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Fiscal Focus

Recently released CBN fourth quarter economic report shows a deficit in the federal government fiscal operations (retained revenue and expenditure) for 2016Q4. Federal Government expenditure stood at N1.3 trillion, over and above earnings of about N647.8 billion in the quarter – this translates to a fiscal deficit of N667.1 billion¹. Notably, contractions in fiscal activities plunged beyond the N397 billion recorded in the preceding quarter. Increased recurrent expenditure (accounting for 87 percent of total expenditure) prompted the excess of expenditure over revenue (deficit). In the near term, Nigeria may be at risk of huge debt servicing, as the deficit likely points to massive government borrowings/debt. Going forward, government should leverage on the recent improvement in oil revenue and grow foreign reserves while also offsetting some of the debts to minimize future payment burden.



Agricultural Sector

In terms of credit, the agricultural sector received the sum of N2.3 billion in 2016Q4 under the CBN's Agriculture Credit Guarantee Scheme (ACGS). This is 8.3 percentage points above the N2.1 billion guaranteed in 2016Q3². Sub-sectoral analysis reveals that food crop production was apportioned 65 percent of total credit, followed by Livestock (11.1%), cash crops (8.5%), mixed crops (7.5%), fisheries (4.3%) and others (3.6%). The increase in credit allocation to the sector during the period is attributable to the increase in harvesting and pre-planting activities in preparation for dry season. Going forward, it is important for the government to create an enabling environment by working with the private sector to develop programs and services that will reduce the perceived and real risks associated with agricultural lending in order to encourage banks to lend more especially to rural farmers.



Manufacturing Sector

Activities in the manufacturing sector remained at levels recorded in 2016Q3. Specifically, manufacturing capacity utilization (a measure of potential manufacturing output that is actually realized) remained at 48.46 percent in 2016Q4³ – below average. During the quarter, structural bottlenecks such as epileptic power supply (average of 2, 548 Megawatts⁴) in addition to forex constraints, hampered manufacturing activities. As such, high cost of raw materials and cost of production subdued activities in the short term. Recent efforts by the monetary authority to increase forex access to the manufacturing sector as well as improvement in gas supply and electricity generation would help minimize production costs and enhance production process.



Purchasing Managers' Index

Recent PMI report by the CBN shows a remarkable improvement in business activities for the month of April 2017. Precisely, manufacturing PMI started the second quarter on an impressive note, expanding by 7.1 percent to 51.1 index points⁵ – following three months of contraction. Similarly, Non-manufacturing PMI rose by 5.1 percent to reach 49.5 index points – the highest in 16 months; driven by improvements in about two-third of the 18 subsectors. Business activities reflected increased business confidence in the review month at the backdrop of several macroeconomic events: CBN's renewed commitment to forex liquidity; prospects of the passage of the 2017 appropriation act; Federal government's recent approval for the reduction of import/export documentation and timeline⁶; and the unveiling of the Economic Recovery Growth Plan (ERGP). Sustaining the remarkable improvement in business activities would largely depend on the ability of the government and monetary authorities to avert fiscal delays and maintain forex liquidity, respectively.



Compiled by the Information and Data Management (IDM) Unit, CSEA

ECONOMIC INDICATORS

QUARTERLY ECONOMIC INDICATORS	2016Q2	2016Q3	2016Q4
GDP Growth Rate (%)	-2.06	-2.24	-1.30
Oil GDP (%)	-17.48	-22.01	-12.38
Non-Oil GDP (%)	-0.38	0.03	-0.33
Unemployment Rate (%)	13.10	13.9	NA
Underemployment Rate (%)	19.30	19.7	NA
Foreign Direct Investment (US \$'Million)	184.29	340.64	344.63
Portfolio Investment (US \$'Million)	337.31	920.32	284.22
Other Investments (US \$'Million)	520.57	561.16	920.03
Retained Revenue (FG) (N' Billion)*	722.4	955.1	647.8
Expenditure (FG) (N' Billion)*	1,379.6	1352.1	1314.9
(Deficit)/Surplus (N' Billion)*	-657.2	-397.0	-667.1
MONTHLY ECONOMIC INDICATORS	Jan-2017	Feb-2017	Mar-2017
Headline Inflation (%)	18.72	17.78	17.26
Food Sub-Index (%)	17.82	18.53	18.44
Core Sub-Index (%)	17.90	16.00	15.4
External Reserve (US\$ Million)	28,592.98	29,975.38	29,996.38
All Share Index (Points)	26,036.24	25,329.08	25,516.34
Market Capitalization (N' Billion)	8,972.99	8,765.92	8,828.96
Exchange Rate (BDC - N/US\$)	493.29	494.7	429.48
Official Rate (N/US\$)	305.20	305.31	306.4
Manufacturing PMI	48.20	44.6	47.7
Non-Manufacturing PMI	49.40	44.5	47.1
Crude Oil Price(US\$/Barrel)	55.01	46.39	52.13
Petrol (PMS - N/litre)	148.7	149.8	149.4
Diesel (AGO - N/litre)	240.52	249.38	234.55
Kerosene (NHK - N/litre)	433.84	352.42	311.56
MPR (%)	14	14	14
Private Sector CRR (%)	22.5	22.5	22.5
Public Sector CRR (%)	22.5	22.5	22.5
91 Day T-Bill Rate (%)	13.95	13.75	NA
Savings Deposit (%)	4.22	4.22	4.23
Prime Lending (%)	16.91	17.13	17.43
Maximum Lending (%)	28.88	29.26	30.18
Narrow Money (N'Billion)	11,267.71	10,212.65	9,955.24
Broad Money (N'Billion)	23,380.94	22,365.65	22,024.98
Net Domestic Credit (N'Billion)	26,627.28	26,771.07	27,472.69
Credit to Government (N'Billion)	4,284.26	4,408.656	NA
Credit to Private Sector (N'Billion)	2,234.30	2,2362.41	NA
Currency in Circulation (N'Billion)	1,994.58	1,978.887	1,983.63
FAAC (N' Billion)	465	514.15	NA

*Source: CBN Fourth Quarter Report 2016

NA: Not Available

¹CBN (2017). “*Economic Report Fourth Quarter 2016*”. Page 19. Retrieved from, <https://www.cbn.gov.ng/Out/2017/RSD/CBN%20ECONOMIC%20REPORT%20FOURTH%20QUARTER%202016%20Published.pdf>

²CBN (2017). “*Economic Report Fourth Quarter 2016*”. Page 21. Retrieved from, <https://www.cbn.gov.ng/Out/2017/RSD/CBN%20ECONOMIC%20REPORT%20FOURTH%20QUARTER%202016%20Published.pdf>

³CBN (2017). “*Economic Report Fourth Quarter 2016*”. Page 23. Retrieved from, <https://www.cbn.gov.ng/Out/2017/RSD/CBN%20ECONOMIC%20REPORT%20FOURTH%20QUARTER%202016%20Published.pdf>

⁴NBS (2017). “*Daily Energy Generated and Sent Out*”. Retrieved from, <http://www.nigerianstat.gov.ng/report/502>

⁵CBN (2017). “*Purchasing Managers’ index: April 2017*”. Retrieved from, <https://www.cbn.gov.ng/Out/2017/SD/April%202017%20PMI.pdf>

⁶CBN (2017). “*Revised Import and Export Documentation and Timeline for Processing Form “NXP”*”. Retrieved from, <https://www.cbn.gov.ng/Out/2017/CCD/Revised%20Import%20and%20Export%20Docs.pdf>