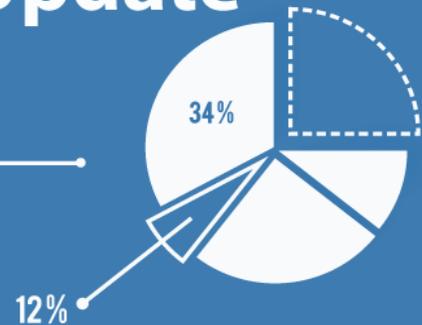


Nigeria Economic Update



Weekly
Digest

World Bank lowers Nigeria's economic growth forecast

In its latest growth projection, the World Bank (WB) lowered Nigeria's economic growth forecast for 2022 to 3.3 percent from 3.8 percent earlier projected in April 2022¹. The World Bank also lowered its 2023 growth target for Nigeria from 4 percent forecasted for the country in April 2022 to 3.2 percent. The downward review of the projected growth was due to the underperformance of the country's oil sector, the scarcity of foreign exchange, and the upward revision of the monetary policy rate. Similarly, WB revised the Sub-Saharan Africa region's 2022 economic growth projection downward from 3.6 percent to 3.3 percent in 2022, suggesting that the region would likely grow at a rate lower than the 4.1 percent recorded in 2021. The slower growth for the region was due to the war in Ukraine, the slowdown in global growth, and the declining demand from China for commodities produced in Africa. Consequently, there is a need for the government to implement a framework that would reduce oil theft that has impacted crude oil production. Furthermore, the government needs to prioritise activities that would improve the business environment necessary to spur the development of existing and new sectors.

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OPEC Cuts Nigeria's Oil Quota

The Organization of Petroleum Exporting Countries (OPEC), alongside OPEC+, cut crude oil output by two million barrels per day (mb/d) to achieve market stability². As a result, Nigeria's oil output quota for November 2022 was reduced by 4.6 percent from 1.826 mb/d in August 2022 to 1.742 mb/d. This measure comes following the downward movement in crude oil prices. This cut follows several consecutive months of an increase in Nigeria's oil output quota, which the country has continuously failed to meet due to vandalism, oil theft, low investment, and ageing infrastructure. The failure of the country to meet the OPEC quota also suggests the country had benefited little from the increase in global crude oil prices in the first half of the year. Without significant improvement in domestic production, there is a high likelihood that the production level would still be lower than the new quota level. Hence, there is a need to address structural factors such as insecurity that have contributed partly to the country's low crude oil production. The Nigerian National Petroleum Company (NNPC) Limited needs to develop a roadmap to improve the security around the pipelines to tackle vandals, prevent oil bunkering, and attract investment into the industry.

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President Buhari presents 2023 budget of N20.51 trillion

President Muhammadu Buhari, on Friday, October 7, 2022, presented the 2023 budget before the joint session of the National Assembly³. The size of the 2023 budget is N20.51 trillion, with a revenue projection of N9.73 trillion, resulting in a fiscal deficit of N10.78 trillion. The expenditure comprises non-recurrent debt of N8.27 trillion, capital expenditure of N5.35 trillion, statutory transfer of N744.11 billion, and debt service of N6.31 trillion. The amount allotted for debt service is higher than capital expenditure by N960 billion. The revenue comprises oil revenue of N1.92 trillion, non-oil revenue of N2.43 trillion, Federal Government Independent revenue is N2.21 trillion, and revenue from government-owned enterprises of N2.42. With these estimates, debt service is 65 percent of federal government revenue. If the revenue performance is low, the debt service to revenue would be higher. Recently, the World Bank stated that public debt in Nigeria is alarming, and the debt service-to-revenue ratio could get up to 102.3 percent by the end of 2022.⁴ Hence, the government needs to expand the tax base to foster revenue. Also, the government should reduce inefficiency in spending and the cost of governance by ensuring that the scarce resources are spent in a way that they bring about the maximum return.

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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. World Bank (2022). Africa's Pulse. Retrieved from <https://openknowledge.worldbank.org/bitstream/handle/10986/38092/EnglishReport.pdf>
2. OPEC (2022). 33rd OPEC and non-OPEC Ministerial Meeting. Retrieved from https://www.opec.org/opec_web/static_files_project/media/downloads/Production%20table%20-%202023rd%20ONOMM.pdf
3. Budget (2023). Full text of President Muhammadu Buhari's 2023 budget speech. Retrieved from <https://businessday.ng/opinion/article/full-text-of-president-muhammadu-buharis-2023-budget-speech/>
4. World Bank (2022). Africa's Pulse. Retrieved from <https://openknowledge.worldbank.org/bitstream/handle/10986/38092/EnglishReport.pdf>

