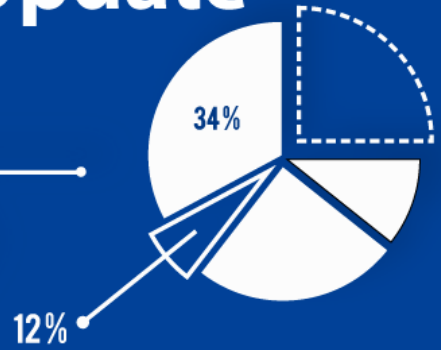


Nigeria Economic Update



Weekly
Digest



Launching the MTEF

The government's new fiscal projections have been revealed in the Medium-Term Expenditure Framework (MTEF) 2020-2022¹. The GDP growth projection was revised downwards from 3.6% to 2.9% for the 2020 fiscal year. Benchmark crude price was also revised from \$60 to \$55 per barrel, which could weigh on expected revenues. However, while recurrent expenditure is expected to rise in 2020, capital expenditure is projected to fall. The new MTEF shows a projected budgeted increase in recurrent expenditure from NGN4.3 trillion in 2019 to NGN4.7 trillion in 2020 (excluding debt service payments); and downward revision of capital expenditure to NGN1.7 trillion in 2020. While the early design of the MTEF could influence a return to the January-December budget cycle which will improve budgetary predictability for line ministries, the reduction in capital expenditure will likely lead to a deterioration in the much-needed infrastructure and other long-term investment. Failure to meet these needs will likely hinder economic growth in the long run.

Rising Crude Oil Prices

Global crude oil prices posted strong week-on-week increases having leveraged on major production and supply disruptions in Saudi Arabia. Benchmark crude, Brent, improved 6.5% and sold for \$65.23 per barrel as at September 20, 2019². Nigeria's bonny light exchanged for about \$67 per barrel³. A massive drone attack on Saudi Arabia's oil fields during the week distorted oil market's demand-supply equilibrium and sent the oil prices on an upward surge. Regarded as the single-worst oil market disruptions in more than 50 years and in the "world's most important oil processing field", the aftermath has been enormously damaging. Production of more than 5 million barrels of crude per day has ceased, representing a loss of 5% of global crude oil daily production⁴. While it could take Saudi Arabia weeks, or months, to revamp production activities, the supply disruption is creating scarcity in the market and could further increase crude prices in the short term, one which Nigeria stands to benefit from. The gains could be used to cushion the effects of ongoing austerity measures on the people through well monitored and evaluated infrastructural investments in key economic areas across the country, to aid business growth and livelihood.

Implementation of Cashless Policy

In view of advancing the CBN's cashless policy, a new policy drive has been added as additional charges are expected to be paid by customers for cash withdrawals and deposits. Specifically, withdrawals and deposits of amounts above NGN500,000 for individual accounts attract 3% and 2% processing fees respectively. Also, withdrawals and deposits of amounts above NGN3 million attract 5% and 3% processing fees respectively⁵. The CBN approved the policy in a bid to adopt international best practices on Anti-Money Laundering (AML) and Counter-Financing of Terrorism (CFT), while reversing the national reputational damage caused by some Nigerians involved in financial crimes⁶. Key among specific reasons for implementing the policy include the need to improve financial transparency and curb financial crimes such as advanced fee fraud, graft, and extortions for which Nigeria is widely associated with. While the policy will support the objective of curbing illicit financial flows, it could bring on undue hardship on Nigerians involved in genuine transactions and supplementary policies are needed to cushion effect.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'19Q1	'19Q2
GDP Growth Rate (%)	2.1	1.94
Oil GDP (%)	-2.40	5.15
Non-oil GDP (%)	2.47	1.64
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	243.36	222.89
Portfolio Investment (US \$Millions)	7,145.98	4,292.89
Other Investment (US \$Million)	1,096.15	1,304.43
External Debt (FGN & States- N'Billion)	7,860.88	NA
Domestic Debt (FGN + States & FCT N'billion)	17,086.20	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	July'19	Aug'19
Headline Inflation (%)	11.08	11.02
Food Sub-Index (%)	13.39	13.17
Core Sub-Index (%)	8.80	8.68
External Reserves (End Period) (US\$ Million)	44,903.03	43,607.80
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.6	57.9
Non-Manufacturing PMI	58.7	58.8
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	145.00	145.5
Diesel (AGO -N/Litre)	224.96	229.08
Kerosene (HHK -N/Litre)	316.03	319.94
MPR (%)	13.5	13.5
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	9.92	9.92
Savings Deposit (%)	3.93	NA
Prime Lending (%)	15.46	NA
Maximum Lending (%)	31.07	NA
Narrow Money (N'Billion)	11,435.79	NA
Broad Money (N'Billion)	35,675.93	NA
Net Domestic Credit (N'Billion)	33,412.40	NA
Credit to the Government (N'Billion)	9,138.08	NA
Credit to the Private Sector(N'Billion)	24,274.31	NA
Currency in Circulation (N'Billion)	2,003.09	NA
FAAC (N'Billion)	769.5	720.88

*Revised GDP figures/tentative figures

NA: Not Available

1Budget Office (2019). "DRAFT 2020 –2022 MTEF". Retrieved from,
<https://www.budgetoffice.gov.ng/index.php/hmfbnp-mtef-fsp-2020-2022-consultative-presentation?task=document.viewdoc&id=729>

2Ycharts (2019). "Brent Crude Oil Spot Price". Accessed September 25, 2019.
https://ycharts.com/indicators/brent_crude_oil_spot_price

3cbn.gov.ng

4Proshare (2019). "Platts: Oil Could Test \$80 After Attacks in Saudi Arabia". Accessed September 25, 2019. [https://www.proshareng.com/news/Oil%20&%20Gas/Platts--Oil-Could-Test-\\$80-After-Attacks-In-Saudi-Arabia/47054](https://www.proshareng.com/news/Oil%20&%20Gas/Platts--Oil-Could-Test-$80-After-Attacks-In-Saudi-Arabia/47054)

5CBN (2019). "RE: Implementation of the Cashless Policy". Accessed September 25, 2019.
<https://www.cbn.gov.ng/Out/2019/PSMD/Re%20Implementation%20of%20Cash-Less%20Policy.pdf>

6Business Day (2019). "New cashless policy to push Nigeria through GIABA Anti-money laundering/CFT test". Accessed September 24, 2019. <https://businessday.ng/lead-story/article/new-cashless-policy-to-push-nigeria-through-giaba-anti-money-laundering-cft-test/>