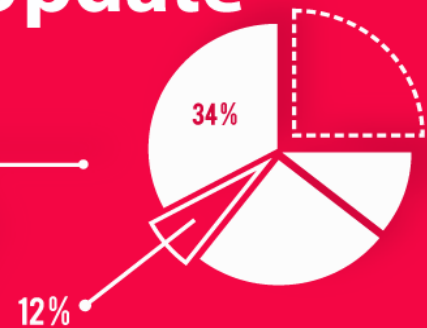




# Nigeria Economic Update



Weekly  
**Digest**



## ***Decline in Stock Market Indices***

The market indices at the Nigerian Stock Exchange (NSE) closed downward in the trading week ended 7th February, 2020. The bearish market recorded a decline in the All-Share Index (ASI) and market capitalization index by 2.69% and 1.61%, closing at 28,067.09 points and N14.618 trillion respectively<sup>1</sup>. All other market indices depreciated with the exception of the NSE Insurance and NSE Alternative Securities Market (ASeM) Index. The worst hit were the NSE Industrial Good Index and NSE-Meristem Value Index which declined by 4.07% and 3.94% respectively. Significant losses were recorded in both medium and large capitalized stocks such as MTN Nigeria and Nestle Nigeria. Given the global economic slowdown due to the coronavirus outbreak as well as banks reluctance in lending to the real sector, the NSE market is expected to continue on a downward trend. While investors are advised to take advantage of the lower price of equities by purchasing shares of listed companies, the Securities Exchange Commission should adopt more robust and strong regulations, specifically the recapitalization of capital market operators. This will strengthen the resilience of operators and ensure that Nigeria's capital market is globally competitive.

## ***Declining Foreign Reserve***

External reserves depleted from US\$38.05 billion to US\$37.66 billion between the last week in January and first week in February<sup>2</sup>. This decline indicates a consistent month on month fall in external reserves, and an overall decline of US\$935 million since the start of the year. The decline in external reserves comes amid the Central Bank of Nigeria's (CBN) decision to inject US\$218.41 million into the market<sup>3</sup> as part of efforts towards maintaining financial stability in the market. While it is imperative that the CBN continues on the path of maintaining stability in the financial market, this would lead to the depletion of external reserves given the decline in the nation's crude oil output amid uncertainties in global oil prices and reduction in foreign investment inflows. This trend might continue with the negative effect of the coronavirus outbreak on global oil demand and oil price volatility, therefore concerted efforts need to be put in place to boost non-oil revenue and increase foreign capital inflows.

## ***Rise in State Debt***

The Debt Management Office (DMO) has recently released its 2018 Annual report which highlighted the size of debt in states. According to DMO guidelines, no state should have outstanding loans greater than 50% of the total revenues of the preceding year<sup>4</sup>. However, the report noted that all 36 states had debt significantly above this threshold. Lagos state was the most indebted state with a deficit of N968.16 billion against net revenue of N119.02 billion. Although this raises issues of debt sustainability, the public gross debt to GDP ratio at 28.4% is still well below the World Bank-IMF threshold of 55%<sup>5</sup>. Considering the policy stance of both state and federal governments, the size of debt is expected to increase in the 2020 fiscal year. Considering that Nigeria's economic outlook is bleak with the IMF revising the 2020 GDP growth rate from 2.5% to 2%, state governments may decide to reconsider their borrowing plans. In addition, efforts should be made to strengthen the quality of financial management by implementing more forward-looking policies to increase welfare gains.

<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

\*Revised GDP figures/tentative figures

NA: Not Available

<sup>1</sup>NSE (2020). Stock Market Report for February 7<sup>th</sup> 2020. Retrieved from :  
[http://www.nse.com.ng/market\\_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2007-02-2020.pdf](http://www.nse.com.ng/market_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2007-02-2020.pdf)

<sup>2</sup>CBN (2020). Movement in Reserves. Retrieved from:  
<https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=2/12/2020%2010:13:41%20AM>,

<sup>3</sup>Vanguard (2020). Forex: CBN injects \$218.41m, CNY 18m into retail secondary market. Retrieved from: <https://www.vanguardngr.com/2020/02/forex-cbn-injects-218-41m-cny-18m-into-retail-secondary-market-2/>

<sup>4</sup>DMO (2020). Annual Report and Statement of Accounts 2018. Retrieved from:  
<https://www.dmo.gov.ng/publications/reports/dmo-annual-report-statement-of-accounts/3060-2018-annual-report/file>

<sup>5</sup>IMF (2019). 2019 Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director for Nigeria.

