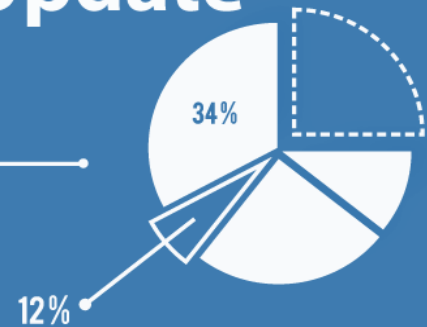


Nigeria Economic Update



Rise in Economic Growth

According to the World Bank, Nigeria's economic output is expected to expand to 1.1 percent in 2021 but remains below pre-pandemic levels and projections.¹ Growth is expected to further improve to 1.8 percent in 2022. The economy of Nigeria is estimated to have shrunk to -4.1 percent in 2020 due to the COVID-19 pandemic. Activities in the economy is expected to be inundated by low oil prices, decline in public investment due to weak government revenues, constrained private investment due to firm failures, and subdued foreign investor confidence. An economic expansion in 2021 will be dependent on whether there is a second wave of the COVID-19 pandemic in Nigeria and in key trade and investment partners such as the United States, United Kingdom, and China. However, the implementation of the African Continental Free Trade Area (AfCFTA) could significantly boost economic activities as long as non-tariff barriers such as port delays are removed.

Increase in Credit Supply

In the final quarter of 2020, the availability of secured credit to households rose and it is expected to continue to rise into the first quarter of 2021.² This can be attributed to improvements in economic outlook and the rise of market share objectives. This was the same outcome for unsecured credit to households. However, requests for secured lending for house and purchase declined in the final quarter of 2020 due to lenders tightening the credit score criteria. It is expected that demand will rise in the first quarter of 2021. On the other hand, demand for total unsecured lending from households increased in the final quarter of 2020. As the credit score criterion was tightened, this led to more unsecured loan applications in the final quarter of 2020. Demand for corporate credit decreased for all business sizes except for small businesses and Offshore Financial Centres in the final quarter of 2020. Given the current circumstances, an increase in credit supply to both households and firms is key to expanding economic activities. Moreover, the credit interventions by the government and the Central Bank of Nigeria (CBN) are likely to have a favourable impact on financial deepening and inclusion. Nevertheless, the CBN should tighten macroprudential supervision in order to mitigate against a systemic banking crisis in the future.

Amendments to Fiscal Regime effective 1 January 2021

Following the president's approval, the Finance Act 2020 is set to take effect from 1 January 2021. The Act contains several amendments to existing tax laws, particularly tax exemptions and reliefs. Examples include; tax holidays for small and medium sized enterprises (SMEs) involved in agricultural production, expansion of approved list of deductible donations, exemption of all SMEs from tertiary education tax, among others. These exemptions can potentially improve the business climate for SMEs, make them more competitive, act as catalyst for greater growth in the agricultural sector, and could be instrumental in fast tracking the economic diversification efforts in the country. However, considering the huge budget deficit for the year and limited government revenue streams, it is important that the government regularly assesses the real costs of these tax expenditures and the potential of such incentives to actually drive investment in priority sectors.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'20Q2	'20Q3
GDP Growth Rate (%)	- 6.10	-3.62
Oil GDP (%)	8.93	8.73
Non-oil GDP (%)	91.07	91.27
Unemployment Rate (%)	27.1	NA
Foreign Direct Investment (US \$ Million)	148.6	414.79
Portfolio Investment (US \$Millions)	385.32	407.25
Other Investment (US \$Million)	761.03	639.44
External Debt (FGN & States- N'Trillion)	11.36	NA
Domestic Debt (FGN + States & FCT N'Trillion)	19.65	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Nov'20	Dec'20
Headline Inflation (%)	14.89	NA
Food Sub-Index (%)	18.30	NA
Core Sub-Index (%)	11.05	NA
External Reserves (End Period) (US\$ Billion)	35.41	NA
Official Rate Approx. (N/US\$)	379	379
BDC Rate Approx. (N/US\$)	472.74	NA
Manufacturing PMI	50.2	49.6
Non-Manufacturing PMI	47.6	45.7
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	167.27	NA
Diesel (AGO -N/Litre)	223.74	NA
Kerosene (HHK -N/Litre)	353.38	NA
MPR (%)	11.50	NA
CRR (%)	NA	NA
91 Day T-Bill Rate (%)	0.03	NA
Savings Deposit (%)	1.84	NA
Prime Lending (%)	11.60	NA
Maximum Lending (%)	28.85	NA
Narrow Money (N'Million)	14,820,224.11	NA
Broad Money (N'Million)	36,587,109.03	NA
Net Domestic Credit (N'Million)	40,121,654.80	NA
Credit to the Government (Net) (N'Million)	10,785,909.30	NA
Credit to the Private Sector (N'Million)	29,335,745.57	NA
Currency in Circulation (N'Million)	2,659,710.45	NA

*Revised GDP figures/tentative figure
NA: Not Available

1. World Bank (2021). Subdued Global Economic Recovery: Global Economic Prospects. Retrieved from: <https://openknowledge.worldbank.org/bitstream/handle/10986/34710/9781464816123.pdf>
2. CBN (2020). Credit Conditions Survey Report (Q4 2020): December 2020. Retrieved from: <https://www.cbn.gov.ng/Out/2020/STD/Q4%202020%20CCS%20REPORT.pdf>
3. Finance Act 2020 – Explanatory Memorandum. Retrieved from: [finance-act-2020_signed.pdf](#)