

## Fall in Gross Domestic Product Growth Rate

The Nigerian economy slowed in the first quarter of 2019 as real GDP growth rate fell to 2.1%<sup>1</sup>, from 2.38% in 2018Q4. Aggregate nominal GDP fell by 9.75% to ₦32 trillion in the review quarter, and growth rates in both sectors (oil and non-oil) slowed. Real GDP growth in the oil sector was -2.40% in Q1 2019 indicating a decrease by -0.79% points relative to the rate recorded in the preceding quarter of 2018. Similarly, at 2.47% growth rate in real terms, the non-oil sector slowed slightly from the 2.7% recorded in 2018Q4. The overall economic performance in 2019Q1 fell short of the CBN's 3% growth projection, and reflects decelerated economic activities likely occasioned by the uncertainties and lackluster execution of policies during the election period in 2019Q1. Following projections from the IMF, growth is expected to stabilize at around 2% in 2019. To improve growth, we recommend that the government undertakes sweeping reforms that involves non-financial incentives capable of attracting large investments. These non-financial incentives, such as promoting a good investment climate and easing bureaucracy and the regulatory environment, will also improve the effectiveness of financial incentives.

## Inflation

The consumer price index (CPI) which measures inflation increased to 11.37% (year-on-year) in April 2019<sup>3</sup>, reversing three consecutive months of decline. This is a marginal 0.12% increment higher than the rate recorded in March 2019 (11.25%). However, while food inflation increased, core inflation moderated. Food inflation increased from 13.45% to 13.7%, caused by the increases in the prices of major food items such as meat, fish, oils and fats, bread and cereals, fish, milk, cheese and egg, potatoes, yam and other tubers, fruits and vegetables. Core inflation moderated to 9.3% during the month. Overall, the headline inflation rate was driven largely by food shortages during the Easter festivities, commencement of the planting season<sup>4</sup>. With the high insecurity in the food-producing states of Borno, Yobe and Adamawa, food inflation is likely to persist. The high spatial concentration of food production should be reduced through technology capable of increasing crop yields as well as making better use of information technology to support crop selection.

## Monetary Policy Parameters Remain Unchanged

The Central Bank of Nigeria at its last MPC meeting held on May 20-21, 2019, retained the benchmark interest rate, the Monetary Policy Rate (MPR), at 13.5%<sup>2</sup>. Also retained are all the other parameters around the MPR: the asymmetric corridor of +200/-500 basis points as well as the cash reserve and liquidity ratios at 22.5% and 30% respectively. According to the Apex bank, although the recent slight inflation increase calls for an upward review (tightening) of the rate, primary focus of increasing credit to essential and priority sectors of the economy would be limited while jeopardizing the fragile state of the economy. On the other hand, a downward review (loosening) could worsen inflationary pressures and result in exchange rate pressures. Thus, the favored position to hold rates indicated the Apex bank's outlook on evaluating potential impact of its intervention policies before determining any possible modifications to rates.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'18Q4</b>	<b>'19Q1</b>
GDP Growth Rate (%)	2.38	2.1
Oil GDP (%)	-1.62	-2.40
Non-oil GDP (%)	2.7	2.47
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	156.08	NA
Portfolio Investment (US \$Millions)	1,394.68	NA
Other Investment (US \$Million)	589.32	NA
External Debt (FGN & States- N'Billion)	7,759.22	NA
Domestic Debt (FGN + States & FCT N'billion)	16,627.84	NA
Manufacturing Capacity utilization (%)	55	NA
<b>Monthly Indicators</b>	<b>Mar'19</b>	<b>Apr'19</b>
Headline Inflation (%)	11.25	11.37
Food Sub-Index (%)	13.45	13.70
Core Sub-Index (%)	9.5	9.3
External Reserves (End Period) (US\$ Million)	44,420.10	44,792.70
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.4	57.7
Non-Manufacturing PMI	58.5	58.7
Crude Oil Price (US\$/Barrel)	67.67	73.08
Petrol (PMS-N/litre)	145.30	145.90
Diesel (AGO -N/Litre)	229.16	230.67
Kerosene (HHK -N/Litre)	303.94	316.26
MPR (%)	14	13.5
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.91	10.91
Savings Deposit (%)	4.07	4.07
Prime Lending (%)	14.92	18.23
Maximum Lending (%)	30.83	30.89
Narrow Money (N'Billion)	10,945.25	11,252.43
Broad Money (N'Billion)	33,809.57	35,167.53
Net Domestic Credit (N'Billion)	31,696.52	32,898.45
Credit to the Government (N'Billion)	7,741.33	8,001.77
Credit to the Private Sector(N'Billion)	23,955.19	24,896.67
Currency in Circulation (N'Billion)	2,153.22	2,158.70
FAAC (N'Billion)	616.12	NA

\*Revised GDP figures/tentative figures

NA: Not Available

<sup>1</sup>National Bureau of Statistics (2019). “Nigerian Gross Domestic Product Report (Q1 2019)”. Retrieved from, <http://www.nigerianstat.gov.ng/>

<sup>2</sup>CBN (2019). “CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO.124 OF THE MONETARY POLICY COMMITTEE MEETING OF MONDAY 20TH AND TUESDAY 21ST MAY, 2019”. Retrieved from, <https://www.cbn.gov.ng/Out/2019/MPD/Central%20Bank%20of%20Nigeria%20Communique%20No.%20124%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20of%20Monday%2020th%20and%20Tuesday%2021st%20May,%202019.pdf>

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

<sup>4</sup>The Guardian (2019). “CBN retains lending rate at 13.5% amid inflation, slow growth”. Accessed May 23, 2019. <https://guardian.ng/news/cbn-retains-lending-rate-at-13-5-amid-inflation-slow-growth/>

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