



# Analysts Monthly Review

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## How Realistic is the Cry for Raising Minimum Wage in Nigeria?

The current minimum wage rate in Nigeria of N18,000 was implemented in 2011 and it was equivalent to \$116.99 at that time. However, with the current official exchange at N306, the minimum wage of N18,000 is now equivalent to \$58.82 implying a 49.72% decline in the purchasing power of an average Nigerian worker. Cumulatively also, prices of commodities as measured by Consumer Price Index have risen by 77% within the period. Both measures therefore show that the pay of a Nigerian worker has declined substantially in the face of changes in market conditions and high cost of providing basic needs.

Hence, the recent cry to increase minimum wage to N56,000 appears justifiable. But there is another side to the issue of minimum wage deriving from the economics perspective on the minimum wage generally and the current reality in Nigeria.

Governments set minimum wage as the lowest remuneration permitted by law that employers must legally pay their workers. Nations use minimum wage policies to ensure individuals can maintain a minimum quality of life. In general, there are two fiscal and social arguments on minimum wage. Supply side economists see a minimum wage as an overreaching burden placed on small business while demand side economists argue wages set too low will result in higher levels of poverty. Also, if the minimum wage is increased by the government, more skilled and educated workers will also seek pay increases not because of market forces but government policy. This increases volatility in the labour market as experienced and skilled workers are forced to reassess their value upward which may not be accepted by employers.

Dominant economic argument against minimum wage is that when labour is priced at a higher rate, employers will generally want to use less of it (underdemand for labour) and workers will generally want to supply more of it (oversupply of labour), leading to a gap between offers of work and opportunities for work. The long run effect is that businesses have an opportunity to substitute away from labour towards capital intensive modes of production. Hence, labour-saving capital investment becomes more attractive when low-skilled workers are more expensive by minimum wage laws. Hence, the minimum wage law increases wages but decreases employment.

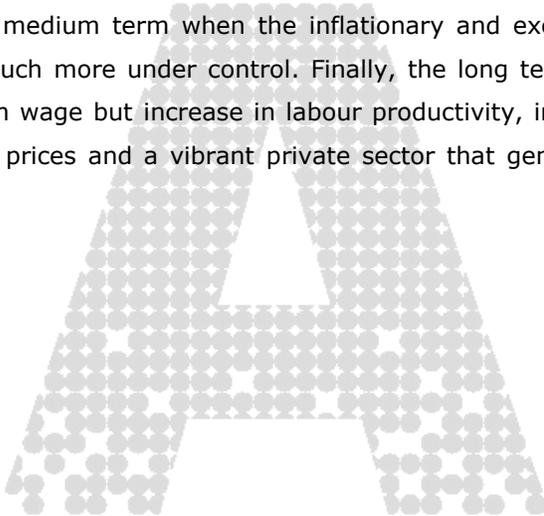


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Researches in some countries have found that increases in the minimum wage were followed by reductions in employment. This was more pronounced among young people, where minimum wage had a large effect on labour demand. Thus, a consistent negative relationship exists between the minimum wage and labour demand.

Based on the current economic reality in Nigeria where unemployment rate is already high at 13.9% in Q3 2016, cost of production is equally high and government revenue has fallen resulting in debt accumulation, one would be right to doubt the capacity of the economy to accommodate a wage increase. In addition, many state governments have been unable to pay the present minimum wage and are even owing months of salaries, most businesses are still paying far below the existing wage rate. Despite all these, inflation is still high at 17.26% as at March, 2017.

Balancing these arguments, which it may be difficult to argue against the current demand for wage rate increase; but great care and timing need to be exercised. In the short term, the government may wish to first stabilise the economy and raise its absorptive capacity. The increase in wage rate can be delayed to the medium term when the inflationary and exchange rate pressures will be much more under control. Finally, the long term solution is not higher minimum wage but increase in labour productivity, improved competitiveness, lower prices and a vibrant private sector that generates qualitative jobs.



## FAAC Shared N467.8 Billion in April

The Federation Account Allocation Committee (FAAC) shared the sum of N467.8bn to the three tiers of government in April 2017 from the revenue generated in March 2017. This figure is N38.7bn more than the amount of N466.93bn disbursed in March 2017. The amount shared comprises N299.93bn from the Statutory Account; N22.26bn from exchange gain; N66.96bn from Excess Petroleum Product Tax (PPT) Account; N78.65bn from Valued Added Tax (VAT) while the sum of N6.33bn was refunded to the Federal Government from the Nigerian National Petroleum Corporation (NNPC). In addition, the Federal government received a share of M189.24bn, States received N127.99bn and Local government received N96bn.

The disbursement to all tiers of government was N430.2bn, N514.1bn and N466.9bn for the month of January, February and March respectively. The trend shows that there has been an increase in the amount disbursed in the year 2017 compared to the amount of N360bn, N336.2bn, and N297.8bn disbursed in January, February and March 2016 respectively. Also, an increase of 66.5% is observed in April 2017 compared to N280.9bn disbursed in April 2016. This improvement is largely due to the increase in oil prices and crude oil production in recent times.

Available data shows that the government recorded increases in mineral revenue and non-mineral revenue which stood at N228.54bn and N102.47bn respectively in the month of March. However, crude oil export sales dropped by \$6.4 million. This decline is attributed to decrease in crude oil export volume which is largely occasioned by militant attack in the oil-producing regions. The combined effect of these has led to the moderate increase in the amount disbursed in the month of April.

Based on the slight increase in the crude oil prices observed in April, we expect a slight increase in the FAAC to be shared in the month of May; although this increase may be dulled by lower production on the back of the maintenance of some oil facilities.



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## Nigerian Companies are Adding More Women to their Boards

Despite stereotypes, the concept of leadership is not inherently masculine as it has been confirmed that board diversity affects the performance of firms. Also, studies have shown a positive correlation between female participation on the board and firms' performance; especially when viewed via the accountability angle.

The analysis of available data from 1980 to 2016 shows the trend as well as percentage of companies with women on their boards and percentage of board members that are women in these companies. The result shows that on the average, 36% of the listed companies have women as board members and this has increased from as low as 14% for the period of 1980-1989 to as high as 61% for the period of 2010-2016. This implies that an increasing trend of Nigerian companies now have women on their boards.

In addition, 15% of the board members in these companies are female. They stood at 12%, 13%, 14% and 17% for the period of 1980-1989, 1990-1999, 2000-2009 and 2010-2016 respectively. This also suggests that there is an increasing trend in the participation of women as board members in Nigeria. Thus, this development is expected to improve the corporate governance performance of these companies.

Trend of Companies Board Members as Women			
Period	Number of Companies	Percent of companies with women on board (%)	Percent of Board Members as women (%)
1980-1989	386	14	12
1990-1999	1,351	25	13
2000-2009	1,405	35	14
2010-2016	914	61	17
All Period	4,056	36	15

Source: Anastat Platform

**...on the average, 36% of the listed companies have women as board members...**

### Inflation Slowed to 17.26% in March 2017

Nigeria's headline inflation rate indicated a second consecutive month of decline on a year on year basis as it increased by 17.26 percent in March 2017. This represents a decline by 0.52 percent compared to the first decline recorded in February when consumer activities dropped by 0.94 percent. The decline represents the effects of slower rises in already high food and non-food prices as well as the favourable base effects. The faster pace of growth in consumer activities were traced to the major divisions in housing, water, electricity and gas, education, food and alcoholic beverages, clothing and footwear and transportation services.

Also, the food index increased to 18.44 percent (year-on-year) in March, slightly down by 0.09 percent points from the rate recorded in February which was 18.53 percent. The slowest increase in food prices year-on-year was recorded by Soft Drinks, Fruits, Coffee, Tea and Cocoa. In addition, the core inflation rose to 15.4 percent in March. This was down by 0.60 percent points from the rate recorded in February of 16 percent. The highest increases were seen in miscellaneous services relating to dwelling, electricity, solid fuels, clothing materials, liquid fuel, spirits as well as fuels and lubricants for personal transport equipment. The Urban and Rural Index stood at 18.27 percent and 16.47 percent in March respectively from 18.57 percent and 16.98 percent reported in February.

The inflationary pressures in Nigeria is expected to continue the current declining trend in subsequent months of 2017 as CBN continues to intervene in the foreign exchange market and the government attempts to remove certain infrastructure constraints that pushes up prices.

Trend of Inflation Rate in Nigeria				
	2016: Mar	2017: Jan	2017: Feb	2017: Mar
Headline	12.77	18.72	17.78	17.26
Core	12.17	17.9	16.01	15.40
Food	12.74	17.82	18.53	18.44
Urban	13.48	20.31	18.57	18.27
Rural	12.04	17.34	16.98	16.47

Source: National Bureau of Statistics, 2017

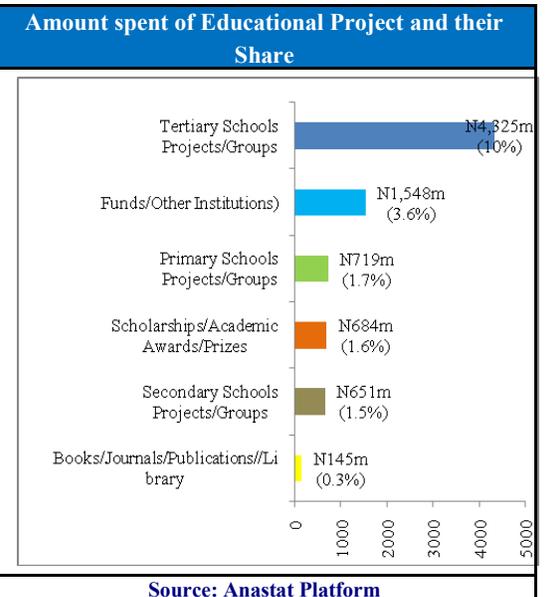
This represent a decline by 0.52 percent compared to the first decline recorded in February when consumer activities dropped by 0.94 percent

### Nigerian Listed Companies Spent over N8bn on 2,658 Educational Projects in about 3 Decades

Many corporations spend a great deal of time and money giving back to the community. Most of them have invested in education because it is a major form of human empowerment as the educated workers are better equipped to become gainful employees and profitable consumers. Also, investing in education is not just the right thing to do, it is smart economics.

Therefore, we have examined the number and amount spent on educational projects by corporate firms in Nigeria from the period of 1990 to 2016. Evidence shows that, education is the bulk of CSR Expenditure, amounting to 18.7% of total CSR expenditure by Nigerian listed companies. Specific projects in primary schools, secondary schools, tertiary institutions, funds / other institutions, scholarships/awards/prizes and books / journals / publications accounted for 1.7%, 1.5%, 10%, 3.6%, 1.6% and 0.3% respectively. This shows that spending on projects in the tertiary institutions has the largest share of CSR expenditure in the education sector. It is also observed that Nigerian listed companies embarked on 2,658 projects in education in the last 27 years and spent over ₦8 billion on these projects.

It has been observed that with improved education, many other areas of human existence are positively affected. This is a welcome development as both the government and private companies contribute to the development of human capital in Nigeria.



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### Nigerian Capital Market On A Rising Trend

The NSE All Share Index closed the month of April 2017, at 25,818.87, gaining 1.2% from 25,516.34 in March 2017. Also, the Index gained 3.5% year-on-year and lost 3% year to date. The equities market capitalisation at the end of the month stood at N8.9trn, gaining 0.79% month-on-month and 3.25% year-on-year. Also, market capitalization reported a decrease of 2.84% year on date.

Available data also shows that Foreign Portfolio Investment (FPIs) increases by 284.6% from N74.11 recorded in February to N285.05bn in March 2017. Domestic transactions stood at N152.54bn and foreign transactions stood at N132.51bn representing an increase of 285.49% and 283.64% from the previous month respectively. In the domestic market, Retail and institutional transactions stood at N23.77bn and N128.77bn respectively.

The monthly average FMDQ rate shows that the Open Buy Back (OBB) and Overnight (O/N) rate rose by 40.93% and 43.82% respectively in the month of April; underscoring the attractiveness of the money market and fixed income instrument. However, the slow down in inflation is expected to lead to a decline in interest rate which would correspond to gains in the stock market.

In the Unlisted Securities Market, the index finished the month of April 2017 at 593.14 points, losing 6.19% month-on-month. The Index also lost 6.77% year-on-year and lost 4.16% year to date. Consequently, Market Capitalization for the Unlisted Securities Market ended the month at N401.8bn which fell by 6.09% from the beginning of the month and lost 4.19% year on year. Also, it fell by 4.06% year to date.

The performance of these indicators show a positive and increasing trend in the Nigerian capital market compared to early 2016. In addition, it is expected that activities would further pick up in this market in subsequent months in the year 2017.

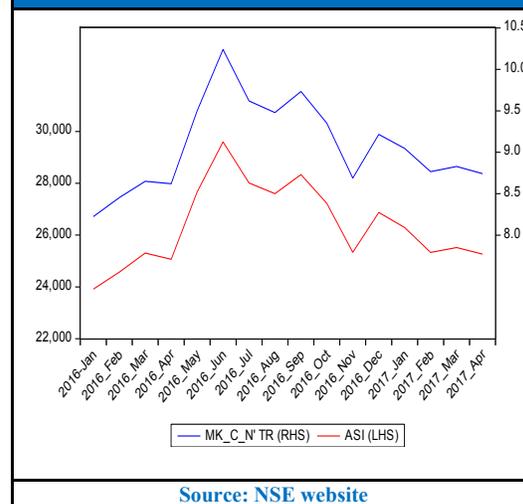
### External Reserves Closed at \$30.86bn in April Giving CBN More Firepower to Defend Currency

Nigeria's foreign reserves has been increasing in recent months as it closed at \$30.86 billion at the end of April 2017. This indicates that it appreciated by \$5.02 billion compared to the value of \$25.84 billion recorded at the end of year 2016. The country's external reserves stood at \$28.17 billion, \$29.65 billion and \$30.3 billion in January, February and March respectively. The growth in the reserves is derived majorly from the proceeds of crude oil sales as crude oil price as at April ending traded at \$53.12 per barrel. Also, the success of the government interventions in the Niger Delta region and rising oil exports led to the accretion in the foreign reserves. These developments have therefore increased the CBN's firepower to defend the currency.

In the first quarter of 2017, the Nigerian currency stood at N306.4/US\$ at the interbank market while it stood at N429.7/US\$ at the parallel market. However, by April 2017, the value of Naira (interbank) appreciated by 0.10% to N306.10/US\$ while the parallel exchange rate appreciated by 9.24% to N390/US\$ in the same period.

The outlook on reserves is highly dependent on stability of oil price and stability of Nigeria's oil production. At the current rate, more accretion will be observed, but this will not be significant as a sizeable proportion will be continuously used to defend the naira.

Trend of All Share Index & Market Capitalization



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Interbank & Parallel Market EXR

	FEB	MAR	APR
Interbank EXR	305.3	306.4	306.1
Parallel EXR (AVR)	494.7	429.7	390
Ext. Res.(\$' Billion)	29.65	30.30	30.86

Source: Central Bank of Nigeria, 2017

The country's external reserves stood at \$28.17 billion, \$29.65 billion and \$30.3 billion in January, February and March respectively.

### Movements in Major Commodities

Oil price closed at \$53.12pb for the month of April, 2017, reflecting 24.99% increase above its benchmark of \$42.5pb used in the 2017 budget. Natural gas price rose during the review period to close at \$3.276mmbtu gaining 2.7% and 50.4% month on month and year on year respectively. This increase in the price of oil is positive news to Nigeria’s foreign exchange reserves.

In addition, the price of Wheat rose by 1.35% to close at \$432.25/tonnes. The price of corn rose by 0.62% to \$366.5 / tonnes. Cocoa declined by 10.5% to close at \$1915 / metric tonnes (mt) while the price of cotton increased to \$78.87 per tonnes. This suggests that the price fluctuation at the international market have varying impacts on the farmers and companies that use these commodities as inputs.

On the domestic front, the average price for premium motor spirit (petrol) paid by consumers increased by 10.1% year-on-year and decreased by 0.3% month-on-month to N149.4 in March 2017 from N149.8 in February 2017. Also, average price for diesel decreased by 5.94% month-on-month and increased by 60.44% year-on-year to N234.55 in March 2017 from N249.38 in February 2017. Furthermore, average price per litre for Kerosene decreased by 11.59% month-on-month and increased by 39.50% year-on-year to N311.56 in March 2017 from N352.42 in February 2017. Also, average price for the refilling of a 5kg cylinder for Cooking Gas decreased by 7.93% month-on-month and increased by 35.57% year-on-year to N2,493.59 in March 2017 from N2,708.38 in February 2017.

The impact of the recent falling prices of these petroleum products would benefits the households and individuals as they would have to spend less of their earning on these essential commodities. This is expected to raise their welfare.

Average Prices of Petroleum Products (₦)			
	Jan	Feb	Mar
PMS (Petrol)	148.70	149.81	149.39
AGO (Diesel)	240.52	249.38	234.55
HHK (kerosene) Per litre	433.84	352.42	311.56
HHK (kerosene) Per gallon	1,434.44	1,366.08	1,172.78
Cooking gas 5kg	2,567.56	2,708.38	2,493.59
Cooking gas 12.5kg	5,508.16	5,345.87	4,923.47

Source: National Bureau of Statistics 2017

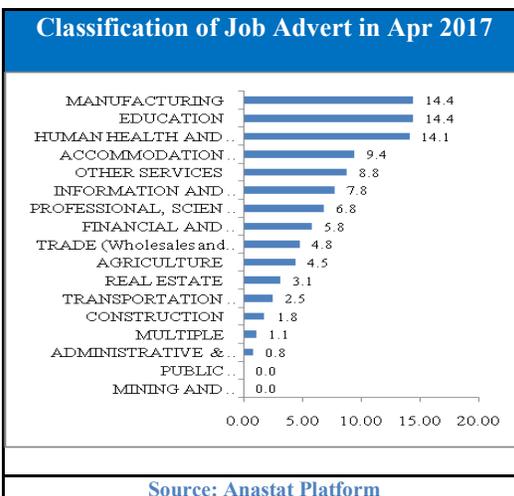
...The impact of the falling prices of these petroleum products would benefits households and individuals...

### Nigeria’s Job Advert Maintained a Declining Trend in April

The surveys of job vacancy advertisement extracted from the Anastat data bank shows the trend, type and pattern of jobs advertised in Nigeria newspaper in the month of April, 2017. The total number of job advertised was 301 showing a decline of 22.6% and 64% month on month and year on year respectively.

Education and manufacturing sectors ranked highest with each responsible for 14.4% of adverts. Education shows a increase of 22.9% month on month and a decrease of 8.5% year on year while manufacturing sector shows an decrease of 2.3% and 43.4% month on month and year on year respectively. Human health and social services sector have an advert placement cumulating to 14.1%. This shows a decline of 46.2% and 57.1% month on month and year on year respectively. Job advert placement by Accommodation and Food Services sector had 9.4% with a decrease of 54.8% and 68.9% month on month and year on year respectively. Other services contributed 8.8% of the total job placement for the month with 225% and 100% increase month on month and year on year respectively. Information and communication sector also contributed 7.8% of the job adverts with an increase of 130% and 35.3% month on month and year on year respectively.

The result shows that job advertisements in Nigerian have dramatically reduced. This has serious negative implications for the country’s already high unemployment.



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## Wise Quotes

Never play with the feelings of others because you may win the game but the risk is that you will surely lose the person for a life time.

Shakespeare

Opportunities are like sunrises, if you wait too long you can miss them.

William Arthur

The world suffers a lot not because of the violence of bad people, But because of the silence of good people!

Napoleon

Coin always makes sound but the currency notes are always silent. So when your value increases keep quiet.

Shakespeare

I am thankful to all those who said NO to me. It's because of them I did it myself.

Einstein

When you are in the light, everything follows you, but when you enter into the dark, Even your own shadow doesn't follow you.

Hitler

If friendship is your weakest point then you are the strongest person in the world.

Abraham Lincoln

## Jokes

### Hungry and Broke

There were three men living together in London. An Afro-American, a West Indian and a Nigerian. They were all starving because they didn't have money to buy food. However upon coming close to a posh London restaurant in this classy neighbourhood, they decided to come up with a plan.

The Afro-American went in first. After being seated, he ordered a three course meal with white wine. When he had finished the meal, the waiter came by with the bill. "LISTEN MY MAN, I ALREADY PAID YOU!" - the Afro-American shouted! The waiter was very confused because he could not remember being paid. But because he did not want to cause any trouble, he let the brother leave.

Five minutes later, the West Indian walked into the same restaurant and ordered a five course meal with red wine. When he was finished eating, the waiter came by to collect the money for the food. "HEY, HEY, LOOK AT ME CROSSES. BUT AH PAID YOU ALREADY!" - the West Indian shouted. This time the manager came and had to calm down the West Indian, because he did not want anything to upset the other customers. He let the guy go.

Ten minutes later, the Nigerian walked in. And you know how we are. He sat down. Lit up a cigarette, and ordered the most expensive meal on the menu, plus two bottles of Beer. After he had finished, the waiter came to collect the money for the meal, But before the Nigerian could say anything, the waiter spoke to him. "Sir, I have been having all sorts of problems all day and I can't understand it. Two other people like you came in earlier and ate, and they say that they paid me but I don't remember getting any money from them so, "Before he could finish, the Nigerian interrupted, rather emphatically, "OGA I SORRY FOR YOU OOOO. BUT DAT NA YOUR PROBLEM. I JUST WANT YOU TO GIVE ME MY CHANGE!!"



## Analysts

Analysts Data Services and Resources (ADSR) is a Data and Research Company in the vanguard of transforming the way data is seen, stored, used and delivered on the African continent.

As an academic authority, ADSR is a partner of choice to researchers and postgraduate candidates for dissertation advisory. As an advisor, ADSR works with corporates, governments and supranationals to deliver data and intelligence support that cuts through complex decision making issues thus unearthing intrinsic value in a way that builds public confidence.

ADSR is fixated on altering the perception of data and accentuating the place of intelligence in order to fuel growth and development across the African continent.

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