

Rising GDP Growth Rate

Nigeria's economy has shown sustained signs of recovery. Real GDP growth rate rose Year-on-Year by 2.38 percent in 2018Q4, as against 1.81 percent recorded in the preceding quarter – an increase of 0.57 percentage points.¹ Non-oil sector remained the focal point for the economic expansion - growth in the sector's activities improved to 2.7 percent from 2.3 percent and contributed approximately 93 percent to real GDP. The numbers unveil key high-performing non-oil activities during the quarter, with services manufacturing, and agriculture leading the pack. Going forward, the economy is expected to continue registering positive growth following a more stable political economy. However, inadequate credit among other factors may hinder the non-oil sector from scaling. The CBN may consider revising the banking regulations to include loan quotas for sectors with high growth and revenue-generating potential.



Fall in Capital Importation

International capital investors have appeared pessimistic despite assurances by the authorities of a free and fair election. Total value of capital imported into Nigeria declined by 25.05 percent to \$2,140.08 million in 2018Q4² from \$2,855.21 million in 2018Q3, making Q4 the worst performing quarter in 2018. All components of capital importation – foreign direct investment, portfolio investment and other investment - plummeted in the review period with the highest fall seen in FDI (71 percent to \$156 million). The huge capital outflows demonstrate the risk-averse posture of investors, who may have diverted their funds to other profitable ventures outside Nigeria due to election and political uncertainties. The next few months may witness further decline in capital imports due to the perception of market unfriendliness by the investors. To encourage capital inflows, the government may need to adopt a private sector-led economic model and assure the public of political stability post elections.



Fall in Inflation

Consumer price Index (Inflation rate) reduced in January 2019 for the first time since October 2018 to 11.37 percent⁴, marginally 0.07 percentage points lower than the 11.44 percent recorded in December 2018. The slight reduction in prices was driven by food component of inflation which reduced to 13.31 percent from 13.56 percent within the same period. Average prices of some essential food items fell in January, 2019⁵ relative to the amounts they exchanged for during the festive period in December, 2018. In contrast, core component of inflation rose very marginally by 0.1 percent to 9.9 percent in January 2019. We expect inflation to continue to fall gradually in the coming months until April, in which high inflation may be driven by increased purchase of goods and services for Easter festive period.

Drop in Crude Oil Production

The Organization of Petroleum Exporting Countries (OPEC), in its latest monthly oil report, disclosed that Nigeria's oil production dropped to 1.687 million bpd in January, 2019 from 1.797 million bpd recorded in December 2018⁶. This development resulted from the agreement by OPEC and 10 non-OPEC countries in December to cut global oil production by 1.2 million bpd effective from January 2019⁷. Nigeria's quota was cut by 53,000 barrels, and OPEC pegged Nigeria's output at a new quota of 1.685 million bpd⁸, all in a bid to hamper over-supply due to weak global oil demand. Harnessing Nigeria's non-oil export potentials remain essential to shoring up government revenues. Specifically, supporting mid-sized businesses in key export sectors to gain economies of scale for large scale production and export is important.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'18Q3	'18Q4
GDP Growth Rate (%)	1.8	2.38
Oil GDP (%)	-2.90	-1.62
Non-oil GDP (%)	2.35	2.7
Unemployment Rate (%)	23.1	NA
Foreign Direct Investment (US \$ Million)	530.60	156.08
Portfolio Investment (US \$Millions)	1,723.1	1,394.68
Other Investment (US \$Million)	601.5	589.32
External Debt (FGN & States- N'Billion)	6,614.61	NA
Domestic Debt (FGN + States & FCT N'billion)	15,814.19	NA
Manufacturing Capacity utilization (%)	54.6	NA
Monthly Indicators	Dec'18	Jan'19
Headline Inflation (%)	11.44	11.37
Food Sub-Index (%)	13.56	13.31
Core Sub-Index (%)	9.8	9.9
External Reserves (End Period) (US\$ Million)	43,116.86	43,174.28
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	61.1	58.5
Non-Manufacturing PMI	62.3	60.1
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	145.80	145.70
Diesel (AGO -N/Litre)	221.56	225.09
Kerosene (HHK -N/Litre)	290.74	306.28
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.91	NA
Savings Deposit (%)	4.07	NA
Prime Lending (%)	16.17	NA
Maximum Lending (%)	30.52	NA
Narrow Money (N'Billion)	11,751.14	NA
Broad Money (N'Billion)	27,078.83	NA
Net Domestic Credit (N'Billion)	27,594.16	NA
Credit to the Government (N'Billion)	4,867.58	NA
Credit to the Private Sector(N'Billion)	22,726.58	NA
Currency in Circulation (N'Billion)	2,329.71	NA
FAAC (N'Billion)	649	NA

*Revised GDP figures/tentative figures
NA: Not Available

¹NBS (2019). “Nigerian Gross Domestic Product Report, Q4 and Full Year 2018”. Retrieved from, <https://nigerianstat.gov.ng/download/886>

²NBS (2019). “Nigerian Capital Importation Report, Q4 and Full Year 2018”. Retrieved from, <https://nigerianstat.gov.ng/download/887>

³This Day (2018). “Capital Importation Decline Manifests Apathy as Elections Draw Close”. Accessed February 18, 2019. <https://www.thisdaylive.com/index.php/2018/12/16/capital-importation-decline-manifests-apathy-as-elections-draw-close/>

⁴NBS (2019). “Consumer Price Index January 2019”. Retrieved from, <https://nigerianstat.gov.ng/download/892>

⁵NBS (2019). “Selected Food Prices Watch (January 2019)”. Retrieved from, <https://nigerianstat.gov.ng/elibrary>

⁶OPEC (2019). “Monthly Oil Market Report - February 2019”. Retrieved from, <https://momr.opec.org/pdf-download/index.php>

⁷CNBC (2019). “OPEC and allies agree to cut oil production by 1.2 million barrels per day”. Accessed February 18, 2019. <https://www.cnbcm.com/2018/12/07/opec-meeting-saudi-arabia-and-russia-look-to-impose-production-cuts.html>

⁸This Day (2019). “2019 Budget: More Troubles, OPEC Pegs Nigeria’s Output at 1.6mbd”. Accessed February 19, 2019. <https://www.thisdaylive.com/index.php/2019/01/23/2019-budget-more-troubles-opec-pegs-nigerias-output-at-1-6mbd/>