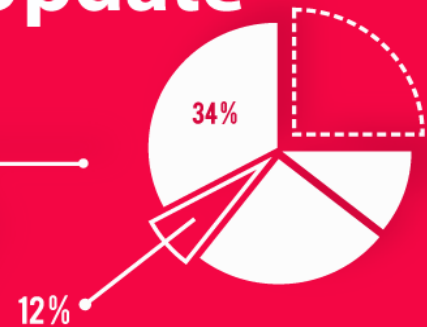




Nigeria Economic Update



Weekly
Digest

Decline in Nigerian Stock Exchange Index

In its worst performance since the 2008 financial crisis, the NSE All-Share Index and market capitalization depreciated by 13.49% to close the week at 22,733.35 basis points and N11.847 trillion respectively¹. The decline in the market index is underpinned by the Saudi Arabia-Russia oil price war following Russia's failure to cut oil supplies as well as the coronavirus pandemic. The NSE Banking Index, NSE Consumer Goods Index, and NSE Premium Index were among the worst hit as they fell by 26.2%, 21.7% and 16.1% respectively. Due to the high global connectivity and the dampened demand in developed countries as a result of the pandemic, the downslide in the Nigerian market is similar to ongoing trends in the markets of other African countries, Asia, Europe and North America; and is expected to continue until the risk factors are addressed. While the uncertainty has caused many investors to sell off risky securities such as stock, investors should rather take advantage of the low stock prices to increase their investments as the bearish trend in the market is driven by temporary risk factors and not a fall in companies' fundamentals.

Rise in Foreign Trade

Between Q32019 and Q42019, the total value of trade increased by 10.2% from N9.1 trillion to N10.1 trillion^{2,3}. Furthermore, there was a positive trade balance in 2019 overall as the level of exports stood at N19.19 trillion and imports at N16.96 trillion leading to a trade surplus of N2.2 trillion. On the components of export trade, while crude oil decreased in Q42019 but remained a dominant export comprising of 76.1% of total exports, agriculture exports grew in value by 61.9% in Q42019. As the price of crude oil plummets below US\$30 and the global economy continues to be affected by the coronavirus pandemic, we expect the value of Nigeria's foreign trade to decline considerably in the short term. Furthermore, the disruptions to trade may be fuelled by the cautionary approach taken by portfolio investors which will enhance the demand for US dollars, thus making it more costly for importers to access foreign exchange to facilitate their transactions. In the case of major disruptions to trade, the Central Bank of Nigeria may need to utilize swap lines where currencies can be exchanged with other central banks in order to facilitate trade.

World Bank Offers Trade Support

The International Finance Corporation (IFC), a member of the World Bank Group, announced a US\$40 million Trade Finance Guarantee facility to Coronation Merchant Bank, a leading investment and merchant banking institution in Nigeria, under its Global Trade Finance Program⁴. The aim of the facility is to provide participants with finance for their imports and exports in order to improve trade between developing countries. This falls under the Global Trade Finance Program's broader objective of mitigating the risks of private investment and supporting trade expansion across markets. As Nigeria faces significant trade finance gap, the trade support is a welcome development particularly as the African Continental Free Trade (AfCFTA) agreement is about to commence.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'19Q3	'19Q4
GDP Growth Rate (%)	2.3	2.5
Oil GDP (%)	6.49	7.23
Non-oil GDP (%)	90.23	92.68
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	200.08	257.25
Portfolio Investment (US \$Millions)	2,999.50	1883.58
Other Investment (US \$Million)	2,167.98	1661.55
External Debt (FGN & States- N'Billion)	NA	NA
Domestic Debt (FGN + States & FCT N'billion)	NA	NA
Manufacturing Capacity utilization (%)	181.2	185.1
Headline Inflation (%)	11.40	12.13
Food Sub-Index (%)	14.67	14.86
Core Sub-Index (%)	9.33	9.35
External Reserves (End Period) (US\$ Million)	38,595.25	31,009.76
Official Rate Approx. (N/US\$)	306.5	306.5
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	60.8	59.2
Non-Manufacturing PMI	62.1	59.6
Crude Oil Price (US\$/Barrel)	67.31	63.83
Petrol (PMS-N/litre)	145.35	145.37
Diesel (AGO -N/Litre)	229.81	229.78
Kerosene (HHK -N/Litre)	320.47	323.46
MPR (%)	13.5	13.5
CRR (%)	22.5	27.5
91 Day T-Bill Rate (%)	4.47	3.45
Savings Deposit (%)	3.89	3.86
Prime Lending (%)	14.99	30.77
Maximum Lending (%)	30.72	NA
Narrow Money (N'Billion)	10,533.13	10,331.40
Broad Money (N'Billion)	34,776.37	34,146.48
Net Domestic Credit (N'Billion)	36,178.34	35,815.11
Credit to the Government (N'Billion)	9,483.81	9,252.81
Credit to the Private Sector(N'Billion)	26,694.52	26,562.69

*Revised GDP figures/tentative figures

NA: Not Available



1Nigerian Stock Exchange (2020). Stock Market Report for March 13th 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%2013-03-2020.pdf

2NBS (2020). Foreign Trade in Goods Statistics (Q4 2019). Retrieved from <https://nigerianstat.gov.ng/download/1067>

3NBS (2020). Foreign Trade in Goods Statistics (Q3 2019). Retrieved from <https://nigerianstat.gov.ng/download/1033>

4IFC (2020). IFC Partners with Coronation Merchant Bank to Boost Trade Finance in Nigeria. Retrieved from: <https://ifcextapps.ifc.org/IFCExt/Pressroom/IFCPressRoom.nsf/0/0EE3FC59E3E1737185258520002A847E>

