

November 11, 2016

Inflation

The Consumer Price Index (CPI), which measures Inflation, increased and remained in double-digits for the tenth consecutive month. Specifically, the index grew by 0.4 percentage points from 17.9 percent recorded in September to 18.3 percent in October, 2016¹-representing an 11-year high. Both core and food sub-indices of the CPI increased by 0.5 and 0.4 percentage points to 17.1 percent and 18.1 percent respectively. This is on account of significant price increases in domestic food items, living costs (housing, water and electricity) and energy related items (Fuels and Lubricants). Given that recent inflation experience is largely driven by structural factors than monetary phenomenon, significant efforts need be made to tackle impediments to domestic production and improve the supply-side of the economy. Going forward, there is need to revisit reforms in energy pricing to favour firms and make foreign exchange more accessible to enable local firms source for inputs.



Crude Oil Price

Crude oil price decreased in the review week. OPEC weekly basket price reduced by 3.5 percent to \$42.06² per barrel from November 4, 2016 to November 11, 2016, while Nigeria's bonny light price decreased by 1.1 percent to \$44.36³ per barrel in the same period. Global oil market refocused on oversupply, as indicated in the OPEC's October crude data figures (global OPEC and Non-OPEC oil supply grew by 0.97mb/day to average 96.32mb/day and outpaced demand by 1.92mb/day)⁴. This exerted downward pressure on crude prices in the week. Going forward, government can benefit from an initiative that hedge future oil price in order to guard against revenue loss as a result of oil price fluctuations.



External Reserve

Nigeria's external reserve grew marginally (week-on-week) from \$23.98 billion on November 4, 2016, to \$24.10 billion on November 11, 2016⁵. This increase may have been triggered by improvements in oil revenue occasioned by a rise in domestic crude oil output per day (1.46mb/day to 1.63mb/day)⁶; in addition to a continuous capital inflow registered by the economy since the last quarter. Despite, the recent slight improvement, the reserve is still low and can barely finance 6 months of imports. In this regard, the monetary authorities could further implement policies or moral suasion that relaxes credit constraints and raises the ability of domestic firms to borrow. This should contribute to improving the prospects of domestic firms and increasing capital inflows; thus, inducing growth in external reserve.



Exchange Rate

The Naira strengthened against the dollar in the week under review. Precisely, the Naira appreciated (week-on-week) significantly by 3.2 percent to N455/\$⁷ (Parallel market rate) on November 11, 2016, following improvements in the External Reserves which prompted steady CBN dollar supply to FX markets⁸. The monetary authority should continue in its efforts at ensuring free interplay of market forces in the foreign exchange market to douse speculation especially in the parallel market and improve investors' confidence.



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

ECONOMIC INDICATORS

QUARTERLY ECONOMIC INDICATORS	2016Q1	2016Q2	2016Q3
GDP Growth Rate (%)	-0.36	-2.06	NA
Oil GDP (%)	-1.89	-17.48	NA
Non-Oil GDP (%)	-0.18	-0.38	NA
Unemployment Rate (%)	12.10	13.10	NA
Underemployment Rate (%)	19.10	19.30	NA
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	Aug-2016	Sep-2016	Oct-2016
Headline Inflation (%)	17.61	17.85	18.3
Food Sub-Index (%)	16.43	16.60	17.1
Core Sub-Index (%)	17.21	17.70	18.1
External Reserve (US\$ Million)	25,031.93	23,806.51	23,952.77*
All Share Index (Points)	27,528.92	27,964.84	27,663.26
Market Capitalization (N' Billion)	9,454.79	9,606.00	9,501.79
Exchange Rate (BDC - N/US\$)	396.15	431.10	468*
Official Rate (N/US\$)	309.73	305.23	305*
Manufacturing PMI	42.10	42.50	44.1
Non-Manufacturing PMI	43.70	41.00	43.4
Crude Oil Price(US\$/Barrel)	46.15	47.43	NA
Petrol (PMS - N/litre)	147.30	146.30	145.90
Diesel (AGO - N/litre)	196.53	192.69	187.25
Kerosene (NHK - N/litre)	298.19	288.68	292.73
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 (%)	15.25	14.00	NA
Savings Deposit (%)	3.93	4.05	NA
Prime Lending (%)	17.18	17.09	NA
Max Lending (%)	27.21	27.49	NA
Narrow Money (N'Billion)	9,125.90	9,949.39	NA
Broad Money (N'Billion)	21,647.33	22,133.48	NA
Net Domestic Credit (N'Billion)	25,955.11	26,341.47	NA
Credit to Government (N'Billion)	3,290.90	3,748.84	NA
Credit to Private Sector (N'Billion)	22,664.21	22,592.63	NA
Currency in Circulation (N'Billion)	1,679.48	1,794.29	NA

*As at October 31, 2016.

- ¹ National Bureau of Statistics. Consumer Price Index (CPI) October, 2016. Retrieved from, <http://www.nigerianstat.gov.ng/report/462>
- ² OPEC weekly basket price. Accessed on November 14, 2016. http://www.opec.org/opec_web/en/data_graphs/40.htm
- ³ Cbn.gov.ng
- ⁴ OPEC (2016). "Monthly Oil Market Report: November, 2016". Accessed November 14, 2016. http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR%20November%202016.pdf
- ⁵ CBN (2016). "Movement In Foreign Reserve". Accessed November 15, 2016. <http://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=11/15/2016%2012:45:26%20AM>
- ⁶ OPEC (2016). "Monthly Oil Market Report: November, 2016". Accessed November 14, 2016. http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR%20November%202016.pdf
- ⁷ Lagos Black Market Rates. Abokifx2016. Accessed November 14, 2016. <http://abokifx.com/previous-rates-2/>
- ⁸ Abokifx (2016). "Steady Foreign Reserve Stabilizes Naira For a Week". Accessed November 15, 2016. <http://abokifx.com/steady-foreign-reserves-stabilises-naira-week-abokifx-chart/>