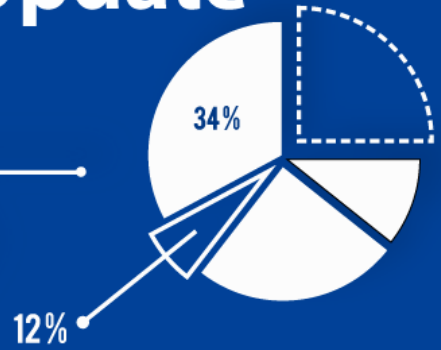




Nigeria Economic Update



Weekly
Digest



Increase in Bank Lending Target

The Central Bank of Nigeria (CBN) reviewed upward the minimum Loan to Deposit Ratio (LDR) target for all Deposit Money Banks (DMBs) from 60 percent to 65 percent.¹ This is to sustain the momentum gained from a 5.33 percent (N829.40 billion) increase in the industry gross credit between end of May 2019 and 26th September 2019. If Nigerian banks abide by the new regulation, this should translate to increased lending to Nigerian businesses thereby supporting private sector growth. Regulatory enforcement or incentives may be needed to ensure that banks follow through with the regulation, as many of the biggest banks fell short of the regulator's initial 60 per cent LDR threshold.

Rising Domestic Debt

The Federal Government has continued to borrow to meet revenue shortfall. The total domestic debt stock outstanding for the first half of 2019 stood at N13.4 trillion representing a 10.38 percent increase in the corresponding half of 2018 (2018 H1).² The debt stock consists of 72.26 percent FGN Bonds, 19.77 percent Nigerian Treasury Bills (NTBs), 5.28 percent FGN Promissory Note, 1.49 percent FGN Sukuk and 0.94 percent FRN Treasury Bonds among others. Despite an increase in debt stock, debt servicing in the review period declined by 15 percent to N800.73 billion relative to 2018 H1. This can be attributed to declining yields in the fixed income market coupled with the issuance of Promissory notes which has no implication for debt servicing. The rise in government borrowing from the domestic market has the potential to crowd out the private sector, increase lending rates for commercial banks and reduce output as the government competes with the private sector for private savings. As such, careful consideration should be made in drawing from the domestic market.

Slowly Expanding Purchasing Managers' Index

Nigeria's manufacturing sector expanded for the 13th consecutive month in September 2019. The Manufacturing PMI stood at 57.7 points index points albeit growing at a slower rate when compared with the index recorded in August 2019.³ This reflects increase in business optimism in 13 out of 14 sub-sectors, with decline recorded only in the paper products sub-sector. Likewise, Non-Manufacturing PMI expanded and stood at 58.0 points but grew at a slower pace relative to the preceding month. Fourteen out of the seventeen surveyed subsectors recorded growth, with two sub-sectors declining and two unchanged. The declines were partly due to declining new export orders. The sustained increase in business confidence may provide an indication of a possible but slight growth in GDP estimates for the third quarter. Despite general optimism, firms continue to identify insufficient power supply, high interest rate, multiplicity of taxes, and unfavorable economic climate among others as major factors constraining business activities. These should be addressed for a significant leap in business confidence with positive effects on investor appetite and external trade.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'19Q1	'19Q2
GDP Growth Rate (%)	2.1	1.94
Oil GDP (%)	-2.40	5.15
Non-oil GDP (%)	2.47	1.64
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	243.36	222.89
Portfolio Investment (US \$Millions)	7,145.98	4,292.89
Other Investment (US \$Million)	1,096.15	1,304.43
External Debt (FGN & States- N'Billion)	7,860.88	NA
Domestic Debt (FGN + States & FCT N'billion)	17,086.20	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	July'19	Aug'19
Headline Inflation (%)	11.08	11.02
Food Sub-Index (%)	13.39	13.17
Core Sub-Index (%)	8.80	8.68
External Reserves (End Period) (US\$ Million)	44,903.03	43,607.80
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.6	57.9
Non-Manufacturing PMI	58.7	58.8
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	145.00	145.5
Diesel (AGO -N/Litre)	224.96	229.08
Kerosene (HHK -N/Litre)	316.03	319.94
MPR (%)	13.5	13.5
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	9.92	9.92
Savings Deposit (%)	3.93	NA
Prime Lending (%)	15.46	NA
Maximum Lending (%)	31.07	NA
Narrow Money (N'Billion)	11,435.79	NA
Broad Money (N'Billion)	35,675.93	NA
Net Domestic Credit (N'Billion)	33,412.40	NA
Credit to the Government (N'Billion)	9,138.08	NA
Credit to the Private Sector(N'Billion)	24,274.31	NA
Currency in Circulation (N'Billion)	2,003.09	NA
FAAC (N'Billion)	769.5	720.88

*Revised GDP figures/tentative figures

NA: Not Available

¹CBN (2019). “Re: Regulatory Measures to Improve Lending to the Real Sector of the Nigerian Economy” Retrieved from, <https://www.cbn.gov.ng/Out/2019/BS/CIRCULAR%20ON%20REGULATORY%20MEASURES%20TO%20IMPROVE%20BANK%20LENDING%20-October%202019.pdf>

²CBN (2019). “Half Year Activity Report 2019”. Retrieved from. <https://www.cbn.gov.ng/Out/2019/FMD/Half%20Year%20Activity%20Report%202019.pdf>

³CBN (2019). “Purchasing Managers’ Index (PMI) September 2019 Report”. https://www.cbn.gov.ng/Out/2019/STD/Sept%202019%20PMI%20Report_Aproved.pdf

CSEA
CENTRE FOR THE STUDY OF
THE ECONOMIES OF AFRICA

CSEA
CENTRE FOR THE STUDY OF
THE ECONOMIES OF AFRICA

CSEA
CENTRE FOR THE STUDY OF
THE ECONOMIES OF AFRICA

CSEA
CENTRE FOR THE STUDY OF
THE ECONOMIES OF AFRICA

CSEA
CENTRE FOR THE STUDY OF
THE ECONOMIES OF AFRICA

CSEA
CENTRE FOR THE STUDY OF
THE ECONOMIES OF AFRICA

CSEA
CENTRE FOR THE STUDY OF
THE ECONOMIES OF AFRICA

CSEA
CENTRE FOR THE STUDY OF
THE ECONOMIES OF AFRICA

CSEA
CENTRE FOR THE STUDY OF
THE ECONOMIES OF AFRICA

CSEA
CENTRE FOR THE STUDY OF
THE ECONOMIES OF AFRICA

CSEA
CENTRE FOR THE STUDY OF
THE ECONOMIES OF AFRICA

CSEA
CENTRE FOR THE STUDY OF
THE ECONOMIES OF AFRICA