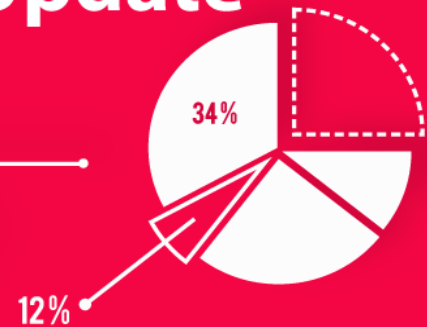




# Nigeria Economic Update



Weekly  
**Digest**



## **Contraction in PMI**

The manufacturing and non-manufacturing Purchasing Managers' Index (PMI) for the month of October showed a slowing contraction relative to previous months, making it the 7<sup>th</sup> consecutive month both indices have been below the 50-index point benchmark.<sup>1</sup> Manufacturing PMI increased from 46.9 index points to 49.4 index points while non-manufacturing increased from 41.9 index points to 46.8 index points, but still below the 50-index point benchmark. However, 6 out of 14 subsectors in the manufacturing sector recorded an expansion relative to the previous month. In the non-manufacturing sector, only 3 out of the 7 subsectors recorded growth relative to the previous month. Production is expected to improve significantly as the economy rebounds and the festive season approaches, thus both manufacturing and non-manufacturing PMI are expected to advance towards the 50-index point benchmark. However, the increase in PMI, as a result of increased demand, is likely to be associated with rising inflation. As such, the Central Bank of Nigeria (CBN) should increase efforts towards addressing the rapid increase in the price of commodities.

## **Pessimistic Consumer Expectation**

Data from the CBN shows that consumers' overall outlook was negative as the index stood at -21.2 points in the third quarter of 2020. However, the index remained optimistic compared to -29.2 points in the second quarter of 2020, but is considerably worse than the outlook in the third quarter of 2019 which stood at 3.8 points.<sup>2</sup> The negative outlook is attributed to the worsening economic condition and poor financial situation. Contrarily, consumers appeared to be optimistic about the final quarter of the year due to expected increase in household income among other anticipated improvements. Consumers also expect a rise in inflation as a result of the rise in the prices of food, education, consumer durables, and household necessities. Considering that the pandemic resulted in job loss and reduced income for many households, consumer outlook is likely to remain pessimistic going forward. However, households can tap into the interventions made available by the government such as the Nigerian Youth Investment Fund (NYIF) and leverage on new opportunities in order to adapt to the post-COVID era.

## **Increased VAT Generation**

Data from the National Bureau of Statistics show that N424.71 billion was generated as Value Added Tax (VAT) in the third quarter of 2020. This was 29.80 percent and 54.37 percent greater than the amount generated in the previous quarter and in the corresponding quarter of 2019.<sup>3</sup> Out of the total amount generated in the review period, N214.66 billion was generated as Non-Import VAT locally while N115.34 billion was generated as Non-Import VAT for foreign, and N94.70 billion was generated as NCS-Import VAT. Further disaggregation shows that the following sectors generated the highest VAT; 'other manufacturing' sector (N47.07 bn), professional service (N44.01 bn), and commercial and trading (N21.18 bn). While the increase in VAT generation is a step towards mobilizing revenue, efforts towards transitioning informal businesses to the formal sector, systematically identifying and accounting for tax payers, and ensuring compliance should be improved in order to considerably increase revenue.

<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>Jul'20</b>	<b>Aug'20</b>
<b>Headline Inflation (%)</b>	12.82	13.22
<b>Food Sub-Index (%)</b>	15.48	16
<b>Core Sub-Index (%)</b>	10.1	10.52
<b>External Reserves (End Period) (US\$ Billion)</b>	36.12	35.59
<b>Official Rate Approx. (N/US\$)</b>	390	478
<b>BDC Rate Approx. (N/US\$)</b>	464.71	473.48
<b>Manufacturing PMI</b>	44.9	48.5
<b>Non-Manufacturing PMI</b>	43.3	44.7
<b>Crude Oil Price (US\$/Barrel)</b>	66.24	61.05
<b>Petrol (PMS-N/litre)</b>	143.80	138.62
<b>Diesel (AGO -N/Litre)</b>	224.43	160
<b>Kerosene (HHK -N/Litre)</b>	335.54	165
<b>MPR (%)</b>	12.5	12.5
<b>CRR (%)</b>	NA	NA
<b>91 Day T-Bill Rate (%)</b>	1.3	1.17
<b>Savings Deposit (%)</b>	3.78	3.78
<b>Prime Lending (%)</b>	12.1	11.76
<b>Maximum Lending (%)</b>	28.42	29.51
<b>Narrow Money (N'Million)</b>	12,556,728.46	13,137,147.73
<b>Broad Money (N'Million)</b>	36,594,710.31	37,186,261.82
<b>Net Domestic Credit (N'Million)</b>	39,588,706.14	38,688,582.41
<b>Credit to the Government (Net) (N'Million)</b>	9,523,964.25	8,551,277.01
<b>Credit to the Private Sector (N'Million)</b>	30,064,741.89	30,137,305.39
<b>Currency in Circulation (N'Million)</b>	2,395,917.03	2,370,886.01
<b>FAAC (N'Billion)</b>	696.18	682.060

\*Revised GDP figures/tentative figure NA: Not Available

1. CBN (2020). Purchasing Managers' Index (PMI) Survey Report: October 2020. Retrieved from: <https://www.cbn.gov.ng/Out/2020/STD/PMI%20Report%20October%202020.pdf>
2. CBN (2020). Consumer Expectations Survey Report: Q3 2020. Retrieved from: <https://www.cbn.gov.ng/Out/2020/STD/Q3%202020%20CES%20Report.pdf>
3. NBS (2020). Sectoral Distribution of Value Added Tax (Q3 2020). Retrieved from: <https://nigerianstat.gov.ng/download/1178>

