



Nigeria Economic Update



Weekly
Digest

Nigeria's Inflation Rises

According to the National Bureau of Statistics (NBS), Nigeria's headline inflation rate increased on a month-on-month basis, from 15.40 percent in November 2021 to 15.63 percent in December 2021¹. This represents a 1.8 percent increase, breaking an eight-month streak of headline inflation declines since April 2021. However, on a year-on-year comparison, the headline inflation rate decreased by 0.13 percent from 15.75 percent recorded in December 2020. The increased rate of inflation recorded in December is largely attributed to the increase in aggregate demand as a result of the festive season. Expectations are that the rate of inflation for January would decline due to lower demand levels. However, a double-digit inflation rate translates to lower purchasing power, which also translates to a lower quality of life. It is, therefore, important that policies aimed at improving aggregate supply be prioritized. This can be achieved by leveraging and scaling up the real sector intervention programs of the Central Bank of Nigeria (CBN), improving economic infrastructure to boost productivity, and improving national security to address the sub-optimality in agricultural productivity.

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Crude Oil Price Rises

According to data from the CBN, the price of crude oil as of January 17th, 2022 was \$90.09, an increase from the \$76.25 recorded at the end of 2021 (December 31st, 2021)². This is the highest price recorded since 2014, which can be attributed to the sustained efforts of the Organization of Petroleum Exporting Countries (OPEC) to achieve stability in the global oil market and the panic oil buying caused by the supply outages. The current price of crude oil is higher than the nation's \$62 per barrel benchmark price set in the 2022 budget, indicating a \$28.09 per barrel premium. The actualization of this gain is, however, weakened by the security challenges in the oil-producing areas, which had contributed to the low production level. The current crude oil production level is below the budgeted production level of 1.88 million barrels per day (bpd) by about 0.3 million bpd. As a result, the rising crude oil prices might have lower than expected effect on oil revenue growth. Ideally, the rise in crude oil prices is expected to boost government revenue, reduce borrowing, and increase external reserves, putting less pressure on the naira and dampening exchange rate volatility. Hence, the existing security challenges in the oil-producing areas need to be addressed without further delay. Also, there is a need for the government to strengthen existing frameworks that were developed to ensure that extra revenue from the oil sector is channelled towards diversifying the economy as well as the country's export composition. This, in turn, is expected to reduce the vulnerability of the economy to shocks associated with the oil sector.

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DMO releases bonds issuance schedule for Q1-2022

The Debt Management Office (DMO) has released a schedule for the issuance of bonds for the first quarter of 2022 (Q1-2022)³. The schedule shows that Federal Government of Nigeria (FGN) bonds will be issued on January 19, February 16, and March 23, 2022. The expected amount for each offer is between N70 billion to N80 billion, with maturity ranging from four years to 20 years, and an interest rate of 12.50 percent. They have an original tenor of 10 years and 20 years and will re-open in January 2026 and January 2042. Although offering the bonds will provide funds required by the federal government for fiscal expenditure, it will drive the country into further debt as bonds are a component of debt. The increase in debt is largely driven by the government's approach to deficit fiscal financing. It is therefore necessary to ensure that the borrowed funds are utilized for productive capital expenditure in order to generate returns which can be utilized to offset the debt. There is also a need for transparency in the debt management process by involving civil society organizations and making debt details public, especially, project-based loans and loans to State-Owned Enterprises (SOEs).

ECONOMIC SNAPSHOT		
Quarterly Indicators	'21Q2	'21Q3
GDP Growth Rate (%)	5.01	4.03
Oil GDP (%)	-12.65	-10.73
Non-oil GDP (%)	6.74	5.44
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	77.97	107.81
Portfolio Investment (US \$Millions)	551.37	1,217.21
Other Investment (US \$Million)	246.27	406.35
External Debt (FGN & States- N'Trillion)	13.71	15.57
Domestic Debt (FGN + States & FCT N'Trillion)	21.75	22.43
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Nov '20	Dec '21
Headline Inflation (%)	14.89	15.63
Food Sub-Index (%)	18.30	17.37
Core Sub-Index (%)	11.05	13.87
External Reserves (End Period) (US\$ Billion)	35.41	40.52
Official Rate Approx. (N/US\$)	379.5	412.99
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	50.2	NA
Non-Manufacturing PMI	47.6	NA
Average Crude Oil Price (US\$/Barrel)	36.37	76.25
Petrol (PMS-N/litre)	167.27	165.77
Diesel (AGO -N/Litre)	223.74	289.37
Kerosene (HHK -N/Litre)	353.38	467.97
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	NA	3594.81
MPR (%)	11.5	11.5
CRR (%)	27.5	NA
T-Bill Rate (%)	0.86	2.49
Savings Deposit Rate (%)	1.84	1.25
Prime Lending (%)	11.60	11.68
Maximum Lending (%)	28.85	27.58
Narrow Money (N'Million)	14819010.85	NA
Broad Money (N'Million)	36958454.16	NA
Net Domestic Credit (N'Million)	40194156.06	NA
Credit to the Government (Net) (N'Million)	10782279.08	NA
Credit to the Private Sector (N'Million)	29411876.98	NA
Currency in Circulation (N'Million)	2659710.45	NA
FAAC (N'Billion)	601.11	NA

*Revised GDP figures/tentative figure

NA: Not Available

1. NBS (2022). CPI and Inflation Report December 2021. Retrieved from <https://nigerianstat.gov.ng/eLibrary/read/1241113>
2. [CBN \(2022\)](https://www.cbn.gov.ng/rates/DailyCrude.asp). Daily Crude Oil Price. Retrieved from <https://www.cbn.gov.ng/rates/DailyCrude.asp>
3. DMO (2022). FGN Bonds Issuance Calendar for the First Quarter, 2022. Retrieved from <https://www.dmo.gov.ng/fgn-bonds/bonds-issuance-calendar/3795-1st-quarter-2022-fgn-bond-issuance-calendar/file>

