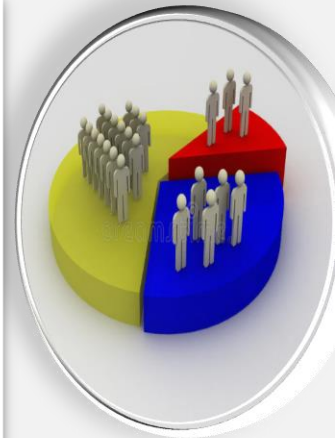


## Debt Service Payment Rose Significantly in the Second Half of 2018

Recent media reports reveal that Nigeria spent an alarming amount of N5.75 billion daily to service debts – summing up to a total of N1.07 trillion for the first half (six months) of 2018, paid as interest on money borrowed from local and international sources<sup>1</sup>. This implies that about 51% of the projected N2.1 trillion for 2018 debt service has been paid. A closer review of this figure shows that the government's daily spending to service debts is about sixteen times more than its counterpart capital spending on health and education combined\*. With the recent borrowing from the international bond market, debt service payments will continue to increase in the medium to long-term. The authorities should put in view the relevant public debt indicators such as debt service payments as a share of government revenue, and also ensure an efficient and effective use of debt.



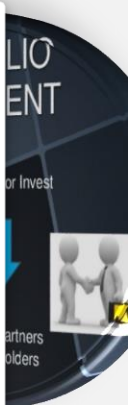
## Revenue Projections Decline by 26.3% in the Second Half of 2018

The Federal government's projected independent revenue (funds generated by agencies) estimates a lesser amount for the 2019 fiscal year<sup>2</sup>. Specifically, from the N847.95 billion in 2018, the government has slashed the revenue projection to N624.58 billion, equivalent to a decline of 26.3%. Plausibly, the government is mindful of a myriad of factors that could affect revenue generation in 2019 including lags in fiscal spending, security and climate change issues which affect revenue generation from agriculture, weak consumer demand occasioned by speculated slow-down in economic activities, and uncertainties surrounding the forthcoming elections. This projected decline will have dire consequences on public spending. To reverse the trend, increased efficiency of the operations and processes of government agencies through the use of technology, improved employee professionalism, and stronger institutional frameworks, is of utmost importance.



## Foreign Reserve Decline for the 5<sup>th</sup> Consecutive Time in November 2018

Gross official foreign reserves continued to decline, with about \$41.6 billion left in its coffers as at November 16, 2018<sup>3</sup>. Month-on-Month comparison suggests that the reserve fell from \$43 billion in October to \$41.6 (most recent figure) in November, representing the fifth consecutive month of decline. The persistent fall is proof that the CBN's forex market intervention is taking a worrisome toll on the reserve, amid lower oil revenue inflow relative to the draw-down of reserves and a continued exodus of greenback (dollars) with the exit of foreign investors. As the holiday season approaches, the CBN is likely to further draw down reserves to protect the naira from excessive decline in the short-term. If the country is to build resilience against external factors such as another global economic slowdown, oil shock or exodus of hot money, the Nigerian government will need to deepen other sources of non-oil revenue to safeguard reserves. Particularly, diaspora remittances, recovered funds, tax and commissions can provide good levers with improved monitoring and management of such funds.



## Rising Frauds and Forgeries in the Banking Sector

Recent activity report by the CBN shows that banking sector's total loss to frauds and forgeries amounted to N12.1 billion in the first half of 2018<sup>4</sup>. Compared with the approximately N1 billion lost in the corresponding half year of 2017, the figure represented N11.1 billion increase in one year. The cases involved armed robbery attacks, fraudulent ATM withdrawals, illegal funds transfer, pilfering of cash, suppression and conversion of customers' deposits. Going forward, there is need for the banking industry to tighten internal control mechanisms and security. Regulators need to strengthen corporate governance and sanctions of offenders to improve regulatory oversight. Particularly, the CBN should check the country's rising bank risk.



<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'18Q1</b>	<b>'18Q2</b>
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
<b>Monthly Indicators</b>	<b>Sept'18</b>	<b>Oct'18</b>
Headline Inflation (%)	11.28	NA
Food Sub-Index (%)	13.31	NA
Core Sub-Index (%)	9.8	NA
External Reserves (End Period) (US\$ Million)	44,306.10	41,995.24
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	56.2	56.8
Non-Manufacturing PMI	56.5	57.0
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	147.3	NA
Diesel (AGO -N/Litre)	211.64	NA
Kerosene (HHK -N/Litre)	297.28	NA
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	11.00	10.94
Savings Deposit (%)	4.07	4.07
Prime Lending (%)	16.59	16.53
Maximum Lending (%)	30.77	30.67
Narrow Money (N'Billion)	10,681.49	11,130.26
Broad Money (N'Billion)	25,277.07	25,713.71
Net Domestic Credit (N'Billion)	25,971.82	26,633.16
Credit to the Government (N'Billion)	3,411.35	3,909.43
Credit to the Private Sector(N'Billion)	22,560.47	22,723.73
Currency in Circulation (N'Billion)	1,926.382	1,956.009
FAAC (N'Billion)	NA	NA

\*Revised GDP figures/tentative figures

NA: Not Available

<sup>1</sup>Business Day (2018). “Everyday, Nigeria spends N5.75bn on debt servicing”. Accessed November 20, 2018. <https://www.businessdayonline.com/exclusives/article/everyday-nigeria-spends-n5-75bn-debt-servicing/>

<sup>2</sup>Punch (2018). “FG slashes 2019 agencies revenue by N223.36bn”. Accessed November 20, 2018. <https://punchng.com/fg-slashes-2019-agencies-revenue-by-n223-36bn/>

<sup>3</sup>CBN (2018). “The Movement in Reserves (30-Day Moving Average with effect from November 2011)”. Accessed November 21, 2018. <https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=11/21/2018%208:22:35%20AM>

<sup>4</sup>CBN (2018). “Economic Report for the First Half of 2018”. <https://www.cbn.gov.ng/Out/2018/RSD/HALF%20YEAR%202018%20-%20pdf.pdf>

\*Health and Education figure is broken down to N370 million daily, constituting about 6 percent of daily debt service payments.