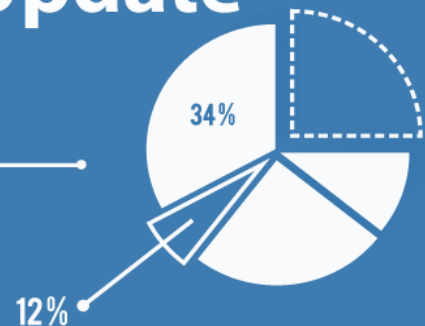


Nigeria Economic Update



Weekly
Digest

Sovereign Sukuk Offer Attracts over N865 billion Subscription

On behalf of the Federal Government, the Debt Management Office (DMO) issued a N250 billion sovereign sukuk bond between the 16th and 23rd of December 2021, with a 346 percent subscription rate worth over N865 billion.¹ The sovereign sukuk bond has a tenor of ten (10) years at a rental income of 12.80 percent per annum to be paid semi-annually. An analysis of the subscription data showed more diverse participation by investors, with high levels of subscription from banks and fund managers (including pension funds), as well as non-interest financial institutions, ethical funds, cooperative societies, and retail investors. This reveals that the DMO's objectives of issuing sovereign sukuk bonds to grow the domestic investor base and promote financial inclusion is being achieved. The agency has reaffirmed that the proceeds of the N250 billion sovereign sukuk bond will be used to continue financing the rehabilitation and reconstruction of critical economic road projects across the six (6) geopolitical zones and the Federal Capital Territory. Given its observable impact on road infrastructure in terms of job creation, travel time, safety, and movement of goods, the sukuk bond has proven to be a beneficial instrument for financing economic growth and development. If duly implemented, the projects would reduce the cost of transportation, create more access to markets, lower commodity (especially food) prices, and also improve the country's overall business environment.

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Rise in Food Price

The Selected Food Price Watch for December 2021 by NBS revealed that higher prices were recorded on a month-on-month basis and year-on-year basis for all selected reported food except for “broken rice (ofada)” and “garri white, sold loose”.⁴ According to the report, the average price of 1kg of beans (white black eye, sold loose) rose on a month-on-month basis by 0.85 percent from N476.76 in November 2021 to N480.79 in December 2021. Other food items like tomato, and rice Agric sold loose, and yam also had their prices rise over the same period. From a regional lens, the report also showed that southern part of the country paid the highest prices for these items, whereas the least prices were paid by the northern states. This disparity reflects the strains on the food supply as triggered by insecurity and transportation costs. In addition, the increase in food prices might be ascribed to demand pressure caused by increasing demand over the holiday season. Because of the exogenous nature of holiday seasons, policy interventions should be aligned with improvements in agricultural production and road infrastructure in order to increase aggregate supply. While it is necessary that farmers benefit from the government's numerous development finance programs, the government must also improve security conditions in order to boost agricultural yields.

Wheat Production in Nigeria

The wheat production report for the 2020–2021 planting season by the National Bureau of Statistics (NBS) focused on 13 states² (Kano, Jigawa, Kebbi, Bauchi, Kaduna, Gombe, Yobe, Katsina, Plateau, Sokoto, Zamfara, Borno, and Adamawa), covering an area of about 11,820 hectares, with a production of 36,943.8 tonnes of the grain. State wise comparison shows that Kano state is the major producer of wheat (6,512.8 tonnes), followed by Jigawa state and Kebbi state, while Zamfara state ranked least (672 tonnes). In terms of average yield per hectare, Plateau state recorded the maximum yield (3.9 tonnes/hectare), followed by Gombe state, while Kaduna, Kano and Jigawa have the least (2.7, 2.8 and 2.8 tonnes/hectare respectively). With domestic consumption at 5–6 million tonnes of wheat annually, and local production at 1 percent, unmet local demand persists. As a result, the Central Bank of Nigeria (CBN) in September 2021 reaffirmed its resolve to enhance wheat production in the country.³ However, wheat farmers must be sensitized on various CBN agricultural programs such as the accelerated agricultural development scheme and the anchor borrower's program. Wheat farmers should therefore leverage these programs to improve productivity. This would also reduce the pressure on the Naira by reducing wheat imports and dampening the strain on external reserves.

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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	107.81
Portfolio Investment (US \$Millions)	551.37	1,217.21
Other Investment (US \$Million)	246.27	406.35
External Debt (FGN & States- N'Trillion)	13.71	15.57
Domestic Debt (FGN + States & FCT N'Trillion)	21.75	22.43
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Nov '20	Dec '21
Headline Inflation (%)	14.89	15.63
Food Sub-Index (%)	18.30	17.37
Core Sub-Index (%)	11.05	13.87
External Reserves (End Period) (US\$ Billion)	35.41	40.52
Official Rate Approx. (N/US\$)	379.5	412.99
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	50.2	NA
Non-Manufacturing PMI	47.6	NA
Average Crude Oil Price (US\$/Barrel)	36.37	76.25
Petrol (PMS-N/litre)	167.27	165.77
Diesel (AGO -N/Litre)	223.74	289.37
Kerosene (HHK -N/Litre)	353.38	467.97
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	NA	3594.81
MPR (%)	11.5	11.5
CRR (%)	27.5	NA
T-Bill Rate (%)	0.86	2.49
Savings Deposit Rate (%)	1.84	1.25
Prime Lending (%)	11.60	11.68
Maximum Lending (%)	28.85	27.58
Narrow Money (N'Million)	14819010.85	NA
Broad Money (N'Million)	36958454.16	NA
Net Domestic Credit (N'Million)	40194156.06	NA
Credit to the Government (Net) (N'Million)	10782279.08	NA
Credit to the Private Sector (N'Million)	29411876.98	NA
Currency in Circulation (N'Million)	2659710.45	NA
FAAC (N'Billion)	601.11	NA

*Revised GDP figures/tentative figures
NA: Not Available

1. DMO (2022). N250 Billion Sovereign Sukuk Offer Attracts Massive Subscription Of Over N865 Billion. Retrieved from <https://dmo.gov.ng/news-and-events/dmo-in-the-news/press-release-n250-billion-sovereign-sukuk-offer-attracts-massive-subscription-of-over-n865-billion>
2. [NBS \(2022\). Wheat Production Survey in Nigeria 2021. Retrieved from https://nigerianstat.gov.ng/elibrary/read/1241120](https://nigerianstat.gov.ng/elibrary/read/1241120)
3. CBN (2021). CBN Update – October 2021. Retrieved from [https://www.cbn.gov.ng/Out/2021/CCD/CBN%20UPDATE%202021b%20\(October\).pdf](https://www.cbn.gov.ng/Out/2021/CCD/CBN%20UPDATE%202021b%20(October).pdf)
4. NBS (2022). Selected Food Prices Watch (December 2021). Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241119>