Nigeria Economic Update

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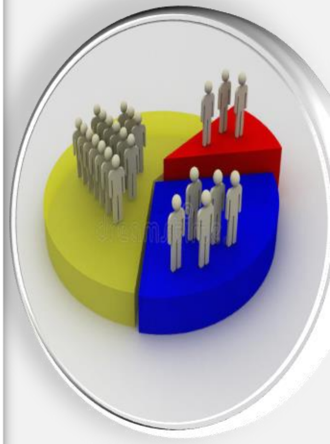
Manufacturing Sector

Media highlights suggest that leading manufacturers quoted in the Nigerian Stock Exchange, NSE, which operate across sectors have recorded significant upsurge of 20.2 percent in their operating expenses, OPEX, in the first half of 2018. Specifically, compared to the corresponding half-year in 2017, costs incurred rose from ₦194.6 billion to ₦233.9 billion in 2018H1[1]. The firms also operated on short term borrowings of ₦101 billion, up by 1.8 percent in 2017. The rising expenses may be at the backdrop of general rise in cost of: products distribution, running campaigns and innovations, and brand marketing in a bid to increase sales volume. To reduce operating expenses and support non-oil sector growth which is yet to pick up, there is need for the government to quickly implement Focus Lab projects. Particularly, the projects targeting manufacturing and processing, transport and power sectors are of essence, as they are key to industrial growth.



Debt Profile

Latest figures from the Debt Management Office (DMO) shows that Nigeria's debt stock rose to ₦22.4 trillion in six months[2]. Precisely, as at December 2017, total debt stood at ₦21.68 trillion[3]; six months after (as at June 2018), total debt has increased by 3.3 percent or ₦720 billion. External debts constituted 30.2 percent while domestic debts was 69.8 percent of total debt. The rise in total debt stock has been attributed to additional commercial loans issued by the federal government in Eurobonds[4] - The federal government issued $2.5 billion worth of Eurobonds in February 2018[5]. Given that the DMO has stated that public borrowing will continue to be skewed towards external borrowing, concessional sources rather than market-based loans should be sought. This is important for Nigeria to take advantage of the low interest rate as well as long maturity and grace periods associated with concessional loans, to avoid heavily increasing debt servicing burden.

FAAC

According to the NBS, the Federation Account Allocation Committee (FAAC) disbursed the sum of ₦821.86 billion[6] to the three tiers of government in July 2018 from the revenue generated in June 2018 – this represents a month-on-month increase of 22.9 percent. The federal, state and local governments received ₦315.01 billion, ₦194.5 billion and ₦147.1 billion respectively, with the remaining amount shared among oil states and other stakeholders. The increase was triggered by a rise in the average price of crude oil from $65.98 to $67.93 per barrel and an increase in export sales of 1.42 million barrels which resulted in increased revenue from export sales of $101.64 billion[7]. In the short- to medium-term time frames, sub-national governments should leverage on the increment to develop and invest in their states in order to raise additional local revenue.

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	246.62
Portfolio Investment (US $Millions)	3,477.53	4,565.09
Other Investment (US $Million)	1,526.92	1,491.93
External Debt (FGN & States- N'Billion)	5,787.51	6,746.27
Domestic Debt (FGN + States & FCT N'billion)	15,938.26	15,960.92
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	**Jun'18**	**Jul'18**
Headline Inflation (%)	11.23	11.14
Food Sub-Index (%)	12.98	12.95
Core Sub-Index (%)	10.4	10.2
External Reserves (End Period) (US$ Million)	47,789	47,120
Official Rate Approx. (N/US$)	305	305
BDC Rate Approx. (N/US$)	362	362
Manufacturing PMI	57.0	56.8
Non-Manufacturing PMI	57.5	57.7
Crude Oil Price (US$/Barrel	75.38	NA
Petrol (PMS-N/litre)	148.1	146.8
Diesel (AGO -N/Litre)	204.97	204.32
Kerosene (HHK -N/Litre	279.67	276.87
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.11	10.00
Savings Deposit (%)	4.07	4.07
Prime Lending (%)	16.78	16.83
Maximum Lending (%)	31.17	31.09
Narrow Money (N'Billion)	10,701.11	10,668.00
Broad Money (N'Billion)	24,814.00	24,971.10
Net Domestic Credit (N'Billion)	25,568.21	25,654.48
Credit to the Government (N'Billion)	3,286.34	3,393.27
Credit to the Private Sector(N'Billion)	2,228.19	2,226.12
Currency in Circulation (N'Billion)	1,519.90	1,468.30
FAAC (N'Billion)	821.86	NA

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

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[2]DMO (2018). “Nigeria's Public Debt Stock as at June 30, 2018 In Millions”. Retrieved from, http://www.dmo.gov.ng/debt-profile/total-public-debt/2529-nigeria-s-public-debt-stock-as-at-june-30-2018/file

[3]DMO (2018). “Nigeria's Public Debt Stock as at December 31, 2017 In Millions”. Retrieved from, http://www.dmo.gov.ng/debt-profile/total-public-debt/2380-total-public-debt-as-at-31st-december-2017/file

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[5]The Guardian (2018). “Nigeria floats $2.5 billion dual Eurobonds”. Accessed August 21, 2018. https://guardian.ng/business-services/nigeria-floats-2-5-billion-dual-eurobonds/

[6]NBS (2018). “Federation Account Allocation Committee (FAAC) (July 2018 Disbursement)”. Retrieved from, http://nigerianstat.gov.ng/elibrary

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