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ECONOMIC UPDATE

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A. ANALYIS OF RECENT ECONOMIC/FINANCIAL DEVELOPMENTS

News/Development	Relevance/Implications
 **Inflation slows further to 17.26% in March** Recent report by the National Bureau of Statistics (NBS) indicated that the country's inflation rate dropped by 0.52 percentage points in March to close at 17.26 per cent year-on-year. This is the second consecutive month of decline in Inflation rate in 2017. The decline in the headline Inflation rate has been attributed to stabilizing prices in already high food and non-food prices as well as declining base effects over 2016 prices. On a month-on-month basis, the Headline index increased by 1.72 percent in March 2017, 0.23 percentage points higher than the rate recorded in February. The Food Index increased by 18.44 percent, 0.09 percentage points below the level for the previous month.	*The drop in headline inflation from 17.78 per cent in February to 17.26 per cent in March is a welcome development. This indicates the possibility that the government would meet its target of 15.74 percent inflation rate as contained in the 2017 budget provided the economy does not suffer from any serious shock either from oil price or output. This development is also indicative of early effects of a strengthened naira in the foreign exchange market. The CBN's continuous intervention in the foreign exchange market is therefore commendable and should be sustained. Also, continuous decline in Inflation rate will be positive for the capital market as this will reduce pressure on consumer prices, increase consumer disposable income, increase savings and hence, investment.*
 **IMF predicts Nigeria's economy to rise by 0.8% this year as OPEC predicts rise in world oil demand** The International Monetary fund (IMF) on Tuesday, 18th April, 2017 projected that Nigeria's economic growth would rise by 0.8 per cent in 2017.The agency, in its World Economic Outlook report released in Washington, said continued growth in agriculture, rise in oil output and big government spending will drive the nation's growth. The IMF predicted that after contracting by 1.5 percent in 2016 due to disruptions in the oil sector coupled with foreign exchange, power, and fuel shortages, output in Nigeria is projected to grow by 0.8 percent in 2017. In a related development, the Organisation of Petroleum Exporting Countries, OPEC, has said demand for oil around the world is expected to rise. This was disclosed in its April edition of Monthly Oil Market Report. The report forecast that for 2017, oil demand growth is anticipated to be around 1.27 mb/d, to average 96.32 mb/d which is around 0.6 mb/d higher than the 2016 level.	*The government should do more to boost the agricultural sector including supporting commodities exchange in Nigeria, the Commission has a role to play in this regard. Government's peace efforts in the Niger Delta region is commendable and should be sustained in order to ensure rise in oil output and big government spending as advised by the IMF. This will be supported by oil price stabilizing above $50 per barrel for about five months. Rise in oil demand as predicted by the IMF will also be a very positive development for the Nigerian economy as this will improve the country's revenue and foreign exchange earnings. Consequently, naira will be strengthened and inflation through the foreign exchange pass through will be reduced. The overall effect of these on the equities market will be positive as increased portion of households' residual income may be invested in the market.*

Do you know?

Municipal bonds are debt obligations issued by local governments which use the money to provide infrastructure and other social services. The first municipal bond in the Nigerian capital market was in 1992 floated by the Lagos Island Local Government. Floating rate revenue bond of N100 million was floated to finance the Sura shopping Complex in Lagos with a coupon rate 24.75%.

B. PERFORMANCE OF SELECTED ECONOMIC INDICATORS

For the week which ended 21/4/2017, the All Share Index closed at 25,189.4, falling by 0.07% from the start of the week, 0.3% from the start of the month and 5.4% from the start of the year. But the index rose by 1.1% in the last one year. Subsequently, the equities market capitalisation concluded the week at N8.84trn, gaining 1.38% week-to-date, 1.10% month-to-date and 3.1% year-on-year. Market capitalisation, however, fell by 3.5% year-to-date.

In the Unlisted Securities market, the index ended the week at 617.5 points, gaining 2.17% in the last one year. The index, however, lost 0.2% from the beginning of the week, 2.4% from the beginning of the month and 0.2% from the beginning of the year. Thus, the USI market capitalisation finished the week at N417.9b, reducing by 0.2% from the start of the week and 2.4% from the start of the month. Available data on the net asset value of Collective Investment Schemes stood at N251.9bn at the end of the period under review. The Net Asset Value increased by 16.1% from the beginning of the year but decreased by 13.3% in the last one year.

In the money market, the Overnight and the Open Buy Back rates concluded the week at 29.7% and 27.5%, falling by 120.3 and 112.5 percentage points respectively.

In the commodities market, the black gold fell by 5.3% from the beginning of the week, closing the week at $52.0 billion. The product also fell by 2.2% from the beginning of the month, 6.3% from the beginning of the year but rose by 15.3% in the last one year. While cotton finished the week higher by 1.5%, gold, cocoa, wheat and corn finished the week lower by 0.4%, 3.4%, 3.7% and 1.2% in that order.

The interbank rate closed at N306/US$ whereas the parallel exchange rate completed the week at N385/US$. From the start of the week, the Naira gained 5.7% in the parallel market and finished flat in the interbank market. The Naira reduced by 0.33% in the interbank market and increased by 27.3% in the parallel market from the beginning of the year. But in the last one year, the Naira depreciated by 35.4% and 16.4% in the interbank and parallel market respectively. External reserves stood at $30.6bn by the end of the week, increasing by 0.1% week-to-date, 0.9% month-to-date, 17.2% year-to-date and 12.2% year-on-year. This could be attributed to the stability in the price of crude oil which has been trading above $50 per barrel for about five months. The S&P500 index stood at 2,338.2 at the end of the week falling by 0.2%.

Market	Indicator	Value* @ 21-April-17	WTD (%)	MTD (%)	YTD (%)	YoY (%)
Equities (NSE)	All Share Index (ASI)	25,189.4	(0.07)	(0.3)	(5.4)	1.1
	Market Capitalisation (N'tn)	8.84	1.38	1.10	(3.5)	3.1
Unlisted (NASD)	Unlisted Securities Index (USI)	617.5	(0.2)	(2.4)	(0.2)	2.17
	Market Capitalisation (N'bn)	417.9	(0.2)	(2.4)	-	-
Collective Investment	Net Asset Value (N'bn)	251.9	-	-	16.1	(13.3)
Money	Overnight (O/N) (%)	29.7	(120.3)	18.3	20.9	23.3
	Open Buy Back (OBB) (%)	27.5	(112.5)	16.8	19.3	20.8
Commodities	Crude Oil ($/b)	52.0	(5.3)	(2.2)	(6.3)	15.3
	Gold($/t oz)	1,289.1	(0.4)	2.8	10.9	3.4
	Cocoa($/mt)	1850.0	(3.4)	(12.2)	(14.6)	(40.5)
	Wheat($/bu)	4.2	(3.7)	(1.6)	3.4	(14.6)
	Corn($/bu)	3.6	(1.2)	(1.1)	2.2	(5.9)
	Cotton($/lb)	79.3	1.5	5.1	10.5	25.3
External	Interbank Ex-rt (N/US$)	306	-	0.098	(0.33)	(35.4)
	Parallel Ex-rt (N/US$)	385	5.7	2.6	27.3	(16.4)
	External Reserves ($'bn)	30.6	0.1	0.9	17.2	12.2
	S&P 500	2,338.2	(0.2)	(0.9)	3.6	11.8

** 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