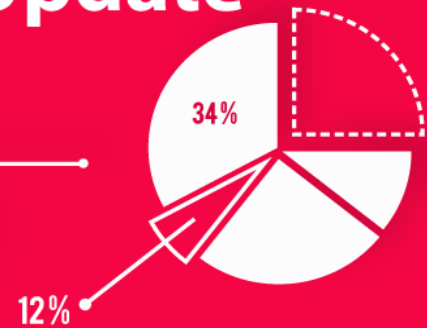




# Nigeria Economic Update



## ***Increase in Capital Importation***

Foreign capital imported into Nigeria increased by 53.97 percent from US\$3.8 billion in the fourth quarter of 2019 to US\$5.85 billion in the first quarter of 2020. This rise was largely driven by an increase in portfolio investments which grew 128.78 percent to US\$4.3 billion, accounting for 73.61 percent of total capital importation. Other components such as foreign direct investment (-16.7 percent) and other investment (-19.9 percent) declined compared to the previous quarter<sup>1</sup>. The rise indicates a renewed interest from investors in local money market instruments, which had been on the decline since Q12019. This capital inflow would benefit the limited national foreign reserves. As the government shifts away from foreign debt and seeks to borrow US\$4.34 billion from the domestic market, the associated increase in yields will attract foreign investors and is likely to further increase foreign portfolio investment in the coming months. However, caution should be taken as sudden increases in the FPI outflows will have a negative impact on the foreign exchange market and the overall economy.

## ***Decline in GDP***

The Nigerian economy shrank by 0.68 percent from 2.55 percent to 1.87 percent between in Q42019 and Q12020<sup>2</sup>. Both the oil (1.3%) and non-oil (0.71%) sectors of the economy experienced decline in the review period. The decline was driven by multiple economic strains including the fall in the demand for oil, as well as the limited trade as a result of the COVID-19 pandemic. With the non-oil sector contracting 2.18 percentage points to 90.5 in Q12020, the impact of these shocks might linger into the next quarter. The contraction in the oil sector presents an opportunity for the government to identify promising non-oil products for which local exporting capacity can be developed. However, structural issues such as lack of transport and energy infrastructure should be addressed to boost exports and non-oil GDP.

## ***Decline in MPR***

Following the recent monetary policy communique, the committee decided to reduce the Monetary Policy Rate (MPR) from 13.5 percent to 12.5 percent while other parameters such as the Cash Reserve Ratio (CRR) and liquidity ratio remain unchanged at 27.5 percent and 30 percent respectively, the Asymmetric Corridor also remains +200/-500 basis points around the MPR<sup>3</sup>. The decrease in the MPR is part of the Central Bank of Nigeria's intervention in cushioning the impact of COVID-19 pandemic on the economy, alongside recent global and domestic economic lockdowns, restrictions in international trade and increasing inflationary pressure among others. The reduction in the MPR is further expected to stimulate economic growth by facilitating necessary economic activities that can increase output and ameliorate the likely impacts of economic recession.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'1903</b>	<b>'1904</b>
<b>GDP Growth Rate (%)</b>	2.3	2.5
<b>Oil GDP (%)</b>	6.49	7.23
<b>Non-oil GDP (%)</b>	90.23	92.68
<b>Unemployment Rate (%)</b>	NA	NA
<b>Foreign Direct Investment (US \$ Million)</b>	200.08	257.25
<b>Portfolio Investment (US \$Millions)</b>	2,999.50	1883.58
<b>Other Investment (US \$Million)</b>	2,167.98	1661.55
<b>External Debt (FGN &amp; States- N'Billion)</b>	NA	NA
<b>Domestic Debt (FGN + States &amp; FCT N'billion)</b>	NA	NA
<b>Manufacturing Capacity utilization (%)</b>	181.2	185.1
<b>Headline Inflation (%)</b>	11.40	12.13
<b>Food Sub-Index (%)</b>	14.67	14.86
<b>Core Sub-Index (%)</b>	9.33	9.35
<b>External Reserves (End Period) (US\$ Million)</b>	38,595.25	31,009.76
<b>Official Rate Approx. (N/US\$)</b>	306.5	306.5
<b>BDC Rate Approx. (N/US\$)</b>	362	362
<b>Manufacturing PMI</b>	60.8	59.2
<b>Non-Manufacturing PMI</b>	62.1	59.6
<b>Crude Oil Price (US\$/Barrel)</b>	67.31	63.83
<b>Petrol (PMS-N/litre)</b>	145.35	145.37
<b>Diesel (AGO -N/Litre)</b>	229.81	229.78
<b>Kerosene (HHK -N/Litre)</b>	320.47	323.46
<b>MPR (%)</b>	13.5	13.5
<b>CRR (%)</b>	22.5	27.5
<b>91 Day T-Bill Rate (%)</b>	4.47	3.45
<b>Savings Deposit (%)</b>	3.89	3.86
<b>Prime Lending (%)</b>	14.99	30.77
<b>Maximum Lending (%)</b>	30.72	NA
<b>Narrow Money (N'Billion)</b>	10,533.13	10,331.40
<b>Broad Money (N'Billion)</b>	34,776.37	34,146.48
<b>Net Domestic Credit (N'Billion)</b>	36,178.34	35,815.11
<b>Credit to the Government (N'Billion)</b>	9,483.81	9,252.81
<b>Credit to the Private Sector(N'Billion)</b>	26,694.52	26,562.69

\*Revised GDP figures/tentative figures  
NA: Not Available

1 NBS (2020) “Nigerian Capital Importation Q1 2020” retrieved from:

<https://nigerianstat.gov.ng/download/1105>

2 NBS (2020) Nigerian Gross Domestic Product Report (Q1 2020) retrieved from:

<https://nigerianstat.gov.ng/download/1100>

3 CBN(2020), “CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 130 OF THE MONETARY

POLICY COMMITTEE MEETING HELD ON THURSDAY 28th MAY 2020”. Retrieved from

<https://www.cbn.gov.ng/Out/2020/MPD/Central%20Bank%20of%20Nigeria%20Communique%20No%20130%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20of%20May%2028,%202020.pdf>