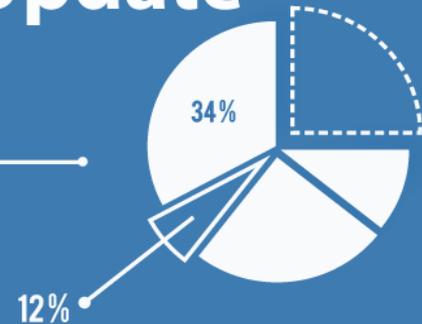




Nigeria Economic Update



Weekly
Digest



Decline in Labour Force Participation

According to the World Bank, the participation in the Nigerian labour force has declined by about 20 million workers between 2018 and 2020.¹ Even for those within the labour force, the inactive population has increased from 29 to 52 million workers between 2014 and 2020. Consequently, unemployment is at record levels as the unemployment rate is 26.3 percent while youth unemployment is 42.5 percent. Owing to the country's socio-economic challenges as well as high unemployment levels, there has been a rise in migration as young people seek asylum and refugee status in other countries. Going forward, the decline in labour force participation is likely to continue as more young people migrate for better opportunities. Similarly, unemployment is likely to worsen considering the youth bulge and the limitedness of labour-absorbing industries such as agriculture and manufacturing in creating large numbers of high value jobs. Consequently, the private sector which is an important contributor to job creation will have to develop and generate additional opportunities by addressing existing barriers including limited productivity and competitiveness, insufficient diversification, and lack of openness to international markets.

Naira Depreciates at the Investors and Exporters Window

The Naira depreciated against the US dollar from N410.38/US\$1 to N411.67/US\$1 between 12th July and 19th July 2021. The depreciation occurred despite the 44.3 percent increase in the dollar supply at the Investors and Exporters foreign exchange window. Similarly, at the parallel market, the Naira depreciated against the US dollar from N503/US\$1 to N506/US\$1 during the same time period. Meanwhile, Nigeria's foreign reserve rose by US\$14 million, closing at US\$33.118 billion as against the US\$33.104 billion that was previously recorded.³ In principle, the slight depreciation of the naira implies that local firms will face less competitive pressure in foreign markets. However, a negative impact on consumers of imported commodities is expected as these commodities become more expensive. Consequently, government intervention in the foreign exchange market – by drawing on foreign reserves - is crucial in stabilizing the market particularly in the context of rising foreign reserves.

Continuous Rise in Food Prices

Following the National Bureau of Statistics' recent report for Selected Food Prices Watch of June 2021, food prices have increased across Nigeria.⁴ For instance, the average price of one dozen of eggs increased year-on-year by 17.69 percent and month-on-month by 2.76 percent from N541.53 to N556.47 between May and June. The rising prices is linked to the heightened insecurity and attacks on farmers.⁶ Worse still, the rise in food prices could continue particularly taking into consideration the increase in transport fares. This would have dire consequences on the 17 million children across the country that are undernourished leading to Nigeria worsening its position as having the highest level of malnourishment in Africa and the second-highest globally. Regarding the insecurity concerns, subnational governments should implement community policing in order to improve security around farmlands. Furthermore, improving social protection schemes such as cash transfers and food distribution can act as a stop gap for the rising food insecurity among the vulnerable population.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'20Q4	'21Q1
GDP Growth Rate (%)	0.11	0.51
Oil GDP (%)	-19.76	-2.21
Non-oil GDP (%)	1.69	0.79
Unemployment Rate (%)	33.3	NA
Foreign Direct Investment (US \$ Million)	251.27	NA
Portfolio Investment (US \$Millions)	35.15	NA
Other Investment (US \$Million)	783.26	NA
External Debt (FGN & States- N'Trillion)	NA	NA
Domestic Debt (FGN + States & FCT N'Trillion)	NA	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Apr'20	May'21
Headline Inflation (%)	18.12	17.93
Food Sub-Index (%)	22.72	22.28
Core Sub-Index (%)	12.74	13.15
External Reserves (End Period) (US\$ Billion)	34.88	34.23
Official Rate Approx. (N/US\$)	NA	NA
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US\$/Barrel)	64.3	NA
Petrol (PMS-N/litre)	166.38	168.06
Diesel (AGO -N/Litre)	237.19	238.82
Kerosene (HHK -N/Litre)	362.68	363.50
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	2,069.21	2,071.69
MPR (%)	11.5	11.5
CRR (%)	27.5	27.5
T-Bill Rate (%)	2.0	2.5
Savings Deposit (%)	1.86	1.83
Prime Lending (%)	11.24	11.29
Maximum Lending (%)	28.64	28.39
Narrow Money (N'Million)	15,997,295.69	16,278,040.69
Broad Money (N'Million)	NA	NA
Net Domestic Credit (N'Million)	44,064,768.66	44,710,257.78
Credit to the Government (Net) (N'Million)	12,163,347.97	12,512,015.42
Credit to the Private Sector (N'Million)	31,901,420.68	32,198,242.36
Currency in Circulation (N'Million)	2,796,471.37	2,790,895.50
FAAC (N'Billion)	NA	NA

*Revised GDP figures/tentative figure

NA: Not Available

1. World Bank (2021). Of Roads Less Traveled : Assessing the Potential of Economic Migration to Provide Overseas Jobs for Nigeria’s Youth. Retrieved from, <https://openknowledge.worldbank.org/handle/10986/35995>
2. CBN (2021). Exchange Rates. Retrieved from, <https://www.cbn.gov.ng/rates/ExchRateByCurrency.asp>
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4. CBN (2021). Daily Crude Oil Price. Retrieved from, <https://www.cbn.gov.ng/rates/DailyCrude.asp>
5. NBS (2021). Selected Food Price Watch (June 2021). Retrieved from, <https://www.nigerianstat.gov.ng/>
6. Al Jazeera (2021). Nigerian families struggle to survive as food prices soar. Retrieved from, <https://www.aljazeera.com/gallery/2021/7/4/in-lagos-families-struggle-to-survive-as-food-prices-soar>