

Balance of Payment Surplus

Nigeria's balance of payment reversed into surplus in the fourth quarter of 2018, after a third-quarter negative period. As reported by the CBN balance of payment estimates showed significant improvements with surplus of \$2.80 million in 2018Q4 as against previous quarter's huge deficit of \$4,542.1 million¹. The current account balance improved from a deficit of \$1,544.41 million in Q3 2018 to a surplus of \$1,104.57 million in Q4 2018 on account of improvements in goods account - slight increase in export earnings relative to imports. Also, the financial account showed net acquisition of assets of \$2,327.91 million in the review period, as opposed to the financial liabilities incurred in the preceding period. To sustain growth in export earnings, there is need to address age-long challenges that inhibit non-oil export trade: particularly dealing with the inefficient and costly transport system as well as broadening the scope of export financing instruments.

Fall in Crude Oil Exports to the US

In 2018, the United States' demand for Nigerian crude dropped significantly and the country slashed the volume of its crude oil imports from Nigeria. According to the Energy Information Administration (EIA), the US importation of Nigerian crude fell to 64.06 million barrels in 2018² from a five-year high of 112.92 million barrels in 2017. This represents about 43% decline year-on-year. In a move to emerge from being a net importer to becoming a net exporter by 2020, the US had increased sharply, its shale production of crude oil. More so, the US shale oil is reported to be very similar to the Nigerian crude oil³. The increase in US productions has consistently lowered the volume of Nigeria's crude oil export to the US. With the recent move by India (Nigeria's largest crude market) to purchase oil from the US, Nigeria is likely to suffer revenue losses in the coming months. It has become critical to develop local oil refineries, not only to reduce the importation of refined oil, but to also absorb domestic production as oil export decline.

Decline in Foreign Reserve

Gross official foreign reserves decreased in February 2019, relative to January 2019. Data from the CBN show that the reserve shed \$860 million in February, to end the month pegged at \$42.31 billion⁴. Despite the relative stability of oil price accompanied with pick-up in domestic oil production and recovery of foreign portfolio investment inflows, the reserve declined in the review month. The oil price had settled above \$60 per barrel since the end of January [partly on account of favourable geopolitics], and volumes have picked up due to a decline in sabotage⁵. However, the decline in reserve may have emanated from moderations in oil revenue at the back of marginal reduction in volume of export sales, given the generally dwindling global demand for Nigerian oil. Going forward, creating a conducive environment for export trade and investment, particularly focused on the non-oil economy, remains a crucial step in buffering the domestic economy from externally transmitted shocks and safeguarding the nation's foreign reserves.

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

¹CBN (2019). “Fourth Quarter 2018 Brief on Balance of Payment”.

Retrieved from,

https://www.cbn.gov.ng/Out/2019/STD/BOP%20Highlights%20Q4%202018_%2007-03-2019.pdf

²EIA (2019). “U.S Imports from Nigeria of Crude Oil and Petroleum Products”. Accessed March 12, 2019.

<https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MTTIMUSNI1&f=M>

³Punch (2019). “US slashes imports of Nigerian crude by 43%”. Accessed March 12, 2019.

<https://punchng.com/us-slashes-imports-of-nigerian-crude-by-43/>

⁴CBN (2019). “Movement in Reserve”. Accessed March 12, 2019

<https://www.cbn.gov.ng/IntOps/Reserve.asp>

⁵Proshare (2019). “Gross Official Reserves Decreased by US\$860m in February 2019 to US\$42.31bn”.

Accessed March 12, 2019. [https://www.proshareng.com/news/FOREX/Gross-Official-Reserves-Decreased-by-US\\$860m-in-February-2019-to-US\\$42.31bn/44338](https://www.proshareng.com/news/FOREX/Gross-Official-Reserves-Decreased-by-US$860m-in-February-2019-to-US$42.31bn/44338)