



## Economy

**Comment on recent news** – this page

Today's headlines – page two

**Recommendations and valuations** – page three

### Rising food prices: Another month in the trenches

The continued rise in prices of food staples keeps pushing many households below the poverty line. According to the selected food price watch data for June 2022 released by the National Bureau of Statistics (NBS), major consumer staples showed significant increases year on year and month on month. Y/y, all prices of the 43 food items that make up the food watch basket increased considerably. Also, on a m/m basis, save for Plantain (unripe), all food items rose considerably. In our view, the monthly increase can be associated with the elevated energy prices caused by increased diesel cost, and its pass-through effect on transport costs of food items. Also, the current planting season which comes with low food production, amidst the heightened level of insecurity is making an already bad situation worse. This was reflected in the m/m increase in food inflation, which rose by 2.05% m/m in June. On a y/y basis, across the widely consumed food staples, price of beans in the two variants increased; brown, sold loose (up 16.6% y/y) and white, black eye, sold loose (up 24.2% y/y). Also, price of Maize in its two variants grew significantly, white sold loose (up 22.7% y/y) and yellow sold loose (up 17.1% y/y).

Price of Rice in its variants save for local sold when compared to other food items has increased moderately, from agric sold loose (+13.5% y/y) to medium grained (+14.4% y/y), broken rice (ofada; +11.8% y/y) and imported high quality sold (+13.7% y/y). It is also safe to assume that related transport and other incidental costs may have also caused the modest increase. To a great extent, the government has been relatively successful in stimulating local rice production using incentives such as subsidized loans, cheap fertilizers, free farmland, and tax rebates. Beyond the monetary interventions, we believe the possibility of developing rice plantations in most parts of the country in commercial quantity makes it less susceptible to shocks caused by insecurity when compared to some food items that can only be grown in certain regions in the country.

Since the reopening of the four major borders in December 2020, there has been no respite, as food prices have continued to rise. Recently, four more borders were reopened, which was expected to provide some respite, however, the gains have been masked by the Russia invasion. Although, we anticipate a mild respite to increasing food prices when the harvest season begins in September, we believe the pass-through effect from rising transport cost and the worsening security situation will continue to keep food inflation high.

### Major food items (y/y%)

Food Items	Percentage increase (y/y)
Broken Rice (Ofada)	11.8%
Gari white,sold loose	2.6%
Gari yellow,sold loose	2.9%
Maize grain white sold loose	22.7%
Maize grain yellow sold loose	17.1%
Rice local sold loose	21.6%
Rice,imported high quality sold loose	13.7%
Agric eggs medium size	26.3%
Agric eggs (medium size price of one)	33.9%
Yam tuber	30.6%

Source: NBS, CSL Research

### MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	38,547.08	42,716.44	50,370.25
Naira / US\$	411.44	435.00	429.00
Brent, US\$/bbl	76.33	77.78	103.97
MPR %	11.50	11.50	13.00

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

### CONTACT INFORMATION

#### Head of Research: Gloria Fadipe

+234 (0)1 448 5436 ext.4516

[gloria.fadipe@fcbm.com](mailto:gloria.fadipe@fcbm.com)

#### Banks: Gloria Fadipe

+234 (0)1 448 5436 ext.4516

[gloria.fadipe@fcbm.com](mailto:gloria.fadipe@fcbm.com)

#### Industrials: Oluwasesan Adeyeye

+234 (0)1 448 5436 ext.4512

[oluwasesan.adeyeye@fcbm.com](mailto:oluwasesan.adeyeye@fcbm.com)

#### FMCGs & Brewers: Edgar Ebinum

+234 (0)1 448 5436 ext.4457

[edgar.ebinum@fcbm.com](mailto:edgar.ebinum@fcbm.com)

Research Team: [cslresearch@fcbm.com](mailto:cslresearch@fcbm.com)

Retail Team: [cslcsu@fcbm.com](mailto:cslcsu@fcbm.com)

Sales Team: [cslrmt@fcbm.com](mailto:cslrmt@fcbm.com)



## Today's news headlines:

**FG failed to provide N100bn electricity subsidy – Discos:** Electricity distribution companies on Sunday reacted officially to the takeover/restructuring of five Discos by the Federal Government through the Bureau of Public, describing the move as a backdoor renationalisation of the power firms. They claimed that investors in the 11 Discos were shortchanged by BPE when the facilities were privatised in November 2013, while the government had failed to pay the N100bn subsidy on electricity since the privatisation of the sector. Speaking under the aegis of the Association of Nigerian Electricity Distributors, an umbrella body for the power firms, the Discos expressed concern about the restructuring of the five companies as announced by BPE on July 5, 2022, in collaboration with the Nigerian Electricity Regulatory Commission. Source: punchng.com

<https://punchng.com/fg-failed-to-provide-n100bn-electricity-subsidy-discos/>

**Concerns over lack of investors for new national carrier:** Nigerians have had to wait endlessly for the establishment of a new national carrier and stakeholders are raising questions about how long it will take the Federal Government to deliver the project which has suffered several years of delay for various reasons. The national carrier, which means a country's national airline, locally registered under a given statute and enjoys preferential rights or privileges accorded by the government for international operations. While the Minister of Aviation, Hadi Sirika, is working to ensure that a new national carrier is reborn before the end of the year, stakeholders and industry experts familiar with the project have said it may not see the light of day, at least not under the Buhari-led administration.

Source: punchng.com

<https://punchng.com/concerns-over-lack-of-investors-for-new-national-carrier/>

**External Reserves Adds \$45.3m on Increase in Diaspora Remittances:** Nigeria's external reserves added \$45.3million in July, according to movement in reserves data released by the Central Bank of Nigeria (CBN). The foreign exchange buffer as of July 28, 2022, moved to \$39.22billion from \$39.17billion it commenced the month under review. Analysts have attributed the steady increase in external reserves to CBN's RT \$200billion Foreign Exchange Programme, stressing that the policy unveiled in February 2022 has revived foreign exchange earnings from non-oil proceeds. In a chat with THISDAY, analyst at PAC Holdings, Mr. Wole Adeyeye said, "The increase in foreign exchange inflows from the non-oil sources, through the CBN RT200 FX programme and increase in diaspora remittances, may have contributed to the increase in Nigeria's external reserves in July."

Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/08/01/external-reserves-adds-45-3m-on-increase-in-diaspora-remittances/>

**Navy: We've Recovered N25bn Stolen Crude in Four Months:** The Nigerian Navy, weekend, said it has recovered N25 billion worth of stolen products through the ongoing Operation DAKATAR DA BARARWO (OPDDB) meaning, 'Stop the Thief' in Hausa, in nearly four months. Launched on April 1, 2022, the ongoing operation, which is in synergy with the Nigeria National Petroleum Corporation (NNPC), was instituted to curb Crude Oil Theft (COT) and associated crimes. According to the Director of Information (DINFO), Commodore AO Ayo-Vaughan, in the last four months, "The entire naval assets and personnel in the Niger Delta have continually and vigorously fought the menace of COT as directed by the Chief of Naval Staff (CNS), Vice Admiral Awwal Gambo."

Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/08/01/navy-weve-recovered-n25bn-stolen-crude-in-four-months/>



## Analyst Certification

Each research analyst(s) principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all of the views expressed in this research report. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this research report.

## Important disclosures

Analysts' compensation is based upon activities and services intended to benefit the investor clients of CSL Stockbrokers Limited, Lagos and the affiliates of FCMB Group, Lagos, Nigeria ("the Group"). Analysts receive compensation that is impacted by overall profitability of the Group, which includes revenues from, among other business units, Institutional Sales and Trading and Capital Markets/Investment Banking.

### CSL Research Ratings Distribution

	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%	

### Explanation of CSL Research's equity research rating system

- Buy:** The analyst expects the stock to outperform the Benchmark over the next 12 months or the stated investment horizon.
- Hold:** The analyst expects the stock to perform in line with the Benchmark over the next 12 months or the stated investment horizon.
- Sell:** The analyst expects the stock to underperform the Benchmark over the next 12 months or the stated investment horizon.
- Not Rated:** The rating and price target have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when CSL Capital UK or the Group is acting in an advisory capacity in a merger or strategic transaction involving the company or due to factors which limits the analysts ability to provide forecasts for the company in question.
- Benchmark:** The benchmark is the trailing three year average yield of the 12 month T-Bill plus one standard deviation rounded to the nearest percent.
- Price targets:** Price targets, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings fall short of estimates.
- Asset allocation:** Asset allocation is the responsibility of the strategy team. The recommended weight (Buy, Hold and Sell) for equities, cash and fixed income instruments is based on a number of metrics and does not relate to a particular size change in one variable.



## Important Risk Warnings and Disclaimers

CSL STOCKBROKERS LIMITED ("CSLS") is regulated by the Securities and Exchange Commission, Nigeria. CSLS is a member of the Nigerian Stock Exchange. CSL Capital (UK) Ltd (Firm Reference Number: 913994, Registered Number: 11818051), trading in the name of 'CSL Stockbrokers' for its activities, is authorised by the Financial Conduct Authority (FCA).

Both CSLS and CSL Capital (UK) Ltd are members of the FCMB Group ("the Group") of Nigeria, a group of companies which also includes First City Monument Bank Ltd.

RELIANCE ON THIS PUBLICATION FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE YOU TO A SIGNIFICANT RISK OF LOSS. By receiving this document, you will not be deemed a client or provided with the protections afforded to clients of CSLS and CSL Capital (UK) Ltd. When distributing this document, CSLS, or any member of the Group is not acting for any recipient of this document and will not be responsible for providing advice to any recipient in relation to this document. Accordingly, CSLS or any member of the Group will not be responsible to any recipient for providing the protections afforded to its clients.

If you are in the UK, you are a person to whom either Articles 19 or 49 of the Financial Services and Markets 2000 (Financial Promotion) Order 2005 apply or a person to whom this communication may otherwise be lawfully made.

In the United Kingdom, this document is available only to such persons described above and persons of any other description should not rely on this document. Transmission of this document to any other person in the United Kingdom is unauthorized and may contravene the Financial Services and Markets Act 2000 (FSMA). If you are not such a person or if the distribution of this document is otherwise unlawful where you are, you are required to return the document immediately to CSLS. This document is not intended for Retail Clients in the UK.

This document is not an offer to buy or sell or to solicit an offer to buy or sell any securities. This document does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The appropriateness of a particular investment will depend on an investor's individual circumstances and objectives. The investments and shares referred to in this document may not be suitable for all investors.

CSLS or any other member of the Group may effect transactions in shares mentioned herein and may take proprietary trading positions in those shares, and may receive remuneration for the publication of its research and for other services. Accordingly, this document may not be considered as objective or impartial. Additionally, information may be available to CSLS, or the Group, which is not reflected in this material. Further information on CSLS' policy regarding potential conflicts of interest in the context of investment research and CSLS' policy on disclosure and conflicts in general are available on request.

This document is based on publicly available information obtained from sources which CSLS believes are reliable, but which it has not independently verified. Neither CSLS, or their advisors, directors or employees make any guarantee, representation or warranty as to the accuracy, reasonableness or completeness of this information and neither CSLS or their advisors, directors or employees accepts any responsibility or liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. The opinions contained in this document are subject to change without notice and are not to be relied upon and should not be used in substitution for the exercise of independent judgment.



Past performance is not a guarantee of future performance. Investments may go down in value as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of an investment for which there is no recognised market it may be difficult for investors to sell their investment or to obtain reliable information about their value or the extent of the risk to which they are exposed.

The information contained in this document is confidential and is solely for use of those persons to whom it is addressed and may not be reproduced, further distributed to any other person or published, in whole or in part, for any purpose.

@Copyright CSL STOCKBROKERS LIMITED, 2022. All rights reserved.

CSL STOCKBROKERS LIMITED	CSL Stockbrokers
Member of the Nigerian Stock Exchange	A trading name of CSL Capital (UK) Ltd
PO Box 9117	43-44 New Bond Street
Lagos State, NIGERIA	London
	W1s 2SA
	United Kingdom