

Tuesday, 22 June 2021

The day in review

- Equity market down by 1.8%
- Interbank rates rise 25bps
- Flattish session in NT-bills market
- Naira appreciated on the I&E window

Looking forward

June Bond Auction - DMO

Daily Insight

Power sector: On meter deployment and higher meter pricing

Metering remains one of the most pressing issues confronting Nigeria's electricity sector. The Nigerian Electricity Regulatory Commission (NERC) estimates that as of Q2-2020, only 4.2m (40.3% of the 10.5m registered electricity customers) had been metered vs 3.6m in Q4-2017. The lack of sufficient metering leads to estimated billing by Discos, which ultimately leads to unpaid receipts by customers, a key source of liquidity deficit in the Nigeria Electricity Supply Industry (NESI).

To improve liquidity in the NESI, the Central Bank of Nigeria (CBN) began its National Mass Metering Programme (NMMP) in Oct-2020 to fund local manufacturing and importation of meters by meter suppliers and Discos. Notably, the NMMP followed the NERC's Meter Asset Provider (MAP) program, which had subdued effectiveness in closing the gap by authorizing third-party financing of meters, and amortization over a 10-year period. To put this in context, from Jan-2019 to Nov-2020, a total of 508,812 meters were installed under the MAP, compared to 6.6 million contracted meters. This equates to 22,122 average monthly installations vs a monthly target of 166,781. In its first phase, the NMMP deployed 1.0mn meters, according to NERC. However, only 16,308 had been installed for end-users due to labour and logistical problems as of Nov-2020. Meter Asset Providers in Nigeria have recently demanded an increase in meter prices due to tighter economic realities such as galloping inflation, foreign exchange devaluation, and global supply chain disruptions, among others, all of which have driven a spike in input costs.

Higher meter pricing will likely weigh on the NMMP's effectiveness, even as the majority of end-users remain unmetered and Discos continue to charge estimated bills. The Discos appear to be on course to miss the NERC's Dec-2021 target for compliance in closing the metering gap, having already missed installation targets. Meanwhile, end-user frustration with estimated billing will persist in the medium term.

Headline	Level	1 day	YTD
NSE ASI	37,847.1	▼ -1.8%	▼ -6.0%
Mkt. Cap (₦'bn)	19,725.3	▼ -1.8%	
Mkt. Cap (\$'mn)	48,110.4	▼ -1.8%	
Value (N'mn)	2,725.8	▲ 54.6%	
Value (\$'mn)	6.6	▲ 55.2%	
Volume	218.3	▲ 4.3%	
Deals	3,524.0		
Market Breadth	0.7x		

T-Bills Yields	Current	Previous	%Δ
3 months	4.85	4.85	0.00
6 months	6.27	6.27	0.00
12 months	9.74	9.75	-0.01

Bonds Yields	Current	Previous	% Δ
3 years	11.83	11.83	0.00
5 years	12.52	12.52	0.00
7 years	12.46	12.51	-0.05
10 years	12.47	12.47	0.00

Currencies	Current	Previous	% Δ
Parallel	500.00	500.00	0.0%
NAFEX	410.00	411.67	0.4%

Other Key indices	Current	Previous	% Δ
OBB	18.8	18.5	0.25
OVN	19.3	19.0	0.25
Brent	0.0	0.0	#DIV/0!

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	3.6%	10.2%	0.0	0.0%
Banks	-0.1%	1.7%	-7.7%	3.5	9.7%
Consumer	0.0%	1.2%	-0.8%	120.3	3.5%
Industrial	-2.3%	1.4%	-7.1%	17.5	4.9%
Insurance	-0.4%	-3.2%	4.4%	3.9	5.1%
Oil & Gas	0.1%	1.6%	38.9%	na	4.3%
Mkt. Avg. P/E		12.8	Mkt. Avg. Div. Yid	5.2%	

*P/E's 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	160.9	▲ 0.3%	▲ 10.7%	9.7	5.8%
Egypt	10,206.2	▲ 1.4%	▼ -5.9%	10.2	1.7%
Ghana	2,642.3	▼ -0.1%	▲ 36.3%	n/a	n/a
Kenya	172.9	▲ 0.1%	▲ 13.7%	14.3	2.2%
Mauritius	1,826.5	▼ -0.1%	▲ 10.8%	n/a	1.9%
Morocco	328.2	▼ -0.4%	▲ 7.7%	29.9	3.3%
MSCI FM	551.1	▼ -0.2%	▲ 11.3%	12.8	2.5%
South Africa	65,551.7	▼ 0.0%	▲ 10.3%	20.7	2.6%
Tunisia	7,323.8	▲ 0.0%	▲ 6.4%	26.1	1.9%
Zimbabwe	130,501.2	▲ 2.5%	▲ 181.7%	7.0	1.2%

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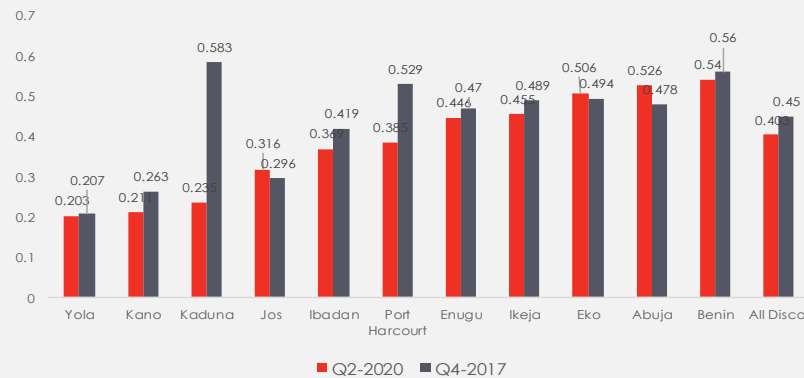
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Metering Status in NESI
Q2-2020 vs Q4-2017



Source: NERC, United Capital Research