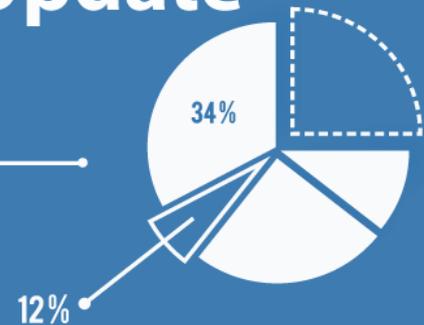




# Nigeria Economic Update



Weekly  
**Digest**

## **IMF revised Nigeria's 2022 growth forecast upward to 3.4%**

The International Monetary fund (IMF), in its April 2022 Economic Outlook, has revised its growth projection upward for the Nigerian economy in 2022 to 3.4 percent.<sup>1</sup> The IMF had earlier forecasted a 2.7 percent growth for the Nigerian economy in 2022, suggesting an increase of 0.7 percent point. Also, the forecast for 2023 was revised upward from 2.8 percent, indicating an increase of 0.4 percent point. Despite the upward revision, Nigeria's growth forecast still lags behind the Sub-Saharan growth rate of 3.8 percent and the world growth rate of 3.6 percent. The forecast for Sub-Saharan Africa was revised upward by 0.1 percent point, and the world was revised downward by 0.8 percent point. The Fund expected that the sanctions imposed on Russia would disrupt the global value chain, resulting in a slow global economic growth rate. The upward revision for Nigeria was premised on the surge in crude oil prices, putting Nigeria in a beneficial spot for the Russian invasion of Ukraine. In other words, the forecast suggests that the Fund anticipates that Nigeria would optimise the oil revenue gains associated with the invasion. There is a need for the Nigerian government to match the positive image of the Fund by reforming the Nigerian oil and gas sector to address legacy issues that have adversely affected investment in the sector and resulted in low production levels.

## **Federal government fiscal deficit expands in 2021**

Fiscal data from the Central Bank of Nigeria (CBN) shows that Nigeria's federal government fiscal deficit was N7.3 trillion in 2021, which is N1.32 trillion (22.1 percent) higher than the N5.98 trillion in 2020.<sup>4</sup> The total expenditure increased from N10 trillion in 2020 to N11.7 trillion in 2021, representing a 16.9 percent increase. Further disaggregation showed that recurrent expenditure as a share of total expenditure was 78.4 percent in 2021, a decrease from 83.9 percent in 2020, suggesting that capital expenditure remains meagre. The total revenue increased from N4.02 trillion in 2020 to N4.4 trillion in 2021, representing a 9.3 percent increase. The rise in fiscal deficit is because the growth in government expenditure outpaces revenue. Also, revenue as a ratio of total expenditure decreased from 40.2 percent in 2020 to 37.6 percent in 2021. The government needs to intensify ongoing efforts to improve the digitalization of tax payments to enhance tax compliance and increase tax revenue. Furthermore, the ratio of capital expenditure to total expenditure in 2021 is below the 35 percent benchmark in the Economic Recovery and Growth Plan, which suggests that Nigeria is underinvesting in infrastructures that are predictors of economic competitiveness.

## **Net Foreign Exchange Inflow Falls by 25.5 percent in 2021**

The Central Bank of Nigeria (CBN), in its Q4 2021 Statistical Bulletin, reports that the net foreign exchange earnings in 2021 were \$52.7 billion in 2021, suggesting a 25.5 percent decrease from \$70.7 billion in 2020<sup>2</sup>. At the disaggregated level, foreign exchange inflow in 2021 was \$94.3 billion, a decrease of 18.5 percent from \$115.6 billion in 2020, while outflow in 2021 was \$41.6 billion, reduced by 7.3 percent from \$44.9 in 2020. The disaggregated data shows that the decrease in net foreign exchange was partly due to the shortfall in inflow. Inflows and outflows of foreign exchange happen through the Central Bank and the Autonomous sources. In 2021, the share of foreign inflows through the CBN was 42.5 percent, denoting a 7.7 percent point increase from 34.8 percent in 2020. The share of outflows through the CBN was 87 percent in 2021, which decreased from 94 percent in 2020. The data suggest that CBN serves as the primary channel for foreign exchange outflows, whereas foreign exchange inflows occur through autonomous sources. The decrease in net foreign exchange flows mirrors the rise in the trade deficit from N0.2 trillion in 2020 to N1.9 trillion in 2021.<sup>3</sup> Given the role of foreign flows in determining the value of the domestic currency, the naira; the government needs to improve net foreign exchange inflows. By providing technical assistance to exporting businesses, the government would increase foreign exchange inflows and export remittances through the official channels. Also, the government needs to improve the ease of doing business by implementing business-friendly reforms that would make the country the preferred investment destination on the continent.

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

\*Revised GDP figures/tentative figures  
NA: Not Available

1. [IMF \(2022\). World Economic Outlook](https://www.imf.org/en/Publications/WEO/Issues/2022/04/19/world-economic-outlook-april-2022), April 2022. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2022/04/19/world-economic-outlook-april-2022>
2. CBN (2022). Quarterly Statistical Bulletin Vol 10, No 4, December 2021. Table D.24: Foreign Exchange Flows Through the Nigerian Economy (US\$' Million). Retrieved from <https://www.cbn.gov.ng/Out/2022/STD/2021Q4%20Statistical%20Bulletin%20combined.xlsx>
3. [NBS \(2022\). Foreign trade in goods statistics \(Q4 2021\)](https://nigerianstat.gov.ng/elibrary/read/1241147). Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241147>
4. [CBN \(2022\). Government Finance Statistics](https://www.cbn.gov.ng/Out/2022/STD/2021Q4%20Statistical%20Bulletin%20combined.xlsx). Retrieved from <https://www.cbn.gov.ng/Out/2022/STD/2021Q4%20Statistical%20Bulletin%20combined.xlsx>

