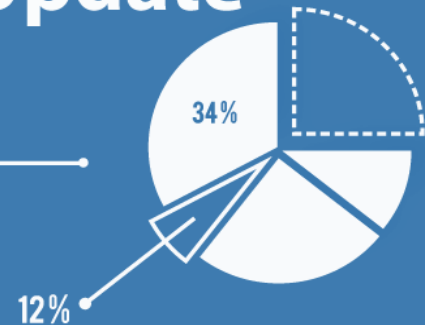


# Nigeria Economic Update



Weekly  
**Digest**

## ***PMS Price Increases***

According to the National Bureau of Statistics (NBS), the average price of Premium Motor Spirit (PMS) commonly referred to as petrol increased by 2.36 percent year-on-year but experienced a month-on-month decrease of 0.04 percent, from N164.91 in August 2021 to N164.85 in September 2021<sup>1</sup>. In September, the top three States with the highest average price of PMS were Abia (N172.50), Ekiti (N170.62) and Lagos (N167.80). Additionally, the States with the lowest average PMS were Ebonyi (N162.27), Ondo (N162.20) and Kano (N160.83). The variation in the price of petrol indicates that the Petroleum Equalisation Fund (PEF) had fallen short of its goal of administering a uniform pump pricing for petroleum products across the country. Furthermore, because of the inelastic nature of PMS demand, price volatility and discrepancy immediately affect the pricing of other products and services across the country, thus affecting the optimality of monetary policy. With the recent abolishment of the PEF, structural improvements in terms of absorbing transportation costs are required to reduce cost differentials in the transportation of PMS across the country.

## ***Inflation drops in September***

The National Bureau of Statistics (NBS) has revealed that the inflation rate, as measured by the Consumer Price Index (CPI), declined to 16.63 percent in the month of September 2021<sup>2</sup>. This is 0.38 percentage point lower than 17.01 percent reported in August 2021. The decline in the rate of inflation has been consistent over the last seven months. On a month-on-month basis, the headline index climbed to 1.15 percent, which was 0.13 percentage point higher than the rate recorded in August 2021. The downward trend in inflation suggests that the country's overall aggregate supply is expanding, which could be due to the Central Bank of Nigeria's (CBN) continued application of unconventional monetary policies to key sectors of the economy. High inflation erodes households purchasing power, which in turn reduces the standard of living. Similarly, high inflation increases the cost of doing business. Thus, the current double-digit inflation rate has a negative impact on consumption and investment. Efforts of the government should aim at addressing the structural issues such as insecurity, and erratic power supply, which in turn would boost productivity, as well as tame the rate of price increase.

## ***Household consumption and investment drive Nigeria's Q2 2021 growth***

The Nigerian economy experienced an increase in economic activities Q2 2021<sup>3</sup>. In Q2 2021, GDP grew by 5.01 percent. This indicates a significant improvement when compared to the negative growth rate of -6.1 percent recorded in Q2 2020. The National Bureau of Statistics Report on Nigerian Gross Domestic Product prepared using the expenditure and income approach shows that in Q2 2021, household consumption increased by 48.16 percent, and gross fixed capital formation by 8.21 percent while net export and government consumption expenditure shrunk by 74.49 percent and 53.56 percent, respectively. This indicates that the growth experienced in Q2 2021 was driven by household consumption and investment. This suggests that government social measures that amplifies consumption, as well as government interventions to businesses harmed by the pandemic, will hasten the recovery process. By raising investment in export-enhancing facilities, the African Continental Free Trade Agreement (AfCFTA) provides a lever to reverse the expanding trade imbalance as shown in the reduction in net export.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'21Q1</b>	<b>'21Q2</b>
<b>GDP Growth Rate (%)</b>	0.51	5.01
<b>Oil GDP (%)</b>	-2.21	-12.65
<b>Non-oil GDP (%)</b>	0.79	6.74
<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>July '20</b>	<b>Aug '21</b>
<b>Headline Inflation (%)</b>	12.82	17.01
<b>Food Sub-Index (%)</b>	15.48	20.30
<b>Core Sub-Index (%)</b>	10.10	13.41
<b>External Reserves (End Period) (US\$ Billion)</b>	36.19	33.40
<b>Official Rate Approx. (N/US\$)</b>	3601	410.1
<b>BDC Rate Approx. (N/US\$)</b>	447.71	525
<b>Manufacturing PMI</b>	41.1	46.9
<b>Non-Manufacturing PMI</b>	35.7	46.9
<b>Average Crude Oil Price (US\$/Barrel)</b>	44.1	73.18
<b>Petrol (PMS-N/litre)</b>	128.88	164.91
<b>Diesel (AGO -N/Litre)</b>	224.37	250.82
<b>Kerosene (HHK -N/Litre)</b>	334.08	400.01
<b>Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)</b>	1,973.95	2,215.33
<b>MPR (%)</b>	12.5	11.5
<b>CRR (%)</b>	27.5	27.5
<b>T-Bill Rate (%)</b>	1.30	2.5
<b>Savings Deposit Rate (%)</b>	3.78	1.82
<b>Prime Lending (%)</b>	12.10	11.62
<b>Maximum Lending (%)</b>	28.42	28.00
<b>Narrow Money (N'Million)</b>	12,775,602.49	16,408,026.85
<b>Broad Money (N'Million)</b>	33,337,326.82	40,744,532.18
<b>Net Domestic Credit (N'Million)</b>	39,849,571.53	46,016,470.38
<b>Credit to the Government (Net) (N'Million)</b>	9,661,188.09	12,657,278.65
<b>Credit to the Private Sector (N'Million)</b>	30,188,383.44	33,359,191.72
<b>Currency in Circulation (N'Million)</b>	2,395,917.03	2,778,706.01
<b>FAAC (N'Billions)</b>	547.31	760.72

\*Revised GDP figures/tentative figure

NA: Not Available

1. NBS (2021). Premium Motor Spirit (Petrol) Price Watch (September 2021). Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241083>
2. NBS (2021). Consumer Price Index September 2021. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241081>
3. NBS (2021). Nigerian Gross Domestic Product Report (Expenditure and Income Approach). Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241082>

