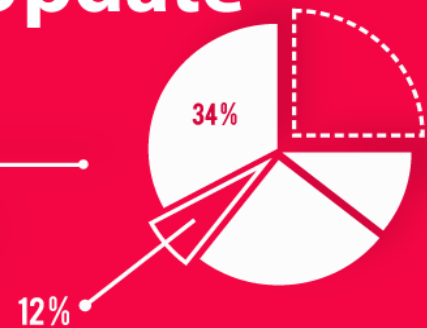




# Nigeria Economic Update



## ***Rise in Debt Stock***

The recently released total public debt portfolio for fourth quarter of 2019 (2019 Q4) indicates a rise in both external and domestic debt. The total public debt increased by 4.5 percent from N26.2 trillion to N27.4 trillion between Q3 and Q4 2019<sup>1</sup>. While external debt increased by 9.08 percent to N9.02 trillion, domestic debt increased by 2.42 percent to N18.35 trillion<sup>2</sup>. The external debt was driven upwards by a 2.5 percent increase in outstanding debt to the African Development Bank (AfDB) group and a 15 percent increase in the bilateral debt with the Exim Bank of China. Meanwhile, increase in FGN Bonds drove the rise in domestic debt. The steeper rise in external debt compared to domestic debt raises issues of debt servicing, particularly considering the weakened position of the Naira as it traded at N360:US\$1 compared to N307 of 2019 Q3<sup>3</sup>. Going forward, the debt stock will rise considerably as the government disclosed its plan to borrow US\$22.7 billion to finance infrastructure projects for the 2020 fiscal year. However, in the event that the Ministry of Finance is successful in obtaining debt relief from external creditors due to the COVID-19 pandemic, the debt stock could reduce in the short to medium term. While countries across the world borrow to finance budget deficits, careful consideration should be taken in order to ensure that the country builds the capacity to service the debt in the long term so as to avoid a debt trap.

## ***COVID-19 Fiscal Interventions***

The Federal Ministry of Finance as well as the Ministry of Budget and National Planning has announced a range of fiscal interventions which include a N500 billion COVID-19 crisis intervention fund to finance public works programs, support states and upgrade health facilities<sup>4</sup>. It also announced the review of the Finance Act 2019 to offer a 10 percent corporate tax relief for medium sized enterprises and 100 percent relief for small and micro enterprises. The Act expansion included the VAT exemption of essential foods, and medical supplies to support efforts against the COVID-19 situation. To further ensure fiscal stability, the Ministry announced the approval of US\$150 million from the Nigeria Sovereign Investment Authority (NSIA) Stabilization Fund to support the June 2020 FAAC disbursement. These efforts among others would ease the impact of the COVID-19 pandemic on households, businesses and industries. While the size of the fiscal interventions is commendable, it is important for the government to frequently assess the situation and be open to initiating additional responses. More importantly, Ministries should work together to identify non-essential spending that can be curtailed to create space for pandemic-related spending in order to prevent permanent damage to the Nigerian economy.

## ***Rising Unemployment in Africa***

The International Labor Organization (ILO) recently released a report which highlights global trends of employment. The report noted that the sub-Saharan African region which is characterized by high informal employment would experience a 3.1 percent employment growth in 2020<sup>5</sup>. However, this growth will be counteracted by the displacement of workers as a result of the COVID-19 pandemic. In March, the ILO noted that 38 percent of the global workforce would be displaced<sup>6</sup> as a result of the pandemic. The high informal nature of the workforce in Nigeria, as well as limited social protection stands to increase population vulnerability. Within Nigeria, the unemployment rate which stood at 23.1 percent in Q3 2018 has been steadily rising from Q1 2016 (10.4 percent)<sup>7</sup>. The current economic lockdown in addition to volatile global commodities markets further stands to drive the unemployment rate upward. One way to mitigate the impact is through a committed national economic diversification drive. Also, the social investment and intervention programmes should be strengthened and institutionalized to ameliorate the effect of poverty and unemployment on citizens.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'19Q3</b>	<b>'19Q4</b>
<b>GDP Growth Rate (%)</b>	2.3	2.5
<b>Oil GDP (%)</b>	6.49	7.23
<b>Non-oil GDP (%)</b>	90.23	92.68
<b>Unemployment Rate (%)</b>	NA	NA
<b>Foreign Direct Investment (US \$ Million)</b>	200.08	257.25
<b>Portfolio Investment (US \$Millions)</b>	2,999.50	1883.58
<b>Other Investment (US \$Million)</b>	2,167.98	1661.55
<b>External Debt (FGN &amp; States- N'Billion)</b>	NA	NA
<b>Domestic Debt (FGN + States &amp; FCT N'billion)</b>	NA	NA
<b>Manufacturing Capacity utilization (%)</b>	181.2	185.1
<b>Headline Inflation (%)</b>	11.40	12.13
<b>Food Sub-Index (%)</b>	14.67	14.86
<b>Core Sub-Index (%)</b>	9.33	9.35
<b>External Reserves (End Period) (US\$ Million)</b>	38,595.25	31,009.76
<b>Official Rate Approx. (N/US\$)</b>	306.5	306.5
<b>BDC Rate Approx. (N/US\$)</b>	362	362
<b>Manufacturing PMI</b>	60.8	59.2
<b>Non-Manufacturing PMI</b>	62.1	59.6
<b>Crude Oil Price (US\$/Barrel)</b>	67.31	63.83
<b>Petrol (PMS-N/litre)</b>	145.35	145.37
<b>Diesel (AGO -N/Litre)</b>	229.81	229.78
<b>Kerosene (HHK -N/Litre)</b>	320.47	323.46
<b>MPR (%)</b>	13.5	13.5
<b>CRR (%)</b>	22.5	27.5
<b>91 Day T-Bill Rate (%)</b>	4.47	3.45
<b>Savings Deposit (%)</b>	3.89	3.86
<b>Prime Lending (%)</b>	14.99	30.77
<b>Maximum Lending (%)</b>	30.72	NA
<b>Narrow Money (N'Billion)</b>	10,533.13	10,331.40
<b>Broad Money (N'Billion)</b>	34,776.37	34,146.48
<b>Net Domestic Credit (N'Billion)</b>	36,178.34	35,815.11
<b>Credit to the Government (N'Billion)</b>	9,483.81	9,252.81
<b>Credit to the Private Sector(N'Billion)</b>	26,694.52	26,562.69

\*Revised GDP figures/tentative figures

NA: Not Available

1 DMO(2020) NIGERIA'S TOTAL PUBLIC DEBT PORTFOLIO AS AT DECEMBER 31, 2019 retrieved from: <https://www.dmo.gov.ng/debt-profile/total-public-debt/3123-nigeria-s-total-public-debt-stock-as-at-december-31-2019/file>

2 NBS (2020) NIGERIAN\_DOMESTIC\_AND\_FOREIGN\_DEBT\_Q4\_2019 retrieved from: <https://nigerianstat.gov.ng/download/1083>

3 DMO (2020) NIGERIA'S TOTAL PUBLIC DEBT PORTFOLIO AS AT SEPTEMBER 30, 2019 retrieved from: <https://www.dmo.gov.ng/debt-profile/total-public-debt/3043-nigeria-s-total-public-debt-stock-as-at-september-30-2019/file>

4 Federal Ministry of Finance Budget and National Planning (2020) Ministerial Press Statement retrieved from : <https://www.finance.gov.ng/#/article/ministerial-press-statement-on-fiscal-stimulus-measures-in-response-to-the-covid-19-pandemic-&-oil-price-fiscal-shock>

5 ILO (2020). "World Employment and Social Outlook Trends 2020". Retrieved from: [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms\\_734455.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_734455.pdf)

6 ILO (2020). "ILO Monitor: COVID-19 and the world of work. Second edition Updated estimates and analysis". Retrieved from: [https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms\\_740877.pdf](https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_740877.pdf)

7 Trading Economics(2020) Nigeria Unemployment Rate retrieved from: <https://tradingeconomics.com/nigeria/unemployment-rate>