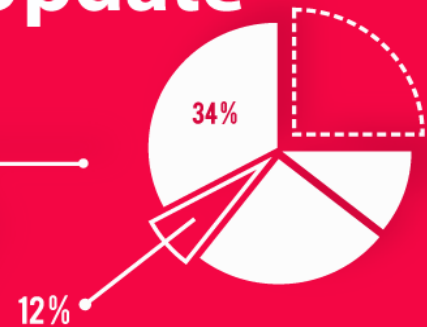




# Nigeria Economic Update



Weekly  
**Digest**



## ***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%<sup>1</sup>. This rate was 0.54% percentage points higher than 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 rise in inflation was driven in part 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 sector<sup>2</sup>. Inflation is expected to rise in the coming months given that the closure of the Nigeria-Benin border has driven food prices upwards resulting in cost push inflation. In addition, the CBN's directive to commercial banks to give out 60% of their deposits as loans to the real sector could potentially lead to demand pull inflation. Given that food inflation is at the core of the rising inflation, initiatives should be put in place by both state and non-state actors to increase the productivity of farmers in order to transition farmers from smallholder to large-scale farming.

## ***Decline in External Debt***

The recently released external debt stock for 2019 Q3 indicates a marginal drop in external debt. The total external debt stock dropped by US\$221.14 million to US\$26,941.50 million<sup>2,3</sup>. The drop was driven by a 6% decline in credit received from the International Development Association, a member of the World Bank Group. However, the effect of the debt reduction was muted due to a 5.6% rise in bilateral loans from China to US\$2,746.92 million<sup>2,3</sup>. The rise in bilateral credit from China is in line with the increasing bilateral debt stock noted within the International Debt Statistics 2020 report<sup>4</sup>. The shifting debt portfolio, from multilateral organizations to bilateral and commercial lending, points to the increasing availability of options to developing countries. With the Minister of Finance stating that the Government may offer Eurobonds in the first quarter of this year<sup>5</sup>, the level of external debt could increase going forward. While the Government will have to draw on debt given the shortage of domestic resources, it is imperative that caution is taken to avoid a debt crisis.

## ***Increase in Cash Reserve Ratio***

The Central Bank of Nigeria after its recently concluded Monetary Policy Committee (MPC) meeting agreed to increase the Cash Reserve Ratio (CRR) from 22.5% to 27.5%<sup>6</sup>. The higher CRR is expected to capture excess monies in the system in order to curtail the inflation rate, which has been on the rise for four consecutive months. Contrarily, the MPC agreed to retain the Monetary Policy Rate (MPR) at 13.5%, Liquidity Ratio at 30% and Asymmetric Corridor of +200/-500 basis points around the MPR. The CBN's move to increase the CRR seems to contradict its October 2019 directive that mandates commercial banks to increase lending to the real sector. Nevertheless, retaining the current policy position for an extended period of time will allow for the impact of the various monetary policies to be adequately evaluated.

<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

\*Revised GDP figures/tentative figures  
NA: Not Available

<sup>1</sup>WorldBank (2020). “Global Outlook- SSA”. Retrieved from <http://pubdocs.worldbank.org/en/409951574888034172/Global-Economic-Prospects-January-2020-Analysis-SSA.pdf>

<sup>2</sup>DMO (2020). “Nigeria's External Debt Stock as at September 30, 2019”. Retrieved from <https://www.dmo.gov.ng/debt-profile/external-debts/external-debt-stock/3040-nigeria-s-external-debt-stock-as-at-september-30-2019/file>

<sup>3</sup>DMO (2019). “Nigeria's External Debt Stock as at June 30, 2019”. Retrieved from <https://www.dmo.gov.ng/debt-profile/external-debts/external-debt-stock/2944-nigeria-s-external-debt-stock-as-at-june-30-2019/file>

<sup>4</sup>WorldBank (2019). “INTERNATIONAL DEBT STATISTICS 2020”. Retrieved from <https://openknowledge.worldbank.org/bitstream/handle/10986/32382/9781464814617.pdf?sequence=7&isAllowed=y>

<sup>5</sup>Hoiye S. and Soto A. (2019). Nigeria May Soon Have to Raise Cash in International Debt Markets. Retrieved from <https://www.bloomberg.com/news/articles/2019-12-03/nigeria-weighs-eurobond-market-return-as-early-as-next-quarter>

<sup>6</sup>CBN (2020). “CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 128”. Retrieved from <https://www.cbn.gov.ng/Out/2020/MPD/Central%20Bank%20of%20Nigeria%20Communique%20No.%20128%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20held%20on%20Thursday%2023rd%20and%20Friday%2024th%20%20January,%202020.pdf>