



**NIGERIA
ECONOMIC
UPDATE**

Weekly

Digest

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Loans account for 75% of Capital importation in Q2 2023

Data from the National Bureau of Statistics (NBS) showed that Nigeria's total capital importation stood at US\$1.03 billion in the second quarter (Q2) of 2023, representing a 32.90 percent year-on-year decline from the US\$1.54 billion recorded in Q2 2022, and a 9.04 percent decline from the US\$1.13 billion recorded in the preceding quarter (Q1, 2023). At the disaggregated level, other investments accounted for 81.28 percent (US\$837.34 million) of total capital importation in Q2 2023, while Portfolio investment and FDI accounted for less than 20 percent. Loans contributed 92 percent of other investments; the remaining 8 percent is other claims. These statistics suggest that loans accounted for 75% of total capital importation to Nigeria in the period under review. The low share of portfolio investment and FDI suggests foreign investors have low confidence in investing in Nigeria. As a result, corporate institutions substitute equity investment for loans. In addition, the quarter-on-quarter decline in total capital importation and FDI value below the pre-pandemic level indicate that the recent reforms are yet to bolster foreign investor confidence or interest in Nigeria. Low capital importation reflects weak macroeconomic conditions and may affect overall economic performance through low investment in critical sectors resulting in low infrastructural development, low economic growth, and limited job creation. Given that foreign investments complement domestic investments, the government must take intentional and strategic steps to restore confidence in the Nigerian economy. While the ongoing reforms are important, it is also crucial that the government prioritize improving security and attaining single-digit inflation.

Nigerian Currency (Naira) weakens by 40 percent

According to the [World Bank](#), the Nigerian currency (naira) has depreciated by almost 40% since the beginning of 2023. The depreciation is not only limited to Nigeria. Other African countries' currencies also depreciated, although at a low rate. The top five worst-performing currencies identified by the World Bank are Nigeria (40%), South Sudan (33%), Burundi (27%), the Democratic Republic of the Congo (18%), and Kenya (16%). Nigeria operates multiple exchange rates: the official rate and the parallel rate. The 40% depreciation was for the official rate. As of January 2023, the official exchange stood at \$1 for every N450 and stabilised at \$1 for every N462 on May 31, 2023, while the parallel rate was \$1 for every N747. This suggests that the premium on the exchange rate was 62 percent. The wide gap between the official and parallel rates discourages exports and has several implications for the country's ability to attract foreign investments. Efforts by the government to unify the exchange rate resulted in the official rate moving close to the parallel rate in July and a 40% depreciation since January. While the unification efforts were done in good faith, the backlog of demand for foreign currency, which has been the reason for the existence of the parallel rate, remains. Some estimates put it at \$6.5 billion, which, in turn, restores the gap between the official and parallel rate at 37% as of October 13. On Friday, October 13, 2023, the CBN lifted the ban on 43 items restricted from access to the official exchange rate. While the initiative might reduce pressure on the parallel rate, Nigeria's low exports, low capital importations and high imports, result in a foreign currency imbalance. A situation whereby demand for foreign currency is higher than supply. Hence, there is a need for coordination between the fiscal, monetary and trade policies to achieve a stable and predictable exchange rate.

Road traffic crashes rises in Q2 2023

The National Bureau of Statistics (NBS) [data](#) showed that the total number of road traffic crashes in Nigeria for the second quarter (Q2) of 2023 was 2,967, indicating an increase of 8.56 percent from the preceding quarter which recorded 2,733 and a 9.60 percent decrease from 3,282 in Q2 2022. Serious cases accounted for the highest number of cases in Q2 2023, with 1,919 incidents, followed by fatal cases with 756 and minor cases with 292. All three categories of cases increased in the review quarter compared to the preceding quarter. The North-Central recorded the highest number of casualties during the review period, with 3036. Increased road traffic crashes in Nigeria can be attributed to poor road infrastructure, unsafe road designs, lack of pedestrian safety, unregulated motorcycle and tricycle transport system, poor vehicle maintenance, poor emergency response system, and weak law enforcement coupled with poor driving and road safety regulations. Apart from the loss of human life, the large number of severe cases substantially impacts healthcare resources, especially in terms of higher medical costs and maintenance costs. To prevent this loss, all worn-out roads must be fixed. Also, the government should invest in creating and maintaining safe and well-designed roads that include designated lanes for pedestrians and cyclists and implement technology solutions like speed cameras. Also, there is a need for law enforcement to ensure that traffic laws are consistently enforced to promote adherence to vehicle safety standards. Furthermore, the response rate for accident victims is low and needs to be fastened to reduce life lost due to delays in emergency response systems.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'22Q4	'23Q1
GDP Growth Rate (%)	3.52	2.31
Oil GDP Growth Rate (%)	-13.38	-4.21
Non-oil GDP Growth Rate (%)	4.44	2.77
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	84.23	NA
Portfolio Investment (US \$Millions)	285.26	NA
Other Investment (US \$Million)	691.23	NA
External Debt (FGN & States- N'Trillion)	18.70	19.64
Domestic Debt (FGN + States & FCT N'Trillion)	27.55	30.21
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	May '22	May '23
Headline Inflation (%)	17.71	22.41
Food Sub-Index (%)	19.50	24.82
Core Sub-Index (%)	14.21	19.83
External Reserves (End Period) (US\$ Billion)	38.48	34.09
Official Rate Approx. (N/US\$)	415.15	461.26
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	48.9	NA
Non-Manufacturing PMI	49.9	NA
Average Crude Oil Price (US\$/Barrel)	117.17	76.91
Petrol (PMS-N/litre)	173.08	238.11
Diesel (AGO -N/Litre)	238.82	844.28
Kerosene (HHK -N/Litre)	679.54	1,206.05
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	3,921.35	4,360.69
MPR (%)	13.0	18.50
CRR (%)	27.5	32.5
T-Bill Rate (%)	2.47	2.98
Savings Deposit Rate (%)	1.37	5.13
Prime Lending (%)	11.96	14.07
Maximum Lending (%)	27.37	28.31
Narrow Money (N'Trillion)	20.56	22.27
Broad Money (N'Trillion)	48.51	55.50
Net Domestic Credit (N'Trillion)	56.51	74.91
Credit to the Government (Net) (N'Trillion)	18.05	30.69
Credit to the Private Sector (N'Trillion)	38.46	44.21
Currency in Circulation (N'Trillion)	3.331	2.527
FAAC (N'Trillion)	833.86	NA

NA: Not Available

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