

## States GDP

The recent compilation of Gross Domestic Product (GDP) at sub-national level by the NBS provides estimates for eleven states for a five-year period covering 2013-2017. The eleven states covered, contributed a total of N33.3 trillion to nominal GDP in 2017, an increase of 35.2% from the N24.6 trillion contributed in 2013<sup>1</sup>. Further review shows that, following past trends, Rivers, Akwa-Ibom and Delta states accounted for the top three highest SGDP in 2017, with N5.1 trillion, N5.1 trillion and N4.1 trillion respectively. Overall, the SGDP revealed detailed insights regarding the structure of sub-national economies, and key sectors that drive growth in each state. Thus, as expected, the oil sector was the main driver of growth in top states like Akwa-Ibom, Rivers, Delta and Bayelsa, while non-oil sector (agriculture and services) made up the chunk of GDP in others including Kaduna, Cross River and Ogun states. Despite the growth in SGDP, several states do not fully translate output to revenue which is manifested in the recent growth in sub-national debt. Aside maintaining the rise in the SGDP, improving revenue collection is crucial to curb rising fiscal deficit, avoid a debt crisis, and provide fiscal space for additional development spending.



## Budget Proposal

Recent media highlights suggest that the Federal Government of Nigeria has proposed a downsized budget for 2019 fiscal year compared to 2018. The government is considering a budget of N8.6 trillion in 2019 as against the N9.1 trillion in 2018 approved budget, with a view to cut down borrowings from N1.6 trillion to N1.5 trillion and reduce deficit component to N1.6 trillion from N1.9 trillion<sup>2</sup>. Outlined key assumptions for the budget include: oil production volume of 2.3 million barrels per day at a price of \$60 per barrel and an exchange rate of N305 to one dollar; inflation rate of 9.98%; and GDP Growth rate of 3%. If considered and approved, the 2019 budget will be the third downsized annual budget size since the inception of democracy (reduced 1<sup>st</sup> in 2004 and 2<sup>nd</sup> in 2015). Beyond budget size, the practicality of the budget assumptions and timeliness in budget planning are critical to effective budget execution within a predetermined implementation cycle. In addition, there is need for reforms to stimulate optimal levels of revenues in line with spending in order to provide the government more resource to drive growth and socio-economic needs.



## Foreign Reserve

Nigeria's foreign reserve fell significantly during the month of October, 2018. The reserve dropped from \$44.02 billion as at the beginning of the month to \$42.72 billion as at October 19, 2018<sup>3</sup> – losing a significant amount of about \$1.30 billion in two weeks. The use of foreign reserve by the CBN to augment forex supply and to uphold the value of the Naira may be exerting enormous pressure on the reserve – the CBN intervenes weekly with \$210 million, in addition to the \$337 million supplied in the review weeks<sup>4</sup>. Perhaps, the rate of reserve depletion would have been larger in the absence of the relatively stable oil price and revenue. However, the international community has advised the CBN to tread with caution on the use of the reserve, given that oil prices are highly volatile and influenced by external factors<sup>5</sup>. There is need to invest in improving institutional capacities at all levels (federal, state and local) to effectively drive initiatives for diversified and inclusive growth.



ECONOMIC SNAPSHOT		
Quarterly Indicators	'18Q1	'18Q2
GDP Growth Rate (%)	1.95	1.5
Oil GDP (%)	14.77	-3.95
Non-oil GDP (%)	0.76	2.05
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	246.62	261.4
Portfolio Investment (US \$Millions)	4,565.09	4,119.5
Other Investment (US \$Million)	1,491.93	1,132.8
External Debt (FGN & States- N'Billion)	6,746.27	6,750.91
Domestic Debt (FGN + States & FCT N'billion)	15,960.92	15,628.76
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Aug'18	Sept'18
Headline Inflation (%)	11.23	11.28
Food Sub-Index (%)	13.2	13.31
Core Sub-Index (%)	10.0	9.8
External Reserves (End Period) (US\$ Million)	45,838.59	44,306.10
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.1	56.2
Non-Manufacturing PMI	58.0	56.5
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	146.9	147.3
Diesel (AGO -N/Litre)	207.98	211.64
Kerosene (HHK -N/Litre)	288.75	297.28
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	12.14	NA
Savings Deposit (%)	4.07	NA
Prime Lending (%)	16.65	NA
Maximum Lending (%)	30.93	NA
Narrow Money (N'Billion)	10,448.16	NA
Broad Money (N'Billion)	24,859.35	NA
Net Domestic Credit (N'Billion)	24,848.63	NA
Credit to the Government (N'Billion)	2,378.39	NA
Credit to the Private Sector(N'Billion)	2,247.02	NA
Currency in Circulation (N'Billion)	1,928.74	NA
FAAC (N'Billion)	741.8	NA

\*Revised GDP figures/tentative figures

NA: Not Available

<sup>1</sup>National Bureau of Statistics (2018). “States Nominal Gross Domestic Product (2013 – 2017)”. Retrieved from, <http://www.nigerianstat.gov.ng/>

<sup>2</sup>Punch (2018). “FG trims budget size, proposes N8.6tn for 2019”. Accessed October 22, 2018. <https://punchng.com/fg-trims-budget-size-proposes-n8-6tn-for-2019/>

<sup>3</sup>CBN (2018). “The Movement in Reserves (30-Day Moving Average with effect from November 2011)”. Accessed October 22, 2018. <https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=10/22/2018%205:02:56%20AM>

<sup>4</sup>Punch (2018). “CBN injects \$337m, CNY53m into inter-bank forex market”. Accessed October 23, 2018. <https://punchng.com/cbn-injects-337m-cny53m-into-inter-bank-forex-market/>

<sup>5</sup>Punch (2018). “External reserves drop by \$1bn in 13 days”. Accessed October 22, 2018. <https://punchng.com/external-reserves-drop-by-1bn-in-13-days/>