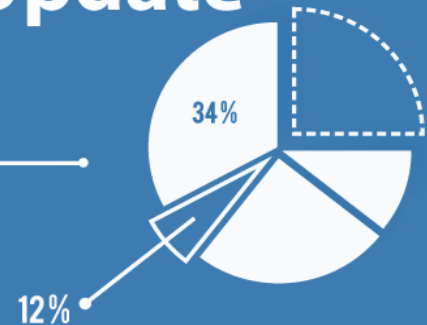


Nigeria Economic Update



Weekly
Digest



Passage of the N982.73 Billion Appropriation Bill

The 2021 supplementary appropriation bill of N982.7 billion has been passed by the Senate.¹ This is following an increase in the supplementary budget by N86.9 billion from the N895.8 billion the Presidency had initially presented. While N123 billion has been earmarked for recurrent non-debt expenditure, N859 billion has been set aside for contribution to the development fund for capital expenditure. The supplementary budget has been targeted at addressing security challenges as well as ensuring the procurement, administration and management of COVID-19 vaccines. These targets are largely aimed at mitigating the negative consequences of insecurity and the pandemic on economic activities. The improvement of the security architecture of the country would pave the way for a healthier business climate and reduce investor's pessimism, thereby raising productivity and employment. Further, the provision of additional funds to tackle the pandemic and ensuring that a higher proportion of the population are vaccinated would ease health tensions and boost economic participation.

Rise in the Manufacturing Purchasing Manager's Index

The Manufacturing Purchasing Manager's Index (PMI) rose from 45.5 to 46.6 index points between June and July 2021.³ This indicates that following the recession caused by the COVID-19 pandemic and the fall in crude oil prices, Nigeria is making a slow recovery in output growth. Other key indices such as the Non-manufacturing PMI and the Employment Index also improved when compared to the preceding month of June 2021. While macroeconomic uncertainties remain apparent due to the instability in exchange rate and crude oil price volatility, the improvement of these indices reflects the Central Bank of Nigeria's commitment to unconventional monetary policies. In particular, the Real Sector Facility and the National Youth Investment Fund programme has provided financial resources to both the manufacturing and non-manufacturing sector which has improved the economy. However, in a bid to amplify the economic diversification program, more emphasis should be placed on small scale manufacturing. Specifically, a significant reduction of the interest rate in these programmes would expand the availability of financial resources aimed at improving manufacturing sector performance.

Decline In Capital Importation

According to the National Bureau of Statistics, the total value of capital importation declined by 54 percent from US\$1,905.89 million in the first quarter of 2021 to US\$875.62 million in the second quarter.⁴ Portfolio investments were the largest amount of capital importation accounting for 62.97 percent of total capital import and valued at US\$551.37 million. Foreign Direct Investment accounted for only 8.9 percent of capital imports and valued at US\$77.97 million in Q2 2021. The substantial decline in capital importation in Nigeria stems from both endogenous and exogenous factors amid the slow global recovery from the COVID-19 pandemic. Some of these endogenous factors include exchange rate volatility and the double-digit inflation rate which has amplified economic uncertainty, thus increasing pessimism among investors. In view of this, government policies should be tailored towards the reduction in the rate of inflation and stabilising the exchange rate through aggregate supply policies which can be done via boosting local productivity. Additionally, improving security would boost investors' confidence which should enhance capital importation.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'20Q4	'21Q1
GDP Growth Rate (%)	0.11	0.51
Oil GDP (%)	-19.76	-2.21
Non-oil GDP (%)	1.69	0.79
Unemployment Rate (%)	33.3	NA
Foreign Direct Investment (US \$ Million)	251.27	NA
Portfolio Investment (US \$Millions)	35.15	NA
Other Investment (US \$Million)	783.26	NA
External Debt (FGN & States- N'Trillion)	NA	NA
Domestic Debt (FGN + States & FCT N'Trillion)	NA	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Apr'20	May'21
Headline Inflation (%)	18.12	17.93
Food Sub-Index (%)	22.72	22.28
Core Sub-Index (%)	12.74	13.15
External Reserves (End Period) (US\$ Billion)	34.88	34.23
Official Rate Approx. (N/US\$)	NA	NA
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US\$/Barrel)	64.3	NA
Petrol (PMS-N/litre)	166.38	168.06
Diesel (AGO -N/Litre)	237.19	238.82
Kerosene (HHK -N/Litre)	362.68	363.50
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	2,069.21	2,071.69
MPR (%)	11.5	11.5
CRR (%)	27.5	27.5
T-Bill Rate (%)	2.0	2.5
Savings Deposit (%)	1.86	1.83
Prime Lending (%)	11.24	11.29
Maximum Lending (%)	28.64	28.39
Narrow Money (N'Million)	15,997,295.69	16,278,040.69
Broad Money (N'Million)	NA	NA
Net Domestic Credit (N'Million)	44,064,768.66	44,710,257.78
Credit to the Government (Net) (N'Million)	12,163,347.97	12,512,015.42
Credit to the Private Sector (N'Million)	31,901,420.68	32,198,242.36
Currency in Circulation (N'Million)	2,796,471.37	2,790,895.50
FAAC (N'Billion)	NA	NA

*Revised GDP figures/tentative figure

NA: Not Available

1. Guardian (2021). Revised Supplementary Appropriation Bill 2021. Retrieved from, <https://guardian.ng/news/senate-passes-n982-7bn-2021-supplementary-appropriation-bill/>
2. Budget Office (2021). 2021 Budget. Retrieved from, <https://www.budgetoffice.gov.ng/index.php/resources/internal-resources/budget-documents/2021-budget>
3. CBN (2021). Central Bank of Nigeria Communiqué No. 137 of the Monetary Policy Committee Meeting Held On Monday 26th and Tuesday 27th July, 2021. Retrieved from, <https://www.cbn.gov.ng/Out/2021/CCD/COMMUNIQUE%20NO%20137%20OF%20THE%20MONETARY%20POLICY%20COMMITTEE%20jULY%202021.pdf>
4. NBS (2021). Nigerian Capital Importation (Q1 & Q2, 2021). Retrieved from, <https://www.nigerianstat.gov.ng/>