

Issue 49,
December 8, 2017

Fiscal Focus

Recent media highlights reveal that the Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) 2018-2020 has been passed and approved¹, following several months of review by the legislative arm of government. While other parameters hold constant: crude production at 2.3 million barrels per day, N305/\$ foreign exchange rate, Inflation rate of 12.4 percent, and GDP growth rate of 3.5 percent; the Crude oil price benchmark was raised to \$47, from \$45 per barrel. With respect to the 2018 fiscal year, the MTEF/FSP seeks to advocate for higher revenue, expenditure and fiscal deficit projections, as contained in the 2018 budget. Thus, the approval of the MTEF/FSP may be indicative of early passage of the 2018 budget and complete implementation of the capital component. While the passage of the MTEF is a welcome development, however, the recent benchmark projection on both the oil price and the crude oil production for the period is rather optimistic. A more conservative approach should be adopted to revise the two parameters downward in order to mitigate risks to revenue, expenditure and fiscal deficit forecast over the period.



Crude Oil Price

OPEC weekly basket price reduced from \$61.14 to \$60.73 per barrel (December 1 – 8, 2017)². Similarly, Global oil benchmark crude sold for as low as \$61.22 per barrel during the week, down week-on-week by 1.8 percent³. Nigeria's Bonny light declined slightly by approximately 1 percent to \$63.53⁴. The fall in crude prices came after a sharp rise in U.S. inventories of refined fuel, which suggested that actual demand may be weakening⁵ (the EIA data shows an increase of 8.5 million barrels of stored fuel). Given that crude oil revenue remains critical to Nigeria's budget performance, investments aimed at improving growth and competitiveness of other key sectors is essential to minimize distortions on budgetary expenditure.



Exchange Rate

The Naira continued to show relative stability at the interbank market, I&E FX Window, as well as the parallel forex market segments in the review week. The naira appreciated marginally, to sell at N306.4/\$⁶, N361/\$ and N363/\$ at respective forex markets⁷. This is likely at the backdrop of sustained build-up of the external reserves, as well as forex injections by the CBN during the week (CBN injected \$210 million worth of forex into the forex market⁸). Peace and stability in the Niger Delta region remains critical to sustaining the build-up of external reserve and therefore stability in forex market.



Stock Market

The Nigeria Stock Exchange (NSE) sustained a bullish position for the third consecutive week. Precisely, twin market indices, All-share index and Market capitalization increased week-on-week by 3.5 percent to 39,257.5 basis points and N13.7 trillion respectively⁹. The market was triggered by increased demand for equities of some high performing sectors (Consumer goods and Banking sectors)¹⁰. The ongoing bullish gesture in the capital market is likely to sustain for some time given deeper economic recovery and recent continuous douse in returns on government short-term securities (e.g. treasury bills) which give higher return prospect on bonds and equities.



ECONOMIC INDICATORS

QUARTERLY ECONOMIC INDICATORS	2017Q1	2017Q2	2017Q3
GDP Growth Rate (%)	-0.91*	0.72*	1.40
Oil GDP (%)	-11.64	3.52*	25.89
Non-Oil GDP (%)	0.72	0.45	-0.76
Unemployment Rate (%)	NA	NA	NA
Underemployment Rate (%)	NA	NA	NA
Foreign Direct Investment (US \$'Million)	211.38	274.4	117.60
Portfolio Investment (US \$'Million)	313.61	770.5	2,767.42
Other Investments (US \$'Million)	383.28	747.5	1,260.08
External Debt (FGN & States - N'Billion)	4,229.96	4,602.88	4,693.91
Domestic Debt (FGN - N'Billion)	11,971.34	15,034.11	15,678.0
Manufacturing Capacity Utilisation (%)	53.7	NA	NA
MONTHLY ECONOMIC INDICATORS	August-2017	September-2017	October-2017
Headline Inflation (%)	16.01	15.98	15.91
Food Sub-Index (%)	20.25	20.32	20.31
Core Sub-Index (%)	12.3	12.12	12.14
External Reserve (US\$ Million)	31,491.1	32,028.3	NA
All Share Index (Points)	35,504.62	35,439.98	36,484.30
Market Capitalization (N' Billion)	NA	NA	NA
Exchange Rate (BDC - N/US\$)	365.57	366	362
Official Rate (N/US\$)	305.67	305.75	305.80
Manufacturing PMI	53.6	55.3	55.0
Non-Manufacturing PMI	54.1	54.9	55.3
Crude Oil Price(US\$/Barrel)	51.64	NA	NA
Petrol (PMS - N/litre)	144.4	144.5	146.0
Diesel (AGO - N/litre)	196.23	184.8	201.96
Kerosene (NHK - N/litre)	225.52	264.48	273.44
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 (%)	13.35	13.2	13.18
Savings Deposit (%)	4.08	4.08	4.08
Prime Lending (%)	17.69	17.88	17.86
Maximum Lending (%)	31.20	31.39	31.39
Narrow Money (N'Billion)	9,890.81	10,064.24	10,393.06
Broad Money (N'Billion)	21,851.45	21,953.99	22,500.62
Net Domestic Credit (N'Billion)	26,821.45	26,985.31	27,174.81
Credit to Government (N'Billion)	4,824.23	4,963.41	5,245.89
Credit to Private Sector (N'Billion)	2,199.72	2,202.19	2,192.82
Currency in Circulation (N'Billion)	1,868.74	1,781.05	1,791.19
FAAC (N' Billion)	637*	558.08*	NA

*Revised GDP figures

NA: Not Available

¹Vanguard (2017). “Breaking: Senate Passes MTEF, increases oil price benchmark to \$47”. Accessed December 13, 2017. <https://www.vanguardngr.com/2017/12/breaking-senate-passes-mtef-increases-oil-price-benchmark-to-47/>

²OPEC (2017). “OPEC Basket Price”. Accessed December 13, 2017. http://www.opec.org/opec_web/en/data_graphs/40.htm

³Reuters (2017). “Oil settles at two-week low on surprise U.S. fuel stock rise”. Accessed December 13, 2017. <https://www.reuters.com/article/us-global-oil/oil-settles-at-two-week-low-on-surprise-u-s-fuel-stock-rise-idUSKBN1E005Q>

⁴cbn.gov.ng

⁵Reuters (2017). “Oil settles at two-week low on surprise U.S. fuel stock rise”. Accessed December 13, 2017. <https://www.reuters.com/article/us-global-oil/oil-settles-at-two-week-low-on-surprise-u-s-fuel-stock-rise-idUSKBN1E005Q>

⁶cbn.gov.ng

⁷Abokifx (2017). “Previous Lagos Black Market rates”. Accessed December 13, 2017. https://abokifx.com/ratetypes/?rates=lagos_previous

⁸This Day (2017). “CBN Injects \$210m into Forex Market”. Accessed December 13, 2017. <https://www.thisdaylive.com/index.php/2017/12/13/cbn-injects-210m-into-forex-market/>

⁹NSE (2017). “Stock Market Report for December 8th, 2017”. Retrieved from, http://www.nse.com.ng/market_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2008-12-2017.pdf

¹⁰Trwstockbrokers (2017). “Though Profit Takers Lurk, Inflow of Funds Power Equity Prices Higher In Santa Claus Rally”. Accessed December 14, 2017. <https://trwstockbrokers.wordpress.com/page/4/>