

Rising Government Revenue

The Nigerian economy raked in more revenue for the four quarters of 2018 fiscal year than in 2017. In the recently released economic report, the CBN reported that federally collected revenue increased by 28.4 percent to ₦9.44 trillion in 2018¹ – from ₦7.35 trillion in 2017². Both oil and non-oil components of federally collected revenue rose in the review year, attaining one-year peaks in 2018Q4 (₦1.47 trillion) and 2018Q3 (₦1.14 trillion) respectively. The annual increase was most prominent in oil revenue sources, which grew significantly by 35 percent at the backdrop of 2018 improved oil price and domestic production, and accounted for ₦5.55 trillion of the total collected revenue. However, after statutory deductions and transfers, the federal government retained N3.96 trillion and a closer review shows that the FG expenditure pattern - at N7.36 trillion - resulted in a fiscal deficit of N3.4 trillion for the whole year 2018. Boosting non-oil sector trade and export, through infrastructure development and credit support, is critical to boosting overall government revenues to levels that match expenditure.

High Debt Servicing

Debt service by the Nigerian government claimed a significant sum of ₦1.96 trillion in the first three quarters of 2018. According to statistics obtained from the DMO report, the figure is 21 percent higher than the ₦1.62 trillion spent on debt servicing in the four quarters of 2017³. The report also indicated a domestic and external debt service payments of ₦1.57 trillion⁴ and \$1.27 billion (approximately ₦389 billion⁵) respectively in 2018. It is widely recognized that high debt service diverts resources away from development needs, and may eventually lead to a debt trap. Being a developing country with diverse needs, borrowing to augment government revenue is inevitable. However, it is important to ensure that the country is on a sustainable debt path by ensuring that borrowed funds are used for export-oriented investments, and commercial debt is deployed towards economically viable projects to build the debt servicing capacity of the country.

Worsening Business Expectations

Businesses managers in Nigeria expressed less optimism and confidence on macroeconomic performance for the month February 2019 compared to January 2019. According to the CBN, the business expectation survey tagged the February pessimism and expectations at 62.1 index points⁶, a decline from 67.2 index points expectations in January 2019. The pessimistic outlook coincides with the election month and a level of political uncertainty in the business environment associated with the period. Aside other identified constraints, businesses may be persuaded to minimize economic activities or hold their orders pending the conclusion of the elections. Going forward, we expect business expectation to become more optimistic as soon as the outcome of the presidential and gubernatorial elections are known and economic plans are made available.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'18Q2	'18Q3
GDP Growth Rate (%)	1.5	1.8
Oil GDP (%)	-3.95	-2.90
Non-oil GDP (%)	2.05	2.35
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	261.4	530.60
Portfolio Investment (US \$Millions)	4,119.5	1,723.1
Other Investment (US \$Million)	1,132.8	601.5
External Debt (FGN & States- N'Billion)	6,750.91	6,614.61
Domestic Debt (FGN + States & FCT N'billion)	15,628.76	15,814.19
Manufacturing Capacity utilization (%)	54.6	54.6
Monthly Indicators	Nov'18	Dec'18
Headline Inflation (%)	11.28	11.44
Food Sub-Index (%)	13.30	13.36
Core Sub-Index (%)	9.8	9.8
External Reserves (End Period) (US\$ Million)	42,167.18	43,116.86
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.9	61.1
Non-Manufacturing PMI	58.4	62.3
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	147.50	145.80
Diesel (AGO -N/Litre)	219.54	221.56
Kerosene (HHK -N/Litre)	298.32	290.74
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.91	10.91
Savings Deposit (%)	4.07	4.07
Prime Lending (%)	16.64	16.17
Maximum Lending (%)	30.80	30.52
Narrow Money (N'Billion)	10,688.66	11,751.14
Broad Money (N'Billion)	25,467.43	27,078.83
Net Domestic Credit (N'Billion)	26,062.99	27,594.16
Credit to the Government (N'Billion)	2,980.22	4,867.58
Credit to the Private Sector(N'Billion)	23,082.75	22,726.58
Currency in Circulation (N'Billion)	2,100.12	2,329.71
FAAC (N'Billion)	812.76	649

*Revised GDP figures/tentative figures

NA: Not Available

¹CBN (2018). “Economic Report fourth Quarter 2018”. Retrieved from, <https://www.cbn.gov.ng/Out/2019/RSD/CBN%20ECONOMIC%20REPORT%20FOURTH%20QUARTER%20Published1.pdf>

²CBN (2018). “Economic Report fourth Quarter 2017”. Retrieved from, [https://www.cbn.gov.ng/Out/2018/RSD/CBN%20ECONOMIC%20REPORT%20FOURTH%20QUARTER%20%20%20%202017%20Published.pdf](https://www.cbn.gov.ng/Out/2018/RSD/CBN%20ECONOMIC%20REPORT%20FOURTH%20QUARTER%20%20%202017%20Published.pdf)

³DMO (2017). “ACTUAL DOMESTIC DEBT SERVICE (JANUARY - DECEMBER), 2017”. Retrieved from, <http://www.dmo.gov.ng/debt-profile/domestic-debts/domestic-debt-service/2382-actual-domestic-debt-service-from-january-to-december-2017/file>

⁴DMO (2018). “Federal Government Actual Domestic Debt Service for July-September, 2018(Amount in Naira)”. Retrieved from, <http://www.dmo.gov.ng/debt-profile/domestic-debts/domestic-debt-service/2660-federal-government-actual-domestic-debt-service-for-july-september-2018/file>

⁵DMO (2018). “Actual External Debt Service Payments in Third Quarter, 2018 in Thousands of USD”. Retrieved from, <http://www.dmo.gov.ng/debt-profile/external-debts/debt-service/2662-actual-external-debt-service-payments-in-3rd-quarter-2018/file>

⁶CBN (2019). “Monthly Business Expectations Survey Report”. Retrieved from, https://www.cbn.gov.ng/Out/2019/STD/JAN%20%202019%20BES%20Report_final.pdf