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

- **Imf Revising India's Growth Forecast Is 'Gross Under Estimation': N K Singh**
- **U.K. To Begin Process To Join Trans-Pacific Trade Partnership**
- **Futures Slip After Record Run For S&P 500, Dow**
- **World Bank Blacklists 18 Nigerian Firms, Individuals For Corruption – Report**
- **States, Lgs Should Take 59% Of Federal Allocation – North-West**
- **Fuel Demand To Hit 17.3 Million Mt By 2025 – Nnpc**

WEEKLY RATE MONITOR

MPR: **11.5%**

GDP: **5%**

INFLATION: **16%**

NIBOR: **15.85 %**

GLOBAL ECONOMY:

- **IMF Revising India's Growth Forecast Is 'Gross Under Estimation': N K Singh:**

N K Singh, Chairman of the 15th Finance Commission, on Tuesday said the IMF's decision to revise India's potential growth forecast downwards to 6 per cent citing the coronavirus pandemic is a "gross under estimation" and observed that calculations of growth potential are always problematic. Speaking at a virtual discussion on 'Financing For Development' organized by the Institute for Studies in Industrial Development (ISID), he also said there was a need to ensure that those who escaped poverty do not go back into poverty on account of exogenous factors like the pandemic.

"The issue of our medium term growth potential projected by the IMF last week by recalibrating it from 6.25 per cent to 6 per cent, in my view, is gross under estimation. “Calculations of growth potential are always problematic," he said. Last week, the International Monetary Fund (IMF) revised India's potential growth forecast downwards to 6 per cent citing the pandemic. India's growth is projected at 9.5 per cent in financial year 2021-22 and 8.5 per cent in FY 2022-23, reflecting base effects and strong global growth, he said.

Potential growth is the rate of growth that an economy can sustain over the medium term without generating excess inflation. Singh, who is also the President of the Institute of Economic Growth, said there was a need to raise India's tax ratio, both from macroeconomic and redistributive perspective, and also enhance fiscal space for financing public outlays. Terming the implementation of Goods and Services Tax (GST) as a "path breaking reform", Singh said revenue data in the last few months have also suggested encouraging revenue share from the GST.

"Nonetheless, there are some serious medium term challenges as far as GST is concerned," he said, adding that the issue of revenue neutral rate is a challenging one. Singh also emphasized on the need for broadening the base of both direct and indirect taxes, and reducing exemptions and increasing compliance.

- **<u>Global stocks buoyant on upbeat earnings</u>**

  Shares around the world gained on Tuesday, with upbeat corporate earnings buoying European shares, though investor concerns lingered over supply chain problems sparked by the coronavirus pandemic. The broad Euro STOXX 600 (.STOXX) hit its highest in seven weeks, adding 0.5%, with German stocks (.GDAXI) adding 1%.

- **<u>U.K. To Begin Process To Join Trans-Pacific Trade Partnership:</u>**

  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.

- **Futures Slip After Record Run For S&P 500, Dow:**

The S&P 500 and the Dow looked set to ease from record levels on Wednesday as a drop in commodity prices and fresh regulatory crackdown in China dented optimism around strong quarterly earnings. Shares of energy firms including Chevron tracked lower oil prices, while major lenders such as Bank of America slipped on a flattening U.S. yield curve. A new round regulatory crackdown in China as well as uncertainty around the U.S. monetary policy appeared to cloud investors' sentiment in early New York hours despite bumper results from technology majors.

Microsoft Corp rose 2.1% in premarket trading after it forecast a strong end to the calendar year, thanks to its booming cloud business. Twitter Inc gained 1.4% after the social networking site's quarterly revenue grew 37% and avoided the brunt of Apple Inc's privacy changes on advertising that hobbled its rivals. Google owner Alphabet Inc also reported record quarterly profit for the third straight quarter on a surge in ad sales. However, its shares were down 0.6% after rising nearly 59% so far this year. Stronger-than-expected earnings reports have helped drive the S&P 500 and Dow back to all-time highs this week, while bringing the tech-heavy Nasdaq just below 1% from its record peak.

Profit for S&P 500 companies is expected to grow 35.6% year-on-year in the third quarter, with market participants gauging how companies are navigating supply-chain bottlenecks, labor shortages and inflationary pressures induced by the COVID-19 pandemic. IT outsourcing services provider Cognizant and e-commerce firm eBay Inc are set to report results later in the day. Robinhood Markets Inc slipped 8.4% after the retail broker reported downbeat third-quarter revenue as trading levels declined for cryptocurrencies including dogecoin. At 6:53 a.m. ET, Dow e-minis were down 15 points, or 0.04%, S&P 500 e-minis were down 4.25 points, or 0.09%, and Nasdaq 100 e-minis were down 20.5 points, or 0.13%.

Texas Instruments Inc forecast tepid quarterly revenue and missed market expectations for the third quarter, as the chipmaker struggles with supply chain constraints in the semiconductor industry, sending its shares down 4.2%.

DOMESTIC ECONOMY:

- **World Bank blacklists 18 Nigerian firms, individuals for corruption –Report:**

The World Bank has blacklisted 18 Nigerian individuals and firms for engaging in corrupt practices, fraud and collusive practices in its 2021 fiscal year 2021, a new report has revealed. A list of debarred individuals and firms was presented in a new annual report titled World Bank Group Sanctions System FY21. The debarments were made by the World Bank Sanctions Board, World Bank Chief Suspension and Debarment Officer and the African Development Bank. The debarments made by AfDB were recognized by World Bank, making the affected firms to be barred under cross-debarment policy. Based on the World Bank Sanctions Board's decision, Mr. Elie Abou Ghazaleh and Mr. Fadi Abou Ghazaleh, alongside their firm, Abou Ghazaleh Contracting Nigeria Limited, were debarred for six months for collusive practices. Based on the decision of the World Bank Chief Suspension and Debarment Officer, a Nigerian firm, Swansea Tools Resources, was debarred for fraudulent practices for two years and 10 months. Referred to under Sanctions Case No 651, it was disclosed that the firm misrepresented its past experience in its bid for a road maintenance contract.

The report read in part, "The SDO determined that the respondent, a Nigerian firm, engaged in a fraudulent practice by misrepresenting its past experience in its bid for a road maintenance contract under a state employment and expenditure project in Nigeria. The SDO imposed on the respondent a debarment with conditional release for a minimum period of two years and 10 months. As a mitigating factor, the SDO considered the respondent's limited cooperation with investigators, noting that the respondent produced documents and agreed to be interviewed but did not accept responsibility for the misconduct."

Another Nigerian firm, Juckon Construction and Allied Services Nigeria Limited, was debarred for corrupt practices for three years. Referred to under Sanctions Case No 649, it was disclosed that the firm made improper payment to a public official.

The report read, "The SDO determined that the respondent, a Nigerian firm, engaged in a corrupt practice by making an improper payment to a public official in connection with the award and/or execution of two waste management and refuse collection contracts under a state employment and expenditure project in Nigeria. The SDO imposed on the respondent a debarment with conditional release for a minimum period of four years."

A Nigerian, Ms. Okafor Glory, was debarred for fraudulent practices for four years, while the firm involved, Unique Concept Enterprises, was debarred for five years for same reason. Another Nigerian firm, Asbeco Nigeria Limited, was debarred for five years for corrupt practices. The matter which involved Ms. Glory and the firm, Unique Concept Enterprises, was presented under Sanctions Case No 691.

It read in part, "The SDO determined that the respondents, a Nigerian firm and a Nigerian citizen, engaged in fraudulent practices by submitting false documents in connection with two refuse collection and disposal contracts under a state employment and expenditure project in Nigeria. In particular, the SDO found that: (i) the corporate respondent submitted a falsified income tax clearance certificate in its bids for the contracts; and (ii) both respondents submitted a falsified advance payment guarantee in connection with the execution of one of the contracts.

Based on the World Bank's Sanctions Board Decision, A.G. Vision Construction Nigeria Limited, was debarred for fraudulent practices and collusive practices for four years and six months. Not included in the report is a recent debarment of a Nigerian consultant, Mr Salihu Tijani, who is a consultant for the National Social Safety Nets Project, a project designed to ensure cash transfers to poor and vulnerable households in Nigeria. Tijani was barred for 38 months for engaging in corrupt practices. Aside from the firms mentioned so far, there are some firms that were debarred by other multilateral organisations under cross-debarment, which makes them debarred by the World Bank.

Sangtech International Services Limited, Sangar & Associates (Nigeria) Limited, Mashad Integrated And Investment Co Limited, and Medniza Global Merchants Limited were debarred by the AfDB two years under cross-debarment recognised by the World Bank.

ALG Global Concept Nigeria Limited, Abuharaira Labaran Gero, Qualitrends Global Solutions Nigeria Limited, and Maxicare Company Nigeria Limited were debarred by the AfDB for three years under cross-debarment recognised by the World Bank.

In his opening message in the report, the World Bank Group's David Malpass, stated that the bank had granted over $157bn to assist developing countries, as he emphasised the need for integrity and transparency standards in public finance.

"Since the beginning of the global pandemic, the World Bank Group has deployed more than $157bn in critical assistance to developing countries. The crisis has required us to be rapid and innovative in mobilising this historic support.

"Yet, for these resources to have the needed development impact on the hundreds of millions of people who live in extreme poverty, we must ensure that resources are used efficiently, effectively, and for their intended purposes. And that means remaining vigilant to the scourge of corruption and ensuring that we promote the highest integrity and transparency standards in public finance," he said.

He further highlighted some of the consequences of corruption, which he said could be devastating

- **States, LGs should take 59% of federal allocation – North-West:**

The North-West geopolitical zone of the country has demanded the lion's share of the federation allocation for states and local governments. The zone said the two arms of the government should take 60 per cent while 40 per cent should go to the Federal Government. The North-West states made the demand in their respective presentations at the zonal public hearing on the review of the current revenue allocation formula, which held in Kaduna on Monday.

According to them, the second tier of government is also saddled with the responsibility of funding security, which remains the sole responsibility of the Federal Government. The Secretary to the Kano State Government, Alhaji Usman Alhaji, while presenting the position of the state, said, "The Federal Government should take 41 per cent; states, 34 per cent; LGAs, 24 per cent, and we need an independent one per cent for Kano State because it is a mini Nigeria."

Kaduna State Governor, Mallam Nasir El-Rufai, who was represented by his Deputy, Dr Hadiza Balarabe, said, "The Federal Government retains the largest chunk of federation resources. It does too much but is too stretched and so does little well. Yet, the things that really matter to citizens are state and local government functions. In his open remarks, the Chairman, Revenue Mobilisation, Allocation and Fiscal Commission, Elias Mbam, gave reasons why revenue allocation had not be reviewed for 29 years, contrary to constitutional provisions of a review every five year.

- **Fuel demand to hit 17.3 million MT by 2025 :**

The Group Managing Director of the Nigerian National Petroleum Corporation, Mele Kyari, has said Nigeria's demand for petroleum products is expected to grow from 15.1 million metric tonnes in 2020 to 17.3 million MT by 2025. Kyari said this on Tuesday at the 15th OTL Africa Downstream Week 2021 in Lagos. He said, "The country needs a refining capacity of about 1.52 million barrels per stream day, to meet its PMS requirement in the next four years. “The NNPC Refineries’ 445,000 BPSD and Dangote Refinery’s 650,000 BPSD running at 60 per cent and nameplate capacity respectively would supply 76 per cent of that requirement, leaving a shortfall of about 17 million litres of PMS daily. “NNPC is adding 215,000bpsd of refining capacity through private sector driven co-location at the existing facilities in PHRC and WRPC respectively. Modular refineries are also adding capacities such as the 5,000 BPSD Walter smith refinery which will be upgraded to 50,000 BPSD.”

According to Kyari, Additional 250,000bspd is expected to come from the condensate refineries through the private sector partnership. He said the co-location and condensate refineries would close the PMS supply-demand gap and create positive returns to the investors.