

# NIGERIA ECONOMIC UPDATE

Weekly  
**Digest**

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*April 25<sup>th</sup>, 2024. Issue 13*

## **Bank Recapitalization: CBN raises capital requirement**

In response to current macroeconomic challenges driven by domestic and external shocks, the Central Bank of Nigeria (CBN) has significantly increased minimum capital requirements for all commercial, merchant, and non-interest banks. This aims to strengthen the Nigerian banking system and position it for future growth. The minimum requirement is as follows; N500 billion for international commercial banks, N200 billion for National commercial banks, N50 billion for Regional commercial banks and Merchant National banks, N20 billion for non-interest national banks, and N10 billion for non-interest regional banks. The Central Bank also noted that the specified minimum capital shall comprise paid-up capital and share premium only not based on shareholders' funds. Also, all banks have been given a period of 24 months until 31 March 2026 to fully meet the new capital requirement. This is to enable them to maintain resilience, solvency, and capacity to continue to navigate the changing economic situation and support Nigerian economic growth. The overall aim of the recapitalization is to ensure that the banks have a robust capital base to provide big ticket loans required to reach a \$1 trillion economy by 2030. However, the recapitalization process could lead to short-term disruption in the banking sector as banks' focus on raising capital will lead to a temporary slowdown in their lending and investment activities. Weaker banks will also struggle to meet the new capital requirement which will lead to consolidations within the banking sector, as some banks merge or acquire others. Moreover, banks will have to raise their lending rates to compensate for the higher capital requirements, impacting borrowing costs for businesses and consumers.

## **DISCOS revenue grew by 26.96% to N294.95 billion in Q4 2023**

According to the Nigeria Electricity [Report](#) for Q4 2023, revenue collected by the DISCOs during the period was N294.95 billion, an increase from N260.16 billion in Q3 2023. The increment in revenue is associated with two factors – an increase in customers and electricity supply. The number of customers grew by 3.4% to 12.12 million in Q4 2023 from 11.71 million in Q3 2023. Likewise, the electricity supply grew by 12.2% to 6,432. (Gwh) in Q4 2023 from 5,732 (Gwh) in the previous quarter. However, the rate of increase in revenue generation is likely to be hampered by low metering rates. As of Q4 2023, 46% of the 12.12 million customers are metered. Recently, the Nigerian Electricity Regulatory Commission (NERC) approved a new tariff affecting only Band A. While there are four other bands B, C, D, and E, these bands' tariffs remain unchanged. Band A tariff was increased from an average rate of N74 per Kwh to N225 per Kwh, an increase of about 203%. While addressing the stakeholders and the public, the Minister of Power noted that the new tariff was aimed at improving liquidity in the electricity sector, to support infrastructure upgrades. With about half of the customers unmetered, the sector is susceptible to revenue leakage, contributing to the liquidity challenges confronting the sector. Also, universal metering encourages responsible consumption and ensures that customers are billed accurately. Furthermore, there has been a notable increase in the occurrences of National Grid breakdowns in the last few months, resulting in frequent blackouts. These disruptions have severe consequences on various sectors of the economy. While the increment is intended to make the sector viable for investors, tariff increment will not increase liquidity substantially without an improvement in the electricity supply and the metering rates.

## **Average CoHD rises to N938 per day in February 2024**

The latest [report](#) on the Cost of a Healthy Diet (CoHD) in Nigeria by the NBS shows that the national average cost of a healthy diet rose to N938 per day in February 2024, representing an increase of N80 from the previous month. The cost of a healthy diet (CoHD) is the most affordable combination of locally available food items that meet the global food dietary guidelines. This implies that a Nigerian would need to spend N938 for a healthy diet. At the state level, Ekiti, Lagos, and Osun states recorded the highest cost of N1295, N1195, and N1184 per day respectively while Katsina recorded the lowest cost, followed by Sokoto and Zamfara State with N673, N714, and N720 respectively. This disparity reflects the differences in product availability, and market prices within these states. Factors contributing to this rise include the rise in food inflation to 37.92%, which reflects disruption in food production. This rise, however, presents some great implications for individuals, especially those with lower incomes, as they will find it challenging to afford a healthy diet since the average cost has risen and their income has remained stagnant. Moreover, with healthy food becoming less affordable, many Nigerians will resort to cheaper and less nutritious alternatives leading to malnutrition and complex health problems in the future. To address this issue, the government will have to increase its investment in agriculture through farmer support programs, social safety net programs, and improved food distribution networks therefore boosting domestic food production, improving low-income households' access to nutritious food, and ensuring the food reaches consumers at a fair price.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'23Q3	'23Q4
GDP Growth Rate (%)	2.54	3.46
Oil GDP Growth Rate (%)	-0.85	12.11
Non-oil GDP Growth Rate (%)	2.75	3.07
Unemployment Rate (%)	5	NA
Foreign Direct Investment (US \$ Million)	59.77	183.97
Portfolio Investment (US \$Millions)	87.11	309.76
Other Investment (US \$Million)	507.77	594.74
External Debt (FGN & States- N'Trillion)	31.98	97.34
Domestic Debt (FGN + States & FCT N'Trillion)	55.93	87.91
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	January '24	February '24
Headline Inflation (%)	29.90	31.70
Food Sub-Index (%)	35.41	37.92
Core Sub-Index (%)	23.59	25.13
External Reserves (End Period) (US\$ Billion)	33.37	34.71
Official Rate Approx. (N/US\$)	940.75	1505.92
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US\$/Barrel)	81.50	86.07
Petrol (PMS-N/litre)	668.30	679.36
Diesel (AGO -N/Litre)	1,153.01	1257.06
Kerosene (HHK -N/Litre)	1,329.53	1340.94
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	5139.25	6154.50
MPR (%)	18.75	22.75
CRR (%)	32.5	40
T-Bill Rate (%)	4.33	17.03
Savings Deposit Rate (%)	5.28	5.86
Prime Lending (%)	27.07	15.06
Maximum Lending (%)	27.63	26.55
Narrow Money (N'Trillion)	31.23	30.27
Broad Money (N'Trillion)	92.87	95.55
Net Domestic Credit (N'Trillion)	113.10	114.78
Credit to the Government (Net) (N'Trillion)	36.16	33.92
Credit to the Private Sector (N'Trillion)	76.93	80.86
Currency in Circulation (N'Trillion)	36.50	36.93
FAAC (N'Trillion)	1.67	2.07

NA: Not Available

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