

Rising Petrol Subsidy Payment

The amount of financial subsidy that Nigeria absorbs to maintain pump price at the official ₦145/litre has remained high. According to reports, the NNPC now pays ₦48.68 subsidy for a litre of petrol¹, as against the ₦26 recorded as payments in May 2018². In total, at the daily average consumption rate of 50 million litres per day, the government currently pays ₦2.43 billion per day as subsidy payments. The direct and externally-influenced reason has been increases in landing costs which rose from ₦171 to ₦193.7 – consistently above the official ₦145 pump price - and this has fueled the very politically-charged issue of increasing petrol pump price domestically. With the upward trend in oil price, landing costs are expected to continue rising. The complete deregulation of the downstream oil sector will allow for private investment and consequently end subsidy payments, making it available for other sectors.

Rising Non-oil Exports

Earnings from non-oil exports increased significantly year-on-year and month-on-month. The CBN records non-oil export earnings at \$382.24 million in October 2018³, indicating a rise of 46 percent from the previous month's \$262.35 million and 69 percent from the previous year's (October 2017) \$225.78 million. Improvements in proceeds from agricultural products as well as mineral exports impacted the total export earnings – both accounting for 13 percent and 59 percent respectively. The improved mineral exports followed important tractions in the sector: at the state level, Ebonyi state launched the combined lead, steel and copper processing plant; and at the Federal level, the government renewed commitments to incentivize non-oil exporters via the Export Expansion Grant (EEG) scheme⁴. With recent strides made in the mining sector such as issuing the first gold refining license, mineral exports, and by extension non-oil exports, are expected to continue rising. The proposed Solid Minerals Development Fund should be swiftly established to improve the performance of the sector.

Declining Oil Sector FDI

Investment figures provided by the Nigeria National Resource Charter (NNRC) indicate that FDI flows to the oil sector plunged significantly in 2018Q3, dropping by \$17.12 million (68.9 percent) in three months⁵. Compared to 2018Q2, FDI dropped to \$7.73 million in 2018Q3, from \$24.85 million. Reduced worth and dwindling investments into the sector may have been at the backdrop of stagnated oil reserves due to slowdown in exploration activities by oil firms (Nigeria's oil and gas reserves stagnated at 38.2 billion barrels as at 2018H1⁶), in addition to uncertainties in the sector: the review period was characterized with delay in assent of the Petroleum Industry Governance Bill (PIGB) and variants to the Petroleum Industry Bill (PIB)⁷. The regulatory framework in the oil and gas sector needs to be strengthened and enforced to foster investment in the sector. Particularly, transparency as well as tender and procurement processes in the sector –part of the essence of the PIB, will need to be strengthened.

Stock Market

Ahead of the 2019 elections, the stock market activities have been affected by varied political uncertainties. For the week under review, the stock market hit a record low (since May 2017) as market indices fell significantly: ASI shed 808.2 points (2.64 percent) to close at 29,830.7 points⁸, and Market capitalization also fell by 2.64 percent to N11.4 trillion. The week witnessed low volume of stocks traded amid sell position of 64 percent as against buy volume of 36 percent⁹. Selloffs are likely to persist on account of mounting political uncertainty. A one-off positive trigger or market information, such as positive company earnings, may be able to boost investor appetite in the short term until after the election.

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	6,614.61
Domestic Debt (FGN + States & FCT N'billion)	15,628.76	15,814.19
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)	79.18	NA
Petrol (PMS-N/litre)	147.2	147.50
Diesel (AGO -N/Litre)	216.75	219.54
Kerosene (HHK -N/Litre)	307.23	298.32
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.94	10.91
Savings Deposit (%)	4.07	4.07
Prime Lending (%)	16.53	16.64
Maximum Lending (%)	30.67	30.80
Narrow Money (N'Billion)	11,130.26	10,688.66
Broad Money (N'Billion)	25,713.71	25,461.74
Net Domestic Credit (N'Billion)	26,633.16	26,062.99
Credit to the Government (N'Billion)	3,909.43	2,980.22
Credit to the Private Sector(N'Billion)	22,723.73	23,082.75
Currency in Circulation (N'Billion)	1,956.01	2,100.12
FAAC (N'Billion)	788.14	812.76

*Revised GDP figures/tentative figures

NA: Not Available

¹The Guardian (2019). "Petrol subsidy hits N2.43b daily". Accessed January 14, 2019.

<https://guardian.ng/news/petrol-subsidy-hits-n2-43b-daily/>

²The Nation (2019). "NNPC: petrol landing cost exceeds N171 per litre". Accessed January 14, 2019.

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³CBN (2018). "Economic Report October 2018". Retrieved from,

<https://www.cbn.gov.ng/Out/2018/RSD/October%20%202018%20ECONOMIC-%20Published.pdf>

⁴Proshare (2019). "Non-oil Exports Provisionally at US\$0.38bn in October 2018". Accessed January 14,

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⁵Punch (2019). "Oil sector FDI drops by \$17.12m in three months". Accessed January 14, 2019.

<https://punchng.com/oil-sector-fdi-drops-by-17-12m-in-three-months/>

⁶This Day (2018). "Nigeria's Oil and Gas Reserves Stagnate as Oil Majors Reduce Investment".

Accessed January 14, 2019. <https://www.thisdaylive.com/index.php/2018/07/09/nigerias-oil-and-gas-reserves-stagnate-as-oil-majors-reduce-investment/>

⁷Vanguard (2018). "Investors' apathy hits Nigeria's oil industry, investments drop to \$25m". Accessed

January 14, 2019. <https://www.vanguardngr.com/2018/08/investors-apaty-hits-nigerias-oil-industry-investments-drop-to-25m/>

⁸NSE (2019). "Stock Market Report for January 11th 2019". Retrieved from,

http://www.nse.com.ng/market_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2011-01-2019.pdf

⁹Trwstockbrokers (2019). "Nigeria's Political Risk May Mask Market Sentiments Amidst Short-Term

Positioning". Accessed January 14, 2019. <https://trwstockbrokers.wordpress.com/>