



Nigeria Economic Update



Weekly

Digest

Food Prices Increase in February 2022

Following the food inflation of 17.1 percent in February 2022, the Selected Food Price Watch of the National Bureau of Statistics (NBS) indicates an increase in the average cost of most food items, including beans, sliced bread, groundnut oil, and tomato². The average price per kg of beans rose by 50.1 percent from N331.5 in February 2021 to N497.5 in February 2022. Similarly, the average price of 500g sliced bread increased by 34.1 percent from N326.6 in February 2021 to N418.7 in February 2022. The cost of other food items such as groundnut oil (per bottle) and tomato (per kg) also increased over this period (year-on-year) by 43.5 percent and 46.0 percent, respectively. The increase in the average food price implies high food insecurity and a reduction in the standard of living. These increases are attributable to the higher cost of production inputs, low production, and increased distribution costs. And with the energy crisis lingering since February, food inflation is likely to increase further, worsening the poverty situation. To reduce the effect of the rising food prices on household welfare, the government should strengthen existing social protection measures to cushion the effect of rising food prices on the poor. Also, increased production is required to slow down the rate of the food price increase. As a result, there is a need to evaluate existing government interventions in the agricultural sector to understand ways to strengthen the interventions to enhance agricultural yields and reduce post-harvest loss

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CBN Proposes New Cash Management Initiative

The Central Bank of Nigeria will launch Bank Neutral Cash Hubs (BNCHs) shortly¹. BNCH is an initiative of the Bank geared towards strengthening the Nigerian Cash Management System. By design, BNCHs are cash collection centers that would serve as platforms for bank customers to make huge cash deposits and receive value regardless of the Bank in which their account is domiciled. According to the CBN, these hubs will be established by registered cash processing companies or deposit money banks and process a minimum deposit or withdrawal request of N500,000 for individuals and N1,000,000 for corporate bodies in areas with high volumes of commercial activities. Given that cash handling is costly and riskier for all actors in cash management activities, this initiative would help reduce costs and improve the operational efficiency of the country's cash management value chain. The effective functioning of the hub is expected to enhance cash management efficiency. However, the Bank needs to develop robust compliance frameworks that would ensure that the operation of BNCHs does not violate the CBN cashless policy and the existing laws aimed at combating money laundering. In other words, initiatives implemented in achieving a cashless economy should be complemented and not hindered by the operation of the hubs.

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Transport Fare Rises at Double-Digit Rate

The National Bureau of Statistics Transport Fare Watch for February 2022 shows a rise in the average cost of transportation across all categories³. The report shows that the average fare of intercity buses increased by 30.9 percent to N3,106.72 in February 2022 from N2,373.9 in the preceding year. Similarly, the average cost of air transportation rose by 23 percent to N44,825 in February 2022 from N36,458 in the preceding year. The rise in transportation costs partly contributes to the increase in other goods and services prices since transportation is an essential input cost. Factors contributing to the rise in transportation include the scarcity of fuels and weak transportation infrastructure. The scarcity of fuel in Nigeria, an oil-producing economy, is a testament to the Nigerian oil and gas industry's poor management. The invasion of Ukraine by Russia might further increase transportation costs which may lead to a prolonged fuel scarcity period. Therefore, addressing the legacy issues in the oil and gas industry that had hindered investment into the industry might help prevent future scarcity of fuel and lower transportation costs.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'21Q3	'21Q4
GDP Growth Rate (%)	4.03	3.98
Oil GDP (%)	-10.73	-8.06
Non-oil GDP (%)	5.44	4.73
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	107.81	358.23
Portfolio Investment (US \$Millions)	1,217.21	642.87
Other Investment (US \$Million)	406.35	1,186.53
External Debt (FGN & States- N'Trillion)	15.57	15.86
Domestic Debt (FGN + States & FCT N'Trillion)	22.43	23.70
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Dec '20	Jan '22
Headline Inflation (%)	15.75	15.60
Food Sub-Index (%)	19.56	17.13
Core Sub-Index (%)	11.37	13.87
External Reserves (End Period) (US\$ Billion)	35.37	40.04
Official Rate Approx. (N/US\$)	379.5	415.26
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	49.6	51.4
Non-Manufacturing PMI	47.6	49.01
Average Crude Oil Price (US\$/Barrel)	45.7	94.89
Petrol (PMS-N/litre)	165.70	166.40
Diesel (AGO -N/Litre)	224.37	288.09
Kerosene (HHK -N/Litre)	352.79	437.11
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	1,949.75	3,657.57
MPR (%)	11.5	11.5
CRR (%)	27.5	27.5
T-Bill Rate (%)	0.03	2.40
Savings Deposit Rate (%)	2.04	1.25
Prime Lending (%)	11.35	NA
Maximum Lending (%)	28.85	27.65
Narrow Money (N'Million)	15,976,622.22	18,727,491.48
Broad Money (N'Million)	37,704,975.97	44,473,871.00
Net Domestic Credit (N'Million)	42,554,422.40	49,730,577.59
Credit to the Government (Net) (N'Million)	12,404,818.95	14,278,533.86
Credit to the Private Sector (N'Million)	30,149,603.45	35,452,043.73
Currency in Circulation (N'Million)	2,908,462.40	3,288,027.60
FAAC (N'Billion)	601.11	NA

*Revised GDP figures/tentative figures

NA: Not Available

1. CBN (2022). Guidelines for the Registration & Operation of Bank Neutral Cash Hubs (BNCH) in Nigeria. Retrieved from <https://www.cbn.gov.ng/Out/2022/CCD/BNCH%20Operational%20Guidelines%20v7.7%20%20DRAFT.pdf>
2. NBS (2022). Selected Food Prices Watch (February 2022). Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241153>
3. NBS (2022). Transport Fare Watch (February 2022). Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241152>