



Economy

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July 1, 2021

Reps divided on the full re-opening of land borders

According to media report yesterday, members of the Nigerian House of Representatives were divided over a motion for the full re-opening of Nigeria's land borders. The motion was sponsored by eleven (11) law makers who cited the economic downturn and its attendant hardship on Nigerians living along these borders as strong reasons to reopen the borders. Eventually the motion was thrown out on the argument that the security of lives and properties trumps any economic implication of the closure. The Federal government, in August 2019, announced closure of its land borders due to several reasons ranging from: prevention of smuggling of illegal goods, prevention of entry of illegal persons to curbing insecurity. However, the Federal Government in December last year, announced the reopening of the country's four major land borders: Seme, Illela, Maigatari and Mfun

The closure of the Nigerian land borders continues to generate backlash from the public. We had stated in our previous reports that the total closure of the borders was inadequate to achieve the goal of promoting local production for as long as the local business environment remains hostile. We also suggested the government limit the ban to items for which the country has a decent supply level to meet demand that were still being smuggled in. We noted that the consequence of the total closure would mean upward pressure on prices of goods particularly food items. Truly, food inflation had moved from 13.5% y/y in October 2019 to 22.3% y/y in May 2021, partly due to the closure of the borders though the menace of insecurity that has permeated the food producing states is also a major factor.

The closure of the borders also caused setbacks for Nigerians whose major business activities had depended on the land borders such as the cement producers, manufacturers, freight forwarders and transporters and many other companies with a viable export business. There were reports that many manufacturers closed their export segments because of the border closure. That said, the effects of the policy hasn't been all negative, some listed companies in Food processing and Agriculture such as Flour Mills of Nigeria, Dangote Sugar, Presco, Okomu etc benefitted significantly from the lack of competition from smuggled products and this was reflected in improved earnings for these firms.

In our opinion, full opening of the land borders will be a good economic decision as it will positively influence the prices of goods in the short to medium term in light of the economic shocks caused by the pandemic and the recent food scarcity brought about by poor harvests, incidences of flood and insecurity in the food producing regions. That said, opening of the borders without effective strategies in place to combat smuggling and improve security may not only result in a reversal of the fortunes of the companies that had previously benefitted from the border closure but may also worsen the already bad security situation of the country.

MARKET UPDATE

	1 year	31-Dec-20	1 day
NSE - Index*	24,143.37	39,512.31	39,114.73
Naira / US\$	384.50	394.00	411.00
Brent, US\$/bbl	29.72	51.09	68.09
MPR %	13.50	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:

Defaulting airlines' passengers risk \$3,500 fine, FG bans India, others' flights: The Federal Government on Wednesday reviewed the quarantine protocols for travellers coming into the country. The protocol is expected to be effective from July 2. According to a statement by the Chairman, Presidential Steering Committee on COVID-19, Boss Mustapha, non-Nigerian passport holders and non-residents who visited Brazil, India, Turkey or South Africa within 14 days preceding travel to Nigeria would be denied entry into the country. He said the regulation did not apply to passengers who transited through these countries. Mustapha stated that defaulting airlines would pay \$3,500 as fine for each defaulting passenger; adding that passengers on board who are non-Nigerians would be denied entry and returned to the country at cost to the airline. The statement was titled 'COVID-19 response: Provisional quarantine protocol for travellers arriving in Nigeria'. He said, "Non-Nigerian passport holders and non-residents who visited Brazil, India, Turkey or South Africa within 14 days preceding travel to Nigeria, shall be denied entry into Nigeria. This regulation, however, does not apply to passengers who transited through these countries. "The following measures shall apply to airlines and passengers who fail to comply with (a) above: airlines shall mandatorily pay a penalty of \$3,500 for each defaulting passenger; and non-Nigerians will be denied entry and returned to the country of embarkation at cost to the airline. Source: Punchng.com <https://punchng.com/defaulting-airlines-passengers-risk-3500-fine-fg-bans-india-others-flights/>

CITN drafts plans for FG to tax global tech companies: The President, Chartered Institute of Taxation of Nigeria, Mr Adesina Adedayo, has said the institute is working on a strategy document for taxation of global tech companies, among other taxes. Adedayo spoke during a courtesy visit by a delegation from the institute to the Vice President of Nigeria, Prof. Yemi Osinbajo, in Abuja. The CITN president's presentation, which was obtained on Wednesday, said he gave the communiqué the institute came up with during its 23rd annual tax conference in Kaduna to the Vice-President. While presenting the document, Adedayo said, "Arising from deliberations and a charge from his excellency, the Governor of Kaduna State, Mallam Nasir El-Rufai, CITN is working on a strategy document which would be concluded shortly towards addressing these salient issues: ways and means of taxation of the informal sector; taxation of agriculture at the farm gates; scale-up capturing tax identification records; and how to tax global technology companies." He urged the Federal Government to address its low revenue through improved tax collection method. Source: Punchng.com <https://punchng.com/citn-drafts-plans-for-fg-to-tax-global-tech-companies/>

House of Reps may consider PIB report today: The House of Representatives' Special Ad Hoc Committee on Petroleum Industry Bill has laid its report. The Majority Whip and Chairman of the committee, Mohammed Monguno, laid the report at the plenary on Wednesday. The leadership of the House had earlier on Tuesday met with the committee. While the Southern and Northern caucuses had met separately on the controversial bill, the Group Managing Director of the Nigerian National Petroleum Corporation, Melee Kyari, was scheduled to meet with the entire House later on Wednesday. There were indications that the House may consider and adopt the report on Thursday. The Speaker, Femi Gbajabiamila, on Wednesday, asked members to send their aides to the PIB committee's secretariat to pick copies of the report. Source: punchng.com <https://punchng.com/house-of-reps-may-consider-pib-report-today/>

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% distribution	0%	50%	50%	0%	

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