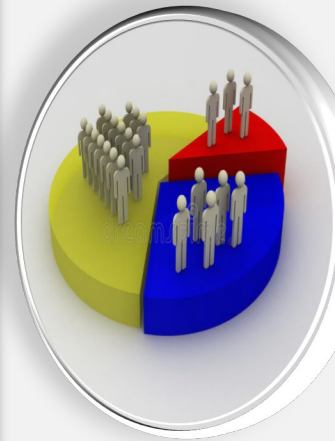


Declining Foreign Investment

Foreign Direct Investment (FDI) flows into Nigeria contracted substantially in 2018. Figures from the United Nations Conference on Trade and Development (UNCTAD) show that FDI inflows dropped by a significant 43% to \$2 billion in 2018¹, ripping Nigeria off the top position as the largest FDI recipient in West Africa, in favor of Ghana. Evidence shows that in 2018, foreign investors treaded cautiously, and may have withheld or withdrawn their scheduled investments in view of risks arising from government's conflicts with multinationals and investment precariousness connected with Nigeria's elections. For instance, the review year saw the giant telecoms company, MTN, remain entangled in legal disputes with the government over profit repatriations². In addition to fold-up of companies, two of the largest global banking and financial services institutions, HSBC and UBS, closed their local representative offices in Nigeria in 2018³. Despite these obvious capital flight during the year and contrary to UNCTAD's stance, the Nigerian government through the CBN has refuted claims of FDI declines in 2018⁴. FDI is expected to rebound in 2019 with the relatively peaceful conduct of the general elections dousing uncertainties. Going forward, the government needs to improve its policy coherence and avoid conflicting efforts that seek to promote FDI on one hand and curb business excesses via heavy-handed regulation on the other hand.



Depleting Crude Oil Reserves

Nigeria's crude oil reserves dropped by 481 million barrels in 2018. The recently released OPEC annual bulletin indicates that the reserves fell from 37.45 billion in 2017, to 36.972 billion barrels in 2018⁵. The fall in reserves is largely a reflection of heightened exploration, drilling, and production activities during the year, as evidenced in the increased number of rigs. More rigs were drilled in 2018, and Nigeria's rig count more than doubled, from 13 rigs in 2017 to 32 active rigs in 2018. While the upturn in rig count was bolstered by improvements in global crude oil prices and cessation of oil pipeline attacks in the Niger Delta region, the drilling and production expansions weighed on the reserves. Data published in 2008 indicates that Nigeria's crude oil reserves will be depleted in 45.6 years; except policies are created for reserve replacements or measures taken to reduce time access to rigs for exploration. Given that crude oil production currently falls short of targeted levels of between 2.3-2.5 mbpd, reserves are likely to deplete at a faster pace given stability in oil prices and in the Niger Delta. Therefore, the government needs to create favorable investment environments to spur other growth enhancing sectors such as manufacturing.



Rising Inflation Rate

The inflation rate in Nigeria rose slightly to 11.40% in May 2019⁶ from 11.37% in the prior month, triggered by food inflation. With the onset of the rainy season, upward pressures have also been observed in the food component of the inflation basket. The composite food index rose to 13.79% in May 2019 compared to 13.70% in April 2019, on the back of seasonality effects typically associated with the beginning of the planting season. In addition, security challenges in some food producing regions in Nigeria continue to affect crop production and reduce food supply, thereby causing increases in prices of food items. There were increases in prices of food items such as rice, milk, eggs, etc⁷. On the other hand, core component of inflation moderated to 9% in May, from 9.3% in April. With the ongoing conflict in food producing regions, loose monetary policy rate (decline from 14% to 13.5% in March 2019) and stronger consumer demand (increase in minimum wage), inflation is expected to increase. Price stabilization should be top priority for the CBN.



ECONOMIC SNAPSHOT		
Quarterly Indicators	'18Q4	'19Q1
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
Monthly Indicators	Apr'19	May'19
Headline Inflation (%)	11.37	11.40
Food Sub-Index (%)	13.70	13.79
Core Sub-Index (%)	9.3	9.0
External Reserves (End Period) (US\$ Million)	44,792.70	45,122.82
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.7	57.8
Non-Manufacturing PMI	58.7	58.9
Crude Oil Price (US\$/Barrel)	73.08	NA
Petrol (PMS-N/litre)	145.90	145.00
Diesel (AGO -N/Litre)	230.67	228.02
Kerosene (HHK -N/Litre)	316.26	315.91
MPR (%)	13.5	13.5
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.91	NA
Savings Deposit (%)	4.07	NA
Prime Lending (%)	18.23	NA
Maximum Lending (%)	30.89	NA
Narrow Money (N'Billion)	11,252.43	NA
Broad Money (N'Billion)	35,167.53	NA
Net Domestic Credit (N'Billion)	32,898.45	NA
Credit to the Government (N'Billion)	8,001.77	NA
Credit to the Private Sector(N'Billion)	24,896.67	NA
Currency in Circulation (N'Billion)	2,158.70	NA
FAAC (N'Billion)	616.20	NA

*Revised GDP figures/tentative figures
NA: Not Available

¹UNCTAD (2019). “WORLD INVESTMENT REPORT 2019”. Retrieved from, https://unctad.org/en/PublicationsLibrary/wir2019_en.pdf

²Daily Post (2018). “Nigerian govt explains heavy sanctions slammed on MTN”. Accessed June 18, 2019. <https://dailypost.ng/2018/10/24/nigerian-govt-explains-heavy-sanctions-slammed-mtn/>

³Reuters (2018). “UPDATE 2-Global banks HSBC, UBS close Nigeria offices, foreign investment falls”. Accessed June 18, 2019. <https://www.reuters.com/article/nigeria-banks/refile-update-1-global-banking-giants-hsbc-ubs-close-nigeria-offices-idUSL8N1XD5J2>

⁴Punch (2019). “CBN says FDI into Nigeria has not dropped” Accessed June 20, 2019. <https://punchng.com/cbn-says-fdi-into-nigeria-has-not-dropped/>

⁵OPEC (2019). “Data download”. Accessed June 20, 2019. <https://asb.opec.org/index.php/data-download>

⁶National Bureau of Statistics (2019). “CPI and Inflation Report May 2019”. Retrieved from, <http://www.nigerianstat.gov.ng/>

⁷National Bureau of Statistics (2019). “Selected Food Prices Watch (May 2019)”. Retrieved from, <http://www.nigerianstat.gov.ng/>