



A. ANALYSIS OF RECENT ECONOMIC/FINANCIAL DEVELOPMENTS

News/Development	Relevance/Implications
 <p>Nigeria's Economy slips further into recession, dips by -2.24%</p> <p>For the third consecutive time, Nigerian economy contracted again during the third quarter of 2016. Data released on Monday, 21st November, 2016 by National Bureau of Statistics (NBS) indicated that the nation's Gross Domestic Product (GDP) contracted by 2.24 per cent (year-on-year) in real terms. The report indicated that, during the period under review, real growth of the oil sector slowed by -22.01 per cent (year-on-year) in third quarter of 2016. It can be recalled that the Nigerian Economy had contracted by 0.36% and 2.06% in the first and second quarters of the year 2016 respectively.</p>	<p><i>It is clear that the government has to consider several policy options aimed at reflation the economy. This could be in the form of increase in economic stimulus package, external borrowing and more coordinated fiscal/monetary stance. Although the Nigerian Economy had witnessed declines for three quarters in a row, it is encouraging to note that the non-oil sector grew by 0.03 per cent in real terms in the third quarter of 2016, reversing the last two quarters of negative growth recorded in Q1 and Q2 2016. Growth in the non-oil sector was largely driven by the activities of agriculture (Crop Production), Information and Communication and other services. In real terms, the non-oil sector contributed 91.81 per cent to the nation's GDP, higher from shares recorded in the second quarter of 2016 (91.74 per cent).</i></p>
 <p>CBN retains monetary policy rate at 14%</p> <p>The Monetary Policy Committee of the Central Bank of Nigeria left the Monetary Policy Rate unchanged at 14 per cent. This was disclosed in a communique issued by the Central Bank of Nigeria (CBN) on Tuesday, 22nd November, 2016. The CBN Governor, Mr. Godwin Emefiele, who announced the decision of the committee at the end of a two-day meeting held at the apex bank's headquarters in Abuja, explained that all the 10 members that attended the meeting agreed to maintain the current monetary policy stance. Apart from the MPR which was retained at 14 per cent, the governor said the committee also voted to retain the Cash Reserves Ratio at 22.5 per cent, the Liquidity Ratio at 30 per cent; and the Asymmetric Window which was left at +200 and -500 basis points around the MPR.</p>	<p><i>The MPC decision may be viewed as being incapable of boosting economic growth. Some analysts advocate for reduction in the bench mark rate in order to support growth. However, lowering the MPR in an environment with high and rising inflation rate will not augur well for the economy. Besides, high MPR will be expected to curtail rising inflation which climbed to an 11-year high of 18.3% in October 2016. With inflation under check, the uncertainty in the economic environment will be reduced but the policy action will continue to raise the attractiveness of money market investments over stock market. The MPC decision also portends a continuous high cost of borrowing to both the government and private individuals.</i></p>



B. PERFORMANCE OF SELECTED ECONOMIC INDICATORS

For the week ended 25th November, 2016, the NSE All Share Index closed at about seven months' low of 25,333.40, having lost 0.6% week-to-date. The Index also lost 7.0% from the beginning of the month, 11.6% from the beginning of the year and 8.7% in the last one year. Consequently, the equities market capitalisation ended the week lower at N8.7trn, losing 0.8% from the beginning of the week, 6.9% from the beginning of the month, 11.9% from the beginning of the year and 8.7% in the last one year.

The Unlisted Securities Market also recorded declines in its key indices as the USI ended the week at 604.80 thereby losing 0.1% from the beginning of the week, 1.2% from the beginning of the month and 11.7% year-on-year. However, the Index gained 3.8% from the beginning of the year. On the other hand, Market Capitalization for the Unlisted Securities Market closed the week at N409.3bn declining by 0.1% week-to-date and 1.2% month-to-date. Available data shows that the Net Asset Value of Collective Investment Schemes stood at N215.40bn at the end of the week; signifying that the NAV ended the week flat but with a reduction of 1.0% month-to-date, 13.6% year-to-date and 13.0% year-on-year.

In the money market, O/N and OBB finished the week lower at 12.6% and 11.9% respectively, falling by 1.4% and 1.3% respectively week-to-date. The FGN Bond yield finished the week on a negative note at 15.9%, declining by 0.2% week-to-date.

In the commodities market, Brent Crude ended the week lower at \$47.2 amidst uncertainty about OPEC production cut, losing 3.4%. The product also lost 1.9% month-to-date and 5.0% year-to-date. However, the product gained 5.3% year-on-year. With the exception of Corn which ended the week flat, all other commodities closed the week lower.

The interbank exchange rate finished the week at N305.3/US\$ while the parallel rate ended at N473/US\$. The interbank rate lost 0.1% during the week and the parallel rate lost 1.7%. Year-to-date, Naira has lost 53.1% and 55.1% of its value against the Dollar in the interbank and the parallel markets respectively. In the last one year however, Naira has lost 53.8% and 103.5% 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 \$24.6bn. This signifies that Nigeria's external reserves have increased for the third consecutive week by 0.4% from the beginning of the week and 2.6% from the beginning of the month. However, reserves have declined by 15.6% from the beginning of the year and 18.3% in the last one year. The S&P500 index ended the week on a positive note at 2,213.40 indicating an increase of 0.7% from the beginning of the week.

Market	Indicator	Value* @ 25-Nov-16	WTD (%)	MTD (%)	YTD (%)	YoY (%)
Equities (NSE)	All Share Index (ASI)	25,333.4	(0.6)	(7.0)	(11.6)	(8.7)
	Market Capitalisation (N'tn)	8.7	(0.8)	(6.9)	(11.9)	(8.7)
Unlisted (NASD)	Unlisted Securities Index (USI)	604.8	(0.1)	(1.2)	3.8	(11.7)
	Market Capitalisation (N'bn)	409.3	(0.1)	(1.2)	-	-
Collective Investment	Net Asset Value (N'bn)	215.4	-	(1.0)	(13.6)	(13.0)
Money	Overnight (O/N) (%)	12.6	(1.4)	(2.9)	11.6	11.2
	Open Buy Back (OBB) (%)	11.9	(1.3)	(2.6)	11.4	11.0
	FGN Bond Implied Yield (%)	15.9	(0.2)	0.7	4.9	5.5
Commodities	Crude Oil (\$/b)	47.2	(3.4)	(1.9)	(5.0)	5.3
	Gold(\$/t oz)	1,181.0	(2.4)	(8.3)	9.8	11.8
	Cocoa(\$/mt)	2,415.0	(0.7)	(8.1)	(19.4)	(27.0)
	Wheat(\$/bu)	4.2	(1.6)	1.4	(11.3)	(12.3)
	Corn(\$/bu)	3.6	-	2.6	(13.5)	(2.5)
	Cotton(\$/lb)	71.3	(1.4)	4.5	17.9	11.5
External	Interbank Ex-rt (N/US\$)	305.3	0.1	0.2	53.1	53.8
	Parallel Ex-rt (N/US\$)	473.0	1.7	1.7	55.1	103.5
	External Reserves (\$'bn)	24.6	0.4	2.6	(15.6)	(18.3)
	S&P 500	2,213.4	0.7	4.8	7.5	6.0

* 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 ERPM 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 (ERPM) Division of the Securities and Exchange Commission, Nigeria. The information here has been obtained from various sources and ERPM makes no representation as to the accuracy or completeness of such information. ERPM 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. ERPM 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 securities market. ERPM is not responsible for any loss or liability whatsoever arising from or on account of the use of this report.