



**NIGERIA  
ECONOMIC  
UPDATE**

**Weekly**

**Digest**

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## **Nigeria's Gross Foreign Reserves stood at \$33.1 billion as of February 8, 2024**

The Central Bank of Nigeria (CBN) has revealed, in its data on movement on gross foreign reserves, that the country's foreign reserves, which were \$37.1 billion as of January 3, 2023, fell to \$33.1 billion by February 8, 2024.<sup>1</sup> This represents a 10.7 per cent decline (\$4 billion) in foreign reserves. Consequently, the number of months of imports equivalent declined from 7.6 months in January 2023 to 6.8 months as of February 8, 2024. The decrease in Nigeria's foreign reserves can be attributed to several reasons, including low export earnings due to continuous low production of crude oil and crude oil swaps, and low capital importations. Given the importance of foreign reserves in honouring import payments and exchange rate management, the government should prioritise actions that would curtail the rate of depletion of the reserves in the short term while implementing actions that would increase foreign exchange earnings in the medium and long term. In the short-term, investors' confidence needs to be further deepened through regular communication with relevant stakeholders to prevent further mass capital outflows. Also, the government should enact policies that reduce bottlenecks to remittances from the diaspora to increase Nigeria's foreign reserves. The government should assist export-oriented sectors by enacting specific laws and providing incentives that can raise the competitiveness of non-oil exporting companies in global markets to boost reserves in the medium and long term.

## **Value of POS transactions rises to N862 billion in December 2023**

Data from the Nigerian Inter-Bank Settlement System (NIBSS) shows that Point of Sale (POS) transactions in December 2023 stood at N862 billion, representing a 20.9 percent month-on-month increase from N712.57 billion recorded in November 2023.<sup>2</sup> However, it is below the N1152 billion transactions recorded via the payment channel in March 2023. The month-on-month increase can be attributed to the festive spending in December and year-end sales. This might also be because of the increased adoption of cashless transactions with the ongoing digital transformation and push for cashless transactions. It also implies that more businesses, including small and medium-sized enterprises (SMEs), are adopting POS terminals to accept card payments, corresponding with rising consumer confidence in the payment channel. Since the volume of transactions via the POS payment system in December is below the level recorded in March 2023, it implies that Nigerians have reverted to the use of cash for payment. Transaction cost is one of the major hindrances to the use of POS for payment among Nigerians, especially the poor. Another issue is network failure resulting in people's accounts being debited without crediting the POS operator's account. Resolving this issue usually takes days, which in turn, makes people less reluctant to use POS if there is an alternative. Reducing the time to revert failed transactions and lower transaction costs are expected to increase payment through the POS channel.

## **Rail Transport Patronage rises by 18.79% in Q3 2023**

According to the recent rail transportation data report released by the National Bureau of Statistics (NBS), about 594,348 passengers travelled by train in Q3 2023, an 18.79 percent increase from 500,348 passengers in Q3 2022.<sup>3</sup> Similarly, the volume of goods transported witnessed a 146 percent rise, from 33,312 tons in Q3 2022 to 81,963 tons in Q3 2023. Revenue generated from passengers and cargo increased by 108.25 percent and 181.58 percent, respectively. Considering the importance of rail in supply chains and trade, the growing use of rail for transportation is a good development. The increase in the use of trains implies that passengers are regaining confidence in the rail transport system after the 2022 kidnapping. It also reduces road congestion, thereby leading to low traffic flow and reduced travel time and contributes to environmental sustainability as trains are more energy-efficient and produce fewer emissions compared to road vehicles. Thus, to meet the growing demand for the service, it is necessary to promote efficiency in the rail transport industry by streamlining processes, cutting costs, and increasing routes. The government must also continue to tackle the insecurity challenge, which is discouraging passengers from capitalising on this mode of transportation. At the state level, the government can collaborate in creating inter-state rail routes, thereby strengthening the movement of people and products among states and opening new areas along the newly established rail routes. Furthermore, cutting-edge technology and digital solutions can be employed in partnership with the commercial sector to improve ticketing, tracking, and consumer satisfaction.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'23Q2</b>	<b>'23Q3</b>
<b>GDP Growth Rate (%)</b>	2.51	2.54
<b>Oil GDP Growth Rate (%)</b>	-13.43	-0.85
<b>Non-oil GDP Growth Rate (%)</b>	3.58	2.75
<b>Unemployment Rate (%)</b>	4.2	NA
<b>Foreign Direct Investment (US \$ Million)</b>	86.03	59.77
<b>Portfolio Investment (US \$Millions)</b>	106.85	87.11
<b>Other Investment (US \$Million)</b>	837.34	507.77
<b>External Debt (FGN &amp; States- N'Trillion)</b>	33.25	31.98
<b>Domestic Debt (FGN + States &amp; FCT N'Trillion)</b>	54.13	55.93
<b>Manufacturing Capacity utilization (%)</b>	NA	NA
<b>Monthly Indicators</b>	<b>December '22</b>	<b>December '23</b>
<b>Headline Inflation (%)</b>	21.34	28.92
<b>Food Sub-Index (%)</b>	23.7	33.93
<b>Core Sub-Index (%)</b>	18.21	23.06
<b>External Reserves (End Period) (US\$ Billion)</b>	37.08	32.91
<b>Official Rate Approx. (N/US\$)</b>	445.42	851.39
<b>BDC Rate Approx. (N/US\$)</b>	NA	1043.09
<b>Manufacturing PMI</b>	NA	NA
<b>Non-Manufacturing PMI</b>	NA	NA
<b>Average Crude Oil Price (US\$/Barrel)</b>	82.5	79.81
<b>Petrol (PMS-N/litre)</b>	206.19	671.86
<b>Diesel (AGO -N/Litre)</b>	817.86	1,126.69
<b>Kerosene (HHK -N/Litre)</b>	1,104.61	1,362.27
<b>Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)</b>	4,565.56	4,962.87
<b>MPR (%)</b>	16.5	18.75
<b>CRR (%)</b>	32.5	32.5
<b>T-Bill Rate (%)</b>	4.35	8.93
<b>Savings Deposit Rate (%)</b>	4.13	5.28
<b>Prime Lending (%)</b>	13.85	14.17
<b>Maximum Lending (%)</b>	29.13	26.62
<b>Narrow Money (N'Trillion)</b>	20.72	29.72
<b>Broad Money (N'Trillion)</b>	51.76	78.31
<b>Net Domestic Credit (N'Trillion)</b>	66.39	96.18
<b>Credit to the Government (Net) (N'Trillion)</b>	22.65	33.66
<b>Credit to the Private Sector (N'Trillion)</b>	41.74	62.51
<b>Currency in Circulation (N'Trillion)</b>	30.12	36.53
<b>FAAC (N'Trillion)</b>	1.18	1.62

NA: Not Available

The September figures for CRR, Narrow money, broad money, T-Bill rate (%), Savings Deposit Rate (%), Prime Lending (%), maximum lending(%), Net domestic credit, credit to the government, and credit to other sectors (exception of FAAC that retained its August figure) are retained due to unavailability of data.

## REFERENCES

1. CBN (2024). Movement in Reserves. Retrieved from <https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=2/13/2024%208:48:12%20AM>
2. NIBSS (2024). Value of POS transactions. Retrieved from <https://nibss-plc.com.ng/industry-stat/>
3. NBS (2024). Rail Transportation Data. Retrieved from: <https://nigerianstat.gov.ng/elibrary/read/1241446>