CENTRAL BANK OF NIGERIA ECONOMIC REPORT

Fourth Quarter 2022

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

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EXECUTIVE SUMMARY

Global economic activity contracted, amid elevated inflation, monetary and fiscal tightening, and the continuation of hostilities between Russia and Ukraine in 2022Q4. Output decreased, following contractions in both the manufacturing and services sectors, as demand fell due to a higher cost of living and tight monetary conditions. This development was reflected in the average J.P. Morgan's global composite Purchasing Manager's Index (PMI), which dropped to 48.4 index points from 49.9 index points, recorded in 2022Q3. Similarly, the employment level continued to be on a downward trajectory, declining to 50.6 index points, from 51.8 index points in the preceding quarter. Global inflationary pressures, though moderating, remain elevated and left inflation rates higher than central banks targets, as headline inflation in the period increased despite lower crude oil prices, weaker consumer demand, and monetary tightening.

The domestic economy sustained its growth momentum, driven by activities in the non-oil sector, particularly the services sub-sector. Real GDP grew by 3.52 per cent, in 2022Q4 (year-on-year), compared with 2.25 per cent in 2022Q3, reflecting broad based improvement in economic activities, particularly in the services and agriculture sub-sectors. The non-oil sector grew by 4.44 per cent compared with 4.27 per cent in the preceding quarter. The oil sector continued to be a drag on growth despite the smaller contraction of 13.38 per cent, compared with 22.67 per cent in the preceding quarter. The contraction in the oil GDP was due to legacy challenges confronting the sector. The inflation rate remained elevated, due to an uptick in the prices of food and non-food items, driven by persisting high transport and logistics costs and demand pressures occasioned by the festive season, as well as increased production costs, and other structural issues, which continued to impact output and prices during the quarter. Consequently, headline inflation (Year-on-Year) rose to 21.34 per cent from 20.77 per cent in 2022Q3.

The fiscal position of the Federal Government of Nigeria (FGN) remained constrained, because of the lower crude oil exports and rising cost recovery payments. Notably, FGN retained revenue fell by 18.2 per cent, relative to its level in 2022Q3, following a significant drop in allocation from other revenue sources, as retained revenue shrank by 39.7 per cent compared with the quarterly benchmark. Aggregate expenditure fell, for the third consecutive quarters, by 18.8 per cent, relative to the level in 2022Q3. This was lower than the 2022 quarterly benchmark by 47.6 per cent. Consequently, fiscal deficit narrowed by 20.0 per cent, compared with the preceding quarter. Total public debt at N46,250.37 billion (or 23.2 per cent of GDP) at end-December 2022, remained within the statutory threshold.

The Bank maintained a hawkish monetary policy stance, to stem heightened inflationary pressures. The financial system remained resilient, as various indicators were within prudential requirements. Banking system liquidity increased, resulting in increased activities at the Standing Deposit Facility window. The direction of interest rates in the review quarter was mixed but largely tilted in the upward trajectory, driven by the sustained policy rate hike. The capital market was bullish, against the backdrop of strong buying interest in the equities market, amid price appreciation in hugely capitalised stocks and portfolio reshuffling by investors seeking for alpha stocks, in anticipation of the 2022 full year dividend/earnings declaration.

The weakening global economic conditions continued to weigh on the external sector's performance. Consequently, the overall balance of payments deficit position was estimated at US$0.84 billion. The current account estimate of US$0.34 billion showed a lower deficit position, buoyed by positive trade performance and a surplus in the secondary income account. The financial account recorded a lower net incurrence of financial liabilities of US$0.97 billion, compared with the level in 2022Q3, reflecting the impact of monetary tightening across major advanced economies. The external reserves at end-December 2022 stood at US$36.55 billion, compared with US$37.39 billion at end-September 2022. The level could cover 6.1 months of import for goods and services or 8.6 months of import for goods only, well above the international benchmark of 3 months import cover. The average exchange rate of the naira per US dollar at the I & E window was ₦445.71/US$, compared with ₦426.34US$ in 2022Q3. Public sector external debt stock and external debt service payment at end-December 2022 stood at US$41.69 billion and US$0.31 billion, respectively.

Global growth outlook remains positive in 2023, predicated on central banks stemming inflationary pressures facing many economies, and the pace of recovery from the COVID-19 resurgence in China. Nigeria's economic growth outlook remains positive in the near term amid mounting downside risks. The positive outlook is predicated on the assumption that the current trend in crude oil prices will be sustained, and the effective implementation of the Medium-Term National Development Plan (MTNDP), as well as the positive impacts of CBN interventions on growth-enhancing sectors, among others. However, contraction in global demand, persistent security challenges, as well as legacy infrastructural challenges remain headwinds to growth.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

1.1 Global Economic Activity

Global Economic Conditions

Global economic activity contracted, amidst elevated inflation, monetary and fiscal tightening, and the continuation of hostilities between Ukraine and Russia. Output decreased following contractions in both the manufacturing and service sectors, as demand fell, due to a higher cost of living and tight monetary conditions. Consequently, the average J.P. Morgan's global composite Purchasing Manager's Index (PMI) stood at 48.4 index points, reflecting a decrease from 49.9 index points in the preceding quarter. The average manufacturing PMI also declined to 48.9 index points from 50.7 index points in 2022Q3. A broad-based weakness was also recorded in the services sector, with all three categories of activity covered (business, consumer, and financial services) witnessing declines. Similarly, the employment level continued to be on a downward trajectory, declining to 50.6 index points, from 51.8 index points in the preceding quarter.

Table 1: Global Purchasing Managers' Index (PMI)

	2022Q2	2022Q3	2022Q4
Composite	52.00	49.93	48.40
Manufacturing	53.33	50.73	48.93
Services (Business Activity)	52.67	50.10	48.50
Employment Level	53.23	51.83	50.60

Source: JP Morgan, IHS Markit.

Economic activity in Advanced Economies

In Advanced Economies (AEs), suppressed demand emanating from tight monetary conditions slowed economic activities. The US PMI further contracted to 46.5 index points from 47.3 index points in 2022Q3, as declining real disposable income and higher interest rates continued to moderate consumer demand, especially spending on residential investment. The UK PMI also dropped to 48.5 index points from 50.3 index points in the preceding quarter, reflecting lower consumer spending and business investment on account of higher inflation rates and tighter monetary policy.

A weak PMI index was recorded across Europe, reflecting spillover effects from the war in Ukraine, with especially sharp downward revisions for economies most exposed to the Russian gas supply cuts, and tighter financial conditions. Consequently, the PMI levels fell slightly in Italy and Germany to 48.1 index points and 46.8 index points, from 48.3 index points and 46.9 index points, respectively, in the previous quarter. Similarly, a fall in new orders due to weak demand pushed Japan's PMI down to 50.1 index points, relative to 50.2 in the preceding period.

Figure 1: Heatmap of Selected Advanced Economies' PMIs

	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4
United States	50.5	54.9	54	47.3	46.5
United Kingdom	56.3	58.3	55.3	50.3	48.5
Japan	55.2	48.3	52.5	50.2	50.1
Italy	49.6	51.9	53.3	48.3	48.1
Germany	51.8	55.4	53.9	46.9	46.8

Source: Trading Economics/Various countries' websites, Staff compilation.

Economic activity in EMDEs

The performance of economic activities in Emerging Markets and Developing Economies (EMDEs) was mixed, as most economies grappled with weak consumer demand and high inflationary pressures. Economic activities in China were subdued as factory activity fell, due to a drop in new orders and lower employment. Accordingly, the PMI contracted to 47.9 index points, from 52.0 index points in the preceding quarter. Also, the PMI in Turkey dipped further to 46.7 from 47.1 index points as factory activity slowed due to weak demands in both domestic and export markets. Though above the 50-point benchmark, the PMI level in South Africa and Indonesia slowed to 50.1 index points and 51.0 index points, from 51.2 index points and 52.2 index points, respectively, as export orders fell, owing to weaker international demand. However, economic activities in India remained robust, and expanded further, as the PMI rose to 57.2 index points from 56.6 index points, as the manufacturing and services sectors expanded following subdued wholesale inflation.

Figure 2: Heatmap of PMI in Selected EMDEs

	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4
China	50.5	48	44.4	52	47.9
India	56.3	53.6	58.6	56.6	57.2
Turkey	51.8	50.1	48.8	47.1	46.7
South Africa	49.6	51.1	51.2	51.2	50.1
Indonesia	54.9	52.1	51	52.2	51

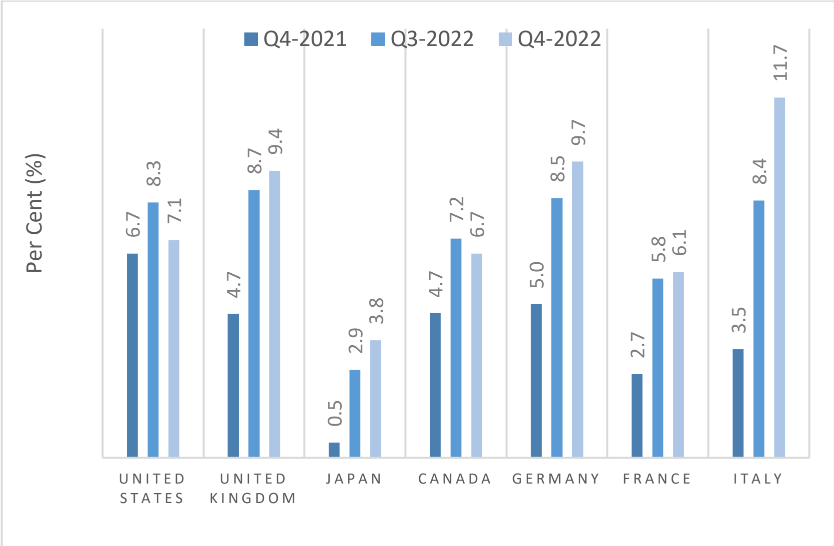
Source: Trading Economics/Various countries' websites, Staff compilation.

1.2 Global Inflation

Global Inflation

Inflationary pressures, though moderating, remained elevated, with inflation rates higher than central banks targets. In 2022 Q4, headline inflation increased despite lower crude oil prices, weaker consumer demand, and monetary tightening. In most advanced economies, headline inflation rose, for the fifth consecutive quarters, driven by energy and food prices, the fallout of the war in Ukraine, and subsisting disruptions to the global supply chain, as China faced a renewed surge of the Pandemic. In the UK, inflation soared further to 9.37 per cent, in 2022 Q4, from 8.73 per cent in 2022Q3, due to upward pressure from housing and household services cost, fueled by higher energy prices. Similarly, in Germany and Italy, inflation rose to 9.66 per cent and 11.75 per cent, from 8.48 per cent and 8.39 per cent in 2022Q3, respectively, due to the depreciation of the euro, an aggravated energy crisis, and lingering supply chain disruptions. In some advanced economies, however, inflation declined from record highs. For instance, in the US and Canada, headline inflation fell to 7.10 per cent and 6.67 per cent, in 2022Q4, from 8.33 per cent and 7.15 per cent, in the preceding quarter, respectively, on the back of weaker demand, fall in global crude oil prices, the reopening of refineries in the United States, and the sustained tight stance of monetary authorities.

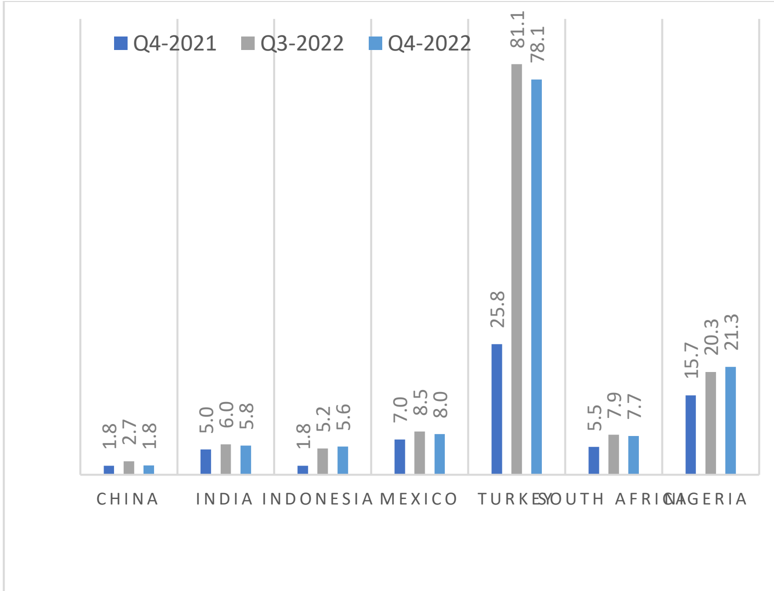
Figure 3: Inflation Rates in Selected Advanced Economies



Source: Organisation for Economic Co-operation and Development, and the National Bureau of Statistics.

In Emerging Markets and Developing Economies (EMDEs), inflation moderated marginally, due to weaker domestic demand and lower food prices. China's inflation rate fell to 1.83 per cent, from 2.67 per cent, in the preceding period, driven by a slowdown in the cost of food. However, prices inched up slightly in December, following increased consumption, occasioned by an improvement in the COVID-19 situation. Likewise, India's retail prices fell to 5.75 per cent from 6.04 per cent, in 2022Q3, due to lower food prices. Inflation moderated marginally in South Africa, as consumer prices fell to 7.68 per cent per cent, from 7.92 per cent in the preceding quarter, due to a slowdown in the rise of transport prices, as energy costs fell. Similarly, inflationary pressures in Turkey moderated, due to slower increases in transportation and housing, and utility components of inflation. Albeit inflation in Turkey remains substantially elevated at 78.06 per cent in 2022Q4, it is lower than the record high of 81.10 per cent in the preceding quarter. On the flip side, headline inflation in Indonesia marginally increased to 5.55 per cent, from 5.19 per cent, in the preceding quarter, driven, mainly, by the rising cost of food, transport and communication.

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



Source: OECD and NBS.

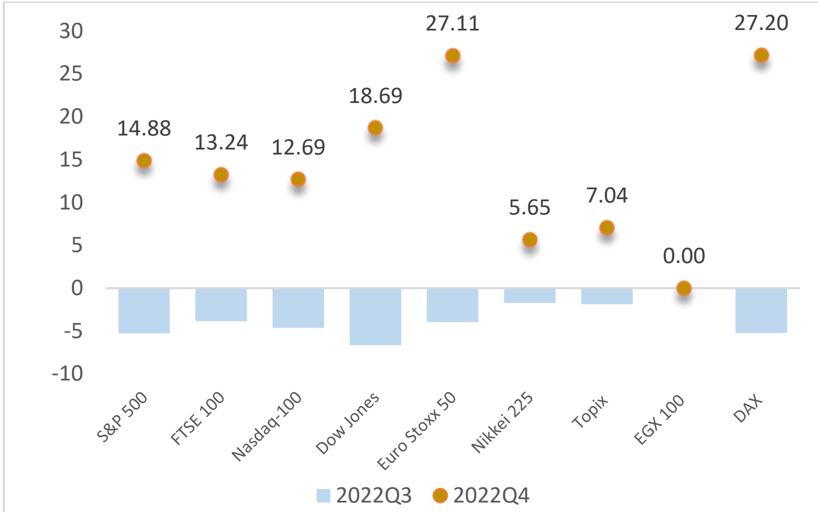
1.3 Global Financial Markets

Global Bond Markets

Global financial conditions in advanced and emerging market economies broadly eased in the fourth quarter, as the pace of rate hikes by the US Fed decelerated and inflation softened. The treasury market was weaker in 2022Q4, with Government bond yields broadly higher and prices lower, as central banks sustained their aggressive tightening. Remarkably, within the fourth quarter of 2022, the bond rates peaked in early November, signaling the bond market's belief that the policy rate hike campaign is nearing its end. The US Fed and the Bank of England raised rates twice within the quarter, spurring an increase in the 10-year government bond yield during the quarter to 3.82 per cent and 3.53 per cent, respectively. In Japan, the modification of the yield curve control policy[1] announced by the Bank of Japan, fueled the rise in the 10-year Japanese government bond to 0.27 per cent. Similar trends occurred in emerging markets, as the bond yields in China and Brazil rose to 2.79 per cent and 6.18 per cent, respectively.

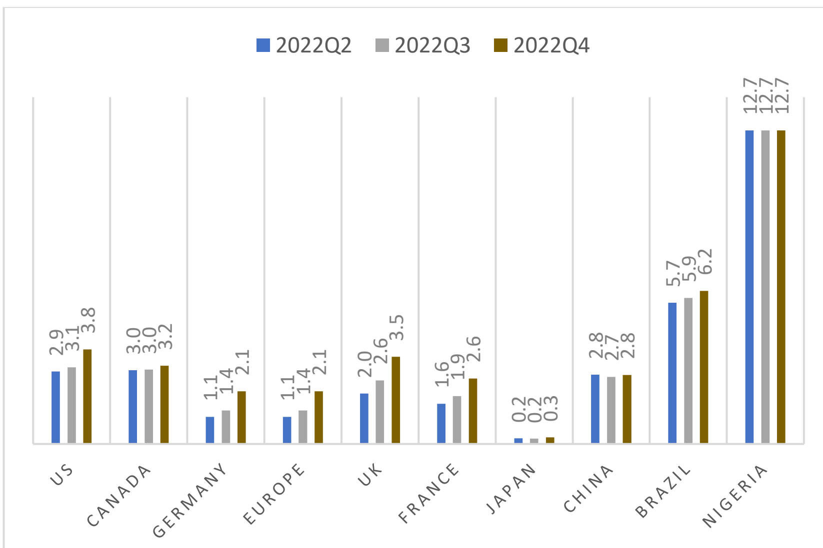
[1] The Bank of Japan said it would allow the yield on its 10-year bonds to move in a range of plus or minus 0.5 per cent, broadening the band from 0.25 per cent.

Figure 5: Growth in Selected Equity Indices (per cent)



Source: Bloomberg

Figure 6: 10-year Bond Yield in Selected Countries (per cent)

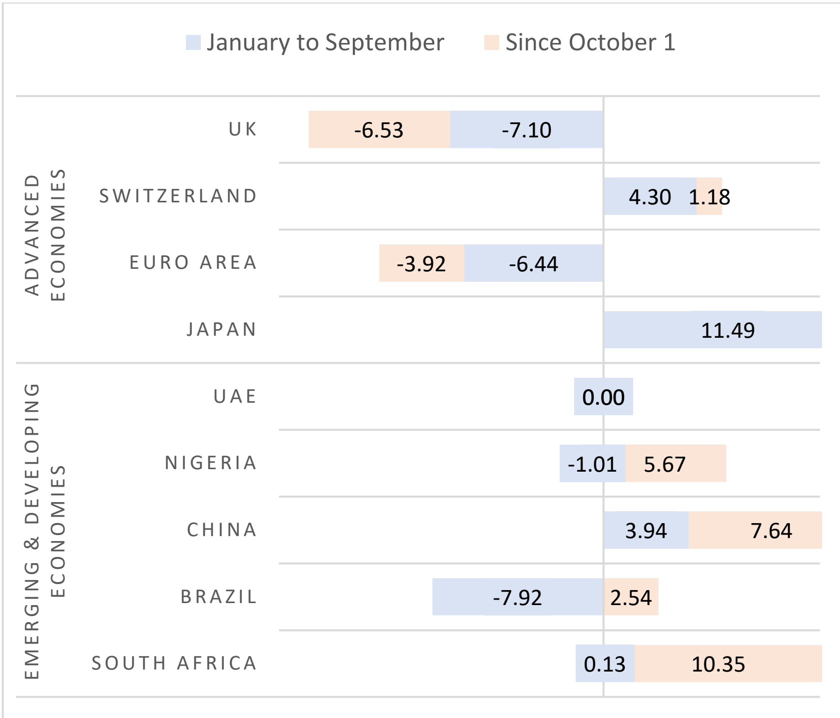


Source: Bloomberg

Global Currency Markets

In the currency markets, though the dollar outperformed the currencies of most AEs and EMDEs in 2022, some of the gains were pared in 2022Q4, as the pace of the Fed's interest rate hikes decelerated, and inflation softened. Among the AEs, the British pound and the euro appreciated against the dollar by 6.53 per cent and 3.92 per cent, respectively, as their central banks sustained policy rate hikes. Conversely, the rate of depreciation of the Japanese Yen declined to 10.11 per cent, during the fourth quarter of 2022, on account of the policy shift of the Bank of Japan. The currencies of most EMDEs depreciated against the dollar, due to Fed's tight monetary policy stance and various domestic developments. The South African Rand depreciated against the dollar by 10.35 per cent, due largely to the electricity crisis and political risks. Also, the Chinese Yuan and Brazilian Real fell by 7.64 per cent and 2.54 per cent, respectively.

Figure 7: Foreign Exchange Market
(exchange rates against the US Dollar, average percentage change)



Source: Bloomberg and CBN Staff Calculations.
Note: Average January to September 2022 and October to December 2022.

1.4 Central Bank's Policy Rates

Most central banks maintained a hawkish stance as inflationary pressures remained ubiquitous. Although inflation had begun to moderate in most economies, it remained above the medium-term average in most economies, with adverse effects on consumer and investor sentiments. Thus, the US Federal Reserve maintained monetary tightening, increasing its policy rate during the quarter by a cumulative 125 bps, to 4.50 per cent. The Fed also hinted at its plan to lift the rate above 5.00 per cent in 2023, if the inflation rate remained high. Alike, the Bank of England raised its policy rate to 3.50 per cent from 2.25 per cent in 2022Q3. This development pushed the cost of borrowing in the UK to its highest level since 2008. The BoE also gave forward guidance, indicating the possibilities of rate hikes, in the near term, to guarantee a return of inflation to the target range. Similarly, the Bank of Canada raised its policy rates further to 3.25 per cent as core inflation failed to show any sign of easing. However, the Bank of Japan maintained its ultra-low interest rate policy at -0.1 per cent in a bid to continue the support for the economy.

Similarly, several central banks in the EMDEs sustained monetary tightening, as prices remained elevated amid economic growth concerns and low capital flows. For instance, the Bank of Mexico increased its repo rate by 125bps, cumulatively, to 10.50 per cent. Banxico's move was particularly designed to support the peso and tame inflation. Similarly, policy rates were hiked by the central banks of Canada, Indonesia, and Europe. In the case of Turkey, despite the tumbling lira, soaring inflation and unbalanced current account, the policy rate was reduced to 9.0 per cent, as the central bank continued to pursue unorthodox monetary policy. The People's Bank of China (PBoC) left its anchor rate unchanged to strike a balance between growth and rising inflation. The monetary authorities in India and South Africa also raised their respective key repo rates to 6.25 per cent and 7.25 per cent as the inflation rate remained above the Banks' upper limit target. The Bank of Ghana hiked its anchor rate by cumulative 500 basis points, during the quarter, to 27.0 per cent in a bid to support the plunging cedi, and curb inflationary pressure. Likewise, the Central Bank of Nigeria raised its policy rate to 16.5 per cent as inflation continued to accelerate.

Table 2: Central Bank Policy Rates (per cent)

Country	2022Q2	2022Q3	2022Q4
United States	1.75	3.25	4.50
United Kingdom	1.25	2.25	3.50
Japan	-0.10	-0.10	-0.10
Canada	1.50	3.25	4.25
Euro Area	0.00	1.25	2.00
China	2.85	3.65	3.65
India	4.90	5.90	6.25
Mexico	7.75	9.25	10.50
Indonesia	3.50	4.25	5.50
Turkey	14.00	12.00	9.00
South Africa	4.70	6.25	7.25
Ghana	19.00	22.00	27.00
Nigeria	13.00	15.50	16.50

Source: Various Central Banks' websites.

1.5 Global Commodity Market

World Crude Oil Supply and Demand

Total world crude oil supply and demand rose in 2022Q4, due to increased supply from OECD producing countries and improved demand from China, respectively, reflecting a rebound in economic activities. Total world crude oil supply rose by 0.3 per cent to 101.30 million barrels per day (mbpd) in 2022Q4, relative to the preceding quarter. The rise was, largely, due to a boost in supply from OECD producing countries to 33.37 mbpd in 2022Q4, from 32.50 mbpd in 2022Q3, particularly, with a marginal recovery in China output, as well as the sale of the final batch of crude oil by the US in completion of the gradual drawdown of 180 million barrels from the US Strategic Petroleum Reserve, which began in April 2022. Similarly, supply from non-OECD producing countries also increased to 67.92 mbpd, from 68.52 mbpd in the preceding quarter as Russia increased supply of crude to both China and India.

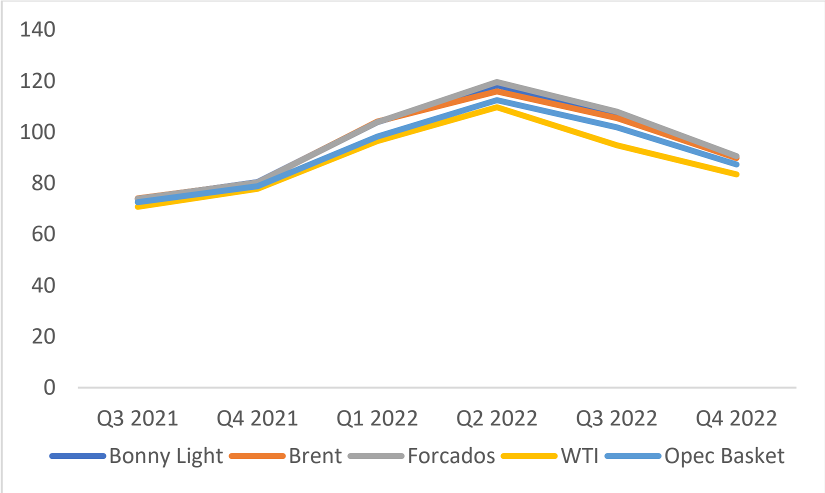
OPEC's crude oil supply fell by 1.5 per cent to 34.21 mbpd in 2022Q4, relative to 34.72 mbpd in the preceding quarter. The decline was driven, mainly, by the OPEC+ decision to cut production by 2.0 million barrels per day in 2022Q4 to balance supply and demand and ensure the long-term stability of the oil market.

On the demand side, total world demand rose by 0.12 per cent to 100.62 mbpd in 2022Q4, relative to 2022Q3. The mild improvement in global crude oil demand was attributed to China's recovery from the impact of post COVID-19 lockdown restrictions, coupled with increased fuel needs for power generation and gas-to-oil switching by many OECD and non-OECD countries.

Crude Oil Prices

Crude oil spot prices fell in 2022Q4, due to US drawing down on its strategic reserve, as well as lingering pessimism among market participants about the prospects of a recession. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), declined by 14.4 per cent to US$91.29 per barrel (pb) in 2022Q4, compared with US$106.70 pb in the preceding quarter. The prices of UK Brent at US$90.81 pb, Forcados at US$91.63 pb, WTI at US$84.06 pb and OPEC Reference Basket (ORB) at US$88.03 pb, all exhibited similar downward movements.

Figure 8: Quarterly Crude Oil Prices (US$ per barrel)



Source: Reuters Data, CBN Staff Compilation

Agricultural Commodity Prices

The prices of most of the monitored agricultural export commodities at the international market maintained a downward trend in 2022Q4, impelled by improved global supply prospects, as well as a tail-off in demand. The average price index for all the monitored commodities stood at 89.5 points (2010=100), indicating a contraction of 3.9 per cent (quarter-on-quarter) and 3.7 per cent (year-on-year). The commodities accounting for the decline ranged from 4.6 per cent for soya beans to 19.2 per cent for cotton. The development was largely driven by falling demand amid deteriorating global economic conditions, improved global supply of products such as cotton and coffee, as well as concerns about the EU's move to stop deforestation-linked commodities into its market, which affected the price of palm oil. However, the prices of cocoa, wheat, and groundnut increased by 5.4 per cent, 5.3 per cent and 0.8 per cent, respectively, on account of supply constraints and worries about global shortages.

Table 3: Indices of Average World Prices of Nigeria's Major Agricultural Export Commodities 2022Q4 (Dollar based) (Jan. 2010=100)

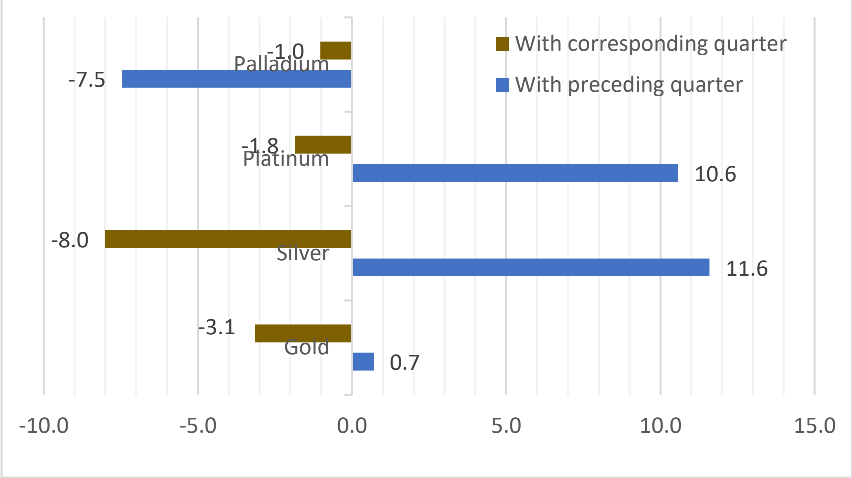
Commodity	2021Q4	2022Q3	2022Q4	% Change (1) & (3)	% Change (2) & (3)
	1	2	3	4	5
All Commodities	*93*	*93.1*	*89.5*	*-3.7*	*-3.9*
Cocoa	*80*	*74.7*	*78.8*	*-1.6*	*5.4*
Cotton	*72.2*	*74*	*59.8*	*-17.2*	*-19.2*
Coffee	*115.9*	*113.9*	*102.2*	*-11.9*	*-10.3*
Wheat	*120.8*	*128.8*	*135.6*	*12.2*	*5.3*
Rubber	*37*	*30.9*	*27.8*	*-24.9*	*-10.1*
Groundnut	*110.9*	*118.7*	*119.7*	*7.9*	*0.8*
Palm Oil	*105.9*	*80.8*	*74.9*	*-29.2*	*-7.2*
Soya Beans	*101.2*	*123*	*117.3*	*15.9*	*-4.6*

Sources: World Bank Pink Sheet

Other Mineral Commodities

Average spot prices of gold, silver, and platinum rose in 2022Q4 as demand for the precious metals rose due to portfolio switches to precious metals as safe-haven assets, in response to higher US Treasury yields. The average spot prices of gold, silver and platinum rose by 0.7 per cent, 11.60 per cent and 10.57 per cent, quarter-on-quarter, to sell at US$1,739.32 per ounce, US$21.46 per ounce, and US$978.39 per ounce, respectively. On the other hand, price of palladium declined by 7.46 per cent to sell at US$1,923.42 per ounce in 2022Q4, in response to pessimism about future demand, due to unfavourable global economic outlook, which may affect vehicle manufacturing[2].

Figure 9: Price Changes in Selected Metals (per cent) for Q42022



Source: Refinitiv Eikon IV (Reuters)

[2] Palladium is used in production of auto catalysts to reduce pollution in automobiles.

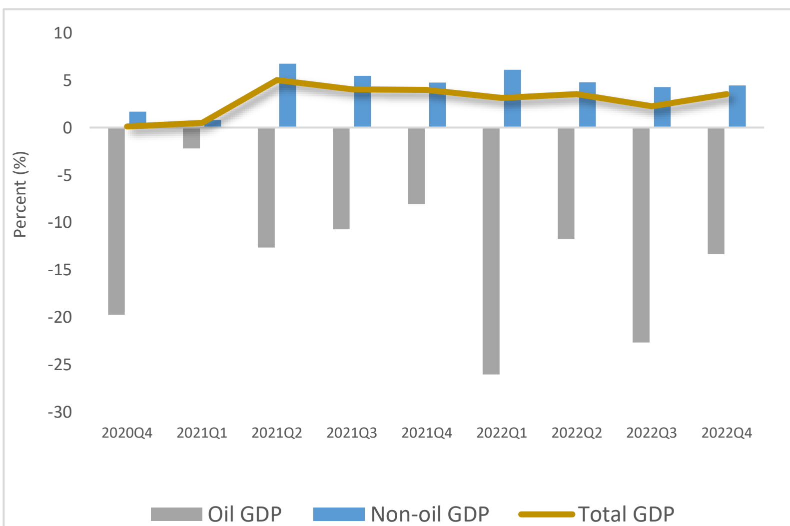
2.0 DOMESTIC ECONOMIC DEVELOPMENTS

2.1 REAL SECTOR DEVELOPMENTS

2.1.1 Output

The economy sustained its growth momentum in 2022Q4, driven by activities in the non-oil sector, especially the services sub-sector. Real GDP grew by 3.52 per cent in 2022Q4 (year-on-year), compared with 2.25 per cent in 2022Q3, reflecting higher economic activities, particularly in the non-oil sector. The realised growth reflected broad based improvement, particularly in the services and agriculture sub-sectors. The non-oil sector grew by 4.44 per cent, compared with 4.27 per cent in the preceding quarter. The oil sector continued to be a drag on growth despite the lower contraction of 13.38 per cent compared with 22.67 per cent in the preceding quarter. The contraction in the oil GDP was due to legacy challenges confronting the sector, despite modest improvements due to recent reforms to tackle vandalism and crude oil theft, thus ramping up crude oil production to 1.22 million barrels per day (mbd) from 1.13 mbd produced in 2022Q3.

Figure 10: Real GDP Growth Rate, 2020Q4-2022Q4, Year-on-Year

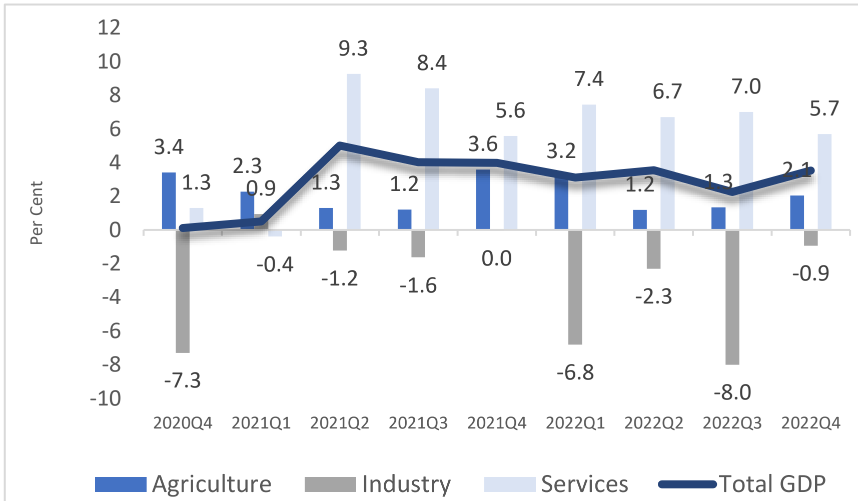


Source: National Bureau of Statistics

Sectoral performance

The Services and Agriculture sectors grew in 2022Q4, while the industry sector remained in the contraction region, despite the improvement. At 5.69 per cent, the Services sector grew at a slower pace in 2022Q4, compared with 7.01 per cent in 2022Q3, but contributed the most to growth by 3.14 percentage points. Within the Services sector, Information & Communications, Trade, Financial & Insurance, and Real Estate subsectors drove overall growth, contributing 1.57, 0.71, 0.43, and 0.17 percentage points, respectively.

Figure 11: Sectoral Growth Rate of Real GDP, 2020Q4-2022Q4



Source: National Bureau of Statistics

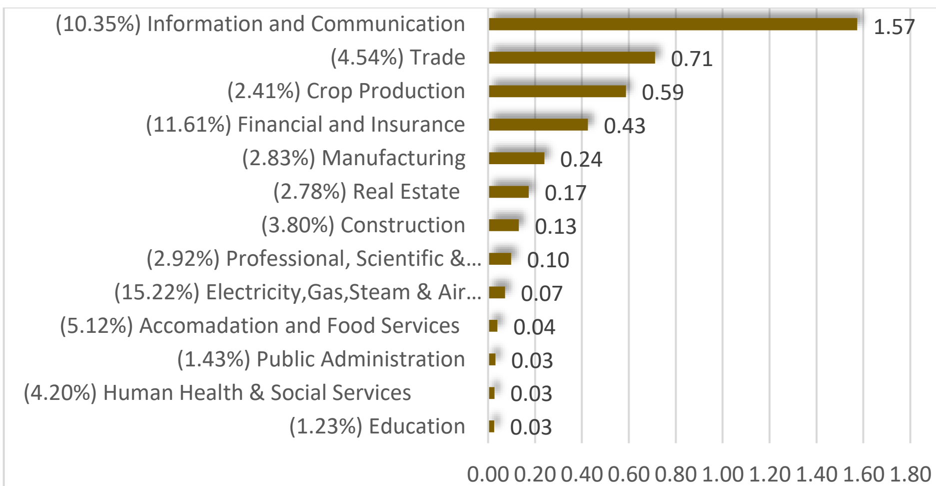
The agriculture sector grew by 2.05 per cent, compared with 1.34 per cent and 3.16 per cent, recorded in the preceding and corresponding quarters of 2022, on the back of increased crop harvests, and demand which accompanied the end of year festivities. Thus, crop production contributed 0.59 percentage points to the overall GDP growth of 3.52 per cent, while livestock and fishing, respectively, dragged growth by 0.03 and 0.05 percentage points, on account of security challenges.

The industry sector contracted marginally by 0.94 per cent in 2022Q4, reflecting a significant improvement, compared with a contraction of 8.00 per cent in 2022Q3, occasioned by the growth in manufacturing sub-sector. This was attributed, majorly, to decline in crude oil and natural gas production. The performance of the industry sector also reflected in the Index of Industrial Production, which dipped by 5.4 per cent, to 88.4 index points, compared with 93.4 points, in the preceding quarter. The Manufacturing sub-sector grew by 2.83 per cent, on account of strengthened demand by consumers in preparation for the festive season. Similarly, the index of manufacturing production rose by 4.1

per cent, to 190.1 (2010) and capacity utilisation increased to 55.2 per cent in 2022Q4, from 54.6 per cent in the previous quarter. Likewise, electricity and water supply subsectors grew by 15.22 per cent and 8.81 per cent, respectively.

Construction subsector, however, grew at a slower pace, by 3.80 per cent compared to 5.52 per cent in the preceding quarter owing to seasonal factors. Though the mining and quarrying subsector remained in the contraction region, there was an improvement as the contraction narrowed to 11.39 per cent from 21.31 per cent in the preceding quarter. This development was also reflected in the index of energy production which fell to 41.2 (2010=100) from 53.1 index points in 2022Q3.

Figure 12: Top 13 Subsectors with largest Contribution to GDP Growth (percentage points) and their Growth Rates in 2022Q4 (Per cent)



Source: National Bureau of Statistics

Figure 13: Subsectors with Least Contribution to GDP Growth and Growth Rates in 2022Q4

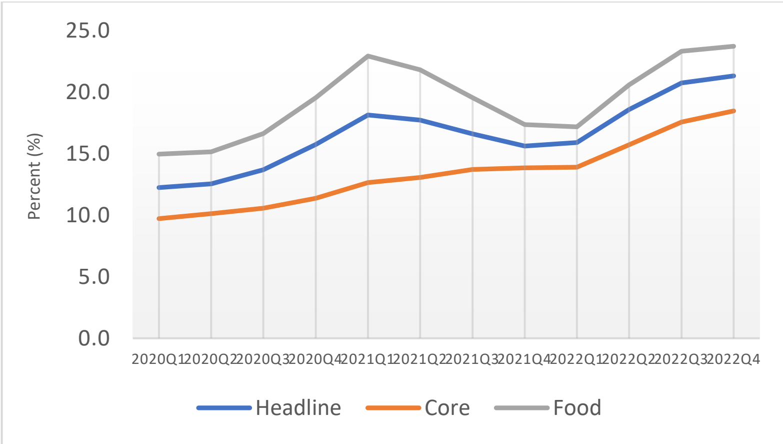
Source: National Bureau of Statistics

2.1.2 Prices

Headline Inflation

The inflation rate rose in 2022Q4, due to an uptick in the prices of food and non-food items. Headline inflation (Year-on-Year) rose to 21.34 per cent from 20.77 per cent in 2022Q3. This increase was driven by the hike in food prices owing to persisting high transport and logistics cost and demand pressure because of the festive season. Also, increased production costs, and other structural issues continued to impact on output and prices during the quarter.

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



Source: NBS and Staff Estimates

Core Inflation

Core inflation, year-on-year, rose to 18.49 per cent from 17.60 per cent in the preceding quarter. The rise in core inflation was attributed to an increase in the cost of imported and locally manufactured goods due to tighter global economic conditions and structural deficiencies.

Food Inflation

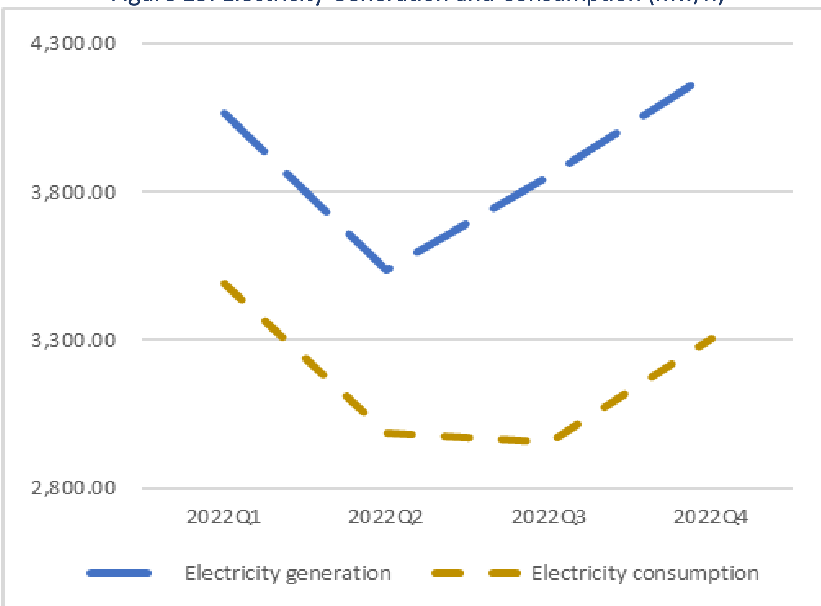
Food inflation (year-on-year) also inched up to 23.75 per cent, compared with 23.34 per cent in 2022Q3. The upward trend in food inflation was due mainly to shortages in farm produce supply, necessitated by the flood witnessed during the year. In addition, high cost of inputs, including energy prices, and the demand pressure from the end of year festivities drove prices upward.

2.1.3 Energy Sector

Electricity Generation

Activities in the energy sector improved, following increased electricity generation resulting from sustained maintenance and upgrade of the electricity ecosystem, coupled with increased gas supply to thermal stations. The average electricity generation at 4,206.36 MW/h, increased by 9.1 per cent, compared with 3,855.73 MW/h in the preceding quarter. Similarly, the average electricity consumption at 3,302.38 MW/h, showed an increase of 11.8 per cent in 2022Q4, relative to 2,953.88 MW/h in 2022Q3.

Figure 15: Electricity Generation and Consumption (mw/h)



Source: NERC

Crude Oil Production and Export

Domestic crude oil production and exports rose quarter-on-quarter, as a result of increased surveillance of pipeline infrastructure against vandals and theft in the Niger Delta region. Nigeria's crude oil production increased by 7.96 per cent to 1.22 million barrels per day (mbpd) in 2022 Q4 compared with 1.13 in the previous quarter. Out of the 1.22 mbpd produced, crude oil export averaged 0.77 mbpd, while the statutory allocation for domestic consumption, at 0.45 mbpd, accounted for the balance. Nigeria's production level remained below the OPEC quota of 1.79 mbpd for Q4 2022 by 0.57 mbpd.

Box Information 1 ☹)

The prices of major domestic farm produce maintained an upward trend in Q4 2022, relative to the preceding period. *Prices of all the monitored domestic agricultural commodities recorded increases during the review period. The upward price trend ranged from 3.7 per cent for maize (yellow) to 11.5 per cent for palm oil. This development was largely driven by escalating energy costs due to fuel scarcity, demand effects emanating from end of year festivities, and the security challenges in the food producing belts of the country.*

Prices of Selected Domestic Agricultural Commodities in 2022Q4

		2021Q4/a	2022Q3/a	2022Q4	% Change	% Change
	UNIT	1	2	3	(1) & (3)	(2) & (3)
Agric eggs medium size	1kg	626.63	729.48	800.02	27.8	9.7
Beans: brown, sold loose	"	487.93	550.06	576.46	18.1	4.8
Beans: white black eye, sold loose	"	474.10	531.12	557.80	17.7	5.0
Gari white, sold loose	"	298.12	310.09	325.56	9.2	5.0
Gari yellow, sold loose	"	329.16	341.06	361.37	9.8	6.0
Groundnut oil: 1 bottle, specify bottle	"	888.71	1083.59	1198.73	34.4	10.3
Irish potato	"	395.46	479.89	526.98	33.3	9.8
Maize grain white, sold loose	"	272.17	302.72	315.35	15.9	4.2
Maize grain yellow, sold loose	"	271.91	306.81	318.12	17.0	3.7
Onion bulb	"	332.24	406.36	422.45	27.2	4.0
Palm oil: 1 bottle, specify bottle	"	765.96	897.07	999.84	30.5	11.5
Rice agric, sold looe	"	470.54	533.41	576.67	22.1	7.7
Rice local, sold loose	"	420.22	460.34	498.15	18.5	8.2
Rice, medium grained	"	472.36	519.76	559.23	18.4	7.6
Rice, imported high quality, sold loose	"	564.53	651.91	705.95	25.1	8.3
Sweet potato	"	202.94	249.30	266.09	31.1	6.7
Tomato	"	351.37	437.03	456.00	29.8	4.3
Vegetable oil: 1 bottle, specify bottle	"	866.11	1046.52	1136.94	31.3	8.6
Wheat flour: prepackaged (Golden Penny)	2kg	943.60	1097.99	1179.37	25.0	7.4
Yam tuber	1kg	323.11	397.45	418.81	29.6	5.4

Sources: *(a) National Bureau of Statistics*

2.2 FISCAL SECTOR DEVELOPMENTS

Summary

The fiscal position of the Federal Government of Nigeria (FGN) remained constrained in 2022Q4, occasioned by lower crude oil exports and rising cost recovery payments. Notably, FGN retained revenue fell by 18.2 per cent, relative to 2022Q3, following a 70.8 per cent drop in allocation from other revenue sources. Compared with the quarterly target, retained revenue shrank by 39.7 per cent. Aggregate expenditure fell for the third consecutive quarter in 2022, declining by 18.8 per cent and 47.6 per cent, relative to 2022Q3 and the 2022 quarterly benchmark, respectively. Consequently, the fiscal deficit narrowed by 20.0 per cent and 58.3 per cent, compared with the preceding quarter and the quarterly budget, respectively. Total public debt at ₦46,250.37 billion (or 23.2 per cent of GDP) at end-December 2022, remained within the statutory threshold.

2.2.1 Federation Account Operations

Federation Account earnings declined due to lower-than-expected receipts from oil and non-oil revenue sources. At ₦3,494.45 billion, gross federation revenue fell below the level in 2022Q3 and the budget benchmark of ₦4,741.02 billion by 8.2 per cent and 26.3 per cent, respectively. Non-oil revenue continued to maintain its dominance in terms of contribution to total revenue, accounting for 60.4 per cent, while oil receipts contributed the balance of 39.6 per cent.

Drivers of Federation Revenue

Oil revenue, at ₦1,382.82 billion, improved by 12.2 per cent relative to the preceding quarter. This was driven by improved domestic crude oil production and the 18.8 per cent rise in receipt from petroleum profit tax and royalties. It however, fell short of the quarterly benchmark oil receipt by 41.8 per cent, owing to lower export receipts and cost recovery payments.

In contrast, non-oil receipts at ₦2,111.63 billion, declined by 18.0 per cent and 10.7 per cent, relative to 2022Q3 and the quarterly budget, respectively. The decrease was largely attributed, to lower collections from company income tax, customs and excise duties, and VAT. Nonetheless, collections from company income tax and value-added tax, at ₦569.46 billion and ₦650.83 billion, exceeded their quarterly targets by 14.6 per cent and 6.6 per cent, respectively. The decline in non-oil revenue relative to the preceding quarter, reflected seasonality in tax returns.

Table 4: Federally collected Revenue and Distribution (₦ Billion)

	2021Q4	2022Q3 1/	2022Q4 1/	Budget
Federation Revenue (Gross)	*2,855.85*	*3,808.62*	*3,494.45*	*4,741.02*
Oil	*1,115.17*	*1,232.54*	*1,382.82*	*2,375.11*
Crude Oil & Gas Exports	*15.68*	*0.00*	*0.00*	*202.71*
PPT & Royalties	*834.06*	*1,146.06*	*1,361.84*	*1,592.74*
Domestic Crude Oil/Gas Sales	*234.05*	*64.56*	*0.00*	*126.13*
Others	*31.38*	*21.91*	*20.98*	*453.53*
Non-oil	*1,740.69*	*2,576.08*	*2,111.63*	*2,365.91*
Corporate Tax	*374.60*	*1,101.32*	*569.46*	*496.95*
Customs & Excise Duties	*394.55*	*463.97*	*434.32*	*464.64*
Value-Added Tax (VAT)	*533.31*	*629.58*	*650.83*	*610.45*
Independent Revenue of Fed. Govt.	*429.42*	*372.42*	*448.24*	*554.05*
*Others**	*8.80*	*8.79*	*8.79*	*239.82*
Total Deductions/Transfers**	*928.95*	*1,398.99*	*1,287.47*	*1,049.22*
Federally Collected Revenue *Less Deductions & Transfers*	1,926.91	2,409.63	2,206.99	3,691.80
plus:				
Additional Revenue	160.92	20.00	132.08	52.44
Balance in Special Account from 2019	0.00	0.00	0.00	0.00
Excess Crude Revenue	*0.00*	*20.00*	*0.00*	*0.00*
Non-oil Excess Revenue	*150.44*	*0.00*	*119.14*	*52.44*
Exchange Gain	*10.48*	*0.00*	*12.94*	*0.00*
Total Distributed Balance	*2,087.82*	*2,429.63*	*2,339.07*	*3,601.48*
Federal Government	***847.04***	***988.10***	***915.11***	***1527.27***
Statutory	*772.55*	*900.16*	*824.20*	*1,442.44*
VAT	*74.49*	*87.94*	*90.91*	*84.83*
State Government	***764.86***	***884.34***	***883.98***	***1296.95***
Statutory	*391.85*	*456.59*	*426.16*	*753.86*
VAT	*248.31*	*293.13*	*303.03*	*282.76*
13% Derivation	***124.71***	***134.62***	***154.79***	***260.33***
Local Government	***475.91***	***557.19***	***539.99***	***777.26***
Statutory	*302.10*	*352.00*	*327.87*	*579.33*
VAT	*173.82*	*205.19*	*212.12*	*197.93*

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

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

A net distributable balance of ₦2,339.07 billion was disbursed to the three tiers of government after accounting for statutory deductions and transfers, as well as additional revenue from non-oil excess revenue and exchange gain. Of this amount, the Federal Government got ₦915.11 billion, while State and Local governments received

₦729.18 billion and ₦539.99 billion, respectively. The balance of ₦154.79 billion was distributed to oil-producing states as a 13.0 per cent Derivation Fund. Total disbursement to the federating units was 3.7 per cent below the amount shared in 2022Q3 and 35.1 per cent short of the quarterly projection.

2.2.2 Fiscal Operations of the Federal Government

Federal Government Retained Revenue

The retained revenue of the FGN declined, on the back of a lower allocation from the Federation Account. At ₦1,502.52 billion, estimated retained revenue of the FGN was 18.2 per cent below receipts in 2022Q3 and 39.7 per cent short of the quarterly target. Although, receipt from FGN independent revenue, at ₦448.24 billion, exceeded collection in the preceding quarter by 20.4 per cent, it was short of the target by 58.7 per cent.

Table 5: FGN Retained Revenue (N Billion)

	2021Q4	2022Q3	2022Q4	Budget
FGN Retained Revenue	**1,387.70**	**1,837.52**	**1,502.52**	**2,492.30**
Federation Account	688.42	889.64	762.59	*1,082.68*
VAT Pool Account	74.49	87.94	90.91	*79.17*
FGN IR	429.42	372.42	448.24	*1,086.15*
Excess Oil Revenue	0.00	10.52	0.00	*0.00*
Excess Non-Oil	79.25	0.00	55.55	*0.00*
Exchange Gain	4.88	0.00	6.06	*0.00*
*Others**	111.24	477.00	139.17	*244.29*

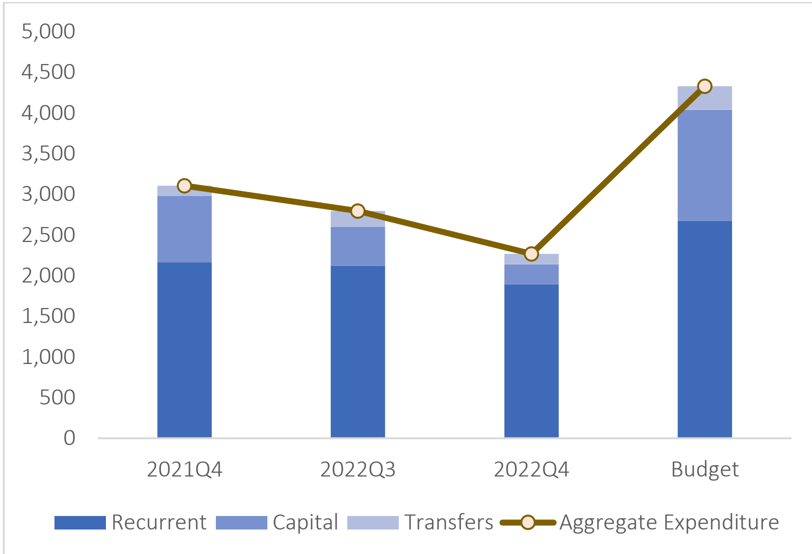
Source: *Compiled from the Office of the Accountant-General of the Federation (OAGF) Figures*

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

Federal Government Expenditure

Following a decline in interest payments and capital spending, provisional aggregate expenditure of the FGN decreased by 18.8 per cent and 47.6 per cent, relative to 2022Q3 and the quarterly budget, respectively. The provisional aggregate expenditure of the FGN in 2022Q4 amounted to ₦2,268.12 billion. A breakdown shows that recurrent expenditure, capital expenditure, and transfers accounted for 83.6 per cent, 10.7 per cent and 5.7 per cent of total expenditure, respectively, a deviation from the projected expenditure mix of 61.8 per cent, 40.5 per cent, and 6.7 per cent in the 2022 budget.

Figure 16: Federal Government Expenditure (N Billion)



Data Source: CBN Staff Estimates and Office of the Accountant-General of the Federation (OAGF).

Overall Fiscal Balance

The decline in expenditure in the review period, induced a contraction in the overall deficit. At ₦765.61 billion, the provisional fiscal deficit of the FGN was 20.0 per cent and 58.3 per cent below the levels in the preceding quarter and the 2022 proportionate budget, respectively.

Table 6: Fiscal Balance (N Billion)

	2021Q4	2022Q3	2022Q4	Budget
Retained revenue	1,387.70	1,837.52	1,502.52	2,492.30
Aggregate expenditure	3,104.76	2,794.65	2,268.12	4,329.85
Recurrent	2,160.08	2,120.76	1,895.15	2,674.35
Non-debt	*1,361.69*	*1,346.81*	*1,283.97*	*1,753.00*
Debt Service	*798.40*	*773.95*	*611.19*	*921.35*
Capital	820.54	478.74	242.88	1,366.85
Transfers	124.13	195.14	130.10	288.65
Primary balance	(918.66)	(183.18)	(154.42)	-916.20
Overall balance	(1,717.06)	(957.13)	(765.61)	- 1,837.55

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

Federal Government Debt

Government borrowing in the review period remained anchored on the Medium-Term Debt Strategy 2020-2023 (MTDS 2020- 2023) of the FGN. Total public debt outstanding as at end-December 2022 was ₦46,250. 37 billion (22.8 per cent of GDP). It rose by 5.0 per cent and 16.9 per cent, relative to end-September 2022 and end-December 2021, respectively; nevertheless, remained within the 40.0 per cent domestic total public debt-to-GDP threshold. Domestic debt accounted for 59.6 per cent of the consolidated public debt, while external debt obligations constituted 40.4 per cent. Out of the public debt stock, FGN owed ₦40,912.62 billion (or 88.5 per cent)[3], while State governments' domestic debt stock made up the balance of ₦5,337.75 billion (11.5 per cent).

Of the total FGN debt obligations, domestic debt was ₦22,210.36 billion (or 54.3 per cent), while external debt was ₦18,702.26 billion (or 45.7 per cent). This is against the sustained 70:30 Domestic: External debt mix anticipated in the prevailing medium-term debt framework. Detailed analysis shows that, FGN bond issues maintained its dominance, with 73.9 per cent of the total domestic debt, while Treasury Bills (19.9 per cent), FGN Sukuk (3.3 per cent), Promissory Notes (2.4 per cent), and others[4] (0.4 per cent) constituted the balance. With regards to external debt holdings, Multilateral, Commercial and Bilateral loans accounted for 48.5 per cent, 37.5 per cent and 12.1 per cent, respectively, while 'other[5]' loans constituted 1.9 per cent.

Debt service obligations in 2022Q4, amounted to ₦548.86 billion, compared with ₦1,167.02 billion in 2022Q3. The decline was attributed to lower demand for external borrowing.

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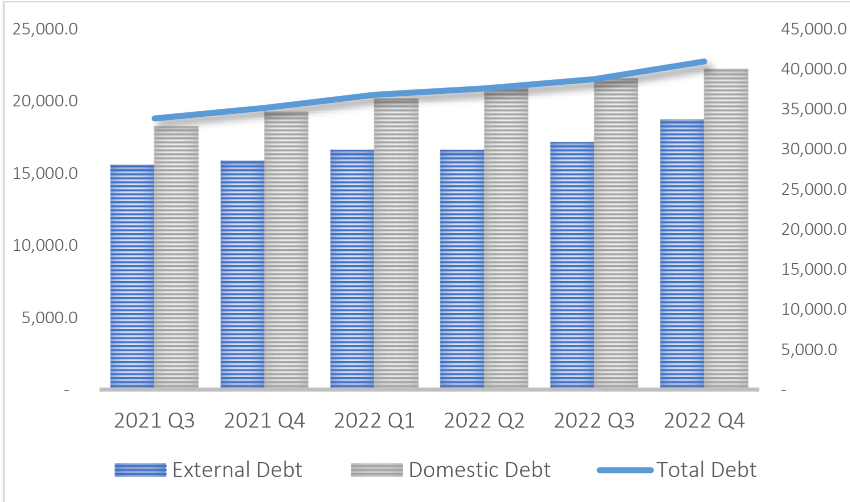
[3] This includes the external debt of State governments, which are contingent liabilities of the Federal government.

[4] This includes Treasury bonds (0.2 per cent), Green bond (0.1 per cent) and Special FGN Savings bond (0.1 per cent).

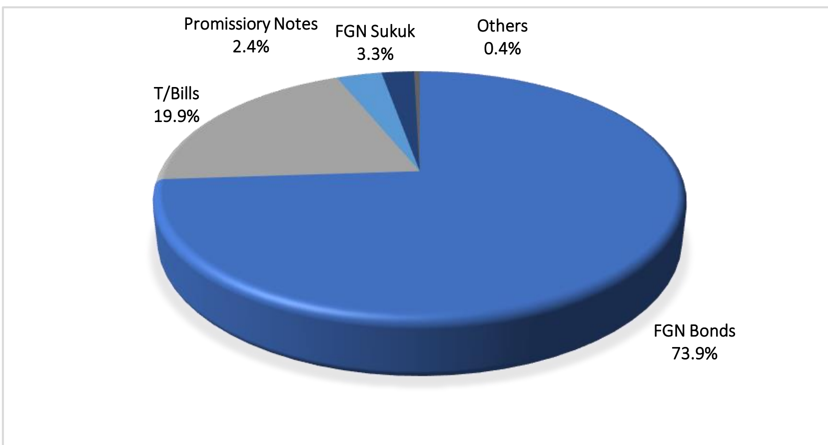
[5] This includes Promissory notes (2.4 per cent) and Syndicated loans, arranged by the AFC (0.23 per cent).

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



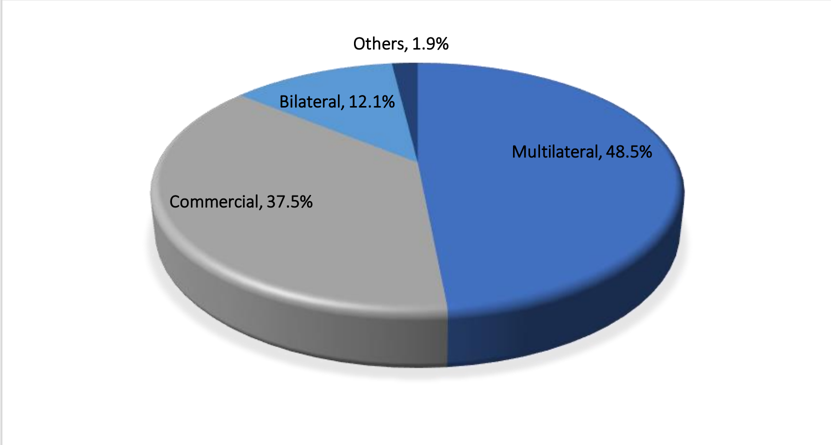
Source: Debt Management Office (DMO)

Figure 18: Composition of Domestic Debt Stock by Instrument



Source: Debt Management Office

Figure 19: Composition of External Debt Stock by Instrument



Source: Debt Management Office

2.3 MONETARY AND FINANCIAL DEVELOPMENTS

Summary

The Bank maintained a hawkish monetary policy stance in the fourth quarter to stem heightened inflationary pressures. The financial system remained resilient, as various indicators were within the prudential requirements. Banking system liquidity increased, resulting in increased activities at the Standing Deposit Facility window. The direction of interest rates in the review quarter was mixed but largely tilted in the upward trajectory, driven by the sustained policy rate hike. The capital market was bullish, against the backdrop of strong buying interest in the equities market amid price appreciation in large capitalised stocks and portfolio reshuffling by investors seeking for alpha stocks in anticipation of the 2022 full year dividend/earnings declaration.

2.3.1 Monetary Developments

Reserve Money

Reserve money grew by 20.6 per cent at end-2022Q4 driven by the 30.7 per cent growth in liabilities to Other Depository Corporations. The growth in liabilities to Other Depository Corporations (ODCs) was due to the 22.9 per cent growth in required reserves, prompted by the impact of the increase in CRR to 32.5 per cent toward the beginning of the quarter. Notably, the growth in liabilities to ODCs was sufficient to cover for the 9.4 per cent contraction in currency-in-circulation and induce a 20.6 per cent growth in reserve money.

Table 7: Components of Reserve Money (N Billion)

	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4
Monetary Base	**13,295.15**	**14,301.77**	**13,860.27**	**15,007.59**	**16,032.05**
Currency-In-Circulation	*3,325.16*	*3,245.60*	*3,255.56*	*3,228.75*	*3,012.06*
Of which:					
Naira and Coins	*3,324.22*	*3,244.60*	*3,254.21*	*3,227.27*	*3,009.51*
eNaira	*0.94*	*1.00*	*1.36*	*1.48*	*2.54*
Liabilities to ODCs	*9,969.99*	*11,056.17*	*10,604.70*	*11,778.84*	*13,020.00*
Monetary Base (% Growth over Preceding December)	*1.43*	*7.57*	*4.25*	*12.88*	*20.59*
Broad Money Multiplier (M3)	*3.34*	*3.19*	*3.53*	*3.29*	*3.25*

Source: Central Bank of Nigeria

At 3.25, the level of the money multiplier prompted a 17.32 per cent growth in money supply. Broad Money supply (M3) stood at ₦52,140.95 billion at the end of the review quarter above ₦49,333.08 billion at the end of the preceding quarter, implying a growth of 17.32 per cent. The growth rate surpassed the programme target of 14.92 per cent by 2.4 percentage points and underscores the persistent inflationary pressures in the economy.

Growth in broad money assets stemmed from the 36.5 per cent increase in Net Domestic Assets which outweighed the 54.5 per cent decline in Net Foreign Assets. The major driver of the growth in net domestic assets (NDA) was the 78.2 per cent growth in net claims on central government, followed by the 19.7 per cent growth in claims on other sectors. The contribution of the NDA to the growth in broad money assets stood at 28.8 percentage points with net claims on the central government and claims on other sectors contributing 24.3 percentage points and 15.5 percentage points, respectively. Net Foreign Assets (NFA) declined by 54.5 per cent, driven wholly by the 55.4 per cent rise in liabilities to non-residents buoyed by increased loans and the sale of CBN bills to non-residents.

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

	Contribution to M3 growth (2022Q4)	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2022 Benchmark
Net Foreign Assets	-11.47	4.22	-19.12	-34.73	-52.04	-54.52	-
Claims on Non-residents	2.79	5.11	-2.61	0.63	1.64	5.96	-
Liabilities to Non-residents	14.26	5.86	10.9	29.55	45.54	55.42	-
Net Domestic Assets	28.79	21.92	8.58	21.93	27.8	36.46	-
Domestic Claims	39.82	17.83	8.26	17.88	29.9	36.3	16.23
Net Claims on Central Government	24.34	20.42	17.92	31.61	64.93	78.15	12.26
Claims on Central Government	23.44	22.66	13.78	23.61	39.62	42.52	-

Liabilities to Central Government	-0.9	25.68	8.4	13.23	6.76	-3.74	-
Claims on Other Sectors	15.48	16.83	4.43	12.44	16.02	19.71	17.73
Claims on Other Financial Corporations	2.15	-5.34	-0.78	2.91	7.76	12.12	-
Claims on State and Local Government	1.82	20.63	20.33	29.85	29.28	32.47	-
Claims on Public Nonfinancial Corporations	0.74	3.44	47.54	42.37	34.27	40.89	-
Claims on Private Sector	10.77	26.84	3.04	12.77	16.76	20.17	-
Total Monetary Assets (M_3)	**17.32**	**14.24**	**2.75**	**10.02**	**11.00**	**17.32**	**14.92**
Currency Outside Depository Corporations	-0.84	17.74	-7.63	-7.46	-7.1	-12.65	-
Transferable Deposits	6.76	13.3	11.77	16.61	22.16	19.86	-
Narrow Money (M_1)	5.92	14.00	8.61	12.69	17.4	14.57	-
Other Deposits	10.52	19.99	-1.26	8.19	6.62	17.71	-
Broad Money (M_2)	16.43	17.48	2.75	10.02	11.00	16.44	-
Total Monetary Liabilities(M_3)	**17.32**	**14.24**	**2.75**	**10.02**	**11.00**	**17.32**	**14.92**

Source: Central Bank of Nigeria

Broad money liabilities increased on account of the 19.9 per cent and 17.7 per cent growth in transferable deposits and other deposits, respectively. 'Other deposits' was the major contributor to the growth in broad money supply at 10.5 percentage points, followed by transferable deposits at 6.8 percentage points. Currency outside depository corporations (CODC) sustained its downward trajectory, an indication of increased adoption and usage of electronic payment channels coupled with the naira redesign policy.

2.3.2 Sectoral Credit Utilisation

Sectoral Utilisation of Credit

The industry and services sectors sustained dominance in the share of credit to the private sector. Credit utilization by sectors rose by 4.4 per cent to ₦29,445.87 billion, relative to ₦28,204.27 billion in the preceding quarter as higher deposit rates and other credit policies continued to spur credit delivery to critical sectors of the economy. Notably, credit utilisation increased across the three main sectoral categories above their levels in the preceding quarter, with the Agriculture sector recording the highest growth of 9.3 per cent, followed by the Industry and Services sectors at 5.2 per cent and 3.3 per cent, respectively. The Services sector accounted for the most credit utilised with a share of total credit utilisation of 52.8 per cent, followed by the Industry sector at 41.0 per cent, while the Agriculture sector accounted for a marginal share of 6.2 per cent.

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

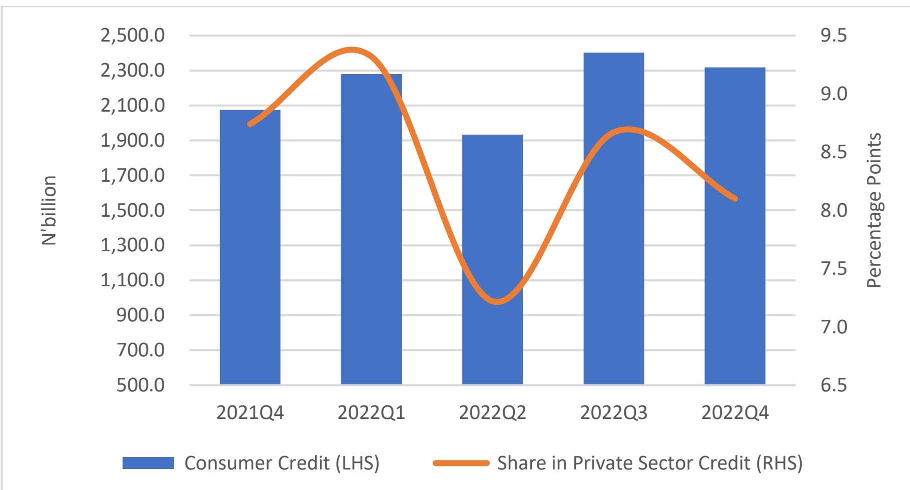
	2021Q4	2022Q3	2022Q4
Agriculture	5.98	5.88	6.15
Industry	40.66	40.7	41.01
of which Construction	4.39	4.15	3.96
Services	53.36	53.42	52.84
of which Trade/General Commerce	7.01	7.12	7.52

Source: Central Bank of Nigeria

Consumer Credit

Consumer credit declined owing to the effect of higher cost of borrowing following the 250-basis points policy rate hike that characterised the period. Consumer credit declined by 3.5 per cent to ₦2,318.63 billion at the end of the fourth quarter of 2022 from ₦2,402.67 billion recorded at the preceding quarter. Consequently, consumer credit as a share of total claims on the private sector declined by 0.6 percentage point to 8.1 per cent, from 8.7 per cent in the preceding quarter.

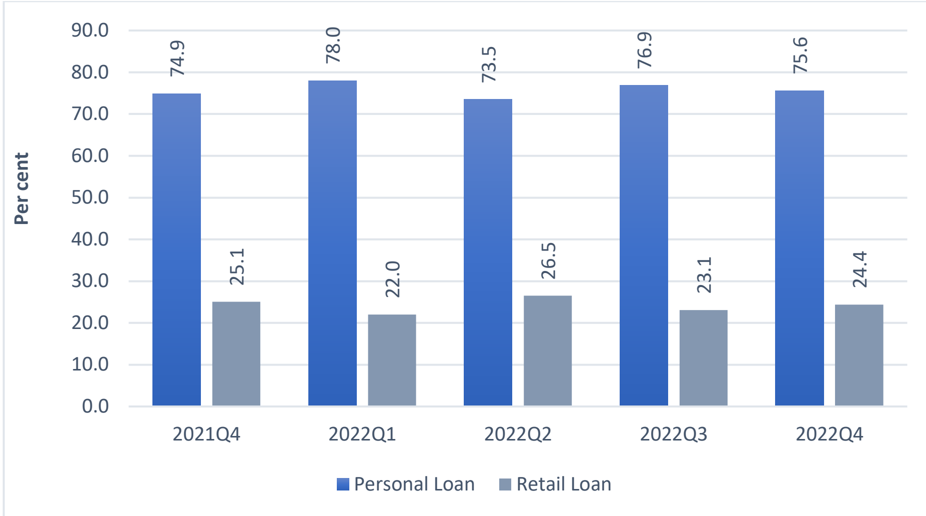
Figure 20: Consumer Credit Outstanding



Source: Central Bank of Nigeria

A disaggregation of consumer credit reveals that personal loans accounted for 75.6 per cent of the total consumer credit, while retail loans accounted for 24.4 per cent compared with 76.9 per cent and 23.1 per cent, respectively, in the third quarter of 2022.

Figure 21: Composition of Consumer Credit



Source: Central Bank of Nigeria

2.3.3 Financial Developments

2.3.3.1 Money Market Developments

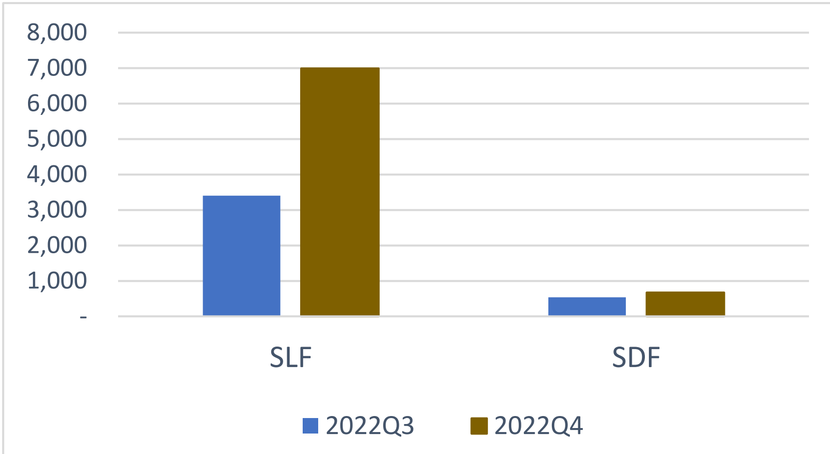
Industry Liquidity Condition

Increased fiscal and monetary operations spurred banking system liquidity during the quarter. The level of banking system liquidity rose in the fourth quarter of 2022, driven by repayment of maturing CBN bills and fiscal disbursements to the 3 tiers of Government which outweighed outflow via provisioning and settlement of foreign exchange purchases, and auctioning of CBN bills, as well as Cash Reserve Ratio (CRR) debits. Net inflow from OMO transactions stood at ₦35.00 billion (₦85.00 billion worth of repayments and ₦50.00 billion worth of sales during the review period). Relative to the preceding quarter, the average net industry balance stood at ₦195.91 billion, which was 41.8 per cent higher than the preceding quarter's ₦138.16 billion.

Standing Facility Window Operations

Activities at the standing deposit facility (SDF) increased, mirroring the increased banking system liquidity. Also, ODCs took advantage of higher rates triggered by increases in the monetary policy rate. Total SDF requests increased to ₦669.46 billion from ₦536.50 billion in the preceding quarter, while average daily requests increased to ₦10.63 billion from ₦8.52 billion in the preceding quarter. Activities at the standing lending facility (SLF) also increased, despite the improvement in banking system liquidity within the quarter. Total SLF requests in the quarter totaled ₦6,989.43 billion, with daily average requests of ₦110.93 billion, compared to total requests of ₦3,404.68 billion and daily average requests of ₦56.74 billion in the preceding quarter. The development is not unconnected with the liquidity structure of banks.

Figure 22: Trend at the CBN Standing Facility Windows (₦ Billion)



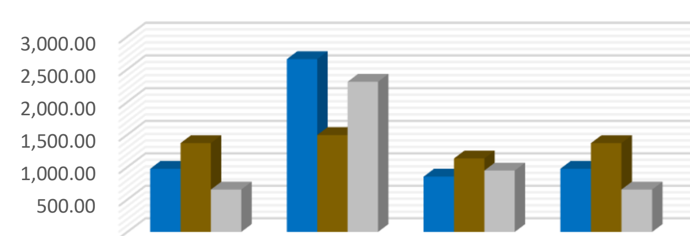
Source: Central Bank of Nigeria

Investments in both the NTBs and FGN bonds segments rose significantly in the review quarter as investors took advantage of improved yield.

Primary Market

Demand for NTBs increased during the quarter as reflected in the total offered, subscribed to, and allotted bills of ₦972.99 billion, ₦2,665.07 billion, and ₦852.93 billion, respectively, translating to a bid-to-cover ratio of 3.1. Comparatively, total offered, subscribed to, and allotted bills were ₦1,369.37 billion, ₦1,494.33 billion, and ₦1,133.49 billion, and a bid-to-cover ratio of 1.3 in the preceding quarter.

Figure 23: Primary Market NTBs (₦ Billion)



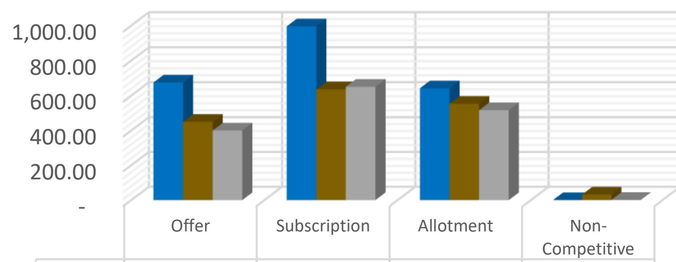
	Offer	Subscription	Allotment	Repayment
2022Q4	972.99	2,655.07	852.93	972.99
2022Q3	1,369.37	1,494.33	1,133.49	1,369.37
2021Q4	653.62	2,309.44	946.54	653.62

2022Q4 **2022Q3** **2021Q4**

Source: Central Bank of Nigeria

Activities in the primary market segment of FGN bonds followed a similar trajectory. FGN bonds of 10- and 20-year tranches totaling ₦675.00 billion, ₦995.39 billion, and ₦641.55 billion were offered, subscribed to, and allotted, respectively, during the review quarter, which is higher than the ₦450.00 billion, ₦635.82 billion, and ₦553.62 billion offered, subscribed to, and allotted in the third quarter of 2022. Similarly, marginal rates at the auctions in the review quarter increased to a range of 15.4(±0.9) per cent, from a range of 12.8(±1.8) per cent in the preceding quarter. The demand for fixed-income securities was sustained, driven, mainly by the attractiveness of the rates in the review quarter.

Figure 24: Primary Auctions of FGN Bond (₦' Billion)



	Offer	Subscription	Allotment	Non-Competitive
2022Q4	675.00	995.39	641.55	-
2022Q3	450.00	635.82	553.62	32.30
2021Q4	400.00	650.47	516.80	1.20

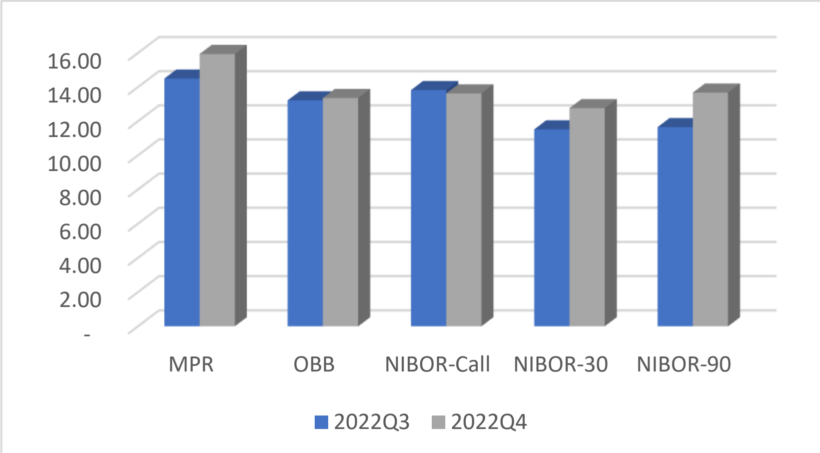
2022Q4 2022Q3 2021Q4

Source: Central Bank of Nigeria

Interest Rate Development

The direction of interest rates in the review quarter was mixed but largely tilted in the upward trajectory, driven by the sustained policy rate hike. Average OBB, NIBOR-30 and NIBOR-90 rates increased to 13.29 per cent, 12.85 per cent, and 13.74 per cent in the review quarter from 12.90 per cent, 11.50 per cent and 11.71 per cent, respectively, in the preceding quarter. The increase in these rates was occasioned by the increase in average MPR to 15.94 per cent relative to the preceding quarter's level of 13.94 per cent. However, the interbank call rate shed 230 basis points to close the period at 11.70 per cent from 14.00 per cent in the third quarter, possibly driven by a reduced appetite for non-collateralised lending at the interbank market.

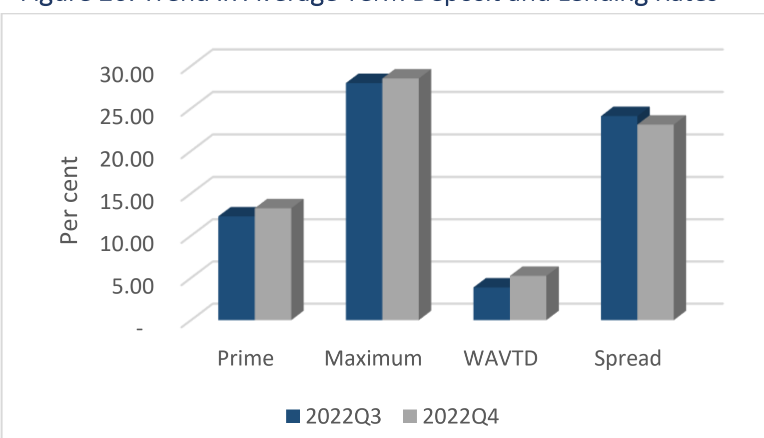
Figure 25: Developments in Short-term Interest Rates (Percent)



Source: Central Bank of Nigeria

Similarly, prime, and maximum lending rates increased relative to the preceding quarter from 12.29 per cent and 27.99 per cent, to 13.25 per cent and 28.53 per cent, respectively, as banks repriced their lending rates in line with the policy rate hikes in the quarter. The weighted average term deposit (AVTD) rate also rose by 1.55 percentage points to 5.43 per cent from 3.88 per cent in the preceding period reflecting the current realities of the hike in MPR. Hence, the spread between the average term deposit and maximum lending rates moderated to 23.11 percentage points, from 24.11 percentage points in the preceding period, implying that the policy rate hike had a stronger impact on deposit rates than on lending to households and small businesses.

Figure 26: Trend in Average Term Deposit and Lending Rates



Source: Central Bank of Nigeria.
Note: PLR= Prime lending rate; MLR= Maximum lending rate; WAVTD= Weighted Average term deposit rate; SPRD= Spread.

2.3.4 Capital Market Developments

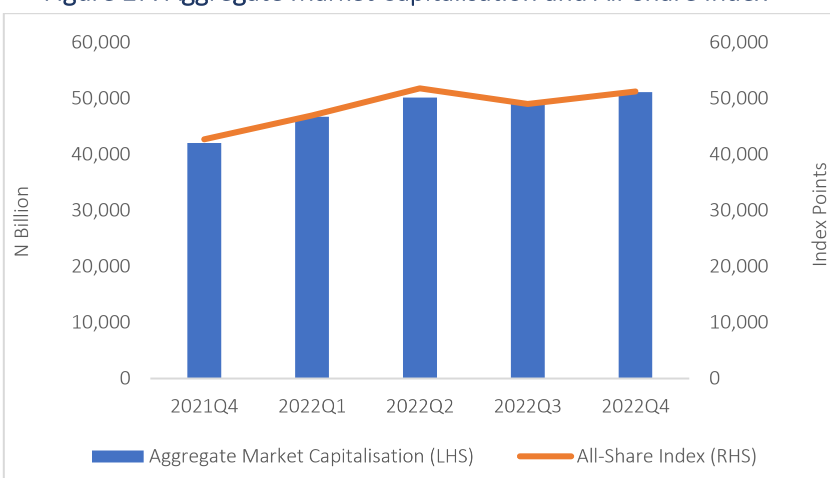
Market Capitalisation

Activities on the Nigerian Exchange (NGX) Limited were bullish, against the backdrop of strong buying interest in the equities market amid price appreciation in large capitalise stocks and portfolio reshuffling by investors seeking alpha stocks in anticipation of the 2022 full year dividend/earnings declaration. Consequently, the aggregate market capitalisation increased to ₦51,188.87 billion in the fourth quarter of 2022, compared with the ₦49,533.09 billion recorded in the preceding quarter, reflecting a 3.3 per cent appreciation. A disaggregation of the components of the aggregate market capitalisation portrayed that the equities, debts and Exchange Traded Funds (ETF) components gained 5.7 per cent, 0.6 per cent and 23.1 per cent to close at ₦27,965.74 billion, ₦23,214.72 billion and ₦8.42 billion, respectively. The development was driven by bargain hunting activities in the equities market in anticipation of favourable end of the year 2022 corporate earnings results. The equities, debt, and ETF components of the market capitalisation constituted 54.6 per cent, 45.3 per cent and 0.1 per cent, respectively.

NGX All Share Index

The All-Share Index (ASI), which opened at 48,879.74 index points at the beginning of 2022Q4, closed at 51,251.06 index points at the end of the quarter, reflecting a 4.5 per cent, quarter-on-quarter appreciation. The positive performance of the NGX-ASI was driven by portfolio reshuffling to alpha stocks ahead of the 2022 full year dividend earnings results.

Figure 27: Aggregate Market Capitalisation and All-Share Index



Source: Nigeria Exchange (NGX) Limited

On the sectoral indices, the performance was bullish across all the major indices tracked except for the NGX Sovereign bond and Oil & Gas sector, which traded southward. The improved performance in the major indices reflected the bullish stance in the overall capital market.

Table 10: Nigeria Exchange (NGX) Limited sectorial Indices

NGX Indices	2022Q3	2022Q4	Changes (%)
NGX-Industrial Goods	1773.22	2403.24	35.5
NGX- AFR Bank Value	837.40	991.06	18.3
NGX- AFR Div Yield	2911.40	3321.49	14.1
NGX- MERI Value	2061.42	2308.19	12
NGX-Banking	379.20	417.50	10.1
NGX-CG	1177.21	1276.51	8.4
NGX-Growth	1659.11	1798.28	8.4
NGX-Pension	1659.38	1792.58	8
NGX-MERI Growth	2135.97	2297.30	7.6
NGX- Lotus II	3039.72	3240.83	6.6
NGX-Premium	4438.40	4715.57	6.2
NGX-30	1746.95	1842.50	5.5
NGX-Insurance	168.60	174.36	3.4
NGX-Main Board	2251.59	2328.51	3.4
NGX-Consumer Goods	584.68	588.93	0.7
NGX-ASeM	658.99	659.42	0.1
NGX-Sovereign Bond	837.85	818.27	-2.3
NGX-Oil/Gas	508.26	462.48	-9

Source: Nigeria Exchange (NGX) Limited

The level of trading activities was strong as the value of traded securities increased by 16.0 per cent to ₦179.43 billion, compared with ₦154.67 billion in the preceding quarter. Similarly, the total deals traded appreciated by 0.9 per cent to 249,209 deals, compared with 246,966 deals recorded in the preceding period. However, the total volume traded depreciated by 0.7 per cent to 12.22 billion, compared with 12.30 billion recorded in the preceding quarter.

Figure 28: Volume and Value of Traded Securities on the NGX

Source: Nigeria Exchange (NGX) Limited.

The capital market improved in its depth as it continues to record new listings. There were six (6) new listings on the Exchange, comprising of 1 equity share, 1 senior unsecured bond, 2 derivatives and 2 saving bonds, compared with twelve (12) new listings and four (4) supplementary listings recorded in the previous quarter.

Table 11: Listings on the Nigerian Exchange Limited in 2022Q4

Company/Security	Shares Units/Price	Remarks	Listing
Geregu Power Plc	2,500,000,000 ordinary shares of 50 Kobo each at ₦100.00 per share	Equity Share	New
Dangote Industries Funding Plc	Tranche A: 10,465,500 units at ₦1,000.00 each; and Tranche B: 177,119,045 at ₦1,000.00 each	Senior Unsecured Bonds	New
NGX-30 Index Futures Contracts	At unit price of ₦1,836.25	Derivative	New
NGX-Pension Index Futures Contracts	At unit price of ₦1,782.00	Derivative	New
12.492% FGS NOV 2024	414,795 units	Saving Bonds	New

13.492% FGS NOV 2025	1,325,536 units	Saving Bonds	New

Source: Nigeria Exchange Limited (NGX).
Notes: FGS=Federal Government of Nigeria Saving Bond; Plc=Public Limited Liability Company; and NOV=November.

2.3.5 Financial Soundness Indicators

The banking industry remained resilient to fragile macroeconomic conditions, as the key financial soundness indicators were within regulatory benchmarks. The banking system capital adequacy ratio (CAR) remain unchanged at 13.8 per cent, the same level as the preceding quarter. The ratio remained above the 10.0 per cent benchmark for banks with national/regional authorisation, but below the 15.0 per cent threshold for banks with international authorisation.

The banks' asset quality, measured by the ratio of non-performing loan (NPL ratio) improved to 4.2 per cent in the fourth quarter of 2022 from 4.9 per cent in the previous quarter, reflecting a 0.7 percentage point decrease, driven by sustained improvement in loan recoveries by banks and lower loan default. Thus, the ratio remains below the prudential benchmark of 5.0 per cent. The Industry Liquidity Ratio (LR) decreased by 3.7 percentage points to 53.0 per cent, compared with 56.7 per cent recorded in the preceding quarter, reflecting a lower holding of liquid assets by banks. The LR was above the minimum regulatory benchmark of 30.0 per cent, showing the banks' ability to meet their obligations.

2.4 EXTERNAL SECTOR DEVELOPMENTS

2.4.1 External Balance

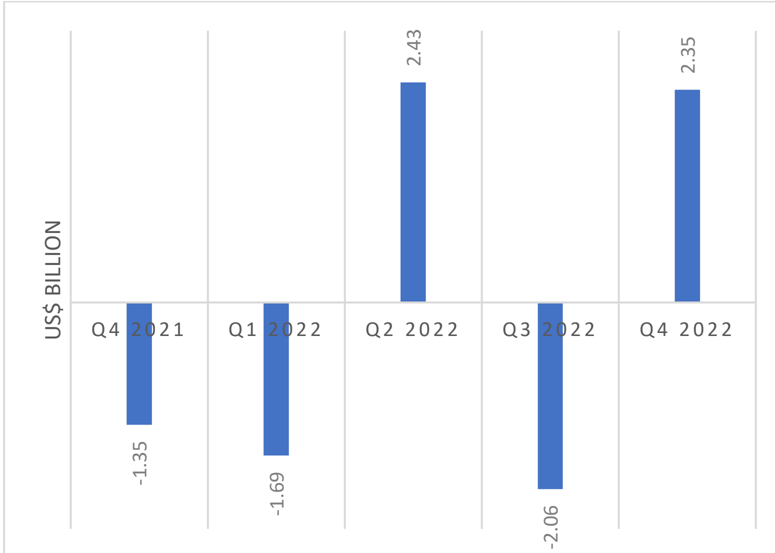
Summary

The weakening global economic conditions continue to weigh on the external sector performance. Consequently, the external account recorded an overall balance of payments deficit position of US$1.11 billion in 2022Q4. The current account, however, posted an impressive surplus position of US$2.35 billion, buoyed by positive trade performance and lower deficits in the services and primary income accounts, as well as sustained surplus in the secondary income account. The financial account recorded a lower net incurrence of financial liabilities of US$0.85 billion, compared with US$2.69 billion in 2022Q3, reflecting tight global monetary conditions. The external reserves at end-December 2022 stood at US$36.61 billion, compared with US$37.39 billion at end-September 2022. The level could cover 6.8 months of import for goods and services or 9.3 months of import for goods, above the international standard benchmark of 3 months import cover. The average exchange rate of the naira per US dollar at the I & E window was ₦445.71/US$, compared with ₦426.34US$ in 2022Q3. Public sector external debt stock and external debt service payment at end-December 2022 stood at US$41.69 billion and US$0.31 billion, respectively.

2.4.2 Current & Capital Account Developments

The current account recorded an impressive surplus position in 2022Q4, driven largely by higher trade surplus and lower deficits in the services and primary income accounts. The current account swung into a surplus position of US$2.35 billion (1.8 per cent of GDP), from a contraction of US$2.06 billion (-1.7 per cent of GDP) in 2022Q3. This development was due to increased export earnings, lower repatriation of dividends by non-resident investors and sustained inflow of diaspora remittances.

Figure 29: Current Account Balance (US$ Billion)



Source: Central Bank of Nigeria

Export Performance

Export performance improved, following increase in crude oil production and higher non-oil export earnings, signifying the success of the Bank's policies aimed at boosting non-oil export receipts. Export earnings rose by 2.9 per cent to US$14.59 billion in 2022Q4, from US$14.17 billion in 2022Q3, driven mainly by the significant increase in non-oil export receipts. Despite the improvement in crude oil production to 1.22mbpd, from 1.13mbpd in 2022Q3, following improved government pipeline surveillance, crude oil and gas export receipts declined by 2.2 per cent to US$12.63 billion in 2022Q4, relative to the level in 2022Q3. The development was majorly driven by the decline in the price of Nigeria's reference crude, the Bonny Light by 14.9 per cent to US$90.81 per barrel, from US$106.71 in 2022Q3. Non-oil export receipts increased significantly by 55.3 per cent to US$1.95 billion, compared with US$1.26 billion in the preceding quarter, driven by the Bank's favourable policies to boost non-oil export receipts and sustained high commodity prices at the international market. In terms of share in total export, crude oil and gas export receipts remained dominant, accounting for 86.6 per cent, while non-oil exports accounted for the balance of 13.4 per cent.

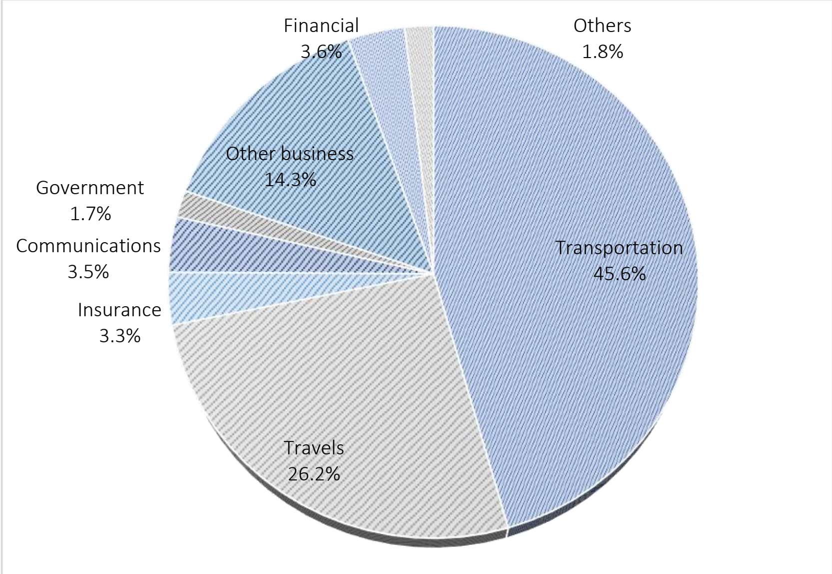
Merchandise Import

Lower merchandise import was recorded on account of decline in both oil and non-oil import, reflecting the substitution effect, particularly on non-oil products. Merchandise import fell by 17.1 per cent to US$11.79 billion, from US$14.21 billion in 2022Q3, due, largely to the 21.9 per cent and 14.4 per cent drop in the importation of petroleum products and non-oil products, respectively. Oil import declined to US$3.93 billion, compared with US$5.04 billion in the preceding quarter. The development reflects the improved supply of petroleum products in 2022Q4. Similarly, non-oil import declined to US$7.85 billion in 2022Q4, from US$9.17 billion in 2022Q3. A breakdown of non-oil import by sector reveals that import of raw materials and machinery for industrial use accounted for the largest share of 48.7 per cent, reflecting inclination towards import substitution in the economy. Other sectoral import shares were: manufactured products (23.2 per cent); food products (12.6 per cent); oil (5.4 per cent); transport (3.8 per cent); mineral (3.6 per cent); and agricultural products (2.7 per cent). The share of non-oil import remained dominant, accounting for 66.6 per cent of the total, while petroleum products constituted the balance of 33.4 per cent.

Services

The deficit in the services account narrowed, mainly due to lower payments for services in the review period. The deficit in the services account narrowed significantly by 22.7 per cent to US$3.13 billion, from US$4.05 billion in the preceding quarter. The lower deficit was a result of declines in service payments for transport, government, and other business services by 24.9 per cent, 25.6 per cent and 15.5 per cent, respectively. Analysis of trade in services shows that payment for services amounted to US$4.43 billion, of which transportation, travels, and other business services were US$2.02 billion, US$1.16 billion, and US$0.63 billion, respectively, accounting for 45.6 per cent, 26.2 per cent and 14.3 per cent of total payments. Payments for insurance and pensions was US$0.15 billion, constituting 3.3 per cent, while telecommunications, financial services, and government goods and services, were US$0.15 billion (3.5 per cent), US$0.16 billion (3.6 per cent), and US$0.07 billion (1.7 per cent), respectively.

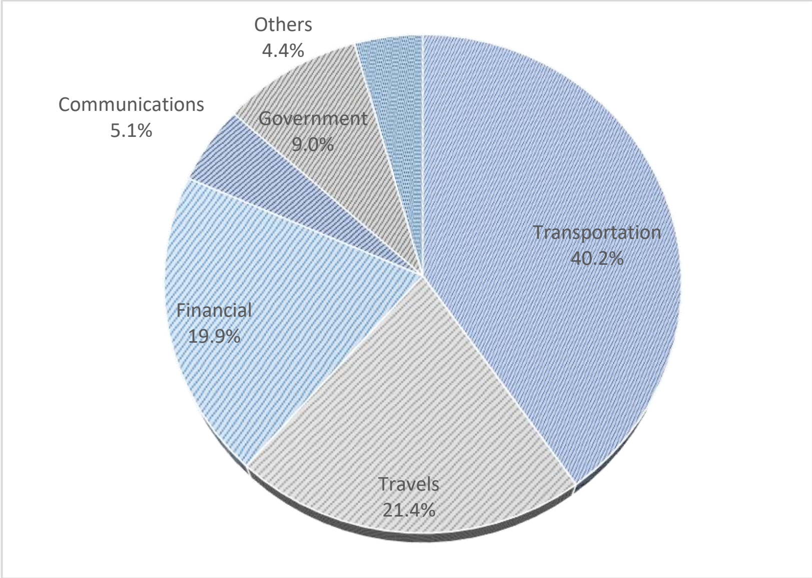
Figure 30: Share of Service Out-Payments (per cent)



Source: Central Bank of Nigeria.

Receipts from services declined by 2.2 per cent to US$1.30 billion, from US$1.32 billion in the preceding quarter. This was due mainly to decline in receipts from transportation, travels, telecommunications and insurance services by 2.7 per cent, 20.6 per cent, 8.9 per cent and 28.8 per cent, respectively. In terms of share in total, receipts from transportation, travel, financial, government and telecommunications services were 40.2 per cent, 21.4 per cent, 19.9 per cent, 9.0 per cent and 5.1 per cent, respectively.

Figure 31: Share of Services Receipts (per cent)

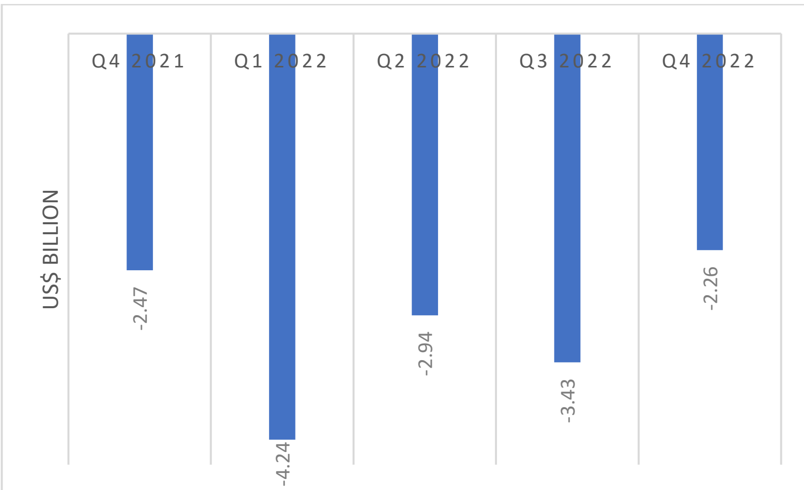


Source: Central Bank of Nigeria.

Primary Income

The deficit in the primary income account narrowed, following lower repatriation of investment income by non-resident investors in the review period. The deficit in the primary income declined significantly by 34.0 per cent to US$2.26 billion in 2022Q4, from US$3.43billion in the preceding quarter. This was primarily as a result of the 25.6 per cent decrease in investment income payments to US$2.77 billion, from US$3.72 billion in 2022Q4. Income on equity and investment fund shares in form of dividends declined by 10.4 per cent to US$2.34 billion, relative to US$2.98 billion in 2022Q3. Similarly, interest payments on loans declined significantly 53.9 per cent to US$0.30 billion, from US$0.65 billion in 2022Q3.

Figure 32: Primary Income Balance (US$ Billion)

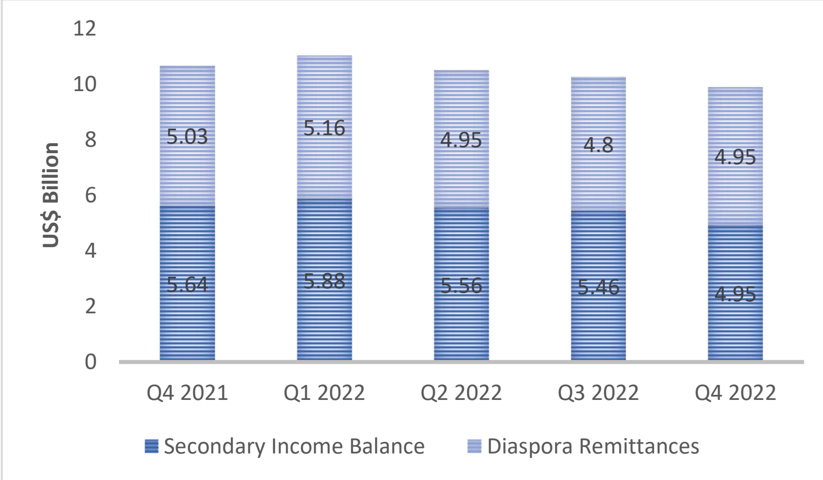


Source: *Central Bank of Nigeria.*

Secondary Income

The surplus in the secondary income account decreased, on account of lower inflow of general government transfers. The surplus in the secondary income account declined by 9.4 per cent to US$4.95 billion in 2022Q4, compared with US$5.46 billion in 2022Q3. This was due to declined inflow of general government transfers. Personal transfers, including diaspora remittances increased by 3.0 per cent to US$4.95 billion, from US$4.80 billion in the preceding quarter. Conversely, general government transfers in the form of aids and grants fell by 36.2 per cent to US$0.49 billion, compared with US$0.77 billion in 2022Q3.

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



Source: Central Bank of Nigeria.

2.4.3 Financial Account

Financial Account Developments

The financial account recorded a lower net incurrence of financial liabilities, reflecting the effect of tight global financial conditions. The financial account recorded a lower net incurrence of liabilities of US$0.85 billion (0.7 per cent of GDP), relative to US$2.69 billion (2.2 per cent of GDP) in the preceding quarter.

Net Incurrence of Liability

An Inflow of US$1.94 billion was recorded in 2022Q4, relative to US$3.57 billion in 2022Q3. This was attributed to significantly lower inflow of portfolio and other investment in the review period. FDI inflow increased to US$0.75 billion, compared with US$0.50 billion in the preceding quarter. On the other hand, portfolio investment inflow decreased to US$0.34 billion, from US$1.00 billion in the preceding quarter. The development was as a result of lower inflow of portfolio equity and reversal of investments in debt securities. Similarly, inflow of "other investment" fell substantially to US$0.85 billion, from US$2.07 billion in the preceding period. This was due to lower inflow of loans and repayments by deposit taking corporations and the private sector.

Net Acquisition of Asset

Aggregate financial assets rose to US$1.09 billion in 2022Q4, compared with US$0.88 billion in the preceding quarter, as a result of higher acquisition of FDI assets amounting to US$0.27 billion, in contrast to a divestment of US$0.09 billion in 2022Q3. Portfolio investment assets also recorded a higher acquisition of US$0.22 billion, relative to US$0.18 billion, owing to increased investment long-term debt securities. Other investment assets declined to US$1.70 billion in 2022Q4, compared with US$2.23 billion in 2022Q3, driven by lower foreign currency holdings of the private sector. Reserve assets depleted by US$1.114 billion, relative to US$1.44 billion in the preceding quarter, following the Bank's continuous effort to enhance liquidity in the foreign exchange market.

2.4.4 External Debt

Public Sector External Debt

Nigeria's public sector external debt stock and external debt service payment at end-December 2022 stood at US$41.69 billion and US$0.31 billion, respectively. A breakdown shows that the multilateral loans, from the World Bank, International Monetary Fund, and African Development Bank Groups, amounted to US$20.2 billion, accounting for 48.5 per cent of the total. A total of US$15.62 billion or 37.5 per cent of the total was borrowed from commercial sources in the form of Euro and Diaspora Bonds. Loans from bilateral sources was US$5.07 billion, or 12.2 per cent of the total, while promissory notes were US$0.55 billion, or 1.3 per cent of the total debt stock.

The external debt service payment stood at US$0.31 billion at end-December 2022, relative to US$0.80 billion in the preceding quarter. A breakdown shows that the principal repayment was US$0.09 billion, accounting for 29.7 per cent of the entire payment. Interest payment totalled US$0.19 billion, or 62.4 per cent of the total, while other payments made up the balance. An analysis of interest payments showed that interest payment on commercial borrowings accounted for 77.3 per cent of the total at US$0.15 billion, while multilateral institutions accounted for 16.4 per cent of the total or US$0.03 billion. 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 lower net financial liability of US$74.48 billion at end-December 2022. The stock of financial assets increased to US$109.33 billion at end-December 2022, compared with US$108.05 billion at end-September 2022. This was due, largely to the increase in the stock of financial assets, mainly, investments in other assets. Portfolio investment assets increased by 3.9 per cent to US$3.57 billion. Similarly, direct investment assets increased by 2.3 per cent to US$13.63 billion, from its level at end-September 2022, driven by higher acquisition of equity and direct investment fund shares by resident investors. Other investment assets also increased by 3.2 per cent to US$52.37 billion in the review period, from US$50.72 billion in the third quarter of 2022.

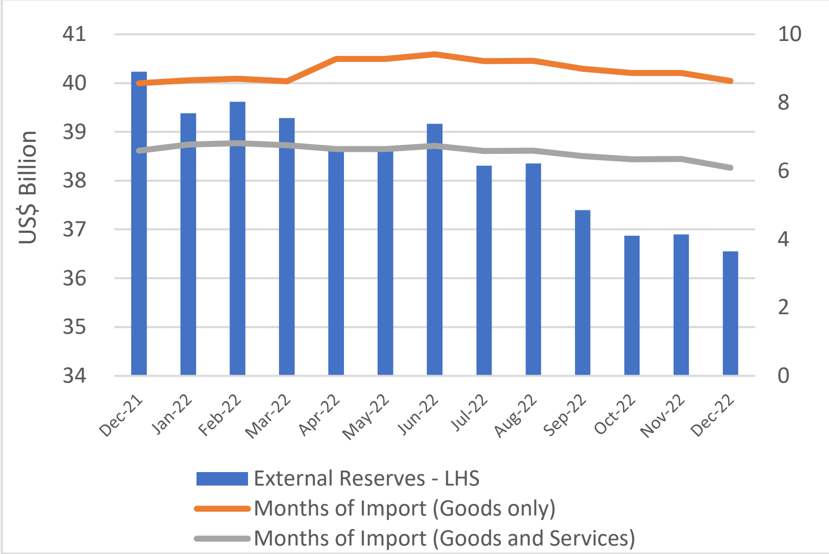
The stock of financial liabilities representing foreign investors' claims on the economy increased marginally by 0.2 per cent to US$183.81 billion at end-December 2022, compared with US$183.45 billion at end-September 2022. The development was largely due to the increase in the stock of direct investment liabilities, relative to their levels at end-September 2022. The stock of direct investment liabilities increased by 1.2 per cent to US$88.20 billion at end-December 2022, compared with US$87.18 billion at end-September 2022. The stock of other investment liabilities also increased by 0.3 per cent to US$56.30 billion at end-December 2022, compared with US$56.12 billion at end-September 2022. However, the stock of portfolio investment liabilities, decreased by 2.2 per cent to US$36.14 billion, compared with US$36.97 billion at end-September 2022.

2.4.6 International Reserves

International Reserves

The international reserves remained above the standard benchmark of 3.0 months of import cover. The international reserves stood at US$36.61 billion at end-December 2022, relative to US$37.39 billion at end-September 2022. The level of external reserves could cover 6.8 months of import for goods and services or 9.3 months of import for goods only.

Figure 34: External Reserves and Months of Import Cover



Source: Central Bank of Nigeria.

A breakdown of the external reserves by ownership shows that, the share of CBN was US$34.98 billion (95.6 per cent); Federal Government, US$1.62 billion (4.4 per cent); while the Federation accounted for the balance. In terms of currency composition, the US dollar was US$27.74 billion, (75.7 per cent); Special Drawing Rights US$5.02 billion (13.7 per cent); Chinese Yuan US$3.44 billion (9.4 per cent); GB Pounds, US$0.20 billion (0.5 per cent); Euro US$0.20 billion (0.6 per cent); and other currencies accounted for the balance.

2.4.7 Foreign Exchange Flows through the Economy

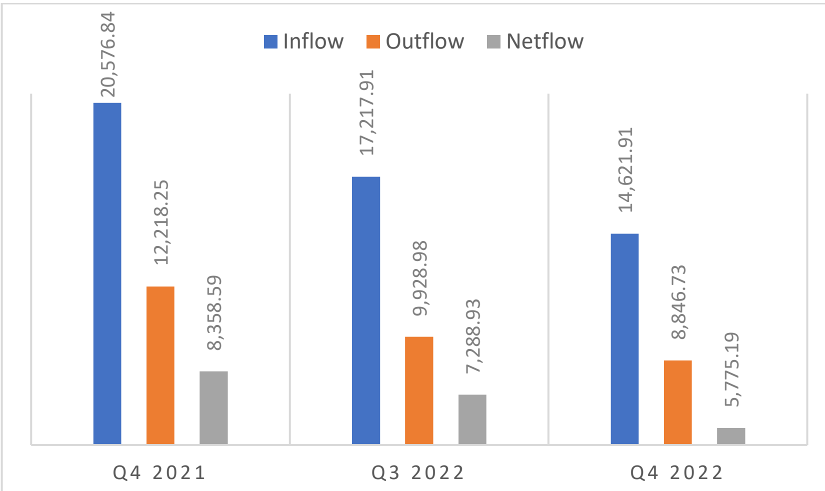
Foreign Exchange Flows through the Economy

Net foreign exchange inflow to the economy stood at US$5.78 billion in 2022Q4, compared with US$7.29 billion in the preceding quarter. Foreign exchange inflow into the economy decreased by 15.1 per cent to US$14.62 billion, from US$17.22 billion in the preceding quarter. The development was driven by the 14.7 per cent and 15.4 per cent decreased inflow through the CBN and the autonomous sources, respectively. Foreign exchange inflow through the Bank at US$6.21billion, fell below the US$7.28 billion in the preceding quarter. Foreign exchange inflow through autonomous sources decreased to US$8.41 billion, from US$9.94 billion in the preceding period.

Similarly, foreign exchange outflow from the economy decreased by 10.9 per cent to US$8.85 billion, relative to the level in the third quarter. Outflow through the Bank at US$7.51 billion, decreased by 12.1 per cent, from US$8.54 billion. Autonomous outflow also fell by 3.6 per cent to US$1.34 billion, from US$1.39 billion in the preceding quarter.

Consequently, the economy recorded a net foreign exchange inflow of US$5.78 billion in 2022Q4, from US$7.29 billion in 2022Q3. Similarly, autonomous sources recorded a net inflow of US$7.08 billion, from US$8.55 billion in 2022Q3. However, a net outflow of US$1.30 billion was recorded through the Bank, compared to a net outflow of US$1.26 billion in 2022Q3.

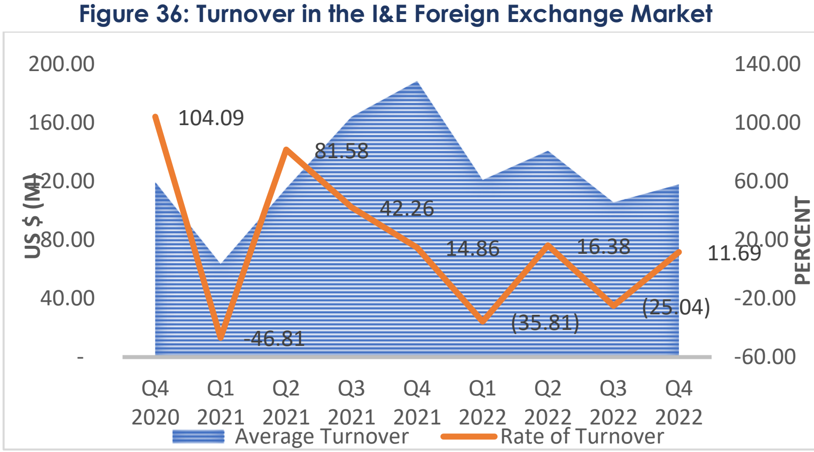
Figure 35: Foreign Exchange Transactions through the Economy (US$ Million)



Source: Central Bank of Nigeria.

The average turnover at the I & E segment increased by 11.7 per cent to US$0.12 billion, relative to the level in 2022Q3, reflecting improved liquidity in the segment.

Figure 36: Turnover in the I&E Foreign Exchange Market



Source: Central Bank of Nigeria.

2.4.8 Exchange Rate Movements

Average Exchange Rate

The average exchange rate of the naira per US dollar at the I & E window was ₦445.71/US$, compared with ₦426.34US$ in 2022Q3.

3.0 Economic Outlook

Global Economic Outlook

According to the IMF's growth outlook, expansion of the global economy is expected to moderate to 2.90 percent in 2023. The outlook is predicated on central banks continuing the fight against inflation to stem the cost-of-living crisis facing many economies. Also, the pace of recovery from the COVID-19 resurgence in China is expected to heavily weigh on the outlook.

In Advanced Economies (AEs) growth is projected at 1.2 per cent in 2023, reflecting the effects of fast rate hikes, the ongoing Russia-Ukraine war and the attendant sanctions imposed on Russia, which are expected to have a direct negative impact on both countries, with international spillovers. Meanwhile, EMDEs are projected to grow marginally to 4.0 per cent in 2023, fuelled by resilient domestic demand in India and some parts of Latin America, despite external headwinds.

Global inflation is expected to moderate to 6.60 per cent in 2023, notably above most central bank targets and above pre-pandemic levels of about 3.50 per cent. Tailwinds to the inflation outlook partly reflect lower global commodity prices, including fuel and also, the expected effects of monetary policy tightening across several central banks. Headwinds to the inflation outlook remain a less-than-expected recovery in China; escalation of the war in Ukraine and debt distress levels rising further.

Domestic Economic Outlook

Nigeria's economic growth outlook remains positive in the near term amid mounting downside risks. The optimistic outlook is predicated on the assumption that the current trend in crude oil prices will be sustained. It is also predicated on the effective implementation of the Medium-Term National Development Plan (MTNDP), and the positive impact of CBN interventions on growth-enhancing sectors, among others. However, contraction in global demand, persistent security challenges, as well as legacy infrastructural challenges remain headwinds to growth.

Inflationary pressures are expected to moderate in the next quarter, due to tight monetary conditions and improvement in global supply chain *conditions.* Headline inflation is expected to continue a downward trend in the near term driven by the CBN's monetary tightening as well as the various supply-side interventions by the Bank and the FGN in the growth-enhancing sectors of the economy. Major headwinds to the inflation outlook include: intensified supply chain disruptions emanating from geo political tensions; higher exchange rate pass-through; and resurgence of the Pandemic and persisting security challenges.

The fiscal outlook in the near-term is cautiously optimistic, in view of the sustained rally in crude oil prices and improving domestic crude oil production, amidst a procyclical political cycle. Besides the positive outlook on oil returns, the swift passage of the 2022 Finance Bill, is expected to complement existing fiscal reforms under the Strategic Revenue Growth Initiatives (SRGI's) in mobilising government revenue, particularly as businesses close their books for the year. The 2023 general elections in February, is expected to raise recurrent expenditure for the effective conduct of the election, which is likely to further contract the fiscal space.

The external sector is expected to remain resilient in 2023. The optimism is hinged on the expectation of sustained favourable crude oil and other commodity prices at the international market. In addition, government efforts at tackling domestic crude oil production challenges are expected to yield positive results. However, headwinds to the outlook include the weak global demand and tight monetary conditions amid high global inflation.