



NISER SOCIAL & ECONOMIC WATCH (N-SEW)

Quarter 1, March 31, 2024





NISER BRIEF ON THE ECONOMY



- This preliminary brief provides a comprehensive overview of Nigeria's economic landscape in the first quarter of 2024. The report underscores the significant economic shocks experienced, particularly due to the unification of exchange rates and the removal of subsidies on premium motor spirit.
- These reforms led to a sharp devaluation of the Naira, with its value plummeting from N461.45/US\$ in May 2023 to N1,520.348/US\$ by the first quarter of 2024.
- Inflation rates surged during this period, rising from 22.41% in May 2023 to 40.01% in March 2024, exacerbating socio-economic challenges for citizens. To mitigate these shocks, the government implemented various measures, including increased sales of dollars to deposit banks by the Central Bank of Nigeria (CBN) and revisions to the operation codes of deposit banks.
- Additionally, licenses of Bureau de Change (BDCs) were revoked, reducing their number significantly.



NISER BRIEF ON THE ECONOMY (Contd.)



- Despite these efforts, inflationary pressures persisted, particularly in the food sector, where the inflation rate reached 40.01% in March 2024.
- Structural constraints continue to hamper production in sectors such as agriculture and manufacturing, including limited access to inputs, inadequate credit facilities, and challenges posed by insecurity and climate change. Nevertheless, there are positive indicators, such as the strengthening of the Naira in official markets and increased foreign inflows into Nigeria.
- With sustained appreciation of the Naira and improved forex supply, coupled with enhanced operating environments in critical sectors, the hope is for a slowdown in inflationary pressures and an improvement in living standards in the subsequent quarters of 2024.



N-SEW MARKERS

01

Total GDP

02

GDP PERCAPITA

03

GDP GROWTH

04

GINI COEFFICIENT

05

SECTORAL GROWTH RATE

Agric, Industry and Service Sectors

06

SECTORAL CONTRIBUTION TO GDP

Agric, Industry and Service % of GDP,

07

INFLATION

08

FOREIGN EXCHANGE RATE

09

UNEMPLOYMENT

10

DEBT TO GDP RATIO





N-SEW MARKERS CONTD.

11

**DEBT SERVICE TO
REVENUE RATIO**

12

REVENUE TO GDP RATIO

13

POVERTY RATE

14

**MULTIDIMENSIONAL
POVERTY RATE**

15

ENERGY

(INSTALLED CAPACITY, ACTUAL PRODUCTION)

16

EXPORT TRADE

17

GOVERNMENT REVENUE

18

TRADE





N-SEW MARKER 1-GROSS DOMESTIC PRODUCT

- Revenue from oil demonstrated a downward trajectory from quarters 3 to 4 in 2023, as well as on a year-on-year basis comparing 2022 to 2023. This trend is anticipated to continue given the projected budget assumption of 1.78mbpd in 2024..
- This underscores the need to tackle challenges such as crude oil theft, pipeline vandalization, and divestments by IOCs.
- Conversely, the upward trajectory in non-oil revenue suggests a potential shift in revenue composition, with implications for economic stability and diversification efforts.

YEAR	FISCAL QUARTER	GDP (₦)	OIL(%)	NON-OIL (%)
2023	Q3	19,442,281.18	5.48	94.52
	Q4	21,773,263.25	4.7	95.3
2023 TOTAL		76,684,940.77	5.4	94.6
2022 TOTAL		74,639,468.94	5.67	94.33



GDP PER CAPITA, 2022

\$2429.6



DATA SNAPSHOT

- GDP per Capita in Nigeria is equivalent to about 19 percent of the world's average. This is indicative of a lower living standard relative to the world average..

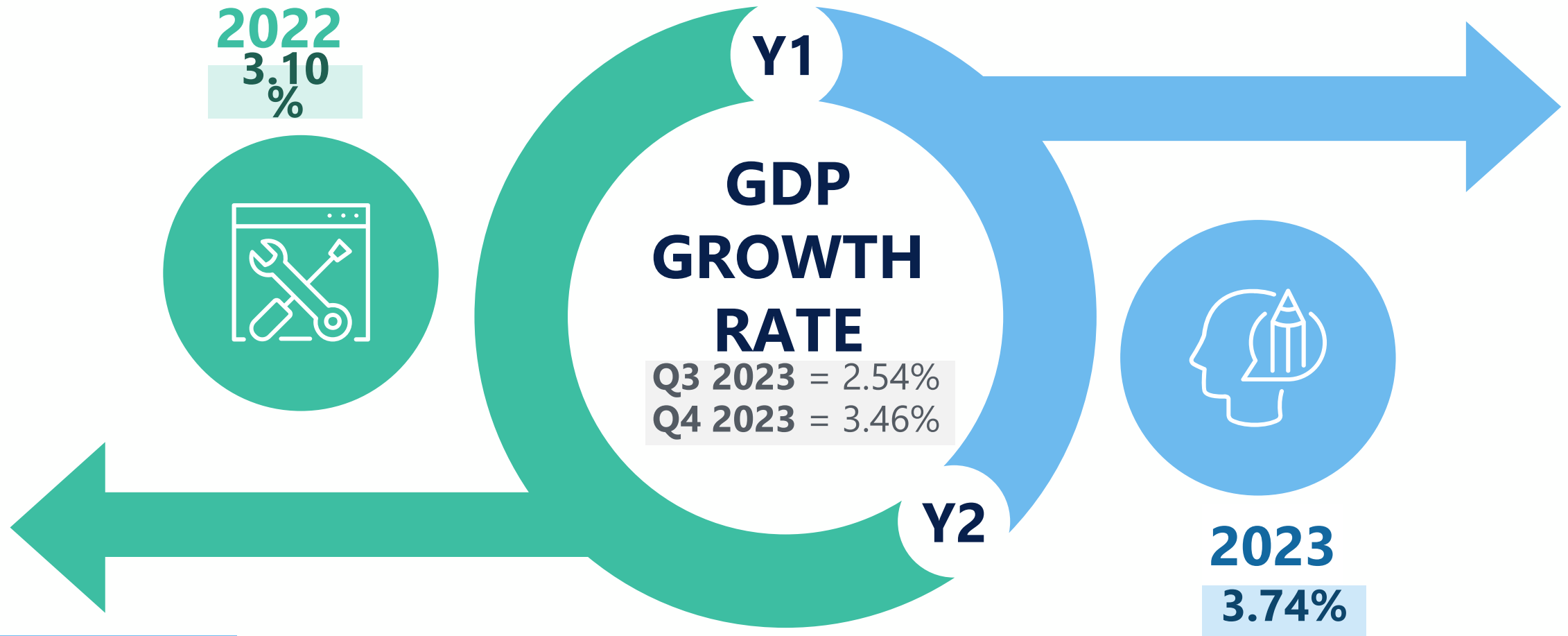
GDP PER CAPITA



Source: World Bank (2022)

N-SEW only reports GDP Per Capita for 2022 as World Bank data for 2023 has not been updated

While the quarterly growth rates increased in 2023, the overall GDP growth rate for 2023 declined compared to the 2022. This could be due to the global inflationary pressure, rising commodity prices and a mix of exchange rate, monetary and fiscal policies, including the fuel subsidy removal.



GINI COEFFICIENT, 2022

35.13

MORE INFO

A Gini Coefficient of 35.31 suggests a moderate level of income inequality in Nigeria. Addressing this inequality is not only a social responsibility but also contributes to long-term economic stability and inclusive development.



Data Source: NBS(2022)

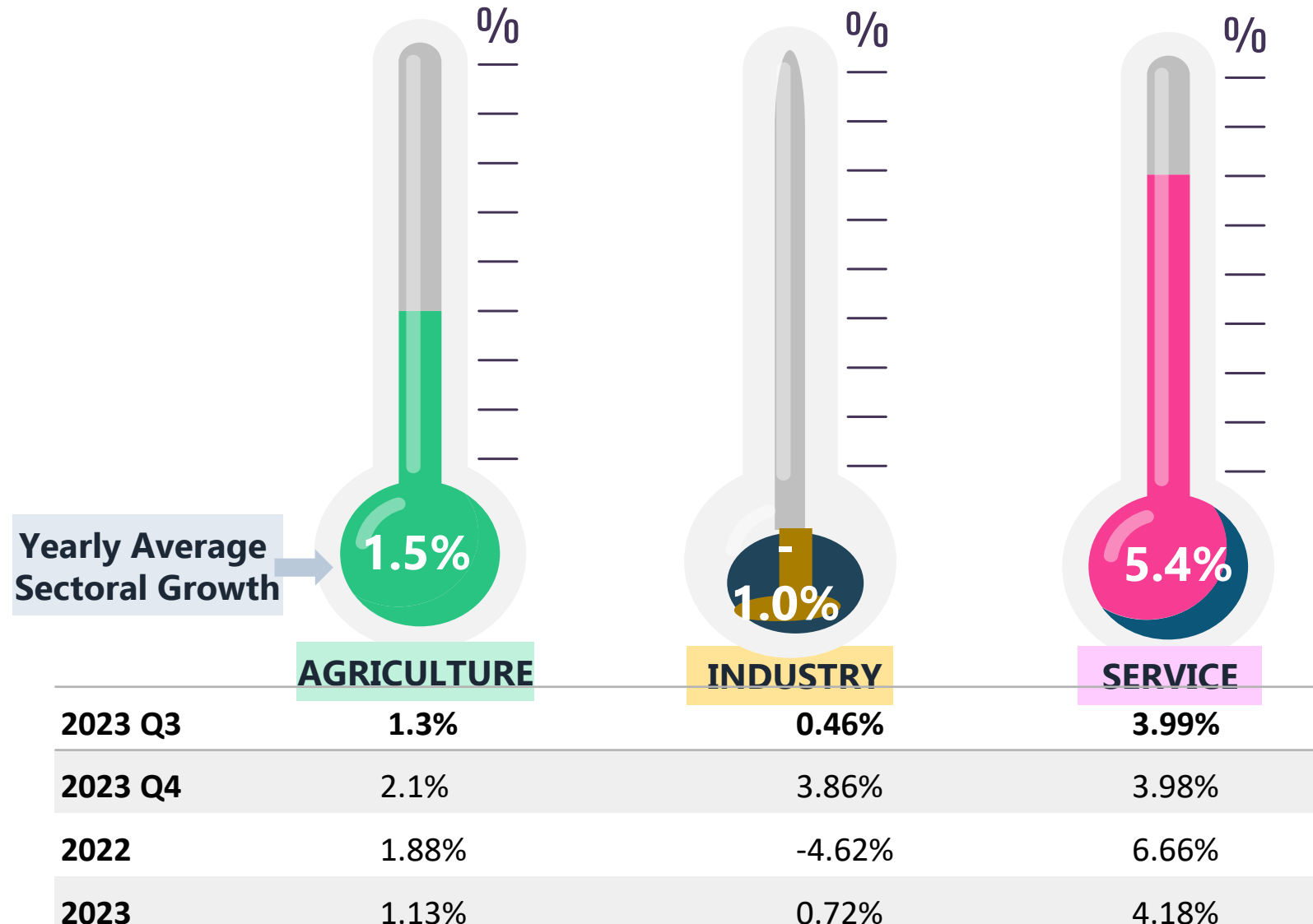
N-SEW only reports Gini Coefficient for 2022 as NBS data for 2023 has not been updated

N-SEW MARKER 5

SECTORAL GROWTH

DATA SNAPSHOT

- The industry sector experienced a significant decline in 2022, followed by a slow recovery in 2023
- The services sector demonstrated resilience and strong growth throughout both years.
- The agriculture sector experienced moderate growth but saw a slight slowdown in 2023.
- Between Q3 and Q4, agriculture showed positive improvement, industry experienced a notable recovery, and the service sector remained relatively stable.



Data

Source:

N-SEW MARKER 6

SECTORAL CONTRIBUTION TO GDP

The Service sector continues to dominate the Nigerian economy, consistently contributing the largest share to GDP, driven by the rapid expansion of the tech (ICT) industry.

SECTOR SHARE 01



2022 55.40%
2023 56.18%

2023 Q3 = 52.70%
2023 Q4 = 56.55%

SECTOR SHARE 02



2022 25.58%
2023 25.18%

2023 Q3 = 29.31%
2023 Q4 = 26.11%

SECTOR SHARE 03



2022 19.02%
2023 18.65%

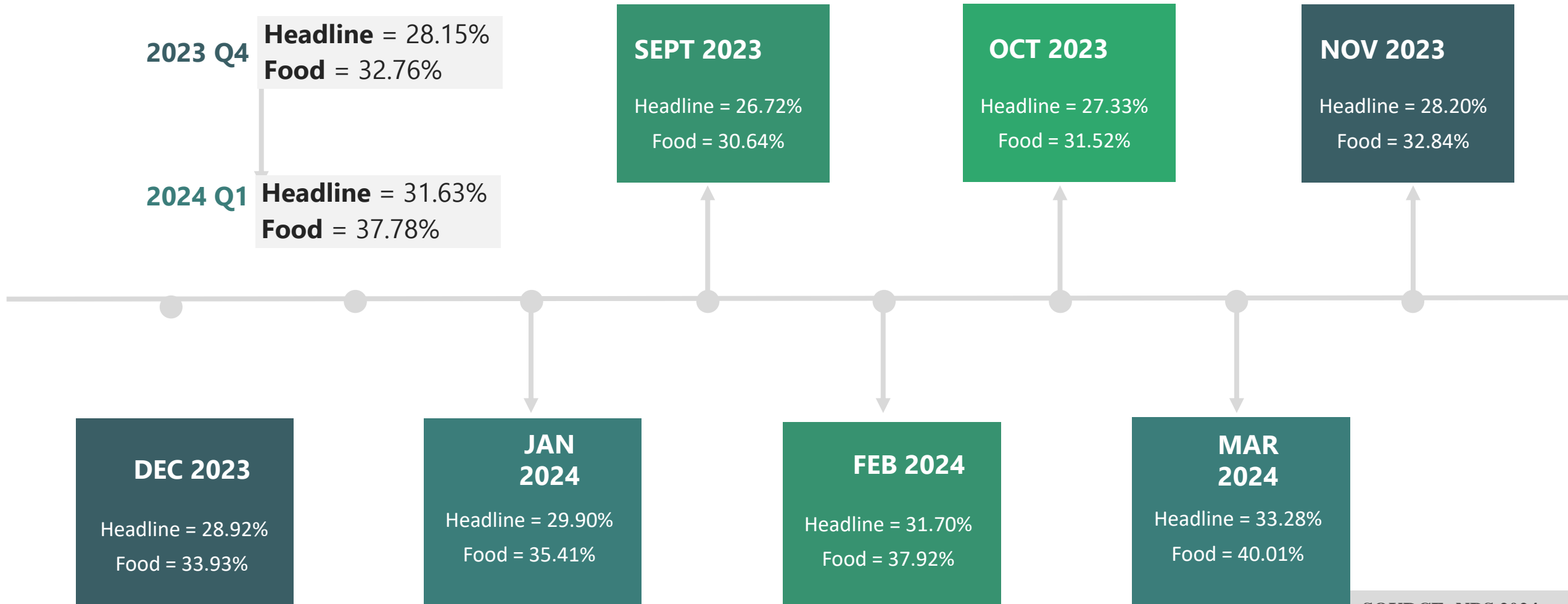
2023 Q3 = 18.00%
2023 Q4 = 17.34%

Source:

N-SEW MARKER 7

INFLATION (SEPT 2023- MAR 2024)

The data indicates a consistent upward trend in both headline and food inflation rates over time (months and quarters), reflecting persistent inflationary pressures during the period.



INFLATION TRENDS: A PEEK BEHIND THE NUMBERS



The Nigerian economy grapples with an escalating inflation crisis, driven by various factors:

- Dwindling purchasing power due to the removal of fuel subsidies which has led to increased prices, coupled with stagnant salaries, and inadequate government wage award programs.
- Insecurity-induced food insecurity, where farmers pay bandits to access their farmlands, disrupting agricultural activities and exacerbating food supply challenges.
- Exchange rate instability and heavy import dependency contribute to unaffordable essential goods, despite efforts by the Central Bank of Nigeria to moderate exchange rates.
- Aggressive monetary tightening measures by the Central Bank, including raising the Monetary Policy Rate to a historic high of 24.75% in March 2024, aimed at curbing soaring inflation, which hit a record 31.7% in February 2024.



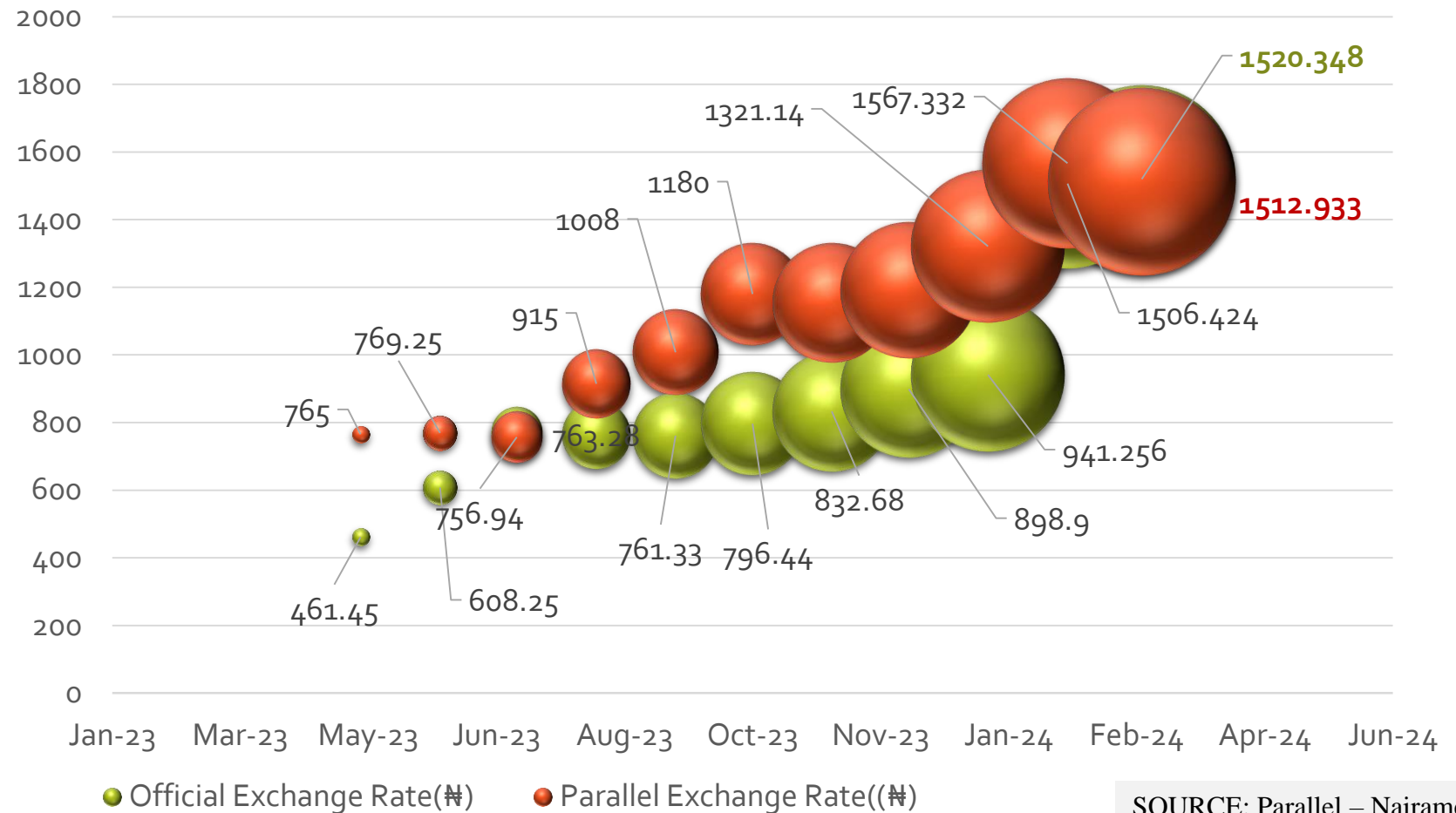
N-SEW MARKER 8- FOREIGN EXCHANGE RATE

- The data reveals a consistent gap between the official and parallel exchange rates.
- However, this gap narrowed down from Nov,2023 with official rate surpassing the parallel in March 2024.
- The reduction in the disparity may be due to the FX harmonization policy initiated and the lingering effects from the FX unification Policy from June 2023.
- Sustaining this trend is critical for eradicating forex arbitrage and round-tripping.

2023 Q4 Official = ₦1322.68
Parallel = ₦1476.13

→

2024 Q1 Official = ₦842.67
Parallel = ₦1175.43



SOURCE: Parallel – Nairametrix
Official – CBN (2024)

Cracking the Code: Exchange Rate Stability

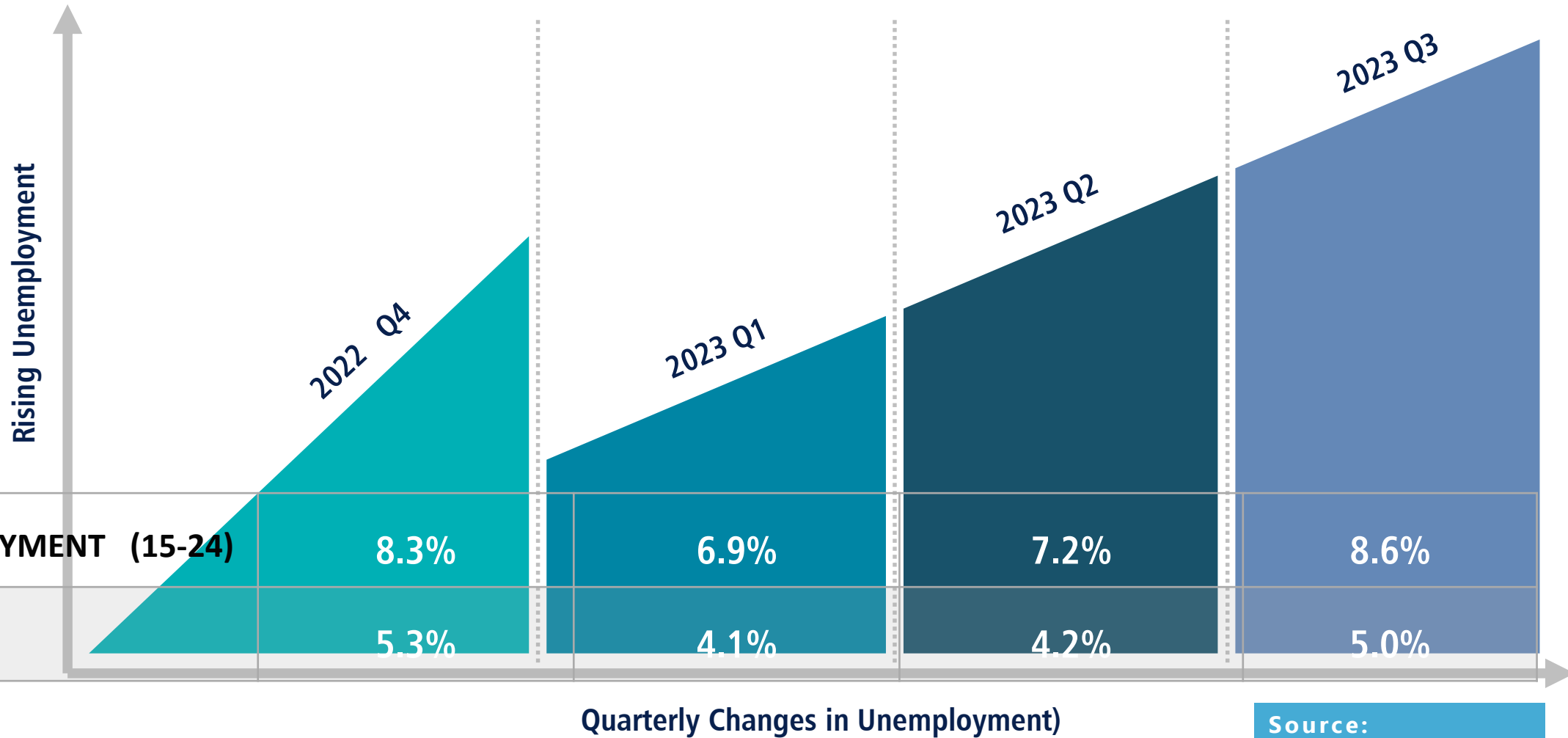


The FX harmonization policy marks a significant stride in reforming Nigeria's foreign exchange market.

However, additional measures are essential to stabilize the exchange rate effectively

- In the medium term, the implementation of a transparent and consistent exchange rate policy framework will be critical to minimize distortions and bolster investor confidence.
- Transitioning towards a more flexible exchange rate regime, such as a managed float or a crawling peg, could be instrumental. Here, the CBN intervenes in the market as and when necessary, to allow the exchange rate adjust gradually to market forces.
- In the long term, policies to promote export-led growth and reduce import dependency will be crucial. These include providing incentives for export-oriented industries, improving trade facilitation measures, and promoting foreign direct investment (FDI) inflows.

Although Unemployment rates for both the general population and youth fluctuated over the periods, unemployment witnessed an upward trend. While the adoption of a new measurement methodology kept figures relatively low, the sustained increase raises concerns about stability in the labour market.



DEBT TO GDP RATIO, 2022

Q3

22.97%

DATA SNAPSHOT



Nigeria has a moderate level of debt relative to the size of its economy. With less than a quarter of the GDP being attributed to debt, it indicates a reasonable balance. However, this should be interpreted within the broader context of the overall fiscal situation of the country.





N-SEW MARKER 11- DEBT SERVICE TO REVENUE RATIO

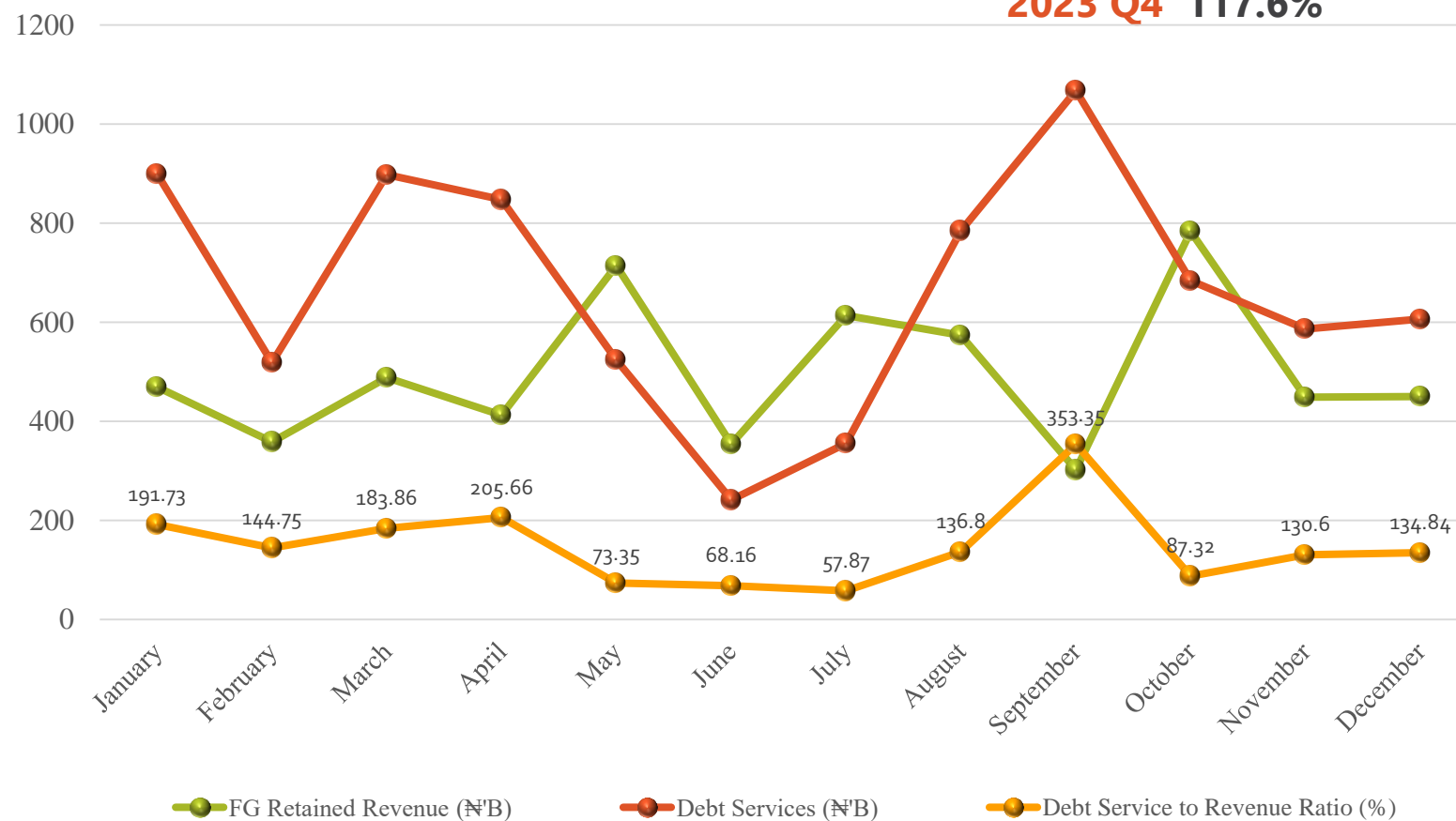
January-December, 2023

- The Debt Service to Revenue ratios for individual months vary widely, ranging from 57.87% in July to 353.35% in September 2023.
- Despite September recording the lowest retained revenue of all the months in the year, it also has the highest debt service expenditure.
- This underscores the significant financial burden of debt service payments on the government's budget, particularly during periods of low revenue.

Debt Service to Revenue ratio

2023 Q3 148.1%

2023 Q4 117.6%



SOURCE: CBN (2023)

REVENUE TO GDP RATIO, 2022

10.87%

DATA SNAPSHOT



A Revenue-to-GDP ratio of 10.87% signifies limited fiscal capacity, and may contribute to recurring budget deficits. This situation can lead to increased reliance on borrowing, potentially escalating the debt burden



POVERTY (HEADCOUNT, % OF POPULATION)

40.09%

DATA SNAPSHOT



This proportion translates to about 85 million persons; indicating a huge number below the poverty line. Nigeria's population is experiencing economic hardship, unable to meet basic needs such as food, shelter, and healthcare.

POVERTY RATE, 2022



MULTIDIMENSIONAL POVERTY

63%

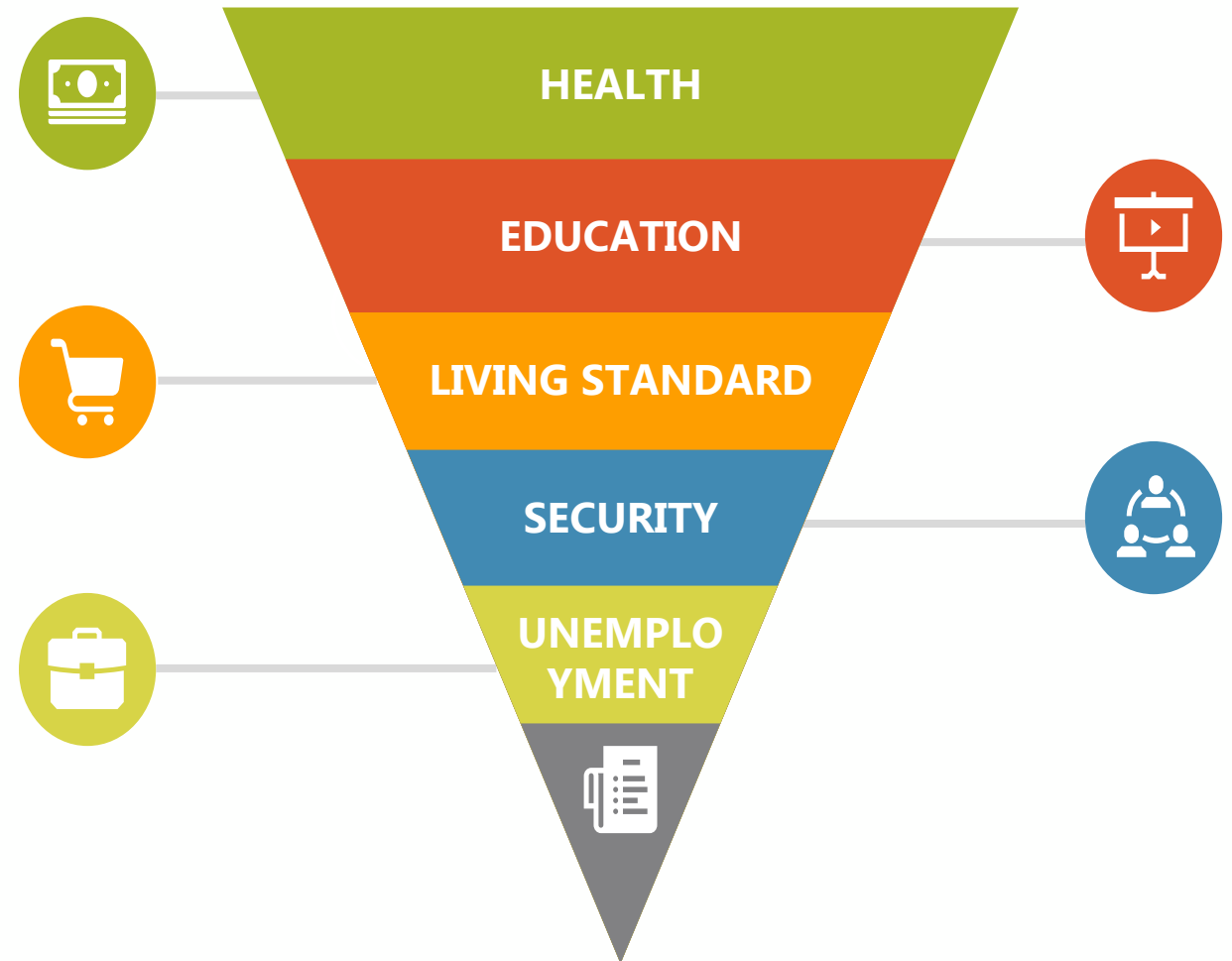
(133million people)

DATA SNAPSHOT



About two-thirds of Nigerians are deprived across various dimensions beyond just income. This suggests challenges in access to healthcare, education, living standard, security, employment, and other essential services.

MULTIDIMENSIONAL POVERTY, 2022



Source: NBS (2022)

The gap between installed capacity and actual generation suggests that the country is not fully utilizing its installed capacity, possibly due to infrastructure limitations, liquidity challenges, gas supply constraints, among others.

INSTALLED- 12,643MW
September,2023



ENERGY

(INSTALLED CAPACITY,
ACTUAL PRODUCTION)

A

B

ACTUAL – 3924.04MW
September,2023



N-SEW MARKER 16 - EXPORTS(US\$MILLION) JAN TO SEPT,2023 23

Oil exports consistently dominate total exports, indicating Nigeria's vulnerability to fluctuations in global oil prices. Diversifying export earnings beyond oil remains a critical objective for Nigeria's economic sustainability.

Month	Total Export	Oil Export)	Non Oil Export)	Oil/Non-Oil
January	5,4074.1	4,425.2	658.9	6.7
February	4,244.3	3,714.0	530.3	7.0
March	5,074.70	4,526.5	548.3	8.3
April	4,026.6	3,468.1	558.5	6.2
May	4,183.2	3,616.3	566.9	6.4
June	4,592.3	4,033.4	559.0	7.2
July	3,980.6	3,569.4	411.2	8.7
August	4,603.1	4,234.1	369/1	11.5
September	5,118.3	4,839.2	279.2	17.3
	US\$MILLION	US\$MILLION	US\$MILLION	RATIO



N-SEW MARKER 17 - GOVERNMENT REVENUE

JAN- SEPT, 2023

JANUARY

₦850,409.0

MARCH

₦563,419.0

MAY

₦531,187.0

JULY

₦551,720.0

SEPTEMBER

₦739,623.0

FEBRUARY

₦589,196.0

APRIL

₦665,039.0

JUNE

₦751,307.0

AUGUST

₦653,730.0

Government revenue shows significant fluctuations, with notable peaks in January and June and lower points in May, and July 2023. However, there was a rebound in revenue collection in April, August, and September 2023.



SOURCE - CBN(2023)

N-SEW MARKER 18- TRADE (₹'Million)

JULY-DECEMBER, 2023

There is a shift in trade balance from a surplus to a deficit between the third (Q3) and fourth (Q4) quarters of 2023. This reversal shows a significant change in trade dynamics within a relatively short period.

2023 Q3

Imports = **9,041,237.1**
 Exports = **10,346,603.9**
 Balance = **1,305,366.7**

2023 Q4

Imports = **14,108,331.1**
 Exports = **12,693,619.5**
 Balance = **(1,414,711.6)**

Imports = **2,864,333.6**
 Exports = **3,016,388.9**
 Balance = **152,055.3**



JULY

AUGUST



Imports = **3,485,482.7**
 Exports = **3,462,597.7**
 Balance = **(22,885.04)**

Imports = **2,691,420.8**
 Exports = **3,867,617.3**
 Balance = **1,176,196.5**



SEPTEMBER

OCTOBER



Imports = **8,512,239.9**
 Exports = **4,141,072.9**
 Balance = **(4,371,167.0)**

Imports = **3,014,709.2**
 Exports = **4,267,980.0**
 Balance = **1,253,270.84**



NOVEMBER

DECEMBER



Imports = **2,581,382.0**
 Exports = **4,284,566.6**
 Balance = **1,703,184.63**



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CONTRIBUTORS

Brief on the Economy	Prof Godwin Akpokodje
Data mining, Infographs & Narratives	Dr Segun Awode
	Dr Tolulope Jerumeh
Product Review & Quality Control	Prof. Babatunde Adeoye
	Dr Adebukola Daramola
	Dr Iyabo Olanrele
Product Oversight	Prof Antonia Simbine
	Prof Andrew Onwuemele
ICT Support	Mr. Seun Adeyemi
	Mr. Emmanuel Onimisi

NISER Social & Economic Watch (N-SEW) is a quarterly publication of NISER's Knowledge Management Department. NISER through the N-SEW keeps a watch on Social & Economic Markers to enable the institute to track progress on Nigeria's socio-economic development.

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