



**NIGERIA
ECONOMIC
UPDATE**

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Digest

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Oil Output in August falls below 2023 budget projection

Data from the September 2023 report of the Organization of Petroleum Exporting Countries (OPEC) shows that Nigeria's oil output rose by 9.3% from 1.08 mb/d recorded in July to 1.18 million barrels per day (mb/d) in August 2023. However, oil output still falls short of the 1.74 mb/d quota allocated to Nigeria by OPEC and far below the 1.69 mb/d assumed in the 2023 budget. In June 2023, OPEC reduced Nigeria's future quota by over 20% from 1.74 mb/d to 1.38 mb/d, and the new quota will become effective from January 2024 if the output level remains low. This data on crude oil production indicates that Nigeria is not getting the maximum fiscal buffer associated with the recent rise in crude oil, which is above \$90 per barrel. Nigeria's low production reflects the chronic challenges that bedevil oil production, including crude oil theft, obsolete infrastructure, amongst others. Efforts by the government to resolve all challenges facing oil production in Nigeria are requisite to ensure a significant increase in production level that surpasses both the estimate in the 2023 budget and the OPEC quota. As a result, efforts should be made to ensure that the Petroleum Industry Act (PIA) is fully implemented to attract domestic and international investors to the oil industry for revitalization and quick replacement of obsolete and aging infrastructure. Another critical solution to Nigeria's poor oil production capacity is to strengthen the security of oil facilities across the country; punitive measures should be meted out to individuals caught vandalizing the facilities.

Inflation rate hits 25.80% in August 2023

According to the National Bureau of Statistics (NBS) Consumer Price Index (CPI) report, Nigeria's headline inflation rate increased to 25.80% in August 2023. This value was 1.72% points higher than 24.08% recorded in July 2023 and 5.28% points higher than 20.52% in August 2022. These statistics indicated that within the last 12 months, the purchasing power of an average Nigerian has reduced by a quarter. In August 2023, the inflation rate in urban areas was 3.59% points higher than in rural areas. The urban inflation rate was 27.69% and 6.73% points higher than the 20.95% recorded in August 2022, while rural areas witnessed lower inflation rates, of 24.10% and 3.98% points higher than the 20.12% recorded in August 2022. The urban rate was 3.59% points higher than that of the rural areas. The increase in headline inflation rate is the 8th consecutive increase since December 2022, with the August rate being an 18-year high. Despite the central bank's efforts through successive increases in the Monetary Policy rate (MPR), inflation has persisted, eroding consumers' purchasing power and increasing the cost of living. This is due to several issues, including the lingering impacts of the elimination of fuel subsidies, higher import prices due to the depreciation of the Naira, food supply interruptions, and increased production costs. If left unchecked, the inflation rate will continually decrease Nigerians' standard of living and increase the number of low-income earners, potentially leading to societal discontent and instability. The government needs to take prompt actions to tame the inflation rate, such as social protection that targets the most vulnerable households, and the provision of mass transport system to reduce the direct impact of the removal of fuel subsidies on transportation costs. Also, the government can provide tax and other monetary incentives to businesses, especially those at the brink of winding up.

Postal activities fall by 17.05% in 2022

The total revenue generated from postal activities in 2022 amounted to N3.01 billion, a 17.05% decline from N3.63 billion recorded in 2021, suggesting a decline in the volume of activities provided. This was revealed by the National Bureau of Statistics (NBS) in a recent postal services data report. Decomposed on a product basis, 27.8% of the revenue generated in 2022 emanated from the EMS/Speed post, followed by NIPOST Premises/Space and Business Venture Service, which contributed 12.9% and 10.7%, respectively. NIPOST has witnessed a consistent decline in revenue in recent years, with revenue crashing by 43.9% in 3 years – from N5.37 billion in 2019 to N3.01 billion in 2022. The persistent decrease in revenue results from many factors, including the increasing use of email messaging applications and electronic documents. Also, digitalization and electronic communication have drastically reduced the volume of traditional postal mail as individuals and businesses now rely on digital communication. Furthermore, the competition from private courier services has become more intense given that they tend to offer faster and more specialized services, which, compared to the operational inefficiencies in the national postal services, can deter users. The government needs to modernize postal operations by investing in innovative technology and automation to improve postal revenue. This would increase efficiency, save costs, and improve the overall postal service quality.

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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