Global Economy

The US inflation rate accelerated to 7.5% in January 2022, the highest since February 1982. The increase, according to the U.S. Bureau of Labor Statistics, was due to soaring energy costs, labor shortages, and supply disruptions coupled with strong demand. Energy remained the biggest contributor (27% vs 29.3% in December), with gasoline prices surging 40% (49.6% in December). Inflation quickened for shelter (4.4% vs 4.1%), food (7% vs 6.3%), new vehicles (12.2% vs 11.8%), used cars and trucks (40.5% vs 37.3%), and medical care services (2.7% vs 2.5%). Excluding volatile energy and food categories, the composite price index rose 6%, the most since August 1982.

Domestic Economy

The International Monetary Fund (IMF) in a recently issued statement said that Nigeria had adequate capacity to repay its loan. The Executive Board of the Washington-based institution said following the conclusion of its 2021 Article IV consultation with Nigeria. At the onset of the COVID-19 pandemic, Nigeria received a $3.4 billion facility from the IMF in April 2020. The IMF Board commented on the proactive approach of Nigeria's authorities to contain the COVID-19 pandemic and its economic impacts. However, the country's outlook remains significantly riskier, including from the pandemic trajectory, oil price uncertainty, and security challenges. The directors emphasized the need for major reforms in the fiscal, exchange rate, trade, and governance areas to lift long-term inclusive growth.

Stock Market

The local bourse closed on a bearish note in the week ended February 11, 2022 as the index plunged last week. This decline came on the back of profit taking by investors, especially in industrial goods, consumer goods, pharmaceutical, and financial services sector. The All share index (ASI) shrank by 1.06% week-on-week to close at 47,022.72 points. Also, market capitalization lost N417 billion to settle, for the week, at N25.4 trillion.

Money Market

The cost of borrowing plunged last week buoyed by a huge credit as a result of an unexpected Open Market Operations (OMO) maturity into the system. This inflow led to short-dated placements such as Open Repo Rates (ORP) and Overnight (ON) rates to decline to 3.33% and 4% from 13% and 13.25% previous week. In the same vein, slightly longer dated instruments like the 30- day and 90-day Nigeria Interbank Offered Rate (NIBOR) decreased marginally. The 30- day and 90-day NIBOR closed at 5.98% and 10.91% from 9.60% and 10.93% the previous week. We expect rates to inch up this week following anticipated secondary Market Intervention Sales (FSMIS).

Foreign Exchange Market

The dearth of funds at the foreign exchange market persisted with demand surpassing the meagre supply. This led to a weakening in the naira at the Nigerian Autonomous Foreign Exchange fixing (NAFEX) window as the naira lost 55 kobo to close at 416.79/$.

Commodities

Last week, oil prices soared as investors weighed a surprise decline in US crude inventories against signs of progress in reviving the Iran nuclear deal. Oil has scaled 2014 highs recently as demand recovery combined with falling stockpiles and supply disruptions pushed prices higher. Capacity constraints among OPEC members and geopolitical tensions in Eastern Europe also contributed to elevated energy prices. Bonny light, Nigeria’s benchmark crude rose by 8.22% to close the week at $100.99/barrel from $95.32/barrel posted in the preceding week. In another news, price of precious metals recorded modest gains last week relative to the other hand, business investment declined and gross fixed capital formation (4.3%). On the other hand, the price of precious metals will likely be stalled as the prospects of a nuclear agreement with Iran has become more likely especially in industrial goods, consumer goods, pharmaceutical, and financial services sector. The All share index (ASI) shrank by 1.06% week-on-week to close at 47,022.72 points. Also, market capitalization lost N417 billion to settle, for the week, at N25.4 trillion.

For enquiries, contact: Rotimi Peters (Team Lead, Economic Intelligence) (01) 2712123