

Coronation Economic Note

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E-commerce, still vast room for growth

The demand for mobile data usage as well as increased network coverage has increased the potential of Nigeria's e-commerce market. Based on data from the Nigerian Communications Commission (NCC), as at end-2021, mobile network coverage was estimated at 102% based on a population size of 190 million. However, internet data penetration via GSM was at 74.5%. A thriving e-commerce market will enable small and medium-scale enterprises (SMEs) across the country benefit from increased business activity and reduction in operational costs, which would translate into increased profit margins. The role of e-commerce was re-emphasized following the outbreak of the COVID-19 pandemic. There has been a visible boost to online marketplace activities.

In 2020, the United Nations Conference on Trade and Development (UNCTAD) B2C index value for e-commerce in Nigeria stood at 46.2 points (the 8th highest in Africa). The index measures an economy's preparedness to support online shopping and takes four indicators into account. They include, (i) the percentage of the population with bank accounts or that have accounts with a mobile money service provider, (ii) the percentage of the population that use the internet, (iii) the postal reliability index, and (iv) the presence of secure internet servers.

According to industry sources, the e-commerce market in Nigeria is estimated at USD13bn (N5.4trn), with at least 87 Nigerian e-commerce platforms (including, Jumia, Jiji and Konga). In 2021, based on ranking from Statista, Jumia was the most popular online marketplace in Nigeria, with an estimated 147 million visitors. According to Jumia's FY 2021 financial statement, the e-commerce platform generated 34 million orders and revenue of USD177.9m (N7.4bn), compared with 27.9 million orders and a revenue of USD159.4m (N6.6bn) recorded in 2020. We note that in general, food, personal care, fashion, beauty products, and electronics were the most common items purchased online.

It is worth highlighting that logistics plays a key role in the e-commerce value chain (which includes processing, packaging and delivery of orders). This value chain generates employment for logistics personnel and services. We understand that in 2021, Jumia shipped 8.3 million packages to at least c.1,500 customers. This is compared with half a million packages distributed to c.270 customers in 2020.

The latest data from the Nigeria inter-bank settlement system shows that Nigeria recorded a total of c.160 million bank accounts as at May '20, while the number of active bank accounts stood at 111.5 million. The advent of the eNaira (a digital currency issued by the CBN) as well as the development of mobile money given the CBN's approval of Payment Service Banks (PSB) like MOMO, Smart Cash, Money Master and 9PSB, is expected to improve financial inclusion.

The latest data on e-payment channels from the National Bureau of Statistics reveals that 3.5 billion transactions valued at N356.5trn were recorded on electronic payment channels in Q4 '20.

For e-commerce to attain its full potential, technology infrastructure needs to be enhanced and logistical challenges need to be addressed. Furthermore, forward-thinking solutions with regards to cyber security issues are required in order to boost consumer confidence.

Indicators	NG
Inflation rate (February '22, %)	15.70
GDP (FY '21, %)	3.40
Gross Official Reserves (24 March '22, USD bn)	39.5
UK Brent (25 March '22, USD)	120.7

FGN bond yields (25 March '22, %)			
14.20%	13.98%	12.15%	12.40%
Mar-24	Feb-28	Jul-34	Mar-36
7.80	10.44	11.66	11.98

T-bill yields (25 March '22, %)			
28-	30-	29-	09-
Apr-22	Jun-22	Sep-22	Mar-23
3.08	2.50	3.15	4.02

Source: Bloomberg, CBN, NBS, FMDQ, Coronation MB Research

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