



NIGERIA ECONOMIC UPDATE

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Digest

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GDP Growth Fell by 1.21% in the First Quarter 2023

The Nigerian economy grew by 2.31 percent in the first quarter of 2023, according to a report by the National Bureau of Statistics (NBS) released in May 2023. However, compared to the fourth quarter's GDP growth, which was 3.52 percent, this represents a fall of 1.21 percentage points. Compared to the first quarter's economic growth of 3.11 percent the year before, GDP growth decreased by 0.80 percentage points annually. The fall in GDP is attributed to the cash shortage experienced throughout the first quarter of the year coupled with ongoing macroeconomic crises like soaring inflation and unstable exchange rates. It is known that the Central Bank of Nigeria's (CBN) monetary policy of removing old currency from circulation caused a shortage of cash, which undermined real demand and decreased economic activity. According to the NBS report, the services sector rose by 4.35 percent and accounted for around 57.29 percent of the total [GDP](#). Contrarily, the agricultural sector experienced a decline of 0.90 percent, providing 21.66 percent in the first quarter of 2023. However, there has been a slight increase in the industrial sector, which increased by 0.31 percent compared to the -6.81 percent sector reported in the first quarter of 2022. With a contribution of 21.05 percent, the industrial sector made the smallest contribution to the total GDP. As mentioned, the services sector continues to be the main driver of the Nigerian economy, including the country's overall GDP in the first quarter of 2023. The new administration would need to act quickly to diversify the economy and prepare it to withstand internal and foreign shocks.

Petroleum Product Prices Outlook was Mixed in April 2023

According to data from the National Bureau of Statistics (NBS), pricing for petroleum products appeared mixed in April 2023. The data showed that the average price for Premium Motor Spirit (PMS), often known as petrol, declined from N264.29 in March to N254.06 in April 2023, a monthly decrease of [3.87%](#). [Household kerosene \(HNK\)](#) and [automobile petrol oil \(diesel\)](#) prices climbed by 1.56 percent and 0.17 percent monthly, respectively, from N1,142.46 and N840.81 in March 2023 to N1160.67 and N842.25 in April 2023. When compared to April of the previous year, petroleum product prices rose typically on an annual basis in 2023. A litre of PMS cost N172.61 on average in April 2022 but N254.06 in April 2023, an increase of 47.18 percent. Similarly, the prices of HNK and diesel increased from N589.82 and N654.46 in April 2022 to N1,160.67 and N842.25 in April 2023, reflecting 96.79% and 28.69%, respectively. The rise in petroleum product prices harm economic actors, particularly businesses and consumers. The prices of petroleum products, particularly HNK and diesel, could increase production costs, increasing the prices of goods firms produce. The rising cost of food and the skyrocketing price of HNK, which most households still use to heat their homes and prepare their meals, will hurt household welfare. Ensuring local production of petroleum products is the only solution to the problem of the ongoing rise in the prices of these items. It is anticipated that the recent commissioning of Dangote's refinery in Lagos, Nigeria, along with the efforts of the next administration to revamp the local refineries, will stabilize the ongoing rise in the prices of petroleum products. Therefore, it is expected that stable pricing will make it easier for households and businesses to conduct business, which will accelerate economic growth.

CBN Raised MPR by 50 Basis Points to 18.5

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria, in its 148th meeting, raised the Monetary Policy Rate (MPR) from 18.0 to 18.5 representing 50 basis points increase. The decision was taken after the committee assessed the local and global economic conditions. However, the Apex Bank kept the other monetary policy tools, such as the liquidity rate and the cash reserve requirement, at their former levels of 30% and 32.5 percent, respectively. Additionally, the Bank kept the [MPR's](#) asymmetrical of +100/-700-basis-point. The Apex Bank has recently increased the MPR to stop inflation from skyrocketing. The Bank cited growing food prices as a major contributor to inflation in the nation as justification for the hike in MPR. Other economic concerns include pressure on the exchange rate, an expected increase in energy prices, and ongoing challenges with insecurity. Despite the ongoing increase in MPR to control inflation, the inflation rate has remained stubbornly high, indicating that raising MPR alone may not be the primary tool to stop the inflation rate from rising. It is suggested that the Bank employ additional structural methods to address the inflation issue. However, the monetary policy authority may collaborate with the fiscal policy authority to handle crises related to food inflation that cause inflation. Additionally, supporting local production of most imported items would significantly lower import inflation, another source of domestic inflation. If policymakers work together as planned, there would be no need to frequently raise the MPR to control inflation because prices would be stable enough for market movements to adapt as needed.

ECONOMIC SNAPSHOT		
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Quarterly Indicators	'22Q3	'22Q4
GDP Growth Rate (%)	2.25	3.52
Oil GDP Growth Rate (%)	-22.67	-13.38
Non-oil GDP Growth Rate (%)	4.27	4.44
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	81.72	84.23
Portfolio Investment (US \$Millions)	442.08	285.26
Other Investment (US \$Million)	635.87	691.23
External Debt (FGN & States- N^oTrillion)	17.15	18.70
Domestic Debt (FGN + States & FCT N^oTrillion)	26.92	27.55
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^oTrillion)	18.59	20.96
Broad Money (N^oTrillion)	45.09	52.97
Net Domestic Credit (N^oTrillion)	50.09	68.90
Credit to the Government (Net) (N^oTrillion)	14.90	24.65
Credit to the Private Sector (N^oTrillion)	35.18	42.25
Currency in Circulation (N^oTrillion)	3.288	1.386
FAAC (N^oBillion)	766.47	NA

NA: Not Available

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