



Poverty

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World Bank: 7 million Nigerians pushed below poverty line in 2020

The World Bank, in its latest Nigeria development update released yesterday, noted that that inflationary pressure in Nigeria has pushed about seven million Nigerians below the poverty line in 2020 alone. According to the report, the lack of economic opportunities is contributing to the rising crime cases and insecurity in Nigeria. In the update, Mr. Shubham Chaudhuri, the Country Director for Nigeria noted that although the country has returned to positive growth, prices are increasing rapidly, severely impacting Nigerian households. As of April 2021, the inflation rate was the highest in four years. The World Bank further stressed the need for the federal government to set policy foundations to aid recovery and curb inflation.

The economic recession witnessed in 2015-17 had a major impact on Nigerian households, eroding their purchasing power and driving joblessness across the country. Household income levels dipped significantly as employers either laid off workers or cut salaries. The hikes in key consumer utilities (Fuel & Power) in the past year further squeezed the already pressured consumer income. Clearly, the onset of the global pandemic in 2020 has worsened the situation. The global pandemic led to many businesses cutting workforce or implementing steep salary cuts. Against this backdrop, unemployment level grew to 33.3% in Q4 2020. This is in addition to the abysmal growth in income, double-digit inflation and increase in VAT rate to 7.5% earlier in February 2020. The recent devaluation of the Naira has also resulted in an increase in prices.

CPI data released by the National Bureau of Statistics (NBS) for May 2021 showed that headline inflation moderated by 20bps to 17.9%, the second consecutive month of decline. The moderation was mainly due to the high base from the corresponding period last year. Food inflation remains the pressure point, as the rate increased by 7bps to 1.06% m/m. This continues to reflect the incessant killings from banditry, kidnapping, cattle rustling and insurgency in the food-producing regions of the country. We expect food inflation to remain elevated, as security challenges continue to threaten agricultural productivity. Only recently, the Onion Producers and Marketers Association (OPMAN) have announced a halt in the supply of onion and the Amalgamated Union of Food Stuff and Cattle Dealers of Nigeria (AFUCDN) have threatened to cut food supply.

The spate of insecurity, rise in consumer prices, and shrinking household income requires urgent attention in our view. There is the need for the government to tackle the insecurity situation headlong and come up with favourable policies to aid rapid growth. Like the world bank, we also hold that improved private sector investment is needed to address the issues of unemployment and rising prices, a development that will require an improved business environment – better access to power, good road infrastructure and security of lives and property.

MARKET UPDATE

	1 year	31-Dec-20	1 day
NSE - Index*	24,143.37	39,512.31	39,114.73
Naira / US\$	384.50	394.00	411.00
Brent, US\$/bbl	29.72	51.09	68.09
MPR %	13.50	11.50	11.50

Source: Nigerian Stock Exchange, Central Bank of Nigeria, Bloomberg. *Nigerian Stock Exchange All-Share Index.

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Today's news headlines:

Cutting governance cost'll not solve revenue problems: The Director General of the Budget Office of the Federation, Ben Akabueze, on Tuesday said cutting budget allocations to Federal Government agencies would not have a significant impact on Nigeria's revenue. Akabueze said this in Abuja at the launch of the Nigerian Development Update by the World Bank. According to him, allocations to the legislature account for less than one per cent of the total budget for the year and as such, reductions won't solve revenue problems. He said, "When people say drop cost, look at the cost profile of the Federal Government for instance, what do you want to drop? "Some people have said that we pay the legislature too much. Let's concede that that is the case, the total budget of the National Assembly is N128bn. If I make that zero, this year we have a N13.6tn budget; so, N128bn is less than one per cent. So, how does that move the needle? "Also, the overhead budget for all Federal Government agencies this year was N425bn, which often is not even funded; if I make that zero, what does it do?" Source: punchng.com

<https://punchng.com/cutting-governance-costill-not-solve-revenue-problems/>

CBN may start printing Gambia's currency, says Emefiele: The Governor of Central Bank of Nigeria, Mr Godwin Emefiele, has said that the bank is willing to assist the Central Bank of the Gambia to print its legal tender. Emefiele said this in Abuja on Tuesday during a two-day visit by a delegation from the CBG, led by its governor, Mr Buah Saïdy. This was in response to a request by the CBG for a possible partnership to tackle acute currency shortages among other currency management challenges in the country. Saïdy informed the CBN governor that relying on its current printer, De La Rue of London, for its currency needs was expensive and unsustainable. He explained that it costs the bank about £70,000 to lift printed currencies from Sri Lanka to the Gambia. In response, the CBN Governor assured his visitors that the bank had extremely competitive advantage to undertake the currency printing for Gambia, adding that the Nigerian Security Printing and Minting had a lot of idle capacity to satisfy the demand of the CBG. Source: punchng.com

<https://punchng.com/cbn-may-start-printing-gambias-currency-says-emefiele/>

Experts, Fayemi differ on benefits of fuel subsidy: While the Governor of Ekiti State, Kayode Fayemi, said on Tuesday that the removal of fuel subsidy will benefit poor Nigerians, financial experts argued that it would bring about increased hardships. Fayemi, while addressing journalists after the launch of the Nigerian Development Update by the World Bank in Abuja, said there was a need for proper communication on the economic status of the country. "Nigeria is not this boundlessly rich country. We are wealthy in several other respects. Our human capital is a source of strength. But in terms of this naira and kobo, we are not a rich country, and we need to do more to communicate that to the population in our country," he said. According to him, the country wastes money on fuel subsidy, which does not benefit the poor. He said, "Petrol subsidy does not really benefit the poor. It is the middle class and the rich who are beneficiaries of PMS (premium motor spirit) subsidy. And we have removed the diesel subsidy. We have removed the kerosene subsidy. "These are things that ordinary people directly benefit from. And instead, we are living a lie. \$120bn every month burnt. Over \$1tn every year." Fayemi noted that there was an issue of trust between the people and the government, saying the government needed to be more accountable to the people. Source: punchng.com

<https://punchng.com/experts-fayemi-differ-on-benefits-of-fuel-subsidy/>

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% distribution	0%	50%	50%	0%	

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