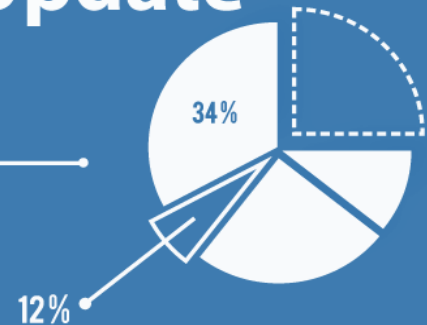


Nigeria Economic Update



Weekly
Digest

FG introduce N10/litre taxes on Soft Drinks in the Finance Act, 2021

The Finance Act 2021, enacted by the Federal Government (FG), seeks to boost the revenue position of the government.¹ The Act is a collection of amendments to relevant tax, excise, and duty statutes in accordance with the macroeconomic policy reforms of the FG. Among many provisions of the Finance Act, the N10 excise duty tax per litre, according to the government, is aimed at making all non-alcoholic and sweetened or sugary beverages more expensive and, thus, discouraging their excessive consumption. The introduction of the tax is expected to reduce the associated health challenges like diabetes and obesity on the one hand and increase government revenues (for health-related and critical spending) on the other hand. The additional revenue arising from the introduction of the N10 tax per litre should be mainly channelled towards strengthening the health care system and increasing health care infrastructure in the country. Furthermore, a fraction of the fund should be spent on advocating for healthy nutrition and lifestyle, which is expected to improve citizens' living standards and reduce the demand for health care services.

Nigeria's External Reserve Drops in First Week of 2022

Nigeria's external reserves dipped by \$24.3 million in the first week of 2022, from \$40.514 billion at the beginning of the week to \$40.49 billion at the end of the week, January 7, 2022. This is based on the external reserves data reported by the Central Bank of Nigeria (CBN)². The decline in external reserves indicates a reverse of the accumulation recorded between August and October 2021 due to the \$3.35 billion IMF Special Drawing Rights facility received from the International Monetary Fund (IMF) in August 2021 and the \$4 billion Eurobond issued in September 2021. The reverse started with a downward movement in November, losing \$611.01 million, and an additional \$666.17 million in December 2021. The successive decline in reserves can be attributable to trade deficit and the apex bank's intervention to ensure foreign exchange stability in the country. Given the adverse effect of low external reserves on international trade, credit worthiness, and exchange rate stability, there is a need to revert the downward movement of the external reserves over the last few months. It is critical that the government strengthens the diversification of the export base by providing exporting firms with the institutional assistance they require to improve their export performance, improving export-related facilities, and ensuring that existing export processing zones function as intended.

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Capital Importation Rises in Q3 2021

Data from the Nigerian Bureau of Statistics (NBS) shows an improvement in the inflow of capital into Nigeria, as Nigeria's capital importation hit \$1.7 billion in Q3 2021, thus recording an increase of 97 percent from the \$875.62 million recorded in the preceding quarter, and an 18.47 percent year-on-year change from \$1.461 billion in Q3 2020. Portfolio investment accounted for \$1.217 billion of the \$1.7 billion in capital importation reported in Q3 2021, accounting for 70.30 percent of total capital importation. Foreign Direct Investment (FDI), the long-term form of capital investment was \$107.81 million, accounting for 6.23 percent of total investment. This indicates that the surge in capital importation is driven by short-term investment opportunities which is highly susceptible to changes in the global economic landscape. Hence, there is a need for the government to further enhance the business environment with a view to attracting FDI. Furthermore, effective implementation of the recently launched Medium Term Development Plan, which seeks to increase private sector participation in the economy, is expected to prompt macroeconomic and industrial reforms, which, in turn, should increase the attractiveness of Nigeria to foreign investors.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'21Q2	'21Q3
GDP Growth Rate (%)	5.01	4.03
Oil GDP (%)	-12.65	-10.73
Non-oil GDP (%)	6.74	5.44
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	77.97	NA
Portfolio Investment (US \$Millions)	551.37	NA
Other Investment (US \$Million)	246.27	NA
External Debt (FGN & States- N'Trillion)	13.71	NA
Domestic Debt (FGN + States & FCT N'Trillion)	21.75	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Sept '20	Oct '21
Headline Inflation (%)	13.71	15.99
Food Sub-Index (%)	16.66	18.34
Core Sub-Index (%)	10.58	13.24
External Reserves (End Period) (US\$ Billion)	35.74	41.83
Official Rate Approx. (N/US\$)	359.99	410.59
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	41.1	47.3
Non-Manufacturing PMI	35.7	47.5
Average Crude Oil Price (US\$/Barrel)	40.85	73.18
Petrol (PMS-N/litre)	128.88	165.60
Diesel (AGO -N/Litre)	224.37	254.07
Kerosene (HHK -N/Litre)	334.08	423.42
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	1,973.95	2,627.94
MPR (%)	11.5	11.5
CRR (%)	27.5	27.5
T-Bill Rate (%)	1.10	2.5
Savings Deposit Rate (%)	2.41	1.28
Prime Lending (%)	11.55	11.61
Maximum Lending (%)	28.45	27.10
Narrow Money (N'Million)	13,555,672.34	16,553,042.48
Broad Money (N'Million)	34,965,447.66	41,369,902.01
Net Domestic Credit (N'Million)	39,429,671.22	47,383,921.08
Credit to the Government (Net) (N'Million)	9,683,889.71	12,874,524.50
Credit to the Private Sector (N'Million)	29,745,781.51	34,509,396.58
Currency in Circulation (N'Million)	2,427,329.31	2,965,985.43
FAAC (N'Billion)	547.31	760.72

*Revised GDP figures/tentative figure
NA: Not Available

1. BOF (2022). Finance Act, 2021. Retrieved from <https://www.budgetoffice.gov.ng/index.php/finance-act-2021?task=document.viewdoc&id=962>
2. [CBN \(2022\)](https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=1/12/2022%2011:50:01%20AM). Movement in Reserves. Retrieved from <https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=1/12/2022%2011:50:01%20AM>
3. NBS (2022). Nigerian capital Importation Q3 2021. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241111>