CENTRAL BANK OF NIGERIA

ECONOMIC REPORT SECOND QUARTER 2018

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[1]

The Bank maintained a non-expansionary monetary policy stance in May 2018, aimed at further curbing inflationary pressure. Broad money supply, (M_2) rose by 3.6 per cent, compared with the growth of 1.3 per cent at end-March 2018, mainly, on account of the respective increase of 17.2 per cent and 7.2 per cent in foreign assets (net) and other assets (net) of the banking system. Over the level at end-December 2017, broad money supply, (M_2), grew by 4.9 per cent, due to 23.5 per cent increase in foreign assets (net) of the banking system. Relative to its level at end-March 2018, narrow money supply (M_1), rose by 2.9 per cent due, wholly, to the growth in its demand deposit components.

Developments in banks' deposit rates were mixed, while lending rates trended upward in the review quarter. The average term deposit rate fell by 2.36 percentage points to 5.98 per cent at end-June 2018, while other deposit rates of various maturities, rose from a range of 3.45 – 10.53 per cent at end-March 2018 to a range of 3.75 – 10.79 per cent at end-June 2018. The average savings rate fell by 0.01 percentage point to 4.07 per cent at the end-June 2018. Similarly, the average prime and maximum lending rates fell by 0.01 percentage point and 0.06 percentage point to 17.30 per cent and 31.54 per cent, respectively, at the end of the review quarter. Consequently, the spread between the weighted average term deposit and maximum lending rates widened by 2.30 percentage points to 25.57 percentage points, while the margin between the average savings and the maximum lending rates narrowed by 0.06 percentage point to 27.47 percentage points. The weighted average inter-bank call rate fell by 4.25 percentage points to 14.73 per cent at end-June 2018.

The total value of money market assets outstanding declined by 3.4 per cent to ₦11,690.29 billion, at end-June 2018. The development was attributed to the fall in treasury bills and FGN Bonds outstanding in the review quarter. Developments on the Nigerian Stock Exchange (NSE) were generally bearish.

Federally-collected revenue, at ₦2,318.25 billion, in the second quarter of 2018, was 13.6 per cent lower than the proportionate budget estimate, but was 11.3 per cent above the receipts in the preceding quarter. The development relative to budget estimate was due to the shortfall in receipts from non-oil revenue in the review quarter. Federal Government estimated retained revenue and total

[1] Data on monetary aggregates, government spending and foreign exchange flows are provisional and subject to changes

expenditure were ₦896.74 billion and ₦988.91 billion, respectively, resulting in an estimated deficit of ₦92.17 billion in the second quarter of 2018.

Agricultural activities in the review quarter were dominated by harvesting and replanting of cereals and tuber crops in the Southern states, while farmers in Northern states engaged in planting of cereals and legume crops. The end-period inflation, on year-on-year and 12-month moving average bases for the review period were estimated at 11.06 per cent and 14.40 per cent, respectively.

Foreign exchange inflow and outflow through the CBN amounted to US$12.68 billion and US$11.86 billion, respectively, resulting in a net inflow of US$0.82 billion. Foreign exchange sales by the CBN to the authorised dealers amounted to US$7.90 billion. The average exchange rate of the naira vis-à-vis the US dollar appreciated to ₦361.84/US$ and ₦305.77/US$ at the BDC and inter-bank segments, respectively, while the average exchange rate at the investors' and exporters' window depreciated to ₦360.80/US$ in the review quarter. The external reserves increased by 1.6 per cent to US$47.50 billion as at June 22, 2018.

World crude oil demand and supply were estimated at 98.07 mbd and 98.75 mbd, respectively, in the second quarter of 2018. Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at an average of 1.85 million barrels per day (mbd) or 168.35 million barrels (mb) in the review quarter. The average price of Nigeria's reference crude, the Bonny Light (37^0 API), was US$75.43 per barrel, compared with US$68.55 per barrel in the first quarter of 2018.

Major international developments of importance to the domestic economy in the review quarter included: the regional meeting of the Monetary and Exchange Rate Policy Experts on the choice of a single monetary policy framework and exchange rate regime for the future of ECOWAS monetary zone held in Abuja, Nigeria from June 4-7, 2018; and the 51st Session of the Economic Commission for Africa and the Annual Conference of African Ministers of Finance, Planning and Economic Development was held in Addis Ababa, Ethiopia from May 11-15, 2018. The Session was preceded by a meeting of the Committee of Experts held from May 11-12, 2018.

2.0 Financial Sector Developments[2]

Over the level at end-March 2018, broad money supply (M_2), grew by 3.6 per cent, at end-May 2018, reflecting, wholly, the respective increase of 17.2 per cent and 7.2 per cent in foreign assets (net) and other assets (net) of the banking system. Narrow money supply (M_1) rose by 2.9 per cent due to the increase in demand deposits. Developments in banks' deposit rates were mixed, while the lending rates trended downward in the review quarter. The value of money market assets outstanding fell below the level in the preceding quarter. Activities on the Nigerian Stock Exchange (NSE) were generally bearish in the second quarter of 2018.

2.1 Monetary and Credit Developments

Grwoth in key monetary aggregates were moderate in the review period.

Provisional data indicated that growth in money supply was moderate at the end of the review period. Relative to the level at end-March 2018, broad measure of money supply, (M_2), grew by 3.6 per cent to ₦25,169.01 billion at end-May 2018, compared with the growth of 1.3 per cent at end-March 2018. This, however, contrasted with the decline of 0.7 per cent at the end of the corresponding period of 2017. The development reflected the respective increase of 17.2 per cent and 7.2 per cent in foreign assets (net) and other assets (net) of the banking system, which more than offset the decline of 2.1 per cent in domestic credit (net). Similarly, narrow money supply (M_1) grew by 2.9 per cent, reflecting wholly the growth of 4.4 per cent in its demand deposits component.

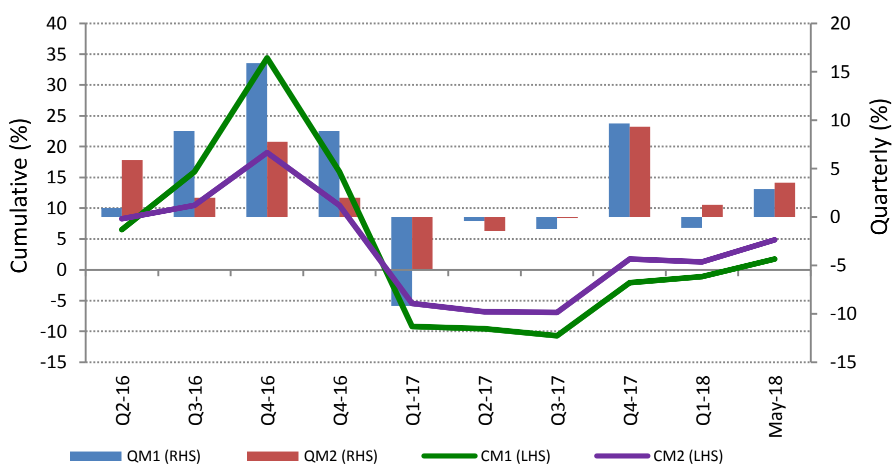
Over the level at end-December 2017, broad money supply, (M_2), grew by 4.9 per cent at end-May 2018, compared with the growth of 1.3 per cent at the end of the preceding quarter. It, however, contrasted with the decline of 6.5 per cent at the end of the corresponding period of 2017. The development reflected the increase of 23.5 per cent in foreign assets (net) of the banking system, which more than offset the decline of 0.6 and 13.0 per cent in domestic credit (net) and other assets (net), respectively. Similarly, relative to the level at end-December 2017, narrow money supply (M_1) grew by 1.7 per cent, reflecting the growth of 4.3 per cent in its demand deposits component.

[2] All monetary aggregate numbers are provisional and subject to revision

Over the level at end-March 2018, quasi-money rose by 4.1 per cent to ₦13,942.70 billion in the review period, compared with the increase of 3.3 per cent at end of the preceding quarter, but in contrast to the decline of 3.0 per cent at the end of the corresponding period of 2017. The development relative tp the preceding quarter was due to increase in time and savings deposits of banks.

Relative to the level at end-December 2017, quasi-money grew by 7.5 per cent at end-May 2018, compared with the increase of 3.2 per cent at end of the preceding quarter, but was in contrast to the decline of 4.3 per cent at the end of the corresponding period of 2017. The development was due to the increase in time and savings deposits of banks (Figure 1, Table 1).

Figure 1: Growth Rate of Narrow Money (M_1) and Broad Money (M_2)[3]



Source: CBN

Relative to the level at end-March 2018, aggregate credit to the domestic economy, at ₦25,716.59 billion, fell by 2.1 per cent at end-May 2018, but contrasted with the growth of 1.6 per cent at the end of the preceding quarter. The development reflected the respective decline of 8.2 and 1.1

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

per cent in claims on the Federal Government (net) and the private sector.

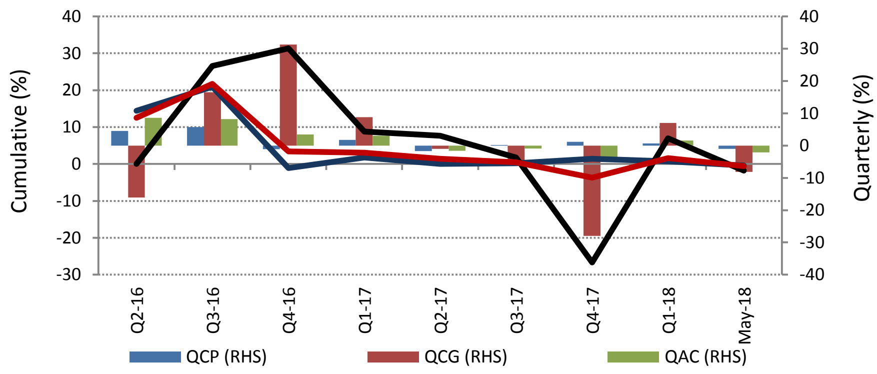
Over the level at end-December 2017, aggregate credit to the domestic economy fell by 0.6 per cent, compared with the decline of 0.1 per cent at the end of the corresponding period of 2017, but was in contrast to the growth of 1.6 per cent at end-March 2018. The development relative to the preceding quarter reflected the respective decline of 1.8 per cent and 0.4 per cent in claims on the Federal Government (net) and private sector.

Banking system's credit to the Federal Government fell in the review period.

Over the level at end-March 2018, net claims on the Federal Government fell by 8.2 per cent to ₦3,509.84 billion at end-May 2018, in contrast to the growth of 7.0 per cent at end-March 2018. The development was due, wholly, to the decline in the banking system's holding of Government Securities. Over the level at end-December 2017, net claims on the Federal Government fell by 1.8 per cent at end-May 2018, compared with the decline of 1.3 per cent at the end of the corresponding period of 2017, but was in contrast to the growth of 7.0 per cent at the end of the preceding quarter. The development was due, wholly, to the decline in the banking system's holding of Government securities.

On quarter-on-quarter basis, banking system's credit to the private sector fell by 1.1 per cent to ₦22,206.74 billion at end-May 2018, in contrast to the growth of 0.7 per cent at the preceding period. The decline in credit to the private sector was due to the 0.1 per cent and 1.8 per cent fall in claims on the core private sector and state and local governments, respectively. Over the level at end-December 2017, credit to the private sector fell by 0.4 per cent, in contrast to the growth of 0.7 per cent and 0.2 per cent at end-March 2018 and the corresponding period of 2017, respectively. The decline in credit to the private sector was due, wholly, to the 1.3 per cent fall in claims on the core private sector (Figure 2,Table 1).

Figure 2: Growth Rate of Aggregate Domestic Credit to the Economy[4]



Source: CBN

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

Foreign assets (net) of the banking system grew by 17.2 per cent to ₦18,297.14 billion at end-May 2018, compared with the respective growth of 5.4 per cent and 7.1 per cent at the end of the preceding quarter and the corresponding period of 2017. The development was attributed, wholly, to the 17.8 per cent increase in CBN's foreign asset holdings. Over the level at end-December 2017, foreign assets (net) of the banking system grew by 23.5 per cent at the end of the review period, compared with the growth of 5.4 per cent at the end of the preceding period, but in contrast to the decline of 6.7 per cent at the end of the corresponding period of 2017. This reflected the 24.3 per cent increase in CBN's foreign asset holdings.

Relative to the level at end-March 2018, other assets (net) of the banking system stood at negative ₦18,844.71 billion at end-May 2018. This represented an increase of 7.2 per cent, compared with the respective growth of 5.5 per cent and 2.7 per cent at end-March 2018 and the corresponding period of 2017. The development was attributed to the fall in unclassified assets of the DMB's. Over the level at end-December 2017, other assets (net) of the banking system fell by 13.0 per cent, compared with the respective decline of 5.5 per cent and 7.4 per cent at the end of the preceding quarter and the corresponding period of 2017.

[4] 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

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

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	May-18
Domestic Credit (Net)	-1.4	-1.6	-0.9	-4.2	1.6	-0.6
Claims on Federal Government (Net)	-3.3	-1.0	-5.5	-28.0	7.0	-1.8
Claims on Private Sector	-0.9	-1.7	0.2	1.2	0.7	-0.4
Claims on Other Private Sector	-1.4	-1.1	-0.2	0.1	-1.2	-1.3
Foreign Assets (Net)	7.1	11.0	18.7	47.4	5.4	23.5
Other Assets (Net)	2.7	-5.6	-9.9	-10.6	5.5	13.0
Broad Money Supply (M2)	-0.7	-1.5	-0.1	9.3	1.3	4.9
Quasi-Money	-3.0	-2.3	0.8	9.0	3.3	7.5
Narrow Money Supply (M1)	2.0	-0.4	-1.2	9.7	-1.1	1.7
Memorandum Items:						
Reserve Money (RM)	-1.0	-6.3	-4.9	10.8	4.2	4.5

Source: CBN

**figures are provisional*

2.2 Currency-in-circulation and Deposits at the CBN

At ₦1,930.70 billion, currency-in-circulation (CIC), at end-May 2018 fell by 5.3 per cent, compared with the decline of 5.5 per cent at end-March 2018. The development relative to the preceding quarter reflected, mainly, the contraction in its currency outside banks component.

Total deposits at the CBN amounted to ₦13,601.33 billion at end-May 2018, indicating a 0.11 per cent increase above the level at end-March 2018. The development was as a result of the rise in the deposits of the private sector and the banks, which more than offset the fall in Federal Government's deposit. Of the total deposits at the CBN, the shares of the Federal Government, banks and private sector deposits were ₦5,818.88 billion (42.8 per cent), ₦4,836.96 billion (35.6 per cent) and ₦2,945.50 billion (21.6 per cent), respectively.

Reserve money rose by 4.5 per cent to ₦6,767.65 billion at end-May 2018, compared with the growth of 4.2 per cent at end-March 2018. The development reflected the increase in total bank reserves.

Reserve money (RM) rose at the end of the review period.

2.3 Money Market Developments

The financial market was relatively stable during the review period .

Developments in the money market were mixed in the second quarter of 2018. Liquidity was buoyed by inflow from fiscal injections, maturing bills, Federal Government (FGN) Bonds, Nigerian Treasury Bills (NTBs) and Central Bank of Nigeria (CBN) bills. Withdrawals arising from CBN interventions through Open

Market Operations (OMO), however, moderated liquidity. In addition, settlement for the sales of Government securities and foreign exchange also impacted on market liquidity. Overall, banks continued to access the intra-day and standing facilities window to meet their short-term liquidity needs during the review quarter.

Total value of money market assets outstanding at the end of the second quarter of 2018 was ₦11,690.29 billion, showing a decline of 3.35 per cent, compared with 0.22 per cent fall, at the end of the first quarter of 2018. The development was attributed to the 10.84 per cent and 0.48 per cent fall in treasury bills and FGN Bonds outstanding, respectively, during the review quarter.

2.3.1 Interest Rate Developments

Banks' lending rates trended upward, while deposit rates exhibited mixed developments

Developments in banks' deposit rates were mixed, while lending rates trended upward in the second quarter of 2018. The average savings rate fell marginally by 0.01 percentage point to 4.07 per cent at the end of the review quarter. The average term deposit rate also fell by 2.36 percentage points to 5.98 per cent at end-June 2018. All other deposit rates of various maturities, however, rose from a range of 3.45 – 10.53 per cent at end-March 2018 to a range of 3.75 – 10.79 per cent at end-June 2018.

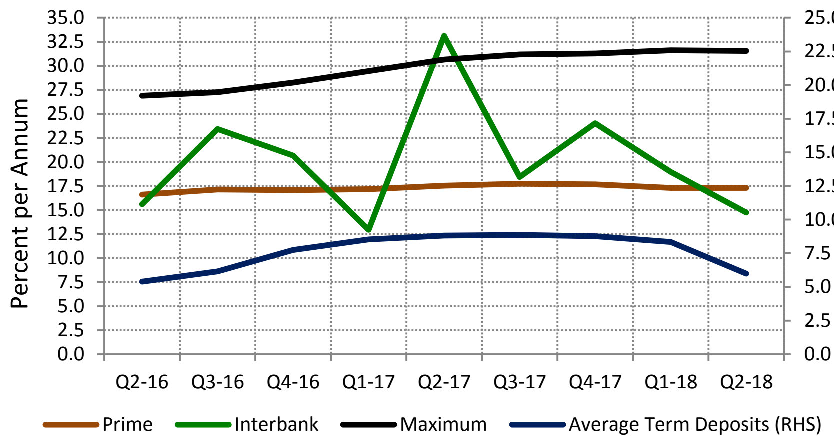
The average prime and maximum lending rates declined by 0.01 percentage point and 0.06 percentage point to 17.30 per cent and 31.54 per cent, respectively, at end-June 2018. Consequently, the spread between the weighted average term deposit and maximum lending rates widened by 2.30 percentage points to 25.57 percentage points, at the end of the review quarter. The spread between the average savings and the maximum lending rates, however, narrowed by 0.06 percentage point to 27.47 percentage points at end-June 2018. With the headline inflation estimated at 11.06 per cent at end-June 2018, all deposit rates were negative in real terms, while lending rates were positive in real terms.

Inter-bank call rate fell in Q2 2018.

At the inter-bank funds segment, the weighted average inter-bank call rate, which stood at 18.98 per cent at end-March 2018, fell by 4.25 percentage points to 14.73 per cent at end-June 2018. Similarly, the Nigeria inter-bank offered rate

(NIBOR) for the 30-day tenor fell from 15.19 per cent in the preceding quarter to 13.04 per cent at end-June 2018. Also, the weighted average rate at the Open-Buy-Back (OBB) segment fell by 2.56 percentage points to 11.88 per cent at the end of the review quarter (Figure 3, Table 2).

Figure 3: Selected DMBs Interest Rates (Average)



Source: CBN

Table 2: Selected Interest Rates (Percent, Averages)

	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Average Term Deposits	5.40	6.16	7.75	8.52	8.82	8.87	8.77	8.34	5.98
Prime Lending	16.60	17.14	17.08	17.16	17.54	17.74	17.66	17.31	17.30
Interbank	15.60	23.42	20.67	12.95	33.11	18.45	24.02	18.98	14.73
Maximum Lending	26.90	27.25	28.26	29.44	30.67	31.18	31.30	31.61	31.54

Source: CBN

2.3.2 *Commercial Paper (CP)*

Commercial Paper (CP) outstanding held by banks amounted to ₦6.29 billion in the second quarter, compared with ₦1.64 billion at end-March 2018. The development was due to the increase in investment in CP by the merchant banks during the review quarter. Thus, CP constituted 0.05 per cent of the total value of money market assets outstanding during the review period, compared with 0.01 per cent in the preceding quarter.

2.3.3 *Bankers' Acceptances (BAs)*

Banks' holdings of BAs decreased in Q2 of 2018.

Bankers' Acceptances (BAs) outstanding stood at ₦3.31 billion in the second quarter of 2018, compared with ₦11.57 billion at the end of the first quarter of 2018. The development was attributed to decreased investment in BAs by commercial banks during the review quarter. Consequently, BAs accounted for 0.03 per cent of the total value of money market assets outstanding at end-June 2018, compared with 0.10 per cent at the end of the preceding quarter.

2.3.4 *Open Market Operations*

The Bank sustained its intervention through direct Open Market Operation (OMO) auction during the review quarter. The tenors to maturity of the instruments ranged from 87 days to 245 days. Total amount offered, subscribed to and allotted were ₦6,030.00 billion, ₦6,379.79 billion, and ₦4,584.19 billion, respectively. The bid rates ranged from 10.3100 per cent to 14.3000 per cent, while the stop rates ranged from 12.6000 per cent to 14.5500 per cent. Repayment of matured CBN bills was ₦4,466.75 billion, translating to a net withdrawal of ₦81.44 billion.

2.3.5 *Primary Market*

At the Government securities market, NTBs of 91- 182- and 364-day tenors, amounting to ₦5,80.09 billion, ₦1,536.46 billion and ₦553.43 billion were offered, subscribed to and allotted, respectively, at the auctions held in the second quarter of 2018, on behalf of the Debt Management Office (DMO). Total subscription and allotment at the 91-day auction, were ₦96.83 billion and ₦44.87 billion, respectively. The bid rates ranged from 9.0000 per cent to 13.0000 per cent, while the stop rates ranged from 10.0000 per cent to 11.7500 per cent.

For the 182-day auction, total subscription and allotment were ₦308.02 billion and ₦206.28 billion, respectively. The bid rates ranged from 10.3000 to 14.1500 per cent, while the stop rates ranged from 10.3000 to 12.7000 per cent. Total subscription and allotment at the 364-day auction were ₦547.92 billion and ₦553.43 billion, respectively. The bill rates ranged from 10.0000 to 18.6000 per cent, while stop rates ranged from 10.7000 to 13.0422 per cent. The bid to cover ratio was 1.05.

2.3.6 *Bonds Market*

Tranches of the 5- 10- and 20-year FGN Bonds were re-opened for sale in the second quarter of 2018. The term to maturity of the bonds ranged from 4 years, 10 months to 9 years, 10 months. Total amount offered, subscribed to and

Tranches of FGN Bonds of various maturities were reopened for sale in the Q2 of 2018.

allotted were ₦220.00 billion, ₦419.02 billion and ₦171.67 billion, respectively. The bid rates on all tenors ranged from 11.5000 to 15.1949 per cent, while the marginal rates were from 12.7500 to 13.8100 per cent. The bid to cover ratio was 1.28, while the auction was oversubscribed by 90.5 per cent. Allotment on non-competitive basis amounted to ₦86.50 billion.

2.3.7 CBN Standing Facilities

The banks continued to access the CBN's Standing Facilities window to square up their positions either by borrowing from the standing lending facility (SLF) window or depositing excess reserves at the standing deposit facility (SDF) window of the CBN at the end of each business day. Total request for the Standing Lending Facility (SLF) inclusive of Intra-day lending facilities (ILF) that was converted to overnight repo during the review quarter stood at ₦3,960.24 billion, compared with ₦2,805.47 billion in the preceding quarter. Daily average transaction value amounted to ₦70.72 billion in 56 transaction-days, with total interest earned at ₦3.07 billion.

Total standing deposit facility (SDF) granted during the review period was ₦5,910.29 billion, with daily average of ₦103.69 billion, compared with ₦4,572.62 billion, in the first quarter of 2018. The cost incurred on SDF in the review quater amounted to ₦2.25 billion, compared with ₦1.67 billion in the preceding quarter.

2.4 Deposit Money Banks' Activities

The total assets and liabilities of the commercial banks stood at ₦36,062.68 billion at end-May 2018, representing 1.1 per cent increase over the level at end-March 2018. The funds were sourced from the realisation of foreign assests and redemption of claims on the Central Government as well as mobilisation of demand deposits and unclassified liabilities. The funds were used, mainly, for accretion to reserves, acquisition of unclassified assets and reduction of credit from the central bank.

At ₦19,104.16 billion, banks' credit to the domestic economy, at end-May 2018 fell by 1.9 per cent below the level at end-March 2018. The development reflected, the decline in claims on both the Federal Government and the private sector in the review period.

Total specified liquid assets of the banks was ₦12,047.23 billion at end-May 2018, representing 60.1 per cent of the total current liabilities. At that level, the liquidity ratio was 5.9 percentage points and 30.1 percentage points above the levels at end-March 2018 and the stipulated minimum ratio of 30.0 per cent, respectively. The loans-to-deposit ratio, at 63.39 per cent, was 4.04 and 16.61 percentage points below the levels at end-March 2018 and the prescribed maximum of 80.0 per cent, respectively.

Liquidity ratio was above the prescribed minimum, while the Loan-to-deposit ratio was below the prescribed maximum in May of 2018.

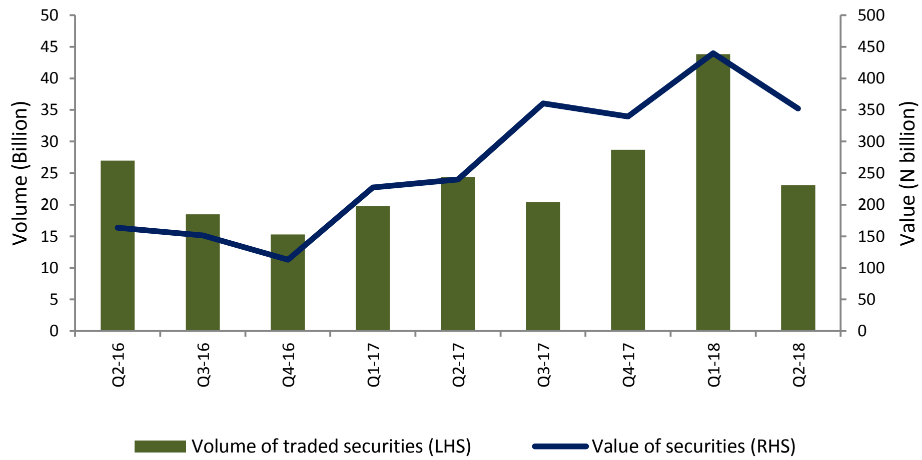
2.5 Capital Market Developments

2.5.1 Secondary Market

Despite the sustained optimism in the economy, growing insecurity impacted negatively on the investment environment in the review period. In addition, rising interest rates in the United States was a major threat to the retention of particularly, portfolio investments, as investors contemplate diversification of their portfolios to seek higher returns. These factors combined to weaken investors' confidence in the market. Consequently, developments in the Nigerian capital market were generally bearish in the second quarter of 2018. The aggregate volume and value of traded securities fell by 47.3 per cent and 18.3 per cent to 23.1 billion shares and ₦359.2 billion, respectively, in 277,811 deals, compared with 43.8 billion shares and ₦439.7 billion, traded in 384,472 deals in the first quarter of 2018.

The Financial Services Industry (measured by volume) led the activity chart with 16.0 billion shares, valued at ₦178.9 billion traded in 136,315 deals, compared with 29.8 billion shares, valued at ₦260.7 billion, traded in 237,028 deals in the first quarter of 2018. This constituted 69.3 per cent and 49.8 per cent of the total turnover volume and value of traded securities, respectively, compared with 29.8 billion shares, valued at ₦260.7 billion, traded in 237,028 deals in first quarter of 2018. The banking sub-sector (measured by volume) was the most active in the review quarter.

Figure 4: Volume and Value of Traded Securities



Source: NSE

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

	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Volume (Billion)	27	18.5	15.3	19.8	24.4	20.4	28.7	43.8	23.1
Value (₦ Billion)	163.4	151.4	112.8	227.2	240.0	360.4	339.4	439.7	359.2

Source: NSE

2.5.2 New Issues Market/Supplementary Listings

There was one (1) new supplementary equity in the second quarter of 2018.

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

S/N	Company	Additional Shares (Units)	Reasons	Listing
1	Flour Mills of Nigeria PLC	1,476,142,418 Ordinary shares	Rights Issue	Supplementary

Source: NSE

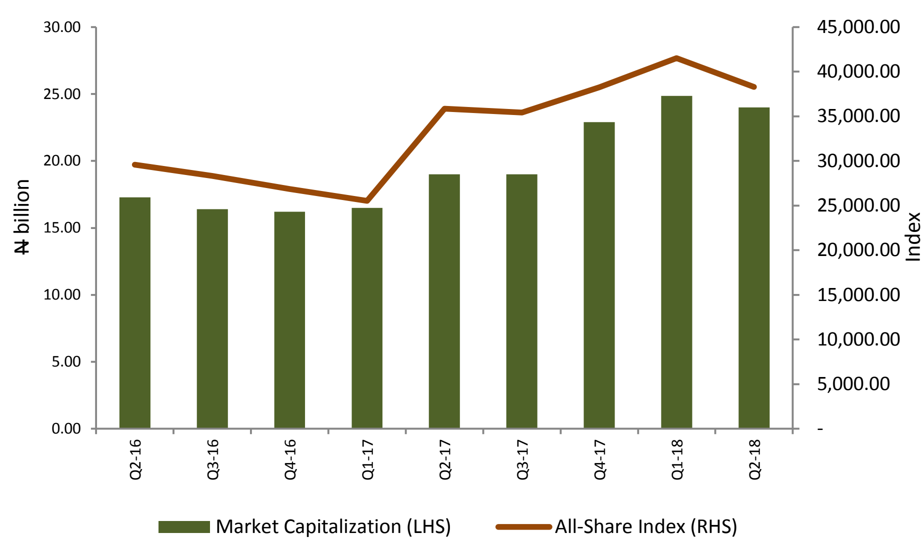
2.5.3 Market Capitalisation

Notwithstanding the sustained improvement in the macro-economic conditions, volatility was heightened in the market due to increased activities leading to the 2019 general elections. The development negatively impacted the performance of quoted securities on the Nigeria Stock Exchange in the review period. The aggregate market capitalisation for all listed securities (Equities and Debts) fell by 3.6 per cent to ₦24.0 trillion at end-June, 2018 from ₦24.9 trillion at end-March 2018. Similarly, market capitalisation for the equities segment fell by 6.7 per cent to ₦13.9 trillion and constituted 57.9 per cent of the aggregate market capitalisation, compared with ₦15.0 trillion and 59.8 per cent at end-March 2018.

2.5.4 NSE All-Share Index

Developments in the major and sectoral indices showed poor performance of quoted stocks on the Exchange in the review period. The All-Share Index fell by 7.8 per cent to close at 38,278.55 at end-June 2018 below the level at end-March 2018. Similarly, all sectoral indices fell below the levels in the first quarter of 2018. The NSE-Banking, NSE-Industrial Goods, NSE-Premium and NSE-Oil and Gas indices declined the most at 8.6, 8.4, 7.8 and 6.8 per cent to 476.05, 2,008.70, 2,720.42 and 323.22, respectively, at end-June 2018 below the levels at end-March 2018. Also, the NSE-Pension, NSE-Consumer Goods, NSE-AseM, NSE-Lotus and NSE-Insurance indices fell by 5.9, 5.2, 3.9, 2.7 and 0.43 per cent to 1,490.07, 927.72, 949.59, 2,626.59 and 150.44, respectively, at end-June 2018 below the levels at end-March 2018.

Figure 5: Market Capitalisation and All-Share Index



Source: NSE

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

	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Market Capitalization (₦ trillion)	17.28	16.39	16.20	16.50	19.00	19.60	22.90	24.87	24.00
All-Share Index (Equities)	29,597.79	28,335.40	26,874.62	25,516.34	33,117.48	35,439.98	38,243.19	41,504.51	38,278.55

Source: NSE

3.0 Fiscal Operations[5]

Federally collected revenue in the second quarter of 2018 fell below the provisional quarterly budget estimate by 13.6 per cent, but rose above the receipt in the preceding quarter by 11.3 per cent. Federal Government provisional retained revenue for the review quarter was ₦896.74 billion, while total estimated expenditure amounted to ₦988.91 billion, resulting in an estimated deficit of ₦92.17 billion.

3.1 Federation Account Operations

Gross federally collected revenue was below the budget estimate by 13.6 per cent.

At ₦2,318.25 billion, federally-collected revenue in the second quarter of 2018, was lower than the proportionate quarterly budget estimate of ₦2,684.28 billion by 13.6 per cent. It, however, rose above the receipts in the preceding quarter by 11.3 per cent. The decline in federally-collected revenue (gross) relative to the proportionate quarterly budget estimate was attributed to the shortfall in receipts from non-oil revenue (Figure 6, Table 6).

Figure 6: Components of Gross Federally Collected Revenue

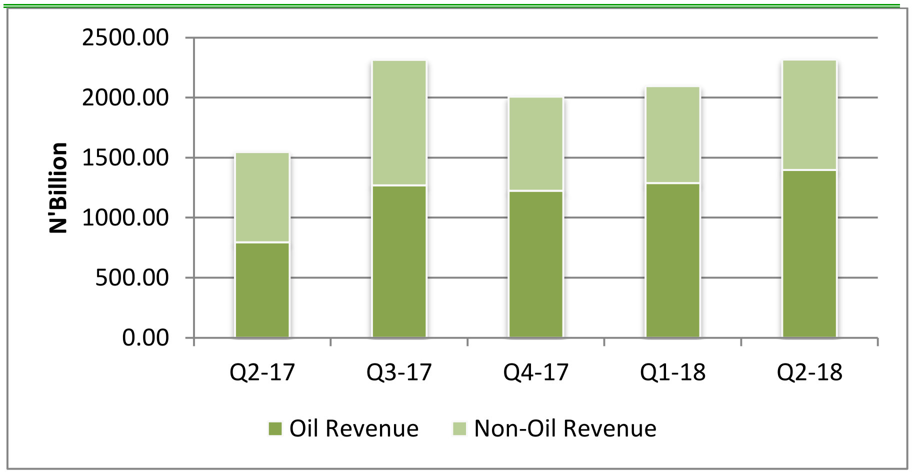


Table 6: Gross Federation Account Revenue (₦ Billion)

	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Federally-collected revenue (Gross)	1,546.71	2,315.84	2,008.87	2,083.66	2,318.25
Oil Revenue	795.55	1,270.62	1,226.04	1,288.06	1,398.06
Non-Oil Revenue	751.17	1,045.22	782.83	795.60	920.19

Source:Federal Ministry of Finance
* *All figures are provisional*

5 All figures on government revenue and expenditure are provisional and subject to changes\

At ₦1,398.06 billion or 60.3 per cent of the total revenue, gross oil receipt was higher than the proportionate quarterly budget estimate by 3.6 per cent. It also exceeded receipts in the preceding quarter by 8.5 per cent. The increase in oil revenue relative to the proportionate quarterly budget estimate was attributed, wholly, to improved receipts from domestic crude oil and gas sales (Figure 7, Table 7).

Figure 7: Gross Oil Revenue and Its Components

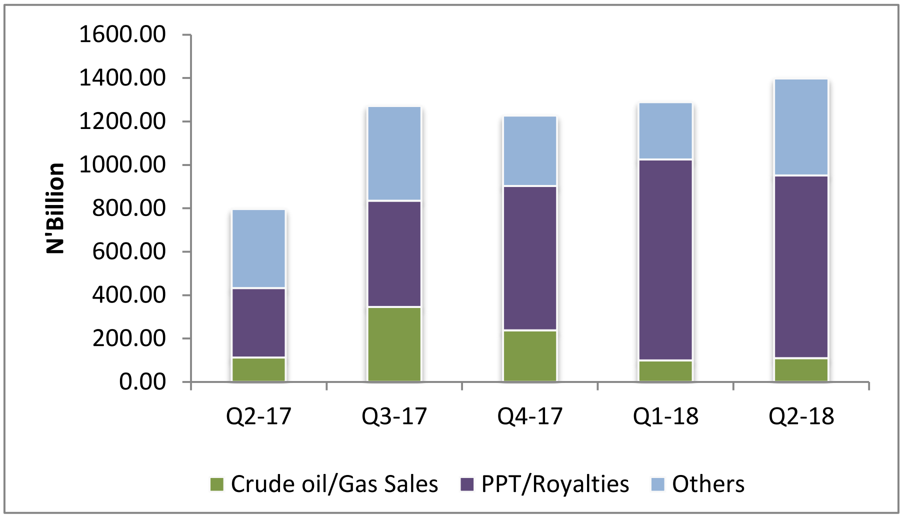


Table 7: Components of Gross Oil Revenue (₦ Billion)

	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Oil Revenue Gross	**795.55**	**1,270.62**	**1,226.04**	**1,288.06**	**1,398.06**
Crude oil/Gas Sales	111.84	345.53	236.69	98.21	109.32
PPT/Royalties	320.49	489.41	666.10	926.33	841.03
Others	363.22	435.69	323.24	263.51	447.71

Source: Federal Ministry of Finance
* *All figures are provisional*

Non-oil revenue, at ₦920.19 billion or 39.7 per cent of total, was below the proportionate quarterly budget estimate of ₦1,335.41 billion by 31.1 per cent, but exceeded the level in the preceding quarter by 15.7 per cent. The lower non-oil revenue relative to the proportionate quarterly budget estimate, was due to the shortfall in receipts from PPT/Royalties and 'others' (Figure 8, Table 8).

Figure 8: Gross Non-Oil Revenue and Its Components

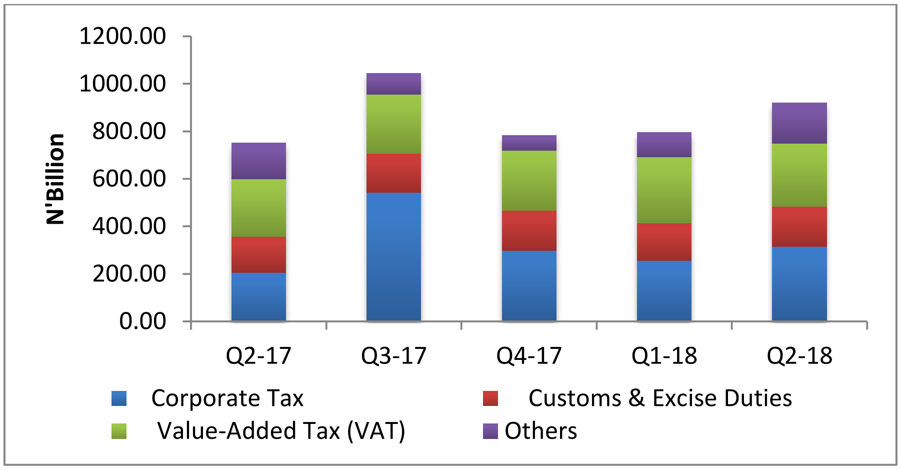


Table 8: Components of Gross Non-Oil Revenue (₦ Billion)

	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Non-Oil Revenue	**751.17**	**1,045.22**	**782.83**	**795.60**	**920.19**
Value-Added Tax (VAT)	243.31	248.89	253.46	277.26	264.00
Companies Income Tax	206.38	543.40	297.56	256.86	315.14
Customs & Excise Duties	150.67	164.15	169.05	158.42	169.60
Others/1	150.81	88.78	62.76	103.06	171.45

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

Source: Federal Ministry of finance

** All figures are provisional*

After statutory deductions and transfers of ₦287.28 billion and ₦424.89 billion, respectively, a net sum of ₦1,606.08 billion was retained in the Federation Account. Of this amount, the Federal Government received ₦767.48 billion, while state and local governments received ₦389.27 billion and ₦300.11 billion, respectively. The balance of ₦149.22 billion was transferred to the 13.0% Derivation Fund for distribution among the oil-producing states.

The sum of ₦ 1,606.08 billion of the gross federally-collected revenue was distributed among the three tiers of government and the 13.0% Derivation Fund for oil producing states.

In addition, the Federal Government received ₦38.02 billion, while the state and local governments received ₦126.72 billion and ₦88.70 billion, respectively, from the VAT Pool Account.

Table 9: Summary of Federally-Collected Revenue Deductions and Transfers (Naira Billion)*

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Total Deductions 1/	**318.36**	**523.70**	**376.63**	**117.24**	**287.28**
Oil Revenue Deductions	270.38	474.76	337.00	79.30	250.24
Non-Oil Revenue Deductions	47.98	48.94	39.63	37.93	37.04
Total Transfers	**384.39**	**327.72**	**306.08**	**369.52**	**424.89**
Federal Govt. Ind. Revenue	97.49	35.76	0.92	20.25	57.42
VAT Pool Account	233.58	238.93	243.32	266.45	253.44
Others 2/	53.32	53.02	61.84	82.81	114.03
1/ Refer to Table 1 for breakdown of deductions					
2/ Includes Federation and Non-Federation Special Levies, Education Tax & NITDEF					

Source: Office of the Accountant General of the Federation (OAGF) and Federal Ministry of Finance

** All figures are provisional*

Thus, the total statutory and VAT revenue allocation to the three tiers of government in the second quarter of 2018 amounted to ₦1,933.32 billion, compared with the proportionate quarterly budget estimate of ₦2,350.72 billion.

3.2 The Fiscal Operations of the Three Tiers of Government

3.2.1 The Federal Government

At ₦896.74 billion, the estimated FGN retained revenue was lower than the proportionate quarterly budget estimate by 33.5 per cent.

Provisional data on Federal Government finances indicated that the Federal Government retained revenue in the second quarter of 2018 amounted to ₦896.74 billion. This was below both the proportionate quarterly budget estimate and the receipt in the preceding quarter by 33.5 and 0.7 per cent, respectively. Of the total revenue, Federation Account accounted for 85.6 per cent, while Federal Government Independent Revenue, VAT, Exchange Gain and NNPC Refund accounted for 6.4, 4.2, 3.2 and 0.6 per cent, respectively (Figure 9).

Figure 9: Federal Government Retained Revenue

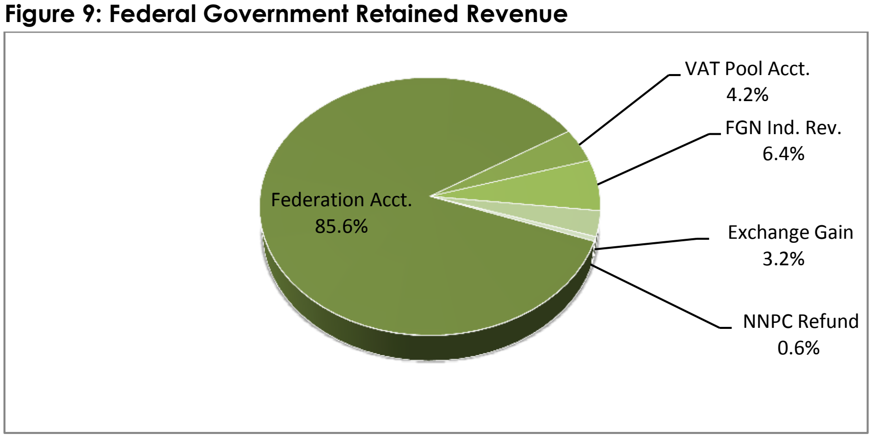


Table 10: Federal Government Fiscal Operations (₦ Billion)

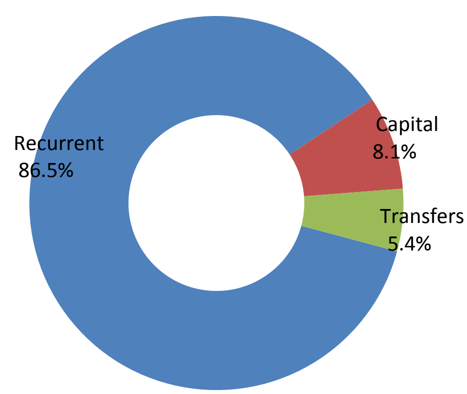
	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Retained Revenue	1,021.94	990.21	1,265.75	902.64	896.74
Expenditure	1,361.83	1,652.00	1,956.77	1,599.76	988.91
Current Surplus(+)/Deficit(-)	(57.70)	(307.49)	(192.05)	(372.30)	41.16
Primary Surplus(+)/Deficit(-)	(36.29)	(48.58)	(272.74)	86.88	364.36
Overall Balance: Surplus(+)/Deficit(-)	(339.89)	(661.79)	(691.02)	(697.11)	(92.17)

Source: Fiscal Liquidity Assessment Committee (FLAC), Ministry of Finance & the Office of the Accountant General of the Federation

**All figures are provisional*

At ₦988.91 billion, the estimated Federal Government expenditure for the second quarter of 2018 was below both the proportionate quarterly budget estimate of ₦1,937.98 billion and the level in the preceding quarter by 49.0 per cent and 38.2 per cent, respectively. A breakdown of the total expenditure showed that the recurrent component accounted for 86.5 per cent, while capital and statutory transfers accounted for 8.1 and 5.4 per cent, repectively. A further breakdown of the recurrent expenditure showed that the non-debt component accounted for 46.6 per cent, while debt service payments was 53.4 per cent (Figure 10).

Figure 10: Federal Government Expenditure



Thus, the fiscal operations of the Federal Government resulted in an estimated deficit of ₦92.17 billion, compared with the proportionate quarterly budget deficit of ₦589.19 billion.

Fiscal operations of the FG resulted in an estimated deficit of ₦92.17 billion in Q2 2018.

3.2.2 *Statutory Allocations to State Governments*

At ₦691.96 billion, the total allocation to state governments from the Federation Account, including the 13.0% Derivation Fund and the VAT Pool Account was lower than the proportionate quarterly budget estimate by 18.5 per cent. A breakdown showed that receipts from the Federation Account was ₦565.24 billion (81.7%), while the share from VAT pool account stood at ₦126.72 billion (18.3%). The receipts from both the Federation and VAT Pool Accounts fell below the proportionate budget estimate by 10.6 and 41.3 per cent, respectively.

3.2.3 *Statutory Allocations to Local Government Councils*

Total allocations to local governments from the Federation and VAT Pool Accounts in the second quarter of 2018 stood at ₦402.04 billion. This was below the proportionate quarterly budget estimate by 21.6 per cent. Of the total amount, allocation from the Federation Account was ₦313.34 billion (77.9%), while the VAT Pool Account stood at ₦88.70 billion (22.1%).

4.0 Domestic Economic Conditions

As a result of the general improvement in rainfall during the review quarter, agricultural activities in the Southern states were dominated by harvesting and replanting of cereals and tuber crops, while farmers in the North concentrated on planting of cereals and leguminous crops. The end-period inflation, on year-on-year and 12-month moving average bases for the second quarter of 2018 were estimated at 11.06 per cent and 14.40 per cent, respectively.

4.1 Agricultural Sector

There was improved rainfall in the Southern and Northern parts of the country during the second quarter of 2018. States such as Ogun, Osun, Imo, Abia, Plateau, Rivers, Kaduna, Benue and Delta experienced severe to moderate rainfall in the review quarter. Consequently, harvesting and replanting of maize, yam, rice and cassava were the predominant agricultural activities in the Southern states, while farmers in the Northern part of the country concentrated on planting of cereals and leguminous crops. In the livestock sector, poultry farmers continued breeding birds, while cattle rearers moved northwards due to more than normal rainfall in the South. A few cases of farmer/herder clashes were recorded thereby, impacting negatively on the agricultural sector.

As part of the effort to manage the farmers/herdsmen clashes, which adversely affected the agricultural sector, the Federal Ministry of Agriculture and Rural Development (FEMARD) presented the National Livestock Transformation Plan (2018–2027) to the National Economic Council (NEC) for approval. The Plan is a multifaceted intervention arrangement, which seeks to modernise livestock management towards the achievement of improved productivity and food security in Nigeria.

4.2 Agricultural Credit Guarantee Scheme

A total of ₦928.92 million was guaranteed to 5,470 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in the second quarter of 2018. The amount represented an increase of 12.5 per cent above the level in the preceding quarter, but was a 33.5 per cent decline below the level in the corresponding period of 2017. Sub-sectoral analysis showed that: food crops obtained the largest share of ₦552.07 million (59.4 per cent), guaranteed to 3,612 beneficiaries; livestock,

₦156.45 million (16.8 per cent) guaranteed to 657 beneficiaries; and cash crop, ₦106.09 million (11.4 per cent), guaranteed to 686 beneficiaries. Fisheries had ₦70.39 million (7.6 per cent) guaranteed to 232 beneficiaries; the mixed crop sub-sector, ₦29.48 million (3.2 per cent), guaranteed to 211 beneficiaries; and "others", ₦14.44 million (1.6 per cent), guaranteed to 72 beneficiaries.

Analysis by state showed that 34 states and the Federal Capital Territory benefited from the Scheme with the highest and lowest sums of ₦132.14 million (14.2 per cent) and ₦0.65 million (0.1 per cent) guaranteed to Ogun and Bayelsa states, respectively.

4.3 Commercial Agricultural Credit Scheme (CACS)

At end-May 2018, total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACS) from inception to the participating banks for disbursement stood at ₦557.40 billion for 555 projects. The projects included sixty-nine (69) state government projects under CACS (Table 11).

Table 11: 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	36.66	26
2	Citibank Plc	3.00	2
3	Diamond Baqnk Plc	4.85	23
4	ECOBANK	6.38	10
5	FCMB Plc.	15.43	25
6	Fidelity Bank Plc	21.67	17
7	First Bank of Nigeria Plc	42.89	99
8	GTBank Plc	39.70	27
9	Heritage Bank Plc	6.81	15
10	Keystone Bank	14.05	15
11	Jaiz Bank Plc	0.00	0
12	Skye Bank Plc	13.77	13
13	Stanbic IBTC Bank	27.66	44
14	Sterling Bank Plc	71.67	41
15	Union Bank Nigeria PLC	28.74	37
16	United Bank for Africa (UBA) Plc	74.06	47
17	Unity Bank Plc	25.18	26
18	Wema Bank	2.89	13
19	Zenith Bank	120.16	71
20	Suntrust Bank Ltd	1.85	3
	TOTAL	557.40	555

Source: CBN

4.4 Industrial Production[6]

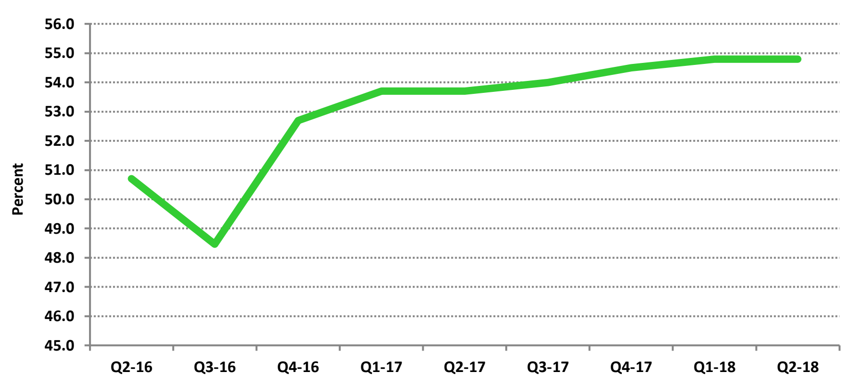
Industrial activities rose in the review quarter due to increased new orders on account of expectated continued economic upturn.

Activities in the industrial sector during the second quarter of 2018 showed improvement over the level in the preceding quarter. The growth was driven by sustained increase in output as a result of increase in new orders due to expectation of continued economic upturn. Thus, industrial production in the review quarter indicated a marginal improvement over the level in the preceding quarter. At 110.4 (2010=100), estimated index of industrial production in the review quarter, rose by 0.6 per cent above the level in the preceding quarter. The increase was attributed to improved activities in the manufacturing and electricity subsectors.

Industrial capacity utilisation stood at 54.8 per cent in the review quarter.

The estimated index of manufacturing production in the second quarter of 2018, at 183.1 (2010=100), showed a marginal increase of 0.4 per cent, compared with the level in the preceding quarter. The improvement was due to continued expansion in new orders. Capacity utilisation in the sub-sector was maintained at 54.8 per cent, same as in the preceding quarter (Figure11).

Figure11: Manufacturing Capacity Utilization Rate



Source: Staff Estimate

Average electricity generation and consumption improved in the review quarter.

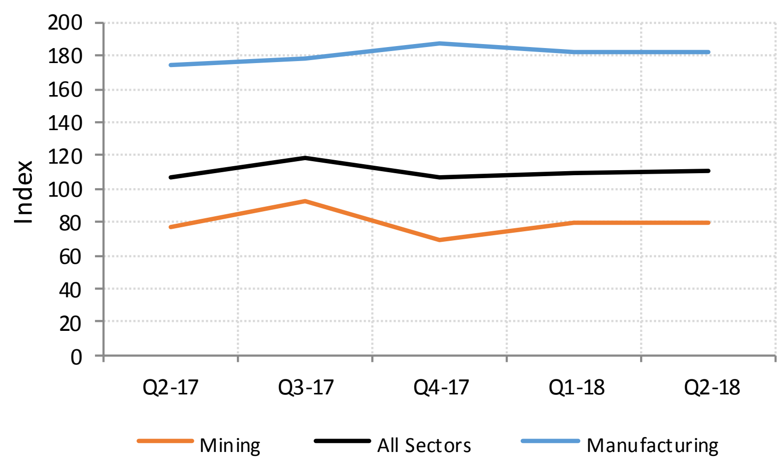
The estimated index of mining production in the second quarter of 2018, at 79.4 (1990=100), fell by 0.5 per cent, below the level in the preceding quarter of 2018. The decline reflected the fall in crude oil and gas production(Figure 12, Table 12).

[6] Indices are staff estimates and subject to changes and revision

Electricity generation improved during the review quarter, rising to a peak of 5,090 mw in April 26, 2018. At 3,962 mw/h, average estimated electricity generation rose by 4.2 per cent, compared with the level in the preceding quarter. The increase was attributed to the relative system stability despite a marginal dip in gas production.

At 3,320 mw/h, average estimated electricity consumption increased by 3.2 per cent, compared with the level in the preceding quarter. The increase in electricity consumption was attributed to the rise in electricity generation.

Figure 12: Index of Industrial Production (2010=100) [7]



Source: Staff Estimate

Table 12: Index of Industrial Production and Myanufacturing Capacity Utilisation Rate

	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
All Sectors (1990=100)	**106.80**	**119.00**	**106.80**	**109.70**	**110.40**
Manufacturing	*174.68*	*179.21*	*188.22*	*182.3*	*183.1*
Mining	*76.9*	*92.93*	*69.63*	*79.8*	*79.4*
Capacity Utilisation (%)	*53.70*	*54.00*	*54.50*	*54.80*	*54.80*

Source: Staff Estimate

4.5 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, averaged 1.85 mbd or 168.35 million barrels (mb) during the review quarter. This represented a marginal decline of 0.10 mbd or 5.1 per cent, compared with 1.95 mbd

Crude oil and natural gas production fell in the second quarter of 2018.

[7] Index measurement (2010=100) from first quarter 2015

or 175.50 million barrels in the preceding quarter. The estimated decline in production was attributed, largely, to aging pipelines and unplanned outages following the shutdown of the Nembe Creek Trunk Line stream and the Trans-Forcados pipeline.

Crude oil export averaged 1.40 mbd or 127.4 mb, representing a decline of 6.7 per cent below 1.50 mbd or 135.00 mb in the preceding quarter. Allocation of crude oil for domestic consumption was 0.45 mbd or 40.95 million barrels during the period under review.

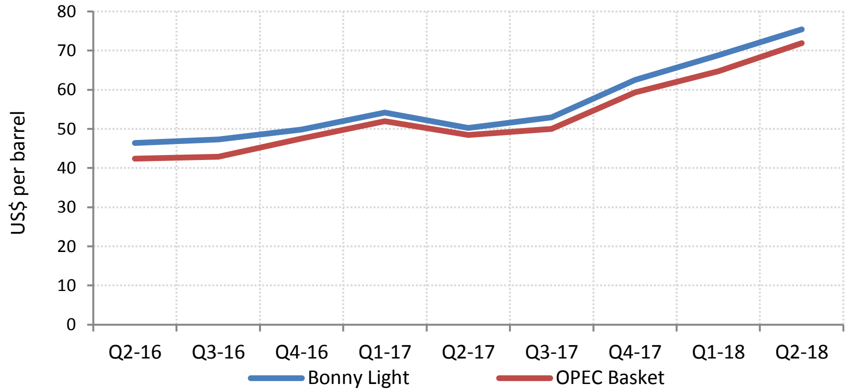
Crude oil export fell in Q2 2018.

The average spot price of Nigeria's reference crude oil, the Bonny Light (37° API), rose to US$75.43/b in the second quarter 2018, from US$68.55/b in the preceding quarter. This represented quarter-on-quarter increase of 10.0 per cent. The rise in oil price was attributed to the escalating geopolitical tensions, involving the U.S. and Syria, and possible reaction by Russia and Iran as well as uncertainties surrounding the announced withdrawal by the U.S from the Iran deal. The UK Brent at US$74.69/b and the Forcados at US$75.48/b exhibited similar trend as the Bonny Light. The WTI, however, declined to US$60.23/b from US$62.58/b in the first quarter of 2018.

With the exception of the WTI, the average prices of all other crude oil variants rose in the international crude oil market in Q2 2018,.

The average price of OPEC basket of eleven selected crude streams was US$71.88/b in the second quarter of 2018. This represented an increase of 11.0 per cent and 48.3 per cent, compared with US$64.76/b and US$48.47/b recorded in the preceding quarter and the corresponding period of 2017, respectively (Figure 13, Table 13).

Figure13: Trends in Crude Oil Prices



Source: Reuters

Table 13: Average Crude Oil Prices in the International Oil Market

	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Bonny Light	46.44	47.33	49.84	54.17	50.21	52.92	62.48	68.55	75.43
OPEC Basket	42.38	42.86	47.52	51.95	48.47	49.97	59.35	64.76	71.88

Source: Reuters

4.6 Consumer Prices[8]

The general price level increased in Q2 2018 over the level in the preceding quarter.

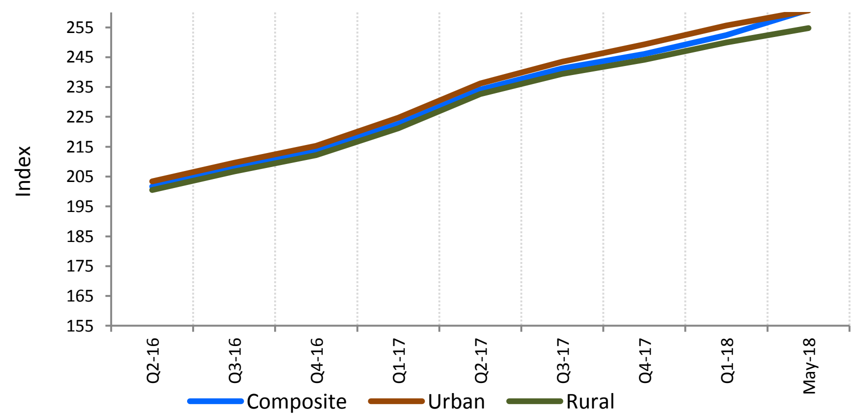
The all-items composite Consumer Price Index (CPI), at end-June 2018, was estimated at 260.8 (November 2009=100), indicating a 3.3 per cent and 11.4 per cent increase over the levels in the first quarter of 2018 and the corresponding period of 2017, respectively. The development was attributed to projected increase in both food and non-food categories.

The urban All-items CPI (November 2009=100) was 260.6 at end-May 2018, representing 1.13 per cent and 12.09 per cent increase, compared with the levels at end-April 2018 and at end-May 2017, respectively. The rural all-items CPI (November 2009=100), was 254.7 at end-May 2018, representing 1.07 per cent and 11.22 per cent increase, compared with the levels at end-April 2018 and the corresponding period, respectively (Figure 14, Table 14).

[8] 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. All values are staff estmates.

The composite food index (with a weight of 50.7 per cent in the CPI basket) was estimated at 278.9, compared with 267.9 and 246.3, at the end of the preceding quarter and the corresponding period of 2017, respectively. The estimated price increase was attributed to distribution constraints and high transportation cost.

Figure 14: Consumer Price Index



Source: NBS

Table 14: Consumer Price Index (November 2009=100)

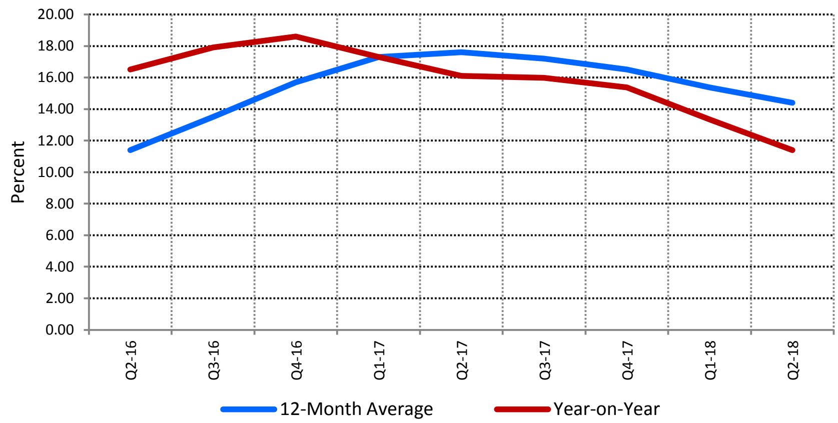
	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	May-18
Composite	201.7	208	213.6	222.7	234.2	241.2	246.1	252.4	260.8
Urban	203.4	209.6	215.3	224.7	236.2	243.5	249.3	255.6	260.6
Rural	200.5	206.7	212.2	221.2	232.6	239.4	244.1	249.9	254.7

The headline inflation (y-o-y) was estimated at 11.06 per cent in Q2 2018.

Inflationary pressures were expected to decline due to anticipated decline in food inflation in the review quarter. Consequently, headline inflation was estmated to decline to 11.06 per cent in June 2018, compared with the 11.61 and 16.10 per cent in the preceding quarter and the corresponding period of 2017, respectively. Inflation was projected to reflect the expected rise in price of selected food items, fuel and lubricants for personal transport equipment and solid fuels, among others.

The Twelve-Month Moving Average (12MMA) inflation for June 2018 was estimated at 14.40 per cent, compared with 14.79 per cent and 17.58 per cent in the preceding quarter and corresponding period of 2017, respectively (Figure 15, Table 15).

Figure 15: Inflation Rate



Source: NBS

Table 15: Headline Inflation Rate (%)

	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
12-Month Moving Average	11.40	13.50	15.70	17.30	17.60	17.20	16.50	15.60	14.40
Year-on-Year	16.50	17.90	18.60	17.26	16.10	15.98	15.37	13.34	11.06

Source: NBS

5.0 External Sector Developments[9]

Foreign exchange inflow through the CBN in the second quarter of 2018 fell by 10.5 per cent, while outflow rose by 22.9 per cent, relative to the levels in the first quarter of 2018. Total non-oil export receipts rose by 35.2 per cent above the level at end-March 2018. The average exchange rate at the investors' and exporters' window, the BDC and the inter-bank segment of the foreign exchange market were ₦360.80/US$, ₦361.84/US$ and ₦305.77/US$, respectively, in the review quarter. At US$47.50 billion, the gross external reserves rose by 1.6 per cent, compared with the level at end-March 2018 .

5.1 Foreign Exchange Flows

Foreign exchange inflow through the CBN declined , while outflow rose and resulted in a net inflow of US$0.82 billion in Q2 of 2018.

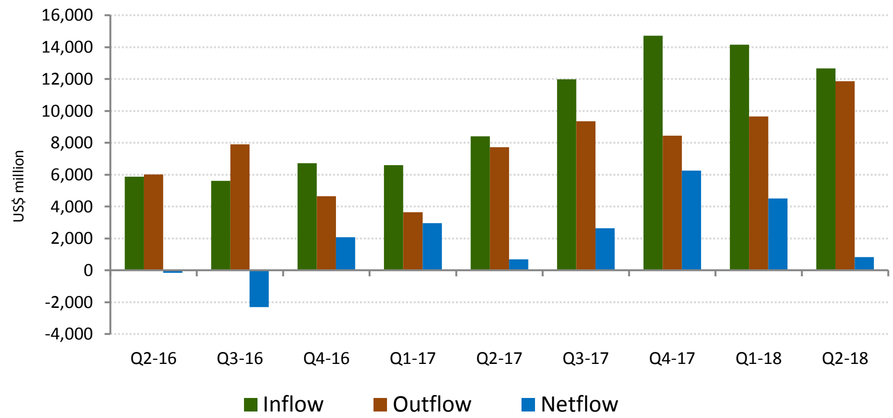
Despite the decline of domestic crude oil production to 1.89 million barrels per day in the second quarter, the external sector experienced relative stability due to the rising price of crude oil in the international market. The fall in production was attributed to damage of a pipeline belonging to Forcados. Consequently, aggregate foreign exchange inflow through the CBN amounted to US$12.68 billion, indicating a 10.5 per cent decline below the level in the preceding quarter. It, however, showed an increase of 35.5 per cent, over the level in the corresponding period of 2017. The decline, relative to the preceding quarter's level, reflected the fall in inflow from oil and non-oil sources.

Aggregate outflow through the CBN amounted to US$11.86 billion, above US$9.65 billion and US$ 9.05 billion in the preceding quarter and the corresponding period of 2017, respectively. This showed an increase of 22.9 per cent and 31.0 per cent, respectively. The increase in outflow relative to the preceding quarter was attributed to the rise in inter-bank utilisation, external debt service, drawings on L/Cs and third party MDA transfers.

Overall, a net inflow of US$0.82 billion wa recorded through the Bank, compared with US$4.51 billion and US$0.31 billion in the preceding quarter and the corresponding period of 2017, respectively (Figure 16, Table 16).

[9] Data on foreign exchange flows through the CBN and the Economy, as well as foreign exchange utilisation are provisional and subject to change

Figure 16: Foreign Exchange Flows Through the CBN



Source: CBN

Table 16: Foreign Exchange Flows Through the CBN (US$ million)

	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Inflow	5,613.01	6,726.01	6,597.73	9,355.29	11,984.05	14,708.45	14,159.09	12,676.96
Outflow	7,912.02	4,649.85	3,646.89	9,048.62	9,343.06	8,444.27	9,652.66	11,855.75
Netflow	(2,299.01)	2,076.16	2,950.84	306.67	2,640.99	6,264.18	4,506.43	821.21

Source: CBN

Aggregate foreign exchange inflow into the economy amounted to US$31.55 billion at end-June 2018, indicating increase of 3.0 per cent and 57.5 per cent, relative to the levels in the preceding quarter and the corresponding period of 2017, respectively. The development was as a result of, mainly, the 14.5 per cent increase in inflow through autonomous sources. Oil sector receipts, which accounted for 10.2 per cent of the total, was US$3.22 billion, compared with US$3.37 billion and US$2.10 billion in the preceding quarter and the corresponding period of 2017, respectively.

Autonomous inflow into the economy rose by 14.5 per cent in Q2 2018 .

Non-oil public sector inflow, at US$9.46 billion (30.0 per cent of the total), fell by 12.3 per cent below the level in the preceding quarter, but rose by 30.3 per cent, over the level at end-June 2017. Autonomous inflow, at US$18.87 billion, rose by 14.5 per cent and 76.7 per cent above the levels in the preceding quarter and the corresponding period of 2017, respectively. Inflow from autonomous sources accounted for 59.8 per cent of the total.

Aggregate foreign exchange outflow from the economy, at US$12.69 billion, rose by 18.3 per cent and 33.7 per cent, above the levels in the preceding quarter and the corresponding period of 2017, respectively. The development reflected, mainly, the rising outflow through the Bank. Thus, foreign exchange flows through the economy resulted in a net inflow of US$18.86 billion in the review quarter, compared with US$19.91billion and US$10.54 billion in the preceding quarter and the corresponding period of 2017, respectively.

5.2 Non-Oil Export Earnings by Exporters

Total non-oil export earnings received through the banks rose by 35.2 per cent above the level in the preceding quarter to US$1.21 billion in the review quarter. The development was due, mainly, to the respective increase of 84.9 per cent, 56.2 per cent and 6.7 per cent in earnings from manufactured products, minerals and agricultural sub-sectors. A breakdown by sectors showed that proceeds were: minerals, (US$522.33 million; manufactured products, (US$282.10 million); agricultural sector, (US$ 216.45 million); industrial sector, (US$167.31million); transport (US$82.65 million); and food products, (US$21.87 million).

Total non-oil export earnings by exporters rose in Q2 2018.

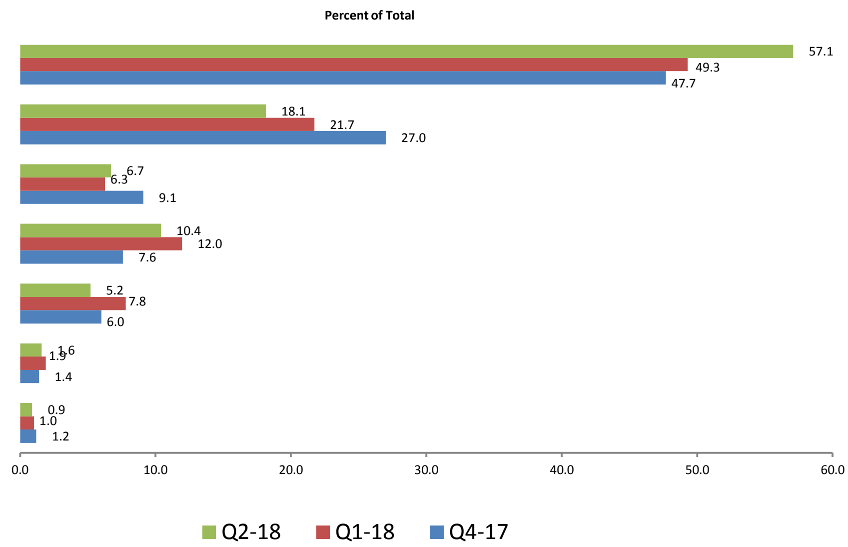
The percentage shares of minerals, manufactured products, food products, agricultural products and industrial sector in the total non-oil export proceeds were 43.2 per cent, 23.3 per cent, 17.9 per cent, 13.8 per cent and 1.8 per cent, respectively.

5.3 Sectoral Utilisation of Foreign Exchange

Provisional data showed that sectoral foreign exchange utilisation amounted to US$9.23 billion in the second quarter of 2018, indicating a 22.0 per cent increase above the level in the preceding quarter. The invisible sector accounted for the bulk (57.1%) of total foreign exchange disbursed in the review quarter, followed by the industrial sector (18.1%). Others were: manufactured products, 10.4 per cent; minerals and oil, 6.7 per cent; food products, 5.2 per cent; transport, 1.6 per cent; and agricultural sector, 0.9 per cent (Figure17).

The invisible sector accounted for the bulk of the total foreign exchange disbursed in Q2 2018.

Figure17: Sectoral Utilisation of Foreign Exchange



Source: CBN

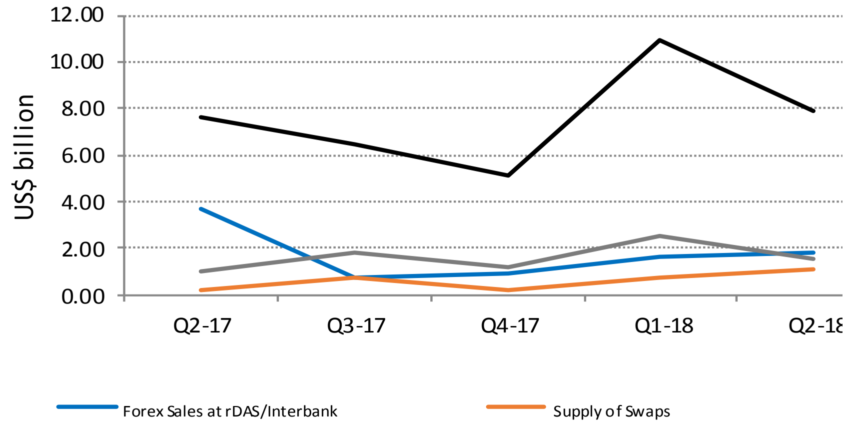
5.4 Foreign Exchange Market Developments

Supply for foreign exchange by authorized dealers fell in Q2 2018.

A total of US$7.90 billion was sold by the CBN to authorised dealers in the second quarter of 2018. This represented a 28.0 per cent decline below the level in the preceding quarter, but was a 3.4 per cent increase relative to the level in the corresponding period of 2017. The development, relative to the preceding quarter, was attributed to significant decline in maturing forwards transactions and foreign exchange sales to BDCs in the review quarter.

Of the total, foreign exchange forwards disbursed at maturity amounted to US$3.47 billion or 44.0 per cent. Inter-bank sales, BDC sales and swap transactions were US$1.88 billion (23.8 per cent), US$1.50 billion (19.0 per cent) and US$1.04 billion (13.2 per cent) (Figure 18, Table 17).

Figure 18: Supply of Foreign Exchange



Source: CBN

Table 17: Demand for and Supply of Foreign Exchange (US$ billion)

	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Forex Sales at rDAS/Interbank	*3.64*	*0.69*	*0.90*	*1.58*	*1.80*
Supply of Swaps	*0.17*	*0.72*	*0.19*	*0.74*	*1.04*
Supply of Forex to BDC	*0.98*	*1.77*	*1.19*	*2.55*	*1.50*
Forward	*2.85*	*3.31*	*2.80*	*6.11*	*3.47*
Total Forex Supply(BDC and rDAS)	*7.64*	*6.49*	*5.08*	*10.97*	*7.89*

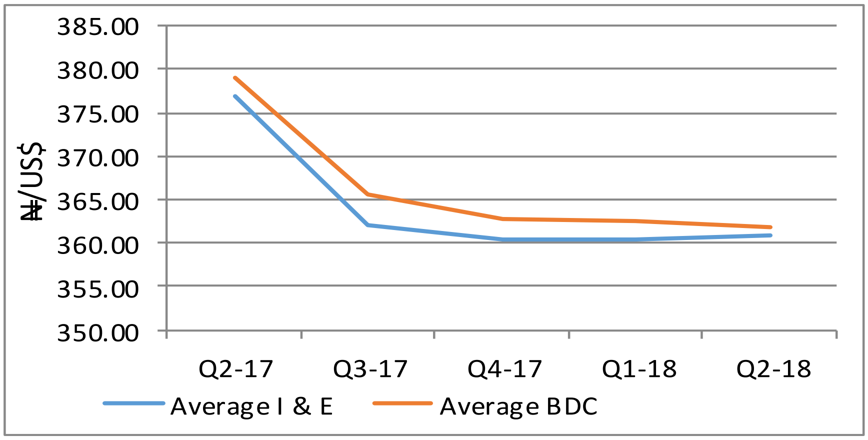
Source: CBN

The CBN sustained its interventions at both the inter-bank and the BDC segments of the foreign exchange market in the review quarter. Consequently, the average exchange rate of the naira vis-à-vis the US dollar at the inter-bank segment appreciated by 0.03 per cent to ₦305.77/US$, relative to the level in the preceding quarter. Similarly, at the BDC segment, the average exchange rate was ₦361.84/US$, representing 0.2 per cent and 4.8 per cent appreciation relative to the levels in the preceding quarter and the corresponding period of 2017, respectively. At the Investors' and Exporters' (I&E) Window, the average exchange rate, however, depreciated by 0.1 per cent, to ₦360.80/US$ at end-June 2018, relative to the level in the preceding quarter.

The average naira exchange rate vis-à-vis the US dollar appreciated in all the segments of the market in Q2 2018.

Consequently, the premium between the average inter-bank and BDC rates narrowed by 0.2 percentage points to 18.3 per cent in the review quarter, from 18.5 per cent in the preceeding quarter. Similarly, the spread between the average exchange rates at the Investors' and Exporters' window and the BDC segment narrowed further to 1.0 per cent, from 2.5 per cent in the preceding quarter (Figure 19, Table 18).

Figure 19: Average Exchange Rate Movements



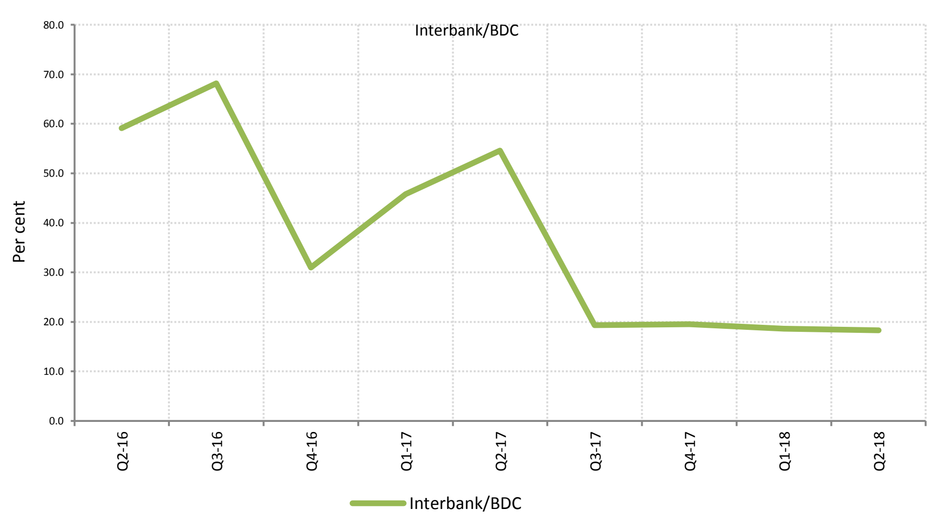
Source: CBN

Table 18: Exchange Rate Movements and Exchange Rate Premium

Average Exchange Rate (₦/US$)	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Investors and Exporters Window	*N/A*	*N/A*	*N/A*	*N/A*	*376.81*	*362.15*	*360.47*	*360.38*	*360.80*
BDC	*336.67*	*397.24*	*445.03*	*472.49*	*379.05*	*365.56*	*362.83*	*362.63*	*361.84*
Interbank	*206.88*	*303.17*	*305.21*	*305.64*	*305.76*	*305.81*	*305.96*	*305.81*	*305.77*
Premium (%)									
rDAS/Interbank	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
BDC/Interbank	*59.10*	*31.03*	*31.00*	*45.80*	*54.60*	*19.30*	*19.50*	*18.59*	*18.58*

Source: CBN

Figure 20: Exchange Rate Premium



Source: CBN

5.5 Gross Official External Reserves

Gross external reserves rose during the second quarter of 2018.

Gross external reserves was US$47.50 billion as at June 22, 2018. This indicated an increase of 1.6 per cent over the level in the first quarter of 2018. The external reserves position would cover 10.3 months of import of goods and services or 16.5 months of import of goods only, based on the estimated value of import for the fourth quarter of 2017. A breakdown of the official external reserves by ownership showed that CBN reserves stood at US$38.52 billion (81.1 per cent), Federal Government reserves, US$6.36 billion (13.4 per cent) and the Federation reserves, US$2.62 billion (5.5 per cent) (Figure 21, Table 19).

Figure 21: Gross Official External Reserves

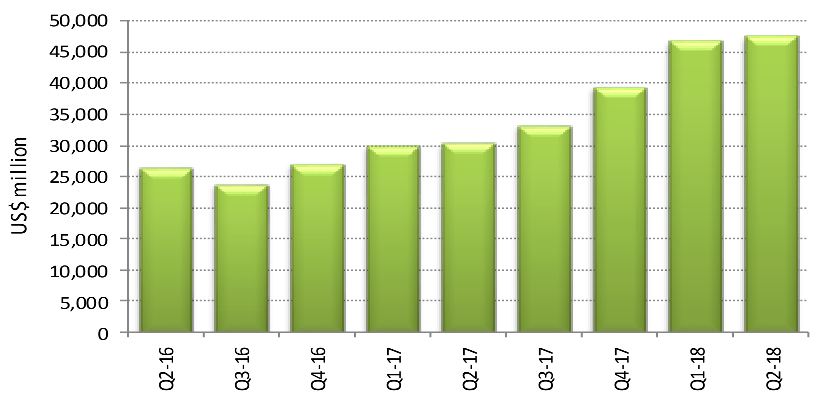


Table 19: Gross Official External Reserves (US$ million)

	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
External Reserves	29,994.4	30,341.0	33,159.7	39,353.5	46,730.5	47,504.3

6.0 Global Economic Conditions

6.1 Global Output

The International Monetary Fund (IMF) World Economic Outlook for April 2018 estimated global growth at 3.5 per cent (annualised) in the first quarter of 2018. This was attributed to sustained favourable economic fundamentals, including strong trade cycle and relatively friendly financial and environmental conditions. In addition, improved private consumption due to historically low unemployment rates in big economies of Japan and the United States boosted growth.

The US economy expanded strongly in the first quarter of 2018, on account of export and investment growth. Disappointing growth was, however, recorded in the United Kingdom in the first quarter of 2018 due, mainly, to the dismal performance of the construction sector. Growth in the euro area weakened in the first quarter of 2018, on account of declining industrial production. Sluggish growth in the euro area, rise in geo-political clamour in Russia and unsustainable economic stimulus in some countries such as Romania and Turkey threatened growth in Eastern Europe.

Developments in the emerging markets remained broadly unchanged in the first quarter amidst the emergence of some warning signs. Strong dynamics in China and India combined to give a leap to growth in the Asian region. The fear that the global export cycle already peaked coupled with a potential rise in trade protectionism, however, affected an otherwise optimistic growth trajectory in the region.

In sub-Saharan Africa, rising geopolitical risks and large economic imbalance held back many countries in the Middle-East, North Africa, and Sub-Sahara African regions from taking advantage of recent improvement in commodity prices, especially crude oil.

6.2 Global Inflation

Headline inflation continued to gain traction in the second quarter of 2018 in most advanced economics, on account of higher contributions from energy. According to the IMF's World Economic Outlook (WEO), in April 2018, headline inflation rates will continue to pick up as stronger demand put pressure on commodity prices and strengthening global outlook narrows output gaps. Inflation rates in advanced economies are projected to pick up to about 2.0 per cent in 2018, from 1.7 per cent in 2017, while headline inflation in emerging market and developing economies is expected to increase to 4.6 per cent in 2018, from 4.0 per cent in 2017.

Inflation in the US increased from 2.4 per cent in the first quarter of 2018 to 2.8 per cent as at May 2018. In the euro-area, inflation also rose to 1.9 per cent in May 2018 from 1.3 per cent in the first quarter of 2018. Inflation, however, moderated in the UK to 2.4 per cent in May 2018, from 2.5 per cent in the first quarter of 2018.

In emerging markets and developing economies, inflation rates mostly moderated in the second quarter of 2018, effects of past currency depreciation continued to dissipate. Inflation in China declined to 1.8 per cent in May 2018, from 2.1 per cent in the first quarter of 2018. In Brazil, inflation ticked up to 2.86 per cent in May 2018, from 2.68 per cent in the first quarter of 2018.

6.3 Global Commodity Demand and Prices

Global crude oil supply in the review quarter was estimated at 98.75 mbd, representing 1.1 per cent increase above the level in the preceding quarter. World crude oil demand was estimated at 98.07 mbd, indicating a 0.5 per cent increase above the level in the first quarter of 2018.

The average price of OPEC Reference Basket (ORB) of 11 selected crude streams was US$71.88/b in the second quarter of 2018, and represented 11.0 per cent increase over the level in the preceding quarter. The development was attributed to the bullish drawdowns on U.S. crude inventories, sustained compliance with the OPEC production-cut deal and uncertainties surrounding the announced withdrawal by the U.S from the Iran deal.

6.4 International Financial Markets

Developments in the international stock markets were generally mixed in the second quarter of 2018. In North America, the United States S&P 500, Canadian S&P/TSX Composite and Mexican Bolsa indices increased by 4.3, 7.0

and 1.3 per cent, respectively. In South America, the Columbian COLCAP index increased by 4.6 per cent, while the Brazilian Bovespa Stock and Argentine Merval indices fell by 17.2 and 2.7 per cent, respectively.

In Europe, the United Kingdom FTSE 100, France CAC 40 and Germany DAX indices increased by 8.9, 4.3 and 4.0 per cent, respectively.

In Asia, Japan's Nikkei 225 and India's BSE Sensex indices increased by 5.0 and 8.3 per cent, respectively, while China's Shanghai Stock Exchange-A index decreased by 8.8 per cent.

In the foreign exchange market, most of the selected currencies depreciated against the US dollar due to a combination of: significant improvement in the US economic conditions; improving treasury yields, supported by US Fed policy rate increase; and enhanced market optimism, following positive outcomes from various international engagements despite the controversies. A summary of developments in the foreign exchange market were as follows:

- **Africa:** The Nigerian naira, South African rand, Egyptian pound and Ghanaian cedi depreciated by 0.05 per cent, 11.90 per cent, 1.28 per cent and 9.59 per cent, respectively, while the Kenyan shilling appreciated by 0.25 per cent. Reduced demand for emerging market assets due to rise in US treasury yields led to high volatility.

- **North America:** The Canadian dollar and Mexican peso depreciated by 2.90 per cent and 9.12 per cent, respectively. The Peso weakened due to increased uncertainty, owing to stalled negotiations with the US on the North American Free Trade Agreement (NAFTA) and heightened political anxiety, as a result of the anticipated victory of a nationalist candidate in the Mexican July 1, 2018 presidential elections.

- **South America:** The Brazilian real, Argentine peso and Colombian peso depreciated by 12.66 per cent, 25.48 per cent and 4.09 per cent, respectively. The Argentine peso recoded a significant depreciation as a result of continuing impact of macroeconomic imbalances arising from large fiscal deficits and inadequate tax revenues. Similar concerns over fiscal reforms and political upheavals led to a large fall in the Brazilian real

- **Europe**: The British pound, Euro and the Russian ruble depreciated by 5.80 per cent, 5.24 per cent and 8.94 per cent, respectively. The pound and euro slumped against the US dollar on the back of better economic conditions in the US, against weak investments and slowing productivity in th UK, while the Euro area made a gradual recovery. The ruble was impacted by announcements of aditional US sanctions amid geopolitical tensions in the country.

- **Asia:** The Japanese yen, Chinese yuan and Indian rupee depreciated by 3.22 per cent, 3.31 per cent and 3.91 per cent, respectively. Weakness in Asian currencies was precipitated by escalating trade conflicts between the US and China. The yuan, particularly is further threatened by anticipated rules which may seek to prevent Chinese companies from investing in US technology firms.

6.5 Other International Economic Developments and Meetings

Other major international economic developments and meetings of importance to the domestic economy in the second quarter of 2018 included: the regional meeting of Monetary and Exchange Rate Policy Experts on the choice of a single monetary policy framework and exchange rate regime for the future of ECOWAS monetary zone held in Abuja, Nigeria from June 4-7, 2018. The purpose of the meeting was to continue the process of finding a common ground on the choice of a single exchange rate regime and monetary policy framework for the prospective ECOWAS monetary zone. Presentations were made at the meeting on the following:

- Review of Monetary Policy Objectives, Instruments, and Frameworks;
- Review of Exchange Rate Regimes;
- Experience Sharing on Monetary, Exchange Rate and Fiscal Policy Management Coordination by the BCEAO (Central Bank of West African States), BCRG (Central

Bank of the Republic of Guinea), Central Bank of Liberia, Central Bank of Nigeria, Bank of Ghana, Bank of Sierra-Leone and Central Bank of the Gambia

- Common Exchange Rate Regime For ECOWAS; and
- Common Monetary Policy Framework For The Future ECOWAS Monetary Union.

In addition, the 51st Session of the Economic Commission for Africa and the Annual Conference of African Ministers of Finance, Planning and Economic Development was held in Addis Ababa, Ethiopia from May 11-15, 2018. The Session was preceded by a meeting of the Committee of Experts held from May 11-12, 2018. The theme of the Conference was "African Continental Free Trade Area (AfCFTA) and Fiscal Space for Jobs and Economic Diversification", which takes into account the launch of the AfCFTA and the opportunities it presents for economic growth and job creation in Africa. The meeting endorsed the Economic Commission for Africa's revised strategic framework for 2018-2019. The Framework summarises the outcome of recent ECA reforms and articulates the Commission's vision, overall objectives and programmatic focus.

APPENDIX TABLES

Table A1: Money and Credit Aggregates

	May-17	Sep-17	Dec-17	Mar-18	May-18
	₦ billion				
Domestic Credit (Net)	**13507.7**	**26985.3**	**25863.3**	**8683.9**	**6871.9**
Claims on Federal Government (Net)	4811.7	4963.4	3574.0	3823.3	3509.8
Central Bank (Net)	113.8	-137.9	-420.5	536.5	393.6
Banks	4697.8	5101.3	3994.5	3286.8	3216.2
Claims on Private Sector	2205.1	22021.9	22289.3	22443.8	22206.7
Central Bank	5662.2	5532.6	5869.3	6338.8	6408.8
Banks	16362.9	16489.3	16420.0	16105.0	15797.9
Claims on Other Private Sector	20712.0	20737.4	20766.9	20514.9	20501.4
Central Bank	5046.3	4967.1	5251.4	5385.2	5650.0
Banks	15666.7	15770.3	15515.6	15129.6	14851.4
Claims on State and Local Government	1192.1	1257.1	1494.8	1581.9	1552.9
Central Bank	495.9	538.1	590.4	606.5	606.5
DMBs	696.2	719.0	904.4	975.4	946.5
Claims on Non-financial Public Enterprises	--	--	--	'--	'--
Central Bank	--	--	--	'--	'--
DMBs	--	--	'--	'--	'--
Foreign Assets (Net)	8540.1	10050.5	14813.3	15619.1	18297.1
Central Bank	8233.9	9870.2	14427.1	15220.4	17931.7
DMBs and Non Interest Banks	306.2	180.3	386.1	398.7	365.4
Other Assets (Net)	**-13329.1**	**-15081.8**	**-16675.2**	**-17583.2**	**-18844.7**
Total Monetary Assets (M2)	**22047.8**	**21954.0**	**24001.4**	**24303.0**	**25169.0**
Quasi-Money 1/	11790.4	11889.8	12965.1	13390.4	13942.7
Money Supply (M1)	10257.3	10064.3	11036.4	10912.6	11226.3
Currency Outside Banks	**1520.6**	**1435.3**	**1782.7**	**1668.4**	**1577.5**
Demand Deposits 2/	*8736.7*	*8628.9*	*9253.7*	*9244.2*	*9648.8*
Total Monetary Liabilities (M2)	**22047.8**	**21954.0**	**24001.4**	**24303.0**	**25169.0**
Memorandum Items:					
Reserve Money (RM)	*5501.7*	*5559.8*	*6477.6*	*6749.6*	*6767.7*
Currency in Circulation (CIC)	*1897.9*	*1781.1*	*2157.2*	*2039.3*	*1930.7*
Banks' Deposit with CBN	*3603.8*	*3778.7*	*4320.4*	*4710.3*	*4836.9*

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)

	May-17	Sep-17	Dec-17	Mar-18	May-18
	Percentage Change Over Preceding December				
Domestic Credit (Net)	-0.08	0.48	-3.7	1.6	-0.57
Claims on Federal Government (Net)	-1.31	1.8	-26.7	6.98	-1.8
Claims on Private Sector	0.2	0.18	1.4	0.69	-0.37
Claims on Other Private Sector	-1.21	-1.1	-0.95	-1.2	-1.3
Claims on State and Local Governments	20.47	27.04	51.06	5.83	3.89
Claims on Non-financial Public Enterprises					
Foreign Asset (Net)	-6.66	9.85	61.9	5.44	23.5
Other Asset (Net)	-7.36	-21.47	-34.31	-5.45	-13.01
Total Monetary Assets (M2)	**-6.54**	**-6.94**	**1.74**	**1.26**	**4.86**
Quasi-Money 1/	-4.3	-3.49	5.23	3.28	7.54
Money Supply (M1)	-9	-10.71	-2.09	-1.12	1.72
Currency Outside Banks	-16.47	-21.15	-2.07	-6.41	-11.51
Demand Deposits 2/	-7.56	-8.7	-2.09	-0.1	4.27
Total Monetary Liabilities (M2)	**-6.54**	**-6.94**	**1.74**	**1.26**	**4.86**
Memorandum Items:					
Reserve Money (RM)	-5.92	-4.93	10.77	4.2	4.48
Currency in Circulation (CIC)	-12.91	-18.27	-1.01	-5.47	-10.5
DMBs Demand Deposit with CBN	-1.77	3.0	17.76	9.03	11.96

Source: CBN

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.
*All figures are provisional and subject to changes

Table A3: Federal Government Fiscal Operations (₦ billion)

	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Retained Revenue	**1,021.94**	**990.21**	**1,265.75**	**902.64**	**896.74**
Federation Account	408.63	716.95	637.73	758.47	767.48
VAT Pool Account	35.04	35.84	36.50	38.89	38.02
FGN Independent Revenue	97.49	35.76	0.92	20.25	57.42
Excess Crude	19.56	0.00	24.24	14.10	0.00
Others	461.22	201.65	566.36	70.93	33.82
Expenditure	**1,361.83**	**1,652.00**	**1,956.77**	**1,599.76**	**988.91**
Recurrent	1,079.65	1,297.70	1,457.80	1,274.94	855.57
Capital	163.80	236.90	384.92	262.77	79.96
Transfers	118.38	117.39	114.06	62.04	53.37
Overall Balance: Surplus(+)/Deficit(-)	**(339.89)**	**(661.79)**	**(691.02)**	**(697.11)**	**(92.17)**

**All figures are provisional and subject to changes*