

May 13, 2016

Crude Oil

Nigeria's Bonny light price increased by 6.1 percent from \$44.17 per barrel on May 6, 2016 to \$46.86 per barrel on May 13, 2016¹. The increase can be attributed to the ongoing production outage in Canada and supply disruption in Nigeria². The fall in Nigeria's supply was due to the attack on Shell oil pipeline which caused it to declare force majeure on Nigeria's Bonny Light export, leading to a reduction in supply by an estimated 400,000 barrel per day³. In effect, the potential benefit of the Nigerian economy from the slight oil price increase has been engrossed by this shortage in supply, hence, it is imperative for the Nigerian government to address the problem of pipeline vandalism to save the economy from further loss in revenue.



Stock Market

The All-Share Index (ASI) and Market Capitalization appreciated by 2.88 percent and 2.92 percent respectively, between May 6, 2016 and May 13, 2016⁴. Specifically, the ASI appreciated from 25,701.60 points to close at 26,441.03 points while Market Capitalization also appreciated from N8.84 trillion to finish at N9.099 trillion at the end of the trading week. All sectoral indices finished higher with the exception of NSE Industrial Goods Index, which declined by 1.15 percent. The appreciation seem to be associated with the passage of the 2016 National Budget and the deregulation of the downstream oil sector, which may have led to increase in the demand for oil and gas stocks⁵. The government needs to commence the implementation of the budget in earnest, to sustain the increased investors' confidence.



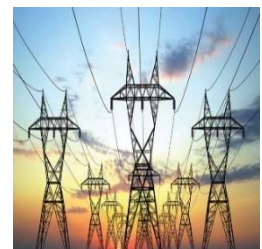
Foreign Reserve and Foreign Exchange

The Nigerian Naira depreciated by 11.5 percent in the parallel market but remained officially stable at N197/\$ in the week under review⁶. Precisely, the Naira depreciated from N323/\$ on May 6, 2016 to N360 on May 13, 2016. The depreciation may have been triggered by the removal of fuel subsidy which led to the increase in demand for dollar, as importers of petroleum are now to source for dollar autonomously⁷. Foreign Reserve declined by \$136 million within the week under review⁸. The decline in foreign reserve is consequent upon the decrease in Nigeria's crude oil export by an estimated 400,000 barrels per day, which was due to pipeline leakages from vandalism within the period. To prevent further depreciation of the Naira, particularly in the face of dwindling foreign reserves, the monetary authority needs to ensure compliance with its various forex demand of management policies in order to reduce market speculations, especially in relation to the fuel subsidy removal.



Power Sector

Power sector analysis shows a decline in power generated by 15.07 percent from a peak of 3,424 mw to 2,908 mw between May 8, 2016 and May 15, 2016⁹. The declining power supply is attributable to vandalism of pipelines and gas shortages, which has a debilitating effect on power generation. As part of the efforts by the Federal Government to improve power supply in the country, the Bank of Industry (BoI) is currently funding intervention projects to provide alternative source of energy (solar) in rural areas across the country¹⁰. Since the major problem facing power generation in the country is gas shortages, the government should make concerted efforts to combat vandalism.



Compiled by the Information and Data Management (IDM) Unit, CSEA

¹<http://www.cenbank.org/>

²The Week. "Oil price bounces back on stockpile data shock" The Week, May 12, 2016. Accessed May 13, 2016
<http://www.theweek.co.uk/oil-price/60838/could-the-oil-price-be-about-to-hit-50-a-barrel>

³Asu Femi. "Nigeria loses 400,000bpd as Shell declares force majeure." Punch, May 12, 2016. Accessed May 13, 2016.
<http://www.punchng.com/nigeria-loses-400000bpd-shell-declares-force-majeure/>

⁴Nigerian Stock Exchange (2016). "Stock Market Report for May 13, 2016". Retrieved from,
http://www.nse.com.ng/market_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2013-05-2016.pdf

⁵Nwachukwu Iheanyi. "Nigerian Stock Market Gains 2.88% on strong demand." Business Day, May 16, 2016. Accessed May 16, 2016. <http://www.businessdayonline.com>

⁶Lagos Black Market Rates. Abokifx2016. Accessed May 16, 2016.<http://abokifx.com/>

⁷Asu Femi. "Naira devaluation inevitable, Rewane, others insist." Punch, May 16, 2016. Accessed May 16, 2016.
<http://www.punchng.com/naira-devaluation-inevitable-rewane-others-insist/>

⁸CBN Statistical database 2015. The Movements in the Reserve. Accessed May 16, 2016
<http://www.cenbank.org/IntOps/Reserve.asp?MoveDate=5/16/2016%207:47:42%20AM>

⁹Nigerian Electricity Regulatory Commission. Weekly Energy Watch 10 April 2016. Accessed April 13, 2016.
<http://www.nercng.org>

¹⁰Nigeria Electricity Hub. "Bol/Arnergy Expands Alternative Power Investment in Rural Areas." May 13, 2016. Accessed May 16, 2016. <http://www.nigeriaelectricityhub.com/?p=6606>