



Nigeria Economic Update



Weekly
Digest

Nigeria's Mining Sector grew at double digit rate in 2020

According to the National Bureau of Statistics' (NBS), latest Mineral Production Report, the mining and quarrying sector's output increased by double digits, on a year-on-year basis, in 2020. The aggregate production rose from 54.5 million tons in 2019 to 64.3 million tons in 2020, which denotes an increase of 17.95 percent.¹ The report shows that Nigeria is endowed with over forty different minerals spread across all the thirty-six States and the Federal Capital Territory. The three most mined minerals in 2020 were Limestone, Sand and Granite, and contributed about 80 percent of total production. The mining sector provides a huge opportunity for job creation given the sector reliance on both skilled and unskilled labour in the production process. The sector also provides export commodities for the economy which can help in increasing exports earnings, and diversify the country's export base. Thus, there is a need for the government to formulate policies and provide incentives that will encourage the continuous growth of the sector in order to fully harness the potentials of the sector. The prompt establishment of the Nigerian Mineral Development Corporation (NMDC), which has passed through the second reading at the Senate, is expected to spur the development of the Mining industry in Nigeria.

Federal Government of Nigeria offers new bonds

The Federal Government of Nigeria (FGN) through the Debt Management Office (DMO) is raising N100 billion through two separate FGN Bonds: N50 billion for a tenor of 5 years at a rate of 12.5 percent, and another N50 billion for a tenor of 15 years at a rate of 16.25 percent.² The double digit interest rate of the bonds would further exacerbate future debt service burden. The use of bond to finance rising government spending would persist in 2022, given the proposed budget deficit of N6.25 trillion to part finance the N16.39 trillion estimated expenditures. To mitigate debt overhang associated with unsustainable debt level, it is important that debts are used to finance productive expenditures. The governments need to be more transparent in the use of funds raised through bonds, which can be achieved through the involvement of civil society in debt management processes. Furthermore, the revenue generation capacity of the government needs to be strengthened to ensure that sufficient funds are mobilized domestically. As a result, investments in digital enabled revenue collection techniques should be prioritised given its potential of reducing revenue leakages and eliminating complexity associated with tax payment.

Shortfall in Nigerian National Petroleum Company Limited remittance to the Federation Account

The Nigerian National Petroleum Company (NNPC) Limited remitted N511.7 billion to the federation account between January and October 2021, against the projected sum of N2.09 trillion, resulting in a shortfall of N1.58 trillion.³ This is according to data obtained from the NNPC. The shortfall can be attributed to two main factors: low revenue generation by NNPC limited and huge deductions. From the data, the projected revenue from January to October was N4.15 trillion whereas revenue generated was N2.77 trillion, indicating revenue shortfall of about 33.3 percent. Remittance to the federation account was plunged by deductions, which was N2.26 trillion, and represented 81.6 percent of gross revenue. The highest deduction was under-recovery of PMS/Value shortfall (subsidy), which was N1.03 trillion, and contributed about 37.2 percent of total deductions. Given the importance of NNPC limited remittance to federal account, the shortfall signals a potential crisis as most states are highly dependent on the monthly allocation from the FAAC. The situation suggests that states need to implement strategies that would boost their internally generated revenue to cover growing fiscal obligations. At the federal government level, the government should leverage on the petroleum industry act, which stipulate that petroleum subsidy ends by February 2022. With less than three months to go, the government is expected to intensify engagements with relevant stakeholders on the economic impact of petroleum subsidies and to specify how the saved funds will be used. Also, given that the subsidy removal would hurt the poor through increased transportation cost, the government is expected to design framework on how the proposed social interventions would mitigate potential welfare losses associated with subsidy removal. These interventions are expected to improve revenue available to the government for productive investments, which in turn, would bolster the rate of economy recovery from the pandemic.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'21Q2	'21Q3
GDP Growth Rate (%)	5.01	4.03
Oil GDP (%)	-12.65	-10.73
Non-oil GDP (%)	6.74	5.44
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	77.97	NA
Portfolio Investment (US \$Millions)	551.37	NA
Other Investment (US \$Million)	246.27	NA
External Debt (FGN & States- N'Trillion)	13.71	15.5
Domestic Debt (FGN + States & FCT N'Trillion)	21.75	22.4
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Sept '20	Oct '21
Headline Inflation (%)	13.71	15.99
Food Sub-Index (%)	16.66	18.34
Core Sub-Index (%)	10.58	13.24
External Reserves (End Period) (US\$ Billion)	35.74	41.83
Official Rate Approx. (N/US\$)	359.99	410.59
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	41.1	47.3
Non-Manufacturing PMI	35.7	47.5
Average Crude Oil Price (US\$/Barrel)	40.85	73.18
Petrol (PMS-N/litre)	128.88	165.60
Diesel (AGO -N/Litre)	224.37	254.07
Kerosene (HHK -N/Litre)	334.08	423.42
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	1,973.95	2,627.94
MPR (%)	11.5	11.5
CRR (%)	27.5	27.5
T-Bill Rate (%)	1.10	2.5
Savings Deposit Rate (%)	2.41	1.28
Prime Lending (%)	11.55	11.61
Maximum Lending (%)	28.45	27.10
Narrow Money (N'Million)	13,555,672.34	16,553,042.48
Broad Money (N'Million)	34,965,447.66	41,369,902.01
Net Domestic Credit (N'Million)	39,429,671.22	47,383,921.08
Credit to the Government (Net) (N'Million)	9,683,889.71	12,874,524.50
Credit to the Private Sector (N'Million)	29,745,781.51	34,509,396.58
Currency in Circulation (N'Million)	2,427,329.31	2,965,985.43
FAAC (N'Billion)	547.31	760.72

*Revised GDP figures/tentative figure

NA: Not Available

1. NBS (2021). Mineral Production Statistics 2019 - 2020. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241100>
2. DMO (2021). FGN Bond Offer Circular. Retrieved from <https://www.dmo.gov.ng/fgn-bonds/bonds-offer-circular/3757-december-2021-fgn-bond-offer-circular/file>
3. NNPC (2021). November 2021 FAAC. Retrieved from [https://nnpcgroup.com/NNPCDocuments/FAAC%20Reports/NNPC%20NOV%202021%20%20FAAC%20REPORT%20\(1\).pdf](https://nnpcgroup.com/NNPCDocuments/FAAC%20Reports/NNPC%20NOV%202021%20%20FAAC%20REPORT%20(1).pdf)