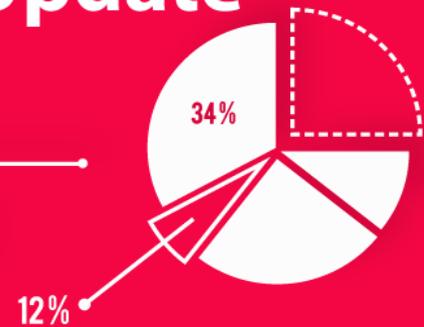




Nigeria Economic Update



Rise in Unemployment

Nigeria's unemployment rate increased from 23.1 percent in 2018Q3 to 27.1 percent in 2020Q2¹. Similarly, the underemployment rate increased from 20.1 percent to 28.6 percent in the same period. The rise in unemployment was driven by an increase in the labour force size alongside a poor performance in generating adequate jobs. Disparities exist among segments of the population as rural dwellers (28%) are more unemployed than those in urban areas (25.4%), young people (35%) compared to other age groups, and females (31.6%) more than males (22.9%). Even among the educated, those with a bachelor's degree have the highest unemployment rate at 41% relative to those with a senior secondary school certificate (28.5%) or a post graduate degree (23%). Without adequate efforts to develop labour absorbing sectors, the unemployment rate is expected to continue to rise considering that Nigeria has a young population structure and as such, new entrants to the labour market are expected. Private and public investments in sectors capable of absorbing large numbers of people such as agro-processing (textiles, leather and leather products, and food processing) and horticulture should be accelerated.

Decline in Petroleum Product Importation

The volume of petroleum products imported into the country in May has decreased by 72.68 percent to 495.1 million liters². The decline follows the downward trends being experienced in imports since March 2020. The decline in petroleum products importation was mainly driven by a contraction in the daily domestic supply of products with a 73.5 percent decline month on month. Another factor is the continuous closure of Nigeria's land borders with its neighbours in order to check the smuggling activities of banned goods into the country and outward smuggling of petrol from the country. However, as the reopening of the economy takes its full course, economic and industrial activities are expected to fully commence operations and as a result, the demand for petroleum products are expected to rise. Judging by the inability of the domestic refining capacity to meet the demands, import levels would expectedly rise to meet the expected shortfalls between local production and domestic demands.

Decline in Non-performing Loans

The Central Bank of Nigeria (CBN) recently announced the implementation of a global standing instruction (GSI) across banks and financial institutions, enabling financial institutions to recover debts from bank accounts of loan defaulters in other banks.³ Through the biometric verification number (BVN) system, defaulters' linked accounts in other financial institutions will be tracked and where a borrower's BVN is not linked to any of the qualifying account types, which include savings, current, domiciliary, investment or deposit accounts, and electronic wallets, such an account will be watch-listed. This policy offers an opportunity for a continued decline in non-performing loans (NPLs) which stands at 6.4 percent in June⁴ and to check chronic loan defaulters. In less than two weeks of the implementation of the GSI policy, banks have recovered N50.32 billion in bad loans from defaulters.⁵ This policy offers a means of further reducing the level of NPLs to levels below the 5 percent prudential benchmark. In addition, there will be more funds to improve liquidity across sectors of the economy considering the increase in available credit to banks.

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
Monthly Indicators	Dec’19	Jan’20
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
Currency in Circulation (N’Billion)	2,441.66	2,248.44
FAAC (N’Billion)	650.83	NA

*Revised GDP figures/tentative figures

1 NBS (2020) Labor Force Statistics: Unemployment and Underemployment Report retrieved from:
<https://nigerianstat.gov.ng/download/1135>

2 NNPC (2020) Nigeria to Boost States Capacity for COVID-19 Response retrieved from:
<https://www.nnpcgroup.com/NNPCDocuments/Performance%20Data/FullReports/NNPC%20Monthly%20Financial%20and%20Operations%20Report%20for%20the%20Month%20of%20May%202020.pdf>

3 CBN (2020) Operational Guidelines on Global Standing Instruction (GSI) retrieved from:
<https://www.cbn.gov.ng/Out/2020/CCD/CBN%20-%20Operational%20Guidelines%20on%20Global%20Standing%20Instructions%20GSI%20-%20Individuals.pdf>

4 CBN (2020) CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 131 OF THE 274th MONETARY POLICY COMMITTEE MEETING HELD ON MONDAY 20TH JULY 2020 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>

5 The Cable (2020) GSI: Banks recovered N50.3m bad loans in nine days, says CBN
<https://www.thecable.ng/gsi-banks-recovered-n50-3m-bad-loans-in-nine-days-says-cbn>