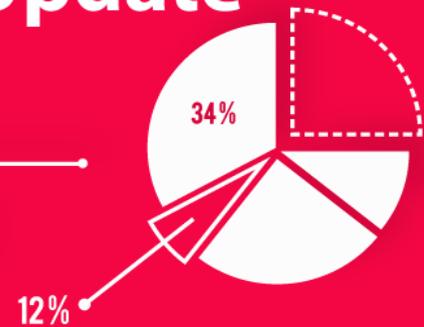




Nigeria Economic Update



CBN Reduces Monetary Policy Rate

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) voted to reduce the Monetary Policy Rate by 100 basis points, from 12.5 percent to 11.5 percent.¹ Other decisions taken by the MPC includes the retention of Cash Reserve Ratio (CRR) at 27.5 percent and retaining the liquidity ratio at 30 percent. These decisions were made in support of driving price stability and output growth. The MPC aims to use these policies to help reduce cost of capital in order for businesses to be able to afford loans. While the reduction in the MPR is expected to reflect in the interest rate of commercial banks, the banking sector may not be well-positioned to provide affordable loans. Considering that loans and advances to the oil sector accounts for about 30 percent of the risk assets in the banking industry, the disruption in the oil sector is likely to affect the ability of these companies to service their loans. Furthermore, banks are already being encouraged to offer debt moratorium by restructuring existing loans combined with the already high cash reserve ratio, making it difficult for them to make loans available. As such, revisions to CRR should be considered at the next MPC meeting.

Decline in FAAC Allocation

The Federation Account Allocation Committee (FAAC) disbursed the sum of ₦676.41bn to the three tiers of government in August 2020 from the revenue generated in July 2020.² This was 2.84 percent lower than the ₦696.18 billion disbursed in July 2020.³ Disaggregated data shows the federal, states and local governments received ₦266.13 billion, ₦185.77 billion, and ₦138.97 billion respectively. The drop in disbursement is attributable to decline in total revenue. Besides, oil revenue constitutes two-third of the total revenue which has been tremendously affected by the global oil crash price. Nigeria remains vulnerable to oil shocks as even the non-oil sector depends largely on the activities of the oil sector to thrive. Therefore, Nigeria needs to strengthen its efforts to raise internally generated revenue. Also, state governments need to employ effective and efficient means of boosting up their tax revenue through their Internal Revenue Services.

Decline in Electricity Consumption

A recently released report by the National Bureau of Statistics (NBS), showed that a total of 33,448,633 MWh of energy was generated by power stations.⁴ Total energy sent out by the generation companies (GenCos) stood at 32,799,114MWh during the review period. Energy consumed by the Distribution Companies (DisCos) in 2019 stood at 28,026,503MWh. Cross border electricity transactions showed that Nigeria supplied Benin and Niger Republic a total of 1,278,344MWh and 1,048,807MWh of electricity respectively. Meanwhile, in 2018, the average daily rate to consumers was 3,800MWh. This plunged to 3,775MWh in 2019. In addition, 3,587MW of electricity could not reach Nigerian homes and offices due to poor outing caused by gas shortage as well as distribution and transmission challenges. This has not only caused consumer's dissatisfaction but also, the sector loses an unearned revenue worth ₦609.523 billion if the electricity is not consumed. Hence, the DisCos should strive to amend transmission and distribution challenges by maintaining and replacing worn out or stolen transmission equipment.

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

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*Revised GDP figures/tentative figures
NA: Not Available

1. CBN (2020). Monetary Policy Rate (MPR) as at Tuesday 22nd September. Retrieved from: <https://www.cbn.gov.ng/rates/mnymktind.asp>
2. NBS (2020). Federation Account Allocation Committee, August 2020. Retrieved from: <https://www.nigerianstat.gov.ng/download/1161>
3. NBS (2020). Federation Account Allocation Committee, July 2020. Retrieved from: <https://www.nigerianstat.gov.ng/download/1160>
4. NBS (2020). Power Sector Report: Energy Generated and Sent Out and Consumed and Load Allocation. Retrieved from: file:///C:/Users/chiio/Downloads/Power_Generation_-_2019.pdf