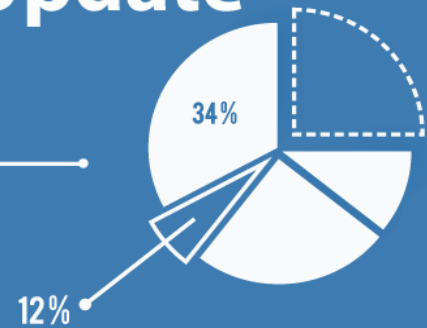


Nigeria Economic Update



Rise in Fiscal Deficit

The International Monetary Fund (IMF) projects that Nigeria's fiscal balance is estimated to increase considerably. More specifically, general government deficit is projected to widen from 4.8 to 5.9 percent of GDP between 2019 and 2020.¹ Also, public debt is projected to increase substantially to 34 percent of GDP in 2020 from 29.1 percent in 2019. The increase in government general deficit can be attributed to sharp revenue declines occasioned by the pandemic. Although revenue could increase given the increase in the Value Added Tax (VAT) rate from 5 to 7.5 percent in 2020, and expenditure savings from the removal of power sector and fuel subsidies, the concurrent increase in expenditure related to COVID-19 emergency support will drive the widening fiscal deficit. However, as domestic activities recover to pre-COVID levels and spending on household and businesses vulnerable to the pandemic tapers down, the fiscal deficit is projected to narrow in 2021.

Presidency Sets Up New Entity to Boost Infrastructural Development

The office of the Presidency has announced its approval of a public/private partnership to form a new company called Infra-Co². The main objective of Infra-Co would be to reduce funding constraints for infrastructure development in Nigeria. More specifically, Infra-Co is expected to provide innovative finance options for funding capital-intensive government initiatives such as building and reconstructing railways, energy and power generation projects, among others. The company will be set-up with an initial capital of N1trillion, to be jointly provided by the Central Bank, Africa Finance Corporation and Nigeria Sovereign Investment Authority. We consider this initiative as a welcome idea, since both state and non-state stakeholders would be involved in potentially providing a framework for speedy development of the much-needed facilities required for a more conducive business environment.

Decline in Capital Importation

The total value of capital imported into Nigeria stood at \$1,069.68m in the fourth quarter (Q4) of 2020, and \$9,680.5m for the entire year. This represents a decrease by 72% in comparison with Q4 2019, and 60% overall decline when compared with total capital imported in preceding year³. A disaggregation of the data shows that portfolio investment accounted for 53% (\$5,137.20m) of total capital importation in 2020, other investments accounted for 36.3% (\$3,514.39m) while contribution from foreign direct investment was 10.6% (\$1,028.91m). All investment types recorded a significant dip, with portfolio investments being the worst hit. The general decline is attributable to the impact of covid-19, causing investors to choose safer assets/investment options. It is therefore imperative for government to develop strategies to regain investor's trust, while also finding alternative sources of generating foreign exchange earnings.

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

*Revised GDP figures/tentative figure

NA: Not Available

1. IMF (2021). 2020 Article IV Consultation—Press Release; Staff Report; and Statement by the Alternate Executive Director for Nigeria. <https://www.imf.org/-/media/Files/Publications/CR/2021/English/1NGAEA2021001.ashx>
2. Presidency Nigeria (2021). Statement on Establishment of Public Private Infrastructure Company. Retrieved from: <https://twitter.com/NGRPresident/status/1360181573178560512>
3. NBS (2021). Nigerian Capital Importation (Q4 & Full Year 2020). Retrieved from: <https://www.nigerianstat.gov.ng/download/1224>