

## Telecommunications

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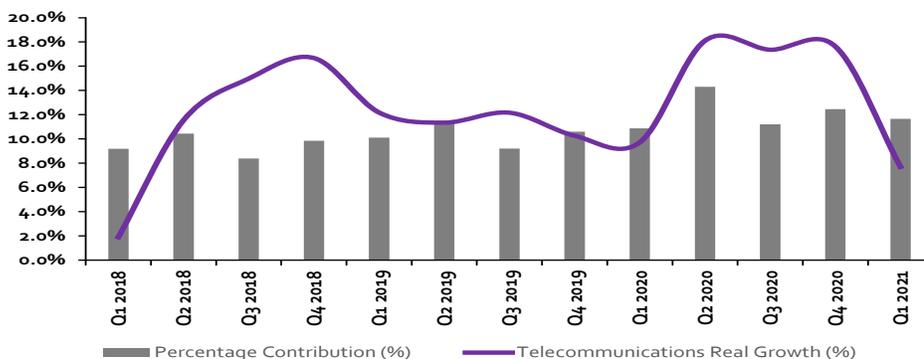
### FX scarcity continues to bite hard

In an interview with Punch media, the President of the Association of Telecommunication Companies of Nigeria (ATCON), Ikechukwu Nnamani, decried the impact of foreign exchange scarcity on the operations of many telecom operators in the country while seeking special intervention from the Central Bank of Nigeria (CBN). He stated that the association is in active collaboration with the Nigerian Communications Commission (NCC) to hasten the process of securing special consideration from the apex bank. The inability of the telecom operators to source FX from the official window is compelling operators to patronize the black market, leading to increased costs which, under normal circumstances should be passed on to consumers through price increases.

Despite the covid-19 induced economic headwinds which impacted many sectors negatively, the telecommunications sector proved to be a bright spot at the period of uncertainty and even beyond. The sector recorded real growth of 15.90% in 2020 (vs GDP growth of -1.92%) and 7.7% in Q1 2021 (vs GDP growth of 0.51%). This performance was driven by the increased use of digital channels for daily routine activities from telecommuting to social engagements. On the flip side, the sector has been plagued by several challenges including FX constraints, eroding consumer purchasing power, and insecurity.

While we acknowledge the need for the government to focus more on sectors that have been badly hit by the pandemic through various interventions, we believe the telecommunication sector should not be left out, given its growing contribution to GDP (11.66% as of Q1 2021). The telecommunications sector remains one of the fastest growing sectors in Nigeria's ailing economy. The lingering impact of FX scarcity may undermine investments by industry operators and players to enhance the quality of network infrastructure, thus limiting broadband penetration. Broadband penetration stood at 40.66% as of April 2021 when compared with the target of 70% by 2025.

### Telecommunications sector GDP growth vs its percentage contribution (%)



Source: NBS, CSL Research

### MARKET UPDATE

	1 year	31-Dec-20	1 day
NSE - Index*	24,933.41	39,512.31	38,648.91
Naira / US\$	385.70	394.00	411.00
Brent, US\$/bbl	41.51	51.09	73.51
MPR %	12.50	11.50	11.50

Source: Nigerian Stock Exchange, Central Bank of Nigeria, Bloomberg. \*Nigerian Stock Exchange All-Share Index.

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## Today's news headlines:

**Nigeria may earn N462bn from EMT levy in 2021 — World Bank:** The World Bank has said Nigeria is likely to make N462bn the electronic money transfer levy as a source of stable revenue in 2021. The multilateral institution said this in its 'Resilience through Reforms' report. According to the report, the EMT levy was introduced in the Finance Act 2020, which amended the Stamp Duty Act and taps into the growth in electronic funds transfer in Nigeria, can be administered at low cost. EMT levy is a singular and one-off charge of N50 on electronic receipt or transfer of money deposited in any deposit money bank or financial institution on any type of account on sums of N10,000 or more. Source: punchng.com

<https://punchng.com/nigeria-may-earn-n462bn-from-emt-levy-in-2021-world-bank/>

**Recapitalisation: Insurance industry assets rise to N2.02tn:** Insurance companies' gross written premium rose to N520bn as of the end of 2020, while their assets hit N2.02tn as the sector undergoes recapitalisation. The Nigerian insurance industry's asset rose by N401bn to N2.02tn as of the end of 2020 from N1.62tn as of the end of 2019. Statistics obtained on Sunday from the Central Bank of Nigeria on 'Insurance sector (general and life) consolidated balance sheet' showed these. The National Insurance Commission also disclosed in its report on 'Market Development Drives of NAICOM' that as of the end of 2020, the sector generated a gross written premium of N520bn. Source: punchng.com

<https://punchng.com/recapitalisation-insurance-industry-assets-rise-to-n2-02tn/>

**Return of fuel subsidies disturbing, IMF tells FG:** In a virtual meeting with the representatives of the Federal Government, the mission of the International Monetary Fund stated that the resurfacing of fuel subsidies was concerning. The IMF mission led by Jesmin Rahman, according to a press release, expressed its concerns about rising fuel subsidies to the Nigerian authorities during a virtual meeting. The Fund also stressed the importance of introducing market-based fuel pricing mechanisms and the need to deploy well targeted social support to cushion any impact on the poor. The mission commended the Central Bank of Nigeria for merging taking the official exchange rate to the NAFEX window. However, they recommended the unification of all exchange rate windows and establishing a market-clearing exchange rate. Source: punchng.com

<https://punchng.com/return-of-fuel-subsidies-disturbing-imf-tells-fg/>

**Power distributors get CBN loans to tackle funding crisis:** The Central Bank of Nigeria is now providing loans to electricity distribution companies to cover the collection and operational expenditure shortfalls of the firms and halt the liquidity crisis in the country's power sector. The Discos are mainly the revenue collection arm of the sector, as they sell and distribute electricity generated by power generation companies, which is transmitted to the Discos by the Transmission Company of Nigeria. Since the sector was officially unbundled in November 2013 and the generation and distribution arms privatised, there have been complaints by other players that the Discos remit below 30 per cent to the sector. Source: punchng.com

<https://punchng.com/power-distributors-get-cbn-loans-to-tackle-funding-crisis/>

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Coverage universe	17	10	5	3	35
% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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