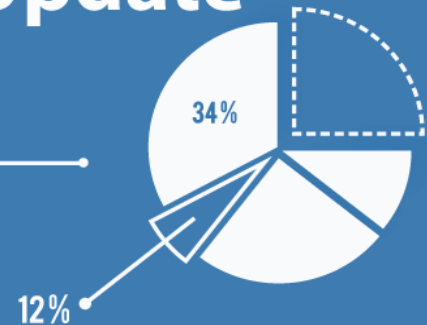


Nigeria Economic Update



Weekly
Digest

Inflation rises further in June

The National Bureau of Statistics (NBS) data shows that Nigeria's inflation rate increased to 18.60 percent on a year-on-year basis in June 2022.¹ The June 2022 inflation is 0.84 percentage points higher than the rate recorded in June 2021 (17.75 percent). This implies that the headline inflation rate increased in June 2022 Year-on-Year (Y-o-Y) compared with June 2021. On a Month-on-Month (M-o-M) basis, the Headline inflation rate rose to 1.82 percent in June 2022, which is 0.03 percent higher than the rate recorded in May 2022 (1.78 percent). In the month under review, rural inflation stood at 18.18 percent, urban at 19.09 percent, food inflation at 20.6 percent and core inflation at 15.75 percent. The rising inflation demands an urgent policy response by the government. Double-digit inflation like the one we are currently experiencing erodes the purchasing power of households, thereby reducing their standard of living and worsening poverty levels. In addition, the high inflation is also harmful to businesses, as it increases their cost structure. The inflationary pressure in Nigeria is a combination of structural and inflationary expectation issues. The structural issue entails the reactionary responses to increases in input prices, especially food and energy prices. The government should tackle insecurity, which has contributed to low food production, especially in food-producing states, and rising food prices. Additionally, the monetary authority needs to be more proactive in conveying its commitment to attaining low inflation to the general public. This would, in turn, address the inflationary expectation issue and lower the inflation levels.

CBN releases Exposure Draft for the Digital Financial Services

The Central Bank of Nigeria (CBN) has issued an exposure draft for the digital financial services awareness guidelines to address the gaps in consumer knowledge and practices with Digital Financial Services (DFS).² The CBN acknowledged the role of DFS in expanding access to financial services for the Nigerian population and boosting innovation in the financial services industry. As a result, the CBN aimed to use the guideline, when finalised, to serve as a set of principles and expectations for financial service providers in the provision of digital financial services. The provisions of the guidelines would apply to institutions providing DFS, which include Deposit Money Banks, merchant banks, Other Financial Institutions, Payment Service Banks, and other payment service institutions that the CBN licenses. Some objectives of the guidelines include setting digital financial literacy standards for digital financial services providers to enhance transparency and proper disclosure on DFS and several other objectives. Consequently, the successful implementation of the DFS would boost financial inclusion whilst strengthening the country's emerging digital economy.

Banking sector credit to government rises by 35% in H1'2022

The data from the June 2022 Money and Credit Statistics published by the Central Bank of Nigeria (CBN) shows that the net credit to the economy rose to N57.3 trillion at the end of June 2022 from N48.5 trillion at the end of December 2021, indicating an 18.02 percent increase in the first half of 2022 (H1 '22).³ Credit to the government accounts for about 31.4 percent of total credit, while the private sector received the remaining. The banking sector credit to the government grew by 35.04 percent from N13.3 trillion as of December 2021 to N18.0 trillion at the end of June 2022. Further, the credit to the private sector grew by 11.58 percent from N35.2 trillion as of December 2021 to N39.3 trillion at the end of June 2022. This suggests that banking sector credit to the government grew at a higher rate compared to the private sector. The rise in credit to the government is consistent with the rise in government debt, which raises a concern about the crowding out effect of government borrowing in the domestic financial market on the ability of the private firms to secure funding for productive investments. Consequently, there is a need for the government to boost revenue collection and promote the use of innovative financing options to effectively fund the rising expenditure and curtail the rate of borrowing in the domestic financial market. In addition, there is a need for the government to prevent the mismanagement of borrowed funds by strengthening transparency in the debt management process.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'21Q4	'22Q1
GDP Growth Rate (%)	3.98	3.11
Oil GDP (%)	-8.06	-26.04
Non-oil GDP (%)	4.73	6.08
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	358.23	154.97
Portfolio Investment (US \$Millions)	642.87	957.58
Other Investment (US \$Million)	1,186.53	460.59
External Debt (FGN & States- N'Trillion)	15.86	16.62
Domestic Debt (FGN + States & FCT N'Trillion)	23.70	24.99
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	May '21	June '22
Headline Inflation (%)	17.93	18.6
Food Sub-Index (%)	22.28	20.6
Core Sub-Index (%)	13.15	15.75
External Reserves (End Period) (US\$ Billion)	34229048746	39155282548
Official Rate Approx. (N/US\$)	397.65	415.66
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	47.25	51.1
Non-Manufacturing PMI	45.15	50.3
Average Crude Oil Price (US\$/Barrel)	67.79	129.90
Petrol (PMS-N/litre)	168.06	175.89
Diesel (AGO -N/Litre)	238.82	733.78
Kerosene (HHK -N/Litre)	363.50	761.69
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	2071.69	NA
MPR (%)	11.5	13.0
CRR (%)	27.5	27.5
T-Bill Rate (%)	2.5	2.45
Savings Deposit Rate (%)	1.83	1.38
Prime Lending (%)	11.29	12.29
Maximum Lending (%)	28.39	27.61
Narrow Money (N'Million)	16256641.72	20392537.22
Broad Money (N'Million)	38692973.28	48797867.32
Net Domestic Credit (N'Million)	44669259.81	57267178.05
Credit to the Government (Net) (N'Million)	12552025.37	17996690.06
Credit to the Private Sector (N'Million)	32117234.44	39270488
Currency in Circulation (N'Million)	2790895.5	3259269.15
FAAC (N'Billion)	696.36	NA

*Revised GDP figures/tentative figures

NA: Not Available

1. OPEC (2022). Monthly Oil Market Report. Retrieved from https://www.opec.org/opec_web/en/publications/338.htm
2. WFP (2022). Nigeria: Situation Report. Retrieved from https://api.godocs.wfp.org/api/documents/1edc6b57e1614bfe971759956ef832a4/download/?_ga=2.165493821.363821275.1654519544-648974016.1654519544
3. CBN (2022). Inflation Rates (Percent). Retrieved from <https://www.cbn.gov.ng/rates/inflrates.asp>
4. NBS (2022). Transport Fare Watch (May 2022). Retrieved from <https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fnigerianstat.gov.ng%2Fresource%2FTRANSPORT%2520COST%2520MAY%25202022.xlsx&wdOrigin=BROWSELINK>

