CENTRAL BANK OF NIGERIA ECONOMIC REPORT

First Quarter 2022

ABOUT THE REPORT

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

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

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EXECUTIVE SUMMARY

Global economic activity slowed in 2022Q1, due, mainly, to geopolitical tensions in Europe, residual impact of COVID-19, tight financial conditions, and slowdown in China. In Advanced Economies (AEs), the performance of economic activity was mixed. The PMI in most AEs, though declined, remained above the threshold of 50.0 index points, except in Japan. Economic performance in Emerging Market and Developing Economies (EMDEs) slowed because of the Russian-Ukraine war and the restrictions following the increased incidence of COVID-19 infections, especially from the Omicron variant. Inflation developments in the selected countries continued to rise because of the sanctions imposed on Russia and various trade blockades that worsened supply-chain disruptions. The global financial market indices experienced increased volatility from geopolitical tensions and rising inflationary pressures. Total world crude oil production increased as OPEC+ supply rose in line with the continued implementation of the production agreement, while crude oil spot prices rose on account of supply hiccups, associated with Russia-Ukraine conflicts.

On the domestic front, the economy grew, for the sixth consecutive quarter after the COVID-19 pandemic-triggered recession in the second half of 2020, driven by continued fiscal and monetary interventions. Real GDP grew by 3.11 per cent (y-on-y) in 2022Q1, compared with 3.98 per cent in the preceding quarter, driven by the non-oil sector, which grew by 6.08 per cent, and accounted for 93.37 per cent of economic activities. However, the oil sector contracted by 26.04 per cent, thus constituting a drag on the overall growth. Inflationary pressures heightened, due to increase in non-food components, such as logistics and transportation costs, arising, mainly from the disruptions in the supply of petroleum products. Thus, the headline inflation, (y-on-y), increased to 15.92 per cent, from 15.63 per cent, in 2021Q4. In the same vein, core inflation (y-on-y) rose marginally to 13.91 per cent in 2022Q1, from 13.87 per cent in the previous quarter. On the other hand, food inflation moderated to 17.20 per cent (y-on-y) in 2022Q1, compared with 17.37 per cent in 2021Q4, attributed to the effect of CBN and government stimuli that supported the increased supply of processed farm produce. The Bank continued its intervention programmes in critical sectors to boost output and address structural rigidities in the economy.

Fiscal conditions in 2022Q1 improved, relative to the preceding quarter, as the fiscal deficit narrowed by 11.8 per cent. The improvement was enabled by the 12.6 per cent rise in FGN retained revenue, driven, majorly, by strong performance of FGN Independent Revenue and improved management of resources. However, relative to proportionate targets, aggregate expenditure of the FGN fell by 3.1 per cent and 35.5 per cent, *relative to 2021Q4 and the benchmark for 2022Q1, respectively. The FGN share of total public debt remained within sustainable thresholds, at ₦35,097.79 billion or 19.9 per cent of GDP, as at end-March 2022.*

Monetary and financial developments in 2022Q1 reflected the underlying growth in broad money and credit. The Bank continued to promote growth and productivity in the real sector by ensuring credit availability at an affordable cost. Monetary conditions eased with the growth of broad money, increased credit supply, and decreased money market rates. Broad money supply (M3) grew by 4.19 per cent, driven, mainly by the increase in domestic claims, particularly claims on central government and public non-financial corporations. In response to increased banking system liquidity, key money market rates declined, while long-term interest rates remained relatively stable. Overall, the financial sector remained stable, as the key financial soundness indicators were within regulatory thresholds, while activities on the Nigerian Exchange Limited (NGX) sustained a bullish run, on the back of portfolio switching from fixed-income investments to equities and eased financial conditions.

The Russia-Ukraine conflict that disrupted global economic activities led to a surge in international crude oil prices and helped improve Nigeria's trade balance. Consequently, the current account recorded an impressive surplus of US$2.58 billion, compared with US$0.05 billion in the preceding quarter, attributed largely to improved export earnings. However, the financial account posted a lower net acquisition of financial assets of US$0.78 billion (0.7 per cent of GDP), compared with US$5.15 billion (4.3 per cent of GDP) in 2021Q1, reflecting higher incurrence of financial liabilities. External reserves stood at US$39.28 billion, at end-March 2022, relative to US$40.23 billion, at end-December 2021, and could cover 6.4 months of import of goods and services or 8.4 months of import of goods only. The naira exchange rate remained relatively stable at the I&E window, relative to the preceding quarter.

On the outlook, the performance of the global economy is expected to slow significantly in 2022, a consequence of shocks induced by the Russia-Ukraine conflict, amidst elevated global inflation. On the domestic front, the economy is expected to sustain its positive growth trajectory in the near term, while inflation aligns with the global trend. The fiscal outlook for the near term is less optimistic, as government revenue remains impaired by PMS subsidy burden and lower-than-expected crude oil production. The outlook of the external sector is moderately optimistic, due to the prospect of higher external reserves, arising from favourable crude oil prices.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

1.1 Global Economic Activity

Global Economic Conditions

Global economic activity slowed due to geopolitical tensions in Europe that disrupted supply chains. The average J.P. Morgan Global Composite Purchasing Manager's Index (PMI), declined by 2.03 index points to 52.50 index points in 2022Q1 (see Table 1). Delays in the supply chain and heightened inflationary pressures slowed the manufacturing sector's output in major economies and reduced global trade flows. Consequently, the manufacturing and services PMI declined to 53.27 index points and 52.90 index points, from 54.23 index points and 55.27 index points, in 2021Q4, respectively. This was attributed to rising input costs and geopolitical tensions hampered producers' confidence, especially in Eastern Europe. Consequently, the employment level declined to 52.00 index points from 52.57 index points in the preceding quarter, due to a drop in the backlog of works.

Table 1: Global Purchasing Managers' Index (PMI)

	2021Q3	*2021Q4*	*2022Q1*
Composite	*53.87*	*54.53*	*52.50*
Manufacturing	*54.53*	*54.23*	*53.27*
Services (Business Activity)	*54.30*	*55.27*	*52.90*
Employment Level	*51.93*	*52.57*	*52.00*

Sources: JP Morgan, IHS Markit

Economic activity in Advanced Economies

The performance of Advanced Economies (AEs) was mixed. The PMI in most AEs, though declined, remained above the threshold of 50.0 index points, except in Japan. Economic activities in the UK improved slightly as the PMI rose to 58.33 index points from 57.93 index points in 2021Q4, supported service expansion. However, in the United States, the PMI declined to 54.0 index points, from 58.1 index points in 2021Q4, due to a surge in COVID-19 infections in the winter that worsened labour shortages. Similarly, Germany and Italy recorded weak expansion, as their PMIs declined to 55.4 index points and 51.9 index points, from 57.5 index points and 62.0 index points, respectively, in 2021Q4. Also, economic activities in Japan contracted, as composite PMI fell to 48.3 index points from 54.0 index points in 2021Q4, due to a rapid increase in average cost arising from the increase in aggregate input prices.

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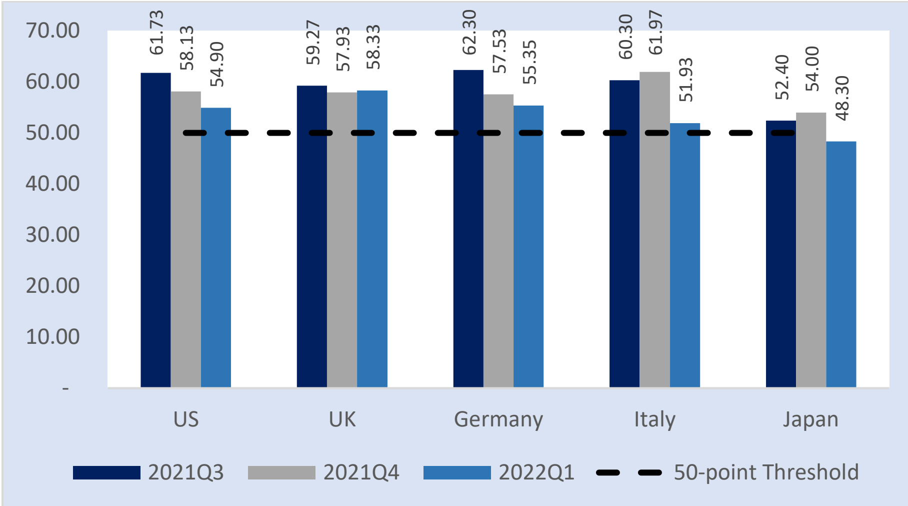
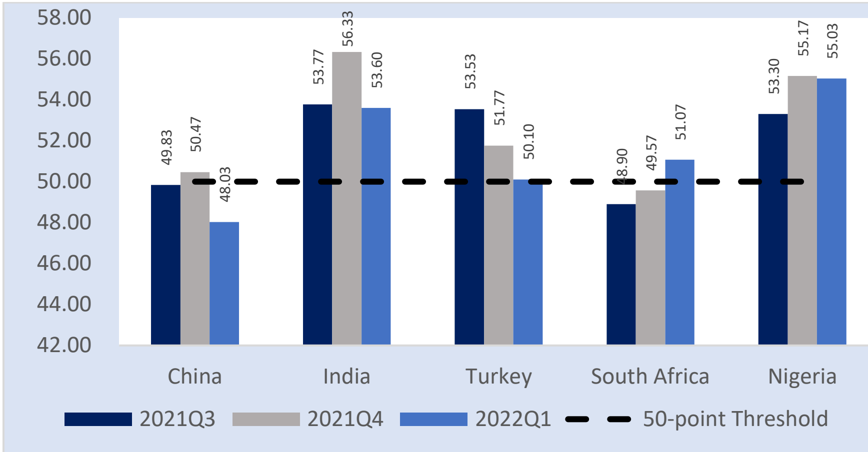
Figure 1: Selected Advanced Economies' PMIs (Index Points)



Sources: Trading Economics/Various countries' websites

Activities in Emerging Market and Developing Economies (EMDEs) slowed due to the effect of the Russian-Ukraine war and the restrictions, following the increased incidence of COVID-19 infections, especially from the Omicron variant. In India, economic expansion was slower in 2022Q1 relative to the preceding quarter, as the PMI fell to 53.6 index points, from 56.3 index points, due to the new wave of COVID-19 cases in the period. Economic activities in Turkey slowed marginally to 50.1 index points, from 51.8 index points, due to a reduction in new orders, attributed to continued inflationary pressures arising from currency depreciation. In China, economic activities contracted as the PMI fell to 48.0 index points, from 50.5 index points in the preceding quarter, owing to a steep decline in business activities in the manufacturing and services sectors. This was attributed to the resurgence of COVID-19 infections and erosion of business confidence induced by the war in Ukraine. Economic activities in Nigeria moderated slightly, as the PMI slowed to 55.0 index points, from 55.2 index points in the preceding quarter due to elevated price pressures that dampened demand and adversely affected new orders. However, economic activities in South Africa expanded slightly as the PMI improved to 51.1 index points from 49.6 index points in the previous quarter. Economic activity increased due to improved demand and a reduction in COVID-19 cases.

Figure 2: PMIs in Selected EMDEs (Index Points)



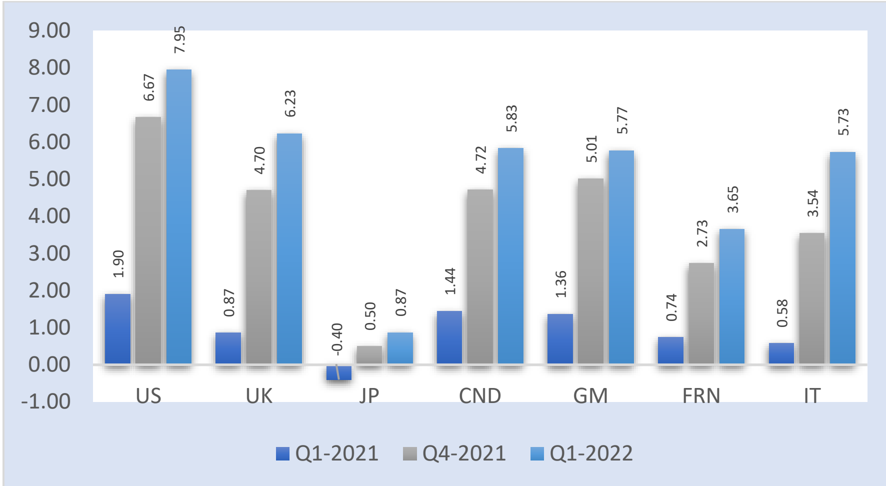
Sources: Trading Economics and Various countries' websites

1.2 Global Inflation

Global Inflation

Inflation continued to rise in 2022Q1, due to the sanctions imposed on Russia and the various trade blockade that worsened supply-chain disruptions. In most Advanced Economies (AEs), monetary authorities struggled to contain rising inflation in the face of fragile economic recovery. The headline inflation rate in the US rose to a 40-year high. It stood at 7.95 per cent in 2022Q1 compared to 6.67 per cent in 2021Q4. The surge was driven, mainly, by rising energy and food prices amid supply-demand imbalances. In Germany, consumer prices hit an average of 5.77 per cent, from 5.01 per cent in the previous quarter, with the Russia-Ukraine war driving higher prices of heating oil, motor fuels and natural gas, as well as food products. Similarly, inflation in the UK surged to 6.23 per cent, from 4.70 per cent in 2021Q4, attributed to pressure on transport, furniture and household services, as well as clothing and footwear. In Japan, the sharp rise in food prices, coupled with the rising cost of fuel, electricity, and water charges, led to a rise in inflation to 0.87 per cent from 0.50 per cent in the previous quarter.

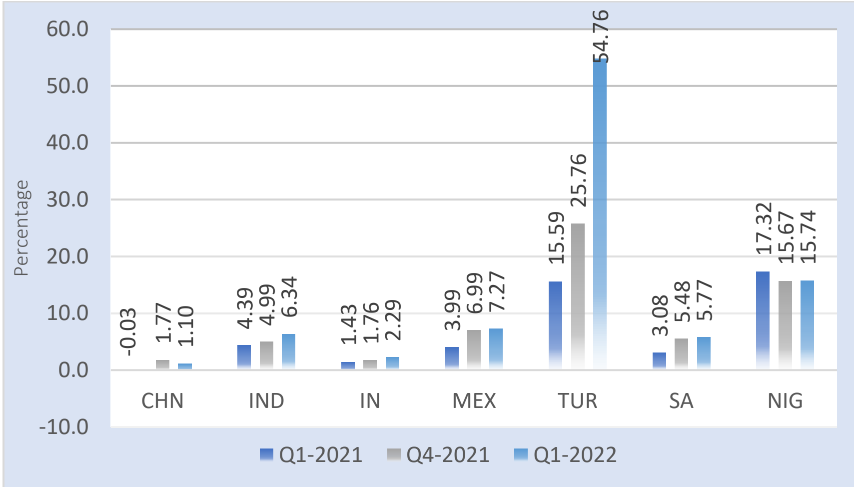
Figure 3: Inflation Rates in Selected Advanced Economies, Average (per cent)



Source: *OECD*
Note: *US, UK, JP, CDN, GM, FRN and IT represents United States, United Kingdom, Japan, Canada, Germany, France, and Italy, respectively*

Inflationary pressures remained elevated in most Emerging Market and Developing Economies (EMDEs). In India, headline inflation averaged 6.34 per cent, compared with 4.99 per cent in the fourth quarter of 2021, driven, mainly, by rising prices of essential food items owing to disruptions in the global supply chain. Also, in Mexico, price pressure persisted despite the continuous monetary tightening by the Bank of Mexico, as headline inflation inched up to 7.27 per cent from 6.99 per cent in the previous quarter. The increase was triggered by a surge in food, beverages, tobacco and housing prices. South Africa also recorded an uptick in headline inflation, as consumer prices rose to 5.77 per cent from 5.48 per cent in the fourth quarter of 2021. Increased transportation, food and non-alcoholic beverage prices accounted for the increased inflation. In Turkey, inflation soared to 54.76 per cent from 25.76 per cent as prices of utilities increased and the domestic currency depreciated. Conversely, China’s inflation declined to 1.10 per cent from 1.77 per cent in the fourth quarter of 2021, as the cost of food, particularly pork, continued to fall.

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



Source: OECD

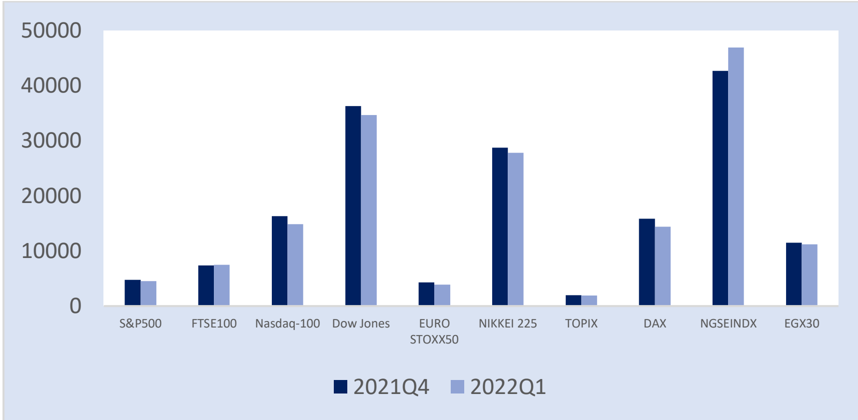
Note: CHN, IND, IN, MEX, TUR ,SA and NIG represents China, India, Indonesia, Mexico, Turkey, South Africa, and Nigeria, respectively.

1.3 Global Financial Markets

Geopolitical tensions in Europe and rising inflationary pressures increased volatility in global financial market indices. Financial markets across the globe were adversely affected as equity markets declined and bond yields rose. In the US, the NASDAQ, S&P500 and Dow Jones stocks declined by 8.89 per cent, 4.95 per cent and 4.57 per cent, respectively, due to the sanctions imposed on Russia. Similarly, the NIKKEI 225, declined by 3.37 per cent in 2022Q1, following tight financial conditions induced by the war in Ukraine and the restrictions aimed at stemming the rising cases of COVID-19 in Hong Kong and China.

Stock market performance in Europe was mixed as equities of the EURO STOXX50 dipped by 9.21 per cent as a result of shocks from the Russia-Ukraine war. However, in the UK, large capital equities, tracked by the FTSE 100 index, rose by 1.78 per cent in 2022Q1, driven by improvements in the oil, mining, healthcare and banking sectors. Also, the geopolitical tensions in Europe led to a mixed performance of financial markets in EMDEs as Egypt's EGX case 30 declined by 2.19 per cent, while Nigeria's NSE gained 9.95 per cent.

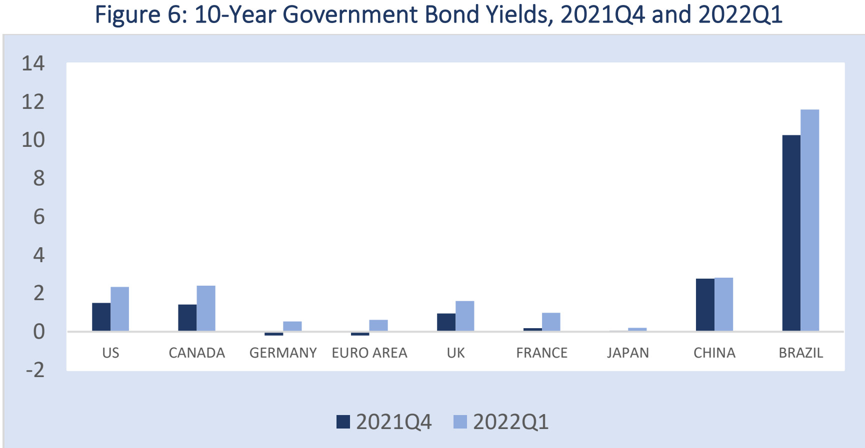
Figure 5: Global Stock Market Equity Indices



Source: Bloomberg

Government bond yields rose sharply on the back of the hawkish monetary policy stance adopted by most central banks. The magnitude of change in bond yields across markets was diverse. The US 10-year Treasury yield rose from 1.51 per cent to 2.35 per cent, following the Fed's implementation of a 25 basis-point rate hike. The UK 10-year yield rose from 0.97 per cent to 1.61 per cent following two-time rate hikes over concerns about the economic outlook and higher cost of living. Also, in Germany and Italy, 10-year treasury bond yields increased from -0.18 per cent and 1.18 per cent to 0.55 per cent and 2.04 per cent, respectively.

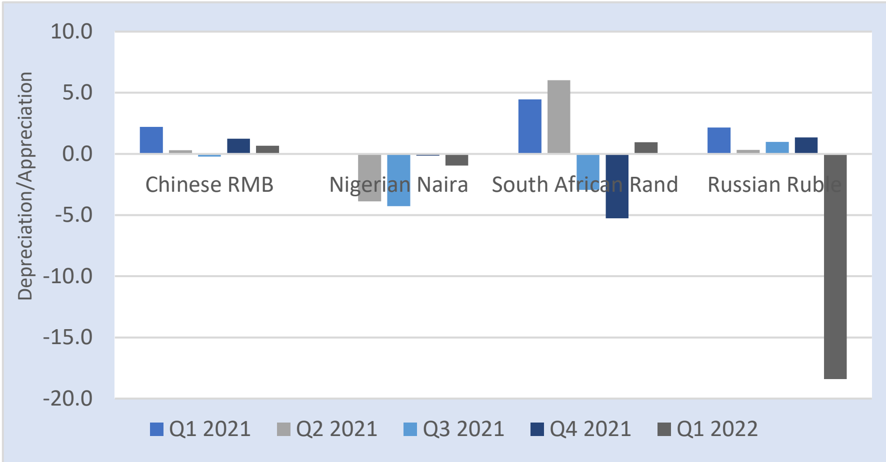
Figure 6: 10-Year Government Bond Yields, 2021Q4 and 2022Q1



Source: *Bloomberg*

The performance of emerging market currencies against the US dollar was mixed during the review period. The South African rand and Chinese RMB appreciated by 1.0 per cent and 0.7 per cent, respectively, relative to the levels in the preceding quarter. However, the Russian rouble depreciated against the dollar by 18.4 per cent, in the first quarter of 2022.

Figure 7: EMEs Currency Values to the US dollar



Sources: Central Bank Nigeria & Reuters

Table 2: EMDEs Currency Rates to the US dollar

Period	Chinese RMB	Nigerian Naira	South African Rand	Russian Rubble
2021Q1	6.48	381	14.96	74.45
2021Q4	6.39	412.43	15.38	72.49
2022Q1	6.35	416.34	15.23	88.83

Sources: Central Bank of Nigeria & Reuters

1.4 Central Banks' Policy Rates

Tight monetary policy stance remained dominant as central banks aimed to contain rising inflationary pressure, in the face of fragile economic recovery. The US Fed embarked on incremental monetary tightening, increasing the Fed rate for the first time in three years, and reducing asset holdings. Similarly, the Bank of England raised the benchmark interest rate by 0.25 percentage points, to 0.75 per cent from 0.50 per cent during the quarter. The Bank of Mexico continued monetary tightening during the quarter, raising the rate by 100 basis points (cumulative), to 6.5 per cent, to rein in the inflationary pressures from the Russia-Ukraine conflict. Conversely, China continued a dovish monetary stance, bringing down the rates to 3.75 per cent, from 3.85 per cent in the previous quarter. However, Central Banks of Japan, Canada, Euro Area, India and Nigeria, among others, retained their policy rates.

Table 3: Central Bank Policy Rates (Per cent)

Country	2021Q2	2021Q3	2021Q4	2022Q1
United States	0.25	0.25	0.25	0.5
United Kingdom	0.1	0.1	0.25	0.75
Japan	-0.1	-0.1	-0.1	-0.1
Canada	0.25	0.25	0.25	0.25
Euro Area	0	0	0	0
China	3.85	3.85	3.8	3.75
India	4	4	4	4
Mexico	4.25	4.75	5.5	6.5
Indonesia	3.5	3.5	3.75	3.75
Turkey	19	18	14	14
South Africa	3.5	3.5	3.5	4.25
Ghana	13.5	13.5	14.5	17
Nigeria	**11.5**	**11.5**	**11.5**	**11.5**

Source: Various Central Banks' websites.

1.5 Global Oil Market

World Crude Oil Supply and Demand

World crude oil production increased in 2022Q1, as OPEC+ supply rose in line with the continued implementation of the production agreement. The total world crude oil supply increased by 0.08 per cent to 92.40 million barrels per day (mbpd) in 2022Q1, from 92.33 mbpd in the preceding quarter. The increase was driven, largely, by supply from non-OECD producing countries, particularly the OPEC+ countries, following the continued implementation of the agreement to increase average monthly production by 400,000 bpd up to March 2022.

OPEC's aggregate production, including non-crude liquids, rose by 0.97 per cent to 30.24 mbpd in 2022Q1, from 29.95 mbpd in the preceding quarter. The rise was driven, mainly, by OPEC's crude portion, which increased by 200,000 bpd to 25.08 mbpd. The main drivers of the increase in OPEC crude supply were Saudi Arabia, Kuwait, and United Arab Emirates (UAE). The non-crude portion increased by 90,000 bpd to 5.16 mbpd.

On the demand side, total world demand declined by 0.57 per cent to 94.09 mbpd in 2022Q1 from 94.63 mbpd in the preceding quarter. Global crude oil demand declined as lockdown measures resurfaced in China over the new wave of the COVID-19 pandemic. Overall, the global oil market recorded a narrower supply deficit of 1.69 mbpd in 2022Q1, compared with the deficit of 2.3 mbpd in the preceding quarter.

Domestic Crude Oil Production and Export

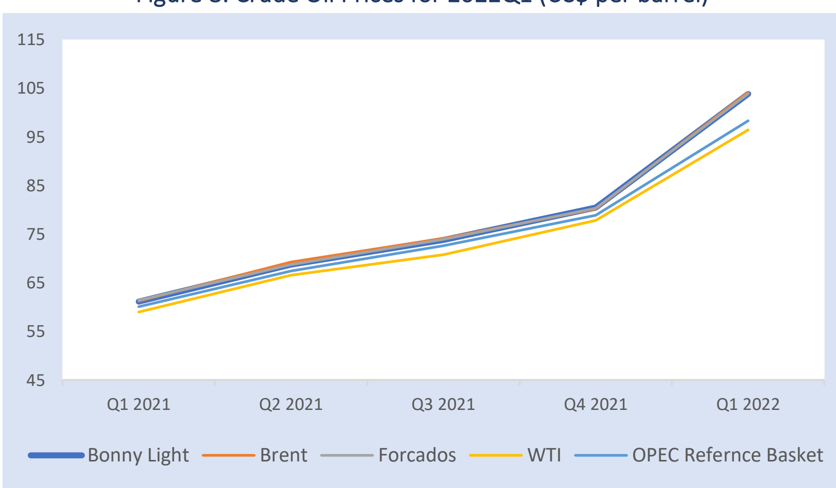
Domestic crude oil production and export remained unchanged, quarter-on-quarter, driven by the force majeure declared by Shell and Eni on the export of Bonny Light and Brass crude oil grades, respectively. Nigeria's average crude oil production (including Agbami crude) and export remained unchanged at 1.45 mbpd and 1.00 mbpd, respectively as

Nigeria's production levels fell short of its OPEC quota by about 270,000 bpd in 2022Q1. *Force majeures* declared on Bonny and Brass terminals over increased cases of explosions and pipeline vandalism, affected production levels in 2022Q1. In addition, some International Oil Companies (IOCs) decided to sell off some of their assets in the upstream sector because of rising operational costs due to insecurity, agitations from host communities and the destruction of oil pipelines, which impacted Nigeria's output level negatively.

Crude Oil Prices

Crude oil spot prices rose sharply in 2022Q1, owing to supply uncertainties in the global oil market on account of sanctions imposed on Russia over its invasion of Ukraine. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), rose by 29.05 per cent to US$103.81 per barrel (pb) in 2022Q1, compared with US$80.44 pb in the preceding quarter. The prices of Brent, at US$104.15 pb, Forcados at US$103.85 pb, WTI at US$96.42 pb and OPEC Reference Basket (ORB) at US$98.29 pb all exhibited similar trends (Figure 8). The rise in crude oil prices was attributed, largely, to investors' concern about supply disruptions in the global crude oil market on account of sanctions imposed on Russia by the US and other countries in Europe over its invasion of Ukraine. In addition, some OPEC members, including Nigeria, could not meet their OPEC production quotas.

Figure 8: Crude Oil Prices for 2022Q1 (US$ per barrel)

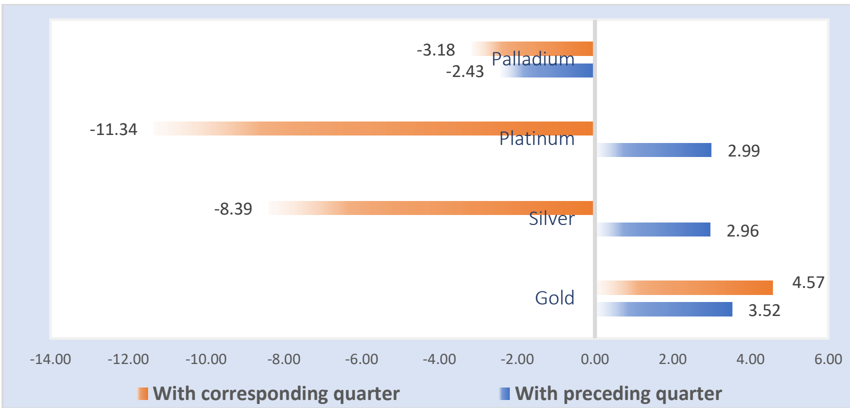


Source: Reuters Data

Other Mineral Commodities

Average spot prices of gold, silver and platinum increased in 2022Q1, except for the price of palladium. The average spot prices of gold, silver and platinum rose by 3.52 per cent, 2.96 per cent and 2.99 per cent, quarter-on-quarter, to sell at US$1,878.12 per ounce, US$24.02 per ounce and US$1,026.61 per ounce, respectively, compared with US$1,814.20 per ounce, US$23.33 per ounce and US$996.79 per ounce in the preceding quarter. However, the price of palladium declined by 2.43 per cent, to sell at US$2,325.43 per ounce, compared with US$2,383.32 per ounce in the preceding quarter (Figure 9). Gold, silver, and platinum prices rose as investors sought safe-haven assets to guard against the negative impact that sanctions imposed on Russia could have on the world economy. The price of palladium, which is majorly used in car catalytic converters, declined following a semi-conductor chip shortage.

Figure 9: Price Changes in Selected Metals (per cent) for 2022Q1



Source: Refinitiv Eikon (Reuters)

1.6 Global Commodity Market

Agricultural Commodity Prices

Prices of most agricultural export commodities maintained an upward trend in 2022Q1, fuelled largely by tighter supply conditions. Consequently, the average price index for all the monitored commodities rose by 8.5 per cent to 100.85 index points from 92.99 index points in the previous quarter. This was driven by increased prices of soya beans, palm oil, cotton, and wheat by 19.9 per cent, 18.4 per cent, 13.1 per cent, and 12.6 per cent, respectively. Other monitored commodities that recorded increases were rubber and cocoa, which increased by 2.2 per cent and 1.8 per cent, respectively. The development was driven largely by the Russia-Ukraine war, labour shortages and adverse weather conditions in key producing countries.

Of note, the higher wheat price was influenced by the Russia-Ukraine crisis, which obstructed production and supply. Similarly, the early frost in the farming belts of the world’s largest producer, Argentina, hampered the soya bean production. Furthermore, cotton and palm oil witnessed price increases during the quarter due to poor weather conditions and labour shortages, respectively, amid higher market demand.

Increased demand for rubber and allied products, especially tyres, and adverse weather conditions drove rubber prices. Similarly, the same factors induced price increases for cocoa and chocolate-based confectionaries. However, the price of groundnut and coffee decreased by 2.2 per cent and 1.2 per cent, respectively, compared with the previous quarter, largely, on the back of increased supply.

Table 4: Selected Agricultural Export Commodities, 2022Q1

Indices of Average World Prices of Nigeria's Major Agricultural Export Commodities for 2022Q1 (in dollars; Jan 2010=100)

COMMODITY	*2021Q1*	*2021Q4*	*2022Q1*	% Change	
				(1) & (3)	(2) & (3)
	1	*2*	*3*	*4*	*5*
All Commodities	***54.15***	***92.99***	***100.85***	***86.23***	***8.45***
Cocoa	*79.05*	*80.05*	*81.46*	*3.05*	*1.76*
Cotton	*53.83*	*72.22*	*81.67*	*51.71*	*13.09*
Coffee	*77.14*	*115.91*	*114.52*	*48.45*	*-1.20*
Wheat	*92.63*	*120.81*	*136.05*	*46.86*	*12.61*
Rubber	*35.64*	*36.95*	*37.78*	*6.01*	*2.24*
Groundnut	*130.92*	*110.90*	*108.48*	*-17.14*	*-2.18*
Palm Oil	*82.10*	*105.87*	*125.38*	*52.71*	*18.44*
Soya Beans	*106.25*	*101.21*	*121.45*	*14.30*	*19.99*

Source: World Bank Pink Sheet

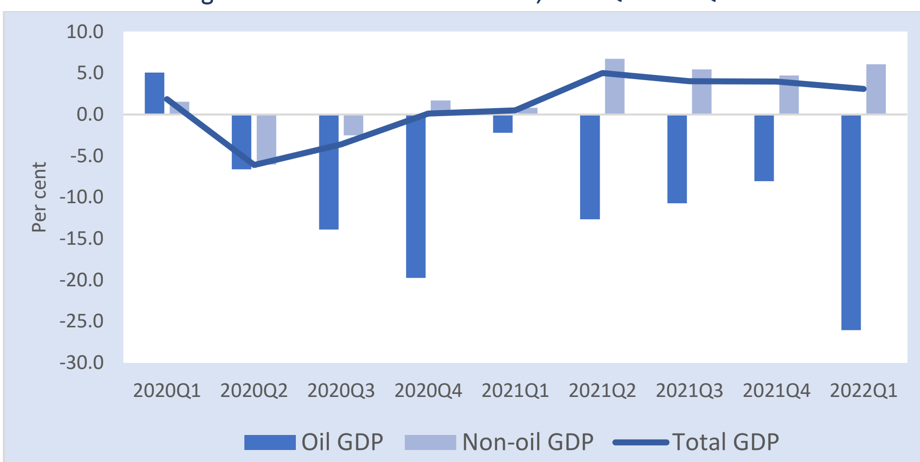
2.0 DOMESTIC ECONOMIC DEVELOPMENTS

2.1 REAL SECTOR DEVELOPMENTS

Domestic Output

The economy grew for the sixth consecutive quarter, after the COVID-19 pandemic-triggered recession that occurred in the second half of 2020. Sustained growth was driven by continued fiscal and monetary interventions in the economy, particularly in the real sector. Real GDP grew by 3.11 per cent (y-o-y) in 2022Q1, compared with 3.98 per cent in the preceding quarter. The growth was driven by the non-oil sector, which grew by 6.08 per cent, and accounted for 93.37 per cent of economic activities within the quarter. However, the oil sector contracted by 26.04 per cent, thus weighing down growth outcomes.

Figure 10: Real GDP Growth Rate, 2020Q1-2022Q1

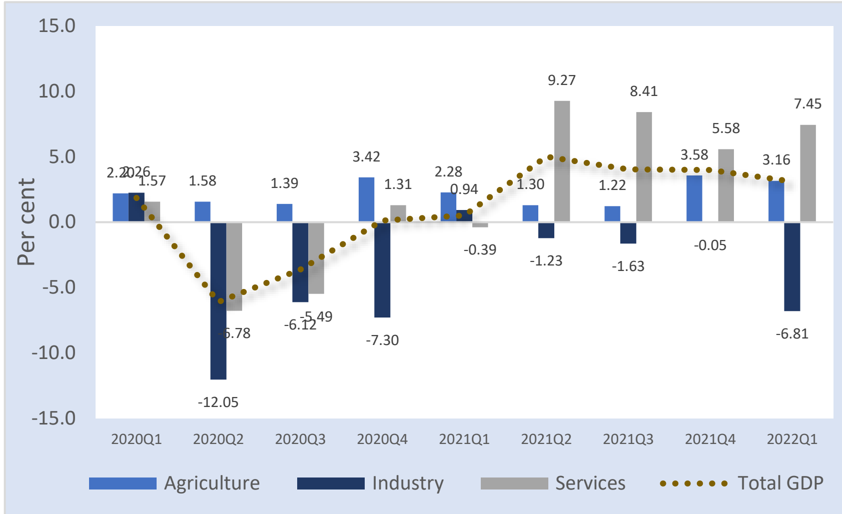


Source: National Bureau of Statistics

2.1.1 Sectoral Performance

The Services and Agriculture sectors grew, in real terms, in 2022Q1, while the Industry sector contracted. The Services sector contributed the most (4.02 per cent) to the growth in overall output, growing by 7.45 per cent (y-on-y). The growth witnessed was higher than the 5.58 per cent in the previous quarter. The Services sector's performance was mainly driven by Finance and Insurance, Information and Communication Technology (ICT), Trade and Human Health & Social Services subsectors, which grew by 23.24 per cent, 12.07 per cent, 6.54 per cent and 5.91 per cent, respectively. The observed performance of the sub-sectors was attributed to the early implementation of the 2022 fiscal appropriation act, increased activities in finance and insurance, replacement of depleted stocks after the festive season, and increased usage of online platforms for businesses.

Figure 11: Sectoral Growth Rate of Real GDP, 2020Q1-2022Q1

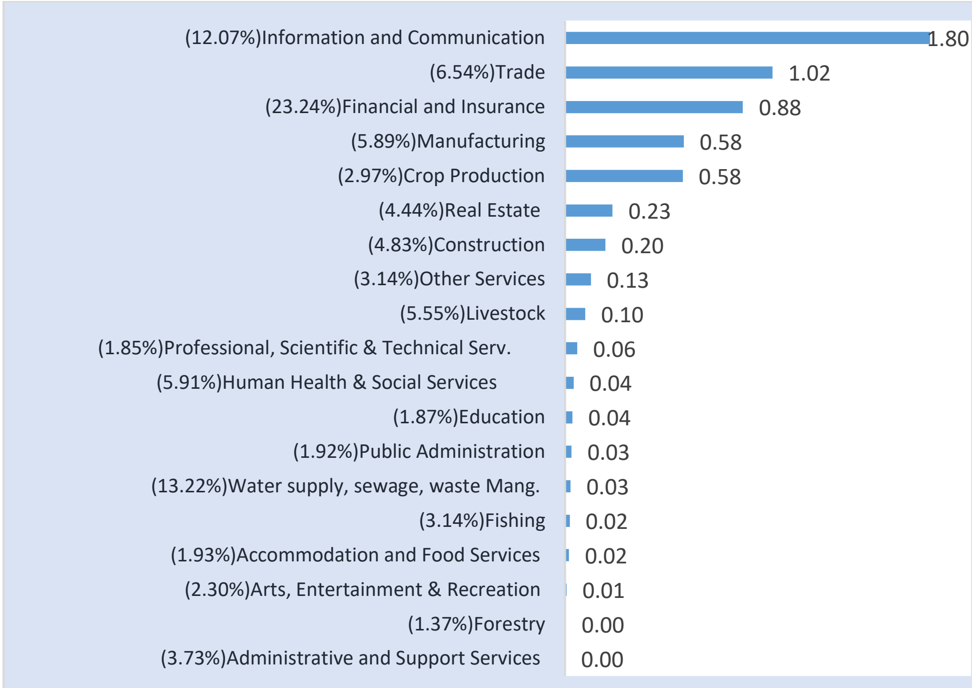


Source: National Bureau of Statistics (NBS)

The Agriculture sector grew by 3.16 per cent, compared with 3.58 per cent in the preceding quarter. The slower growth in agriculture was due, mainly, to seasonal factors (planting and restocking of livestock), which are not associated with harvests. Analysis of the sector shows that crop production, livestock, forestry, and fishery subsectors grew by 2.97 per cent, 5.55 per cent, 1.37 per cent and 3.14 per cent, respectively, compared with 3.87 per cent, 0.41 per cent, 1.41 per cent and a negative 3.97 per cent, in the preceding quarter.

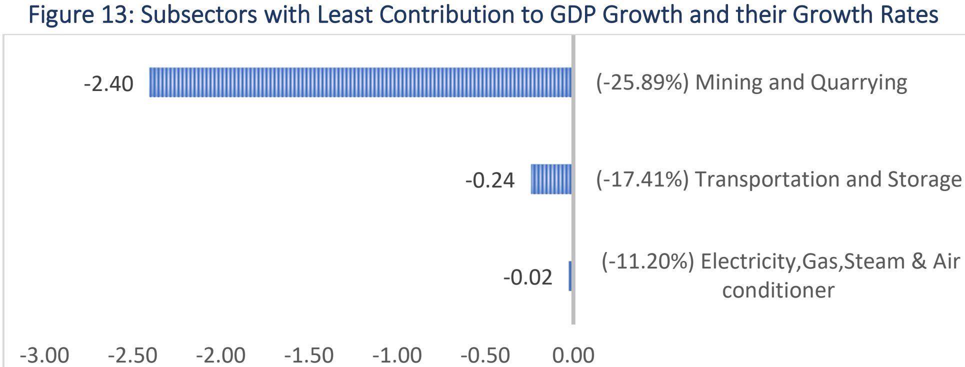
The Industry sector contributed negatively to real GDP growth. It contracted by 6.81 per cent in 2022Q1, compared with a contraction of 0.05 per cent in 2021Q4. The observed trend was due to the poor performance of the Mining and Quarrying subsector, occasioned by the contractions in Crude Petroleum and Natural Gas, Coal mining and quarrying and other Minerals subsectors, by 26.04 per cent, 12.97 per cent and 13.72 per cent, respectively. The development in the Crude Petroleum and Natural Gas sub-sector was due to lower crude oil production provided by the National Bureau of Statistics at 1.49 mbpd in 2022Q1, compared with 1.72 mbpd in 2021Q1, notwithstanding higher crude oil prices in the quarter. This was attributed to the persisting damages to some key pipelines and terminals, the frequent shut-in, and the force majeure, declared on Bonny and Brass terminals over increased cases of pipeline vandalism.

Figure 12: Top 19 Subsectors with largest Contribution to GDP Growth and Growth Rates



Source: National Bureau of Statistics

Figure 13: Subsectors with Least Contribution to GDP Growth and their Growth Rates



Source: National Bureau Statistics

2.1.2 Index of Industrial Production (Quarter on Quarter)

Industrial Production

Industrial activities improved in the first quarter of 2022 on the back of the sustained economic recovery, increased manufacturing, and mining activities. The index of Industrial Production, at 102.3 (2010=100), showed a 13.7 per cent increase, compared with 90.0 points in the fourth quarter of 2021. This development was driven by improvement in manufacturing and crude petroleum and natural gas output.

Mining

Mining sector activities increased in the review period. At 59.3 (2010=100), the mining production index in 2022Q1 rose by 27.5 per cent, from the 49.5 index points in 2021Q4. The increase in mining activities was driven mainly by improved crude petroleum and natural gas, and metal ores output

Manufacturing

At 202.1 (2010=100), the manufacturing production index increased by 9.4 per cent above the 184.8 points in the preceding quarter. The improvement was attributed to increased domestic demand, which propelled production activities. Furthermore, modest improvement in business and consumer confidence contributed to the rise in manufacturing activities.

Capacity Utilisation

Similarly, the estimated average capacity utilisation at 55.4 (2010=100) increased by 0.3 percentage points from the 55.1 per cent in the preceding quarter. The rise in capacity utilisation resulted from an increase in manufacturing activities.

Electricity Generation

The performance of the energy sector waned, with the fall in electricity generation leading to the breakdown in the national grid during the quarter. Shortage in gas supply to the thermal stations and low water level at the hydro generation stations contributed to the decrease in electricity generation. Vandalism of transmission and distribution infrastructure also led to the decline in energy sector performance. Thus, the estimated average electricity generation in 2022Q1 decreased to 3,380.7 MW/h from 4,379.11 MW/h in the previous quarter, reflecting a decline of 22.8 per cent.

Electricity Consumption

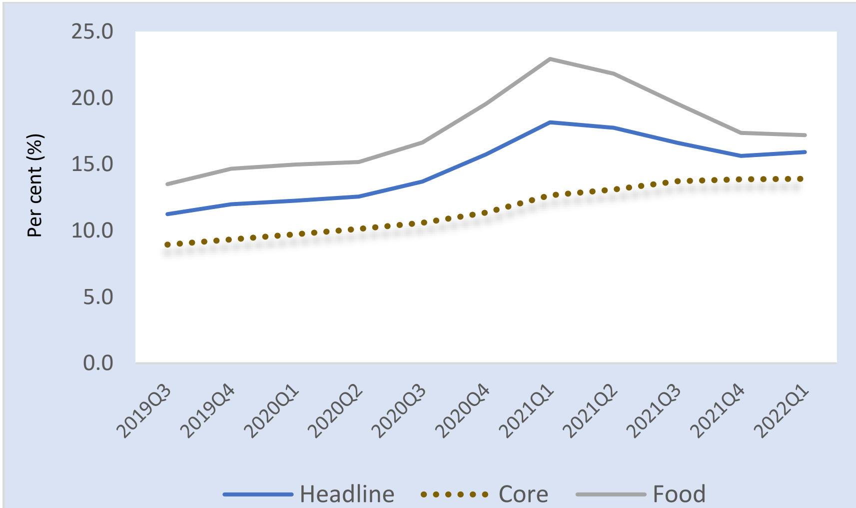
Similarly, the estimated average electricity consumption decreased to 2,885.45 MW/h for 2022Q1, compared with 3,408.65 MW/h in the preceding quarter, a decline of 15.4 per cent.

2.1.3 Consumer Prices

Headline Inflation

Headline inflation rose in 2022Q1, attributed to the increase in the non-food components. Headline inflation (y-on-y) increased to 15.92 per cent, from 15.63 per cent in 2021Q4. The rise in headline inflation was attributed to logistics and transportation costs, due, mainly, to the disruptions in the supply of petroleum products, such as Premium Motor Spirit (PMS), diesel and aviation fuel. The persisting security challenges in some parts of the country, also contributed to the uptick in inflation during the period.

Figure 14: Headline, Food and Core Inflation (y-o-y)



Source: NBS

Core Inflation

Core inflation rose marginally to 13.91 per cent in 2022Q1, from 13.87 per cent in the previous quarter. The increase in core inflation was driven by rise in the cost of manufacturing inputs, due to the rise in transportation/logistic costs arising from the disruption in the supply of petroleum products. Also, disruptions to the global commodities supply chain due to the invasion of Ukraine by Russia and persisting internal security issues in the country further exacerbated inflationary pressures.

Food Inflation

Food inflation moderated to 17.20 per cent (y-on-y) in 2022Q1, compared with 17.37 per cent in 2021Q4. The moderation in food inflation was attributed to the effect of CBN and government intervention stimuli that supported an increased supply of processed farm produce, particularly, tubers, maize, millet, yellow garri and sorghum.

2.1.4 Socio-Economic Developments

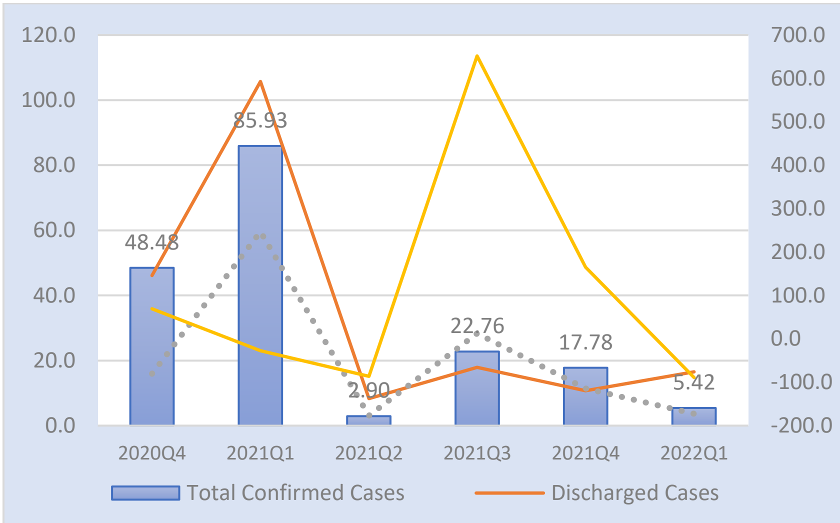
Health

The rate of new infections and the number of active cases of COVID-19 continued to decline, following increased awareness and compliance with pandemic prevention protocols. Data from the National Primary Health Care Development Agency (NPHCDA) showed that 17.2 per cent of the eligible target population had received the first dose of the COVID-19 vaccine at end-March 2022, compared with 9.2 per cent in the previous quarter. Similarly, about 11.2 per cent of the target population had received the second dose of the vaccine, compared with 4.0 per cent in the previous quarter.

Data from the Nigeria Centre for Disease Control (NCDC) also showed that at end-March 2022, the rate of increase of confirmed cases declined by

5.4 per cent, relative to 17.8 per cent in the preceding quarter of 2021 (Figure 15). The rate of discharge rose by 16.5 per cent, while the rate of COVID-19-related deaths declined by 3.7 per cent. Furthermore, the rate of active cases declined by 89.2 per cent, relative to the preceding quarter.

Figure 15: COVID-19 Statistics



Source: NCDC

During the review period, the Japanese Government donated 859,600 doses of AstraZeneca COVID-19 vaccines to Nigeria, through the COVID-19 Vaccines Global Assess Facility, COVAX. It also donated 175 Solar Direct Drive (SDD) refrigerators to aid the COVID-19 response, deployed to states across the Federation. Futhermore, the Nigerian Government received 3.2 million doses of Pfizer COVID-19 vaccines donated by the United States and one million doses of the Johnson and Johnson (J&J) COVID-19 vaccine by the Government of Greece.

In response to the Lassa Fever outbreak in some parts of the country, the NCDC activated the national multi-sectoral and multi-disciplinary Lassa Fever Emergency Operations Centre (EOC). So far, suspected cases have risen to 3,542, while confirmed cases are 681 (Ondo, Edo and Bauchi States account for 67.0 per cent). Total deaths as at March 27, 2022 was 127.

In collaboration with the private sector, the Federal Government unveiled plans for developing Information, Education and Communication (IEC) materials for de-worming over 10 million Nigerian students in Primary 1 to 6, under the National Home-Grown School Feeding Programme (NHGSFP). The nationwide de-worming campaign, through mass administration of Praziquantel (PZQ) tablets in schools and communities, was implemented by the Federal Ministry of Humanitarian Affairs, Disaster Management and Social Development in collaboration with the Federal Ministry of Health.

Transportation

The Federal Government granted approvals for the completion of roads and bridges across the country. Some of these include: the realignment of the Kano State border Birnin Kudu-Bauchi State border road for the total sum of ₦10.1billion; the reconstruction of a bridge at Pada Road in Kogi State for the sum of ₦4.7 billion; the construction of the Kaiama-Kishi Road in Kwara and Oyo States for the sum of ₦24.1 billion; and the reconstruction of a bridge along Ihugh-Damkori-Vandeikya-General hospital junction-Ogoja Road in Benue and Cross River States for the sum of ₦4.1 billion. These projects would provide access to the communities, facilitate the movement of goods and services and enhance the socio-economic well-being of citizens in the areas.

Aviation

The Federal Executive Council (FEC) approved the sum of ₦92.12 billion for the construction of a second runway at the Nnamdi Azikiwe International Airport, Abuja and is expected to be completed in 12 months. In addition, the FEC approved the sum of ₦3.52 billion for projects at the Abuja, Lagos and Kano international airports. These include the supply and installation of two sets of high-capacity passenger security screening systems for the Murtala Muhammed International Airport, Lagos and Nnamdi Azikiwe International Airport, Abuja, for the sum of ₦1.19 billion, as well as the supply and installation of airfield ground lightning materials for the three airports for the sum of ₦2.33 billion. In the same vein, FEC approved ₦9.4 billion for the continuation of works on the Zaria-Funtua road linking Kaduna and Katsina States; the sum of ₦6.27 billion for the rehabilitation of the Kwayakusar-Milda Road in Borno State; and ₦13.0 billion for the rehabilitation of the Uturu-Isikwato-Akara Road in Abia State.

Six Nigerian Airlines - Air Peace, Azman Air, United Nigeria, Arik Air, Aero Contractors and Max Air- signed a deal to form an alliance called Spring Alliance to reduce disruptions to flight schedules and improve service delivery. The alliance seeks to curb flight delays and provide technical support to the six partner airlines. It will ensure that any member airlifts passengers, irrespective of which partner airline ticket the passengers possess.

Empowerment/
Employment

As part of efforts toward poverty eradication and sustenance of the National Social Investment Programmes (NSIPs), the Federal Government, in collaboration with the CBN, flagged off the NEXIT/CBN Agri-Business Small and Medium Enterprises Investment Scheme (AGSMEIS) for exited

N-Power beneficiaries. Consequently, of the 400,000 trainees who indicated interest, 75,600 would participate in the first phase of the orientation programme, and would be eligible to access loans of up to ₦3.0 million from the CBN.

2.1.5 Development Financing

The Bank sustained her intervention initiatives during the first quarter of 2022 as a total of ₦564.88 billion was disbursed as at March 22, 2022 to critical sectors/segments of the economy (Manufacturing/Industry, Energy/Infrastructure, Agriculture, Services, MSMEs, Export, and Health). In terms of share per total, the Industrial sector got the highest with 81.04 per cent of the total amount disbursed, driven largely by the RSSF using Differentiated Cash Reserve Ratio (RSSF-DCRR) segment as the main intervening window. This was followed by the Agriculture sector with 8.64 per cent share per total, the manufacturing/energy segment with 4.72 per cent, MSMEs (4.07 per cent) and, Health with 1.50 per cent share per total disbursement.

Table 5: Intervention Funds, as of 22, March 2022

Sector	22-MAR			Cumulative	
	Disburs (N'bn)	Share (%)	Beneficiaries	Disburs. (N'bn)	Share (%)
Agriculture	**48.82**	**8.64**		**1710.78**	**64.34**
Anchor Borrowers' Programme	*29.67*	5.25	*3 commodities*	975.61	36.69
N200 Billion Commercial Agricultural Credit Scheme (CACS)	*19.15*	3.39	*N.A*	735.17	27.65
Energy/Infrastructure	**26.75**	**4.72**		**275.13**	**10.35**
Nigeria Electricity Market Stabilization Facility 2 (NEMSF 2)	*12.64*	2.23	DisCos	*232.93*	8.76
Nigeria Bulk Electricity Trading-Payment Assurance Facility (NBET-PAF)	*11.11*	1.96	Power sector players	-	-
Infrastructure facility for National Gas Expansion Programme (IFNGEP)	*3.00*	0.53	*Procurement and Installation of 25,489 meters*	*42.20*	1.59
MSMEs	**22.98**	**4.07**		**526.42**	**19.80**
Tertiary Institutions Entrepreneurship Scheme (TIES)	*0.26*	0.05	*N.A*	*0.293*	0.01
Targeted Credit Facility (TCF)	*21.66*	3.83	*N.A*	*390.45*	14.69
AGSMEIS	*1.06*	0.19	*Agri-Biz*	*135.68*	5.10
Industries	**457.82**	**81.04**		**29.51**	**1.11**
100-FOR-100 PPP	*29.51*	5.22	-	*29.51*	1.11
RSSF Using Differentiated Cash Reserve Ratio (RSSF-DCRR)	*428.31*	75.82	-	-	-
Health	**8.514**	**1.50**		**116.91**	**4.39**
Health Care Sector Intervention Fund (HSIF)	*8.50*	1.50	-	*116.72*	4.39
HSRDIS	*0.014*	0.00		*0.187*	0.0
Total	*564.88*	100		*2658.75*	100

Source: Central Bank of Nigeria

2.2 FISCAL SECTOR DEVELOPMENTS

Summary

The fiscal operations of government in the review period remained anchored on the 2022 Appropriation Act and the 2022-2024 Medium-Term Expenditure Framework, as well as the Fiscal Strategy Papers (MTEF&FSP 2022-2024). The operations seek to achieve macroeconomic stability, improve revenue generation, create fiscal space for infrastructural development, enhance fiscal prudence, and ensure sustainable deficits. Although fiscal deficits marginally expanded by 1.3 per cent in 2022Q1, relative to the budget benchmark; it improved by 11.8 per cent compared with the preceding quarter. The improvement was reflected 12.6 per cent rise in FGN retained revenue, driven, majorly, by the strong performance of FGN Independent Revenue, and fiscal tightening. The FGN share of total public debt remained elevated at ₦36,761.22 billion as at 2022Q1.

2.2.1 Federation Account Operations

Receipts into the Federation Account declined by 2.5 per cent and 45.0 per cent, relative to the preceding quarter and target, following a sharp decline in oil revenue sources. Gross federation receipts in 2022Q1 amounted to ₦2,530.49 billion. This compares with ₦2,594.26 billion in 2021Q4 and the benchmark of ₦4,598.25 billion. Non-oil revenue accounted for 68.4 per cent of the total collection, while oil revenue contributed 31.6 per cent.

Drivers of Federation Revenue

The observed drop in federation receipts was triggered by the decline in all components of oil revenue (crude oil and gas exports, petroleum profit tax and royalties, domestic crude oil and gas sales, among others). At ₦799.10 billion, oil receipts was 28.3 per cent below earnings in the last quarter and 66.4 per cent under projected earnings.

In contrast, non-oil receipts, at ₦1,731.39 billion, outperformed collection in the preceding quarter, but was 22.1 per cent below target. The uptick in earnings, relative to 2021Q4, was attributed, largely, to a significant increase in collections from Value-Added Tax and Federal Government Independent Revenue. Improvement in these revenue components underscored the intensification of non-oil revenue drive through broadening the tax net and plugging of revenue leakages, particularly, in Government-Owned Enterprises (GOEs).

A net balance of ₦1,865.04 billion was retained in the Federation Account for distribution to the three tiers of government after taking account of statutory deductions, transfers and additional inflows from Exchange Gain and Non-oil Excess revenue. Of this amount, the Federal, State and Local governments, received ₦720.22 billion, ₦590.44 billion and ₦436.37 billion, respectively; while the balance of ₦118.01 billion was allocated to the 13.0 per cent Derivation Fund for distribution among oil-producing states. Total disbursement in 2022Q1 was 10.7 per cent and 48.2 per cent lower than the budget benchmark allocations in 2021Q4 and the budget benchmark, respectively.

Table 6: Federally-Collected Revenue and Distribution to the Three-Tiers of Government (₦ Billion)

	2021Q1	2021Q4	2022Q1 1/	Budgeted
Federation Revenue (Gross)	2,481.36	2,594.26	2,530.49	4,598.25
Oil	1,135.25	1,115.17	799.10	2,375.11
Crude Oil & Gas Exports	15.05	15.68	0.00	202.71
PPT & Royalties	666.79	834.06	610.94	1592.74
Domestic Crude Oil/Gas Sales	427.92	234.05	162.70	126.13
Others	25.48	31.38	25.46	453.53
Non-oil	1,346.11	1,479.09	1,731.39	2,223.15
Corporate Tax	289.31	374.60	343.97	496.95
Customs & Excise Duties	267.14	394.55	385.72	464.64
Value-Added Tax (VAT)	486.04	533.31	570.35	610.45
Independent Revenue of Fed. Govt.	247.58	167.83	422.56	554.05
*Others**	56.05	8.80	8.79	97.06
Total Deductions/Transfers**	*845.47*	667.36	863.28	1,049.22
Federally-Collected Revenue Less *Deductions & Transfers*	1,635.89	1,926.90	1,667.21	3549.03
plus:				
Additional Revenue	19.89	160.92	197.83	52.44
Excess Crude Revenue	*0.00*	*0.00*	*0.00*	*0.00*
Non-oil Excess Revenue	*0.52*	*150.44*	*187.48*	*52.44*
Exchange Gain	*19.37*	*10.48*	*10.35*	*0.00*
Total Distributed Balance	*1,655.78*	*2,087.82*	*1865.04*	*3,601.47*
Federal Government	***650.45***	***847.04***	***720.22***	***1,527.27***
Statutory	*582.65*	*772.55*	*640.55*	*1,442.44*
VAT	*67.80*	*74.49*	*79.67*	*84.83*
State Government	***521.54***	***640.16***	***590.44***	***1,036.62***
Statutory	*295.53*	*391.85*	*324.89*	*753.86*
VAT	*226.01*	*248.31*	*265.55*	*282.76*
13% Derivation	***97.75***	***124.71***	***118.01***	***260.33***
Local Government	***386.05***	***475.91***	***436.37***	***777.26***
Statutory	*227.84*	*302.10*	*250.48*	*579.33*
VAT	*158.20*	*173.82*	*185.89*	*197.93*

Source: OAGF and CBN Staff Estimates
Notes: 1/ Provisional
* Includes Education Tax, Customs Special Levies (Federation Account), National Technology Development, Customs Special Levies, Solid Mineral & Other Mining revenue, and other Non-regular earnings.
** Deductions include cost of revenue collections and JVC cash calls, while transfers entails provisions for FGN Independent revenue and other Non-Federation revenue.

2.2.2. Fiscal Operations of the Federal Government

Federal government retained revenue

The retained revenue of the FGN in 2022Q1 was boosted by the significant increase in receipts from Value-Added Tax (VAT) and FGN Independent Revenue. At ₦1,142.77 billion, the retained revenue of the FGN exceeded receipts in the preceding quarter by 12.6 per cent. However, the longstanding revenue challenge was evident, as the outcome in the quarter was 57.6 per cent short of projection in the prorated quarterly budget.

Table 7: FGN Retained Revenue (₦ Billion), First Quarter 2022

	Q1-21	Q4-21	Q1-22	Benchmark
FGN Retained Revenue	973.36	1,014.87	1,142.77	2,685.20
Federation Account	*573.48*	*688.42*	*536.88*	*1,434.57*
VAT Pool Account	*67.80*	*74.49*	*79.67*	*84.83*
FGN Independent Revenue	*247.58*	*167.83*	*422.56*	*554.05*
Excess Oil Revenue	*0.00*	*0.00*	*0.00*	*0.00*
Excess Non-Oil	*0.00*	*79.25*	*98.76*	*0.00*
Exchange Gain	*8.90*	*4.88*	*4.90*	*0.00*
*Others**	*75.60*	*0.00*	*0.00*	*611.75*

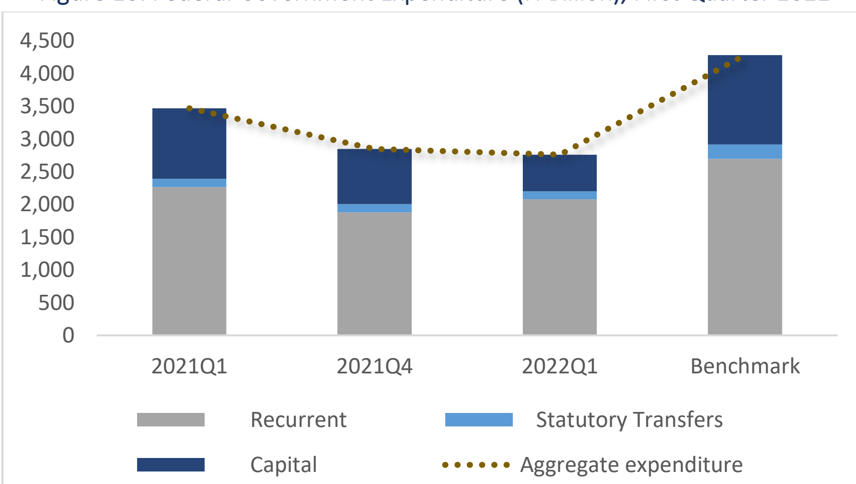
Source: Compiled from OAGF figures

Note: * Include revenue from Special Accounts and Special Levies

Federal Government expenditure

Driven by lower capital spending, the provisional aggregate expenditure of the FGN fell by 3.1 per cent and 35.5 per cent, relative to 2021Q4 and the 2022 budget benchmark, respectively. Provisional aggregate expenditure of the FGN amounted to ₦2,760.61 billion in the review period. A breakdown revealed that recurrent expenditure, capital expenditure and transfers accounted for 75.3 per cent, 20.2 per cent and 4.5 per cent of total expenditure, respectively.

Figure 16: Federal Government Expenditure (₦ Billion), First Quarter 2022



Source: CBN Staff Estimates and compilation from OAGF data

Overall fiscal balance

The effect of revenue increase outweighed the decline in aggregate expenditure, inducing a contraction in fiscal deficit, relative to the preceding quarter. At ₦1,617.84 billion, the provisional fiscal deficit of the FGN was 11.8 per cent below the level in the preceding quarter, but overshot the quarterly target of ₦1,596.52 billion by 1.3 per cent.

Table 8: Fiscal Balance (₦ Billion), First Quarter 2022

	2021Q1	2021Q4	2022Q1	Benchmark
Retained revenue	973.36	1,014.87	1,142.77	2,685.20
Aggregate expenditure	3,466.83	2,849.96	2,760.61	4,281.72
Recurrent	2,267.38	1,879.46	2,078.05	2,697.45
Non-debt	1,147.24	1,160.51	1,444.46	1,727.46
Debt Service	1,120.14	718.95	633.59	969.99
Statutory Transfers	124.13	124.13	124.14	217.42
Capital	1,075.32	846.36	558.42	1,366.85
Primary balance	-1,373.33	-1,116.13	-984.25	-626.53
Overall balance	-2,493.48	-1,835.09	-1,617.84	-1,596.52

Source: CBN Staff Estimates and compilation from OAGF data

Federal Government Debt

Though public borrowing was in tandem with the Medium-Term Debt Strategy (2020-2023) of the FGN, debt levels remained elevated in the review period. At ₦41,604.06 billion at end-March 2022, total public debt outstanding rose by 5.2 per cent relative to the level at end-December 2021. Domestic debt accounted for 60.1 per cent of total debt, while external debt obligations constituted 39.9 per cent. Of the Total Public Debt outstanding, FGN (including State governments' external debt, which forms part of the FGN's contingent liability) accounted for ₦36,761.22 billion, while the State government's Domestic debt stock accounted for the balance of ₦4,842.84 billion.

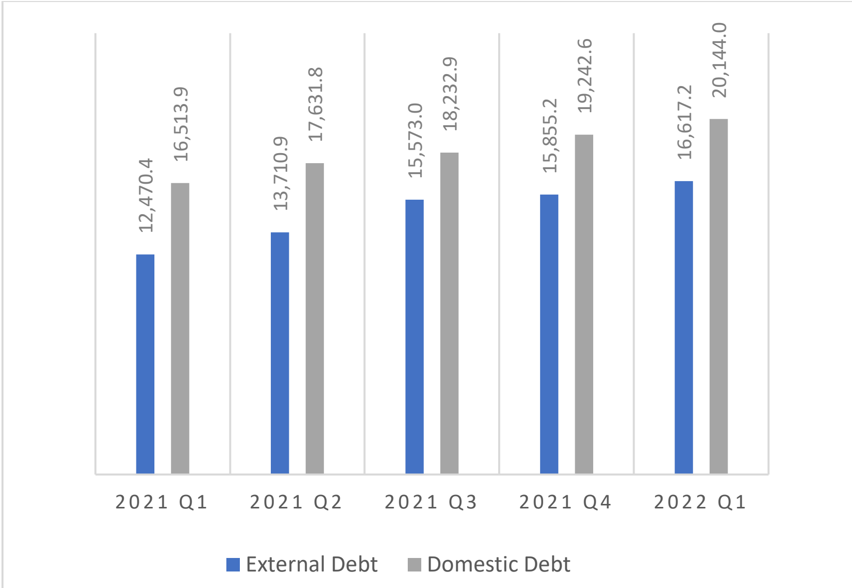
Further analysis shows that FGN domestic debt stood at ₦20,144.03 billion. FGN bond issues maintained its dominance, accounting for 70.7 per cent of the total domestic debt, followed by Treasury Bills (21.9 per cent), Promissory Notes (3.8 per cent), FGN Sukuk (3.0 per cent), and others[1] (0.6 per cent).

Regarding holders of Nigeria's external debt, which stood at ₦16,617.19 billion, multilateral, commercial and bilateral loans accounted for 47.4 per cent, 39.8 per cent and 11.3 per cent, respectively, while 'other' loans constituted 1.5 per cent.

Debt service obligations in 2022Q1, amounted to ₦897.17 billion, compared with ₦428.60 billion in 2021Q4. The rise was attributed to the principal repayments and redemption of matured debt obligations.

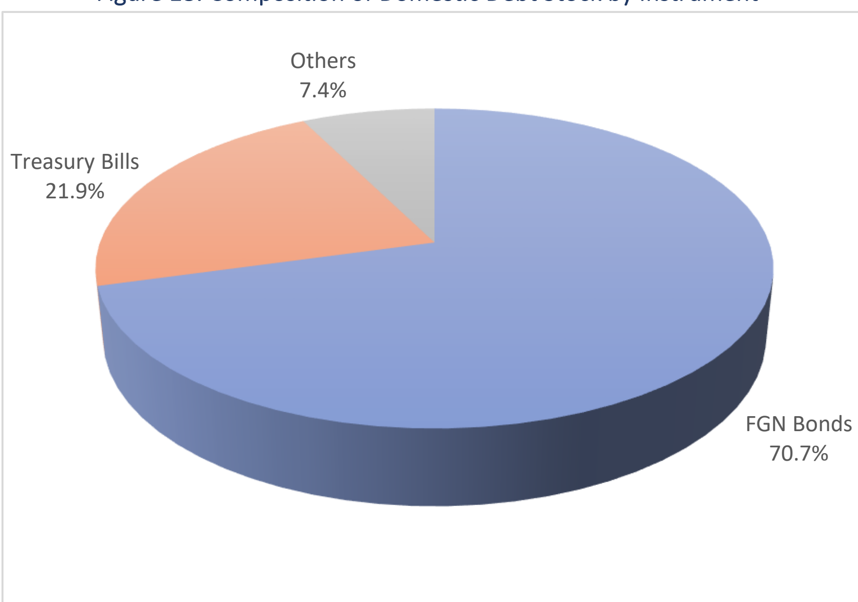
[1] This includes Treasury bonds (0.4 per cent), Green bond (0.1 per cent) and Special FGN Savings bond (0.1 per cent).

Figure 17: FGN External and Domestic Debt Composition (₦ Billion)



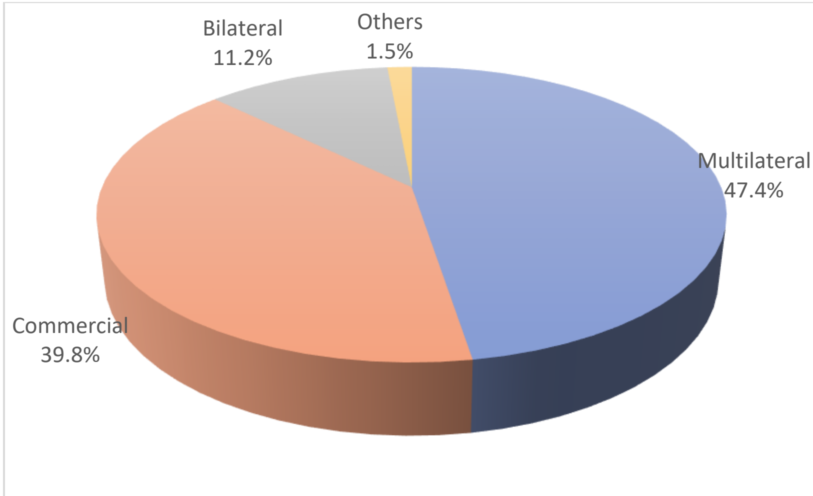
Source: Compiled from DMO figures

Figure 18: Composition of Domestic Debt Stock by Instrument



Source: Compiled from DMO figures

Figure 19: Composition of External Debt Stock by Holders



Source: Compiled from DMO figures

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2.3 MONETARY AND FINANCIAL SECTOR

Summary

The central bank continued to promote growth and productivity in the real sector by ensuring credit availability at an affordable cost. Consequently, the broad money supply expanded, and short-term interest rates fell below levels in the preceding quarter. The capital market sustained a bullish run on the back of portfolio switching from fixed-income investments to equities and increased investors' sentiment. Overall, the banking system remained safe and sound as gleaned from the relevant indicators.

2.3.1 Monetary Developments

Reserve Money

Reserve money expanded in 2022Q1, driven largely, by the growth in liabilities to Other Depository Corporations (ODCs). Reserve money grew by 7.6 per cent to ₦14,301.77 billion at end-March 2022, relative to its level at end-December, 2021. The growth was attributed to increase in liabilities to ODCs by 10.89 per cent, due to rise in required reserves and transferable deposits of ODCs. This outweighed the 2.4 per cent decline in currency-in-circulation (CIC) (Table 9).

Table 9: Components of Reserve Money (₦ Billion)

	Mar-21	Dec-21	Mar-22
Monetary Base	**13,338.12**	**13,295.15**	**14,301.77**
Currency-in-Circulation	*2,808.73*	*3,325.15*	*3,245.60*
Liabilities to ODCs	*10,529.39*	*9,969.99*	*11,056.17*
Money Multiplier (M3)	2.90	3.30	3.19

Source: Central Bank of Nigeria

Monetary Aggregates

Despite the decrease of the money multiplier by 0.11 points to 3.19, the relatively higher monetary base drove the expansion of the total broad money supply in the review period. Consequently, the broad money supply (M_3) grew by 4.19 per cent to ₦45,654.46 billion from its level at end-December 2021. From the asset side, the growth was attributed to the 8.82 per cent growth in Net Domestic Assets (NDA). However, the Net Foreign Assets (NFA) declined by 14.19 per cent.

Broad money supply

The rise in NDA reflected the 22.46 per cent growth in net claims on central government and the 3.35 per cent growth in claims on other sectors. The rise in both the net claims on central government and claims on other sectors, resulted in an 8.59 per cent rise in domestic claims of the banking system. Of the total claims on other sectors, credit to the private sector grew by 1.80 per cent. The gap between the growth in claims on other sectors and the target of 17.73 per cent for the 2022 fiscal year indicates available credit absorptive capacity in the economy.

The decline in NFA, on the other hand, was attributed to the 5.66 per cent increase in liabilities as claims on non-residents fell by 2.74 per cent. Overall, the NFA constituted a drag on broad money growth by 2.85 percentage points (Table 10).

Table 10: Money and Credit Growth over preceding December (Per cent)

	Contribution to M_3 growth (Mar-22)	Mar-21	Dec-21	Mar-22	2022 Benchmark
Net Foreign Assets	-2.85	-25.04	-1.77	-14.19	
Claims on Non-residents	-1.30	-2.95	5.26	-2.74	-
Liabilities to Non-residents	1.55	15.40	11.10	5.66	-
Net Domestic Assets	7.04	6.89	16.95	8.82	-
Domestic Claims	9.52	5.12	17.25	8.59	16.23
Net Claims on Central Government	6.83	5.00	15.96	22.46	12.26
Claims on Central Government	7.06	6.30	24.08	12.48	-
Liabilities to Central Government	0.23	8.06	35.07	0.86	-
Claims on Other Sectors	2.69	5.17	17.75	3.35	17.73
Claims on Other Financial Corporations	-0.15	-1.68	-5.32	-0.82	-
Claims on State and Local Government	1.16	1.92	20.63	20.33	-
Claims on Public Nonfinancial Corporations	0.70	9.73	13.24	34.77	-
Claims on Private Sector	0.98	8.40	27.88	1.80	-
Total Monetary Assets (M_3)	**4.19**	**-0.47**	**12.63**	**4.19**	**14.92**
Currency Outside Depository Corporations	-0.49	-7.61	17.74	-7.36	-
Transferable Deposits	3.78	3.67	14.15	10.87	-
Narrow Money (M_1)	3.28	1.89	14.72	7.92	-
Other Deposits	0.91	20.63	16.63	1.55	-
Broad Money (M_2)	4.19	1.21	15.83	4.19	14.92
Securities Other Than Shares	0.00	-81.98	-99.92	-99.92	-
Total Monetary Liabilities(M_3)	**4.19**	**-0.47**	**12.63**	**4.19**	**14.92**

Source: Central Bank of Nigeria

Sectoral Utilisation of Credit

Growth in sectoral credit allocation was in line with the Bank's effort at boosting productivity and output growth in the real economy. Relative to the preceding quarter, total credit utilisation by sectors grew by 3.71 per cent to ₦25,282.36 billion. Credit to the agricultural sector grew highest by 10.08 per cent to ₦1,604.72 billion, from ₦1,457.82 billion in 2021Q4. This was followed by the services sector with a credit expansion of 5.01 per cent to ₦13,660.76 billion, from ₦13,009.23 billion in the preceding quarter. Similarly, credit to industry grew by 1.07 per cent to ₦10,016.88 billion, from its level in the previous quarter.

The relative share of the sectors in total credit, services and industry remained dominant. Relative to their values in the preceding quarter, the share of credit to the services sector grew by 0.67 percentage points to 54.03 per cent, while the agriculture sector increased by 0.37 percentage points to 6.35 per cent. However, the share of credit to the industry shed 1.04 percentage points to 39.62 per cent (Table 11).

Table 11: Relative Share in Total Sectoral Credit (Per cent)

	Mar-21	Dec-21	Mar-22
Agriculture	5.29	5.98	6.35
Industry	41.93	40.66	39.62
Of which Construction	*4.77*	*4.39*	*4.27*
Services	52.78	53.36	54.03
Of which Trade/General Commerce	*6.36*	*7.01*	*7.05*

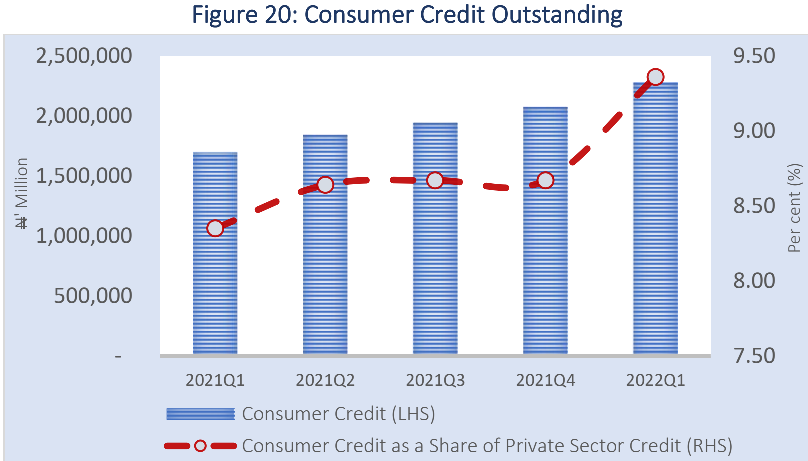
Source: Central Bank of Nigeria

Consumer Credit

Personal loans drove growth in consumer credit in the period under review. At ₦2,279.45 billion, consumer credit outstanding rose by 9.92 per cent at end-March 2022 from ₦2,073.76 billion at end-December 2021. The growth was driven by the increase in the volume of consumer credit extended by the Other Depository Corporations (ODCs) for personal loans, which grew by 14.57 per cent.

The share of consumer credit in total private sector credit rose by 9.36 per cent, compared to an increase of 8.67 per cent in the preceding quarter (Figure 20). The growth in consumer credit was attributed to the Bank's policies to deepen the financial services space and the improved Know Your Customer (KYC) process.

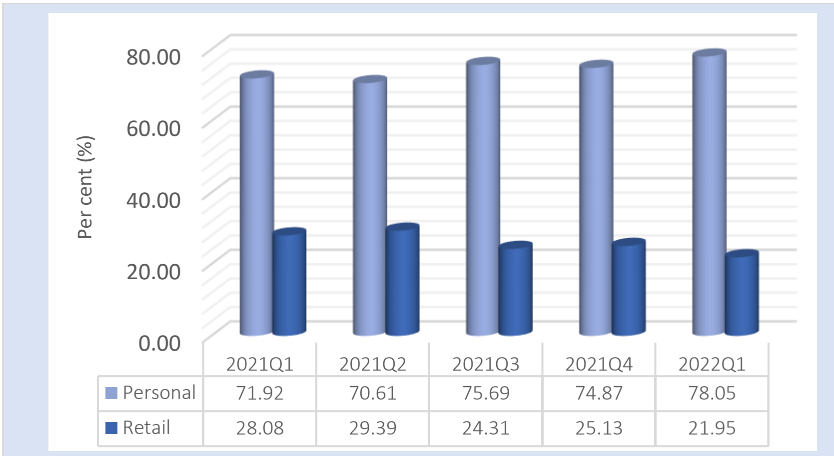
Figure 20: Consumer Credit Outstanding



Source: Central Bank of Nigeria

A disaggregation of consumer loans revealed that personal loans sustained its dominance, accounting for 78.05 per cent, while retail loans accounted for the remaining share of 21.95 per cent (Figure 21).

Figure 21: Composition of Consumer Credit (Per cent)



Source: Central Bank of Nigeria

2.3.2 Financial Developments

2.3.2.1 Money Market Developments

Industry Liquidity

There was higher liquidity in the banking system during the quarter, which resulted in a decline in short-term interest rates. The average net industry liquidity position rose by 109.98 per cent in 2022Q1 to ₦257.65 billion, from ₦122.70 billion in the preceding quarter, buoyed by the repayment of matured CBN bills, treasury bills and FAAC allocation.

Open Market Operations

In a bid to ensure monetary stability, the Bank wielded Open Market Operations (OMO) and other instruments to manage liquidity. CBN bills with maturity of 89 -362 days were auctioned in the review quarter. Total amount offered, subscribed and allotted, rose to ₦570.00 billion, ₦3,333.67 billion and ₦566.09 billion, respectively, from ₦247.00 billion, ₦722.68 billion and ₦237.75 billion in 2021Q4, while the bid rate declined to 6.48 per cent (± 1.81) from 6.90 per cent (± 1.85).

Standing Facility Windows

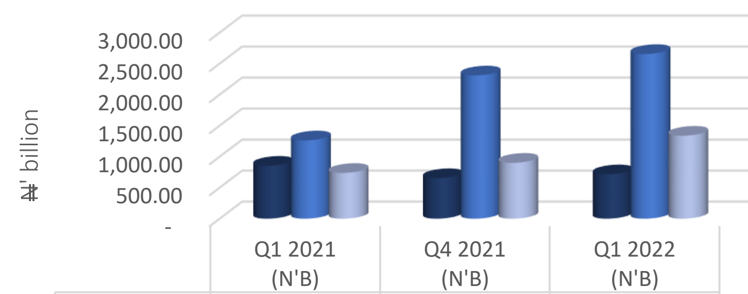
Activities at the standing facility window, during the quarter, revealed more transactions at the Standing Deposit Facility (SDF) than the Standing Lending Facility (SLF), a reflection of increased banking system liquidity. Applicable rates for the SLF and SDF remained at 12.50 per cent and 4.50 per cent, respectively. Total SDF rose significantly by 128.98 per cent to ₦1,363.87 billion from ₦595.64 billion in the preceding quarter.

Expectedly, transactions at the SLF decreased by 52.34 per cent to ₦902.17 billion from ₦1,893.62 billion in the preceding quarter.

Primary Market

At the primary market, investment in debt securities was skewed to longer tenored instruments. A total of ₦715.57 billion, ₦2,654.78 billion, and ₦1,337.60 billion worth of NTBs, were offered, subscribed, and allotted, compared with ₦653.62 billion, ₦2,309.44 billion, and ₦901.19 billion, in 2021Q4, respectively. Subscriptions for NTBs were skewed in favour of the 364-day tenor, which accounted for ₦2,536.04 billion or 95.53 per cent of total subscriptions in 2022Q1, signifying investors' appetite for longer tenor instruments, a reflection of improving confidence in the banking system (Figure 22).

Figure 22: Primary Market NTBs, First Quarter 2022 (₦ billion)



	Q1 2021 (N'B)	Q4 2021 (N'B)	Q1 2022 (N'B)
Offer	853.63	653.62	715.57
Subscription	1,262.20	2,309.44	2,654.78
Allotment	738.00	901.19	1,337.60

Source: Central Bank of Nigeria

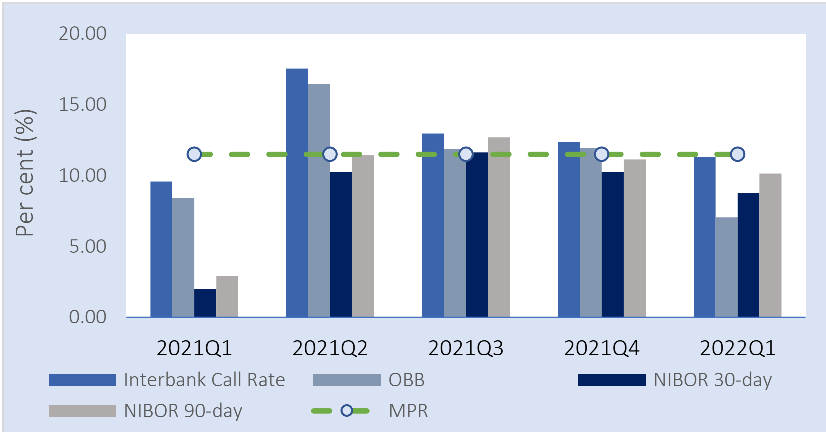
Tranches of the 10- and 20-year FGN bonds were reopened and offered for sale during the review period. Subscriptions to FGN bonds increased significantly to ₦1,481.38 billion in 2022Q1 from ₦650.47 billion in 2021Q4, reflecting renewed investors' confidence in the market.

Interest Rate Developments

Movement in key short-term interest rates was consistent with improved banking system liquidity. Average daily inter-bank call and Open-Buy-Back rates were 4.50 per cent (±5.75) and 0.57 per cent (±7.36), respectively, compared with 4.00 per cent (±10.5) and 3.52 (±7.65) in 2021Q4. The average interbank and OBB rates shed 1.03 and 4.91 percentage points, to 11.33 per cent and 7.05 per cent, relative to their rates in the preceding quarter, respectively. Other rates such as the 30-day and 90-day NIBOR traded at averages of 8.77 per cent and 10.15 per cent compared with 10.24 per cent and 11.12 per cent in 2021Q4, respectively.

With respect to policy stance, the Monetary Policy Committee (MPC) at its meeting held in March 2022, voted to maintain the Monetary Policy Rate (MPR) at 11.50 per cent with the asymmetric corridor for lending and deposit rates at +100/-700bps. The Cash Reserve Requirement (CRR) and Liquidity Ratio were also retained at 27.50 per cent and 30.00 per cent, respectively.

Figure 23: Interest Rate Developments (Per cent)

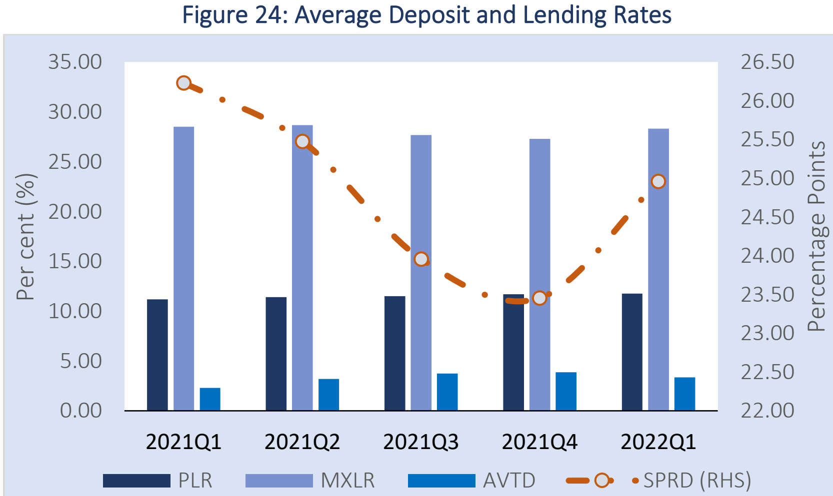


Source: Central Bank of Nigeria

Lending rates were relatively stable during the quarter, as the average prime and maximum lending rates closed at 11.77 per cent and 28.33 per cent, from 11.70 per cent and 27.31 per cent in 2021Q4, respectively.

However, the average term-deposit rate shed 0.49 percentage points to 3.37 per cent, leading to a widening of the spread between the average term deposit and maximum lending rates to 24.96 percentage points from 23.46 percentage points in 2021Q4.

Figure 24: Average Deposit and Lending Rates



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

2.3.2.2 Capital Market Developments

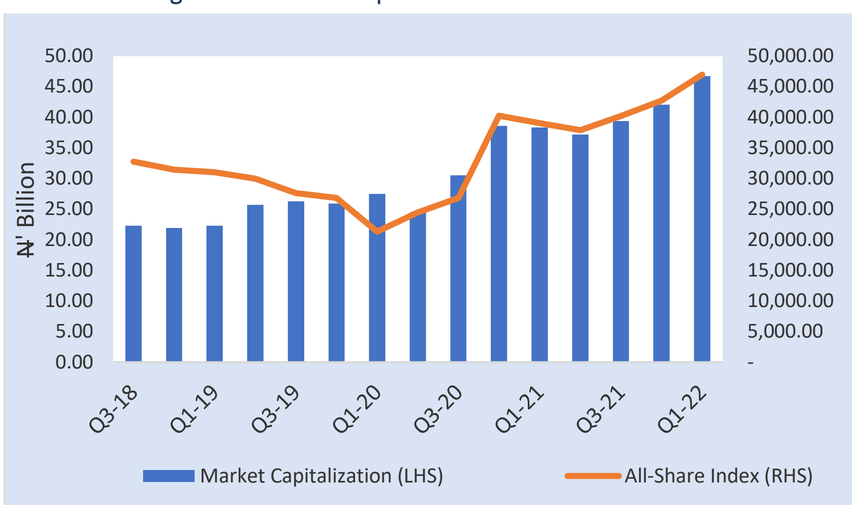
Market Capitalisation

Activities on the Nigerian Exchange (NGX) Limited sustained a bullish run in 2022Q1, attributed to portfolio switching from fixed-income investments and eased financial conditions. The aggregate market capitalisation appreciated by 11.2 per cent to ₦46.75 trillion, from ₦42.05 trillion in 2021Q4 (Figure 25). A breakdown of the components showed that equities and debt increased by 9.2 per cent and 0.1 per cent to ₦25.31 trillion and ₦21.43 trillion, respectively.

NGX All Share Index

The equities market capitalisation, which constituted 54.2 per cent of the total, rose by 9.2 per cent to ₦25.32 trillion, relative to ₦22.30 trillion at end-December 2021. The All-Share Index (ASI) opened at 43,026.23 at the beginning of the quarter, and closed at 46,965.48 at end-March 2022, reflecting an increase of 9.2 per cent. The increase in the NGX ASI was attributed to gains by blue-chip companies.

Figure 25: Market Capitalisation and All-Share Index



Source: Nigeria Exchange (NGX) Limited

In the review quarter, eleven (11) sectoral indices trended upward, while seven (7) trended downward (Table 12).

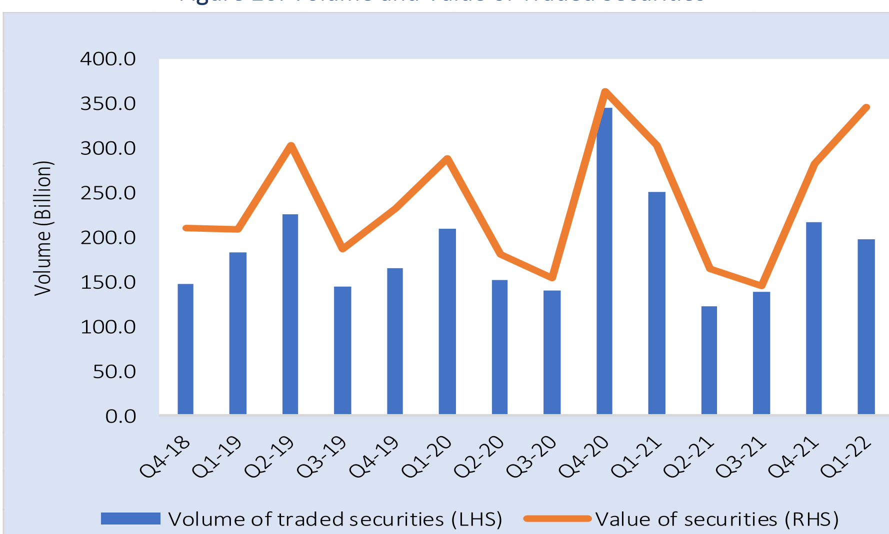
The total turnover volume during the review period, fell by 9.2 per cent to 22.24 billion shares, while the value rose by 22.1 per cent to N346.24 billion, respectively, in 290,238 deals, from 24.48 billion shares worth N283.58 billion, in 263,962 deals, at the end of 2021Q4 (Figure 26).

Table 12: Nigeria Exchange (NGX) Limited Indices

NGX Indices	Q4 2021	Q1 2022	Changes (%)
NGX -OIL/GAS	345.01	440.44	27.66
NGX -AFR Div Yield	2,559.43	2,965.93	15.88
NGX Growth Index	1,269.66	1,446.50	13.93
NGX -MERI GROWTH	1,805.02	2,045.57	13.33
NGX -MAIN BOARD	1,748.37	1,973.01	12.85
NGX -PREMIUM	4,167.78	4,494.12	7.83
NGX -INDUSTRIAL	2,008.30	2,116.51	5.39
NGX -PENSION	1,624.09	1,704.43	4.95
NSE- 30- INDEX	1,722.30	1,791.07	3.99
NGX -LOTUS	3,009.51	3,092.84	2.77
NGX -BANKING	406.07	409.28	0.79
NGX - CG	1,278.00	1,276.56	-0.11
NGX Sovereign	860.95	858.28	-0.31
NGX- MERI VALUE	2,134.95	2,127.56	-0.35
NGX -Asem	670.65	658.99	-1.74
NGX-CONSUMER GOODS	589.28	554.16	-5.96
NGX -INSURANCE	198.11	186.16	-6.03
NGX -AFR BANK VALUE	1,038.82	968.26	-6.79

Source: Nigeria Exchange (NGX) Limited.

Figure 26: Volume and Value of Traded Securities



Source: Nigeria Exchange (NGX) Limited.

There were ten new and two supplementary listings in 2022Q1 (Table 13). Access Bank Plc was delisted, while Access Holdings Plc was listed. The full suspension of Wema Bank was lifted with the completion of capital restructuring, and its shares were relisted at ₦2.76 per share. There were also 2 change of bond names, during the review period.

Table 13: Listings on the Nigerian Stock Exchange at end-March 2022

Companies/ Securities	Units	Remarks	Listing
BUA Foods Plc	18,000,000,000	Ordinary shares at ₦40.00 per share	New
7.322% FGNSB DEC 2023	99,014	Savings Bond	New
8.322% FGNSB DEC 2024	203,036	Savings Bond	New
7.220% FGNSB FEB 2024	163,689,000.00	Savings Bond	New
8.220% FGNSB FEB 2025	483,109,000.00	Savings Bond	New
9.470% FGNSB MAR 2024	626,544	Savings Bond	New
10.470% FGNSB MAR 2025	1,527,278	Savings Bond	New
13.360% ADV NOV 2028	11,444,000 7-year Bond	Senior unsecured bonds	New
13.65% ADV N0V 2031	13,856,000 10-year Bond	Senior unsecured bonds	New
Family Homes Sukuk Issuance Program Plc	10,000,000	Sukuk Bonds	New
Abbey Mortgage Bank Plc.	3,692,307,692	Rights Issue at 82 kobo per share	Supplementary
13.00% FGN JAN 2042	262,022,200	FGN Bonds	Supplementary

Source: Nigeria Exchange (NGX) Limited.

Notes: FGNSB = Federal Government Savings Bond; ADV = Ardova Plc.; LFZC = Lagos Free Zone Company ; GTEED = Guaranteed ; TSL=; SPV= Special Purpose Vehicle

Table 14: Change of Bond names on the NSE at end-March 2022

Company	Old name	New name
Lagos Free Zone Company (LFZC)	LFZC FUNDING SPV PLC BOND	13.25% LFZC GTEED SEP 2041
TSL	TSL-SPV Bond	10.00% TSL GTEED OCT 2030

Source: Nigeria Exchange (NGX) Limited.

Notes: GTEED = Guaranteed; SPV= Special Purpose Vehicle

2.3.2.3 Financial Soundness Indicators

The financial sector was stable, as key financial soundness indicators were within regulatory thresholds. The industry Capital Adequacy Ratio (CAR) rose by 0.1 percentage point to 14.6 per cent from 14.5 per cent in the preceding quarter. The ratio was above the minimum threshold of 10.00 per cent. The banks' loan quality indicator (non-performing loan ratio) rose by 0.2 percentage point to 5.1 per cent, relative to the preceding quarter. The industry liquidity ratio (LR) was above the regulatory benchmark of 30.0 per cent. The LR increased by 0.9 percentage points to 55.8 per cent in the review period, compared with 54.9 per cent recorded in the preceding quarter.

2.4. EXTERNAL SECTOR DEVELOPMENTS

2.4.1. External Balance

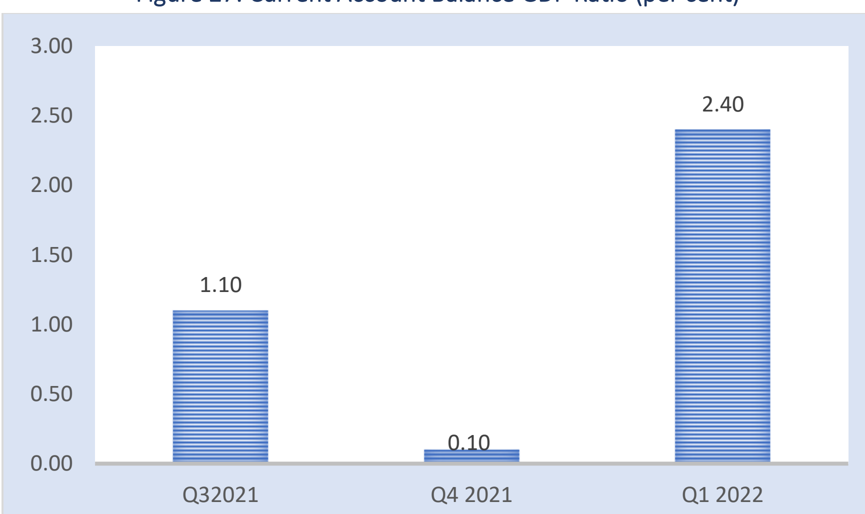
Summary

The fallout of the Russia-Ukraine conflict resulted in a surge in international crude oil prices which improved the external sector's performance. Consequently, the current account recorded an impressive surplus of US$2.58 billion, compared with US$0.05 billion in the preceding quarter, attributed largely to improved export earnings. Also, the financial account recorded a net acquisition of financial assets of US$0.78 billion. The external reserves at end-March 2022 was US$39.28 billion, compared with US$40.23 billion at end-December 2021. The level could finance 8.6 months of goods only or 6.8 months of goods and services import. Public external debt at end-March 2022 stood at US$39.97 billion, compared with US$38.39 billion at end-December 2021. The average exchange rate of the naira per US dollar at the I&E window was relatively stable.

2.4.2. Current & Capital Account Developments

The favourable international crude oil and gas prices improved the balance of trade position with increased export earnings. Consequently, the current account balance showed a higher surplus of US$2.58 billion (2.4 per cent of GDP), compared with US$0.05 billion (0.1 per cent of GDP) in 2021Q4.

Figure 27: Current Account Balance GDP Ratio (per cent)



Source: CBN

Export Performance

Export earnings rose by 21.9 per cent to US$17.30 billion in 2022Q1, from US$14.19 billion in 2021Q4. A disaggregation showed that crude oil and gas export receipts increased by 28.2 per cent to US$15.36 billion, from US$11.98 billion in the preceding quarter. The development was driven, majorly, by the increase in the average price of crude oil. However, non-oil and electricity export receipts declined by 11.8 per cent to US$1.95 billion, from US$2.21 billion in the preceding quarter. In terms of share of total exports, crude oil and gas export receipts remained dominant, accounting for 88.7 per cent, while non-oil and electricity export accounted for the balance of 11.3 per cent.

Merchandise Import

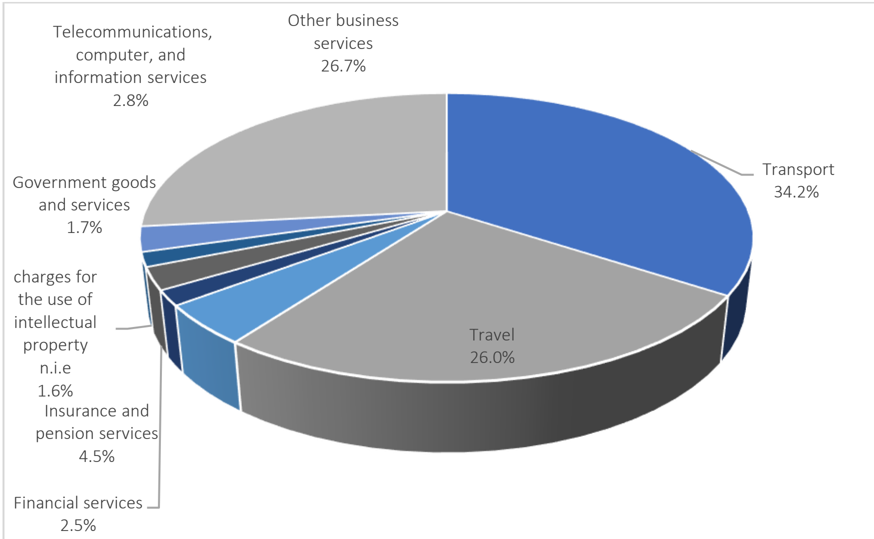
The global supply chain disruptions, on account of the Russia-Ukraine crisis, affected the import of non-oil products, particularly agricultural products. Thus, merchandise import fell by 3.0 per cent to US$13.66 billion in 2022Q1, from US$14.09 billion in the preceding quarter. This was occasioned majorly, by the decline in the importation of non-oil products by 8.3 per cent to US$9.45 billion, from US$10.31 billion in the preceding quarter. Import of petroleum products, however, increased by 11.4 per cent to US$4.21 billion, from US$3.78 billion. The share of non-oil import remained dominant, accounting for 69.2 per cent of total import, while petroleum products represented the balance of 30.8 per cent.

A breakdown of non-oil import by sector revealed that importation of raw materials and machinery for industrial use accounted for the highest share of 52.6 per cent, followed by manufactured products, with a share of 22.7 per cent. Importation of food products accounted for 11.4 per cent, while oil, transport and mineral sectors accounted for 6.6, 2.9 and 2.6 per cent, respectively. Agricultural sector accounted for the balance of 1.2 per cent.

Services

The deficit in the services accounts narrowed to US$2.83 billion in 2022Q1, from US$3.25 billion in 2021Q4. A breakdown showed that payment for services during the quarter amounted to US$3.79 billion, while receipts for services was US$0.96 billion. Further breakdown showed that payments for transportation and other business services stood at US$1.64 billion and US$0.87 billion, accounting for 43.4 per cent and 23.0 per cent of total services payments, respectively. Payment for travel services amounted to US$0.77 billion, representing 20.3 per cent of the total, while payment for financial and telecommunication services was US$0.16 billion apiece or 4.3 per cent and 4.1 per cent of the total, respectively.

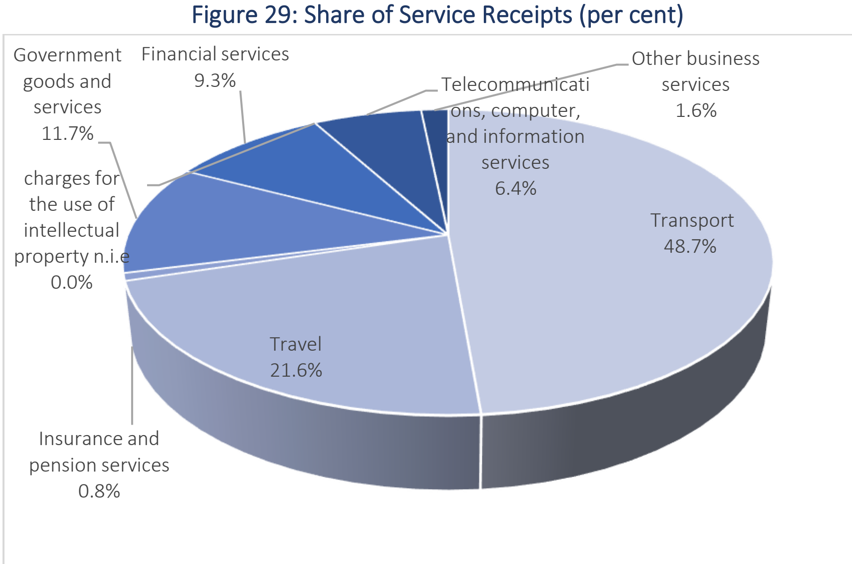
Figure 28: Share of Service Payments (per cent)



Source: Central Bank of Nigeria

Analysis of services receipts showed a marginal decline of 0.6 per cent to US$0.96 billion, from the previous quarter's level. Further breakdown showed that receipts from transportation and travel export stood at US$0.47 billion and US$0.21 billion, respectively, accounting for 48.7 per cent and 21.6 per cent of total services receipts, respectively. Receipts from government services amounted to US$0.11 billion, representing 11.7 per cent of the total, while financial services receipt was US$0.09 billion or 9.3 per cent of the total.

Figure 29: Share of Service Receipts (per cent)

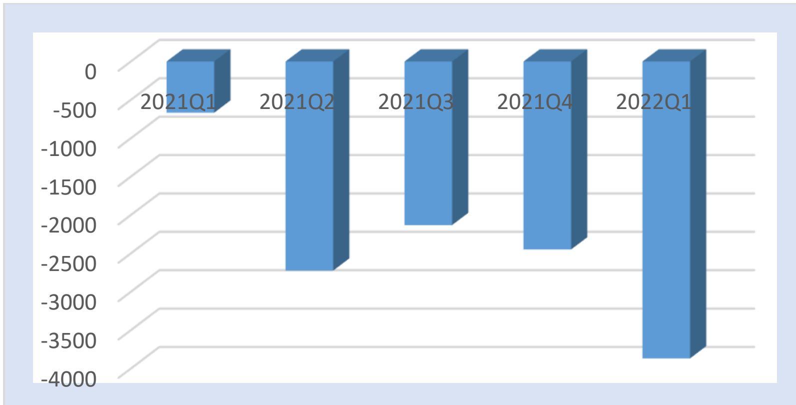


Source: Central Bank of Nigeria

Primary Income

Higher repatriation of dividends and profits by non-residents and interest payments on loans widened the deficit in the primary income account. The deficit widened by 58.0 per cent to US$3.87 billion in 2022Q1, compared with the US$2.45 billion in 2021Q4. The compensation of employees sub-account recorded a surplus of US$0.05 billion, a decreased of 10.1 per cent from US$0.06 in the preceding quarter.

Figure 30: Primary Income Balance (US$ Million)

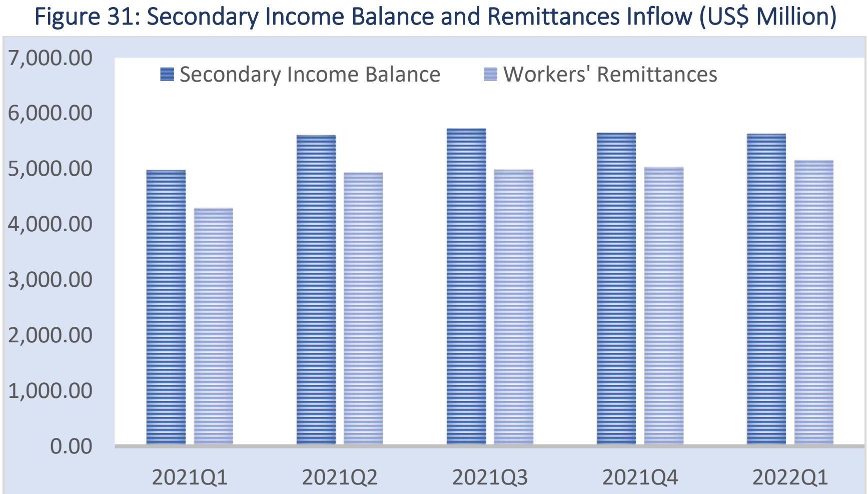


Source: Central Bank of Nigeria

Secondary Income

The inflow of Other Development Assistance (ODA) to the general government waned in the quarter. Consequently, the surplus in the secondary income account was US$5.63 billion, compared with US$5.65 billion in 2021Q4. The development was attributed to a decline in the receipts of general government transfers to US$0.56 billion from US$0.73 billion. However, personal transfers, including workers' remittances, rose by 2.5 per cent to US$5.16 billion in 2022Q1, from US$5.03 billion in 2021Q4.

Figure 31: Secondary Income Balance and Remittances Inflow (US$ Million)



Source: Central Bank of Nigeria

2.4.3. Financial Account

Financial Account Developments

The financial account posted a lower net acquisition of financial assets, reflecting higher incurrence of financial liabilities, relative to the preceding period. The financial account recorded a lower net acquisition of financial assets of US$0.78 billion (0.7 per cent of GDP), compared with US$5.15 billion (4.3 per cent of GDP) in the preceding quarter.

Net Incurrence of Liability

An inflow of US$3.33 billion was recorded in 2022Q1, contrasting with an outflow of US$2.85 billion in the preceding quarter. The development was due to an improved inflow of portfolio capital for the purchase of long-term securities and additional disbursement of multilateral loans to the general government. Foreign Direct Investment (FDI) divestment of US$0.18 billion was recorded, relative to an inflow of US$0.04 billion in the preceding quarter, resulting from reduced investments in equity and investment funds worth US$0.11 billion and debt instruments amounting to US$0.07 billion. Portfolio investment inflow of US$1.54 billion was recorded, relative to a reversal of US$3.01 billion in the previous quarter, on account of the acquisition of money market instruments by non-residents investors. Other investment inflow rose significantly to US$1.97 billion, from US$0.12 billion in the preceding quarter, as a result of inflow of foreign loans to the general government.

Net Acquisition of Asset

Aggregate financial assets was US$4.11 billion in 2022Q1, compared with US$2.30 billion in the preceding quarter, driven by the increase in other investment assets. Foreign Direct Investments (FDI) decreased significantly to US$0.05 billion, relative to the acquisition of US$0.75 billion in the preceding quarter, reflecting global economic uncertainties surrounding the Russia-Ukraine conflict. Similarly, investments in portfolio assets decreased to US$0.09 billion, compared with the acquisition of US$0.33 billion in the preceding quarter, owing to reduced purchase of debt securities by non-financial corporations and households, signifying low investors' confidence in the international debt market. However, other investment assets rose to US$5.13 billion in 2022Q1, relative to US$2.50 billion in the previous quarter, on account of an increase in foreign currency and deposit holdings of non-financial corporations and households. Furthermore, reserve assets recorded a lower depletion of US$0.88 billion, compared with US$1.28 billion in 2021Q4.

2.4.4. External Debt

Public Sector External Debt

Nigeria's public sector external debt stock at end-March 2022 stood at US$39.97 billion (9.2 per cent of GDP). A breakdown showed that the multilateral loans, from the World Bank, International Monetary Fund, and African Development Bank Group, amounted to US$18.96 billion, accounting for 47.4 per cent of the total. The sum of US$15.92 billion or 39.8 per cent of the total was borrowed from commercial sources in the form of Euro and Diaspora Bonds. Loans from bilateral sources was US$4.50 billion, or 11.3 per cent of the total, while promissory notes were US$0.59 billion, or 1.5 per cent of the total debt stock.

The external debt service stood at US$0.55 billion at end-March 2022, relative to US$0.29 billion in the preceding quarter. A breakdown shows that the principal repayment was US$0.15 billion, accounting for 27.3 per cent of the entire payment. Interest payment totalled US$0.36 billion, or 65.6 per cent of the total, while other payments made up the balance. An analysis of interest payments showed that interest payment (US$0.25 billion) on commercial borrowings accounted for 69.4 per cent of the total; multilateral institutions (US$0.06 billion) accounted for 16.7 per cent of the total, while interest payments on bilateral loans accounted for the balance.

2.4.5. International Investment Position (IIP)

International Investment Position

Nigeria's International Investment Position (IIP) recorded a net financial liability of US$70.83 billion at end-March 2022. The stock of financial assets increased by 3.3 per cent to US$107.65 billion at end-March 2022, from US$104.25 billion at end-December 2021. This was due, largely, to an increase in the stock of other investments by 9.8 per cent to US$49.89 billion. However, direct investment decreased by 0.2 per cent to US$13.55 billion, driven by the decline in the purchase of debt instruments by non-financial corporations and households. Similarly, Foreign Portfolio Investment (FPI) decreased by 1.7 per cent to US$2.93 billion in the review period, compared to the US$2.98 billion in 2021Q4.

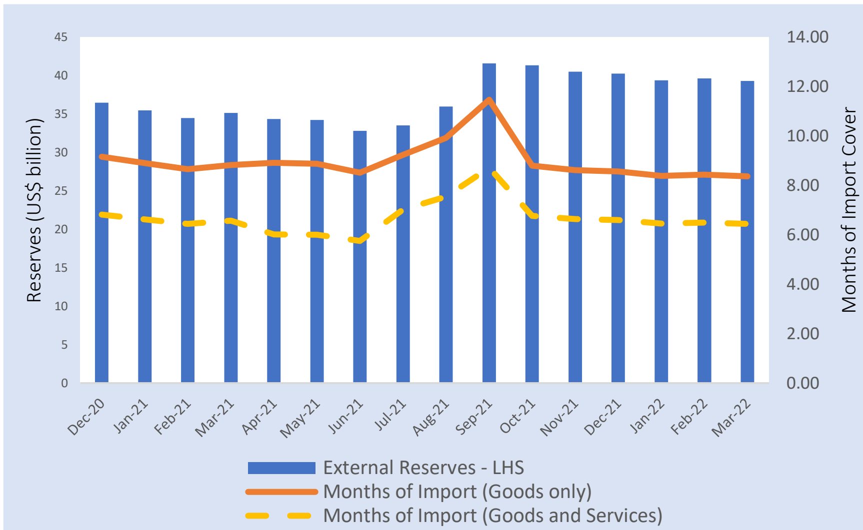
The stock of financial liabilities, representing foreign investors' claims on the economy, increased by 2.2 per cent to US$178.48 billion at end-March 2022, compared with US$174.55 billion at end-December 2021. The development reflected an increase in the stock of direct, portfolio and other investment liabilities, relative to the levels at end-December 2021. Specifically, the stock of portfolio investments increased by 7.2 per cent to US$35.25 billion from US$32.87 billion at end-December 2021.

2.4.6. International Reserves

International Reserves

The foreign exchange reserves remained above the benchmark of 3.0 months of import cover. The external reserves stood at US$39.28 billion at end-March, 2021, relative to US$40.23 billion at end -December 2021. The external reserves could cover 6.8 months of import for goods and services or 8.6 months of import for goods only.

Figure 32: External Reserves and Months of Import Cover



Source: Central Bank of Nigeria

A breakdown of the external reserves by ownership showed that the share of CBN was US$37.78 billion (96.19 per cent); Federal Government, US$1.46 billion (3.72 per cent); while the Federation accounted for the balance of US$0.04 billion (0.09 per cent). In terms of currency composition, the US dollar was US$29.51 billion, (75.1 per cent); Special Drawing Rights, US$5.25 billion (13.4 per cent); Chinese Yuan, US$4.07 billion (10.4 per cent); Great Britain Pounds, US$0.25 billion (0.6 per cent); Euro, US$0.20 billion (0.5 per cent); and other currencies accounted for the balance.

2.4.7 Foreign Exchange Flows through the Economy

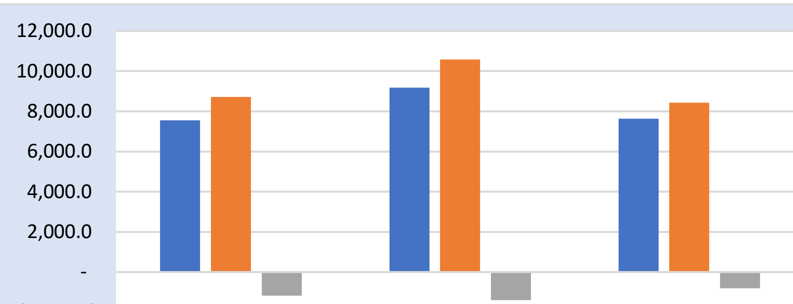
Foreign Exchange Flows through the Economy

The economy sustained a net foreign exchange inflow in 2022Q1 as observed in the preceding quarter. Foreign exchange inflow into the economy decreased by 14.4 per cent to US$17.62 billion, compared with US$20.58 billion in the preceding period. The development was driven by the 16.8 per cent and 12.4 per cent decline in inflow through the CBN and the autonomous sources, respectively. Foreign exchange inflow through the Bank, at US$7.63 billion, fell below the US$9.18 billion in the preceding quarter. Disaggregation shows that receipts from oil-related sources declined by 9.8 per cent to US$1.47 billion, relative to US$1.63 billion in the fourth quarter. Similarly, receipts from non-oil sources fell to US$6.16 billion, compared with US$7.54 billion. Foreign exchange inflow through autonomous sources also declined to US$9.99 billion, from US$11.40 billion in the preceding period, driven largely by a reduction in invisibles purchases.

Foreign exchange outflow through the economy fell by 10.1 per cent to US$10.98 billion, relative to the level in the fourth quarter. Of the total, outflow through the Bank amounted to US$8.43 billion, a decline of 20.3 per cent, relative to US$10.58 billion in the preceding quarter. This was attributed, largely, to decreases in third-party MDA transfers and public sector/direct payments. However, autonomous outflow rose by 55.3 per cent to US$2.55 billion, on account of increase in invisible imports.

Consequently, the economy recorded a net inflow of US$6.64 billion in 2022Q1, compared with US$8.36 billion in the preceding quarter. In contrast, a net outflow of US$0.80 billion was recorded through the Bank, compared with net outflow of US$1.40 billion in the preceding quarter. A lower net inflow of US$7.44 billion was recorded through autonomous sources in the review period, compared with US$9.76 billion in the fourth quarter.

Figure 33: Foreign Exchange Transactions through the Bank (US$ Billion)



	Q1 2021	Q4 2021	Q1 2022
Inflow	7,547.48	9,176.59	7,632.63
Outflow	8,721.26	10,577.32	8,434.56
Netflow	(1,173.77)	(1,400.73)	(801.93)

Inflow Outflow Netflow

Source: Central Bank of Nigeria

Foreign Exchange Market Developments

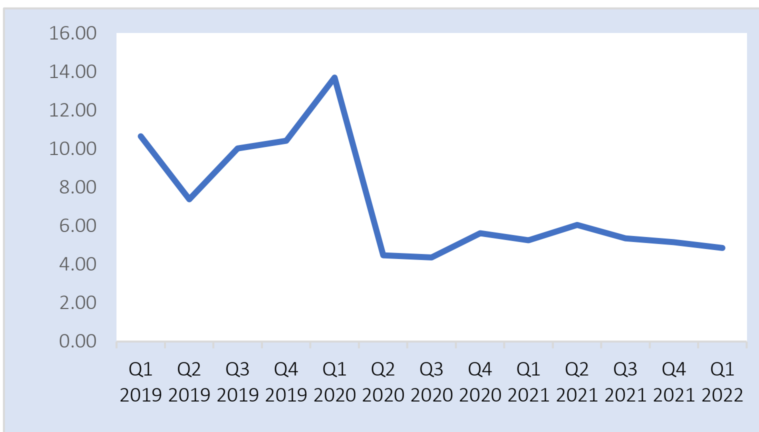
2.4.9 Developments in the Foreign Exchange Market

The Bank introduced the RT200 programme on February 25, 2022, with the objectives of enhancing and diversifying the sources of foreign exchange inflow, increasing the level of contribution of non-oil exports, and ensuring the stability and sustainability of foreign exchange inflows, and supporting export-oriented companies to expand operations.

2.4.10 Transactions in the Foreign Exchange Market

Total foreign exchange sales to authorised dealers by the Bank, at US$4.86 billion, decreased by 5.8 per cent, compared with the previous quarter's level. Disaggregation shows that foreign exchange sales at interbank/invisibles and SMIS windows declined by 16.9 per cent and 10.8 per cent to US$0.46 billion and US$1.79 billion, respectively, relative to the levels in the preceding quarter. Similarly, SME interventions and sales at the Investors & Exporters' (I&E) window, decreased by 2.0 per cent and 26.7 per cent to US$0.38 billion and US$1.41 billion, compared with the amounts in the preceding quarter. However, matured swap contracts rose by 187.33 per cent to US$0.82 billion, relative to the previous quarter's level.

Figure 34: Foreign Exchange Sales to Authorised Dealers (US$ billion)



Source: Central Bank of Nigeria

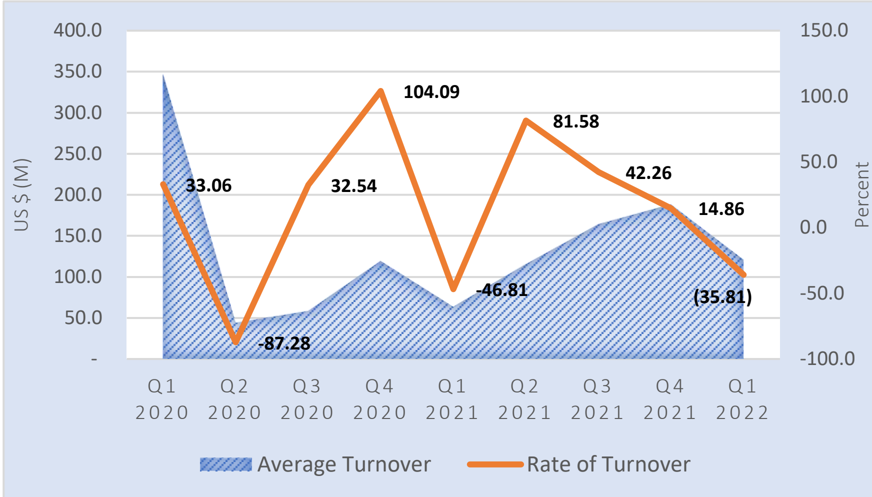
The average turnover at the Investors and Exporters' (I&E) segment declined by 35.8 per cent to US$0.12 billion, relative to the previous quarter, reflecting decreased liquidity in the window.

2.4.11 Exchange Rate Movement

Average Exchange Rate

The exchange rate of the naira was relatively stable at the I&E window, relative to 2021Q4. The average exchange rate of the naira per US dollar at the I&E window was ₦416.34/US$, compared with ₦412.43/US$ in the preceding quarter.

Figure 35: Turnover in the I&E Foreign Exchange Market



Source: Central Bank of Nigeria

3.0 ECONOMIC OUTLOOK

3.1 Global Outlook

The performance of the global economy is expected to slow significantly in 2022, consequent upon shocks induced by the Russia-Ukraine war. *Accordingly, the IMF projects global growth to soften to 3.6 per cent in 2022, which is 2.5 percentage points and 0.8 percentage points lower than the estimate for 2021 and the initial projection in January 2022, respectively. In the AEs, growth is expected to moderate to 3.3 per cent in 2022 from an estimated 5.2 per cent in 2021; while in the EMDEs, it is projected to grow by 3.8 per cent, compared with 6.8 per cent in 2021. However, the growth forecast might be affected by some downside risks, including further escalation of geopolitical tensions between Russia and the Western countries, pandemic-induced supply disruptions, monetary tightening and financial market volatility.*

Global inflation is expected to remain elevated in 2022, rising to 5.7 per cent in the AEs and 8.7 per cent in the EMDEs, according to the IMF projections. *The expected surge in commodity prices is premised on the war in Ukraine amid pre-existing supply-demand imbalances. While energy is expected to be the main driver of the price increases in the AEs, rising food prices is projected to play significant role in most the EMDEs.*

3.2 Domestic Outlook

On the domestic front, the economy is expected to sustain its positive`growth trajectory in the near-term. *The positive outlook is predicated on continued recovery of oil prices, rebound in manufacturing activities, and sustained policy support. However, persisting insecurity, weak commodity value chain, infrastructure deficit (including poor electricity supply), are possible headwinds that could undermine the outlook for growth. Furthermore, mounting value shortfall recovery on PMS and crude oil production bottlenecks, could weaken the fiscal space and constrain government's effort in implementing the capital component of the 2022 Budget, required to support growth.*

Pressure on domestic Inflation may remain elevated, especially in the short-term, following seasonal trend. *Also, the lingering disruptions in the supply of petroleum products and domestic security challenges could also weigh heavily on inflation in the near-term. However, the crystallisation of the Bank's intervention in key sectors of the economy, particularly, in the agricultural sector, and other policy adjustments are expected to moderate the inflationary pressure.*

Fiscal outlook for the near-term is less optimistic, as government revenue remained challenged on the account of higher value shortfall for PMS and lower-than-expected crude oil production. *The erosion of households' purchasing power and companies' profit, due to rising energy cost may also lower tax revenue. However, sustained implementation of the Finance Act and associated reforms, under the Strategic Revenue Growth Initiatives (SRGIs), is expected to improve fiscal conditions.*

The prospect for Nigeria's external reserves is positive on the back of favourable crude oil prices. *However, potential increase in interest rates by the US Federal Reserve Bank poses a risk to foreign investments, as it could lead to reverse capital flows. On the other hand, a likely deal between the United States and Iran or Venezuela to replace Russian oil imports with oil imports from either or both countries might halt the rising crude oil prices. Furthermore, lifting sanctions on Iranian and Venezuelan oil could also lead to a reallocation of production quota to OPEC members to stabilise the market.*