

Issue 23,
June 9, 2017

Foreign Trade

Nigeria's total foreign Merchandise trade increased marginally in 2017Q1. Precisely, total foreign trade increased from N5.29 trillion in 2016Q4 to N5.30 trillion in 2017Q1¹ - with crude oil accounting for the largest share of total foreign trade (45%). Further breakdown of the data reveals that total imports, at N2.29 trillion, was less than the N2.31 trillion recorded in preceding quarter. On the other hand, total exports increased slightly by 1 percent to N3.01 trillion; likely driven by the improvements in agricultural exports which rose by 82% QoQ² to N30 billion. The excess of exports over imports translated to a favorable balance of trade of N719.38 billion, for the second consecutive quarter. Going forward, the government should set priorities to protect and support the agricultural industry. This would not only improve prospects of Nigeria's foreign trade balance in the medium-to-long term but would also enable the country to feed its growing population, generate employment, earn foreign exchange, and provide raw materials for industries.



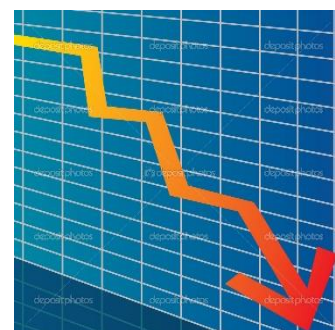
Unemployment/Underemployment

Recently released report by the NBS shows an increase in Unemployment and Underemployment rates for 2016Q4 relative to preceding and corresponding quarters. The unemployment rate, at 14.2 percent³, indicates a 3.8% points YoY⁴ increase, and a 0.3% points QoQ increase – with the number of unemployed people increasing by 351,051 persons. Similarly, underemployment rate grew (QoQ) by 1.3% points to 21%, representing about 17 million underemployed persons as at the quarter. The rise in unemployment/underemployment rate is attributable to the disproportionate rise in labour force vis-à-vis job creation, in addition to slow-down in economic/business activities during the quarter. Going forward, the government should make efforts to strengthen and expand Nigeria's entrepreneurial infrastructure. This includes: improving financing for start-up businesses with high-growth potentials; making supply chains more competitive; and integrating/coordinating policies more efficiently to restore public confidence in the domestic economy.



Portfolio Investment

The Nigeria Stock Exchange recorded a significant decrease in portfolio transactions between March and April 2017. Precisely, total portfolio investment at the stock market decreased (Month-on-Month) by 80.7 percent from N285.1 billion to N54.9 billion in April 2017⁵. Domestic investment contributed 59.1 percent (N32.45 billion), while Foreign Portfolio Investment contributed 40.9 percent (N22.45 billion). The recent significant plummet in portfolio investment indicates waning investors' confidence probably due to a drag in recovery from the ongoing economic slump, lack of a clear exchange rate policy, and upheaval in the country's socio-political space. The combined effect of the above constitutes potential risk to investment in the economy. Going forward, speedier implementation of the Economic Recovery and Growth Plan (ERGP) in addition to an unreserved commitment to a flexible exchange rate policy is highly warranted. This coupled with initiatives that help foster national unity would help mitigate investment risk in the economy.



Exchange Rate

The value of the naira increased in the review week. Specifically, naira appreciated week-on-week by approximately 2.1 percent to exchange at N367/\$ (parallel rate) on June 9, 2017⁶. In a bid to further ease liquidity and stimulate activities at the forex market, the CBN issued new policy directives during the week^{7, 8}, and injected an additional \$190 million into the FX market⁹. Remarkably, recent intervention by the CBN has prompted near-convergence of forex rates; narrowing the gap between the interbank spot rate and parallel (BDC) rate from 47% in January 2017 to 23% as at May 2017.¹⁰ However, the cost of the current measure is huge given a large scale draw-down on foreign reserves without significant improvement in major export revenues - oil. There is need to explore practical alternative strategies towards restoring the international value of naira given the uncertainty in the improvement of oil prices in the international market.



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

ECONOMIC INDICATORS

QUARTERLY ECONOMIC INDICATORS	2016Q3	2016Q4	2017Q1
GDP Growth Rate (%)	-2.34*	-1.73*	-0.52
Oil GDP (%)	-23.04*	-17.70*	-11.64
Non-Oil GDP (%)	0.03	-0.33	0.72
Unemployment Rate (%)	13.9	14.2	NA
Underemployment Rate (%)	19.7	21.0	NA
Foreign Direct Investment (US \$'Million)	340.64	344.63	211.38
Portfolio Investment (US \$'Million)	920.32	284.22	313.61
Other Investments (US \$'Million)	561.16	920.03	383.28
External Debt (FGN & States - N'Billion)	3,535.58	3,478.91	NA
Domestic Debt (FGN - N'Billion)	10,845.22	11,058.20	NA
Manufacturing Capacity Utilisation (%)	48.4	48.5	NA
MONTHLY ECONOMIC INDICATORS	Feb-2017	Mar-2017	Apr-2017
Headline Inflation (%)	17.78	17.26	17.24
Food Sub-Index (%)	18.53	18.44	19.30
Core Sub-Index (%)	16.00	15.40	14.80
External Reserve (US\$ Million)	29,975.38	29,996.38	30,749.28
All Share Index (Points)	25,329.08	25,516.34	25758.51
Market Capitalization (N' Billion)	8,765.92	8,828.96	8912.90
Exchange Rate (BDC - N/US\$)	494.7	429.48	392.89
Official Rate (N/US\$)	305.31	306.4	306.05
Manufacturing PMI	44.6	47.7	51.1
Non-Manufacturing PMI	44.5	47.1	49.5
Crude Oil Price(US\$/Barrel)	46.39	52.13	52.94
Petrol (PMS - N/litre)	149.8	149.4	149.9
Diesel (AGO - N/litre)	249.38	234.55	229.25
Kerosene (NHK - N/litre)	352.42	311.56	280.80
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 (%)	13.75	13.60	13.58
Savings Deposit (%)	4.22	4.23	4.24
Prime Lending (%)	17.13	17.43	17.44
Maximum Lending (%)	29.26	30.18	30.31
Narrow Money (N'Billion)	10,212.65	9,955.24	9,760.42
Broad Money (N'Billion)	22,365.65	22,024.98	21,712.98
Net Domestic Credit (N'Billion)	26,771.07	27,472.69	27,534.71
Credit to Government (N'Billion)	4,408.656	5,199.69	5,591.83
Credit to Private Sector (N'Billion)	2,2362.41	2,227.30	2,194.29
Currency in Circulation (N'Billion)	1,978.887	1,983.63	1,975.81
FAAC (N' Billion)	514.15	496.39	NA

*Revised GDP figures

NA: Not Available

¹National Bureau of Statistics (2017). “Foreign Trade in Goods Statistics (Q1 2017)”. Retrieved from, <http://www.nigerianstat.gov.ng/report/565>

²QoQ: Quarter-on-Quarter

³National Bureau of Statistics (2017). “UNEMPLOYMENT/UNDER-EMPLOYMENT REPORT Q4 2016”. Retrieved from, <http://www.nigerianstat.gov.ng/report/564>

⁴YOY: Year-on-Year

⁵Nigeria Stock Exchange (2017). “Domestic & Foreign Portfolio Participation in Equity Trading – April 2017”. Retrieved from, http://www.nse.com.ng/market_data-site/other-market-information-site/FPI%20Report/NSE%20Domestic%20and%20FPI%20Report%20-%20April%202017.pdf

⁶Abokifx (2017). “Lagos Black Market Rate”. Accessed June 12, 2017.

https://abokifx.com/ratetypes/?rates=lagos_previous

⁷CBN (2017). “Circular on Further Liberalization Of Fx Market”. Retrieved from, <http://www.cbn.gov.ng/Out/2017/FMD/CIRCULAR%20ON%20FURTHER%20LIBERALIZATION%20OF%20FX%20MARKET.pdf>

⁸CBN (2017). “Exports from Nigeria: Compliance with Memorandum 11 of the Foreign Exchange Manual”. Retrieved from, <http://www.cbn.gov.ng/Out/2017/CCD/nxp-exports-jun2017.pdf>

⁹Proshare (2017). “CBN Injects \$190m into FX Market; Wholesale Segment Gets \$100m as SMEs Receive \$50m Boost”. Accessed June 12, 2017. [https://www.proshareng.com/news/Forex/CBN-Injects-\\$190m-into-FX-Market--Wholesale-Segment-Gets-\\$100m-as-SMEs-Receive-\\$50m-Boost/35096](https://www.proshareng.com/news/Forex/CBN-Injects-$190m-into-FX-Market--Wholesale-Segment-Gets-$100m-as-SMEs-Receive-$50m-Boost/35096)

¹⁰CBN Statistical Database