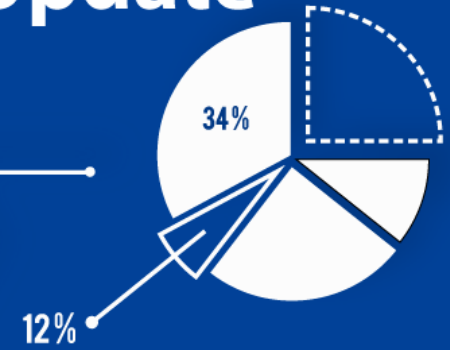


Nigeria Economic Update



Weekly
Digest



Increase in Ease of Doing Business Index

Nigeria appeared as one of the top-10 countries to improve on the Ease of Doing Business Index published by the World Bank for the second consecutive year. Nigeria moved up 15 places to 131st out of 190 economies in the latest ease of doing business rankings which investigates the regulations that enhance and/or constrain business activities.¹ The Doing Business Index improved to 56.9 percentage points from 55.89 percentage points it recorded previously. Nigeria implemented regulatory reforms in 6 out of 10 categories – starting a business, dealing with construction permits, getting electricity, registering property, trading across borders and enforcing contracts. However, there were no reforms in getting credit, paying taxes, protecting minority investors and resolving insolvency. Despite the improvement on the Index, local business owners have opined that the improvement is yet to translate to tangible results. This could be attributed to the failure to address other pertinent issues such as lack of transport infrastructure, and multiple and inconsistent taxation. In addition, the use of electronic systems including electronic tax filing platform and e-procedures for property transfers could be useful in saving time and cost of businesses.

High Public Debt

A recent report by the National Bureau of Statistics (NBS) suggests that total public debt stock at state and federal level for the first half of 2019 (2019 H1) stood at ₦25.70 trillion.² A further disaggregation of the data shows that ₦17.38 trillion (67.62 percent) was sourced domestically while ₦8.32 trillion (32.38 percent) of the debt was external. The Federal Government borrowed ₦20.42 trillion (79.5 percent) while the various states government and the Federal Capital Territory borrowed ₦5.28 trillion (20.5 percent). While the size of debt is alarming, investing these loans in bankable projects rather than financing the fiscal balance or servicing debt is crucial. However, tackling the root causes of the rising borrowing – growing youth population and leakages – is critical to reducing the high levels of government borrowing.

Declining External Reserve

External/foreign reserves depleted by 0.6% to \$40.7 billion for the week in review from \$41.04 billion, the lowest since January 2018.³ The reserve has steadily plunged since the last week of July, losing about \$5 billion in the last 4 months. The depletion in external reserve is attributable to the Central Bank of Nigeria (CBN) intervention in the foreign exchange market to prevent depression arising from capital flight.⁴ This capital flight has been largely driven by rising uncertainties in the Nigerian economy, in addition to lower but expected increase in the United States' interest rate. While the monetary authorities have maintained foreign exchange stability at the expense of foreign reserves, there is need for fiscal authorities to supplement efforts to sustain reserves. Social, economic and political uncertainties –arising from the recent border closure for instance – are disincentives to investment that should be tackled to boost investors' confidence and shore up external reserves.

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

¹World Bank (2019). “Doing Business 2020: Comparing Business Regulations in 190 Economies. Retrieved from,

<https://openknowledge.worldbank.org/bitstream/handle/10986/32436/9781464814402.pdf?sequence=22>

²NBS (2019). “Nigeria Domestic and Foreign Debt 2019 Q2” Retrieved from.

<http://www.nigerianstat.gov.ng/download/1014>

³CBN (2019). “Movement in Reserves”. Accessed on November 1, 2019.

<https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=11/1/2019%2011:00:06%20AM>

⁴Nairametric (2019). “Nigeria’s External Reserves plunge to \$40.03 billion as devaluation concerns brew”, <https://nairametrics.com/2019/10/22/nigerias-external-reserves-plunge-to-40-03-billion-as-devaluation-concerns-brew/>