












## MACROECONOMIC HIGHLIGHT REPORT FOR Q3-2021 (JULY- SEPTEMBER) 2021

### Review of Key Macroeconomic Indicators

Indicators	Current Level	Trend	Commentary
GDP Growth (Q2-2021)	5.01%		5.01% growth in Q2-2021 marked the third consecutive positive quarterly growth after the country exited recession in Q4-2020. This signified continued improvement in domestic business and economic activities.
Inflation (September 2021)	16.63%		Consumer prices decelerated for the fifth consecutive month in September 2021. Moderation in consumer prices in annual terms was driven by high base effect associated with 2020's price level.
Stanbic IBTC PMI (August 2021)	52.2 index points		PMI slowed to 52.2 in August 2021, down from 55.4 in July 2021. The rate of growth in private sector activity slowed to a 6-month low, amid soft increases in output, new orders and employment.
Official Exchange Rate September 2021	N413.38/\$		The FX market is faced with lingering liquidity challenge as inflows remained tepid amid surging demand. Naira trended within the band of N411/\$ and N413/\$ in Q3-2021, reflecting relative stability which was supported by sustained CBN intervention.
External Reserves September-end 2021	\$36.08 billion		Accretion to external reserves was supported by Special Drawing Rights Allocation of \$3.35 billion as well as Eurobond issuance of \$4.0bn.
Capital Importation Q2-2021	\$875.61 million		Declined capital inflows to Nigeria reflects weak confidence of investors in the domestic economy.
Monetary Policy Rate (%) September 2021.	11.5%		Monetary policy committee retained key policy parameters at its September meeting to allow ongoing policy efforts aimed at boosting output and moderating prices permeate into the economy
Trade Balance (N'trn) Q2-2021.	(N1.87 trillion)		Trade deficit moderated to N1.87 trillion in Q2-21, from N3.9 trillion in Q1-2021, driven by strong oil demand in Asia as well as strong oil prices.
Oil prices September 2021	\$78.31/bbl		Relaxation of OPEC+'s supply cuts as well as continued recovery in industrial activities boosted energy prices.
Credit to Private Sector August 2021	N33.35 trillion		Credit to private sector grew by 1.5% in August 2021 to N33.35 trillion from N32.86 trillion in July 2021. The growth reflects CBN's developmental intervention support to private sector participants among others.
Total Debt Q2-2021.	N35.5 trillion		According to DMO, Nigeria's total public debt stock rose to N35.5 trillion as of end-June 2021, compared to N33.1 trillion as of end-March 2021. Rising debt stock intensifies concerns about the country's fiscal sustainability in the light of weak revenue mobilization.

**Data Source, NBS, FMDQ, CBN, DMO, Stanbic**

## Economic & Business Highlights



**CBN warned microfinance banks against forex transactions:** The Central Bank of Nigeria warned microfinance banks against performing certain non-permissible activities, including wholesale banking and foreign exchange transactions.

**Parlous infrastructure, limited export base, others threatened FDI:** Experts underscored the need for government to work out the modalities on how to accelerate investment in infrastructure through bonds and other activities that would stimulate long-term fund raising from the capital market. This, they said is to attract FDI into the country and boost job-creation.

**Company income tax rose by 20% to N472.1 in Q2-2021:** The National Bureau of Statistics said company income tax rose by 20% to N472.07 billion in the second quarter of 2021 from N392.64 billion in the first quarter. Professional services sector generated the highest amount of CIT with N130.09 billion, followed closely by other manufacturing sector with tax generation of N87.27 billion.

**President Buhari signed PIB into law:** President Muhammadu Buhari signed the Petroleum Industry Bill into law on 16<sup>th</sup> August 2021. The Act provides legal, governance, regulatory and fiscal framework for the Nigerian petroleum industry, the development of host communities and related matters.

**Nigeria raised \$4bn fresh borrowings via Eurobond –** According to the Debt Management Office, Nigeria raised \$4bn via Eurobond describing the feat as one of the biggest financial trade to come out of Africa in 2021. The order book peaked at \$12.2billion, which enabled the Federal Government raised additional \$1 billion to the planned \$3billion earlier announced.

**77 oil firms owed Nigeria \$6.48bn amid continuous borrowings:** A 2019 audit report by the Nigeria Extractive Transparency Initiative (NEITI) revealed that 77 oil and gas companies in Nigeria owe government \$6.48 billion. Break down of the figures showed that \$143.99 is owed as petroleum profit tax, \$1.089 billion as company income tax, \$201.69 million as education tax. Others include \$18.46 million and \$972, 000 as VAT, \$23.91 million and \$997, 000 as withholding tax, \$4.4 billion as royalty, while \$270.187 million and \$41.86 million were unremitted gas flare penalties and concession rentals respectively.

**Fitch upgrades Lagos ratings from AA+ to AAA:** Fitch ratings upgraded Lagos State ratings from AA+ to AAA for its good standing in terms of its debt sustainability and resilience. The upgrade reflected Lagos strength compared with national peers as well as its resilient operating performance during the pandemic.

**VAT Collection: LCCI seeks adjustment in allocation to states, LGAs:** The Lagos Chamber of Commerce called for a review of the current sharing arrangements of VAT collection to states

and local government councils. The Chamber advised that the current sharing formula for states and LGAs be adjusted using the factors of equality 20%, population 30% and derivation 50%.

**Nigeria, South Africa, Egypt, Kenya holds 80% investment in Africa** – A report by the African Development Bank entitled 'Entrepreneurship and Free Trade Volume II – Towards a Narrative of Building Resilience' stated that Nigeria, Egypt, South Africa, and Kenya account for a third of the incubators and accelerators and 80% of investment in Africa

## Industry Highlights



**Manufacturers decried dwindling real sector contribution to GDP:** The Manufacturer's Association of Nigeria expressed concerns over the dwindling contributions of manufacturing output to GDP. The association noted that the sector had the potentials to contribute over 25% to Nigeria GDP but attributed underperformance to infrastructure deficiency, insecurity, high costs, forex illiquidity, weak purchasing power and supply chain disruptions.

**Forex scarcity, inflation pressured FMCG profit:** Foreign exchange scarcity, inflationary pressures and rising input costs due to naira devaluation were identified as the major factors responsible for the shrinking profit margins of some fast-moving consumer goods. Cost of sales for the overall industry rose by 32% to N382.43 billion in H1-2021, growing faster than revenue as price of raw materials spiked on inflation and currency depreciation.

**Food imports gulped \$1.04 billion in six months:** Foreign exchange supplied by the CBN for the importation of food products into Nigeria rose by 23.81% to \$1.04billion in the first half of 2021, compared to H1-2020. Food imports gobbled up \$840.18million in H1-2020, down from \$1.02 billion in the same period a year earlier.

**Private sector invested \$8billion in local fertilizer production:** The Executive Secretary of the Fertilizer Producers and Suppliers Association of Nigeria (FEPSAN) revealed that private sector investments in fertilizer production in Nigeria stood at \$8 billion since 2016. The investments were made by Dangote Industries Limited, Indorama Eleme Petrochemical Limited, Notore Chemical industries among others.

**Afrexim, AfCFTA launched African Payment Settlement System:** African Export-Import Bank and AfCFTA Secretariat announced the operational roll-out of the Pan-African Payment and Settlement System (PAPSS), a revolutionary financial market infrastructure to enable instant, cross-border payment in local currencies between African market.

**IDB, others earmarked \$520mn for Nigeria's agro-industrial zones:** The Senior Special Advisor to the President of the African Development Bank disclosed that \$520mn has been earmarked for the development of the first phase of Special agro-industrial processing zones in some selected states across Nigeria.

**OGFZA attracted \$16.6bn foreign investments in 20 years:** The Oil and Gas Free Trade Zones Authority has attracted the sum of \$16.6billion worth of FDI into the economy within 2001 and 2020. During the same period, the Authority also attracted the sum of N253.33 billion local investments into Nigeria.

**Lagos FZ firm issued N10.5bn bond for infrastructure:** Lagos Free Trade Zone (LFZC), the first free zone in Nigeria issued a N10.5 billion 20-year series I Senior Guaranteed Fixed Rate Corporate Infrastructure Bond due 2041 under a N50 billion Debt Issuance Program. According to the company, the security will be used to finance corporate infrastructure projects.



**FG disbursed N56.8bn to one million MSMEs:** The Federal Government has said that it has disbursed N56.8 billion to 1million MSME businesses under its MSME Survival Fund Scheme. According to the government, the beneficiaries of the program cut across the 36 states and the FCT.

**FCMB emerged best SME bank in Nigeria:** First City Monument Bank emerged the best SME Bank in Africa and best SME bank in Nigeria at the Asian Banker Middle East and Africa Regional Awards held in August 2021.

**Digital payment boosted 81% of women-owned businesses:** Eight out of ten women-owned businesses in Nigeria that have moved to digital payment saw positive impact in accelerating growth, according to findings from new research by Visa. Titled 'Understanding Women-owned SME', the survey by Visa showed that Nigeria and South Africa led the pack as 81% of women-owned businesses reported growth acceleration amid adoption of digital payments.

**Nexim voted N36bn for SME export business:** The Nigerian Export-Import Bank announced that it had earmarked a minimum of N1 billion to be disbursed to targeted export-oriented projects in the SME sector for every state of the federation. The facility is aimed at facilitating crowdsourcing investments while also promoting regional industrialization and economic growth.

**86% of youth businesses struggling to access fund – NBS:** The National Bureau of Statistics reported that 86% of youths lacked access to finance their businesses. Identified barriers include inconsistency in government policies, obsolete equipment, and lack of proper training.



## Consumers Insights



**Bread price hike looms as bakers decry flour cost:** Bakers in the country lamented the increasing rates of flour, saying they may double the price of loaves. The President of Baker's Association of Nigeria called on the Federal Government to prevail on millers to reduce interest rates in Nigeria.

**Price of cooking gas may rise further as supply fell by 20.5% - PPPRA:** The Petroleum Products Pricing Regulatory Agency reported that the volume of Liquefied Petroleum Gas (LPG) supplied in August 2021 fell by 20.5% to 85.2 million MT. The decline in volume, according to dealers, may lead to further upward pressure on the retail prices of the product.

**Cost of building materials to spike further on FX pressures – REDAN:** Experts in the real estate sector raised concern over the soaring cost of building materials on the back of lingering foreign exchange shortage. The situation, if unaddressed, would complicate housing affordability of average Nigerian.

**E-payments rose by 6.37% to N24trn in September -** The value of e-payment transactions in Nigeria rose by 6.37 per cent to N24.08trn in September. This was according to the data released by the Nigeria Inter-Bank Settlement System. In August total e-payment transactions was N22.64trn. Total e-payment transactions rose by 52.35 per cent year-on-year in the corresponding period.