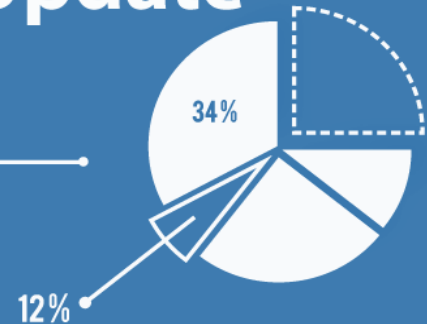


Nigeria Economic Update



Weekly
Digest

Nigeria's Oil output falls in April

According to the Organization of Petroleum Exporting Countries (OPEC) May 2022 oil report, Nigeria's oil production fell in April 2022.¹ The report shows that Nigeria produced an average of 1.22 million barrels per day (mb/d) of crude oil in April 2022. This production level is approximately 18,000 barrels per day (b/d) lower than 1.24 mb/d recorded in March 2022. In addition, total production is about 500,000 b/d lower than 1.74 mb/d OPEC assigned quota for the country. At US\$ 100 per barrel, which is lower than the prevailing market price, the shortfall in production results in a loss of crude oil export earnings valued at over US\$ 50 million per day, which also indicates a shortfall in Government revenue from crude oil royalty. These findings indicate that Nigeria is not maximising additional oil revenue associated with the surge in crude oil prices in the international market since Russia's invasion of Ukraine. Nigeria's declining crude oil production is due to low investment and other factors, including persistent oil theft and pipeline vandalism. For Nigeria to achieve the OPEC crude oil production quota, a result-oriented collaboration between the government and the private sector is required. The collaboration would lead to policies that eliminate bottlenecks hindering investment in the oil and gas sector. The collaboration would also ensure increased uptake of digital technologies in protecting the pipelines and the fast-track implementation of the revised PIA.

FG calls for bonds subscription

The Debt Management Office (DMO) released a circular to issue bonds of N225 billion.³ The schedule shows that the Federal Government of Nigeria (FGN) bonds were made-up of three tranches with different maturity periods and interest rates. The expected amount for each offer is N75 billion, with two of the tranches having a maturity of 10 years and a maturity period of 20 years for the last tranche. The interest rates for the bonds range from 12.5 percent to 13.53 percent. Although this offering of the bonds will provide additional funds to cover the federal government expenditure, it indicates an increase in the country's debt. The utilisation of the bonds to finance unproductive expenditures should be discouraged, as it will compound the debt situation. There is a need to strengthen revenue strategies to lower government reliance on borrowing. The strategy should advocate for increased use of technology in tax filing, thereby improving the ease of paying taxes, reducing revenue leakages and increasing transparency in tax collection.

Household consumption expenditure drives growth in 2021

Based on the expenditure and income approach, the National Bureau of Statistics (NBS) report on Nigeria's Gross Domestic Product for Q3 and Q4 2021 shows that the 3.4 percent GDP growth in 2021 arose mainly from an increase in household consumption and the marginal increase in gross fixed capital formation.² Increased imports and decreased government expenditure and exports lower the growth in 2021. Specifically, household consumption expenditure increased year-on-year (YoY) by 25.6 percent in 2021 from -1.7 percent in 2020. The increment in household expenditure reflects the general increase in income for households, which is positive for households and firms as incomes as businesses would continue to expand, leading to an increment in growth. Also, gross fixed capital formation increased by 4.7 percent YoY from -14.7 percent in 2020. Imports of goods and services increased by 44.4 YoY in 2021 from a negative growth of 61.9 in 2020. The increased importation aligns with improvements in the economic conditions. The report also shows that government expenditure decreased YoY by 34.03 percent in 2021 from positive growth of 61.5 percent in 2020. The fall in government expenditure might be due to the government's reduced economic stimulus in 2021 relatively to 2020; there were fewer restrictions in 2021 compared to 2020. Similarly, exports of goods and services decreased YoY by 32.1 percent, higher than the 33.4 percent contraction in 2020. This suggests that exports are yet to recover, indicating domestic firms' weak export capacity. The expenditure breakdown of GDP indicates significant improvements in households' consumption and a moderate increase in investment. Policies that boost investments and increase exports are necessary to attain a higher GDP growth rate.

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. OPEC (2022). Monthly Oil Market Report - May 2022 Retrieved from https://www.opec.org/opec_web/en/publications/338.htm
2. NBS (2022). Nigerian Gross Domestic Product Report (Expenditure and Income Approach) (Q3, Q4 2021). Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241168>
3. DMO (2022). Bonds Offer Circular. Retrieved from <https://www.dmo.gov.ng/fgn-bonds/bonds-offer-circular/3907-may-2022-fgn-bond-offer-circular/file>

