



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>Nigeria Plans to borrow \$30bn external loan in 3 years President Buhari on Tuesday, 25 October, 2016 presented a \$29.9 billion 3-year external borrowing plan to the National Assembly. Nigeria's current external debt stock is \$11.26bn while Federal Government domestic debt is \$37.48bn. It is stated that 61.2 per cent of the proposed debt will be spent on various infrastructure projects while the balance will be used to finance social programmes in health, education, budget support facility, agriculture and the Eurobond issue. Other recent proposals for financing Nigerias' development include Eurobonds issue, Asstes Sales, Yuan Swap and IMF Zero-Interest loan offer.</p>	<p>Given Nigeria's economic condition as characterised by recession, low oil receipts and huge infrastructure deficits, debt is one of the options available to revive the economy. Fortunately, the World bank loans attract low interest rate and repayment is usually spread over the long term. The proposed plan to spend the bulk of the debt on infrastructure projects will therefore necessitate a detailed cost-benefit analysis of such projects. This will consist of the specific roles that the planned infrastructure will play in achieving the country's identified goals, their revenue-generating capacity, efficient management, potential to raise future tax receipts and facilitation of foreign exchange savings by reducing future import bills. All these are necessary to ease the burden of servicing and repaying the debt on the future generation.</p>
 <p>NSE welcomes its first company listing in about 2 years as Jaiz Bank also gets approval to list on NSE The Nigerian Stock Exchange (NSE) on Tuesday, 25 October, 2016 listed The Initiates Plc (TIP), the first waste management company to be listed on the NSE. TIP was listed by way of introduction on the Alternative Securities Market (ASeM) of the NSE, which is a less stringent board for the listing of emerging small and medium enterprises. A total of 889.98 million ordinary shares of 50 kobo each were listed at 85 kobo per share on the ASeM. In a related development, Shareholders of Jaiz Bank Plc, Nigeria's first non-interest bank, on Wednesday, October 26, 2016 unanimously voted its shares to be listed and traded on the floor of the NSE. According to the bank, this will open opportunities for individuals who desire to own shares in the bank to do so.</p>	<p>There has been a dearth of new listings on the Nigeria's Stock Exchange. Few companies that have listed on the NSE in recent times include Transcorp Hotels (January 2015), Omoluabi Savings and Loans Plc (November 2014), Seplat (April 2014) and Caverton (May 2014). The listing of The Initiates Plc may be a signal that other companies with similar characteristics are on their way to the Nigeria's Capital Market. Thus, SEC and the NSE should continue in their effort to encourage more companies in need of capital to list on the exchange. There is also the need for investor education and inclusion to boost effective demand for new and existing securities.</p>
 <p>Nigeria ranks 169th out of 190 in the World Bank ease of doing business The World Bank Ease of Doing Business Report released on Tuesday, 25 October, 2016 ranks Nigeria 169th out of 190 countries. The World Bank's Doing Business ranking for 2017 covers 10 indicator sets and provides objective measures of business regulations and their enforcement across 190 economies and selected cities at the subnational and regional level. These indicators are: Starting a business, Dealing with construction permits, Getting Electricity, Registering Property, Getting Credit, Protecting Minority Investors, Paying Taxes, Trading across Borders, Enforcing Contracts and Resolving Insolvency.</p>	<p>Nigeria has been consistently lagging behind in terms of many global performance indicators. The current ease of doing business report underscores this and shows that the country has a wide ground to cover. There is therefore the need for the Government and other stakeholders to critically analyse the indicators used to rank countries and see what specific intervention can be implemented to remove some of the identified constraints. The country's current ranking will not help its efforts at attracting investors (foreign and domestic) and diversifying the economy.</p>



B. PERFORMANCE OF SELECTED ECONOMIC INDICATORS

The NSE All Share Index closed the week ended 28th October, 2016 at 27,294.20, having lost 1.0% from the beginning of the week. The Index also lost 3.5% month-to-date, 4.7% year-to-date and 7.2% year-on-year. The equities market capitalisation at the end of the week stood at N9.40trn, losing 1.0% week-to-date, 3.5% month-to-date, 5.3% year-to-date and 7.3% year-on-year.

In the Unlisted Securities Market, the Index finished the week at 614.4, losing 2.1% week-to-date, 3.0% month-to-date and 15.4% year-on-year. However, the Index gained 5.4% from the beginning of the year. Market Capitalization for the Unlisted Securities Market closed the week at N408.20bn, losing 2.1% week-to-date and 3.0% month-to-date. Available data shows that the Net Asset Value of Collective Investment Schemes stood at N217.5bn at the end of the period; signifying a reduction of 0.8% from the beginning of the month, 12.7% from the beginning of the year and 5.1% in the past one year.

In the money market, O/N and OBB finished the week at 10.3% and 9.7% respectively, declining by 0.5% and 0.3% respectively week-to-date. The FGN Bond yield closed the week at 15.2%, flat for 3 weeks. The decline in the money market rates could be attributed to the refund of unsuccessful bids for foreign exchange forwards contract and naira inflow from treasury bills' maturity worth N138.2 billion on Thursday, 27 October, 2016.

In the commodities market, Brent Crude finished the week lower at \$49.7 losing 3.5%. The product also lost 2.3% from the beginning of the month but gained 0.3% in the past one year. However, the commodity closed flat from the beginning of the year. The fall in the price of the crude oil was largely due to U.S. crude inventory build amid scepticism over OPEC's planned output cut. Also, Wheat finished the week flat, while Gold, Cocoa, Corn and Cotton all ended the week higher by 1.0%, 1.1%, 1.1% and 3.0% respectively.

The interbank exchange rate closed the week at N304.5/US\$ while the parallel rate closed at N470/US\$. The interbank rate gained 0.2% during the week while the parallel rate lost 3.3% at the end of the week. Year-to-date, Naira has lost 52.8% and 54.1% of its value against the greenback in the interbank and the parallel markets respectively. In the past one year, Naira has lost 53.4% and 108.9% 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 \$23.95bn. This shows that Nigeria's external reserves have increased slightly by 0.1% from the start of the week. However, reserves have declined by 17.7% year-to-date. The S&P500 index closed the week lower at 2,126.4 representing a loss of 1.2% week-to-date.

Market	Indicator	Value* @ 28-Oct-16	WTD (%)	MTD (%)	YTD (%)	YoY (%)
Equities (NSE)	All Share Index (ASI)	27,294.2	(1.0)	(3.5)	(4.7)	(7.2)
	Market Capitalisation (N'tn)	9.4	(1.0)	(3.5)	(5.3)	(7.3)
Unlisted (NASD)	Unlisted Securities Index (USI)	614.4	(2.1)	(3.0)	5.4	(15.4)
	Market Capitalisation (N'bn)	408.2	(2.1)	(3.0)		
Collective Investment	Net Asset Value (N'bn)	217.5	-	(0.8)	(12.7)	(5.1)
Money	Overnight (O/N) (%)	10.3	(0.5)	(5.0)	9.3	3.7
	Open Buy Back (OBB) (%)	9.7	(0.3)	(4.5)	9.2	3.7
	FGN Bond Implied Yield (%)	15.2	0.0	0.0	4.2	1.1
Commodities	Crude Oil (\$/b)	49.7	(3.5)	(2.3)	(0.0)	0.3
	Gold(\$/t oz)	1,276.8	1.0	0.6	18.8	11.9
	Cocoa(\$/mt)	2,648.0	1.1	(5.5)	(11.6)	(18.8)
	Wheat(\$/bu)	4.1	-	3.0	(13.9)	(21.8)
	Corn(\$/bu)	3.6	1.1	2.0	(14.2)	(7.1)
	Cotton(\$/lb)	70.8	3.0	2.9	17.2	11.8
External	Interbank Ex-rt (N/US\$)	304.5	(0.2)	(4.9)	52.8	53.4
	Parallel Ex-rt (N/US\$)	470.0	3.3	(1.3)	54.1	108.9
	External Reserves (\$'bn)	24.0	0.1	(1.8)	(17.7)	(20.6)
	S&P 500	2,126.4	(1.2)	(1.1)	3.3	1.7

* 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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