OPEC+ maintains output expansion plan, watches oil market keenly

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Theme Story

Outcome of OPEC+ meeting

OPEC+, at its last meeting, moved to stick to its current output expansion plan (400,000bpd), despite the emergence of the new Covid-19 variant – which poses a threat to demand. The cartel's decision to stick to its output plan came as a shock to the market as most analysts had expected that the new variant and the US' move to tap into its Strategic Petroleum Reserves would have yielded a different outcome. The US and other oil importing countries moved to increase supply in order to ease oil prices which peaked at $86pb due to the global energy crunch. However, we expect a likely supply glut in the oil market as countries re-impose travel bans. This could send oil prices dipping to less than $60pb. A fall in oil prices is negative for Nigeria's fiscal and external accretion. On a brighter note, this is positive for the landing cost of PMS as the government intends to phase out fuel subsidies in early 2022. This could lower inflationary pressures in the form of lower logistics cost.

Economic & Business Update

MPC leaves rates unchanged again

The Monetary Policy Committee (MPC) at its last meeting in 2021 (Nov 22/23), unanimously voted to leave all policy parameters unchanged (MPR:11.5%pa, CRR: 27.5%, Liquidity Ratio: 30% and Asymmetric Corridor: +100/-700 bps). This decision was widely expected by analysts and the market considered it a wise move. The MPC has maintained status quo 25 times in the last 28 meetings.

The major considerations were moderating inflation (15.99%), positive growth (4.03% in Q3'21) and sustained economic recovery. Policy makers were in a trilemma as what decisions would alleviate consumers as well as encourage investment inflows as an increase in rates could further impede economic development, whilst cutting rates would likely exacerbate inflationary pressures and increase currency fluctuations.

Outlook

The next MPC meeting will hold on Jan 24/25. We expect the committee to follow in the footsteps of other SSA countries and adopt a tight monetary policy if inflationary pressures persist. This could provide succor to the already weakening naira. In the last two months, the naira has lost 7.55% to N570/$ in the parallel market.

Economic & Business Update

Nigeria's economy slows to 4.03% in Q3'21

As expected, real GDP growth maintained its positive trend in Q3'21. However, it declined marginally by 0.08% to 4.03% in Q3'21, from 5.01% in Q2'21, as base year effects moderated. Meanwhile, real GDP grew quarter-on-quarter by 11.1% in Q3'21, compared to the -0.80% recorded in Q2'21. The growth is reflective of an improvement in economic activities as the economy gradually recovers from the COVID-19 pandemic. Nigeria's average growth rate for the first three quarters (3.18%) puts the economy on course to exceed the IMF's annual growth forecast of 2.6%. However, Nigeria is still plagued with structural bottlenecks, which have recently been exacerbated by rising insecurity. This will continue to dampen productivity and keep the economy below its potential GDP of 8.9%.

Fastest Growing Sectors			
Sectors	**Q2'21 (%)**	**Q3'21 (%)**	% **Change**
Rail transport	53.28	59.93	6.65
Air transport	4.98	33.31	28.33
Financial institutions	-4.54	25.50	30.04
Telecommunication	5.90	10.87	4.97
Construction	3.70	4.10	0.4

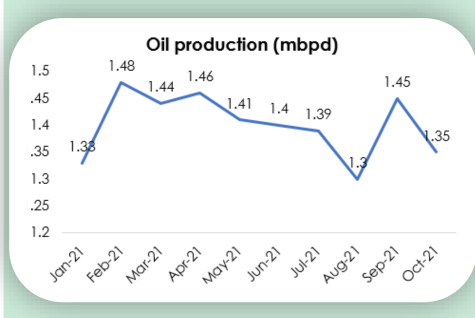
Slowing Sectors			
Sectors	**Q2'21 (%)**	**Q3'21 (%)**	% **Change**
Road transport	92.38	21.11	(71.27)
Trade	22.49	11.90	(10.59)
Insurance	15.68	5.10	(10.58)

Of the 46 activities tracked by the NBS, 27 expanded, 13 slowed, and six declined in Q3'21. However, the fastest growing sectors are relatively employment inelastic. More so, the oil sector - Nigeria's mainstay - remained in negative territory despite a 3.16% growth year-on-year (Y-o-Y). This was driven by lower oil production. In Q3'21, average oil production fell by 3.52% to 1.37mbpd from 1.42mbpd in Q2'21.

Outlook

The positive growth momentum will continue in Q4'21. However, the rate of expansion is expected to slow towards 3.5% on waning base year effects.

Oil production down to 1.35mbpd in October



Nigeria's oil production fell by 3.57% to 1.35mbpd in October from 1.40mbpd in September. This is 16.15% below OPEC's output quota of 1.61mbpd. The cartel recently revised Nigeria's quota upwards to 1.66mbpd (Nov'21) and 1.67mbpd (Dec'21). Oil production has remained unstable due to vandalism of pipelines in major producing states, as well as high operating costs. Similarly, the country's active rigs reduced by 18.18% to 9 in October from 11 in September. This is 40% below the total number of rigs at this time three years ago (15). Reduced number of rigs signals a further decline in the country's oil and gas reserves.

Nigeria is more sensitive to changes in oil production than prices. Hence, lower oil output could limit revenue and taper the government's ability to plug its deficit financing needs. The good news, however, is that the Dangote refinery with a production capacity of 650,000bpd will commence operations in 2022. This, coupled with the rehabilitation of other defunct refineries and removal of fuel subsidies could boost government revenue and encourage more capital infrastructure investments that will in turn boost economic growth.

FG to replace fuel subsidy with transport stipend

The Federal Government is set to phase-out fuel subsidy payments by early 2022 and provide a monthly N5,000 transport stipend for a period of 6-12 months. The move will put an end to subsidies — in line with the Petroleum Industry Act passed into law earlier this year and will provide a cushion against the inflationary impact of subsidy removal for the poorest Nigerians (40 million). While the removal of fuel subsidy will free up funds for more infrastructure projects and lower the government's fiscal deficit, it will further exacerbate inflationary pressures due to higher transport costs. The NNPC revealed that the removal of subsidies could push the pump price of petrol towards N320 - N340 per litre. The transport palliative (a total N2.4trn, 80% of current subsidy costs and 1.5% of GDP), is a mere 16% of the minimum wage (N30,000) and is unlikely to do much to alleviate the plight of the embattled Nigerian consumer whose disposable income has been massively eroded by much higher prices. Currently, over 90 million Nigerians are living in extreme poverty. The palliative is a welcome initiative, albeit a temporary one. However, the deregulation of the downstream sector of the Petroleum Industry means higher oil prices, which will translate to higher pump prices for fuel in the future. If OPEC+ has its way, pump prices will rise much higher than N340/ltr.

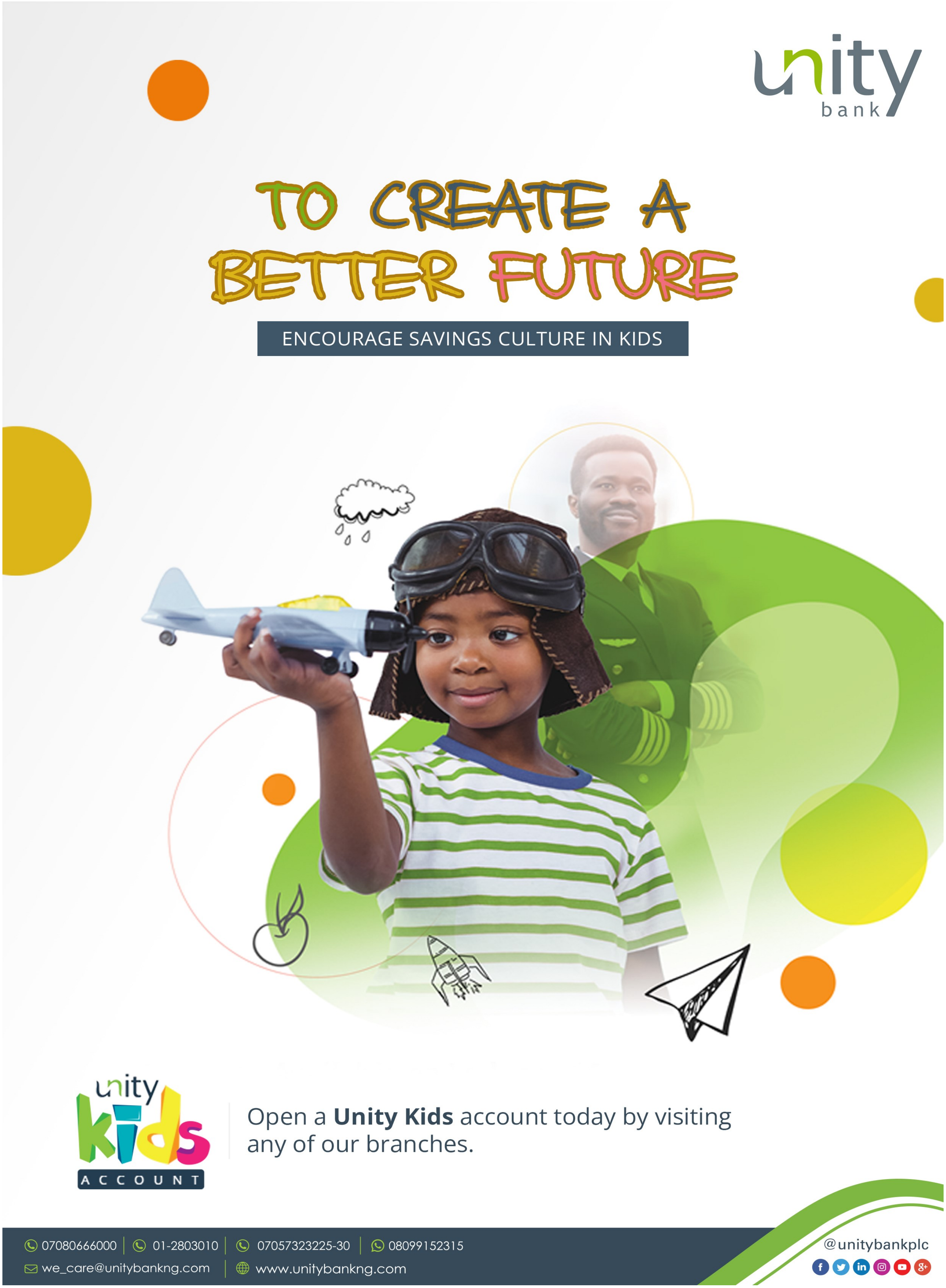
Nigeria to review electricity tariff — hike imminent

The Federal Government is planning an upward review of electricity tariffs by December 1 as it steps up its mass metering initiative. This is expected to ease the market into a cost- reflective tariff system. We expect the tariff increase, in the short term, to further stoke inflationary pressures and squeeze consumer wallets as living costs rise. In addition, the operating costs for both households and local businesses will climb. However, on the bright side, the cost-reflective electricity tariffs will trigger increased investments into the power sector, which will boost power supply across the country. Stable and power supply will lower costs for households and businesses while boosting productivity. More so, as the FG continues its mass distribution of about 4mn meters, revenue losses to DISCOs will be reduced and more households and businesses will not have to contend with estimated billing. As at February 2021, the NERC stated that about 62.63% of electricity consumers in Nigeria are on estimated billing.

FAAC disbursements fell by 9.2% to N671.9 billion in November

The total amount shared by FAAC to the three tiers of government declined by 9.2% to N671.9bn from N739.97bn in October. The decline was largely driven by the sharp drop in statutory revenue by 23.84% to N363.65bn, value added tax by 6.85% to N154.84bn, company income tax, petroleum profit tax, and oil & gas royalties. Meanwhile, import & excise duty increased and exchange gain rose considerably by 13.78% to N3.22bn.

We expect the decline in FAAC disbursements to continue in December due to lower oil revenue as production remains tepid. Nigeria's oil production fell to 1.35mbpd in October. This will strain the ability of state governments to meet their internal obligations like salary payment. As a result, aggregate consumption could slow ahead of the holiday season.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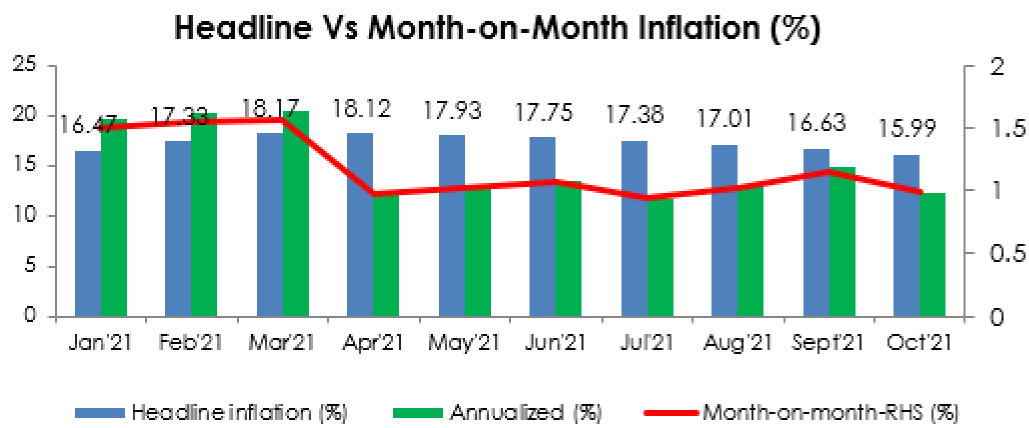

Nigeria's headline inflation slows further –15.99% in October

Inflation fell again to 15.99% in October from 16.63% in September. This is the seventh consecutive monthly decline and the lowest inflation rate in 10 months. According to the Nigerian Bureau of Statistics, the decline is due to base year effects. Inflation is falling in contrast to the global trend and the reality of elevated commodity prices in urban markets across the country. On average, the price of flour, beans and cooking gas (refill) are up by 135.8% from a year ago. This has prompted concerns about the veracity of the published inflation numbers. It also emphasizes the need to reconstitute the basket to reflect current market conditions. Official inflation is still 6.99% above the CBN's target ceiling of 9% and 4.49% above the benchmark interest rate (11.5%pa)

Sub-indices moving in tandem with headline inflation

A further breakdown of the report revealed a decline in food inflation to 18.34%, from 19.57% in September partly due to the harvest season. Also, month-on-month inflation fell by 17bps to 0.98% (12.31% annualized) in October, from 1.15%, and core inflation fell by 44bps to 0.80% from 1.24%.

Implication

We expect inflationary pressures to persist as stoking factors such as the exchange rate pass through, insecurity, higher energy costs, and supply chain disruptions persist. Food prices will also stay elevated as the festive season approaches. This will in turn continue to erode consumer disposable income. According to the World Bank, the general increase in food prices may have pushed 91 million Nigerians below the poverty line.

Yanga Account

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SAVINGS & INVESTEMENT

CUSTOMIZED DEBIT CARD

CAPACITY BUILDING SEMINARS

DEDICATED SALES AGENTS

Business Update

(Review Period : November 16th – 26th, 2021)

The Foreign Exchange Market

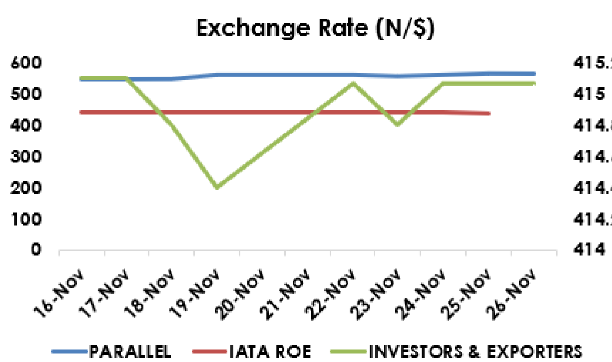
Forex: Parallel (₦/ $)	Forex: IEFX (₦/ $)	External Reserves ($/bn)
567.00 ▲	415.07 ▼	41.33 ▼
547.00	415.1	41.43

In the period under review, the naira at the parallel market fell 3.66% to N565/$ from N547/$ on November 16. However, it appreciated marginally at the I & E window by 0.01% to N415.07/$ from N415.10/$ on November 16, the beginning of the review period.

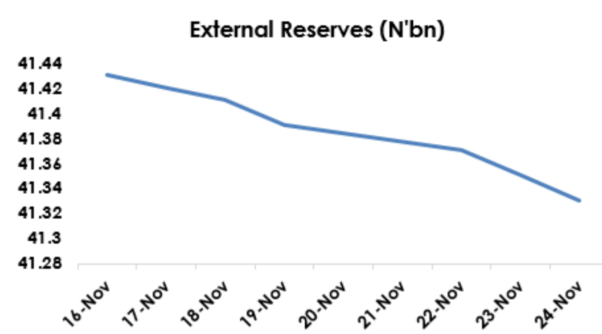
In the period under review, the gross external reserves lost 0.24% to $41.33bn. Month-to-date, the external reserves has declined by 0.96% as the CBN intensified efforts to support the naira. Import cover, which fell by 0.3%, can now cover 10.14 months of imports and payments.

Implications & Outlook

We expect the naira to trade between N565/$ and N570/$ at the parallel market as demand pressures persist. In the meantime, the country's apex bank (CBN) will keep intervening at the foreign exchange market.



SOURCE: FDC Think Tank, FMDQ



SOURCE: FDC Think Tank, CBN

The Money Markets

15.00

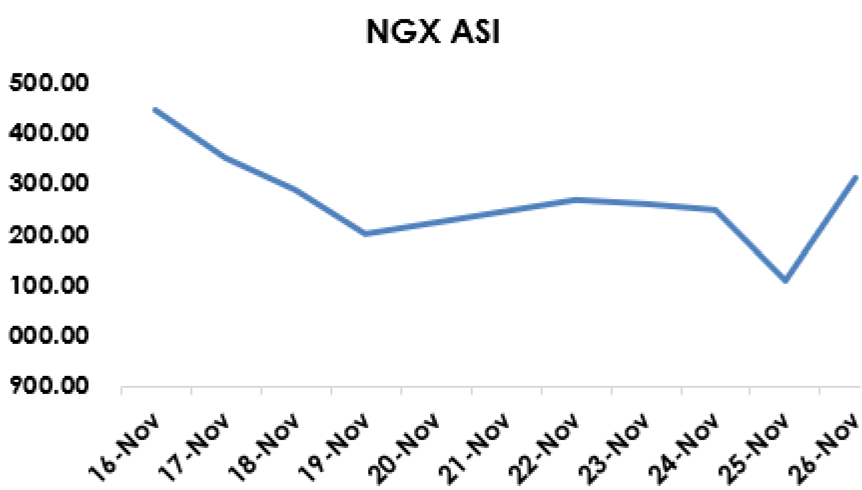
13.5

NIBOR: OBB (%p. a)

15.67

14.00

NIBOR: O/N (%p.a)



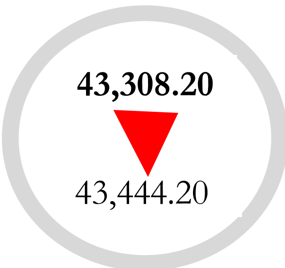
SOURCE: FDC Think Tank, FMDQ

During the review period, the average liquidity within the banking system dipped by 92.91% to N18.83bn compared to N265.63bn recorded in the preceding period. The dip in market liquidity was also evident in banks reporting 3 days of negative opening position. OMO repayments during the period was N160.70bn and it outweighed total OMO sale of N55.94bn. This resulted in a net inflow of N104.76bn. Short-term interest rates (OBB and ON) closed the review period at 15.00% pa and 15.67% pa respectively.

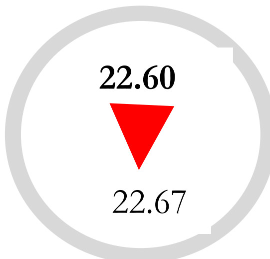
Outlook

As expected, the MPC left parameters unchanged at its last meeting of the year. We expect rates to remain at current levels pending any significant change to market liquidity.

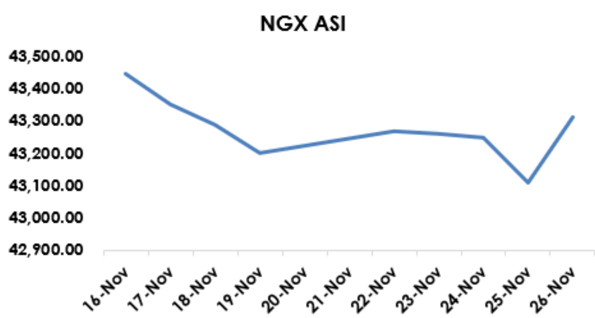
The Stock Market



NSE ASI



Market Cap.



SOURCE: FDC Think Tank, FMDQ

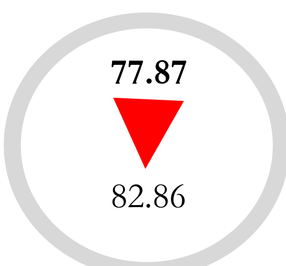
The Nigerian Exchange Group All Share Index (NGX ASI) declined by 0.31% to 43,308.20 points at the end of the review period from 43,444.20 points on November 16. In the same vein, market capitalization also fell from N22.67trn to N22.60trn, losing 0.31%. Of the 9 trading days, the market lost in 6 and gained in 3 days. The bourse maintained a bearish streak after the MPC unanimously voted to keep rates unchanged. However, the market gained 0.46% on the last day of the review period.

Outlook & Implications

We expect this bearish performance to continue in the short term as negative investor sentiment continues.

The Commodities Market

Brent prices ($/b)



Outlook & Implications

In the period under review, the price of Brent fell 6.02% to $77.87pb from $82.86pb on November 16. This is as a result of weaker demand as a new Covid-19 variant “Mu” emerges. It is noteworthy that the US has taken steps to release 50 billion barrels of crude oil to ease soaring energy prices. OPEC+ will meet on Dec 1/2 to discuss plans to maintain stability in the oil market.

Impact

The oil sector is a major source of fiscal revenue and foreign exchange earnings. Lower oil prices is negative for Nigeria’s oil earnings.

Natural gas ($/mmbtu)

5.14

5.18

Outlook & Implications

We expect the price of natural gas to increase in the near term on colder weather forecasts and as the market remains tight. LNG is an export commodity for Nigeria. An increase in price is positive for oil earnings and could boost external reserves.

Corn ($/bushel)

585.50

577.50

Outlook & Implications

We expect prices to remain elevated on higher demand amid supply shortages. This will have a negative impact on Nigeria's import bill and the price of cereal and animal feeds.

Wheat ($/bushel)

850.25

820.00

Outlook & Implications

The price of corn is at a 9 year-high as dry conditions in the U.S. fuels tight global supply. We expect the price to remain bullish in the medium term. This will have an adverse effect on the domestic price of bread and more importantly, consumer wallets.

Sugar ($/pound)

19.53

19.74

Outlook & Implications

We expect the price of sugar to rise in the near term as output in Brazil falls by almost 50% in a year. This will negatively affect the domestic price of sugar and cost of production.

Cocoa ($/mt)

2,532

2,466

Outlook & Implications

We anticipate an uptick in the price of cocoa on worries over supply tightness despite favourable harvest in Ivory Coast. Cocoa is an export commodity for Nigeria. An increase in price will support fiscal and external accretion.

SOURCE: FDC Think Tank, Bloomberg

Social Corner

Mo Abudu's Ebonylife to be taught as a case study in Harvard Business School

- Mosunmola Abudu, the founder and CEO of the EbonyLife Conglomerate has made the headlines yet again, as her business model like that of Elon Musk and Warren Buffet will now be taught as a case study in Harvard Business School.
- This is the first time a media firm run by an African female will be taught as a case study to Masters students at the prestigious Harvard varsity.
- Over 1,000 MBA students will take a mandatory course on the evolution of EbonyLife's business strategy, its growth and obstacles as a first-year requirement.
- Mosunmola Abudu, popularly known as Mo Abudu, (57 years) is a Nigerian media mogul, philanthropist and former HR consultant
- In 2015, Forbes described her as Africa's Most Successful Woman.
- This is a groundbreaking feat for Mo Abudu, EbonyLife and Nollywood in general

Wizkid wins Best African Act at the 2021 MTV EMA

- Nigerian singer, 'Wizkid' won the Best African Act Award at the 2021 MTV EMA ceremony.
- He won over prominent stars including Tems, Diamond Platnumz, Amaarae, and Focalistic.
- The award ceremony that held at Papp László Budapest Sportaréna in Budapest, Hungary on November 14th was hosted by American rapper Saweetie and presented by Viacom CBS.
- Some other winners at the award ceremony includes Ed Sheeran, Lil Nas X, David Guetta, BTS, Nicki Minaj, Olivia Rodrigo, Maluma and Saweetie.

Press Release

Unity Bank targets Women; launches Yanga Account

Unity Bank Plc on Tuesday launched Yanga Account, a new retail product designed to deepen beneficial impact on Micro Small and Medium Enterprises, MSMEs operated by women in the mass market retail space. Launched in Abuja, the product targets to boost grassroots women entrepreneurs, and is intended to create Yanga Experience, from promoting the business, capacity building to health insurance scheme for Account holders.

The account has a savings account interest rate and holders are entitled to micro financed loans. A Yanga card will be given to them and they will benefit some level of education; In terms of financial management and investment, training on SME's and petty trading. "This means that as we target every woman in the mass-market retail space.

The Yanga account holders will enjoy many benefits including stress-free savings and investment, access to the services of dedicated Sales Agents, Agency Banking services close to the location of their businesses, special business seminar and training on how to grow business, access to microloans, customized debit cards and other bundled e-banking products," the bank stated.

Speaking at the product launch in Abuja, Tomi Somefun, Unity Bank MD/CEO said that the Yanga Account was being launched as a bold attempt to directly cater to women and their respective businesses. "Yanga Account is conceived and designed for the financial literacy and empowerment of Nigerian women. It is about making sure that our women who make up 55% of the financially excluded Nigerians have access to basic and life-changing financial services."

Press Release

"The Yanga account will also be incorporating an affordable Health insurance scheme not only as a part of the product bouquet underpinning the Bank's belief in health and wellness which translate to wealth creation but also to drive insurance penetration which is presently at 2% in Nigeria," she further stated.

Funwa Akinmade, Group Head, Retail, SME Banking and E-Business, Unity Bank Plc, said the Yanga Account, through direct Agents, will bring the bank services closer to Nigerian women as Unity Bank makes the efforts to further expand its retail footprints in the market. He said: "At Unity Bank Plc, we have devoted the past few years to constantly innovate with banking solutions to enable us to drive more financial inclusiveness in different market segments.

"Unity Yanga is a well-packaged banking product that combines several services that most small businesses owned by women will need to become profitable. We are optimistic that Nigerian women will embrace the Yanga Account and leverage its full benefits to grow their businesses," he stressed.

Why Education Is Everyone's Business

Culled from Forbes[1]

In 1967, more than 85% of students said their college education was important for "developing a meaningful philosophy of life," according to a report by the Higher Education Research Institute. That number dropped below 40% in 2003, while "being very well off financially" soared. According to the Career Leadership Collective's 2020 National Alumni Career Mobility Survey (registration required), the top motivations to pursue a bachelor's degree were "career success," "financial gain" and "career aspiration requirement." Aspiring college students and their families are looking for career success as a return on their investment.

In my experience and observation as the president of a university, current students generally reject the dichotomy of meaningful lives versus financial success. They seek connection and integration of work and life, just as many companies have adopted a triple bottom line that considers people and the planet alongside financial success.

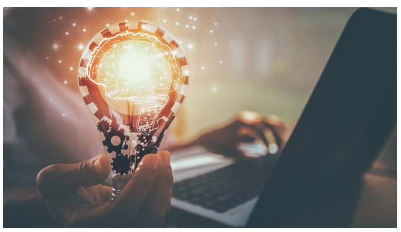
PROMOTED

I believe most students' career goals and aspirations are congruent with higher education's historic mission to empower reflective, productive, liberat-

https://www.forbes.com/sites/forbesbusinesscouncil/2021/10/28/four-tips-to-make-the-most-of-your-businesss-social-media/?

ed individuals who positively elevate others. But this approach calls for extensive collaboration with the business community that not only understands its workforce needs but also benefits most from graduates equipped to be effective contributors immediately. I describe the steps of this process as explore, prepare and connect. Business participation is vital at every stage.

Explore



From day one of their college experience, students should pursue structured opportunities to learn about various careers and global workforce needs while they consider their skills, abilities, interests and passions. This exploration aims to identify options where careers align with personal ambitions and fields that will help guide the student's major, minor, elective courses and other choices during college. Successful exploration includes the elimination of some options as the student learns more about themselves and careers. The critical thinking skills required for such deliberation and decision-making are part of the educational experience — habits that will elevate their lives, including their career.

To help, universities can provide students with career assessment instruments and employment outlook resources designed for interest-career matching. Students should engage career advisors and mentors early and often, in addition to their academic advisors, rather than waiting until their junior or senior year after they have declared a major (a common trend I've observed in the past). Universities can also connect students with alumni in considered fields to discuss their careers and help students explore options and opportunities.

Business leaders can welcome students conducting such exploration and offer conversations about career and job-shadowing opportunities where the student can witness the work in real life and real-time.

Prepare

Students must prepare to engage the workplace — no matter what career they wish to pursue — to present themselves effectively to potential employers and in their specific field by mastering the knowledge, skills and broader qualifications for a career.

In the past, I found preparation often meant acquiring a fixed set of information and technical capabilities that could be the foundation of success from one's first job to retirement. In a far more dynamic world and workplace, accelerated by the lessons of a global pandemic, I believe preparation includes intangible mindsets and habits, such as openness, optimism, empathy, teamwork and the agility to pivot from failure to success. Universities should strive to shape a certain kind of person, not just a certain skill set: someone who is empowered to succeed in life and career.

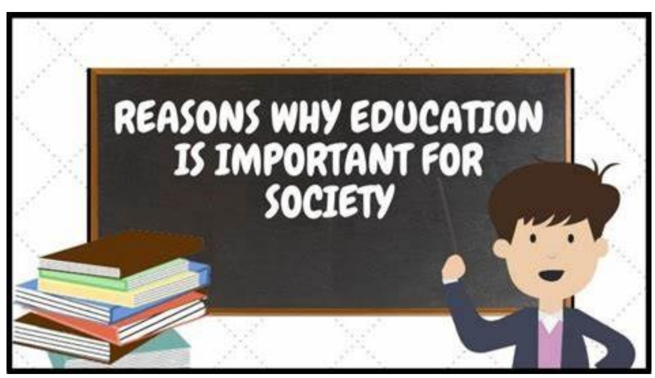
To help students engage the workplace more practically, universities can assist students on how to develop a professional résumé,

The past view that the diploma is the ticket to a person's first job might no longer be accurate today. From my perspective, the value of networking goes beyond the cynical, "It's not what you know; it's who you know." Instead, I believe it's more a matter of who knows the student than whom the student knows. This personal component highlights the fact that modern success requires more than interchangeable quantified skill sets. Far from a cog in the machine, an employee is paid to think, problem-solve, devise effective processes and work well in teams with diverse backgrounds and expertise. Higher education can help instill the cultural competency, entrepreneurial initiative, innovation, empathy and collegiality that make life and work more meaningful and career accomplishments more satisfying.

Universities can foster this kind of connection by hosting career fairs and organizing internships, research experiences and other hands-on activities in real-world settings. They can partner with companies for projects that have an immediate impact where both students and faculty can keep up with emerging areas. They can bring business leaders into the classroom for informal networking events to share their experiences and wisdom.

Businesses are vital collaborators for this level of students' development. Leaders can find creative ways to expand engagement as well. In addition to C-suite executives for campus visits and recruiters for career fairs, company researchers can be involved in classroom projects, and company managers can oversee internships.

The world and the workplace look very different than they did in the past — and they will continue to change. Universities must adapt in order to thrive in this dynamic environment, and close engagement with businesses is essential for success. A college campus is no longer an isolated place where students spend four years before they are handed off to the workforce. Career exploration, preparation and connection are necessary for students, universities, businesses and societies to flourish at their fullest potential, personally



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