# Nigeria Economic Update

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# **Monetary Policy**

The Monetary Policy Committee (MPC) retained all monetary parameters at its last meeting for the year 2017, held on November 20-21, 2017. Specifically, the MPC left the benchmark interest rate (MPR) unchanged at 14 percent¹- indicating no change for the 8<sup>th</sup> consecutive period. Other parameters were retained: CRR at 22.5 percent, Liquidity ratio at 30 percent and Asymmetric corridor at +200 and -500 basis points. Among other factors, the decision to retain all parameters is likely based on relatively optimistic outlook on the macroeconomic environment, given the continued positive domestic macroeconomic developments in 2017. Meanwhile, the MPC noted that collaborative fiscal measure (referring to speedy implementation of the 2018 budget) is a necessary condition to ensuring commitment to the task of maintaining price and financial system stability. While acknowledging the efforts of the MPC towards ensuring monetary stability, however, current MPR is still on the high side and can constrain investment which may drag full economic recovery. The monetary authority should revise MPR downward and make borrowing attractive to the banking system and the non-bank public i.e. investors.



## Public Debt Stock

Recently released data by the Debt Management Office reveals a further increase in Nigeria's debt stock as at the end of 2017Q3. Total debt stock stood at N20.37 trillion as at September 2017², increasing by 3.75 percent Quarter-over- Quarter and 20.67 percent Year-on-Year. External debts rose 2 percent to N4.69 trillion, while domestic debts (FGN and States) grew by 4.3 percent to N15.68 trillion – both accounting for approximately 23 percent and 77 percent of total debt stock respectively. Obviously, Nigeria's increasing debt accumulation at a rate faster than GDP growth rate, clearly exacerbates difficulties in meeting debt repayment and sustainability of debt servicing measures. The recent borrowing surge should be utilized to provide socially viable and profitable infrastructure so as to minimize the future debt burden.



#### **Taxation**

Total amount generated from Value Added Tax (VAT) increased in 2017Q3. Compared to the N246.30 billion recorded in 2017Q2, VAT increased marginally by 1.7 percent to N250.56 billion<sup>3</sup>. Sectoral distribution of VAT discloses that Manufacturing sector generated the highest with 11.6 percent of total VAT, closely followed by professional services and oil production generating 9.1 percent and 4.8 percent respectively. With only a total of N701.63 billion generated in the three quarters in 2017 representing a mere 41 percent of the budget revenue, VAT revenue may fall behind the 2017 VAT budget of N1.73 trillion. Going forward, the government through the federal and state revenue-collecting agencies should create an effective and reliable database for every taxable individual and organizations in order to expand the tax net, minimize the incidence of tax evasion, and improve tax revenue collection.



### **Portfolio Investment**

Total portfolio transactions at the Nigeria Stock exchange increased quarter-over-quarter in 2017Q3. Although with a slow-down in September, overall Portfolio investment transactions increased significantly QOQ by 50 percent to N720.53 billion in 2017Q3<sup>4</sup>, following increased investor' confidence in Nigerian stocks and equities during the period. Disaggregated data shows that foreign portfolio investment outperformed domestic investment for most part of the review quarter (two months). FPI rose QOQ by 61.1 percent to N353.11 billion, while Domestic investment rose 40.4 by percent to N367.42 billion. The growth in investment has been propelled by the recent improvements in the stability and liquidity of foreign exchange rates, on account of higher forex reserves built on stronger crude oil sales in the past months. Going forward, sustaining peace in the Niger Delta region while pursing economic diversification is critical to the sustainability of foreign exchange liquidity and stability over the medium—to-long-term.



# **ECONOMIC INDICATORS**

2017Q1

2017**Q**2

2017Q3

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GDP Growth Rate (%)	-0.91*	0.72*	1.40
Oil GDP (%)	-11.64	3.52*	25.89
Non-Oil GDP (%)	0.72	0.45	-0.76
Unemployment Rate (%)	NA	NA	NA
Underemployment Rate (%)	NA	NA	NA
Foreign Direct Investment (US \$'Million)	211.38	274.4	NA
Portfolio Investment (US \$'Million)	313.61	770.5	NA
Other Investments (US \$'Million)	383.28	747.5	NA
External Debt (FGN & States - N'Billion)	4,229.96	4,602.88	4,693.91
Domestic Debt (FGN - N'Billion)	11,971.34	15,034.11	15,678.0
Manufacturing Capacity Utilisation (%)	53.7	NA	NA
MONTHLY ECONOMIC INDICATORS	August-2017	Sepember-2017	October-2017
Headline Inflation (%)	16.01	15.98	15.91
Food Sub-Index (%)	20.25	20.32	20.31
Core Sub-Index (%)	12.3	12.12	12.14
External Reserve (US\$ Million)	31,491.1	32,028.3	NA
All Share Index (Points)	35,504.62	35,439.98	36,484.30
Market Capitalization (N' Billion)	NA	NA	NA
Exchange Rate (BDC - N/US\$)	365.57	366	362
Official Rate (N/US\$)	305.67	305.75	305.80
Manufacturing PMI	53.6	55.3	55.0
Non-Manufacturing PMI	54.1	54.9	55.3
Crude Oil Price(US\$/Barrel)	51.64	NA	NA
Petrol (PMS - N/litre)	144.4	144.5	146.0
Diesel (AGO - N/litre)	196.23	184.8	201.96
Kerosene (NHK - N/litre)	225.52	264.48	273.44
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 (%)	13.35	13.2	13.18
Savings Deposit (%)	4.08	4.08	4.08
Prime Lending (%)	17.69	17.88	17.86
Maximum Lending (%)	31.20	31.39	31.39
Narrow Money (N'Billion)	9,890.81	10,064.24	10,393.06
Broad Money (N'Billion)	21,851.45	21,953.99	22,500.62
Net Domestic Credit (N'Billion)	26,821.45	26,985.31	27,174.81
Credit to Government (N'Billion)	4,824.23	4,963.41	5,245.89
Credit to Private Sector (N'Billion)	2,199.72	2,202.19	2,192.82
Currency in Circulation (N'Billion)	1,868.74	1,781.05	1,791.19
FAAC (N' Billion)	637*	558.08*	NA

\*Revised GDP figures NA: Not Available

**QUARTERLY ECONOMIC INDICATORS** 

<sup>1</sup>Central Bank of Nigeria (2017). "Central Bank of Nigeria Communiqué No 116 of the Monetary Policy Committee Meeting Of Monday 20<sup>th</sup> and Tuesday 21st November, 2017". Retrieved November 28, 2017.

https://www.cbn.gov.ng/Out/2017/CCD/Communique%2021%2011%202017.pdf

<sup>2</sup>Debt Management Office (2017). "Nigeria's Public Debt Stock as at September 30, 2017". Retrieved from, <a href="https://www.dmo.gov.ng/debt-profile/total-public-debt/2255-total-public-debt-as-at-30th-september-2017/file">https://www.dmo.gov.ng/debt-profile/total-public-debt/2255-total-public-debt-as-at-30th-september-2017/file</a>

<sup>3</sup>National Bureau of Statistics (2017). "Sectoral Distribution of Value Added Tax (Q3 2017)". Retrieved from, <a href="http://www.nigerianstat.gov.ng/">http://www.nigerianstat.gov.ng/</a>

<sup>4</sup>Nigeria Stock Exchange (2017). "Domestic & Foreign Portfolio Participation in Equity Trading—September2017". Retrieved from, <a href="http://www.nse.com.ng/market\_data-site/other-market-information-site/FPI%20Report/NSE%20Domestic%20and%20FPI%20Report%20-%20September%202017.pdf">http://www.nse.com.ng/market\_data-site/other-market-information-site/FPI%20Report/NSE%20Domestic%20and%20FPI%20Report%20-%20September%202017.pdf</a>