

## Monetary Policy

The Central Bank of Nigeria, at its first MPC meeting for the 2017 fiscal year, decided by a unanimous vote to retain all rates – MPR at 14 percent, CRR at 22.5 percent, Liquidity ratio at 30 percent, and Asymmetric corridor at +200 and -500 basis points around the MPR<sup>1</sup>. Notably, the MPR has been retained for the third consecutive time. The decision was prompted by considerations that a monetary easing could worsen current inflationary trends as well as dampen the outlook for foreign exchange stability. Also the committee anticipates increased budgetary allocations as reflected in the 2017 appropriation bill to inform economic growth in the 2017 fiscal year. In order to witness significant developmental achievement that forms the crux of the 2017 budget, there is need to embark on effective, holistic and pragmatic financing strategy in addition to timely implementation of the items in the budget.



## Financial Sector

Selected financial sector data shows that total banking sector credit to private sector decreased marginally in 2016Q4, relative to 2016Q3. Precisely, sectoral credit by banks declined from N15.79 trillion in 2016Q3 to N15.75 trillion in 2016Q4<sup>2</sup>. The data-set also reveals that the decline cuts across 8 out of 16 sectors reviewed, with slight credit improvements in some key sectors: Agriculture, Industry, Manufacturing, Oil and Gas, Real Estate. The Industrial sector (comprising of oil and gas, manufacturing, and solid minerals sectors) emerged as the sector with the highest credit allocation (approximately 40 percent of total credit). Given the importance of the industrial sector for economic transformation, it is vital for credit growth in the industrial sector to be sustained. Beyond this, creating an enabling environment for these businesses to thrive is paramount to not only prevent an incidence of default, but to also lead an economic recovery.



## Crude Oil Price

Oil price slipped in the week under review. Bonny light (Nigeria's benchmark crude) fell Week-on-Week by 2.3 percent to \$54.34 per barrel on January 27, 2017<sup>3</sup>. Recent increasing US crude production and other fuel reserves<sup>4</sup> (by 2.8 million barrels<sup>5</sup>), necessitated the decline in oil price – indicating that global crude oil demand could be falling gradually behind supply in the short term, and possibly neutralizing/defying the potential positive effects of OPEC's production cap agreement. The possibility of a further decline in oil prices accompanied by low crude oil production dims the prospects of growth for Nigeria's oil sector and the Nigerian economy at large. This reiterates the need to prioritize the non-oil sector as a pathway to Nigeria's economic recovery and sustainable development.



## Power Sector

Recently released power sector report by the National Bureau of Statistics records a total average energy generation of 2,548GWH by 25 power stations, from October 2016 to December 2016<sup>6</sup>. Daily Energy generation, attained the 2016Q4 highest level of 3,859.6MW in October 2016, and a lowest level of 2522MW in the same month. On the average, current daily energy generated which is below 3,000MW, prompts system malfunctions<sup>7</sup>. Thus, the irregular power generation and supply experienced in recent times is attributable to shortage of gas owing to non-functional major pipelines, in addition to the inability of GENCOs to make payments for the available gas supply<sup>8</sup>. Given the recent challenges to power supply, efforts should be geared towards the diversification of electricity generation. Government should consider investment in renewable as well as coal energy to complement gas power supply.



## ECONOMIC INDICATORS

<b>QUARTERLY ECONOMIC INDICATORS</b>	<b>2016Q1</b>	<b>2016Q2</b>	<b>2016Q3</b>
<b>GDP Growth Rate (%)</b>	-0.36	-2.06	-2.24
<b>Oil GDP (%)</b>	-1.89	-17.48	-22.01
<b>Non-Oil GDP (%)</b>	-0.18	-0.38	0.03
<b>Unemployment Rate (%)</b>	12.10	13.10	13.9
<b>Underemployment Rate (%)</b>	19.10	19.30	19.7
<b>Foreign Direct Investment (US \$'Million)</b>	174.46	184.29	340.64
<b>Portfolio Investment (US \$'Million)</b>	271.04	337.31	920.32
<b>Other Investments (US \$'Million)</b>	265.47	520.57	561.16
<b>External Debt (FGN &amp; States - N'Billion)</b>	2,205.35	3,187.11	NA
<b>Domestic Debt (FGN - N'Billion)</b>	9,970.05	10,606.33	NA
<b>Manufacturing Capacity Utilisation (%)</b>	52.70	50.70	NA
<b>MONTHLY ECONOMIC INDICATORS</b>	<b>Sep-2016</b>	<b>Oct-2016</b>	<b>Nov-16</b>
<b>Headline Inflation (%)</b>	17.85	18.3	18.5
<b>Food Sub-Index (%)</b>	16.60	17.1	17.2
<b>Core Sub-Index (%)</b>	17.70	18.1	18.2
<b>External Reserve (US\$ Million)</b>	23,806.51	23,689.87	25,081.22
<b>All Share Index (Points)</b>	27,964.84	27,663.26	25,333.39
<b>Market Capitalization (N' Billion)</b>	9,606.00	9,501.79	8,720.80
<b>Exchange Rate (BDC - N/US\$)</b>	431.10	462.03	415.36
<b>Official Rate (N/US\$)</b>	305.23	305.21	305.18
<b>Manufacturing PMI</b>	42.50	44.1	46.00
<b>Non-Manufacturing PMI</b>	41.00	43.4	42.80
<b>Crude Oil Price(US\$/Barrel)</b>	47.43	51.00	45.25
<b>Petrol (PMS - N/litre)</b>	146.30	145.90	146.7
<b>Diesel (AGO - N/litre)</b>	192.69	187.25	195.67
<b>Kerosene (NHK - N/litre)</b>	288.68	292.73	282.86
<b>MPR (%)</b>	14.00	14.00	14.00
<b>Private Sector CRR (%)</b>	22.50	22.50	22.50
<b>Public Sector CRR (%)</b>	22.50	22.50	22.50
<b>91 Day T-Bill Rate (%)</b>	14.00	13.96	13.99
<b>Savings Deposit (%)</b>	4.05	4.08	4.28
<b>Prime Lending (%)</b>	17.09	17.10	17.06
<b>Max Lending (%)</b>	27.49	27.69	28.53
<b>Narrow Money (N'Billion)</b>	9,949.39	10,023.62	NA
<b>Broad Money (N'Billion)</b>	22,133.48	22,275.51	NA
<b>Net Domestic Credit (N'Billion)</b>	26,341.47	26,774.68	NA
<b>Credit to Government (N'Billion)</b>	3,748.84	3,705.05	NA
<b>Credit to Private Sector (N'Billion)</b>	22,592.63	23,069.64	NA
<b>Currency in Circulation (N'Billion)</b>	1,794.29	1,825.66	1,908

<sup>1</sup> CBN (2017). “Central Bank of Nigeria communiqué no 111 of the monetary policy committee meeting of 23rd and 24th January 2017”. Retrieved from, <http://www.cbn.gov.ng/Out/2017/MPD/Central%20Bank%20of%20Nigeria%20Communique%20No%20111%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20of%2023rd%20and%2024th%20January%202017.pdf>

<sup>2</sup> National Bureau of Statistics (2017). “Financial Service Data Q4 2016”. Retrieved from, <http://nigerianstat.gov.ng/report/503>

<sup>3</sup> [cbn.gov.ng](http://cbn.gov.ng)

<sup>4</sup> Reuters (2017). “Oil prices fall as U.S. drillers add rigs”. Accessed January 31, 2017. <http://www.reuters.com/article/us-global-oil-idUSKBN15B05W?il=0>

<sup>5</sup> The Week (2017). “If BP is right, the oil price may never again hit \$100”. Accessed January 31, 2017. <http://www.theweek.co.uk/oil-price/60838/oil-price-hit-by-conflicting-data-on-stockpiles>

<sup>6</sup> National Bureau of Statistics (2017). “Power Generation Report Q4 2016”. Retrieved from, <http://nigerianstat.gov.ng/report/502>

<sup>7</sup> Nigeria Electricity Hub (2017). “Fashola Explains Nigeria’s Deteriorating Power Situation, Solutions”. Accessed January 30, 2017.

<http://www.nigeriaelectricityhub.com/2017/01/27/fashola-explains-nigerias-deteriorating-power-situation-solutions/>

<sup>8</sup> Nigeria Electricity Hub (2017). “Nigeria Blames Power Drop on Shortage in Funds by GenCos”. Accessed January 30, 2017. <http://www.nigeriaelectricityhub.com/2017/01/27/nigeria-blames-power-drop-on-shortage-in-funds-by-gencos/>