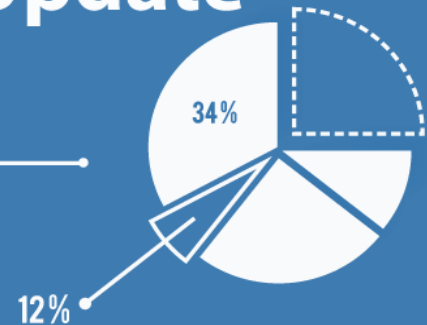


# Nigeria Economic Update



## ***Microfinance Banks Cautioned against FOREX Transactions***

The Central Bank of Nigeria has cautioned Microfinance Banks (MFBs) against engaging in foreign exchange (forex) transactions and other prohibited activities including wholesale banking.<sup>1</sup> According to the circular issuing this warning, the apex bank has observed the activities of some MFBs that have gone beyond the scope of their operating license. Cautioning MFBs is aimed at protecting them from the dangers of such prohibited transactions, given the banks' relatively low capitalization. The CBN has noted that it will continue to monitor developments among MFBs and apply severe sanctions for breaches of extant regulations, including revoking the license of MFBs that fail to comply with the 2012 Revised Regulatory and Supervisory Guidelines for MFBs. Monitoring the activities of MFBs would ensure overall financial stability which is a prerequisite for sound macroeconomic policies. In particular, ensuring that all players in the banking system act within the remit of their operations enables efficiency in the transmission mechanism of monetary policy.

## ***Release of 2022 Budget Call***

The 2022 Budget Call has been released by the Federal Ministry of Finance; Budget and National Planning.<sup>2</sup> The Call sets out the requirements and instructions that must be satisfied and followed in the preparation of the 2022 Federal Government of Nigeria (FGN) Budget Proposal. Key highlights of the Call include a projected total FGN revenue of N8.762 trillion, an aggregate expenditure projected at N13.98 trillion - consisting of N3.61 trillion in debt services, N6.21 trillion in recurrent expenditure, and N3.61 trillion in capital expenditure. Consequently, recurrent expenditure is expected to be 72.02% higher than capital expenditure and this may hinder the creation of new investment and limit the availability of funds for key infrastructural development. The skewed proportion of the budget towards recurrent expenditure could lead to the limited effectiveness of fiscal policy which is even more dire as an expansionary fiscal policy is required to spur aggregate supply. Therefore, it is important that the government increases the proportion of its budget to capital expenditure for improved economic outcomes.

## ***The Petroleum Industry Bill is Legalized***

The Petroleum Industry Bill (PIB), which seeks to overhaul and transform the oil and gas industry, has been assented to by President Muhammadu Buhari after two decades of unsuccessful attempts.<sup>3</sup> The Petroleum Industry Act 2021, which is critical to the economy owing to the oil sector's importance, is expected to take effect from August 2022. Although partly criticized for coming in at a time when economies are switching from fossil fuels to sustainable alternatives, the Act is a bold, imperative step towards optimally harnessing the industry as it establishes a framework for commercializing the Nigerian National Petroleum Corporation (NNPC). The Act which allows market forces determine prices, automatically eliminates price ceilings and floors, thus, making the industry investment friendly. This in turn will increase investment in the downstream sector, competition, employment and lead to price reduction in the long run.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'21Q1</b>	<b>'21Q2</b>
<b>GDP Growth Rate (%)</b>	0.51	NA
<b>Oil GDP (%)</b>	-2.21	NA
<b>Non-oil GDP (%)</b>	0.79	NA
<b>Unemployment Rate (%)</b>	NA	NA
<b>Foreign Direct Investment (US \$ Million)</b>	154.76	77.97
<b>Portfolio Investment (US \$Millions)</b>	974.14	551.37
<b>Other Investment (US \$Million)</b>	776.99	246.27
<b>External Debt (FGN &amp; States- N'Trillion)</b>	12.470	NA
<b>Domestic Debt (FGN + States &amp; FCT N'Trillion)</b>	20.647	NA
<b>Manufacturing Capacity utilization (%)</b>	NA	NA
<b>Monthly Indicators</b>	<b>May'20</b>	<b>June'21</b>
<b>Headline Inflation (%)</b>	12.4	17.75
<b>Food Sub-Index (%)</b>	15.04	21.83
<b>Core Sub-Index (%)</b>	10.12	13.09
<b>External Reserves (End Period) (US\$ Billion)</b>	NA	33.40
<b>Official Rate Approx. (N/US\$)</b>	NA	NA
<b>BDC Rate Approx. (N/US\$)</b>	443.96	496.19
<b>Manufacturing PMI</b>	NA	NA
<b>Non-Manufacturing PMI</b>	NA	NA
<b>Average Crude Oil Price (US\$/Barrel)</b>	27.9	78.01
<b>Petrol (PMS-N/litre)</b>	128.88	165.61
<b>Diesel (AGO -N/Litre)</b>	224.37	242.43
<b>Kerosene (HHK -N/Litre)</b>	334.08	370.29
<b>Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)</b>	1,973.95	2,068.69
<b>MPR (%)</b>	12.5	11.5
<b>CRR (%)</b>	NA	NA
<b>T-Bill Rate (%)</b>	2.45	2.5
<b>Savings Deposit (%)</b>	3.83	1.81
<b>Prime Lending (%)</b>	14.73	11.67
<b>Maximum Lending (%)</b>	30.69	29.05
<b>Narrow Money (N'Million)</b>	12,553,304.03	16,016,754.46
<b>Broad Money (N'Million)</b>	32,719,162.68	38,759,139.29
<b>Net Domestic Credit (N'Million)</b>	38,913,828.54	44,385,555.31
<b>Credit to the Government (Net) (N'Million)</b>	9,564,579.49	11,747,370.69
<b>Credit to the Private Sector (N'Million)</b>	29,349,249.05	32,638,184.62
<b>Currency in Circulation (N'Million)</b>	2,353,337.05	2,741,262.67
<b>FAAC (N'Billions)</b>	547.31	

\*Revised GDP figures/tentative figure

NA: Not Available



1. NBS (2021). Sectoral Distribution Of Value Added Tax Movement: Q2, 2021. Retrieved from, <https://www.nigerianstat.gov.ng/download/1241053>
2. CBN (2021). Exposure Draft of the Risk-Based Cyber-Security Framework and Guidelines for Other Financial Institutions. Retrieved from, [https://www.cbn.gov.ng/Out/2021/OFISD/Exposure%20draft%20of%20the%20risk-based%20cyber-security%20framework\\_August%202021%20PDF.pdf](https://www.cbn.gov.ng/Out/2021/OFISD/Exposure%20draft%20of%20the%20risk-based%20cyber-security%20framework_August%202021%20PDF.pdf)
3. UN (2021). E-Government Development Index. Retrieved from, <https://publicadministration.un.org/egovkb/Data-Center>
4. UN (2021). E-Participation Index. Retrieved from, <https://publicadministration.un.org/egovkb/en-us/Data/Country-Information/id/125-Nigeria>