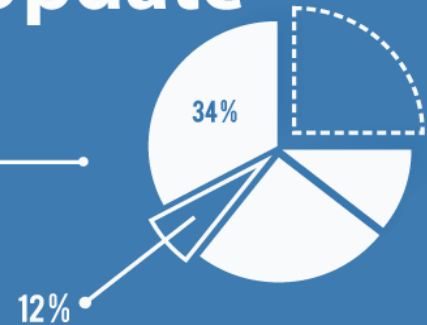


Nigeria Economic Update



Weekly
Digest

Inflation Rises in February 2022

The National Bureau of Statistics (NBS) data shows that headline inflation for February 2022 was 15.7 percent. Headline inflation in February 2022 is 0.1 percent points higher than 15.6 percent recorded in January 2022 (month-on-month), although 1.63 percent points lower than 17.3 percent in February 2021 (year-on-year).¹ Food inflation was 17.1 percent, and core inflation was 14.0 percent. This means that food inflation continued to drive headline inflation. The increase in the prices of bread and cereals, potatoes, yam and other tubers contributed more to food inflation. The increase in core inflation is mainly due to the increase in the prices of gas, liquid and solid fuels, wine, tobacco, and transport equipment. Furthermore, urban inflation was 16.3 percent, and rural inflation was 15.2 percent. This suggests that inflation is 1.1 percent points higher in urban areas. High inflation erodes households' purchasing power and increases firms' cost of production. The strong linkage between the transportation sector and other sectors of the economy suggests that a rise in the cost of transportation would lead to an increase in the price of goods and services. The recent hike in fuel prices arising from the shortage of fuel needs prompt government action to prevent citizens' hardship and inflation induced by an increase in fuel price. Also, there is a need for deliberate government policies to address bottlenecks to agricultural productivity, which has consistently led to high food inflation.

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Nigeria Fails to meet OPEC's Output Quota

The Organisation of the Petroleum Exporting Countries (OPEC) report on the Oil Market shows that Nigeria's produced an average of 1.258 million barrels per day (mb/d) of crude oil in February 2022.² The production level is 141,000 barrels per day (b/d) lesser than 1.399 mb/d recorded in January 2022. This output recorded in February 2022 is less than 1.8 mb/d OPEC assigned quota for Nigeria by 500,000 b/d. At US\$ 100 per barrel, which is lower than the prevailing market price, the shortfall in production results in loss of crude oil sales valued at about US\$ 50 million per day, which also indicates that government revenue from crude oil royalty is lower. An indication that Nigeria is gaining little from the recent surge in crude oil prices in the international market caused by the shortage in production and the Russian invasion of Ukraine. Aging infrastructure, underinvestment, incessant equipment vandalization, and large-scale theft results in low crude oil production in Nigeria. The government introduced the Petroleum Industry Act (PIA) in 2021 to address the oil and gas sector challenges. However, the challenges persist. Hence, the government might need to become more strategic in addressing the changes in the industry to increase production levels.

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Nigeria's imports exceeded exports by ₦174 billion in Q4 2021

According to the data from the National Bureau of Statistics (NBS), Nigeria's total trade in the fourth quarter of 2021 stood at ₦11.7 trillion, indicating an increase of 11.8 percent from ₦10.4 trillion recorded in the third quarter of 2021 and an increase of 74.7 percent from ₦6.7 trillion recorded in the fourth quarter of 2020.³ At the disaggregation level, total imports were ₦5.9 trillion, and total exports were ₦5.8 trillion. As a result, the trade deficit stood at about ₦174 billion, lower than ₦199.3 billion recorded in the preceding quarter and ₦312.1 billion a year ago. A deficit trade balance indicates that the demand for the dollar is higher than the supply, resulting in the rationing of foreign exchange (FX). About 50 percent of imported products are manufacturing goods, indicating that the manufacturing industry cannot meet domestic demand. One possible reason for the high importation of manufactured goods is the erratic electricity supply that has made the manufacturing industry inefficient. In addition, petroleum oil products constitute about a quarter of imports, which should be lower if the refineries operate effectively. While the government could reduce trade deficits through aggressive export production policies, the persistent structural challenges that have made the manufacturing sector ineffective and the oil and gas sector unattractive for new investments need to be solved. The government needs to make constant electricity a priority. Also, there is a need for the government in partnership with the private sector to design and implement reforms to address structural challenges that have made local firms unproductive and inefficient.

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ECONOMIC SNAPSHOT		
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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	27.5
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	18,161,339.38
Broad Money (N'Million)	36958454.16	43,946,387.71
Net Domestic Credit (N'Million)	40194156.06	49,459,366.10
Credit to the Government (Net) (N'Million)	10782279.08	13,732,432.70
Credit to the Private Sector (N'Million)	29411876.98	35,726,933.39
Currency in Circulation (N'Million)	2659710.45	3,325,158.00
FAAC (N'Billion)	601.11	843.81

*Revised GDP figures/tentative figures

NA: Not Available

1. [NBS \(2022\)](https://nigerianstat.gov.ng/elibrary/read/1241146). CPI and Inflation Report February 2022. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241146>
2. OPEC (2022). Monthly Oil Market Report - March 2022. Retrieved from <https://momr.opec.org/pdf-download/>
3. [NBS \(2022\)](https://nigerianstat.gov.ng/elibrary/read/1241147). Foreign Trade in Goods Statistics (Q4 2021). Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241147>