



**NIGERIA
ECONOMIC
UPDATE**

Weekly

Digest

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Capital Importation falls to \$654m in Q3 2023

According to the National Bureau of Statistics (NBS), [capital importation](#) to Nigeria in Q3 2023 stood at \$654.65 million, indicating a 36.45 percent decline from \$1.03 billion recorded in Q2 2023 and a 43.55 percent decline from \$1.16 billion recorded in Q3 2022. The Q3 2023 value is the lowest Nigeria has recorded in any quarter over the last 10 years. This dip in capital importation could be traced to the challenges with foreign exchange which has dipped the confidence of investors and recently led to the exit of some international firms. A breakdown of the capital importation value shows that Foreign Direct Investment (FDI) and Portfolio Investment contributed 9.13 percent and 13.31 percent, respectively, amounting to \$59.77 million and \$87.11 million respectively. Loans contributed the most with 77.55 percent amounting to \$507.71 million. This implies that investors preferred debt financing over equity. Decomposed by sector, the manufacturing sector attracted the largest inflow representing 42.70 percent. Followed by Shares at 13.06 percent and the financial sector at 19.54 percent. Without significant improvement in the macroeconomic conditions, capital importation is anticipated to plummet further thereby affecting overall economic performance negatively. To overturn the current trend, the government must take strategic steps to lower the rate of inflation, increase forex liquidity, and improve security. Hence, policies and reforms aimed at stabilising the economy, boosting the availability of forex and improving security should be put in place.

Crude Oil Prices Plunge in November 2023

The Organisation of Petroleum Exporting Countries (OPEC), in its latest Monthly Oil Market [Report](#), has revealed that the price of crude oil dropped significantly in the global market in November 2023. Specifically, the OPEC Reference Basket (ORB) fell by 7.5 percent to \$84.92 per barrel in November from \$91.78 per barrel in October 2023. Likewise, the monthly average of ICE Brent and New York Mercantile Exchange (NYMEX) WTI dropped from \$88.70 per barrel and \$85.43 per barrel to \$82.03 per barrel and \$77.38 per barrel, respectively. Despite the decline in crude oil prices, it is still above the 2023 budget benchmark of \$75 per barrel. The decline is likely to reduce government revenues which could affect budget funding and servicing of external debts. Furthermore, Nigeria's foreign exchange reserves are closely tied to oil earnings and a decrease in oil prices typically leads to a reduction in foreign exchange reserves which, in turn, could impact CBN's ability to stabilise the naira and meet external obligations. Given that Nigeria has no control over the international price of crude oil, the low production level, which stood at 1.4 million barrels per day in the period under review, and limited non-oil export increases the vulnerability of the economy to changes in crude oil price. As a matter of urgency, Nigeria must address constraints to oil production. At the minimum, the government should aim to meet the assigned OPEC quota of 1.578 million barrels per day. In addition, the decline in oil prices underscores the need to increase non-oil sector exports.

Total Debt Stock rises marginally to N87.91 trillion in Q3 2023

The latest debt [data](#) released by the Debt Management Office (DMO) of Nigeria shows that Nigeria's total debt stock stood at N87.91 trillion at the end of Q3 2023. This is a 0.61 percent increase over the N87.38 trillion recorded at the end of Q2 2023 and a 90.08 percent increase from N46.25 trillion recorded in Q3 2022. The slight quarter-on-quarter increase was driven by domestic debt. External debt stood at 36.38 percent (N31.98 trillion) of total debt, and domestic debt stood at 63.62 percent (N55.93 trillion). Low tax revenue, high interest payments and the weakening of the domestic currency contribute to the growing debt level. While it is not entirely bad for the government to borrow from the domestic financial market, the government must exercise caution to prevent crowding out of funds for local businesses, which also rely on the market for financing. It is also important for the government to strengthen the country's debt management procedures, with active participation from pressure groups such as civil society organisations to ensure that borrowed funds from both domestic and international markets are put to best use. Nigeria's tax-to-GDP ratio is less than 15%, indicating that there are huge opportunities to increase domestic revenue mobilization. The ongoing digitalization of tax payments through TaxPro-Max needs to be accomplished by improved service delivery to the taxpayers. The continued increase in debt accumulation based on a low debt-to-GDP ratio, without sound debt management frameworks, could lead to a scenario of debt overhang, restricting resources for essential infrastructure projects and overall economic development.

ECONOMIC SNAPSHOT		
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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	November '22	November'23
Headline Inflation (%)	21.47	28.20
Food Sub-Index (%)	24.13	32.84
Core Sub-Index (%)	17.99	22.38
External Reserves (End Period) (US\$ Billion)	37.11	33.00
Official Rate Approx. (N/US\$)	442.37	833.18
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US\$/Barrel)	93.36	85.76
Petrol (PMS-N/litre)	202.48	648.93
Diesel (AGO -N/Litre)	808.87	1,055.57
Kerosene (HHK -N/Litre)	1,083.57	1,287.10
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	4,549.14	4,828.18
MPR (%)	16.5	18.75
CRR (%)	32.5	32.5
T-Bill Rate (%)	6.5	5.29
Savings Deposit Rate (%)	3.93	5.26
Prime Lending (%)	13.17	14.32
Maximum Lending (%)	28.14	27.24
Narrow Money (N'Trillion)	21.45	25.35
Broad Money (N'Trillion)	51.68	67.18
Net Domestic Credit (N'Trillion)	64.16	92.71
Credit to the Government (Net) (N'Trillion)	22.63	34.11
Credit to the Private Sector (N'Trillion)	41.52	58.60
Currency in Circulation (N'Trillion)	31.64	27.61
FAAC (N'Trillion)	0.957	1.783

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.

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