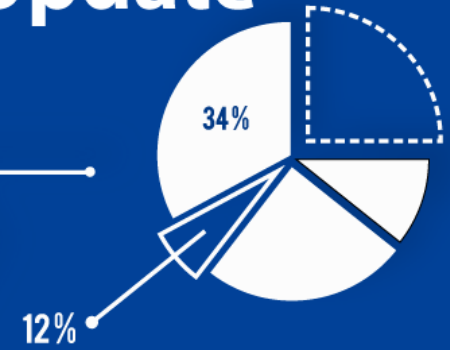


Nigeria Economic Update



Increase in Internally Generated Revenue

Internally Generated Revenue (IGR) for the 36 states and the Federal Capital Territory (FCT) increased by 15.78 percent in the first half of 2019 relative to the second half of 2018. IGR increased from ₦596.91 to ₦691.11 billion in the review period.¹ Income tax (62.45 percent) was the major source of revenue for the states. Other sources of internal revenue for the states include road tax, revenue from MDAs, direct assessment, and other forms of taxes. Further disaggregated data shows Lagos state generated the most revenue, accounting for 29.6 percent of the total internal revenue generated. Rivers, FCT, Delta, Ogun, Kaduna and Akwa Ibom generated over ₦20 billion each in the first six months of 2019. Gombe, Yobe, Taraba and Borno – all north eastern states – generated the least (less than ₦4 billion each) in the review period. In as much as states intend to increase the level of IGR generated, careful consideration should be made with regards to taxing households and firms in order not to undermine productivity and in turn, economic growth. Other sources of revenues from ‘state-owned’ enterprises such as recreational centres and real estates can be explored. Particularly, revenues from tourism can be strengthened.

Rising State Debt

Total domestic and foreign debt for the 36 states for 2018 increased by 2.8 percent and 13.67 percent respectively when compared to 2017.¹ Total domestic and foreign debt stood at ₦3.69 trillion and \$4.198 billion respectively.² Lagos state incurred the most domestic debt (₦ 530 billion) and foreign debt (\$ 1.43 billion) in the review period, while Yobe state had the lowest foreign debt and third lowest domestic debt. Half of the states with available GDP data had a debt to GDP ratio above 60 percent in 2017. Aside the rising debt, a more disturbing trend is the use of debt to finance the fiscal imbalance (including running the cost of governance) rather than investing in projects with high returns that can potentially contribute to debt servicing in the future. As a matter of priority, focus should be placed on innovative means of mobilizing finance such as using guarantees and risk-sharing instruments to attract private finance.

Currency in Circulation

Recently released report by the Central Bank of Nigeria (CBN) shows that currency-in-circulation (CIC) grew by 0.8 percent in value to ₦2.3 trillion at the end of 2018.³ Further breakdown of CIC shows an increase in volume (41.9 to 44.3 percent) and value (96.9 to 97.6 percent) of higher denominated banknotes (₦100, ₦200, ₦500 and ₦1,000 notes). The growth in CIC can be linked to increased ‘handouts’ in preparation for the 2019 general elections, increased spending due to late implementation of the 2018 budget, as well as increase in economic activities supporting to dominance of cash in the economy. The upside risk of inflation arising from increased money in circulation had partly driven the CBN to implement contractionary policies to control liquidity through Open Market Operations auctions, supplemented with regular foreign exchange sales, in late 2018 and early 2019. While the Bank is achieving progressive moderation in consumer prices with its interventions, it should also sustain its intervention in the real sector to reduce output gap. To further support growth while managing inflation, there is need for demand- and supply-side management policies to be designed and implemented. Particularly, promoting consumer and corporate credit backed by a credit scoring system can be beneficial.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'19Q1	'19Q2
GDP Growth Rate (%)	2.1	1.94
Oil GDP (%)	-2.40	5.15
Non-oil GDP (%)	2.47	1.64
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	243.36	222.89
Portfolio Investment (US \$Millions)	7,145.98	4,292.89
Other Investment (US \$Million)	1,096.15	1,304.43
External Debt (FGN & States- N'Billion)	7,860.88	NA
Domestic Debt (FGN + States & FCT N'billion)	17,086.20	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	July'19	Aug'19
Headline Inflation (%)	11.08	11.02
Food Sub-Index (%)	13.39	13.17
Core Sub-Index (%)	8.80	8.68
External Reserves (End Period) (US\$ Million)	44,903.03	43,607.80
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.6	57.9
Non-Manufacturing PMI	58.7	58.8
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	145.00	145.5
Diesel (AGO -N/Litre)	224.96	229.08
Kerosene (HHK -N/Litre)	316.03	319.94
MPR (%)	13.5	13.5
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	9.92	9.92
Savings Deposit (%)	3.93	NA
Prime Lending (%)	15.46	NA
Maximum Lending (%)	31.07	NA
Narrow Money (N'Billion)	11,435.79	NA
Broad Money (N'Billion)	35,675.93	NA
Net Domestic Credit (N'Billion)	33,412.40	NA
Credit to the Government (N'Billion)	9,138.08	NA
Credit to the Private Sector(N'Billion)	24,274.31	NA
Currency in Circulation (N'Billion)	2,003.09	NA
FAAC (N'Billion)	769.5	720.88

*Revised GDP figures/tentative figures

NA: Not Available

¹NBS (2019). “Internally Generated Revenue at State Level, Q1 – Q2 2019. Retrieved from, <http://www.nigerianstat.gov.ng/download/1005>

²NBS (2019). “Internally Generated Revenue at State Level, 2017. Retrieved from, <http://nigerianstat.gov.ng/download/744>

³CBN (2019). “Currency Operations Department 2018 Annual Report” Retrieved from. <https://www.cbn.gov.ng/Out/2019/CCD/2018%20COD%20Annual%20Report.pdf>

