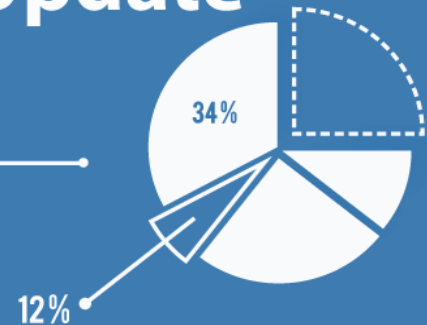


Nigeria Economic Update



Weekly
Digest

CBN Retains MPR at 11.5 percent

The Central Bank of Nigeria (CBN) in its last Monetary Policy Committee (MPC) meeting for the year retained the Monetary Policy Rate (MPR) at 11.5 percent, while also keeping other monetary parameters constant¹. The Cash Reserve Ratio (CRR) was retained at 27.5 percent and the Liquidity Ratio was retained at 30 percent. The committee based their decision on the successes of the existing monetary policy stance in facilitating economic growth in the country. The MPR is the rate at which the Central Bank lends to commercial banks, which in turn, informs the interest rate on bank loans. Given the positive growth rate recorded in the third quarter of the year and the gradual decline in inflation, the Committee might consider reducing the MPR to reduce the cost of funds or reducing the CRR to increase the volume of funds available to commercial banks to lend, to further boost the rate of economic growth. This is because Nigeria's inflation is a supply-side phenomenon, and boosting domestic credit should aid in improving productivity, further lowering inflationary pressures.

IMF Recommends Removal of Subsidies on Fuel and Electricity

The International Monetary Fund (IMF) visited Nigeria recently and released a statement on their preliminary findings.² The visit was in line with the IMF's routine annual visits to member countries under Article IV of the IMF's Articles of Association. The IMF acknowledged the effective role played by the government in bringing the pandemic under control. The IMF, on the other hand, identified the slow pace of revenue mobilisation in the economy as a challenge which further increases the risks connected with continuous expenditure on subsidies in the country. Based on this, the organization identified the need for the removal of the regressive subsidies on fuel and electricity by the government, in order to correct fiscal and external imbalances in the economy, and also recommended reforms in tax administration. The IMF also recognises that the removal of the subsidies on fuel and electricity might have a negative impact on the poor masses and recommends well-targeted social assistance schemes to cushion the negative impacts. Given that past attempts to remove the subsidies were welcomed by public outcry, there is a need for the government to constantly engage the public on how the proposed social intervention programmes would be implemented. This event further underscores the importance of a robust database in designing and implementing a targeted social intervention.

Fix Forex Policy, World Bank advises Nigeria

The World Bank, at the launch of November 2021 edition of Nigeria's Development Update discussed the state of Nigeria's economy and made several policy recommendations. One of the notable suggestions was that of fixing the exchange rate policies in the country. According to the report, the existence of parallel rates in the foreign exchange market is one of the drivers of inflation in the country, which has pushed about 8 million Nigerians into poverty since 2020. The bank recommended that to curb inflation in the economy, exchange rate management ought to be predictable and flexible, thus, emphasise the need to have a uniform exchange rate. Given the administrative goal of lifting 100 million Nigerians out of poverty by 2030, it is imperative to address high inflation rate by introducing policies that would bring the rate below a single digit. The unification of the exchange rate might be important in achieving lower inflation by reducing arbitrage in the foreign exchange market. However, persistent shortage of foreign exchange due to low export earnings posits a challenge to effective management of the foreign exchange. Hence, there is a need for the government to support firms operating in the country in terms of simplifying export regulations and making credits available for firms to expand their scale of operation and the quality of their products to gain

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. CBN (2021). Central Bank of Nigeria Communiqué No. 139 Of The 282nd Monetary Policy Committee Meeting. Retrieved from <https://www.cbn.gov.ng/Out/2021/CCD/MPC%20COMMUNIQUE%20NO.%20139%20OF%2022ND%20-%2023TH%20NOV%202021.pdf>
2. IMF (2021). Nigeria: Staff Concluding Statement of the 2021 Article IV Mission. Retrieved from <https://www.imf.org/en/News/Articles/2021/11/19/nigeria-staff-concluding-statement-of-the-2021-article-iv-mission>
3. World Bank (2021). Nigeria Development Update. Retrieved from <https://documents1.worldbank.org/curated/en/099545011232116970/pdf/P1778200813d1605e0b361074dc50d90cd3.pdf>