

Non-Performing Loans Decline

The total amount of non-performing loans (NPL) of Nigerian banks declined for the year 2018, relative to 2017. At ₦1.79 trillion, the stock of NPL fell by 24.2 percent from ₦2.36 trillion in 2017¹. Also, gross loans as of the end of 2018 stood at ₦15.35 trillion, as against ₦15.96 trillion as at the end of 2017. The reduction in NPL shows that debtors may have relieved more of their indebtedness in 2018 compared to 2017; this may have been complemented by the Asset Management Company of Nigeria's (AMCON) resolve to achieve its recovery mandate against erring debtors². AMCON is saddled with the statutory responsibility, among others, of recovering the NPL hitherto disbursed by eligible banks to their customers. The decline in non-performing loans is expected to continue as the overconcentration of banking sector loans to the unpredictable and volatile oil and gas sector has been reduced to a great length. Monetary authorities should tighten mechanisms to ensure that commercial banks strictly adheres to the macroprudential guidelines that stipulate a 5 percent NPL benchmark.

Rising VAT Revenue

Nigeria generated ₦1.1 trillion as Value Added Tax (VAT) revenue in 2018, representing about 14 percent increase year-on-year (YoY) when compared to ₦972.35 billion generated in 2017³. Quarter on Quarter analysis also show a total sum of ₦298.01 billion was realized in the fourth quarter (2018Q4), representing an increase of 8.96 per cent when compared to the ₦273.50 billion collected in the preceding quarter. According to the NBS, manufacturing companies generated the highest amount of VAT with ₦28.82 billion in 2018Q4, closely followed by professional services and commercial and trading which both generated ₦24.12 billion and ₦16.02 billion respectively during the quarter. With rising revenue mobilization from non-oil sector, it is vital for the government to enhance infrastructures and policy support mechanisms that are central to the growth of businesses in these sectors.

Power Generation Decline

The power generation statistics for 2018Q4 reflected that a total average of 68,625 MWh of energy was generated daily by thermal power stations⁴, representing 13 percent less than the total average of 78,917 MWh of energy generated daily in the previous quarter⁵. Thermal stations generated a peak of 80,856 MWh on 20th December, 2018, and the lowest daily energy generation of 44,367 MWh was attained by thermal stations on 29th of October 2018. Operational constraints from the shortage of gas, poor transmission, weak distribution network, and water reserves have remained long-lasting issues in the sector. With the persistent plunge, generation companies struggle to stay afloat given the high cost of other energy sources for power. In addition, the expiration of the N701 billion two-year power assurance guarantee fund approved in 2017⁶ may aggravate matters. **A clear contractual and regulatory framework** is a critical requirement to attract private sector capital into the power generation segment.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'18Q3	'18Q4
GDP Growth Rate (%)	1.8	2.38
Oil GDP (%)	-2.90	-1.62
Non-oil GDP (%)	2.35	2.7
Unemployment Rate (%)	23.1	NA
Foreign Direct Investment (US \$ Million)	530.60	156.08
Portfolio Investment (US \$Millions)	1,723.1	1,394.68
Other Investment (US \$Million)	601.5	589.32
External Debt (FGN & States- N'Billion)	6,614.61	NA
Domestic Debt (FGN + States & FCT N'billion)	15,814.19	NA
Manufacturing Capacity utilization (%)	54.6	NA
Monthly Indicators	Dec'18	Jan'19
Headline Inflation (%)	11.44	11.37
Food Sub-Index (%)	13.56	13.31
Core Sub-Index (%)	9.8	9.9
External Reserves (End Period) (US\$ Million)	43,116.86	43,174.28
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	61.1	58.5
Non-Manufacturing PMI	62.3	60.1
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	145.80	145.70
Diesel (AGO -N/Litre)	221.56	225.09
Kerosene (HHK -N/Litre)	290.74	306.28
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.91	NA
Savings Deposit (%)	4.07	NA
Prime Lending (%)	16.17	NA
Maximum Lending (%)	30.52	NA
Narrow Money (N'Billion)	11,751.14	NA
Broad Money (N'Billion)	27,078.83	NA
Net Domestic Credit (N'Billion)	27,594.16	NA
Credit to the Government (N'Billion)	4,867.58	NA
Credit to the Private Sector(N'Billion)	22,726.58	NA
Currency in Circulation (N'Billion)	2,329.71	NA
FAAC (N'Billion)	649	NA

*Revised GDP figures/tentative figures

NA: Not Available

¹NBS (2019). “Selected Banking Sector Data Q4 2018”. Retrieved from, <http://www.nigerianstat.gov.ng/>

²Punch (2019). “Banks non-performing loans hit N1.79tn in 2018”. Accessed February 25, 2019. <https://punchng.com/banks-non-performing-loans-hit-n1-79tn-in-2018/>

³NBS (2019). “Sectoral Distribution Of Value Added Tax (Q4 2018)”. Retrieved from, <http://www.nigerianstat.gov.ng/>

⁴NBS (2019). “Power Sector Report: Energy Generated and Sent Out and Consumed and Load Allocation (Q4 2018)”. Retrieved from, <http://www.nigerianstat.gov.ng/>

⁵NBS (2019). “Power Sector Report: Energy Generated and Sent Out and Consumed and Load Allocation (Q3 2018)”. Retrieved from, <https://nigerianstat.gov.ng/elibrary>

⁶The Cable (2019). “POWER GENERATION SET FOR FURTHER DECLINE AS N701 BILLION FUND EXPIRES”. Accessed February 25, 2019. <https://www.thecable.ng/analysis-why-electricity-generation-may-plunge-further-in-2019>