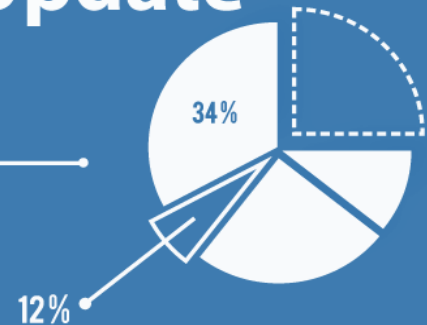


Nigeria Economic Update



Weekly
Digest

CBN Retains 11.5 percent Monetary Policy Rate

The Monetary Policy Committee of the Central Bank of Nigeria (CBN) retained the Monetary Policy Rate (MPR) at 11.5 percent during its 281st meeting ¹. Similarly, other monetary parameters were kept constant including the Cash Reserve Ratio at 27.5 percent and the Liquidity Ratio at 30 percent. The rates were retained largely as a result of the declining rate of inflation and the improvement in the growth rate of Gross Domestic Product. The continuous double digit MPR may however limit the availability of funds to the private sector, which is required to spur aggregate supply in order to achieve lower levels of inflation. This is underpinned by the fact that inflation in Nigeria is recognised to be mainly cost push rather than demand pull, and as such cannot be solely contained by monetary policy. Going forward, programmes to address structural factors that continue to exert upward pressure on prices should be integrated with ongoing monetary policy interventions.

Further Increase in Cost of Transportation

Data from the National Bureau of Statistics (NBS) showed a significant increase in transportation costs in August 2021². The average fare for intercity bus journey increased by 1.80 percent month-on-month to N2,588.69 in August 2021, from N2,542.95 in July 2021; and recorded a 24.99 percent year-on-year increment. Furthermore, the average fare for bus journey within the city increased by 4.98 percent month-on-month from N410.17 in July 2021 to N430.58 in August 2021; and recorded a 50.3 percent year-on-year increment. These increments also affect air transportation (0.03 percent month-on-month increase), and water transportation (1.97 percent month-on-month increase). The rise in transportation costs is as a result of infrastructural deficits and rising inflation. The rising cost of transportation directly translates to higher cost of production and increase in prices for end users. At the household level, this translates to a fall in the standard of living. Consequently, there is the need for increased government spending to address the dilapidated transport infrastructure while leveraging on partnerships with the private sector.

Rise in Broad Money Supply

Nigeria's broad money supply (M3) increased by 5.83 percent in August 2021, standing at N42.08 trillion. This was a significant increase relative to the 2.91 percent increase recorded in July 2021³. The increase in money supply in August 2021 was largely driven by Net Foreign Assets which grew by 12.35 percent, and Net Domestic Assets which grew by 4.30 percent. More specifically, foreign asset holdings of commercial and merchant banks increased considerably, thereby contributing to the growth in Net Foreign Assets. Meanwhile, the increase in Net Domestic Assets led to a improvements in finance available to key sectors of the economy as aggregate credit increased by 8.14 percent in August 2021. However, policymakers should ensure that aggregate credit is substantially channelled to major production sectors of the economy such as agriculture, manufacturing and mining in order for avoid inflationary pressures.

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	June '20	July '21
Headline Inflation (%)	12.56	17.38
Food Sub-Index (%)	15.18	21.03
Core Sub-Index (%)	10.13	13.72
External Reserves (End Period) (US\$ Billion)	36.19	33.40
Official Rate Approx. (N/US\$)	3601	410.1
BDC Rate Approx. (N/US\$)	447.71	525
Manufacturing PMI	41.1	46.6
Non-Manufacturing PMI	35.7	44.8
Average Crude Oil Price (US\$/Barrel)	27.9	78.01
Petrol (PMS-N/litre)	128.88	165.91
Diesel (AGO -N/Litre)	224.37	250.82
Kerosene (HHK -N/Litre)	334.08	370.34
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	1,973.95	2,141.59
MPR (%)	12.5	11.5
CRR (%)	27.5	27.5
T-Bill Rate (%)	1.94	2.5
Savings Deposit Rate (%)	3.78	1.82
Prime Lending (%)	15.65	11.57
Maximum Lending (%)	30.57	27.99
Narrow Money (N'Million)	12,381,367.68	16,291,049.38
Broad Money (N'Million)	32,593,522.49	38,769,833.80
Net Domestic Credit (N'Million)	38,453,939.57	44,970,105.02
Credit to the Government (Net) (N'Million)	8,898,424.84	12,127,529.94
Credit to the Private Sector (N'Million)	29,555,514.73	32,842,575.08
Currency in Circulation (N'Million)	2,300,831.63	2,812,103.48
FAAC (N'Billions)	547.31	760.72

*Revised GDP figures/tentative figure

NA: Not Available

1. CBN (2021). Central Bank of Nigeria Communiqué No. 138 Of The 281st Monetary Policy Committee Meeting. Retrieved from <https://www.cbn.gov.ng/Out/2021/CCD/Communique%20No%20138%20of%20the%20Monetary%20Policy%20Committee.pdf>
2. NBS (2021). Transport Fare Watch August 2021. Retrieved from <https://www.nigerianstat.gov.ng/>
3. CBN (2021). Central Bank of Nigeria Communiqué No. 138 of The 281st Monetary Policy Committee Meeting. Retrieved from <https://www.cbn.gov.ng/Out/2021/CCD/Communique%20No%20138%20of%20the%20Monetary%20Policy%20Committee.pdf>

