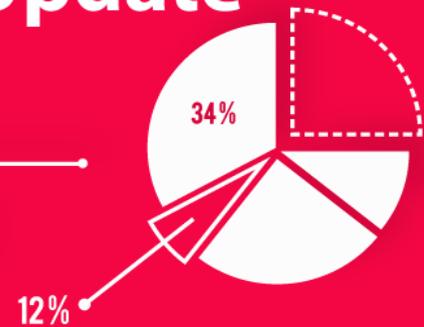




# Nigeria Economic Update



## ***Rise in Public Debt***

Data from the Debt Management Office (DMO) shows that Nigeria's total public debt stock increased to N31 trillion (\$85.9 billion) from N28.6 trillion (\$79.3 billion) between March and June 2020.<sup>1</sup> The increase was attributed to a \$3.36 billion budget support loan from the International Monetary Fund (IMF) which accounted for more than 50% of the increment in debt. In the near term, Nigeria's debt portfolio is expected to increase as the government seeks to access concessional funding from the World Bank, African Development Bank, and Islamic Development Bank to support the implementation of the 2020 budget. While the increase in external debt is in line with the DMO's optimal debt portfolio mix of 60:40 for domestic and external debt, the rise in debt poses serious fiscal concerns as the government currently utilizes 96% of its revenue for debt servicing. The high debt service to revenue ratio has implications on development spending considering the modest revenue that is left. Careful consideration should be taken to ensure that the debt is utilized for capital projects that can potentially service the loans in the future.

## ***Rise in Air Pollution in Lagos***

A recently conducted study by the World Bank shows that the cost of mortality and morbidity due to air pollution from exposure to fine particulate matter (PM<sub>2.5</sub>) stood at \$2.1 billion or N631 billion (0.5% of Nigeria's GDP).<sup>2</sup> Lagos state has an exceedingly high concentration of PM<sub>2.5</sub>, at annual mean concentration of levels of 68µg/m<sup>3</sup> which exceed the World Health Organization (WHO)'s guideline for the annual mean PM<sub>2.5</sub> level of 10µg/m<sup>3</sup>. Consequently, 11,200 people die from air pollution with 60 percent of the deaths under the age of 5. Sources of air pollution in the state include, road transport, heavy energy dependence on inefficient diesel and gasoline generators due to unreliable power, poor waste management, polluting fuel and stoves for household cooking etc. Air pollution is injurious to human health especially those that are already vulnerable – children, elderly, or people with existing health problems. In addition, it increases the rate of cardiovascular and respiratory ailments as well as mortality rates in the economy. Intrinsically, the life expectancy is reduced by air pollution. Therefore, to curtail these effects, low emission vehicles should be adopted and old generators should be discarded. Thus, they should be replaced with a better source of power such as renewable source of energy.

## ***CBN Grants Maize Import Waiver***

While crude oil price declined considerably during the period countries restricted movement, oil price continues to decline after the lockdown measures have been lifted. The Bonny light oil price dropped by \$0.10 on the 4<sup>th</sup> of September owing to the reduced demand for crude oil amid the COVID-19 pandemic.<sup>3</sup> Similarly, US crude oil price and Brent crude oil price fell by about 6% and 2.35% the week prior.<sup>4</sup> Fuel supply continues to surpass demand, making onshore storage more difficult to access and causing a fall in oil price globally. As such, inventory expansion was a subject of discussion at the Organization of the Petroleum Exporting Countries (OPEC) meeting with its Russia-led allies. The falling oil price is likely to worsen the budget deficit in Nigeria which may result in higher taxation and tariffs. As such, the pandemic should be used as an opportunity to diversify the economy away from oil.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>19Q3</b>	<b>19Q4</b>
<b>GDP Growth Rate (%)</b>	2.3	2.5
<b>Oil GDP (%)</b>	6.49	7.23
<b>Non-oil GDP (%)</b>	90.23	92.68
<b>Unemployment Rate (%)</b>	NA	NA
<b>Foreign Direct Investment (US \$ Million)</b>	200.08	257.25
<b>Portfolio Investment (US \$Millions)</b>	2,999.50	1883.58
<b>Other Investment (US \$Million)</b>	2,167.98	1661.55
<b>External Debt (FGN &amp; States- N'Billion)</b>	NA	NA
<b>Domestic Debt (FGN + States &amp; FCT N'billion)</b>	NA	NA
<b>Manufacturing Capacity utilization (%)</b>	181.2	185.1
<b>Monthly Indicators</b>	<b>Dec'19</b>	<b>Jan'20</b>
<b>Headline Inflation (%)</b>	11.40	12.13
<b>Food Sub-Index (%)</b>	14.67	14.86
<b>Core Sub-Index (%)</b>	9.33	9.35
<b>External Reserves (End Period) (US\$ Million)</b>	38,595.25	31,009.76
<b>Official Rate Approx. (N/US\$)</b>	306.5	306.5
<b>BDC Rate Approx. (N/US\$)</b>	362	362
<b>Manufacturing PMI</b>	60.8	59.2
<b>Non-Manufacturing PMI</b>	62.1	59.6
<b>Crude Oil Price (US\$/Barrel)</b>	67.31	63.83
<b>Petrol (PMS-N/litre)</b>	145.35	145.37
<b>Diesel (AGO -N/Litre)</b>	229.81	229.78
<b>Kerosene (HHK -N/Litre)</b>	320.47	323.46
<b>MPR (%)</b>	13.5	13.5
<b>CRR (%)</b>	22.5	27.5
<b>91 Day T-Bill Rate (%)</b>	4.47	3.45
<b>Savings Deposit (%)</b>	3.89	3.86
<b>Prime Lending (%)</b>	14.99	30.77
<b>Maximum Lending (%)</b>	30.72	NA
<b>Narrow Money (N'Billion)</b>	10,533.13	10,331.40
<b>Broad Money (N'Billion)</b>	34,776.37	34,146.48
<b>Net Domestic Credit (N'Billion)</b>	36,178.34	35,815.11
<b>Credit to the Government (N'Billion)</b>	9,483.81	9,252.81
<b>Credit to the Private Sector(N'Billion)</b>	26,694.52	26,562.69
<b>Currency in Circulation (N'Billion)</b>	2,441.66	2,248.44
<b>FAAC (N'Billion)</b>	650.83	NA

\*Revised GDP figures/tentative figures

NA: Not Available

1. DMO (2020). Nigeria's Public Debt Rises to N31 Trillion. Retrieved from: <https://www.dmo.gov.ng/news-and-events/circulars-releases/3310-press-release-on-the-release-of-june-30-2020-public-debt-data/file>
2. The World Bank (2020). The Cost of Air Pollution in Lagos. Retrieved from: <https://openknowledge.worldbank.org/bitstream/handle/10986/33038/The-Cost-of-Air-Pollution-in-Lagos.pdf?sequence=5&isAllowed=y>
- 3 Oil Price (2020). Oil Price Charts. Retrieved from: <https://oilprice.com/oil-price-charts/45>
- 4 CNBC (2020). ICE Brent Crude (Nov'20) (@LCO.1:Intercontinental Exchange Europe). Retrieved from: <https://www.cnbc.com/quotes/?symbol=@LCO.1>