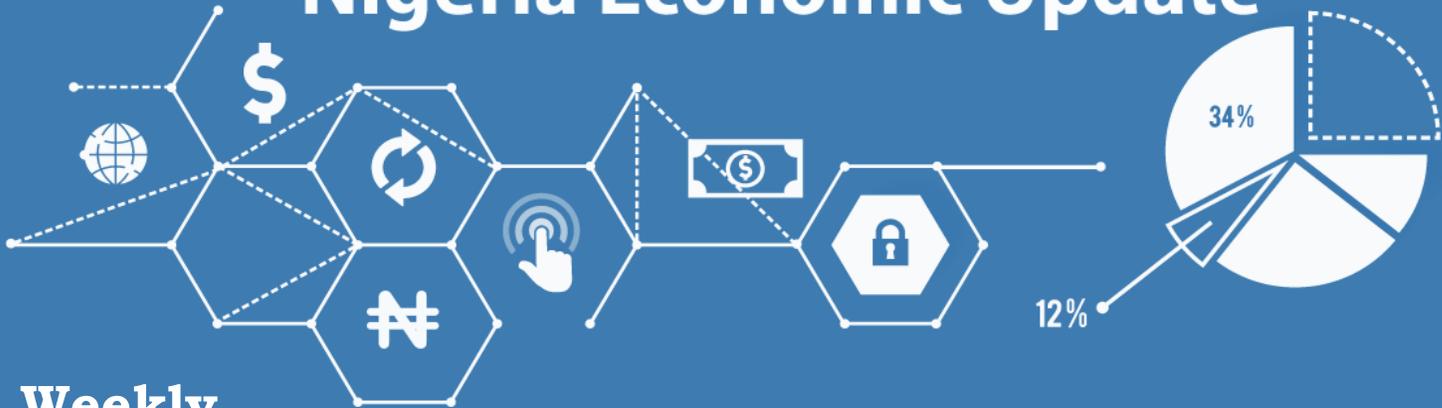




# Nigeria Economic Update



Weekly  
**Digest**

## ***Inflation rises to 17.71 percent***

Nigeria's inflation rose to 17.71 percent in May 2022.<sup>1</sup> This is 0.89 percent point higher than 16.82 percent recorded in the previous month, although lower than 17.93 percent in May 2021. On a month-on-month basis, the headline inflation rate increased to 1.78 percent in May 2022, which is 0.02 percent rate higher than 1.76 percent recorded in the previous month. The urban inflation rate rose to 18.24 percent (year-on-year). The rural inflation rate increased to 17.21 percent (year-on-year). Further, food inflation rose to 19.5 percent. Inflation reduces the standard of living of households by diminishing their purchasing power and also raises the cost of doing business, affecting the profitability and competitiveness of businesses. For example, the World Bank's report shows inflation had pushed 15 million Nigerians into poverty between 2020 and 2022.<sup>2</sup> The government should address critical issues such as insecurity, which has contributed to low food production, especially in food-producing states, and rising food prices. In addition, there is also a need to strengthen the country's exchange rate management by embracing a single market-responsive exchange rate. This is important because the scarcity of foreign exchange is partly responsible for the continued depreciation of the domestic currency (Naira), resulting in high inflation.

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## ***Price of Automotive Gas Oil (Diesel) rises in May***

Data from the National Bureau of Statistics (NBS) shows that the average retail price of Automotive Gas Oil (Diesel) paid by consumers in Nigeria increased by 181 percent from N238.82 in May 2021 to N671.08 recorded in May 2022.<sup>4</sup> On a month-on-month basis, the average retail price increased from N654.46 in April 2022, indicating a rise of 2.54 percent compared to the average retail price paid in May 2022. The rising cost of diesel is partly due to the Russia-Ukraine conflict. The economic sanctions imposed on Russia, a leading oil producer, in the international market have disrupted the global distribution chain for crude oil. As a result, diesel produced from crude oil is currently in low supply, resulting in a hike in its price. With the poor power supply in the country, most businesses depend on diesel-powered generators for electricity to carry out their production and other activities. The rising cost of diesel has increased the costs of businesses and put them at risk as their costs have increased significantly. The impact of the increase in diesel on business cost of operation is due to the country's poor power situation and the reliance on the importation of diesel. In the short run, the government could support businesses by providing financial support to SMEs to survive the current high operating cost induced by high diesel prices. In the medium and long run, the government needs to focus on the power and refinery production capacity. An improvement in the power situation would reduce businesses' reliance on diesel to power their operation. Also, the government needs to intensify efforts to increase the number of functioning refineries in the country thereby increasing domestic production of refined petroleum products, including diesel. Improvement in the power situation and an increase in domestic diesel production would reduce the businesses expenditure on diesel and reduce their overall

## ***Nigeria's All-Commodity Terms of Trade falls in Q1 2022***

The National Bureau of Statistics (NBS) in its Commodity Price Indices and Terms of Trade (Q1 2022) report shows that Nigeria's All-commodity Terms of Trade (TOT) index fell by 0.14 percent in the first quarter of 2022 (Q1 2022).<sup>3</sup> At the disaggregated level, the all-commodity group import index increased by 0.22 percent in Q1 2022. The all-commodity group export index increased by 0.08 percent in Q4 2021. This indicates that the higher rate of increase recorded in the import index relative to the increase in the export index resulted in the decrease in TOT for the period under review. Hence, there is a need to strengthen the trade policy in Nigeria to boost exports and increase TOT. Notably, the government needs to strengthen existing interventions to increase the quality and quantity of products produced by exporting firms. This, in turn, is expected to increase the value of products produced in Nigeria in the international market, improving the export index and Terms of Trade (TOT) index.

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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	154.97	
Portfolio Investment (US \$Millions)	642.87	957.58	
Other Investment (US \$Million)	1,186.53	460.59	
External Debt (FGN & States- N'Trillion)	15.86	16.62	
Domestic Debt (FGN + States & FCT N'Trillion)	23.70	24.99	
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

1. **NBS (2022). CPI and Inflation Report May 2022. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241183>**
2. **World Bank (2022). The Continuing Urgency of Business Unusual. Retrieved from <https://documents1.worldbank.org/curated/en/099740006132214750/pdf/P17782005822360a00a0850f63928a34418.pdf>**
3. **NBS (2022). Commodity Price Indices and Terms of Trade (Q1 2022) Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241189>**
4. **NBS (2022). Automotive Gas Oil (Diesel) Price Watch (May 2022). Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241186>**

