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FAAC

Recent media highlights indicate that the Federal Accounts Allocation Committee disbursed to the three tiers of government, a total revenue of N465 billion for the month of January 2017, relative to N400 billion shared for December 2016 – representing a 16.25 percentage (Month-on-Month) increase¹. Notably, federation revenue increased for the second consecutive month following a significant increase in Petroleum Profits Tax (PPT) on account of the recent rise in crude oil production-related activities and revenue². While the recent efforts that facilitated the increase in crude oil production are commendable, however, this should not be to the neglect of the non-oil sector. Government should seek innovative approach that could enhance the diversification of revenue away from oil. Development of the non-oil sector constitutes the key to minimize revenue shocks from oil price volatility.



Crude Oil Price

OPEC basket price increased marginally from \$53.68 on February 17, 2017 to \$53.85 on February 24, 2017³. Similarly, Brent crude rose by 1.4 percent to \$56.60⁴ while Bonny light increased by 1.6 percent to \$55.75 per barrel⁵ – the highest recorded in 18 months (Since July 2015). The rise in crude oil price is attributable to supply-side downward pressure in a bid to balance with demand. Particularly, the prospective production cuts by OPEC members⁷ and the fall in the United States' crude oil reserves (by 884,000 barrels)⁶. Given the fruitful efforts of the government in calming the Niger Delta militant attacks alongside the continuous rise in crude oil price which are boosting government revenue and foreign exchange earnings, Nigeria's macroeconomic conditions are expected to continue to improve in the short term. Going forward, as the oil and gas sector rebounds and economic conditions improve, policy makers should apply similar vigor in developing other key sectors of the economy particularly the manufacturing sector. This is critical in minimizing the impact of reoccurring negative shocks in oil and gas sector and its impact on the Nigerian economy.



Exchange Rate

The falling tide in the international value of Naira experienced a reversal in the review week with naira appreciating significantly by 11 percent from N516/\$ on February 17, 2017 to N460/\$ on February 24, 2017 at the parallel market⁸ – the first appreciation since December 2016. The recent rise in naira value was driven by forex supply-demand gap closure, sequel to improvements in dollar liquidity. The recent CBN Special intervention (e.g. the auction and sale of \$370 million and \$1.5 million respectively, by the apex bank during the week⁹) and its revised forex policy guidelines¹⁰ contributed in dousing speculations in the parallel market, thus gradually narrowing the margin between the interbank and parallel market rates. Given that the sustainability of naira appreciation is strongly hinged on the improvement in foreign reserve which is largely dependent on crude oil sales, the government should continue its efforts at calming tensions in the Niger Delta region.



Stock Market

Nigeria Stock Market indices appreciated marginally in the review week, reversing stocks decline in the preceding weeks. All Share Index (ASI) and Market capitalization (MCAP) rose by 0.3 percent to 25,250.37 points and N8.74 trillion respectively¹¹. The week-on-week gains may have been triggered by increase in investors' confidence following a release of some quoted companies' fairly profitable earnings report. Given that stock market growth is critical for the mobilization of household savings into corporate economic activities that boost national productivity, it is necessary for the government to ensure clarity and consistency in policy-making as well as implementation in order to further boost investors' confidence.



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

ECONOMIC INDICATORS

QUARTERLY ECONOMIC INDICATORS	2016Q1	2016Q2	2016Q3
GDP Growth Rate (%)	-0.36	-2.06	-2.24
Oil GDP (%)	-1.89	-17.48	-22.01
Non-Oil GDP (%)	-0.18	-0.38	0.03
Unemployment Rate (%)	12.10	13.10	13.9
Underemployment Rate (%)	19.10	19.30	19.7
Foreign Direct Investment (US \$'Million)	174.46	184.29	340.64
Portfolio Investment (US \$'Million)	271.04	337.31	920.32
Other Investments (US \$'Million)	265.47	520.57	561.16
Total Revenue (FG) (N' Billion)	535.96	977.82	1,185.52
Total Expenditure (FG) (N' Billion)	1,082.44	1,407.38	1,344.71
FG Fiscal (Deficit)/Surplus (N' Billion)	-546.49	-429.56	-159.19
MONTHLY ECONOMIC INDICATORS	Oct-2016	Nov-2016	Dec-2016
Headline Inflation (%)	18.3	18.5	18.55
Food Sub-Index (%)	17.1	17.2	17.4
Core Sub-Index (%)	18.1	18.2	18.1
External Reserve (US\$ Million)	23,689.87	25,081.22	26,990.58
All Share Index (Points)	27,663.26	25,333.39	26,874.62
Market Capitalization (N' Billion)	9,501.79	8,720.80	9,246.92
Exchange Rate (BDC - N/US\$)	462.03	415.36	455.26
Official Rate (N/US\$)	305.21	305.18	305.22
Manufacturing PMI	44.1	46.00	52.00
Non-Manufacturing PMI	43.4	42.80	47.10
Crude Oil Price(US\$/Barrel)	51	45.25	53.48
Petrol (PMS - N/litre)	145.9	146.7	146.7
Diesel (AGO - N/litre)	187.25	195.67	196.25
Kerosene (NHK - N/litre)	292.73	282.86	231.85
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 (%)	13.96	13.99	13.96
Savings Deposit (%)	4.08	4.28	4.18
Prime Lending (%)	17.1	17.06	17.09
Maximum Lending (%)	27.69	28.53	28.55
Exports (FOB) (US\$ Million)	2,663.21	2,871.23	2,880.83*
Imports (CIF) (US\$ Million)	2,696.53	3,134.96	2,695.10*
Imports (FOB) (US\$ Million)	2,527.49	2,937.15	2,539.91*
Total Trade (US\$ Million)	5,359.75	6,006.19	5,575.94*
Balance of Trade (US\$ Million)	-33.32	-263.72	185.73*
Currency in Circulation (N'Billion)	1,825.66	1,907.86	2,179.17
FAAC (N' Billion)	420*	386*	400*

*Provisional Figures (Subject to change)

¹This Day (2017). “FG, States, LGs Share N465bn as Allocation Increases”. Accessed February 28, 2017. <https://www.thisdaylive.com/index.php/2017/02/22/fg-states-lgs-share-n465bn-as-allocation-increases/>

²Vanguard (2017). “FAAC shares N465.149bn in January”. Accessed February 28 2017. <http://www.vanguardngr.com/2017/02/faac-shares-n465-149bn-january/>

³OPEC Basket Price. Retrieved from, http://www.opec.org/opec_web/en/data_graphs/40.htm

⁴The Week (2017). “US oil price rises to 19-month high”. Accessed February 28, 2017. <http://www.theweek.co.uk/oil-price/60838/oil-price-rises-as-confidence-in-market-continues>

⁵cbn.gov.ng

⁶Market Watch (2017). “Oil ends at 19-month high after smaller-than-expected inventory rise”. Accessed March 1, 2017. <http://www.marketwatch.com/story/oil-prices-regain-momentum-us-supply-data-ahead-2017-02-23>

⁷The Week (2017). “Oil price rises after Opec chief hints at more cuts”. <http://www.theweek.co.uk/oil-price/60838/oil-price-rises-as-confidence-in-market-continues>

⁸Abokifx (2017). “Lagos Black Market Rate”. Accessed February 28, 2017. https://abokifx.com/ratetypes/?rates=lagos_previous

⁹This Day (2017). “Naira Extends Gains on Parallel Market, Now N480/\$”. Accessed February 28, 2017. <https://www.thisdaylive.com/index.php/2017/02/24/naira-extends-gains-on-parallel-market-now-480/>

¹⁰cbn (2017). “Guidelines for the Operationalization of the New Policy on PTA And School Fees”. Retrieved from, <http://www.cbn.gov.ng/Out/2017/CCD/Circular%20on%20new%20policy%20on%20PTA%20School%20fees.pdf>

¹¹Nigeria Stock Exchange (2017). “Stock Market Report for February 24th, 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%2024-02-2017.pdf