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CENTRE FOR THE STUDY OF THE ECONOMIES OF AFRICA

Nigeria Economic Update

Weekly Digest

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Inflation rises again to 21.47 percent in November 2022

According to data from the Central Bank of Nigeria (CBN), Nigeria's monthly inflation rate was 21.47 percent in November 2022. This is an increase of 0.38 percentage points over the 21.09 percent recorded in the preceding month, and a 6.07 percentage points increase over the 15.40 percent recorded in November of the previous year.[2] Accordingly, the inflation rate in Nigeria has steadily increased between January to November 2022. The rise is partially a result of the global economic shock brought on by the Russia-Ukraine war in the first half of the year. In addition, it is heavily influenced by rising food prices, which are a result of the shortages in the food supply brought on by insecurity and infrastructure issues, as well as more recently by the floods that occurred between May and October 2022 which destroyed cultivated plants and arable farmland. Food inflation jumped to 24.13 percent in November from 23.72 percent in October. Therefore, policy changes that can lessen the nation's vulnerability to external shocks, such as increasing local output to decrease reliance on imports and improving non-oil sector performance, are even more expedient when the CBN strives to battle inflation by tightening monetary space, in addition to steps meant to increase food production, such as the government creating specialized programs for farmers affected by the flood.

Crude oil production increases in December 2022

Nigeria's crude oil production increased in December 2022 to 1.24 million barrels per day (mbpd), which is a 4.19 percent addition to the 1.18mbpd recorded in November, according to data from the Nigerian Upstream Petroleum Regulatory Commission (NUPRC).[3] The nation's crude oil production increased three times in a row after declining from February to September 2022. The government's efforts to suppress oil theft, which have stopped some leaks since October 2022, and the beginning of the Kolmani Integrated Development Project, which has expanded production capacity, can be credited for this development. This is a positive development that should continue for the benefit of the oil industry and the economy, as well as promoting additional investment in the sector and bolstering the security network for the industry to continue combating vandalism and bunkering. In addition, since oil subsidies have not yet been eliminated, strategies must continue to be directed at enhancing Nigeria's refining capability to prevent depletion in profits of crude oil exports in the medium term through importation of refined petroleum products. Thus, since oil continues to be the main source of income for the country, these measures, if properly created and executed, would considerably accelerate the nation's economic growth.

Nigeria's Economy to grow by 2.9 percent in 2023

According to the World Bank's latest Nigeria Development Update published in December 2022, with the title "Nigeria's Choice", the country's gross domestic product (GDP) is expected to grow by 2.9 percent in the year 2023, less than the 3.1 percent for 2022.[1] Although expected to be slightly faster than the growth of the population, this growth rate, according to the update, is still below pre-2015 levels, those of oil-producing countries (4.8 percent), and the average for Sub-Saharan Africa (3.6 percent). Services, trade, construction, and oil production are expected to lead to growth in 2023. However, the lower growth forecast is due to the anticipated decline in the agricultural sector's performance after the impact of the 2022 floods on farmlands, as well as a potentially high risk of performance reversals in the oil industry due to insecurity, theft, vandalism, and a lack of payment discipline. Many people in the country are currently living in poverty because of ongoing inflationary pressures, which the Central Bank of Nigeria (CBN) predicted to be 21.47% in November 2022. Furthermore, 63% of the country was found to be living in multidimensional poverty as of November 2022, according to the multidimensional poverty survey index (2022). Therefore, creating a safety net for the most vulnerable people, such as those affected by floods is crucial to strengthen social protection. Consequently, it is critical that the government implement measures that can deal with rising inflation and unemployment to avert a potential escalation of internal security challenges that could affect economic growth. Hence, to lessen exposure to global economic shocks, efforts must also be made to stabilize the currency rate and boost the performance of the oil industry.

ECONOMIC SNAPSHOT	+	
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 $Million)	630.87	NA
External Debt (FGN & States- N'Trillion)	16.62	17.15
Domestic Debt (FGN + States & FCT N'Trillion)	26.23	26.92
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	**Oct '21**	**Nov '22**
Headline Inflation (%)	15.99	21.47
Food Sub-Index (%)	18.34	24.13
Core Sub-Index (%)	13.24	18.24
External Reserves (End Period) (US$ Billion)	41.83	37.11
Official Rate Approx. (N/US$)	410.59	443.58
BDC Rate Approx. (N/US$)	NA	NA
Manufacturing PMI	46.6	NA
Non-Manufacturing PMI	47.8	NA
Average Crude Oil Price (US$/Barrel)	84.11	93.36
Petrol (PMS-N/litre)	165.60	202.48
Diesel (AGO -N/Litre)	254.07	808.87
Kerosene (HHK -N/Litre	423.42	1,083.57
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	2,627.94	4,549.14
MPR (%)	11.50	16.50
CRR (%)	27.5	32.5
T-Bill Rate (%)	2.50	6.50
Savings Deposit Rate (%)	1.28	3.93
Prime Lending (%)	11.61	13.17
Maximum Lending (%)	27.10	28.14
Narrow Money (N'Million)	16.51	21.50
Broad Money (N'Million)	41.47	51.78
Net Domestic Credit (N'Million)	47.566	64.22
Credit to the Government (Net) (N'Million)	12.946	22.64
Credit to the Private Sector (N'Million)	34.619	41.58
Currency in Circulation (N'Million)	2.965	3.164
FAAC (N'Billion)	866.24	NA

NA: Not Available

1. World Bank (2022). Nigeria Development Update December 2022 - Nigeria's Choice. Retrieved from https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099305012142215802/p179906004b7c80340a74d0ee7862953b8f

2. CBN (2022). Inflation Rates (Percent). Retrieved from https://www.cbn.gov.ng/rates/inflrates.asp

3. NUPRC (2022). Oil Production Status report. Retrieved from https://www.nuprc.gov.ng/oil-production-status-report/