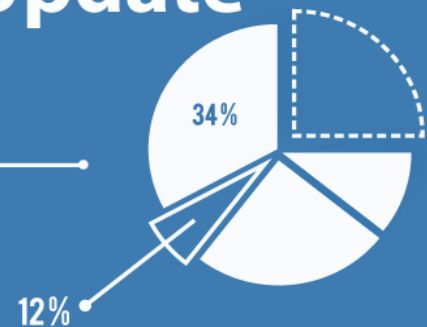


Nigeria Economic Update



Weekly
Digest

CBN Raises MPR to 14 percent

In its 143rd communique sequel to the meetings held on 18th and 19th July 2022, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) voted to raise the Monetary Policy Rate (MPR) by 100 basis points to 14 percent from 13 percent in May 2022.¹ The persistent rise in inflation in Nigeria is due to structural and monetary factors. The increase in the rate was targeted at curtailing the rate of money growth and, in turn, inflation. Also, the increase in MPR will likely signal to investors and the general public that monetary policy authority is working towards low inflation. However, the effectiveness of the policy is conditional on managing structural factors such as high energy prices, low domestic production, and exchange rate depreciation.

The transition of NNPC to NNPC limited

In line with the provisions of the Petroleum Industry Act (PIA), the Nigerian National Petroleum Corporation (NNPC) on July 16 was transformed into a new entity and regulated under the provision of the Companies and Allied Matters Act (CAMA).² As a result, NNPC was transitioned to Nigerian National Petroleum Company Limited (NNPC Limited) as a private entity without government interferences and free from regulations such as the Treasury Single Account (TSA), public procurement, and Fiscal Responsibility Act. The transition seeks to strengthen the capacity and market relevance of the country's oil industry. Although, the transition promises to enable optimal performance of the country's entire petroleum industry, concerns still hover as there are seemingly no defined strategies on how the new structure intends to deal with the industry's legacy issues that include extant liability, compulsory commitment to frontier exploration, political interferences (especially as the Ministry of Finance and the Ministry of Petroleum Resources remain key shareholders), and loss-making subsidiaries. Under this new framework, there is a need for NNPC Limited to have robust funding and operating strategies necessary to compete favourably with domestic and global energy industries.

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IMF Raises Nigeria's 2023 Growth Projection to 3.2 percent

In the July edition of the World Economic Outlook, the International Monetary Fund (IMF) retained Nigeria's growth projection for 2022 at 3.4 percent, as reported in the April edition.³ The projection for 2023 was increased by 0.1 percentage point from 3.1 in the April edition to 3.2 percent. The marginal increase in the 2023 projection indicates a positive outlook. However, the level of growth is still inadequate, as a growth of 3.2 would translate to an increase in per capita income by less than 1 percent, given the country's population growth of about 2.5 percent. In the first quarter of 2022, the Nigerian economy grew by 3.11 percent, which is higher than 0.51 percent in 2021Q1. It is, however, lesser than the IMF 2022 economic projection and the 3.98 percent growth rate recorded in 2021Q4. The slow growth in 2022Q1 is partly due to the contraction of oil output and shortage of power supply in the quarter. Achieving and surpassing the projected growth rate would require a substantial improvement in the power supply, which would contribute to reduced cost of doing business and increased production.

ECONOMIC SNAPSHOT		
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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	May '21	June '22
Headline Inflation (%)	17.93	18.6
Food Sub-Index (%)	22.28	20.6
Core Sub-Index (%)	13.15	15.75
External Reserves (End Period) (US\$ Billion)	34229048746	39155282548
Official Rate Approx. (N/US\$)	397.65	415.66
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	47.25	51.1
Non-Manufacturing PMI	45.15	50.3
Average Crude Oil Price (US\$/Barrel)	67.79	129.90
Petrol (PMS-N/litre)	168.06	175.89
Diesel (AGO -N/Litre)	238.82	733.78
Kerosene (HHK -N/Litre)	363.50	761.69
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	2071.69	NA
MPR (%)	11.5	13.0
CRR (%)	27.5	27.5
T-Bill Rate (%)	2.5	2.45
Savings Deposit Rate (%)	1.83	1.38
Prime Lending (%)	11.29	12.29
Maximum Lending (%)	28.39	27.61
Narrow Money (N'Million)	16256641.72	20392537.22
Broad Money (N'Million)	38692973.28	48797867.32
Net Domestic Credit (N'Million)	44669259.81	57267178.05
Credit to the Government (Net) (N'Million)	12552025.37	17996690.06
Credit to the Private Sector (N'Million)	32,117,234.44	39,270,488
Currency in Circulation (N'Million)	2,790,895.5	3,259,269.15
FAAC (N'Billion)	696.36	NA

*Revised GDP figures/tentative figures

NA: Not Available

1. CBN (2022). Central Bank of Nigeria Communiqué no. 143 of the Monetary Policy Committee Meeting Held on Monday 18th and Tuesday 19th July 2022. Retrieved from <https://www.cbn.gov.ng/Out/2022/CCD/Central%20Bank%20of%20Nigeria%20Communique%20No.%20143%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20Held%20on%20Tuesday%2019th%20JULY%202022.pdf>
2. BusinessDay (2022). Six major changes to expect as NNPC transits to commercial entity. Retrieved from <https://businessday.ng/energy/article/six-major-changes-to-expect-as-nnpc-transits-to-commercial-entity/>
3. IMF (2022). World Economic Outlook Update: Gloomy and More Uncertain. July 2022. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022>