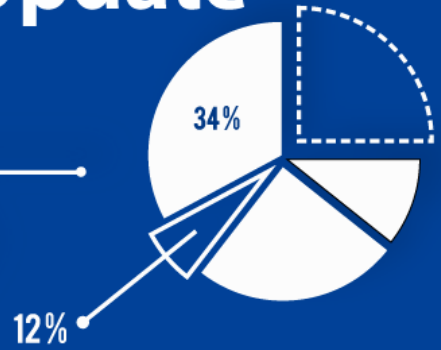


Nigeria Economic Update



Weekly
Digest



Rising Inflation

Consumer prices for the month of September 2019 increased by 0.22 percentage points. Specifically, inflation rate increased from 11.02 percent in August to 11.24 percent in September 2019.¹ The rise in inflation rate is attributed to an increase in both core and food components which rose by 0.34 percent and 0.26 percent respectively. The Inflation Attitudes Survey conducted by the Central Bank of Nigeria in 2019 Q3 suggests that 52.9 percent of respondents believe that the economy would end up weaker if prices rise faster than they do now.² Respondents also indicated that they will prefer higher interest rates to higher consumer prices. This continuous rise in the prices of goods and services leaves households and firms with less disposable income and profit respectively. Going forward, we expect demand-pull inflation to rise stemming from the soon-to-be implemented minimum wage, and cost-push inflation emanating from increase in energy and food prices as we approach the festive season.

Rise in Consumers' Confidence

The Consumer Expectation Survey report released by the Central Bank of Nigeria reveals that the consumer outlook on the macro economy for the third quarter of 2019 (2019 Q3) was positive. Increased consumers' optimism is reflected by a 2.3 percentage point increase in overall consumer confidence index from 1.5 percent recorded in 2018 Q3 to 3.5 percent in 2019 Q3.³ Respondents attributed the increase to improved family income and family financial situation, possibly on the account of general improvement in economic conditions of the country. Generally, this should foster a marginal increase in consumer's propensity to spend; and thus an increase in aggregate demand and rate of economic growth. However, the proposed increases in taxes and electricity tariff rate, among others, could counter the incentives to spend and demand growth in the near future. Therefore, there may be need for social welfare policies and programs, such as social insurance benefits, to cushion the impact of higher taxes on low-income households.

Increased Loans to Agricultural Sector

A recent report by the Central Bank of Nigeria shows that the agricultural sector benefited from a number of policies, reforms and institutional support in the second quarter of 2018.⁴ Under the Agricultural Credit Guarantee Scheme, a total of 20,192 loans valued at ₦2.62 billion were guaranteed indicating a 49.5 percent increase in loan value relative to the first half of 2018. Furthermore, the sum of ₦40.36 billion was disbursed to 24 projects under the Commercial Agriculture Credit Scheme; ₦82.59 billion was disbursed in the 2018 H2 to 490,481 farmers under the Anchor Borrowers' Programme; and ₦5.0 billion was disbursed under the Paddy Aggregation Scheme. While the rise in loans is aimed at improving domestic agriculture production, the effectiveness of these programmes is debatable. For instance, reports⁵ show that some farmers that accessed the Anchor Borrowers' Programme viewed the loans as grants and as such, did not pay back. Going forward, understanding whether and how these programmes reach their intended outcome is crucial in determining their effectiveness and scalability.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'19Q1	'19Q2
GDP Growth Rate (%)	2.1	1.94
Oil GDP (%)	-2.40	5.15
Non-oil GDP (%)	2.47	1.64
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	243.36	222.89
Portfolio Investment (US \$Millions)	7,145.98	4,292.89
Other Investment (US \$Million)	1,096.15	1,304.43
External Debt (FGN & States- N'Billion)	7,860.88	NA
Domestic Debt (FGN + States & FCT N'billion)	17,086.20	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	July'19	Aug'19
Headline Inflation (%)	11.08	11.02
Food Sub-Index (%)	13.39	13.17
Core Sub-Index (%)	8.80	8.68
External Reserves (End Period) (US\$ Million)	44,903.03	43,607.80
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.6	57.9
Non-Manufacturing PMI	58.7	58.8
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	145.00	145.5
Diesel (AGO -N/Litre)	224.96	229.08
Kerosene (HHK -N/Litre)	316.03	319.94
MPR (%)	13.5	13.5
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	9.92	9.92
Savings Deposit (%)	3.93	NA
Prime Lending (%)	15.46	NA
Maximum Lending (%)	31.07	NA
Narrow Money (N'Billion)	11,435.79	NA
Broad Money (N'Billion)	35,675.93	NA
Net Domestic Credit (N'Billion)	33,412.40	NA
Credit to the Government (N'Billion)	9,138.08	NA
Credit to the Private Sector(N'Billion)	24,274.31	NA
Currency in Circulation (N'Billion)	2,003.09	NA
FAAC (N'Billion)	769.5	720.88

*Revised GDP figures/tentative figures

NA: Not Available

¹NBS (2019). “Consumer Price Index September 2019. Retrieved from, <http://www.nigerianstat.gov.ng/download/1006>

²CBN (2019). “Inflation Attitude Survey Report Q3 2019” Retrieved from. <https://www.cbn.gov.ng/Out/2019/STD/Q3%202019%20IAS%20REPORT.pdf>

³CBN (2019). “Consumer Expectation Survey Report”. Retrieved from, <https://www.cbn.gov.ng/Out/2019/STD/Q3%202019%20CES%20REPORT.pdf>

⁴CBN (2019). “Financial Stability Report”. Retrieved from, [https://www.cbn.gov.ng/Out/2019/FPRD/FSR%20December%202018%20\(for%20Publication\).pdf](https://www.cbn.gov.ng/Out/2019/FPRD/FSR%20December%202018%20(for%20Publication).pdf)

⁵Centre for Democracy and Development (2018). “SPECIAL REPORT: Fraud Allegations, Unremitted loans, Crop Failure, other Anomalies Dog Nigerian Govt’s “Rice Revolution””. Retrieved from, <https://www.cddwestafrica.org/special-report-fraud-allegations-unremitted-loans-crop-failure-other-anomalies-dog-nigerian-govts-rice-revolution/>

