Nigeria Economic Update

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Monetary Policy

For the 12th consecutive period, the Monetary Policy Committee voted to retain all rates at the end of the policy meeting held on July 23-24, 2018 – MPR at 14 percent, CRR at 22.5 percent, Liquidity ratio at 30 percent and asymmetric corridor at +200 and -500 around the MPR[1]. A review of laudable developments in key macroeconomic indicators and positive economic growth in the first half of 2018 informed the committee's stance to hold all rates. However, the committee noted constraints to economic growth outlook in the second half of 2018, especially slow and irregular implementation of the 2018 expansionary fiscal budget that would derail its liquidity impact, as well as possible external shocks. Going forward, there is need for a standardized budgetary calendar that should be adhered to mandatorily in order to guide public and private sector investment plan and foster economic stability.

Gross Domestic Product (Expenditure Approach)

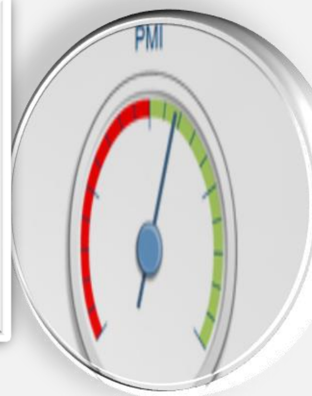
Real household consumption and government consumption expenditure declined but improved in 2017 relative to 2016. Household consumption stood at -0.99 percent in 2017 from -5.71 percent recorded in 2016[2]. Regardless, household consumption growth and domestic demand is perceived to be weak. On the other hand, National Disposable Income declined by 1.52 percent in 2017 – driven by a fall in operating surplus which recorded a negative annual growth rate. Going forward, there is need for the government to support household and company incomes with rising social benefit payments and lower taxes.

Debt Sustainability

According to the Debt Management Office, Nigeria's debt ratios increased in 2017, relative to 2016; with a tendency to further increase in subsequent years. Specifically, external debt to GDP and revenue stood at 4.9 percent and 73.4 percent respectively in 2017, with expectations to rise further to 5.2 percent and 74 percent in 2018[3]. This may particularly be due to the government resorting to external debt in Nigeria[4]. Regarding debt servicing, external debt service to exports and revenue stood at 2.2 percent and 3.4 percent respectively. Going forward, accumulated debt should be channeled to productive uses that augment the country's exports and revenue streams in the long term so as to reduce the weight of debt servicing and the risk of future reactionary borrowing.

Power Sector

The power generation statistics for Q1 2018 reflected that a total average of 92,747 MWh of energy was generated daily by power stations[5] – a marginal 2 percent decline from the 94,627 MWh generated in 2017Q4. The decline during the period, is connected to the partial collapse of facilities in Lagos, Kainji and other places[6], and several supply constraints which have caused the power sector to lose about ₦108 billion in the review quarter[7]. Despite the challenges, increasing the number of metered customers is vital in improving revenue collection and dealing with the supply constraints in the power sector.



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	246.62
Portfolio Investment (US $Millions)	3,477.53	4,565.09
Other Investment (US $Million)	1,526.92	1,491.93
External Debt (FGN & States- N'Billion)	5,787.51	NA
Domestic Debt (FGN-N'billion)	3,348.77	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	**May'18**	**Jun'18**
Headline Inflation (%)	11.61	11.23
Food Sub-Index (%)	13.45	12.988
Core Sub-Index (%)	10.7	10.4
External Reserves (End Period) (US$ Million)	47,605	47,789
Official Rate Approx. (N/US$)	305	305
BDC Rate Approx. (N/US$)	362	362
Manufacturing PMI	56.5	57.0
Non-Manufacturing PMI	57.3	57.5
Crude Oil Price (US$/Barrel	NA	NA
Petrol (PMS-N/litre)	150.2	148.1
Diesel (AGO -N/Litre)	205.67	204.97
Kerosene (HHK -N/Litre	280.29	279.67
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	11.43	NA
Savings Deposit (%)	4.07	NA
Prime Lending (%)	NA	NA
Maximum Lending (%)	NA	NA
Narrow Money (N'Billion)	NA	NA
Broad Money (N'Billion)	NA	NA
Net Domestic Credit (N'Billion)	NA	NA
Credit to the Government (N'Billion)	NA	NA
Credit to the Private Sector(N'Billion)	NA	NA
Currency in Circulation (N'Billion)	NA	NA
FAAC (N'Billion)	NA	NA

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

[1]CBN (2018). “Central Bank Of Nigeria Communiqué No 119 Of The Monetary Policy

Committee Meeting Of Monday, 23rd And Tuesday, 24th July, 2018”. Retrieved from, https://www.cbn.gov.ng/Out/2018/MPD/Central%20Bank%20of%20Nigeria%20Communique%20No%20119%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20of%20Monday%2023rd%20and%20Tuesday%2024th%20July%202018.pdf

[2]Nationa Bureau of Statistics (2018). “Nigerian Gross Domestic Product Report 2017(Expenditure and Income approach)”. Accessed July 31, 2018. http://nigerianstat.gov.ng/elibrary

[3]DMO (2018). “2017 Report Of The Annual National Debt Sustainability Analysis (DSA)”. Retrieved from, http://www.dmo.gov.ng/publications/reports/debt-sustainability-analysis/2504-2017-debt-sustainability-analysis-dsa-report/file

[4]Proshare (2018). “What To Expect From The Markets This Week – 300718”. Accessed July 31, 2018. https://www.proshareng.com/news/MARKET%20UPDATES/What-To-Expect-From-The-Markets-This-Week---300718/41022

[5]National Bureau of Statistics (2018). “Power Sector Report: Energy Generated and Sent Out and Consumed and Load Allocation (Q1 2018)”. Accessed July 31, 2018. http://nigerianstat.gov.ng/elibrary

[6]All Africa (2018). “Nigeria: Electricity Supply Worsens in Q1' 2018”. https://allafrica.com/stories/201804170135.html

[7]Pulse (2018). “Nigeria's power sector loses N108 billion in first quarter of 2018”. Accessed July 31, 2018. https://www.pulse.ng/bi/finance/nigerias-power-sector-loses-n108bn-in-first-quarter-of-2018-id8237197.html