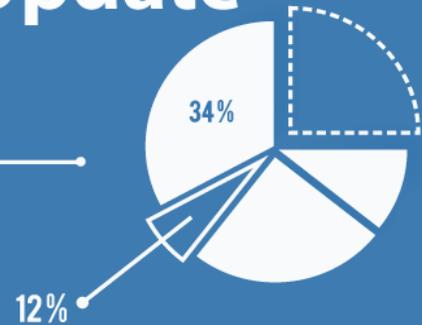




Nigeria Economic Update



Weekly
Digest

Deposit Money Banks increase Credit Allocation to the Agricultural sector

According to the data on credit allocation by sector released by the Central Bank of Nigeria (CBN), Deposit Money Banks (DMBs) 's allocation to the agricultural sector rose to approximately N1.458 trillion in December 2021 from N1.049 trillion recorded in December 2020.¹ This represents a 38.88 percent increase year-on-year. The CBN's development financing initiatives, including the Anchor Borrowers' programme, which involves DMBs in funds disbursement to farmers, partly drove this increment in credit allocation to the agricultural sector. The challenge of lack of access to credit facilities to purchase improved seedlings and modern facilities lowers agricultural productivity and contributes to food insecurity. The high food inflation (above 15 percent in 2021)² indicates the persistence of food shortages, which might be attributable to non-financial factors constraining production, such as insecurity and poor road networks connecting farmlands. Addressing food shortages and achieving low food inflation requires a combination of financial and non-financial interventions from the government. First, the government needs to sustain initiatives that increase farmers' access to finance and partner with the private sector to unlock innovative agricultural financing tools. Second, the government needs to guarantee farmers' security and construct more roads connecting farmers to the markets.

Index of Industrial Production Declines in 2021

Data from the Central Bank of Nigeria (CBN) shows that Nigeria's Index of Industrial Production (IIP) was 101.50 in 2021, a 0.79 percent decrease from 102.31 in 2020.⁴ The IIP is an index used to measure real income in the manufacturing, mining, and electricity industries, comparative to a base year. It measures the level of production and capacity of key industrial sectors of the economy in terms of a base year. The decrease in the IIP is mainly due to the mining sector, whose index was lower than 100, whereas manufacturing and electricity were above 100. The Nigerian mining sector has a history of underperformance (since the shift to oil in national production), owing to poor investments. It is predominately artisans with few giant corporations. With the underperformance of this sector, the prospect of a fully diversified Nigerian economy is largely undermined. There is a need for the government to review the 2016 Roadmap for the mining sector to remove bottlenecks hindering investment inflows and attract large mining corporations. This intervention will likely increase mining sector production and capacity, increasing the IIP.

Increased Cyberattack on Nigerian Businesses

According to Sophos, a United Kingdom (UK) cybersecurity solutions firm, the percentage of Nigerian businesses/organizations hit by ransomware attacks in 2021 was 71 percent, according to Sophos, a United Kingdom (UK) cybersecurity solutions firm.³ The report titled "The State of Ransomware 2022" was based on a survey conducted in 31 countries across Europe, Asia-Pacific, Central Asia, the Middle East, the United States, and Africa. Ransomware attacks involve the infection of computers with malicious software, often downloaded by clicking seemingly innocuous links in emails or other website pop-ups that lock users out of their systems. The high cyber-attacks in the country indicate that the existing cyber defence systems are weak. The report shows that 44 percent of the affected organizations had to pay ransom to retrieve their encrypted database, and the average cost was US\$3.43 million (the highest in all 31 countries covered in the report). The ransomware attack is a threat to the digitalization of the Nigerian economy. Hence, there is a need to strengthen cybersecurity in the country. Nigerians with cybersecurity skills are low when compared to the demand. The skills shortage makes companies operating in Nigeria vulnerable to cyberattacks and high ransomware attacks. There is a need for the private sectors to organize themselves to the establishment of institutions that provides world-class training on cyber security as needed. Also, organizations prone to cyberattacks need to partner with the government to design a framework that would strengthen cybersecurity in the country.

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	574.67

*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>