



Nigeria Economic Update



**Weekly
Digest**

Capital Importation Falls in Q1 2022

The value of capital importation into Nigeria in the first quarter of 2022 (Q1 2022) decreased to US\$1.57 billion from US\$2.19 billion recorded in the preceding quarter.¹ When compared on a year-on-year basis to Q1 2021, capital importation decreased by 17.46 percent from US\$1.91 billion. The largest inflow of capital importation by type was Portfolio Investment, accounting for \$957.58 million (60.87 percent), followed by other claims and Loans (Other Investments), which amounted to US\$460.59 million (29.28 percent), and Foreign Direct Investment (FDI), which accounted for \$154.97 million (9.85 percent). The data shows that Lagos (71.16 percent) and Abuja (28.40 percent) are Nigeria's leading capital inflow destinations. Despite successive GDP growth, the decrease in total capital importation is related to the perceived high political risk and restrictive foreign exchange policy. Consequently, to encourage foreign investments in Nigeria, the Federal Government should move toward a more flexible exchange policy that would place fewer restrictions on the repatriation of capital and profit by investors. In addition, the government should aim to reduce political risk by institutionalizing frameworks that would ensure that political activities do not hinder the implementation of planned reforms to attract investments. Also, there is a need for learning tours at the sub-national level. Underperforming states need to go to states with significant capital inflows to understand how they could reposition their states to attract investments.

In Q1 2022, Nigeria Records Trade Surplus

According to a report by the National Bureau of Statistics, Nigeria recorded a trade surplus with the outside world in Q1 2022.² Nigeria's total merchandise trade stood at ₦13 trillion in Q1 2022, indicating an 11.05 percent increase from the value recorded in Q4 2021 and 65.41 percent higher when compared on a year-on-year basis to the value recorded in Q1 2021. Total exports for the period under review stood at ₦7.1 trillion, indicating an increase of 23.1 percent over the value recorded in the preceding quarter and an increase of 137.9 percent compared to Q1 2021. Crude oil exports account for 79.16 percent of total exports. On the other hand, total imports stood at ₦5.9 trillion, indicating a decrease of 0.7 percent from ₦5.94 trillion in Q4 2021. It is, however, 21 percent higher than ₦4.9 trillion recorded in Q1 2021. As a result, the trade balance in Q1 2022 stood at ₦1.2 trillion. The surplus in trade indicates an improvement in the country's export performance. The high share of crude oil in total exports indicates that the country's trade position is highly vulnerable to shocks in the oil market. Diversification of the country's export from away the crude oil remains crucial. Access to finance remained a major constraint to non-oil exporting firms and has resulted in them operating below total production capacity. The Government should strengthen innovative financing measures that would boost exporting firms' access to finance. Increased productivity from the intervention would increase the share of the non-oil sector exports in total exports.

Nigeria's total debt stock hits 41.60 Trillion Naira at the end of Q1 2022

Data from the Debt Management Office (DMO) shows that Nigeria's total public debt stock has risen to ₦41.60 trillion in Q1 2022 from ₦39.56tn recorded in Q4 2021, indicating an increase of ₦2.04 trillion within a quarter.³ As a result, the total public debt stood at 23.27 of GDP. Domestic debt stood at ₦24.99 trillion (60.06 percent), and external debt stood at ₦16.62 trillion (39.94 percent). The growth in public debt reflects the increased domestic borrowing by the Federal Government of Nigeria to finance the deficit in the 2022 Appropriation Act and the issuance of a US\$1.25 billion Eurobond in March 2022. The domestic debt and external debt ratio in the period under review is close to the 60:40 ratio stated in Nigeria's Debt Management Strategy, 2020 – 2023. The public debt as a ratio to GDP is approaching 25 percent stated in the strategy document. The increment in public debt is increasing the likelihood of the country experiencing loan default when faced with significant revenue shocks. Hence, government revenue needs to increase to curtail the rate of debt accumulation. In addition, there is a need to ensure transparency in the debt management process, as greater accountability will ensure efficient utilisation of the debts accumulated. The government should also strengthen existing institutional frameworks to ensure projects funded through borrowed funds are well-executed, functional and generate adequate revenue to repay the debt at maturity.

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. NBS (2022). Nigerian Capital Importation Q1 2022. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241180>
2. NBS (2022). Foreign Trade in Goods Statistics (Q1 2022). Retrieved from: <https://nigerianstat.gov.ng/elibrary/read/1241179>
3. DMO (2022). Total Public Debt. Retrieved from <https://www.dmo.gov.ng/debt-profile/total-public-debt/3938-nigeria-s-total-public-debt-as-at-march-31-2022/file>

