Nigeria Economic Update

Issue 29 *July 20, 2018.*

CSEA
CENTRE FOR THE STUDY OF THE ECONOMIES OF AFRICA

Economic Growth

The IMF retained its 2.1 percent forecast of Nigeria's GDP growth rate for 2018, while increasing the 2019 projected GDP growth rate to 2.3 percent[1], from 1.9 percent projected earlier. The stated review is at the backdrop of continued increases in commodity prices in the long term, for which crude oil is the benchmark for Nigeria. Outlook on crude oil price and production is expected to maintain upward improvements in the near term. However, the Nigerian government pegs its own forecasted growth rate at 3.5 percent in 2018 – higher than figures predicted by the IMF, although premised around the same driving factors. In order to achieve a 3.5 percent GDP growth rate, a more effective implementation of the bold initiatives in this administration's economic plan - the Economic Recovery and Growth Plan - is critical particularly in the agriculture and manufacturing sectors. Security concerns and the persisntent structural t undermine the sectors have not been adequately addressed.

Inflation

Headline inflation dropped year-on-year to 11.23 percent in June 2018[3] – the 17th consecutive month disinflation and 0.37 percentage points decrease from May 2018[2]. The decline was driven by moderations in food inflation as well as a likely improvement in prices of imported food items (given the reducing local transportation cost and stable exchange rate respectively) - Food index of the CPI fell significantly from 13.45 percent to 12.98 percent. Core index also dropped but marginally to 10.4 percent. With the expected increase in private sector spending associated with a pre-election year, the Central Bank's Monetary Policy Committee should maintain the MPR at 14 percent in order to continue the inflation stabilization policy.

Petroleum Products

Prices of petroleum products continued its downward trajectory in the month under review. Average prices of fuel, diesel and kerosene decreased by 1.4%, 0.3% and 0.2% to N148.1[3], N204.97[4] and N279.7[5] respectively in June 2018. The continued decrease in the prices of petroleum products may have been triggered by the increasing quantity of petroleum products imported as well as recent improved supply from the NNPC[6]. For a sustainable decline in the prices of petroleum products, the government will need to boost Nigeria's capacity to refine crude oil by investing in infrastructure for oil refining, as well as creating incentives for the private sector to invest in building and running top-class oil refineries.

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]IMF (2018). "World Economic Outlook Update, July 2018. Less Even Expansion, Rising Trade Tensions". Retrieved from, https://www.imf.org/en/Publications/WEO/Issues/2018/07/02/world-economic-outlook-update-july-2018

[2]NBS (2018). "CPI and Inflation Report June 2018". Accessed July 24, 2018. http://www.nigerianstat.gov.ng/

[3]NBS (2018). "Premium Motor Spirit (Petrol) Price Watch (June 2018)". Accessed July 24, 2018. http://www.nigerianstat.gov.ng/

[4]NBS (2018). "Automotive Gas Oil (Diesel) Price Watch (June 2018)". Accessed July 24, 2018. http://www.nigerianstat.gov.ng/

[5] NBS (2018). "National Household Kerosene Price Watch (June 2018)". Accessed July 24, 2018. http://www.nigerianstat.gov.ng/

[6]ThisDay Live (2018). "Depot Price of Petrol Slumps as NNPC Floods Market". Accessed July 24, 2018. https://www.thisdaylive.com/index.php/2018/03/13/depot-price-of-petrol-slumps-as-nnpc-floods-market/