

## Mining and Quarrying Sector

The Nigerian mining and quarrying sector recorded growth in the production of solid minerals in 2018. Total quantity of solid minerals produced rose from 45.7 million tons in 2017, to 55.9 million tons in 2018<sup>1</sup> – representing a 22% increase. Disaggregated by type of solid mineral, Limestone was the most produced - production grew by 95% to 27.2 million tons in 2018, and accounted for about 49% of the total tons of minerals produced. The growth witnessed in the sector may have emerged from government's efforts and incentives to develop the sector and also in a bid to diversify the economy. The government had offered mining companies a three to five year "tax holiday", duty and tax-free importation of equipment, full ownership of their businesses and the ability to take profits out of the country<sup>2</sup>. In addition, the government committed about \$100 million intervention fund for the sector and awarded mining contracts to ten exploration and consulting firms, in 2018<sup>3</sup>. In addition to ongoing interventions, there is need to minimize the indiscriminate export of mineral commodities especially gold, tin and lead-zinc to foreign smelters, as formalizing these activities offers great potential for significant source of revenue for Nigeria, away from oil.

## Commodity Terms of Trade

Nigeria's terms of trade (TOT), a representation of the ratio between its export value and its import value, fell in 2018Q4. The all-products terms of trade fell by 2.8% in the quarter<sup>4</sup>, following a rise of 0.52% in the last quarter. The fall was triggered by falling prices of export products of the chemical and allied industries, mineral products, live animals and animal products. By region, the TOT export index declined by 2.02% due to falling prices in trade with Asia and within Africa. Falling prices of exports may have been triggered by demand for Nigeria's exports being more elastic than imports, thereby commanding lower prices than imports. For example, Nigeria's commodity export, crude oil, has witnessed fluctuating demands from Asia - a major buyer of Nigerian crude oil<sup>5</sup>. Asia's dwindling export demands observed in the past few months is likely to result in stronger competition for crude oil from Nigeria going forward. This could have significant impact on Nigeria's revenue base, buttressing the need to deepen government's revenue mobilization efforts, including investments in initiatives and capital expenditures that have greater potential for improving the nation's export position.

## Rise in Crude Oil Price

Oil prices on March 22 increased week-on-week, supported by supply cuts led by producer club OPEC and by U.S. sanctions against Iran and Venezuela. The week-on-week data shows that global crude oil sold for \$66.11 per barrel on March 15<sup>6</sup>, and increased to \$67.82 per barrel on March 22<sup>7</sup> – a price that is almost close to the 2019 peak price of \$68.69 per barrel. Nigeria's bonny light exchanged for about \$67 per barrel in the week<sup>8</sup>. While OPEC's supply cut policy and its adherence are said to be voluntary, the US sanctions on OPEC-members - Iran and Venezuela - compulsorily lowered production and supply from the two countries<sup>9</sup>. This led to the increase in oil prices. In light of the pledge by OPEC members aimed at ensuring that the oil market remains balanced all through 2019, we expect further increments in crude oil price. The Nigerian government could build on the gains of the oil market by making additional capital investments in critical sectors such as mining and agriculture.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'18Q3</b>	<b>'18Q4</b>
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
<b>Monthly Indicators</b>	<b>Jan'19</b>	<b>Feb'19</b>
Headline Inflation (%)	11.37	11.31
Food Sub-Index (%)	13.51	13.47
Core Sub-Index (%)	9.9	9.8
External Reserves (End Period) (US\$ Million)	43,174.28	42,309.61
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	58.5	57.1
Non-Manufacturing PMI	60.1	58.4
Crude Oil Price (US\$/Barrel)	60.05	64.19
Petrol (PMS-N/litre)	145.70	145.30
Diesel (AGO -N/Litre)	225.09	225.61
Kerosene (HHK -N/Litre)	306.28	305.55
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.98	10.91
Savings Deposit (%)	4.07	NA
Prime Lending (%)	16.01	NA
Maximum Lending (%)	30.48	NA
Narrow Money (N'Billion)	NA	NA
Broad Money (N'Billion)	NA	NA
Net Domestic Credit (N'Billion)	NA	NA
Credit to the Government (N'Billion)	NA	NA
Credit to the Private Sector(N'Billion)	NA	NA
Currency in Circulation (N'Billion)	NA	NA
FAAC (N'Billion)	619.9	NA

\*Revised GDP figures/tentative figures

NA: Not Available

<sup>1</sup> National Bureau of Statistics (2019). “State Disaggregated Mining and Quarrying Data (2018)”. Retrieved from, <https://nigerianstat.gov.ng/elibrary>

<sup>2</sup> Reuters (2019). “Nigeria awards mining exploration contract to 10 mining, consulting firms”. Accessed March 26, 2019. <https://af.reuters.com/article/nigeriaNews/idAFL8N1Y25G5>

<sup>3</sup> Nairametrics (2019). “FG switches focus to mining, as it awards licenses”. Accessed March 26, 2019. <https://nairametrics.com/2018/11/28/nigeria-awards-mining-exploration-contract-to-10-mining-consulting-firms/>

<sup>4</sup> National Bureau of Statistics (2019). “Commodity Price Indices and Terms of Trade (Q4 2018)”. Accessed March 26, 2019. <https://nigerianstat.gov.ng/elibrary>

<sup>5</sup> Punch (2019). “Oil exports: Nigeria, others face rising competition from US”. Accessed March, 26 2019. <https://punchng.com/oil-exports-nigeria-others-face-rising-competition-from-us/>

<sup>6</sup> Y-Charts (2019). “Brent Crude Oil Spot Price”. Accessed March 27, 2019. [https://ycharts.com/indicators/brent\\_crude\\_oil\\_spot\\_price](https://ycharts.com/indicators/brent_crude_oil_spot_price)

<sup>7</sup> Reuters (2019). “Oil prices near 2019 highs amid OPEC supply cuts, U.S. sanctions”. Accessed March 27, 2019. <https://af.reuters.com/article/commoditiesNews/idAFL3N21909C>

<sup>8</sup> [cbn.gov.ng](http://cbn.gov.ng)

<sup>9</sup> CNBC (2019). “Oil prices rise on OPEC output cuts, as US sanctions bite”. Accessed March 27, 2019. <https://www.cnbc.com/2019/02/12/oil-markets-opec-us-sanctions-on-iran-and-venezuela-in-focus.html>