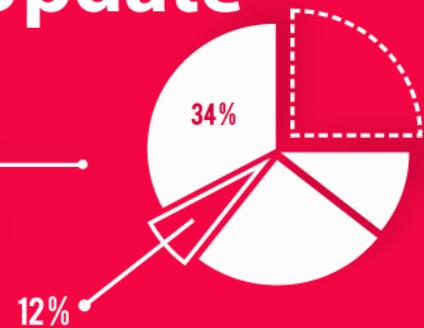




Nigeria Economic Update



Contraction in GDP

The National Bureau of Statistics (NBS) has reported a contraction in Nigeria's Gross Domestic Product (GDP) in the second quarter of 2020.¹ The report stated a contraction of -6.10% in comparison to the 1.87% growth that was recorded in the first quarter of the year. This contraction is attributed to the COVID-19 pandemic, the consequential decline of output and the crashing of oil prices. Nigeria slowly recovered from recession in 2017 and has been on a gradual path towards growth. However, the current GDP contractions indicate that a second recession could be approaching. Steep declines in GDP growth calls for the diversification of the economy to stimulate growth in various areas including agriculture and agribusiness, manufacturing, and real estate. In addition, overreliance on global value chains particularly in the manufacturing sector should be curbed in order to improve resilience.

Electricity and Petrol Price Hike

The Nigerian Electricity Regulatory Commission (NERC) approved an electricity tariff rise by over 100% from N30.23/KWH to N62.33/KWH which came into effect September 1st.² Similarly, the petrol pump price increased from N148 to N151.56 per liter, the third increase in three months.³ The tariff increment is part of the conditions placed on Nigeria by the IMF for the disbursement of \$3.4bn under the IMF's Rapid Financing Instrument (RFI).^{4,5} The conditions to be met include that the approved sum be repaid by 2025, the Federal Government removes electricity and petroleum subsidy by 2021, as well as a further increment of the value-added tax (VAT). The new tariff, however, does not apply to households that receive less than 12 hours of electricity supply per day. Nevertheless, the hike in prices will have ripple effects on other macroeconomic variables since both electricity and petrol are prominent factors of production in Nigeria. Persistent inflationary pressure is already deepening in households, hence, devaluing the local currency as well as shrinking the purchasing power of consumers. To restore the purchasing power of consumers, the Consumer Price Index (CPI) need to be tracked so as to curb the persistent inflation in the economy.

CBN Grants Maize Import Waiver

Following the Central Bank of Nigeria's suspension of maize importation in July, approval has now been granted to four agro-processing companies for the importation of maize to offset impending food shortage in Nigeria.⁶ Specifically, the CBN's importation approval is for 262,000 tons of maize and corn for Wacot and Chi Farms Limited, Crown Flour Mills and Premier Feed Mills Company Limited for specific amounts each, over the months of August to October. Nigeria's COVID-19 mitigation methods earlier this year, included a national lockdown, resulting in the restriction of credit access to farmers and a consequent decline in food production and transportation in the country. The import waiver conceded by CBN to selected companies is a regressive step for the economy to achieve food self-sufficiency. Above all, the government need to generate an emergency plan as well as reinforce current agricultural programs in order to meet the target of food self-sufficiency. This will strengthen the economy to withstand any unprecedented shock.

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

¹NBS (2020). Nigerian Gross Domestic Product Report (Q2 2020) (September 2020). Retrieved from: <https://nigerianstat.gov.ng/download/1143>

²BBC News Pidgin. New electricity tariffs in Nigeria 2020 hike for kilowatt unit of energy frustrate pipo from Ikeja to Abuja - See how much you go pay now & why NERC announce sudden hike. Accessed on September 10, 2020. <https://www.bbc.com/pidgin/tori-53995109>

³Premium Times (2020). Fuel price hike, increased electricity tariff in Nigerians' interest – APC. Accessed on September 3, 2020. <https://www.premiumtimesng.com/news/more-news/412199-fuel-price-hike-increased-electricity-tariff-in-nigerians-interest-apc.html>

⁴IMF (2020). IMF Executive Board Approves US\$ 3.4 Billion (September 2020). Retrieved from: <https://www.imf.org/en/News/Articles/2020/04/28/pr20191-nigeria-imf-executive-board-approves-emergency-support-to-address-covid-19>

⁵Nairametrics (2020). IMF Loan to Nigeria Explained. Accessed on September 10, 2020. <https://nairametrics.com/2020/04/29/imf-loan-to-nigeria-explained/>

⁶NCS (2020). Emergency Approval To Import 262,000 Tons of Maize. Retrieved from: https://pbs.twimg.com/media/EhB_WEKXYAA6ar5?format=jpg&name=large

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