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Nigeria enters into a Recession

Nigeria has slipped into a recession after recording two consecutive quarters of negative growth rate. Gross Domestic Product (GDP) grew by –3.62 percent in the third quarter of 2020 from -6.1 percent in the second quarter of 2020. The negative growth can be attributed to the decline in growth recorded in both the oil and non-oil sectors.[1] Growth rate of the non-oil sector which contributes 91.3 percent to GDP stood at -2.51 percent while the growth rate of the oil sector stood at -13.89 percent. Further disaggregation of the data shows that an average of 1.67 million barrels of oil was produced daily in the third quarter of 2020 which was lower than the production in the same quarter of 2019 and in the second quarter of the 2020 by 0.37 million barrels and 0.14 million barrels respectively. Economic recovery will be largely dependent on the complete implementation of the 2020 budget as well as the Economic Sustainability Plan (ESP). However, availability of finance could pose a problem given that the key financing sources are loans from official creditors which are not as easy to obtain in these climes. Nevertheless, the increased availability of finance to the private sector such as the Youth Investment Fund and SME finance is likely to improve the economic prospects in the near term.

Improvement in Purchasing Managers' Index

Manufacturing Purchasing Managers' Index (PMI) for the month of November 2020 stood at 50.2 index point, reflecting an expansion for the first time since May 2020. By contrast, non-manufacturing PMI stood at 49.4 index points, indicating a contraction since February 2020.[2] The recovery in the manufacturing sector is due to an expansion in 8 out of the 14 sub sectors. On the other hand, only 3 out of 17 subsectors of the non-manufacturing sector recorded a growth. The increase in the manufacturing PMI signals the resumption of normal activities in the sector. This is occurring in the context where local manufacturers have taken advantage of the opportunities created by the crisis to produce PPEs, masks, and ventilators. Going forward, industry leaders in both manufacturing and non-manufacturing sectors should leverage on the increased digitalization to automate processes and adopt advanced-manufacturing technologies. This will improve production efficiency as well as service delivery and effectiveness.

Mixed Outcomes from FAAC's Q3 Disbursement

The Federation Account Allocation Committee (FAAC) disbursed a total sum of ₦2.05 trillion to the three tiers of government and other statutory recipients[3] in the third quarter (Q3) of 2020. Disaggregated data shows that the federal, state and local governments received ₦812.22 billion, ₦676.5 billion and ₦429.16 billion respectively. While the Q3 allocations are higher than earlier disbursements made in the year, it remains lower than year-on-year comparative allocations in 2018 Q3 and 2019 Q3. Higher disbursements in 2020 Q3 compared to Q1 and Q2 can be attributed to gradual increase in demand for oil post COVID-19 global lock-down, and the devaluation of the Naira. Despite the positive forecasts of continuous rise in oil revenue for the coming quarters, it is imperative for Nigeria to find alternative revenue streams, and strengthen its domestic revenue mobilisation efforts and economic diversification initiatives, to reduce the country's vulnerability to fluctuations in global oil price.

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). Nigerian Gross Domestic Product Report (Q3 2020): November. Retrieved from: file:///C:/Users/chiio/Downloads/GDP_Report_Q3_2020.pdf
2. CBN (2020). Purchasing Managers' Index (PMI) Survey Report: November. Retrieved from: https://www.cbn.gov.ng/Out/2020/STD/PMI%20November%202020%20Report.pdf
3. NEITI (2020). FAAC Disbursed N2.054 Trillion in Third Quarter of 2020 - NEITI. Retrieved from: https://www.neiti.gov.ng/index.php/media-center/news/546-faac-disbursed-n2-054-trillion-in-third-quarter-of-2020-neiti-3