

Issue 41,  
October 13, 2017

## Economic Growth

Latest World Economic Outlook (WEO) report by the International Monetary Fund reveals that Nigeria's economy will grow by 1.9 percent in 2018<sup>1</sup> – an unchanged stance from earlier projections. However, the figure is 2.9 percentage points lower than the 4.8 percent 2018 estimated growth rate in Nigeria's ERGP (Economic Recovery and Growth Plan)<sup>2</sup> – showing a very large disparity between domestic and international growth forecasts for Nigeria. The Fund's projection however seems to have taken into cognizance underlying factors that could slow growth in the medium term: faster pace of population growth relative to GDP growth<sup>3</sup>, poor policy implementation, banking system fragilities and foreign exchange market segmentation. Going forward, achieving the growth level envisaged in both cases requires higher infrastructure (especially power and transport) spending to foster business activities. To provide necessary funds, tapping into non-oil revenue, by strengthening compliance and closing loopholes and exemptions in customs duties and excise tax collection would be necessary.



## Domestic Savings

Available report by the NBS shows an increase in Nigeria's pension fund asset between 2015 and 2016. Specifically, the asset stood at N6.2 trillion as at December 2016<sup>4</sup> – a 16.3 percent increase from the N5.3 trillion total asset as at 2015. Total asset in 2016 represented 6% as a share of GDP (Nominal) - the highest share since 2009. Disaggregated data shows that 98.6 percent of total fund was invested in domestic market (Shares and securities), while 1.4 percent invested in foreign market (Pension Schemes of Multinational companies). While there has been a significant rise in Pension Fund in the observed periods, however, channeling almost all the funds into high risk investments in forms of shares and securities may be a sub-optimal portfolio diversification strategy. Pension funds managers and administrators should consider investment strategy that has higher percentage of less risky assets in the portfolio (e.g. treasury bills and bonds assets) and less in high risky assets (e.g. stock market shares and stocks). The Pension Fund regulator should monitor the activities of the custodians of pension funds to ensure compliance with laid-out investment guidelines.



## External Reserve

Nigeria's external reserves increased week-on-week slightly by \$215.8 million –to \$33.11 billion as at October 12, 2017<sup>5</sup>. External reserve hit a 30-month high in August 2017 and have maintained the level to date. Despite the week-on-week fall on bonny light price (moderating by 5 percent to \$56.91 per barrel<sup>6</sup>), persistent rise in external reserve crude oil earnings may have been augmented by sustained and increasing domestic crude production. Going forward, strengthening banking sector resilience through stronger prudential requirements including: further intensifying bank monitoring, enhancing contingency planning, and strengthening resolution frameworks are deemed necessary for better external reserve and foreign exchange policy management.



## Stock Market

Major market indices trended upwards in the review week (October 6 – 13, 2017) - indicating the second consecutive bullish week-on-week activities at the bourse. All Share index and Market Capitalization rose slightly by 1.5 percent to close at 36,848.17 and N12.7 trillion respectively<sup>7</sup>. With the exception of NSE ASeM index, all other indices performed better during the week as they finished higher compared to the previous and penultimate weeks. The recent improvement in the stock market performance may be driven by positive investors' confidence in the economy likely as a result of ongoing economic recovery and improvement in the macroeconomic indicators (i.e. falling inflation and cost of capital to finance investment, among others). Going forward, more commitment towards maintaining stronger macroeconomic fundamentals together with functional exchange rate market system is critical to sustainable improvement in the stock market performance.



## ECONOMIC INDICATORS

<b>QUARTERLY ECONOMIC INDICATORS</b>	<b>2016Q4</b>	<b>2017Q1</b>	<b>2017Q2</b>
<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
<b>MONTHLY ECONOMIC INDICATORS</b>	<b>June-2017</b>	<b>July-2017</b>	<b>August-2017</b>
<b>Headline Inflation (%)</b>	16.1	16.05	16.01
<b>Food Sub-Index (%)</b>	19.91	20.28	20.25
<b>Core Sub-Index (%)</b>	12.5	12.2	12.3
<b>External Reserve (US\$ Million)</b>	30,340.96	30,898.96	NA
<b>All Share Index (Points)</b>	33,117.48	36,864.71	NA
<b>Market Capitalization (N' Billion)</b>	11,452.12	12,705.45	NA
<b>Exchange Rate (BDC - N/US\$)</b>	366.25	365.38	365.57
<b>Official Rate (N/US\$)</b>	305.72	305.86	305.67
<b>Manufacturing PMI</b>	52.9	54.1	53.6
<b>Non-Manufacturing PMI</b>	54.2	54.4	54.1
<b>Crude Oil Price(US\$/Barrel)</b>	47.42	49.01	51.64
<b>Petrol (PMS - N/litre)</b>	150.3	148.2	144.4
<b>Diesel (AGO - N/litre)</b>	210.42	197.6	196.23
<b>Kerosene (NHK - N/litre)</b>	287.3	280.5	225.52
<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>	13.5	13.46	13.35
<b>Savings Deposit (%)</b>	4.08	4.08	4.08
<b>Prime Lending (%)</b>	17.59	17.65	17.69
<b>Maximum Lending (%)</b>	30.94	30.94	31.20
<b>Narrow Money (N'Billion)</b>	9,883.82	10,325.98	9,890.81
<b>Broad Money (N'Billion)</b>	21,674.21	22,200.32	21,851.45
<b>Net Domestic Credit (N'Billion)</b>	26,921.03	27,160.16	26,821.45
<b>Credit to Government (N'Billion)</b>	4,942.47	4,987.79	4,824.23
<b>Credit to Private Sector (N'Billion)</b>	2,197.86	2,217.24	2,199.72
<b>Currency in Circulation (N'Billion)</b>	1,873.54	1,769.75	1,868.74
<b>FAAC (N' Billion)</b>	462.4	467.85*	637*

\*Revised GDP figures

NA: Not Available

<sup>1</sup>International Monetary Fund (2017). “World Economic Outlook: Seeking Sustainable Growth—Short-Term Recovery, Long-Term Challenges”. Retrieved from, <https://www.imf.org/en/Publications/WEO/Issues/2017/09/19/world-economic-outlook-october-2017>

<sup>2</sup>National Bureau of Statistics (2017). “Economic Recovery & Growth Plan 2017-2020”. Retrieved from, <http://nigerianstat.gov.ng/elibrary>

<sup>3</sup>Trwstockbrokers (2017). “Nigeria’s economy is stagnant – IMF”. Accessed October 17, 2017. <https://trwstockbrokers.wordpress.com/page/3/>

<sup>4</sup>National Bureau of Statistics (2017). “Nigerian Pension Fund Administration Data (2016)”. Retrieved from, <http://nigerianstat.gov.ng/elibrary>

<sup>5</sup>CBN (2017). “The Movement in Reserves”. Accessed October 16, 2017. <https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=10/16/2017%204:20:34%20AM>

<sup>6</sup>cbn.gov.ng

<sup>7</sup>Nigeria Stock Exchange (2017). “Stock Market Report for October 13<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%2013-10-2017.pdf](http://www.nse.com.ng/market_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2013-10-2017.pdf)