

## Rising Debt Profile

Nigeria's officially recorded debt obligation reached a record high of ₦24.39 trillion in 2018 relative to the ₦21.73 trillion in 2017<sup>21</sup>, according to the DMO's latest debt report. This represents a year-on-year 12.2% growth or ₦2.66 trillion<sup>2</sup>. Further decomposition of the data shows that both domestic and external components experienced increments: while domestic debt rose from ₦15.94 trillion to ₦16.63 trillion, external debt increased from ₦5.79 trillion to ₦7.76 trillion. However, the external debt component saw a higher increment implying that progress has been made towards achieving the 60:40 target of domestic-external debt stock mix. The share of domestic debt fell from 73.4% in 2017 to 68.2% in 2018 producing a total debt mix of 68.2% (domestic) and 31.8% (external). The review year saw the DMO make use of relatively cheaper and longer tenured external funds (Eurobonds) to achieve the debt stock mix objectives which also includes creating more space for other borrowers in the domestic market.<sup>3</sup> With the growth in the issuance of Eurobonds, DMO should internalize the costs and risks of these changes such as currency and refinancing risk. This could limit the frequency of public borrowing.

## Lower FAAC Allocation

The Federation Account Allocation Committee (FAAC) disbursed the sum of ₦619.86 billion to the three tiers of government in March 2019<sup>4</sup>, 6.1% lower than the ₦660.37 billion shared in February 2019<sup>5</sup>. The amount disbursed comprised of ₦478.43 billion from the Statutory Account, ₦96.39 billion from Valued Added Tax (VAT), ₦44.17 billion distributed as FOREX Equalization Fund and ₦858 million exchange gain differences. Federal Government received a total of ₦257.68 billion while states and local governments received a total of ₦169.92 billion and ₦127.72 billion respectively. Reductions in statutory and VAT revenue in the review month triggered the slight decline in FAAC allocation. As traditional revenue streams become less dependable, state and local governments should tap into local resources and expertise in order to increase their Internally Generated Revenue (IGR).

## Rising Petroleum Imports

The National Bureau of Statistics (NBS) disclosed that Nigeria imported about 20.1 billion litres of petrol in 2018<sup>6</sup> – the highest volume of petrol imported in five years<sup>7</sup>. This figure also reflects a 16% year-on-year increase compared to the 17.3 billion litres imported in 2017. Similarly, quarterly importation of diesel showed an increase, from 873.7 million litres in 2018Q3, to 1.3 billion litres in 2018Q4. The increase in importation of refined petroleum products is at the backdrop of increase in daily national consumption<sup>8</sup>. In addition, Nigeria's four refineries posted losses of up to ₦114.3 billion in the 11 months of 2018, amid rising illicit cross-border export of the products<sup>9</sup>. The rising importation of petroleum products, cross-border smuggling and underperformance of Nigerian refineries presents adverse implications for fiscal and monetary policy management. There is need to invest in the rehabilitation of Nigerian refineries and blockage of illegal cross-border export of products. The government should also create a robust regulatory framework with targeted incentives such as waivers and tax holidays to encourage foreign direct investment in local refineries and create a competitive market for local refining of petroleum.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'18Q3</b>	<b>'18Q4</b>
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	7,759.22
Domestic Debt (FGN + States & FCT N'billion)	15,814.19	16,627.84
Manufacturing Capacity utilization (%)	54.6	NA
<b>Monthly Indicators</b>	<b>Jan'19</b>	<b>Feb'19</b>
Headline Inflation (%)	11.37	11.31
Food Sub-Index (%)	13.51	13.47
Core Sub-Index (%)	9.9	9.8
External Reserves (End Period) (US\$ Million)	43,174.28	42,309.61
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	58.5	57.1
Non-Manufacturing PMI	60.1	58.4
Crude Oil Price (US\$/Barrel)	60.05	64.19
Petrol (PMS-N/litre)	145.70	145.30
Diesel (AGO -N/Litre)	225.09	225.61
Kerosene (HHK -N/Litre)	306.28	305.55
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.98	10.91
Savings Deposit (%)	4.07	4.07
Prime Lending (%)	16.01	16.08
Maximum Lending (%)	30.48	30.56
Narrow Money (N'Billion)	11,138.51	11,028.86
Broad Money (N'Billion)	26,755.80	26,531.29
Net Domestic Credit (N'Billion)	28,636.33	30,517.94
Credit to the Government (N'Billion)	NA	NA
Credit to the Private Sector(N'Billion)	NA	NA
Currency in Circulation (N'Billion)	2,139.67	2,241.31
FAAC (N'Billion)	660	619

\*Revised GDP figures/tentative figures

NA: Not Available

- <sup>1</sup> DMO (2019). "Nigeria's Total Public Debt Portfolio as At December 31, 2018". Retrieved from, <https://www.dmo.gov.ng/debt-profile/total-public-debt/2765-nigeria-s-total-public-debt-stock-as-at-december-2018/file>
- <sup>2</sup> DMO (2019). "Nigeria's Public Debt Stock as at December 31, 2017". Retrieved from, <https://www.dmo.gov.ng/debt-profile/total-public-debt/2380-total-public-debt-as-at-31st-december-2017/file>
- <sup>3</sup> DMO (2019). "Press Release: DMO Releases Public Debt Data for December 2018". Accessed April 9, 2019. <https://www.dmo.gov.ng/news-and-events/dmo-in-the-news/dmo-releases-public-debt-data-for-december-2018>
- <sup>4</sup> This Day (2019). "FG, States, LGs Share N619.857bn for February". Accessed April 9, 2019. <https://www.thisdaylive.com/index.php/2019/03/27/fg-states-lgs-share-n619-857bn-for-february/>
- <sup>5</sup> This Day (2019). "FG to Augment January FAAC Allocation with N50bn FX Equalisation Fund". Accessed April 9, 2019. <https://www.thisdaylive.com/index.php/2019/02/28/fg-to-augment-january-faac-allocation-with-n50bn-fx-equalisation-fund/>
- <sup>6</sup> National Bureau of Statistics (2019). "Petroleum Products Imports and Consumption (Truck Out) Statistics (Q4 2018)". Retrieved from, <https://nigerianstat.gov.ng/elibrary>
- <sup>7</sup> Nairametrics (2019). "Nigeria's petrol importation hits 5-year high in 2018, as diesel importation declines". Accessed April 9, 2019. <https://nairametrics.com/2019/04/04/nigerias-petrol-importation-hits-5-year-high-in-2018-as-diesel-importation-declines/>
- <sup>8</sup> Punch (2019). "FG spent N2.95tn on petrol imports in 2018 –NBS". Accessed April 9, 2019. <https://punchng.com/fg-spent-n2-95tn-on-petrol-imports-in-2018-nbs/>
- <sup>9</sup> Punch (2019). "Petrol subsidy rises as NNPC increases imports by 34%". Accessed April 9 2019. <https://punchng.com/petrol-subsidy-rises-as-nnpc-increases-imports-by-34/>