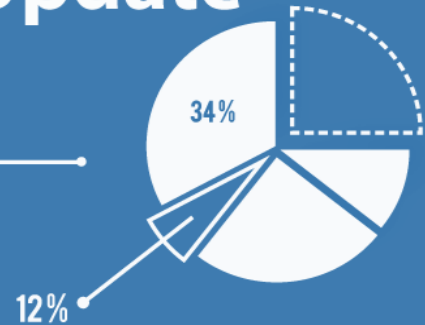


Nigeria Economic Update



Weekly
Digest

CBN raises MPR to 17.5 percent

In its 146th meeting which held on Monday 23rd and Tuesday 24th January 2023, the monetary policy committee of the Central Bank of Nigeria (CBN) agreed to raise the Monetary Policy Rate (MPR) to 17.5 percent.¹ This represents an increase of 100 basis points from the previous MPR value of 16.5 percent, which was decided earlier in November 2022. Also, it is the fifth successive hike in the country's benchmark interest rate since Q2 2022 as the apex bank seeks to reduce money supply and curb rising inflation. The recent year-on-year inflation figures indicate a decrease between November and December 2022, which could be attributed to CBN's efforts. However, inflation on a month-on-month basis has been on a marginal rise in the last two months. Moreover, the money supply statistics indicate a steady increase for most of 2022 as revealed in December 2022 where broad money growth surpassed the provisional benchmark of 15.21 percent for that year, recording a growth of 16.52 percent. The effectiveness of CBN's decision to continue tightening the monetary space should be reevaluated. Hence, the rising inflation levels in Nigeria exhibits structural patterns, which are driven by supply-side variables. Consequently, if there is a further surge in the MPR, CBN might be risking additional increase in production costs for businesses, which could in turn lead to even higher inflation. Therefore, any further upsurge in the MPR is very much discouraged, while other factors like high energy prices, high cost of transportation, and insecurity that usually lead to a higher cost of production need be addressed to curb inflation.

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Public Debt Stock increases to N44.064 trillion

According to data from the Debt Management Office (DMO), Nigeria's total public debt stock as of the end of the third quarter (Q3) of 2022 stood at N44.064 trillion, comprising N17.149 trillion worth of external debt and N26.916 trillion worth of domestic debt.² This indicates that the total debt stock grew by 2.84 percent from N42.846 trillion reported in Q2. This increment was reflected in the uptick of both domestic and external debts, which rose by N685.553 billion and N532.872 billion. Therefore, the increasing accumulation of public debt is unhealthy for the growth and sustainable development of the economy. The higher debt servicing requirements indicate that there is a continuous debt sustainability challenge. Hence, it can also lead to more fiscal pressures that could worsen the macroeconomic performance of the country. It is recommended, therefore, for the government to aggressively seek various means to significantly improve revenue generation, which can help reduce borrowing needs. Also, restructuring the debt profile if possible is expedient as it can minimize the weight of obligations from already accumulated debt stock. Consequently, high debt levels would translate to the need for higher tax rates, for the government to be able to generate more revenue. Therefore, the government needs to explore other effective financing options, which include increased public-private collaborations. Also, although the government has begun to tackle the issues around oil theft, more work needs to be done to ensure that oil production in the country increases significantly to maximize revenue generation and some of these proceeds could be channelled towards debt servicing.

CBN unveils national domestic card scheme

On Thursday, January 26th, 2023, the Central Bank of Nigeria (CBN) officially unveiled its national domestic card scheme in a session co-hosted by the Nigerian Inter-Bank Settlement System (NBSS).³ The domestic card scheme, which is named AfriGo, is part of the apex bank's strategies towards advancing cashless payments and deepening financial inclusion in the country. It would be the first central bank-led domestic card scheme in Africa, and is expected to, among other things, strengthen the national payments system by serving as competitive alternative to other payment cards (like MasterCard, VISA, and Verve), enhance the use of electronic platforms, improve transactional security, and promote efficiency in financial system management. CBN's efforts so far have seen the use of cashless transaction increase across the country, with electronic payments reaching a five-year high of N5.2 billion in 2022, which is 613.1 percent higher than the N729.2 million recorded in 2018.⁴ While the new card scheme promises many benefits, there are still some key policy issues that the government, in collaboration with the CBN, will have to address. These include improvement in network stability associated with electronic transactions like delayed crediting of funded accounts and non-reversal of unsuccessful payments. Hence, there is a need to impose strong security checks for the card before official use by the public to avoid fraudulent incidents. Additionally, awareness should be created among Nigerian communities concerning the new initiative especially in remote areas where they are susceptible to lack of information.

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	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. CBN (2023). Central bank of Nigeria Communiqué no. 146 of the Monetary Policy Committee Meeting held on Monday 23rd and Tuesday 24th January 2023. Retrieved from https://www.cbn.gov.ng/Out/2023/CCD/COMMUNIQUE%20NO%20146%20OF%20THE%20MONETARY%20POLICY%20COMMITTEE%20Jan23_24%202023.docx.pdf
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3. CBN (2023). Central Bank of Nigeria (CBN), Mr. Godwin Emefiele unveils the first African Central Bank-led National Domestic Card Scheme – AfriGo. Retrieved from <https://twitter.com/cenbank/status/1618641859517239296>
4. NIBSS (2023). Nigeria's e-Payment Transactions Hit 5-yr High ...surged to 5.2 billion in 2022. Retrieved from <https://nibss-plc.com.ng/news/4cy2cqt4g9bkj44n75n4ete3x9>