

March 11, 2016

Gross Domestic Product (GDP)

Recent Data on Nigeria's Real GDP growth rate (Year-on-Year) declined by 0.73 percentage points, from 2.84 per cent in 2015Q3 to 2.11 percent in 2015Q4¹. The slowdown in economic growth was largely driven by the decline in the performance of the oil sector which was occasioned by the slump in crude oil prices and the slight drop in the volume of crude oil produced. Specifically, compared to the 1.05 percent growth recorded in 2015Q3, the oil sector witnessed a negative growth of 8.28 percent in 2015Q4. The moderate economic growth experienced in the period was driven by the non-oil sector which grew slightly from 3.06 percent recorded in 2015Q3 to 3.14 percent in 2015Q4. Crop production, trade, information and telecommunications were the main drivers of growth in the non-oil sector. The recent steady increase in the price of crude oil as well as the high likelihood that the National Assembly will pass the 2016 appropriation bill may spur economic activities in the near term.



Crude oil price

The price of oil in the international crude oil market continued its upward trajectory, as OPEC's weekly basket price increased significantly by 11 per cent from \$31.53 on March 4, 2016 to \$35.08 per barrel on March 11, 2016². Remarkably, Nigeria's Bonny Light Crude oil sold at \$39.52³, \$1.52 above the 2016 Medium-Term Expenditure Framework (MTEF) benchmark oil price of \$38 per barrel. This marks the highest recorded price for crude oil since December, 2015. The increase in the price of oil in the period was largely driven by short-term supply-side shocks in the oil market. Crude oil production disruptions in Iraq, Nigeria, and the United Arab Emirates as well as the sharp fall in OPEC's oil production supported the prices considerably. In addition, the increasing cost of production in the United States⁴ has further supported prices. Indeed, the steady rise in the price of crude oil may signal a gradual recovery in the global crude oil market in the short to medium term.



Foreign Exchange and Foreign Reserve

Naira depreciated slightly by 1.56 percent from N320/\$ on March 16, 2016 to N325/\$ on March 16, 2016⁵. The decline in the value of the naira on account of speculative demand led the Federal Government of Nigeria (FGN) to direct the Economic and Financial Crimes Commission (EFCC) to investigate cases of forex speculation. Similarly, the government is considering to discontinue the official provision of forex for educational purposes abroad⁷. While these temporary ad hoc measures can limit volatility in the forex market in the short-term, a well-designed framework is required to manage the forex market within the medium and long term. Given the sustained increase in the price of crude oil in the period, the foreign reserve increased slightly by 0.14 percent (\$35 million), from \$27.84 billion to \$27.88 billion⁸. With easing market conditions in the international crude market, a modest growth in Nigeria's foreign reserve is expected to continue, at least in the near term.



Stock Market

All-Share Index (ASI) and Market Capitalization appreciated by 0.65% in the period under review. ASI appreciated from 25,820.10 points to 25,988 between March 4 and March 11, 2016⁹. Similarly, the Market Capitalization increased from N8.88 trillion to N8.94 trillion⁹ within the same period. Recent data on the performance of Nigeria's Capital Market by the Nigeria Stock Exchange (NSE) showed that the total value of transactions on the Exchange declined by 23.93 per cent from N110.56 billion in December 2015 to N84.10 billion in January 2016. Similarly, Foreign Portfolio Investment fell by 15.54 percent from N51.35 billion to N43.37 billion, while domestic investment declined steeply by 32.21 per cent from N59.21 billion in December 2015 to N40.73 billion between December 2015 and January 2016. The huge decline in investments in the Capital Market is not unconnected to the rising risk profile of the Nigerian economy as well as the capital controls still in place in the country. However, with the recent increase in the price of crude oil, the monetary authorities may need to consider a review of their policy stance on forex management, in order to improve the business climate.



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

- ¹National Bureau of Statistics. "Nigeria Gross Domestic Product Report, Quarter four 2015". Accessed March 10, 2016. <http://www.nigerianstat.gov.ng/pages/download/371>
- ²OPEC Weekly Oil Price. Accessed March 14, 2016. http://www.opec.org/opec_web/en/data_graphs/40.htm
- ³Cbn.gov.ng
- ⁴Kottasova Ivana. CNN Money, March 11, 2016. Accessed March 14, 2016. "Oil prices may have bottomed out" <http://money.cnn.com/2016/03/11/news/economy/oil-prices-bottom-ia/>
- ⁵Lagos Black Market Rates. Abokifx2016. Accessed January 16, 2016 <http://abokifx.com/>
- ⁶"FG orders EFCC to investigate Forex speculators". TV360Nigeria, March 10, 2016. Accessed March 11, 2016. <http://www.tv360nigeria.com/fg-orders-efcc-investigate-forex-speculators/>
- ⁷Aderinokun Kunle and Soniyi Tobi "Nigeria Can't Afford Forex Demand for Students Studying Abroad". This Day, March 6, 2016. Accessed March 8, 2016. <http://www.thisdaylive.com/index.php/2016/03/06/buhari-nigeria-cant-afford-forex-demand-for-students-studying-abroad/>
- ⁸CBN Statistical database 2015. Accessed March 16, 2016. <http://cbn.gov.ng/IntOps/Reserve.asp?MoveDate=3/16/2016%201:08:14%20AM>
- ⁹NSE (2016). Weekly Market Report. Accessed March 14, 2016. <http://www.nse.com.ng/>
- ¹⁰NSE (2016). "Domestic & Foreign Portfolio Participation in Equity Trading–January 2016". Retrieved from http://www.nse.com.ng/market_data-site/other-market-information-site/FPI%20Report/Domestic%20and%20FPI%20Report%20January%202016.pdf