



**NIGERIA
ECONOMIC
UPDATE**

Weekly

SNAPSHOT

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Demand for Electricity Increased in Q1 2023

Due to the country's growing population and the emergence of micro, small, and medium-sized businesses, electricity demand has been rising for years. This is often disclosed in the National Bureau of Statistics (NBS) reports, including the information for the first quarter of 2023. The report shows that overall customer numbers climbed from 11.06 million in the fourth quarter of 2022 to 11.27 million in the first quarter of 2023, a 1.89 percent rise. Similarly, the total number of customers increased by 5.99 percent from 10.63 million in Q1 2022 to 10.63 million in Q1 2023 on an annual basis. Metered customers also increased from 5.13 million in the fourth quarter of 2022 to 5.31 million in the first quarter of 2023, an increase of 3.61 percent. Additionally, from N4.79 million recorded in the first quarter of 2022, metered consumers climbed by 10.86% on an annual basis. Revenue-wise, the DISCOs generated N247.33 billion in the quarter under review compared to N232.32 in the fourth quarter of 2022, representing an increase of around 6.46 percent on a quarterly basis. From the N204.74 billion reported in the first quarter of 2022, revenue received increased by 20.81 percent annually. When viewed every year, the electricity supply decreased by 1.74 percent from the 5.965 (Gwb) [reported](#) in the first quarter of 2022, despite having increased by 4.30 percent during the reference period from 5.611 (Gwb) in the fourth quarter of 2022 to 5,852 in the first quarter of 2023.1 One of the issues impeding the country's manufacturing sector's development has been the availability of electricity. We believe the states will take advantage of this opportunity to work together with the relevant stakeholders in their respective states to create and supply enough electricity to meet the demand of the citizens in their states now that the current administration has signed the electricity bill of 2023 into law, allowing the states to generate their electricity.

Value Added Tax Surged by 1.75% in Q1 2023

Value Added Tax (VAT) grew by 1.75 percent from N697.38 billion in the fourth quarter of 2022 to N709.50 billion in the first quarter of 2023, according to the National Bureau of Statistics (NBS) report. The past government's efforts to diversify revenue-based generation in response to a revenue shortfall frequently caused by the volatility of crude oil prices on the global oil market can be attributed to the recent increase in the contribution of VAT to the non-oil revenue and total revenue. The VATs from local payments, international payments, and import VAT in the quarter under review were N436.10 billion, N151.13 billion, and N122.37 billion, respectively. Additionally, the VAT sectoral growths showed that household employment activities and household production of undifferentiated products and services for personal use had the highest growth rates, which stood at 349.86%. Construction is next, with a growth rate of 95.64 percent. In contrast, the growth rate for extraterritorial organisations and bodies was negative, at -53.54 percent, followed by the real estate sector at -47.01 percent. The manufacturing subsector, information and communication, and mining and quarrying are the three sectors that contribute the most to the VAT, with respective contributions of 29.65 percent, 19.29 percent, and 12.24 percent. However, with a contribution of about 0.02 percent, the activities of territorial organisations and bodies contributed the least to the VAT. This is followed by the activities of households acting as employers, undifferentiated goods and services used by households use, and the activities of households producing water supply, sewage, waste management, and remediation, which each contributed 0.03 percent and 0.04 percent. Additionally, [VAT increased](#) by 20.56 percent annually in the first quarter of 2023. The increase in VAT is a great development. Nonetheless, the new administration needs to concentrate more on sectors like real estate and others that have the potential to significantly increase VAT and overall revenue.

Headline Inflation Rate Remains High in May 2023

The Central Bank of Nigeria (CBN) has made repeated attempts to contain the inflationary spike by gradually raising the monetary policy rate to 18.5 percent. However, the inflation rate is still persistently high in May 2023. According to the report by the National Bureau of Statistics (NBS), the inflation rate increased by 0.19 percent on a monthly basis, from 22.22 percent to 22.41 percent in May 2023. Additionally, when compared to the inflation rate in May 2022, which was 17.71 percent, the headline inflation rate was higher by 4.70 percent on an annual basis. Food and non-alcoholic beverages remain the primary driver of inflation, accounting for 11.61 percent (Y-O-Y). In addition, housing, water, electricity, gas, and fuel (3.75%), clothing and footwear (1.71%), and transportation (1.46%) all contribute to inflation. The change in [headline inflation rate](#) in May 2023 (1.94 percent) was 0.03 percent higher on a monthly basis than the rate recorded in April 2023 (1.91 percent). Households may be more affected by the inflation rate's unceasing rise than firms, as it is simple for firms to pass along the increase in production costs to consumers in the form of increased prices. Despite being a positive development, the recent removal of the PMS subsidy may worsen inflation, as evidenced by the spiraling increases in food costs and housing rents. Therefore, the present administration must adopt a comprehensive strategy to combat inflation by making significant investments in the agricultural sector to boost local food production, enhance security, and swiftly implement cushioning mechanisms to lessen the immediate effects of subsidy removal.

ECONOMIC SNAPSHOT		
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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	NA
Domestic Debt (FGN + States & FCT N'Trillion)	27.55	NA
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	NA
Diesel (AGO -N/Litre)	238.82	NA
Kerosene (HHK -N/Litre)	679.54	NA
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	3,921.35	NA
MPR (%)	13.0	18.50
CRR (%)	27.5	NA
T-Bill Rate (%)	2.47	NA
Savings Deposit Rate (%)	1.37	NA
Prime Lending (%)	11.96	NA
Maximum Lending (%)	27.37	NA
Narrow Money (N'Trillion)	20.56	NA
Broad Money (N'Trillion)	48.51	NA
Net Domestic Credit (N'Trillion)	56.51	NA
Credit to the Government (Net) (N'Trillion)	18.05	NA
Credit to the Private Sector (N'Trillion)	38.46	NA
Currency in Circulation (N'Trillion)	3.331	NA
FAAC (N'Billion)	833.86	NA

N/A- Not available

1. NBS (2023). Nigeria Electricity Report Q1 2023. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241342>.
2. NBS (2023). Value Added Tax (VAT) Q1 2023. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241336>
3. NBS (2023). CPI and Inflation Report May 2023. <https://nigerianstat.gov.ng/elibrary/read/1241325>