Nigeria Economic Update

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Declining Government Revenue – 2018H1

At N4,401.91 billion or 7.7 per cent of GDP, gross federally collected revenue for the first half of 2018 was 33.7 percent below the proportionate budget estimates but 47.1 percent above the level recorded in corresponding period of 2017.[1] The difference in revenue, relative to the proportionate budget estimates, was driven by shortfalls in both oil and non-oil revenue components. The decline in oil revenue was due to a difference between the budgeted crude oil production benchmark of 2.3 million barrels per day (mbd) and the actual production of 1.90 mbd. An increase in crude oil price over the budget benchmark within the review period was insufficient to reverse the decreasing trend in oil revenue. This shortfall is likely going to lead to a cut in spending on capital projects along with the negative impact on the welfare of citizens and the growth of businesses. To fully implement the budget, it is important to close the historic gap between expected and actual benchmarks by generating the adequate political commitment and deploying appropriate forecasting techniques.

Shortfall in Government Expenditure –2018H1

Federal Government aggregate expenditure for the first half of 2018 stood at N2,586.13 billion or 4.3 percent of GDP, representing a 46.1 and 21.3 percent decline relative to estimates of the proportionate budget and level in the corresponding period of 2017.[1] A breakdown of the aggregate expenditure shows that recurrent expenditure and capital expenditure fell by 31.3 and 71.6 percent respectively, below the proportionate budget estimates. The expenditure shortfall is a reflection of the low pace of capital releases due to the late passage of the 2018 Appropriation Act and the need for MDAs to finalize their procurement processes. There is need to particularly address budget delays --as it negatively impacts economic performance and introduces opacity into the budget process, which has the potential to induce diversion of public resources. Policymakers need to ensure a standardized budgetary calendar.

Rising Public Debt Stock due to External Loans

Federal Government debt stock as at the end of June 2018 stood at N18,902.34 billion or 15.8 per cent of GDP of which domestic debt accounted for 64.3 percent, while external debt accounted for 35.7 percent. This is a 17.6 percent increment when compared with the level at the end of December 2017.[1] The rise in total debt stock was driven by a 16.8 percent increase in external debt due to multilateral loans of US$0.64 billion and the Eurobond of US$2.50 billion. The use of external loans to redeem matured Net Treasury Bills (NTBs) should be critically examined considering the major source of the loans - commercial creditors. To improve the debt servicing capacity and ensure that debt is sustainable, commercial loans should rather be deployed towards commercially viable projects that can service the debt in the medium to long-term.

Growing Business Confidence Among Nigerian Manufacturers

Manufacturing PMI in the month of October increased to 56.8 index points from 56.2 in September 2018.[2] The growth in manufacturing PMI is due to increase in thirteen out of fourteen sub-sectors with decline recorded only in the primary metal sub-sector. Recently released report by the Central Bank of Nigeria also points towards improvements in the manufacturing sector. Manufacturing sector capacity utilization increased by 3.8 percent to 54.0 percent in the first half of 2018 above its level in the first half of 2017.[1] The improvement is attributed to increased foreign exchange liquidity for manufacturers, expansion in export businesses and increase in new order. Despite the improvements in PMI, growth in the sector is still not strong enough to cater for future job needs. Addressing structural challenges that constrain Nigerian businesses such as electricity supply and transport network, are critical to significant growth in the sector.

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

[1]Central Bank of Nigeria (2018). "Economic Report for the First Half of 2018. Retrieved from, https://www.cbn.gov.ng/Out/2018/RSD/HALF%20YEAR%202018%20-%20pdf.pdf

[2]Central Bank of Nigeria (2018). Purchasing Managers' Index (PMI) Survey Index. Retrieved from, https://www.cbn.gov.ng/Out/2018/STD/PMI%20Report_October%202018.pdf