



## Manufacturing

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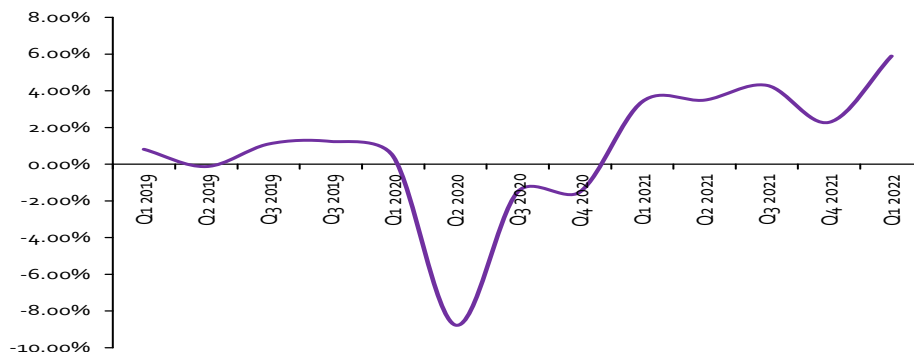
### Manufacturing sector maintained the positive trend in Q1 2022

Analysis of the Q1 2022 GDP report showed that the manufacturing sector sustained the positive trend seen in the past four consecutive quarters, rising by 5.89% in Q1 2022 from 2.28% y/y in Q4 2021 and 3.40% y/y in Q1 2021. The sector has been benefitting from a continued recovery in local demand and the sustained interventions given to critical sectors of the economy by the monetary authority. Across the subsectors that make up the manufacturing sector, the oil refining sector remained the laggard (-44.3% y/y), and continues to drag performance in the manufacturing sector with consolidated refining capacity at zero levels.

When the pandemic struck without warning, the impact negatively affected manufacturing activities, with Manufacturing GDP touching a low of -8.78% in Q2 2020. This, coupled with existing structural bottlenecks, forced many businesses out of operations. Several companies saw demand for their goods plummet on the back of movement restrictions, and consumer behaviour turned towards the search for essential items. However, since the reopening of the economy, gains from exports via open borders and increased credit supply to manufacturing businesses cut the sector some slack from the harsh effects of the pandemic.

In recent times, conversations around the manufacturing sector have been in the spotlight and has been receiving much attention from the government. From the 100 for 100 Policy for Production and Productivity (PPP) to the highly ambitious RT200 FX programme, and a new FX bidding regime, the government has been offering some support to the sector. However, the existing FX constraints, supply chain disruptions and weak disposable income are all factors that will continue to undermine growth in the sector. The need to boost the manufacturing sector is pertinent to achieving the country's output projection, and if structural constraints remain unaddressed, growth in the sector will remain sub-optimal. Besides, the elevated diesel cost is currently throwing a spanner in the works on manufacturing operations and there is little room to pass the increased cost to consumers before demand, especially for discretionary goods, begins to wane.

### Manufacturing Sector Growth Rate (Q1 2019 – Q1 2022)



Source: NBS, CSL Research

### MARKET UPDATE

|                 | 1 year    | 31-Dec-21 | 1 day     |
|-----------------|-----------|-----------|-----------|
| NSE - Index*    | 37,653.12 | 42,716.44 | 51,962.85 |
| Naira / US\$    | 411.67    | 435.00    | 421.00    |
| Brent, US\$/bbl | 76.18     | 77.78     | 115.09    |
| MPR %           | 11.50     | 11.50     | 13.00     |

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

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## Today's news headlines:

**Fuel subsidy, refinery rehabilitation gulped N1.3tn in five months – NNPC:** The amount spent as subsidy on Premium Motor Spirit, popularly called petrol, and on refinery rehabilitation between January and May this year was N1.301tn, figures released on Monday by the Nigerian National Petroleum Company Limited showed. NNPC disclosed this in its latest presentation to the Federation Account Allocation Committee meeting for the month of June 2022. Bulk of the oil firm's spending was on petrol subsidy, as it consumed N1.274tn during the five-month period, while for refinery rehabilitation, NNPC spent N9.11bn in each of the months of January, March and April, amounting to N27.33bn. An analysis of NNPC's monthly fuel subsidy spendings indicated a continuous rise in the amount incurred as subsidy by the Federal Government through NNPC. Source:punchng.com  
<https://punchng.com/fuel-subsidy-refinery-rehabilitation-gulped-n1-3tn-in-five-months-nnpc/>

**Emefiele: Nigeria's FX Policy Targeted at Preserving Naira Value, Others:** The Governor of the Central Bank of Nigeria (CBN), Mr. Godwin Emefiele, yesterday said the objectives of the country's exchange rate policy were to preserve the value of the domestic currency and maintain a favourable external reserves position. Emefiele stressed that the central bank's foreign exchange (FX) regime further seeks to ensure external balance without compromising the need for internal balance and the overall goal of macroeconomic stability. The central bank governor also said the overarching goals of the apex bank includes to achieve exchange rate stability that ensures a viable external sector, anchor inflationary expectations and improve and support economic growth. Source: thisdaylive.com  
<https://www.thisdaylive.com/index.php/2022/06/28/emefiele-nigerias-fx-policy-targeted-at-preserving-naira-value-others/>

**Duty hike, forex take Tokunbo cars out of Nigerians' reach:** It is no longer news that in a bid to ensure uniformity of duties on imported used vehicles of the same year, company and model, the Nigerian Customs Service, in February 2022, introduced the Vehicle Identification Number for the valuation of imported vehicles. Neither is it news that when the electronic platform was newly introduced, it was riddled with so many controversies as freight forwarders and clearing agents operating at the nation's maritime sector kicked against it, saying it was marred by hitches and inconsistencies. What makes the news is that the platform has led to an over 100 per cent increase in duties paid on imported used vehicles, especially those whose models are below 2013. Source :punchng.com  
<https://www.thisdaylive.com/index.php/2022/06/27/ncc-telcos-reassure-nigerians-on-5g-deployment-harp-on-benefits/>

**FG rakes in over N2tn from marginal oil fields sale:** Federal Government may have raked at least N2tn from the 2020/2021 marginal oil field bid rounds, according to findings by our correspondent. In the Nigerian context, marginal fields include fields with reported reserves and production potential, which are however deemed marginal for a variety of reasons. Notably, marginal fields exist under current Oil Mining Leases. After 18 years of the last bid rounds, Nigeria through the defunct Department of Petroleum Resources, put up 57 onshore, swamp, and shallow offshore terrains fields for bidding, and had set May 1, 2022 for the issuance of licences to winners. Source:punchng.com  
<https://punchng.com/fg-rakes-in-over-n2tn-from-marginal-oil-fields-sale/>

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|----------------------------|-----|------|------|-----------|-------|
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| % distribution             | 49% | 29%  | 14%  | 9%        |       |
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| % distribution             | 0%  | 50%  | 50%  | 0%        |       |

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