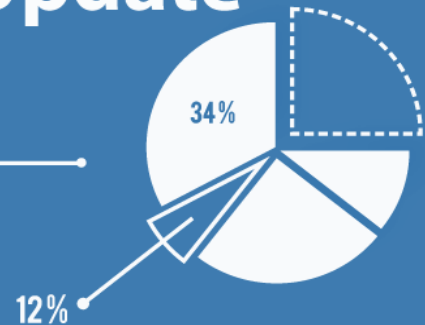


Nigeria Economic Update



Weekly
Digest

Headline Inflation rises for the fourth successive months

In March 2022, headline inflation rose to 15.92 percent from 15.7 percent in the preceding month.¹ This denotes an increase of 0.22 percent points and the fourth successive month-on-month rise since December 2021. Food inflation also experienced an increase in March 2022, and it rose from 17.11 percent in the preceding month to 17.2 percent. Core inflation, which measures changes in all items excluding farm produce, reduced from 14.01 percent in the preceding month to 13.91 percent. The data suggests that food inflation contributes more to headline inflation. The persistent double-digit inflation implies erosion of households' purchasing power, which lowers their standard of living. Targeted social protection programmes might help reduce the overall adverse effect of the rising food inflation on the nutritional quality of food intake by the poor and vulnerable groups in society. Also, high inflation expectations arising from structural factors such as insecurity and the Russia-Ukraine invasion partly contribute to the high rate of inflation. Hence, effective communication of government efforts targeted at achieving a low inflation rate might help tame the rate of price increases.

CBN introduces a fine to averse surge in Composed banknotes

In a recent circular, the Central Bank of Nigeria (CBN), through its Currency Operations Department (COD), expressed serious concerns over the increased Composed banknotes deposited with the CBN in a request for replacement by the Deposit Money Banks (DMBs).³ A composed banknote is a currency note comprising several parts conjoined from different banknotes of the same denomination. The existence of composed banknotes in the economy connotes poor handling of currency notes and creates an avenue for fraudulent economic transactions. To check against this and support its Clean Notes Policy, the CBN will henceforth fine DMBs with such notes. The fine is equivalent to 400 percent of each composed banknote discovered of the Bank deposits with the CBN. While the penalty might reduce the volume of composed banknotes, there is a need for the DMBs to partner with the CBN to enlighten citizens through traditional and social media platforms on good etiquette in the handling of money.

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Revenue lags behind expenditure in the third quarter of 2021

Based on the ravaging effects of the covid-19 pandemic, the 2021 Budget sought to reposition the Nigerian economy towards recovery, growth and resilience. The latest 2021 budget implementation report, the third quarter, released by the budget office of the federation (BOF), shows that the actual net revenue in the quarter was ₦1.93 trillion, and 8.3 percent less than the budgeted net revenue of ₦2.11 trillion.² Of the ₦1.93 trillion revenue generated, non-oil contributed 65 percent, and the remaining came from oil revenue. The low contribution of oil revenue was due to fiscal deductions and federally funded upstream projects. The actual amount for both items is higher than budgeted and constitute about 65 percent of the initial oil revenue of ₦1.3 trillion, resulting in net oil revenue of ₦674.3 billion. On the expenditure side, actual expenditure in the quarter was ₦3.78 trillion, which is higher than the budgeted expenditure of ₦3.13 trillion by ₦654.96 billion. The high variation in expenditure arises from debt service. The budgeted debt service was ₦831.1 billion in the quarter, and the actual debt service was ₦1400 billion, indicating a variation of about ₦568.9 billion. As a result, debt services constitute about 37 percent of total expenditure in the third quarter. The relative size of the debt service in total expenditure and the low ratio of revenue to total expenditure indicates weak revenue collection. While the final budget implementation report for the whole of 2021 is being anticipated, efforts toward improving the country's revenue generation in 2022 are urgently expedient. Specifically, the ease of tax payment through digitalization would strengthen revenue collection and increase tax revenue.

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. NBS (2022). Consumer Price Index, March 2022. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241157>
2. BOF (2022). 2021 Third Quarter Budget Implementation Report. Retrieved from <https://www.budgetoffice.gov.ng/index.php/2021-third-quarter-budget-implementation-report?task=document.viewdoc&id=964>
3. CBN (2022). Re: Treatment of Composed Banknotes. Retrieved from <https://www.cbn.gov.ng/Out/2022/CCD/Re-Treatment%20of%20Composed%20Banknotes.pdf>

