CSEA
CENTRE FOR THE STUDY OF THE ECONOMIES OF AFRICA

Weekly Digest

February 5th, 2024. *Issue 5*

Headline PMI Stands at 54.5 in January 2024

The headline Purchasing Managers' Index (PMI) increased from 52.7 in December 2023 to 54.5 in January 2024, according to data from the Stanbic IBTC PMI report for January 2024. This suggests a notable improvement in business conditions. According to the report, the recovery in new orders, which began in December, gathered momentum in January. There was an increase in the number of new businesses. Similarly, business activity improved, and companies expanded their purchasing activities, with input stockpiles reflecting plans for further output improvements in the coming months. However, employment grew slowly during the same period of strengthening recovery, amid reports that firms were having difficulty paying employees. The Nigerian government should bolster the PMI by creating a business-friendly atmosphere through the reduction of red tape, and the provision of specific financial incentives that may encourage additional expansion in the private sector. This can be achieved through partnering with financial institutions who may provide additional funds in form of guarantees and tax credits. The government should also prioritise building and maintaining infrastructure to enhance logistics and facilitate the timely delivery of products and services. While businesses continue to thrive in the face of rising inflation and a weakened currency, there is a need for the government to address these issues to sustain the growth outlook and avert job losses.

IMF Forecast Nigeria's 2024 Economic Growth at 3.0 percent

The International Monetary Fund (IMF) in its World Economic Outlook Update released in January 2024, estimated that Nigeria grew at 2.8 percent in 2023 and reviewed its 2024 economic growth forecast downward by 0.1 percent from 3.1 percent projected in October 2023 to 3.0 percent in 2024. Persistent macroeconomic weaknesses, high levels of public debt, poor infrastructure, political unpredictability, and external shocks like rising global geopolitical tension are some possible causes of this decreased economic growth. For a country with a population growth rate of about 2.4%, the projected growth rate of 3% is not enough to lift millions of people out of poverty and boost the standard of living. In the approved 2024 budget, the Nigerian government projected that the economy would grow by 3.76 percent. The projection is 0.76 percentage points higher than the IMF projection. It is worth noting that the average growth rate for the first three quarters of 2023 stood at 2.45 percent, which is 1.3 percentage points lower than the projected growth rate of 3.75 percent. Achieving and surpassing the 2024 growth projection would be the first step in boosting the living standard of Nigerians. Hence, there is an urgent need for the gov-ernment to address binding constraints to growth – macroeconomic uncertainty, insecurity, and power outages. Policymakers in Nigeria will have to focus on implementing structural reforms, enhancing fiscal discipline, and improving the business environment to attract investments and foster sustainable growth. Additionally, addressing social and political stability issues can contribute to a more conducive environment for economic development in the country.

CBN Removes Allowable Limit of Exchange Rate Quoted By The International Money Transfer Operators

On the 31st of January 2024, the Central Bank of Nigeria (CBN) released a circular in line with the CBN's commitment to liberalize the Nigerian Foreign Exchange Market, stating that International Money Transfer Operators (IMTOs) are allowed to set exchange rates for Naira payouts to beneficiaries based on the prevailing market rates at the Foreign Exchange Market on a willing seller, willing buyer basis. As a result, the cap on the allowable limit of -2.5% to +2.5% around the previous day's closing rate of the Nigerian Foreign Exchange Market is thereby removed. The policy is part of the ongoing reforms by the CBN to ensure that rates are determined by market forces. This reform could lead to increased volatility in the exchange rates, potentially impacting import costs, inflation, and overall economic stability. On the positive side, the policy is expected to close the gap between official and parallel exchange rates and potentially lead to an increase in foreign currency inflows through official channels. This, in turn, is expected to address the scarcity of foreign currency within the economy. To effectively resolve currency fluctuations associated with flexible exchange rate management, authorities should monitor exchange rate changes and consider implementing volatility-reducing measures. Also, there is a need to improve export earnings, both from oil and non-oil sectors. Otherwise, the currency is vulnerable to speculative attacks, which would result in continuous depreciation of the domestic currency against foreign currencies. Furthermore, there is a need for continuous efforts to enhance transparency and governance in the foreign exchange market.

ECONOMIC SNAPSHOT		
Quarterly Indicators	**'23Q2**	**'23Q3**
GDP Growth Rate (%)	2.51	2.54
Oil GDP Growth Rate (%)	–13.43	-0.85
Non-oil GDP Growth Rate (%)	3.58	2.75
Unemployment Rate (%)	4.2	NA
Foreign Direct Investment (US $ Million)	86.03	59.77
Portfolio Investment (US $Millions)	106.85	87.11
Other Investment (US $Million)	837.34	507.77
External Debt (FGN & States- N'Trillion)	33.25	31.98
Domestic Debt (FGN + States & FCT N'Trillion)	54.13	55.93
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	**December '22**	**December '23**
Headline Inflation (%)	21.34	28.92
Food Sub-Index (%)	23.7	33.93
Core Sub-Index (%)	18.21	23.06
External Reserves (End Period) (US$ Billion)	37.08	32.91
Official Rate Approx. (N/US$)	445.42	851.39
BDC Rate Approx. (N/US$)	NA	1043.09
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US$/Barrel)	82.5	79.81
Petrol (PMS-N/litre)	206.19	671.86
Diesel (AGO -N/Litre)	817.86	1,126.69
Kerosene (HHK -N/Litre)	1,104.61	1,362.27
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	4,565.56	4,962.87
MPR (%)	16.5	18.75
CRR (%)	32.5	32.5
T-Bill Rate (%)	4.35	NA
Savings Deposit Rate (%)	4.13	NA
Prime Lending (%)	13.85	NA
Maximum Lending (%)	29.13	NA
Narrow Money (N'Trillion)	20.72	NA
Broad Money (N'Trillion)	51.76	NA
Net Domestic Credit (N'Trillion)	66.39	NA
Credit to the Government (Net) (N'Trillion)	22.65	NA
Credit to the Private Sector (N'Trillion)	41.74	NA
Currency in Circulation (N'Trillion)	30.12	NA
FAAC (N'Trillion)	1.18	1.09

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. S&P Global PMI (2024). Stanbic IBTC Bank Nigeria PMI. Retrieved from https://www.pmi.spglobal.com/Public/Home/PressRelease/83fc1fd0f2af46cc9329dbc2fce4362f

2. International Monetary Fund (IMF). World Economic Outlook Update (January 2024). Moderating Inflation and Steady Growth Open Path to Soft-Landing. Retrieved from https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024#:~:text=Global%20growth%20is%20projected%20at,and%20developing%20economies%2C%20as%20well

3. CBN (2024). Retrieved from: https://www.cbn.gov.ng/Out/2024/TED/Circular%20on%20allowable%20limit%20of%20exchange%20rate%20quoted%20by%20IMTOs.pdf