

Burning Economic Issues



- Brent crosses \$65pb resistance
- Trading at \$66.40pb, up 23% in 2019
- Naira rallies to N360/\$ (parallel market)
- LNG price up 0.38% to \$2.64mmbtu
- External reserves decline further (0.05%) to \$42.84bn – import cover of 10.67months

NSE declines by 1.61% to close at 32,190.07

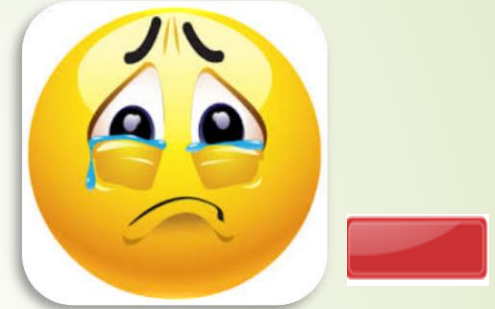
Impact

The Goodies



- Brent is 23% above January
- Positive for fiscal revenues and external reserves accretion
- Naira appreciates to N360/\$ - parallel market

The Downers



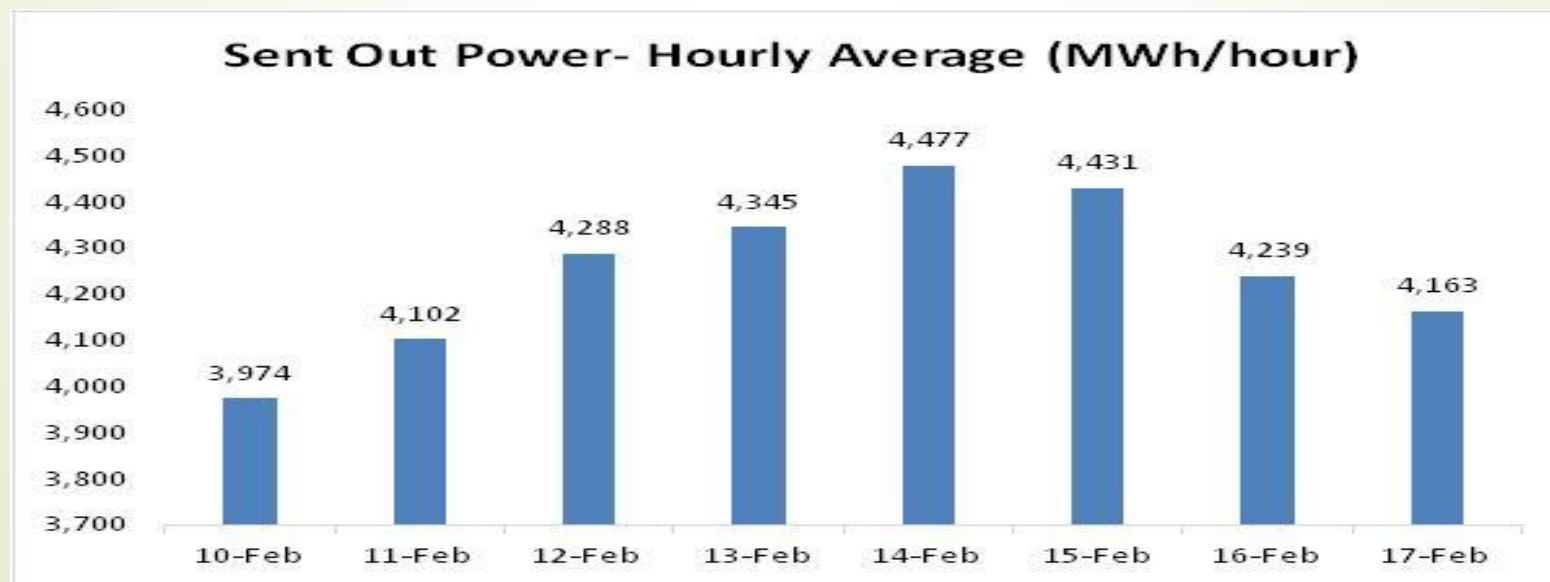
- External reserves slide further to \$42.84bn
- 0.65% drop in 2019
- Power output down 1.79%

Power Sector

February 17th





- Average power output: 4,163MWh/h (down by 76MWh/h)
- Gas constraint stood at 1,732.5MWh/h, line constraint at 29MWh/h and water constraint at 300MWh/h
- Naira equivalent of power loss: N1.49billion (annualized at N543.85billion)

State	Temperature(noon-time)
Abuja	37°C
Kano	32°C
Lagos	32°C








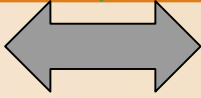

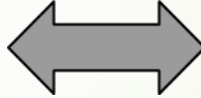






Domestic Commodities Price Movement

Relatively Elastic Products

Commodities		Current Prices	Previous Month Prices	Directional Change	1-Year Low	1-Year High
Palm Oil (25l)		N10,000	N10,000	↔	N6,000	N25,000
Semovita (10kg)		N2,800	N2,800	↔	N1,800	N3,500
New Yam (medium size)		N700	N500	↑	N400	N1,900
Sugar (50kg)		N14,900	N14,900	↔	N8,000	N20,000

Domestic Commodities Price Movement

Relatively Inelastic Products

Commodities	Current Prices	Previous Month Prices	Directional Change	1-Year Low	1-Year High
Garri (50kg) Yellow 	N7,150	N6,850		N6,500	N16,000
Rice (50kg) 	N14,000	N15,000		N13,000	N22,000
Flour (50kg) 	N11,000	N11,000		N8,500	N11,100
Beans (Oloyin)(50kg) 	N20,000	N20,000		N12,000	N34,000
Cement (50kg) 	N2,550	N2,550		N1,400	N2,700
Tomatoes (50kg) 	N6,000	N6,500		N6,000	N20,000
Pepper (bag) 	N5,000	N5,000		N5,000	N15,000

- Mixed movement in domestic commodity prices

Consumer Goods – Current price

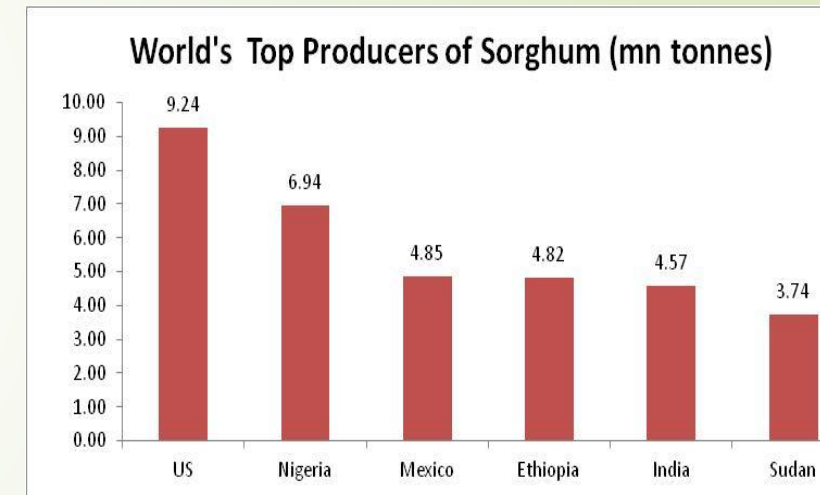
Goods	Street price	Supermarket price	% difference
Pepsi (50cl)	N100	N100	0%
Beer (60cl)	N260	N300	-15.30%
Bread Loaf	N350	N400	-12.5%
Indomie (1 carton)	N1,900	N2,100	-15.5%
Gala (big size)	N100	N100	0%

Domestic food prices remain flat

Commodity in Focus - Sorghum



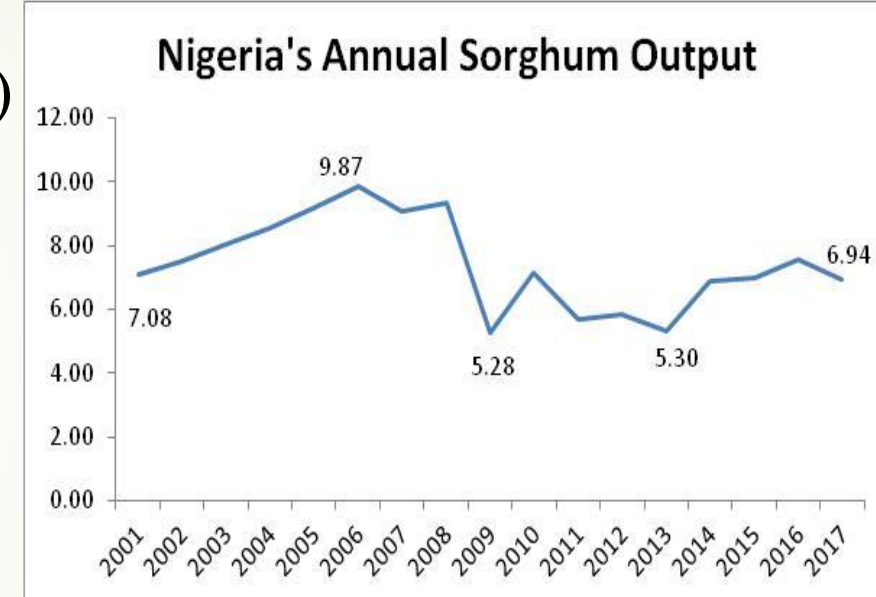
- Planting/harvesting lag: Approx. 3 months
- Total global production (2017): 57.61mn tones (\$9.39bn)
- Fell sharply by 10.57% y/y
- World's top producers: USA, Nigeria, Mexico
- World's top consumers: Mexico, China, Japan
- Uses: Breakfast cereals, ethanol, barley substitute, livestock feed



Source: FAOSTAT, FDC Think Tank

Sorghum Production in Nigeria

- Total output (2017): Estimated at 6.9mn tonnes (\$1.12bn), 12% of global production
- Potential production: approximately 12mn tonnes (\$1.95bn)
- Rank in production: Global- 2nd, SSA- 1st
- Sorghum is currently trading at N120,000/tonne
- Major producing states: Zamfara, Niger, Plateau, Katsina
- Mostly grown in violence prone areas, output fell by 8.2% in 2017
- Listed users: Nigerian Breweries, Guinness, International Brewery, Flour Mills, Livestock



Source: FAOSTAT, FDC Think Tank

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Financial Performance of Users



















- Revenue (H1'19, Jul-Dec): N67.8bn
- Down 3.91%
- PAT: N2.58bn,  21.13%
- Share Price: N65.00 – 52 week change: –
(38.04)%
- Dividend Yield: 2.23%
- Free cash flow: N5.04bn









- Revenue (FY'18): N350.23bn
- Down 4.26% y/y
- PAT: N19.44bn,  41.18%
- Share Price: N75.00 – 52 week change: –
(41.82)%
- Dividend Yield: 2.44%
- Free cash flow: – **(N68.95mn)**

Stock Market

- NSE ASI  1.61% to 32,190.07 on February 18th
- Consumer goods sub index:  1.54% at 752.76pts

	Share Prices (₦)	Daily % Change (February 15 th – 18 th)	YTD (% Change)
Nestle	1,600	 2.24	 7.74
Honeywell	1.27	 9.29	 0.78
Flour Mills	21	 -	 9.09
Cadbury	11.5	 -	 15
Dangote Sugar	14.55	 4.90	 4.59
Unilever	43.4	 0.23	 17.3
Ikeja Hotels	1.81	 -	 18.30
Newrest ASL	6.45	 -	 18.35

Oil Markets Today

COMMODITY	DAILY CHANGE February 18 th – 19 th	YTD	CURRENT PRICE
BRENT	 0.18%	 23.0%	\$66.40pb
WTI	 0.52%	 23.05%	\$55.88pb
NATURAL GAS	 0.37%	 10.20%	\$2.66MBtu

Oil Prices

- Brent crude up 0.18% to \$66.4pb
- Supporting the bullish trend:
 - OPEC led production cut (down to 30.81mn bpd)
 - Anticipation of the US/China trade talks
 - US sanctions on Venezuela's oil firms



Agricultural Commodities

Wheat



• Wheat prices declined by 0.69% to \$5.07/bushel

• Driven by an increase in India's wheat production

Corn



• Corn prices down by 0.07% to \$3.83/bushel

• On account of a surge in Argentina's corn output.

Cocoa



• Cocoa prices up by 3.04% to \$2,339/MT

• Due to concerns of tightening Ivory Coast cocoa supplies.

Sugar



• Sugar prices increased by 4.67% to 0.1300/pound

• Partly driven by robust South African sugar imports.

OUTLOOK – Oil Prices



- Markets would be driven by discipline and compliance of OPEC members to output cuts
- Saudi Arabia's output cut (to 9.8mbpd) to support the trend
- Brent to trade within the range of \$65-\$68pb this week

OUTLOOK – Agricultural Prices

GRAINS

- Lower EU wheat supplies to drive prices up in the near term - EIU

SOFTS

Sugar

- Unfavourable weather conditions in Brazil – the world’s largest producer – expected to drive prices up in the near term

Cocoa

- Unfavourable weather conditions in Ivory Coast output expected to push prices upward.