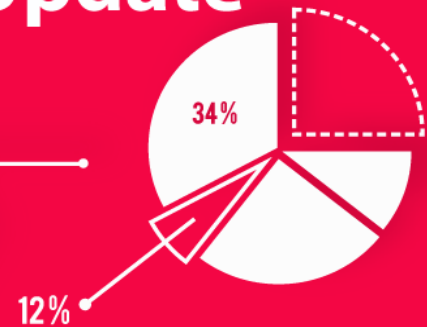




# Nigeria Economic Update



Weekly  
**Digest**

## ***Decline in Capital Importation***

Total capital imported into Nigeria decreased by 77.88 percent from \$5.85 billion to \$1.29 billion between first quarter and second quarter of 2020.<sup>1</sup> A disaggregation of the data shows that Foreign Direct Investments (FDI) declined by 30.65 percent to \$148.59 million, portfolio investment plummeted by 91.06 percent to \$385.32m while other investments also decreased by 42.8 percent to \$761.03m in the review period. The United Kingdom, South Africa and United Arab Emirate are the top sources of capital investment in Nigeria. By sectors, shares (35.9 percent), finance (23.9 percent) and banking (10.8 percent) accounted for the most capital inflow into the country. The decline was as a result of the uncertainty associated with the COVID-19 pandemic as investors seek safer assets. Considering that the decline in capital is occurring in a context of low oil prices, foreign exchange inflows will be significantly impaired with implications on the exchange rate. While the government has minimal influence over the trends in capital inflow, alternative sources of generating foreign exchange earnings should be developed in order to induce stability into the foreign exchange market.

## ***Decline in Purchasing Managers' Index (PMI)***

At 48.5 index points (below the 50-index point benchmark), Manufacturing PMI for the month of August recorded a contraction for the fourth consecutive month due to contraction in 8 out of the 14 subsectors.<sup>2</sup> Non-manufacturing PMI (44.7 percent) also remained below the 50-index points benchmark in the review period with 16 of the 17 subsectors experiencing contraction. Negative sentiments regarding business activities stems largely from the lockdown measures put in place to curb the virus and adverse economic conditions globally. However, with the gradual easing of the lockdown and reopening of the economy, there are likely to be improvements in both manufacturing and non-manufacturing PMI. Business owners should leverage on the interventions put in place by the government such as the N50 billion credit facility and employee retention scheme in order to stabilize, recover and rebuild their businesses.

## ***Rise in Foreign Reserves***

In the week under review, foreign reserves grew by \$70 million, from \$35.59 billion to \$35.66 billion. Earlier this year, Nigeria's international reserves increased significantly as a result of the IMF's Rapid Financing Facility of \$3.4 billion. The rapid growth of foreign reserves is a positive development and would influence the government's ability to defend the exchange rate. To complement the increase in foreign reserves, the CBN is working to boost bullion reserves with 12.5 kilogrammes of gold produced locally by artisanal miners in accordance with London Bullion Market Association standards. Nevertheless, efforts towards devaluing the naira to reflect the market forces should continue in order that the foreign reserves are not depleted and serve its purpose in providing resilience buffer to the government.

<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

NA: Not Available

1 NBS (2020). Nigeria Capital Importation Report 2020 Q2. Retrieved from:

<https://www.nigerianstat.gov.ng/download/1146>

2 CBN (2020). Purchasing Managers' Index Survey Report (August 2020). Retrieved from:

<https://www.cbn.gov.ng/Out/2020/STD/AUG%202020%20PMI%20Report.pdf>

3. CBN (2020). Movement In Reserves (August 2020). Accessed on September 3, 2020.

<https://www.cbn.gov.ng/IntOps/Reserve.asp>

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