

Debt Servicing

Figures from the Debt Management Office show a remarkably high percentage change in debt servicing for the first quarter, 2018. Specifically, the Federal Government paid N643 billion for domestic debt servicing¹, a quarter-over-quarter and year-on-year increases of 50 percent (from N429.8 billion) and (from N424 billion) respectively. Increasing debt burdens and debt servicing seem to be exacerbated by high cost of domestic debt, necessitated by huge domestic borrowings to fund budgets and reflate the economy. As an alternative to borrowing, deploying novel methods to rapidly and efficiently mobilize domestic resources such as tax, remittances, pensions is of utmost importance. In addition, improving debt use is vital in addressing debt servicing issues.



Balance of Payment

Provisional balance of payment (BOP) statistics show a significant improvement in 2018Q1. Overall balance of payment indicates a surplus of \$7.3 billion, about 17.5 percent higher than the \$6.2 billion in the preceding quarter². Current account recorded a higher surplus of \$4.5 billion in 2018Q1, compared to \$3.7 billion in 2017Q4. The increase is largely attributable to increased export earnings as well as net surplus in current transfers during the period – income from oil and gas exports increased to \$13.4 billion and net current transfers to \$6.4 billion. Going forward, there is need to direct fiscal policies towards export promotion and import substitution strategies in order to increase the non-oil exports and achieve a more favorable BOP position.



FAAC

Historical figures suggest that the Federal Accounts Allocation Committee disbursed a total sum of N8.9 trillion to the three tiers of government, from January 2017 to April 2018 (16 months)³. This huge figure shows improvements in both oil and non-oil revenue base for Nigeria, however, it also reflects the overdependence of states' government on revenue generated in the Federation Account. Implicatively, a slight disruption in disbursement may likely interrupt economic activities in some states, to the extent of the impact of non-payment of salaries. With an abundance of resources and a vibrant labour force, sub-national governments should raise their internally generated revenue and curb the overreliance on the federal government.



Purchasing Managers' Index

Monthly survey by the CBN show that Purchasing Managers' Index (PMI) for both Manufacturing and Non-manufacturing sectors grew in June, relative to May 2018. Manufacturing PMI gained 0.5 index point to reach 57 points, while Non-manufacturing PMI stood at 57.5 from 57.3 points⁴. Compared with the previous month, the increase reflects marginal improvements in business activities at the backdrop of increase in new orders and production level – this is likely indicative of improvements in domestic/household demand. We expect further increases in PMI in the coming months as aggregate demand bolsters on the account of pre-election expenditures and 2018 budgetary spending. There will be need for the monetary authorities to track to monetary injections and proactively use monetary policy tools to control inflationary pressures in the coming months.



Compiled by the Information and Data Management (IDM) Unit, CSEA

ECONOMIC SNAPSHOT		
Quarterly Indicators	'17Q4	'18Q1
GDP Growth Rate (%)	2.11	1.95
Oil GDP (%)	11.20	14.77
Non-oil GDP (%)	1.45	0.76
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	378.41	246.62
Portfolio Investment (US \$Millions)	3,477.53	4,565.09
Other Investment (US \$Million)	1,526.92	1,491.93
External Debt (FGN & States- N'Billion)	5,787.51	NA
Domestic Debt (FGN-N'billion)	3,348.77	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Apr'18	May'18
Headline Inflation (%)	12.48	11.61
Food Sub-Index (%)	14.8	13.45
Core Sub-Index (%)	10.9	10.7
External Reserves (End Period) (US\$ Million)	47,492	47,605
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	56.9	56.5
Non-Manufacturing PMI	57.5	57.3
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	151.4	150.2
Diesel (AGO -N/Litre)	204.35	205.67
Kerosene (HHK -N/Litre)	278.49	280.29
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	11.43	11.43
Savings Deposit (%)	4.07	4.07
Prime Lending (%)	17.24	17.08
Maximum Lending (%)	31.56	31.29
Narrow Money (N'Billion)	10,670.63	11,226.31
Broad Money (N'Billion)	24,620.65	25,169.01
Net Domestic Credit (N'Billion)	27,476.80	25,716.58
Credit to the Government (N'Billion)	5,222.73	3,509.84
Credit to the Private Sector(N'Billion)	2,225.40	2,220.67
Currency in Circulation (N'Billion)	1,957.21	1,930.63
FAAC (N'Billion)	701	NA

*Revised GDP figures/tentative figures
NA: Not Available

¹DMO (2018). “Actual Domestic Debt Service for January -March, 2018”. Retrieved from, <http://www.dmo.gov.ng/debt-profile/domestic-debts/domestic-debt-service/2468-actual-domestic-debt-service-for-january-march-2018/file>

²CBN (2018). “BRIEF ON BALANCE OF PAYMENTS STATISTICS”. Retrieved from, https://www.cbn.gov.ng/Out/2018/SD/BOP%20Brief_2018Q1.pdf

³The Punch (2018). “Federation Account: FG, states, LGs shared N8.9tn in 16 months”. Assessed July 3, 2018. <http://punchng.com/federation-account-fg-states-lgs-shared-n8-9tn-in-16-months/>

⁴CBN (2018). “Purchasing Managers’ Index (PMI) Survey Report June 2018”. Retrieved from, https://www.cbn.gov.ng/Out/2018/SD/PMI_Report_June%202018.pdf

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