CENTRAL BANK OF NIGERIA ECONOMIC REPORT

November 2021

ABOUT THE REPORT

The Central Bank of Nigeria (CBN) Economic Report presents economic developments in Nigeria intended for dissemination to the public. The Report, which is published on monthly and quarterly basis, provides insights on current developments in the real, fiscal, financial, and external sectors of the Nigerian economy, as well as on global issues of interest. It also reflects the policy initiatives of the CBN in pursuit of its mandate.

The Report is directed at a wide spectrum of readers, including economists, policymakers, and financial analysts in government circles and the private sector, as well as the wider public. Subscription to the Report is available without charge to institutions, corporations, embassies and development agencies. Individuals, on written request, can obtain any issue of the publication for free. Please direct all inquiries on the publication to the Director of Research, Central Bank of Nigeria, P.M.B. 187, Garki, Abuja, Nigeria. The Report is also available for free download from the CBN website: ***www.cbn.gov.ng***

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EXECUTIVE SUMMARY

Global economic activity continued to improve, as indicated by the global Composite Purchasing Managers' Index (PMI), despite the threat of the Omicron variant of COVID-19. The PMI increased to 54.8 index points in November 2021, from 54.5 index points in October 2021. The improved global economic activity was due to unrelenting policy support that enhanced business conditions; improvement in aggregate demand, following wider vaccination reach; and rise in employment, especially in major developed economies. Output growth in Advanced Economies (ADEs) was mixed, as the PMI for the UK, Italy and Japan increased, while that of the US and Germany, declined, marginally. In Emerging Markets and Developing Economies (EMDEs), growth was positive in Indonesia, UAE, India, Russia and South Africa, but declined in China.

Inflationary pressures persisted across major economies, as headline inflation increased to 6.8 per cent, 5.2 per cent, 5.2 per cent, 0.6 per cent, 2.3 per cent, 4.9 per cent, and 7.4 per cent in the US, UK, Germany, Japan, China, India, and Mexico, respectively, in November. The rise in inflation was driven by supply-side constraints, rising energy and transport costs, and labour shortages.

The fortunes of the global financial market dwindled in November, due to concerns about the Omicron variant of COVID-19. Thus, stock market performance in the US and Europe ended in negative territory, while outcomes in EMDEs were mixed. The bond market showed investors' preference for short-tenored instruments, following rising inflation rates. Consequently, yields on 10-year government bonds declined across regions. Total oil supply rose by 0.53 per cent to 98.36 mbpd, from 97.84 mbpd in October, leading to a decline in the average price of the OPEC crude basket to US$80.34 per barrel (pb) from US$82.11 pb in October.

From the domestic front, economic activity improved in November, as the Manufacturing Purchasing Manager's Index expanded to 50.8 index points from 47.3 index points in October, reflecting a surge in new orders, production and employment levels, and stock of raw material inventory. Similarly, the non-manufacturing PMI rose to 48.6 index points, from 47.5 index points, on account of expansion in businesses. Inflation sustained the downward trend in November, owing, largely, to increased farm output, decreasing input cost induced by the various CBN intervention programmes, and improved supply chain. Thus, headline inflation (y-o-y), declined to 15.40 per cent, from 15.99 per cent in October. Food inflation (y-o-y), declined to 17.21 per cent, from 18.34 per cent in October.

However, core inflation (y-o-y) rose to 13.85 per cent, above 13.24 per cent in the preceding month.

Fiscal policy thrust remained to stabilize the macroeconomic environment, improve food security, job creation, and containment of the COVID-19 pandemic. Federal Government of Nigeria (FGN) earnings in November declined by 1.4 per cent, relative to the level in October, while expenditure increased by 13.8 per cent, over the same period. Overall, the fiscal operations of the Federal Government resulted in a deficit of ₦628.28 billion, reinforcing the expansionary stance of the government.

The soundness of the Nigerian financial system was sustained, as leading financial indicators remained within best practice benchmarks. The non-performing asset ratio improved to 5.08 per cent, from 5.29 per cent in October, while monetary conditions eased, as the Bank continued to implement various policies to boost activity in the real sector. There was higher net liquidity in the banking system, as injections from the Open Market Operations (OMO) and fiscal operations exceeded withdrawals. Consequently, short-term rates fell below their levels in October. The All-Share Index and Market Capitalisation at the Nigerian Exchange Limited (NGX) increased in November, driven by positive sentiments and portfolio switching from fixed income investments.

The external sector performance improved, as trade balance was in surplus. Total export receipts rose to US$4.24 billion in November, from US$4.22 billion in October, while merchandise import increased by 2.9 per cent to US$4.09 billion, from US$3.97 billion in the preceding month. New capital into the economy rose by 13.3 per cent to US$0.57 billion in November, while capital outflow moderated to 3.8 per cent, from 7.6 per cent in October. Capital outflow stood at US$0.91 billion, compared with US$0.88 billion in October. Thus, external reserves, stood at US$40.48 billion at the end-November and could finance 8.5 months of import for goods and services or 11.2 months of import for goods only. The exchange rate remained relatively stable in the period.

Looking forward, economic activity is expected to expand, on the back of sustained policy supports and an increase in consumer demand, due to the end-of-year festivity. The nflation rate is projected to moderate and the various indicators of financial soundness are expected to remain within regulatory thresholds, as the Bank sustains its commitment to price and financial stability. However, the emergence of the Omicron variant of COVID-19 poses threat to a positive outlook.

1.0. GLOBAL ECONOMIC DEVELOPMENTS

Global economic growth sustained its upward trajectory in November 2021, despite the threat of the Omicron variant of the COVID-19. However, subsisting supply chain constraints and rising food prices, following a steep rise in energy costs, exacerbated inflationary pressure across regions. Also, the performance of the financial market waned, due to a fresh wave of COVID-19, which sparked worries about renewed travel restrictions in various countries.

Global Economic Conditions

Global economic activity continued to recover due to sustained policy support, expansion in business activities, and increased job creation, despite the surge in COVID-19 cases and subsisting supply-chain constraints. The average J.P. Morgan Global Composite Purchasing Managers' Index (PMI) expanded marginally to 54.8 index points, from 54.5 index points in October, signalling a rise in global output (see Table 1). The PMI was buoyed, notably, by new orders, increased exports and a rise in job creation. Although the manufacturing and services sectors both contributed to output growth in the period under review, the manufacturing sector expanded at a slower pace, when compared with October.

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

	Sep-21	Oct-21	Nov-21
Composite	53.3	54.5	54.8
Manufacturing	54.1	54.3	54.2
Services (Business Activity)	53.8	55.6	55.6
Employment Level	51.6	53.0	53.1

Source: JP Morgan.

1.1 Global Output Growth

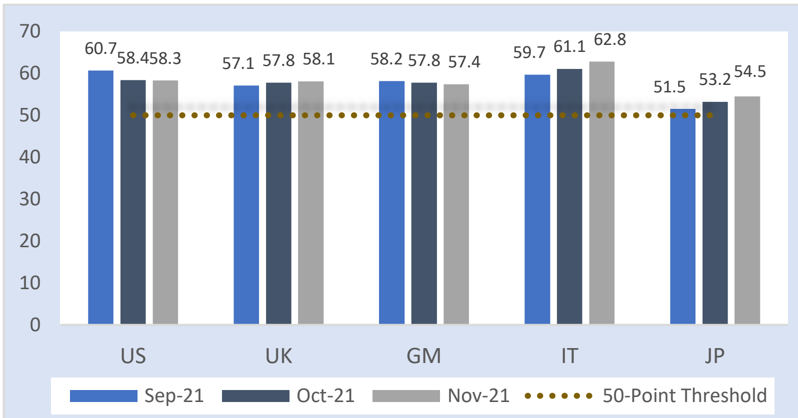
Advanced Economies

The tempo of economic activity in Advanced Economies (AEs) improved, due to enhanced business confidence, attributed to increased access to vaccines. With the relative containment of the Delta variant and strong consumer demand, most economies within the AEs witnessed productivity growth. However, the supply gap, higher food inflation, rising shipping and energy costs intensified inflationary pressures.

Specifically, the PMI for Italy rose to 62.8 index points, from 61.1 index points in October, owing to the relative increase in manufacturing and services activities. In Japan, PMI rose to 54.5 index points, from 53.2 index points in the preceding month, supported by easing COVID-19 restriction measures, following increased vaccinations. Similarly, in the UK, improved market conditions and consumer demand drove the increase in PMI to

58.1 index points, from 57.8 index points in October. In the US and Germany, manufacturing activities witnessed a slower growth, owing to supply chain constraints and sluggish demand, occasioned by concerns about the new wave of coronavirus.

Figure 1: PMIs of Selected Advanced Economies

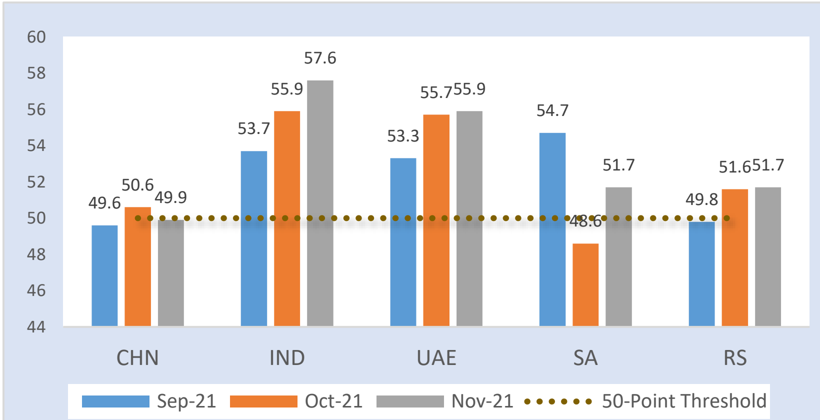


Source: Trading Economics/Various Country Websites, CBN Staff compilation.
Note: US, UK, GM, IT and JP represent United States, United Kingdom, Germany, Italy and Japan, respectively.

Emerging and Developing Economies

In Emerging Markets and Developing Economies (EMDEs), improvedvaccinations and reopening of economic activities spurred output in some countries, while recurring COVID-19 outbreaks, tightening financial conditions, and adverse exchange rate movements impeded growth in others. Economic activities improved in India, South Africa, United Arab Emirates, and Russia, following the rebound in business activity and new orders, as the effects of the Delta variant of the virus continued to wane. Specifically, PMI in India rose to 57.6 index points, from 55.9 index points in October, driven by manufacturing activity, which recorded five consecutive months of expansion. Similarly, PMI in South Africa expanded to 51.7 index points, from 48.6 index points in October. However, China's PMI fell below the 50-points benchmark to 49.9 index points, due to the surge in new cases of COVID-19.

Figure 2: PMIs of Selected EMDEs



Source: Trading Economics/Various Country Websites, CBN Staff compilation.
Note: CHN, IND, UEA, SA and RS represent China, India, United Arab Emirates, South Africa and Russia, respectively.

1.2 Global Inflation

Inflationary pressures remained elevated across regions, due to lingering supply-side constraints, the increase in energy and transport costs, and labour shortages. The US recorded an inflation rate of 6.8 per cent, from 5.2 per cent in October, attributed to pandemic-related factors, such as rising consumer demand and supply chain constraints. In Germany, soaring energy costs and supply bottlenecks increased inflation from 4.5 per cent in October to 5.2 per cent. Similarly, in the UK, inflation rose sharply to 5.2 per cent, from 4.1 per cent in October, driven by higher energy and goods prices. Also, in Japan, increases in fuel, light, and water charges drove inflation to 0.6 per cent, from 0.1 per cent in October. The inflation rate in France edged up to 2.8 per cent in November, from 2.6 per cent in October driven by rising energy prices, manufactured goods, and services.

Within the EMDEs, inflation in China rose from 1.5 per cent in the preceding month to 2.3 per cent, attributed to the increased cost of gasoline and diesel. Similarly, India's consumer prices rose to 4.9 per cent from 4.5 per cent in October, due, mainly, to an increase in food prices, as companies passon rising input costs to consumers amid economic recovery, following the relaxation of COVID-19 restrictions. Also, in Mexico, inflation stood at 7.4 per cent, due, mainly, to bottlenecks in the supply chain. The rising transportation cost continued to be the major driver of inflation in South Africa, as the inflation rate rose to 5.5 per cent, from 5.1 per cent in October. In Turkey, the depreciation of the Lira and the increasing cost of energy exacerbated the inflationary pressure in the country, as the inflation rate rose to 21.3 per cent in November, from 19.9 per cent in October.

Table 2: Summary of Global Inflation Rates

Country	Jun-22	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
United States	5.4	5.4	5.3	5.4	6.2	6.8
United Kingdom	2.4	2.1	3	2.9	4.1	5.2
Japan	-0.5	-0.3	-0.4	0.2	0.1	0.6
Canada	3.1	3.7	4.1	4.4	4.7	4.7
Germany	2.4	3.8	3.9	4.1	4.5	5.2
China	1.1	1	0.8	0.7	1.5	2.3
South Africa	5.1	4.7	5.1	5.1	5.1	5.5
India	5.6	5.3	4.8	4.4	4.5	4.9
Mexico	5.9	5.8	5.6	6	6.2	7.4
France	1.5	1.2	1.9	2.2	2.6	2.8
Italy	1.3	2	2	2.5	3	3.7
Indonesia	1.3	1.5	1.6	1.6	1.7	1.8
Turkey	17.5	19	19.3	19.6	19.9	21.3
Nigeria	**17.8**	**17.4**	**17**	**16.6**	**16**	**15.4**

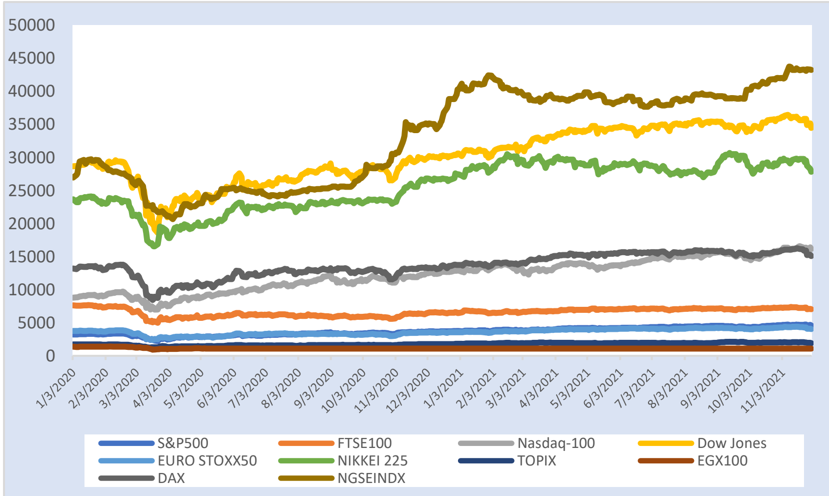
Source: OECD NBS and Staff Compilation

Note: OECD and NBS represent Organisation for Economic CO-operation and Development , National Bureau of Statistics.

1.3 Global Financial Market

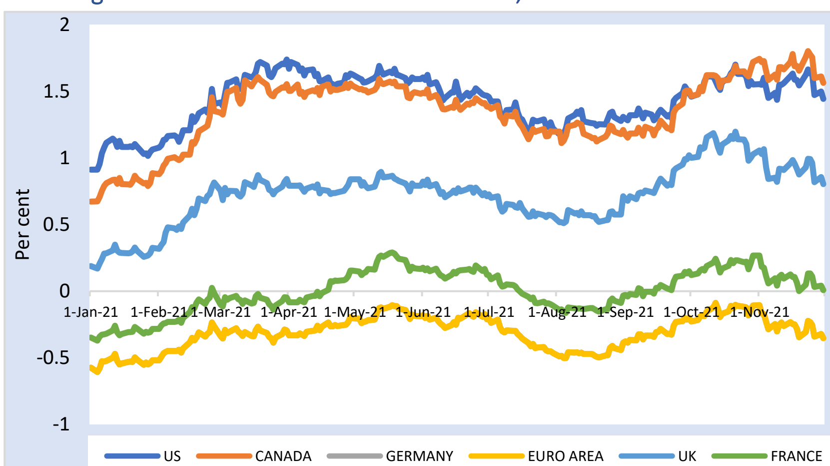
The financial market ended on a low note, due to weakened market sentiments occasioned by concerns about the Omicron variant of COVID-19. Stock markets performances were mixed across regions during the review period. In the US and Europe, it ended in negative territory. Specifically, the S&P 500 and FTSE 100 indices declined to averages of 4,567.00 and 9,385.57, compared to 4,605.38 and 9,908.91 in October, respectively. However, the NASDAQ 100 index increased to 16,135.92 in November, from 15,850.47 in October. In EMDEs, performances were mixed, as the EGX 100 (Egypt) and the NSEI (India) declined from 729.26 and 235.89 in the previous month to 724.04 and 226.17, respectively. On the other hand, JSE (South Africa) and SSE (China) rose to 4,035.90 and 560.01, compared to 3,999.52 and 553.84 in October, respectively.

Figure 3: Global Stock Market Equity Indices, Jan. 2020 – Nov. 2021



Source: Bloomberg data

Figure 4: 10-Year Government Bond Yield, Nov. 2020-Nov. 2021



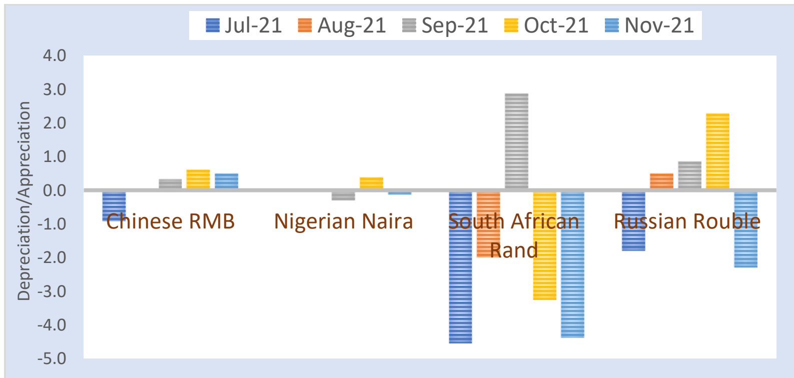
Source: Bloomberg data and Central Bank of Nigeria (CBN) Staff computation
Note: US, UK represent United States and United Kingdom.

Emerging markets currencies

Yields on 10-year government bonds dipped in the US and Europe in November, as investors continued to move towards short-tenored assets on the backdrop of rising inflation. The US 10-year Treasury yield stood at 1.44 per cent, as expected Fed rate hike added a negative sentiment in the US bond market. Also, the UK 10-year government bond yield dropped to 0.81 per cent, from 1.03 per cent in October, amidst fresh uncertainties as to when the BoE might raise interest rates. Similarly, EMDEs government bond yields floundered, due to concerns on rising COVID-19 cases and depreciation of emerging market currencies against the US dollar.

The average exchange rate of the Russian Ruble and South African Rand to the US dollar depreciated by 2.3 per cent and 4.4 per cent, respectively, while the Chinese RMB lost 0.5 per cent against the dollar.

Figure 5: EMEs Currencies to the US dollar



Sources: CBN & Exchange Rates UK.

Table 3: EMEs Currencies' Rates to the US dollar

Period	Chinese RMB	Nigerian Naira	South African Rand	Russian Rouble
Nov-20	6.61	381	15.52	76.86
Oct-21	6.42	411.22	14.88	71.31
Nov-21	6.39	411.73	15.56	72.98

Sources: CBN & Exchange Rates UK

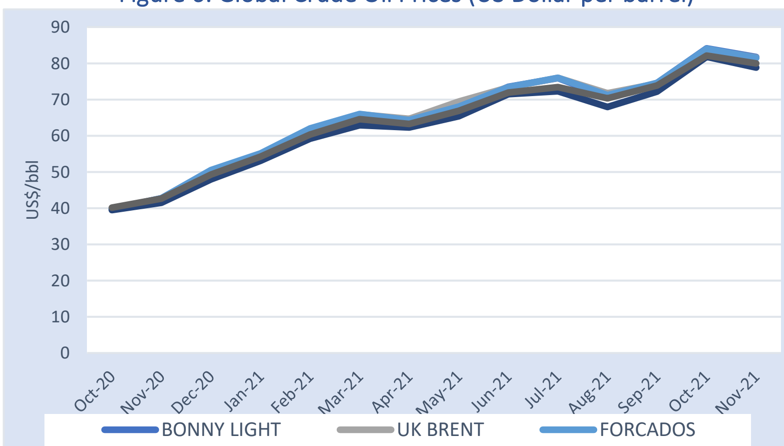
1.4 Global Commodity Market

Global Oil Market

Crude oil supply increased amidst higher prices, as the US bounced back from Hurricane Ida and the continued increase in supply by OPEC+. Total crude supply rose by 0.53 per cent to 98.36 mbpd, from 97.84 mbpd in the previous month. Of the aggregate, OECD supply increased, marginally, by 0.16 mbpd, to 32.20 mbpd from 32.04 mbpd in October, while non-OECD supply was 66.16 mbpd, indicating an increase of 0.36 mbpd (0.55 per cent), relative to October. On the other hand, overall, total world demand increased by 1.63 per cent to 99.16 mbpd, compared with 97.57 mbpd in the preceding period. Of this, OECD crude oil demand rose by 2.1 per cent or 0.94 mbpd, to 45.79 mbpd in November, while non-OECD crude oil demand decreased by 0.66 mbpd, to 53.37 mbpd. The global scarcity of natural gas and coal contributed to the increasing demand for oil.

The average price of the OPEC crude oil basket in November 2021 was US$80.34 mbpd, compared with US$82.11 mbpd in October. The fall was due to excess supply, as OPEC+ boosted crude oil production by 290,000 mbpd in November. The increase was driven by higher output, mainly, in Saudi Arabia, Iraq, and Nigeria, as well as the release of 50 million barrels of crude from the US strategic reserves.

Figure 6: Global Crude Oil Prices (US Dollar per barrel)

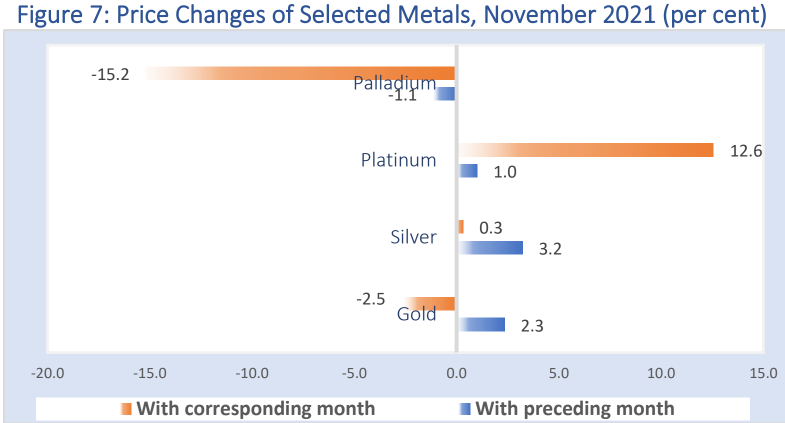


Source: Refinitiv Eikon (Reuters)

Other Mineral Commodities

Average spot prices of gold, silver and platinum increased, as investors sought safe-haven assets to cover potential risks posed by a weaker dollar and lower US Treasury yield. The average spot prices of gold, silver, and platinum rose by 2.3 per cent, 3.2 per cent and 1.0 per cent, month-on-month, to US$1,817.90 per ounce, US$24.13 per ounce and US$1,028.53 per ounce, respectively (Figure 7). On the other hand, the price of palladium fell by 1.1 per cent to US$1,994.65 per ounce, due to falling demand from the automotive industry amid lower expectations of industrial sector growth.

Figure 7: Price Changes of Selected Metals, November 2021 (per cent)



Source: Refinitiv Eikon IV (Reuters)

2.0. DOMESTIC ECONOMIC DEVELOPMENTS

2.1 Real Sector Developments

2.1.1. Domestic Output and Business Activities

Business activities in November gained momentum, as reflected in increased activities in both manufacturing and non-manufacturing sectors. Economic activities continued to expand since Nigeria's exit of the COVID-19 induced recession and in preparation for the end of year's demand surge. The manufacturing PMI expanded above the 50-point threshold for the first time since November 2020, to 50.8 index points. This development was reflected in a surge in new orders, which improved employment and production levels. Expansions were recorded in seven (7) subsectors: Cement; Paper Products; Furniture & related products; Food, beverage & tobacco products; Chemical & pharmaceutical products; Printing & related support activities and Fabricated metal products.

Similarly, the non-manufacturing PMI increased by 1.1 index points to 48.6 index points, compared to 47.5 index points in the preceding month. Business expansion within the period boosted non-manufacturing activities, which resulted in increasing new orders, employment and employment levels during the period. This development indicated rising business confidence, owing to continued vaccination against the COVID-19 pandemic nationwide.

Table 4: Manufacturing and Non-Manufacturing Purchasing Managers' Index

Components	Oct-21	Nov-21
Composite Manufacturing PMI	**47.3**	**50.8**
Production Level	*45.7*	*51.0*
New Orders	*44.1*	*51.0*
Supplier Delivery Time	*56.3*	*51.8*
Employment Level	*49.3*	*51.5*
Raw Material Inventory	*43.8*	*46.7*
Composite Non-Manufacturing PMI	**47.5**	**48.6**
Business Activity	*47.1*	*49.0*
New Orders	*45.0*	*47.3*
Employment Level	*48.7*	*50.0*
Inventory	*49.2*	*48.2*

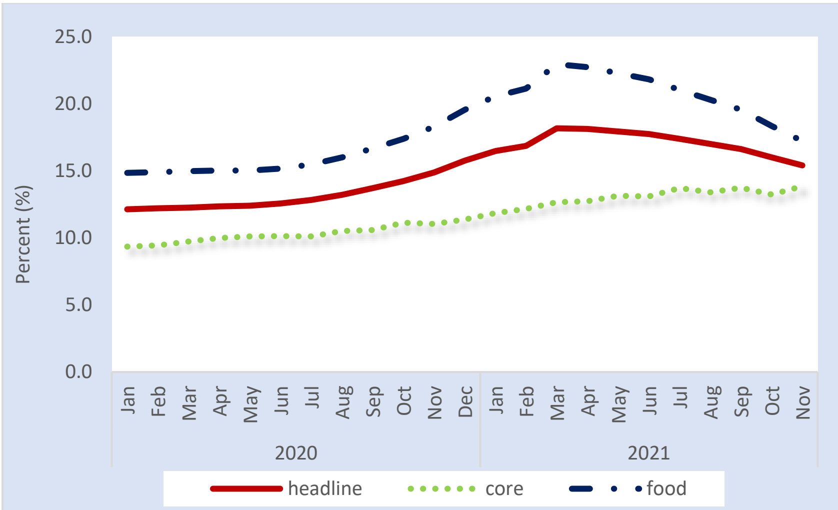
Source: Central Bank of Nigeria

2.1.2. Consumer Prices

Headline Inflation

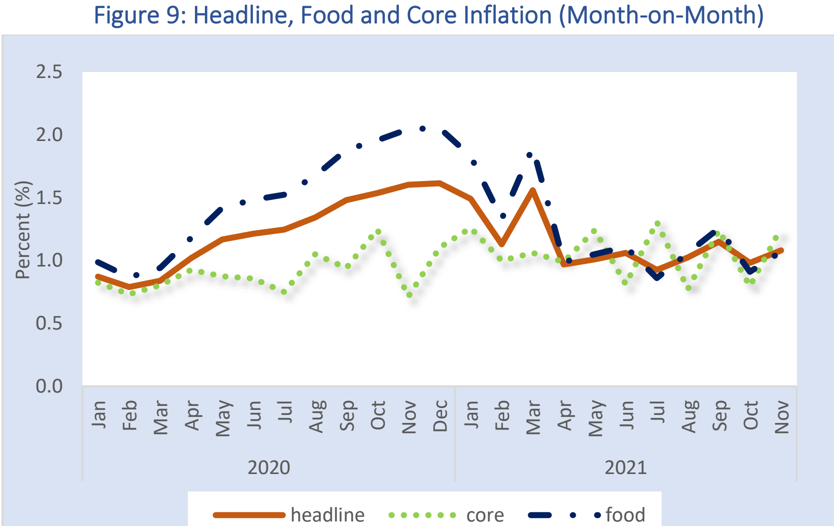
Inflation further moderated in November, driven, mainly, by increased farm output and improvement in the food supply chain. Headline inflation moderated to 15.40 per cent (year-on-year), from 15.99 per cent in October (Figure 8). However, on a month-on-month basis, headline inflation rose to 1.08 per cent, from 0.98 per cent in October (Figure 9), due, largely, to the rise in demand, as households stocked for end-of-year festivities.

Figure 8: Headline, Food and Core Inflation (Year-on-Year)



Source: National Bureau of Statistics (NBS)

Figure 9: Headline, Food and Core Inflation (Month-on-Month)



Source: National Bureau of Statistics (NBS)

Core Inflation

Core inflation (y-o-y) rose to 13.85 per cent, above the 13.24 per cent in October. The rise in core inflation was attributed to the surge in the demand for goods and services in preparation for the forthcoming end of year festive season, as well as continued challenges in supply chain delivery activities, insecurity and increased cost of transportation/logistics. On a month-on-month basis, core inflation rose to 1.26 per cent, from 0.80 per cent.

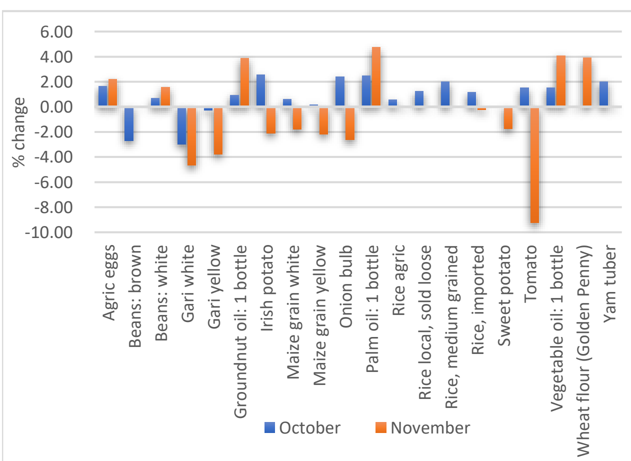
Food Inflation

Food inflation declined to 17.21 per cent (y-o-y), from 18.34 per cent in October. The decline was driven by improvement in agricultural output, owing to improved harvest and the reduction in input cost, following the various CBN intervention programmes in agriculture. However, on a month-on-month basis, food inflation increased to 1.07 per cent, compared with 0.91 per cent in the preceding month, due to rising demand for foodstuff by households in preparation for the end of year festivities, in addition to persisting supply chain bottlenecks in food delivery.

Box 1

Domestic food prices of selected commodities maintained a downward trend in November 2021.

Provisional data from the National Bureau of Statistics (NBS) showed that the prices of major domestic food commodities decreased. The decrease ranged from 0.1 per cent for rice (medium grained) to 9.2 per cent for tomato. Other commodities that witnessed price decreases were garri (white), garri (yellow), onion bulb, maize (yellow), Irish potato, maize (white) and sweet potato by 4.6 per cent, 3.8 per cent, 2.6 per cent, 2.2 per cent, 2.1 per cent, 1.8 per cent, and 1.8 per cent, respectively. However, the prices of beans (brown) and rice (local) remained unchanged.



Source: National Bureau of Statistics

2.1.3. Domestic Crude Oil Market Developments

Crude oil Production and Export

Domestic crude oil production and export increased in November 2021, due to the completion of repairs of the Nembe Creek Trunk pipeline. Crude oil production rose by 3.4 per cent to 1.50 mbpd from 1.45 mbpd in October. Of the total, export accounted for an average of 1.05 mbpd, while the balance of 0.45 mbpd was earmarked for domestic consumption. The increase was attributed to the completion of repairs on the Nembe Creek Trunk pipeline.

Crude Oil Prices

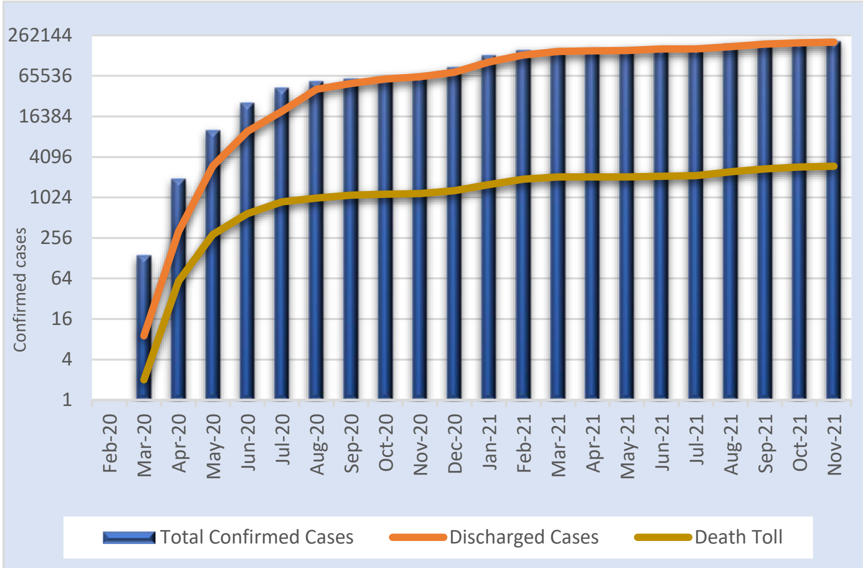
Crude oil spot prices fell, due to the release of 50 million barrels from the US Strategic Petroleum Reserve (SPR) and OPEC production increase. The average spot price of Nigeria's reference crude, the Bonny Light (34.9° API), fell by 2.3 per cent to US$82.16 per barrel (pb), compared with US$84.11 pb in October 2021.

2.1.4. Socio-Economic Development

The effort to ensure a wider reach of vaccination against COVID-19 infections was sustained during the period. Data from the National Primary Health Care Development Agency showed that 6.0 per cent of the eligible target population (or 6,717,056 persons) had received the first dose of the COVID-19 vaccine, as of November 30, 2021. This was a 17.9 per cent increase, compared with 5,693,300 recorded in October. Similarly, about 3.3 per cent of the population (or 3,669,290 persons) had received the second dose of the vaccine in the same period. This was a 19.2 per cent increase, compared to 3,079,239 in October.

Figures from the Nigeria Centre for Disease Control (NCDC) showed that as at the end of November, 2021, the number of confirmed cases increased by 1.06 per cent to 214,218 persons from 211,961 persons in the previous month. However, total active cases declined to 3,882 from 5,643. The development was due to increases in the rate of recovery and discharge, following effective management of the pandemic by healthcare providers. The number of discharged cases increased to 207,304, compared with 203,131 in October. Nevertheless, the number of deaths rose to 2,977 from 2,896 in the previous month.

Figure 10: COVID-19 Statistics[1]



Source: Nigeria Center for Disease Control

The German Government donated COVID-19 protective equipment to the Nigeria Immigration Service, Federal Ministry of Aviation, Federal Airport Authority of Nigeria (FAAN), Nigerian Civil Aviation Authority (NCAA) and the Port Health Authority. The protective equipment included 1,008 hand sanitisers, 350 disposable COVID-19 overalls, 1,008 sanitising spray, 8,400 facemasks, 140 digital infra-red temperature readers, three 500 latex gloves and 140 first aid boxes.

Sustainable Development

The Federal Government approved the National Development Plan (NDP) for 2021 - 2025 to succeed the Economic Recovery and Growth Plan (ERGP), which ended in December 2020. The NDP is structured along six clusters: Economic Growth and Development, Infrastructure, Public Administration, Human Capital Development, Social Development and Regional Development. The Plan projects an average real GDP growth of 5.0 per cent per annum and an investment size of ₦348.7 trillion over a 5-year period. Of the total investment, the public sector would contribute ₦49.7 trillion (14.3 per cent), while the private sector would contribute ₦298.3 trillion (85.7 per cent). The public sector expenditure component of ₦49.7 trillion will be financed by the Federal (₦29.6 trillion) and State (₦20.1 trillion) governments. The funding strategies include broadening the tax base, enhancing the capacity of the private sector through the creation of investment opportunities and deliberate policy engagements and incentives. Concession financing and special financial investment

[1] COVID-19 data as at November 30, 2021.

vehicles, public-private partnerships, and the establishment of the Nigerian Investment and Growth Fund would be explored. The Plan envisages an implementation mechanism and framework that would promote effective performance and accountability. In this regard, there would be a Development Plan Implementation Unit that would report to the National Steering Committee,which would be headed by the Vice President with the Minister of Finance, Budget and National Planning as Vice Chairman.

Furthermore, the Nigerian Government signed a US$2.17 billion five-year Development Objectives Assistance Agreement (DOAA) with the United States Government, to support sustainable development in the country. This would promote advancement in health, education, economic growth, stable government, security and promote economic ties between the two countries. The United States Government will make the Fund available through the US Agency for International Development (USAID), over the agreed period, while the Nigerian Government will contribute other resources and logistics.

Housing and Real Estate

The Federal Government launched a portal for the sale of completed houses under the National Housing Programme (NHP). The houses are in different categories, ranging from one-bedroom, two-bedroom, three-bedroom and duplex, which cost between ₦7.2 million and ₦16 million. So far, about 5,000 houses were ready for purchase in phases 1 and 2 in 34 States and the FCT, while phase 3 is under construction in Rivers and Lagos States.

Similarly, the African Development Bank approved the sum of US$60 million (approximately ₦25 billion) to finance the Homes Loan Assistance Programme in the country. The Fund will be managed by the Family Homes Funds Limited (FHFL), a housing investment fund owned by the Sovereign Wealth Fund and the Ministry of Finance, Budget and National Planning. This is expected to support the Government's efforts towards providing housing for low-income earners and improving the standard of living of the citizenry.

2.1.5. Development Financing

The Bank sustained the drive to ease credit conditions and stimulate economic growth through interventions in strategic sectors of the economy. The sum of ₦189.28 billion was extended to critical sectors of the economy in October 2021, with Energy/infrastructure receiving the highest and accounting for 33.03 per cent of total disbursements. This was followed by Industries, MSMEs, Agriculture, and Health with 32.45 per cent, 20.09 per cent, 12.13 per cent, and 2.30 per cent, respectively. The RSSF, using Differentiated Cash Reserve Ratio (RSSF-DCRR), remained the main intervening window, as 28.51 per cent of total interventions was carried out under this window. Similarly, under the Anchor Borrowers Programme (ABP), the sum of ₦17.56 billion was disbursed to 78,921 farmers, towards stimulating output growth in the economy.

Table 5: Intervention Funds as at October 2021

Sector	Oct-21			Cumulative			
	Disburs. (N'bn)	Share (%)	Beneficiaries	Disburs. (N'bn)	Share (%)	Repayments (N'bn)	Beneficiaries
Agriculture	**22.96**	**12.13**		**1536.77**	**34.13**		
Anchor Borrowers' Programme	*17.56*	9.28	*78,921 farmers*	822.98	18.28	-	*4,014,611 Farmers*
N200 Billion Commercial Agricultural Credit Scheme (CACS)	*5.40*	2.85	*7 projects*	713.79	15.85	-	*661 projects*
Energy/Infrastructure	**62.52**	**33.03**		**1196.33**	**26.57**	-	
Nigeria Electricity Market Stabilization Facility 2 (NEMSF 2)	*26.79*	14.15	-	*152.82*	3.40	-	*11 projects*
Nigeria Bulk Electricity Trading-Payment Assurance Facility (NBET-PAF)	*27.03*	14.28	-	*998.78*	22.18	-	-
National Mass Metering Programme (NMMP)	*8.70*	4.60	*Procurement and Installation of 123,277 meters*	*44.73*	0.99	*Procurement and Installation of 780,839 meters*	-
MSMEs	**38.03**	**20.09**		**477.84**	**10.62**	-	
Agribusiness/Small and Medium Enterprises Investment Scheme (AGSMEIS)	*12.99*	6.86	*5,523*	*134.63*	3.00	*436.5*	*37,571*
Targeted Credit Facility (TCF)	*25.04*	13.23	*46,776*	*343.21*	7.62	-	*726,198*
Industries	**61.42**	**32.45**		**1183.69**	**26.29**	-	
COVID-19 Intervention Facility for the Manufacturing Sector (CIFMS)	*7.46*	3.94	*3*	*347.23*	7.71	*27.45*	*105*
RSSF Using Differentiated Cash Reserve Ratio (RSSF-DCRR)	*53.96*	28.51	*10*	*836.46*	18.58	*83.08*	*183*
Health	**4.35**	**2.30**		**107.72**	**2.39**		
Health Care Sector Intervention Fund (HSIF)	*4.35*	2.30		*107.72*	2.39	*8.29*	*114*
Total	***189.28***	100		***4502.35***	100		

Source: Central Bank of Nigeria

The Bank expanded the Health Sector Intervention Fund (HSIF) from ₦100 billion to ₦200 billion to cushion the impact of the COVID-19 pandemic on the economy and healthcare providers, as well as ensure that the health sector is able to better accommodate potential increases in demand for healthcare products and services.

2.2 FISCAL SECTOR DEVELOPMENTS

The fiscal operations of the government remained aligned with extant fiscal frameworks[2], which focuses on achieving macroeconomic stability, food security, job creation and containment of the impact of COVID-19 pandemic, among other objectives. In November 2021, gross federation receipts dropped by 4.3 per cent, relative to October, on account of shortfalls in oil and non-oil revenue sources. Similarly, the retained revenue of the Federal Government of Nigeria (FGN) fell by 1.4 per cent, from the level in October and 50.9 per cent against the revenue target. On the other hand, FGN expenditure[3] rose by 3.3 per cent, relative to October. Consequently, the fiscal deficit expanded by 5.9 per cent, a further contraction of the fiscal space.

2.2.1 Federation Account Operations

Total Federation receipts dropped, following a decline in crude oil and gas exports; Petroleum Profit Tax (PPT) and royalties; domestic crude oil and gas sales; Corporate Income Tax (CIT); and Value Added Tax (VAT) receipts.

Drivers of Federation Revenue

At ₦686.10 billion, accrued federation revenue in November 2021, declined by 27.2 per cent and 33.0 per cent, relative to the levels in October and the budget benchmark, respectively (Table 6). Non-oil receipts dominated total inflow accounting for 66.0 per cent of total federation earnings, while oil revenue accounted for 34.0 per cent. The relative share of non-oil revenue was indicative of success in the drive for diversification of the revenue base.

Federation revenue allocation

At ₦452.02 billion, non-oil earnings was 4.6 per cent below its level in the preceding month, as CIT and VAT fell by 28.8 per cent and 2.7 per cent, respectively. Oil proceeds also dropped by 50.1 per cent to ₦234.07 billion, compared to ₦468.72 billion in October. It was also below the monthly target by 53.7 per cent. Shortfalls in oil receipts were attributed to 56.7 per cent and 28.4 per cent decline in receipts from PPT and royalties, and domestic crude oil and gas sales, respectively.

The total distributable revenue of ₦518.69 billion was augmented by ₦150.0 billion from the excess non-oil proceeds and ₦3.22 billion from Exchange Gain. Consequently, disbursement to the three tiers of government amounted to ₦671.91 billion, a decline of 9.2 per cent from the level in October. Thus, the sums of ₦284.29 billion, ₦231.34 billion,

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[2] The fiscal framework for the period include, the 2021 Appropriation Act and the Medium-Term Expenditure Framework and Fiscal Strategy Papers (MTEF&FSP 2021-2023).

[3] Provisional, pending release of consolidated expenditure numbers by the Office of the Accountant-General of the Federation (OAGF)

and ₦156.28 billion were disbursed to the Federal, State, and Local governments, respectively.

Table 6: Federally Collected Revenue and Distribution (₦ billion)

	20-Nov	21-Oct	21-Nov	Budget
Federation Revenue (Gross)	717.04	942.31	686.10	1,024.72
Oil	302.41	468.72	234.07	505.93
Crude Oil & Gas Exports	11.59	15.68	0.00	52.50
PPT & Royalties	146.90	331.05	143.38	276.88
Domestic Crude Oil/Gas Sales	135.35	113.55	81.36	84.29
Others	8.57	8.44	9.33	92.26
Non-oil	414.63	473.59	452.02	518.79
Corporate Tax	102.35	149.39	106.43	124.71
Customs & Excise Duties	66.39	120.19	133.87	94.38
Value-Added Tax (VAT)	126.46	170.85	166.28	153.20
Independent Revenue of Fed. Govt.	74.57	30.24	42.50	88.49
*Others**	44.85	2.92	2.94	58.01
Total Deductions/Transfers**	*262.36*	*205.45*	*167.40*	*213.56*
Federally-Collected Revenue *Less Deductions & Transfers*	454.67	736.86	518.69	811.15
plus:				
Additional Revenue	100.39	19.89	153.22	*0.00*
Excess Oil Revenue	*72.00*	*0.00*	*0.00*	*0.00*
Non-oil Excess Revenue	*21.00*	*0.00*	*150.00*	*0.00*
Exchange Gain	*7.39*	*3.10*	*3.22*	*0.00*
Total Distributed Balance	*555.07*	*739.96*	*671.91*	*811.15*
Federal Government	*231.29*	*301.31*	*284.29*	*346.47*
State Government	*167.17*	*220.27*	*209.84*	*235.90*
Local Government	*124.71*	*164.18*	*156.28*	*176.83*
13% Derivation	*31.90*	*54.21*	*21.50*	*51.96*

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

Note: * Includes Education Tax, Customs Special Levies (Federation Account), National Technology Development, Customs Special Levies, Solid Mineral & Other Mining revenue, and other Non-regular earnings; ** Deductions include cost of revenue collections and JVC cash calls; while transfers entail provisions for FGN Independent revenue and other Non-Federation revenue.

Table 7: Disbursement to Subnational Governments (₦ billion)

	State Government			Local Government		
	Statutory	*VAT*	*Total*	*Statutory*	*VAT*	*Total*
Nov-20	108.36	58.81	167.17	83.54	41.16	124.71
Oct-21	140.72	79.55	220.27	108.49	55.68	164.18
Nov-21	153.91	77.42	231.34	102.09	54.20	156.28
Benchmark	***164.93***	***70.96***	**235.90**	***127.16***	***49.67***	**176.83**

Source: Compiled using data from the Office of the Accountant-General of the Federation (OAGF).

2.2.2. Fiscal Operations of the Federal Government

FGN Retained Revenue

FGN's retained revenue fell by 1.4 per cent to ₦326.79 billion, from ₦331.55 billion in October, on account of the dip in statutory receipts by 34.6 per cent. All the revenue components declined, except FGN independent revenue and exchange gain, which grew by 40.6 per cent and 4.0 per cent, respectively. The increase in FGN independent revenue was attributed to higher remittances from ministries, departments, and agencies (MDAs). The marginal decline in FGN retained revenue between November and October, despite the substantial decline in statutory receipts, was attributed to the ₦79.02 billion received from the excess non-oil revenue account.

Table 8: FGN Retained Revenue (₦ billion)

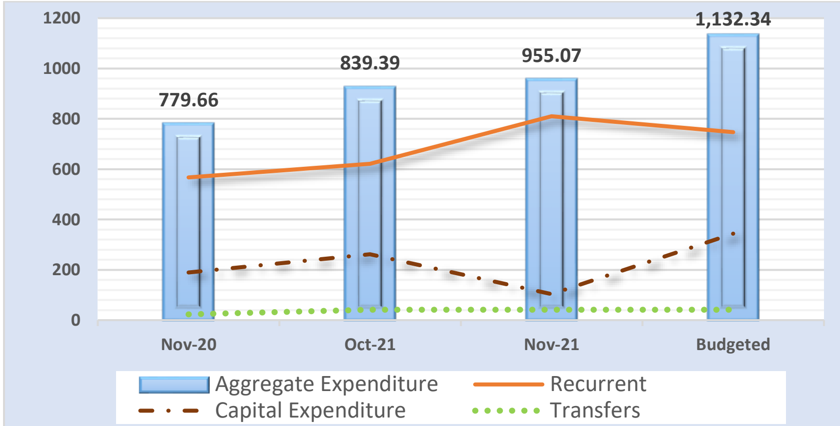
	Nov-20	Oct-21	Nov-21	Benchmark
FGN Retained Revenue	339.69	331.55	326.79	665.53
Federation Account	166.20	276.01	180.55	*295.46*
VAT Pool Account	17.64	23.86	23.23	*21.29*
*FGN IR**	74.57	30.24	42.50	*88.49*
Excess Oil Revenue	33.00	0.00	0.00	*0.00*
Excess Non-Oil Revenue	11.06	0.00	79.02	*29.72*
Exchange Gain	3.39	1.44	1.50	*0.00*
*Others***	33.83	0.00	0.00	*230.58*

Source: Compiled from Office of the Accountant General Office (OAGF) figures
Note: * Independent Revenue **Others include revenue from Special Accounts and Special Levies

FGN expenditure

The provisional aggregate expenditure of the FGN rose by 3.3 per cent to ₦955.07 billion from ₦924.54 billion in October, owing, largely, to higher personnel and overhead costs. Recurrent expenditure at ₦810.20 billion, increased by 30.4 per cent from the level in October and accounted for 84.8 per cent of total spending. The increase in recurrent expenditure was driven by higher personnel and overhead costs, relative to October. Conversely, capital expenditure, at ₦103.5 billion, was 60.5 per cent below the level in October. The low capital expenditure was attributed to the lag in capital releases. Both capital expenditure and transfers constituted 10.8 per cent and 4.4 per cent of aggregate spending, respectively.

Figure 11: Federal Government Expenditure (₦ billion)



Source: CBN Staff Estimates and compilation from the Office of the Accountant General of the Federation (OAGF) data

Table 9: Federal Government Expenditure (₦ Billion)

	Nov-20	Oct-21	Nov-21	Budget
Aggregate Expenditure	779.66	924.54	955.07	1,132.34
Recurrent	*567.13*	*621.24*	*810.20*	*747.20*
Personnel Cost	253.72	212.34	348.97	281.03
Pension and Gratuities	29.90	29.54	29.54	42.02
Overhead Cost	52.63	86.44	156.57	147.12
Interest Payments	184.15	269.43	259.24	277.03
Domestic	*129.20*	*180.99*	*170.80*	*198.62*
External	*54.95*	*88.44*	*88.44*	*78.41*
Special Funds & others	*46.73*	*23.49*	*15.87*	*0.00*
Capital Expenditure	*189.57*	*261.93*	*103.50*	*343.76*
Transfers	*22.97*	*41.38*	*41.38*	*41.38*

Source: CBN Staff Estimate

Overall Balance of the FGN

The rise in aggregate expenditure and significant shortfall in revenue widened the fiscal deficit in the period. The fiscal operations of the FGN resulted in a provisional deficit of ₦628.28 billion, representing an expansion of 5.9 per cent, relative to ₦593.00 billion in October.

Table 10: Fiscal Balance (₦ Billion)

	Nov-20	Oct-21	Nov-21	Benchmark
Retained revenue	339.69	331.55	326.79	665.53
Aggregate expenditure	779.66	924.54	955.07	1,132.34
Primary balance	-255.81	-323.57	-369.04	-189.77
Overall balance	-439.97	-593.00	-628.28	-466.80

Source: CBN Staff Estimates

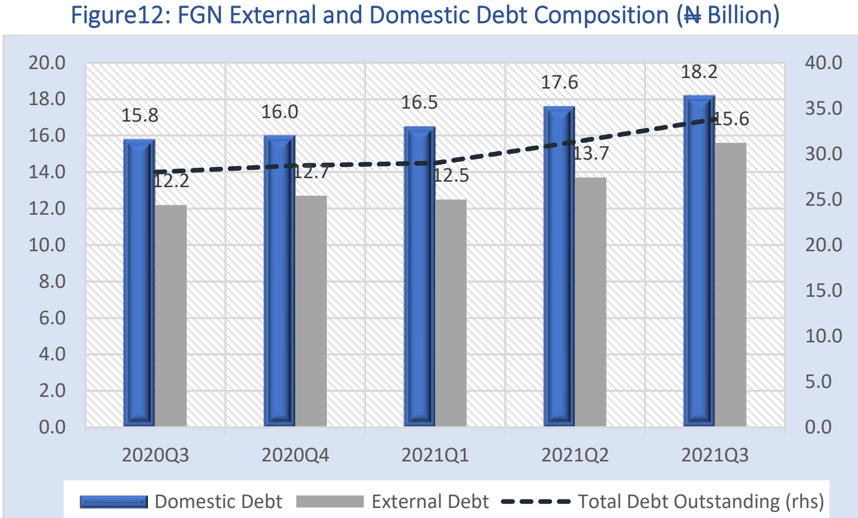
Note: The figures are provisional pending the receipt of revised data from the OAGF

Federal Government Debt

Borrowing in the review period was anchored on the 2021 budget and the 2020 - 2023 Medium Term Debt Strategy framework. The debt profile of the FGN rose by 7.9 per cent to ₦33,805.84 billion at the end ofSeptember 2021, relative to end-June 2021; driven by new borrowings for infrastructural development and COVID-19 mitigation. Domestic debt accounted for 53.9 per cent of FGN total debt, while external debt obligations constituted 46.1 per cent. The external portion of FGN debt stock grew by 13.6 per cent, while domestic debt outstanding rose by 3.4 per cent, an indication of a preference for external borrowing sources.

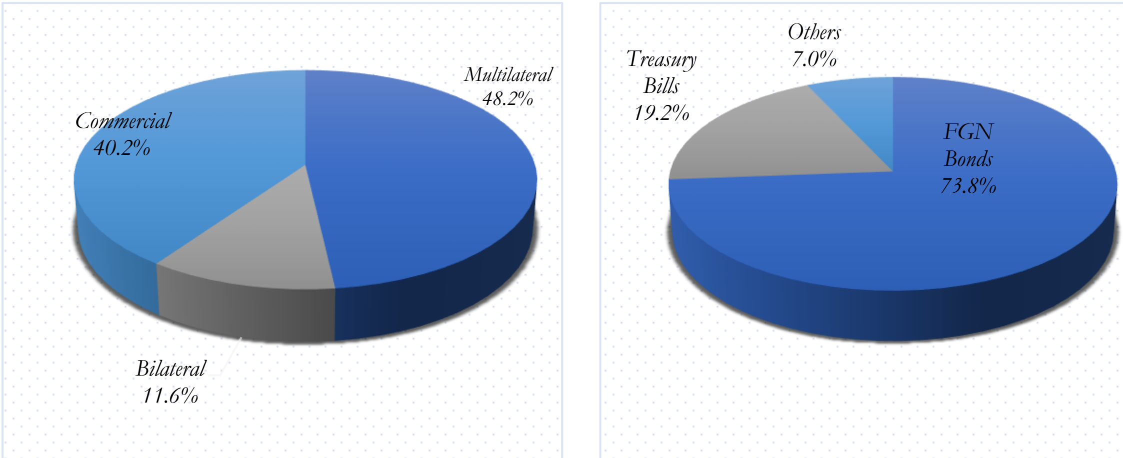
FGN bond issues remained dominant in the domestic debt portfolio, accounting for 73.8 per cent of the total domestic debt, followed by Treasury Bills (19.2 per cent); Promissory Notes (4.4 per cent); FGN Sukuk (2.0 per cent); and others (0.6 per cent). The distribution was in tandem with the FGN's objective to issue more long-term than short-term domestic debt instruments (75:25). In the composition of the external debt, Multilateral, Commercial and Bilateral loans accounted for 48.2 per cent, 40.2 per cent and 11.6 per cent of the total external debt stock, respectively. Debt service obligations amounted to ₦1,022.99 billion, compared with ₦440.63 billion in the second quarter of 2021. The increase was due, largely, to the rise in the payment of FGN Bonds and principal repayment of promissory notes.

Figure12: FGN External and Domestic Debt Composition (₦ Billion)



Source: Compiled from Debt Management Office (DMO) figures

Figure 13: Composition of External and Domestic Debt Stock



Source: Compiled using data from the Debt Management Office (DMO)

2.3. MONETARY AND FINANCIAL DEVELOPMENTS

The financial system remained safe and sound, as the financial soundness indicators were within regulatory thresholds. The Bank sustained efforts at boosting economic activities through the provision of credit to key sectors of the economy. Consequently, monetary conditions eased as broad money supply (M3) grew, propelled by growth in domestic claims, particularly credit to the private sector. There was relatively higher liquidity in the banking system during the review period, which caused money market rates to trend below their levels in the preceding month.

2.3.1. Monetary Developments

Monetary Aggregates

Broad money increased in November, relative to the level in the preceding month, buoyed by the rise in domestic claims, particularly credit to the private sector. Broad money grew by 10.2 per cent (11.1 per cent annualised) to ₦42,576.32 billion, compared with 7.4 per cent at end-October. The annualised growth compared favourably with the programme benchmark of 9.9 per cent for 2021. This outcome is indicative of efficiency in the mix and deployment of policy instruments.

The growth in domestic claims was within the provisional benchmark, as it grew by 13.8 per cent to ₦48,413.29 billion, from 11.8 per cent in October. Further disaggregation of domestic claims indicates that net claims on the central government and claims on other sectors rose by 5.1 per cent and 17.1 per cent to ₦13,034.10 billion and ₦35,379.18 billion, respectively. The growth in net claims to the central government was below the provisional benchmark and reflected the waning of fiscal dominance. Of the total claims on other sectors, credit to the private sector (₦23,672.32 billion) rose by 26.2 per cent, compared to 24.2 per cent in the preceding month. The increase was attributed to the enforcement of the loan-to-deposit ratio and other measures deployed by the Bank to enhance lending.

Overall, the Net Domestic Assets (NDA) increased by 9.2 per cent, to ₦34,167.44 billion, from the level in December 2020, while the Net Foreign Assets (NFA) grew by 15.0 per cent, to ₦8,436.78 billion at the end ofNovember, due, mainly, to 4.5 per cent increase in claims on non-residents, following a rise in Securities Other than Shares to non-residents.

In terms of contributions to the growth in broad money supply (M3) in the month under review, NDA and NFA accounted for 7.4 percentage points and 2.9 percentage points, respectively (Table 11).

Table 11: Money and Credit Growth Over Preceeding December (Per cent)

	Contribution to M3 growth (Nov-21)	Dec-20	Oct-21	Nov-21	2021 Benchmark
Net Foreign Assets	**2.85**	**23.44**	**-2.37**	**14.98**	**27.98**
Claims on Nonresidents	2.30	11.39	3.78	4.54	-
Liabilities to Nonresidents	0.54	5.24	7.47	-1.72	-
Net Domestic Assets	**7.45**	**8.24**	**9.66**	**9.20**	**-**
Domestic Claims	15.17	15.91	11.78	13.77	13.41
Net Claims on Central Government	1.63	22.84	4.37	5.07	20.62
Claims on Central Government	10.08	24.53	19.87	18.68	-
Liabilities to Central Government	-8.45	27.10	42.67	38.70	-
Claims on Other Sectors	13.54	13.27	14.83	17.35	-
Claims on Other Financial Corporations	-1.28	11.02	-5.89	-5.77	-
Claims on State and Local Government	1.04	10.64	17.67	19.50	-
Claims on Public Nonfinancial Corporations	0.94	2.51	10.20	45.27	-
Claims on Private Sector	12.84	15.16	24.20	26.50	-
Broad Money (M3)	**10.30**	**10.84**	**7.37**	**10.30**	**9.99**
Currency Outside Depository Corporations	*0.60*	*23.38*	*1.81*	*9.23*	-
Transferable Deposits	*2.36*	*56.29*	*3.62*	*6.76*	-
Narrow Money (M1)	*2.96*	*50.04*	*3.34*	*7.15*	*17.88*
Other Deposits	*9.72*	*19.19*	*14.89*	*17.27*	-
Broad Money (M2)	*12.67*	*30.57*	*10.00*	*12.98*	-
Securities Other than Shares	*-2.38*	*-84.56*	*-99.91*	*-99.55*	-
Total Monetary Assets (M3)	**10.30**	**10.84**	**7.37**	**10.30**	**9.99**

Source: Central Bank of Nigeria; N/A = Not available

Growth in total monetary liabilities (sources side) was driven by growth in currency outside depository corporations (9.2 per cent), transferable deposits (6.8 per cent), and other deposits of depository corporations (17.3 per cent). However, securities other than shares fell by 99.6 per cent, due to lower yields from fixed income instruments. The growth in currency outside depository corporations reflected the transactions motive for holding cash, in the lead to the festive season.

Reserve Money

At ₦12,994.11 billion, reserve money declined by 0.8 per cent relative to the level at end-December 2020, driven by a 3.4 per cent decline in liabilities to other depository corporations. Although reserve money declined, the increase in the money multiplier of 3.28 offset the decline, and supported the growth of broad money in the month. The money multiplier rose as a result of the increased rate of credit delivery (Table 12).

Table 12: Components and Uses of Reserve Money (₦ Billion)

	Dec-20	Oct-21	Nov-21
Monetary Base	13,103.09	12,734.57	12,994.11
Currency-In-Circulation	*2,908.46*	*2,965.98*	*3,148.59*
Liabilities to ODCs	*10,194.63*	*9,768.59*	*9,845.52*
Money Multiplier (M3)	2.95	3.26	3.28

Source: Central Bank of Nigeria
Note: ODCs = Other Depository Corporations

2.3.2. Credit Developments

Sectoral credit allocation expanded by 17.9 per cent in November, higher than 14.5 per cent growth at end-October, reflecting the Bank's sustained efforts at boosting economic activities through the provision of credit to key sectors of the economy. Total sectoral credit allocation grew by 3.0 per cent to ₦24,012.05 billion from ₦23,324.10 billion in the preceding month. A sectoral disaggregation showed that Industry and Services maintained dominance with the share in the total credit of 36.4 per cent and 35.4 per cent, respectively. This was lower than their shares of 37.1 per cent and 35.8 per cent, in the preceding month. However, the share of agriculture to total credit rose to 5.8 per cent, from 5.5 per cent in October (Table 13).

Table 13: Relative Share in total Sectoral Credit (%)

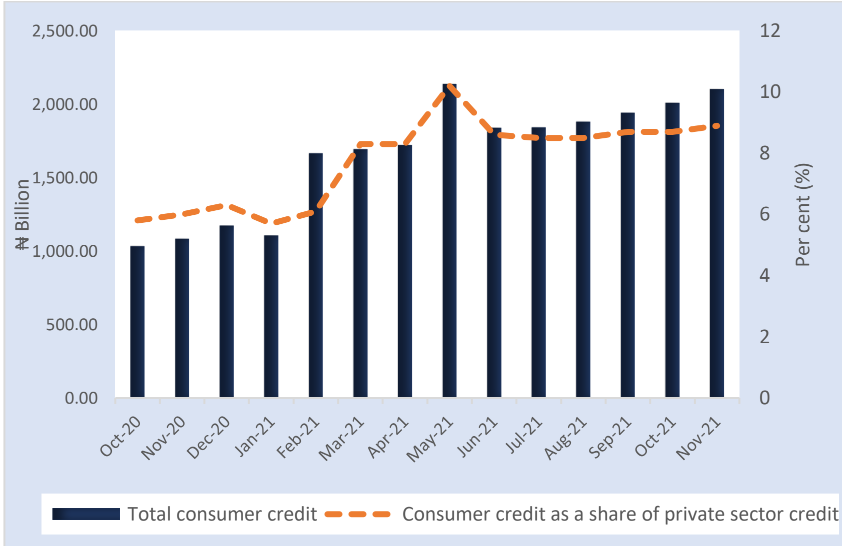
	Dec-21	Oct-21	Nov-21
Agriculture	5.2	5.5	5.8
Industry	37.2	37.1	36.4
Construction	4.7	4.8	4.4
Government	8.7	9.9	9.6
Services	37.6	35.8	35.4
Trade/General Commerce	6.6	6.9	8.4

Source: Central Bank of Nigeria

Consumer Credit

Consumer credit outstanding increased owing to an increase in the tempo of economic activities. Total consumer credit extended by the Other Depository Corporations (ODCs) grew by 4.3 per cent to ₦2,103.02 billion from ₦2,009.88 billion at the end ofOctober. This value represents 8.9 per cent of the total credit to the private sector in the month, compared with 8.7 per cent in the preceding month (Figure 14).

Figure 14: Consumer Credit Outstanding



Source: Central Bank of Nigeria

In terms of the composition of consumer credit, personal loans maintained its dominance, accounting for 78.1 per cent, while retail loans accounted for the balance of 21.9 per cent (Figure 15).

Figure 15: Composition of Consumer Credit in Nigeria (per cent)

Source: Central Bank of Nigeria

2.3.3 Money Market Developments

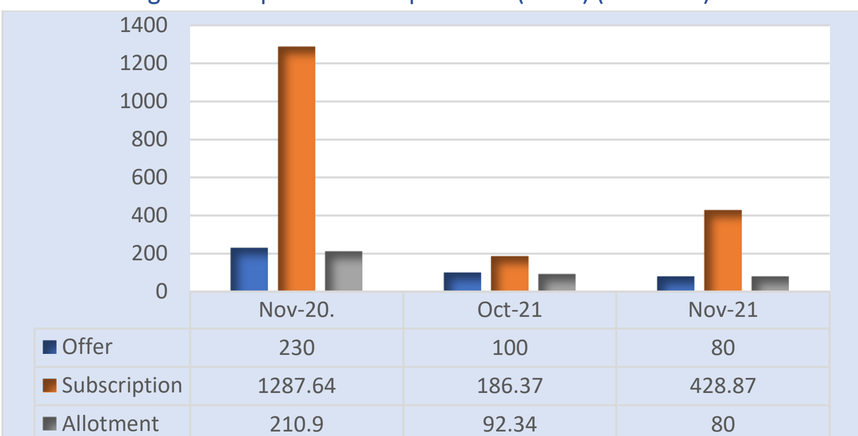
Liquidity Management

Matured CBN bills and fiscal disbursements spurred banking system liquidity during the period. There was net a injection of liquidity through the OMO window, as repayment during the month totalled ₦185.00 billion, while CBN OMO sales was ₦80.00 billion during the month. Disbursement via Federal Accounts Allocation Committee (FAAC) amounted to ₦672.00 billion. Consequently, the average banking system liquidity during the review period stood at ₦175.02 billion, compared with an average of ₦75.99 billion recorded in the preceding month.

Open Market Operations

The Bank intervened to moderate liquidity through the conduct of direct OMO and discount window activities in the month under review. A total of ₦80.00 billion, ₦428.87 billion, and ₦80.00 billion was offered, subscribed, and allotted, compared to the ₦100.00 billion, ₦186.37 billion, and ₦92.34 billion, respectively, in the preceding month. The bid-cover ratio of 5.36 in November, compared to the 2.02 in October, was indicative of a higher level of liquidity (Figure 16).

Figure 16: Open Market Operations (OMO) (₦ billions)



	Nov-20.	Oct-21	Nov-21
Offer	230	100	80
Subscription	1287.64	186.37	428.87
Allotment	210.9	92.34	80

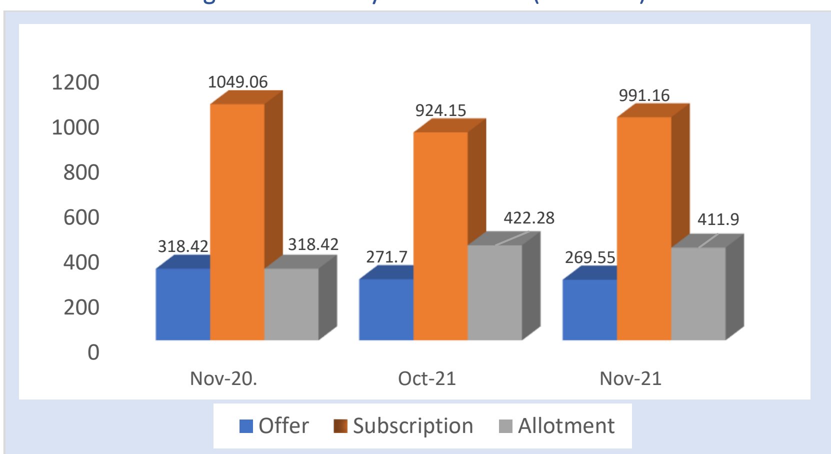
Source: Central Bank of Nigeria

The trend at the CBN Standing Facility window showed more activity in November. Total SDF and SLF during the month were ₦231.16 billion and ₦578.80 billion, respectively, compared with ₦112.56 billion and ₦503.69 billion in the preceding month. The increase in the SDF relative to the preceding month, signposts higher liquidity in the system, despite the withdrawal occasioned by the FGN Bond auction of ₦267.15 billion in the period.

Primary Market

At the NTB auctions, a total of ₦269.55 billion, ₦991.16 billion and ₦411.90 billion were offered, subscribed, and allotted, for the 91, 182- and 364-day tenors, respectively, relative to the preceding month's levels of ₦271.70 billion, ₦924.15 billion and ₦422.28 billion (Figure 17). The improved banking system liquidity underpinned the higher subscription levels. Notably, investors showed a preference for the longer dated maturity of 364-day, as it accounted for 97.8 per cent of the total subscriptions for the review period. The preference for the long-term tenored securities was attributed to higher yields. In the FGN Bond segment, the total amount offered, subscribed, and allotted was ₦150.00 billion, ₦267.15 billion, and ₦225.25 billion, for the 10-, 20-, and 30-year instruments, respectively, compared with ₦150.00 billion, ₦250.71 billion, and ₦192.76 billion in the preceding month. The relatively higher bid cover reflects liquidity conditions and markets' positive inflation expectation.

Figure 17: Primary Market NTBs (₦ billions)

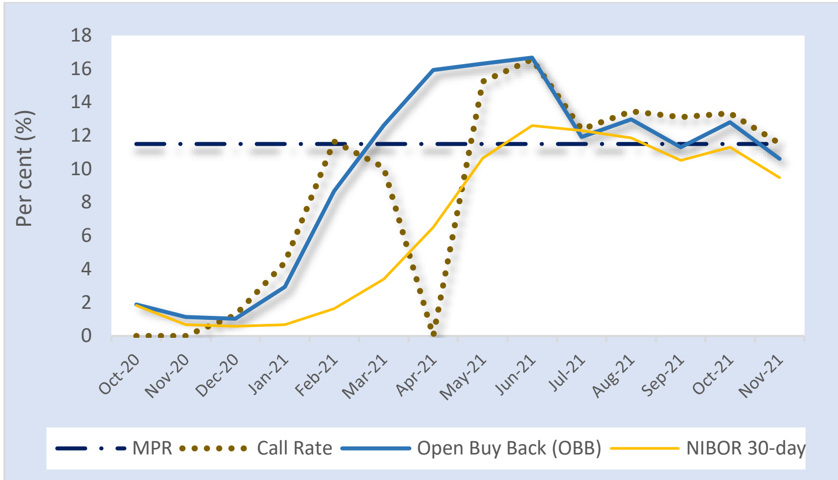


Source: Central Bank of Nigeria

Movements in interest rates reflected the liquidity condition in the market, as short-term rates trended below their levels in the preceding month. Relative to the preceding month's level of 12.8 per cent, average OBB rates fell to 10.6 per cent during the review period. At the NIBOR segment, the 7-day and 30-day NIBORs also declined to 12.4 per cent and 9.5 per cent, respectively, compared with 13.1 per cent and 11.3 per cent in the preceding month. In addition, the average inter-bank call rate decreased to 11.5 per cent, compared with 13.3 per cent in October. Overall, the short rates fell within the policy corridor, an indication of improving the efficiency of monetary operations.

The Monetary Policy Rate (MPR) at 11.5 per cent with the asymmetric corridors at +100/-700bpbs for lending and deposit, the Cash Reserves Requirement (CRR) at 27.5 per cent and Liquidity Ratio (LR) at 30.0 per cent, remained unchanged in the month.

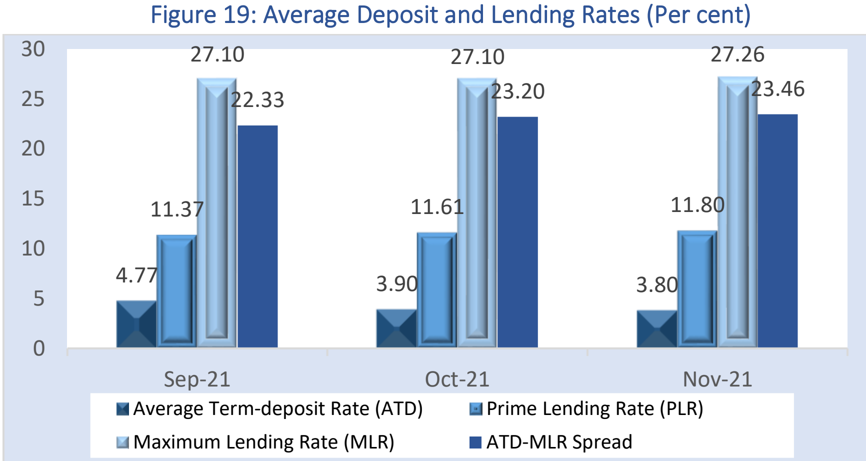
Figure 18: Interest Rate Trend



Source: Central Bank of Nigeria

The average term deposit rate declined by 10 basis points to 3.8 per cent in the review period, compared with 3.9 per cent in the preceding month. Notwithstanding, the maximum lending rate and the prime lending rate increased to 27.3 per cent and 11.8 per cent, respectively, relative to the 27.1 per cent and 11.6 per cent recorded in the preceding month. This slightly widened the spread between the maximum lending rate and the average term deposit rate by 23.5 per cent, compared with 23.2 per cent in the preceding period (Figure 19).

Figure 19: Average Deposit and Lending Rates (Per cent)



Source: Central Bank of Nigeria

2.3.4 Financial Developments

2.3.4.1 Financial Sector Soundness

The financial sector was relatively stable, despite concerns over the Omicron variant of COVID-19, as the various indicators of financial soundness were within the regulatory benchmarks. The Capital Adequacy Ratio (CAR), at 14.85 per cent, was higher than the regulatory benchmark of 10.00 per cent. However, compared to the preceding month, the CAR fell marginally by 2.5 percentage points. The development reflected a disproportionate increase in risk-weighted assets above total qualifying capital. The asset quality, measured by the ratio of Non-Performing Loan (NPL) to the industry total outstanding loans, improved to 5.08 per cent, from 5.29 per cent at the end ofOctober. This was due to sustained recoveries, write-offs and disposal of pledged collaterals. The Liquidity Ratio (LR), at 56.80 per cent, was above the statutory requirement level of 30.0 per cent. However, compared to the level in October, the LR declined slightly by 2.8 percentage points.

2.3.4.2 Capital Market Developments

Activities on the Nigerian Exchange Limited (NGX) was bullish in November. This was driven, mainly, by positive sentiments and portfolio switching from fixed-income investments. The NGX-All Share Index (ASI) rose by 2.9 per cent to 43,248.05, from 42,038.60 at the end ofOctober. Aggregate market capitalisation increased by 2.1 per cent to ₦42.20 trillion from ₦41.32 trillion at the end of the preceding month. Honeywell Flour Mills Plc, Total Energies Marketing Nigeria Plc, Neimeth International Pharmaceuticals Plc and Airtel Africa Plc, were among the highest gainers in the market. The equities market capitalisation rose by 2.8 per cent to ₦22.57 trillion and constituted 53.5 per cent of the aggregate, relative to the ₦21.94 trillion (53.1 per cent of the aggregate), at the end of October (Figure 20).

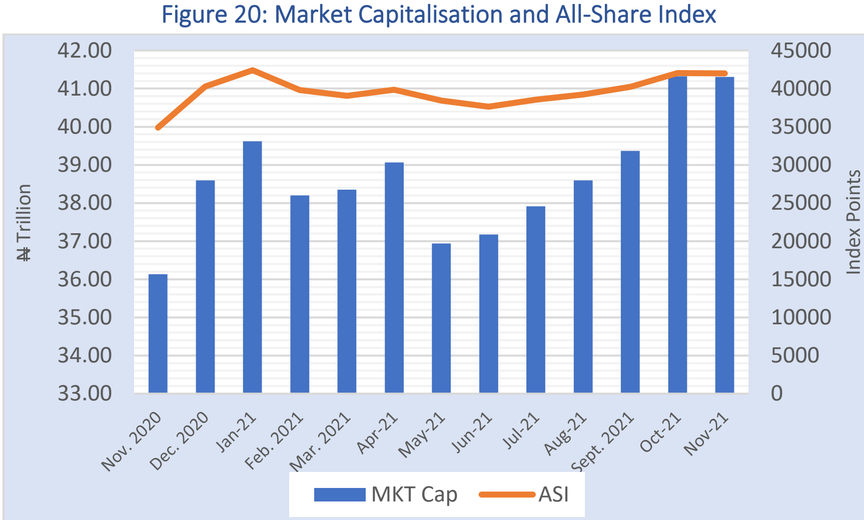
The performance of the various sectoral indices was mixed. The NGX-ASeM, remained flat relative to the level in the preceding month, while the NGX-Growth Index, NGX-Main Board, NGX-Insurance, NGX-Premium, NGX-Lotus, NGX-Industrial and NGX-Sovereign Bond, improved. On the other hand, the NGX-Oil/Gas, NGX-Afri-Bank Value, NGX-Banking, NGX-Consumer Goods, NGX-CG, NGX-Meri Growth, NGX-Afri Div Yield, NGX-Pension, NGX-Meri Value and NGX-30 Index declined relative to their levels in the preceding month (Table 14).

Table 14: Nigerian Exchange (NGX) Limited Indices

NGX Indices	Oct-21	Nov-21	Changes (%)
NGX GROWTH INDEX	1,074.59	1,193.10	11.00
NGX-MAIN BOARD	1,683.10	1,751.08	4.00
NGX-INSURANCE	179.92	184.95	2.60
NGX-LOTUS	2,938.88	3,005.25	2.30
NGX-PREMIUM	4,186.24	4,271.25	2.00
NGX-INDUSTRIAL	2,177.38	2,193.85	0.80
NGX SOVEREIGN	854.30	857.17	0.30
NGX-ASeM	670.65	670.65	0.00
NGX-OIL/GAS	390.90	362.81	-7.20
NGX-AFR BANK VALUE	1,090.47	1,017.00	-6.70
NGX-BANKING	410.39	389.78	-5.00
NGX-CONSUMER GOODS	569.51	548.33	-3.70
NGX- CG	1,296.14	1,263.27	-2.50
NGX-MERI GROWTH	1,813.39	11,767.05	-2.40
NGX-AFR Div Yield	2,620.49	2,565.25	-2.10
NGX-PENSION	1,647.94	1,616.31	-1.90
NGX- MERI VALUE	2,166.14	2,140.45	-1.20
NGX- 30- INDEX	1,747.12	1,746.72	-0.02

Source: Nigeria Exchange (NGX) Limited.

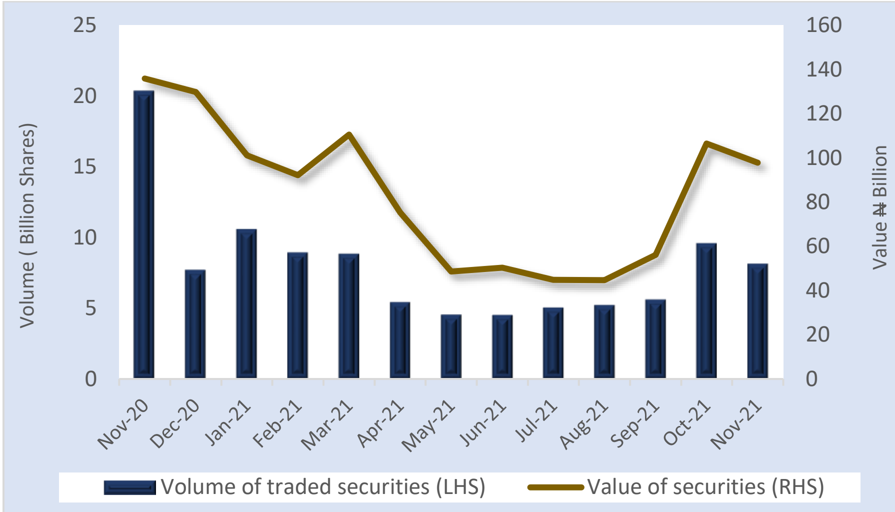
Figure 20: Market Capitalisation and All-Share Index



Source: Nigeria Exchange (NGX) Limited

The total turnover, volume and value, traded on the floor of the Exchange fell by 15.0 per cent and 8.1 per cent to 8.15 billion shares and ₦97.87 billion, respectively, in 93,796 deals, compared with the 9.58 billion shares worth ₦106.55 billion, in 93,344 deals at end-October (Figure 21).

Figure 21: Volume and Value of Traded Securities



Source: Nigeria Exchange (NGX) Limited

There were three (3) new listings in the review period, which created an additional source of liquidity, as well as improved investors' confidence (Table 15).

Table 15: New Listings on the NGX Limited, end-November 2021

Company	Additional Shares (Units)	Reasons	Listing
FTN Cocoa Processors Plc	₦1.7 billion Rights issues of 50k ordinary share at 50k per share.	₦1.7 billion Rights Issue	New
7.376% FGS NOV 2023	133,407 units	Bond Issuance	New
8.376% FGS NOV 2024	285,437 units	Bond Issuance	New

Source: Nigeria Exchange (NGX) Limited.

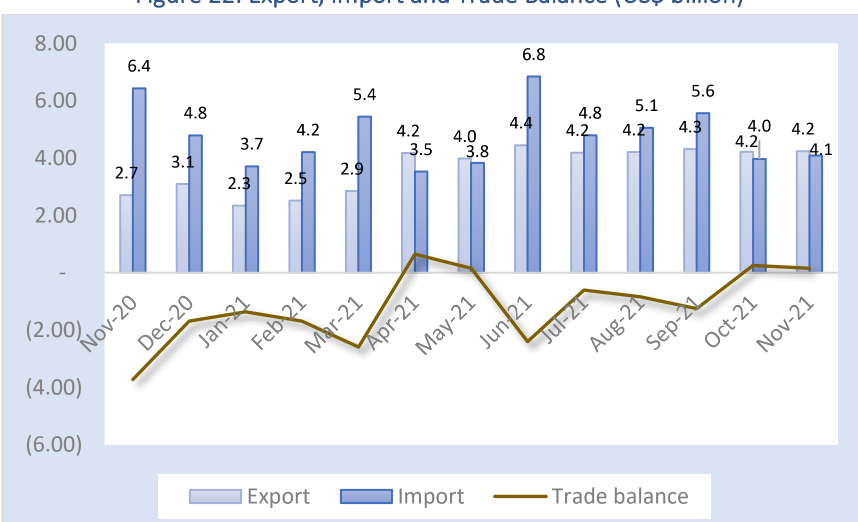
2.4. EXTERNAL SECTOR DEVELOPMENTS

The external sector performance improved in November, with the balance of trade recording a surplus. Total export receipts rose to US$4.24 billion in November, from US$4.22 billion, while merchandise import increased by 2.9 per cent to US$4.09 billion, from US$3.97 billion in the previous month. New capital imported into the economy rose by 13.3 per cent to US$0.57 billion, while capital outflow moderated to 3.8 per cent in November from 7.6 per cent in October. Capital outflow stood at US$0.91 billion in November, compared with US$0.88 billion in the previous. Thus, external reserves stood at US$40.48 billion at the end-November and could finance 8.5 months of import for goods and services or 11.2 months of import for goods only. The exchange rate remained relatively stable in the period.

2.4.1 Trade Performance

Following lower crude oil receipts and higher import bills, the trade surplus narrowed in November 2021. Aggregate export receipts increased by 0.7 per cent to US$4.24 billion, compared with US$4.22 billion in the preceding period, attributed mainly to non-oil export. However, merchandise import grew by 2.9 per cent to US$4.09 billion, from US$3.97 billion in October, reflecting increased domestic demand for non-oil related products, occasioned by an uptick in domestic economic activities. Consequently, trade surplus declined to US$0.16 billion in November, compared with US$0.24 billion in October (Figure 22).

Figure 22: Export, Import and Trade Balance (US$ billion)



Source: Central Bank of Nigeria

Crude Oil and Gas Export

The total value of crude oil and gas export receipts decreased by 1.4 per cent to US$3.67 billion, compared with US$3.72 billion in October 2021. A disaggregation shows that crude oil export receipts declined by 2.6 per cent to US$3.19 billion, relative to USS$3.27 billion. The decline was driven, majorly, by the fall in the price of Nigeria's reference crude, the Bonny Light, by 2.3 per cent to an average of US$82.16 pb, relative to US$84.11 pb in October. However, gas export receipts, increased by 7.0 per cent to US$0.48 billion, from US$0.45 billion in October, due to higher gas prices, particularly in Europe, following the onset of winter. Crude oil and gas export constituted 86.4 per cent of total export, of which oil accounted for 75.1 per cent and gas export 11.3 per cent.

Non-Oil Export

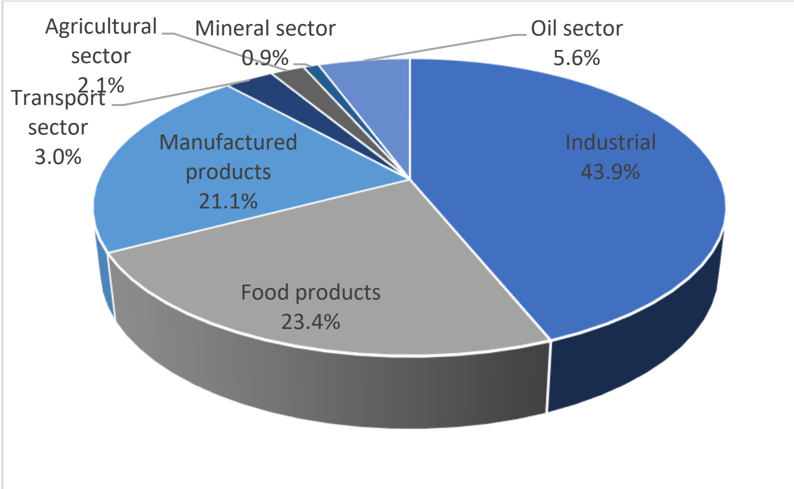
Receipts from non-oil export grew to US$0.58 billion, relative to the US$0.50 billion in October. Disaggregation shows that the value of electricity export declined by 12.4 per cent to US$0.005 billion, while re-exports and other non-oil export rose by 28.5 and 11.8 per cent to US$0.20 billion and US$0.37 billion, respectively.

Import

An increase in economic activity spurred aggregate demand and stimulated merchandise import. Thus, aggregate import increased by 2.9 per cent to US$4.09 billion, compared with US$3.97 billion in the previous month, driven by non-oil products, particularly raw materials. Disaggregation shows that the import of non-oil products increased by 7.5 per cent to US$3.10 billion, relative to US2.89 billion in October. However, the importation of petroleum products decreased by 9.4 per cent to US$0.98 billion, from US$1.08 billion in October. The non-oil import accounted for 76.0 per cent of total import bills, while oil import constituted the balance of 24.0 per cent.

Data on sectorial utilisation of foreign exchange for import reveals that industrial sector import, mainly, chemicals and machinery, accounted for 43.9 per cent of the total, followed by food and manufactured products with 23.4 per cent and 21.1 per cent, respectively. The oil sector accounted for 5.6 per cent; transport, 3.0 per cent; agriculture, 2.1 per cent; and mineral, 0.9 per cent.

Figure 23: Import by Sector, November, 2021 (per cent)



Source: Central Bank of Nigeria

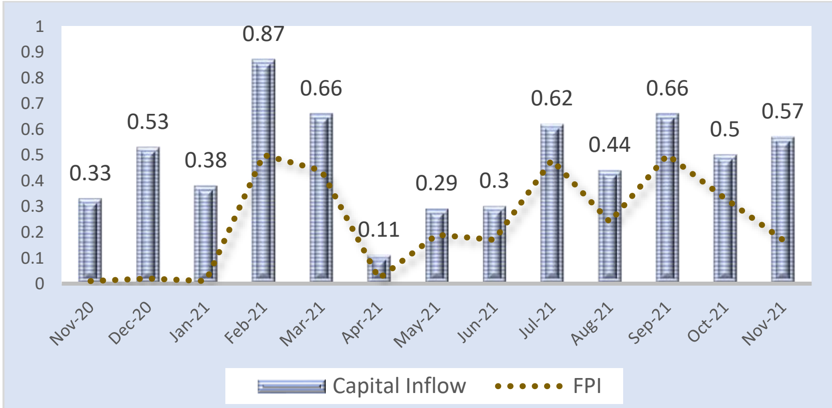
Capital Importation

Foreign capital inflows increased on account of the bullish performance of the stock market. Consequently, new capital imported into the economy increased by 13.3 per cent to US$0.57 billion, from US$0.50 billion in October. Disaggregation of capital importation by type of investment indicates that the inflow of foreign direct investment equity increased significantly to US$0.21 billion or 36.1 per cent of the total, from US$0.03 billion in October. The inflow of other investments, mainly loans also rose to US$0.20 billion (34.6 per cent of the total), from US$0.14 billion in the preceding month. However, portfolio investment (mainly money market instruments), at US$0.17 billion or 29.3 per cent of the total, fell below the US$0.33 billion in October.

Further analysis of capital importation by nature of business showed that Foreign Direct Investment (FDI) and Portfolio Investment (PI) equity shares accounted for 25.7 percent, trading, 22.9 per cent; banking, 20.8 per cent; financing, 11.8 per cent; production/ manufacturing, 11.6 per cent; telecommunications, 5.2 per cent; and others, the balance.

Capital importation by country of origin indicated that the United States of America was the major source of capital, accounting for 23.4 per cent, followed by Singapore, 15.3 per cent; Mauritius, 14.0 per cent; and The Netherlands, 8.6 per cent. Inflow from Togo accounted for 8.0 per cent, United Arab Emirates, 7.8 per cent; Republic of South Africa, 7.7 per cent; and others, the balance. By destination of capital, Lagos State and Abuja (FCT) were the major recipients with US$0.50 billion (86.8 per cent) and US$0.07 billion (12.6 per cent) of the total, respectively. Other states received a balance of 0.6 per cent.

Figure 24: Capital Inflow and Foreign Portfolio Investment (US$ billion)

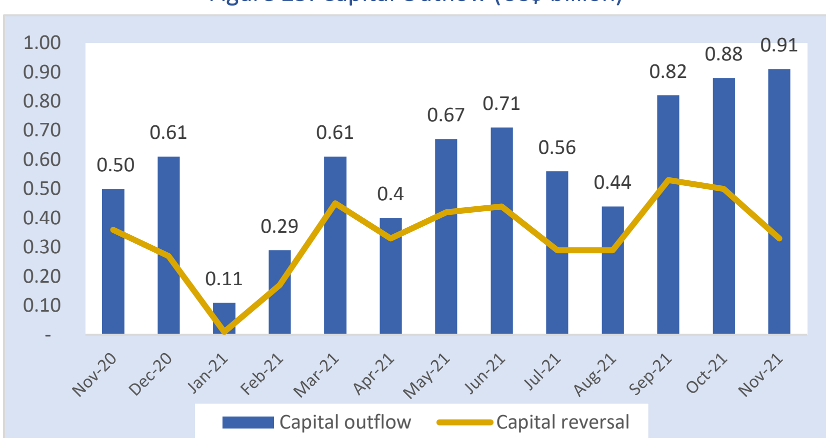


Source: Central Bank of Nigeria

Capital Outflow

The rate of capital outflow moderated to 3.8 per cent in November, from 7.6 per cent in October. Capital outflow stood at US$0.91 billion in November, compared with US$0.88 billion in the previous month. A disaggregation of outflow by type of investment shows that outflow of loans at US$0.37 billion (40.3 per cent), increased by 9.1 per cent, compared with the level in October. Theoutflow of capital (mainly from financing and banking sectors) stood at US$0.33 billion (36.5 per cent), a decline of 32.9 per cent, relative to US$0.50 billion in October. Repatriation of dividends increased significantly to US$0.18 billion or 20.0 per cent, from US$0.03 billion in October, driven by telecommunications and financing sectors. Other outflows accounted for the balance of 3.2 per cent.

Figure 25: Capital Outflow (US$ billion)



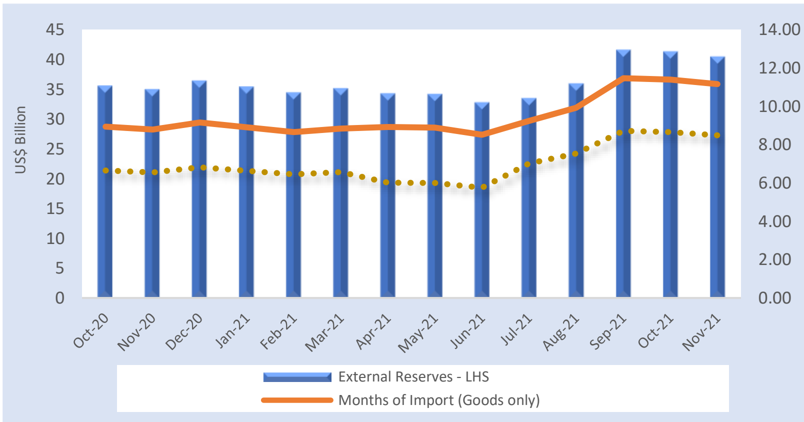
Source: Central Bank of Nigeria

2.4.2 International Reserves

International Reserves

The level of external reserves at end-November 2021 exceeded the benchmark of imports cover. The external reserves stood at US$40.48 billion at the end-November, compared to US$41.30 billion at end-October. The external reserves could cover 8.5 months of import for goods and services or 11.2 months of import for goods only.

Figure 26: External Reserves and Months of Import Cover (US$ billion)



Source: Central Bank of Nigeria

2.4.3 Foreign Exchange Flows through the Economy

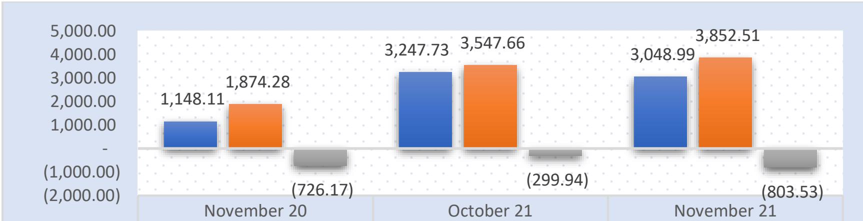
Foreign Exchange Flows through the Economy

The economy recorded a net foreign exchange inflow of US$2.06 billion in November, attributed to net inflow from autonomous sources. Aggregate foreign exchange inflow into the economy fell by 7.0 per cent to US$6.51 billion in November, from US$7.00 billion in the preceding month. Although the total foreign exchange outflow increased to US$4.45 billion from US$4.31 billion in October, the net inflow of US$2.06 billion was recorded in November.

Further analysis shows that foreign exchange inflow into the Bank declined to US$3.05 billion from US$3.25 billion, driven by the reduction in non-oil components, such as returned payments, foreign exchange purchases, and third-party receipts/MDA transfers. Autonomous inflow also declined to US$3.46 billion, from US$3.76 billion, due mainly to lower total over-the-counter (OTC) purchases.

Foreign exchange outflow through the Bank increased by 8.6 per cent to U$3.85 billion, from the level in October, on account of increased foreign exchange sales at the Secondary Market Intervention Sales (SMIS) and Investors & Exporters (I&E) windows, matured swap transactions, and direct payments. Autonomous outflow dropped by 20.8 per cent to US$0.60 billion, compared with US$0.76 billion in October, due to a decline in invisible imports. Consequently, a net outflow of US$0.80 billion was recorded through the Bank in November, compared with US$0.30 billion in the previous month.

Figure 27: Foreign Exchange Transactions through the Bank (US$ million)



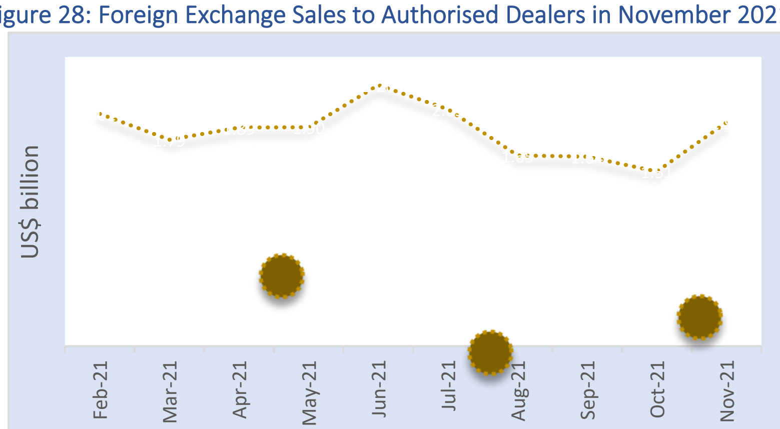
	November 20	October 21	November 21
Inflow	1,148.11	3,247.73	3,048.99
Outflow	1,874.28	3,547.66	3,852.51
Netflow	(726.17)	(299.94)	(803.53)

Source: Central Bank of Nigeria

2.4.4 Foreign Exchange Market Developments

The Bank continued to implement the extant policies for foreign exchange management to enhance liquidity and stabilise the exchange rate. Total foreign exchange sales to authorised dealers rose by 28.0 per cent to US$1.94 billion, from US$1.51 billion in October. A breakdown showed that foreign exchange sales at the Secondary Market Intervention Sales (SMIS), Small and Medium Enterprises (SMEs), Investors and Exporters (I&E) windows rose by 26.0 per cent, 19.4 per cent and 27.7 per cent to US$0.76 billion, US$0.15 billion and US$0.71 billion, respectively. Similarly, interbank/invisible foreign exchange sales and matured swap contracts rose by 6.1 per cent and 210.8 per cent to US$0.21 billion and US$0.12 billion, respectively, compared with levels in October.

Figure 28: Foreign Exchange Sales to Authorised Dealers in November 2021



Source: Central Bank of Nigeria

2.4.5 Exchange Rate Movement

Average Exchange Rate

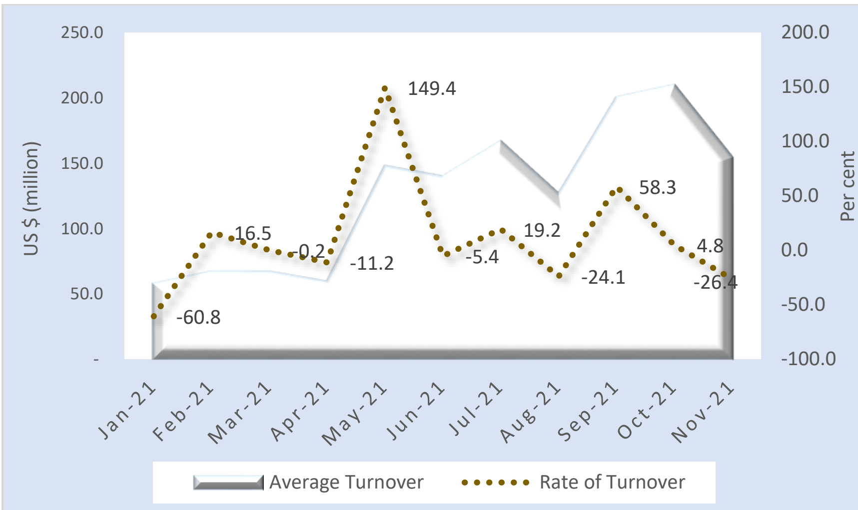
The exchange rate of the naira at the I&E window remained relatively stable in the review period. The average exchange rate of the naira per US dollar at the I&E window was ₦411.73/US$, compared with ₦411.22/US$ in October.

2.4.6 Foreign Exchange Turnover at the I&E Window

Foreign Exchange Turnover

The average foreign exchange turnover at the Investors and Exporters' window was US$153.98 million, a decline of 26.4 per cent, from US$209.29 million in October.

Figure 29: Turnover in the I&E Foreign Exchange Market (US$ million)



Source: Financial Markets Derivatives Quotations (FMDQ)

3.0 ECONOMIC OUTLOOK

3.1 Global Outlook

The global economy is expected to continue its growth path with sustained policy support and favourable business expectations, following the wider coverage of COVID-19 vaccines. *The IMF, (October 21 WEO) projects the global economy to grow by 5.9 per cent in 2021, a substantial recovery in economic activities. This has strong support in the months ahead as PMIs across regions improved. The expected increase in aggregate demand coupled with persistent energy shortfalls in Europe and other economies could drive up global crude oil prices. However, releases from strategic oil reserves could dampen the extent of the increase in crude prices.*

Nevertheless, growth rates across countries are expected to be uneven, amid disparities in policy support and interventions. The emergence of the Omicron variant of COVID-19, which has prompted some restrictive containment measures in Russia, China, and New Zealand, among others, could blur the growth outlook. In addition, the negative sentiments arising from the resurgence of different variants of COVID-19 might impede the performance of global financial markets.

The outlook for inflation remains a concern. However, improving supply chains and proactive actions by the Fed and other central banks could help moderate inflationary pressures.

3.2 Domestic Outlook

There is optimism about growth in the economy, following the sustained increase in economic activity. The growth prospect would be supported by the expected increase in consumer demand, as consumers stock and prepare for the end of year festivity. Sustained monetary and fiscal interventions and the effective containment of the COVID-19 pandemic would also support growth.

Further moderation in inflationary pressure is expected, as gains from the various interventions by the Federal Government and the CBN continue to ease supply shocks and bottlenecks. However, the growth prospects could be threatened by the downward trend in crude oil prices during the period. The fiscal outlook in the nearterm is cautiously optimistic. The continued implementation of Strategic Revenue Growth Initiatives (SRGIs) and sustained policy support to mitigate the impact of COVID-19, are expected to engender a healthy environment for the conduct of fiscal policy. However, the anticipated increase in crude supplies, following the US's decision to access strategic oil reserves, in a bid to bring down energy prices, in collaboration with other major energy consuming nations like

India and China, could impair receipts from oil exports. Insecurity, if not curtailed, could also constitute a clog on efforts at generating revenue.

With the Bank's commitment to ensure the safety and soundness of the financial system, it is expected that the various indicators of soundness would remain within the regulatory benchmarks. Similarly, the continuation of the Bank's intervention in the real sector and other credit easing measures, are expected to increase credit supply in the economy.

The newly discovered Omicron COVID-19 variant could lead to further travel restrictions and adversely affect global crude oil demand, which could affect foreign exchange inflow. This could reverse the trade surplus recorded in November. Furthermore, the possible decline in crude prices could reduce the rate of accretion to external reserves and put pressure on the foreign exchange market.