CENTRAL BANK OF NIGERIA

August 2023

ABOUT THE REPORT

The Central Bank of Nigeria (CBN) Economic Report presents economic developments in Nigeria, for dissemination to the public. The Report, which is published on a monthly and quarterly basis, provides insights on current developments in the real; fiscal; monetary & financial; and external sectors of the Nigerian economy, as well as, on global issues that impact the domestic economy. In addition, it reflects the policy initiatives of the CBN in pursuit of its mandate.

The Report is targeted at a wide range of readers, including economists, policymakers, financial analysts in the government and the private sectors, and the public. Free download of the Report, including current and past issues is available at 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.*

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SUMMARY

The global economic landscape in August 2023 was marked by continued deceleration in economic activities, as reflected in the Global Composite Purchasing Managers' Index (PMI), which declined to 50.6 index points in August 2023, compared with the 51.7 index points in the preceding month. Few countries, particularly, within Emerging Market and Developing Economies (EMDEs), however, exhibited resilience, driven, majorly, by strong demand and sector-specific factors. Inflation dynamics were mixed, on account of a combination of factors, including energy costs, and food prices. Financial market performance was, mostly, on the downside, as the worsening real estate market in China, and the unclear signals from the US Fed, diminished market confidence. The stock market, nevertheless, improved in countries with soaring inflation as investors hedged against rising price levels. The 10-year government bond yields rose, as interest in long-term assets pick. On the other hand, most currencies depreciated against the US dollar, due largely, to the rising interest rates, and strong economic growth in the US, which attracted investment inflow into the US economy. The average spot price of Nigeria's reference crude, the Bonny Light (34.9° API), rose by 8.6 per cent to US$89.30 per barrel (pb), compared with US$82.27 pb in the preceding month. The prices of UK Brent, Forcados, WTI, and OPEC Reference Basket (ORB), followed similar trends.

Domestic economic activities slowed, for the second consecutive month, as the composite PMI further contracted to 42.3 index points, compared with the 48.9 index points in July 2023, following the decline in industry, services, and agriculture sector activities. The dwindling business activities were driven by high input costs, and weak aggregate demand. Inflation maintained an upward trajectory due to the lingering effects of global shocks, and domestic factors. Headline inflation (year-on-year) rose to 25.80 per cent in August 2023, compared with the 24.08 per cent in July 2023. Similarly, core inflation (year-on-year) rose to 21.15 per cent, from 20.47 per cent in the preceding month. Domestic crude oil production increased by 9.3 per cent, to 1.18 mbpd in August 2023, compared with the 1.08 mbpd in the preceding month, due mainly, to the resumption of crude oil liftings at the Forcados export terminal, operated by Shell Petroleum Development Company.

Fiscal conditions in August 2023 improved on account of the growth in Federation revenue, and the contraction in the overall fiscal deficit. Federally collected revenue rose by 1.7 per cent, relative to the level

in the preceding month, owing to improved oil receipts. The collection was, however, below the budget benchmark by 3.9 per cent. Provisional data indicate that Federal Government of Nigeria (FGN) retained revenue improved by 9.6 per cent in August 2023, relative to the level in July 2023 but fell short of the monthly target by 32.8 per cent. Provisional aggregate expenditure was 2.6 percent below the level in the preceding month, and 26.0 per cent below the benchmark. The overall fiscal deficit contracted by 11.0 per cent relative to the level in July 2023. Consolidated public debt at ₦87,379.40 billion or 38.7 per cent of GDP, was below the national threshold of debt-GDP ratio of 40.0 per cent.

The banking system remained resilient in August 2023, as key financial soundness indicators were within regulatory limits. Developments in the monetary sector reflected growth in key monetary aggregates. Furthermore, there was a sustained decline in Currency Outside Depository Corporations (CODCs) due to the improved adoption of digital and electronic payments. Average banking system liquidity also declined, driving key short-term interest rates northward in the review period.

External sector performance improved significantly in August 2023. Higher trade surplus was recorded, due to increased export receipts, attributed to the improved crude oil prices, following voluntary supply cuts by Saudi Arabia and Russia. Foreign capital inflow to the economy grew, owing to the bullish performance of the domestic capital market. There was also a marginal appreciation of the naira against the US dollar in the review period. Similarly, the external reserves at US$32.98 billion remained adequate, surpassing the international threshold of 3-month import cover. A higher net foreign exchange inflow was recorded, driven majorly, by increased inflow through autonomous sources.

Economic Outlook

The global economic growth is expected to decline to 3.0 per cent in 2023, and 2024 apiece, relative to the 3.5 per cent recorded in 2022. (IMF WEO, July 2023). The revised WEO projection is predicated on the resolution of the standoff in the US debt ceiling, and the strong measures taken by both the US and the Swiss authorities to address the potential crises building up in their respective banking systems, which moderated risks in the global financial system. The downside risks to this outlook includes the likelihood of higher inflation, powered by the continued Russia-Ukraine war, and the persistent extreme weather conditions. Sovereign debt pressure could also spread to other sectors, and other economies, triggering *global financial distress. In the Advanced Economies (AEs), growth is projected to decelerate to 1.5 per cent in 2023, compared with the 2.7 per cent in 2022, reflecting the combined effects of the tight monetary policy stance, the ongoing Russia-Ukraine war, and the rising impacts of climate change. In the Emerging Markets and Developing Economies (EMDEs), growth is estimated to be broadly stable at 4.0 per cent in 2023, but unevenly distributed across various regions and countries. The outlook is predicated on stronger domestic demand in India and some parts of Latin America, despite external headwinds. The sub-Saharan African growth is anticipated to decline to 3.50 per cent in 2023, before rising to 4.10 per cent in 2024. Global headline inflation is predicted to decline to 6.80 and 5.20 per cent in 2023 and 2024, respectively, as against 8.70 per cent in 2022.The forecast reflects the anticipated effects of policy tightening, and decreased global commodity prices, as well as subdued inflation in China.*

Nigeria's economic growth outlook remains positive in the near term, although downside risks exist. The optimistic outlook is based on the sustained trend in crude oil prices, and the effective and strategic implementation of the new administration's fiscal policy reforms. On the flip side, contraction in global demand, persistent security challenges, and infrastructural deficit remain notable headwinds to growth. Higher inflationary pressure is expected in the short-run owing, largely, to the impact of fuel subsidy removal, exchange rate pass-through to domestic prices, expected hike in electricity prices, and the rising impacts of climate change. The subsisting tight monetary conditions and improved global supply chains could, however, moderate inflationary pressure.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

Summary

The global economic landscape in August 2023 was marked by continued deceleration in economic activities, with few countries, particularly, in Emerging Market and Developing Economies showing resilience, driven, majorly by strong domestic demand and sector-specific factors. Inflation dynamics were mixed, reflecting a combination of factors, including energy costs, and food prices. The performance of the global financial market was mostly on the downside, as the worsening real estate market in China and the unclear signals from the US Fed diminished market confidence.

1.1 Global Economic Activity

Global Economic Activity

Global economic growth slowed, for the third consecutive month, as new business orders declined further in the face of weakened demand. This slower pace of expansion was attributed to the continued downturn in the manufacturing sector, and the sluggish expansion in the services sector. Consequently, the Global Composite Purchasing Managers' Index (PMI)[1] declined to 50.6 points in August 2023, as against the 51.7 points in the preceding month. The Services PMI slowed marginally to 51.1 points, from the 52.7 index points in the preceding month, due to lower expansions in new business, export orders and employment levels. Conversely, the contraction in the manufacturing sector continued, though at a slower pace, as the Manufacturing PMI remained below the 50-point benchmark, registering 49.0 points in August 2023, compared with the 48.7 index points in the preceding month. The contraction was driven by a reduction in new orders, induced by worsening international trade flows and decreased demand.

[1] S&P Global Market Intelligence Report

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

	Jun-23	Jul-23	Aug-23
Composite	**52.7**	**51.7**	**50.6**
Employment Level	51.9	51.0	51.0
New Business Orders	52.3	50.7	50.1
New Export Business Orders	48.3	47.8	47.9
Future Output	64.1	61.9	62.4
Input Prices	56.9	56.2	57.4
Output Prices	53.4	53.6	53.4
Manufacturing	**48.7**	**48.7**	**49.0**
Services (Business Activity)	**53.9**	**52.7**	**51.1**
New Business	53.9	51.9	50.8
New Export Business	52.3	52.2	50.9
Future Activity	65.7	62.2	63.5
Employment	52.6	51.3	51.2
Outstanding Business	50.7	49.6	48.4
Input Prices	60.1	58.7	59.7
Prices Charged	54.9	55.1	54.5

Source: J.P. Morgan
Note: Above 50 index points indicate expansion.

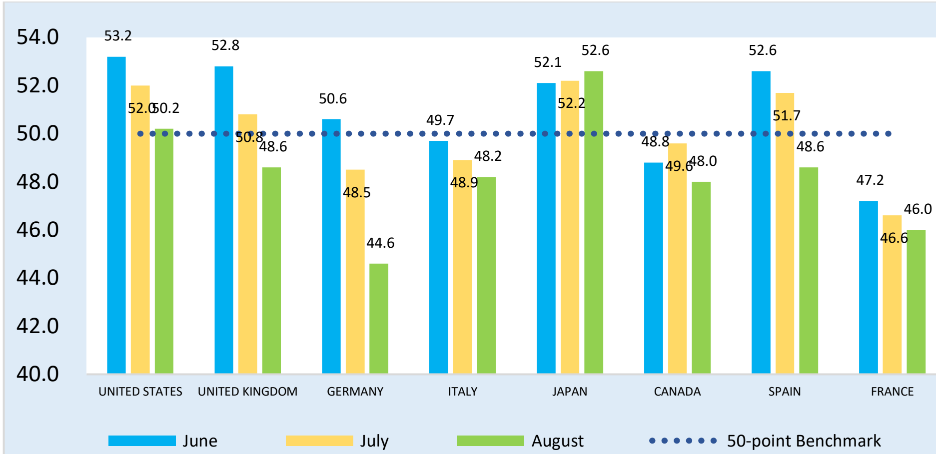
Economic Activity in Advanced Economies

Economic activities in most Advanced Economies (AEs) contracted, due to deteriorating business confidence, and rising input and energy costs, that weighed on consumer demand. Several advanced countries witnessed contraction. In the United Kingdom (UK), the PMI contracted to 48.6 index points in August 2023, from 50.8 index points in the previous month, indicating a reduction in private sector activity. The contraction was attributed to a decline in the manufacturing and service sectors, induced by waning business confidence. Similarly, Spain's PMI fell to 48.6 index points from 51.7 index points in the preceding month. The contraction was underpinned by a sharp drop in output levels and new orders in the face of dwindling global demand.

In France, the PMI declined to 46.0 index points from 46.6 index points in the preceding month. The sustained contraction in economic activity was driven by the continued decline in global demand, witnessed by both manufacturing and services firms. Similarly, business activity in Germany contracted owing to a decline in total inflows of new orders, which led to a drop in demand for goods and services amid inflationary pressures. Consequently, Germany's PMI declined significantly to 44.6 index points in August 2023, as against the 48.5 index points in July 2023.

In contrast, the United States economic activities expanded in August 2023, albeit at a slower pace, as reflected in the PMI, which stood at 50.2 index points, compared with 52.0 index points in the preceding month. The expansion was driven by the impressive performance in the services sector. Similarly, business activities expanded in Japan, as PMI grew to 52.6 index points from 52.2 index points in the preceding month. The expansion was underpinned, mainly, by the positive sentiments around the manufacturing and services sectors.

Figure 1: Composite Purchasing Managers' Index (PMIs) in Selected Advanced Economies



Source: Trading Economics/Various Country Websites
Note: PMI for Canada was based on Manufacturing PMI.

Economic Activity in Emerging Markets and Developing Economies

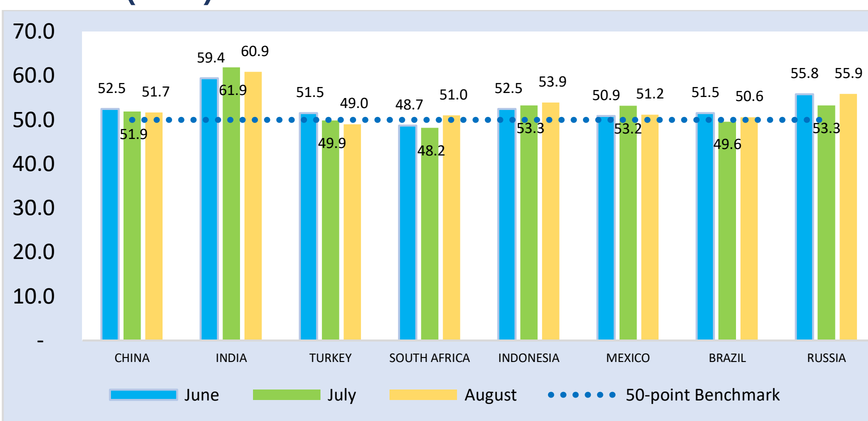
Economic activities in Emerging Markets and Developing Economies generally, remained robust due to improved demand. Economic activities expanded in Russia as the PMI grew to 55.9 index points in August 2023, from the 53.3 index points recorded in the preceding month. This was attributed to a sharp rise in new orders and sustained upturns in manufacturing and services sectors. Brazil also witnessed a rebound in economic activities, as the PMI expanded to 50.6 index points from 49.6 index points in July 2023. The expansion was driven by a sustained increase in new orders, resulting from strong demand for new business in the services sector. Similarly, economic activities improved in South Africa, due to stable demand, renewed business confidence and positive sentiments in the economy. Hence, PMI grew to 51.0 index points in August 2023, compared with the 48.2 index points in July 2023.

Economic activities in India expanded at a slower pace as the PMI fell to 60.9 index points in August 2023, compared with the 61.9 index points in the preceding month. The continued expansion was underpinned, largely, by the increase in international demand, and positive business sentiments in both the manufacturing and the services sectors.

In China, PMI moderated to 51.7 index points in August 2023, as against the 51.9 index points in July 2023. The slower expansion in economic activities was underpinned by the modest expansions in the services sector and new orders, respectively, amid rising input costs.

The continued inflationary pressures in Turkey, however, aggravated the contraction in economic activities, as the PMI dropped further to 49.0 index points in August 2023, compared with the 49.9 index points in the preceding month.

Figure 2: Selected Emerging Markets and Developing Economies' Composite Purchasing Managers' Index (PMIs)



Source: Trading Economics/Various Country Websites.
Note: PMI for Turkey and Indonesia were based on Manufacturing PMI.

1.2 Global Inflation

Global Inflation

Inflation pressures in AEs were mixed as some countries witnessed easing service costs, while others recorded higher energy costs. Specifically, in Italy, consumer prices declined to 5.53 per cent in August 2023, from 5.93 per cent in the preceding month. The moderation was attributed to decrease in recreational and cultural services, transportation costs, prices of energy-related services, supported by declines in the prices of both processed and unprocessed food items. In Germany, the inflation moderated marginally to 6.10 per cent from 6.20 per cent in the preceding month, due, majorly to easing services costs. Similarly, a slowdown in food prices and the cost of accommodation services in the United Kingdom (UK), forced inflation down to 6.70 per cent in August 2023, as against the 6.80 per cent in the preceding month. Furthermore, inflation in Japan moderated to 3.20 per cent, from 3.30 per cent in July 2023, due, mainly to decline in energy costs, particularly, electricity bills.

In the US, however, the rise in oil price, base effect and increase in transport costs, drove inflation to 3.70 per cent, from 3.20 per cent in July 2023. In France, the rise in inflation was driven, mainly by a rebound in energy prices and the increases in the price of tobacco. Consequently, inflation rose to 4.80 per cent in August 2023, compared with 4.30 per cent in the preceding month.

Table 2: Inflation in Selected Economies in Per cent

Country	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
United States	6.00	5.00	4.90	4.00	3.00	3.20	3.70
United Kingdom	10.40	10.10	8.70	8.70	7.90	6.80	6.70
Japan	3.30	3.20	3.50	3.20	3.30	3.30	3.20
Canada	5.20	4.30	4.40	3.40	2.80	3.30	4.00
Germany	8.70	7.40	7.20	6.10	6.40	6.20	6.10
France	6.30	5.70	5.90	5.10	4.50	4.30	4.80
Italy	9.10	7.60	8.30	7.60	6.40	5.93	5.53
Spain	6.00	3.30	4.10	3.20	1.90	2.30	2.60
China	1.00	0.70	0.10	0.20	0.00	-0.30	0.10
South Africa	7.00	7.10	6.80	6.30	5.40	4.70	4.80
India	6.44	5.70	4.70	4.25	4.87	7.44	6.83
Mexico	7.62	6.85	6.25	5.84	5.06	4.79	4.64
Indonesia	5.47	4.97	4.33	4.00	3.52	3.08	3.27
Turkey	55.20	50.50	43.70	39.59	38.20	47.80	58.90

Brazil	5.60	4.65	4.18	3.94	3.16	3.99	4.61
Russia	11.00	3.50	2.30	2.50	3.30	4.30	5.20

Source: *Trading Economics*

Inflationary pressure maintained an upward trajectory in most selected Emerging Markets and Developing Economies. Brazil witnessed increase in fuel prices, due to the reintroduction of gasoline taxes, leading to increases in transportation costs, housing and utilities. Consequently, inflation rose to 4.61 per cent in August 2023, from 3.99 per cent in July 2023. In Turkey, inflation accelerated further to 58.90 per cent, from 47.80 per cent in the preceding month, underpinned by substantial increase in taxes, currency depreciation, and rising food prices. In Russia, inflation accelerated to 5.20 per cent, from 4.30 per cent in July 2023, driven by the rising cost of food and non-food products. In China, inflation increased marginally to 0.10 per cent, in contrast to a deflation of 0.30 per cent in the preceding month, due to increases in non-food prices. Consumer prices in South Africa rose marginally to 4.80 per cent in August 2023, compared with the 4.70 per cent recorded in July 2023, and driven by hikes in municipal tariffs, which led to increases in accommodation and electricity costs. Inflation in India, however, decelerated to 6.83 per cent in August 2023, from 7.44 per cent in July 2023, underpinned by a sharp decline in the cost of food.

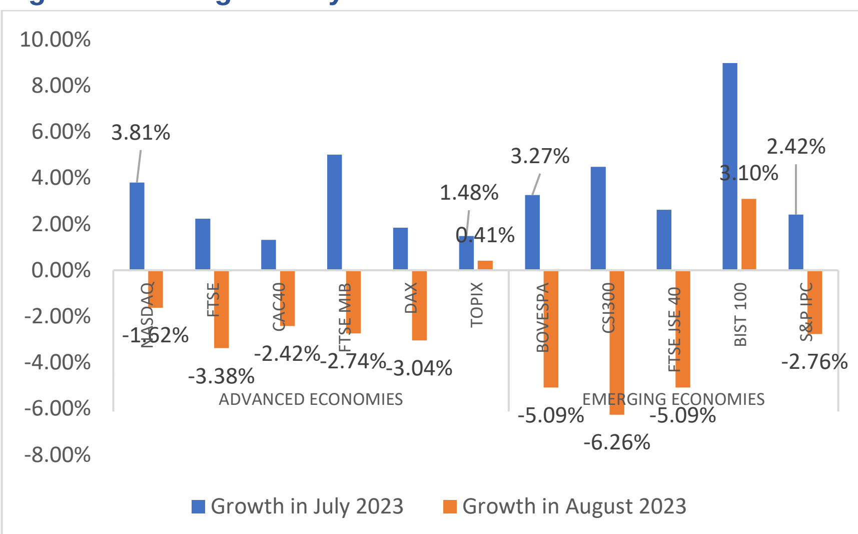
1.3 Global Financial Markets Development

Global financial market recorded low performance in August 2023, as the worsening real estate market in China, and the unclear signals from the Fed diminished market confidence. *S*tock market In the United States (US), was bearish in August 2023, owing to the diminishing in investor confidence, resulting from lack of clarity on the Fed's monetary policy stance, amid the Fitch downgrade of the US credit rating. Stocks for consumables, financials and real estate were generally weak, although energy stocks remained resilient owing to the tight oil supply. Consequently, the NASDAQ index declined by 1.6 per cent, compared with the level in the preceding month. Similarly, decline in consumer discretionary, and volatility in the banking sector dragged the equities market in Europe. Investors were also cautious amidst softening economic indicators in the region. Accordingly, the EUROSTOXX 50, the German DAX index, and the France's CAC 40 declined by 3.8, 3.0 and 2.4 per cent, respectively. Equities in the United Kingdom dipped, as concerns over the uncertainties surrounding the global and domestic economic outlook grew, and the price trends in real estate, held back the market. Thus, the FTSE 100 index declined by 3.4 per cent in August 2023.

In Japan, however, the equities market rose, with the TOPIX index rising by 0.4 per cent, buoyed by improved inbound tourism and the attractive corporate profits. The small- and mid-cap stocks also performed better during the period.

Equities in EMDE followed similar patterns as that of the AEs, due to the waning sentiments resulting from concerns over the weaknesses in the Chinese property market, and investors' expectation of higher interest rates in the US. In China, the deteriorating macroeconomic indices and the low performance of the real and financial sectors dragged the stock market. In addition, investors' confidence was dampened, as the expected policy stimulus to the ailing property market failed to take off. Consequently, the CSI 300 index dipped by 6.3 per cent. The South African FTSE JSE All-Share index declined by 5.1 per cent as the tumbling of the currency, the rand, impacted negatively on the market. In Brazil, the IBOVESPA recorded its worst post-COVID-19 performance, shedding 5.1 per cent as foreign investors withdrew massively from the market, in a flight to safety move that saw investment moving to the safer and rising US Treasury yield. The Turkish market, however, defied the odds as domestic investors bought more stocks to hedge against the soaring inflation and currency depreciation. Thus, the BIST 100 index rose by 3.1 per cent in August 2023, compared with the level in the preceding month.

Figure 3: Change in Key Global Stock Market Indices in Per cent

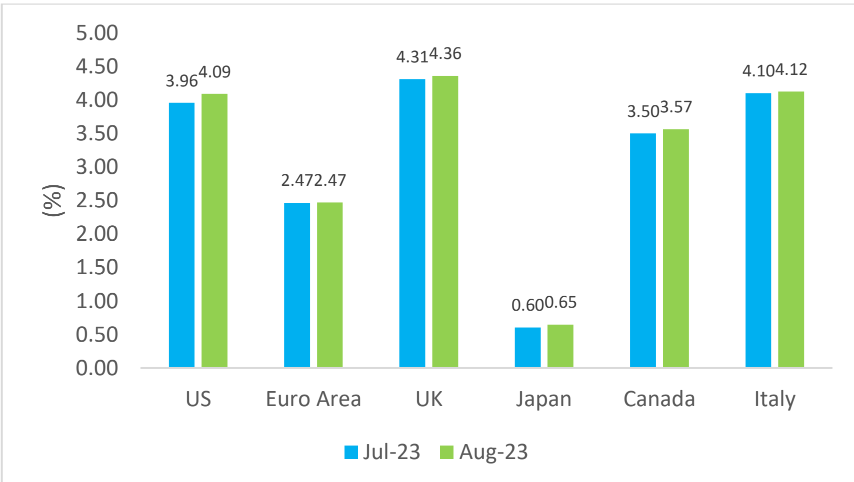


Source: Reuters

A significant decline in equity risk premium led to a rise in the 10-year government bond yield. Bond yield rose owing to increasing uncertainties in the financial market amid the expectation that the US Fed would maintain hawkish policy stance. As a result, the 10-year treasury rates in the US and Canada rose to 4.1 and 3.6 per cent from 4.0 and 3.5 per cent, respectively. In Japan, the 10-year government bond yields rose to 0.7 per cent in August 2023, from 0.6 per cent in July

2023, as the Bank of Japan relaxed its control on the yield curve, increasing the threshold for long-term yield volatility to one per cent. The 10-year Gilt in the United Kingdom rose to 4.4 per cent, from 4.3 per cent in the previous month, as investors anticipated a higher policy rate by the Bank of England (BoE). The long-term yields in Italy rose slightly by two percentage points to 4.12 per cent. The 10-year government bond yield in the euro area, however, remained flat at 2.47 per cent.

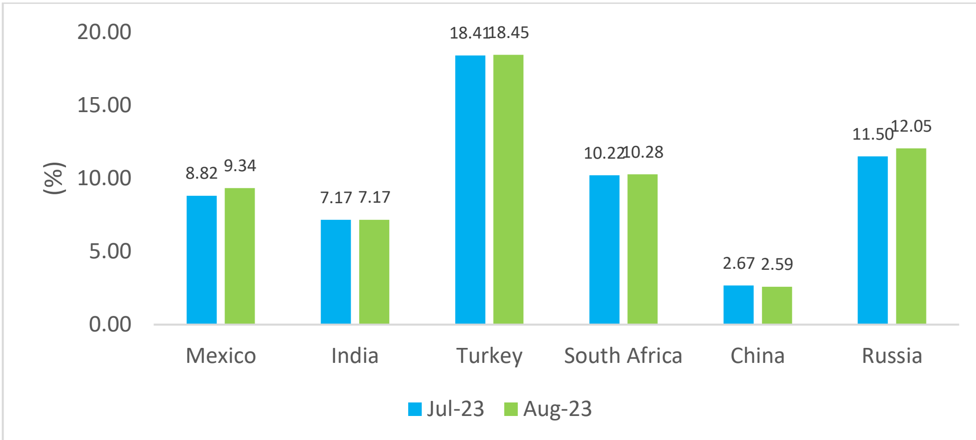
Figure 4: 10-year Government Bond Yields for Selected Advanced Economies in Per cent



Source: Reuters

The 10-year bond yields of various economies in the EMDEs followed similar trend as that of the AEs. The yield on 10-year bonds in South Africa stood at 10.28 per cent, a marginal rise from the 10.26 per cent in the preceding month. Similarly, yields on Mexico and Russia's 10-year government bonds inched up to 9.34 and 12.05 per cent in August 2023, from the preceding month's rate of 8.82 and 11.50 per cent, respectively. Brazilian rates increased to 10.86 per cent, as Fitch upgraded the nation's long-term foreign currency debt for the first time since it was downgraded in 2018, while India's bond yield remained unchanged at 7.17 per cent.

Figure 5: 10-year Government Bond Yields for Selected Emerging and Developing Countries in Per cent



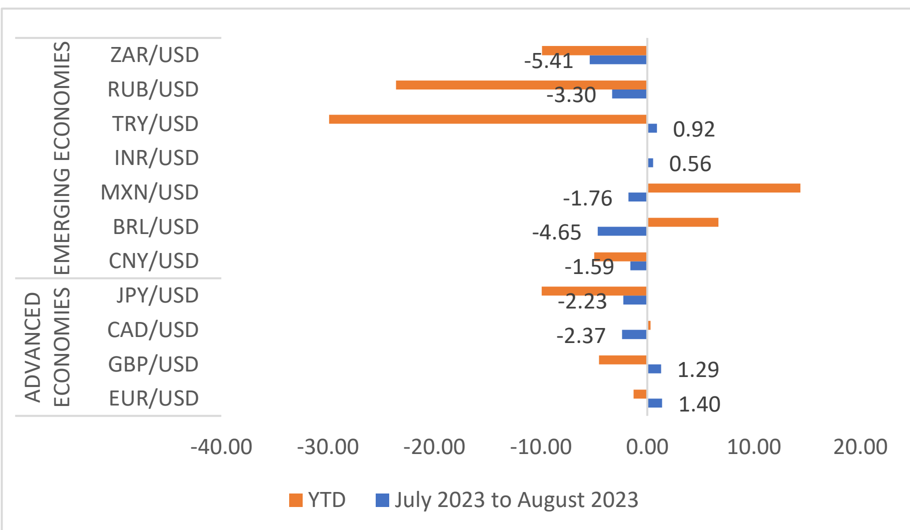
Source: Thomson Reuters (Refinitiv)

Currencies of Selected Countries against the US Dollars

In August 2023, the US dollar remained strong against other currencies, largely, due to the hawkish stance of the Federal Reserve which attracted investments into the US economy. The performance of the dollar was further buoyed by stronger US economic growth on the back of lower unemployment claims, and higher consumer and business spending. Among advanced economies, the Canadian dollar, and the Japanese yen, depreciated against the US dollar by 2.37 and 2.23 per cent, respectively. Conversely, the British pound and the euro appreciated against the US dollar by 1.29 and 1.40 per cent, respectively, supported by the greater-than-expected performance of the domestic economies.

Likewise, the EMDEs currencies were weak against the US dollar. Specifically, the Chinese renminbi (RMB) and South African rand depreciated by 0.71 and 3.01 per cent, respectively, against the US dollar. The depreciation of the Chinese renminbi (RMB) was attributed to a narrowing trade surplus experienced in the review period, while the South African rand depreciated because of the strengthening US dollar in the global market. The Russian ruble depreciated by 5.41 per cent, arising from the decline in exports, occasioned by the sanctions imposed on the country by some of its trading partners. The Brazilian real and Mexican peso weakened against the US dollar by 4.65 and 1.76 per cent, respectively, owing to interest rate differentials and the domestic economic challenges within the countries. Nonetheless, the Turkish lira and Indian rupee strengthened against the US dollar, with gains of 0.92 and 0.56 per cent, respectively. In Turkey, the central bank's decision to abandon its unorthodox monetary practices motivated positive investor sentiment and led to a surge in capital inflows, resulting in a strengthening of the Turkish lira. In India, the Government's decision to stabilize the rupee involved the sale of US dollars from its reserves. This measure proved instrumental in bolstering the Indian rupee, contributing to its appreciation against the dollar.

Figure 6: Exchange Rates Appreciation/Depreciation of Selected Countries



Source: Thomson Reuters (Refinitiv)

1.4 Global Commodity Market

World Crude Supply and Demand

Total world crude oil supply declined, as production in Organisation of Petroleum Exporting Countries (OPEC) and non-Organisation for Economic Cooperation and Development (OECD) countries fell. Total world crude oil supply declined by 0.48 per cent to 100.79 million barrels per day (mbpd) in August 2023, compared with the 101.27 mbpd in the previous month, following the voluntary output cuts by Saudi Arabia and Rusia. OPEC crude oil production also fell by 1.27 per cent to 32.45 mbpd in August 2023, compared with 32.87 mbpd in the preceding month. This was driven, largely, by the Saudi Arabia's decision to reduce oil export by additional 1 mbpd in September 2023, from its July 2023 level. In addition, Russia voluntarily cut production by additional 500,000 bpd in July 2023 and August 2023, as well as 300,000 bpd in September 2023. Non-OECD supply in August 2023 also declined by 0.77 per cent to 66.35 mbpd in August 2023, compared with the 66.86 mbpd in July 2023.

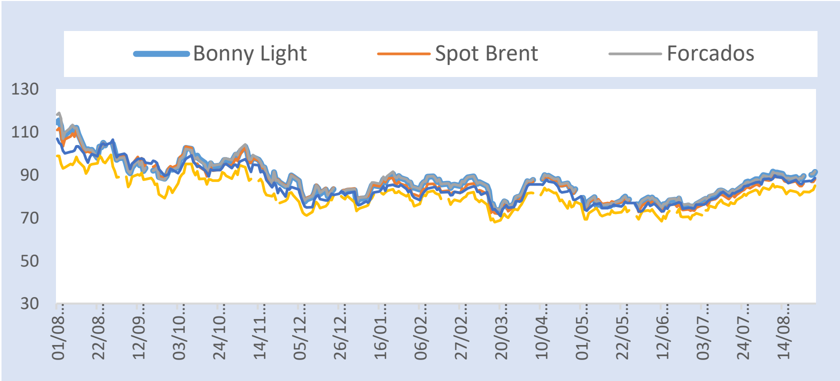
On the demand side, total world crude oil demand rose by 0.20 per cent to 101.37 mbpd, compared with 101.17 mbpd in the preceding month. The increase was driven, mainly, by increased summer air travels, especially, in North America and Europe. Also, crude oil demand rose in India as demand for petroleum products rose, due to improved manufacturing activity in the country.

Crude Oil Prices

Crude oil spot prices rose, largely, due to constrained supply arising from Saudi Arabia's decision to voluntarily cut production by an additional 1 mbpd in August 2023. The average spot price of Nigeria's reference crude oil, the

Bonny Light (34.9° API), rose by 8.55 per cent to US$89.30 per barrel (pb), compared with US$82.27 pb in the preceding month. The prices of UK Brent at US$86.90 pb, Forcados at US$89.22 pb, WTI at US$82.78 pb and OPEC Reference Basket (ORB) at US$87.32 pb all exhibited similar upward movements.

Figure 7: Global Crude Oil Prices (US$ per barrel) in August 2023



Source : Refinitiv Eikon (Reuters)

World Commodity Prices

The all-commodity price index decreased by 2.3 per cent in August 2023, compared with the previous month, on account of improved supply of agricultural commodities from producing regions. The average price index points for all the monitored commodities decreased to 125.4 index points in August 2023, compared with 128.4 points index points in July 2023, representing 2.3 and 3.0 per cent decrease below the levels in the previous month, and the corresponding period of 2022, respectively. The drop in the average index was due to the decrease in the prices of wheat, soya beans, coffee, palm oil and rubber which fell by 8.6, 7.9, 2.3, 2.0, and 0.5 per cent, respectively. The development was driven, largely, by the ample global supply of commodities, such as, wheat, soya beans, coffee and palm oil, and the lower global demand, amid deteriorating global economic conditions. The prices of cotton, cocoa, and groundnut oil, however, increased by 3.0, 2.1, and 2.0 per cent, respectively, due to lower supply conditions in key producing regions.

Table 3: Indices of Average World Prices of Nigeria's Major Agricultural Export Commodities in US$ for August 2023 (Jan. 2010=100)

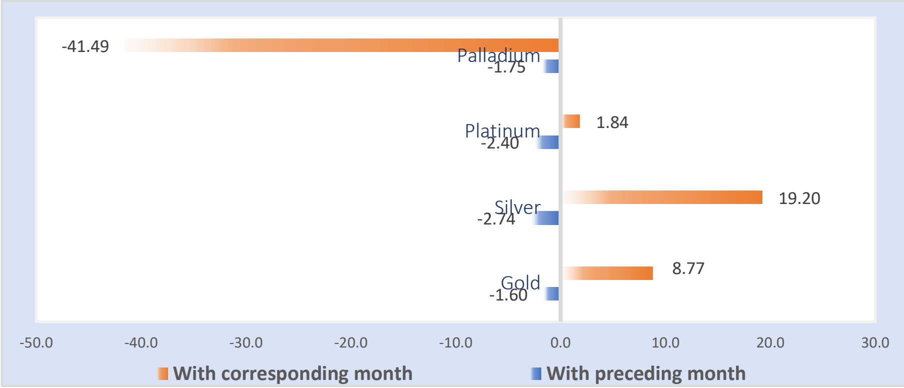
COMMODITY	*Aug. 2022*	*Jul. 2023*	*Aug. 2023*	*% Change*	
				(1) & (3)	*(2) & (3)*
	1	*2*	*3*	*4*	*5*
All Commodities	***129.3***	***128.4***	***125.4***	***-3.0***	***-2.3***
Cocoa	*65.9*	*96.1*	*98.1*	*48.9*	*2.1*
Cotton	*160.7*	*120.4*	*123.9*	*-22.9*	*3.0*
Coffee	*156.5*	*182.0*	*177.8*	*13.7*	*-2.3*
Wheat	*190.3*	*171.7*	*157.0*	*-17.5*	*-8.6*
Rubber	*48.1*	*42.8*	*42.6*	*-11.6*	*-0.5*
Groundnut	*135.1*	*163.0*	*166.3*	*23.1*	*2.0*
Palm Oil	*123.5*	*105.7*	*103.6*	*-16.1*	*-2.0*
Soya Beans	*154.0*	*145.4*	*134.0*	*-13.0*	*-7.9*

Sources: World Bank Pink Sheet

Other Mineral Commodities

The average spot prices of precious metals fell in August 2023 as demand declined, due largely, to higher US treasury bond yields, and stronger US Dollar. The average spot prices of gold and silver decreased by 1.6 and 2.7 per cent month-on-month, to sell at US$1,917.78 per ounce and US$23.46 per ounce, respectively. Similarly, the prices of platinum and palladium declined by 2.40 and 1.75 per cent, to US$921.98 per ounce and US$1,245.38 per ounce, respectively,

Figure 8: Price Changes in Selected Metals in Per cent



Source : Refinitiv Eikon (Reuters)

2.0 DOMESTIC ECONOMIC DEVELOPMENTS

2.1 REAL SECTOR DEVELOPMENTS

Summary

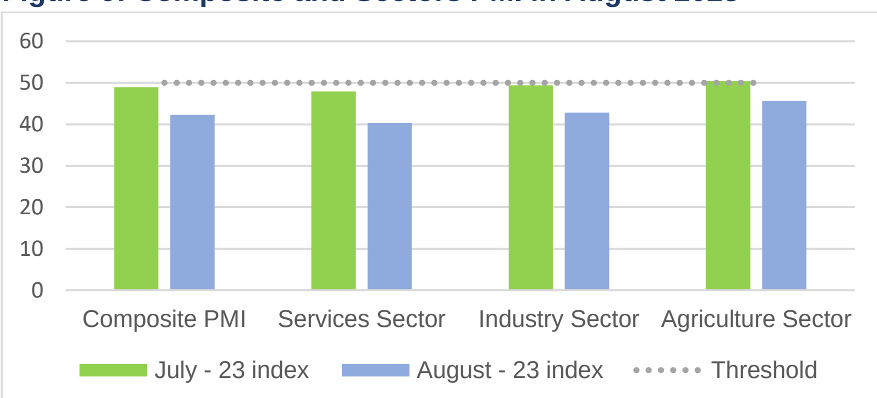
Business activities in August 2023 slowed for the second consecutive month, as the composite Purchasing Managers' Index (PMI) further contracted to 42.3 index points, from 48.9 index points in July, following the decline in industry, services, and agriculture sector activities. The dwindling business activities reflected a surge in average input costs and dwindling consumer demand.

2.1.1 Business Activities

Purchasing Managers Index

The pace of business activities slowed, resulting from subdued consumer demand as output prices rose, following lingering effects of pro-market policies. Activities in the manufacturing sector declined, on account of the decline in new orders. Consequently, the composite PMI further contracted to 42.3 index points in August 2023, from 48.9 index points in the preceding month, the lowest level recorded in the past six-months.

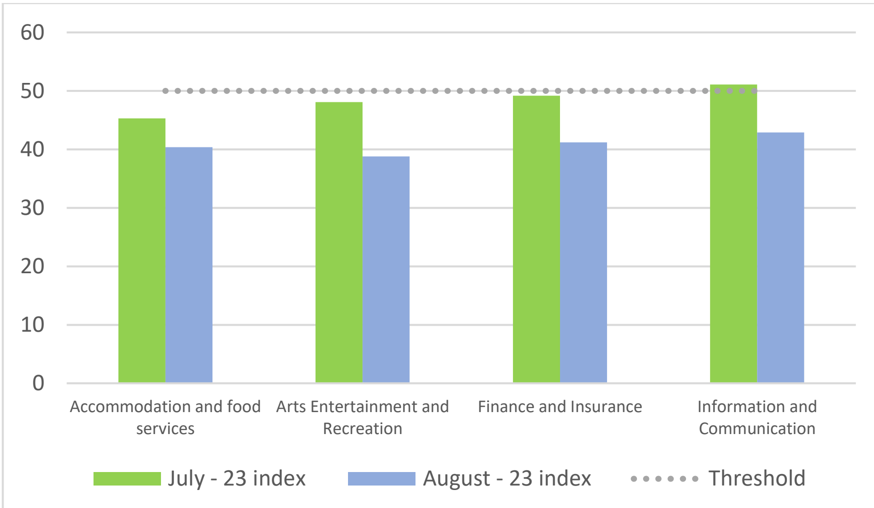
Figure 9: Composite and Sectors PMI in August 2023



***Source**: Central Bank of Nigeria*

Further analysis showed that the services sector PMI contracted to 40.3 index points, compared with 47.9 index points in the preceding period, following weak consumer demand. This was reflected in accommodation & food services; arts entertainment & recreation; finance & insurance; and information & communication subsectors, all of which are in contraction mode.

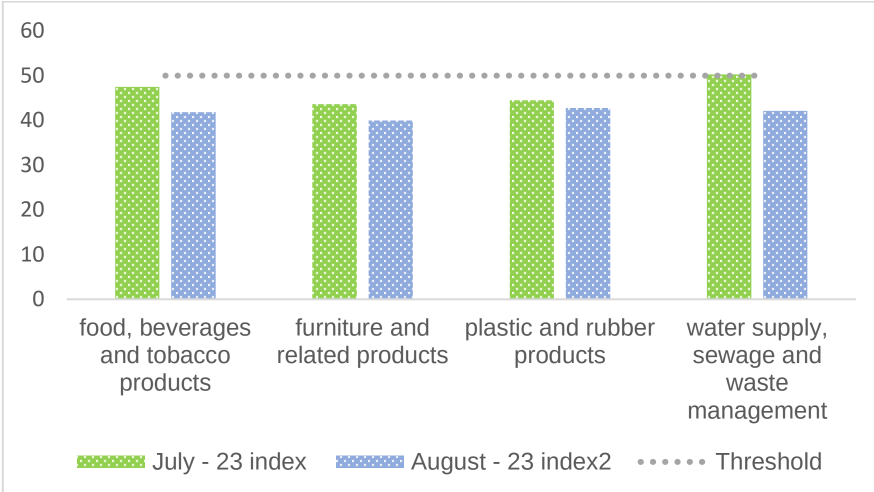
Figure 10: Services Sector PMI in August 2023



Source*:* Central Bank of Nigeria

Similarly, the Industry sector PMI further contracted to 42.8 index points in , from 49.4 index points in the previous month. This was attributed to a decline in new orders, and a drop in employment level, as input and transportation costs surged, heightening delays in supply deliveries. Consequently, activities in the food, beverages & tobacco products; furniture & related products; plastic & rubber products; and water supply, sewage & waste management subsectors, decreased.

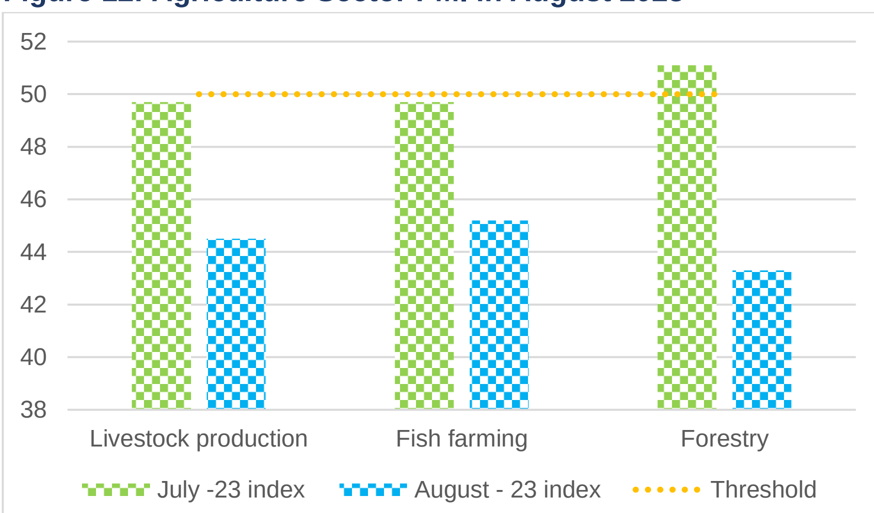
Figure 11: Industry Sector PMI in August 2023



***Source**: Central Bank of Nigeria*

Furthermore, the Agriculture sector PMI contracted to 45.6 index points, compared with the 50.4 index points in the preceding month. This was occassioned by lower demand in livestock & fisheries, and forestry sub-sectors.

Figure 12: Agriculture Sector PMI in August 2023



***Source**: Central Bank of Nigeria*

Table 4: Composite, Industry, Services and Agriculture Purchasing Managers' Index

Components	July - 23	August - 23
Composite PMI	**48.9**	**42.3**
Industry Sector PMI	**49.4**	**42.8**
Production Level	*50.3*	*41.6*
New Orders	*45.9*	*35.3*
Supplier Delivery Time	*53.0*	*49.0*
Employment Level	*50.6*	*49.7*
Raw Material Inventory	*49.5*	*45.6*
Services Sector PMI	**47.9**	**40.3**
Business Activity	*46.0*	*38.7*
New Orders	*47.5*	*37.4*
Employment Level	*49.3*	*41.9*
Inventory	*48.7*	*43.1*
Agricultural Sector PMI	**50.4**	**45.6**
Farm Yield/Output	*50.7*	*46.1*
New Orders	*48.2*	*39.7*
Employment Level	*46.2*	*44.8*
Inventories	*53.9*	*47.9*
General Farming Activities	*53.2*	*49.5*

Source*: Central Bank of Nigeria*

2.1.2 Consumer Prices

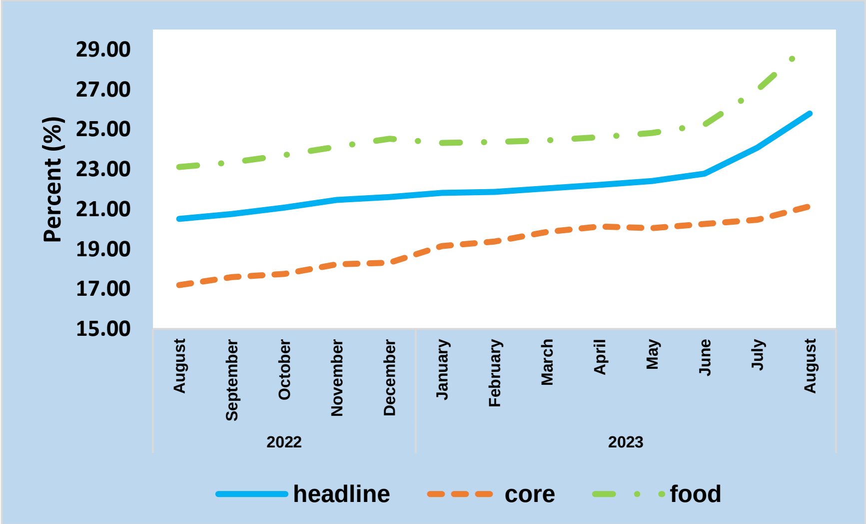
Overview

Inflation maintained an upward trajectory as the effects of shocks from both global and domestic sources lingered. The global pressure stemmed from the ongoing crisis between Russia and Ukraine, further exacerbated by the pulling out of the grain deal by Russia in July 2023, which led to the rise of both energy and food prices. On the domestic front, cost push factors continued to account for the surge in aggregate prices as the effects of the pro-market policies persisted. Structural factors, such as, the security challenges and the protracted infrastructural deficits, as well as expectations of future increase in prices contributed to the inflationary pressures.

Headline Inflation

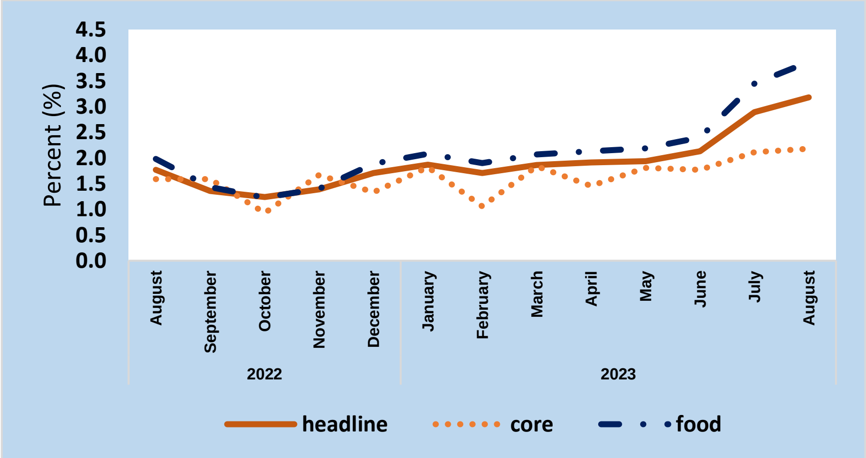
Headline inflation rose in August 2023, following the persistent rise in both food and non-food components of the Consumer Price Index (CPI). Headline inflation (year-on-year) rose to 25.80 per cent, from 24.08 per cent in July 2023. On a month-on-month basis, it inched up to 3.18 per cent from 2.89 per cent in the preceding month.

Figure 13: Headline, Food and Core Inflation (year-on-year)



Source: NBS

Figure 14: Headline, Food and Core Inflation (month-on-month)



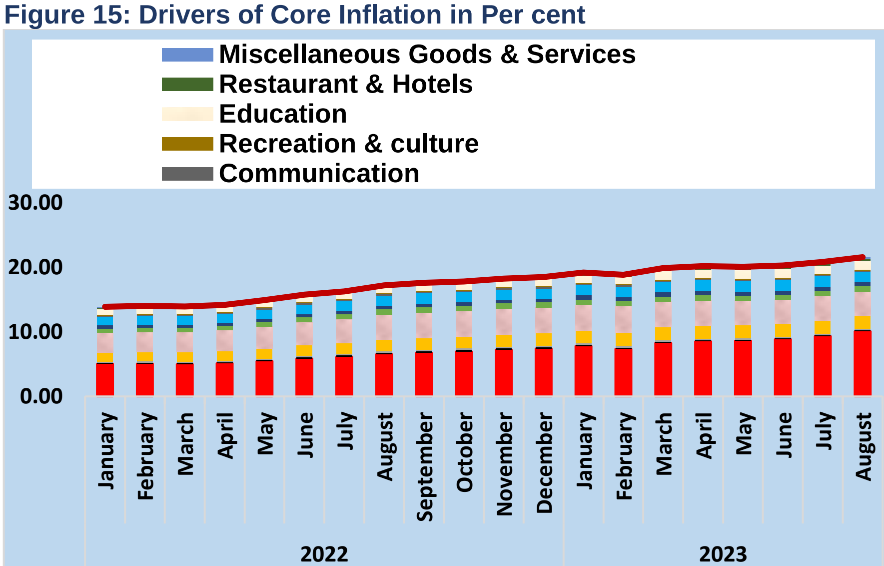
Source: NBS

Core Inflation

On a year-on-year basis, core inflation rose to 21.15 per cent, from 20.47 per cent in the preceding month. The rise in core inflation was due to high import prices, following the unification of the exchange rates, and other persisting structural factors, such as, insecurity and protracted infrastructural deficits. High inflation expectations further contributed to the uptick in core inflation. On a month-on-month basis, core inflation inched up to 2.18 per cent, from 2.11 per cent in the preceding month.

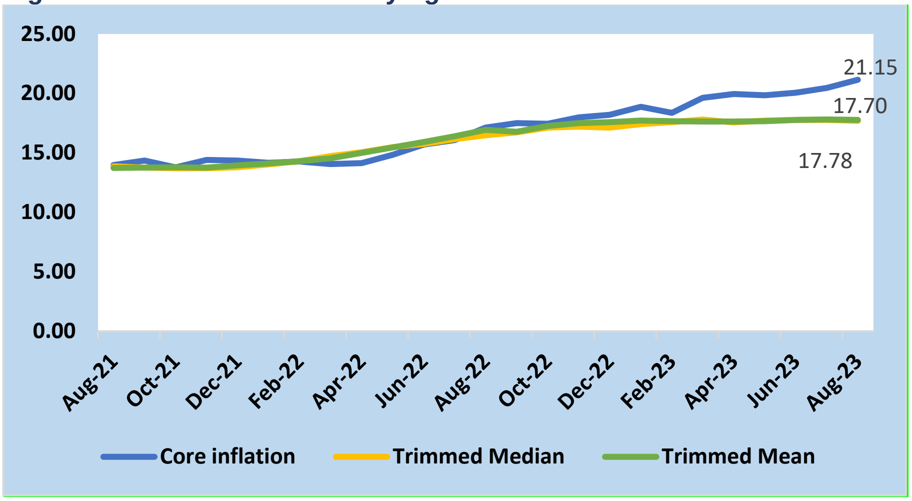
Further analysis revealed that Processed food (10.07%), Housing, Water, Elect. Gas & Other Fuel (3.66%), Clothing & footwear (2.02%), Transport (1.61%) and Education (1.25%) accounted for the uptick in core inflation.

Figure 15: Drivers of Core Inflation in Per cent



Source: National Bureau of Statistics

Figure 16: Measures of Underlying Inflation in Per cent



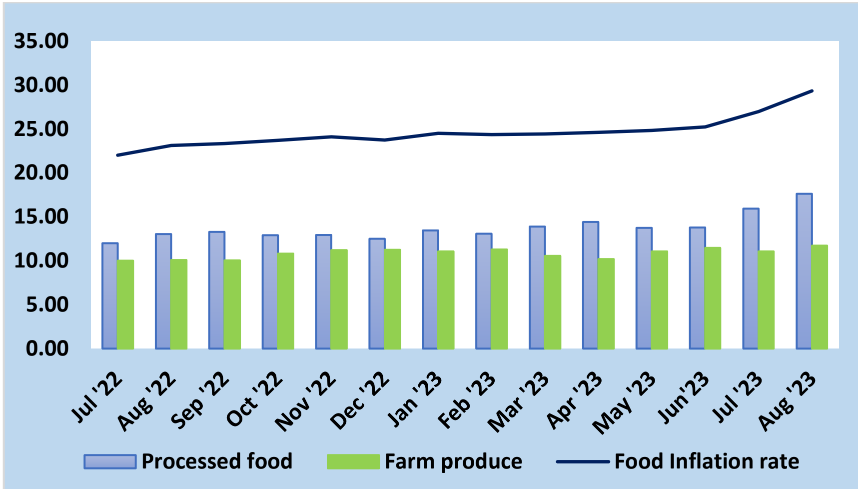
Source: National Bureau of Statistics

Relative to the core inflation measure, other measures of underlying inflation indicated that the non-volatile component rose by 17.78 and 17.70 per cent using the trimmed mean and trimmed median measures, respectively. This indicated that the underlying inflation was driven by less volatile items than the core inflation measure.

Food Inflation

Food inflation (year-on-year), rose to 29.34 per cent from 26.98 per cent in the preceding month. This was primarily on account of the rise in the prices of processed food, occassioned by the ripple effects of the removal of fuel subsidy,which reflected in high transportation/logistics costs. On a month-on-month basis, food inflation increased to 3.87 per cent from 3.45 per cent in the preceding month.

Figure 17: Contribution of Processed Food and Farm Produce to Food Inflation in Per cent



Source: National Bureau of Statistics

2.1.3 Socio-Economic Developments

Social Intervention

In August 2023, the Federal Government, approved the sum of ₦5.00 billion for the procurement of food items and fertilizers for each of the 36 States and the Federal Capital Territory (FCT), as palliatives to cushion the effects of the fuel subsidy removal. Of the approved sum, 52.0 per cent was given as grants, while 48.0 per cent was given as loans.

2.1.4 Domestic Crude Oil Market Developments

Crude Oil Production and Export

Domestic crude oil production rose, due mainly, to the resumption of crude oil liftings at the Forcados export terminal operated by Shell Petroleum Development Company. Data from the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) showed that Nigeria's crude oil production rose by 9.3 per cent to 1.18 mbpd in August 2023, compared with 1.08 mbpd in the preceding month. Despite the increase in crude oil production, the country's output fell below its OPEC quota of 1.742 mbpd in August 2023.

Box Information 1

The average prices of selected monitored domestic farm produce increased in August 2023, relative to their levels in the previous month. The increase ranged from 1.1 per cent for beans (white, black eye) to 8.2 per cent for tomato. The development was driven, largely, by increased transportation costs and other structural factors, such as, insecurity, and the activities of middlemen, as well as the effect of climate change which resulted in late rainfall.

However, prices of maize (white and yellow) and gari (yellow) decreased by 24.2, 21.1, and 1.2 per cent, respectively, due, largely, to early harvest for the products.

DOMESTIC PRICES OF SELECTED AGRICULTURAL COMMODITY PRICES IN AUGUST 2023

		Aug. 2022/1	Jul. 2023/1	Aug. 2023/2	% Change	% Change
	UNIT	1	2	3	(1) & (3)	(2) & (3)
Agric eggs medium size	*1kg*	*733.58*	*1006.64*	*1052.22*	*43.44*	*4.53*
Beans: brown, sold loose	*"*	*545.61*	*673.53*	*685.34*	*25.61*	*1.75*
Beans: white black eye, sold loose	*"*	*517.23*	*652.61*	*659.86*	*27.58*	*1.11*
Gari white, sold loose	*"*	*305.92*	*429.89*	*439.96*	*43.81*	*2.34*
Gari yellow, sold loose	*"*	*341.37*	*459.70*	*454.10*	*33.02*	*-1.22*
Groundnut oil: 1 bottle, specify bottle	*"*	*1087.64*	*1419.79*	*1450.27*	*33.34*	*2.15*
Irish potato	*"*	*482.02*	*643.47*	*676.69*	*40.39*	*5.16*
Maize grain white, sold loose	*"*	*299.42*	*536.74*	*406.75*	*35.84*	*-24.22*
Maize grain yellow, sold loose	*"*	*306.96*	*537.36*	*423.89*	*38.09*	*-21.12*
Onion bulb	*"*	*435.38*	*502.73*	*536.53*	*23.23*	*6.72*
Palm oil: 1 bottle, specify bottle	*"*	*896.63*	*1208.62*	*1230.63*	*37.25*	*1.82*
Rice agric, sold loose	*"*	*535.36*	*706.59*	*718.10*	*34.14*	*1.63*
Rice local, sold loose	*"*	*454.10*	*653.49*	*662.10*	*45.81*	*1.32*
Rice, medium grained	*"*	*520.18*	*699.06*	*717.60*	*37.95*	*2.65*
Rice, imported high quality, sold loose	*"*	*654.26*	*869.77*	*892.21*	*36.37*	*2.58*
Sweet potato	*"*	*248.55*	*339.63*	*349.10*	*40.45*	*2.79*
Tomato	*"*	*430.93*	*557.96*	*603.44*	*40.03*	*8.15*
Vegetable oil: 1 bottle, specify bottle	*"*	*1049.49*	*1365.17*	*1398.86*	*33.29*	*2.47*
Wheat flour: prepackaged (Golden Penny)	*2kg*	*1106.76*	*1419.14*	*1458.13*	*31.75*	*2.75*
Yam tuber	*1kg*	*403.63*	*539.41*	*569.93*	*41.20*	*5.66*

Sources: (1) National Bureau of Statistics (2) Staff Estimates

2.2 FISCAL SECTOR DEVELOPMENTS

Summary

Fiscal conditions in August 2023 improved on account of the growth in Federation revenue and the contraction in the overall fiscal deficit. Federally collected revenue rose by 1.7 per cent in August 2023, relative to the preceding month, owing to improved oil receipts. The collection was, however, below the benchmark by 3.9 per cent. Provisional data showed that Federal Government of Nigeria (FGN) retained revenue improved by 9.6 per cent relative to the level in July 2023 but fell short of the monthly target by 32.8 per cent. Provisional aggregate expenditure was below the level in the preceding month, and the benchmark by 2.6 and 26.0 per cent, respectively. The overall fiscal deficit contracted by 11.0 per cent relative to the level in July 2023. Consolidated public debt at ₦87,379.40 billion or 38.7 per cent of GDP, was below the national threshold of 40.0 per cent of the GDP.

2.2.1 Federation Account Operations

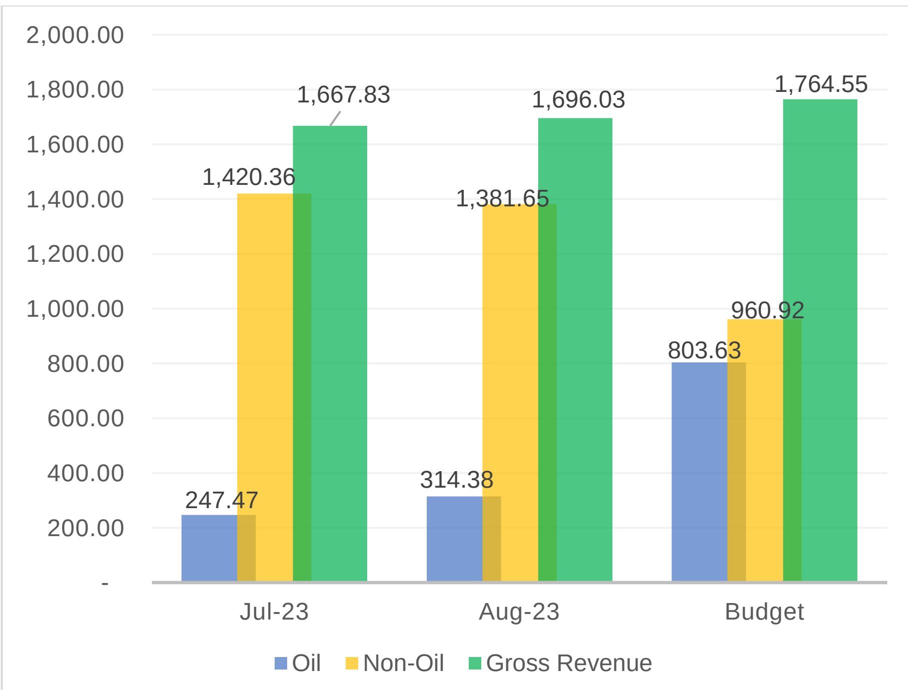
Drivers of Federation Revenue

There was an uptick in gross Federation Account revenue following improvement in oil earnings. At ₦1,696.03 billion, the Federation Account receipts exceeded the level in the preceding month by 1.7 per cent, but below the benchmark of ₦1,764.55 billion by 3.9 per cent. The improved performance reflected increased collections from production sharing contracts (PSC), and the 2023 interim dividend payment by the Nigerian National Petroleum Company Limited (NNPCL); supported by higher receipts from Customs & Excise Duties and FGN Independent Revenue. In terms of composition, non-oil revenue remained dominant, accounting for 81.5 per cent, while oil revenue made up the balance of 18.5 per cent.

At ₦314.38 billion, oil revenue exceeded the level in July 2023 by 27.0 per cent, driven by higher receipts from PSC and dividends from NNPCL. It was, however, below the target of ₦803.63 billion by 60.9 per cent.

Non-oil revenue, at ₦1,381.65 billion, was 2.7 per cent below the level in July 2023, but exceeded the monthly target by 43.8 per cent, reflecting strong performance in CIT, Custom & Excise Duties, and VAT. The development reflected improvement in tax administration, increased economic activities and seasonality in tax returns.

Figure 18: Gross Revenue Outturn and Benchmark (₦ Billion)



Source: CBN Staff Estimates and OAGF data

Table 5: Federally Collected Revenue and Distribution to the Three Tiers of Government (₦ Billion)

	Aug-22	Jul-23	Aug-23	*Budget
Federation Revenue (Gross)	**1,311.97**	**1,667.83**	**1,696.03**	**1,764.55**
Oil	**485.07**	**247.47**	**314.38**	**803.63**
Crude Oil & Gas Exports	0.00	0.00	0.00	40.9
PPT & Royalties	477.00	235.92	155.35	686.75
Domestic Crude Oil/Gas Sales	0.56	0.00	0.00	8.38
Others	7.50	11.55	159.04	67.59
Non-oil	**826.90**	**1,420.36**	**1,381.65**	**960.92**
Corporate Tax	444.65	780.65	635.95	174.39
Customs & Excise Duties	137.69	124.81	200.09	176.32
Value-Added Tax (VAT)	190.26	293.41	298.79	246.15
Independent Revenue of Fed. Govt.	51.37	218.57	243.88	264.09
*Others***	2.93	2.93	2.93	99.97
Total Deductions/Transfers	***357.89***	***1,093.11***	***1,026.67***	***686.07***
Federally Collected Revenue *Less Deductions & Transfers****	**954.08**	**574.72**	**669.36**	**1,078.48**
plus:				
Additional Revenue	**0.00**	**332.33**	**296.75**	**11.36**
Balance in Special Account from 2019	*0.00*	*0.00*	*0.00*	*0.00*
Excess Crude Revenue	*0.00*	*0.00*	*0.00*	*0.00*
Non-oil Excess Revenue	*0.00*	*11.44*	*12.84*	*11.36*
Exchange Gain	*0.00*	*320.89*	*283.91*	*0.00*
Total Distributed Balance	***954.08***	***907.05***	***966.11***	***1,089.84***
Federal Government	***406.61***	***345.56***	***374.49***	***430.36***
Statutory	*380.03*	*304.58*	*333.69*	*396.16*
VAT	*26.57*	*40.98*	*40.79*	*34.2*
State Government	***281.34***	***295.95***	***310.68***	***319.78***
Statutory	*192.76*	*159.34*	*174.71*	*205.76*
VAT	*88.58*	*136.61*	*135.97*	*114.02*
13% Derivation	***55.52***	***47.48***	***51.54***	***101.67***
Local Government	**210.62**	**218.06**	**229.41**	**238.04**
Statutory	*148.61*	*122.44*	*134.23*	*158.23*
VAT	*62.01*	*95.63*	*95.18*	*79.81*

Source: OAGF and CBN Staff Estimates

Note: *Budget is based on 2023 appropriation Act, ** Includes Education Tax, Customs Special Levies (Federation Account), National Information Technology Development Fund, Customs Special Levies, Solid Minerals & 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.

A net balance of ₦966.11 billion was distributed by Federal Account Allocation Committee (FAAC) among the three tiers of government, after statutory deductions and transfers. Of the net balance, the Federal, State and Local governments received ₦374.49 billion, ₦310.68 billion and ₦229.41 billion, respectively, while the balance of ₦51.54 billion was allocated to the 13% Derivation Fund for Oil-Producing States. Net disbursement in August 2023 was 6.5 per cent above the level in July 2023 but was 11.4 per cent short of the monthly target.

2.2.2 Fiscal Operations of the Federal Government

Federal Government Retained Revenue

Accretion into the FGN retained revenue account increased, due to improved federation earnings and higher FGN Independent revenue. At ₦618.37 billion, provisional FGN retained revenue was above the collections in July 2023 by 9.6 per cent but fell short of the monthly target of ₦920.43 billion by 32.8 per cent.

Table 6: FGN Retained Revenue (₦ Billion)

	Aug-22	Jul-23*	Aug-23*	Budget**
FGN Retained Revenue	**639.47**	**564.13**	**618.37**	**920.43**
Federation Account	380.03	*146.71*	*190.49*	*356.95*
VAT Pool Account	26.57	*40.98*	*40.79*	*31.92*
FGN Independent Revenue	51.37	*218.57*	*243.88*	*264.09*
Excess Oil Revenue	0.00	*0.00*	*0.00*	*0.00*
Excess Non-Oil	0.00	1.72	1.93	*0.00*
Exchange Gain	0.00	156.15	141.28	*0.00*
*Others****	181.49	0.00	0.00	*267.47*

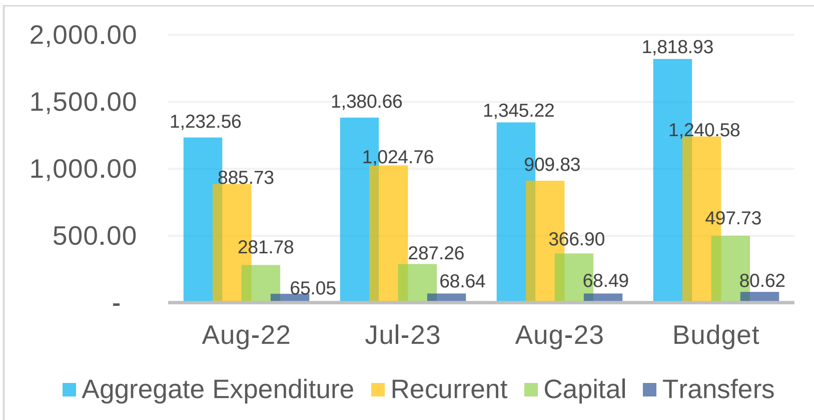
Source: Compiled from OAGF figures
*Provisional figures
**Based on 2023 Appropriation Act
***Others include revenue from Special Accounts and Special Levies

Federal Government Expenditure

Provisional aggregate expenditure of the FGN declined, owing to lower non-debt recurrent spending, and interest payments. At ₦1,345.22 billion, outlay in August 2023 was

₦35.44 billion (2.6%) below the level in July 2023 and ₦473.71 billion (26.0%) short of the projected spending. The decline was attributed, largely, to the decline in interest payments, due to the refinancing of matured Nigeria Treasury Bills (NTBs), and FGN bonds. Recurrent expenditure, at 67.6 per cent of total expenditure continued to dominate FGN spending, compared with 27.3 and 5.1 per cent in capital outlay and transfers, respectively.

Figure 19: Federal Government Expenditure (₦ Billion)



Source: CBN Staff Estimates and OAGF

Overall Fiscal Balance

The Fiscal Operations of the FGN in August 2023, resulted in a contraction of the fiscal deficit. The provisional fiscal deficit of the FGN, at ₦726.85 billion, contracted by 11.0 and 19.1 per cent, relative to the level in the preceding month and the proportionate target for the month, respectively. The lower deficit reflected decline in interest payments during the period.

Table 7: Fiscal Balance (N' Billion)

	Aug-22	July-23*	Aug-23*	Budget**
Retained revenue	639.47	564.13	618.37	920.43
Aggregate expenditure	**1,232.56**	**1,380.66**	**1,345.22**	**1,818.93**
Recurrent	**885.73**	**1,024.76**	**909.83**	**1,240.58**
Non-debt	417.20	472.74	457.75	694.11
Interest Payment	436.60	537.65	434.24	546.47
Capital	281.78	287.26	366.90	497.73
Transfers	65.05	68.64	68.49	80.62
Primary balance	**-156.48**	**-278.87**	**-292.61**	**-352.04**
Overall balance	**-593.09**	**-816.53**	**-726.85**	**-898.51**

Source: Compiled from OAGF figures and CBN Staff Estimates
*Provisional figures
**Based on 2023 Appropriation Act

Federal Government Debt

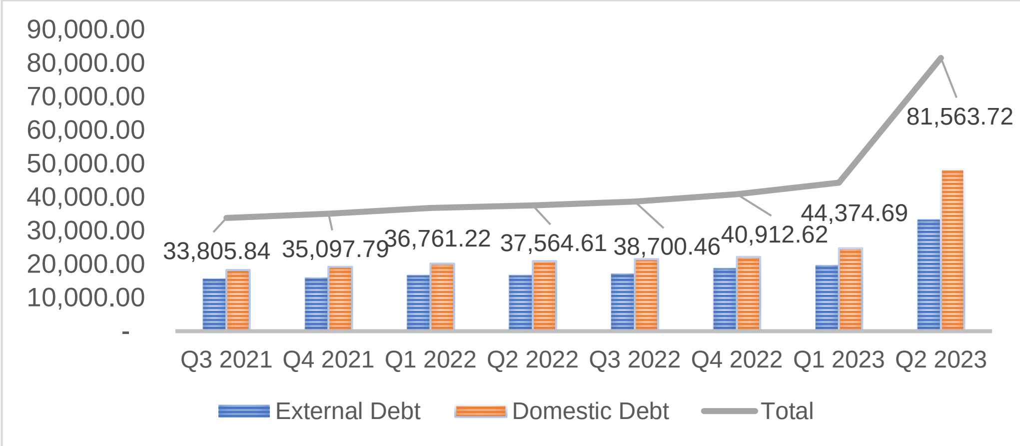
Government borrowing in the review period rose, due to exchange rate revaluation, and FGN securitisation of Ways and Means Advances. Total public debt outstanding stood at ₦87,379.40 billion or 38.7 per cent of the GDP, at end-June 2023, and was 103.9 and 75.3 per cent, higher than the levels at end-June 2022, and end-March 2023, respectively. The increase was driven, largely, by the exchange rate revaluation and FGN securitisation of Ways and Means Advances. A breakdown of the consolidated public debt showed that domestic debt accounted for 61.9 per cent, while external debt obligations constituted 38.1 per cent, a departure from the 70:30 domestic-external debt mix stipulated in the Medium-Term Debt Management Strategy (MTDS) 2020-2023. Of the public consolidated debt stock, FGN owed ₦81,563.72 billion (93.3%[2]), while the State governments made up the balance of ₦5,815.68 billion (6.7%).

[2] Includes the external debt of State governments, which are contingent liabilities of the Federal government.

Analysis of the total FGN debt obligations by structure indicate that domestic debt at ₦48,314.74 billion constitutes 59.2 percent of the total, while external debt at ₦33,248.98 billion accounted for 40.8 percent. Further breakdown showed that FGN bonds remained dominant, accounting for 86.9 per cent of the total domestic debt stock, while NTBs (9.8%), Promissory Notes (1.6%), FGN Sukuk (1.5%) and Others[3] (0.2%) made up the balance. Multilateral, Commercial and Bilateral loans accounted for 48.2, 36.2, and 12.8 per cent, respectively, while 'Other[4]' loans constituted 2.8 per cent of the total external debt stock.

Debt service obligations in Q22023, amounted to ₦754.15 billion, compared with the ₦1,243.50 billion in Q12023. The decrease was attributed to the refinancing of matured FGN bonds and NTBs. A breakdown of the total showed that domestic debt service accounted for ₦565.88 billion (75%), while external debt service constituted ₦188.27 billion (25%).

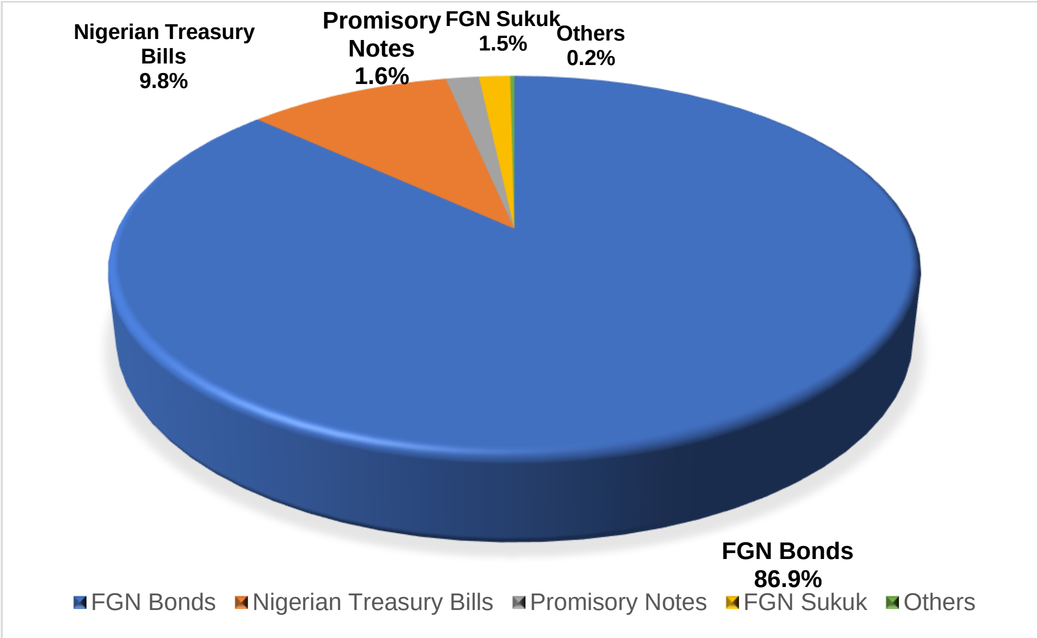
Figure 20: FGN External and Domestic Debt Composition (₦ Billion)



Source: Debt Management Office (DMO)

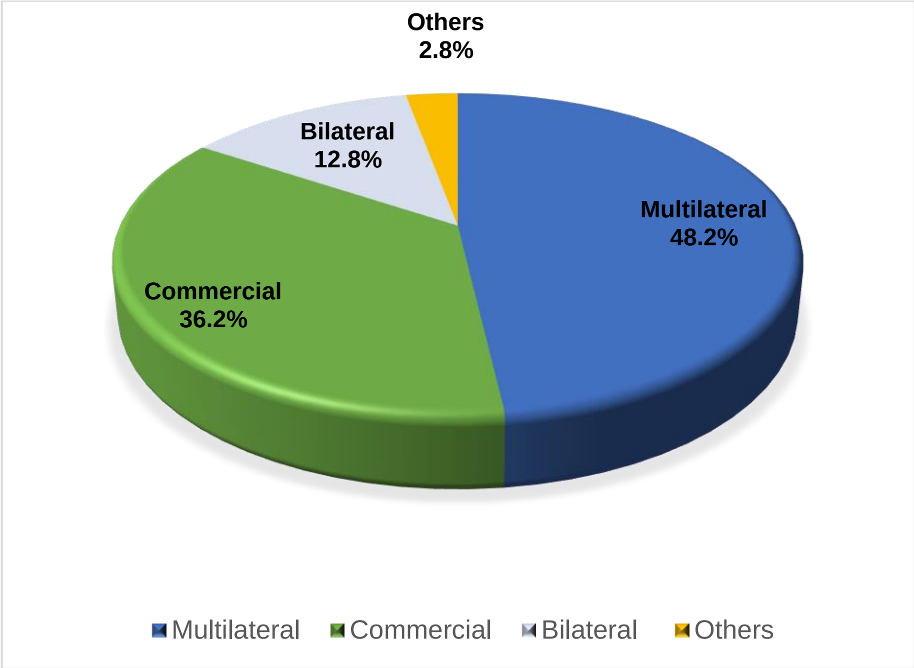
[3] Includes Treasury bonds (0.11 %), Green bond (0.03 per cent) and Special FGN Savings bond (0.06 per cent).
[4] Includes Promissory notes (2.1 %) and Syndicated loans, arranged by the AFC (0.7 per cent).

Figure 21: Composition of Domestic Debt Stock by Instrument in Per cent



Source: Compiled from DMO figures

Figure 22: Composition of External Debt Stock by Instrument



Source: Compiled from DMO figures

2.3 MONETARY AND FINANCIAL DEVELOPMENTS

Summary

The financial sector remained resilient in August 2023, as key financial soundness indicators were within regulatory limits. Developments in the monetary sector reflected growth in key monetary aggregates. Following increased adoption of digital and electronic payments, currency outside depository corporations (CODCs) continued to decline. Average banking system liquidity also declined, driving key short-term interest rates northward in the review period.

2.3.1 Monetary Developments

Reserve Money

In August 2023, Reserve money expanded by 21.2 per cent, relative to end-December 2022, driven solely, by the increase in liabilities to other depository corporations (ODCs). At end-August 2023, reserve money stood at ₦19,429.60 billion, compared with ₦16,032.96 billion at end-December 2022. This was due to the 28.8 per cent growth in liabilities to ODCs, arising from the 31.2 per cent increase in reserve requirements.

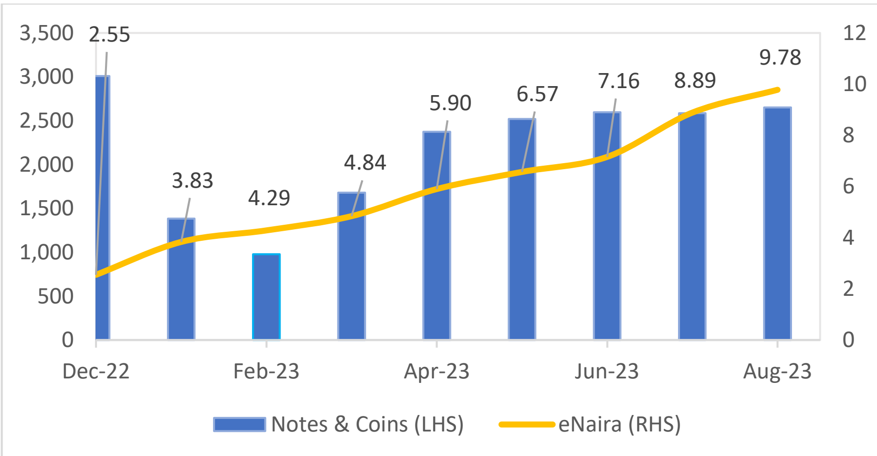
Table 8: Components of Reserve Money (₦ Billion)

	Aug-22	Dec-22	Jun-23	Jul-23	Aug-23
Reserve Money	**14,040.35**	**16,032.96**	**17,339.25**	**17,376.49**	**19,429.60**
Currency-In-Circulation	*3,210.66*	*3,012.06*	*2,603.27*	*2,595.76*	*2,660.14*
Liabilities to ODCs	*10,829.69*	*13,020.91*	*14,735.98*	*14,780.72*	*16,769.46*
Reserve Money (% Growth over Preceding December)	*5.61*	*20.59*	*8.15*	*8.38*	*21.19*
Broad Money Multiplier (M3)	*3.51*	*3.25*	*3.77*	*3.74*	*3.38*

Source: Central Bank of Nigeria

Currency-in-Circulation (CIC), however, declined by 11.7 per cent to ₦2,660.14 billion, which moderated the growth in the reserve money. There was a substantial increase in the eNaira, which rose by 284.6 per cent to ₦9.78 billion, although the ratio of eNaira to CIC at 0.37 per cent remained insignificant, compared with notes and coins which accounted for 99.63 per cent. The volume of notes and coins, however, declined by 14.0 per cent to ₦2,650.36 billion at end-August 2023. This was driven by increased use of alternative channels of payment, as more people adopted electronic transfer payments and other electronic platforms.

Figure 23: Composition of Currency-in-Circulation (₦ Billion)



Source: Central Bank of Nigeria

Broad Money

With the money multiplier at 3.38, broad money supply (M3) grew by 25.9 per cent to ₦65,701.96 billion at end-August 2023, relative to its level at end-December 2022. On annualised basis, M3 grew by 38.9 per cent, exceeding its provisional benchmark of 28.2 per cent by 10.7 percentage points. The consistent growth in money supply over its 2023 programme target could heighten inflationary pressures.

From the liability side, growth in M3 was accounted for by the 31.8 per cent increase in other deposits, which in turn, was driven by the 68.6 per cent growth in foreign currency deposits. Analysis by percentage contributions indicate that other deposits accounted for 18.9 percentage points to the growth in M3. The substantial contribution was driven by the revaluation effect, on account of the transition to a market-determined exchange rate by the Bank. Similarly, transferable deposits recorded a growth of 20.7 per cent at end-August 2023 and contributed 7.2 percentage points to the growth in M3. Securities other than shares also grew by 27.7 per cent and contributed 0.3 percentage point to the expansion in M3. Currency outside depository corporations (CODCs), however, continued its downward trajectory, declining by 10.7 per cent at end-August 2023, representing a sustained reduction in currency outside the banking system, as the adoption and usage of electronic payment channels increased.

On the asset side, domestic claims grew by 36.8 per cent, contributing 46.7 percentage points to the growth in M3. The growth in domestic claims was driven by the combined impacts of the 45.7 and the 31.9 per centage increase in net claims on central government, and claims on other sectors, respectively. The rise in the claims on central government was due to the increase in holdings of government securities, and loans extended to the central government by depository corporations. The growth in claims on other sectors was driven by the 34.3, 36.1, 9.1 and the 26.2 per cent growth in claims on private sector, claims on other financial corporations, claims on state and local government, and claims on public non-financial corporations, respectively. Overall, net domestic assets (NDA) mirrored developments in domestic claims, and grew by 32.2 per cent, contributing 29.8 percentage points to the growth in M3. In contrast, net foreign assets (NFA) fell by 53.0 per cent, with a negative contribution of 3.9 per cent to the growth in broad money supply M3. The decline in NFA was driven by 76.1 per cent increase in liabilities to non-residents, which outweighed the 54.7 per cent increase in claims on non-residents.

On month-on-month basis, broad money supply M3 contracted by 1.0 per cent, arising from a 55.3 per cent decline in net foreign assets, which offset the 4.8 per cent growth in net domestic asset. The contraction was occasioned by a surge in liabilities to non-residents by 10.6 per cent to ₦34,127.48 billion in August 2023, compared with ₦30,858.18 billion at end-July 2023. From the liability side, the contraction in M3 was driven by 0.1 per cent decline in transferable deposits at end-August 2023, compared with its level at end-July 2023.

Table 9: Percentage Growth in Monetary Aggregates over the Preceding December

	Aug-22	Dec-22	Jul-23	Aug-23	Contribution to M3 growth (Aug-23)	Annualised Growth (Aug-23)	Month-on-Month growth	2023 Benchmark
Net Foreign Assets	-47.38	-58.89	5.13	-52.97	-3.90	-79.46	-55.27	95.57
Claims on Non-residents	1.40	11.72	50.27	54.73	24.36	82.10	2.97	
Liabilities to Non-residents	41.30	69.45	59.23	76.09	28.26	114.14	10.60	
Net Domestic Assets	26.51	37.73	26.20	32.20	29.82	48.30	4.76	17.85
Domestic Claims	25.45	35.60	34.62	36.84	46.68	55.26	1.65	49.16
Net Claims on Central Government	51.48	71.14	44.51	45.65	20.72	68.48	0.79	58.63
Claims on Central Government	32.89	39.99	35.10	39.64	26.06	59.46	3.36	
Liabilities to Central Government	8.74	-0.45	14.10	26.24	5.34	39.36	10.65	
Claims on Other Sectors	15.13	21.51	29.10	31.92	25.96	47.88	2.18	44.09
Claims on Other Financial Corporations	6.82	18.29	29.43	36.05	6.45	54.08	5.12	
Claims on State and Local Government	29.69	42.03	9.44	9.07	0.62	13.61	-0.34	
Claims on Public Nonfinancial Corporations	34.09	316.63	6.92	26.21	1.68	39.32	18.04	
Claims on Private Sector	15.72	10.47	34.46	34.26	17.22	51.39	-0.15	
Total Monetary Assets (M_3)	**10.96**	**17.40**	**24.64**	**25.92**	**25.92**	**38.88**	**1.02**	**28.21**
Currency Outside Depository Corporations	-8.79	-12.57	-14.01	-10.66	-0.52	-15.99	3.90	
Transferable Deposits	24.07	20.19	20.79	20.72	7.21	31.08	-0.06	
Narrow Money (M_1)	18.72	14.86	16.48	16.83	6.69	25.25	0.30	29.18
Other Deposits	5.66	17.65	31.37	31.81	18.93	47.72	0.34	
of which FCD	7.71	19.58	72.52	68.55	13.18	19.76	-2.30	
Broad Money (M_2)	10.96	16.52	25.41	25.81	25.62	38.72	0.32	29.18
Securities other than Shares	100.00	101.00	27.47	27.72	0.30	41.58	478.92	
Total Monetary Liabilities(M_3)	**10.96**	**17.40**	**24.643**	**25.92**	**25.92**	**38.88**	**1.02**	**28.21**

Source: Central Bank of Nigeria

2.3.2 Sectoral Credit Utilisation

Sectoral Utilisation of Credit

Total credit to key sectors of the economy rose by 0.8 per cent to ₦38,556.82 billion at end-August 2023, compared with ₦38,270.58 billion at end-July 2023. Credit utilization across all the sectors was mixed, as loans to services and industry rose by 1.2 and 0.8 per cent, respectively, while loans to the agriculture sector declined by 3.9 per cent. A further analysis revealed that the services sector, at ₦20,120.00 billion, sustained its dominance in terms of relative share (52.2%), followed by industry (43.2%) and agriculture (4.6 %).

Table 10: Relative Share in Total Sectoral Credit

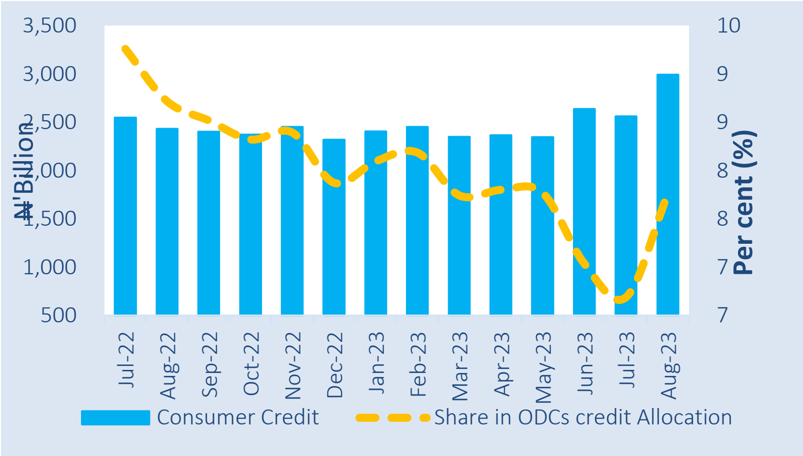
ITEM	SECTORAL CREDIT ALLOCATION (₦Bn)			M-o-M	Percentage Share in Total		
	Dec-22	Jul-23	Aug-23	Growth rate	Dec-22	Jul-23	Aug-23
SECTORAL CREDIT ALLOCATION							
[a] Agriculture	**1,812.47**	**1,855.31**	**1,783.70**	**-3.86**	**6.2**	**4.8**	**4.6**
[b] Industry	**12,074.31**	**16,524.96**	**16,653.12**	**0.78**	**41.0**	**43.2**	**43.2**
of which Manufacturing	5,566.43	7,111.00	7,107.58	-0.05	46.1	43.0	42.7
[c] Services	**15,559.09**	**19,890.31**	**20,120.00**	**1.15**	**52.8**	**52.0**	**52.2**
of which Finance, Insurance & Capital Market	2,638.84	3,661.99	2,666.75	-27.18	17.0	18.4	13.3
Trade/General Commerce	2,214.41	3,109.86	4,094.42	31.66	14.2	15.6	20.4
TOTAL	**29,445.87**	**38,270.58**	**38,556.82**	**0.75**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Nigeria

Consumer Credit

Consumer credits increased by 16.9 per cent to ₦2,992.92 billion in August 2023, compared with ₦2,560.48 billion at end-July 2023. Of the total credit allocation by ODCs (₦38,556.82 billion) at end-August 2023, the share of consumer credits represented 7.8 per cent, which is 1.1 percentage points above the 6.7 per cent in the preceding month. The rise in consumer credits could be attributed to increased demand for credit facilities by economic agents.

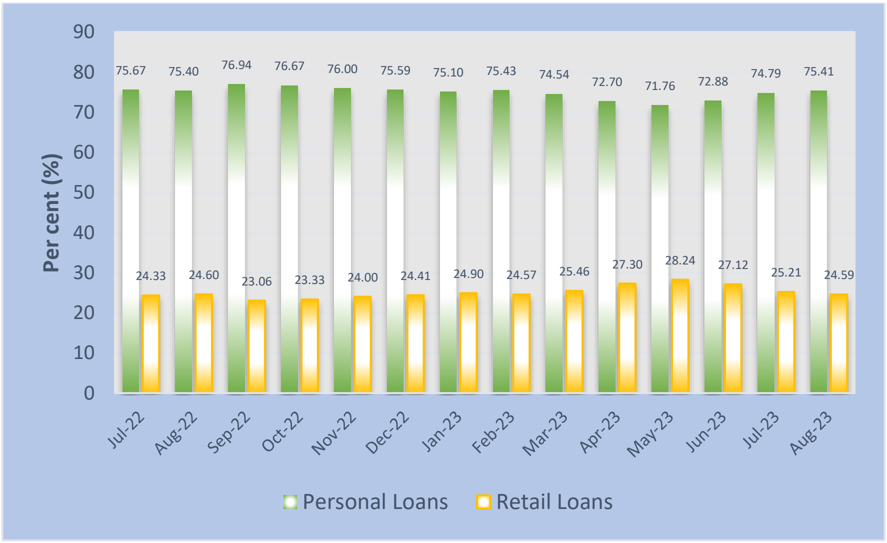
Figure 24: Consumer Credit Outstanding



Source: Central Bank of Nigeria

A breakdown of consumer credits revealed that personal loans maintained the highest share of 75.4 per cent, while the share of retail loans stood at 24.6 per cent.

Figure 25: Composition of Consumer Credit



Source: Central Bank of Nigeria

2.3.3 Financial Developments

2.3.3.1 Money Market Developments

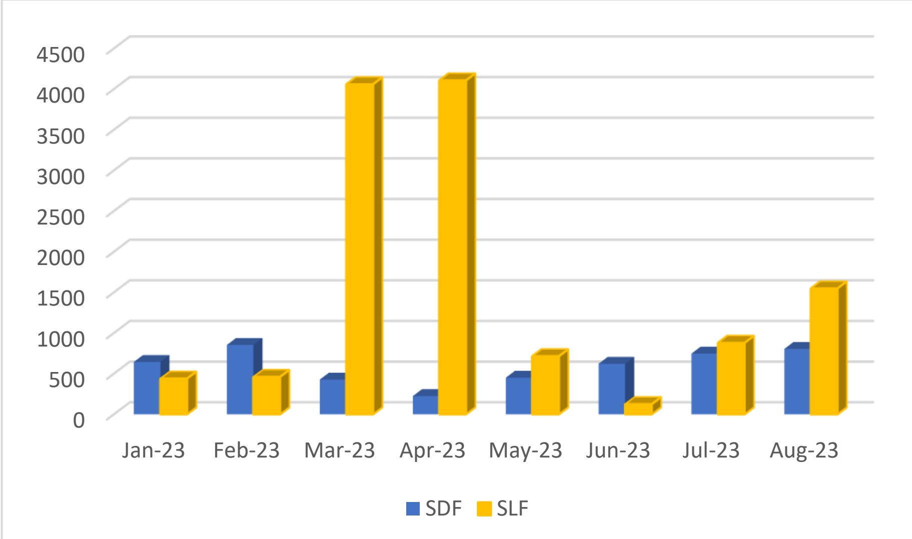
Industry Liquidity Condition

Banking system liquidity declined in the review period. Average net industry liquidity decreased to ₦300.68 billion in August 2023, from ₦562.04 billion in the preceding month. The moderation in liquidity was due to the auctioning of CBN bills, FGN bonds, NTBs, and Cash Reserve Ratio (CRR) debits. Inflows into the banking system were through the Federation Account Allocation Committee (FAAC) disbursements, NTBs and CBN bills maturities.

Discount Windows

The effects of the tight liquidity conditions in the review period influenced activities at the CBN Standing Facilities Window, with higher patronage at the Standing Lending Facility (SLF) over the Standing Deposit Facility (SDF). Total requests at the SLF window rose significantly to ₦1,546.77 billion above ₦878.34 billion in the preceding month. Similarly, deposits at the SDF window increased to ₦804.52 billion compared with ₦747.23 billion in the preceding month. The applicable rates for the SDF and SLF remained at 15.8 and 19.8 per cent, respectively.

Figure 26: Transactions at the CBN Standing Facility Window (₦' Billion)



Source: Central Bank of Nigeria

Open Market Operations Government Securities

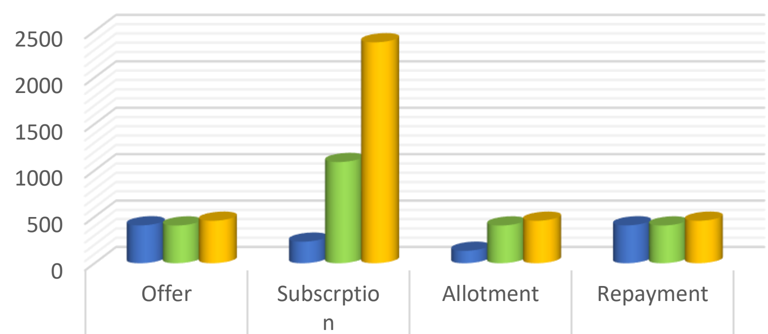
There were interventions in the money market through the conduct of Open Market Operations (OMO) auctions in the review month. Total amount offered, subscribed to, and allotted was ₦150.00 billion, ₦307.93 billion, and ₦150.00 billion, respectively. The bid rate stood at 10.3 per cent (±4.3). Matured CBN bills amounted to ₦40.00 billion, translating to a net withdrawal of ₦110.00 billion. In the preceding month, there was no conduct of OMO auctions by the Bank, however, matured bills amounting to ₦5.00 billion was redeemed resulting to a net withdrawal of ₦5.00 billion.

Investment in Government Securities

Activities in the NTBs segment increased, while subscription to FGN Bonds declined during the period. At the NTB auctions, bills of 91-, 182-, and 364-day tenors amounting to ₦457.20 billion, ₦2,379.45 billion, and ₦457.20 billion were offered, subscribed to, and allotted, respectively, relative to ₦406.10 billion, ₦1,090.03 billion, and ₦406.10 billion, in the preceding month. Stop rates increased across the various maturities to 9.5 per cent (±4.5) from 7.5 per cent

(±4.7) in July 2023, reflecting the rise in MPR to 18.85 per cent, amidst sustained appetite for risk-free assets, as investors exhibited preference for longer-term (364-day) securities, which accounted for 97.6 per cent of total subscriptions.

Figure 27: Primary Market NTBs (₦' Billion)

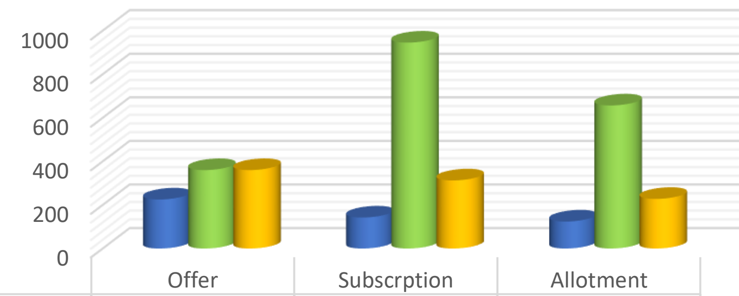


	Offer	Subscrptio n	Allotment	Repayment
Jul-22	407.55	231.80	133.68	407.55
Jul-23	406.10	1090.03	406.10	406.10
Aug-23	457.20	2379.45	457.20	457.20

Source: Central Bank of Nigeria

The FGN Bonds of 10-, 15-, and 30-year tranches were offered for sale during the review month. Total amount offered, subscribed to, and allotted were ₦360.00 billion, ₦312.56 billion, and ₦227.76 billion, respectively, compared with the ₦360.00 billion, ₦945.14 billion, and ₦656.74 billion in the preceding month. Marginal rates at the auction closed higher at 14.9 (±1.0) per cent, compared with 13.4 (±0.9) per cent in the preceding month, due to lower subscription induced by the relative squeeze in banking system liquidity.

Figure 28: Primary Auctions of FGN Bond (₦' Billion)



	Offer	Subscrption	Allotment
Jul-22	225.00	142.29	123.84
Jul-23	360.00	945.14	656.74
Aug-23	360.00	312.56	227.76

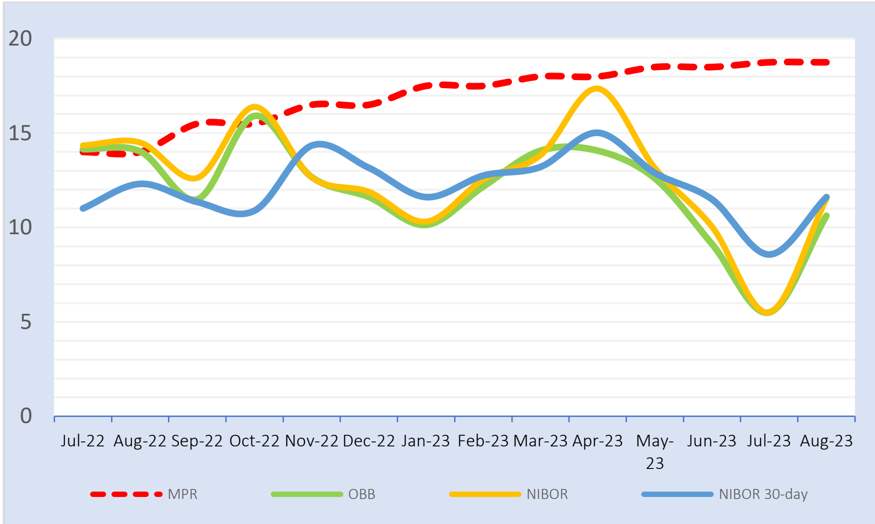
Source: Central Bank of Nigeria

Key short-term interest rates trended upwards in August 2023, amidst the moderate liquidity in the banking system.

Interest Rate Development

In line with the relative low liquidity in the banking system, key interest rates were higher in the review period. Notably, average Open Buy Back (OBB) rate rose significantly by 5.12 percentage points to 10.62 per cent in the review month, compared with 5.50 per cent in the preceding month. Similarly, the Nigerian Interbank Offered Rates (NIBOR) increased across the different tenors. The NIBOR-Call and NIBOR 30-day rose to 11.53 and 11.63 per cent, respectively, from 5.50 and 8.57 per cent, recorded in July 2023.

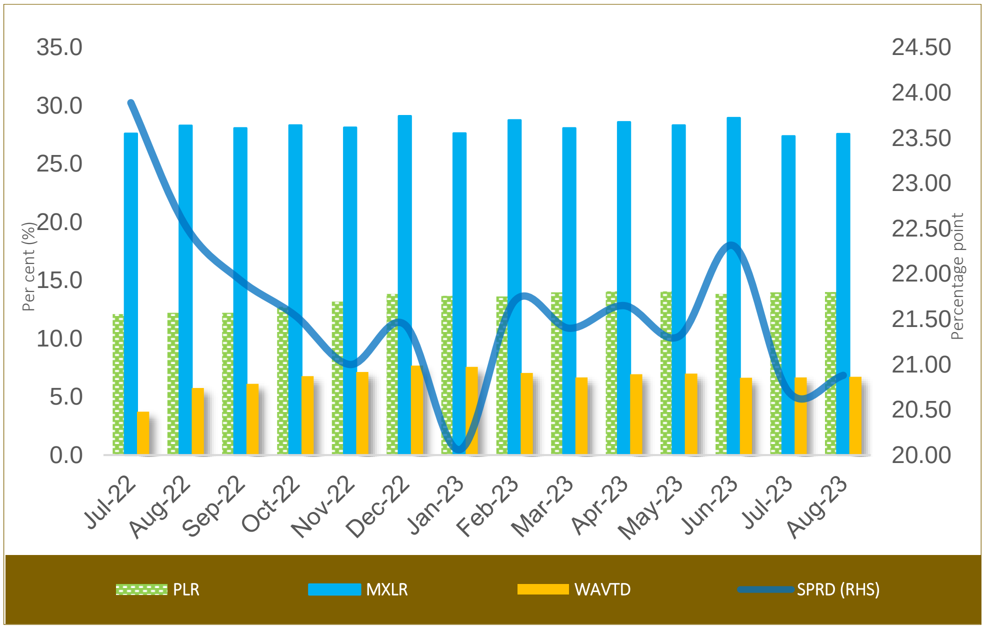
Figure 29: Developments in Short-term Interest Rates in Per cent



Source: Central Bank of Nigeria

Lending rates increased, marginally, in the review period.
Prime lending rate increased slightly by 0.01 percentage point to 13.99 per cent, above its level in July 2023. Similarly, the maximum lending rate increased by 0.2 percentage point to 27.59 per cent. The weighted average term deposit rate increased by 0.03 percentage point to 6.71 per cent, relative to its level in the preceding month, representing a spread of 20.88 percentage points between the weighted average term deposit and maximum lending rates. Compared with the 20.70 percentage points in July 2023, the spread between the weighted average term deposit and maximum lending rates seem to have widened.

Figure 30: Trend in Average Deposit and Lending Rates



Source: Central Bank of Nigeria.
Note: PLR= Prime lending rate; MXLR= Maximum lending rate; WAVTD= Weighted average term deposit rate; SPRD= Spread between MXLR and WAVTD

2.3.3.2 Capital Market Developments

Market Capitalisation

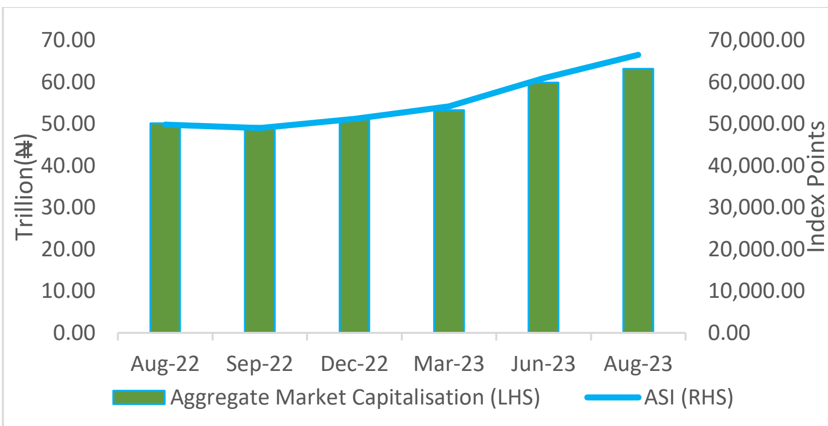
The Nigerian capital market sustained its bullish trend in the review period, with performance indices at the Nigerian Exchange (NGX) Limited rising to historic levels. The aggregate market capitalisation rose by 2.7 per cent to ₦63,160.20 billion in the review period, compared with ₦61,518.68 billion recorded at end-July 2023. Analysis of the aggregate market capitalisation by components showed that the Equities, Debt, and Exchange Traded Funds (ETFs) appreciated by 4.0, 0.9 and 8.9 per cent to close at ₦36,428.36 billion, ₦26,720.28 billion and ₦11.56 billion, respectively, relative to their levels in the preceding month. The development was, due to renewed investors' confidence arising from favourable unemployment statistic, and the

Q22023 GDP figures, as investors target value stocks in the consumer goods, insurance, and banking sub-sectors. The equities segment continued to lead with 58.0 per cent of the aggregate market capitalisation, while the debt and ETF segments constituted the balance of 42.0 per cent.

NGX All Share Index

The All-Share Index (ASI) appreciated by 3.4 per cent to 66,548.99 points, compared with 64,337.52 index points recorded in the preceding month. The performance of the NGX-ASI was driven by positive investor's sentiment to the favorable economic data as investors target highly capitalized stocks.

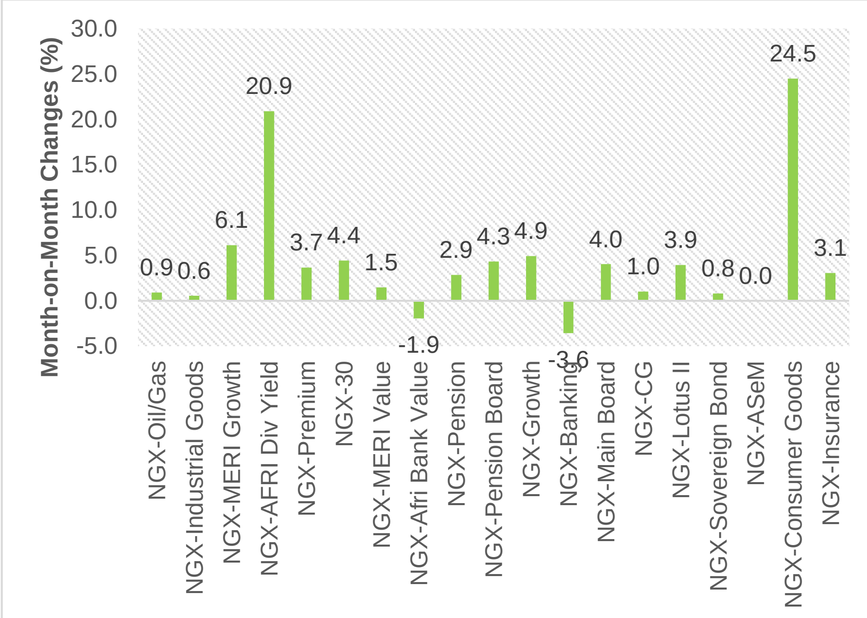
Figure 31: Aggregate Market Capitalisation and All-Share Index



Source: Nigerian Exchange (NGX) Limited

The sectoral indices reflected the bullish stance of the equities market, as they were largely positive, except for NGX-Banking and NGX-Afri Bank Value indices, which declined, while the NGX-ASeM remained flat, relative to the levels in the preceding month. The NGX-Consumer goods and the NGX-AFRIDiv Yield indices were the best performing in the market, largely due to favourable macroeconomic fundamentals which spur investor sentiments.

Figure 32: Month-on-Month Changes in Per cent for Sectoral Indices



Source: Nigerian Exchange (NGX) Limited

Table 11: Nigerian Exchange (NGX) Limited Sectorial Indices

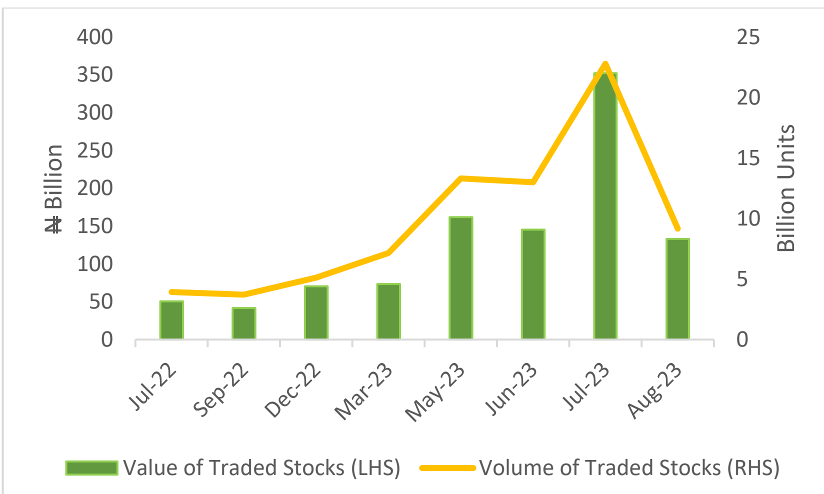
NGX Indices	July-23	Aug-23	Changes (%)
NGX-Oil/Gas	931.42	939.87	0.9
NGX-Industrial Goods	2,844.36	2,860.45	0.6
NGX-MERI Growth	3,735.63	3,965.19	6.1
NGX-AFRI Div Yield	5,567.69	6,732.09	20.9
NGX-Premium	6,748.22	6,995.96	3.7
NGX-30	2,344.01	2,447.85	4.4
NGX-MERI Value	3,761.49	3,817.64	1.5
NGX-Afri Bank Value	1,665.19	1,633.04	-1.9
NGX-Pension	2,726.97	2,804.99	2.9
NGX-Pension Board	1,111.32	1,159.55	4.3
NGX-Growth	2,626.17	2,756.07	4.9
NGX-Banking	670.22	646.29	-3.6
NGX-Main Board	2,775.18	2,887.16	4.0
NGX-CG	1,850.71	1,869.86	1.0
NGX-Lotus II	4,150.75	4,314.12	3.9

NGX-Sovereign Bond	769.70	775.94	0.8
NGX-ASeM	658.99	658.99	0.0
NGX-Consumer Goods	853.75	1,063.00	24.5
NGX-Insurance	260.74	268.76	3.1

Source: Nigerian Exchange (NGX) Limited

Despite the bullish performance of the market, the trading activities in the review period was subdued as the volume and value of traded securities declined by 59.9 and 62.3 per cent to 9.20 billion and ₦132.83 billion, respectively, traded in 152,347 deals. This was relative to the volume of 22.79 billion and ₦351.99 billion traded in 204,493 deals in the preceding month, reflecting largely, investors' preference for value stocks rather than quantity of stocks.

Figure 33: Volume and Value (₦ Billion) of Traded Securities on the NGX



Source: Nigerian Exchange (NGX) Limited.

There were eight (8) listings on the Exchange during the review period, including four (4) bonds issuance, two (2) rights issues, and two (2) additional issues, relative to one (1) listing recorded in the previous month.

Table 12: New Listing on the Nigerian Exchange Limited in August 2023

Company/Security	Shares Units/Price	Remarks
FGN Roads Sukuk Company 1 Plc15.64% FGN DEC 2032	₦130,000,000,000 10-year bond of 130,000,000 units at ₦1,000	Bond Issuance
McNichols Consolidated Plc	531,242,609 ordinary shares of 50 kobo at 50 kobo per share,	Rights Issue
Fidelity Bank Plc	Additional 3,037,414,308 ordinary shares of 50 kobo each at ₦4.60	Additional Issue
Flour Mills of Nigeria Plc 14.50% FMN May 2026	₦46,000,000,000, 3-YEAR Senior Unsecured Bonds, series I at ₦1000 per value	Bond issuance
MTN Nigeria Communication Plc.	Additional 641,047,053 ordinary shares of 2 kobo each from its Scrip Dividend Election Scheme	Additional Issue
Sovereign Trust Insurance Plc.	2,841,116,504 ordinary shares of 50 kobo.	Rights Issue
9.634% FGNSB AUG 2025	421,763 units at N1,000 par value of ₦421,763,000.00	Bond issue
10.634% FGNSB AUG 2026	1,057,470 units at N1,000 par value of 1,057,470,000.00	Bond issue

Source: Nigerian Exchange Limited (NGX).

Notes: Plc=Public Limited Liability Company

2.3.3.3 Financial Soundness Indicators

The banking industry continued to resilient in the review period, as the Financial Soundness Indicators (FSIs) remained within the prudential benchmarks. The asset quality of banks, measured by the ratio of Non-Performing Loans (NPL) to total loans rose marginally by 0.1 percentage point to 4.2 per cent in the review period, relative to the 4.1 per cent recorded in the preceding month. The ratio remained within industry prudential threshold of 5.0 per cent and reflected the sustained improvement in loan recoveries by banks. The banking system Capital Adequacy Ratio (CAR) increased by 1.1 percentage points to 12.0 per cent, compared with 10.9 per cent recorded at end-July 2023. The development reflected increases in banks' total qualifying capital. The ratio remained above the 10.0 per cent prudential benchmark for banks with national/regional authorisation, but below the 15.0 per cent benchmark for banks with international licenses.

The industry Liquidity Ratio (LR) fell by 8.2 percentage points to 53.7 per cent, compared with 61.9 per cent recorded in the preceding period, reflecting a lower appetite for liquid asset holdings by banks. The LR, however, was above the minimum regulatory benchmark of 30.0 per cent, showing the ability of banks to meet their obligations.

2.4 EXTERNAL SECTOR DEVELOPMENTS

Summary

The external sector of the Nigerian economy recorded improved performance in August 2023. Higher trade surplus was recorded, due to increased export receipts from oil export, attributed to the improved crude oil prices. Foreign capital inflow to the economy grew, owing to the bullish performance of the domestic capital market, amidst relative stability. The domestic currency, "naira" appreciated, against the US dollar, during the review period. Furthermore, the external reserves, at US$32.98 billion, remained adequate, surpassing the international benchmark of 3-month import cover. A higher net foreign exchange inflow was recorded, driven, majorly, by increased inflow through autonomous sources.

2.4.1 Trade Performance

Higher crude oil export receipts, and lower import bills drove the improvement in the trade balance. Provisional data indicate that trade surplus increased to US$1.82 billion, relative to US$1.47 billion in the preceding month. Total export receipts rose by 4.6 per cent to US$4.80 billion, from US$4.59 billion in July 2023. Merchandise import, however, fell by 4.6 per cent to US$2.98 billion, from US$3.13 billion in July 2023.

Figure 34: Export, Import and Trade Balance (US$ Billion)

Source: Central Bank of Nigeria

Oil Export

The higher export receipts in the review period was driven by higher crude oil prices, following the Saudi Arabia and Russia's voluntary cuts in their crude oil production, and the resumption of operations at the Forcados pipeline/terminal after its shutdown in July 2023. Provisional data showed that crude oil and gas export receipts increased by 4.9 per cent to US$4.27 billion, compared with the US$4.07 billion in July 2023. This development was due to higher production and improved crude oil price. The average price of the Bonny Light rose to US$89.30 per barrel in August 2023, from US$82.27 per barrel in July 2023, while domestic crude oil production increased to an average of 1.18mbpd, in August 2023, compared with 1.08mbpd in July 2023. Further analysis indicate that crude oil export receipts increased to US$3.79 billion in August, compared with USS$3.61 billion in the preceding month. Similarly, gas export receipts increased to US$0.48 billion, from US$0.46 billion in July 2023. Analysis by share of the total export showed that crude oil, and gas receipts accounted for 78.8 and 10.1 per cent of total receipts, respectively, while non-oil export accounted for the balance.

Non-Oil Export

Receipts from non-oil export improved, on account of favourable international commodity prices. Provisional data showed that non-oil export earnings increased by 2.8 per cent to US$0.53 billion in August 2023, from US$0.52 billion in the preceding month. The development was driven, largely, by the increased export receipts from cocoa beans and products, beef/crustaceans, hibiscus flower, cotton, processed leather, aluminum, and poly products.

Analysis of non-oil export by destination revealed that China was the major destination of Nigeria's non-oil export products, with a share of 8.3 per cent, followed by Japan (7.5%); Ethiopia, (6.2%); USA, 5.9 (%); and Pakistan (5.5%). The major commodities exported were urea, which accounted for the largest share of 15.7 per cent, followed by cocoa beans with 11.2 per cent; hibiscus flower, 6.8 per cent, aluminum, 3.9 per cent; and cashew nuts, 3.8 per cent.

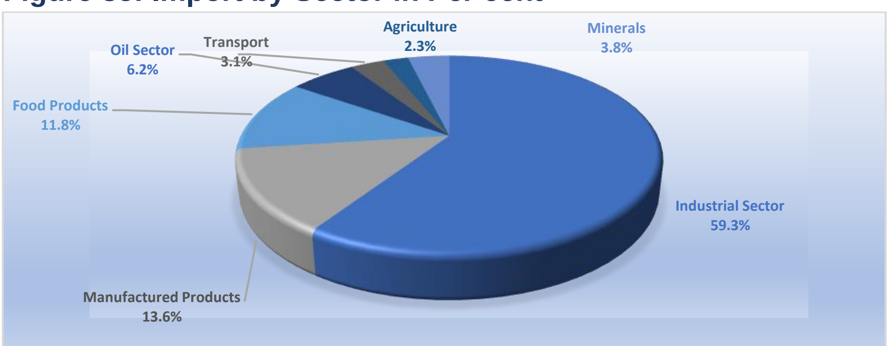
Receipts from the top 5 exporters of non-oil products fell to US$0.07 billion, compared with US$0.11 billion in July 2023, due to lower receipt from the export of urea. Analysis by institutional exporters revealed that Indorama Eleme Fertilizer and Dangote Fertilizer Ltd were the top exporters with shares of 9.3 and 6.4 per cent of the total, from the export of urea and fertilizer, respectively. In the third place was Metal Recycling Industries Ltd, with 4.7 per cent, from the export of aluminum and copper ingots. Segilola Resources Operating Limited followed, with a share of 3.5 per cent, from the export of gold. West African Soy Industries Limited, was fifth, with a share of 3.2 per cent, from the export of soybean seed and oil.

Import

Merchandise imports fell as petroleum products import declined, driven, majorly, by improved domestic stockpile. Provisional data showed that aggregate import decreased by 4.6 per cent to US$2.98 billion in August 2023, compared with the US$3.13 billion in the previous month. Further analysis indicated that importation of petroleum products fell to US$0.89 billion in August 2023, compared with the US$1.15 billion in July 2023. Non-oil import, in contrast, increased to US$1.92 billion in August, from US$1.83 billion in the preceding month. By share, non-oil import accounted for 70.0 per cent of total import, while petroleum products import constituted the balance of 30.0 per cent.

Sectoral utilisation of foreign exchange for visible import showed that industrial sector imports had the largest share of 59.3 per cent, followed by manufactured products with 13.6 per cent. Importation of food products, oil, minerals, transport, and agriculture accounted for 11.8, 6.2, 3.8, 3.1, and 2.2 per cent of the total imports, respectively.

Figure 35: Import by Sector in Per cent

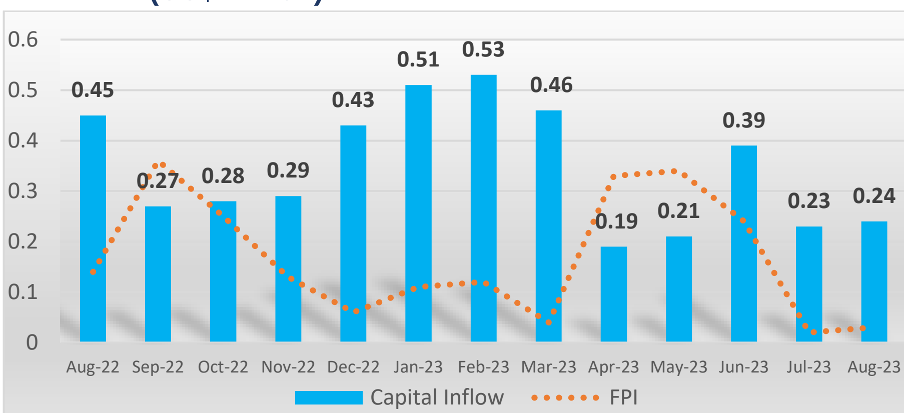


Source: Central Bank of Nigeria

Capital importation.

Competitive returns on investments and the bullish performance of the capital market boosted foreign capital inflow in the review period. Capital inflow for new investments in the domestic economy increased by 3.4 per cent to US$0.24 billion in August 2023, compared with US$0.23 billion in the previous month. Analysis based on investment categories revealed that inflow of FDI equity increased, significantly, to US$0.04 billion in August, compared with the US$0.01 billion in the preceding month. Similarly, portfolio investment inflow, particularly, for the purchase of equity and bonds, grew by 29.2 per cent to US$0.02 billion, from US$0.01 billion in July 2023. Inflow of other investment capital, primarily in the form of loans, however, declined by 14.0 per cent to US$0.17 billion, from US$0.20 billion in the preceding period.

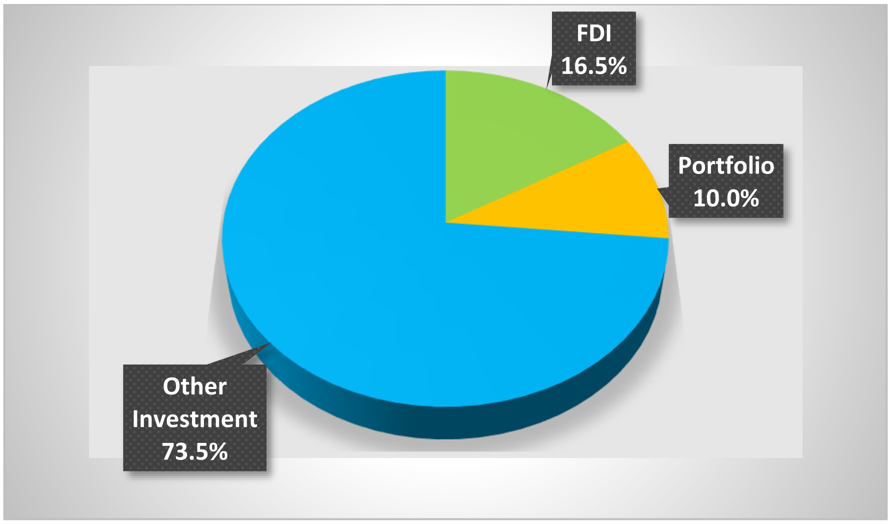
Figure 36: Capital Inflow and Foreign Portfolio Investment (US$ Billion)



Source: Central Bank of Nigeria

In terms of share, inflow of other investment capital constituted 73.5 per cent, while FDI inflow accounted for 16.5 per cent of the total. Portfolio investment inflow constituted the balance of 10.0 per cent.

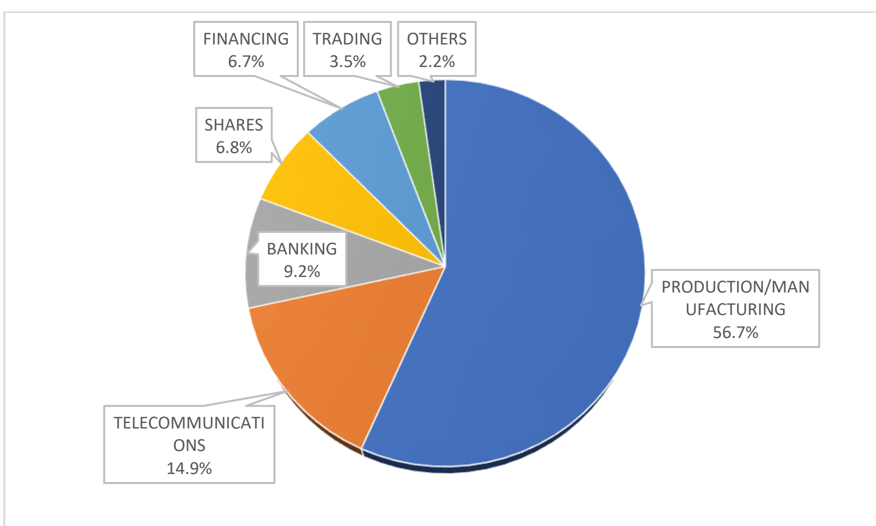
Figure 37: Capital Inflow by Type of Investment in Per cent



Source: Central Bank of Nigeria

A disaggregation of capital importation by nature of business revealed that, investment in production/ manufacturing accounted for 56.7 per cent of the total inflow. This was followed by telecommunications, 14.9 per cent; banking, 9.2 per cent; shares, 6.8 per cent; and financing 6.7 per cent, while "Other sectors" accounted for the balance.

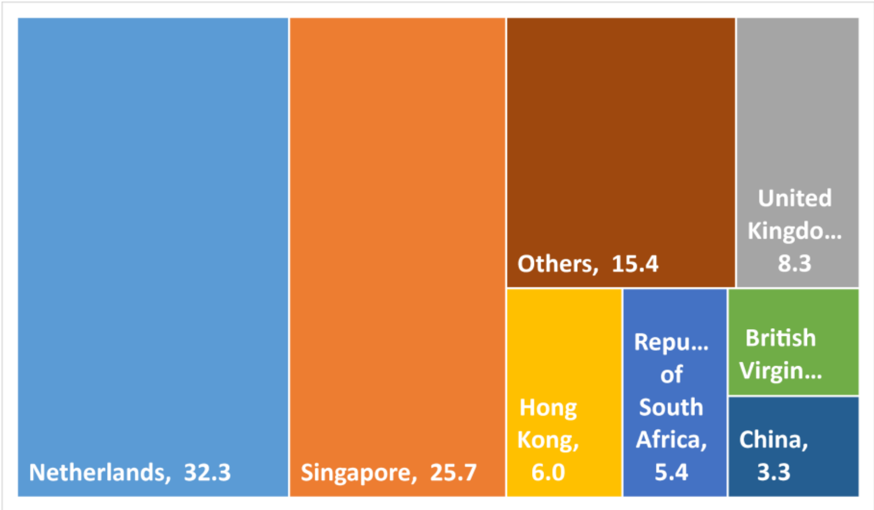
Figure 38: Capital Inflow by Nature of Business in Per cent



Source: Central Bank of Nigeria

Capital inflow by originating country showed that The Netherlands was the major source of capital, accounting for 32.3 per cent of the total. Singapore, United Kingdom, Hong Kong, Republic of South Africa, British Virgin Islands and China had shares of 25.7, 8.3, 6.0, 5.4, 3.5, and 3.3 per cent, respectively. Others accounted for the balance.

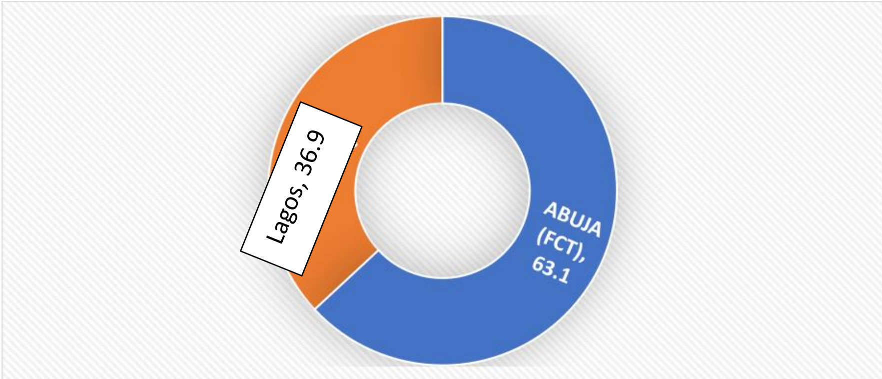
Figure 39: Capital Inflow by Originating Country in Per cent



Source: Central Bank of Nigeria

Capital Importation by destination showed Federal Capital Territory and Lagos State as the main recipients of capital with shares of 63.1 per cent and 36.9 per cent, respectively.

Figure 40: Capital Inflow by States in Per cent

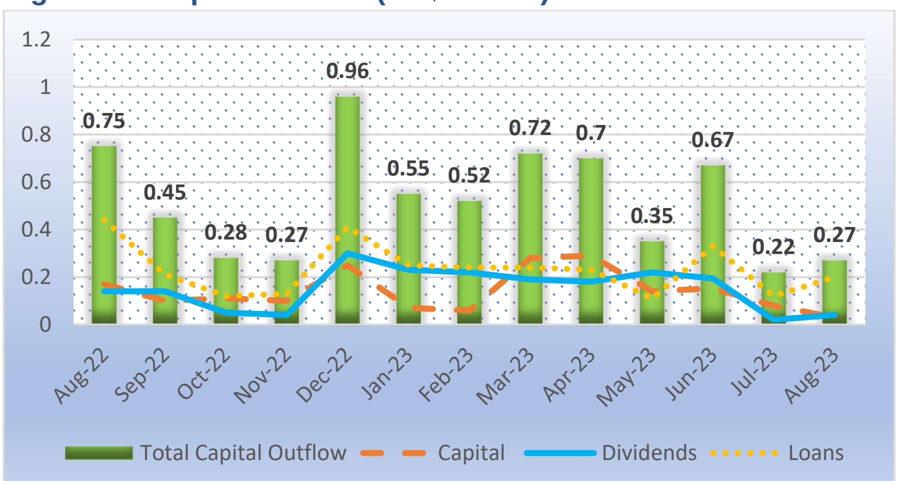


Source: Central Bank of Nigeria

Capital Outflow

The outflow of capital from the domestic economy increased due to higher repatriation of dividends and loans repayments . Capital outflow in August 2023 increased by 23.1 per cent to US$0.27 billion, compared with the US$0.22 billion in July 2023. Outflow in the form of loans increased to US$0.20 billion, from US$0.12 billion in the previous month. Similarly, repatriation of dividends rose to US$0.04 billion in August 2023, from US$0.02 billion in the preceding month. Analysis by share indicated that loans, dividends, and capital reversals, accounted for 73.0, 15.1, and 11.9 per cent of total outflow, respectively.

Figure 41: Capital Outflow (US$ Billion)



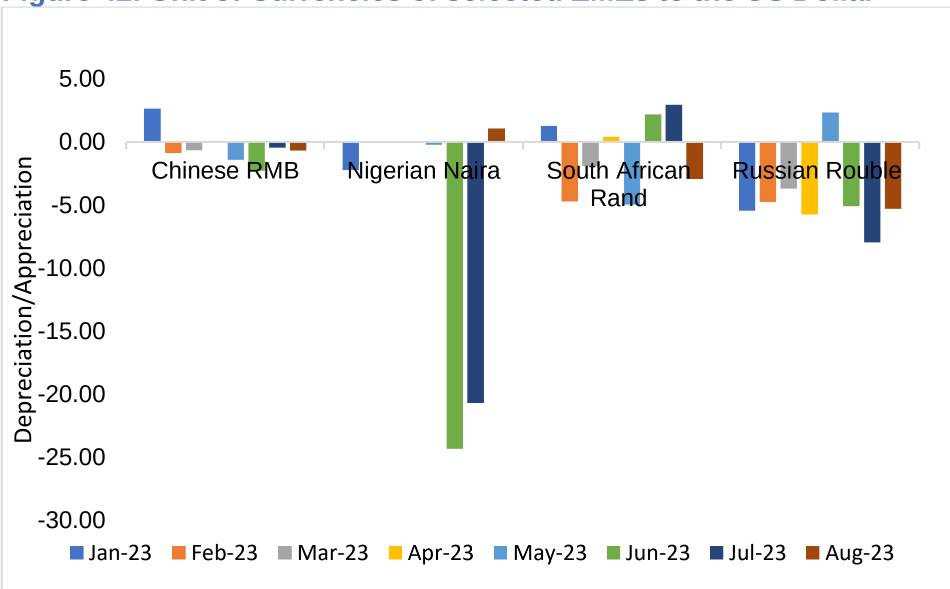
Source: Central Bank of Nigeria

2.4.2 Emerging Markets

Emerging markets currencies

The Chinese Renminbi (RMB), South African Rand and Russian Rouble in August 2023 depreciated by 0.7, 3.0, and 5.3 per cent, respectively, against the US dollar. The depreciation of the Chinese Renminbi (RMB) and the Russian Rouble was attributed to a narrowing trade surplus experienced in the review period. The South African Rand depreciated as a result of the strengthening of the US dollar in the global market.

Figure 42: Unit of Currencies of selected EMEs to the US Dollar



Source: CBN & Exchange Rates UK.

Table 13: Currencies of Selected EMEs Rates to the US Dollar

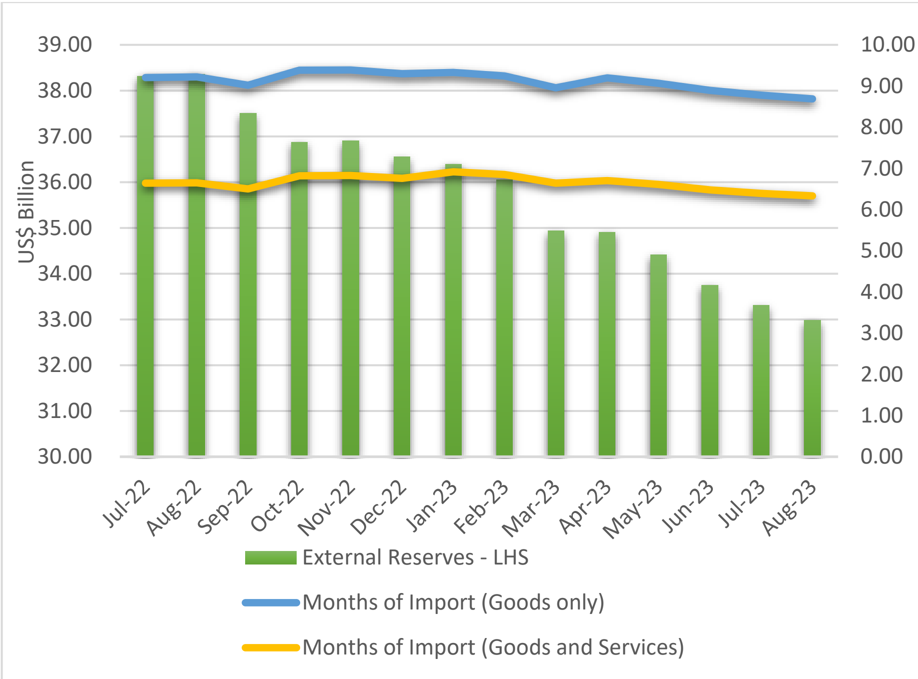
Period	Chinese RMB/US$	Nigerian Naira/US$	South African Rand/US$	Russian Rouble/US$
Aug-22	6.81	426.04	16.72	60.81
Jul-23	7.19	770.32	18.21	90.64
Aug-23	7.24	762.12	18.76	95.72

Source: CBN & Exchange Rates UK

2.4.3 External Reserves

The external reserves level surpassed the international benchmark of 3 months of import cover. The external reserves at end-August 2023 stood at US$32.98 billion, compared with the US$33.31 billion at end-July 2023. The external reserves could cover 6.3 months of import for goods and services or 8.7 months of import for goods only, using the second quarter 2023 import values. Furthermore, the reserves to short-term debt, at 115.92 per cent, exceeded the threshold of 100.0 per cent.

Figure 43: External Reserves in US$ Billion and Months of Import Cover



Source: Central Bank of Nigeria

2.4.4 Foreign Exchange Flows through the Economy

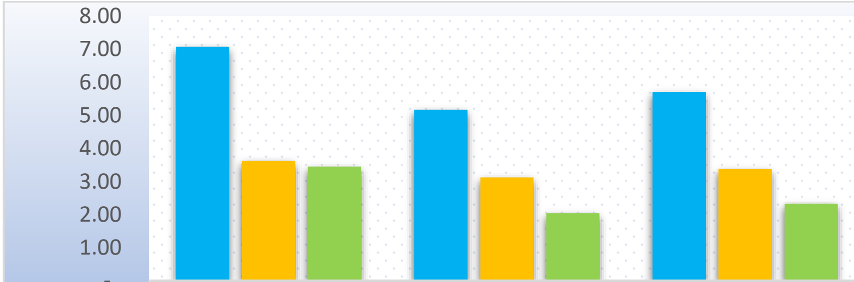
Foreign Exchange Flows through the Economy

The economy recorded a higher net foreign exchange inflow in August 2023, driven, mainly, by increased inflow from autonomous sources. Foreign exchange flows through the economy recorded a net inflow of US$2.33 billion, an increase of 2.9 per cent, relative to the US$2.27 billion in July 2023. Aggregate foreign exchange inflow into the economy increased by 5.8 per cent to US$5.71 billion in August, compared with the US$5.40 billion, in the preceding month. Foreign exchange outflows also rose by 8.0 per cent to US$3.38 billion, in August, from US$3.13 billion in the preceding month.

Foreign exchange inflow through the Bank declined by 5.9 per cent to US$2.44 billion in August 2023, from US$2.59 billion in July 2023. Outflow through the Bank, however, rose by 6.3 per cent to US$2.98 billion, from US$2.80 billion in the preceding month. Autonomous inflow rose by 16.6 per cent to US$3.28 billion, from US$2.80 billion in the previous month. Similarly, autonomous outflow increased by 22.3 per cent to US$0.40 billion in August 2023, from US$0.32 billion in July 2023.

A net inflow of US$2.88 billion was recorded through autonomous sources, compared with the US$2.48 billion in July 2023. The CBN recorded a net outflow of US$0.55 billion, compared with the US$0.22 billion in the preceding month.

Figure 44: Foreign Exchange Transactions through the Economy (US$ Billions) in August 2023



	August 22	July 23	August 23
Inflow	7.08	5.18	5.71
Outflow	3.63	3.13	3.38
Netflow	3.45	2.05	2.33

Source: Central Bank of Nigeria

2.4.5 Exchange Rate Movement

Average Exchange Rate

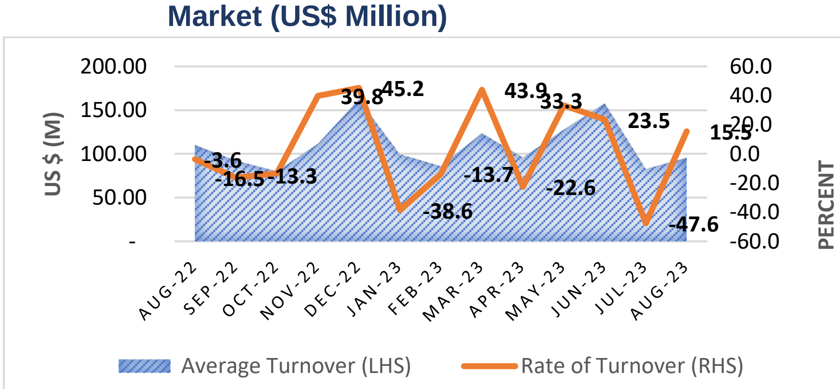
The domestic currency, naira, appreciated against the US dollar, in the review period. The average exchange rate of the naira per US dollar appreciated by 1.1 per cent to ₦762.12/US$ in August 2023 from ₦770.32/US$ in the preceding month.

2.4.6 Foreign Exchange Turnover at the Nigerian Autonomous Foreign Exchange Market (NAFEM)

Foreign Exchange Turnover

The average foreign exchange turnover at the NAFEM increased by 15.5 per cent to US$95.29 million in August 2023, compared with the US$82.48 million in July 2023.

Figure 45: Turnover at the Nigerian Autonomous Foreign Exchange Market (US$ Million)



Source: Financial Markets Derivatives Quotations (FMDQ)

3.0 ECONOMIC OUTLOOK

Global Economic Outlook

According to the IMF's July 2023 Outlook, the global economic growth is expected to slow to 3.0 per cent in 2023 and 2024, apiece, compared with the 3.5 per cent in 2022. The new projection is built on the resolution of the standoff in the US debt ceiling, and the strong measures taken by the US and the Swiss banking authorities, to contain the challenges in their banking systems. The downside risks to this outlook, however, are the likelihood that inflation would remain elevated, especially, if the war in Ukraine intensifies, and the extreme weather conditions persists. Furthermore, Sovereign debt stress in the US could spread to other economies, with the possibility of the financial sector turbulence due to the markets' adjustment to further monetary policy tightening by central banks.

For AEs, growth is projected to decelerate to 1.5 per cent in 2023, from 2.7 per cent in 2022. The outlook reflects the expected tight policy stance needed to rein in inflation, occasioned by the recent deterioration in financial conditions, the ongoing Russia-Ukraine conflict, and the growing effects of climate change.

For the EMDEs, growth is estimated to be broadly stable at 4.0 per cent in 2023, but unevenly distributed across countries, with most of the economies growing faster than the rest. The outlook is predicated on the expected stronger domestic demand in India and some parts of Latin America, despite external headwinds.

In sub-Saharan Africa, growth is projected to slow to 3.5 per cent in 2023, before rising to 4.1 per cent in 2024. Growth predictions in Nigeria suggest a slowdown due to security concerns in the oil in oil producing regions. In South Africa, growth is expected to decline to 0.3 per cent in 2023, due to power constraints.

Global headline inflation is predicted to decline to 6.80 per cent and 5.20 per cent in 2023 and 2024, respectively, from 8.70 per cent in 2022. The forecast reflects expected effects of monetary policy tightening, and decreased global commodity prices, as well as subdued inflation in China.

Domestic Economic Outlook

Nigeria's economic growth outlook remains positive in the near term, although some downside risks abide. The optimistic outlook is predicated on the assumption that the current trend in crude oil prices will be sustained, and on the effective implementation of the new administration's fiscal policy reforms. On the flip side, contraction in global demand, persistent security challenges, and infrastructural deficit remain notable headwinds to growth.

Higher inflationary pressure is expected in the short-run owing, largely, to the impact of fuel subsidy removals, exchange rate pass-through to domestic prices, expected hike in electricity prices, and the anticipated negative impacts of climate change. The subsisting tight monetary conditions and improvement in global supply chains could, however, moderate inflationary pressure.

The fiscal outlook in the near-to-medium term appears optimistic, on the heels of rallying oil prices, cessation of the PMS subsidy regime, and anticipation of full implementation of the Petroleum Industry Act (PIA) 2021. These developments are likely, to bolster government revenue and widen the fiscal space.

Global inflation and sluggish growth, amid continuous global monetary tightening, and the lingering effects of the Russia-Ukraine war, are expected to impact on external sector's performance. Notable downside risks include potential capital reversals following synchronous monetary policy rate hikes in developed countries, tighter global financial conditions, and high external debt burden.

The inability of Nigeria to achieve its OPEC oil production quota, despite higher crude oil prices in the international market, continues to hamper growth in crude oil and export receipts. The persistent depreciation of the naira could fuel rising inflation and deter foreign investors, triggering the outflow of capital and the depletion of external reserves.