



**NIGERIA
ECONOMIC
UPDATE**

Weekly

Digest

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Food prices increase in May 2023

According to the latest [Selected Food Price](#) watch of the National Bureau of Statistics (NBS), food prices have risen significantly yearly (y-o-y) in May 2023. The average price of 1kg of boneless beef stood at N2,520.52 in May 2023, indicating a 24.19% increase on a y-o-y basis from N2,029.59 recorded in May 2022. The average price of 1kg of Tomato increased by 17.68% from N423.48 in May 2022 to N498.34 in May 2023. Similarly, the price on average of 1kg of local rice local (sold loose) rose by 24.06% from N447.51 in May 2022 to N555.18 in May 2023. The average prices of 1kg of Onion bulb and 1kg of yam tuber rose by 17.12% to N453.86 and 22.84% to N457.25, respectively, during the period under review. Although the month-on-month change in the prices of these food commodities was minimal, the double-digit figures of increase over the period reviewed are an extended effect of identifiable challenges within the food value chain. Inadequate supply, for example, stems from poor transportation networks limiting access to markets, the aftereffects of insecurity, and the recent flood catastrophe of 2022 have all contributed to the ongoing rise in food prices over time. Lack of supply has led to an increase in food imports, which has raised the cost of such items as the exchange rate has continued to climb over time. The rising cost of food has a significant impact on the ability of Nigerians living in poverty to eat. It keeps the nation from reaching its objectives for overall growth. Consequently, a key policy decision is the government's strategic support of the food system. Increased market accessibility and food supply can be achieved by using improved transportation networks. Giving smallholders access to a reliable insurance system may also help farmers be more resilient and better able to recover from disasters like floods.

Transport cost rises Y-O-Y in May 2023

The [Transport Fare Watch](#) of the National Bureau of Statistics (NBS) for May 2023 has shown an increase in the bills paid for transport via selected categories that include bus journey within the city per drop, bus journey intercity (state route), airfare charge for specified courses single journey; journey by motorcycle (okada) per drop; and water way passenger transport. According to the report, the average fare paid by commuters for each drop of bus journeys within the city increased by 11.66% from N581.79 in May 2022 to N649.59 in May 2023. In another category, the average fare paid by commuters for intercity bus journeys was N4,002.16, indicating an increase of 9.09% compared to the N3,668.64 in May 2022. During this period, the average fare for other categories such as air travel, okada transportation, and water transport also increased by 34.06% to N74,948.78, by 11.30% to N464.55, and by 10.99% to N1,045.15, respectively. The increasing transport fares are because of the country's rising cost of fuel and related energy products. As much as this is a worrisome development and a burden on the citizens' income and livelihood, the situation has worsened after the official removal of the fuel subsidy in June 2023. The challenging trajectory is expected to continue, given that the [exchange rate](#) has nearly doubled to N760.78 per US dollar, amidst rising global oil prices. The implication is that the domestic fuel cost will continue to grow, thereby leading to higher transportation costs, at least in the foreseeable future. The removal of fuel subsidy, although expected to deal with legacy inefficiencies in the sector, brings many challenges to Nigerians, and particularly highlighted is the surge in the cost of transportation, which could trickle down to other aspects of economic activities. It, therefore, requires deliberate steps to mitigate the impact of these challenges. There is an urgent and critical need for more investments in the transport industry. For instance, improving and stabilizing the rail system to reach more parts of the country, and the introduction of government-owned public transport services, would provide reasonable alternatives for and reduce transport burdens on the masses.

Crude oil production returns to rising pattern

The Organisation of Petroleum Exporting Countries (OPEC) reported in its last monthly oil market [report](#) that Nigeria produced 1.18 million barrels per day (mbpd) in crude oil for May 2023. This indicates a 185,000bpd increase over the 999,000bpd made in April, based on data from direct communication. Following this improved output, Nigeria has now reclaimed its top spot as Africa's highest crude oil supplier/producer, toppling Angola by 73,000bpd. While this is a positive development, it also shows that the country is still operating below its capacity, below the current quota of 1.8mbpd allocated by OPEC, and below the 2023 budget target of 1.69mbpd. This raises more concern when considering OPEC's decision to slash Nigeria's quota to 1.38mbpd from January 2024. As a matter of urgency, Nigeria must continue to improve its crude oil production for the rest of the year to boost export earnings from the market, especially as demand is expected to rise, owing to prevailing geopolitical uncertainties in Europe. Strengthening security networks in the sector can help track and reduce leakages resulting from bunkering, vandalization, and other illegal activities that limit crude oil production capacity. Ensuring transparency in the industry is vital to curb the under-reporting of actual outputs. The government can use public-private partnerships to tackle additional problems, such as upgrading investments in the sector to increase output as well as replacing and repairing ageing infrastructure. Increased industry output is highly beneficial since it can aid the nation in achieving its objectives of increasing revenues and minimising ongoing budgetary problems. The government must also follow through on its pledge to upgrade the Kaduna Refining Petroleum Company and the Warri Refining Petroleum Company to raise their production capacity and the nation's overall output. In addition, the "Industry Wide Oil Revenue Recovery", started in February 2022 to recover revenue losses on crude oil accounts owing to unlawful oil theft, is a positive development. As a result, the recovered funds from such programs might be used to improve infrastructure, raising the number of mbpd.

ECONOMIC SNAPSHOT		
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Quarterly Indicators	'22Q4	'23Q1
GDP Growth Rate (%)	3.52	2.31
Oil GDP Growth Rate (%)	-13.38	-4.21
Non-oil GDP Growth Rate (%)	4.44	2.77
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	84.23	NA
Portfolio Investment (US \$Millions)	285.26	NA
Other Investment (US \$Million)	691.23	NA
External Debt (FGN & States- N'Trillion)	18.70	19.64
Domestic Debt (FGN + States & FCT N'Trillion)	27.55	30.21
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	May '22	May '23
Headline Inflation (%)	17.71	22.41
Food Sub-Index (%)	19.50	24.82
Core Sub-Index (%)	14.21	19.83
External Reserves (End Period) (US\$ Billion)	38.48	34.09
Official Rate Approx. (N/US\$)	415.15	461.26
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	48.9	NA
Non-Manufacturing PMI	49.9	NA
Average Crude Oil Price (US\$/Barrel)	117.17	76.91
Petrol (PMS-N/litre)	173.08	238.11
Diesel (AGO -N/Litre)	238.82	844.28
Kerosene (HHK -N/Litre)	679.54	1,206.05
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	3,921.35	4,360.69
MPR (%)	13.0	18.50
CRR (%)	27.5	32.5
T-Bill Rate (%)	2.47	2.98
Savings Deposit Rate (%)	1.37	5.13
Prime Lending (%)	11.96	14.07
Maximum Lending (%)	27.37	28.31
Narrow Money (N'Trillion)	20.56	22.27
Broad Money (N'Trillion)	48.51	55.50
Net Domestic Credit (N'Trillion)	56.51	74.91
Credit to the Government (Net) (N'Trillion)	18.05	30.69
Credit to the Private Sector (N'Trillion)	38.46	44.21
Currency in Circulation (N'Trillion)	3.331	2.527
FAAC (N'Billion)	833.86	NA

NA: Not Available

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