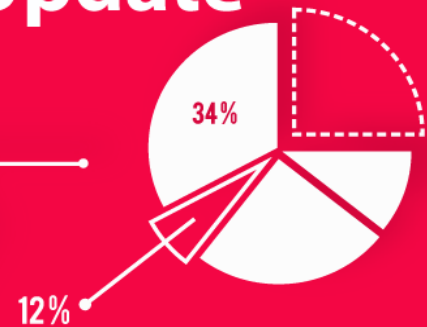




Nigeria Economic Update



Decline in GDP growth rate

The GDP growth rate in 2020Q2 was estimated to be -6.10%, the first negative growth since the recession in 2016/2017. The GDP declined by 8.22 percentage points from 1.87% to -6.10% between 2020Q1 and 2020Q2¹. The fall was largely driven by a slowdown in international and domestic activities occasioned by lockdown measures to prevent the spread of the coronavirus. Further disaggregation of the data shows that the non-oil sector GDP decreased by -6.05% (first negative decrease since 2017Q3). Also, the oil sector experienced a higher negative growth, declining by -6.63% within the same period. Contractions in growth were also recorded in the industry (-12.05%) and service sectors (-6.78%) while the growth rate in the agriculture sector remained positive (1.58%). Given that the strict lockdown measures were lifted at the end of the second quarter, and Nigeria's major trading partners – Europe, the United States, and China – have reopened their economies, the GDP growth rate in 2020Q3 is expected to be more favourable than the preceding quarter. However, the coverage and targeting of the existing interventions for the vulnerable households and affected businesses should be improved in order to enhance their reach.

Rise in Inflation

Inflation in the month of July stood at 12.82%, this was a 0.26 percentage point increase from the preceding month². The rise was driven by an uptick in air transport, medical services as well as core food produces which was reflected in the 1.97% rise in the food-sub index to 15.48%. However, core inflation declined by 0.03 percentage points to 10.10% indicating a reduced pressure on the prices of non-food items. The continued rise in food price inflation reflects the effect of an increase in the price of transportation for domestically produced foods and currency depreciation for imported foods. Going forward, inflation is likely to rise as the aforementioned factors remain and there is likely to be increased liquidity from the implementation of the Government's stimulus package. The Central Bank should utilize its range of monetary policy tools to curb the rising prices.

Changes in Petroleum Products Price

According to a recently released NBS report the price of Liquefied Petroleum Gas (LPG), Automotive Gas oil (AG) decreased month on month by 0.13% and 0.23% respectively^{3,4}. This decline was contrary to the 0.44% (N335.54) and 11.44% (N143.63) month on month increase in the price recorded for National Household Kerosene (NHK) and Premium Motor Spirit (PMS) respectively^{5,6}. The increase in domestic price of PMS in the country has led to an increase in the average price of transport fares across the nation⁷. The price modulation template currently operated by the Petroleum Products Pricing Regulatory Agency (PPPRA) allows that the domestic price of petroleum products is determined within a specified threshold based on the global price of crude oil which has increased as a result of the resumption of global economic activities. Consequently, it is expected that the modulated pricing template of petroleum products may be reviewed upward, which may further lead to increase in transportation fares and general inflation.

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

NA: Not Available

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 COMMUNIQUE 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 Cabel (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>

