WEEKLY NEWS HIGHLIGHTS: **18th –22nd October , 2021.**

- **China Exports Up 28% In September; Surplus With Us At $42 Billion**
- **U.K. To Begin Process To Join Trans-Pacific Trade Partnership**
- **Energy Crunch Hits Global Recovery As Winter Approaches**
- **Discos Lose N97bn To Energy Theft, Others In Three Months**
- **Strike Threat: Nnpc To Spend N621bn On Rehabilitation Of 16 Roads**
- **Aviation Sector's Contribution To Gdp Crashes By 50%, Experts Advise Fg**

WEEKLY RATE MONITOR

MPR: **11.5%**

GDP: **5%**

INFLATION: **16%**

NIBOR: **15.85 %**

GLOBAL ECONOMY:

- **China Exports Up 28% In September; Surplus With US At $42 Billion**

China's import and export growth slowed in September amid shipping bottlenecks and other disruptions combined with coronavirus outbreaks, according to customs data reported Wednesday. The report showed exports rose 28.1% to $305.7 billion. That was slightly slower than the 33% increase logged in August, but faster than economists had forecast. Imports rose 17.6% to $240 billion, less than the previous month's 26% but a bit more than expected.

Disruptions in industrial supply chains have persisted after last year's global economic downturn. Rising infections in the United States and some other markets also dampened consumer sentiment. This year's trade figures have been distorted by comparison with 2020, when global demand plunged in the first half after governments shut factories and shops to fight the pandemic. Chinese exporters reopened after the ruling Communist Party declared the virus under control in March 2020, while its foreign competitors still were hampered by anti-virus curbs. Economists have forecast that surging global demand for Chinese goods will level off as anti-disease controls ease and entertainment, travel and other service industries reopen.

Overall growth in two-way trade rose 15% in July-September, slowing from 25% year-on-year growth in the previous quarter.

The politically sensitive **trade surplus** with the U.S. rose to $42 billion in September from nearly $38 billion in August, the report said.

More than three years after former U.S. President Donald Trump launched a tariff war against Beijing, his successor Joe Biden's administration has not said if it will agree to Chinese demands to roll back some of those punitive duties. Biden's top trade official, Katherine Tai, said last week that she planned frank talks with Beijing about complaints over policies that foreign businesses say give their Chinese competitors an unfair advantage.

- **U.K. To Begin Process To Join Trans-Pacific Trade Partnership:**

Member nations of a Pacific regional trade deal agreed Wednesday to allow the U.K. to begin the process to join in a potential boost for the country's trade following Brexit. Japanese Economy Minister Yasutoshi Nishimura said the move would strengthen economic ties between the U.K. and Japan, as well as making the zone covered by the deal equal to the EU in terms of economic size. He spoke to reporters after hosting an online meeting of ministers and officials from the 11 countries who make up the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

"The commencement of an accession process with the United Kingdom and the potential expansion of the CPTPP will send a strong signal to our trading partners around the world of our commitment to support a free, fair, open, effective, inclusive and rules-based trading system," the ministers said in a joint statement.

While the grouping was at one point seen as a way for the U.S. and Japan to counter the growing economic might of China, former President Donald Trump withdrew from negotiations when he took office in 2017 and his successor Joe Biden hasn't indicated any reversal is likely. "CPTPP membership is a huge opportunity for Britain," U.K. International Trade Secretary Liz Truss said in a statement. "It will help shift our economic center of gravity away from Europe towards faster-growing parts of the world, and deepen our access to massive consumer markets in the Asia Pacific." More recently, China itself has shown interest in joining the pact, following its signing of the separate Regional Comprehensive Economic Partnership, a less demanding agreement covering some of the same nations.

A working group on the U.K.'s accession has been set up with Japan as the chair and Singapore and Australia as vice-chairs. Japan has been supportive of the U.K.'s efforts to seal global trade deals as it seeks to carve out a bigger role in Asia following its exit from the EU. The two countries reached a bilateral trade agreement last year. The U.K. also has separate pacts with other member countries including Canada, Singapore and Vietnam and is pushing for one with Australia. Brunei, Chile, Malaysia, Mexico, New Zealand, and Peru are also part of CPTPP.

The U.K. made its formal application to join CPTPP in February. Becoming a member would accelerate the U.K.'s growth in export trade with faster-expanding Asian economies, according to Bloomberg Intelligence analyst Mike Dennis. The U.K. recorded a trade surplus with CPTPP countries in the first quarter of 2021, he added.

- **<u>Energy Crunch Hits Global Recovery As Winter Approaches</u>**

Power shortages are turning out streetlights and shutting down factories in China. The poor in Brazil are choosing between paying for food or electricity. German corn and wheat farmers can't find fertilizer, made using natural gas. And fears are rising that Europe will have to ration electricity if it's a cold winter. The world is gripped by an energy crunch — a fierce squeeze on some of the key markets for natural gas, oil and other fuels that keep the global economy running and the lights and heat on in homes.

Heading into winter that has meant higher utility bills, more expensive products and growing concern about how energy-consuming Europe and China will recover from the Covid-19 pandemic. The biggest squeeze is on natural gas in Europe, which imports 90 per cent of its supply — largely from Russia — and where prices have risen to five times what they were at the start of the year, to ^95 euros from about ^19 per megawatt hour.

It's hitting the Italian food chain hard, with methane prices expected to increase sixfold and push up the cost of drying grains. "From October we are starting to suffer a lot," said Valentino Miotto of the AIRES association that represents the grain sector. Analysts blame a confluence of events for the gas crunch: Demand rose sharply as the economy rebounded from the pandemic, while a cold winter depleted reserves. Europe's chief supplier, Russia's Gazprom, held back extra summer supplies beyond its long-term contracts to fill reserves at home for winter.

China's electricity demand has come roaring back, vacuuming up limited supplies of liquid natural gas, which moves by ship, not pipeline. There also are limited facilities to export natural gas from the United States. Costlier natural gas has even pushed up oil prices because some power generators in Asia can switch from using gas to oil-based products.US crude is over $83 per barrel, the highest in seven years, while international benchmark Brent is around $85, with oil cartel Opec and allied countries cautious about restoring production cuts made during the pandemic. The crunch is likely short term but it's difficult to say how long higher fossil fuel prices will last, said Claudia Kemfert, an energy economics expert at the German Institute for Economic Research in Berlin.

<u>DOMESTIC ECONOMY:</u>

- **<u>Discos Lose N97bn To Energy Theft, Others In Three Months</u>**

Electricity distribution companies have said a total of N97bn was lost in the first quarter of this year to energy theft, capping of estimated billing and other factors. The Association of Nigerian Electricity Distributors, the umbrella body for 10 of the 11 Discos in the country, said the amount lost by the power firms rose by 12.79 per cent in Q1 2021 from N86bn in Q4 2020.

It said 23.24 per cent (1,831 gigawatt-hours) of the 7,880 GWh received by the Discos were lost to energy theft and others. The revenue collected by power distribution companies rose by 42.3 per cent in the first quarter of this year, compared to the same period of 2020, buoyed by the hike in electricity tariff. The revenue collection increased to N181bn in Q1 2021 from N127bn in Q1 2020, according to data from ANED.

The group said the Discos' overall aggregate technical, commercial and collection loss had continued to deteriorate as it rose to 50.3 per cent in March this year from 48.5 per cent at the end of last year. "Since the capping of estimated billing regulation was approved (February 2020), the ATC losses are higher and continue to increase. The ATC losses is now at 25.5 per cent and it has grown from 17.7 per cent, most likely because of the regulation," it said.

The Nigerian Electricity Regulatory Commission had in February 2020 announced that it had placed limits on estimated bills that could be issued by electricity distribution companies to unmetered customers.

ANED said the Discos' average collection efficiency rose slightly to 65.33 per cent in Q1. It said, "The Nigerian electricity supply industry should expect more increased collections but only after the capping issues and energy theft are addressed. Until then, ATC&C losses will continue to rise and collection efficiency will keep falling. "It is critical that Discos meter all their customers going forward so the ATC losses indicator would be more reliable to what the real value of ATC losses is at NESI."

According to ANED, the number of registered customers in the industry rose above 10 million in Q1. "However, only 41.1 per cent of the customers are metered due to the historical deficit of metering at NESI. The National Mass Metering Programme introduced in October 2020 aims to reduce the metering gap," it said. The NMMP is part of the Federal Government's effort to bridge the country's metering gap.

- **Strike Threat: NNPC To Spend N621bn On Rehabilitation Of 16 Roads:**

Investors in the Nigerian Exchange Limited recorded a loss of N80.44bn on Monday as equities reversed a nine-day consecutive upswing.

The NGX All-Share index dropped by 0.38 per cent from 40,868.36 basis points on Friday to 40,714bps on Monday while the market capitalisation of stocks declined to N21.22tn from N21.30tn.

Investor activity by trading volume plummeted by 42.28 per cent to 91.31 million shares valued at N2.58bn in 4,395 deals, compared to 331.06 million shares worth N2.92bn in 3,986 deals on Friday.

Analysing by sectors, the NGX Industrial and Consumer Goods indices declined by 0.58 per cent and 1.00 per cent respectively while the NGX Banking and Insurance indices rose by 0.75 per cent and 0.95 per cent respectively. The NGX Oil and Gas index stood flat.

Market sentiment as measured by market breadth was positive as 18 tickers appreciated as against 17 losers.

NEM Insurance Plc led the gainers' chart with a 9.95 per cent appreciation in its share price to close at N2.10 per share. Champion Breweries Plc followed closely with a 9.52 per cent rise to N2.30 per share. Atop the losers' chart was Sovereign Trust Insurance Plc with an 8.33 per cent decline, ending the day at N0.22 per share.

Nigerian Breweries Plc dropped by 6.06 per cent as it closed at N46.50 per share. AIICO Insurance Plc, University Press Plc and Universal Insurance Plc lost 5.26 per cent, 5.06 per cent and 4.55 per cent.

- **Aviation Sector's Contribution To GDP Crashes By 50%, Experts Advise FG:**

The COVID-19 pandemic has led to a whopping 50 per cent crash in the aviation sector's contribution to the nation's Gross Domestic Product, findings by our correspondent have revealed.

Specifically, an analysis of the Gross Domestic Product data published by the National Bureau of Statistics revealed that the contribution of the aviation sector to the economy slumped by 50.09 per cent between 2018 and 2021.

The NBS' GDP report is published every quarter and it shows the performance of each sector in terms of their contribution to the economy. Aviation, transport, tourism and hospitality sectors were among the worst-hit industries as the COVID-19 pandemic led to lockdown of countries as nations shut their borders. Air travel was almost grinded to a halt as airlines parked hundreds of aircraft and laid off thousands of workers. According to NBS data, aviation sector's contribution to the GDP slumped by 50.09 per cent from 0.09 per cent of the GDP in Q2 2018 to 0.05 per cent in Q2 2021.

Its contribution rose by 10.17 per cent to 0.1 per cent of the GDP in Q2 2019 but dropped by 50.08 per cent to 0.05 per cent of the GDP in 2020. As of Q2 2018, Nigeria's real GDP was N16.58tn and the transport sector contributed N216.35bn, representing 1.3 per cent.

According to the NBS, six activities make up the transportation and storage sector: road transport; rail transport and pipelines; water transport; air transport; transport services; and post and courier services.

By Q2 2019, the GDP increased to N16.9tn with the transport sector's contribution rising to 1.38 per cent at a value of N233.71bn. This signified a 5.96 per cent year-on-year increase. In Q2 2020, the transport sector's contribution to the GDP crashed by 46.02 per cent to N118.65bn with the real GDP put at N15.90tn.

The Q2 2021 numbers showed that the transport sector's contribution to the GDP rose to N209.79bn, representing 1.26 per cent of the N16.69tn GDP and a 68.37 per cent increase YoY.

Overall, the contribution of the transport sector to the total GDP shrunk by 3.70 per cent between Q2 2018 and Q2 2021. Also, the sector contributed an average of 1.17 per cent between Q2 2018 and Q2 2021.

Of the six activities that make up the transportation and storage sector, the largest contributors on the average over the period were road transportation (N168.01bn), air (N12.22bn), and transport services (N10.90bn).

While the aviation sector's contribution to GDP slumped by 50.09 per cent from 0.09 per cent of the GDP in Q2 2018 to 0.05 per cent in Q2 2021, the transport services saw a 6.41 per cent decline from 0.07 per cent of the GDP in Q2 2018 to 0.06 per cent of the GDP in Q2 2020. Meanwhile, Road transportation barely grew by 0.54 per cent to 1.13 per cent of the GDP in Q2 2020 from 1.12 per cent of GDP in Q2 2018.

In 2018, aviation sector's contribution to the GDP was N15.75bn while the GDP was N16.58tn. In 2019, the sector's contribution was N17.69bn while the GDP was N16.90tn. In 2020, it was N7.54bn while the GDP was N15.90tn. In 2021, it was N7.91bn while the GDP N16.69tn.

Meanwhile, industry experts have advised the Federal Government, saying there is a need to develop policies that will enhance the rebound of the domestic and international air travel.

An industry analyst and Publicity Secretary of Aviation Round Table, an industry think-thank and pressure group, Mr. Olumide Ohunayo, linked the drop in aviation sector's contribution to the GDP to the COVID-19 pandemic. He, however, said there was a need for the Federal Government to come up with policies that will enhance quick recovery.

He said, "The major reason for the sharp drop in 2020 was the COVID-19 pandemic, so most of the airlines were non-functional. When the restrictions were later eased, the number of passengers that came was not up to the optimal number that we had before COVID-19. The airlines also had to restrict the number of passengers they can carry on board.

“The passengers have started returning now and we expect that by mid-2022, the traffic will pick up from where it stopped in 2019. The domestic market is picking up, it’s just the international market that is the problem due to the COVID-19 protocols, cost of tests, and the general inconvenience that have made international travel quite unattractive at the moment.

Corroborating his view, a former Managing Director, Associated Airlines, Mr. lex Nwuba, said cost of COVID-19 tests and government policies were slowing down the full rebound of the air travel industry.

Nwuba said, “Passenger confidence has not returned as people are not sure whether it’s safe to fly yet. Also, the cost of flying has increased, not just the ticket costs. For international flights, you also have the cost of tests inbound and outbound-four tests in total. In some places, the costs have risen from N25,000 to as much as N100,000. Naturally these things will drive down demand.

Clearly, testing can be made free, the government can transmit the information that flying is safe. Also, costs associated with providing services like taxes, airport charges are all increasing, sometimes up to two fold. If they can find a way to reduce these costs, it will help. The real problem is not that people do not want to fly because the associated costs are discouraging.”