



Crude Oil

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Production still low

Based on news reports, the Organisation of Petroleum Exporting Countries (OPEC), in its Monthly Oil Market Report (MOMR) for May, noted that in April the country under produced 18,000bpd versus the previous month of March. For several months, Nigeria has failed to meet its OPEC quota, blaming massive oil theft, inability to restart oil wells shut down in the wake of the Covid-19 pandemic, lack of investments as well as community issues. The report showed a continuous fall in production volumes through the year. Oil production fell to 1.219 million barrels in April, down from 1.238 million barrels per day in March, and down from February's production figure which was 1.258 million barrels per day, putting Q1 average production at 1.299 million barrels per day.

GDP growth strengthened in 2021, supported by base effect in the non-oil sector, while the oil sector remained uninspiring. Average daily crude oil production (excluding condensates) was c.1.31mb/d in 2021. We expect crude oil terminal maintenance, shutdown, vandalism, and reduced investments in the oil sector to continue to undermine oil production, masking the gains from increasing oil prices. The new Petroleum Industry Act 2021 (PIA) which was signed into law by the President on 16 August 2021 to repeal the extant Petroleum Act 2004, creates provisions and innovations that will affect various aspects of the oil and gas industry and ideally should result in increased investments in the oil and gas sector. We however expect the elections to take center stage from the second half of the year and we are increasingly less optimistic that necessary investments will go into the oil sector.

Brent oil price remains high, and closed yesterday at US\$107.45/bbl. Theoretically, the continued uptrend in crude oil prices, a major source of foreign exchange to the country, suggests FX accretion and should imply increased revenue, given the country's oil price budget of US\$62/bbl for 2022. However, the perennial issues limiting production continues to mask the gains from high oil prices. Again, increasing oil price implies an increase in the landing cost of petrol, leading to increase in subsidy payments. The NNPC boss, Mele Kyari, had in previous reports put the comfort oil price zone for Nigeria at US\$58-US\$60/bbl. saying that for the NNPC, anything above US\$70-US\$80/bbl., will create major distortions in the projections of the corporation and create more difficulties.

MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	39,131.80	42,716.44	48,459.65
Naira / US\$	410.00	435.00	418.33
Brent, US\$/bbl	65.40	77.78	106.65
MPR %	11.50	11.50	11.50

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

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Figure 1: One Year Brent Price Movement

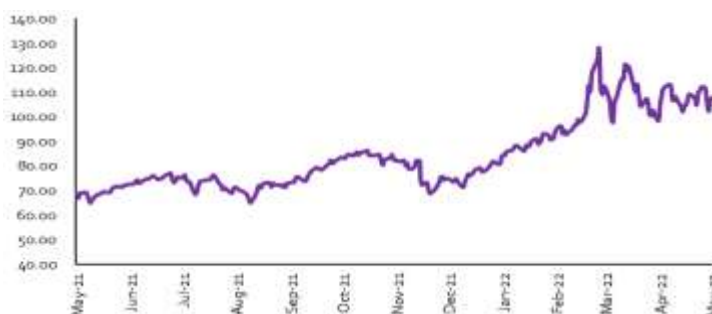
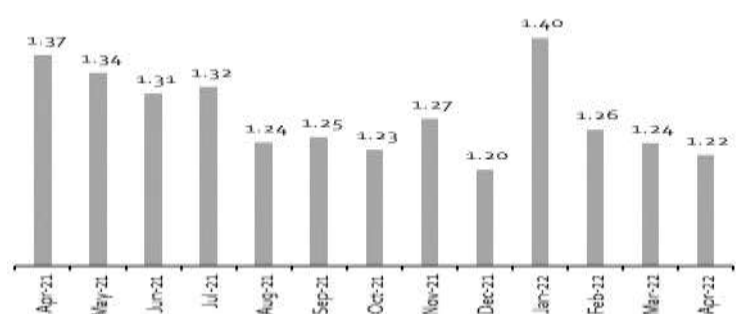


Figure 2: Average Daily Oil Production (exclu. condensates)



Source: Bloomberg, NUPRC, CSL Research



Today's news headlines

Inadequate database threatens SIM-NIN registration, NIMC admits deficit:

Telecommunication consumers are lamenting the decision of the Federal Government to implement the National Identification Number-Subscriber Identity Module policy after the Nigeria Identity Management Commission disclosed that its infrastructure can accommodate only 100 million Nigerians. The consumers under the aegis of the National Association of Telecoms Subscribers were reacting to comments by the Director-General of the National Identity Management Commission, Aliyu Aziz. According to the DG, the commission's database is at 80 per cent of its capacity with over 80 million unique NINs issued. Source: punchng.com

<https://punchng.com/inadequate-database-threatens-sim-nin-registration-nimc-admits-deficit/>

Agric imports hit N2.7tn despite N129bn intervention loans: Despite spending no less than N129.084bn on agriculture loans to farmers, Nigeria's agricultural imports continued to take an upward trajectory, hitting N2.7tn in 2021 alone. According to findings by our correspondent, the Central Bank of Nigeria and the Federal Government, through the Agricultural Credit Guarantee Scheme Fund (ACGSF), has guaranteed a total of N129.084bn in agriculture loans to farmers in the country. Figures by the National Bureau of Statistics in a recent report titled "Foreign Trade in Goods Statistics" also revealed that in 2021, Nigeria's agric imports stood at N2.7tn, indicating an increase of 36.6 per cent over the previous year, when compared to the value recorded in 2020 (N1.7tn). Source: punchng.com

<https://punchng.com/agric-imports-hit-n2-7tn-despite-n129bn-intervention-loans/>

How Aviation Industry Averted N13bn Loss in One Day by Suspending Planned Industrial Action:

It is estimated that Nigeria's aviation industry would have lost about N13 billion in one day if domestic airlines had shut down operations on May 9, 2022 as planned. The loss according to experts, would have amounted to about N9 billion in revenue that would have accrued to the airlines and N4 billion that would have been earned by handling companies, catering, suppliers, charges by the agencies and others, totaling about N13 billion in just one day. Despite the estimated loss, industry stakeholders said if the airlines had stood together and kept to that decision the benefits would have been greater than the revenue loss because those who may not fly on that day would have flown another day. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/05/13/how-aviation-industry-averted-n13bn-loss-in-one-day-by-suspending-planned-industrial-action/>

Nigerians' spending on household consumption rises to N108tn – NBS: The National Bureau of Statistics has said that Nigerian residents spent N108.47tn on household consumption in 2021 in nominal terms. The figure is higher than the N97.72tn recorded in 2020, showing an increase of 11 per cent amid double-digit inflation. The NBS disclosed this in its recent Expenditure and Income Gross Domestic Product report released on Wednesday. According to the report, household consumption accounted for the biggest share of the expenditure GDP. The household consumption expenditure includes imputed expenditure incurred by resident households on individual consumption goods and services. Source: punchng.com

<https://punchng.com/nigerians-spending-on-household-consumption-rises-to-n108tn-nbs/>

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	Buy	Hold	Sell	Not Rated	Total
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% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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