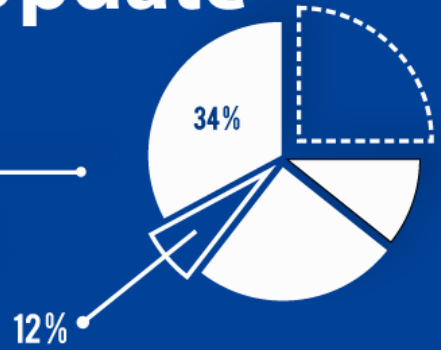


Nigeria Economic Update



**Weekly
Digest**

Rising Petroleum Products Imports

The importation of petroleum products into Nigeria continues to expand. In 2019Q2, imports totaled 5.61 billion litres of Premium Motor Spirit (PMS) or petrol, 1.38 billion litres of Automotive Gas Oil (AGO) or diesel, and 12.22 million litres of Household kerosene (HHK)¹. Although, there were moderations in the importation of kerosene, petrol and diesel imports for the review quarter represented 15.2% and 14% QOQ increases respectively, and reflected the rising need for fuel consumption in Nigeria. While the increase in fuel imports is imperative to satisfy growing domestic demands, the path towards fuel self-sufficiency in Nigeria is becoming far-fetched. The NNPC had marked 2019 as the year for fuel independence; however, with the increasing fuel importation exacerbated by insufficient refining capacity and the lack of political will, the year 2019 may end without considerable achievement. While the recent licensing of modular refineries is a step towards meeting local demand, the full removal of subsidy will lead to cost-reflective pricing of petroleum products, thus incentivizing private investors into the upstream petroleum sector.

Expansion in Micro Finance Banking

The Microfinance banking (MFBs) sector in Nigeria has witnessed commendable growth in recent years despite persisting constraints. More recently, the Nigeria Deposit Insurance Corporation (NDIC) disclosed that total deposits in the sector increased by 14.7% to N191.4 billion in 2018², from N166.9 billion deposits in 2017. The total assets and loan advances of MFBs also increased to N384.50 billion and N221.51 billion respectively as at December 2018, against N360.59 billion and N201.37 billion as at December, 2017. These improvements in the sector may have mirrored increasing usage of microfinance banks in 2018³ as necessitated by the need for financial inclusion; however, a number of challenges persisted in the sector during the year. Weak capital base; dearth of experienced and skilled staff in microfinance; low financial literacy levels particularly in rural areas; and high operating costs featured as some of the major constraints in the sector. With 50%⁴ of Nigeria's population living in rural areas, there is huge scope for the expansion of microfinance banking. While the March 2019 CBN directive to increase the minimum capital requirement of microfinance banks by April 2020 will address majority of the constraints highlighted above, bank operators will need to leverage on technology such as the use of virtual employees and electronic loan disbursement to improve efficiency, lower interest rates and thus motivate the use of microfinance banks.

Stock Market Deterioration

The Nigerian Stock Exchange market performance declined in July 2019 compared to June 2019. Major market performance index – All-share index (ASI) – fell during the month. The ASI declined by 7.5%⁵ to end the month at 27,718.26 points. Although market capitalization gained 2.3% in value – from N13.21 trillion to N13.51 trillion at the end of the month⁶, the decline in ASI showed that market sentiments remained negative. Particularly, the fall in ASI was triggered by two notable market events during the month that drove market index southwards: the price depreciation in medium and large capitalized stocks at the beginning of the month⁷, and mixed investor sentiments that followed the release of companies' quarterly earnings reports, most of which came mixed and weak⁸. Improved economic condition is needed to drive corporate performance and boost investor confidence. Further, companies may look to exploit declining financing costs to invest in improving their performance.

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

*Revised GDP figures/tentative figures
NA: Not Available

¹National Bureau of Statistics (2019). “Petroleum Products Imports and Consumption (Truck Out) Statistics (Q2 2019)”. Retrieve from,

[https://nigerianstat.gov.ng/elibrary?queries\[search\]=Petrol](https://nigerianstat.gov.ng/elibrary?queries[search]=Petrol)

²NDIC (2019). “NDIC 2018 ANNUAL REPORT EXECUTIVE SUMMARY”. Retrieved from,

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³EFinA (2018). “Key Findings: EFinA Access to Financial Services in Nigeria 2018 Survey”.

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⁴World Bank (2019). Rural population(% of total population) [Data file]. Retrieved from:

<https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS?locations=NG>

⁵Proshare (2019). “The July 2019 Nigerian Capital Market Service Report – Proshare”.

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⁶NSE (2019). “Market Indices”. Accessed August 14, 2019. <http://www.nse.com.ng/>

⁷Vanguard (2019). “NSE: Trading maintains bearish trend on shares, index down by 0.07%”.

Accessed August 14, 2019. <https://www.vanguardngr.com/2019/07/nse-trading-maintains-bearish-trend-on-shares-index-down-by-0-07/>

⁸TRW Stockbrokers (2019). “Q2 Earnings Season Enters Final Days, As Bargain Hunters Reposition, Await Improved Liquidity”. Accessed August 14, 2019.

<https://trwstockbrokers.wordpress.com/page/8/>