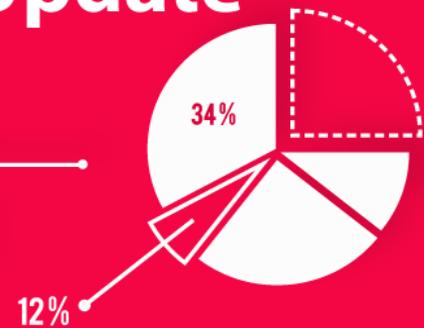




# Nigeria Economic Update



Weekly  
**Digest**



## ***Rise in Domestic Credit***

Aggregate domestic credit rose by 5.16 percent in June, the rise follows the trend of increased domestic credit experienced in May (7.47 percent)<sup>1</sup>. Total credit rose from N15.56 trillion in May to N18.90 trillion in June. The largest inflow of credit was recorded in the manufacturing sector, consumer credit, general commerce, and information & communication. In addition to the series of fiscal stimulus directed by the government at these productive sectors, the previous directive to increase the loan-to-deposit ratio to 65% by the CBN also contributed immensely to the increased gross credit. The increased aggregate liquidity is expected to facilitate a modest recovery of the economy from the recent pandemic-induced economic shocks in the short run. In addition, commercial banks are more cautious as the overall non-performing loan has declined from N1.78 trillion in 2018 to about N1 trillion in 2019. In the coming months, the level of domestic credit available is expected to increase further given the loans available to the health sector, small and medium-sized businesses, and other industries. However, effective targeting should be put in place to ensure that recipients of the loans are the most affected..

## ***Decline in Investment***

The Nigerian Investment Promotion Commission (NIPC) reported a 67 percent decline in investment in H1 2020, compared to H1 2019. The decline saw investment fall to US\$5.06 billion compared to US\$15.15 billion in the preceding year<sup>2</sup>. Top destination sectors include Transportation & Storage (39%) as well as Information & Communication (32%) sectors. However, the overall weak economic activity in top donor countries like United States of America (USA), which account for 43 percent of inflows contributed to the decline. Understandably, the lockdown measures and low oil price have slowed existing investment prospects and caused multinational enterprises to reassess new projects which will affect development. Going forward, investment is likely to continue to decline given that these conditions are unlikely to give way until the pandemic ends. Nevertheless, the NIPC should use the pandemic as an opportunity to promote investment in traditional and new opportunity areas including health, food and agriculture, and tech-related sectors. Furthermore, the NIPC should develop an online one-stop shop for investors in the absence of inter-country travel.

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

According to the Central Bank of Nigeria (CBN), crude oil price witnessed a 10 percent rise. The recent upward trend in the commodity price is a result of the increased global economic activity levels as countries continue to steadily open up and lift travel restrictions. The price rose by about 3.2 percent to US\$44.7 from the corresponding price in the month of June<sup>4</sup>. For the Nigerian economy, the price increase has risen above the 2020 budget benchmark oil price of \$28 per barrel as indicated in the revised budget. Bearing in mind the recently introduced partial deregulation of the downstream petroleum industry of the country which brought about monthly price modulation, the recent increase in crude oil price could see local price of petroleum products increasing. This could further exacerbate the pandemic-induced hardship on the poor population as a result of possible increase in cost of food and transportation.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>19Q3</b>	<b>'19Q4</b>
<b>GDP Growth Rate (%)</b>	2.3	2.5
<b>Oil GDP (%)</b>	6.49	7.23
<b>Non-oil GDP (%)</b>	90.23	92.68
<b>Unemployment Rate (%)</b>	NA	NA
<b>Foreign Direct Investment (US \$ Million)</b>	200.08	257.25
<b>Portfolio Investment (US \$Millions)</b>	2,999.50	1883.58
<b>Other Investment (US \$Million)</b>	2,167.98	1661.55
<b>External Debt (FGN &amp; States- N'Billion)</b>	NA	NA
<b>Domestic Debt (FGN + States &amp; FCT N'billion)</b>	NA	NA
<b>Manufacturing Capacity utilization (%)</b>	181.2	185.1
<b>Monthly Indicators</b>	<b>Dec'19</b>	<b>Jan'20</b>
<b>Headline Inflation (%)</b>	11.40	12.13
<b>Food Sub-Index (%)</b>	14.67	14.86
<b>Core Sub-Index (%)</b>	9.33	9.35
<b>External Reserves (End Period) (US\$ Million)</b>	38,595.25	31,009.76
<b>Official Rate Approx. (N/US\$)</b>	306.5	306.5
<b>BDC Rate Approx. (N/US\$)</b>	362	362
<b>Manufacturing PMI</b>	60.8	59.2
<b>Non-Manufacturing PMI</b>	62.1	59.6
<b>Crude Oil Price (US\$/Barrel)</b>	67.31	63.83
<b>Petrol (PMS-N/litre)</b>	145.35	145.37
<b>Diesel (AGO -N/Litre)</b>	229.81	229.78
<b>Kerosene (HHK -N/Litre)</b>	320.47	323.46
<b>MPR (%)</b>	13.5	13.5
<b>CRR (%)</b>	22.5	27.5
<b>91 Day T-Bill Rate (%)</b>	4.47	3.45
<b>Savings Deposit (%)</b>	3.89	3.86
<b>Prime Lending (%)</b>	14.99	30.77
<b>Maximum Lending (%)</b>	30.72	NA
<b>Narrow Money (N'Billion)</b>	10,533.13	10,331.40
<b>Broad Money (N'Billion)</b>	34,776.37	34,146.48
<b>Net Domestic Credit (N'Billion)</b>	36,178.34	35,815.11
<b>Credit to the Government (N'Billion)</b>	9,483.81	9,252.81
<b>Credit to the Private Sector (N'Billion)</b>	26,694.52	26,562.69
<b>Currency in Circulation (N'Billion)</b>	2,441.66	2,248.44
<b>FAAC (N'Billion)</b>	650.83	NA

\*Revised GDP figures/tentative figures

Compiled by the Information and Data Management (IDM) Unit, CSEA

[www.cseaafrica.org](http://www.cseaafrica.org)

1 CBN (2020) MONETARY POLICY COMMITTEE MEETING retrieved from:

<https://www.cbn.gov.ng/Out/2020/MPD/Central%20Bank%20of%20Nigeria%20Communique%20No%20131%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20held%20on%20Monday%20July%202020,%202020.pdf>

2 NIPC (2020) Report of Investment Announcements, H1 2020 retrieved from <https://nipc.gov.ng/wp-content/uploads/2020/07/H1-2020-Investment-Announcements-20200718.pdf>

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

4 OPEC Monthly Oil Market Report - July 2020 (2020) retrieved from: [https://momr.opec.org/pdf-download/res/pdf\\_delivery\\_momr.php?secToken2=de5a5a287b9f4db68a5c2a49f2069fbc0e287250](https://momr.opec.org/pdf-download/res/pdf_delivery_momr.php?secToken2=de5a5a287b9f4db68a5c2a49f2069fbc0e287250)