



**NIGERIA  
ECONOMIC  
UPDATE**

**Weekly**

**Digest**

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## **CBN raises Monetary Policy Rate (MPR) to 26.25%**

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN), in its 295th [meeting](#) held on May 20th and 21st, 2024, resolved to increase the Monetary Policy Rate (MPR) by 150 basis points from 24.75 percent to 26.25 percent. This decision was driven by the committee's intentions to curb inflationary and exchange rate pressures which have plagued the economy. However, all other monetary policy tools were retained: Cash reserve ratio at 45 percent and liquidity ratio at 30 percent. The committee believes that its tight monetary stance is beginning to yield the desired results. At the same time, it expressed deep concerns about challenges that have impeded its efforts such as imported inflation, insecurity of farmlands, persistent increase in the cost of transportation and bad road network. In 2024 alone, the MPR has been raised three times at a cumulative rate of 550 basis points. Although the rise in interest rate is expected to moderate inflation and exchange rate, it will also lead to high borrowing costs which can lead to reduced investment and spending, potentially slowing down economic growth in the short run and increasing unemployment. With the sustained increase, banks may also suffer from higher default rates since borrowers will struggle with increased loan costs. The government should complement the central bank's efforts by implementing multidimensional structural reforms to mitigate supply-side constraints. This includes, prudent government spending, targeted fiscal stimulus especially in the agricultural sector, and reduced import dependency, among others.

## **Foreign Reserves rises marginally to \$32.74 billion**

According to the Central Bank of Nigeria (CBN), [foreign reserves](#) rose to \$32.74 billion as of the end of May 22, 2024 from \$32.10 billion in April 22, 2024. This represents a 2 percent increase (\$640 million) in foreign reserves within the period. While marginal, the rise can be attributed to the increase in oil prices and high monetary policy rates. The level of Nigeria's foreign reserves strongly determines the strength of Naira over the US dollar. To further increase foreign reserves over the next few months to stabilise the exchange rate, it is important to diversify export earnings beyond the sale of crude oil. Nigeria mostly depends on the oil market for its foreign exchange earnings; therefore, increasing exports from industries like manufacturing can help reduce the volatility in foreign reserves brought on by changes in the oil market and low crude oil production levels. Additionally, intentional efforts should be made to increase investors' confidence and attract private capital by enacting policies that remove barriers to doing business and addressing security challenges.

## **GDP grows by 2.98% in Q1 2024**

According to the National Bureau of Statistics (NBS), Nigeria's Gross Domestic Product ([GDP](#)) grew by 2.98 percent in Q1 2024, a decrease of 0.48 percentage points from the 3.46 percent growth rate recorded in Q4 2023. However, it is 0.67 percentage points higher than 2.31 percent growth rate recorded in Q1 2023. At the disaggregated level, in Q1 2024, services accounted for 58.04 percent of the GDP, the agricultural sector accounted for 21.07 percent, and the industrial sector contributed 20.89 percent. In addition, the non-oil sector contributed 93.62% percent to the nation's Q1 2024 GDP and grew by 2.80 percent. The oil sector contributed 6.38 percent and grew by 5.70%. It could be recalled that the International Monetary Fund (IMF) revised Nigeria's economic growth forecast for 2024 upward from 3.0 percent to 3.3 percent reflecting its confidence in Nigeria's economic prospects. Nigeria's Q1 2024 GDP growth rate is slightly below the IMF's projection. Hence, the government needs to introduce sectoral reforms that will improve the business environment and attract investment, which in turn, will drive economic expansion. There is also a need for the government to support farmers to adopt modern technology that will enhance agricultural productivity and revamp infrastructure which will bolster the growth of the industrial sector. In addition, investing in education and skill development is critical in empowering workers and promoting growth in all sectors

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'23Q4</b>	<b>'24Q1</b>
GDP Growth Rate (%)	3.46	2.98
Oil GDP Growth Rate (%)	12.11	5.70
Non-oil GDP Growth Rate (%)	3.07	2.80
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	183.97	NA
Portfolio Investment (US \$Millions)	309.76	NA
Other Investment (US \$Million)	594.74	NA
External Debt (FGN & States- N'Trillion)	97.34	NA
Domestic Debt (FGN + States & FCT N'Trillion)	87.91	NA
Manufacturing Capacity utilization (%)	NA	NA
<b>Monthly Indicators</b>	<b>March '24</b>	<b>April '24</b>
Headline Inflation (%)	33.20	33.69
Food Sub-Index (%)	40.01	40.53
Core Sub-Index (%)	25.90	36.84
External Reserves (End Period) (US\$ Billion)	33.82	33.64
Official Rate Approx. (N/US\$)	1510.34	1533.39
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US\$/Barrel)	85.41	89.1
Petrol (PMS-N/litre)	696.79	696.79
Diesel (AGO -N/Litre)	1341.16	1341.16
Kerosene (HHK -N/Litre)	1354.40	1354.40
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	6591.62	6591.62
MPR (%)	24.75	NA`
CRR (%)	45	NA
T-Bill Rate (%)	16.53	NA
Savings Deposit Rate (%)	6.28	NA
Prime Lending (%)	15.70	NA
Maximum Lending (%)	29.38	NA
Narrow Money (N'Trillion)	32.48	NA
Broad Money (N'Trillion)	92.34	NA
Net Domestic Credit (N'Trillion)	90.80	NA
Credit to the Government (Net) (N'Trillion)	19.58	NA
Credit to the Private Sector (N'Trillion)	71.21	NA
Currency in Circulation (N'Trillion)	38.69	NA
FAAC (N'Trillion)	1.12	1.2

NA: Not Available

## REFERENCES

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