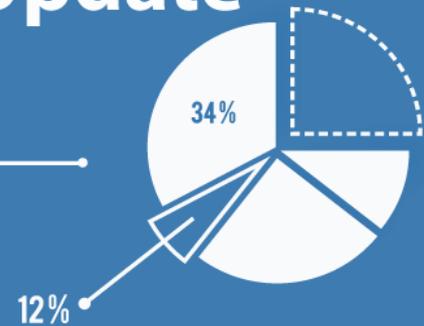




Nigeria Economic Update



Weekly
Digest

Nigeria's Oil Production Improves Marginally in June 2022

The monthly oil market report of the Organisation of Petroleum Exporting Countries (OPEC) shows that in June, Nigeria's crude oil production improved to 1.158 million barrels per day (mbpd), which is 134,000 barrels/day higher than the 1.024 mbpd recorded in the preceding month.¹ This increase, though marginal, is a welcome development which should be sustained and improved upon, as the production level is below the OPEC quota of 1.77 mbpd for June. The inability of Nigeria to meet the OPEC quota is partly due to low investment, infrastructural decay, and oil theft. While improving the security of oil pipelines, enforcement of transparency and accountability in the sector is vital, technological advancement in infrastructure can significantly stimulate crude oil production. The improvement in crude oil production in June reflects a gain in foreign exchange earnings for the country, which also boosts the external (foreign) reserves marginally and relieves the domestic pressures. Consequently, the government should capitalise on this positive development and apply interventions to address the ageing infrastructure and insecurity in oil-producing regions.

Nigeria's Food Insecurity Worsens in 2022

The World Food Programme (WFP) situation report shows that about 14.5 million Nigerians face food insecurity challenges and need humanitarian assistance as of the end of the year's first quarter.² Insecurity, poor transport network, import dependence, global market disruptions, and climate change contributed to the high food insecurity incidence. With food inflation rising period-on-period and currently at 19.5 percent in May³, it is partly reflecting food insecurity. Food insecurity suggests hunger crises and might trigger crimes. Thus, the government needs to continue to update the social registers so that support in the form of food transfers gets to households experiencing food deprivation. For the government to increase food production and tame the pace of food prices increase, there is a need for the government to address insecurity problems decisively and improve the transport system.

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Cost of transportation increases further

According to the latest transport fare watch by the National Bureau of Statistics (NBS), the average cost of air transport was N55,906.86 in May 2022, an increase of 52.95 percent from N36,552.70 paid in May 2021.⁴ Similarly, the cost of an inter-city bus journey stood at N3,668.64, suggesting an increase of 47.3 percent from N2,490.60 a year ago. The rise in transport costs is partly due to the hike in energy prices, the short supply of petroleum products and currency depreciation. The rising cost of transportation would feed into general price increases, lowering people's purchasing power and eroding their standard of living. In the interim, there is a need for the government to dialogue with the private sector in designing frameworks that would improve the supply of petroleum products. In the medium term, the government should prioritise implementing the Petroleum Industry Act (PIA) to attract investors to invest in new refineries to increase the supply of refined petroleum products, thereby reducing the country's reliance on other countries for its energy products. This intervention would minimise the effects of currency depreciation on energy prices.

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	Apr '21	May '22
Headline Inflation (%)	18.12	17.71
Food Sub-Index (%)	22.72	19.5
Core Sub-Index (%)	12.74	14.9
External Reserves (End Period) (US\$ Billion)	34.88	38.48
Official Rate Approx. (N/US\$)	380	415.65
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	49.0	NA
Non-Manufacturing PMI	48.3	NA
Average Crude Oil Price (US\$/Barrel)	64.30	117.51
Petrol (PMS-N/litre)	166.38	173.08
Diesel (AGO -N/Litre)	237.19	671.08
Kerosene (HHK -N/Litre)	362.68	679.54
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	2069.21	3921.35
MPR (%)	11.5	13.00
CRR (%)	27.5	27.5
T-Bill Rate (%)	2.00	2.12
Savings Deposit Rate (%)	1.86	1.37
Prime Lending (%)	11.24	11.96
Maximum Lending (%)	28.64	27.37
Narrow Money (N'Million)	15,995,932.43	20,608,106.85
Broad Money (N'Million)	38,462,975.04	48,555,975.14
Net Domestic Credit (N'Million)	44,134,011.03	56,464,729.74
Credit to the Government (Net) (N'Million)	12,236,471.93	18,269,041.68
Credit to the Private Sector (N'Million)	31,897,539.10	38,195,688.06
Currency in Circulation (N'Million)	2,796,471.37	3,331,796.22
FAAC (N'Billion)	616.88	680.78

*Revised GDP figures/tentative figures

NA: Not Available

1. OPEC (2022). Monthly Oil Market Report. Retrieved from https://www.opec.org/opec_web/en/publications/338.htm
2. WFP (2022). Nigeria: Situation Report. Retrieved from https://api.godocs.wfp.org/api/documents/1edc6b57e1614bfe971759956ef832a4/download/?_ga=2.165493821.363821275.1654519544-648974016.1654519544
3. CBN (2022). Inflation Rates (Percent). Retrieved from <https://www.cbn.gov.ng/rates/inflrates.asp>
4. NBS (2022). Transport Fare Watch (May 2022). Retrieved from <https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fnigerianstat.gov.ng%2Fresource%2FTRANSPORT%2520COST%2520MAY%25202022.xlsx&wdOrigin=BROWSELINK>

