



NIGERIA ECONOMIC UPDATE

Weekly

Digest

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Foreign Debt Service Amounts to \$1.12 billion in Q1 2024

The Central Bank of Nigeria (CBN) International Payments [data](#) showed that Nigeria spent \$1.12 billion on foreign debt service payment in the first quarter of 2024. This is a 39.8 percent (\$318.54 million) increase from \$801.36 million recorded in Q1 2023. Recall that Nigeria incurred a foreign debt service of \$3.5 billion at the end of 2023, an increase of 55% over \$2.6 billion incurred in 2022. The country's external debt profile also increased by 1.43% from \$41.69 billion in 2022 to \$42.29 billion in 2023. High debt level and high borrowing costs contributes to the rise in foreign debt service payments. Although domestic borrowings have been embraced in recent times, accounting for a greater percentage of the total public debt, Nigeria has accumulated very high foreign debt to finance its budget deficit over the years. The implication of this decision is spending a high percentage of its reserves and foreign exchange earnings on servicing external debts. In Q1 2024, 70% of the CBN's \$1.61 billion total foreign payments were used to service external debts, a 49% increase from last year (Q1 2023). To lower high debt servicing, it is necessary to curb borrowing and enhance revenue generation. The government should also improve transparency and implement fiscal discipline strategies to ensure prudent spending of public resources.

Suspension of Cybersecurity Levy on Electronic Transactions

The Central Bank of Nigeria (CBN), in a recent [circular](#), has directed banks to begin charging a 0.5 percent cybersecurity levy on electronic transactions beginning from May 20, 2024. However, the National Assembly and the President have ordered for suspension of the implementation of the levy. According to the circular, the levy was introduced to expand the country's cybersecurity infrastructure and curb the rising cyber threats. Services such as loan disbursements, salary payments, cheque clearing and settlements among others, however, are exempted. This new development, given the already existing taxes, will increase cost of doing business. Specifically, the new cybersecurity levy, if implemented as designed, will lead to higher transaction costs and will severely affect individuals and businesses that rely heavily on electronic payment for their day-to-day business. Micro Small and Medium Enterprises (MSMEs) who do not have the resources to absorb the additional costs may go out of business. Additionally, higher transaction costs emerging from the new levy will discourage many from using electronic payment channels, especially among the low-income households and small businesses who may be unable to cope with high charges and might revert to cash-based transactions. Consequently, if the levy remains at transactional level, it might impede the central bank's efforts of reducing the volume of currency in circulation and meeting its financial inclusion target of 95% by 2025. Hence, the suspension of the levy is a welcome development. Given the rising level of cybersecurity threats, if the government intends to proceed with the levy in the future, there is a need to engage with stakeholders and industry associations to address concerns and agree on a rate that will not have adverse effects on businesses.

16% of Nigerians to face Severe Food Crisis by August 2024

According to the most recent Cadre Harmonise (CH) [report](#) released by the International Rescue Committee (IRC), in collaboration with other international organizations, 16% of Nigerians (approximately 31.8 million persons) are expected to face severe food crisis between June – August 2024. The Cadre Harmonisé (CH) analysis is a tool used to assess food security and nutrition situations in the Sahel and West Africa region. The report further showed that acute malnutrition exists among women aged 15-49 in Sokoto and Zamfara states, standing at 19% to 31% and 11% to 19%, respectively. Like Nigeria, the report also showed high prevalence of food insecurity in West and Central Africa. The report stated that 9.5% of the population of the sampled countries are experiencing food crisis based on the Cadre Harmonise scale, and it is expected to rise to 12% by June – August 2024. Key factors propelling food and nutrition security crisis include conflicts, disease outbreak, political instability, and economic problems such as high inflation. Other drivers are high cost of staple foods in rural areas and lack of access to production areas. Strong political will and commitment from the government are essential for allocating resources and implementing effective food security strategies in Nigeria. Moreover, a social safety net program is requisite to provide financial support to vulnerable families during times of crisis and to prevent them from falling deeper into food insecurity.

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	February '24	March '24
Headline Inflation (%)	31.70	33.20
Food Sub-Index (%)	37.92	40.01
Core Sub-Index (%)	25.13	25.90
External Reserves (End Period) (US\$ Billion)	34.71	33.82
Official Rate Approx. (N/US\$)	1505.92	1510.34
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US\$/Barrel)	86.07	85.41
Petrol (PMS-N/litre)	679.36	696.79
Diesel (AGO -N/Litre)	1257.06	1341.16
Kerosene (HHK -N/Litre)	1340.94	1354.40
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	6154.50	6591.62
MPR (%)	22.75	24.75
CRR (%)	40	45
T-Bill Rate (%)	17.03	16.53
Savings Deposit Rate (%)	5.86	6.28
Prime Lending (%)	15.06	15.70
Maximum Lending (%)	26.55	29.38
Narrow Money (N'Trillion)	30.27	32.48
Broad Money (N'Trillion)	95.55	92.34
Net Domestic Credit (N'Trillion)	114.78	90.80
Credit to the Government (Net) (N'Trillion)	33.92	19.58
Credit to the Private Sector (N'Trillion)	80.86	71.21
Currency in Circulation (N'Trillion)	36.93	38.69
FAAC (N'Trillion)	2.07	1.12

NA: Not Available

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