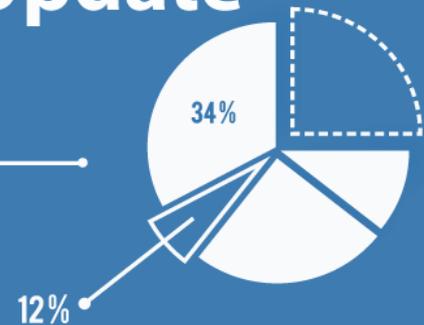




Nigeria Economic Update



Weekly
Digest

Nigeria's oil production dips in October

Estimates from the Organization of Petroleum Exporting Countries (OPEC) show that Nigeria produced about 1.25 million barrels per day (mbpd) in October 2021. This is below the budgeted crude oil production level of 1.86 mbpd in the 2021 budget. Furthermore, crude oil production recorded a decrease of 9% year on year from 1.3 million in October 2020 to 1.2 mbpd in October 2021¹. Similarly, on a month-on-month basis, Nigeria's total oil production decreased slightly from 1.25 mbpd, decreasing by about 200,000 bpd. The decrease in output is primarily due to vandalism and bunkering in oil-producing regions, which causes damage to oil installations. As oil production level falls, government revenue falls, thereby shrinking the fiscal space and leaving the government with the option of borrowing to invest in vital sectors of the economy. Further, the fall in oil output level puts pressure on the value of the naira, as crude oil remains Nigeria's primary export. To actualise the revenue projection from the oil sector, the government in collaboration with security agencies should strengthen relations with host communities in securing oil installations. The government can also leverage on technology by utilising satellite with geo information system to effectively monitor pipelines.

The Nigerian Stock Market grows in October

According to the Nigerian Exchange Group, the Nigerian stock market grew in the month of October, 2021.² The All-Share Index (ASI) increased from 40221.17 points at the end of September 2021 to 42038.60 points at the end of October 2021, representing a 4.5 percent increase on a month-on-month basis. On a year-on-year basis, ASI increased by 4.2 percent. The market capitalization also increased to N21.94 trillion in October 2021, from N20.96 trillion recorded in September 2021, which represents a 4.7 percent increase on a month-on-month basis. On a year-on-year basis, market capitalisation has increased by 56.5 percent, from the N14 trillion recorded at the end of October 2020. The growth experience in the stock market lately is partly due to positive sentiment and optimism, inflows from the fixed income market, and rising crude oil price in the international market. Given that the stock market responds to macroeconomic conditions and that crude oil prices are completely exogenous, macroeconomic stability is key in sustaining current improvement in the stock markets and should be prioritized. Furthermore, there is need for more advocacy and enlightenment programme to reduce the level of financial illiteracy among the citizens. High level of financial literacy is expected to enhance competition among stockbrokers, thereby increasing the level of participation in the stock market.

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Inflation Declines further

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The National Bureau of Statistics (NBS) statistics on headline inflation rate for October 2021, as measured by the Consumer Price Index (CPI), stood at 15.99 percent². This represents a 0.64 percentage point decline in inflation rate when compared to 16.63 percent recorded in September 2021. The declining level of inflation indicates an expansion in aggregate supply and output. The fall in the rate of inflation in the country has been consistent over the last seven months. However, the double-digit inflation rate still erodes consumers' wellbeing by lowering households' spending capacity. With the inflation rate being a supply-side phenomenon and cost-push in nature, inflation can further be reduced if policies which reduces the cost of production are implemented. In line with this, core infrastructure such as effective transportation networks and constant electricity remain paramount. Unconventional monetary policies, such as the real sector intervention programme, should be scaled up, and the need to address Nigeria's security concerns effectively remains critical for farmers' productivity to increase.

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	13.71
Domestic Debt (FGN + States & FCT N'Trillion)	20.647	21.75
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	July '20	Aug '21
Headline Inflation (%)	12.82	17.01
Food Sub-Index (%)	15.48	20.30
Core Sub-Index (%)	10.10	13.41
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	46.9
Non-Manufacturing PMI	35.7	46.9
Average Crude Oil Price (US\$/Barrel)	44.1	73.18
Petrol (PMS-N/litre)	128.88	164.91
Diesel (AGO -N/Litre)	224.37	250.82
Kerosene (HHK -N/Litre)	334.08	400.01
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	1,973.95	2,215.33
MPR (%)	12.5	11.5
CRR (%)	27.5	27.5
T-Bill Rate (%)	1.30	2.5
Savings Deposit Rate (%)	3.78	1.82
Prime Lending (%)	12.10	11.62
Maximum Lending (%)	28.42	28.00
Narrow Money (N'Million)	12,775,602.49	16,408,026.85
Broad Money (N'Million)	33,337,326.82	40,744,532.18
Net Domestic Credit (N'Million)	39,849,571.53	46,016,470.38
Credit to the Government (Net) (N'Million)	9,661,188.09	12,657,278.65
Credit to the Private Sector (N'Million)	30,188,383.44	33,359,191.72
Currency in Circulation (N'Million)	2,395,917.03	2,778,706.01
FAAC (N'Billions)	547.31	760.72

*Revised GDP figures/tentative figure

NA: Not Available

1. OPEC (2021). Monthly Oil Market Report - November 2021. Retrieved from <https://momr.opec.org/pdf-download/>
2. [NGX Group \(2021\). Market Indices](https://ngxgroup.com/exchange/data/indices/). Available at <https://ngxgroup.com/exchange/data/indices/>
3. NBS (2021). CPI and Inflation Report October 2021. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241090>

