



ECONOMIC UPDATE

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A. ANALYSIS OF RECENT ECONOMIC/FINANCIAL DEVELOPMENTS

News/Development	Relevance/Implications
 <p>Inflation spikes to 18.72% The National Bureau of Statistics (NBS) on Wednesday, 15th February, 2017 released the January 2017 inflation report. The report indicated that the year on year inflation rate as measured by consumer price index (CPI) has increased for the 15th consecutive month from 18.55% in December 2016 to 18.72% in January 2017, an increase of 0.17 percentage point. The food index rose by 17.82% (year-on-year) in January, up by 0.43 percentage point from 17.39% in December. During the month, all major food sub-indices increased, with Soft Drinks recording the slowest pace of increase at 7.8 percent (year on year).</p>	<p>The positive part of this development is the fact that both core and month-on-month inflation declined in January. However, it will make households in Nigeria to continue to experience high cost of living. Savings culture will continue to be low and the business environment will remain highly uncertain arising from price volatility. With this reality therefore, the CBN will likely maintain the current monetary policy rates at the next MPC meeting coming up in March with the attendant high cost of capital.</p>
 <p>Federal government to issue Savings Bonds, approves the injection of 250 million dollars into NSIA The Director General of the Debt Management Office (DMO), Dr. Abraham Nwanko on Wednesday, 15th February, 2017 announced plans to issue on behalf of the federal government a Savings Bonds before the end of the first quarter of 2017. The FGN Savings Bonds are debt instruments usually offered by sovereigns with the aim of mobilizing resources from the public, particularly individuals and small savers. The bonds offer guaranteed returns and encourage financial inclusion. According to the DG, the issuance would start from 5 thousand naira, covering a wide net of domestic investors. In a related development, the federal government has increased 250 million dollars to its sovereign wealth fund via the Nigeria Sovereign Investment Authority. The funds were sourced from the Excess Crude Account.</p>	<p>The proposed FGN Savings Bonds could serve as a catalyst towards national savings culture and help to diversify funding sources for the government. The good news is that the planned savings bond will accommodate investment sizes starting from as low as N5,000 and a maximum of N50 million, widening the net of domestic investors and enabling small savers to enjoy the benefits hitherto considered exclusive preserve of big players in the market. On the other hand, the injection of additional capital into the Sovereign Wealth Fund will strengthen the NSIA to execute its plan of increasing its investment in domestic infrastructure in 2017. Overall, these developments have the potential to facilitate gross capital formation and increase output within the economy.</p>

Do you know?

The Securities and Exchange Commission (SEC) originated from an ad hoc, non-statutory Capital Issues Committee established in 1962 as an arm of the Central Bank of Nigeria. In 1973, the committee became the Securities and Exchange Commission and in 1979, was chartered with SEC Decree No. 71 of 1979. From 1980 to date, the Commission has had six (6) Director-Generals as follows: Mr. George Akamiokhor (1980-1997), Mr. Wole Adetunji (1997-1999) and Mallam Suleyman Ndanusa (1999-2004). Others are Musa Al-Faki (2004-2009), Arunma Oteh (2010-2015) and Mounir Gwarzo (2015-Date).



B. PERFORMANCE OF SELECTED ECONOMIC INDICATORS

For the week ended 17th February, 2017, the NSE All Share Index closed at 25,164.9, a decline of 0.3% week-to-date. The ASI also declined by 2.9% month-to-date, 5.5% year-to-date but gained 4.6% year-on-year. Consequently, the equities market capitalisation at the end of the week ended at N8.7trn, falling by 0.3% week-to-date, 2.4% month-to-date and 4.9% year-to-date. However, market capitalization increased by 5.2% in the last one year.

In the Unlisted Securities Market, the index stood at 584.2 points, decreasing by 1.7% week-to-date. It also lost 5.7% from the beginning of the month, 5.6% from the beginning of the year and 0.9% in the last one year. Accordingly, market capitalization for the Unlisted Securities Market ended the week at N395.3b, indicating a decline of 1.7% week-to-date and 5.7% month-to-date. Available data shows that the net asset value of Collective Investment Schemes stood at N225.2bn at the end of the period under review. The Net Asset Value however suffered a reduction of 21.8% in the last one year.

In the money market, O/N and OBB both ended the week higher at 18.7% and 17.8% increasing by 3.1 and 3.0 percentage points respectively. This could be attributed to the sale of Treasury Bills by the CBN to the tune of about N200 billion on Wednesday, 15th February, 2017.

In the commodities market, Brent crude rose by 0.4% to close at \$55.8 by the end of the week. The black gold also increased by 0.6% from the beginning of the year and 69.1% in the last one year. This could be linked to the sustenance of supply cut by OPEC. The product however, lost 1.7% month-to-date. Gold and cocoa also ended the week higher, gaining 1.1% and 3.9% respectively while wheat, corn and cotton lost 2.4%, 1.8% and 3.4% respectively.

The interbank exchange rate ended the week at N305.5/US\$ while the parallel rate finished at N516.0/US\$. The interbank rate gained 0.1% while the parallel rate lost 1.6%. From the start of the year, the Naira remained flat in the interbank market but lost 3.2% in the parallel market. Year-on-year however, Naira has lost 34.8% and 47.03% of its value in the interbank and the parallel markets respectively. Data released by the Central Bank of Nigeria showed that the country's external reserves stood at \$29.1bn implying that Nigeria's external reserves increased by 0.7% week-to-date, 3.1% month-to-date, 11.5% year-to-date and 4.7% year-on-year. The development could be explained by stability in the price of the crude oil and uptick in Nigeria's oil production which rose to 2mbpd. The S&P500 index finished the week higher at 2,351.2, increasing by 1.0% from the beginning of the week.

Market	Indicator	Value* @ 17-Feb-17	WTD (%)	MTD (%)	YTD (%)	YoY (%)
Equities (NSE)	All Share Index (ASI)	25,164.9	(0.3)	(2.9)	(5.5)	4.6
	Market Capitalisation (N'tn)	8.7	(0.3)	(2.4)	(4.9)	5.2
Unlisted (NASD)	Unlisted Securities Index (USI)	584.2	(1.7)	(5.7)	(5.6)	(0.9)
	Market Capitalisation (N'bn)	395.3	(1.7)	(5.7)	-	-
Collective Investment	Net Asset Value (N'bn)	225.2	-	3.8	3.8	(21.8)
Money	Overnight (O/N) (%)	18.7	3.1	12.4	9.9	14.3
	Open Buy Back (OBB) (%)	17.8	3.0	12.4	9.6	13.8
	FGN Bond Implied Yield (%)	16.5	-	0.1	0.4	4.4
Commodities	Crude Oil (\$/b)	55.8	0.4	(1.7)	0.6	69.1
	Gold (\$/t oz)	1,239.1	1.1	2.5	6.6	0.7
	Cocoa(\$/mt)	1,925.0	3.9	(8.7)	(11.1)	(32.6)
	Wheat(\$/bu)	4.6	(2.4)	5.1	12.0	(2.4)
	Corn(\$/bu)	3.8	(1.8)	2.2	5.6	1.9
	Cotton(\$/lb)	75.5	(3.4)	(1.2)	5.2	26.8
External	Interbank Ex-rt (N/US\$)	305.5	0.1	3.2	-	(34.8)
	Parallel Ex-rt (N/US\$)	516.0	(1.6)	(1.6)	(3.2)	(47.03)
	External Reserves (\$'bn)	29.1	0.7	3.1	11.5	4.7
	S&P 500	2,351.2	1.0	3.1	4.1	22.0

* 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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