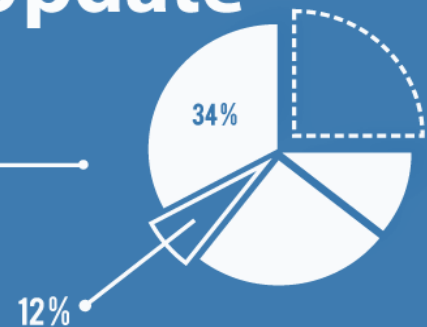


Nigeria Economic Update



Weekly
Digest



Marginal Fall in Inflation

Inflation rate decreased for the second consecutive month in May 2021. More specifically, inflation rate fell to 17.93 percent in May 2021, 0.19 percent lower than the 18.12 percent recorded in April 2021.¹ The decrease was driven by the food component of inflation which fell to 22.28 percent from 22.72 percent in the preceding month. By contrast, core component of inflation increased by 0.41 percent to 13.15 percent in the review period. The marginal decrease in food inflation could be linked to improved security in food-producing regions in the past weeks. On the basis of improved security, the prices of food could continue to fall leading to a decline in overall inflation. The Central Bank of Nigeria can increase the Monetary Policy Rate (MPR) which should reflect in the interest rates offered by commercial banks and decrease bond prices to reduce the money supply and address the persistent rise in prices.



Decline in Domestic & Foreign Portfolio Investment

Total transactions at the Nigerian Exchange Group (NGX) decreased by 39.23 percent from N159.93 billion in April 2021 to N97.19 billion in May 2021.³ Domestic transactions accounted 79 percent while foreign transactions accounted for 21 percent of the total transactions. While total outflow (N49.33 billion) outweighed total inflow (N47.86 billion), institutional investors outperformed retail investors by 14 percent. The decline in investment is associated with the high inflation alongside exchange rate volatilities which has dissuaded investors particularly foreign investors from investing in Nigeria's financial market. However, indigenous institutional investors such as Pension Funds Administrators (PFA) and commercial banks with large capital inflows may stem the tide by increasing investment.



Increase in Rail Transport Revenue

Data from the National Bureau of Statistics (NBS) shows an increase in the revenue generated from rail transport due to increase in passengers which travelled via the rail system the first quarter of 2021 (2021 Q1). Precisely, passengers who travelled via rail increased by 214.84 percent to 424,460 passengers in the review period.² Revenue generated from passengers increased by 123.68 percent to N892.47 billion in 2021 Q1. An additional N26.195 billion was generated from goods/cargo delivery via the system. The emergence of rail transport as a viable alternative to road transportation will lead to further increments in the revenue generated from the rail transport system. However, the rehabilitation and establishment of railway lines has been linked to rising debt levels as the government leverages on debt from both bilateral and private creditors to finance rail infrastructure projects. Indigenous and foreign private investors can collaborate/partner with the government to bear a share of the financial burden.



ECONOMIC SNAPSHOT		
Quarterly Indicators	'20Q4	'21Q1
GDP Growth Rate (%)	0.11	0.51
Oil GDP (%)	-19.76	-2.21
Non-oil GDP (%)	1.69	0.79
Unemployment Rate (%)	33.3	NA
Foreign Direct Investment (US \$ Million)	251.27	NA
Portfolio Investment (US \$Millions)	35.15	NA
Other Investment (US \$Million)	783.26	NA
External Debt (FGN & States- N'Trillion)	NA	NA
Domestic Debt (FGN + States & FCT N'Trillion)	NA	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Mar'20	Apr'21
Headline Inflation (%)	18.17	18.12
Food Sub-Index (%)	22.95	22.72
Core Sub-Index (%)	12.67	12.74
External Reserves (End Period) (US\$ Billion)	34.82	34.88
Official Rate Approx. (N/US\$)	381	NA
BDC Rate Approx. (N/US\$)	481.21	NA
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US\$/Barrel)	66.62	64.3
Petrol (PMS-N/litre)	172.68	166.38
Diesel (AGO -N/Litre)	235.41	237.19
Kerosene (HHK -N/Litre)	361.29	362.68
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	2,057.71	2,069.21
MPR (%)	11.50	11.5
CRR (%)	27.5	27.5
T-Bill Rate (%)	2.0	2.0
Savings Deposit (%)	1.86	1.86
Prime Lending (%)	11.13	11.24
Maximum Lending (%)	28.74	28.64
Narrow Money (N'Million)	16,139,759.87	NA
Broad Money (N'Million)	38,218,832.96	NA
Net Domestic Credit (N'Million)	43,435,075.88	NA
Credit to the Government (Net) (N'Million)	11,994,167.43	NA
Credit to the Private Sector (N'Million)	31,440,908.45	NA
Currency in Circulation (N'Million)	2,808,734.33	NA
FAAC (N'Billion)	NA	NA

*Revised GDP figures/tentative figure

NA: Not Available

1. NBS (2021). Consumer Price Index May 2021. Retrieved from, <https://nigerianstat.gov.ng/download/1241035>
2. NBS (2021). Rail Transportation Data. Retrieved from, <https://nigerianstat.gov.ng/download/1241043>
3. NGX (2021). Domestic & Foreign Portfolio Investment Report of Nigerian Exchange Limited: May 2021. Retrieved from, https://doclib.ngxgroup.com/market_data-site/other-market-information-site/FPI%20Report/NGX%20Domestic%20and%20Foreign%20Portfolio%20Investment%20Report-%20May%202021.pdf