



Nigeria Economic Update



Weekly
Digest

Growth in Economic Output

In the second quarter of 2021, the country's Gross Domestic Product (GDP) grew by 5.01 percent (year-on-year) in real terms, marking three consecutive quarters of growth after the negative growth rates recorded in the second and third quarters of 2020.¹ The rise in real GDP saw the oil sector contributing 7.42 percent while 92.58 percent was contributed by the non-oil sector. The steady recovery of the Nigerian economy since the end of 2020 is attributed to the increase in economic activities relative to pre-COVID-19 levels, and the easing of travel restrictions both locally and internationally. However, further insights show that real GDP grew at -0.79% in Q2 2021 compared to Q1 2021, reflecting slightly slower economic activities than the preceding quarter due largely to seasonality. It is important that the government adopts a multi-pronged solution to consolidate the recovery of the economy. This should include improving the ease of doing business, implementing expansionary fiscal policies to improve economic infrastructure, as well as improving security to boost aggregate supply.

The Emergence of Digital Currency 'eNaira'

The Central Bank of Nigeria (CBN) has announced the formal engagement of the global Fintech company, Bitt Inc., as the technical partner for the eNaira which is due to be unveiled in October 2021.² According to the CBN, the selection of Bitt Inc. from among highly competitive bidders was hinged on the company's technological competence, efficiency, platform security, interoperability, and implementation experience, which they demonstrated in the development and successful launch of the Central Bank Digital Currency (CBDC) pilot of the Eastern Caribbean Central Bank (ECCB) in April 2021. Meanwhile, the eNaira is expected to lead to a number of economic benefits including but not limited to increased cross-border trade, accelerated financial inclusion, faster remittance inflows, easier targeting of social interventions, payment system efficiency, improved tax collection as well as enhancing the effectiveness of monetary policy. These benefits transmit to a more robust economy as the eNaira will offer additional digital linkages with other sectors of the economy.

Worsening Food Insecurity

According to the Nigeria Bureau of Statistics (NBS), there is a significant increase in the price of several food items. The average price of one dozen of a medium sized egg increased by 21.82 percent year-on-year and 3.79 percent month-on-month, recording a price of N577.55 in July from N556.47 in June. Also, the average price for a single medium sized egg increased year-on-year by 24 percent and month-on-month by 2.95 percent, recording a price of N52.73 in July from N51.22 in June.³ The price of other food items including tomato also increased by 36.45 percent year-on-year, and yam increased by 20.39 percent year-on-year. The increase in food prices can be attributed to declining levels of production due to farmers-herders' crisis and banditry. Further, the trade embargo placed on agricultural products have exacerbated the situation as a result of lower supply levels. This raises concern over living standards and the welfare of Nigerians most of whom are living in poverty. By providing adequate security for farmers and providing a long-lasting solution to the farmers-herders crises, there will be a rise in aggregate supply which would have positive effects on food prices and living standards.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'21Q1	'21Q2
GDP Growth Rate (%)	0.51	5.01
Oil GDP (%)	-2.21	-12.65
Non-oil GDP (%)	0.79	6.74
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	154.76	77.97
Portfolio Investment (US \$Millions)	974.14	551.37
Other Investment (US \$Million)	776.99	246.27
External Debt (FGN & States- N'Trillion)	12.470	NA
Domestic Debt (FGN + States & FCT N'Trillion)	20.647	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	May'20	June'21
Headline Inflation (%)	12.4	17.75
Food Sub-Index (%)	15.04	21.83
Core Sub-Index (%)	10.12	13.09
External Reserves (End Period) (US\$ Billion)	NA	33.40
Official Rate Approx. (N/US\$)	NA	NA
BDC Rate Approx. (N/US\$)	443.96	496.19
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US\$/Barrel)	27.9	78.01
Petrol (PMS-N/litre)	128.88	165.61
Diesel (AGO -N/Litre)	224.37	242.43
Kerosene (HHK -N/Litre)	334.08	370.29
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	1,973.95	2,068.69
MPR (%)	12.5	11.5
CRR (%)	NA	NA
T-Bill Rate (%)	2.45	2.5
Savings Deposit (%)	3.83	1.81
Prime Lending (%)	14.73	11.67
Maximum Lending (%)	30.69	29.05
Narrow Money (N'Million)	12,553,304.03	16,016,754.46
Broad Money (N'Million)	32,719,162.68	38,759,139.29
Net Domestic Credit (N'Million)	38,913,828.54	44,385,555.31
Credit to the Government (Net) (N'Million)	9,564,579.49	11,747,370.69
Credit to the Private Sector (N'Million)	29,349,249.05	32,638,184.62
Currency in Circulation (N'Million)	2,353,337.05	2,741,262.67
FAAC (N'Billion)	547.31	

*Revised GDP figures/tentative figure

NA: Not Available

1. NBS (2021). National Gross Domestic Product Report (Q2 2021). Retrieved from <https://www.nigerianstat.gov.ng/>
2. CBN (2021). Central Bank Selects Technical Partner for Digital Currency Project. Retrieved from, [https://www.cbn.gov.ng/Out/2021/CCD/CBN%20Press%20Release%20\(CBDC\)%2030082021.pdf](https://www.cbn.gov.ng/Out/2021/CCD/CBN%20Press%20Release%20(CBDC)%2030082021.pdf)
3. NBS (2021). Selected Food Price Watch July 2021 (Agriculture). Retrieved from <https://www.nigerianstat.gov.ng/>

