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CONTENTS

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ECONOMIC OPPORTUNITIES IN PLASTIC WASTE MANAGEMENT IN NIGERIA

All kinds of people use plastic daily. Due to its dependability, affordability, light weight, and ease of production, its use has increased dramatically. However, the way that plastics are now disposed of in Nigeria poses a risk to both people and the environment. Nigeria produces 32 million tonnes of waste annually, of which plastic waste constitutes 7.8% (2.5 million tonnes).[1] According to the Federal Ministry of the Environment, this is one of the greatest amounts in all of Africa.[2] Note that 70% of the 2.5 million tonnes of plastic waste produced each year, is dumped in landfills, sewage systems, beaches, and waterways which clog rural and urban drains and causes flooding. Since it covers and contaminates land and water body, plastic waste damages the soil, affect animals, and pollutes the oceans thereby endangering biodiversity and human health. Besides, when plastic waste is burned in the open on dump sites, it releases dioxins and that worsen public health issues and increases greenhouse gas emissions.

The 3Rs (reduce, reuse, and recycling) are three approaches to waste management along with landfilling and incinerating. However, recycling is one of the most effective ways to handle plastic waste. Recycling is the process of transforming waste into new products and materials rather than throwing them away, which harm the environment. Recycling plastic has many benefits, including saving energy, a process known as gasification. It is estimated that recycling will cut carbon dioxide emissions between 2020 and 2050 by 5.5–6.02 gigatons (equivalent to taking over 1 billion cars off the streets for one year).[3] Recycling materials protects natural resources, boosts the economy, and provides jobs.

[1,2] UNIDO. 2021. “Study on Plastics Value-chain in Nigeria”. https://open.unido.org/api/documents/22180016/download/Country%20report-%20Plastic%20value%20chain%20in%20Nigeria.pdf
[3]Project Drawdown (2020). https://www.colorado.edu/ecenter/2021/03/18/recycling-and-climate-change

Below are few areas in which economic benefits can be achieved from the recycling of plastic wastes:

Construction

Plastic waste can be recycled and used as a reinforcement or an additive for creating composite materials for the building and construction industry. For example, recycled plastic roads are innovative, and have enjoyed widespread success. While most countries use bitumen for the construction of roads, recycled plastic is a cheaper option.[4] Recycled plastic is being used to construct more and more roads, which helps to protect the environment by reusing household and other plastic waste. Although this technology is still relatively new, it has already demonstrated several advantages, including physical attributes, such as improved grip, and lower cost.

With features that are proving to be both technically and economically advantageous, it is without a doubt one of the most important innovations in terms of recycling vast amounts of plastic waste and limiting its dissemination into the environment while building crucial infrastructures.[5] The long-term cost of maintenance of a recycled plastic road is lower than the cost of typical bitumen road maintenance. Bitumen costs $0.57 per kg on average. However, including processing costs, the overall cost of utilizing 1kg of recycled plastics in road construction is $0.16.[6] This saves a lot of money on long stretches of road.

Many countries, notably Ghana and South Africa, began developing and constructing recycled plastic roads in 2019. These roads have been a huge success, fueling a new global engineering trend of developing more resilient, long-lasting, recycled roadways. Based on the fact that road construction using recycled plastics is a relatively new technology, there is not enough evidence to determine how long the roads can last but most engineers have estimated that roads made from recycled plastics will last at least three times as long as standard asphalt roads.[7]

According to Michael Burrow, an engineer at the University of Birmingham and senior author of a global study of the technology, "using plastic wastes in road construction helps to improve substantially the stability, strength, fatigue life, and other desirable properties of bituminous mixes leading to improved longevity". Ghana only recycles about 5% of its 5,000 tons of plastic waste and now, with the emergence of plastic roads this figure is expected to increase as the country has a backlog of road projects.[8] This strategy will be beneficial to a country's economy through cost savings on road construction. These savings can be applied to other areas of the economy which need developing.

Clothing

Although it is generally believed that textiles manufactured from natural materials—such as cotton and silk—are far more environmentally friendly than textiles created from synthetic materials, this may not be the case when using polyester fiber. PETE or PET bottles are widely distributed throughout Nigeria and may end up in a land fill; nevertheless, by using PET waste, polyester textiles can be produced. With an estimated 52%[9] Tof the global textile market, polyester has surpassed cotton as the most common fiber type. A compound annual growth rate of 7.8% is projected from 2021 to 2027 for the global polyester fiber market, which was valued at over $90 billion in 2020 and is likely to increase due to the escalating demand for polyester in the textile industry and the rapid growth of the fashion industry.[10] Polyester base fibers make up between 60% and 70% of the synthetic fibers produced globally.[11] Polyester recycling requires less energy than the production of virgin polyester. According to research, it uses between 33% and 53% less energy.[12] Therefore, the recycling of plastic wastes into polyester is expected to be beneficial. It ensures that plastic wastes are disposed properly through reuse and are not disposed in a way that it could harm the environment.

Plastic garbage has turned into a scourge in our society, posing a severe threat alongside Nigeria's astoundingly accelerated poverty rate. These challenges are growing every day. Recycling is the most effective approach to manage plastic wastes, and it has numerous potential advantages across a wide range of industries, including clothing and construction. Consequently, implementing the various techniques described above will reduce the amount of plastic waste that is dumped in our rivers and streets, and, at the same time, help to bolster job creation, government revenue, and economic growth. One of the ways to implement it is by incentivizing the private sector to invest in the recycling of plastic waste for building and road construction. This includes offering loans and a tax holiday to the participants in the industry.

4Giovanni Valle, 2022. "Can roads be made from recycled plastic? Facts Explained" BuilderSpace.com, LLC, Can Roads Be Made From Recycled Plastic? Facts Explained (builderspace.com).
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8Kinney J, 2021. "12 Countries have built roads out of plastic – And they can perform as well or better than asphalt", Positive News, 12 Countries Have Built Roads Out of Plastic – And They Can Perform As Well or Better Than Asphalt - Backyardbend
9Black, S, 2009. "Eco-chic: the fashion paradox by sandy black". J. DesignCreativ. Proc. Fashion Indust, https://scholar.google.com/scholar_lookup?journal=J.%C2%A0Design+Creativ.+Proc.+Fashion+Indust.&title=Eco-chic:+the+fashion+paradox+by+sandy+black&author=S.+Black&volume=1&issue=2&publication_year=2009&
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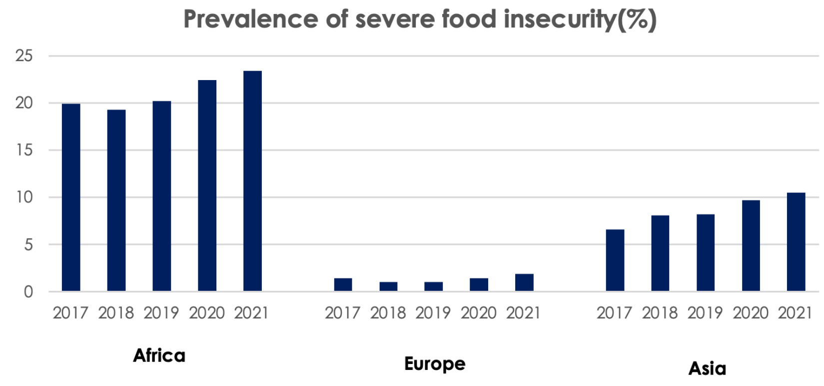
SUSTAINABLE FOOD SUPPLY IN AFRICA- PATHWAYS & OPTIONS

The COVID-19 pandemic exposed Africa's food supply chain to existential shocks, and the twin blows of the climate crisis and Russia's invasion of Ukraine have exacerbated the problem. Over 282 million or 21% of people across Africa remain chronically hungry. Yet, Africa's food demand may rise to 55% by 2030.[13]

The wide gap between the demand for and supply of food in Africa has necessitated massive food importation into the continent. According to the African Development Bank projection, African food imports are likely to jump from $35billion(bn) in 2015 to approximately $110bn in 2025.[14] This, however, could result in higher debt accumulation, weakening external trade positions, and a fiscal crisis in Africa. Therefore, Africa needs innovative-driven, sustainable food systems.

PREVALENCE OF SEVERE FOOD INSECURITY



Source: FAOSTAT; FDC

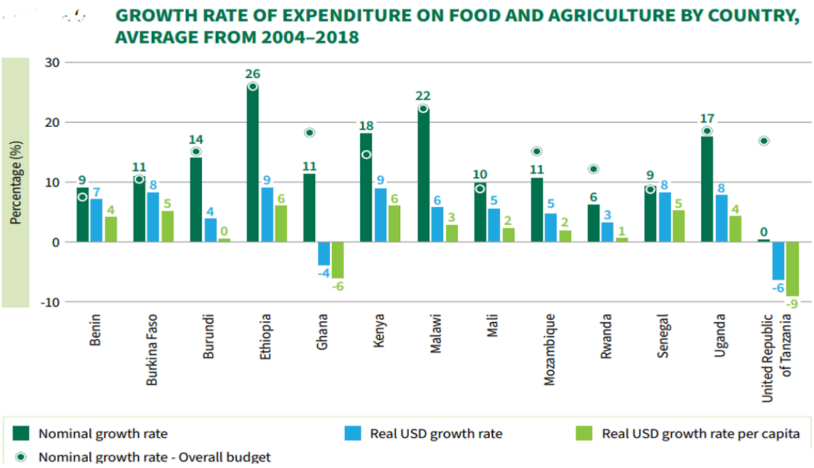
The African Food Situation

The food supply in Africa is far from sustainable. The Maputo Declaration of 2003 and its renewed affirmation in the Malabo Declaration of 2014 aspire to make sustainable food supply a new reality in Africa by 2025. The Africa 2063 Agenda also envisages a new Africa, self-sufficient in food production and where the incidence of hunger will only be 20% of its 2013 levels in the next 40 years. [15]

Yet, Africa is in a perfect storm with regards to its food security situation. The continent is yet to meet its commitment to devote 10% of national budgets to agriculture, as required by the Comprehensive Africa Agriculture Development Program (CAADP). Increasing conflicts across the continent, generally low yields per hectare of cultivated land, and a combination of persistent droughts, pests, and disease outbreaks, which are direct fallouts of a changing climate, have elevated the acute food conditions into a crisis situation.

[13]United Nations (2021). "Growing hunger, high food prices in Africa don't have to become worse tragedy. https://www.un.org/africarenewal/magazine/may-2022/growing-hunger-high-food-prices-africa-dont-have-become-worse-tragedy
[14]African Development Bank. 2016. "Feed Nation". https://www.afdb.org/en/the-high-5/feed-africa
[15]NEPAD. 2021. "Ending hunger in Africa." https://www.nepad.org/file-download/download/public/133115

GROWTH RATE OF EXPENDITURE ON FOOD AND AGRICULTURE



Source: FAO

Current Approaches Are Inadequate

Across the continent, several approaches (such as supply- or production-focused and forward and backward integration approaches) have been adopted in a bid to achieve a sustainable food supply chain in Africa. But this has not been successful, as evidenced by the severe food supply shortages across the continent. While it can be tempting to resort to quick fixes such as subsidies, cash transfers, and food aid dependency, such immediate relief approaches are not sufficient for the resilience and sustainable food system that Africa needs. Given the sub-optimal outcomes of the current approaches, African states and their partner organizations must chart new pathways to address the significant food shortages faced by the most vulnerable segments of the population: women and children. The chart below illustrates the public expenditure flows on food as a percentage of the national budget in selected African countries.

Imperatives for Africa's Food Security

For Africa to achieve its development potentials, certain critical measures that can address its current food crisis must be implemented:

- The CAADP and The African Continental Free Trade Agreement (AfCFTA) hold much promise. CAADP requires countries that sign up to commit at least 10% of their national budgets to agriculture. AfCFTA will potentially boost intra-African trade and help build more resilient food supply chains among African states.
- Agricultural storage systems need to be adequate and improved upon to reduce the current post-harvest losses of up to 40% by some estimates. This will boost farmers' incomes and increase the availability of products, thereby contributing significantly to food security on the continent.
- Water conservation and optimization approaches, including increasing emphasis on the widespread use of cost-effective irrigation systems must be promoted across the continent. Such approaches can potentially mitigate the risks posed by rain-fed agriculture which currently constitutes the water supply source for roughly 95% of all agricultural activity in Africa.
- Agricultural research and extension services should be well-developed to boost food production and supply.
- Extending the deployment of mobile diagnostics (as seen in Kenya, Uganda, and Rwanda) to other African countries to boost sustainable food supply in Africa.[16]
- Impediments to access to agricultural finance and technology should be removed to the extent possible.

[16]Stockholm Environment Institute. 2022. "Innovations for sustainable food production in Africa". https://www.sei.org/featured/innovations-for-sustainable-food-production-africa/

CONCLUSION

In conclusion, the challenge of sustainable food supply remains a lingering issue in Africa. Africa is in a perfect storm with regards to its food security situation. A significant number of people across the continent are chronically poor and hungry. Africa can boost its food supply through several means, including the adoption of mechanized agricultural practices and improved food preservation methods.

Case Study: A healthy, prosperous Africa is possible- Lessons from the East Asian Green Revolution

The Green Revolution was decisive in China and throughout East Asia, with modern agricultural practices having a far-reaching impact on national economic outcomes. The revolution provided food for 20% of the world's population with only about 8% of the world's arable land.

Some of the levers of the revolution that resulted in regional food surpluses include:

1. Widespread use of irrigation, improved crop varieties and chemical fertilizers
2. Mechanization which effectively addresses the challenges of small-holder farms prevalent across Africa

The Green Revolution provides valuable use cases and success stories that African economies can try to replicate.

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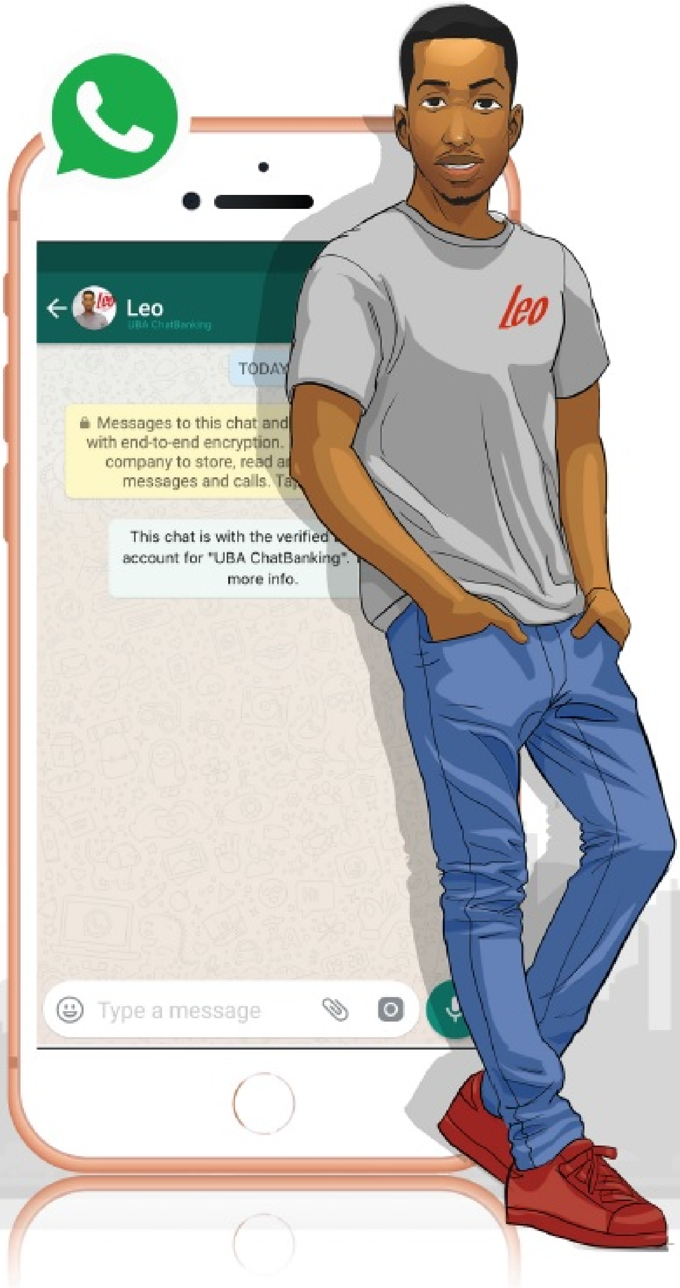

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GLOBAL PERSPECTIVE: WHAT CAN YOU DO TO PREPARE FOR A RECESSION? – WSJ

The textbook advice may be unhelpful in the event of an economic slowdown, but there are small steps you can take.

There is no guarantee a recession is coming in 2023 and it is likely too late for people to make any major financial preparations even if they are convinced one is imminent. Many economists and business leaders expect a recession this year. In October, economists surveyed in a quarterly Wall Street Journal poll on average estimated that there was a 63% chance of a recession in the following 12 months. The best ways to fortify your finances, economists and financial advisers say, are to beef up your emergency savings, pay off any high-interest debt and develop alternative income streams. But this advice presents a problem. If you haven't already started doing these things and a recession does happen soon, financial researchers and economists say you are too late to make significant headway.

To truly prepare for an imminent recession, many Americans would need a time machine, so that they could go and overhaul their finances. "Hopefully, you are aware and have been putting those things in practice before a recession is coming," says Damon Jones, an economist at the University of Chicago's Harris School of Public Policy. "It's hard to just put some of those things in place in the very short run." Christopher Lyman, a financial planner at Allied Financial Advisors, LLC in Newtown, Pa., says that when his clients are worried about a recession, he sometimes reminds them that having a long-term financial plan that accounts for downturns means not having to ask yourself in a panic what to do when one comes." You want to prepare for that stuff before the winter sets in, not in the middle of winter," Mr. Lyman says. "You need to worry about that in summer and fall."

For many, financial vulnerability during a recession results in part from poor spending and saving habits. Credit-card balances have been growing over the past year, and Americans' personal saving rate was 2.4% in November, down from 7.1% the year before, according to the Bureau of Economic Analysis. But it can also arise from forces beyond people's control, says Prof. Jones. History suggests some groups of workers are more prone to losing their job in a recession, and some industries tend to shed more jobs. While tech layoffs have been notable lately, in prior recessions the hospitality and construction industries have tended to get hit particularly hard, says Jonathan Parker, a finance professor at MIT's Sloan School of Management. Moreover, telling someone to boost their savings when they are living paycheck to paycheck in a low-wage job is impractical advice. Preparing for a recession is often most challenging for those who have fewer resources to begin with, says Prof. Jones."

There's a spectrum, and as you go further down in terms of how much you have in assets, the less practical this advice becomes," Prof. Jones says of guidelines for attaining financial security. Among households with an income of $75,000 or more, 62% said that they could cover an unexpected $1,000 expense with their savings, according to a January 2022 survey from the financial website Bankrate. In households earning under $30,000, 22% said the same. The best strategy is to always be preparing for recessions, says Clif Robb, a professor of consumer science at the University of Wisconsin-Madison who studies financial decision-making. Which means now is as good a time as any to get started. If you can't sock away significant money in an emergency fund right now, starting small is OK. And there are things you can do at the moment to better position yourself for a possible recession.

.It helps to mentally prepare for hard times before they arrive, says Prof. Parker. Workers can prepare for the possibility of a layoff by researching ahead of time whether they would be eligible for unemployment insurance and coming up with a detailed strategy for finding another job

. "Those are really useful, just to think ahead a little bit because it is hard in times of stress to figure out alternative plans," Prof. Parker says. If you're worried about the possibility of losing your income in a recession, Prof. Jones says it can also be wise for people to hold off on any financial decisions that would lock them into hefty recurring payments, such as buying a fancier car or a bigger house.

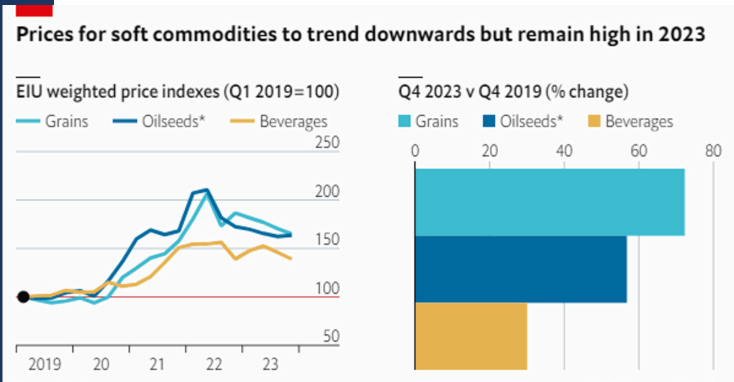
"Those leave you less flexible to adapt to negative surprises," he says. People may not be able to wholly renovate their personal finances on the spot, but they can still make certain adjustments immediately, Mr. Lyman, the financial planner in Pennsylvania, says. If you have cash that is earning low interest, you could move it into an account with a higher yield. It also pays to look for ways to trim your expenses." Even if it's not cutting your budget by that much, at least it still gives you that peace of mind that, 'All right, I've done something to try and safeguard against this,'" Mr. Lyman says

GLOBAL PERSPECTIVE: WHAT TO WATCH IN COMMODITIES IN 2023 - EIU

EIU expects commodity prices to recede in 2023 in the face of slowing demand globally, but an only limited increase in supply means that prices will remain high in level terms. Prices of energy commodities, most base metals and several agricultural commodities surged in 2021, and then again after the onset of the war in Ukraine in February 2022. Although commodities prices will not fuel global inflation in 2023 as they did in 2021-22, upside risks to our baseline price forecasts are increasing and largely centre on China, climate change and continued conflict in Ukraine.

War in Ukraine will still affect agricultural commodities markets in 2023

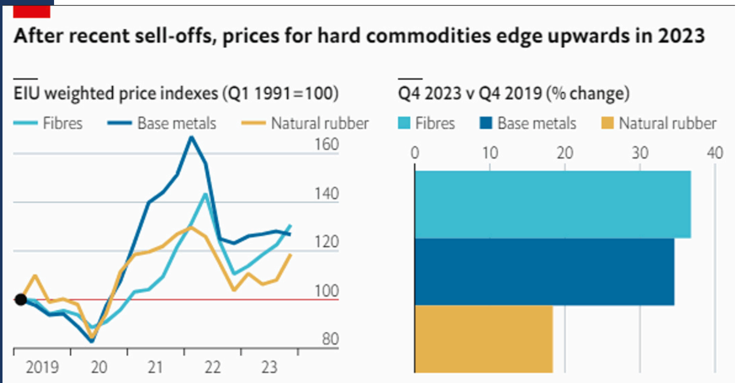
Global supply-chain disruptions stemming from the covid-19 pandemic will subside in 2023. Along with increasing production volumes of agricultural commodities, this will cause a drop of 8.6% in our food, feedstuffs and beverages index next year. Prices of grains have eased from their recent highs, but their direction in the coming months will continue to be influenced by events in the Black Sea region, in particular by any further extensions of an agreement that allows Ukrainian wheat exports to transit via Black Sea shipping corridors despite the Russian blockade of Ukrainian ports. Black Sea developments will also have an impact on oilseeds and vegetable oil prices, which are set to reach a trough at the end of 2023. The war will also have an indirect impact on coffee, cocoa and tea prices through high fertiliser prices and resulting shortages.



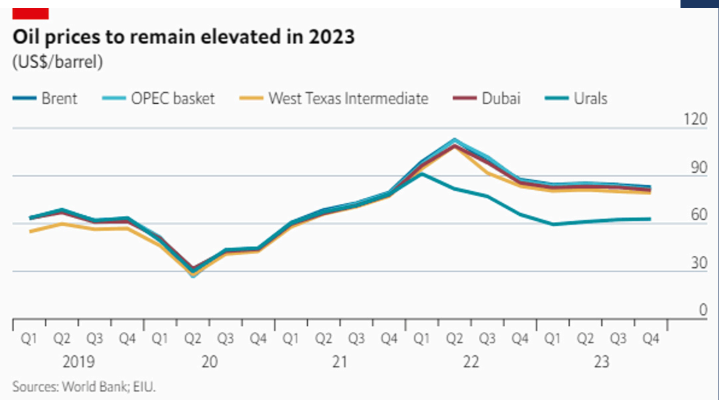
Source: EIU.
*Includes vegetable oils

Base metal prices will remain volatile in 2023

We expect our average industrial raw materials price index to fall by 9.5% in 2023 as raw material supply constraints created during the staggered economic recovery in 2021—and then exacerbated by the war—continue to ease. Base metal prices surged in the first half of 2022 as the market scrambled to replace lost supplies of aluminium and nickel from Russia. In 2023 slowing global economic growth will cut demand for base metals; we believe that average prices in 2023 are set to drop by 11%. However, policy-led decisions to boost construction and manufacturing in China—as well as rising demand for Asian production generally as much of European capacity is shuttered amid the energy crunch there—will keep a floor under base metal prices in 2023, with most ending 2023 higher than they ended 2022.



Source: EIU.



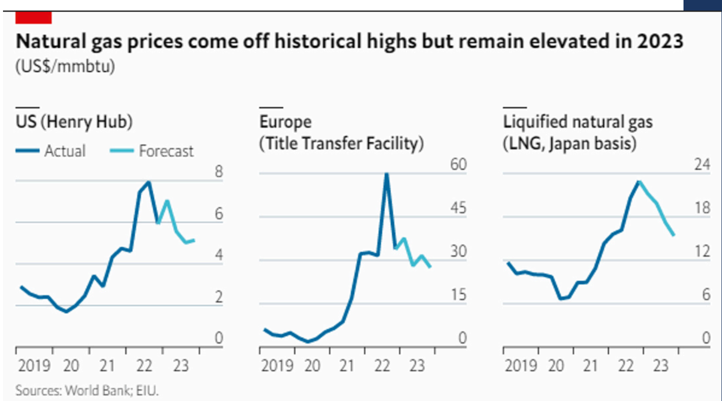
After a dip in December 2022, oil prices will average above US$80/barrel in 2023

Energy prices have fallen sharply from mid-year highs in the second half of 2022, with average prices for all hydrocarbons (except liquefied natural gas, or LNG) set to register double-digit declines in 2023. However, prices will remain elevated at close to current levels. We expect oil prices to average about US$85/b in 2023 as OPEC production (including Russia) falls by about 3m barrels/day from its recent peak in late 2022. OPEC unity and commitment to lower production quotas in the face of pressure from Western countries should be watched in 2023.

We also do not expect a significant easing of European and US natural gas prices from current levels before 2024. Russian gas supplies to the EU will remain cut off, which will have lasting consequences for the European market, despite ongoing efforts to switch to alternative supplies and imports of LNG. This will keep prices elevated in 2023. Increased global demand for LNG will boost US natural gas prices and sustain higher LNG contract prices, which will fall only moderately in 2023.

China's covid U-turn is a wild card

China will be lifting zero-covid policies in early 2023. China's zero-covid policy now moves from being a major downside risk to our demand and global price forecasts to an upside risk—much will depend on how quickly China opens up its economy in 2023. Fiscal stimulus, although already incorporated into our baseline forecasts, represents a potential upside for steel and base metals, depending on how much China's property slump continues to curb construction activity.



Cotton is likely to be a prime beneficiary of China's reopening. Uncertainty surrounding China's economic outlook had been set to weigh on cotton consumption in the 2022/23 and 2023/24 seasons. An easing of China's zero-covid policy will lead to the opening up of its ports and logistics networks, which will boost consumption and textile production.

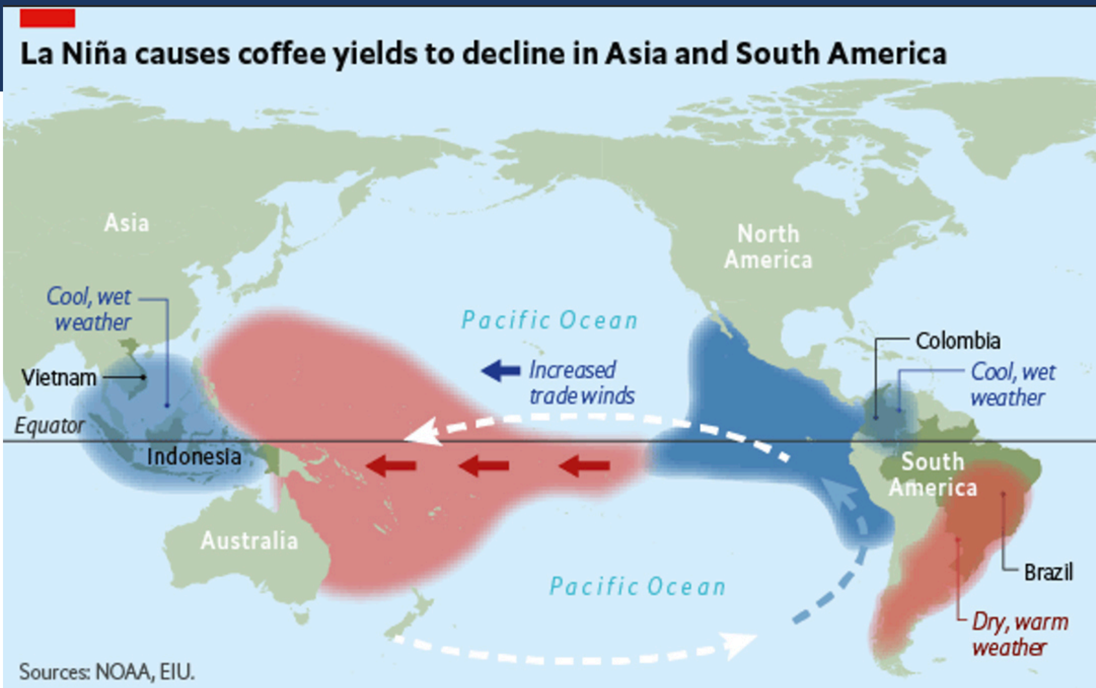
Energy is another likely winner. Coal was by far the best-performing commodity in 2021-22, with consumption hitting an all-time high as Europe fired up old coal-fired power plants in the face of rocketing gas prices. Most of China's industrial production runs on coal power. After the easing of zero-covid measures, CNOOC, one of China's largest national oil companies, raised its growth forecast for gas imports in 2023 to 7%. This has the potential to fuel gas and LNG prices significantly.

Climate remains the big wild card in 2023

Climate played a major role in commodities in 2022 and will probably do so again in 2023. Scorching heatwaves in the northern hemisphere hit production of wheat in the US and Europe in 2022, and climate change means that catastrophic weather is becoming more frequent. This includes extreme weather events such as La Niña, which is stretching into an unprecedented third consecutive year and will be detrimental for maize and soybean production in the first half of 2023, in addition to other crops like sugar and coffee.

Wheat, which was heavily affected by war-related supply disruptions in 2022, faces significant climate risks. In the US large swathes of the southern plains remain under drought conditions, and crops are in unusually poor condition heading into winter dormancy. Extremely dry, occasionally frosty weather in Argentina is causing damage across major producing provinces there, but both Russia and Australia are on course for a second consecutive year of bumper crops, which for the moment is alleviating concerns about production in the western hemisphere.

Weather will loom large in energy markets as well. Europe's heatwave drove up demand last summer, causing gas and electricity prices to spike, especially as winds died down to levels insufficient to generate enough power and drought affected hydropower generation in many countries. Rising water temperatures and dry conditions also hit nuclear power generation. The severity of Europe's current energy crunch also depends largely on how cold temperatures drop over the winter, not just in 2022/23 but in 2023/24 as well. The colder the winter, the more countries will have to draw down stockpiles built up over 2022. Below-normal temperatures will not only raise the spectre of energy rationing, but also put upward pressure on prices over the summer as Europe scrambles to refill reserves—this time without any Russian supplies.

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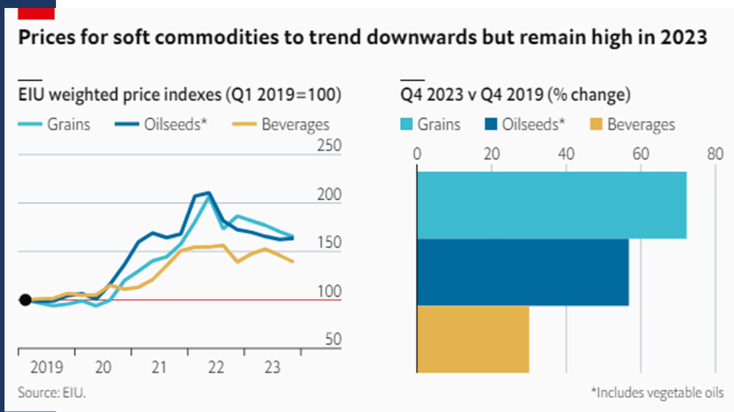

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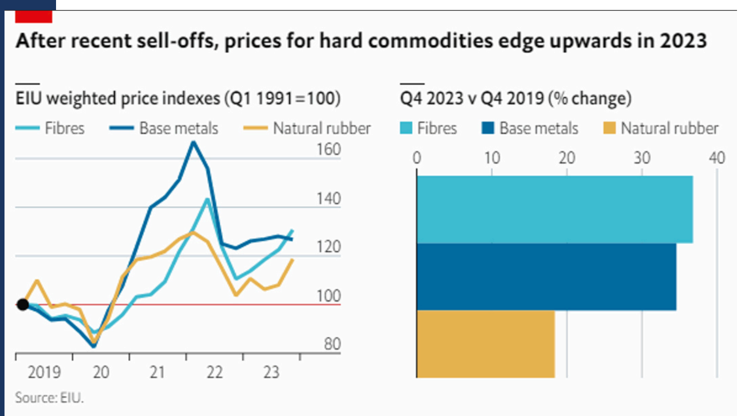
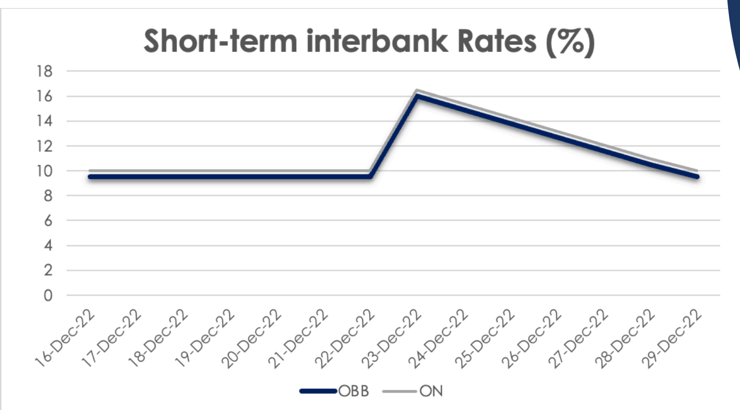


MACROECONOMIC INDICATORS (DECEMBER 16TH TO 30TH)

MONEY MARKET

In the second half of December, banks' opening position averaged N411.21bn, a 2173% increase from the average position of N18.09bn in the same period in November. This was partly due to FAAC disbursements of N902.10bn in December, which was a 22% increase from the sum of N736.78bn disbursed in November. Consequently, average short-term interbank rates fell by 318bps to 10.58% p.a in the review period from the average of 13.76% p.a in the second half of November. During the review period, there was a net OMO outflow of N25bn (OMO repayment of N5 billion and OMO sales of N30bn).

Between December 16th and 30th, there was only a treasury bill primary market auction, where a total sum of N67.bn was sold. This was a decrease of 68.40% from the total sum of N213.43bn sold in the second half of November. Primary market rates were down by an average of 140bps across all three tenors from their respective levels in the same period in November. In the secondary markets, yields on all the benchmark maturities were flat.



Source: FDC Think Tank

Outlook and implication

The MPC is set to hold its meeting in January and could likely increase the MPR by a 50basis points as inflation remains elevated. Whilst this could be a less aggressive move, it is likely to push up short-term rates in the near term.CBN's hawkish stance is expected to tighten liquidity in the system and keep the general interest rate elevated. This will lead to a high cost of borrowing and limited access to finance for individuals, corporations and the government. It also raises the risk of default on loans for financial institutions which can push up impairment costs.

Tenor	Primary market (December 14th 2022) (%)	Primary market (December 28th 2022) (%)	Secondary market December 16th 2022) (%)	Secondary market (December 30th 2022) (%)
91-day	5.50	2.75 ▼	10.90	10.90 ↔
182-day	7.3	7.15 ▼	7.55	7.55 ↔
364-day	9.89	8.49 ▼	8.26	8.26 ↔

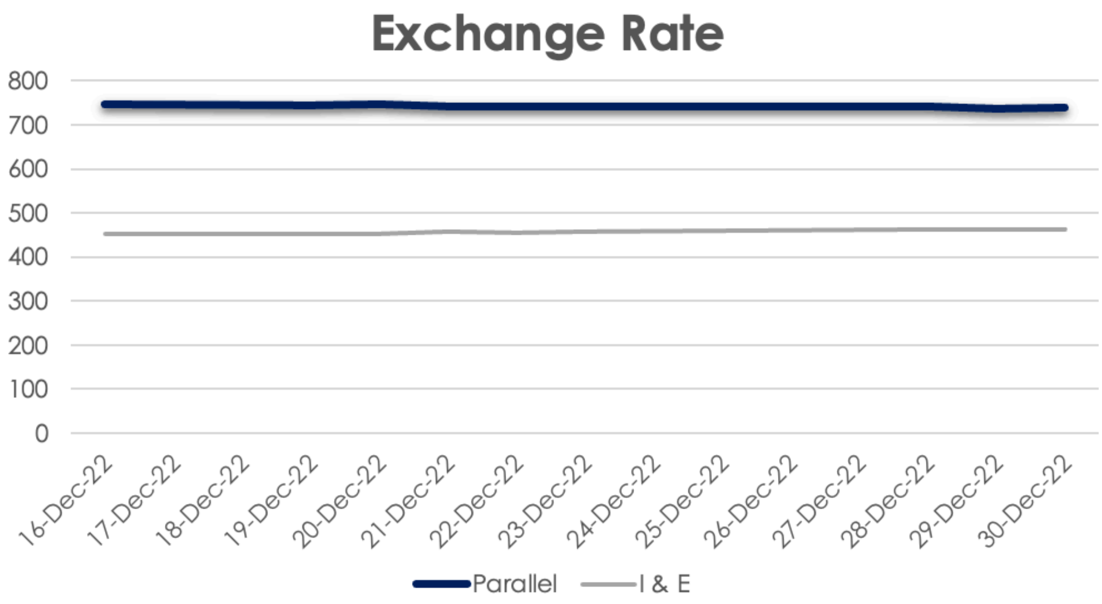
Source: FMDQ, FDC Think Tank

FOREX MARKET

The Nigerian forex market is segmented with multiple exchange rates. The official market is the Investors and Exporters window (IEFX). The exporters and investors use this window, while the CBN intervenes to stabilize the currency. It serves as a barometer for measuring potential and actual CBN intervention in the market. Some of the exchange rate determinants are balance of payments, capital inflows and trade balance. Due to the wide disparity between the IEFX rate and the parallel rate (N413) and low forex supply from CBN, the parallel market has become more efficient for carrying out most foreign transactions.

EXCHANGE RATE

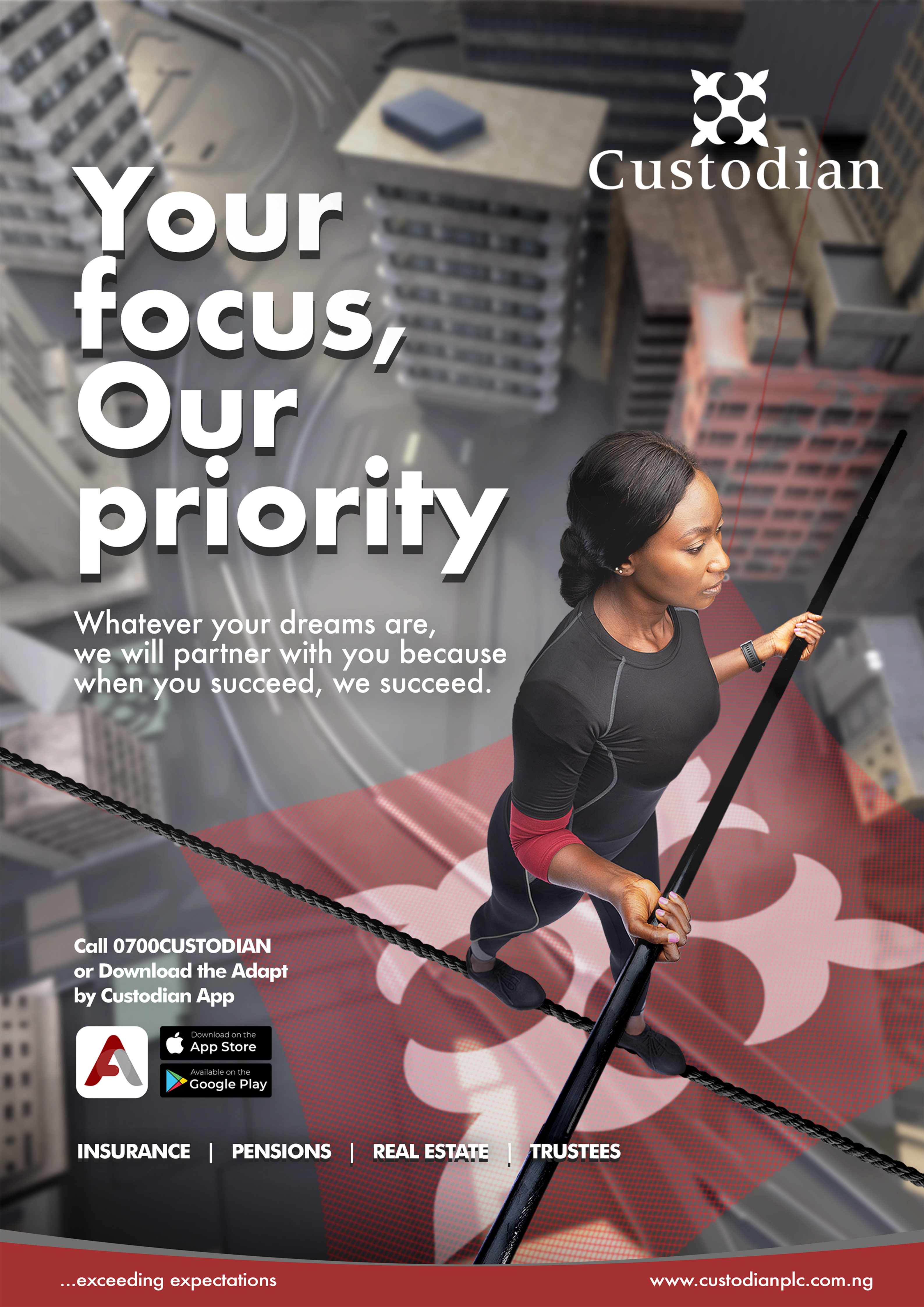
Rates on the I&E window averaged N456.58/$ within the review period (December 16th-30th). This is a 2.45% depreciation from the average of N445.65/$ in the second half of November. It traded within the band of N451.5/$-N461.67/$. Similarly, the exchange rate slightly appreciated in the parallel market by 4.80% to an average of N742.77/$ when compared to the average of N780.27/$ in the same period in November. Rates hovered around N737/$-747/$ in the parallel market.



Source: FDC Think Tank

Outlook

A constant depletion of the external reserves as a result of the decline in oil prices could discourage the CBN from supplying forex into the market. This could lead to a further widening of the IEFX-parallel gap as the exchange rate at the parallel market depreciates. Consequently, this is likely to stoke inflation as manufacturers pay more in naira terms for their imported raw materials.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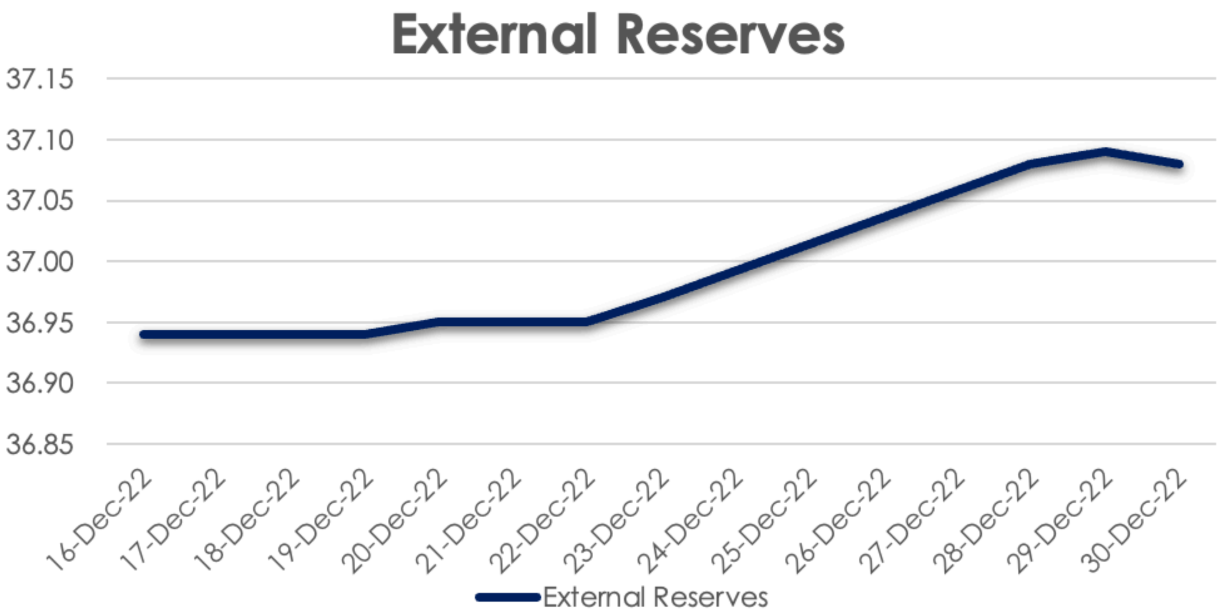
EXTERNAL RESERVES

The country's external reserves increased slightly by 0.37% to close the review period at $37.08bn (Dec 30th) from $36.94bn at the beginning of the period (Dec 16th). This increase can be linked to the increase in the country's oil production. Nigeria's oil production rose by approximately 9% in November to 1.16mbpd from 1.07mbpd in October.



Source: CBN, FDC Think Tank

Outlook

The external reserve is expected to decline in the short term owing to the decline in oil and gas prices, which are the country's major exports.

Implication

This could lead to foreign exchange rationing and discourage the CBN from increasing forex supply to industries and firms that rely on foreign exchange to finance their business activities.

COMMODITIES

EXPORTS

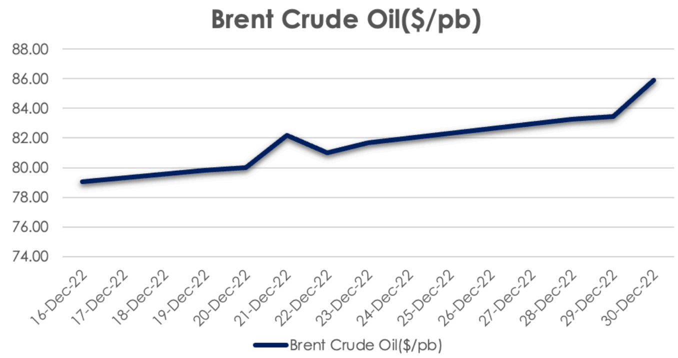
Nigeria's main export commodities are crude oil, LNG, accounting for about 70% and 10% respectively, while cocoa is its top non-oil export commodity.

OIL PRICES

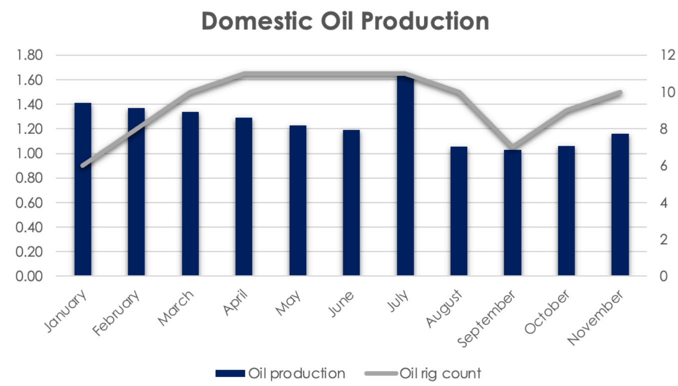
The price of oil traded below $90pb for all of the days within the review period. Oil price gained 8.69% from $79.04pb on December 16th to close the period at $85.91pb. This increase was due to the larger-than-expected depletion of the US crude reserves amidst demand concerns in China owing to rising COVID-19 cases and recession fears. On average, the price of Brent was $82.11pb within the second half of December, down 5.87% from the average of $87.23pb in the same period in November.

OIL PRODUCTION

Domestic oil production increased by 8.63% to 1.16mbpd in November from 1.07mbpd in October as a result of the reopening of the Niger Delta pipeline. Similarly, the country's oil rig count rose to ten from nine in the previous month. Average OPEC's crude oil production fell to 28.83mbpd in November, 2.58% lower than 29.57mpbd in October. Oil production increased in Angola and Nigeria, whereas it declined in UAE, Saudi Arabia and Kuwait due to the agreed OPEC+ supply cuts.



Source: Bloomberg, FDC Think Tank



Source: OPEC, FDC Think Tank

Outlook

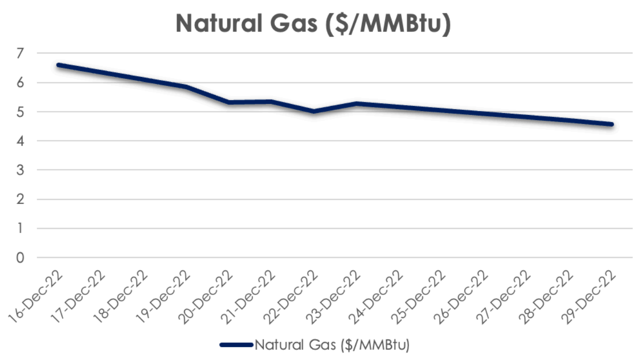
Oil price is likely to trade below $90pb in the near term. Surging cases of covid in China and recession fears will help cool off prices.

Impact

The decline in oil prices is a bad omen for Nigeria, as this could lead to a narrowing of its trade surplus owing to the decline in its export earnings. This could increase forex restrictions and rationing in the foreign exchange market.

NATURAL GAS

The price of gas fell steadily in the second half of December to close the review period at $4.56/MMBtu from $6.6/MMBtu on December 16th. This decline was due to increased supply from Qatar, the EU's agreement on a price cap as well as unexpected warmer weather in Europe which reduced demand. On average, the gas price fell by 23.23% to $5.33/MMBtu within the review period (December 16th-30th) from the average of $6.82/MMBtu in the second half of November.



Source: Bloomberg, FDC Think Tank

Outlook

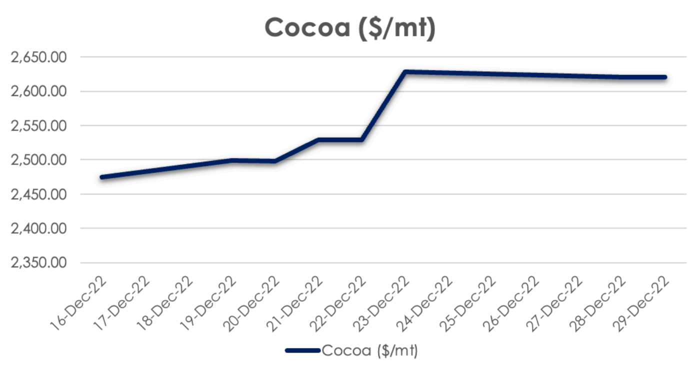
Gas prices are expected to remain low in the coming weeks as warm weather in Europe keeps demand in check and reduces the depletion of gas inventory.

Implication

Natural gas accounts for 14% of total exports. A decline in the price of gas will lower its external earnings while limiting the CBN from defending the naira at the forex market

COCOA

The price of cocoa increased marginally in the second half of December despite a higher cocoa supply forecast in Ivory Coast. It reached a high of $2,628.00/mt on December 23rd before settling to close the review period at $2,621.00/mt. On average, the cocoa price rose by 4.25% to $2550/mt in the second half of December from $2451.8/mt in the second half of the previous month. The accretion in cocoa price can be attributed to lower output in other West African producing regions like Nigeria and Ghana owing to the black pod disease.



Source: Bloomberg, FDC Think Tank

Outlook

Cocoa price is expected to remain elevated as supply concerns build-up due to dry weather conditions in West Africa. Similarly, cocoa price in Nigeria is likely to rise amidst lower supply owing to the spread of the black pod disease.

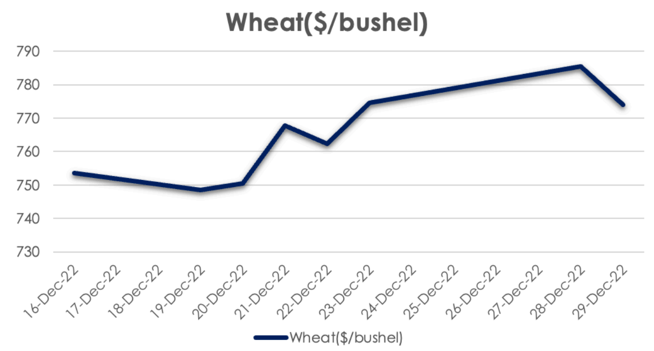
Implication

The high price of cocoa is expected to increase the country's foreign exchange earnings, as well as buoy the income of cocoa farmers.

COMMODITIES
IMPORTS

WHEAT

In the second half of December, the price of wheat gained 2.72% from $753.5/bushel on Dec 16th. Wheat price touched a high of $785.5/bushel on Dec 28th on concerns about possible tight supplies following the adverse weather conditions in top producing countries (US & Argentina), before easing to close the period at $774/bushel. On average, the price of wheat decreased by 6.17% to $765.61/bushel within the review period (December 16th-30th) from $815.95/bushel in the corresponding period in November. The increase in wheat supplies from Russia partially helped to put a check on the wheat price increase.



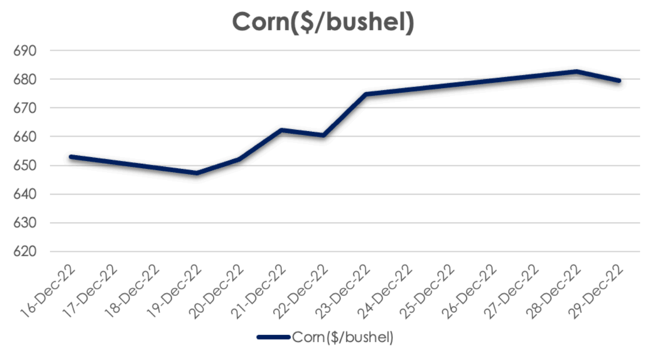
Source: Bloomberg, FDC Think Tank

Outlook

The price of wheat is likely to remain elevated due to supply concerns as the cold winter weather affects production in the US.

CORN

The price of corn increased by 4.05% from $653/bushel on Dec 16th to close the period at $679.5/bushel. This price rise was due to supply concerns owing to unfavourable weather conditions in Argentina and the US, which are major producers of the commodity. When compared to $668.30/bushel in the second half of November, the average corn price fell slightly by 0.34% to $664/bushel in the review period.



Source: Bloomberg, FDC Think Tank

Outlook

The price of corn is expected to remain elevated in the short term due to supply concerns following the unfavourable weather conditions in top-producing countries (US & Argentina).

Impact (Grains)

The rise in grain price will adversely affect the country's import bill as Nigeria is a major importer of grains. This implies a high cost of production for corn-dependent firms and a shrink in consumers' real income as the high prices will likely be passed to consumers.

SUGAR

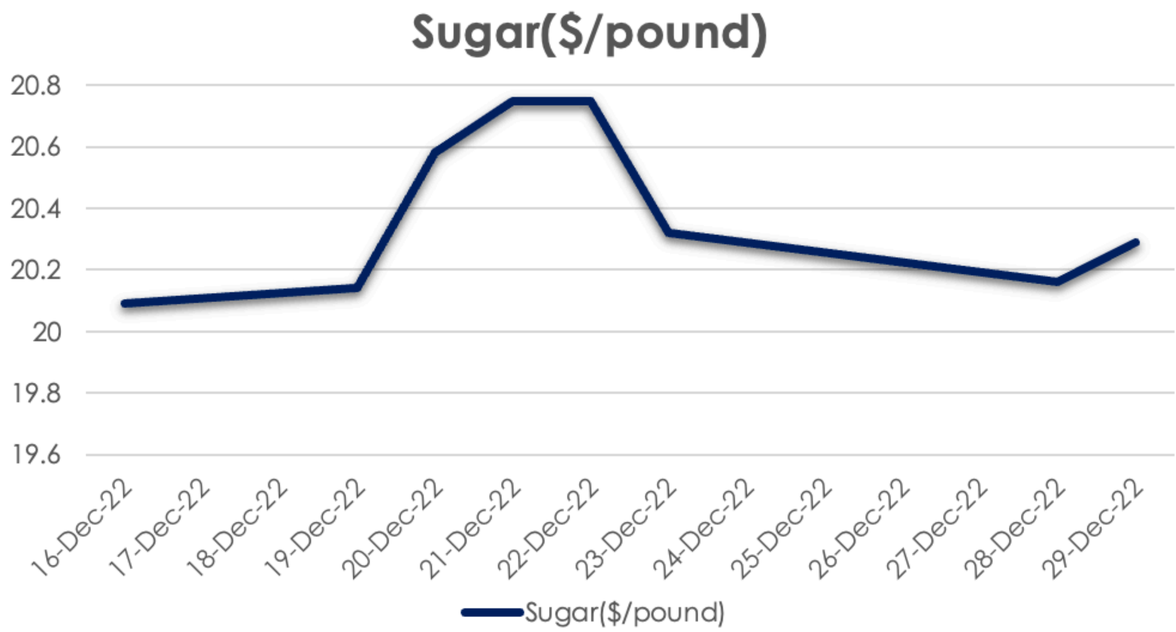
The price of sugar fluctuated in the second half of December and traded within the range of $20.09/ pound - $20.75/pound. It rose to a high of $20.75/ pound on Dec 21st on supply concerns in top producers, Australia, India and Brazil, before settling to close at $20.29/pound on Dec 29th on the decline in oil prices. The decline in oil price is expected to reduce the use of cane for ethanol production (an alternative source of energy), which will lead to increased sugar output. Overall, the price of sugar averaged $20.39/pound in the second half of December, 4.02% lower than the average of $19.56/pound in the second half of November. The increase was driven by supply concerns in top producers, Australia, India and Brazil.

Outlook

The price of sugar is expected to increase due to supply tightness from lower crop yields in Argentina and Brazil as a result of adverse weather conditions.

Implication

High sugar prices imply higher import bills for the government, while confectioners may suffer higher manufacturing costs.



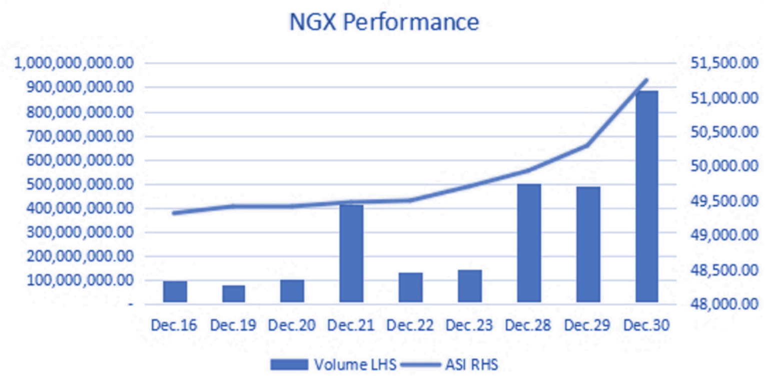
Source: Bloomberg, FDC Think Tank

Terms of Trade

The country's terms of trade are expected to remain negative as the prices of its imports rise concerning its exports.

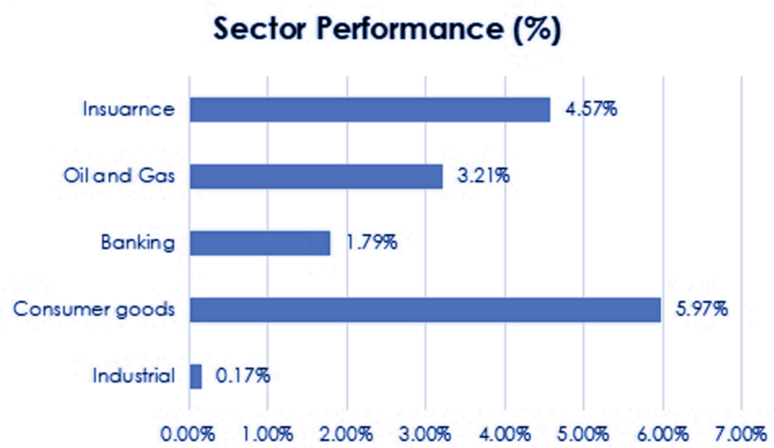
STOCK MARKET REVIEW DEC 16TH - 30TH

The NGX ended the year positively from December 16th – 30th. The market gained 4.10% to close at 51,251.06 points on December 30th from 49,233.02 points on December 15th. The market capitalization also inched up by 4.10% to N27.92trn relative to its close of N26.82trn on December 15th. The market YTD return increased to 19.98% from 15.26% in the period under review. The market breadth was negative at 0.24x as 14 stocks gained, 85 stocks remained unchanged while 58 lost.



Source: NGX, FDC Think Tank

Market activity level was positive in the review period. The average volume traded increased by 95% to 315.24mn units from 161.27mn. Similarly, the average value of trades rose by 35.6% to N4.11bn from N3.03bn in the review period.



Source: NGX, FDC Think Tank

All NGX sectors returned a positive performance in the period under review. The consumer goods sector topped the gainers' list with a 5.97% gain, followed by the insurance sector (4.57%). The Oil & Gas, banking and industrial sectors also gained 3.21%, 1.79% and 0.17% respectively.

Thomas wyatt led the gainers with a 86.54% increase in its share price. This was followed by Champion breweries (46.67%), Geregu (46.08%), Royal exchange (35.9%) and CWG (31.17%).

TOP 5 GAINERS

Company	Dec-15 (N)	Dec- 30 (N)	Absolute Change	Change (%)
THOMAS WYATT	0.52	0.97	0.45	86.54
CHAMPION BREWERIES	3.75	5.5	1.75	46.67
GEREGU	102	149	47	46.08
ROYALEX	0.78	1.06	0.28	35.9
CWG	0.77	1.01	0.24	31.17

The laggards were led by RT Briscoe(-10.34%),FTN Cocoa (-9.38%), Livestock (-8.40%), ETI(-4.93%) and Vitafoam Plc (-4.88%).

TOP 5 LOSERS

Company	Dec-15 (N)	Dec-30(N)	Absolute Change	Change (%)
RTBRISCOE	0.29	0.26	-0.03	-10.34
FTNCOCOA	0.32	0.29	-0.03	-9.38
LIVESTOCK	1.19	1.09	-0.10	-8.40
ETI	11.15	10.6	-0.55	-4.93
VITAFOAM	21.5	20.45	-1.05	-4.88

Outlook

Following the year-end rally of the stock market, the NGX is expected to maintain a positive sentiment due to continued convergence in the forex market and higher supply at the I&E window. Institutional investors are also expected to deepen their equities portfolio and position for possible opportunities, particularly as their volume of investment expands.

OUTLOOK FOR NEXT MONTH

Generally, the outlook for 2023 shows that the headwinds will linger as upward risks to inflation and downward risks to growth persist. We have less than 25 days to the deadline for disallowing the use of the old currency notes as legal tender. Yet, the new notes are not available for transactions. If the CBN proceeds to implement the new policy at the earlier scheduled date of January 31, transactions and economic activity will be largely constrained. We expect inflation to begin to decelerate in the coming months while the CBN moderates the pace of interest rate hikes.

Oil production will improve to 1.4 mbpd - 1.5 mbpd in January as FGN intensifies efforts to ramp up production and subdue oil theft. However, the oil price will remain elevated and will continue to trade above its pre-war levels but will not test the 2022 peak. Short-term interest rates will decline further as the money supply bulges. We also expect FAAC to trend upward on increased tax returns and improvements in oil earnings. With the supplementary budget passed, we expect more releases for capital projects, thereby spurring up government spending.

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