

## Recent Oil Price Increase: Sustainability Implications For Nigeria

Development in the crude oil market has pushed oil price to \$76.79pb from \$55.45pb in January 2017 representing a 38.49% increase. This rise in oil price is the highest since the precipitous fall to \$27.88pb in January, 2016. However, this recent increase has both positive and negative implication for Nigeria and has informed different responses. Against this backdrop, it is critical that the increase is examined for its implications and sustainability effects on the Nigeria economy. For instance, the 2018 budget which was recently passed by the National Assembly experienced a raise in crude oil benchmark from \$45pb to \$51pb, contributing to a 6% increase in proposed expenditure from N8.6trn to N9.1trn.

Globally, many factors affect the price of oil, but in the end it comes down to supply and demand. These factors include, but not limited to, OPEC production decisions, spare production capacity, non-OPEC supply growth, political tensions, amidst other. For instance, the US president's decision to unilaterally exit the nuclear deal with Iran raised speculation of Iranian exports falling. Supply cuts by major oil-producing countries, led by Saudi Arabia and Russia, have equally made marks on the rising oil prices. In the same vein, the ongoing escalation of tensions between Saudi Arabia and Iran, continuing conflicts in Iraq, Libya, Syria and Yemen have significantly taken their toll on the region and oil prices. Furthermore, with the IMF forecasting 3.9% growth in global economy this year, healthy economic activity has been an important factor in rising oil prices so far.

Rising crude oil prices is known to affect different areas and aspects of the economy. It increases export earnings and thus the current account balance. There is no doubt that recent occurrences and responses in the Nigerian economy are tethered to increasing oil prices. Instances include stability of the naira at around N360 naira to a dollar, steady disinflation which is attributable to stability of the foreign currency market, improvement in the level of liquidity in the foreign exchange market as well as external reserves that have risen to a 4 year high.

However, there are growing concerns about the sustainability of the surging crude oil prices. Observers have warned that crude oil may become so expensive such as to dent demand for oil. A report from International Energy Agency (EIA) paints pretty gloomy picture for OPEC members, who are hoping to phase out their supply cuts after this year. With non-OPEC supply rising quickly, particularly in the U.S., OPEC may



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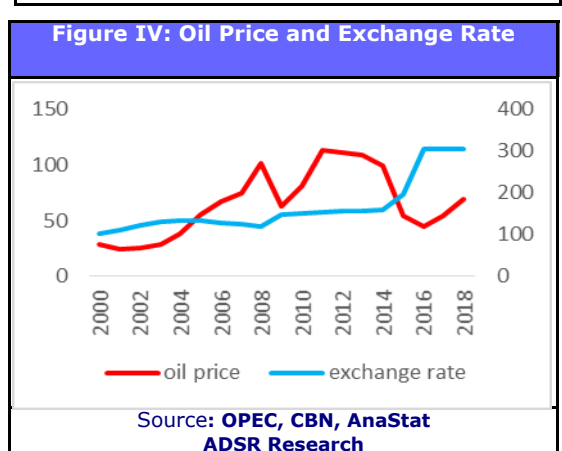
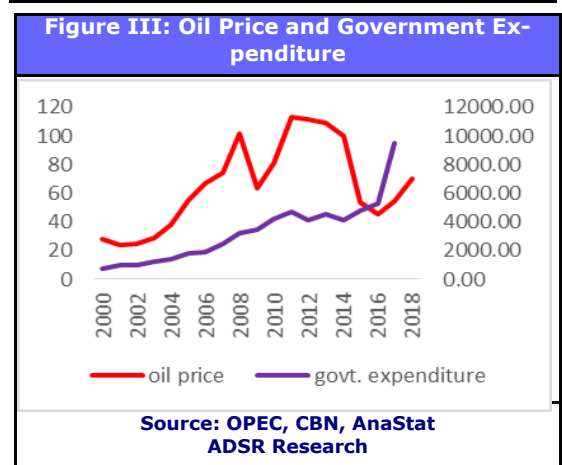
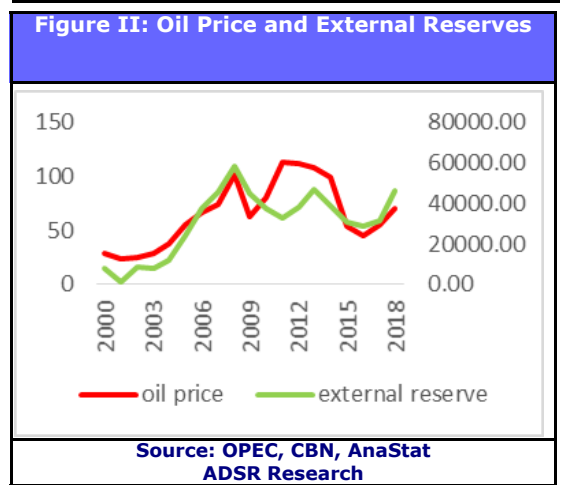
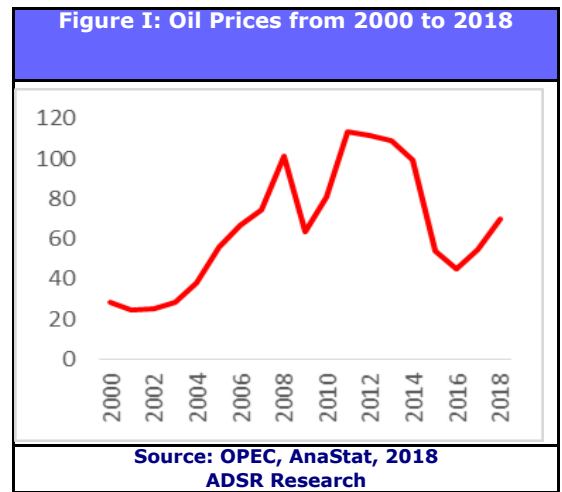
struggle to figure out a way to increase output without pushing down prices. Similarly, the IMF has warned Nigeria and other dependent countries of a possible crash of the prices of crude oil in the near future and further advised intensification of economic diversification efforts in such countries.

Trend of oil prices has been typified by upturns and downturns over the years as shown in Figure I. Over the study period, oil price attained its highest peak in 2011 while the lowest oil prices were recorded in 2001 and 2002. Oil price rose steadily to an initial peak of \$101.43pb in 2008 after which it fell sharply to \$63.35pb in 2009 and then grew to its highest peak at \$113.65. It falls sharply to \$27.88pb in 2016 where it began to rise steadily till date.

The relationship between oil price and external reserves is also presented in Figure II, it reveals that oil prices and external reserves exhibit similar trends. Moreover, Figure III shows that government spending increased steadily over the period of study, irrespective of the sharp peaks and downturns in the trend of oil prices. This is attributed to the fact that government spending is a combination of revenues, complimented by foreign and domestic borrowings. However, respective fall in oil prices are accompanied by some levels of downturns in government spending. A sharp expansion in spending is seen from 2016 as oil prices picks up.

The association between oil price and exchange rate is shown in Figure IV. Increase in oil price informs corresponding decline in exchange rates (naira appreciation). However, between 2009 and 2015, stability is recorded in the trend of exchange rate regardless of the sharp expansion and downturn in oil prices. Non-appreciation of the naira in this period fuelled reserves accretion as well as increased imports. Exchange rate plunged sharply between 2014 and 2016 during a period lengthy decline in oil prices. It then stabilizes from 2016 where the oil prices began to expand.

From the foregoing, First, it is clear that oil money spending remains an aspect that needs to be looked into in Nigeria. When oil prices are high, the descriptive above shows that Nigeria's external reserves rise, exchange rate stabilizes and government expenditure continues on a rising trend. It is therefore important we save as much as possible so that spending can be increased when oil prices fall. In other words, fiscal discipline needs to be enforced and maintained by curtailing spending. Second, the near-absolute dependence of Nigeria on the oil sector remains a crucial challenge to be addressed. Having an economy that is not tied to the price of one product which is bound to have wild price swings is an obvious solution. Hence, it is expedient that Nigeria will learn from the past and avoid been carried away by the recent oil price increase as such had been attained before with little to show for it.



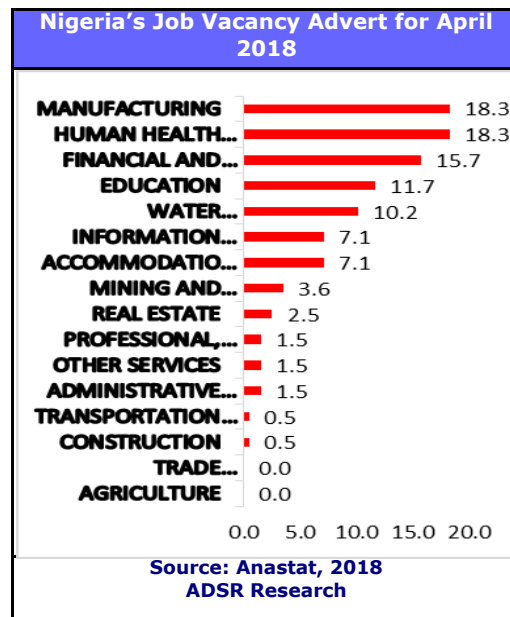
### Nigeria's Job Vacancies Dipped in April 2018

The Anstat databank records a decrease of 27.3% in the number of job vacancy advertisement in Nigeria newspapers to 197 in April 2018 from 271 in March, 2018. A 32.3% year-on-year decline was also documented. Result shows the trend, type and pattern of jobs advertised during this period.

Manufacturing Sector and Human Health Sector top the list of the sectors with highest vacancy, each accounting for 18.3% of the total number of job advertisement placed. This is followed by Financial and Insurance Sector with 15.7%. During the month, Education Sector takes the third highest rank with 11.7% of the total job advertised. The sectors with the least number of job advertisement are the Construction and Transport Sectors, each representing 0.5% of job advertised in April. No job vacancies are available in the Trade Sector and Agricultural Sector.

However, Manufacturing Sector experiences a decrease of 48.6% and 25.0% month on month and year on year respectively while Financial and Insurance Sector records an increase of 287.5% and 72.2% month-on-month and year on year respectively. In addition, the Education Sector is seen to decrease by 43.9% and 46.5% month-on-month and year-on-year basis respectively.

Furthermore, the skills most sought by companies in April 2018 were the professionals which accounts for 37.6% of the job advertisements. Other major skills advertised include Managers and Technicians and Associate Professionals which constitute 23.4% and 19.8% of job advertisement in the month. Analysis of data shows that job advertisements in Nigeria continues to reduce from what was recorded in the previous month. Thus, unemployment remains a major problem in the nearest future for Nigeria.



The total number of job openings decreased from 271 in March to 197 in April 2018

### Capital Market Indices Continues on a Downward Trend in May 2018

The All Share Index of the Nigerian Stock Exchange closed the month of May 2018 at 38,104.54 representing a loss of 7.67% from 41,268.01 in April 2018. The equities market capitalization at the end of May also fell to N13.80trn from N14.94trn in April, which denotes a 7.67% decline on month-on-month basis.

Foreign Portfolios Investment (FPIs) decreased by 22.11% from N272.48bn recorded in March 2018 to N212.23bn in April 2018. Similarly, Total domestic transactions decreased by 36.05% from N140.27bn recorded in March to N89.7bn in April 2018. In the domestic market, institutional and retail transactions stood at N46.51bn and N43.19bn respectively. This depicts a lower institutional participation and decline in retail investors in the stock market.

In the Unlisted Securities Market, the index finished the month of May 2018 at 668.83 points, losing 4.37% month-on-month and gaining 6.13% year-to-date. In the same vein, Market Capitalization for the Unlisted Securities Market ended the month at N452.62bn which is a 4.37% decline month-on-month while it gained 6.13% year-to-date. In addition, monthly rates on the FMDQ showed that the Open Buy Back (OBB) and Overnight (O/N) rate stood at 3.67% and 2.83% respectively for the month of May 2018.

Against this backdrop, it is evident that trading activities in the Nigerian Stock Market continues on a downward trend in May 2018. With this development, we expect that the market will improve as companies work towards improving their performances, just as the economy improves.



Trading activities in the Nigerian Stock Exchange Market continues on a downward trend in May 2018.

## Do Companies with Women Directors Do More Corporate Social Responsibilities?

Corporate social performance and financial performance are critical to firms' competitive advantage, as both are simultaneously considered when firms are evaluated in the markets. On the other hand, gender diversity and inclusion in corporate boards composition continues to engender attention as it is proven to influence organisation decision making, performance, growth, and to a large extent, engagement in Corporate Social Responsibility (CSR). Research has shown that an association exists between female leadership and corporate social behaviour. It is proven that board diversity is positively associated with CSR performance and that it significantly increases CSR performance by increasing CSR strengths. Researchers have also found that the presence of more women leaders translated into higher levels of philanthropy. In addition, there are speculations that gender-diverse leadership teams tend to be more attentive to issues of gender equality and fairness in the allocation of philanthropic resources.

Against this backdrop, it was expedient to assess the relationship between board composition and companies' participation in CSR. This was accomplished using 3,521 data points of listed companies on the Nigerian Stock Exchange (NSE) in the period 1980 to 2016 obtained from AnaStat data bank. Generally, result shows that number of companies that have women on their boards (1,401) are less than number of companies who do not have women on their boards (2,120) and majority (66.2%) of the companies boards engage in CSR activities. Specifically, result of analysis indicates that a higher percentage (70.2%) of companies with women on their boards participate in CSR activities compared to the percentage of the companies (63.5%) who do not have women on their boards. Result of further analysis shows that Chi-square statistic of 16.9 is significant at 1% implying a significant relationship between board composition and participation in CSR activities. This depicts that companies with women on their boards tend to be more socially responsible and corroborates the findings of researchers as earlier stated.

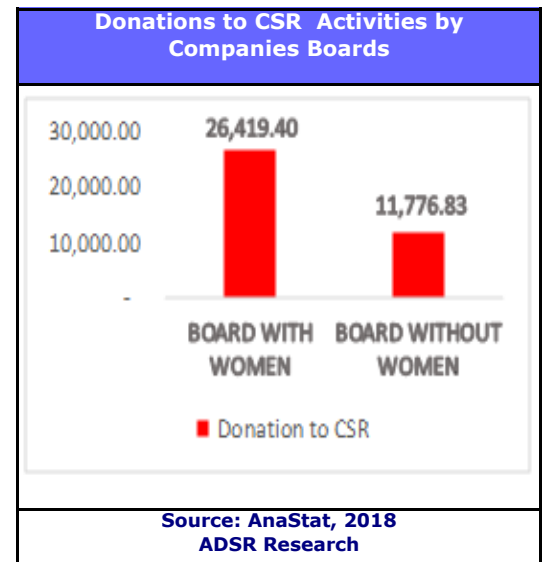
The average amount of donations made to CSR was analysed and presented in a chart. Result shows that companies with women on their boards spent an average of N26.42m on CSR activities over the study period compared to N11.78m donated by companies without women on their boards. Results of inferential analysis reveal that t- statistic of 4.348 is significant at 1%. This implies that there is a significant relationship between board composition and amount of donation made to CSR by companies boards. In other words, companies that have women on their boards are more likely to spend more on CSR activities than those companies without women on their boards.

The foregoing has reiterated the significance of female directors on the board in companies' engagement in philanthropic activities. Therefore, application of a gender fairness lens in board diversity and allocation of philanthropic resources improves the quality of a company's CSR activities and increases firms' competitive advantage in the markets. Consequently, company boards should look towards diverse stakeholders and improving the status of women in society and in the workforce.

Board Composition and Participation in CSR				
	DO CSR	NO CSR	TOTAL	X <sup>2</sup> (sig)
BOARD WITH WOMEN	984 (70.2%)	417 (29.8%)	1,401 (100.0%)	16.9 (0.0)
BOARD WITHOUT WOMEN	1347 (63.5%)	773 (36.5%)	2,120 (100.0%)	
TOTAL	2,331 (66.2%)	1,190 (33.8%)	3,521 (100.0%)	

**Source: AnaStat, 2018  
ADSR Research**

**There is a significant relationship between board composition and amount of donation made to CSR.**



## Nigeria's Inflation Rate Continues on a Downward Trend

The National Bureau of Statistics (NBS) data released in May 2018 revealed that the Consumer Price Index which measures inflation, moderated further to 12.48% year-on-year for April 2018. This denotes a 0.83 percent points less than 13.34% recorded in March 2018. This is the 15th consecutive disinflation since January 2017.

In the same vein, the core index increased by 10.92 percent (year-on-year) in April which is down by 0.87 percent points from the rate recorded in March. In addition, the Food Index increased by 14.80 percent (year on year) which is down by 0.91 percent points from the rate of 16.08 percent reported in March. The Urban and Rural Index stood at 12.89 percent and 12.13 percent in April representing a month-on-month shrink of 0.85 and 0.82 respectively.

This continuous decline in inflation rate no doubt, spells good for the Nigerian economy. As we expect monetary authorities to continue to balance its roles of price and currency stability, downward trend in inflation will foster investments, firms profitability, equities performance and economic growth. However, with the 2019 elections fast approaching, this inflation may stabilize for sometime and then increase following election spending.

Trend of Inflation Rate in Nigeria				
	2017 Apr	2018 Feb	2018 Mar	2018 Apr
Headline	17.24	14.33	13.34	12.48
Core	14.75	11.70	11.18	10.92
Food	19.30	17.59	16.08	14.80
Urban	12.89	14.76	13.75	12.89
Rural	12.13	13.96	12.99	12.13

**Source: National Bureau of Statistics, 2018; ADSR Research**

**This is the 15th consecutive month of disinflation.**

## FGN Shared N638.09bn in April 2018

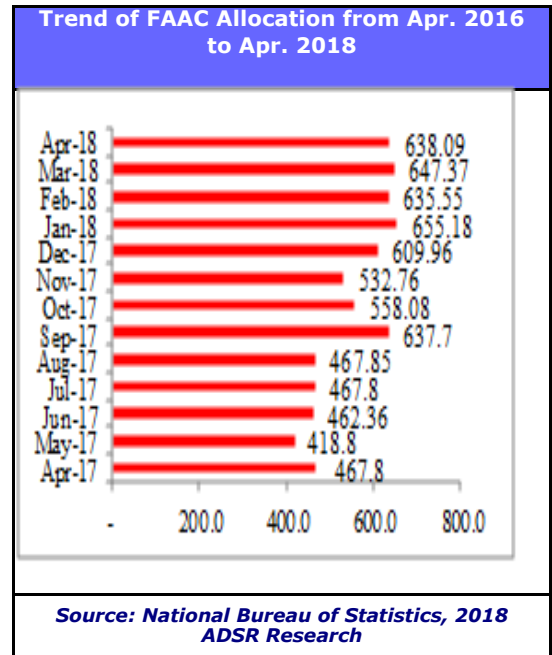
Federation Account Allocation Committee (FAAC) data for April 2018 reveals that FAAC disbursed a sum of N638.09 from the revenue generated in March 2018. The amount disbursed comprised N480.59 from the Statutory Account, N62.53bn FOREX Equalization, N11.27bn from NNPC and 83.70bn from Value Added Tax (VAT).

With respect to distribution among the three tiers of government, Federal government received a total of N268.27bn. States received N170.13bn while Local government received N128.32bn. The sum of N55.98bn was shared among the oil producing states as 13% derivation.

Further breakdown of revenue allocation distribution to the Federal Government of Nigeria revealed that the sum of N227.98bn was disbursed to the FGN consolidated revenue account; N4.86bn as share of derivation and ecology; N2.43bn as stabilization fund; N8.17bn for the development of natural resources; and N5.63bn to the Federal Capital Territory, Abuja.

In addition, Revenue generating agencies such as Nigeria Customs Service (NCS), Federal Inland Revenue Service (FIRS) and Department of Petroleum Resources (DPR) received N4.14bn, N5.49bn and N3.67bn respectively as cost of revenue collections.

The FAAC allocation show a decline in revenue generated in March 2018 which prompted a declined in the revenue allocation in April 2018.



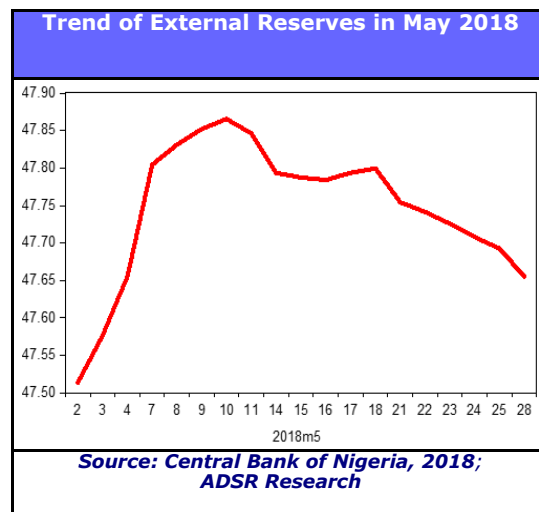
**The FAAC allocation show a decline in revenue generated in March 2018**

## External Reserves Rises and Declines at the End of May 2018

Nigeria's external reserves continue to advance in the year 2018 but at a lower rate in May 2018. At the end of May 2018, it increased to \$47.66 billion from \$47.49 billion at 0.35% on month-by-month basis. This increase in external reserves is attributed to the rising export earnings, foreign exchange management by CBN, increased external borrowing and increased foreign portfolio inflow. However, the accretion in external reserve is seen tending toward a decline at the end of May 2018.

At the interbank market, the naira closed the month of April 2018 at N305.61/US\$ while the parallel market closed at N362.25/US\$. The interbank market depreciated by 0.04% during the month. Similarly, the parallel market gained by 0.05% at the end of April, 2018.

Although, the accretion of the external reserves has slowed down, its level will continue to stabilize the value of the naira as the monetary authority also continues its currency management efforts, while working on the currency swap with China.



...the accretion in external reserve is seen tending toward a decline at the end of May 2018.

## Refined Petroleum Prices Moderates Further in April 2018

The National Bureau of Statistics (NBS) released the average price paid by consumers for Petroleum Products for April 2018. The price of premium motor spirit (petrol) fell from N163.40 in March to N151.4 in April 2018. This denotes a 7.3% month-on-month decrease and 1.0% year-on-year increase. On state-by-state basis, States with the highest average price of premium motor spirit (petrol) were Kebbi (N163.71), Kogi (N160.79) and Jigawa (N160.46) while States with the lowest average price of premium motor spirit (petrol) were Kwara, Plateau & Ekiti (N145.00), Abuja (N144.95) and Bauchi (144.17).

Similarly, the average price paid by consumers for diesel witnessed a 1.0% month-on-month decrease from N206.41 in March 2018 to 204.35 in April and a 10.9% year-on-year decrease from N229.25 in April 2017 to N204.35 in April 2018. In addition, average price per litre paid for kerosene rose by 3.53% month-on-month and declined by 0.82% year-on-year from N280.80 April 2017 to N278.49 April 2018. In the same way, there was decline in the average prices paid by consumers for refilling 5kg from N2,090.64 in March 2018 to N2,058.19 April 2018 while average price of refilling 12.5kg cylinder increased marginally by 0.36% from N4253.73 in April 2017 to N4268.95 in April 2018.

Against this backdrop, it is evident that the prices of petroleum products continue to decline as world oil price hikes, exchange rate stabilizes and the economy continues to recover from recession. It is expected that the prices will keep declining with decreasing rate of inflation and economic conditions further stabilize.

Average Prices of Petroleum Products (₦)			
	2017 Apr	2018 Mar	2018 Apr
PMS (Petrol)	149.9	163.40	151.4
AGO (Diesel)	229.25	206.41	204.35
HHK (kerosene) Per litre	280.80	268.99	278.49
HHK (kerosene) Per gallon	1153.12	943.27	975.82
Cooking gas 5kg	2428.38	2090.64	2058.19
Cooking gas 12.5kg	4830.22	4253.73	4268.95

Source: National Bureau of Statistics, 2018  
ADSR Research

...it is evident that the prices of petroleum products continue to decline as world oil price hikes

## Wise Quotes

“You have to put in many, many, many tiny efforts that nobody sees or appreciates before you achieve anything worthwhile.”

– Brian Tracy

“You can’t go back and change the beginning, but you can start where you are and change the ending.”

—C. S. Lewis

“Close some doors today. Not because of pride, incapacity or arrogance, but simply because they lead you nowhere.”

—Paulo Coelho

“Never complain, never explain. Resist the temptation to defend yourself or make excuses.”

—Brian Tracy

“Life is inherently risky. There is only one big risk you should avoid at all costs, and that is the risk of doing nothing.”

—Denis Waitley

“In the long run, we shape our lives, and we shape ourselves. The process never ends until we die. And the choices we make are ultimately our own responsibility.”

—Eleanor Roosevelt

“Take chances, make mistakes. That’s how you grow. Pain nourishes your courage. You have to fail in order to practice being brave.”

—Mary Tyler Moore

“I made a resolve then that I was going to amount to something if I could. And no hours, nor amount of labor, nor amount of money would deter me from giving the best that there was in me.”

—Harland Sanders

“Goals allow you to control the direction of change in your favor.”

– Brian Tracy

“You can waste your lives drawing lines. Or you can live your life crossing them.”

—Shonda Rhimes

Having a sense of purpose is having a sense of self. A course to plot is a destination to hope for.”

—Bryant H. McGill



## Jokes

### The Hikers and The Bear

Two hikers were walking through the woods when they noticed a bear charging towards them in the distance. The first hiker removed his trail boots and began to lace up his running shoes. The second hiker laughed and said, "Why bother changing out of your boots? You can't outrun a bear." The first hiker replied, "I don't have to outrun the bear, I only have to outrun you"

### The Cunning Old woman

A young man was walking through a supermarket to pick up a few things when he noticed an old lady following him around. Thinking nothing of it, he ignored her and continued on. Finally, he went to the checkout line, but she got in front of him. "Pardon me," she said, "I'm sorry if my staring at you has made you feel uncomfortable. It's just that you look just like my son who just died recently." "I'm very sorry," replied the young man, "Is there anything I can do for you?" "Yes," she said. "As I'm leaving, can you say 'Goodbye mother'? It would make me feel much better." "Sure," answered the young man. As the old woman was leaving, he called out, "Goodbye mother!" As he stepped up to the checkout counter, he saw that his total was \$127.50. "How can that be?" he asked, "I only purchased a few things!" "Your mother said that you would pay for her," said the clerk.

## 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.

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Our services include: Economic Research and Advisory, Economic and Statistical Modelling, Postgraduate Thesis Support, Training, Data Processing and Analytics and AnaStat Data Platform.

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