



# Nigeria Economic Update



Weekly  
**Digest**

## Net domestic credit increases in August

In August 2022, the total net domestic credit was N61.2 trillion, increasing by 33 percent from 46 trillion in August 2021.<sup>2</sup> Net domestic credit comprises credit to the government and credit to the private sector. About two-thirds of the credit went to the private sector and the remaining to the government. In August, the total credit to the private sector rose to N40.2 trillion from N33.4 trillion in August 2021, suggesting an increase of 20.2 percent. Similarly, credit to the government rose to N33.4 trillion from N12.6 trillion, indicating an increase of 67.1 percent. The analysis shows that credit to the government grew at a faster rate compared to credit to the private sector. The growth in credit to the government is primarily due to low revenue mobilization. Consequently, the government needs to boost its revenue base to reduce its fiscal deficit and the size of loan requests from the domestic financial market. In addition, the fast growth in credit to the government is likely to crowd out credit available to the private sector. Furthermore, adequate provisions should be made to strengthen the debt management process to reduce the misappropriation of credit to the government. This can be achieved by introducing mechanisms that would promote efficient and transparent use of credit obtained by the government.

## All-commodity Terms of Trade improves in Q2 2022

Based on the data from the National Bureau of Statistics (NBS), Nigeria's All-commodity Terms of Trade (ToT) index was 110.12 in the second quarter of the year (Q2 2022).<sup>1</sup> The report also showed that the All-commodity group export index was 111.31, and the import index was 101.1. The breakdown data indicates that during the period under review, the improvement in ToT is driven mainly by the high export index relative to the import index. Every economy desires a positive ToT. Hence, there is a need to strengthen the trade policy in Nigeria to boost exports and improve their prices on the international market. A way of improving the price of products to be exported is by adding value. Hence, the government should strengthen existing interventions to increase the quality of products produced by exporting firms in Nigeria. This, in turn, is expected to increase the value of Nigerian products in the international market, improving the country's export earnings and overall trade position.

## Budget performance - low revenue performance and high fiscal deficit in Q1 2022

According to the 2022 first Quarter (Q1 2022) Budget Implementation Report by the Budget Office of the Federation, Nigeria's actual fiscal deficit exceeded the amount projected in the 2022 budget.<sup>3</sup> The Federal Government of Nigeria in Q1 2022 recorded a deficit of N3.53 trillion against the budgeted deficit of N 1.56 trillion. In addition, the report shows that the revenue performance for the period under review was 47.1 percent. Out of the three core revenue items, only non-oil revenue performance exceeded 50 percent. Specifically, the non-oil revenue recorded 75.5 percent, the oil revenue recorded 30.6 percent, and the independent revenue recorded 36 percent. Further, the report shows that the performance of the overall expenditure exceeded 100 percent, mainly due to two factors: (i) the omission of interest on Ways and Means in the 2022 budget and (ii) the continued implementation of the 2021 capital expenditure in the period under review. For example, the actual capital expenditure for the period was N1.87 trillion, out of which N1.24 trillion was spillover capital expenditure from the 2021 fiscal year's budget. This suggests that from the 2022 fiscal year budget, the government had only spent about N 0.63 trillion. Without significant improvement in revenue, the fiscal deficit in the remaining quarters of the fiscal year is likely to double. The government needs to intensify efforts to block revenue leakages and strengthen the tax administration to foster revenue for the fiscal year.

ECONOMIC SNAPSHOT		+	
Quarterly Indicators	'22Q1	'22Q2	
GDP Growth Rate (%)	3.11	3.54	
Oil GDP (%)	-26.04	-11.77	
Non-oil GDP (%)	6.08	4.77	
Unemployment Rate (%)	NA	NA	
Foreign Direct Investment (US \$ Million)	154.97	147.16	
Portfolio Investment (US \$Millions)	957.58	757.32	
Other Investment (US \$Million)	460.59	630.87	
External Debt (FGN & States- N'Trillion)	16.62	16.62	
Domestic Debt (FGN + States & FCT N'Trillion)	24.99	26.23	
Manufacturing Capacity utilization (%)	NA	NA	
Monthly Indicators	July '21	Aug '22	
Headline Inflation (%)	17.38	20.52	
Food Sub-Index (%)	21.03	23.12	
Core Sub-Index (%)	13.72	17.20	
External Reserves (End Period) (US\$ Billion)	35.88	39.02	
Official Rate Approx. (N/US\$)	409.63	419.97	
BDC Rate Approx. (N/US\$)	NA	NA	
Manufacturing PMI	46.6	NA	
Non-Manufacturing PMI	44.8	NA	
Average Crude Oil Price (US\$/Barrel)	76.36	106.34	
Petrol (PMS-N/litre)	165.91	189.46	
Diesel (AGO -N/Litre)	250.82	786.88	
Kerosene (HHK -N/Litre)	397.34	809.5	
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	4,422.32	4,456.56	
MPR (%)	11.5	14.0	
CRR (%)	27.5	27.5	
T-Bill Rate (%)	2.5	2.76	
Savings Deposit Rate (%)	1.82	1.42	
Prime Lending (%)	11.57	12.1	
Maximum Lending (%)	29.05	27.61	
Narrow Money (N'Million)	16.26	21.43	
Broad Money (N'Million)	39.75	49.35	
Net Domestic Credit (N'Million)	44.99	61.19	
Credit to the Government (Net) (N'Million)	12.12	21.00	
Credit to the Private Sector (N'Million)	32.86	40.19	
Currency in Circulation (N'Million)	2.81	32.10	
FAAC (N'Billion)	733.095	954.08	

NA: Not Available

1. NBS (2022). Commodity Price Indices and Terms of Trade (Q2 2022). Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241236>
2. CBN (2022). Money and Credit Statistics. Retrieved from <https://www.cbn.gov.ng/rates/mnycredit.asp?year=2022&month=8>
3. Budget Office of the Federation (2022). 2022 First Quarter Budget Implementation Report. Retrieved from <https://www.budgetoffice.gov.ng/index.php/2022-first-quarter-budget-implementation-report>

