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Retaining the Monetary Policy Parameters

The Monetary Policy Committee (MPC) voted to retain the Monetary Policy Rate (MPR) at 11.5 percent.[1] The Monetary Policy Rate (MPR) has remained at 11.5 percent since September 2020. The committee also decided to retain the Cash Reserve Ratio (CRR) at 27.5 percent, liquidity ratio at 30 percent and the asymmetric corridor of +100/-700 basis points around the MPR. The committee's decision to take a holding position is already being supplemented by various ongoing government intervention programmes. These programs are intended to facilitate employment generation and stimulate recovery/growth in various sectors of the economy post-pandemic particularly the agriculture and services sectors. While this decision might be suitable for now, it is important for the MPC to closely monitor the evolving economic situation in the country, especially in view of rising inflation rate and the currency devaluation.

Increasing Federal Government Fiscal Deficit

Recently released data by the Central Bank of Nigeria (CBN) shows an increase in Federal Government deficit in 2020. Federal government deficit increased to N5.9 trillion in 2020 from N4.8 trillion in 2019.[2] The increase in Federal Government deficit can be attributed to an increase in government expenditure by 5.28 percent to N9.9 trillion while government revenue decreased by 14.17 percent to N4 trillion within the review period. Further disaggregation shows that recurrent expenditure accounted for 46.7 percent, debt service accounted for 32.8 percent, capital expenditure accounted for 16.2 percent, while transfers accounted for 4.3 percent. Given the current trends in both revenue and expenditure, the government's fiscal deficit is likely to continue rising owing to the volatility in the oil market alongside the sustainable increase in government expenses in the wake of the COVID-19 pandemic. Nevertheless, there is the need to reverse the trend of high (and rising) allocation to debt servicing and recurrent expenditure in order to create adequate economic opportunities for future generations.

Decline in Portfolio Investment

Total transaction at the Nigerian Exchange Group decreased by 30.01 percent to N159.93 billion in April 2021 from N228 billion in March 2021. Similarly, the total transaction at the Exchange Group decreased by 24.29 percent between April 2020 and April 2021.[3] The decrease is being driven by a fall in both domestic and foreign transactions. Further disaggregation shows that total value of transactions by domestic investors (N61.88 billion) accounted for 82 percent of total transaction while transactions executed by foreign investors (N18.2 billion) accounted for 18 percent. The decline in portfolio investment is linked to the uncertainty in the investment climate underpinned by both economic, social, political, and security concerns. Going forward, the negative trend is expected to continue, particularly for foreign investment.

ECONOMIC SNAPSHOT		
Quarterly Indicators	**'20Q4**	**'21Q1**
GDP Growth Rate (%)	0.11	0.51
Oil GDP (%)	-19.76	-2.21
Non-oil GDP (%)	1.69	0.79
Unemployment Rate (%)	33.3	NA
Foreign Direct Investment (US $ Million)	251.27	NA
Portfolio Investment (US $Millions)	35.15	NA
Other Investment (US $Million)	783.26	NA
External Debt (FGN & States- N'Trillion)	NA	NA
Domestic Debt (FGN + States & FCT N'Trillion)	NA	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	**Mar'20**	**Apr'21**
Headline Inflation (%)	18.17	18.12
Food Sub-Index (%)	22.95	22.72
Core Sub-Index (%)	12.67	12.74
External Reserves (End Period) (US$ Billion)	34.82	34.88
Official Rate Approx. (N/US$)	381	NA
BDC Rate Approx. (N/US$)	481.21	NA
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US$/Barrel)	66.62	64.3
Petrol (PMS-N/litre)	172.68	166.38
Diesel (AGO -N/Litre)	235.41	237.19
Kerosene (HHK -N/Litre	361.29	362.68
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	2,057.71	2,069.21
MPR (%)	11.50	11.5
CRR (%)	27.5	27.5
T-Bill Rate (%)	2.0	2.0
Savings Deposit (%)	1.86	1.86
Prime Lending (%)	11.13	11.24
Maximum Lending (%)	28.74	28.64
Narrow Money (N'Million)	16,139,759.87	NA
Broad Money (N'Million)	38,218,832.96	NA
Net Domestic Credit (N'Million)	43,435,075.88	NA
Credit to the Government (Net) (N'Million)	11,994,167.43	NA
Credit to the Private Sector (N'Million)	31,440,908.45	NA
Currency in Circulation (N'Million)	2,808,734.33	NA
FAAC (N'Billion)	NA	NA

*Revised GDP figures/tentative figure
NA: Not Available

1. CBN (2021). Central Bank of Nigeria Communiqué No. 136 of The Monetary Policy Committee Meeting Held on Monday 24th and Tuesday 25th May 2021. Retrieved from, https://www.cbn.gov.ng/Out/2021/CCD/COMMUNIQUE%20NO%20136%20-%20MAY%2025%202021%20-%20FINAL.pdf

2. CBN (2021). 2020Q4 Statistical Bulletin Tables Final. Retrieved from, https://www.cbn.gov.ng/Out/2021/STD/2020Q4%20Statistical%20Bulletin%20Tables_Final%20-%20Copy.xlsx

3. NGX (2021). Domestic & Foreign Portfolio Investment Report of Nigerian Exchange Limited: April 2021. Retrieved from, https://doclib.ngxgroup.com/market_data-site/other-market-information-site/FPI%20Report/Domestic%20And%20FPI%20Report-%20April%202021.pdf