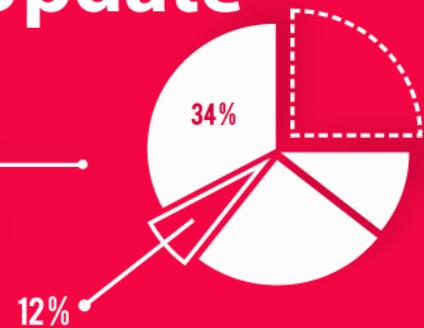# Nigeria Economic Update

Weekly
Digest

Decline in Foreign Trade

Total trade declined by 17.94 percent to ₦8.304 billion in Q12020 compared to Q42019[1]. The decline was driven by a drop in both total imports and export value which fell by 21.08 percent and 14.42 percent quarter on quarter, recording a deficit of ₦138.98 billion. A decline in total trade was recorded in energy and manufactured goods. While the value of agricultural goods exported grew by 85.36 percent quarter on quarter, and the value of agricultural imports by 12.02 percent concurrently. Trade in Q12020, although marginally higher than Q12019 total trade, reflects the lower economic activity experienced during the quarter. The volume of trade is expected to continue to decline as economies across the world turn inwards due the pandemic. However, the private sector can leverage on the pandemic to boost trade in services such as ICT services, as well as professional, scientific, and technical services which is more resistant to political and economic forces that threaten trade in goods. Given the large wage differentials in the service industry across countries, Nigeria stands to benefit from a service-based global integration.

Increase in National Budget

The legislative arm of the government recently passed a revised 2020 budget to reflect the change in economic situation. The expenditure component was ₦10.509 trillion[2] compared to the initial 2020 budget of ₦ 10.330 trillion[3]. This revision indicates a rise in recurrent expenditure by 1 percent (₦4.928 trillion), capital expenditure by 4 percent (₦2.230 trillion) and debt servicing by 7.4 percent (₦2.951 trillion), while statutory transfers declined by 28 percent to ₦398 billion. In addition, the revised budget includes ₦500 billion earmarked as intervention funds for the fight against COVID-19, with ₦186 billion specifically budgeted for the health sector[4]. Although, the revenue projection was based on a modest oil price benchmark of $28 per-barrel and oil production output of 1.9 million barrels per day. However, the feasibility of achieving the revenue target is bleak as the nation has already agreed to cut oil production to 1.412 million barrels per day as part of the OPEC+ deal to help stabilize the oil market.[5]

AfDB fiscal support

The African Development Bank (AfDB) approved a $288.5 million loan to Nigeria, in order to support its response against the coronavirus[6]. The fund comes from the AfDB response support program and would serve to ease the impact on the labor force as well as strengthen the national social protection response. With 102 million Nigerians living in extreme poverty[7], the fund is a critical step in maintaining the AfDB's high 5 priority of improving the quality of life for the people of Africa. Given that the $288.5 million loan from the AfDB comes after the $3.4 billion loan obtained from the IMF, careful consideration should be taken as the government seeks to bolster the economy. Already, Nigeria spends 99 percent[8] of its revenue on debt servicing which implies that the country could be in a debt trap as loans will have to be taken to service existing debt. The government should negotiate for grants or highly concessional loans and identify innovative ways to mobilize domestic resources.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'19Q4	'19Q1
GDP Growth Rate (%)	2.5	1.87
Oil GDP (%)	7.23	9.50
Non-oil GDP (%)	92.68	90.50
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US $ Million)	257.25	214.25
Portfolio Investment (US $Millions)	1,883.58	4,309.47
Other Investment (US $Million)	1,661.55	1,330.65
External Debt (FGN & States- N'Billion)	9,022	NA
Domestic Debt (FGN + States & FCT N'billion)	18,378	NA
Manufacturing Capacity utilization (%)	185.1	NA
Monthly Indicators	April	May
Headline Inflation (%)	12.34	12.40
Food Sub-Index (%)	15.03	15.04
Core Sub-Index (%)	9.98	10.12
External Reserves (End Period) (US$ Million)	33,520.90	36,594.99
Official Rate Approx. (N/US$)	306.5	360.5
BDC Rate Approx. (N/US$)	362	
Manufacturing PMI	NA	42.4
Non-Manufacturing PMI	NA	25.3
Crude Oil Price (US$/Barrel)	13.88	33.91
Petrol (PMS-N/litre)	130.84	NA
Diesel (AGO -N/Litre)	224.11	NA
Kerosene (HHK -N/Litre	342.33	NA
MPR (%)	13.5	12.5
CRR (%)	*27.5	27.5
91 Day T-Bill Rate (%)	1.19	NA
Savings Deposit (%)	3.69	NA
Prime Lending (%)	14.92	NA
Maximum Lending (%)	30.73	NA
Narrow Money (N'Billion)	11,587.04	NA
Broad Money (N'Billion)	31,763.94	NA
Net Domestic Credit (N'Billion)	39,098.31	NA
Credit to the Government (N'Billion)	10,427.89	NA
Credit to the Private Sector(N'Billion)	9,683.28	NA

*Revised GDP figures/tentative figures
NA: Not Available

1 NBS(2020) Foreign Trade Statistics Q1 2020   retrieved from
https://nigerianstat.gov.ng/download/1112

2 Budget Office (2020) Revised Appropriation Bill 2020 retrieved from :
https://www.budgetoffice.gov.ng/index.php/2020-revised-appropriation-bill?task=document.viewdoc&id=804

3Budget Office (2020) Appropriation Bill 2020 retrieved from :
https://www.budgetoffice.gov.ng/index.php/2020-appropriation-bill?task=document.viewdoc&id=733

4 Nairametrics (2020) Senate passes the revised N10.8 trillion 2020 budget retrieved from:
https://nairametrics.com/2020/06/11/senate-passes-the-revised-n10-8-trillion-2020-budget/

5 Bloomberg (2020), "Nigeria Says It Reaffirms Commitment to OPEC+ Oil Cuts Deal". Retrieved from https://www.bloomberg.com/news/articles/2020-06-07/nigeria-says-it-reaffirms-commitment-to-opec-oil-cuts-deal

6 AFDB (2020), "African Development Bank approves $288.5 million for Nigeria COVID-19 Response Support Program". Retrieved from https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-approves-2885-million-nigeria-covid-19-response-support-program-35993

7 World Poverty Clock (2020) Interactive Poverty Map : Nigeria. Retrieved from:
https://worldpoverty.io/headline

8 Budget Office of Nigeria (2020) 2020 - 2022 Medium Term Expenditure Framework and Fiscal Strategy Paper. Retrieved from: https://budgetoffice.gov.ng/index.php/resources/internal-resources/policy-documents/mtef