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## Oil and Gas Sector

Provisional data from the CBN quarterly report, shows an increase in crude oil production and exports for first quarter 2017. At an average of 1.59 mbpd, crude oil production grew by 3.2 percent from the 1.54 mbpd in 2016Q4<sup>1</sup>. Similarly, crude exports stood at 1.14mbpd, a 4.6 percent increase from 1.09mbpd in the preceding month. The month-on-month increase may be hinged on sustained relative ceasefire/peace in the Oil region and Nigeria's exemption from OPEC cut agreement, allowing for pipeline repairs and production expansions. Favorably, the increased production and exports led to a 21.5 percent improvement in Oil revenue (government retained earnings) during the quarter - from N673.1 billion to 817.5 billion. Going forward, given the historical volatilities in crude oil price and production, priority should be given to increasing non-oil revenue, including through raising taxes on luxury goods, strengthening compliance, and closing loopholes and exemptions.



## Inflation Rate

Nigeria's Inflation rate as measured by the Consumer Price Index, declined further in June 2017 - the fifth consecutive monthly decline. Specifically, CPI decreased marginally by 0.15 percentage points to 16.10 percent in June 2017<sup>2</sup>. Core component of the CPI continued its downward trajectory, reducing to 12.5 percent from 13 percent in May 2017. However, food sub-index increased by 0.64 percentage points to 19.91 percent. Moderations in inflation rate is a function of exchange rate gains (the naira appreciated by 5 percent to exchange at an average of N366/\$ in the review month<sup>3</sup>) and waning base year 2016 effects<sup>4</sup>. Going forward, achieving sustainable downward inflation trend requires improvement in the real sector of the economy. Profound and pragmatic measures that would boost the supply side especially the agriculture and the industrial sectors towards self-sustenance and reduction in import dependence should be explored.



## Fiscal Focus

Recent data shows that the Federal Government's expenditure was estimated at N583.3 billion in May 2017, higher by 3 percent from the preceding month, April 2017<sup>5</sup>. Capital, Recurrent expenditure, and transfers, accounted for 61% (N355.8 billion), 34.3% (N200 billion) and 4.7% (N27.4 billion) respectively. Albeit an improvement in expenditure, fiscal operations resulted to a deficit of N397.7 billion due to shortfalls in government's retained revenue (N185.6 billion) during the month. The dominance of capital spending in overall government expenditure is highly commendable given the huge infrastructure deficit in the country, however, it is important to consider the sustainability and maintenance of capital projects. Given that a greater percentage of capital spending is likely to come from borrowing, consideration should be given to socially-desirable profitable projects that can pay back the financing cost over longer term.

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## External Sector

Latest monthly economic report by the CBN reveals a decline in foreign exchange flows through the CBN. Foreign exchange inflow through the apex bank, dropped Month-on-Month by 21 percent to \$2.3 billion in May 2017, occasioned by the fall in proceeds from Oil and Non-oil sources during the month<sup>6</sup>. However, Forex outflows through the CBN increased from \$2.2 billion to \$3.0 billion, driven by interbank forex transactions, interventions, and external debt servicing among others. Overall flows translated to a net outflow of \$7 million. Going forward, priority should be given to improving infrastructure, enhancing the business environment, improving access to financing, and strengthening governance and anti-corruption efforts in order to improve non-oil sector productivity, export, and consequently, forex inflows.



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

## ECONOMIC INDICATORS

| <b>QUARTERLY ECONOMIC INDICATORS</b>                | <b>2016Q3</b> | <b>2016Q4</b> | <b>2017Q1</b> |
|---|---------------|---------------|---------------|
| <b>GDP Growth Rate (%)</b>                          | -2.34*        | -1.73*        | -0.52         |
| <b>Oil GDP (%)</b>                                  | -23.04*       | -17.70*       | -11.64        |
| <b>Non-Oil GDP (%)</b>                              | 0.03          | -0.33         | 0.72          |
| <b>Unemployment Rate (%)</b>                        | 13.9          | 14.2          | NA            |
| <b>Underemployment Rate (%)</b>                     | 19.7          | 21.0          | NA            |
| <b>Foreign Direct Investment (US \$'Million)</b>    | 340.64        | 344.63        | 211.38        |
| <b>Portfolio Investment (US \$'Million)</b>         | 920.32        | 284.22        | 313.61        |
| <b>Other Investments (US \$'Million)</b>            | 561.16        | 920.03        | 383.28        |
| <b>External Debt (FGN &amp; States - N'Billion)</b> | 3,535.58      | 3,478.91      | 4,229.96      |
| <b>Domestic Debt (FGN - N'Billion)</b>              | 10,845.22     | 11,058.20     | 11,971.34     |
| <b>Manufacturing Capacity Utilisation (%)</b>       | 48.4          | 48.5          | 53.7          |

| <b>MONTHLY ECONOMIC INDICATORS</b>          | <b>Apr-2017</b> | <b>May-2017</b> | <b>June-2017</b> |
|---|-----------------|-----------------|------------------|
| <b>Headline Inflation (%)</b>               | 17.24           | 16.25           | 16.1             |
| <b>Food Sub-Index (%)</b>                   | 19.30           | 19.27           | 19.91            |
| <b>Core Sub-Index (%)</b>                   | 14.80           | 13.00           | 12.5             |
| <b>External Reserve (US\$ Million)</b>      | 30,749.28       | 29,811.85       | NA               |
| <b>All Share Index (Points)</b>             | 25,758.51       | 29,498.31       | NA               |
| <b>Market Capitalization (N' Billion)</b>   | 8,912.90        | 10,197.73       | NA               |
| <b>Exchange Rate (BDC - N/US\$)</b>         | 392.89          | 384.48          | 366.25           |
| <b>Official Rate (N/US\$)</b>               | 306.05          | 305.54          | 305.72           |
| <b>Manufacturing PMI</b>                    | 51.1            | 52.5            | 52.9             |
| <b>Non-Manufacturing PMI</b>                | 49.5            | 52.7            | 54.2             |
| <b>Crude Oil Price(US\$/Barrel)</b>         | 52.94           | 50.57           | 47.42            |
| <b>Petrol (PMS - N/litre)</b>               | 149.9           | 150.57          | 150.3            |
| <b>Diesel (AGO - N/litre)</b>               | 229.25          | 216.3           | 210.42           |
| <b>Kerosene (NHK - N/litre)</b>             | 280.80          | 303.29          | 287.3            |
| <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>               | 13.58           | 13.5            | 13.5             |
| <b>Savings Deposit (%)</b>                  | 4.24            | 4.08            | NA               |
| <b>Prime Lending (%)</b>                    | 17.44           | 17.58           | NA               |
| <b>Maximum Lending (%)</b>                  | 30.31           | 30.75           | NA               |
| <b>Narrow Money (N'Billion)</b>             | 9,760.42        | 10,184.90       | NA               |
| <b>Broad Money (N'Billion)</b>              | 21,712.98       | 21,975.34       | NA               |
| <b>Net Domestic Credit (N'Billion)</b>      | 27,534.71       | 26,758.77       | NA               |
| <b>Credit to Government (N'Billion)</b>     | 5,591.83        | 4,828.05        | NA               |
| <b>Credit to Private Sector (N'Billion)</b> | 2,194.29        | 2,193.07        | NA               |
| <b>Currency in Circulation (N'Billion)</b>  | 1,975.81        | 1,897.92        | NA               |
| <b>FAAC (N' Billion)</b>                    | 496.39          | 418.8           | NA               |

\*Revised GDP figures

NA: Not Available

<sup>1</sup>CBN (2017). "Economic Report First Quarter 2017". Retrieved from, <http://www.cbn.gov.ng/Out/2017/RSD/CBN%20Economic%20Report%20for%20First%20Quarter%202017.pdf>

<sup>2</sup>National Bureau of Statistics (2017). "Consumer Price Index: June 2017". Retrieved from, <http://nigerianstat.gov.ng/elibrary>

<sup>3</sup>CBN Database

<sup>4</sup>Proshare (2017). "Headline Inflation in June 2017 to Decline to 16.1%". Accessed July 18, 2017. <https://www.proshareng.com/news/Nigeria%20Economy/Headline-Inflation-in-June-2017-to-Divine-to-16.1Percent/35544>

<sup>5</sup>CBN (2017). "Economic Report May 2017". Pp 18, 19. Retrieved from, <https://www.cbn.gov.ng/Out/2017/RSD/CBN%20Economic%20Report%20for%20the%20Month%20of%20May%202017.pdf>

<sup>6</sup>CBN (2017). "Economic Report May 2017". Pp 18, 19. Retrieved from, <https://www.cbn.gov.ng/Out/2017/RSD/CBN%20Economic%20Report%20for%20the%20Month%20of%20May%202017.pdf>