



**NIGERIA
ECONOMIC
UPDATE**

Weekly

Digest

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National Assembly approves 2023 Supplementary Budget of N2.18 trillion

Nigeria's Senate and the House of Representatives approved the [supplementary budget](#) of N2.18 trillion on November 2, 2023. The budget is spread across 11 Ministries, Departments, and Agencies (MDAs), including the Ministry of Defence, Police formations and Command, Federal Ministry of Works and Federal Ministry of Agriculture and Food Security. Capital expenditure accounts for N1.17 trillion (53.7%), and recurrent expenditure accounts for N1.01 trillion (46.3%). Among the MDAs, Service Wide Vote received the highest allocation with N615 billion, followed by the Ministry of Defence with N476.5 billion and the Ministry of Works with N300 billion. The Service Wide Vote accounts for about 61% of the recurrent expenditure. It comprises four budget line items: Cash transfer (N400 billion), four months wage award (N210 billion), MDAs take-off grant (N3 billion) and Monitoring and Evaluation (N2 billion). The government indicated that the supplementary budget will be financed through the Consolidated Revenue Fund of the Federation. However, no further information was provided about the sources of revenue as anticipated for a budget statement. This suggests that the additional spending would be financed through borrowing. The government needs to communicate effectively with the citizens about progress with the disbursement of the cash transfer. This is important in regaining citizens' trust in the government, given the hardship that the removal of the fuel subsidy and depreciation of the currency had caused in the last few months.

Debt Service payments in Q1 2023 stood at N2,229 billion

[Data](#) released by the Budget Office of the Federation shows that debt service payments on external and domestic debts in the first quarter of 2023 stood at ₦1,317.08 billion, indicating an increase of ₦39.61 billion (3.10 percent) above the ₦1,227.47 billion projected for the quarter. In the period under review, the sum of ₦874.13 billion was used for domestic debt servicing, while ₦442.95 billion was used for external debt servicing. When interest payment on Ways and Means is included, debt service payments in Q1 2023 rose to ₦2,229 billion. The high debt servicing costs for the Federal Government of Nigeria can be attributed to several factors, including the substantial accumulation of domestic and external debt over the years and the high interest rate charged on Ways and Means, which is estimated at the Monetary Policy Rate plus 3 percent. The interest payments in the subsequent quarters are likely to be lower due to the securitization of the Ways and Means in May. High debt service expenses divert resources from infrastructure development, healthcare, and education. Low investment in these growth-enhancing sectors limits future growth. High debt payments arise from past debt accumulation, fiscal deficits, low taxation, and inefficiency in government spending. It is, therefore, important for the government to institutionalise policies and programs that would ensure that debts are incurred only on viable projects that would bolster economic growth and increase future government revenue. Also, government at all levels should strive to reduce the cost of governance and increase efficiency in spending with the sole purpose of generating the highest public value from taxpayer funds.

Average Price of Diesel increases by 12.77% on a year-on-year Basis

The National Bureau of Statistics (NBS) [reports](#) that the average retail price of automotive gas oil (diesel) paid by consumers increased by 12.77% on a year-on-year basis from N789.90 per litre recorded September 2022 to N890.80 per litre in September 2023. On a month-on-month basis, the price of diesel rose from N854.32 per litre in August 2023, indicating a 4.27% increase. Considering the differences in state pricing, Kano State (N967.78), Anambra State (N950.95), and Niger State (N950.55) are the top three states with the highest average product prices in September 2023. The exchange rate depreciation contributes partly to the increase in the price of diesel. Due to the country's unstable power supply, which causes businesses to maintain backup power sources like diesel-powered generating sets, the growing cost of fuel increases the cost of production, which is passed down to the final consumers through higher prices. Foreign exchange management needs to be improved to reduce the occurrence of changes in diesel costs arising from exchange rate fluctuation. Furthermore, there is a need to increase local refining capacity to lessen dependency on imported diesel and limit the effect of exchange rate changes on diesel prices.

ECONOMIC SNAPSHOT		
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Quarterly Indicators	'23Q1	'23Q2
GDP Growth Rate (%)	2.31	2.51
Oil GDP Growth Rate (%)	-4.21	-13.43
Non-oil GDP Growth Rate (%)	2.77	3.58
Unemployment Rate (%)	4.1	NA
Foreign Direct Investment (US \$ Million)	47.60	86.03
Portfolio Investment (US \$Millions)	649.28	106.85
Other Investment (US \$Million)	435.76	837.34
External Debt (FGN & States- N'Trillion)	19.64	33.25
Domestic Debt (FGN + States & FCT N'Trillion)	30.21	54.13
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	September '22	September '23
Headline Inflation (%)	20.77	26.72
Food Sub-Index (%)	23.34	30.64
Core Sub-Index (%)	17.49	21.84
External Reserves (End Period) (US\$ Billion)	37.39	33.23
Official Rate Approx. (N/US\$)	432.37	768.76
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US\$/Barrel)	93.25	100.42
Petrol (PMS-N/litre)	191.65	626.21
Diesel (AGO -N/Litre)	789.90	890.80
Kerosene (HHK -N/Litre)	809.52	1,299.03
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	4,456.56	4,189.96
MPR (%)	15.5	18.75
CRR (%)	32.5	32.5
T-Bill Rate (%)	3.83	5.29
Savings Deposit Rate (%)	2.92	5.26
Prime Lending (%)	12.23	14.32
Maximum Lending (%)	28.3	27.24
Narrow Money (N'Trillion)	21.19	25.36
Broad Money (N'Trillion)	65.44	67.18
Net Domestic Credit (N'Trillion)	63.34	92.72
Credit to the Government (Net) (N'Trillion)	22.83	34.12
Credit to the Private Sector (N'Trillion)	40.52	58.6
Currency in Circulation (N'Trillion)	3.228	2.761
FAAC (N'Trillion)	1.26	0.903

NA:

Not Available

REFERENCES

1. Budget Office of the Federation (2023). 2023 Supplementary Budget. Retrieved from <https://www.budgetoffice.gov.ng/index.php/resources/internal-resources/budget-documents/2023-budget/2023-supplementary-budget-proposal>
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3. Budget Office of the Federation (2023). 2023 Budget Implementation Report. Retrieved from <https://www.budgetoffice.gov.ng/index.php/resources/internal-resources/reports/quarterly-budget-implementation>