



Federal Government of Nigeria

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Global Investor Call

Addressing COVID-19 in Nigeria

23 June 2020

Representatives of the Federal Government of Nigeria



Mrs. (Dr) Zainab Shamsuna Ahmed

Hon. Minister of Finance, Budget and National Planning



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Governor, Central Bank of Nigeria (CBN)



Mr. Ben Akabueze

Director-General, Budget Office of the Federation (BOF)



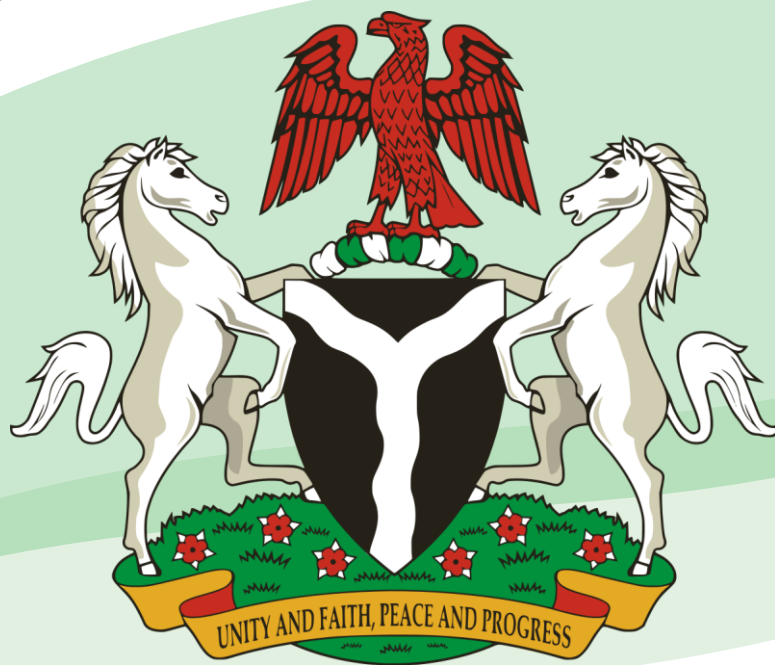
Ms. Patience Oniha

Director-General, Debt Management Office (DMO)



Dr. Osagie Ehanire

Hon. Minister of Health (MoH)

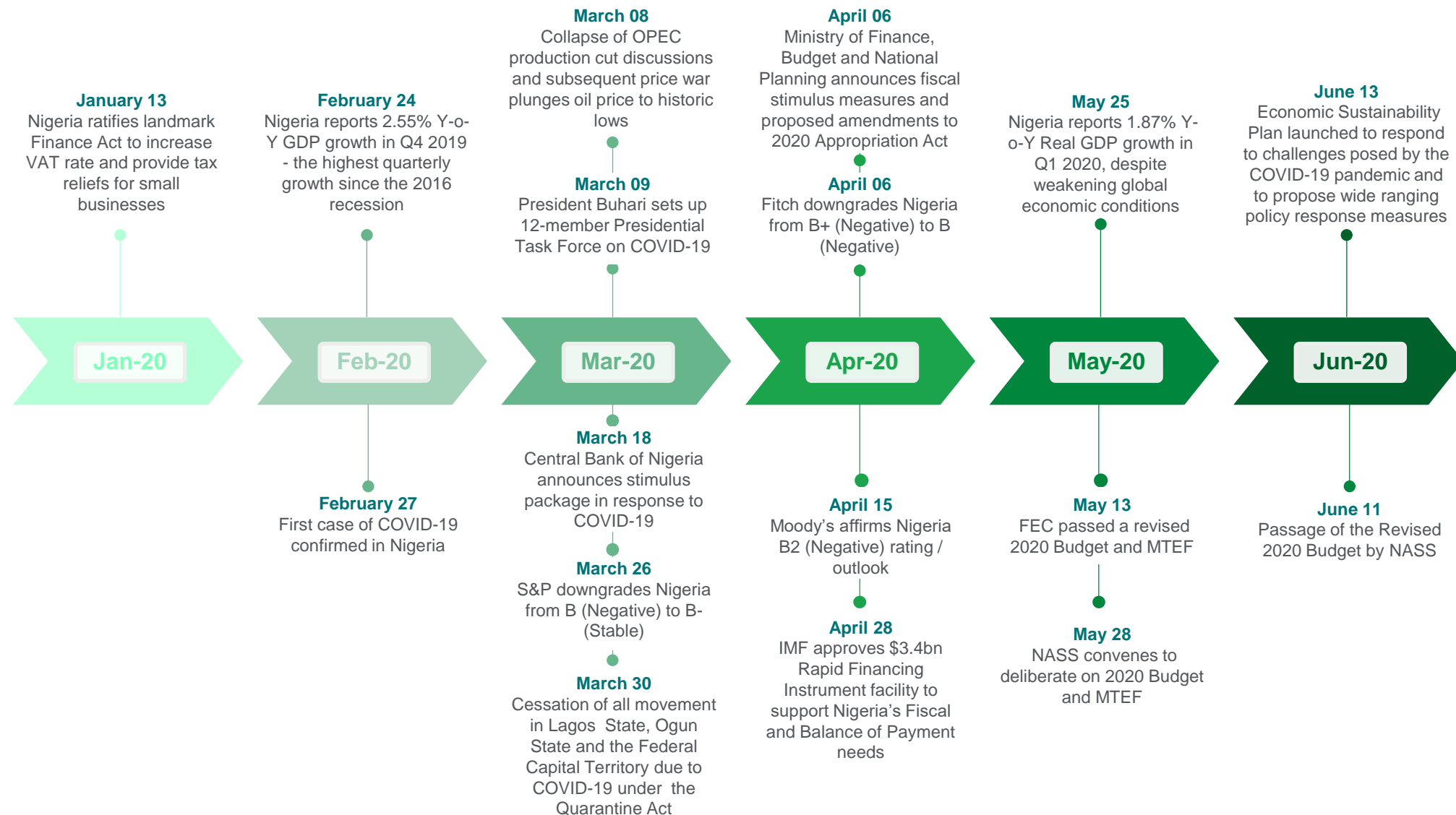


Macroeconomic & Fiscal Response

Speaker: Hon. Minister of Finance, Budget and National Planning

Developments

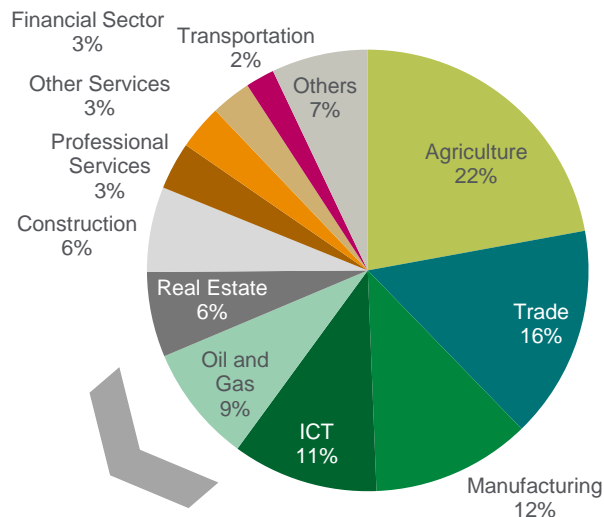
Developments have primarily been shaped by the COVID-19 pandemic and developments in the crude oil market. The Federal Government and its agencies have responded decisively to stimulate the economy.



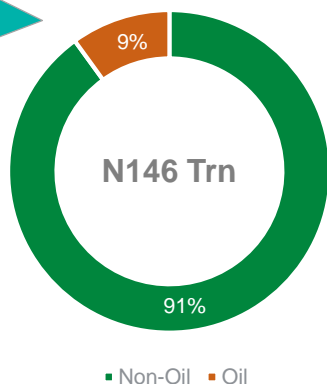
Nigerian Economic Output Broadly Diversified

Oil exports remain the highest single source of revenue, however, the broader economy is fairly diversified – 91% of economic output is in the non-oil sector and 35% of total labour force is in a resilient agricultural sector.

2019 GDP Share by Sector

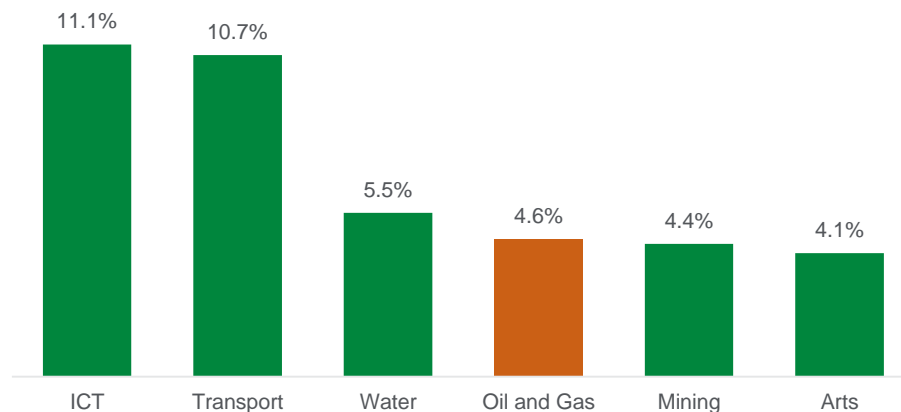


Economic output diversified from Oil & Gas



2019 Real GDP Growth Rate by Sector

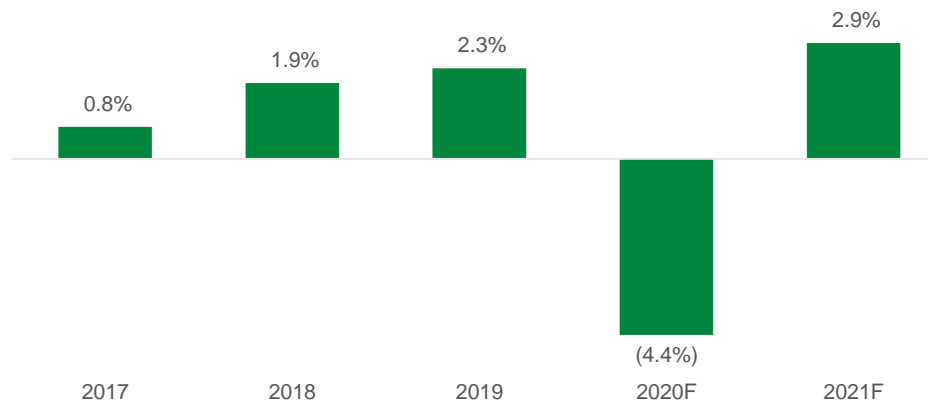
(2010 Constant Basic Prices)



Source: Nigeria National Bureau of Statistics, CBN

Real GDP Growth Rate 2017 – 2021

(%, yoy)



Source: Ministry of Finance, Budget & National Planning, Nigeria National Bureau of Statistics

COVID-19 Impact on the Budget and Fiscal Policy Response

Fiscal Impact of COVID-19 Pandemic

- Reduction in FGN revenue available for budget (including GOEs) from N8.4 trillion to N5.6 trillion
- COVID-19 related fiscal expenditure of N500 billion
- GDP swing from 2.9% growth forecast pre COVID-19 to 4.4% contraction post COVID-19

Amendment of The 2020 Appropriation Act & MTEF 2020-2022 & Fiscal Strategy Paper

- Proposed fiscal gap of **c. US\$13.8 billion for 2020 (previously US\$7.1 billion)**
- Revision of the benchmark oil price for 2020 to **US\$25/barrel (previously US\$57/barrel)** and oil production to **1.9mbpd (previously 2.18mbpd)**
- Downward adjustment of Non-Oil Revenue projections including various tax and customs receipts, as well as proceeds of privatisation exercises
- Adjustment in Budget Exchange Rate to N360/US\$1 from N305/US\$1

Other Policy Measures

- Removal of fuel subsidies regime
- Full cost reflective power tariffs in 2021

Proactive and people-centred response with flexibility to adjust as the situation evolves

Revised 2020-2022 Medium Term Fiscal Framework

In US\$ Billions (unless otherwise stated)	2020 as Passed NASS	2020 Proposed Revision	2021 Revised Projections	2022 Revised Projections
Average Exchange rate (NGN/USD)	305.0	360.0	360.0	360.0
Projected Budget Benchmark Oil Price (US\$ per barrel)	57.00	25.00	35.00	40.00
Oil Production Volume Net Incremental for Arrears Repayment (mbpd)	2.18	1.90	1.93	2.22
Total Revenue, o/w	27.6	15.4	19.1	23.0
Oil & Gas Revenue (incl. NLNG dividends and Minerals & Mining and Signature Bonus)	12.1	3.8	5.6	8.1
Non-Oil Revenue	15.5	11.7	13.5	14.9
Total Expenditure, o/w	(34.7)	(29.2)	(29.3)	(30.7)
Debt Service	(8.0)	(7.4)	(8.7)	(9.7)
Fiscal Balance (incl. GOEs and Project-tied Loans)	(7.1)	(13.8)	(10.2)	(7.6)
Fiscal Balance (% GDP)	(1.5)	(3.6)	(2.6)	(1.9)
Sources of funding	7.1	13.8	10.2	7.6
Sale of FNG Property	-	-	0.4	0.3
Privatization	0.8	0.4	0.8	0.7
Bi-/Multilateral Project-tied Loans	1.1	1.1	0.7	0.3
Borrowing from Special Accounts	-	0.7	-	-
New Borrowings, o/w	5.2	11.6	8.3	6.3
Domestic Borrowings	2.4	6.1	4.2	3.1
Foreign Borrowings	2.8	5.5	4.2	3.1
Fiscal Balance (excl. GOEs and Project-tied Loans)	(6.1)	(12.7)	(9.6)	(7.3)
Fiscal Balance (% GDP)	(1.3)	(3.3 ¹)	(2.4)	(1.8)

Note: (1) Under normal circumstances, the fiscal deficit is capped at 3.0% of GDP. Higher fiscal deficit was approved, on an exceptional basis under the FRA, due to the impact of COVID-19 on the economy.

Funding Fiscal

Nigeria has access to adequate concessional financing, a resilient domestic securities market and reserves buffer to finance both the fiscal (US\$13.8bn) and Balance of Payments (c. US\$14.0bn) gap.

Funding Fiscal Gap

In US\$ Billions	2020 as Passed NASS	2020 Proposed Revision	2021 Revised Projections	2022 Revised Projections
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External Financing Sources

In US\$ Billions	Amount	Status
Sources & Uses	5.5bn	
International Monetary Fund	3.4	Approved
World Bank	1.5	In Discussion
African Development Bank	0.5	Partially Approved (\$288.5mn)*
Islamic Development Bank	0.1	In Discussion

Key Comments

- ✓ Higher domestic borrowing will be raised through various securities in the domestic markets
- ✓ The new \$5.5bn of foreign borrowings will also be counted towards international reserves

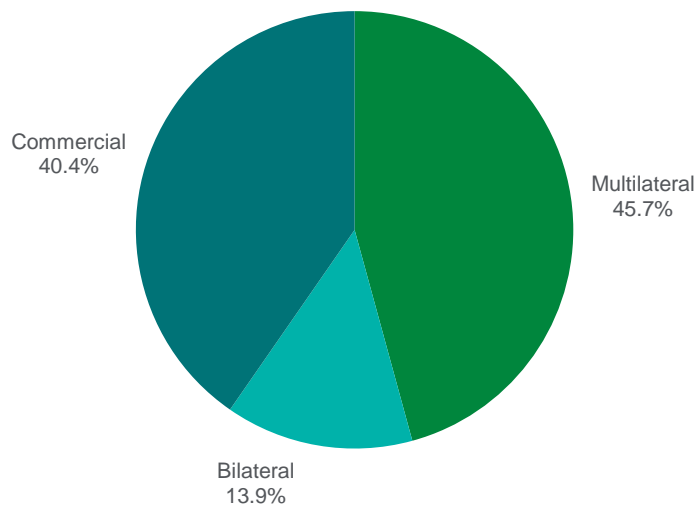
* Remainder of expected African Development Bank loan amount to be approved later

Debt Profile

Domestic debt access is robust and is reflected in composition of public debt currently. External debt composition also reflects access to multilateral and bilateral funding.

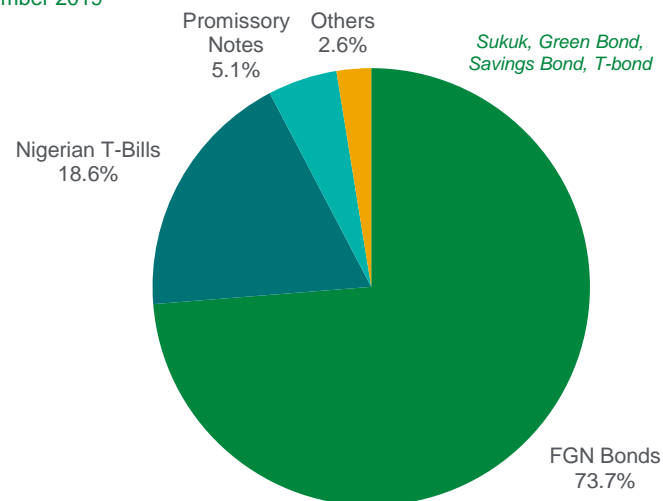
Total External Public Debt by Type

As of 31 December 2019



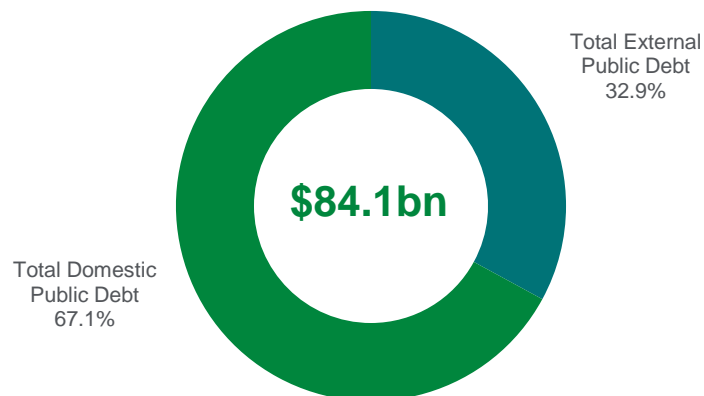
Total Domestic Public Debt by Type

As of 31 December 2019



Total Public Debt

As of 31 December 2019



Fiscal Policy Response to COVID-19

Nigeria has swiftly introduced fiscal measures to protect people, jobs and the economy.

Key Fiscal Measures

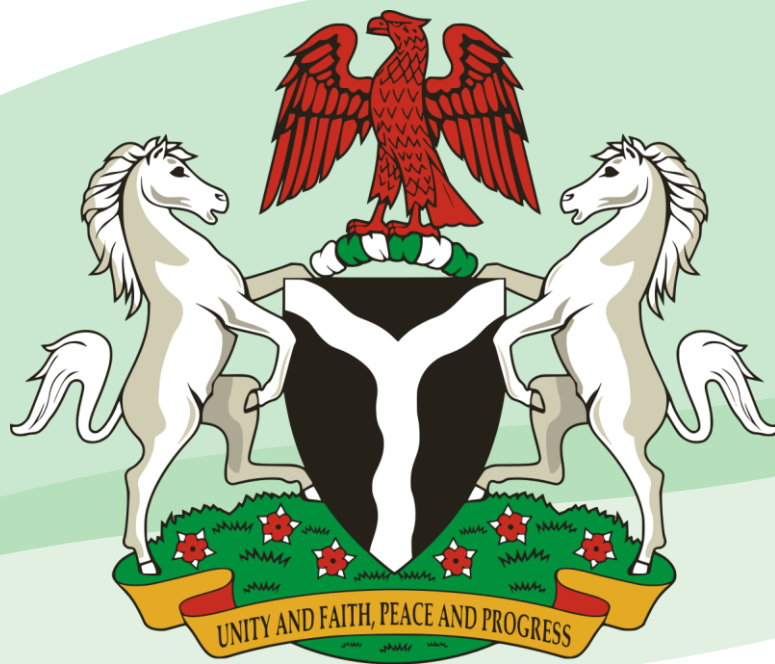
- ✓ **Establishment of a N500 billion COVID-19 Crisis Intervention Fund** to be utilised on:
 - Upgrade of healthcare facilities;
 - Finance interventions to improve healthcare facilities;
 - Finance the creation of a Special Public Works Programme to employ 774,000 Nigerians
- ✓ **Enhanced financial support to the States for critical healthcare expenditure**
 - Requested access for NCDC to draw on remaining US\$82 million World Bank Regional Disease Surveillance Systems (REDISSE) facility. US\$8 million already drawn
 - Requested for additional financing of US\$100 million from REDISSE to meet COVID-19 emergency needs in all the 36 States and the FCT, through the NCDC and Federal Ministry of Health
 - **Ministry of Finance, Budget and National Planning is engaging with the CBN on a Principal and Interest Moratorium for States on Federal Government and CBN-funded loans**

Fiscal Policy Response to COVID-19 (cont'd)

Nigeria has swiftly introduced fiscal measures to protect people, jobs and the economy.

Key Fiscal Measures

- ✓ **Allocated N102.5 billion (c. US\$335 million) in resources to be available for direct interventions in the healthcare sector**
 - Of this sum, N6.5 billion has already been made available to the Nigeria Centre for Disease Control (“NCDC”) for critical expenditure
 - Lagos State has already been provided N10 billion in emergency funding.
 - Explicit criteria are to be agreed with the Federal Ministry of Health and the NCDC to determine when funds would be released to the affected States and the FCT
 - More funds are to be provided from the proposed COVID-19 Crisis Intervention Fund to address emerging and priority funding needs
- ✓ **US\$150 million to be drawn from the Nigeria Sovereign Investment Authority (“NSIA”) Stabilization Fund to augment the Federation Account Allocation Committee (“FAAC”) disbursements**
- ✓ **Significant tax relief for Micro, Small and Medium-sized Enterprises (MSMEs)**
 - Extension of time for filing VAT and withholding tax from 21st to the last working day of the month, following the month of deduction.
 - The due date for filing Companies Income Tax returns has been extended by one month.
 - Taxpayers may file returns using unaudited accounts but must subsequently submit audited accounts within two months after the revised due date of filing
 - Expanded VAT Exemption List for essential food, medical supplies and other basic items critical to address the COVID-19 Pandemic
- ✓ **Cash donations by corporates to be tax deductible**
 - Establishment of a COVID-19 Relief Fund Account domiciled with CBN for cash donations by corporates and individuals



Central Bank of Nigeria's Response

Speaker: The Governor of the Central Bank of Nigeria

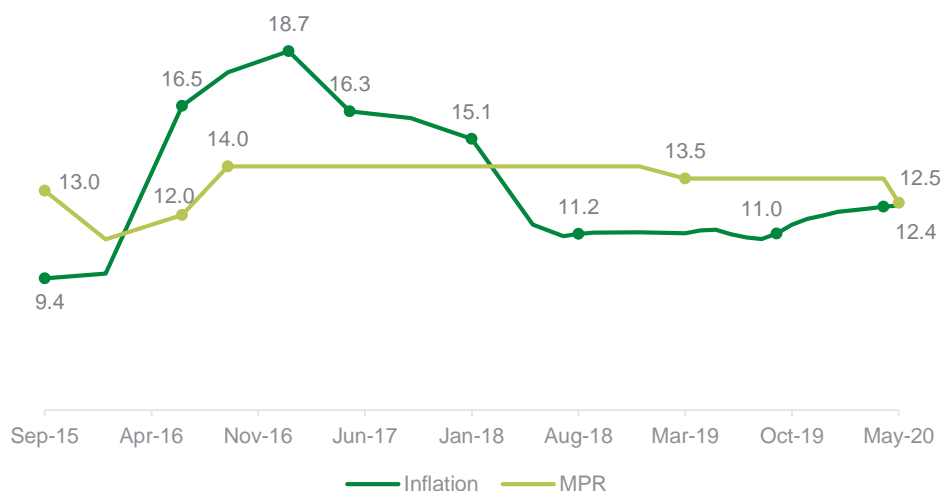
Inflation & Exchange Rate

Inflation

- ✓ Depreciation of the Naira along with supply shocks attributed to COVID-19 led to a gradual rise in inflation.
- ✓ Inflation ticked at 12.40% yoy in May 2020 relative to 12.34% in April 2020
- ✓ We, however, expect inflation to begin a downward trend in Q4 2020 given strengthened emphasis on improving productivity in the agriculture and manufacturing sectors

Inflation & MPR

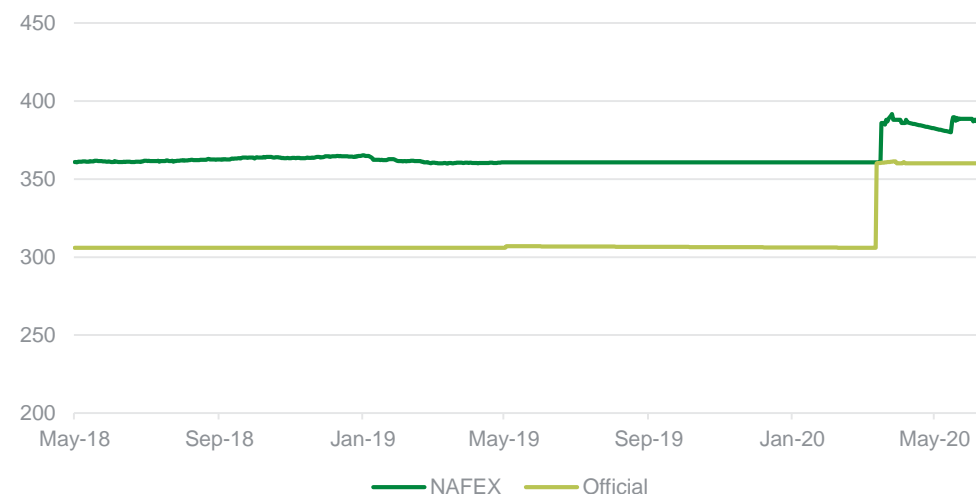
(% yoy)



Exchange Rate

- ✓ Given the drop in crude oil prices, and its impact on the foreign exchange earnings, NGN/USD rate experienced a 18% depreciation at the official exchange rate window
- ✓ Exchange rate adjusted from N305/\$ to N360/\$ in March 2020
- ✓ Band between the official exchange rate and the NAFEX window continues to narrow. N/\$ rate at NAFEX window depreciated from N360/\$ to N385/\$
- ✓ CBN will continue to work towards a gradual unification of rates across all FX windows

NGN/USD Exchange rate



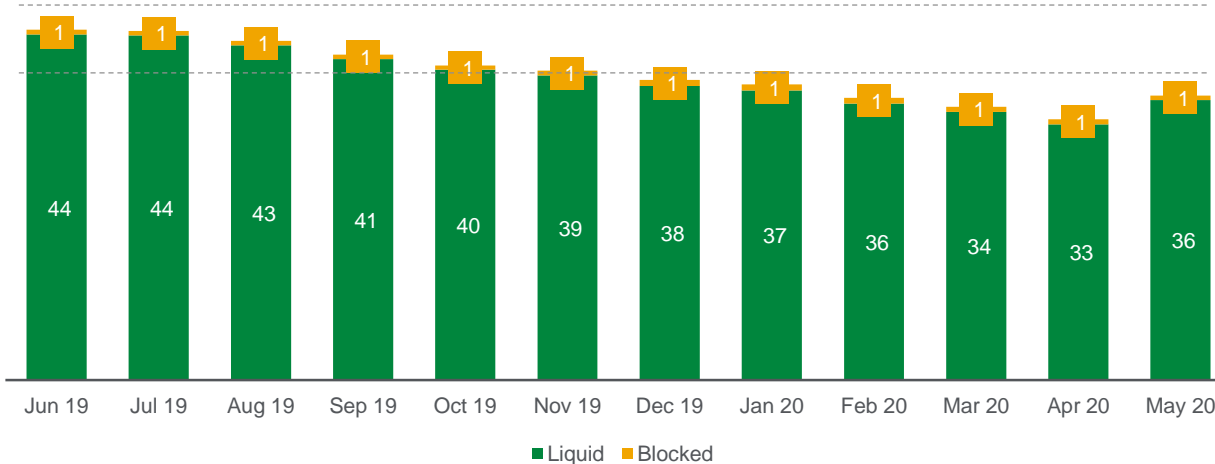
COVID-19 Impact on External Position

Balance of Payment

- BoP funding estimate of US\$14bn in 2020
- Crude oil and gas exports will decrease in line with softer demand and drop in oil prices
- Imports expected to decrease as well in line with general economic slowdown and drop in refined oil product prices
- Retreat to safe haven assets likely to influence capital outflows in 2020
- Widened deficit will be financed with a combination of reserves and new financing from multilateral lenders

External Reserves

FX Reserves (US\$ billion)



US\$8.5bn decline due to:

- c. US\$21bn increase in imports in 2019
- Offshore investors exiting OMO bills market in 2H 2019 and Q1 2020

Import Cover

- Dec' 2019 FX reserves of US\$38bn represented a **goods and services import cover of 5.2 months or 9.1 months of goods only import cover**
- Demand for imports expected to slow down, easing pressure on import cover

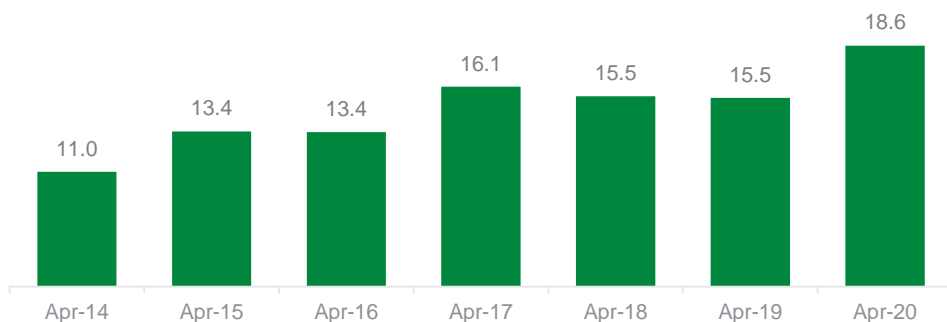
Nigerian Banking Sector

Banking sector remains adequately capitalized with adequate buffers to absorb shocks. CBN has reacted appropriately by putting in place measures to boost banking sector liquidity

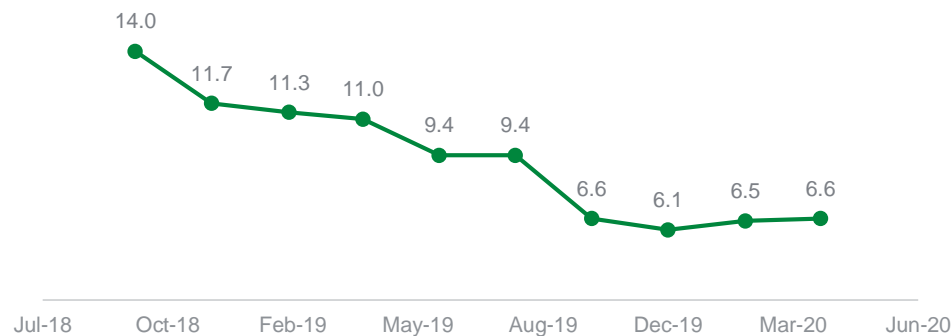
Overview

- ✓ Total Credit increased by N3.16 trillion (c. US\$8bn) or 20.45% between end-April 2019 and end April 2020
 - This was due largely to the CBN's directive to banks on Loan Deposit Ratios, which encouraged increased lending
- ✓ **Robust buffers prior to the COVID-19 crisis** and additional measures introduced by the CBN will help maintain the resilience of Nigerian banks
- ✓ **NPL ratios have declined** significantly since September 2018
- ✓ In order to deal with the impact of COVID-19, **regulatory forbearance has been granted to banks** in assessing loans to firms significantly impacted by the virus
 - Such firms may be granted a moratorium on loan repayments as well as restructuring of existing loans

Gross Credit (N Trillion)



Non-Performing Loan Ratio (% Total Loans)



CBN Policy Response to COVID-19

CBN has responded decisively to provide the necessary monetary stimulus for the Nigerian economy. The Monetary Policy Committee reduced the Monetary Policy Rate in May 2020. The Banking Sector also remains stable and well capitalized.

Key Central Bank Measures

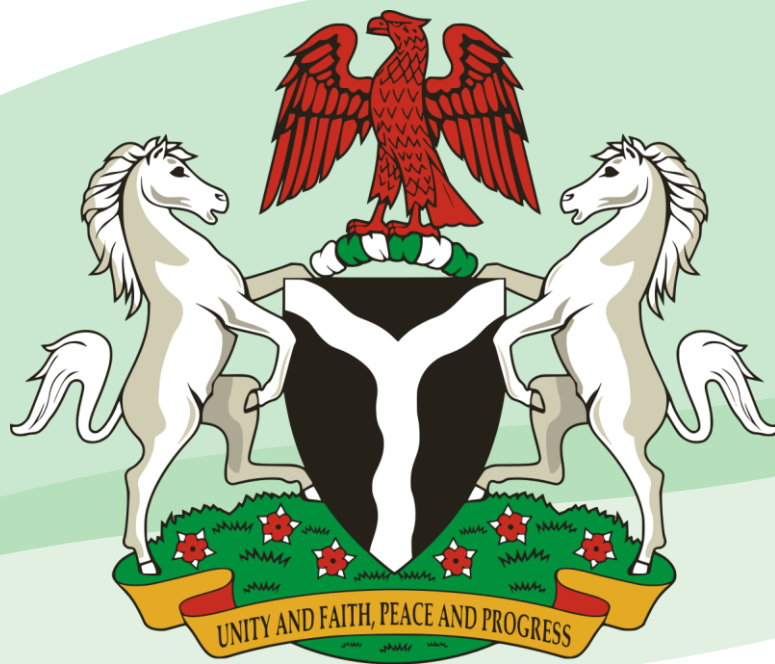
Establishment of N1.1 trillion intervention fund to cushion the adverse effects of the Coronavirus outbreak on the economy

Establishment of a N50 billion fund to support households and Small and Medium Enterprises (SMEs) affected by COVID-19



N107.25bn disbursed to boost local manufacturing and production across critical sectors

N100 billion earmarked for the health services sector through the provision of loans to operators in the healthcare sector



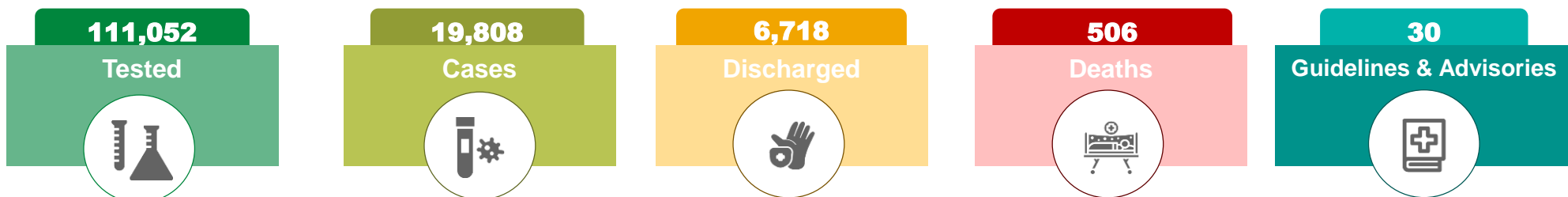
COVID-19 Response & Health Infrastructure

Speaker: Hon. Minister of Health

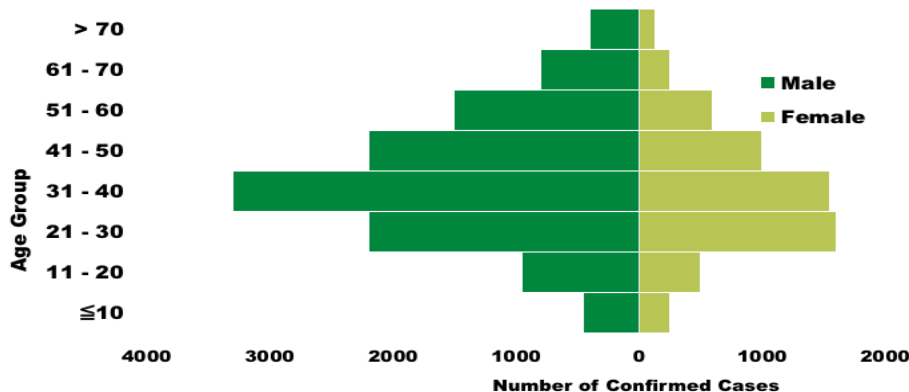
Nigeria's COVID-19 Status as of 20th June 2020

Nigeria has responded swiftly to contain the pandemic. COVID-19 Response is jointly managed by the Presidential Task-Force on COVID-19 Response, the Nigeria Centre for Disease Control and the Ministry of Health simultaneously.

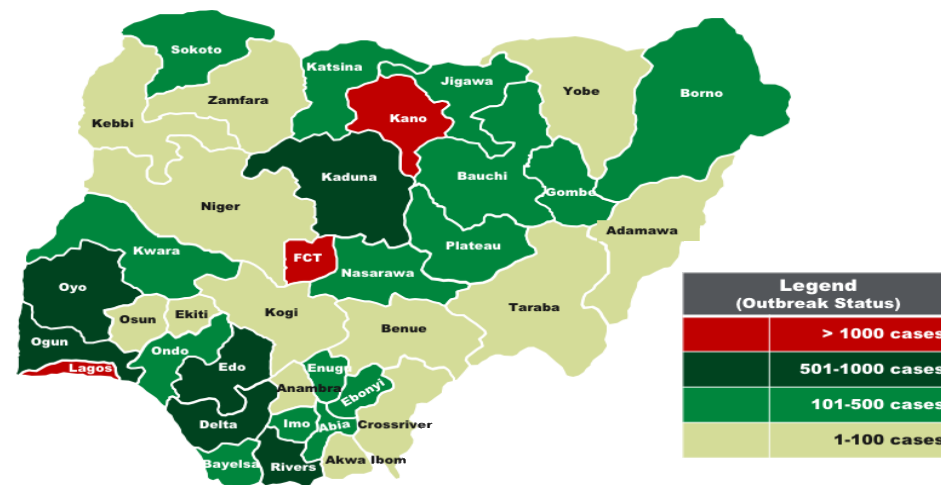
- Nigeria's COVID-19 Index Case was confirmed on February 27, 2020
- Daily Status Briefings are led by the Nigeria Centre for Disease Control ("NCDC") and Presidential Task-Force ("PTF")
- The PTF's mandate is to coordinate and oversee Nigeria's multi-sectoral inter-governmental efforts to contain the spread and mitigate the impact of the COVID-19 pandemic in Nigeria.



Age-Sex Distribution of Confirmed Cases



State of the Nation



Conclusion

- ✓ Response has been **people oriented to protect citizen's health, jobs and the real economy**
- ✓ Nigeria is **responding effectively to the twin shocks** of the Global Pandemic and the Drop in Oil Price/Economic Contraction
 - Economic management team duly **recognized the scale of the fiscal/budget, BOP and health challenges**
 - **Economic Sustainability Plan launched** to replace Vision 2020
 - **Quick Combined Reaction:** HMFB&NP and her economic team; Monetary Policy authorities and Health/Pandemic Management teams (FMH/NCDC/PTF); have all acted decisively and quickly
- ✓ Thus far, the **Nigerian health systems and isolation centers have not been overwhelmed** by the COVID-19 pandemic. Number of fatalities remains low relative to population size. Vigorous oversight by the authorities will continue
- ✓ The Nigerian economy is **ultimately resilient due to favourable demographics and a diversified real economy** in which Government's share of economic activity is relatively small
- ✓ We are confident that the **informal and resilient private sector will continue to anchor a large domestic economy**
- ✓ **Access to external concessional funding:** The IMF RFI approved by the IMF Board in May. Ongoing discussions with the World Bank and other MLA's will raise the required amount of concessional external funding >\$6.5Bn, to see the FGN through 2020. Balance to be raised in domestic debt market
- ✓ **Deep domestic debt market** will adequately provide the balance required to plug the gap without crowding out the private sector
- ✓ **Adequate reserves buffer** to weather external shocks