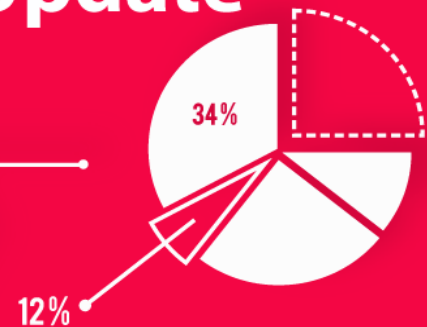




# Nigeria Economic Update



## ***IMF COVID-19 Support***

The International Monetary Fund (IMF) recently announced the approval of \$3.4 billion emergency support to Nigeria under its Rapid Financing Instrument (RFI) facility<sup>1</sup>. This support fund comes as part of efforts to assist the nation in mitigating potential balance of payment problems as a result of both the decline in oil revenue as well as the economic effects of the COVID-19 pandemic. The IMF has approved a total of \$8.3 billion to countries in the sub-Saharan region under various financing schemes in order to mitigate the impact of the pandemic<sup>2</sup>. However, the fund to Nigeria is the single largest disbursement made to any nation within the region and it is expected to provide the country with the much-needed liquidity during this critical period. On the grounds that Nigeria is taking 100% of its quota under the RFI, the government is expected to pay a concession fee totaling about 1.05% with repayment period up to 5 years. Although, this loan is not expected to completely finance the government's spending plans or avert the imminent recession, it will serve as a cushion for revenue shortage problems.

## ***Impending Rise in Domestic Debt***

The Debt Management Office (DMO) announced the conversion of ₦850 billion new external borrowing in the 2020 Appropriation Act to domestic borrowing<sup>3</sup>. Aside the external borrowing, ₦744.99 billion was also supposed to be borrowed domestically. However, following the recent move by the DMO, the amount to be drawn from the domestic debt market will increase to ₦1.59 trillion. With the nation's total debt at ₦27.4 trillion, this will increase the national debt to ₦29 trillion while increasing the domestic to external debt ratio. Although the devaluation of the naira has made the DMO averse towards foreign debt, domestic borrowing is associated with higher costs and risks given that the loans are borrowed at market rates. Moreover, as the private sector seeks credit to counteract the effect of the COVID-19 pandemic and the lockdown measures put in place to curb it, drawing from the domestic market would likely crowd out private investment, thus reducing the amount of credit available to the private sector. It is imperative for the DMO to conduct a sensitivity test of the debt portfolio in order to gauge the effect of an economic or financial shock on the debt levels and credit available to the private sector.

## ***Decline in Household Consumption Expenditure***

The National Bureau of Statistics analyzed the 2019 GDP and noted a year on year decline in the growth rate of household consumption expenditure from 4.63% to -2.40%<sup>4</sup>. In the same way, the growth rate of other components of GDP decreased: government consumption expenditure declined from 39.84% to 15.04% and gross fixed capital formation declined from 9.74% to 8.06%<sup>4</sup>. Meanwhile, the growth rate of net exports increased from -17.45% to 7.64% during the same period, indicating an increase in imports. This trend of declining consumption may persist given the current situation of rising inflation and limited economic activity particularly among households and businesses. Even for the government, the limited fiscal space may constrain public spending plans, resulting in a decline in government consumption and investment as well. While credit facilities have been put in place for households and businesses most affected by the pandemic, de-collateralizing these facilities is required for their absolute use and more generally, for a boost in economic activities.

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 IMF (2020). IMF Executive Board Approves US\$ 3.4 Billion in Emergency Support to Nigeria to address the COVID-19 Pandemic. Retrieved from:

<https://www.imf.org/en/News/Articles/2020/04/28/pr20191-nigeria-imf-executive-board-approves-emergency-support-to-address-covid-19>

2 IMF (2020). Emergency Financing and Debt Relief. Retrieved from:

<https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker#AFR>

3 DMO (2020). Press Release on Conversion of ₦850 Billion New External Borrowing in the 2020 Appropriation Act to Domestic Borrowing. Retrieved from:

<https://www.dmo.gov.ng/news-and-events/dmo-in-the-news/press-release-on-conversion-of-850-billion-new-external-borrowing-in-the-2020-appropriation-act-to-domestic-borrowing>

4 NBS (2020). Nigerian Gross Domestic Product Report (Expenditure and Income Approach).

Retrieved from: <https://www.nigerianstat.gov.ng/download/1091>