CENTRAL BANK OF NIGERIA ECONOMIC REPORT

July 2023

ABOUT THE REPORT

The Central Bank of Nigeria (CBN) Economic Report presents economic developments in Nigeria, for dissemination to the public. The Report, which is published on a monthly and quarterly basis, provides insights on current developments in the real; fiscal; monetary & financial; and the external sectors of the Nigerian economy, as well as, on global issues that impact the domestic economy. In addition, it reflects the policy initiatives of the CBN in pursuit of its mandate.

The Report is targeted at a wide range of readers, including economists, policymakers, financial analysts in the government and the private sectors, and the public. Free download of the Report, including current and past issues is available on 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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Contents

Tables

This document is for CBN internal consumption

Figures

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SUMMARY

Global economic activities expanded in July 2023, albeit, at a slower pace, on the back of weak demand. The Global Composite Purchasing Managers' Index (PMI)[1] slowed to 51.7 index points, compared with the 52.7 index points in the preceding month. Activities in most Advanced Economies (AEs) slowed, due to higher cost of borrowing that weighed on consumer demand. In the Emerging Market and Developing Economies (EMDEs), divergent growth outcomes were observed, due to domestic idiosyncrasies. Inflation moderated in most AEs on the back of declining energy costs, and tight monetary policy stance, while inflationary outcomes in EMDEs were mixed. Activities in the global financial markets gained momentum, following better-than-anticipated economic growth, and higher prospects of easing global inflation. Stock market performance improved across different segments, though with variations in underlying drivers. The rise in crude oil prices, following production cuts by both Rusia and Saudi-Arabia, boosted the performance of energy stocks, while returns on technology stocks, were enhanced by high corporate earnings of blue chips companies. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), rose by 6.89 per cent to US$82.27 per barrel (pb), compared with US$76.97 pb in the preceding month. The prices of UK Brent, Forcados, WTI, and OPEC Reference Basket (ORB), exhibited similar trends.

Domestic economic activities declined, on account of weaker consumer demand and relatively higher cost of production.

[1] J.P. Morgan Index

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The Purchasing Managers' Index (PMI) contracted in July 2023, to 48.9 index points from 50.2 index points in the preceding month. Headline inflation rose to 24.08 per cent in July 2023, compared with the 22.79 per cent in June 2023, on account of cost-push factors that dampened production. Core (headline less farm-produce and energy) and food inflation trended in the same direction, rising to 20.47 and 26.98 per cent, from 20.06 and 25.25 per cent, respectively in June 2023. Domestic crude oil production fell in July 2023, by 13.60 per cent to 1.08 mbpd, relative to the level in the preceding month, due, mainly, to production disruption in the Forcados terminal.

The Federal Government of Nigeria (FGN) fiscal space improved in July 2023, on account of higher revenue outturns. Provisional data indicate that overall deficit of the FGN contracted by 5.3 and 9.1 per cent in July, relative to the level in June 2023, and to the proportionate budget threshold, respectively. Receipts into the federation account increased by 61.9 per cent in July 2023, relative to the amount recorded in June 2023, but was 5.5 per cent short of target. The improved revenue performance was, due mainly, to increased non-oil revenue receipts, particularly, from Company Income Tax (CIT). This was also reflected in higher FGN retained revenue, which exceeded receipts in June 2023 by 57.1 per cent, although it remained below the target. The provisional expenditure of the Federal Government exceeded the level in June 2023 by 13.0 per cent but was below the benchmark by 24.1 per cent.

The banking system remained safe, and sound, as shown by the relevant financial indicators (FSIs). The broad money supply (M3) grew by 25.4 per cent (43.6%, annualised), due

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majorly, to rise in other deposits, driven by the growth in foreign currency. Reserve money grew by 8.4 per cent, driven, wholly, by increase in liabilities to Other Depository Corporations (ODCs). Digital and electronic payments increased, while currency outside the banking system declined in the period, indicating a measure of success in the cash light policy. The performance of the Nigerian Exchange Limited – All Share Index (NGX-ASI) was bullish, driven by portfolio switching from fixed income investments, and positive investor sentiments.

The external sector recorded a trade surplus in July 2023, despite the reduction in export receipts. Foreign capital inflow into the economy declined, owing to sustained higher interest rates in Advanced Economies. Capital outflow from the domestic economy declined significantly, on account of lower loans, dividends, and capital reversals. The stock of external reserves at US$33.31 billion at end-July 2023 covers 6.3 months of import of goods and services or 8.5 months of import of goods only, thus, surpassing the international benchmark of 3 months import cover. The average exchange rate of the naira to the US dollar was ₦770.32/US$ in July 2023, compared with ₦610.71/US$ in June 2023.

Economic Outlook

According to the IMF's World Economic Outlook, (WEO) July 2023 Edition, the global economy is projected to grow at 3.0 per cent in 2023, compared with 3.5 per cent in 2022. The projection for 2023, which is 0.2 percentage point higher than the April forecast, was influenced by the resolution of the US debt ceiling standoff, and the swift resolution of the US and Swiss banking crises. In the Advanced Economies, output

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growth is projected to decelerate to 1.5 per cent, from 2.7 per cent in 2022, on the back of tight monetary policy stance, the ongoing war in Ukraine, and the growing impacts of climate change. For the Emerging Market and Developing Economies, growth is expected to be stable at 4.0 per cent in 2023, but unevenly distributed across the economies in the region. The growth prospect in the EMDEs is hinged on expected stronger domestic demands in India and some parts of Latin America, despite external headwinds.

Global headline inflation is expected to drop to 6.8 per cent in 2023, compared with the 8.7 per cent in 2022. The lower projection is predicated on the sustained higher interest rates across countries, and the lower global commodity prices, particularly that of energy. Tight labour markets and the continuing war in Ukraine, however, could push up inflation and de-anchor longer-term inflation expectations in different economies.

Nigeria's economic growth outlook remains positive in the near term, though with some headwinds. The optimistic outlook is based on expected favourable crude oil prices, and improved production. Furthermore, the sustained removal of subsidy on Premium Motor Spirit (PMS), would improve fiscal space and provide additional impetus to growth. The downside risks to growth are, contraction in global demand, persistent security challenges, higher debt service, and infrastructural deficit.

Inflationary pressure is expected to persist in the short- to medium-term, partly, on account of increased domestic price of PMS, and high input costs. The security challenges in the economy, and the adverse effects of climate change, could also hamper growth in the economy, especially, the

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agricultural sector, and add momentum to prices. The extant tight monetary policy stance and improving global supply chains are expected to moderate inflation.

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1.0 GLOBAL ECONOMIC DEVELOPMENTS

1.1 Global Economic Activity

Global Economic Activity

Global economic activities expanded in July 2023, though at a slower pace, on the back of weaker demand. The loss in growth momentum was attributed to the downturn in the manufacturing and services sectors. The Global Composite Purchasing Managers' Index (PMI)[2] slowed to 51.7 index points in July 2023, compared with the 52.7 index points in the preceding month. The Services PMI narrowed to 52.7 index points, relative to the 53.9 index points, in the preceding month, driven by slower expansion in new businesses, export orders and employment levels. Manufacturing PMI remained unchanged at 48.7 index points, compared with its level in the preceding month, as declining new orders and deteriorating international trade flows weighed on output.

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

	Jul-22	Jun-23	Jul-23
Composite	**50.8**	**52.7**	**51.7**
Employment Level	52.1	51.9	51.0
New Business Orders	51.2	52.3	50.7
New Export Business Orders	48.0	48.3	47.8
Future Output	60.2	64.1	61.9
Input Prices	67.7	56.9	56.2
Output Prices	58.1	53.4	53.6
Manufacturing	**51.1**	**48.7**	**48.7**
Services (Business Activity)	**51.1**	**53.9**	**52.7**
New Business	52.0	53.9	51.9
New Export Business	48.2	52.3	52.2
Future Activity	60.8	65.7	62.2
Employment	52.7	52.6	51.3
Outstanding Business	49.0	50.7	49.6
Input Prices	68.4	60.1	58.7
Prices Charged	58.0	54.9	55.1

Source: J.P. Morgan.
Note: Above 50 index points indicates expansion.

[2] J.P. Morgan Index

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Economic Activity in Advanced Economies

Economic activities in most Advanced Economies slowed, due to the rising costs of borrowing that weighed on consumer demand. Specifically, in the United States (US), economic activity expanded in July 2023, but at a slower pace, compared with the previous four months. The slower expansion was underpinned by moderate performance in the service sector. Thus, US PMI stood at 52.0 index points, compared with the 53.2 index points, in June 2023. Similarly, United Kingdom (UK) PMI fell to 50.8 index points in July 2023, relative to the 52.8 index points, in the preceding month, as sharp fall in the manufacturing activity offset the modest improvement in the service sector. High interest rates and rising inflation levels also affected economic activities, adversely, in the UK. In Spain, lull in services and manufacturing sectors drove the PMI down to 51.7 index points, compared with the 52.6 index points, in the preceding month. Economic activity, however, expanded in Japan, driven mainly, by increase in the services sector, as PMI rose to 52.2 index points in July, compared with the 52.1 index points in the preceding month.

Conversely, economic activity in France contracted further to 46.6 index points in July, from 47.2 index points in the preceding month. The sustained contraction was driven by sharp drop in foreign demand for manufactures and services. In Germany, the PMI also shrank to 48.5 index points in July, from 50.6 index points in the preceding month, with declining demand and inflationary pressures. Similarly, in Italy, the PMI contracted further to 48.9 index points, from 49.7 index points in June 2023. The observed trend was attributed to decline in new orders, amid marginal improvement in the services sector.

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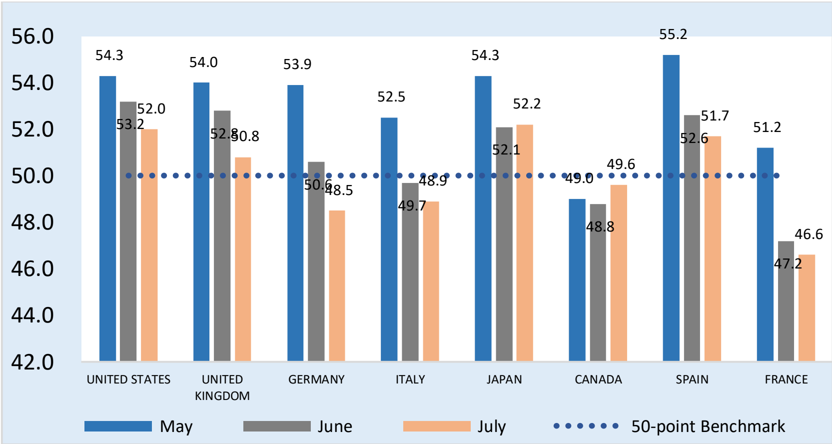
In Canada, high borrowing costs, amid persistent market uncertainties hurt business activity, as the PMI stood at 49.6 index points in July 2023. This reflected a slower contraction relative to 48.8 index points, recorded in the preceding month.

Figure 1: Purchasing Managers' Index (PMIs) of Selected Advanced Economies



Source: Trading Economics/Various Country Websites.
Note: PMI for Canada was based on Manufacturing PMI.

Economic Activity in Emerging Markets and Developing Economies

Growth outcomes in selected Emerging Markets and Developing Economies were diverse, owing to unique characteristics within each country. In India, PMI rose to 61.9 index points in July 2023, from 59.4 index points in the preceding month, driven largely by the services and manufacturing sectors. In Indonesia, output growth was boosted by new orders, as the PMI increased to 53.3 index points, compared with the 52.5 index points, in the preceding month. In Mexico, PMI rose to 53.2 index points, from 50.9 index points in the preceding month. This expansion was underpinned by easing inflationary pressures, improving weather conditions, and rising demand for export. In China, however, PMI slowed to 51.9 index points, from 52.5 index points in June 2023, due to the contraction in the manufacturing sector, following decline in factory orders.

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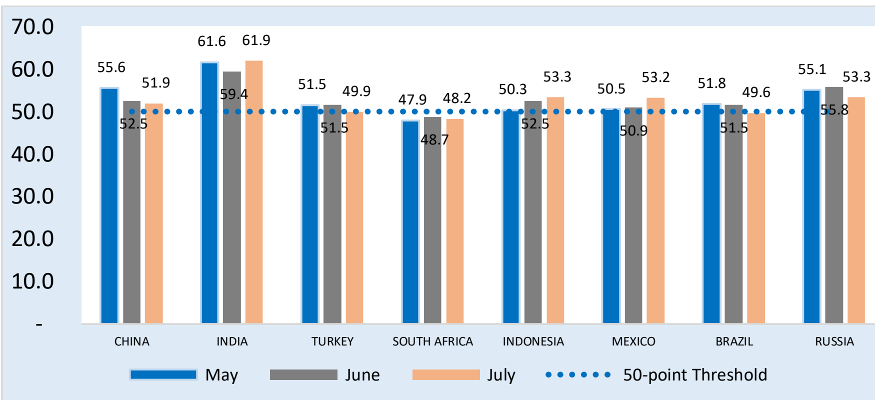
Similarly, growth expanded at a slower pace in Russia as the PMI fell to 53.3 index points in July, from 55.8 index points in June 2023, because of the drop in export orders.

In Turkey, intensifying inflationary pressures led to a contraction in economic activity, as the PMI fell to 49.9 index points, from 51.5 index points in June 2023. In Brazil, PMI contracted to 49.6 index points, from 51.5 index points in June 2023, driven by decline in the services and manufacturing sectors. In South Africa, economic activity contracted in July 2023, attributed to elevated prices and capacity constraints associated with load shedding on the electricity grid.

Figure 2: Purchasing Managers' Index (PMIs) of Selected Emerging Markets and Developing Economies



Source: Trading Economics/Various Country Websites.
Note: PMI for Turkey and Indonesia were based on Manufacturing PMI.

1.2 Global Inflation

Inflationary pressures in most AEs moderated on the back of declining energy costs and tight monetary stance.

Global Inflation

Specifically, the falling costs of energy and processed food brought down prices in Italy to 5.90 per cent, from 6.40 per cent in June 2023. In Germany, inflation fell to 6.20 per cent, from 6.40 per cent in the preceding month, driven by easing costs of food and services. In the UK, the inflation also dropped

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to 6.80 per cent, from 7.90 per cent in the preceding month, due to a fall in gas and electricity prices. In France, the decline in energy cost moderated the prices of food and manufactured products. Consequently, the headline inflation rate moderated to 4.30 per cent in July 2023, from 4.50 per cent in June 2023. In Japan, however, consumer prices remained unchanged at 3.30 per cent in July 2023.

Inflation in the US increased to 3.20 per cent from 3.00 per cent in the preceding month, due to base effects, and marginal increases in the cost of electricity, apparel, and transportation. Similarly, increase in electricity and mortgage interest costs drove prices up in Canada, as the inflation rate rose to 3.30 per cent, from 2.80 per cent in June 2023. In Spain, inflation rose to 2.30 per cent in July, compared with 1.90 per cent in the preceding month, on account of the increased costs of fuels and lubricants, clothing, and footwear, as well as, tourism.

Table 2: Inflation in Selected Economies in Percentages

Country	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
United States	6.40	6.00	5.00	4.90	4.00	3.00	3.20
United Kingdom	10.10	10.40	10.10	8.70	8.70	7.90	6.80
Japan	4.30	3.30	3.20	3.50	3.20	3.30	3.30
Canada	5.90	5.20	4.30	4.40	3.40	2.80	3.30
Germany	8.70	8.70	7.40	7.20	6.10	6.40	6.20
France	6.00	6.30	5.70	5.90	5.10	4.50	4.30
Italy	10.10	9.10	7.60	8.30	7.60	6.40	5.90
Spain	5.90	6.00	3.30	4.10	3.20	1.90	2.30
China	2.10	1.00	0.70	0.10	0.20	0.00	-0.30
South Africa	6.90	7.00	7.10	6.80	6.30	5.40	4.70
India	6.52	6.44	5.70	4.70	4.25	4.87	7.44
Mexico	7.91	7.62	6.85	6.25	5.84	5.06	4.79
Indonesia	5.28	5.47	4.97	4.33	4.00	3.52	3.08
Turkey	57.68	55.20	50.50	43.70	39.59	38.20	47.80
Brazil	5.77	5.60	4.65	4.18	3.94	3.16	3.99
Russia	11.80	11.00	3.50	2.30	2.50	3.30	4.30

Source: Trading Economics.

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Inflation in EMDEs

Inflationary pressure persisted in most Emerging Markets and Developing Economies. In India, inflation jumped to 7.44 per cent, from 4.87 per cent in June 2023, driven by the costs of food, fuel, and housing. The rising costs of transportation, housing, and electricity, due to the reinstatement of fuel taxes by the central government in Brazil, pushed inflation to 3.99 per cent, from 3.16 per cent. In Turkey, increase in taxes, and currency depreciation drove inflation to 47.80 per cent in July 2023, from 38.20 per cent in the preceding month. In Russia, inflation rose to 4.30 per cent, from 3.30 per cent in the preceding month, due majorly, to rising costs of food products.

In China, however, consumer prices fell by -0.30 per cent from 0.00 per cent in June 2023, driven majorly by food prices. Inflation in South Africa also dropped to 4.7 per cent in July, from 5.4 per cent in the preceding month, on account of easing energy costs. Mexico witnessed declines in the prices of food and non-alcoholic beverages, resulting in a lower inflation of 4.79 per cent, compared with 5.06 per cent in June 2023. For Indonesia, lower prices of housing, transport, and accommodation, moderated inflation to 3.08 per cent in July 2023, as against the 3.52 per cent, in June.

1.3 Global Financial Markets

1.3.1 Global Financial Conditions

Activities in the global financial markets gained momentum, following better-than-anticipated output growth, and prospects of easing global inflation. Stock market performance improved across different markets, although the underlying drivers vary. The rise in crude oil prices, following production cuts, boosted the performance of

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energy stocks, while returns to technology stocks, were enhanced by high corporate earnings of blue-chip companies.

Stock performance in the United States, was mostly driven by technology-related sectors, particularly, artificial intelligence. Returns on energy-related stocks also improved driven by increased crude oil prices. Furthermore, the appreciation of the US dollar against other currencies boosted US stock performance. The impressive corporate earnings prompted the NASDAQ and FTSE indices to gain 3.81 and 2.23 per cent, respectively, relative to June 2023.

European market stocks rose, due partly, to decelerating inflation in the Euro area. Furthermore, investors' anticipation of a pause in policy rate hikes, following the softening of inflation during the review period boosted stock growth, as the EUROSTOXX rose by 1.64 per cent in July 2023, compared with the level in the preceding month. Germany's DAX index increased by 1.85 per cent as automakers' stocks rose, due to a backlog of demand. In Italy, the FTSE MIB index climbed 5.0 per cent amid a rush for the shares of large manufacturing businesses on expectations of further recovery in economic activities. The European manufacturing PMI recorded a modest uptick to 44.5 index points in July 2023, from the 43.8 index points recorded in June 2023. In France, the CAC 40 closed higher at 1.32 per cent, after inflation fell in July 2023. Similar patterns were observed in the United Kingdom, where shares surged as inflation moderated, policy rates fell, and investors anticipated slower rate hikes by the Bank of England (BoE). Meanwhile, in Japan, attractive corporate profits, increased manufacturing sentiment, on enhanced chip supply to automakers, and overall positive macroeconomic

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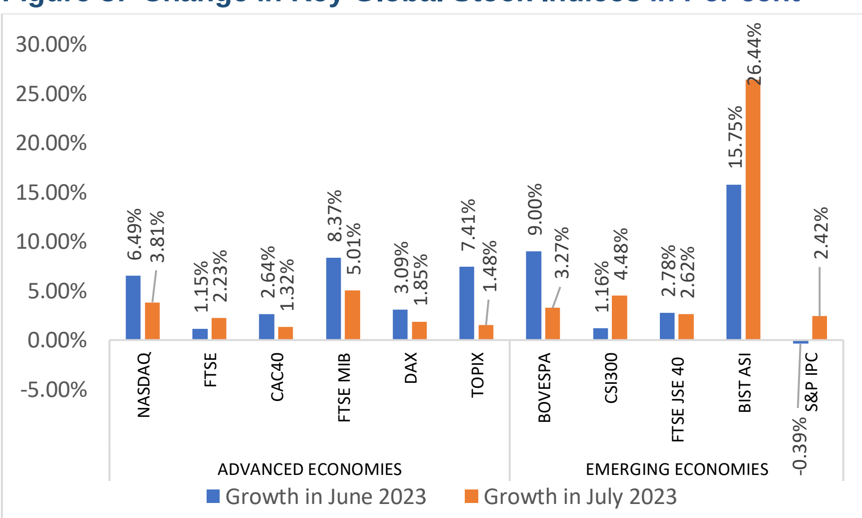
conditions. Consequently, the TOPIX index increased by 1.48 per cent in July 2023.

During the review period, equities markets in EMDEs were largely bullish. In China, the CSI 300 index rose by 4.48 per cent, due to eased geopolitical tensions, lower inflation, and policy stimulus in the ailing real estate sector. The South African FTSE JSE All-Share index gained 2.62 per cent, as the South African Reserve Bank (SARB) kept interest rates constant at 8.25 per cent in July 2023, due to a decline in inflation and the expected further cooling of price levels. The Turkish BIST all-share index soared by 26.44 per cent as foreign investors went on buying spree for stocks of blue-chip companies, upon the country's shift to a more conventional monetary policy regime. In Brazil, the IBOVESPA closed on favourable note, earning 3.27 per cent higher than the previous month, as macroeconomic indicators improved. In addition, Mexico's S&P IPC index rose 2.42 per cent, due to the central bank’s decision to maintain rates at 11.50 per cent, as inflation eased to a two-year low of 4.79 per cent in July 2023.

Figure 3: Change in Key Global Stock Indices in Per cent



Source: Reuters.

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During the review period, 10-year government yield increased globally. Following a 25-basis points rate increase by the US Fed to a 22-year high target range of 5.25 to 5.50 per cent, the 10-year treasury rates in the US and Canada increased by 3.61 and 7.06 percentage points, respectively. Similarly, the Japanese 10-year government bond yields rose to 0.60 per cent in July 2023, (a 9-year high), due to the country's decision to alter its yield curve policy and increase the threshold for long-term yield volatility to 1.00 per cent. This increased volatility in bond market volatility as investors responded to the change in policy. In contrast, yields in the UK decreased by 1.71 percentage points from the 4.39 percentage points recorded in June 2023, due to lower-than-anticipated inflation rates and investors' expectations of a lower policy rate by the BoE. In the euro area, the ECB raised rates by 0.25 percentage points, as inflation in the region remained well above its target of 2.00 per cent. Consequently, the 10-year government bond yield for the euro area rose by 2.47 percentage points, with yields in Italy and Germany also trending upwards by 0.71 and 3.05 percentage points, respectively, in July 2023.

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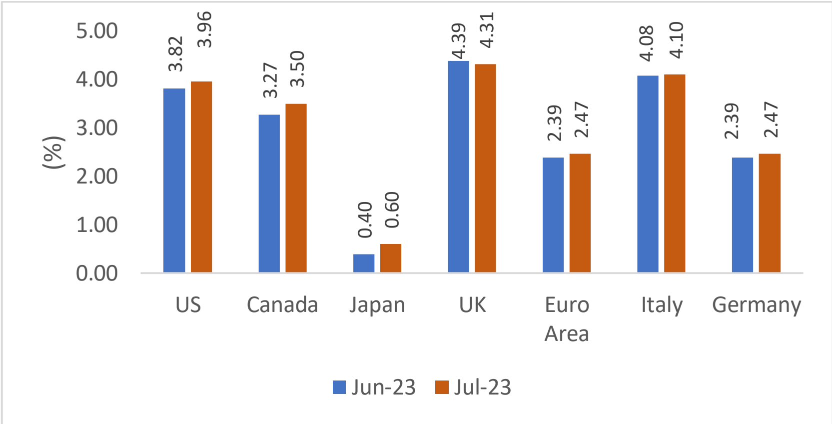
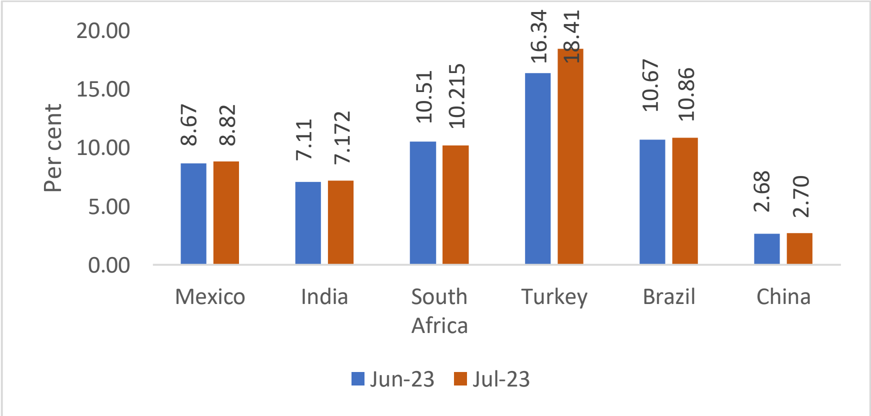
Figure 4: 10-year Government Bond Yields for Advanced Countries in Per cent



Source: Reuters.

In the EMDEs, the 10-year bond yields of various economies generally demonstrated an upward trajectory. South Africa, was however, an exception, as rates fell by 2.81 per cent, due to a pause in interest rate hikes in response to lower levels of inflation. In July 2023, the yield on 10-year bonds in Mexico and India increased to 8.82 and 7.17 per cent, from the previous month's rates of 8.67 and 7.11 per cent, respectively. Similarly, Brazilian rates increased to 10.86 per cent, as Fitch upgraded the nation's long-term foreign currency debt, for the first time since it was downgraded in 2018.

Figure 5: 10-year Government Bond Yields for Emerging and Developing Countries in Per cent



Source: Reuters.

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Currencies performances across the globe indicated a strengthening against the USD, due largely to policy rate hikes deployed by several central banks. Among Advanced Economies, there was a notable improvement in the valuation of the Japanese yen, British pound, Euro, and Canadian dollars, as they strengthened against the USD by 1.43, 1.05, 0.76, and 0.37 per cent, respectively. This was, largely attributed to the policy rate hike administered by the Bank of England, Bank of Canada, European Central Bank, and the increased flexibility on yield curve control by the Bank of Japan. Within the EMDEs, the South African rand, Mexican pesos, Chinese yuan, and Brazilian real appreciated against the USD by 5.47, 2.30, 1.52, and 1.31 per cent, respectively. The gains of the Mexican pesos and Brazilian real were, largely attributed to increased remittance inflows to Mexico, and expectations of improved economic activities in Brazil. Meanwhile, improved power supply provided support for the South African rand, signalling increased investor confidence in the economic landscape. The Turkish lira and Indian rupee, however, experienced depreciations of 3.16 and 0.18 per cent against the USD, respectively, in July 2023. These declines were attributed to the Turkish central bank's lower-than-expected policy rate hikes and the unchanged policy rate at the Reserve Bank of India.

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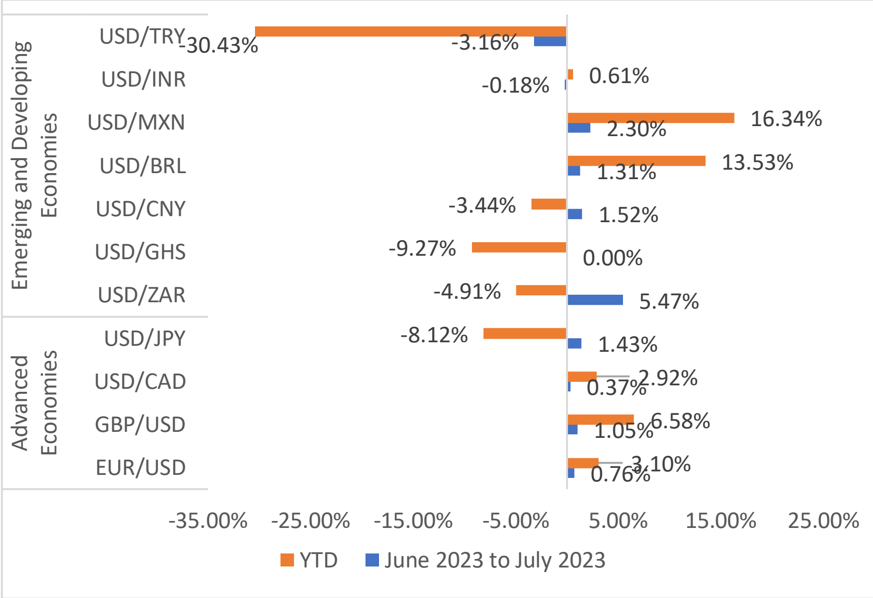
Figure 6: Exchange Rate Appreciation/Depreciation for Selected Countries



Source: Reuters.

1.4 Global Commodity Market

World Crude Supply and Demand

Total world crude oil supply declined, as production in Organisation of Petroleum Exporting Countries (OPEC) and non-Organisation for Economic Cooperation and Development (OECD) countries fell. Total world crude oil supply declined by 0.29 per cent to 101.33 million barrels per day (mbpd) in July 2023, compared with 101.63 mbpd in the previous month. Specifically, non-OECD supply declined by 0.89 per cent in July 2023, to 67.14 mbpd compared with 67.74 mbpd in June 2023.

OPEC crude oil production fell by 1.84 per cent, to 33.02 mbpd in July 2023, compared with 33.63 mbpd in the preceding month. This was driven, largely, by Saudi Arabia's decision to voluntarily cut production by an additional 1 mbpd from July to September 2023. In addition, Russia voluntarily cut

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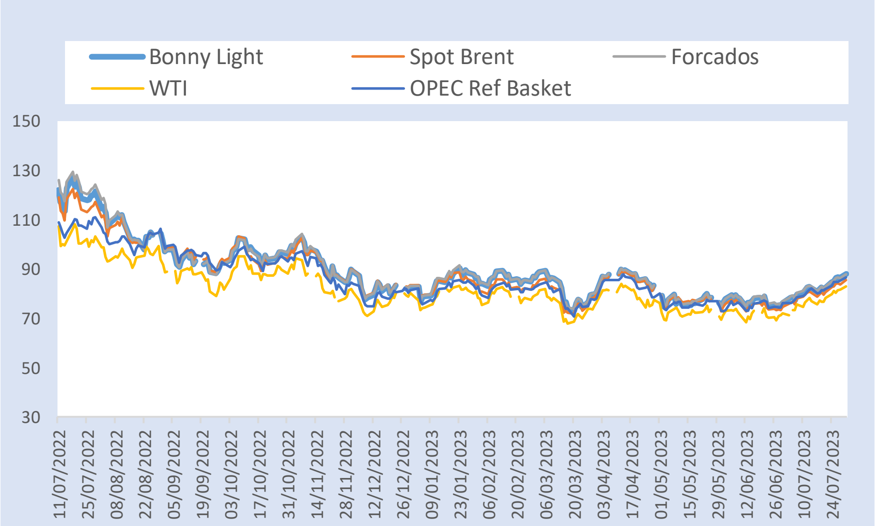
production by an additional 500,000 bpd in July and August 2023, and by an additional 300,000 bpd in September 2023.

On the demand side, total world demand fell by 0.77 per cent, to 101.38 mbpd, compared with 102.16 mbpd in the preceding month. The decrease was driven, mainly, by reduced demand from China as its importation of crude oil fell to its lowest level since January 2023.

Crude Oil Prices

Crude oil spot prices rose, largely, due to Saudi Arabia's decision to voluntarily cut production by an additional 1 mbpd. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), rose by 6.89 per cent, to US$82.27 per barrel (pb), compared with US$76.97 pb in the preceding month. The prices of UK Brent at US$80.23 pb, Forcados at US$82.67 pb, WTI at US$77.44 pb and OPEC Reference Basket (ORB) at US$81.06 pb all exhibited similar upward movements.

Figure 7: Global Crude Oil Prices (US$ per barrel) in July 2023



Source: Refinitiv Eikon (Reuters).

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World Commodity Prices

The overall index of all commodities declined to 124.7 in July 2023, from 125.1 in June 2023, representing a decrease of 0.4 per cent. On a year-on-year basis, the index dropped by 3.6 per cent compared with July 2023. The average world prices of Nigeria's major agricultural exports declined, marginally, in July 2023, compared with the previous month. Further analysis revealed that out of the eight monitored commodities, five witnessed price decline ranging from 0.6 to 11.6 per cent, with palmoil experiencing the most significant decrease. The drop in prices could be attributed to factors such as an improved U.S. production outlook, particularly for grains, and favourable weather conditions.

Conversely, the prices of groundnut, cocoa, and coffee increased during the month by 3.0, 4.3, and 6.3 per cent, respectively. The hike in the prices was due to tighter supply conditions.

Table 3: Indices of World Prices of Nigeria's Major Agricultural Export Commodities for July 2023 in US$ (Jan. 2010=100)

COMMODITY	Jul. 2022	Jun. 2023	Jul. 2023	% Change (1) & (3)	% Change (2) & (3)
	1	2	3	4	5
All Commodities	129.4	125.1	124.7	-3.6	-0.4
Cocoa	63.5	89.9	93.8	47.6	4.3
Cotton	169.3	119.6	118.8	-29.8	-0.6
Coffee	143.2	188.3	200.3	39.9	6.3
Wheat	190.1	171.7	163.8	-13.8	-4.6
Rubber	51.2	43.5	42.9	-16.3	-1.3
Groundnut	134.8	153.8	158.4	17.5	3.0
Palm Oil	127.2	98.3	86.9	-31.7	-11.6
Soya Beans	155.6	135.8	132.5	-14.9	-2.5

Source: Index Mundi.

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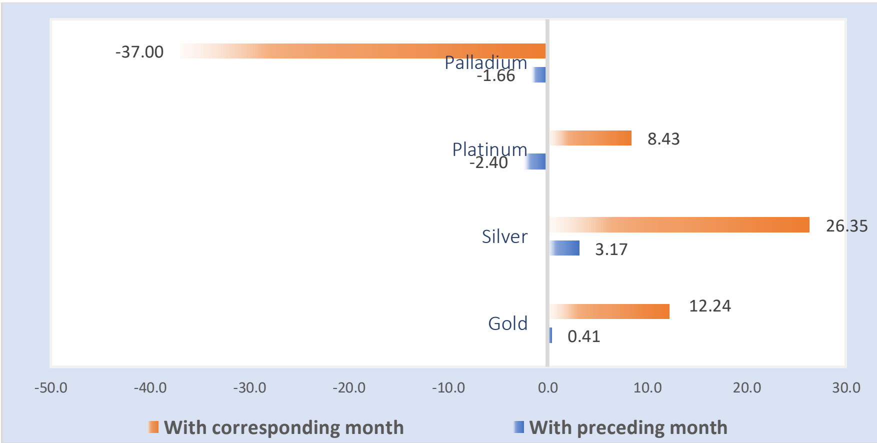
Other Mineral Commodities

The average spot prices of gold and silver rose in July 2023, as demand for the precious metals rose, due to, the weakening US dollar. The average spot prices of gold and silver increased by 0.4 and 3.17 per cent, month-on-month, to US$1,948.96 per ounce and US$24.12 per ounce, respectively. In contrast, the prices of platinum and palladium declined by 2.4 and 1.66 per cent, to US$944.67 per ounce and US$1,267.62 per ounce, respectively, due to falling demand by auto makers.

Figure 8: Price Changes in Selected Metals in July 2023 in Per cent



Source: Refinitiv Eikon (Reuters).

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2.0 DOMESTIC ECONOMIC DEVELOPMENTS

2.1 Real Sector Developments

Summary

Domestic economic activities declined, following weaker consumer demand, occasioned by the implementation of market-based policies. Accordingly, the Purchasing Managers' Index (PMI) contracted in July 2023, following lower consumer demand that led to declines in new orders by firms, and a dip in production level. Headline inflation, however, rose in July, due to the recent market-based policies, such as, the removal of subsidy on premium motor spirit (PMS) and the adoption of a market-determined exchange rate.

2.1.1 Economic Activities

Purchasing Managers' Index (PMI)

Economic activities contracted in July 2023 as a result of reduced consumer demand leading to a fall in new orders by firms, and a dip in production level. The composite PMI decreased to 48.9 index points from 50.2 index points in the preceding month as a result of weaker consumer demand, amid tighter business conditions, especially, in the services and industry sectors.

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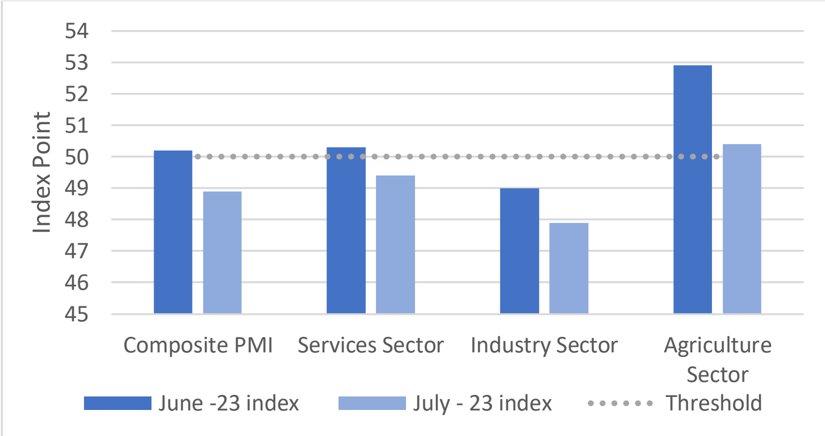
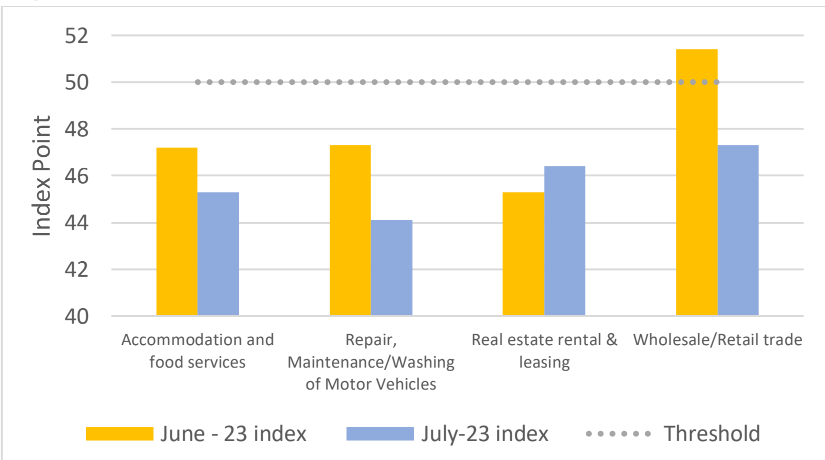
Figure 9: Purchasing Managers' Index in July 2023



Source: Central Bank of Nigeria.

The services sector PMI contracted to 47.9 index points, from 49.0 index points in the preceding month. This was accounted for by declines in the components, including; repair, maintenance/washing of motor vehicles, accommodation & food services, real estate rental & leasing, and wholesale/retail trade.

Figure 10: Services Sector PMI in July 2023



Source: Central Bank of Nigeria.

The Industry sector PMI contracted to 49.4 index points, from 50.3 index points in the preceding month, driven by the decline

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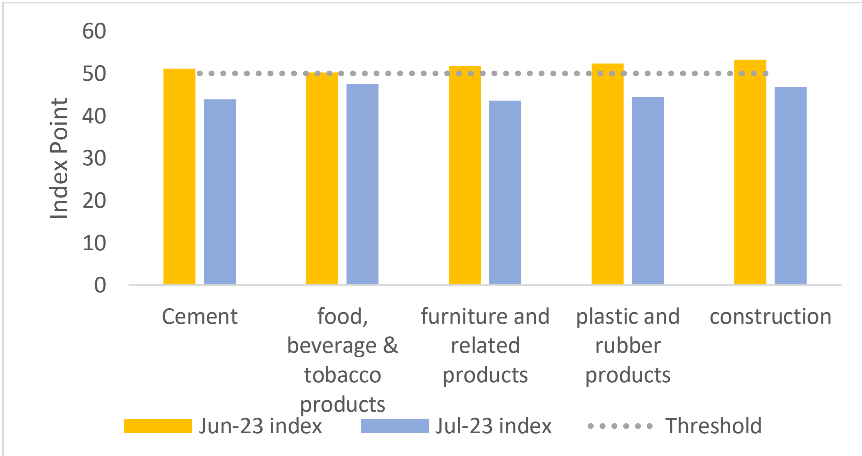
in new orders and production levels. The contraction was reflected in food, beverages, and tobacco products; cement; construction; plastic and rubber products; water supply, sewage, and waste management subsectors.

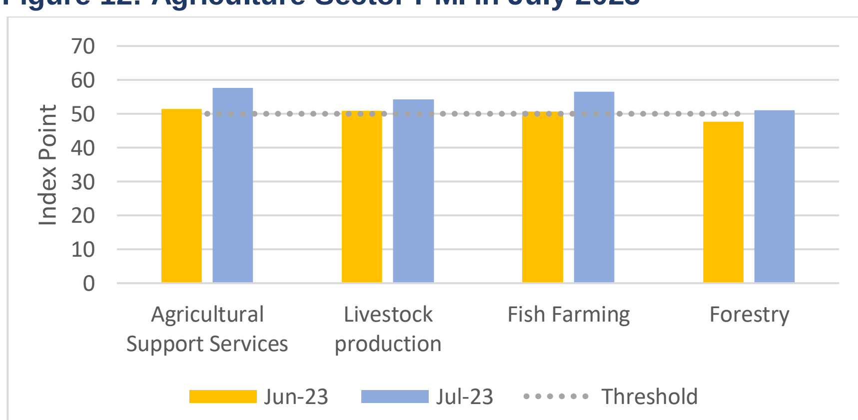
Figure 11: Industry Sector PMI in July 2023



Source: Central Bank of Nigeria.

The Agriculture sector PMI remained in the expansion region at 50.4 index points, marking the fourth consecutive month of improvement, although slower than the 52.9 index points recorded in the preceding month. The expansion reflected the increase in general farming activities, which resulted in higher agricultural output.

Figure 12: Agriculture Sector PMI in July 2023



Source: Central Bank of Nigeria.

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Table 4: Purchasing Managers' Index

Components	Jun-23	Jul-23
Composite PMI	50.2	48.9
Industry Sector PMI	50.3	49.4
Production Level	*51.2*	*50.3*
New Orders	*48.1*	*45.9*
Supplier Delivery Time	*52.9*	*53.0*
Employment Level	*49.9*	*50.6*
Raw Material Inventory	*52.3*	*49.5*
Services Sector PMI	49.0	47.9
Business Activity	*49.1*	*46.0*
New Orders	*47.1*	*47.5*
Employment Level	*50.2*	*49.3*
Inventory	*49.7*	*48.7*
Agricultural Sector PMI	52.9	50.4
Farm Yield/Output	*53.8*	*50.7*
New Orders	*51.1*	*48.2*
Employment Level	*47.7*	*46.2*
Inventories	*52.5*	*53.9*
General Farming Activities	*59.4*	*53.2*

Source: Central Bank of Nigeria.

2.1.2 Consumer Prices

Headline Inflation

Headline inflation rose in July 2023, driven, largely by increased unit cost of production. Headline inflation (year-on-year) rose to 24.08 per cent from 22.79 per cent in June 2023. On a month-on-month basis, it inched to 2.89 per cent from 2.13 per cent in the preceding month. The development was attributed primarily to the removal of subsidy on PMS and the pass-through effect of the exchange rate, which increased production, transport & logistics costs and heightened inflation expectations.

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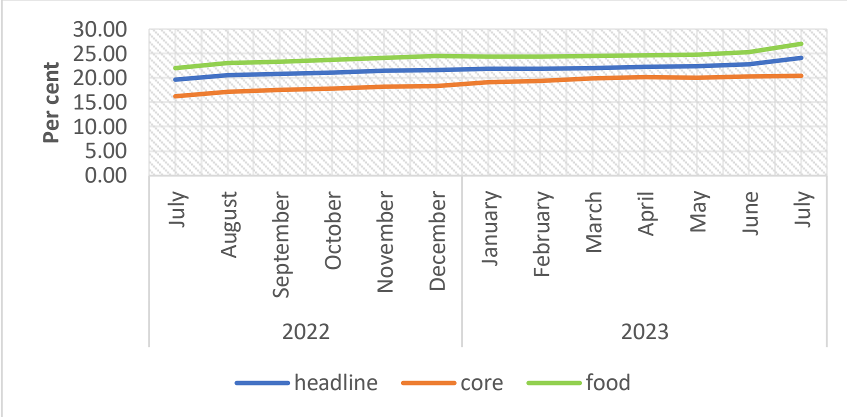
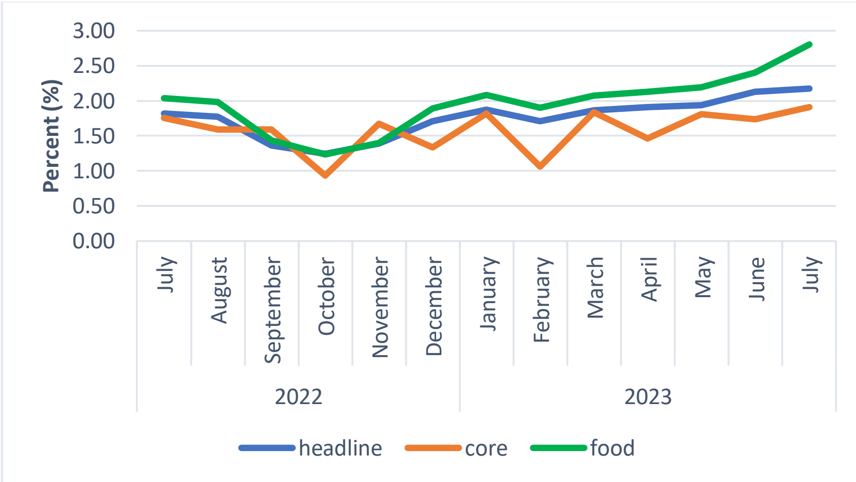
Figure 13: Headline, Food and Core Inflation (year-on-year) in Per cent



Source: National Bureau of Statistics (NBS).

Figure 14: Headline, Food and Core Inflation (month-on-month) in Per cent



Source: National Bureau of Statistics (NBS).

Core Inflation

Core inflation (headline less farm-produce and energy), on a year-on-year basis, rose to 20.47 per cent from 20.06 per cent in the preceding month. The rise was on account of the increase in import prices, persisting insecurity and protracted infrastructure deficit. Strong expectations of further increase in inflation, occasioned by the removal of subsidy on PMS, and the depreciation of exchange rate, also contributed to the uptick in core inflation. On a month-on-month basis, core

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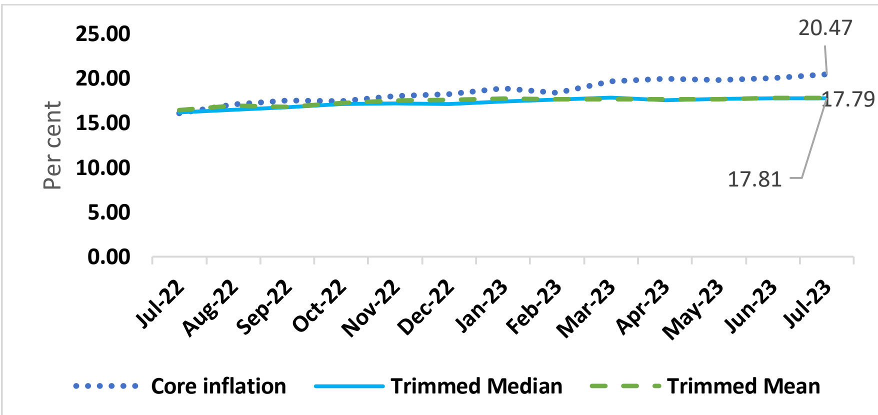
inflation inched up to 2.11 per cent, from 1.77 per cent in the preceding month.

Other measures of underlying inflation[3] were analysed using the trimmed mean and median measures. Both measures indicated that underlying inflation stood at 17.79 and 17.81 per cent, respectively, thus lower than the headline, less farm produce and energy indicator.

Figure 15: Core Inflation, in Per cent



Source: Staff computation using NBS data.

Food Inflation

Food inflation (year-on-year), increased to 26.98 per cent, from 25.25 per cent in the preceding month, largely on account of the effect of the removal of subsidy on PMS, which led to an increase in transport and logistics costs. The average cost of transport intra- and inter-city increased by 121.69 and 57.50 per cent, to ₦1,336.3 and ₦5,919.5, respectively, from ₦602.8 and ₦3,758.5 in June 2023.

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[3]***Trimmed Mean:*** a measure of underlying inflation derived using the average rate of inflation after trimming away a certain percentage of the distribution of price changes at both ends of that distribution. 20 per cent Trimmed Mean used.
***Trimmed Median*:** another measure of underlying inflation derived by obtaining median values from inflation of CPI components.

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On a month-on-month basis, food inflation spiralled to 3.45 per cent from 2.40 per cent in the preceding month.

2.1.3 Developments in the Domestic Crude Oil Sector

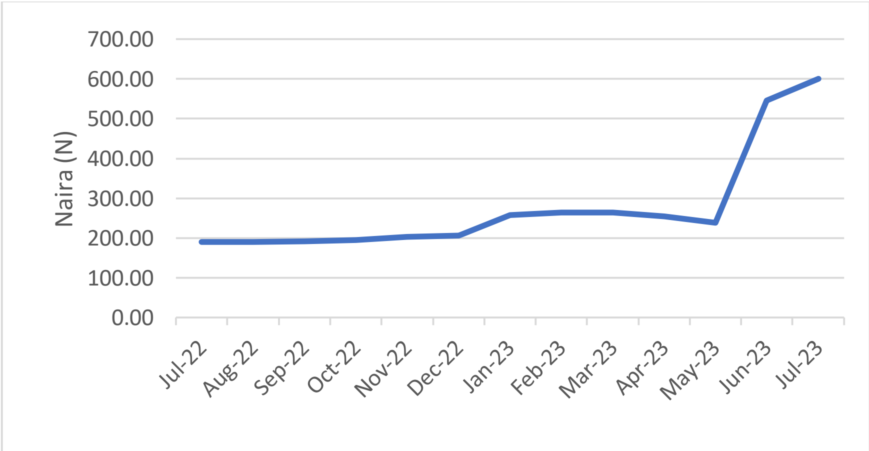
Crude Oil Production

Domestic crude oil production fell in July 2023, due mainly, to the suspension of liftings of Forcados crude stream, by Shell Petroleum Development Company, following leakages detected at the export terminal. Consequently, Nigeria's crude oil production fell by 13.60 per cent to 1.08 mbpd from 1.25 mbpd in the preceding month. The realised production level was below Nigeria's OPEC quota of 1.742 mbpd.

Premium Motor Spirit (PMS) Prices

The average price of PMS in Nigeria increased significantly for two consecutive months, due to the removal of the subsidy on PMS, and increases in the international price of crude oil. PMS price which averaged ₦238.11 per litre in May 2023, rose by 129.23 per cent to ₦545.83 per litre in June 2023, and increased further by 9.99 per cent to ₦600.35 per litre in July 2023.

Figure 16: Premium Motor Spirit (PMS) Prices



Source: National Bureau of Statistics (NBS).

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Box 2: Prices of Selected Domestic Agricultural Commodities

*The prices of selected domestic agricultural commodities increased, relative to the preceding month***.** The price increases ranged from 0.2 per cent for wheat flour to 2.7 per cent for garri yellow, driven mainly by higher processing and transportation costs. Conversely, prices of sweet potatoes, rice (medium grain), maize grain white, maize grain yellow, and tomatoes declined by 0.2, 0.4, 0.6, 1.8, and 5.4 per cent, respectively, compared with the preceding month, largely, due to increased supply shocks which, outstripped demand during the month.

COMMODITIES	23-Jun	23-Jul
Agric eggs medium size	3.68	1.13
Beans: brown, sold loose	6.14	1.36
Beans: white black eye, sold loose	1.77	2.42
Gari white, sold loose	3.05	1.7
Gari yellow, sold loose	3.64	2.68
Groundnut oil: 1 bottle, specify bott	3.05	0.32
Irish potato	2.12	0.79
Maize grain white, sold loose	2.81	-0.63
Maize grain yellow, sold loose	2.92	-1.84
Onion bulb	-2.8	2.53
Palm oil: 1 bottle, specify bottle	1.97	2.1
Rice agric, sold loose	5.68	1.16
Rice local, sold loose	5.31	0.96
Rice, medium grained	3.49	-0.45
Rice, imported high quality, sold loo	4.78	1.19
Sweet potato	3.02	-0.2
Tomato	7.19	-5.41
Vegetable oil: 1 bottle, specify bottl	2.51	0.56
Wheat flour: prepackaged (Golden	2.84	0.2
Yam tuber	0.04	2.38
Average chg. (%)		**0.6**

Source: National Bureau of Statistics.

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2.2 FISCAL SECTOR DEVELOPMENTS

Summary

The overall deficit of the FGN contracted by 5.3 and 9.1 per cent in July 2023, relative to the level in June 2023, and the proportionate budget benchmark, on the back of improved revenue outturns. Federation Account receipts increased by 61.9 per cent in July 2023, compared with the amount received in June 2023, but was 5.5 per cent short of target. The provisional FGN retained revenue also exceeded receipts in June 2023 by 57.1 per cent but was below the target by 38.7 per cent. Similarly, provisional FGN expenditure was 13.0 per cent above the level in the preceding period but fell short of the benchmark by 24.1 per cent. At N87,379.40 billion [4], the consolidated public debt stock was 38.7 per cent of GDP, as against the 40.0 per cent provided in the 2020-2023 Medium-Term Debt Strategy (MTDS), indicating improvement in debt management.

2.2.1 Federation Account Operations

Drivers of Federation Revenue

Gross Federation Account revenue increased, majorly, on account of higher non-oil receipts. At ₦1,667.83 billion, Federation Account receipt exceeded the level in June 2023 by 61.9 per cent but was 5.5 per cent short of the budget benchmark. The improved performance, relative to June 2023 figure was attributed, mainly, to increased collections from non-oil sources. Non-oil revenue continued to dominate total collection, accounting for 85.2 per cent, while oil revenue accounted for the balance of 14.8 per cent.

At ₦1,420.36 billion, non-oil revenue surpassed collections in June 2023, and the monthly target by 79.2 and 47.8 per cent, respectively. The increased performance was attributed, largely, to increased

[4] As at end-June 2023. The consolidated public debt for both states and the FGN amounted to ₦87,379.40 billion (or 42.3 per cent of GDP)

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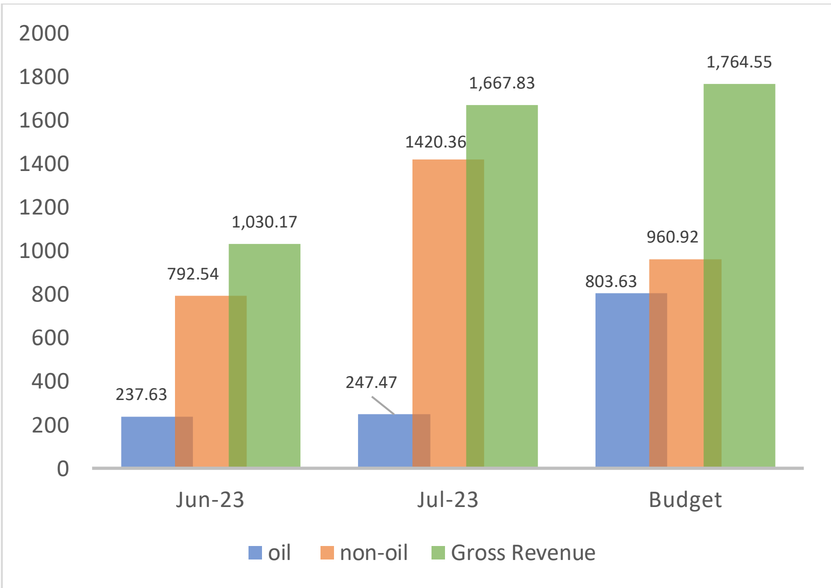
collections in Corporate Income Tax (CIT), and FGN Independent Revenue. Receipts from CIT rose by 141.3 per cent to ₦780.65 billion in July 2023, from ₦323.58 billion in June 2023, while FGN Independent Revenue increased by 295.6 per cent, to ₦218.57 billion in July 2023, from ₦55.25 billion in June 2023. The improved performance was due to increased filing of CIT returns, as the end-June 2023 deadline for filing elapsed, and the higher receipts of Internally Generated Revenue (IGR) from MDAs.

Oil revenue, at ₦247.47 billion, exceeded the level in June 2023 by 4.1 per cent, driven by higher collections from Petroleum Profit Tax & Royalties. Oil receipts, however, remained below the proportionate monthly target of ₦803.63 billion by 69.2 per cent.

Figure 17: Gross Revenue Outturn and Target (₦ Billion)



Source: Office of the Accountant General of the Federation and Central Bank of Nigeria Staff Estimates.

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Table 5: Federally Collected Revenue and Distribution to the Three-Tiers of Government (₦ Billion)

	Jul-22	Jun-23	Jul-23	*Budget
Federation Revenue (Gross)	**1,395.04**	**1,030.17**	**1,667.83**	**1,764.55**
Oil	**478.36**	**237.63**	**247.47**	**803.63**
Crude Oil & Gas Exports	0.00	0.00	0.00	40.9
PPT & Royalties	405.45	227.74	235.92	686.75
Domestic Crude Oil/Gas Sales	64.00	0.00	0.00	8.38
Others	8.90	9.89	11.55	67.59
Non-oil	**916.68**	**792.54**	**1,420.36**	**960.92**
Corporate Income Tax	447.08	323.58	780.65	174.39
Customs & Excise Duties	150.62	140.58	124.81	176.32
Value-Added Tax (VAT)	208.15	270.20	293.41	246.15
Independent Revenue of Fed. Govt.	107.90	55.25	218.57	264.09
*Others***	2.93	2.93	2.93	99.97
Total Deductions/Transfers	***592.63***	***259.02***	***1,093.11***	***686.07***
Federally Collected Revenue *Less Deductions & Transfers****	**802.41**	**771.15**	**574.72**	**1078.48**
plus:				
Additional Revenue	**0.00**	**15.01**	**332.33**	**11.36**
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*	*14.37*	*11.44*	*11.36*
Exchange Gain	*0.00*	*0.64*	*320.89*	*0.00*
Total Distributed Balance	***802.41***	***786.16***	***907.05***	***1089.84***
Federal Government	***321.86***	***301.89***	***345.56***	***430.36***
Statutory	*292.79*	*264.15*	*304.58*	*396.16*
VAT	*29.07*	*37.74*	*40.98*	*34.20*
State Government	***245.42***	***265.88***	***295.95***	***319.77***
Statutory	*148.51*	*140.07*	*159.34*	*205.75*
VAT	*96.91*	*125.80*	*136.61*	*114.02*
13% Derivation	***52.80***	***22.85***	***47.48***	***101.67***
Local Government	**182.33**	**195.54**	***218.06***	***238.04***
Statutory	*114.49*	*107.48*	*122.44*	*158.23*
VAT	*67.84*	*88.06*	*95.63*	*79.81*

Source: Office of the Accountant General of the Federation and CBN Staff Estimates.

Note: *Budget is based on 2023 appropriation Act, ** Includes Education Tax, Customs Special Levies (Federation Account), National Information Technology Development Fund, 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.

A net balance of ₦907.05 billion was distributed among the three tiers of government, of which the Federal, state, and local governments received ₦345.56 billion, ₦295.95 billion and ₦218.06 billion, respectively. The balance of ₦47.48 billion was allocated to the 13 per cent Derivation Fund for oil-producing states. Although the net disbursement was 16.8 per

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cent short of the monthly target, it exceeded the distribution in June 2023 by 15.4 per cent.

2.2.2 Fiscal Operations of the Federal Government

Federal Government Retained Revenue

The FGN retained revenue (provisional) rose, due to higher receipts from FGN Independent Revenue, and Exchange gain. At ₦564.13 billion, FGN retained revenue in July 2023 was 57.1 per cent, above collections in June 2023, but fell below the monthly target of ₦920.43 billion.

Table 6: FGN Retained Revenue (₦ Billion)

	Jul-22	Jun-23	Jul-23	*Budget
FGN Retained Revenue	629.03	359.15	564.13	920.43
Federation Account	292.79	*261.69*	*146.71*	*356.95*
VAT Pool Account	29.07	*37.74*	*40.98*	*31.92*
FGN Independent Revenue	107.90	55.25	218.57	264.09
Excess Oil Revenue	0.00	*0.00*	*0.00*	*0.00*
Excess Non-Oil	0.00	2.16	1.72	*0.00*
Exchange Gain	0.00	0.31	156.15	*0.00*
*Others***	199.27	2.01	0.00	*267.47*

Source: Office of the Accountant General of the Federation and CBN Staff Estimates.
Note: **Others include revenue from Special Accounts and Special Levies, *Based on 2023 appropriation Act.
The figures are provisional.

Federal Government Expenditure

The Provisional aggregate expenditure of the FGN increased in July 2023, relative to June 2023, but fell short of the target. At ₦1,380.66 billion in July 2023, the provisional FGN expenditure was ₦159.01 billion (13.0%) above the level in June 2023 but was below the target by ₦438.27 billion (24.1%). Recurrent expenditure at 74.2 per cent, maintained its dominance in total FGN spending, while capital outlay and transfers accounted for 20.8 and 5.0 per cent, respectively.

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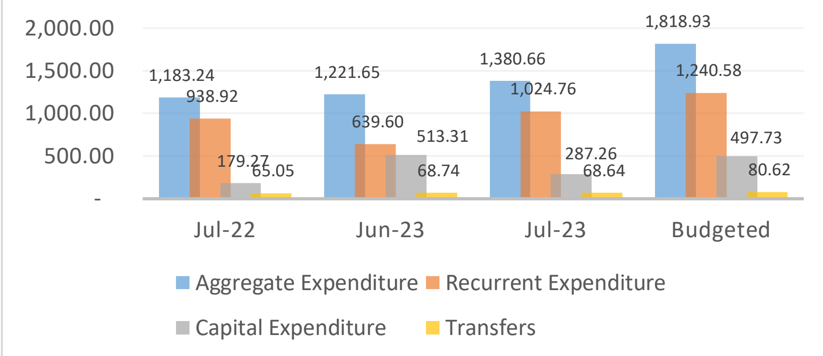
Figure 18: Federal Government Expenditure (₦ Billion)



Source: CBN Staff Estimates and compilation from Office of the Accountant General of the Federation data.

Overall Fiscal Balance

The estimated overall fiscal deficit of the FGN contracted, relative to the level in June 2023. Provisional fiscal deficit of the FGN, at ₦816.53 billion, contracted by 5.3 per cent, relative to the level in the preceding month, and was 9.1 per cent below the proportionate budget threshold. The contraction reflected lags in capital releases in the face of improved revenue outturns.

Table 7: Fiscal Balance (₦ Billion)

	Jul-22	Jun-23	Jul-23	*Budget
Retained revenue	629.03	359.15	564.13	920.43
Aggregate expenditure	**1,183.24**	**1,221.65**	**1,380.66**	**1,818.93**
Recurrent	**938.92**	**639.60**	**1,024.76**	**1,240.58**
Non-debt	423.96	375.01	472.74	694.11
Debt Service	489.80	241.32	537.65	546.47
Capital	179.27	513.31	287.26	497.73
Transfers	65.05	68.74	68.64	80.62
Primary balance	**-64.42**	**-621.19**	**-278.87**	**-352.04**
Overall balance	**-554.21**	**-862.50**	**-816.53**	**-898.51**

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

Federal Government Debt

The public debt profile of the FGN remained anchored on the 2020-2023 Medium-Term Debt Management Strategy(MTDS). The MTDS stipulates a debt-to-GDP threshold of 40.0 per cent, and 70:30 domestic-external debt portfolio mix, among other sustainability considerations. Total public debt outstanding, comprising the

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obligations of Federal and state governments, at end-June 2023, stood at ₦87,379.40 billion or 38.7 per cent of the GDP, representing an increase of 103.9 and 75.3 per cent, above the levels at end-June 2022 and end-March 2023, respectively. The increase was attributed to exchange rate revaluation and restructuring of FGN Ways and Means Advances. The consolidated debt stock of the Federal Government (including state governments' external debt, a contingent liability of the FGN) was ₦81,563.72 billion or 36.2 per cent of the GDP, while state governments' domestic debt stock accounted for the balance of ₦5,815.68 billion or 2.6 per cent of the GDP. Domestic debt stock made up the balance of ₦5,479.00 billion (11.0%).

A breakdown of the FGN debt shows domestic debt at ₦48,314.74 billion (59.2%), while external debt stood at ₦33,248.98 billion or US$43.16 billion (40.8%). FGN Bond maintained its dominance in domestic debt structure, accounting for 86.9 per cent, followed by Treasury Bills (9.8%), Promissory Notes (1.6%), FGN Sukuk (1.5%), and others[5] (0.2%).

[5] Composed of Treasury Bonds (0.11 %), Green Bonds (0.03 %) and FGN Savings Bond (0.06 %).

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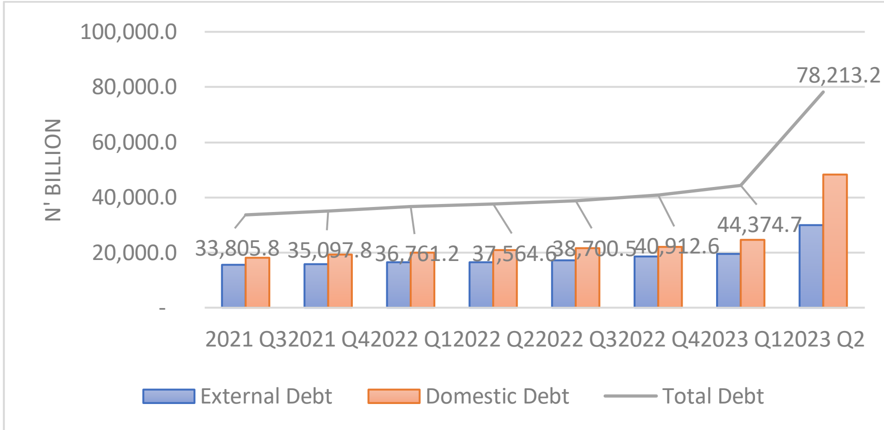
Figure 19: FGN External and Domestic Debt Composition (N Billion)

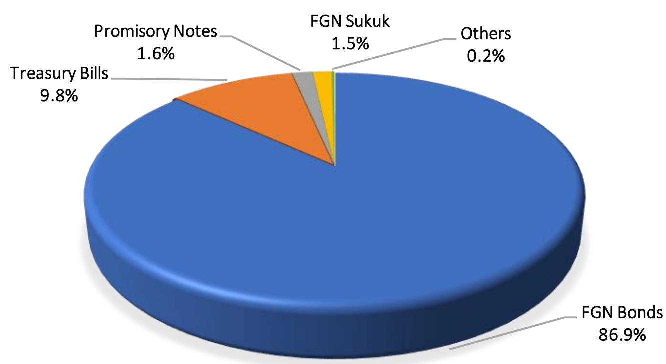


Source: Debt Management Office (DMO).

Analysis of Nigeria's external debt by holdings indicates that Multilateral, Commercial and Bilateral loans accounted for 48.2, 36.2 and 12.8 per cent, respectively, while 'other' loans constituted 2.8 per cent. 'Other' loans include Promissory notes (2.1%) and Syndicated loans arranged by the AFC (0.7%).

Debt service obligations in Q22023, amounted to ₦754.15 billion, compared with ₦1,243.50 billion in Q12023. The decrease was attributed to refinancing of matured FGN Bonds and Treasury Bills.

Figure 20: Composition of Domestic Debt Stock in Per cent



Source: DMO.

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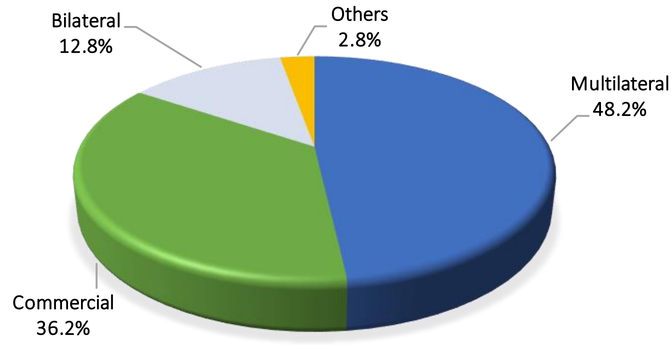
Figure 21: Composition of External Debt Stock in Per cent



Source: DMO.

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2.3 MONETARY AND FINANCIAL DEVELOPMENTS

Summary

Key financial indicators were positive in the review period. Credit to the private sector increased significantly, following various policy measures by the Bank to support lending. Consequently, the broad money supply, M3 exceeded its annualised target. Short-term rates, generally trended downwards, with noticeable improvement in the adoption of digital and electronic payments, and sustained decline in currency outside depository corporations (CODCs). The capital market posted a bullish outturn, due partly, to portfolio switching from fixed income investments.

Reserve Money

Reserve money grew significantly in July 2023, compared with the level at end-December 2022, on account of growth in liabilities to other depository corporations (ODCs), an indication of growing confidence in the banking system. Reserve money grew by 8.4 per cent to ₦17,376.49 billion in July 2023, from ₦16,032.96 billion at end-December 2022, driven, wholly, by increase in liabilities to ODCs. The liabilities to ODCs grew by 13.5 per cent over the level in December 2022. Conversely, currency-in-circulation (CIC), declined by 13.8 per cent, moderating the growth in the monetary base. Analysis by components revealed a substantial growth in the eNaira by 248.6 per cent to ₦8.89 billion, while the volume of notes and coins declined by 14.0 per cent to ₦2,586.87 billion at end-July 2023.

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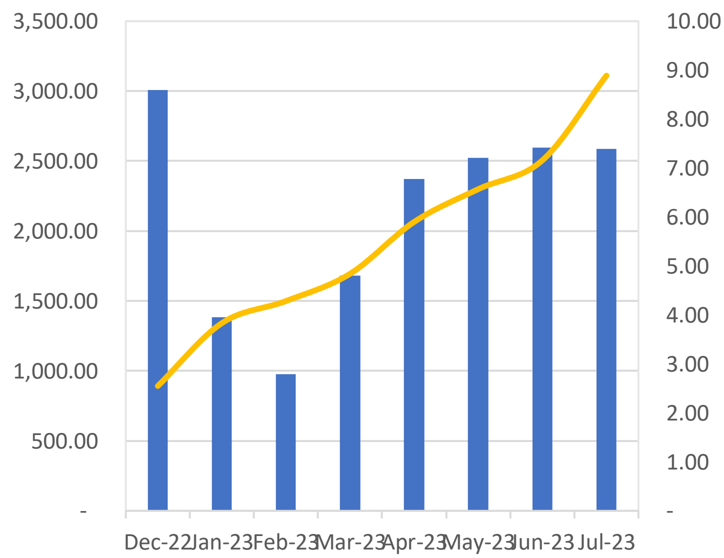
Table 8: Components of Reserve Money (₦ Billion)

	Jul-22	Dec-22	May-23	Jun-23	Jul-23
Reserve Money	**14,026.89**	**16,032.96**	**17,544.86**	**17,339.25**	**17,376.49**
Currency-In-Circulation	*3,242.60*	*3,012.06*	*2,526.68*	*2,603.27*	*2,595.76*
Liabilities to ODCs	*10,784.29*	*13,020.91*	*15,018.18*	*14,735.98*	*14,780.72*
Reserve Money (% Growth over Preceding December)	*5.50*	*20.59*	*9.43*	*8.15*	*8.38*
Broad Money Multiplier (M_3)	*3.44*	*3.26*	*3.17*	*3.74*	*3.77*

Source: Central Bank of Nigeria.

Figure 22: Composition of Currency-in-Circulation (₦ Billion)



	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Naira & Coins (LHS)	3,009.5	1,382.5	977.81	1,678.6	2,373.1	2,520.1	2,596.1	2,586.8
eNaira (RHS)	2.55	3.83	4.29	4.84	5.90	6.57	7.16	8.89

Source: Central Bank of Nigeria.

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Broad Money

The increase in money multiplier to 3.77, compared with the 3.26 at end-December 2022, amplified the monetary base, resulting in a 25.4 per cent growth in broad money supply (M3). On annualised basis, M3 grew by 43.6 per cent, compared with the annual growth target of 28.2 per cent. From the liability side, the growth in M3, was attributed, majorly, to the 31.3 per cent rise in other deposits, which in turn, was driven by the 72.5 per cent growth in foreign currency deposits. Analysis by percentage contribution indicates that other deposits, accounted for 18.64 percentage points to the growth in M3. The substantial contribution was due to the revaluation of foreign liabilities. Transferable deposits, also, recorded a growth of 20.6 per cent at end-July 2023 and contributed 7.2 percentage points to the growth in M3. Currency outside depository corporations (CODC), however, continued to decline, falling by 14.0 per cent in the review month. The decline in CODC points to the increased adoption and usage of electronic payment channels.

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Table 9: Money and Credit Growth over preceding December in Per cent

	Jul-22	Dec-22	Jun-23	Jul-23	Contribution to M3 growth (Jul-23)	Annualised Growth (Jul-23)	2023 Benchmark
Net Foreign Assets	-44.34	-25.57	59.64	33.58	4.48	57.57	95.57
Claims on Non-residents	1.71	9.64	51.81	50.54	22.07	86.64	
Liabilities to Non-residents	39.36	38.43	48.37	58.00	17.59	99.43	
Net Domestic Assets	22.78	28.9	18.92	24.17	20.95	41.43	17.85
Domestic Claims	22.97	31.42	31.15	34.93	42.89	59.88	49.16
Net Claims on Central Government	45.28	61.61	39.64	44.45	19.05	76.20	58.63
Claims on Central Government	31.78	34.57	30.71	34.70	21.92	59.49	
Liabilities to Central Government	14.25	-0.53	11.88	14.15	2.87	24.26	
Claims on Other Sectors	14.12	19.46	26.60	29.83	23.84	45.99	44.09
Claims on Other Financial Corporations	5.07	11.69	26.86	31.40	5.30	53.83	
Claims on State and Local Government	30.20	32.47	-8.51	9.23	0.58	15.82	
Claims on Public Nonfinancial Corporations	42.73	40.89	4.55	4.37	0.09	7.49	
Claims on Private Sector	14.48	19.95	31.47	32.75	17.86	56.14	
Total Monetary Assets (M_3)	8.66	17.44	24.35	25.43	25.43	43.59	28.21
Currency Outside Depository Corporations	-7.38	-12.57	-11.91	-14.01	-0.69	-24.02	
Transferable Deposits	16.85	20.34	22.20	20.64	7.20	35.38	
Narrow Money (M_1)	12.91	14.98	17.98	16.36	6.51	28.05	29.18
Other Deposits	5.75	17.63	13.33	31.34	18.64	53.73	
Broad Money (M_2)	8.66	16.56	24.24	25.34	25.15	43.44	29.18
Securities other than Shares	100.00	101.00	26.13	27.39	0.28	46.95	
Total Monetary Liabilities(M_3)	8.66	17.44	24.35	25.43	25.43	43.59	28.21

Source: Central Bank of Nigeria.
Note: 2023 benchmark are Staff Estimates.

From the asset side, the Net Foreign Asset (NFA) increased by 33.6 per cent and contributed 4.5 per cent to the growth in broad money M3. The growth in NFA was driven by 50.5 per cent increase in claims on non-residents, which outweighed the 58.0 per cent increase in liabilities to non-residents. Domestic claims grew by 34.9 per cent, arising from the combined effects of the 44.5 and the 29.8 per cent rise in net claims on central government, and claims on other sectors, respectively. The rise in the claims on central government was

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due to the increase in holdings of government securities, and loans from depository corporations. The increase in claims on other sectors, was driven by the 32.8, 31.4, 9.2 and 4.4 per cent growth in claims on private sector, other financial corporations, state and local government, and public non-financial corporations, respectively.

2.3.1 Sectoral Credit Utilisation

Sectoral Utilisation of Credit

Total credit to key sectors of the economy rose by 2.1 per cent to ₦38,270.58 billion at end-July 2023, from ₦37,479.37 billion in the preceding month. Credit utilisation across all the sectors increased, as loans to services, industry, and agriculture sectors rose by 2.9, 1.3 and 0.9 per cent, respectively. A further analysis revealed that the services sector, at ₦19,890.31 billion, sustained dominance in terms of relative share (52.0%), followed by industry (43.2%) and agriculture (4.8%).

Table 10: Relative Share in Total Sectoral Credit

Sectors	Credit Allocation (₦ Billion)			Percentage Share in Total (%)		
	Dec-22	Jun-23	Jul-23	Dec-22	Jun-23	Jul-23
[a] Agriculture	**1,812.47**	**1,839.43**	**1,855.31**	**6.2**	**4.9**	**4.8**
[b] Industry	**12,074.31**	**16,313.85**	**16,524.96**	**41.0**	**43.5**	**43.2**
of which Manufacturing	5,566.43	6,982.02	7,111.00	46.1	42.8	43.0
[c] Services	**15,559.09**	**19,326.09**	**19,890.31**	**52.8**	**51.6**	**52.0**
of which Finance, Insurance & Capital Market	2,638.84	3,475.75	3,661.99	17.0	18.0	18.4
Trade/General Commerce	2,214.41	2,884.66	3,109.86	14.2	14.9	15.6
TOTAL	**29,445.87**	**37,479.37**	**38,270.58**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Nigeria.

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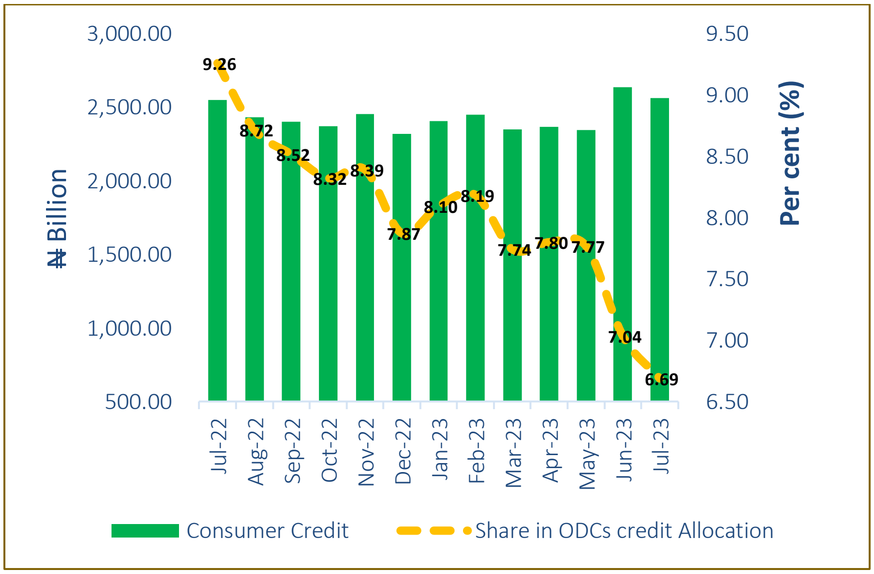
Consumer credit declined by 2.9 per cent, to ₦2,560.48 billion in the review month, from ₦2,637.32 billion at end-June 2023. Of the total credit allocation by ODCs (₦38,270.58 billion), the share of consumer credit stood at 6.7 per cent, a 0.3 percentage point decline from 7.0 per cent in the preceding month. The fall in consumer credit could be attributed to subdued appetite for credit by households, amid the tight policy stance of the Bank, aimed at taming inflationary pressures in the economy.

Figure 23: Consumer Credit Outstanding



Source: Central Bank of Nigeria.

Consumer Credit

A breakdown of consumer credit showed that personal loans maintained the highest share at 74.8 per cent, while the share of retail loans stood at 25.2 per cent.

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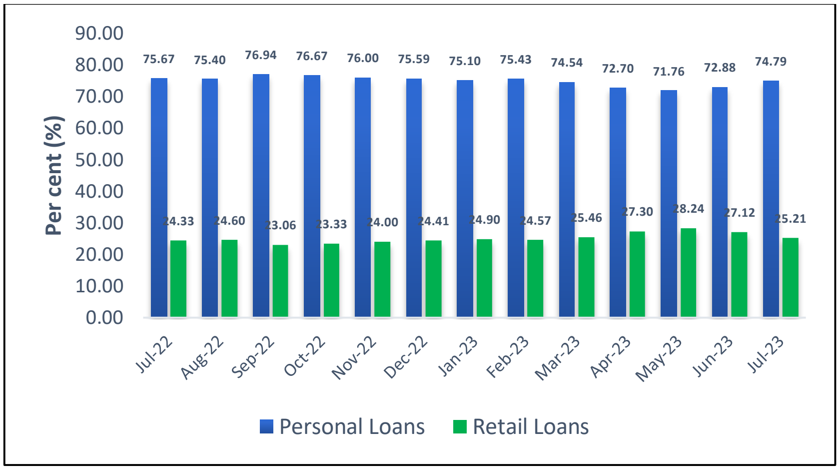
Figure 24: Composition of Consumer Credit



Source: Central Bank of Nigeria.

2.3.2 Financial Developments

2.3.2.1 Money Market Developments

Industry Liquidity Condition

The average liquidity in the banking system declined in the review period, compared with the level in the preceding month. Injections from Federation Account Allocation Committee (FAAC) disbursements (₦907.05 billion), NTBs (₦406.51 billion), and CBN bills maturities (₦5.00 billion) in the review period buoyed liquidity in the banking system. The average net industry balance, however, declined marginally to ₦562.04 billion, compared with ₦568.42 billion in the preceding month.

Discount Windows

The activities at the CBN Standing Facility windows reflected the liquidity conditions in the banking system. Total disbursements at the Standing Lending Facility (SLF) window rose to ₦616.44 billion in the review month, from ₦124.68 billion in the preceding month, with an average daily disbursement of ₦61.64 billion, compared with ₦0.53 billion in June 2023. Similarly, deposits at the Standing Deposit Facility (SDF) window increased to ₦878.34 billion from ₦621.88 billion, with average daily deposit of ₦41.83 billion, compared

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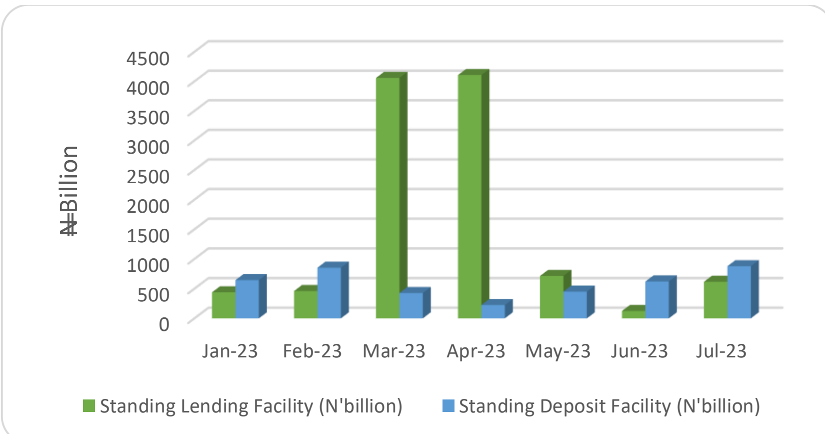
with ₦32.73 billion in June 2023.

The applicable rates for the SDF and SLF increased to 15.75 and 19.75 per cent, respectively in July 2023, from 11.50 and 19.50 per cent, respectively, in the previous month, following the hike in policy rate by 25 basis points to 18.75 per cent and the adjustment of the asymmetric corridor to +100/-300 from +100/-700 basis points in July 2023.

Figure 25: Transactions at the CBN Standing Facility Windows (N Billion)



Source: Central Bank of Nigeria.

Open Market Operations Government Securities

OMO auctions have not been held since December 2022. Maturing bills of ₦5.00 billion were, however, redeemed during the review period.

Investment in Government Securities

Subscriptions at the NTB and FGN Bond segments were mixed. At the NTB auctions held during the period, bills of 91-, 182- and 364-day tenors amounting to ₦406.10 billion, ₦1,090.03 billion, and ₦406.10 billion were offered, subscribed, and allotted, relative to ₦404.51 billion, ₦1,869.78 billion, and ₦404.51 billion, respectively, in the preceding month. Stop rates increased across the various maturities on offer to 7.51 (±4.71) per cent from 6.16 (±3.29)

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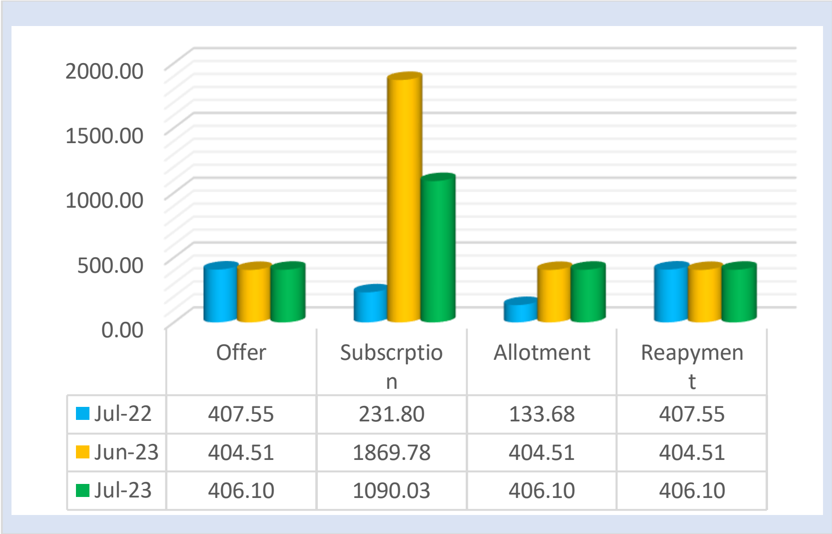
per cent in June 2023. Investors sustained preferences for longer-term securities (364-day), which accounted for 95.3 per cent of total subscriptions.

Figure 26: Primary Market NTBs (N Billion)



	Offer	Subscrption	Allotment	Reapyment
Jul-22	407.55	231.80	133.68	407.55
Jun-23	404.51	1869.78	404.51	404.51
Jul-23	406.10	1090.03	406.10	406.10

Source: Central Bank of Nigeria.

FGN Bonds of 10-, 10-, 15- and 30-year tranches were offered for sale in the month under review. Total amounts offered, subscribed, and allotted were ₦360.00 billion, ₦945.14 billion, and ₦656.74 billion, respectively, compared with the ₦360.00 billion, ₦635.12 billion, and ₦427.16 billion in the preceding month. Marginal rates at the auction closed lower at 13.40 (±0.90) per cent, compared with 14.80 (±0.90) per cent in the preceding month.

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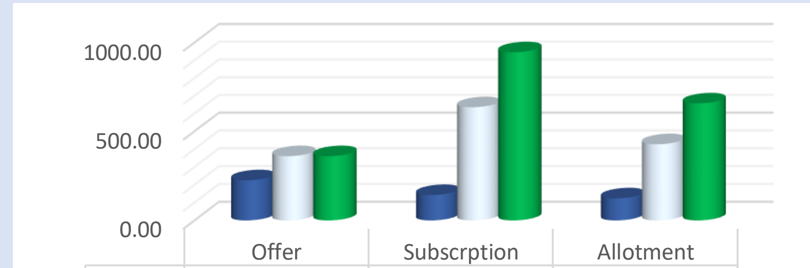
Figure 27: Primary Auctions of FGN Bond (₦ Billion)



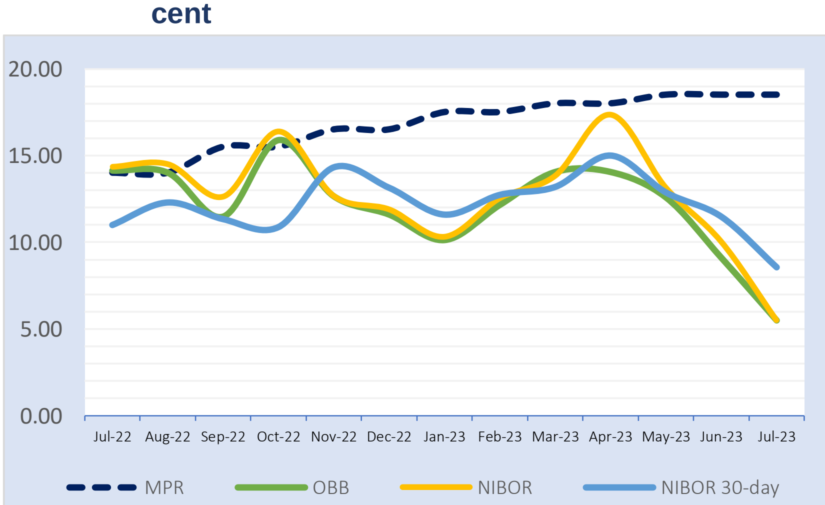
	Offer	Subscrption	Allotment
Jul-22	225.00	142.29	123.84
Jun-23	360.00	635.12	427.16
Jul-23	360.00	945.14	656.74

Source: Central Bank of Nigeria.

Interest Rate Development

Average banking system liquidity was sufficient to drive key short-term interest rates downwards in the review period. The average interbank and Open Buy Back (OBB) rates dropped by 4.9 and 3.6 percentage points, respectively, to close at 6.73 and 5.50 per cent, relative to the levels at the preceding month. The Nigerian Interbank Offered Rates (NIBOR) also declined across the different tenors. The NIBOR-Call and NIBOR-30 dipped to 5.50 and 8.57 per cent, respectively, from 10.04 and 11.49 per cent recorded in June 2023.

Figure 28: Developments in Short-term Interest Rates in Per cent



Source: Central Bank of Nigeria.

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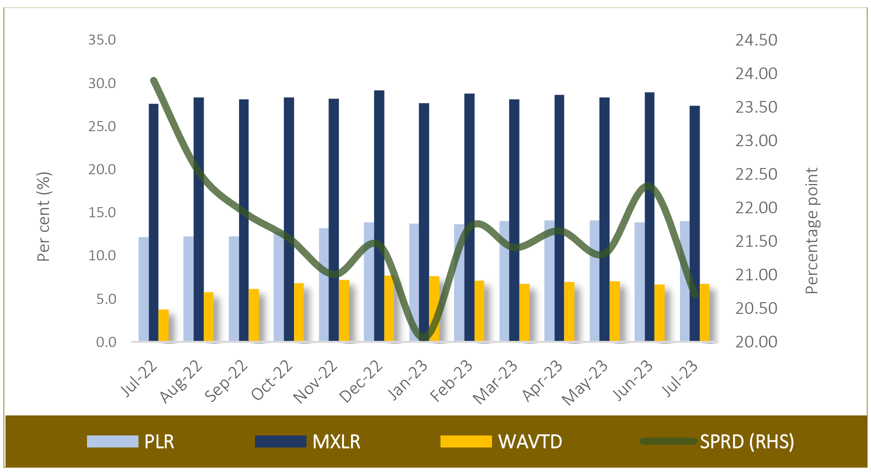
Prime lending rate increased marginally by 0.1 percentage point to 14.0 per cent, relative to the level in June 2023, while the maximum lending rate declined by 1.6 percentage points to the 27.38 per cent in the same period. The weighted average term deposit rate also increased by 0.1 percentage point to 6.7 per cent, relative to the level in the preceding month. Thus, the spread between the weighted average term deposit and maximum lending rates, narrowed to 20.7 percentage points from 22.3 percentage points.

Figure 29: Trend in Average Deposit and Lending Rates in Per cent



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.

2.3.2.2 Capital Market Developments

Market Capitalisation

The Nigerian capital market was bullish in the review period, due partly, to portfolio switching, and positive sentiments about corporate earnings in the half year. The aggregate market capitalisation rose by 2.7 per cent to ₦61,518.68 billion, from ₦59,916.22 billion at end-June 2023. Analysis of the various segments showed that the Equities, and Exchange Traded Funds (ETFs) appreciated by 5.5 and

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Market Capitalisation

3.3 per cent to close at ₦35,017.09 billion and ₦10.61 billion, respectively, from ₦33,203.45 billion and ₦10.28 billion, respectively, recorded at end of the preceding month. The development was hinged on favourable investor sentiment around the positive half year corporate earnings in the first half of 2023. The debts component, however, depreciated marginally by 0.8 per cent, to ₦26,490.97 billion, from ₦26,702.50 billion at end-June 2023. In terms of percentage share in total, the equities component continued to dominate, with 56.9 per cent of the aggregate market capitalisation, while the debt, and the ETF components constituted the balance of 43.1 per cent.

NGX- All Share Index

The All-Share Index (ASI) appreciated by 5.5 per cent to 64,337.52 points, from 60,968.27 points in the preceding month. The positive performance of the ASI was driven by portfolio switching from fixed income investments, and positive investor sentiments around the reforms in the foreign exchange market and half year corporate results.

Figure 30: Aggregate Market Capitalisation and All-Share Index

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Source: Nigeria Exchange (NGX) Limited.

Table 11: Nigerian Exchange (NGX) Limited Sectorial Indices

NGX INDICES	JUN-23	JUL-23	CHANGES (%)
NGX-OIL & GAS	775.85	931.42	20.1
NGX-INDUSTRIAL GOODS	2,491.31	2,844.36	14.2
NGX-MERI GROWTH	3,396.92	3,735.63	10.0
NGX-AFRI DIV YIELD	5,064.38	5,567.69	9.9
NGX-PREMIUM	6,256.51	6,748.22	7.9
NGX-30	2,201.23	2,344.01	6.5
NGX-MERI VALUE	3,543.64	3,761.49	6.1
NGX-AFRI BANK VALUE	1,570.77	1,665.19	6.0
NGX-PENSION	2,581.82	2,726.97	5.6
NGX-PENSION BOARD	1,052.79	1,111.32	5.6
NGX-GROWTH	2,493.13	2,626.17	5.3
NGX-BANKING	645.42	670.22	3.8
NGX-MAIN BOARD	2,675.20	2,775.18	3.7
NGX-CG	1,788.36	1,850.71	3.5
NGX-LOTUS II	4,039.16	4,150.75	2.8
NGX-SOVEREIGN BOND	762.86	769.70	0.9
NGX-ASEM	659.42	658.99	-0.1
NGX-CONSUMER GOOD	894.76	853.75	-4.6
NGX-INSURANCE	277.07	260.74	-5.9

Source: Nigerian Exchange (NGX) Limited.

The trading activities in the review period, sustained a positive momentum as the volume of traded securities increased by 75.3 per cent to 22.79 billion, from 13.00 billion in the preceding period. In the same trend, the value of traded securities rose by 141.1 per cent to ₦351.99 billion in 204,493 deals, from ₦145.41 billion in 159,040 deals at end-June 2023.

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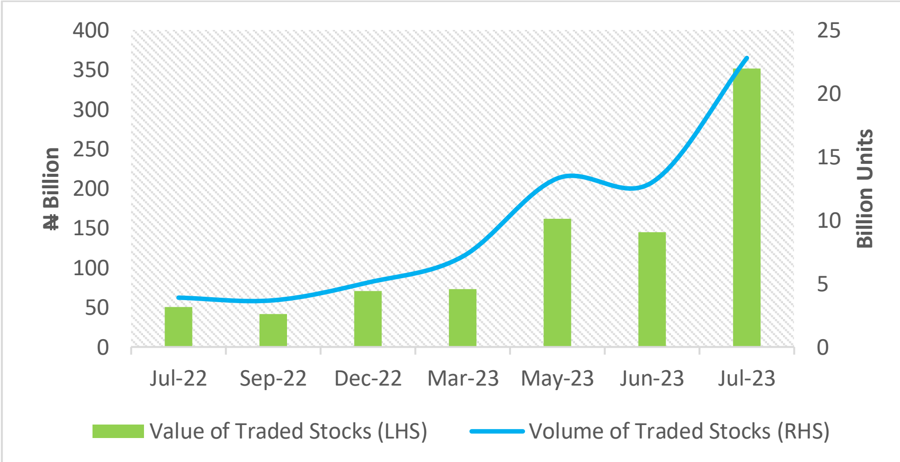
Figure 31: Volume and Value of Traded Securities on the NGX in July 2023



Source: Nigerian Exchange (NGX) Limited.

There was one (1) new rights issue listing and one (1) delisting on the Exchange in July 2023.

Table 12: Listings/delisting on the Nigerian Exchange Limited in July 2023

Company/Security	Shares Units/Price	Remarks
Sovereign Trust Insurance Plc	A total volume of 2,841,116,504 ordinary shares of 50 Kobo each at ₦0.50 per share.	Rights Issue
Ardova Petroleum PLC	All listed shares	Delisting

Source: Nigerian Exchange (NGX) Limited.
Notes: FGN=Federal Government of Nigeria Saving Bond; and Plc=Public Limited Liability Company.

2.3.2.3 Financial Soundness Indicators

The banking system financial soundness indicators (FSIs) were within the regulatory limit in the review period. The ratio of Non-Performing Loans (NPLs) to total loans, a measure of banks' asset quality, was 4.1 per cent in the review period, lower than the prudential benchmark of 5.0 per cent.

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The banking system Capital Adequacy Ratio (CAR) and the Liquidity Ratio (LR) stood at 10.9 and 53.7 per cent, above the minimum regulatory benchmarks of 10.0 and 30.0 per cent, respectively. The ratio of NPLs to total loans, CAR and LR were 4.1, 11.2 and 61.9 per cent, respectively, in the preceding month.

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2.4 EXTERNAL SECTOR DEVELOPMENTS

Summary

The external sector recorded a trade surplus in July 2023, notwithstanding the decline in export receipts, due to a dip in crude oil production. Foreign capital inflow into the economy declined, owing to sustained higher interest rates in the Advanced Economies. Capital outflow from the domestic economy declined significantly, partly, on account of lower capital reversals. Using the Q12023 import values, the stock of external reserves at US$33.31 billion at end-July 2023 could cover 6.3 months of import of goods and services or 8.5 months of import of goods only, well above the international benchmark of 3-months import cover. The average exchange rate of the naira (NAFEM) was ₦770.32/US$ in July 2023, compared with ₦610.71/US$ in June 2023, showing a depreciation of 20.7 per cent.

2.4.1 Trade Performance

The external sector recorded a trade surplus in July 2023, compared with the position in the preceding month, on account of higher import bills. Provisional data showed that the trade surplus narrowed to US$1.47 billion in July 2023, relative to US$2.71 billion in the preceding month. Total export receipts decreased by 8.5 per cent to US$4.59 billion, from US$5.02 billion in June 2023, while merchandise import rose by 35.6 per cent to US$3.13 billion, from US$2.31 billion.

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Figure 32: Export, Import and Trade Balance (US$ Billion)

Source: Central Bank of Nigeria.

Oil Export

Aggregate export receipts declined with a dip in crude oil production. Provisional data indicated that crude oil and gas export receipts decreased by 8.9 per cent, to US$4.07 billion, from US$4.47 billion in June 2023. This was due to the fall in crude oil production to 1.08mbpd, from 1.25mbpd in June 2023. A breakdown revealed that crude oil export receipts decreased to US$3.61 billion, from USS$3.96 billion in the preceding month. Receipts from gas export also declined to US$0.46 billion, from US$0.51 billion in June 2023, due to lower export of liquefied petroleum gas. Analysis by share of the total export, showed that crude oil and gas accounted for 88.7 per cent of total, while non-oil exports accounted for the balance of 11.3 per cent. Of the total crude oil and gas earnings, crude oil receipts accounted for 78.7 per cent, while gas receipts, contributed 10.0 per cent.

Non-Oil Export

Lower export of urea, and some agricultural produce dampened non-oil export receipt. Non-oil export earnings decreased by 5.3 per cent to US$0.52 billion, from US$0.55 billion in June 2023, driven by the decline in the export of urea,

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cocoa beans, cashew nuts and sesame seeds in the review period.

Analysis of non-oil export by destination revealed that the United States was the major recipient, with a share of 10.4 per cent, followed by China (8.8%), Brazil (7.2%), Japan (6.1%), and India (4.7%). The major commodities of export were urea, which accounted for 20.1 per cent, followed by cocoa beans with 9.5 per cent; and cashew nuts, 5.3 per cent.

Receipt from the top five (5) exporters of non-oil products was US$0.11 billion, compared with US$0.09 billion in June 2023. Analysis by share revealed that Indorama Eleme Fertilizer and Outspan Nigeria Ltd. were the top two (2) exporters with shares of 18.2 and 5.4 per cent of the total, from the export of urea and dairy products, respectively. Metal Recycling Industries Ltd (export of aluminum and copper ingots) and the West African Soy Industries Limited (soya bean seed and oil), were ranked third with 3.4 per cent, apiece. Segilola Resources Operating Limited was fifth, with a share of 3.0 per cent from the export of gold.

Import

Merchandise import increased in July 2023, due mainly to petroleum products. Provisional data showed that aggregate merchandise import increased by 35.6 per cent to US$3.13 billion, from US$2.31 billion in June 2023. A disaggregation revealed that the importation of petroleum products rose significantly to US$1.15 billion, from US$0.15 billion in June 2023. Non-oil import, however, decreased to US$1.98 billion, from US$2.15 billion in the preceding month due to lower importation of machineries (particularly spare parts), cement and other building materials, as well as

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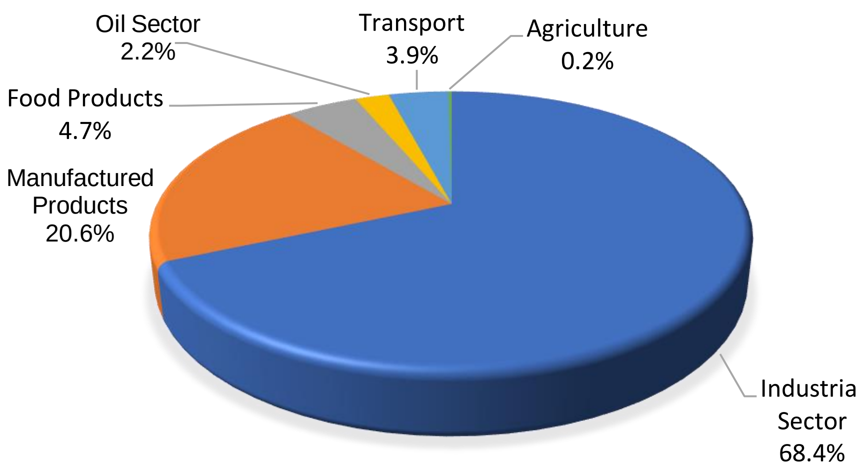
pharmaceutical products. By share, non-oil import accounted for 63.3 per cent, while oil constituted the balance of 36.7 per cent.

Sectoral Utilisation of Foreign Exchange

Sectoral utilisation of foreign exchange for visible import showed that industry had the largest share of 68.4 per cent, followed by manufactured products (20.6%), food products (4.7%), transport (3.9%), oil (2.2%), and agriculture (0.2%).

Figure 33: Import by Sector in Per cent



Source: Central Bank of Nigeria.

Capital importation

Foreign capital inflow into the economy declined in July 2023, as interest rates rise in the Advanced Economies and their markets become more attractive. Total capital imported into the economy decreased by 73.6 per cent to US$0.23 billion, from US$0.39 billion in June 2023. Analysis based on investment categories revealed that other investment capital, primarily in the form of loans and foreign direct investment as a percent of total, were 88.3, 8.0 and 3.7 per cent valued at US$0.20 billion, US$0.02 billion, and US$0.01 billion, respectively.

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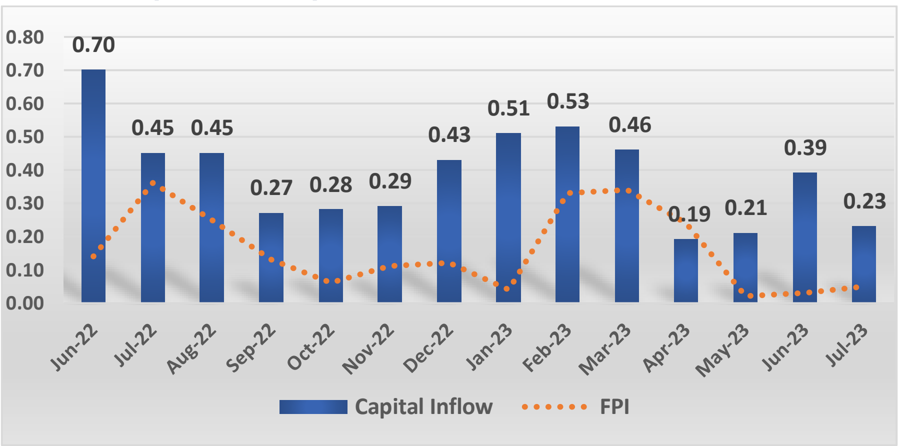
By nature of business, investment in financing accounted for 48.1 per cent of the total inflow, production/manufacturing, (31.2%); telecommunications, (8.7%); shares, (6.8%); banking (3.7%), and other sectors accounted for the balance (1.5%).

Analysis of capital inflow by origin showed the United States as the major source of inflow at 24.9 per cent of the total. The United Arab Emirates, Netherlands, United Kingdom, Singapore, Denmark, and Mauritius, accounted for 16.5, 6.8, 6.6, 5.8, 3.7 and 3.5 per cent, respectively. By destination, the Federal Capital Territory and Lagos state were the main recipients of capital inflow, with shares of 63.8 and 36.2 per cent, respectively.

Figure 34: Capital Inflow and Foreign Portfolio Investment (US$ Billion)



Source: Central Bank of Nigeria.

Capital Outflow

Capital outflow from the domestic economy declined significantly in July 2023, partly on account of lower loans, dividend repatriation, and capital reversal. In July 2023, capital outflow at US$0.22 billion, fell by 67.0 per cent, compared with US$0.67 billion in the preceding month. Outflow in the form of loans declined to US$0.12 billion, from US$0.33 billion in June 2023, while, outflow in the form of

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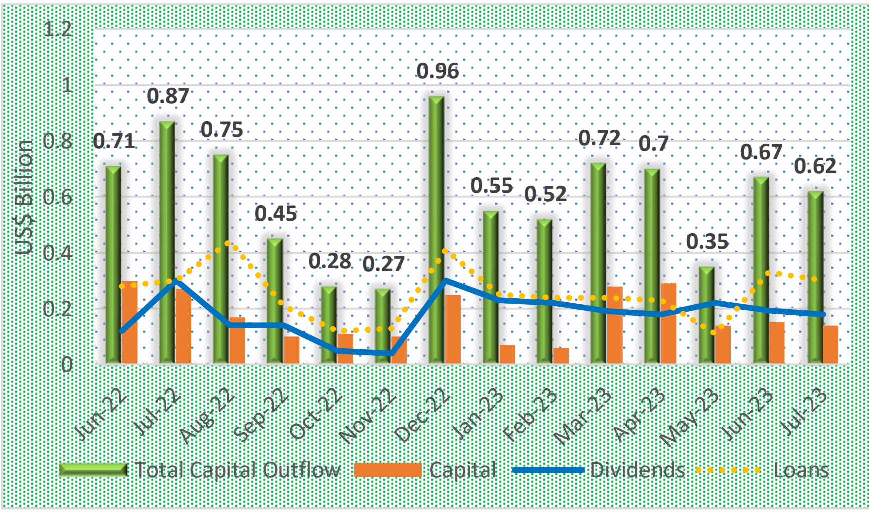
capital reversal declined to US$0.08 billion from US$0.15 billion. There was also a decline in repatriation of dividends to US$0.02 billion, from US$0.19 billion in the preceding month. Of the total capital outflow, loans accounted for 52.4 per cent, capital reversals; 37.4 per cent, dividends; 10.2 per cent, while others accounted for the balance.

Figure 35: Capital Outflow (US$ Billion)



Source: Central Bank of Nigeria.

2.4.2 Emerging Markets

Emerging Markets Currencies

During the review period, the Chinese renminbi (RMB) and Russian rouble depreciated by 0.5 and 8.0 per cent, against the US dollar. The depreciation of the Chinese renminbi (RMB) was driven by the expectation of continued US Fed interest rate, hike amidst weaker economic data, while the Russian rouble was affected by decline in export earnings. The South African rand, however, appreciated by 2.9 per cent relative to the US dollar, due to stronger than expected export.

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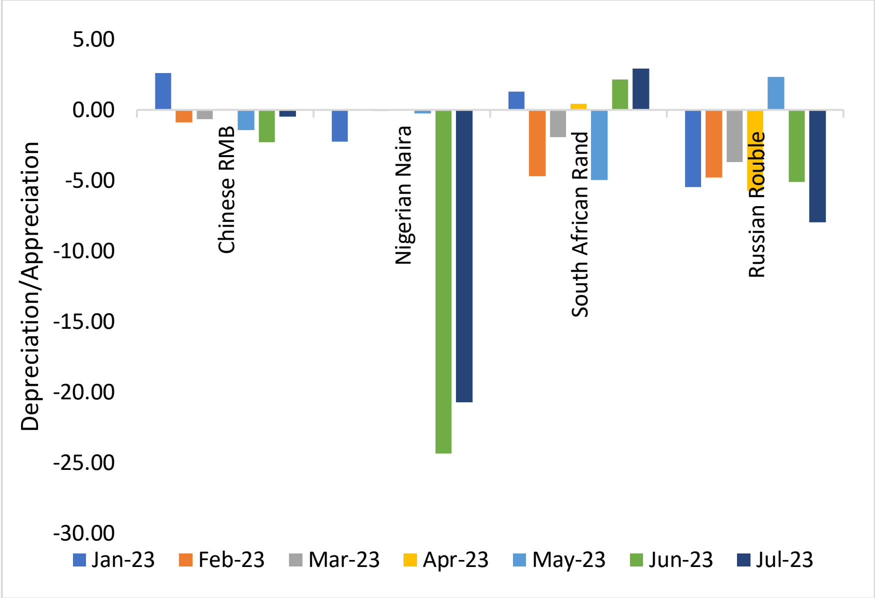
Figure 36: EMEs Currencies' Values to the US Dollar



Sources: CBN and Exchange Rates UK.

Table 13: Selected Currencies of EMDEs to the US Dollar

Period	Chinese RMB/US$	Nigerian Naira/US$	South African Rand/US$	Russian Rouble/US$
Jul-22	6.73	417.38	16.81	59.48
Jun-23	7.15	610.71	18.74	83.42
Jul-23	7.19	770.32	18.21	90.64

Sources: CBN and Exchange Rates UK.

2.4.3 External Reserves

The stock of external reserves surpassed the international benchmark of import cover. The external reserves stood at US$33.31 billion at end-July 2023, from US$33.71 billion at end-June 2023, and could cover 6.3 months of import of goods and services or 8.5 months of import of goods, using Q12023 import values.

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Figure 37: External Reserves in US$ Billion and Months of Import Cover

Source: Central Bank of Nigeria.

2.4.4 Foreign Exchange Flows through the Economy

Foreign Exchange Flows through the Economy

The economy recorded a net foreign exchange inflow of US$3.01 billion in July 2023. Aggregate foreign exchange inflow into the economy rose by 11.6 per cent, to US$6.17 billion, from US$5.53 billion in the preceding month. Foreign exchange outflow also increased by 36.2 per cent to US$3.16 billion from US$2.32 billion in June 2023.

Foreign exchange inflow through the Bank, at US$2.59 billion, rose substantially, by 91.9 per cent, relative to US$1.35 billion in June 2023. Outflow through the Bank also increased by 43.8 per cent to US$2.80 billion, from US$1.95 billion recorded in July 2023. Conversely, autonomous inflow decreased by 14.3 per cent to US$3.58 billion from US$4.18 billion in the previous month. Autonomous outflow also declined by 3.5 per cent to US$0.36 billion, from US$0.37 billion in June 2023.

A net inflow from autonomous sources of US$3.23 billion was recorded, compared with US$3.82 billion in June 2023, while

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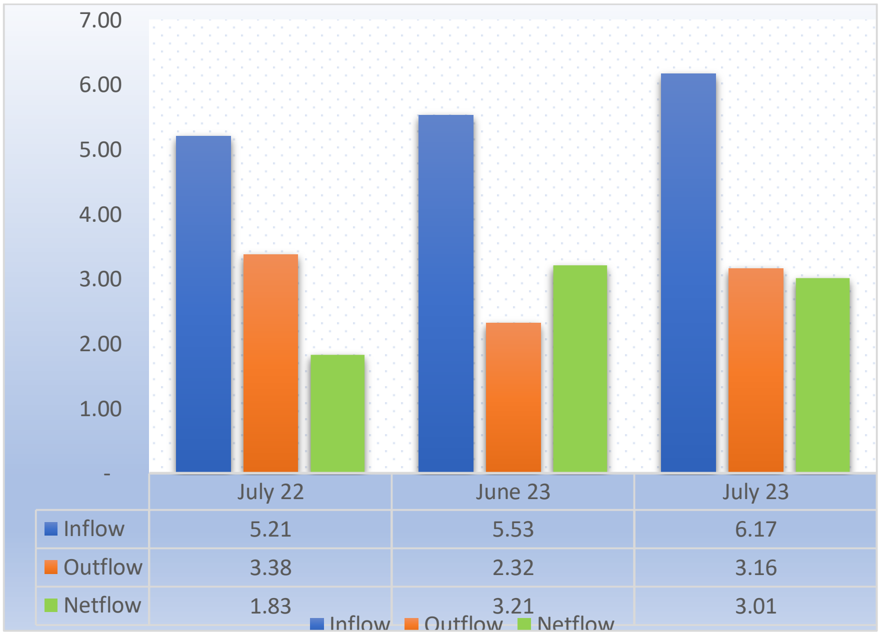
the Bank recorded a net outflow of US$0.22 billion, compared with US$0.60 billion in the preceding month. Consequently, the economy recorded an overall net foreign exchange inflow of US$3.01 billion in July 2023.

Figure 38: Foreign Exchange Transactions through the Economy (US$ Billion)



	July 22	June 23	July 23
Inflow	5.21	5.53	6.17
Outflow	3.38	2.32	3.16
Netflow	1.83	3.21	3.01

Source: Central Bank of Nigeria.

2.4.5 Exchange Rate Movement

Average Exchange Rate

At the Nigerian Autonomous Foreign Exchange (NAFEM), the naira depreciated relative to the US dollar during the review period. The average exchange rate of the naira per US dollar at the market depreciated by 20.7 per cent to ₦770.32/US$, from ₦610.71/US$ in June 2023.

2.4.6 Foreign Exchange Turnover at the NAFEM

Foreign Exchange Turnover

The average foreign exchange turnover at the NAFEM decreased by 47.6 per cent to US$82.48 million in July 2023, compared with US$157.40 million in June 2023.

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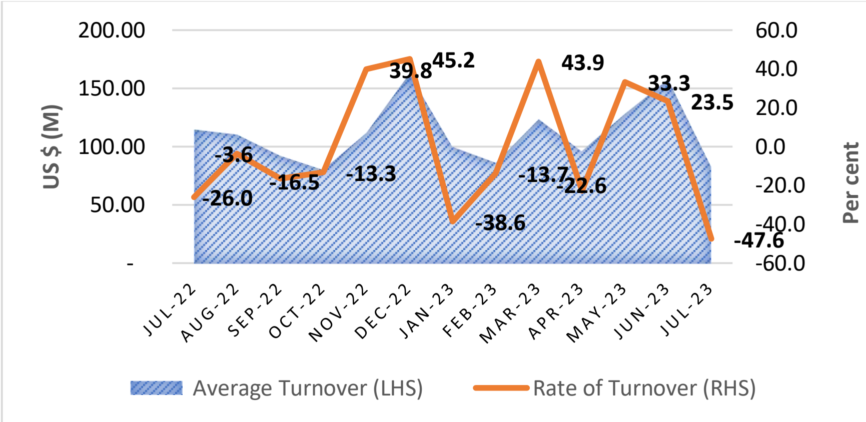
Figure 39: Turnover in the NAFEM (US$ Million)



Source: Financial Markets Derivatives Quotations (FMDQ).

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3.0 ECONOMIC OUTLOOK

Global Economic Outlook

According to the IMF's WEO July 2023 Report, the global economy is projected to grow at 3.0 per cent in 2023, compared with 3.5 per cent in 2022. The projection for 2023, which is 0.2 percentage point higher than earlier forecast in the April Outlook, was predicated on the resolution of the standoff on the US debt ceiling, and the swift resolution of the US and Swiss banking crises. In the Advanced Economies, output growth is projected to decelerate to 1.5 per cent, from 2.7 per cent in 2022, on the back of tight monetary policy stance, the ongoing war in Ukraine, and the growing impacts of climate change. For the Emerging Market and Developing Economies, growth is expected to be stable at 4.0 per cent in 2023, but unevenly distributed across economies in the region. The growth prospect in the EMDEs is hinged on expected and stronger domestic demand in India, and some parts of Latin America, despite external headwinds.

Global headline inflation is expected to fall to 6.8 per cent in 2023, compared with 8.7 per cent in 2022. The lower projection is predicated on the expected effects of policy rate tightening across countries, and lower global commodity prices, particularly that of energy. Tight labour markets and the continuing war in Ukraine could raise expectations and push up inflation in different economies.

Domestic Economic Outlook

Nigeria's economic growth outlook remains positive in the near term, though with some headwinds. The optimistic outlook is based on expected favourable crude oil prices, and higher oil production. In addition, with the phasing out of PMS subsidy, it is expected that the improved fiscal space would

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provide additional impetus to growth. The downside risks to the projected growth include contraction in global demand, persistent security challenges, higher debt service and infrastructural deficit.

Inflationary pressure is expected to persist in the short- to medium-term, partly, on account of increased domestic price of PMS, and high input costs. The security challenges in the economy and the adverse effects of climate change could also hamper growth in the economy, especially, the agricultural sector, driving up aggregate prices. The extant tight monetary policy stance, and improvement in the global supply chains, are expected to rein in inflation.

External Sector

Global inflation and sluggish growth, amid continuous global monetary tightening, and the lingering effects of the Russia-Ukraine crisis, are expected to impact external sector's performance. Notable downside risks include potential capital reversals following synchronous monetary policy rate hikes in developed countries, tighter global financial conditions, and high external debt burden.

External Sector Risks

Despite higher crude oil prices in the international market, Nigeria's inability to achieve its OPEC production quota, continues to hamper crude oil and export receipts.

The volatility in exchange rate could fuel rising inflation and worsen investors sentiments with implications on the external sector.

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