



# ECONOMIC UPDATE

*A Weekly Bulletin of the Economic Research and Policy Management Division*

Vol. 2, No. 3

Enquiries: [research@sec.gov.ng](mailto:research@sec.gov.ng)

Week ended: 10 Feb., 2017

## **A. ANALYSIS OF RECENT ECONOMIC/FINANCIAL DEVELOPMENTS**

News/Development	Relevance/Implications
 <p><b>Nigeria's US\$1 bn Eurobond oversubscribed by US\$7.8 bn</b></p> <p>The federal government on Thursday, 9<sup>th</sup> February, 2017 announced that its US\$1 billion Eurobond was about eight times oversubscribed, with orders in excess of US\$7.8 billion. The bond was priced at 7.875 per cent, to mature on 16<sup>th</sup> February 2032, with a bullet repayment of the principal. Nigeria intends to use the proceeds of the notes to fund capital expenditure in the 2017 budget. This represents Nigeria's third Eurobond issuance, following issuances in 2011 and 2013. The government statement also indicated that the notes will be admitted to the official list of the UK Listing Authority and available to trade on the London Stock Exchange's regulated market. In addition, the federal government will apply for the notes to be eligible for trading and listed on the FMDQ OTC Securities Exchange and the Nigerian Stock Exchange.</p>	<p><i>This demonstrates a strong market appetite for Nigeria's debt instrument. This is however in contrast to some analysts' prediction that Nigeria's recent downgrade by ratings agencies and uncertainty over oil output and currency controls might discourage investors. Following this success, the federal government's plan to raise \$300 million through a diaspora bond will be expected to witness similar success. It is therefore anticipated that the country will invest in developing its infrastructure in order to achieve long-term sustainable growth and reduce reliance on oil and gas revenues. This will then offset some of the costs to be borne in terms of debt servicing and exchange risk from the Eurobond issuance.</i></p>
 <p><b>Capital imports hit 9-year low in 2016 at \$5.12bn</b></p> <p>The National Bureau of Statistics (NBS) on Wednesday, 1<sup>st</sup> February, 2017 released the 4<sup>th</sup> quarter 2016 Capital Importation Report in Abuja. The report indicated that the value of Nigeria's capital imports declined to a nine-year low in 2016, dropping to \$5.12 billion from the \$9.64 billion recorded in 2015 or a decline of 46.86%; the largest fall in 9 years. The report also indicated that Foreign Portfolio Investment (FPI) witnessed the largest decline of 69.81% while Foreign Direct Investment (FDI) fell by 27.83%. On the other hand, Other investment increased by 3.48% between 2015 and 2016 which was wholly attributed to an increase in loans.</p>	<p><i>The fall in capital importation is fallout of the current economic challenges the country is witnessing. This is also reflected in the poor performance of the equities caused mainly by the foreign exchange challenges. That FDI fell less than FPI underscores the need to attract more FDI which is less vulnerable to macroeconomic shocks. Portfolio investors seek quick returns rather than control of management in companies and hence, are more likely to be affected by current market conditions.</i></p>

### **Do you know?**

*The Nigerian Stock Exchange (NSE) was established in 1960 as the Lagos Stock Exchange. In 1977, its name was changed from the Lagos Stock Exchange to the Nigerian Stock Exchange. The following were the pioneer companies listed on the NSE: Nigerian Tobacco Company Plc (1960), Dunlop Nigeria Plc (1961), John Holt Investment Company Plc (1961), Daily Times Plc (1963), Guinness Nigeria Plc (1965) and Tate Industries Plc (1969). However, only two of these pioneer companies are still listed on the Exchange: Dunlop Nigeria Plc (now DN Tyre & Rubber Plc) and Guinness Nigeria Plc. The NSE currently has about 176 listed companies.*



## B. PERFORMANCE OF SELECTED ECONOMIC INDICATORS

The NSE All Share Index stood at 25,340.0, a decline of 1.0% week-to-date. The index also lost 2.2% month-to-date, 4.8% year-to-date but gained 5.0% year-on-year. Accordingly, the equities market capitalisation at the end of the week closed at N8.8trn, losing 0.6% week-to-date, 1.8% month-to-date and 4.3% year-to-date. However, market capitalization increased by 5.5% in the last one year.

In the Unlisted Securities Market, the USI finished the week at 594.3 points, losing 1.3% week-to-date. The index also lost 4.1% month-to-date, 4.0% year-to-date and 2.3% in the last one year. In the same vein, market capitalization for the Unlisted Securities Market ended the week at N402.2b, falling by 1.3% week-to-date and 4.1% month-to-date. Available data shows that the net asset value of Collective Investment Schemes finished the week at N227.1bn; closing flat but with a reduction of 21.1% year-on-year.

In the money market, O/N ended the week higher at 12.2% while OBB ended the week lower by 0.2%. The FGN Bond yield finished the week flat at 16.5%.

In the commodities market, Brent crude rose by 1.8% to close at \$56.7 by the end of the week, it also increased by 2.2% year-to-date and 70.0% year-on-year. The black gold however lost 0.2% month-to-date. All other commodities also finished the week higher with the exception of Cocoa which lost 4.6%.

The interbank exchange rate closed the week at N305.0/US\$ while the parallel rate finished at N506.0/US\$. The interbank rate lost 0.08% while the parallel rate gained 1.58%. Year-to-date, the Naira remained flat in the interbank market but lost 3.16% in the parallel market. Year-on-year however, Naira has lost 34.64% and 37.74% 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 \$28.7bn, a one year high. It also indicates that Nigeria's external reserves gained 0.7% week-to-date, 1.7% month-to-date, 10.0% year-to-date and 2.9% year-on-year. The S&P500 index ended the week higher at 2,316.1, rising by 1.0% week to date.

Market	Indicator	Value* @ 10-Feb-17	WTD (%)	MTD (%)	YTD (%)	YoY (%)
Equities (NSE)	All Share Index (ASI)	25,340.0	(1.0)	(2.2)	(4.8)	5.0
	Market Capitalisation (N'tn)	8.8	(0.6)	(1.8)	(4.3)	5.5
Unlisted (NASD)	Unlisted Securities Index (USI)	594.3	(1.3)	(4.1)	(4.0)	(2.3)
	Market Capitalisation (N'bn)	402.2	(1.3)	(4.1)	-	-
Collective Investment	Net Asset Value (N'bn)	227.1	-	4.6	4.6	(21.1)
Money	Overnight (O/N) (%)	12.2	0.2	5.9	3.4	9.1
	Open Buy Back (OBB) (%)	11.3	(0.2)	5.9	3.1	8.7
	FGN Bond Implied Yield (%)	16.5	-	0.1	0.4	4.4
Commodities	Crude Oil (\$/b)	56.7	1.8	(0.2)	2.2	70.0
	Gold (\$/t oz)	1,235.9	0.3	2.3	6.4	(0.3)
	Cocoa(\$/mt)	1,962.0	(4.6)	(7.0)	(9.4)	(31.7)
	Wheat(\$/bu)	4.5	6.1	3.5	10.3	(3.0)
	Corn(\$/bu)	3.8	3.0	1.9	5.3	3.0
	Cotton(\$/lb)	77.1	1.9	0.9	7.4	31.5
External	Interbank Ex-rt (N/US\$)	305.0	(0.08)	(3.28)	-	(34.64)
	Parallel Ex-rt (N/US\$)	506.0	1.58	1.58	3.16	(37.74)
	External Reserves (\$'bn)	28.7	0.7	1.7	10.0	2.9
	S&P 500	2,316.1	1.0	1.6	2.6	25.1

\* 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

### Important Disclaimer

The information contained in this report reflects the existing judgment of the author(s) and current market conditions; it does not necessarily reflect the opinion of Economic Research and Policy Management (ERP) Division of the Securities and Exchange Commission, Nigeria. The information herein has been obtained from various sources and ERP makes no representation as to the accuracy or completeness of such information. ERP has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. ERP recommends that independent advice be sought should any party seek to place any reliance on the information contained herein. This report has been prepared for general dissemination and information purposes only and may not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. Neither ERP, nor any officer or employee thereof accepts any liability whatsoever for any direct or consequential loss arising from any use of this publication or its contents. Any securities recommendations made herein may not be suitable for all investors. Past performance is no guarantee of future returns. Any modelling or back-testing data contained in this document is not intended to be a statement as to future performance.