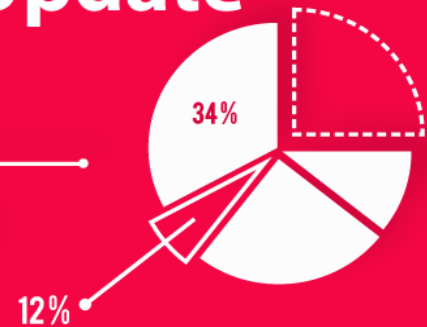




Nigeria Economic Update



Decline in Federal Allocation

The Federation Account Allocation Committee (FAAC) disbursed the sum of ₦647.35 billion to the federal, state and local of government in February which is 9.6 percent lower than the ₦716.30 billion disbursed in January^{1,2}. Disaggregated data shows the federal, state and local governments received ₦267.39 billion, ₦176.92 billion, and ₦132.94 billion respectively. This decline comes as a result of a decline in revenue generated due to the fall in oil price associated with the coronavirus pandemic. Relatedly, the federal government has revised the 2020 budget in order to account for a decline in oil revenue which includes a 20 percent cut in capital projects. Going forward, there would be a further decline in the federal allocation as the mainstay of the government's revenue is hit by the pandemic. Sub-national governments should endeavor to generate substantial revenue to free them from the volatilities of oil price. Aside tax, the government should leverage on the pandemic by equipping locals to boost the production of domestic commodities in import-substitution sectors.

Increase in Electronic Transactions

The Nigerian Bureau of Statistics noted a rise in electronic transactions within the fourth quarter of 2019, as e-transactions hit ₦48,536,898 billion⁴. The rise indicates a 13 percent increase when compared to the third quarter of 2019⁵. In addition, there has been an 11.6 percent increase in the volume of transactions to 893.6 million in comparison to the preceding quarter. The rise in e-transaction was driven by a rise in transactions through the Nigerian Inter Bank Settlement System Instant Payment (NIBSS NIP) transactions and the slash in bank charges⁶. The volume of e-transactions is expected to rise in the first quarter of 2020 as a result of the slowdown in in-person activity. However, the value might not rise significantly due to the slowdown in economic activity. As financial inclusion increases and more Nigerians embrace mobile and internet banking, we expect electronic transactions to increase going forward. High-risk rural areas or communities should be provided with the supporting infrastructure to sustain digital finance services in order to increase e-transactions and increase financial inclusion.

Bond Suspension

The Debt Management Office of Nigeria (DMO) recently announced the suspension of the April savings bond offer⁷. The DMO assured that the bond will resume when conditions change and that payments will still be made for coupons when due. However, the interest rates of the primary market had already plummeted severely as of the last auction in March, with the 364-day tenor, 81-day tenor and 91-day tenor, standing at 4.6%, 3.4% and 2.3 % respectively⁸. The suspension was announced as a result of the covid-19 situation. The suspension is a welcome development as it further sought ensure that liquidity is maintained within the system during this period. The bearish momentum earlier witnessed in the bond market halted in the previous week as the average yield settled at 11.8% after a 25 basis points week-on-week decline. The suspension is imperative in order to sustain the improved system liquidity. The market witnessed increased demand from local investors across different yields with buying interests mostly concentrated on mid-tenor bonds.

ECONOMIC SNAPSHOT		
Quarterly Indicators	19Q3	19Q4
GDP Growth Rate (%)	2.3	2.5
Oil GDP (%)	6.49	7.23
Non-oil GDP (%)	90.23	92.68
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	200.08	257.25
Portfolio Investment (US \$Millions)	2,999.50	1883.58
Other Investment (US \$Million)	2,167.98	1661.55
External Debt (FGN & States- N'Billion)	NA	NA
Domestic Debt (FGN + States & FCT N'billion)	NA	NA
Manufacturing Capacity utilization (%)	181.2	185.1
Headline Inflation (%)	11.40	12.13
Food Sub-Index (%)	14.67	14.86
Core Sub-Index (%)	9.33	9.35
External Reserves (End Period) (US\$ Million)	38,595.25	31,009.76
Official Rate Approx. (N/US\$)	306.5	306.5
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	60.8	59.2
Non-Manufacturing PMI	62.1	59.6
Crude Oil Price (US\$/Barrel)	67.31	63.83
Petrol (PMS-N/litre)	145.35	145.37
Diesel (AGO -N/Litre)	229.81	229.78
Kerosene (HHK -N/Litre)	320.47	323.46
MPR (%)	13.5	13.5
CRR (%)	22.5	27.5
91 Day T-Bill Rate (%)	4.47	3.45
Savings Deposit (%)	3.89	3.86
Prime Lending (%)	14.99	30.77
Maximum Lending (%)	30.72	NA
Narrow Money (N'Billion)	10,533.13	10,331.40
Broad Money (N'Billion)	34,776.37	34,146.48
Net Domestic Credit (N'Billion)	36,178.34	35,815.11
Credit to the Government (N'Billion)	9,483.81	9,252.81
Credit to the Private Sector(N'Billion)	26,694.52	26,562.69

*Revised GDP figures/tentative figures

NA: Not Available

1 NBS (2020) Federation Account Allocation Committee (FAAC) (February 2020 Disbursement) retrieved from: <https://nigerianstat.gov.ng/download/1082>

2 NBS (2020) Federation Account Allocation Committee (FAAC) (JANUARY 2020 Disbursement) retrieved from: <https://nigerianstat.gov.ng/download/1071>

3 Punch (2020) FG slashes 2020 budget, retrieved from: <https://punchng.com/breaking-fg-slashes-2020-budget/>

4 NBS (2020) Selected Banking Sector Data: Sectorial Breakdown of Credit, e-Payment Channels and Staff Strength retrieved from : <https://nigerianstat.gov.ng/download/1081>

5 NBS (2019) “Selected Banking Sector Data Q3 2019” retrieved from <https://nigerianstat.gov.ng/download/1029>

6 CBN (2020) CBN Slashes Bank Charges, Protects Customers in Revised Guidelines retrieved from: <https://www.cbn.gov.ng/out/2019/CCD/CBN%20Press%20Release%20Bank%20Charges%20Consumer%20Protection.pdf>

7 DMO (2020) Press Release : SUSPENSION OF APRIL 2020 FGN SAVINGS BOND OFFER retrieved from : <https://www.dmo.gov.ng/news-and-events/dmo-in-the-news/press-release-suspension-of-april-2020-fgn-savings-bond-offer>

8 CBN (2020). “Government securities summary”. Retrieved from: <https://www.cbn.gov.ng/rates/GovtSecurities.asp>