

## Terms of Trade

Nigeria's all products terms of trade (calculated as the receipts of exports as a percentage of payments for imports), indicated increases in the three months of 2018Q2. Indexed at an average of 110.8% in 2018Q2<sup>1</sup>, the favorable TOT reflects improvement from an average of 99.2% in 2018Q1. A further breakdown shows that TOT indices for April, May and June stood at 100.5%, 111.1% and 109.2% respectively which implies that the value of exports exceeded imports by 0.5%, 11.1% and 9.02% in each of the months. The positive trade position is attributable to improvements in mineral, animal and vegetable products group, as reported. With renewed interest in the agric and mineral sectors by the government and private sector, we expect an improvement in the trade position. Infusing technology, building technical capacity and tackling age-old issues such as lack of credit and power supply will boost export

## Transport Sector

Revenue generated from the rail sector's passenger-travels grew (quarter over quarter) by 5.5 percent to N435.97 million in 2018Q2<sup>2</sup>, despite the marginal drop in passenger traffic by 2.4% (from about 750,000 to 730,000 passengers). However, regardless of the drop in demand, earlier reports on increased train fares at the beginning of the quarter,<sup>3</sup> may have induced the growth in revenue. On the other hand, 85,816 tonnes of goods/cargoes was transported via the rail way in the quarter – an increase of 7.6%, and translated to a total revenue sum of N159.1 million as against the N151.3 million generated in the previous quarter. With recent commitments towards the nation's railway system and the completion of the Abuja light rail, the revenue accruing from passenger travel is expected to rise with access to trains. Considering the dearth of infrastructure and its emergence as an investment target, partnerships with indigenous private and institutional investors should be fostered to create employment and generate domestic revenue.

## FAAC

FAAC distributable amount for the month of August stood at N741.8 billion<sup>4</sup>, representing a 4% increase from revenue of N714.8 billion distributed for the month of July. August's revenue is composed of statutory revenue of N627.1 billion, gross VAT of N114.5 billion and an exchange gain of N162 million. The three tiers of government received amounts from the statutory revenue, in the sharing ratio 52.68:26.72:20.60 respectively. The increase was driven by improved oil revenue on the back of increasing oil prices, as well as tax collection in the review month<sup>5</sup>. As FAAC allocations, the major source of revenue, continue to fluctuate with oil price, spending plans will be distorted across all levels of government. Efforts towards diversification should be intensified to reduce the focus on FAAC allocations.

## Monetary Policy

Following evaluations of developments in global and domestic economic environment, the MPC in its meeting on September 24<sup>th</sup> and 25<sup>th</sup>, retained the MPR at 14%, and other parameters<sup>6</sup>. The MPC raised concerns over an imminent increase in inflation resulting from increased spending in the months leading to elections, and an already threatened "exit from recession" given the two consecutive 2018 quarters slow-down in the economy. However, the committee sought for improved fiscal side activities through speedy and sustained implementation of the 2018 budget, even as the federal government takes advantage of rising oil price to build-up its finances. With inflation rising for the first time since January 2017, the committee may consider maintaining MPR at 14%. However, the quick passage of the 2019 budget should be ensured for huge fiscal injections to stimulate the economy.



<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'18Q1</b>	<b>'18Q2</b>
GDP Growth Rate (%)	1.95	1.5
Oil GDP (%)	14.77	-3.95
Non-oil GDP (%)	0.76	2.05
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	246.62	261.4
Portfolio Investment (US \$Millions)	4,565.09	4,119.5
Other Investment (US \$Million)	1,491.93	1,132.8
External Debt (FGN & States- N'Billion)	6,746.27	6,750.91
Domestic Debt (FGN + States & FCT N'billion)	15,960.92	15,628.76
Manufacturing Capacity utilization (%)	NA	NA
<b>Monthly Indicators</b>	<b>Jul'18</b>	<b>Aug'18</b>
Headline Inflation (%)	11.14	11.23
Food Sub-Index (%)	12.95	13.2
Core Sub-Index (%)	10.2	10.0
External Reserves (End Period) (US\$ Million)	47,120	45,838.59
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	56.8	57.1
Non-Manufacturing PMI	57.7	58.0
Crude Oil Price (US\$/Barrel)	74.72	NA
Petrol (PMS-N/litre)	146.8	146.9
Diesel (AGO -N/Litre)	204.32	207.98
Kerosene (HHK -N/Litre)	276.87	288.75
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.00	12.14
Savings Deposit (%)	4.07	4.07
Prime Lending (%)	16.83	16.65
Maximum Lending (%)	31.09	30.93
Narrow Money (N'Billion)	10,668.00	NA
Broad Money (N'Billion)	24,971.10	NA
Net Domestic Credit (N'Billion)	25,654.48	NA
Credit to the Government (N'Billion)	3,393.27	NA
Credit to the Private Sector(N'Billion)	2,226.12	NA
Currency in Circulation (N'Billion)	1,468.30	NA
FAAC (N'Billion)	715	741.8

\*Revised GDP figures/tentative figures

NA: Not Available

<sup>1</sup>National Bureau of Statistics (2018). “Commodity Price Indices and Terms of Trade (Q2 2018)”. Retrieved from, <http://www.nigerianstat.gov.ng/>

<sup>2</sup>National Bureau of Statistics (2018). “Rail Transportation Data (Q2 2018)”. Retrieved from, <http://www.nigerianstat.gov.ng/>

<sup>3</sup> Daily Post (2018). “Why we increased train fare – Amaechi”. Accessed October 2, 2018. <http://dailypost.ng/2018/04/05/increased-train-fare-amaechi/>

<sup>4</sup>This Day (2018). “FG, States, LGs Share N741.843bn for August”. Accessed October 2, 2018. <https://www.thisdaylive.com/index.php/2018/09/27/fg-states-lgs-share-n741-843bn-for-august/>

<sup>5</sup>Vanguard (2018). “FG, States, LGs share N741.843bn for August”. Accessed September 2, 2018. <https://www.vanguardngr.com/2018/09/fg-states-lgs-share-n741-843bn-for-august/>

<sup>6</sup>CBN (2018). “Central Bank Of Nigeria Communiqué No 120 Of The Monetary Policy Committee Meeting Of Monday 24<sup>th</sup> And Tuesday 25<sup>th</sup> September, 2018”. Retrieved from, <https://www.cbn.gov.ng/Out/2018/MPD/CENTRAL%20BANK%20OF%20NIGERIA%20COMMUNIQUE%20NO%20120%20OF%20THE%20MONETARY%20POLICY%20COMMITTEE%20MEETING%20OF%20MONDAY%2024th%20AND%20TUESDAY%2025th%20SEPTEMBER,%202018.pdf>