

## Rise in National Minimum Wage

Nigeria's new national minimum wage bill recently received the President's assent and was signed into law, subsisting as an Act of Parliament effective from April 18, 2019<sup>1</sup>. The act provides that ₦30,000 be paid as the new minimum wage to Nigerian workers; representing a 67% increase from the ₦18,000 formerly stipulated and paid as minimum wage since 2011. The wage increase emanated from concerns of inflationary effects on the real value of the previous minimum wage, and series of trade and labour union agitations for the government to increase purchasing power and welfare of its members. While delivering more income to workers' coffers and increasing their welfare, the new minimum wage would also place strains on federal government finances and particularly on state governments that are largely in debt. Ensuring higher worker productivity and widening the tax net can help to minimize business and fiscal strains from the new policy.

minimum  
wage increase  
up ahead



## Rising Foreign Reserve

Nigeria's foreign reserves maintained a steady rise in recent weeks. Gross official reserves stood at approximately US\$45 billion as at April 19, 2019, up from US\$43 billion recorded as at March 19, 2019<sup>2</sup>, gaining about US\$2 billion in one month. The reserve growth may have been catalyzed by rising oil earnings supported by improved global oil price, and strengthening foreign portfolio investment inflows. The relatively consistent reserve growth has also informed the persistent stability of the foreign exchange, and if sustained, the reserve could attain the CBN's 2019 goal of US\$60 billion. With the oil price expected to average US\$73 in 2019 and the decision to defy the OPEC quota by increasing production, we expect continuous growth in foreign reserves.



## Fall in Inflation

Nigeria's headline inflation declined by 6bps from 11.31% in February 2019 to 11.25% in March 2019<sup>3</sup>. While this is the lowest inflation in seven months, it is only the third consecutive monthly decline in 2019. Overall sustained moderation in inflation may have resulted partly from exchange rate stability and the CBN's aggressive liquidity mop-up through the stabilization securities and OMO activities.<sup>4</sup> Food inflation declined very marginally from 13.47% to 13.45% - a rather unnoticeable change likely due to gradual waning of harvest effects. Core inflation also decreased to 9.5% from 9.8% recorded in the previous month. With the new regulation which increases minimum wage from ₦18,000 to ₦30,000, going forward we expect a cost-push inflation to occur due to higher labour costs, among others.



<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	7,759.22
Domestic Debt (FGN + States & FCT N'billion)	15,814.19	16,627.84
Manufacturing Capacity utilization (%)	54.6	NA
<b>Monthly Indicators</b>	<b>Feb'19</b>	<b>Mar'19</b>
Headline Inflation (%)	11.31	11.25
Food Sub-Index (%)	13.47	13.45
Core Sub-Index (%)	9.8	9.5
External Reserves (End Period) (US\$ Million)	42,309.61	44,420.10
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.1	57.4
Non-Manufacturing PMI	58.4	58.5
Crude Oil Price (US\$/Barrel)	64.19	NA
Petrol (PMS-N/litre)	145.30	145.30
Diesel (AGO -N/Litre)	225.61	229.16
Kerosene (HHK -N/Litre)	305.55	303.94
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.91	10.91
Savings Deposit (%)	4.07	4.07
Prime Lending (%)	16.08	NA
Maximum Lending (%)	30.56	NA
Narrow Money (N'Billion)	11,028.86	NA
Broad Money (N'Billion)	26,531.29	NA
Net Domestic Credit (N'Billion)	30,517.94	NA
Credit to the Government (N'Billion)	NA	NA
Credit to the Private Sector(N'Billion)	NA	NA
Currency in Circulation (N'Billion)	2,241.31	NA
FAAC (N'Billion)	619	NA

\*Revised GDP figures/tentative figures  
NA: Not Available

<sup>1</sup>Channels Tv (2019). “UPDATED: Buhari Signs N30,000 Minimum Wage Bill Into Law”. Accessed April 24, 2019. <https://www.channelstv.com/2019/04/18/breaking-buhari-signs-n30000-minimum-wage-bill-into-law/>

<sup>2</sup>CBN (2019). “Movement In Reserves”. Accessed April 24, 2019. <https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=4/25/2019%201:27:51%20AM>

<sup>3</sup>National Bureau of Statistics (2019). “CPI and Inflation Report March 2019”. Retrieved from, <https://www.nigerianstat.gov.ng/>

<sup>4</sup>Proshare (2019). “Headline Inflation Continued Its Moderating Trend in March 2019”. Accessed April 24, 2019. <https://www.proshareng.com/news/NIGERIA%20ECONOMY/Headline-Inflation-Continued-Its-Moderating-Trend-in-March-2019/44950>

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