



**NIGERIA
ECONOMIC
UPDATE**

Weekly

Digest

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Banks' Credit to Government Declines

[Data](#) released by the Central Bank of Nigeria (CBN), on 'Money and Credit Statistics' has shown that credit from banks to the government fell in May 2023. The data shows that on a month-on-month basis, banks' credit to the government fell by N70 billion (0.22 percent) to N30.69 trillion in May 2023 from N30.76 trillion in April 2023. However, credit to the private sector increased MoM by five percent to N44.2 trillion in May 2023 from N43.6 trillion in April 2023. As a result, net domestic credit increased to N74.9 trillion during the period, from N74.2 trillion recorded in April 2023, which implies an increase in funds available for investment in the economy. The fall in government credit will mitigate the risk of the government's borrowing crowding out private firms' access to funds for productive investments in the domestic financial market. To maintain this decrease, the government should investigate new funding sources and implement strategies to increase revenue collection, like using digital tools to collect and broaden the tax base. By reducing the cost of governance and implementing creative financing strategies, increasing spending can be effectively financed, reducing the need for borrowing from the domestic financial market and lowering the debt load the economy is currently burdened with. Additionally, banks must maintain a sustainable level of credit to the private sector to support strong balance sheets and reduce the incidence of non-performing loans. As a result, the CBN would have to put in place efficient policies that would increase liquidity in the economy while containing inflation levels.

Nigeria's Total Debt Stock hits N49.95 Trillion in Q1 2023

According to the Debt Management Office (DMO), Nigeria's total [public debt](#) in March 2023 stood at N49.95 trillion. The total debt stock comprises the external and domestic debts of the Federal Government, the 36 states and the Federal Capital Territory (FCT). The country's total debt for the preceding quarter (Q4 2022) as of Dec. 31, 2022, was N46.25 trillion, indicating an increase of about three trillion Naira (8 percent) on a quarter-on-quarter (QoQ) basis. However, the overall debt figure does not account for the N22.719 trillion Ways and Means Advances the Central Bank of Nigeria (CBN) provided to the Federal Government. The National Assembly authorised the securitisation of these advances in May, and according to the DMO, starting from June 2023, the Ways and Means Advances will be incorporated into the Federal Government's debt stock. Notably, the country's debt servicing cost rose by 55.71 per cent on a QoQ basis to N1.24 trillion in the First quarter of 2023 (Q1 2023) from N550.51 billion in Q4 2022. This is disaggregated as N368.87bn spent on [external debt](#) servicing in Q4 2022, compared to N143.74bn in Q1 2023, an increase of over 100 percent. Also, Nigeria spent N874.13bn on [domestic debt](#) servicing in Q1 2023, compared to N406.77bn in Q4 2022, also indicating an increase of over 100 percent. To address Nigeria's rising public debt and escalating debt servicing costs, there is a need to improve debt management practices by implementing transparent reporting systems and monitoring mechanisms, ensuring efficient utilisation of borrowed funds and minimising the risk of debt distress. This can be strengthened through robust institutional frameworks and open procurement processes. Efforts should be focused on generating more revenue by diversifying the economy and reducing reliance on oil, which can be achieved through measures such as expanding the tax base, improving tax administration, and promoting private sector investment. Further, revenue leakages must be aggressively curtailed to loosen up funds for debt servicing and infrastructure upgrades. Fiscal discipline is also crucial, necessitating reducing wasteful expenditures and enhancing budgetary transparency and accountability. Regular debt sustainability analyses should be carried out, and indicators such as debt-to-GDP ratio and debt service-to-revenue ratio should be considered.

Nigeria's Foreign Reserves fall in the First Half of 2023

The Central Bank of Nigeria (CBN) has revealed in its [data](#) on movement on foreign reserves that the country's foreign reserves, which was \$37.07bn as of January 3, 2023, fell to \$34.19bn as of the end of June 27, 2023. This represents a 7.7 percent decrease (\$2.88 billion) in foreign reserves in the first half of the year. The decrease in Nigeria's foreign reserves can be attributed to the CBN's continuous intervention in the exchange rate market and fluctuating export earnings. There has been a growing demand for foreign exchange to import inputs and finished products, coupled with an increasing number of Nigerians moving abroad for educational and employment opportunities. These factors have created a deficit between the demand and supply of foreign exchange, leading to record-high exchange rates across different platforms. The CBN has been intervening to minimise the rate of increase, resulting in a consistent decline in foreign reserves. However, the free-floating of the Naira by the CBN is expected to reduce the pressure on the foreign reserves, as there will be no intervention in the forex market. The government should promote export-oriented industries through targeted policies and incentives that can enhance non-oil exporting firms' competitiveness in global markets. Also, efforts should be made to strengthen trade relationships, attract foreign investment, and open new export markets. Improving productivity and innovation through investments in human capital development and technological advancements is also crucial. Sound fiscal and monetary policies and measures to encourage diaspora remittances and investments can further support foreign reserves.

ECONOMIC SNAPSHOT		
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Quarterly Indicators	'22Q4	'23Q1
GDP Growth Rate (%)	3.52	2.31
Oil GDP Growth Rate (%)	-13.38	-4.21
Non-oil GDP Growth Rate (%)	4.44	2.77
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	84.23	NA
Portfolio Investment (US \$Millions)	285.26	NA
Other Investment (US \$Million)	691.23	NA
External Debt (FGN & States- N^oTrillion)	18.70	NA
Domestic Debt (FGN + States & FCT N^oTrillion)	27.55	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	May '22	May '23
Headline Inflation (%)	17.71	22.41
Food Sub-Index (%)	19.50	24.82
Core Sub-Index (%)	14.21	19.83
External Reserves (End Period) (US\$ Billion)	38.48	34.09
Official Rate Approx. (N/US\$)	415.15	461.26
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	48.9	NA
Non-Manufacturing PMI	49.9	NA
Average Crude Oil Price (US\$/Barrel)	117.17	76.91
Petrol (PMS-N/litre)	173.08	NA
Diesel (AGO -N/Litre)	238.82	NA
Kerosene (HHK -N/Litre)	679.54	NA
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	3,921.35	NA
MPR (%)	13.0	18.50
CRR (%)	27.5	NA
T-Bill Rate (%)	2.47	NA
Savings Deposit Rate (%)	1.37	NA
Prime Lending (%)	11.96	NA
Maximum Lending (%)	27.37	NA
Narrow Money (N^oTrillion)	20.56	NA
Broad Money (N^oTrillion)	48.51	NA
Net Domestic Credit (N^oTrillion)	56.51	NA
Credit to the Government (Net) (N^oTrillion)	18.05	NA
Credit to the Private Sector (N^oTrillion)	38.46	NA
Currency in Circulation (N^oTrillion)	3.331	NA
FAAC (N^oBillion)	833.86	NA

NA: Not Available

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