



Nigeria Economic Update



Weekly
Digest

Nigeria's External Reserves Fall in January 2023

According to data from the Central Bank of Nigeria (CBN), Nigeria's external reserves fell in January 2023.² CBN revealed in its data on movement of foreign reserves that the external reserves which ended December 30, 2022, at \$37.08bn fell to \$37.01bn at the end of January 30, 2023. Additionally, as of December 31, 2022, Nigeria's external reserves had decreased by a total of \$3.43 billion, going from \$40.52 billion at the end of December 31, 2021, to \$37.08 billion. The CBN's ongoing intervention in the Importers and Exporters (I & E) windows, Secondary Market Intervention Sales (SMIS), and declining export revenues are responsible for this drop in foreign reserves. Additionally, increase in the demand for foreign exchange for importing inputs and finished products has been on the rise. Similarly, there has been a rise in the number of Nigerians migrating to other countries for studies and work. As a result, the country's exchange rate has been under pressure because of the aforementioned reasons. However, the CBN has been taking action to address this increase, which has resulted in a pattern of persistent reductions in the nation's foreign reserves. Utilizing foreign exchange from the external reserve for such interventions is a reasonable course of action but sustainability goals must also be set. To increase non-oil exports from the nation, the government should intensify reforms targeted at boosting output. Additionally, the government would have to put policies into place to lessen food shortages, such as enhancing irrigation systems, supplying fertilizers, and providing sufficient security in agricultural areas.

Food Prices Rise in December 2022

According to the National Bureau of Statistics (NBS) in its 'Selected Food Price Watch' data for December 2022, the average price of some selected food items in the country rose in December 2022.¹ The report showed that the average price of 1kg boneless beef increased year-on-year by 28.75 percent from the value recorded in December 2021 (N1,846.39), and 1.70 percent on a month-on-month basis from N2,337.46 in November 2022. Also, the average price of 1kg rice (locally sold loose) increased on a year-on-year basis by 19.21 percent from N424.62 in December 2021 to N506.17 in December 2022. The average price of 1kg of Tomato on a year-on-year basis increased by 28.40 percent from N357.03 in December 2021 to N458.42 in December 2022. The price increases can be linked to the shortages in food supply, largely driven by insecurity, high transportation costs due to fuel scarcity, electricity shortage, Russian-Ukraine war and a foreign exchange rate problem that makes less funds available to import necessary commodities. Therefore, to raise overall supply, policy interventions should concentrate on boosting agricultural output and the nation's road system. In addition, the government must address insecurity if farmers are to successfully cultivate, harvest, and sell their products with minimal interruptions.

IMF upgrades Nigeria's 2023 economic growth projection to 3.2%

The International Monetary Fund (IMF), has in its January World Economic Outlook improved its projection for Nigeria's 2023 economic growth rate to 3.2 per cent, representing 0.2 percentage points increase from the 3.0 per cent earlier projected in its October 2022 World Economic Outlook.³ The IMF based its reviewed growth on improved security measures in the oil sector in the country. Furthermore, this projection is 0.55 percentage points lower than the 3.75 per cent economic growth rate projected by the Federal Government. Notably, it is 0.3 percentage points higher than the World Bank's projection of 2.9 percent for 2023. The IMF also projected that Nigeria's improved economic growth in 2023 will lead to 4.1 percent economic growth for the sub-Saharan Africa region. Additionally, the IMF's reviewed global growth projection is expected to be 2.9 percent in 2023 and rise afterwards to 3.1 percent in 2024. This 2023 prediction is 0.2% more than what was anticipated in the October 2022 World Economic Outlook (WEO). Additionally, the improvement was linked to an increase in oil sector projections because oil output has recently been continuously advancing because of the Nigerian government's application of more effective security measures. To increase the nation's revenues and economic growth, the government should make sure that the security of the country's oil facilities is a top concern. Also, the non-oil sector should have proper intervention programs, which will provide the infrastructure required for enterprises to boost productivity and, ultimately, economic output.

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. NBS (2023). Selected Food Prices Watch December 2022 Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241280>
2. CBN (2023). Movement in Reserves. Retrieved from <https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=2/3/2023%2010:18:12%20AM>
3. IMF (2023). Inflation Peaking Amid Low Growth. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023>

