



NEWSLETTER

25TH-29TH January, 2021

Highlights:

- IMF: Vaccines will Power 5.5% Global Economic Growth in 2021
- CBN Financing of FG's Budget Deficit Threatens Economic Stability- Fitch
- Oil Price Subsidy: A double-edged Sword for Nigeria's 2021 Budget
- Nigeria Inflation Soars Further to 15.75% as Economy Struggles Towards Recovery
- With N32trn Debt, President Buhari Justifies Deficit Budgeting
- CBN Votes to Retain MPR, Citing Inflation Concerns

Global Economy: The spread of COVID-19 vaccines will power a stronger global economic recovery in 2021, the International Monetary Fund forecast. In an update to its World Economic Outlook, the IMF said that it expects the U.S. economy — the world's biggest — to expand 5.1% this year after collapsing 3.4% in 2020. The country China is expected to record 8.1% growth after eking out a 2.3% increase in 2020. The 19 countries European countries that share the euro currency will collectively register 4.2% growth this year after seeing economic output crater 7.2% in 2020, the IMF says. The Japanese economy is forecast to grow 3.1%, reversing a 5.1% decline in 2020. The IMF gave India a big upgrade, thanks to a faster-than-expected recovery at its factories and farms: The Indian economy is forecast to expand 11.5% in 2021, fastest among major economies, and a turnaround from 2020's decline of 8%. The agency also expects global trade to rebound this year: recording 8.1% growth after falling 9.6% last year.

<u>Rate Monitor</u>	
Inflation Rate	15.75%
MPR	11.5%
GDP Growth Rate	3.2%

Domestic Economy: Fitch, in its latest report 'Nigeria's Deficit Monetisation may raise Macro-Stability Risks' noted that the sustained use of direct monetary financing could raise risks to macroeconomic stability — given the current weak institutional safeguards, but expects FG to reduce its use of the facility in 2021. Ahmed Zainab, Minister of Finance, Budget and National Planning at the 2021 budget presentation in Abuja, said there are plans between her Ministry and CBN to convert loans from the apex bank into tradeable securities. Fitch noted that monetary financing of the fiscal deficit raises challenges to monetary policy implementation, as tight management of domestic liquidity is a key tool under the CBN's policy of prioritising the stability of the naira, noting that it could also complicate official efforts to bring inflation back under control.

The Minister of Finance, Budget and National Planning, Mrs Zainab Ahmed said The Federal Government ruled out the possibility of reintroducing fuel subsidy payment about a year after the policy was stopped. There had been speculations that the Federal Government is considering bringing back fuel subsidy to cushion the impact of high oil price.

The sustained increase in global crude oil prices had pushed up the landing cost of imported petrol closer to the current pump prices of the product in Nigeria, and appears to have triggered a return to petrol

subsidy era. Nigerians saw increases in the pump prices of petrol in four months, rising from N121.50–N123.50 per litre in June to N140.80–N143.80 in July, N148–N150 in August, N158–N162 in September and N163–N170 in November. But when asked if the Federal Government is considering the introduction of fuel subsidy to cushion the negative impact of fuel price increase, the Finance Minister said there is currently no plan for such. She said that in the 2021 budget, there is no provision for fuel subsidy by the government. She said, “We are not bringing back fuel subsidy. There is no provision for fuel subsidy in the Y2021 budget. The recent adjustment by the government in the oil industry does not in any way suggests that fuel subsidy is going to be reintroduced.”

The Consumer Price Index which measures inflation increased by 15.75per cent (year-on-year). The National Bureau of Statistics (NBS) said the increase was 0.86 per cent point higher than the rate recorded in November 2020 (14.89) per cent.

In line with wide expectations by Analyst, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) retained its Monetary Policy Rate at 11.5 percent amid a difficult recession. The decision to retain the key interest rate was as a result of the weakening macroeconomic environment due to the COVID-19 pandemic, inflation and the resultant disruption of supply chains.



DEBT MANAGEMENT OFFICE NIGERIA

NIGERIA'S EUROBONDS AND DIASPORA BOND CLOSING PRICES AND YIELDS AS AT MONDAY, JANUARY 25, 2021

Bond Name	6.75% US\$500M JAN 2021 Eurobond	5.625% US\$300M JUN 2022 Diaspora Bond	6.375% US\$500M JUL 2023 Eurobond	7.625% US\$1.118BN NOV 2025 Eurobond	6.500% US\$1.5BN NOV 2027 Eurobond	7.143% US\$1.25BN FEB 2030 Eurobond	8.747% US\$1.0BN JAN 2031 Eurobond	7.875% US\$1.5BN FEB 2032 Eurobond	7.696% US\$1.25BN FEB 2038 Eurobond	7.625% US\$1.5BN NOV 2047 Eurobond	9.248% US\$750M JAN 2049 Eurobond
Price (US\$)	100.139	104.025	108.596	115.122	108.468	107.981	117.164	109.964	106.072	105.049	117.095
Yield (%)	-41.133	2.708	2.735	4.129	5.020	5.989	6.394	6.591	7.077	7.196	7.745
Yield at Issue (%)	7.000	5.625	6.625	7.625	6.500	7.143	8.747	7.875	7.696	7.625	9.248

Source: Bloomberg