

Issue 40,
October 6, 2017

Fiscal Focus

Recently released data by the National Bureau of statistics points to a month-on-month increase in the federation account for July 2017. Oil revenue rose significantly by 42.7 percent to N362.43 billion¹, on account of the 1.7 million barrels per day production and relatively stable crude oil average price of \$49.01 in July. Non-oil revenue also grew from N157.59 billion to N338.85 billion, driven by corresponding increase in petroleum tax and other excise duties. However, the Federal Government's account (Consolidated Revenue account) recorded an inflow of N438.80 billion in the review month, and an outflow of N560.033 billion (with recurrent expenditure accounting for 92.5% of total expenditure) – translating into a fiscal deficit of N121.23 billion. Going forward, more funds should be channeled towards the implementation of the 2017 capital budget as the year runs out.

**FISCAL
FOCUS**

Crude Oil Price

Global crude prices settled lower in the review week (September 29 to October 6, 2017)². Precisely, a barrel of Brent crude sold for about \$56, showing a 6.3 percent decrease. Nigeria's Bonny light exchanged at \$56.76 per barrel as at October 6, 2017³. The drawdown in price may be attributable to indications of higher output, as revealed by the addition of more production rigs by the U.S, rise in Iraq's crude exports and survey showing OPEC's overall boosted supply⁴. However, crude prices still remain above \$50, a psychological benchmark that investors view as optimistic for the global crude oil market. Particularly, the robust recovery of U.S shale oil activity is expected to limit crude oil price gains in the near term. This could also limit the growth potential of Nigeria's government revenue, and expenditure expansion. Therefore, efforts should be made to plug revenue leakages and ensure that ministries, departments and agencies remit operating surpluses to help sustain adequate pool of revenue.



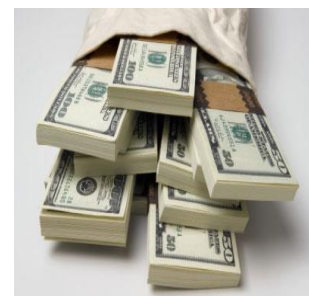
Petroleum Statistics

Historical data from the National Bureau of Statistics reveals that a total of 32.7 billion barrels of crude oil was produced in Nigeria from Independence till 2014. The post-independence crude production is valued at N118.5 trillion⁵. A closer review of the figures show that from an average price of \$1.57 per barrel in 1961, crude prices soared to reach a peak of \$109.45 per barrel in 2012, and to \$96.29 as at 2014. Given the exponentially depreciating exchange rate, crude oil which sold for N1.11 per barrel in Naira terms at independence, traded at N16,101.53 per barrel in 2014. In spite of the substantial amount realized from oil activities in Nigeria in the past, the country still confronts with huge infrastructural deficits in addition to unsatisfactory development performance. Going forward, it is important the policy makers key into policies that would enhance effective management of the nation's oil and gas sector to the benefit of both current and future generation.



Exchange Rate

The naira appreciated week-on-week at Forex market segments on October 6, 2017. Spot price at the Official market rose marginally from N305.75/\$ to N305.65/\$⁶. Parallel market rate appreciated by N2 to N363/\$⁷. A myriad of factors contributed to the marginal appreciation in the review week: The CBN injected \$195 million into different segments of the forex markets during the week⁸; this was backed up by the sustained build-up in the foreign reserves (to approximately \$33 billion)⁹. The recent rebound in the oil price in the international market together with the country's exit from recession would inspire optimistic view in the foreign exchange market. Therefore, it is expedient the monetary authority reduce extensive intervention in the forex market in favour of free floating exchange rate policy. This would restore confidence in the market and conserve the foreign reserve.



ECONOMIC INDICATORS

QUARTERLY ECONOMIC INDICATORS	2016Q4	2017Q1	2017Q2
GDP Growth Rate (%)	-1.73*	-0.91*	0.55
Oil GDP (%)	-17.70*	-11.64	1.64
Non-Oil GDP (%)	-0.33	0.72	0.45
Unemployment Rate (%)	14.2	NA	N
			A
Underemployment Rate (%)	21.0	NA	NA
Foreign Direct Investment (US \$'Million)	344.63	211.38	274.4
Portfolio Investment (US \$'Million)	284.22	313.61	770.5
Other Investments (US \$'Million)	920.03	383.28	747.5
External Debt (FGN & States - N'Billion)	3,478.91	4,229.96	4,602.88
Domestic Debt (FGN - N'Billion)	11,058.20	11,971.34	15,034.11
Manufacturing Capacity Utilisation (%)	48.5	53.7	NA
MONTHLY ECONOMIC INDICATORS	June-2017	July-2017	August-2017
Headline Inflation (%)	16.1	16.05	16.01
Food Sub-Index (%)	19.91	20.28	20.25
Core Sub-Index (%)	12.5	12.2	12.3
External Reserve (US\$ Million)	30,340.96	30,898.96	NA
All Share Index (Points)	33,117.48	36,864.71	NA
Market Capitalization (N' Billion)	11,452.12	12,705.45	NA
Exchange Rate (BDC - N/US\$)	366.25	365.38	365.57
Official Rate (N/US\$)	305.72	305.86	305.67
Manufacturing PMI	52.9	54.1	53.6
Non-Manufacturing PMI	54.2	54.4	54.1
Crude Oil Price(US\$/Barrel)	47.42	49.01	51.64
Petrol (PMS - N/litre)	150.3	148.2	144.4
Diesel (AGO - N/litre)	210.42	197.6	196.23
Kerosene (NHK - N/litre)	287.3	280.5	225.52
MPR (%)	14	14	14
Private Sector CRR (%)	22.5	22.5	22.5
Public Sector CRR (%)	22.5	22.5	22.5
91 Day T-Bill Rate (%)	13.5	13.46	13.35
Savings Deposit (%)	4.08	4.08	4.08
Prime Lending (%)	17.59	17.65	17.69
Maximum Lending (%)	30.94	30.94	31.20
Narrow Money (N'Billion)	9,883.82	10,325.98	9,890.81
Broad Money (N'Billion)	21,674.21	22,200.32	21,851.45
Net Domestic Credit (N'Billion)	26,921.03	27,160.16	26,821.45
Credit to Government (N'Billion)	4,942.47	4,987.79	4,824.23
Credit to Private Sector (N'Billion)	2,197.86	2,217.24	2,199.72
Currency in Circulation (N'Billion)	1,873.54	1,769.75	1,868.74
FAAC (N' Billion)	462.4	467.85*	637*

*Revised GDP figures

NA: Not Available

¹National Bureau of Statistics (2017). “Fiscal Statistics (Revenue and Expenditure) (July 2017)”. Retrieved from, <http://www.nigerianstat.gov.ng/>

²Financial Times (2017). “ICE Brent Crude Oil Front Month”. Accessed October 11, 2017. <https://markets.ft.com/data/commodities/tearsheet/summary?c=Brent+Crude+Oil>

³cbn.gov.ng

⁴Reuters (2017). “Oil falls more than two percent on signs of higher output”. Accessed October 11, 2017. <https://www.reuters.com/article/us-global-oil/oil-falls-more-than-two-percent-on-signs-of-higher-output-idUSKCN1C7025>

⁵National Bureau of Statistics (2017). “Petroleum Statistics: Crude Oil Production (Volume And Value) and Oil Refining (1961-2014)”. Retrieved from, <http://www.nigerianstat.gov.ng/>

⁶CBN (2017). “CBN Exchange Rates”. Accessed October 11, 2017. <https://www.cbn.gov.ng/rates/ExchRateByCurrency.asp>

⁷Abokifx (2017). “Lagos Black Market Rates”. Accessed October 9, 2017. https://abokifx.com/ratetypes/?rates=lagos_previous

⁸This Day (2017). “Again, CBN Injects \$195m into Forex Market”. Accessed October 11, 2017. <https://www.thisdaylive.com/index.php/2017/10/10/again-cbn-injects-195m-into-forex-market-2/>

⁹CBN (2017). “The Movement in Reserves (30-Day Moving Average with effect from November 2011)”. Accessed October 11, 2017. <https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=10/11/2017%204:39:04%20AM>