CENTRAL BANK OF NIGERIA

October 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 Bank 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.*

Content

Tables

Figures

EXECUTIVE SUMMARY

The global economic landscape in October 2023 was marked by a continued deceleration in output growth, with most countries experiencing contractions. Inflationary pressures moderated in most countries, driven by decline in energy costs and food prices. The equity market was, generally, on the downside, as investors' sentiment weakened, amid expectation of higher interest rates and a resurgence of geopolitical tensions in the Middle East. Most currencies depreciated against the US dollar, due to the hawkish stance of the Federal Reserve, and domestic economic challenges in some Emerging Markets and Developing Economies.

Business activities in the domestic economy remained sluggish, as the composite Purchasing Managers' Index (PMI) contracted for the fourth consecutive month to 42.6 index points in October 2023, compared with the 45.5 index points in the preceding month, following weakened consumer purchasing power, amid uptick in inflationary pressures. Headline inflation rose to 27.33 per cent, from 26.72 per cent in the preceding month, primarily, due to higher transportation and logistics costs amid heightened inflation expectations.

Fiscal conditions improved on account of increased receipts from oil sources, such as the 2023 interim dividend payment by the Nigerian National Petroleum Company Limited (NNPCL), and Petroleum Profit Tax (PPT) & Royalties. Consequently, federally collected revenue rose by 7.4 per cent, relative to the preceding month, but fell short of the budget benchmark by 13.1 per cent. Similarly, provisional FGN retained revenue and aggregate expenditure increased by 4.2 and 2.6 per cent, relative to the preceding month, but fell short of their monthly targets by 42.2 and 25.9 per cent, respectively. The improvement in revenue was not sufficient to dampen the deficit, which expanded by 1.5 per cent, relative to the level in September 2023, reflecting a 13.4 per cent growth in debt service payments. Consolidated public debt at ₦87,379.40 billion or 38.7 per cent of GDP, was within the 40.0 per cent national threshold.

The Bank's policy stance, together with the consistent supervision and enforcement of prudential guidelines, strengthened the soundness and resilience of the financial sector. Key monetary aggregates were higher than their levels in the preceding month, driven by the moderate expansion in credit provision to vital sectors of the economy and the impact of exchange rate reforms. Key short-

term interest rates trended downward, influenced by increase in banking system liquidity during the period. Despite the higher banking system liquidity, subscriptions in both the NTBs and FGN bonds segments moderated, as investors' interests moved in favour of equities market, in the wake of a historic bullish run buoyed by favourable third quarter results.

Improved domestic crude oil production, boosted export earnings, leading to increase in trade surplus in the review period. Similarly, increased returns on investments, and the strong performance of the capital market boosted capital inflow. The average exchange rate at the Nigerian Autonomous Foreign Exchange Market (NFEM) depreciated by 3.4 per cent to ₦788.76/US$ in October 2023 compared with ₦762.02/US$ in the preceding month. The external reserves at US$33.69 billion at end-October 2023, covers 6.5 months of import for goods and services or 8.8 months of import for goods only. In terms of foreign exchange flows through the economy, a higher net foreign exchange inflow was recorded, driven by increased inflow through the CBN and autonomous sources.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

Summary

The global economic landscape in October 2023 was marked by a continued deceleration in output growth, with most countries experiencing contractions. Inflationary pressures moderated in most countries, driven by a decline in energy costs and food prices. The equity market was, generally, on the downside, as investors' sentiment weakened, amid the expectations of higher interest rates and a resurgence of geopolitical tensions in the Middle East. Most currencies depreciated against the US dollar, largely, due, to the hawkish stance of the Federal Reserve, and domestic economic challenges in some Emerging Markets and Developing Economies.

1.1 Global Economic Activity

Global Economic Activity

Global economic activity expanded in October 2023 at a slower pace, due to the continued decline in consumer demand, which weighed on the manufacturing and services sectors. The Global Composite Purchasing Managers' Index (PMI) stood at 50.0 index points, relative to 50.5 index points in the preceding month. The services PMI slowed marginally to 50.4 index points, compared with the 50.7 index points in the preceding month, due to weaker new orders, affected employment and dampened business optimism. The manufacturing PMI remained below the 50-point threshold, recording 48.8 index points in October 2023, relative to the 49.2 index points in the preceding month. The contraction was attributed to the reduction in new business orders, deteriorating international trade flows, and decline in business confidence.

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

	Aug-23	Sep-23	Oct-23
Composite	50.6	50.5	50.0
Employment Level	51.0	50.7	50.5
New Business Orders	50.1	49.5	49.3
New Export Business Orders	47.9	48.0	48.0
Future Output	62.4	62.1	61.4
Input Prices	57.4	57.5	56.4
Output Prices	53.4	53.6	53.0
Manufacturing	49.0	49.2	48.8
Services (Business Activity)	51.1	50.7	50.4
New Business	50.8	49.8	49.6
New Export Business	50.9	49.1	49.9
Future Activity	63.5	62.7	62.5
Employment	51.2	51.1	51.1
Outstanding Business	48.4	47.8	49.2
Input Prices	59.7	59.3	57.6
Prices Charged	54.5	54.3	53.6

Source: J.P. Morgan
Note: Above 50 index points indicate expansion, while index points below 50 indicates contraction.

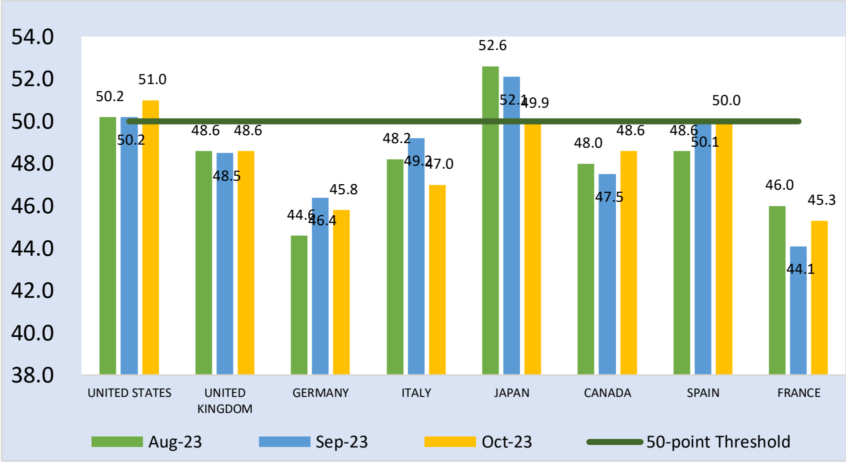
Economic Activity in Advanced Economies

Economic activity in most Advanced Economies (AEs) contracted, due to deteriorating business confidence amid subdued global demand. The UK PMI contracted to 48.6 index points in October 2023, below the 50-point threshold, but slightly above the 48.5 index points in the preceding month, reflecting moderations in private sector activity, underpinned by a slowdown in new orders and weak business confidence. Similarly, business activity contracted in Japan, as PMI dropped to 49.9 index points compared with the 52.1 index points in the preceding month. The decline is, driven mainly, by the sharp reduction in new orders, leading to a decline in manufacturing output.

In France, PMI at 45.3 index points contracted, compared with the 44.1 index points in the preceding month. The underperformance in economic activity was, mainly, attributed to the continued decline in new orders, following low global demand. Business activity also contracted in Germany, due to declining new orders amid a reduction in business confidence. Consequently, Germany's PMI declined to 45.8 index points in October 2023, compared with the 46.4 index points in the preceding month. In Italy, the PMI also declined to 47.0 index points, compared with the 49.2 index points in the preceding month. The contraction was attributed, largely, to weak demand in both manufacturing and service sectors. The lower global demand and decline in new orders, and higher cost of borrowing weighed on business activity in Canada. Thus, Canada’s Manufacturing PMI stood at 48.6 index points below the 50-point threshold, but slightly above the 47.5 index points in the preceding month.

Economic activity in the United States expanded in October 2023, as reflected in the US PMI which stood at 51.0 index points, compared with the 50.2 index points in the preceding month. The expansion was attributed to improved demand conditions in the service and manufacturing sectors. In Spain, however, economic activity witnessed slower growth, as the PMI dropped marginally to 50.0 index points, compared with the 50.1 index points in the preceding month. The slower pace of economic activity was, due to a significant contraction in the demand for manufacturing products.

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



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

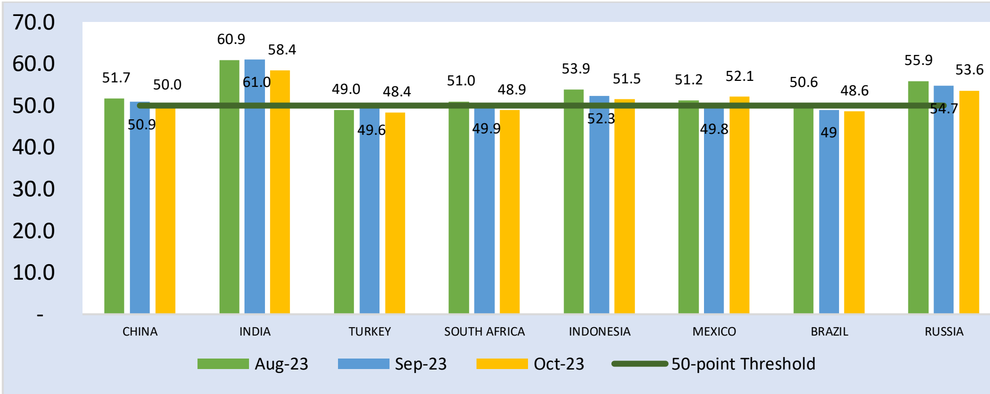
Economic Activity in Emerging Markets and Developing Economies

Generally, economic activity in the Emerging Markets and Developing Economies (EMDEs) witnessed slower growth, due to moderation in export demand. Economic activity expanded at a slower pace in India as the PMI stood at 58.4 index points in October 2023 compared with the 61.0 index points in the preceding month. The slower pace of expansion was, driven largely, by moderation in foreign demand in both the manufacturing and service sectors. In Russia, economic activity also expanded at a slower pace as manufacturers and service providers witnessed higher wage bills and supplier prices. The PMI, consequently dropped to 53.6 index points, compared with the 54.7 index points in the preceding month. Similarly, China's PMI fell marginally to 50.0 index points, compared with the 50.9 index points in the preceding month. The slower growth in economic activity was attributed to a reduction in production output within the manufacturing sector, further exacerbated by a higher rate of job cuts in the industry.

In Brazil, economic activity contracted to 48.6 index points in October 2023, from 49.0 index points in September 2023, driven, largely, by a decline in new orders and business activities, coming from the lull in demand. Economic activity in South Africa also contracted to 48.9 index points in October 2023, from 49.9 index points in the preceding month, owing to a decline in new orders and rising fuel prices which dampened customers' confidence. The weaker aggregate demand, moderation in new orders and export businesses, amid interest rate hikes further aggravated the contraction in economic activity in Turkey, as the PMI dropped further to 48.4 index points in October 2023, compared with the 49.6 index points in the preceding month.

The growth in economic activity in Indonesia was slower, due largely, to decline in new orders and reduction in foreign demand. Consequently, PMI fell marginally to 51.5 index points, compared with the 52.3 index points in the preceding month. Economic activity in Mexico, however, expanded to 52.1 index points, compared with the 49.8 index points in the preceding month, owing to higher manufacturing output and improved business sentiments.

Figure 2: Selected Emerging Markets and Developing Economies' Composite Purchasing Managers' Index (PMI)



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

1.2 Global Inflation

Global Inflation

Inflationary pressures eased in most Advanced Economies, driven by lower energy costs. In the US, inflation decelerated to 3.20 per cent in October 2023, compared with the 3.70 per cent in the preceding month, due to a decline in energy costs. In the UK, reduction in energy prices, following the decision by the Office of Gas and Electricity Market (Ofgem) to lower the cap on household bills, together with the decline in food prices and the cost of accommodation services forced inflation down to 4.60 per cent in October 2023, compared with the 6.70 per cent in the preceding month. Germany also recorded a moderation in inflation to 3.80 per cent, from 4.50 per cent in the preceding month, due majorly, to easing energy costs. Similarly, inflation moderated in France, due to the significant decline in energy costs, and prices of food and manufactured products. Consequently, inflation declined to 4.00 per cent in October 2023, from 4.90 per cent in the preceding month. Inflation decelerated in Canada, largely, due to the decline in gasoline prices, lower cost of transportation and food prices. Thus, inflation fell to 3.10 per cent, from 3.80 per cent in the preceding month. In Italy, inflation decelerated to 1.78 per cent, from 5.30 per cent in the preceding month. The moderation was driven, largely, by the decline in energy costs and prices of both processed and unprocessed food items.

Inflation, however, accelerated in Japan to 3.30 per cent, from 3.00 per cent in the preceding month, due, mainly, to the increase in hotel fees amid strong inbound tourism and the end of post COVID-19 pandemic stimulus packages for domestic travels by the government.

In Spain, inflation remained constant at 3.50 per cent in October 2023, despite increase in food prices and non-alcoholic beverages.

Table 2: Inflation in Selected Economies in Per cent

Country	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23
United States	4.90	4.00	3.00	3.20	3.70	3.70	3.20
United Kingdom	8.70	8.70	7.90	6.80	6.70	6.70	4.60
Japan	3.50	3.20	3.30	3.30	3.20	3.00	3.30
Canada	4.40	3.40	2.80	3.30	4.00	3.80	3.10
Germany	7.20	6.10	6.40	6.20	6.10	4.50	3.80
France	5.90	5.10	4.50	4.30	4.80	4.90	4.00
Italy	8.30	7.60	6.40	5.93	5.53	5.30	1.78
Spain	4.10	3.20	1.90	2.30	2.60	3.50	3.50
China	0.10	0.20	0.00	-0.30	0.10	0.00	-0.20
South Africa	6.80	6.30	5.40	4.70	4.80	5.40	5.90
India	4.70	4.25	4.87	7.44	6.83	5.02	4.87
Mexico	6.25	5.84	5.06	4.79	4.64	4.45	4.26
Indonesia	4.33	4.00	3.52	3.08	3.27	2.28	2.56
Turkey	43.70	39.59	38.20	47.80	58.90	61.5	61.4
Brazil	4.18	3.94	3.16	3.99	4.61	5.19	4.82
Russia	2.30	2.50	3.30	4.30	5.20	6.00	6.70

Source*:* Trading Economics

In EMDEs, Brazil's inflation decelerated, marginally to 4.82 per cent in October 2023, from 4.87 per cent in the preceding month, attributed to the decline in food and beverages, as well as a reduction in transportation costs. Similarly, inflation in Turkey moderated to 61.40 per cent, compared with the 61.50 per cent in the preceding month. The slowdown was underpinned by the waning impact of currency depreciation and tax increase. Mexico's inflation decelerated, marginally, in October 2023 to 4.26 per cent, compared with the 4.28 per cent in the preceding month. The moderation in inflation was attributed majorly to the decline in prices of food and non-alcoholic beverages, and the decline in transportation costs. Inflation further decelerated in India to 4.87 per cent in October 2023, as against the 5.02 per cent in the preceding month, driven by a decline in the cost of energy.

China, also witnessed a deflation in inflation, as consumer prices declined to -0.20 per cent as against the 0.00 per cent in the preceding month, due to higher supply of agricultural products, amid falling consumption. In Russia, inflation accelerated to 6.70 per cent in October 2023, from the 6.00 per cent in September 2023. The acceleration was underpinned by the rising cost of food and non-food products, resulting from the high cost of gasoline. Inflation in Indonesia accelerated to 2.56 per cent in October 2023 relative to the 2.28 per cent in the preceding month, due largely, to the rebound in food and transportation costs. Consumer prices in South Africa rose to 5.90 per cent, from 5.40 per cent in September 2023, owing to the increase in the prices of food and non-alcoholic beverages, and higher transportation and accommodation costs.

1.3 Global Financial Markets Development

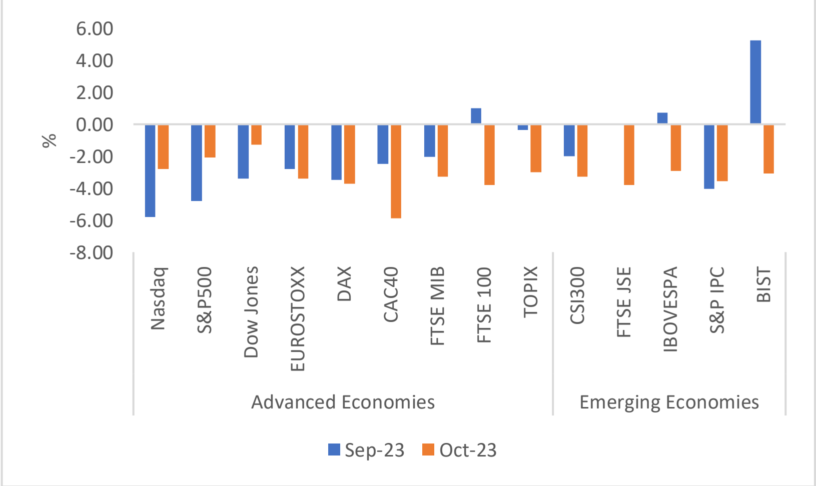
The financial market was bearish as investors' sentiment weakened, owing to the expectations of higher interest rates, amid the resurgence of geopolitical tensions in the Middle East. In addition, the rising treasury bond yields and high inflationary pressure weighed on the market. Stocks across the United States declined as investors were more cautious, owing to the uncertainty around the future monetary policy stance, and the fear of the spill over of the Israel - Hamas conflict to other countries. Most stocks, including stocks for big tech companies, energy, airlines, and real estate generally underperformed, while stocks for consumable fared better. Consequently, the NASDAQ composite, S&P 500 and Dow Jones index declined by 2.8, 2.1, and 1.3 per cent, respectively, compared with the preceding month. Likewise, equities in the Eurozone fell across sectors, except for the energy and information technology, which were resilient. Healthcare stocks experienced steep decline after some large pharmaceutical companies announced lower profit outlook for 2024. Furthermore, the EURO STOXX 50, the German DAX index and France's CAC 40, dipped by 3.40, 3.71, and 5.90 per cent, respectively. In Italy, the FTSE MIB index also declined by 3.30 per cent as investors shifted towards longer-term assets to hedge against the bleak short-term outlook.

In the United Kingdom, the poor performance of domestically focused sectors led to a decline in equities, as the FTSE 100 index fell by 3.82 per cent. The Japan’s TOPIX index also fell by 3.01 per cent, owing to weak investor sentiment, particularly, on technology stocks following the release of corporate earnings results.

Developments in the equity markets of EMDEs indicated weak investors' sentiments that reflected concerns about high interest rates and renewed geopolitical tensions in the Middle East. Investors' expectation that interest rates in the US would remain high, and the concerns over the weakness in the Chinese property market, contributed to the dip in the EMDEs' equity market. In China, the CSI 300 index shed 3.28 per cent from the preceding month's level.

The combined impact of a weaker rand, rising yields and lower prices of platinum group metals (PGM) led to the drop in South Africa's equity market, with the FTSE JSE All-Share index shedding 3.82 per cent. The Brazilian IBOVESPA and Mexico's S&P IPC index declined by 2.94 and 3.56 per cent, respectively as investors withdrew to safer assets like the US bond and unexpected import tariff change. The Turkish BIST 100 index declined by 3.10 per cent, as the Middle East conflict increased market volatility amid the policy rate hike by 500 basis points during the month.

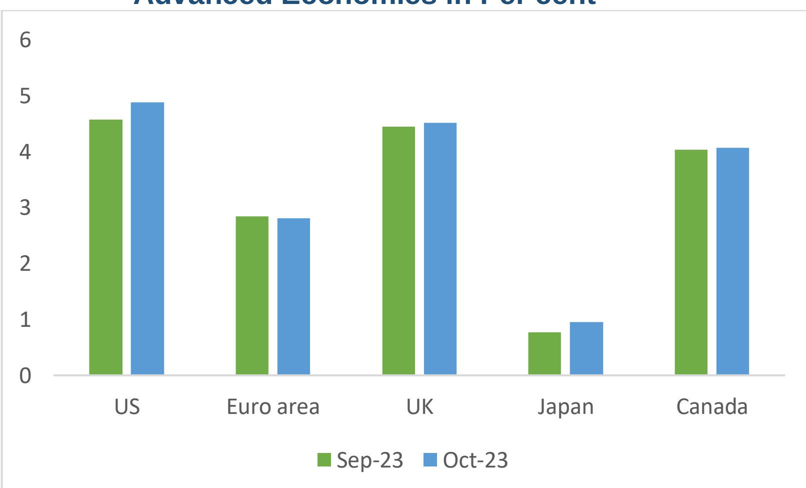
Figure 3: Change in Key Global Stock Market Indices in Per cent



Source: Reuters

The expectation that interest rates would remain high for a longer period led to a broad-base rise in 10-year government bond yields globally. The expectation was fuelled by the strong labour market in the US amid inflationary pressures at above the pre-pandemic levels. Thus, the 10-year treasury rates in the US, Canada, and Japan rose to 4.88, 4.07, and 0.95 per cent, respectively, from 4.57, 3.99 and 0.77 per cent in the preceding month. The long-term Gilt rates in the UK rose to 4.52 per cent, from 4.44 per cent as investors hedged against the deteriorating economic outlook. The Italian 10-year yield, however, decreased to 4.73 per cent, from 4.79 per cent. The 10-year government bond yield in the euro area remained flat at 2.83 per cent in October 2023.

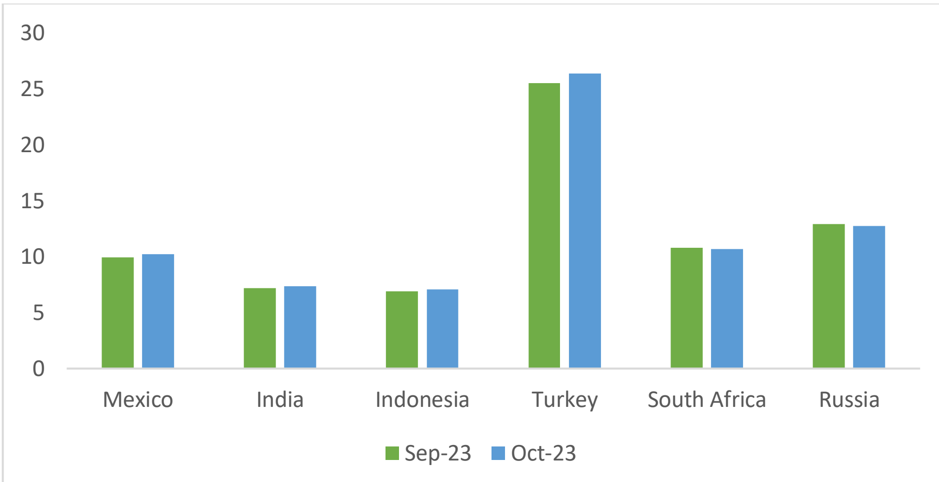
Figure 4: 10-year Government Bond Yields for Selected Advanced Economies in Per cent



Source: Reuters

The performance of 10-year government bond yields in various economies within the EMDEs was mixed. The yields in Mexico and India inched up from the preceding month's rate of 9.92 and 7.21 per cent to 10.21 and 7.35 per cent, respectively. Yields on Turkey’s 10-year government bond also rose to 26.68 per cent from 25.52 per cent as the central bank announced new policies aimed at returning to the orthodox monetary policy. Bond yields in Russia and South Africa, however, decreased to 12.74 and 10.68 per cent, from the 12.93 and 10.81 per cent, respectively, in the preceding month.

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



Source: Thomson Reuters (Refinitiv)

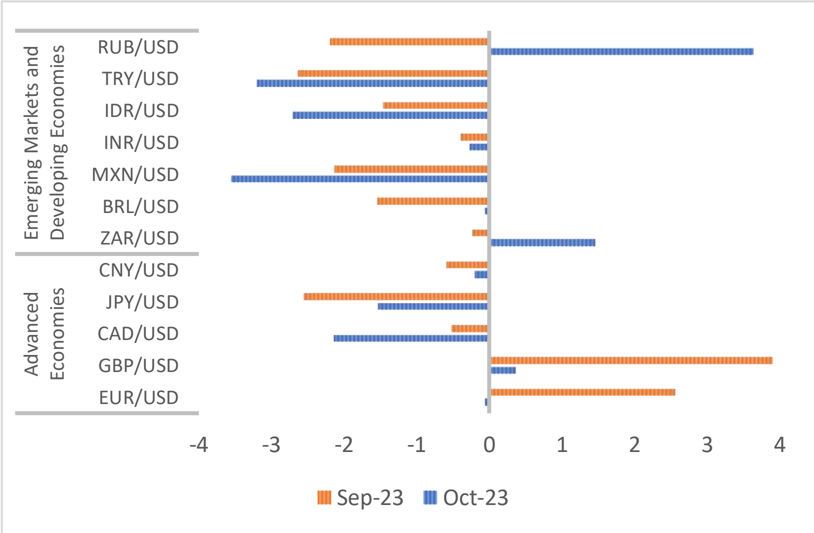
Currencies of Selected Countries against the US Dollars

The hawkish stance of the Fed which attracted investment inflow into the US economy led to a stronger US dollar. The performance of the US dollar was further boosted by the robust US economic growth, on the back of lower unemployment claims, and higher consumer and business spending. Within the AEs, the British pound appreciated slightly by 0.37 per cent, while the euro remained stable against the dollar, supported by the greater-than-expected performance of the domestic economy. The Canadian dollar and Japanese yen, however, depreciated by 2.14 and 1.53 per cent, respectively.

Similarly, currencies within the EMDEs weakened against the US dollar, with the Chinese renminbi (RMB) and South African rand depreciating by 0.7 and 3.0 per cent, respectively. The depreciation of the Chinese renminbi (RMB) was attributed to a narrowing trade surplus, while the South African rand depreciated owing to unfavourable macroeconomic data and rising US treasury yield. Furthermore, the Russian ruble depreciated by 5.41 per cent, as exports declined. The Brazilian real and Mexican peso weakened against the dollar by 4.65 and 1.76 per cent, respectively, owing to domestic economic challenges.

The Turkish lira and the Indian rupee, however, strengthened against the US dollar, with gains of 0.92 and 0.56 per cent, respectively. In Turkey, the central bank's decision to abandon its unconventional monetary policy practices triggered positive investor sentiments, leading to a surge in capital inflows, which reinforced the lira. In India, the government's decision to stabilise the rupee proved instrumental in bolstering the Indian rupee.

Figure 6: Exchange Rates Appreciation/Depreciation of Selected Countries



Source: Thomson Reuters (Refinitiv)

1.4 Global Commodity Market

World Crude Supply and Demand

Total world crude oil supply improved as production in Organisation for Economic Cooperation and Development (OECD) and non-OECD countries increased. Total world crude oil supply rose marginally by 0.56 per cent to 102.31 million barrels per day (mbpd) in October 2023, compared with 101.74 mbpd in the preceding month. The OECD and non-OECD supply in October 2023 rose by 1.57 and 0.04 per cent to 34.99 mbpd and 67.32 mbpd, compared with 34.45 mbpd and 67.29 mbpd, respectively, in September 2023.

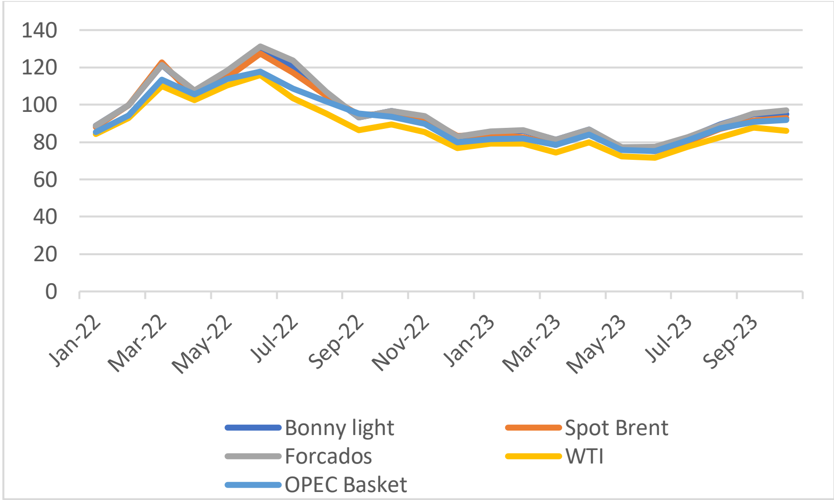
OPEC crude oil production, however, fell by 0.27 per cent to 33.08 mbpd, from the 33.17 mbpd in the preceding month. This was, largely, driven by sustained voluntary production cuts by Saudi Arabia and Russia.

On the demand side, total world demand fell by 1.03 per cent to 100.56 mbpd, from 101.61 mbpd in the preceding month. The decline was attributed to a shift towards renewable energy sources, increase in the US crude oil stockpile and slowdown in crude oil demand in China and Europe.

Crude Oil Prices

Crude oil spot prices fell, due largely, to the slowdown in major oil consuming nations, especially, China and the increase in crude oil supply from Venezuela. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), fell by 3.27 per cent to US$94.95 per barrel (pb), from US$98.16 pb in the preceding month. The prices of UK Brent at US$92.96 pb, Forcados at US$97.13 pb, WTI at US$86.18 pb and OPEC Reference Basket (ORB) at US$91.77 pb all trended downwards.

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



Source : Refinitiv Eikon (Reuters)

Agricultural Commodity Prices

Agricultural commodity price development in October 2023 was mixed, though the overall movement showed a dip in the commodity index. The average index for agricultural commodities fell to 127.7 index points, compared with the 128.2 index points in the preceding month. The prices of groundnut and soya beans declined by 4.1 and 0.1 per cent, respectively. Cocoa and rubber prices rose by 1.2 per cent apiece, while coffee, cotton, and palm oil increased marginally by 0.3, 0.5, and 0.3 per cent, respectively. The price fluctuations were attributed to heightened global uncertainty, stemming from the ongoing Russian/Ukraine conflict and recent clashes in the Israel/Gaza Strip, exacerbating production and supply conditions.

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

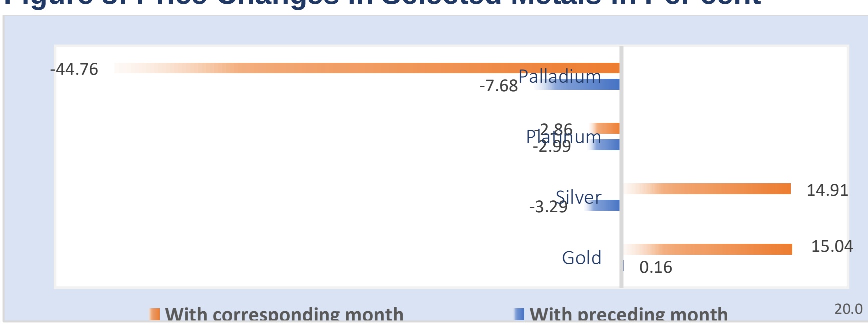
COMMODITY	Oct. 2022	Sept. 2023	Oct. 2023	% Change	
				(1) & (3)	(2) & (3)
	1	2	3	4	5
All Commodities	**123.3**	**128.2**	**127.7**	**3.5**	**-0.4**
Cocoa	65.5	102.4	103.6	58.2	1.2
Cotton	128.8	126.6	127.2	-1.2	0.5
Coffee	147.0	176.7	177.2	20.5	0.3
Wheat	217.7	156.4	156.5	-28.1	0.1
Rubber	42.4	51.0	51.7	21.8	1.2
Groundnut	134.6	170.5	163.4	21.4	-4.1
Palm Oil	107.0	99.8	100.2	-6.4	0.3
Soya Beans	143.6	142.0	141.9	-1.2	-0.1

Sources: World Bank Pink Sheet

Other Mineral Commodities

The average spot prices of silver, platinum and palladium fell in October 2023, except for gold, due to less demand from the automobile industry, especially, from China. The average prices of silver, platinum and palladium declined by 3.29, 2.99 and 7.68 per cent to US$22.35, US$888.96, and US$1,141.57 per ounce, respectively. The average price of gold increased by 0.16 per cent, to US$1,916.13 per ounce in October 2023.

Figure 8: Price Changes in Selected Metals in Per cent



Source : Refinitiv Eikon (Reuters

2.0 DOMESTIC ECONOMIC DEVELOPMENTS

2.1 Real Sector Developments

Summary

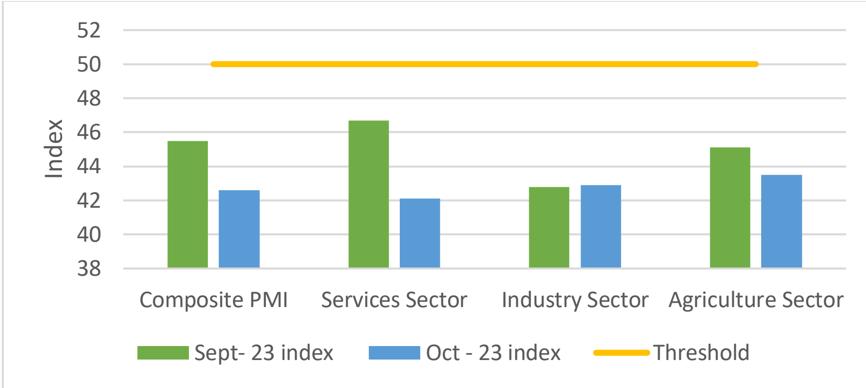
Business activities remained sluggish, as the composite PMI contracted for the fourth consecutive month to 42.6 index points in October 2023, compared with the 45.5 index points in the preceding month, following a weak consumer purchasing power and uptick in inflationary pressures. Headline inflation rose to 27.33 per cent, from 26.72 per cent in the preceding month, due to elevated transport and logistics costs, amid heightened inflation expectations. Domestic crude oil production increased by 0.30 per cent, largely, attributed to enhanced monitoring of oil infrastructure.

2.1.1 Business Activities

Purchasing Managers Index

Business activities remained bleak with the composite PMI contracting. Consumer demand further weakened and firms received fewer new orders, which reduced employment level. Activities within the industry, service, and agriculture sectors witnessed contraction, characterised by notable decline in business confidence. The composite PMI contracted for the fourth consecutive month to 42.6 index points, compared with the 45.5 index points in the preceding month. The rise in input and output prices continue to put pressure on the market, reducing firms' new orders, production level and consumer demand.

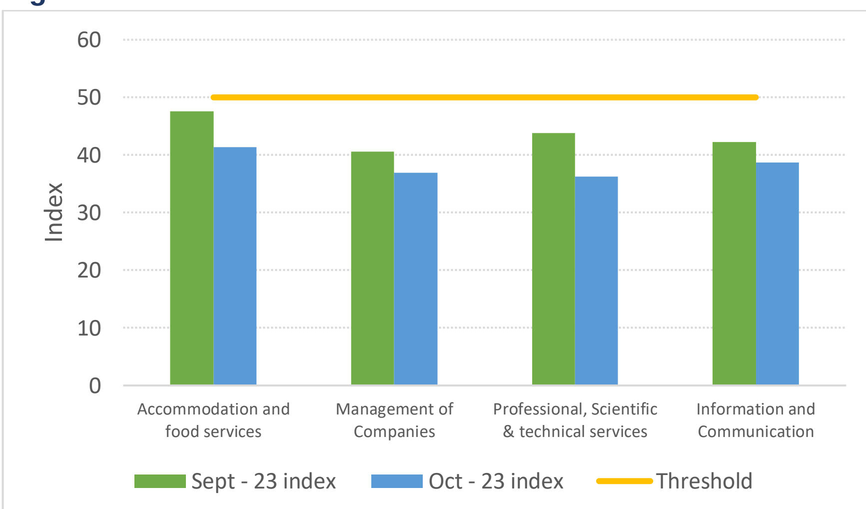
Figure 9: Composite and Sectors PMI in October 2023



Source: Central Bank of Nigeria

The services sector PMI declined to 42.1 index points, compared with the 46.7 index points in the preceding month. This represents a further contraction, following price pressures and weakening purchasing power of the consumer.

Figure 10: Services Sector PMI in October 2023

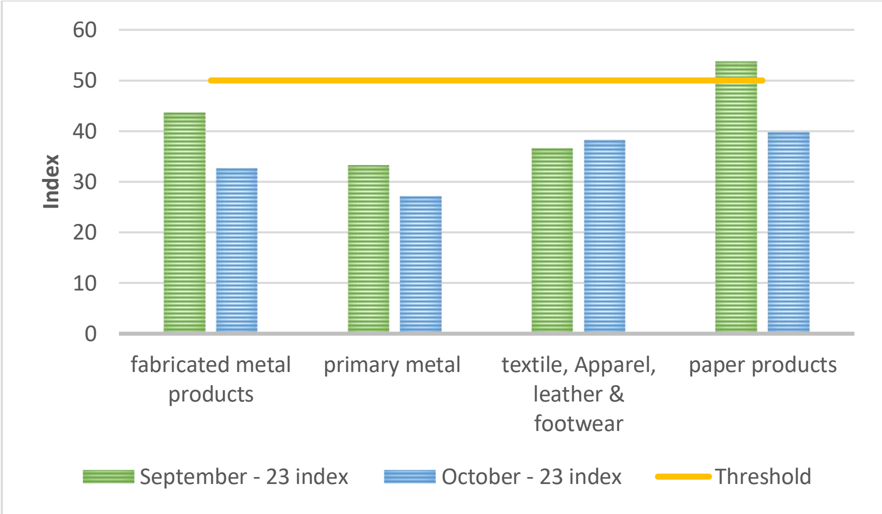


Source: Central Bank of Nigeria

The Industry sector PMI contracted, at a softer pace, to 42.9 index points, in contrast with the 50 index points threshold on account of heightened cost of doing business, and slower business activities. Consequently, new orders and production activities sustained the decline in key subsectors, such as

Primary Metal, Fabricated Metal Product; and Textile, Apparel, Leather & Footwear.

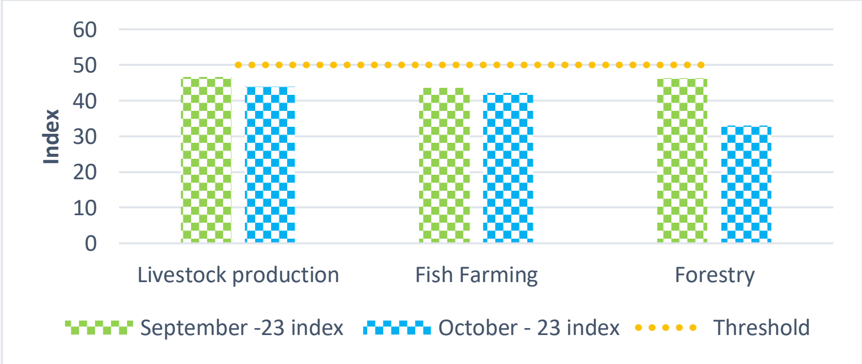
Figure 11: Industry Sector PMI in October 2023



Source: Central Bank of Nigeria

The agriculture sector witnessed further contraction for the third consecutive month to 43.5 index points, compared with the 45.1 index points in the preceding month. The development was attributed to rising input costs, such as fertilizer and seedlings, leading to the decline in general farming activities.

Figure 12: Agriculture Sector PMI in October 2023



Source: Central Bank of Nigeria

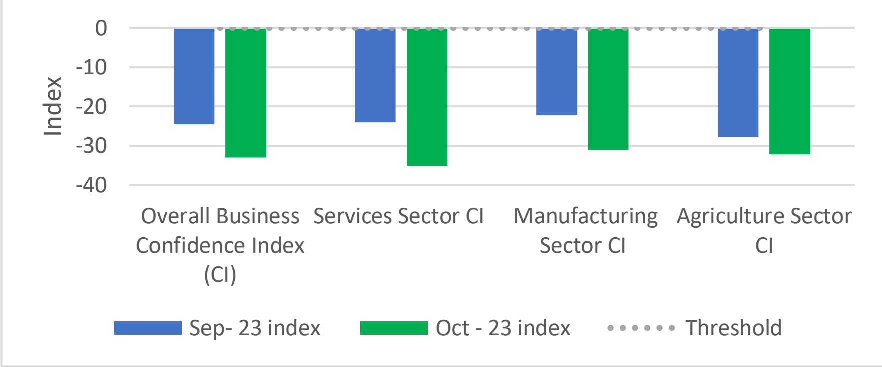
Table 4: Composite, Industry, Services and Agriculture Purchasing Managers' Index

Components	September - 23	October - 23
Composite PMI	**45.5**	**42.6**
Industry Sector PMI	**42.8**	**42.9**
Production Level	*44.1*	*42.6*
New Orders	*38.1*	*39.0*
Supplier Delivery Time	*44.8*	*46.6*
Employment Level	*46.8*	*45.6*
Raw Material Inventory	*42.5*	*44.1*
Services Sector PMI	**46.7**	**42.1**
Business Activity	*43.0*	*40.1*
New Orders	*44.1*	*38.3*
Employment Level	*50.1*	*44.1*
Inventory	*49.6*	*45.7*
Agricultural Sector PMI	**45.1**	**43.5**
Farm Yield/Output	*41.9*	*43.3*
New Orders	*41.9*	*41.8*
Employment Level	*43.8*	*38.8*
Inventories	*50.7*	*47.9*
General Farming Activities	*47.1*	*45.9*

Source: Central Bank of Nigeria

The lull in economic activities dampened business confidence as reflected in negative sentiments expressed by firms, as sentiments deteriorated to -33.0 index points, from -24.5 index points in the preceding month. The negative sentiments were, largely, due to lower consumer demand, and inadequate access to credit and electricity.

Figure 13: Business Confidence Index



Source: Central Bank of Nigeria

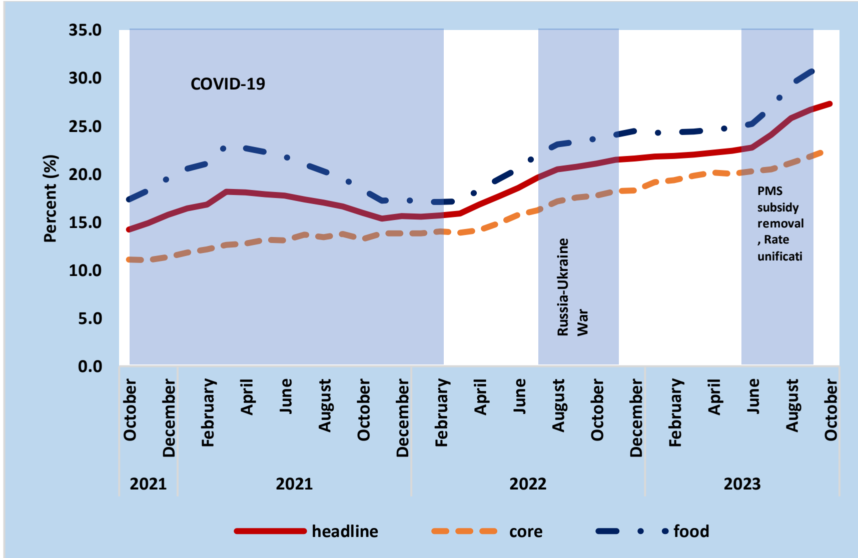
2.1.2 Consumer Prices

Headline Inflation

Headline inflation rose in October 2023, following the persisting and rising transport and logistics costs, and higher inflation expectations. Though demand pressures remained subdued on account of constrained purchasing power, prices continued to rise,driven largely, by lagged effects of policy induced supply-side shocks that accompanied reforms. Price pressures were dominated by elevated cost of food and energy products, especially, PMS, diesel and LPG. Similarly, the continued effects of exchange rate depreciation exacerbated higher domestic prices for imported items, giving more inpetus to the rising aggregate prices.

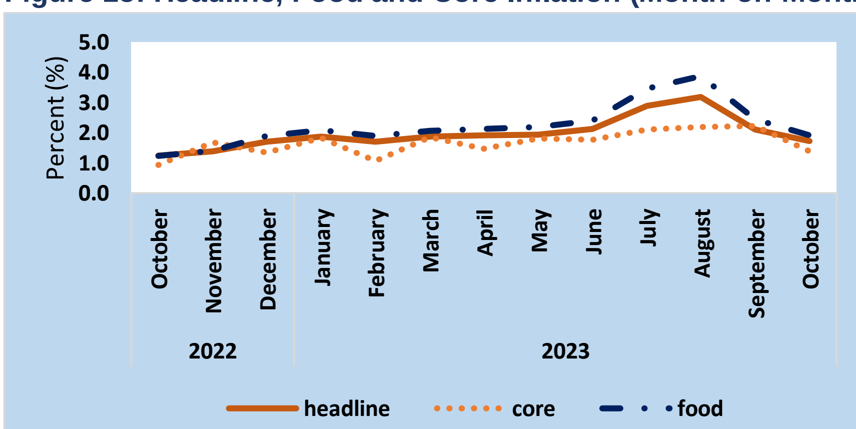
Consequently, headline inflation (year-on-year) rose to 27.33 per cent, from 26.72 per cent in the preceding month. On a month-on-month basis, it, however, declined to 1.73 per cent from 2.10 per cent in the preceding month. The decrease, was due to the seasonal factor arising from the harvest of crops, particularly, tubers.

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



Source: Central Bank of Nigeria & National Bureau of Statistics

Figure 15: Headline, Food and Core Inflation (Month-on-Month)

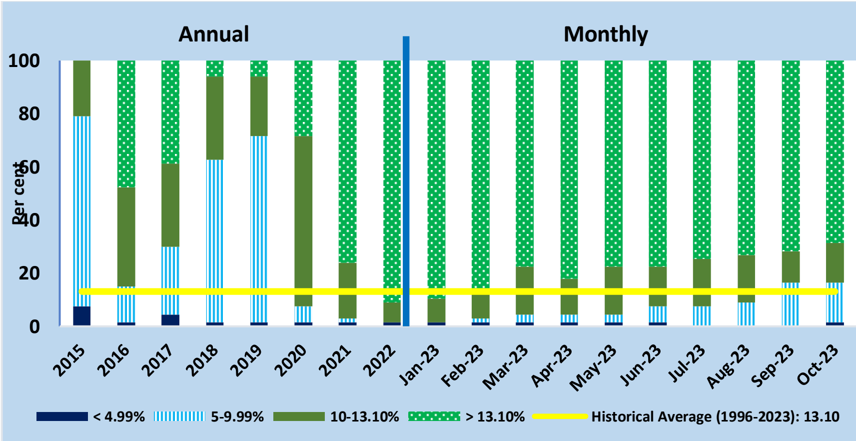


Source: Central Bank of Nigeria & National Bureau of Statistics

Inflation Pervasiveness

Inflation remained, largely, broad based across the components of the CPI basket. An indepth analysis indicated that inflation was becoming less pervasive as 68.65 per cent of items in the CPI basket were above the historical average of 13.10 per cent (1996-2023), compared with 71.64 per cent in September 2023, and 91.04 per cent in 2022.

Figure 16: Inflation Pervasiveness[1]



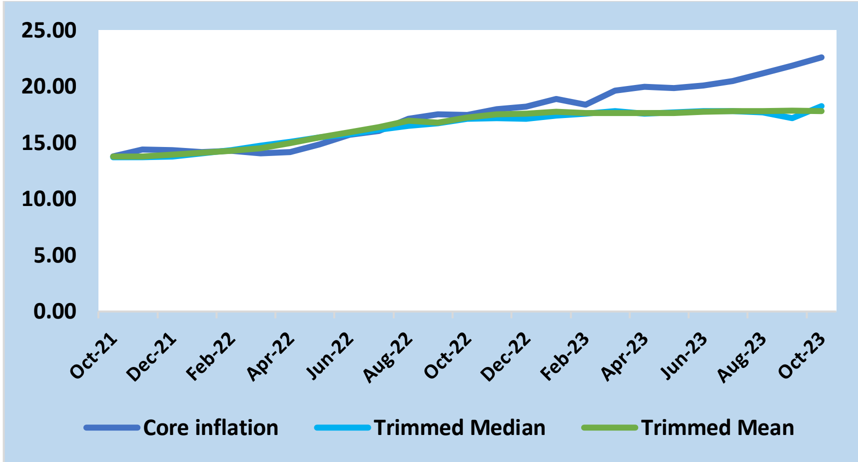
Source: Central Bank of Nigeria & National Bureau of Statistics

Core Inflation

Core inflation, on a year-on-year basis, inched up to 22.58 per cent from 21.84 per cent in the preceding month. The rise in core inflation was, due to the high and persisting global inflation and its pass-through to domestic prices, amid other structural factors. The expectations of further rise in prices, also contributed to the uptick in core inflation. On a month-on-month basis, however, core inflation moderated to 1.39 per cent, from 2.22 per cent in the preceding month. The observed disinflation was due, in part, to the sustained contractionary monetary policy stance of the Bank.

[1] Pervasiveness is measured by the number of headline CPI items that are within specific inflation range. It reflects the extent to which rising prices are affecting the cost of living. Historically, inflation in Nigeria has been high, with average inflation of 13.10 per cent from 1996–2023. Inflation is said to be more pervasive if there is a higher number of items registering inflation above the historical average. The CPI items are therfore categorised into four groups namely; percentage of items registering inflation of less than 4.99 per cent, between 5 and 9.99 per cent, between 10 and 13.10 per cent, and also inflation above 13.10 per cent.

Figure 17: Measures of Underlying Inflation[2]



Source: Central Bank of Nigeria & National Bureau of Statistics

All measures of underlying inflation continued on upward trajectory. The trimmed mean and median measures of underlying inflation were relatively lower than the core measure. This indicated that the trimmed mean and median messure of underlying inflation grew at a slower pace compared with the core inflation measure. In addition, it indicated that fewer components of the inflation basket accounted for underlying inflationary pressure, unlike the core measure.

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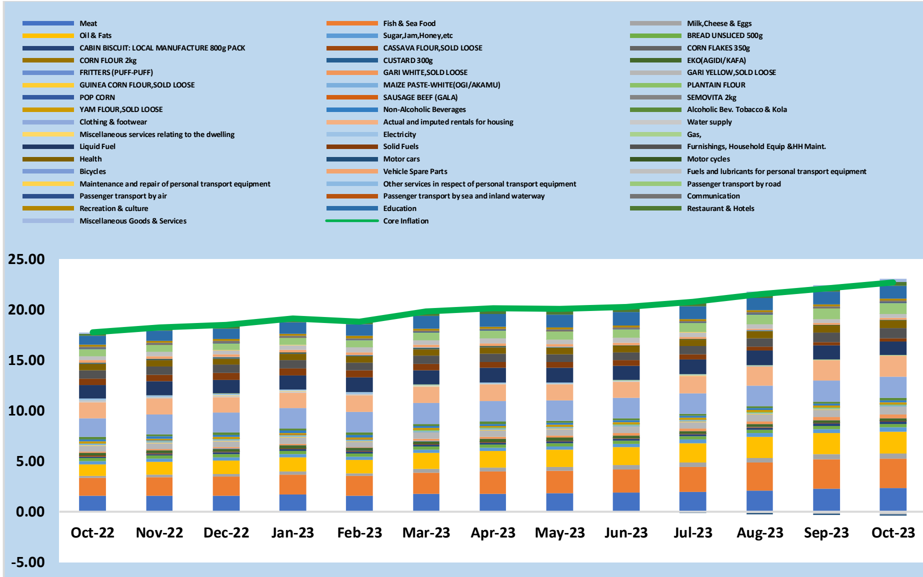
[2] **Core inflation**: measure of underlying inflation defined as headline less farm produce less energy prices.

Trimmed Mean: measure of underlying inflation derived using the average rate of inflation after trimming away a certain percentage of the distribution of price changes outliers at both ends of that distribution.

Trimmed Median: measure of underlying inflation derived by obtaining median values from inflation of CPI components.

Figure 18: Component Drivers of Core Inflation



Source: National Bureau of Statistics

Further analysis of the drivers of core inflation in October 2023 revealed that fish & sea food (2.89 pp[3]), meat (2.35 pp), oil & fats (2.17 pp), Clothing & footwear (2.14 pp), and Actual & imputed rentals for housing (2.05 pp) accounted for the rise in core inflation.

Food Inflation

Food inflation (year-on-year), rose to 31.52 per cent in October 2023, from 30.64 per cent in the preceding month, largely, on account of the fuel subsidy removal, reflected in high and persisting transport and logistics costs. On a month-on-month basis, however, it decelerated to 1.91 per cent, from 2.45 per cent, in the preceding month, due to the effects of the harvest season, as some staples, particularly, tubers, are harvested.

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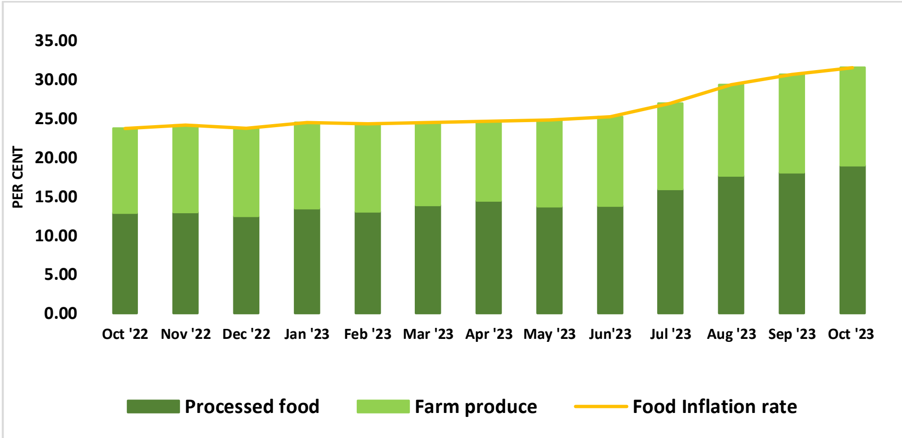
[3] 'PP' means Percentage point(s)

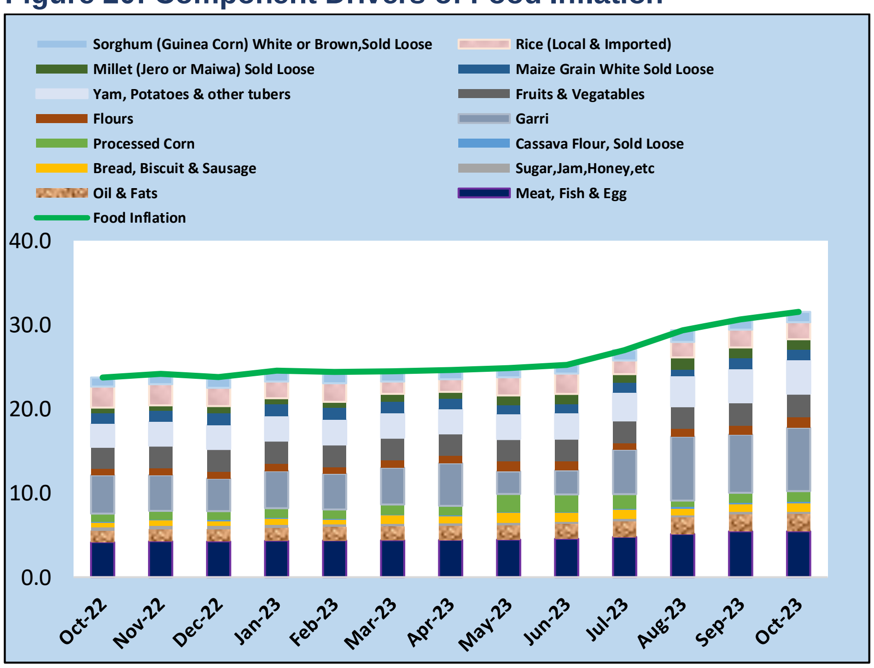
Figure 19: Contribution of Processed food and farm produce to food Inflation



Source: National Bureau of Statistics

The processed food component continued to drive food inflation due, mainly, to the persisting high energy cost, which increased cost of production. A further analysis showed that processed food prices have risen at a faster pace since July 2023, compared with the moderate decline in farm produce during the same period.

Figure 20: Component Drivers of Food Inflation



Source: National Bureau of Statistics

Food inflation in October 2023 was driven, largely, by Gari (7.52 pp); Meat, Fish & Egg (5.45 pp); Yam, Potatoes & other Tubers (3.98 pp); Fruits & Vegetables (2.81 pp); Oil & Fats (2.07 pp) and Rice (2.02 pp).

2.1.3 Socio-Economic Developments

Transportation

To reduce the cost of doing business and make Nigerian goods more competitive in the global market, the Federal Government through the Nigerian Shippers Council (NSC) reduced port terminal charges by 33 per cent to 400 per cent of storage costs, from 600 per cent. The Government, however, increased bulk cargo charges by 100 per cent to 250 per cent, to encourage investment in local industries, and reduce reliance on imported goods.

Social Intervention

The Federal Government launched a conditional cash transfer program targeted at 15 million poor and vulnerable households across the country, who are billed to receive ₦75,000 within three months. To ensure the funds got to the deserving beneficiaries, verification exercise was carried out to confirm their NIN, BVN and address.

2.1.4 Domestic Crude Oil Market Developments

Crude Oil Production and Export

Domestic crude oil production rose, due, mainly, to improved surveillance on oil infrastructure. Data from the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) showed that Nigeria's crude oil production rose by 0.30 per cent, month-on-month, to 1.350 mbpd, compared with the 1.346 mbpd in the preceding month. Despite the increase in crude oil production, the country's production fell short of OPEC quota of 1.742 mbpd for October 2023.

Box Information 1

In October 2023, rising energy and transport costs led to a broad increase in commodity prices. Notably, imported rice surged by 5.5 per cent, attributed to a significant depreciation of the local currency against the dollar. This depreciation inflated the cost of importing rice, contributing to the substantial price hike. Conversely, other items like black-eyed beans saw a modest 0.2 per cent increase, while sweet potatoes and onion bulb prices declined by 0.1 per cent and 3.9 per cent, respectively.

Prices of Selected Domestic Agricultural Commodities in October 2023

	UNIT	Oct. 2022/a 1	Sept. 2023/a 2	Oct. 2023/b 3	% Change (1) & (3)	% Change (2) & (3)
Agric eggs medium size	*1kg*	*775.14*	*1030.34*	*1069.51*	*38.0*	*3.8*
Beans: brown, sold loose	*"*	*564.69*	*629.54*	*651.73*	*15.4*	*3.5*
Beans: white black eye, sold loose	*"*	*547.39*	*597.78*	*598.89*	*9.4*	*0.2*
Gari white, sold loose	*"*	*317.90*	*406.87*	*417.88*	*31.4*	*2.7*
Gari yellow, sold loose	*"*	*355.77*	*442.31*	*462.06*	*29.9*	*4.5*
Groundnut oil: 1 bottle, specify bottle	*"*	*1159.34*	*1418.91*	*1461.93*	*26.1*	*3.0*
Irish potato	*"*	*508.13*	*607.78*	*616.53*	*21.3*	*1.4*
Maize grain white, sold loose	*"*	*304.55*	*363.07*	*368.01*	*20.8*	*1.4*
Maize grain yellow, sold loose	*"*	*307.62*	*355.99*	*361.89*	*17.6*	*1.7*
Onion bulb	*"*	*405.72*	*436.60*	*419.57*	*3.4*	*-3.9*
Palm oil: 1 bottle, specify bottle	*"*	*968.76*	*1226.19*	*1253.55*	*29.4*	*2.2*
Rice agric, sold loose	*"*	*561.55*	*674.97*	*706.97*	*25.9*	*4.7*
Rice local, sold loose	*"*	*487.47*	*591.89*	*616.06*	*26.4*	*4.1*
Rice, medium grained	*"*	*547.11*	*662.64*	*688.59*	*25.9*	*3.9*
Rice, imported high quality, sold loose	*"*	*689.32*	*839.08*	*885.08*	*28.4*	*5.5*
Sweet potato	*"*	*264.14*	*302.36*	*302.08*	*14.4*	*-0.1*
Tomato	*"*	*454.46*	*490.81*	*504.38*	*11.0*	*2.8*
Vegetable oil: 1 bottle, specify bottle	*"*	*1106.08*	*1340.91*	*1383.82*	*25.1*	*3.2*
Wheat flour: prepackaged (Golden Penny)	*2kg*	*1144.47*	*1400.93*	*1453.73*	*27.0*	*3.8*
Yam tuber	*1kg*	*409.86*	*475.51*	*482.22*	*17.7*	*1.4*

Sources: National Bureau of Statistics

2.2 FISCAL SECTOR DEVELOPMENTS

Summary

Fiscal conditions in October 2023 improved on account of increased receipts from oil sources, including the 2023 interim dividend payment by the Nigerian National Petroleum Company Limited (NNPCL), and Petroleum Profit Tax (PPT) & Royalties. Consequently, federally collected revenue rose by 7.4 per cent in October 2023, relative to the preceding month, but fell short of the budget benchmark by 13.1 per cent. Similarly, the provisional FGN retained revenue improved by 4.2 per cent, relative to the preceding month, but fell short of the monthly target by 42.2 per cent. Provisional aggregate expenditure of the FGN also rose relative to the preceding month by 2.6 per cent, but was, however, short of the benchmark by 25.9 per cent. The improvement in revenue was not sufficient to dampen the deficit, which expanded by 1.5 per cent, relative to the level in September 2023. Consolidated public debt at ₦ 87,379.40 billion or 38.7 per cent of GDP, was within the 40.0 per cent national threshold.

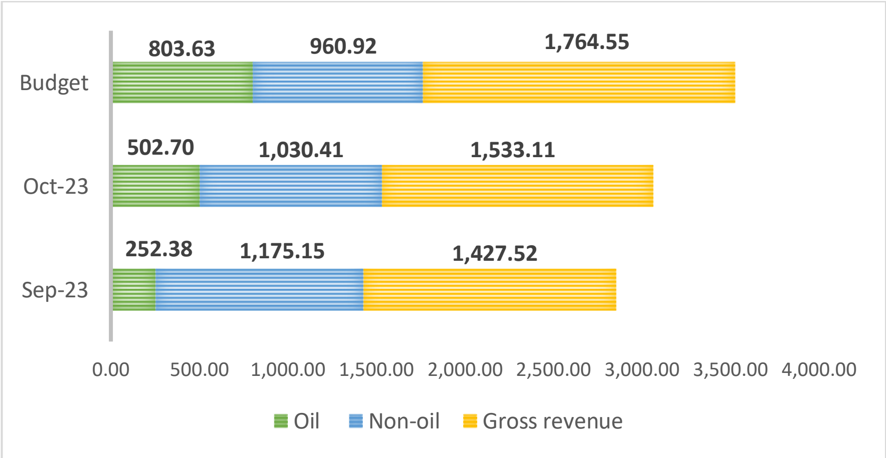
2.2.1 Federation Account Operations

Drivers of Federation Revenue

Gross Federation Account Revenue improved, owing to higher collections from oil sources. At ₦1,533.11 billion, the Federation Account receipt exceeded the level in September 2023 by 7.4 per cent but was below the budget by 13.1 per cent. The improved performance reflected increased collections from PPT and Royalties, Production Sharing Contract (PSC), and the 2023 interim dividend payment by the NNPCL. Despite improved revenue from oil sources, non-oil revenue maintained its dominance of the federation revenue, accounting for 67.2 per cent, while oil revenue made up the balance, reflecting sustained revenue diversification efforts of the FGN. At ₦502.70 billion, oil revenue exceeded the level in September 2023 by 99.2 per cent, but remained below the budgetary target of N803.63 billion.

Improved collections from Companies Income Tax (CIT) and Value-Added Tax (VAT) shored up non-oil revenue above the monthly target of ₦960.92 billion by 7.2 per cent. The increase in collection relative to the budget reflects the sustained tax reforms efforts of the fiscal authorities. Non-oil revenue was, however, below the level in the preceding month by 12.3 per cent.

Figure 21: Gross Revenue Outcome and Benchmark (₦ Billion)



Source: CBN Staff Estimates and Office of the Accountant-General of the Federation (OAGF)

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

	Oct-22	Sep-23	Oct-23	*Budget
Federation Revenue (Gross)	**1,178.64**	**1,427.52**	**1,533.11**	**1,764.55**
Oil	**540.31**	**252.38**	**502.70**	**803.63**
Crude Oil & Gas Exports	0.00	3.09	0.00	40.9
PPT & Royalties	535.50	121.77	231.93	686.75
Domestic Crude Oil/Gas Sales	0.00	0.00	56.86	8.38
Others	4.81	127.51	213.91	67.59
Non-oil	**638.33**	**1,175.15**	**1,030.41**	**960.92**
Companies Income Tax	152.37	427.28	340.73	174.39
Customs & Excise Duties	133.03	226.64	171.52	176.32
Value-Added Tax (VAT)	203.96	345.73	303.55	246.15
Independent Revenue of Fed. Govt.	146.04	172.57	211.67	264.09
*Others***	2.93	2.93	2.93	99.97
Total Deductions/Transfers	***486.57***	***748.18***	***827.43***	***686.07***
Federally-Collected Revenue *Less Deductions & Transfers****	**692.07**	**679.34**	**705.68**	**1,078.48**
plus:				
Additional Revenue	**8.17**	**243.67**	**197.80**	**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	*8.17*	*14.10*	*10.99*	*11.36*
Exchange Gain	*0.00*	*229.57*	*186.81*	*0.00*
Total Distributed Balance	***700.24***	***923.01***	***903.48***	***1,089.84***
Federal Government	***262.64***	***337.95***	***320.54***	***430.36***
Statutory	*234.15*	*289.66*	*278.14*	*396.16*
VAT	*28.49*	*48.29*	*42.40*	*34.2*
State Government	***217.19***	***313.87***	***287.07***	***319.78***
Statutory	*122.23*	*152.90*	*145.74*	*205.76*
VAT	*94.96*	*160.97*	*141.33*	*114.02*
13% Derivation	***59.99***	***41.13***	***84.97***	***101.67***
Local Government	**160.42**	**230.06**	**210.90**	**238.04**
Statutory	*93.95*	*117.38*	*111.97*	*158.23*
VAT	*66.47*	*112.68*	*98.93*	*79.81*

Source: the 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 Minerals & Other Mining revenue, and other Non-regular earnings; *** Deductions include cost of revenue collections and JVC cash calls; while transfers entail provisions for FGN Independent revenue and other Non-Federation revenue.

A net balance of ₦903.48 billion was distributed among the three tiers of government, after statutory deductions and transfers. Of the net balance, the Federal, State, and Local governments received ₦320.54 billion, ₦287.07 billion, and ₦210.90 billion, respectively, while the balance of N84.97 billion was allocated to the 13% Derivation Fund for oil-producing states. Net disbursement in October 2023 was 2.1 and 17.1 per cent short of the level in September 2023 and the monthly target, respectively.

2.2.2 Fiscal Operations of the Federal Government

Federal Government Retained Revenue

Accretion to the FGN retained revenue account increased, due to improved federation earnings and FGN Independent revenue. At ₦532.22 billion, provisional FGN retained revenue, in October 2023, was above the collection in September 2023 by 4.2 per cent, but fell short of the monthly target of ₦920.43 billion by 42.2 per cent.

Table 6: FGN Retained Revenue (₦ Billion)

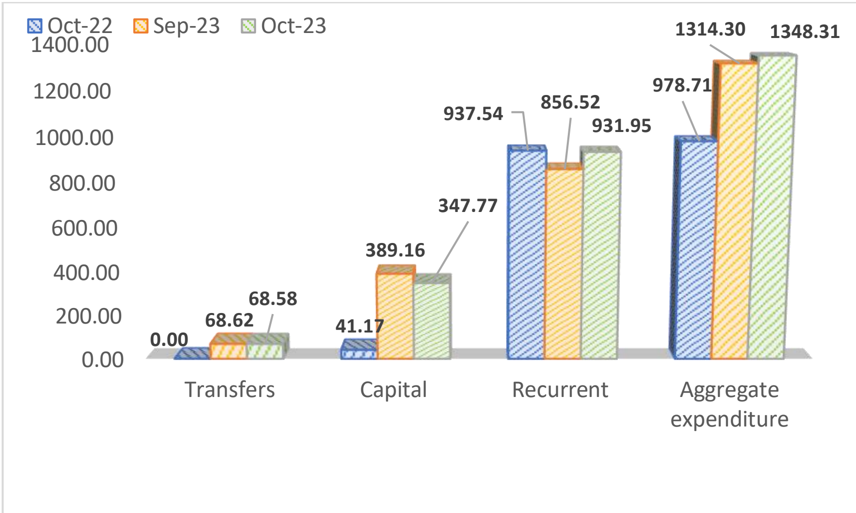
	Oct-22	Sep-23	Oct-23	*Budget
FGN Retained Revenue	**547.85**	**510.52**	**532.22**	**920.43**
Federation Account	232.92	*173.10*	*190.85*	*356.95*
VAT Pool Account	28.49	*48.29*	*42.40*	*31.92*
FGN Independent Revenue	146.04	*172.57*	*211.67*	*264.09*
Excess Oil Revenue	0.00	*0.00*	*0.00*	*0.00*
Exchange Gain	0.00	114.44	85.65	*0.00*
Excess Non-Oil	1.23	2.12	1.65	*0.00*
*Others***	139.17	0.00	0.00	*267.47*

Source: Compiled from the Office of the Accountant General of the Federation figures
*Provisional figures
**Based on 2023 Appropriation Act
***Others include revenue from Special Accounts and Special Levies

Federal Government Expenditure

Provisional aggregate expenditure of the FGN rose, owing to increased non-debt recurrent spending and debt service obligations. At ₦1,348.31 billion, provisional expenditure in October 2023 was ₦34.01 billion or 2.6 per cent, above the level in the preceding month and ₦470.62 billion or 25.9 per cent below the ₦1,818.93 billion projected spending. The rise was attributed, largely, to the increase in payments of domestic debt obligations. Recurrent expenditure, at 69.1 per cent of the total expenditure continued to dominate FGN spending, compared with 25.8 and 5.1 per cent in capital outlay and transfers, respectively.

Figure 22: Federal Government Expenditure (₦ Billion)



Source: CBN Staff Estimates and OAGF

Overall Fiscal Balance

The Fiscal Operations of the FGN in October 2023 resulted in a modest expansion of the fiscal deficit. The provisional fiscal deficit of the FGN, at N816.09 billion, rose by 1.5 per cent from the preceding month, but fell short of the budget by 9.2 per cent. The increase in the fiscal deficit reflected the rise in non-debt recurrent expenditure and interest payment, together with the subsisting revenue challenge.

Table 7: Fiscal Balance (N' Billion)

	Oct-22	Sep-23	Oct-23	Budget
Retained revenue	547.85	510.52	532.22	920.43
Aggregate expenditure	**978.71**	**1,314.30**	**1,348.31**	**1,818.93**
Recurrent	**937.54**	**856.52**	**931.95**	**1,240.58**
Non-debt	398.33	435.17	455.22	694.11
Debt service	518.83	404.40	458.76	546.47
Capital	41.17	389.16	347.77	497.73
Transfers	0.00	68.62	68.58	80.62
Primary balance	**87.96**	**-399.38**	**-357.33**	**-352.04**
Overall balance	**-430.87**	**-803.78**	**-816.09**	**-898.51**

Source: Office of the Accountant General of the Federation and CBN Staff Estimates
Note: The figures are provisional.

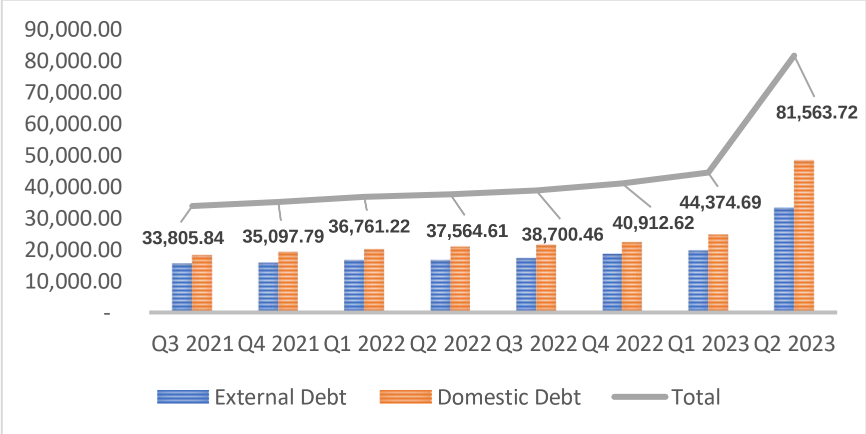
Federal Government Debt

Government borrowing at end-June 2023 increased relative to the level at end-March 2023. Total public debt outstanding at end-June 2023 stood at ₦87,379.40 billion or 38.7 per cent of GDP, and was 103.9 and 75.3 per cent, higher than the levels at end-June 2022 and end-March 2023, respectively. The increase was, largely, driven by the exchange rate revaluation and FGN securitisation of its outstanding Ways and Means Advances of ₦22.7 trillion. A breakdown of the consolidated public debt showed that domestic debt accounted for 61.9 per cent, while external debt obligations constituted 38.1 per cent, a departure from the 70:30 domestic-external debt mix anticipated in the MTDS 2020-2023. The difference was, due to, the effect of exchange rate revaluation on external debt stock. Of the public consolidated debt stock, FGN owed ₦81,563.72 billion or 93.3 per cent, while the State governments made up the balance of ₦5,815.68 billion or 6.7 per cent.

Analysis of the total FGN debt obligations indicates that domestic debt was ₦48,314.74 billion (59.2%), while external debt accounted for ₦33,248.98 billion (40.8%). Further analysis showed that FGN bonds maintained its dominance, accounting for 86.9 per cent of the total domestic debt stock, while Treasury bills (9.8%), Promissory notes (1.6%), FGN Sukuk (1.5%) and others (0.2%) constituted the balance. Analysis of the sources of external debt showed that Multilateral, Commercial and Bilateral loans accounted for 48.2, 36.2, and 12.8 per cent, respectively, while 'other[4]' loans constituted 2.8 per cent of the total.

Debt service obligations in Q22023, amounted to ₦754.15 billion, compared with ₦1,243.50 billion in Q12023. The decrease was attributed to the refinancing of matured FGN bonds and Treasury bills. A breakdown of the total showed that domestic debt service accounted for ₦565.88 billion or 75.0 per cent, while external debt service constituted ₦188.27 billion or 25.0 per cent.

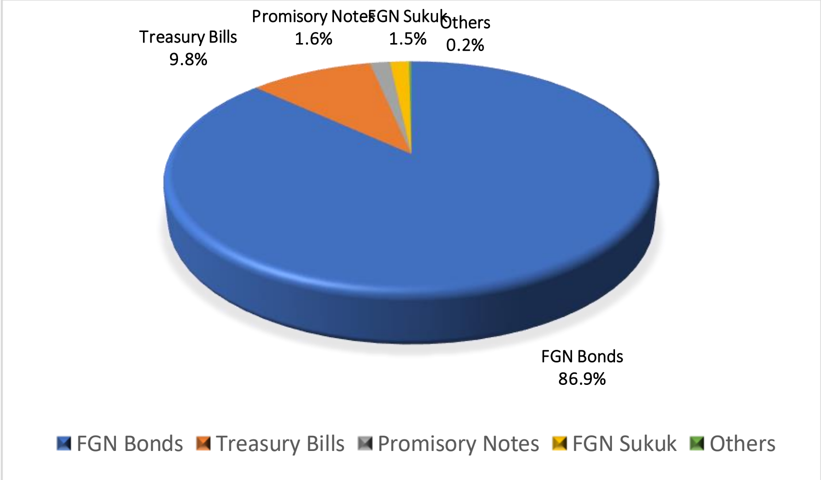
Figure 23: FGN External and Domestic Debt Composition (₦ Billion)



Source: Debt Management Office (DMO)

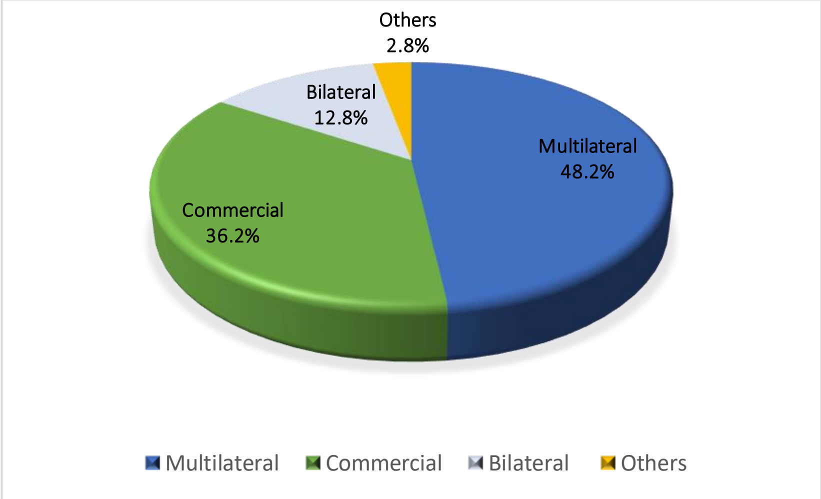
[4] Includes Promissory notes (2.1 %) and Syndicated loans, arranged by the AFC (0.7 %).

Figure 24: Composition of Domestic Debt Stock by Instrument in Per cent



Source: Compiled from DMO figures

Figure 25: Composition of External Debt Stock by Instrument



Source: Compiled from DMO figures

2.3 MONETARY AND FINANCIAL DEVELOPMENTS

Summary

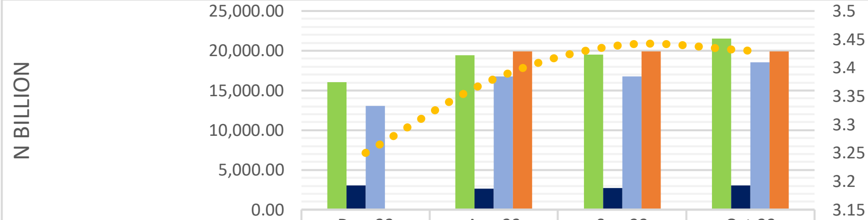
Consistent supervision and enforcement of prudential guidelines by the Bank ensured the soundness and resilience of the financial sector. Key monetary aggregates grew significantly relative to the levels in the preceding month, driven by the moderate expansion in credit provision to vital sectors of the economy and the exchange rate reforms introduced in June 2023. Key short-term interest rates trended downward influenced by increased banking system liquidity during the review period. Despite the increase in banking system liquidity, subscriptions in both the NTBs and FGN bonds segments moderated, as investors' interests shifted towards the equities market.

2.3.1 Monetary Developments

Reserve Money

Reserve Money grew at end-October 2023, on account of the increase in liabilities to Other Depository Corporations (ODCs). Relative to end-December 2022, reserve money expanded by 34.34 per cent to ₦21,538.82 billion at end-October 2023, driven, solely, by the 42.30 per cent growth in liabilities to the ODCs. The increase in liabilities to ODCs was attributed to a 53.21 per cent rise in reserve requirement debits by the monetary authority during the period. However, the growth in reserve money was tapered off by the 0.1 per cent decline in currency-in-circulation (CIC) which fell to ₦3,010.35 billion. The stock of reserve money was 8.05 per cent higher than the 2023 benchmark, indicating that the monetary base was above the programme target during the period.

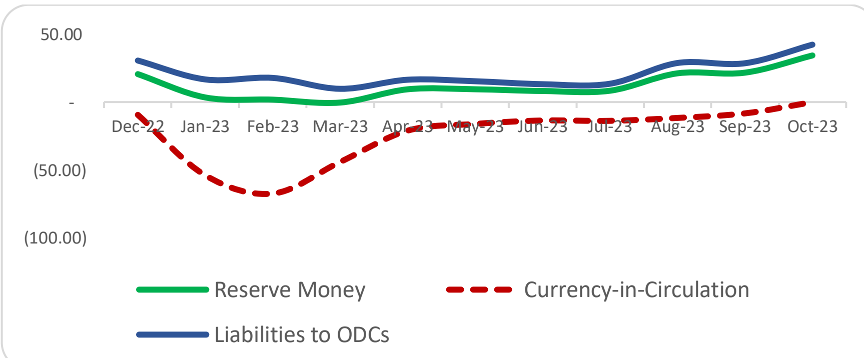
Figure 26: Developments in Reserve Money (N Billion) and Money Multiplier



	Dec. 22	Aug-23	Sep-23	Oct-23
Reserve Money	16,032.96	19,429.60	19,506.56	21,538.82
Currency-in-Circulation	3,012.06	2,660.14	2,761.29	3,010.35
Liabilities to ODCs	13,020.91	16,769.46	16,745.26	18,528.47
2023 Benchmark		19,933.75	19,933.75	19,933.75
M3 Multiplier (RHS)	3.25	3.38	3.44	3.43

Source: Central Bank of Nigeria

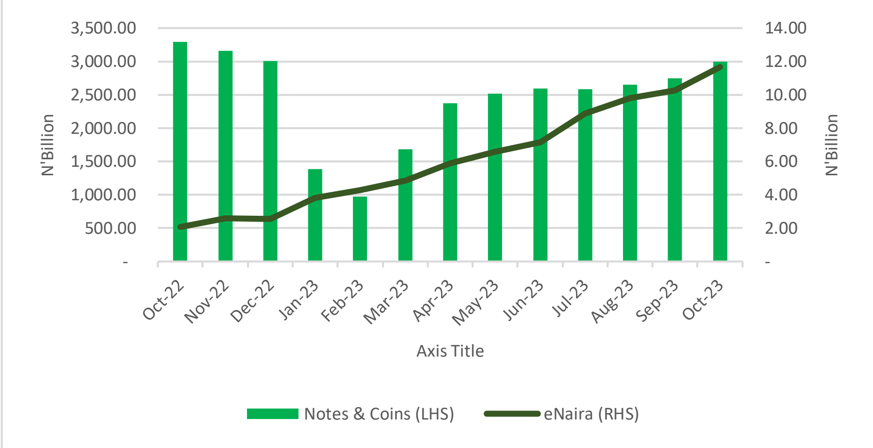
Figure 27: Growth in Reserve Money (% Growth over end-December 2022)



Source: Central Bank of Nigeria

As a component of CIC, the volume of Nigeria's central bank digital currency, the eNaira, expanded to ₦ 11.66 billion at end-October 2023, from ₦2.55 billion at end-December 2022, representing a significant growth of 357.41 per cent. Relative to September 2023, the volume of the eNaira rose by 13.73 per cent. The significant growth in eNaira underscores the continued efforts of the Bank to deepen financial inclusion and digital transactions which contributed 0.39 per cent of the total CIC at end-October 2023. In contrast, physical notes, and coins of ₦2,998.68 billion, constituted the predominant share at 99.61 per cent of CIC.

Figure 28: Composition of Currency-in-Circulation (₦ Billion)



Source: Central Bank of Nigeria

The rise in broad money multiplier to 3.43 from 3.25 at end-December 2022 amplified the monetary base, resulting in a 41.62 per cent expansion in broad money supply (M3) to ₦73,907.04 billion, relative to its level at end-December 2022. On annualised basis, the growth in M3 translated to a 49.94 per cent rise, exceeding the provisional benchmark for the year by 21.73 percentage points.

On the assets side, net foreign assets, which grew by 631.17 per cent, was the sole driver of M3. The growth in net foreign assets was, driven by the combined impacts of the revaluation and growth in transferable deposits claims on non-residents. Domestic claims grew by 10.34 per cent, contributing 13.10 percentage points to the growth in M3. The growth in domestic claims was accounted by the 49.81 per cent increase in claims on other sectors, which outweighed the 60.36 per cent growth in net claims on central government. The growth in claims on other sectors was, driven by the 75.84, 51.59, 49.20, and 13.69 per cent increases in claims on public non-financial corporations, claims on private sector, claims on other financial corporations, and claims on state and local government, respectively. The decline in net claims on central government was, driven by the 224.50 per cent increase in liabilities to central government which outweighed the 27.73 per cent increase in claims on central government. Overall, net domestic assets (NDA) fell by 5.25 per cent despite the rise in domestic claims and contributed negatively to the growth in M3 by 4.86 percentage points, while net foreign assets (NFA) contributed 46.48 percentage points to the growth in M3.

Table 8: Money and Credit Growth over preceding December in Per cent

	Oct-22	Dec-22	Aug-23	Sept-23	Oct-23	Contribution to M3 growth (Oct-23)	Annualised Growth (Oct-23)	2023 Benchmark
Net Foreign Assets	-34.04	-58.91	262.60	226.25	631.17	46.48	757.40	95.57
Claims on Non-residents	5.13	11.72	82.12	81.33	157.85	70.25	189.42	
Liabilities to Non-residents	37.16	69.47	46.34	52.60	64.00	23.77	76.80	
Net Domestic Assets	26.70	37.76	8.09	12.54	-5.25	-4.86	-6.30	17.85
Domestic Claims	30.19	35.61	20.16	23.47	10.34	13.10	12.41	49.16
Net Claims on Central Government	63.63	71.18	-5.00	-6.56	-60.36	-27.40	-72.43	58.63
Claims on Central Government	36.71	39.99	19.79	24.26	27.73	18.22	33.28	
Liabilities to Central Government	1.77	-0.50	75.15	93.11	224.50	45.62	269.40	
Claims on Other Sectors	16.94	21.51	34.20	40.24	49.81	40.50	59.77	44.09
Claims on Other Financial Corporations	8.74	18.29	30.97	36.90	49.20	8.80	59.04	
Claims on State and Local Government	29.34	42.03	9.07	8.97	13.69	0.93	11.96	
Claims on Public Nonfinancial Corporations	31.95	316.63	53.27	89.04	75.84	4.85	91.01	
Claims on Private Sector	17.85	10.47	36.32	39.44	51.59	25.92	61.91	
Total Monetary Assets (M_3)	**13.92**	**17.42**	**26.83**	**28.28**	**41.62**	**41.62**	**49.94**	**28.21**
Currency Outside Depository Corporations	-3.46	-12.57	-13.44	-5.95	4.98	0.25	5.98	
Transferable Deposits	22.41	20.24	22.21	26.01	30.55	10.64	36.66	
Narrow Money (M_1)	18.20	14.90	17.80	22.05	27.38	10.89	32.86	29.18

Other Deposits	10.99	17.66	32.70	31.59	48.91	29.10	58.69	
Broad Money (M_2)	13.92	16.54	26.73	27.77	40.29	39.99	48.35	29.18
Securities Other than Shares	100.00	101.00	28.83	29.53	42.13	1.63	50.56	
Total Monetary Liabilities(M_3)	**13.92**	**17.42**	**26.83**	**28.28**	**41.62**	**41.62**	**49.94**	**28.21**

Source: Central Bank of Nigeria

From the liability side, the growth in M3, was driven, mainly, by the 48.91 per cent rise in other deposits, which accounted for 29.10 percentage points growth in the monetary aggregate. Similarly, transferable deposits, which recorded a growth of 30.55 per cent, contributed 10.64 percentage points to the growth in broad money, while securities other than shares grew by 42.13 per cent with a marginal contribution of 1.63 percentage points to the expansion in M3. Currency outside depository corporations (CODC), recorded the lowest growth of 4.98 per cent, as well as the least contribution to growth in M3 of 0.25 percentage points, reflecting continued adoption and usage of electronic payment channels in tune with the Bank's cashless policy initiative. Narrow money supply (M1) grew by 27.38 per cent (32.86% annualised), relative to the benchmark of 29.18 per cent, reflecting the increase in transactionary demand for money amid rising inflation.

2.3.2 Sectoral Credit Utilisation

Sectoral Credit Utilisation

Total credit extended to key sectors of the economy by other depository corporations (ODCs) increased by 9.28 per cent to ₦42,736.23 billion, compared with the ₦39,106.01 billion in the preceding month. The growth was driven by the joint effect of the increase in credit to the agricultural, services, and industry sectors which expanded by 4.67, 11.13, and 8.18 per cent, respectively. In terms of the percentage share in total credit extended to the key sectors during the review period, the services sector remained the dominant recipient, accounting for 51.80 per cent. The industry sector followed with 43.71 per cent, while agriculture accounted for the remaining 4.49 per cent.

Table 9: Sectoral Credit Allocation

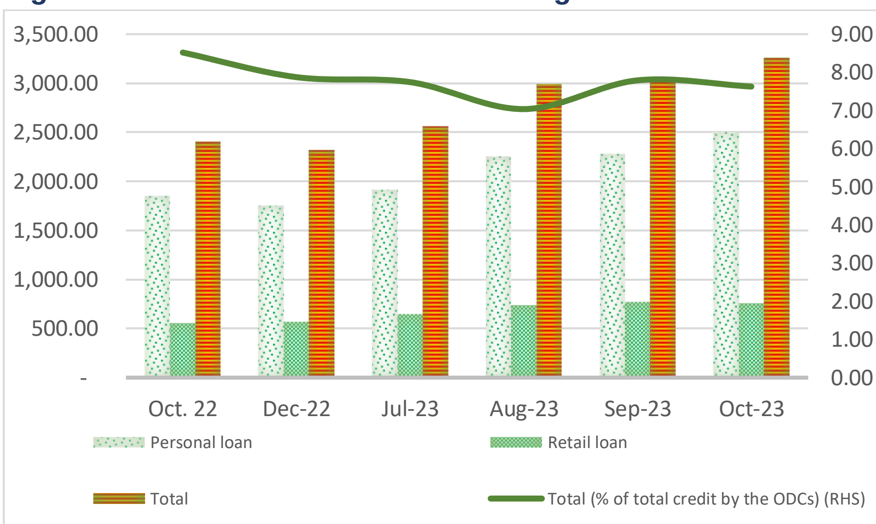
SECTORS	Allocation (₦ Billion)			Share in Total (%)			Growth (%)
	Dec-22 (1)	Sep-23 (3)	Oct-23 (3)	Dec-22 (4)	Sep-23 (6)	Oct-23 (6)	(3) & (2)
[a] Agriculture	1,812.47	1,832.34	1,917.91	6.16	4.69	4.49	4.67
[b] Industry	12,074.31	16,808.85	18,679.25	41.01	42.98	43.71	11.13
of which Manufacturing	5,566.43	7,336.66	8,070.58	18.90	18.76	18.88	10.00
[c] Services	15,559.09	20,464.82	22,139.07	52.84	52.33	51.80	8.18
of which:							
Finance, Insurance & Capital Market	2,638.84	3,629.10	4,030.29	8.96	9.43	9.43	11.05
Trade/General Commerce	2,214.41	3,207.21	3,701.48	7.52	8.20	8.66	15.41
TOTAL	29,445.87	39,106.01	42,736.23	100.0	100.0	100.0	9.28

Source: Central Bank of Nigeria

Consumer Credit

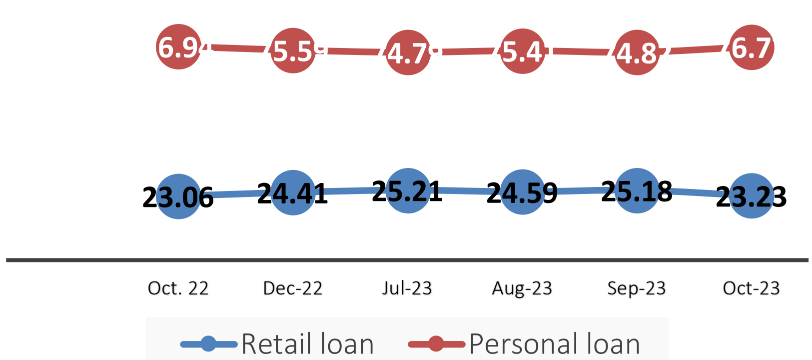
Consumer credit outstanding increased in the review period despite the hawkish monetary policy environment. This could be due to demand side shocks arising from heightened inflationary pressure resulting from subsidy removal and exchange rate reform policies as well as an increase in banking system liquidity during the review period. Consequently, consumer credit increased by 1.79 per cent, to ₦3,259.74 billion at end-October, from ₦3,046.38 billion at end-September 2023. A disaggregation of consumer credit showed that personal loans increased by 9.79 per cent, to ₦2,502.65 billion from ₦2,279.41 billion in the preceding month, while retail loans decreased slightly by 1.29 per cent to ₦757.10 billion from ₦766.97 billion in the preceding month. By composition, personal loans continued to account for the larger share (76.77%) of total credit granted during the period, while retail loans accounted for the balance (23.23%). As a share of total sectoral credit from ODCs, consumer credit declined to 7.63 per cent, from 7.79 per cent in the preceding month.

Figure 29: Consumer Credit Outstanding



Source: Central Bank of Nigeria

Figure 30: Composition of Consumer Credit



Source: Central Bank of Nigeria

2.3.3 Financial Developments

2.3.3.1 Money Market Developments

Fiscal injections through Federation Account Allocation Committee (FAAC) disbursements, coupon payments on FGN bonds, and maturities of CBN Bills and Nigerian Treasury Bills boosted liquidity during the review period.

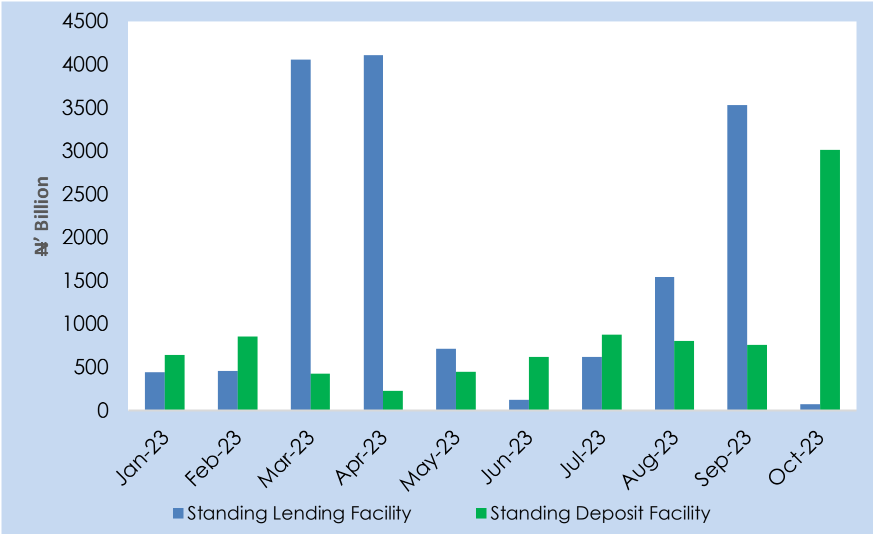
Industry Liquidity Condition

The average net industry balance increased to ₦382.78 billion in October 2023, from ₦210.98 billion in the preceding month. The liquidity condition in the banking system impacted operations at the CBN's discount window, revealing a marked upward trajectory in activities at the standing deposit facility (SDF) window, but a significant decline at the standing lending facility (SLF) window. Applicable rates for the SDF and SLF remain unchanged at 15.75 and 19.75 per cent, respectively, reflecting the asymmetric corridor of +100/-300 on the monetary policy rate of 18.75 per cent.

Discount Windows

Total requests at the SDF window rose to ₦3,011.30 billion with daily average of ₦143.40 billion exceeding the previous month's ₦760.03 billion and daily average of ₦38.00 billion. Conversely, total requests at the SLF window fell significantly to ₦72.81 billion with a daily average of ₦6.07 billion in the review period from ₦3,531.75 billion in September 2023.

Figure 31: Transactions at the CBN Standing Facility Window (₦' Billion)



Source: Central Bank of Nigeria

Open Market Operations Government Securities

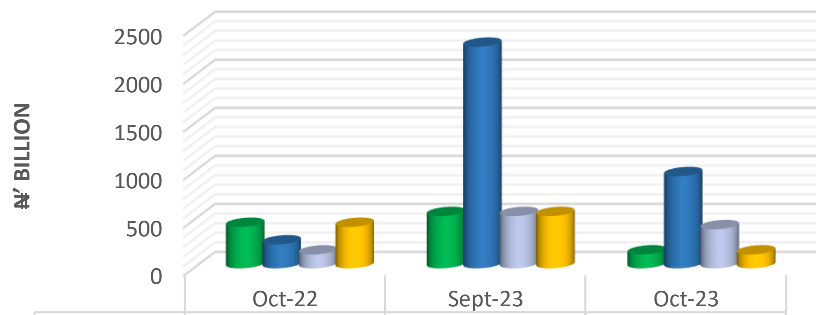
The Bank conducted OMO auctions to moderate banking system liquidity in October 2023, while there was no auction in the preceding month. The total amount offered, subscribed to, and allotted in October 2023 was ₦400.00 billion, ₦632.75 billion, and ₦400.00 billion, respectively, at the bid rate of 15.75 (±1.76) per cent. Matured bills amounted to ₦10.00 billion during the review period, same as in the preceding month.

Investment in Government Securities

Demand for NTBs and FGN Bonds declined in October 2023, relative to the preceding month despite the increase in banking system liquidity. NTBs amounting to ₦144.69 billion, ₦959.27 billion, and ₦406.90 billion were offered, subscribed to, and allotted, respectively, relative to ₦544.06 billion, ₦2,306.41 billion, and ₦544.06 billion, in the preceding month. Despite the improved banking system liquidity, the demand for NTBs was lower as reflected in the lower bid-to-cover ratio of 2.36, relative to 4.24 in the preceding period. The lower subscription is indicative of the lower stop rate of 8.34(±4.67) per cent in the review period relative to

8.74(±4.24) per cent in September 2023, as well as an increased appetite for equities on the domestic bourse.

Figure 32: Primary Market NTBs (₦' Billion)

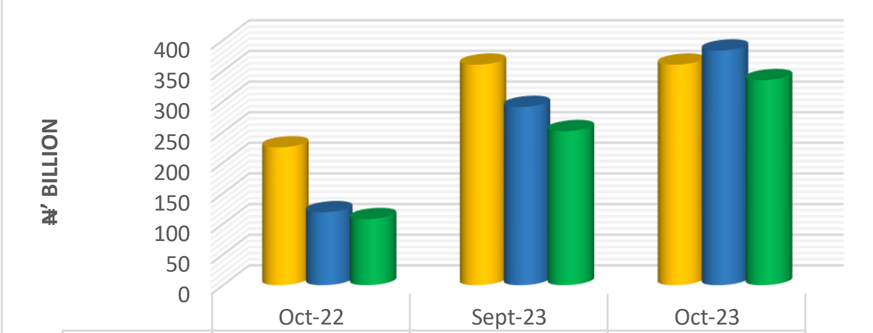


	Oct-22	Sept-23	Oct-23
Offer	431.16	544.06	144.69
Subscrption	248.90	2306.41	959.27
Allotment	144.00	544.06	406.90
Repayment	431.16	544.06	144.69

Source: Central Bank of Nigeria

FGN Bonds of 10-, 10-, 15-, and 30-year tranches were offered for sale during the review month. The total amount offered, subscribed to, and allotted were ₦360.00 billion, ₦383.11 billion, and ₦334.76 billion, respectively, relative to ₦360.00 billion, ₦290.99 billion, and ₦251.49 billion in the preceding month. Similarly, demand for FGN bonds moderated slightly as reflected in the lower bid-to-cover ratio of 1.14 relative to 1.16 in the preceding month. Despite the decrease in demand, marginal rates at the auction closed higher at 15.75(±0.85) per cent, relative to the preceding month's rate of 15.38(±0.88) per cent. The rise may be attributed to heightened risk perception and inflation expectations.

Figure 33: Primary Auctions of FGN Bond (₦' Billion)



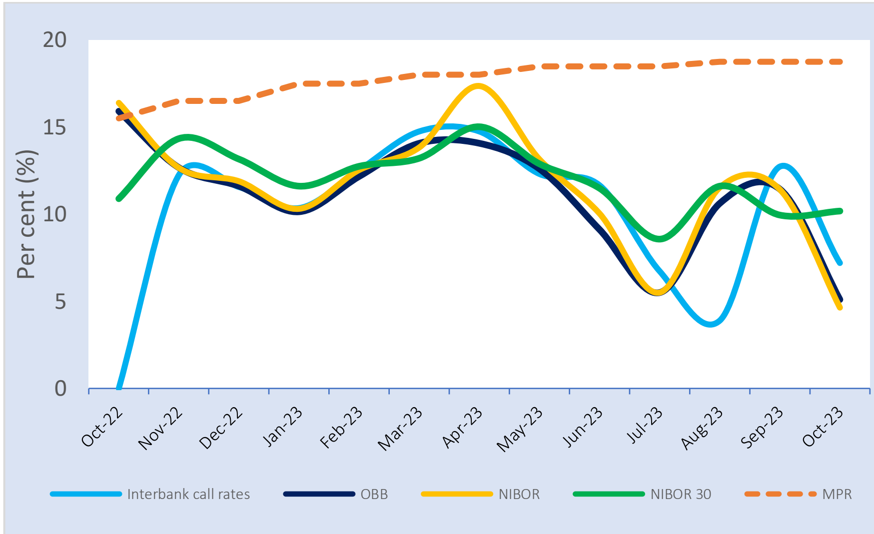
	Oct-22	Sept-23	Oct-23
Offer	225	360.00	360
Subscrption	119.18	290.99	383.11
Allotment	107.88	251.49	334.76

Source: Central Bank of Nigeria

Interest Rate Development

Key short-term interest rates trended downwards, driven by ample liquidity in the banking system. The average Interbank call rate eased by 5.53 percentage points to 7.20 per cent, from 12.73 per cent in the preceding month. The open buy back (OBB) rate also shed 6.30 percentage points to 5.1 per cent, from 11.4 per cent in the preceding month. The trend at the Nigeria Interbank Offered Rate (NIBOR) segment, however, was mixed, with the NIBOR-call rate moderating by 6.82 percentage points to 4.60 per cent from 11.42 per cent in the preceding month, while the NIBOR-30 recorded a 0.23 percentage points increase to 10.18 per cent from 9.95 per cent in the preceding month. The increase in NIBOR-30 could be due to expectations of higher interest rates in the face of lingering inflationary pressures.

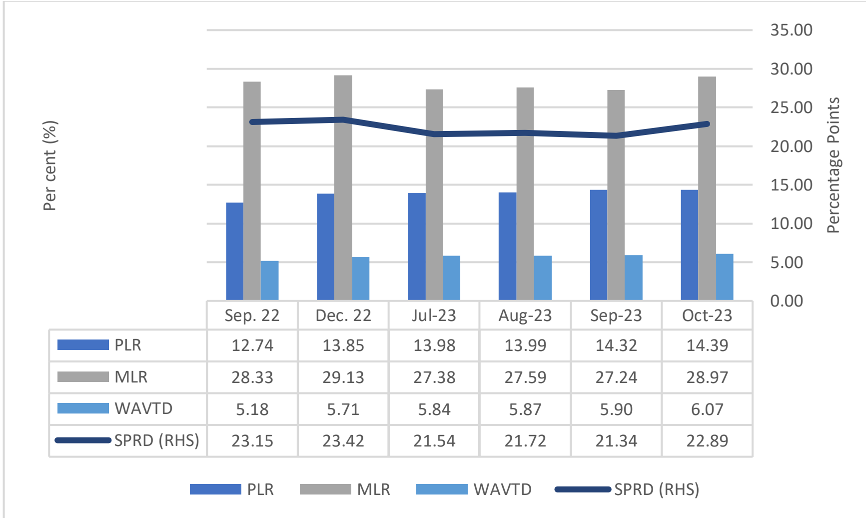
Figure 34: Developments in Short-term Interest Rates in Per cent



Source: Central Bank of Nigeria

Lending rates exhibited mixed trends during the review period. Prime and maximum lending rates increased marginally by 0.07 and 1.73 percentage points to 14.39 and 28.97 per cent, respectively, relative to the level in September 2023. This reflects the hawkish monetary policy environment. The weighted average term deposit rate increased by 0.17 percentage point to 6.07 per cent in the review month, relative to the level in the preceding month, culminating in a wider spread of 22.89 percentage points between the weighted average term deposit and maximum lending rates, compared with 21.34 percentage points in September 2023.

Figure 35: Trend in Average Deposit and Lending Rates



	Sep. 22	Dec. 22	Jul-23	Aug-23	Sep-23	Oct-23
PLR	12.74	13.85	13.98	13.99	14.32	14.39
MLR	28.33	29.13	27.38	27.59	27.24	28.97
WAVTD	5.18	5.71	5.84	5.87	5.90	6.07
SPRD (RHS)	23.15	23.42	21.54	21.72	21.34	22.89

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

2.3.3.2 Capital Market Developments

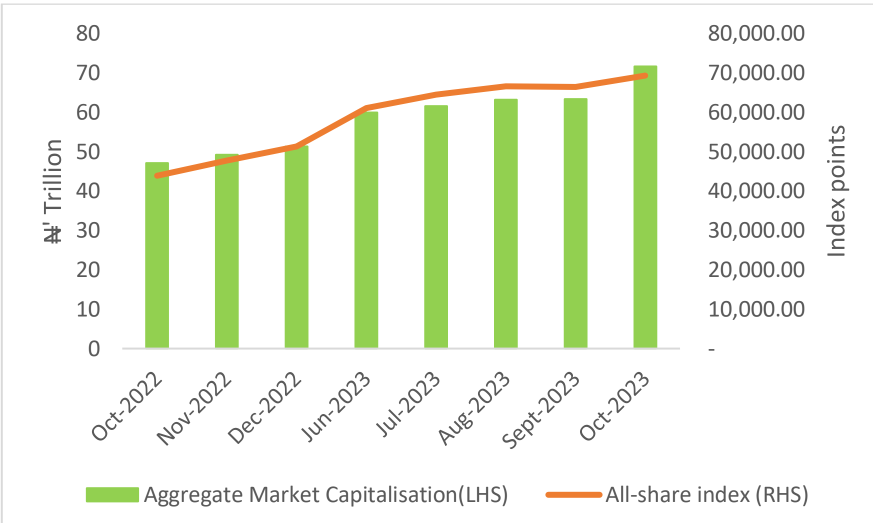
Market Capitalisation

The Nigerian capital market remained bullish in October 2023, due to renewed investors' confidence, arising from the release of favourable Q32023 corporate earnings result. The aggregate market capitalisation rose by 13.3 per cent to ₦71,601.30 billion, compared with the ₦63,222.53 billion at end-September 2023. The components of aggregate market capitalisation showed that the Equities, Debt, and Exchange Traded Funds (ETFs) appreciated by 4.7, 24.8 and 29.7 per cent to close at ₦38,044.29 billion, ₦33,539.92 billion and ₦17.09 billion, respectively, relative to the ₦36,337.05 billion, ₦26,872.31 billion and ₦13.18 billion, at end-September 2023. The development was, due to the release of impressive Q32023 financial reports and earnings; and attractive valuations in some stocks, which boosted investors' confidence. The equities component continued to lead with 53.6 per cent of the aggregate market capitalisation, while the debt and ETF components constituted 46.3 and 0.1 per cent, respectively.

NGX All Share Index

The All-Share Index (ASI) appreciated by 4.3 per cent to 69,236.19 index points, compared with the 66,382.14 index points in the preceding period. The performance of the NGX-ASI reflects the disposition of investors to the favourable Q32023 financial report, as they target highly capitalised stocks.

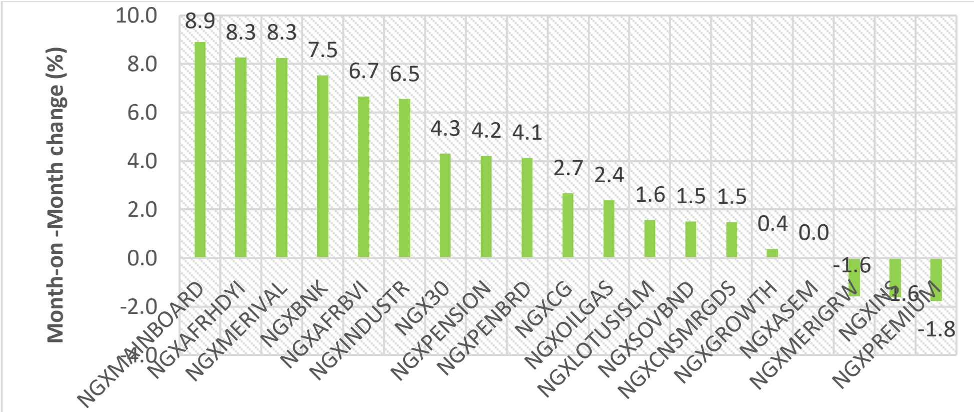
Figure 36: Aggregate Market Capitalisation and All-Share Index



Source: Nigerian Exchange (NGX) Limited

The sectoral indices reflected the bullish stance of the equities market, as all the indices rose except for NGX-MERIGRW, NGX-Insurance and NGX-Premium which declined, while the NGX-AseM remained unchanged. The NGX-Mainboard, NGX-AfriDiv Yield and NGX-Merival indices were the best performing in the market, largely, due to favourable financial reports which spurred investors' sentiments.

Figure 37: Month-on-Month Changes in Per cent for Sectoral Indices



Source: Nigerian Exchange (NGX) Limited

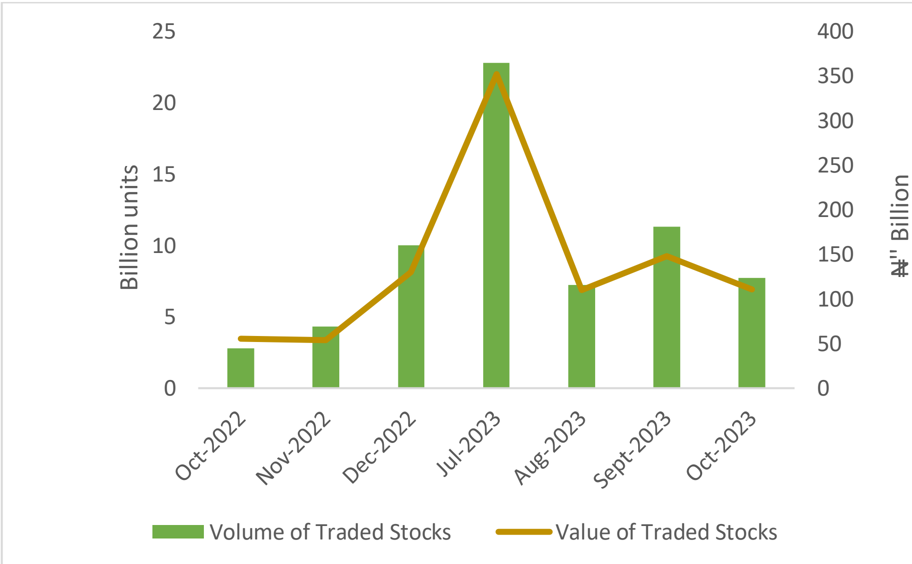
Table 10: Nigerian Exchange (NGX) Limited Sectorial Indices

NGX Indices	Sep-23	Oct-23	Changes (%)
NGX-Main board	2,951.55	3,214.72	8.9
NGX-AFRHDYI	6,571.72	7,114.71	8.3
NGX-MERIVAL	3,938.19	4,263.18	8.3
NGX-Banking	666.22	666.22	7.5
NGXAFRBVI	1,648.45	1,758.32	6.7
NGX-Industrial	2,662.86	2,837.10	6.5
NGX-30	2,442.11	2,546.99	4.3
NGX-Pension	2,848.38	2,968.40	4.2
NGX-Pension Board	1,160.90	1,208.87	4.1
NGX-CG	1,863.18	1,912.92	2.7
NGX-Oil &Gas	914.02	935.81	2.4
NGX-LOTUSISLM	4,323.21	4,390.94	1.6
NGX-Sovereign Bond	769.82	781.48	1.5
NGX-Consumer goods	1,132.38	1,149.17	1.5
NGXGROWTH	2,771.87	2,782.05	0.4
NGXASeM	658.99	658.99	0.0
NGXMERIGRW	4,269.37	4,201.83	-1.6
NGX-Insurance	283	278.44	-1.6
NGX-Premium	6,775.03	6,654.78	-1.8

Source: Nigerian Exchange (NGX) Limited

The level of trading activities on the Exchange in the review period was subdued as the volume and value of traded securities declined by 31.7 and 25.4 per cent to 7.74 billion and ₦110.55 billion, respectively, traded in 131, 561 deals, relative to the 11.33 billion and ₦148.11 billion traded in 124,422 deals in the preceding month. This reflected investors' preference for value stocks, as they take positions to review market dynamics.

Figure 38: Volume and Value (₦ Billion) of Traded Securities on the NGX



Source: Nigerian Exchange (NGX) Limited

There were eighteen (18) listings on the Exchange, including six (6) bonds issuance, two (2) ordinary shares, and ten (10) additional issues.

Table 11: New Listing on the Nigerian Exchange Limited in October 2023

Company/Security	Shares Units/Price	Remarks
FGN Bonds 14.70% FGN JUNE 2033	A total of ₦18,570,000,000.00 10-year bonds of 18,570,000 units at ₦1,000 per unit.	Bond Issuance
FGN Bonds 15.45% FGN JUNE 2038	A total of ₦100,643,000,000.00 15-year bonds of 100,643,000 units at ₦1,000 per unit.	Bond Issuance
FGN Bonds 15.70% FGN JUNE 2053	A total of ₦221,562,000,000.00 30-year bonds of 221,562,000 units at ₦1,000 per unit.	Bond Issuance
FGN Bonds 11.07% FGN OCT 2025	₦565,149,000 2-year savings bond of 565,149 units at ₦1,000 per unit. per share.	Bond Issuance
FGN Bonds 12.07% FGN OCT 2026	₦941,598,000.00 3-year savings bond of 941,598 units at ₦1,000 per unit. per share.	Bond Issuance
Lagos State Government	₦19,815,000,000.00 7-year bond of 19,815,000 units at ₦1,000 per unit. per share.	Bond Issuance
VFD Group Plc	190,027,365 Ordinary Shares of 50 Kobo each at ₦244.88 per share.	Ordinary share
Chapel Hill Denham Management Limited's Nigerian Infrastructure Debt Fund	853,694,759 units of shares of ₦100.00 at ₦108.39 per share.	Ordinary share
Guinea Insurance Plc	1,802,800,000 ordinary shares of 50 Kobo each at 50 Kobo per share.	Supplementary listing
FGN Bonds 14.70% FGN JUN 2033	22,269,000 units	Supplementary listing
FGN Bonds 5.45% FGN JUN 2038	54,864,000 units	Supplementary listing
FGN Bonds 15.70% FGN JUN 2053	237,094,000 units	Supplementary listing
Company/Security	**Shares Units/Price**	**Remarks**

FGN Bonds 14.55% FGN APR 2029	20,534,000 units	Supplementary listing
FGN Bonds 13.53% FGN MAR 2025	131,461,000 units	Supplementary listing
FGN Bonds 12.50% FGN APR 2032	213,452,000 units	Supplementary listing
FGN Bonds 13.00% FGN JAN 2042	374,870,000 units	Supplementary listing
FGN Bonds 16.2499% FGN APR 2037	627,807,000 units	Supplementary listing
FGN Bonds 14.55% FGN APR 2029	73,699,000 units	Supplementary listing

Source: Nigerian Exchange Limited (NGX).
Notes: Plc=Public Limited Liability Company

2.3.3.3 Financial Soundness Indicators

The banking industry remained resilient in the review period, as the Financial Soundness Indicators (FSIs) trended within prudential benchmarks. The asset quality of banks, measured by the ratio of non-performing loans (NPL) to total loans declined marginally by 0.1 per cent to 4.2 per cent in the review period, relative to the 4.4 per cent in the preceding month, reflecting sustained improvement in loan recoveries by banks. The ratio remained within the industry prudential threshold of 5.0 per cent. The banking system Capital Adequacy Ratio (CAR) decreased by 0.9 percentage point to 12.0 per cent, compared with 12.9 per cent at end-September 2023. The ratio remained above the 10.0 per cent benchmark for banks with national/regional authorisation, but below the 15.0 per cent threshold for banks with international licenses.

Available data show that the Industry Liquidity Ratio (LR) rose by 1.2 percentage points to 51.9 per cent in October 2023 compared with 50.7 per cent recorded in September, reflecting a higher appetite for liquid asset holdings by banks. However, the LR was above the minimum regulatory benchmark of 30.0 per cent, showing the ability of banks to meet their obligations.

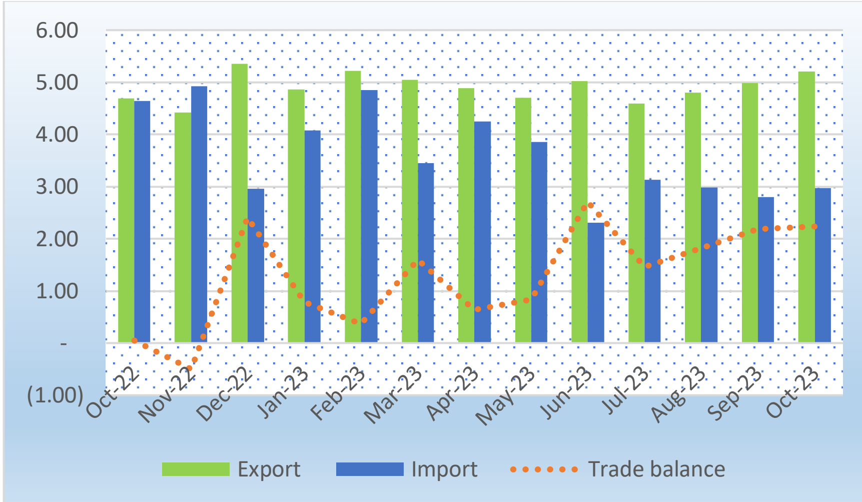
2.4 EXTERNAL SECTOR DEVELOPMENTS

Improved domestic crude oil production, boosted aggregate export earnings, leading to increase in trade surplus in the review period. Similarly, increased returns on investments and the strong performance of the capital market boosted capital inflow. The average NFEM rate depreciated by 3.4 per cent to ₦788.76/US$ in October 2023, compared with the ₦762.02/US$ in the preceding month. The external reserves at US$33.69 billion at end-October 2023, covers 6.5 months of import for goods and services or 8.8 months of import for goods only. In terms of foreign exchange flows through the economy, a higher net foreign exchange inflow was recorded, driven by increased inflow through the CBN and autonomous sources.

2.4.1 Trade Performance

Trade surplus improved further, following higher crude oil export receipts. Provisional data indicated that the trade surplus increased to US$2.21 billion, relative to the US$2.19 billion in the preceding month. Total export receipts grew by 4.3 per cent to US$5.21 billion, compared with the US$4.99 billion in September 2023. Further analysis showed that Crude Oil receipts accounted for 80.2 per cent, while Gas receipts was 9.1 per cent of total export. Non-oil export accounted for the balance of 10.7 per cent. Merchandise import rose by 5.9 per cent to US$2.97 billion, from US$2.80 billion in the preceding month.

Figure 39: Export, Import and Trade Balance (US$ Billion)



Source: Central Bank of Nigeria

Oil Export

Crude oil production increased, on account of government reform measures, leading to higher crude oil exports and receipts during the review period. Provisional data showed that crude oil and gas export receipts increased by 4.4 per cent to US$4.66 billion, compared with the US$4.46 billion in the preceding month. Domestic crude oil production increased to an average of 1.42mbpd, from 1.35mbpd in September 2023. A breakdown showed that crude oil export receipts increased to US$4.18 billion, compared with the USS$3.98 billion in the preceding month. Gas export receipts, however, decreased by 1.8 per cent to US$0.48 billion, from the level in September 2023, on account of decline in associated gas production.

Non-Oil Export

Receipts from non-oil export declined, on account of the fall in global commodity prices. Provisional data showed that non-oil export earnings decreased by 1.0 per cent to US$0.55 billion, from US$0.56 billion in September 2023, as global commodity prices trended downwards. Analysis of non-oil export by destination revealed that the Netherlands was the major destination of Nigeria's non-oil export products, with a share of 11.3 per cent, followed by China (11.26%), Brazil (8.5%), Japan (7.0%) and Argentina (6.9%). Major commodities exported were cocoa beans, which accounted for the largest share of 15.1 per cent, followed by urea, sesame seeds, aluminium and lead at 11.9, 8.1, 7.0 and 4.4 per cent, respectively.

Receipts from the top 5 exporters of non-oil products rose to US$0.09 billion, compared with US$0.08 billion in September 2023. The increase was, due, mainly, to higher receipts from the exports of cocoa beans and urea. Analysis by exporters showed that Indorama Eleme Fertilizer and Dangote Fertilizer Ltd maintained their position as the top two exporters with shares of 8.4 and 7.0 per cent of the total, respectively. They were followed by Metal Recycling Industries Ltd, with 4.5 per cent, from the export of aluminum and copper ingots, Starlink Global and Ideal Limited followed, with a share of 3.4 per cent, from the export of cocoa beans and cashew nuts. Outspan Nigeria Limited, with a share of 3.3 per cent, from the export of dairy products, ranked fifth in the top 5 exporters.

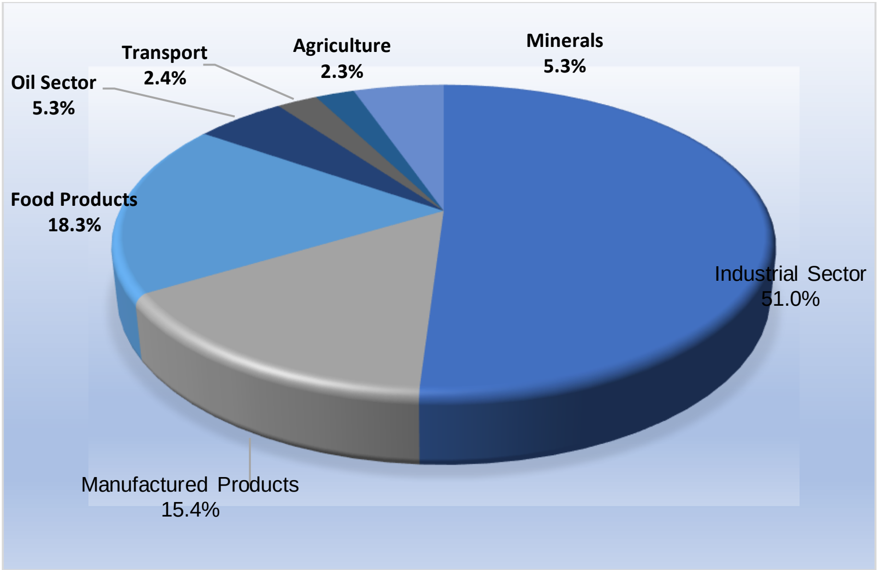
Import

Aggregate merchandise import rose, on account of increase in the importation of petroleum products. Provisional data showed that aggregate import increased by 5.9 per cent to US$2.97 billion in October 2023, from US$2.80 billion in the preceding month. A disaggregation of the imports showed that non-oil import accounted for 68.9 per cent of total import, while petroleum products import constituted the balance. Non-oil import, however, decreased to US$2.05 billion, from US$2.07 billion in the preceding month, while the importation of petroleum products rose to US$0.92 billion, from US$0.73 billion in September 2023.

Sectoral Utilisation of Foreign

Sectoral utilisation of foreign exchange for visible imports showed that industrial sector imports had the largest share of 51.0 per cent, followed by food products (18.3%), manufactured products (15.4%), minerals, and oil sector (5.3% apiece), transport (2.4%) and agriculture (2.3%).

Figure 40: Import by Sector in Per cent

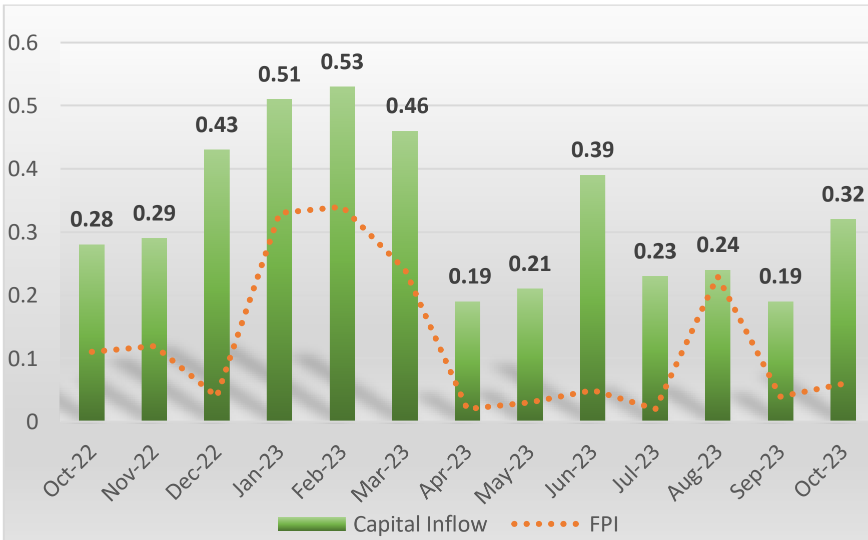


Source: Central Bank of Nigeria

Capital importation.

The bullish performance of the capital market, together with favourable returns on fixed-income investments, attracted foreign capital inflow during the review period. Capital inflow for new investments in the economy increased by 68.4 per cent, to US$0.32 billion, compared with the US$0.19 billion in September 2023. Analysis based on investment categories revealed that the inflow of FDI equity increased to US$0.14 billion in October 2023, compared with the US$0.01 billion in the preceding month. Similarly, portfolio investment inflow, particularly, for the purchase of equity and bonds, grew by 50.0 per cent to US$0.06 billion, from US$0.04 billion in September 2023. Inflow of other investment capital, primarily, in the form of loans, however, fell by 7.7 per cent to US$0.12 billion, from US$0.13 billion in the preceding period.

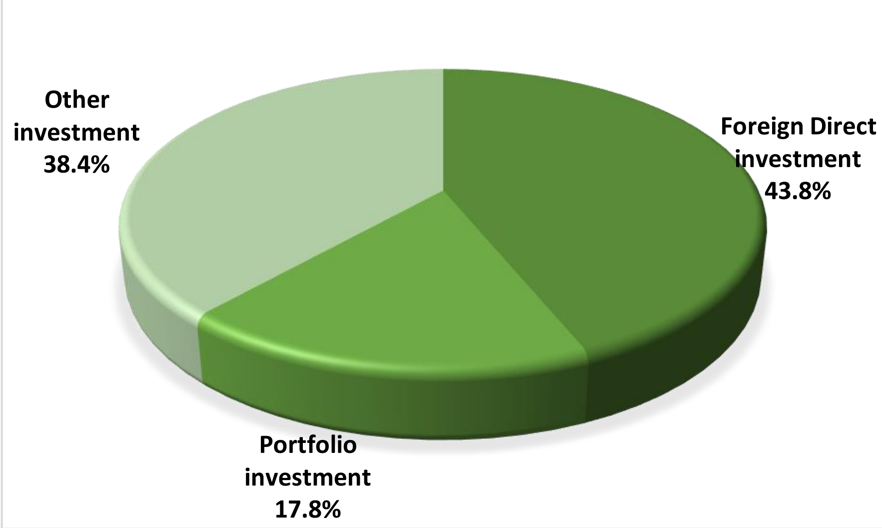
Figure 41: Capital Inflow and Foreign Portfolio Investment (US$ Billion)



Source: Central Bank of Nigeria

Inflow of foreign direct investment constituted 43.8 per cent, while other investment and foreign portfolio investment accounted for 38.4 and 17.8 per cent, respectively.

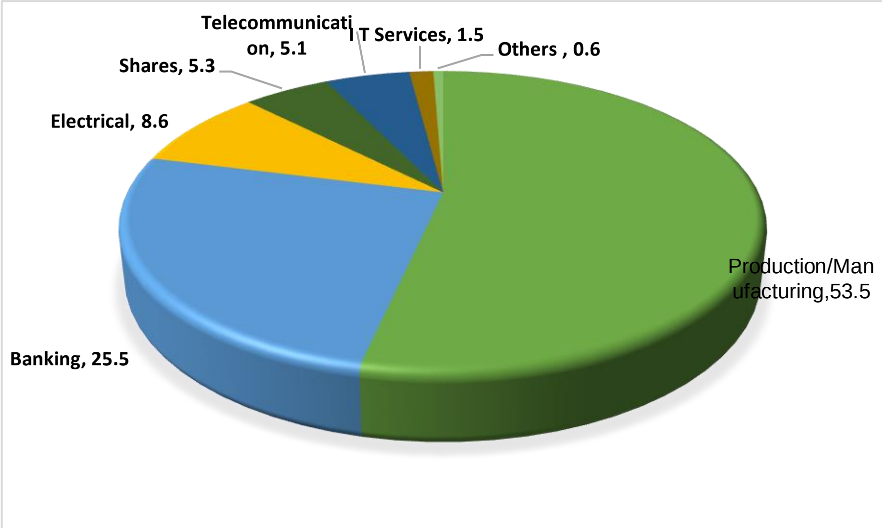
Figure 42: Capital Inflow by Type of Investment in Per cent



Source: Central Bank of Nigeria

Analysis of capital importation by nature of business indicated that, investment in production/manufacturing accounted for 53.5 per cent of the total inflow. This was followed by banking, electrical, shares, telecommunication, and IT services at 25.5, 8.6, 5.3, 5.1 and 1.5 per cent, respectively. Inflow into other sectors accounted for the balance.

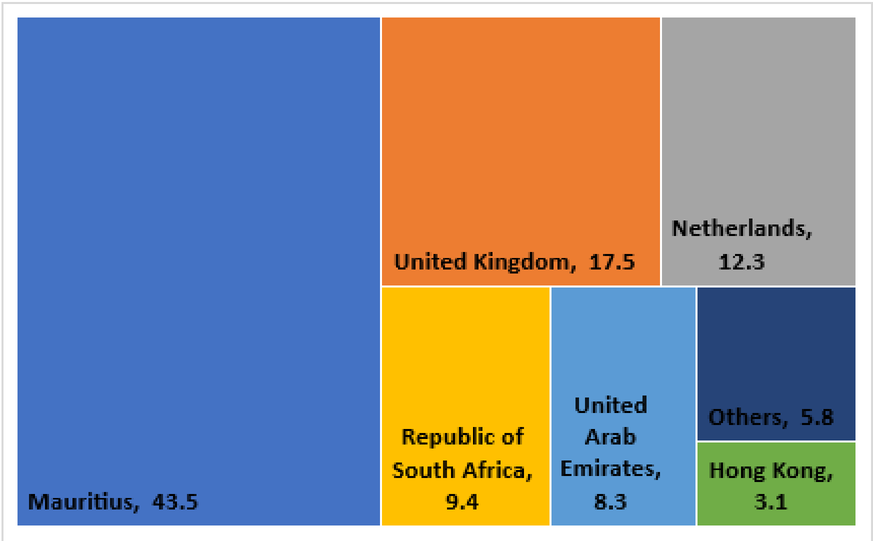
Figure 43: Capital Inflow by Nature of Business in Per cent



Source: Central Bank of Nigeria

Analysis of 'capital inflow by originating country' showed Mauritius as the major source of capital, accounting for 43.5 per cent of the total. United Kingdom, The Netherlands, Republic of South Africa, United Arab Emirates, and Hong Kong accounted for 17.5, 12.3, 9.4, 8.3, and 3.1 per cent, respectively. Other countries accounted for the balance.

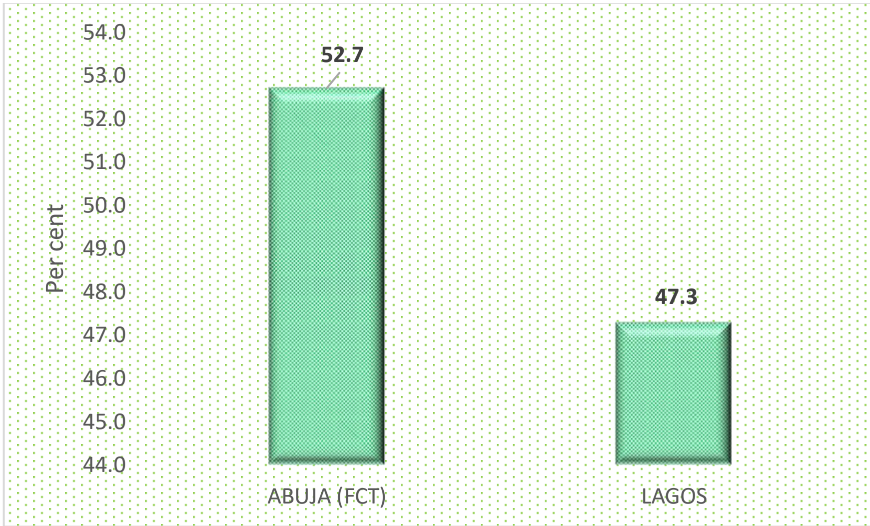
Figure 44: Capital Inflow by Originating Country in Per cent



Source: Central Bank of Nigeria

Analysis of capital Importation by destination showed that the Federal Capital Territory and Lagos State are the main recipients of capital with shares of 52.7 and 47.3 per cent, respectively.

Figure 45: Capital Inflow by States in Per cent

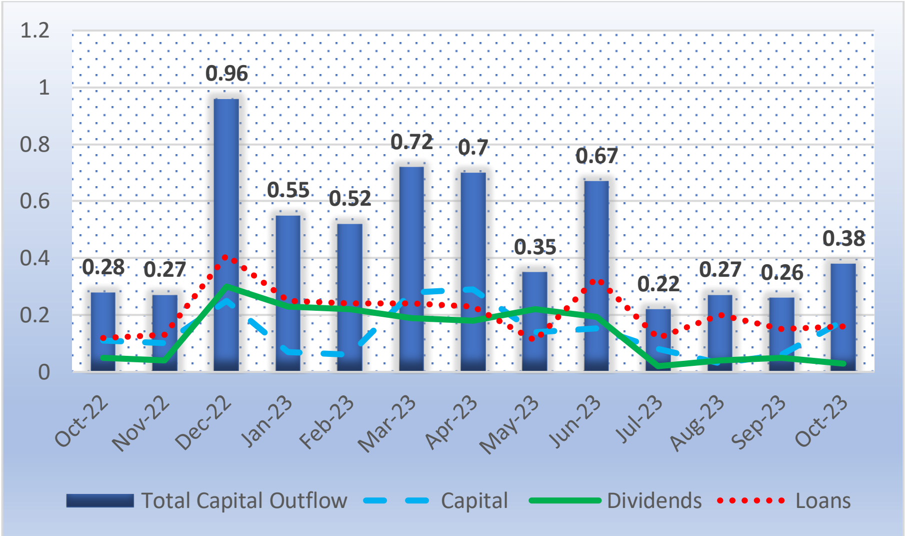


Source: Central Bank of Nigeria

Capital Outflow

The outflow of capital from the domestic economy rose, due mainly, to higher capital reversal. Capital outflow increased by 46.2 per cent to US$0.38 billion, compared with the US$0.26 billion in the preceding month. Further analysis showed that capital reversal rose to US$0.18 billion, compared with the US$0.06 billion in the preceding month. Outflow of loans increased to US$0.16 billion, compared with the US$0.15 billion in the preceding month. Repatriation of dividends, however, fell by 40.0 per cent to US$0.03 billion, compared with the US$0.05 billion in the previous month. Analysis by type showed that capital reversal accounted for 47.4 per cent of total outflow, followed by loans, and dividends at 42.5 and 7.6 and per cent, respectively. Other forms of outflow at US$0.01 billion accounted for the balance.

Figure 46: Capital Outflow (US$ Billion)

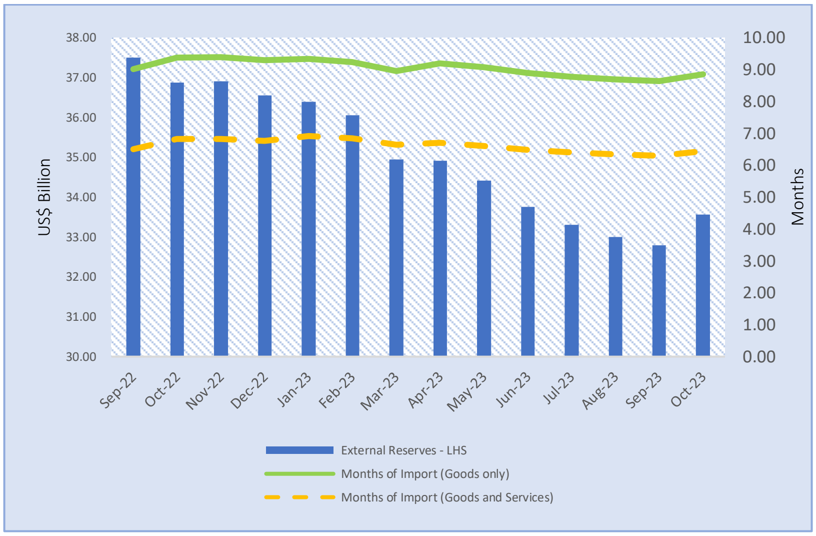


Source: Central Bank of Nigeria

2.4.2 External Reserves

The stock of external reserves increased, compared with the level in the previous month, and continued to exceed the level required for the three-month imports, the international benchmark for import cover. The external reserves stood at US$33.69 billion at end-October 2023, from US$32.79 billion at end-September 2023. The increase, was, due to receipt from crude oil related taxes and third-party receipts. The external reserves could finance 6.5 months of import for goods and services or 8.8 months of import for goods only, thus exceeding the three-month international benchmark for import cover. In addition, the ratio of reserves to short-term debt stood at 117.94 per cent, exceeding the standard threshold of 100.0 per cent.

Figure 47: External Reserves in US$ Billion and Months of Import Cover



Source: Central Bank of Nigeria

2.4.3 Foreign Exchange Flows through the Economy

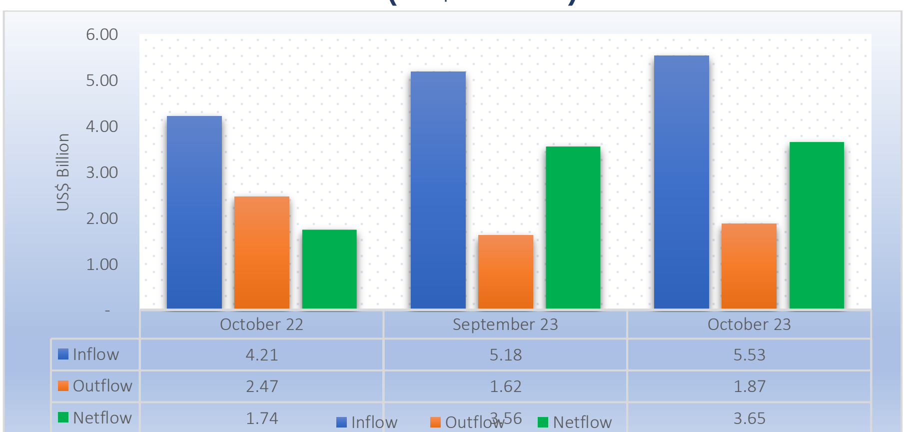
Foreign Exchange Flows through the Economy

The economy recorded a higher net foreign exchange inflow in October 2023, driven, mainly by increased inflow through the CBN. Foreign exchange flows through the economy recorded a net inflow of US$3.65 billion, an increase of 2.7 per cent, relative to the US$3.56 billion in the preceding month. Aggregate foreign exchange inflow to the economy increased by 6.7 per cent to US$5.53 billion, as against US$5.18 billion in the preceding month. Foreign exchange outflows also rose by 15.4 per cent to US$1.87 billion, from US$1.62 billion in the preceding month.

Foreign exchange inflow through the Bank rose by 68.7 per cent to US$2.28 billion in October 2023, in contrast to the US$1.35 billion in the preceding month. Outflow through the Bank increased by 9.2 per cent to US$1.54 billion, from US$1.41 billion in the preceding month. In contrast, autonomous inflow fell by 15.2 per cent to US$3.25 billion as against US$3.83 billion in the previous month. Autonomous outflow increased by 57.2 per cent to US$0.33 billion compared with the US$0.21 billion in September 2023.

A net inflow of US$2.92 billion was recorded through autonomous sources, compared with the US$3.62 billion in September 2023. The CBN recorded a net inflow of US$0.74 billion, compared with the US$0.06 billion in the preceding month.

Figure 48: Foreign Exchange Flows through the Economy in October 2023 (US$ Billions)



Source: Central Bank of Nigeria

2.4.4 Exchange Rate Movement

Average Exchange Rate

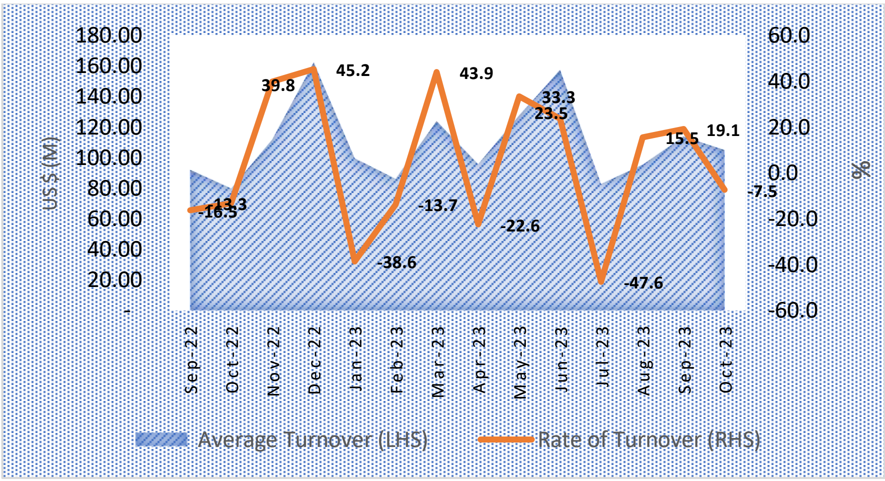
Exchange rate of Naira per US dollar depreciated at the Nigerian Foreign Exchange Market (NFEM) in the review period. The average NFEM rate depreciated by 3.4 per cent to ₦788.76/US$ in October 2023, compared with the ₦762.02/US$ in the preceding month.

2.4.5 Foreign Exchange Turnover at the Nigerian Autonomous Foreign Exchange Market (NAFEM)

Foreign Exchange Turnover

The average foreign exchange turnover at the NAFEM decreased by 7.5 per cent to US$104.94 million in October 2023, compared with the US$113.48 million in the preceding month.

Figure 49: Turnover at the Nigerian Autonomous Foreign Exchange Market (US$ Million)



Source: Financial Markets Derivatives Quotations (FMDQ)

3.0 ECONOMIC OUTLOOK

Global Economic Outlook

According to IMF's October 2023 Outlook, the global economic growth is expected to slow to 3.0 per cent in 2023 and 2.9 per cent in 2024 compared with the 3.5 per cent in 2022. The downside risks to this outlook, however, are the likelihood of higher inflation, particularly, if the geopolitical tensions in Ukraine and Middle East, as well as the extreme weather conditions persist. The possibilities of sovereign debt stress spreading to other economies, and the resumption of financial sector turbulence, as markets adjust to further policy tightening by central banks, constitute additional risks.

For AEs, growth is projected to slow to 1.5 per cent in 2023 and 1.4 per cent in 2024, compared with the growth of 2.6 per cent in 2022, owing to the effects of tight monetary policy stance taken by various countries to moderate inflation. For the EMDEs, growth is estimated to decline modestly at 4.0 per cent in 2023 and 3.9 per cent in 2024, compared with the 4.1 per cent in 2022, but unevenly distributed across the various regions in EMDEs. This outlook is predicated on expected weaker external environment, and lower commodity prices, amid tightening policies in parts of Latin America and the Middle East. In sub-Saharan Africa, growth is anticipated to slow to 3.3 per cent in 2023, before rising to 4.0 percent in 2024.

Global headline inflation is expected to decline to 6.90 and 5.80 per cent in 2023 and 2024, respectively, from 8.70 per cent in 2022, remaining above most central bank targets and pre-pandemic levels of about 3.50 per cent. This downward forecast is predicated on the anticipated effects of monetary policy tightening across several central banks, eased energy costs, and decreased global commodity prices, as well as subdued inflation in China.

Nigeria's economic growth outlook remains positive in the near term, although some downside risks abide. The optimistic outlook is predicated on the assumption that the current trend in crude oil production will be sustained, and on the effective implementation of the new administration's fiscal policy reforms. Contraction in global demand, persistent security challenges, and infrastructural deficit, however, remain notable headwinds to growth.

Domestic Economic Outlook

Higher inflationary pressure is expected in the short-run owing, largely, to the lingering impacts of fuel subsidy removal, exchange rate pass-through to domestic prices, expected demand increase due to the festive season, and the anticipated negative impacts of climate change. The subsisting tight monetary policy conditions, and improvement in global supply chains could, however, moderate inflationary pressure.

The fiscal outlook in the near-to-medium term appears optimistic considering the positive developments in both the global and domestic economies. Oil and non-oil revenue are expected to further improve, owing to rallying international oil prices and domestic crude oil production; anticipated holistic implementation of the Petroleum Industry Act (PIA 2021); and the establishment of a Presidential Fiscal and Tax Reform Committee. These developments could boost government revenue and improve the fiscal policy stance of the Government.

The pressure in the external sector is expected to persist, due to headwinds such as the continued global monetary policy tightening and the lingering regional conflicts, particularly, the

Russia-Ukraine, and the Israel-Gaza wars. Furthermore, persisting pressure in the foreign exchange market could exacerbate import costs and worsen the trade balance. The persistent production shortfall for Nigeria, compared with the OPEC oil production quota continues to threaten earnings from crude oil sales, amid high global oil prices, with significant implications for capital flows. Despite the challenges, there is cautious optimism about the external sector, stemming from anticipated further increases in crude oil prices, improved earnings from non-oil export and favourable outlook on remittance inflows.