



**NIGERIA
ECONOMIC
UPDATE**

Weekly

Digest

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Inflation Rises to 22.79% in June 2023

The National Bureau of Statistics (NBS), in its Consumer Price Index (CPI) [report](#) for June 2023, has stated that Nigeria's headline inflation rate rose to 22.79 percent in June 2023. On a year-on-year (YoY) basis, the Headline inflation rate was 4.19 percentage points higher than the rate recorded in June 2022, which was 18.60 percent, and also an increase of 0.38 percentage points from 22.41 percent recorded in May, 2023. On a YoY basis, the Urban inflation rate in June 2023 was 24.33 percent, 5.23 percentage points higher than the 19.09 percent recorded in June 2022. The Rural inflation rate in June 2023 stood at 21.37 percent on a YoY basis, which was 3.25 percentage points higher than the 18.13 percent recorded in June 2022. The Food inflation rate was 25.25 percent on a YoY basis, which was 4.65 percent points higher relative to 20.60 percent recorded in June 2022. The rise in the inflation rate is due to several factors, such as the rising cost of food due to food shortages and transportation costs, high energy prices from subsidy removal leading to the increase in the cost of production, the volatile exchange rate from floating the naira, etc. These factors erode the purchasing power of citizens and increase the cost of living. To reduce inflation, the government should address the insecurity, flooding, and transportation difficulties that have interrupted the country's food supply. The government must also prioritise initiatives to lower corporate expenses in the country, such as providing affordable electricity to prevent price increases. In addition, because most commodities and raw materials are imported, the government should address the issue of imported inflation. High import costs can be avoided by encouraging domestic manufacturing and providing domestic enterprises with the necessary support, such as credit access and suitable infrastructure. Furthermore, if these policies are implemented promptly, they will stabilise and strengthen the currency in the aftermath of the recent unification of exchange rates, ensuring that the price of Premium Motor Spirit (PMS) at the pump is reduced, lowering general transportation costs and, as a result, inflation rates will decline.

Banks' Credit to Economy Grows by 11%, hits N84 Trillion

According to the Money and Credit [Statistics](#) of the Central Bank of Nigeria (CBN), Banks' net domestic credit to the economy in June 2023 stood at N84 trillion, which represents an 11 percent increase on a Month-on-Month (MoM) basis from N75.49 trillion recorded in May 2023. The credit to the private sector in the period was N52.8 trillion, representing a 17.9 percent increase from N44.78 trillion it received in May 2023. Also, credit to the government in June 2023 rose by 1.6 percent to N31.2 trillion from N30.7 trillion in May 2023. The statistics also showed that the currency-in-circulation (CIC) increased MoM by 4 percent to N2.6 trillion in June 2023 from N2.5 trillion in May 2023. Similarly, currency outside banks grew by 4.15 percent to N2.26 trillion in June 2023, from N2.17 trillion in May 2023. The significant increase in credit to the private sector, which received a higher percentage of the credit in the economy, should be sustained, as the private sector requires these credits for productive investments in the economy, including starting up or expanding their businesses, which is quite crucial for job creation and income generation. The government continues to gain from credit supplied to the private sector through taxes paid to the government based on the size of these enterprises' operations. Therefore, credit to the government should also be kept low to avoid crowding out, which could restrict money available to the private sector. Furthermore, with rising inflation, monetary authorities should retain the CIC under control, as excess liquidity which implies an economy with a surplus money supply is one of the drivers of inflation. The increase in credit in the economy can only be impactful to the economy if properly utilized. Hence, there should be transparency in managing these funds, and provision of infrastructure and all forms of support that can increase the yield of these credits when invested in the economy.

Nigeria's Oil Output Rises to 1.249 mb/d in June 2023

According to the Organisation of Petroleum Exporting Countries (OPEC) in its July 2023 Monthly [Oil Market Report](#), Nigeria's oil output dropped month-on-month (MoM), to 1.249 million barrels per day (mb/d) in June 2023. This represents a by 5.5 percent increase from 1.184 million mb/d recorded in May 2023. This output falls short of the country's oil production quota of 1.74 mb/d assigned by OPEC and is also below the 2023 budget target of 1.69mb/d. This is a major source of concern, as the country is faced with challenges regarding revenue generation, with oil, the mainstay of the economy, being underutilised due to lower production levels. It also raises concern, as it is below the projected output in the 2023 budget, implying that government revenue may be less than what it was projected to be in the budget, leading to a further shortage of funds. OPEC's decision to slash Nigeria's oil production quota to 1.38mb/d from January 2024 also implies that the country may be unable to increase its oil earnings significantly from the current allocation before the cut comes into effect. Oil theft and poor infrastructure are blamed for the drop in oil output. As a result, it is critical to implement adequate security architecture to resist bunkering, vandalism, and illicit activities that impair the country's crude oil production capability. Transparency in the industry is also required to prevent under-reporting of actual outputs. It is critical to create a business-friendly environment in the country to attract investments into the oil sector to replace ageing infrastructure, bridge funding gaps, and, as a result, enhance output. Modern technology should also be used to manage oil facilities such as pipelines to identify oil leaks and vandalism and respond quickly to attacks or damage to oil installations that could result in potential output loss.

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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