CENTRAL BANK OF NIGERIA ECONOMIC REPORT

January 2023

ABOUT THE REPORT

The Central Bank of Nigeria (CBN) Economic Report presents economic developments in Nigeria, intended for dissemination to the public. The Report provides insights on current developments in the real, fiscal, financial, and external sectors of the Nigerian economy, as well as on global issues of interest. It also reflects the policy initiatives of the CBN in pursuit of its mandate.

The Report is directed at a wide spectrum of readers, including economists, policymakers, and financial analysts in government circles and the private sector, as well as the wider public. Free copies of the Report, both current and past issues, can be obtained from the CBN website: www.cbn.gov.ng. *All inquiries concerning the report should be directed to the Director, Research Department, Central Bank of Nigeria, P.M.B. 187, Garki, Abuja, Nigeria.*

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EXECUTIVE SUMMARY

Global economic activity improved in January 2023, as indicated by the global composite Purchasing Managers' Index (PMI) but remained within the contraction region. The PMI rose by 1.6 points to 49.8 points, from 48.2 points in the previous month, attributed to the expansion in all the sub-sectors, except output prices. The outturn was propelled mainly by, among others, the exit from the COVID-19 restrictions in China. The increase in consumer demand, improved business confidence and the travel subsidy programme also contributed to the modest recovery of economic activities in most Advanced Economies (AEs), while the performance of the Emerging Markets and Developing Economies (EMDEs) was mixed. With respect to inflation, pressures moderated in major economies, on the back of central banks' tight monetary stance, and reduced energy costs, in AEs and EMDEs. Across the various segments and regions, financial markets' performance was bullish in most countries, fuelled by eased financial conditions. Also, bond yields were mixed amid declining inflation, improved sentiments, and better-than-expected growth.

The average spot price of Nigeria's reference crude oil, the Bonny Light, rose by 2.76 per cent, to US$84.78 per barrel (pb), from US$82.50 pb in the preceding month, while the prices of UK Brent, Forcados, WTI and OPEC Reference Basket (ORB) exhibited similar upward trends at US$84.13, US$85.63, WTI at US$79.30 and US$81.62 pb, respectively.

On the domestic front, economic activities gained momentum, as revealed by the composite Purchasing Managers' Index (PMI). The PMI expanded to 50.0 points, compared with 48.7 points in the preceding month, reflecting increased activities, especially in the services and industry sectors. Inflationary pressure persisted, mainly on account of higher energy prices and demand pressures attributed to election-related spending. Thus, headline inflation (year-on-year), increased to 21.82 per cent from 21.34 per cent in December 2022.

Fiscal conditions waned as realized revenue fell short of expectation. On the back of favourable oil market conditions, Federation Account receipts rose by 15.7 per cent in January, relative to the preceding month. However, due to lower receipts from FGN independent revenue sources the retained revenue of the FGN declined. In contrast, FGN spending rose in the review period, resulting in a 15.3 per cent widening of the overall fiscal deficit with respect to the preceding month. Regardless, the deficit was 31.8 per cent below the monthly target.

Total public debt, at ₦46,250.37 billion (or 23.2 per cent of GDP) at end-December 2022, remained within the statutory threshold.

The banking system remained safe, and sound as revealed by various indicators. The Bank sustained its tight policy stance to moderate the growth of the money supply and rein in inflation. Broad money (M3) grew by 2.1 per cent, driven by an increase in net foreign and domestic assets. Growth in foreign assets was driven by claims on non-residents, while growth in domestic assets was driven mainly by claims on the central government and other sectors. Also, developments in the monetary sector posted improved performance, especially with the decline in the stock of currency outside the banking system. Banking system liquidity increased on account of discretionary and autonomous factors, leading to a decline in key money market rates and lower patronage at the Standing Lending Facility window. In the capital market, activities on the Nigerian Exchange (NGX) Limited were bullish, buoyed by increased demand for blue-chip stocks.

The performance of the external sector remained favourable, as trade surplus was recorded on account of increased earnings from both oil and non-oil exports. Foreign capital inflow rose, driven by an improvement in portfolio inflow, owing to competitive returns, particularly on fixed income securities. The stock of external reserves, at US$36.40 billion, could cover 6.1 months of imports of goods and services or 8.6 months of imports of goods only. The average exchange rate of the naira per US dollar at the I&E window was ₦460.99/US$, compared with ₦450.71/US$ in the preceding month.

The prospect for the global economy is clouded with high risks and macroeconomic uncertainties on account of the continued existence of tight global financial conditions, the Russia-Ukraine war, and supply-chain disruptions. Geopolitical fragmentation and concerns about the pace of China's recovery after the COVID-19 lockdown are the envisaged headwinds against global recovery.

Nigeria's economic growth outlook remains positive in the near term amid mounting downside risks, predicated on the assumption of a sustained trend in crude oil prices. Inflationary pressures are expected to moderate in the near term, due to relative stability in the exchange rate and tight monetary conditions. However, contraction in global demand, persistent security challenges, as well as infrastructural deficit remain headwinds to growth.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

1.1 Global Economic Activity

Global economic activities improved in January 2023, as indicated by the Purchasing Managers Index. The recovery in economic activities was attributed to the expansion in all the sub-sectors, except output prices. The observed expansion was propelled among others by the exit from the COVID-19 restrictions in China. The global composite Purchasing Managers Index (PMI)[1] rose by 1.6 points to 49.8 points from 48.2 points in the previous month. However, it remained within the contraction zone (below 50.0 index points). The Manufacturing PMI stood at 49.1 points, compared with 48.7 points in the preceding month, due to improvements in all the sub-components. Global supply bottlenecks eased further, as evidenced by an improvement in delivery time. The Services PMI expanded to 50.1 points, from 48.1 points in December 2022, supported mainly by renewed growth in China and the euro area, new businesses, and positive business sentiments. Also, employment increased to a three-month high, and business optimism rose to an eight-month high.

Table 1: Global Composite Purchasing Managers' Index (PMI)

	Nov-22	Dec-22	Jan-23
Composite	**48**	**48.2**	**49.8**
Employment Level	51.0	50.2	50.4
New Business Orders	47.8	47.7	49.9
New Export Business Orders	46.6	46.7	47.8
Future Output	60.1	61.0	64.1
Input Prices	63.0	59.7	61.0
Output Prices	55.7	55.1	55.0
Manufacturing	**48.8**	**48.7**	**49.1**
Services (Business Activity)	**48.1**	**48.1**	**50.1**
New Business	48.2	48.2	50.7
New Export Business	48.0	48.2	48.9
Future Activity	60.9	61.4	64.7
Employment	50.5	50.4	50.6
Outstanding Business	48.2	48.8	49.1
Input Prices	64.4	60.8	62.4
Prices Charged	55.5	55.3	55.1

Source: J.P. Morgan
Note: Index point of 50 and above indicates expansion.

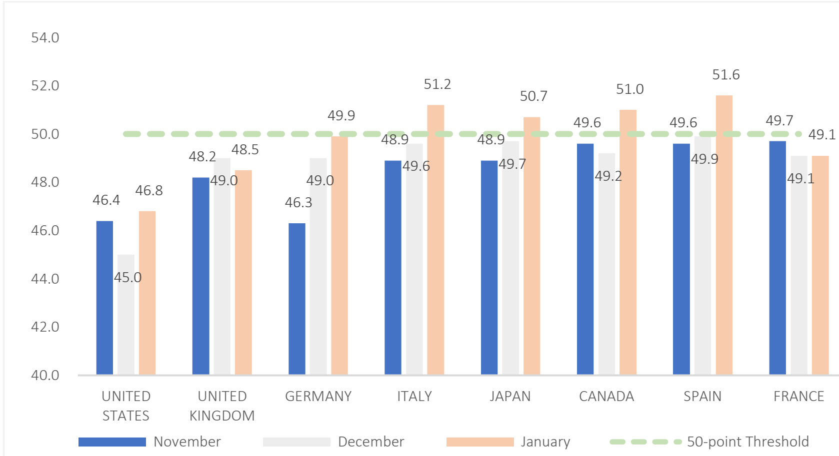
[1] J.P. Morgan Index

Economic Activity in Advanced Economies

The increase in consumer demand, improved business confidence, and the travel subsidy programme led to a modest recovery of economic activities in most Advanced Economies (AEs). Consequently, the PMI for some of the observed AEs showed an expansion in business activities, compared with the previous month. Specifically, in Spain, the PMI rose to 51.6 points from 49.9 points in the preceding month. The upturn was underpinned by sustained growth in the services sector and positive business sentiments. Similarly, Italy's PMI increased to 51.2 points, from 49.6 points, driven by growth in both manufacturing and services sectors as well as a significant improvement in business confidence. In Canada, PMI increased to 51.0 points from 49.2 points, owing to improvements in production and new orders as firms hired additional workers, at the fastest rate, in the past five months. Also, Japan's PMI rose marginally to 50.8 points from 49.7 points, driven majorly by improvements in services due to the travel subsidy programme.

Although there were improvements in economic activity in the US and Germany, their respective PMIs remained within the contraction region. In Germany, the PMI stood at 49.9 points from 49.0 index points in the preceding month. The improvement was attributed to lower costs of production and eased constraints in supply chains. The US PMI increased to 46.6 points, up from 45.0 points in the previous month, on account of resurgent consumer demand and positive business sentiments. On the contrary, business activities contracted in the UK, reflecting weaker service sector performance. The PMI fell to 48.5 points, from 49.0 points. In France, the PMI was unchanged at 49.1 points as the growth in manufacturing was counterbalanced by a contraction in services as new orders fell.

Figure 1: PMIs of Selected Advanced Economies



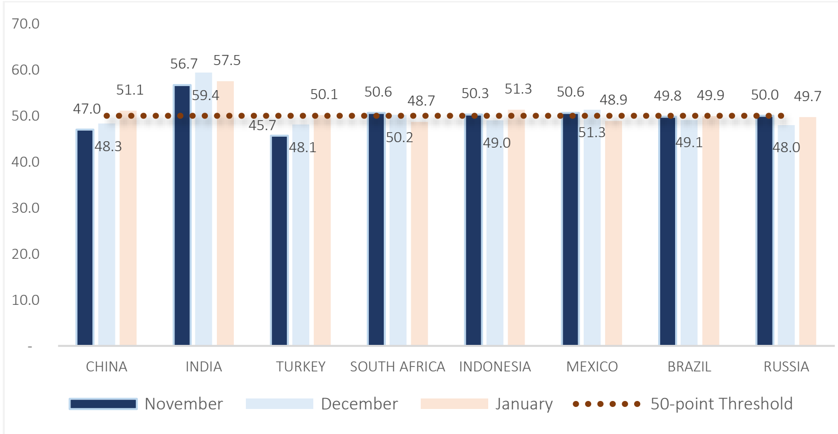
Source: Trading Economics/Various Country Websites

Economic Activity in Emerging Markets and Developing Economies

Economic performance in selected Emerging Markets and Developing Economies (EMDEs) was mixed. The PMI increased to 51.1 points in China from 48.3 points the previous month. The significant expansion was buoyed by growth in the manufacturing and service sectors following the ending of the zero-COVID policy. Economic activities in Indonesia were driven by increased domestic demand as the PMI rose to 51.3 points from 50.3 points. In Turkey, the PMI rose to 50.1 points from 48.1 points in the preceding month. The expansion highlighted the stability in the health of the Turkish manufacturing sector, following a long-term sequence of contraction. India's manufacturing production and services slowed, owing to negative sentiment, as PMI dropped to 57.5 points from the 11-year high of 59.4 points in the preceding month.

In Russia, the contraction in economic activity narrowed, as the PMI increased to 49.7 points from 48.0 points in the preceding month. The development was underpinned by a reduction in new orders and weak foreign demand. Similarly, a slower rate of decline in the manufacturing sector brought about a reduction in the rate of contraction of economic activity in Brazil as the PMI rose to 49.9 points from 49.1 points in the previous month. However, in South Africa, the PMI contracted to 48.7 points from 50.2 points, due to disruptions in electricity supply that led to weak economic conditions. Also, the PMI in Mexico contracted to 48.9 points from 51.3 points in the previous month, attributed to reduced new businesses that occasioned production cuts and job losses.

Figure 2: PMIs of Selected EMDEs



Source: Trading Economics/Various Country Websites.

1.2 Global Inflation

Global Inflation

The tight monetary policy stance among central banks and easing energy constraints further doused inflationary pressures in some AEs in the month. Inflation in the US declined to 6.40 per cent from 6.50 per cent in December 2022, driven primarily by a reduction in food prices and the cost of used cars and trucks. In the UK, the cost of transportation and the prices of food and non-alcoholic beverages drove inflation down to 10.10 per cent from 10.50 per cent in the preceding month. The base effects of regulated energy prices moderated prices in Italy and Canada. Thus, inflation declined to 10.10 per cent from 11.60 per cent and 5.90 per cent from 6.30 per cent in Italy and Canada, respectively. In Canada, other factors that affected inflation included reduced transportation, energy and shelter costs. On the contrary, in Germany, the one-off federal payment to cover the monthly instalments for gas and heat for all households and SMEs drove inflation up to 8.7 per cent, from 8.6 per cent the previous month. In France, inflation edged up to 6.0 per cent, from 5.9 per cent in December 2022, driven by the cost of food and energy. In Japan, inflation rose to 4.3 per cent, from 4.0 per cent in the previous month, driven by the prices of imported intermediate commodities and the weakened yen. Also, there was upward price pressure in Spain as inflation rose to 5.9 per cent, from 5.7 per cent, driven mainly by transportation costs.

Table 2: Inflation Rates in Selected Economies

Country	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
United States	8.3	8.2	7.8	7.1	6.5	6.4
United Kingdom	9.9	10.1	11.1	10.1	10.5	10.1
Japan	3.0	3.0	3.7	3.8	4.0	4.3
Canada	7.0	6.9	6.9	6.8	6.3	5.9
Germany	7.9	10.0	10.4	10.0	8.6	8.7
France	5.9	5.6	6.2	6.2	5.9	6.0
Italy	8.4	8.9	11.9	11.8	11.6	10.1
Spain	10.5	8.9	7.3	6.8	5.7	5.9
China	2.5	2.8	2.2	1.6	1.8	2.1
South Africa	7.6	7.8	7.6	7.4	7.2	6.9
India	7.0	7.4	6.8	5.9	5.7	6.5
Mexico	8.7	8.7	8.4	7.8	7.8	7.9
Indonesia	4.7	6.0	5.7	5.4	5.5	5.3
Turkey	80.2	83.5	85.5	84.4	64.3	57.7
Brazil	8.7	7.2	6.5	5.9	5.8	5.8
Russia	14.3	13.7	12.6	12.0	11.9	11.8

Source: Trading Economics

Inflation moderated in some Emerging Markets and Developing Economies (EMDEs). In Turkey, inflation declined to 57.70 per cent, from 64.27 per cent in the preceding month, driven by a slowdown in energy prices and the cost of food, and non-alcoholic beverages. Similarly, inflation in Indonesia fell to 5.28 per cent, from 5.51 per cent, due to a decline in transport costs, food and beverages. In South Africa, inflation fell further to 6.90 per cent, from 7.20 per cent in the preceding month, due to the reduced cost of transportation. Also, in Russia, the eased cost of food and non-food products drove inflation down to 11.80 per cent, from 11.90 per cent in the preceding month. In Brazil, inflation decreased to 5.77 per cent, from 5.79 per cent in the preceding month, due to the appreciation of the real.

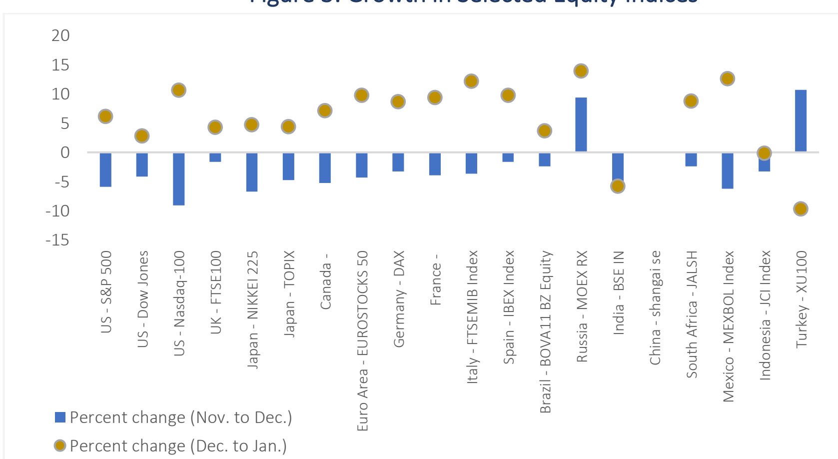
However, in China, the rising prices of food in the wake of the Lunar Year festival and the removal of pandemic measures drove inflation up to 2.10 per cent, from 1.80 per cent in December 2022. Similarly, in India, inflation rose to 6.52 per cent, from 5.90 per cent in the preceding month. Also, in Mexico, the upward pressure on food and non-alcoholic beverages pushed inflation to 7.91 per cent from 7.82 per cent in the previous month.

1.3 Global Financial Market

Global equity markets recorded strong gains in January 2023, fuelled by easing financial conditions. The improvement in equity markets in advanced economies, particularly the US, the UK, and the Eurozone, is supported by a decline in CPI (as a result of moderation in energy and food costs), stronger-than-expected GDP, and a positive reversal in sentiment, with the strongest gains linked to tech on consumer discretionary spending, travel and auto stocks, and entertainment and media stocks.

The performance in emerging market equities was mixed with improvements in China, Russia, Mexico, South Africa, and Brazil. Chinese shares made gains following the loosening of the COVID-19 restrictions and improvement in investor sentiment. The performance of equities was bearish as the stock indices in Indonesia, India and Turkey declined by 0.16 per cent, 5.77 per cent and 9.67 per cent in January 2023. In Indonesia, the decline was attributed to the poor performance of shares in the financial sector. In India, the underperformance was attributed to the lull in foreign portfolio investment flows, and the depreciation of the rupee. In Turkey, the decline in equities was triggered by panic selling among local investors following a report that a new case had been brought against Istanbul's opposition mayor – Ekrem Imamoglu.

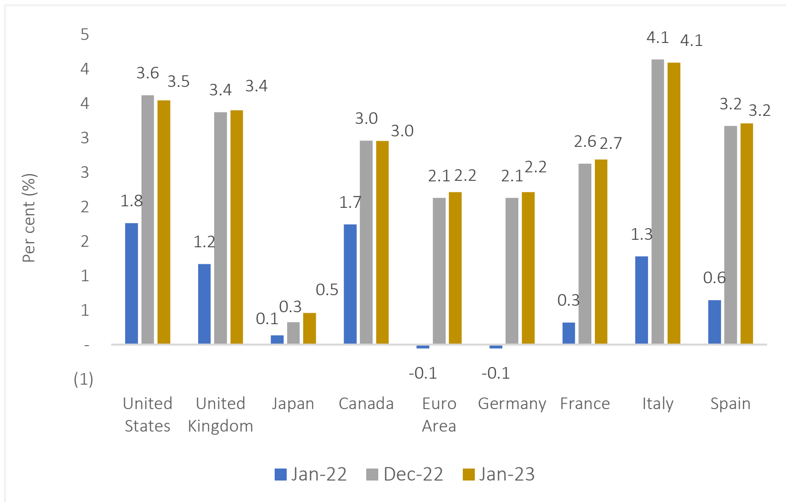
Figure 3: Growth in Selected Equity Indices



Source: Bloomberg

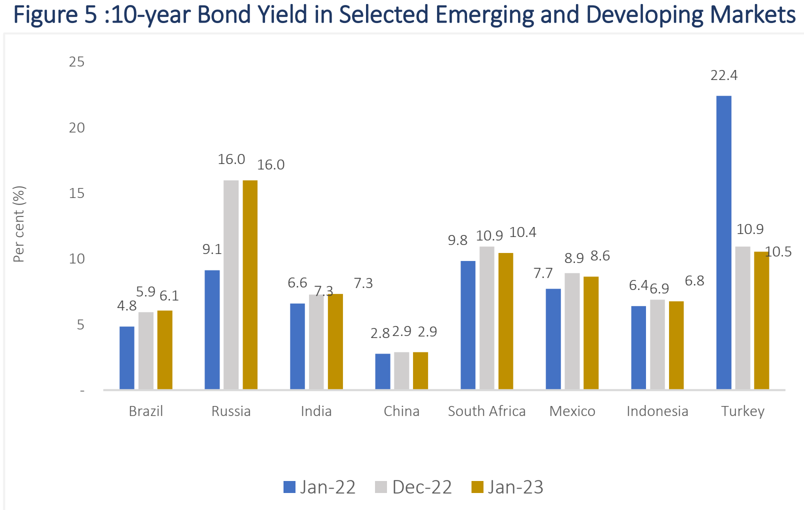
Global bond yields were mixed in January amid declining inflation, improved sentiments and better-than-expected growth. Yields in the United States and Canada declined to 3.55 per cent and 2.95 per cent, respectively, from 3.62 per cent and 2.96 per cent. Yields also declined in China, South Africa, Indonesia and Turkey. In the euro area (EA), United Kingdom, France, Japan, Spain, Brazil and India, yield rose to 2.21 per cent, 3.40 per cent, 2.69 per cent, 0.46 per cent, 3.21 per cent, 6.07 per cent, and 7.34 per cent, respectively due to sentiments surrounding the Bank of Japan meeting, lower energy prices, among others. In Russia, yields on 10-year government bonds remained unchanged at 15.99 per cent.

Figure4: 10-year Bond Yield in Selected Advanced Economies



Source: Bloomberg

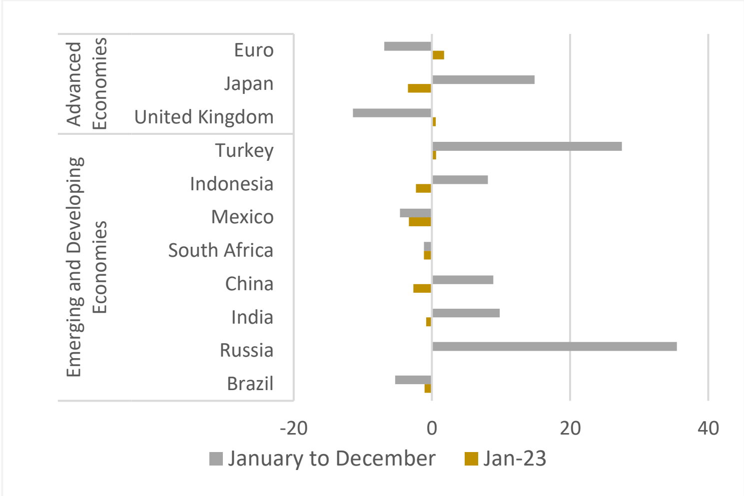
Figure 5 :10-year Bond Yield in Selected Emerging and Developing Markets



Source: Bloomberg

The US dollar was weaker than most developed market currencies (including the British pound and the Euro). There was broad-based weakness across emerging market currencies, as evidenced by the depreciation of all the currencies of the selected EMDE countries except the Turkish lira and the Russian rubble. Though the Turkish lira appreciated marginally, the Russian rubble remained constant.

Figure 6: Selected Currencies against the US Dollar (Ave. % change)



Source: Bloomberg and CBN Staff Calculations

1.4 Global Commodity Market Developments

World Crude Oil Supply and Demand

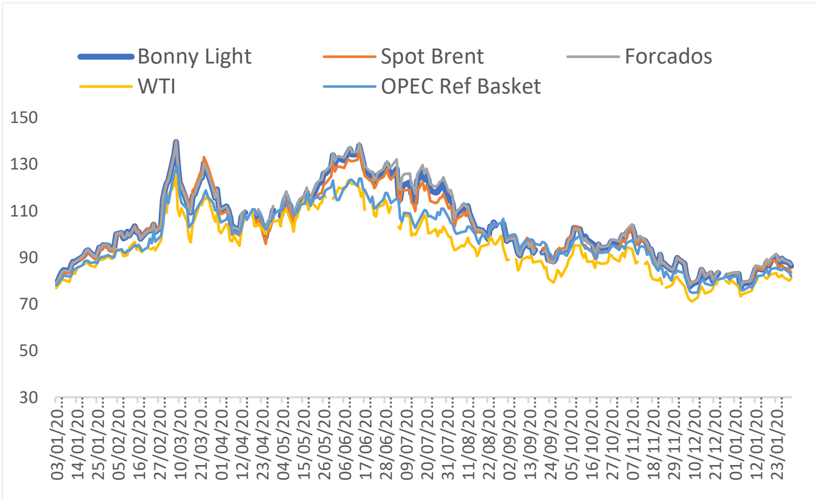
Total world crude oil supply declined as OPEC+ maintained the decision to adjust downward the overall production by 2 mbpd starting in October 2022. Total world crude oil supply declined by 0.33 per cent to 100.95 million barrels per day (mbpd) in January 2023, compared with 101.28 mbpd in the previous month. The fall in world crude oil supply was due, largely, to decreased supply from non-OECD countries, particularly OPEC. Non-OECD supply declined by 0.75 per cent to 67.40 mbpd, from 67.91 mbpd in the previous month. However, the total OECD supply rose by 0.54 mbpd to 33.55 mbpd in January 2023, from 33.37 mbpd in the previous month.

OPEC crude oil production declined by 1.83 per cent to 28.30 mbpd in January 2023, compared with 28.83 mbpd in the preceding month. This decline was due, majorly, to decreased production, especially in Iraq, where output dropped by 50,000 bpd to 4.40 mbpd in January 2023, from 4.45 mbpd in the preceding month. Other OPEC members, such as Iran, Saudi Arabia and Equatorial Guinea, also recorded a decline in crude oil output.

On the demand side, total world demand declined by 2.40 per cent to 98.32 mbpd, compared with 100.74 mbpd in the preceding month. The decrease was due, mainly, to concerns about a global recession in the near future.

The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), rose by 2.76 per cent to US$84.78 per barrel (pb), compared with US$82.50 pb in the preceding month. The prices of UK Brent at US$84.13 pb, Forcados at US$85.63 pb, WTI at US$79.30 pb and OPEC Reference Basket (ORB) at US$81.62 pb all exhibited similar upward movement.

Figure 7 : Global Crude Oil Prices (US$ per barrel) for January 2023



Source: Refinitiv Eikon (Reuters)

Agricultural Commodity Prices

Impelled by reduced global supply prospects as well as a tail-off in demand, the prices of most of the monitored agricultural export commodities at the international market maintained an upward trend in January 2023. The average price index for all the monitored commodities stood at 92.0 points (2010=100), representing an expansion of 3.5 per cent (month-on-month), while there was a contraction of 3.6 per cent (year-on-year). The commodities accounting for the increase ranged from 0.2 per cent for palm oil to 18.0 per cent for groundnut. The development was largely driven by falling demand amid deteriorating global economic conditions as well as concerns about EU's move to stop deforestation-linked commodities into its market, which affected the price of palm oil. However, the prices of soya beans, wheat, and cotton decreased by 3.0 per cent, 1.5 per cent and 0.6 per cent, respectively, on account of the ample global supply of products such as cotton and soya beans.

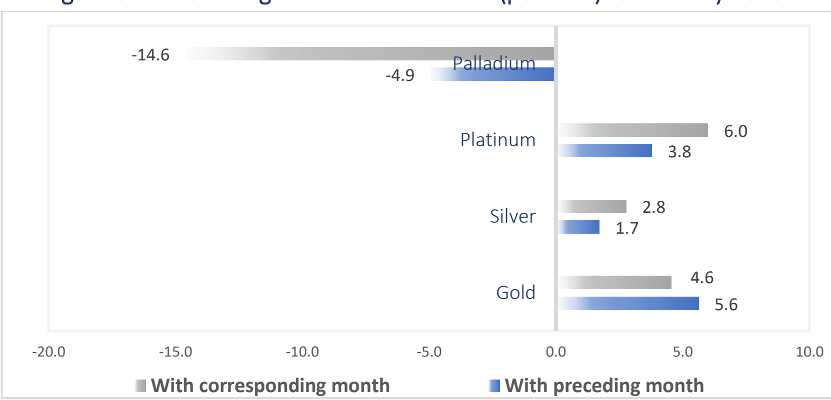
Table 3: Indices of Average World Prices of Nigeria's Major Agricultural Export Commodities for January 2023 (Dollar Based) (Jan. 2010=100)

Commodity	Jan-22	Dec-22	Jan-23	% Change	
				(1) & (3)	(2) & (3)
	1	2	3	4	5
All Commodities	95.5	89	92	-3.6	3.5
Cocoa	80.7	82.1	85.6	6.1	4.3
Cotton	78.6	60	59.7	-24.1	-0.6
Coffee	116.9	98.6	102.2	-12.6	3.6
Wheat	122.1	126	124.1	1.6	-1.5
Rubber	37.9	28.7	30.1	-20.7	4.7
Groundnut	107.8	121.7	143.6	33.2	18
Palm Oil	108.9	76.2	76.3	-30	0.2
Soya Beans	111.1	118.3	114.8	3.4	-3.0

Sources: (1) World Bank Pink Sheet (2) Staff estimates

The average spot prices of gold, silver and platinum rose in January 2023 as demand for precious metals rose due to the weakening of the US dollar, while low demand in the automobile industry over recession concerns pressured the price of palladium. The average spot prices of gold, silver and platinum rose by 5.62 per cent, 1.71 per cent and 3.78 per cent, month-on-month, to sell at US$1,898.55 per ounce, US$23.76 per ounce and US$1,051.45 per ounce, respectively. This was compared with US$1,797.46 per ounce, US$23.36 per ounce and US$1,822.51 per ounce in the previous month. Conversely, the average spot price of palladium fell by 4.93 per cent, to sell at US$1,732.58 per ounce compared with US$1,822.51 per ounce in the preceding month.

Figure 8 : Price Changes in Selected Metals (per cent) for January 2023



Source: Refinitiv Eikon (Reuters).

2.0 DOMESTIC ECONOMIC DEVELOPMENTS

2.1 REAL SECTOR DEVELOPMENTS

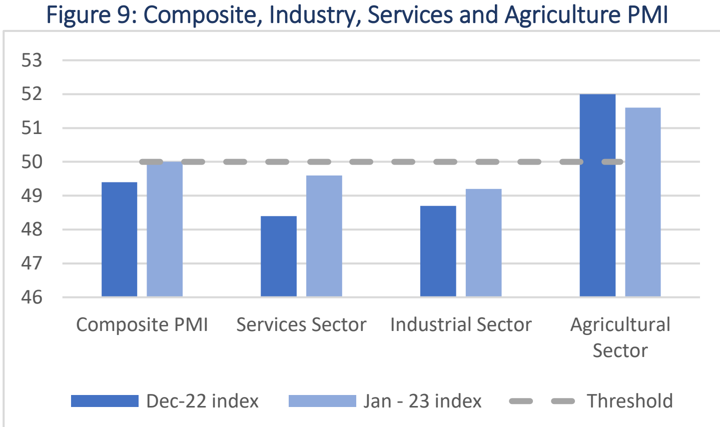
Summary

Business activities in January 2023 gained momentum, as indicated by the expansion in the composite Purchasing Managers' Index (PMI). The development was attributed to rising consumer demand in anticipation of the forthcoming February general elections. Inflation surged further to 21.82 per cent, from 21.32 per cent in the preceding month on account of demand pressures amid widespread scarcity of PMS.

2.1.1 Economic and Business Activities

Business activities gained momentum in January 2023, on account of rising consumer demand in anticipation of the forthcoming general elections in February. The composite Purchasing Managers' Index (PMI) expanded to 50.0 points, compared with 48.7 points in the preceding period due to an improvement in the activities of services and industry sectors.

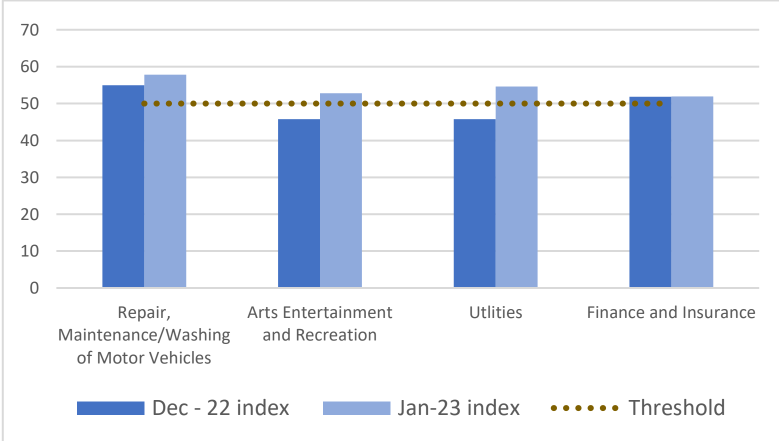
Figure 9: Composite, Industry, Services and Agriculture PMI



Source: Central Bank of Nigeria

Further analysis reveals that the services sector PMI rose to 49.6 points, compared with 48.4 points in the preceding month, resulting from an increase in new orders following increased business activities. The improvement was reflected by growth in Repair, Maintenance/Washing of Motor Vehicles, Utilities, Arts Entertainment & Recreation, finance & insurance subsectors, among others.

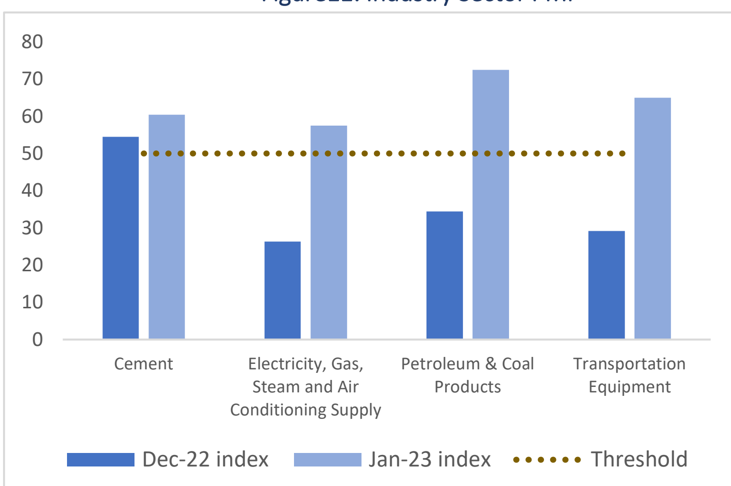
Figure 10: Services Sectors PMI



Source: Central Bank of Nigeria

Also, the Industry sector PMI contracted at a slower pace to 49.2 points in January 2023, from 48.7 points in the preceding month. The slower contraction was attributed to higher consumer demand, reflected in Cement, Transportation equipment, Petroleum and Coal Products, Electricity, Gas, Steam and Air Conditioning Supply subsectors, among others.

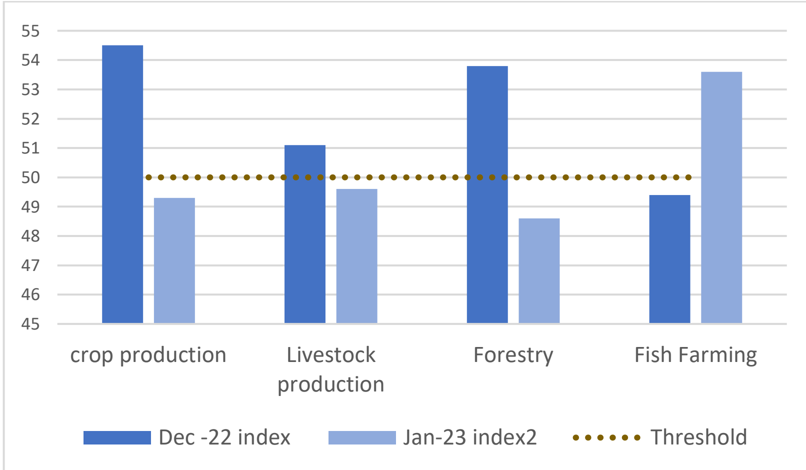
Figure11: Industry Sector PMI



Source: Central Bank of Nigeria

The agriculture sector PMI expanded but at a slower pace to 51.6 points, from 52.0 points in December. The moderation in growth was due to a decline in crop production and livestock, following moderation in demand for food items after the end-of-year festive activities.

Figure 12: Agricultural sector PMI



Source: Central Bank of Nigeria

Table 4: Composite, Industry, Services and Agriculture PMI

Components	Dec-22	Jan-23
Composite PMI	49.3	50
Industry Sector PMI	48.7	49.2
Production Level	*51.6*	*49.2*
New Orders	*46.6*	*47.3*
Supplier Delivery Time	*49.3*	*53.2*
Employment Level	*49.1*	*49.6*
Raw Material Inventory	*45.8*	*48*
Services Sector PMI	48.4	49.6
Business Activity	*50.3*	*50.4*
New Orders	*48.1*	*47.8*
Employment Level	*47.6*	*51.2*
Inventory	*47.5*	*49*
Agricultural Sector PMI	52	51.6
Farm Yield/Output	*51.8*	*51.8*
New Orders	*53.9*	*53.2*
Employment Level	*45.1*	*47.2*
Inventories	*54.1*	*50.8*
General Farming Activities	*55.3*	*54.8*

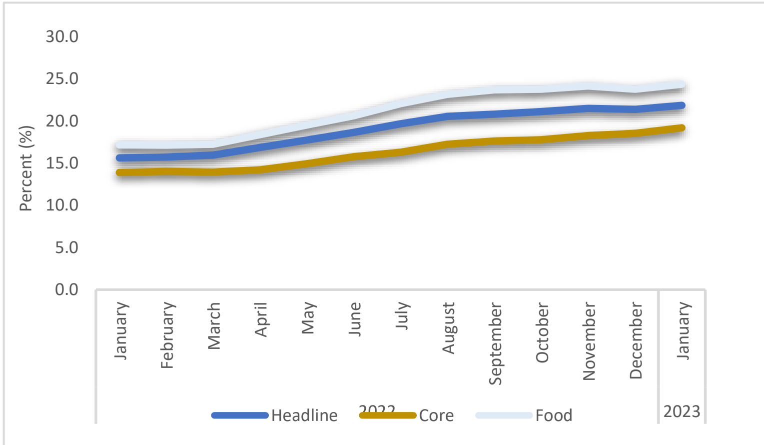
Source: Central Bank of Nigeria

2.1.2 Price Developments

Headline Inflation

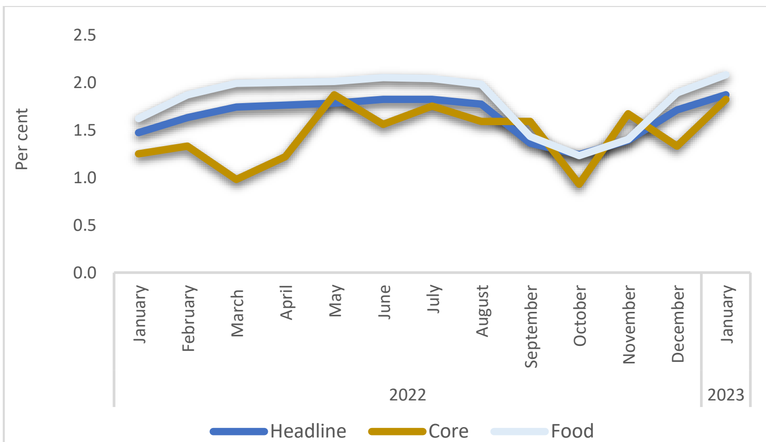
The inflation rate for January 2023 rose mainly due to demand pressure amid widespread shortages of PMS across the country. Headline inflation (Year-on-Year) rose to 21.82 per cent from 21.34 per cent in December 2022. The rise was due to continued demand pressures and increased energy (especially PMS) and other input prices, which negatively impacted on production, transport and logistics costs. On a month-on-month basis, it also rose to 1.87 per cent from 1.71 per cent in the preceding month.

Figure 13 : Headline, Food and Core Inflation (Year-on-Year)



Source: National Bureau of Statistics

Figure 14: Headline, Food and Core Inflation (Month-on-Month)



Source: National Bureau of Statistics

Core Inflation

Core inflation, on a year-on-year basis, rose to 19.16 per cent from 18.49 per cent in the preceding month. The rise in core inflation is attributed to an increase in the cost of imported and locally manufactured goods, due to the pass-through effect of high global inflation, tighter economic conditions and increased energy and other input prices. On a month-on-month basis, core inflation also rose to 1.82 per cent from 1.33 per cent in the preceding month.

Food Inflation

Similarly, food inflation (year-on-year) rose to 24.32 per cent, from 23.75 per cent in the preceding month. The rise was on account of continued demand pressures, which led to an increase in the prices of farm produce, cereals and processed foods. Also, the ripple effect of higher energy prices and scarcity of PMS increased transportation/logistics costs. On a month-on-month basis, it rose to 2.08 per cent, from 1.89 per cent in the precedingmonth.

2.1.3 Socio-Economic Developments

Health

The Nigeria Centre for Disease Control and Prevention (NCDC) reported the outbreak of Diphtheria disease in some states. The highest number of confirmed cases were recorded in Lagos and Kano States. The Diphtheria disease is a bacterial infection that affects the nose, throat and sometimes, the skin of an individual. Consequently, the Centre issued a public health advisory on the disease in addition to partnering with State Ministries of Health and other stakeholders to enhance surveillance and response to the outbreak.

Furthermore, as part of efforts to enhance and regulate mental health in the country, the Federal Government signed the Mental Health Bill 2021 into law. Some notable provisions of the bill include establishing a Mental Health Fund, a Mental Health Department in the Federal Ministry of Health, and a Mental Health Assessment Committee. In addition to improving support for psychosocial well-being, the bill establishes the protection of human rights for persons with mental health conditions, including the prohibition of discrimination against access to basic social services such as housing, employment- and medical amenities, among others.

Transportation

The Federal Government made concerted efforts towards improving road infrastructure in the country. Consequently, the Federal Executive Council (FEC) approved an augmentation sum of ₦1.60 billion for the Manyam-Ushongo-Lessel-Kartyo-Oju-Agila rehabilitation road project in Benue State, upgrading the initial cost of ₦1.35 billion to ₦2.95 billion. Additionally, the FEC granted approval for the Nigerian National Petroleum Company (NNPC) Limited to invest ₦1.90 trillion in the reconstruction of 44 federal roads under the tax credit policy phase 2. The FEC also approved the concession of nine federal roads across the country under the pilot phase of the highway development and management initiative (HDMI). The HDMI projects will be undertaken under a Public-Private Partnership Model to leverage private sector investment to boost road facilities, operations and maintenance. This is expected to generate over ₦11.54 trillion in the concession period.

Furthermore, the Federal Government approved a sum of about ₦2.30 billion for the commencement of a local assembly of specialised training aircraft at the Nigerian College of Aviation Technology, Zaria, Kaduna State. The aircraft, also known as Magnus aircraft and manufactured in Hungary, would be used for a spin recovery training programme for disaster prevention and recovery in the aviation industry, including the military.

Likewise, the Council approved an additional amount of ₦546.11 million for the procurement and installation of upgraded Instrument Landing System (ILS) in airports nationwide. The installation will commence at three airports, namely: Port Harcourt International Airport, Kano International Airport, and Katsina Airport. The landing system would improve air safety by enabling pilots to land in zero-visibility conditions..

2.1.4 Domestic Crude Oil Market Developments

Crude Oil Production

Domestic crude oil production and export rose month-on-month, mainly, due to increased surveillance around pipeline infrastructure against crude oil theft and vandalism in the Niger Delta region. Data from the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) showed that Nigeria's crude oil production rose by 1.61 per cent, month-on-month, to 1.26 mbpd in January 2023 from 1.24 mbpd in the preceding month. Out of the 1.26 mbpd produced, 0.45 mbpd was allocated for domestic refining, while the remaining 0.81 mbpd was exported. Nigeria's production level remained below the OPEC monthly quota of 1.742 mbpd by 0.48 mbpd.

Box Information 1

The prices of major domestic farm products maintained an upward trend in January 2023, relative to the preceding month. *Prices of all the monitored domestic agricultural commodities recorded increases during the review period. The items contributing to the upward trend ranged from 0.2 per cent for onion bulb to 3.7 per cent for Irish potato. This development was largely driven by escalating energy cost due to the fuel scarcity recorded during the review period, high transportation cost and logistics challenges, as well as the persistent insecurity in the food production belts of the country.*

DOMESTIC PRICES OF SELECTED AGRICULTURAL COMMODITY PRICES JANUARY 2023

		Jan. 2022	Dec. 2022	Jan. 2023	% Change	% Change
	UNIT	1	2	3	(1) & (3)	(2) & (3)
Agric eggs medium size	1kg	644.3	825.1	847.8	31.6	2.8
Beans: brown, sold loose	"	498.9	586.1	598.8	20.0	2.2
Beans: white black eye, sold loose	"	481.5	568.3	580.0	20.5	2.0
Gari white, sold loose	"	307.5	332.9	340.0	10.6	2.1
Gari yellow, sold loose	"	336.3	368.2	373.4	11.0	1.4
Groundnut oil: 1 bottle, specify bottle	"	941.1	1225.5	1269.0	34.8	3.6
Irish potato	"	429.8	541.6	561.9	30.7	3.7
Maize grain white, sold loose	"	280.7	323.6	330.2	17.6	2.0
Maize grain yellow, sold loose	"	280.4	329.1	332.3	18.5	1.0
Onion bulb	"	368.1	435.9	434.5	18.0	0.2
Palm oil: 1 bottle, specify bottle	"	805.4	1024.1	1061.8	31.8	3.7
Rice agric, sold loose	"	480.5	586.7	601.3	25.1	2.5
Rice local, sold loose	"	430.2	506.2	522.4	21.4	3.2
Rice, medium grained	"	477.3	569.5	583.3	22.2	2.4
Rice, imported high quality, sold loose	"	579.2	724.4	739.3	27.6	2.1
Sweet potato	"	217.8	269.2	274.7	26.1	2.0
Tomato	"	367.0	458.4	466.5	27.1	1.8
Vegetable oil: 1 bottle, specify bottle	"	920.8	1161.8	1200.1	30.3	3.3
Wheat flour: prepackaged (Golden Penny)	2kg	974.9	1203.9	1241.4	27.3	3.1
Yam tuber	1kg	331.2	425.5	433.2	30.8	1.8

Sources: National Bureau of Statistics and Staff Estimates

2.2 FISCAL SECTOR DEVELOPMENTS

Summary

On the back of favourable oil market conditions, Federation Account receipts rose by 15.7 per cent in January, relative to the preceding month. However, due to lower receipts from FGN independent revenue sources, the retained revenue of the FGN declined. In contrast, FGN spending rose in the review period, resulting in a15.3 per cent widening of the overall fiscal deficit. Regardless, the deficit was 31.8 per cent below the monthly target. Total public debt, at ₦46,250.37 billion (or 22.8 per cent of GDP) at end-December 2022, remained within the 40 per cent threshold.

2.2.1 Federation Account Operations

Gross Federation Account revenue increased, driven by higher oil receipts, following an improvement in domestic crude oil production. At ₦1,532.77 billion, federation receipts exceeded performance in December by 15.7 per cent. However, federation receipts were 3.0 per cent below the budget of ₦1,580.34 billion. The improvement, relative to December was indicative of strong oil and non-oil revenue performance.

Drivers of Federation Revenue

Oil revenue, at ₦774.15 billion, was 31.1 per cent above receipts in the preceding month. The outcome was driven, largely, by the 32.1 per cent increase in collections from Petroleum Profit Tax and Royalties, following improved domestic crude oil output. Similarly, at ₦758.62 billion, non-oil revenue, was above the level in the preceding month by 3.4 per cent, but below the monthly target by 3.8 per cent. The increase was attributed largely, to increased collections from Corporate Income Tax and VAT, which increased by 12.4 per cent and 15.0 per cent, respectively.

Table 5: Federally Collected Revenue and Distribution (₦ Billion)

	Jan. 2022	Dec. 2022	Jan. 2023	*Budget
Federation Revenue (Gross)	894.65	1,324.72	1,532.77	1,580.34
Oil	**329.99**	**590.65**	**774.15**	**791.70**
Crude Oil & Gas Exports	0.00	0.00	0.00	67.57
PPT & Royalties	246.92	581.33	767.69	530.91
Domestic Crude Oil/Gas Sales	74.40	0.00	0.00	42.04
Others	8.67	9.32	6.46	151.18
Non-oil	**564.66**	**734.07**	**758.62**	**788.64**
Corporate Tax	152.04	205.03	230.37	165.65
Customs & Excise Duties	132.35	142.93	131.67	154.88
Value-Added Tax (VAT)	201.26	217.83	250.51	203.48
Independent Revenue of Fed. Govt.	76.08	165.35	143.14	184.68
*Others***	2.93	2.93	28.26	79.94
Total Deductions/Transfers	***199.98***	***440.80***	***591.74***	***397.33***
Federally-Collected Revenue *Less Deductions & Transfers****	694.67	883.92	941.03	1,183.01
plus:				
Additional Revenue	5.15	18.13	49.16	17.48
Balance in Special Account from 2019	0.00	0.00	0.00	0.00
Excess Crude Revenue	*0.00*	*0.00*	*0.00*	*0.00*
Non-oil Excess Revenue	*0.00*	*10.97*	*24.32*	*17.48*
Exchange Gain	*5.15*	*7.16*	*24.84*	*0.00*
Total Distributed Balance	***699.82***	***902.05***	***990.19***	***1,200.49***
Federal Government	***279.46***	***358.51***	***375.31***	***509.09***
Statutory	*251.35*	*328.09*	*340.31*	*480.81*
VAT	*28.11*	*30.43*	*34.99*	*28.28*
State Government	***221.19***	***272.48***	***299.56***	***345.54***
Statutory	*127.49*	*171.06*	*182.92*	*251.29*
VAT	*93.70*	*101.42*	*116.64*	*94.25*
13% Derivation	***35.30***	***68.57***	***93.52***	***86.78***
Local Government	***163.88***	***202.49***	***221.81***	***259.09***
Statutory	*98.29*	*131.49*	*140.16*	*193.11*
VAT	*65.59*	*70.99*	*81.65*	*65.98*

Source: OAGF and CBN Staff Estimates

Note: *Budget is based on 2022 appropriation Act, ** Includes Education Tax, Customs Special Levies (Federation Account), National Technology Development, Customs Special Levies, Solid Mineral & Other Mining revenue, and other non-regular earnings; *** Deductions includes cost of revenue collections and JVC cash calls; while transfers entails provisions for FGN Independent revenue and other non-Federation revenue.

The net distributable amount of ₦990.19 billion was shared among the three tiers of government. Of this amount, the Federal government received ₦375.31 billion, while State and Local governments received ₦299.56 billion and ₦221.81 billion, respectively. The balance of ₦93.52 billion was transferred to the 13.0 per cent Derivation Fund for distribution among the oil-producing states. Disbursement in January was 9.8 per cent above the level in the preceding month but 17.5 per cent below the budget.

2.2.2 Fiscal Operations of the Federal Government

FGN Retained Revenue

FGN retained revenue declined, on account of lower receipts from FGN independent revenue sources. At ₦518.45 billion, the provisional retained revenue of the FGN was below receipts in the preceding period and the monthly target by 1.0 per cent and 37.6 per cent, respectively.

Table 6: FGN Retained Revenue (₦ Billion)

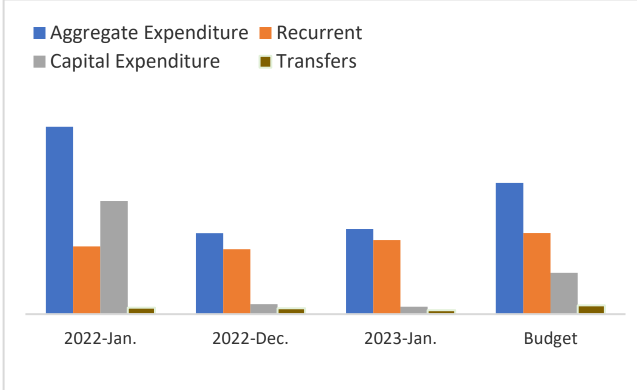
	Jan. 2022	Dec. 2022	Jan. 2023	*Budget
FGN Retained Revenue	**376.11**	***523.86***	***518.45***	**830.77**
Federation Account	248.88	*323.09*	*325.10*	*360.89*
VAT Pool Account	28.11	*30.43*	*34.99*	*26.39*
FGN Independent Revenue	76.08	*165.35*	*143.14*	*362.05*
Excess Oil Revenue	0.00	*0.00*	*0.00*	*0.00*
Excess Non-Oil	0.00	1.65	3.65	*0.00*
Exchange Gain	2.46	3.35	11.56	*0.00*
*Others***	20.57	0.00	0.00	*81.43*

Source: OAGF and Staff estimate
Note **Others include revenue from Special Accounts and Special Levies, *Based on 2022 appropriation Act. The figures are provisional

FGN Expenditure

Driven by higher overhead cost and interest payments, the aggregate expenditure of the FGN exceeded the level in the preceding month. At ₦936.19 billion, the provisional aggregate expenditure of the FGN overshot spending in December 2022 by 5.7 per cent but was 35.1 per cent below the monthly target. A breakdown of total expenditure reveals that recurrent expenditure, capital expenditure, and transfers accounted for 86.7 per cent, 8.7 per cent and 4.6 per cent, respectively.

Figure 15: Federal Government Expenditure (₦ Billion)



Source: CBN Staff Estimates and compilation from OAGF data.

Overall Fiscal Balance

The estimated overall fiscal deficit of the FGN widened in January, relative to the preceding month, following expansion in spending and reduction in revenue. At ₦417.75 billion, the provisional fiscal deficit of the FGN rose by 15.3 per cent relative to the preceding month. However, when compared with the monthly budget the deficit provisional aggregate expenditure of the FGN fell short by 31.8 per cent.

Table 7: Fiscal Balance (₦ Billion)

	Jan. 2022	Dec. 2022	Jan. 2023	Budget
Retained revenue	376.11	523.86	518.45	830.77
Aggregate expenditure	2,057.59	886.09	936.19	1,443.28
Recurrent	742.99	709.62	811.87	891.45
Non-debt	*379.05*	*431.81*	*427.99*	*584.33*
Debt Service	*363.94*	*277.81*	*383.88*	*307.12*
Capital	1,242.12	111.42	80.96	455.62
Transfers	72.47	65.05	43.37	96.22
Primary balance	-1,317.54	-84.42	-33.87	-305.40
Overall balance	-1,681.48	-362.22	-417.75	-612.52

Source: Compiled from OAGF figures and CBN Staff Estimates
Note: The figures are provisional.

Consolidated Public Debt

The level of public debt at the end of December 2022, remained within the 40 per cent debt-GDP threshold, in line with the medium-term target of the FGN. Total public debt outstanding as of end-December 2022 was ₦46,250. 37 billion (22.8 per cent of GDP). It rose by 5.0 per cent and 16.9 per cent, relative to end-September 2022 and end-December 2021, respectively; nevertheless, remained within the 40.0 per cent domestic threshold. Domestic debt accounted for 61.1 per cent of the consolidating public debt, while external debt obligations constituted 38.9 per cent. Out of the public debt stock, FGN owed ₦40,912.62 billion (or 88.5 per cent)[2], while State governments' domestic debt stock made up the balance of ₦5,337.75 billion (11.5 per cent).

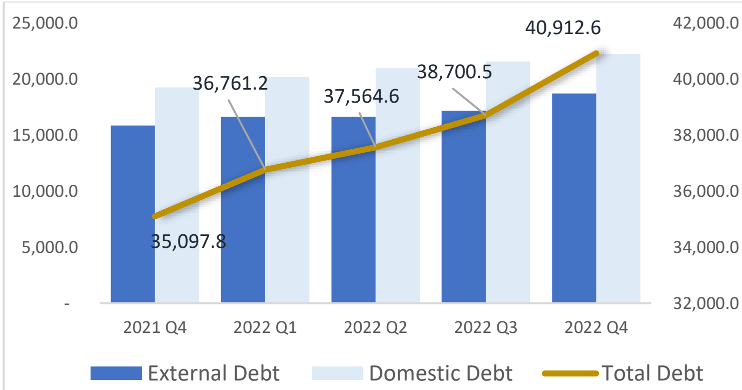
FGN Debt

Of the total FGN debt obligations, domestic debt was ₦22,210.36 billion (or 54.3 per cent), while external debt was ₦18,702.26 billion (or 45.7 per cent). This is against the sustained 70:30 Domestic: External debt mix anticipated in the prevailing medium-term debt framework. Detailed analysis shows that, FGN bond issues maintained its dominance, with 73.9 per cent of the total domestic debt, while Treasury Bills (19.9 per cent), FGN Sukuk (3.3 per cent), Promissory Notes (2.4 per cent), and others[3] (0.4 per cent) constituted the balance. With regards to external debt holdings, Multilateral, Commercial and Bilateral loans accounted for 48.5 per cent, 37.5 per cent and 12.1 per cent, respectively, while 'other[4]' loans constituted 1.9 per cent.

Debt service obligations in 2022Q4, amounted to ₦548.86 billion, compared with ₦1,167.02 billion in 2022Q3. The decline was attributed to lower demand for external borrowing.

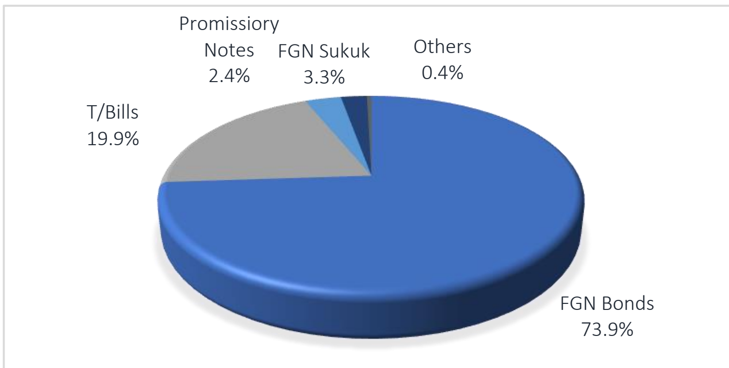
Figure 16 : FGN External and Domestic Debt Composition (₦ Billion)

[2] This includes the external debt of State governments, which are contingent liabilities of the Federal government.
[3] This includes Treasury bonds (0.2 per cent), Green bond (0.1 per cent) and Special FGN Savings bond (0.1 per cent).
[4] This includes Promissory notes (2.4 per cent) and Syndicated loans, arranged by the AFC (0.23 per cent).



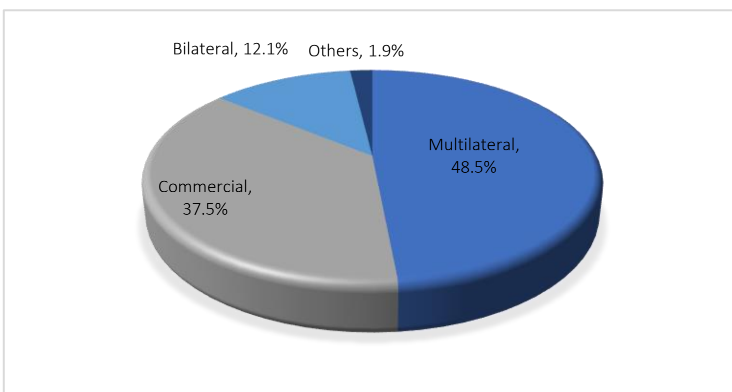
Source: Debt Management Office (DMO)

Figure 17: Composition of Domestic Debt Stock by Instrument



Source: Compiled from DMO figures

Figure 18 : Composition of External Debt Stock by Instrument



Source: Compiled from DMO figures

2.3 MONETARY AND FINANCIAL DEVELOPMENTS

Summary

The banking system remained safe and sound in January, as revealed by various indicators. Also, developments in the monetary sector posted improved performance, especially, with the decline in the stock of currency outside the banking system. Banking system liquidity increased, leading to a decline in key money market rates and lower activity at the Standing Lending Facility window. Increased demand for blue-chip stocks amid an optimistic outlook for 2022 corporate results, resulted in bullish activities in the capital market.

2.3.1 Monetary Developments

Reserve Money

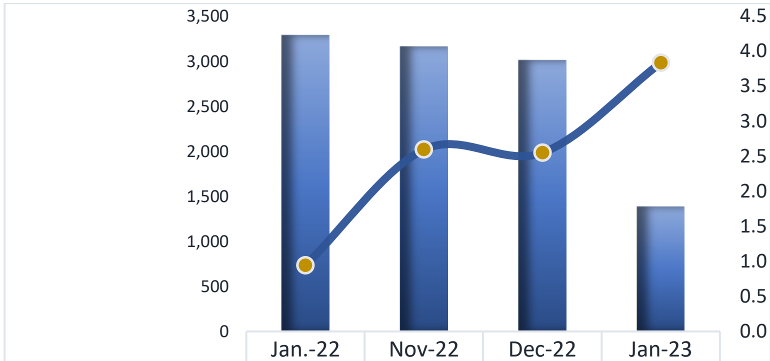
Developments in reserve money indicated an increase over the level at end-December 2022, driven, wholly, by the rise in liabilities to Other Depository Corporations (ODCs), signifying improved confidence in the banking system. Reserve money grew by 3.4 per cent due to the 16.7 per cent expansion in liabilities to Other Depository Corporations (ODCs). The growth in liabilities for ODCs was due to the 17.0 per cent and 13.8 per cent increase in required reserves and other liabilities, respectively. On the other hand, currency-in-circulation (CIC) declined by 54.0 per cent, in part, as a result of the Bank's naira redesign policy. A decomposition of CIC revealed a gradual reduction in notes and coins; and expansion in the eNaira component, which stood at ₦3.83 billion at the end of January 2023.

Table 8: Components of Reserve Money (₦ Billion)

	Jan-22	Nov-22	Dec-22	Jan-23
Monetary Base	13,608.46	15,263.89	16,032.05	16,577.67
Currency-In-Circulation	*3,288.03*	*3,164.26*	*3,012.06*	*1,386.40*
Liabilities to ODCs	*10,320.43*	*12,099.63*	*13,019.99*	*15,191.27*
Monetary Base (% growth over Dec.-22)	*2.36*	*14.81*	*20.59*	*3.40*
Broad Money Multiplier (M3)	*3.28*	*3.39*	*3.25*	*3.21*

Source: Central Bank of Nigeria.

Figure 19: Composition of Currency-in-Circulation (₦ Billion)



	Jan.-22	Nov-22	Dec-22	Jan-23
Notes & Coins (LHS)	3,287.08	3,161.66	3,009.51	1,382.56
eNaira (RHS)	0.95	2.60	2.55	3.83

Source: Central Bank of Nigeria.

Broad Money

With the multiplier at 3.2, reserve money was amplified to induce a 2.1 per cent growth (annualised at 25.7 per cent) in the broad money supply (M3). Thus, M3 rose to ₦53,270.21 billion, over the level at end-December 2022.

On the assets side, the growth in M3 was attributed to an increase in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA). The NFA rose by 7.1 per cent to ₦4,551.68 billion, while the NDA rose by 1.7 per cent to ₦48,718.53 billion. The growth in NFA was due to a 2.0 per cent increase in claims on non-residents, which outweighed the 0.7 per cent increase in liabilities to non-residents in the review period. The increase in NDA was driven by the combined impact of the 8.1 per cent and 1.2 per cent increase in net claims on the central government and claims on other sectors, respectively. The growth in claims on other sectors was driven by 4.1 per cent, 1.8 per cent, and 1.1 per cent rise in claims on other financial corporations, claims on the private sector and claims on state and local governments, respectively.

In terms of contribution, net domestic asset contributed 1.56 percentage points to the growth in broad money supply, while net foreign asset accounted for 0.57 percentage point. Claims on private sector contributed substantially (0.96 percentage point) to the growth in the broad money supply, reflecting the Bank's continued efforts at boosting credit to key sectors of the economy.

Table 9: Money and Credit Growth over preceding December (%)

	Jan-22	Dec-22	Jan-23	Contribution to M3 growth (Jan-23)	Annualised Growth (Jan-23)	2023 Provisional Benchmark
Net Foreign Assets	-11.45	-54.53	7.05	0.57	84.56	38.82
Claims on Non-residents	-2.21	5.96	1.96	0.83	23.48	-
Liabilities to Non-residents	5.35	55.43	0.74	0.25	8.87	-
Net Domestic Assets	2.63	36.51	1.70	1.56	20.42	-
Domestic Claims	1.09	36.17	3.77	4.80	45.22	15.78
Net Claims on Central Government	1.95	78.16	8.07	3.82	96.84	19.64
Claims on Central Government	3.90	42.53	4.70	35.29	56.45	-
Liabilities to Central Government	6.44	-3.73	-3.38	-0.67	-40.61	-
Claims on Other Sectors	0.75	19.53	1.23	0.98	14.72	13.50
Claims on Other Financial Corporations	-1.43	12.02	4.13	0.70	49.58	-
Claims on State and Local Government	5.70	32.47	1.08	0.07	12.91	-
Claims on Public Nonfinancial Corporations	42.99	40.89	-34.55	-0.75	-414.64	-
Claims on Private Sector	-0.46	19.95	1.76	0.96	21.13	-
Total Monetary Assets (M_3)	**-0.33**	**17.35**	**2.14**	**2.14**	**25.65**	**17.18**
Currency Outside Depository Corporations	-5.40	-12.57	-69.29	-3.41	-831.49	-
Transferable Deposits	4.58	20.12	11.11	3.87	133.3	-
Narrow Money (M_1)	2.96	14.8	1.14	0.45	13.72	-
Other Deposits	-2.58	17.61	3.12	1.86	37.42	-
Broad Money (M_2)	-0.33	16.47	2.33	2.31	27.93	18.07
Total Monetary Liabilities (M_3)	**-0.33**	**17.35**	**2.14**	**2.14**	**25.65**	**17.18**

Source: Central Bank of Nigeria.

On the liabilities side, the increase in M3 was due to 11.1 per cent and 3.1 per cent growth in transferable deposits and other deposits, respectively. Currency outside depository corporations (CODC) witnessed a significant decline of 69.3 per cent, indicating the combined effect of the naira redesign policy and increased adoption of electronic payment channels during the period. In terms of contributions to broad money liabilities, transferable deposits, at 3.9 percentage points, contributed the most, while 'other deposits' accounted for 1.9 percentage points.

2.3.2 Sectoral Credit Utilisation

Total private sector credit stood at ₦29,730.11 billion, in the review month compared with ₦29,445.87 billion at end-December 2022, driven by Agriculture and Services sectors which rose by 2.4 per cent apiece. As a share in total credit, Services sector accounted for the largest share (53.6 per cent), followed by Industry (40.2 per cent) and Agriculture (6.2 per cent).

Table 10: Sectoral Credit Allocation

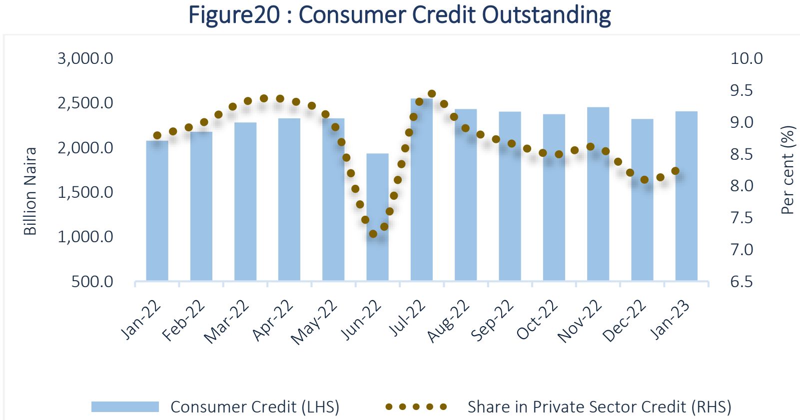
Item	Jan-22	Dec-22	Jan-23	% Share in Total			% Change Between	
	(₦ billion)			Jan-22	Dec-22	Jan-23		
	1	2	3	4	5	6	(1) & (3)	(2) & (3)
[a] Agriculture	1,464.2	1,812.5	1,856.1	6.0	6.2	6.2	26.8	2.4
[b] Industry	9,996.0	12,074.3	11,944.1	40.9	41.0	40.2	19.5	-1.1
of which Manufacturing	4,187.2	5,566.4	5,562.7	15.0	51.0	51.5	32.9	-0.1
[c] Services	12,986.0	15,559.1	15,929.9	53.1	52.8	53.6	22.7	2.4
of which Finance, Insurance & Capital Market	1,728.0	2,638.8	2,634.7	7.1	23.9	23.6	52.5	-0.2
Trade/General Commerce	1,686.2	2,144.6	2,243.1	6.9	7.5	7.5	33.0	1.3
Total Private Sector Credit	**24,466.2**	**29,445.9**	**29,730.1**	**100.0**	**100.0**	**100.0**	**21.6**	**1.0**

Source: Central Bank of Nigeria

Consumer Credit

Consumer credit grew by 3.8 per cent to ₦2,407.10 billion, compared with ₦2,318.63 billion at end-December 2022. As a share of total claims on private sector, consumer credit grew marginally by 0.2 percentage point to 8.3 per cent. Higher consumer credit demand was attributed to household's retail and personal needs for the new year.

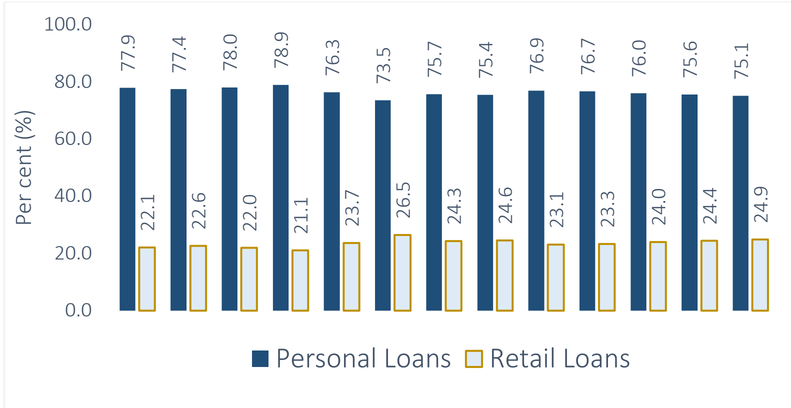
Figure20 : Consumer Credit Outstanding



Source: Central Bank of Nigeria.

A disaggregation of consumer credit reveals that personal loans stood at ₦1,807.82 billion, accounting for 75.1 per cent, while retail loans stood at ₦599.28 billion, and accounted for 24.9 per cent.

Figure21: Composition of Consumer Credit



Source: Central Bank of Nigeria.

2.3.3 Financial Developments

2.3.3.1 Money Market Developments

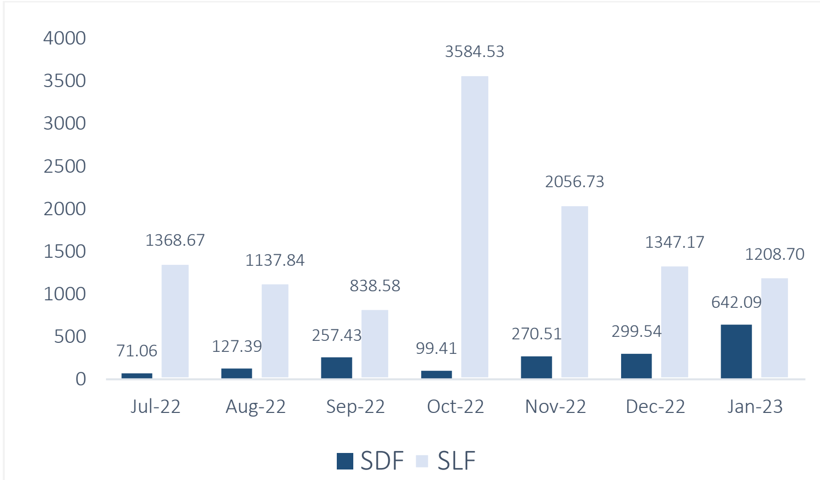
Industry Liquidity Condition

Banking system liquidity grew in January 2023 on account of discretionary and autonomous factors. Total fiscal injection was ₦990.19 billion, higher than ₦902.05 billion in December 2022. There was no OMO auction during the month. However, payments of matured CBN bills amounted to a total injection of ₦60.00 billion. Both injections spurred growth in banking system liquidity. Consequently, the average closing net banking industry balance grew by 86.3 per cent to ₦721.54 billion, from ₦387.26 billion in December 2022.

Standing Facilities Window Operation

As a result of the liquidity condition in the banking system, patronage at the Standing Lending Facility (SLF) window declined to ₦1,208.70 billion from ₦1,347.17 billion in December 2022, while that of the Standing Deposit Facility (SDF) window increased to ₦642.09 billion, from ₦299.54 billion in December 2022.

Figure 22: Trend at the CBN Standing Facility Windows (₦ Billion)



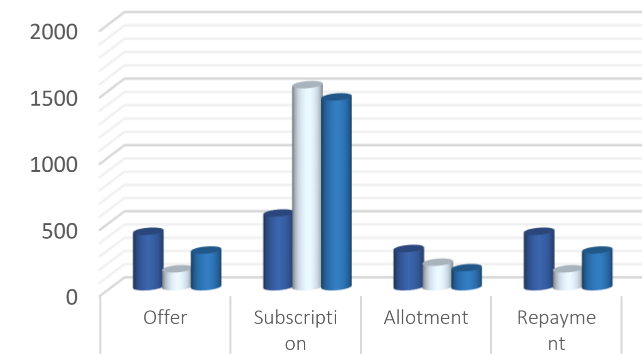
Source: Central Bank of Nigeria.

Primary Market

Activities in both the NTBs and FGN Bond segments increased in the month under review. At the auctions, NTBs worth ₦277.47 billion, ₦1,433.26 billion, and ₦277.47 billion were offered, subscribed, and allotted, respectively, relative to ₦135.38 billion, ₦1,525.00 billion, ₦185.38 billion, in the preceding month. The stop rates across all maturities declined to 3.80 (±3.5) per cent, from 7.90 (±5.2) per cent in December 2022. The trend was reflective of the state of liquidity in the banking system.

A breakdown shows that total subscriptions were ₦116.65 billion (for a 91-day auction), ₦145.82 billion (182-day auction) and ₦1,170.79 billion (364-day auction), compared with ₦52.49 billion, ₦43.62 billion and ₦1,429.90 billion, respectively, in the preceding month. Notably, investors maintained a preference for longer-term securities (364-day), which accounted for 81.69 per cent of the total subscription. The observed preference for longer-term investments reflected lower inflation expectations.

Figure 23: Primary Market NTBs (₦ Billion)

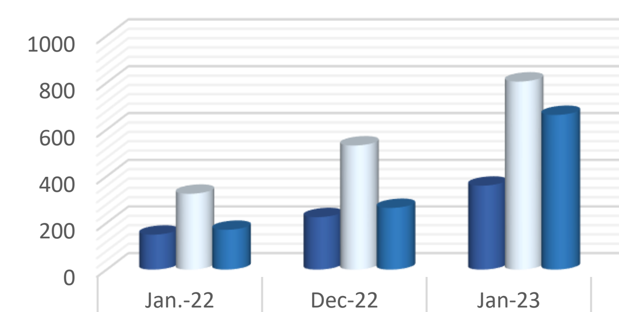


	Offer	Subscription	Allotment	Repayment
Jan-22	419.67	557.74	289.2	419.67
Dec-22	135.38	1525	185.38	135.38
Jan-23	277.47	1433.26	144.00	277.47

Source: Central Bank of Nigeria

Tranches of the 10-, 20- and 30-year FGN bonds were reopened and offered for sale during the review month. Total amount offered, subscribed, and allotted were ₦360.00 billion, ₦805.17 billion and ₦662.62 billion, compared with ₦225.00 billion, ₦532.20 billion and ₦264.52 billion, respectively, in the preceding month. The bid and marginal rates stood at 14.7 (±2.9) per cent and 15.0 (±0.9) per cent compared with 15.4 (±1.4) per cent and 15.2 (±0.6) per cent, respectively, in the preceding month.

Figure 24: Primary Auctions of FGN Bond (₦ Billion)



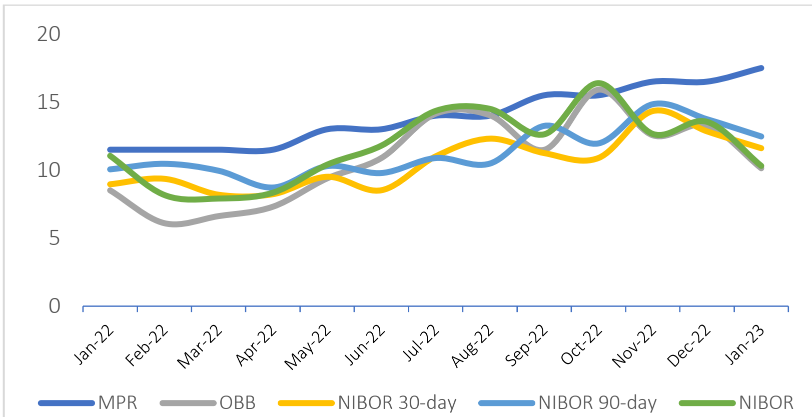
	Jan.-22	Dec-22	Jan-23
Offer	150	225	360
Subscription	325.24	532.2	805.17
Allotment	170.64	264.52	662.62

Source: Central Bank of Nigeria.

Interest Rate Development

Key money market rates declined in the period, reflecting increased liquidity in the banking system. The Nigerian Interbank Offered Rate (NIBOR-30) and NIBOR-90 declined to 11.6 per cent and 12.5 per cent, from 12.9 per cent and 13.7 per cent in the preceding month, respectively. Similarly, the Open Buy Back (OBB) and NIBOR-call rates trended southwards to 10.1 per cent and 10.3 per cent, from 13.3 per cent and 13.6 per cent in December 2022, respectively.

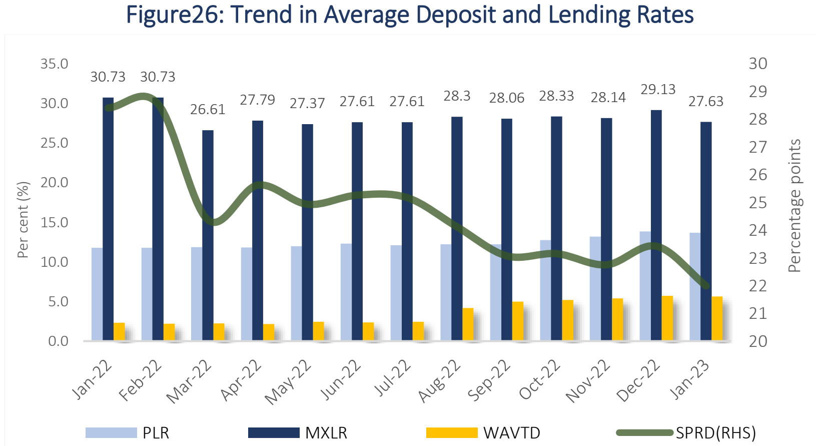
Figure 25: Developments in Short-term Interest Rates (Per cent)



Source: Central Bank of Nigeria

Also, the prime and maximum lending rates declined to 13.7 per cent and 27.6 per cent, from 13.9 per cent and 29.13 per cent, respectively, in the preceding month. The weighted average term deposit (WAVTD) rate fell by 0.1 percentage point to 5.6 per cent, from 5.7 per cent in the preceding month. Consequently, the spread between the weighted average term deposit and maximum lending rates narrowed to 22.0 percentage points, from 23.4 percentage points in December.

Figure26: Trend in Average Deposit and Lending Rates



Source: Central Bank of Nigeria

Note: PLR= Prime lending rate; MXLR= Maximum lending rate; WAVTD= Weighted average term deposit rate; SPRD= Spread between MXLR and WAVTD.

2.3.3.2 Capital Market Developments

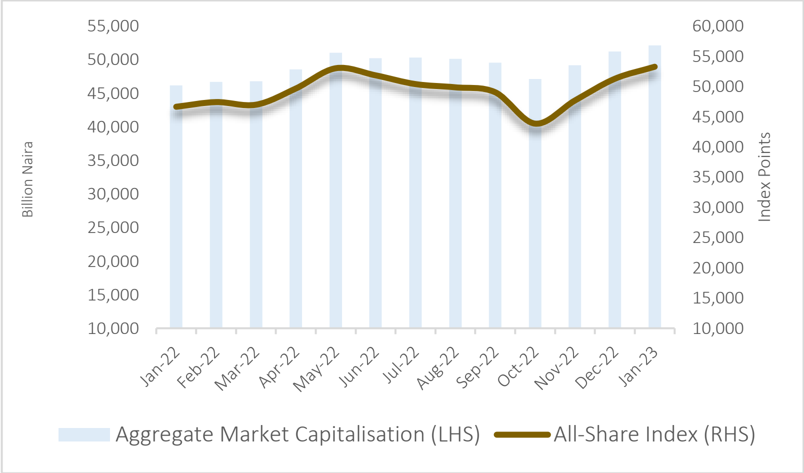
Market Capitalisation

Activities on the Nigerian Exchange (NGX) Limited were bullish in January, attributed to increased demand for blue-chip stocks amidst optimistic outlook for full-year 2022 corporate earnings. The aggregate market capitalisation rose marginally by 1.9 per cent to ₦52,070.64 billion, from ₦51,118.87 billion at end-December 2022. A disaggregation of the components of the aggregate market capitalisation indicated that the equities component rose by 3.7 per cent to ₦29,003.279 billion, from ₦27,965.735 billion at end-December 2022. The development reflected greater investments in high dividend-paying stocks in anticipation of the declaration of 2022Q4 and full-year corporate earnings. However, the Exchange Traded Funds (ETF) and Debt components fell by 3.2 and 0.7 per cent to ₦8.15 billion and ₦23,059.21 billion, respectively. The equities, debt and ETF components constituted 55.7 per cent, 44.2 per cent and 0.1 per cent, respectively, of the aggregate market capitalisation.

NGX All Share Index

The All-Share Index (ASI) rose by 3.9 per cent to close at 53,238.67 points, from 51,251.06 points at end-December 2022, driven by increased demand for blue-chip stocks in anticipation of positive corporate earnings for 2022.

Figure27: Aggregate Market Capitalisation and All-Share Index



Source: Nigeria Exchange (NGX) Limited

All sectoral indices trended upward except the NGX-Sovereign Bond (NGXSOVBND), which trended downward, and the NGX-ASeM which remained flat. The development reflected investors' preference for equities, amid the decline in short-term interest rates.

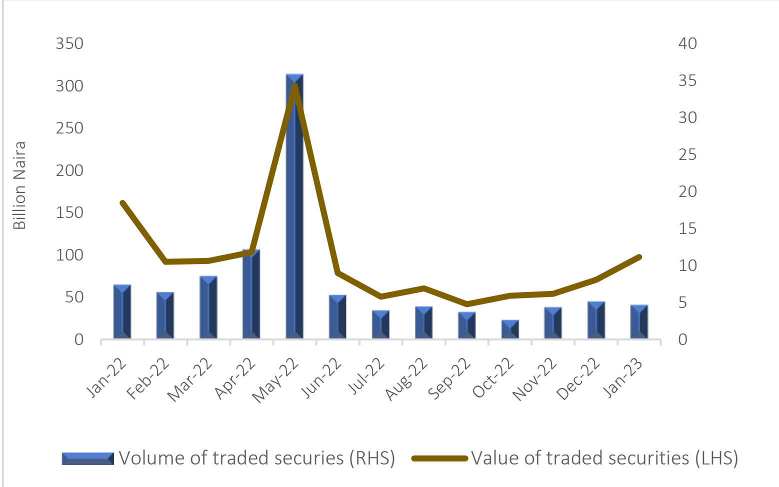
Table 11: Nigeria Exchange (NGX) Limited Sectoral Indices

NGX Indices	Dec-22	Jan-23	Changes (%)
NGXGROWTH	1,798.3	2,076.1	15.4
NGXMERIVAL	2,308.2	2,499.4	8.3
NGXBNK	417.5	448.9	7.5
NGXAFRBVI	991.1	1,051.0	6.0
NGXAFRHDYI	3,321.5	3,515.0	5.8
NGXCNSMRGDS	588.9	622.2	5.6
NGXOILGAS	462.5	487.5	5.4
NGXINS	174.4	183.7	5.4
NGXMERIGRW	2,297.3	2,420.5	5.4
NGXCG	1,276.5	1,340.2	5.0
NGXPENSION	1,792.6	1,878.7	4.8
NGXLOTUSISLM	3,240.8	3,381.1	4.3
NGXMAINBOARD	2,328.5	2,422.2	4.0
NGX30	1,842.5	1,912.5	3.8
NGXPREMIUM	4,715.6	4,888.4	3.7
NGXINDUSTR	2,403.2	2,454.7	2.1
NGXASeM	659.4	659.4	0.0
NGXSOVBND	818.3	798.7	-2.4

Source: Nigeria Exchange (NGX) Limited

The total volume and value of traded shares on the Exchange at end-January 2023 were 4.65 billion shares and ₦97.66 billion, respectively, traded in 80,885 deals, compared with 5.11 billion shares and ₦70.46 billion, respectively, traded in 109,439 deals, at end-December 2022. Efforts to finance government operations and development priorities resulted in fifteen (15) new listings (comprising one Sukuk and fourteen FGN bonds) on the Nigerian Stock Exchange in the review period.

Figure28: Volume and Value of Traded Securities on the NGX



Source: Nigeria Exchange (NGX) Limited

Table 12: New Listings on the Nigerian Stock Exchange at end-January 2023

S/N	Securities/Company	Additional Shares (Units)
1	Family Homes Sukuk Issuance Program Plc	20,000,000
2	8.205% FGNSB JUNE 2024	769,920
3	9.205% FGNSB JUNE 2025	1,104,748
4	8.075% FGNSB JUL 2024	451,037
5	9.075% FGNSB JUL2025	915,865
6	9.413% FGNSB AUG 2024	528,996
7	10.413% FGNSB AUG 2025	933,599
8	11.041% FGNSBSEP2024	530,728
9	12.041% FGNSB SEP 2025	1,596,794
10	11.382% FGNSB OCT 2024	282,093
11	12.382% FGNSB OCT 2024	945,618
12	12.255% FGNSB DEC 2024	297,811
13	13.255% FGNSB DEC 2025	908,647
14	9.600% FGNSB JAN 2025	145,416
15	10.600% FGNSB JAN 2026	387,614

Source: Nigeria Exchange (NGX) Limited.

2.3.3.3 Financial Soundness Indicators

The banking industry showed resilience as key indicators remained within regulatory benchmark. The industry Capital Adequacy Ratio (CAR) stood at 13.6 per cent, 3.6 percentage points higher than the 10 per cent regulatory threshold. The banks' asset quality, measured by the ratio of non-performing loans (NPL ratio) was better than the prudential benchmark of 5.0 per cent as it improved to 4.1 per cent, driven by sustained improvement in loan recoveries by banks and lower loan default. The Industry Liquidity Ratio (LR), at 51.2 per cent, also remained above the minimum regulatory benchmark of 30.0 per cent.

Table 13: Financial Soundness Indicators (Per cent)

Key Indicators	Dec-22	Jan-22	Prudential Benchmark
Capital Adequacy Ratio	13.7	13.6	10
Non-Performing Loan	4.2	4.1	5
Liquidity Ratio	53	51.2	30

Source: CBN

2.4 EXTERNAL SECTOR DEVELOPMENTS

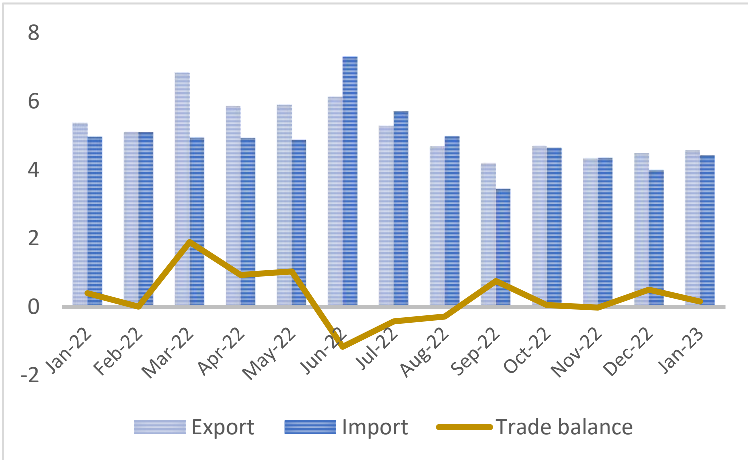
Summary

A trade surplus was recorded in January 2023, on account of favourable earnings from both oil and non-oil exports. Foreign capital inflow increased, reflecting competitive returns, particularly on fixed income securities.

2.4.1 Trade Performance

The economy recorded a trade surplus in January, owing to improved export receipts. Aggregate export receipts increased by 2.2 per cent to US$4.57 billion, from US$4.48 billion in the preceding month. However, merchandise import, dominated by petroleum imports, increased by 11.2 per cent to US$4.42 billion, from US$3.98 billion in December 2022. This resulted in a trade surplus of US$0.15 billion.

Figure29: Export, Import and Trade Balance (US$ Billion)



Source: Central Bank of Nigeria

Crude Oil and Gas Export

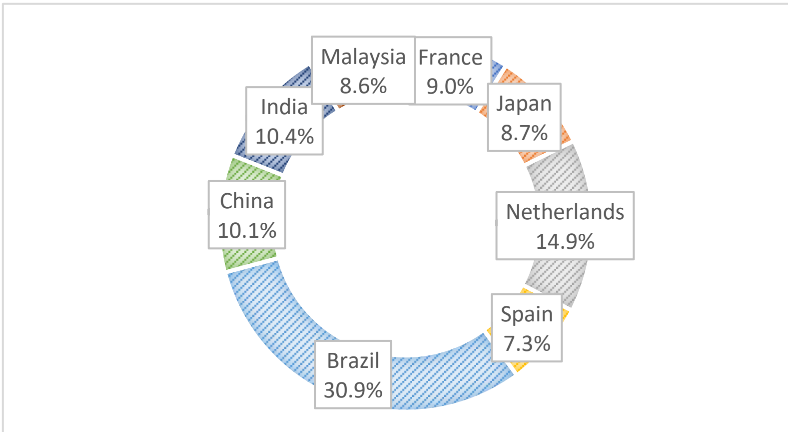
Crude oil and gas export receipts improved, as the suspension of crude oil release from the US Strategic Petroleum Reserve (SPR) and a slight recovery in oil demand in China after the lifting of its zero-COVID-19 policy, supported the improvement in prices. Crude oil and gas export receipts increased to US$4.15 billion from US$4.07 billion in December 2022. A breakdown reveals that crude oil export receipts rose by 2.2 per cent to US$3.54 billion, from USS$3.46 billion in the preceding month. Also, gas export receipts slightly increased by 1.2 per cent to US$0.61 billion, from the level at end -December 2022. In terms of share in total export, crude oil and gas accounted for 90.9 per cent of which crude oil receipts constituted 85.2 per cent, while gas receipts accounted for 14.8 per cent.

Non-Oil Export

Non-oil export earnings rose by 2.0 per cent to US$0.42 billion, from US$0.41 billion in December 2022, as commodity prices remained favourable at the international market.

Analysis by direction of trade reveals that Brazil was the major destination of non-oil export products with a share of 20.8 per cent. Export to Netherlands followed with 10.0 per cent; India, 7.0 per cent; China, 6.8 per cent; and France, 6.0 per cent. The major commodities exported were urea, which accounted for the largest share of 31.1 per cent, followed by cocoa beans with 21.6 per cent; and sesame seeds, 10.6 per cent.

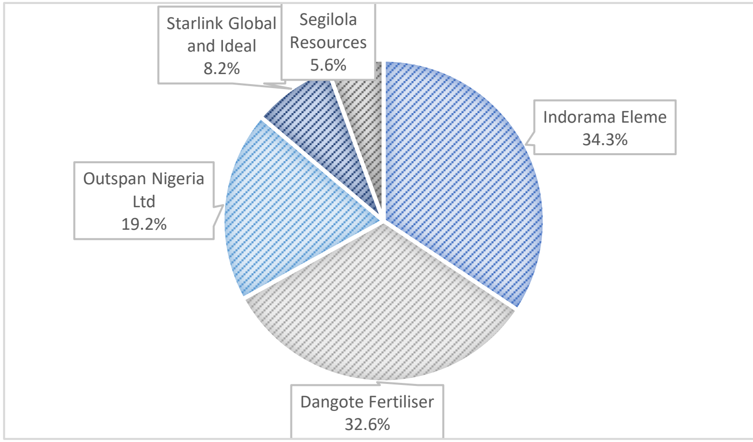
Figure 30: Direction of Trade



Source: Central Bank of Nigeria

Receipts from the top 5 non-oil exporters was US$0.24 billion, compared with US$0.25 billion in December 2022. Analysis reveals that Indorama Eleme Fertilizer and Chemical Ltd and Dangote Fertilizer Ltd were the top two exporters with shares of 15.9 per cent and 15.1 per cent, respectively, from the export of urea and fertilizer. The third was Outspan Nigeria Ltd., with a share of 8.9 per cent from the export of cocoa beans. Starlink Global and Ideal Ltd. was the fourth, with 3.8 per cent from the export of cocoa and cashew nut. Segilola Resources Operating Ltd. was fifth, with 2.6 per cent from the export of gold.

Figure31: Receipts from Top 5 Non-Oil Exporters



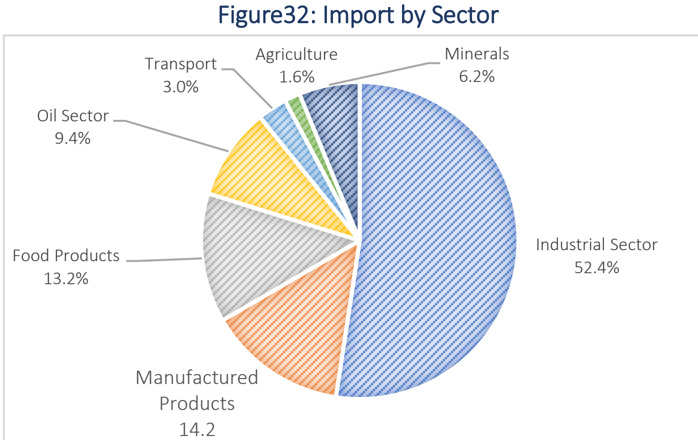
Source: Central Bank of Nigeria

Import

Merchandise import increased, due, largely, to higher import of petroleum products to bridge supply gap. Aggregate merchandise import rose by 11.2 per cent to US$4.42 billion, from US$3.98 billion in the preceding month. Importation of petroleum products increased to US$0.96 billion, from US$0.75 billion in December 2022. Non-oil import also rose by 1.8 per cent to US$3.09 billion, from US$3.04 billion in the preceding month. By share, non-oil import accounted for 69.9 per cent of total import, while oil constituted the balance of 30.1 per cent.

Sectoral utilisation of foreign exchange for visible import shows that industry had the largest share of 52.4 per cent, followed by manufactured products, 14.2 per cent; food products with 13.2 per cent; oil, 9.4 per cent; minerals, 6.2 per cent; transport, 3.0 per cent; and agriculture, 1.6 per cent, respectively.

Figure32: Import by Sector



Source: Central Bank of Nigeria

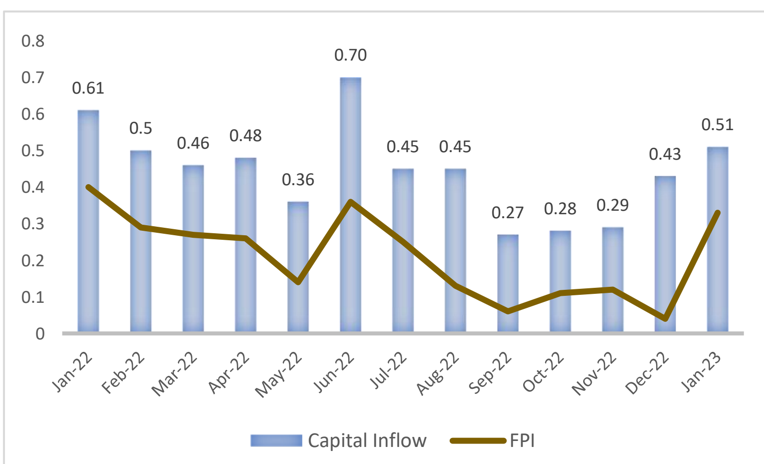
Capital importation

The economy received higher capital inflow, fueled by higher yields on securities, as a result of the persistent hike in the policy rate. Capital imported into the economy increased by 19.3 per cent to US$0.51 billion, from US$0.43 billion in December 2022. A breakdown of capital inflow by type of investment shows that portfolio investment (mainly equity) at US$0.33 billion, accounted for 65.2 per cent of the total. Other investment (mainly loans) at US$0.17 billion accounted for 32.5 per cent. Foreign direct investment inflow at US$0.01 billion, accounted for the balance of 2.3 per cent.

Capital importation by nature of business shows that investment in the Information Technology services sector dominated with 42.1 per cent, followed by production/manufacturing (24.4 per cent), Banking (13.9 per cent), shares (12.7 per cent), trading (3.0 per cent), financing (1.4 per cent), and telecommunication (1.3 per cent); while 'Other' sectors accounted for the balance.

A disaggregation of capital by originating country shows United Kingdom as the major source of capital, accounting for 74.5 per cent of the total. South Africa, United Arab Emirates, Mauritius, Singapore, United States and British Virgin Islands followed with shares of 10.1 per cent, 4.8 per cent, 2.8 per cent, 2.0 per cent, 1.3 per cent and 0.9 per cent, respectively. The major destinations of capital in the economy were Lagos and the Federal Capital Territory, with shares of 81.6 per cent and 17.4 per cent, respectively, while Akwa Ibom, Ogun and Ondo states accounted for the balance.

Figure 33: Capital Inflow (US$ Billion)

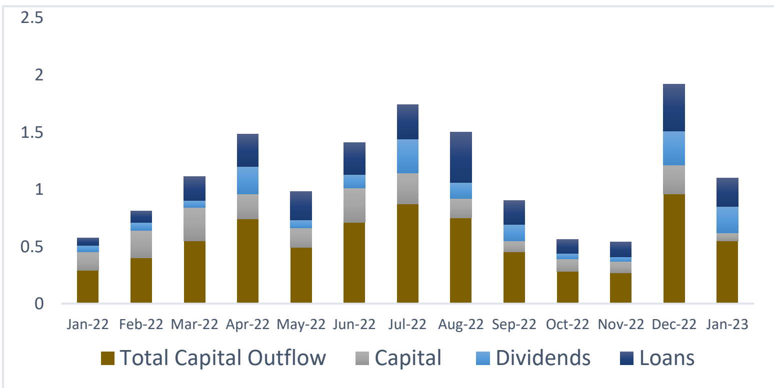


Source: Central Bank of Nigeria

Capital Outflow

The economy witnessed lower capital outflow, on account of reduction in loan repayment and repatriation of dividends. Capital outflow fell to US$0.55 billion, from US$0.96 billion in December 2022. A breakdown shows that, outflow in form of capital decreased to US$0.07 billion, from US$0.25 billion in December. Outflow in form of loans declined to US$0.25 billion, from US$0.41 billion in the preceding month. Also, repatriation of dividends fell to US$0.23 billion, from US$0.30 billion. In terms of share, loans accounted for 45.6 per cent, followed by dividends with 41.5 per cent and capital, 12.9 per cent.

Figure34: Capital Outflow (US$ Billion)

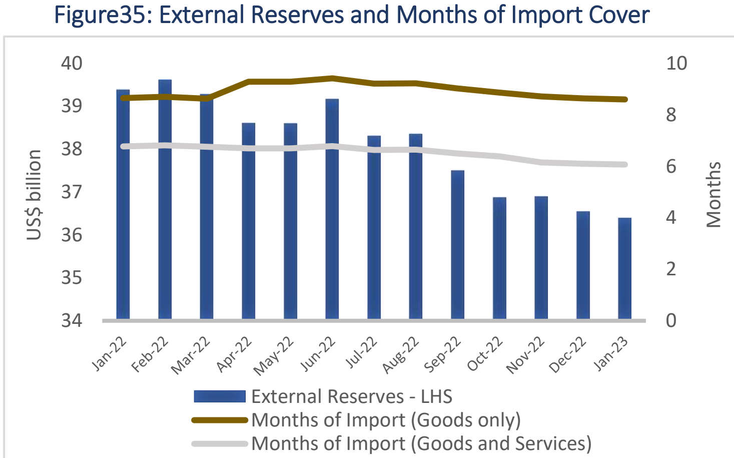


Source: Central Bank of Nigeria

2.4.2 International Reserves

The level of foreign reserves exceeded the standard benchmark of three months of import cover. The external reserves stood at US$36.40 billion at end-January 2023, compared with US$36.61 billion at end-December 2022. The external reserves could cover 6.1 months of import for goods and services or 8.6 months of import for goods only.

Figure35: External Reserves and Months of Import Cover



Source: Central Bank of Nigeria

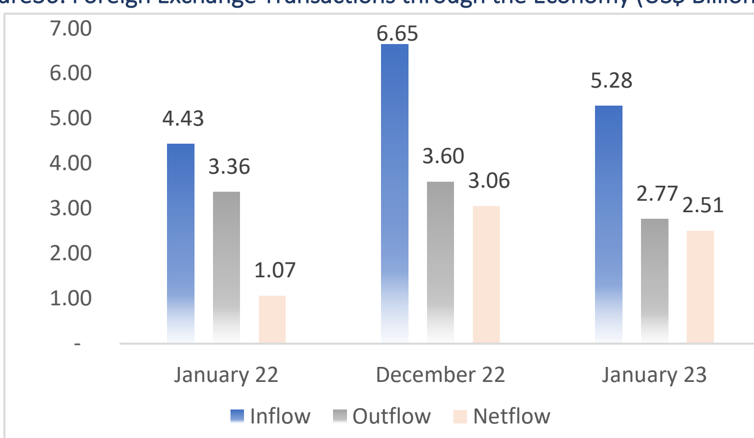
2.4.3 Foreign Exchange Flows through the Economy

The economy recorded a lower net foreign exchange inflow, driven majorly, by decreased inflow through Bank and autonomous sources. Aggregate foreign exchange inflow into the economy decreased by 20.7 per cent to US$5.28 billion, from US$6.65 billion in December. Similarly, foreign exchange outflow fell by 23.0 per cent to US$2.77 billion in January, from US$3.60 billion in the previous month. Consequently, a net inflow of US$2.51 billion was recorded, compared with US$3.06 billion in the preceding period.

Foreign exchange inflow through the Bank decreased by 29.2 per cent to US$1.84 billion, from US$2.60 billion in December, while outflow through the Bank fell by 22.0 per cent to US$2.30 billion, from US$2.95 billion in December. This resulted in a net outflow of US$0.46 billion, compared with US$0.35 billion in the preceding month.

Autonomous inflow decreased by 15.2 per cent to US$3.44 billion, from US$4.05 billion in the preceding month, while autonomous outflow decreased to US$0.47 billion, from US$0.65 billion in December. Consequently, a net inflow of US$2.97 billion was recorded, compared with US$3.40 billion in the preceding month.

Figure36: Foreign Exchange Transactions through the Economy (US$ Billion)



Source: Central Bank of Nigeria

2.4.4 Exchange Rate Movement

Average Exchange Rate

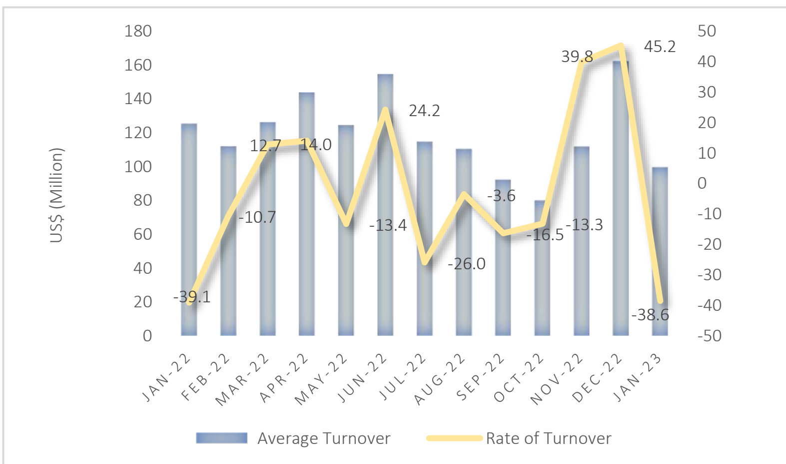
The exchange rate of the naira depreciated at the I&E window relative to the preceding month, due to increased demand amid supply shortages in the foreign exchange market. The average exchange rate of the naira per US dollar at the I&E window was ₦460.99/US$, compared with ₦450.71/US$ in the preceding month.

2.4.5 Foreign Exchange Turnover at the I&E Window

Foreign Exchange Turnover

The average foreign exchange turnover at the Investors' and Exporters' window decreased by 38.6 per cent to US$99.47 million from US$162.08 million in December.

Figure 37: Turnover in the I&E Foreign Exchange Market



Source: Financial Markets Derivatives Quotations (FMDQ)

3.0 MACROECONOMIC OUTLOOK

3.1 Global Economic Outlook

The prospects for global economic growth remain clouded by high risks and macroeconomic uncertainties. The projection by the IMF in January indicated that global growth would fall to 2.9 per cent in 2023 from an estimate of 3.4 per cent in 2022. The weaker outlook is predicated on the continued existence of tight global financial conditions, the Russia-Ukraine war and supply-chain disruptions. Geopolitical fragmentation and concerns about the pace of China's recovery after the prolonged COVID-19 lockdown are also headwinds against global recovery. In Advanced Economies (AEs), growth is expected to fall sharply to 1.2 per cent in 2023, from 2.7 per cent in 2022. However, growth for Emerging Markets and Developing Economies (EMDEs) is expected to modestly improve to 4.0 per cent in 2023, from 3.9 per cent in 2022.

Global inflation is expected to moderate in 2023 on account of policy tightening by central banks and declining energy costs. The IMF projects global inflation to decline to 6.6 per cent in 2023 from 8.8 per cent in 2022. In AEs, inflation is expected to fall to 4.6 per cent in 2023 from 7.3 per cent in 2022, while in EMDEs, it is projected to decline to 8.1 per cent from 9.9 per cent in 2022. Downside risks to inflation include a less-than-expected recovery in China and a continuing Russia-Ukraine war.

3.2 Domestic Economic Outlook

Nigeria's economic growth outlook remains positive in the near term amid some downside risks. The optimistic outlook is anchored on favourable crude oil price expectations and improved domestic production. It is also predicated on the effective implementation of the Medium-Term National Development Plan (MTNDP) and sustained broad-based policy support for critical sectors of the economy, among others. In addition to the positive outlook on oil receipts, the Finance Act 2022 is expected to complement existing fiscal reforms by mobilising government revenue to fund the budget. However, contraction in global demand, persistent security challenges, as well as infrastructural deficit remain major headwinds to growth.

Inflationary pressures are expected to moderate in the near term. The expected decline in inflation is anchored on the cooling effects of the Bank's monetary policy tightening, relative stability in the exchange rate, and improvement in supply chain conditions due to policy support from the Bank and the FGN in growth-enhancing sectors of the economy.

The outlook for Nigeria's external position is positive on the expectation of a sustained rally in crude oil prices and an improvement in domestic crude oil production.