



**NIGERIA
ECONOMIC
UPDATE**

**Weekly
Digest**

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IMF Retains Nigeria's 2023 growth projection

The International Monetary Fund (IMF), has retained Nigeria's economic growth projection for 2023 at 3.2 percent in its recent world economic outlook update, titled "A Rocky Recovery," for April 2023.¹ However, the IMF increased the country's economic growth projection for 2024 to 3.0 percent from the 2.9 percent it specified in its January update, which implies that growth will slow down by 0.2 percent in 2024, from 3.2 percent recorded in 2023. According to the IMF, global economic growth is expected to fall from 3.4 percent in 2022 to 2.8 percent in 2023, before reaching 3.0 percent in 2024. To achieve this level of growth, the government should focus on implementing policies that promote economic stability and sustainable growth. These policies should also target the root causes of inflation, such as food prices, forex scarcity, and supply-side bottlenecks, to keep inflation low, as it impedes growth. The government should raise revenue production by decreasing chronic revenue leakages in various sectors of the economy to improve debt sustainability despite having a high debt profile. Widening the tax base, enhancing tax compliance, and lowering tax exemptions are a few examples of achieving this. Hence, the government could manage future deficits to a reasonable level and pursue surpluses if these measures are properly implemented. Furthermore, to mitigate the risks from the volatility of the oil market, which the country is highly dependent on, the government should prioritize policies that support the growth of the non-oil sector, such as investing in infrastructure, improving the ease of doing business, and providing incentives for private sector investment. The country will meet or surpass the anticipated growth rate if these steps are adopted.

DMO to Auction N360bn FGN bonds

The Debt Management Office has stated that it will auction N360 billion worth of FGN Bonds to domestic investors in April 2023, in line with the Federal government's efforts to borrow to fund the 2023 budget. From the offering circular released by the DMO, it plans to auction N360 billion worth of FGN bonds, with the auction date scheduled to be on April 17, 2023, and the settlement will hold on April 19, 2023. The bonds are to be auctioned in four tranches and are as follows: an N90 billion bond with a yield of 13.98 percent and maturing in February 2028 (10-Yr Re-opening); an N90 billion bond with a yield of 12.5 percent and maturity in April 2032 (10-Yr Re-opening); N90 billion bond with a yield of 13 percent and maturity in January 2042 (20-Yr Re-opening); and N90 billion tranche with a yield of 12.98 percent in March 2050 (30-Yr Re-opening). The funds to be raised through FGN Bonds will be used to fund part of the deficit in the 2023 budget. However, raising finance through bonds will increase the country's debt profile when issued and reduce domestic funds available. Consequently, the government must exercise caution when issuing domestic bonds to avoid crowding out funds from domestic firms requiring these assets. A stronger framework for managing debt is also required because the rising public debt could result in a debt overhang. To avoid this, it is important to improve domestic revenue mobilization to halt the expansion of public debt. This could be accomplished by enlarging the tax base and enforcing tax compliance to boost revenue. Additionally, money raised through fundraising schemes like bonds needs to be used wisely to prevent revenue leaks that could have devastating effects on the health of the economy, such as skyrocketing debt levels caused by an inability to pay off current and future debt commitments.

Nigeria's oil production drops in March 2023

Data from the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) has shown that Nigeria recorded its first decline in crude oil production in six months in March 2023. According to the data, the country's crude oil production declined to 1.26 million barrels per day (bpd) in March 2023, a 2.9 percent decrease from the over 1.3 million bpd recorded in February 2023. While the Organisation of Petroleum Exporting Countries (OPEC) production quota allocated to Nigeria remains at about 1.8 million bpd, the country's output is still short of the cartel's expectation. Nigeria has been unable to meet its OPEC production in the past two years, blaming crude oil theft in the Niger Delta for the development and obsolete infrastructure. To ensure Nigeria's crude oil production maintains a positive trajectory, the government should improve its deployment of security infrastructure to protect critical oil installations, which proved effective in the past months, as output increased for consecutive months after security was improved. The increase in oil output depends on large investments to replace outdated infrastructure with newer ones and strict security to prevent oil theft. Consequently, plans must be made to increase Nigeria's capacity for refining by repairing existing refineries and constructing new ones in order to constrict the importation of refined petroleum products from other countries. Ultimately, policymakers must ensure that the basic infrastructure needed to enhance domestic oil production is provided. Adopting this measure is vital because oil is the major source of earnings for the country, therefore, any drop in the revenue from crude oil exports must be avoided at all costs.

ECONOMIC SNAPSHOT		+	
Quarterly Indicators	'22Q3	'22Q4	
GDP Growth Rate (%)	2.25	3.52	
Oil GDP (%)	-22.67	-13.38	
Non-oil GDP (%)	4.27	4.44	
Unemployment Rate (%)	NA	NA	
Foreign Direct Investment (US \$ Million)	NA	NA	
Portfolio Investment (US \$Millions)	NA	NA	
Other Investment (US \$Million)	NA	NA	
External Debt (FGN & States- N'Trillion)	17.15	NA	
Domestic Debt (FGN + States & FCT N'Trillion)	26.92	NA	
Manufacturing Capacity utilization (%)	NA	NA	
Monthly Indicators	Jan '22	Jan '23	
Headline Inflation (%)	15.60	21.82	
Food Sub-Index (%)	17.13	24.32	
Core Sub-Index (%)	13.87	19.16	
External Reserves (End Period) (US\$ Billion)	40.04	36.99	
Official Rate Approx. (N/US\$)	414.11	461.00	
BDC Rate Approx. (N/US\$)	NA	NA	
Manufacturing PMI	51.4	NA	
Non-Manufacturing PMI	49.01	NA	
Average Crude Oil Price (US\$/Barrel)	88.71	84.78	
Petrol (PMS-N/litre)	166.40	257.12	
Diesel (AGO -N/Litre)	288.09	828.82	
Kerosene (HHK -N/Litre)	437.11	1,153.40	
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	3,657.57	4,588.75	
MPR (%)	11.50	17.50	
CRR (%)	27.5	NA	
T-Bill Rate (%)	2.49	1.39	
Savings Deposit Rate (%)	1.25	4.29	
Prime Lending (%)	11.68	27.63	
Maximum Lending (%)	27.65	NA	
Narrow Money (N'Million)	18.59	20.96	
Broad Money (N'Million)	45.09	52.97	
Net Domestic Credit (N'Million)	50.09	68.90	
Credit to the Government (Net) (N'Million)	14.90	24.65	
Credit to the Private Sector (N'Million)	35.18	42.25	
Currency in Circulation (N'Million)	3.288	1.386	
FAAC (N'Billion)	766.47	NA	

NA: Not Available

1. IMF (2023). A Rocky Recovery. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>
2. DMO (2023) Offer Circular. Retrieved from <https://www.dmo.gov.ng/fgn-bonds/bonds-offer-circular/4247-april-2023-fgn-bond-offer-circular/file>
3. NUPRC (2023). Production Data. Available at <https://www.nuprc.gov.ng/wp-content/uploads/2023/04/JAN-TO-DEC-PRODUCTION.xlsx>

