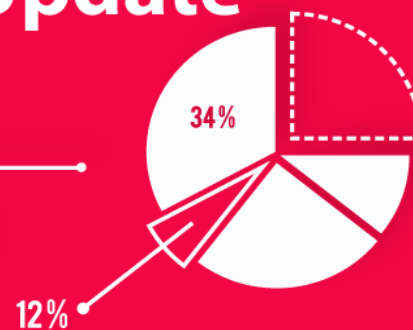




# Nigeria Economic Update



## ***Decline in Remittance inflows***

The total direct remittance inflow into Nigeria has declined considerably, falling by 50% from US\$2.04 billion to US\$1.01 billion between January and February 2020<sup>1</sup>. This is significantly lower than 2019 levels, as a total of US\$23 billion was remitted in 2019, making Nigeria the highest recipient within the sub-Saharan African region<sup>2</sup>. However, with many of its citizens resident in the diaspora residing in countries that have been severely hit by the COVID-19 pandemic including Spain, Italy, the United Kingdom and the United States, their ability to work and thus remit funds has been significantly limited. Given that remittance is a major source of income for vulnerable households in developing countries, this recent development could increase poverty and further widen inequality. In the coming months, remittance flows are expected to continue declining as a recent World Bank report noted that flows to low- and middle-income countries in sub-Saharan Africa will fall by 23.1% in 2020<sup>2</sup>. In order to mitigate against the impact on vulnerable households, the government should provide additional social safety nets for the poor and ensure that the distribution mechanism of the cash transfer programme is efficient and equitable.

## ***Decline in Foreign Reserves***

The national foreign reserves depleted by 5%, from US\$35.1 billion to US\$33.4 billion between March and April 2020, which is the lowest it has been since January 2018<sup>3</sup>. Since 2019, the reserves have maintained a downward trend as gross reserves are currently 22% lower than the value in March 2019 at US\$44.79 billion. The depletion in foreign reserves can be attributed to the Central Bank of Nigeria's interventions in the foreign exchange market aimed at ensuring exchange rate stability. Going forward, given the sharp fall in oil price as well as the decline in oil production, the reduction in inflows is expected to continue. Furthermore, the downward revision of the exchange rate from ₦305:US\$1 to ₦360:US\$1 would require additional drawdowns on the reserves. The exchange rate may continue to depreciate in the face of a continuous decline in forex earnings. Firms should leverage on the opportunities provided as a result of the pandemic such as credit facilities and import duty exemptions for specific goods to boost their capacity and embark on an import-substitution drive in order to complement the current supply of foreign exchange.

## ***Decline in FAAC disbursements***

The Federation Account Allocation Committee (FAAC) disbursed the sum of ₦581.57 billion in March from revenue generated in February<sup>4</sup>. The decline was driven by a fall in import and excise duties, oil and gas royalties and VAT which fell by 4.9% compared to the previous month. However, the revenue included inflows from Statutory Revenue (₦466.06 billion) Value Added Tax (₦99.55 billion), Forex Equalization Account (₦15.20 billion), and Exchange Gain (₦ 0.76 billion)<sup>5</sup>. The revenue shared across the federal, state and local government was ₦236.118 billion, ₦159.010 billion and ₦119.305 billion respectively with 13 percent derivation allocated to oil producing states. Apart from the declining oil prices, with OPEC agreeing to cut down oil production, Nigeria's production is expected to decline leading to a further reduction in oil revenue. In addition, the declining revenue might aggravate already existing fiscal sustainability issues in most states. Therefore, at a critical time like this, policy makers especially at the state and local government level should devise and intensify diversification efforts to avoid an unprecedented revenue crisis.

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

1 CBN (2020): Weekly International Payments retrieved from:

<https://www.cbn.gov.ng/IntOps/payments.asp>

2 World Bank (2020) COVID-19 Crisis Through a Migration Lens retrieved from:

<http://documents.worldbank.org/curated/en/989721587512418006/pdf/COVID-19-Crisis-Through-a-Migration-Lens.pdf>

3 CBN (2020) Movement In Reserves retrieved from:

<https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=4/29/2020%2011:55:01%20AM>

4 CBN (2020) CBN Exchange Rates retrieved from:

<https://www.cbn.gov.ng/rates/ExchRateByCurrency.asp>

5 Federal Ministry of Information (2020). "FAAC Shares N581.566 Billion February 2020

Revenue to FG, States and LGs". Retrieved from: <https://fmic.gov.ng/faac-shares-n581-566-billion-february-2020-revenue-to-fg-states-and-lgs/>