



**NIGERIA
ECONOMIC
UPDATE**

Weekly

Digest

www.cseaafrica.org

October 27th, 2023 Issue 42

External Reserves fall to US\$33.23billion in September 2023

Data from the Central Bank of Nigeria (CBN) show that foreign reserves dropped to US\$33.23 billion in September 2023, indicating an 11.13 percent decrease on a year-on-year basis from US\$37.39billion recorded in the same month of the previous year and a 2.12 percent decrease on a monthly basis from US\$33.95 billion recorded in the preceding month of August 2023. The decrease in external reserves are primarily due to low oil production and limited growth in non-oil export. A decrease in external reserves can trigger currency depreciation, which can drive up inflation rates due to increased import costs. Furthermore, declining external reserves might reduce import capacity and make foreign investors more concerned about their ability to repatriate their funds. As a result, it is critical to address the dwindling foreign reserves. A wide range of remedies are suggested, such as investing in manufacturing and agriculture to diversify export earnings from oil income. In 2023Q2, crude oil accounted for about 80 percent of Nigeria's total exports. Furthermore, there is a need to enhance the management of the oil sector and address problems like pipeline vandalism and oil theft. Nigeria's output level is below the OPEC quota. The government should also enact responsible fiscal and monetary policies that stabilize foreign reserves and encourage non-oil exports to strengthen the trade balance and create additional foreign exchange. Low external reserves expose the currency to speculative attack. Hence, there is a need for the government to work with different stakeholders to improve crude oil production and support domestic firms to increase production for both the domestic economy and exports.

Money supply increase by 36.2% on a year-on-year Basis

According to Central Bank of Nigeria (CBN) data on money and credit, Money Supply (M3) stood at N67.2 trillion in September 2023, an increase of 36.2% from N49.3 trillion in September 2022. On a monthly basis, it rose by 2.3% from N65.7 trillion in August 2023. These statistics show that monetary factors partly contribute to Nigeria's high inflation rate. Net domestic assets accounted for about 99.1% of the money supply in September; net foreign assets stood at N591 billion, less than 1%. This implies that curtailing the growth in net domestic assets would help reduce the growth in the money supply, which, in turn, might help in taming the inflation rate. Also, the data from CBN shows that the currency in circulation is approaching the pre-currency redesign level of N2.88 trillion in 2021 and N3.24 trillion in 2022. In September 2023, currency in circulation stood at about N2.76 trillion, an increase from N982.1 billion recorded in February. Upon the relaxation of the currency redesign based on the court ruling in March, which allowed concurrent use of the old and new currency till of the year, currency in circulation rose to N1.68 trillion. We have two months to the end of the year, and there is no policy directive on how the old currency will be phased out. This is important in avoiding the economic hardship experienced in the first two months of 2023. Hence, the monetary authority needs to use the last two months to provide policy direction about steps to slow down the increase in money supply, as a first step to curtail the inflation rate and the possibility of using the old notes in 2024.

Nigeria ranks 109th on the Global Hunger Index

Nigeria ranked 109th out of the 125 countries captured in the 2023 Global Hunger Index (GHI) report. A score of between zero and 10 implies a low level of hunger, 10 and 20 implies moderate, 20 and 35 implies serious hunger and above 35 implies an alarming situation. With a score of 28.3 on the [Index](#), Nigeria falls in the serious hunger level classification. Nigeria's score in 2023 is lower than the 27.8 scored in 2015, when the country was ranked 101, suggesting a reversal in efforts to reduce hunger among Nigerians. The deterioration in Nigeria's Global Hunger Index score can be attributed to several factors, including high food prices, food insecurity, conflicts, low income, and poor infrastructure such as agricultural storage facilities and transportation. High hunger levels among citizens could result in social unrest. While the president declared a state of emergency on food security in July, food inflation exceeding 30% in September indicates that the policy pronouncement is yet to impact food production. To reduce the rate of hunger and improve Nigeria's ranking in subsequent reports, the government should be more transparent with support to small-scale farming and invest in large-scale agricultural storage facilities to reduce farm produce waste. In addition, it is important to restore peace and security in food-producing areas, otherwise, initiatives targeted at boosting food production would have little or no effect. Additionally, nutrition programs that target women and children need to be scaled up to combat malnutrition. To increase food distribution and decrease waste, long-term options include prioritising infrastructure investments in roads and transportation networks. These interventions are expected to make Nigeria join countries such as Chile, Estonia, and Kuwait, which are classified as low levels of hunger in future GHI reports through reduction in malnutrition and increased food production.

ECONOMIC SNAPSHOT		
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	1008
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)	947.3	1,299.03
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	4,483.75	4,189.96
MPR (%)	15.5	18.75
CRR (%)	32.5	32.5
T-Bill Rate (%)	5.68	5.13
Savings Deposit Rate (%)	4.08	5.26
Prime Lending (%)	12.23	13.99
Maximum Lending (%)	28.3	27.59
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'Billion)	760.24	903.48

NA: Not Available; The data for T-bill Rate, Savings Deposit Rate, Prime Lending, and Maximum lending rates for September 2023 are not yet published by the CBN, as a result, the reported values are for August 2023.

REFERENCES

1. CBN (2023). Movement in Reserves. Retrieved from <https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=7/1/2023%205:29:44%20PM>
2. CBN (2023). Money And Credit Statistics (Million Naira). Retrieved from <https://www.cbn.gov.ng/rates/mnycredit.asp>
3. GLOBAL HUNGER INDEX (2023). <https://www.globalhungerindex.org/ranking.html>