CSEA
Centre for the Study of the Economies of Africa

Nigeria Economic Update

Weekly Digest

February 12 2021 Issue 7

Drop in FAAC Allocation

Data released by the National Bureau of Statistics revealed a decline in total disbursements from the Federation Account in 2020. The Federation Account Allocation Committee (FAAC) disbursed N4.79 trillion[1] to the federal and state governments in 2020, whereas, a total sum of N5.4 trillion was disbursed in the preceding year 2019, representing a 13% decline. Further disaggregation shows that the federal and state governments received N2.49 trillion and N2.3 trillion respectively in the period under review. Delta and Akwa-Ibom states were the biggest beneficiaries, receiving the highest allocations of N186.83 billion and N146.27 billion respectively, while Osun and Cross River states received the least allocations of N30.63 billion and N32.89 billion respectively. The overall decrease in disbursements is an indication of a dip in total revenue sourced during the year. The COVID-19 pandemic negatively affected global oil sales, which is the country's main source of revenue. This therefore calls for increased commitment and intervention programs to diversify the economy, and reduce the country's vulnerability to oil price shocks. Domestic revenue mobilization efforts also need to be intensified.

New Debt Management Strategy for 2020 to 2023

The Federal Executive Council (FEC) has approved the Medium-Term Debt Management Strategy for 2020-2023[2]. Some of the plans contained in the strategy document include; increasing the minimum debt the government is allowed to take on from 25% to 40% of GDP, amendment of the optimal composition of public debt portfolio between domestic and external debt stock from a 60:40 ratio to 70:30. Considering the huge developmental needs of the nation, it is only inevitable that government spending will continue rising, resulting in greater funding needs including borrowing. The debt management strategy is therefore expected to guide government's approach in managing its public debt, especially as public debt has been consistently increasing. While the plan could support sourcing of funds locally and strengthen the financial market, it is imperative that the strategies put in place are properly implemented, and monitored closely to ensure that the nation's debt management is effective and sustainable.

Depreciation in Stock Market

All-Share Index and Market Capitalization depreciated by 3.04 percent to close at 40,439.85 and N21.156 trillion respectively in the week under review. All other indices finished lower except for NSE Growth Index which rose by 0.42 percent while the NSE ASeM and NSE Sovereign Bond Indices closed flat.[4] Furthermore, 16 equities appreciated in price in the review week compared to 22 equities in the previous week. 55 equities depreciated compared to 60 equities in the previous week, while ninety-one (91) equities remained unchanged, higher than eighty (80) equities recorded in the previous week. The slight depreciation in the stock market comes after the initial rallying due to the low yield environment. This depreciation could be reflecting the fact that several stocks are increasingly reflecting their true value. However, volatilities in the oil market and delays in receiving the COVID-19 vaccine could lead to further depreciations in the stock market.

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. NBS (2021). FAAC Disbursement Series: 2020. Retrieved from, https://www.nigerianstat.gov.ng/download/1227

2. DMO (2021). Press Release on Medium Term Debt Management Strategy February 10, 2021. Retrieved from: https://www.dmo.gov.ng/news-and-events/dmo-in-the-news/press-release-on-medium-term-debt-management-strategy-february-10-2021

3. NSE (2021). Weekly Market Report for the Week Ended 12-02-2021. Retrieved from, http://www.nse.com.ng/market_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2012-02-2021.pdf