employ a comparable number of Team Members as existing Whole Foods Markets stores of similar sizes,” the company said. “With Just Walk Out-enabled Whole Foods Market stores, how Team Members in the store spend their time is simply shifting, allowing them to spend even more time interacting with customers and delivering a great shopping experience.”

- **<u>Nigeria's Bilateral Loans Rise by 145% in Five Years:</u>**

Nigeria's loans from China, France, Japan, India and Germany rose from $1.66bn as of December 31, 2015 to $4.06bn as of December 31, 2020, signifying an increase of $2.4bn or 144.58 per cent in five years.

This is according to the data on external loans obtained from the Debt Management Office.

As at December 31, 2015, Nigeria had borrowed $1.44bn from China's Exim Bank of China, $157.95m from France's Agence Francaise Development, $43.88m from the Japan International Cooperation Agency and $11.44m from Germany's Kreditanstalt Fur Wiederaufbua, making a total of $1.66bn.

The total indebtedness to these countries rose by $26m to $1.92bn by December 31, 2016 with Nigeria owing China $1.64bn, Japan $198.25m, France $70.66m, and Germany $11.09m.

It further rose by $45m to $2.37bn by December 31, 2017 with Nigeria owing China $1.93bn, Japan $274.98m, France $73.45m, and Germany $92.59m.

For the first time, Nigeria borrowed from India in 2018, a total of $14.79m.

By the end of that year, loans from the five countries rose by $72m to $3.09bn with Nigeria owing China $2.49bn, Japan $344.63m, France $75.16m, and Germany $172.02m.

By December 2019, loans from the five countries rose by $76m to $3.85bn with Nigeria owing China $3.18bn, Japan $361.75m, France $$76.13m, India $32.14m, Germany $202.27m.

Nigeria's debt profile from the five countries increased by $21m to $4.06bn as of December 31, 2020.

By the end of 2020, Nigeria owned China $3.26bn, Japan $493.71m, France $80.20m, India $37.00m, and Germany $184.32m.

Within the stated period, Nigeria's indebtedness to China rose by $1.82bn or 126.39 per cent; for France, it rose by $335.76m or 212.57 per cent, while for Japan, it rose by $36.32m or 82.77 per cent, and for Germany, it rose by $172.88m or 1511.19 per cent.

For India, from 2018 to 2020, Nigeria's debt profile rose by $22.21m or 150.17 per cent.

Bilateral debts make up 15.47 per cent of Nigeria's total external debts as of December 31, 2015, with a total of $1.66bn, while by December 31, 2020, it made up 12.17 per cent, with a total of $4.06bn, showing a total increase of $2.4bn or 144.58bn.

This shows that Nigeria had borrowed more from other loan financing sources such as multilaterals and commercials than from bilateral sources.

Experts have, however, warned that continued increase in the nation's debt stock, portends some risks for the country.

The Chief Executive Officer of SD&D Capital Management, Idakolo Gbolade, cautioned the government on constant borrowing, adding that it should examine how it borrowed to save the unborn generation from unending debt.

He said, "Government borrowing to fund infrastructure is not bad but the problem is that the projects should be made to repay the loans.

"The government needs to look into this. For example, projects like roads should be tolled and proceeds used for repayments."

A professor of economics at the Olabisi Onabanjo University, Ogun State, Prof. Sheriffideen Tella, said there was a need for the government to change its orientation regarding borrowing.

He said, "We have to ask ourselves if it is possible to cut down borrowing. It is possible. We have to re-prioritise our projects.

"We tend to spend more on projects without being cost-effective. Also, can these projects repay themselves? If they cannot, then we are in serious trouble."

The DMO in its last Debt Sustainability Analysis stated that Nigeria had a moderate risk of debt distress, adding that the country's external debt was sensitive to shocks in revenue.

DOMESTIC ECONOMY:

- **Lingering Challenges Dampen GDP Outlook Among Manufacturers:**

Though Nigeria's latest Gross Domestic Product (GDP) growth appears to have been driven by the non-oil sector, especially trade and transport sector, there are concerns by local manufacturers on the lingering infrastructure and supply chain challenges in the sector.

Nigeria, like many other countries, suffered the consequences of the partial closure of the transportation sector, which disrupted global supply chains. The sector expanded by 76.8 per cent in Q2 '21, compared with -49.2 per cent in Q2 '20 at the peak of the pandemic, thanks to a nearly full reopening of the economy.

For the second consecutive quarter, the manufacturing sector's real GDP grew by 3.49% year-on-year in Q2 2021, the highest growth since Q1 2015.

Though this can be largely attributed to the low base in the prior year, there are indications that conditions for manufacturing are improving.

Also, the readings for Manufacturing PMI rose to 46.6 in July from 45.5 in June 2021, showing a gradual recovery of output growth, though still below the 50-index point mark.

Meanwhile, the continued efforts by the government to reposition critical sectors such as manufacturing on the path of growth have proved supportive, albeit slow.

Despite the recovery, the base effects have continued to impact household incomes, forcing manufacturers to adjust offerings and preferences to the available market. With the exception of essential items, demand for manufactured goods has been slow.

The Senior Partner, Deloitte Nigeria, Bernard Orji, stated that the bulk of the Nigerian populace live under the poverty line as they could barely afford to meet their needs.

According to him, manufacturers must study the market by focusing on the needs of consumers with quality and affordable products to remain competitive.

The Lagos Chamber of Commerce and Industry (LCCI) in its GDP comments noted that the performance of the manufacturing sector shows resilience amid the major challenges in the sector such as limited access to credit and financial services, poor infrastructure and unreliable power supply that forces businesses to rely on generators, thus increasing their input costs and reducing their overall competitiveness and profitability.

According to an economist and private sector advocate, Dr. Muda Yusuf, though the 5.01 per cent GDP growth (year-on-year) is a welcome development, there is a need to fix issues around regulatory environment, tax administration and the multitude of levies imposed on businesses at all levels of government.

Yusuf also called for reforms in the nation's foreign exchange policies, ports infrastructure, and other structural bottlenecks to productivity in the economy.

"There are still worries about the macroeconomic challenges reflecting spiralling inflation, weakening currency, forex market illiquidity and rising debt profile among others.

"The security situation remains a major source of risk inhibiting investments whether domestic or foreign," he said. Yusuf said that while it is good to celebrate the GDP growth numbers, this should be done cautiously.

He noted that the impact of the GDP growth on citizens welfare and the productivity in the investment environment are crucial, noting that those were the metrics that matter most, ultimately.

He explained that the increase signposts an incremental recovery in the economy as well as reflects a gradual normalization of economic and business activities in the country, stressing it was important to admit that there is a profound base effect in the Q2 GDP growth outcomes.

The manufacturing sector recorded a total output of N12.2tn in the first half of the year, according to the National Bureau of Statistics.

Data obtained from the Gross Domestic Product report show that aggregate manufacturing output in the first and second quarters stood at N6.1tn each.

The total output of N12.2tn for H1 2021 represents an increase of N1.1tn when compared to the N11.1tn recorded in the second half of 2020.

Out of the 13 subsectors of the manufacturing sector, seven-recorded positive economic performance between H2 2020 and H1 2021, while six sub sectors experienced a decline in productivity.

The seven subsectors that recorded increase in economic performance include cement, from N2tn to N2.5tn; food, beverage and tobacco, from N3.8tn to N4tn; textile, apparel and footwear, from N2.6tn to N3tn; and wood and wood products, from N233.9bn to N235.1bn.

Other subsectors are pulp, paper and paper products, from N146.2bn to 162bn; non-metallic products, from N624bn to N752.5bn; and motor vehicles and assembly, from N274bn to N498bn.

The oil refinery sub sector recorded a huge decline in productivity within the period under review, from N32.5bn to N13bn. The other five sub sectors that recorded decline in output are chemical and pharmaceutical products, from N288.9bn to N275.3bn; plastic and rubber products, from N351.1bn to N307.4bn; electrical and electronics, from N8.3bn to N7.2bn; basic metal, iron and steel, from N250bn to N200.9bn; and other manufacturing, from N392.7bn to N300.4bn.

- **Bitcoin, Others Pose Danger to Global Economy -EFCC boss:**

The Chairman, Economic and Financial Crimes Commission, Abdulrasheed Bawa, has said Bitcoin and other cryptocurrencies portend huge risks to the world economy.
According to him, many criminals now play significant roles in crypto-currency markets, adding that virtual currencies had become their preferred medium of exchange. The EFCC chairman spoke on Monday at the

38th Cambridge International Symposium on Economic Crime, themed, ‘Economic Crime-Who pays and who should pay? The event was organized by the Centre for International Documentation on Organized and Economic Crime, Jesus College, University of Cambridge, United Kingdom, a statement by the EFCC spokesman, Wilson Uwujaren, stated.
Bawa was quoted as saying, “The developments in new technologies and the growth of cryptocurrencies portray a far greater danger to the world economy than ever before with many criminals playing significant roles in crypto-currency markets.
“Criminals now elect to transact or receive illegal monies (such as ransom money) for cyber-attacks in cryptocurrencies with Bitcoins and Ethereum as the most commonly used mediums for these exchanges.”
He lamented that the sophistication and complexity that defines the dynamics of economic crime in the 21st Century continues to evolve, spurred by technological advancement in the global economy that has become borderless and transnational. His he said had “inevitably led to the prioritisation of law enforcement action on crimes that drive Illicit Financial Flows across the globe”.

- **Nigeria’s Green Bonds Market Hits $136m as NGX Lists Potential**

The value of Nigeria’s green bonds market has hit $136 million within three years with four issuances recorded since the debut issuance by the Federal Government.
In 2017, the NGX collaborated with the Ministry of Finance and other stakeholders to launch the first Climate Bond Initiative certified sovereign bond valued at N10.69 billion.

According to the Nigerian Exchange Limited (NGX), the issuances and listings include the N10.69 billion, 13.48 per cent five-year sovereign green bond issued in 2017 by the Federal Government of Nigeria (FGN); the N15 billon 15.5 per cent 5-year fixed rate senior unsecured green bond issued by Access Bank of Nigeria Plc.Others are N8.5 billion 15.6 per cent 15-year guaranteed fixed rate senior green infrastructure bond by North South Power Company (NSP) and the series II N15 billion 14.5 per cent FGN 7-year sovereign green bond in 2019 which recorded a 220 per cent subscription rate (oversubscribed by N17.93 billion).

At a retail investors’ webinar with the theme: “Sukuk and Green Bonds: More than just Investing”, the Chief Executive Officer (CEO) of the Nigerian Exchange Limited (NGX), Temi Popoola said the potential for sukuk and green bonds remains immense and is likely to expand over the years underpinned by new markets, products, issuers and healthy investor investors’ appetite.

He assured stakeholders that the exchange would continue to provide an efficient and liquid market for investors and businesses in Africa to access capital.

“We promise to continue our collaboration with all market stakeholders, to collectively contribute towards the enhancement of this exciting asset class, and ultimately towards the growth of green and sukuk bonds in Nigeria and Africa at large.”

Assistant Director, Securities Issuance Unit, Debt Management Office, Adamu Mohammed pointed out that investors are increasingly demanding socially responsible investment and have expressed a strong appetite for green bonds.

He noted that the subscription rates in Nigeria’s sovereign green bonds increased to 220 per cent in 2019 over the 110 per cent at the debut issuance.