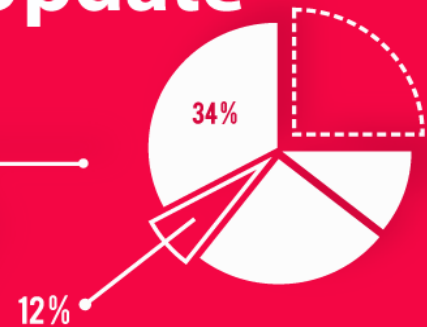




# Nigeria Economic Update



Weekly  
**Digest**



## ***High Poverty and Inequality***

The recent NBS survey found that 40.1% – 82.9 million – Nigerians are living in poverty with the national poverty line estimated at ₦137,430 per year<sup>1</sup>. As such, 4 out of 10 Nigerians spend less than ₦376 per day on both food and non-food basic needs. A further disaggregation shows that the population in rural and urban areas living in poverty are 52.1% and 18% respectively. On inequality, the report found that the national Gini coefficient was 35.1 while the coefficient for the rural and urban population are 32.8 and 31.9 respectively. The level of inequality in Nigeria is comparable to that of in India (35.2) but significantly below countries like South Africa (62.5)<sup>2</sup>. Based on the experiences of countries that have improved the living standard of a large proportion of their population, Nigeria will need to achieve sustained and high economic growth, substantial infrastructural development, provide large-scale structured and targeted poverty alleviation programmes alongside social development programmes. In doing this, the government will not only provide immediate relief to the poor but will also enhance the income-generating potential of citizens and minimize the risk of falling into poverty.

## ***Decline in Oil and Gas Trading Surplus***

The NNPC's January Financial and Operations report showed that the trading surplus in January was ₦1.87 billion, declining by 64.6% from ₦5.28 billion in December 2019<sup>3</sup>. The decline is due to the poor performance (17%) of the strategic business units in the upstream and midstream sectors as well as the over 100% deterioration in the downstream sector. In addition, crude oil production in January decreased by 2.22% to 60.80 million barrels compared to December 2019 due to production disruptions in several pipeline systems. With the decline in the demand for oil and the corresponding decline in oil price due to the COVID-19 pandemic, the trading surplus is expected to continue to deteriorate. Considering that the revenue generated by the NNPC accounts for a significant proportion of the government revenue, both federal and sub-national governments will be negatively impacted. In the short-term, the government should consider the full implementation of the Oronsaye Committee report which downsizes government parastatals, commissions and agencies.

## ***Improved Fiscal Transparency***

The World Bank recently awarded \$750 million to 24 states in Nigeria for their performance-based improvement on fiscal transparency in 2018. The grant operates as an incentive to promote fiscal transparency, accountability, and sustainability at the state level<sup>4</sup>. The highest state beneficiary was Kaduna as it received \$11 million to further transparency initiatives. While states like Lagos, Rivers, Borno and 9 other states were ineligible for the grant as they did not meet the eligibility criteria as contained in the nine Disbursement-Linked Indicators (DLI). The eligibility criteria include budget reporting and reliability, citizens engagement in budget process, Treasury Single Account (TSA) implementation, and strengthened Internally Generated Revenue and debt management among others. The program which is in operation until 2022 stands to drive transparency, accountability and fiscal sustainability at the state and national levels. Given the revenue crisis across most of the states, especially with dwindling FAAC allocations, it is anticipated that more states will meet the 2019 eligibility criteria and benefit from the next grant.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'1903</b>	<b>'1904</b>
<b>GDP Growth Rate (%)</b>	2.3	2.5
<b>Oil GDP (%)</b>	6.49	7.23
<b>Non-oil GDP (%)</b>	90.23	92.68
<b>Unemployment Rate (%)</b>	NA	NA
<b>Foreign Direct Investment (US \$ Million)</b>	200.08	257.25
<b>Portfolio Investment (US \$Millions)</b>	2,999.50	1883.58
<b>Other Investment (US \$Million)</b>	2,167.98	1661.55
<b>External Debt (FGN &amp; States- N'Billion)</b>	NA	NA
<b>Domestic Debt (FGN + States &amp; FCT N'billion)</b>	NA	NA
<b>Manufacturing Capacity utilization (%)</b>	181.2	185.1
<b>Headline Inflation (%)</b>	11.40	12.13
<b>Food Sub-Index (%)</b>	14.67	14.86
<b>Core Sub-Index (%)</b>	9.33	9.35
<b>External Reserves (End Period) (US\$ Million)</b>	38,595.25	31,009.76
<b>Official Rate Approx. (N/US\$)</b>	306.5	306.5
<b>BDC Rate Approx. (N/US\$)</b>	362	362
<b>Manufacturing PMI</b>	60.8	59.2
<b>Non-Manufacturing PMI</b>	62.1	59.6
<b>Crude Oil Price (US\$/Barrel)</b>	67.31	63.83
<b>Petrol (PMS-N/litre)</b>	145.35	145.37
<b>Diesel (AGO -N/Litre)</b>	229.81	229.78
<b>Kerosene (HHK -N/Litre)</b>	320.47	323.46
<b>MPR (%)</b>	13.5	13.5
<b>CRR (%)</b>	22.5	27.5
<b>91 Day T-Bill Rate (%)</b>	4.47	3.45
<b>Savings Deposit (%)</b>	3.89	3.86
<b>Prime Lending (%)</b>	14.99	30.77
<b>Maximum Lending (%)</b>	30.72	NA
<b>Narrow Money (N'Billion)</b>	10,533.13	10,331.40
<b>Broad Money (N'Billion)</b>	34,776.37	34,146.48
<b>Net Domestic Credit (N'Billion)</b>	36,178.34	35,815.11
<b>Credit to the Government (N'Billion)</b>	9,483.81	9,252.81
<b>Credit to the Private Sector(N'Billion)</b>	26,694.52	26,562.69

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\*Revised GDP figures/tentative figures

NA: Not Available

1 NBS (2020) Poverty and Inequality in Nigeria 2019 : Executive Summary retrieved from:

<https://nigerianstat.gov.ng/download/1092>

2 World Population Review,(2020) Gini Coefficient By Country 2020 retrieved from:

<https://worldpopulationreview.com/countries/gini-coefficient-by-country/>

3 NNPC (2020) Financial and Operations Report January 2020 retrieved from:

<https://www.nnpcgroup.com/NNPCDocuments/Performance%20Data/FullReports/NNPC%20Monthly%20Financial%20and%20Operations%20Report%20for%20the%20Month%20of%20January%202020.pdf>

4 World Bank (2020) Projects & Operations: Summary retrieved from :

<https://projects.worldbank.org/en/projects-operations/project-detail/P162009>