

August 19, 2016

Fiscal Focus

Recent reports in the media highlight that the implementation of Nigeria's 2016 developmental capital expenditure has been slow. Specifically, only about 25 percent of the total N1.59 trillion appropriated for capital expenditure in 2016 has been released so far¹. This is unsurprising given significant decline in crude oil prices and production in 2016, which has seen the government struggle to fund capital projects. Given that the third quarter of the 2016 fiscal year is nearly over, the prospects on the completion of critical capital projects seem bleak in the presence of (oil) revenue shortages. Looking forward, the speedy execution of capital projects in subsequent years depend largely on the efficacy of exploring alternative (non-oil) revenue sources, given that oil price and production are likely to remain vulnerable.



Power Sector

Power sector statistics show a significant increase in power generated from August 12 to August 19, 2016. Precisely, power generated increased by 2.2 percent to 3953.6MW² (a 4-month high). Increased water reserves in dams for hydro generating plants occasioned by seasonal adjustments (rainy season), led to improved power generation³. Additionally, in a bid to further improve and sustain power generation, the federal government received a \$100 million credit facility from India³. However, consistent power supply could be jeopardized if the development is not aided by improved distribution by DISCOs.



Exchange Rate

The naira depreciated marginally in the review week. Specifically, naira depreciated averagely by 0.65 percent to N312/\$⁴ at the Interbank and remained at N397/\$⁵ in the parallel market. The slight pressure may likely be driven by higher forex demand in the review week, despite the recent ease in liquidity. Yet, the disparity between interbank and parallel rates can still be noticed. However, the wide gap could be reduced in the intermediate term as the CBN agreed to increase the weekly sales to BDCs by 67 percent to \$50,000. This measure could also spur liquidity to meet the increasing demand in the near term, while positively affecting the value of the naira in the long term.



Stock Market

All-share index and Market Capitalization appreciated week-on-week by 1.48percent to 27,605.32 points and N9.5 trillion respectively⁶. The bullish position may have been triggered by speculative motives and investors' expectation that forex liquidity could continue to improve through CBN interventions. This presents the need to continue to reassure investors of forex liquidity in order to support inflow of foreign funds through stock market.



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

¹Nairametrics (2016). “Government has Spent over 400 billion Naira on Capital Expenditure as at August 2016”. Nairametrics, Accessed August 21, 2016.

<http://nairametrics.com/government-has-spent-over-n400-billion-on-capital-expenditure-as-at-august-2016/>

²NSO (2016). Performance Chart August 12 - August 19, 2016. Retrieved from,

<http://nsong.org/PerformanceChart.aspx>

³Nigeria Electricity Hub (2016). “Nigeria Gets \$100 million Credit Facility from India to Boost Power Supply”. Accessed on August 23, 2016, <http://www.nigeriaelectricityhub.com/?p=8867>

⁴CBN (2016). Exchange Rates. Accessed August 21, 2016.

<http://www.cbn.gov.ng/rates/ExchRateByCurrency.asp>

⁵Lagos Black Market Rates. Abokifx2016. Accessed August 21, 2016.

<http://abokifx.com/previous-rates-2/>

⁶NSE (2016) Weekly Market Report. Accessed August 21, 2016.

http://www.nse.com.ng/market_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2019-08-2016.pdf