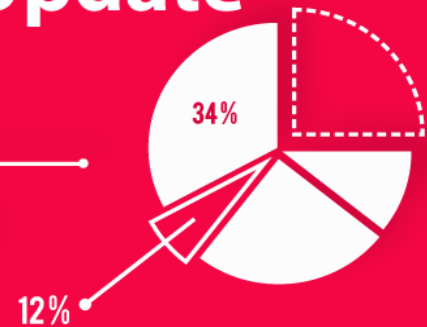




Nigeria Economic Update



Decline in Public Debt

According to the Debt Management Office (DMO), the outstanding public debt declined by 5.65 percent from \$84 billion to \$79.3 billion between December 2019 and March 2020¹. The reduction was driven by a 9 percent decline in domestic debt from \$56.4 billion to \$51.6 billion during the same period². Meanwhile, the change to external debt was minimal as it tapered around \$27.6 billion in both periods. While the decline in domestic debt is as a result of the redemption of Nigeria Treasury Bills (NTBs), the stagnation of external debt stems from the government's need to limit its exposure to exchange rate volatility. However, the \$3.4 billion in emergency support received from the IMF in April as well as the reliance on domestic debt to mitigate the impact of the pandemic will increase public debt in the near term. In this context, effective debt management is important not only with regards to the terms of borrowing but also in debt use and transparency.

Decline in Tax Revenue

In the first quarter of 2020, the total amount of tax collected declined by 4.8 percent to ₦1,190.28 billion when compared to the preceding quarter³. The decline was a result of a ₦74.01 billion decline in non-oil taxes to ₦654.35 billion, which contributed 54.97 percent of the total tax receipts. This decline was driven by a number of factors including a significant fall in company taxes from ₦357.15 billion to ₦283.01 billion resulting from the tax holiday given to small and medium enterprises due to the COVID-19 pandemic. Other contributing factors include a shrinkage in stamp duties. The lower tax inflow could have triggered the government's action to mobilize resources through non-traditional means including taxing e-commerce transactions and non-resident digital businesses. Nevertheless, tax revenue is unlikely to rebound in the near-term given that business activities have not normalized. However, the government should seize the opportunity presented by the pandemic to implement positive reforms to the tax system including progressive taxation, cutting inefficient spending, and ensuring that additional revenue is raised from businesses that have benefitted from pandemic-related stimulus packages.

Decline in Foreign Reserves

According to the CBN, foreign reserves declined significantly from \$36.6 billion to \$36.1 billion between 29th May and 9th July⁵. This decline disrupts the persistent rise experienced since April 30th and is driven by increased demand for foreign currency due to the widening gap between the official and parallel exchange rates and the increase in capital outflows, alongside a fall in supply associated with the decline in the price of oil, Nigeria's main source of foreign exchange. In the near-term, the external reserves are expected to decline further as oil price fails to rebound to pre-pandemic levels. Furthermore, with international financial institutions demanding that the government unifies its multiple exchange rates as a prerequisite to obtain emergency financial support, the foreign reserves are likely to deplete further. While the unification of the exchange rate could curb capital outflows, thus reducing the draw-down of foreign reserves, potential foreign exchange earners should be identified and developed.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'19Q3	'19Q4
GDP Growth Rate (%)	2.3	2.5
Oil GDP (%)	6.49	7.23
Non-oil GDP (%)	90.23	92.68
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	200.08	257.25
Portfolio Investment (US \$Millions)	2,999.50	1883.58
Other Investment (US \$Million)	2,167.98	1661.55
External Debt (FGN & States- N'Billion)	NA	NA
Domestic Debt (FGN + States & FCT N'billion)	NA	NA
Manufacturing Capacity utilization (%)	181.2	185.1
Monthly Indicators	Dec'19	Jan'20
Headline Inflation (%)	11.40	12.13
Food Sub-Index (%)	14.67	14.86
Core Sub-Index (%)	9.33	9.35
External Reserves (End Period) (US\$ Million)	38,595.25	31,009.76
Official Rate Approx. (N/US\$)	306.5	306.5
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	60.8	59.2
Non-Manufacturing PMI	62.1	59.6
Crude Oil Price (US\$/Barrel)	67.31	63.83
Petrol (PMS-N/litre)	145.35	145.37
Diesel (AGO -N/Litre)	229.81	229.78
Kerosene (HHK -N/Litre)	320.47	323.46
MPR (%)	13.5	13.5
CRR (%)	22.5	27.5
91 Day T-Bill Rate (%)	4.47	3.45
Savings Deposit (%)	3.89	3.86
Prime Lending (%)	14.99	30.77
Maximum Lending (%)	30.72	NA
Narrow Money (N'Billion)	10,533.13	10,331.40
Broad Money (N'Billion)	34,776.37	34,146.48
Net Domestic Credit (N'Billion)	36,178.34	35,815.11
Credit to the Government (N'Billion)	9,483.81	9,252.81
Credit to the Private Sector(N'Billion)	26,694.52	26,562.69
Currency in Circulation (N'Billion)	2,441.66	2,248.44

*Revised GDP figures/tentative figures

NA: Not Available

1 DMO(2020) NIGERIA'S TOTAL PUBLIC DEBT PORTFOLIO AS AT MARCH 31, 2020 June 2020 retrieved from:
<https://www.dmo.gov.ng/debt-profile/total-public-debts/3235-nigeria-s-public-debt-stock-as-at-march-31-2020/file>

2 DMO(2020) NIGERIA'S TOTAL PUBLIC DEBT PORTFOLIO AS AT DECEMBER 31, 2019 retrieved from:
<https://www.dmo.gov.ng/debt-profile/total-public-debts/3123-nigeria-s-total-public-debt-stock-as-at-december-31-2019/file>

3 FIRS (2020) 2020 Q1 Tax revenue statistics retrieved from
<https://www.firs.gov.ng/sites/Authoring/contentLibrary/2020%20Q1%20Tax%20Revenue%20Statistics.pdf>

4 FIRS (2019) 2019 Q4 Tax revenue statistics retrieved from
<https://www.firs.gov.ng/sites/Authoring/contentLibrary/2019%20Q4%20Tax%20Revenue%20Statistics.pdf>

5 CBN (2020), Money and Credit statistics retrieved from <https://www.cbn.gov.ng/IntOps/Reserve.asp>

6 ABOKIFX, Your Daily Naira exchange rate retrieved from https://www.abokifx.com/home_bdc_rate