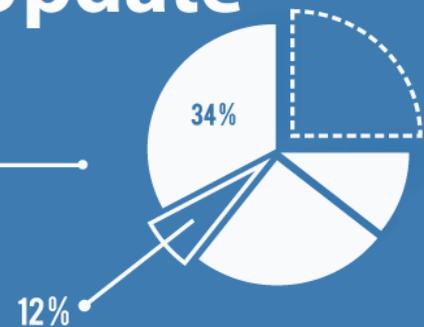


Nigeria Economic Update



Weekly
Digest

Significant Improvements in External Trade

Nigeria's merchandise trade with the rest of the world grew by 23.23 percent between Q1 2021 and Q2 2021¹. Similarly, year-on-year merchandise trade increased by 88.71 percent between Q2 2020 and Q2 2021, largely as a result of increases in oil exports. Furthermore, disaggregated data shows that the value of imports rose by 67.47 percent between Q2 2020 and Q2 2021 while exports increased by 128.29 percent within the same period. However, the export value of manufactured goods declined by 16.7 percent between Q2 2020 and Q2 2021. The growth recorded in exports signifies an improvement in the economy which should also ease the pressure on the exchange rate. However, the decline in the export value of manufactured goods implies that the efforts on economic diversification has not yielded results. Consequently, there is an urgent need to implement policies which can boost manufacturing sector output in order to avoid economic uncertainties emanating from crude oil price volatility. More specifically, policies that reduce interest rates, encourage knowledge and technology spillovers, and the adoption of mechanized processes are likely to be beneficial for manufacturing sector productivity.

Widening Trade Deficits

Between January and June 2021, Nigeria recorded its highest trade deficit of - N5.81 trillion since the pandemic, owing from a lower export value of N7.99 trillion and import value of N13.8 trillion. The trade deficit is occurring on the back of deficits recorded in previous periods: - N2.25 trillion and -N5.12 trillion in H1 and H2 of 2020 respectively. The recurring deficit portrays the over reliance on imports in the economy which is detrimental as it negatively affects key economic indices such as economic output and employment. Going forward, import substitution strategies and export promotion strategies should be simultaneously implemented by focusing on commodities which Nigeria has comparative advantage including textile manufacturing, and agricultural exports.

Increase in Policy Measures on Foreign Exchange Sale

The CBN has directed banks to publish on their websites the names and Bank Verification Number (BVN) of customers who default against existing forex sale policies by presenting fake travel documents or cancelling their tickets but fail to return the purchased Personal Travel Allowance/Business Travel Allowance. This was contained in a recent letter sent to all banks where reports of practices by bank customers to circumvent the new CBN policy on the sale of foreign exchange was detailed.³ This circular is occurring on the back of the CBN's July directive to all banks to establish teller points that will be in charge of selling forex to retail customers, and the indefinite ban placed on forex trading by Bureau De Change outlets. These moves by the CBN shows the apex bank's resolve in ensuring an efficient forex market. However, this policy would further tighten the supply of forex and lead to further depreciation of the naira which transmits to price levels in the domestic market as Nigeria is heavily reliant on imports. The long-term solution to the forex crises is to improve the production capacity of the economy to boost exports.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'21Q1	'21Q2
GDP Growth Rate (%)	0.51	5.01
Oil GDP (%)	-2.21	-12.65
Non-oil GDP (%)	0.79	6.74
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	154.76	77.97
Portfolio Investment (US \$Millions)	974.14	551.37
Other Investment (US \$Million)	776.99	246.27
External Debt (FGN & States- N'Trillion)	12.470	NA
Domestic Debt (FGN + States & FCT N'Trillion)	20.647	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	May'20	June'21
Headline Inflation (%)	12.4	17.75
Food Sub-Index (%)	15.04	21.83
Core Sub-Index (%)	10.12	13.09
External Reserves (End Period) (US\$ Billion)	NA	33.40
Official Rate Approx. (N/US\$)	NA	NA
BDC Rate Approx. (N/US\$)	443.96	496.19
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US\$/Barrel)	27.9	78.01
Petrol (PMS-N/litre)	128.88	165.61
Diesel (AGO -N/Litre)	224.37	242.43
Kerosene (HHK -N/Litre)	334.08	370.29
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	1,973.95	2,068.69
MPR (%)	12.5	11.5
CRR (%)	NA	NA
T-Bill Rate (%)	2.45	2.5
Savings Deposit (%)	3.83	1.81
Prime Lending (%)	14.73	11.67
Maximum Lending (%)	30.69	29.05
Narrow Money (N'Million)	12,553,304.03	16,016,754.46
Broad Money (N'Million)	32,719,162.68	38,759,139.29
Net Domestic Credit (N'Million)	38,913,828.54	44,385,555.31
Credit to the Government (Net) (N'Million)	9,564,579.49	11,747,370.69
Credit to the Private Sector (N'Million)	29,349,249.05	32,638,184.62
Currency in Circulation (N'Million)	2,353,337.05	2,741,262.67
FAAC (N'Billion)	547.31	

*Revised GDP figures/tentative figure
NA: Not Available

1. NBS (2021). Foreign Trade in Goods Statistics (Q2 2021). Retrieved from <https://www.nigerianstat.gov.ng/>
2. NBS (2021). Foreign Trade in Goods Statistics (Q2 2021). Retrieved from <https://www.nigerianstat.gov.ng/>
3. CBN (2021). Publication of Names of Defaulters of the CBN Policy on Sale of FOREX for PTA/BTA. Accessed at <https://www.cbn.gov.ng/Out/2021/BS/PUBLICATION%20OF%20NAMES%20OF%20DEFAULTERS%20OF%20THE%20CBN%20POLICY%20ON%20SALE%20OF%20FOREX%20FOR%20PTA%20BTA.pdf>

