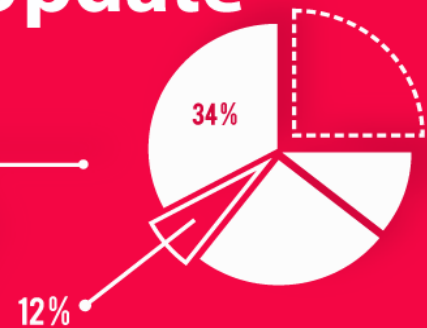




Nigeria Economic Update



Weekly
Digest



Fall in Purchasing Managers Index

The manufacturing Purchasing Managers' Index (PMI) declined in January to 59.2, indicating a 2.63% fall from the month of December¹. The slowdown in sectoral expansion was driven by a decline in the non-metallic mineral products, printing and related support activities. Similarly, slower growth was also observed in the non-manufacturing PMI which fell to 59.6, a 5% decline from the preceding month. In the same vein, the Confidence Index (CI) in the month of January which indicates the respondent's level of optimism on the overall macroeconomy tapered at 28.3 index points. However, the outlook for February is more optimistic at 61.4 index points and is driven mainly by prospects in the service and industrial sectors². Going forward, we expect that the drop in the PMI will be reversed, at least minimally, as banks continue to lend to the real sector. However, the extent to which the increment will be sustained will depend on inflation levels as well as job creation growth rate in the short to medium-term.

Decline in Non-Performing Loans

Non-Performing Loan (NPL) ratio declined from 6.6% in October 2019 to 6.1% in December 2019⁵. The decline is due to the multipronged policy effort taken by the sector to ensure a decline in NPLs. Although the NPL ratio is still above the prudential benchmark of 5%, the persistent decline has caused a shift in the Deposit Money Bank (DMB) assets. The Monetary Policy Committee communique noted a growth in credit portfolio of DMBs⁵. The continuous decline in NPLs is as a result of the directive given by the Central Bank of Nigeria in October 2019, stating that DMBs can debit the account of their loan defaulters across all other banks. In addition to this policy is an existing directive that DMBs publish the names of their loan defaulters. The decline in NPLs allows DMBs to provide more credit to performing sectors such as manufacturing, commerce and agriculture which is in line with CBN's directive to raise the minimum loan-to-deposit ratio from 60 to 65%.

Decline in Internally Generated Revenue

The recently released Internally Generated Revenue (IGR) report from the National Bureau of Statistics states that the IGR for Nigeria fell by over 25% to N293.80 billion in Q3 2019 compared to Q2 2019³. The decline was driven by a reduction in the IGR of 30 out of the 36 states. However, Year-on-Year (Y-o-Y) performance increased when compared to the corresponding quarter of 2018. This Y-o-Y rise was driven by an increase in internally generated aggregates such as income tax (+16.8%), road tax (+37.6%) and total tax (+22.2%). The Y-o-Y increase in internally generated tax revenue is reflective of recent tax collection initiatives such as the tax amnesty programme - Voluntary Assets and Income Declaration Scheme (VAIDS). While these initiatives target individuals and firms engaged in formal activities, it is crucial to expand the tax base by including the informal economy in the tax system alongside reducing exemptions and waivers for individual businesses.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'19Q2	'19Q3
GDP Growth Rate (%)	2.1	2.3
Oil GDP (%)	5.15	6.49
Non-oil GDP (%)	1.64	1.85
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	222.89	200.08
Portfolio Investment (US \$Millions)	4,292.89	2,999.50
Other Investment (US \$Million)	1,304.43	2,167.98
External Debt (FGN & States- N'Billion)	8,322	NA
Domestic Debt (FGN + States & FCT N'billion)	17,379	NA
Manufacturing Capacity utilization (%)	184.2	179.7
Headline Inflation (%)	11.61	11.85
Food Sub-Index (%)	14.09	15.34
Core Sub-Index (%)	8.88	9.67
External Reserves (End Period) (US\$ Million)	44,903.03	43,607.80
Official Rate Approx. (N/US\$)	305	307
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	58.2	59.3
Non-Manufacturing PMI	58.2	60.1
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)	324.72	NA
MPR (%)	13.5	13.5
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.03	NA
Savings Deposit (%)	3.93	NA
Prime Lending (%)	15.07	NA
Maximum Lending (%)	30.56	NA
Narrow Money (N'Billion)	10,617.42	10,930.57
Broad Money (N'Billion)	35,450.01	36,478.12
Net Domestic Credit (N'Billion)	34,937.93	35,513.08
Credit to the Government (N'Billion)	9,089.56	9,100.34
Credit to the Private Sector(N'Billion)	25,848.37	26,412.74

*Revised GDP figures/tentative figures

NA: Not Available

¹CBN (2020), Purchasing Managers' Index (PMI) Survey Report, retrieved from :
<https://www.cbn.gov.ng/Out/2020/STD/Jan%202020%20PMI%20Report.pdf>

²CBN (2020), January 2020 Business Expectations Survey Report, retrieved form:
<https://www.cbn.gov.ng/Out/2020/STD/Jan%202020%20BES%20Report.pdf>

³NBS (2020), Internally Generated Revenue At State Level(Q3 2019), retrieved from :
<https://nigerianstat.gov.ng/download/1053>

⁴NBS (2020), Internally Generated Revenue At State Level (Q3 2018) , retrieved from :
<https://nigerianstat.gov.ng/download/883>

⁵CBN (2020), Communique No. 128 of the Monetary Policy Committee meeting, retrieved from
<https://www.cbn.gov.ng/Out/2020/MPD/Central%20Bank%20of%20Nigeria%20Communique%20No.%20128%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20held%20on%20Thursday%2023rd%20and%20Friday%2024th%20%20January,%202020.pdf>

