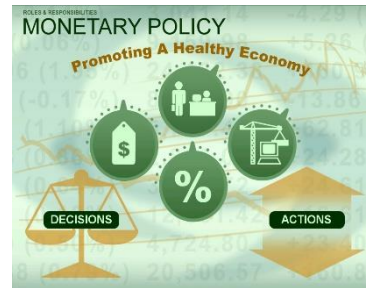


Monetary Policy

The Apex bank, at its monetary policy committee meeting held September 25 -26, 2017, retained all policy rates for the seventh consecutive period. Policy rates were retained as follows: MPR 14%, CRR 22.5%, Liquidity ratio 30%, and asymmetric band at +200 bps and -500 bps around MPR¹. The decision of the committee to maintain tight policy stance is likely at the backdrop of growing optimism in the macro-economy. Considerations were given to the recent exit from recession; and Short to medium term fiscal stimulus and more capital releases from prospective implementation of the 2017 appropriation act. Going forward, a clear exchange rate policy would restore confidence in the forex market and guide investment decision of both domestic and foreign investors.



FAAC

Recent NBS report confirm a significantly higher amount of disbursement in September 2017, compared to August 2017. Specifically, FAAC allocated a total of N637.7 billion, up by 36.3 percent from the N467.85 billion shared in August². The three tiers of government received N260.61 billion, N132.18 billion and N101.91 billion as statutory allocations respectively. The increased revenue is attributable to substantial growth in crude exports (by 0.85 million barrels) and crude revenue in the review month, as evident in the increased petroleum profit tax, VAT, and excise duties. Going forward, there is a huge potential for government revenue to increase and remain sustainable with proper monitoring and collection of Customs duties and excise taxes.



Purchasing Managers' Index

The CBN's report on Purchasing Managers' Index shows a sustained expansion in both the Manufacturing and Non-manufacturing sectors in September 2017³. Month-on-Month, the Manufacturing PMI rose by 1.7 index points to 55.3; and 14 out of the 16 sub-sectors recorded growth. Production, Raw materials/inventory, New orders and Delivery time indices of the manufacturing sector expanded further beyond the 50 index-points benchmark. Non-manufacturing sector expanded marginally from 54.1 to 54.9 index points. Given the broadened forex windows and Multiple Currency Practices (MCP) by the CBN, greater forex availability has triggered improved access to vital imported inputs by manufactures and other sectors. In addition, the FGN import substitution strategy⁴, especially in the agricultural sector, has given producers the option of using local inputs. Going forward, sustaining security gains across the country as well as fast-tracking the implementation of the 2017 budget and the Economic Recovery and Growth Plan (ERGP), in the presence of rising government revenue, is necessary to sustain business and consumer confidence – thus the growth momentum.



Monetary Survey

The monthly monetary survey by the CBN shows a decline in money supply for the month of August 2017, relative to July 2017. Narrow and broad money supply dropped by 4.2% and 1.5% to N9,891 billion and N21,851 billion respectively⁵. The continuous monetary contraction witnessed over the past months may be associated with aggressive sale of treasury bills by the CBN through open market operations. This act is capable of mopping up liquidity in the economy, reduce loanable funds in the banking system, and constrain the easing of lending rates in the near term.



ECONOMIC INDICATORS

QUARTERLY ECONOMIC INDICATORS	2016Q4	2017Q1	2017Q2
GDP Growth Rate (%)	-1.73*	-0.91*	0.55
Oil GDP (%)	-17.70*	-11.64	1.64
Non-Oil GDP (%)	-0.33	0.72	0.45
Unemployment Rate (%)	14.2	NA	NA
Underemployment Rate (%)	21.0	NA	NA
Foreign Direct Investment (US \$'Million)	344.63	211.38	274.4
Portfolio Investment (US \$'Million)	284.22	313.61	770.5
Other Investments (US \$'Million)	920.03	383.28	747.5
External Debt (FGN & States - N'Billion)	3,478.91	4,229.96	4,602.88
Domestic Debt (FGN - N'Billion)	11,058.20	11,971.34	15,034.11
Manufacturing Capacity Utilisation (%)	48.5	53.7	NA
MONTHLY ECONOMIC INDICATORS	June-2017	July-2017	August-2017
Headline Inflation (%)	16.1	16.05	16.01
Food Sub-Index (%)	19.91	20.28	20.25
Core Sub-Index (%)	12.5	12.2	12.3
External Reserve (US\$ Million)	30,340.96	30,898.96	NA
All Share Index (Points)	33,117.48	36,864.71	NA
Market Capitalization (N' Billion)	11,452.12	12,705.45	NA
Exchange Rate (BDC - N/US\$)	366.25	365.38	365.57
Official Rate (N/US\$)	305.72	305.86	305.67
Manufacturing PMI	52.9	54.1	53.6
Non-Manufacturing PMI	54.2	54.4	54.1
Crude Oil Price(US\$/Barrel)	47.42	49.01	51.64
Petrol (PMS - N/litre)	150.3	148.2	144.4
Diesel (AGO - N/litre)	210.42	197.6	196.23
Kerosene (NHK - N/litre)	287.3	280.5	225.52
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 (%)	13.5	13.46	13.35
Savings Deposit (%)	4.08	4.08	4.08
Prime Lending (%)	17.59	17.65	17.69
Maximum Lending (%)	30.94	30.94	31.20
Narrow Money (N'Billion)	9,883.82	10,325.98	9,890.81
Broad Money (N'Billion)	21,674.21	22,200.32	21,851.45
Net Domestic Credit (N'Billion)	26,921.03	27,160.16	26,821.45
Credit to Government (N'Billion)	4,942.47	4,987.79	4,824.23
Credit to Private Sector (N'Billion)	2,197.86	2,217.24	2,199.72
Currency in Circulation (N'Billion)	1,873.54	1,769.75	1,868.74
FAAC (N' Billion)	462.4	467.85*	637*

*Revised GDP figures

NA: Not Available

¹CBN (2017). “Central Bank Of Nigeria Communiqué No. 11 of the Monetary Policy Committee Meeting Of 25th And 26th September, 2017”. Retrieved from, [http://www.cbn.gov.ng/Out/2017/MPD/Central Bank of Nigeria Communique No 115 of the Monetary Policy Committee Meeting of September 25 and 26, 2017.pdf](http://www.cbn.gov.ng/Out/2017/MPD/Central%20Bank%20of%20Nigeria%20Communique%20No%20115%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20of%20September%2025%20and%2026%20,2017.pdf)

²This Day (2017). “FAAC Allocation Rises as FG, States Share N637bn for August”. Accessed October 5, 2017. <https://www.thisdaylive.com/index.php/2017/09/29/faac-allocation-rises-as-fg-states-share-n637bn-for-august/>

³CBN (2017). “Purchasing Managers’ Index (PMI) Survey Report Central Bank of Nigeria: September 2017”. Retrieved from, https://www.cbn.gov.ng/Out/2017/SD/PMI_Report_September%202017.pdf

⁴Investadvocate (2017). “Forward Movement in Local Substitution”. Accessed October 5, 2017. <http://investadvocate.com.ng/2017/07/28/forward-movement-local-substitution/>

⁵CBN (2017). “Money And Credit Statistics (Million Naira)”. Accessed October 3, 2017. <http://www.cbn.gov.ng/rates/mnycredit.asp>