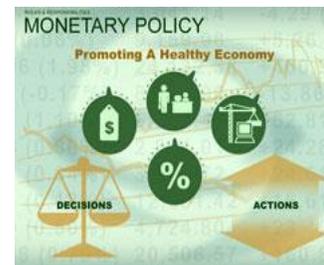


Monetary Policy

The Monetary Policy Committee (MPC) at its meeting held on March 20-21, 2017, retained the monetary policy rate (MPR) at 14 percent for the fourth consecutive time. Other monetary policy parameters were also left unchanged: CRR at 22.5 percent, Liquidity ratio at 30 percent and Asymmetric corridor at +200 and -500 basis points around the MPR¹. The monetary policy rates were retained in effort to maintain price stability and sensitivity to growth given the slight improvements already witnessed in the macro-economy – moderation in inflation, exchange rate appreciation amongst others. Going forward, the MPC may need to maintain tight monetary policy despite the slight turnaround, as monetary policy easing could weaken real interest rate as well as foreign exchange rate on account of inflationary pressures.



Money and Credit Statistics

Dataset from the CBN database indicates decline in key money aggregates for the month of February 2017. Relative to dataset for January 2017, Money supply (M₂), Currency in circulation and Bank reserves decreased by 4.3 percent, 0.8 percent and 2.3 percent to N22.37 trillion, N1.98 trillion and N3.22 trillion respectively². Also, Net Domestic Credit contracted by 1.41 percent in February 2017. The contraction in monetary aggregates reflect the moderation in rising inflation in the domestic economy. Going forward, while monetary authorities maintain tight policy stance to check money supply and inflationary pressures, fiscal authorities should fast-track the implementation of the Economic Recovery and Growth Plan and 2017 budget in order to boost aggregate spending on investment and consumption demands which are necessary for an economic recovery.



FAAC

Recent report by the NBS shows that the Federal Accounts Allocation Committee disbursed a total sum of N429.13 billion in the month of March 2017 as revenue generated in February 2017³. This represents a 16.5 percent decline from the N514.15 billion disbursed in February 2017. The decline was driven by significant decrease in non-oil revenue sources: PPT, Import and export duties, and oil royalties³. Given current tight fiscal space, ensuring effectiveness in public expenditure remains key towards improving public service delivery and promoting citizens' welfare.



Exchange Rate

The Naira sustained its appreciation trajectory at the parallel market in the review week. Precisely, naira gained 13.3 percent (Week-on-Week) to exchange at N390/\$ on March 24, 2017⁴. Reduced pressure on the naira followed moderation in speculative activities as a result of increased forex sales and intervention by the CBN (daily intervention of \$1.5 million at the interbank market⁵). The aim of CBN interventions (narrowing the gap between interbank and parallel market rates) seems to be on course with the continued appreciation of the naira at alternative markets. While current approach of the apex bank proves effective in improving international value of naira in the short term, however, it is expedient that the bank articulates clear and credible flexible exchange rate policy to sustain the momentum and enhance confidence in the forex market in the medium term. Nonetheless, the sustainability of the exchange rate gains is partly dependent on the prospect of crude oil price and production which is outside the purview of the monetary authorities.



ECONOMIC INDICATORS

QUARTERLY ECONOMIC INDICATORS	2016Q2	2016Q3	2016Q4
GDP Growth Rate (%)	-2.06	-2.24	-1.30
Oil GDP (%)	-17.48	-22.01	-12.38
Non-Oil GDP (%)	-0.38	0.03	-0.33
Unemployment Rate (%)	13.10	13.9	NA
Underemployment Rate (%)	19.30	19.7	NA
Foreign Direct Investment (US \$'Million)	184.29	340.64	344.63
Portfolio Investment (US \$'Million)	337.31	920.32	284.22
Other Investments (US \$'Million)	520.57	561.16	920.03
Total Revenue (FG) (N' Billion)	977.82	1,185.52	NA
Total Expenditure (FG) (N' Billion)	1,407.38	1,344.71	NA
FG Fiscal (Deficit)/Surplus (N' Billion)	429.56	159.19	NA
MONTHLY ECONOMIC INDICATORS			
	Nov-2016	Dec-2016	Jan-2017
Headline Inflation (%)	18.5	18.55	18.72
Food Sub-Index (%)	17.2	17.4	17.82
Core Sub-Index (%)	18.2	18.1	17.90
External Reserve (US\$ Million)	25,081.22	26,990.58	28,592.98
All Share Index (Points)	25,333.39	26,874.62	26,036.24
Market Capitalization (N' Billion)	8,720.80	9,246.92	8,972.99
Exchange Rate (BDC - N/US\$)	415.36	455.26	493.29
Official Rate (N/US\$)	305.18	305.22	305.20
Manufacturing PMI	46.00	52.00	48.20
Non-Manufacturing PMI	42.80	47.10	49.40
Crude Oil Price(US\$/Barrel)	45.25	53.48	55.01
Petrol (PMS - N/litre)	146.7	146.7	148.7
Diesel (AGO - N/litre)	195.67	196.25	240.52
Kerosene (NHK - N/litre)	282.86	231.85	433.84
MPR (%)	14	14	14
Private Sector CRR (%)	22.5	22.5	22.5
Public Sector CRR (%)	22.5	22.5	22.5
91 Day T-Bill Rate (%)	13.99	13.96	13.95
Savings Deposit (%)	4.28	4.18	4.22
Prime Lending (%)	17.06	17.09	16.91
Maximum Lending (%)	28.53	28.55	28.88
Narrow Money (N' Billion)	10,429.54	11,404.91	11,267.71
Broad Money (N' Billion)	22,382.92	23,725.13	23,380.94
Net Domestic Credit (N' Billion)	14,389.11	14,530.75	13,613.14
Credit to Government (N' Billion)	3,802.86	4,806.98	4,284.26
Credit to Private Sector (N' Billion)	2,304.54	2,234.69	2,234.30
Currency in Circulation (N' Billion)	1,907.86	2,179.17	1,994.58
FAAC (N' Billion)	386	400	465*

*Provisional Figures (Subject to change)

NA: Not Available

¹Central Bank of Nigeria (2017). “Central Bank of Nigeria Communiqué No 112 of the Monetary Policy Committee Meeting Of 20th And 21st March 2017”. Retrieved from, <http://www.cbn.gov.ng/Out/2017/MPD/Central%20Bank%20of%20Nigeria%20Communique%20No%20112%20Monetary%20Policy%20Committee%20Meeting%20March%2021%202017.pdf>

²Cbn Database

³This Day (2017). “FG, States, LGs Share N429bn for February”. Accessed March 29, 2017. <https://www.thisdaylive.com/index.php/2017/03/22/fg-states-lgs-share-n429bn-for-february/>

⁴Abokifx (2017). “Lagos black market rate”. Accessed March 27, 2017. https://abokifx.com/ratetypes/?rates=lagos_previous

⁵This Day (2017). “CBN Upbeat about Further Naira Appreciation”. Accessed March 29, 2017. <https://www.thisdaylive.com/index.php/2017/03/27/cbn-upbeat-about-further-naira-appreciation/>