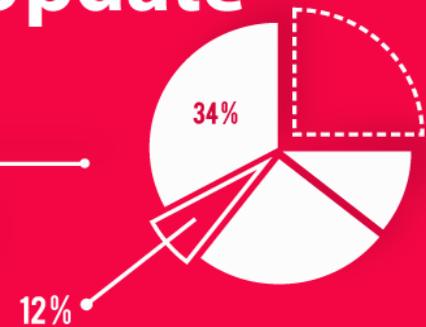




Nigeria Economic Update



Removal of Fuel Subsidy

Data from the National Bureau of Statistics (NBS) shows that the average price paid for premium motor spirit (petrol) by consumers increased by 10.79 percent year-on-year to N161.17 in October 2020 from N145.48 in October 2019.¹ This increase can be attributed to the removal of fuel subsidy which is driven by the government's inability to generate sufficient revenue to fund the subsidy.² Going forward, pump price is expected to be market-determined, as pump prices will no longer be fixed. From an environmentally sustainable perspective, the subsidy removal is a commendable development in disincentivizing the use of fossil fuel and incentivizing the use of renewable energy while reducing the crowding out of public revenue. However, the subsidy reform is being introduced in a worsening economic climate with implications on the living standard of most citizens. The government can leverage on the opportunity presented by the pandemic to introduce additional structural reforms such as streamlining government Ministries, Departments, and Agencies (MDAs) in order to make resources available for development spending.

Increase in Consumer Prices

The Consumer Prices Index for the month of October 2020 increased to 14.23 percent from 13.71 percent recorded in the preceding month.³ The increase in inflation rate was mostly driven by the food component of inflation. More specifically, the food component of inflation increased to 17.38 percent from 16.66 percent between October and September 2020. While the core component increased to 11.14 percent from 10.58 percent within the review period. The increase in food prices can be attributed to the high transportation costs and general cost pass-through which will have a debilitating effect on livelihoods, given that several households are faced with job losses or reduced income. Increasing the size and coverage of distributed food products at both national and sub-national level, and ensuring optimal targeting will provide a fair level of food security in the near term. However, going forward, it is critical to develop all segments of the agricultural value chain particularly the production and processing segments while incorporating small holder farmers. This will ensure that farmers maximize profit and limit cost pass-through in market prices.

Introduction of the Accelerated Agriculture Development Scheme

The Central Bank of Nigeria (CBN) has provided guidelines for a new private sector-led Accelerated Agriculture Development Scheme (P-AADS) ⁴. The scheme is an addition to a state driven Agriculture Development Scheme announced by the CBN earlier this year ⁵. Both initiatives are targeted at ensuring food security, economic diversification and increased job opportunities for about 370,000 youths, through promoting investment in the agricultural sector. The P-AADS allows for private sector involvement, in order to expand the scale and impact of the intervention programme. With farmers being able to obtain loans of up to N2 billion under the scheme, at low interest rates and relatively longer repayment tenors, it is expected that agricultural production would become more attractive to the country's teeming youth population. If effectively monitored and implemented, this scheme could significantly reduce unemployment rate in Nigeria. There is however, room for inclusion of more agricultural products beyond the 13 items listed as eligible. Also, the scheme can be tiered in a manner that permits smallholder

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

*Revised GDP figures/tentative figure NA: Not Available

1. NBS (2020). Premium Motor Spirit (Petrol) Price Watch. Retrieved from: <https://nigerianstat.gov.ng/download/1186>
2. Channels Television (2020). Full Video: Recent Petrol Hike Linked to Pfizer's COVID-19 Vaccine – FG. Retrieved from: <https://youtu.be/epY8M1FLuRM>
3. NBS (2020). Consumer Price Index October 2020. Retrieved from: <https://www.nigerianstat.gov.ng/download/1184>
4. CBN (2020). Guidelines for the Private Sector-led Accelerated Agriculture Development Scheme. Retrieved from: <https://www.cbn.gov.ng/Out/2020/DFD/GUIDELINES%20FOR%20THE%20P-AADS.pdf>
5. CBN (2020). Non-Interest Guidelines for the Accelerated Agriculture Development Scheme. Retrieved from: <https://www.cbn.gov.ng/Out/2020/CCD/AADS%20GUIDELINES%20REVIEWED%20FOR%20THE%20ACCELERATED%20AGRICULTURAL%20DEVELOPMENT%20SCHEME%20final.pdf>