



---

**PRESS RELEASE: VETIVA FORECASTS AVERAGE BRENT PRICE OF \$105 PER BARREL FOR 2022.**

---

In its H2'22 Outlook titled "A strange labyrinth", Vetiva Research ("Vetiva") projects that Brent price will average \$105/bbl for the full year. Vetiva's projection for Brent price is supported by continuous recoveries in global oil demand as well as slower supply growth from OPEC amid production hitches from its members. The Oil & Gas Analyst at Vetiva, Victoria Ejugwu mentioned that "The oil market may continue to face tightness given low supply prospects and soaring demand; as such, prices are expected to remain elevated". She, however, noted that a significant downside risk to oil prices remains the possible re-emergence of the virus. According to Victoria, "The virus is here to stay with us, with new variants springing up from time to time. We saw what happened with China in Q2, with the virus putting Shanghai on lockdown. Despite vaccination efforts, re-infections could stem lockdowns and movement restrictions. This remains a downside risk for oil prices, as movement and travel restrictions could stifle demand".

Victoria also noted that although OPEC has consistently eased production cuts, Nigeria's crude output has however remained below agreed quotas. She asserted, "Despite the fact that OPEC has been unwinding production caps, Nigeria's crude output has fallen below expectation. This has been due to some operational problems, as well as issues stemming from insecurity. Given this, our outlook for the country's production is somewhat cautious, and do not expect a significant deviation from current production levels". She also mentioned that "While oil prices have soared higher, the industry continues to contract, due to underproduction. Given this, we anticipate further contraction in Q3'22 (-7.00%) and a marginal 0.1% growth in Q4'22.

Speaking on the downstream sector, Victoria highlighted the impact of PMS price regulation on profitability margins. According to the Oil and Gas Analyst, "With the oil price rally we have seen this year, the Nigerian government continues to maintain subsidy payments, keeping PMS retail pump price at ₦165/litre. As such, gross margins (about 5%) from PMS sales have remained thin. Although the enactment of the PIB is supposed to bring about market deregulation, however, given that the general elections are around the corner, full deregulation is not expected in the near term. On this note, downstream players would continue to see low margins in the coming months.

Vetiva is a Pan-African Financial Services Company incorporated in Nigeria and duly regulated and registered by the Nigerian Securities & Exchange Commission ("SEC") to carry on business as an Issuing House and Financial Adviser. Also, the company, through subsidiaries, is registered to act as Fund/Portfolio Managers, Trustees and Broker/Dealer by the Nigerian SEC.

**VETIVA RESEARCH  
LAGOS, NIGERIA  
13<sup>th</sup> December, 2021  
Contact: [research@vetiva.com](mailto:research@vetiva.com)**



# VETIVA

CAPITAL MANAGEMENT LIMITED  
RC 485600

*This note is for information purposes only and is not intended to provide personal investment advice. This note does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investments and securities discussed in this note may not be suitable for all investors and certain investors may not be eligible to purchase or participate in some or all of them. Investors should independently determine the suitability of, and evaluate the investment risks associated with investments and securities discussed herein. All investors are solely responsible for their investment decisions. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on any information contained herein. Thus, Vetiva and its officers and employees shall not accept liability for any loss arising from the use of this note or its contents in making investment decisions or recommendations. It is instructive to note that a company's past performance is not necessarily indicative of its future performance as estimates are based on assumptions that may or may not be realized. Accordingly, the value, price or income from investments mentioned in this note may fall, as well as rise, due to economic conditions, industry cycles, market indices, operational or financial conditions of companies or other factors. Any ratings, forecasts, estimates and opinions set forth in this note constitute the analyst(s) position as at the date and time of this note and may not necessarily be so thereafter, as they are subject to change without notice. Vetiva is not obliged to update this note or bring any such changes to your attention. Whilst reasonable care has been taken in preparing this note, no responsibility or liability is accepted either by Vetiva, its officers or any of its employees for any error of fact or opinion expressed herein. This note provides general information only. Vetiva, through other business units, may have issued, and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented in this report. Such ideas or recommendations reflect the different time frames, assumptions, views and analytical methods of the persons who prepared them, and Vetiva is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this note. Vetiva may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views expressed herein. Also, Vetiva may have financial or other beneficial interest in any of the securities or related investments listed in this note. Facts and views presented herein have not been reviewed by, and may not reflect information known to, professionals in other business areas of Vetiva, including the Investment Banking team and the Wealth Management team, as Vetiva has established information barriers between its Research team and certain business groups.*

---