Nigeria Economic Update

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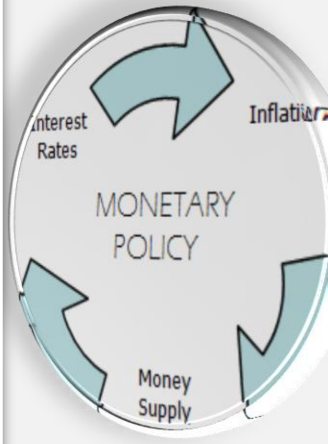
Monetary Policy

As expected, the Monetary Policy Committee left the policy interest rate (MPR) and other parameters unchanged. At 14 percent, the MPR has been left unchanged for the 10th consecutive period[1]; likewise the CRR at 22.5 percent, Liquidity Ratio at 30.0 percent; and Asymmetric corridor at +200 and -500 basis points around the MPR. All except one member of the MPC agreed to keep rates on hold, mainly in anticipation of a more precise direction of key macroeconomic indicators, including the passage and implementation of the 2018 budget. Complementary factors considered for the hold also points to current moderation in inflation rate towards single digit, as well as higher reserve levels. To support the efforts of the MPC in sustaining economy recovery and moderation in inflation, fiscal authorities should set up a mechanism for an orderly injection of pending liquidity such as 2018 budget, expenditures towards 2019 elections, and FAAC injections.



Petroleum Importation

The petroleum importation statistics report show a quarter-over-quarter decline in volume of refined products imported into Nigeria in 2018Q1, with the exception of Petrol (PMS) which rose by 60.7 percent to 5,670 million litres. Precisely, Diesel (Ago) decreased by 24.1 percent to 954 million litres in 2018Q1; Household kerosene contracted by 22.2 percent to 122 million litres[2]. The decline may be attributable to the slight improvement in the performance of refineries. Going forward, refurbishments of oil facilities are needed to upgrade the performance of refineries by at least 90 percent capacity utilization. The government should also provide policy support to stimulate private investment for building new refineries. These are necessary for the Federal Government to stand a chance at achieving its plan to become self-sufficient and cease petroleum products importation by 2019.

FAAC

The three tiers of government shared the sum of N701 billion for the month of May, 2018, as revenue generated in the month of April 2018. This amount is 11.8 percent higher than the N627 billion disbursed for April 2018[3]. A further breakdown reveals that the Federal Government, states, and local governments received N289.05 billion, N181.96 billion, and N137.33 billion respectively. As the monthly allocations head progressively towards a possible N1 trillion mark, the improvement is likely hinged on sustained increases in crude exports/price (a major driver of the recent FAAC increases). There is need for federal, state and local governments to invest in policies and programs that support business growth in order to expand future source of revenue for the governments.

Pension Asset

Figures from the recently released report by the NBS shows that the stock of pension assets reached N7.94 trillion as at March 2018, compared to N7.52 trillion recorded at the end of the last quarter of 2017[4]. The increase arose from investment gains, and further contributions arising from the quarter-over-quarter growth in membership registration in the scheme[5]. Increase in domestic savings of this magnitude will send a positive signal to foreign investors who are looking to invest in Nigeria. Moreover, this would develop the local capital market and increase the appetite for local securities. Thus, the government should promote policies that create a conducive environment for pension asset development.

ECONOMIC SNAPSHOT		
Quarterly Indicators	**'17Q4**	**'18Q1**
GDP Growth Rate (%)	2.11	1.95
Oil GDP (%)	11.20	14.77
Non-oil GDP (%)	1.45	0.76
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US $ Million)	378.41	NA
Portfolio Investment (US $Millions)	3,477.53	NA
Other Investment (US $Million)	1,526.92	NA
External Debt (FGN & States- N'Billion)	5,787.51	NA
Domestic Debt (FGN-N'billion)	3,348.77	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	**Mar'18**	**Apr'18**
Headline Inflation (%)	13.34	12.48
Food Sub-Index (%)	16.08	14.8
Core Sub-Index (%)	11.20	10.9
External Reserves (End Period) (US$ Million)	NA	NA
Official Rate Approx. (N/US$)	305	305
BDC Rate Approx. (N/US$)	362	362
Manufacturing PMI	56.7	56.9
Non-Manufacturing PMI	57.2	57.5
Crude Oil Price (US$/Barrel	NA	NA
Petrol (PMS-N/litre)	163.4	151.4
Diesel (AGO -N/Litre)	206.41	204.35
Kerosene (HHK -N/Litre	268.99	278.49
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	11.84	11.43
Savings Deposit (%)	4.07	4.07
Prime Lending (%)	17.35	17.24
Maximum Lending (%)	31.55	31.56
Narrow Money (N'Billion)	10,912.60	10,670.63
Broad Money (N'Billion)	24, 303.05	24,620.65
Net Domestic Credit (N'Billion)	26,267.11	27,476.80
Credit to the Government (N'Billion)	3,823.35	5,222.73
Credit to the Private Sector(N'Billion)	2,244.37	2,225.40
Currency in Circulation (N'Billion)	1,668.38	1,957.21
FAAC (N'Billion)	626.82	701

*****Revised GDP figures/tentative figures
NA: Not Available

[1]CBN (2018). “Central Bank of Nigeria Communique No 118 of the Monetary Policy Committee of Monday 21st and Tuesday 22nd May, 2018”. Retrieved May 30, 2018. https://www.cbn.gov.ng/Out/2018/CCD/MPC%20Communique%20May%2021st%20and%2022nd%202018.pdf

[2]National Bureau of Statistics (2018). “Petroleum Products Imports and Consumption (Truck Out) Statistics (Q1 2018)”. Retrieved from, http://www.nigerianstat.gov.ng/

[3]The Sun (2018). “FAAC: FG, States, LGAs share N701bn in May”. Accessed May 30, 2018. http://sunnewsonline.com/faac-fg-states-lgas-share-n701bn-in-may/

[4]National Bureau of Statistics (2018). “Pension Asset and Membership Data Q1 2018”. Retrieved from, http://www.nigerianstat.gov.ng/

[5]Nairametrics (2018). “Sukuk is ‘new love’ for Pension funds as total asset value hit N7.9 trillion”. Accessed May 30, 2018. https://nairametrics.com/pension-fund-asset-value/