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Money and Credit

Available data from the CBN reveals a greater percentage of total credit to the Government in the six months representing 2017H1. Relative to 2016H1, credit to Government increased by 38 percent to a total average of N5,023 billion in 2017H1¹. The rise in credit to government may have been attributed to 2017 budget deficit financing needs. Apparently, revenues although increasing slightly, have so far fallen short of government's projection in 2017²; thus, giving options of borrowing to meet up huge expenditure outlay. Given that the current high interest rates incentivizes lending to the government at the expense of the private sector, this could result in the crowding-out of private investment in the country. Going forward, there is need to explore other pragmatic initiatives to finance especially ambitious developmental projects so as to reduce burden associated with future debt payment.



Manufacturing Sector

Recent media highlights indicate increased expenditure on self-generating and independent energy supply in the manufacturing sector between 2015 and 2016. Specifically, expenditure on energy increased significantly by 121 percent, from N5.8 billion in 2015 to N130.0 billion in 2016³. Given high volatility of the macro-economy in 2016, the considerable increase may not be unconnected to the inconsistent and unreliable energy supply from the National power grid. Eventually, the huge expenditure on independent energy partly led to rising cost of production, which is being transferred to end-users in form of higher prices of manufactured goods. Going forward, tackling the supply side challenges of the electricity industry – including, undiversified energy source, poor transmission infrastructure, inefficient grid design/operation, and funding constraints– will go a long way in addressing the adverse impact of poor electricity supply on different economic sectors and the overall performance of the economy.



Power Sector

Provisional data released by the National Bureau of Statistics shows that a total average of 2,503MW was generated in 2017Q2⁴ – a 32.2 percent decrease from the average of 3,687 MW generated in 2017Q1⁵. This is a far cry from the nation's transmission grid capacity of more than 6,000 MW, reflecting power generation levels unable to keep pace with power transmission capacity. About 8 power plants (majorly gas) failed to generate significant energy to the extent of their capacity in the period under review⁶ due to persistent inability of GENCOs to pay gas suppliers⁷. Going forward, a critical review of the power sector privatization policy guideline especially as it relates to the operators in the sector is recommended. Essentially, policies that enhance efficiency and effectiveness in power generation and distribution should be considered.



Stock Market

The Nigeria Stock Exchange market advanced further as equity indices pitched higher in the review week. Benchmark indices, All-share Index and Market Capitalization rose by 1.5 percent to settle at remarkable points, 37,425 and N12.90 trillion respectively⁸ – an exceptional first-time record in more than two years⁹. The uptrend has been sustained by stronger demand for investment securities due to outstanding H1 performance reports submitted by some listed companies during the week¹⁰. Also, the trend has been strengthened by the continued release of positive macroeconomic data, which affirms economic recovery process. Going forward, addressing key constraints to the Nigerian stock market, such as liquidity issues as well as absence of robust market activities and well-developed investor base, can help deepen investments and foster the rate of economic growth of the country.



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

ECONOMIC INDICATORS

QUARTERLY ECONOMIC INDICATORS	2016Q3	2016Q4	2017Q1
GDP Growth Rate (%)	-2.34*	-1.73*	-0.52
Oil GDP (%)	-23.04*	-17.70*	-11.64
Non-Oil GDP (%)	0.03	-0.33	0.72
Unemployment Rate (%)	13.9	14.2	NA
Underemployment Rate (%)	19.7	21.0	NA
Foreign Direct Investment (US \$'Million)	340.64	344.63	211.38
Portfolio Investment (US \$'Million)	920.32	284.22	313.61
Other Investments (US \$'Million)	561.16	920.03	383.28
External Debt (FGN & States - N'Billion)	3,535.58	3,478.91	4,229.96
Domestic Debt (FGN - N'Billion)	10,845.22	11,058.20	11,971.34
Manufacturing Capacity Utilisation (%)	48.4	48.5	53.7
MONTHLY ECONOMIC INDICATORS	Apr-2017	May-2017	June-2017
Headline Inflation (%)	17.24	16.25	16.1
Food Sub-Index (%)	19.30	19.27	19.91
Core Sub-Index (%)	14.80	13.00	12.5
External Reserve (US\$ Million)	30,749.28	29,811.85	30,340.96
All Share Index (Points)	25,758.51	29,498.31	33,117.48
Market Capitalization (N' Billion)	8,912.90	10,197.73	11,452.12
Exchange Rate (BDC - N/US\$)	392.89	384.48	366.25
Official Rate (N/US\$)	306.05	305.54	305.72
Manufacturing PMI	51.1	52.5	52.9
Non-Manufacturing PMI	49.5	52.7	54.2
Crude Oil Price(US\$/Barrel)	52.94	50.57	47.42
Petrol (PMS - N/litre)	149.9	150.57	150.3
Diesel (AGO - N/litre)	229.25	216.3	210.42
Kerosene (NHK - N/litre)	280.80	303.29	287.3
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 (%)	13.58	13.5	13.5
Savings Deposit (%)	4.24	4.08	4.08
Prime Lending (%)	17.44	17.58	17.59
Maximum Lending (%)	30.31	30.75	30.94
Narrow Money (N'Billion)	9,760.42	10,184.90	9,883.82
Broad Money (N'Billion)	21,712.98	21,975.34	21,674.21
Net Domestic Credit (N'Billion)	27,534.71	26,758.77	26,921.03
Credit to Government (N'Billion)	5,591.83	4,828.05	4,942.47
Credit to Private Sector (N'Billion)	2,194.29	2,193.07	2,197.86
Currency in Circulation (N'Billion)	1,975.81	1,897.92	1,873.54
FAAC (N' Billion)	496.39	418.8	462.4

*Revised GDP figures

NA: Not Available

¹CBN (2017). “Money and Credit Statistics”. Accessed August 8, 2017.

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

²CBN (2017). “CBN Economic Report for First Quarter 2017”. Retrieved August 8, 2017.

<http://www.cbn.gov.ng/Out/2017/RSD/CBN%20Economic%20Report%20for%20First%20Quarter%202017.pdf>

³Nairametrics (2017). “Nigerian Manufacturers say they spent N130 billion (up 122%) on self-generated electricity in 2016”. Accessed August 8, 2017. <https://nairametrics.com/nigerian-manufacturers-say-they-spent-n130-billion-up-122-on-self-generated-electricity-in-2016/>

⁴National Bureau of Statistics (2017). “Daily Energy Generated and Sent Out: Q2 2017”.

Retrieved from, <http://nigerianstat.gov.ng/elibrary?page=15&offset=140>

⁵ National Bureau of Statistics (2017). “Daily Energy Generated and Sent Out: Q1 2017”.

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⁶Vanguard (2017). “Eight Plants Generate Zero MW in Five Months” Accessed August 8, 2017.

<http://www.vanguardngr.com/2017/07/electricity-eight-plants-generate-zero-mw-5-months/>

⁷Information Nigeria (2017). “Power supply dropped by 1,835.6 megawatts in 3 days”. Accessed

August 8, 2017. <https://www.informationng.com/2017/08/power-supply-drop-1835-6-megawatts-3-days.html>

⁸NSE (2017). “STOCK MARKET REPORT FOR AUGUST 4TH, 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%2004-08-2017.pdf

⁹CBN Database

¹⁰Trwstockbrokers (2017). “Expect Mixed Week, With Profit Taking, Portfolio Reshuffling As Investors Digest Q2 Numbers”. Accessed August 8, 2017.

<https://trwstockbrokers.wordpress.com/page/5/>