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Rising Crude Oil Prices

Crude oil price increases to its highest price since May 2019. Nigeria's Bonny light rose to an average of US$71.06 per barrel in the week under review compared to US$68.96 per barrel in the previous week.[1] The increase in crude oil prices is due to rising demand occasioned by the resumption of economic activities globally coupled with supply cuts from oil producing countries.[2] Higher crude oil price are expected to boost revenue in the country particularly given the US$40 per barrel crude oil benchmark in the 2021 budget.[3] This ultimately means the increase in the country's fiscal space and more funding for key sectors of the Nigerian economy. The rise in the price of crude oil should also aid the government in reducing borrowing.

Worsening Poverty Levels in Nigeria

According to the World Bank, 7.2 million Nigerians could be pushed into poverty due to higher inflation rate and fall in purchasing power in 2020. Inflation rate rose every month in 2020 to reach a peak of 15.75 percent in December 2020.[3] There are 86.8 million Nigerians currently living in poverty, and the economic situation in Nigeria means that the country may not be able to push households and individuals out of poverty in the nearest future. Food inflation is at an unprecedented level of 22.28 percent, unemployment and underemployment remains high and GDP growth rate in Q1 2021 stood at 0.51 percent in a country with a population growth rate of more than 2.5 percent. Ensuring inclusive growth process and empowering the poor, providing social protection for the poor and vulnerable, encouraging small and medium scale enterprises, and a sustained investment in education and health would alleviate poverty in Nigeria.

Increase in Federal Account Allocation Committee Allocations

The Federation Account Allocation Committee (FAAC) disbursed the sum of N640.31 billion to the federal, state and local governments in February 2021.[4] This is an increase from the N619.34 billion distributed in the previous month.[5] More specifically, the federal government received N227 billion, states government received N177.17 billion while local governments received N131.40 billion. Furthermore, the sum of N28.78 billion was shared among the oil producing states as 13% derivation fund. These disbursements are primarily aimed towards recurrent and capital expenditures in the country. Despite the importance of FAAC allocations, priority should be placed on states becoming self-reliant by incentivizing private investment, and creating a secure and easy environment to conduct business activities.

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). Daily Crude Oil Price. Retrieved from, https://www.cbn.gov.ng/rates/DailyCrude.asp

2. CNBC (2021). Explained: What's driving the sudden surge in crude oil prices? Retrieved from, https://www.cnbctv18.com/market/commodities/explained-whats-driving-the-sudden-surge-in-crude-oil-prices-9660941.htm

3. World Bank (2021). Nigerian Development Update June 2021: Resilience through Reforms Retrieved from, https://documents1.worldbank.org/curated/en/389281623682704986/pdf/Resilience-through-Reforms.pdf

4. NBS (2021). Federation Account Allocation Committee (FAAC) February 2021 Disbursement. Retrieved from, https://nigerianstat.gov.ng/download/1241034

5. NBS (2021). Federation Account Allocation Committee (FAAC) January 2021 Disbursement. Retrieved from, https://nigerianstat.gov.ng/download/1241003