CENTRAL BANK OF NIGERIA ECONOMIC REPORT

May 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 targeted at a wide range of readers, including economists, policymakers, financial analysts in the government and private sectors, and the 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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SUMMARY

The global economic performance continued to improve, owing to growing business optimism*. The Global Composite Purchasing Managers Index (PMI) rose marginally to 54.4 index points compared to 54.2 in the preceding month. Economic activities continued to expand in most of the Advanced Economies (AEs), buoyed by the strong performance of the services sector, while that of the Emerging Markets and Developing Economies (EMDEs) was mixed. Consumer prices in most of AEs and EMDEs moderated on the back of falling energy costs and the central banks' tight monetary stance. The performance of the global stock market and bonds market was mixed, amid fears of a US debt default and less-than-expected economic performance in China. Crude oil spot prices fell, largely, due to concerns about the US banking crisis and expected weaker growth following continued interest rate hikes by central banks. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), fell by 11.16 per cent to US$76.91 per barrel (pb), from US$86.57 pb in the preceding month. The prices of UK Brent at US$76.95 pb, Forcados at US$77.24 pb, WTI at US$72.34 pb, and OPEC Reference Basket (ORB) at US$75.70 pb exhibited similar downward movement.*

On the domestic front, business activities further improved in May as a result of higher consumer demand and improved access to funds. *Consequently, broad-based sectoral growth was witnessed as the composite Purchasing Managers' Index (PMI) expanded further to 54.4 from 51.1 index points in the preceding period. Inflationary pressures persisted due to high energy and other input cost, as headline inflation rose to 22.41 per cent in May, and food inflation inched up to 24.82 per cent. However, core inflation moderated to 20.06 per cent from 20.14 per cent in the preceding month. Domestic crude oil production and export rose to 1.18 mbpd and 0.73 mbpd, respectively, mainly, due to the lifting of a force majeure by Exxon Mobil, following the suspension of industrial action by the workers' union.*

Fiscal performance was weaker, as revenue and expenditure fell below targets*. Federation receipts were below the programme target by 52.6 per cent, on account of lower oil and non-oil receipts. Similarly, FGN's spending marginally decreased by 0.4 per cent compared with April, and was 49.4 per cent below the benchmark. Consequently, the overall fiscal deficit of the FGN widened by 4.9 per cent, relative to April, but contracted by 40.4 per cent against the target.*

The banking system remained resilient as key soundness indicators were within regulatory limits. *Broad money (M3) grew by 6.9 per cent, although it remained within the programme driven by the 16.9 per cent increase in domestic claims, which outweighed the 28.8 per cent decline in net foreign assets (NFA). The increased shift towards digital transactions and adoption of electronic payment channels reflected a decline in notes and coins, and significant growth in eNaira transactions. Banking system liquidity increased, resulting in a decline in key short-term money market rates. Reserve money grew by 9.43 per cent, driven by the increase in liabilities to other depository corporations (ODCs). Activities on the Nigerian Exchange (NGX) Limited were bullish propelled by investors' positive sentiments.*

Developments in the external sector showcased a positive trade performance, primarily attributed to a notable reduction in import bills. *Foreign capital inflows also improved on account of a higher inflow of loans. The external reserves of US$34.39 billion were adequate as it was above the three-month import cover benchmark and could finance 6.5 months of import of goods and services, and 8.8 months of goods only. A higher net foreign exchange inflow relative to the previous month was recorded. The average exchange rate of the naira per US dollar at the I&E window was stable at ₦462.01/US$ compared with ₦460.96/US$ in the preceding month.*

The IMF April 2023 Report projects global growth and inflation to moderate, *on account of tight financial conditions, ongoing war between Russia and Ukraine, on the one hand, and lower global food and commodity prices, amid monetary policy tightening across countries, on the other.* ***Nigeria's economic growth outlook remains positive*** *in the near term subject to some downside risks. The optimistic outlook is based on expected favourable crude oil prices and higher production, as well as the wider fiscal space, enabled by PMS subsidy removal, to support growth. However, inflationary pressure is expected to persist in the short- to medium term, owing to expected higher PMS prices. Sustained monetary tightening and improvement in global supply chains are expected to moderate the rise in inflation. Nigeria's external sector is expected to remain resilient, underpinned by the expected improvement in macroeconomic conditions over the short to medium-term, in addition to payoffs from a potential improvement in domestic crude oil production.*

1.0 GLOBAL ECONOMIC DEVELOPMENTS

The global economy showed signs of improvement as businesses became more optimistic. Advanced Economies (AEs) experienced growth, mainly driven by a strong services sector. On the other hand, Emerging Markets and Developing Economies (EMDEs) recorded mixed trends in economic activity owing to country-specific factors. Consumer prices in most of the AEs remained under control due to lower energy costs and the cautious approach of the central banks in their monetary policies. Inflation also slowed down in most of the EMDEs owing to suppressed demand. The performance of the global stock market was mixed, led by the technology and communications sector, which recorded higher-than-average corporate earnings, with AI-powered business models leading the growth. However, concerns about the US debt ceiling and China's slower-than-expected economic recovery negatively affected market performance.

1.1 Global Economic Activity

Global economic conditions

The global economic performance continued to improve owing to growing business optimism. The strong rebound was reflected by the expansion of the Purchasing Managers' Index (PMI), particularly in the U.S., China and Japan. The global Composite Purchasing Managers' Index (PMI) rose modestly to 54.4 index points in May from 54.2 index points the preceding month. The Services PMI grew to 55.5 index points from 55.4 index points in the preceding month, underpinned by an uptick in financial services, and consumer services, especially tourism. The Manufacturing PMI remained unchanged at 49.6 index points, compared with its level in the preceding month.

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

	Mar-23	Apr-23	May-23
Composite Index	53.4	54.2	54.4
Employment Level	51.9	52.3	52.0
New Business Orders	52.6	53.2	53.8
New Export Business Orders	48.6	49.3	48.8
Future Output	64.1	64.6	63.8
Input Prices	58.6	58.3	56.7
Output Prices	54.9	54.9	54.4
Manufacturing Index	49.6	49.6	49.6
Services (Business Activity)	54.4	55.4	55.5
New Business	53.8	54.6	55.4
New Export Business	51.7	52.1	53.8
Future Activity	64.7	65.3	64.8
Employment	52.4	53.0	52.7
Outstanding Business	51.5	51.2	49.8
Input Prices	60.5	60.7	59.5

Source: J.P. Morgan

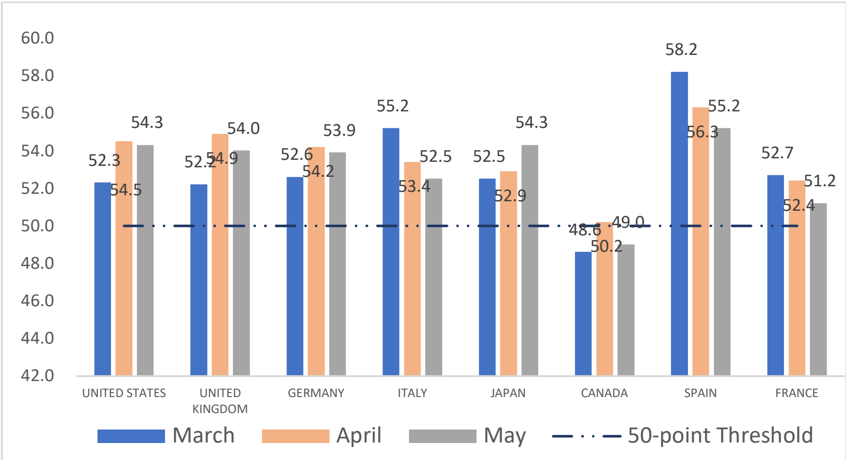
Economic Activity in Advanced Economies

Economic activities continued to expand in most Advanced Economies (AEs), buoyed by the strong performance of the services sector. In the US, the composite PMI rose to 54.3 index points from 53.4 index points in the preceding month, as output and employment levels improved due to improved supply conditions. The service and manufacturing sectors drove increased business activities in Japan as the PMI increased to 54.3 index points, from 52.9 index points in April.

Across Europe, business activities expanded over the threshold, albeit, at a slower pace. The composite PMI in the top 3 European economies (Germany, the UK, and France) slowed to 53.9, 54.0 and 51.2 index points from 54.2, 54.9 and 52.4 index points, respectively, in the preceding month. Spain and Italy also experienced similar trends as their respective PMIs softened to 55.2 and 52.5 index points from 56.3 and 53.4 index points, respectively.

However, Canada’s PMI contracted, attributed to weaker demand as indebted households struggled with high-interest rates despite the fall in prices. In addition, manufacturing production declined due to a rapid fall in new orders. At 49.0 index points, the PMI in Canada slipped into the contraction zone from 50.2 index points in April.

Figure 1: PMIs of Selected Advanced Economies



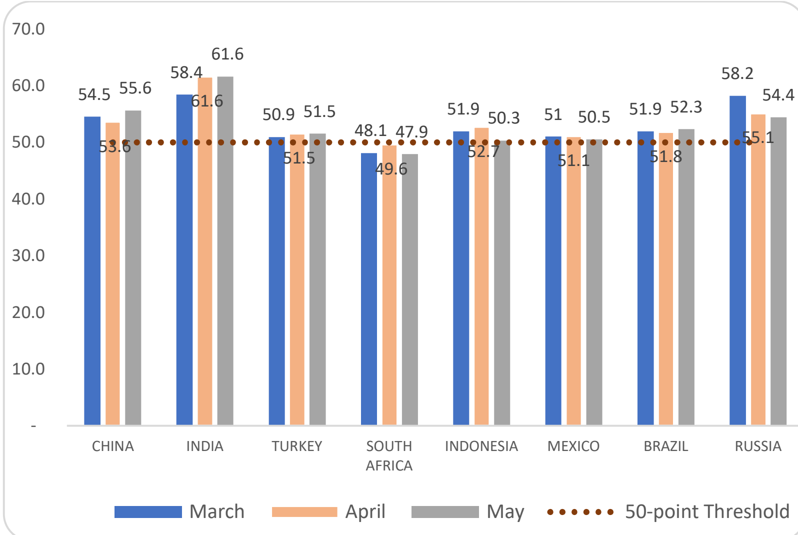
Source: Trading Economics/Various Country Websites

Economic Activity in the EMDEs

The tempo of economic activity in selected Emerging Markets and Developing Economies (EMDEs) was mixed. China's PMI rose to 55.6 index points from 53.6 index points in April, its highest since December 2020, due to increased demand that accompanied the reopening of the economy. Similarly, Brazil's PMI rose to 52.3 index points from 51.8 index points in April 2023, driven by the expansion in the services sector. India's PMI held steady at 61.6 index points as the rise in manufacturing activities continued progressing on account of solid consumer demand and improved labour market conditions. Similarly, Turkey's PMI remained unchanged at 51.5 index points, indicating continued improvement in business conditions.

In Russia, the PMI slowed to 54.4 index points from 55.1 index points the preceding month. The PMI in Indonesia and Mexico also slowed to 50.3 and 50.5 index points in May from 52.7 and 51.1 index points, respectively, in the preceding month. The development was due to weak demand, especially in the manufacturing sector. However, in South Africa, the PMI contracted further to 47.9 index points from 49.6 index points in April due, mainly, to a drop in new orders as demand remained suppressed as a result of the persistent load shedding on the electricity grid and elevated price levels.

Figure 2: PMIs of Selected EMDEs



Source: Trading Economics/Various Country Websites.

1.2 Global Inflation

Consumer prices in most AEs moderated on the back of falling energy costs and the central banks' tight monetary stance. In the US, inflation fell to 4.00 per cent from 4.90 per cent, attributed to rate hikes by the Fed and reduction in energy costs, particularly gasoline. In Germany, a sharp decline in the cost of energy bolstered by the government's energy relief package drove aggregate consumer prices down to 6.10 per cent, from 7.20 per cent in the preceding month. In Italy, inflation decelerated to 7.60 per cent, from 8.20 per cent in April due to a decline in the price of non-regulated energy products. Similarly, consumer prices in Spain and France moderated to 3.20 and 5.10 per cent, from 4.10 and 5.90 per cent respectively, in the preceding month. In Japan, consumer prices declined to 3.20 per cent from 3.50 per cent in the preceding month, driven by a deceleration in the core index amid soaring food prices.

Consumer prices in the UK remained unchanged at 8.70 per cent. Rising costs of air travel, recreational and cultural goods and services, and second-hand cars were offset by falling energy and food prices.

Table 2: Inflation Rates in Selected Economies

Country	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
United States	7.10	6.50	6.40	6.00	5.00	4.90	4.00
United Kingdom	10.07	10.50	10.10	10.40	10.10	8.70	8.70
Japan	3.80	4.00	4.30	3.30	3.20	3.50	3.20
Canada	6.80	6.30	5.90	5.20	4.30	4.40	3.40
Germany	10.00	8.60	8.70	8.70	7.40	7.20	6.10
France	6.20	5.90	6.00	6.30	5.70	5.90	5.10
Italy	11.80	11.60	10.10	9.10	7.60	8.20	7.60
Spain	6.80	5.70	5.90	6.00	3.30	4.10	3.20
China	1.60	1.80	2.10	1.00	0.70	0.10	0.20
South Africa	7.40	7.20	6.90	7.00	7.10	6.80	6.30
India	5.88	5.72	6.52	6.44	5.70	4.70	4.25
Mexico	7.80	7.82	7.91	7.62	6.85	6.25	5.84
Indonesia	5.42	5.51	5.28	5.47	4.97	4.33	4.00
Turkey	84.39	64.27	57.68	55.20	50.50	43.70	39.59
Brazil	5.90	5.79	5.77	5.60	4.65	4.18	3.94
Russia	12.00	11.90	11.80	11.00	3.50	2.30	2.50

Source: *Trading Economics*

Inflation in most Emerging Markets and Developing Economies (EMDEs) decelerated. In India, the inflation rate slowed to 4.30 per cent from 4.70 per cent in the preceding month, driven by declining food prices, transportation, and communication due to muted demand. For the first time in twelve months, Indonesia's inflation was within the central bank's target, as it moderated to 4.00 per cent from 4.33 per cent in the preceding month, owing to a decline in the non-food component. Inflation in Brazil also slowed to 3.94 per cent from 4.18 per cent in the preceding month, due to a decline in transportation costs on the back of a reduction in energy prices. In Mexico, consumer prices declined to 5.84 per cent from 6.25 per cent in the preceding month. The disinflation is attributed to the lower energy tariffs and the falling prices of fruits and vegetables. In Turkey, consumer prices fell to 39.59 per cent in May, from 43.70 per cent in the previous month. The moderation in inflation was on account of the temporary offer of unlimited free gas to all households. Likewise, the cooling off of prices of food and non-alcoholic beverages led to the easing of South Africa's consumer prices to 6.30 per cent from 6.80 per cent in the preceding month.

Consumer prices in China rose to 0.20 per cent from 0.10 per cent in the preceding month, as demand recovered, particularly for food items. Russia's inflation also rose to 2.50 per cent from 2.30 per cent in April

2023, due to high import costs, the depreciation of the rubble, and labour shortages.

1.3 Global Financial Markets

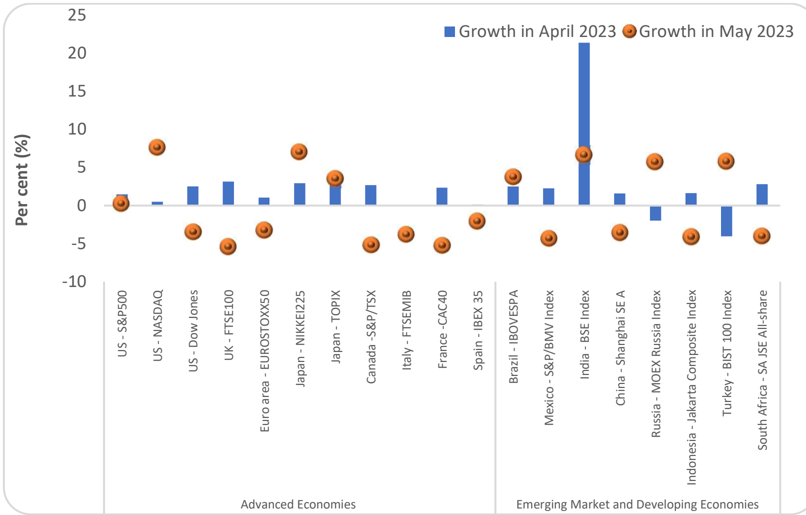
1.3.1 Global Financial Conditions

The performance of the global stock market was mixed amid fears of a US debt default and the strong performance of AI-based businesses. On the positive side, stock market performance was led by the technology and communications sector, which posted above-usual corporate earnings due to AI-ignited business models, while concerns about the US debt ceiling and slower-than-expected economic recovery in China impacted performance negatively. In the US, stock prices were mixed, as concerns about the federal debt ceiling and further rate hikes by the Fed were counteracted by robust corporate earnings. Thus, the Dow Jones index lost 3.49 per cent between April and May, the S&P500 gained 0.25 per cent from April, while the Nasdaq led performance, gaining 7.61 per cent.

Owing to central banks' rate hikes and slower growth momentum, equity markets in Europe ended lower across the board. The EURO STOXX 50 index closed at 3.24 per cent from 1.03 per cent in the preceding month. Following the confirmation of the economic recession in Germany, the DAX fell by 1.62 per cent. In Spain, the IBEX 35 fell by 2.62 per cent, as uncertainty around the snap general elections caused a dip in investors' confidence. In France, the CAC 40 also closed lower at 5.24 per cent from April 2023 despite a slowdown in inflation, and the FTSE MIB in Italy fell by 3.79 per cent, following an increase in the policy rate and a signal of further monetary tightening by the ECB. In the UK, equity markets also fell, primarily due to an uptick in core inflation, which hit a 31-year high, thereby heightening expectations for further monetary policy tightening. Thus, the FTSE 100 closed 5.40 per cent lower than its performance in April. However, in Japan, the strong momentum continued into May as the weakening of the Yen drove investors' sentiment, thus the NIKKEI225 and TOPIX gained 6.70 and 3.56 per cent, respectively.

The performance of equity markets was also mixed in the EMDEs. In China, weaker-than-expected economic recovery pushed down the Shanghai SE A index by 3.57 per cent. The South African JSE All-share index also fell by 4.03 per cent as sentiment was affected by the rise in its policy rate. In Mexico, policy uncertainties caused equity prices to dip as the Mexican S&P/BMV index finished lower by 4.32 per cent during the review period. However, some equity markets remained resilient, as in Turkey, where the BORSA Istanbul 100 index gained 5.82 per cent, following the re-election of the incumbent President. Also, in Brazil, the IBOVESPA returns were positive, closing 3.74 per cent higher, underlined by favourable macroeconomic conditions.

Figure 3: Key Global Stock Indices

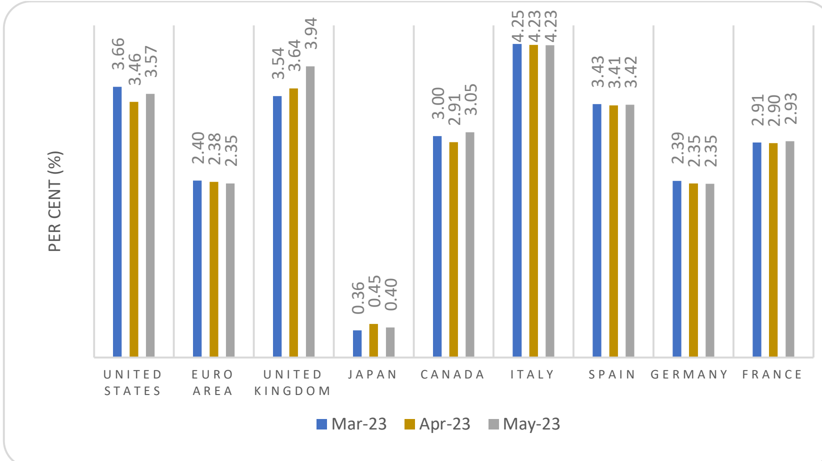


Source: Bloomberg

Yields on long-term government treasury bonds were mixed during the period. Among advanced economies, the 10-year Treasury yields rose in the US and Canada to 3.57 and 3.05 per cent, respectively, from 3.46 and 2.91 per cent, as the US hiked interest rates for the tenth time in a row. The UK witnessed the largest increase of 0.30 percentage points to 3.94 per cent in May, as expectations about the BoE raising rates for a longer period persisted due to stickier-than-expected inflation.

In the euro area, yields on the 10-year government bond declined by 0.03 percentage points to 2.35 per cent, due to weak macroeconomic data. However, in Italy and Germany, the yield remained flat on average at 4.23 and 2.35 per cent, respectively.

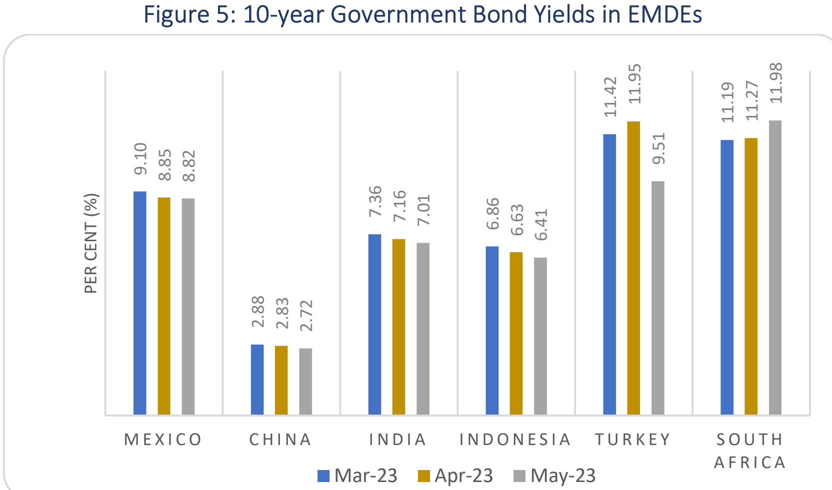
Figure 4: 10-year Government Bond Yields in Advanced Countries



Source: Bloomberg

The 10-year bond yield in Mexico and India fell by 0.03 and 0.15 percentage points to 8.82 per cent and 7.01 per cent, respectively, from their respective levels in the preceding month. The decline was, mainly due, to a rise in the subscription to government bonds by foreign investors. However, the 10-year bond yield in South Africa rose to 11.98 per cent following a further rate hike in May by the Reserve Bank of South Africa.

Figure 5: 10-year Government Bond Yields in EMDEs



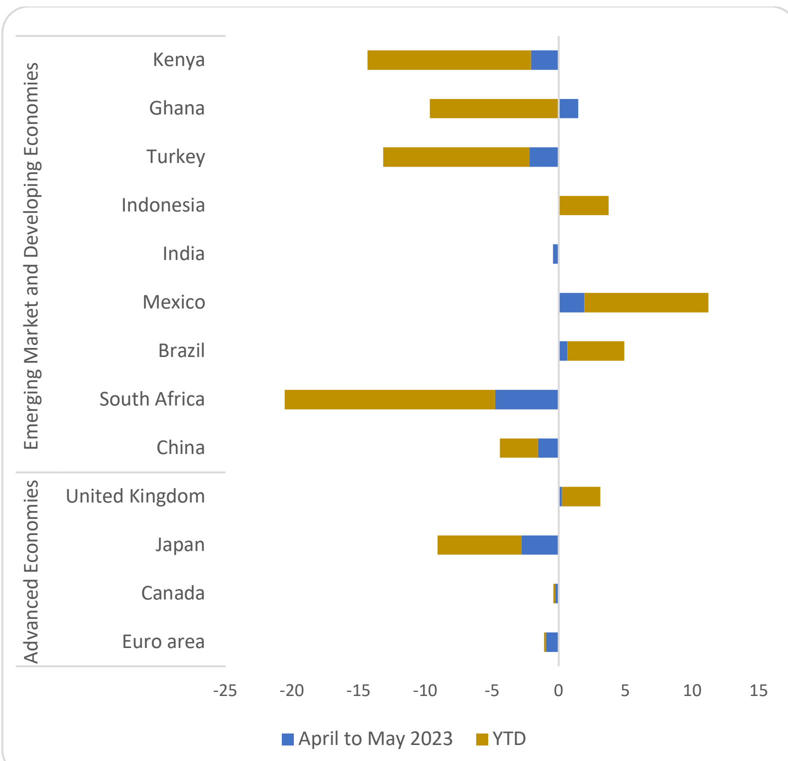
Source: Bloomberg

Foreign Exchange Market

The performance of selected currencies against the US dollar was mixed. The euro and Canadian dollar depreciated marginally by 0.95 and 0.25 per cent, respectively, while the Japanese yen weakened by 2.81 per cent. However, the British pound appreciated marginally by 0.26 per cent, supported by the greater-than-expected performance of the domestic economy. In the EMDEs, most currencies weakened against the dollar, except for the Mexican peso, which appreciated by 1.93 per cent due to interest rate differentials.

The Ghanaian cedi, Turkish lira, and Chinese yuan depreciated (year-to-date) by 9.63, 10.97, and 2.85 per cent, respectively. Also, the Mexican peso and Brazil real appreciated (YTD) by 9.30 and 4.26 per cent, respectively, supported by a boom in foreign investment by global companies setting up operations close to the US to avoid tensions related to the Russia-Ukraine war and trade-related disputes with China.

Figure 6: Exchange Rate Appreciation/Depreciation for Selected Countries



Source: Bloomberg

1.4 Global Commodity Market

World Crude Supply and Demand

World crude oil supply declined as production in OPEC, non-OECD countries, and OECD fell. Total world crude oil supply declined by 0.63 per cent to 100.79 million barrels per day (mbpd) in May 2023, compared with 101.43 mbpd in the previous month. Specifically, OPEC crude oil production fell by 1.82 per cent to 33.46 mbpd in May 2023, compared with 34.08 mbpd in the preceding month. This was driven, largely, by a decline in OPEC supply, on account of lower exports from Iraq due to the temporary suspension of its export pipeline by Turkey.

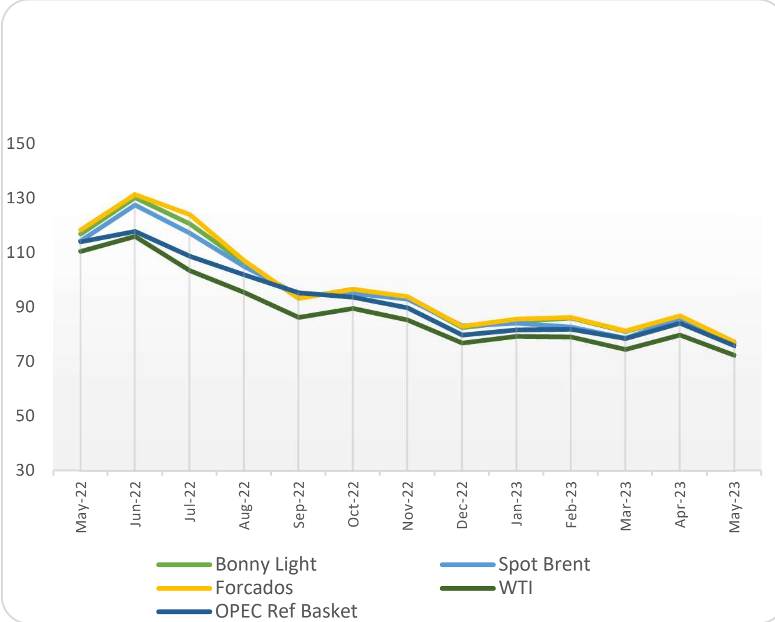
Also, non-OECD and OECD supply in May 2023, declined by 0.71 per cent and 0.48 per cent to 67.28 mbpd and 33.51 mbpd. This is compared with the supply of 67.76 mbpd and 33.67 mbpd recorded in April 2023, respectively. Similarly, crude oil supply in Canada fell by 1.07 per cent to 5.57 mbpd in May 2023, from 5.63 mbpd in the previous month. Production disruptions caused by wildfires in Canada contributed to the decline in world crude supply.

On the demand side, total world demand rose by 0.41 per cent to 100.36 mbpd from 99.95 mbpd in the preceding month. The increase was driven, mainly, by higher demand for jet fuel and gasoline in Europe as the summer season approaches.

Crude Oil Prices

Crude oil spot prices fell, largely, due to concerns surrounding the US banking sector crisis and the Central Banks' rate hikes. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), fell by 11.16 per cent to US$76.91 per barrel (pb), compared with US$86.57 pb in the preceding month. The prices of UK Brent at US$76.95 pb, Forcados at US$77.24 pb, WTI at US$72.34 pb, and OPEC Reference Basket (ORB) at US$75.70 pb all exhibited similar downward movements.

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



Source: Refinitiv Eikon (Reuters)

Agricultural Commodity Prices

The all-commodity price index fell by 0.5 per cent in May, due to a combination of favourable weather conditions and the redirection of trade in key commodity exports from Russia and Ukraine to other producing regions. The average price index for all the monitored commodities stood at 125.4 index points, a 0.5 and 18.7 per cent decrease from the levels in the previous month and the corresponding period of 2022. The decrease ranged from 7.1 per cent for Palm oil to 0.6 per cent for Rubber. Renewal of the black sea grain initiative continued to help grain exports from Ukraine reach the global market coupled with improved harvest of commodities from other producing countries. Similarly, the price of Cotton dropped as farmers released held-back stock to the market.

On the other hand, the prices of coffee, cocoa, and groundnut increased by 5.9, 2.7, and 2.0 per cent, respectively, on the back of adverse weather conditions and strained supplies of the commodities from producing regions.

Table 3: Indices of Average World Prices of Nigeria's Major Agriculture Export

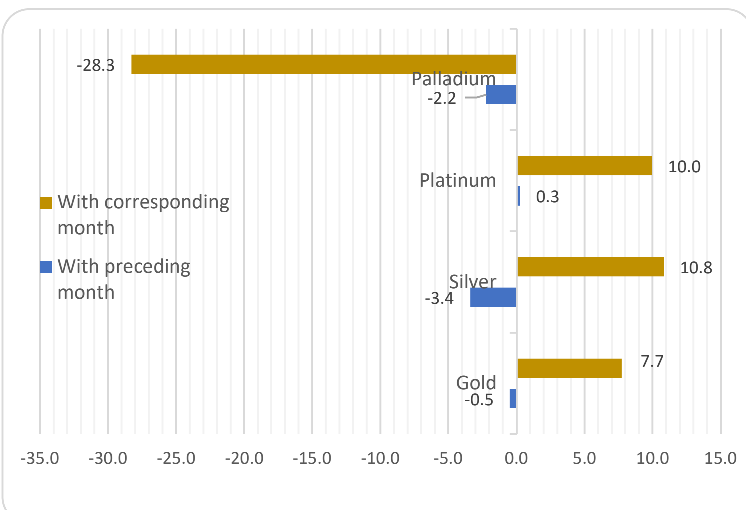
Commodity	*May-2022*	*Apr-23*	*May-23*	*% Change*	
				(1) & (3)	*(2) & (3)*
	1	*2*	*3*	*4*	*5*
All Commodities	*154.3*	*126.1*	*125.4*	*-18.7*	*-0.5*
Cocoa	*67.1*	*81.8*	*84*	*25.1*	*2.7*
Cotton	*211.6*	*122.9*	*121.3*	*-42.7*	*-1.3*
Coffee	*147.1*	*165.1*	*174.8*	*18.8*	*5.9*
Wheat	*259.6*	*188*	*182.8*	*-29.6*	*-2.8*
Rubber	*53.3*	*44.7*	*44.4*	*-16.5*	*-0.6*
Groundnut	*123.3*	*144.5*	*147.4*	*19.6*	*2*
Palm Oil	*206.6*	*121*	*112.4*	*-45.6*	*-7.1*
Soya Beans	*166.1*	*141.1*	*136.5*	*-17.8*	*-3.2*

Sources: (1) Index computed from World Bank Pinksheet

Other Mineral Commodities

The average spot prices of gold, silver, and palladium declined in May 2023 as demand for the precious metals fell due to the strengthening of the US Dollar, and expectations of an interest rate hike by the Federal Reserve. The average spot prices of gold, silver, and palladium declined by 0.49, 3.38, and 0.49 per cent month-on-month, to sell at US$1,991.06, US$24.23, and US$1,473.55 per ounce, respectively. In contrast, the price of platinum increased marginally by 0.27 per cent, to sell at US$1,052.7 per ounce due to increased demand by auto-makers and the hydrogen industry.

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



Source: Refinitiv Eikon (Reuters)

1.5 Monetary Policy Stance

Monetary policy stance varied among countries to rein in inflation and support growth. In the May Meeting, the US Fed raised the policy rate by 25 basis points to 5.25 per cent to further rein in inflation, which remained above the set target. Also, the Bank of England and the European Central Bank raised policy rates by 25 basis points apiece. Meanwhile, at the Bank of Canada, a further hike in the policy rate was paused to support growth.

In most EMDEs, there was a prevalence of the policy-hold phase, except for South Africa, which raised its policy rate by 50 basis points, citing risks to inflation. In India, the Reserve Bank retained the benchmark rate at 6.50 per cent to sustain growth. Similarly, in Brazil, the Selic rate was unchanged at 13.75 per cent for the sixth consecutive meeting. The Bank of Ghana also retained its policy rate at 29.50 per cent based on expectations that food inflation would continue on a downward trajectory.

Table 4: Central Bank Policy Rates (per cent)

Country	23-Mar	23-Apr	23-May	Decision since the last Meeting
United States	5.00	5.00	5.25	Hike
Canada	4.50	4.50	4.50	Hold
Euro Area	3.50	3.50	3.75	Hike
United Kingdom	4.25	4.25	4.50	Hike
Japan	-0.10	-0.10	-0.10	Hold
Brazil	13.75	13.75	13.75	Hold
Russia	7.50	7.50	7.50	Hold
India	6.50	6.50	6.50	Hold
China	3.65	3.65	3.65	Hold
South Africa	7.75	7.75	8.25	Hike
Mexico	11.25	11.25	11.25	Hold
Indonesia	5.75	5.75	5.75	Hold
Turkey	8.50	8.50	8.50	Hold
Kenya	9.50	9.50	9.50	Hold
Ghana	29.50	29.50	29.50	Hold

Source: Various Central Banks' websites

2.0 DOMESTIC ECONOMIC DEVELOPMENTS

2.1 Real Sector Developments

Summary

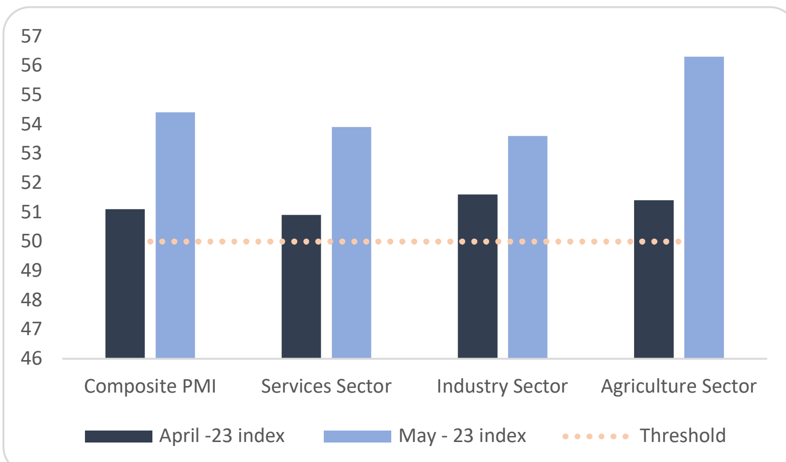
Increased consumer demand sustained the expansion in economic activities, resulting in a rise in new orders, employment, and production. The headline inflation rose further, owing to persisting high energy (especially PMS) prices and other input costs.

2.1.1 Business Activities

Purchasing Managers Index

Business activities further improved in May, resulting from higher consumer demand and improved access to funds. Consequently, broad-based sectoral growth was witnessed as the composite Purchasing Managers' Index (PMI) expanded further to 54.4 index points from 51.1 index points in the preceding period.

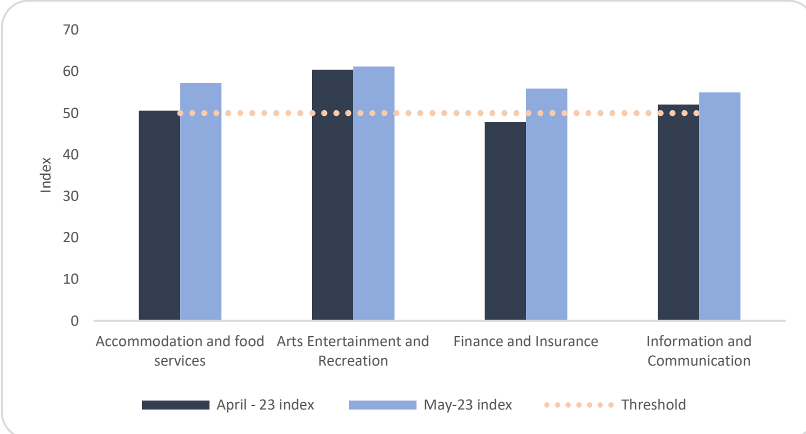
Figure 9: Composite and Sectors PMI



Source: Central Bank of Nigeria

The Services sector PMI expanded to 53.9 index points from 50.9 index points in the preceding period. This was attributed to the growth in accommodation and food services, arts entertainment and recreation, finance and insurance, and information and communication sub-sectors, among others.

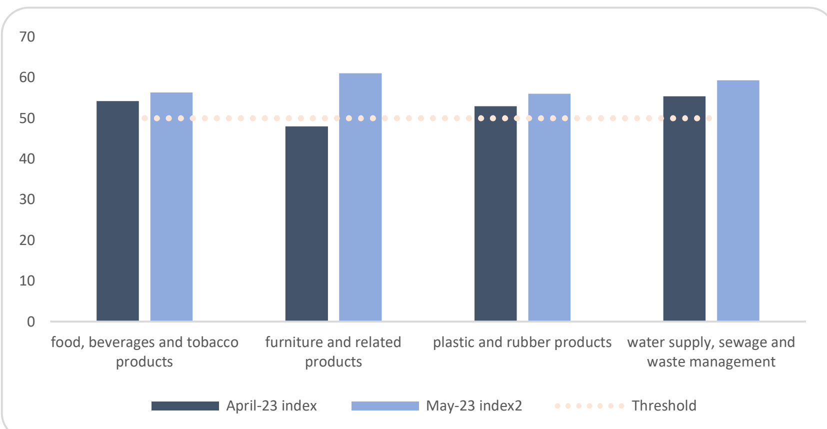
Figure 10: Services Sector PMI



Source: Central Bank of Nigeria

Similarly, the Industry sector PMI expanded to 53.6 index points, compared with 51.6 index points in the previous month. This was attributed to a rise in new orders and employment level. Expansion was reflected in food, beverages and tobacco products, furniture and related products, plastic and rubber products, water supply, sewage and waste management sub-sectors, among others.

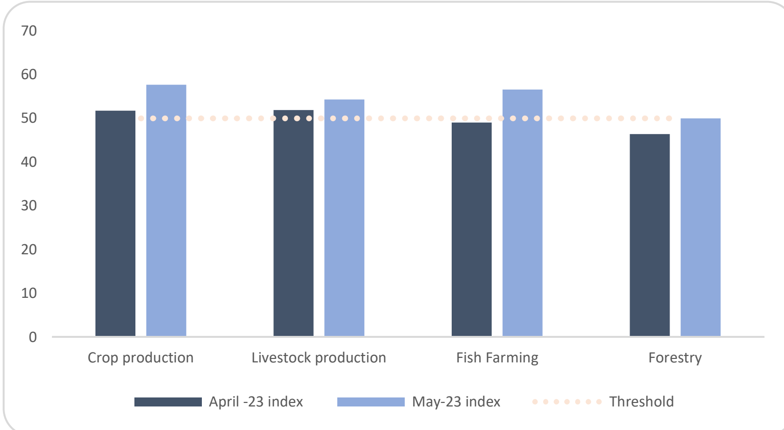
Figure 11: Industry Sector PMI



Source: Central Bank of Nigeria

The agriculture sector PMI grew to 56.3 index points from 51.4 index points in the preceding month. This was occasioned by an increase in general farming activities that resulted in improved crop production, livestock, fish farming, and forestry.

Figure 12: Agriculture Sector



Source: Central Bank of Nigeria

Table 5: Composite, Industry, Services and Agriculture PMIs

Components	Apr-23	May-23
Composite PMI	51.1	54.4
Industry Sector PMI	51.6	53.6
Production Level	*54.4*	*56.1*
New Orders	*50.7*	*52.4*
Supplier Delivery Time	*52.3*	*57.2*
Employment Level	*49.0*	*50.8*
Raw Material Inventory	*50.8*	*50.7*
Services Sector PMI	50.9	53.9
Business Activity	*51.8*	*56.3*
New Orders	*50.4*	*55.1*
Employment Level	*50.2*	*51.3*
Inventory	*51.1*	*52.9*
Agricultural Sector PMI	51.4	56.3
Farm Yield/Output	*52.3*	*57.7*
New Orders	*50.9*	*55.1*
Employment Level	*45.2*	*50.6*
Inventories	*54.1*	*57.2*
General Farming Activities	*54.4*	*60.5*

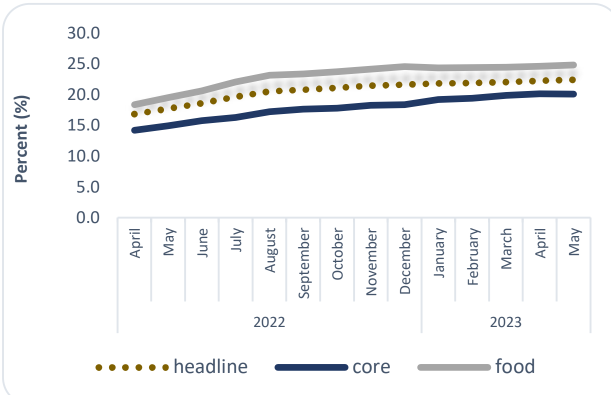
Source: Central Bank of Nigeria

2.1.2 Price Development

Headline Inflation

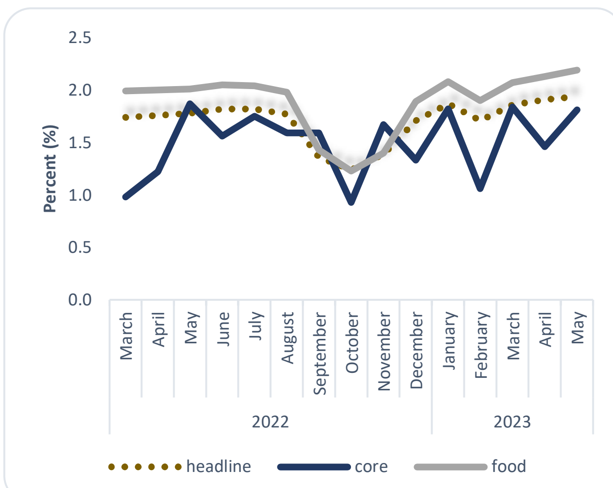
Inflationary pressures persisted in May. The rise was due to persistently high energy (especially PMS) and other input costs, which negatively continued to impact production, transport and logistics costs. Thus, headline inflation (year-on-year) rose to 22.41 per cent from 22.22 per cent in April. On a month-on-month basis, it rose to 1.94 per cent from 1.91 per cent in the preceding month.

Figure 13: Headline, Food and Core Inflation (y-o-y)



Source: National Bureau of Statistics

Figure 14: Headline, Food, and Core Inflation (m-o-m)



Source: National Bureau of Statistics

Core Inflation

Core inflation moderated to 20.06 per cent from 20.14 per cent in the preceding month. The decline was attributed to the effects of moderating global inflation and improvements in the supply chain. However, on a month-on-month basis, core inflation rose to 1.81 per cent, from 1.46 per cent in the preceding month. The increase was due to a demand surge that reflected household precautionary behaviour following concerns about the smooth transition to a new administration.

Food Inflation

Food inflation (year-on-year) inched up to 24.82 per cent from 24.61 per cent in the preceding month, largely, on account of higher energy and transportation/logistics costs. On a month-on-month basis, it rose marginally to 2.19 per cent, compared with 2.13 per cent in the preceding month.

2.1.3 Socio-Economic Developments

Transportation

The Federal Executive Council (FEC) approved an additional sum of ₦17.00billion for the reconstruction of the old Enugu-Onitsha Road. The augmentation raised the total contract sum to ₦49.00billion with a completion period of 42 months. Also, a sum of ₦6.30billion was approved for the maintenance of the pavement of the third mainland bridge in Lagos, with a completion period of 24 months.

Similarly, the FEC approved the concession of the Nnamdi Azikiwe International Airport, Abuja, and Mallam Aminu Kano International Airport (MAKIA), Kano, to enhance the operational efficiency of the airports. The agreement would be effective for 20 years for the Nnamdi Azikiwe International Airport and 30 years for MAKIA.

Furthermore, the FEC approved the development of port projects in Lagos, Ondo and Delta states to be executed through Public-Private Partnership (PPP). The Ilaje port would cost the sum of US$1.48billion and be concessioned for 50 years. The Burutu port would cost US$1.29 billion and be concessioned for 40 years, while the Snake Island port expansion would require US$0.97billion and concessioned for 45 years.

Communication

The Nigerian Communications Commission (NCC) approved the unified USSD codes for all mobile networks in Nigeria. The harmonised shortcodes (HSC) would make telecommunication services easier and less burdensome for both the users and the network providers.

Education

To improve access to tertiary education, the FEC approved the establishment of 37 new private universities across the country, including an online university.

Social Investment

The National Social Investment Programme (NSIP) Bill, which was created in 2015 to ensure the equitable distribution of resources to vulnerable populations, including children, youth, and women, was signed into law during the period under review. The law would provide a legal framework for its continued existence.

2.1.4 Domestic Crude Oil Market Developments

Crude Oil Production

Domestic crude oil production and export rose, mainly due to the lifting of a force majeure by Exxon Mobil, following the suspension of industrial action by the workers' union. Data from the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) showed that Nigeria's crude oil production rose by 19.2 per cent to 1.18 mbpd in May, from 0.99 mbpd in the preceding month. Of the 1.18 mbpd produced, 0.45 mbpd was allocated for domestic consumption, while 0.73 mbpd was exported. Nigeria's production level remained below the OPEC monthly quota of 1.742 mbpd by 0.562 mbpd.

Box 1: Developments in Domestic Agricultural Commodity Prices

The average price of the selected domestic agricultural categories increased by 0.8 per cent in May relative to their levels in the preceding month. The increase ranged from 0.6 per cent for groundnut oil to 3.0 per cent for garri (white and yellow). The increase was driven by high energy, transport and logistics costs; persistent insecurity, especially in food producing regions; and flooding. However, prices of seven (7) of the 20 monitored commodities moderated from the levels in the preceding month, on the back of increased market supply.

Prices of Selected Domestic Agricultural Commodities

Commodities	April.2023	May. 2023
Agric eggs medium size	2.5	2.0
Beans: brown, sold loose	1.1	-0.7
Beans: white black eye, sold loose	1.6	-0.8
Gari white, sold loose	1.4	3.0
Gari yellow, sold loose	0.7	3.0
Groundnut oil: 1 bottle, specify bottle	2.1	0.6
Irish potato	0.6	2.0
Maize grain white, sold loose	4.1	-2.4
Maize grain yellow, sold loose	4.4	-3.7
Onion bulb	4.7	-4.6
Palm oil: 1 bottle, specify bottle	1.9	2.0
Rice agric, sold loose	0.9	1.3
Rice local, sold loose	1.1	1.6
Rice, medium grained	0.4	2.6
Rice, imported high quality, sold loose	0.7	1.7
Sweet potato	3.7	-1.6
Tomato	2.7	-2.6
Vegetable oil: 1 bottle, specify bottle	1.0	1.8
Wheat flour: prepackaged (Golden Penny)	1.5	1.3
Yam tuber	1.0	1.5
% Change		0.8

Source: National Bureau of Statistics

2.2 FISCAL SECTOR DEVELOPMENTS

Summary

Fiscal performance in May was weaker, as revenue and expenditure fell below targets. Federation receipts fell below the programme target by 52.6 per cent, on account of lower oil and non-oil receipts. The retained revenue of the Federal Government (FGN) also declined by 7.1 and 58.2 per cent, relative to April and the monthly target; driven, largely, by lower allocation from the centre. Similarly, FGN's spending marginally decreased by 0.4 per cent, compared with April, and was 49.4 per cent below the benchmark. Consequently, the overall fiscal deficit of the FGN widened by 4.9 per cent, relative to April, but contracted by 40.4 per cent against the target. At ₦49,853.69 billion[1] (25.0 per cent of GDP), the public debt remained within the 40.0 per cent threshold.

2.2.1 Federation Account Operations

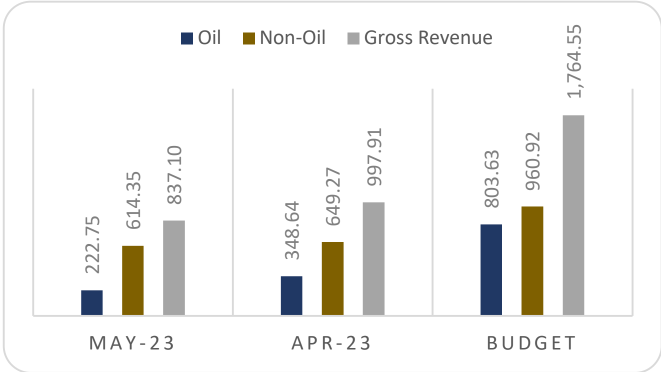
Gross federation earnings dropped as a result of lower oil and non-oil receipts. At ₦837.10 billion, federation revenue was lower than the level in April by 16.1 per cent, and the budget by 52.6 per cent.

Drivers of Federation Revenue

In terms of contribution, non-oil revenue sources continued to dominate, accounting for 73.4 per cent of federation revenue in the review period. At ₦614.35 billion, non-oil receipt was 5.4 per cent less than the level in April, and 36.1 per cent below target. The shortfall was, largely, attributed to lower collections from CIT, VAT, and Customs & Excise Duties, reflecting seasonality in the filling of tax returns by businesses in Nigeria.

Oil revenue, at ₦222.75 billion, was 36.1 per cent below receipts in the preceding month, and below the monthly target of ₦803.63 billion. The observed shortfall in oil revenue was driven mainly by lower receipts from Petroleum Profit Tax and Royalties.

Figure 15: Gross Revenue Outturn and Benchmark (₦ Billion)



Source: OAGF and CBN Staff Estimates

[1] As at end-March 2023

Table 6: Federally Collected Revenue and Distribution to the Three-Tiers of Government (₦ Billion)

	May 2022	April 2023	May 2023	*Budget
Federation Revenue (Gross)	981.66	997.91	837.10	1,764.55
Oil	466.34	348.64	222.75	803.63
Crude Oil & Gas Exports	0.00	*0.00*	0.00	40.90
PPT & Royalties	390.28	335.42	216.25	686.75
Domestic Crude Oil/Gas Sales	66.69	*0.00*	0.00	8.38
Others	9.37	13.22	6.50	67.59
Non-oil	515.32	649.27	614.35	960.92
Corporate Tax	119.27	155.63	151.20	174.39
Customs & Excise Duties	107.22	134.4	106.84	176.32
Value-Added Tax (VAT)	178.83	218.79	217.74	246.15
Independent Revenue of Fed. Govt.	107.07	137.52	135.64	264.09
*Others***	2.93	2.93	2.93	99.97
Total Deductions/Transfers	*353.95*	*297.77*	*286.36*	*686.07*
Federally Collected Revenue *Less Deductions & Transfers****	627.71	700.14	550.74	1078.48
plus:				
Additional Revenue	8.89	14.49	105.20	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*	*14.49*	*55.20*	*11.36*
Exchange Gain	*8.891*	*0.00*	*50.00*	*0.00*
Total Distributed Balance	*636.60*	*714.62*	*655.93*	*1089.84*
Federal Government	***247.07***	***276.14***	***248.81***	***430.37***
Statutory	*222.10*	*245.74*	*218.40*	*396.16*
VAT	*24.98*	*30.4*	*30.41*	*34.20*
State Government	***244.40***	***267.23***	***246.52***	***421.44***
Statutory	*112.65*	*130.78*	*116.93*	*205.76*
VAT	*83.26*	*101.35*	*101.38*	*114.02*
13% Derivation	*48.49*	*35.1*	***28.22***	*101.67*
Local Government	145.13	171.25	160.60	238.04
Statutory	*86.85*	*100.31*	*89.63*	*158.23*
VAT	*58.28*	*70.94*	*70.97*	*79.81*

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.

A net balance of ₦655.93 billion was shared among the three tiers of government, of which the Federal, State, and Local governments received ₦248.81 billion, ₦246.52 billion and ₦160.60 billion, respectively. Of the allocation to States, ₦28.22 billion was appropriated for the 13% Derivation Fund to oil-producing states. The amount distributed was 8.2 per cent and 39.8 per cent below the level in the preceding month and the monthly target, respectively.

2.2.2 Fiscal Operations of the Federal Government

Federal Government Retained Revenue

Provisional FGN retained revenue declined largely on account of lower statutory allocation from the Federation Account. The retained revenue of the FGN, at ₦384.45 billion, was lower than realisations in April and the monthly target of ₦920.43 billion.

Table 7: FGN Retained Revenue (₦ Billion)

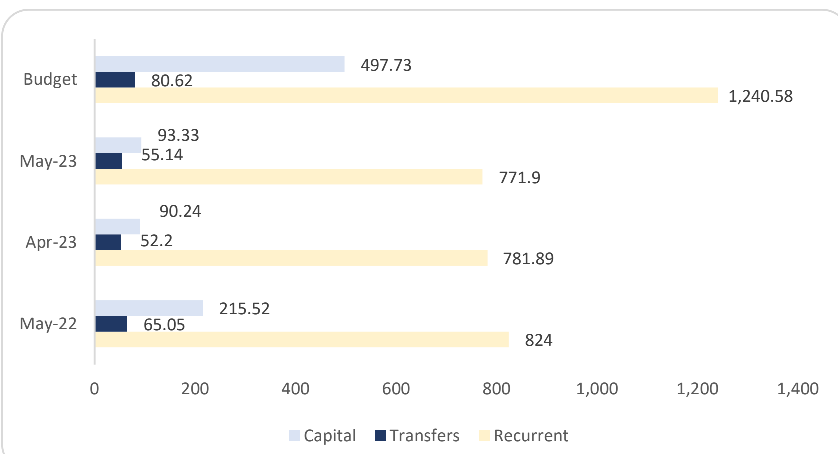
	May-22	Apr-23	May-23	*Budget
FGN Retained Revenue	451.74	413.66	384.45	920.43
Federation Account	217.41	*243.56*	*173.01*	*356.95*
VAT Pool Account	24.98	*30.4*	*30.41*	*31.92*
FGN Ind. Revenue	107.07	*137.52*	*135.64*	*264.09*
Excess Oil Revenue	0.00	*0.00*	*0.00*	*0.00*
Excess Non-Oil	0.00	2.18	22.92	*0.00*
Exchange Gain	4.68	0.00	22.47	*0.00*
*Others***	97.60	0.00	0.00	*267.47*

Source: Compiled from OAGF figures
Note: *Provisional ** Others include revenue from Special A/c and Special Levies.

Federal Government Expenditure

Lower debt service drove down the provisional aggregate expenditure of the FGN relative to April. At ₦920.37 billion, FGN expenditure in May was marginally (0.43 per cent) below the level in the preceding month and the monthly projected expenditure by 49.4 per cent. In terms of composition, recurrent expenditure was 83.9 per cent, while capital outlay and transfers accounted for 10.1 per cent and 6.0 per cent, respectively.

Figure 14: Composition of FGN Expenditure (₦ Billion)



Source: OAGF and CBN Staff Estimates
Note: These are provisional estimates.

Overall Fiscal Balance

The estimated overall fiscal deficit of the FGN widened relative to April but narrowed when compared to the budget. At ₦535.92 billion, the provisional fiscal deficit of the FGN rose slightly by 4.9 per cent, relative to the preceding month but was 40.4 per cent below the proportionate benchmark.

Table 8: Fiscal Balance (₦ Billion)

	May-22	Apr-23	May-23	*Budget
Retained revenue	451.74	413.66	384.45	920.43
Aggregate expenditure	1,104.57	924.33	920.37	1818.93
Recurrent	824.00	781.89	771.90	1240.58
Non-debt	456.25	406.72.	407.03	694.11
Debt Service	348.46	352.1	341.51	546.47
Capital	215.52	90.24	93.33	497.73
Transfers	65.05	52.2	55.14	80.62
Primary balance	-304.36	-158.57	-194.41	-352.04
Overall balance	-652.82	-510.67	-535.92	-898.51

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

Federal Government Debt

Government borrowing in the review period remained within the threshold set in the 2020-2023 medium-term debt strategy of the FGN. Total public debt outstanding as at end-March 2023 was ₦49,853.69 billion (25.0 per cent of GDP). It rose by 7.8 and 19.8 per cent, respectively, compared to end-December 2022 and end-March 2022. Domestic debt accounted for 60.6 per cent of the consolidated public debt, while external debt obligations constituted 39.4 per cent. Out of the public debt stock, FGN share was ₦44,374.69 billion (or 89.0 per cent[2]), while State governments' domestic debt stock made up the balance of ₦5,479.00 billion (or 11.0 per cent).

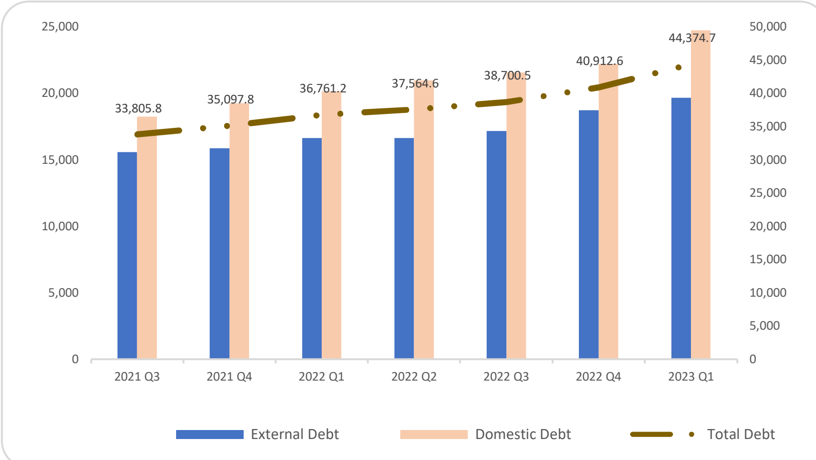
Of the total FGN debt obligations, domestic debt was ₦24,730.77 billion (or 55.7 per cent), while external debt was ₦19,643.92 billion (or 44.3 per cent), as against the 70:30 domestic-external debt mix in the medium-term debt framework. Further analysis shows that FGN bond maintained dominance, with 74.5 per cent of the total domestic debt, while Treasury Bills (19.1 per cent), FGN Sukuk (3.0 per cent), Promissory Notes (3.0 per cent), and others[3] (0.4 per cent) constituted the balance. With regards to external debt holdings, Multilateral,

[2] Includes the external debt of State governments, which are contingent liabilities of the Federal government.
[3] Includes Treasury bonds (0.2 per cent), Green bond (0.1 per cent) and Special FGN Savings bond (0.1 per cent).

Commercial and Bilateral loans accounted for 48.4, 36.6, and 12.1 per cent, respectively, while 'other'[4] loans constituted 2.9 per cent.

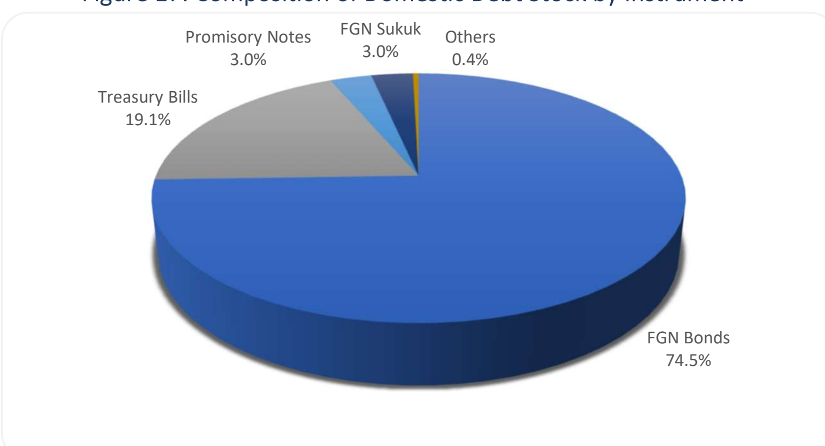
Debt service obligations in 2023Q1, amounted to ₦1,019.96 billion, compared with ₦548.86 billion in 2022Q4. The increase was attributed to principal repayments and redemption of matured debt obligations.

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



Source: Debt Management Office (DMO)

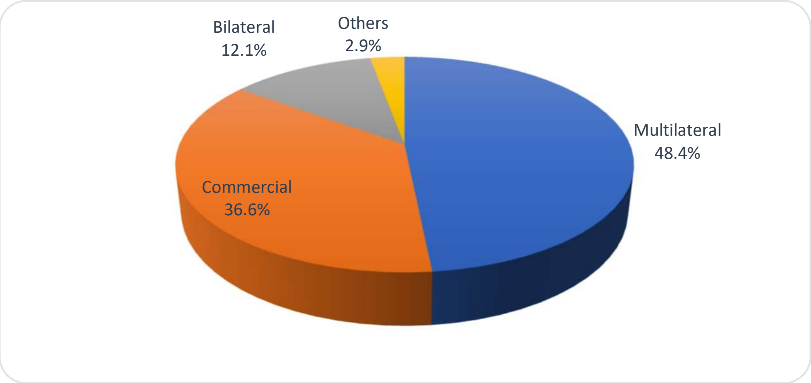
Figure 17: Composition of Domestic Debt Stock by Instrument



Source: DMO

[4] Includes Promissory notes (2.2 per cent) and Syndicated loans, arranged by the AFC (0.7 per cent).

Figure 18: Composition of External Debt Stock by Instrument



Source: DMO

2.3 MONETARY AND FINANCIAL DEVELOPMENTS

Summary

The banking system remained resilient, as key soundness indicators were within regulatory limits. Broad money (M3) remained within the programme target. Banking system liquidity increased, resulting in a decline in key short-term money market rates. There was a shift towards digital transactions and the adoption of electronic payment channels, as reflected in the decline in notes and coins and the significant growth in eNaira transactions. Activities on the Nigerian Exchange (NGX) Limited were bullish, propelled by investors' positive sentiments.

2.3.1 Monetary Developments

Reserve Money

Reserve money grew by 9.43 per cent at end of May 2023, compared with its level at end of December 2022, driven by the increase in liabilities to other depository corporations (ODCs). Liabilities to ODCs grew by 15.3 per cent, driven by the 24.1 per cent increase in required reserves. However, currency-in-circulation (CIC) contracted by 16.1 per cent at end-May, constituting a drag on reserve money.

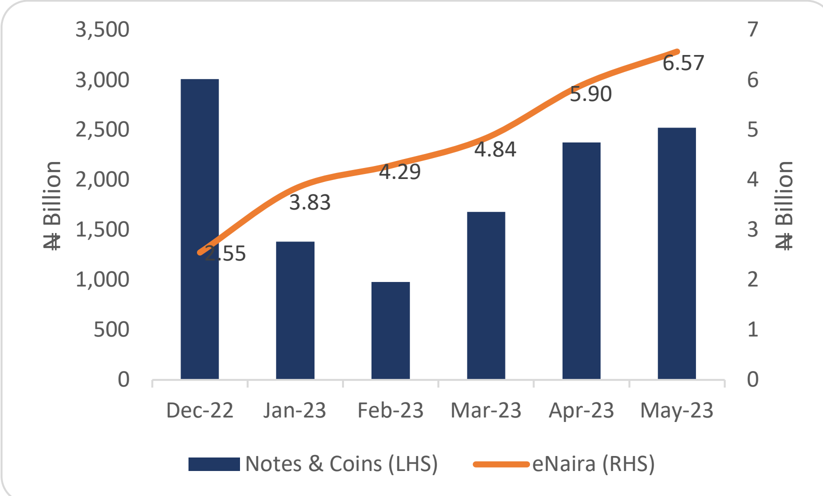
Table 9: Components of Reserve Money (₦ Billion)

	May-22	Dec-22	Mar-23	Apr-23	May-23
Monetary Base	14,265.73	16,032.96	15,975.74	17,543.44	17,544.86
Currency-In-Circulation	*3,330.86*	*3,012.06*	*1,683.50*	*2,379.07*	*2,526.68*
Of which eNaira	*1.06*	*2.55*	*4.84*	*5.90*	*6.57*
Liabilities to ODCs	*10,934.87*	*13,020.91*	*14,292.24*	*15,164.37*	*15,018.18*
Monetary Base (% Growth over Preceding December)	*7.30*	*20.59*	*-0.36*	*9.42*	*9.43*
Broad Money Multiplier (M3)	*3.40*	*3.26*	*3.42*	*3.19*	*3.18*

Source: Central Bank of Nigeria

Further disaggregation of CIC reveals a decline in notes and coins by 16.3 per cent to ₦2,520.11 billion at end of May and a 157.6 per cent increase in eNaira transactions to ₦6.57 billion, relative to end-December 2022. Specifically, the decline in notes and coins and the increase in eNaira transactions were driven by the Bank's efforts aimed at encouraging electronic and digital transactions. However, there has been a gradual rise in notes and coins since the month of March, following a recirculation of old currency into the economy.

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



Source: Central Bank of Nigeria

Broad Money

Given the broad money multiplier at 3.18, the monetary base was amplified, resulting in a 6.9 per cent growth in broad money supply (M_3). On an annualised basis, broad money grew by 16.6 per cent, which is 0.6 percentage point below the provisional benchmark of 17.2 per cent. This underscores the Bank's effort to keep the money supply within the programme target to tame inflationary pressures. The major drivers of the growth in broad money liabilities were transferable deposits and other deposits which grew by 11.5 and 6.4 per cent, respectively. In terms of contribution to growth in broad money liabilities, transferable deposits, contributed the most at 4.01 percentage points, while 'Other deposits' contributed 3.82 percentage points.

Table 10: Money and Credit Growth over preceding December (%)

	May-22	Dec-22	Apr-23	May-23	Contribution to M3 growth (May-23)	Annualised Growth (May-23)	2023 Prov. Benchmark
Net Foreign Assets	-23.86	-25.57	-27.53	-28.8	-3.84	-69.12	38.82
Claims on Non-residents	-1.92	9.64	-5.67	-3.11	-1.36	-7.46	
Liabilities to Non-residents	16.03	38.43	3.94	8.18	2.48	19.63	
Net Domestic Assets	17.96	28.9	12.75	12.41	10.75	29.78	15.78
Domestic Claims	15.88	31.42	16.14	16.89	20.74	40.54	
Net Claims on Central Government	30.42	61.61	37.53	37.22	15.95	89.33	19.64
Claims on Central Government	22.2	34.57	21.46	22.57	14.25	54.17	
Liabilities to Central Government	11.54	-0.53	-12.45	-8.35	-1.7	-20.04	
Claims on Other Sectors	10.13	19.46	4.67	5.99	4.79	14.38	13.5
Claims on Other Financial Corporations	4.66	11.69	5.3	9.25	1.56	22.2	
Claims on State and Local Government	25.05	32.47	5.22	5.5	0.35	13.2	
Claims on Public Nonfinancial Corporations	42.21	40.89	-37.04	1.72	0.04	4.13	
Claims on Private Sector	9.29	19.95	6.07	5.21	2.84	12.5	
Total Monetary Assets (M_3)	**9.16**	**17.44**	**7.38**	**6.91**	**6.91**	**16.58**	**17.18**
Currency Outside Depository Corporations	-5.94	-12.57	-19.1	-15.06	-0.74	-36.14	
Transferable Deposits	17.73	20.34	12.49	11.5	4.01	27.6	
Narrow Money (M_1)	13.88	14.98	8.58	8.21	3.27	19.7	
Other Deposits	5.93	17.63	6.66	6.43	3.82	15.43	
Broad Money (M_2)	9.16	16.56	7.43	7.14	7.09	17.14	18.07
Total Monetary Liabilities(M_3)	**9.16**	**17.44**	**7.38**	**6.91**	**6.91**	**16.58**	**17.18**

Source: Central Bank of Nigeria;

Note: 2023 benchmark are staff estimates

On the assets side, the growth in M3 was driven by the 16.9 per cent increase in domestic claims, which outweighed the 28.8 per cent decline in net foreign assets (NFA). The growth in domestic claims stemmed from the combined impact of 37.2 per cent and 6.0 per cent rise in net claims on central government and claims on other sectors, respectively. Notably, the rise in claims on central government was driven by the increase in loans from the monetary authority and the increase in holdings of government securities by the ODCs. The growth in claims on other sectors was propelled by the 9.25, 5.5, 1.72, and 5.2 per cent growth in claims on other financial corporations, claims on state and local government, claims on public non-financial corporations, and claims on the private sector, respectively.

2.3.2 Sectoral Credit Utilisation

Total credit to key sectors of the economy declined by 0.6 per cent to ₦30,181.81 billion at end of May, compared with ₦30,347.31 billion at end-April. Credit utilisation across all the sectors declined, with agriculture, industry, and services sectors falling by 4.7 per cent, 0.35 per cent, and 0.21 per cent, respectively. In terms of relative share in sectoral credit, the services sector, at ₦16,012.25 billion, accounted for the largest share (53.1 per cent), followed by industry (₦12,380.93 billion) and Agriculture (₦,1,788.63 billion), which accounted for 41.0 per cent and 5.9 per cent, respectively.

Table 11: Relative Share in Total Sectoral Credit

Item	Dec-22	Apr-23	May-23	% of Total		
	Billion Naira			Dec-22	Apr-23	May-23
Sectoral credit allocation						
[a] Agriculture	1,812.47	1,876.24	1,788.63	6.2	6.2	5.9
[b] Industry	12,074.31	12,424.44	12,380.93	41.0	40.9	41.0
of which Manufacturing	5,566.43	5,811.28	5,701.90	46.1	46.8	46.1
Oil & Gas *(Downstream, Natural Gas & Crude Oil Refining)*	4,706.14	4,808.65	4,852.80	39.0	38.7	39.2
				-	-	-
[c] Services	15,559.09	16,046.63	16,012.25	52.8	52.9	53.1
of which Finance, Insurance & Capital Market	2,638.84	2,658.12	2,616.05	17.0	16.6	16.3
Trade/General Commerce	2,214.41	2,340.07	2,346.87	14.2	14.6	14.7
Total private sector credit	29,445.87	30,347.31	30,181.81	**100.0**	**100.0**	**100.0**

Source: Central Bank of Nigeria

Consumer Credit

Similarly, consumer credit decreased by 0.9 per cent to ₦2,345.16billion in the review month, from ₦2,367.38billion at end-April. Of the total claims on the private sector (₦29,953.39billion) at end of May 2023, the share of consumer credit stood at 7.84 per cent, relative to 7.83 per cent in the preceding month.

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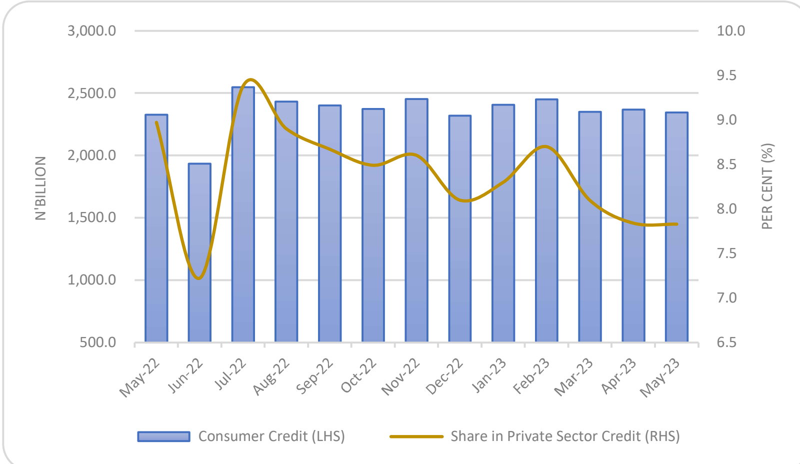
Figure 20: Consumer Credit Outstand



Source: Central Bank of Nigeria

A breakdown of consumer credit shows that personal loans accounted for 71.8 per cent, while retail loans accounted for 28.2 per cent.

Figure 21: Composition of Consumer Credit

Source: Central Bank of Nigeria

2.3.3 Financial Developments

2.3.3.1 Money Market Developments

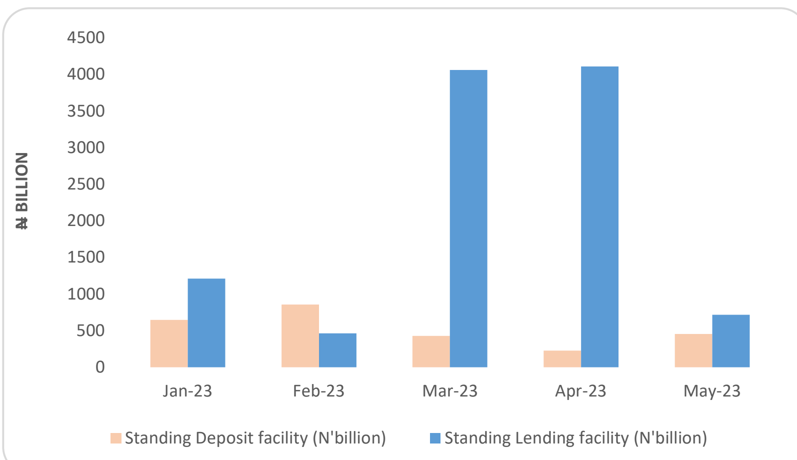
Industry Liquidity Condition

Banking system liquidity increased in the review period. The average net industry balance increased by 39.5 per cent to ₦330.60 billion from ₦236.99 billion in the preceding month. The increased liquidity position was influenced by injections via the Federation Account Allocation Committee (FAAC), at ₦655.93 billion, as well as through NTBs and CBN bills maturities at ₦324.43 billion and ₦85.00 billion, respectively.

Discount Windows

At the CBN Standing Facility window, lending declined to ₦714.10 billion, from ₦4,106.53 billion in the preceding month, with an average daily request of ₦35.70 billion, relative to ₦256.66 billion in April. The outcome was a result of the increased liquidity in the banking system. Conversely, deposits increased to ₦450.25 billion, with an average daily placement of ₦21.44 billion, compared with ₦224.29 billion with an average daily placement of ₦14.02 billion in the preceding month. The applicable rates for the standing deposit facility and standing lending facility increased by 50 basis points to 11.50 and 19.50 per cent, respectively, following the hike in the policy rate by 50 basis points to 18.50 per cent in May.

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



Source: Central Bank of Nigeria

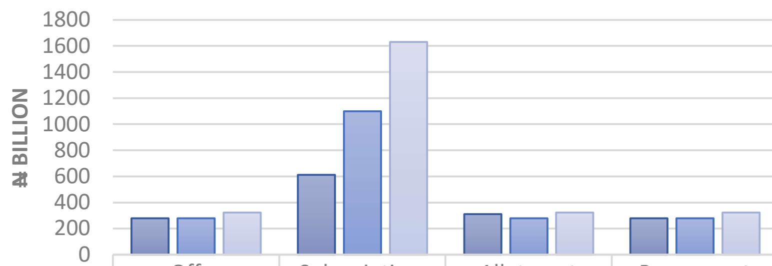
Open Market Operations Government Securities

There was no conduct of OMO auctions in the review month, same as in the preceding month. However, maturing bills amounting to ₦85.00 billion were redeemed.

Investment in Government Securities

The NTBs and FGN Bonds market remained active. At the NTB auctions, bills with tenors ranging from 91 to 364 days, amounting to ₦324.43 billion, ₦1,632.26 billion, and ₦324.43 billion were offered, subscribed, and allotted, respectively, relative to ₦281.10 billion, ₦1,099.46 billion and ₦281.10 billion, in the preceding month. Stop rates declined across the various maturities on offer, driven by increased banking system liquidity. Notably, investors sustained a preference for longer-term securities (364 days), which accounted for 92.0 per cent of total subscriptions.

Figure 19: Primary Market NTBs (₦ Billion)

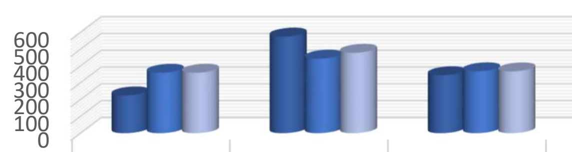


	Offer	Subscription	Allotment	Repayment
May-22	280.5	614.09	311.35	280.5
Apr-23	281.1	1,099.46	281.1	281.1
May-23	324.43	1,632.26	324.43	324.43

Source: Central Bank of Nigeria

FGN Bonds of 10-, 20- and 30-year tranches were offered in the period. Total amount offered, subscribed and allotted were ₦360.00billion, ₦478.92 billion, and ₦368.16 billion, respectively, relative to ₦360.00 billion, ₦444.03 billion, and ₦368.67 billion in the preceding month. Marginal rates at the auction closed slightly higher at 14.95 (±0.85) per cent, compared with 14.90 (±0.90) per cent in the preceding month.

Figure 23: Primary Auctions of FGN Bond (₦' Billion)



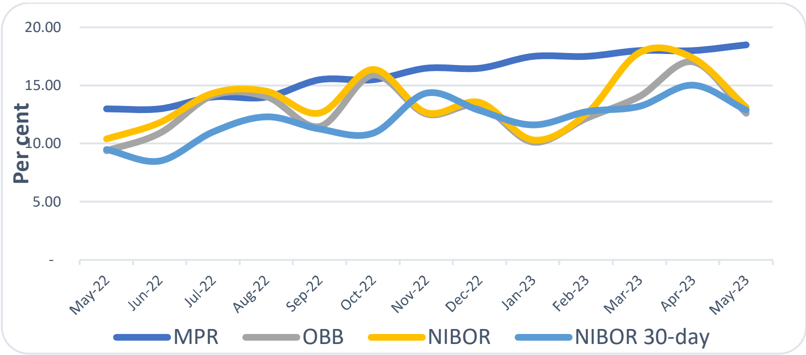
	Offer	Subscription	Allotment
May-22	225	575.63	345.26
Apr-23	360	444.03	368.67
May-23	360	478.92	368.16

Source: Central Bank of Nigeria

Interest Rate Development

Key short-term interest rates trended downward on account of increased banking system liquidity. The average interbank and Open Buy Back (OBB) rates shed 3.5 and 4.5 percentage points, respectively, to close at 12.31 and 12.60 per cent. The Nigerian Interbank Offered Rate (NIBOR) also declined across the different tenors. The NIBOR-Call and NIBOR-30 fell by 4.4 and 2.1 percentage points to 13.14 and 12.89 per cent, relative to their levels in the preceding month.

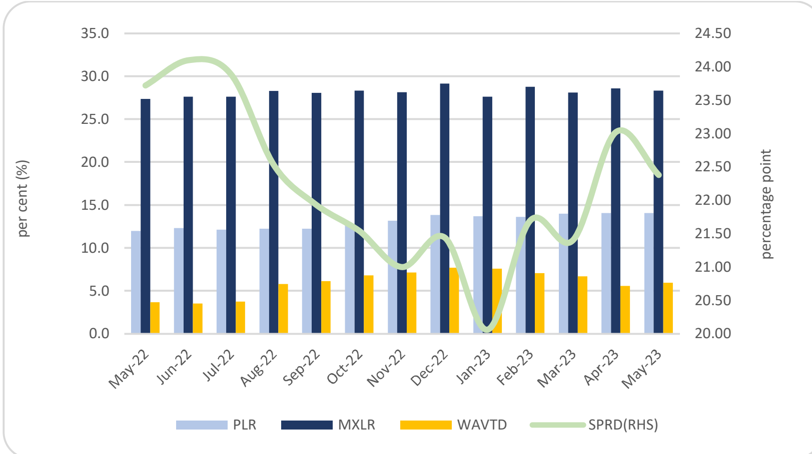
Figure 24: Developments in Short-term Interest Rates (Per cent)



Source: Central Bank of Nigeria

The direction of lending rates was mixed. The prime lending rate increased marginally by 0.02 percentage points to 14.07 per cent, relative to its level in April, while the maximum lending rate declined modestly by 0.3 percentage points to 28.31 per cent. The weighted average term deposit rate increased by 0.4 percentage points to 5.93 per cent, relative to the level in the preceding month, culminating in a slightly narrower spread of 22.4 percentage points between the weighted average term deposit and maximum lending rate, relative to a spread of 23.0 percentage points in April.

Figure 25: Trend in Average Deposit and Lending Rates



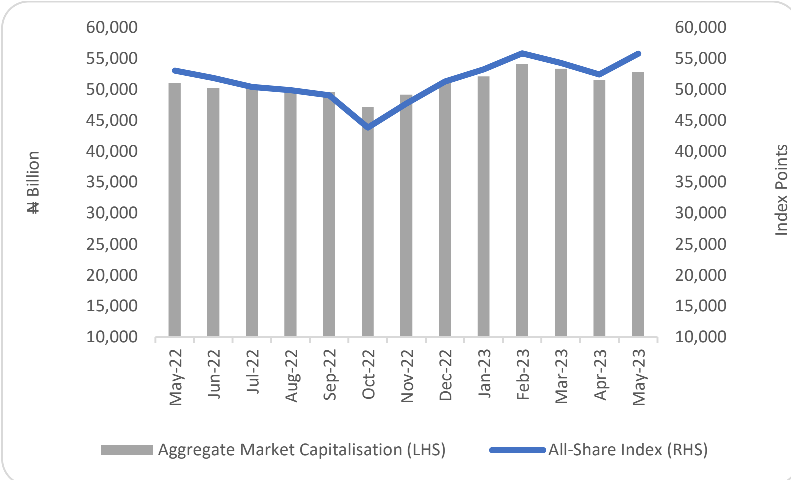
Source: Central Bank of Nigeria

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

Activities on the Nigerian Exchange (NGX) Limited were bullish, propelled by investors' positive sentiments. Thus, aggregate market capitalisation rose by 2.6 per cent to ₦52,767.06 billion, from ₦51,434.22 billion in the preceding month. A breakdown of the aggregate market capitalisation indicated that the Equities and Exchange Traded Funds (ETF) segments rose by 6.4 and 11.1 per cent to ₦30,366.72 billion and ₦9.47 billion, respectively; while the debt segment declined by 2.2 per cent to close at ₦22.390.87 billion from ₦22,885.98 billion at end-April. The NGX All-Share Index (ASI) appreciated by 6.4 per cent to 55,769.28 index points, relative to the 52,403.51 index points at end-April. The development reflected investor optimism of brighter economic fortunes in the market following the inauguration of a new administration. The equities, debt and ETF segments constituted 57.5, 42.4, and 0.1 per cent of the total market capitalisation, respectively.

Figure 26: Aggregate Market Capitalisation and All-Share Index



Source: Nigeria Exchange (NGX) Limited

NGX All Share Index

Similarly, sectoral analysis indicated that most of the sectoral indices tracked were bullish except for NGX-MERI Growth and NGX-Sovereign Bond, which trended downward, while the NGX-ASEM closed flat.

Table 12: Nigeria Exchange (NGX) Limited sectoral Indices

NGX Indices	Apr-23	May-23	Changes (%)
NGX-Afri Bank Value	1,044.8	1,259.2	20.5
NGXMERIGRW	2,396.4	2,885.8	20.4
NGX-Banking	438.1	523.5	19.5
NGXOILGAS	502.2	596.0	18.7
NGX-Afri Div Yield 1	3,675.9	4,353.7	18.4
NGX-MERI Value	2,458.1	2,895.9	17.8
NGX-Pension	1,891.3	2,223.0	17.5
NGX-CG	1,323.1	1,536.7	16.1
NGX-Consumer Goods	736.1	848.1	15.2
NGX-Insurance	184.4	209.0	13.4
NGX-Premium	5,198.2	5,806.1	11.7
NGX-Lotus II	3,431.3	3,737.1	8.9
NGX-30	1,890.9	2,021.0	6.9
NGX-Main Board	2,350.0	2,419.5	3.0
NGX-Industrial Goods	2,447.1	2,488.1	1.7
NGX-ASeM	659.4	659.4	-
NGX-Sovereign Bond	812.7	773.5	-4.8
NGX-Growth	2,799.2	2,522.5	-9.9

Source: Nigeria Exchange (NGX) Limited

The value and volume of traded securities increased by 69.0 and 81.2 per cent to ₦161.60billion and 131,838 deals, respectively, compared with ₦95.64billion and 72,744 deals in the preceding month. However, the volume of transactions traded in the equities market fell by 39.0 per cent to 13.31billion shares, from 21.83billion shares in April.

Figure 27: Volume and Value of Traded Securities on the NGX

Source: Nigeria Exchange (NGX) Limited.

There was no listing/delisting of shares or bonds on the Exchange, during the review period.

2.3.3.3 Financial Soundness Indicators

The banking industry remained safe, sound and resilient, as key indicators were within prudential benchmarks. The banking system's Capital Adequacy Ratio (CAR) remained above the 10.0 per cent benchmark for banks with national/regional authorisation. The CAR rose slightly by 0.2 percentage point to 13.0 per cent, from the level at end-April, driven by a marginal increase in total qualifying capital over movements in total risk-weighted assets. The banks' asset quality, measured by the ratio of non-performing loans (NPL) to total loans, increased by 0.1 percentage point to 4.5 per cent, but remained below the prudential benchmark of 5.0 per cent. The Industry Liquidity Ratio (LR) was above the minimum regulatory benchmark of 30.0 per cent, as it increased by 11.6 percentage points to 73.8 per cent, compared with 62.2 per cent in the preceding month.

Table 13: Financial soundness indicators

Key Indicators	May -22	Dec-22	Apr-23	May-23	Prudential Benchmark
Capital Adequacy Ratio (CAR)	14.4	13.8	12.8	13.0	10.0
Non-Performing Loan	5.2	4.2	4.4	4.5	5.0
Liquidity Ratio	55.2	53	62.2	73.8	30

Source: Central Bank of Nigeria

2.4 EXTERNAL SECTOR DEVELOPMENTS

Summary

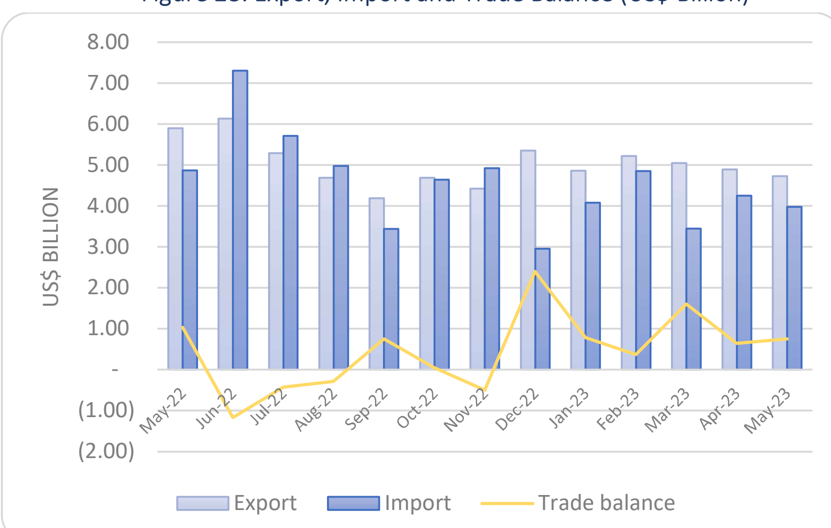
The economy recorded a trade surplus, majorly on account of lower import bills. In the same vein, foreign capital inflow increased, driven primarily by a higher inflow of loans. The external reserves at US$34.39billion was adequate, as it was above the three-month import cover benchmark. Foreign exchange flow through the economy resulted in a higher net foreign exchange inflow, driven majorly, by increased inflow through autonomous sources. The exchange rate remained relatively stable at the Investors and Exporters window.

2.4.1 Trade Performance

The economy recorded a positive trade performance, primarily attributed to a notable reduction in import bills during the review period. Provisional data shows that the trade surplus increased to US$0.76 billion, from US$0.64 billion in the preceding month. Total export receipts decreased by 2.9 per cent to US$4.75 billion, from US$4.89 billion in April. In the same vein, merchandise import fell by 1.9 per cent to US$3.98 billion, from US$4.25 billion in April.

Analysis by share of total export shows that crude oil and gas receipts represented 85.6 per cent, while non-oil exports accounted for the balance of 14.4 per cent. In terms of import, the share of non-oil imports was dominant at 64.6 per cent and oil constituted the balance of 35.4 per cent.

Figure 28: Export, Import and Trade Balance (US$ Billion)



Source: Central Bank of Nigeria

Oil Export

Export receipts from crude oil moderated, owing to a decline in crude oil prices following concerns surrounding the US debt situation. Consequently, provisional data shows that crude oil and gas export receipts fell by 3.8 per cent to US$4.06 billion, from US$4.22 billion in April. A breakdown reveals that crude oil export receipts declined by 4.2 per cent to US$3.58 billion, from USS$3.73 billion in the preceding month. Similarly, gas export receipts fell by 2.1 per cent to US$0.49 billion, from US$0.50 billion in April.

Non-Oil Export

Non-oil export earnings strengthened on account of higher commodity prices and continued efforts to enhance the export of non-oil products. Non-oil export earnings increased by 3.0 per cent to US$0.68 billion from US$0.66 billion in April. Analysis by direction of trade reveals that Yemen was the major destination of non-oil exports with a share of 17.9 per cent. Export to the U.S.A followed with 11.5 per cent; India, 7.5 per cent; Japan, 7.0 per cent and China, 5.8 per cent. The major commodities exported were cashew nuts, which accounted for the largest share of 23.0 per cent, followed by urea with 12.5 per cent; and cocoa beans with 10.0 per cent.

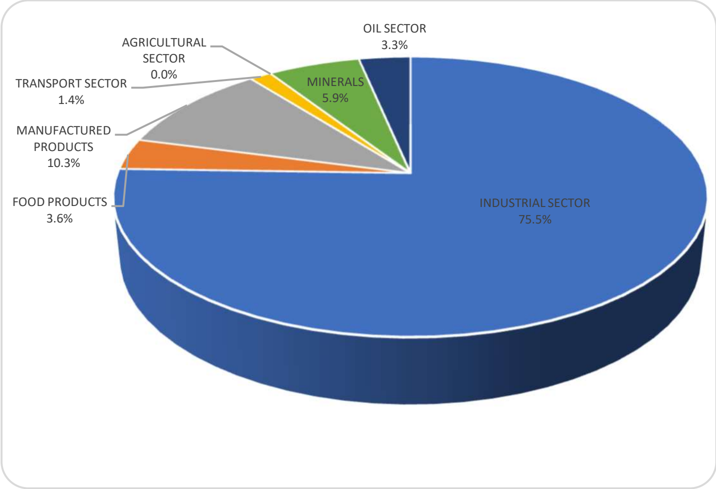
Receipts from the top 5 exporters of non-oil products were US$0.12 billion, compared with US$0.10 billion in April. Analysis by share revealed that Indorama Eleme Fertilizer and Chemical Ltd and Outspan Nigeria Ltd were the top two exporters with shares of 11.9 and 5.8 per cent, respectively, from the export of urea along with fertilizer and dairy products. The third place was occupied by Segilola Resources Operating Ltd, with a share of 4.2 per cent from the export of gold. Metal Recycling Industries Ltd was fourth, with 4.1 per cent from the export of aluminium and copper ingots. Starlink Global & Ideal Ltd was fifth, with a share of 3.7 per cent from the export of cocoa beans and cashew nuts.

Import

Higher import prices induced a decline in merchandise imports. Provisional data shows that aggregate imports decreased by 6.3 per cent to US$3.98 billion, from US$4.25 billion in April. A disaggregation shows that the importation of petroleum products fell to US$1.19 billion, from US$1.48 billion in April. Similarly, non-oil import declined by 2.0 per cent to US$2.57 billion, from US$2.63 billion in the preceding month.

Sectoral utilisation of foreign exchange for visible import shows that industry (raw materials and machineries) had the largest share of 75.5 per cent, followed by manufactured products,10.3 per cent; minerals, 5.9 per cent; food products, 3.6 per cent; oil, 3.3 per cent; and transport, 1.4 per cent.

Figure 29: Import by Sector (Percentage)



Source: Central Bank of Nigeria

2.4.2 Capital Flows

Foreign capital inflow improved on account of a higher inflow of loans.

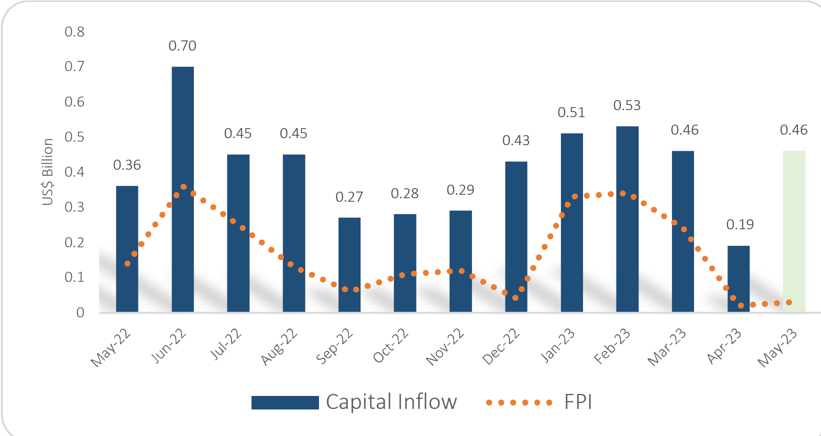
Capital importation.

Capital imported into the domestic economy increased to US$0.46 billion, from US$0.19 billion in April. Analysis based on investment categories reveals that other investments, primarily loans, constituted 81.2 per cent of the total, amounting to US$0.37 billion. Inflow of portfolio investment, mainly in the form of bonds, constituted 7.4 per cent, with a value of US$0.03 billion. The remaining proportion was attributed to the inflow of foreign direct investment.

By nature of business, provisional data shows that investment in production/ manufacturing accounted for 68.3 per cent, banking, 11.6 per cent; shares, 8.9 per cent; financing, 3.7 per cent; trading 2.9 per cent; and agriculture, 2.2 per cent, of the total inflow. Other sectors accounted for the balance.

A disaggregation of capital inflow by originating country shows the United States as the major source of capital, accounting for 49.8 per cent of the total. Singapore, the United Kingdom, the Netherlands, the United Arab Emirates, Mauritius and Bulgaria followed with shares of 16.4, 13.3, 8.9, 4.1, 3.6, and 2.2 per cent, respectively. Lagos state and the Federal Capital Territory, with shares of 87.8 and 12.2 per cent, respectively, were the two main recipients of capital in the domestic economy.

Figure 30: Capital Inflow and Foreign Portfolio Investment (US$ Billion)

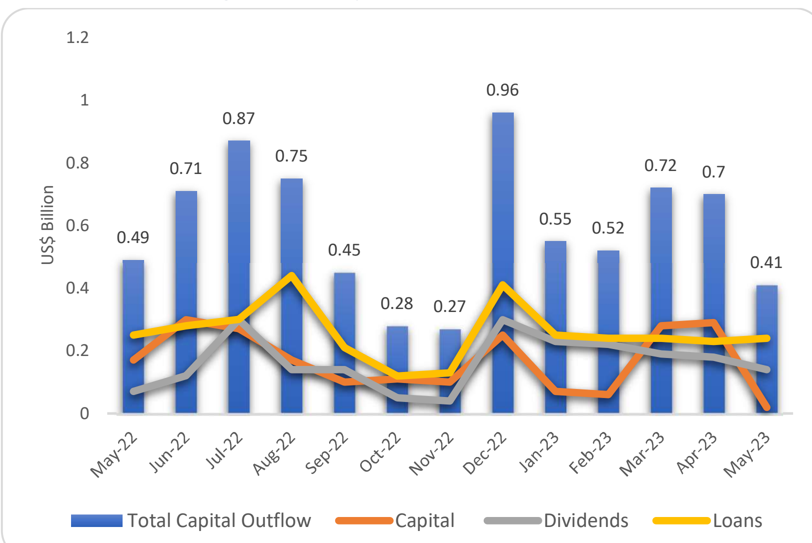


Source: Central Bank of Nigeria

Capital Outflow

The increase in capital outflow was primarily driven by higher loan repayments. Capital outflow increased by 24.7 per cent to US$0.41 billion, from US$0.33 billion in April. Outflow in the form of loans rose to US$0.24 billion from US$0.10 billion in April. Similarly, capital reversal increased to US$0.02 billion from US$0.01 billion in April. However, repatriation of dividends declined to US$0.14 billion from US$0.21 billion in the preceding month. With respect to share in total outflow, loans accounted for 59.9 per cent; dividends, 33.9 per cent; capital reversals, 6.1 per cent; and others accounted for the balance.

Figure 31: Capital Outflow (US$ Billion)

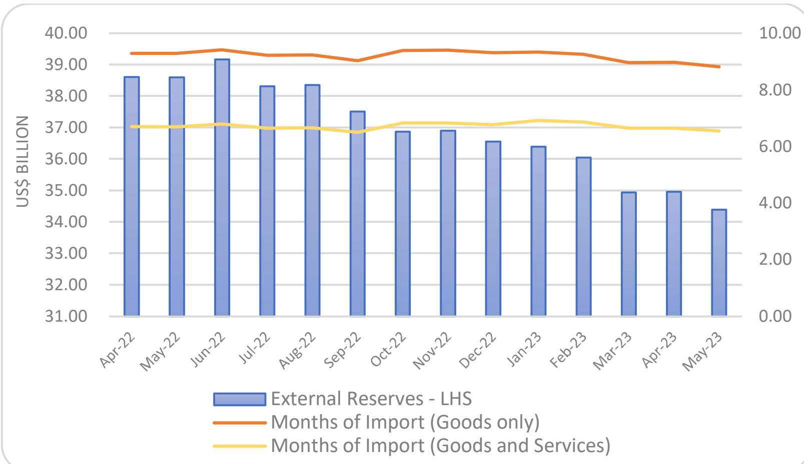


Source: Central Bank of Nigeria

2.4.3 External Reserves

The external reserve level was above the standard benchmark of three months of import cover. The external reserves stood at US$34.39 billion at end of May, compared with US$34.96 billion at end of April. The external reserves could cover 6.5 months of import for goods and services or 8.8 months of import for goods only.

Figure 32: External Reserves and Months of Import Cover (US$ Billion)



Source: Central Bank of Nigeria

2.4.4 Foreign Exchange Flows through the Economy

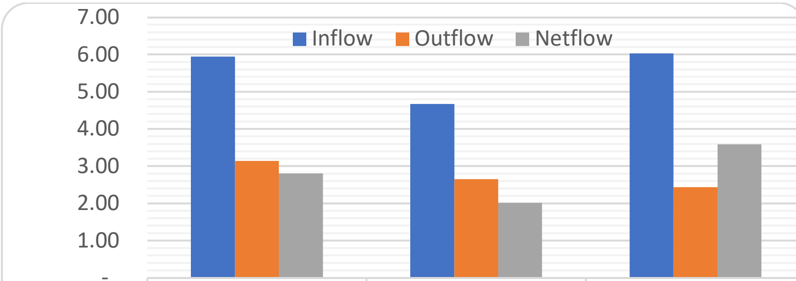
The economy recorded a higher net foreign exchange inflow relative to the preceding month. Foreign exchange flow through the economy recorded a net inflow of US$3.59 billion, compared with US$2.02 billion in the preceding period. Aggregate foreign exchange inflow into the economy increased by 29.1 per cent to US$6.03 billion, from US$4.67 billion in the preceding month. However, foreign exchange outflow fell by 8.2 per cent to US$2.44 billion from US$2.65 billion in the preceding month.

Foreign exchange inflows through the Bank decreased by 27.9 per cent to US$1.70 billion, from US$2.36 billion in April. Outflow through the Bank fell by 15.2 per cent to US$2.03 billion, from US$2.39 billion in April. As such, the CBN recorded a net outflow of US$0.33 billion, compared with a net outflow of US$0.03 billion in the preceding month.

Autonomous inflow increased by 87.2 per cent to US$4.33 billion from US$2.31 billion in the preceding month. Similarly, autonomous outflow increased to US$0.41 billion from US$0.26 billion in April.

Consequently, a net inflow of US$3.92 billion was recorded, compared with US$2.05 billion in April.

Figure 33: Foreign Exchange Transactions through the Economy (US$ Billions)



	May 22	April 23	May 23
Inflow	5.94	4.67	6.03
Outflow	3.14	2.65	2.44
Netflow	2.80	2.02	3.59

Source: Central Bank of Nigeria

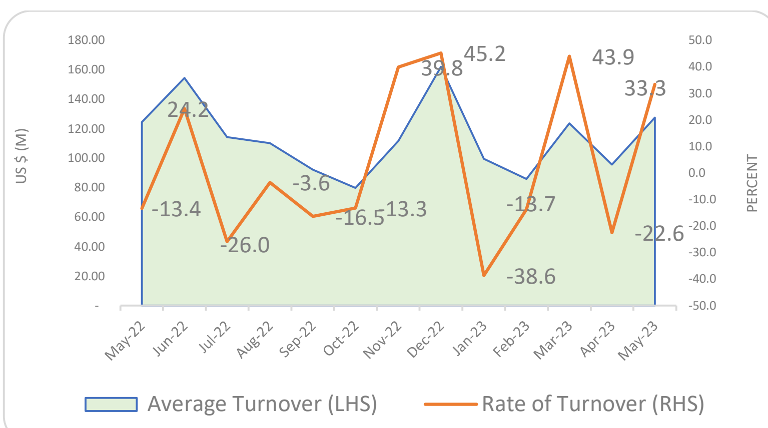
2.4.5 Exchange Rate Movement

Average Exchange Rate

The exchange rate of the naira to the US dollar remained relatively stable at the Investors' and Exporters' (I&E) window. The average exchange rate of the naira per US dollar at the I&E window stood at ₦462.01/US$, compared with ₦460.96/US$ in the preceding month.

The average foreign exchange turnover at the I&E window increased by 33.3 per cent to US$127.47 million, compared with US$95.60 million in April.

Figure 34: Turnover in the I&E Foreign Exchange Window (US$ Million)



Source: Financial Markets Derivatives Quotations (FMDQ)

3.0 Economic Outlook

Global Economic Outlook

The IMF April Report projects global growth to moderate to 2.8 per cent in 2023 from 3.4 per cent in 2022. The outlook is predicated on tight financial conditions, continued geopolitical tensions between Russia and Ukraine, as well as high debt levels in several EMDEs. Also, the price of fuel and nonfuel commodities is expected to decline in 2023, amid a slowdown in global demand. In the Advanced Economies (AEs), growth is projected to decelerate to 1.3 per cent in 2023 from 2.7 per cent in 2022, on the back of a tight monetary policy stance, weaker demand and the ongoing Russia-Ukraine war. Growth prospect in the Emerging Market and Developing Economies (EMDEs) is projected to be 3.9 per cent in 2023, more robust than the AEs, but slightly below the 4.0 per cent for 2022. The forecast is predicated on expected strong domestic demand in India and parts of Latin America, as well as the reopening of China.

Global inflation is expected to moderate to 7.0 per cent in 2023 from 8.7 per cent in 2022. This downward projection is predicated on lower global food and commodity prices, including fuel, and the effect of monetary policy tightening across countries. Nonetheless, the risks to the positive outlook include higher borrowing costs, the US banking crisis and the spillover of the Russia -Ukraine war.

Domestic Economic Outlook

Nigeria's economic growth outlook remains positive in the near term subject to some downside risks. The optimistic outlook is based on expected favourable crude oil prices and higher production. Also, with the removal of the PMS subsidy, it is expected that the wider fiscal space will provide additional impetus for growth. Furthermore, the interventions by the authorities in growth-enhancing sectors are expected to boost growth further. However, contraction in global demand, persistent security challenges, higher debt service as well as infrastructural deficit remain headwinds to growth.

Inflationary pressure is expected to persist in the short- to medium-term, on account of expected higher prices with the removal of the PMS subsidy. However, the sustained monetary stance and improvement in global supply chains are expected to help moderate inflation. Also, output growth following interventions by the authorities is expected to help further rein in price pressures over the medium term.

Nigeria's external sector is expected to remain resilient. The positive outlook is underpinned by the expected improvement in macroeconomic conditions over the short to medium term. In addition, government efforts to tackle domestic crude oil production challenges are expected to yield positive results. However, weak global demand could dampen the performance of the external sector.