CSEA
Centre for the Study of the Economies of Africa

Nigeria Economic Update

Weekly Digest

May 14 2021 Issue 20

Drop in Diaspora Remittances

Based on recent estimates by the World Bank, a total of $17.2 billion diaspora remittances flowed into Nigeria in the year 2020[1]. This represents a decline by 27.7 percent when compared to the previous year. The decrease can be attributed to restriction of movement, lull in business activities and employment uncertainties in host countries occasioned by the COVID-19 pandemic. Also, the decrease was driven by a high premium on the Naira/USD exchange rate in informal markets, coupled with an unexpected policy directive that required agent banks of money transfer operators to effect pay-outs in US Dollars rather than the Naira. Going forward, we envisage that remittance inflows into Nigeria would improve in 2021 since host countries' economies have begun to recover from the COVID-19 shock. Ongoing policies introduced by the central bank could also encourage increased remittances.

Increased Company Income Tax Revenue

Data from the National Bureau of Statistics (NBS) shows a 32.8 percent increase in Company Income Tax (CIT) generated in the first quarter of 2021 (Q1 2021)[2]. More specifically, CIT generated increased from N295.72 billion in the fourth quarter of 2020, to N392.77 billion in Q1 2021. Further disaggregation shows that the following sectors generated the highest CIT: breweries, bottling and beverages (N23.26 billion), professional services (N18.17 billion) and state ministries/parastatals (N17.35 billion). While the observed increase is a welcome development, it is important that tax revenues are channelled towards enhancing infrastructure development aimed at improving the general climate for private sector growth, and reducing business operational costs. Domestic revenue mobilisation efforts also need to be more efficient and effective to sustain this trend.

Appreciation in Stock Market

The Nigerian Stock Exchange All-Share Index and Market Capitalization appreciated minimally by 0.72 percent to end the week at 39,481.89 points and N20.579 trillion, respectively[3]. While most of the other indices also appreciated, a few others did not perform quite as well. NSE Sovereign Bond Index depreciated by 10.69%, while the NSE ASeM and NSE Growth indices remained unchanged. Despite the slight appreciation in prices during the week, the Nigerian stock market is still showing signs of volatility which is reflective of the general situation of the Nigerian economy. Economic uncertainties appear to still be affecting the stock market. Since stock markets are only as resilient as the economies in which they operate, there is a need for growth in real output, and economic diversification in Nigeria to foster greater investor confidence.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'20Q3	'20Q4
GDP Growth Rate (%)	- 3.62	0.11
Oil GDP (%)	-13.98	-19.76
Non-oil GDP (%)	-2.51	1.69
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US $ Million)	414.79	251.27
Portfolio Investment (US $Millions)	407.25	35.15
Other Investment (US $Million)	639.44	783.26
External Debt (FGN & States- N'Trillion)	12.16	NA
Domestic Debt (FGN + States & FCT N'Trillion)	20.04	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Dec'20	Jan'21
Headline Inflation (%)	15.75	16.47
Food Sub-Index (%)	19.56	20.57
Core Sub-Index (%)	11.37	11.85
External Reserves (End Period) (US$ Billion)	35.37	36.3
Official Rate Approx. (N/US$)	379	379
BDC Rate Approx. (N/US$)	NA	NA
Manufacturing PMI	50.2	NA
Non-Manufacturing PMI	47.6	45.7
Crude Oil Price (US$/Barrel)	NA	NA
Petrol (PMS-N/litre)	165.70	164.09
Diesel (AGO -N/Litre)	224.37	224.86
Kerosene (HHK -N/Litre	352.79	350.55
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	1,949.75	1,949.02
MPR (%)	11.50	11.5
CRR (%)	27.5	27.5
91 Day T-Bill Rate (%)	NA	NA
Savings Deposit (%)	2.04	NA
Prime Lending (%)	11.35	NA
Maximum Lending (%)	28.31	NA
Narrow Money (N'Million)	15,923,942.49	NA
Broad Money (N'Million)	38,673,641.64	NA
Net Domestic Credit (N'Million)	41,636,319.09	NA
Credit to the Government (Net) (N'Million)	11,469,182.65	NA
Credit to the Private Sector (N'Million)	30,167,136.44	NA
Currency in Circulation (N'Million)	2,908,462.40	NA
FAAC (N'Billion)	160.59	NA

*Revised GDP figures/tentative figure
NA: Not Available

1. World Bank (2021). Resilience COVID-19 Crisis Through a Migration Lens: Migration and Development Brief 34 May 2021. Retrieved from, https://www.knomad.org/sites/default/files/2021-05/Migration%20and%20Development%20Brief%2034_0.pdf

2. NBS (2021). Company Income Tax by Sector (Q1 2021). Retrieved from, https://www.nigerianstat.gov.ng/download/1241020

3. NGX (2021). Market Report for May 21st 2021. Retrieved from, https://doclib.ngxgroup.com/market_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2014-05-2021.pdf