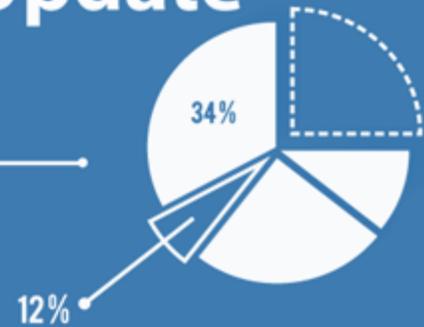


Nigeria Economic Update



Nigeria Exits Recession

Data released by the National Bureau of Statistics indicates that Nigeria's real Gross Domestic Product (GDP) grew by 0.11% in Q4 2020¹. Further disaggregation shows that the oil sector contributed 5.87% to total real GDP while the non-oil sector contributed 94.13% during the period. Although the growth rate in Q4 2020 is lower than the corresponding quarter of 2019 which was 2.55%, it represents a 3.74% improvement over the previous quarter (Q3 2020). More importantly, it is the first positive quarterly growth since the economy contracted in both the second and third quarters of 2020, thereby ending the recession experienced due to the pandemic. The growth reflects the gradual return of economic activities following the resumption of movements which limited commercial activities in the previous quarters. Considering that economic activities are returning to pre-COVID levels and COVID vaccination is underway, economic expansion is expected in the near term. However, the size of the expansion will depend on the spending choices of the government as it responds to the new and evolving challenges. As such, budgetary allocations to sectors capable of delivering an inclusive recovery such as the agriculture sector should be prioritized.

Persistent Rise in Consumer Prices

The Consumer Price Index for the month of January 2021 increased to 16.47% from 15.75% recorded in the preceding month. Inflation rate in Nigeria has been consistently rising since August 2019. This time, both components of inflation were responsible for the increase recorded in January 2021.² Food sub-index increased from 19.56% in December 2020 to 20.57%, while the core component grew from 15.75% to 16.47% in the review period. Disaggregation of the data shows that the rise in food index was caused by an upsurge in the prices of bread, cereals, potatoes, tubers, meat, fruits, vegetable, fish and oils/fats. For the core-index, the highest contribution came from price hikes in air transport, medical services, pharmaceutical products, motor cars, among others. With the recent increase in the pump price of petrol from NGN160 to NGN175 due to the increase in the cost of depot price to marketers, inflation is likely to increase further. To curtail food inflation, adequate support is required in the agriculture sector to improve productivity in the entire value chain and reduce the cost of food supplies.

Boost in Agricultural Financing

According to the Nigerian Investment Promotion Commission (NIPC), a private commodities exchange company – AFEX Commodities Exchange Limited (AFEX) – has raised \$50 million Agri-SMEs fund to bridge the funding gap between lenders and borrowers in the agriculture sector.³ This is the first warehouse receipt backed commercial paper in Africa. The AFEX financing deal will help eradicate the high cost of procurement incurred by processors by deploying a discounted value of a warehouse receipt distributed among five leading players in the Food and Beverage, Trading Poultry and Animal Feed segments in Nigeria.³ The funding provided by the AFEX will inject the much-needed liquidity into the sector. However, private sector-led innovations should be hastened to increase productivity in the sector, and upskill the large number of small holder farmers.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'20Q3	'20Q4
GDP Growth Rate (%)	- 3.62	0.11
Oil GDP (%)	-13.98	-19.76
Non-oil GDP (%)	-2.51	1.69
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	414.79	251.27
Portfolio Investment (US \$Millions)	407.25	35.15
Other Investment (US \$Million)	639.44	783.26
External Debt (FGN & States- N'Trillion)	12.16	NA
Domestic Debt (FGN + States & FCT N'Trillion)	20.04	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Dec'20	Jan'21
Headline Inflation (%)	15.75	16.47
Food Sub-Index (%)	19.56	20.57
Core Sub-Index (%)	11.37	11.85
External Reserves (End Period) (US\$ Billion)	35.37	36.3
Official Rate Approx. (N/US\$)	379	379
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	50.2	NA
Non-Manufacturing PMI	47.6	45.7
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	165.70	164.09
Diesel (AGO -N/Litre)	224.37	224.86
Kerosene (HHK -N/Litre)	352.79	350.55
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	1,949.75	1,949.02
MPR (%)	11.50	11.5
CRR (%)	27.5	27.5
91 Day T-Bill Rate (%)	NA	NA
Savings Deposit (%)	2.04	NA
Prime Lending (%)	11.35	NA
Maximum Lending (%)	28.31	NA
Narrow Money (N'Million)	15,923,942.49	NA
Broad Money (N'Million)	38,673,641.64	NA
Net Domestic Credit (N'Million)	41,636,319.09	NA
Credit to the Government (Net) (N'Million)	11,469,182.65	NA
Credit to the Private Sector (N'Million)	30,167,136.44	NA
Currency in Circulation (N'Million)	2,908,462.40	NA
FAAC (N'Billion)	160.59	NA

*Revised GDP figures/tentative figure

NA: Not Available

1. NBS (2021). Nigerian Gross Domestic Product Report (Q4 & Full Year 2020). Retrieved from, <https://www.nigerianstat.gov.ng/download/1229>
2. NBS (2021). Consumer Price Index January 2021. Retrieved from, <https://www.nigerianstat.gov.ng/download/1228>
3. NIPC (2021). AFEX Raises \$50 Million to Finance Agri-SMEs in Nigeria. Retrieved from: <https://nipc.gov.ng/2021/02/20/afex-raises-50-million-to-finance-agri-smes-in-nigeria/>