

Economic Growth Outlook

Economic growth projections by the World Bank, reveals a path towards recovery from the nation's current economic recession, in 2017. Specifically, real GDP growth rate is projected to rise from 2016 estimate of -1.7 percent to 1.0 percent in 2017¹. The outlook of a modest recovery is based on assumptions of policy tightening (to stabilize the naira); and a gradual stabilization of oil price complemented by potential increase in domestic crude production. The outlook of positive economic recovery projected by the World Bank, however, requires a profound and pragmatic approach that can pull the economy out of recession. This among others entails an articulation of strong policy strategies that can enhance the efficient functioning of the market system and boost economic fundamentals, strict adherence to fiscal rules, pro-industry policy reforms, functional institutional reforms, and political and social cohesion.



Inflation

Inflation rate continued to rise for the 12th consecutive month in 2016. Precisely, CPI (Consumer Price Index), the measure of inflation rate, grew marginally by 0.07 percentage points to 18.55 percent in December 2016² – the highest rate recorded since September 2005. The food sub-component increased by 0.20 percentage points to 17.39 percent in December 2016, driven by increase in prices of all major food groups, in the seasonal period. On the contrary, relative to the preceding months, the core sub-component declined marginally by 0.1 percentage points to 18.10 percent, probably on account of moderation in the cost of energy and energy related items³. The upward trajectory in inflationary trend amid tightening monetary policy lends credence to the fact that the ongoing inflation is largely driven by structural and supply-side factors rather than monetary phenomenon. Therefore, streamlined efforts need be implemented towards addressing constraints to supply-side and enhance domestic production.



Business Environment

Recent ranking by the World Bank, portrayed Nigeria as having a poor business environment based on the ease of doing business in 2016. Although, Nigeria moved one position forward from previous (2015) ranking, to attain the 169th position out of the 190 global economies reviewed⁴. This poor rating is resultant of a myriad of factors, including: difficulties in starting a business, enforcing contracts, inaccessibility to credit, tax payment issues, as well as unreliable supply of energy, and labour market regulations. Going forward, improving the efficiency of tax administration by adopting the latest technology to facilitate the preparation, filling and payment of taxes will be beneficial for the business community. In addition, the government could undertake court reforms with the aim of shortening delays in the enforcement of contracts. Furthermore, improving access to information and credit needed for starting businesses would be critical in formalizing the informal sector. Lastly, the government should make necessary reforms to improve power generation and distribution which is critical to the business community.



Stock Market

Figures from the NSE 2016Q4 factsheet, show a decline in the average daily volume and value of traded securities. Relative to the corresponding quarter (2015Q4), average daily volume and value of securities reduced by 15.1 percent and 34.1 percent, to 251.5 million units and N1.84 billion respectively⁵. Given the emerging nature of the NSE coupled with challenges in the macro-economy, the decline was effected by investors' capital flight to more advanced and less volatile capital markets⁶. Going forward, addressing the present stagflation in the country while maintaining clear and consistent policy direction would go a long way in stimulating investors' appetite in the Nigerian economy.



ECONOMIC INDICATORS

QUARTERLY ECONOMIC INDICATORS	2016Q1	2016Q2	2016Q3
GDP Growth Rate (%)	-0.36	-2.06	-2.24
Oil GDP (%)	-1.89	-17.48	-22.01
Non-Oil GDP (%)	-0.18	-0.38	0.03
Unemployment Rate (%)	12.10	13.10	13.9
Underemployment Rate (%)	19.10	19.30	19.7
Foreign Direct Investment (US \$'Million)	174.46	184.29	340.64
Portfolio Investment (US \$'Million)	271.04	337.31	920.32
Other Investments (US \$'Million)	265.47	520.57	561.16
External Debt (FGN & States - N'Billion)	2,205.35	3,187.11	NA
Domestic Debt (FGN - N'Billion)	9,970.05	10,606.33	NA
Manufacturing Capacity Utilisation (%)	52.70	50.70	NA
MONTHLY ECONOMIC INDICATORS	Sep-2016	Oct-2016	Nov-16
Headline Inflation (%)	17.85	18.3	18.5
Food Sub-Index (%)	16.60	17.1	17.2
Core Sub-Index (%)	17.70	18.1	18.2
External Reserve (US\$ Million)	23,806.51	23,689.87	25,081.22
All Share Index (Points)	27,964.84	27,663.26	25,333.39
Market Capitalization (N' Billion)	9,606.00	9,501.79	8,720.80
Exchange Rate (BDC - N/US\$)	431.10	462.03	415.36
Official Rate (N/US\$)	305.23	305.21	305.18
Manufacturing PMI	42.50	44.1	46.00
Non-Manufacturing PMI	41.00	43.4	42.80
Crude Oil Price(US\$/Barrel)	47.43	51.00	45.25
Petrol (PMS - N/litre)	146.30	145.90	146.7
Diesel (AGO - N/litre)	192.69	187.25	195.67
Kerosene (NHK - N/litre)	288.68	292.73	282.86
MPR (%)	14.00	14.00	14.00
Private Sector CRR (%)	22.50	22.50	22.50
Public Sector CRR (%)	22.50	22.50	22.50
91 Day T-Bill Rate (%)	14.00	13.96	13.99
Savings Deposit (%)	4.05	4.08	4.28
Prime Lending (%)	17.09	17.10	17.06
Max Lending (%)	27.49	27.69	28.53
Narrow Money (N'Billion)	9,949.39	10,023.62	NA
Broad Money (N'Billion)	22,133.48	22,275.51	NA
Net Domestic Credit (N'Billion)	26,341.47	26,774.68	NA
Credit to Government (N'Billion)	3,748.84	3,705.05	NA
Credit to Private Sector (N'Billion)	22,592.63	23,069.64	NA
Currency in Circulation (N'Billion)	1,794.29	1,825.66	NA

¹World Bank (2017). "Global Economic Prospects Report". January 2017. Retrieved from, <https://openknowledge.worldbank.org/bitstream/handle/10986/25823/9781464810169.pdf>

²National Bureau of Statistics (2017). "CPI Report December 2016". Retrieved from, <http://www.nigerianstat.gov.ng/report/495>

³National Bureau of Statistics (2017). "NBS PMS Watch December 2016". Retrieved from, <http://www.nigerianstat.gov.ng/report/492>

⁴World Bank (2017). "Doing Business 2017: Equal Opportunity for All". Retrieved from, <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf>

⁵Nigeria Stock Exchange (2017). "NSE 2016Q4 Factsheet". Retrieved from, http://www.nse.com.ng/market_data-site/other-market-information-site/NSE%20Fact%20Sheet/Q4%20Fact%20Sheet%20-%202016.pdf

⁶Nigeria Stock Exchange (2017). "NSE 2016Q4 Factsheet". Retrieved from, http://www.nse.com.ng/market_data-site/other-market-information-site/NSE%20Fact%20Sheet/Q4%20Fact%20Sheet%20-%202016.pdf