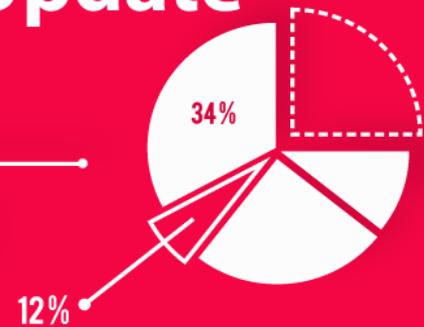




# Nigeria Economic Update



Weekly  
**Digest**

## **World Bank Approves \$750m for Nigerian Power Sector Recovery**

The World Bank has approved of \$750 million for the Power Sector Recovery Programme (PSRP) through the International Development Association (IDA).<sup>1</sup> The disbursement plan to commence in 2021 is as follows: \$426 million in 2021 and \$162 million in 2022 and 2023, respectively, summing up to \$750 million. The recovery plan being set up is to enable Nigeria achieve a more reliable electricity supply and improve the accountability of the power sector. Presently, approximately 47 percent of the population do not have access to national grid electricity. The population that has access are subjected to frequent power outages, a major constraint that costs the Nigerian economy around \$28 billion, annually – equivalent to 2 percent of the GDP. Furthermore, the aim of the PSRP is to make Nigeria a more financially sustainable nation and it will achieve this by increasing the annual electricity supplied to the national grid by 4,500 MWh/hour by 2022. Aside improving service delivery, the additional liquidity will strengthen the balance sheet of distribution companies and enhance their ability to attract private finance. Furthermore, the government will be better positioned to utilize the resources previously used to bail out the power sector for other development spending.

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## **Pessimistic Consumer Confidence**

Consumer overall confidence for the second quarter of 2020 declined as consumers were pessimistic on their outlook within the review period. Consumer confidence index decreased from -0.3 points to -29.2 points between the first and second quarter 2020.<sup>3</sup> Respondents attributed the negative outlook to worsening economic conditions, deteriorating family financial situation, and decline in family income. Also, most respondents expect prices of goods and services to rise in the next 12 months and unemployment to rise in the review period. The worsening economic condition is likely to continue considering the economy's heavy reliance on oil for revenue, leading to a lack of resources amid competing development needs. However, consumer confidence could be more optimistic in the near future as business owners access the range of interventions made available by the government and commercial banks such as the N50 billion credit facility, loan restructuring, and employee retentive schemes.

## **Increase in Consumer Prices**

Consumer prices increased for the 12<sup>th</sup> consecutive month of rising inflation in August 2020.<sup>2</sup> Specifically, inflation rate increased from 12.82 percent in July 2020 to 13.22 percent in August 2020. Both food and core sub-indexes increased by 0.52 percent and 0.42 percent to 16 percent and 10.52 percent respectively in the period under review. The highest increments for the food sub-index was recorded in bread and cereals, fish, potatoes, yams, and other tubers. The major drivers of the core sub-index were passengers transport by air and hospital services. An interplay of factors including increases in production cost as a result of interrupted supply chains and labour supply; increase in the price of electricity and fuel; high fiscal deficit and the significant stimulus package deployed; and accommodative monetary policy responses are likely to be responsible for the rise in inflation. In the short-term, the Central Bank may find it difficult to curb inflation given that the government seeks to boost private sector spending. Winners and losers are likely to emerge with lenders and those that save in cash and bonds more affected.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'20Q1</b>	<b>'20Q2</b>
<b>GDP Growth Rate (%)</b>	1.87	- 6.10
<b>Oil GDP (%)</b>	9.5	8.93
<b>Non-oil GDP (%)</b>	90.5	91.07
<b>Unemployment Rate (%)</b>	NA	27.1
<b>Foreign Direct Investment (US \$ Million)</b>	214.3	148.6
<b>Portfolio Investment (US \$Millions)</b>	430.9	385.32
<b>Other Investment (US \$Million)</b>	1,330.65	761.03
<b>External Debt (FGN &amp; States- N'Trillion)</b>	9.9	11.36
<b>Domestic Debt (FGN + States &amp; FCT N'Trillion)</b>	18.6	19.65
<b>Manufacturing Capacity utilization (%)</b>	NA	NA
<b>Monthly Indicators</b>	<b>Aug'20</b>	<b>Sept'20</b>
<b>Headline Inflation (%)</b>	13.22	13.71
<b>Food Sub-Index (%)</b>	16	16.66
<b>Core Sub-Index (%)</b>	10.52	10.58
<b>External Reserves (End Period) (US\$ Billion)</b>	35.59	NA
<b>Official Rate Approx. (N/US\$)</b>	478	NA
<b>BDC Rate Approx. (N/US\$)</b>	473.48	NA
<b>Manufacturing PMI</b>	48.5	46.9
<b>Non-Manufacturing PMI</b>	44.7	41.9
<b>Crude Oil Price (US\$/Barrel)</b>	61.05	NA
<b>Petrol (PMS-N/litre)</b>	148.78	161.06
<b>Diesel (AGO -N/Litre)</b>	221.88	219.68
<b>Kerosene (HHK -N/Litre)</b>	346.53	347.98
<b>MPR (%)</b>	12.5	11.5
<b>CRR (%)</b>	27.5	27.5
<b>91 Day T-Bill Rate (%)</b>	1.17	NA
<b>Savings Deposit (%)</b>	3.78	NA
<b>Prime Lending (%)</b>	11.76	NA
<b>Maximum Lending (%)</b>	29.51	NA
<b>Narrow Money (N'Million)</b>	13,137,147.73	NA
<b>Broad Money (N'Million)</b>	37,186,261.82	NA
<b>Net Domestic Credit (N'Million)</b>	38,688,582.41	NA
<b>Credit to the Government (Net) (N'Million)</b>	8,551,277.01	NA
<b>Credit to the Private Sector (N'Million)</b>	30,137,305.39	NA
<b>Currency in Circulation (N'Million)</b>	2,370,886.01	NA
<b>FAAC (N'Billion)</b>	676.41	NA

\*Revised GDP figures/tentative figures

NA: Not Available

1. World Bank (2020). Power Sector Recovery Performance Based Operation. Retrieved from: <https://projects.worldbank.org/en/projects-operations/project-detail/P164001>
2. NBS (2020). Consumer Price Index Report August. Retrieved from: <https://www.nigerianstat.gov.ng/download/1153>
3. CBN (2020). Consumer Expectation Survey Report, June 2020. Retrieved from <https://www.cbn.gov.ng/Out/2020/STD/Q2%202020%20CES%20REPORT.pdf>

