Nigeria Economic Update

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## Fiscal Responsibility

Recent media highlights suggests that the Federal Government made a non-oil-based revenue of N1.27 trillion from operating surpluses between 2007 and 2016[1]. The period which covers the years of operation of the Fiscal Responsibility Act, shows a list of agencies and government organizations that paid the operating surpluses (revenues above approved budgetary expenditure at the end of each year) to the federal government. Notably, the annual remittances shows year-on-year increases. This is likely attributable to the improved monitoring and intervention activities of the Fiscal Responsibility Committee over the years. There is greater scope for operating surpluses from public corporations with intensified efforts at monitoring the implementation of the template for calculating operating surplus liabilities across scheduled corporations. There is even greater scope for non-oil revenue generation from private corporations with improved monitoring mechanism of revenue-collection agencies.


## Purchasing Managers' Index

The CBN's Purchasing Managers' Index stayed above the 50-point benchmark for growth in the month of March 2018 – closing the first quarter on a positive note. Month-on-Month, the Manufacturing component of the PMI gained just about 0.4 points to reach 56.7 points[2]. Similarly, the Non-manufacturing sub-index added 1.1 points to record 57.2 index points for the month. March's marginal increase was driven by strong growth in production levels, raw materials and new orders. This increase in business activity is likely reflective of sustained consumer demand growth, given the decline in the stock of finished goods in manufacturers' coffers. However, stimulating investments by ensuring the implementation of the Economic Recovery and Growth Plan as well as National budget will lead to increased consumer demand and economic growth.


## FAAC

Recent media highlights reveal a slight increase in the revenue amount allocated to the tiers of government in the month of March 2018. At the end of the FAAC monthly meeting, the amount disclosed as revenue to be disbursed was N647.4 billion[3], representing a marginal 2 percent increase from February disbursement of N635.5 billion. The small improvements in FAAC allocation was triggered by increased revenue from oil export sales supported by increased average price of crude oil during the month ($57.7 to $63.1)[4]. Sustainable improvement in FAAC allocation is dependent on the ability of state governments to improve local business activities and deepen revenue-generation within their states.

## Credit Survey

Recently released survey report by the CBN reveals increases in supply of secured and unsecured credit to households, and credit to the corporate sector in 2018Q1, relative to 2017Q4. Specifically, the negative perception about credit conditions has slightly improved from -20.2 to -18.3[5]. Lenders suggest that the improving economic outlook and liquidity positions triggered the improved perception about credit availability. However, the demand for credit was moderate during the period. Despite the improved perception about credit conditions, borrowing levels may not be significantly affected with interest rates ranging from 18 to 32 percent. Going forward, the CBN should consider revising the Monetary Policy Rate (MPR) particularly since the country has exited the economic recession.

| ECONOMIC SNAPSHOT | | |
|---|---|---|
| **Quarterly Indicators** | **'17Q3** | **'17Q4** |
| **GDP Growth Rate (%)** | 1.40 | 1.92 |
| **Oil GDP (%)** | 25.89 | 8.38 |
| **Non-oil GDP (%)** | -0.76 | 1.45 |
| **Unemployment Rate (%)** | 18.8 | NA |
| **Foreign Direct Investment (US $ Million)** | 117.60 | 378.41 |
| **Portfolio Investment (US $Millions)** | 2,767.42 | 3,477.53 |
| **Other Investment (US $Million)** | 1,260.08 | 1,526.92 |
| **External Debt (FGN & States- N'Billion)** | 4,693.91 | NA |
| **Domestic Debt (FGN-N'billion)** | 15,678.0 | NA |
| **Manufacturing Capacity utilization (%)** | NA | NA |
| **Monthly Indicators** | **Jan'18** | **Feb'18** |
| **Headline Inflation (%)** | 15.13 | 14.33 |
| **Food Sub-Index (%)** | 18.92 | 17.59 |
| **Core Sub-Index (%)** | 12.10 | 11.70 |
| **External Reserves (End Period) (US$ Million)** | 40,685.23 | 42,492.67 |
| **Official Rate Approx. (N/US$)** | 305 | 305 |
| **BDC Rate (N/US$)** | 362 | 362 |
| **Manufacturing PMI** | 57.3 | 56.3 |
| **Non-Manufacturing PMI** | 58.5 | 56.1 |
| **Crude Oil Price (US$/Barrel** | NA | NA |
| **Petrol (PMS-N/litre)** | 190.90 | 172.5 |
| **Diesel (AGO -N/Litre)** | 213.82 | 209.89 |
| **Kerosene (HHK -N/Litre** | 288.85 | 288.57 |
| **MPR (%)** | 14 | 14 |
| **CRR (%)** | 22.5 | 22.5 |
| **91 Day T-Bill Rate (%)** | 12.27 | 11.88 |
| **Savings Deposit (%)** | 4.07 | 4.07 |
| **Prime Lending (%)** | 17.50 | 17.53 |
| **Maximum Lending (%)** | 31.39 | 31.40 |
| **Narrow Money (N'Billion)** | 10,779.9 | 10,730.86 |
| **Broad Money (N'Billion)** | 23,831.92 | 24,019.09 |
| **Net Domestic Credit (N'Billion)** | 25,846.38 | 26,909.59 |
| **Credit to the Government (N'Billion)** | 3,857.43 | 4,288.31 |
| **Credit to the Private Sector(N'Billion)** | 2,198.90 | 2,262.12 |
| **Currency in Circulation (N'Billion)** | 1,945.44 | 1,937.33 |
| **FAAC (N'Billion)** | 636 | 647.4 |

*****Revised GDP figures/tentative figures
NA: Not Available

[1]Punch (2018). “FG makes N1.27tn from operating surpluses in 10 years”. Accessed April 3, 2018. http://punchng.com/fg-makes-n1-27tn-from-operating-surpluses-in-10-years/

[2]CBN (2018). “Purchasing Managers’ Index (PMI) Survey Report: March 2018”. Retrieved from, https://www.cbn.gov.ng/Out/2018/SD/PMI_Report_March%202018.pdf

[3]Vanguard (2018). “FAAC: FG, States, LGs shares N647.39 billion as February revenue”. Accessed April 3, 2018. https://www.vanguardngr.com/2018/03/faac-fg-states-lgs-shares-n647-39-billion-february-revenue/

[4]Press Release (2018). “FAAC Shares N647bn to FG, States, LGC in March 2018”. Accessed April 4, 2018. https://prnigeria.com/2018/03/faac-shares-n647bn-march-2018/

[5]CBN (2018). “Credit Conditions Survey Report: Q1 2018”. Retrieved from, https://www.cbn.gov.ng/Out/2018/SD/2018%20Q1%20CCS%20Report_Final.pdf