

## Real Sector

Recently released report by the NBS shows that Nigeria's National Disposable Income increased Year-on-Year and Quarter-over-Quarter in 2016Q4. Compared to the corresponding and preceding quarters, NDI increased by 3.4 percent and 4.6 percent respectively to ₦19.99 trillion<sup>1</sup>. The growth was triggered by improvements in net current transfers into Nigeria from abroad; which improved by 81.8 percent YOY. However, final consumption expenditure by Nigerian households contracted YOY by 14.6 percent and QOQ by 7.2 percent to 10.6 trillion in 2016Q4. The decreased consumption expenditure indicates a fall in real income and lower marginal propensity to consume/spend by many Nigerian households during the recession period. Going forward, a large scale-up in government expenditure is necessary to stimulate consumption spending and overall aggregate demand in the medium term.



## Portfolio Investment

Total value of Portfolio transactions at the Nigeria Stock Exchange increased in 2017Q3. Specifically, Total portfolio investment rose Quarter-over-Quarter by 26.9 percent to ₦720.53 billion, with the highest investment for the quarter recorded in August 2017 (₦396.86 billion)<sup>2</sup>. Foreign portfolio investment outperformed its domestic counterpart for two consecutive months (August and September). This renewed level of investor confidence, optimism and participation in Nigeria's stock market may have followed the adoption and stabilization of the Investors' & Exporters' Forex Window by the CBN<sup>3</sup>, which attracted investors in assurance of their naira-based investments, considerably eased liquidity constraints and sustained the relative stability at the forex market. Despite the rekindled investor's confidence in the Nigerian economy, recovery is still fragile. Therefore, keeping the CBN forex trading window flexible may be necessary to sustain such recovery in the short term, as distortions in the current operations/flexibility of the window could lead to a repatriation of investor funds.



## FAAC Allocation

Recent media highlights reveal a reduction in the total revenue amount disbursed by the Federal Accounts Allocations Committee in October 2017. Relative to the ₦637.7 billion allocated in September 2017, FAAC distributed ₦558.08 billion to the tiers of government in October 2017 – down by 12.5 percent<sup>4</sup>. Perhaps, the decline is partly due to the Month-on-Month moderation in average crude oil price and consequently oil related revenue<sup>5</sup>. Given the volatile nature of oil revenue, strong commitment needs to be made to diversify the government revenue away from oil. The government needs to institute strategies that can enhance the development of solid minerals and agricultural value chains. These sectors have enormous potential to improve revenue generation and diversification in the medium term.



## Crude Oil Price

Crude oil prices have sustained upward increases for the past few weeks in October. For the review week (October 20 -27, 2017), OPEC weekly basket price increased by 1.7 percent to ₦56.45 per barrel<sup>6</sup>. Global benchmark crude, Brent, rose 2 percent to settle at \$60.44 per barrel at the end of the week – the highest price per barrel since July 2015<sup>7</sup>. Oil prices drew support from indications of prospective and further production/supply cuts by OPEC member countries, particularly by Saudi-Arabia and Russia<sup>8</sup>. While upward trajectory of crude oil prices is expected to be sustained in the short term in line with OPEC's production cuts deal expected to run until March 2018, it is important to note that crude oil prices would remain volatile. Therefore, the Nigerian government should take advantage of periods of high revenue from crude oil exports to develop other sectors (such as Agriculture, Manufacturing and Services sectors) of the economy as key exporting and revenue generation sectors, and thus minimize volatility risks.



## 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>July-2017</b>	<b>August-2017</b>	<b>September-2017</b>
<b>Headline Inflation (%)</b>	16.05	16.01	15.98
<b>Food Sub-Index (%)</b>	20.28	20.25	20.32
<b>Core Sub-Index (%)</b>	12.2	12.3	12.1
<b>External Reserve (US\$ Million)</b>	30,898.96	31,491.1	32,028.3
<b>All Share Index (Points)</b>	36,864.71	NA	NA
<b>Market Capitalization (N' Billion)</b>	12,705.45	NA	NA
<b>Exchange Rate (BDC - N/US\$)</b>	365.38	365.57	NA
<b>Official Rate (N/US\$)</b>	305.86	305.67	NA
<b>Manufacturing PMI</b>	54.1	53.6	55.3
<b>Non-Manufacturing PMI</b>	54.4	54.1	54.9
<b>Crude Oil Price(US\$/Barrel)</b>	49.01	51.64	NA
<b>Petrol (PMS - N/litre)</b>	148.2	144.4	144.5
<b>Diesel (AGO - N/litre)</b>	197.6	196.23	184.8
<b>Kerosene (NHK - N/litre)</b>	280.5	225.52	264.48
<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>	13.46	13.35	NA
<b>Savings Deposit (%)</b>	4.08	4.08	NA
<b>Prime Lending (%)</b>	17.65	17.69	NA
<b>Maximum Lending (%)</b>	30.94	31.20	NA
<b>Narrow Money (N'Billion)</b>	10,325.98	9,890.81	10,064.24
<b>Broad Money (N'Billion)</b>	22,200.32	21,851.45	21,953.99
<b>Net Domestic Credit (N'Billion)</b>	27,160.16	26,821.45	26,985.31
<b>Credit to Government (N'Billion)</b>	4,987.79	4,824.23	4,963.41
<b>Credit to Private Sector (N'Billion)</b>	2,217.24	2,199.72	2,202.19
<b>Currency in Circulation (N'Billion)</b>	1,769.75	1,868.74	1,781.05
<b>FAAC (N' Billion)</b>	467.85*	637*	558.08*

\*Revised GDP figures

NA: Not Available

<sup>1</sup>National Bureau of Statistics (2017). “Nigerian Gross Domestic Product Report (Expenditure and Income Approach) (Q3-Q4 2016)”. Retrieved from, <http://www.nigerianstat.gov.ng/>

<sup>2</sup>Nigeria Stock Exchange (2017). “Domestic & Foreign Portfolio Participation in Equity Trading – September 2017”. Retrieved from, [http://www.nse.com.ng/market\\_data-site/other-market-information-site/FPI%20Report/NSE%20Domestic%20and%20FPI%20Report%20-%20September%202017.pdf](http://www.nse.com.ng/market_data-site/other-market-information-site/FPI%20Report/NSE%20Domestic%20and%20FPI%20Report%20-%20September%202017.pdf)

<sup>3</sup> The Vanguard (2017). “FMDQ introduces reference rate for special FX window for investors”. <https://www.vanguardngr.com/2017/04/fmdq-introduces-reference-rate-special-fx-window-investors/>

<sup>4</sup>The Vanguard (2017). “FAAC: FG, States, LGs share N558bn in Oct, allocation decreases”. Accessed October 30, 2017. <https://www.vanguardngr.com/2017/10/faac-fg-stateslgs-share-n558bn-oct-allocation-decreases/>

<sup>5</sup>Proshare (2017). “A Decline in October 2017 FAAC Payout”. Accessed November 1, 2017. <https://www.proshareng.com/news/Nigeria-Economy/A-Decline-in-October-2017-FAAC-Payout/36967>

<sup>6</sup>OPEC (2017). “OPEC Basket Price”. Accessed November 1, 2017. [http://www.opec.org/opec\\_web/en/data\\_graphs/40.htm](http://www.opec.org/opec_web/en/data_graphs/40.htm)

<sup>7</sup>Ycharts (2017). “Brent Crude Oil Spot Price”. Accessed November 2, 2017. [https://ycharts.com/indicators/brent\\_crude\\_oil\\_spot\\_price](https://ycharts.com/indicators/brent_crude_oil_spot_price)

<sup>8</sup>Reuters (2017). “Oil up 2 percent, Brent hits \$60 per barrel on support for extending curbs”. Accessed October 30, 2017. <https://www.reuters.com/article/us-global-oil/oil-up-2-percent-brent-hits-60-per-barrel-on-support-for-extending-curbs-idUSKBN1CW03P>