



**NIGERIA
ECONOMIC
UPDATE**

Weekly

Digest

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IMF revises Nigeria's GDP growth forecast for 2024

In the July edition of the World Economic [Outlook](#), the International Monetary Fund (IMF) retained its 2024 and 2025 global economic growth projections at 3.2% and 3.3% respectively, as earlier projected in April. At the country level, however, the IMF downgraded the growth projections of some countries, including Nigeria. The economy's Q1 2024 performance fell short of the IMF's expectations, leading to the downgrade. This implies that the IMF predicts a slower growth rate for Nigeria compared to its April forecast. The IMF revised Nigeria's growth outlook downward by 0.2 percentage points from 3.3% to 3.1%. However, they retained Nigeria's projected growth rate at 3.0% for 2025. The Nigerian economy's downward forecast further impacted Sub-Saharan Africa's overall growth forecast from 3.8% to 3.7%. The downgrade in the growth projections is due to several factors, including external and domestic ones. The external factor is the slowing down of global growth, mainly due to the monetary tightening policy of central banks and slower GDP growth in China. The domestic factors include the hike in the monetary policy rate, fluctuation in the foreign exchange and continued low crude oil production. The IMF revision is coming a few weeks after the World Bank affirmed a 3.3% growth projection for Nigeria in 2024. The World Bank's affirmation suggests some optimism, indicating that Nigeria can still achieve significant economic progress with the right policies and reforms. Further, there is an urgent need for the government to tackle the oil sector's underperformance and enhance the business environment by investing in infrastructure that boosts business productivity.

CBN increases interest rate to 26.75%

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) decided during its 296th meeting to raise the Monetary Policy Rate ([MPR](#)) to 26.75%. This represents a 50 basis points increase from 26.25% in May 2024. This increment in MPR reflects the central bank's attempts to control inflation and stabilise the exchange rate through monetary tightening measures. With this new decision, the CBN has increased the MPR by 800 basis points since January 2024. In January, before the hike, the rate was 18.75%. The committee also resolved to keep the liquidity ratio at 30% and the Cash Reserve Ratio (CRR) for merchant and deposit money banks at 14% and 45%, respectively. Despite these steps to control inflation, the Consumer Price Index (CPI) for June 2024 increased to 34.19% indicating that Nigeria's pricing levels are interest insensitive. This suggests that supply-side factors such as insecurity, high cost of energy, and currency depreciation are more responsible for Nigeria's rising inflation rates. Therefore, the CBN, in collaboration with the fiscal side of the government, should prioritise fixing these underlying structural challenges as the MPR has not effectively controlled inflation. Continuous increments in the MPR could have a detrimental effect on the economy through high borrowing costs.

Nigeria spends over 70% of revenue on Debt Service in Q1 2024

According to the recently released quarterly statistical [bulletin](#) of the Central Bank of Nigeria (CBN), Nigeria recorded N1.76 trillion in revenue in Q1 2024. This is a 33.8% increase from the N1.32 trillion recorded in Q1 2023. In Q1 2024, debt servicing was estimated at N1.31 trillion, accounting for 74% of the total revenue retained. This amount is higher than the spending on personnel and capital expenditures, which stood at N1.15 trillion. The rise in debt service payments is due to high interest rates on non-concessional loans. High debt servicing reduces fiscal space and limits the country's ability to invest in critical areas that will lead to long-term growth. Nigeria's high debt level, coupled with an increase in MPR and several other economic issues, can lead to economic distress. Hence, it is pertinent for the government to limit high interest-bearing loans. Also, since the cost of borrowing from non-concessional lenders is conditioned on the country's sovereign rating by prominent Credit Rating Agencies (CRAs), there is a need for the government to prioritize policies that will improve the country's rating from junk. More importantly, it is critical for the country to establish a revenue-generating structure as debt and borrowing have reached unsustainable levels.

| ECONOMIC SNAPSHOT | | |
|---|----------------|-----------------|
| Quarterly Indicators | '23Q4 | '24Q1 |
| GDP Growth Rate (%) | 3.46 | 2.98 |
| Oil GDP Growth Rate (%) | 12.11 | 5.70 |
| Non-oil GDP Growth Rate (%) | 3.07 | 2.80 |
| Unemployment Rate (%) | 5 | NA |
| Foreign Direct Investment (US \$ Million) | 183.97 | NA |
| Portfolio Investment (US \$Millions) | 309.76 | NA |
| Other Investment (US \$Million) | 594.74 | NA |
| External Debt (FGN & States- N'Trillion) | 97.34 | NA |
| Domestic Debt (FGN + States & FCT N'Trillion) | 87.91 | NA |
| Manufacturing Capacity Utilization (%) | NA | 9.98 |
| Monthly Indicators | May 24' | June 24' |
| Headline Inflation (%) | 33.95 | 34.19 |
| Food Sub-Index (%) | 40.66 | 40.87 |
| Core Sub-Index (%) | 27.04 | 27.40 |
| External Reserves (End Period) (US\$ Billion) | 32.69 | 34.19 |
| Official Rate Approx. (N/US\$) | 1432.81 | 1481.33 |
| BDC Rate Approx. (N/US\$) | NA | NA |
| Manufacturing PMI | 52.1 | 50.1 |
| Non-Manufacturing PMI | NA | NA |
| Average Crude Oil Price (US\$/Barrel) | 84.01 | 83.64 |
| Petrol (PMS-N/litre) | 769.62 | 750.17 |
| Diesel (AGO -N/Litre) | 1403.96 | 1462.98 |
| Kerosene (HHK -N/Litre) | 1450.35 | NA |
| Liquefied Petroleum Gas (Cooking Gas) (N/5Kg) | 7418.45 | NA |
| MPR (%) | 26.25 | 26.25 |
| CRR (%) | 45.0 | 45.0 |
| T-Bill Rate (%) | 16.44 | 16.37 |
| Savings Deposit Rate (%) | 6.68 | 6.67 |
| Prime Lending (%) | 15.54 | 15.85 |
| Maximum Lending (%) | 28.67 | 29.11 |
| Narrow Money (N'Trillion) | 33.38 | NA |
| Broad Money (N'Trillion) | 99.23 | NA |
| Net Domestic Credit (N'Trillion) | 10.26 | NA |
| Credit to the Government (Net) (N'Trillion) | 28.37 | NA |
| Credit to the Private Sector (N'Trillion) | 74.31 | NA |
| Currency in Circulation (N'Trillion) | 39.65 | NA |
| FAAC (N'Trillion) | 2.19 | 2.48 |

NA: Not Available

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