



Nigeria Economic Update



Domestic and Foreign Portfolio Investment

Total transaction at the national bourse increased by 15.95 percent from ₦121.9 billion in August 2019 to ₦141.45 billion in September 2019.¹ The increase in total transaction is attributable to a 47.81 percent increase in foreign transactions which outweighed the decrease in domestic transaction (19.09 percent). We expect foreign portfolio investment (FPI) to continue to drive investment inflows into Nigeria. However, FPI could be a challenge in the near term, especially as external reserve decline and investors become wary of exchange rate stability and political uncertainties. Ongoing efforts to improve the business environment, such as tax relief for foreign investors and higher lending requirement to private sector, should be sustained. In addition, the capital market should be deepened through the introduction of derivatives to shore up investment and reserves.

Rise in Commodity Prices

Following the border closure announcement, the supply of commodities is falling, leading to a rise in prices. Observations show that prices of some commodities have risen between 42% and 100% since the closure of the border.² The increase in price continues to encourage local producers and associations such as the Nigerian Association of Chamber of Commerce, Industry, Mines and Agriculture (NACCIMA) and the Manufacturers Association of Nigeria (MAN), which commend the act as a move towards supporting local industries.³ The border closure comes amid the Federal Government's plan to discourage imports of locally producible goods, and a crackdown on the importation of goods which go against the ECOWAS country of origin scheme and the soon-to-be implemented African Continental Free Trade Area Agreement (AfCFTA). While reports have shown that the border closure has reduced the illegal smuggling of goods and improved public revenue inflow, it is having a negative impact on neighbouring countries which initially smuggled goods into Nigeria. A more efficient means of curbing smuggling, including electronic tracking system and better coordination among enforcement agencies should be implemented.

Decline in Stock Market Index

Market indices at the Nigeria Stock Exchange closed downwards for the second consecutive week. The All Share Index and Market Capitalisation Index both depreciated by 0.21% to close at 26,293.30 and N12.799 trillion respectively.⁴ The decline was also experienced across NSE Main Board, NSE CG, NSE Banking, NSE-AFR Bank Value, NSE Consumer Goods Indexes with NSE MERI Growth being the worst hit with a decline in 1.48%. The depreciation can be linked to the bearish position of investors following the release of companies' 3rd quarter report.⁵ While a number of companies including insurance companies, pharmaceutical companies, and banks featured as price gainers, the major price losers were popular commercial banks including Unity Bank, Stanbic IBTC Holdings Plc and Guaranty Trust Bank Plc. With the festive season approaching, we expect the stock market to rally. However, the weak purchasing power of locals could potentially make it difficult for domestic investors to participate actively.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'19Q1	'19Q2
GDP Growth Rate (%)	2.1	1.94
Oil GDP (%)	-2.40	5.15
Non-oil GDP (%)	2.47	1.64
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	243.36	222.89
Portfolio Investment (US \$Millions)	7,145.98	4,292.89
Other Investment (US \$Million)	1,096.15	1,304.43
External Debt (FGN & States- N'Billion)	7,860.88	NA
Domestic Debt (FGN + States & FCT N'billion)	17,086.20	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	July'19	Aug'19
Headline Inflation (%)	11.08	11.02
Food Sub-Index (%)	13.39	13.17
Core Sub-Index (%)	8.80	8.68
External Reserves (End Period) (US\$ Million)	44,903.03	43,607.80
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.6	57.9
Non-Manufacturing PMI	58.7	58.8
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	145.00	145.5
Diesel (AGO -N/Litre)	224.96	229.08
Kerosene (HHK -N/Litre)	316.03	319.94
MPR (%)	13.5	13.5
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	9.92	9.92
Savings Deposit (%)	3.93	NA
Prime Lending (%)	15.46	NA
Maximum Lending (%)	31.07	NA
Narrow Money (N'Billion)	11,435.79	NA
Broad Money (N'Billion)	35,675.93	NA
Net Domestic Credit (N'Billion)	33,412.40	NA
Credit to the Government (N'Billion)	9,138.08	NA
Credit to the Private Sector(N'Billion)	24,274.31	NA
Currency in Circulation (N'Billion)	2,003.09	NA
FAAC (N'Billion)	769.5	720.88

*Revised GDP figures/tentative figures

NA: Not Available

¹NSE (2019). “The Nigerian Stock Exchange’s Domestic & Foreign Portfolio Investment Report”. Retrieved from, http://www.nse.com.ng/market_data-site/other-market-information-site/FPI%20Report/NSE%20Domestic%20and%20FPI%20Report%20September%202019.pdf

²Punch Newspaper (2019). “Border closure: Prices of rice, frozen chicken soar” Accessed on November 7, 2019. <https://punchng.com/border-closure-prices-of-rice-frozen-chicken-soar/>

³ThisDay Newspaper (2019). “Business Express support for FG’s Extension of Boarder Closure to Jan 2020”. Accessed on November 4, 2019. <https://www.pressreader.com/nigeria/thisday/20191104/281479278219984>

⁴NSE (2019). “Stock Market Report For November 1st 2019”, http://www.nse.com.ng/market_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2001-11-2019.pdf

⁵Business Day (2019). “Market declines by 0.38” Accessed on November 7, 2019. <https://businessday.ng/markets/article/stock-market-declines-by-0-38/>

