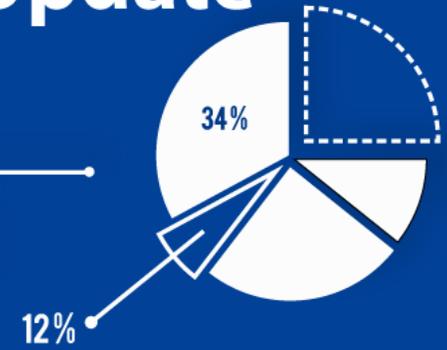




Nigeria Economic Update



**Weekly
Digest**

Increase in Fuel Subsidy

Figures from NNPC's latest performance report show that the corporation spent ₦206.6 billion on subsidizing fuel in two months –January and February 2019⁴. This amount increased by over ₦190 billion, from the ₦16.2 billion spent in the previous two months – November and December 2018. Classified as under-recovery costs by the NNPC, the huge two-month spending on fuel subsidy is only partially due to increased importation of petrol during the review period. Volume of petrol imported into Nigeria rose to 3.8 billion litres in both January and February 2019⁵, compared to the 3.4 billion litres imported in the previous two months. Most of the increase in under-recovery costs was due to low domestic crude payments in the review period, falling from ₦331.7 billion in November and December 2018 to ₦65.8 billion. Given that domestic refining capacity remains weak and the lack of political will to deregulate energy prices, substantial resources will continue to be gulped by fuel subsidy in subsequent periods. Going forward, NNPC will need to improve its domestic refining capacity to enhance its ability to meet payment obligation to the Federation Account on the 445,000 barrels/day allocated to the corporation.

Unchanged Monetary Policy Rates

Following the MPC meeting held on July 22-23, 2019, the CBN announced a decision to hold all policy parameters constant for the second consecutive period since a rate-reduction in March 2019³. Thus, for the next three months, the MPR would prevail at 13.5%, CRR at 22.5%, Liquidity Ratio at 30%, and the asymmetric corridor at +200/-500 basis points around the MPR. In an attempt to rationalize the decision to retain rates, the CBN cited, among other policy actions, the recent prescription of a minimum lending threshold (60% of deposits) by Deposit Money Banks (DMB). This rationale is based on the assumption that the increased lending would stimulate real sector credit growth – amid current downward trending interest rates - and subsequently accelerate economic growth and investment. Until the full impact of these policy actions materializes, the CBN deemed it safe to hedge an upward or downward review of the monetary policy stance. While inflation remains in the double-digit range and is marginally increasing, the level of implementation of the new lending policy will determine the direction and magnitude of inflationary pressures and in turn the MPC's future stance.

Increase in BVN issuances

A part of the 2014 cashless policy initiative –the Bank Verification Number (BVN) - introduced by the CBN to curb banking system insecurity issues, has continued to gain traction. According to the Nigerian Interbank Settlement Scheme (NIBSS), about 1.8 million new BVNs were issued between February 2019 to July 2019, bringing the total issued BVN count to 38.6 million as at the end of July¹. The recent policy intervention to simplify the BVN enrollment process, widen and deepen financial access points and increase financial inclusion to 80% by 2020, may have triggered the increase in BVN issuance. As one of the eligible intervention activities, BVN capture featured as priority in the CBN's Shared Agent Network Expansion Facility (SANEF) established in November 2018² – the facility aims to accelerate BVN enrolment to 70 million by 2020 by improving agents' geo-political penetration. This will be a starting point for banks to build credit histories of customers which will incentivize lending to the private sector.

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)	173.37	243.36
Portfolio Investment (US \$Millions)	1,760.76	7,145.98
Other Investment (US \$Million)	750.93	1,096.15
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	May'19	June'19
Headline Inflation (%)	11.40	11.22
Food Sub-Index (%)	13.79	13.56
Core Sub-Index (%)	9.0	8.8
External Reserves (End Period) (US\$ Million)	45,122.82	45,069.45
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.8	57.4
Non-Manufacturing PMI	58.9	58.6
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	145.00	145.40
Diesel (AGO -N/Litre)	228.02	224.69
Kerosene (HHK -N/Litre)	315.91	316.43
MPR (%)	13.5	13.5
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10	10.14
Savings Deposit (%)	3.9	3.93
Prime Lending (%)	15.33	15.8
Maximum Lending (%)	31.07	31.04
Narrow Money (N'Billion)	11,385.05	NA
Broad Money (N'Billion)	34,897.62	NA
Net Domestic Credit (N'Billion)	32,175.50	NA
Credit to the Government (N'Billion)	7,310.79	NA
Credit to the Private Sector(N'Billion)	24,864.71	NA
Currency in Circulation (N'Billion)	2,111.85	NA
FAAC (N'Billion)	679.70	NA

¹National Bureau of Statistics (2019). "NATIONAL SURVEY OF MICRO SMALL & MEDIUM ENTERPRISES (MSMEs) 2017". Retrieved from, <http://www.nigerianstat.gov.ng/elibrary?page=2&offset=10>

¹NIBSS (2019). “BVN COUNT”. Accessed July 29, 2019. <https://nibss-plc.com.ng/bvn/>

²CBN (2019). “FRAMEWORK FOR OPERATION OF THE SHARED AGENT NETWORK EXPANSION FACILITY (SANEF)”. Retrieved from, <https://www.cbn.gov.ng/out/2019/ccd/sanef%20framework%20reveiwed%20jan%2030%202019-%20latest.pdf>

³CBN (2019). “CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO.125OF THE MONETARY POLICY COMMITTEE MEETING OF MONDAY22ndAND TUESDAY23rd July, 2019”. Retrieved from, <https://www.cbn.gov.ng/Out/2019/MPD/Central%20bank%20of%20Nigeria%20Communique%20no.%20125%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20of%20Monday%2022nd%20and%20Tuesday%2023rd%20July,%202019.pdf>

⁴NNPC (2019). “Financial and Operations Report: May 2019”. Retrieved from, <https://www.nnpcgroup.com/NNPCDocuments/Performance%20Data/FullReports/NNPC%20Monthly%20Financial%20%20Operations%20Report%20for%20the%20Month%20of%20May%202019.pdf>

⁵National Bureau of Statistics (2019). “Petroleum Products Imports and Consumption (Truck Out) Statistics (Q1 2019)”. Retrieved from, [https://nigerianstat.gov.ng/elibrary?queries\[search\]=petro](https://nigerianstat.gov.ng/elibrary?queries[search]=petro)

