



# Nigeria Economic Update



Weekly  
**Digest**

## ***CBN Launches eNaira***

The Central Bank of Nigeria (CBN) on 25<sup>th</sup> October 2021 launched eNaira, Africa's first digital currency. The eNaira is a digital currency that provides a unique form of money denominated in Naira, and would serve as both a medium of exchange and a store of value.<sup>1</sup> The eNaira is expected to foster economic growth by offering easier access to financial services, leading to an increase in economic activities at low or no transaction costs. Furthermore, the digital currency is designed to lower the cost of remittances for those who live outside the country. The eNaira is a good prospect for financial inclusion and the development of the Nigerian economy if fully utilized. The government's use of digital platforms to deliver transfer payments to households and communities, for example, is intended to improve livelihood while also assisting the government in maintaining its social protection database. Despite the projected benefits of eNaira, the poor state of the naira may prevent widespread use. Because the digital currency will have the same value as the traditional currency. As a result, the government must strengthen the naira through economic diversification and exported measures in order to encourage digital currency usage. In addition, the government must raise public awareness of the benefit of digital currency's utility to users.

## ***External reserves crossed the US\$ 40 billion mark***

Nigeria external reserves exceeded US\$ 40 billion on 18<sup>th</sup> November 2021 according to Central Bank of Nigeria (CBN) dataset on external reserves.<sup>2</sup> A total of US\$ 5.5 billion external reserves were earned between 27<sup>th</sup> September 2021 and 27<sup>th</sup> October 2021, as the external reserves increased from US\$ 36.3 billion on 27<sup>th</sup> September 2021 to 41.8 billion on 27<sup>th</sup> October 2021, which indicates an increase of 15 percent over a month. Since mid-November 2019, external reserves have been consistently lower than US\$ 40 billion. The upward trend in reserves can be attributed to several factors including Special Drawing Right allocation of US\$ 3.35 from the IMF, and the CBN stoppage of selling dollar to Bureau de Change. The upward movement in external reserves would help in reducing pressure on naira. Thus, the naira is expected to maintain a stable rate as the reserves increase. Ongoing reforms in the exchange rate management system aimed at unifying the exchange rate should be sustained and improved upon. A unified exchange rate erodes arbitrage associated with multiple exchange rates. Furthermore, the less diversified structure of the country's export bases which makes the country to depend on few commodities for external reserves is unhealthy for the economy. Existing support schemes for the manufacturing sector both in terms of technical skills and financial resources should be strengthened to increase their output level for the domestic and the export markets.

## ***The IMF Increases Nigeria's economic growth forecast***

The IMF has revised upward its 2021 economic growth projection for Nigeria to 2.6 percent. Nigeria's economic growth projection was initially set at 2.5 percent.<sup>3</sup> This revision was contained in the IMF's World Economic Outlook (WEO) for the month of October 2021 titled, "Recovery During a Pandemic: Health Concerns, Supply Disruptions, and Price Pressures". The IMF also increased upward the country's growth prospect for the year 2022 from 2.6 percent to 2.7 percent. The IMF economic growth projection is driven by the expected growth in the service sector. While the Nigeria's growth projection was revised upward, the projection for the global economy for 2021 was revised downward from 6 percent to 5.9 percent, while retaining the growth forecast of 2022 for the global economy at 4.9 percent. The global downgrading was attributed to the supply chain disruptions and limited access to COVID-19 vaccines in the emerging economies. The upward revision reduces the gap between the IMF projection and the government projection of 3 percent. Given that the population is growing at a rate higher than 3 percent, this indicates that to improve per capita income, the rate of growth needs to be higher than 3 percent. To achieve this, the country's ease of doing business must be improved. It is necessary to improve critical infrastructure in order to boost economic activity, as well as to increase lending to the private sector in order to boost productivity.

<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'Billion)</b>	547.31	760.72

\*Revised GDP figures/tentative figure

NA: Not Available

1. CBN (2021c). eNaira. Retrieved from <https://www.enaira.gov.ng>
2. CBN (2021b). Movement in reserves. Retrieved from <https://www.cbn.gov.ng/intops/reserve.asp>
3. IMF (2021). Economic Outlook (OCTOBER 2021). Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021>

