CSEA
CENTRE FOR THE STUDY OF THE ECONOMIES OF AFRICA

Weekly Digest

October 6, 2023 Issue 39

Total Assets in the Insurance Sector Grows to N2.6 Trillion

The total assets of Nigeria's insurance industry rose to N2.7 trillion in the second quarter of 2023 (Q2, 2023). This was revealed in the latest bulletin of the insurance market performance released by the National Insurance Commission (NAICOM) for Q2 2023. The data indicates that the insurance sector's assets grew by 17.4% from N2.3 trillion in Q2 2022. Along the business line, non-life insurance businesses accounted for 60.4% of the industry's total assets, while life business for 39.6%. The growth in assets mirrors the growth in output in the insurance industry. The most recent Gross Domestic Product (GDP) report by the National Bureau of Statistics (NBS) revealed that the insurance sector grew by 7.31% in Q2 2023.The insurance sector is critically important to the economy as it provides individuals, businesses, and organizations with a mechanism to mitigate and transfer risks while also preserving wealth from unforeseen events. The sector's expansion demonstrates that more individuals and businesses are utilizing insurance in the face of the country's mounting hazards, such as insecurity. It also indicates higher investment in the sector, which benefits overall economic growth. With the significant growth in assets, there is a need for robust regulatory oversight by the National Insurance Commission (NAICOM) to ensure that insurers are managing their assets prudently and in compliance with regulations. Insurance industry assets represented less than 1% of total GDP, suggesting a need to drive industry growth further and increase insurance penetration. However, Insurance companies must continue to invest in product development to meet the evolving needs of consumers. Also, in collaboration with the government, insurance companies should invest in literacy programs to educate the public on the benefits of purchasing insurance products.

Transportation cost rises significantly year-on-year in August 2023

According to the latest Transport Fare Watch of the National Bureau of Statistics (NBS), transportation costs increased significantly in August 2023. The average fare paid by bus passengers within the city increased by 121.81% year-on-year from N602.48 in August 2022 to N1,336.38 in August 2023. Similarly, the average fare paid by commuters for intercity bus journeys rose by 56.6% year-on-year from N3,779.96 in August 2022 to N5,918.18 in August 2023. The rising transport costs could be attributed to the removal of subsidies on petrol. While the development is expected to improve the government's fiscal position, it imposes a heavy financial burden on citizens. Without significant government intervention, the rising transportation costs might increase the proportion of Nigerians who are poor. The high transportation costs also contribute to the economy's inflationary pressures as businesses pass on their increased transportation expenses to consumers through increased prices. To mitigate the effect of the high transportation cost on the standard of living, there is an urgent need for the government to implement social protection schemes, especially for the most susceptible households, and communicate regularly to the public on the progress of the schemes. In addition, the savings from the subsidy should be invested in transport infrastructure and other basic infrastructure such as health and education, which, in turn, would improve the quality of life of an average Nigerian.

Private Sector output expands slightly in September 2023

The Stanbic IBTC Bank Nigeria Purchasing Manager's Index (PMI) for September 2023 stood at 51.1, a 0.9 unit increase from 50.2 reported in August 2023. The PMI measures the magnitude of output by the private sector in the country. A value above 50 represents an expansion in economic activities (output), whereas a value below 50 indicates a contraction. A value of 50 means no change in economic activities. A PMI of 51.1 in September reflects a slight improvement in the business conditions of firms in the private sector compared to the consecutive decline witnessed in the past three months. According to the report, the increase in output by the private sector was driven by new orders, which increased for the sixth consecutive month as firms experienced an improvement in demand. Nonetheless, the rate of increase was modest as price hikes deterred consumption, leading to weak demand. Meanwhile, only manufacturing saw an output decline out of the four monitored sectors – services, manufacturing, agriculture, and wholesale/retail. Issues plaguing the manufacturing sector should be identified, and measures to support its growth implemented. Also, policymakers must address inflationary pressure negatively affecting consumer demand and new orders. The slight increase in economic activities in September means that significant improvement in Nigerians' living conditions and the business environment will cause the private sector to experience even higher economic activities in the last quarter of 2023. Therefore, the government must intensify efforts to bolster the purchasing power of the citizens and remove bottlenecks to doing business.

ECONOMIC SNAPSHOT		
Quarterly Indicators	**'22Q4**	**'23Q1**
GDP Growth Rate (%)	3.52	2.31
Oil GDP Growth Rate (%)	–13.38	–4.21
Non-oil GDP Growth Rate (%)	4.44	2.77
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US $ Million)	84.23	NA
Portfolio Investment (US $Millions)	285.26	NA
Other Investment (US $Million)	691.23	NA
External Debt (FGN & States- N'Trillion)	18.70	19.64
Domestic Debt (FGN + States & FCT N'Trillion)	27.55	30.21
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	**May '22**	**May '23**
Headline Inflation (%)	17.71	22.41
Food Sub-Index (%)	19.50	24.82
Core Sub-Index (%)	14.21	19.83
External Reserves (End Period) (US$ Billion)	38.48	34.09
Official Rate Approx. (N/US$)	415.15	461.26
BDC Rate Approx. (N/US$)	NA	NA
Manufacturing PMI	48.9	NA
Non-Manufacturing PMI	49.9	NA
Average Crude Oil Price (US$/Barrel)	117.17	76.91
Petrol (PMS-N/litre)	173.08	238.11
Diesel (AGO -N/Litre)	238.82	844.28
Kerosene (HHK -N/Litre)	679.54	1,206.05
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	3,921.35	4,360.69
MPR (%)	13.0	18.50
CRR (%)	27.5	32.5
T-Bill Rate (%)	2.47	2.98
Savings Deposit Rate (%)	1.37	5.13
Prime Lending (%)	11.96	14.07
Maximum Lending (%)	27.37	28.31
Narrow Money (N'Trillion)	20.56	22.27
Broad Money (N'Trillion)	48.51	55.50
Net Domestic Credit (N'Trillion)	56.51	74.91
Credit to the Government (Net) (N'Trillion)	18.05	30.69
Credit to the Private Sector (N'Trillion)	38.46	44.21
Currency in Circulation (N'Trillion)	3.331	2.527
FAAC (N'Trillion)	833.86	NA

NA: Not Available

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