CSEA
CENTRE FOR THE STUDY OF THE ECONOMIES OF AFRICA

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Private sector output increases to 52.7 in December 2024

According to the Purchasing Managers Index (PMI) survey report by the Stanbic IBTC Bank of Nigeria, private sector output in December 2024 rose to 52.7, up from 49.6 in November 2024. This marked the first time in six months that the index exceeded the 50.0 threshold, signalling an increase in private sector productivity. An index value below 50 indicates a decline in private sector activity compared to the previous month, a value of 50 shows stability, while a value above 50 reflects optimistic business sentiment. The December PMI value represents a 6.25% increase from November's figure and was driven by higher consumer demand and purchasing activity during the holiday season. This improvement occurred despite persistent challenges such as high inflation, and irregular power supply. Sectoral analysis reveals that the agricultural sector grew by 13.93 points. However, the manufacturing and service sectors declined by -2.43 and -3.46 points, respectively. Despite the improved business sentiment, inflationary pressures remain significant obstacles to sustained growth in private sector activity. To address these issues, policymakers should strengthen fiscal policies to complement monetary policies to manage inflation without hindering economic growth by providing financial support and organizing market access programs for small and medium-sized enterprises (SMEs).

Total public debt comprises 51.22% of GDP

Data from the Central Bank of Nigeria's Economic Report for the third quarter of 2024 reveal that debt servicing stood at ₦2,055.48 billion in Q3 2024. The total public debt stood at ₦121.67 trillion, representing 51.22% of GDP, which exceeds the national threshold of 40%. A breakdown of the consolidated public debt shows that domestic debt accounted for 53.95% of the total, while external debt accounted for the remaining 46.05%. The high debt profile was driven by exchange rate depreciation and new borrowing to finance the 2024 budget deficit. This highlights the government's heavy reliance on borrowing to bridge the revenue-expenditure gap, with negative implications for the Nigerian economy. High government borrowing increases interest rates and could potentially crowd out private sector access to credit. Additionally, the cost of debt servicing erodes funds available for capital investment and essential services, thereby stifling the potential for future economic growth. To address this, the government should enhance revenue mobilization through an improved tax system, address inefficiencies in the oil sector to boost federation account inflows and prioritize fiscal consolidation by cutting non-essential recurrent expenditures. Also, to increase tax compliance, the government needs to improve service delivery.

CBN releases inflation expectation survey report

According to the Consumer Price Index (CPI) report by the National Bureau of Statistics (NBS), headline inflation rose to 34.8% in December 2024, a 0.20% points increase from 34.60% recorded in November 2024. This is 13.4% points higher than the 21.4% targeted by the Central Bank. On a year-on-year basis, headline inflation was 5.87% points higher in December 2024 compared to December 2023. Urban inflation increased by 6.30% points year-on-year to 37.29% in December 2024 from 31.00% in December 2023. Similarly, on a year-on-year basis, rural inflation rose by 5.37% points to 32.47% in December 2024 from 27.10% in December 2023. Key contributors to the rising inflation include food and non-alcoholic beverages, housing, water, electricity, and gas. However, the year-on-year increase reflects a significant rise in the cost of living compared to the same month in the previous year, driven by economic challenges such as weak currency, high energy costs, and supply chain disruptions. The continued rise in inflation implies a substantial decline in purchasing power, severely affecting low-skill individuals. Additionally, higher inflation rates in urban areas compared to rural areas indicate rising costs of food and essential items and may result in civil unrest. To mitigate these effects, the government should implement temporary subsidies for essential goods, such as food and energy, to cushion the impact on vulnerable households. Furthermore, currency-stabilizing monetary policies are essential to reduce imported inflation caused by currency depreciation.

ECONOMIC SNAPSHOT		
Quarterly Indicators	**'24Q2**	**'24Q3**
GDP Growth Rate (%)	3.19	3.46
Oil GDP Growth Rate (%)	10.15	5.17
Non-oil GDP Growth Rate (%)	2.80	3.37
Unemployment Rate (%)	4.3	NA
Foreign Direct Investment (US $ Million)	29.83	NA
Portfolio Investment (US $Millions)	1404.70	NA
Other Investment (US $Million)	1169.97	NA
External Debt (FGN & States- N'Trillion)	NA	NA
Domestic Debt (FGN + States & FCT N'Trillion)	NA	NA
Manufacturing Capacity Utilization (%)	14.1	NA
Imports (N'Billion)	12.47	14,67
Exports (N'Billion)	19.41	20.48
Total trade (N'Billion)	31.89	35.16
Trade balance (N'Billion)	6.94	5.81
Crude oil Export (N'Billion)	14.55	13.40
Non-Crude Oil Export (N'Billion)	4.85	7.08
Non-Oils Export (N'Billion)	1.77	2.50
Monthly Indicators	**November 24'**	**December 24'**
Headline Inflation (%)	34.60	34.80
Food Sub-Index (%)	39.93	39.84
Core Sub-Index (%)	28.75	29.28
External Reserves (End Period) (US$ Billion)	40.23	40.88
Official Rate Approx. (N/US$)	1,670.78	1,553.73
BDC Rate Approx. (N/US$)	NA	NA
Manufacturing PMI	48.9	46.9
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US$/Barrel)	75.44	74.45
Petrol (PMS-N/litre)	1,214.17	1,189.12
Diesel (AGO -N/Litre)	1,446.83	1,447.62
Kerosene (HHK -N/Litre)	2,042.93	2,056.38
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	7,088.16	7,177.27
MPR (%)	27.50	27.50
CRR (%)	50.00	50.00
T-Bill Rate (%)	18.00	NA
Savings Deposit Rate (%)	6.56	NA
Prime Lending (%)	18.39	NA
Maximum Lending (%)	31.06	NA
Narrow Money (N'Trillion)	36.27	NA
Broad Money (N'Trillion)	108.95	NA
Net Domestic Credit (N'Trillion)	115.58	NA
Credit to the Government (Net) (N'Trillion)	39.62	NA
Credit to the Private Sector (N'Trillion)	75.96	NA
Currency in Circulation (N'Trillion)	4.88	NA
FAAC (N'Trillion)	1.28	1.35

NA: Not Available

References

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