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## Fiscal Focus

Nigeria's recently submitted 2018 appropriation bill reveals about 16 percentage (Year-on-Year) increase in planned expenditure. Relative to the 2017 budget, the 2018 appropriation bill has expenditure of N8.61 trillion<sup>1</sup>. Key benchmarks on which the budget was proposed include: Real GDP growth rate of 3.5%, 12.4% Inflation Rate, 2.3MBPD crude production, N305/\$ exchange rate, and \$45 per barrel oil price. A closer review of the bill suggests that Nigeria continues to prioritize recurrent expenditure over capital expenditure, as both account for 40.5 percent and 28.2 percent respectively of the total 2018 budgetary allocation. Going forward, there is a growing need to streamline overlapping ministries, departments, agencies and other parastatals to make them efficient in carrying out their statutory functions and reduce recurrent expenditures. Furthermore, given huge financial constraint, the government should leverage on private capital, using budgeted capital expenditure as equity/seed capital for public-private partnerships for major infrastructural projects.



## Crude Oil Price

Crude oil prices recorded increase during the review week. Global benchmark, Brent price increased from \$61.42 to \$63.52<sup>2</sup>. Nigeria's Bonny light gained 9.6 percent to trade at \$64.78 per barrel<sup>3</sup>. The week's rise was at the backdrop of further prospective cuts agreement at OPEC's meeting in November 2017 and political tensions and uncertainties in Saudi Arabia<sup>4</sup> – given that these events may likely reduce supply and support demand in the near term. Meanwhile, global crude oil market events have been favorable to Nigeria, as the price of bonny light at approximately \$65 per barrel, reflects the highest in more than two years<sup>5</sup>. Crude oil revenue is critical to funding the national budget and investing in other key sectors of the economy. Therefore, efforts should be made to intensify the use of dialogue to reduce the disruptions to oil production in the Niger Delta, so that Nigeria can continue to reap the benefits of higher oil prices.



## External Reserve

Historical data shows a consistent rise in Nigeria's external reserve. Year-on-Year analysis shows that the reserve has risen to about \$34 million as at October 2017<sup>6</sup> - up by 47.8 percent from \$23 million as at October 2016. The increasing reserves do not only indicate improvements in forex inflows, it consolidates the CBN's efforts on macroeconomic and financial policies and forex demand strategies since 2016. Also, progressive rise in crude revenue occasioned by increasing price and domestic production of crude oil, have contributed immensely to driving the reserve upwards. Going forward, the recent increase in reserves need be conserved to mitigate negative future oil price shock.



## Stock Market

Activities at the Nigeria Stock Exchange increased in the review week (November 3-10, 2017). Major indices, All Share Index and Market Capitalization gained 180 basis points and N6 billion to end the week at 37,120.3 bps and N12.84 trillion respectively<sup>7</sup>. All other market indices appreciated except for NSE main board and consumer goods indices. The bullish week may have been triggered by improved sentiments and demand for Nigerian equities, following Nigeria's recent retention in the frontier index by MSCI (Morgan Stanley Capital International)<sup>8</sup>. A more favourable economic outlook together with stability in the political and macroeconomic environment is germane towards reducing investment risk and the sustainability of the recent stock market performance.



Compiled by the Information and Data Management (IDM) Unit, CSEA

## ECONOMIC INDICATORS

QUARTERLY ECONOMIC INDICATORS	2016Q4	2017Q1	2017Q2
<b>GDP Growth Rate (%)</b>	-1.73*	-0.91*	0.55
<b>Oil GDP (%)</b>	-17.70*	-11.64	1.64
<b>Non-Oil GDP (%)</b>	-0.33	0.72	0.45
<b>Unemployment Rate (%)</b>	14.2	NA	NA
<b>Underemployment Rate (%)</b>	21.0	NA	NA
<b>Foreign Direct Investment (US \$'Million)</b>	344.63	211.38	274.4
<b>Portfolio Investment (US \$'Million)</b>	284.22	313.61	770.5
<b>Other Investments (US \$'Million)</b>	920.03	383.28	747.5
<b>External Debt (FGN &amp; States - N'Billion)</b>	3,478.91	4,229.96	4,602.88
<b>Domestic Debt (FGN - N'Billion)</b>	11,058.20	11,971.34	15,034.11
<b>Manufacturing Capacity Utilisation (%)</b>	48.5	53.7	NA
MONTHLY ECONOMIC INDICATORS	July-2017	August-2017	September-2017
<b>Headline Inflation (%)</b>	16.05	16.01	15.98
<b>Food Sub-Index (%)</b>	20.28	20.25	20.32
<b>Core Sub-Index (%)</b>	12.2	12.3	12.1
<b>External Reserve (US\$ Million)</b>	30,898.96	31,491.1	32,028.3
<b>All Share Index (Points)</b>	36,864.71	NA	NA
<b>Market Capitalization (N' Billion)</b>	12,705.45	NA	NA
<b>Exchange Rate (BDC - N/US\$)</b>	365.38	365.57	NA
<b>Official Rate (N/US\$)</b>	305.86	305.67	NA
<b>Manufacturing PMI</b>	54.1	53.6	55.3
<b>Non-Manufacturing PMI</b>	54.4	54.1	54.9
<b>Crude Oil Price(US\$/Barrel)</b>	49.01	51.64	NA
<b>Petrol (PMS - N/litre)</b>	148.2	144.4	144.5
<b>Diesel (AGO - N/litre)</b>	197.6	196.23	184.8
<b>Kerosene (NHK - N/litre)</b>	280.5	225.52	264.48
<b>MPR (%)</b>	14	14	14
<b>Private Sector CRR (%)</b>	22.5	22.5	22.5
<b>Public Sector CRR (%)</b>	22.5	22.5	22.5
<b>91 Day T-Bill Rate (%)</b>	13.46	13.35	13.2
<b>Savings Deposit (%)</b>	4.08	4.08	4.08
<b>Prime Lending (%)</b>	17.65	17.69	17.88
<b>Maximum Lending (%)</b>	30.94	31.20	31.39
<b>Narrow Money (N'Billion)</b>	10,325.98	9,890.81	10,064.24
<b>Broad Money (N'Billion)</b>	22,200.32	21,851.45	21,953.99
<b>Net Domestic Credit (N'Billion)</b>	27,160.16	26,821.45	26,985.31
<b>Credit to Government (N'Billion)</b>	4,987.79	4,824.23	4,963.41
<b>Credit to Private Sector (N'Billion)</b>	2,217.24	2,199.72	2,202.19
<b>Currency in Circulation (N'Billion)</b>	1,769.75	1,868.74	1,781.05
<b>FAAC (N' Billion)</b>	467.85*	637*	558.08*

\*Revised GDP figures

NA: Not Available

<sup>1</sup>Budget Office (2017). “2018 Budget Proposal”. Retrieved November 15, 2017.

<http://www.budgetoffice.gov.ng/index.php/2018-budget-proposal?task=document.viewdoc&id=667>

<sup>2</sup> Reuters (2017). “Oil prices slide after U.S. drillers add rigs”. Accessed November 14, 2017.

<https://www.reuters.com/article/us-global-oil/oil-prices-slide-after-u-s-drillers-add-rigs-idUSKBN1DA05F>

<sup>3</sup> cbn.gov.ng

<sup>4</sup>Reuters (2017). “Oil prices rise on supply cuts and political tensions in Saudi Arabia”. Accessed November 14, 2017.

<http://www.reuters.com/article/us-global-oil/oil-prices-rise-on-supply-cuts-and-political-tensions-in-saudi-arabia-idUSKBN1D9084>

<sup>5</sup> CBN Database

<sup>6</sup>CBN (2017). “The Movement in Reserves”. Accessed November 14, 2017.

<https://www.cbn.gov.ng/IntOps/Reserve.asp>

<sup>7</sup>NSE (2017). “Stock Market Report for November 10<sup>th</sup> 2017”. Retrieved from,

[http://www.nse.com.ng/market\\_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2010-11-2017.pdf](http://www.nse.com.ng/market_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2010-11-2017.pdf)

<sup>8</sup>Nairametrics (2017). “Implication for stocks, now that MSCI has retained Nigeria in the frontier index”. Accessed November 14, 2017.

<https://nairametrics.com/implication-stocks-now-msci-retained-nigeria-frontier-index/>