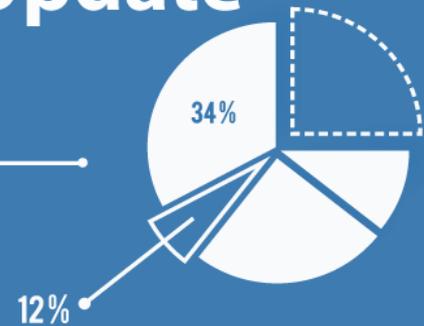




Nigeria Economic Update



Weekly
Digest



Rise in Economic Growth

Data from the National Bureau of Statistics (NBS) shows that real Gross Domestic Product (GDP) grew by 0.51 percent in the first quarter of 2021 from 0.11 percent in the previous quarter.¹ In the quarter under review, the service sector contributed 53.9 percent to GDP while agriculture and industry contributed 22.35 percent and 23.75 percent, respectively. Further disaggregation shows that aggregate GDP stood at N40,014,482.74 million in nominal terms while real aggregate GDP stood at N16,826,890.29 million in the review period. The low level of GDP growth rate has primarily been as a result of the COVID-19 pandemic and the fall in government revenue due to crude oil price shock which led to a decline in aggregate demand. While crude oil prices are completely exogenous as Nigeria remains a small open mono-economy, the diversification of the Nigerian economy remains imperative for a sustainable GDP growth. Key sectors of the Nigerian economy which are endogenous for policymaking should be given individual priorities to boost their productivity.

Fall in Inflation

Consumer prices decreased for the first time since August 2019, though marginally. Inflation rates decrease from 18.17 percent in March 2021 to 18.12 percent in April 2021.² The decrease in inflation rate is driven by a reduction in food component of inflation from 22.95 percent to 22.72 percent which outweighed a 0.07 percent increase in core inflation within the review period. While the decline in inflation is a good development, inflation rate in Nigeria is still on a high, and double digit which remains counterproductive for economic stability. The Nigeria's inflation problem is primarily driven by low levels of aggregate supply due to poor productivity levels, and the volatility of the Nigerian Naira emanating majorly from the shocks in crude oil prices. The need to boost productivity remains a priority for a decline in price level. Factors that aid the increase in aggregate supply should be identified and prioritized as well.

Increase in Crude Oil Production

Average crude oil production increased to 1.72 mbpd first quarter of 2021 (2021 Q1) from 1.56 barrels per day (mbpd) in the fourth quarter of 2020 but lower than the 2.07 mbpd recorded in the same quarter of 2020.¹ The 1.72 mbpd produced in 2021 Q1 is however below the 1.86 mbpd³ assumption of the 2021 budget. Furthermore, the oil sector contributed 9.25 percent to Gross Domestic Product (GDP) in 2021 Q1 with a growth rate of -2.21 percent. The 1.72 mbpd which is lower than the budget benchmark of 1.86 mbpd is likely to put a strain on budget performance in 2021 affecting the already slow growing economy of Nigeria. To be able to meet up with the crude oil target in the budget, the Nigerian government needs to effectively improve its crude oil output.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'20Q4	'21Q1
GDP Growth Rate (%)	0.11	0.51
Oil GDP (%)	-19.76	-2.21
Non-oil GDP (%)	1.69	0.79
Unemployment Rate (%)	33.3	NA
Foreign Direct Investment (US \$ Million)	251.27	NA
Portfolio Investment (US \$Millions)	35.15	NA
Other Investment (US \$Million)	783.26	NA
External Debt (FGN & States- N'Trillion)	NA	NA
Domestic Debt (FGN + States & FCT N'Trillion)	NA	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Mar'20	Apr'21
Headline Inflation (%)	18.17	18.12
Food Sub-Index (%)	22.95	22.72
Core Sub-Index (%)	12.67	12.74
External Reserves (End Period) (US\$ Billion)	34.82	34.88
Official Rate Approx. (N/US\$)	381	NA
BDC Rate Approx. (N/US\$)	481.21	NA
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US\$/Barrel)	66.62	64.3
Petrol (PMS-N/litre)	172.68	166.38
Diesel (AGO -N/Litre)	235.41	237.19
Kerosene (HHK -N/Litre)	361.29	362.68
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	2,057.71	2,069.21
MPR (%)	11.50	11.5
CRR (%)	27.5	27.5
T-Bill Rate (%)	2.0	2.0
Savings Deposit (%)	1.86	1.86
Prime Lending (%)	11.13	11.24
Maximum Lending (%)	28.74	28.64
Narrow Money (N'Million)	16,139,759.87	NA
Broad Money (N'Million)	38,218,832.96	NA
Net Domestic Credit (N'Million)	43,435,075.88	NA
Credit to the Government (Net) (N'Million)	11,994,167.43	NA
Credit to the Private Sector (N'Million)	31,440,908.45	NA
Currency in Circulation (N'Million)	2,808,734.33	NA
FAAC (N'Billion)	NA	NA

*Revised GDP figures/tentative figure

NA: Not Available

1. NBS (2021). Nigerian Gross Domestic Product Report (Q1 2021). Retrieved from, <https://nigerianstat.gov.ng/download/1241027>
2. NBS (2021). Nigerian Gross Domestic Product Report (Q1 2021). Retrieved from, <https://nigerianstat.gov.ng/download/1241022>
3. Budget Office of the Federation (2021). 2021 Budget of Economic Recovery and Resilience. Retrieved from, <https://www.budgetoffice.gov.ng/index.php/2021-budget-of-economic-recovery-and-resilience/2021-budget-of-economic-recovery-and-resilience/download>