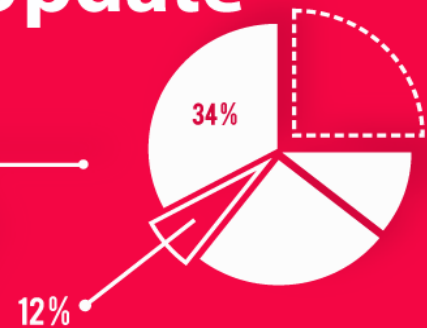




# Nigeria Economic Update



## ***Rise in Inflation***

The inflation rate for the month of June rose to 12.56 percent from 12.40 percent in May<sup>1</sup>. The rise in inflation was driven by a rise in all components of the headline index, as food sub-index rose by 0.14 percent to 15.18 percent and the core sub-index rose by 0.01 percent to 10.13 percent. On a state level, headline inflation was highest in Bauchi (15.02%), Sokoto (14.88%) and Ebonyi (14.60%), while Cross River (10.95%), Lagos (10.78%) and Kwara (10.03%) recorded the slowest rise in headline inflation. The rise in the core sub-index was driven by an increase in the price of medical and hospital services, as well as motor cars and passenger transport by road which is intuitive given the upward pressure on the demand for these services. Given that the borders are still closed and restrictions to inter-state travel remain, we expect the demand for local medical services and road transport to remain high, thus causing suppliers to raise price and further increasing inflation. The monetary authorities will have to address the inflationary pressure while providing loans to the private sector with low interest rates to mitigate against the pandemic.

## ***Increase in Petroleum Products Price***

The price of Liquefied Petroleum Gas (LPG), Automotive Gas oil (AG), National Household Kerosene (NHK) increased month on month by 0.45, 2.39, and 0.21 percent respectively<sup>2,3,4</sup>. Meanwhile, Premium Motor Spirit (PMS) saw a 0.61 percent month on month decline in price to N128.88<sup>5</sup>. Adamawa state recorded one of the highest average prices in all products except NHK<sup>4</sup>. The increase in the price of the majority of petroleum products, particularly kerosene utilized by low-income earners, leaves households with less disposable income. Given that this is occurring against the background of a fall in household income stemming from the measures put in place to curb the spread of the virus, the effect on citizens is likely to be worse. Given that the prices of these products are determined by market forces, the NNPC should import additional volumes of these products to complement local production.

## ***Efforts towards Financial Inclusion***

The Central Bank of Nigeria (CBN) recently announced an update to the internal efforts towards expanding financial inclusion. The report noted that NIPOST offices have fully been integrated for conditional cash transfers as well as BVN registration in order to improve financial access. To support additional enrolment, the financial inclusion working group committee has also recruited 53 percent of its target 500,000 network expansion agents<sup>6</sup>. While these efforts are remarkable as it has recorded successes, the emergence of Covid-19 and its attendant effect could inhibit further expansion and expectations in the financial inclusion drive. In order to meet the 2020 projected target of achieving 80 percent inclusion and significantly reducing the over 36.6 million adult population that are financially excluded, concerted efforts and strategies that take into account the realities that the current global pandemic have brought about should be put in place.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'19Q3</b>	<b>'19Q4</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>Monthly Indicators</b>	<b>Dec'19</b>	<b>Jan'20</b>
<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
<b>Currency in Circulation (N'Billion)</b>	2,441.66	2,248.44

\*Revised GDP figures/tentative figures

NA: Not Available

1 NBS (2020) CPI and Inflation Report June 2020 retrieved from <https://nigerianstat.gov.ng/download/1126>

2 NBS (2020) Liquefied Petroleum Gas (Cooking Gas) Price Watch <https://nigerianstat.gov.ng/download/1130>

3 NBS (2020) Automotive Gas Oil (Diesel) Price Watch <https://nigerianstat.gov.ng/download/1128>

4 NBS (2020) National Household Kerosene Price Watch <https://nigerianstat.gov.ng/download/1129>

5 NBS (2020) Premium Motor Spirit (Petrol) Price Watch <https://nigerianstat.gov.ng/download/1127>

6 CBN (2020) FINANCIAL INCLUSION NEWSLETTER retrieved from:

<https://www.cbn.gov.ng/Out/2020/CCD/newletter%20CBN%20march%202020.pdf>

