











# Q4-2021 MACROECONOMIC HIGHLIGHTS REPORT (OCTOBER-DECEMBER)

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## Review of Key Macroeconomic Indicators

Indicators	Current Level	Trend	Commentary
GDP Growth (Q3-2021)	4.03%		The economy sustained positive growth trajectory in Q3-2021 with real growth of 4.03%. This is the fourth consecutive quarter of expansion since exit from recession in Q4-2020. Of the 19 major sectors tracked, 17 expanded while two sectors reported contraction in Q4-2021.
Inflation (November 2021)	15.4%		Consumer prices moderated further in November 2021. The deceleration in prices was largely influenced by high base effect. Price readings on monthly basis still reflect sustained inflationary pressure.
Purchasing Manager's Index (December 2021)	56.4 points		At 56.4 in December, up from 55.0 in November, PMI readings point to a robust improvement in business conditions. Quicker uplifts in output and new orders as well as higher inventory building were central to the improvement.
Exchange Rate – NAFEX (December 2021)	N424.27/\$		Exchange rate of the naira to the US Dollar depreciated to N424.27 per dollar at the official window by end-December 2021. This was on the back of demand pressure associated with festive period. Access to FX at competitive rate is still a challenge to most business operators in the real sector.
External Reserves (December 2021)	\$40.93 billion		External reserve closed the year at \$40.93. Accretion to reserves was driven by inflows from Special Drawing Rights (SDR) worth (\$3.35 billion) received from the International Monetary Fund (IMF) and Eurobond issuance of \$4 billion.
Monetary Policy Rate (%) December 2021.	11.5%		The Monetary Policy Committee retained policy parameters at its November 2021 meeting. The decision was taken to allow ongoing policy efforts targeted at stimulating growth and stabilizing prices permeate into the economy.
Trade Balance (N'tn) Q3-2021.	(N3.02 trillion)		Nigeria's trade deficit widened to N3.02 trillion in Q3-2021 from N1.8 trillion in the preceding quarter. This was driven by strong growth in goods imports amid contraction in oil exports.
Debt Stock Q3- 2021	N38 trillion		Public debt stock rose further to N38 trillion as at Q3-2021, from N35.5 trillion in the preceding quarter. The domestic and external component of public debt stood at 59% and 41% respectively.
Credit to Private Sector November 2021	N35.31 trillion		Credit to private sector grew by 20% year-on-year to N35.31 trillion in November 2021. The growth reflects ongoing efforts of the CBN towards supporting the private sector with adequate liquidity.
Capital importation Q3-2021	\$1.73 billion		Foreign investment inflows to Nigeria appreciated by 98% quarter-on-quarter to \$1.73 billion in Q3-2021. Bulk of these inflows were investments in government bonds and money market instruments. Improvement in capital importation reflects renewed investor confidence in the economic landscape.

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

## Economic & Business Highlights



**President Buhari signed N17.13 trillion budget into law:** In keeping with the tradition of restoring a predictable January-December fiscal year, President Buhari signed into law the 2022 Appropriation Bill (national budget) on December 31, 2021. The Appropriation Act provides for aggregate expenditure of N17.13 trillion with a revenue target of N10.47 trillion. The assumptions guiding the budget include a GDP growth rate of 4.2%, oil price of \$62/barrel and daily oil production of 1.88 million barrels.

**Presidency launched National Development Plan 2021-2025:** President Buhari launched the Medium-Term National Development Plan (2021-2025) in December 2021. The plan replaced the Economic Recovery and Growth Plan 2017-2020. The plan is designed to facilitate the achievement of key developmental goals including job creation, poverty reduction, economic stability, and innovation. The plan has a funding requirement of N350 trillion. A total of N300 trillion and N50 trillion would be sourced from the private and public sector respectively.

**Lagos issued N137 billion bond to finance road projects, healthcare:** The Lagos State Government floated a bond worth N137 billion in the capital market to deliver infrastructure in the state. The bond, which was issued at 13% fixed rate, is the third time the state government would be issuing a long-tenured bond of 10 years. Proceeds from the bond would be used to finance key infrastructure projects in healthcare, environment, and road construction.

**Dollar shortage, subsidy, deficit financing, threatening Nigeria's growth:** Economic growth in Nigeria is being threatened by certain macroeconomic challenges including dollar shortage, petrol subsidy and fiscal deficit financing by the Central Bank of Nigeria. This was disclosed in a report by the World Bank entitled 'Nigeria Development Update'. According to the bank, slow growth reform momentum was impeding the country from attaining its growth potentials.

**Tax: Lagos, Rivers, others made N2.33 trillion from PAYE in three years:** The 36 states in Nigeria and the Federal Capital Territory earned N2.33 trillion from Pay as You Earn (PAYE) between 2018 and 2020. Lagos (N788bn) earned the highest from PAYE in the review period, followed by Rivers (N255bn) and FCT (N210bn).

**Investment announcements rose by 130% in Q3-2021:** Investment announcements in the third quarter of 2021 rose by 130% year-on-year to \$8.99 billion in Q3-2021. Lagos State received the largest share of the announcements with 20 projects, accounting for 81% (\$7.29bn) of the total in manufacturing and ICT.

## Industry Highlights



**Moving goods locally in Nigeria over 500% costlier than US** – The World Bank said it costs more to move goods locally in Nigeria than in the United States of America, stating that the per unit distance cost of conveying goods domestically in Nigeria is about 5.3 times higher than in the US.

**NIPRD secured \$400, 000 grant from Afreximbank for pharmaceutical production** – The African Export Import Bank awarded \$400, 000 in grant funding to the National Institute for Pharmaceutical Research and Development (NIPRD) to boost drug production in the country. The grant will fund the establishment of an Active Pharmaceutical Ingredient Plant (API) in Nigeria.

**Nigeria-Brazil trade grew by 30% in two years-** According to the Consul General of Brazil, bilateral trade between Nigeria and Brazil grew by 30% between 2019 and 2021, noting that trade between the countries is balanced with Brazil exporting goods worth \$700 million to Nigeria, and importing products worth \$700 million from Nigeria.

**CBN disbursed N412 billion to cut wheat imports** –The Central Bank of Nigeria s disbursed N412 billion for the commencement of the brown revolution with the aim of reducing wheat importation by 35%. The scheme represents one of the many efforts of the bank to boost domestic food production and promote food security in the country.

**Manufacturers owed banks N3.7 trillion borrowed N520 billion in eight months** – Nigerian manufacturers saw their combined debt to Nigerian banks rose to N3.71 trillion as they borrowed N520 billion between January and August 2021. Bank credit to the sector grew by 16% in the eight-month period from N3.19 trillion as of December 2020, according to credit allocation data by the CBN.

**AfDB approved \$150 million to support agriculture in Nigeria:** The African Development Bank approved a \$150 million facility for ETC Group Limited to address the company's working capital needs and to develop its agriculture value chain for the benefits of smallholder farmers. The investment would take the form of a trade and agri-finance package, with focus on export-oriented activities.





## Tech Update



**Equinix acquired MainOne in \$320 million deal:** Equinix announced its intention to acquire MainOne, a West African data center and connectivity solutions provider with presence in Nigeria, Ivory Coast and Ghana, for the sum of \$320 million. Equinix acknowledged that acquiring MainOne is the first step in its long-term strategy to become an African carrier neutral digital infrastructure company. The deal is expected to close in Q1-2022.

**Nigeria targets \$40 billion investment in digital infrastructure by 2025:** The Federal Government said it expects \$40 billion in private capital investments in digital infrastructure by 2025. This was disclosed in the National Development Plan 2021-2025 Volume I. The ICT sector is projected to facilitate the formation of up to \$1billion in private equity and private investments in digital infrastructure of about \$40 billion.

**MTN Nigeria and Mafab acquired 5G spectrum after 11 bidding rounds:** The Nigerian Communications Commission (NCC) auction for its two available lots of 100MHz TDD slots of 3.5GHz Band for the deployment of the fifth-generation network in Nigeria was won by MTN Nigeria Plc and Mafab Communications. After 11 rounds of bidding, the auction ended at \$273.6 million for each available lot.

**AfBD approved €10.5 million pooled investment in start-up fund:** The Board of Directors of the African Development Bank (AfDB) approved an equity investment pool of €10.5 million to drive technological innovation across sub-Saharan Africa. The pooled investment comprises €7 million provided by the bank and €3.5 million contribution by the European Union and the Organization of African, the Caribbean, and the Pacific States. The fund will invest in start-ups with proven business models and inclusive social impact with focus on agriculture, energy, education and health in West Africa.

**NCC supported four tech start-ups with N20 million grant:** The Nigerian Communications Commission (NCC) awarded a N20 million grant to four Nigerian tech companies. The beneficiaries of the grant were Clearflow System Hub, Aelaus Engineering Teams, Kalibotics and CyberNorth Tech. The commission noted that the gesture demonstrates its commitment to encourage the development of new indigenous technologies and contents that are oriented in cutting-edge research to stimulate economic growth.

## Consumers Insights



**Commodity prices rose by 70% in 2021 - AFEX:** A food production survey by AFEX Commodity Exchange revealed that prices of food commodities increased by 70% in 2021. The survey also projected that the country could witness another three percent increase in crop production, which would not be enough to tame the upward price movement of food products in early 2022.

**Inflation pushed 6 million more Nigerians below poverty line – World Bank:** According to the World Bank, general increase in food prices between June 2020 and June 2021 might have pushed another 6 million Nigerians into poverty, with urban areas being disproportionately affected. Simulations by the bank suggested that the share of Nigerians living below the national poverty line might have increased from 40.1% (85 million) to 42.8% (91 million) due to food inflationary pressure

**Fuel demand to reach 17.3million MT by 2025 – NNPC:** Nigerian National Petroleum Corporation expects Nigeria's demand for petroleum products to grow from 15.1 million MT in 2020 to 17.3 million MT by 2025. According to the corporation, Nigeria would need a refining capacity of around 1.52 million barrels per day to meet its fuel requirements by 2025.

**FMN unveiled campaign to boost production:** Flour Mill of Nigeria Plc unveiled its '*FMN Prize for Innovation*' campaign to foster innovation in the Nigerian food production industry and contribute to the attainment of the 2030 Agenda for Sustainable Development.

**Household Consumption rises most in 11years – FBN Quest:** Nigeria's real household consumption as a proportion of Gross Domestic Product (GDP) has risen to 76 percent in 2021, the highest level since 2010, according to a report by FBN Quest. The improvement was attributed to rapid consumer demand and industry margins benefitting from higher product prices by Fast Moving Consumer Goods (FMCG) companies.