



Update from OPEC's June Report

MPR: 13% MAY Inflation Rate: 17.71 %

Q1 Real GDP Growth Rate:

Nigeria's oil production still short from 1.7mb/d expectation; petrodollar earnings still threatened...

The latest OPEC Monthly report for June 2022 shows that Nigeria's daily oil production fell short of the allocated quota of 1.7 million barrels daily during the second quarter of 2022 to 1.25 million barrels daily as the country's crude oil production levels continue to decline as a result of continued vandalism and oil theft in the country. This points to Nigeria's inability to maximise earnings from the crude oil in the face of growing global demand for crude oil.

Between April and June 2022, crude oil price averaged USD118.93 per barrel while Nigeria's Bonny Light crude averaged USD117.06 per barrel as the prices of fossil fuel improved. But despite this improvement, OPEC noted that for the rest of the year, the above-average fossil fuel prices will support the firmly positive outlook for the country while inflation concerns will pose the downside potential for Nigeria's outlook in 2023.

Nigeria, in the first quarter of 2022, according to the National Bureau of Statistics (NBS), reported a weak daily oil production at around 1.4 million barrels daily, trickling in the negative, eroding the potential windfall gains with the lackluster performance of the sector for the 8 consecutive quarters at an average crude oil price of USD98.5 per barrel. This brought the

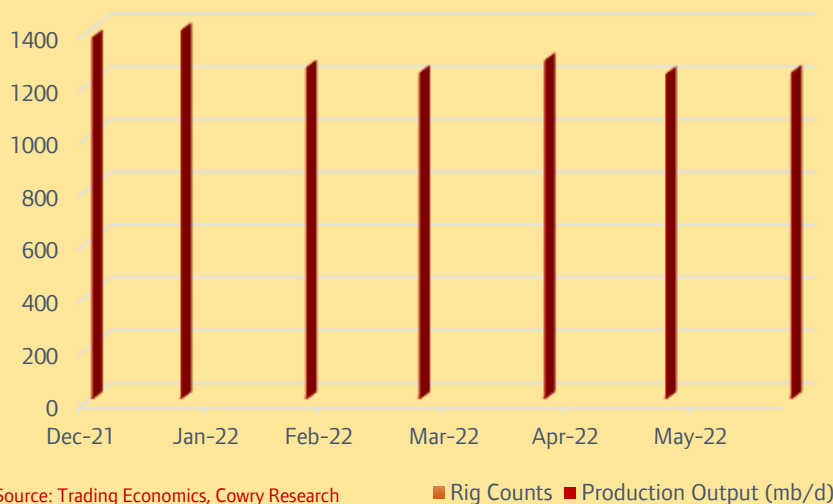
real GDP growth to 3.11% (N17.35 trillion) from 3.98% in the last quarter of 2021. However, some estimates put it that Nigeria has lost billions of dollars to theft and pipeline vandalism so far this year after it was recorded that the sum of USD3.5 billion in oil revenue were lost in 2021 to these theft and pipeline vandals.

Notwithstanding, OPEC's secondary sources highlighted that total OPEC-13 crude oil production averaged 28.72 mb/d in June 2022, higher by 234 tb/d m-o-m, while it opines that the demand for OPEC crude in 2022 remains unchanged from the previous month's assessment to stand at 29.2 mb/d, which is around 1.1 mb/d higher than in 2021. In OPEC's assertions, it anticipates global oil demand which is expected to grow by 2.7 mb/d year on year, to support strong demand as a better than-expected containment of COVID-19 and likely sturdy economic growth will stand as the major catalyst. The cartel said this upside potential will also be supported by a recovery in transportation fuels and firm industrial fuels demand, including petrochemical feedstock.

Looking ahead to 2023, strong global oil demand growth, along with the increase in non-OPEC supply, are forecast to lead to demand for OPEC crude with an increase by 0.9 mb/d y-o-y to average 30.1 mb/d. Nevertheless, uncertainty to the forecast remains to the downside, with much depending on the course of the pandemic and related measures, global financial tightening in the light of growing inflation, and the resolution of the ongoing geo-political issues in Eastern Europe.

Going Forward, we see an average rise in the demand for transportation and industrial fuels in Nigeria in the face of the current slight price adjustment above the N165/litre on subsidy removal. Also, the ongoing rally in the oil market, right above Nigeria's FY'22 budget benchmark of USD62/barrel, Ceteris Paribus, is expected to impact positively on the country's petrodollar earnings from crude oil; external reserves, and in turn, boost government's revenue from oil to help offset FG's external debts as well as increased revenues for the monthly FAAC allocation to states and LGAs.

Nigeria's Monthly Oil Output (mb/d)



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