



Rail Transportation

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Insecurity; a major threat to rail transport

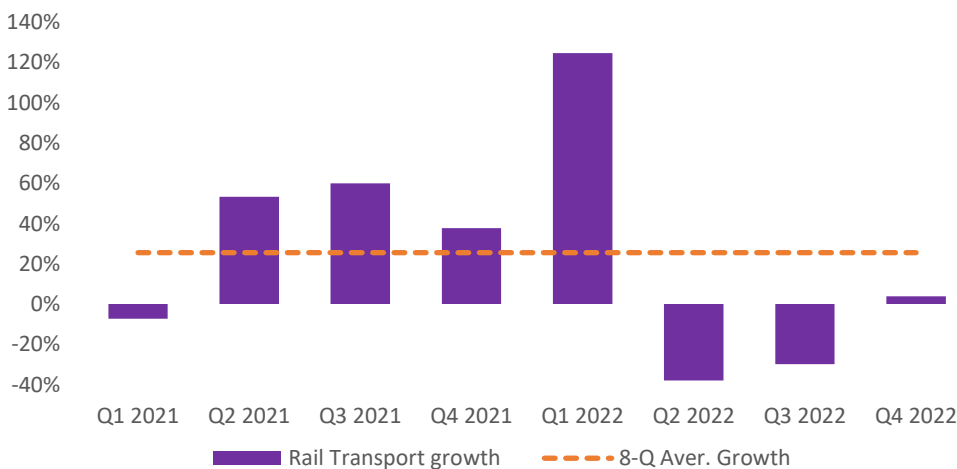
Based on recent data by National Bureau of Statistics (NBS) from Nigeria Railway Corporation (NRC), the number of rail transport passengers in Q3 2022 was 500,348, lower than the 696,841 reported in the corresponding period of 2021, representing a decline of 28.20%. In Q4 2022, the number of passengers rose by 30.10% to 1.34 million persons from 1.03 million persons in Q4 2021, while the volume of goods transported decreased by 1.50%. Revenue generated from passengers was N1.15 billion, a decrease of 39.54% from the same period last year.

The huge rail infrastructural deficit in Nigeria over the last 30 years has been of concern, as over-reliance on road haulage has also led to faster dilapidation of roads, while the truck movement of cargoes is a major factor behind the very high cost of cargo clearance from Nigeria's ports. The topography of the country supports an efficient and sustainable rail infrastructure; yet since the decline and obsolescence of the rail infrastructure built during the colonial era, the Nigerian Railway Corporation (NRC) has been largely moribund and ineffective, existing mainly as a property leasing agency in respect of the landed property owned by the corporation.

However, the intensified effort of the government seems to be changing the narrative, supported by recent investments in the rail line, such as the Abuja Light Rail, Abuja-Kaduna, Lagos-Ibadan, Ibadan-Kano. The impact of these recent investments and the gradual recovery of the economy from the covid induced recession in 2020 must have supported the strong performance witnessed in the sector in Q1 2022. Specifically, the rail transport sector grew by 124.54%/y/y in Q1 2022, the highest on record. However, it appears that recent issues of insecurity have overturned the positive trajectory.

Railways are a climate-smart and efficient way to move people and freight and promote economic growth while cutting greenhouse gas emissions. They are a clean and compact way to move millions of passengers and millions of tons of goods across countries. That said, the high level of Insecurity that in the country is fast becoming a major bottleneck to patronage despite the current administration's efforts to integrate rail transport into the Nigeria transportation system. Recent attacks on the Abuja-Kaduna rail line leave a lasting fear in the minds of many Nigerians.

Rail Transport Sector Growth



Source: NBS, CSL Research.

MARKET UPDATE

Indicators	1 year	30-Dec-22	1 day
NSE - Index*	47,545.86	51,251.06	51,120.94
Naira / US\$	416	461.50	464.25
Brent, US\$/bbl	113.16	85.91	84.76
MPR %	11.50	16.50	18.00

Source: NGX Exchange, Central Bank of Nigeria, Bloomberg. *NGX Exchange All-Share Index.

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News headlines:

Fuel subsidy: FG begins 40% pay rise for workers April ending: Barring any last-minute change of plans, the Federal Government will begin payment of the planned increase in civil servants' pay by the end of this month (April), The PUNCH can report. The President, Major General Muhammadu Buhari, retd, is expected to give his final assent for disbursement any moment from now. If the proposal sails through, it means the increase will be coming about two months to the June date proposed for the removal of petrol subsidy. Officials of the Federal Government told The PUNCH exclusively that the fresh pay increase, tagged consequential allowance, would lead to a 40 per cent rise in the current pay of government workers. Source: punchng.com <https://punchng.com/fuel-subsidy-fg-begins-40-pay-rise-for-workers-april-ending/>

Gas: NNPC deepens investments in AKK, OB3, others: The Nigeria National Petroleum Company Ltd. (NNPC Ltd) said it is deepening investments in the Ajaokuta-Abuja-Kano-Kaduna (AKK) gas pipeline and OB3 gas interconnector to support five billion standard cubic feet per day domestic gas utilisation. Malam Mele Kyari, the Group Chief Executive, NNPC Ltd., made this known in Abuja on Monday, at the opening of the sixth edition of the Nigeria International Energy Summit (NIES 2023). Kyari explained that the company was investing heavily in critical infrastructure, adding that it was also investing in five gigawatts of power generating capacity by developing power plant projects along AKK pipeline corridor and across the country to complement the existing ones. Kyari said that the company was investing heavily in critical infrastructure. Source: sunnewsonline.com <https://sunnewsonline.com/gas-nnpc-deepens-investments-in-akk-ob3-others-kyari/>

Nigeria spent 96.3% of 2022 revenue on debt servicing –World Bank: Nigeria may have spent a staggering 96.3 percent of its 2022 revenue to service its national debt currently standing at over N44.6trillion according to the World Bank. This worrisome statistic was part of the Bank's Macro Poverty Outlook for Nigeria: April 2023 brief, released by the Britton woods institution recently. The report highlighted that Nigeria's fiscal position deteriorated in 2022, with the cost of the petrol subsidy increasing from 0.7 percent to 2.3 percent of the country's gross domestic product (GDP). It further revealed that the country's public debt stock remained at over 38 percent of GDP and the debt service to revenue ratio soared from 83.2 percent in 2021 to a staggering 96.3 percent in 2022 Source : sunnewsonline.com <https://sunnewsonline.com/nigeria-spent-96-3-of-2022-revenue-on-debt-servicing-wbank-2/#:~:text=Nigeria%20may%20have%20spent%20a,by%20the%20Brittonwoods%20institution%20recently.>

National savings sensitisation to commence soon –SEC: The Securities and Exchange Commission (SEC), says the capital market community is to commence sensitization and stakeholder engagement on the implementation of the National Savings Strategy (NSS). To this end, an Implementation Committee would be established to ensure success of this initiative. This was disclosed by the Director General of the Securities and Exchange Commission Mr. Lamido Yuguda at the end of the First Quarter (Q1) Capital Market Committee meeting which held via Zoom recently. Yuguda explained the need to establish a National Savings Strategy as outlined in the Capital Market Master Plan as one of the key strategies to enhance capital formation by mobilising domestic funds for investment to drive rapid economic growth. Source sunnewsonline.com <https://sunnewsonline.com/national-savings-sensitisation-to-commence-soon-sec/>

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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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