

Inflation

Recently released inflation rate report by the NBS shows a further decline in consumer price index in December 2017. At 15.37 percent, the CPI was 0.53 percentage points lower than the 15.90 percent recorded in November 2017¹. The food sub-index decreased to 19.42 percent from 20.21 percent, indicating reduced pressure on food prices in the review period. Core sub-index fell slightly to 12.1 percent from 12.21 percent in the preceding month. Going forward, the ability of the Central Bank of Nigeria (CBN) to control inflation in 2018 may be hampered by monetary injections by the government and politicians towards budgetary expenditure and election campaigns, respectively. To ensure that the gains made in the inflation trajectory in 2017 are not completely lost while maintaining growth, the CBN may need to cut monetary policy rate and deepen efforts at maintaining low and stable exchange rates in 2018. At the same time, fiscal authorities may also need to deepen their efforts towards addressing structural issues that affect cost of domestic production and consumption, such as fuel scarcity, energy supply and infrastructure deficit in 2018.



Petroleum Products

Average prices of petroleum products increased across all states in December 2017. Relative to November 2017, Petrol (PMS) price increased significantly from N145.6 to N171.8 per litre²; Diesel (AGO) rose from N199.26 to N205.81 per litre³, while Kerosene (HHK) increased from N267.14 to N284.03 per litre⁴. The increase in price may be connected to inadequate supply of refined petroleum products for consumers during the festive period. A case in point is the consecutive quarterly decline in the quantity of crude refined by NNPC refineries due to shut downs and irregular maintenance of the refineries⁵. This was exacerbated by the inability of private refineries to commence operations in 2017⁶, and the massive overdependence on fuel importation. Going forward, strategic initiatives need be deployed to resolve the lingering fuel crisis which may undermine and reverse the recent improvement in the country's macroeconomic performance.



Crude Oil Production

According to the OPECs Monthly Oil Market Report, Nigeria's crude oil production increased month-on-month by 3.9 percent to approximately 1.9 MBPD in December 2017⁷. At the current level, domestic production may be at the backdrop of increase in number of rigs which rose from 27 to 29, along with the leverage to explore due to the recent relative tranquility in the Niger-delta exploration region. Going forward, enhancing transparency in the upstream sector of oil and gas together with initiatives that sustain peace in the major oil producing states in Nigeria is critical towards fostering investment in the sector as well as sustaining the improvement in the crude oil exploration and production.



Portfolio Investment

The NSE's portfolio transactions increased significantly in the month of November 2017. Specifically, total portfolio transactions stood at N278.5 billion, a substantial 117.9 percentage increase from the N127.8 billion recorded in October 2017⁸. Foreign investors' portfolio rose to N150.1 billion, outperforming domestic investors during the period by 8 percent, and contributing about 54 percent to total portfolio investment. Domestic transactions rose to N128.4 billion, and contributed about 46 percent to total portfolio investment. Going forward, sustaining the appetite of foreign investors for Nigerian equities and bonds would largely depend on stability in the oil and gas industry. Therefore, among others policy levers, the government should ensure relative peace in the Niger Delta region.



| ECONOMIC SNAPSHOT | | |
|---|---------------|---------------|
| Quarterly Indicators | '17Q2 | '17Q3 |
| GDP Growth Rate (%) | 0.72* | 1.40 |
| Oil GDP (%) | 3.52* | 25.89 |
| Non-oil GDP (%) | 0.45 | -0.76 |
| Unemployment Rate (%) | 16.2 | 18.8 |
| Foreign Direct Investment (US \$ Million) | 274.4 | 117.60 |
| Portfolio Investment (US \$Millions) | 770.5 | 2,767.42 |
| Other Investment (US \$Million) | 747.5 | 1,260.08 |
| External Debt (FGN & States- N'Billion) | 4,602.88 | 4,693.91 |
| Domestic Debt (FGN-N'billion) | 15,034.11 | 15,678.0 |
| Manufacturing Capacity utilization (%) | NA | NA |
| Monthly Indicators | Nov'17 | Dec'17 |
| Headline Inflation (%) | 15.90 | 15.37 |
| Food Sub-Index (%) | 20.30 | 19.42 |
| Core Sub-Index (%) | 12.20 | 12.10 |
| External Reserves (US\$ Million) | 34,945.6 | NA |
| Official Rate (N/US\$) | 306.0 | NA |
| BDC Rate (N/US\$) | 364 | NA |
| Manufacturing PMI | 55.9 | 59.3 |
| Non-Manufacturing PMI | 57.6 | 62.1 |
| Crude Oil Price (US\$/Barrel) | 52.07 | NA |
| Petrol (PMS-N/litre) | 145.6 | 171.80 |
| Diesel (AGO -N/Litre) | 199.26 | 205.81 |
| Kerosene (HHK -N/Litre) | 267.14 | 284.30 |
| MPR (%) | 14 | 14 |
| CRR (%) | 22.5 | 22.5 |
| 91 Day T-Bill Rate (%) | 13.05 | 13.05 |
| Savings Deposit (%) | 4.08 | 4.08 |
| Prime Lending (%) | 17.77 | NA |
| Maximum Lending (%) | 30.95 | NA |
| Narrow Money (N'Billion) | 10,115.05 | NA |
| Broad Money (N'Billion) | 22,311.12 | NA |
| Net Domestic Credit (N'Billion) | 26,349.07 | NA |
| Credit to the Government (N'Billion) | 4,392.41 | NA |
| Credit to the Private Sector(N'Billion) | 2,195.67 | NA |
| Currency in Circulation (N'Billion) | 1,896.16 | NA |
| FAAC (N'Billion) | 609.9 | NA |

*Revised GDP figures/tentative figures

NA: Not Available

¹National Bureau of Statistics (2018). "CPI and Inflation Report December 2017". Retrieved from, <http://www.nigerianstat.gov.ng/>

² National Bureau of Statistics (2018). “Premium Motor Spirit (Petrol) Price Watch (December 2017)”. Retrieved from, <http://www.nigerianstat.gov.ng/>

³ National Bureau of Statistics (2018). “Automotive Gas Oil (Diesel) Price Watch (December 2017)”. Retrieved from, <http://www.nigerianstat.gov.ng/>

⁴ National Bureau of Statistics (2018). “National Household Kerosene Price Watch (December 2017)”. Retrieved from, <http://www.nigerianstat.gov.ng/>

⁵Vanguard (2018). “Fuel scarcity: NNPC to fix refineries in 18 months — C’tee report”. Accessed January 24, 2018. <https://www.vanguardngr.com/2018/01/fuel-scarcity-nnpc-fix-refineries-18-months-cttee-report/>

⁶The Guardian (2018). “Expiring licences threaten bid for nation’s local refining”. Accessed January 24, 2018. <https://guardian.ng/news/expiring-licences-threaten-bid-for-nations-local-refining/>

⁷OPEC (2018). “OPEC Monthly Oil Market Report: 18 January 2018”. Retrieved from, http://www.opec.org/opec_web/en/publications/338.htm

⁸NSE (2018). “Domestic & Foreign Portfolio Participation in Equity Trading—November 2017”. Retrieved from, http://www.nse.com.ng/market_data-site/other-market-information-site/FPI%20Report/NSE%20Domestic%20and%20FPI%20Report%20-%20November%202017.pdf