

## Rising Inflation

Inflation rate rose in December 2018 for the second consecutive month to 11.44 percent, 0.16 percentage points higher than the 11.28 percent recorded in November 2018.<sup>1</sup> The rise in inflation was driven by the food component of inflation which increased to 13.56 percent from 13.30 percent within the same period. Further disaggregated data shows that the highest increments were recorded in the price of basic food items such as bread, cereals, fish, meat, potatoes, yam and other tubers. Core inflation experienced no increment from the previous month, stagnating at 9.80 percent. Seasonal demand effect is closely linked to the rise in inflation given that the holiday season is associated with a rise in the price of food items. In the coming month, we expect the inflation rate to continue on the upward trend considering the increase in election-related spending. The current monetary policy parameters should remain unchanged until a clearer picture of the effect of the election on economic indicators is known.

## Declining Portfolio Investment

Total transaction in the equity market in December 2018 reduced by 15.93 percent from N149.72 billion to N125.86 billion in November 2018.<sup>2</sup> The decline in portfolio investment was driven by a 28.78 percent fall in foreign transaction from N84.36 billion to N60.08 billion within the same period, as foreign inflow and outflow reduced by 34.31 percent and 24.86 percent respectively. It is however worth noting that despite the decrease in foreign investment, it outpaced domestic investment in 2018 financial year, reversing the trend experienced in 2016 and 2017. There is a need to encourage increased participation of domestic investors in the capital market to minimize volatility, as foreign portfolio investors are highly responsive to short-term events, such as elections, in the domestic economy of developing countries. Nonetheless, to moderate the exodus of foreign portfolio investors, the government needs to minimize political tension and uncertainty in the country, and provide an assurance that the upcoming elections will be free, fair and peaceful and that the election outcomes will be acceptable by citizens.

## Marginal Rise in FAAC Allocations

The three tiers of government shared a total of ₦812.76 billion from revenue that accrued to the federation account for the month of November 2018.<sup>3</sup> This is a meagre 3.1% increase from ₦788.139 billion revenue shared in October 2018.<sup>4</sup> The increment is attributed to the significant rise in non-mineral revenue from ₦159.4 billion in October to ₦227.7 billion in November and a rise in the revenue from the Companies Income Tax. On the other hand, revenue from traditional sources such as foreign and domestic oil and gas, royalties, petroleum profit tax, import and excise duties and value added tax experienced a decline. As traditional revenue streams become less dependable, state and local governments should look inwards to increase their internally generated revenue.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'18Q1</b>	<b>'18Q2</b>
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
<b>Monthly Indicators</b>	<b>Aug'18</b>	<b>Sept'18</b>
Headline Inflation (%)	11.23	11.28
Food Sub-Index (%)	13.2	13.31
Core Sub-Index (%)	10.0	9.8
External Reserves (End Period) (US\$ Million)	45,838.59	44,306.10
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.1	56.2
Non-Manufacturing PMI	58.0	56.5
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	146.9	147.3
Diesel (AGO -N/Litre)	207.98	211.64
Kerosene (HHK -N/Litre)	288.75	297.28
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	12.14	NA
Savings Deposit (%)	4.07	NA
Prime Lending (%)	16.65	NA
Maximum Lending (%)	30.93	NA
Narrow Money (N'Billion)	10,448.16	NA
Broad Money (N'Billion)	24,859.35	NA
Net Domestic Credit (N'Billion)	24,848.63	NA
Credit to the Government (N'Billion)	2,378.39	NA
Credit to the Private Sector(N'Billion)	2,247.02	NA
Currency in Circulation (N'Billion)	1,928.74	NA
FAAC (N'Billion)	741.8	NA

\*Revised GDP figures/tentative figures

NA: Not Available

<sup>1</sup>National Bureau of Statistics (2019). “CPI Report, Dec 2018.” Retrieved from, <https://nigerianstat.gov.ng/download/873>

<sup>2</sup>Nigerian Stock Exchange (2019). Domestic & Foreign Portfolio Participation in Equity Trading. Retrieved from, [http://www.nse.com.ng/market\\_data-site/other-market-information-site/FPI%20Report/NSE%20Domestic%20and%20FPI%20Report%20December%202018.pdf](http://www.nse.com.ng/market_data-site/other-market-information-site/FPI%20Report/NSE%20Domestic%20and%20FPI%20Report%20December%202018.pdf)

<sup>3</sup>The Vanguard Newspaper (2018). “FAAC: FG, States, LG share N812.76bn.” Retrieved from, <https://www.vanguardngr.com/2018/12/faac-fg-states-lg-share-n812-76bn/>

<sup>4</sup> The Vanguard Newspaper (2018). “FAAC: FG, states, LGAs share N788.139bn for October”. Retrieved from, <https://www.vanguardngr.com/2018/11/faac-fg-states-lgas-share-n788-139bn-for-october/>

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