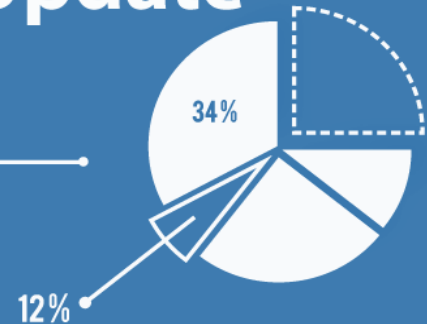


Nigeria Economic Update



Weekly
Digest

Nigeria's oil production improves in October 2022

The latest monthly oil market report (MOMR) of the Organisation of Petroleum Exporting Countries (OPEC) indicates that Nigeria's crude oil production increased from 938 thousand barrels per day (tb/d) in September to 1,014 tb/d in October 2022.¹ The increase is coming a few weeks after the federal government launched full-blown combat against oil theft in the country. The government discovered some illegal oil pipelines and terminals during the combat exercise. The development indicates that sustained efforts to prevent oil theft would increase oil production. With the inauguration of the \$3 billion Kolmani Integrated Development Project along the fields of Gombe and Bauchi state in the North-East during the week, oil production level is anticipated to rise slightly by 50,000 in the upcoming months. Despite the improvement recorded in October, the oil production level is much lower than the 1.63 million barrels per day benchmarked in the 2022 budget. The crude oil production recorded in the period under review indicates that the actualisation of 1.6 million barrels per day anticipated in the 2023 budget would require significant inflows of investment in replacing ageing infrastructure and modern ones, as well as tight security to curtail oil theft.

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CBN Raises MPR further to 16.5 percent

In its last meeting held on Monday, 21st, and Tuesday, 22nd November 2022, the monetary policy committee of the Central Bank of Nigeria (CBN) voted to raise the monetary policy rate (MPR) to 16.5 percent, suggesting an increase of 100 basis points from the 15.5 percent set in September.² The hike in rate is the fourth since May 2022. In May, the MPC increased the MPR from 11.5 percent to 13 percent. However, the MPC retained other monetary policy parameters. The MPC retained the cash reserve ratio at 32.5 percent, the liquidity ratio at 30 percent, and the asymmetric corridor at +100/-700. The need to tame the inflation rate partly informed the decision to increase the MPR by 100 basis points. As of October 2022, the inflation rate stood at 21.09, twice as high as the CBN upper bound target of 9 percent. The hike in MPR would increase the cost of borrowing, which could adversely affect the rate of investment and slow down economic activities. To minimise the adverse effect of the hike on the production level, the government needs to use fiscal policy measures to improve the business environment and in turn enhance firms' productivity.

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GDP Grows by 2.25 percent in Q3 2022

According to the National Bureau of Statistics (NBS), Nigeria's real GDP grew year-on-year by 2.25 percent in the third quarter (Q3) of 2022.⁵ The economy, however, grew at a slower rate when compared to 4.03 percent recorded in Q3 2021.³ The growth in non-oil output exceeds the overall economy during the period under review. The non-oil sector accounts for 94.34 percent of the total real GDP and grew by 4.27 percent while the oil sector accounts for the remaining 5.66 percent and contracted by 22.67 percent. The data suggest that without the emergence of new industries that would substitute for the declining oil output, the contraction in the oil sector would remain a drag on Nigeria's overall economic growth. At the sector level, road transport, Quarrying and other Minerals, and Metal ore had the highest growth rate, with each sector recording an output growth rate exceeding 35 percent (year-on-year). Oil refining, coal mining, and rail transport and pipeline experienced the highest contraction in output, which stood at -44.7 percent, -43.5 percent, and -29.9 percent, respectively. In the period under review, electricity output contracted by 3.6 percent, implying that businesses and households had less electricity for use and increased reliance on other power sources. While power outages might contribute to slow growth, two additional factors - insecurity and low investment in the oil industry contributed to the slow growth through a decline in rail transportation usage and low crude oil production. The data suggest that addressing the insecurity problem and attracting investment in the oil industry would boost output growth in the subsequent quarters. The data also suggests that the non-oil sector remains crucial in ensuring that the economic growth rate exceeds the population growth rate. Otherwise, the per capita income growth rate would be negative, which might further increase the number of Nigerians living below the poverty line.

ECONOMIC SNAPSHOT		
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Quarterly Indicators	'22Q2	'22Q3
GDP Growth Rate (%)	3.54	2.25
Oil GDP (%)	-11.77	-22.67
Non-oil GDP (%)	4.77	4.27
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	147.16	NA
Portfolio Investment (US \$Millions)	757.32	NA
Other Investment (US \$Million)	630.87	NA
External Debt (FGN & States- N'Trillion)	16.62	NA
Domestic Debt (FGN + States & FCT N'Trillion)	26.23	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Sept '21	Oct '22
Headline Inflation (%)	16.63	21.09
Food Sub-Index (%)	19.57	23.72
Core Sub-Index (%)	13.74	17.76
External Reserves (End Period) (US\$ Billion)	36.78	37.39
Official Rate Approx. (N/US\$)	410.8	439.02
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	46.6	NA
Non-Manufacturing PMI	47.8	NA
Average Crude Oil Price (US\$/Barrel)	70.72	93.25
Petrol (PMS-N/litre)	164.91	195.29
Diesel (AGO -N/Litre)	254.64	801.09
Kerosene (HHK -N/Litre)	434.39	947.30
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	2,397.60	4,483.75
MPR (%)	11.50	15.50
CRR (%)	27.5	32.5
T-Bill Rate (%)	2.50	6.49
Savings Deposit Rate (%)	1.82	3.77
Prime Lending (%)	11.73	12.23
Maximum Lending (%)	27.10	28.06
Narrow Money (N'Million)	15.96	21.32
Broad Money (N'Million)	39.73	50.58
Net Domestic Credit (N'Million)	40.449	634.78
Credit to the Government (Net) (N'Million)	13.005	22.68
Credit to the Private Sector (N'Million)	33.936	40.798
Currency in Circulation (N'Million)	2.837	3.298
FAAC (N'Billion)	769.23	760.23

NA: Not Available

1. OPEC (2022). Monthly Oil Market Report, 14 November 2022. Retrieved from <https://momr.opec.org/pdf-download/>
2. CBN (2022). Central Bank of Nigeria Communique No. 145 of the 288th Monetary Policy Committee Meeting Held on Monday 21st and Tuesday 22nd November 2022. Accessed at: [Central Bank of Nigeria Communique No. 145 of the 288th Monetary Policy Committee Meeting Held on Monday 21st and Tuesday 22nd November 2022.pdf \(cbn.gov.ng\)](#)
3. NBS (2022). Nigerian Gross Domestic Product Q3 2022. Retrieved from [Reports | National Bureau of Statistics \(nigerianstat.gov.ng\)](#)

