



Rail Transport

Comment on recent news – this page

Today's headlines – page two

Recommendations and valuations – page three

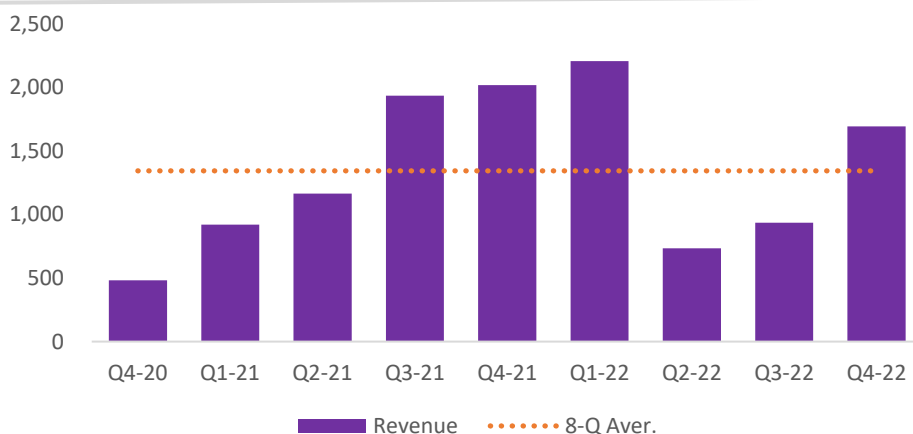
Rail transport revenue up in Q4 2022

Based on recent data from the National Bureau of Statistics on rail transportation, the total revenue generated from the subsector grew by 81.2% q/q to c. N1.69bn in Q4 2022. This compares favourably with an increase of 27.3% q/q in the previous quarter. On a y/y basis, the total revenue declined by 16% y/y. Specifically, the total sub sector's revenue is made up of income from passenger fees, freight, and other sources. The robust q/q growth in total revenue was driven by a rise in passenger traffic, which more than doubled to 1.34 million in Q4 2022 from 500,000 in Q3 2022. According to the data, passenger revenue increased +61.4% q/q to N1.15bn in Q4 2022 (accounting for 68% of gross revenues during the quarter but declined 39.5% y/y to N1.15bn). Revenue receipts from other income increased significantly by 224% q/q to c. N382m, while revenue from cargo transportation amounted to over NGN157m, representing an increase of 64% y/y.

Based on news reports, the resumption of operations on the Abuja-Kaduna railway line in December 2022 partly contributed to the q/q rise in total revenue. Conversely, the y/y decrease in revenue can be attributed to lost revenue from the period of long suspension of rail operations along the Abuja-Kaduna route. We recall that the federal government suspended the Abuja-Kaduna rail line operations in March 2022 due to security concerns. Q4 2022 GDP numbers showed that the rail sector grew by 3.8% y/y, an improvement over the consecutive contractions of -29.9% y/y and -37.9% y/y recorded in the previous two quarters. In terms of contribution, rail transport accounted for less than 1% (0.03%) of the transportation sector's real GDP in Q4 2022.

Looking ahead, we anticipate an improved revenue outturn in 2023, as the federal government has implemented various security measures to address the security challenges faced by the sub-sector. 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 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 have left a lasting fear in the minds of many Nigerians.

Rail Transport Revenue (Nm)



Source: NBS, CSL Research.

MARKET UPDATE

Indicators	1 year	30-Dec-22	1 day
NSE - Index*	51,903.44	51,251.06	52,466.52
Naira / US\$	415.83	461.50	462.23
Brent, US\$/bbl	105.94	85.91	75.30
MPR %	13.00	16.50	18.00

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

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News headlines:

Subsidy removal: Spending on petrol may jump 250% to N8tn: Petrol consumers may pay about N8.4tn for Premium Motor Spirit, popularly called petrol, between July and December 2023 once the Federal Government stops subsidy on PMS in June, latest findings and industry data showed. This represents about 250 per cent increase from the N2.4tn PMS consumers would spend during the period if the government chose to retain the subsidy regime. Oil marketers explained that the average cost of petrol could rise to about N700/litre from July, should fuel subsidy be brought to an end in June as projected by the Federal Government. The development means that the expense by Nigerians for fully deregulated petrol could rise by N6tn during the six month period, going by the insistence of the government that fuel subsidy would end in June. Source: punchng.com <https://punchng.com/subsidy-removal-spending-on-petrol-may-jump-250-to-n8tn/>

Inflation, FX scarcity shave off N1.6bn from Nigeria's stock market in April: Despite some very impressive 2022 corporate earnings and dividend payout to shareholders of quoted companies, investigations has revealed that market capitalisation of the Nigerian Exchange Limited (NGX) fell N1.580 trillion at the end of transactions in April. Although the stock market gained 2.25 per cent in four months of 2023, inflationary pressure, scarcity of foreign exchange, among other macroeconomy challenges continued to erode investors' participation in low-priced fundamental stocks listed on the exchange. Specifically, the All Share Index (ASI) which opened at 54,232.54 points, in the month under review, however closed at 52,403.51 points, representing 3.37 per cent drop, while market capitalisation closed the month at N27.963 trillion from the opening value of N29.543 trillion. e. Source: sunnewsonline.com <https://sunnewsonline.com/inflation-fx-scarcity-shave-off-n1-6bn-from-nigerias-stock-market-in-april/>

Buhari to inaugurate Dangote refinery May 22: The Dangote Refinery established by Africa's richest man, Aliko Dangote, is scheduled to be inaugurated on May 22. According to presidential aide, Bashir Ahmad, the inauguration Will be done by the President, Major General Muhammadu Buhari (retd.) In a tweet on his handle, Ahmad said, "Efforts by the Federal Government to make Nigeria self-sufficient in local refining of crude oil to save the scarce foreign exchange used in the importation of petroleum products have received a boost as the 650,000 barrels per day Dangote Refinery, the world's largest single-train refinery, is set for inauguration on May 22nd, 2023, by President Muhammadu Buhari." Source:Punchng.com <https://punchng.com/buhari-to-inaugurate-dangote-refinery-may-22/>

Agric sector growth defies N1.8bn loan infusions: In apparent reflection of the impact of insecurity, flooding and extreme weather on farming activities, agriculture sector growth fell by more than half in five years to 2022, defying the double-digit increase in banks' lending to farmers during the same period. Financial Vanguard analysis of banks' lending in the last 10 years showed that loans to farmers grew by 197 percent to N1.8 trillion in five years to 2022, faster than the 107 per cent growth recorded in the previous five years to 2016 As a result of the increased lending to farmers, the agricultural sector share of total banks' lending rose to 6.16 per cent in 2022, from 3.3 per cent in 2017, translating to 2.86 percentage points increase in five years.. Source Vanguardngr.com <https://www.vanguardngr.com/2023/05/agric-sector-growth-defies-n1-8-bn-loan-infusions/>

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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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