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CENTRE FOR THE STUDY OF THE ECONOMIES OF AFRICA


# Weekly Digest

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## Crude Oil Prices Fell in the International Markets in June 2023

According to OPEC's monthly report on crude oil movement, the price of crude oil dropped significantly in the global market in June. In particular, the OPEC Reference Basket fell by 0.8 percent (63 cents) from $75.82 per barrel in May to $75.19 per barrel. Similarly, the monthly averages for ICE Brent and New York Mercantile Exchange (NYMEX) Western Texas Intermediate (WTI) dropped from $75.69 per barrel and $71.62 per barrel in May to $74.98 per barrel and 70.27 per barrel, respectively. However, the Dubai Mercantile Exchange (DME) Oman marginally increased, month-on-month, by 0.2 percent (13c), rising from $74.78/barrel in May to $74.91/barrel in June. The unpredictable market climate, which pressures investors to sell out, particularly hedge funds and other money managers, has been attributed to the overall decline in crude oil prices. Uncertainty regarding the state of the global economy, a bleak demand outlook, and tightening monetary policies in many economies engineered by rising global inflation are additional factors attributed to the drop in crude oil prices. As an oil-producing country, unstable crude oil prices have continued to influence Nigeria's economy, further stretched by low revenue generation, massive debt buildup, and an enormous debt payment load. Nigeria must continue to seek measures to increase the output of oil production by curbing oil theft and bunkering, providing a facelift to the oil dilapidated oil refineries, and ensuring that the newly commissioned Dangote refinery kicks off as soon as possible. Even though the country's economy is more exposed to swings in oil prices due to its overreliance on crude oil, the present administration must embrace a fresh approach to revenue generation. The economy must be diversified to favour non-oil sectors to create more revenue for infrastructure construction.

## Market Capital Importation to Nigeria Dropped by 28% in Q1 2023

The National Bureau of Statistics (NBS) reported that capital importation into Nigeria fell by 28 percent from US$1,573.14 million in Q1 2022 to US$1,132.65 million in Q1 2023. The recent decline in capital importation was attributed to the uncertainties surrounding the general elections in Q1 2023. Despite this, capital importation increased by 6.78 percent in Q4 2023 from US$1,060.73 million in Q4 2022. This increase could be attributed to the high-interest rates that drew investors to portfolio investments. Portfolio investment accounted for 57.32 percent (US$649.28 million) of the total capital imported in Q1 2023. Other and foreign direct investments came in second and third, with US$435.76 million and US$47.60 million, respectively. According to the sectoral breakdown of capital importation for the quarter, the banking sector experienced the most significant capital inflow, accounting for US$304.56 million, or 26.89 percent of all capital imported in Q1 2023. After the banking business, the production industry, and the IT sector each attracted capital inflows worth US$256.12 million (22.61 percent) and US$216.06 million (19.08 percent), respectively. Only nine out of 36 states had capital inflows during the quarter under review, including Abuja. Lagos and Abuja accounted for 98.45 percent of the total capital inflows valued at US$ 1,115,14 million. Two conclusions emerge from the analysis above: first, there is an uneven distribution of capital inflows across the country; second, the real sector of the economy is not benefited by capital importation, as seen by the volume of foreign direct investment that flow into Nigeria. A lack of supporting infrastructure, such as dependable electricity and effective transportation systems, may be responsible for the absence of capital inflows in the real estate sector. The present administration must provide infrastructure supporting foreign direct investment to change the narrative.

## Equity Market Maintains Bullish Outlook At the End of Trading Week 7 July 2023

At the end of the trading week on Friday, July 7, 2023, the Nigerian Exchange Group's (NGX) weekly report generally indicated that the equity market maintained a positive outlook. According to the NGX report, the All-Share Index and Market Capitalization increased by 3.40 percent to close the week at 63,040.41 and N34.326 trillion compared to the previous week (30 June 2023) when they closed at 60,968.27 and N33.198 trillion, respectively. All-Share Indices concluded the week under review on a bullish note except for the NGX Consumer Goods Index, which declined by 0.22 percent. Meanwhile, the NGX ASeM and NGX Sovereign Bond Indices closed flat (0.00 percent). This week, investors traded a total of 9.831 billion shares worth N145.408 billion in 54,478 deals on the Exchange's trading floor, up from a total of 3.369 billion shares worth N41.986 billion in 39,764 deals the week before. With 8.349 billion shares worth N127.944 billion exchanged in 27,291 deals, the financial services sector dominated the trading chart and contributed 84.92 percent and 87.99 percent to the overall stock turnover volume and value. The conglomerates and ICT industries came in second and third place, respectively, with 420.770 million shares worth N1.683 billion in 2,840 deals and 220.121 million shares worth N2.198 billion in 3,237 sales. FBNH Holding Plc, FCMB Group Plc, and Bank for Africa were the top three equity trading companies, transacting 6.071 billion shares worth N102.488 billion in 7,505 trades, accounting for 61.75 percent and 70.48 percent of the total equity turnover volume and value, respectively. Investors' confidence in the current administration's policy of subsidy elimination and exchange rate unification, as well as the conductive financial climate that followed the 2023 general elections, were the reasons for the recent bullish equity market. Thus, to rein the gains in the current bullish equality market and create a solid financial system for growth and development, relevant authorities must continuously support the conductive financial environment with appropriate financial policies, supervisions, and regulations.

| ECONOMIC SNAPSHOT | + | |
|---|---|---|
| **Quarterly Indicators** | ‘22Q4 | ‘23Q1 |
| **GDP Growth Rate (%)** | 3.52 | 2.31 |
| **Oil GDP Growth Rate (%)** | –13.38 | –4.21 |
| **Non-oil GDP Growth Rate (%)** | 4.44 | 2.77 |
| **Unemployment Rate (%)** | NA | NA |
| **Foreign Direct Investment (US $ Million)** | 84.23 | NA |
| **Portfolio Investment (US $Millions)** | 285.26 | NA |
| **Other Investment (US $Million)** | 691.23 | NA |
| **External Debt (FGN & States- N’Trillion)** | 18.70 | 19.64 |
| **Domestic Debt (FGN + States & FCT N’Trillion)** | 27.55 | 30.21 |
| **Manufacturing Capacity utilization (%)** | NA | NA |
| **Monthly Indicators** | May ’22 | May ’23 |
| **Headline Inflation (%)** | 17.71 | 22.41 |
| **Food Sub-Index (%)** | 19.50 | 24.82 |
| **Core Sub-Index (%)** | 14.21 | 19.83 |
| **External Reserves (End Period) (US$ Billion)** | 38.48 | 34.09 |
| **Official Rate Approx. (N/US$)** | 415.15 | 461.26 |
| **BDC Rate Approx. (N/US$)** | NA | NA |
| **Manufacturing PMI** | 48.9 | NA |
| **Non-Manufacturing PMI** | 49.9 | NA |
| **Average Crude Oil Price (US$/Barrel)** | 117.17 | 76.91 |
| **Petrol (PMS-N/litre)** | 173.08 | 238.11 |
| **Diesel (AGO -N/Litre)** | 238.82 | 844.28 |
| **Kerosene (HHK -N/Litre)** | 679.54 | 1,206.05 |
| **Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)** | 3,921.35 | 4,360.69 |
| **MPR (%)** | 13.0 | 18.50 |
| **CRR (%)** | 27.5 | 32.5 |
| **T-Bill Rate (%)** | 2.47 | 2.98 |
| **Savings Deposit Rate (%)** | 1.37 | 5.13 |
| **Prime Lending (%)** | 11.96 | 14.07 |
| **Maximum Lending (%)** | 27.37 | 28.31 |
| **Narrow Money (N’Trillion)** | 20.56 | 22.27 |
| **Broad Money (N’Trillion)** | 48.51 | 55.50 |
| **Net Domestic Credit (N’Trillion)** | 56.51 | 74.91 |
| **Credit to the Government (Net) (N’Trillion)** | 18.05 | 30.69 |
| **Credit to the Private Sector (N’Trillion)** | 38.46 | 44.21 |
| **Currency in Circulation (N’Trillion)** | 3.331 | 2.527 |
| **FAAC (N’Billion)** | 833.86 | NA |

NA: Not Available

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