CENTRAL BANK OF NIGERIA

ECONOMIC REPORT FOURTH QUARTER 2016

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.

Subscription to the Quarterly Economic Report is available without charge to institutions, corporations, embassies and development agencies. Individuals, on written request, can obtain any particular issue without a charge. Please direct all inquiries on the publication to the Director of Research, Central Bank of Nigeria, P.M.B. 187, Garki, Abuja, Nigeria.

The Quarterly Reports can also be freely downloaded from the CBN website: www.cbn.gov.ng

Contents

Text Tables

Appendix Tables

Figures

1.0 Summary

The significant increase in domestic credit (net), foreign assets (net) and other asset (net) led to growth in key monetary aggregates in the fourth quarter of 2016. Broad money supply (M_2) and narrow money supply (M_1) grew by 7.8 per cent and 15.9 per cent, respectively, over the levels at end-September 2016. Relative to the level at end-December 2015, M_2 and M_1 grew by 19.0 per cent and 15.9 per cent, respectively, compared with the growth of 10.4 per cent and 8.9 per cent at the end of third quarter of 2016.

On the back of the continued restrictive monetary policy stance of the Bank, banks' deposit and lending rates generally trended upwards in the fourth quarter of 2016. The margin between the average savings deposit and the maximum lending rates widened from 23.96 percentage points to 24.37 percentage points, while the spread between the weighted average term deposit and maximum lending rates narrowed from 21.09 percentage point to 20.36 percentage point at the end of the fourth quarter of 2016. The weighted average inter-bank call rate fell to 15.43 per cent, reflecting the liquidity condition in the banking system.

The total value of money market assets outstanding at the end of the fourth quarter of 2016 stood at ₦10,870.51 billion reflecting an increase of 1.8 per cent over the level at the end of the third quarter of 2016. The development was due to the rise in FGN Bonds and Nigerian Treasury Bills outstanding. Developments on the Nigerian Stock Exchange (NSE) were bearish in the review quarter as all the major indices trended downward.

Shortfall in receipts from oil and non-oil revenue due to persistent low price of crude oil and domestic output, continued to impact negatively on government revenue. Consequently, at ₦1,434.49 billion, total federally-collected revenue was lower than both the quarterly budget estimate and the preceding quarter's receipts. Gross oil and non-oil receipts were also lower than the provisional quarterly budget estimates and their levels in the preceding quarter. Federal Government retained revenue and total expenditure were ₦647.83 billion, respectively, resulting in an estimated deficit of ₦667.03 billion in the fourth quarter of 2016.

Agricultural activities during the fourth quarter of 2016 were dominated by harvesting of crops. In the Southern part of the country, harvesting of tubers, fruits and vegetables was the major farming activity, while farmers in the Northern part, 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 the fattening of cattle and stocking of broilers in

anticipation of the end of year sales. The end-period inflation rate, on year-on-year and 12-month moving average basis for the fourth quarter of 2016, was 18.55 per cent and 15.70 per cent, respectively.

World crude oil demand and supply were estimated at 95.35 mbd and 96.87 mbd, respectively, in the fourth quarter of 2016. Nigeria's crude oil production, including condensates and natural gas liquids, was also estimated at an average of 1.54 million barrels per day (mbd) or 141.68 million barrels (mb) for the fourth quarter of 2016. Crude oil export was estimated at 1.09 mbd or 100.28 million barrels, while deliveries to the refineries for domestic consumption was 0.45 mbd or 41.40 million barrels in the review quarter. The average price of Nigeria's reference crude, the Bonny Light (37^0 API), was US$49.84 per barrel in the review quarter.

Provisional data showed that foreign exchange inflow and outflow through the CBN amounted to US$6.64 billion and US$5.31 billion, respectively, resulting in a net inflow of US$1.33 billion. Foreign exchange sales by the CBN to the authorised dealers amounted to US$2.90 billion. The average exchange rate of the naira vis-à-vis the US dollar at the inter-bank market depreciated further to ₦305.21/US$.

Other major international economic developments and meetings of importance to the domestic economy in the review period included: the 2016 Annual Meetings of the Board of Governors of the World Bank Group (WBG), the International Monetary Fund (IMF) and the sideline meetings of Inter-Governmental Group of Twenty-Four (G-24) on International Monetary Affairs and Developments held in Washington D. C., USA from October 3 – 9, 2016. The West African Monetary Zone (WAMZ) 8th Trade Ministers' Forum was also held in Monrovia, Liberia, at the Boulevard Palace Hotel from November 2 to 4, 2016.

2.0 Financial Sector Developments

2.1 Monetary and Credit Developments

On quarter-on-quarter basis, growth in the key monetary aggregates accelerated at the end of the fourth quarter of 2016, reflecting the rise in foreign assets net (NFA), net domestic assets (NDA) and other assets net (OAN). Developments in banks' deposit and lending rates were mixed. The value of money market assets outstanding increased, due, largely, to the rise in FGN Bonds and Nigerian Treasury Bills. Developments on the Nigerian Stock Exchange (NSE) were bearish as the major indices trended downward.

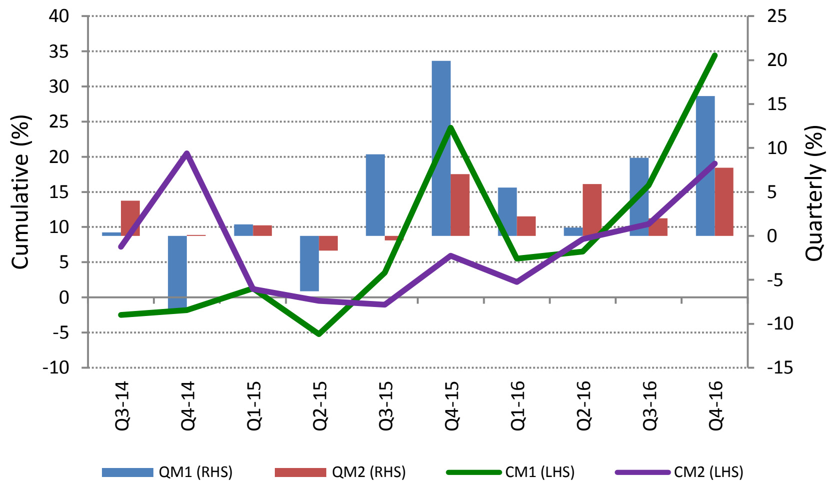
Key monetary aggregates grew during Q4 of 2016.

Monetary policy was largely restrictive in the fourth quarter of 2016 with the monetary policy rate at 14.0 per cent. However, efforts were made to support real sector growth during the period. Consequently, growth in the key monetary aggregates accelerated at the end of the fourth quarter of 2016. On quarter-on-quarter basis, broad money supply (M_2), at ₦23,840.39 billion, grew by 7.8 per cent, compared with the growth of 2.0 per cent at the end of the third quarter of 2016. The growth in M_2 was attributed to the significant increase in foreign assets (net) and aggregate credit of the banking system. Over the level at end-December 2015, broad money supply (M_2) grew by 19.0 per cent, compared with the growth of 10.4 per cent at the end of the third quarter. The development reflected the 11.2 per cent per cent growth in foreign assets (net) of the banking system.

Narrow money supply (M_1), rose by 15.9 per cent to ₦11,520.17 billion, compared with 8.9 per cent and 19.9 per cent growth at the end of the third quarter of 2016 and the corresponding period of 2015, respectively . The development was attributed to the 23.2 per cent and 14.7 per cent growth in currency outside banks and demand deposits, respectively. Over the level at end-December 2015, narrow money supply (M_1) rose by 34.4 per cent, reflecting the 25.0 per cent and 36.3 per cent increase in its currency outside banks and demand deposit components, respectively.

In contrast to the decline of 3.0 per cent recorded in the preceding quarter, quasi-money grew by 1.1 per cent to ₦12,320.23 billion in the fourth quarter of 2016. The growth in quasi-money was due to an increase in time and savings deposits of banks. Over end-December 2015, quasi money increased by 7.5 per cent, compared with the 6.3 per cent growth at the end of the preceding quarter (Fig. 1, Table 1).

Figure 1: Growth Rate of Narrow Money (M_1) and Broad Money (M_2)[1]



During the review period, there was increased borrowing by the Federal Government through the issuance of treasury bills. Accordingly, at ₦26,967.0 billion, aggregate domestic credit (net) to the economy, on quarter-on-quarter basis, grew by 2.5 per cent, compared with the growth of 8.2 per cent and 0.4 per cent at the end of the preceding quarter and the corresponding period of 2015, respectively. Over the level at end-December 2015, net domestic credit grew by 24.8 per cent, compared with the growth of 21.7 per cent and 12.1 per cent at end-September 2016 and the corresponding period of 2015, respectively. The development was attributed to the substantial growth in net claims on the Federal Government and claims on the private sector.

Banking system's credit to the Federal Government increased by 25.5 per cent at the end of the review period.

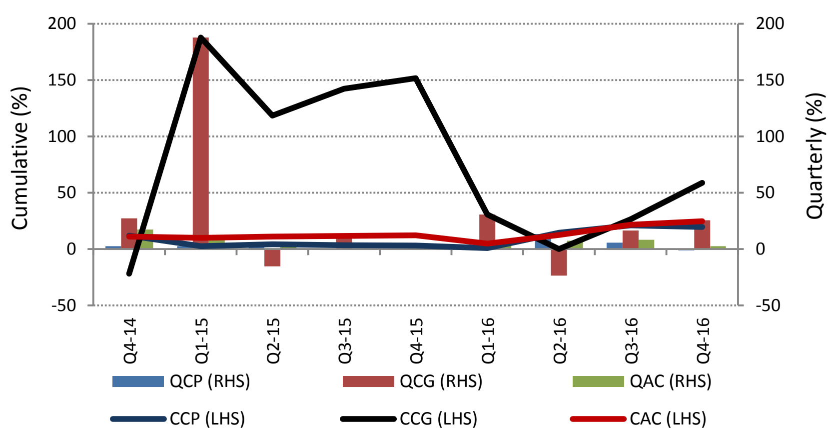
Banking system's credit (net) to the Federal Government increased by 25.5 per cent to ₦4,595.58 billion, compared with the increase of 26.6 per cent at the end of the preceding quarter. The development reflected significant growth in

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

direct loans (34.1 per cent) and holding of treasury securities, especially treasury bills and FGN Bonds, which grew by 6.7 per cent and 5.0 per cent, respectively, at the end of the review period. Relative to the level at end-December 2015, net claims on the Federal Government grew by 58.8 per cent, compared with the 26.6 per cent growth at end-September 2016.

At ₦22,374.72 billion, banking system's credit to the private sector fell by 1.2 per cent quarter-on-quarter, in contrast to the growth of 5.7 per cent at end-September 2016. The development was due, mainly, to the decline in claims on the core private sector. Over the level at end-December 2015, banking system's credit to the private sector grew by 19.5 per cent, compared with the growth of 3.3 per cent at the end of the preceding quarter.

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



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

Net foreign assets of the banking system rose by 65.5 per cent to ₦9,353.5 billion at end-December 2016, in contrast to a decline of 18.7 per cent at the end of the corresponding period of 2015. The growth in NFA was 20.8 per cent, quarter-on-quarter, compared with 9.0 per cent at end-September 2016 and reflected the significant growth in foreign assets of the CBN on the heels of foreign asset revaluation, following the adoption of a flexible exchange rate regime.

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

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
Domestic Credit (Net)	7.7	3.8	0.5	0.4	4.9	7.3	8.2	2.5
Claims on Federal Government (Net)	89.4	26.5	11.0	3.8	30.7	-23.5	26.6	25.5
Claims on Private Sector	2.5	1.3	-0.9	-0.1	0.9	13.5	5.7	-1.2
Claims on Other Private Sector	2.6	1.6	-1.3	-0.2	-0.4	13.0	6.0	0.0
Foreign Assets (Net)	13.9	-12.3	-14.6	11.2	-1.8	28.0	9.0	20.8
Other Assets (Net)	3.9	-3.1	7.8	8.2	7.1	25.7	22.5	4.7
Broad Money Supply (M2)	1.2	-1.7	-0.5	7.0	2.2	5.9	2.0	7.8
Quasi-Money	1.2	1.0	-5.7	-1.0	-0.3	9.9	-3.0	1.1
Narrow Money Supply (M1)	1.3	-6.3	9.3	19.9	5.5	0.9	8.9	15.9
Memorandum Items:								
Reserve Money (RM)	-0.1	0.7	-2.7	0.4	-0.9	-6.7	14.8	-5.4

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

At ₦2,179.17 billion, currency-in-circulation rose by 21.5 per cent relative to the level in the third quarter of 2016. The development was due, largely, to the increase in its currency outside banks component.

Total deposits at the CBN amounted to ₦12,371.38 billion, indicating an increase of 2.7 per cent above the level at the end of the third quarter of 2016. The development reflected an increase in the private sector and Federal Government deposits in the review quarter. Of the total deposits at CBN, the shares of the Federal Government, Banks and ''Others'' were ₦5,215.17 (42.1 per cent), ₦3,658.15 billion (29.6 per cent) and ₦3,498.06 billion (28.3 per cent), respectively.

Reserve money (RM) fell at the end of the fourth quarter of 2016.

Reserve money (RM) fell by 5.4 per cent to ₦5,837.32 billion at the end of the fourth quarter of 2016, reflecting a decrease in DMBs' reserves with the CBN. Over the level at end-December 2015, reserve money rose by 0.4 per cent.

2.3 Money Market Developments

The financial market was relatively liquid during the review period .

There was stability in the financial market despite mixed liquidity trends in the domestic money market. Open Market Operations (OMO) was used for liquidity management using varying tenors. Both the intra-day liquidity facility and the Standing Facilities were also available for players to square up their positions at the close of business. Despite regular sales of foreign exchange sourced through remittances to the Bureaux-De-Change (BDC) segment, the much expected convergence at the two segments of the foreign exchange market could not be achieved as the premium between the interbank and the BDC widened.

Provisional data indicated that the total value of money market assets outstanding at the end of the fourth quarter of 2016 stood at ₦10,870.51 billion, showing 1.8 per cent rise, compared with the increase of 2.1 per cent at the end of the third quarter. The development was attributed to the 2.9 and 0.5 per cent growth in FGN Bonds and Nigerian Treasury Bills outstanding, respectively.

2.3.1 Interest Rate Developments

The Monetary Policy Committee (MPC) maintained a restrictive stance in the review period, retaining the policy rate at 14.00 per cent. However, interest rates, which reflected liquidity positions fluctuated following special foreign exchange interventions in the secondary market and moderated by inflow from maturing CBN bills and fiscal injections.

Available data showed mixed movements in banks' deposit and lending rates in the fourth quarter of 2016. The average term deposit rate rose by 1.93 percentage points above the level in the preceding quarter to 8.09 per cent at end-December 2016. The average prime rate declined by 0.06 percentage point to 17.08 per cent, while the maximum lending rate increased by 1.2 percentage point to 28.45 per cent. Consequently, the spread between the weighted average term deposit and maximum lending rates narrowed by 0.73 percentage point to 20.36 percentage points, at the end of the fourth quarter of 2016. However, the margin between the average savings deposit and the maximum lending rates expanded by 0.41 percentage point to 24.37 percentage points. With headline inflation at 18.6 per cent at end-December 2016, the prime lending and deposit rates were negative in real terms, while the maximum lending rate was positive in real terms.

The spread between the weighted – average term deposit and maximum lending rates narrowed at the end of the fourth quarter of 2016.

At the inter-bank funds segment, the weighted average inter-bank call rate, which stood at 23.42 per cent at end-September 2016, fell by 7.99 percentage points to 15.43 per

Interbank call rate fell in Q4 2016.

cent, in the fourth quarter of 2016, reflecting the liquidity condition in the banking system. The Nigeria inter-bank offered rate (NIBOR) for the 30-day tenor fell from 17.72 per cent in the preceding quarter to 17.17 per cent in the fourth quarter of 2016. Similarly, the weighted average rate at the Open-Buy-Back (OBB) segment declined by 5.79 percentage points to 9.06 per cent (Fig. 3, Table 2).

Figure 3: Selected DMBs Interest Rates (Average)

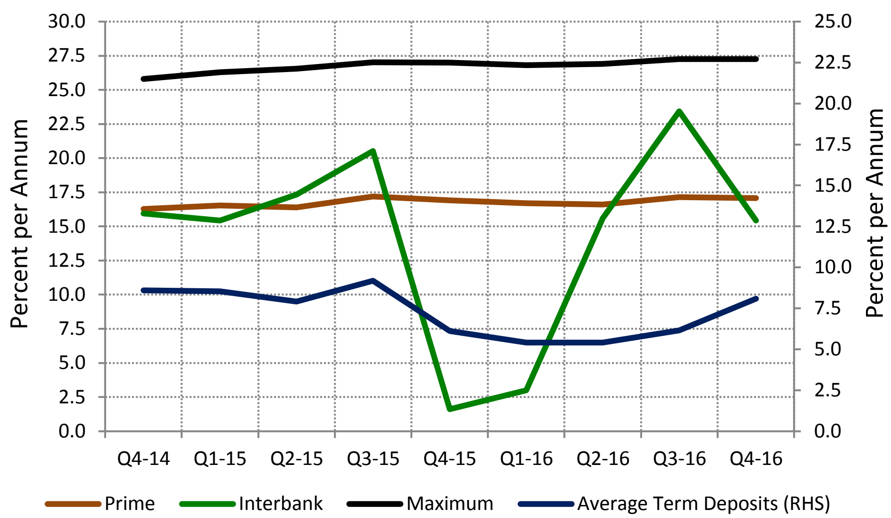


Table 2: Selected Interest Rates (Percent, Averages)

	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
Average Term Deposits	8.6	8.5	7.9	9.2	6.1	5.4	5.4	6.2	8.1
Prime Lending	16.3	16.8	16.4	17.2	16.9	16.7	16.6	17.1	17.1
Interbank	16.0	15.4	17.3	20.5	1.6	3.0	15.6	23.4	15.4
Maximum Lending	25.8	26.3	26.6	27.0	27.0	26.8	26.9	27.3	28.5

2.3.2 Commercial Paper (CP)

Investment in CP by banks fell in the fourth quarter of 2016.

Commercial Paper (CP) outstanding held by DMBs fell by 7.6 per cent to ₦0.49 billion at the end of the fourth quarter of 2016, compared with ₦0.53 billion at the end of the preceding quarter. The development was due to the fall in commercial banks investment in CP during the review quarter. Thus, CP constituted 0.005 per cent of the total value of money market assets outstanding during the review period, same as in the preceding quarter.

2.3.3 *Bankers' Acceptances (BAs)*

DMBs' holdings of BAs decreased during Q4 of 2016.

BAs decreased by 39.0 per cent to ₦27.8 billion from ₦45.6 billion at the end of the preceding quarter. The development was attributed to the fall in DMBs investment in BAs during the quarter. Consequently, BAs accounted for 0.3 per cent of the total value of money market assets outstanding at the end of the fourth quarter of 2016, compared with 0.4 per cent at the end of the preceding quarter.

2.3.4 *Open Market Operations*

In furtherance of its restrictive policy stance, the Bank continued to deploy different monetary policy tools to achieve its mandate. In that vein, there were regular interventions through Open Market Operations (OMO) in the review period. Total amount subscribed to and allotted was ₦2,127.94 billion and ₦1,977.79 billion, respectively during the review quarter. The bid rates ranged from 17.0000 to18.7500 per cent, while the stop rate ranged from 18.0000 to 18.6000 per cent. Included in the total sales was ₦444.14 billion foreign exchange swaps at 12.00 per cent. CBN bills worth ₦1,215.28 billion matured in the period, translating to a net withdrawal of ₦762.51 billion.

2.3.5 *Primary Market*

At the government securities market, short and long-term debt instruments were issued at the primary segment on behalf of the Debt Management Office (DMO). NTBs of 91- 182- and 364-day tenors, amounting to ₦858.67 billion, ₦1,104.98 billion and ₦758.47 billion were offered, subscribed to and allotted, respectively, at the auctions held in the fourth quarter of 2016. All were oversubscribed.

The bid rates ranged from 10.0000 to 20.1123, 12.0000 to 23.0000, and 16.5000 to 21.0000 per cent, respectively, for the 91-, 182- and 364-day tenors, while the stop rates ranged from 13.9000 per cent to 14.0000 per cent, 17.0900 per cent to 17.5000 per cent and 18.2500 per cent to 18.7000 per cent, respectively. In the preceding quarter, a total of ₦1,066.55 billion, ₦2,550.72 billion and ₦1,239.55 billion, respectively, were offered, subscribed to and alloted for the three tenors.

2.3.6 *Bonds Market*

Subscription for FGN Bonds of various maturities were re-opened during the fourth quarter of 2016.

Tranches of the 5-, 10-, and 20-year bonds, were re-opened during the review period. The term to maturity of the bonds ranged from 4 years, 7 months to 19 years, 5 months. Total amount offered, subscribed and allotted were ₦295.00 billion, ₦337.80 billion and ₦203.20 billion, respectively. The marginal rates for the 5-year bond ranged from 15.2990 to 15.9900 per cent; for the 10-year bond ranged from 15.4771 to 16.2400 per cent, and the 20-year bond ranged from 15.4880 to 16.4348 per cent. However, for all the tenors, the marginal rates were between 15.2990 to 16.4348 per cent, higher than the preceding quarter.

2.3.7 *CBN Standing Facilities*

In the fourth quarter of 2016, banks continued to access the Standing Facilities window at the CBN to smoothen their liquidity needs. The trend showed more requests for Standing Lending Facility (SLF) than the Standing Deposit Facility (SDF) in the review period. Applicable rates for the SLF and SDF stood at 16.00 per cent and 9.00 per cent, respectively.

Total request for SLF (including the Intra-day lending facilities (ILF) converted to overnight repo) in the review quarter amounted to ₦13,007.35 billion with interest income of ₦9.97 billion, compared with SLF of ₦11,864.66 billion and interest income of ₦9.28 billion in the preceding quarter. Penal rate of an additional 500 basis points was charged on institutions that failed to redeem their lending as at when due.

Total SDF granted during the review period was ₦2,958.22 billion with a daily average of ₦20.14 billion, compared with ₦ 2,576.79 billion in the third quarter of 2016. The interest payment on SDF in the fourth quarter stood at ₦1.05 billion, compared with ₦0.95 billion in the preceding quarter.

2.4 Deposit Money Banks' Activities

The total assets and liabilities of the commercial banks stood at ₦31,682.82 billion at the end of the fourth quarter of 2016, representing a decrease of 0.3 per cent below the level at the end of the third quarter of 2016. The funds were sourced, mainly, from mobilisation of time, savings and foreign currency deposits as well as demand deposits. They were used to extend credit to the Central Government, raise the stock of reserves, reduce unclassified and foreign liabilities and unclassified liabilities. At ₦21,450.30 billion, banks' credit to the domestic economy, fell by 0.2 per cent, relative to the level at end-September 2016. The development was attributed to the decrease in claims on the private sector, in the review quarter.

Central Bank's credit to the commercial banks rose by 16.0 per cent to ₦992.27 billion, at the end of the review quarter. Total specified liquid assets of the banks stood at ₦7,061.34 billion, representing 37.6 per cent of their total current liabilities. At that level, the liquidity ratio expanded by 0.6 percentage point above the level at the end of the preceding quarter and was 7.6 percentage points above the stipulated minimum ratio of 30.0 per cent. The loans-to-deposit ratio, at 79.95 per cent, was 1.1 percentage points, below the level at the end of the preceding quarter and 0.05 percentage point below the prescribed maximum of 80.0 per cent.

Liquidity ratio in Q_4 was above the stipulated minimum, while the Loan-to-deposit ratio was below the prescribed maximum.

2.5 Capital Market Developments

2.5.1 Secondary Market

The challenging economic environment, including declining output (Gross Domestic Product), demand-supply imbalance of foreign exchange and rising inflation continued to weaken the performance of the capital market. Consequently, despite the intensification of market recovery efforts by capital market regulators, available data indicated bearish developments on the Nigerian Stock Exchange (NSE) in the review period. The aggregate volume and value of traded securities fell by 17.2 per cent and 25.5 per cent to 15.3 billion shares and ₦112.8 billion, respectively, in 166,841 deals, compared with 18.5 billion shares valued at ₦151.4 billion in 214,694 deals, recorded in the third quarter of 2016. The Financial Services Sector (measured by volume) led the activity chart with 11.6 billion shares valued at ₦46.5 billion, traded in 93,011 deals, compared with 15.5 billion shares worth ₦83.1 billion, traded in 124,198 deals, in the preceding quarter. Traded securities in the financial services sector accounted for 76.0 per cent and 41.3 per cent of the total equity turnover volume and value, respectively, in the review period. Provisional data also indicated that the Banking sub-sector was the most active (measured by volume) with 2.3 billion shares valued at ₦12.2 billion traded in 25,550 deals, compared with 7.6 billion shares worth ₦59.1 billion, traded in 71,002 deals in the third quarter of 2016.

There were no Over-the-Counter (OTC) transactions in the review month.

Figure 4: Volume and Value of Traded Securities

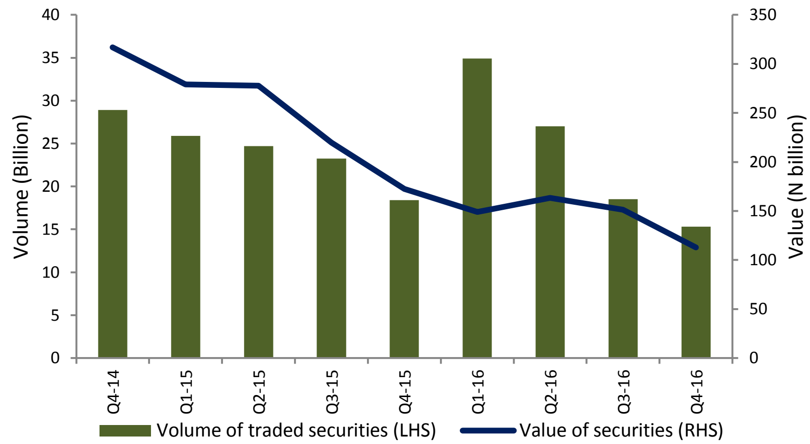


Table 3: Traded Securities on the Nigerian Stock Exchange (NSE)

	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
Volume (Billion)	28.9	25.9	24.7	23.26	18.4	34.9	27	18.5	15.3
Value (₦ Billion)	316.99	279.1	277.9	219.76	172.6	148.9	163.4	151.4	112.8

2.5.2 *New Issues Market/Supplementary Listings*

There were one new and two supplementary equity listings in the review period.

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

S/N	Company	Additional Shares (Units)	Reasons	Listing
1	The Initiates Plc	889,981,552 Ordinary Shares	Introduction	New
2	Lafarge Africa Plc.	413,175,709 ordinary shares	acquisition of indirect shares of UCC Ltd	supplementary
3	Lafarge Africa Plc.	41,317,570 ordinary shares	Bonus issue accruable to Holcibel S.A.	supplementary

A total of 13,305,279,997 units at ₦1.00 per unit of ARM Money Market Fund under memorandum listing was admitted by introduction on the Daily Official List of the Exchange on the 28th of November, 2016. Effective from December 1, 2016, six (6) companies, including Lennards (Nigeria) Plc, P.S Mandrides & Company Plc, Premier Breweries Plc, Costain (W.A) Plc, Navitus Energy Plc, and Nigerian Ropes Plc, were delisted from the Daily Official List of The Exchange.

In addition, following the completion of the Year-End Review of the NSE 30 and the sectoral Indices, there were changes in the composition of companies for three indices, including the NSE-30, NSE-Insurance and NSE-Pension, while no change was made in respect of the other sectoral indices.

2.5.3 Market Capitalisation

Despite some notable improvements in the last two weeks of the quarter, loss of value across the different asset classes manifested due, largely, to sell pressure by anxious foreign and local investors. Consequently, the aggregate market capitalisation for all listed securities (Equities and Debts) fell by 1.2 per cent to ₦16.2 trillion at end-December, 2016 from ₦16.4 trillion at the end of the third quarter of 2016. Similarly, market capitalisation for the equity segment fell by 4.7 per cent to ₦9.3 trillion and constituted 57.2 per cent of the aggregate market capitalisation, compared with ₦9.7 trillion and 59.3 per cent at end-September 2016.

2.5.4 NSE All-Share Index

The persistent lull in the market negatively impacted on the performance of quoted stocks on the Nigeria Stock Exchange in the review period. The All-Share Index, which opened at 28,335.40 at the beginning of the quarter, closed at 26,874.62, representing a decrease of 4.7 per cent below the level in the preceding quarter. Similarly, available data indicated that the sectoral indices generally trended downward in the review period. The NSE Industrial Goods index, at 1,595.33 at end-December 2016, recorded a significant decline of 13.03 per cent below the level at the beginning of the quarter. The NSE-Oil and Gas, NSE-Consumer Goods, NSE-Premium, NSE-Lotus Islamic, NSE-Pension, NSE-Insurance, NSE-ASeM and NSE-Banking indices fell by 6.9 per cent, 5.9 per cent, 4.3 per cent, 3.8 per cent, 3.5 per cent, 2.5 per cent, 2.0 per cent and 0.2 per cent to 312.68, 712.65, 1,695.51, 1,841.59, 810.04, 126.29, 1,189.69 and 274.32, respectively, at end-December 2016.

Figure 5: Market Capitalization and All-Share Index

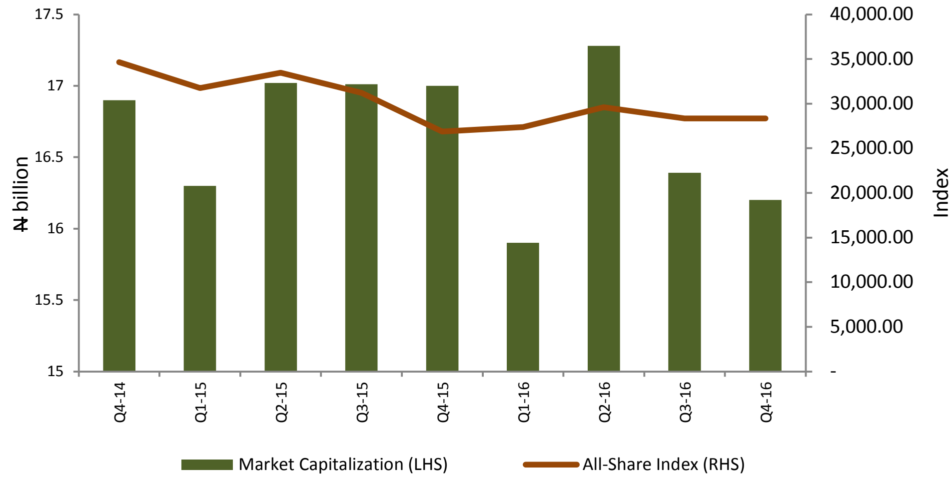


Table 5: Market Capitalization and All Share Index (NSE)

	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
Market Capitalization (₦ trillion)	16.90	16.30	17.02	17.01	17.00	15.88	17.28	16.39	16.20
All-Share Index (Equities)	34,657.15	31,744.82	33,456.86	31,217.77	26,871.24	27,385.69	29,597.79	28,335.40	26,874.62

3.0 Fiscal Operations

3.1 Federation Account Operations

Federally-collected revenue in the fourth quarter of 2016, at ₦1,434.49 billion, was lower than the quarterly budget[2] estimate of ₦2,378.12 billion by 39.7 per cent. It was also below the receipts in the preceding quarter by 22.4 per cent. The decline in federally-collected revenue (gross) relative to the proportionate quarterly budget estimate was attributed to the shortfall in both oil and non-oil revenue during the review quarter (Fig. 6, Table 6).

Gross federally - collected revenue fell by 22.4 per cent below the level in the third quarter of 2016.

Figure 6: Components of Gross Federally Collected Revenue

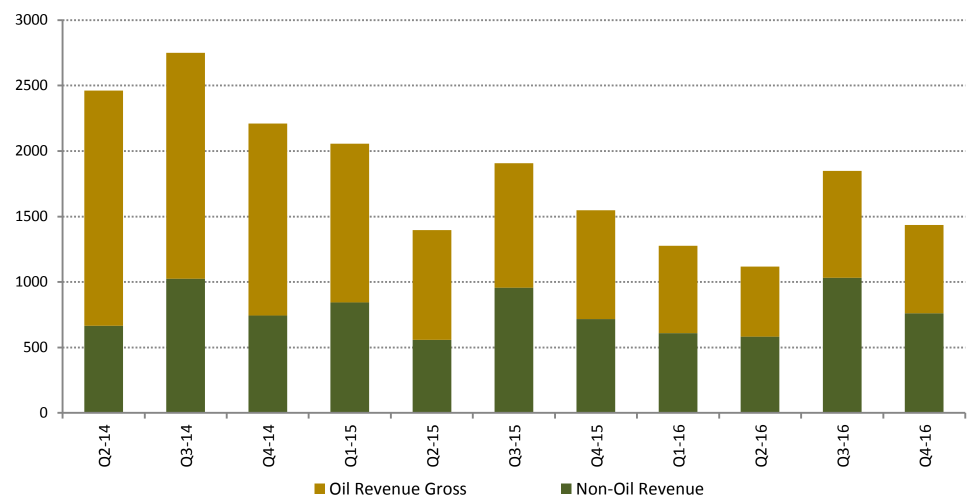


Table 6: Gross Federation Account Revenue (₦ billion)

	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
Federally-collected revenue (Gross)	2210.81	2055.64	1397.20	1911.71	1547.96	1276.38	1118.56	1848.52	1434.49
Oil Revenue	1466.22	1210.77	839.02	949.45	830.81	666.13	537.19	817.48	673.10
Non-Oil Revenue	744.58	844.87	558.19	956.32	717.16	610.25	581.37	1031.04	761.39

Gross oil receipts, at ₦673.10 billion or 46.9 per cent of the total revenue, was lower than the quarterly budget estimate by 23.8 per cent. It was also lower than the receipts in the third quarter of 2016 by 17.7 per cent. The decline in oil revenue relative to the quarterly budget estimate was attributed to the

[2] Quarterly Budget is arrived at by prorating the Annual budget into four equal proportions.

shortfall in receipts from crude oil/gas export, owing to the drop in the price of crude oil in the international market and low domestic production due to the shut-ins and shut-downs at some NNPC terminals, arising from vandalism of oil infrastructure in the Niger Delta region (Fig. 7, Table 7).

Figure 7: Gross Oil Revenue and Its Components

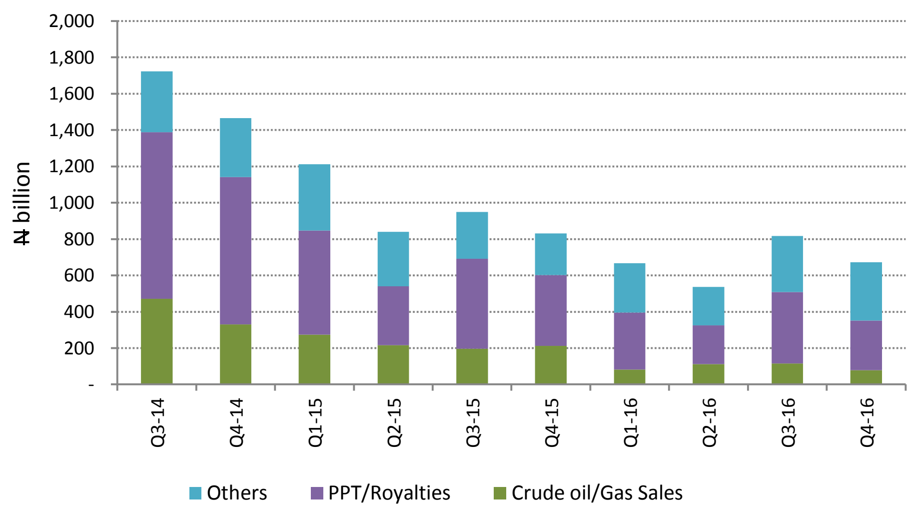


Table 7: Components of Gross Oil Revenue (₦ billion)

	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
Oil Revenue Gross	*1466.22*	*1210.77*	*839.02*	*949.45*	*830.81*	*666.13*	*537.19*	*817.48*	*673.10*
Crude oil/Gas Sales	*331.18*	*274.09*	*215.40*	*196.29*	*212.86*	*82.43*	*112.54*	*115.95*	*78.63*
PPT/Royalties	*809.89*	*573.30*	*325.03*	*495.39*	*388.66*	*314.04*	*212.78*	*392.38*	*273.13*
Others	*325.15*	*363.38*	*298.59*	*257.78*	*229.28*	*269.66*	*211.86*	*309.15*	*321.34*

Non-oil receipts (gross), at ₦761.39 billion or 53.1 per cent of total revenue, fell below the quarterly budget estimate and the level in the third quarter of 2016 by 49.1 per cent and 26.2 per cent, respectively. The shortfall in non-oil revenue relative to the quarterly budget estimate was due, largely, to the decline in all components of non-oil revenue except Customs Special Levies (Federation Account component), during the review quarter (Fig. 8, Table 8).

Figure 8: Gross Non-Oil Revenue and its Components

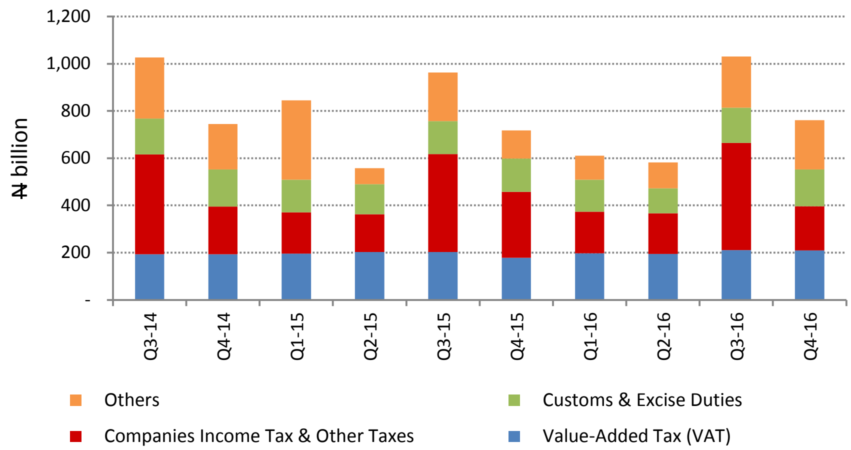


Table 8: Components of Gross Non-Oil Revenue (₦ Billion)

	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
Non-Oil Revenue	744.58	844.87	558.19	963.70	717.15	610.25	581.37	1031.04	761.39
Value-Added Tax (VAT)	192.88	195.66	203.18	202.11	177.78	196.57	194.61	210.35	209.47
Companies Income Tax & Other Taxes	202.38	174.94	159.36	415.67	279.13	176.26	171.71	453.74	186.72
Customs & Excise Duties	156.80	138.08	127.59	138.83	141.67	135.51	106.54	150.15	156.62
Others/1	192.52	336.19	68.06	207.09	118.57	94.12	108.51	216.80	208.58

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

A net sum of ₦638.69 billion was retained in the Federation Account after the statutory deductions and transfers of ₦386.13 billion and ₦409.66 billion, respectively, from the gross federally-collected revenue. This amount was distributed among the three tiers of government and the 13.0% Derivation Fund as follows: Federal Government, ₦314.92 billion; States, ₦159.73 billion; and local governments, ₦123.15 billion. The balance of ₦40.89 billion was allocated to the 13.0% Derivation Fund for distribution among the oil-producing states. In addition, the Federal Government received ₦30.16 billion from the VAT Pool Account, while the state and local governments received ₦100.54 billion and ₦70.38 billion, respectively.

The sum of ₦638.69 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.

The sum of ₦117.57 billion was also distributed as Exchange Gain among the three tiers of government and the 13% Derivation Fund as follows: Federal Government (₦55.18

billion); State Governments (₦27.99 billion); Local Governments (₦21.58 billion) and 13% Derivation Fund (₦12.82 billion). Similarly, the sum of ₦238.49 billion was drawn-down in the quarter from the Excess Crude Account for distributiuon among the three tiers of government and 13% Derivation Fund as follows: Federal Government; ₦109.31 billion, state governments, ₦55.44 billion and local governments received ₦42.74 billion, while the balance of ₦31.00 billion was distributed among the oil-producing states as 13% Derivation Fund.

Furthermore, the sum of ₦18.99 billion was received by the Federal Government being refund of indebtedness by the NNPC to the Federal Government in the fourth quarter of 2016.

Thus, the total statutory and VAT revenue allocation to the three tiers of government in the fourth quarter of 2016 amounted to ₦1,214.84 billion, compared with the quarterly budget estimate of ₦1,485.70 billion and ₦1,484.71 billion received in the third quarter of 2016.

3.2 The Fiscal Operations of the Three Tiers of Government

3.2.1 The Federal Government

Provisional data indicated that the Federal Government retained revenue for the fourth quarter of 2016 amounted to ₦647.83 billion. This was below the quarterly budget estimate and receipts in the preceding quarter by 36.0 per cent and 32.2 per cent, respectively. Of the total revenue, Federation Account share was for 48.6 per cent, while Federal Government Independent Revenue, Excess Crude, Exchange Gain, VAT, and NNPC Refund accounted for 18.4, 16.9, 8.5, 4.7 and 2.9 per cent, respectively (Fig. 9, Table 9).

Figure 9: Federal Government Retained Revenue

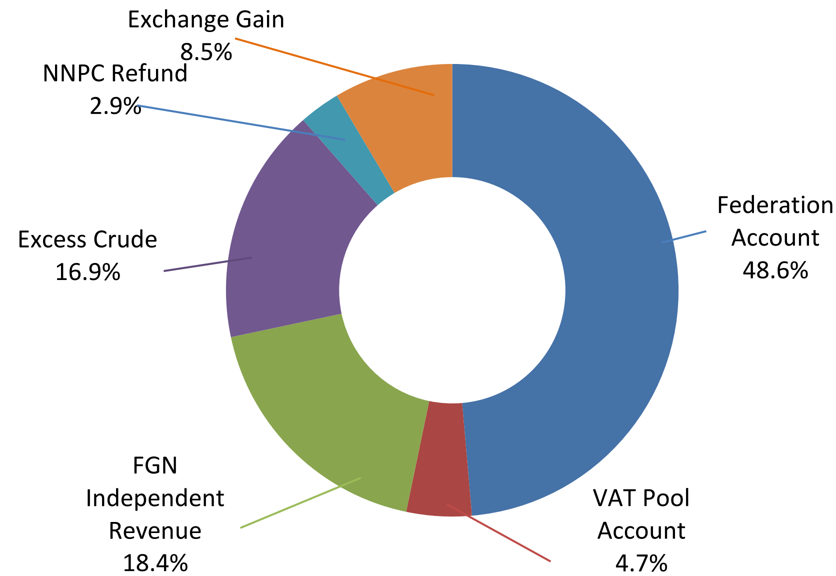


Table 9: Federal Government Fiscal Operations (₦ Billion)

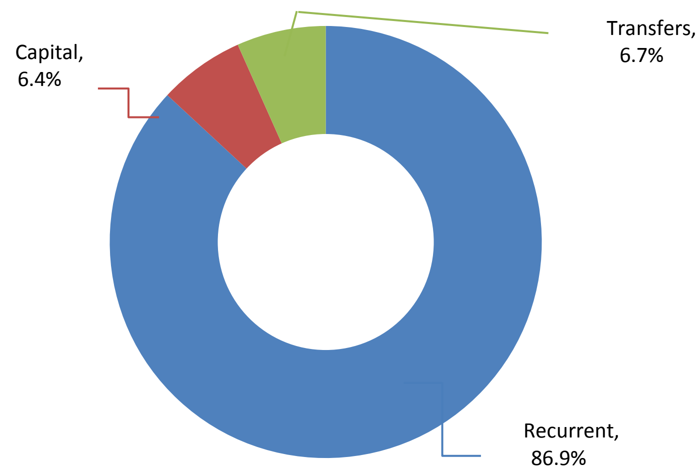
	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
Retained Revenue	988.6	839.8	1027.0	538.6	1044.9	1000.5	587.9	722.4	955.1	647.8
Expenditure	1252.4	1164.0	1156.6	1024.6	1176.2	1544.3	1119.0	1379.6	1352.1	1314.9
Overall Balance: Surplus(+)/Deficit(-)	-263.8	-324.2	-129.5	-485.9	-131.3	-543.8	-531.1	-657.2	-397.0	-667.1

Fiscal operations of the FG resulted in an estimated deficit of ₦667.1 billion in Q4 2016.

At ₦1,314.87 billion, the estimated Federal Government expenditure for the fourth quarter of 2016 was lower than the quarterly budget estimate of ₦1,567.93 billion by 16.1 per cent. It was also lower than the level in the preceding quarter by 2.8 per cent. The development relative to the quarterly budget estimate was attributed, mainly, to the decrease in capital expenditure in the review period. A breakdown of the total expenditure showed that the recurrent component accounted for 86.9 per cent, while capital and statutory transfers accounted for 6.4 and 6.7 per cent, repectively (Fig. 5). A further breakdown of the recurrent expenditure showed that the non-debt component accounted for 58.2 per cent, while debt service payments accounted for the balance of 41.8 per cent.

The fiscal operations of the Federal Government resulted in a deficit of ₦667.1 billion, which was 1.6 per cent higher than the quarterly budget deficit of ₦555.49 billion.

Figure 10: Federal Government Expenditure



3.2.2 Statutory Allocations to State Governments

Total allocation to state governments from the Federation Account, including 13.0% Derivation Fund and the VAT Pool Account stood at ₦428.42 billion during the review quarter. This was lower than the quarterly budget estimate and the level in the preceding quarter by 17.7 per cent and 13.3 per cent, respectively. A breakdown showed that receipts from the Federation Account was ₦327.88 billion (76.5 per cent), while VAT contributed ₦100.54 billion (23.5 per cent). The share of Federation Account was lower than the budget estimate by 4.5 per cent. Similarly, receipts from the VAT Pool Account was also below the budget estimate by 43.2 per cent.

3.2.3 Statutory Allocations to Local Government Councils

Provisional allocations to local governments from the Federation and VAT Pool Accounts in the fourth quarter of 2016 was ₦257.85 billion. This was below the quarterly budget estimate and the level in the preceeding quarter by 25.4 per cent and 18.2 per cent, respectively. Of the total amount, allocation from the Federation Account was ₦187.47 billion (72.7 per cent), while VAT Pool Account accounted for the balance of ₦70.38 billion (27.3 per cent).

4.0 Domestic Economic Conditions

Activities in the agrcultural sector during the fourth quarter of 2016 was dominated by the harvest of tubers, fruits and pre-planting operations in preparation for dry season planting. Livestock farmers were involved in the fattening of cattle and stocking of broilers in anticipation of the end of year sales. Crude oil production was estimated at 1.54 million barrels per day (mbd) or 141.68 million barrels, for the quarter. End-period inflation rate for the fourth quarter of 2016, on year-on-year and 12-month moving average basis, were 18.6 per cent and 15.7 per cent, respectively.

4.1 Agricultural Sector

Agricultural activities during the fourth quarter of 2016 were dominated by harvesting of crops. In the Southern part of the country, farming activities centered on harvesting of tubers, fruits and vegetables, while farmers in the Northern part 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 the fattening of cattle and stocking of broilers in anticipation of the end of year sales.

4.2 Agricultural Credit Guarantee Scheme

In terms of credit to the farmers, a total of ₦2,325.0 million was guaranteed to 16,923 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in the fourth quarter of 2016. The amount represented an increase of 8.3 per cent above the level in the preceding quarter, but a decrease of 24.9 per cent below the level in the corresponding period of 2015. The breakdown by sub-sectors showed that food crops got the largest share of ₦1,511.7 million (65.0 per cent), guaranteed to 11,238 beneficiaries; livestock, ₦259.0 million (11.1 per cent), guaranteed to 1,322 beneficiaries; cash crops, ₦197.4 million (8.5 per cent), guaranteed to 1,430 beneficiaries; while mixed crop received ₦173.5 million (7.5 per cent), guaranteed to 1,705 beneficiaries. The fisheries sub-sector received ₦99.2 million (4.3 per cent), guaranteed to 445 beneficiaries; and 'Others' received a total of ₦84.3 million (3.6 per cent), guaranteed to 783 beneficiaries. Analysis by states showed that 32 states and the Federal Capital Territory benefited from the Scheme in the review period, with the highest and lowest sums of ₦267.2 million (11.5 per cent) and ₦1.95 million (0.08 per cent) guaranteed to Benue and Lagos States, respectively. The four states that did not benefit during the fourth quarter were Bauchi, Borno, Kogi and Taraba.

As at December 20, 2016, the sum of ₦393.5 billion was released to the economy under CACS in respect of 478 projects. This comprised releases from the Receivable from DMBs Account (₦199.831 in respect of 273 projects) and the Repayment Account ₦193.628 billion in respect of 205 new 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	19.63	21
2	Citibank Plc	3.00	2
3	Diamond Bank Plc	4.73	19
4	ECOBANK	6.38	10
5	FCMB Plc.	11.37	22
6	Fidelity Bank Plc	15.91	13
7	First Bank of Nigeria Plc	41.89	97
8	GTBank Plc	25.70	20
9	Heritage Bank Plc	6.81	15
10	Keystone Bank	3.55	8
11	Jaiz Bank Plc	1.00	1
12	Skye Bank Plc	11.77	12
13	Stanbic IBTC Bank	23.41	41
14	Sterling Bank Plc	29.68	32
15	Union Bank Nigeria PLC	22.91	31
16	United Bank for Africa (UBA) Plc	59.76	42
17	Unity Bank Plc	24.33	26
18	Wema Bank	1.82	10
19	Zenith Bank	79.84	56
	TOTAL	393.5	478

4.3 Industrial Production

Persistent supply-demand imbalance in the foreign exchange market, subdued demand and high cost of raw materials, continued to adversely impact on business confidence and business transactions in the review period. However, the performance of the Industrial Sector during the review period was slightly better than in the previous quarter.

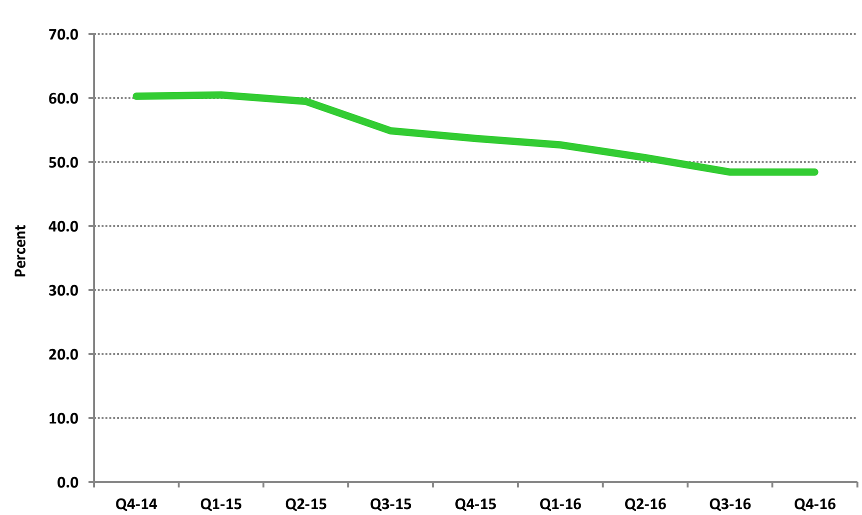
Industrial activities slighly rose in the review quarter due to increased activities in all sub-sectors.

At 108.4 (2010=100), the estimated index of industrial production rose marginally by 0.01 per cent, compared with the level in the preceding quarter, but declined by 1.1 per cent below the level in the corresponding period of 2015. The marginal increase was attributed to improved performance in the manufacturing and mining subsectors, while the electricity subsector showed a marginal decrease.

The estimated index of manufacturing production in the fourth quarter of 2016, at 186.7 (2010=100), showed a marginal increase of 0.02 per cent, compared with the preceding quarter, but decreased by 0.01 per cent relative to the corresponding period of 2015. Capacity utilisation remained at 48.46 per cent. Although the problems of erratic power supply and foreign exchange challenges continued to impact negatively on manufacturing activities, efforts to meet outstanding demand led to a slight increase in the sub-index (Fig.11).

Industrial capacity utilization remained at 48.46 percentage points during the review quarter.

Figure11: Manufacturing Capacity Utilization Rate



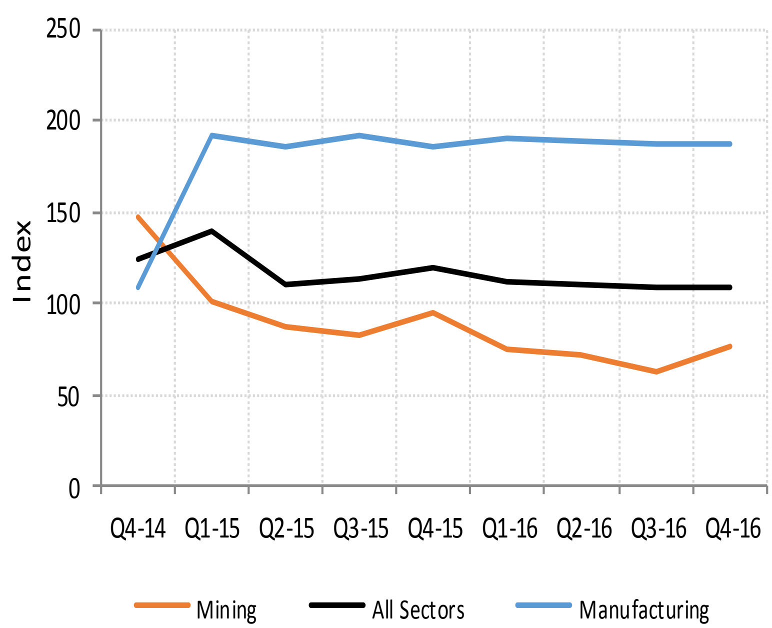
At 76.7 (1990=100), the estimated index of mining production in the fourth quarter of 2016 rose by 0.2 per cent, compared with the levels in the preceding quarter and the corresponding period of 2015, respectively. The increase in mining production during the review quarter was majorly attributed to a rise in crude oil and gas production.

Average electricity generation and consumption fell during the review quarter.

The estimated average electricity generation in the fourth quarter of 2016 at 3,200.3 MW/h, fell by 3.2 per cent, compared with the level in the preceding quarter. Decreased generation from the various hydro power plants in the country accounted for the fall in electricity supply during the review period.

Average estimated electricity consumed, at 2,785 MW/h, also fell by 2.4 per cent, compared with the level attained in the preceding quarter. The decrease in electricity consumption was attributed to the decrease in generation (Fig. 12, Table 11).

Figure 12: Index of Industrial Production (2010=100) [3]



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

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

	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
All Sectors (1990=100)	**123.60**	**139.45**	**110.20**	**112.50**	**118.80**	**111.10**	**110.30**	**108.50**	**108.50**
Manufacturing	108.98	191.2	185.1	191.8	185.5	190.2	188.9	186.6	186.7
Mining	147.59	101.1	87.4	83.1	94.5	75	72	62.7	76.7
Capacity Utilization (%)	60.30	60.50	59.5	54.90	53.70	52.70	50.70	48.46	48.46

4.4 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, averaged 1.54 mbd or 141.68 million barrels (mb) in the review quarter. This represented an increase of 0.06 mbd or 4.3 per cent, compared with 1.48 mbd or 136.16 mb recorded in the preceeding quarter.

Crude oil and natural gas production increased in the fourth quarter of 2016.

Crude oil export stood at 1.09 mbd or 100.28 mb, representing an increase of 6.2 per cent, compared with 1.03 mbd or 94.76 mb recorded in the preceding quarter. The development relative to the preceding quarter's level was due to reduced militancy activities in the Niger Delta region. Allocation of crude oil for domestic consumption was 0.45 mbd or 41.40 million barrels in the review quarter.

Crude oil export increased in Q4 2016.

Oil prices surged in the review period after the historic joint OPEC and non-OPEC decision to cut production. The development led to a 5.3 per cent increase in the price of Nigeria's reference crude, the Bonny Light (37° API), to US$49.84 per barrel in the review quarter above an estimated average of US$47.33 per barrel in the preceding quarter. The average prices of other competing crudes, namely the UK Brent at US$48.53/b, the WTI at US$49.37/b and the Forcados at US$49.30/b, exhibited a similar trend as the Bonny Light.

Average crude oil prices, including Nigeria's Bonny Light (37° API) rose in the international crude oil market in Q4 2016.

The average price of OPEC basket of eleven selected crude streams was US$47.52/b in the fourth quarter of 2016, indicating a 10.9 per cent increase above the level in the preceding quarter (Fig. 13, Table 12).

Figure13: Trends in Crude Oil Prices

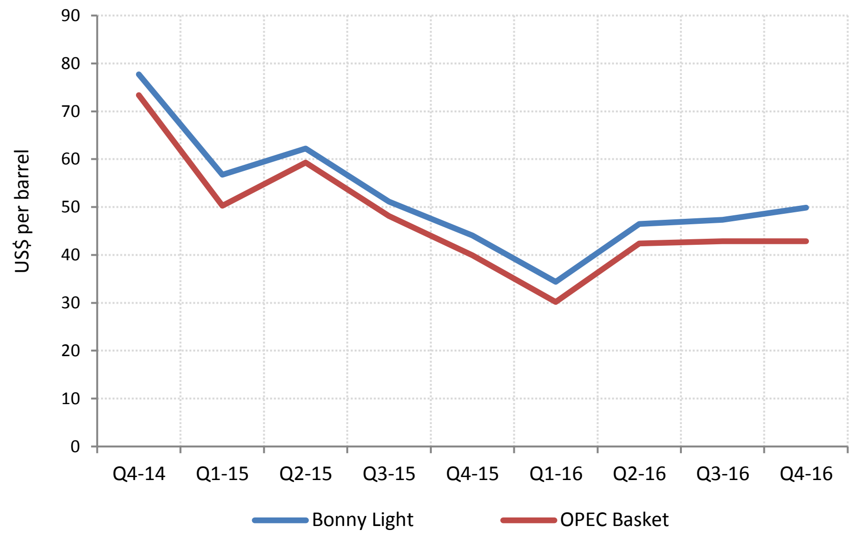


Table 12: Average Crude Oil Prices in the International Oil Market

	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
Bonny Light	77.74	56.73	62.22	51.15	44.08	34.39	46.44	47.33	49.84
OPEC Basket	7.36	50.3	59.31	48.14	39.9	30.16	42.38	42.86	47.52

4.5 Consumer Prices[4]

The general price level rose in Q_4, compared with the level in the third quarterof 2016.

Headwinds arising from foreign exchange rate pass-through remained a dominant source of upward pressure on the price level during the review period. The all-items composite Consumer Price Index (CPI), at end-December 2016, was 213.6 (November 2009=100), representing an increase of 1.1 per cent and 18.6 per cent, above the levels in the third quarter of 2016 and the corresponding quarter of 2015, respectively. The development was driven, largely, by the increase in the prices of food and non-alcoholic beverages; housing, water, electricity, gas and other fuel; clothing and footwear; transport; education; furnishing, household equipment and maintenance; and health.

[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 18[TH] October 2010.

The urban all-items CPI at the end of the fourth quarter of 2016 was 215.3 (November 2009=100), indicating an increase of 2.7 and 20.1 per cent, above the levels in the third quarter of 2016 and the corresponding period of 2015, respectively. Similarly, the rural all-items CPI, at 212.2 (November 2009=100), represented increase of 2.7 per cent and 17.2 per cent above the levels at end-September 2016 and the corresponding period of 2015, respectively (Fig. 14, Table 13).

The composite food index (with a weight of 50.7 per cent) was 218.6 per cent, representing an increase of 3.1 per cent, compared with the 212.0 per cent at the end of the preceding quarter. The development was attributed to the increase in the prices of farm produce (vegetables, yam, potatoes, and other tubers, rice, millet, and fruits) and processed food.

Figure 14: Consumer Price Index

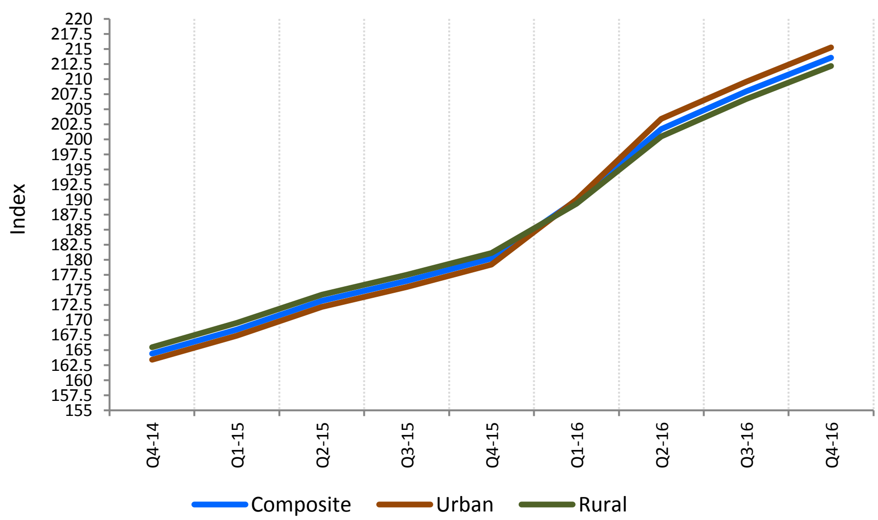


Table 13: Consumer Price Index (November 2009=100)

	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
Composite	164.4	168.4	173.2	176.5	180.2	189.9	201.7	208	213.6
Urban	163.4	167.4	172.2	175.5	179.2	190.0	203.4	209.6	215.3
Rural	165.5	169.5	174.2	177.5	181.11	189.9	200.5	206.7	212.2

The headline inflation (y-o-y) stood at 18.6 per cent in Q4 2016.

The inflation rate at the end of the review quarter, on a year-on-year basis, was 18.6 per cent, compared with 17.9 and 9.6 per cent in the third quarter of 2016 and the corresponding period of 2015, respectively. On a twelve-month moving average basis, the inflation rate was 15.7 per cent, indicating a 2.2 percentage points increase, above the level in the preceding quarter (Fig. 15, Table 14).

Figure 15: Inflation Rate

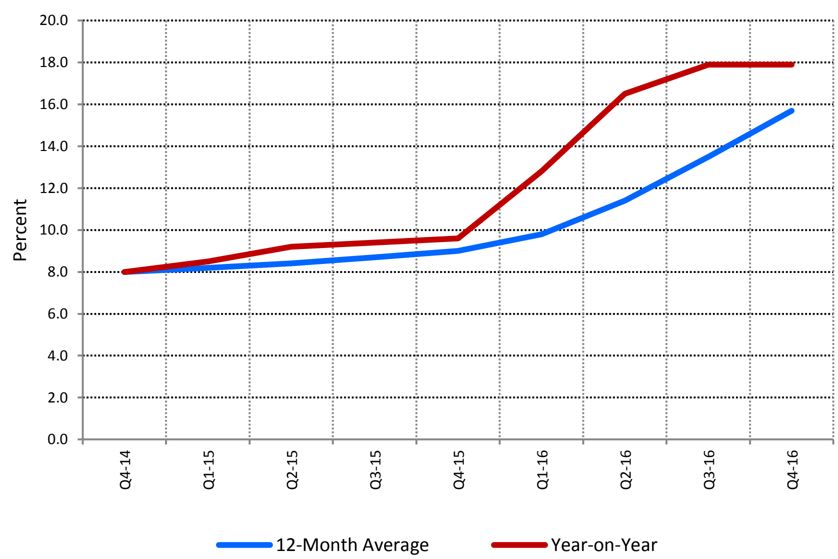


Table 14: Headline Inflation Rate (%)

	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
12-Month Moving Average	8.0	8.2	8.4	8.7	9.0	9.8	11.4	13.5	15.7
Year-on-Year	8.0	8.5	9.2	9.4	9.6	12.8	16.5	17.9	18.6

5.0 External Sector Developments

The persisitent downside risks on the current account due to the umimpressive performance of both the domestic oil production and crude oil prices int the global oil market contivued to weaken the external sector in the review quarter.This development led to the decline in foreign exchange flows through the economy. Provisional data showed that foreign exchange inflow through the CBN in the fourth quarter of 2016, increased by 18.3 per cent above the level in the preceding quarter, while outflow declined by 32.9 per cent. Total non-oil export receipts rose by 127.9 per cent, relative to the level in the preceding quarter. The average exchange rate at the inter-bank segment was ₦305.21/US$, compared with ₦303.16/US$ at end-September 2016. At US$26.99 billion, the gross external reserves rose by 13.4 per cent, compared with the level at the end of the third quarter of 2016.

5.1 Foreign Exchange Flows

The persisitent downside risks on the current account due to the umimpressive performance of both the domestic oil production and crude oil prices int the global oil market contivued to weaken the external sector in the review quarter.

Foreign exchange inflow through the CBN rose by 18.3 per cent, but outflow fell by 32.9 percent. This resulted in a net inflow of US$1.33 billion in Q4 of 2016.

Provisional data showed that foreign exchange inflow and ouflow through the CBN in the fourth quarter of 2016 were US$6.64 billion and US$5.31 billion, respectively. This resulted in a net inflow of US$1.33 billion, in contrast to the net outflow of US$2.29 billion in the preceding quarter. Relative to the level at end-september 2016, inflow through the Bank rose by 18.3 per cent, but it fell by 7.0 per cent relative to the corresponding period of 2015. The outflow of foreign exchange through the CBN declined to US$5.31 billion, against US$7.91 billion and US$7.76 billion in the preceding quarter and the corresponding period of 2015, respectively. The development reflected the reduction in foreign exchange forwards, interbank sales, and other official payments (Fig.16, Table 15).

Figure 16: Foreign Exchange Flows Through the CBN

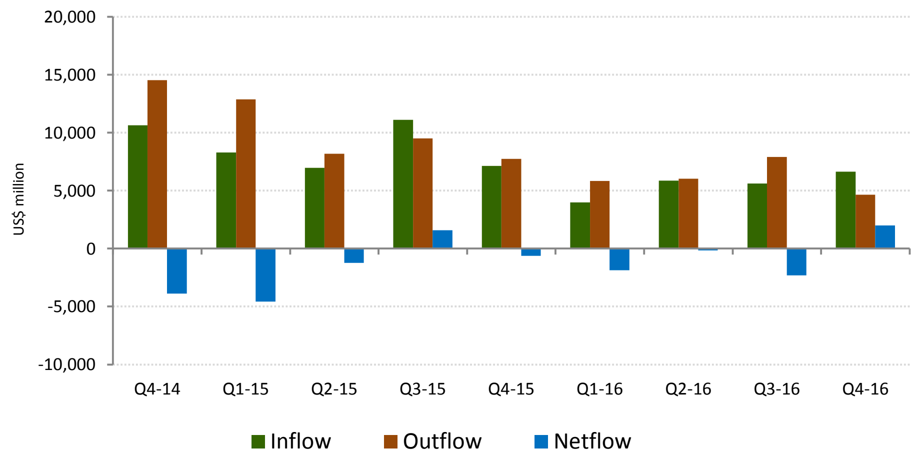


Table 15: Foreign Exchange Flows Through the CBN (US$ million)

	Q4-14	Q1-15	Q2-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
Inflow	8,307.23	6,976.02	11,111.00	7,135.41	3,942.89	5,875.18	5,613.01	6,637.94
Outflow	12,875.77	8,194.56	9,523.32	7,757.49	4,487.05	6,023.10	7,912.02	4,649.85
Netflow	(4,568.54)	(1,218.54)	1,587.68	(622.08)	(544.16)	(147.92)	(2,299.01)	1,988.09

Autonomous inflow into the economy fell by 19.1 per cent in Q4 2016 .

Provisional data on aggregate foreign exchange inflow into the economy indicated that total inflow was US$16.43 billion. This represented a decline of 3.8 per cent and 19.1 per cent below the levels at the end of the third quarter of 2016 and the corresponding period of 2015, respectively. The development was attributed to the fall in oil and autonomous receipts. Oil sector receipts, which accounted for 11.4 per cent of the total, stood at US$1.87 billion, compared with US$3.55 billion and US$3.99 billion, in the third quarter of 2016 and the corresponding period of 2015, respectively.

Non-oil public sector inflow, at US$4.77 billion (29.0 per cent of the total), increased by 131.5 per cent and 51.5 per cent above the levels at the end of the third quarter and the corresponding period of 2015, respectively. Autonomous inflow, which accounted for 59.6 per cent of the total, decreased by 14.6 per cent, compared with the level in the preceding quarter of 2016.

At US$5.31 billion, aggregate foreign exchange outflow from the economy fell by 37.6 per cent and 38.4 per cent below the levels in the preceding quarter and the corresponding period of 2015, respectively. The development was attributed, mainly, to the 77.5 per cent and 83.9 per cent decline in foreign exchange forwards and inter-bank sales, respectively. Consequently, foreign exchange flows through the economy resulted in a net inflow of US$11.12 billion in the review quarter, compared with US$8.56 billion and US$11.67 billion in the third quarter of 2016 and at end-December 2015, respectively.

5.2 Non-Oil Export Earnings by Exporters

Total non-oil export earnings by exporters rose during the fourth quarter of 2016.

Provisional data showed that non-oil export receipts by banks in the fourth quarter of 2016 stood at US$1.14 billion, indicating an increase of 127.9 per cent and 366.7 per cent above the levels in the third quarter and the corresponding period of 2015. The development was arributed to the 991.1 and 16.3 per cent increase in manufactured products and industrial sub-sector, respectively. A further analysis showed that proceeds from food products, transport sub-sector, agricultural sub-sector and minerals decreased by 42.4 per cent, 42.6 per cent, 53.5 per cent, and 0.3 per cent to US$19.02 million, US$0.07 million, US$68.29 million and US$183.70 million, respectively, from their levels in third quarter of 2016.

The percentage shares of manufacturing, minerals, industrial, agricultural, food products and transport sub-sectors in total non-oil export proceeds were 67.6 per cent, 16.1 per cent, 6.7 per cent, 6.0 per cent, 1.7 per cent and 0.01 per cent, respectively.

5.3 Sectoral Utilisation of Foreign Exchange

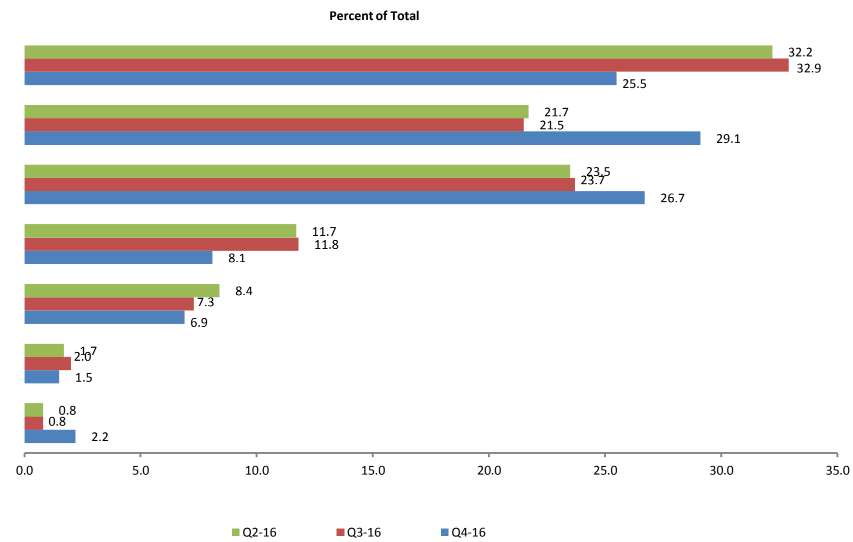
The industrial sub-sector accounted for the bulk of the total foreign exchange disbursed during Q4 2016.

The sectoral utilisation of foreign exchange in the fourth quarter of 2016 decreased by 54.6 per cent to US$4.58 billion, compared with the level in third quarter of 2016. Of this, visible imports, representing 74.5 per cent of the total foreign exchange utilisation, shrunk by 49.6 per cent to US$3.41 billion.

The industial sub-sector, which accounted for the bulk (29.1 per cent), of total foreign exchange disbursed in the fourth quarter of 2016, declined by 38.6 per cent relative to the preceding quarter's level of US$2.17 billion. This was followed by the minerals and oil sub-sector (26.7 per cent). The contributions of the other sectors in a descending order were: invisible imports (25.5 per cent), manufactured products (8.1

per cent), food products (6.9 per cent), agricultural products (2.2 per cent) and transport sector (1.5 per cent) (Fig.17).

Figure17: Sectoral Utilisation of Foreign Exchange



5.4 Foreign Exchange Market Developments[5]

Supply for foreign exchange by authorized dealers fell during Q4 2016.

In the fourth quarter of 2016, the cumulative sales of foreign exchange by the Bank was US$2.90 billion, a decrease of 45.3 per cent and 58.6 per cent, relative to the levels in third quarter of 2016 and the corresponding period of 2015, respectively. This was as a result of reduced matured foreign exchange forwards contracts and interbank sales in the review period. Of the total, swap contracts disbursed at maturity were valued at US$1.96 billion or 67.4 per cent, matured forwards contracts at US$0.80 billion or 27.5 per cent and interbank sales amounted to US$104.26 million or 3.6 per cent. The balance was accounted for by BDC sales valued at US$0.04 million or 1.5 per cent of the total supply of foreign exchange in the review period (Fig. 18, Table 16).

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

Figure 18: Supply of Foreign Exchange

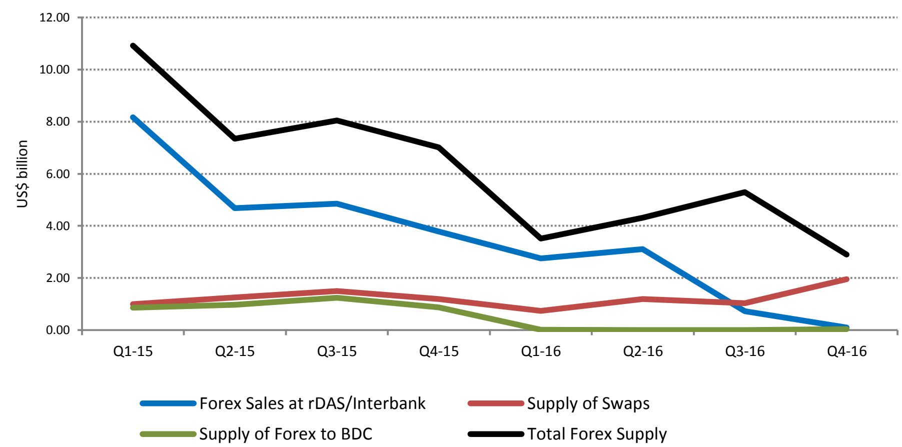


Table 16: Demand for and Supply of Foreign Exchange (US$ billion)

	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
Forex Sales at rDAS/Interbank	*4.68*	*4.85*	*3.78*	*2.75*	*3.11*	*0.72*	*0.10*
Supply of Swaps	*1.25*	*1.50*	*1.20*	*0.74*	*1.20*	*1.04*	*1.96*
Supply of Forex to BDC	*0.97*	*1.24*	*0.87*	*0.02*	*0.00*	*0.00*	*0.04*
Total Forex Supply(BDC and rDAS)	*7.35*	*8.04*	*7.01*	*3.51*	*4.31*	*5.30*	*2.90*

Scarcity of dollar in the foreign exchange market and the economy contributed to the depreciation of naira in the fourth quarter of 2016. At the interbank segment of the foreign exchange market, the exchange rate of the naira per US dollar averaged ₦305.21/US$, a depreciation of 0.7 per cent and 35.5 per cent, relative to the levels in the preceding quarter and the corresponding period of 2015, respectively. At the BDC segment, the exchange rate of the naira per US dollar averaged ₦445.03/US$, a depreciation of 10.7 per cent and 46.3 per cent relative to the levels in the preceding quarter and the corresponding period of 2015, respectively (Fig. 19, Table 17).

The average naira exchange rate vis-à-vis the US dollar was ₦305.21/US$ at the interbank segment in Q4 2016.

Figure 19: Average Exchange Rate Movements

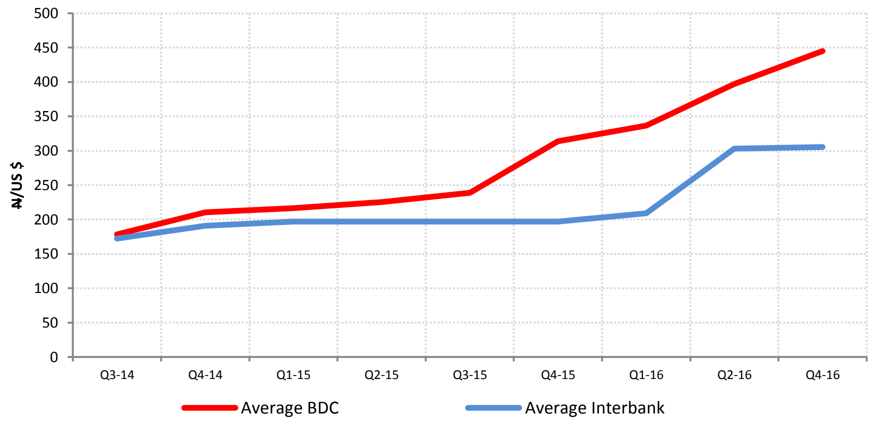
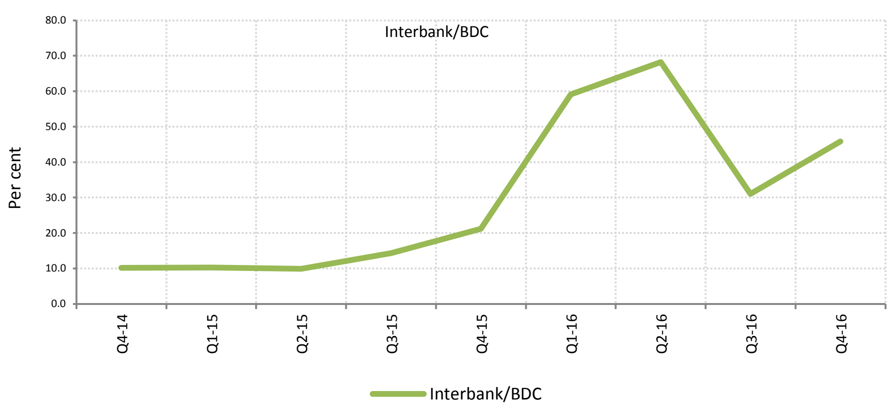


Table 17: Exchange Rate Movements and Exchange Rate Premium

Average Exchange Rate (₦/US$)	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
rDAS	162.33	169.68	N/A	N/A	N/A	N/A	N/A	N/A	N/A
BDC	178.24	210.69	216.41	225.21	238.69	313.49	336.67	397.24	445.03
Interbank	172.16	191.11	196.97	196.99	196.99	197.00	206.88	303.17	305.21
Premium (%)									
rDAS/BDC	9.8	23.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
rDAS/Interbank	6.1	12.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A
BDC/Interbank	3.5	10.2	9.9	14.3	21.2	59.1	62.7	31.0	45.8

Figure 20: Exchange Rate Premium



5.5 Gross Official External Reserves

Gross external reserves increased during the fourth quarter of 2016.

Following the increase in other official receipts, the unadjusted foreign exchange reserves rose from US$23.81 billion at end-September 2016 to US$26.99 billion at end-December 2016. However, it declined by US$1.30 billion when compared with the level at end-December 2015. The external reserves would cover 10.3 months of imports for goods only, and 7.4 months for goods and services. A breakdown of external reserves by ownership showed that Federation reserves was US$2.63 billion (9.7%); Federal Government reserves, US$8.84 billion (32.8%), and the CBN reserves, US$15.52 billion (57.5%) of the total (Fig. 21, Table 18).

Figure 21: Gross Official External Reserves

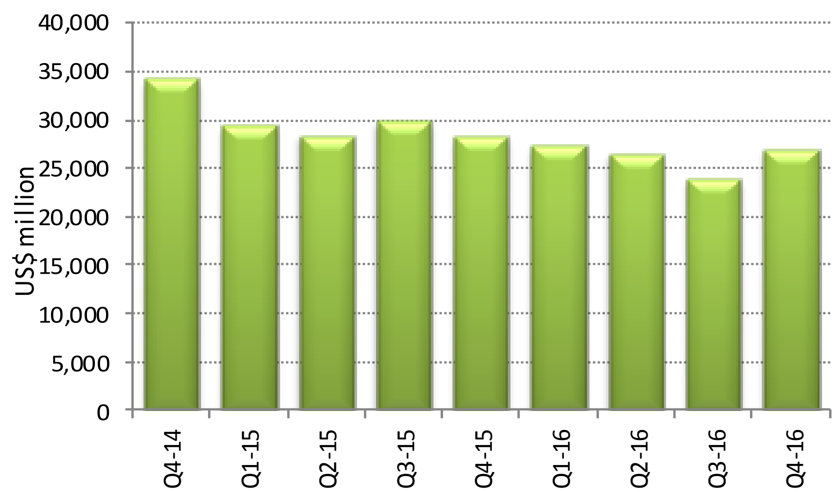


Table 18: Gross Official External Reserves (US$ million)

	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
External Reserves	34,241.5	29,357.2	28,335.2	29,880.2	28,284.8	27,336.4	26,505.4	23,806.5	26,986.2

6.0 Global Economic Conditions

6.1 Global Inflation

Global inflation continued to rise, due, mainly, to higher commodities prices, though cost of global raw materials remained low, as commodities markets remained oversupplied. Disinflationary pressures were still strong in a number of advanced economies. Against this backdrop, most central banks sustained the largely accommodative monetary policy stance. Consequently, global inflation was expected to rise marginally to 2.4 per cent in 2017 and projected to rise slowly going forward as the effects of past falls in oil and other commodity prices continue to diminish, lessening the drag on headline inflation.

6.2 Global Commodity Demand and Prices

World crude oil demand was estimated at 95.4 mbd in the fourth quarter of 2016, representing an increase of 0.2 per cent, compared with the 95.2 mbd recorded in the preceding quarter. World crude oil supply in the review quarter was estimated at 96.9 mbd, representing an increase of 1.3 per cent over the level in the preceding quarter.

The price of OPEC Reference Basket (ORB) in December 2016, was US$47.52. This represented an increase of 10.9 per cent over the level in the preceding quarter. The development was attributed to positive sentiments arising from possible cooperation between OPEC and non-OPEC suppliers towards stabilising the market.

6.3 International Financial Markets

Developments in the international stock markets were mixed during the review period. In Africa, the South African JSE All-Share and Egyptian EGX CASE 30 rose by 2.5 and 12.5 per cent, respectively, while the Nigerian NSE All-Share, Kenyan Nairobi NSE 20 and Ghanaian GSE ASI indices fell by 6.2, 19.7 and 11.0 per cent, respectively in the review period. In North America, the United States S&P 500, Canadian S&P/TSX Composite and the Mexican Bolsa indices increased by 6.1, 13.2 and 9.9 per cent, respectively. In South America, the

Brazilian Bovespa, Argentine Merval and Colombian COLCAP indices fell by 34.6, 42.8 and 16.0 per cent, respectively.

In Europe, the FTSE 100 and MICEX indices rose by 10.5 and 12.3 per cent, respectively, while the CAC 40 and DAX fell by 4.1 and 2.2 per cent, respectively. In Asia, the India's BSE Sensex index rose by 6.7 per cent while the Japan's Nikkei 225 and China's Shanghai Stock Exchange-A indices fell by 13.6 and 15.1 per cent, respectively.

Developments in the international foreign exchange market were mixed in the review period. In Europe, the Russian ruble appreciated against the dollar, while the euro and British pound depreciated against the dollar. In North America, the Canadian dollar and Mexican peso depreciated against the U.S. dollar by 2.24 and 6.46 per cent, respectively. Moreover, in South America, the Brazilian real remained stable, reflecting improved economic stability and gradual lifting from the long-term recession that engulfed it. The Argentine peso and Colombian peso depreciated against the U.S. dollar by 3.59, and 4.02 per cent, respectively. In Africa, the Nigerian naira appreciated against the U.S. dollar by 0.08 per cent, while the South African rand, Kenyan shilling, Egyptian pound and Ghanaian cedi depreciated against the U.S. dollar by 0.15, 1.21, 51.05 and 7.31 per cent, respectively. In Asia, the Japanese Yen, Chinese Yuan and Indian Rupee depreciated against the U.S. dollar by 13.35, 3.88 and 1.91 per cent, respectively.

6.4 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 2016 Annual Meetings of the Board of Governors of the World Bank Group (WBG), the International Monetary Fund (IMF) and the side lines meetings of the Inter-Governmental Group of Twenty-Four (G-24) on International Monetary Affairs and Developments held in Washington D. C., USA from October 3 – 9, 2016. The highlights of the meeting were:

- The G24 Ministers expressed concern over the prolonged weakness in global recovery and increasing levels of inequality;
- The G24 Ministers continued their call on the IMF, World Bank Group and global financial regulators to strengthen their work toward finding concrete solutuions to address the decline of correspondent banking relationshiops (CBR);
- The IMFC reinforced their commitment to a strong, sustainable, inclusive, job-rich and balanced growth. They encouraged countries hit hard by a persistent decline in their terms of trade t proceed with their policy adjustment.

The West African Monetary Zone (WAMZ) 8th Trade Ministers' Forum was also held in Monrovia, Liberia, at the Boulevard Palace Hotel from November 2 to 4, 2016. The meeting was convened by the West African Monetary Institute (WAMI) on the theme "Opportunities for Development Through Regional Trade Integration". The objective of the meeting was to create a platform for member countries to share experiences on cross-border trade issues and peer review on the status of implementation of ECOWAS trade integration commitments with a view to achieving WAMZ trade integration goals.

APPENDIX TABLES

Table A1: Money and Credit Aggregates

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
	₦ billion				
Domestic Credit (Net)	**21612.5**	**22664.8**	**24318.1**	**26307.5**	**26970.3**
Claims on Federal Government (Net)	2893.2	3782.6	2893.2	3662.0	4595.6
Central Bank (Net)	-1653.1	-850.7	-1465.2	-1129.3	-171.9
Banks	4546.3	4633.3	4179.9	4791.4	4767.5
Claims on Private Sector	18719.3	18882.2	21425.0	22645.5	22374.7
Central Bank	5061.6	5166.7	5376.9	5951.8	5691.9
Banks	13657.7	13715.6	15903.6	16693.8	16682.8
Claims on Other Private Sector	18109.9	18044.3	20397.9	21613.5	21604.7
Central Bank	5036.0	4996.7	5050.3	5605.8	5610.0
Banks	13073.8	13047.6	15204.8	16007.7	15994.7
Claims on State and Local Government	583.8	668.0	700.5	686.1	688.1
Central Bank	--	--	--	--	--
DMBs	583.8	668.0	698.8	686.1	688.1
Claims on Non-financial Public Enterprises	--	--	--	--	--
Central Bank	--	--	--	--	--
DMBs	--	--	--	--	--
Foreign Assets (Net)	5653.3	5551.7	7105.7	7742.3	9353.5
Central Bank	5545.3	5178.2	6840.4	7791.1	8994.5
DMBs and Non Interest Banks	108.0	373.5	254.5	-48.9	359.0
Other Assets (Net)	**-7235.9**	**-7746.1**	**-9738.8**	**-11928.5**	**-12483.4**
Total Monetary Assets (M2)	**20029.8**	**20470.4**	**21685.0**	**22121.3**	**23840.4**
Quasi-Money 1/	11458.1	11429.6	12559.0	12184.1	12320.2
Money Supply (M1)	8571.7	9040.8	9125.9	9937.2	11520.2
Currency Outside Banks	**1456.1**	**1441.4**	**1379.2**	**1477.4**	**1820.4**
Demand Deposits 2/	*7115.6*	*7599.5*	*7746.7*	*8459.8*	*9699.8*
Total Monetary Liabilities (M2)	**20029.8**	**20470.4**	**21685.0**	**22121.3**	**23840.4**
Memorandum Items:					
Reserve Money (RM)	*5937.1*	*5945.8*	*5221.9*	*6167.6*	*5837.3*
Currency in Circulation (CIC)	*1818.4*	*1562.6*	*1679.5*	*1794.3*	*2179.2*
Banks' Deposit with CBN	*4118.7*	*4383.4*	*3542.4*	*4373.3*	*3658.1*

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)

	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
	Percentage Change Over Preceding Quarter				
Domestic Credit (Net)	0.43	4.87	7.29	8.18	2.52
Claims on Federal Government (Net)	3.79	30.74	-23.51	26.57	25.49
Claims on Private Sector	-0.07	0.87	13.47	5.7	-1.2
Claims on Other Private Sector	-0.18	-0.36	13.04	5.96	-0.04
Claims on State and Local Government	47.06	14.41	4.87	-2.05	0.29
Claims on Non-financial Public Enterprises					
Foreign Assets (Net)	11.2	-1.8	28.0	8.96	20.81
Other Assets (Net)	8.23	7.04	25.73	22.48	4.65
Total Monetary Assets (M2)	**7.0**	**2.2**	**5.9**	**2.0**	**7.8**
Quasi-Money 1/	-1.0	-0.3	9.9	-3.0	1.1
Money Supply (M1)	19.91	5.47	0.94	8.89	15.93
Currency Outside Banks	19.45	-1.01	-4.31	7.12	23.21
Demand Deposits 2/	20	6.8	1.94	9.2	14.66
Total Monetary Liabilities (M2)	**7.0**	**2.2**	**5.9**	**2.0**	**7.8**
Memorandum Items:					
Reserve Money (RM)	0.42	-0.9	-6.74	14.81	-5.35
Currency in Circulation (CIC)	13.46	-2.52	-6.98	6.5	21.45
DMBs Demand Deposit with CBN	-4.72	-0.14	-6.64	18.6	-16.35
	Percentage Change Over Preceding December				
Domestic Credit (Net)	12.13	4.87	12.52	21.82	24.79
Claims on Federal Government (Net)	151.56	30.74	0.00003	26.57	58.84
Claims on Private Sector	3.29	0.87	14.45	20.97	19.53
Claims on Other Private Sector	3.12	-0.36	12.63	19.35	19.3
Claims on State and Local Governments	8.85	14.41	19.98	17.52	17.86
Claims on Non-financial Public Enterprises					
Foreign Asset (Net)	-18.71	-1.8	25.69	36.95	65.45
Other Asset (Net)	1.08	-7.05	-34.59	-64.85	-72.52
Total Monetary Assets (M2)	**5.90**	**2.20**	**8.26**	**10.44**	**19.02**
Quasi-Money 1/	-4.58	-0.25	9.61	6.34	7.52
Money Supply (M1)	24.14	5.47	6.47	15.93	34.4
Currency Outside Banks	1.3	-1.01	-5.28	1.47	25.02
Demand Deposits 2/	30.15	6.8	8.87	18.89	36.32
Total Monetary Liabilities (M2)	**5.90**	**2.20**	**8.26**	**10.44**	**19.02**
Memorandum Items:					
Reserve Money (RM)	-1.99	-0.9	-7.58	6.1	0.42
Currency in Circulation (CIC)	3.34		-9.32	-3.43	17.29
DMBs Demand Deposit with CBN	0.43	-0.14	-6.76	10.58	-7.5

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)

	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
Retained Revenue	**839.77**	**1027.03**	**538.61**	**1044.91**	**802.60**	**570.54**	**677.88**	**955.08**	**647.83**
Federation Account	*638.38*	*601.39*	*430.41*	*589.66*	*482.84*	*412.24*	*323.16*	*473.73*	*314.92*
VAT Pool Account	*27.77*	*28.17*	*29.26*	*29.10*	*25.60*	*28.31*	*28.02*	*30.29*	*30.16*
FGN Independent Revenue	*62.44*	*280.63*	*10.31*	*23.47*	*8.93*	*40.31*	*100.92*	*74.29*	*119.27*
Excess Crude	*1.27*	*7.16*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*16.04*	*109.31*
Others/SURE-P	*109.91*	*109.68*	*68.63*	*402.68*	*285.23*	*89.68*	*225.78*	*360.73*	*74.17*
Expenditure	**1163.98**	**1156.57**	**1024.55**	**1176.17**	**1544.29**	**1118.96**	**1768.84**	**1352.06**	**1314.87**
Recurrent	*869.66*	*1032.77*	*814.15*	*1013.07*	*945.03*	*988.37*	*1285.08*	*1094.79*	*1142.59*
Capital	*193.15*	*59.58*	*162.29*	*72.31*	*463.18*	*72.36*	*350.07*	*227.44*	*84.48*
Transfers	*101.18*	*64.22*	*48.11*	*90.15*	*136.08*	*87.81*	*133.69*	*87.80*	*87.80*
Overall Balance: Surplus(+)/Deficit(-)	**-324.21**	**-129.54**	**-485.94**	**-131.26**	**-741.69**	**-548.42**	**-1090.96**	**-396.98**	**-667.04**