



**NIGERIA
ECONOMIC
UPDATE**

Weekly

Digest

www.cseaafrica.org

January 19th, 2024. Issue 3

Private Sector Output Expands Significantly in December 2023

The Stanbic IBTC Bank Purchasing Managers Index (PMI) for December 2023 stood at 52.7, indicating a significant rise from 48.0 recorded in November 2023. The PMI, which scales between 0 to 100, is an economic indicator that measures the performance of the agriculture, mining, manufacturing, construction, wholesale, retail, and services sectors of the economy by summarizing changes in the working conditions of the private companies in these sectors. When below 50, the index indicates contraction of the private sector, whereas an index greater than 50 depicts expansion. The PMI of 52.7 signals output expansion and is the first expansion in the past three months. This notable improvement was fueled by increased output and new orders, which were reinforced by recovering customer demand. Correspondingly, job creation, backlogs of work, and vendor performance increased. However, activities in the wholesale and retail sectors faced a decline in investors' confidence. To restore investors' confidence, it is pertinent that the government creates a favourable investment climate through policy adjustments and transparent communication. The government must also sustain the output expansion by addressing pro-business infrastructure challenges, such as electricity while supporting businesses to adopt new technologies and practices that can contribute to growth.

Inflation rate hits 28.92 percent in December 2023

The National Bureau of Statistics (NBS), in its Consumer Price Index (CPI) and Inflation report for December 2023, revealed that Nigeria's headline inflation rate rose to 28.92 percent. On a Year-on-Year (YoY) basis, the figure is 7.58 percentage points higher compared to 21.34 percent recorded in December 2022 and 0.72 percentage points higher than 28.20 percent recorded in November 2023. The inflation rate is 11.76 percentage points higher than the 2023 budget assumption of 17.16 percent. The food inflation rate rose to 33.93 percent from 23.75 percent in December 2022, representing 10.18 percentage points increase. The persistent rise in Nigeria's inflation rate is due to several factors, including the rising cost of food, high transportation costs, high energy prices, high import costs, and exchange rate depreciation. These factors erode the purchasing power of consumers, increase the cost of living, and can have broader economic implications. While the government have declared the state of emergency in the food sector 6 months ago (July 13, 2023), food inflation and food insecurity have persisted. Improving agricultural resilience and security is vital in increasing food production and curtailing food inflation. Also, domestic production should be encouraged through credit access and infrastructure to address the issue of imported inflation given the high import costs from import of commodities. Enhancing reform efforts with a carefully coordinated combination of monetary, fiscal, and foreign exchange policies should be the top objective to lower inflation and achieve macroeconomic stability.

Nigeria records an average of 1.23 mb/p oil output in 2023

The monthly oil market report of the Organisation of Petroleum Exporting Countries (OPEC) for January 2023 shows that Nigeria's oil output stood at an average of 1.23 million barrels per day (mb/d) in 2023. This is an increase of 8.8 percent (0.1 mb/d) from an average of 1.13 mb/d produced in 2022. Decomposed by quarter, the highest output was recorded in Q42023 with an average of 1.31 mb/d, followed by Q12023 which had an average of 1.27 mb/d. The lowest output was recorded in Q22023 with an average of 1.14 mb/d. The outperformance in the fourth quarter resulted from the launch of the Nembe crude oil grade by the NNPC in November 2023. Although oil output increased in 2023 relative to 2022, Nigeria's oil output was below OPEC's quota of 1.7 mb/d and the 2023 budget target of 1.69 mb/d. Nigeria's consistent inability to meet OPEC's quota in the past decade led to the reduction in the 2024 quota to 1.38 mb/d therefore revealing the urgency of improving oil production in the country. With global oil demand expected to rise in 2024, Nigeria must endeavour to boost output by resuscitating the inactive oilfields. New security measures should also be implemented to reduce vandalization, illegal activities, and leakages emerging from bunkering to attract investment into the sector and boost production.

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.

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