



## Manufacturing

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### Nigerian manufacturers are currently singing the blues

A Punch news report indicates that the Nigerian manufacturers are going through troubled times as the double whammy of poor policies and economic headwinds continue to stifle the sector. Based on the data collected by the Manufacturers Association of Nigeria, but analyzed by the local print media, manufacturers' investments have nosedived from N489.44bn to N217.22bn between 2016 and 2021 (56% decline). From the persistent foreign exchange crisis to the current Russia-Ukraine crisis fueling scarcity of raw materials, and more recent, the hawkish posture taken by the monetary authority elevating borrowing costs, the crisis facing the sector are indeed crippling.

The past seven years have been indeed unpleasant for Africa's largest economy. While the country was still reeling from the effects of the 2016 recession and its impact on manufacturers' operations, covid-19 struck without warning and worsened the state of the country's manufacturing sector. This, coupled with existing structural bottlenecks, forced many businesses out of operations. Several companies saw demand for their products plummet on the back of movement restrictions, and a change in consumer behaviour 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. Now, the elevated energy costs have begun to take a toll on Manufacturer's operations and there is very little room to pass the increased cost to consumers before demand, especially for discretionary goods, begins to wane. Moreso, the inability to source forex at the official window have either made them resort to the parallel market at a significant cost or unable to buy machines for their production, which either way is making them operate at less than their optimal capacity utilization.

Although, the apex bank had planned to devote the country's available foreign exchange to strategic imports or service obligations, many manufacturers' claim they only get c.10% of their dollar demands. For as long as inflationary and FX pressures persists, the performance of the manufacturing sector will remain lackluster. A prolonged constraint in the inability of manufacturers to conduct businesses seamlessly leads to a crisis in the sector and loss of loans extended to the manufacturers by the banks. 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.

### MARKET UPDATE

|                 | 1 year    | 31-Dec-21 | 1 day     |
|-----------------|-----------|-----------|-----------|
| NSE - Index*    | 38,917.99 | 42,716.44 | 50,594.97 |
| Naira / US\$    | 411.07    | 435.00    | 429.20    |
| Brent, US\$/bbl | 72.41     | 77.78     | 96.78     |
| MPR %           | 11.50     | 11.50     | 14.00     |

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

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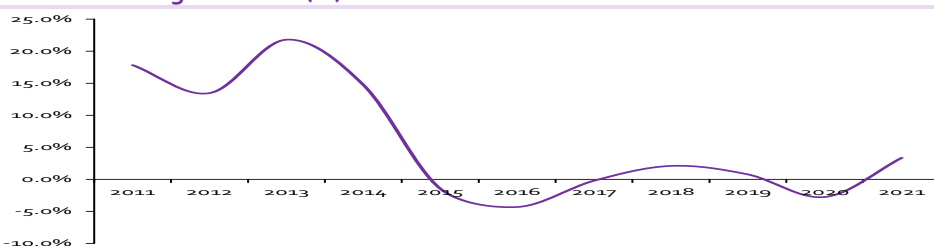
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### Manufacturing Real GDP (%)



Source: NBS, CSL Research



## Today's news headlines:

**Oil price falls, OPEC raises Nigeria's production quota:** The Organisation of Petroleum Exporting Countries on Wednesday raised Nigeria's crude oil production quota for September 2022 to 1.83 million barrels per day, as Brent, the global benchmark for crude, dropped in price the same day. Data obtained from OPEC showed that the 13-member organisation increased Nigeria's oil production quota marginally from 1.826mbpd in August to 1.83mbpd in September. This came as industry figures seen in Abuja indicated a drop in the cost of crude oil, as Brent fell by 2.36 per cent, shedding \$2.37 to close at \$98.17/barrel as at 5.10pm Nigerian time. It was also observed that crude oil grades in the OPEC basket dropped in price, losing \$1.94 or 1.82 per cent, to close at \$104.86/barrel at 5.13pm.

Source: [punchng.com](https://punchng.com)

<https://punchng.com/oil-price-falls-opec-raises-nigerias-production-quota/>

**Amukpe-Escravos pipeline begins operations:** Seplat Energy Plc has announced that it has begun commercial injection of crude oil through the new Amukpe-Escravos pipeline. The 67km mostly underground pipeline is expected to provide a reliable and secure export route for liquids from Seplat Energy's OML 4, 38 and 41, connecting them with the Chevron-operated Escravos Terminal. It has a capacity of 160,000 barrels per day, of which the Seplat Energy/NPDC joint venture is entitled to inject 35,000bpd. Dewatering was completed on July 29, 2022, and the Site Acceptance Test was currently underway with commercial volumes, Seplat stated in a statement. Until now, the company relied on the Trans-Forcados System, which experienced numerous disruptions in recent years due to pipeline maintenance and vandalism, impacting the company's revenues. Source: [punchng.com](https://punchng.com)

<https://punchng.com/amukpe-escravos-pipeline-begins-operations/>

**Exports: Manufacturers Association of Nigeria Commends NPA Initiatives:** Director General of the Manufacturers Association of Nigeria (MAN), Mr. Segun Ajayi has commended the initiatives of the Mohammed Bello Koko led management of the Nigerian Ports Authority (NPA) at promoting exports of locally manufactured goods. Ajayi made this known when he led a delegation comprising of Chief John Aluya Vice President of MAN, Frank Ike Onyebu, Chair of Apapa Branch of MAN and others on partnership renewal visit to the NPA headquarters in Marina. Speaking during the meeting, Mohammed Bello Koko said, "Our commitment to upping the ante of trade facilitation remains unwavering, this is why we have been and will continue to be advocates of creating enabling atmosphere for local manufacturers. Source: [thisdaylive.com](https://thisdaylive.com)

<https://www.thisdaylive.com/index.php/2022/08/04/exports-manufacturers-association-of-nigeria-commends-npa-initiatives/>

**NLNG Suffers \$7bn Year-to-Date Revenue Loss Due to Gas Supply Shortages:** The security challenge facing oil and gas companies in the country is having a heavy toll on the production and revenues of the Nigeria Liquefied Natural Gas (NLNG) Limited as it has resulted to the company losing almost \$7 billion revenue so far in 2022 due to gas supply constraints. The company's General Manager, Production, Mr. Adeleye Falade disclosed this yesterday in Lagos, during a panel session at the 45th Nigeria International Conference and Exhibition (NAICE) 2022, with the theme: "Global Transition to Renewable and Sustainable Energy and the Future of Oil and Gas in Africa." Source: [thisdaylive.com](https://thisdaylive.com)

<https://www.thisdaylive.com/index.php/2022/08/04/nlng-suffers-7bn-year-to-date-revenue-loss-due-to-gas-supply-shortages/>

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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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|                          |   |
|--------------------------|---|
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