WEEKLY NEWS HIGHLIGHTS: **4th – 8th October , 2021.**

- **Oil Hits $81 As Opec+ Sticks To Output Deal**
- **Asian Shares Rise On Lower Oil Prices And Possible Xi-Biden Meet**
- **French Watchdog Chief Calls For Ban On 'Payment For Order Flow' In Eu Stock Market**
- **Quarter 2 Manufactured Imports Exceeded Exports By N4.3tn – Nbs**
- **Lagos Partners Fmdq To Raise N25bn Green Bond**
- **Budget: Fg Lowers Revenue Projection By N342bn, Seeks Mtef Amendment**
- **Google Set To Invest $1bn In Nigeria, Others**

WEEKLY RATE MONITOR

MPR: **11.5%**

GDP: **2.5%**

INFLATION: **17.38%**

NIBOR: **8.542 %**

GLOBAL ECONOMY:

- **Oil hits $81 as OPEC+ sticks to output deal:**

Oil prices crossed the $80 mark following the decision by the Organization of the Petroleum Exporting Countries (OPEC) yesterday, confirming it would increase monthly overall production of oil by 400,000 barrels per day (bpd) for the month of November. Brent Crude traded at $81.49 around 4:40pm local time, while Nigeria's Bonny Light traded lower at $77.67 a barrel.

At the OPEC and non-OPEC ministerial meeting, the countries "reiterated the critical importance of adhering to full conformity and to the compensation mechanism taking advantage of the extension of the compensation period until the end of December 2021." Rising prices have triggered renewed calls — most notably from the United States — for OPEC+ to consider restoring production more quickly than planned.

Specifically, Nigeria is expected to pump 1.649 million barrels a day by next month, a quota the country has been having difficulty in attaining due to prevailing local challenges, until last month. The Guardian had reported that production disruptions due to community unrest, maintenance and leak repairs have undermined the country's capacity to produce optimally, despite requesting for additional volume. OPEC's latest Monthly Oil Market Report (MOMR) confirmed that Nigeria pumped 1.27 million barrels per day (mbpd) in August, lower than 1.38mbpd in July. Output however rose by 170,000 barrels per day (bpd) in September.

According to the 2021 crude oil and condensate production report released by the Department of Petroleum Resources (DPR), difficulties in some oil terminals caused the decline in Nigeria's oil output. The Minister of State for Petroleum Resources, Timipre Sylva, had said the country's full production capacity is closer to 2.2 million b/d, calling for an adjustment in OPEC+'s revised quota, the country has struggled to produce at its current allocation. Sylva, according to Platts report, attributed Nigeria's production struggles to technical problems from re-tapping reservoirs that had been shuttered to comply with the stringent OPEC+ cuts of the past 17 months and the said output could rebound to around 1.7 million b/d by November and 2 million b/d by end of the year.

"We had some issues from shutting down the reservoirs," he said. "When you shut down a reservoir, to restart it, sometimes, there are challenges. The basis for giving us this quota was that Nigeria was in a crisis," Sylva said. "Right now, we don't have any crisis anymore, and we believe we can produce more."

The current OPEC+ agreement targets a 400,000 b/d rise each month from August until April next year, and a 432,000 b/d monthly increase thereafter until last year's cuts are fully unwound. The increases must be rubber-stamped at monthly ministerial meetings and can be paused for up to three months if market conditions warrant it. OPEC+ members said that the outlook for crude demand in the first quarter of next year is uncertain. Yesterday's decision is in line with the group's tendency to be overly cautious.

- **Asian shares rise on lower oil prices and possible Xi-Biden meet:**

Asian shares rallied on Thursday, supported by a possible easing in U.S.-China tensions, and weaker energy prices, as oil edged down from multi-year highs. U.S. and European futures also bounced with S&P 500 futures rising 0.52%, and pan-region Euro Stoxx 50 futures gaining 1.23% in early trade a day after the Euro STOXX 600 (.STOXX) index dropped 1.03%

MSCI's broadest index of Asia-Pacific shares outside Japan (.MIAPJ0000PUS) rose 1.45%, which if it holds, would be the benchmark's best daily performance since August. Hong Kong (.HSI) led Asia's gains. The index rose 2.41%, bouncing from its lowest close in 12 months, and was headed towards its best day since August, though analysts remained cautious. Elsewhere, South Korea's Kospi (.KS11) gained 1.6%, Australian shares (.AXJO) rose 0.51%, and Japan's Nikkei (.N225) firmed 0.72%, snapping eight days of losses.

However, there were still reasons for caution around the region, especially with China on holiday, seemingly contributing to a delay in progress towards any resolution for beleaguered developer China Evergrande (3333.HK).

- **French Watchdog Chief Calls For Ban On 'Payment For Order Flow' In EU Stock Market:**

"Payment for order flow," a practice critics say has fuelled bouts of frenzied retail share trading on Wall Street, should be banned in the European Union, France's stock market regulator said on Thursday.

In the United States, stockbrokers have touted for business among retail customers by offering zero commission services, with payment coming from sending the orders to a specific wholesale market maker for executing.

Robert Ophele, chairman of France's AMF securities watchdog, said the situation was even more complicated in the EU due to the lack of a single markets regulator.

"I am strongly inclined to favour the clarity of a ban for payment for order flow," Ophele told an event held by European markets industry body AFME.

The EU is reviewing its securities market rules known as MiFID II with a view to making a series of tweaks in a bid to deepen its capital market now that Britain has left the bloc.

France, president of the EU in the first half of 2022, will be responsible for marshalling reforms through the bloc.

The EU's executive European Commission has said it wants to create a "consolidated tape" or record of transaction prices for shares traded across the bloc to make it easier for investors to spot the best deals.But there is debate over whether transaction prices should be published near to real-time or, as exchanges want, with a 15-minute delay. Ophele said the closer to real-time the better for investors.

"If you just say let's have a delay, I am not sure it will make life simpler for the users of this consolidated tape," Ophele said.

Pan-European funds industry body EFAMA said a real-time tape was essential to enhancing retail investor confidence in EU capital markets, and for asset managers to improve their trading strategies.

Ophele said he hoped that EU changes to improve the quality of stock market data could come in by January 2023.

Banks argue that once data quality has improved calls from bourses to curb off-exchange trading - or over-the-counter dealing often done via banks - will be seen as unjustified.

DOMESTIC ECONOMY:

- **Quarter 2 Manufactured Imports Exceeded Exports by N4.3tn – NBS:**

The value of manufactured goods imported into the country exceeded exports by N4.37tn in the second quarter of 2021, according to figures obtained from the National Bureau of Statistics. The NBS stated that the value of manufactured goods trade in Q2, 2021 stood at N4.51tn representing 37.50 per cent of total trade. “Out of this, the export component accounted for N211.67bn while the import component was valued at N4.3tn,” the NBS report stated.

The products that drove up manufactured products were vessels and other floating structures for breaking up, which was exported to Cameroon in the value worth N71.9bn. It added that vessels and other floating structures for breaking up were also exported to Spain and Equatorial Guinea in values worth N18.34bn and N6.62bn respectively. The NBS report stated that other products under this group were aluminium alloys, unwrought exported to Japan in the value worth N10.85bn and China (N3.63bn).

It added that there were aeroplanes and other aircraft of an unladen weight worth N16.65bn exported to Ghana and cruise ships and similar vessels for the transport of persons or goods worth N10.59bn exported to Cameroon during the period under review. In terms of manufactured imports, it added, used vehicles were mainly imported from United States and Italy in values worth N33.78bn and N5.74bn. During the quarter, it stated, machine for reception, conversion and transmission were imported from China, Sweden and Hong Kong in values worth N118.69bn, N8.98bn and N5.22bn respectively.

Motorcycles worth N32.72bn and N61.8bn were imported from China and India. *There were also herbicides worth N81.17bn imported from China and polypropylene imported from South Africa, Saudi Arabia and South Korea in values worth N35.75bn, N15.46bn and N9.47bn respectively.*

- **Lagos Partners FMDQ To Raise N25bn Green Bond:**

The state governor, Mr Babajide Sanwo-olu, signed a Memorandum of Understanding (MoU) with the FMDQ Group and Financial Sector Deepening (FSD) Africa for the proposed transaction, which is aimed at financing sustainable projects in the metropolis. The signing of the deal is coming after the state was upgraded to AAA (nga) rating from AA+ (nga) by Fitch International for its good standing on debt sustainability and resilience

According to Mr Sanwo-Olu, the green bond programme is targeted at raising the capacity of the state government to deliver more key infrastructure and social projects that would keep Lagos on the path of prosperity. Being supported by the UK Agency for International Development (UK Aid), the signing of the MoU signifies Lagos State as the first sub-national government to tap into the framework for the unlocking of the $1 trillion Nigerian green bond market development programme.

This programme was launched in 2018 to facilitate the development of a green bond market that will impact the sovereign and non-sovereign bond markets in the country Speaking last week, at the State House in Marina, where the agreement was sealed, Mr Sanwo-Olu said, “As a government, we are committed to utilizing our limited resources more efficiently to create a circular economy, which is a promising and viable alternative. “Public spending and investments may not be enough to deliver our key objectives; therefore, the need to tap into more private investments for the transition to a zero-waste and circular economy, as well as achieving crucial items of the Sustainable Development Goals (SDGs).”

He said that the green investment will activate deeply sustainable funds for infrastructure and social development for the country’s economic hub, Lagos, adding that the green finance network will further pull investors into the market. In his contribution, the Chief Executive Officer of FMDQ Group, Mr Bola Onadele, while expressing excitement over the financial move, said that there it signals the readiness of partners to support the state in unlocking the capital to fund key projects.

“I have no doubt that the implementation of this MoU and the impact thereof will ensure that Lagos continues to set itself apart, support its developmental aspirations and highlight its sustainability efforts at the global green and sustainable financial ecosystem.

“We are excited about this opportunity to support the developmental aspirations of Lagos,” Mr Onadele said.

The event was witnessed by the CEO of FSD Africa, Mr Mark Napier; the Commissioner for Finance, Mr Rabiu Olowo; all parties under the supervision of the State Attorney General and Commissioner for Justice, Mr Moyo Onigbanjo, and the British Deputy High Commissioner, Mr Ben Llewelly-Jones.

- **<u>Budget: FG Lowers Revenue Projection By N342bn, Seeks MTEF Amendment:</u>**

The President, Major General Muhammadu Buhari (retd.), will, on Thursday, present the 2022 budget to a joint session of the National Assembly. The Deputy Senate President, Ovie Omo-Agege, gave the hint on Tuesday after reading and referring Buhari's submission of the revised 2022-2024 Medium Term Expenditure Framework and Fiscal Strategy Paper to the Committee on Finance for necessary legislative input.

The President in a letter to both chambers of the National Assembly, dated October 4, 2021, explained that the revision was necessitated by the need to reflect the new fiscal terms in the Petroleum Industry Act, 2021, as well as other critical expenditures in the 2022 budget. He said the underlying drivers of the 2022 fiscal projections, such as oil price benchmark, oil production volume, exchange rate, GDP growth, and inflation rate reflected emergent realities and the macroeconomic outlook, and remained unchanged in the previously approved 2022-2024 MTEF/FSP.

He said, "The PIA established a progressive fiscal framework aimed at encouraging investment in the Nigerian Petroleum Industry.

"This significantly alters the oil and gas fiscal terms and has necessitated changes in the 2022-2024 Medium Term Fiscal Framework.

"The fiscal effects of PIA implementation are assumed to kick in by mid-year 2022. Buhari listed the changes to the 2022 Fiscal Framework projections to include gross revenue projection which decreased by N341.57bn.

He said it decreased from N8.87tn to N8.53tn.

He also announced a decrease in the deductions for federally funded upstream projects costs and 13 per cent derivation by N335.3bn and N810.2m respectively. Net oil and gas revenue projection declined by N5.42bn from N6.54tn to N6.54tn. Buhari added that also to be modified in the fiscal framework was a decline in net oil and gas revenue by N5.42bn and an increase in projected FGN's retained revenue from N8.36tn to N10.13tn.

Giving a breakdown of the projected increase in Federal Government's revenue, he said N837.76bn was from increase in revenue of Government Owned Enterprises; N697.6bn from MDAs Internally Generated Revenue. The increase, he added, also affected the introduction of education tax of N306bn and dividend of N8.3bn from the bank of industry as revenue lines.

- **<u>Google Set To Invest $1bn In Nigeria, Others:</u>**

Google has said it will invest $1bn over five years to support digital transformation in Nigeria and other African countries. The company added that this investment will lead to a 21 per cent drop in internet prices, and a five-fold increase in internet speed in Nigeria. This was disclosed at the first Google for Africa event that held on Wednesday.

Managing Director for Google in Africa, Nitin Gajria, said, "Google remains committed to being helpful to every African business, person and classroom."Google is invested in building our global infrastructure to help bring everyone online. "This includes Equiano, a state-of-the-art subsea cable that will connect Africa with Europe. We are already making tremendous progress on the construction of branches landing in Nigeria, Namibia, St Helena, and South Africa. "Named after Olaudah Equiano, a Nigerian born writer and abolitionist, Equiano will provide approximately 20 times more network capacity than the last capable built to serve Africa.

“This will lead to a 21 per cent drop in internet prices, as well as a five-fold increase in internet speed in Nigeria, and almost triple in South Africa.”

He added that between 2022 to 2025, Equiano would indirectly create 1.7 million jobs in Nigeria and South Africa because of the expansion of the digital economy and peripheral sectors.