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## News Insight Nigeria

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The "News Insight Nigeria" newsletter aims at collecting news and developing insights on the latest macroeconomic, industry and business developments in Nigeria.

[Infomineo](#) gathers information and data covering broad economic, business and company activities, trends and events in Nigeria.

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- FSDH Merchant Bank begins N30bn commercial paper programme

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## Latest news: economic, industry and business developments

### **McKinsey: Nigeria to Remain Africa's Largest Consumer Market by 2025**

- McKinsey Global Institute, the business and economics research arm of McKinsey & Company, has projected that Nigeria would continue to be the Africa's single largest consumer market, controlling 15 per cent of overall growth in consumer spending by 2025.
- The McKinsey report explained that, in Nigeria, "new spending will be relatively evenly split among affluent households, which are expected to spend an additional \$30

billion a year by 2025; global consumers, projected to spend \$44 billion; and emerging consumers, with \$28 billion of spending." The biggest spending categories, according to the report, will be food and beverages, housing, consumer goods, education, and transportation services.

- According to the report, "Spending by consumers and businesses today totals \$4 trillion. Household consumption is expected to grow at 3.8 per cent a year to 2025 to reach \$2.1 trillion. Business spending is expected to grow from \$2.6 trillion in 2015 to \$3.5 trillion by 2025." The report estimated that "half of this additional growth will come from East Africa, Egypt, and Nigeria."

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### **Nigerian slump deepens as economy shrinks 2.1% in second quarter**

- Nigeria's economic slump deepened in the second quarter as a declining oil industry weighed on output.
- Gross domestic product in Africa's most populous country contracted by 2.1 percent in the three months through June from a year earlier, the Abuja-based National Bureau of Statistics has said, after shrinking 0.4 percent in the first quarter. The median of 17 economist estimates compiled by Bloomberg was for a 1.6 percent contraction.
- Nigeria suffered a revenue squeeze after oil prices slumped by half since mid-2014, and crude exports fell by over 20 percent in the second quarter as militants in the Niger River delta blew up pipelines and reduced output. This was exacerbated by the Central Bank of Nigeria's currency peg that led to a lack of dollars in the economy, curbing imports and causing shortages from fuel to industrial materials.

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### **Nigeria to sell \$1 bln worth of Eurobonds by mid-Dec -debt official**

- Nigeria expects to raise \$1 billion from Eurobonds by mid-December, a senior debt official said on Friday as the government planned to inject another \$1.1 billion into Africa's biggest economy, which has been hit by recession.
- "All borrowing would be used for capital projects. In raising the money we are ensuring that local transaction partners, local banks, must be involved," Abraham Nwankwo, Director-General, of the Debt Management office, told reporters.
- He said local and international banks could make pitches for the bonds sale until September 19. "And days after that, we will fast track the process of vetting, screening and selection," he added.

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## **Nigeria seeks \$7 billion to kick-start mines, steel industry**

- Nigeria is looking for investments of \$7 billion in mining and steel over the next decade as it seeks to develop gold and iron ore extraction industries to diversify its oil-dependent economy.
- According to the Minister of solid minerals development, Kayode Fayemi, about \$5 billion will be needed to kick-start the mining sector, while about \$2 billion will be needed to revive Ajaokuta steel complex.
- The government is talking with companies including Russia's Technopromexport and Ansteel Group Corp. of China to complete and start production at Ajaokuta.
- The government also plans to create a \$1 billion mining exploration fund from state and private capital to improve data on Nigeria's mineral wealth. Also, each exploration project will be supported with about \$5 million.

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## **Nigeria offers three-year tax holiday to mining investors**

- Nigeria offered a three-year tax holiday to mining investors as the West African nation seeks to raise as much as \$7 billion to develop its minerals and steel industries.
- The tax incentive will start "from the date the investor commences mining operations in the country," Mines and Steel Development Minister Kayode Fayemi told prospective investors at a meeting in Perth, Australia, according to a statement posted on the ministry's website. He confirmed deposits of nickel were discovered in the northern Kaduna state.
- Other incentives to lure investors include 100 percent foreign ownership of mining projects, and an exemption of import duties on mining equipment, according to the statement. The Nigerian government also pledged to boost security around mining sites.

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## **Chinese company wins \$1.85 bln contract for railway in Kano state**

- China's state-owned railway construction firm has been awarded a \$1.85 billion contract to build a light railway line in the northern Nigerian state of Kano.
- The contract is for four lines, totalling 74 km (46 miles) and capable of carrying trains travelling at a top speed of 100 km per hour.

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## Cross River signs pact on 26 megawatts gas power turbine with Dubai firm

- Cross River State has signed an agreement with a Dubai-based firm, Skipper Seil, to provide a 100kva solar lighting generating system.
- Also signed was an agreement for a 26-megawatt gas power turbine at the Tinapa Business and Leisure Resort, as well as the training of personnel in the Institute of Technology and Management, Ugep.

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## FG, CRCC sign MoU on Warri-Abuja railway project

- The Federal Government has signed a Memorandum of Understanding, MoU, with China Railway Construction Corporation, CRCC, for the construction of Warri-Ajaokuta-Itakpe-Abuja rail line.
- According to the Minister of Transportation, the rail would extend to northwards from Eganyi-Jakura-Baro to Abuja, noting that the MoU contained the construction and expansion of Warri port, deep sea port and industrial park at Bonny Island.

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## LAMATA, Japan to build \$1bn Lagos urban rail

- The Lagos State Government says it will partner the private sector, specifically Japan International Cooperation Agency, to construct a \$1bn urban rail line.
- According to LAMATA, a survey titled 'Lagos Urban Railway Development Project in the Federal Republic of Nigeria' was conducted by both partnering firms, which was aimed at introducing the Automated Guide Transit, a type of monorail conceived as a new transportation system in the state.
- The agency added that based on the study, the monorail project, to link Marina, Victoria Island and Ikoyi, would curb traffic congestion and improve the environment in Lagos.

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## Duet launches \$400M private equity fund focused on distressed Nigerian companies

- Duet Private Equity and Asset Management Corporation of Nigeria (AMCON) has signed an exclusive agreement to establish an investment fund focused on Nigeria's fast-moving consumer goods (FMCG) sector.
- Duet, a UK-headquartered €5.1 billion alternative asset manager, said the fund will focus on turnaround and distressed situations, where companies require additional capital and debt restructuring.

- The new fund will launch with an initial target size of \$400 million (€363 million) and its portfolio will consist exclusively of food and beverage companies with local brands. AMCON will contribute six portfolio companies currently under its control and the fund will invest an additional \$200 million (€182 million) into these six companies.

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### **Sun International to exit Nigeria amid falling occupancy**

- Sun International Ltd. plans to exit Nigeria after the South African casino and hotel operator's earnings in the country plunged amid a weakening economy and a dispute involving the company's local partners.
- Sun International bought 49 percent of the Nigerian Stock Exchange-listed Tourist Company of Nigeria 10 years ago, giving it part-ownership of the Federal Palace hotel in Lagos, one of the main hotels used by businessmen traveling to the commercial capital. Earnings before interest, taxes, depreciation and amortization at the Nigerian operations fell 58 percent in the 12 months through June, Sun said in a statement. Occupancy rates at the property fell to 42 percent.
- The process of exiting Nigeria is likely to be "protracted," as Sun seeks to ensure it receives fair value for the investment, the company said.

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### **8 Miles-led consortium makes USD80m investment in Nigerian biscuit company**

- Pan-African private equity firm 8 Miles has led a USD80 million investment in Nigerian biscuit manufacturer Beloxi Industries by a consortium consisting of African Capital Alliance (ACA), a Sub-Saharan Africa focused Private Equity firm, and DEG – Deutsche Investitions und Entwicklungsgesellschaft, the German Development Finance Institution.
- Beloxi has one of the most popular and highest selling cream cracker brands in the market. It operates several production lines from its plant in Agbara, Ogun State and multiple warehouses across the country. The company employs about 2,300 people and operates through a network of about 400 distributors. It has experienced growth rates in excess of 30 per cent per annum in the last few years.
- The investment consortium was advised by Linklaters, Aluko & Oyebode, Deloitte, SLR Consulting and Infomineo. Beloxi was advised by FROS Capital and Detail Commercial Solicitors.

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## **NSIA, Old Mutual to invest \$700mn in Nigeria's real estate, agriculture sectors**

- The Nigeria Sovereign Investment Authority (NSIA) and Old Mutual Investment Group has signed an agreement to establish two new funds to invest in Nigeria's real estate and agriculture sectors, according to Reuters.
- As part of the deal, NSIA and Old Mutual agreed to jointly raise a \$500 million fund for real estate investments and another \$200 million fund for investments in agriculture.
- The real estate and agriculture funds will each have a tenor of up to 12 years, targeting a return of around 20 percent, said Hywel George, the Chief Investment Officer of Old Mutual Investment Group.

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## **Norwegian solar company secures 100 MW project in Nigeria**

- Scatec Solar, a Norwegian solar power producer, said it has signed an agreement with the Nova Scotia Power Development Limited (NSPDL) to develop a 100MW solar power plant in Dutse, Jigawa State.
- NSPDL – which was formed by CDIL, an Africa-focused Canadian renewable energy development company, and Business Process Solutions Consult Limited (BPS), a Nigerian strategic consulting firm – recently signed a 20-year power purchase agreement (PPA) with the Nigerian Bulk Electricity Trading Company Plc (NBET).
- The agreement, signed on July 21, was for the construction of a 100MW solar plant, which is expected to cost \$150 million. The plant will generate about 200,000-megawatt hour (MWh) of electricity for 200,000 households.
- Scatec Solar will develop, build, own, and operate the Nova Scotia power plant in Jigawa. The project is expected to reach financial close in 2017 and commercial operations will begin a year later.

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## **MTN Nigeria IPO said to target \$1 billion proceeds after fine**

- MTN Group Ltd., Africa's biggest wireless operator by sales, and minority shareholders in its Nigerian business are seeking to raise about \$1 billion in an initial public offering, a condition tied to the settlement of a record fine imposed by the West African government, people familiar with the plan said.
- The IPO is part of a deal struck with the Nigerian government to pay a 330 billion naira (\$1 billion) penalty for missing a deadline to disconnect unregistered subscribers. The negotiations over the fine, which has contributed to a 38 percent

decline in MTN's share price since it became public in October, cost 1.3 billion rand in professional-service fees, according to the company.

- Nigeria is MTN's biggest money spinner, accounting for more than a third of its sales and profit for a company that has a market value on the Johannesburg bourse of 220 billion rand (\$15 billion).

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### **Guinness Nigeria to export beer to South Africa to add sales**

- The unit of London-based Diageo Plc will consider selling Guinness stout and the herbal drink Orijin in South Africa to boost the proportion of beverages it sends to international markets, Chief Executive Officer Peter Ndegwa, 48, said in a Sept. 9 interview at the company's office in Lagos
- Guinness Nigeria will also seek to export beer to target Africans living on other continents, Ndegwa said.
- "With all the challenges we have had with foreign currency availability, we realize that export is a great opportunity to gain foreign exchange and stabilize," Ndegwa said. "We have heard a lot of inquiries from South Africa. We are currently in the process of seeing how we can export some of those brands to the country."

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### **Oando signs \$115.8 mln midstream agreement with Helios Investment Partners**

- Oando says it has signed an execution of definitive agreement with Helios Investment Partners LLP to acquire 49% of voting rights in Co's Oando Gas And Power Limited (OGP)
- The company announced the agreed transaction consideration of \$115.8 million
- Upon completion, Oando will retain 49% of voting rights in OGP, residual 2% will be held by local entity.

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### **Airtel Nigeria mulls listing on Nigerian Stock Exchange**

- Airtel Nigeria, the second largest telecoms firm by revenue (with a customer base of 30m), is mulling a listing on the Nigerian Stock Exchange (NSE), Segun Ogunsanya, its CEO, has said.
- "Airtel is not shying away from a listing, we are certainly considering it, and we are in talks with the NSE to this regard," Ogunsanya disclosed at the NSE Bloomberg CEOs Roundtable.

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## 92 million mobile phone users connected to Internet in Nigeria

- A total of 92,181,978 GSM subscribers use Internet through mobile telecommunications networks, the National Bureau of Statistics has said.
- The report said, "Of all GSM users, a total of 92,181,978 had an Internet subscription with one of the four carriers of Airtel, Etisalat, Globacom and MTN in June 2016.
- This means that all of the active GSM lines, 61.79 per cent had an Internet subscription. Throughout most of 2014 and 2015, this proportion had been increasing. However in the first two quarters of 2016, it had declined; from 65.26 per cent in December 2015 to 62.61 per cent in March 2016, and further to 61.79% in June 2016. This proportion is also lower than in June 2015, when it was 63.28 per cent. This was the first month or quarter to record a fall in this proportion relative to the previous year."

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## FSDH Merchant Bank begins N30bn commercial paper programme

- FSDH Merchant Bank Limited has unveiled its debut commercial paper issuance to raise up to N15bn in the Nigerian money market with the issue of a Series 1 90-day and Series 2 269-day commercial papers. This is coming after the bank successfully established its N30bn CP programme on August 23, 2016.
- The CP offers, the bank said on Sunday, were open to investors on August 24, 2016 and subsequently closed on August 29, 2016 with subscription levels of over N17bn; of which it (the bank) elected to allot N14.98bn to investors across both series, in line with its initial target amount.
- The CP programme will afford FSDH periodic access to the money market for short term funding as and when required. The funds raised from the now concluded Series 1 and 2 issuance will be applied by the bank for its general banking asset and liability management purposes including replacement of maturing wholesale liabilities.

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