CENTRAL BANK OF NIGERIA ECONOMIC REPORT

Third Quarter
2022

ABOUT THE REPORT

The Central Bank of Nigeria (CBN) Economic Report is a compilation and analysis of economic developments in Nigeria within the review period. The Report, which is published monthly and quarterly, provides insights into the current developments in the real, fiscal, financial, and external sectors of the Nigerian economy as well as global economic developments. It also reflects on the policy initiatives of the Bank within the period.

The Report is targeted at a wide range of readers, including economists, policymakers, financial analysts in the government and private sectors, and the public. Free copies of the Report, both current and past issues, can be obtained from the CBN website: *www.cbn.gov.ng. All inquiries concerning the report should be directed to the Director, Research Department, Central Bank of Nigeria, P.M.B. 187, Garki, Abuja, Nigeria.*

Contents

Tables

Figures

EXECUTIVE SUMMARY

Global economic activity contracted in 2022Q3, following heightened uncertainty in the business environment. The lingering effect of the Russia-Ukraine war drove the contraction in economic activities in Advanced Economies (AEs), while performance in Emerging Markets and Developing Economies (EMDEs) was mixed, following weak consumer demand in most economies. Inflation remained elevated across regions, with signs of easing, due to tight monetary policy measures. Financial market performance was bearish, particularly in the equities segment, impacted by interest rate hikes. World crude oil production increased following improved supply from OPEC+, particularly Iran, Venezuela and Libya. Crude oil spot prices fell, owing to increased supplies and pessimism about the world economy.

On the domestic front, economic activity expanded, as the manufacturing Purchasing Managers Index (PMI) was above the 50-index point threshold. The manufacturing PMI slowed to 50.2 index points, compared with 51.1 index points in June, attributed mainly to the drag in supply delivery time and employment level. Inflationary pressures continued, driven, mainly, by increased cost of production and other structural issues, such as insecurity and flooding. Headline inflation (year-on-year) rose to 20.77 per cent, from 18.60 per cent in 2022Q2. Core inflation also rose to 17.60 per cent, from 15.75 per cent in the preceding quarter, due to increase in cost of imported products and foreign exchange constraints. Food inflation rose to 23.34 per cent, from 20.60 per cent in 2022Q2, owing to supply chain disruptions.

The fiscal performance of the Federal Government of Nigeria (FGN) improved, following higher non-oil receipts, particularly from company income tax. Despite lower oil revenue inflow, the retained revenue of the FGN rose by 16.6 per cent to ₦1,227.33 billion, driven by 37.1 per cent increase in allocation from the Federation Account. Nevertheless, revenue outcome remained below the quarterly target by 54.3 per cent. At ₦2,419.31 billion, provisional aggregate expenditure declined by 1.4 per cent from the level in the preceding quarter, below the quarterly benchmark by 44.1 per cent. The decline was driven, majorly, by lower recurrent spending. Consequently, fiscal deficit narrowed by 15.0 per cent and 35.1 per cent, relative to 2022Q2 and the quarterly benchmark, respectively. The consolidated public debt as at end-June 2022 stood at ₦42,845.88 billion (or 23.4 per cent of GDP), within the 40 per cent national threshold.

The financial system remained safe and sound, as financial soundness indicators were within the regulatory benchmarks. To moderate the growth of money supply and help rein in inflation, the Bank maintained a tight monetary policy stance that affected liquidity in the economy. Broad money (M3) grew by 11.00 per cent and was within programme target when annualised. The growth in M3 was driven mainly, by the increase in domestic claims, particularly claims on the central government and private sector. Key money market rates trended upwards in response to the tight liquidity condition. On the Nigerian Exchange (NGX) Limited, activities were bearish, reflecting investors' portfolio switching, following tight financial conditions. As such, the All-Share Index (ASI) of the NGX declined, on account of flight to profit in the fixed income market.

Despite the prevailing global economic condition, the current account maintained a lower surplus position of US$1.89 billion (1.7 per cent of GDP), from US$5.07 billion (4.7 per cent of GDP) in the previous quarter. However, the financial account recorded a lower net incurrence of financial liabilities of US$2.07 billion, relative to US$3.16 billion (2.8 per cent of GDP) in 2022Q2, reflecting the impact of monetary tightening across major advanced economies. The stock of external reserves at end-September 2022 stood at US$37.51 billion, compared with US$39.16 billion at end-June 2022. The current level of external reserves could finance 9.0 months of import of goods only, or 6.5 months of import of goods and services. The average exchange rate of the naira per US dollar at the I&E window, was ₦426.34/US$, compared with ₦415.70/US$, in 2022Q2.

The prospect for higher growth in the global economy is pessimistic, due to uncertainties prevalent in major economies and elevated global inflation. On the domestic front, growth prospects remain positive, but could be constricted by shrinkage in global demand, persistent security challenges and perennial infrastructural deficit. In addition, inflationary pressure is expected to remain elevated in the next quarter, due to rising energy and food prices, stemming from increased production and transportation costs. However, given the tight policy stance of the Bank, it is expected that inflation would be moderated in the near-term.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

1.1 Global Economic Activities

Global Economic Conditions

Global economic activity contracted in 2022Q3, the first time since 2020Q2, as uncertainties in business environment heightened. Tight financial conditions, heightened uncertainty linked to the Russia-Ukraine war, supply shortages and high inflation adversely effected the economy. Thus, the average J.P. Morgan Global Composite Purchasing Manager's Index (PMI) contracted to 49.9 index points from 52.0 index points in 2022Q2. Similarly, the manufacturing and services PMI slowed to 50.7 index points and 50.1 index points, from 53.3 index points and 52.7 index points in the second quarter, respectively. The rate of increase in employment moderated, as the index fell by 1.4 index points to 51.83 index points. This was due to slowdowns in hiring amid weakening output growth (Table 1).

Table 1: Global Purchasing Managers' Index (PMI)

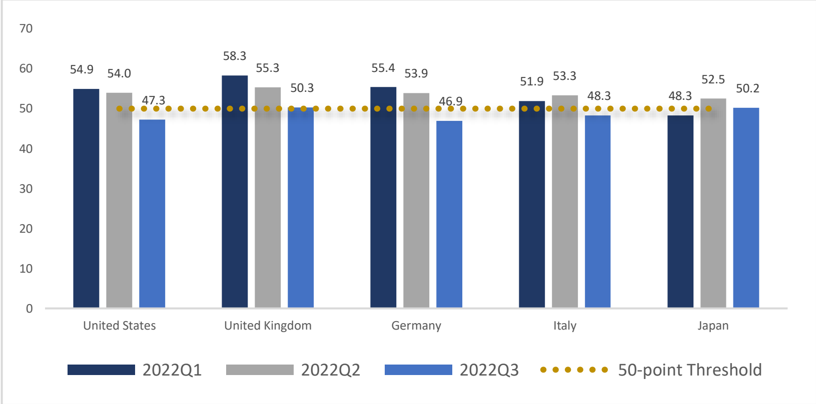
	2022Q1	2022Q2	2022Q3
Composite	*52.5*	*52.0*	*49.9*
Manufacturing	*53.3*	*53.3*	*50.7*
Services (Business Activity)	*52.9*	*52.7*	*50.1*
Employment Level	*52.0*	*53.2*	*51.8*

Source: JP Morgan, IHS Markit

Economic activity in Advanced Economies

In Advanced Economies (AEs), economic activities contracted, due to the lingering effects of the Russia-Ukraine war. The PMI in most AEs fell below the threshold of 50.0 index points as output dwindled across both the manufacturing and service sectors. Specifically, US production declined due to subdued demand, resulting in an output contraction to 47.3 index points from 54.0 index points in 2022Q2. Similarly, weakened demand in Germany led to a contraction in PMI to 46.9 index points from 55.3 index points. In the UK, output slowed to 50.3 index points from 55.3 index points in the preceding quarter, on account of constrained demand. Japan followed a similar pattern, as economic activities slowed to 50.2 index points from 52.5 index points in the preceding quarter, owing to intense cost pressure and the impact of typhoon Nanmadol (Figure 1).

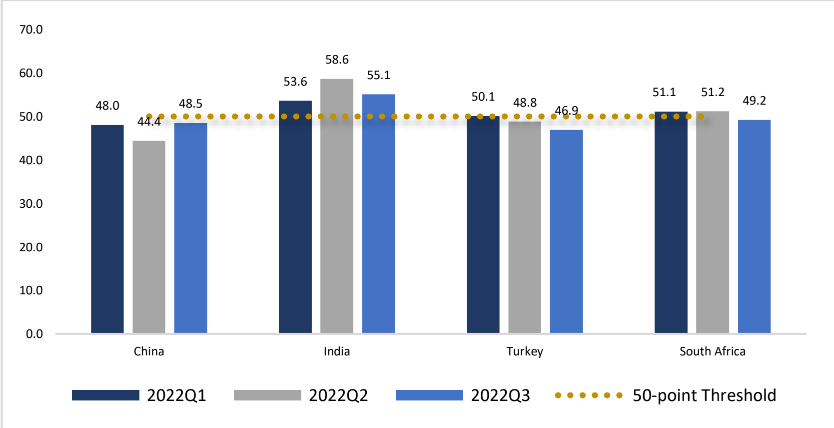
Figure 1: Selected Advanced Economies' PMIs



Source: *Trading Economics/Various countries' websites.*

The performance of economic activities in Emerging Markets and Developing Economies (EMDEs) was mixed, as most economies within the region experienced weak consumer demand. In China, economic activities remained subdued in 2022Q3, desoite improvement in PMI. Although the PMI improved to 48.5 index points from 44.4 index points in the preceding quarter, the index remained in the contraction mode. The persistence of the economyin the contraction zone was occasioned by widespread COVID-19 lockdowns. Also, the PMI indices in Turkey and South Africa declined to 46.9 index points and 49.2 index points, from 48.8 index points and 51.26 index points in the preceding quarter, respectively. Economic activities in Turkey and South Africa slowed due to fragile demand conditions. However, India's PMI slowed to 55.1 index points from 58.6 index points in the preceding quarter attributed mainly to decline in new orders, in the face of rising cost of living (Figure 2).

Figure 2: PMI in Selected EMDEs



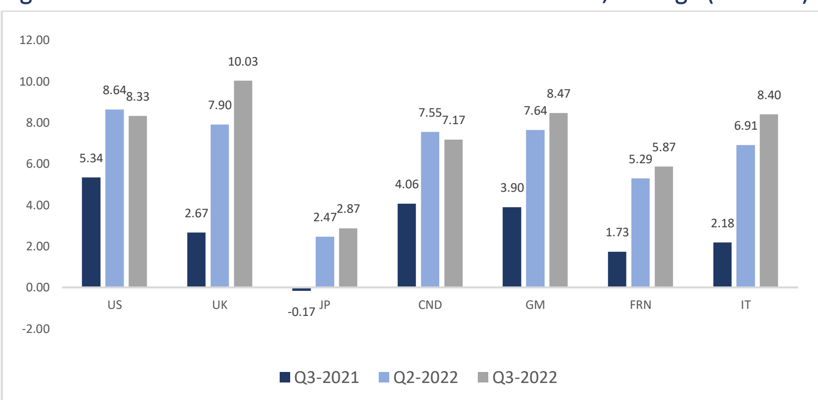
Source: Trading Economics/Various countries' websites.

1.2 Global Inflation

Global Inflation

Inflation remained elevated across regions, though with visible signs of easing, due to tight monetary measures. Inflation in advanced economies was underpinned by idiosyncratic factors. During the quarter, headline inflation averaged 8.33 per cent and 7.17 per cent in the US and Canada, compared with 8.64 per cent and 7.55 per cent in 2022Q2, respectively. Inflationary pressure eased in both countries due to a slowdown in energy prices, particularly gasoline, following an increase in the global supply of crude oil during the period. On the other hand, Japan's inflation rate rose to 2.87 per cent from 2.47 per cent, driven, mainly, by high cost of imports, especially food and raw materials. Similarly, inflation in Germany rose to 8.47 per cent from 7.64 per cent in the previous quarter, due to increase in the price of food and energy products (heating oil and natural gas), highlighting the continued impact of the Russia-Ukraine war. Likewise, inflation in the UK surged to 10.03 per cent from 7.90 per cent, stemming from the high cost of motor fuels and food prices (Figure 3).

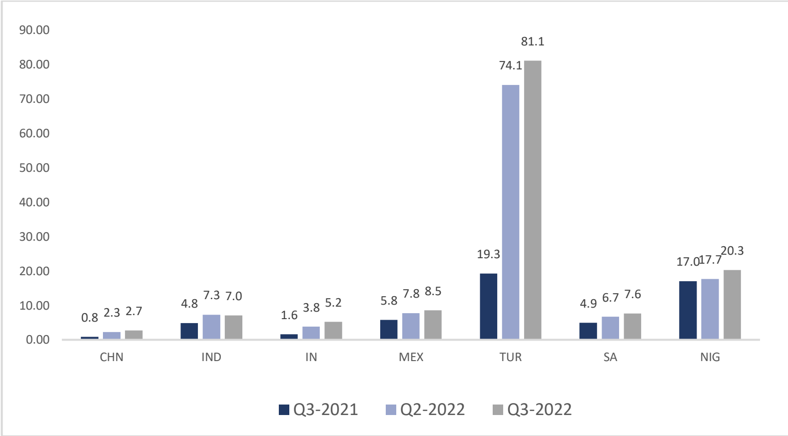
Figure 3: Inflation Rates in Selected Advanced Economies, Average (Per cent)



Source: The Organisation for Economic Cooperation and Development.

Inflation in the Emerging Markets and Developing Economies (EMDEs) was also elevated, due to exchange rate pressures and other structural challenges. China's inflation rate rose to 2.67 per cent from 2.26 per cent in the preceding period, on account of higher food prices, as consumption strengthened. Prices continued to inch up in South Africa, as consumer prices rose to 7.63 per cent from 6.68 per, due to increased transportation cost, and higher prices of fuel, food and non-alcoholic beverages. In Turkey, inflation rose to 81.10 per cent from 74.07 per cent, as the lira plunged further amidst continued interest rate cuts. However, disinflation was experienced in India as headline inflation declined to 7.04 per cent from 7.28 per cent in 2022Q2, driven, mainly, by the rising cost of food, transport, housing, and education (Figure 4).

Figure 4: Inflation Rates in Selected EMDEs, Average (per cent)



Source: OECD

1.3 Global Financial Markets

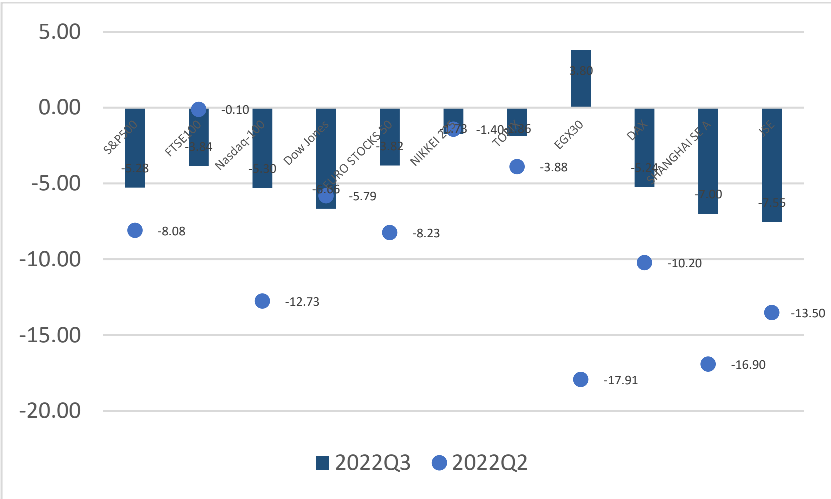
Financial market performance was bearish in 2022Q3, impaired by persistent inflation and rising interest rates. Particularly, the equity market indices were in the bear-market territory due to the tight financial conditions, as central banks moved to tame inflation, and fear of possible recession by market participants. In the US, the NASDAQ, S&P500 and Dow Jones stocks declined by 4.63 per cent, 5.28 per cent and 6.66 per cent, respectively. Similarly, the NIKKEI 225 closed at 1.73 per cent lower than the previous quarter, despite rallying at the beginning of, and the greater parts of the quarter. This was due to the continuous weakening of the Yen against the US dollar.

In Europe, the EURO STOXX50 dipped by 3.96 per cent, following global trends. Moreso, in the UK, the weakening pound sterling negatively influenced trading in the quarter, and the announcement of a fiscal package by the new government in September attracted negative sentiments in the market, which led to further depreciation of the sterling to an all-time low against the US dollar. The FTSE 100 index fell by 3.84 per cent in 2022Q3.

Equity markets in EMDEs also posted negative returns in 2022Q3. The strengthening of the US dollar against domestic currencies, dwindling global growth prospects, increased domestic interest rates and elevated levels of inflation, combined to affect the development in the equities segment. China's Shanghai Stock Exchange-A fell by 70.0 per cent relative to the preceding quarter, reflecting investors' reaction to the hostility between Beijing and Washington over Taiwan, and the Zero COVID-19 policy.

The South African JSE also fell by 7.55 per cent as industrials performed the worst due to the country's energy struggles, which negatively affected the mining and manufacturing sectors. Conversely, Egypt's blue-chip index, EGX30, increased by 3.80 per cent in 2022Q3, as the government concluded plans for a new IMF lending package aimed at stemming the currency crisis (Figure 5).

Figure 5: Global Stock Market Equity Indices

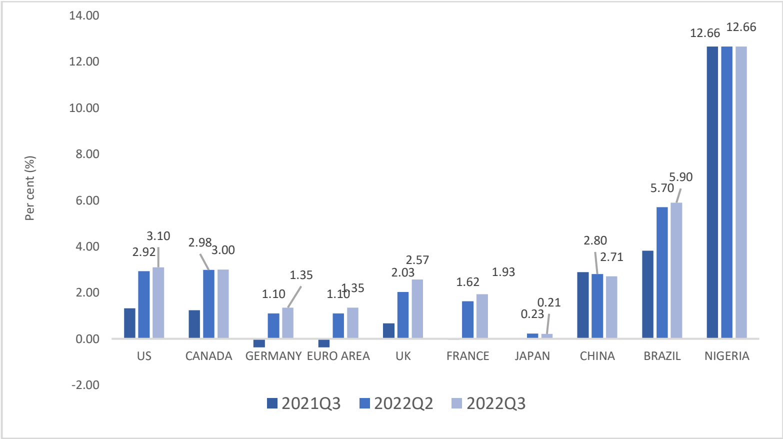


Source: Bloomberg.

The heightened market volatility spilled into fixed income securities, as central banks and market investors continued to contend with persistent inflation amid slowing growth environment. Ten-year government bond yields increased during the quarter, as central banks continued to show commitments to tame inflation. The average Euro Area 10-year government bond yield rose to 1.35 per cent in 2022Q3 from 1.10 per cent in the preceding quarter, following further increases in the policy rate by 50 basis points (bps) and 75 bps in July and September, respectively. In the UK, the average yield on 10-year government bond rose to 2.57 per cent from 2.03 per cent in the preceding quarter on the back of expectations about further policy rate hikes. Also, the political uncertainty and the anticipated fiscal response to the energy crisis weighed negatively on the market, resulting in increased yield. The US Fed also strongly reiterated the hawkish stance to curb inflation. Thus, the US 10-year government bond-yield rose to 3.10 per cent from 2.92 per cent in 2022Q2.

In EMDEs, the trend in government bond yields was mixed as some of their currencies weakened against the US dollar. In Brazil, the 10-year government bond yield rose marginally by 20 bps to 5.90 per cent, reflecting sentiments ahead of October's presidential election. However, in China, yields fell, on account of monetary easing[1] (Figure 6).

Figure 6: 10-Year Government Bond Yields



Source: Bloomberg.

1.4 Central Banks' Policy Rates

Central banks, around the world, continued to reaffirm commitments to tame inflation, with continuous rate hikes, although this has led to subdued growth outlooks for most economies. The US Federal Reserve increased its policy rate by 75 every month in 2022Q3, culminating in a policy rate of 3.25 per cent at the end of the quarter. Similarly, the Bank of England raised its policy rate by a cumulative 100 bps in 2022Q3 to 2.25 per cent and announced the decision to reduce the purchase of government bonds by £80 billion over the next twelve months. Likewise, the Bank of Canada further raised its policy rate to 3.25 per cent, a cumulative of 175 bps during the quarter, making it the highest-level of borrowing cost since 2008.

Similarly, monetary tightening continued in some EMDEs as aggregate prices remained elevated amid economic growth concerns and instability in capital flows. The Bank of Mexico increased its repo rate by 150 bps, cumulatively, to 9.25 per cent between August and

[1] The PBOC slashed rates for the second time this year in August 2022. The 1-year LPR was cut by 5 bps to a record low of 3.65 per cent while, the 5-year LPR was slashed by 15 bps to 4.30 per cent.

September. In India, the key repo rate was raised to 5.9 per cent in September amid rising concerns over high inflation, strong global headwinds and a plunge in the rupee. In Ghana, the policy rate was increased by 300 bps to 22.0 per cent, as the cedi continued to depreciate amidst elevated inflation. Other emerging market central banks, such as South Africa and Nigeria, also raised their policy rates during the period to 6.25 per cent and 15.5 per cent, respectively, to stem rising prices. Conversely, in Turkey, despite inflation reaching 80.0 per cent during the quarter, the Bank of Turkey reduced its policy rate by 200 basis, to 12.0 per cent from, 14.0 per cent in the previous quarter, in a bid to support the use of the Lira, citing recession risks (Table 2).

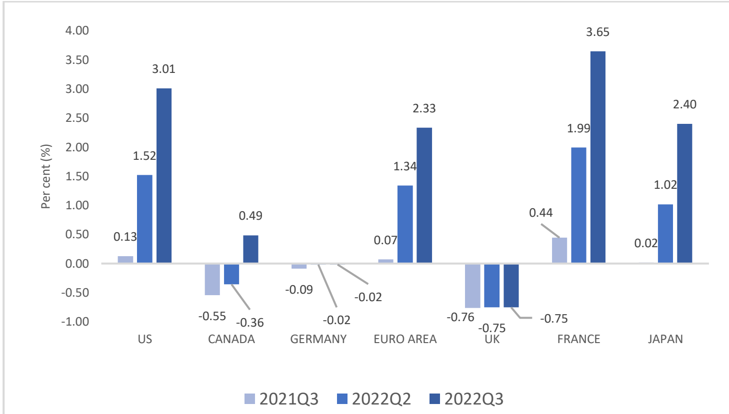
Table 2: Central Bank Policy Rates (per cent)

Country	2021Q3	2022Q2	2022Q3
United States	0.25	1.75	3.25
United Kingdom	0.1	1.25	2.25
Japan	-0.1	-0.1	-0.1
Canada	0.25	1.5	3.25
Euro Area	0	0	1.25
China	3.85	2.85	3.65
India	4	4.9	5.9
Mexico	4.75	7.75	9.25
Indonesia	3.5	3.5	4.25
Turkey	18	14	12
South Africa	3.5	4.7	6.25
Ghana	13.5	19	22
Nigeria	11.5	13	15.5

Source: Various Central Banks' websites.

Credit spreads between government and corporate bonds widened further in 2022Q3, as interest rate hikes across most AE central banks drove government bond yields, which weighed heavily on market returns. In the US, Euro area and japan, credit spreads widened by 149 bps, 138 bps and 99 bps, respectively, compared to the preceding quarter (Figure 7).

Figure 7: Credit Spreads in Selected Advanced Economies



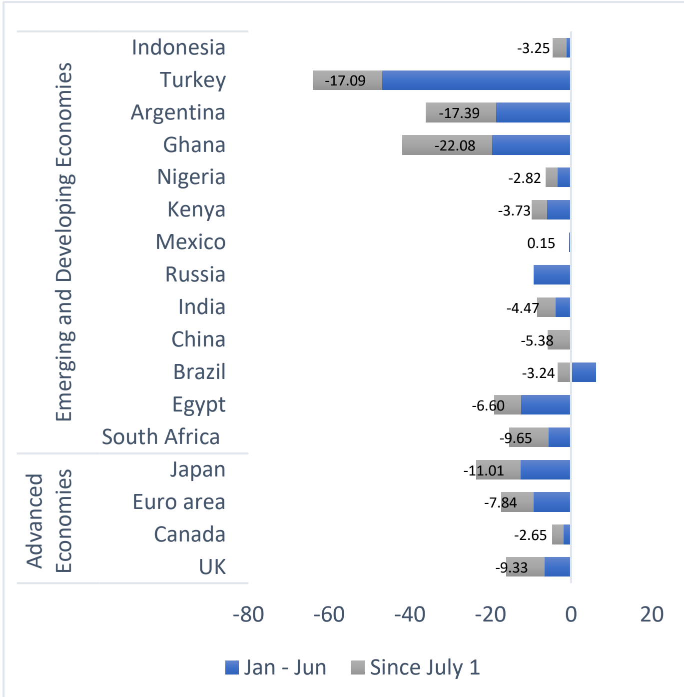
Source: Bloomberg

Selected Currencies against the US Dollar

In the foreign exchange market, the dollar continued to gain significantly against the currencies of both AEs and EMDEs, given the Fed's tight monetary policy stance. Among the AEs, the Japanese Yen depreciated by 11.01 per cent, the British Pound by 9.3 per cent, and the Euro by 7.84 per cent. Likewise, the currencies of EMDEs including Ghana, Turkey, South Africa, Brazil and Nigeria also weakened vis a vis the US dollar by 22.08 per cent, 17.09 per cent, 9.65 per cent, 3.24 per cent and -2.82 per cent, respectively. This development portends major risks, particularly for countries with high dollar-denominated debts, as world interest rates rise, and financial conditions tighten further. Conversely, the Mexican Peso appreciated vis-a-vis the US dollar by 0.15 per cent, due to the hawkish actions of the central bank to tame inflation and the trade relationship between the countries[2] (Figure 8).

[2] Roughly 80% of Mexico's exports go to the US.

Figure 8: Foreign Exchange Rates against the US Dollar (average percentage change)



Note: Average January to June 2022 and July to September 2022
Source: Bloomberg

1.5 Global Commodity Markets

World Crude Oil Supply and Demand

Total world crude oil supply increased in 2022Q3, as OPEC+ supply rose due to increased production levels, particularly, in Iran, Venezuela, and Libya. Total world crude oil supply increased by 2.2 per cent, to 101.03 million barrels per day (mbpd) in 2022Q3, from 98.83 mbpd in the preceding quarter. The rise was driven, largely, by increased supply from OECD producing countries, particularly, with strong recoveries in Libya, Iran, Venezuela and marginal gains from Saudi Arabia and the UAE, which offset the losses in Nigeria, Kazakhstan, and Russia.

OPEC's crude oil supply rose by 2.1 per cent, to 34.50 mbpd in 2022Q3, from 33.79 mbpd in the preceding quarter. The rise was driven, mainly, by the combined production levels in Iran, Venezuela, and Libya, respectively. Supply from Libya rebounded, as the force majeure on oil production was lifted, after the end of the blockade at its oil facilities.

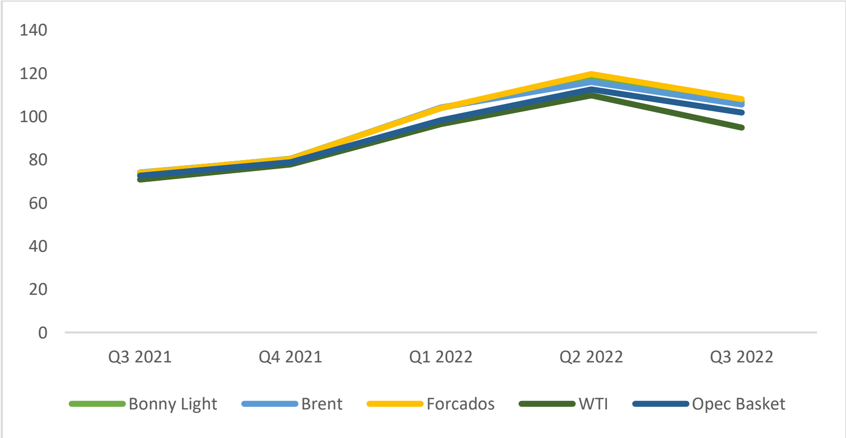
On the demand side, total world crude oil demand rose by 0.4 per cent, to 101.56 mbpd in 2022Q3, from 101.18 mbpd in the preceding quarter. Global crude oil demand rose slightly as China recover gradually from the post COVID-19 restrictions. In addition, crude oil demand in the US also increased.

Crude Oil Prices

Crude oil spot prices fell in 2022Q3, due to increased supplies and pessimism about the world economy. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), fell by 10.9 per cent to US$106.73 per barrel (pb) in 2022Q3, from US$118.34 pb in the preceding quarter. The prices of Brent, at US$105.48 pb, Forcados at US$108.01 pb, WTI at US$94.86 pb and OPEC Reference Basket (ORB) at US$101.83 pb, all exhibited similar trend as the Bonny Light (Figure 9).

The decline in crude oil prices was attributed, largely, to increased supplies and pessimism about the world economy. The deteriorating global economic environment and recurring COVID-19 lockdowns in China continue to weigh on market sentiment (Figure 9).

Figure 9: Quarterly Crude Oil Prices (US$ per barrel)



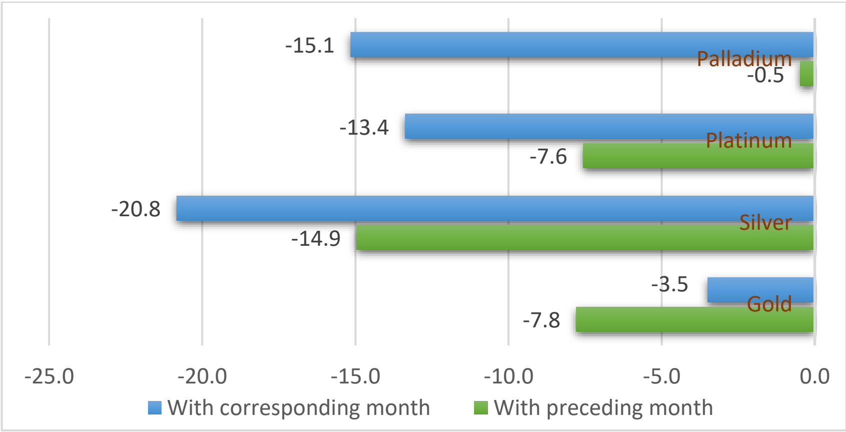
Source: Thomson Reuters, CBN Staff Compilation

Other Mineral Commodities

Average spot prices of gold, silver, platinum, and palladium decreased in 2022Q3 as demand for the precious metals fell. The average spot prices of gold and silver declined by 7.8 per cent and 14.9 per cent to sell at US$1,727.17 per ounce and US$19.23 per ounce, from US$1,872.98 per ounce and US$22.61 per ounce, respectively, in the preceding quarter. The decline in the prices of the precious metals was due to lower demand for the precious metals as safe haven assets, due to the higher yields on US treasury bonds as the Federal Reserve raised interest rates to combat surging inflation.

Similarly, the prices of platinum and palladium declined by 7.6 per cent and 0.5 per cent to sell at US$884.86 per ounce and US$2,078.37 per ounce in 2022Q3, from US$957.26 per ounce and US$2,088.12 per ounce, respectively, in the preceding quarter (Figure 10). The prices of the industrial metals declined in response to pessimism about future demand as major central banks, such as the US Federal Reserve, increased interest rates to tame inflation, which could cause a slowdown in global economic activity, including vehicle manufacturing. Both industrial metals are used as auto catalysts to reduce pollution in automobiles (Figure 10).

Figure 10: Price Changes in Selected Metals (per cent) for 2022Q3



Source: Refinitiv Eikon IV (Reuters)

Agricultural Commodity Prices

Prices for agricultural commodities maintained a downward trend in 2022Q3, fuelled by improved global supply. The average price index for all the monitored commodities declined by 12.3 per cent to 93.08 index points from the 106.68 index points in the preceding quarter. The decrease was due, largely, to the declining prices of palm oil, cotton, wheat, and rubber, which fell by 38.9 per cent, 21.0 per cent, 19.9 per cent, and 12.6 per cent, respectively. The development was driven, largely, by increased supply from producing countries.

The lower wheat price was influenced by the Russian-Ukraine black sea grain agreement, which enabled the massive export of grains, especially, wheat from Ukraine, while the decline in the price of palm oil was attributed to the increased exports of palm oil products in Malaysian, which rose by over 10.0 per cent. Furthermore, increase in cotton cultivation in the US and India accounted for the decline in the price of the commodity.

However, the prices of groundnut and coffee increased by 7.8 per cent and 3.5 percent, respectively, compared with the preceding quarter, largely, on the back of increased demand and adverse weather conditions (Table 3).

Table 3: Indices of Average World Prices of Nigeria's Major Agricultural Export Commodities for Third Quarter 2022 (Dollar Based) (Jan. 2010=100)

COMMODITY	*2021Q3*	*2022Q2*	*2022Q3*	*% Change*	
				(1) & (3)	*(2) & (3)*
	1	*2*	*3*	*4*	*5*
All Commodities	*86.02*	*106.68*	*93.08*	*8.22*	*-12.75*
Cocoa	*80.28*	*77.84*	*74.51*	*-7.19*	*-4.27*
Cotton	*60.06*	*93.92*	*74.17*	*23.48*	*-21.03*
Coffee	*104.27*	*110.09*	*113.93*	*9.26*	*3.49*
Wheat	*104.00*	*160.64*	*128.68*	*23.73*	*-19.89*
Rubber	*35.28*	*35.28*	*30.85*	*-12.55*	*-12.55*
Groundnut	*106.31*	*110.11*	*118.72*	*11.68*	*7.82*
Palm Oil	*91.42*	*132.31*	*80.78*	*-11.64*	*-38.95*
Soya Beans	*106.51*	*133.27*	*123.03*	*15.51*	*-7.68*

Sources: (1) World Bank Pink Sheet (2) Staff Estimates

2.0 DOMESTIC ECONOMIC DEVELOPMENTS

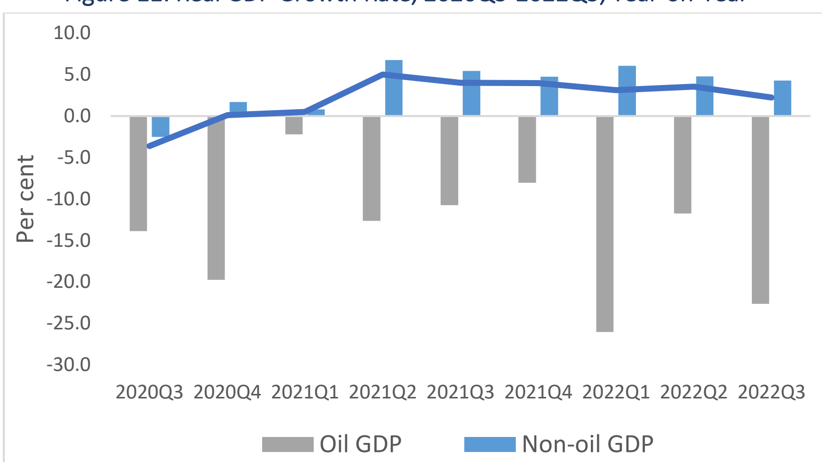
2.1 REAL SECTOR DEVELOPMENTS

Domestic Output and Economic Activities

The Nigerian economy grew in 2022Q3, indicating eighth consecutive quarters of growth since recession. The growth in the quarter was driven by activities in the non-oil sector. Real GDP grew by 2.25 per cent year-on-year, though, slower than the growth of 3.54 per cent in 2022Q2. Growth slowed on account of dampening impact of global headwinds, such as high energy prices, higher input costs, persisting structural challenges, such as security concerns, lower crude oil output, foreign exchange concerns, as well as supply disruptions in food and other farm produce. Despite these, increased penetration and usage of ICT services and higher levels of domestic trade supported the growth outcome of the economy in 2022Q3.

On a quarter-on-quarter basis, real GDP grew by 9.68 per cent in 2022Q3, reflecting higher economic activity than the preceding quarter. The realised growth was driven by the non-oil sector which grew by 4.27 per cent. The non-oil sector accounted for 94.34 per cent of economic activities in the economy in 2022Q3 (Figure 11).

Figure 11: Real GDP Growth Rate, 2020Q3-2022Q3, Year-on-Year

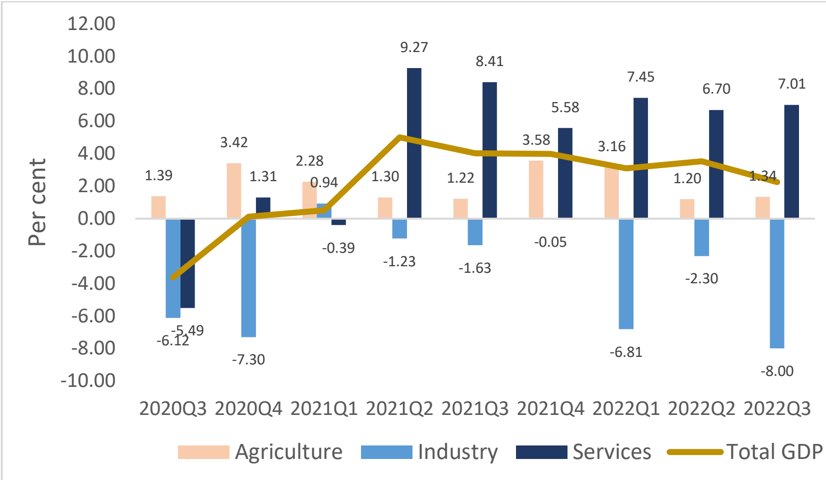


Source: National Bureau of Statistics

Sectoral GDP performance

The Services and Agriculture sectors grew, in real terms, in 2022Q3, while the industry sector maintained its contraction. The Services sector continued its impressive performance, growing by 7.01 per cent in 2022Q3, compared with 6.70 per cent in 2022Q2. The sector also contributed 3.48 percentage points, representing the highest contribution to GDP growth rate.

Figure 12: Sectoral Growth Rate of Real GDP, 2020Q3-2022Q3



Source: National Bureau of Statistics

Within the Services sector, Information & Communications, Trade, Transportation & Storage, Financial & Insurance, and Real Estate subsectors drove overall growth, contributing 1.50, 0.76, 0.40, 0.40, and 0.25 percentage points, respectively, to the growth outcome. The subsectors grew by 10.53 per cent, 5.08 per cent, 41.59 per cent, 12.70 per cent and 4.56 per cent, respectively. The subsectors benefited from increased economic activities that characterised the period, particularly, activities in the road transport and insurance.

The Agriculture sector maintained its growth trajectory at 1.34 per cent in 2022Q3, compared with 1.20 per cent in the preceding quarter. The growth in Agriculture was due to increased demand and seasonal factors that characterised the period. Thus, forestry, livestock, crop production, and fishery subsectors grew by 2.19 per cent, 1.33 per cent, and 0.36 per cent, respectively, compared with 1.29 per cent, a contraction of 2.87 per cent, and growth rates of 1.54 per cent, and 0.89 per cent, respectively, in 2022Q2.

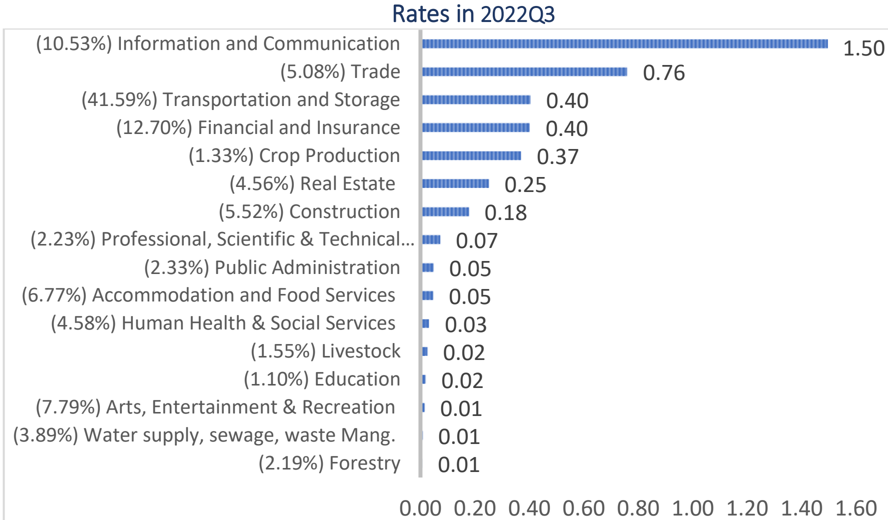
Thus, forestry, crop production, and fishery subsectors, grew by 2.19 per cent, 1.33 per cent and 0.36 per cent, respectively IN 2022Q3, compared with 1.29 per cent, 1.54 per cent and 0.89 per cent, for forestry, crop production and fishery subsectors, respectively, in 2022Q2. Livestock subsector grew by 1.55 per cent, in 2022Q3, as against the contraction of 2.87 per cent in 2022Q2.

The Industry sector contributed negatively to real GDP growth in 2022Q3. The Sector, which has been in contraction since 2021Q2, contracted further by 8.00 per cent in 2022Q3, compared with a contraction of 2.30 per cent in 2022Q2. The poor performance of the sector was due to the weak performance of the Mining and Quarrying subsector, occasioned by the huge contractions in Coal Mining and Crude Petroleum & Natural Gas subsectors by 43.49 per cent, and 22.67 per cent, respectively.

The contraction in the oil sector was attributed to the lower volume of crude oil production in the quarter, which declined to 1.13mbd from 1.28mbpd produced in 2022Q2. The development was occasioned by the persisting damages to some key pipelines and terminals, crude oil theft, the frequent shut-ins, and the force majeure declared on Bonny and Brass terminals over increased cases of pipeline vandalism.

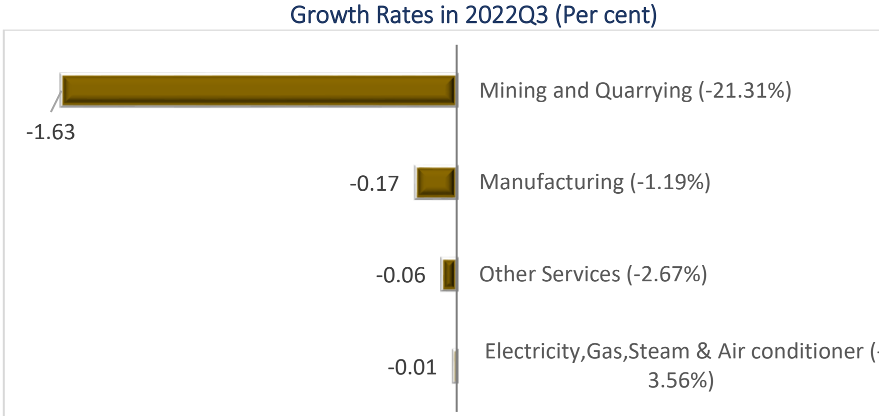
The performance of the subsectors is shown in figures 13 and 14.

Figure 13: Top 16 Subsectors with largest Contribution to GDP and their Growth Rates in 2022Q3



Source: National Bureau of Statistics

Figure 14: Subsectors with Least Contribution to GDP Growth and their Growth Rates in 2022Q3 (Per cent)



Source: National Bureau of Statistics

2.1.2 Domestic Price Development

Electricity Generation

Electricity generation improved on account of the maintenance of transmission and distribution infrastructure and increase in water supply level. Consequently, the estimated average electricity generation in 2022Q3 increased by 8.6 per cent to 3,435.5 MW/h from 3,162.4 MW/h in the preceding quarter.

Electricity Consumption

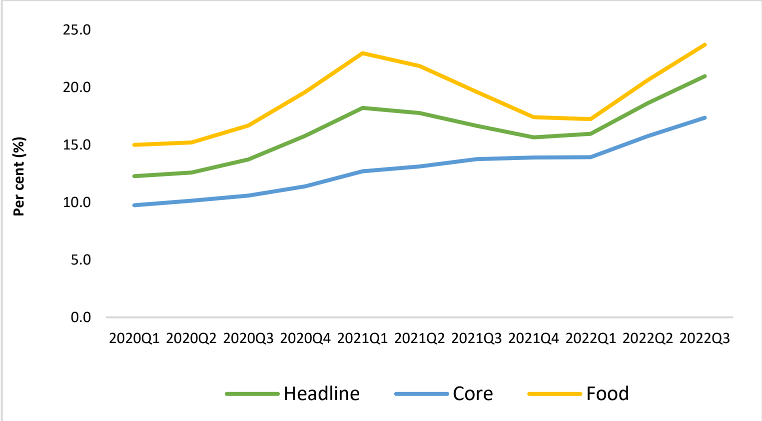
Equally, the estimated average electricity consumption for 2022Q3, at 3, 225.9 MW/h, increased by 12.4 per cent, compared with 2,869.2 MW/h in the preceding quarter.

2.1.2 Domestic Price Developments

Headline Inflation

Headline Inflation remained elevated in 2022Q3, driven by increases in food and non-food components of the CPI basket. Headline inflation (year-on-year) rose to 20.77 per cent in 2022Q3, from 18.60 per cent, in the preceding quarter, (Fig. 15). The rise was driven by increase in the cost of production, following persisting high energy prices, exchange rate constraint, increase in transport and logistics cost as well as other structural issues, such as insecurity. The disruption in the supply of food products, and the increase in other input costs contributed to the rising inflation.

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



Source: NBS and Staff Estimates

Core Inflation

Core inflation rose to 17.60 per cent in 2022Q3, from 15.75 per cent in the previous quarter. The rise in core inflation was attributed to the increase in cost of imported products, including local manufacturing inputs, arising from the continued rise in global inflation and tighter global economic conditions and persisting foreign exchange constraints. Also, the increase in energy prices affected processed food, clothing and footwear, health, transport, furnishings, household equipment and household maintenance, thus, contributing to the uptick in core inflation.

Food Inflation

Food inflation also rose to 23.67 per cent (year-on-year) in 2022Q3, from 20.60 per cent in 2022Q2. The rise in food inflation was attributed to the higher cost of processed food, particularly meat, milk, garri, oil and fats, resulting from increased cost of diesel and other farm inputs. The rise in the cost of both farm produce and imported food items, such as fruits, vegetables, grains, rice, fish, yam and other tubers, also contributed to the increase in food inflation.

Box Information 1

The prices of major domestic food commodities increased in third quarter 2022, compared with the preceding quarter. *The increase ranged from 0.6 per cent for rice local sold loose to 9.1 per cent for yam tuber. This development was due to the persisting security challenges affecting agricultural activities and distribution networks. Other causes were the rising cost of production, including inputs and energy prices, as well as seasonal fall in supply at the height of the rainy season.*

DOMESTIC PRICES OF SELECTED AGRICULTURAL COMMODITIES THIRD QUARTER 2022

		2021Q3	2022Q2	2022Q3	% Change	% Change
	UNIT	1	2	3	(1) & (3)	(2) & (3)
Agric eggs medium size	1kg	589.39	690.53	639.96	8.6	-7.3
Beans: brown, sold loose	"	491.20	546.32	555.98	13.2	1.8
Beans: white black eye, sold loose	"	454.59	523.92	536.63	18.0	2.4
Gari white, sold loose	"	317.93	327.49	312.03	-1.9	-4.7
Gari yellow, sold loose	"	337.32	345.66	344.69	2.2	-0.3
Groundnut oil: 1 bottle, specify bottle	"	808.64	1043.42	1087.93	34.5	4.3
Irish potato	"	368.49	461.20	489.92	33.0	6.2
Maize grain white, sold loose	"	270.40	311.85	306.04	13.2	-1.9
Maize grain yellow, sold loose	"	274.30	312.74	311.74	13.7	-0.3
Onion bulb	"	307.97	395.12	419.71	36.3	6.2
Palm oil: 1 bottle, specify bottle	"	671.18	868.98	899.38	34.0	3.5
Rice agric, sold loose	"	464.72	511.33	519.54	11.8	1.6
Rice local, sold loose	"	410.65	462.96	465.66	13.4	0.6
Rice, medium grained	"	456.87	500.19	523.03	14.5	4.6
Rice, imported high quality, sold loose	"	548.76	627.63	657.39	19.8	4.7
Sweet potato	"	195.93	240.86	252.26	28.7	4.7
Tomato	"	384.49	435.87	439.48	14.3	0.8
Vegetable oil: 1 bottle, specify bottle	"	773.90	1012.23	1053.74	36.2	4.1
Wheat flour: prepackaged (Golden Penny)	2kg	870.71	1082.17	1108.73	27.3	2.5
Yam tuber	1kg	307.02	370.00	403.74	31.5	9.1

Sources: National Bureau of Statistics and Staff Estimates

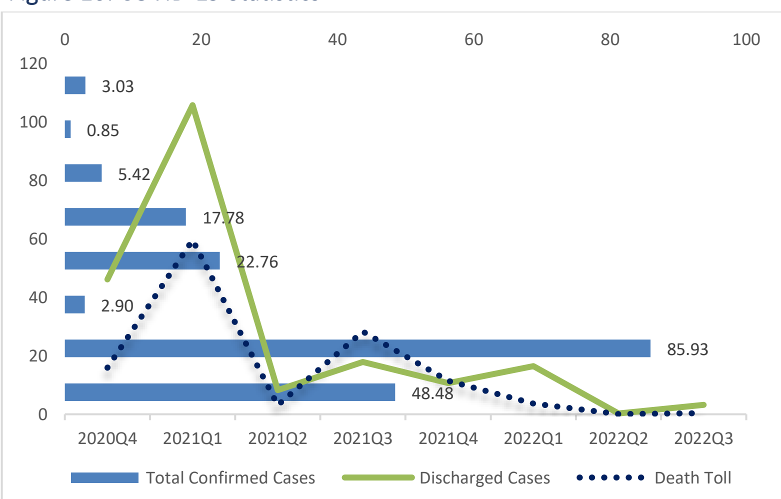
2.1.4 Socio-Economic Developments

Health/COVID-19 Update

The rate of confirmed cases of COVID-19 infection increased during the quarter under review, due to lower risk perception. Data from the National Centre for Disease Control (NCDC) show that at end-September 2022, the rate of confirmed cases rose by 3.03 per cent, compared with 0.85 per cent in 2022Q2 (Figure 16). The rise in confirmed cases points to the laxity in the compliance with the non-clinical COVID-19 preventive protocols, because of the low-risk perception. However, the rate of active cases declined by 7.70 per cent, while discharged cases decreased by 3.24 per cent. In the review period, 11 deaths were recorded, as against 2 deaths in the second quarter of 2022.

Data from the National Primary Health Care Development Agency (NPHCDA) showed that 37.0 per cent of the target population had been fully vaccinated against the COVID-19 infection as at end-September 2022, compared with 20.9 per cent at the end of the previous quarter. Furthermore, 10.6 per cent had been partially vaccinated, compared with 10.7 per cent in 2022Q2.

Figure 16: COVID-19 Statistics[3]



Source: NCDC

As part of efforts to strengthen health security and respond to disease threats, the Nigeria Centre for Disease Control (NCDC) partnered with the United States, in the quarter of 2022, to train epidemiologists in a two-week intermediate-level professional certification program. This

[3] Covid-19 data as at end-September 2022.

gesture from the U.S. counterpart is part of efforts to support pandemic preparedness in Nigeria and globally.

Transportation

The Federal Executive Council (FEC) approved ₦27.0 billion for the rehabilitation of the 27km Iduani-Otuwo road which links Ondo and Edo States, with a completion period of 27 months.

Education

The Federal Government announced the establishment of a Pan-African university, known as the African Aviation Aerospace University. The university would purely be an aviation specialised school, affiliated with the Nile University, Abuja. It would commence with two courses (BSc Aviation Business and BSc Meteorology), for both online and on-site students. The university would focus more on research and development in the aviation sector and is expected to commence academic activities before the end of 2022.

Also, the United States launched a US$48.8 million investment in Nigeria's education sector. The investment which is tagged 'Leveraging Education Assistance Resources in Nigeria (LEARN) Read Activity' is managed through the US Agency for International Development (USAID). It is aimed at improving early grade reading in the country over the next five years. The initiative would ensure that school-age children and youths in Nigeria are able to gain foundational skills, such as literacy and numeracy, while building critical social and emotional skills to progress to higher levels of education, training, and employment.

Environment

The Federal Executive Council approved the establishment of the National Flood Emergency Preparedness and Response Plan to ensure a more resilient and effective response to tackle flooding nationwide. The FEC called on operational stakeholders, including state governments to implement the plan vigorously to achieve the intended goal.

2.1.5 Domestic Crude Oil Market Developments

Crude Oil Production and Export

Summary

Domestic crude oil production and export declined, as a result of persistent pipeline vandalism and oil theft as well as the industrial action, embarked by employees of Addax Petroleum Development Nigeria. Thus, Nigeria's average crude oil production and export declined by 10.9 per cent and 16.9 per cent to 1.14 mbpd and 0.69 mbpd in 2022Q3, from 1.28 mbpd and 0.83 mbpd, respectively, in the preceding quarter. Nigeria's production level fell short of its OPEC quota of 1.81 mbpd, by 668,000 bpd in 2022 Q3.

2.2 FISCAL SECTOR DEVELOPMENTS

The fiscal performance of the Federal Government of Nigeria (FGN) improved in 2022Q3, because of higher non-oil receipts. The FGN retained revenue rose by 16.6 per cent above the preceding period's, following a 37.1 per cent increase in allocation from the Federation Account. Nevertheless, revenue outcome remained below the quarterly target by 54.3 per cent. Aggregate expenditure declined by 1.4 per cent from the level in the preceding quarter and was below the quarterly benchmark by 44.1 per cent. Consequently, fiscal deficit narrowed by 15.0 per cent and 35.1 per cent, relative to 2022Q2 and the quarterly benchmark, respectively. Total public debt at ₦42,845.88 billion (or 23.4 per cent of GDP) as at end-June 2022, remained elevated but within the 40 per cent national threshold.

2.2.1 Federation Account Operations

Federation Account earnings improved, following higher non-oil receipts. At ₦3,675.43 billion, gross federation revenue exceeded the level in 2022Q2 by 14.7 per cent, but fell below the benchmark of ₦4,598.25 billion by 20.1 per cent. The increase in revenue was attributed, largely, to the significant jump in receipt from company income tax. In terms of contribution to total federation revenue, non-oil revenue maintained its dominance, at 66.5 per cent, while oil receipt accounted for the balance of 33.5 per cent.

Drivers of Federation Revenue

Oil revenue, at ₦1,232.54 billion, declined by 4.9 per cent relative to the preceding quarter, driven by 48.1 per cent drop in receipt from domestic crude oil and gas sales. This was attributed to low domestic crude oil production associated with crude oil theft and under-recovery on crude oil sales. Relative to the quarterly benchmark, oil earnings in 2022Q3 was 48.1 per cent short, following shortfalls in all the sub-components of oil revenue (crude oil and gas exports, domestic crude oil and gas sale, petroleum profit tax and royalties, and others).

In contrast, non-oil receipts at ₦2,442.89 billion, outperformed receipts in 2022Q2 and the quarterly benchmark by 28.0 per cent and 9.9 per cent, respectively. The increase was attributed, largely, to higher collections from company income tax, as a result of the impact of the August 31st deadline (an extension of the statutory June 30 cut-off) for registered companies to file-in tax returns. Notably, collections from company income tax and value-added tax, at ₦1,101.32 billion and ₦629.58 billion, exceeded their quarterly targets by 121.6 per cent and

Table 4: Federally collected Revenue and Distribution to the Three-Tiers of Government (₦ Billion)

	2021Q3	2022Q2 1/	2022Q3 1/	Budget
Federation Revenue (Gross)	2,864.43	3,204.17	3,675.43	4,598.25
Oil	1,142.70	1,296.24	1,232.54	2,375.11
Crude Oil & Gas Exports	0.00	0.00	0.00	202.71
PPT & Royalties	833.19	1096.70	1,146.06	1592.74
Domestic Crude Oil/Gas Sales	276.66	176.42	64.56	126.13
Others	32.85	23.11	21.91	453.53
Non-oil	1,721.73	1,907.93	2,442.89	2,223.15
Corporate Tax	629.06	625.94	1,101.32	496.95
Customs & Excise Duties	358.81	403.65	463.97	464.64
Value-Added Tax (VAT)	484.11	611.51	629.58	610.45
Independent Revenue of Fed. Govt.	240.88	258.04	239.23	554.05
*Others**	8.87	8.79	8.79	97.06
Total Deductions/Transfers**	*733.03*	*1,267.37*	*1,265.80*	*1,049.22*
Federally Collected Revenue *Less Deductions & Transfers*	2,131.40	1,936.79	2,409.62	3,549.04
plus:				
Additional Revenue	9.38	106.16	20.00	52.44
Balance in Special Account from 2019	0.00	0.00	0.00	0.00
Excess Crude Revenue	*0.00*	*0.00*	*20.00*	*0.00*
Non-oil Excess Revenue	*0.40*	*106.16*	*0.00*	*52.44*
Exchange Gain	*8.98*	*0.00*	*0.00*	*0.00*
Total Distributed Balance	*2,140.78*	*2,042.97*	*2,429.63*	*3,601.48*
Federal Government	***889.09***	***753.75***	***988.10***	***1,527.27***
Statutory	*821.53*	*668.33*	*900.16*	*1,442.44*
VAT	*67.57*	*85.42*	*87.94*	*84.83*
State Government	***772.78***	***800.24***	***884.34***	***1296.95***
Statutory	*416.69*	*380.22*	*456.59*	*753.86*
VAT	*225.22*	*284.72*	*293.13*	*282.76*
13% Derivation	***130.87***	***135.30***	***134.62***	***260.33***
Local Government	***478.90***	***488.98***	***557.19***	***777.26***
Statutory	*321.25*	*289.68*	*352.00*	*579.33*
VAT	*157.65*	*199.30*	*205.19*	*197.93*

Source: 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.

3.1 per cent, respectively. Although returns from customs and excise duties at ₦463.97 billion, exceeded collections in 2022Q2 by 14.9 per cent, it was marginally (0.1 per cent) below the benchmark. The sustained improvement in non-oil revenue contribution to total government revenue, reflected the meticulous implementation of the Finance Acts 2019, 2020 and 2021; under the Strategic Revenue Growth Initiatives (SRGIs) of the Federal Government.

A net distributable balance of ₦2,429.63 billion was disbursed to the three tiers of government, after accounting for statutory deductions and transfers, as well as additional revenue from excess crude. Of this amount, the Federal Government got ₦988.10 billion, while State and Local governments received ₦749.72 billion and ₦557.19 billion, respectively. The balance of ₦134.62 billion was distributed to oil-producing states as 13.0 per cent Derivation Fund. Although total disbursement to the federating units was 18.9 per cent higher than the sharing in the preceding quarter, it was 32.5 per cent below projection.

2.2.2 Fiscal Operations of the Federal Government

Federal Government Retained Revenue

The retained revenue of the FGN improved, due, largely, to increased allocation from the Federation Account. At ₦1,227.33 billion, estimated retained revenue of the FGN was above the receipts in the preceding quarter by 16.6 per cent, but remained below the target by 54.3 per cent, reflecting shortfalls in oil receipts (Table 5).

Table 5: FGN Retained Revenue (N Billion)

	2021Q3	2022Q2	2022Q3	Budget
FGN Retained Revenue	1,114.21	1,052.42	1,227.33	2,685.20
Federation Account	817.06	649.05	889.64	*1,434.57*
VAT Pool Account	67.57	85.42	87.94	*84.83*
FGN IR	225.12	258.04	239.23	*554.05*
Excess Oil Revenue	0.00	0.00	10.52	*0.00*
Excess Non-Oil	0.21	19.27	0.00	*0.00*
Exchange Gain	4.25	0.00	0.00	*0.00*
*Others**	0.00	40.64	0.00	*611.75*

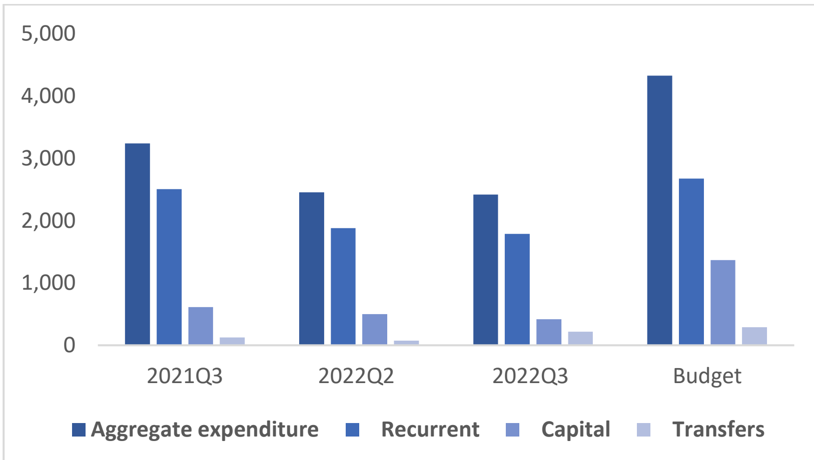
Source: Compiled from OAGF figures

Note: * Others include revenue from Special Accounts, Special Levies and share of dividend. The Budget figures are provisional, IR = Independent Revenue

Federal Government Expenditure

Driven by a reduction in recurrent spending, the provisional aggregate expenditure of the FGN fell by 36.2 per cent and 43.5 per cent, relative to 2022Q2 and the quarterly budget, respectively. Provisional aggregate expenditure of the FGN amounted to ₦2,419.31 billion in the review period. A breakdown shows that recurrent expenditure, capital expenditure, and transfers accounted for 73.8 per cent, 17.2 per cent and 9.0 per cent of total expenditure, respectively, (Figure 13).

Figure 17: Federal Government Expenditure (₦ Billion)



Source: CBN Staff Estimates and compilation from OAGF data

Overall Fiscal Balance

The disproportionate decline in FGN expenditure, relative to revenue, resulted in a contraction in the fiscal deficit. At ₦1,191.98 billion, the provisional fiscal deficits of the FGN was 56.5 per cent and 25.3 per cent below the level in the preceding period and the quarterly budget, respectively. The observed narrower deficit is indicative of subsisting fiscal constraints (Table 6).

Table 6: Fiscal Balance (₦ Billion)

	2021Q3	2022Q2	2022Q3	Budget
Retained revenue	1,326.16	1,052.42	1,227.33	2,492.30
Aggregate expenditure	3,242.36	2,454.14	2,419.31	4,329.85
Recurrent	2,505.22	1,882.87	1,785.72	2,674.35
Non-debt	1,055.70	1,238.68	1,246.02	1,418.52
Debt Service	1,403.09	792.92	701.02	921.35
Capital	613.00	498.80	416.17	1,366.85
Transfers	124.13	72.47	217.42	288.65
Primary balance	-513.10	-608.79	-490.96	-916.21
Overall balance	-1,916.19	-1,401.72	-1,191.98	-1,837.55

Source: Compiled from OAGF figures and CBN Staff Estimates
Note: The figures are provisional.

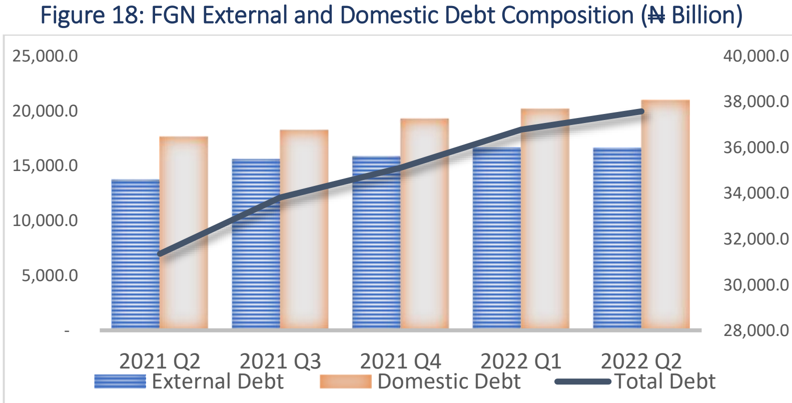
Federal Government Debt

Government borrowing, in the review period, was anchored on the Medium-term Debt Strategy 2020-2023 (MTDS 2020- 2023) of the FGN. Total public debt outstanding at ₦42,845.88 billion (or 23.4 per cent of GDP) at end-June 2022, increased by 3.0 per cent and 20.8 per cent, relative to end-March 2022 and end-June 2021; but remained within the 40.0 per cent threshold. Domestic debt accounted for 61.2 per cent of total debt, while external debt constituted 38.8 per cent. Of the consolidated public debt outstanding. FGN (including State governments' external debt, which are contingent liabilities of the FGN's) accounted for ₦37,564.60 billion (87.7 per cent), while State governments' domestic debt stock made up the balance of ₦5,281.28 billion (12.3 per cent).

Of the total FGN debt, domestic debt stood at ₦20,948.94 billion (55.8 per cent of total debt), while external debt amounted to ₦16,615.66 billion (44.2 per cent of total debt). Further analysis shows that, FGN bond issues maintained its dominance, accounting for 72.5 per cent of the total domestic debt, while Treasury Bills (21.5 per cent), FGN Sukuk (2.9 per cent), Promissory Notes (2.5 per cent), and others[4] (0.6 per cent) constituted the balance. With regard to holdings of external debt, Multilateral, Commercial and Bilateral loans accounted for 47.8 per cent, 39.0 per cent and 11.7 per cent, respectively, while 'other' loans constituted 1.5 per cent.

Debt service obligations in 2022Q2, amounted to ₦912.71 billion, compared with ₦897.17 billion in 2022Q1. The rise was attributed to principal repayments and redemption of matured debt obligations.

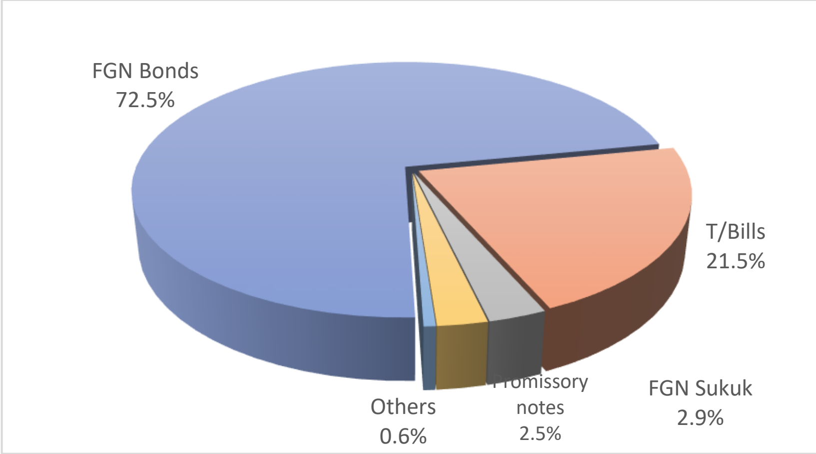
Figure 18: FGN External and Domestic Debt Composition (₦ Billion)



[4] This includes Treasury bonds (0.4 per cent), Green bond (0.1 per cent) and Special FGN Savings bond (0.1 per cent).

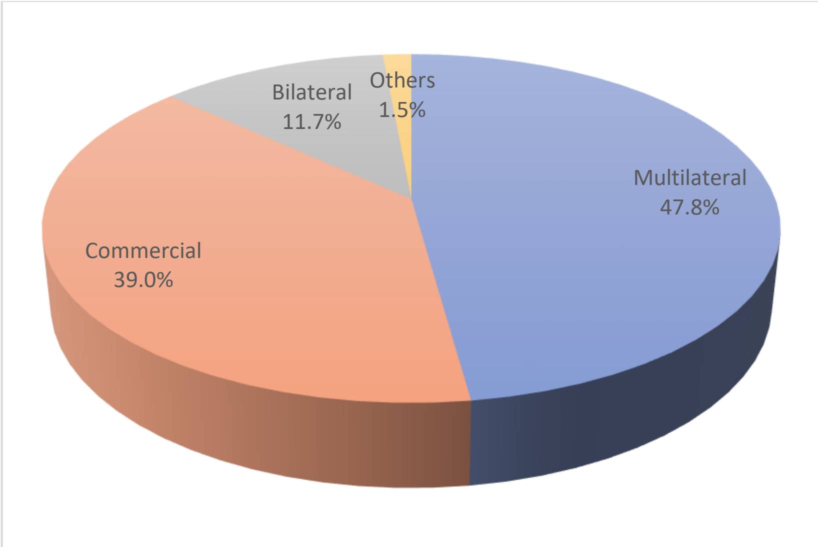
Source: Compiled from DMO Figures

Figure 19: Composition of Domestic Debt Stock by Instrument



Source: Compiled from DMO figures

Figure 20: Composition of External Debt Stock by Instrument



Source: Compiled from DMO figures

2.3 MONETARY AND FINANCIAL SECTOR

Summary

The financial system remained safe, and sound as financial soundness indicators were within the regulatory benchmarks. To moderate the growth of money supply and help rein in inflation, the Bank maintained a tight monetary policy stance that affected discretionary liquidity in the banking system. On the Nigerian Exchange (NGX) Limited, activities were bearish, a reflection of portfolio switching.

2.3.1 Monetary Developments

Reserve Money

Reserve money increased in 2022Q3, owing to the improved confidence in the banking system. At ₦15,007.59 billion, reserve money grew by 8.3 per cent over the level at end-December 2021. The growth was mainly accounted for by 18.1 per cent increase in liabilities to Other Depository Corporations (ODCs), while currency-in-circulation (CIC) declined by 2.9 per cent in the review period (Table 7).

Table 7: Components of Reserve Money (₦ Billion)

	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3
Monetary Base	**12,905.94**	**13,295.15**	**14,301.77**	**13,860.27**	**15,007.59**
Currency-in-Circulation	*2,837.06*	*3,325.16*	*3,245.60*	*3,255.56*	*3,228.75*
Naira and coins	*2,837.06*	*3,324.22*	*3,244.60*	*3,254.20*	*3,227.27*
eNaira	*-*	*0.94*	*1.00*	*1.36*	*1.48*
Liabilities to ODCs	*10,068.88*	*9,969.99*	*11,056.17*	*10,604.70*	*11,778.84*
Money Multiplier (M_3)	3.13	3.34	3.19	3.53	3.29

Source: Central Bank of Nigeria

The money multiplier at 3.3 in the period, amplified the reserve money to yield an expansion in broad money supply (M3). Consequently, broad money supply at ₦49,333.08 billion, grew by 11.00 per cent over level at end-December 2021. The annualised growth of 14.67 per cent was well within the programme target of 14.92 per cent.

Broad Money

On the assets side, growth in broad money (M_3) was due to the increase in Net Domestic Assets (NDA), which compensated for the contraction in Net Foreign Assets (NFA). Net Domestic Assets (NDA), grew by 27.8 per cent, attributed to the 29.9 per cent growth in domestic claims. The upward movement in domestic claims was hinged on the 64.9 and 16.0 per cent rise in net claims on central government and claims on other sectors, respectively. The growth in net claims on central government, which contributed 20.2 percentage points to the growth in M3, was due to the increase in loans, while the rise in claims on other sectors resulted, largely, from the 16.8 per cent increase in claims on the private sector, which contributed 9.0 percentage points to the growth in M3. Conversely, the Net Foreign Assets (NFA) of depository corporations declined by 52.0 per cent, due to the rise in liabilities to non-residents, occasioned by increased foreign credit lines and deposits.

Table 8: Money and Credit Growth over preceding December (%)

	Contribution to M_3 growth (Sep-22)	Sep-21	Jun-22	Sep-22	Annualised rate	2022 Benchmark
Net Foreign Assets	-10.95	-35.28	-34.73	-52.04	-69.39	-
Claims on Non-residents	0.77	7.86	0.63	1.64	2.19	-
Liabilities to Non-residents	11.72	43.69	29.55	45.54	60.72	-
Net Domestic Assets	21.95	20.36	21.93	27.80	37.07	-
Domestic Claims	32.81	13.43	17.88	29.90	39.87	16.23
Net Claims on Central Government	20.22	13.16	31.61	64.93	86.57	12.26
Claims on Central Government	21.84	20.88	22.61	39.62	52.83	-
Liabilities to Central Government	1.62	31.33	13.23	6.76	9.01	-
Claims on Other Sectors	12.59	13.54	12.44	16.02	21.36	17.73
Claims on Other Financial Corporations	1.38	-3.37	2.91	7.76	10.35	-
Claims on State and Local Government	1.64	11.70	29.85	29.28	39.04	-
Claims on Public Nonfinancial Corporations	0.62	50.21	42.37	34.27	45.69	-
Claims on Private Sector	8.95	19.75	12.77	16.76	22.34	-
Total Monetary Assets (M_3)	**11.00**	**3.97**	**10.02**	**11.00**	**14.67**	**14.92**
Currency Outside Depository Corporations	-0.47	-4.97	-7.46	-7.10	-9.46	-
Transferable Deposits	7.52	1.85	16.61	22.16	29.55	-
Narrow Money (M_1)	7.05	0.78	12.69	17.35	23.20	-
Other Deposits	3.93	11.36	8.19	6.62	8.83	-
Broad Money (M_2)	11.00	6.93	10.02	10.97	14.67	
Securities Other than Shares	0.00	-99.91	100.00	100.00	133.33	
Total Monetary Liabilities (M_3)	**11.00**	**3.97**	**10.02**	**11.00**	**14.67**	**14.92**

Source: Central Bank of Nigeria

From the liability side, transferable deposits and other deposits grew by 22.2 per cent and 6.6 per cent, respectively, and accounted for the growth in total monetary liabilities. In terms of proportional contribution, other deposits were 3.9 percentage points of total monetary liabilities, while transferable deposits were 7.5 percentage points. Currency outside depository corporations declined by 7.1 per cent, with a negative contribution of 0.5 percentage points to the growth in total monetary liabilities. The fall in currency outside depository corporations, reflected the increased adoption of electronic means of payment in the economy.

2.3.2 Credit Utilisation

Sectoral Utilisation of Credit

Sustained efforts to boost productivity and output in the real economy spurred growth in sectoral credit in the review quarter. Total credit utilisation by sectors of the economy grew by 5.1 per cent to ₦28,204.27 billion in 2022Q3 from ₦26,846.40 billion in 2022Q2. A breakdown shows that credit to the Agriculture, Industry, and Services sectors increased to ₦1,658.04 billion, ₦11,478.45 billion and ₦15,067.79 billion, from ₦1,630.38 billion, ₦10,591.87 billion and ₦14,624.15 billion, respectively, in the preceding quarter. An analysis of the relative share of the sectors in total credit utilization revealed that the shares of services and industry sectors stood at 53.4 per cent and 40.7 per cent, respectively, while agriculture accounted for the balance of 5.9 per cent (Table 9).

Table 9: Relative Share in Total Sectoral Credit (Per cent)

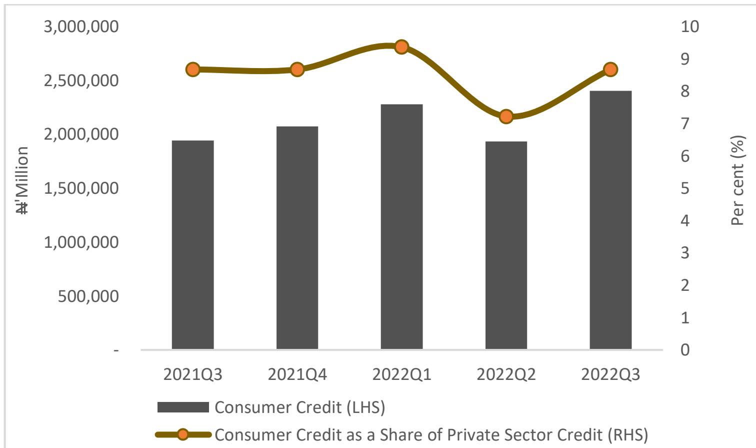
	2021Q3	2022Q2	2022Q3
Agriculture	5.27	6.07	5.88
Industry	42.36	39.46	40.70
Of which; Construction	*5.00*	*4.39*	*4.15*
Services	52.37	54.47	53.42
Of which; Trade/General Commerce	*6.29*	*7.13*	*7.12*

Source: Central Bank of Nigeria

Consumer Credit

The volume of consumer credit extended by Other Depository Corporations (ODCs) grew in 2022Q3. Consumer credit outstanding rose by 24.3 per cent to ₦2,402.67 billion at end-September 2022, from ₦1,933.18 billion at the end of the second quarter. The share of consumer credit in total private sector credit grew by 1.5 percentage points to 8.7 per cent, from 7.2 per cent in the preceding quarter (Figure 21).

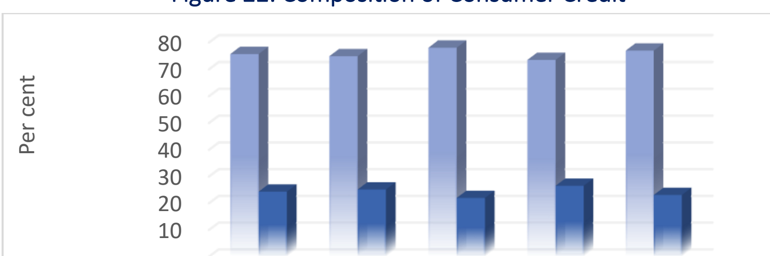
Figure 21: Consumer Credit Outstanding



Source: Central Bank of Nigeria

Analysis of consumer loans revealed a net increase of 3.5 percentage points in personal loans, relative to the level in the preceding quarter, while retail loans fell by the same proportion. Personal loans maintained its dominance, accounting for 76.9 per cent of total loans, while retail loans accounted for the remaining share of 23.1 per cent (Figure 22).

Figure 22: Composition of Consumer Credit



	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3
Personal	75.69	74.87	78.05	73.49	76.94
Retail	24.31	25.13	21.95	26.51	23.06

Source: Central Bank of Nigeria

2.3.3 Money Market Developments

Liquidity in the banking system marginally declined in the review period.

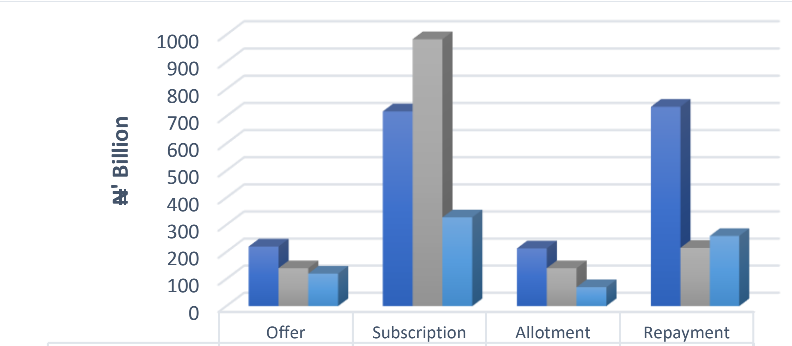
Liquidity Management

Primary market sales of securities (₦1,960.98 billion) and OMO auctions (₦70.00 billion) culminated in a withdrawal of ₦2,030.98 billion from the banking system, which outweighed the injection of ₦1,502.92 billion in matured securities. This resulted in a net withdrawal from the banking system by ₦528.06 billion. Consequently, the average banking system liquidity declined by 1.8 per cent to ₦183.43 billion from ₦186.77 billion in the preceding quarter.

Open Market Operations

There were OMO auctions with maturities of 103 to 362 days in the review quarter. Total amount offered, subscribed, and allotted, declined to ₦120.00 billion, ₦327.87 billion, and ₦70.00 billion, respectively, from ₦140.00 billion, ₦983.59 billion, and ₦140.00 billion in the preceding quarter (Figure 23).

Figure 23: Open Market Operation (₦ Billion)



	Offer	Subscription	Allotment	Repayment
2021Q3 (N'Billion)	220.00	718.02	213.21	735.34
2022Q2 (N'Billion)	140.00	983.59	140.00	215.01
2022Q3 (N'Billion)	120.00	327.87	70.00	259.00

Source: Central Bank of Nigeria

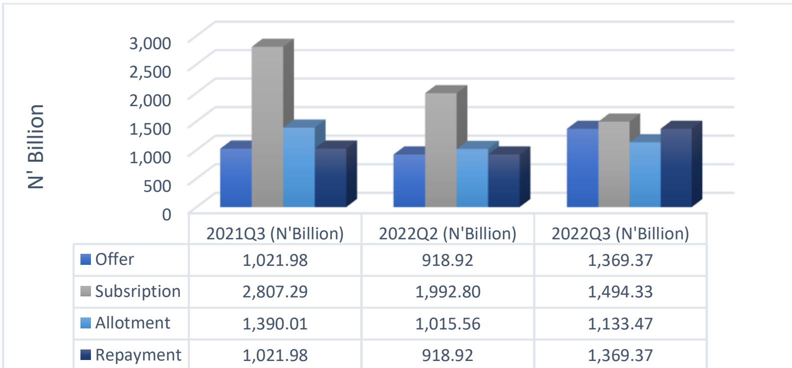
Standing Facility Windows

Activities in the standing facility window slowed in 2022Q3. The total request for SLF moderated by 4.7 per cent to ₦3,448.78 billion, with a daily average of ₦57.48 billion, compared with ₦3,619.12 billion and a daily average of ₦77.00 billion in the preceding quarter. The transactions at the Standing Deposit Facility (SDF) window showed similar trend, with a decline of 40.0 per cent to ₦536.50 billion from ₦894.88 billion in the preceding quarter, reflecting the liquidity condition in the banking system.

Primary Market

Investments in the Nigerian Treasury Bills (NTBs) and FGN Bond slowed in the review quarter Despite the increase in stop rate to 7.38 per cent (±4.63), from 4.09 per cent (±2.35) in the preceding quarter, total subscriptions in NTBs declined by 25.0 per cent to ₦1,494.33 billion from ₦1,992.80 billion in the preceding quarter, reflecting the tight liquidity condition. Analysis of subscriptions shows investors' preference for the 364-day tenored instruments, which accounted for ₦1,434.74 billion or 96.0 per cent of total in 2022Q3. The preference is underpinned by market expectations of a lower future inflation.

Figure 24: Primary Market NTBs, 2022Q3 (₦ Billion)



	2021Q3 (N'Billion)	2022Q2 (N'Billion)	2022Q3 (N'Billion)
Offer	1,021.98	918.92	1,369.37
Subsription	2,807.29	1,992.80	1,494.33
Allotment	1,390.01	1,015.56	1,133.47
Repayment	1,021.98	918.92	1,369.37

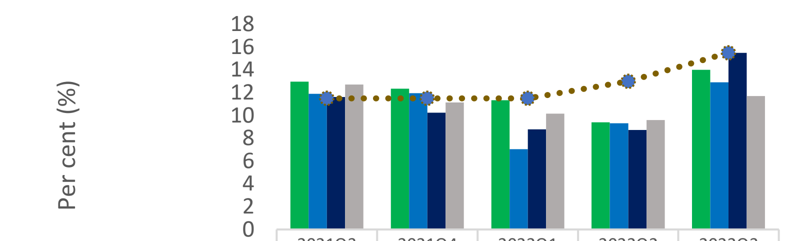
Source: Central Bank of Nigeria

Similarly, subscriptions for the FGN Bonds dipped in 2022Q3 by 58.6 per cent to ₦635.82 billion from ₦1,537.40 billion in the preceding quarter (Figure 24).

Interest Rate Development

Key short-term interest rates trended in tandem with constrained liquidity conditions in the market. Average inter-bank call and Open-Buy-Back rates were 14.0 per cent and 12.9 per cent respectively, compared with 9.4 per cent and 9.3 per cent in the preceding quarter. Similarly, other rates such as the 30-day and 90-day NIBOR trended upward, at averages of 11.5 per cent and 11.7 per cent compared with 8.7 per cent and 9.6 per cent, respectively, (Figure 25).

Figure 25: Developments in Short-term Interest Rates

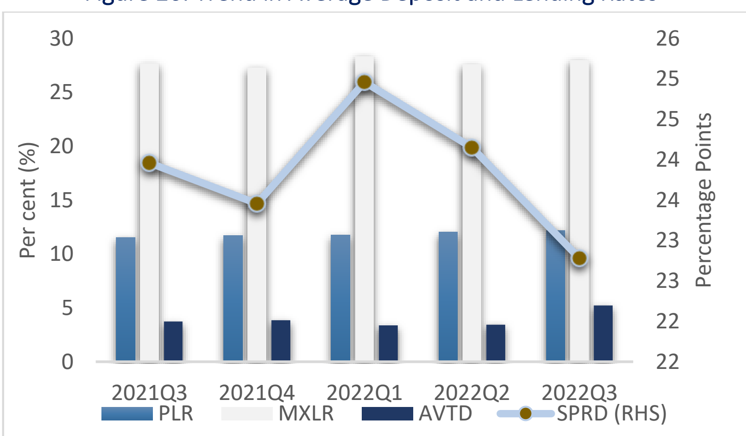


	2021Q3 (%)	2021Q4 (%)	2022Q1 (%)	2022Q2 (%)	2022Q3 (%)
Interbank Call rate	12.96	12.36	11.33	9.40	14.00
OBB	11.89	11.96	7.05	9.31	12.90
NIBOR 30-day	11.63	10.24	8.77	8.74	15.50
NIBOR 90-day	12.70	11.13	10.15	9.61	11.71
MPR	11.50	11.50	11.50	13.00	15.50

Source: Central Bank of Nigeria

Similarly, the average prime and maximum lending rates increased marginally by 0.2 and 0.4 percentage points to 12.2 per cent and 28.0 per cent, respectively. Likewise, the average term-deposit rate increased by 1.8 percentage points to 5.2 per cent, from 3.4 per cent, leading to narrowing of the spread between the average term deposit and maximum lending rates to 22.8 percentage points from 24.2 percentage points in the preceding quarter. The narrowing of the spread reflected improved efficiency in financial intermediation (Figure 26).

Figure 26: Trend in Average Deposit and Lending Rates



Source: Central Bank of Nigeria; **Note:** PLR = Prime lending rate, MXLR = Maximum lending rate, AVTD = Average term deposit rate, SPRD = Spread between AVTD and MXLR

2.3.4 Capital Market Developments

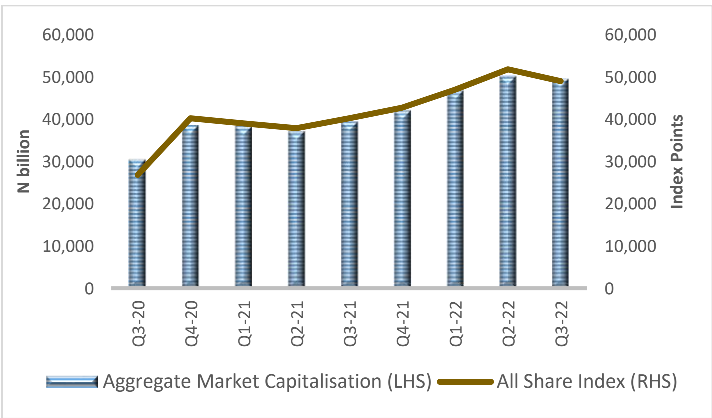
Market Capitalisation

Activities on the Nigerian Exchange (NGX) Limited were bearish in the review period, occasioned by portfolio switching. The aggregate market capitalisation decreased by 1.3 per cent to ₦49,533.09 billion from ₦50,172.09 billion in 2022Q2. A disaggregation of the components indicates that equities and Exchange Traded Funds (ETF) shed 5.3 per cent and 8.2 per cent, to ₦26,451.40 billion and ₦6.84 billion, respectively. The debt market capitalisation, however, rose by 3.8 per cent to ₦23,074.85 billion. The equities, debt and ETF components of the market capitalisation constituted 55.4 per cent, 46.6 per cent and 0.01 per cent, respectively (Figure 27).

NGX All Share Index

The All-Share Index (ASI), which opened at 51,829.67 index points at the beginning of the review quarter, closed at 49,024.16 index points, a decline of 5.4 per cent. The fall in the NGX-ASI was occasioned by flight to profit as investors moved away from stocks to more profitable fixed income investments.

Figure 27: Aggregate Market Capitalisation and All-Share Index



Source: Nigeria Exchange (NGX) Limited

In the review quarter, one (1) sectoral index trended upward, sixteen (16) indices trended downward while one (1) remained flat relative to their levels in the preceding quarter, underpinning the bearishness of the market.

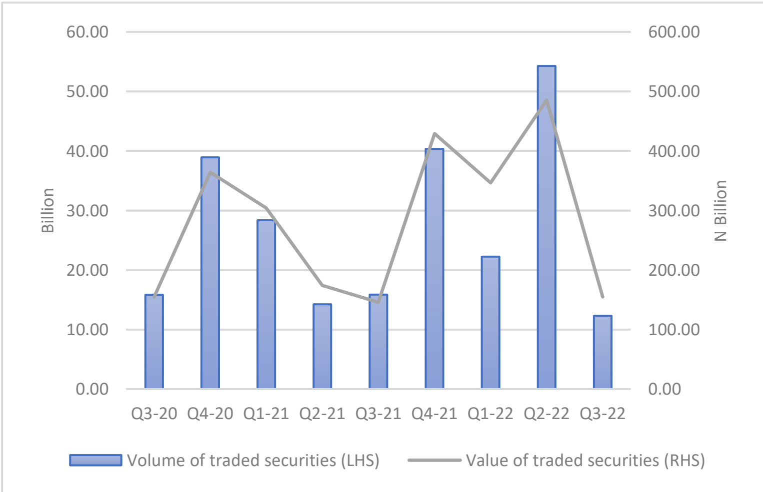
Table 10: Nigeria Exchange (NGX) Limited Sectorial Indices

NGX Indices	2022Q2	2022Q3	Changes (%)
NGX-Growth	1,487.20	1,659.11	11.6
NGX-Asem	658.99	658.99	0
NGX-Main Board	2,274.79	2,251.59	-1
NGX-Sovereign Bond	854.22	837.85	-1.9
NGX-Banking	397.79	379.2	-4.7
NGX-MERI Value	2,167.09	2,061.42	-4.9
NGX-Insurance	178.33	168.6	-5.5
NGX-Consumer Goods	623.99	584.68	-6.3
NGX-LOTUSISLM	3,251.25	3,039.72	-6.5
NGX-Oil & Gas	545.34	508.26	-6.8
NGX-30	1,887.62	1,746.95	-7.5
NGX-Afri Div yield	3,191.06	2,911.40	-8.8
NGX-Pension	1,823.58	1,659.38	-9
NGX-Afri Bank Value	925.95	837.4	-9.6
NGX-MERI Growth	2,364.94	2,135.97	-9.7
NGX-Premium	4,924.13	4,438.40	-9.9
NGX-CG	1,319.70	1,177.21	-10.8
NGX-Industrial Goods	2,152.24	1,773.22	-17.6

Source: Nigeria Exchange (NGX) Limited

The total turnover, volume, and value, of traded securities on the Exchange fell by 77.3 per cent and 68.1 per cent, to 12.30 billion shares and ₦154.67 billion, respectively, in 246,966 deals, from 54.27 billion shares, valued at ₦485.41 billion, in 320,759 deals, at the end of 2022Q2 (Figure 28).

Figure 28: Volume and Value of Traded Securities



Source: Nigeria Exchange (NGX) Limited.

There were twelve (12) new listings and 4 supplementary listings on the Exchange, comprising 7 bonds, 3 script dividends, 2 ordinary shares placement, 2 rights issue, 1 derivative and 1 Zero Coupon Unsecured Subordinated Irredeemable Convertible (Table 11).

Table 11: Listings on the Nigerian Exchange Limited in 2022Q3

Company/ Security	Shares Units	Remarks	Listing
Dangote Cement PLC 11.85% APR 2027	Tranche A 4,269,000 units of ₦4,269,000,000 5 Year Bonds	Senior unsecured Bonds	New
Dangote Cement PLC 12.35% APR 2029	Tranche B 23,335,000 units of ₦23,335,000,000 7 Year Bonds	Senior unsecured Bonds	New
Dangote Cement PLC 13% APR 2032	Tranche C 88,396,000 units of ₦88,396,000,000 10 Year Bonds	Senior unsecured Bonds	New
8.375% FGN MAR 2029	1,250,000 units of $1,250,000,000.00 USD	Series 12 Euro Bond	New
FGN Roads Sukuk Company 1 Plc	250 million units of ₦250 Billion 13% Ijarah Sovereign Sukuk 10year Bond	Unsecured Bonds	New
Nigerian Breweries PLC	145,074,002 ordinary shares of 50k each	Scrip Dividend	Suppl.
Lagos Free Zone Company 13.25% LFZC GTEED SEP 2042	Tranche A of 25,000,000 units of ₦25,000,000,000.00 20 Year Bonds	Senior guaranteed infrastructure Bonds	New
Capital Hotels Plc	1,611,995,510 units of 50 Kobo per share	Ordinary shares (Private placement)	New
Neimeth International Pharmaceuticals Plc	2,373,947,500 units of ₦1.55 at 5 for every 4 shares	Ordinary shares	New
UAC of Nigeria	additional 44,835,076 ordinary shares of 50 kobo each	Scrip Dividend Election Scheme	Suppl.
ABC Transport Plc	900,000 unit at ₦1,000 at par value	Senior Secured Fixed Rate Bonds	New
ABC Transport Plc	734,921,774 ordinary shares of 50 Kobo each	Rights Issue	Suppl.
NGX30H3 and NGXPENSIONH3		Derivative	New
Chemical and Allied Products Plc	26,487,980 ordinary shares of 50 kobo each	CAP's Scrip Dividend Election Scheme	Suppl.
McNichols Consolidated Plc	531,242,609 ordinary shares of 50 kobo each at 50 kobo per share	Proposed Rights Issue	New
Tranzact International Plc	2,565,433,333 ordinary shares of 50 Kobo each	Zero Coupon Unsecured Subordinated Irredeemable Convertible Debenture Stock to Equity	New

Source: Nigeria Exchange (NGX) Limited

2.3.5 Financial Soundness Indicators

The banking industry remained safe and sound, as key financial soundness indicators were within regulatory benchmarks. The industry Capital Adequacy Ratio (CAR) at 13.8 per cent, remained above the 10.0 per cent threshold for banks with national/regional authorisation. However, compared to 14.1 per cent in the preceding quarter, the CAR declined marginally by 0.3 percentage point, attributed to the increase in risk-weighted assets of banks.

Similarly, at 4.9 per cent, the banks' asset quality, measured by the ratio of non-performing loan (NPL), improved by 0.1 percentage point below the 5.0 per cent prudential benchmark and the level in the preceding quarter. This was driven by sustained loan recoveries and policy support by the Bank.

The Industry Liquidity Ratio (LR) increased by 2.5 percentage points to 56.7 per cent, compared with 54.2 per cent in the preceding quarter, showing an increase in the stock of liquid assets held by banks. The LR was above the regulatory benchmark of 30.0 per cent.

2.4 EXTERNAL SECTOR DEVELOPMENTS

2.4.1. External Balance

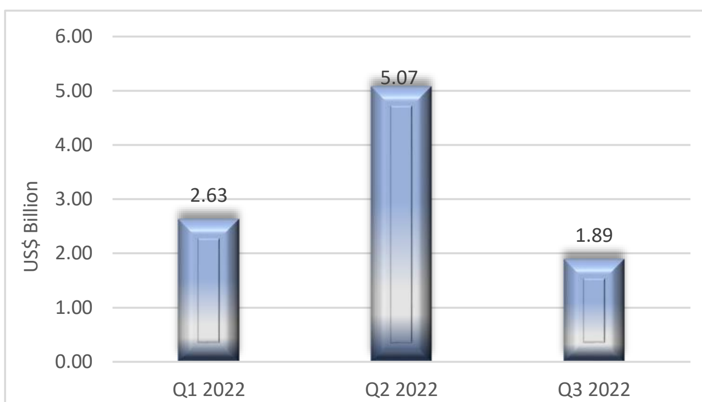
Summary

Despite the prevailing global economic conditions which weighed on the external sector performance, the current account maintained a surplus position of US$1.89 billion. However, the financial account recorded a lower net incurrence of financial liabilities of US$2.07 billion, reflecting the impact of monetary tightening across major advanced economies. The external reserves at end-September 2022 stood at US$37.51 billion, compared with US$39.16 billion at end-June 2022. The level could finance 9.9 months of imports of goods only, or 7.6 months of imports of goods and services, well above the international standard of 3 months import cover. The average exchange rate of the naira per US dollar at the I&E window, was ₦426.34/US$, compared with ₦415.70/US$, in 2022Q2.

2.4.2. Current and Capital Accounts Developments

Although the current account recorded a surplus position in 2022Q3, it narrowed compared to the position in the preceding quarter. The current account surplus declined to US$1.89 billion (1.7 per cent of GDP), from US$5.07 billion (4.7 per cent of GDP). The out-turn was due to significant decline in export earnings, and a wider primary income account deficit, on account of higher repatriation of dividends and profits (Figure 29).

Figure 29: Current Account Balance (US$ Billion)



Source: Central Bank of Nigeria

Export Performance

The performance of exports was adversely affected by developments in the international markets and domestic constraints. Crude oil prices declined following softer global demand, and concerns about the outlook of global growth, as central banks continued to raise interest rates to contain inflation. Estimated export earnings decreased by 28.9 per cent to US$12.92 billion in 2022Q3, compared with US$18.18 billion

Merchandise Import

in the preceding period. A breakdown shows that crude oil and gas exports decreased by 32.4 per cent to US$10.95 billion, relative to US$16.21 billion in the preceding quarter.

The development was driven majorly by the reduction in Bonny Light prices and domestic oil production. The price of Bonny Light fell to US$106.73 per barrel, from US$118.34, while production dropped to 1.14mbpd, compared with 1.28mbpd in the preceding quarter. Similarly, non-oil, including electricity export receipts decreased marginally by 0.03 per cent to US$1.97 billion. In terms of share in total exports, crude oil and gas export receipts remained dominant, accounting for 84.8 per cent while non-oil exports accounted for the balance.

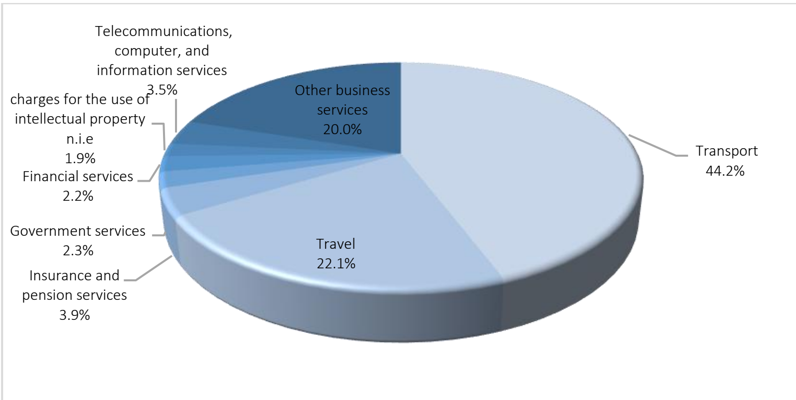
Rising global inflation and the persisting supply chain disruptions subdued merchandise imports in the review period. Provisional data revealed that merchandise imports fell by 8.9 per cent to US$11.36 billion in 2022Q3, relative to US$12.48 billion in the preceding quarter. The development was observed, majorly, in the importation of non-oil products, which declined by 17.3 per cent to US$7.63 billion, from US$9.22 billion. Conversely, import of petroleum products increased by 14.6 per cent to US$3.73 billion, from US$3.26 billion. The increase in petroleum products import was to cover domestic supply shortages in the period. The share of non-oil import remained dominant, accounting for 67.2 per cent of the total, while petroleum products constituted the balance of 32.9 per cent.

A breakdown of non-oil import by sector revealed that import of raw materials and machinery for industrial use accounted for the largest share of 50.3 per cent, reflecting inclination towards import substitution in the economy. Other sectoral import shares include manufactured products (20.8 per cent); food products (13.2 per cent); oil (7.3 per cent); transport (3.6 per cent); mineral (3.5 per cent); and agricultural products (1.2 per cent).

Services

The deficit in the services account narrowed, mainly, because of the decline in travels and transport during the review period. The deficit in the services account narrowed by 28.2 per cent to US$2.58 billion, from US$3.59 billion in the preceding quarter. The lower deficit was as a result of 33.6 per cent and 27.9 per cent decline in transport and travel services, respectively. A breakdown of the deficit indicates that payment for services amounted to US$3.37 billion, while receipts from services was US$0.80 billion. Further analysis shows that payments for transportation and travels stood at US$1.49 billion and US$0.75 billion, respectively, accounting for 44.2 per cent and 22.1 per cent of the total. Other business services at US$0.67 billion, accounted for 20.0 per cent. Payments for insurance and pensions was US$0.13 billion, constituting 3.9 per cent. Payments for telecommunications, government goods and services, financial services, and charges for the use of intellectual properties were US$0.12 billion (3.5 per cent), US$0.08 billion (2.3 per cent), US$0.07 billion (2.2 per cent), US$0.06 billion (1.9 per cent) of the total, respectively, (Figure 30).

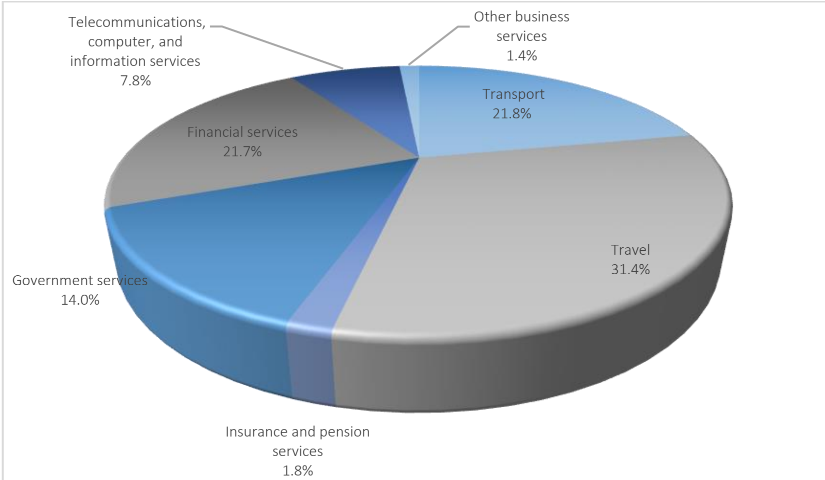
Figure 30: Share of Service Out-Payments (per cent)



Source: Central Bank of Nigeria

Receipts from services declined by 35.9 per cent to US$0.80 billion, from US$1.24 billion the in the preceding quarter. This was due mainly, to decline in receipts from transport, travels and financial services by 64.5 per cent, 14.5 per cent and 42.4 per cent, respectively. In terms of share in total, receipts from travels, transportation and financial services stood at US$0.25 billion, US$0.17 billion and US$0.17 billion, and accounted for 31.4 per cent, 21.8 per cent and 21.7 per cent, respectively. Government services, telecommunications, insurance & pensions, and other businesses, at US$0.11 billion, US$0.06 billion, US$0.02 billion and US$0.01 billion, represented 14.0 per cent, 7.8 per cent, 1.8 per cent and 1.4 per cent, respectively, (Figure 31).

Figure 31: Share of Services Receipts (per cent)

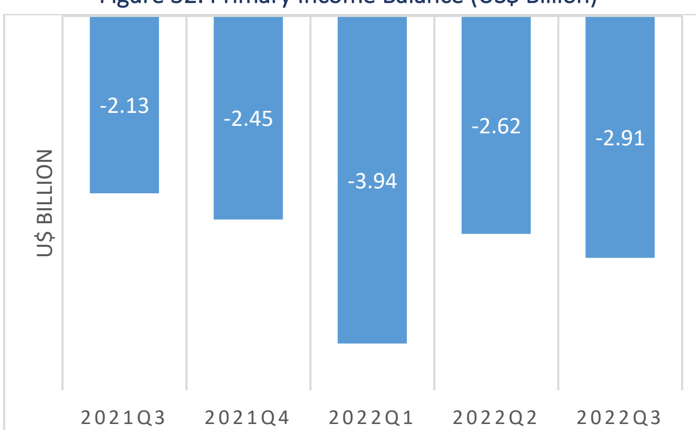


Source: Central Bank of Nigeria

Primary Income

The deficit in the primary income account widened as repatriation of dividends increased in the review period. The deficit in the primary income account widened by 10.9 per cent to US$2.91 billion in 2022Q3, compared with US$2.62 billion in the preceding quarter. This reflected higher repatriation of dividends and profits, as well as increased interest payments on loans. The surplus in the compensation of employees sub-account decreased by 2.4 per cent to US$0.05 billion in the review period, compared with the level in the preceding quarter (Figure 32).

Figure 32: Primary Income Balance (US$ Billion)

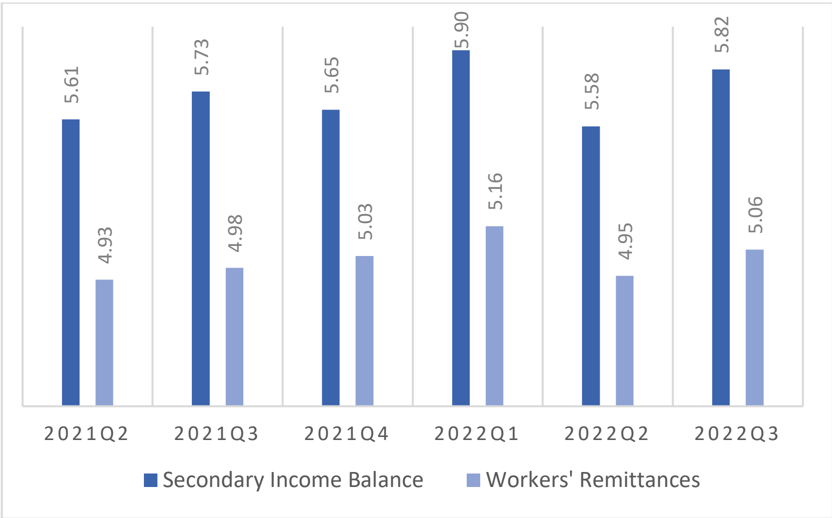


Source: Central Bank of Nigeria

Secondary Income

The gains from remittance policies positively influenced the secondary income account, leading to a higher surplus position. The surplus in the secondary income account increased to US$5.82 billion in the review period, compared with US$5.58 billion in the preceding quarter. The development was due to an increased inflow of remittances to US$5.06 billion, from US$4.95 billion in the preceding quarter. Similarly, general government transfers in the form of aids and grants rose by 7.3 per cent to US$0.78 billion, from US$0.72 billion in 2022Q2 (Figure 33).

Figure 33: Secondary Income Balance and Remittances Inflow (US$ Billion)



Source: Central Bank of Nigeria

2.4.3. Financial Account

Financial Account Developments

The financial account recorded a lower net incurrence of financial liabilities, occasioned by tight financial conditions, as monetary authorities continued to hike interest rates to rein in inflation. The financial account recorded a net incurrence of liabilities of US$2.07 billion (1.9 per cent of GDP), relative to US$3.16 billion (2.8 per cent of GDP) in the preceding quarter.

Net Incurrence of Liability

An Inflow of US$2.86 billion was recorded in 2022Q3, relative to US$4.05 billion in the preceding quarter. The decline was due largely, to lower purchase of equity & debt securities by non-resident investors, as monetary policy normalisation created safer havens for investors abroad. FDI recorded a lower divestment of US$0.96 billion, relative to US$1.59 billion in the preceding quarter, reflecting a lower drawdown from reserves of companies. Conversely, portfolio investment inflow decreased by 4.1 per cent to US$1.61 billion from US$1.68 billion in the previous quarter. The decline was as a result of a 6.8 per cent decrease in investment in short-term debt securities by non-resident investors. Similarly, inflow of "other investment" fell by 25.6 per cent to US$2.20 billion, from US$2.96 billion in the preceding period.

Net Acquisition of Asset

Aggregate financial assets rose to US$2.21 billion in 2022Q3, compared with US$0.89 billion in the preceding quarter, occasioned by the acquisition of other investment assets, particularly, increased holdings of foreign currency and deposits in foreign banks by the private sector. Foreign direct investments recorded a lower disposal of US$0.12 billion, relative to US$0.20 billion in the preceding quarter. On the other hand, portfolio investment assets recorded a lower acquisition of US$0.15 billion, relative to US$0.38 billion, as a result of the lower purchase of debt securities by resident investors. On the contrary, "Other investment" assets witnessed an acquisition of US$2.19 billion, compared with the disposal of US$0.29 billion in the preceding quarter, owing to increase in foreign currency holdings by the private sector. Furthermore, reserve assets recorded a reduction of US$1.43 billion, relative to US$0.89 billion in the preceding quarter, following the Bank's sustained efforts to ensure liquidity in the foreign exchange market.

2.4.4. External Debt

Public Sector External Debt

Nigeria's public external debt surged in the review period, owing to new borrowings. Nigeria's public sector external debt stock and external debt service payment at end-June 2022 stood at US$40.06 billion (9.2 per cent of GDP) and US$0.60 billion, respectively. A breakdown showed that the multilateral loans, from the World Bank, International Monetary Fund, and African Development Bank Groups, amounted to US$19.16 billion, accounting for 47.8 per cent of the total. A total of US$15.62 billion or 40.0 per cent of the total was borrowed from commercial sources in the form of Euro and Diaspora Bonds. Loans from bilateral sources was US$4.70 billion, or 11.7 per cent of the total, while promissory notes were US$0.59 billion, or 1.5 per cent of the total debt stock.

The external debt service payment stood at US$0.60 billion at end-June 2022, relative to US$0.69 billion in the preceding quarter. A breakdown showed that the principal repayment was US$0.38 billion, accounting for 55.1 per cent of the entire payment. Interest payment totalled US$0.20 billion, or 29.0 per cent of the total, while other payments made up the balance. An analysis of interest payments show that interest payment on commercial borrowings accounted for 80.0 per cent of the total at US$0.16 billion, while multilateral institutions accounted for 10.0 per cent of the total or US$0.02 billion. Interest payments on bilateral loans accounted for the balance.

2.4.5. International Investment Position (IIP)

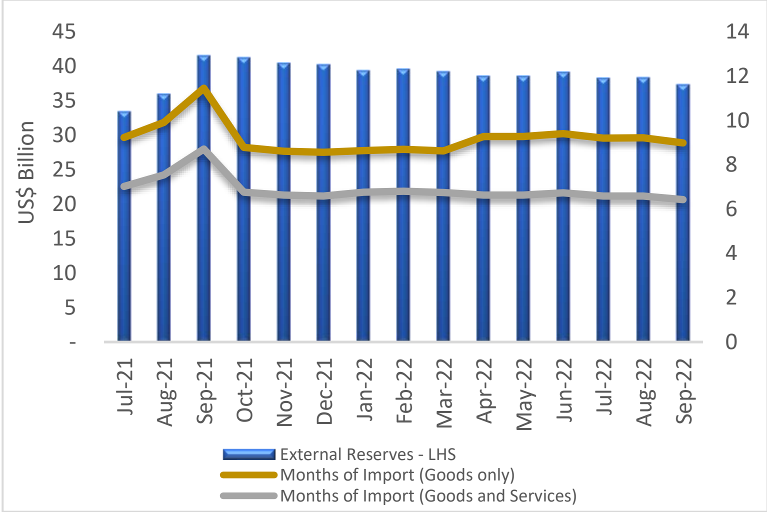
Nigeria's International Investment Position (IIP) recorded a net financial liability of US$76.16 billion at end-September 2022. The stock of financial assets decreased by 2.2 per cent to US$105.93 billion at end-September 2022, from US$108.34 billion at end-June 2022. This was due, largely, to a 4.2 per cent reduction in external reserves assets, as the Bank continued to stabilise the foreign exchange market. Portfolio investment assets increased by 4.4 per cent to US$3.46 billion. Similarly, direct investment assets increased marginally, by 0.9 per cent to US$13.42 billion, driven by lower disposal of equity and direct investment fund shares by resident investors. Other investment assets also increased by 4.4 per cent to US$51.54 billion in the review period, from US$49.35 billion in 2022Q2.

The stock of financial liabilities representing foreign investors' claims on the economy decreased by 0.2 per cent to US$182.09 billion at end-September 2022, from US$182.43 billion at end-June 2022. The development reflected an increase in the stock of direct investment, relative to the level at end-June 2021. The stock of portfolio and other investment liabilities, however, increased by 4.3 per cent and 4.0 per cent, to US$38.64 billion and US$57.12 billion, respectively, from US$37.03 billion and US$54.92 billion at end-June 2022.

2.4.6. International Reserves

The international reserves remained above the standard benchmark of 3.0 months of import cover. The international reserves stood at US$37.39 billion at end-September 2022, relative to US$39.16 billion at end-June 2022. The level of external reserves could cover 6.5 months of import for goods and services or 9.0 months of import for goods only.

Figure 34: External Reserves and Months of Import Cover



Source: Central Bank of Nigeria

A breakdown of the external reserves by ownership shows that, the share of the CBN was US$35.67 billion (95.39 per cent); Federal Government, US$1.72 billion (4.61 per cent); while the Federation accounted for the balance of US$0.58 million (0.00 per cent). In terms of currency composition, the US dollar was US$28.73 billion, (76.8 per cent); Special Drawing Rights, US$4.81 billion (12.9 per cent); Chinese Yuan, US$3.46 billion (9.2 per cent); GB Pounds, US$0.18 billion (0.5 per cent); Euro, US$0.21 billion (0.6 per cent); and other currencies accounted for the balance.

2.4.7 Foreign Exchange Flows through the Economy

Foreign Exchange Flows through the Economy

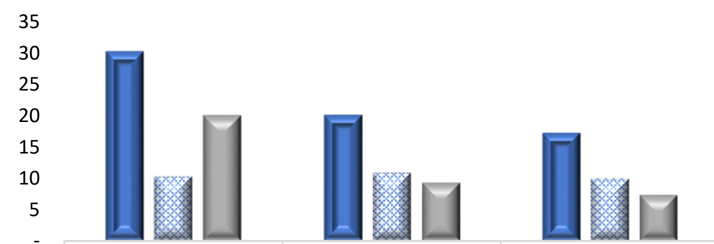
The economy recorded a net inflow of US$7.29 billion in 2022Q3, compared with US$9.25 billion in the preceding quarter. Foreign exchange inflow into the economy decreased by 14.2 per cent to US$17.22 billion, from US$20.08 billion in the preceding quarter. The development was driven by the 17.0 per cent and 12.1 per cent decrease in inflow through the CBN and the autonomous sources, respectively. Foreign exchange outflow through the economy decreased by 8.3 per cent to US$9.93 billion, from US$10.83 billion in 2022Q2.

Foreign exchange inflow through the Bank, at US$7.28 billion, fell below the US$8.77 billion in the preceding quarter. A disaggregation shows that receipts from crude oil related sources increased by 7.2 per cent to US$2.68 billion, relative to the value in 2022Q2. In contrast, receipts from non-oil sources fell to US$4.60 billion from US$6.27 billion in the preceding quarter. Foreign exchange inflow through autonomous sources also decreased to US$9.94 billion from US$11.31 billion in the preceding period, driven mainly, by decline in total Over-the-Counter (OTC) purchases.

However, outflow through the Bank, at US$8.54 billion, increased by 1.1 per cent, relative to US$8.45 billion in the preceding quarter, attributed, largely, to increase in external debt service and third-party MDA transfers. Autonomous outflow also fell by 41.6 per cent to US$1.39 billion, on account of decreased invisible imports.

Consequently, autonomous sources recorded a net inflow of US$8.55 billion in the review period, compared with US$8.94 billion in 2022Q2. However, a net outflow of US$1.26 billion was recorded through the Bank, compared to a net inflow of US$0.32 billion in the preceding quarter. Thus, resulting in a net inflow of US$7.29 billion into the economy in 2022Q3.

Figure 35: Foreign Exchange Transactions through the Economy 2022Q3 (US$ billion)



	Q3 2021	Q2 2022	Q3 2022
Inflow	30.20	20.08	17.22
Outflow	10.22	10.83	9.93
Netflow	19.98	9.25	7.29

Source: Central Bank of Nigeria

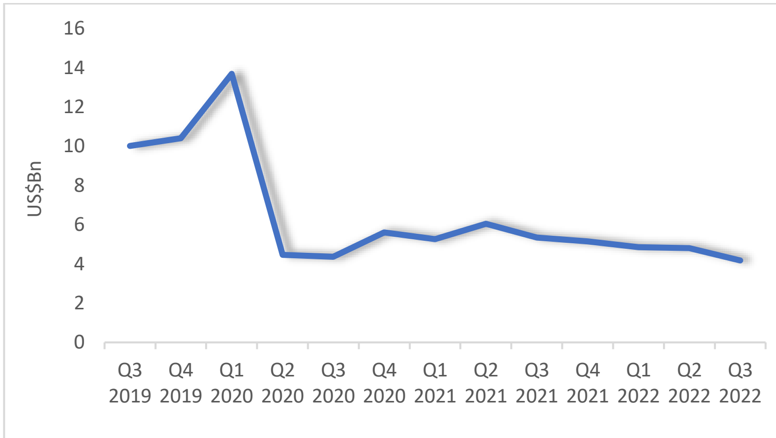
2.4.8 Transactions in the Foreign Exchange Market

Spot Transactions

Total foreign exchange sales to authorised dealers by the Bank decreased in the review period. Foreign exchange sales at US$4.18 billion, decreased by 13.1 per cent, below the level in the preceding quarter. A disaggregation shows that, foreign exchange sales at the Secondary Market Intervention Sales (SMIS) and Investors' and Exporters' (I & E) windows, decreased by 10.5 per cent and 4.3 per cent to US$1.83 billion and US$0.79 billion, respectively. Similarly, matured swap contracts fell by 48.9 per cent to US$0.57 billion, relative to 2022Q2.

However, sales at the Small and Medium Enterprises (SMEs) and interbank/invisibles windows increased by 32.4 per cent and 10.0 per cent to US$0.46 billion and US$0.53 billion, respectively, relative to the levels in the preceding quarter.

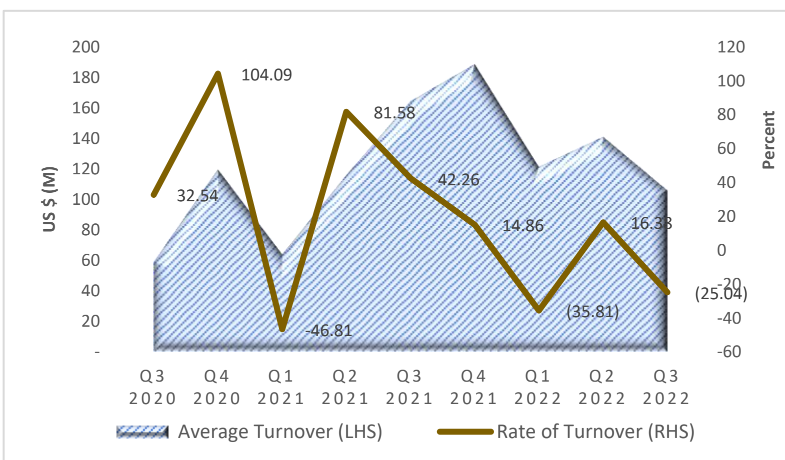
Figure 36: Foreign Exchange Sales to Authorised Dealers (US$ billion)



Source: Central Bank of Nigeria

The average turnover at the I&E segment decreased by 25.0 per cent to US$0.11 billion, relative to the level in 2022Q2, reflecting liquidity conditions in the segment.

Figure 37: Turnover in the I&E Foreign Exchange Market



Source: Central Bank of Nigeria.

Average Exchange Rate

The average exchange rate of the naira per US dollar at the I&E window was ₦426.34/US$, compared with ₦415.70/US$ in 2022Q2.

3.0 MACROECONOMIC OUTLOOK

3.1 Global Economic Outlook

The performance of the global economy is projected to slow in 2022, on account of the economic uncertainty induced by the Russia-Ukraine war. *The revised projection by the IMF indicate that global growth would slow to 3.2 per cent in 2022 from 6.1 per cent in 2021, which is 0.4 percentage points lower than the initial estimate of 3.6 per cent in April. In the Advanced Economies (AEs), growth is projected to slow from 5.2 per cent in 2021 to 2.5 per cent in 2022, while in Emerging Market and Developing Economies (EMDEs), it is projected to slow to 3.6 per cent from 6.8 per cent in 2021. The downward revision of the growth forecast was on account of the impact of the Russia-Ukraine war, which has generated significant negative effects on the global economy. In addition, increased fiscal withdrawals, pandemic-induced supply chain disruptions, and monetary tightening are other factors that could further slow output growth. Furthermore, China's growth deceleration, due to the zero-COVID policy, is expected to dampen global growth prospects.*

Global inflation is expected to remain elevated in 2022, rising to 6.6 per cent in AEs, and 9.5 per cent in EMDEs. *The IMF's World Economic Outlook projection for July 2022 shows that persistent high inflation in the near term is hinged on the surge in commodity and energy prices, amid tight labour market conditions. While higher energy cost is expected to be the main driver of inflation in AEs, rising food prices is expected to play significant role in most EMDEs.*

3.2 Domestic Economic Outlook

Growth prospects for the domestic economy remains positive in the near-term, amid downside risks. *The positive outlook is predicated on relatively high crude oil prices, effective implementation of the National Development Plan 2021-2025, and the positive impact of CBN interventions on growth-enhancing sectors, among others. However, contraction in global demand, persistent security challenges and infrastructural deficit, remain possible headwinds to growth. Furthermore, mounting value shortfall recovery in PMS and crude oil production bottlenecks, could weaken the fiscal space and constrain government's effort in ramping up capital investment to support growth. However, with the sustained momentum in non-oil revenue through continuous implementation of the Finance Act and other fiscal reform strategies of the FGN, coupled with the ongoing effort to clamp-down on crude oil theft, fiscal conditions are likely to improve in the near-term.*

Inflationary pressures are expected to remain elevated in the near-term, on account of rising energy and food prices. *This outlook is hinged on increased production cost, high energy prices, lag-effect of flooding, and security challenges. Nevertheless, CBN's monetary tightening as well as the various supply-side interventions by the Bank and the FGN in growth-enhancing sectors of the economy, are expected to moderate inflation in the near-term.*

The prospect for Nigeria's external sector position is positive on the back of favourable crude oil prices and domestic production, following significant reduction in crude oil theft. *However, rising import bills, hike in policy rates in most AEs and high external debt service, remain possible impediments to accretion to reserves.*