



**NIGERIA  
ECONOMIC  
UPDATE**

**Weekly**

**Digest**

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## **Inflation hits over 24 percent**

Nigeria's inflation rate surged by 1.29% points in July 2023 to reach 24.08%, compared to 22.79% in the preceding month, June. This is according to the National Bureau of Statistics (NBS) in its latest Inflation and Consumer Price Index [report](#). The rise in inflation can be attributed to the drastic impact of the removal of petroleum subsidies and the consolidation of the official currency rate, which affected the price of fuel, transportation, and the general prices of goods and services in the Nigerian economy. Disaggregating the inflation data by components shows that Food and Non-Alcoholic Beverages at 12.47% contributed the most to this inflation rise, followed by Housing, Water, Electricity, Gas & Fuel at 4.03%. Other contributing components include Clothing & Footwear at 1.74%, Transport at 1.57%, Furnishings & Household Equipment & Maintenance at 1.21%, Education at 0.95%, Health at 0.72%, Miscellaneous Goods & Services at 0.40%, Restaurant & Hotels at 0.29%, Alcoholic Beverage, Tobacco & Kola at 0.26%, Recreation & Culture at 0.17%, and Communication at 0.16%. Rising prices imply that household purchasing power is steadily eroding, implying increased hardship in the country. Without immediate government assistance, this hardship could lead to even more socioeconomic dangers, such as increased crime, insecurity, and violence. As a result, the government must re-evaluate these policies and take appropriate measures to mitigate their effects. Reviving the country's refineries has never been more crucial than it is now that import subsidies have been removed, along with improving the transportation system. This can be done by providing affordable and efficient alternatives to road travel, in order to minimize the policy's impact on price levels and general living conditions.

## **CBN Releases New Forex Rules for BDC**

The Central Bank of Nigeria (CBN), in its response to the prevailing exchange rate crisis and drive to establish efficiency in the exchange rate market, has announced a new operational mechanism for the Bureau De Change (BDC) segment of the foreign exchange market. The BDC segment was initially banned in 2021 by the apex bank to cut down on the excesses of forex buyers and sellers, which led to the depreciation of the Naira that year. Releasing these operational rules means that the segment has been reinstated into the market. According to the CBN, BDC agents will have to operate with; (i) a spread on buying and selling within an allowable limit of -2.5% to +2.5% of the Nigerian forex market window weighted average rate of the previous day and (ii) a mandatory rendition of statutory periodic reports, failure on which could attract sanctions, including withdrawal of operating license. Over the past few months, the CBN has advocated for currency stability. Still, while the operating mechanism for BDC operators is an attempt to strengthen forex management and market regulation, it appears to contradict the apex bank's initial attitude of collapsing all windows into the I&E platform once the exchange rate is floated. Thus, to preserve currency rate stability, the CBN will need to clarify such questions, specify which windows are legally permitted to operate in the market, and actively monitor and combat market speculators.

## **NNPC Borrows \$3 billion**

### **Emergency Crude Repayment Loan**

The Nigerian National Petroleum Company (NNPC) Limited announced, on 16th August, the signing of a commitment letter and Termsheet with the African Export-Import (Afrexim) Bank for an emergency \$3 billion crude oil repayment loan. According to the [report](#), the loan is an upfront cash loan against proceeds from a limited amount of future crude oil production. It will provide immediate disbursement through which NNPC can settle taxes and royalties in advance. This will give some support (in the form of needed dollar liquidity) to the government in its current fiscal and monetary policy reforms to stabilize the foreign exchange (forex) market and strengthen the Naira. Since the liberalisation of the forex market earlier in June, the Naira has significantly [crashed](#) against the dollar and other foreign currencies, going from N462/\$ on 7th June to as high as N785/\$ on 15th August at the official (importer and exporter) window, due to shortage in the supply of forex. This exchange rate crisis, combined with the removal of fuel subsidies, has resulted in some harsh economic realities, such as high commodity prices and business closures due to high, unsustainable production costs, and has pushed the government to seek intervention strategies. While this loan is intended to provide the required liquidity to stabilise the naira soon, it is an alternate option to prevent depleting reserves, which have been significantly reduced since 2021. Nonetheless, the government must rigorously analyse this alternative to identify related risks, such as any linkages to sovereign guarantees and consequences for the country's future crude oil output and export revenues.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'22Q4</b>	<b>'23Q1</b>
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
<b>Monthly Indicators</b>	<b>May '22</b>	<b>May '23</b>
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'Billion)	833.86	NA

NA: Not Available

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