

Deteriorating Balance of Payment

The provisional Balance of Payment (BOP) estimates for 2018Q3 disclosed a significant reversal and deterioration in Nigeria's BOP position, relative to the corresponding quarter in 2017 and 2018Q2. Overall BOP slumped to a deficit of \$4.5 billion¹, from surpluses of \$503.9 million and \$2.8 billion in 2018Q2 and 2017Q3 respectively. The current account balance worsened to a deficit of \$3.1 billion. The position also reflects that the country incurred more financial liabilities during the quarter- Financial account balance portrayed increased financial liabilities of \$10.7 billion as against \$2.6 billion incurred in the preceding quarter. We recommend targeted medium- to long- term investment in priority sectors such as agro processing, petrochemical and petroleum refining, retail, and ICT which have important export potentials and transmission links to other domestic sectors. This is deemed critical to improving Nigeria external trade and BOP position.



Towards a Cashless Economy

Recently released CBN's Banking and Payments System Report shows that the volume and value of e-payments on different platforms (including ATMs, POS, Mobile and Internet channels) increased in 2017. Volume of payment transactions rose from 715 million in 2016 to 1 billion payment transactions in 2017². Correspondingly, the value of these transactions surged Year-on-Year by 38 percent, up from ₦6.6 trillion to ₦9.1 trillion. These remarkable developments underline the increasing wave of technological adoption by individuals and businesses. This is however indicative of improvements in awareness level created by the CBN about its cashless policies - The policies, such as cash handling charges, are aimed at reducing physical cash circulation in the economy and encouraging more electronic based transactions (payments for goods, services, and transfers)³. With a reduction in the use of cash, we expect that the current monetary policy will be more effective in managing the rising inflation. Going forward, policies geared towards increasing the number of ATMs and POS in rural areas and outskirts of towns should be put in place to increase the volume and value of e-payments.



Rising Inflation

Although slight, inflation rate increased to 11.28 percent in November 2018⁴ -the highest value since May 2018 - from 11.26 percent in October 2018. Food inflation also followed the same trend, increasing from 13.28 percent to 13.30 percent and caused by rise in prices of food items. Core inflation also moderated marginally to 9.8 percent. The highest increases were recorded in prices of major household appliances, fuels and lubricants for personal transport equipment, shoes and other footwear, and cleaning, repair and hire of clothing. Seasonal demand effects may be accountable for the slight increase in headline inflation, given that the festive period tags along with it increases in prices of goods and services. Proactive monetary policy tightening mechanism is needed to nip the rising inflation in the bud especially as electoral campaign season sets in.



ECONOMIC SNAPSHOT		
Quarterly Indicators	'18Q2	'18Q3
GDP Growth Rate (%)	1.5	1.8
Oil GDP (%)	-3.95	-2.90
Non-oil GDP (%)	2.05	2.35
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	261.4	530.60
Portfolio Investment (US \$Millions)	4,119.5	1,723.1
Other Investment (US \$Million)	1,132.8	601.5
External Debt (FGN & States- N'Billion)	6,750.91	NA
Domestic Debt (FGN + States & FCT N'billion)	15,628.76	NA
Manufacturing Capacity utilization (%)	54.6	54.6
Monthly Indicators	Oct'18	Nov'18
Headline Inflation (%)	11.26	11.28
Food Sub-Index (%)	13.28	13.30
Core Sub-Index (%)	9.9	9.8
External Reserves (End Period) (US\$ Million)	41,995.24	42,167.18
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	56.8	57.9
Non-Manufacturing PMI	57.0	58.4
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	147.2	NA
Diesel (AGO -N/Litre)	216.75	NA
Kerosene (HHK -N/Litre)	307.23	NA
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.94	NA
Savings Deposit (%)	4.07	NA
Prime Lending (%)	16.53	NA
Maximum Lending (%)	30.67	NA
Narrow Money (N'Billion)	11,130.26	NA
Broad Money (N'Billion)	25,713.71	NA
Net Domestic Credit (N'Billion)	26,633.16	NA
Credit to the Government (N'Billion)	3,909.43	NA
Credit to the Private Sector(N'Billion)	22,723.73	NA
Currency in Circulation (N'Billion)	1,956.009	NA
FAAC (N'Billion)	788.14	NA

*Revised GDP figures/tentative figures

NA: Not Available

¹CBN (2018). “Third Quarter 2018 Brief on Balance of Payments Statistics”. Retrieved from,

²CBN (2018). “2017 Annual Activity Report: Banking and Payment Systems Department”. Retrieved from, <https://www.cbn.gov.ng/Out/2018/PSMD/Banking%20and%20Payments%20System%20Department%20Annual%20Activity%20Report%20for%202017.pdf>

³CBN (2018). “Cashless Nigeria”. Retrieved from, <https://www.cbn.gov.ng/cashless/>

⁴National Bureau of Statistics (2018). “CPI and Inflation Report November 2018”. Accessed December 17, 2018. <http://www.nigerianstat.gov.ng/>

