

Summary

Inflation Rate (As at October, 2021) 15.99%

2021 Quarter Three (Q2) GDP Growth Rate 4.03%

Exch. Rate (USD) (NAFEX as at Friday, November 19, 2021) ₦413.55

Exch. Rate (USD) (Black market as at Friday, November 19, 2021) ₦540

Monetary Policy Rate, MPR (As at Friday, November 19, 2021) 11.5%

Crude Oil Price in USD (As at Friday, November 19, 2021) \$79.01

Headline Inflation Increases by 15.99% YoY in October 2021

Nigeria's inflation rate dropped further to 15.99% in the month of October 2021 from 16.63% recorded in September 2021. This is according to the recently released Consumer Price Index report, released by the National Bureau of Statistics (NBS). On a month-on-month basis, the CPI increased by 0.98% in October 2021, a decline of 0.17% compared to 1.15% increase recorded in the previous month. A key takeaway is the fact that this is the 7th consecutive monthly decline and the lowest inflation rate in 2021. Irrespective of the consistent decline however, the World Bank in a recent report revealed that the drivers of Nigeria's inflation rate are unique to the nation alone as it differs from what is experienced in other parts of the world and that higher inflation may send about 5.6 million Nigerians into poverty between 2020 and 2021.

Nigeria's Q3 2021 Real GDP Growth Rate

Nigeria's Gross Domestic Product (GDP) grew by 4.03% (year-on-year) in real terms in the third quarter of 2021, showing a sustained positive growth over the last four quarters since the recession witnessed in 2020. Output contracted by -6.10% and -3.62% in Q2 and Q3 of 2020 under the Covid pandemic. The Q3 2021 growth rate was higher than the -3.62% growth rate recorded in Q3 2020 by 7.65% points and lower than 5.01% recorded in Q2 2021 by 0.98% points, indicative of a continuous recovery. Nevertheless, quarter on quarter, real GDP grew at 11.07% in Q3 2021 compared to Q2 2021, reflecting a higher economic activity than the preceding quarter.

Treasury Bills

Last week, the Nigerian Treasury Bills ("NT-Bills") market maintained its bullish run, with yields contracting -14bp W-o-W (Week-On-Week) from 5.33% to 5.19%, as investors' unmet bids trickled in from the primary market auction, with all tenors experiencing buying interest.

In more detail, average yields on the short, medium, and long term declined -6bps, -1bps, and -26bps W-o-W respectively. Particularly, the longer-end of the curve experienced the most contraction in yields especially the 13-Oct-22 (-31bps), 08-Sep-22 (-22bps), and 09-Jun-22 (-22bps) bills. At last Wednesday's Primary Market Auction ("PMA"), the central bank's total offer of N150.8bn was met with strong demand, recording a subscription ratio of 3.8x (total subscription: N574.8bn). The 364-Day instrument maintained its strong demand levels with a bid-to-cover ratio of 4.1x (subscription: N566.2bn). Furthermore, stop rates on the long-term offer declined 49bps to settle at 6.50% (from 6.99% at the previous auction) while rates on the short- and mid-term offers remained the same.

FGN BONDS

The bonds secondary market had a slight bullish run last week because of the relatively buoyant system liquidity, which stood at N403.9bn on Wednesday, as FGN bonds market players continue to cherry-pick attractive offers across the curve. The average yield across all tenors declined by 1bps W-o-W to settle at 11.30% from 11.31% the previous week, with the short-term maturities experiencing the most decline in yields. Particularly, 23-Mar-25 and 27-Apr-23 maturities witnessed the most buying interest, declining 96bps, and 46bps W-o-W respectively.

FX

The exchange rate between the naira and the US dollar closed at N414.8/\$1, at the official Investors and Exporters window on Thursday. This represents a 0.07% gain for naira compared to N415.1 in the previous trading session on Wednesday, 17th November 2021. At the parallel market however, information obtained from BDC operators interviewed by Nairametrics revealed that naira depreciated slightly to close at N546/\$1 from N545/\$1 recorded in the previous trading session on Wednesday. On the other hand, Nigeria's foreign reserve recorded a marginal decline of 0.03% on Wednesday, 17th November to close at \$41.42 billion compared to \$41.43 billion recorded as of the previous day.