JANUARY 2022

CENTRAL BANK OF NIGERIA ECONOMIC REPORT

ABOUT THE REPORT

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

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

Contents

Tables

Figures

Box Information

EXECUTIVE SUMMARY

Global economic activity expanded at a slower pace in January 2022 due to disruptions in the supply chain and higher energy prices. In Advanced Economies (AEs), economic activity slowed following the normalisation of monetary policy in response to rising prices; while in Emerging Markets and Developing Economies (EMDEs), performance was mixed. Inflation in selected countries was driven, majorly, by supply disruptions, rising food prices and energy costs. Global financial market indices declined, especially in the equities segment, following expectations of hike in interest rates in the US, geopolitical tensions in Europe and higher energy prices. World crude oil production increased as OPEC+ supply rose in line with the continued implementation of production agreement. However, crude oil spot prices rose due to heightened geopolitical tensions and uncertainties in Europe.

On the domestic front, economic activities in January 2022 expanded but at a slower pace, reflecting seasonal adjustments in the production cycle. The manufacturing PMI, at 51.4 index points, remained above the threshold for the third consecutive month, attributed to improved business confidence. Inflationary pressures moderated, as headline inflation (y-o-y) declined to 15.60 per cent, from 15.63 per cent in December 2021. Similarly, food inflation (y-o-y) moderated to 17.13 per cent, compared with 17.37 per cent in the preceding month. Core inflation (y-o-y) remained at 13.87 per cent in the review period as it was in the preceding month. The continued intervention programmes of the Bank, that helped boost output and reduce structural rigidities, supported the observed moderation in inflation.

FGN retained revenue improved, complemented by a decline in expenditure, moderated the fiscal deficit in the month under review. FGN retained revenue improved by 13.7 per cent, following higher collections from FGN independent revenue sources and allocation from the Federation Account. Aggregate expenditure dropped by 9.9 per cent to ₦951.14 billion in January 2022, from ₦1,055.50 billion in December 2021, on account of decline in capital spending. Overall, fiscal deficit contracted by 21.9 per cent in January 2022. Public debt stood at ₦33,805.84 billion and remained within the 2020-2023 borrowing plan of the Federal Government.

Monetary and financial developments showed that the financial system remained stable, as key financial soundness indicators remianed within regulatory benchmarks. In line with the Bank's effort at ensuring higher productivity and output, monetary conditions eased, with growth in broad money and a fall in money market rates. Thus, broad money (M3) grew by

1.7 per cent, driven, mainly, by net domestic claims, particularly claims on central government and public non-financial corporations. Key money market rates declined, following improved banking system liquidity. Activities on the Nigerian Exchange (NGX) Limited were bullish in the review period.

In the external sector, trade surplus was recorded, due to higher crude oil prices. The increase in crude oil prices, followed concerns about Russia-Ukraine tensions. Capital inflows declined, attributed to the tighter global financial conditions, arising from the anticipated hike in Fed's fund rates. Similarly, capital outflow declined significantly, occasioned by lower loan repayment and repatriation of dividends in the review period. External reserves stood at US$39.32 billion at end-January 2022 and could cover 8.2 months of import of goods and services or 10.8 months of import of goods only. The exchange rate of the naira remained relatively stable in the review period.

On the balance of risks, there is optimism about growth, while inflationary pressures are expected to decelerate on the back of continued strong policy support as well as commitment towards sustaining growth recovery and the safety and stability of the financial system.

1.0. GLOBAL ECONOMIC DEVELOPMENTS

1.1 Global Economic Activity

Global economic activity expanded at a slower pace in January 2022 due to disruptions in the supply chain and higher energy prices. The services sector was the worst hit, as tourism and recreation sub-sectors were affected by the Omicron variant of the COVID-19 pandemic. The supply chain disruptions and higher energy prices contributed to the slower pace of expansion in manufacturing activities. Consequently, the average J.P. Morgan Global Composite Purchasing Managers' Index (PMI) declined to 51.4 index points in January 2022, from 54.3 index points in December 2021 (Table 1).

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

	Nov-21	Dec-21	Jan-22
Composite	54.8	54.3	51.4
Manufacturing	54.2	54.3	53.2
Services (Business Activity)	55.6	54.7	51.3
Employment Level	53.1	51.6	51.8

Data Source: JP Morgan

Economic Activity in Advanced Economies

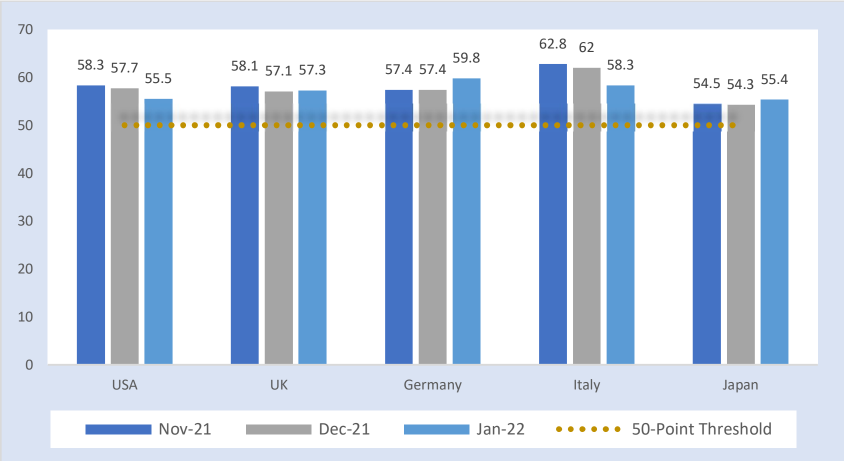
In Advanced Economies (AEs), economic activity slowed due to disruptions by the Omicron variant of COVID-19, supply chain bottlenecks as well as higher food and energy prices. In the United States, the threat of Omicron variant of the COVID-19, supply shortages, and policy withdrawal of the 'Build Back Better' fiscal policy package[1] and monetary interventions weighed on economic activities. Consequently, the US PMI dropped from 57.7 index points in December 2021 to 55.5 index points in January 2022. In the UK, disruptions to the supply chain, worker absenteeism and high energy prices, constrained expansion in economic activity. Thus, the UK PMI dropped to 57.3 index points in January from 57.9 index points in December 2021. The three-month consecutive slowdown in Italy's Manufacturing PMI was traced to the rising cases of COVID-19 pandemic, which caused business conditions to decelerate to 58.3 index points in January from the previous month's 62.0 index points.

On the contrary, the Japanese economy recorded an improvement in economic activities as the PMI rose to 55.4 index points in January from 54.3 index points in the preceding period. The enhanced economic activities was attributed to improved business confidence, occasioned by

[1] The Build Back Better fiscal policy is a UN Environment Programme for Green Economy aimed at encouraging nations to build resilience to future pandemics by removing inefficiencies in public expenditures and ensuring a healthy environment that backs healthy people (UNEP, 2020).

increased access to vaccines. Similarly, Germany's PMI rose to 59.8 index points from 57.4 index points in December 2021, due to increase in new orders, arising from stronger demand and easing supply-side constraints.

Figure 1: PMIs of Selected Advanced Economies



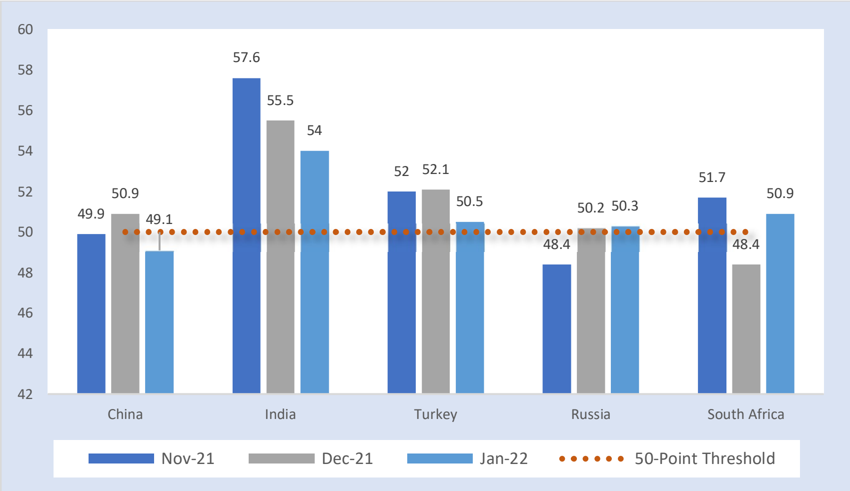
Data Sources: Trading Economics/Various Country Websites

Economic Activity in Emerging Markets and Developing Economies

Economic performance in Emerging Markets and Developing Economies (EMDEs) was mixed. Normalisation of monetary policy in AEs in response to rising prices, and supply chain disruptions, were some of the factors that affected economic activity. Consequently, China's PMI fell below the benchmark level to 49.1 index points in January, from 50.9 index points in the previous month, reflecting uncertainties brought by the rising cases of the Omicron variant of COVID-19. India also experienced a slowdown as the PMI dropped to 54.0 index points in January, a 1.5 basis point reduction from the previous month.

Nevertheless, the PMI in South Africa increased to 50.9 index points from 48.4 index points, following expansion in private sector activity. The decline in COVID-19 cases helped restore demand and output by manufacturing firms. Also, Russia's PMI increased to 50.3 index points in January 2022, from 50.2 index points in December 2021, due to higher new orders resulting from stronger business and consumer spending.

Figure 2: PMIs of Selected EMDEs



Data Sources: Trading Economics/Various Country Websites, CBN staff estimate

1.2 Global Inflation

Inflation development in selected countries was mixed. Supply disruptions, rising food prices and energy costs drove inflationary pressures in most countries. In most AEs, headline inflation rose because of soaring energy costs (gasoline prices), especially in the United States, Canada, France and Italy. Specifically, in the US, headline inflation rose to 7.48 per cent from 7.00 per cent in the previous month, attributed to spiralling energy costs, labour shortages and supply disruptions amid strong demand. In Canada, supply chains constraints and higher energy prices pushed inflation to 5.10 per cent from 4.80 per cent in December 2021.

Within the EMDEs, inflation developments was also mixed. In India, inflation increased to 6.00 per cent from 5.59 per cent in December 2021, due to unfavourable base effect. Also, inflation in Indonesia increased to 2.18 per cent from 1.87 per cent in the previous period amid strict COVID-19 restrictions, following rising cases of the Omicron variant and upward pressures from non-food items. In China and Nigeria, inflation rate decelerated to 0.90 per cent and 15.60 per cent in January 2022 from 1.50 per cent and 15.63 per cent in December 2021, respectively, as food prices declined. Similarly, inflation in Mexico and South Africa declined to 7.07 per cent and 5.70 per cent from 7.36 per cent and 5.90 per cent, respectively (Table 2).

Table 2: Summary of Inflation Rates in Selected Countries

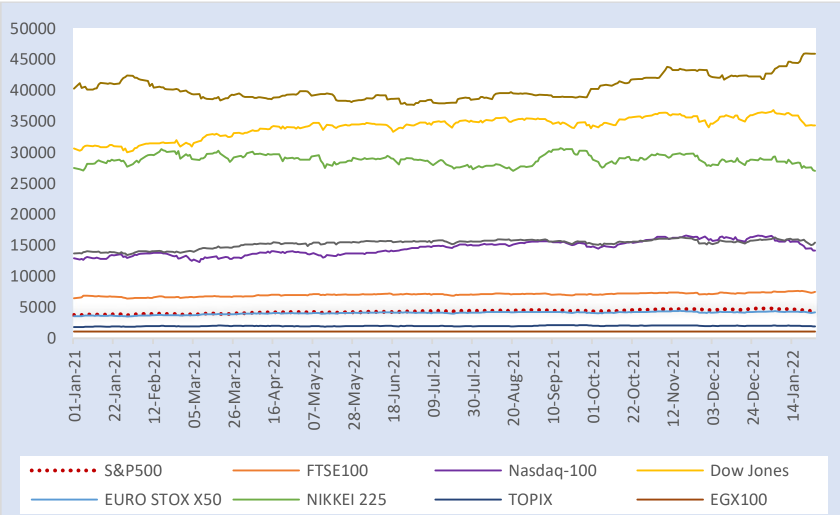
Country	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
United States	5.25	5.39	6.20	6.80	7.00	7.48
United Kingdom	3.00	2.90	4.10	5.20	4.80	5.40
Japan	-0.40	0.20	0.10	0.60	0.80	0.50
Canada	4.09	4.38	4.65	4.70	4.80	5.10
Germany	3.87	4.06	4.53	5.20	5.30	4.90
China	0.80	0.70	1.50	2.30	1.50	0.90
South Africa	5.08	5.07	5.05	5.50	5.90	5.70
India	4.81	4.40	4.48	4.91	5.59	6.00
Mexico	5.59	6.00	6.24	7.37	7.36	7.07
France	1.87	2.16	2.62	2.78	2.80	2.85
Italy	2.04	2.54	3.02	3.70	3.90	4.80
Indonesia	1.59	1.60	1.65	1.75	1.87	2.18
Turkey	19.25	19.58	19.89	21.31	36.08	48.69
Nigeria	**17.01**	**16.63**	**15.99**	**15.40**	**15.63**	**15.60**

Data Sources: OECD and NBS.

1.3. Global Financial Markets

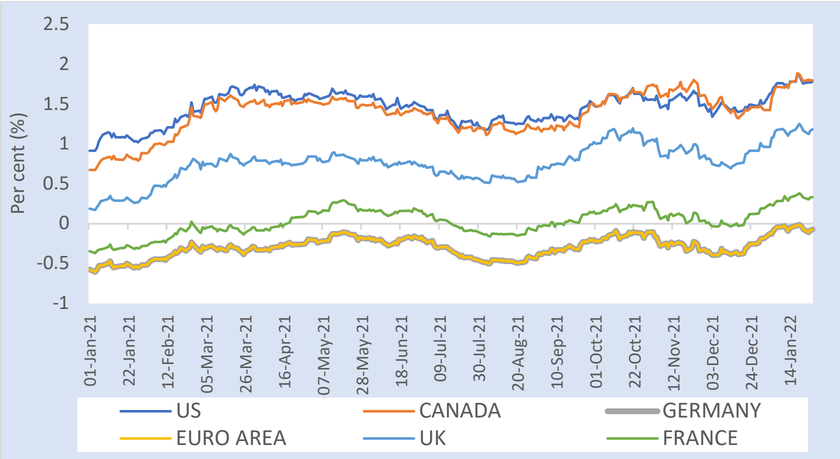
The global financial market indices declined, especially in the equities segment, following expectations of hike in interest rates in the US, geopolitical tensions in Europe and higher energy prices. Consequently, the S&P 500, NIKKEI 225 and DAX declined by 5.26 per cent, 6.22 per cent and 2.60 per cent, respectively in January 2022, relative to December 2021. The UK equities (FTSE 100) remained unchanged.

Figure 3: Selected Equity Indices



Data Source: Bloomberg

Figure 4: 10-year bond yield curve of selected countries



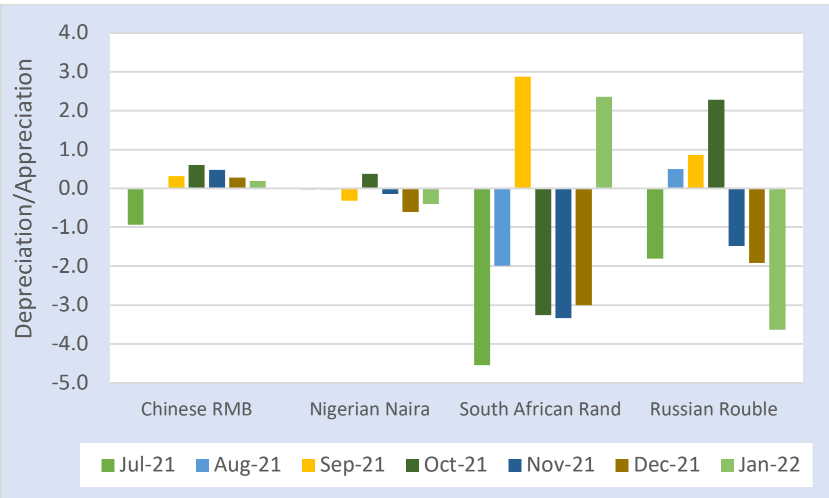
Data Source: Bloomberg

Yields on government bonds improved due to expectations of monetary tightening by the Fed. The US 10-year bond yield increased to 1.78 per cent as at January 26, 2022 from 1.51 per cent in December 2021. German 10-year bond yield rose to 0.01 per cent from a negative 0.18 per cent. This move follows from rising borrowing costs for the German government. Furthermore, the UK 10-year bond yield increased by 0.34 percentage point to 1.31 per cent in the month under review. In Canada, the 10-year bond yield rose by 0.35 percentage point to 1.78 per cent.

Emerging markets and developing economies currencies

The Russian Rubble depreciated by 3.6 per cent while the Chinese RMB and South African Rand appreciated by 0.2 per cent and 2.4 per cent vis-à-vis the US dollar, respectively.

Figure 5: Exchange Rates of Selected EMDEs to the US dollar



Data Sources: CBN and Exchange Rates UK

Table 3: EMDEs Currencies' Rates to the US dollar

Period	Chinese RMB	Nigerian Naira	South African Rand	Russian Rouble
Jan-21	6.48	381	15.12	74.48
Dec-21	6.37	414.34	15.87	73.79
Jan-22	6.36	416.03	15.5	76.57

Data Sources: CBN and Exchange Rates UK

1.4 Global Commodity Market

Global oil market

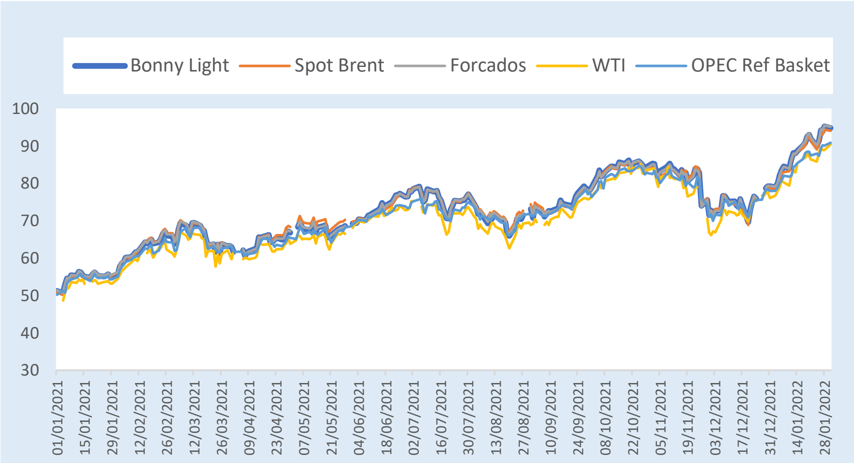
Total world crude oil production increased as OPEC+ supply rose in line with the continued implementation of production agreement. Global crude oil supply increased by 0.8 per cent to 99.10 million barrels per day (mbpd) from 98.27 mbpd in December 2021. The increase in supply was, mainly, from non-OECD countries, especially the OPEC+ countries, on account of the continued implementation of the OPEC+ agreement to gradually increase average monthly production by 400, 000 bpd.

Total OECD supply rose, marginally, by 0.1 per cent to 32.17 mbpd from 32.14 mbpd in December 2021, while non-OECD supply jumped by 1.2 per cent to 66.93 mbpd from 66.13 mbpd in December 2021. Further analysis shows that OPEC's aggregate crude oil production rose by 1.7 per cent to 33.86 mbpd from 33.29 mbpd in the preceding month. OPEC's crude and non-crude portions rose by 1.6 per cent and 2.6 per cent to 28.22 mbpd and 5.64 mbpd, respectively.

On the demand side, total world demand declined by 2.8 per cent to 98.19 mbpd, compared with 101.08 mbpd in the preceding month, due to seasonal decline in crude oil demand following rising temperature. Demand from OECD and non-OECD countries decreased by 3.0 per cent and 2.8 per cent to 44.96 mbpd and 53.23 mbpd in January 2022, respectively.

Crude oil spot prices rose due to heightened geopolitical tensions and uncertainties. The rise in crude oil prices was attributed to geopolitical concerns, particularly off the back of the likely impact of an imminent Russian invasion of Ukraine and a bomb attack by Houthi rebels on the United Arab Emirates. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), rose by 16.2 per cent to an average of US$87.07pb, relative to US$74.95pb in December 2021. The prices of Brent (US$88.01 pb), Forcados (US$88.86 pb), WTI (US$84.43 pb), and OPEC Reference Basket (ORB) (US$85.40 pb) all exhibited similar trends as the Bonny Light (Figure 6).

Figure 6: Crude Oil Prices (US$ per barrel)



Data Source: Thompson Reuters

Agricultural Commodity Prices

Prices of most agricultural export commodities increased in January 2022, fuelled by supply shortages. The average price index of all the monitored commodities rose by 2.91 per cent to 97.33 index points, relative to the level in December 2021. The increase in prices was more intense in cotton and wheat that rose by 7.62 per cent and 7.34 per cent, respectively. Unfavourable weather condition (heavy rain) in India affected the quality and supply of cotton. The price of wheat rose, amid growing uncertainties about the Russia-Ukraine tension, and the cold weather conditions in the dry parts of the United States. Similary, the prices of coffee, palm oil and cocoa rose by 4.87 per cent, 3.15 per cent and 1.03 per cent, respectively, attributed to shipping bottlenecks and labour shortages.

Table 4: Indices of Average World Prices of Nigeria's Selected Major Agricultural Export Commodities for 2022 (Dollar Based) (Jan. 2010=100)

COMMODITY	Jan-21	Dec-21	Jan-22	% Change	
				(1) & (3)	(2) & (3)
	1	2	3	4	5
Cocoa	78.1	81.34	82.18	5.22	1.03
Cotton	51.84	79.09	85.11	64.16	7.62
Coffee	75.21	118.84	124.63	65.72	4.87
Wheat	89.57	109.07	117.07	30.71	7.34
Rubber	33.91	38.57	38.45	13.4	-0.33
Groundnut	137.91	114.31	113.71	-17.55	-0.53
Palm Oil	80.21	117.78	121.49	51.46	3.15
Soya Beans	105.6	97.61	96.02	-9.07	-1.63
Average		94.58	97.33		2.91

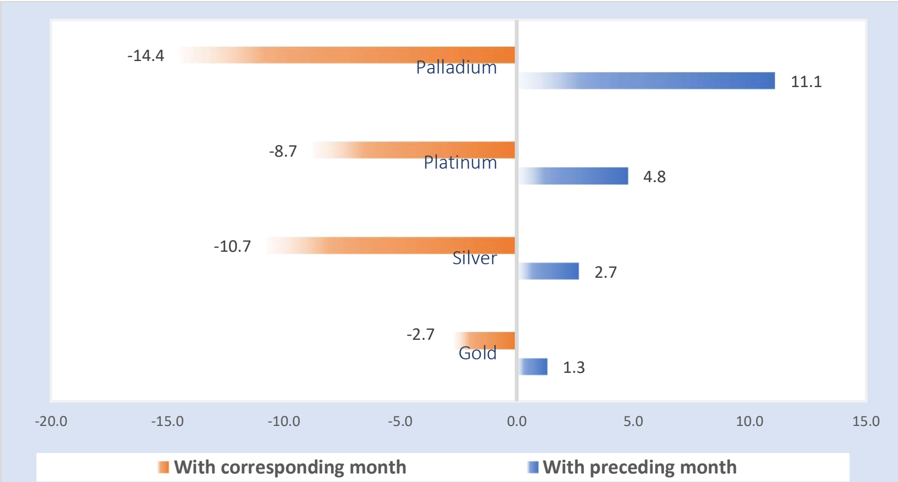
Data Source: World Bank Pink Sheet

Other Mineral Commodities

The average spot prices of gold, silver, platinum and palladium increased in January 2022. The average spot prices of gold and silver rose by 1.3 per cent and 2.7 per cent to US$1,815.91 per ounce and US$23.12 per ounce, respectively, relative to the level in December 2021. Similarly, the average spot prices of platinum and palladium rose by 4.8 per cent and 11.1 per cent to US$991.96 per ounce and US$2,028.58 per ounce, compared with US$946.80 per ounce and US$1,826.34 per ounce, respectively, in the preceding month (Figure 7).

The prices of gold, silver and platinum rose, following flight to safe haven by investors, in response to weakening value of the US dollar. Furthermore, the price of palladium rose due to investors' concern about a possible Russian invasion of Ukraine, as that could attract economic sanctions against Russia, the world's largest producer of palladium.

Figure 7: Price Changes of Selected Metals, January 2022 (per cent)



Data Source: Refinitiv Eikon IV (Reuters)

2.0. DOMESTIC ECONOMIC DEVELOPMENTS

2.1. REAL SECTOR DEVELOPMENTS

Summary

Economic performance in January 2022 continued to improve, as the Purchasing Managers' Index (PMI) remained above the 50 index points threshold for the third consecutive month. Inflationary pressures moderated, following reduction in consumer spending after the end-of-year festivity. The Bank continued to intervene in critical sectors to boost output and address structural rigidities in the economy.

2.1.1 Domestic Output

Economic activities in January 2022 continued to expand, though at a slower pace, reflecting seasonal adjustments in the production cycle. The manufacturing PMI, at 51.4 index points, remained above the threshold, but lower than the 52.0 index points in December 2021. The indices of the five sub-components (production level, new orders, supplier delivery time, employment levels and raw material inventory) were above the 50-index points threshold. Growth was recorded in six subsectors: furniture and related products; printing and related support activities; food, beverages and tobacco products; chemical and pharmaceutical products; cement; and fabricated metal products. The non-manufacturing PMI increased slightly by 0.4 point to 49.1 index points, from 48.7 index points in the previous month. Of the four components of the non-manufacturing PMI, business activity, new orders and employment level improved.

Table 5: Manufacturing and Non-Manufacturing Purchasing Managers' Index

Components	*Dec-21*	*Jan-22*
Manufacturing PMI	52.0	51.4
Production Level	*54.4*	*51.4*
New Orders	*50.9*	*50.2*
Supplier Delivery Time	*51.7*	*54.1*
Employment Level	*51.7*	*51.1*
Raw Material Inventory	*50.5*	*51.3*
Non-Manufacturing PMI	48.7	49.1
Business Activity	*49.0*	*49.1*
New Orders	*47.8*	*49.2*
Employment Level	*49.0*	*49.6*
Inventory	*49.0*	*48.6*

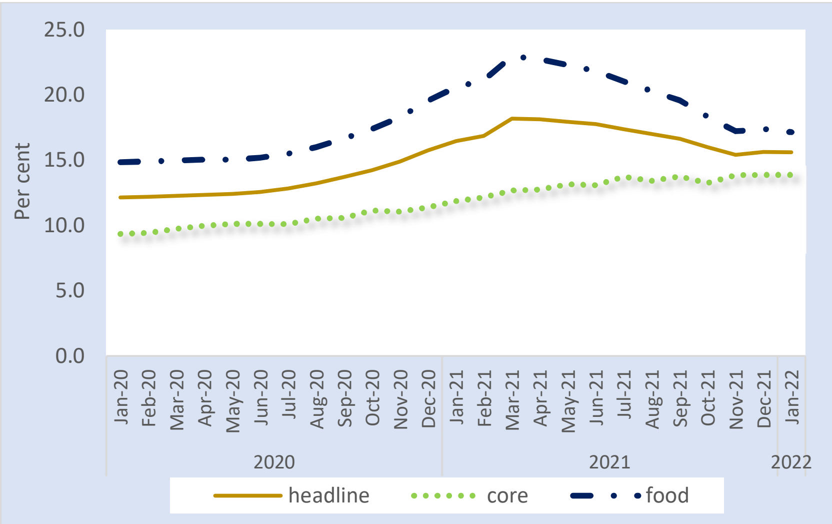
Data Source: Central Bank of Nigeria (CBN)

2.1.2. Domestic Inflation

Headline Inflation

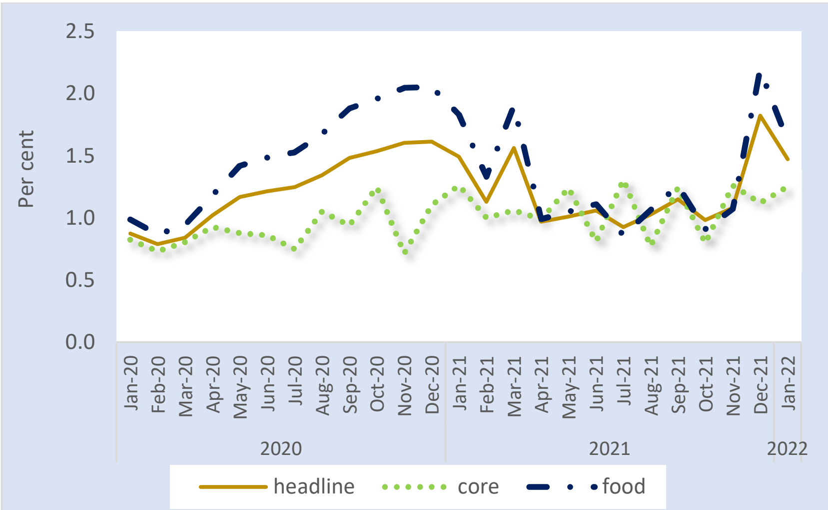
Inflation moderated in January 2022, after the surge in prices occasioned by high demand for food items during the end-of-year festivities. Headline inflation, year-on-year (y-o-y), declined to 15.60 per cent, from 15.63 per cent in December 2021 (Figure 8). The slight decline in headline inflation was driven, mainly, by the fall in food component of the CPI basket. Also, on a month-on-month (m-o-m) basis, headline inflation moderated to 1.47 per cent, compared with 1.82 per cent in the preceding period (Figure 9).

Figure 8: Headline, Food and Core Inflation Rate (y-o-y)



Data Source: National Bureau of Statistics (NBS)

Figure 9: Headline, Food and Core Inflation Rate (m-o-m)



Data Source: National Bureau of Statistics (NBS)

Core Inflation

Core inflation (y-o-y) remained unchanged at 13.87 per cent in the review period as in the preceding month. However, on month-on-month basis, core inflation rose to 1.25 per cent, compared with 1.12 per cent in December 2021, due, largely, to supply chain bottlenecks caused by higher logistics/transport cost.

Food Inflation

Food inflation moderated to 17.13 per cent (y-o-y), compared with 17.37 per cent in the preceding month. Similarly, on a month-on-month basis, it declined to 1.62 per cent, compared with the 2.19 per cent in the previous month. The development in food inflation was attributed, mainly, to lower demand pressures, especially for processed food items such as meat, bread, garri and yam flour, following the end-of-year festivities. In addition, the relative improvement in security situation (farmers/herders clashes) in farming communities contributed to increased output.

Box 1: Domestic Food Prices of Selected Commoditites

Prices of selected domestic agricultural commodities trended upwards in January 2022, influenced, largely, by the lingering effects of the end-of-year sales and the attendant high cost of production. *The highest price increases were recorded for yellow and white maize with 10.32 per cent and 9.77 per cent, respectively. The prices of paddy rice also rose by 3.79 per cent, sorghum (3.62 per cent), egg (3.37 per cent), poultry meat (2.10 per cent), rice (1.48 per cent) and oil palm (0.82 per cent). The increase in prices was attributed to security challenges, especially in the food producing regions, which continue to disrupt agricultural activities and output. On the other hand, the price of cassava and soya beans moderated during the month.*

COMMODITY	Unit	Dec-21	Jan-22	Change (%)
		1	2	(1) & (2)
Oil palm	20 liters	20.79	20.96	0.82
Paddy Rice	1000 kg	177.02	183.73	3.79
Egg	1 crate	1.78	1.84	3.37
Cassava	1000 kg	84.08	73.64	-12.42
Sorghum	100 kg	25.72	26.65	3.62
Soya beans	100 kg	39.51	38.22	-3.26
Poultry Meat	table size	3.33	3.4	2.1
Rice	50 kg	24.97	25.34	1.48
white maize	100 kg	21.5	23.6	9.77
yellow maize	100 kg	22.1	24.38	10.32

Source: Central Bank of Nigeria

2.1.3. Domestic Crude Oil Market Developments

Crude Oil production and Export

Domestic crude oil production and export increased due to the lifting of the force majeure declared in the previous month. Nigeria's crude oil production rose to 1.46 million barrels per day (mbpd), an increase of 3.5 per cent, from 1.41 mbpd in the preceding month. Out of the 1.46 mbpd produced in January 2022, exports accounted for an average of 1.01 mbpd, while the allocation for domestic consumption was 0.45 mbpd. The increase in crude oil production and export was due to the lifting of a force majeure declared by Shell on the Forcados crude stream in December 2021, when a malfunctioning barge obstructed a tanker path.

Crude Oil Prices

Crude oil spot prices rose in January 2022, due to tighter market conditions driven by geopolitical tensions in Europe and the Middle East. As at end-January 2022, the monthly average spot price of Nigeria's reference crude, the Bonny Light (34.9° API), increased by 16.2 per cent to an average of US$87.07pb, compared with US$74.95pb in December 2021.

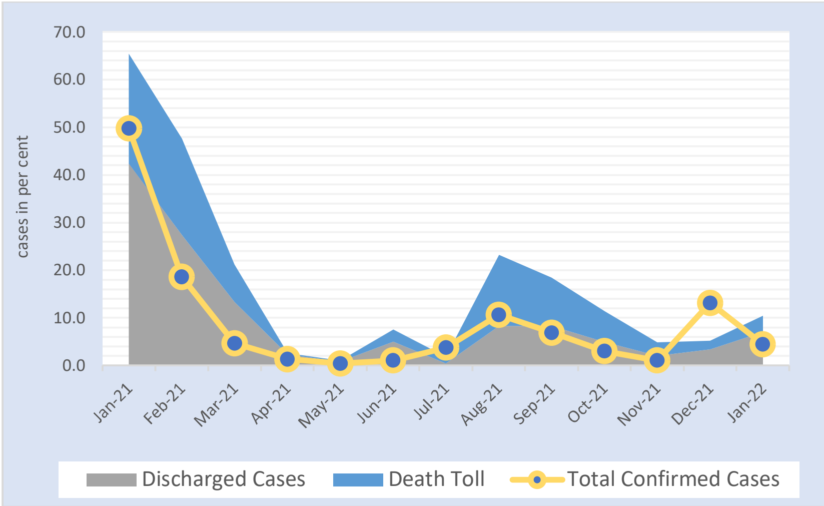
2.1.4 Socio-Economic Developments

The vaccination drive against COVID-19 infections continued during the period, with more outreach to the rural areas. Data from the National Primary Health Care Development Agency (NPHCDA) showed that 13.5 per cent of the eligible target population (15,110,459), had received the first dose of the COVID-19 vaccine, as at January 31, 2022, compared with 9.2 per cent at end-December 2021. Similarly, about 5.0 per cent of the target population (5,574,696) had received the second dose of the vaccine, compared with 4.0 per cent at end-December 2021.

COVID-19 Update

According to the Nigeria Centre for Disease Control (NCDC), the total number of confirmed cases in January 2022 was 253,187, an increase of 4.5 per cent, relative to December 2021. The rate of increase was lower than the 13.1 per cent and 49.8 per cent rise in December and January 2021, respectively (Figure 10). The number of discharged cases increased by 7.0 per cent to 229,315, while the number of active cases declined by 17.0 per cent to 20,730. However, the number of deaths rose by 3.5 per cent to 3,136 in the review period.

Figure 10: COVID -19 Statistics[2]



Data Source: Nigeria Centre for Disease Control

During the review period, the government received 3.2 million Pfizer COVID-19 vaccines from the United States Government in a bid to sustain efforts to support Nigeria's COVID-19 response.

Communication

To promote cyber security and increase prospects of addressing the security challenges in the country, the Federal Government extended the deadline for the National Identification Number (NIN) and Subscriber Identity Module (SIM) data verification excercise to March 31, 2022. As at January, 2022, the National Identity Management Commission (NIMC) had issued over 72 million NINs through 14,000 enrolment centres set up across the country.

Housing and Real Estate

In terms of housing, the Family Homes Funds Limited (FHFL) invested ₦3.90 billion in Kebbi State to kick-off the development of 620 low-income housing units. The investment would help to narrow housing deficit in the state and stimulate the local economy through the creation of about 1,900 direct and indirect construction jobs.

Transportation

The Federal Executive Council (FEC), in a bid to bridge the infrastructure gap, approved ₦52.80 billion for the completion of road projects in Akwa Ibom, Abia, Imo, Kwara and Cross River states. Some of the projects include: the Ikot-Ekpene border road (Akwa Ibom), the Aba-Owerri dualisation (Abia/Imo), Offa bypass road (Kwara), and the Alesi-Ugep road section (Cross River), amongst others.

[2] COVID-19 data as at January 31, 2022.

Education

To increase access to higher education in the country, the National Universities Commission (NUC) approved the establishment of two new universities by the Lagos State government. The new universities would be created through the conversion of the old Polytechnic in Ikorodu to the University of Science and Technology, while the Adeniran Ogunsanya College of Education, Ijanikin and the Michael Otedola College of Primary Education, Epe would be merged to form the Lagos State University of Education.

2.2 FISCAL SECTOR DEVELOPMENTS

Summary

Fiscal conditions in January 2022 improved, relative to the preceding month, on account of 13.7 per cent increase in Federal Government earnings and a contraction in overall deficit of 21.9 per cent. At the federation level, gross receipts fell below target and the level in December 2021 by 7.8 per cent and 2.2 per cent, respectively. Public debt stood at ₦33,805.84 billion[3] and remained within the 2020-2023 borrowing plan of the Federal Government.

2.2.1 Federation Account Operations

Drivers of Federation Revenue

Federation receipts in January 2022 declined, following a shortfall in oil revenue. At ₦944.62 billion, federation receipt fell below the levels in the preceding month and the monthly target by 2.2 per cent and 7.8 per cent, respectively, despite improved non-oil revenue performance. The shortfall was attributed, largely, to lower receipts from Petroleum Profit Tax (PPT) and Royalty components of oil revenue. In terms of share, non-oil accounted for 65.1 per cent of gross federation earnings in the period, while oil revenue made up the balance of 34.9 per cent.

Further analysis indicates that, at ₦329.99 billion, oil receipts was below the level in the preceding month and the prorated budget, by 20.0 per cent and 34.8 per cent, respectively. Relative to the budget, all components of oil revenue declined, reflecting the effects of operational factors, unrelated to oil price developments.

In contrast, non-oil receipts, at ₦614.64 billion, rose by 11.0 per cent and 18.5 per cent, compared with earnings in December 2021 and the monthly target, respectively. The increase was driven by 28.0 per cent and 32.6 per cent increase in company income tax (CIT) and FGN Independent revenue. This reflected gains from improved tax administration and compliance as well as reduction of leakages, particularly in government-owned enterprises (GOEs).

[3] This is as at end-September 2021, and captures FGN's portion of the total public debt and contingent liabilities.

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

	Jan-21	Dec-21	Jan-22	Budgeted
Federation Revenue (Gross)	785.41	965.86	944.62	1,024.72
Oil	366.53	412.38	329.99	505.93
Crude Oil & Gas Exports	13.53	-	-	52.50
PPT & Royalties	208.26	359.62	246.92	276.88
Domestic Crude Oil/Gas Sales	136.25	39.14	74.40	84.29
Others	8.49	13.61	8.67	92.26
Non-oil	418.88	553.48	614.64	518.79
Corporate Tax	105.51	118.78	152.04	124.71
Customs & Excise Duties	90.04	140.49	132.35	94.38
Value-Added Tax (VAT)	171.36	196.18	201.26	153.20
Independent Revenue of Fed. Govt.	49.42	95.10	126.06	88.49
*Others**	2.55	2.93	2.93	58.01
Total Deductions/Transfers**	*235.93*	*294.50*	*249.95*	*213.56*
Federally-Collected Revenue Less Deductions & Transfers	549.48	671.36	694.67	811.15
plus:				
Additional Revenue	10.73	4.59	5.15	*56.42*
Excess Crude Revenue	*0.00*	*0.00*	*0.00*	*0.00*
*Non-oil Excess Revenue****	*0.00*	*0.44*	*0.00*	*56.42*
Exchange Gain	*10.73*	*4.16*	*5.15*	*0.00*
Total Distributed Balance	*560.20*	*675.95*	*699.82*	*811.15*
Federal Government	*218.30*	*261.44*	*279.46*	*346.47*
State Government	*178.28*	*210.05*	*221.19*	*235.90*
Local Government	*131.79*	*155.46*	*163.88*	*176.83*
13% Derivation	*31.83*	*49.00*	*35.30*	*51.96*

Data Sources: OAGF and CBN staff estimates
Note: * Includes Education Tax, Customs Special Levies (Federation Account), National Technology Development, Customs Special Levies, Solid Mineral & Other Mining revenue, and other Non-regular earnings.** Deductions include cost of revenue collections and JVC cash calls, while transfers entails provisions for FGN Independent Revenue and other Non-Federation Revenue. *** includes unbudgeted ocassional non-oil revenue inflow.

A total of ₦699.82 billion was disbursed to the three tiers of government after statutory deductions and transfers, which was 3.5 per cent above the ₦675.95 billion disbursed in December 2021.

Table 7: Allocations to Sub-national Governments (₦ Billion)

	State Government			Local Government		
	Statutory	VAT	Total	Statutory	VAT	Total
Jan-21	130.43	79.68	210.11	76.02	55.78	131.80
Dec-21	167.71	91.34	259.05	91.52	63.94	155.46
Jan-22	162.78	93.70	256.48	98.29	65.59	163.88
Benchmark	*216.89*	*70.96*	*287.85*	*127.16*	*49.67*	*176.83*

Data Source: OAGF

2.2.2. Fiscal Operations of the Federal Government

Federal government retained revenue

The FGN revenue outcomes were driven by improved collections from FGN independent revenue sources and higher allocation from the Federation Account. At ₦405.51 billion, the retained revenue of the FGN rose by 13.7 per cent, relative to the preceding month. However, it was short of the budget benchmark by 39.1 per cent, indicating persistence of revenue challenge.

Table 8: FGN Retained Revenue (₦ Billion)

	Jan-21	Dec-21	Jan-22	Benchmark[4]
FGN Retained Revenue	302.00	356.54	405.51	665.53
Federation Account	189.45	231.86	248.88	*295.46*
VAT Pool Account	23.90	27.40	28.11	*21.29*
FGN Independent Revenue	49.42	95.10	126.06	*88.49*
Excess Oil Revenue	0.00	0.00	0.00	*0.00*
Excess Non-Oil	0.00	0.23	0.00	*29.72*
Exchange Gain	4.94	1.95	2.46	*0.00*
*Others**	34.28	0.00	0.00	*230.58*

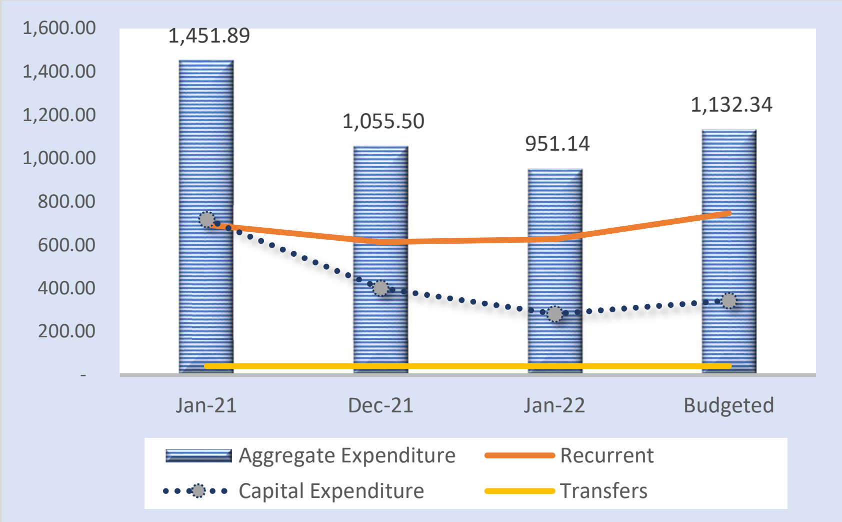
Data Source: OAGF
Note: * Others include revenue from Special Accounts and Special Levies

Federal Government expenditure

Aggregate expenditure dropped by 9.9 per cent to ₦951.14 billion in January 2022, from ₦1,055.50 billion in December 2021, on account of decline in capital spending. A disaggregated analysis reveals that recurrent expenditure increased by 2.4 per cent, while capital expenditure decreased by 29.6 per cent, over the same period. Recurrent spending maintained its dominance in total government spending, accounting for 65.9 per cent; while capital expenditure and transfers constituted 29.7 and 4.4 per cent, respectively.

[4] Provisional pending availability of streamlined prorated estimates from the Budget Office of the Federation.

Figure 11: Federal Government Expenditure (₦ Billion)



Data Sources: OAGF and CBN staff estimates

Overall fiscal balance

The improvement in FGN retained revenue, complemented by a decline in expenditure, moderated the fiscal deficit in January. At ₦545.62 billion, the provisional fiscal deficit[5] of the FGN was 21.9 per cent below the level in the preceding month. However, relative to the 2022 budget, deficit in January 2022 was 16.9 per cent higher.

Table 9: Fiscal Balance (₦ Billion)

	Jan-21	Dec-21	Jan-22	Benchmark
Retained revenue	302.00	356.54	405.51	665.53
Aggregate expenditure	1,451.89	1,055.50	951.14	1,132.34
Primary balance	-789.64	-508.68	-305.97	-189.77
Overall balance	-1,149.90	-698.96	-545.63	-466.80

Data Sources: OAGF and CBN staff estimates

Federal Government Debt

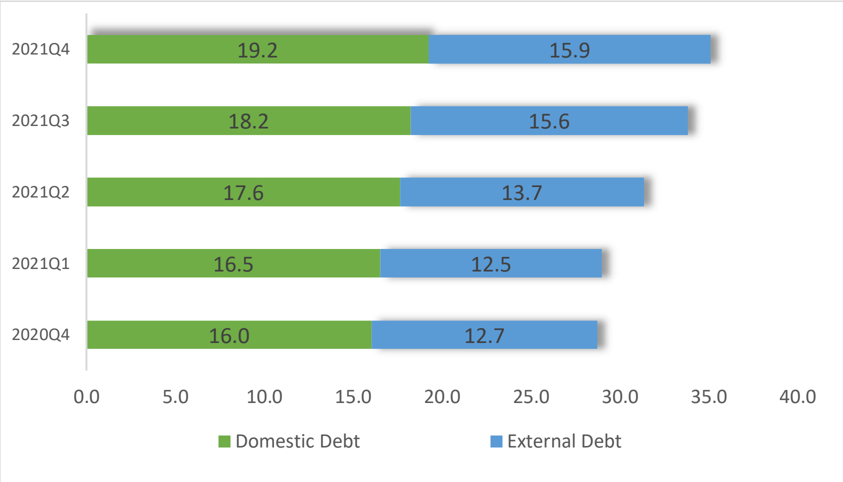
Public borrowing was in alignment with the Medium Term Debt Strategy (2020-2023) of the FGN, as debt outstanding rose by 3.8 per cent to ₦35,097.79 billion at end-December 2021, relative to the preceding quarter. Domestic debt accounted for 54.8 per cent of FGN total debt, while external debt obligations constituted 45.2 per cent.

[5] Note that the figures are provisional pending the release of consolidated fiscal numbers by the Office of the Accountant-General of the Federation.

In terms of the composition of domestic debt portfolio, the FGN bond issues maintained its dominance, accounting for 72.6 per cent, followed by Treasury Bills (19.7 per cent), Promissory Notes (4.0 per cent), FGN Sukuk (3.2 per cent), and others[6] (0.6 per cent). The composition was in tandem with the FGN's objective to hold more of long-term domestic debt instruments than short-term (75:25). With regards to holders of Nigeria's external debt, Multilateral, Commercial and Bilateral loans accounted for 48.6 per cent, 38.2 per cent and 11.6 per cent of the total external debt stock, respectively; while 'others' loans constituted 1.6 per cent.

Debt service obligations, as at 2021Q4, amounted to ₦428.60 billion, compared with ₦1,023.13 billion in 2021Q3. The significant dip was due, largely, to the redemption of maturing debt obligations.

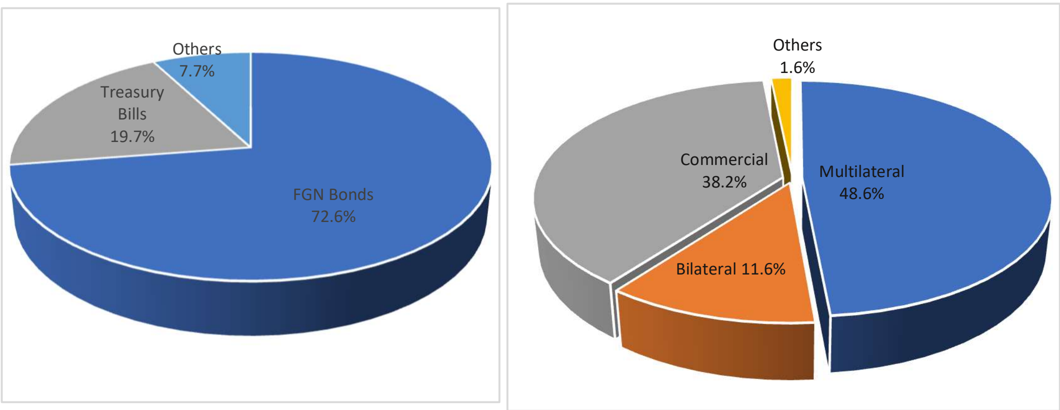
Figure 12: FGN External and Domestic Debt Composition (₦ Trillion)



Data Source: Debt Management Office (DMO)

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

Figure 13: Composition of Domestic and External Debt Stock (per cent)



Data Source: Debt Management Office (DMO)

2.3 MONETARY AND FINANCIAL DEVELOPMENTS

Summary

The stability in the financial system was sustained as key financial soundness indicators remained within regulatory benchmarks. Activities on the Nigerian Exchange (NGX) Limited were bullish, driven, mainly, by price appreciation in many blue-chip companies. In line with the Bank's effort at ensuring higher productivity and output, monetary conditions eased with the growth of the broad money supply and fall in money market rates. Consequently, credit to the economy increased.

2.3.1 Monetary Developments

Monetary Aggregates

The growth in the reference monetary aggregate (M3) was driven by the net domestic assets. The broad money supply (M3) grew by 1.7 per cent to ₦44,563.16 billion from the level in December 2021, attributed to the 2.6 per cent growth in Net Domestic Assets (NDA) which offset the 1.8 per cent decline in Net Foreign Assets (NFA).

The growth in NDA was accounted for by the 7.1 per cent and 0.7 per cent increase in net claims on central government and claims on other sectors, respectively. The major drivers of growth in claims on other sectors were public non-financial corporations (39.3 per cent) and State and Local Governments (5.7 per cent). The NFA, on the other hand, declined as a result of 3.9 per cent growth in liabilities to non-residents that outweighed the increase in claims on non-residents.

The growth in total monetary liabilities was driven by the 4.7 per cent and 0.3 per cent growth in transferable deposits and other deposits, respectively. In terms of relative contributions, transferable deposits contributed most to the growth in monetary liabilities at 1.6 percentage points, followed by securities and other deposits at 0.24 and 0.20 percentage points, respectively. Currency outside depository corporations declined by 5.5 per cent and contributed -0.4 percentage point to growth in M3 (Table 10).

Reserve Money

Reserve money grew by 2.4 per cent over the level in the previous month, mainly accounted for by liabilities to other depository corporations, which increased by 3.5 per cent. The growth in the broad money was moderated by a slight decline in the money multiplier to 3.27 from 3.29 in December 2021 (Table 11).

Table 10: Money and Credit Growth over Preceding December (%)

	Contribution to M3 growth (Jan-22)	Jan-21	Dec-21	Jan-22	2022 Benchmark (Provisional)
Net Foreign Assets	-0.36	-15.24	-1.77	-1.79	
Claims on Non-residents	0.7	-6.95	5.26	1.47	
Liabilities to Non-residents	-1.06	-0.07	11.1	3.86	
Net Domestic Assets	**2.06**	**4.01**	**16.95**	**2.58**	**16.23**
Domestic Claims	2.76	2.68	17.25	2.49	
Net Claims on Central Government	2.17	5.16	15.96	7.13	11.42
Claims on Central Government	2.2	2.36	24.08	3.89	
Liabilities to Central Government	-0.03	-1.42	35.07	0.13	
Claims on Other Sectors	0.59	1.73	17.75	0.73	
Claims on Other Financial Corporations	-0.28	-1.97	-5.32	-1.53	
Claims on State and Local Government	0.32	-9.7	20.63	5.7	
Claims on Public Nonfinancial Corporations	0.79	9.13	13.24	39.31	
Claims on Private Sector	-0.25	4.33	27.88	-0.46	18.05
Total Monetary Assets (M3)	1.7	-0.43	12.63	1.7	15.21
Currency Outside Depository Corporations	-0.37	-5.48	17.74	-5.52	
Transferable Deposits	1.63	1.15	14.15	4.68	
Narrow Money (M1)	0.71	0.11	14.72	3.03	
Other Deposits	0.2	-1.37	16.63	0.34	
Broad Money (M2)	-0.08	-0.75	15.83	1.46	15.21
Securities Other Than Shares	0.24	10.86	-99.92	11,710.94[1]	
Total Monetary Liabilities(M3)	1.7	-0.43	12.63	1.7	15.21

Data Source: Central Bank of Nigeria (CBN)

Note: 1/ The significant growth was due to special bills issued in the month.

Table 11: Components of Reserve Money (₦ Billion)

	Jan-21	Dec-21	Jan-22
Monetary Base	13,264.90	13,295.15	13,608.46
Currency-In-Circulation	*2,831.16*	*3,325.16*	*3,288.03*
Liabilities to ODCs	*10,433.74*	*9,969.99*	*10,320.43*
Broad Money Multiplier (M3)	2.92	3.29	3.27

Data Source: Central Bank of Nigeria (CBN)
Note: *ODCs = Other Depository Corporations*

2.3.1.1 Credit Utilisation

Sectoral Utilisation of Credit

Sectoral credit allocation increased by 0.28 per cent to ₦24,446.20 billion at end-January 2022, compared with the ₦24,378.19 billion in December 2021.

Specifically, credit to the Agricultural and Industry sectors increased by ₦6.42 billion and ₦84.87 billion to ₦1,464.24 billion and ₦9,996.01 billion, respectively, relative their levels in December 2021. However, credit to the Services sector declined to ₦12,985.95 billion from ₦13,009.23 billion in December 2021. Notably, Industry and Services maintained dominance with shares of 40.89 per cent and 53.12 per cent in total credit, respectively. The share of Agriculture increased by 0.01 percentage point to 5.99 per cent from the level in December 2021 (Table 12).

Table 12: Relative Share in Total Sectoral Credit (%)

	Jan-21	Dec-21	Jan-22
Agriculture	5.23	5.98	5.99
Industry	39.36	40.66	40.89
Construction	*4.81*	*4.39*	*4.19*
Services	52.79	53.36	53.12
Trade/General Commerce	*6.47*	*7.01*	*6.9*

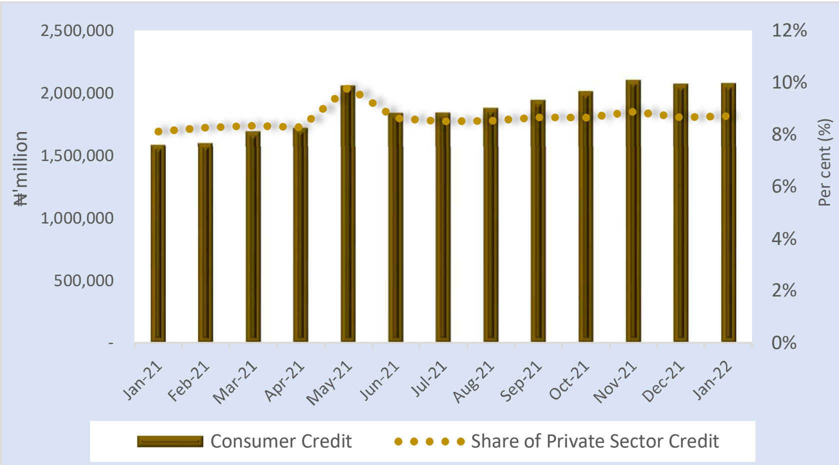
Data Source: Central Bank of Nigeria (CBN)

Consumer Credit

Consumer credit outstanding grew by 0.17 per cent to ₦2,077.22 billion at end-January 2022, from ₦2,073.76 billion at December 2021, accounting for 8.7 per cent of total credit to the private sector (Figure 14). The sustained increase in consumer credit was attributed to growing confidence in the economy following gradual pick-up in economic activity as well as the various policies of the CBN, such as the loan-to-deposit ratio (LDR) policy and the Collateral Registry.

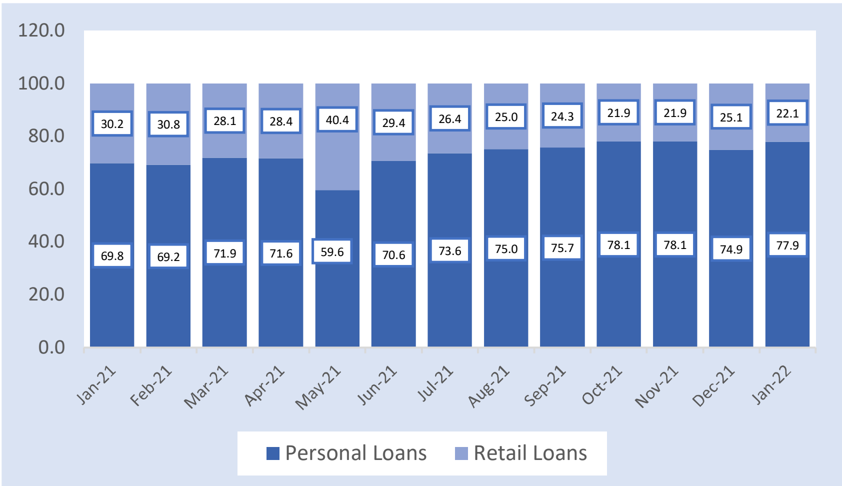
With respect to composition of consumer credit, personal loans (77.9 per cent) accounted for the largest share, while the share of retail loans was 22.1 per cent (Figure 15).

Figure 14: Consumer Credit Outstanding



Data Source: Central Bank of Nigeria (CBN)

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



Data Source: Central Bank of Nigeria (CBN)

2.3.2 Money Market Developments

Liquidity Management

Open Market Operations, repos and fiscal disbursements to the three tiers of government influenced banking system liquidity. Average banking system liquidity increased significantly by 59.0 per cent to ₦178.52 billion at end-January 2022, from ₦112.26 billion in the preceding month. The liquidity level in the review period was influenced by repayment of matured CBN bills of ₦367.00 billion, repos totalling ₦968.79 billion and fiscal disbursements to the three tiers of Government, amounting to ₦766.47 billion. The total injection was higher than the withdrawal of ₦130.00 billion in the sales of CBN bills.

Open Market Operations

The Bank wielded OMO auctions to manage liquidity in the banking system. Relative to the preceding month, there were more OMO auctions in January 2022. A total of ₦130.00 billion, ₦654.91 billion and ₦130.00 billion were offered, subscribed and allotted, respectively, in four separate auctions, compared with a total of ₦147.56 billion, ₦147.56 billion and ₦67.00 billion in two separate auctions in the preceding month. Although the range of the stop rate remained unchanged at 8.55±1.55 per cent, demand for instruments was stronger in the review period, owing to higher liquidity in the system. The strong demand was evident in the higher bid-cover ratio of 5.04, compared with 2.20 in the preceding month.

Standing Facilities Window Operation

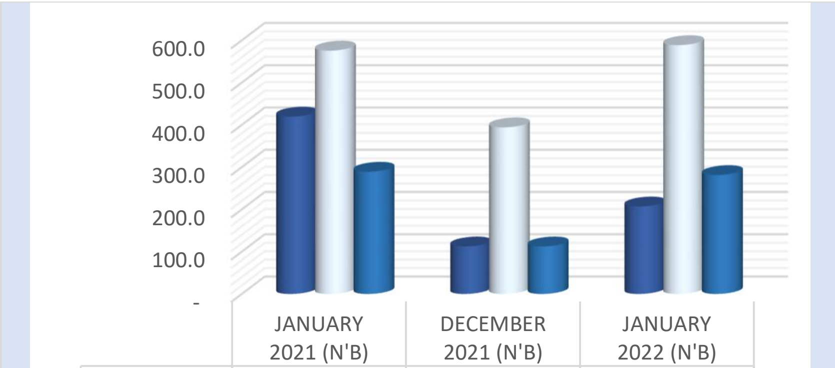
Activities at the standing facility window during the period reflected improved banking system liquidity. Total standing lending facility (SLF) contracted considerably by 52.4 per cent to ₦338.40 billion from ₦711.54 billion in December 2021, a fallout of the improved banking system liquidity in the period. In addition, the activity at the inter-bank call segment contributed to the significant decline in SLF. Transactions at the standing deposit facility (SDF) increased by 7.0 per cent to ₦246.21 billion from ₦230.22 billion in the preceding month, further buttressing liquidity condition in the market.

Primary Market

Activities in both NTBs and FGN bonds increased in the review period. At the two auctions, a total of ₦206.95 billion, ₦588.70 billion and ₦281.30 billion were offered, subscribed and allotted, respectively, compared with the preceding month's levels of ₦112.36 billion, ₦394.14 billion and ₦112.36 billion. The appetite for short dated securities was stronger in the review period, relative to December 2021, as reflected in higher bid-cover ratios of 3.12 and 3.26 for the 91-day and 182-day instruments, compared with 1.29 and 1.89, respectively, in the preceding month. The stop rate for the 91-day bill was in the range of 2.49±0.01 per cent, compared with

2.50±0.01 per cent in the preceding month, while the 182-day instrument was in the range of 3.37±0.07 per cent, compared with 3.45±0.0 per cent in December 2021. Of the total subscription in the review period, there was strong investor preference for the 364-day paper as it accounted for 94.7 per cent of total bids and 96.5 per cent of total allotment.

Figure 16: Primary Market NTBs, January 2022 (₦ billions)



	JANUARY 2021 (N'B)	DECEMBER 2021 (N'B)	JANUARY 2022 (N'B)
Offer	419.66	112.36	206.95
Subscription	575.74	394.14	588.70
Allotment	289.20	112.36	281.30

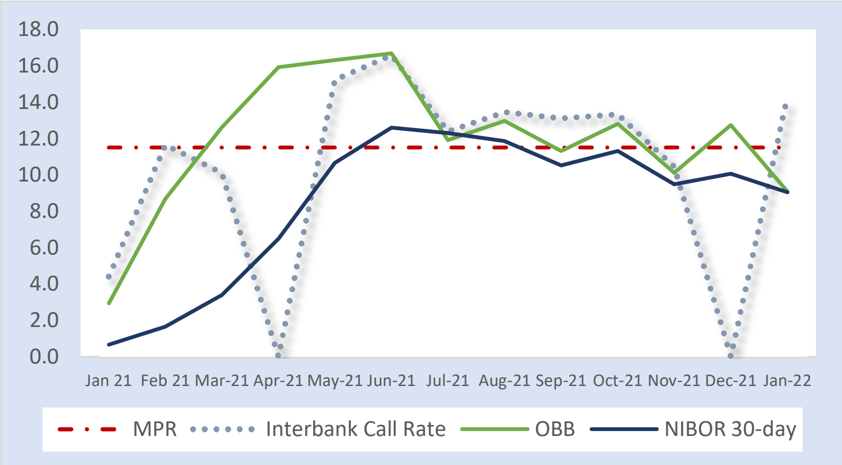
Data Source: Central Bank of Nigeria (CBN)

The value of trade in the FGN bond segment was significantly higher, relative to the preceding month as a total of ₦150.00 billion, ₦325.24 billion and ₦170.64 billion were offered, subscribed, and allotted, respectively, compared with ₦100.00 billion, ₦132.61 billion, and ₦98.79 billion, respectively. The bid-cover ratio of 1.91 in the current period, compared with 1.34 in the preceding month, reflected higher level of liquidity. The bid rates across the instruments on offer were in the range of 12.65±1.85 per cent, relative to 12.50±1.50 per cent in December 2021, while marginal rates ranged from 12.25±0.75 per cent in the review period from 12.38±0.73 per cent in the preceding month.

Interest Rate Development

Key short-term interest rates declined in reaction to improved banking system liquidity. Average overnight buy back rate shed 3.7 percentage points to close at 9.1 per cent, from 12.8 per cent in December 2021. Also, the average 30-day NIBOR call rate moderated by 1.1 percentage points to 9.0 per cent from 10.1 per cent in the preceding period. Meanwhile, the Monetary Policy Rate (MPR) at 11.5 per cent and the asymmetric corridor of +100/-700bpbs, the Cash Reserves Requirement (CRR) at 27.5 per cent and Liquidity Ratio (LR) at 30.0 per cent, were retained as in the previous month.

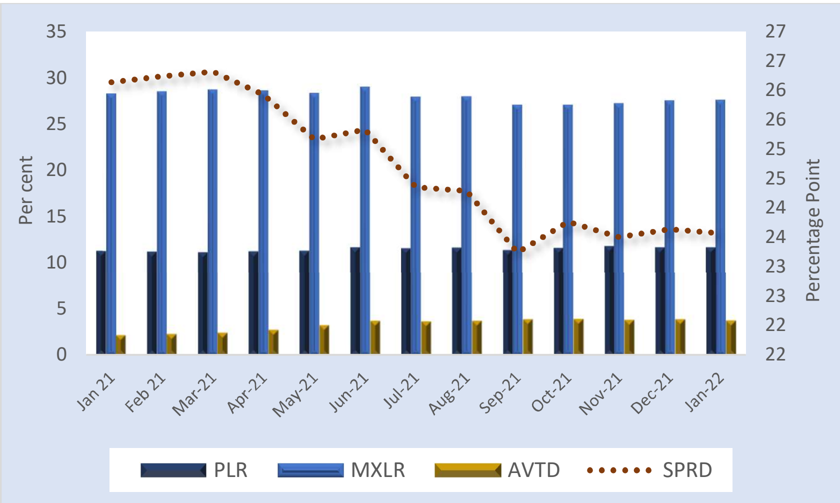
Figure 17: Interest Rate Developments (per cent)



Data Source: Central Bank of Nigeria (CBN)

The average term deposit rate shed 0.2 percentage points to 3.7 per cent from 3.9 per cent in December 2021, reflecting improved banking system liquidity. Notwithstanding, the maximum lending rate increased slightly to 27.7 per cent from 27.6 per cent in the preceding period, culminating in a wider spread between the maximum lending rate and average term deposit rate. The persistent wide spread could be attributed to the disproportionate weight of overheads in the cost of funds basket. However, the prime lending rate remained unchanged at 11.7 per cent.

Figure 18: Average Deposit and Lending Rates (per cent)



Data Source: Central Bank of Nigeria (CBN)
Note: PLR = Prime lending rate, MXLR = Maximum lending rate, AVTD = Average terms deposit rate, SPRD = Spread between AVTD and MXLR

2.3.3 Financial Developments

2.3.3.1 Financial Soundness Indicators

The financial sector remained stable, as key financial soundness indicators were within regulatory thresholds. The Capital Adequacy Ratio (CAR) stood at 14.3 per cent and was within the regulatory benchmark of 10.0 – 15.0 per cent. However, compared to the previous month, CAR shed 0.23 percentage point.

Non-performing loan (NPL) ratio stood at 4.98 per cent in January 2022, same as in the preceding month and was below the 5.0 per cent prudential requirement. The liquidity ratio (LR) increased by 0.79 percentage point to 55.7 per cent, from 54.9 per cent at end-December 2021. At that level, the LR remained above the regulatory benchmark of 30.0 per cent.

2.3.3.2 Capital Market Developments

Market Capitalisation

Activities on the Nigerian Exchange (NGX) Limited were bullish in January 2022. The aggregate market capitalisation increased by 9.7 per cent to ₦46.13 trillion, compared with ₦42.05 trillion at the end of the preceding month. The increase was due to price appreciation in many blue-chip stocks. A breakdown of the components of aggregate market capitalisation shows that the equities market capitalisation rose by 12.7 per cent to ₦25.12 trillion (54.5 per cent of the aggregate market capitalisation) from ₦22.30 trillion (53.0 per cent) at end-December 2021. The debt component increased by 6.4 per cent to ₦21.00 trillion from ₦19.74 trillion at end-December 2021, while the exchange-traded fund (ETF) fell by 0.2 per cent to ₦7.34 billion relative to the ₦7.35 billion recorded at end-December 2021.

All-Share Index (ASI)

The NGX All Share Index (NGX-ASI) rose by 9.2 per cent to 46,624.67 at end-January 2022, relative to 42,716.44 at end-December 2021. The rise was due to price appreciation in blue-chip stocks as investors targeted dividend-paying stocks and switched portfolios ahead of full-year audited reports.

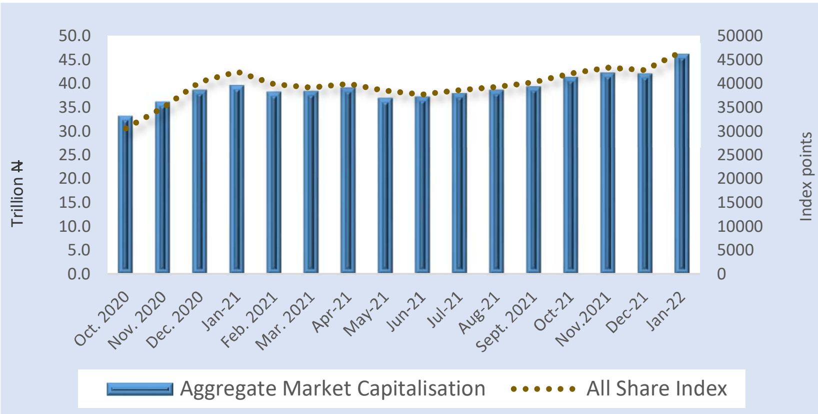
Apart from NGX-ASeM, which remained flat relative to the level in the preceding month, all other sectoral indices trended in opposite direction. Specifically, the NGX-Main Board, NGX-Oil & Gas, NGX-Banking, NGX-Afri Div Yield, NGX-Meri Growth, NGX-Meri Value, NGX-Afri-Bank Value, NGX-Industrial, NGX-Pension, NGX-30 Index, NGX-Premium, NGX-CG, and NGX-Growth Index rose, while the NGX-Insurance, NGX-Consumer Goods, NGX-Lotus, and NGX-Sovereign Bond depreciated, at end-January 2022, relative to their levels in the preceding month (Table 13).

Table 13: Nigerian Exchange (NGX) Limited Indices

NGX Indices	Dec-21	Jan-22	Changes (%)
NGX-Mainboard	1,748.37	2,017.50	15.39
NGX-Oil & Gas	345.01	393.81	14.14
NGX-Banking	406.07	441.35	8.69
NGX-Afri Div Yield	2,559.43	2746.75	7.32
NGX-Meri Growth	1,805.02	1,922.32	6.5
NGX-Meri Value	2,134.95	2,248.03	5.3
NGX-Afri Bank Value	1,038.82	1082.64	4.22
NGX-Industrial	2,008.30	2076.32	3.39
NGX-Pension	1,624.09	1,673.92	3.07
NGX-30	1,722.30	1774.74	3.04
NGX-Premium	4,167.78	4,263.77	2.3
NGX-Consumer Goods	1,278.00	1303.8	2.02
NGX-Growth Index	1,269.66	1280.26	0.83
NGX-ASeM	670.65	670.65	0
NGX-Sovereign Bond	860.95	860.61	-0.04
NGX-Lotus	3,009.51	2,997.04	-0.41
NGX-Consumer Goods	589.28	574.64	-2.48
NGX-Insurance	198.11	186.32	-5.95

Data Source: Nigerian Exchange (NGX) Limited.

Figure 19: Market Capitalisation and All-Share Index



Data Source: Nigerian Exchange (NGX) Limited

The total turnover volume and value traded on the floor of the Exchange rose by 9.0 per cent and 104.1 per cent to 7.36 billion shares and ₦161.55 billion, respectively in 82,962 deals at end-January 2022, compared with 6.75 billion shares worth ₦79.17 billion, in 76,822 deals at end-December 2021 (Figure 20).

Figure 20: Volume and Value of Traded Securities

Data Source: Nigerian Exchange (NGX) Limited

There were four (4) new and one (1) supplementary listings in the review period, which created an avenue for price discovery and additional source of liquidity for investors (Table 14).

Table 14: New Listings on the Nigerian Exchange (NGX) Limited at end-January 2022

Company/Securities	Units	Remarks	Listing
BUA Foods Plc	18,000,000,000	Ordinary shares @ N40.00 per share	New
7.322% FGNSB DEC 2023	99,014	Bond Issuance	New
8.322% FGNSB DEC 2024	203,036	Bond Issuance	New
13.00% FGN JAN 2042	88,918,553	Bond Issuance	New
12.50% FGN JAN 2026	81,716,669	Bond Issuance	Supplementary

Data Source: Nigerian Exchange (NGX) Limited.

2.4. EXTERNAL SECTOR DEVELOPMENTS

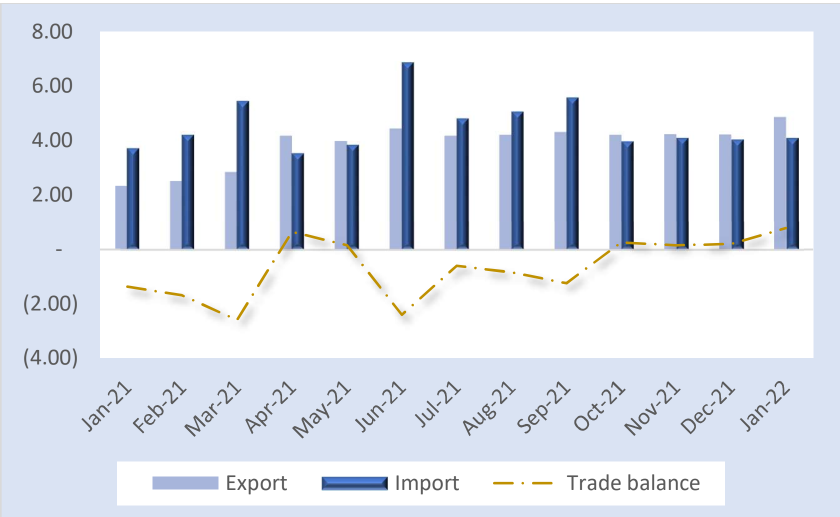
Major Highlights

Geopolitical tensions in Europe and concerns of possible tight oil supplies, led to higher international crude oil prices, thus, increasing Nigeria's export receipts. Consequently, a higher trade surplus was recorded in the review period. On the other hand, inflow of foreign capital declined due to tight global financial conditions resulting from uncertainties surrounding normalisation of monetary policy, particularly in the United States. The Bank sustained its implementation of a cocktail of policies targeted at optimising external reserves and strengthening the value of the domestic currency.

2.4.1 Trade Performance

Trade performance was impressive as higher trade surplus was recorded, owing to increased crude oil export receipts. Provisional data showed that trade surplus increased significantly to US$0.78 billion, compared with US$0.20 billion in December 2021. Aggregate export receipts grew by 15.1 per cent to US$4.87 billion, compared with US$4.23 billion in December 2021. Similarly, merchandise import rose by 1.5 per cent to US$4.09 billion from US$4.03 billion in the preceding month, reflecting increased domestic demand, occasioned by boost in economic activities.

Figure 21: Export, Import and Trade Balance (US$ Billion)



Data Source: Central Bank of Nigeria (CBN)

Crude Oil and Gas Export

Rising Russia-Ukraine tensions led to further rise in crude oil prices at the international market and resulted in higher export receipts. Provisional data revealed that total value of crude oil and gas export increased by 16.1 per cent to US$4.29 billion, compared with US$3.69 billion in December 2021. A disaggregation shows that crude oil export receipts increased by 17.9 per cent to US$3.81 billion, relative to USS$3.23 billion in December 2021. The increase was driven, majorly, by the rise in the price of Nigeria's reference crude, the Bonny Light, by 16.2 per cent to an average of US$87.07pb, relative to US$74.95pb in December 2021. Similarly, gas export receipts, increased by 3.6 per cent to US$0.48 billion, compared with the value in December 2021, due to higher gas prices, particularly in Europe, following increased demand for energy during the winter period. Crude oil and gas export constituted 88.1 per cent of total exports, with oil accounting for 78.2 per cent and gas export 9.9 per cent.

Non-Oil Export

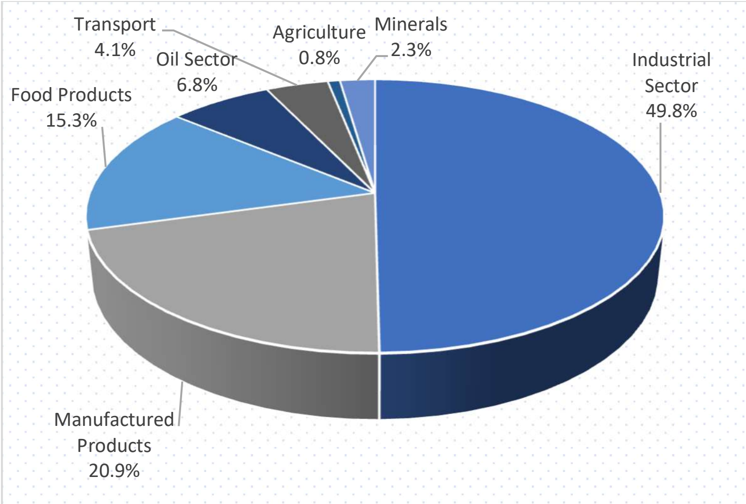
Favourable commodity prices at the international market continued to impact positively on non-oil exports, particularly, agricultural produce. Provisional data on non-oil export showed a growth of 7.4 per cent to US$0.58 billion, relative to the US$0.54 billion in the preceding period. Disaggregation shows that electricity, re-exports and other non-oil export rose by 14.4 per cent, 13.1 per cent and 5.9 per cent to US$0.01 billion, US$0.20 billion and US$0.37 billion, respectively.

Import

The sustained increase in economic activities boosted merchandise imports. Estimated aggregate imports increased by 1.5 per cent to US$4.09 billion, compared with US$4.03 billion in December 2021, due to higher demand for non-oil imports, particularly raw materials for production. Non-oil imports increased by 3.7 per cent to US$3.11 billion from US$3.00 billion in December 2021. However, importation of petroleum products decreased by 4.8 per cent to US$0.98 billion, relative to US$1.03 billion in December 2021, following shipping delays due to COVID-19 outbreaks in major ports. Non-oil imports remained dominant, accounting for 76.0 per cent of total import bills, while oil import constituted the balance of 24.0 per cent.

Data on sectorial utilisation of foreign exchange for imports showed that industrial sector constituted the largest share of 49.8 per cent, followed by manufactured products with 20.9 per cent. Importation of food products represented 15.3 per cent, while the transport sector accounted for 4.1 per cent. Oil, mineral and agriculture accounted for 6.8 per cent, 2.3 per cent and 0.8 per cent, respectively.

Figure 22: Import by Sector, January, 2022 (per cent)



Data Source: Central Bank of Nigeria (CBN)

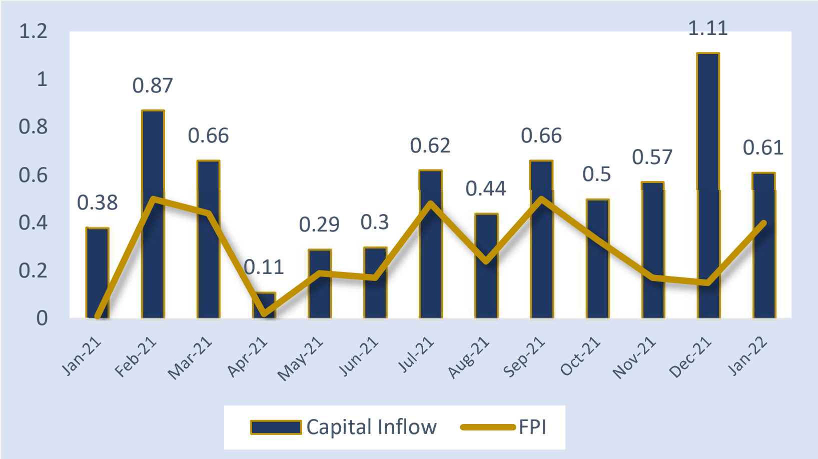
Capital Importation

Foreign capital inflow decreased, owing, majorly, to tighter global financial conditions, driven by anticipated hikes in Fed's fund rates. New capital imported into the domestic economy decreased by 45.0 per cent to US$0.61 billion, compared with US$1.11 billion in December 2021. A disaggregation of capital imported by type of investment indicates that portfolio investment (mainly money market instruments), at US$0.40 billion, constituted 66.0 per cent, while other investments (mainly loans), at US$0.17 billion, constituted 27.4 per cent. Foreign direct investment inflow in form of equity, at US$0.04 billion, accounted for 6.6 per cent.

A breakdown of capital imported by nature of business shows that the banking subsector dominated, accounting for 49.9 per cent, followed by financing, 17.6 per cent. Inflow of capital for production/manufacturing accounted for 16.5 per cent; shares, 9.5 per cent; trading, 3.6 per cent; and telecommunication, 1.7 per cent; while 'Other' sectors accounted for the balance.

Analysis by originating country shows that the United Kingdom was the major source of capital inflow, accounting for 64.8 per cent of the total. South Africa, Singapore, United States, Mauritius, The Netherlands and Togo accounted for 14.7 per cent, 6.8 per cent, 3.7 per cent, 2.8 per cent, 2.3 per cent and 2.2 per cent, respectively. The main recipients of capital by destination were Lagos State and Abuja (FCT) with US$0.44 billion, representing 72.3 per cent and US$0.17 billion or 27.6 per cent, respectively. Anambra State accounted for the balance of US$0.001 billion (0.1 per cent).

Figure 23: Capital Inflow and Foreign Portfolio Investment (US$ Billion)

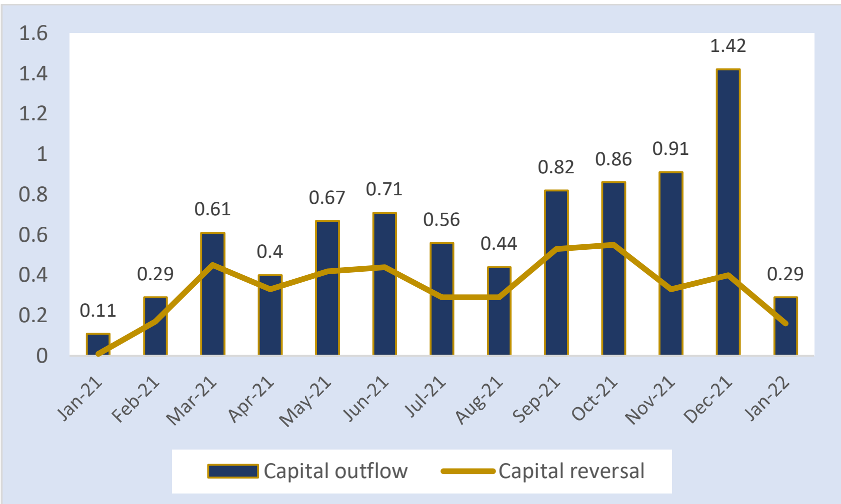


Data Source: Central Bank of Nigeria (CBN)

Outflow of capital from the economy declined significantly, occasioned by lower loan repayment and repatriation of dividends in the review period. Capital outflow decreased by 79.7 per cent to US$0.29 billion in January 2022, compared with US$1.42 billion in December 2021. A disaggregation reveals that outflow in the form of capital (mainly from banking, financing, and trading) was US$0.16 billion, constituting 56.8 per cent. Outflow in the form of loan repayments was US$0.07 billion, or 22.5 per cent, while repatriation of dividends, at US$0.06 billion accounted for 20.6 per cent.

Capital Outflow

Figure 24: Capital Outflow (US$ Billion)



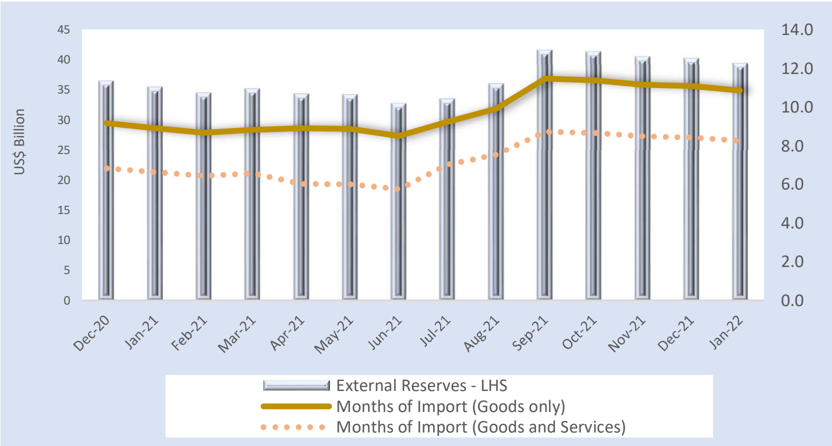
Data Source: Central Bank of Nigeria(CBN)

2.4.2 International Reserves

International Reserves

The external reserves was robust and above the international benchmark of 3.0 months of import cover. The external reserves stood at US$39.38 billion as at January 31, 2022. The reserves level could finance 8.3 months of import for goods and services or 10.9 months of import for goods only.

Figure 25: External Reserves and Months of Import Cover (US$ Billion)



Data Source: Central Bank of Nigeria (CBN)

2.4.3 Foreign Exchange Flows through the Economy

Foreign Exchange Flows through the Economy

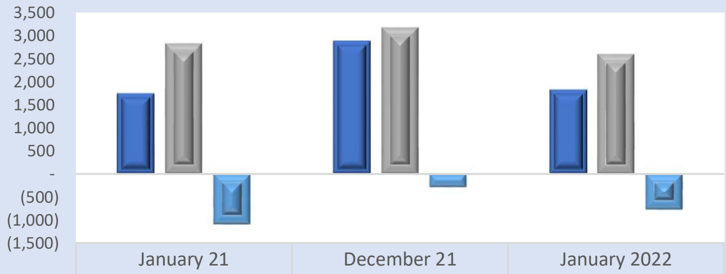
The economy recorded lower net foreign exchange inflow in January, driven, mainly, by net flows from the CBN and autonomous sources. Aggregate foreign exchange inflow into the economy declined by 36.7 per cent to US$4.36 billion in January 2022, from US$6.89 billion in December 2021. The total foreign exchange outflow decreased by 5.1 per cent to US$3.41 billion, from US$3.59 billion in the preceding period. A net inflow of US$0.95 billion was recorded in the month under review, compared with net inflow of US$3.29 billion in the preceding period.

Further analysis shows that foreign exchange inflow into the Bank fell by 36.7 per cent to US$1.82 billion from US$2.88 billion, attributed to 45.4 per cent decline in non-oil components, mainly, TSA and third-party receipts/MDA transfers, other official receipts and swaps. Autonomous inflow also decreased by 36.7 per cent to US$2.54 billion, from US$4.01 billion, due to reduction in invisible purchases.

Foreign exchange outflow through the Bank fell by 18.3 per cent to U$2.60 billion from US$3.18 billion in December 2021, due, largely, to decrease in public sector/direct payment, 3rd party MDA transfers, sales at the Secondary Market Intervention Sales (SMIS) and Investors & Exporters' (I&E) windows. Autonomous outflow, however, rose to US$0.81 billion, from US$0.42 billion in January, on account of higher invisible imports.

Consequently, a net outflow of US$0.78 billion was recorded through the Bank in January, from US$0.30 billion in the previous month.

Figure 26: Foreign Exchange Transactions through the Bank (US$ Million)



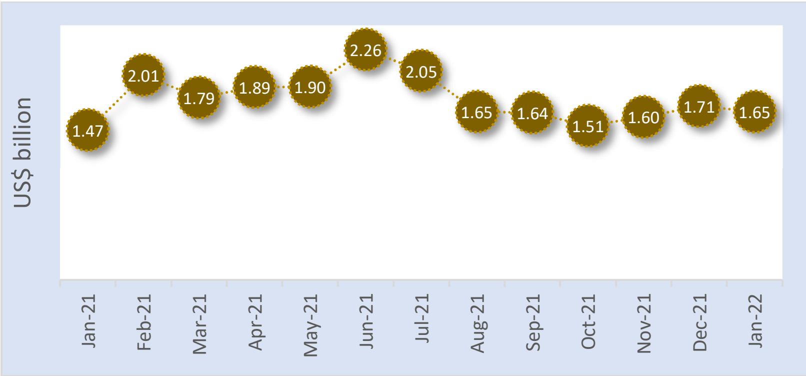
	January 21	December 21	January 2022
Inflow	1,739.27	2,879.87	1,823.21
Outflow	2,832.54	3,177.14	2,601.21
Netflow	(1,093.26)	(297.27)	(778.00)

Data Source: Central Bank of Nigeria (CBN)

2.4.4 Foreign Exchange Market Developments

Total foreign exchange sales to authorised dealers by the Bank was US$1.65 billion in January, representing a decrease of 3.1 per cent, relative to US$1.71 billion in December 2021. A breakdown shows that foreign exchange sales at the Small and Medium Enterprises (SME) window, interbank/invisible foreign exchange sales and matured swaps contracts rose by 24.4 per cent, 25.9 per cent, and 60.8 per cent to US$0.14 billion, US$0.18 billion and US$0.21 billion, respectively, in January, relative to the amount in December 2021. However foreign exchange sales to the Investors and Exporters (I&E) and Secondary Market Intervention Sales (SMIS) windows fell by 13.7 per cent and 16.3 per cent to US$0.58 billion and US$0.54 billion, respectively, in the month under review. To enhance exchange rate management and achieve accurate value from import and export items in and out of Nigeria, the Bank introduced e-evaluator and e-invoicing to replace the hard copy final invoice as part of the documentation for trade transactions. Effective February 1, 2022, import and export operations would require the submission of an electronic invoice (e-invoice) authenticated by the authorised dealer banks on the Nigeria Single Window portal – trade monitoring system (TRMS).

Figure 27: Foreign Exchange Sales to Authorised Dealers in January 2022



Data Source: Central Bank of Nigeria (CBN)

2.4.5 Exchange Rate Movement

Average Exchange Rate

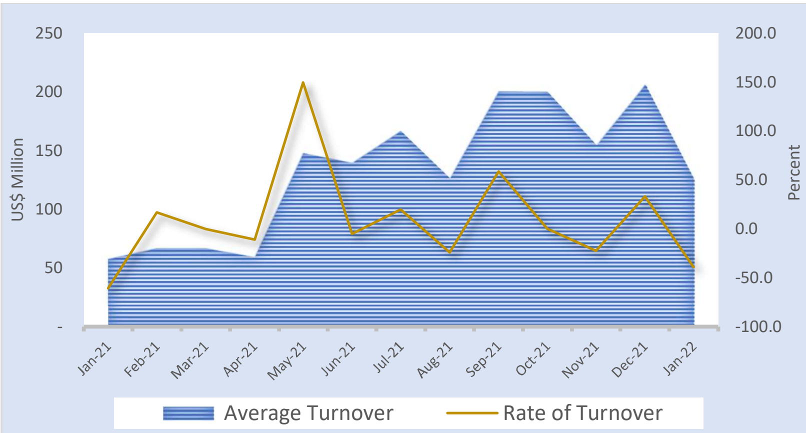
The exchange rate of the naira at the I&E window remained relatively stable in the review period. The average exchange rate of the naira per US dollar at the I&E window depreciated by 0.4 per cent to ₦416.03/US$, compared with ₦414.34/US$ in December 2021.

2.4.6 Foreign Exchange Turnover at the I&E Window

Foreign Exchange Turnover

The average foreign exchange turnover at the investors and exporters' window was US$125.14 million in January, indicating a decline of 39.1 per cent, compared with US$205.64 million in December 2021.

Figure 28: Turnover in the I&E Foreign Exchange Market (US$ Million)



Data Source: Financial Markets Derivatives Quotations (FMDQ)

3.0 ECONOMIC OUTLOOK

3.1 Global Outlook

The IMF revised the forecast for 2022 global growth from 4.9 per cent in October 2021 to 4.4 per cent in January 2022. The downward revision in growth forecast reflects anticipated effects of mobility restrictions, border closures and health impact from the spread of the Omicron variant. Also, the tension between Russia and Ukraine could further impede growth.

According to the World Economic Outlook report for January 2022, global inflation is anticipated to remain high in the short term, averaging 3.9 per cent in advanced economies and 5.9 per cent in emerging markets and developing economies. This is attributed to expected higher commodity prices, energy costs, further currency depreciation and supply chain disruptions. Persistent rise in cost of agricultural inputs such as fertilizers might lead to higher food prices.

3.2 Domestic Outlook

There is optimism about continuous growth in the economy. The positive outlook reflects anticipated positive trend in crude oil prices, sustained government interventions in critical sectors and rebound in manufacturing activities. In particular, effective implementation of the National Development Plan (NDP) is expected to support the growth momentum. However, persistent insecurity, shortage of Petroleum Motor Spirit (PMS) and infrastructural deficit may pose risks to the growth prospect.

Inflationary pressure is expected to further decelerate, as various interventions by the Federal Government and the CBN continue to ease supply chain bottlenecks and drive down food prices. However, security challenges, especially in the rural farming communities and shortage of PMS, if not addressed, could reverse the downward trend in inflation.

Fiscal outlook for the near-term is cautiously optimistic. Rising crude oil price, continued implementation of the Strategic Revenue Growth Initiatives (SRGIs) and the Finance Act 2021 are expected to improve government's fiscal position. However, constraints to effective tax administration and the continuation of the PMS subsidy regime constitute downdside risks to the fiscal outlook.

Given the Bank's commitment to ensuring safety and stability of the financial system, it is expected that the various indicators of soundness would continue to remain within the regulatory benchmarks. Similarly, the continuation of the Bank's intervention in the real sector and other credit *easing measures, are expected to increase credit supply in the economy and boost real output growth.*

External reserves accretion is anticipated on account of the expected uptick in crude oil prices. However, anticipated hike in interest rate by the U.S. Federal Reserve could impede capital inflow.

CENTRAL BANK OF NIGERIA
ECONOMIC REPORT

JANUARY 2022