



WEEKLY NEWS HIGHLIGHTS:

27th – 30th SEPTEMBER, 2021.

- **Inflation: Bank Of England Says Price Rises To Top 4% By Year-End**
- **Bitcoin Takes A Hit As China Declares All Cryptocurrency Transactions Illegal**
- **Ford, SK To Invest \$11.4 Bln To Add Electric F-150 Plant, Three Battery Factories**
- **Russia Lists Terms For Higher Trade Relations With Nigeria**
- **Forex Crisis: Massive Job Losses Loom, Profits Shrink, Say MAN, Others**
- **Stock Trading Volume Crashes By 78%, Investors Lose N51bn**

WEEKLY RATE MONITOR

MPR: 11.5%

GDP: 2.5%

INFLATION: 17.1%

NIBOR: 8.542 %

GLOBAL ECONOMY:

- **Inflation: Bank of England says price rises to top 4% by year-end**

UK inflation is expected to rise above 4% by the end of the year, fuelled by rising energy costs, the Bank of England has warned. The Bank also said that there were signs the supply chain crisis was starting to hamper the economic recovery, and revised down its growth forecast for the third quarter by 1%. It came as the Bank's Monetary Policy Committee held interest rates at 0.1% despite the inflation forecast a rate rise was not yet needed, the MPC said.

Factors driving higher inflation were still expected to moderate next year, the policymakers said. Supply constraints were hitting recovery and there are signs "cost pressures may prove more persistent." Supply chain challenges evident in shops, ports and forecourts are now having a material impact on the recovery from the pandemic.

The Bank of England has revised down its expectations for economic growth in the current three month period. In addition to these supply challenges, there are shortages from workers to microchips, which may mean inflation proves to be "more persistent". Interest rates were unanimously kept on hold at the record low level of 0.1%. But two of the nine members of the Monetary Policy Committee, including a deputy governor, voted to stop the Bank buying government bonds on account of inflation worries. Supply chain factors now holding growth back and there is also renewed concern that more than a million workers are stuck on the furlough scheme.

The Bank will wait to see the impact of the end of furlough at least before turning off the tap of funds it is pumping into the economy. The Bank said that supply constraints were "evident in surveys showing historically lengthy supplier delivery times and backlogs of work, significant material and labour shortages in a number of sectors, and lower levels of inventories".

Developments over the past month have "strengthened" the case made in August that some tightening of monetary policy could be necessary to meet the central bank's 2% inflation target sustainably in the medium term, policymakers said. The MPC added that "considerable uncertainties remain". It said Consumer Prices Index inflation, currently at 3.2%, could remain above 4% into the second quarter of next year.

- **Bitcoin Takes A Hit As China Declares All Cryptocurrency Transactions Illegal**

China intensified a crackdown on crypto currency trading on Friday, vowing to root out "illegal" activity, hitting bitcoin and other major coins and pressuring crypto and blockchain-related stocks. Ten Chinese government agencies, including the central bank as well as banking, securities and foreign exchange regulators, said in a joint statement they would work closely to maintain a "high-pressure" clampdown on trading of crypto currencies. The People's Bank of China (PBOC) said crypto currencies must not circulate in markets as traditional currencies and that overseas exchanges are barred from providing services to mainland investors via the internet.

The PBOC also barred financial institutions, payment companies and internet firms from facilitating crypto currency trading. The moves come after China's State Council, or cabinet, vowed in May to crack down on bitcoin mining and trading as part of efforts to fend off financial risk, sparking a major sell-off of crypto currencies. The Chinese government will "resolutely clamp down on virtual currency speculation, and related financial activities and misbehaviour in order to safeguard people's properties and maintain economic, financial and social order," the PBOC said in a statement on its website.

In response to the latest move, bitcoin, the world's largest cryptocurrency, dropped over 6 percent to \$42,2167, having earlier been down about 1 percent. Smaller coins, which typically rise and fall in tandem with bitcoin, also tumbled. Ether fell 10 percent while XRP a similar amount. "There's a degree of panic in the air," said Joseph Edwards, head of research at cryptocurrency broker Enigma Securities in London. "Crypto continues to exist in a grey area of legality across the board in China."

The move also hit cryptocurrency and blockchain-related shares. U.S.-listed miners Riot Blockchain, Marathon Digital and Bit Digital slipping between 6.3 percent and 7.5 percent in premarket trading. China-focused SOS dropped 6.1 percent while San Francisco crypto exchange Coinbase Global fell 3.4 percent. The National Development and Reform Commission (NDRC) said it was launching a thorough, nationwide cleanup of cryptocurrency mining. Such activities contribute little to China's economic growth, spawn risks, consume a huge amount of energy and hamper carbon neutrality goals, it said.

It's an "imperative" to wipe out cryptocurrency mining, a task key to promoting high-quality growth of China's economy, the NDRC said in a notice to local governments. Virtual currency mining had been a big business in China before a crackdown that started earlier this year, accounting for more than half of the world's crypto supply. The NDRC said it will work closely with other government agencies to make sure financial support and electricity supply will be cut off for mining. The national planning body also urged local governments to come up with a specific timetable and road map to eradicate such activities.

- **Ford, SK to invest \$11.4 bln to add electric F-150 plant, three battery factories**

Ford Motor Co (F.N) and its Korean battery partner SK Innovation (096770.KS) will invest \$11.4 billion to build an electric F-150 assembly plant and three battery plants in the United States, accelerating the U.S. automaker's push into electric vehicles. **Ford has announced a major investment in electric vehicle (EV) production in the US, promising to build its biggest ever factory in Tennessee, and two battery parks in Kentucky.** Under the \$11.4bn (£8.3bn) plan, the carmaker said it will build zero-emission cars and pickups "at scale" for American customers. It will also create 11,000 jobs. Like rivals GM and Stellantis, Ford hopes around half of the cars it sells by 2030 will be zero emission. Yet the additional government investment required to make it happen is still in question.

"This is our moment - our biggest investment ever - to help build a better future for America," said Jim Farley, Ford's president and chief executive in a statement. "We are moving now to deliver breakthrough electric vehicles for the many rather than the few."

Ford said its Tennessee factory - called Blue Oval City - will cover a 6-square-mile area and build next-generation electric pickup trucks and batteries from 2025. Its battery parks in Kentucky will power a new line-up of

Ford and Lincoln EVs. Ford has already ramped up investment in EV production at its Texas and Michigan plants. It said it would be making the new investments in partnership with SK Innovation, a South Korean battery maker. Outside of a few major metropolitan areas, EVs still aren't very common in the US and the country accounted for just 2% of new EV sales globally last year.

The Biden administration hopes to change this with tougher tailpipe emissions rules from 2026 and billions of dollars of spending on new charging points and consumer incentives. However, the cash is tied up in two spending bills that Democrat leaders must get through a divided Senate. On Thursday, lawmakers will vote on the first - a \$1.5tn infrastructure plan - which appears to have enough bi-partisan support to pass. But a second, \$3.5tn bill - which focuses on widening America's social safety net - is opposed by every Republican and some moderate Democrats who say it is too expensive in its current form.

Ford told the BBC its announcement was not timed to coincide with this week's voting on Capitol Hill. But it said it supports the passage of both bills, which would "help more Americans get into electric vehicles, while at the same time supporting American manufacturing and union jobs".

DOMESTIC ECONOMY:

- **Russia lists terms for higher trade relations with Nigeria**

The Russian government on Monday said its trade volume with Nigeria presently stood at \$600m because Russia is also an oil producing nation. The Deputy Head of Mission, Russia Embassy, Valery Shaposhnikov, gave the explanation during a joint press conference with the Nigeria – Russia Chamber of Commerce and Industry in Abuja founded and chaired by businessman, Dr Obiora Okonkwo.

According to him, the trade volume with Nigeria would increase with the buying of agricultural produce from the country by Russia. Shaposhnikov said more Russian companies were willing to buy Nigerian products provided they meet international standards. He said, "The trade volume is not based on oil transaction; we are not buying oil from Nigeria. When we talk about trade volumes with other countries, practically all these volumes are based on oil transactions – buying and selling oil products and oil. "In our case, the situation is healthier. There is no oil transaction. We are supplying to Nigeria fertilizers, wheat, machineries and we are buying some products from agriculture but maybe not so much as you would like to see as not so much as we will like to buy. "But the products you are selling should be good and meet international standards and when it is done, the volume will be rising.

"Some companies in Russia are interested in buying agricultural produce here in Nigeria. So, we want companies here to produce more high standard products and also to provide that these products meet international standards. "As soon as that is done, the volume of trade may be higher."

Okonkwo, Zenith Labour Party candidate in the November 6 forthcoming governorship election in Anambra State, said the N-RCCI would enable Nigeria to explore business relations with Russia and promote economic growth, technology transfer, development and also foster better understanding for both countries.

He said, "We are happy that a new foundation has been laid and we can only work to reap the benefits.

"The principal objectives of N-RCCI is to promote commerce, industry, trade and ancillary services; foster, advance and protect commercial, industrial, trade and professional enterprises and, without limitation, other activities and business undertakings of all kinds in the locality and elsewhere."

- **Forex Crisis: Massive Job Losses Loom, Profits Shrink, Say MAN, Others**

Stakeholders including the Manufacturers Association of Nigeria and the Association of Small Business Owners on Sunday lamented the worsening scarcity of forex in the country, saying they were already cutting costs as their profits were shrinking. MAN, ASBON and the Lagos Chamber of Commerce and Industry and industrialists in separate interviews with *The PUNCH* said the free fall of naira and the attendant forex scarcity had worsened Nigeria's harsh business environment in the past two months.

Some stakeholders, especially small business owners, told our correspondents that they were reducing their staff strength, warning that there would be massive job losses if forex scarcity continued. The Central Bank of Nigeria had in July stopped selling forex to Bureau De Change operators on the grounds that they defeated their purpose of existence through illegally dealing in wholesale trading of forex beyond the statutory benchmark allowed by the law.

The CBN directed businessmen and others to source forex from commercial banks. Since the apex bank gave the directive, naira has been on a free fall and accessing forex has been difficult for firms. As of Sunday the dollar exchanged for N580 while pounds sold for N780. Small businesses stop production, cut costs, retrench workers, says President

The President of the ASBON, Dr Femi Egbesola, in an interview with one of our correspondents lamented that small businesses were the worst hit by the forex scarcity. He said some medium and larger businesses still had the opportunity of getting certain amount of forex from the commercial banks.

Egbesola stated, "For small businesses, bureaucratic bottlenecks hamper their access in commercial banks, pushing us to the parallel market. "In the past few months, the naira has been on a free fall, and many of our members can no longer produce because the raw materials cannot be imported. "You need to get payment overseas before you can get your shipment and if you cannot get your raw materials, you are going to close shop. "Some of our members that have been able to get some forex in trickles have been under-producing. They have had to cut cost and downsize their staff. That is inflicting unemployment again. Even their products are now more expensive for consumers.

The Director-General of MAN, Mr Segun Ajayi-Kadir, told one of our correspondents that the general concern among manufacturers was the difficulty and 'most often inability, to access the forex they need to purchase machines, spares and critical raw materials that are not locally available'. He noted that manufacturers' funds in Nigeria would be tied down at the point of making requests and if commercial banks finally released the regularly meagre forex, it would be inadequate to procure the inputs which distorts the production process and rocks their bottom line.

- **Stock Trading Volume Crashes By 78%, Investors Lose N51bn**

Stock market activities on Monday declined as trading volume and value of shares dropped by 77.99 per cent and 73.49 per cent respectively, with investors losing N51.03bn as trading ended. The Nigerian Exchange Limited, formerly Nigerian Stock Exchange All-Share index dropped by 0.25 per cent to close at 38,864.33 basis points from 38,962.28bps. The market capitalisation of stocks also dropped from N20.30tn the previous trading day to N20.25tn.

The volume of shares traded on the exchange was 139.45 million shares valued at N1.71bn in 3,539 deals compared to 633.52 million shares worth N6.45bn in 3,2228 deals. The NGX Industrial and Insurance indices decreased by 1.10 per cent and 2.34 per cent respectively while other sectoral indices gained. Sovereign Trust Insurance Plc topped the traded stocks in terms of volume, accounting for 13.68 per cent of the total volume of trades while MTN Nigeria Plc was the most traded stock in value terms occupying 27.15 per cent of the total value of trades on the exchange.

Market sentiment as measured by market breadth was positive as 20 equities appreciated in price while 12 companies saw losses at the end of trading on the floor of the NGX. University Press Plc led the gainers as it rose by 9.80 per cent to N1.12 per share. Transcorp Hotels Plc followed closely with a 9.70 per cent gain to N5.43 per share.

Other top gainers on Friday were Courtville Business Solutions Plc (+9.38 per cent), Oando Plc (+6.07 per cent) and Cutix Plc (+5.38 per cent). Atop the losers' chart was AXA Mansard Insurance Plc whose share price dropped by 9.94 per cent to close at N2.99 per share. Chams Plc, Sovereign Trust Insurance, Mutual Benefits Assurance and BUA Cement Plc also saw losses that contributed to the decline in the market