



**NIGERIA  
ECONOMIC  
UPDATE**

**Weekly**

**Digest**

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## [Transport Fares Increase in March 2024](#)

Transport fares across most modes of transportation in Nigeria witnessed an increase in March 2024. The Transport fare [Watch](#) of the National Bureau of Statistics (NBS) revealed that the average fare paid by passengers for bus journey within the city per drop increased from N951.76 in February 2024 to N969.32 in March 2024, representing a 1.85% increase on a month-on-month basis. Similarly, the average fare paid by commuters for bus intercity per drop rose to N7,152.97 in March compared to N7,002.97 in February 2024, indicating an increase of 2.14%. The air transport fare increased to N88,964.86 in March 2024 from N88,000 recorded in March 2023, an increase of 1.1%. However, transport fare for water transport recorded a decline in the period, falling by 0.82% from N1,395.81 in February 2024 to N1,384.32 in March 2024. The rise in transportation costs in most modes of transportation is due to the high cost of fuel and related energy products, driven mainly by the depreciation of the currency. Rising transport costs is one of the major propellers that continuously fuels inflation, undermining all attempts by authorities, particularly the Central Bank of Nigeria (CBN), to control inflation. The government should ensure that the exchange rate is stable and reduce importation of petroleum products. Continuous importation of petroleum products will make the transportation industry vulnerable to fluctuations in the exchange rate and the global oil market. The government should also increase its investment in the transport sector, especially in creating a more reliable and efficient rail transport system as it is an affordable means of transportation.

## [Crude Oil Prices Increase in the International Market in March 2024](#)

According to OPEC's monthly [report](#) on crude oil movement, the price of crude oil rose significantly in the global market in March 2024. In particular, the OPEC Reference Basket increased by 3.7 percent (\$2.95) from \$81.23 per barrel in February to \$84.22 per barrel. Similarly, the monthly averages for ICE Brent and New York Mercantile Exchange (NYMEX) Western Texas Intermediate (WTI) rose from \$81.72 per barrel and \$76.61 per barrel in February to \$84.67 per barrel and \$80.41 per barrel, respectively in March. The Nigeria's Bonny Light also increased, month-on-month, by 2.6% percent (\$2.21), rising from \$85.65/barrel in February to \$87.86/barrel in March. The rise in crude oil prices is majorly a result of increased global geopolitical tensions which also leads to very high expectations of a more constrained supply-demand dynamics for the rest of 2024. The increase in crude oil prices is expected to benefit oil-producing countries in the form of higher foreign exchange earnings and government revenues that can be used for infrastructure projects and social welfare programs. However, this scenario poses a complex situation for Nigeria, which operates as both an importer of refined petroleum products and an exporter of crude oil. Although the government is expected to receive more revenue, the cessation of Premium Motor Spirit (PMS) subsidies, high petroleum product landing costs, and the fluctuation in the currency rates may cause citizens to pay more for refined petroleum products. Hence, it has not been more pertinent than now for the Nigerian government to provide systems for local production of petroleum products so that benefits from crude oil resources can be fully realized. The recent opening of the Dangote Refinery is a step in the right direction, and other investors should be incentivized to invest in the downstream oil industry.

## [CBN reduces Loan-to-Deposit Ratio \(LDR\) to 50%](#)

The Central Bank of Nigeria (CBN), in a recent [letter](#), has announced the reduction of the Loan-to-Deposit Ratio (LDR) of commercial banks from 75 percent to 50 percent, indicating a decline of 15 percentage points. The LDR, a tool used by the CBN to influence the lending behaviour of commercial banks, is the ratio of a bank's total loans to its total deposits. A low LDR means banks will lend out smaller portions of its deposits, and vice versa. The central bank's move to reduce the value of LDR is part of its approach to maintain monetary tightening in the economy. This new development implies that banks will hold a higher proportion of their deposits as reserves and may now be able to meet short-term obligations and unexpected withdrawals. Also, banks will now prioritize creditworthy borrowers and equally face lesser pressure in meeting the requirements of the CBN. However, this will lead to a decrease in overall credit available to Micro, Small and Medium Enterprises (MSMEs) who often resort to banks for loans. With such reduction of flow of funds into productive sectors of the economy, coupled with the recent increase in the Monetary Policy rate (MPR) to 24.75%, economic growth could be severely hindered. It is, therefore, important for the central bank to also consider more measures to counter the negative effect of this development on the real sector. This may include incentives to encourage banks to lend to key sectors of the economy such as agriculture and manufacturing.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'23Q3</b>	<b>'23Q4</b>
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	97.34
Domestic Debt (FGN + States & FCT N'Trillion)	55.93	87.91
Manufacturing Capacity utilization (%)	NA	NA
<b>Monthly Indicators</b>	<b>February '24</b>	<b>March '24</b>
Headline Inflation (%)	31.70	33.20
Food Sub-Index (%)	37.92	40.01
Core Sub-Index (%)	25.13	25.90
External Reserves (End Period) (US\$ Billion)	34.71	33.82
Official Rate Approx. (N/US\$)	1505.92	1510.34
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US\$/Barrel)	81.23	84.22
Petrol (PMS-N/litre)	679.36	696.79
Diesel (AGO -N/Litre)	1257.06	1341.16
Kerosene (HHK -N/Litre)	1340.94	1354.40
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	6154.50	6591.62
MPR (%)	22.75	24.75
CRR (%)	40	45
T-Bill Rate (%)	17.03	NA
Savings Deposit Rate (%)	5.86	NA
Prime Lending (%)	15.06	NA
Maximum Lending (%)	26.55	NA
Narrow Money (N'Trillion)	30.27	NA
Broad Money (N'Trillion)	95.55	NA
Net Domestic Credit (N'Trillion)	114.78	NA
Credit to the Government (Net) (N'Trillion)	33.92	NA
Credit to the Private Sector (N'Trillion)	80.86	NA
Currency in Circulation (N'Trillion)	36.93	NA
FAAC (N'Trillion)	2.07	1.12

NA: Not Available

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