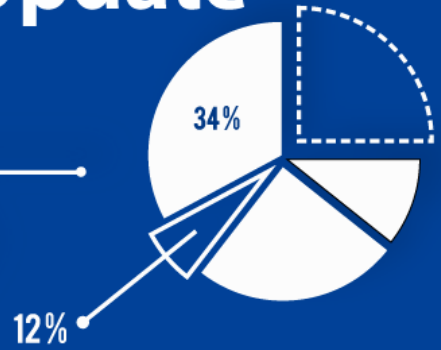


# Nigeria Economic Update



Weekly  
**Digest**



## ***Declining FAAC Allocation***

The federation allocation to the federal, state and local government decreased for the second consecutive month. The Federation Account Allocation Committee (FAAC) disbursed the sum of ₦693.52 billion to the three tiers of government from the revenue generated in October 2019.<sup>1</sup> This is a decrease of 6.93 percent compared to the ₦740.87 billion disbursed in September 2019.<sup>2</sup> Further disaggregated data shows the federal government received ₦293.80 billion, the states received ₦186.81 billion, local government councils received ₦140.86 billion while oil producing states received an extra ₦51.53 billion as 13 percent derivation fund. It is worth noting that the Federal Inland Revenue Service (FIRS) contributed nearly 60 percent of the revenue disbursed over the past 3 months.<sup>3</sup> The decline in FAAC allocations points to the unpredictability and volatility of oil revenue. While oil will remain a key source of government revenue, the government should identify more innovative means of sourcing finance including partnering with the private sector, in the short to medium-term.

## ***Improved Regulatory Practice in the Agricultural Sector***

Nigeria was ranked higher at 67 out of 101 countries on the World Bank Enabling the Business (EBA) of Agriculture 2019 report.<sup>4</sup> EBA measures how regulations affects the livelihood of domestic farmers. Nigeria scored 49.17 out of 100 in the overall EBA score. Nigeria's regulatory practice and laws ranks above-average in the areas of registering fertilizer (69.30), seed supply (63.42), sustaining livestock (63.33) and securing water (50). However, there are weaker regulations in registering machinery (48.8), accessing finance (40), trading food (38.51) and protecting plant health (20). Particularly, regulatory protection for plant health which records the lowest performance requires strategic reforms for improvement. Recommended reforms include providing publicly-available information on plant pest and diseases on a designated government website. Also mandating landowners/users to report pest outbreaks to designated agency with penalties for non-compliance is paramount.

## ***Falling Crude Oil Prices***

Crude oil prices declined in October 2019 and is expected to fall further in 2020. The price of Nigeria's bonny light decreased by 4 percent from \$64.02 per barrel in September 2019 to \$61.45 per barrel in October 2019.<sup>5</sup> The fall in crude oil price can be attributed to rising US crude oil stocks and reduction in crude oil supply disruption. Crude oil price is projected to average \$60 per barrel in 2019 and further weaken to \$58 per barrel in 2020.<sup>6</sup> The downward revision in oil prices is linked to weaker global growth forecast and consequently, weaker oil demand. This has adverse implications for Nigeria's trade, revenue and overall economy; and emphasizes the need for modernising agriculture, developing tourism, and promoting entrepreneurship in manufacturing, among other initiatives.

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

<sup>1</sup>NBS (2019). “Federation Account Allocation Committee October 2019”. Retrieved from, <http://www.nigerianstat.gov.ng/download/1016>

<sup>2</sup>NBS (2019). “Federation Account Allocation Committee September 2019”. Retrieved from, <http://www.nigerianstat.gov.ng/download/1015>

<sup>3</sup>FIRS (2019). “FIRS Contributes More Than Half (59.7%) of Funds to Federation Account, Says RMAFC (Revenue Mobilisation Allocation and Fiscal Commission)”. Accessed on November 8, 2019. <https://www.firs.gov.ng/PressRelease/FIRSContributes59.7>

<sup>4</sup>World Bank (2019). “Enabling the Business of Agriculture 2019”. Retrieved from, <https://openknowledge.worldbank.org/bitstream/handle/10986/31804/9781464813870.pdf>

<sup>5</sup>OPEC (2019). “OPEC Monthly Oil Market Report November”, retrieved from, [https://momr.opec.org/pdf-download/res/pdf\\_delivery\\_momr.php?secToken2=debc3a85c162abb49eb36be5b6d83c72b342ec8b](https://momr.opec.org/pdf-download/res/pdf_delivery_momr.php?secToken2=debc3a85c162abb49eb36be5b6d83c72b342ec8b)

<sup>6</sup>World Bank (2019). “Commodity Market Outlook, October 2019”. Retrieved from, <https://openknowledge.worldbank.org/bitstream/handle/10986/32633/CMO-October-2019.pdf?sequence=7&isAllowed=y>

