



NIGERIA ECONOMIC UPDATE

Weekly

Digest

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Inflation surges to 31.70%

According to the National Bureau of Statistics (NBS) CPI and Inflation [report](#), headline inflation in February 2024 rose to 31.70% from 29.90% recorded in January, representing 1.80% points increase. Year-on-year (YoY), the headline inflation rose 9.79% points higher than the rate of 21.91% recorded in February 2023. Urban inflation surged to 33.66%, representing a 10.87% points increase YoY and a 0.45% points increase Month-on-Month (MoM). Moreover, Rural inflation rose to 29.99%, representing an 8.89% points increase YoY from 21.10% recorded in February 2023 and a 0.50% points increase MoM from 28.1% recorded in January 2024. Additionally, the food inflation rate rose to 37.92% on a year-on-year basis, which was 13.57% points higher compared to the rate recorded in February 2023 (24.35%). The rising inflation rate means that, on average, people need more money than they did a month ago to buy the same basket of goods and services, thereby worsening the standard of living. Nigeria's inflation rate is largely driven by various factors, including depreciation of the Naira which has increased the price of imports, disruptions in the country's food supply chain, insecurity, increased transportation costs, and low agricultural productivity. Hence, the government must urgently tackle inflationary pressures. This should include addressing factors that disrupt food supply such as insecurity, flooding, transportation costs, etc. Also, it is crucial to support domestic firms to boost local production to reduce inflationary pressure from imports. It is also important for the CBN and fiscal authorities to synergize monetary and fiscal policies. Otherwise, increase in the MPR by the monetary authorities would have limited impact on inflation.

FAAC allocation rose to N2.07 trillion against N1.67 trillion disbursed in January

In February 2024, the Federation Account Allocation Committee ([FAAC](#)) distributed a total of ₦2.07 trillion to the three tiers of government – federal, state, and local from revenue generated in January 2024. This represents a 23.95% increase compared to the previous month's allocation. This increase can be attributed to several factors including increased revenue and exchange rate depreciation. A further breakdown shows that the disbursement comprises of ₦1.15 trillion from the Statutory Account, ₦479.03 billion from Exchange Gain, ₦16.59 billion from Electronic Money Transfer Levy (EMTL), and ₦420.73 billion from Value Added Tax. A total of ₦407.27 billion was allocated to the Federal Government, ₦379.41 billion to State Governments, and ₦278.04 billion to Local Governments. Similarly, the sum of ₦85.10 billion was shared among the oil-producing states from the 13% derivation fund. The cost of revenue collection for various agencies were as follows; Nigeria Customs Service (NCS) - ₦16.27 billion, Federal Inland Revenue Service (FIRS) - ₦43.35 billion, and Nigerian Upstream Petroleum Regulatory Commission (NUPRC) - ₦18.68 billion. Furthermore, a quarter of the fund - ₦598.5 billion was transferred to non-oil excess account, which is a welcome development. This increase implies that more resources will be available at all three tiers of the government to stimulate economic growth through increased government expenditure on essential services, human capital, and infrastructure projects that have multiplier effects on the economy.

Foreign Reserves rose to \$34.39 billion as Naira gains in the parallel market

Nigeria's external [reserves](#) rose slightly to \$34.49 billion on March 21, 2024. The increment could be attributed to multiple factors including inflow of foreign capital and an increase in global oil prices. Given the crucial role of foreign reserves in fulfilling import obligations and stabilizing exchange rates, the government must prioritize initiatives to bolster reserves and prevent depletion. A stronger Naira against the US Dollar hinges on the country's foreign reserve levels. Additionally, diversifying export earnings beyond crude oil sales, the primary source of foreign earnings, is imperative. Increasing exports from sectors like manufacturing can mitigate the volatility in foreign reserves caused by fluctuations in the oil market, upon which Nigeria heavily relies for foreign earnings. Achieving this requires creating a conducive business environment, addressing security challenges, ensuring accessible and reliable electricity, easing port congestion, and streamlining export processes, among other measures. While these measures will contribute to an increase in the competitiveness of Nigeria's products in the international markets, it would also improve investors' confidence in the economy, which in turn, would increase inflow of foreign capital and bolster the foreign exchange reserves.

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	January '24	February '24
Headline Inflation (%)	29.90	31.70
Food Sub-Index (%)	35.41	37.92
Core Sub-Index (%)	23.59	25.13
External Reserves (End Period) (US\$ Billion)	33.37	34.71
Official Rate Approx. (N/US\$)	940.75	1505.92
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US\$/Barrel)	81.50	86.07
Petrol (PMS-N/litre)	668.30	679.36
Diesel (AGO -N/Litre)	1,153.01	1257.06
Kerosene (HHK -N/Litre)	1,329.53	1340.94
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	5139.25	NA
MPR (%)	18.75	22.75
CRR (%)	32.5	40
T-Bill Rate (%)	4.33	17.03
Savings Deposit Rate (%)	5.28	5.86
Prime Lending (%)	27.07	26.55
Maximum Lending (%)	27.63	26.55
Narrow Money (N'Trillion)	31.23	NA
Broad Money (N'Trillion)	92.87	NA
Net Domestic Credit (N'Trillion)	113.10	NA
Credit to the Government (Net) (N'Trillion)	36.16	NA
Credit to the Private Sector (N'Trillion)	76.93	NA
Currency in Circulation (N'Trillion)	36.50	NA
FAAC (N'Trillion)	1.67	2.07

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.

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