WEEKLY NEWS HIGHLIGHTS: **1st –5th November , 2021.**

- **IKEA Owner Sees Cost Pressures Rising After Hit To Profits**
- **Basketball Star Kevin Durant Launches $200 Million Spac**
- **Asian Shares Slip Despite Signs Of Optimism On Global Economy**
- **Investors Reject $196bn Planned Investments In Nigeria**
- **DMO To Issue N250bn Sukuk For Road Projects**
- **CBN, SEC Sanction Five Banks Over Forex Offence, Money Laundering**
- **Nigeria Needs $1.5 Trillion To Close Infrastructure Deficit In Ten Years – Buhari**

WEEKLY RATE MONITOR

MPR:	**11.5%**
GDP:	**2.6%**
INFLATION:	**16.9%**
NIBOR:	**8.542 %**

GLOBAL ECONOMY:

- **IKEA Owner Sees Cost Pressures Rising After Hit To Profits:**

The owner of the IKEA furniture brand said on Wednesday it would raise prices due to supply chain challenges far into 2022, after it reported a drop in full-year profit due to higher transport and raw material costs. Despite record demand as people spend more time at home due to the pandemic, pretax profit at Inter IKEA Group - franchisor to store owners and in charge of supply - fell 16% in the 12 months through August to 1.71 billion euros ($1.98 billion). Compared with the pre-pandemic fiscal 2019, profit was down 4%. "The global pandemic affected our operating income in FY21.

The biggest cause was the steep increase in transport and raw material prices in the second half of the financial year," privately-held Inter IKEA said in its annual summary. The company, which makes money mainly from sales of goods to its franchisees, said in October retailers' sales totalled a record 41.9 billion euros, up 6% on the year and up 1% from fiscal 2019 as locked-down consumers spent more than ever on their homes, and despite product shortages. Chief Financial Officer Martin van Dam told Reuters ripple effects of the global supply chain crisis and high energy prices could last for quite some time. Van Dam said he expected supply related costs to rise further in the current fiscal year.

Inter IKEA kept its product prices to retailers stable in the year but flagged it would pass on some of the higher raw material and transport costs to store owners this fiscal year. "Though we can’t continue to secure fixed prices to the retailers under these challenging conditions, we also plan to absorb part of the increased costs during FY22," it said.

Van Dam said store owners would then have some liberty to decide whether, or to what extent, they should pass on higher prices to shoppers.

- **Basketball Star Kevin Durant Launches $200 Million SPAC**

Brooklyn Nets star Kevin Durant has become the latest celebrity to endorse a blank-check firm after his Infinite Acquisition Corp filed for an initial public offering of up to $200 million on Wednesday. The filing comes amid a chill in the special purpose acquisition company (SPAC) market, due to tightening accounting guidance and regulatory scrutiny from the U.S. Securities And Exchange Commission. Besides Durant, SPACs have attracted the attention of other celebrities, including rapper Jay-Z, tennis star Serena Williams and National Basketball Association Hall of Famer Shaquille O'Neal.

SPACs are shell firms that use the pool of capital raised through an initial public offering to merge with a private company and take it public. Infinite Acquisition said it would focus on buying companies in sectors such as sports, health, e-commerce, food and cryptocurrency. Durant will co-lead the SPAC alongside entrepreneur Rich Kleiman. The duo earlier co-founded venture firm Thirty Five Ventures. Investment and merchant bank LionTree is also a sponsor of the SPAC. Last month, Durant and Kleiman also backed online ticketing firm SeatGeek's $1.35 billion merger with a blank-check firm. Infinite Acquisition said it would redeem 100% of the shares for cash if it does not close a merger within 18 months after the offering closes. Typically, such acquisition vehicles have up to 24 months to hunt for a company to take public. Infinite Acquisition is offering 20 million units at $10 each. Credit Suisse is the sole underwriter for the offering. The units will be listed on the New York Stock Exchange

- **Asian Shares Slip Despite Signs Of Optimism On Global Economy:**

Asian shares slipped on Friday, despite recent signs of optimism about the global economy, including recent rallies on Wall Street. Japan's benchmark Nikkei 225 edged down 0.9% in morning trading to 28,559.89, as investors mostly took a wait-and-see attitude ahead of the nationwide parliamentary elections Sunday. The ruling Liberal Democratic Party, which has ruled almost continuously for decades, is expected to continue to stay in power. But the opposition is also expected to gain ground because of public discontent over the government's handling of the coronavirus pandemic and worries about the economy.

South Korea's Kospi lost 0.7% to 2,988.09. Australia's S&P/ASX 200 declined 0.7% to 7,381.50. Hong Kong's Hang Seng dipped 0.8% to 25,343.14, while the Shanghai Composite shed 0.1% to 3,514.03. Heavy selling of some technology shares in after-hours trading cast a shadow. Apple dropped 5.4% in after-hours trading after the company's fiscal fourth-quarter revenue fell short of Wall Street's estimates. Amazon.com fell 4% in after-hours trading after its third-quarter earnings missed analysts' forecasts. The S&P 500 and Nasdaq reached new highs Thursday, as the market more than made up for modest losses a day earlier.

The S&P 500 rose 1% to 4,596.42, posting its third all-time high this week. More than 80% of the stocks in the benchmark index closed higher. Technology stocks, banks and a mix of companies that rely on consumer spending accounted for much of the gains. The Nasdaq rose 1.4%, nudging the techheavy index to 15448.12, above its previous record high set Sept. 7. The Dow Jones Industrial Average rose 0.7% to 35,730.48, leaving it just shy of the all-time high it set on Tuesday.

The Russell 2000 index of small companies climbed 2%, to 2,297.98. Smaller stocks outpaced the broader market in a sign that investors are more confident about economic growth. Investors welcomed another encouraging batch of corporate earnings reports by companies such as Ford and Caterpillar. With just over a third of S&P 500 companies having reported results for the July-September quarter, some 66% have posted earnings and revenue that topped Wall Street's estimates, according to S&P Global Market Intelligence.

Low interest rates and growing company earnings have kept investors in a buying mood, said Sameer Samana, senior global market strategist at Wells Fargo Investment Institute. Bond yields edged higher. The yield on the 10-year Treasury rose to 1.57% from 1.53%. Outside of earnings, investors got a mixed bag of economic updates Thursday. Hampered by rising COVID-19 cases and persistent supply shortages, the U.S. economy slowed sharply to a 2% annual growth rate in the July-September period, according to the Commerce Department. That marks the weakest quarterly expansion since the recovery from the pandemic recession began last year.

The Labor Department released a more upbeat report on the nation's unemployment situation. The number of Americans applying for unemployment benefits fell to a pandemic low last week, another sign that the job market and economy continue to recover from last year's coronavirus recession. Both the pace of economic growth and the state of the jobs market are on investors' minds as they look ahead to the Federal Reserve's meeting next week to see how it moves forward with plans to trim bond purchases and its position on interest rates.

Rising energy prices have also raised concerns about the cost for consumers as they pay more to fill gas tanks and heat homes. U.S. crude oil prices inched up 0.2% Thursday and have jumped more than 70% so far this year. Benchmark U.S. crude inched up 1 cent to $82.82 a barrel. Brent crude, the international standard, rose 14 cents to $84.46 a barrel. In currency trading, the U.S. dollar inched down to 113.54 Japanese yen from 113.56 yen. The euro cost $1.1678, down from $1.1679.

DOMESTIC ECONOMY:

- **Investors Reject $196bn Planned Investments In Nigeria:**

The Nigerian Investment Promotion Commission on Tuesday revealed that within a four-year period spanning January 2017 to December 2020, foreign and local investors pledged to invest a total of $203.9bn into the Nigerian economy. However, out of this amount, only $7.8bn or 3.8 per cent of total commitment was fulfilled. This implies that difference between investment commitment and actual investments inflow stood at $196bn within the period under review.

Investment analysts who spoke with The PUNCH in separate interviews listed rising insecurity, exchange rate fluctuations as some of the key factors discouraging investors from turning investment commitments to actual investments in Nigeria. But the Director, Strategic Services, Mr Abubakar Yerima, who spoke in Abuja during a press briefing, rolled out figures on the investment performance of the country over the past four years. He said in 2017 investors pledged the sum of N66.35bn but only $2.41bn was actualized.

In 2018, he put the total investment commitments at $90.89bn while actual inflow was only $78m, indicating a shortfall of $90.11bn. Nigeria also suffered an investment funding gap of $26.60bn in 2019 where actual investments stood at $2.31bn out of the total pledge of $29.91bn made by investors. In 2020, Yerima noted that while investors pledged to invest $16.74bn into the economy, only $2.39bn actual investments were recorded at the end of that year. This resulted in an investment funding gap of $14.35bn.

Yerima appealed to all stakeholders to support the NIPC in bridging the gap, noting that the commission could achieve this feat alone. An analysis of investment announcements reports from the NIPC showed that the $203.89bn commitments comprised $150.9bn from foreign investors and $52.9bn from domestic investors. Experts who spoke on the development noted that Nigerian business landscape was fraught with various challenges that hampered investment inflows into the country. An investment research analyst at Meristem Securities Limited, Damilare Ojo, explained risk factors such as rising insecurity in the country, fluctuating exchange rate and unstable policies could be attributed to the disparity between commitments and actual investments.

he immediate past Director-General of the Lagos Chamber of Commerce and Industry, Muda Yusuf, said investors were unwilling to commit huge amount into the country's long-term infrastructure projects due to the lingering social unrest and insecurity. He added the unrest was already making it difficult for foreign investors to see the country as a safe investment destination for capital infrastructure. Meanwhile, in a bid to improve investors' access to the services provided by the NIPC, the agency launched a digital platform for its One-Stop Investment Centre. The platform, called e-OSIC, is expected to enhance the effectiveness of the center by streamlining investment entry processing. The Acting Executive Secretary of the NIPC, Emeka Offor, disclosed this during the launch held in Abuja.

The OSIC was established in 2006 with 13 participating agencies, cutting across federal, states and non-governmental organizations.

He said, "It is my honor and privilege to report that e-OSIC has been completed and is now live. With e-OSIC, investors can now have access to all services offered at the OSIC remotely, and apply for business registration, submit relevant documents, and make appropriate fee payments. Through the platform, the NIPC will be able to track and review the services of participating agencies at the center."

- **DMO To Issue N250bn Sukuk For Road Projects:**

The Debt Management Office says it is set to issue another sovereign sukuk this year for an expected amount of N200bn to N250bn to finance critical road projects across the country. It disclosed this in a statement on its website on Tuesday with the title 'Towards financing infrastructure: Debt Management Office to issue another sovereign sukuk.'

The DMO said it had already appointed transaction parties through the open competitive bidding process for the issuance of this fourth sovereign sukuk. The DMO stated that it commenced the issuance of sukuk in September 2017 as a strategic initiative to support the development of infrastructure, promote financial inclusion and deepen the domestic securities market. Subsequent to the debut sovereign sukuk in 2017 in which N100bn was raised to finance the rehabilitation and construction of 25 road projects across the six geopolitical zones, the DMO stated that it issued a sukuk for N100bn in 2018 and another for N162.557bn in 2020. It said the proceeds of these two sukuk issuances were also deployed to 28 and 44 road projects, also in the six geopolitical zones.

- **<u>CBN, SEC Sanction Five Banks Over Forex Offence, Money Laundering :</u>**

The Central Bank of Nigeria and the Securities and Exchange Commission have sanctioned five major banks for committing over 20 various infractions, including the violation of foreign exchange market and anti-money laundering regulations. The banks are Guaranty Trust Holding Company Plc, United Bank for Africa Plc, Access Bank Plc, Stanbic IBTC Holdings Plc and Fidelity Bank Plc. The five lenders reported a combined fine of N1.46bn, according to the half-year 2021 financial results filed with the Securities and Exchange Commission.

In line with regulatory rules, banks are required to include sanctions and fine imposed on them by regulatory agencies in their audited financial reports. Among the five lenders, GTCO got the highest fine, running to over half a billion naira. Specifically, the CBN fined GTCO N692m for violating its rules on certain forex transactions carried out by some betting and gaming companies. The tier-1 lender was also fined N2m for non-refund of interest on debit of non-interest-related charges imposed on non-funded accounts.

UBA was fined the sum of N273m for only two market infractions. It was fined N260m for forex documentation lapses in respect of some customers' accounts. The regulator also asked the lender to pay N13m for non-verification of a customer identity and delay in filing the related transaction reportThe CBN and SEC imposed the sum of N233m on Stanbic IBTC Holdings in the period under the review, according to the filing.

The lender was fined N230m for an alleged contravention of extant forex regulations from January 2013 to July 2020.

It was also fined N1m for administrative infractions in the Retirement Savings Account transfer during the fourth quarter of 2020.

Stanbic IBTC, in its audited half-year ended June 30, 2021 results, said, "Penalty imposed by the CBN following an alleged unfair termination of employment of former employee: The CBN imposed a penalty of N2m on the bank following an alleged unfair termination of employment of a former employee, whose employment was terminated for being unable to meet the performance criteria required to confirm his employment in line with policy."

Access Bank reported N189.65m fine in the period under review. The CBN imposed N100m fine on the bank in respect of failure to comply with its guidelines on Diaspora remittances. Other fines imposed on Access Bank by the CBN and SEC include the sum of N2.9m in respect of delayed response to the queries of the SEC on cases with two customers and N2m in respect of the violation of CBN's directive on migration of some accounts to a specified product.

The lender was further fined N80m for contravening the CBN's forex regulations between January 1, 2013 and July 31, 2020. It was also fined N0.5m by SEC for contravening the regulator rule for receiving bank. The apex capital market regulating body further asked Access Bank to pay N0.5m as fine in respect of a shareholder's complaint on dividend. The CBN also imposed N2m on the lender in respect of a consumer protection report for the period from July to December 2020.

In addition, Access Bank was fined N2.25m for allegedly failing to comply with the CBN's Anti-Money Laundering and Counter-Terrorism Financing regulations and Know-Your-Customer policies in respect of a customer's account.

Fidelity Bank recorded a fine of N65.15m during the first half of 2021 for committing five market infractions.

The CBN fined the lender N60m for committing forex trade infraction and N2m for another forex infraction as well as penalty for risk-based supervision for the period 2018/2019.

SEC also fined Fidelity Bank the sum of N1.13m for late filing of its December 31, 2020 audited financial statements. The lender was also fined N25,000 for filing its returns late with the CBN.

The lender was also fined the sum of N414.5m in the previous half year for committing four infractions, including forex, trade and Open Market Operations violations.

- **Nigeria Needs $1.5 Trillion To Close Infrastructure Deficit In Ten Years – Buhari:**

President Muhammadu Buhari has stated that Nigeria requires the sum of $1.5 trillion in ten years to close its infrastructure gap.

The President disclosed this on Tuesday at the Glasgow COP 26 high-level side event on improving global infrastructure hosted by President Joe Biden of the United States, EU Commission President, Von Der Leyen and the UK Prime Minister, Boris Johnson.

President Buhari assured international investors that Nigeria is ready for their investments in infrastructural development in the country. He revealed that his administration is committed to infrastructure expansion in Nigeria, adding that new investments in critical sectors of the economy would aid in lifting 100 million Nigerians out of poverty by 2030. President Buhari explained that his administration has provided more financial resources for these policies, charted new international partnerships and pursued liberalization policies to allow private sector participation. He further said that his government had introduced the revised National Integrated Infrastructure Master Plan – a policy document that ensures that Nigeria's infrastructure expansion projects are cross-sectorally integrated and environmentally friendly.

Last year, Vice President Yemi Osinbajo said Nigeria will need $3 trillion in the next 30 years to reduce its infrastructural deficit.

"It is clear that this deficit can only be made up by private investment. Private sector is 92 per cent of GDP, while the public sector is mere 8 per cent. So, the synergy between the public and private sector through Public-Private Partnerships (PPP) is really the realistic solution.

"The fact that only N2.49 trillion was appropriated for capital expenditure in 2020, reflects the importance of deliberate and pragmatic action to boost infrastructural spending," Osinbajo said.

Nairametrics also reported in August this year that the African Development Bank disclosed that Africa's slow industrialization process is caused by issues ranging from poor infrastructure to low competitiveness.