



**NIGERIA
ECONOMIC
UPDATE**

Weekly

Digest

www.cseaafrica.org



March 15th, 2024. Issue 9

CBN raises MPR to 22.75% and CRR to 45%

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN), in its [293rd meeting](#) held on the 27th of February, raised the Monetary Policy Rate (MPR) by 400 basis points, from 18.75 percent to 22.75 percent. The MPR is the benchmark interest rate set by the CBN for commercial banks to disburse loans to businesses and individuals. The committee also agreed to raise the Cash Reserve Ratio (CRR), the percentage of a commercial bank's deposits that it must keep in reserve, from 32.5 percent to 45 percent. The concurrent increase in MPR and CRR is in a bid to curb lingering inflation pressure. With the inflation rate at 29.90 percent in January 2024, this recent development is theoretically in the right direction and is coming weeks after the CBN halted its quasi-fiscal measures, which are believed to be contributing to inflationary pressures. However, the inability of the tightening monetary policies to reduce the inflation rate, especially the increase in MPR since May 2022, questions the effectiveness of these tools and begs the question, "Are price levels interest-sensitive?" Similarly, the significant increase in CRR will constrain bank lending and financial intermediation roles of banks, putting the private sector and Micro Small and Medium Enterprises (MSMEs) at high risk of access to credit. High inflationary pressures, which have ravaged the country recently, are not solely monetary and can also be traced to supply-side factors such as insecurity, high energy and transportation costs, and exchange rate challenges, amongst others. Hence, the central bank should work together with fiscal authorities to stabilize the foreign exchange market through proper reforms. In addition, effective government interventions in improving security will enhance the effectiveness of monetary policy tools in taming inflation.

CBN sells Treasury bills to Curb Inflation

On March 6, 2024, the Central Bank of Nigeria (CBN) sold Treasury Bills (TBs) worth N1.3 trillion. [Treasury Bills](#) are short term debt instruments used by CBN to borrow money from the public for the federal government and to control money supply in the economy. The bills were issued in 3 tenors: TBs worth N14.4 billion for 91 days with a maturity date of June 6, 2024, N10.5 billion for 182 days with a maturity date of September 5, 2024, and N312.9 billion for 364 days with a maturity date of March 6, 2025. The interest rates of the bills stood at 17.24 percent for 91 days, 18 percent for 182 days, and 21.49 percent for 364 days. All tenors of the treasury bill were over-subscribed at very significant levels, indicating the strong confidence of investors in the ability of the apex bank to repay upon maturity of the bill. The rollout of treasury bills by the CBN solidifies the bank's stand to curb inflation and aligns with the IMF's recent recommendation to further tighten monetary policy by withdrawing excess liquidity using short-term instruments. The instrument is also an avenue for the Central Bank to raise funds for the government's operations - infrastructure projects, and other budgetary needs. However, it is pertinent that the apex bank be cautious of the rising debt levels in the nation to avoid a debt trap. Additionally, the government should emphasize accountability and transparency when allocating and utilizing funds obtained through these instruments, to ensure that they are used only for necessary projects and programs.

Nigeria's Gross Domestic Product (GDP) grows by 3.46% in Q4 2023

According to the National Bureau of Statistics (NBS), Nigeria's Gross Domestic Product (GDP) grew by 3.46 percent in Q4 2023, an increase of 0.92 percentage points from 2.54 percent growth rate recorded in Q3 2023. However, it is a 0.06 percentage points decrease from 3.52 percent growth rate in Q4 2022. At the disaggregated level, in Q4 2023, services accounted for 56.55 percent of the GDP, the agricultural sector accounted for 26.11 percent, and the industrial sector contributed 17.34 percent. In addition, the non-oil sector contributed 95.3 percent to the nation's Q4 2023 GDP and grew by 3.07 percent. The oil sector contributed 4.70 percent and grew by 12.11%. This is the first time oil output experienced positive growth since Q2 2020. On an annual basis, Nigeria recorded a GDP growth rate of 2.74 percent in 2023, a 0.36 percentage points decline from 3.10 percent growth rate recorded in 2022. Although growth was recorded in the fourth quarter, the annual growth rate suggests a slowdown in economic expansion over the year, which could be attributed to several challenges hindering economic growth and productivity across sectors including epileptic power supply, insecurity, and exchange rate instability. To accelerate the rate of growth to double digits, the government should implement structural reforms to improve the business environment, which would result in a reliable power supply, predictable exchange rate, and improved security of lives and properties.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'23Q3	'23Q4
GDP Growth Rate (%)	2.54	3.46
Oil GDP Growth Rate (%)	-0.85	12.11
Non-oil GDP Growth Rate (%)	2.75	3.07
Unemployment Rate (%)	5	NA
Foreign Direct Investment (US \$ Million)	59.77	183.97
Portfolio Investment (US \$Millions)	87.11	309.76
Other Investment (US \$Million)	507.77	594.74
External Debt (FGN & States- N'Trillion)	31.98	NA
Domestic Debt (FGN + States & FCT N'Trillion)	55.93	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	December '23	January '24
Headline Inflation (%)	28.92	29.90
Food Sub-Index (%)	33.93	35.41
Core Sub-Index (%)	23.06	23.59
External Reserves (End Period) (US\$ Billion)	32.91	33.37
Official Rate Approx. (N/US\$)	898.39	940.75
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US\$/Barrel)	79.11	81.50
Petrol (PMS-N/litre)	671.86	668.30
Diesel (AGO -N/Litre)	1,126.69	1,153.01
Kerosene (HHK -N/Litre)	1,362.27	1,329.53
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	4,962.87	5139.25
MPR (%)	18.75	18.75
CRR (%)	32.5	32.5
T-Bill Rate (%)	8.93	4.33
Savings Deposit Rate (%)	5.28	5.28
Prime Lending (%)	14.17	27.07
Maximum Lending (%)	26.62	NA
Narrow Money (N'Trillion)	29.72	31.23
Broad Money (N'Trillion)	78.31	92.87
Net Domestic Credit (N'Trillion)	96.18	113.10
Credit to the Government (Net) (N'Trillion)	33.66	36.16
Credit to the Private Sector (N'Trillion)	62.51	76.93
Currency in Circulation (N'Trillion)	36.53	36.50
FAAC (N'Trillion)	1.18	1.14

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.

REFERENCES

1. CBN (2024). Monetary Policy Communique No. 150. Retrieved from <https://www.cbn.gov.ng/Out/2024/CCD/MPC%20Communique%20No%20150%20of%20the%20CBN%20Feb%202024.pdf>
2. NBS (2024). National Gross Domestic Product Q4 2024. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241460>
3. CBN (2024). Government Securities Summary. Retrieved from: <https://www.cbn.gov.ng/rates/GovtSecuritiesDrillDown.asp>