



CENTRAL BANK OF NIGERIA

***ECONOMIC REPORT
FOURTH QUARTER 2015***

The Central Bank of Nigeria Quarterly Economic Report is designed for the dissemination of financial and economic information on the Nigerian economy on current basis. The Report analyses developments in the financial, fiscal, real and external sectors of the economy, as well as international economic issues of interest. The Report is directed at a wide spectrum of readers including economists and financial analysts in government and the private sector, as well as general readers.

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1.0 Summary

On quarter-on-quarter basis, growth in the key monetary aggregate accelerated in the fourth quarter of 2015. Over the level at the end of the preceding quarter, broad money supply, (M₂), grew by 7.0 per cent, in contrast to the decline of 0.5 per cent at the end of the preceding quarter. The development was attributed largely, to the 11.2 and 8.2 per cent increase in net foreign assets and other assets (net) of the banking system, respectively. Over the level at end-December 2014, broad money supply (M₂), grew by 5.9 per cent.

Banks' deposit and lending rates trended downwards during the fourth quarter of 2015. The spread between the weighted average term deposit and maximum lending rates widened to 20.8 percentage points at the end of the fourth quarter of 2015. Similarly, the margin between the average savings deposit and the maximum lending rates widened by 0.05 percentage point to 23.40 per cent. At the inter-bank funds segment, the weighted average inter-bank call rate fell to 1.61 per cent in the fourth quarter of 2015, reflecting the liquidity condition in the banking system.

The total value of money market assets outstanding at the end of the fourth quarter of 2015 stood at ₦8,615.72 billion, a decline of 4.6 per cent below the level at the end of the preceding quarter. The development was attributed largely, to the fall in the FGN Bonds outstanding. In the Nigerian Stock Exchange (NSE), activities were bearish as market indicators trended downward.

At ₦1,600.96 billion, total federally-collected revenue was 34.5 and 16.0 per cent lower than the quarterly budget estimate and the preceding quarter's receipts, respectively. Gross oil receipt which stood at ₦830.81 billion was lower than both the provisional quarterly budget and the receipts in the preceding quarter due to the persistent fall in receipts from crude oil/gas export arising from the continuous drop in the price of crude oil.

Non-oil receipts, at ₦770.16 billion or 48.1 per cent of the total, fell below the 2015 quarterly budget estimate and the level in the preceding quarter by 29.1 and 19.5 per cent, respectively. Federal Government retained revenue was ₦818.39 billion, while total expenditure was ₦1,107.51 billion, resulting in an estimated deficit of ₦289.12 billion in the fourth quarter of 2015, compared with the 2015 quarterly budget deficit of ₦260.25 billion.

Activities in the agricultural sector were dominated by harvesting of tubers, fruits and vegetables in the Southern part of the country during the fourth quarter of 2015. In the North, farmers were

engaged in the harvesting of late maturing grains and pre-planting operations in preparation for dry season planting. In the livestock sub-sector, farmers engaged in fattening and other activities in anticipation of the end of year sales. The end-period headline inflation rate on year-on-year basis, was 9.6 per cent, while the inflation rate on a 12-month moving average basis was 9.0 per cent.

World crude oil demand and supply were estimated at 93.95 mbd and 95.12 mbd, respectively, in the fourth quarter. Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at an average of 1.89 million barrels per day (mbd) or 173.88 million barrels (mb) for the fourth quarter of 2015. Crude oil export was estimated at 1.44 mbd or 132.48 million barrels, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 41.4 million barrels during the review quarter. The average price of Nigeria's reference crude, the Bonny Light (37^o API), fell by 13.8 per cent below the level in the preceding quarter.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US\$7.14 billion and US\$7.76 billion, respectively, resulting in a net outflow of US\$0.62 billion. Foreign exchange sales by the CBN to the authorized dealers amounted to US\$7.01 billion. The average exchange rate of the naira vis-à-vis the US dollar at the inter-bank remained unchanged at ₦196.99, while at the BDC window it was ₦238.69 per US dollar in the review quarter, indicating a depreciation of 5.7 per cent.

The global economy continued to be affected by the decline in oil prices, appreciation of the dollar, slowdown in China, uncertainty in Europe and anticipation of a shift in US monetary policy. In October 2015, the International Monetary Fund (IMF) forecast the world economy to grow by 3.6 per cent in 2016.

Other major international economic developments and meetings of importance to the domestic economy during the review period included: the 2015 Annual Meetings of the Board of Governors of the World Bank Group and the International Monetary Fund held in Lima, Peru, from October 5 – 11, 2015; the African Development Bank (AfDB) High-level Conference on "Feeding Africa" in Dakar, Senegal, from October 21 – 23, 2015; issuance by AfDB of a 0.75 per cent US\$ 1 billion 2-year global benchmark due 3 November 2017; the India-Africa Forum Summit held in New Delhi, India, from October 26 – 29, 2015; the African Development Bank (AfDB), the United Nations Economic Commission for Africa (ECA) and the United Nations Development Programme (UNDP) joint 2015 African Economic Conference (AEC) in Kinshasa, Democratic Republic of Congo, from November 2 to 4, 2015; and the 10th United Nations Conference on

Trade and Development (UNCTAD) biennial Debt Management Conference held in Geneva, Switzerland, from November 23 to 25, 2015.

2.0 Financial Sector Developments

2.1 Monetary and Credit Developments

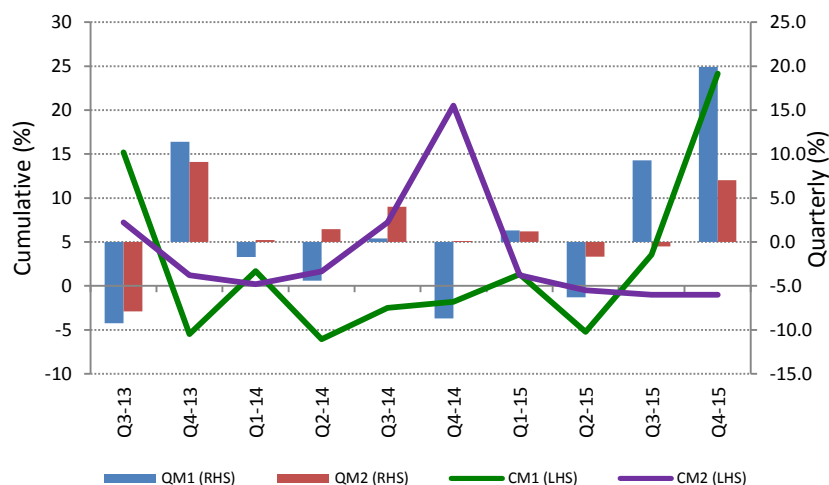
Provisional data indicated that growth in the key monetary aggregates accelerated at the end of fourth quarter of 2015. Banks' deposit and lending rates trended downward during the review quarter. The value of money market assets outstanding decreased, due largely, to the fall in FGN Bonds. Transactions in the Nigerian Stock Exchange (NSE) were bearish as market indicators trended downward.

Growth in the key monetary aggregate accelerated during Q4 of 2015.

Provisional data indicated that growth in the key monetary aggregate accelerated at the end of the fourth quarter of 2015. On quarter-on-quarter basis, broad money supply, (M_2), at ₦20,029.8 billion, grew by 7.0 per cent, in contrast to the decline of 0.5 per cent at the end of the third quarter. The development relative to the preceding quarter was attributed, largely, to the respective increase of 11.2 and 8.2 per cent in foreign assets (net) and other assets (net) of the banking system. Over the level at end-December 2014, broad money supply (M_2), grew by 5.9 per cent.

Relative to the level at the end of the preceding quarter, narrow money supply (M_1), rose by 19.9 per cent to ₦8,571.7 billion, at the end of the review quarter, compared with the 9.3 per cent increase at the end of the preceding quarter. The development reflected, largely, the 19.5 and 20.0 per cent increase in currency outside banks and demand deposits, respectively. Over the level at end-December 2014, M_1 rose by 24.1 per cent, compared with the rise of 3.5 per cent at the end of the preceding quarter. The development was attributed to the respective increase of 1.3 and 30.2 per cent in currency outside banks and demand deposits.

Compared with the level at the end of the preceding quarter, quasi money fell by 1.0 per cent to ₦11,458.1 billion at the end of the fourth quarter 2015, against the 5.7 per cent decline at the end of the preceding quarter. The development was attributed to the decline in time and savings deposit with the banks (Fig. 1, Table 1). Over the level at end-December 2014, quasi money fell by 4.6 per cent, compared with the 3.7 per cent at the end of the preceding quarter.

Figure 1: Growth Rate of Narrow Money (M₁) and Broad Money (M₂)¹

At ₦21,612.5 billion, aggregate domestic credit to the economy, quarter-on-quarter, grew marginally by 0.4 per cent at the end of the review quarter, compared with the growth of 0.5 and 7.3 per cent at the end of the preceding quarter and the corresponding period of 2014, respectively. The development reflected the 3.8 per cent increase in net claims on the Federal Government. Over the level at end-December 2014, net domestic credit grew by 12.1 per cent, compared with the 11.7 per cent increase at the end of the preceding quarter.

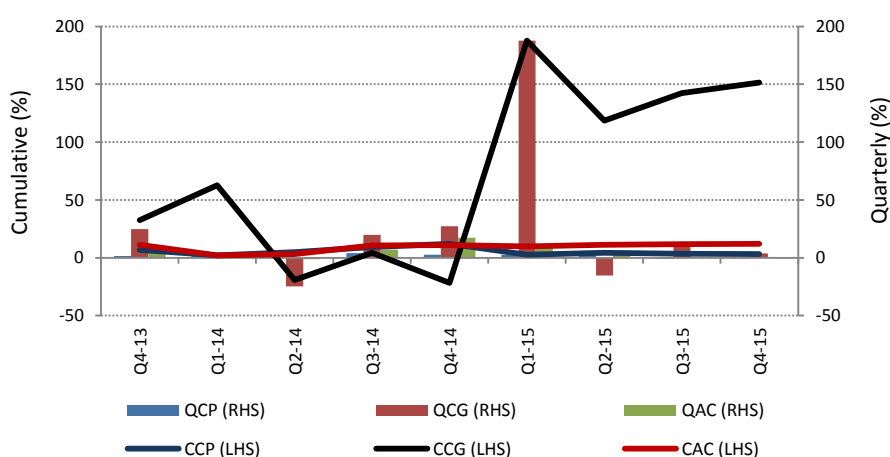
Banking system credit to the Federal Government rose by 0.4 per cent at the end of the fourth quarter of 2015.

Banking system's credit (net) to the Federal Government, quarter-on-quarter, rose by 3.8 per cent to ₦2,893.2 billion, compared with the growth of 11.0 per cent at the end of the preceding quarter. The development reflected the 18.7 per cent rise in DMBs' holding of government securities. Over the level at end-December 2014, banking system credit (net) to the Federal Government grew by 151.6 per cent, compared with the growth of 142.4 per cent, at the end of the preceding quarter.

¹ QM1 and QM2 represent quarter-on-quarter changes, while CM1 and CM2 represent cumulative changes (year-to-date).

At ₦18,719.3 billion, banking system's credit to the private sector, quarter-on-quarter, fell by 0.1 per cent, compared with the decline of 0.9 per cent at the end of the preceding quarter. The development compared with the level at the end of the preceding quarter, reflected the 0.2 per cent fall in claims on the core private sector. Over the level at end-December 2014, banking system credit to the private sector rose by 3.3 per cent, compared with 3.4 per cent growth at the end of the preceding quarter.

Figure 2: Growth Rate of Aggregate Domestic Credit to the Economy²



At ₦5,653.3 billion, foreign assets (net) of the banking system grew by 11.2 per cent at the end of the fourth quarter of 2015, in contrast to the respective decline of 14.6 and 8.2 per cent at the end of preceding quarter and the corresponding period of 2014. This was attributed to the 5.8 per cent growth in banking system's holdings of foreign assets. Over the level at end-December 2014, foreign assets (net) declined by 18.7 per cent at the end of the fourth quarter of 2015, compared with the respective decline of 26.9 and 19.7 per cent at the end of the preceding quarter and the corresponding period of 2014.

Foreign assets (net) of the banking system grew at the end of the review quarter.

Other Assets (net) of the banking system, quarter-on-quarter,

² QCP, QCG and QAC represent quarter-on-quarter changes in credit to private sector, credit to government (net) and aggregate credit (net) to the domestic economy, respectively, while CCP, CCG and CAC, represent the cumulative changes (year-to-date).

grew by 8.2 per cent to negative ₦7,235.9 billion, compared with the growth of 7.8 and 0.4 per cent at the end of the preceding period and the corresponding quarter of 2014, respectively. Over the level at end-December 2014, other assets (net) of the banking system grew by 1.1 per cent at the end of the review quarter, in contrast to a decline of 7.8 per cent at the end of the preceding quarter.

Table 1: Growth in Monetary and Credit Aggregates (Per cent) Over Preceding Quarter

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
Domestic Credit (Net)	2.1	-1.1	7.2	17.3	7.7	3.8	0.5	0.4
<i>Claims on Federal Government (Net)</i>	2.4	-24.8	19.7	-27.3	89.4	26.5	11.0	3.8
<i>Claims on Private Sector</i>	1.7	1.1	4.1	2.6	2.5	1.3	-0.9	-0.1
<i>Claims on Other Private Sector</i>	1.9	1.3	4.4	2.7	2.6	1.6	-1.3	-0.2
Foreign Assets (Net)	-10.6	1.1	-1.1	-5.1	13.9	-12.3	-14.6	11.2
Other Assets (Net)	7.9	4.5	-5.4	5.4	3.9	-3.1	7.8	8.2
Broad Money Supply (M2)	0.2	1.5	4.0	0.1	1.2	-1.7	-0.5	7.0
Quasi-Money	1.8	6.1	6.6	6.2	1.2	1.0	-5.7	-1.0
Narrow Money Supply (M1)	-1.7	-4.4	0.4	-8.7	1.3	-6.3	9.3	19.9
<i>Memorandum Items:</i>								
Reserve Money (RM)	-9.4	6.2	3.3	20.7	-0.1	0.7	-2.7	0.4

2.2 Currency-in-circulation (CIC) and Deposits at the CBN

At ₦1, 857.9 billion, currency-in-circulation increased by 13.5 per cent in the review quarter, compared with the growth of 4.8 per cent at the end of the third quarter of 2015. The development was due largely, to monetary injections into the economy and seasonal factors during the review quarter.

Total deposits at the CBN amounted to ₦9,351.6 billion, indicating a rise of 26.1 per cent relative to the level at the end of the third quarter of 2015. The development reflected the significant increase in private sector and Federal Government deposits. Of the total deposits at CBN, the shares of the Federal Government, Banks and "Others" were ₦4,167.0 billion (44.6 per cent), ₦3,954.8 billion (42.3 per cent) and ₦1,229.8 billion (13.2 per cent), respectively.

Reserve money (RM) rose at the end of the fourth quarter of 2015.

Reserve money (RM) rose by 0.4 per cent to ₦5,812.74 billion at the end of the fourth quarter, reflecting the increase in DMB's reserves with the CBN and liquidity condition in the

banking system.

2.3 Money Market Developments

The financial market was generally stable in the review period. It was saturated with funds, arising from the payment of Cash Reserve Requirement (CRR) amounting to ₦740.88 billion during October, 2015. This was against the expectation of liquidity squeeze following the implementation of the Treasury Single Account (TSA) in September 2015. The sum of ₦420.20 billion was mopped up, compared with ₦898.17 billion in the preceding quarter.

The financial market was generally stable during the review period due to ample liquidity

In the foreign exchange market, demand pressures persisted, while the Bank intervened regularly to provide the much needed liquidity thereby leading to stability in the market. Overall, the weekly foreign exchange interventions moderated liquidity but were not enough to significantly impact short term interest rates.

Provisional data showed that the total value of money market assets outstanding at the end of the fourth quarter of 2015 stood at ₦8,615.72 billion. This indicated a decline of 4.6 per cent, in contrast to the rise of 8.7 per cent at the end of the preceding quarter. The development was attributed largely, to the 7.05 per cent fall in FGN Bonds outstanding.

2.3.1 Interest Rate Developments

Available data suggested that banks' deposit and lending rates trended downward during the fourth quarter of 2015. All deposit rates of various maturities fell from a range of 1.97 – 11.28 per cent to 1.52 – 7.52 per cent. At 6.12 per cent, the average term deposit rate declined by 3.12 percentage points below the level in the third quarter of 2015. The average maximum and prime lending rates fell by 0.01 and 0.3 percentage point to 27.0 and 16.9 per cent, respectively. Consequently, the spread between the weighted average term deposit and maximum lending rates widened by 3.02 percentage points to 20.8 percentage points at the end of the fourth quarter of 2015. Similarly, the margin between the average savings deposit and the maximum lending rates widened by 0.05 percentage point to 23.40 percentage points. With headline inflation at 9.6 per cent at end-December 2015, all deposit rates were negative in real terms,

The spread between the weighted – average term deposit and maximum lending rates widened at the end of the fourth quarter.

while lending rates were positive in real terms.

Interbank call rate fell in Q4 2015.

At the inter-bank funds segment, the weighted average inter-bank call rate, which stood at 16.39 per cent at the end of the preceding quarter, fell by 14.78 percentage points to 1.61 per cent in the fourth quarter of 2015, reflecting the liquidity condition in the banking system. The Nigeria inter-bank offered rate (NIBOR) for the 30-day tenor fell from 15.38 per cent in the preceding quarter to 11.70 per cent in the fourth quarter of 2015. Similarly, the weighted average rate at the Open-Buy-Back (OBB) segment fell by 13.29 percentage points to 2.11 per cent (Fig. 3, Table 2).

Figure 3: Selected DMBs Interest Rates (Average)

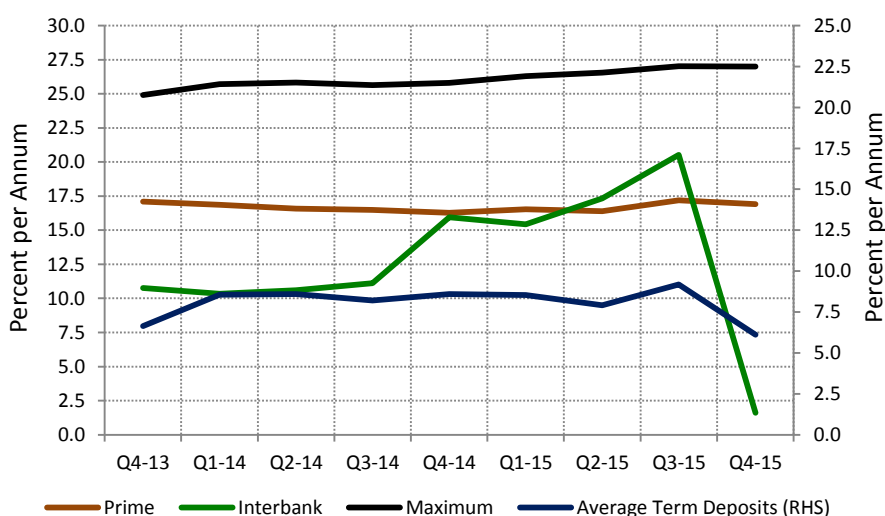


Table 2: Selected Interest Rates (Percent, Averages)

	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15
Average Term Deposits	6.6	8.6	8.6	8.2	8.6	8.5	7.9	9.2	6.1
Prime Lending	17.1	16.9	16.6	16.5	16.3	16.8	16.4	17.2	16.9
Interbank	10.5	10.3	10.6	11.1	16.0	15.4	17.3	20.5	1.6
Maximum Lending	24.9	25.7	25.8	25.6	25.8	26.3	26.6	27.0	27.0

2.3.2 Commercial Paper (CP)

Investment in CP by banks rose in the fourth quarter of 2015.

Commercial Paper (CP) held by DMBs rose by 29.7 per cent to ₦6.3 billion at the end of the fourth quarter of 2015, compared with ₦4.9 billion at the end of the preceding quarter. This development was due to the increase in investment in CP by

the commercial banks during the review quarter. Thus, CP constituted 0.07 per cent of the total value of money market assets outstanding, during the review period, compared with 0.05 per cent at the end of the preceding quarter.

2.3.3 Bankers' Acceptances (BAs)

BAs outstanding at the end of the fourth quarter increased by 321.26 per cent to ₦28.4 billion, compared with ₦6.7 billion at the end of the preceding quarter. The development was attributed to the increase in investment in BAs by the DMBs during the quarter. Consequently, BAs accounted for 0.33 per cent of the total value of money market assets outstanding, at the end of the fourth quarter of 2015, compared with 0.07 per cent at the end of the preceding quarter.

DMBs' holdings of BAs increased during Q4 of 2015.

2.3.4 Open Market Operations

The Bank intervened once in the money market, through Open Market Operation (OMO) in the review period, during which the sum of ₦420.20 billion was mopped up. The tenors of the intervention securities ranged from 296 to 310 days. Total sales was ₦586.56 billion, at bid rates ranging from 7.0000 to 13.5000 per cent, while the stop rate was 8.0000 per cent. Matured and repaid CBN bills amounted to ₦1,410.81 billion, which translated to a net injection of ₦990.61 billion.

2.3.5 Primary Market

NTBs of 91-, 182- and 364-day tenors amounting to ₦860.19 billion, ₦2,795.25 billion and ₦860.19 billion were offered, subscribed to and allotted, respectively, in the fourth quarter of 2015. The bid rates ranged from 2.0000 - 13.8000, 4.0000 - 14.5000, and 5.0000 - 15.2066 per cent, respectively, for the 91-, 182- and 364-day tenors. Similarly, the stop rates ranged from 3.6250- 10.000, 6.1900-12.2000 and 7.4500 -12.5000 per cent, respectively. In the preceding quarter, a total of ₦751.33 billion, ₦1,293.86 billion and ₦751.33 billion, respectively, were offered, subscribed to and allotted for the three tenors.

2.3.6 Bonds Market

Tranches of the 5- and 20-year FGN Bonds were re-opened during the review period, with term to maturity ranging from 4 years 5 months to 19 years. Total amount offered, subscribed to and allotted were ₦205.0 billion, ₦394.24 billion and ₦159.0 billion, respectively. In addition, ₦10.20 billion of the 5-year was

Subscription for FGN Bonds of various maturities were reopened during the fourth quarter of 2015.

allotted on non-competitive basis. The marginal rates for the 5-year bond ranged from 15.29 to 15.95 per cent and 15.19 to 15.97 per cent for the 20-year. The marginal rates for all the tenors ranged from 15.19 to 15.97 per cent. There was no matured bond in the review period. Consequently, the total withdrawal through this medium amounted to ₦159.00 billion.

2.3.7 CBN Standing Facilities

Developments at the CBN standing facilities window in the review quarter indicated higher patronage at the Standing Deposit Facility (SDF) window than at the Standing Lending Facility (SLF) window. Total request for SLF transactions in the fourth quarter was ₦1,012.24 billion (including Intraday lending facilities converted to overnight repo) with interest earned amounting to ₦0.54 billion, compared with ₦2,848.50 billion and interest earned of ₦1.67 billion in the third quarter of 2015.

The total deposit at the SDF window stood at ₦8,227.01 billion, compared with ₦4,726.78 billion in the preceding quarter. This represented a daily average of ₦137.12 billion, while the interest paid during the review period amounted to ₦2.73 billion.

2.4 Deposit Money Banks' Activities

Available data indicated that the total assets and liabilities of the commercial banks stood at ₦28,173.26 billion at the end of the fourth quarter of 2015, representing an increase of 0.02 per cent above the level at the end of the preceding quarter. The funds were sourced, largely, from demand deposits and credits from the central bank. The funds were used, mainly, to acquire federal government securities and increase reserves.

At ₦18,203.9 billion, banks' credit to the domestic economy, rose by 5.3 per cent, compared with 1.2 per cent at the end of the preceding quarter. The development was attributed to the increase in claims on both the Federal Government and the private sector, at the end of the review quarter.

Central Bank's credit to the commercial banks rose by 130.7 per cent to ₦732.24 billion, at the end of the review quarter. Total specified liquid assets of the banks stood at ₦7,472.0 billion, representing 42.8 per cent of their total current liabilities. At that level, the liquidity ratio rose by 3.0

Liquidity ratio in Q4 was above the stipulated minimum, while the Loan-to-deposit ratio was below the prescribed maximum

percentage points above the level at the end of the preceding quarter and was 12.8 percentage points above the stipulated minimum ratio of 30.0 per cent. The loans-to-deposit ratio, at 69.6 per cent, was 0.6 and 10.4 percentage points below the level at the end of the preceding quarter, and the prescribed maximum of 80.0 per cent, respectively.

2.5 Capital Market Developments

2.5.1 Secondary Market

Developments in the Nigerian Stock Exchange (NSE), based on available data, were bearish during the fourth quarter of 2015. Total volume and value of traded securities fell by 21.0 and 21.5 per cent, to 18.4 billion shares and ₦172.6 billion in 175,429 deals, in the review quarter, compared with the 23.3 billion shares and ₦219.7 billion, in 229,633 deals, in the third quarter of 2015. The Financial Services Industry led the activity chart (measured by volume) with 14.3 billion shares valued at ₦89.9 billion and traded in 100,126 deals. These represented 78.1 and 52.1 per cent of the total equity turnover in terms of volume and value, respectively, compared with 18.1 billion shares valued at ₦133.4 billion, and traded in 130,087 deals in the preceding quarter. The Banking sub-sector of the Financial Services sector was the most active during the review quarter.

Figure 4: Volume and Value of Traded Securities

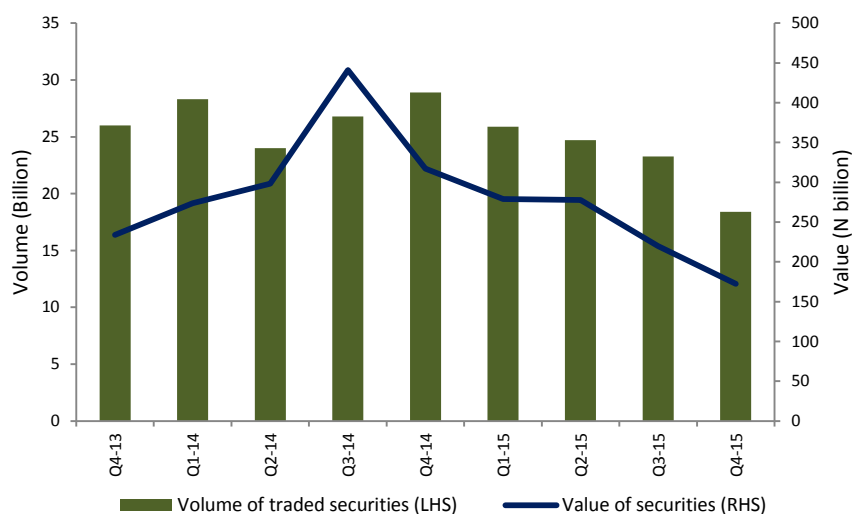


Table 3: Traded Securities on the Nigerian Stock Exchange (NSE)

	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15
Volume (Billion)	26.0	28.3	24.0	26.8	28.9	25.9	24.7	23.26	18.4
Value (N Billion)	234.0	273.9	298.19	441.25	316.99	279.1	277.9	219.76	172.6

2.5.2 New Issues Market/Supplementary Listings

There were two (2) supplementary listings in the review quarter (table 4)

Table:4 New and Supplementary Listing on the Nigerian Stock Exchange

S/N	Company	Additional Shares (Units)	Reasons	Listing
1	Standard Alliance Insurance Plc.	3500,000,000 Units	convertible preference share	Supplementary
2	Seplat Petroleum Development Company Plc.	10,134,248 units	Long-Term Incentive Scheme	Supplementary

2.5.3 Market Capitalization

Aggregate market capitalization for all listed securities (Equities and Bonds) stood at ₦17.00 trillion, indicating a marginal decline of 0.02 per cent below the level at the end of the third quarter of 2015. Similarly, market capitalization for the listed equities declined by 8.2 per cent below the level in the preceding quarter to close at ₦9.9 trillion, at the end of the review quarter due to persistence of bearish sentiments. Listed equities accounted for 58.0 per cent of the aggregate market capitalization, compared with 63.2 per cent at the end of the preceding quarter.

2.5.4 NSE All-Share Index

The All-Share Index, which opened at 31,217.77 at the beginning of the period, closed at 26,871.24, representing a decline of 13.9 per cent, below the level at the end of the preceding quarter. With the exception of the NSE Oil/Gas, NSE Insurance and NSE ASeM indices, which rose by 3.83, 2.5 and 0.02 per cent to close at 356.56, 142.61 and 1,208.65, respectively, all other sectoral indices fell below their respective levels in the preceding quarter. The NSE Banking, NSE Consumer Goods, NSE Lotus Islamic, NSE Industrial, NSE Pension and NSE Premium indices declined by 15.9, 7.6, 4.6, 2.8, 13.9 and 7.7 per cent below their respective levels at the end of the third quarter 2015, to close at 268.49, 746.19, 1,998.85, 2,166.70, 815.16 and 1,584.92, respectively, at the end of the review period.

Figure 5: Market Capitalization and All-Share Index

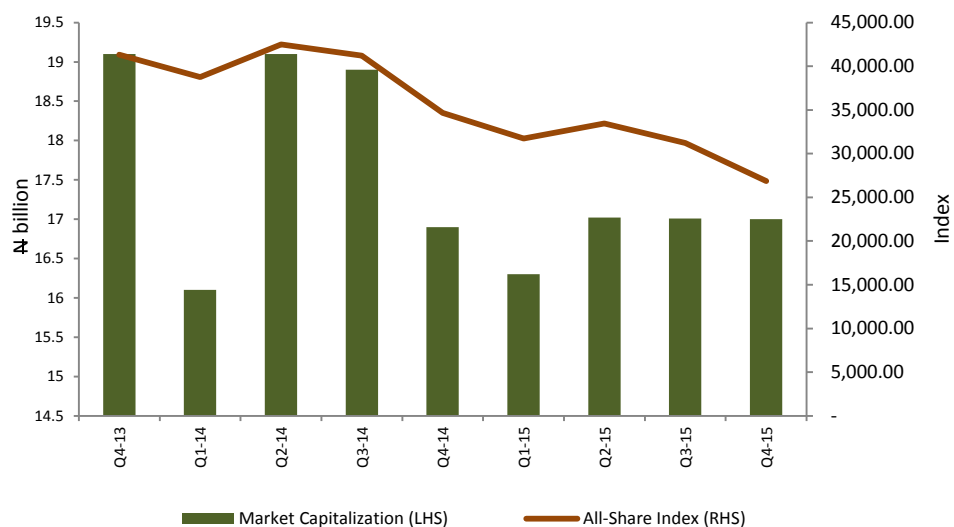


Table 5: Market Capitalization and All Share Index (NSE)

	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15
Market Capitalization (₦ trillion)	19.10	16.10	19.10	18.90	16.90	16.30	17.02	17.01	17.00
All-Share Index (Equities)	41,329.19	38,748.01	42,482.48	41,210.10	34,657.15	31,744.82	33,456.86	31,217.77	26,871.24

3.0 Fiscal Operations

3.1 Federation Account Operations

Provisional data indicated that federally-collected revenue, at ₦1,600.96 billion, was lower than the quarterly budget estimate and receipts in the preceding quarter by 34.5 and 16.0 per cent, respectively. The decline in federally-collected revenue (gross) relative to the budget estimate was attributed to the shortfall in receipts from both oil and non-oil revenue during the review quarter (Fig. 6, Table 6).

Gross federally-collected revenue fell by 16.0 per cent below the level in the preceding quarter.

Figure 6: Components of Gross Federally Collected Revenue

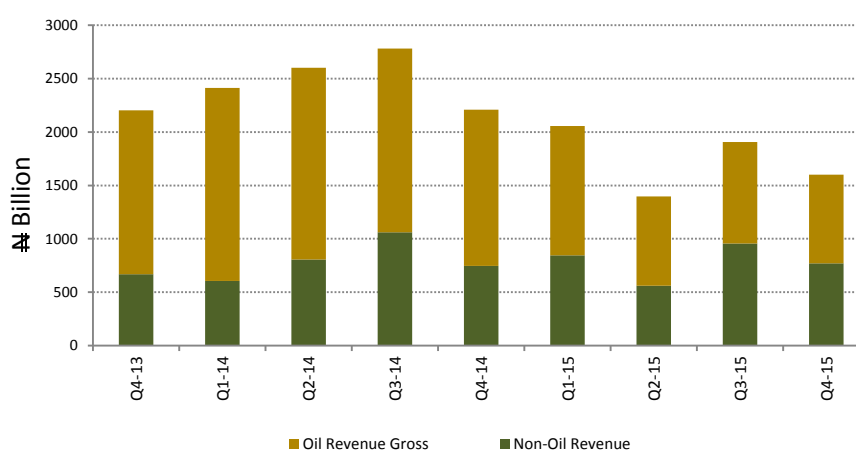


Table 6: Gross Federation Account Revenue (₦ billion)

	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15
Federally-collected revenue (Gross)	2204.55	2495.74	2613.30	2783.46	2210.81	2055.64	1397.20	1905.77	1600.96
Oil Revenue	1538.40	1808.86	1795.53	1723.11	1466.22	1210.77	839.02	949.45	830.81
Non-Oil Revenue	666.15	686.88	817.77	1060.30	744.58	844.87	558.19	956.32	770.16

At ₦830.81 billion or 51.9 per cent of the total revenue, gross oil receipt was lower than the provisional quarterly budget and the receipts in the preceding quarter by 38.8 and 12.5 per cent, respectively. The decline in oil revenue relative to the budget estimate was attributed to the persistent fall in receipts from crude oil/gas export, due to the continuous drop in the price of crude oil in the international market, during the review quarter (Fig. 7, Table 7).

Figure 7: Gross Oil Revenue and Its Components

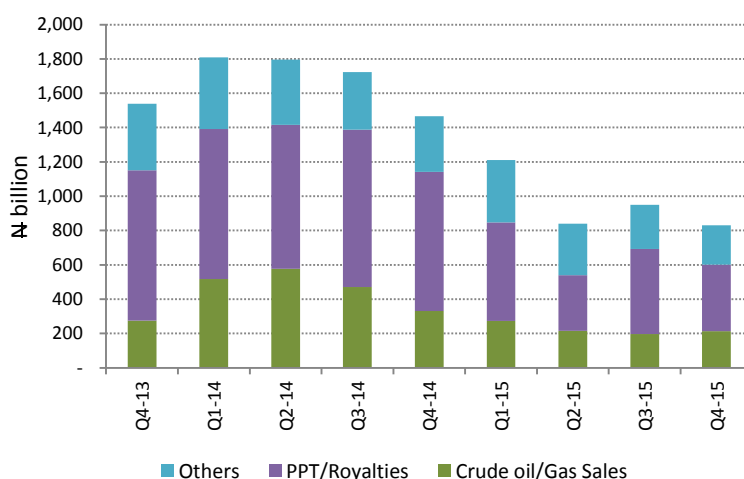


Table 7: Components of Gross Oil Revenue (N billion)

	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15
Oil Revenue	1538.40	1808.86	1795.53	1723.11	1466.22	1210.77	839.02	949.45	830.81
Crude oil/Gas Sales	275.93	516.63	577.41	470.99	331.18	274.09	215.40	196.29	212.86
PPT/Royalties	875.30	874.47	838.89	916.31	809.89	573.30	325.03	495.39	388.66
Others	387.18	417.76	379.23	335.81	325.15	363.38	298.59	257.78	229.28

At ₦770.16 billion or 48.1 per cent of total revenue, gross non-oil receipts fell below the provisional budget estimate and receipts in the preceding quarter by 29.1 and 19.5 per cent, respectively. The decline in non-oil revenue relative to the provisional budget estimate was due, largely, to the fall in receipts from most of its components, during the review quarter (Fig. 8, Table 8).

Figure 8: Gross Non-Oil Revenue and its Components

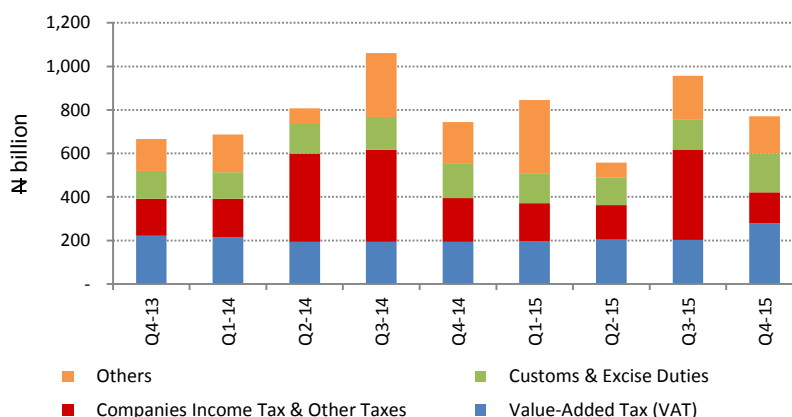


Table 8: Components of Gross Non-Oil Revenue (N billion)

	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15
Non-Oil Revenue	666.15	686.27	817.77	1060.35	744.58	844.87	558.19	956.32	770.16
Value-Added Tax (VAT)	222.02	213.80	194.15	193.39	192.88	195.66	203.18	202.11	177.78
Companies Income Tax & Other Taxes	169.07	178.12	404.20	422.60	202.38	174.94	159.36	415.67	279.13
Customs & Excise Duties	128.95	121.63	136.28	151.53	156.80	138.08	127.59	138.83	141.67
Others ¹	146.11	172.72	83.14	292.83	192.52	336.19	68.06	199.70	171.58

1/ Include FGN Independent Revenue, Education Tax, NITDF & Customs Federation/Non-Federation Account Levies (Port, Sugar, ETLs, Steel, CISS & Cement Levies)

Of the gross federally-collected revenue, a net sum of ₦993.81 billion was transferred to the Federation Account for distribution among the three tiers of government and the 13.0% Derivation Fund. The Federal Government received ₦482.84 billion, while the state and local governments received ₦244.90 billion and ₦188.81 billion, respectively. The balance of ₦77.26 billion was allocated to the 13.0% Derivation Fund for distribution among the oil-producing states. Also, the Federal Government received ₦25.60 billion from the VAT Pool Account, while the state and local governments received ₦85.33 billion and ₦59.73 billion, respectively.

The sum of ₦17.13 billion was also distributed as Exchange Gain among the three tiers of government and the 13% Derivation Fund as follows: Federal Government (₦8.18 billion), State Governments (₦4.15 billion), Local Governments (₦3.20 billion) and 13% Derivation Fund (₦1.59 billion).

A net sum of ₦993.81 billion out of the gross federally collected revenue was distributed among the three tiers of government and 13.0% Derivation Fund for oil producing states.

In addition, the sum of ₦18.99 billion was received by the Federal Government being NNPC installment refund of ₦6.33 billion paid in the months of October, November and December 2015.

Thus, the total statutory and VAT revenue allocation to the three tiers of government in the fourth quarter of 2015 amounted to ₦1,200.59 billion, compared with the provisional quarterly budget estimate of ₦1,994.77 billion and ₦1,440.36 billion in the preceding quarter.

3.2 The Fiscal Operations of the Three Tiers of Government

3.2.1 The Federal Government

At ₦818.39 billion, the estimated Federal government retained revenue was lower than the 2015 provisional quarterly budget estimate and the receipts in the preceding quarter.

The Federal Government retained revenue for the fourth quarter of 2015 based on provisional data amounted to ₦818.39 billion. This was below the provisional budget estimate and receipts in the preceding quarter by 12.0 and 21.7 per cent, respectively. Of the total revenue, receipts from the Federation Account accounted for 59.0 per cent, while 'Other Revenue', Federal Government Independent Revenue and VAT accounted for 30.3, 7.6 and 3.1 per cent, respectively (Fig. 9, Table 9).

Figure 9: Federal Government Retained Revenue

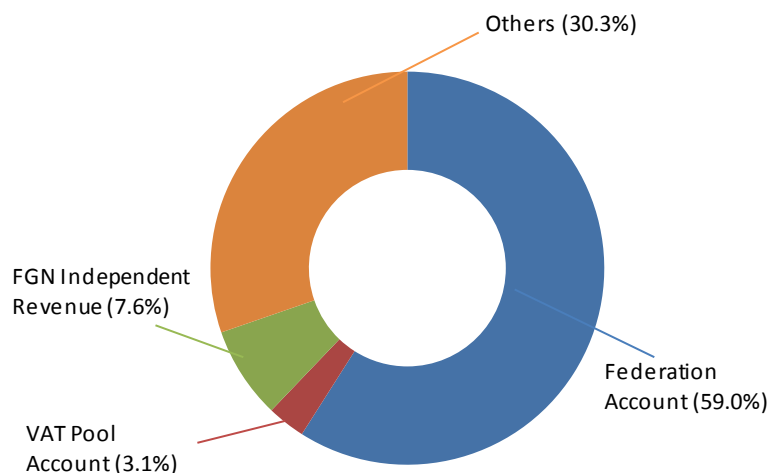


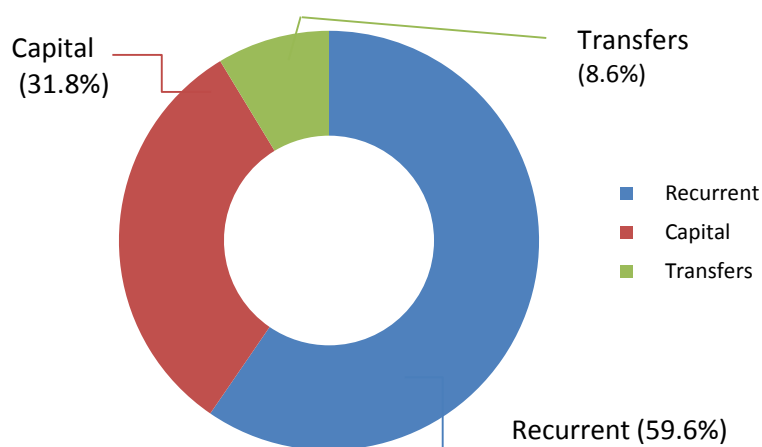
Table 9: Federal Government Fiscal Operations (₦ billion)

	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15
Retained Revenue	897.3	912.1	864.2	1023.1	839.8	1027.0	538.6	1044.8	818.4
Expenditure	1533.0	1114.8	1193.5	1166.6	1164.0	1156.6	1024.5	1175.5	1107.5
Overall Balance: Surplus(+)/Deficit(-)	-635.7	-202.7	-329.4	-143.6	-324.2	-129.5	-485.9	-130.7	-289.1

At ₦1,107.51 billion, provisional data showed that Federal Government expenditure for the fourth quarter of 2015 was lower than both the provisional quarterly budget estimate and the level in the preceding quarter, by 6.9 and 5.8 per cent, respectively. The development relative to the quarterly budget estimate was attributed, mainly, to the rise in capital expenditure. A breakdown of the total expenditure showed that the recurrent component accounted for 59.6 per cent, while capital and statutory transfers components accounted for 31.8 and 8.6 per cent, respectively (Fig. 10). A further breakdown of the recurrent expenditure showed that the non-debt component accounted for 65.7 per cent, while debt service payments accounted for the balance of 34.3 per cent.

Fiscal operations of the FG resulted in an estimated deficit of ₦289.12 billion in Q4 2015.

Thus, the fiscal operations of the Federal Government resulted in a deficit of ₦289.12 billion, compared with the 2015 provisional quarterly budget deficit of ₦260.25 billion.

Figure 10: Federal Government Expenditure

3.2.2 *Statutory Allocations to State Governments*

Total allocation to state governments (including the Federation Account, 13.0% Derivation Fund and VAT) stood at ₦413.24 billion during the review quarter. This was 40.8 and 16.1 per cent lower than both the provisional budget estimate and the level in the preceding quarter, respectively. Further breakdown showed that receipts from the Federation Account was ₦327.90 billion (79.4 per cent), while VAT contributed ₦85.33 billion (20.6 per cent). The share of Federation Account was 17.1 per cent lower than the level in the preceding quarter. Receipts from the VAT Pool Account was also 12.0 per cent lower than the level in the preceding quarter.

3.2.3 *Statutory Allocations to Local Government Councils*

Provisional allocations to local governments from the Federation and VAT Pool Accounts during the fourth quarter of 2015 stood at ₦251.74 billion. This was 41.4 and 16.6 per cent below the provisional budget estimate and the level in the preceding quarter, respectively. Of the total amount, allocation from the Federation Account was ₦192.01 billion (76.3 per cent), while VAT Pool Account accounted for the balance of ₦59.73 billion (23.7 per cent).

4.0 Domestic Economic Conditions

Activities in the agricultural sector were dominated by the harvesting of tubers, fruits and vegetables in the South, while farmers in the North were engaged in harvesting of late maturing grains, as well as pre-planting operations in preparation for dry season farming. In the livestock sub-sector, farmers were engaged in fattening and other activities in anticipation of the end of year sales. Crude oil production was estimated at 1.95 million barrels per day (mbd) or 179.40 million barrels for the quarter. The end-period inflation rate for the fourth quarter of 2015, on year-on-year basis, was 9.6 per cent, compared with 9.4 and 8.0 per cent at the end of the preceding quarter and the corresponding quarter of 2014, respectively. The inflation rate on a 12-month moving average basis was 9.0 per cent, compared with 8.7 per cent at the end of the preceding quarter.

4.1 Agricultural Sector

Available data suggested that agricultural activities during the fourth quarter of 2015 centred on harvesting of tubers, fruits and vegetables in the South, while farmers in the North were engaged in harvesting of late maturing grains, as well as pre-planting operations in preparation for dry season farming. In the livestock sub-sector, farmers were engaged in fattening and other activities in anticipation of the end of year sales. However, growth in output, though positive, was below the expected level due to insurgency in the North –Eastern part of the country.

4.2 Agricultural Credit Guarantee Scheme

A total of ₦3,094.5 million was guaranteed to 22,543 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in the fourth quarter of 2015. The amount represented an increase of 6.5 per cent above the level in the preceding quarter, but was 15.4 per cent below the level in the corresponding period of 2014. Sub-sectoral analysis showed that food crops accounted for the largest share of ₦1,748.9 million (56.5 per cent) guaranteed to 15,853 beneficiaries, 'Others' received ₦450.0 million (14.5 per cent) guaranteed to 1,765 beneficiaries, while livestock got ₦378.3 million (12.2 per cent) guaranteed to 1,704 beneficiaries. Mixed crops had ₦249.7 million (8.1 per cent) guaranteed to 1,942 beneficiaries. A total of ₦137.9 million (4.5 per cent) was guaranteed to 768 beneficiaries in the Cash Crops subsector, while Fisheries sub-sector received ₦129.4 million (4.2 per cent) guaranteed to

511 beneficiaries.

Analysis by state showed that 35 states and the Federal Capital Territory benefited from the Scheme in the review period, with the highest and lowest sums of ₦408.3 million (13.2 per cent) and ₦0.15 million (0.005 per cent) guaranteed to Oyo and Borno states, respectively.

At end-December 2015, total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACs) from inception to the participating banks for disbursement stood at ₦336.40 billion for 420 projects (Table 10).

Table 10: Disbursement of Credit Under the Commercial Agriculture Credit Scheme (CACs)

S/N	Participating Banks	Amt Disbursed (₦ billion)	Number of Projects/State Governments
1	Access Bank Plc	16.6	18
2	Citibank Plc	3.0	2
3	Diamond Bank Plc	4.4	16
4	ECOBANK	6.4	10
5	FCMB Plc.	10.0	19
6	Fidelity Bank Plc	14.9	11
7	First Bank of Nigeria Plc	37.1	93
8	GTBank Plc	17.4	16
9	Heritage Bank Plc	4.8	13
10	Keystone Bank	2.2	4
11	Jaiz Bank Plc	1.0	1
12	Skye Bank Plc	11.8	9
13	Stanbic IBTC Bank	18.5	35
14	Sterling Bank Plc	23.7	28
15	Union Bank Nigeria PLC	21.6	26
16	United Bank for Africa (UBA) Plc	52.8	39
17	Unity Bank Plc	24.3	26
18	Wema Bank	1.2	9
19	Zenith Bank	64.7	45
	TOTAL	336.3	420

4.3 Industrial Production

Available data on Industrial activities during the fourth quarter of 2015 indicated a decline, compared with the level in the preceding quarter. At 118.8 (2010=100), the estimated index of industrial production fell by 0.14 per cent below the level in the preceding quarter, but showed a 19.2 per cent increase above the level in the corresponding period of 2014. The decrease relative to the preceding quarter was attributed to fall in activities in the manufacturing and mining subsectors

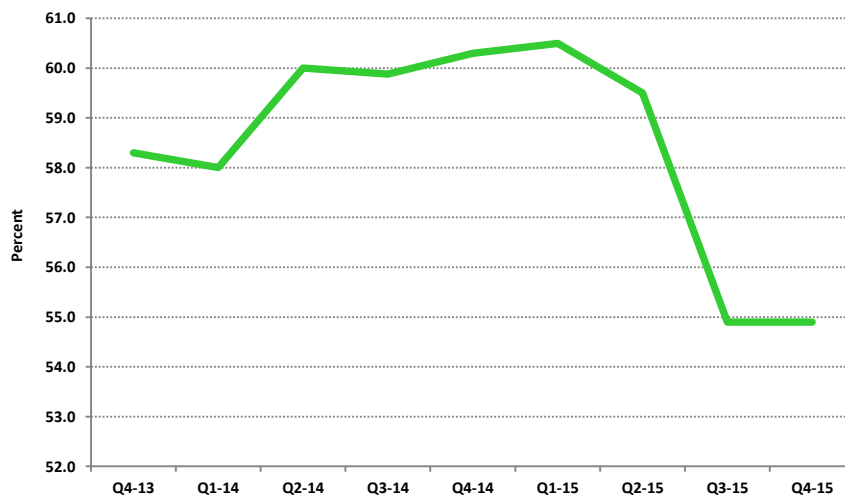
Industrial activities fell in the review quarter due to reduced activities in all sub-sectors.

during the period.

The estimated index of manufacturing production in the fourth quarter of 2015, at 185.5 (2010=100), showed a decrease of 3.3 per cent relative to the preceding quarter. It, however, indicated a 2.6 per cent increase above the level in the corresponding period of 2014. Capacity utilisation was estimated at 53.7 per cent, indicating a 1.2 percentage point decrease below the level in the preceding quarter. The development was attributed to the reduced cash flow effect and exchange rate challenges on business confidence, which hindered activities in the sector. (Fig.11).

Industrial capacity utilization was estimated to decline by 1.2 percentage points during the review quarter.

Figure11: Manufacturing Capacity Utilization Rate



At 94.5 (2010=100), the estimated index of mining production in the fourth quarter of 2015, indicated 0.08 and 37.3 per cent increase relative to the levels attained in the preceding quarter and the corresponding period of 2014, respectively. The increase in mining production during the review quarter was accounted for by a rise in crude oil and gas production.

At 4,165 MW/h, estimated average electricity generation in the fourth quarter of 2015 fell by 0.1 per cent, compared with the level attained in the preceding quarter. The development was attributed to the fall in generation from Egbin power plant from 813mw to 660mw, and the shortage in water supply to the hydro power stations.

Average electricity generation and consumption fell during the review quarter.

At 3,832.5 MW/h, average estimated electricity consumption fell by 0.1 per cent relative to the level attained in the preceding quarter. The fall in electricity consumption was attributed to a decline in generation and transmission as well as distribution losses. (Fig. 12, Table 11).

Figure 112: Index of Industrial Production (2010=100)³

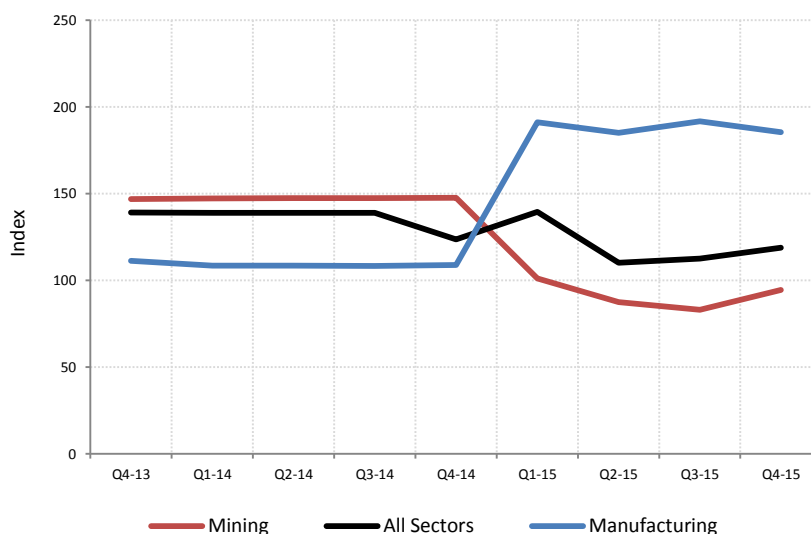


Table 11: Index of Industrial Production and Manufacturing Capacity Utilization Rate

	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15
All Sectors (1990=100)	139.2	138.98	139.00	139.00	123.60	139.45	110.20	112.50	118.80
Manufacturing	111.2	108.45	108.4	108.4	108.98	191.2	185.1	191.8	185.5
Mining	146.98	147.23	147.5	147.5	147.59	101.1	87.4	83.1	94.5
Capacity Utilization (%)	58.30	58.00	60.00	59.88	60.30	60.50	59.5	54.90	53.70

4.4 Petroleum Sector

Crude oil and natural gas production decreased in the fourth quarter of 2015.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at an average of 1.89 million barrels per day (mbd) or 173.88 million barrels (mb) for the fourth quarter. This represented a decline of 0.06 mbd or 3.2 per cent, relative to 1.95 mbd or 179.4 million barrels produced in the third quarter of 2015.

³ Index measurement at (2010=100) from first quarter15

Crude oil export stood at 1.44 mbd or 132.48 million barrels. This represented a decline of 4.2 per cent, compared with 1.50 mbd or 138.00 mb recorded in the preceding quarter. Recent pipeline vandalism in the Niger Delta, oil theft, illegal bunkering and production shut-ins accounted for the decline in crude oil production. Deliveries to the refineries for domestic consumption remained at 0.45 mbd or 41.4 million barrels during the review quarter.

Crude oil export decreased in Q4 2015.

At an estimated average of US\$44.08 per barrel, the price of Nigeria's reference crude, the Bonny Light (37° API), fell by 13.8 per cent below the level in the preceding quarter. The average prices of other competing crudes, namely the U.K Brent, the West Texas Intermediate and the Forcados, at US\$43.43, US\$44.91 and US\$44.24 per barrel, also fell below their levels in the preceding quarter.

Average crude oil prices, including Nigeria's Bonny Light (37° API) fell in the international crude oil market in Q4 2015.

The average price of OPEC's basket of eleven crude streams, at US\$39.90 per barrel, indicated a fall of 17.1 and 45.7 per cent below the levels in the preceding quarter and the corresponding period of 2014, respectively (Fig. 13, Table 12).

Figure 12: Trends in Crude Oil Prices

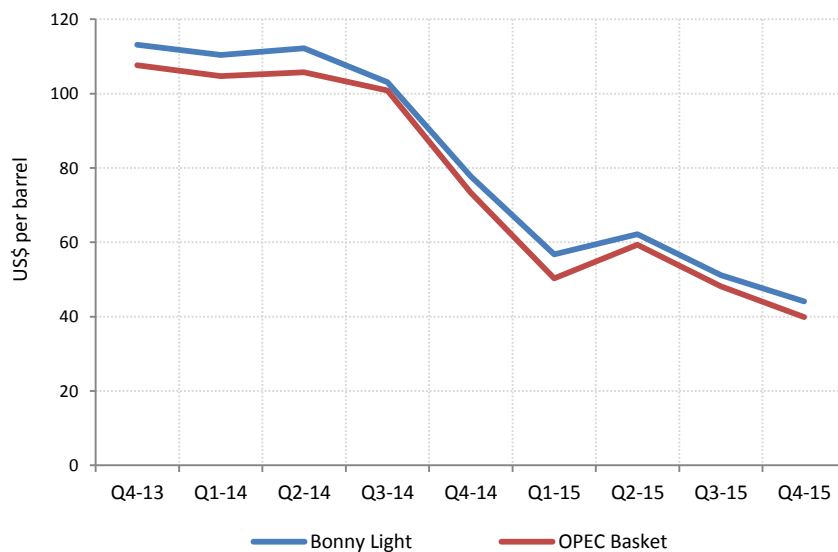


Table 12: Average Crude Oil Prices in the International Oil Market

	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15
Bonny Light	113.11	110.36	112.23	103.04	77.74	56.73	62.22	51.15	44.08
OPEC Basket	107.67	104.73	105.74	100.86	7.36	50.3	59.31	48.14	39.9

4.5 Consumer Prices⁴

The general price level rose in Q4 compared with the preceding quarter.

Available data showed that the all-items composite Consumer Price Index (CPI), at the end of the fourth quarter of 2015, was 180.2 (November 2009=100), representing an increase of 2.1 and 9.6 per cent, above the levels in the preceding quarter and the corresponding quarter of 2014, respectively. The development was driven, largely, by the contributions of food and non-alcoholic beverages; housing, water, electricity, gas and other fuel; clothing and footwear; transport; furnishing, household equipment and maintenance; health; and education.

The urban all-items CPI at the end of the fourth quarter of 2015 was 179.22 (November 2009=100), indicating an increase of 2.1 and 9.7 per cent above the levels in the preceding quarter and the corresponding period of 2014, respectively. Similarly, the rural all-items CPI, at 181.11 (November 2009=100), represented an increase of 2.0 and 9.4 per cent over the levels in the preceding quarter and the corresponding period of 2014, respectively (Fig. 14, Table 13).

The composite food index (with a weight of 50.7 per cent) was 186.2 per cent, representing an increase of 2.4 per cent, compared with the 181.8 per cent at the end of the preceding quarter. The development was attributed to the increase in the prices of yam, potatoes, vegetables, rice, fruits, maize and processed food.

⁴ New CPI with November 2009 = 100 as base and new weight based on the 2003/2004 Nigeria Living Standard Survey (NLSS) was released by the National Bureau of Statistics (NBS) ON 18TH October 2010.

Figure 13: Consumer Price Index

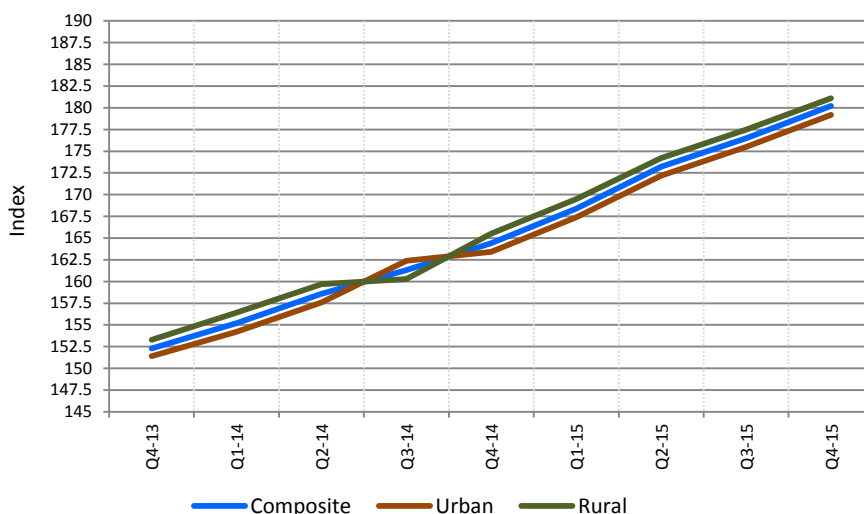


Table 13: Consumer Price Index (November 2009=100)

	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15
Composite	152.3	155.2	158.6	161.3	164.4	168.4	173.2	176.5	180.2
Urban	151.4	154.2	157.6	162.4	163.4	167.4	172.2	175.5	179.2
Rural	153.3	156.4	159.7	160.3	165.5	169.5	174.2	177.5	181.11

The inflation rate at the end of the review quarter, on a year-on-year basis, was 9.6 per cent, compared with 9.4 and 8.0 per cent in the preceding quarter and the corresponding period of 2014, respectively. On a twelve-month moving average basis, the inflation rate was 9.0 per cent, indicating a 0.3 percentage point increase over the level recorded in the preceding quarter (Fig. 15, Table 14).

The headline inflation (y-o-y) stood at 9.6 per cent in Q4 2015.

Figure 15: Inflation Rate

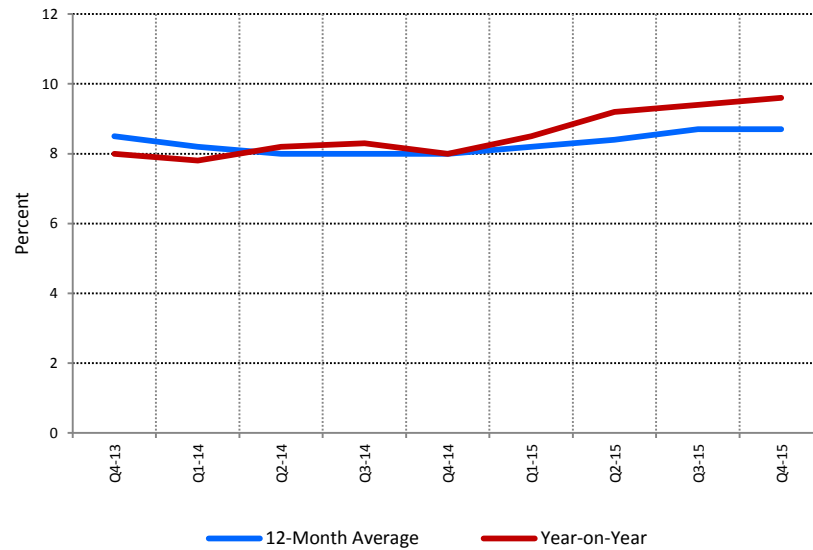


Table 14: Headline Inflation Rate (%)

	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15
12-Month Moving Average	8.5	8.2	8.0	8.0	8.0	8.2	8.4	8.7	9.0
Year-on-Year	8.0	7.8	8.2	8.3	8.0	8.5	9.2	9.4	9.6

5.0 External Sector Developments

Provisional data showed that foreign exchange inflow and outflow through the CBN in the fourth quarter of 2015 fell by 35.8 and 18.5 per cent, below the levels in the preceding quarter, respectively. Total non-oil export receipts declined by 39.1 and 27.4 per cent below the levels in the preceding quarter and the corresponding quarter of 2014, respectively. At the inter-bank segment of the foreign exchange market, the average naira exchange rate remained unchanged at the level in the preceding quarter of ₦196.99 per dollar. At the BDC segment, the average naira exchange rate, depreciated by 5.7 per cent, to ₦238.69 per dollar, relative to the level in the preceding quarter. At US\$28.29 billion, the gross external reserves fell by 5.2 per cent below the level at the end of the preceding quarter.

5.1 Foreign Exchange Flows

Provisional data showed that foreign exchange inflow and outflow through the CBN in the fourth quarter of 2015 were US\$7.14 billion and US\$7.76 billion, respectively. This resulted in a net outflow of US\$0.62 billion, in contrast to the net inflow of US\$1.59 billion in the preceding quarter. Relative to the level at the end of the preceding quarter and the corresponding period of 2014, inflow declined by 35.8 and 33.1 per cent, respectively. The development was due to the decline in both oil and non-oil receipts. Similarly, outflow fell by 18.5 and 46.6 per cent, below the levels in the preceding quarter and the corresponding period of 2014, respectively. The development relative to the preceding quarter was due largely to the decreased funding of the foreign exchange market, external debt service and other official payments (Fig.16, Table 15).

Foreign exchange inflow and outflow through the CBN fell by 35.8 and 18.5 per cent, respectively, and resulted in a net outflow of US\$0.62 billion in Q4 of 2015.

Figure 16: Foreign Exchange Flows Through the CBN

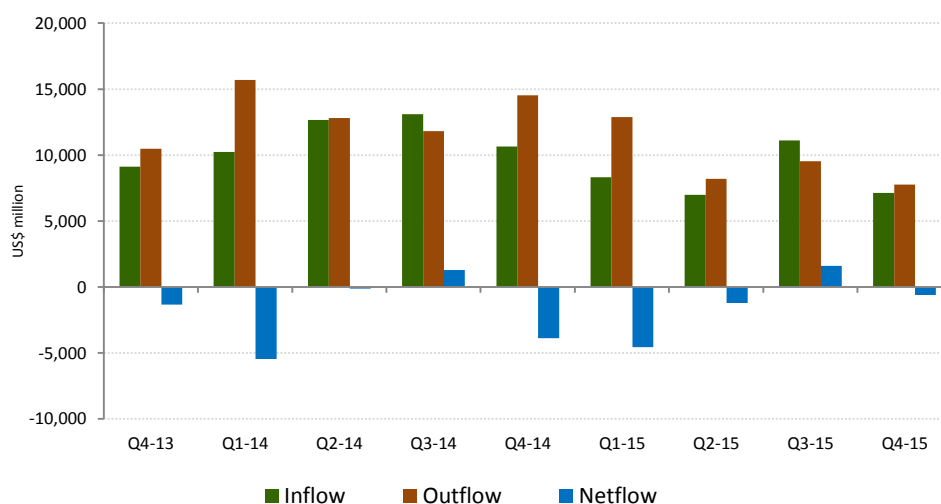


Table 15: Foreign Exchange Flows Through the CBN (US\$ million)

	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15
Inflow	9,465.52	10,221.43	12,676.51	13,094.23	10,641.86	8,307.23	6,976.02	11,111.00	7,135.41
Outflow	10,789.61	15,695.66	12,806.25	11,804.98	14,527.35	12,875.77	8,194.56	9,523.32	7,757.49
Netflow	(1,324.09)	(5,474.23)	(129.74)	1,289.25	(3,885.49)	(4,568.54)	(1,218.54)	1,587.68	(622.08)

Provisional data on aggregate foreign exchange inflow through the economy indicated that total inflow was US\$20.29 billion. This represented a decline of 25.8 and 45.2 per cent below the levels in the preceding quarter and the corresponding period of 2014, respectively. The development was driven by the fall in receipts from both the CBN and autonomous sources. Oil sector receipts, which accounted for 19.7 per cent of the total, stood at US\$3.99 billion, compared with US\$6.05 billion and US\$7.64 billion, recorded in the preceding quarter and the corresponding period of 2014, respectively.

Autonomous inflow into the economy fell by 18.9 per cent in Q4 2015 .

Non-oil public sector inflow, at US\$3.15 billion (15.5 per cent of the total), fell by 37.9 per cent below the level in the preceding quarter, but exceeded the level in the corresponding period of 2014 by 4.4 per cent. Autonomous inflow, which accounted for 64.8 per cent of the total, fell by 18.9 per cent, compared with the level in the preceding quarter.

At US\$8.62 billion, aggregate foreign exchange outflow from the economy fell by 21.2 and 41.9 per cent below the levels in the preceding quarter and the corresponding period of 2014, respectively. The development, relative to the preceding quarter, was accounted for by the decline in outflow through the CBN and autonomous sources. Thus, foreign exchange flows through the economy resulted in a net inflow of US\$11.68 billion in the review quarter, compared with US\$16.40 billion and US\$22.18 billion in the preceding quarter and the corresponding period of 2014, respectively.

5.2 Non-Oil Export Earnings by Exporters

Provisional data showed that total non-oil export earnings, at US\$0.73 billion, decreased by 39.1 and 27.4 per cent, below the levels in the preceding quarter and the corresponding period of 2014, respectively. The development, relative to the preceding quarter, was attributed, mainly, to the significant decline in receipts from manufactured and agricultural export products. A breakdown by sectors showed that proceeds from minerals, industrial sector, agricultural products, manufactured products and food products sub-sectors stood at US\$212.85 million, US\$191.60 million, US\$143.85 million, US\$106.56 million and US\$77.59 million, respectively.

The percentage shares of minerals, industrial sector, agricultural products, manufactured products and food products in the total non-oil export proceeds were 29.1, 26.2, 19.6, 14.5 and 10.6, respectively.

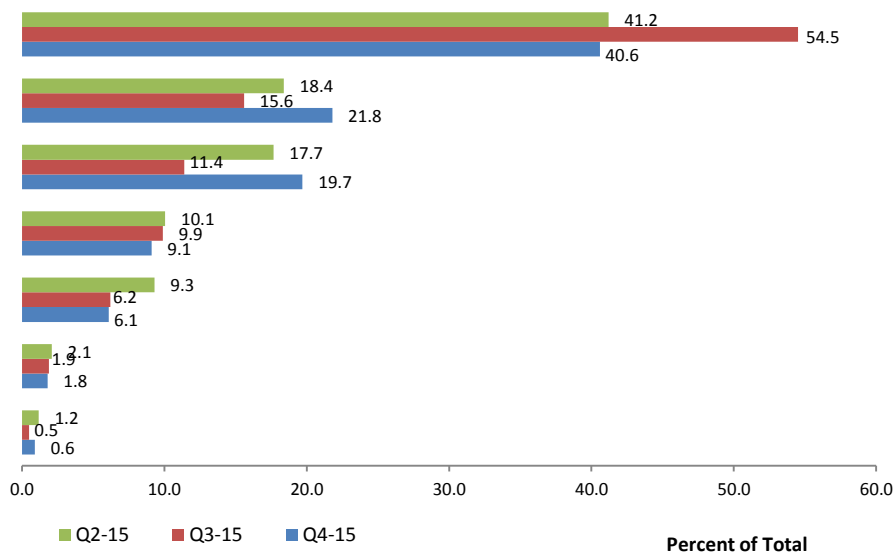
5.3 Sectoral Utilisation of Foreign Exchange

The invisible sector accounted for the bulk (40.6 per cent) of total foreign exchange disbursed in the fourth quarter of 2015, followed by the industrial sector (21.8 per cent). The contributions of other sectors in a descending order included: minerals and oil sector (19.7 per cent), manufactured products (9.1 per cent), food products (6.1 per cent), transport sector (1.8 per cent) and agricultural products (0.9 per cent) (Fig.17).

Total non-oil export earnings by exporters fell during the fourth quarter of 2015.

The invisible sector accounted for the bulk of the total foreign exchange disbursed during Q4 2015.

Figure 17: Sectoral Utilisation of Foreign Exchange



Demand and supply for foreign exchange by authorized dealers fell during Q4 2015.

5.4 Foreign Exchange Market Developments⁵

At US\$27.91 billion, provisional data suggested that aggregate demand for foreign exchange at the inter-bank and BDC segments fell by 54.5 per cent below the level in the preceding quarter. However, it denoted an increase of 88.4 per cent relative to the level in the corresponding period of 2014.

A total of US\$7.01 billion was sold by the CBN to authorized dealers during the fourth quarter of 2015. This reflected a decline of 12.8 and 44.9 per cent below the levels in the preceding quarter and the corresponding period of 2014, respectively. The development, relative to the preceding quarter, was attributed to the decrease in sales at both the inter-bank and BDC segments. Of the aggregate, inter-bank, swaps and BDC sales were US\$3.78 billion, US\$1.20 billion and US\$0.87 billion, respectively. Also, forward contracts valued at US\$1.16 billion were disbursed at maturity in the review quarter (Fig. 18, Table 16).

⁵ Market Closed (MC) - wDAS and rDAS window was closed in February 2015

Figure 18: Demand for and Supply of Foreign Exchange

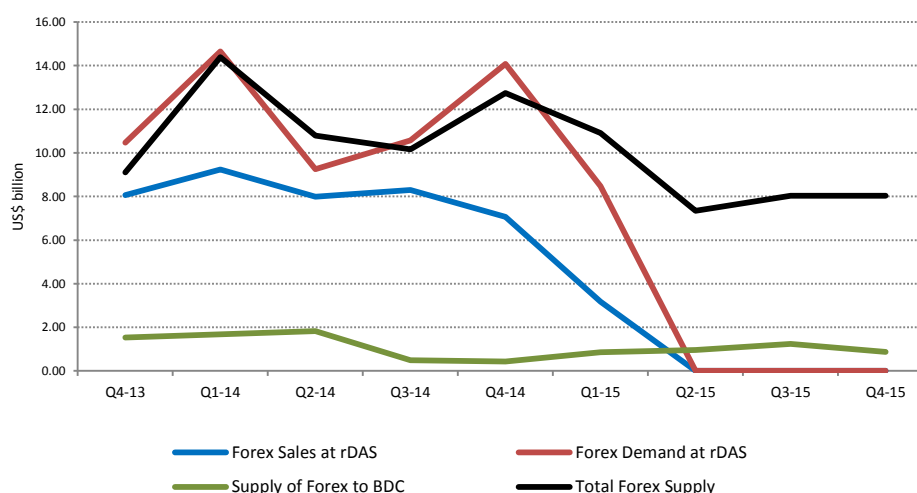


Table 16: Demand for and Supply of Foreign Exchange (US\$ billion)

	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q3-15
Forex Sales at rDAS	7.99	8.29	7.06	3.18	MC	MC	MC
Forex Demand at rDAS	9.25	10.58	14.08	8.47	MC	MC	MC
Supply of Forex to BDC	1.83	0.50	0.43	0.89	0.97	1.24	0.87
Total Forex Supply(BDC and rDAS)	10.79	10.16	12.74	10.91	7.35	8.04	7.01

The average exchange rate at the inter-bank segment was ₦196.99/US\$, same level as in the preceding quarter. However, it showed a depreciation of 12.6 per cent relative to the rate in the corresponding quarter of 2014. At the BDC segment, the average exchange rate, at ₦238.69 per US dollar, depreciated by 5.7 and 25.3 per cent relative to their respective levels in the preceding quarter and the corresponding period of 2014 (Fig. 19, Table 17).

Consequently, the premium between the inter-bank and BDC widened to 21.2 per cent above 14.3 and 3.5 per cent in the preceding quarter and the corresponding period of 2014, respectively. This, however, exceeded the international benchmark of 5.0 per cent (Fig. 20, Table 17).

The average naira exchange rate vis-à-vis the US dollar remained unchanged at the interbank segment, but depreciated at the BDC segment in Q4 2015.

The premium between the inter-bank and the BDC rates widened in the review period.

Figure 19: Average Exchange Rate Movements

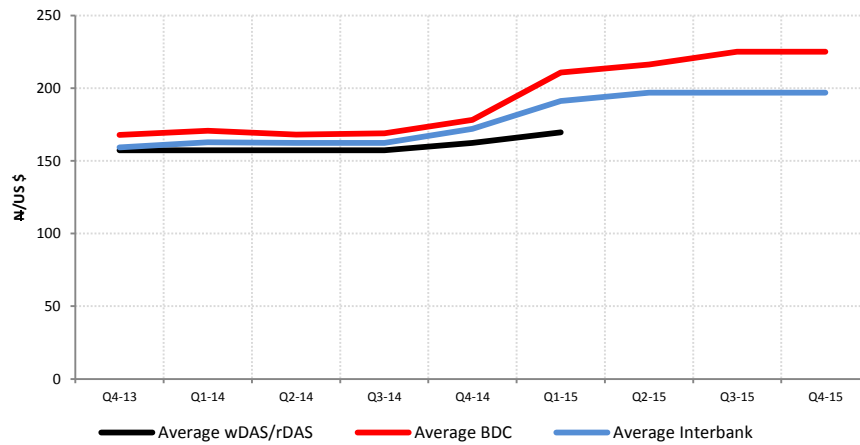
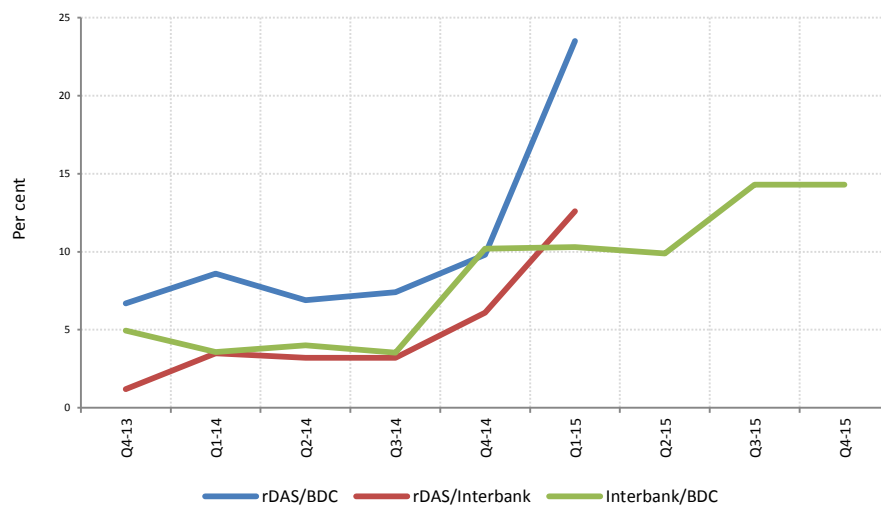


Table 17: Exchange Rate Movements and Exchange Rate Premium

Average Exchange Rate (N/US\$)	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15
rDAS	157.32	157.30	157.29	157.29	162.33	169.68	N/A	N/A	N/A
BDC	167.86	170.84	168.08	168.90	178.24	210.69	216.41	225.21	238.69
Interbank	159.22	162.78	162.29	162.39	172.16	191.11	196.97	196.99	196.99
Premium (%)									
rDAS/BDC	6.7	8.6	6.9	7.4	9.8	23.5	N/A	N/A	N/A
rDAS/Interbank	1.2	3.5	3.2	3.2	6.1	12.6	N/A	N/A	N/A
BDC/Interbank	5.4	5.0	3.6	4.0	3.5	10.2	9.9	14.3	21.2

Figure 20: Exchange Rate Premium



5.5 Gross Official External Reserves

Gross external reserves at the end of the fourth quarter of 2015 stood at US\$28.29 billion, showing a decline of 5.2 and 17.4 per cent below the levels in the preceding quarter and corresponding period of 2014, respectively. The development, relative to the preceding quarter, was due to increased intervention by the Bank at the inter-bank market to stabilize the naira exchange rate. A breakdown of the official external reserves showed that CBN reserves stood at US\$19.49 billion (68.9 per cent), Federation reserves, US\$2.45 billion (8.7 per cent) and the Federal Government reserves, US\$6.35 billion (22.4 per cent) (Fig. 21, Table 18).

Gross external reserves declined during the fourth quarter of 2015.

Figure 21: Gross Official External Reserves

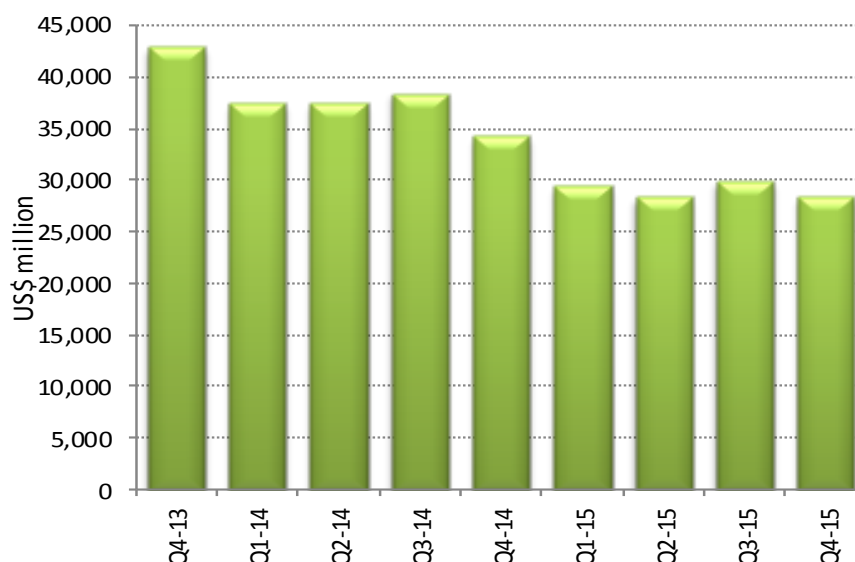


Table 18: Gross Official External Reserves (US\$ million)

	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15
External Reserves	42,847.3	37,376.4	37,300.0	38,278.6	34,241.5	29,357.2	28,335.2	29,850.1	28,287.6

6.0 Global Economic Conditions

6.1 Global Output

In October 2015, the International Monetary Fund (IMF) forecast the global economy to grow by 3.6 per cent in 2016 amidst uncertainties from persisting downside risks and vulnerabilities. The prospects of rising interest rates in the US, economic slowdown in China, and higher risk of economic decline worldwide aggravated uncertainty. Sharp slowdown in emerging market economies constitutes a drag on global activity and trade, and have subdued investment and productivity growth, as well as constrained the momentum of recovery in the advanced economies.

6.2 Global Inflation

Global inflation generally remained very low, reflecting the fall in oil prices. Energy prices continued to fall for the 13th consecutive month in October by 11.6 per cent year-on-year, while food price inflation picked up to 1.5 per cent. Annual consumer price inflation in the OECD area was 0.6 per cent in October 2015, owing to a moderate pickup in food prices and a less negative contribution from energy prices. Among major non-OECD economies, headline inflation remained at very high levels.

Amongst the major emerging economies, consumer price inflation is set to remain relatively low in China and India. Inflation is projected to remain stronger for sometime in countries such as Russia, Brazil and Indonesia, due to the impact of past currency depreciations, although widening economic slack should eventually help to ease cost pressures.

In the sub-Saharan Africa region, growth has been weakened by falling commodity prices and now fragile global financial conditions. The IMF estimated Africa growth in 2015 at 3.75 per cent as the strong growth momentum previously observed in the region has declined.

6.3 Global Commodity Demand and Prices

World crude oil demand was estimated at 93.95 mbd in the fourth quarter of 2015, representing an increase of 0.3 per cent above the 93.68 mbd recorded in the preceding quarter. World crude oil supply in the review quarter was estimated at

95.30 mbd, representing a marginal decline of 0.1 per cent compared with the level in the preceding quarter.

The price of OPEC Reference Basket (ORB) averaged US\$39.90 per barrel in the fourth quarter of 2015, representing a decrease of 17.1 per cent below the level in the third quarter of 2015. The development was attributed to persistent oversupply in the oil market coupled with increasing signs of slowdown of the Chinese economy. In addition, oil prices were being driven downward by the appreciation of the US dollar and fall in equity markets.

6.4 International Financial Markets

Developments in the international stock markets were mixed during the review period. In Europe, the DAX, MICEX, CAC 40 and FTSE 100 indices increased by 11.2, 7.2, 4.1 and 3.0 per cent, respectively. In Asia, China's Shanghai Stock Exchange-A and Japan's Nikkei 225 indices increased by 15.9 and 9.5 per cent, respectively, while the India's BSE Sensex declined by 0.1 per cent.

In North America, the S&P 500 and Mexican Bolsa Indices increased by 6.5 and 0.8 per cent, respectively, while the S&P/TSX Composite fell by 2.2 per cent. In South America, the Argentine Merval index increased by 19.0 per cent, while Columbian IGBC General and Brazilian Bovespa indices fell by 5.3 and 3.8 per cent, respectively.

In Africa, the South African JSE AS index increased by 1.2 per cent, while Nigerian All-Share, Egyptian EGX CSE 30, Kenyan Nairobi NSE 20 and Ghanaian GSE All-Share indices fell by 13.9, 4.3, 3.3 and 0.7 per cent, respectively.

6.5 Other International Economic Developments and Meetings

Other major international economic developments and meetings of importance to the domestic economy during the review period included: the 2015 Annual Meetings of the Board of Governors of the World Bank Group (WBG) and the International Monetary Fund (IMF) held in Lima, Peru from October 5 – 11, 2015. At the sidelines meeting of the Group of Twenty Four Developing Countries (G24) Ministers, it was noted that growth in the global economy was weaker than

expected, while Emerging Markets and Developing Countries (EMDCs) remained the key drivers of global growth. They called for effective, well-sequenced, adequately communicated policy to guard against potential financial instability risks, including those coming from normalization of the U.S. monetary policy.

The African Development Bank (AfDB) organized a High-level Conference on “Feeding Africa” in Dakar, Senegal from October 21 – 23, 2015. The Conference adopted an action plan and wide-ranging partnerships to transform African agriculture into viable agri-business. The following were the key blocks of the action plan, among others:

- Scaling up nutrition programmes across Africa to end malnutrition and hunger;
- Approval of a list of organisations to lead initiatives aimed at raising agricultural productivity across the continent, in close partnership with the AfDB, the World Bank and development partners; and
- The AfDB, the African Union Commission/New Partnership for Africa’s Development (NEPAD), the UN Economic Commission for Africa, the World Bank, the International Fund for Agricultural Development, and the United Nations Industrial Development Organization would work closely with other development partners in the development of agro-allied industrial zones and agricultural corridors.

Furthermore, in October 2015, the African Development Bank (AfDB) successfully launched a new 1 billion US dollar 2-year global benchmark due November 3, 2017. In addition, the African Development Bank Group (AfDB) and LAPO Microfinance Bank Ltd (MfB), Nigeria signed a loan agreement of ₦2.364 billion (approximately US \$12 million) on November 17, 2015 to support inclusive growth in Nigeria and also support local SMEs in the country. The executive directors of the African Development Bank Group on Tuesday, December 8, 2015 in Abidjan also approved the institution’s 2016-2018 Work Programme and

Budget, which envisages lending of up to US \$33.55 billion for about 620 projects.

Similarly, the India-Africa Forum Summit was held in New Delhi, India from October 26 – 29, 2015. The Summit revealed increased large-scale investments in Africa, as seen in the substantial flow of funds and services to Africa through different Indian insutrial groups, notably Mittals, the Tatas, and the Exim Bank.

Finally, the 10th United Nations Conference on Trade and Development (UNCTAD) biennial Debt Management Conference was held in Geneva, Switzerland, from November 23 - 25, 2015. The Conference provided a forum for sharing experiences and exchanging views among governments, international organizations, academia, the private sector, and civil society on current issues in public finance, debt management and debt crisis prevention.

APPENDIX TABLES

Table A1: Money and Credit Aggregates

	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
	<i>₦ billion</i>					
Domestic Credit (Net)	16095.6	19273.8	20757.6	21409.8	21519.8	21612.5
<i>Claims on Federal Government (Net)</i>	-1585.0	1150.1	2178.4	2512.9	2787.6	2893.2
Central Bank (Net)	-2579.4	-2141.7	-1371.5	-769.5	-1042.2	-1653.1
Banks	994.4	3214.4	3453.5	3219.3	3829.8	4546.3
<i>Claims on Private Sector</i>	17680.6	18123.7	18579.2	18897.3	18732.2	18719.3
Central Bank	4697.8	4859.9	4849.2	5093.1	5275.2	5061.6
Banks	12982.8	13179.6	13631.1	13713.0	13456.9	13657.7
<i>Claims on Other Private Sector</i>	16930.9	17561.7	18012.4	18374.8	18142.3	18109.9
Central Bank	4674.2	4834.3	4825.6	5042.0	5082.3	5036.0
Banks	12256.7	12643.2	13087.9	13241.5	13059.9	13073.8
<i>Claims on State and Local Government</i>	726.2	536.4	543.2	471.4	397.0	583.8
Central Bank	--	--	--	--	--	--
DMBs	726.2	536.4	543.2	471.4	397.0	583.8
<i>Claims on Non-financial Public Enterprises</i>	--	--	--	--	--	--
Central Bank	--	--	--	--	--	--
DMBs	--	--	--	--	--	--
Foreign Assets (Net)	7751.7	6954.2	5985.6	5951.5	5083.1	5653.3
Central Bank	6436.3	6244.7	5354.7	5796.0	5242.6	5545.3
DMBs and Non Interest Banks	1315.4	709.5	630.9	155.5	-159.5	108.0
Other Assets (Net)	-7032.8	-7314.9	-7600.7	-8549.8	-7884.9	-7235.9
Total Monetary Assets (M2)	16814.5	18913.0	19142.5	18811.4	18718.0	20029.8
Quasi-Money 1/	12008.2	12148.4	12269.0	11569.4	11569.4	11458.1
Money Supply (M1)	6904.8	6994.1	6542.4	7148.6	7148.6	8571.7
<i>Currency Outside Banks</i>	1437.4	1471.1	1184.0	1219.0	1219.0	1456.1
<i>Demand Deposits 2/</i>	5467.4	5523.0	5358.4	5929.6	5929.6	7115.6
Total Monetary Liabilities (M2)	16814.5	18913.0	19142.5	18811.4	18718.0	20029.8
<i>Memorandum Items:</i>						
Reserve Money (RM)	5036.8	4943.0	5930.9	5937.1	5945.8	5812.7
<i>Currency in Circulation (CIC)</i>	1574.4	1547.9	1798.0	1818.4	1562.6	1857.9
Banks' Deposit with CBN	3462.5	3395.1	4133.0	4118.7	4383.4	3954.8

1/ Quasi money consist of Time, Savings and Foreign Currency Deposit at Deposit Money Banks excluding Taking from Discount Houses.

2/ Demand Deposit consist of State, Local and Parastatals Deposits at CBN, State, Local Government and Private Sector Deposits as well as Demand Deposits of non-financial Public Enterprises at Deposit Money Banks.

Table A2: Money and Credit Aggregates (Growth Rates)

	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15
	<i>Percentage Change Over Preceding Quarter</i>					
Domestic Credit (Net)	7.24	7.26	7.7	3.75	0.51	0.43
<i>Claims on Federal Government (Net)</i>	19.69	-315.68	89.41	-26.46	10.95	3.79
<i>Claims on Private Sector</i>	4.11	2.44	2.51	1.33	-0.87	-0.07
<i>Claims on Other Private Sector</i>	4.35	2.71	2.6	1.63	-1.27	-0.18
<i>Claims on State and Local Government</i>	-0.99	1.11	1.28	-13.22	-15.79	47.06
<i>Claims on Non-financial Public Enterprises</i>						
Foreign Assets (Net)	-1.1	-5.1	-13.9	-12.3	-14.6	11.2
Other Assets (Net)	-5.38	5.38	2.91	-3.12	7.78	8.23
Total Monetary Assets (M2)	4.0	0.1	1.2	-1.7	-0.5	7.0
Quasi-Money 1/	6.56	6.16	1.17	1.0	-5.7	-1.0
Money Supply (M1)	0.44	-8.66	1.29	-6.32	9.27	19.91
<i>Currency Outside Banks</i>	6.96	9.97	2.35	-19.5	2.95	19.45
<i>Demand Deposits 2/</i>	-0.89	-12.78	1.02	-2.98	-10.66	20
Total Monetary Liabilities (M2)	4.0	0.1	1.2	-1.7	-0.5	7.0
<i>Memorandum Items:</i>						
Reserve Money (RM)	3.27	20.67	0.46	0.65	-2.65	0.42
<i>Currency in Circulation (CIC)</i>	3.42	16.15	1.14	-14.07	-14.07	13.46
<i>DMBs Demand Deposit with CBN</i>	3.21	22.73	22.73	7.21	-5.31	-4.72
	<i>Percentage Change Over Preceding December</i>					
Domestic Credit (Net)	10.74	10.97	9.99	11.08	11.65	12.13
<i>Claims on Federal Government (Net)</i>	4.3	-21.8	187.57	118.5	142.38	151.56
<i>Claims on Private Sector</i>	9.2	12.08	2.56	4.3	3.36	3.29
<i>Claims on Other Private Sector</i>	10.02	13	2.6	4.6	3.31	3.12
<i>Claims on State and Local Governments</i>	-6.8	-5.77	1.28	-12.11	-25.99	8.85
<i>Claims on Non-financial Public Enterprises</i>						
Foreign Asset (Net)	-10.47	-15.02	-15.7	-14.42	-26.91	-18.71
Other Asset (Net)	6.29	11.33	-7.92	-16.9	-7.79	1.08
Total Monetary Assets (M2)	7.17	7.29	1.13	-0.54	-1.03	5.90
Quasi-Money 1/	14.99	22.07	1.17	2.2	-3.65	-4.58
Money Supply (M1)	-2.45	-10.89	1.08	-5.3	3.53	24.14
<i>Currency Outside Banks</i>	-14.09	-5.53	2.35	-17.6	-15.2	1.3
<i>Demand Deposits 2/</i>	0.57	-12.28	0.74	-2	8.45	30.15
Total Monetary Liabilities (M2)	7.17	7.29	1.13	-0.54	-1.03	5.90
<i>Memorandum Items:</i>						
Reserve Money (RM)	-2.89	17.18	0.46	0.25	-2.41	-1.99
<i>Currency in Circulation (CIC)</i>	-12.86	1.21	1.14	-13.11	-8.93	3.34
<i>DMBs Demand Deposit with CBN</i>	2.45	25.74	25.74	6.06	0.43	0.43

1/ Quasi money consist of Time, Savings and Foreign Currency Deposit at Deposit Money Banks excluding Taking from Discount Houses.

2/ Demand Deposit consist of State, Local and Parastatals Deposits at CBN, State, Local Government and Private Sector Deposits as well as Demand Deposits of non-financial Public Enterprises at Deposit Money Banks.

Table A3: Federal Government Fiscal Operations (₦ billion)

	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	
Retained Revenue	897.26	912.07	936.65	988.59	839.78	1027.04	538.60	1044.81	818.39	
Federation Account	702.22	703.72	769.48	765.56	638.38	601.39	430.41	589.66	482.84	
VAT Pool Account	31.97	30.79	27.96	27.85	27.77	28.17	29.26	29.10	25.60	
FGN Independent Revenue	41.68	121.13	12.88	133.33	62.44	280.26	10.31	17.53	61.98	
Excess Crude	70.90	0.00	0.00	0.00	1.27	7.16	0.00	0.00	0.00	
Others/SURE-P	50.49	56.44	126.33	96.31	109.91	83.93	83.93	408.51	247.97	
Expenditure	1533.00	1114.78	949.02	1252.37	1163.98	1156.57	1042.03	1175.52	1107.51	
Recurrent	1165.37	761.82	816.06	904.71	869.65	869.6	1032.77	814.15	1013.07	659.65
Capital	217.15	272.52	48.05	236.82	193.15	59.58	162.29	72.31	351.90	
Transfers	150.47	80.44	84.91	110.84	101.18	64.22	48.11	90.15	95.96	
Overall Balance: Surplus(+)/Deficit(-)	-635.74	-202.71	-12.37	-263.78	-324.20	-129.53	-503.43	-130.71	-289.12	

