



Economy

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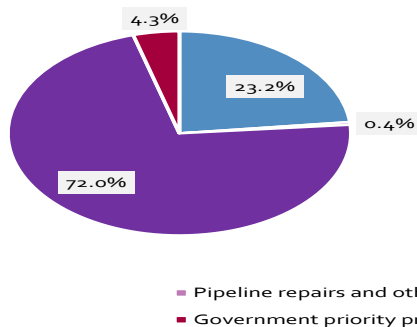
Fiscal woes to persist

The continued inability of the Nigerian National Petroleum Company Limited (NNPCL) to remit any revenue to the government is a reminder that the huge subsidy payments termed as value shortfall/under recovery is no longer sustainable and raises significant fiscal concerns. The NNPCL did not transfer any revenue to the government from January to July due to increased petrol subsidies and low oil production. To underscore the seriousness of the current situation, the average monthly gross oil & gas revenue was N405.3bn in the first seven months of the year (January - July), up by 71.5% y/y compared to N236.3bn in the equivalent period of the prior year. However, despite the revenue accretion, nothing was remitted to the federation account in the same period (January – July 2022) compared with an average monthly remittance of N49.9bn in prior year (January – July 2021).

Meanwhile, the average monthly subsidy payment in 2022 so far was N291.8bn from an average of N78.9bn in the equivalent period of 2021, implying that most of the gains accrued from elevated oil prices in the review period was lost to subsidy payments. More damning is the fact that in the month of July 2022, based on the latest data released by the NNPCL, all monies from the gross oil & gas revenue (N448.8bn) went to subsidy payments. On the other hand, oil production has remained low due to the perennial issues of terminal maintenance, shutdowns, vandalism, and reduced investments, which over time has masked the gains from increased oil prices. The absence of the political will and financial resources to tackle these challenges makes matters worse.

At this point, given the government's plans to retain petrol subsidy till June 2023, the country's fiscal strain is far from over. Although, the federal government has engaged the services of the indigenes through a pipeline surveillance contract to combat the heightened vandalism and crude oil theft, we expect the gains from these measures to remain subdued for as long as the petrol subsidy regime remains in place. According to the Minister of Finance, resources that should ordinarily be invested in the oil and gas sector are being lost to subsidy payments. That said, investors patiently await the commencement of the long-awaited Dangote Refinery. Even though, we do not expect it to do much for the country's fiscal position, investors expect to see at least an improved FX liquidity situation.

Allocation of NNPC's gross revenue (January – July 2022)



Source: NNPC, CSL Research

MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	39,261.01	42,716.44	49,991.41
Naira / US\$	411.50	435.00	434.75
Brent, US\$/bbl	72.61	77.78	95.74
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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Today's news headlines:

IPMAN begins strike, fuel scarcity imminent in North: Abuja, Kaduna, Nasarawa, Kogi, Niger and neighbouring states may encounter another round of scarcity of Premium Motor Spirit, popularly called petrol, following the commencement of a three-day warning strike by the Suleja Depot Branch of the Independent Petroleum Marketers Association of Nigeria. Members of the union commenced the strike on Monday in protest against the continued indebtedness of the Federal Government to oil marketers with respect to the payment of fuel transportation costs, otherwise called bridging claims. The IPMAN Suleja Depot Branch Chairman, Yahaya Alhassan, said marketers had stopped the supply of products from the depot, as the union had prevented trucks from moving PMS to the northern states.

Source: punchng.com

<https://punchng.com/ipman-begins-strike-fuel-scarcity-imminent-in-north/>

Navy: Renewed Fight against Crude Oil Theft Has Denied Criminals N30bn Stolen Products: The Nigerian Navy's renewed fight against crude oil theft through the ongoing Operation Dakatar Da Barawo has denied criminals over N30 billion stolen products from illegal refinery sites in the Niger Delta. Also, over 100 suspects have been arrested and handed over to the prosecutory agencies like the Nigeria Security and Civil Defence Corps (NSCDC) and the Department of State Services (DSS). The Director of Naval Information (DINFO), Commodore Adedotun Ayo-Vaughan made this disclosure yesterday when he paid a courtesy visit to the Ikoyi headquarters of THISDAY Newspaper. Source: [thisdaylive.com](https://www.thisdaylive.com)

<https://www.thisdaylive.com/index.php/2022/09/06/navy-renewed-fight-against-crude-oil-theft-has-denied-criminals-n30bn-stolen-products/>

Privatisation: Electricity workers threaten showdown with DisCos, GenCos: Electricity workers under the aegis of the National Union of Electricity Employees have sworn to liberate the country from what it described as the "clutches of the hustlers" in the power sector, just as it described the privatisation process as a "charade". A statement signed by the Assistant General Secretary of the association, Lagos/Ogun Zonal Council, Temple Iworima, on Monday, said it would no longer allow electricity distribution companies and generating companies, to take advantage of Nigerians. "We wish to use this medium to reiterate that, we are prepared to use our labour and sweat to liberate the sector and the country from the clutches of these 'Hustlers' in the Power Sector", the statement read in part.

Source: punchng.com

<https://punchng.com/privatisation-electricity-workers-threaten-showdown-with-discos-gencos/>

FG Bows to Pressure, Suspends 5% Excise Duty on Telecom Services: The federal government has bowed to the pressure from the Ministry of Communications and Digital Economy, the Nigerian Communications Commission (NCC), telecom operators and subscribers that refused the planned imposition of five per cent excise duty on telecom operations. The federal government yesterday announced the suspension of the proposed five per cent excise duty and inaugurated a committee chaired by the Minister of Communications and Digital Economy, Dr. Isa Ali Ibrahim Pantami, to immediately review the policy. Source: [thisdaylive.com](https://www.thisdaylive.com)

<https://www.thisdaylive.com/index.php/2022/09/06/fg-bows-to-pressure-suspends-5-excise-duty-on-telecom-services/>

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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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