# THE CBN MONTHLY ECONOMIC REPORT

April 2020

# FORWARD

*The Central Bank of Nigeria (CBN) Economic Report is a monthly publication of economic developments in Nigeria, intended for dissemination to the public. The Report provides insights on current economic developments in the real, fiscal, financial, and external sectors of the Nigerian economy, as well as on global issues of interest. It also reflects the policy initiatives of the CBN in pursuit of its mandate.*

*The Report is directed at a wide spectrum of readers, including economists, policymakers, and financial analysts in government circles and the private sector, as well as the wider public. Subscription to the Report is available without charge to institutions, corporations, embassies and development agencies. Individuals, on written request, can obtain any issue of the publication for free. Please direct all inquiries on the publication to the Director of Research, Central Bank of Nigeria, P.M.B. 187, Garki, Abuja, Nigeria. The Report is also available for free download from the CBN website*: **www.cbn.gov.ng**

# Contents

# Tables



# Figures

# Box Information

# EXECUTIVE SUMMARY

Developments in the global economy continued to mirror the devastating effects of the COVID-19 pandemic as the virus spread to major economies in April 2020. In the advanced economies (AEs), countries that were in the positive-growth trajectories in January 2020 have suddenly fallen into negative growth trajectories in the April 2020 World Economic Outlook (WEO) forecasts. The composite Purchasing Managers' Index (PMI) plummeted in most advanced countries, although economic activity is expected to normalise once the pandemic abates, with the lifting of containment measures. In the Emerging Market Economies (EMEs), growth performance also followed the same trajectory as in the advanced economies, but with different dynamics. The tight global financial conditions before the COVID-19 pandemic worsened following measures adopted by the authorities around the globe to contain the spread of the virus. The current developments have three basic channels of transmission to the various national economies, these include trade, financial and health channels. The outlook is beclouded by notable risks to domestic output and prices.

In Nigeria, output growth was lower than expected and could further tailspin owing to disruptions in global supply chains and restrictions in economic activities due to the COVID-19 pandemic. A similar pattern was observed for the rate at which new orders were placed by customers as expansion, albeit at a declining pace, was observed among manufacturing firms, while the rate of new business orders contracted for non-manufacturing firms. At 12.34 per cent in April 2020, headline inflation has been on the rise for the seventh consecutive month, higher than the 12.26 per cent recorded in March 2020, and driven largely by the persisting food supply shocks amidst the COVID-19 pandemic. The rising inflationary pressure has implications for CBN's price stability objective, as it would put pressure on monetary policy. Prices of global and domestic agricultural commodities continued to spike due to supply chain disruptions in response to the COVID-19 pandemic containment measures. Crude oil prices continued their downward trend in April 2020, recording sharp drops amid global supply glut in the spot market, and weak demand due to the impact of the COVID-19 pandemic.

Notwithstanding the significant drop in the price of Bonny Light crude, coupled with the expected decline in collectable taxes due to the COVID-19 restrictions, the Federally collected revenue in April 2020, amounted to N915.28 billion. This was however, 30.4 per cent below the benchmark. The retained revenue of the Federal government in April was N285.66 billion, while total expenditure was N773.91 billion, resulting in an estimated deficit of N488.25 billion. Public debt outstanding as at March 31, 2020, stood at N24.52 trillion; with the domestic and external components accounting for 59.3 and 40.7 per cent of the total debt stock, respectively.

Monetary policy stance in the post-March MPC has been relatively accommodative on account of the downside risks due to the COVID-19 pandemic and weakening global commodity prices. The growth in monetary assets in April was driven by the net foreign assets and claims on the domestic economy, triggered by the uncertainty in the financial markets as the COVID-19 pandemic affected the country's equity and fixed income markets negatively. Though the pace of monetary growth was sluggish and economic uncertainties continued to deter credit transmission to the real sector, the financial sector in the review month remained stable. The banking system liquidity, however, softened due to monetary policy accommodation, repayment of maturing instruments and disbursements from the federation account, which supported growth in credit to the private sector.

Nigeria's external account position was weakened due to persistent current account deficit and emerging capital reversal. The external account posted a higher deficit of US$4.39 billion equivalent to 3.8 per cent of gross domestic product (GDP) in 2020Q1, relative to US$2.62 billion (2.0 per cent of GDP) in 2019Q4. The average exchange rate at the inter-bank, the Bureau de Change (BDC) segment, and the Investors and Exporters (I&E) window were N361.00/US$, N420.15/US$ and N384.99/US$, respectively, in the review month. Nigeria's international reserves increased from US$33.69 billion at end-March to US$36.46 billion at end-April 2020, reflecting the receipt of proceeds of IMF Rapid Financing Instrument.

# 1.0 GLOBAL ECONOMIC DEVELOPMENTS

***Developments in the global economy continued to bear the devastating effects of the COVID-19 pandemic as the virus spread to major economies, such as Italy, United States of America, Spain and the United Kingdom, in April 2020.*** The measures taken by the authorities around the globe to contain the spread, particularly, lockdowns, had negative impact on economic activity – disruption of both global and local supply and value chains. The International Monetary Fund (IMF) forecasts in April 2020 reflected this precarious development, as global growth was revised to -3 per cent in 2020, indicating a 6.3 percentage points downgrade of January 2020 forecasts (Table 1). The overall damage of the pandemic, if not contained in the short-term, may trigger high rate of global unemployment.

## 1.1. Global Output Growth

***Global growth***

***In the Advanced Economies (AEs), those with positive-growth trajectories in January 2020 turned negative in the April 2020 WEO forecast (Table 1).*** This reflected tighter financing conditions, arising from the continued spread of the virus. The factors that weighed on the economic prospects of these countries included: public health measures, such as lockdowns which restricted movement of humans and material resources; disruption of supply chains and weakened domestic and external demand; plunge in oil prices; and subdued investor confidence.

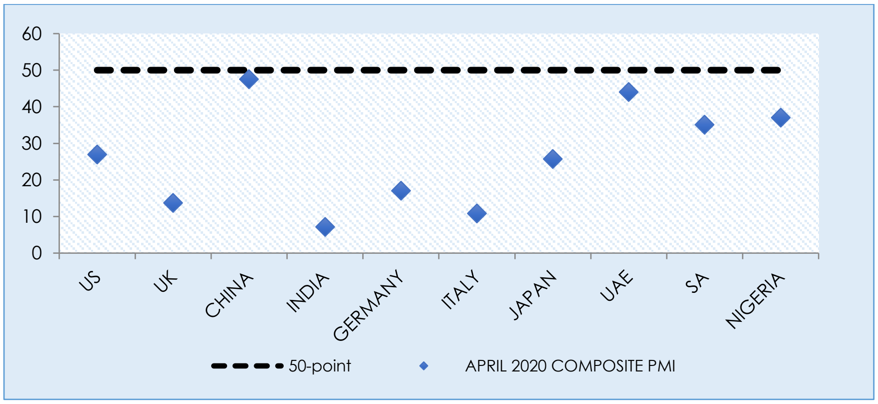
**Table 1: Projected Macroeconomic Variables of Selected Countries**

| Country | Growth | | | Inflation | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 20-Mar | 20-Apr |
| **Global** | 2.9 | -3 | 5.8 | . | . |
| **Advanced Economies** | 1.7 | -6.1 | 4.5 | . | . |
| United States | 2.3 | -5.9 | 4.7 | 1.5 | 0.3 |
| United Kingdom | 1.4 | -6.5 | 4 | 1.5 | 0.8 |
| Japan | 0.7 | -5.2 | 3 | 0.4 | 0.1 |
| Germany | 0.6 | -7 | 5.2 | 1.4 | 0.9 |
| Italy | 0.3 | -9.1 | 4.8 | 0.1 | 0.1 |
| **Emerging Market & Developing Economies** | 3.7 | -1 | 6.6 | . | . |
| UAE | 1.3 | -3.5 | 3.3 | -1.6 | -1.9 |
| China | 6.1 | 1.2 | 9.2 | 4.3 | 3.3 |
| India | 2.2 | 1.9 | 7.4 | 5.8 | 7.2 |
| **Sub-Saharan Africa** | 3.1 | -1.6 | 4.1 | . | . |
| South Africa | 0.2 | -5.8 | 4 | 5.6 | 6.3 |
| Nigeria | 2.2 | -3.4 | 2.4 | 12.3 | 12.3 |

**Source**: IMF WEO, April 2020

***The composite PMI, which is an indicator of future growth path, plummeted in most advanced countries (Figure 1). Economic activity is expected to normalize, however, once the pandemic abates and, containment measures are lifted.*** With fewer job losses and fewer firm bankruptcies, a recovery is expected in the advanced economies in 2021.

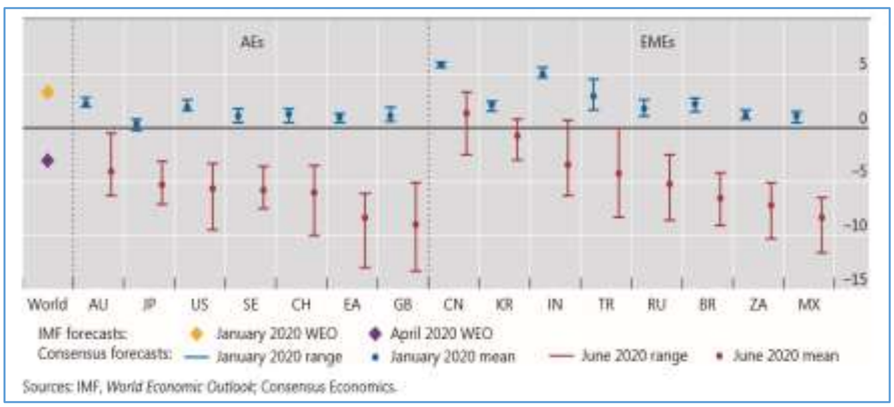
**Figure 1: Selected Countries PMIs**




**Source**: Trading Economics/Various Country Websites.

**Note**: US – United States; UK – United Kingdom; UAE – United Arab Emirates; and SA – South Africa

**Figure 2: Growth Forecasts for Selected Countries**




**Source:** BIS Annual Economic Report

**Note**: AU – Australia; JP – Japan; US – United States; SE – Sweden; CH – Switzerland; EA – euro area; GB – United Kingdom; CN – China; KR – Korea; IN – India; TR – Turkey; RU – Russia; BR – Brazil; ZA – South Africa; MX – Mexico

***Growth performance in EMEs followed the same trajectory as those in the advanced economies, but with different dynamics.*** The spread of the Pandemic and subsequent countermeasures imposed by authorities around the globe led to a swing in stock performance which started in March and spread through April. Other resulting factors include; widening sovereign bond spread; capital reversals and collapse of oil prices; and elevated financial market risk sentiment in EMEs. The precarious global environment, that arose from the spread of the virus, weakened external demand, causing sudden capital reversals, triggering heightened pressure in the foreign exchange markets of EMEs. These factors weighed heavily on growth prospects, especially, in oil exporting countries and further narrowed their fiscal space. For instance, growth in EMEs was in the positive trajectory in January 2020 WEO forecast, turned negative, except in China, which still maintained a positive but low growth trajectory in the April 2020 forecast (Figure 2). Growth in sub-Saharan Africa also followed a negative trajectory of -1.6 per cent, reflecting developments highlighted earlier in Table 1. A recovery in EMEs, though feasible, could be constrained by weak healthcare systems, funding and borrowing constraints, and continued decline in investors' confidence.

## 1.2. Global Inflation

**Global inflation**

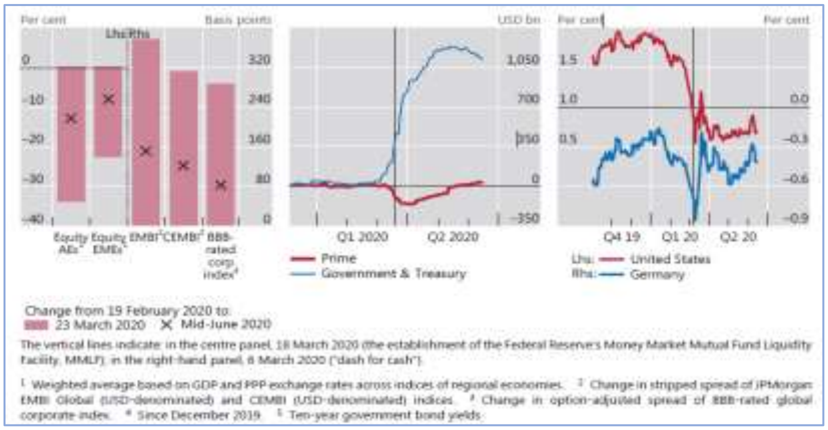
***Global inflation remained subdued amidst tighter labour market conditions and relatively weak growth momentum, especially in advanced economies.*** The factors responsible for this development, include; the lag effect of successful election in the UK and signing of the first phase of the trade deal between the US and China. Although, there were initial signs of uptick in inflation before April 2020, inflation expectations have been dampened by the effect of the COVID-19 pandemic and collapse in oil prices. Inflation rates in major economies, such as; the US, the UK, Japan, Italy, Germany and UAE, remained low and averaged 0.1 per cent in April 2020, as against 0.6 per cent in March 2020. A slight increase in inflation was observed in China, India, South Africa and Nigeria (Table 1).

## 1.3. Global Financial Markets

**Global financial markets**

***The tight global financial conditions worsened following measures adopted by authorities around the globe to contain the virus.*** The ripple effect on the financial markets which was first noticed when the new infection cluster emerged in China, and later, Italy in late February 2020, spread further around the globe. The development elevated volatilities in equity prices, while yield spreads soared (Figure 3). The elevated strained market condition, which started in March 2020 to April 2020, motivated investors to opt for cash in anticipation of losses. There was high rate of redemptions on short-term bank and corporate papers in the money market to the tune of US$160 billion by end-March. Also, hedge fund investors were forced to liquidate positions to meet margin calls, as funding markets froze during the first half of March. The high-yield bond market effectively shut down during the period, and leveraged loan and private credit markets conditions also deteriorated.

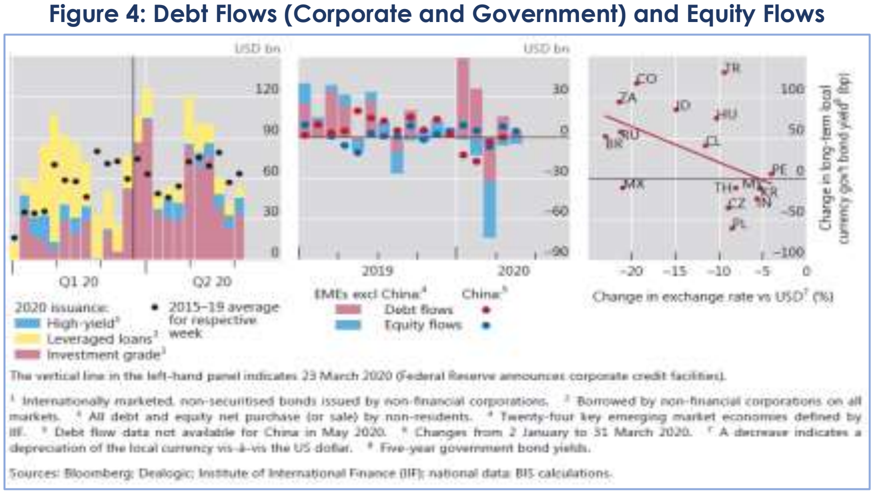
**Figure 3: Developments in Global Equity and Bond Markets**




**Source:** BIS Annual Economic Report

In EMEs, investors headed for exit, owing to elevated risks, arising from threats to globalisation, global value chain and commodity exports. In March, over US$80 billion was withdrawn from EMEs, the largest single-month capital outflow on record, although, the outflow moderated in April 2020, as various authorities around the globe introduced stimulus packages. The huge outflows from EMEs induced sharp depreciation of currencies in major foreign exchange markets, despite significant foreign exchange intervention in the spot and the derivatives markets (Figure 4). This was noticed in the Mexican peso, Brazilian real, the South African rand, Russian ruble and lately in the Nigerian naira.

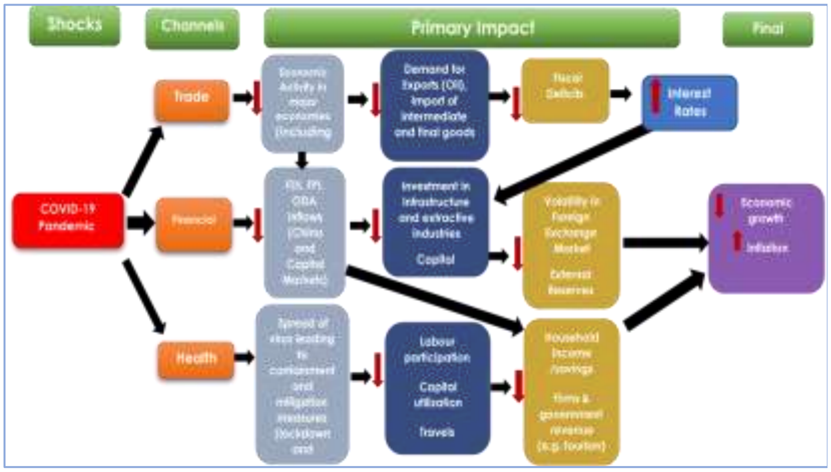
**Figure 4: Debt Flows (Corporate and Government) and Equity Flows**




**Source:** BIS Annual Economic Report

Box 1: Transmission Mechanism of the Global Developments

**COVID-19 Channels of Transmission**




**Source**: CBN staff's compilation

- ❖ *The trade shock weakened demand, especially, for oil exports and importation of intermediate goods for final production. The decrease in global trade induces current account deficits and reduces the fiscal space, as the revenue of countries fall. It also induces uncertainties in the domestic economies of countries, thereby inducing rise in interest rates.*

- ❖ *The sharp drop in the current account balances in Japan, UAE, Germany and China, is indicative of weakened trade flows. Moreover, IMF projection on crude oil price dropped by 41.1 per cent in 2020. This is expected to weigh heavily on oil-exporting countries with undiversified revenue sources and countries that required foreign exchange from oil receipts to import capital goods.*

- ❖ *The financial channel directly affects flow of foreign capital such as foreign direct investment (FDI), foreign portfolio investment (FPI) and remittances. Shortages of foreign capital, especially, in EMEs will affect investment in infrastructure and induce pressure and volatility in the foreign exchange market, leading to depreciation of currencies in EMEs.*

**Source**: CBN Staff Compilation

# 2.0. DOMESTIC ECONOMIC DEVELOPMENTS

## 2.1. THE REAL SECTOR

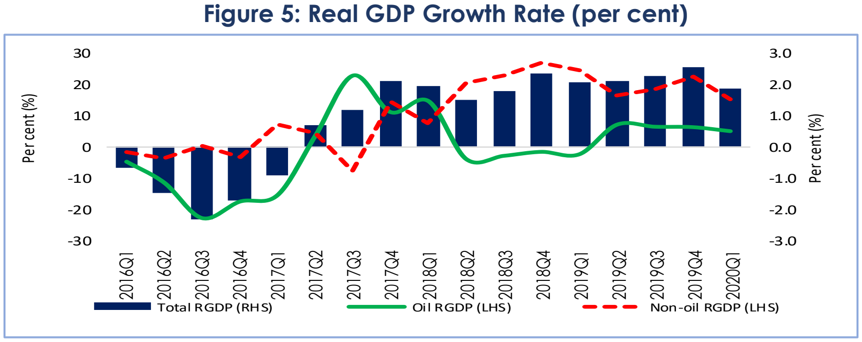
### *2.1.1. Domestic Output and Business Activities*

**Domestic output and economic activities**

***Output growth in 2020Q1 was lower than expected and could further tailspin due to disruptions in the global supply chains and restrictions in economic activities, arising from the COVID-19 pandemic.*** Growth of real GDP (quarter-on-quarter) stood at 1.87 per cent in 2020Q1, compared with 2.55 per cent in 2019Q4. The modest expansion in output was, largely, driven by the non-oil sector with strong performances in the financial services and ICT subsectors.

Contrastingly, there was a decline in manufacturing sector activity, signified by the composite manufacturing PMI, which dropped from 58.3 points in February 2020 to 51.1 points in March 2020. Non-manufacturing businesses also contracted (for the first time in 34 consecutive months) as the composite non-manufacturing PMI declined to 49.2 points, from 58.6 points recorded in the previous month.[1] The slowdown in business activities was, however, partially eased by the timely intervention and palliative measures introduced by the monetary and fiscal authorities to mitigate the impact of COVID-19 on businesses and households.

**Figure 5: Real GDP Growth Rate (per cent)**




**Source:** National Bureau of Statistics (NBS)

[1] PMI numbers for April 2020 were not available as the compilation of the Report.

**Table 2: Manufacturing and Non-Manufacturing Sector Purchasing Managers' Index for March 2020**

| COMPONENTS | 20-Feb | 20-Mar |
|---|---|---|
| **A. Composite Manufacturing PMI** | **58.3** | **51.1** |
| *Production level* | 58.9 | 54.4 |
| *New orders* | 59.1 | 52.3 |
| *Supplier Delivery Time* | 58.4 | 49.4 |
| *Employment level* | 56.4 | 47.1 |
| *Raw material Inventory* | 58.5 | 49.4 |
| **B. Composite Non-manufacturing PMI** | **58.6** | **49.2** |
| *Business Activity* | 59.3 | 52.2 |
| *New Orders* | 58.8 | 47.8 |
| *Employment level* | 57.8 | 41.3 |
| *Inventories* | 58.6 | 49.6 |

**Source**: Statistics Department, CBN

New orders

***A similar pattern was observed for the rate at which new orders were placed by customers as expansion, albeit at a declining pace, was observed among manufacturing firms, while the rate of new business orders contracted for non-manufacturing firms.*** The tepid expansion observed within manufacturing firms was mostly on the back of increased orders in food, beverages, furniture and related products, as well as printing and rubber industries. These firms typically benefited from new orders related to the need to stock up food supplies in preparation for the lock down, and materials needed to manage the pandemic and communicate effectively. However, most non-manufacturing related businesses suffered contraction in the rate of new orders due to the lockdown and restrictions on movement.

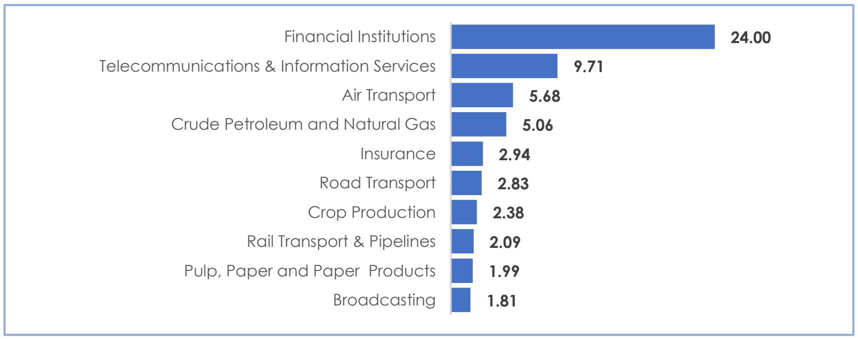
Inventories

The slump in aggregate demand for products and services of manufacturing and non-manufacturing firms translated to contraction in the rate of inventories kept by these firms during the month. Consequently, the rate at which manufacturing firms had inventories contracted to 48.9 points, from 58.5 points recorded in February 2020, while those of non-manufacturing firms contracted to 49.6 points in March 2020, from 58.6 points in February 2020.

### 2.1.2. Sectoral Developments

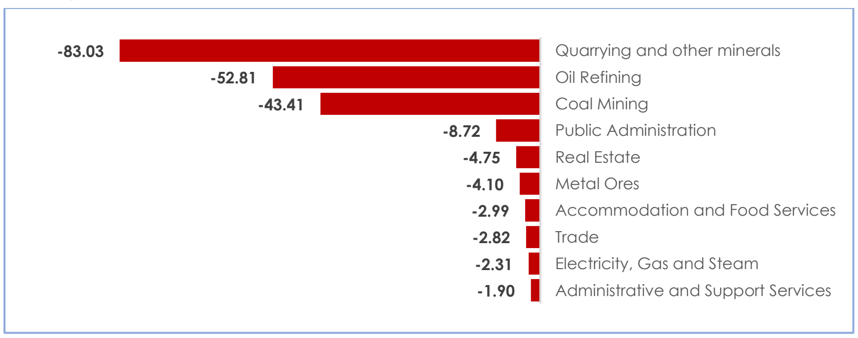
***The positive but fragile growth trajectory was driven largely by the non-oil sector, buoyed by the strong growth recorded by the financial institutions and ICT sub-sectors (Figure 6).*** The performance of financial institutions was due to increased credit creation by financial institutions, following the implementation of the prevailing loan-to-deposit ratio of 65 per cent. Similarly, the impressive performance of the ICT sector reflected the productivity gains that accompanied the huge foreign capital inflows into the telecommunication industry in 2019. This followed the listing of MTN and Airtel on the NSE in 2019, and the US$944.05 million inflow (representing an increase of 725 per cent, compared to the foreign inflows in 2018) invested in the purchase of equipment. The development contributed to the increase in voice and internet-based subscriptions, which rose by 2.8 per cent and 6.6 per cent, respectively, in 2020Q1, compared to the previous quarter of 2019Q4.

**Figure 6: Top 10 Sectors with Fastest Growth Rates in 2020Q1**




**Source:** National Bureau of Statistics (NBS)

**Figure 7: Bottom 10 Sectors with least Growth Rates in 2020Q1**




**Source:** National Bureau of Statistics (NBS)

***On the flip side, output growth was constrained by the poor performance of quarrying and other mineral mining, oil refining and coal mining which contracted by 83.0 per cent, 52.8 per cent, and 43.4 per cent, respectively (Figure7).*** Despite the renewed interest of government in diversifying the economy, with emphasis on mining, the sector performed poorly. However, with the expectation that the Dangote Refining Company would commence operation in 2021Q1, the trend is expected to reverse.

***The trade sub-sector had remained underperforming since 2019Q1, with severe social implications (Table 3) on account of the huge share of informal activities in the economy.*** The performance of the trade sub-sector is a source of concern because of the dire implications on livelihoods and poverty. This is, particularly, worrisome given the huge employment creation capacity of the sector. The development reflected the unfavourable business environment with multiple taxation and difficulty of informal sector traders to access credit facilities for business expansion.

**Table 3: Sectoral Real GDP 2018Q1 - 2020Q1 Growth Rate (per cent)**

| Sector | 2018 Q1 | 2018 Q2 | 2018 Q3 | 2018 Q4 | 2019 Q1 | 2019 Q2 | 2019 Q3 | 2019 Q4 | 2020 Q1 |
|---|---|---|---|---|---|---|---|---|---|
| **1. Agriculture** | **3.00** | **1.19** | **1.91** | **2.46** | **3.17** | **1.79** | **2.28** | **2.31** | **2.2** |
| *Crop Production* | *3.45* | *1.49* | *1.87* | *2.48* | *3.26* | *1.94* | *2.41* | *2.52* | *2.38* |
| **2. Industry** | **6.58** | **0.4** | **-0.11** | **0.95** | **0.42** | **2.84** | **3.21** | **2.75** | **2.26** |
| *Crude Petroleum/Nat. Gas* | *14.02* | *-3.95* | *-2.91* | *-1.62* | *-1.46* | *7.17* | *6.49* | *6.36* | *5.06* |
| *Solid Minerals* | *26.29* | *2.86* | *3.58* | *17.68* | *11.03* | *-2.54* | *-12.9* | *-5.87* | *-53.6* |
| *Manufacturing* | *3.39* | *0.68* | *1.92* | *2.35* | *0.81* | *-0.13* | *1.1* | *1.24* | *0.43* |
| *Construction* | *-1.54* | *7.66* | *0.54* | *2.05* | *3.18* | *0.67* | *2.37* | *1.31* | *1.69* |
| **3. Services** | **-0.47** | **2.12** | **2.64** | **2.9** | **2.41** | **1.94** | **1.87** | **2.6** | **1.57** |
| *Trade* | *-2.57* | *-2.14* | *0.98* | *1.02* | *0.85* | *-0.25* | *-1.45* | ***-0.58*** | *-2.82* |
| *Transport and Storage* | *14.45* | *21.76* | *11.95* | *9.48* | *19.5* | *8.02* | *18.24* | *-0.8* | *2.82* |
| *(Information & Communication* | *1.58* | *11.81* | *12.09* | *13.2* | *9.48* | *9.01* | *9.88* | *10.16* | *7.65* |
| *Utilities* | *8.01* | *8.91* | *13.44* | *1.11* | *6.22* | *4.73* | *-9.1* | *-1.91* | *-1.32* |
| *Finance & Insurance* | *13.3* | *1.28* | *-4.81* | *-1.76* | *-7.6* | *-2.24* | *1.07* | *20.18* | *20.79* |
| *Real Estate* | *-9.4* | *-3.88* | *-2.68* | *-3.85* | *0.93* | *-3.84* | *-2.31* | *-3.45* | *-4.75* |
| Real GDP Growth Rate (%) | **1.89** | **1.5** | **1.81** | **2.38** | **2.1** | **2.12** | **2.28** | **2.55** | **1.87** |
| Oil Growth Rate | **14.02** | **-3.95** | **-2.91** | **-1.62** | **-1.46** | **7.17** | **6.49** | **6.36** | **5.06** |
| Non-Oil Growth Rate | **0.76** | **2.05** | **2.32** | **2.7** | **2.47** | **1.64** | **1.85** | **2.26** | **1.55** |

**Source:** National Bureau of Statistics (NBS)

### 2.1.3. Employment

**Employment**

***Marked reduction in employment levels was observed during the month.*** Manufacturing and non-manufacturing firms, experienced contraction in employment levels to 47.1 and 41.3 points in March 2020 from 56.4 and 57.8 points, respectively, in February. Supply disruptions and restrictions on movement contributed to the freeze in business activities, despite interventions made by the monetary and fiscal authorities to cushion the impact of the pandemic on businesses and households. The pace of contraction in employment was moderated by the palliative measures put in place (Box 2) and the mutual agreements to halt the pace of lay-offs earlier experienced.

| Box 2: Palliative Measures to Cushion the Impact of the COVID-19 | | |
|---|---|---|
| | **Policy** | **Measures** |
| 1 | Monetary Policy | On 16 March, the Central Bank of Nigeria announced some measures:<br>● A 1-year extension of a moratorium on principal repayments for CBN intervention facilities;<br>● The reduction of the interest rate on intervention loans from 9 percent to 5 percent;<br>● Strengthening of the Loan to Deposit ratio policy (i.e. stepped up enforcement of directive to extend more credit to the private sector);<br>● Creation of NGN50 billion target credit facility for affected households and small and medium enterprises;<br>● Granting regulatory forbearance to banks to restructure terms of facilities in affected sectors<br>● Improving FX supply to the CBN by directing oil companies and oil servicing companies to sell FX to the CBN rather than the Nigerian National Petroleum Corporation;<br>● Additional NGN100 billion intervention fund in healthcare loans to pharmaceutical companies and healthcare practitioners intending to expand/build capacity;<br>● Identification of few key local pharmaceutical companies that will be granted funding facilities to support the procurement of raw materials and N1 trillion in loans to boost local manufacturing and production across critical sectors;<br>● Adoption of a unified exchange rate system for Inter-Bank and parallel market rates to ease pressure on FOREX earnings as oil prices continues to plummet;<br>● The adoption of the official rate of NGN360 to a dollar for International Money Transfer Operators rate to banks;<br>● For on-lending facilities financial institutions were directed to engage International development partners and negotiate concessions to ease the pains of the borrowers; and<br>● Provision of credit assistance for the health industry to meet the potential increase in demand for health services and products "by facilitating borrowing conditions for pharmaceutical companies, hospitals and practitioners". |
| 2 | Fiscal Policy | ● The crude oil benchmark price for budgeting was reduced from USD 57 to USD 30;<br>● The Central Bank pledged to pump NGN 1.1 trillion (USD 3 billion) into critical sectors of the economy.<br>● Commencement of a three-month repayment moratorium for all TraderMoni, MarketMoni and FarmerMoni loans; and<br>● Similar moratorium to be given to all Federal Government funded loans issued by the Bank of Industry, Bank of Agriculture and the Nigeria Export-Import Bank. |
| | Customs Measures | **Export of mask**<br>● Some restrictions on exportation of masks have been implemented.<br>**Other measures**<br>● Authorities are considering a wide range of COVID-19 support measures, including reductions of customs duty and customs audits but such measures are not officially announced<br>● No changes to Customs requirements as at 31 March 2020.<br>**Payment facilities**<br>● Extension of filing due date for Value Added Tax (VAT) from the 21st day to the last working day of the month, following the month of deduction. |
| 3 | Other measures and sources | **Fiscal Policy:** The Federal Government seeks to cut planned spending in the 2020 budget by about ₦1.5 trillion (USD 4 billion), including a 20 per cent cut in capital expenditure and a 25 per cent cut in recurrent expenditure.<br>**Suspension of new electricity tariffs:** On April 1st, the Nigerian Electricity Regulatory Commission (NERC) suspended the planned introduction of the new electricity tariffs scheduled to commence on April 2, citing poor electricity supply, wide metering gap and the impact of the COVID-19 pandemic. The National Assembly approved the postponement of the effective date of the new tariff to the first quarter of 2021.<br>**Reduction in Price of PMS**<br>● On April 2, 2020, the Federal Government further slashed the price of Premium Motor Spirit, PMS to N123.50 per liter, with effect from April 1, 2020, following the continued downward trend in oil price.<br>**NIS payment waiver for visitors affected by travel ban.**<br>• On April 16, 2020, the Nigeria Immigration Service (NIS) announced the grant of payment waiver to visitors / migrants affected by the travel ban and the closure of international airports. Affected persons are expected to reschedule their flights and travel within a week of the suspension of the restrictions. |

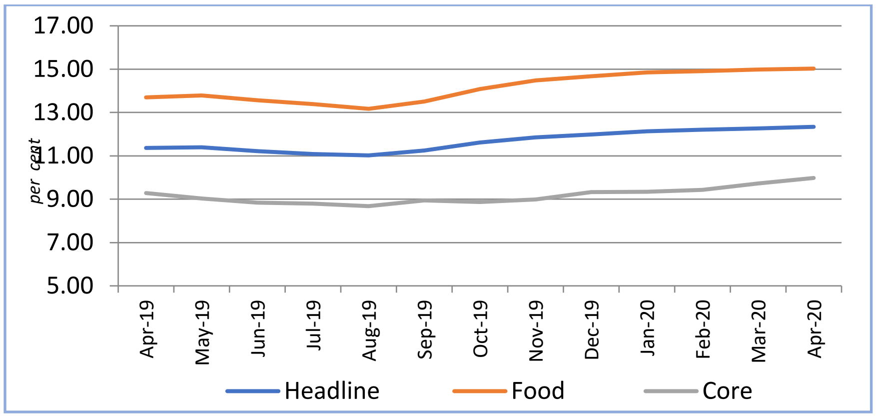
**Source**: KPMG

### 2.1.4. Consumer Prices

**Headline Inflation**

***Inflationary pressure persisted in the review period due to several factors. In addition to the disruption to global and domestic supply chains, inflation in April 2020 was exacerbated by the increase in VAT rate, exchange rate adjustment and seasonal food supply shocks due to the onset of the farming season and other structural bottlenecks including insecurity***. Headline inflation was 12.34 per cent in April 2020, reflecting a seventh consecutive month increase, relative to the 12.26 per cent in March 2020.

**Figure 8: Headline, Food and Core Inflation (Year-on-Year)**




**Source**: National Bureau of Statistics (NBS)

Food inflation

Core inflation

Food inflation in April 2020 followed a similar trend, rising to 15.03 per cent from the 14.98 per cent in the previous month. This was, largely, caused by seasonality factor with prices of potatoes, yam and other tubers, cereals, fruits, and vegetables rising during the month. Core inflation increased to 9.98 per cent in April 2020, above the 9.73 per cent and 9.28 per cent recorded in March 2020 and the corresponding period of 2019, respectively. The increase in VAT rate from 5.0 per cent to 7.5 per cent, supply disruptions, exchange rate adjustment and fiscal injections contributed to the growth in core inflation. The prices of items such as bicycles, passenger transport by road, passenger transport by sea and inland waterways, paramedical services, hospital services, pharmaceutical products, medical services, motorcycles and major household appliances rose significantly.

***The persisting inflationary pressure is a strain on monetary policy efficacy, with implications for the single digit inflation target. Though the CBN will focus on stimulating growth in the economy, it will also keep an eye on reversing the inflationary trend in the near term. Specifically, the Bank will sustain the implementation of its various initiatives.***

### 2.1.5. Commodity Markets Developments

Agricultural commodity prices

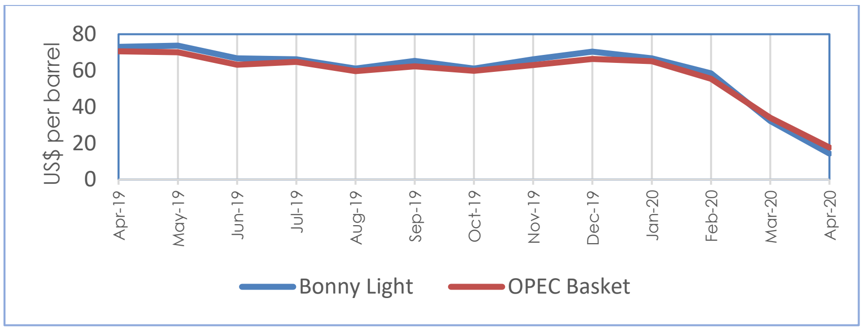
***Agricultural Commodities in both global and domestic markets witnessed severe shocks due to disruptions in supply chain*.** Demand for the commodities continued to drop, owing to the closure of markets, processing plants and the lockdown measure across the world. Commodity exporters were constrained to sell at discounted prices, far below the farm gate costs. The prices of five of the nine agricultural export commodities monitored, decreased in April 2020. The price decrease ranged from 0.04 per cent for cocoa to 11.4 per cent for rubber. However, the prices of coffee, wheat and groundnut increased by 4.2 per cent, 4.8 per cent, and 9.7 per cent relative to their levels in March 2020, respectively; while the price of sorghum remained unchanged during the month. The price increase was due to weather related issues in major producing countries. Consequently, at 67.1 (2010=100), all commodities price index (in dollar terms) decreased by 18.7 per cent and 10.3 per cent below the levels in the preceding month and corresponding period of 2019, respectively.

At the domestic front, the lockdown limited the movement of commodities to demand locations in major cities. There was a surge in demand for food and related items due to panic buying and hoarding with the attendant increase in prices of most essential commodities. Thus, domestic prices of most agricultural commodities monitored, increased in April 2020, compared with the preceding month. The price increase ranged from 0.1 per cent for wheat to 3.7 per cent for imported rice However, the prices of six of the twenty-four commodities monitored decreased during the month. The decrease ranged from 0.8 per cent for yam to 2.4 per cent apiece for eggs and beans, respectively.

Oil market

***Crude oil prices fell in April amid global supply glut in the spot market, and weak demand due to the COVID-19 pandemic.*** The average spot price of Nigeria's reference crude oil, the Bonny Light (37° API) plummeted by 57.3 per cent, month-on-month, to US$14.28 pb in April compared with US$32.10 pb recorded in March 2020. The UK Brent, at US$14.87 pb, the Forcados, at US$14.82 pb, and the WTI, at US$15.79 pb, exhibited similar trends. The average price of the OPEC basket of thirteen selected crude streams declined by 48.0 per cent, to US$17.63 pb in April 2020 (Figure 9). However, prices are expected to rally in the following months, due to agreements to the Declaration of Cooperation (DoC) on production cuts by OPEC+, and non-OPEC members, scheduled for May 1, 2020. This would enhance the capacity of the Nigerian government in budget implementation, with oil price benchmark already slashed from US$57 pb to US$30 pb.

**Figure 9: Trends in Crude Oil Prices**




***Source***: *Reuters*

**Oil price and production**

***Domestic crude oil production and exports rose, month-on-month, amid plummeting prices, thus sustaining the glut in the crude oil market.*** Nigeria's crude oil production, including condensates and natural gas liquids, recorded a marginal increase of 0.05 million barrels per day (mbd) or 2.7 per cent, month-on-month, to average 1.93 mbd . Of the 1.93 mbd or 57.9 mbd, exports accounted for an average of 1.48 mbd or 44.4 mb, while allocation for domestic consumption at 0.45 mbd or 13.50 mb accounted for the balance in the review month.

World crude oil output and demand in April 2020, recorded decreases of 10.4 per cent and 13.4 per cent, respectively, month-on-month, to an average of 99.15 mbd and 76.34 mbd, respectively, compared with 100.65 mbd and 88.14 mbd in March 2020. The decrease in world supply was driven mainly by non-OPEC supplies[2], while, the decline in global crude oil demand was driven, largely, by the impact of the Covid-19 pandemic which crippled economic activities across the globe, with consumption contracting globally, especially in China – a leading world consumer of crude, as well as disruptions in global travels. However, following the agreement by the OPEC+ countries within the DoC framework to adjust their overall crude oil production downwards by 9.7 mbd by May 1, 2020, for an initial period of two months and by 7.7 mbd

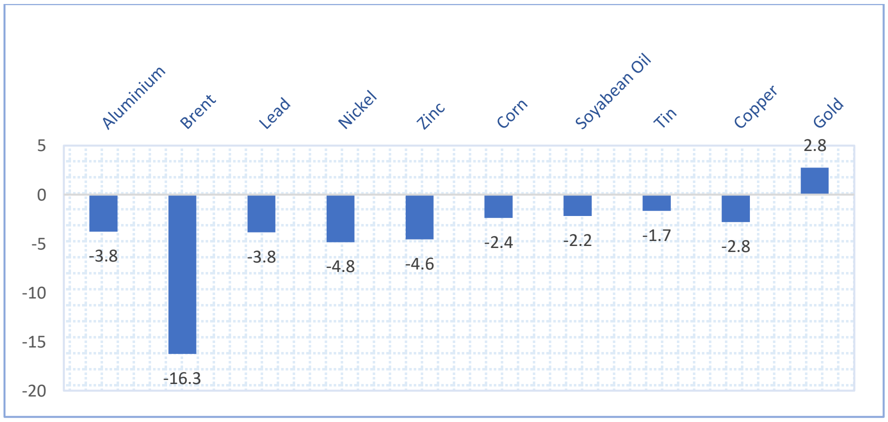
[2] Source: Reuters, OPEC Monthly report, EIA Report

for the remaining part of the year, realignment in the oil market is expected to decrease supply glut.

Other mineral commodities

***Available data from the Index Mundi indicate a continued slump in the prices of various traded commodities, except gold, during the month.*** The price of gold recorded an average gain of 2.8 per cent compared to the slump recorded in other commodities between January and April 2020, (Figure 10).

**Figure 10: Price Changes in Selected Commodities (per cent)**




**Source**: Index Mundi

***The rise in the price of gold was driven, largely, by investors' apathy for other commodities and strong preference for gold, as a safe haven amid disruptions in production and delivery, due to the shutdown of major economies.*** The surge in demand for the commodity, as a hedge against volatilities in the foreign exchange market, was buoyed by the massive unprecedented financial stimulus from central banks and governments around the world.

### 2.1.6. Development Financing

Development Financing

Given the long-standing structural bottlenecks, growth concerns remain the major consideration for the CBN's development finance initiatives. In the context of the intensifying negative impact on productivity levels, due to oil price decline and the COVID-19 pandemic, the CBN remained committed to repositioning and strengthening its development finance initiatives to reflate and stimulate the real sector of the economy to enhance inclusive growth. These new initiatives by the CBN, complement the existing ones, include the ₦50 billion Targeted Credit Facility (TCF) (COVID-19 Loan), the ₦100 billion Healthcare Sector Research and Development Intervention Scheme, and the ₦1 trillion Manufacturing Sector COVID-19 Intervention Fund. As at April 2020, a total of ₦37.92 billion was disbursed as loans to 13,581 beneficiaries through the NIRSAL

Microfinance Bank (NMFB) and the participating financial institutions (PFIs) for the Youth Entrepreneurial Development Programme (YEDP), Agri-Business Small and Medium Enterprises Investment Scheme (AGSMEIS), Creative Industry Financing Initiative (CIFI) and TCF (COVID-19 Loan) intervention schemes. An examination of the TCF (COVID-19 loan) reveal that ₦2.25 billion was disbursed to 3,256 beneficiaries of households and small businesses, comprised of N0.79 billion disbursed to 2,531 households and ₦1.45 billion disbursed to 725 small businesses. Similarly, under the CIFI intervention scheme, ₦1.3 billion was disbursed to 107 beneficiaries in the fashion, information technology, software development, movie distribution and production sub-sectors.

### 2.1.7. Domestic Outlook

**Domestic outlook**

***The outlook is characterised by several headwinds to domestic output and prices.*** These include possible decrease in foreign exchange receipts, owing to the decline in oil prices and OPEC+ supply cut deal, difficulty in inventory adjustments due to supply chain disruptions occasioned by the restrictions on travels, and land border protections; increased fiscal deficits; and several structural rigidities. These risks could limit the fiscal space, elevate the economy's degree of vulnerability to external shocks, as well as, retard the recovery of growth-inducing sectors.

**Table 4: Outlook for Key Macroeconomic Variables**

| STRATEGIC ISSUES | MACROECONOMIC INDICATOR | ACTUAL | | FORECAST | |
|---|---|---|---|---|---|
| | | Feb-20 | Mar-20 | Apr-20 | May-20 |
| Price Stability | Inflation (%) | 12.2 | 12.26 | 12.56 | 12.58 |
| | | ACTUAL | | FORECAST | |
| | | 2019Q4 | 2020Q1 | 2020Q2* | |
| Stability of the Naira | External Reserves (US$' Billion) | 38.09 | 33.64 | 29.76 | |
| | | ACTUAL | | FORECAST | |
| | | 2019Q3 | 2019Q4 | 2020Q1* | 2020Q2** |
| Domestic Output | GDP (%) | 2.28 | 2.55 | 2.09 | -0.88 |

**Source**: NBS and Staff Forecast

**Note**: *GDP when oil price is at $35, **GDP and external reserves when oil price is at $20

In view of the foregoing, output growth is projected to maintain a modest downward trend in the near-term. Real GDP growth is expected to slow to 2.09 per cent in 2020Q1, given that the effects of the lockdown, due to the pandemic, manifested in April. In 2020Q2, output is expected to contract by 0.88 per cent. This is predicated on the assumption that the pandemic persists until the end of the second quarter. Furthermore, consumer prices are projected to rise to 12.56 and 12.58 per cent, in April and May 2020, respectively, owing to supply shocks during this period. Also, the decline in external reserves would be sustained, given the oil price trajectory, weakened global demand, as well as OPEC+ supply cut deal, which could likely exacerbate the pressures in the foreign exchange market.

***Given the extant challenges in the economy, the outlook for the real sector remains cautiously optimistic.*** The optimism derives from the concerted efforts by both the fiscal and monetary authorities to confront these challenges. The surge in the prices of agricultural commodities, owing to transport bottlenecks and lockdown measures, ***is expected to abate*** with the inauguration of the Joint Technical Task Team on Emergency Response to COVID-19 by the Federal Government during the month. The Team is expected to facilitate a free and unhindered movement of food, livestock, agricultural inputs and farmers across the country during the lockdown. In addition, the continuation of planting activities and raising of livestock, which dominate agricultural activities during the period would support increased output.

Therefore, the prices of agricultural products are expected to moderate in the near term. In the oil and gas sub-sector, there is a high likelihood of a sustained OPEC + Production Cut Agreement with favourable impact of oil on the domestic economy. Overall, the economy is projected to contract in 2020Q2 as all the response measures put in place by government will not have fully mitigated the risk posed by COVID-19. The pace of recovery, however, is dependent on the extent of implementation of the Economic Sustainability Plan, direction of control of the spread of the virus, dynamics in the crude oil market, and the pace with which full economic activities can be restored. The IMF also predicts that the economy will contract by 5.4 per cent in 2020 and rebound to 2.6 per cent in 2021.

## 2.2 FISCAL SECTOR DEVELOPMENTS

### 2.2.1 Federation Operations

*Driven by the upturns in oil and non-oil revenue components, Federally collected revenue in April 2020[3] rose by 25.4 per cent and 20.1 per cent to ₦915.28 billion, relative to its levels in March 2020 and April 2019, respectively. However, it was 30.4 per cent below its benchmark[4]. Also, the retained revenue of the Federal government in April was ₦285.66 billion, while total expenditure was ₦773.91 billion, resulting in an estimated deficit of ₦488.25 billion. Total FGN debt outstanding[5] as at March 31, 2020, stood at ₦24.52 trillion; with the domestic and external components accounting for 59.3 per cent and 40.7 per cent of the total debt stock, respectively.*

**Federation Account operations**

***Despite the significant drop in the price of the Bonny Light crude from $32.2 per barrel in March, to $14.3 per barrel in April, coupled with an expected decline in collectable taxes due to COVID-19 restrictions, the Federally collected revenue in April 2020, amounted to N915.28 billion.*** The receipt exceeded the collections of ₦729.64 and ₦762.16 in March 2020 and April 2019, by 25.4 and 20.1 per cent, respectively. The apparent insulation of April revenue from the adverse effects of COVID-19 could be explained by the fact that government revenues usually come with lags, particularly, oil revenue where oil sales contracts sometimes take as much as 90 days to materialize. However, relative to the benchmark revenue of ₦1,315.86 billion, collection in April experienced[6] a shortfall of 30.4 per cent. The observed shortfall implies lower statutory allocations to the three tiers of government. Consequently, after statutory deductions and transfers, a net balance of ₦620.52 billion was shared among the three-tiers of government (Table 5).

---

[3] The fiscal figures quoted in this report, beginning from Jan. 2020 up to Apr. 2020, are provisional pending the receipt of updates from the Office of the Accountant General of the Federation (OAGF). However, the revenue components reflect actual distributions at the July 2020 meeting of the Federation Account Allocation Committee, as published by the OAGF.

[4] Refers to the proportionate monthly budget inferred from the 2020 Appropriation Act.

[5] This includes the external debt of states and the FCT guaranteed by the FGN which constitutes about 6.7 per cent of the total

[6] Includes Exchange Gain

**Table 5: Federally Collected Revenue and Distribution (₦' Billion)**

| | Apr-19 | Mar-20 | Apr-20 | Benchmark |
|---|---|---|---|---|
| **Federation Revenue (Gross)** | **762.16** | **729.64** | **915.28** | **1,315.86** |
| **Oil** | **472.38** | **469.59** | **528.43** | **738.19** |
| *Crude Oil & Gas Exports* | 20.84 | 49.22 | 34.57 | 65.40 |
| *PPT & Royalties* | 274.54 | 259.63 | 334.90 | 468.84 |
| *Domestic Crude Oil/ Gas Sales* | 174.92 | 148.53 | 147.15 | 74.28 |
| *Others* | 2.07 | 12.20 | 11.81 | 129.66 |
| **Non-oil** | **289.77** | **260.05** | **386.85** | **577.67** |
| *Corporate Tax* | 69.35 | 61.91 | 139.58 | 153.06 |
| *Customs & Excise Duties* | 68.86 | 67.72 | 76.82 | 114.87 |
| *Value-Added Tax (VAT)* | 92.18 | 99.55 | 120.27 | 187.99 |
| *Independent Revenue of Fed. Govt.* | 26.90 | 9.42 | 21.33 | 70.83 |
| *Others** | 32.48 | 21.45 | 28.85 | 50.92 |
| **Total Deductions/Transfers*** | ***238.48*** | ***185.85*** | ***357.74*** | ***324.16*** |
| **Federally Collected Revenue** *Less Deductions & Transfers*** | **523.67** | **543.79** | **557.53** | **991.70** |
| *plus:* | | | | |
| **Additional Revenue** | **78.74** | **15.95** | **62.98** | **0.00** |
| *Excess Crude Revenue* | *78.09* | *0.00* | *0.00* | *0.00* |
| *Exchange Gain* | *0.65* | *15.95* | *62.98* | *0.00* |
| **Total Distributed Balance** | ***602.41*** | ***559.74*** | ***620.52*** | ***991.70*** |
| Federal Government | *257.76* | *236.12* | *264.33* | *402.42* |
| State Government | *168.25* | *159.00* | *181.49* | *277.94* |
| Local Government | *126.58* | *119.31* | *135.95* | *208.10* |
| 13% Derivation | *49.82* | *45.31* | *38.75* | *104.14* |

**Source**: Compiled from OAGF figures and CBN Staff Estimates
**Note**: * Includes Education Tax, Customs Special Levies (Federation Account), National Technology Development, Customs Special Levies, Solid Mineral & Other Mining revenue, and other Non-regular earnings; ** Deductions includes cost of revenue collections and JVC cash calls; while transfers entails provisions for FGN Independent revenue and other Non-Federation revenue.

***The relatively low inflows into the Federation Account has serious implications for fiscal sustainability at the subnational levels due to the latter's dependence on Federal allocations.*** Although allocations to States and Local governments in April 2020, exceeded their levels in March and the corresponding period in 2019, they remained significantly below the 2020 benchmarks by 42.4 and 34.7 per cent, respectively (Table 6). The expectation is for States to revise their budgets, in light of the current revenue challenges, to ensure their sustainability.

**Table 6: Allocations to Subnational Governments (₦' Billion)**

| | State Government | | | Local Government | | |
|---|---|---|---|---|---|---|
| | Statutory | VAT | Total | Statutory | VAT | Total |
| Apr-19 | 173.83 | 44.25 | 218.08 | 95.60 | 30.97 | 124.05 |
| Mar-20 | 157.96 | 46.29 | 204.25 | 86.90 | 32.40 | 119.31 |
| **Apr-20** | **164.31** | **55.93** | **220.24** | **96.80** | **39.15** | **135.95** |
| *Benchmark* | *295.00* | *87.08* | *382.08* | *147.15* | *60.95* | *208.10* |

**Source**: Compiled from OAGF figures.

Drivers of Federation revenue

***The dynamics in the Federation Account in April were driven by changes in the oil and non-oil revenue components, both of which accounted for 57.7 per cent and 42.3 per cent of the total Federally collected revenue, respectively.*** Specifically, the increase in oil revenue was driven by improved collection from Petroleum Profit Tax (PPT) and Royalties, which rose by 29.0 per cent and 22.0 per cent, relative to receipts in March and the corresponding period in 2019, respectively. Similarly, receipts from non-oil revenue sources also exceeded their levels in March 2020 and April 2019. Notably, collections from Corporate Tax was 125.4 per cent and 101.3 per cent higher than the levels recorded in March 2020 and the comparable period in 2019. The increase in Corporate Tax was attributed to the settlement of outstanding corporate income tax due by the Nigeria Liquefied and Natural Gas producing company (NLNG). Despite the increases, when compared with collections in the preceding month and the corresponding period in 2019, oil and non-oil revenues were 28.4 per cent and 38.0 per cent below their respective budget benchmarks.

### 2.2.2. Fiscal Operations of the Federal Government

**Fiscal operations of the Federal government**

***The fiscal operations of the Federal government in April 2020 resulted in a deficit of ₦488.24 billion compared with the ₦181.27 billion benchmark and its levels of ₦854.12 billion and ₦690.54 billion in March 2020 and April 2019, respectively*** (Table 7). The observed moderation in the overall fiscal deficit in April, relative to comparable periods, could be attributed to the 16.3 per cent increase in revenue, and the 29.6 per cent decline in expenditure. Although the current deficit level is already significantly above the benchmark, it is expected to deteriorate further in the coming months, owing to the pessimism surrounding the infection curve of COVID-19, and the slowdown in economic activities, which are likely to induce extra-budgetary spending, funded by new borrowings.

**Table 7: Fiscal Balance (₦' Billion)**

| | Apr-19 | Mar-20 | Apr-20 | Benchmark |
|---|---|---|---|---|
| Retained revenue | 335.29 | 245.54 | 285.66 | 701.60 |
| Aggregate expenditure | 1025.82 | 1099.66 | 773.91 | 882.86 |
| Primary balance | -551.20 | -565.08 | -325.07 | 45.86 |
| **Overall balance** | **-690.54** | **-854.12** | **-488.24** | **-181.27** |

**Source**: Compiled from OAGF figures and CBN Staff Estimates
**Note**: The figures in March and April 2020, are provisional pending the receipt of consolidated data from the OAGF

**Federal government retained revenue**

***The revenue profile of the FGN as depicted in Table 8, reveals subsisting revenue challenges because of declining oil receipts and low contribution of non-oil revenue.*** The total retained revenue of ₦285.66 billion recorded in April 2020, was 59.3 per cent below its benchmark. A breakdown of the revenue components showed that all the revenue heads were significantly below their budget benchmarks. However, the April receipts exceeded collections in March 2020 by 16.4 per cent but fell short of the collections in April 2019 by 14.8 per cent.

**Table 8: FGN Retained Revenue (₦' Billion)**

| | Apr-19 | Mar-20 | Apr-20 | Benchmark |
|---|---|---|---|---|
| **FGN Retained Revenue** | **335.30** | **245.50** | **285.70** | **701.60** |
| *Federation Account* | *208.40* | *214.90* | *217.80* | *376.30* |
| *VAT Pool Account* | *13.30* | *13.90* | *16.80* | *26.10* |
| *FGN Independent Revenue* | *26.90* | *9.40* | *21.30* | *70.80* |
| *Excess Oil Revenue* | *35.80* | *0.00* | *0.00* | *0.00* |
| *Excess Non-Oil* | *0.00* | *0.00* | *0.00* | *0.00* |
| *Exchange Gain* | *0.30* | *7.30* | *29.80* | *0.00* |
| *Others** | *50.60* | *0.00* | *0.00* | *228.30* |

**Source**: Compiled from OAGF figures
**Note**: * Others include FGN Special Accounts and Special Levies

**Federal government expenditure**

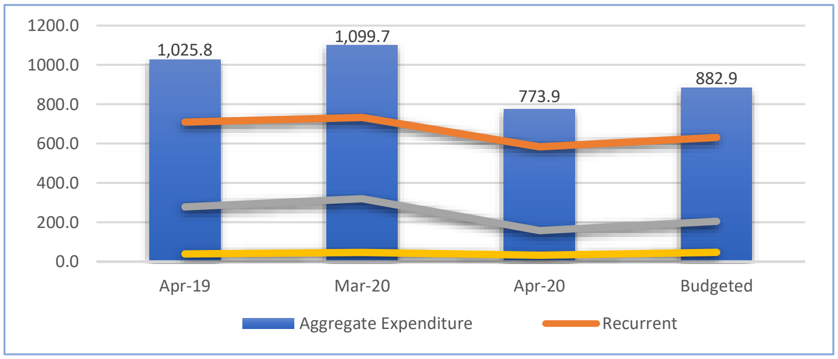
***Aggregate expenditure of the Federal government in April 2020, fell below its budget benchmark and levels in March 2020 and the corresponding period of 2019 (Table 9).*** The decline was due to delays in capital releases, moderation in overhead costs, occasioned by the lockdown of government offices, and consensual cessation of interest obligations due to the COVID-19 pandemic. At ₦773.90 billion, Federal government expenditure in April 2020 was 12.3 per cent below its benchmark, and 29.6 per cent and 24.6 per cent below aggregate spending in March 2020 and April 2019, respectively. The decline in expenditure in April 2020 is evident in Figure 11, where both capital and recurrent expenditures trended downwards.

**Table 9: Federal Government Expenditure (₦' Billion)**

| | Apr-19 | Mar-20 | Apr-20 | Benchmark |
|---|---|---|---|---|
| **Aggregate Expenditure** | **1025.80** | **1099.70** | **773.90** | **882.90** |
| Recurrent | 709.10 | 733.10 | 583.70 | 630.70 |
| *of which:* | | | | |
| Personnel Cost | 197.20 | 191.10 | 216.60 | 253.90 |
| Pension and Gratuities | 24.60 | 32.90 | 21.20 | 44.70 |
| Overhead Cost | 157.30 | 199.60 | 164.30 | 75.80 |
| Interest Payments | 139.30 | 289.00 | 163.20 | 227.10 |
| *Domestic* | *105.00* | *248.40* | *135.20* | *167.10* |
| *External* | *34.40* | *40.70* | *28.00* | *60.00* |
| Special Funds | 190.70 | 20.40 | 18.40 | 29.20 |
| Capital Expenditure | 278.30 | 319.90 | 157.80 | 205.50 |
| Transfers | 38.40 | 46.70 | 32.40 | 46.70 |

**Source:** Staff Estimates and Compilation from the Fiscal Liquidity Assessment Committee engagement

Figure 11: Federal Government Expenditure (₦' Billion)




## Box 3: Nigeria's Fiscal Response to COVID-19 Pandemic

The COVID-19 pandemic is taking a toll on global economic activities, and the Nigerian economy is by no means insulated. The Pandemic is disrupting supply chains and productivity with negative effects on livelihoods and businesses. The slowdown in global economic activities also instigated a slump in crude oil demand amidst a supply surge. This resulted in the decline in oil prices from $32.2 pb recorded in March, to $14.3 pb in April.

These developments have severe implications for the sustainability of fiscal policy in Nigeria, particularly the capacity of the Federal Government of Nigeria (FGN) to finance its programmes.

In the light of these challenges, it was necessary to evolve strategies to mitigate the impact of the Pandemic on citizens and businesses through the introduction of fiscal support measures, which would require the recalibration of existing fiscal frameworks.

Measures so far undertaken by the FGN, include:

I. Setting up an emergency Presidential Task Force on Coronavirus
II. Submission of an Emergency Economic Stimulus Bill to the National Assembly
III. Establishment of a ₦500 billion Crisis Intervention Fund to:
   a. Upgrade HealthCare facilities
   b. Support States in improving Healthcare facilities
   c. Finance a unique public works programme; and
   d. Fund other identified intervention programmes

IV. Proposal to revise the 2020 Appropriation Act and MTEF/FSP in order to:
   a. Reduce oil benchmark price from US$57 pb to US$30 pb; and oil production from 2.1mbpd to 1.7mbpd.
   b. Revise non-oil revenue projections including tax and customs receipts
   c. Insert the ₦500b COVID-19 Crisis Intervention Fund and other adjustments
V. Augmentation of states allocations and moratorium on states' debts

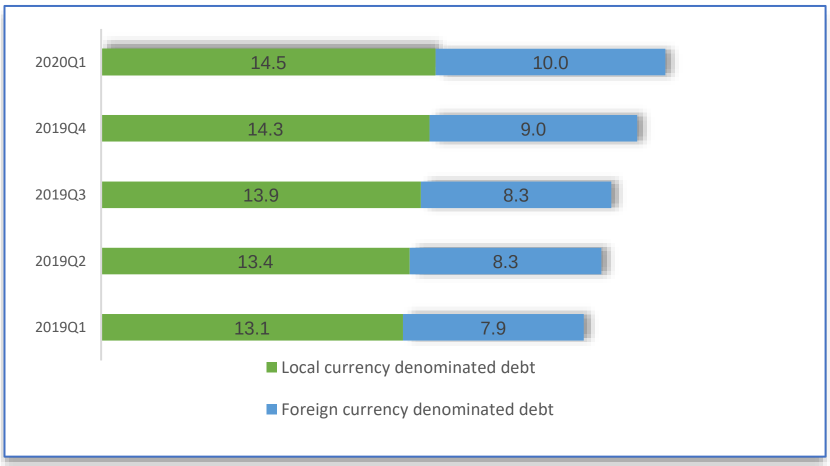
It is expected that the National Assembly would swiftly approve the proposals given the importance of a timely intervention in mitigating the long-term economic effect of the Pandemic on the economy.

**Source**: Compiled from the Federal Ministry of Finance official website

**Federal government debt**

***The trajectory of the total debt outstanding of the Federal government was driven by rising fiscal deficits***. At ₦24,522.05 billion[7], the total debt stock of the FGN as at March 31, 2020 rose by 5.3 per cent and 16.9 per cent, relative to ₦23,295.07 billion and ₦20,974.29 billion, in the preceding quarter and the corresponding period in 2019 (Figure 12). External and domestic debt obligations accounted for 40.7 and 59.3 per cent of the total debt stock, respectively. Interest payment obligations amounted to ₦779.73 billion as at end-March 2020. FGN bond issues accounted for 72.7 per cent of total domestic debt, while Multilateral and Commercial loans jointly represented 86.1 per cent of total external debt, as shown in Figure 13.

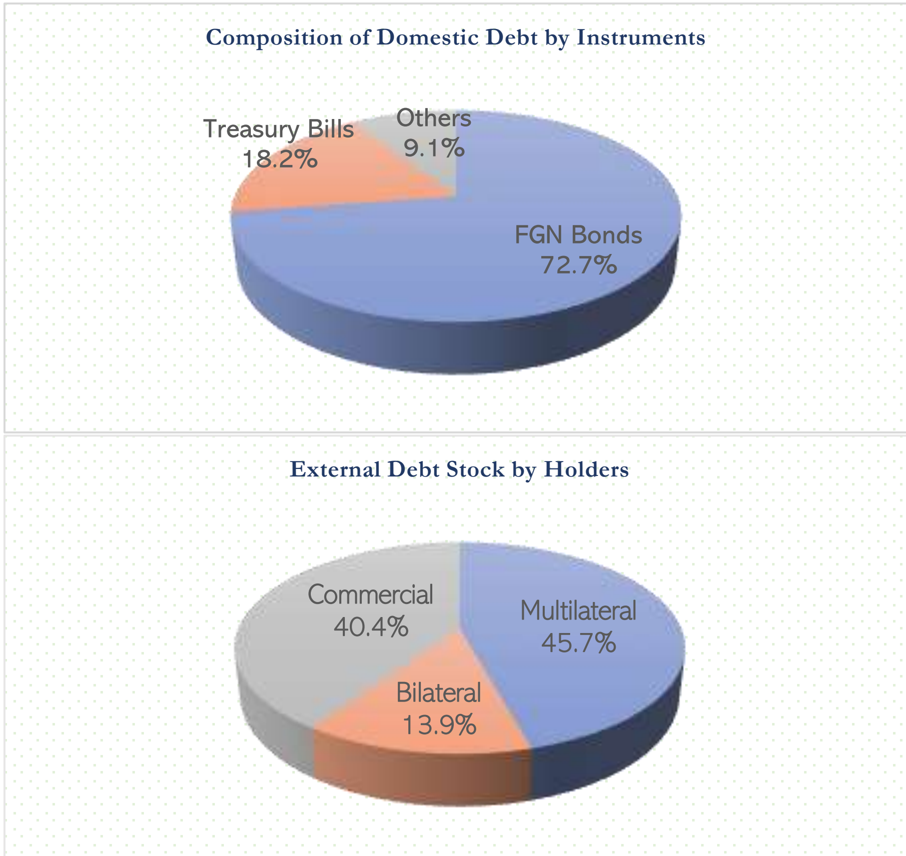
**Figure 12: FGN External and Domestic Debt Composition (₦' Trillion)**




**Source**: Compiled from Debt Management Office (DMO) figures

[7] About 6.7 per cent of the total FGN debt consists of States and FCT external debt guaranteed by the FGN.

**Figure 13: Composition of FGN Debt Stock**




**Source**: Compiled from Debt Management Office (DMO) figures

### 2.2.3. Fiscal Outlook

**Fiscal outlook**

***In the midst of the ongoing Pandemic, the fiscal position of the FGN in April 2020 was relatively less precarious, compared to its position in March 2020 and April 2019***. This was not surprising given that the larger share of government revenue comes with a lag. Receipts in the month of April 2020 were well realized before the lockdown and border protection came into effect. However, the observed rising debt profile and increasing interest obligations, arouse concerns about the medium to long term sustainability of fiscal policy.

Looking ahead, if the current COVID-19 restrictions persist, government revenue is likely to further decline, while recurrent expenditure is projected to rise, considering the imperative of supporting businesses, workers, and vulnerable groups. Consequently, fiscal balances are expected to deteriorate with the Federal government compelled to embark on new borrowings to finance its increasing obligations.

## 2.3. MONETARY AND FINANCIAL DEVELOPMENTS

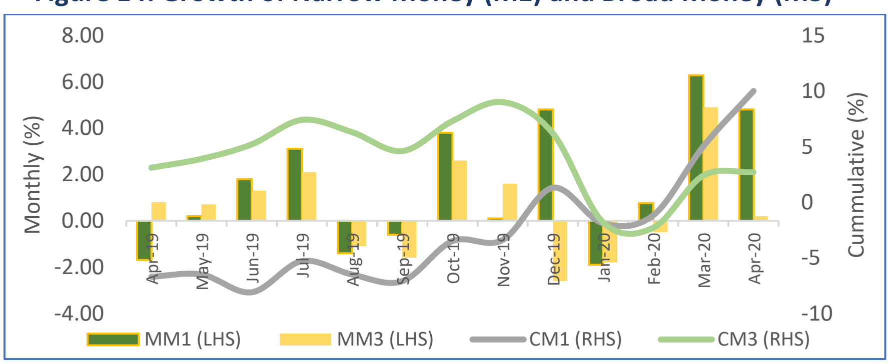
***The Nigerian economy continued to grapple with shocks from the COVID-19 pandemic and the plunge in crude oil price. Notwithstanding, the financial sector has remained stable, while monetary policy accommodation has firmed up banking system liquidity to support expansion of credit to the private sector.***

### 2.3.1. Monetary Developments

Monetary aggregates

***Monetary policy stance has become accommodative on account of the downside risks to growth due to the Pandemic and weakening global commodity prices.*** Growth in the key monetary aggregate has been largely subdued and inadequate to engender significant output growth, providing enough scope for monetary expansion. Broad money supply ($M_3$) rose to 2.9 per cent (or 8.7 per cent on an annualized basis) at end-April 2020, from 2.6 per cent at end-March 2020, compared with the benchmark growth target of 13.1 per cent for 2020. The expansion in money stock reflected the 1.9 per cent and 8.4 per cent increases in net foreign assets of the banking system and claims on the domestic economy, respectively. The corresponding rise in monetary liabilities was due to the 14.2 per cent and 10.8 per cent surge in transferable deposits and other deposits of depository corporations, respectively. The long-run path of cumulative growth in $M_{3,}$ appears to be declining, while the long-run trend of cumulative $M_1$ growth is ascending. The rise in the $M_1$ over $M_{3,}$ is suggestive of a shift in household demand for money.

**Figure 14: Growth of Narrow Money (M1) and Broad Money (M3)**[8]




**Source**: Central Bank of Nigeria (CBN)

[8] MM1 and MM3 represented month-on-month changes, while CM1 and CM3 represented cumulative changes (year-to-date changes or growth over preceding December)

Sources of change in money supply

***The growth in monetary assets in April was driven by the net foreign assets and claims on the domestic economy, triggered by the uncertainty in the financial markets, as the pandemic affected the country's equity and fixed income markets negatively.*** The development led to the decline in liabilities to non-residents as investors sold-off some of their naira denominated assets. This resulted in a 1.9 per cent increase in net foreign assets and contributed 0.31 percentage point to the growth of $M_3$.

**Table 10: Growth in Money and Credit Aggregates (per cent)**

| | Jan-20 | Feb-20 | Mar-20 | Apr-20 |
|---|---|---|---|---|
| **Over Preceding December (%)** | | | | |
| **Domestic Claims** | **-1.0** | **1.3** | **5.2** | **8.4** |
| *Claims on Central Government (Net)* | -2.4 | 5.1 | 2.6 | 10.0 |
| *Claims on Other Sectors* | -0.5 | -0.1 | 6.1 | 7.8 |
| *Claims on Other Financial Corporatins* | 0.4 | 1.3 | 9.1 | 13.4 |
| *Claims on State and Local Government* | -2.5 | -0.3 | 0.1 | -3.6 |
| *Claims on Public Non-Financial Corporations* | -8.6 | -11.4 | -10.0 | -7.6 |
| *Claims on Private Sector* | -0.1 | 0.0 | 6.3 | 7.3 |
| **Foreign Assets (Net)** | **14.8** | **-2.6** | **10.3** | **1.9** |
| **Other Items (Net)** | **68.8** | **49.8** | **68.7** | **79.9** |
| *Currency Outside Depository Corporations* | -8.2 | -11.7 | -6.5 | -5.9 |
| *Transferable Deposits* | -0.4 | 1.3 | 8.1 | 14.2 |
| **Money Supply (M1)** | **-1.9** | **-1.2** | **5.0** | **10.0** |
| **Other Deposits** | **3.0** | **5.8** | **8.5** | **10.8** |
| **Broad Money Liabilities (M2)** | **1.2** | **3.2** | **7.2** | **3.0** |
| **Securities other than shares** | **-16.3** | **-29.1** | **-20.1** | **-34.3** |
| **Broad Money Liabilities (M3)** | **-1.8** | **-2.3** | **2.6** | **2.9** |
| *Memorandum Items:* | | | | |
| Reserve Money (RM) | -3.2 | 11.1 | 17.1 | 41.3 |
| *Currency in Circulation (CIC)* | -7.9 | -10.5 | -6.0 | -5.6 |
| *Liabilities to other Depository Corporations* | -1.4 | 19.6 | 26.1 | 59.7 |
| **Month-on-Month (%)** | | | | |
| **Domestic Claims** | **-1.0** | **2.3** | **3.6** | **3.0** |
| *Claims on Central Government (Net)* | -2.5 | 7.7 | -2.4 | 7.2 |
| *Claims on Other Sectors* | -0.5 | 0.4 | 5.8 | 1.6 |
| *Claims on Other Financial Corporatins* | 0.4 | 0.9 | 7.7 | 3.9 |
| *Claims on State and Local Government* | -2.5 | 2.2 | 0.3 | -3.6 |
| *Claims on Public Non-Financial Corporatio* | -8.6 | -3.1 | 1.6 | 2.7 |
| *Claims on Private Sector* | -0.1 | 0.1 | 5.7 | 0.8 |
| **Foreign Assets (Net)** | **14.8** | **-15.2** | **13.3** | **-7.6** |
| **Other Items (Net)** | **68.8** | **-11.3** | **12.6** | **7.1** |
| *Currency Outside Depository Corporations* | -8.2 | -3.8 | 5.9 | 0.7 |
| *Transferable Deposits* | -0.4 | 1.8 | 6.3 | 5.6 |
| **Money Supply (M1)** | **-1.9** | **0.8** | **6.3** | **4.8** |
| **Other Deposits** | **3.0** | **2.7** | **2.4** | **2.1** |
| **Total Monetary Liabilities (M2)** | **1.2** | **2.0** | **3.8** | **3.0** |
| **Securities other than shares** | **-16.3** | **-15.3** | **12.6** | **-17.7** |
| **Total Monetary Liabilities (M3)** | **-1.8** | **-0.5** | **5.1** | **0.2** |

**Source**: CBN

Over the level at end-December 2019, claims on the domestic economy grew by 8.4 per cent (or 25.1 per cent on an annualised basis), compared with 5.2 per cent at end-March 2020 and the benchmark growth of 16.9 per cent for 2020, suggesting liquidity surfeit in the economy. The growth in domestic claims reflected the 10.0 per cent and 7.8 per cent increase in net claims on the central government and claims on other sectors, respectively.

### 2.3.2. Financial Developments

***Though the pace of monetary growth was sluggish and economic uncertainties continued to deter credit transmission to the real sector, the financial sector in the review month remained stable. Financial soundness indicators suggested little vulnerabilities.***

The health of the banks in the industry was fairly sound. Assets quality, measured by the ratio of Non-Performing Loans (NPLs) to industry total outstanding loans stood at 6.58 per cent in April, as against the 5.0 per cent prudential requirement. The industry capital adequacy ratio (CAR), at 14.92 per cent in March 2020, exceeded the regulatory benchmark of 10.0 per cent. The liquidity ratio, at 38.42 per cent, has continued to decelerate in response to the implementation of the Loan-to-Deposit ratio (LDR), but remained above the 30.0 per cent benchmark.

***On account of the Pandemic and drop in oil prices, the financial sector could be exposed to significant spillover risks from the already stressed global financial conditions*.** A tailspin of economic activities could reverse the positive outlook on the NPLs of the banking system. This is particularly so for banks exposed to the oil and gas sector, representing over 20.0 per cent of industry's NPLs and about 30.0 per cent of total credit to the private sector. The vulnerabilities associated with uncertainties of oil prices heightens credit risks.

***The banking system liquidity, however, softened due to the monetary policy accommodation, repayment of maturing instruments and disbursements from the Federation Account, which supported growth in credit to the private sector.*** There was a net increase in liquidity, with the industry position closing at an average of ₦440.78 billion in April 2020, compared with the average of ₦206.24 billion in March 2020. Withdrawals from the banking system arose from provisioning and settlement of foreign exchange purchases, auctioning of CBN bills, FGN Bonds and Nigerian Treasury Bills (NTBs), as well as, Cash Reserve Ratio (CRR) debits. The industry liquidity position was moderated through the repayment of matured CBN bills, Nigerian Treasury Bills (NTBs) and fiscal disbursements to the three tiers of Government. A classification of the various liquidity instruments showed open market operations (OMO), primary market and standing facilities as the main sources.

Open Market Operations

***The Bank intervened through the conduct of direct OMO auctions to moderate liquidity in April 2020***. The tenor of the instrument was from 75 to 348 days. Total amount offered, subscribed and allotted were ₦360.00 billion, ₦531.11 billion and ₦289.99 billion, respectively, with a bid rate of 12.50 per cent and stop rate of 12.20 per cent. Repayment of matured CBN bills stood at ₦788.34 billion, translating to a net injection of ₦498.35 billion through this medium.

Primary Market

At the Government securities market, NTBs and long-term FGN Bonds were issued at the primary market on behalf of the Debt Management Office (DMO). NTBs of 91-, 182- and 364-day tenors, amounting to ₦285.70 billion, ₦564.64 billion and ₦285.70 billion, respectively, were offered, subscribed and allotted. The low bid-cover ratio of less than 2.0 for all the tenors (except 182-day tenor) indicated weak demand due to the low yield. There was no repayment of matured NTBs, resulting in a net withdrawal of ₦285.70 billion through the medium.

FGN Bonds of 5-, 10- and 30-year tranches were offered for sale in the review period. Terms to maturity of the Bonds were 3 years to 29 years, and 11 months. Total amount offered, subscribed and allotted, were ₦60.00 billion, ₦275.67 billion and ₦156.06 billion, respectively. Allotment on non-competitive basis was ₦20.00 billion. The oversubscription was attributed to investors' preference for fixed income securities, particularly those with higher yields. The bid rate on all tenors stood at 10.5 per cent, while the marginal rate was 10.8 per cent. The bid-cover ratio for 5-year bond stood at 1.7, while that of 15- and 30-year bonds stood at 1.5 and 2.2, respectively. The bid-cover ratio for 15- and 30-year bonds shows investors preference for a high yield debt security. There was no bond maturity in the April 2020, hence no repayment, resulting in a net withdrawal of ₦156.1 billion.

Standing Facilities

Deposit Money Banks (DMBs) and merchant banks continued to access the Standing Facilities window in April 2020 to square-up their positions. The trend at the CBN standing facilities window showed more frequency at the Standing Deposit Facility (SDF) window, as against the decreased patronage at the Standing Lending Facility (SLF) window due to the excess liquidity in the banking system. Applicable rates for the SLF and SDF remained at 15.5 per cent and 8.5 per cent, respectively. Total request for the SLF granted, in April 2020, was ₦274.65 billion, made up of

₦163.50 billion direct SLF and ₦111.15 billion Intraday Lending Facilities (ILF) converted to overnight repo. Daily average ranged from ₦1.43 billion to ₦94.17 billion and averaged ₦18.31 billion in the 15 transaction days from April 1 to 27, 2020. Total interest earned at 15.5 per cent was ₦0.27 billion. Total SDF granted during the review period was ₦497.67 billion with a daily average of ₦29.27 billion in the 17 transaction days from April 1 to 27, 2020. Daily request ranged from ₦0.14 billion to ₦41.23 billion. Cost incurred on SDF in the month stood at ₦0.16 billion.

Credit to the private sector grew by 6.6 per cent in April, compared with 5.7 per cent in March, driven, largely, by other depository corporations' credit, reinforcing the effectiveness of the Loan-to-Deposit ratio policy of the Bank. Sectoral credit utilisation by the 'other' sectors of the economy, at ₦18,533.97 billion, rose by 0.25 per cent at end-April 2020, above its level at end-March 2020. Analysis of the composition of credit indicated that sectors with lower risk weights received most of the credit. The industry and services sectors constituted 37.3 per cent and 38.4 per cent of the total allocation, respectively, compared with 37.9 per cent and 38.1 per cent in March 2020. Agriculture and construction sectors accounted for 4.7 per cent and 4.5 per cent at end-April 2020, respectively, relative to their respective shares of 4.6 per cent and 4.3 per cent in the preceding month. Given the strain on government revenue, fiscal deficit has been rising, as claims on government rose from a growth of 2.6 per cent in March to 10.0 per cent in April 2020.

**Table 11: Sectoral Credit Utilization (per cent)**

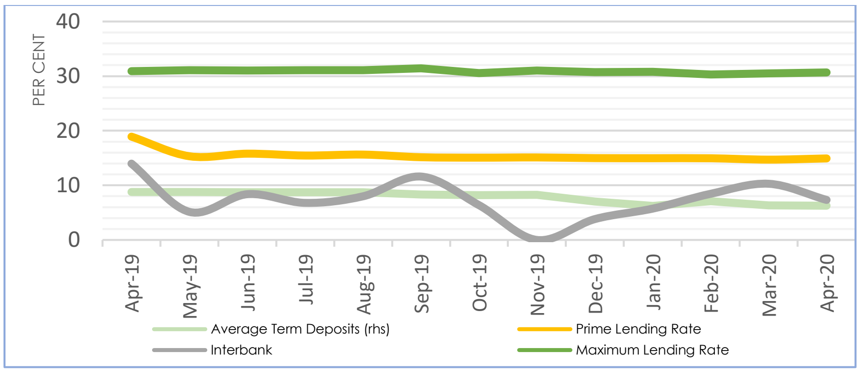
| | Dec-19 | Mar-20 | Apr-20 |
|---|---|---|---|
| **Agriculture** | 4.6 | 4.6 | 4.7 |
| **Industry** | 37.3 | 37.9 | 37.3 |
| **Construction** | 4.1 | 4.3 | 4.5 |
| **Trade/General Commerce** | 7.2 | 6.9 | 6.8 |
| **Government** | 8.8 | 8.2 | 8.2 |
| **Services** | 37.9 | 38.1 | 38.4 |

**Source:** CBN

Interest rate developments

***The observed surfeit in liquidity, did not translate into lower market interest rates as expected, as lending rates remained high, which further increased the cost of private sector credit and accentuated solvency risks in the sector.*** Money market rates were generally stable and moved in tandem with the level of liquidity in the review period. Short-term money market rates traded below the Monetary Policy Rate (MPR) of 13.50 per cent for a major part of the period. Average inter-bank and Open Buy Back (OBB) rates were 7.3 per cent and 5.5 per cent, respectively, in April 2020. Other rates such as, the 7-day and 30-day NIBOR traded at averages of 5.9 per cent and 10.0 per cent, respectively. From their levels in the preceding month, average prime and maximum lending rates fell marginally by 0.2 percentage points, apiece, to 14.9 per cent and 30.7 per cent, respectively, in April 2020. Average term-deposit rate also fell by 0.1 percentage point to 6.3 per cent. The spread between the average term-deposit and average maximum lending rates widened by 0.2 percentage point to 24.4 percentage points at end-April 2020. With inflation at 12.34 per cent in April 2020, these implied negative real rates for deposits, but positive real rates for the prime and maximum lending rates.

**Figure 15: Interest Rates**




**Source**: CBN

Change in Monetary Liabilities

***Intermediation efficiency in the banking sector was weakened by heightened precautionary demand for money and banks' risk aversion to financial markets uncertainties.*** The proportion of currency outside depository corporations to total monetary liabilities stood at 5.3 per cent, an increase of 0.02 percentage point above the level at end-March 2020. The rise in monetary liabilities was due to the 14.2 per cent and 10.8 per cent surge in transferable deposits and other deposits of the depository corporations, respectively. The preference for cash over electronic channels of payment, during the month, was perceptibly due to Pandemic-induced uncertainties in the financial system. Growth in transferable deposits was attributed to the anxiety from the Pandemic, which instigated the demand for cash and near-cash monetary items. This was also supported by the 10.4 per cent growth in narrow money supply ($M_1$) at end-April 2020, compared with 5.3 per cent at end-March 2020. The expansion in narrow money, $M_1$, on a month-on-month basis, was ascribed to the 5.7 per cent and 0.6 per cent rise in transferrable deposits and currency outside depository corporations, respectively. It is anticipated, nonetheless, that as the financial system becomes more stable, the public is expected to switch to non-cash transactions.

Reserve Money

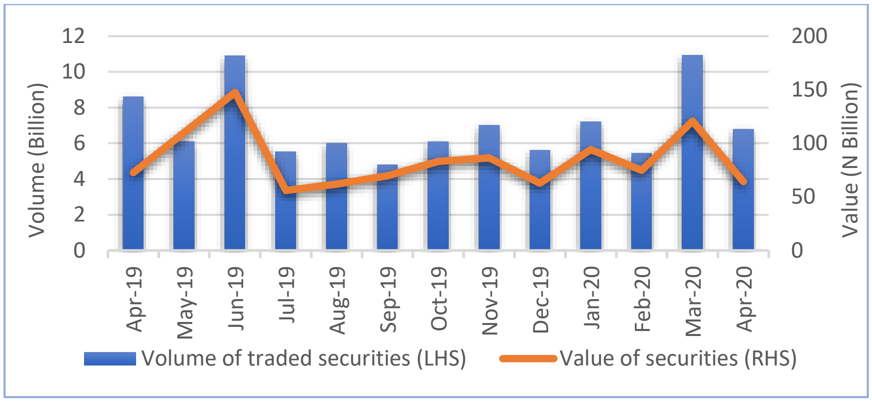
The CRR adjustment and the subsequent debits from defaulting banks raised the monetary authority’s liabilities to other depository corporations, which led to an increase in reserve money in April 2020. Reserve money grew by 41.3 per cent to ₦12,250.50 billion at end-April 2020, compared with a growth of 17.1 per cent at end-March 2020. At ₦9,943.11 billion, liabilities to other depository corporations grew by 59.7 per cent, at end-April 2020, compared with the growth of 26.1 per cent at end-March 2020. The uncertainties in the economy, created by the Pandemic, resulted in the desire to hold more cash, as it seemingly provided a sense of security. However, the extended lockdown in key states, such as Lagos, Ogun and several other States as well as the FCT, slowed down economic activities and made it difficult for people to get more cash from banks. This was evidenced in the slower increase in currency-in-circulation (CIC), compared with the preceding month’s level. CIC rose by 0.5 per cent to ₦2,307.39 billion at end-April 2020, compared with the increase of 5.0 per cent at end-March 2020.

Capital Market Developments

***Despite the positive liquidity outlook, fragility remains. As COVID-19 risks abound, subdued domestic demand, supply chain disruptions and the negative growth in the oil sector negatively impacted activities in the capital market.*** Investor sentiments were leaning towards sell-offs, while banking stocks were weakening, inducing capital reversals to relatively safe havens. This was, however, moderated by the marginal rebound in crude oil prices and increased investors’ patronage of blue-chip stocks, such as the MTN Nigeria. Activities on the Nigerian Stock Exchange (NSE) were bullish in April 2020.

The All Share Index (ASI) and aggregate market capitalisation rose in the review period. However, the spread of the Pandemic undermined the volume of the traded securities on the Exchange. The volume and value of traded securities, fell by 37.9 per cent and 46.8 per cent, respectively, to 6.79 billion shares and ₦64.31 billion, in 89,335 deals, compared with 10.92 billion shares worth ₦120.84 billion, in 110,198 deals, at end-March 2020 (Figure 16). There was one supplementary listing in the review period.

**Figure 16: Volume and Value of Traded Securities**




**Source**: Nigerian Stock Exchange (NSE)

**Table 12: Supplementary Listings on the Nigerian Stock Exchange April 2020**

| Company | Additional Shares (Units) | Reasons | Listing |
|---|---|---|---|
| Consolidated Hallmark Insurance Plc | 202 Billion Ordinary Shares | Proposes Right Issue | Supplementary Listing |

**Source**: NSE

Market Capitalisation

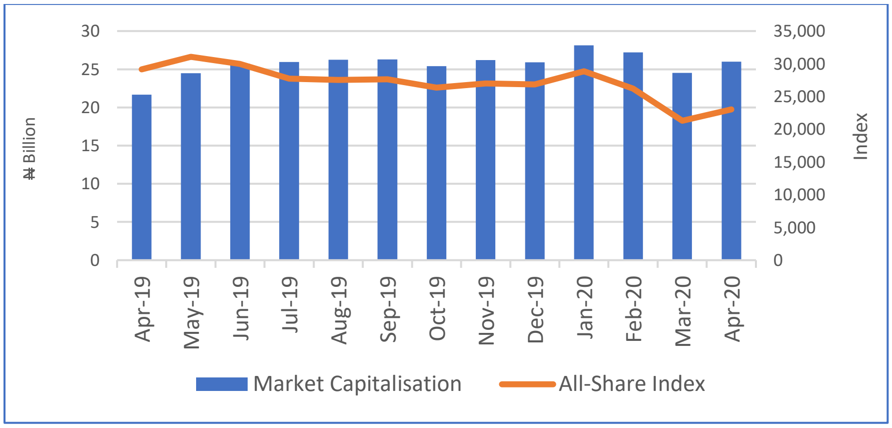
***The bargain hunting and the dominance of the bulls on the equities segment of the NSE raised the market capitalisation in April 2020: The major price gainers included, MTN Nigeria, Lafarge Africa, Zenith bank Plc., Custodian investment, UBA Plc., BUA Cement, PZ Cussons Nigeria, FCMB Group, NESTLE Nigeria and Dangote Sugar Refinery.*** Aggregate market capitalisation rose by 6.2 per cent to ₦26.04 trillion, compared with ₦24.51 trillion recorded at end-March 2020. The equities market capitalisation also rose by 8.1 per cent to ₦12.01 trillion and constituted 46.1 per cent of the total market capitalisation, compared with ₦11.11 trillion and 45.3 per cent recorded at end-March 2020.

NSE All-Share Index

Investors' decision to remain locked in at the relatively low stock prices, a rebound in the oil market and capital appreciation in the shares of mid- and large stocks like Dangote cement, MTN Nigeria, Stanbic IBTC holdings, Nigerian Breweries and Guaranty Trust Bank Plc, boosted foreign portfolio and local investors sentiment in the equities market. Consequently, the ASI, which opened at 21,300.47 at the beginning of the month, closed at 23,021.01, representing an increase of 8.1 per cent, over the level in the preceding month.

Apart from the NSE-Oil and Gas and NSE-Industrial indices, which fell by 2.8 per cent and 2.7 per cent, respectively, in the review period, all other sectoral indices trended upward. Specifically, the NSE-Banking, NSE-Premium, NSE-Consumer Goods, NSE-Lotus, NSE-Pension, NSE-AseM and the NSE-Insurance sectoral indices rose by 15.1 per cent, 14.1 per cent, 14.0 per cent, 7.7 per cent, 6.4 per cent, 3.5 per cent and 2.1 per cent, respectively, relative to their levels at the end of the preceding month (Figure 17).

**Figure 17: Market Capitalisation and All-Share Index**




**Source**: NSE

## 2.4. EXTERNAL SECTOR DEVELOPMENTS

### 2.4.1. External Balance

**Nigeria's external balance**

***Nigeria's external account position exhibited persistent current account deficit and emerging capital reversal.*** The external account posted a higher deficit of US$4.39 billion equivalent to 3.8 per cent of GDP in 2020Q1, relative to US$2.62 billion (2.0 per cent of GDP) in 2019Q4. Because of the significantly lower deficits recorded in the goods, services and income accounts, the deficit in the current account narrowed to US$4.88 billion in 2020Q1 (4.3 per cent of GDP) from US$6.95 billion (5.3 per cent of GDP) in 2019Q4. Portfolio investment witnessed further capital reversal of US$8.34 billion in 2020Q1, compared with US$6.04 billion in 2019Q4 due to increased sell-off of both equity and debt securities by foreign investors.

Specifically, equity securities and money market instruments worth US$1.41 billion and US$6.37 billion, respectively, were liquidated in 2020Q1. Foreign Direct Investment (FDI) decreased further to US$0.43 billion in 2020Q1 from US$0.50 billion in 2019Q4 driven largely by the decline in reinvested earnings and fragile global economy. Other investment liabilities recorded an outflow of US$1.17 billion in 2020Q1 as against an inflow of US$2.12 billion in 2019Q4. This was attributed to the repayment of loans by the general government and banks. To ensure stability in the foreign exchange market, the CBN sustained its periodic intervention in the market. The average exchange rate at the inter-bank, the BDC segment, and the I&E window were ₦361.00/US$, ₦420.15/US$ and ₦384.99/US$, respectively, in the review month. External reserves increased from US$33.69 billion at end-March 2020 to US$36.46 billion at end-April 2020, reflecting the disbursement of the US$3.4 billion IMF Rapid Financing Instrument.

### 2.4.2. Current & Capital Account

**Current and capital account developments**

***The COVID-19 pandemic and the sharp decline in oil price, lowered Nigeria's exports and imports in the first quarter of 2020.*** The pressure on the current account moderated as the deficit narrowed by 29.8 per cent to US$4.88 billion (4.3 per cent of GDP), relative to US$6.95 billion (5.3 per cent of GDP) in 2019Q4. The development was on account of the significantly lower trade in goods and services, as well as narrowed deficit in the primary income account. The deficit in the goods and services account narrowed to US$8.22 billion (7.2 per cent of GDP) in 2020Q1 from US$10.76 billion (8.2 per cent of GDP) in 2019Q4, because of lower import of goods and payments of services.

Export commodity prices

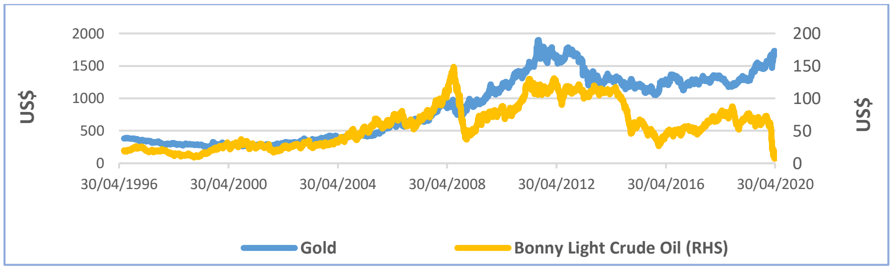
***The introduction of containment measures along with sudden stops in economic activity took a toll on global commodity prices, especially that of crude oil.*** The international price of Bonny Light crude oil, Nigeria's reference crude, crashed from a recent high of US$73.25 per barrel on January 7, 2020 to US$7.15 per barrel on April 21, 2020. However, the average US dollar price of gold on the London market increased by 5.9 per cent to US$1,684.88 per fine ounce in April 2020 from US$1,590.47 in March 2020. The gold price reflected the safe-haven investment demand amid heightened uncertainties associated with the impact of the COVID-19 pandemic on the global economy.

Export performance

***Because of the decline in the price of crude oil in 2020Q1, aggregate export earnings declined by 14.9 per cent and 12.0 per cent to US$13.39 billion, compared with US$15.74 billion and US$15.22 billion in Q4 and 2019Q1, respectively***. Export of crude oil fell by 20.0 per cent and 14.0 per cent to US$9.48 billion, from US$11.84 billion and US$11.02 billion in 2019Q4 and 2019Q1, respectively. This was attributed to the fall in the average price of Nigeria's reference crude, the Bonny Light, to US$52.48 per barrel in 2020Q1, from US$65.87 and US$64.90 per barrel in 2019Q1 and 2019Q4, respectively. Dampened global demand and supply-chain disruptions, due to the lockdown measures to contain the COVID-19 pandemic were factors that contributed to the fall in crude oil price.

Non-oil export, on the other hand, increased marginally by 0.9 per cent to US$2.16 billion, from US$2.14 billion in 2019Q4. It was, however, lower than the US$2.36 billion recorded in 2019Q1. The share of crude oil and gas export was 70.8 per cent and 13.1 per cent, respectively, while non-oil export accounted for the balance of 16.1 per cent. The main drivers of non-oil exports included cashew nuts, cocoa beans, sesame seeds, with the Netherlands, Cote d'Ivoire, Brazil and the USA as the major destinations.

**Figure 18: International Prices of Bonny Light Crude Oil and Gold**




**Source:** Reuters

Non-oil receipts through banks

***Due to the lull in economic activities, occasioned by the partial lockdown of the economy on account of the COVID-19 pandemic, aggregate non-oil export receipts through banks declined in April 2020.*** Aggregate non-oil export receipts through banks amounted to US$0.05 billion, compared with US$0.24 billion and US$1.83 billion in March 2020 and corresponding period of 2019, respectively. The development was attributed, largely, to the 70.8 per cent decrease in receipts from the industrial sector, which stood at US$30.07 million in April 2020. In addition, receipts from agricultural, manufactured products and Minerals sectors, also declined by 87.9 per cent, 79.7 per cent and 18.0 per cent to US$11.02 million, US$7.71 million, and US$1.29 million, respectively, from their levels in the preceding month. However, receipts from food products increased by 3.9 per cent to US$3.62 million, from its level in the preceding month, on account of increased export of alcoholic and non-alcoholic drinks.

Merchandise imports

***The value of merchandise imports contracted by 19.8 per cent to US$13.83 billion in 2020Q1 from US$17.24 billion in 2019Q4, driven, largely, by reduced non-oil imports, particularly manufactured goods.*** Import of petroleum products, on the other hand, increased by 24.6 per cent and 34.3 per cent to US$2.78 billion, from US$2.23 billion and US$2.07 billion in 2019Q4 and 2019Q1, respectively. The development reflected the increased import of Premium Motor Spirit, Automatic Gas Oil and Turbine Kerosene. The share of non-oil import, however, remained dominant in total import, accounting for 79.9 per cent, while the oil imports component accounted for the balance of 19.1 per cent. A breakdown of non-oil import by sector revealed that importation of raw materials and machinery for industrial use accounted for the highest share of 42.4 per cent, followed by manufactured products which constituted 22.1 per cent. Importation of food and petroleum products accounted for 13.8 per cent and 12.7 per cent respectively, while imports of transport, agriculture and mineral sectors accounted for 6.0 per cent

Services and primary income

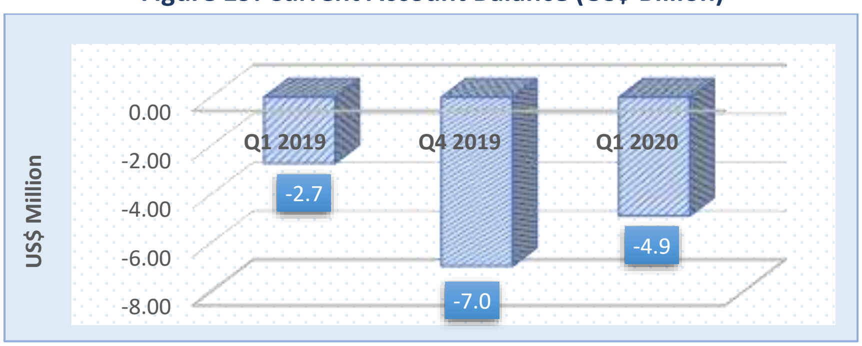
1.7 per cent and 1.3 per cent, in that order.

***The deficits of the services and primary income sub-accounts narrowed significantly in 2020Q1.*** Lower payments for transportation, insurance and other business services resulted in a 16.0 per cent decline in net deficit in the services sub-account, from US$9.26 billion in 2019Q4 to US$7.78 billion in 2020Q1. The contraction in payments for transportation (freight) and insurance reflected the decrease in importation of goods. The deficit in the primary income sub-account narrowed by US$0.37 billion to US$2.81 billion in the first quarter of 2020 from US$3.18 billion in the fourth quarter of 2019. The development reflected the lower payment of dividends to non-resident investors and reinvested earnings, which declined by 10.0 percent and 20.7 percent, respectively, to US$2.26 billion and US$0.32 billion, in 2020Q1.

Secondary income

***Also, the surplus of the secondary income sub-account, mainly driven by the inflow of personal transfers, including workers' remittances, narrowed in the period under review.*** The secondary income account recorded a lower surplus of US$6.15 billion, compared with US$6.99 billion and US$7.64 billion in 2019Q4 and 2019Q1. Inflow of personal transfers in the form of workers' remittances declined marginally by 3.2 per cent to US$5.52 billion, relative to US$5.70 billion in 2019Q4. Similarly, general government receipts declined significantly by 51.2 per cent to US$0.63 billion in 2020Q1 in the review period, compared with US$1.29 billion in the preceding quarter.

**Figure 19: Current Account Balance (US$ Billion)**




**Source:** CBN

### 2.4.3. Financial Account

**Financial account developments**

***According to the IMF, investors had repatriated US$83.00 billion from emerging markets since the beginning of the crisis, the largest capital outflow ever recorded during any economic downturn.*** Mainly because of portfolio capital reversal, Nigeria's financial account recorded a net acquisition of financial assets of US$6.30 billion (5.5 per cent of GDP) in

2020Q1, against a net incurrence of financial liabilities of US$13.24 billion (10.1 per cent of GDP) in 2019Q4.

Net Incurrence of Liability

***The country recorded a reduction in financial liabilities of US$9.08 billion, higher than the US$3.43 billion in 2019Q4, due to increased portfolio capital reversal and drawdown on foreign currency placements in deposit taking corporations.*** A breakdown showed that inflow of FDI declined further by 13.7 per cent to US$0.43 billion, from US$0.50 billion in 2019Q4, because of the decline in reinvested earnings by 20.0 per cent to US$0.33 billion.

Portfolio capital reversal increased significantly to US$8.34 billion, higher than the US$6.04 billion in 2019Q4, indicating an increase of 38.0 per cent. The development highlighted the fragility of the domestic financial market, as global financial markets experienced volatility, due to the impact of the COVID-19 pandemic. Further analysis showed that US$1.41 billion worth of equity and investment fund shares was liquidated in Q1 2020, significantly higher than the US$0.09 billion in 2019Q4. Similarly, outflow, with respect to the sell-off of debt securities, particularly short-term money market instruments, increased by 16.3 per cent to US$6.92 billion in April, higher than the US$5.95 billion in 2019Q4.

Other investment liabilities recorded an outflow of US$1.17 billion, due, mainly, to the drawdown on foreign currency deposits in deposit taking corporations by non-residents. Drawdown in currency and deposits amounted to US$1.23 billion, as against a placement of US$2.98 billion in 2019Q4. Inflow of loans to the non-financial corporations and households stood at US$0.78 billion, while general government and deposit taking corporations made principal repayments of US$0.17 billion and US$0.54 billion, respectively, in April 2020.

Net Acquisition of Asset

***Transactions in financial assets resulted in a net disposal of US$2.78 billion, following the US$4.39 billion and US$1.03 billion drawdown in reserve assets and foreign currency holdings of the private sector, respectively.*** A disaggregation showed that FDI in foreign entities was US$0.36 billion, representing a decline of 4.8 per cent relative to the level in 2019Q4. Portfolio investment asset, on the other hand, increased significantly to US$0.10 billion in the review period, compared with US$0.05 billion in the preceding period, on account of increased investment in both equity and investment fund shares, and debt securities by resident non-financial corporations and household investors.

Other investment assets improved to US$1.14 billion in 2020Q1, against a reduction of US$14.46 billion in 2019Q4, due, largely to the US$2.01 billion trade credit and advancement by the general government and the non-financial corporations and households. This overwhelmed the drawdown in foreign currency and deposits by the non-financial corporations and households, as well as, the deposit taking corporations. Non-financial corporations and household drawdown on foreign currency was US$1.05 billion, significantly lower than the US$16.50 billion in 2019Q4. Similarly, deposit taking corporations drawdown was US$0.04 billion, lower than the US$0.66 billion in 2019Q4. Reserve assets was also depleted by US$4.39 billion, higher than the US$2.62 billion in 2019Q4, due to the Bank's intervention in the foreign exchange market to maintain stability in the exchange rate.

### 2.4.4. International Reserves

International reserves

***Nigeria's international reserves increased from US$33.69 billion at end-March to US$36.46 billion at end-April 2020, reflecting the receipt of the proceeds of the IMF Rapid Financing Instrument of US$3.4 billion.*** Thus, the level of import cover (i.e. the value of gross international reserves, relative to the value of merchandise imports and services payment) increased from 3.8 months in March 2020 to 4.0 months[9] in April 2020, above the IMF threshold of 3.0 months.

**Figure 20: External Reserves**

**Figure 20a External Reserves and Months of Import Cover**

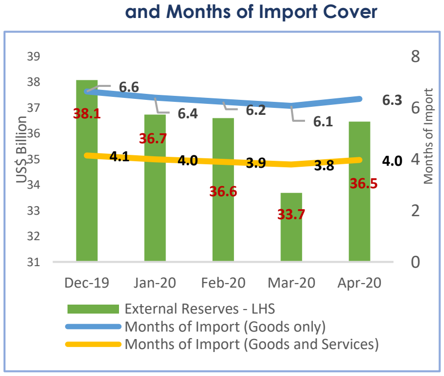



**Figure 20b: International Reserves Per Capita of Selected Countries**

| Country | March 2020 | April 2020 |
|---|---|---|
| Nigeria | 167.6 | 181.4 |
| South Africa | 895.8 | 905.1 |
| Angola | 534.1 | 511.1 |
| Egypt | 256.8 | 235.5 |
| Ghana | 22.0 | 25.1 |

**Source**: CBN, Reuters, and the World Bank

[9] Using the imports figure for the first quarter of 2020

**Foreign exchange Flows**

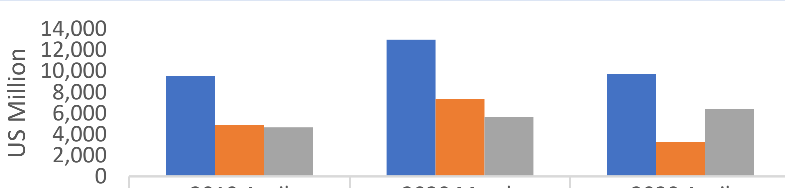
### 2.4.5. Foreign Exchange Flows

***The weak global demand on account of COVID-19 led to a 25.0 per cent decline in inflow of foreign exchange into the economy in April 2020*.** On a month-on-month basis, foreign exchange inflows, through the economy, declined by 25.0 per cent to US$9.72 billion in April 2020. The decline in inflows, relative to the level in March 2020, was attributed to the lower receipts from oil sources, which fell sharply by 15.5 per cent as a result of the plunge in average crude oil price from US$32.30 per barrel in March 2020 to US$14.30 per barrel in April 2020. The slump in crude oil price was induced by the weak global demand on account of the lockdown of most economies following the continued spread of COVID-19. Inflow through autonomous sources, particularly invisible purchases, declined by 57.3 per cent to US$3.78 billion, relative to the preceding month, but higher than the 44.1 per cent increase in inflows through the CBN, which stood at US$5.94 billion in April 2020.

Foreign exchange outflows

***Following the lockdown of the Nigerian economy, aggregate foreign exchange outflows through the economy decreased by 55.1 per cent to US$3.29 billion in April 2020*.** Aggregate outflow of foreign exchange from CBN fell by 55.1 per cent to US$3.29 billion in April 2020, below the level in the preceding month. The development was driven, largely, by the 69.3 per cent decline in interbank utilisation, reflecting substantial decline in I&E funding and non-intervention in the BDC segment in April 2020. Similarly, outflow through autonomous sources, mainly imports and invisibles, declined by 62.2 per cent to US$0.13 billion in April 2020, below the level in March 2020. Consequently, a net inflow of US$6.43 billion was recorded through the economy in April 2020, compared with the net inflow of US$5.63 billion in the preceding month.

**Figure 21: Total Foreign Exchange Flows through the Economy**




| | 2019 April | 2020 March | 2020 April |
|---|---|---|---|
| Inflow | 9,528.60 | 12,964.18 | 9,717.29 |
| Outflow | 4,868.88 | 7,333.72 | 3,291.96 |
| Netflow | 4,659.71 | 5,630.47 | 6,425.33 |

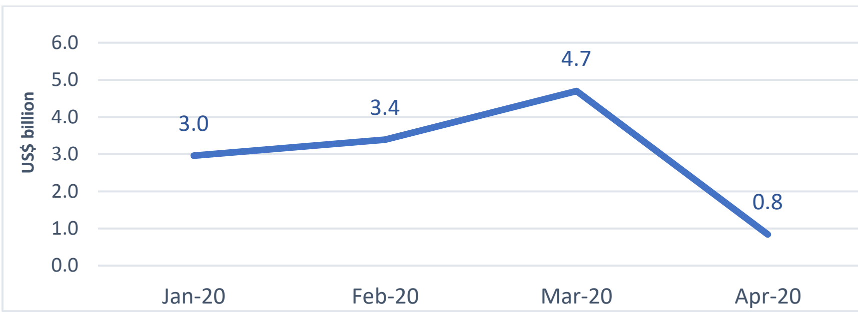
**Source**: CBN

### 2.4.6. Foreign Exchange Market Developments

**Foreign exchange market developments**

***The total amount of foreign exchange sold by the Bank to authorised dealers decreased by 82.2 per cent to US$0.84 billion in April 2020 from US$4.70 billion in March 2020, due to the low demand for foreign exchange as a result of the closure of factories and businesses.*** Foreign exchange sales at the I&E window declined by 78.5 per cent to US$0.78 billion, relative to the preceding month's level of US$3.61 billion. However, interbank sales rose significantly by 2,900 per cent to US$0.06 billion, above the US$0.002 billion sales in March 2020. The development was to ensure adequate foreign exchange liquidity in the market. Sales to BDCs was suspended on request by the BDC operators, effective March 27, 2020, because of the COVID-19 pandemic (Figure 22).

**Figure 22: Foreign Exchange Sale to Authorised Dealers**



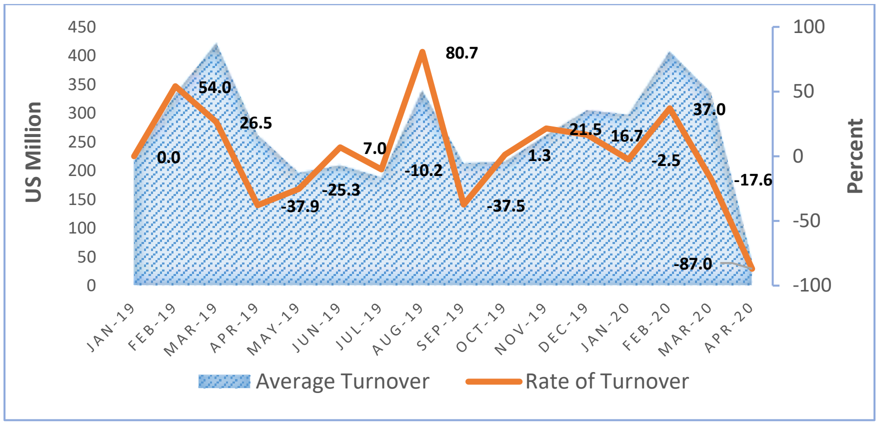

**Source**: CBN

### 2.4.7. Foreign Exchange Market

**Foreign exchange market**

***The monthly average turnover at the I&E FX market, which represented 70-80 per cent of the total transactions in the foreign exchange market, had been on the decline persistently since February 2020, following the lull in economic activities, due to the COVID-19 pandemic.*** The monthly average turnover at the I&E decreased notably by 87.0 per cent, from US$0.34 billion in March 2020 to US$0.04 billion in April 2020, making it a second consecutive monthly decrease since February 2020. At the same time, the average exchange rate of the naira vis-à-vis the US dollar, at ₦384.99/US$, depreciated by 3.1 per cent and 2.2 per cent compared with ₦373.04/US$ and ₦364.79/US$ in March 2020 and February 2020, respectively. This reflected increased demand pressure for investment in safe haven arising from the COVID-19 pandemic, as well as the unimpressive outlook on Nigeria by the rating Agency.

**Figure 23: Turnover in the I&E Foreign Exchange Market**

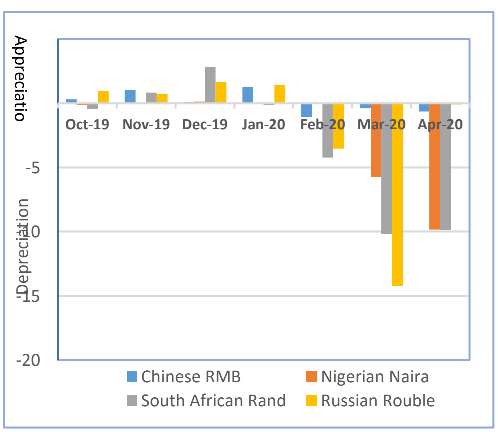



**Source**: FMDQ

Emerging market currencies

***Most emerging market currencies, including the naira, were negatively impacted by the pandemic and the slump in commodity prices.*** The average exchange value of the naira at the interbank segment of the foreign exchange market depreciated by 15.0 per cent, from ₦305.99/US$ in January 2020 to ₦360.00/US$ in April 2020. This compared with the depreciation of other emerging market currencies, such as the Russian rouble, the Chinese renminbi (RMB) and the South African rand, which were similarly impacted by the pandemic and the slump in commodity prices. For instance, the rand depreciated by 22.4 per cent between January and April 2020, and the South African sovereign credit was downgraded to non-investment grade by the Moody's rating agency in April 2020. Similarly, the Russian rouble also depreciated by 17.4 per cent over the same period, on account of the COVID-19 pandemic and the slump in oil prices in the international market. The Chinese RMB exhibited similar trend with a depreciation of 2.0 per cent between January 2020 and April 2020.

**Figure 24: Emerging Market Currencies**




| Period | Chinese RMB | Nigerian Naira | South African Rand | Russian Rouble |
|---|---|---|---|---|
| Apr-20 | -0.65 | -9.84 | -9.87 | -0.08 |
| Mar-20 | -0.39 | -5.73 | -10.16 | -14.26 |
| Feb-20 | -1.05 | 0.01 | -4.22 | -3.53 |
| Jan-20 | 1.28 | -0.02 | -0.13 | 1.43 |
| Dec-19 | 0.12 | 0.14 | 2.83 | 1.69 |
| Nov-19 | 1.06 | -0.04 | 0.85 | 0.71 |
| Oct-19 | 0.30 | -0.12 | -0.45 | 0.96 |

**Source:** Reuters

### 2.4.8. External Sector Risks

**Risks to the external sector**

Global crude oil prices will continue to experience higher levels of volatility despite the agreed OPEC cuts in production. But how long this would last, depends largely on the period of lockdown restrictions around the globe, with oil dependent economies like Nigeria facing more challenges.

Exchange rate pressure

Exchange rate pressure will likely continue as investors prefer to hold gold and safe-haven currencies; such as Dollar, Yen and Swiss franc. The substantial decline in crude oil prices, in the international market, as well as decrease in capital inflows and remittances, due to the pandemic, in addition to the speculative activities in the foreign exchange market, will further worsen the pressure.

Contracting global remittance flows

According to the World Bank, global remittance flow is expected to decline significantly by about 20.0 per cent in 2020 due to the economic crisis occasioned by the COVID-19 pandemic. Migrant workers tend to be more vulnerable to the loss of employment and wages during an economic crisis in a host country, as such, the pandemic may lead to a fall in their wages and employment.

Shrinking global capital flows

Foreign direct investment inflow is expected to be adversely affected, as investors prefer to withhold fresh investments due to uncertainty surrounding global economic developments. This could trigger increased pressure in the foreign exchange market and the consequential impact on exchange rate stability.

Portfolio investment

The economic uncertainty all over the globe may reduce the expected portfolio flows to the economy. Investors may prefer to channel their resources to developed economies with a more robust financial system and solvency conditions. Also, the expectation that the pandemic would lead to a global recession has raised the risk of capital flight in emerging market economies, like Nigeria.