



Nigeria Economic Update



Weekly
Digest

Rise in Innovation Ranking

The 2019 Global Innovation Index (GII) depicts that out of 129 economies surveyed; Nigeria ranked 114 in terms of innovation performance¹. While this position is four places up from Nigeria's 118th position in 2018 (due to commendable performance in medical innovation), Nigeria still features as one of the lower-middle income countries whose overall innovation performance falls below expectation for the level of development. This is far below countries like Kenya, Rwanda, Mozambique, Malawi, and Madagascar who stand out for being innovation achievers. Nigeria's weak performance may have portrayed a shifted focus to innovation quantity than to quality. This reflected in the GII measure of innovation quality as Nigeria ranked low in Research and Development, knowledge impact and diffusion, creative outputs, ICT and general infrastructure. The implication of not being an innovation-driven economy is that businesses become uncompetitive thus affecting exports and increasing vulnerability to business cycle fluctuations. As such, increasing the R&D expenditure as a share of GDP from the current 0.22%, by both private and public sectors, is an important step towards enhancing innovation.

Declining Crude Oil Prices

Global crude oil market ended the month of July on a bearish note amid concerns that the US-China trade dispute would dampen demand for crude, and impact of slowing global growth². Benchmark crude, Brent, traded for about \$61 per barrel³ – a fall of about 6% from \$65.1 at the beginning of July. On the domestic front, Nigeria's bonny light sold for about \$60 at the end of the review month⁴. While July's price decline displays the response of the market to the trade dispute and global economic weakness, the resulting weak crude demand may cause a further decline in the global economy. As the market actions influence price direction, the risk of external price shock are potent for major oil exporting economies. Specifically, for Nigeria, the current trend in crude price threatens full implementation of the 2019 budget, as crude price progressively tethers down towards the budgetary crude oil benchmark (\$60). Crude prices are expected to remain close to the benchmark price, given that global demand remains constrained by a weak economic growth and uncertainties surrounding the US-China dispute. Therefore, the federal government will need to double-down on its non-oil revenue drive to reduce the likelihood of not meeting its expenditure plans for 2019.

Fall in Power Sector Output

Electricity generation fell significantly in the week of August 2, 2019. Total output from the Nation's 27 power plants declined by 15% (week-on-week) from an average of 4,138.35 megawatts to 3,520.85 megawatts⁵. The power plants generated lowest output of 2,492.6 megawatts as at the end of the week. The average output falls short of the nation's installed generation capacity of 12,910.40 megawatts, available capacity of 7,652.60 Megawatts, and transmission wheeling capacity at 8,100 Megawatts. The reported lack of payment guarantee by generation companies for the energy being generated, sold and fed into the national grid, may have triggered the decline in the review week, amid low load demand by distribution companies⁶. Power generation will continue to remain below available capacity barring any significant improvement in distribution infrastructure and performance. Going forward, it is important to incentivize investment in infrastructure and processes in the distribution segment by pursuing cost-effective pricing and

ECONOMIC SNAPSHOT		
Quarterly Indicators	'18Q4	'19Q1
GDP Growth Rate (%)	2.38	2.1
Oil GDP (%)	-1.62	-2.40
Non-oil GDP (%)	2.7	2.47
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	173.37	243.36
Portfolio Investment (US \$Millions)	1,760.76	7,145.98
Other Investment (US \$Million)	750.93	1,096.15
External Debt (FGN & States- N'Billion)	7,759.22	NA
Domestic Debt (FGN + States & FCT N'billion)	16,627.84	NA
Manufacturing Capacity utilization (%)	55	NA
Monthly Indicators	May'19	June'19
Headline Inflation (%)	11.40	11.22
Food Sub-Index (%)	13.79	13.56
Core Sub-Index (%)	9.0	8.8
External Reserves (End Period) (US\$ Million)	45,122.82	45,069.45
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.8	57.4
Non-Manufacturing PMI	58.9	58.6
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	145.00	145.40
Diesel (AGO -N/Litre)	228.02	224.69
Kerosene (HHK -N/Litre)	315.91	316.43
MPR (%)	13.5	13.5
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10	10.14
Savings Deposit (%)	3.9	3.93
Prime Lending (%)	15.33	15.8
Maximum Lending (%)	31.07	31.04
Narrow Money (N'Billion)	11,385.05	NA
Broad Money (N'Billion)	34,897.62	NA
Net Domestic Credit (N'Billion)	32,175.50	NA
Credit to the Government (N'Billion)	7,310.79	NA
Credit to the Private Sector(N'Billion)	24,864.71	NA
Currency in Circulation (N'Billion)	2,111.85	NA
FAAC (N'Billion)	679.70	NA

¹National Bureau of Statistics (2019). "NATIONAL SURVEY OF MICRO SMALL & MEDIUM ENTERPRISES (MSMEs) 2017". Retrieved from, <http://www.nigerianstat.gov.ng/elibrary?page=2&offset=10>

¹WIPO (2019). “GLOBAL INNOVATION INDEX 2019, Creating Healthy Lives—The Future of Medical Innovation”. Retrieved from, https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2019.pdf

²Business Day (2019). “Oil nears bear territory as Brent falls below \$60”. Accessed August 6, 2019. <https://businessday.ng/lead-story/article/oil-nears-bear-territory-as-brent-falls-below-60/>

³Y-Charts (2019). “Brent Crude Oil Spot Price”. Accessed August 6, 2019. https://ycharts.com/indicators/brent_crude_oil_spot_price

⁴cbn.gov.ng

⁵Nigeria Electricity System Operator (2019). “System Performance Chart”. Accessed August 7, 2019. <https://www.nsng.org/PerformanceChart.aspx>

⁶Nigeria Electricity Hub (2019). “Electricity Generation Plunges below 2,500 MW”. Accessed August 8, 2019. <http://www.nigeriaelectricityhub.com/2019/08/05/electricity-generation-plunges-below-2500-mw/>

