



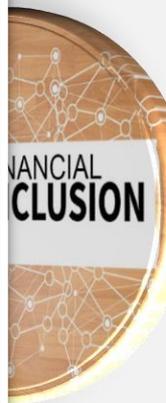
Setbacks in Achieving Financial Inclusion

According to the latest CBN financial inclusion report, overall progress towards achieving the Nigeria Financial Inclusion Strategy (NFIS) fell short of the annualized target in 2017. The World Bank's Findex database also shows that ownership of an account with a financial institution or a mobile money provider dropped by 4 percentage points from 44% in 2016 to 40% in 2017¹. The gender disparity in account ownership is greatly manifested, with 51% men owning an account compared to 27% women. Although critical themes were outlined to scale up financial inclusion targets in 2017, factors such as religious and cultural bias to uptake of financial products, worsening levels of unemployment, and high levels of informality in the economy remained setbacks toward achieving higher rates of financial inclusion in Nigeria. Tackling unemployment through concerted and robust initiatives for small- and medium-size enterprises could improve financial inclusion in the short term. Such initiatives should particularly target women.



Rising Oil and Gas Earnings -August 2018

The Nigeria National Petroleum Corporation (NNPC) reports a higher return from crude oil and gas export sales for the month of August 2018. About \$470 million was realized as revenue in August, as against the \$391 million received for export sales in July – an upsurge of \$78 million². The recent development illuminates the gains from current global oil price improvements - oil exchanged at an average \$70.32 per barrel - as well as the relatively stable local crude oil and gas production. Thus, given the benchmarked 2018 budgetary oil price of \$51 per barrel, the August earnings include revenue in excess of \$19.32 per barrel of oil sold. While there are some short term gains, our long-term fiscal outlook remain bleak on account of weak non-oil revenue-generating capacity. Efforts should be channeled in tackling the structural constraints to non-oil revenue generation. Tackling illicit trade to improve customs revenue and increasing state internally generated revenue are critical to improving nonoil revenue in the short-to-medium term.



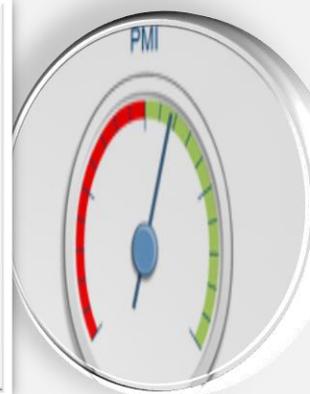
Exodus of Portfolio Investment - 2018H2

Portfolio investors, particularly foreign portfolio investors, pulled out billions of naira worth of investment from the stock market in 2018Q3. Latest data reveal that total investment fell from ₦718.3 billion in 2018Q2 to ₦410.1 billion in 2018Q3³ – a remarkable 43 percentage decrease. The stock market shrunk in the month - and in recent months- following the continued exit of domestic and foreign investors (foreign investors withdrew ₦94.4 billion in Q3 alone). While the uncertain political climate in Nigeria daunt enthusiasm to invest, the attractiveness of better returns in developed countries pull foreign investors' interest, given the rising interest rate⁴. We expect that investment outflow from Nigeria will continue until after the election season especially on account of political uncertainty. This development could worsen Nigeria's stock market performance, at least in the medium-term.



Waning Business Confidence - October 2018

At 23.2 index points, businesses' overall confidence index (CI) on the macro economy in October 2018 was less optimistic when compared to its level of 24.8 index points recorded in September 2018⁵. The weakened optimism, as expressed by local businesses, continued to be hinged on the biggest constraint -power supply- alongside high interest rate, unfavorable economic and political climate among others. The two main contenders at the 2019 elections have stated that creating a supporting environment for businesses to thrive is at the top of their agenda. Significant improvements will require better implementation of off-grid and on-grid energy solutions, increased lending to the real sector, and regulatory certainty.



ECONOMIC SNAPSHOT		
Quarterly Indicators	'18Q1	'18Q2
GDP Growth Rate (%)	1.95	1.5
Oil GDP (%)	14.77	-3.95
Non-oil GDP (%)	0.76	2.05
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	246.62	261.4
Portfolio Investment (US \$Millions)	4,565.09	4,119.5
Other Investment (US \$Million)	1,491.93	1,132.8
External Debt (FGN & States- N'Billion)	6,746.27	6,750.91
Domestic Debt (FGN + States & FCT N'billion)	15,960.92	15,628.76
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Sept'18	Oct'18
Headline Inflation (%)	11.28	NA
Food Sub-Index (%)	13.31	NA
Core Sub-Index (%)	9.8	NA
External Reserves (End Period) (US\$ Million)	44,306.10	41,995.24
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	56.2	56.8
Non-Manufacturing PMI	56.5	57.0
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	147.3	NA
Diesel (AGO -N/Litre)	211.64	NA
Kerosene (HHK -N/Litre)	297.28	NA
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	11.00	10.94
Savings Deposit (%)	4.07	4.07
Prime Lending (%)	16.59	16.53
Maximum Lending (%)	30.77	30.67
Narrow Money (N'Billion)	10,681.49	11,130.26
Broad Money (N'Billion)	25,277.07	25,713.71
Net Domestic Credit (N'Billion)	25,971.82	26,633.16
Credit to the Government (N'Billion)	3,411.35	3,909.43
Credit to the Private Sector(N'Billion)	22,560.47	22,723.73
Currency in Circulation (N'Billion)	1,926.382	1,956.009
FAAC (N'Billion)	NA	NA

*Revised GDP figures/tentative figures

NA: Not Available

¹CBN (2018). "2017 Annual Report, National Financial Inclusion Strategy Implementation". Retrieved from, <https://www.cbn.gov.ng/Out/2018/CCD/FINANCIAL%20INCLUSION.PDF>

²NNPC (2018). “Financial and Operations Report, August, 2018”. Retrieved from, <http://nnpcgroup.com/Portals/0/Monthly%20Financial%20and%20Operations%20Data/Full%20Reports/NNPC%20Monthly%20Financial%20%20Operations%20Report%20for%20the%20Month%20of%20August%202018.pdf>

³NSE (2018). “Domestic & Foreign Portfolio Participation in Equity Trading September 2018”. Retrieved from, http://www.nse.com.ng/market_data-site/other-market-information-site/FPI%20Report/NSE%20Domestic%20and%20FPI%20Report%20September%202018.pdf

⁴InvestorKing (2018). “Foreign Investors Withdraw N94.43 Billion from Stock Market in Q3”. Accessed November 13, 2018. <https://investorsking.com/foreign-investors-withdraw-n94-43-billion-from-stock-market-in-q3/>

⁵CBN (2018). “Monthly Business Expectations Survey Report: October 2018”. <https://www.cbn.gov.ng/Out/2018/STD/BES%20Report%20October%202018.pdf>