



Crude Oil

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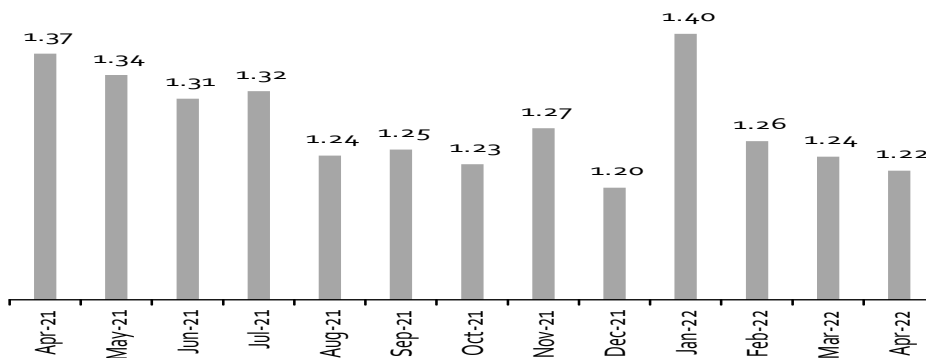
Nigeria's production quota up to 1.8mbpd

Following the 29th OPEC and non-OPEC Ministerial Meeting held through videoconference on 2 June 2022, the Organisation increased Nigeria's production quota to about 1.799m barrels per day. The cartel and its allies, OPEC+ would increase oil production by 648,000 barrels per day in July. 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. There has been a continuous fall in production volumes through the year. In an interview with Reuters, the Nigerian Petroleum Minister, Zainab Ahmed, noted that low crude oil production means Nigeria is barely able to cover the cost of imported petrol from its oil and gas revenue.

The oil sector contracted deeply (-26.04%/y) despite a better average price of Brent Crude in Q1 2022 compared to Q4 2021 and Q1 2021, due to low production. Brent crude averaged US\$97.86/bbl in Q1 2022, compared to US\$79.66/bbl in Q4 2021 and an average price of US\$61.32/bbl in Q1 2021. Meanwhile, the NBS pegged average daily oil production for Q1 2022 at 1.49mbpd, lower than that of 1.50mbpd in Q4 2021 and 1.72mbpd in Q1 2021. The uninspiring output was largely due to crude oil terminal maintenance, shutdowns, theft and reduced investments. With the perennial issues affecting oil production in the country, we struggle to see any recovery in the near term, though a recent Reuters Survey pointed to about 70,000bpd increase in May. The passage of the PIB that should have incentivized investments into the sector appears ineffective considering the reintroduction of the subsidy regime which goes against the dictates of the PIB, has made the space unattractive for investors. The oil sector contributed 6.63% to real GDP in Q1 2022.

Brent oil price remains high, and closed yesterday at US\$116.29/bbl. Theoretically, the continued uptrend in crude oil prices, a major source of foreign exchange to the country, with the increasing production quota from OPEC should imply signify significant 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.

Average daily oil production (excluding condensates)



Source: NUPRC, CSL Research

MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	38,482.52	42,716.44	52,840.21
Naira / US\$	411.06	435.00	419.50
Brent, US\$/bbl	71.35	77.78	116.29
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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Today's news headlines

Bank customers to produce indemnity for online transfers above N1m – CBN: The Central Bank of Nigeria has ordered banks and Payment Service Providers to accept indemnity from customers for highly secured online funds transfers. It stated this in a circular signed by the Director, Payments System Management Department, Musa Jimoh, with the reference number: PSM/DIR/PUB/CIR/01/006, titled 'Circular on the review of operations of the NIBSS Instant Payments System and other electronic payment options with similar features', which was released on Thursday. The circular stated that "Further to the circular on the above reference BSP/DIR/GEN/CIR/01/011 and dated August 13, 2014, banks are hereby required to comply with the following:." Source: punchng.com
<https://punchng.com/bank-customers-to-produce-indemnity-for-online-transfers-above-1m-cbn/>

Yadudu: Restoring Critical Airport Facilities Will Improve Air Transport in Nigeria: RESA Airport Digital Solutions, which provides easy passenger facilitation, which we used to replace SITA that provides similar services, is very good. RESA and SITA are the biggest two in the world. Most of Europe is RESA and SITA and most of the USA is SITA because it is an American Company etc, but SITA was giving us service for only two airports (Lagos and Abuja) and we went and negotiated an agreement with RESA that covers the five international airports. So, instead of covering two for 10 years, now, we are covering five international airports. We now have a larger number of check-in systems delivered to the airports. There is departure control system all in this one and many other services. Source: thisdaylive.com
<https://www.thisdaylive.com/index.php/2022/06/03/yadudu-restoring-critical-airport-facilities-will-improve-air-transport-in-nigeria/>

New terminal: Foreign airlines reject FG's relocation order: The majority of the foreign airlines operating in Nigeria have rejected offers by the Federal Airports Authority of Nigeria to relocate their operations into a newly built terminal at the Murtala Muhammed International Airport, Lagos. The new terminal, built by the Federal Government with Chinese loans, was inaugurated in March by the President, Major General Muhammadu Buhari. The Managing Director, FAAN, Captain Rabi'u Yadudu, told journalists in Lagos that although some foreign airlines had refused to relocate to the terminal, the agency might be forced to relocate their operations to the place at the appropriate time. Source: punchng.com
<https://punchng.com/new-terminal-foreign-airlines-reject-fgs-relocation-order/>

Electricity tariff surge by 58% after N500bn subsidy suspension –Report: Findings have shown that electricity tariffs increased by 58 per cent after the Federal Government yanked off a yearly subsidy of N500bn to the power sector. Documents obtained by The PUNCH showed that the subsidy was removed in 2020, leading the Nigerian Electricity Regulatory Commission to equally increase tariffs from N31/kWh to N49/kWh starting from last year. The document titled, 'Analysis of the Commercial KPIs for ANED's Members/2021', which is the latest report by the Association of Nigerian Electricity Distributors, said with the effective implementation of the Service Based Tariff in November 2020, the Federal Government removed electricity subsidies of over N500bn and "allowed tariff increase from 31 N/kWh up to 49 N/kWh in 12 months." Source: punchng.com
<https://punchng.com/electricity-tariff-surge-by-58-after-n500bn-subsidy-suspension-report/>

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	Buy	Hold	Sell	Not Rated	Total
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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