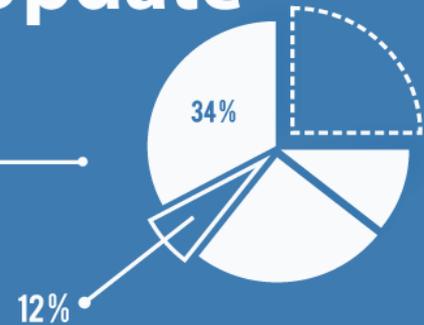




Nigeria Economic Update



**Weekly
Digest**

Monetary Policy Committee raises MPR to 13 percent

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) met on the 23rd and 24th of May 2022 to deliberate on local and global economic development. At the end of the meeting, the MPC increased the Monetary Policy Rate (MPR) by 150 basis points to 13 percent from 11.5 percent¹. However, the MPC retained the Cash Reserve Ratio (CRR) at 27.5 percent and the Liquidity Ratio at 30 percent. The committee noted that even though the economy has been experiencing growth for six consecutive quarters, inflationary pressures persist. As a result, the MPC thinks that increasing the MPR will reduce the inflation levels in the economy. While the increase in MPR is likely to signal to investors the Bank's readiness to reduce the inflation rate, there is a need for complementary fiscal policy to ensure that the economy is not severally affected. An increase in MPR is likely to increase the cost of borrowing, which might slow down business activities. Apart from the high cost of borrowing, insecurity, poor transport system, and erratic power supply contribute to the high cost of doing business in Nigeria. A steady power supply, an efficient transport system, and improved security achieved through complementary fiscal policies would reduce the cost of business and contribute to achieving low inflation.


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Transport Cost Rises in April 2022

The latest Transport Fare Watch of the National Bureau of Statistics shows that the average cost of transportation across the country increased in April 2022. The average fare paid for a single air journey rose by 18.57 percent from N46,810.62 in March 2022 to N55,501.49 in April⁴. The intercity bus journeys cost 8.75 percent higher, from N3,270.94 in March 2022 to N3,557.15 in April. The higher cost of transportation recorded during the period under review is partly due to fuel scarcity, which increased the cost of petrol and higher operating cost incurred by the transport companies. In turn, the commuters bear the increased operation cost through a hike in the transport fares. Adequate fuel supply is expected to eliminate fuel scarcity-induced high transport costs. The occurrence of fuel scarcity in Nigeria, an oil-producing nation, suggests inefficiency and poor management of the country's petroleum industry. Efforts geared toward strengthening the management of the petroleum industry would result in an adequate supply of fuel.

Nigeria's Oil Sector declines by 26.04 percent in Q1 2022

The gross domestic product (GDP) data published by the National Bureau of Statistics (NBS) for Q1 2022 shows that the oil sector output contracted by 26.04 percent (in real terms)². The sector contributed 6.63 percent of the national GDP in the quarter under review. The sector has been recording a negative growth since the second quarter of 2020. The oil sector's 26 percent (year-on-year) negative growth rate in the period under review is due to a reduction in crude oil production. In Q1 2022, Nigeria's average daily oil production was about 1.3 million barrels per day (mbpd), which is 100,000 bpd lower than the 1.4 mbpd recorded during the same quarter in the preceding year³. The country's low oil production is due to several factors, including ageing infrastructure, underinvestment and oil theft. Despite the petroleum industry act (PIA) signed into law by the President in August 2021, the challenges that affect production persist. Hence, there is a need for continuous dialogue between the government and actors in the oil sector towards introducing innovative solutions to the sector challenges and effective implementation of the PIA, resulting in improved business conditions and production at the maximum level.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'21Q4	'22Q1
GDP Growth Rate (%)	3.98	3.11
Oil GDP (%)	-8.06	-26.04
Non-oil GDP (%)	4.73	6.08
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	358.23	NA
Portfolio Investment (US \$Millions)	642.87	NA
Other Investment (US \$Million)	1,186.53	NA
External Debt (FGN & States- N'Trillion)	15.86	NA
Domestic Debt (FGN + States & FCT N'Trillion)	23.70	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Mar '21	Apr '22
Headline Inflation (%)	18.17	16.82
Food Sub-Index (%)	22.95	18.37
Core Sub-Index (%)	12.67	14.18
External Reserves (End Period) (US\$ Billion)	34.82	39.57
Official Rate Approx. (N/US\$)	379.5	415.19
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	49.6	NA
Non-Manufacturing PMI	47.6	NA
Average Crude Oil Price (US\$/Barrel)	45.7	94.89
Petrol (PMS-N/litre)	172.68	172.61
Diesel (AGO -N/Litre)	235.41	654.46
Kerosene (HHK -N/Litre)	361.29	589.82
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	2057.71	3,800.47
MPR (%)	11.5	11.5
CRR (%)	27.5	27.5
T-Bill Rate (%)	2.00	1.74
Savings Deposit Rate (%)	1.86	1.28
Prime Lending (%)	11.13	11.83
Maximum Lending (%)	28.74	27.79
Narrow Money (N'Million)	15,976,622.22	19,850,944.01
Broad Money (N'Million)	38,288,212.81	46,541,102.40
Net Domestic Credit (N'Million)	43,503,924.95	53,694,401.23
Credit to the Government (Net) (N'Million)	12,066,876.87	16,563,306.82
Credit to the Private Sector (N'Million)	31,437,048.08	37,131,094.41
Currency in Circulation (N'Million)	2,808,734.33	3,308,553.20
FAAC (N'Billion)	601.11	656.6

*Revised GDP figures/tentative figures

NA: Not Available

^a: May 2022

1. CBN (2022). Central Bank of Nigeria Communiqué No. 142 of the Monetary Policy Committee Meeting Held on Monday 23rd And Tuesday 24th May 2022. Retrieved from <https://www.cbn.gov.ng/Out/2022/CCD/Central%20Bank%20of%20Nigeria%20Communique%20No.%20142%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20Held%20on%20Tuesday%2024th%20May%202022.pdf>
2. NBS (2022). Nigerian Gross Domestic Product Report (Q1 2022) Retrieved from: <https://nigerianstat.gov.ng/elibrary/read/1241175>
3. NUPRC (2022) Oil production status report. <https://www.nuprc.gov.ng/oil-production-status-report/>
4. NBS (2022). Transport Fare Watch (April 2022). Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241177>