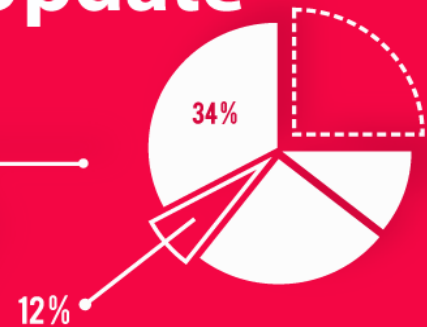




# Nigeria Economic Update



## ***Increased Market Activity***

In the week ended 7<sup>th</sup> August, the Nigerian Stock Exchange (NSE) reported a week on week growth as 1.065 billion shares were traded compared to the 0.421 billion shares traded in the previous week<sup>1</sup>. Altogether, 20,482 deals were made, a majority of which were within the financial sector as the sector accounted for 63.59 percent of trades. The top 3 equities were FBN holdings, UACN plc and Access Bank. Both the All Share Index and market capitalization appreciated by 1.41 percent to close at 25,041.89 and N13.063 trillion respectively, indicating that market activity may continue to remain bullish as the economy reopens. However, various factors including a weak macroeconomic landscape, downward trends in Foreign Portfolio Investment (FPI), and the volatility of the naira will negatively impact the performance of the capital market in 2020. Nevertheless, given the size of the stimulus package the federal government plans to implement, the market is expected to remain relatively stable during the fiscal year.

## ***Covid-19 Financing for State Governments***

The World Bank recently approved US\$114.28 million financing to support all states and the Federal Capital Territory (FCT) in responding to COVID-19<sup>2</sup>. The fund comprises of US\$100 million credit from the International Development Association (IDA) and US\$14 million in grants from the pandemic emergency financing facility. The grants would be made available to states on the condition of their adoption of the federal government's COVID-19 response strategies and guidelines. The financing, which will provide technical and fiscal support for states to address the pandemic, is an important aspect of the government's N2.3 trillion stimulus package. Overall, this will increase government spending and consumption which will put the economy on the path of recovery. In addition, tying accessibility to the grants to state government's efforts towards curbing the spread of the virus will also reduce the health effects (morbidity and mortality) of the pandemic. However, given the already existing debt risks, the US\$100 million credit component of the programme could pose debt sustainability concerns in the medium to long term.

## ***Rise in Currency in Circulation***

According to the CBN, the currency in circulation (CIC) has risen month on month by 4.1 percent<sup>3</sup>. Currency in circulation currently stands at about N2.4 trillion, a 19.54 percent increase from the corresponding period in 2019. The increased CIC is a reflection of CBN's decision to increase the Cash Reserve Ratio (CRR). According to the CBN, analysis of the currency in circulation showed that a large and increasing proportion of the currency outside the commercial banking system was held by the general public by hoarding a lot of the new banknotes. Other factors responsible for the increase in CIC include the provision of liquidity through increase in fiscal intervention by the government as well as multilateral and international donor organisations, as part of efforts to boost the economy. In addition, the recent allocation of N200 billion for MSME loans by the federal government is expected to further boost liquidity and increase the volume of currency in circulation.<sup>4</sup>

<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
<b>BDC Rate Approx. (N/US\$)</b>	306.5	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 NSE (2020) STOCK MARKET REPORT FOR AUGUST 7TH 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%2007-08-2020.pdf](http://www.nse.com.ng/market_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2007-08-2020.pdf)

2 World Bank (2020) Nigeria to Boost States Capacity for COVID-19 Response retrieved from:

<https://www.worldbank.org/en/news/press-release/2020/08/07/nigeria-to-boost-states-capacity-for-covid-19-response>

3 CBN (2020) Currency in Circulation (₦ m) retrieved from: <https://www.cbn.gov.ng/Currency/default.asp>

4 Nairametrics “FG releases new details on MSMEs support scheme, budgets N200 billion for loans” <https://nairametrics.com/2020/08/10/fg-releases-new-details-on-msmes-support-scheme-budgets-n200-billion-for-loans/>