



**NIGERIA
ECONOMIC
UPDATE**

Weekly

Digest

www.cseaafrica.org 

February 27th, 2024. Issue 7

Cost of Healthy Diet increases consecutively in the Q4 2024

[Data](#) from the National Bureau of Statistics (NBS) show that the National Average Cost of a Healthy Diet (CoHD) was N786 in December 2023, an increase from N703 in October 2023. Regionally, the average CoHD was highest in the Southeast at N979 per adult per day, compared to N663 per adult per day in the Northeast for the periods under review. In recent months, the CoHD has risen faster than general inflation and food inflation. Elevated CoHD has far-reaching consequences, especially for marginalized communities in the Northeast, where it may exacerbate food instability and undernourishment. As a result, to boost agricultural output and increase supply chain efficiency, the government must enact specific laws to strengthen security and address climate change. Additionally, as a temporary fix, the government ought to run social welfare programs and expand interventions to lessen the impact of the high CoHD, particularly for households that are already at risk. To guarantee affordable access to a healthy diet throughout the year, financial institutions should be incentivised to develop initiatives that would increase financing for agricultural-related businesses to boost local production and make diet food more affordable and accessible for more Nigerians.

CBN Halts Quasi-Fiscal Measure Totalling Over 10 Trillion Naira

The Central Bank of Nigeria (CBN) has halted quasi-fiscal measures totalling over 10 trillion naira. The finance was [issued](#) by the CBN previously as development finance interventions. The cessation of quasi-fiscal measures by the CBN emerges as a response to empirical findings indicating that these measures to assist Micro, Small, And Medium Enterprises (MSMEs) have substantially increased the money supply, consequently contributing to the current inflation rates. Also, the size of the quasi-fiscal functions makes it easy for the CBN to lose sight of its core functions. This is largely because the independence of the CBN is weak and there is strong political pressure to make economic growth its primary function. The CBN's decision to halt quasi-fiscal measures signifies a shift towards a more defined Central Bank that focuses on price stability. With food inflation driving the headline inflation, and inflation rate unanchored, without clear communication on the boundary of monetary policy tools, pressure for the CBN to reverse its stand is high. It, therefore, implies that the CBN always communicate and articulate its mandate and core functions when dialoguing with stakeholders. Otherwise, there is a high likelihood that the quasi-fiscal function would return. As a result, the CBN needs to be assertive on how its monetary policies can be deployed in taming the rate of inflation as well as its limit.

IMF Advices CBN to Increase Revenue through OMO Bills In 2024

The International Monetary Fund (IMF), in its [Report](#) titled “Nigeria: Post-Financing Assessment Discussions-Press Release; and Staff Report,” has advised the Central Bank of Nigeria (CBN) to further tighten monetary policy by withdrawing excess liquidity using short-term instruments like Open Market Operations (OMO) or buy-backs to mop up excess liquidity in the economy as a measure to curb inflation in the economy. The IMF recommended raising the monetary policy rate at the next Monetary Policy Committee (MPC) meeting. These recommendations were influenced by reports of currency in circulation increasing by N890 billion (32%) within the first three months of the resumption of the leadership of the CBN to N3.65 trillion. The CBN attributed the persistent inflation in the economy to the growth of currency in circulation. To mop up excess cash and curb inflation, the CBN announced a N1 trillion treasury bill offer and was oversubscribed to N2.3 trillion, with investors bidding between 13% and 29.9% interest rates. The over-subscription provides market information that an increase in the monetary policy rate might help in reducing the rate of growth in the money supply, and plausibly lead to a lower inflation rate. The CBN Governor has set a target of 21.4%. It is important to acknowledge that a further increase in interest rate would increase the cost of borrowing and cost of production. If the CBN decides to yield to IMF's recommendation, the most important question for the Monetary Policy Committee (MPC) members might be, what is the optimal level of interest rate hike that would not adversely affect the economy and at the same time help in reducing the rate of money supply?

ECONOMIC SNAPSHOT		
Quarterly Indicators	'23Q2	'23Q3
GDP Growth Rate (%)	2.51	2.54
Oil GDP Growth Rate (%)	-13.43	-0.85
Non-oil GDP Growth Rate (%)	3.58	2.75
Unemployment Rate (%)	4.2	NA
Foreign Direct Investment (US \$ Million)	86.03	59.77
Portfolio Investment (US \$Millions)	106.85	87.11
Other Investment (US \$Million)	837.34	507.77
External Debt (FGN & States- N'Trillion)	33.25	31.98
Domestic Debt (FGN + States & FCT N'Trillion)	54.13	55.93
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	December '22	December '23
Headline Inflation (%)	21.34	28.92
Food Sub-Index (%)	23.7	33.93
Core Sub-Index (%)	18.21	23.06
External Reserves (End Period) (US\$ Billion)	37.08	32.91
Official Rate Approx. (N/US\$)	445.42	851.39
BDC Rate Approx. (N/US\$)	NA	1043.09
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US\$/Barrel)	82.5	79.81
Petrol (PMS-N/litre)	206.19	671.86
Diesel (AGO -N/Litre)	817.86	1,126.69
Kerosene (HHK -N/Litre)	1,104.61	1,362.27
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	4,565.56	4,962.87
MPR (%)	16.5	18.75
CRR (%)	32.5	32.5
T-Bill Rate (%)	4.35	NA
Savings Deposit Rate (%)	4.13	NA
Prime Lending (%)	13.85	NA
Maximum Lending (%)	29.13	NA
Narrow Money (N'Trillion)	20.72	NA
Broad Money (N'Trillion)	51.76	NA
Net Domestic Credit (N'Trillion)	66.39	NA
Credit to the Government (Net) (N'Trillion)	22.65	NA
Credit to the Private Sector (N'Trillion)	41.74	NA
Currency in Circulation (N'Trillion)	30.12	NA
FAAC (N'Trillion)	1.18	1.09

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. NBS (2024). Cost of Healthy Diet December 2023. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241451>
2. CBN (2024). Trade and Exchange Department, Removal of Allowable Limit of Exchange Rate Quoted by the International Money Transfer Operators. Retrieved from: <https://www.cbn.gov.ng/Out/2024/TED/Circular%20on%20allowable%20limit%20of%20exchange%20rate%20quoted%20by%20IMTOs.pdf>
3. IMF (2024). Nigeria: Post-Financing Assessment Discussions-Press Release; and Staff Report. Retrieved <https://www.imf.org/en/Publications/CR/Issues/2024/02/09/Nigeria-Post-Financing-Assessment-Discussions-Press-Release-and-Staff-Report-544643>