CSEA
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Inflation persists to 29.90% in January 2024

In its recent CPI and Inflation report, the National Bureau of Statistics (NBS) revealed that Nigeria's inflation rate increased to 29.90 percent in January 2024, a 0.98 percentage points rise from 28.92 percent recorded in December 2023. On a year-on-year basis, this represents an 8.08 percentage points increase from 21.82 percent in January 2023. Food inflation increased to 35.41 percent from 33.93 percent recorded in December 2023 and 24.32 percent in January 2023. The persistent upward trend in Nigeria's inflation rate emerges from multiple factors including growth in money supply and higher prices in selected food items driven by the country's epileptic food supply chain, insecurity, rising transportation costs, and low agricultural productivity. This is further exacerbated by the depreciation of the naira which has sky-rocketed the price of imported goods, increased production costs and reduced the purchasing power of consumers. If immediate action is not taken to curb inflation and its propelling force – the depreciating exchange rate, the IMF predicts Nigeria's inflation rate could rise to 44 percent. The government should immediately address the inflationary pressures resulting from the volatile exchange rate and promote domestic manufacturing to reduce the high cost of imports to avert this situation. In the short term, it is also encouraging that the Monetary Policy Rate (MPR) was raised by the Central Bank of Nigeria (CBN) by 400 basis points to 22.75 percent to reduce inflation induced by excess liquidity. Nonetheless, excessive increment in MPR might increase the cost of borrowing to both the government and the private sector, which would adversely affect investment. At this point, strong cooperation between the CBN and fiscal authorities is also necessary to avoid overlaps between monetary and fiscal policy.

Money Supply surges by 76% in January 2024

The Central Bank of Nigeria (CBN) Money and Credit Statistics reveals that Money Supply (M3) increased significantly to N93.72 trillion in January 2024. This represents a 76 percent (N40.58 trillion) increase from N53.14 trillion recorded in January 2023 and an 18 percent (N14.47 trillion) rise from N79.25 trillion in December 2023. Money supply, which represents the total amount of money available in the economy at a specific time, has witnessed a 177 percent increase in the past 5 years. The most recent increase can be attributed to a rise in net domestic assets which increased by 23.14 percent and contributed about 91.87 percent of the total money supply. With myriad of challenges ravaging the economy such as skyrocketing inflation and exchange rate pressures, a persistent rise in money supply can have powerful negative implications. An increasing money supply undermines efforts to control inflation and may further erode consumer purchasing power. To curb the detrimental effects of increased money supply, the Central Bank should embrace Open Market Operations (OMO) and quantitative tightening measures through the selling of government securities and bonds. A well-managed money supply is crucial for economic stability and sustainable growth. Hence, the CBN should extensively monitor the level of money supply, especially net domestic assets, to ensure that it is within economically desired limits. The CBN must also assess the possibility of using open market operations.

Unemployment rises to 5.0% in Q3 2023

The Q3 labour force survey released by the National Bureau of Statistics (NBS) shows that the unemployment rate increased to 5.0 percent in Q3 2023, rising by 0.8 percent points from 4.2 percent recorded in Q2 2023. This increase aligns with the United Nations global predictions on unemployment as the value gradually approaches 5.7 percent predicted for low-income countries. Similarly, youth unemployment increased by 1.4 percentage points from 7.2 percent in Q2 2023 to 8.6 percent in Q3 2023. This implies that young people are more susceptible to unemployment than any other age group. Disaggregated by area, urban and rural unemployment rates stood at 6.0 percent and 4.0 percent, respectively. The increment in overall and youth unemployment rate in the quarter is traceable to the slow growth, weak job creation, skills mismatch among graduates, and policy uncertainty associated with changes in government. Growing unemployment rates can have several gravely detrimental effects, such as worsening poverty, rising crime, social unrest, and pressure on the limited social welfare programs. A vital remedy for Nigeria's unemployment issue is to invest in infrastructure, especially power to support business expansion, thereby creating jobs. The government should partner with large firms to develop backward and forward linkages along their product lines, thereby creating markets for Small and Medium Enterprises (SMEs). Big firms can be provided with incentives to empower SMEs in clusters to supply inputs that meets their minimum requirements. As economic activities expand, jobs are created, resulting in a lower rate of unemployment.

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 $Million)	507.77	594.74
External Debt (FGN & States- N'Trillion)	31.98	NA
Domestic Debt (FGN + States & FCT N'Trillion)	55.93	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	**December '23**	**January '24**
Headline Inflation (%)	28.92	29.90
Food Sub-Index (%)	33.93	35.41
Core Sub-Index (%)	23.06	23.59
External Reserves (End Period) (US$ Billion)	32.91	33.37
Official Rate Approx. (N/US$)	898.39	940.75
BDC Rate Approx. (N/US$)	NA	NA
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US$/Barrel)	79.11	81.50
Petrol (PMS-N/litre)	671.86	668.30
Diesel (AGO -N/Litre)	1,126.69	1,153.01
Kerosene (HHK -N/Litre)	1,362.27	1,329.53
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	4,962.87	NA
MPR (%)	18.75	18.75
CRR (%)	32.5	32.5
T-Bill Rate (%)	8.93	4.33
Savings Deposit Rate (%)	5.28	5.28
Prime Lending (%)	14.17	27.07
Maximum Lending (%)	26.62	NA
Narrow Money (N'Trillion)	29.72	31.23
Broad Money (N'Trillion)	78.31	92.87
Net Domestic Credit (N'Trillion)	96.18	113.10
Credit to the Government (Net) (N'Trillion)	33.66	36.16
Credit to the Private Sector (N'Trillion)	62.51	76.93
Currency in Circulation (N'Trillion)	36.53	36.50
FAAC (N'Trillion)	1.18	1.14

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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