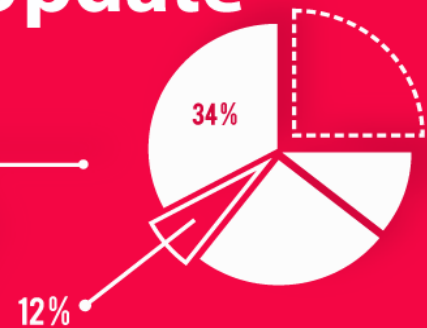




Nigeria Economic Update



Weekly
Digest



Decline in Foreign Capital Import

Foreign capital imported to Nigeria declined by 32% from US\$5.6 billion to US\$3.8 billion between Q3 and Q4 2019, indicating a decline for the third consecutive quarter¹. The decline during the period was driven by a fall in two components of foreign capital imports as portfolio investment and other investment declined by 37.7% and 30.5% respectively, while foreign direct investment increased by 24.5%. In 2019, the United Kingdom, United States and South Africa emerged as the top-three countries importing the highest capital while Lagos and Abuja remain the top destinations within the country. By sector, banking (31.92%), financing (26.18%) and shares (22.24%) emerge as the top sectors. Despite the decline in capital imports between Q3 and Q4 2019, there has been a 42.7% increase in the total value of capital imported between 2018 and 2019. Taking into consideration the impact of the COVID-19 pandemic on the global economy due to the decline in demand and widespread uncertainty, a further decline in foreign capital inflows is expected going forward.

Rise in Federal Allocation

The three tiers of government obtained a total of N716.3 billion as revenue for the month of January 2020 which is considerably higher than N650.83 billion allocated in December 2019², 3. The Federal, State, and Local Government received N287.93 billion, N191.30 billion and N143.70 billion respectively. The increase can be attributed to a rise in inflow from statutory accounts (4.7%), and Value Added Tax (27.3%). However, the gross revenue allocation to the three tiers of government was limited as the cost of revenue collection by the Nigeria Customs Service, Federal Inland Revenue Service and Department for Petroleum Resources increased by 19.7% to N19.35 billion. Given the VAT rate increment from 5% to 7.5% that commenced on 1st February 2020, we expect a further increment in the federal allocation. However, with the recent devaluation of the naira from the official rate of N307 to N360 per dollar, the exchange gains component of the federal allocation is likely to decline considerably and offset increments from VAT. Innovative strategies to increase the revenue generated by states such as the 'one state, one product' project are encouraged in order to reduce the dependence on federally allocated funds.

Decline in Currency Value

The Naira declined to a record low of N375 against the dollar at the parallel market. Specifically, the Naira sold at 22.9% below the 2020 budgetary benchmark exchange rate of N305 per dollar⁴. The increased pressure on the Naira is as a result of the dollar shortage owing to the fall in oil price. Amid ongoing tensions in the oil market, caused by decline in the demand for commodities as a result of the COVID-19 pandemic and the failure of top oil producers to cut down on oil production, oil price is expected to continue on a downward trend. Going forward, the lower oil price will result in a currency devaluation in the event that the government does not maintain forex supply. Enhancing export-oriented sectors such as textiles, agriculture and metals by boosting their productivity to ensure competitiveness is crucial in generating forex from non-volatile sources.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'19Q3	'19Q4
GDP Growth Rate (%)	2.3	2.5
Oil GDP (%)	6.49	7.23
Non-oil GDP (%)	90.23	92.68
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	200.08	257.25
Portfolio Investment (US \$Millions)	2,999.50	1883.58
Other Investment (US \$Million)	2,167.98	1661.55
External Debt (FGN & States- N'Billion)	NA	NA
Domestic Debt (FGN + States & FCT N'billion)	NA	NA
Manufacturing Capacity utilization (%)	181.2	185.1
Headline Inflation (%)	11.40	12.13
Food Sub-Index (%)	14.67	14.86
Core Sub-Index (%)	9.33	9.35
External Reserves (End Period) (US\$ Million)	38,595.25	31,009.76
Official Rate Approx. (N/US\$)	306.5	306.5
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	60.8	59.2
Non-Manufacturing PMI	62.1	59.6
Crude Oil Price (US\$/Barrel)	67.31	63.83
Petrol (PMS-N/litre)	145.35	145.37
Diesel (AGO -N/Litre)	229.81	229.78
Kerosene (HHK -N/Litre)	320.47	323.46
MPR (%)	13.5	13.5
CRR (%)	22.5	27.5
91 Day T-Bill Rate (%)	4.47	3.45
Savings Deposit (%)	3.89	3.86
Prime Lending (%)	14.99	30.77
Maximum Lending (%)	30.72	NA
Narrow Money (N'Billion)	10,533.13	10,331.40
Broad Money (N'Billion)	34,776.37	34,146.48
Net Domestic Credit (N'Billion)	36,178.34	35,815.11
Credit to the Government (N'Billion)	9,483.81	9,252.81
Credit to the Private Sector(N'Billion)	26,694.52	26,562.69

*Revised GDP figures/tentative figures

NA: Not Available



1NBS (2020). Nigerian Capital Importation (Q4 & Full Year 2019). Retrieved from:

<https://nigerianstat.gov.ng/download/1069>

2NBS (2020). Federation Account Allocation Committee (FAAC) (December 2019 Disbursement). Retrieved

from: <https://nigerianstat.gov.ng/download/1071>

3NBS (2020). Federation Account Allocation Committee (FAAC) (January 2020 Disbursement). Retrieved

from: <https://nigerianstat.gov.ng/download/1068>

4Exchange rate UK (2020). Dollar to Nigerian Naira Exchange Rate Today. Retrieved from:

<https://www.exchangerates.org.uk/Dollars-to-Nigerian-Naira-currency-conversion-page.html>

5CBN (2020). Daily Crude oil price. Retrieved from: <https://www.cbn.gov.ng/rates/DailyCrude.asp>

