

April 8, 2016

Crude Oil

The OPEC basket price experienced fluctuations in price this week. The basket price decreased at the beginning of the week from \$34.54 per barrel on April 1, 2016 to \$32.71 per barrel on April 4, 2016, and increased to \$36.01 per barrel at the end of the week (April 8, 2016)¹. The decline experienced this week can be traced to Iran's refusal to comply with the production cut agreement², while subsequent increase was due to an increase in the demand for gasoline in the US³. It is believed that oil price will increase if OPEC's determination towards enforcing the production cut agreement on Iran and other members become successful.



Stock Market and frontier index

The All-Share Index (ASI) and Market Capitalization depreciated by 0.70 percent between April 1, 2016 and April 8, 2016. ASI depreciated from 25,507.09 points to 25,328.07 and the Market Capitalization decreased from N8.77 trillion to N8.71 trillion⁴. All other indices (apart from NSE Oil/Gas and NSE pension indices) closed lower within the same period. Furthermore, Morgan Stanley Capital International (MSCI) has threatened to delist Nigeria from its Frontier Markets Index, as the present forex restrictions hinders the repatriation of capital⁵. Given that Nigeria was previously removed from JP Morgan's index in 2015, an additional exclusion from MSCI World Frontier Market Index (on April 29, 2016) will further reduce Investors' confidence, with negative effects on the stock market. The monetary authorities may need to revisit the foreign exchange policies to reverse the negative signals perceived by investors.



Foreign Exchange and Foreign Reserves

Naira/ dollar exchange rate has continued to be relatively stable at the parallel market segment. Naira depreciated slightly by N1 from N322/\$ on April 1, 2016 to N323/\$ on April 8, 2016⁶ and this can be attributed to speculators reaction to a likely relaxation of existing forex restrictions. The Foreign reserves also declined slightly by 0.79 percent from \$27.86 billion dollars to \$27.64 billion between April 1, 2016 and April 8, 2016⁷. The decline seems to be connected with the increased supply of forex to manufacturers and oil marketers⁸ to encourage local production and curb the present fuel shortage experienced in the country respectively.



Power Sector

Power sector analysis shows a decline in power generated by 8.5 percent from a peak of 3,675 mw to 3,362 mw between April 3, 2016 and April 10, 2016⁹. This record is however still below 5,074.7 mw- the highest peak ever attained in the country. The declining power supply which has been attributed to vandalism of pipelines and gas shortages, has continued to distort economic activities in the country. With the persistent fall in electricity generation, the possibility of attaining the targeted 10,000 mw by 2019¹⁰ seems unattainable. A clear strategy towards increasing power generation and curbing vandalism is urgently needed.



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

- ¹OPEC Weekly Oil Price. Accessed March 24, 2016. http://www.opec.org/opec_web/en/data_graphs/40.htm
- ²The Week. The Week, April 8, 2016. "Oil price back above \$40 but will 'struggle to go higher'" <http://www.theweek.co.uk/oil-price/60838/oil-price-back-above-40-but-will-struggle-to-go-higher>
- ³Baker Hughes. Baker Hughes, April 11, 2016. "Rig Count Overview & Summary Count" <http://phx.corporate-ir.net/phoenix.zhtml?c=79687&p=irol-rigcountsoverview>
- ⁴NSE, 2016. "Stock Market Report for April 8th, 2016". Accessed April 11, 2016 http://www.nse.com.ng/market_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2008-04-2016.pdf
- ⁵Salter Daniel. "Nigeria could be kicked out of the MSCI Frontier Markets Index". April 8, 2016. CNBCAFRICA. Accessed April 11, 2016 <https://www.cnbcfrica.com/news/financial/2016/04/08/nigeria-msci-frontier-market-index/>
- ⁶Lagos Black Market Rates. Abokifx2016. Accessed February 19, 2016. <http://abokifx.com/>
- ⁷CBN Statistical database 2015. The Movements in the Reserve. Accessed April 12, 2016 <https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=4/18/2016%208:59:56%20AM>
- ⁸Thisday. "CBN Raises forex supply to manufacturers, oil marketers to get \$200 million for fuel imports". This day, April 8, 2016. Accessed April 11, 2016 <http://www.thisdaylive.com/index.php/2016/04/08/cbn-raises-forex-supply-to-manufacturers-oil-marketers-to-get-200m-for-fuel-imports/>
- ⁹Nigerian Electricity Regulatory Commission. Weekly Energy Watch 10 April 2016. Accessed April 13, 2016. <http://www.nercng.org/>
- ¹⁰Alike Ejiolor. "As Buhari Targets 10,000 MW of Electricity" Thisday, April 5, 2016. Accessed April 13, 2016 <http://www.thisdaylive.com/index.php/2016/04/05/as-buhari-targets-10000mw-of-electricity/>