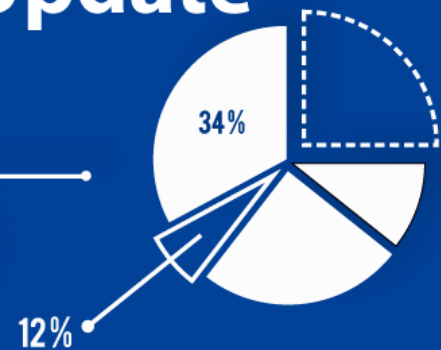




Nigeria Economic Update



Rising Gross Domestic Product Growth Rate

The latest GDP report released by the National Bureau of Statistics for the third quarter of 2019, indicated a 2.28% year-on-year growth from 2018Q3. Between 2019Q2 and Q3, the GDP also grew by 0.17%¹. The growth was predominantly driven by the oil sector which recorded the highest daily oil production in 3 years of 2.04 million barrels-per-day¹. This indicated the oil sector real growth rate rise (year-on-year) to 6.49%². Meanwhile, the non-oil sector contracted to a 1.85% growth rate when compared to the 2018Q3 of 2.33%, however this indicated a Quarter-on-Quarter rise of 0.2%. The heavy reliance on crude oil is an underlying factor in the country's flat economic growth. Ensuring that the performance of the non-oil sectors of the economy such as manufacturing and agriculture improves and becomes globally competitive is crucial in not only increasing the national output, but also expanding the foreign currency earnings and the government's income.

Capital Importation Declined

Nigeria's capital importation declined on Quarter-on-Quarter (QoQ) basis by 7.78% leaving 2019Q3 imports at \$5,367.56 million. Although this rise signified an 87.99% increase when compared to 2018Q3, this is the lowest total investment for the year 2019, which started at \$8,485.49 million³. The imported loans segment experienced a rise by 66% from 2019Q2. It is relevant to note that portfolio investments which are the most common form of imported investment, they contracted by 30% respectively; significantly contributing to the decline in QoQ importation. The decline in capital importation could be indicative of the "wait-and-see" approach of private investors; holding off investment as pace of economic recovery remains slow and well-below population growth. It also suggests growing investors' concerns about their ability to freely repatriate earnings from their investments in practice, given current exchange rate controls in efforts to defend the naira. The CBN may need to minimize direct interventions to move towards a uniform market-determined exchange rate, while introducing longer-term government instruments to mop up excess liquidity in the market.

Public Debt Rises

The recent report on Nigeria's public debt stock released by the Debt Management Office indicates a 15% Year-on-Year increase, from N22.3 trillion to N25.7 trillion^{4,5} between 2018Q2 to 2019Q2. The ratio of domestic debt to external debt shifted from 70:30 to 68:32 between 2018 and 2019, thus indicating a rising level of external debt. With the Federal Government of Nigeria responsible for 79.48% of the total public debt which is at an all-time-high this year, it is important to show caution in external borrowings. With the continuous growth in public debt, fiscal discipline is required to avert a debt crisis. Aside reduction in borrowing, the government should adhere to a balanced budget rule where the deficit is only used to finance capital expenditure as it is likely to improve the debt servicing capacity of the government.

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

¹National Bureau of Statistics (2019). “Nigerian Capital Importation”
<https://www.nigerianstat.gov.ng/download/1025>

²Business Day (2019) “Nigeria’s economy grows 2.28% in Q3 on expansion in non-oil sector”
<https://businessday.ng/business-economy/article/nigerias-economy-grows-2-28-in-q3-on-expansion-in-non-oil-sector/>

³National Bureau of Statistics (2019). “Nigerian Capital Importation”
<https://www.nigerianstat.gov.ng/download/1026>

⁴DMO (2019). “Nigeria’s Public Debt Stock as at June 30, 2019”. Retrieved from,
<https://www.dmo.gov.ng/debt-profile/total-public-debts/2950-nigeria-s-public-debt-as-at-june-30-2019/file>

⁵DMO (2018). “Nigeria’s Public Debt Stock as at June 30, 2018”. Retrieved from,
<https://www.dmo.gov.ng/debt-profile/total-public-debts/2529-nigeria-s-public-debt-stock-as-at-june-30-2018/file>

⁶Business Day (2019) “Nigeria total debt profile hits N25.7trn in June 2019”
<https://businessday.ng/business-economy/article/nigeria-total-debt-profile-hits-n25-7trn-in-june-2019/>

⁷DMO (2019). “Nigeria’s Public Debt Stock as at March 31, 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>

