

Oil Refining

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Dangote refinery expected to commence oil refining.

According to S&P Global Platts, Dangote Refinery will commence the anticipated refining of crude oil products in October 2023 based on the receipt of its first crude cargo in less than two weeks. The initial output from the refinery is estimated at 370,000 barrels per day (bpd) of diesel and jet fuel. However, by 30-November-2023, the refinery will start the phased ramp up to 650,000bpd and begin the refining of Premium Motor Spirits (PMS) in the coming months as the NNPC has stated that it will not be able to supply crude as planned immediately due to forward contracts with other countries.

Nigeria's hope of attaining self-sufficiency in the local domestic oil refining space might just rest largely on the operations of the Dangote refinery. The refinery, which has one of the largest production capacities in the world, operating at full capacity would more than meet Nigeria's domestic fuel requirements with excess capacity for exports. The refinery is situated at the strategic free trade zone with a 1,100km pipeline capable of handling 3bn standard cubic foot of gas per day and it is located near a Lagos Sea port which should help easy access of cargos of unrefined oil products to its company. More so, the refinery's location in the free trade zone allows the refinery to conduct its business in USD. The managing director of the Dangote Group, Devakumar Edwin stated its refined products will be purchased in US dollars and not Naira. However, he noted that due to its equity stake in the business, the NNPC will supply some crude at knockdown prices. While we note that achieving self-sufficiency in local refining capacity might not reduce the cost of petrol significantly, sufficient local refining capacity would at least boost the availability of the product and bring a lasting end to the persistent issue of fuel scarcity in the country.

A major problem the country is dealing with is the continuous devaluation of the Naira amidst a shortage of supply and growing demand and many look to the commencement of operations at the refinery as a reprieve. While it is not completely certain if the refinery will have a significant impact on Nigeria's foreign exchange through import substitution, we are more focused on the possibility of earning foreign exchange through the export activities of the refinery. Previous comments from Mele Kyari, Managing Director of the NNPC suggested a swap agreement has already been agreed upon which is a total of 330,000 barrels per day of crude in exchange for 20% of production from the refinery. In essence, this appears net neutral for FX. Moreover, while the country will no longer need to import refined petroleum, it also implies reduced crude oil exports. However, we expect export proceeds to boost FX reserves and liquidity. According to Edwin, 50% of the refinery's production will meet 100% of the country's requirements, leaving the rest available for exports.

MARKET UPDATE

Indicators	1 Year	30-Dec-22	1 Day
NSE-Index	53,086.86	51,251.06	68,335.72
Naira/US \$	415.63	461.50	776.60
Brent US\$/bbl	119.51	85.91	101.14
MPR	13.00	16.50	18.75

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

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News headlines:

The World Bank has warned that Nigeria may bear some of the brunt of the Niger coup:

According to the World Bank, the Niger coup d'état may increase pressure on the food markets in Nigeria and other West African countries. The Nigerien coup d'état, according to the World Bank, increases the likelihood that seven million more people in the region will experience severe food insecurity. This is despite the fact that 3.3 million people already experience this during the lean season due to rising commodity and staple food prices.

The bank said this in its September "Food Security Update, which stated, "The coup d'état in Niger might put additional pressure on West African food markets." Source: Business Insider

<https://africa.businessinsider.com/local/markets/the-world-bank-has-warned-that-nigeria-may-bear-some-of-the-brunt-of-the-niger-coup/2czz87h>

Hardship: Contributors withdraw N7.6bn from pension savings: As economic hardship persists, a total of N7.6 billion was withdrawn by disengaged workers from their pension savings in their Retirement Savings Accounts, RSAs, in the second quarter of 2023, Q2'23. The withdrawals represent 25 per cent of their pension contribution. The hard-hit ex-workers had withdrawn N12.7 billion in the first quarter of 2023, Q1'23. According to the Q2'23 report released by the National Pension Commission, PenCom, the withdrawals were made by the contributors due to temporary loss of employment. Source: Vanguard

<https://www.vanguardngr.com/2023/09/hardship-contributors-withdraw-n7-6bn-from-pension-savings/>

FG Approves Review of NCC ACT to Streamline Regulatory Roles with NITDA, Boost Telecoms' Growth: In order to clearly differentiate the regulatory roles of the Nigerian Communications Commission (NCC) from the Information Technology (IT) policy development and implementation roles of the National Information Technology Development Agency (NITDA), the federal government has approved the review of NCC Act 2003. The decision of the federal government to distinctly differentiate the roles of both government agencies is coming on the heels of the recent friction between NCC and NITDA over industry regulatory issues, which almost undermined the contribution of the telecoms' sector to national Gross Domestic Products (GDP).. Source: ThisDay.com

<https://www.thisdaylive.com/index.php/2023/09/14/fg-approves-review-of-ncc-act-to-streamline-regulatory-roles-with-nitda-boost-telecoms-growth>

Nigeria's hibiscus farming booms as growers eye N48bn earnings: Hibiscus farming in Nigeria is fast gaining momentum as price of the flower surged over 70 percent in six months, making farmers eye N48 billion in earnings from export in 2023. According to the Association of Hibiscus Flower Exporters of Nigeria, the country exported 40 feet of 1,983 containers, totaling 23,796 metric tons. With the current market price at N1.7 million per ton, Hibiscus farmers in the country can rake in N48 billion (N1.7 million multiplied by 23,796) in 2023 to impact their livelihoods. Source: BusinessDay

<https://businessday.ng/agriculture/article/nigerias-hibiscus-farming-booms-as-growers-eye-n48bn-earnings/>

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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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