Nigeria Economic Update

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CSEA
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Gross Domestic Product

Recently released GDP report for the first quarter of 2018 shows a stronger growth in GDP, relative to corresponding quarter of 2017. Driven particularly by growth in Oil sector, Real GDP grew by 1.95 percent (Year-on-Year) in 2018Q1[1]. In terms of sectoral growth, oil sector rose remarkably to 14.77 percent, a 30.37 percent increase from 2017Q1. Non-oil sector grew by 0.76 percent (Year on Year), slightly up from 0.8 percent- this marginal increase was driven mainly by Agriculture (Crop production), in addition to Manufacturing, Financial institutions and insurance, Transportation and Storage, and Information and Communication. However, despite remarkable year-on-year GDP growth, contributions to GDP show the persistent huge dependence on oil. De-linking oil price from the nation's economic performance is crucial for achieving significant and sustainable economic growth.

Appropriation Act

The National Assembly recently passed the 2018 appropriation bill about six months after its first draft presentation – making it the longest budget delay in 18 years, due to avoidable factors. The budget, initially presented with a total of N8.61 trillion, was passed with a higher amount of N9.12 trillion, an increase of N508 billion[2]. The 6 percent increase of the budget estimates seems to be at the backdrop of a rather volatile assumption (increase in oil price), an external uncontrollable factor[3]. On the flip side, many Nigerians have described it as a dead-on-arrival budget given the late passage and already insufficient implementation time. Additionally, the uncertainty associated with the delay may have an adverse effect on domestic investment in particular and the economy in general. In the future, efforts towards the timely passage of the budget should be increased in order to achieve development objectives.

Taxation

According to the National Bureau of Statistics, the sum of N269.79billion was generated as Value Added Tax (VAT) in 2018Q1[4] as against N254.10bn generated in 2017Q4 and N221.38 billion in 2017Q1 representing 6.17 percent (Quarter over Quarter) and 21.87 percent (Year on Year) increases respectively. The manufacturing sector generated the highest amount of VAT for the period (N30 billion). Going forward, there is need to formalize specific groups of informal businesses to help foster economic productivity and add to domestic resource mobilization for the nation. This can be achieved by providing incentives and benefits to informal enterprises that register and then progressively enforcing compliance with taxation and labour regulations.

Budget Implementation

The 2017 third quarter budget implementation report released by the Budget office, reveals a drop in the actual net oil revenue received into the federation account. Compared to the quarterly projection of N1.1 trillion, the net oil revenue for 2017Q1 stood at N692.4 billion[5]. The decrease was attributable to supply challenges during the period, as some of the facilities affected by crude oil theft, illegal bunkering and destruction of pipelines remained inactive[6]. Going forward, there is need to invest in rebuilding oil facilities including oil refineries to allow the nation best reap the economic dividends from its oil wealth.

ECONOMIC SNAPSHOT		
Quarterly Indicators	**'17Q4**	**'18Q1**
GDP Growth Rate (%)	2.11	1.95
Oil GDP (%)	11.20	14.77
Non-oil GDP (%)	1.45	0.76
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US $ Million)	378.41	NA
Portfolio Investment (US $Millions)	3,477.53	NA
Other Investment (US $Million)	1,526.92	NA
External Debt (FGN & States- N'Billion)	5,787.51	NA
Domestic Debt (FGN-N'billion)	3,348.77	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	**Mar'18**	**Apr'18**
Headline Inflation (%)	13.34	12.48
Food Sub-Index (%)	16.08	14.8
Core Sub-Index (%)	11.20	10.9
External Reserves (End Period) (US$ Million)	NA	NA
Official Rate Approx. (N/US$)	305	305
BDC Rate Approx. (N/US$)	362	362
Manufacturing PMI	56.7	56.9
Non-Manufacturing PMI	57.2	57.5
Crude Oil Price (US$/Barrel	NA	NA
Petrol (PMS-N/litre)	163.4	151.4
Diesel (AGO -N/Litre)	206.41	204.35
Kerosene (HHK -N/Litre	268.99	278.49
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	11.84	11.43
Savings Deposit (%)	4.07	4.07
Prime Lending (%)	17.35	17.24
Maximum Lending (%)	31.55	31.56
Narrow Money (N'Billion)	10,912.60	10,670.63
Broad Money (N'Billion)	24, 303.05	24,620.65
Net Domestic Credit (N'Billion)	26,267.11	27,476.80
Credit to the Government (N'Billion)	3,823.35	5,222.73
Credit to the Private Sector(N'Billion)	2,244.37	2,225.40
Currency in Circulation (N'Billion)	1,668.38	1,957.21
FAAC (N'Billion)	626.82	NA

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

[1]National Bureau of Statistics (2018). “Nigerian Gross Domestic Product Report (Q1 2018)”. Retrieved from, http://www.nigerianstat.gov.ng/

[2]Vanguard (2018). “Why we delayed in passing 2018 budget —Senate”. Accessed May23, 2018.

https://www.vanguardngr.com/2018/05/delayed-passing-2018-budget-senate/

[3]Reuters (2018). “UPDATE 2-Nigeria's parliament passes record 9.12 trln naira 2018 budget”. Accessed May 22, 2018. https://www.reuters.com/article/nigeria-budget/update-2-nigerias-parliament-passes-record-912-trln-naira-2018-budget-idUSL5N1SN5Y6

[4] National Bureau of Statistics (2018). “Sectoral Distribution Of Value Added Tax (Q1 2018)”. Retrieved from, http://www.nigerianstat.gov.ng/

[5]Budget Office of the Federation (2018). “2017 Third Quarter Budget Implementation Report”. Retrieved from, http://www.budgetoffice.gov.ng/index.php/draft-third-quarter-budget-implementation-report-2017?task=document.viewdoc&id=670

[6]Vanguard (2018). “2017 Budget: Net Oil Revenue Dropped by N401bn in Q3”. Accessed May 23, 2018. https://www.thisdaylive.com/index.php/2018/05/20/2017-budget-net-oil-revenue-dropped-by-n401bn-in-q3/