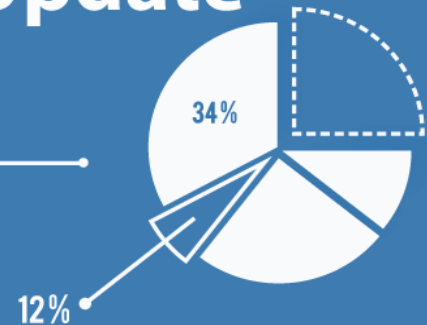


# Nigeria Economic Update



Weekly  
**Digest**

## Nigeria's Oil Output crashes in July 2022

According to the Organization of Petroleum Exporting Countries (OPEC), Nigeria's crude oil production decreased in July to an average of 1.08 million barrels per day (mbpd) from 1.16 mbpd in the previous month, suggesting a decrease of 6.42 percent.<sup>2</sup> Nigeria has consistently failed to meet the monthly production quota set by OPEC and the budgeted production level of 1.6 mbpd. Despite the high crude oil prices in the global market, which ought to increase export earnings and the availability of foreign currency, Nigeria's output has continued to dip. The government has cited issues such as ageing infrastructure, the exit of major oil firms, and insecurity leading to oil theft for the low production. With more than a quarter of the 2022 revenues expected to come from the oil sector, the below-budgeted oil production suggests that the actual government revenue is likely to shortfall the amount projected and government might resolve to borrow to finance the planned expenditure or cut down expenditure. There is a need for the government to explore non-oil revenue sources to cover the shortfall in oil revenues. Also, with the full endorsement of the Petroleum Industrial Act (PIA), which led to the Nigerian National Petroleum Company Limited (NNPC Ltd.) creation in July, the expectation is that these new changes would foster efficiency in the oil industry. Specifically, the creation of NNPC limited should increase investment inflows in the sector that would expand crude oil production. As a private sector-oriented organisation, the NNPC limited needs to introduce incentive mechanisms that would strengthen the security of oil equipment. Improved security and investment inflows should boost production levels and help attain the OPEC production quota.

## Inflation rises to 19.64 percent

According to the National Bureau of Statistics (NBS), Nigeria's inflation rose to 19.64 percent in July 2022, from 18.60 recorded in June, 2022.<sup>1</sup> This is 2.27 percentage points higher than 17.38 per-cent recorded in July 2021. The report also shows that on a month-on-month basis, the Headline inflation rate in July 2022 was 1.82 percent, which was 0.001 percent higher than the rate record-ed in June 2022, which was 1.816 percent. In the period under review, food inflation was 22.02 percent, core inflation was 16.26 percent, rural inflation was 19.22 percent, and urban inflation was 22.09 percent. The increase in inflation is due to monetary and structural factors. The persis-tence of structural issues such as high dependence on importation and insecurity lowers the im-pact of an increase in the monetary policy rate in taming inflation. For example, the insecurity in food-producing states has been responsible for the shortages in the supply of food in the country and contributes partly to rising food prices. Hence, there is a need to address prevailing security challenges to guarantee food security and increase food supply in the country to keep inflation under control. In addition, the government needs to strengthen social protection programmes to help poor and vulnerable households avert malnutrition and ensure continued access to housing and transportation.

## Debt Management Office release offers for subscription

The Debt Management Office (DMO) has offered bonds for subscriptions totalling N225 billion.<sup>3</sup> The Call was broken down into three (3) different issues, as follows; N75 billion with a yield of 13.53 percent by March 2025 (10-Year Re-opening), N75 billion with a yield of 12.50 percent by April 2032 (10-Year Re-opening), and the final one being N75 billion with a yield of 13.00 percent by January 2042 (20-Year Re-opening). The sale of bonds will generate funds for fiscal expenditure by the government, which is operating a deficit budget. However, the bonds issued will also increase the country's debt profile. Hence, there is a need for transparency in the debt management process in the country and adequate involvement of pressure groups such as civil society organisations to ensure efficient use of the funds. It is also essential for the government to be careful while issuing bonds domestically to avoid the crowding out effect of funds from domestic firms who also require these funds obtained by the government (bonds) and auctioned to investors. Most importantly, the government needs to widen the tax net to increase domestic revenue mobilisation and tame the growth in public debt. Without adherence to sound debt management frameworks, the rising public debt would result in debt overhang and limit resources available for critical infrastructural projects.

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)	3.42	3.92
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)	2,071.69	N4,218.38
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	802.41

NA: Not Available

1. NBS (2022). CPI and Inflation Report July 2022. Accessed at <https://nigerianstat.gov.ng/elibrary/read/1241208>
2. OPEC (2022). Monthly Oil Market Report. Retrieved from [https://www.opec.org/opec\\_web/en/publications/338.htm](https://www.opec.org/opec_web/en/publications/338.htm)
3. DMO (2022). Offer Circular. Retrieved from <https://www.dmo.gov.ng/fgn-bonds/bonds-offer-circular/4000-august-2022-fgn-bond-offer-circular/file>

