



# Nigeria Economic Update



Weekly  
**Digest**

## **CBN raises the MPR further to 15.5 percent**

Following its 287th meeting on the 26th and 27th of September 2022, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) raised the monetary policy rate (MPR) by 150 basis points from 14 percent to 15.5 percent.<sup>1</sup> Making it the third successive increase on the MPR in 2022 to rein in inflation. In addition, the Cash Reserve Requirement (CRR) was increased by 500 basis points from 27.5 percent to 32.5 percent. However, the Liquidity Ratio (LR) and the asymmetric corridor were retained at 30 percent and +100/-700, respectively. The increases in MPR and CRR will likely reduce the economy's liquidity and volume of money. However, the last two increments in MPR had minimal effect on the money supply. The money supply reduced from N48.9 trillion in June to N48.3 trillion in July. However, the declining trend in money supply was not interrupted, as it rose to N49.3 trillion<sup>2</sup> in August 2022, suggesting that the previous increment in MPR had weak effect on the money supply. The weak response of the money supply to changes in MPR indicates that taming the inflation rate through money supply might yield a limited impact. However, it is essential to note that excess liquidity might not be Nigeria's sole driver of inflation. Rising energy and food prices contribute partly to the soaring headline inflation. There is a need for complementary fiscal policies that would reduce the cost of production and boost domestic production. And reduce the pace of price increases and tame inflation.

## **Average transportation cost rises significantly year-on-year**

The latest Transport Fare Watch of the National Bureau of Statistics shows that the cost of transportation increased in August 2022.<sup>3</sup> According to the report, the average fare paid by air passengers for a single journey of specified routes increased year-on-year by 76.72 percent from N36,805.41 in August 2021 to N65,041.89 in August 2022. For intercity bus journeys, the fare increased by 46.02 percent from N2,588.69 in August 2021 to N3,779.96 in August 2022. Similarly, the price of a bus journey across cities increased by 39.92 percent from N430.58 in August 2021 to N602.48 in August 2022. The scarcity and high price of energy products such as petrol, diesel, and other similar products are partly responsible for the rising transport cost across all categories. The surging transportation cost contributes to high production costs and might be partly responsible for the rising inflation. Therefore, the government needs to implement initiatives to address structural factors contributing to the rising transportation costs. At the top of the priority list should be attracting investment into the oil industries that would boost domestic production and put an end to the importation of refined petroleum products.

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## **Composite PMI declines to 47.2 index points in August 2022**

Nigeria's level of economic activities, as indicated by the Composite Purchasing Managers' Index (PMI), is below the 50-index point benchmark in August 2022. The PMI, which measures the level of economic activities, especially in the private sector, fell to 47.2 index points from 50.4 index points in July.<sup>4</sup> When the composite PMI is less than 50 points, it implies a contraction in economic activities. As a result, Nigeria experienced a contraction in economic activities. The low composite PMI points for August are due to the decline in production levels and new orders, higher interest rate regimes, and persisting shocks from the global economy, including the Russia-Ukraine war. Without prompt interventions to improve the business environment, there is a high likelihood that the growth rate of the gross domestic product (GDP) in the third quarter would be lower than the 3.54 percent recorded in Q2 2022. Thus, to improve the composite purchasing managers index in the subsequent months, there is a need for the government to partner with the private sector in designing and implementing frameworks that would address constraints faced by businesses, such as unreliable power supply.

| 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. **CBN (2022). Central Bank of Nigeria Communique No. 144 of the 287th Monetary Policy Committee Meeting Held on Monday 26th and Tuesday 27th September 2022. Retrieved from <https://www.cbn.gov.ng/Out/2022/CCD/GOVERNORS%20FINAL%20COMMUNIQUE%20NO%20144%20OF%20THE%20MONETARY%20POLICY%20COMMITTEE%20%20SEPTEMBER%20%202027%202022.pdf>**
2. **CBN (2022). Money and Credit Statistics. Retrieved from <https://www.cbn.gov.ng/rates/mnycredit.asp?year=2022&month=8>**
3. **NBS (2022). Transport Fare Watch (August 2022). Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241233>**
4. **CBN (2022). Central Bank of Nigeria Communique No. 144 of the 287th Monetary Policy Committee Meeting Held on Monday 26th and Tuesday 27th September 2022. Retrieved from <https://www.cbn.gov.ng/Out/2022/CCD/GOVERNORS%20FINAL%20COMMUNIQUE%20NO%20144%20OF%20THE%20MONETARY%20POLICY%20COMMITTEE%20%20SEPTEMBER%20%202027%202022.pdf>**

