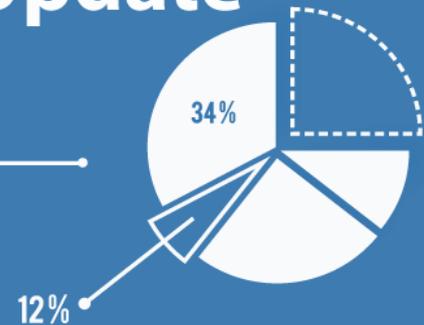


# Nigeria Economic Update



Weekly  
**Digest**



## ***Approval of Medium-Term Fiscal Framework***

The Federal Government has approved the Medium-Term Fiscal Framework (MTFF) for 2022-2024. The framework is based on the following key parameters: crude oil price benchmark of \$57 per barrel, crude oil production of 1.88 million barrel per day, exchange rate of N410.15/\$, inflation rate of 13 percent and Gross Domestic Product (GDP) growth rate of 4.2 percent in 2022.<sup>1</sup> The framework further projects federal government budget to rise from N13.58 trillion in 2021 to N13.98 trillion in 2022 and revenue is to rise from N7.99 trillion to N8.36 trillion within the same period. The MTFF is important in setting benchmarks for government spending in the medium-term which breeds accountability, transparency, and organization. However, historical precedents suggest that adhering to the medium-term framework is difficult owing to the use of overly optimistic parameters. In this case, an inflation rate of 13 percent can be considered optimistic given that the current inflation rate is 18%. Consequently, revising these parameters to reflect the current trends in the economy is critical to achieving the budget targets.

## ***Decline in Terms of Trade***

Nigeria's commodity terms of trade (a reflection of the amount of imported goods an economy can purchase per unit of exported goods) fell by 0.51 percent from 101.64 percent in January 2021 to 101.12 percent in March 2021.<sup>2</sup> The decrease in terms of trade in the review period was largely driven by decrease in machinery and chemical appliance in base metals and articles of base metals and mineral products. The decline was however not sufficient to decrease the TOT below 100 percent which implies that the value of exports still increased relative to the value of imports. As economies of Nigeria's trading partners such as the European Union countries and China recover from the pandemic, the current trade flows are expected to improve significantly. More importantly, the implementation of the African Continental Free Trade (AfCFTA) agreement will provide a huge market for Nigerian commodities. Nevertheless, intra- and inter-country infrastructure including road, rail, and sea ports will need to be built and rehabilitated in order to reduce the cost for manufacturers and make local goods more competitive.

## ***Fall in Global Tourism***

According to the United Nations Conference on Trade and Development (UNCTAD), a drop in global tourism will cause a 0.2 to 0.3 percent loss in real Gross Domestic Product (GDP) in Nigeria in 2021.<sup>3</sup> The loss in output from the tourism sector is due to a crash in global tourism occasioned by the COVID-19 pandemic. Nigeria is also expected to lose about 0.2 percent of unskilled labour due to reductions in tourism. The reductions in tourist visits presents a unique opportunity to revamp existing tourist sites and tap into unexploited opportunities in the tourist sector. In the event that this opportunity is latched on to, the tourism sector will provide additional economic benefits post-pandemic.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'20Q4</b>	<b>'21Q1</b>
<b>GDP Growth Rate (%)</b>	0.11	0.51
<b>Oil GDP (%)</b>	-19.76	-2.21
<b>Non-oil GDP (%)</b>	1.69	0.79
<b>Unemployment Rate (%)</b>	33.3	NA
<b>Foreign Direct Investment (US \$ Million)</b>	251.27	NA
<b>Portfolio Investment (US \$Millions)</b>	35.15	NA
<b>Other Investment (US \$Million)</b>	783.26	NA
<b>External Debt (FGN &amp; States- N'Trillion)</b>	NA	NA
<b>Domestic Debt (FGN + States &amp; FCT N'Trillion)</b>	NA	NA
<b>Manufacturing Capacity utilization (%)</b>	NA	NA
<b>Monthly Indicators</b>	<b>Mar'20</b>	<b>Apr'21</b>
<b>Headline Inflation (%)</b>	18.17	18.12
<b>Food Sub-Index (%)</b>	22.95	22.72
<b>Core Sub-Index (%)</b>	12.67	12.74
<b>External Reserves (End Period) (US\$ Billion)</b>	34.82	34.88
<b>Official Rate Approx. (N/US\$)</b>	381	NA
<b>BDC Rate Approx. (N/US\$)</b>	481.21	NA
<b>Manufacturing PMI</b>	NA	NA
<b>Non-Manufacturing PMI</b>	NA	NA
<b>Average Crude Oil Price (US\$/Barrel)</b>	66.62	64.3
<b>Petrol (PMS-N/litre)</b>	172.68	166.38
<b>Diesel (AGO -N/Litre)</b>	235.41	237.19
<b>Kerosene (HHK -N/Litre)</b>	361.29	362.68
<b>Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)</b>	2,057.71	2,069.21
<b>MPR (%)</b>	11.50	11.5
<b>CRR (%)</b>	27.5	27.5
<b>T-Bill Rate (%)</b>	2.0	2.0
<b>Savings Deposit (%)</b>	1.86	1.86
<b>Prime Lending (%)</b>	11.13	11.24
<b>Maximum Lending (%)</b>	28.74	28.64
<b>Narrow Money (N'Million)</b>	16,139,759.87	NA
<b>Broad Money (N'Million)</b>	38,218,832.96	NA
<b>Net Domestic Credit (N'Million)</b>	43,435,075.88	NA
<b>Credit to the Government (Net) (N'Million)</b>	11,994,167.43	NA
<b>Credit to the Private Sector (N'Million)</b>	31,440,908.45	NA
<b>Currency in Circulation (N'Million)</b>	2,808,734.33	NA
<b>FAAC (N'Billion)</b>	NA	NA

\*Revised GDP figures/tentative figure

NA: Not Available

1. The Budget Office of Nigeria (2021). Draft 2022–2024 MTFF/FSP: Public Consultation. Retrieved from, <https://www.budgetoffice.gov.ng/index.php/citizen-s-guide-to-2022-2023-mtef-fsp/citizen-s-guide-to-2022-2023-mtef-fsp/download>
2. NBS (2021). Commodity Price Indices and Terms of Trade (Q1 2021). Retrieved from, <https://nigerianstat.gov.ng/download/1241044>
3. UNCTAD (2021). COVID-19 and Tourism an Update. Retrieved from, [https://unctad.org/system/files/official-document/ditcinf2021d3\\_en\\_0.pdf](https://unctad.org/system/files/official-document/ditcinf2021d3_en_0.pdf)

