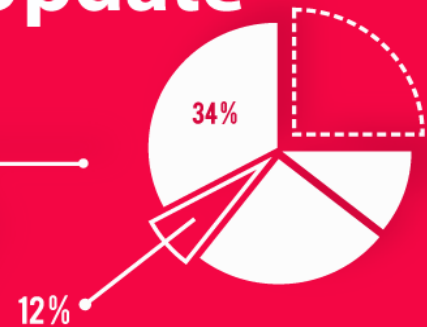




# Nigeria Economic Update



## ***Fall in Treasury Bills Interest Rate***

The interest rates of the primary market has declined steadily since October 2019, as 91-day tenors closed at 2.95%<sup>1</sup>. This low rate was consistent across other tenors as both the 182-day and 364-day tenors closed at 3.95% and 5.09% respectively. Despite the low interest rate, the treasury bills have been considerably oversubscribed. While a total of N74.84 billion was offered for subscription, the Debt Management Office (DMO) recorded a total subscription of N174.68 billion<sup>2</sup>. With the CBN's directive to exclude individuals and non-bank financial institutions from purchasing Open Market Operations (OMO) bills and a relatively high T-bills interest rate compared to developed markets, it is expected that the demand for treasury bills, from both local and foreign investors, will continue to rise in spite of the current interest rate.

## ***Rise in Oil Price***

Recently, oil price surpassed US\$70 per barrel due to the heightened threat to energy facilities in the Middle East. As the tension between the United States and Iran increases with the US threatening to attack Iran's oil installations, there has been a significant rise in oil price from US\$64 to US\$72 between December 2019 and January 2020<sup>3</sup>. Given that Nigeria's oil price benchmark for the 2020 budget is US\$57 per barrel, there are likely to be significant gains into the Excess Crude Account in the first quarter. Although the government will benefit from the rise in oil price in the form of increased oil revenue and foreign exchange reserves, the cost of petrol subsidy will also increase. In order to take advantage of the price increase, the government should ramp up local production and begin the process of fuel subsidy removal.

## ***Capping Electricity Bills***

The Nigerian Electricity Regulatory Commission (NERC) has announced that they would begin to cap the bills of unmetered customers beginning from February 2020<sup>4</sup>. This directive is against the background that 57% of the end-use customers in Nigeria are still on estimated billing according to the NERC 2019 second quarter report, and as such may be unfairly billed. The tariff ceiling would persuade local DISCOs to make meters available to customers under their jurisdiction and encourage more efficient operations. However, despite introducing the Meter Asset Provider (MAP) regulation in 2018, which mandates DISCOs to engage third parties to fund the purchase, installation and replacement of meters to meet DISCOs metering obligations, there are still impediments to the provision of meters. Development Finance Institutions such as the Bank of Industry (BOI) and the Development Bank of Nigeria (DBN) could provide single digit loans to the meter asset providers to promptly provide meters.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'19Q2</b>	<b>'19Q3</b>
<b>GDP Growth Rate (%)</b>	2.1	2.3
<b>Oil GDP (%)</b>	5.15	6.49
<b>Non-oil GDP (%)</b>	1.64	1.85
<b>Unemployment Rate (%)</b>	NA	NA
<b>Foreign Direct Investment (US \$ Million)</b>	222.89	200.08
<b>Portfolio Investment (US \$Millions)</b>	4,292.89	2,999.50
<b>Other Investment (US \$Million)</b>	1,304.43	2,167.98
<b>External Debt (FGN &amp; States- N'Billion)</b>	8,322	NA
<b>Domestic Debt (FGN + States &amp; FCT N'billion)</b>	17,379	NA
<b>Manufacturing Capacity utilization (%)</b>	184.2	179.7
<b>Headline Inflation (%)</b>	11.61	11.85
<b>Food Sub-Index (%)</b>	14.09	15.34
<b>Core Sub-Index (%)</b>	8.88	9.67
<b>External Reserves (End Period) (US\$ Million)</b>	44,903.03	43,607.80
<b>Official Rate Approx. (N/US\$)</b>	305	307
<b>BDC Rate Approx. (N/US\$)</b>	362	362
<b>Manufacturing PMI</b>	58.2	59.3
<b>Non-Manufacturing PMI</b>	58.2	60.1
<b>Crude Oil Price (US\$/Barrel)</b>	NA	NA
<b>Petrol (PMS-N/litre)</b>	145.00	145.5
<b>Diesel (AGO -N/Litre)</b>	224.96	229.08
<b>Kerosene (HHK -N/Litre)</b>	324.72	NA
<b>MPR (%)</b>	13.5	13.5
<b>CRR (%)</b>	22.5	22.5
<b>91 Day T-Bill Rate (%)</b>	10.03	NA
<b>Savings Deposit (%)</b>	3.93	NA
<b>Prime Lending (%)</b>	15.07	NA
<b>Maximum Lending (%)</b>	30.56	NA
<b>Narrow Money (N'Billion)</b>	10,617.42	10,930.57
<b>Broad Money (N'Billion)</b>	35,450.01	36,478.12
<b>Net Domestic Credit (N'Billion)</b>	34,937.93	35,513.08
<b>Credit to the Government (N'Billion)</b>	9,089.56	9,100.34
<b>Credit to the Private Sector(N'Billion)</b>	25,848.37	26,412.74
<b>Currency in Circulation (N'Billion)</b>	2,055.94	2,203.27
<b>FAAC (N'Billion)</b>	693.52	NA

\*Revised GDP figures/tentative figures

NA: Not Available

<sup>1</sup>CBN (2020). "Government Securities Summary". Retrieved from <https://www.cbn.gov.ng/rates/GovtSecurities.asp>

<sup>2</sup>PUNCH (2020). "Tbills interest rates drop to one-year low". Retrieved from <https://punchng.com/tbills-interest-rates-drop-to-one-year-low/>

<sup>3</sup>CBN (2020). "Daily Crude Oil Price". Retrieved from <https://www.cbn.gov.ng/rates/DailyCrude.asp>

<sup>4</sup>PUNCH (2020). "Electricity tariff hike: NERC to ensure DisCos provide meters for consumers". Retrieved from <https://punchng.com/electricity-tariff-hike-nerc-to-ensure-discos-provide-meters-for-consumers/>

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