

Issue 27,
July 7, 2017

FAAC

Analysis of disbursements by the Federal Accounts Allocations Committee shows an increase in allocations from January 2017 to May 2017 – representing revenue generated in the five-month period. Compared to the 2016 corresponding period, FAAC allocation increased by 34 percent to N2.27 trillion¹. The largest disbursement was made in February 2017 (N514 billion), and the least disbursement was in May 2017 (N419 trillion). The increase in disbursements during the period may be attributable to stability of Oil and Non-oil tax revenue inflows occasioned by moderations/improvements in both oil production activities and Non-oil tax collection processes. Going forward, there is the need for a comprehensive export industrial development policy to help improve domestic business environment for the required export base necessary to create more stability in government revenue inflows.



Manufacturing Sector

Recent media highlights reveal that Manufacturing sector made investments worth N614.55 billion in 2016, relative to the N489.45 billion made in 2015² – translating to a 26 percent annual increase. The investments, which are made majorly on Non-current assets (Plant and machinery, Furniture and Equipment, Land and Buildings), ranked highest in the Cement, Ceramics and Glass manufacturing sub-sector. The increase is attributable to significant improvements in access to foreign exchange. This was at the backdrop of the CBN's policy directive to banks in 2016, to sell 60 percent Forex to Manufacturers strictly for the purpose of importation of raw materials, plant and machinery³. Going forward, monetary and fiscal policy makers should continue to acknowledge that their long-term goals for manufacturing sector growth and exports are best served by supporting critical enablers for manufacturers, such as investing in modern infrastructure.



Public Debt

Provisional data from the Debt Management Office indicates a continued increase in Nigeria's debt profile. Total debt stock stood at N19.16 trillion as at the end of 2017Q1 (March 31, 2017)⁴, a 10.4 percentage increase from N17.36 trillion recorded as at December 31, 2016⁵ - three months into the year 2017. The constant increase seems to indicate the government's apparent resolve to borrow from both internal and external sources in a bid to fund budget deficits and projects for economic recovery. However, the debt burden continues to be weightier, as the percentage of debt to GDP is approximately 20 percent. The recent upward trajectory in public debt profile amid non-increasing output and revenue would undoubtedly put the country's debt sustainability at risk. This also indicates higher future debt service with a strong burden on the future generation. Going forward, efforts should be geared towards strengthening domestic resource mobilization and prevent further increase in debt size.



Business Confidence Index

Recently released Business Survey Report by CBN shows less pessimism in the business environment for the second quarter 2017. Specifically, Business Confidence Index improved Quarter-over-Quarter from -27.7 to -1.5 index points in 2017Q2⁶. Greater optimism in the business environment may have been triggered by a myriad of factors: availability of funds (including forex liquidity) for purchase of production raw materials, general improvements in the macroeconomic environment, relative price stability, amongst others. Outlook on business confidence for 2017Q3 also shows greater confidence. Going forward, speedier implementation of 2017 budget in addition to clarity and consistency in the policy environment would also contribute in enhancing investment and business confidence.



ECONOMIC INDICATORS

QUARTERLY ECONOMIC INDICATORS	2016Q3	2016Q4	2017Q1
GDP Growth Rate (%)	-2.34*	-1.73*	-0.52
Oil GDP (%)	-23.04*	-17.70*	-11.64
Non-Oil GDP (%)	0.03	-0.33	0.72
Unemployment Rate (%)	13.9	14.2	NA
Underemployment Rate (%)	19.7	21.0	NA
Foreign Direct Investment (US \$'Million)	340.64	344.63	211.38
Portfolio Investment (US \$'Million)	920.32	284.22	313.61
Other Investments (US \$'Million)	561.16	920.03	383.28
External Debt (FGN & States - N'Billion)	3,535.58	3,478.91	NA
Domestic Debt (FGN - N'Billion)	10,845.22	11,058.20	NA
Manufacturing Capacity Utilisation (%)	48.4	48.5	NA
MONTHLY ECONOMIC INDICATORS	Mar-2017	Apr-2017	May-2017
Headline Inflation (%)	17.26	17.24	16.25
Food Sub-Index (%)	18.44	19.30	19.27
Core Sub-Index (%)	15.40	14.80	13.00
External Reserve (US\$ Million)	29,996.38	30,749.28	29,811.85
All Share Index (Points)	25,516.34	25,758.51	29,498.31
Market Capitalization (N' Billion)	8,828.96	8,912.90	10,197.73
Exchange Rate (BDC - N/US\$)	429.48	392.89	384.48
Official Rate (N/US\$)	306.4	306.05	305.54
Manufacturing PMI	47.7	51.1	52.5
Non-Manufacturing PMI	47.1	49.5	52.7
Crude Oil Price(US\$/Barrel)	52.13	52.94	50.57
Petrol (PMS - N/litre)	149.4	149.9	150.57
Diesel (AGO - N/litre)	234.55	229.25	216.3
Kerosene (NHK - N/litre)	311.56	280.80	303.29
MPR (%)	14	14	14
Private Sector CRR (%)	22.5	22.5	22.5
Public Sector CRR (%)	22.5	22.5	22.5
91 Day T-Bill Rate (%)	13.60	13.58	13.5
Savings Deposit (%)	4.23	4.24	4.08
Prime Lending (%)	17.43	17.44	17.58
Maximum Lending (%)	30.18	30.31	30.75
Narrow Money (N'Billion)	9,955.24	9,760.42	10,184.90
Broad Money (N'Billion)	22,024.98	21,712.98	21,975.34
Net Domestic Credit (N'Billion)	27,472.69	27,534.71	26,758.77
Credit to Government (N'Billion)	5,199.69	5,591.83	4,828.05
Credit to Private Sector (N'Billion)	2,227.30	2,194.29	2,193.07
Currency in Circulation (N'Billion)	1,983.63	1,975.81	1,897.92
FAAC (N' Billion)	466.9	496.39	418.8

*Revised GDP figures

NA: Not Available

¹Punch (2017). “FG, states, LGs share N2.27tn in five months”. Accessed July 11, 2017.

<http://punchng.com/fg-states-lgs-share-n2-27tn-in-five-months/>

²Odinaka A. (2017, July 06). Manufacturers Make N3.79trn Investment In Four Years. *Business Day*, pp4, 33.

³This Day (2017). “CBN Directs Banks to Allocate 60% of FX Sales to Manufacturers”. Accessed July 12, 2017. <https://www.thisdaylive.com/index.php/2016/08/23/cbn-directs-banks-to-allocate-60-of-fx-sales-to-manufacturers/>

⁴Debt Management Office (2017). “Nigeria's Public Debt Stock as at March 31, 2017”. Retrieved from, <https://www.dmo.gov.ng/debt-profile/total-public-debt/2075-total-public-debt-stock-as-at-31st-march-2017/file>

⁵ Debt Management Office (2017). “Nigeria's Public Debt Stock as at December 31, 2016”. Retrieved from, <https://www.dmo.gov.ng/debt-profile/total-public-debt/1974-total-public-debt-as-at-31st-december-2016/file>

⁶CBN (2017). “Business Expectations Survey Report: Q2 2017”. Accessed July 11, 2017. https://www.cbn.gov.ng/Out/2017/SD/2017%20Q2%20BES%20Report_Final.pdf