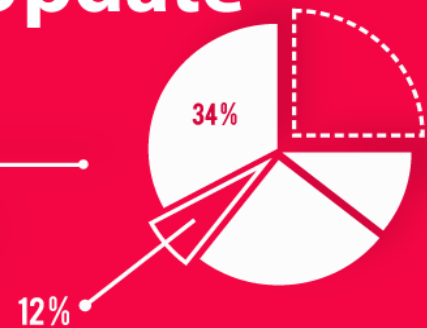




Nigeria Economic Update



Worsening Economic Indicators

Data from the International Monetary Fund (IMF) shows that real GDP is projected to contract by 3.25 percent at the end of 2020 due to the negative impact of the COVID-19 pandemic.¹ The economy is expected to recover with minimal growth of 1.5 percent in 2021 with output returning to its pre-pandemic level by the year 2022. Fiscal deficits are expected to remain elevated as revenue collections have significantly dropped. Inflation is also expected to increase, which places the economy in a very vulnerable state. The IMF suggests that major policy adjustments such as exchange rate and monetary policy reforms, increased revenue mobilization and structural reforms need be implemented to achieve economic recovery and growth. The removal of fuel subsidy as well as the devaluation of the naira signals adequate political will in embarking on bold reforms. However, future economic reforms need to be proactive rather than reactionary, and wholistic rather than in parts. Furthermore, the government should leverage on high level public officials that have demonstrated the will for achieving structural change, technical assistance from external development institutions, and the experience of best practice countries.

Rise in Capital Importation

The total value of capital importation into Nigeria was \$1,461.49 million in the third quarter of 2020. This is a 12.86 percent increase when compared to Q2 2020 and a 74.03 percent decrease compared to the third quarter of 2019. Disaggregated by type, other investment accounted for 43.75 percent of total capital imported, Foreign Direct Investment (FDI) accounted for 28.38 percent and Foreign Portfolio Investment (FPI) accounted for 27.87 percent in the review period. Furthermore, the United Kingdom emerged as the top source of capital investment in Nigeria accounting for 40.69 percent of the total capital inflow in the review period. Considering that Nigeria has not been inundated by the pandemic and continues to offer relatively favourable interest, investment in general is likely to increase with sectors such as the mining and media sectors already attracting investment. However, the future investment trend will also be determined by perceived risks and uncertainty as influenced by erratic regulation, civil unrests/protests, and excessive taxation.

Negative Business Expectations

Data from the Central Bank of Nigeria (CBN) shows that businesses had a pessimistic outlook on the macroeconomy in November 2020 with -1.5 index points in the overall Confidence Index (CI). However, respondents are optimistic in their outlook for the month of December 2020 with a Confidence Index of 38.8. The major drivers of optimism for December 2020 were from agriculture and services sectors (23.1 points) and manufacturing sector (11.3 points). The short-term prospect for Nigeria's business environment is largely dependent on the input costs, prospects for sales, and general economic and investment climate. With the implementation of the African Continental Free Trade Area (AfCFTA) Agreement, competition in the business environment is likely to be stimulated through new market entrants. Nevertheless, favourable policies such as the digitalization of Nigerian ports and establishment of e-customs should be introduced to enhance the trade and investment climate.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'20Q2	'20Q3
GDP Growth Rate (%)	- 6.10	-3.62
Oil GDP (%)	8.93	8.73
Non-oil GDP (%)	91.07	91.27
Unemployment Rate (%)	27.1	NA
Foreign Direct Investment (US \$ Million)	148.6	414.79
Portfolio Investment (US \$Millions)	385.32	407.25
Other Investment (US \$Million)	761.03	639.44
External Debt (FGN & States- N'Trillion)	11.36	NA
Domestic Debt (FGN + States & FCT N'Trillion)	19.65	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Nov'20	Dec'20
Headline Inflation (%)	14.89	NA
Food Sub-Index (%)	18.30	NA
Core Sub-Index (%)	11.05	NA
External Reserves (End Period) (US\$ Billion)	35.41	NA
Official Rate Approx. (N/US\$)	379	379
BDC Rate Approx. (N/US\$)	472.74	NA
Manufacturing PMI	50.2	49.6
Non-Manufacturing PMI	47.6	45.7
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	167.27	NA
Diesel (AGO -N/Litre)	223.74	NA
Kerosene (HHK -N/Litre)	353.38	NA
MPR (%)	11.50	NA
CRR (%)	NA	NA
91 Day T-Bill Rate (%)	0.03	NA
Savings Deposit (%)	1.84	NA
Prime Lending (%)	11.60	NA
Maximum Lending (%)	28.85	NA
Narrow Money (N'Million)	14,820,224.11	NA
Broad Money (N'Million)	36,587,109.03	NA
Net Domestic Credit (N'Million)	40,121,654.80	NA
Credit to the Government (Net) (N'Million)	10,785,909.30	NA
Credit to the Private Sector (N'Million)	29,335,745.57	NA
Currency in Circulation (N'Million)	2,659,710.45	NA
FAAC (N'Billion)	NA	NA

*Revised GDP figures/tentative figure

NA: Not Available



1. IMF (2020). IMF Staff Completes 2020 Article IV Mission to Nigeria. Retrieved from: <https://www.imf.org/en/News/Articles/2020/12/11/pr20369-nigeria-imf-staff-completes-2020-article-iv-mission>
2. NBS (2020). Nigeria Capital Importation (Q3 2020). Retrieved from: <https://nigerianstat.gov.ng/download/1199>
3. CBN (2020). November 2020 Business Expectations Survey Report. Retrieved from: <https://www.cbn.gov.ng/Out/2020/STD/BES%20REPORT%20for%20Nov%202020.pdf>

