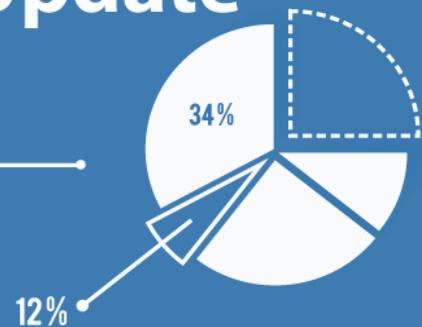


Nigeria Economic Update



Weekly
Digest

Monetary Policy Committee Retains MPR

The Monetary Policy Committee of the Central Bank of Nigeria (CBN) retained the Monetary Policy Rate (MPR) at 11.5 percent, as well as all other monetary parameters, at the first meeting of the Central Bank of Nigeria (CBN) for 2022, held on the 24th and 25th of January. Specifically, the Cash Reserve Ratio (CRR) was retained at 27.5 percent, the Liquidity Ratio was retained at 30 percent, and the asymmetric corridor of +100/-700 basis points around the MPR was also retained. The decision to retain all the parameters was aimed at supporting the existing economic growth recovery and curbing the increase in prices. However, inflation persistence in the country has continued to emanate from supply-side constraints which monetary policy may be unable to mitigate. It therefore becomes necessary for the government to leverage fiscal policy in order to improve the ease of doing business and boost aggregate supply. Unconventional monetary policies should also be scaled up to enhance productivity in both the agricultural and manufacturing sectors. This in turn would ease the pressure on the exchange rate, which would further dampen price levels.



Money Supply grew by 13 percent in December 2021

The CBN reports that the broad money supply increased by 13.8 percent in December 2021. The increase was reported to be driven by the growth in net domestic assets (NDA), which grew by 15.58 percent in December 2021, whereas net foreign assets (NFA), the second component of broad money supply, grew by 6.06 percent¹. The growth in NDA was essentially credited to an increase in claims on the federal government and the private sector. The rise in NFA and NDA indicates an increase in economic activity. However, the rise in inflation rate in December 2021 may be partly due to the increase in broad money due to lag effects and bottlenecks associated with the increase in supply. It therefore becomes necessary that the CBN interventions targeted to boost output be monitored to ensure that all beneficiaries of the bank's real sector facilities utilize the funds as intended.

IMF forecasts Nigeria's 2022 growth rate at 2.7 percent

In the January 2022 edition of the World Economic Outlook (WEO), the International Monetary Fund (IMF) projects a growth rate of 2.7 percent for the Nigerian economy in 2022². The new growth projection is 0.1 percentage point higher than the 2.6 percent projected in October 2021. Also, the IMF raised the 2023 economic growth projection to a 2.7 percent growth rate from 2.3 percent projected in October 2021. Similarly, the IMF raised its growth forecast for Sub-Saharan Africa to 3.7 percent and 4.0 percent for 2022 and 2023, respectively, from 3.6 percent and 3.9 percent in the October 2021 report. The upward revision in the growth rate for Nigeria could be attributed to the positive impact of government policies in supporting firms to mitigate the effects of the pandemic on their businesses. Despite the upward revision of the IMF projection, the projection is 1.5 percentage point lower than the 4.2 percent projected by the Federal Government in the 2022 budget. This suggests that the government needs to be more proactive in implementing business-friendly policies. As a result, there is a need for the government to sustain and expand existing interventions offered to businesses, especially small and medium-scale businesses. Also, there is a need for the government to effectively implement the medium-term development plan, 2021–2025, to achieve the projected growth rate. Given the role ascribed to the private sector in the plan, initiatives and reforms that would stimulate private sector participation in the economy are crucial. Hence, there is a need for the government to prioritize reforms that would significantly improve the ease of doing business. These reforms would be instrumental in promoting private sector participation in the economy.

ECONOMIC SNAPSHOT		
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Quarterly Indicators	'21Q2	'21Q3
GDP Growth Rate (%)	5.01	4.03
Oil GDP (%)	-12.65	-10.73
Non-oil GDP (%)	6.74	5.44
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	77.97	107.81
Portfolio Investment (US \$Millions)	551.37	1,217.21
Other Investment (US \$Million)	246.27	406.35
External Debt (FGN & States- N'Trillion)	13.71	15.57
Domestic Debt (FGN + States & FCT N'Trillion)	21.75	22.43
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Nov '20	Dec '21
Headline Inflation (%)	14.89	15.63
Food Sub-Index (%)	18.30	17.37
Core Sub-Index (%)	11.05	13.87
External Reserves (End Period) (US\$ Billion)	35.41	40.52
Official Rate Approx. (N/US\$)	379.5	412.99
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	50.2	NA
Non-Manufacturing PMI	47.6	NA
Average Crude Oil Price (US\$/Barrel)	36.37	76.25
Petrol (PMS-N/litre)	167.27	165.77
Diesel (AGO -N/Litre)	223.74	289.37
Kerosene (HHK -N/Litre)	353.38	467.97
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	NA	3594.81
MPR (%)	11.5	11.5
CRR (%)	27.5	NA
T-Bill Rate (%)	0.86	2.49
Savings Deposit Rate (%)	1.84	1.25
Prime Lending (%)	11.60	11.68
Maximum Lending (%)	28.85	27.58
Narrow Money (N'Million)	14819010.85	NA
Broad Money (N'Million)	36958454.16	NA
Net Domestic Credit (N'Million)	40194156.06	NA
Credit to the Government (Net) (N'Million)	10782279.08	NA
Credit to the Private Sector (N'Million)	29411876.98	NA
Currency in Circulation (N'Million)	2659710.45	NA
FAAC (N'Billion)	601.11	NA

*Revised GDP figures/tentative figures
NA: Not Available

1. CBN (2022). Central Bank of Nigeria Communiqué no. 140 of the Monetary Policy Committee meeting held on Monday 24th and Tuesday 25th January, 2022. Retrieved from <https://www.cbn.gov.ng/Out/2022/CCD/Central%20Bank%20of%20Nigeria%20Communique%20No.%20140%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20held%20on%20Monday%2024th%20and%20Tuesday%2025th%20January%202021.pdf>
2. [IMF \(2022\)](https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022). Rising Caseloads, A Disrupted Recovery, and Higher Inflation: World Economic Outlook Update January 2022. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022>

