

# COMMODITIES UPDATE



August 1, 2023

# Burning Economic Issues

- Niger political coup pushes up uranium price by 0.72% (\$56.15/lbs) as ECOWAS shuts its border
- 5 major companies recorded N365bn exchange rate losses
  - Stock market down 1.1% as companies report exchange rate losses
- Naira appreciated by 8.69% to trade at N799.50/\$ (I & E window) but depreciated by 0.34% to close at N870/\$ at the parallel
- Brent up 0.71% (\$85.59pb) on expectations of an extension of Saudi Arabia's cut to September 2023- **Reuters**
  - Goldman Sachs revised its global oil demand upwards by 550,000bpd for the year, but maintained its Brent price forecast (\$86pb)
- Cocoa futures gained 0.79% (\$3,553.00/mt) as Nigeria's cocoa export dropped by 8.8% to 12,245 tons in June-**Reuters**
- Wheat plunged 3.23% (\$681.50/bushel) due to easing supply concerns as weather conditions in the US improve- **Reuters**
- Domestic price of rice climbed by 34.15% to its highest level this year (N55,000/50kg bag) owing to border closure & exchange rate pass through effect

## The Downers



- The spike in the price of rice will stoke inflationary pressures and further squeeze consumer disposable income

## Impact

## The Goodies



- Higher oil prices will bolster Nigeria's oil export earnings (> than EIU's forecast - \$57.17bn) and improve the country's trade balance
  - Lower uranium supply to increase demand for alternative energy sources (*cross elasticity of demand*)
- Rising cocoa prices will boost the nation's cocoa export earnings and increase farmers' income
- The drop in wheat price will reduce Nigeria's import bill and ease the cost of living crisis





# Domestic Commodities Price Movement

Commodities	Previous Month Prices	Current Prices	Directional Change	Year Low	Year High
Garri (50kg) Yellow	N26,500	N19,000	↓	N16,000	N28,000
Rice (50kg) short grain	N41,000	N55,000	↑	N33,000	N55,000
Flour (50kg)	N31,500	N35,000	↑	N28,500	N31,500
Beans (Oloyin)(50kg)	N34,000	N36,000	↑	N30,000	N56,000
Cement (50kg)	N4,700	N4,700	↔	N4,200	N4,700
Tomatoes (50kg)	N90,000	N65,000	↓	N15,000	N110,000
Pepper (bag)	N65,000	N40,000	↓	N15,000	N65,000
Onions (bag)	N40,000	N55,000	↑	N25,000	N55,000

- Prices of commodities begin to taper as the harvest season begins

# Domestic Commodities Price Movement

## Relatively Elastic Products

Commodities		Previous Month Prices	Current Prices	Directional Change	Year Low	Year High
Palm Oil (25l)		N37,500	N22,500	↓	N22,000	N37,500
Semovita (10kg)		N6,800	N7,200	↑	N6,700	N7,200
New Yam (3 tubers)		N6,000	N10,500	↑	N3,000	N10,500
Sugar (50kg)		N42,000	N42,000	↔	N31,000	N42,000

# Consumer Goods – Current price



Goods	Street price	Supermarket price	% difference
Pepsi (50cl)	N250	N250	0%
Heineken beer (60cl)	N630	N650	-3.17%
Bread Loaf	N1000	N1000	0%
Indomie (1 carton)	N4,300	N4,300	0%
Gala (big size)	N150	N150	0%





# Oil Markets Today

COMMODITY	DAILY CHANGE July 31 <sup>st</sup> – August 1 <sup>st</sup>	YTD	CURRENT PRICE
BRENT	↑ 0.71%	↓ 0.37%	\$85.59pb
WTI	↑ 1.02%	↑ 1.42%	\$81.40pb
NATURAL GAS	↑ 1.52%	↓ 40.04%	\$2.68MMBtu



# Oil Prices



- Brent up 0.71% to \$85.59pb
- WTI gained 1.02% to \$81.40pb
- Oil prices rose as tight supply persists in the oil market



# Agricultural Commodities

## Wheat



Plunged 3.23% to \$681.50/bushel, on prospects of higher crop yield in the US

## Corn



Dropped 2.78% to \$515.50/bushel, owing to easing supply concerns due to favorable weather conditions in the US

## Cocoa



Gained 0.79% to \$3,553.00/mt, as cocoa output from Nigeria drops

## Sugar



Increased by 0.17% to \$23.96/pound, despite subdued cane demand

# Outlook – Oil Prices

- Expectation of additional output cuts by Saudi Arabia will keep oil prices elevated in the coming weeks



IT'S TIME TO  
**CARE**  
**ABOUT**  
**YOUR SALT**  
Refined, Iodized & Purified



**CHOOSE QUALITY, CHOOSE DANGOTE SALT**

[www.nasconplc.com](http://www.nasconplc.com)



# Outlook – Agricultural Prices



## GRAINS

- Grain prices are expected to taper in the near future as weather conditions in the US improves

## SOFTS

- Cocoa prices will soar higher in the near term owing to lower crop yield from the world's top producers.
- Sugar price will adopt a bearish trend in the short term, as global cane demand wanes



# FX Unification Affects Corporate Earnings



- 55 Companies have reported H1'23 earnings
- 5 major companies recorded FX losses of N365 billion
- A drop in shareholders' value to N35 trillion
- For financial institutions, translation gains today may become transaction loss tomorrow

Financial Institutions		Manufacturing		Conglomerates		Energy		Telecommunications	
Fidelity bank	+	Nestle	-	Chellerams	-	Conoil	+	MTN Nigeria	-
Sterling bank	+	Dangote Sugar	-	Fidson	+	Seplat	+		
AIICO Insurance	+	Lafarge	-	Neimeth	-	Total	+		
Axa Mansard	+	BUA Foods	+	UAC Nigeria	+	MRS	+		
FBN	+	Dangote Cement	+	Okomu Oil	-				
Wema bank	+	Cadbury	-						
ETI	+	BUA Cement	+						
		Nigerian breweries	-						



# FX Unification Affects Corporate Earnings

- Different strokes for different folks

Translation  
gains for some

Translation  
losses for  
others

- One man's meat is another man's poison

# Nigeria's Oldest Bank Made Significant Gains



FirstBank  
Since 1894

- Gross earnings surge 83% to N656.6bn in H1'23 (N359bn in H1'22)
- Net interest income up 55% to N237bn (N152.9bn in H1'22)
- Non-interest income soars 113.8% to N257.9bn (N120.6bn in H1'22)
- 33.19 % increase in electronic banking fees
- Net income surged by 231% to N187bn (N56.5bn in H1'22)
- Net gains from financial instruments of N231.7bn, Offsets fx loss of N98.4bn



# Nigeria's Oldest Bank Made Significant Gain



FirstBank  
Since 1894

- Positive moderation in Prudential ratios – all within regulatory limit
- Non performing loans decelerates to 4.3% from 5.4% in H1'22
- Capital adequacy ratio at 16.5%
- Cost to income ratio moderates to 46.8% (68% in H1'22)















# N21bn FX Loss Sweeps Cadbury to a Loss of N14.5bn in *Cadbury* H1'23

- Revenue up 28% to N35.6bn (N27.8bn in H1'23)
- Driven by high domestic demand
- Domestic Revenue recorded a sum of N18.8bn in Q2'23 (N14.6bn in Q2'22)
- Operating activities soared 113% to N6bn
- Fx loss of N21bn sweeps Net income by 721% to a loss of N14.5bn (N2.3bn in H1'22)



# Stock Market

NSE ASI  1.10% to close at 64,337.52pts on July 31<sup>st</sup> 2023

	Share Prices (₦)		Daily % Change (July 31 <sup>st</sup> )		YTD (% Change)
Nestle	1,175.00		0.00		6.82
Honeywell	3.39		0.00		44.87
Flour Mills	28.50		1.72		0.35
Cadbury	11.25		9.64		5.46
Dangote Sugar	27.00		10.00		68.22
Unilever	15.50		0.00		29.31
Ikeja Hotels	2.97		9.76		155.24

