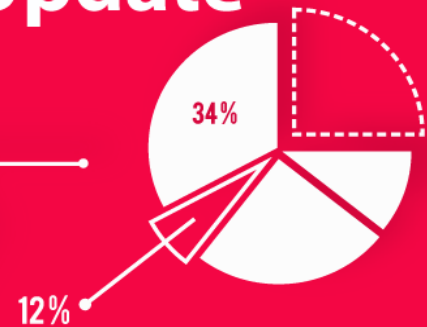




# Nigeria Economic Update



Weekly  
**Digest**



## ***Presentation of the Appropriation Bill***

President Muhammadu Buhari presented the Federal Government's Proposal for the 2021 fiscal year before a joint sitting of the National Assembly. The proposed Revenue and Expenditure budgets are ₦7.89 trillion and ₦13.08 trillion respectively, representing a ₦5.20 trillion fiscal deficit.<sup>1</sup> With an estimated Gross Domestic Product (GDP) of ₦1.43 trillion<sup>2</sup>, the fiscal deficit is 3.64 percent of estimated GDP, above the 3 percent threshold set by the Fiscal Responsibility Act of 2007. Key assumptions of the proposed budget include: \$40 per barrel oil benchmark, crude oil production of 1.86 million barrel per day, an exchange rate of ₦379 per US\$, GDP growth rate of 3 percent and inflation rate of 11.95 percent. The high fiscal deficit increases the likelihood of a default in the near term as the government is unlikely to considerably raise tax or cut back on government programmes. The overtly expansionary macroeconomic policies and explicitly unsustainable public debt dynamics calls for reforms capable of increasing the share of domestic savings to finance domestic capital stock rather than external debt.

## ***Fall in Internally Generated Revenue***

Data from the National Bureau of Statistics (NBS) shows that internally generated revenue (IGR) fell to ₦612.87 billion in the first half of 2020 compared to ₦640.3 billion and ₦693.9 billion generated in the second half and first half of 2019, respectively.<sup>3</sup> Further disaggregation shows that revenue from tax generated contributed 86.3 percent while revenue generated from Ministries Departments and Agencies (MDAs) contributed 13.7 percent in the first quarter of 2020. Also, Lagos State generated the highest IGR with ₦204.51 billion (33.4 percent), followed by Rivers State with ₦64.59 billion (10.5 percent) while Jigawa State (₦3 billion) recorded the least IGR in the review period. The dwindling revenue has increased state reliance on the federal government allocation, hence, increasing the federal government expenditure against declining revenue caused by the slump of the oil price. Therefore, states should create more channels of generating revenue internally so as to mitigate the unprecedented decline of revenue in the economy.

## ***Increase in Consumer Prices***

At 13.71 percent, inflation rate increased the 13<sup>th</sup> consecutive time in September 2020 compared to 13.22 percent recorded in August 2020.<sup>4</sup> The increase was driven by both components of inflation. The food component rose to 16.66 percent in September 2020 from 16 percent in the previous month while core component rose to 10.58 percent compared to 10.52 percent in the review periods. The rise in food inflation was instigated by the increase in price of the predominant consumed food such as bread, cereals, all kind of tubers, fish and meat as well as oils. On the other hand, the core inflation was triggered by the upsurge in the prices of land and air transportation, medical services, as well as maintenance and repairs of vehicles. Explicitly, the purchasing power of Nigerian consumers is falling. To boost consumers' purchasing power, expansionary fiscal and monetary policies should be implemented in order to increase cash flow within the economy.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'20Q1</b>	<b>'20Q2</b>
<b>GDP Growth Rate (%)</b>	1.87	- 6.10
<b>Oil GDP (%)</b>	9.5	8.93
<b>Non-oil GDP (%)</b>	90.5	91.07
<b>Unemployment Rate (%)</b>	NA	27.1
<b>Foreign Direct Investment (US \$ Million)</b>	214.3	148.6
<b>Portfolio Investment (US \$Millions)</b>	430.9	385.32
<b>Other Investment (US \$Million)</b>	1,330.65	761.03
<b>External Debt (FGN &amp; States- N'Trillion)</b>	9.9	11.36
<b>Domestic Debt (FGN + States &amp; FCT N'Trillion)</b>	18.6	19.65
<b>Manufacturing Capacity utilization (%)</b>	NA	NA
<b>Monthly Indicators</b>	<b>Aug'20</b>	<b>Sept'20</b>
<b>Headline Inflation (%)</b>	13.22	13.71
<b>Food Sub-Index (%)</b>	16	16.66
<b>Core Sub-Index (%)</b>	10.52	10.58
<b>External Reserves (End Period) (US\$ Billion)</b>	35.59	NA
<b>Official Rate Approx. (N/US\$)</b>	478	NA
<b>BDC Rate Approx. (N/US\$)</b>	473.48	NA
<b>Manufacturing PMI</b>	48.5	46.9
<b>Non-Manufacturing PMI</b>	44.7	41.9
<b>Crude Oil Price (US\$/Barrel)</b>	61.05	NA
<b>Petrol (PMS-N/litre)</b>	148.78	161.06
<b>Diesel (AGO -N/Litre)</b>	221.88	219.68
<b>Kerosene (HHK -N/Litre)</b>	346.53	347.98
<b>MPR (%)</b>	12.5	11.5
<b>CRR (%)</b>	27.5	27.5
<b>91 Day T-Bill Rate (%)</b>	1.17	NA
<b>Savings Deposit (%)</b>	3.78	NA
<b>Prime Lending (%)</b>	11.76	NA
<b>Maximum Lending (%)</b>	29.51	NA
<b>Narrow Money (N'Million)</b>	13,137,147.73	NA
<b>Broad Money (N'Million)</b>	37,186,261.82	NA
<b>Net Domestic Credit (N'Million)</b>	38,688,582.41	NA
<b>Credit to the Government (Net) (N'Million)</b>	8,551,277.01	NA
<b>Credit to the Private Sector (N'Million)</b>	30,137,305.39	NA
<b>Currency in Circulation (N'Million)</b>	2,370,886.01	NA
<b>FAAC (N'Billion)</b>	676.41	NA

\*Revised GDP figures/tentative figure NA: Not Available

1. Budget Office of Nigeria (2020). 2021 Budget of Economic Recovery and Resilience. Retrieved from <https://www.budgetoffice.gov.ng/index.php/2021-budget-of-economic-recovery-and-resilience/2021-budget-of-economic-recovery-and-resilience/download>
2. Budget Office of Nigeria (2020). Public Presentation of 2021 FGN Budget Proposal – Breakdown & Highlights. Retrieved from: <https://budgetoffice.gov.ng/index.php/hmfbnp-public-presentation-of-2021-fgn-budget/hmfbnp-public-presentation-of-2021-fgn-budget/download>
3. National Bureau of Statistics (2020). Internally Generated Revenue at State Level (H1 2020). Retrieved from <https://www.nigerianstat.gov.ng/download/1167>
4. National Bureau of Statistics (2020). Consume Price Index September 2020. Retrieved from <https://www.nigerianstat.gov.ng/download/1169>