



Rise in Inflation

Consumer prices for the month of December 2019 increased by 0.13 percentage points from the preceding month which stood at 11.85%¹. As such, inflation has increased for four consecutive months and the current rate is 0.54% percentage points higher than the inflation rate in December 2018. The rise in inflation was driven by a rise across all components, with the core sub-index growing by 0.34% to 9.33% and food sub-index by 0.19% to 14.67% over a month. The rising inflation is underscored by an increase in access to credit, as indicated in the Central Bank of Nigeria Credit Condition Survey. The survey conducted notes that there was an increase in supply of secured loans to households which was expected to increase in Q1 2020 as well as a rise in overall credit supply to the corporate sector². In addition, the closure of the Nigeria-Benin border is likely to have driven food prices up due to a reduced supply of staple foods including rice and frozen food. Going forward, we expect a continuous rise in inflation as government directives to close the border and increase lending to the private sector are in effect.

Expansion of the Aviation Sector

The aviation sector experienced a significant expansion which was noted by the growth of certain key indicators such as air traffic which grew by 2.6% between 2018 and 2019³. The total number of passengers who passed through Nigerian airports in Q2 2019 was 4.48 million, this indicated a 6.28% year on year rise. In addition, within the first half of 2019, the total number of aircrafts rose by 100.61% when compared to the previous year. With the new airport terminals in Lagos and Kano becoming operational in the coming months, and the expected reopening of the Enugu airport, air traffic is likely to increase considerably going forward. Furthermore, with local airlines such as Air Peace acquiring new aircrafts, the sector will experience further expansion. However, the extent to which the aviation sector competes internationally will depend on the professionalism of the airlines and the maintenance of already existing facilities such as airports and aircrafts.

Decline in Terms of Trade

Nigeria's commodity terms of trade (a reflection of the amount of imported goods an economy can purchase per unit of exported goods) fell by 2.33% between July and September 2019⁴. The period's unfavourable terms of trade indicates a fall in the export prices/value of vegetable products to other African countries and Europe. Meanwhile, the import index increased by 2.48% due to an increase in import prices of a host of raw materials including base metals, stone, plaster, cement, asbestos, mica, ceramic, plastic and rubber. Achieving a more favourable balance of trade will require measures to boost export competitiveness alongside curb imports. Enforcement of sanitary and phytosanitary measures as well as improving the preservation of vegetable products will improve the export capacity of Nigeria's vegetable products. On the other hand, focus should remain on developing the high-potential raw-materials industries such as the plastic, solid minerals and mining industries. Local companies in these industries should be incentivized through increased funding and protectionist policies.

ECONOMIC SNAPSHOT

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

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*Revised GDP figures/tentative figures

NA: Not Available

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¹NBS (2020). "CPI and Inflation Report December 2019". Retrieved from
<https://nigerianstat.gov.ng/download/1044>

²CBN (2020). "Credit Conditions Survey Report". Retrieved from
<https://www.cbn.gov.ng/Out/2020/STD/Q4%20202019%20CCS%20REPORT.pdf>

³NBS (2019). "Air transportation Data (Q1, Q2 2019)". Retrieved from
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⁴NBS (2019). "Commodity Price Indices and Terms of Trade, (Q3 2019)". Retrieved from
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