



**NIGERIA
ECONOMIC
UPDATE**

**Weekly
Digest**

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CBN Raises MPR to 18 Percent

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN), in its 147th meeting, has raised the Monetary Policy Rate (MPR) to 18 percent.¹ This represents an increase of 50 basis points from the previous MPR of 17.5 percent. The apex bank attributes this sixth consecutive increase in the MPR since April 2022 to rising inflation in the country, with issues such as the anticipated fuel subsidy removal, exchange rate pressure, and rising energy prices in view, and is a bid to curb rising inflation. The recent inflation figures show that inflation has risen to 21.91 percent as of February 2023 despite the cash crunch in the country and defying the policy measures put in place by the CBN in recent months.² Hence, Nigeria's rising inflation levels exhibit structural patterns driven by supply-side variables. Consequently, as the MPR has not been effective in curbing inflation in the country, the CBN should aim to tackle the structural drivers of inflation. Continuous MPR increases could be bad for business growth since they could deter companies from borrowing because doing so would increase the cost of borrowing, which could then raise inflation. So, rather than supporting any future hikes in the MPR, the apex bank should address other issues, such as high energy prices, high transportation costs, and a lack of foreign currency that frequently raise production costs.

All Commodities Terms of Trade Improves in Q4 2022

According to data from the National Bureau of Statistics (NBS), Nigeria's All-commodity Terms of Trade (ToT) index was 101.05 in the fourth quarter of the year (Q4 2022).³ The report also showed that the All-commodity group export index was 111.12, and the import index was 109.97. The data indicates that during the period under review, the improvement in ToT resulted from having a higher export index relative to the import index. Every economy desire to have a positive ToT. Hence, there is a need to strengthen the trade policies in Nigeria to continue to boost exports and improve their prices on the international market to have favourable terms of trade. Adding value to the goods will raise their price, which is an excellent approach to raising the price of exportable goods, a factor in the Tot Index. The government should increase its efforts to ensure that Nigerian exporting enterprises' products meet worldwide quality standards and command high prices elsewhere. The expected results of these efforts would be increased export earnings, improved trading terms, and a healthier trade balance.

Mobile Money Transactions grow in February 2023

Data from the Nigeria Inter-Bank Settlement System (NIBSS) has shown that the volume of mobile money transactions for the month of February 2023 rose by 70 percent to 183.69 million compared to 108.13 million recorded in the month of January 2023.⁴ The latest data released by NIBSS showed that while the volume of transactions rose by 70 percent, the value of transactions rose by only 7.8 percent, from N2.37 trillion recorded in January 2023 to N2.55 trillion in February 2023. The increased volume of transactions is directly linked to the scarcity of cash in the economy, forcing many citizens to use electronic payment channels to pay for their daily transactions. The data suggests that more Nigerians used electronic channels such as bank applications and USSD to pay for items that normally would have been cash-based in the past. This could be a step toward the Central Bank of Nigeria's goal of having a cashless economy, where most transactions are carried out electronically. However, many users of electronic platforms experience a lot of failed transactions. In some cases, they do not even have access to their banking platforms, which poses a threat to running transactions in a cashless way. Building a trustworthy payment system that efficiently speeds up transactions is crucial for implementing monetary policy and supporting economic efficiency. As a result of the introduction of mobile telephony in Nigeria, it is crucial to use the mobile channel to promote the financial inclusion of the unbanked. Hence, the apex bank would also need to strengthen the effectiveness of the bank-led model and non-bank-led model of conducting mobile transactions as CBN attempts to take safeguards that would minimize major network outages of mobile operators while transacting.

ECONOMIC SNAPSHOT		
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Quarterly Indicators	'22Q3	'22Q4
GDP Growth Rate (%)	2.25	3.52
Oil GDP (%)	-22.67	-13.38
Non-oil GDP (%)	4.27	4.44
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	NA	NA
Portfolio Investment (US \$Millions)	NA	NA
Other Investment (US \$Million)	NA	NA
External Debt (FGN & States- N'Trillion)	17.15	NA
Domestic Debt (FGN + States & FCT N'Trillion)	26.92	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Jan '22	Jan '23
Headline Inflation (%)	15.60	21.82
Food Sub-Index (%)	17.13	24.32
Core Sub-Index (%)	13.87	19.16
External Reserves (End Period) (US\$ Billion)	40.04	36.99
Official Rate Approx. (N/US\$)	414.11	461.00
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	51.4	NA
Non-Manufacturing PMI	49.01	NA
Average Crude Oil Price (US\$/Barrel)	88.71	84.78
Petrol (PMS-N/litre)	166.40	257.12
Diesel (AGO -N/Litre)	288.09	828.82
Kerosene (HHK -N/Litre)	437.11	1,153.40
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	3,657.57	4,588.75
MPR (%)	11.50	17.50
CRR (%)	27.5	NA
T-Bill Rate (%)	2.49	1.39
Savings Deposit Rate (%)	1.25	4.29
Prime Lending (%)	11.68	27.63
Maximum Lending (%)	27.65	NA
Narrow Money (N'Million)	18.59	20.96
Broad Money (N'Million)	45.09	52.97
Net Domestic Credit (N'Million)	50.09	68.90
Credit to the Government (Net) (N'Million)	14.90	24.65
Credit to the Private Sector (N'Million)	35.18	42.25
Currency in Circulation (N'Million)	3.288	1.386
FAAC (N'Billion)	766.47	NA

NA: Not Available

1. CBN (2023). Central Bank of Nigeria Communiqué No. 147 of the monetary policy committee meeting held on Monday 20th and Tuesday 21st march, 2023. Retrieved <https://www.cbn.gov.ng/Out/2023/CCD/Central%20Bank%20of%20Nigeria%20Communique%20No.%20147%20of%20The%20Monetary%20Policy%20Committee%20Meeting%20Held%20on%20Monday%2020th%20and%20Tuesday%2021st%20March%202023.pdf>
2. NBS (2023). CPI and Inflation Report February 2023. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241298>
3. NBS (2023). Commodity Price Indices and Terms of Trade (Q4 2022). Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241305>
4. NIBSS (2023). Mobile Money Transactions Volume Rose by 70% in Feb. Retrieved from <https://nibss-plc.com.ng/news/4mr24gedhdz564znsgan0xx4dn>