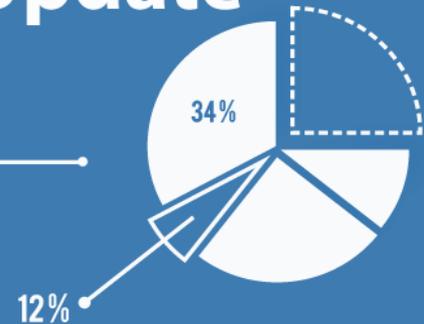




Nigeria Economic Update



Weekly
Digest

Monetary Policy Committee Retains MPR

The Monetary Policy Committee of the Central Bank of Nigeria (CBN) held the second meeting for the year on the 21st of March, 2022, and voted to retain the Monetary Policy Rate (MPR) at 11.5 percent. The MPC also voted to retain other monetary parameters¹. The asymmetric corridor was retained at +100/-700 basis points around the MPR; Cash Reserve Ratio (CRR) was retained at 27.5 percent; the Liquidity Ratio was retained at 30 percent. The Committee acknowledged the rising inflation, which was attributed to supply-side factors including persisting insecurity and scarcity of PMS. As a result, effective collaboration with fiscal authority was highlighted in the meeting as a plausible strategy to tame the rate of increase in the price level. Furthermore, there is a need for the Bank to evaluate existing interventions such as the Anchor Borrowers', Real Sector Support Facility – Differentiated Cash Reserves Requirement (RSSF-DCRR), and Nigeria Electricity Market Stabilisation Facility, to understand their performance and challenges. This is important because an increase in the disbursement of intervention funds without a corresponding increase in productivity contribute to an increase in the price level.

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Nigeria's Debt hits 39 Trillion Naira

The Debt Management Office (DMO) report on debt shows that at the end of the fourth quarter of 2021, Nigeria's debt stood at N39.56 trillion.³ It rose by 20.2 percent from N32.92 trillion at the end of the fourth quarter of 2020. The debt comprises domestic debt of N23.7 trillion and external debt stood at N15.86 trillion, which implies that domestic debt contributes about 59.92 percent of the total debt. The rise in debt is partly due to government deficit financing caused by a weak revenue base and growing government expenditure. A persistent increase in debt without a corresponding increase in the capacity of the government to repay would result in debt overhand, which limits the allocation of funds to critical sectors of the economy necessary to support future growth. Since debt in Nigeria is driven by low revenue collection at both federal and state levels caused by several factors, including low tax compliance. Tax for service programs and information interventions are plausible strategies the government might consider to increase the tax compliance rate and achieve the target of tax to GDP ratio of 15 percent by 2025.

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Capital Importation Rises in Q4 2021

According to data from the National Bureau of Statistics, Nigeria's capital importation was \$2.19 billion in the fourth quarter of 2021, an increase of 26.6 percent from \$1.73 billion in the preceding quarter.² Compared to the corresponding quarter of 2020, the value increased by 109.28 percent from \$1.05 billion recorded. In the fourth quarter of 2021, Portfolio Investment constitutes about 29.39 percent (\$642.87 million) of total capital importation, and Foreign Direct Investment (FDI) contributes about 16.38 percent (\$358.23 million). Other investments, which are mostly loans account for about 54.24 percent (\$1.19 billion) of capital importation. Loans account for about 49.1 percent of capital importation in the quarter, which is higher than portfolio investment. The inflows are concentrated mainly in Lagos state, accounting for about 90 percent of the total importation by destination. Followed by Abuja with about 7 percent of the total capital importation, the other 35 states attracted less than 2 percent of the total capital importation. The concentration of the inflows in a few states indicates weak investment structures in most of the States. Furthermore, the low share of foreign investment suggests that investors are averse to long-term investment, which might be due to unpredictable government actions. The government at the federal level and sub-national level needs to collaborate with the private sector to improve the business environment. For instance, a bi-annual stakeholders meeting where the government provides updates on government programmes as they pertain to different sectors of the economy would help in providing timely solutions to challenges confronting businesses at both the state and federal levels. This, in turn, would improve the ease of doing business, and increase capital importation.

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 \(2022\)](https://www.cbn.gov.ng/Out/2022/CCD/Central%20Bank%20of%20Nigeria%20Communique%20No.%20141%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20held%20on%20Monday%2021st%20March%202022.pdf). Central Bank of Nigeria Communiqué No. 141 of the Monetary Policy Committee Meeting held on Monday 21st March 2022. Retrieved from <https://www.cbn.gov.ng/Out/2022/CCD/Central%20Bank%20of%20Nigeria%20Communique%20No.%20141%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20held%20on%20Monday%2021st%20March%202022.pdf>
2. [NBS \(2022\)](https://nigerianstat.gov.ng/elibrary/read/1241154). Nigerian Capital Importation Q4 2021. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241154>
3. [DMO \(2022\)](https://www.dmo.gov.ng/debt-profile/total-public-debt/3856-nigeria-s-total-public-debt-stock-as-at-december-31-2021/file). Nigeria's Total Public Debt Portfolio as at December 31, 2021. Retrieved from <https://www.dmo.gov.ng/debt-profile/total-public-debt/3856-nigeria-s-total-public-debt-stock-as-at-december-31-2021/file>

