

The day in review

- Equity market sustained further losses
- Interbank rates ticked lower
- Mixed activity in NT-bills market
- Naira closed flat at parallel window

Looking forward

May 2021 FAAC Disbursement Data - NBS

Daily Insight

Payment Assurance Guarantee cushions liquidity shortage in the NESI in 2020

Since Nigeria's Electricity Supply Industry (NESI) privatisation in 2013, a liquidity crisis has plagued the industry leading the government to run subsidy programs continually. In Mar-2017, the Presidency approved a N701.0bn Payment Assurance Guarantee (PAG) to augment the Nigerian Electricity System Industry (NESI) market proceeds and solve the liquidity crisis Gencos faced within the value chain. The Payment Assurance Guarantee is a credit facility set aside by the FGN and managed by the CBN to make up for the shortfall in Nigerian Bulk Electricity Trading Plc (NBET) remittances from Disco payments to the Gencos. The payment allows Gencos to meet its financial obligations to gas and equipment suppliers, banks and other partners. The initial Payment Assurance Guarantee was for two years, aiming to guarantee NBET's payment obligations to Gencos until Dec-2018.

However, given the outbreak of Covid-19, the program was extended to prevent a further deepening of the liquidity crisis in the industry. Data from NERC shows this measure improved collections in 2020, although remittances remained low in 2020. Remittances from NBET to Gencos improved in 2020, to 29.8% (of total invoice), from 26.3% (of total invoice) in 2019. The growth in remittances stemmed from improved metering and higher tariffs in 2020. For comparison, the recognition of an N80.4bn PAG disbursement in Q1-2020 after the initial outbreak of Covid-19 improved the quality of Genco's remittances from NBET to 40.8% (of total invoice) in 2020 (vs. an initial 29.8% without PAG).

In the short term, we expect the liquidity crisis in the sector to persist, considering the low metering (which would have improved remittances to NBET from the Discos) and continued AT&C losses due to ailing infrastructure. However, in the longer term, considering the Presidential Power Initiative (PPI), which aims to strengthen transmission, metering, power availability, we remain cautiously optimistic about improving fortunes in the Industry.

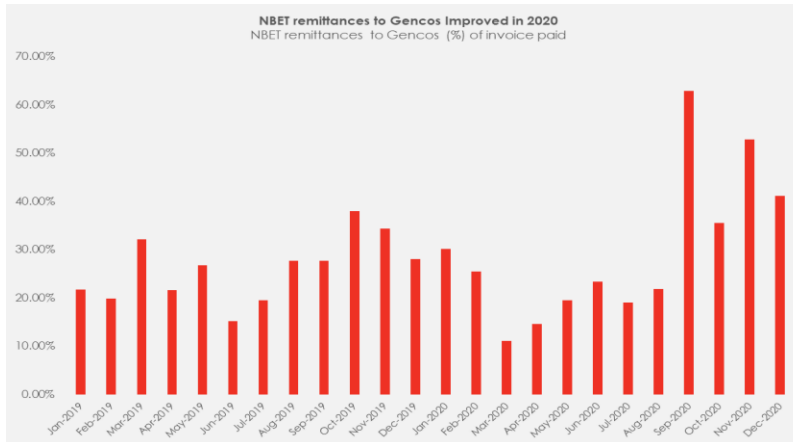
Headline	Level	1 day	YTD
NSE ASI	37,585.3	▼ -0.2%	▼ -6.7%
Mkt. Cap (₦bn)	19,592.5	▼ -0.2%	
Mkt. Cap (\$'mn)	47,647.2	▼ -0.2%	
Value (N'mn)	3,436.6	▲ 42.7%	
Value (\$'mn)	8.4	▲ 42.9%	
Volume	163.5	▼ -19.3%	
Deals	3,562.0		
Market Breadth	0.9x		

T-Bills Yields	Current	Previous	%Δ
3 months	5.01	▲ 4.85	0.16
6 months	5.93	▼ 6.27	-0.34
12 months	9.68	▲ 9.37	0.31

Bonds Yields	Current	Previous	% Δ
3 years	11.84	▼ 11.85	-0.01
5 years	12.60	▲ 12.60	0.00
7 years	12.47	▼ 12.55	-0.08
10 years	12.62	▲ 12.47	0.15

Currencies	Current	Previous	% Δ
Parallel	500.00	▲ 500.00	0.0%
NAFEX	411.20	▲ 411.67	0.1%

Other Key indices	Current	Previous	% Δ
OBB	18.5	▼ 22.0	-3.50
OVN	19.3	▼ 23.0	-3.75
Brent	74.4	▼ 76.2	-2.34



Source: NERC, United Capital Research

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	▲ 4.6%	▲ 11.3%	0.0	0.0%
Banks	1.0%	▼ 2.6%	▼ -6.9%	3.2	9.6%
Consumer	0.1%	▲ 1.7%	▼ -0.3%	120.8	3.5%
Industrial	-2.0%	▲ 0.3%	▼ -8.1%	17.3	4.9%
Insurance	1.5%	▼ -2.5%	▲ 5.2%	3.9	5.0%
Oil & Gas	-0.1%	▲ 1.7%	▲ 39.1%	na	4.3%
Mkt. Avg. P/E	14.1			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	160.5	▼ -0.6%	▲ 10.4%	9.0	5.9%
Egypt	10,273.9	▼ -0.3%	▼ -5.3%	10.3	1.7%
Ghana	2,643.6	▲ 0.0%	▲ 36.3%	n/a	n/a
Kenya	171.8	▲ 0.1%	▲ 13.0%	14.2	2.2%
Mauritius	1,855.5	▲ 0.2%	▲ 12.6%	n/a	1.8%
Morocco	327.7	▲ 0.4%	▲ 7.5%	29.8	3.3%
MSCI FM	551.1	▲ 0.5%	▲ 12.7%	12.8	2.5%
South Africa	65,809.4	▼ -0.6%	▲ 10.8%	19.5	2.6%
Tunisia	7,296.1	▼ -0.1%	▲ 6.0%	25.4	2.0%
Zimbabwe	130,256.5	▼ -1.8%	▲ 181.2%	6.8	2.2%

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