



**NIGERIA
ECONOMIC
UPDATE**

Weekly

Digest

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Total Debt Stock rises to N97.34 trillion in Q4 2023

The Debt Management Office (DMO), in its most recent debt [report](#), has revealed that Nigeria's total debt stock rose by 10.72 percent from N87.91 trillion in Q3 2023 to N97.34 trillion in Q4 2023. A 110 percent (N51.09 trillion) increase from N46.25 trillion was reported in Q4 2022. The quarter-on-quarter increase is mainly due to new borrowings by both federal and state governments to finance the 2023 budget deficit and repay maturing debts. Domestic debt accounted for 60.74 percent (N59.12 trillion) of the total debt whereas foreign debt accounted for 39.26 percent (N38.21 trillion) of the total debt, which is in line with the government's debt strategy. In the quarter under review, both sources of debt witnessed an increase – domestic debt rose by N3.19 trillion, and foreign debt increased by N7.28 trillion. While this might look like Nigeria embraced more foreign sources, the increment is largely due to exchange rate depreciation. The continuous increase in Nigeria's debt level can be attributed to budget deficit, naira depreciation, high-interest payments, and low revenues, among other factors. It has never been more pertinent, than now, for the government to review its debt management procedures and framework to ensure that borrowing is embraced only when necessary and that borrowed funds are deployed efficiently. Furthermore, increasing Nigeria's domestic revenue generation capacity through improved tax administration, enforcement, and compliance mechanisms can reduce the need for excessive borrowing.

CBN raises Monetary Policy Rate (MPR) to 24.75 percent

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN), in its 294th sitting on March 26, 2024, further [increased](#) the Monetary Policy Rate (MPR) by 200 basis points to 24.75 percent. Amongst other decisions, the committee also raised the Cash Reserve Ratio (CRR) of merchant banks from 10 percent to 14 percent. This decision came a month after the committee raised the MPR by 400 basis points from 18.75 percent. According to the committee, the increment in the MPR is aimed at curtailing the persistent inflationary pressures and to stabilize exchange rate fluctuations. In the past 18 months, the Monetary Policy Committee (MPC) has raised the MPR by 925 basis points. This act, although an expected theoretical response to inflation, raises the cost of borrowing and makes loans, mortgages, and credit facilities more expensive as commercial banks adjust their lending rates in response to changes in MPR. This implies that businesses will pay more in interest payments when refinancing maturing loans. Although the rise in MPR is accompanied by some efforts by the government to cushion inflation, such as the distribution of seeds and fertilizers and the release of palliatives and grains, in the absence of improved security, these efforts are not sufficient to drive down inflation. Improvement in security level remains critical in achieving a more sustainable solution, resulting in increased domestic production including agricultural produce.

Credit to the Private Sector increases to N80.86 trillion in February 2024

In its recent Money and Credit [statistics](#), the Central Bank of Nigeria (CBN) revealed that the bank's credit to the private sector increased month-on-month (MoM) by 5.99 percent from N76.29 trillion in January 2024 to N80.86 trillion in February 2024. Year-on-year, this represents a N39.11 trillion (93.67 percent) percent increase from N41.75 trillion recorded in February 2023. The data further shows that credit to the government fell by 6.2 percent from N36.17 trillion in January 2024 to N33.92 trillion in February 2024. The credit to the private sector and the government resulted in a net domestic credit of N114.78 trillion, representing a 2.06 percent MoM rise compared to N112.46 trillion in January 2024. An increase in credit to the private sector indicates potential growth in business activities, investment, and job creation. The decline in credit to the government, however, will reduce the risk of the crowding-out effect of government borrowing in the domestic financial market. The decline in credit to the government resulted in a 2.6 percentage points increase in the share of credit to the private sector to 70.4% from 67.8% in January 2024. While this is a great development, for the increment to have the desired impact on the economy, the government needs to improve the business environment and ensure that the electricity supply is constant and reliable.

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	38.21
Domestic Debt (FGN + States & FCT N'Trillion)	55.93	59.12
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	6154.50
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	30.27
Broad Money (N'Trillion)	92.84	93.96
Net Domestic Credit (N'Trillion)	113.10	114.78
Credit to the Government (Net) (N'Trillion)	36.16	33.92
Credit to the Private Sector (N'Trillion)	76.29	80.86
Currency in Circulation (N'Trillion)	36.50	36.93
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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