Nigeria Economic Update

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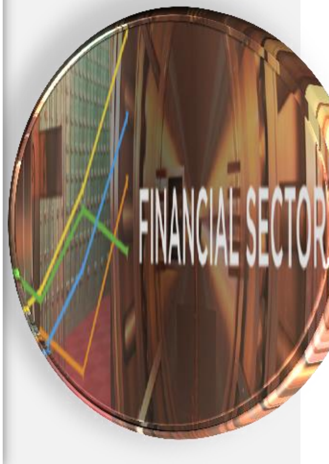
Quality research for sound policies

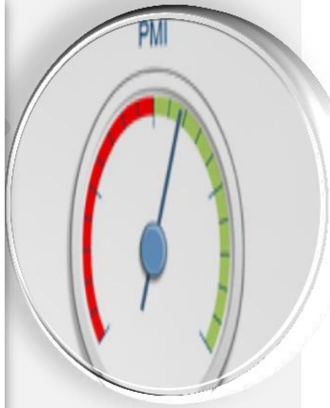
Financial Sector

Recent banking sector data shows Quarter-over-Quarter decrease in credit allocations by banks to the private sector. Fourth quarter report reveals that in terms of credit to private sector, the banking sector allocated N15.74 trillion worth of credit in 2017Q4[1]; about N90 billion below 2017Q3 allocations. It is noted that the banking sector experienced slight decline in credit environment in 2017; attractive yields on government securities in addition to sluggishly recovering macroeconomic environment, discouraged private sector lending[2]. Nevertheless, during the review period, the Oil and Gas sector received the highest allocation of N3.58 trillion (23 percent of total credit), followed by Manufacturing sector which received N2.17 trillion, possibly on account of sectoral improvements in 2017. Going forward, monetary authorities should encourage bank lending to the agriculture sector and small scale industries in order to develop these sectors, ensure food security and job creation, as well as to ensure sectoral balance.



Purchasing Managers' Index

Purchasing managers' index moderated in January 2018, relative to December 2017. Data shows that manufacturing PMI stood at 57.3 points[3], down marginally by 2 points. Reductions were seen in production levels, raw materials/inventory, new orders, and quantity of purchases among other sub-indices. On the other hand, Non-manufacturing PMI reduced to 58.5 points, from 62.1 points in December 2017, and was driven by declines in business activities, level of customers and inventory indices among others. Historically, the PMI January reading has recorded a post-holiday slump each year since its inception. Typically, the first few months of each year is associated with slow growth, given the limited availability of funds, reduced household demand and consumer confidence[4].Timely budget release and targeted infrastructure spending can help boost higher consumer demand and production levels in the new year.

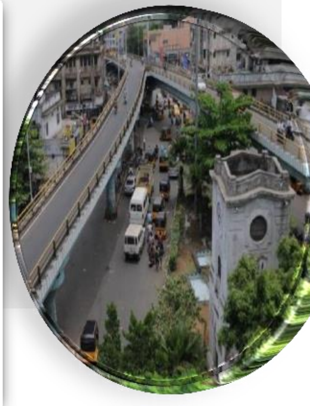


Portfolio Investment

Annual transactions report from the Nigeria Stock exchange shows that a total of about N2.54 trillion worth of transactions were carried out in 2017[5], a significant 68.1 percent from N1.15 trillion recorded in 2016. In the review year, domestic investors overtook foreign investors in transaction dealings. Domestic investors accounted for 53 percent (N1.34 trillion), while foreign investors accounted for 47 percent (N1.20 trillion). Notably, the Nigeria Stock Exchange was said to be one of the best performing stock markets in the world in 2017[6]; the gradual outstanding performances of Nigerian equities, partly boosted investors' confidence and increased portfolio investments. Going forward, a more favourable economic outlook together with stability in the socio-economic environment is critical towards sustaining the recent stock market performance.

Macroeconomic Ranking

Recently released media highlights show that Nigeria has dropped in terms of macroeconomic indicator rankings in 2018. With a headline index of 2.77, Nigeria is ranked 158^{th} globally out of 181 countries[7] – five places lower than the previous year rankings. Indicators suggest that Nigeria is presently behind 28 other African countries, and just ahead of only 4 West African countries (Mauritania, Togo, Niger and Guinea Bissau). Although, Nigeria's macroeconomic stability is ranked third best in the world, other measured indices (Human development, openness, trade performance, infrastructure and Institutions) with poor rankings, seem to have put Nigeria far behind in the overall global ranking. Going forward, achieving significant macroeconomic landmark requires strong political and economic institutions that foster good governance, rule of law, property rights, and favourable business and investment climate among others.



ECONOMIC SNAPSHOT		
Quarterly Indicators	**'17Q2**	**'17Q3**
GDP Growth Rate (%)	0.72*	1.40
Oil GDP (%)	3.52*	25.89
Non-oil GDP (%)	0.45	-0.76
Unemployment Rate (%)	16.2	18.8
Foreign Direct Investment (US $ Million)	274.4	117.60
Portfolio Investment (US $Millions)	770.5	2,767.42
Other Investment (US $Million)	747.5	1,260.08
External Debt (FGN & States- N'Billion)	4,602.88	4,693.91
Domestic Debt (FGN-N'billion)	15,034.11	15,678.0
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	**Nov'17**	**Dec'17**
Headline Inflation (%)	15.90	15.37
Food Sub-Index (%)	20.30	19.42
Core Sub-Index (%)	12.20	12.10
External Reserves (US$ Million)	34,945.6	NA
Official Rate (N/US$)	306.0	NA
BDC Rate (N/US$)	364	NA
Manufacturing PMI	55.9	59.3
Non-Manufacturing PMI	57.6	62.1
Crude Oil Price (US$/Barrel	52.07	56.83
Petrol (PMS-N/litre)	145.6	171.80
Diesel (AGO -N/Litre)	199.26	205.81
Kerosene (HHK -N/Litre	267.14	284.30
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	13.05	13.05
Savings Deposit (%)	4.08	4.08
Prime Lending (%)	17.77	17.71
Maximum Lending (%)	30.95	30.99
Narrow Money (N'Billion)	10,115.05	11,036.35
Broad Money (N'Billion)	22,311.12	24,001.41
Net Domestic Credit (N'Billion)	26,349.07	25,863.28
Credit to the Government (N'Billion)	4,392.41	3,574.03
Credit to the Private Sector(N'Billion)	2,195.67	2,228.95
Currency in Circulation (N'Billion)	1,896.16	2,157.23
FAAC (N'Billion)	609.9	655.17

*Revised GDP figures/tentative figures
NA: Not Available

[1]National Bureau of Statistics (2018). “Selected Banking Sector Data, 2017Q4”. Retrieved February 6, 2018. http://www.nigerianstat.gov.ng/

[2]This Day (2018). “Banking Sector Credit Seen ‘Cautiously’ Rising in 2018”. Accessed February 7, 2018. https://www.thisdaylive.com/index.php/2018/02/06/banking-sector-credit-seen-cautiously-rising-in-2018/

[3]CBN (2018). “Purchasing Managers’ Index (PMI) Survey Report”. Retrieved from, https://www.cbn.gov.ng/Out/2018/SD/PMI_Report_January%202018.pdf

[4]Daily Times (2018). “PMI January headline reading declines to 54.6”. Accessed February 7, 2018. https://dailytimes.ng/pmi-january-headline-reading-declines-54-6/

[5]NSE (2018). “Domestic &Foreign Portfolio Participation in Equity Trading–December2017”. Retrieved from, http://www.nse.com.ng/market_data-site/other-market-information-site/FPI%20Report/NSE%20Domestic%20and%20FPI%20Report%20-%20December%202017.pdf

[6]Premium Times (2018). “Why Nigeria Stock Exchange is recording growth in 2018 – Onyeama”. Accessed February 7, 2018. https://www.premiumtimesng.com/business/business-news/255827-nigeria-stock-exchange-recording-growth-2018-onyeama.html

[7]KPMG (2018). “Growth Promise Indicators 2018 report”. Retrieved from, https://home.kpmg.com/content/dam/kpmg/uk/pdf/2018/01/growth-promise-indicators-report-2018.pdf