

Easing of Monetary Policy Rate

The CBN Monetary Policy Committee (MPC) switched its policy stance to ‘easing’ at the last MPC held on March 25-26, 2019. While holding other policy parameters at previous levels, the Monetary Policy Rate (MPR) was cut by 50bps to 13.5%¹ following a retaining policy stance of 14% that lasted for more than two years (since July 2016). The justification for the rate cut is linked to the following: the relative moderation in exchange rate, continued deceleration of inflation rate, and the gradual renaissance of investment flows. Although the economy has welcomed improvements in economic indicators such as the GDP growth rate, the policy decision was primarily anchored on the need to further stimulate the economy. The rate cut could reduce the cost of borrowing while encouraging credit flows to productive sectors of the economy.² In the coming months, we expect that the 13.5% MPR will be sustained as the transmission lags of the new rate on other economic variables will be expected to fully manifest before further changes are made.

Rise in Gas Supply

Gas supply from the oil and gas industry increased marginally in the year 2018, relative to 2017. Data obtained from the NNPC reveal that 2.84 trillion cubic feet (cf) of gas was supplied in 2018³ – a marginal increase from 2.79 trillion cf supplied in 2017. Out of the total gas supply, 430.2 billion cf and 1.23 trillion cf were commercialized for the domestic and export markets respectively, while re-injection, fuel gas and flaring accounted for a total of 1.17 trillion cf. The increase in gas supply is likely at the backdrop of more efficient gas production at production sites; however, rather than serve domestic purposes, more gas quantities were exported. In addition to the fraction of gas lost via flaring, the gas supply of 430.2 billion scf to domestic markets, which translates to 1.2 billion cf per day, fell short of domestic gas demands of 2 billion cf per day⁴. With relative peace in the country, we expect gas production, hence supply, to remain stable in 2019. The government may need to take steps to encourage more gas supply to domestic market, especially given gas constraint faced by domestic electricity generation companies.

Rise in Revenue from Electricity Distribution

The revenue collected by electricity distribution companies (DisCos) from customers rose by 21%, year-on-year, in 2018. Figures obtained from the Association of Nigerian Electricity Distributors (ANED) indicate that DisCos collected a total amount of N438 billion as revenue for energy served to customers in 2018⁵ - higher than the N363 billion garnered in 2017. The Discos in general capitalized the revenue increase on the additional energy received from the Transmission Company of Nigeria (TCN), and increase in the number of consumers with prepaid meters⁶. Increasing the roll-out of prepaid meters to electricity consumers is central for improving revenues and addressing finance deficit in the Nigerian Electricity Supply Industry (NESI).

Rising Purchasing Managers’ Index

Nigeria’s manufacturing sector expanded for the 24th consecutive month in March 2019. The manufacturing PMI stood at 57.4 index points⁷, well above the 50-point threshold that separates expansion from contraction in business conditions. The increase has been sustained by persistent improvements in production levels (58.3 points) and new orders (56.7 points). Following the sustained stability in the foreign exchange market and the forthcoming (Easter) holiday, we expect the PMI to continue to experience an upward trend as manufacturers will have access to imported inputs and as a result, higher output alongside increased demand. Regular forex interventions is recommended particularly as foreign portfolio investment declines in the aftermath of the elections.

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	Jan'19	Feb'19
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	4.07
Prime Lending (%)	16.01	16.08
Maximum Lending (%)	30.48	30.56
Narrow Money (N'Billion)	11,138.51	11,028.86
Broad Money (N'Billion)	26,755.80	26,531.29
Net Domestic Credit (N'Billion)	28,636.33	30,517.94
Credit to the Government (N'Billion)	NA	NA
Credit to the Private Sector(N'Billion)	NA	NA
Currency in Circulation (N'Billion)	2,139.67	2,241.31
FAAC (N'Billion)	660	619

NA: Not Available

¹CBN (2019). “CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO.123OF THE MONETARY POLICY COMMITTEE MEETING OF MONDAY25TH AND TUESDAY26THMARCH, 2019”. Retrieved from, <https://www.cbn.gov.ng/Out/2019/MPD/Central%20Bank%20of%20Nigeria%20Communique%20No.%20123%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20of%20Monday%2025th%20and%20Tuesday%2026th%20March,%202019.pdf>

²Proshare (2019). “Monetary Policy Decision - Direct Hit or Own Goal?”. Accessed April 1, 2019. <https://www.proshareng.com/news/MONETARY%20POLICY/Monetary-Policy-Decision---Direct-Hit-or-Own-Goal-/44578>

³NNPC (2019). “Financial and Operations Report: December 2018”. [https://www.nnpcgroup.com/Portals/0/Monthly Financial and Operations Data/Full Reports/NNPC Monthly Financial Operations Report for the Month of December 2018.pdf](https://www.nnpcgroup.com/Portals/0/Monthly%20Financial%20and%20Operations%20Data/Full%20Reports/NNPC%20Monthly%20Financial%20Operations%20Report%20for%20the%20Month%20of%20December%202018.pdf)

⁴Seven Energy (2019). “Gas market outlook”. Accessed March 4, 2019. <http://www.sevenenergy.com/about-us/strategy/market-overview>

⁵Association Of Nigerian Electricity DISTRIBUTORS (ANED) (2019). “DisCo Performance 2018”. Accessed April 1, 2019. http://www.anedng.com/resources/disco_performance/

⁶Vanguard (2019). “Consumers with Prepaid Meters hit 1.6m in q418”. <https://www.vanguardngr.com/2019/02/consumers-with-prepaid-meters-hit-1-67m-in-q418-nbs/>

⁷CBN (2019). “Purchasing Managers’ Index (PMI) Survey Report, March 2019”. Retrieved from, https://www.cbn.gov.ng/Out/2019/STD/March%202019%20PMI%20Report_Final.pdf