

Rail Transport

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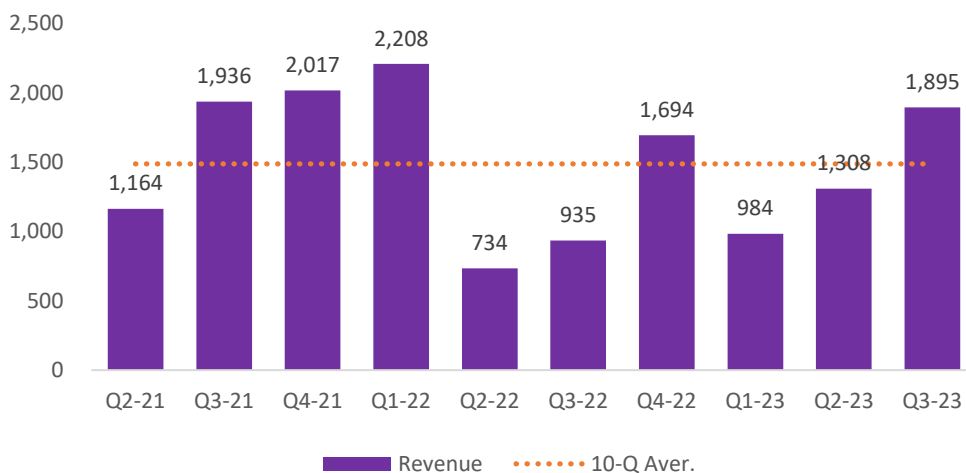
Rail transport revenue hits N1.9bn in Q3 2023

Based on recent data from the National Bureau of Statistics on rail transportation, the total revenue generated from the rail transport subsector grew by 102.71% y/y in Q3 2023 to N1.9bn from Ng35m in Q3 2022 and 44.92% q/q, from N1.31bn in Q2 2023. Both quarterly and annually, the total revenue from rail transport clearly improved. The total revenue of the subsector is made up of income from passenger fees, freight (goods & cargos), and other receipts. Revenue from passenger fees increased 35.27% q/q to N1.49bn in Q3 2023 (accounting for 78.6% of gross revenue during the quarter). Revenue receipts from other income surged by 536% q/q to N119.2m, while freight revenue amounted to c.N286.8m, an increase of 52.5% q/q from N188m in Q2 2023. In Q3 2023, passenger traffic grew significantly, up 25.36% q/q to 594,348 (vs 474,117 in Q2 2023).

The Q3 2023 GDP numbers indicate a notable 18.23% y/y growth in the rail subsector, an improvement over the 16.88% in Q2 2023 and -49.1% contraction in Q1 2023. Despite this growth, rail transport contribution to the transportation sector's real GDP in Q3 2023 remained modest, accounting for less than 1% (0.64%), suggesting opportunity for growth. Security concerns have been a major deterrent to revenue growth. Recall the federal government had suspended operations on the Abuja-Kaduna rail line in March 2022 due to security concerns. It appears passengers have begun to lose the fear of travelling through that rail line following some security measures that have been put in place. Operations resumed on the Abuja-Kaduna railway line in December 2022, and this may be contributing to the improving numbers.

We anticipate improved revenue from the rail transport subsector in 2024. The new blue-light rail which started operations in September 2023 at the nation's commercial hub, Lagos should drive revenue growth. Again, the redline rail project, which is nearing completion, should also support revenue growth. Railways represent a sustainable and efficient means of transporting both people and freight, fostering economic growth, and concurrently mitigating greenhouse gas emissions. They offer an environmentally friendly and space-efficient solution for transporting substantial volumes of passengers and goods across the country.

Rail Transport Revenue (Nm)



Source: NBS, CSL Research.

MARKET UPDATE

Indicators	1 year	30-Dec-23	1 day
NSE - Index*	52,649.24	74,773.77	102,401.88
Naira / US\$	461.02	899.89	891.9
Brent, US\$/bbl	84.9	77.04	83.88
MPR %	17.50	18.75	18.75

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

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News headlines:

NNPCL remitted zero allocation to Federation Account in 2022 – CFO: The Nigerian National Petroleum Company Limited remitted literally zero funds to the Federation Account in 2022 due to the payment of subsidy on Premium Motor Spirit, popularly called petrol, the Chief Financial Officer, NNPCL, Umar Ajiya, has said. NNPCL is a major revenue generating agency in Nigeria, operating as the national oil company in charge of the management, sales, etc, of the country's crude oil and gas, among other key functions. Ajiya, in a 5.24 minutes video released by the oil major on Sunday, said fuel subsidy stopped the revenue generating firm from remitting taxes and royalties to the Federation Account. Source: Punch <https://punchng.com/nnpcl-remitted-zero-allocation-to-federation-account-in-2022-cfo/>

PFAs Staked N13.4trn on Undervalued Stocks, Long-term FGN Securities in 2023: Driven by gains from undervalued stocks and yield on long-term/short Federal Government securities, Pension Fund Administrators (PFAs) increased their exposure in equities and government papers to N13.4trillion in 2023 from N10.55 trillion reported in 2022. This represents an increase of 28 per cent or N2.94 trillion in 2023, as revealed by National Pension Commission (PenCom) in its latest PFAs portfolio report FGN Securities comprises of FG Bonds (HTM), Treasury Bills, Agency Bonds (NMRC), Sukuk Bonds and Green Bonds. According to PenCom, PFAs exposure in stocks and FGN Securities contributed 73.5 per cent out of the N18.36trillion current. Source: This Day <https://www.thisdaylive.com/index.php/2024/01/29/pfas-staked-n13-4trn-on-undervalued-stocks-long-term-fgn-securities-in-2023>

Petrol trading lifts NNPC's profit to \$2.7b, Saudi Aramco declares \$161b: With the naira sinking to an all-time low at N1,418/\$1 in the parallel market, amid a ravaging inflation at 28.92 per cent, experts insist that the Nigerian economy has manifested all symptoms of a dying entity and warned of dire consequences if concerted efforts were not urgently made to get it out of coma. Just like other sectors, the transportation wing of the economy has taken a hit, recording a 60 per cent slump in the volume vehicles imported into the country in the last 12 months. Worse, the local vehicle assembly plants have not been able to produce affordable made-in-Nigeria vehicles for the lower cadre of the country to help addressed. Source: The Sun <https://sunnewsonline.com/economy-wobbles-as-tumbling-naira-ravaging-inflation-crash-vehicle-importation-by-60/>

Chinese firm to finance \$27.29bn Escravos seaport project: Hopes of deepening the blue economy project of the federal government brightened at the weekend with a Chinese firm, EDIB International Limited of Hong Kong, expressing its willingness to pool \$27.29 billion to develop the Escravos Seaport Industrial Complex (ESIC) project. The project, located in Escravos (Gbaramatu Island/Omadino) Warri South-West Local Government Area of Delta State, is a development project to be implemented through a Joint Venture Partnership (JVP) with a Nigerian firm, Mercury Maritime Concession Company Limited (MMCC). Kwame Springer, Chairman of EDIB International Ltd through their consultancy Blue Dot Wealth Limited headed. Source : The Sun <https://sunnewsonline.com/chinese-firm-to-finance-27-29bn-escravos-seaport-project/>

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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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