



ECONOMIC UPDATE

A Weekly Bulletin of the Economic Research and Policy Management Division

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A. ANALYSIS OF RECENT ECONOMIC/FINANCIAL DEVELOPMENTS

News/Development	Relevance/Implications
 <p>President Buhari presents N7.298tn budget for 2017</p> <p>President Muhammadu Buhari on Wednesday, 14th December, 2016 presented a budget of N7.30tn for 2017. A review of the budget indicates that, N2.24tn, representing 30.7 per cent of the 2017 budget, would be committed to capital expenditure. The capital expenditure was N1.8tn in 2016. Also, N2.98tn was earmarked for recurrent expenditure for the 2017 fiscal year. The budget was premised on an oil benchmark price of \$42.5 per barrel and a production estimate of 2.2m barrels per day. In addition, the aggregated revenue available to fund the 2017 is N4.94tn, 28 per cent higher than the 2016 budget while oil was projected to contribute N1.99tn of the amount and non-oil revenue would be contributing N1.73tn.</p>	<p><i>An expansionary budget is one of the ways of bringing an economy out of recession. It is therefore expected that the proposed 2017 budget, which is 20.4% higher than 2016, is a step of this direction. At a benchmark oil price of \$42.5, the Government is likely to achieve its oil revenue target given the historic oil production cut deal sealed by OPEC and non-OPEC countries. However, the projected 2.2m barrels per day may encounter some challenges given the persistent militant activities in the Niger Delta. Therefore, the Government needs to engage more with the militants and improve its efforts to earn more revenue from non-oil sources.</i></p>
 <p>Inflation hits 18.48% in November</p> <p>The National Bureau of Statistics on Thursday, 15th December, 2016 showed that, the rate of inflation in the country rose to 18.48 per cent in November. This represents 0.15 percentage points higher than the 18.33 per cent recorded in October. The report blamed the rise in inflation rate on increases recorded in the housing, water, electricity, gas and clothing materials sectors. It indicated that the food sub index increased by 17.19 per cent year-on-year in November, up by 0.10 percentage points from the 17.09 per cent recorded in October.</p>	<p><i>This is the tenth consecutive month of year-on-year rise in inflation and the highest in 11 years. With high prices and no corresponding increase in real wage, consumers are faced with lower real disposable income and little or no savings. Also, the low returns in the equities market has not adequately priced in the high inflation in the country; thus, investors will have preference for fixed income and other money market instruments.</i></p>
 <p>FG, IOCs sign \$6.8bn JV debts payment deal</p> <p>The Federal Government on Thursday, 15th December, 2016 began the process of offsetting its \$6.8 billion cash call debts to Royal Dutch Shell, ExxonMobil Corporation, Chevron, Total and Eni as it signed payment deal with the Joint Ventures (JVs) partners. Currently, the government owes the IOCs, \$6.8 billion but it has secured a discount of \$1.7 billion, leaving \$5.1 billion as balance. Minister of State for Petroleum Resources, Dr. Ibe Kachikwu, who said this at the agreement signing in Abuja, maintained that the deals were instrumental to the country's plan to increase oil production to 2.2 million barrels per day, starting from January 2017. This development is expected to boost the nation's revenue by \$2 billion and increase the net payments to the Federation Account from about \$7 billion to over \$14 billion by 2020.</p>	<p><i>The country expects that this deal will impact positively on its revenue and foreign reserves. Therefore, the foreign exchange and federation allocation constraints of the country will be relaxed; thereby raising the activities in the other sectors of the economy. It is however hoped that the costs of the alternative to JV cash call and the burden of debt repayment will not overwhelm the expected benefits.</i></p>



B. PERFORMANCE OF SELECTED ECONOMIC INDICATORS

For the week ended 16th December, 2016, the NSE All Share Index stood at 26,707.10, gaining 2.4% week-to-date. The Index also gained 5.7% month-to-date but lost 6.8% and 0.9% year-to-date and year-on-year respectively. The equities market capitalisation at the end of the week stood at N9.2tn, gaining 2.3% week-to-date and 5.8% month-to-date. However, the market capitalization declined by 7.2% and 0.9% year-to-date and year-on-year respectively.

In the Unlisted Securities Market, the index finished the week at 614.20 points, losing 0.6% week-to-date and 4.0% month-to-date. However, the Index gained 5.4% and 2.0% year-to-date and year-on-year respectively. Accordingly, Market Capitalization for the Unlisted Securities Market ended the week at N415.7bn falling by 0.6% week-to-date and gaining 1.7% month-to-date. Available data shows that the Net Asset Value of Collective Investment Schemes finished the week at N215.90bn; indicating that the NAV closed the week flat but with a reduction of 13.4% and 13.7% year-to-date and year-on-year respectively.

In the money market, O/N and OBB ended the week higher at 4.4% and 3.9% respectively, both rising by 0.6% week-to-date. The FGN Bond yield ended the week on a positive note at 15.8%, increasing by 0.1% week-to-date.

In the commodities segment of the market, Brent Crude ended the week lower at \$55.2 losing 0.9%. The product however gained 2.4%, 11.0% and 49.7% month-to-date, year-to-date and year-on-year respectively. However, all other commodities closed the week lower.

The interbank exchange rate ended the week at N305.3/US\$ while the parallel rate finished at N487.0/US\$. The interbank rate ended the week flat while the parallel rate lost 0.5%. Year-to-date, Naira has lost 34.70% and 37.50% of its value against the Greenback in the interbank and the parallel markets respectively. Year-on-year however, Naira has lost 34.80% and 47.0% of its value in the interbank and the parallel markets respectively. Most recent data released by the Central Bank of Nigeria put the country's external reserves at \$25.0bn. This indicates that Nigeria's external reserves have ended the week flat. Although there has been an increase of 0.9% in the external reserves month-to-date, reserves have however decreased by 14.0% and 15.0% year-to-date and year-on-year respectively. The S&P500 index ended the week flat at 2,258.10 week to date.

Market	Indicator	Value* @ 16-Dec-16	WTD (%)	MTD (%)	YTD (%)	YoY (%)
Equities (NSE)	All Share Index (ASI)	26,707.1	2.4	5.7	(6.8)	(0.9)
	Market Capitalisation (N'tn)	9.2	2.3	5.8	(7.2)	(0.9)
Unlisted (NASD)	Unlisted Securities Index (USI)	614.2	(0.6)	(4.0)	5.4	2.0
	Market Capitalisation (N'bn)	415.7	(0.6)	1.7	-	-
Collective Investment	Net Asset Value (N'bn)	215.9	-	-	(13.4)	(13.7)
Money	Overnight (O/N) (%)	4.4	0.6	(6.8)	3.4	3.4
	Open Buy Back (OBB) (%)	3.9	0.6	(6.1)	3.4	3.4
	FGN Bond Implied Yield (%)	15.8	0.1	(0.3)	4.8	4.6
Commodities	Crude Oil (\$/b)	55.2	(0.9)	2.4	11.0	49.7
	Gold(\$/t oz)	1,137.4	(2.4)	(2.7)	5.8	6.8
	Cocoa(\$/mt)	2,238.0	(0.1)	(7.0)	(25.3)	(31.2)
	Wheat(\$/bu)	4.1	(1.9)	3.5	(13.7)	(16.0)
	Corn(\$/bu)	3.6	(1.4)	3.8	(14.0)	(5.1)
	Cotton(\$/lb)	71.0	(0.9)	0.2	17.5	11.5
External	Interbank Ex-rt (N/US\$)	305.0	-	-	(34.7)	(34.8)
	Parallel Ex-rt (N/US\$)	487.0	(0.5)	(1.0)	(37.5)	(47.0)
	External Reserves (\$'bn)	25.0	0.0	0.9	(14.0)	(15.0)
	S&P 500	2,258.1	0.0	3.1	9.7	8.9

* 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 ERPM Research Division; underlying data from NSE, NASD, SEC, FMDQ, Bloomberg CBN and FRED

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