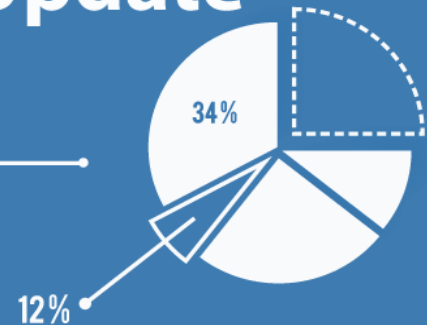


Nigeria Economic Update



Weekly
Digest



Debt from Multilateral Creditors Rises

Between 2015 and 2021, Nigeria's external debt from the World Bank and the African Development Bank nearly doubled, increasing from US\$7.23 billion to US\$14.35 billion. ¹ About US\$11.097 billion was obtained from the World Bank's International Development Association (IDA) which provides concessional loans at lower interest rates and longer maturity and grace periods. Other sources include the World Bank's International Fund for Agricultural Development (IFAD), with a commitment of US\$410.23 million. While debt is an important source of revenue for countries, excessive debt can hinder long run economic growth. More specifically, high debt service payments crowds out investment in critical sectors such as education, health, and social protection. Consequently, debt service management strategies such as debt for development swaps – that is the provision of debt relief in exchange for investments in key development sectors – should be considered by the government. In addition, the underlying revenue shortage problem should be addressed by mobilizing domestic resources through curbing tax evasion and avoidance.

Increase in External Reserves

Nigeria's external reserves gained US\$280 million, increasing from US\$33.1 billion on July 14th to US\$33.38 billion on July 29th 2021. This rise is linked to stability in oil price, as oil accounts for about 80 percent of Nigeria's foreign exchange earnings. Prior to this rise, the external reserves had declined in recent months, falling by US\$905.5 million between May and June 2021.² The recent rise in the external reserves is of significance owing to its importance in mitigating external shocks and curbing the effects of the volatility in the exchange rate. In boosting the country's external reserves, priority is to be placed on diversifying the sources of export earnings. This can be achieved by improving the value chain of agriculture and manufactured commodities in order not to export solely raw materials with limited value. Furthermore, issues that hinder exports such as poor standardization, infrastructure deficiency, and lack of technology use and finance should also be addressed.

Marginal Fall in the Price of Premium Motor Spirit

According to the National Bureau of Statistics, the average price paid by consumers for premium motor spirit (petrol) decreased by 1.46 percent from N168.06 to N165.61 between May and June 2021.³ Such decline in the average petrol price is likely to reduce the burden on households and businesses given that the majority rely on petrol-powered generators for power generation due to insufficient supply from the national grid. Further reductions in petrol price will reduce the cost of transportation and production with positive impact on economic output. In order to increase the affordability of petrol, it is imperative that refinement of crude oil is done domestically to navigate the volatilities in the exchange rate market. This would reduce the burden on citizens' income as well as the pressure in the country's balance of payment.

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'Billions)	NA	NA

*Revised GDP figures/tentative figure

NA: Not Available

1. DMO (2021). Nigeria's External Debt Stock as at March 31, 2021. Retrieved from <https://dmo.gov.ng/debt-profile/external-debts/external-debt-stock/3588-nigeria-s-external-debt-stock-as-at-march-31-2021/file>
2. CBN (2021). Movement in Reserves. Retrieved from, <https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=8/9/2021%205:26:23%20PM>
3. NBS (2021). Premium Motor Spirit (Petrol) Price Watch (June 2021). Retrieved from <https://www.nigerianstat.gov.ng/>