CSEA
Centre for the Study of the Economies of Africa

Weekly Digest

August 4, 2023 Issue 30

Premium Motor Spirit Price Increased by 129.23% in June 2023

The recent removal of the subsidy payment on Premium Motor Spirit (PMS/Petrol) in Nigeria has led to a significant increase in petrol prices. According to a National Bureau of Statistics (NBS) report, the price of petrol in saw a drastic increase from N238.11 in May to N545.83 in June, reflecting a staggering rise of 129.23 percent. On a year-on-year basis, petrol prices soared by 210.31 percent from N175.89 in June 2022. The breakdown of these prices show variations across different geopolitical zones and states within the country. The NBS report shows regional differences in petrol prices, with the Northern region, on average, experiencing slightly higher prices compared to the Southern region. Specifically, the North-Central, North-East, and North-West regions reported average petrol prices of N542.73, N557.03, and N549.90, respectively. In contrast, the South-East, South-South, and South-West regions had lower average prices at N542.28, N542.91, and N539.38, respectively. Among the states, Taraba State recorded the highest average retail petrol price at N562.86, followed closely by Yobe State and Kano State with N562.31 and N561.82, respectively. Conversely, Anambra State had the lowest average retail petrol price at N534.44, followed by Ebonyi State and Oyo State with N535.00 and N537.43, respectively. The removal of the subsidy payment on petrol has generated both opportunities and challenges for the Nigerian economy. While this policy move is seen as a step in the right direction to address fiscal concerns, it also has the potential to trigger inflation and negatively impact the welfare of the average Nigerian citizen. A combination of short-term and long-term policy measures is essential to address these challenges. In the short term, the government could consider providing palliative measures to cushion the impact of rising petrol prices. One such step could involve the provision of public buses to enhance affordable transportation options for citizens. In the long term, revitalizing the existing moribund refineries and promoting local production of petroleum products can play a significant role in reducing dependence on imported fuel and stabilizing prices.

IMF Projects slowdown of the Nigerian Economy in 2023 and 2024

The International Monetary Fund (IMF), in its latest World Economic Update released in July 2023, projects that the Nigerian economy will experience slowdown in 2023 and 2024. Nigeria's economy growth rate stood at 3.3 percent in 2022. However, due to security issues combined with other factors, the IMF stated that the economy is likely to slow down to 3.2 percent and 3.0 percent in 2023 and 2024 respectively. However, these projections place Nigeria's economic growth below the anticipated expansion of 3.5 percent and 4.1 percent for the sub-Saharan Africa region in 2023 and 2024, respectively. After the recession engineered by the COVID-19 pandemic and the recovery that followed, the economy has remained resilient to maintain a positive outlook in the face of multiple macroeconomic crises and sociopolitical problems engulfing the country. Nevertheless, the current IMF projections should serve as a clarion call for policy makers to promptly institute strategic policy interventions, thereby averting the looming risk of sliding into another recession in the forthcoming years. This projection holds particularly salient implications for the incumbent administration, which assumed office with a commitment to achieving an annual economic growth rate of 6 percent. Concurrently, this administration inherited a constellation of macroeconomic predicaments, ranging from escalating debt levels and servicing obligations to the persistent volatility in exchange rates and skyrocketing inflation rate. As an imperative response, the government must accord foremost priority to effecting comprehensive macroeconomic reforms, encompassing both fiscal and monetary policy reforms. In addition to these policy reforms, strategic investments in pivotal sectors of the economy demand immediate attention. These sectors possess the latent potential to stimulate economic activity and engender substantial growth in terms of revenue generation.

Domestic and Foreign Portfolio Exhibited Mixed Performance Over Time

A report by the Nigerian Exchange Limited (NGX) pertaining to the performance evaluation of domestic and foreign portfolio investments showed a mixed outlook. According to the report, the total transactions recorded as of June 30, 2023, was a substantial increase of 25.96 percent, surging from N322.92 billion in May 2023, to N406.75 billion in June 2023. Comparing the performance of June 2023 with that of June 2022, which registered at N156.52 billion, the report showed a remarkable upswing of 159.87 percent in total transaction volumes. A comparative analysis between transactions executed by domestic investors (DIs) and foreign investors (FIs) revealed a superior performance by DIs, showcasing an outperformance margin of 78 percent. Furthermore, an in-depth analysis of the transactional activity spanning from May to June 2023 revealed that total domestic transactions experienced a commendable upsurge of 26.34 percent, rising from N285.76 billion in May to N361.01 billion in June 2023. Similarly, the complete foreign transactions demonstrated a significant increase of 23.09 percent, progressing from N37.16 billion to N45.74 billion during the transition from May 2023 to June 2023. However, when observing the trajectory over the past sixteen years, the report indicated a decline in domestic transactions by 45.30 percent, dwindling from N3.556 trillion in 2007 to N1.945 trillion in 2022. In parallel, foreign transactions have also exhibited a downturn of 38.47 percent, declining from N616 billion to N379 billion over the same periods. These performance patterns within the domestic and foreign portfolio investment underscore the exigency for consistent reforms within the financial sector of the Nigerian economy. Also, given the intricate interplay of socioeconomic and political factors that potentially contribute to this mixed performance, it becomes evident that a robust framework of macroeconomic and financial policies assumes paramount importance. These measures are indispensable in fostering robust investor confidence within Nigeria's financial sector.

ECONOMIC SNAPSHOT		
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 $Million)	691.23	NA
External Debt (FGN & States- N’Trillion)	18.70	19.64
Domestic Debt (FGN + States & FCT N’Trillion)	27.55	30.21
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	May ’22	May ’23
Headline Inflation (%)	17.71	22.41
Food Sub-Index (%)	19.50	24.82
Core Sub-Index (%)	14.21	19.83
External Reserves (End Period) (US$ 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	238.11
Diesel (AGO -N/Litre)	238.82	844.28
Kerosene (HHK -N/Litre)	679.54	1,206.05
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	3,921.35	4,360.69
MPR (%)	13.0	18.50
CRR (%)	27.5	32.5
T-Bill Rate (%)	2.47	2.98
Savings Deposit Rate (%)	1.37	5.13
Prime Lending (%)	11.96	14.07
Maximum Lending (%)	27.37	28.31
Narrow Money (N’Trillion)	20.56	22.27
Broad Money (N’Trillion)	48.51	55.50
Net Domestic Credit (N’Trillion)	56.51	74.91
Credit to the Government (Net) (N’Trillion)	18.05	30.69
Credit to the Private Sector (N’Trillion)	38.46	44.21
Currency in Circulation (N’Trillion)	3.331	2.527
FAAC (N’Billion)	833.86	NA

NA: Not Available

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