

The day in review

- Equity market dropped 0.3%
- Interbank rates ticked lower
- Bearish activity in Bonds market
- Naira appreciated at NAFEX window

Looking forward

H1-2021 Earnings Season - NGX

Daily Insight

FG reintroduces VAT on cooking gas

In 2019, the Federal Government (FG) elected to exempt imported Liquefied Petroleum Gas (LPG), also known as cooking gas, from Value Added Tax (VAT) in an effort to encourage domestic gas utilization. However, three weeks ago, the FG reintroduced the 7.5% VAT on imported LPG in a bid to boost its revenue sources, following evident pressures through the year. Although appearing to differ from our survey of Gas prices in recent months, the National Bureau of Statistics (NBS) showed that the average price for the refilling of 5kg and 12.5kg cylinder for cooking gas increased by 3.5% m/m (8.6% y/y) and 3.1% m/m (7.2% y/y) to N2,141.6 and N4,422.3 in Jul-2021. Our market survey showed that the price to fill a 12.5kg cylinder prints at N6,000 as of Jul-2021 from N4,500 twelve months ago.

The recent rapid increase in the price of cooking gas has been down to devaluation of the naira as well as increase in the dollar cost of the commodity. Noteworthy to mention, Nigeria imports majority of its cooking gas consumption while the rest are mainly supplied by the Nigeria Liquefied Natural Gas company (NLNG). Hence, importers have had to pay more for imported cooking gas and have subsequently passed on the higher cost to consumers. With the reintroduction of VAT on imported LPG, we expect to see further price pressures on cooking gas in the nearest future.

That said, we recognize the FG's decision to reintroduce VAT on imported cooking gas is also a strategic move to encourage local LPG producers. This comes at a time when NLNG raised its LPG output and appointed three new off-takers. In addition, domestic producers like ARDOVA have ventured into construction of new LPG plants and terminals with the aim of boosting domestic LPG production. Thus, we believe should these various projects materialize and contribute a significant portion of locally consumed LPG, the FG's move to protect domestic production may become a masterstroke. That said, in the interim, the move is expected to further pressure a weak consumer base as well as exacerbate inflationary pressures.

Headline	Level	1 day	YTD
NSE ASI	39,219.6	▼ -0.3%	▼ -2.6%
Mkt. Cap (₦bn)	20,434.1	▼ -0.3%	
Mkt. Cap (\$'mn)	49,708.2	▼ -0.3%	
Value (N'mn)	1,967.4	▲ 28.1%	
Value (\$'mn)	4.8	▲ 28.3%	
Volume	425.7	▲ 41.4%	
Deals	4,533.0		
Market Breadth	0.7x		

T-Bills Yields	Current	Previous	%Δ
3 months	3.30	3.30	0.00
6 months	4.34	4.34	0.00
12 months	6.68	6.68	0.00

Bonds Yields	Current	Previous	% Δ
3 years	10.03	9.80	▲ 0.23
5 years	10.61	10.61	0.00
7 years	11.40	11.40	0.00
10 years	11.64	11.64	0.00

Currencies	Current	Previous	% Δ
Parallel	526.00	527.00	▲ 0.2%
NAFEX	411.08	411.63	▲ 0.1%

Other Key indices	Current	Previous	% Δ
OBB	6.0	6.5	▼ -0.50
OVN	6.5	7.2	▼ -0.67
Brent	73.0	73.4	▼ -0.57

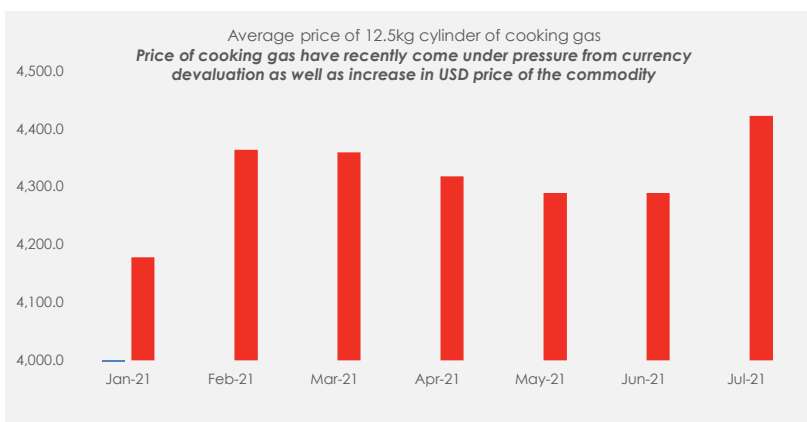
	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	5.2%	17.1%	na	na
Banks	-0.4%	-1.2%	-4.1%	3.2	9.0%
Consumer	-1.9%	-7.6%	-3.7%	125.7	3.7%
Industrial	0.0%	-1.4%	-5.1%	16.1	4.8%
Insurance	-0.3%	-3.4%	0.8%	5.6	5.1%
Oil & Gas	-0.4%	-2.3%	62.9%	11.0	4.1%
Mkt. Avg. P/E		12.1		Mkt. Avg. Div. Yid	5.3%

*P/Es are based on the last twelve months trailing earnings
*Dividend yields are based on past year dividend payments



Pan African Market Monitor as at today

Equities	Level	1 day	YTD	P/E (x)	Div. Yid.
BRVM	176.3	▲ 0.4%	21.3%	9.7	6.2%
Egypt	11,143.8	▼ -0.2%	2.8%	9.9	1.5%
Ghana	2,750.4	▲ 0.0%	41.8%	15.2	4160.1%
Kenya	182.3	▼ -1.8%	19.9%	13.6	3.3%
Mauritius	1,953.4	▼ -0.3%	18.5%	na	2.0%
Morocco	335.1	▼ -0.1%	9.9%	28.6	3.7%
MSCI FM	659.9	▲ 0.1%	15.4%	15.4	2.7%
South Africa	67,427.9	▲ 0.5%	13.5%	14.2	3.2%
Tunisia	7,353.6	▲ 0.0%	6.8%	24.8	2.1%
Zimbabwe	147,170.6	▼ -0.4%	217.7%	7.6	1.9%



Source: NBS, United Capital Research

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