



Nigeria Economic Update



**Weekly
Digest**

Growth in MSME Sector

Nigeria's Micro, Small and Medium Enterprises (MSME) sector showed noteworthy growth potentials between 2013 and 2017. A total number of 4.4 million MSMEs were established within the time period, increasing the sector's economic participation to 41.5 million MSMEs¹. As an important backbone of economic growth and development, the MSMEs contribute to employment and job creation. About 18.1 million jobs were created in the time period, increasing the sector's share of the labour force from 84% to 86.3% within the same time period. In addition, the sector's contribution to GDP increased marginally to 49.8% in 2017. While a large MSME sector is characteristic of a growing economy, the slow/insufficient transition of MSMEs into large firms implies that the quality jobs available remains static. As such, there is a stagnation in wages paid and wage growth, which in turn deters high-skilled workers and limits the productivity growth of MSMEs. While pro-business policies are being put in place such as the recent (July 2019) CBN directive to banks to increase lending to the real sector, structural issues that hinder lending such as information asymmetries between banks and business owners will need to be addressed to encourage the implementation of these policies.

Rising Debt Profile

The Nigerian government has continued to borrow from both local and foreign sources. The statistics as at March 2019 shows that total public debt amounts to approximately N25 trillion³ - representing an increase of about N560 billion between January and March, 2019. While domestic debt accounts for the larger share of the increase (N458.4 billion), external debt increased by N101.6 billion. On the external front, the Federal Government spent a total of \$357.26 million (N108.96 billion) in these three months to service external debt⁴. Amid concerns from the domestic and international community, the growing debt profile which has reached 19.03% of GDP, is justified as being within the 25% debt limit imposed by the Government. Although this justification allows for further borrowing, concerns stem from Nigeria's obvious lack of repayment capacity. The rise in borrowing is underpinned by the Government's agenda to develop transportation infrastructure across the country. However, aside the Sukuk bond that is tied to specific infrastructure projects, debt issuances are not earmarked. The legislature and civil society can play a role in increasing accountability in public financial management.

Decline in Inflation

Inflation rate declined to 11.22% in June 2019⁵, reversing the rising trend that commenced in the second quarter (Q2) – this represents a marginal 0.18 percentage points decrease from 11.40% reported in May 2019. Both food and core sub-indices declined: After increasing for 3 consecutive months, the food sub-index declined in June, falling by 0.23% to 13.56%; core inflation also fell to 8.8% in June from 9.0% in the previous month. Overall, the deceleration in inflation was likely triggered by reduction in aggregate demand and disposable income⁶. The relative stability in the forex market and delay in minimum wage implementation will allow inflation to continue to moderate in July. Going forward, investments that improve productivity in food production and processing, complemented with requisite improvements in the logistics infrastructure will drive the food sub-index down, therefore increasing the likelihood of achieving single-digit inflation rate target.

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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

Revised GDP figures/tentative figures

NA: Not Available

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>

²CBN (2015). "N300 BILLION REAL SECTOR SUPPORT FACILITY (RSSF)". Retrieved from, <https://www.cbn.gov.ng/out/2015/dfd/real%20sector%20support%20facility%20guidelines.pdf>

³DMO (2019). "Nigeria's Total Public Debt Portfolio as at March31, 2019". Retrieved from, <https://www.dmo.gov.ng/debt-profile/total-public-debts/2849-nigeria-s-total-public-debt-portfolio-as-at-march-31-2019/file>

⁴DMO (2019). "Nigeria's Actual External Debt Service Payments in First Quarter, 2019 in Thousands of USD". Retrieved from, <https://www.dmo.gov.ng/debt-profile/external-debts/debt-service/2851-nigeria-s-actual-external-debt-service-payments-in-first-quarter-2019/file>

⁵National Bureau of Statistics (2019). "Consumer Price Index (CPI) June 2019". Accessed July 15, 2019. <http://www.nigerianstat.gov.ng/elibrary>

⁶Proshare (2019). "Headline Inflation Bucked Its 2-Month Rising Trend in June". Accessed July 16, 2019. <https://www.proshareng.com/news/Nigeria%20Economy/Headline-Inflation-Bucked-Its-2-Month-Rising-Trend-in-June/46129>

