



ECONOMIC UPDATE

A Weekly Bulletin of the Economic Research and Policy Management Division

Vol. 1; No. 6

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Week ended: 11 Nov., 2016

A. ANALYSIS OF RECENT ECONOMIC/FINANCIAL DEVELOPMENTS

News/Development	Relevance/Implications
 <p>Nigeria's inflation hits 18.3% in October; highest in about 11 years</p> <p>Latest data released by the National Bureau of Statistics on Monday, 14th November, 2016 indicated that the annual inflation in Nigeria accelerated in October to 18.3 percent, the highest since October 2005. Year-on-Year inflation has now risen for the ninth consecutive month, bringing to fore the problem of high price increase and macroeconomic uncertainty in Nigeria. The Food Index rose by 17.1 percent (year-on-year) in October, up by 0.47 percent points from 16.6 percent recorded in September. During the month, all major food groups which contribute to the Food sub-index increased with Fruits recording the slowest pace. Although the rate at which inflation rate is rising moderated between July and September, it however picked slightly at the end of October 2016 by 0.03% month-on-month.</p>	<p>The current Inflation rate further underscores the state of macroeconomic uncertainty and high cost of living in the country. This continues to pose a major challenge to the already high cost of borrowing and low purchasing power in the country. Rising inflation trend will therefore be a major consideration at the next Monetary Policy Committee (MPC) meeting coming up on Monday 21st and Tuesday 22nd, November, 2016. Although lowering interest rate is a policy action to boost growth, taking such an action is unlikely in an environment with a high and rising inflation rate.</p>
 <p>Foreign capital importation rebounds to US\$1.82 billion in Q3</p> <p>The total value of capital imported into Nigeria grew by 74.84% to US\$1.82 billion between the second and the third quarters of the year, but dropped by 33.70% relative to the third quarter of 2015, the National Bureau of Statistics (NBS) stated Monday, 7th November, 2016. The highest level of capital importation since July 2016 was in August, when US\$894.00 million was recorded. In September, US\$649.76 million was imported, which was still more than any month in the first and second quarters.</p>	<p>Capital importation has fallen by 33.7% year-on-year; but the 74.84% growth between the second and third quarter is an indication of growing confidence in the Nigerian economy. It is also a partial response to the depreciation which Naira has witnessed between the 2 quarters. Policies to attract and retain more foreign capital inflows are necessary to aid the growth of the Nigerian economy and ease the current foreign exchange challenges.</p>
 <p>FG, World Bank sign risk guarantee agreement for US\$500 million Calabar gas plant</p> <p>The Federal Government and the World Bank on Monday, 7th November, 2016 signed a Partial Risk Guarantee (PRG) agreement for the supply of gas to the US\$500 million Calabar power plant to boost energy supply by 500 megawatts. The current power supply in Nigeria stood at 3,340.04 MW at the end of October 2016 as against South Africa which generates over 20,000 MW.</p>	<p>The Partial Risk Guarantee and other forms of guarantees have the potential of boosting the success of infrastructure project financing in Nigeria. Guarantees can also be extended to issuers of debt with the aim of using the proceeds to finance infrastructure. Such guarantees improve the credit rating and lower the cost to issuers; thereby providing the capital for Nigeria's infrastructure development. The AfDB (2013) report on Nigeria's infrastructure estimated that the country needs to invest US\$350 billion in its infrastructure sector between 2011 and 2020.</p>



B. PERFORMANCE OF SELECTED ECONOMIC INDICATORS

The NSE All Share Index closed the week ended 11th November, 2016 at 26,170.90, losing 2.7% from the beginning of the week. The Index also lost 4.0% month-to-date, 8.6% year-to-date and 9.8% year-on-year. The equities market capitalisation at the end of the week stood at N9.0trn, having lost 2.6% week-to-date, 3.7% month-to-date, 8.9% year-to-date and 9.6% year-on-year.

In the Unlisted Securities Market, the Index finished the week at 609.50, losing 0.2% week-to-date, 0.5% month-to-date and 16.7% year-on-year. However, the Index gained 4.6% year-to-date. Market Capitalization for the Unlisted Securities Market stood at N412.40bn at the end of the week, having lost 0.2% from the beginning of the week and 0.5% from the beginning of the month. Available data shows that the Net Asset Value of Collective Investment Schemes stood at N217.5bn at the end of the period; indicating a reduction of 12.7% year-to-date and 13.6% year-on-year.

In the money market, O/N and OBB finished the week higher at 26.3% and 25.7% respectively, rising by 12.8% and 12.7% respectively week-to-date. The FGN Bond yield ended the week higher at 15.4%.

In the commodities market, Brent Crude closed the week lower at \$44.8 losing 3.3%. The product also lost 7% month-to-date, 10% year-to-date but gained 2.6% year-on-year. With the exception of Corn which finished the week higher by 0.3% and Cotton which finished the week flat, all other commodities closed the week lower at the end of the week.

The interbank exchange rate ended the week at N304.8/US\$ while the parallel rate finished at N455/US\$. The interbank rate gained 13.0% during the week and the parallel rate gained 3.2%. Year-to-date, Naira has lost 52.9% and 49.2% of its value against the greenback in the interbank and the parallel markets respectively. However, year-on-year, Naira has lost 54.7% and 95.87% of its value in the interbank and the parallel markets respectively. Recent data released by the Central Bank of Nigeria put the country's external reserves at \$24.1bn. This signifies that Nigeria's external reserves have increased slightly by 0.2% week-to-date and 0.5% month-to-date. However, reserves have declined by 17.3% year-to-date and 21.1% year-on-year. The S&P500 index ended the week on a positive note at 2,164.50 indicating an increase of 1.5% week-to-date.

Market	Indicator	Value* @ 04-Nov-16	WTD (%)	MTD (%)	YTD (%)	YoY (%)
Equities (NSE)	All Share Index (ASI)	26,170.9	(2.7)	(4.0)	(8.6)	(9.8)
	Market Capitalisation (N'tn)	9.0	(2.6)	(3.7)	(8.9)	(9.6)
Unlisted (NASD)	Unlisted Securities Index (USI)	609.5	(0.2)	(0.5)	4.6	(16.7)
	Market Capitalisation (N'bn)	412.4	(0.2)	(0.5)	-	-
Collective Investment	Net Asset Value (N'bn)	217.5	-	-	(12.7)	(13.6)
Money	Overnight (O/N) (%)	26.3	12.8	10.8	25.3	25.3
	Open Buy Back (OBB) (%)	25.7	12.7	11.2	25.2	25.0
	FGN Bond Implied Yield (%)	15.4	0.1	0.2	4.4	4.4
Commodities	Crude Oil (\$/b)	44.8	(3.3)	(7.0)	(10.0)	2.6
	Gold(\$/t oz)	1,224.3	(4.5)	(4.9)	13.9	13.3
	Cocoa(\$/mt)	2,471.0	(0.4)	(5.9)	(17.5)	(26.5)
	Wheat(\$/bu)	4.0	(2.7)	(2.7)	(14.9)	(19.1)
	Corn(\$/bu)	3.5	0.3	-	(15.6)	(4.6)
	Cotton(\$/lb)	69.0	-	1.2	14.2	11.4
External	Interbank Ex-rt (N/US\$)	304.8	(13.0)	-	52.9	54.7
	Parallel Ex-rt (N/US\$)	455	(3.2)	(2.2)	49.2	95.8
	External Reserves (\$'bn)	24.1	0.2	0.5	(17.3)	(21.1)
	S&P 500	2,164.5	1.5	2.5	5.2	4.3

* When value of the relevant day is not available, the price of the nearest day is taken.
WTD: week-to-date; MTD: month-to-date; YTD: year-to-date; YoY: year-on-year
Source: Computed by the SEC ERP Research Division; underlying data from NSE, NASD, SEC, FMDQ, Bloomberg CBN and FRED

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