CENTRAL BANK OF NIGERIA ECONOMIC REPORT

November 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 further in November 2022, as the global composite Purchasing Managers' Index (PMI) remained below the threshold of 50.0, as it contracted to 48.0 index points from 49.0 index points in October, owing to persisting weak demand, on account of high inflation and interest rates. Weak demand, low business confidence, and tight financial conditions led to further deterioration of economic activities in most Advanced Economies (AEs), while economic activity in the Emerging Markets and Developing Economies (EMDEs) was mixed. Inflationary pressures, however, moderated in major economies on the back of a tight monetary policy stance, easing supply-chain constraints and policy support to cushion the impact of high energy prices. Across the various segments and regions, financial markets demonstrated resilience, despite low investor risk appetite, given policy rate hikes and economic uncertainty. The average spot price of crude oil declined due to concerns about future demand, amid weak economic activity and continued COVID-19 restrictions in China. Average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), fell by 3.3 per cent to US$93.36 per barrel (pb), from US$96.57 pb in the preceding month.

On the domestic front, economic activities slowed, following rising inflationary pressures that affected input prices, resulting in higher output prices and lower consumer demand. The composite PMI contracted to 49.0 index points, compared with 51.5 index points in October, due to decline in services and industry related activities. Inflation maintained an upward trend, driven by increases in transport and logistics cost, foreign exchange constraints, and other structural issues. Thus, headline inflation (year-on-year), increased to 21.47 per cent from 21.09 per cent in October.

Fiscal conditions waned as revenue into the Federation Account declined by 15.9 per cent, relative to the preceding month, majorly, on account of a 53.4 per cent shortfall in oil revenue, thus, lowering FGN's receipt from statutory allocation by 11.3 per cent. FGN expenditure rose by 9.1 per cent, while provisional fiscal deficit widened by 40.6 per cent. The consolidated public debt stood at ₦44,064.31 billion (or 23.4 per cent of GDP) at end-September 2022.

The financial system remained sound and stable, as the various indicators were within the regulatory benchmarks. The Bank sustained its tight policy stance to moderate the growth of money supply and rein in inflation. Broad money (M3) grew by 16.5 per cent, driven by increase in domestic claims, particularly claims on the central government and the private sector.

Banking system liquidity increased, resulting in lower activity at the Standing Lending Facility window. However, developments in key short-term interest rates were mixed. In the capital market, activities on the Nigerian Exchange Limited (NGX) were bullish, buoyed by improved investors' sentiments that accompanied the release of the 2022Q3 corporate earnings.

The performance of the external sector waned, as the trade deficit was recorded on account of lower crude oil export receipts, despite a decrease in merchandise imports. The decline in merchandise imports reflected the lingering global supply chain challenges. However, foreign capital inflow rose, driven by an improvement in portfolio inflow, owing to competitive yields on fixed-income securities. The stock of external reserves, at US$36.90 billion, could cover 6.26 months of import of goods and services or 8.7 months of imports of goods only. The average exchange rate of the naira per US dollar at the I&E window was ₦445.58/US$, relative to ₦440.85/US$ in the preceding month.

Although the outlook for the global economy is clouded with high risks and macroeconomic uncertainties on account of the effect of the Russia-Ukraine war and associated supply-chain disruptions, domestic conditions are expected to slightly improve on the back of higher manufacturing and agricultural activities, and consumer confidence, as well as sustained broad-based policy support.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

Summary

The downturn in global economic activity was exacerbated in November 2022, owing to weakened demand, and lower business confidence. Inflationary pressures, however, moderated in major economies on the back of tight monetary policy stances and easing energy constraints. Global financial markets rallied across major segments and regions, amid declining inflation and the possible relaxation of COVID-19 restrictions in China.

1.1 Global Economic Activity

The downturn in global economic activities intensified in November 2022, owing to persisting weak demand, on account of high inflation and interest rates. Other factors, such as low business confidence and the impact of the zero-COVID policy in China, contributed to the economic downturn, despite easing supply-chain pressures. The global composite Purchasing Managers Index (PMI)[1] remained below the 50.0 index point threshold, contracting to 48.0 index points from 49.0 index points in October. The Manufacturing PMI stood at 48.8 index points, compared with 49.4 index points in the preceding month. The contraction was due to a drop in production, following weak demand and a pessimistic global outlook. Services PMI also contracted further to 48.1 index points, from 49.2 in October, reflecting weaker intakes of new orders and negative business sentiment. Nonetheless, firms, especially in Europe and other advanced economies, remained reluctant to lay off workers due to anticipated difficulties in rehiring, as experienced in the post-pandemic era.

[1] J.P. Morgan Index

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

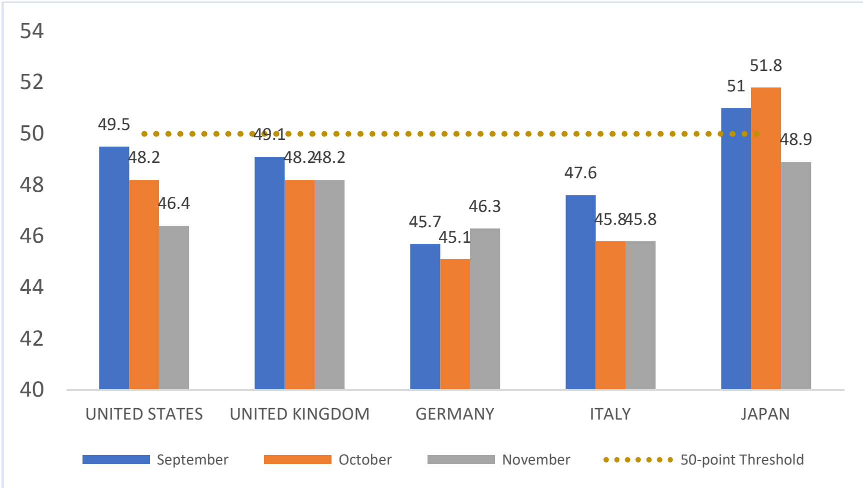
	Sept-22	Oct-22	Nov-22
Composite	49.6	49.0	48.0
Employment Level	50.8	50.3	51.0
New Business Orders	47.7	49.1	47.8
New Export Business Orders	45.9	46.4	46.6
Future Output	57.9	58.5	60.1
Input Prices	61.3	64.1	63.0
Output Prices	56.6	56.5	55.7
Manufacturing	49.8	49.4	48.8
Services (Business Activity)	50.0	49.2	48.1
New Business	50.5	49.9	48.2
New Export Business	48.6	47.0	48.0
Future Activity	62.3	59.1	60.9
Employment	51.5	51.3	50.5
Outstanding Business	49.8	48.5	48.2
Input Prices	65.3	65.2	64.4
Prices Charged	57.0	56.5	55.5

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

Economic Activity in Advanced Economies

Weak demand, low business confidence and tight financial conditions led to further deterioration of economic activities in most Advanced Economies (AEs). Consequently, the PMI for all the observed AEs showed a contraction of business activities from the previous month's level. Specifically, the US PMI further contracted to 46.4 index points, from 48.2 index points in October, impelled by waning activities in the services and manufacturing sectors, on the back of higher borrowing and input costs. In Germany and Italy, a slower economic downturn was marked in November, as the countries' respective PMI levels stood at 46.3 index points and 48.9 index points in November, from 45.1 index points and 45.8 index points, respectively, in the preceding month. The development marked the fifth consecutive month of contraction in both countries. While continued uncertainty surrounding investment and economic prospects accounted for the contraction in Germany, lower demand from foreign markets led to the contraction in Italy. Business activities in Japan also slowed due to low new orders, as inflationary pressures persisted. Consequently, the PMI contracted to 48.9 index points from 51.8 index points in the preceding month. In the UK, the PMI remained unchanged at 48.2 index points, as service sector activity and volumes of new work continued to decline amid weak domestic demand due to rising costs and gloomy economic conditions.

Figure 1: PMIs of Selected Advanced Economies

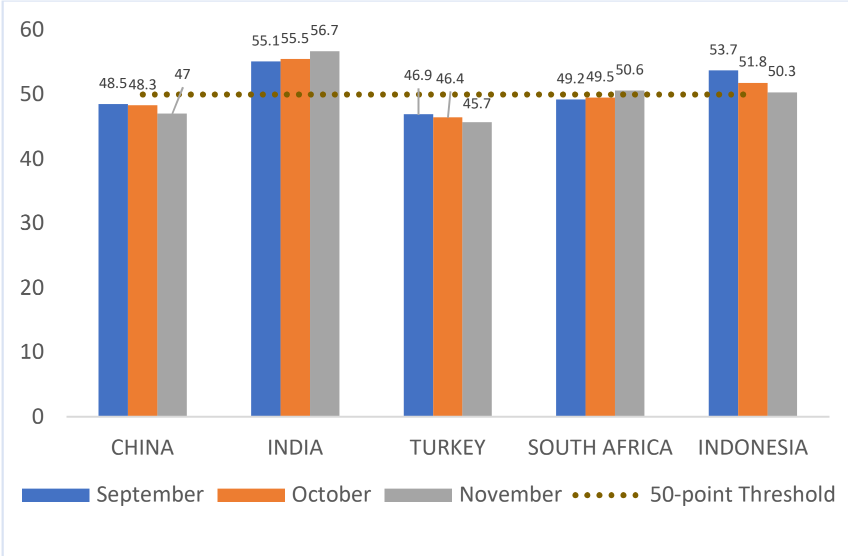


Source: Trading Economics/Various Country Websites

Economic Activity in EMDEs

Economic activity in the Emerging Markets and Developing Economies (EMDEs) remained mixed. In India, the PMI improved further to 56.7 index points, from 55.5 index points in October, with growth in the manufacturing and services sectors driving the upturn. New orders rose at the strongest pace since August, due to higher demand. Also, South Africa's PMI increased to 50.6 index points from 49.5 index points in October, as demand recovered slightly, leading to an increase in new orders. Indonesia's PMI moderated to 50.3 index points from 51.8 index points in October, as output and new orders grew at slower rates, amid concerns over the global economic outlook. In Turkey, the PMI contracted to 45.7 index points from 46.4 index points in the preceding month. This reflected the challenging domestic market conditions and the spill over effect of weak demand in the US and Europe. In China, the adverse impact of the COVID-19 containment measures led to further contraction of the PMI to 47.0 index points from 48.3 index points.

Figure 2: PMIs of Selected EMDEs



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

1.2 Global Inflation

Global Inflation

The tight monetary policy stance and the easing energy constraints doused inflationary pressures in most AEs. Consumer prices in the US slowed to 7.10 per cent from 7.75 per in October. In Canada, inflation declined to 6.80 per cent in November from 6.90 per cent in the preceding month due to the reopening of oil refineries in the US, which led to a decline in advanced gasoline prices. Similarly, the inflation rate in the UK fell to 10.07 per cent from 11.10 per cent in the preceding month, following a decline in the price of motor fuels, and an associated fall in transportation costs. The unveiling of the energy fund program aimed at protecting households by the German government led to the easing of the inflation rate to 10.00 per cent from 10.40 per cent in October. Similarly, Italy offered support to households and businesses in meeting their energy costs, thus, inflation slowed to 11.80 per cent from 11.90 per cent in October. However, inflation in Japan edged up to 3.80 per cent from 3.70 per cent in the preceding month, driven mainly by high prices of imported raw materials, amid the depreciation of the yen. In France, inflation remained unchanged at 6.20 per cent in the month under review.

Table 2: Inflation Rates in Selected Economies

Country	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22
United States	9.10	8.50	8.30	8.20	7.75	7.10
United Kingdom	9.40	10.10	9.90	10.10	11.10	10.07
Japan	2.40	2.60	3.00	3.00	3.70	3.80
Canada	8.10	7.60	7.00	6.90	6.90	6.80
Germany	7.60	7.50	7.90	10.00	10.40	10.00
China	2.50	2.70	2.50	2.80	2.17	1.60
South Africa	7.40	7.80	7.60	7.80	7.60	7.40
India	7.01	6.71	7.00	7.41	6.77	5.88
Mexico	7.99	8.15	8.70	8.70	8.41	7.80
France	5.80	6.10	5.90	5.60	6.20	6.20
Italy	8.00	7.90	8.40	8.90	11.90	11.80
Indonesia	4.35	4.95	4.69	5.95	5.71	5.42
Turkey	78.62	79.60	80.20	83.45	85.51	84.39

Source: Trading Economics

Inflation moderated in some Emerging Markets and Developing Economies (EMDEs). In China, inflation declined to 1.60 per cent from 2.17 per cent in October, the lowest since March 2022. This was due, mainly, to a slowdown in the cost of food as the authorities released national reserves into the market. Similarly, the fall in food prices drove the inflation rate down in India and Indonesia to 5.88 per cent and 5.42 per cent, respectively, from their levels a month ago. In addition to food prices, transport costs fell in Indonesia, due to declining fuel prices. Pre-Christmas offers and discounts on commodities drove down inflation in Mexico to 7.80 per cent from 8.41 per cent in October. Similarly, South Africa's inflation eased to 7.40 per cent from 7.60 per cent in the preceding month, on account of the decline in fuel prices. Inflation in Turkey eased to 84.40 per cent from 85.50 per cent in October, due, mainly to a slowdown in the cost of transportation, housing, and utilities.

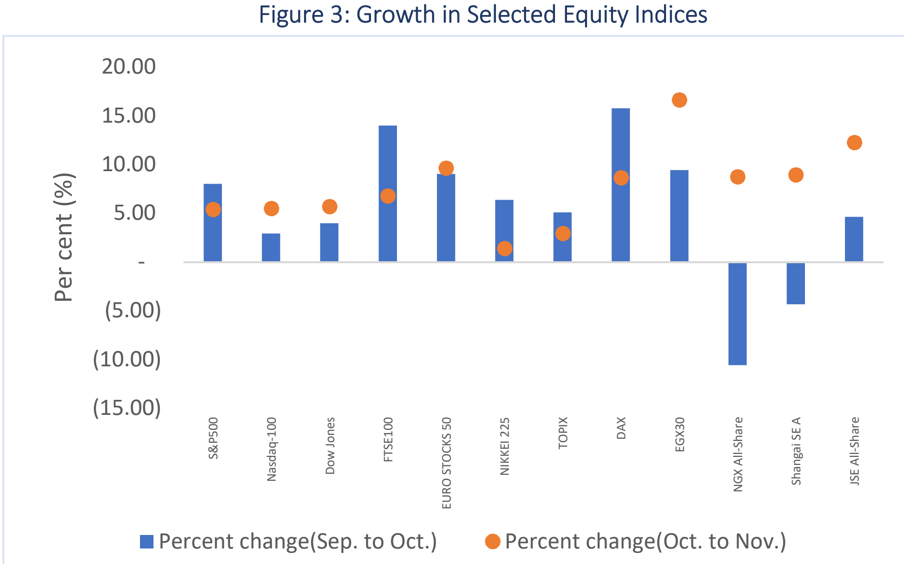
1.3 Global Financial Market

Global financial markets demonstrated resilience, given policy rate hikes and economic uncertainty despite low-risk appetite. Global equities market rallied in November amid declining inflation in the US, and possible relaxation of COVID-19 restrictions in China. In the US, the equity market responded positively, following a slight cooling of price pressures. Thus, the S&P500, Dow Jones and the NASDAQ indices grew by 5.37 per cent, 5.67 per cent and 5.48 per cent, respectively from their levels in the preceding month. In the UK, equities also advanced on the back of shored-up confidence in the market, occasioned by the release of the first quarter estimate by the Office for National Statistics, which showed a slower-than-expected contraction in output, suggesting that the economy has been more resilient. Consequently, the FTSE 100 had back-to-back gains, growing by 6.74 per cent at the end of November. The Eurozone's shares also had improved performance, growing by 9.60 per cent over October, following easing inflationary pressures and better-than-expected performance. In Japan, the expectations of a reduction in rates in the US led to stock market gains, thus, the NIKKEI 225 and TOPIX grew by 1.38 per cent and 2.91 per cent, higher than the preceding month.

Notably, emerging market equities rebounded and outperformed their developed market counterparts. In Egypt, the EGX30 grew by 16.59 per cent, due to improved confidence in the country's economic management, following the second exchange rate devaluation in October, which brought about the US$3 billion deal with the IMF. The deal was to cushion the dollar shortage, ease import restrictions, and stabilise the economy. In addition, the Abu Dhabi Sovereign Wealth Fund invested about US$2 billion in Egyptian listed companies.

Market sentiment in China was buoyed by the possible relaxation of COVID-19 restrictions, the 16-point rescue plan to support the housing sector and easing of geopolitical tensions with the US. The Shanghai SEA index grew by 8.92 per cent in November.

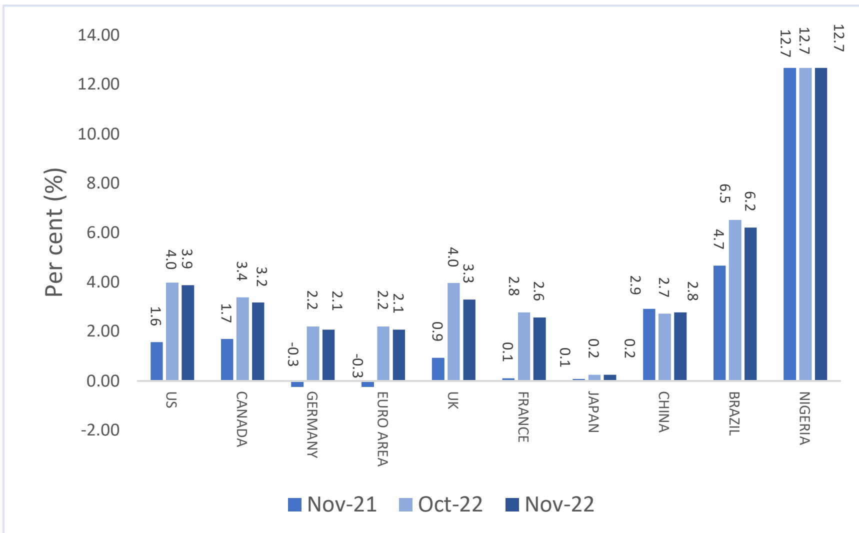
Figure 3: Growth in Selected Equity Indices



Source: Bloomberg

The 10-year government bond market recovered in November with lower sovereign bond yields and higher prices. In the US, the 10-year government bond yield fell by 10 basis points to 3.87 per cent from 3.97 per cent on the back of a possible easing in the monetary policy stance of the Fed. Similarly, across Europe, bond yields fell, further inverting the yield curve, following lower-than-expected inflation. The Euro Area 10-year bond yield fell to 2.07 per cent from 2.19 per cent in October.

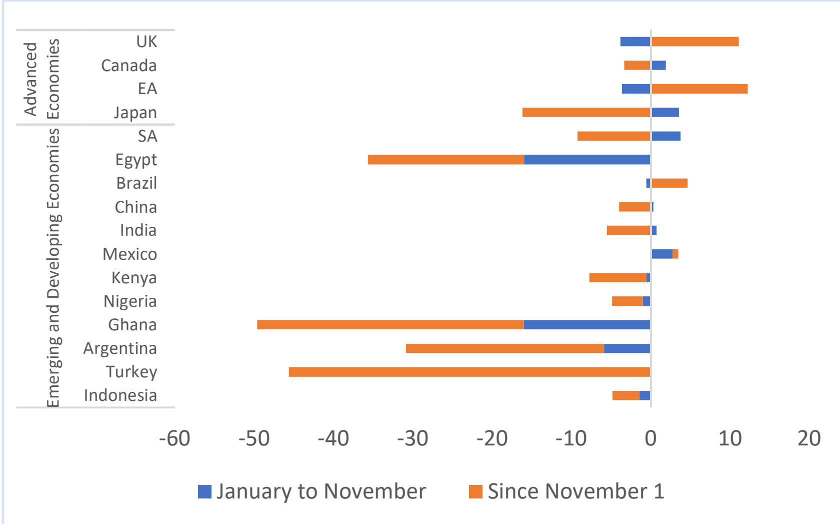
Figure 4: 10-year Bond Yield in Selected Countries



Source: Bloomberg

In the foreign exchange market, the dollar held on to marginal gains, amid softening inflation. Of the surveyed currencies, the Euro, British pound, Mexican peso, and Brazilian real appreciated by 12.25 per cent, 11.12 per cent, 0.69 per cent and 4.65 per cent, respectively. Britain's budget for tax increment and spending cuts brought about considerable gains for the pound, while the Euro's gain was fuelled by massive selloffs, as US inflation softened. Conversely, the Turkish lira depreciated by almost 50.00 per cent, the Egyptian pound by 19.66 per cent and the Ghanaian cedi by 33.65 per cent, due to weak economic fundamentals.

Figure 5: Selected Exchange Rates against the US Dollar (average percentage change)



Source: Bloomberg and CBN Staff Calculations

1.4 Global Commodity Market

World Crude Supply and Demand

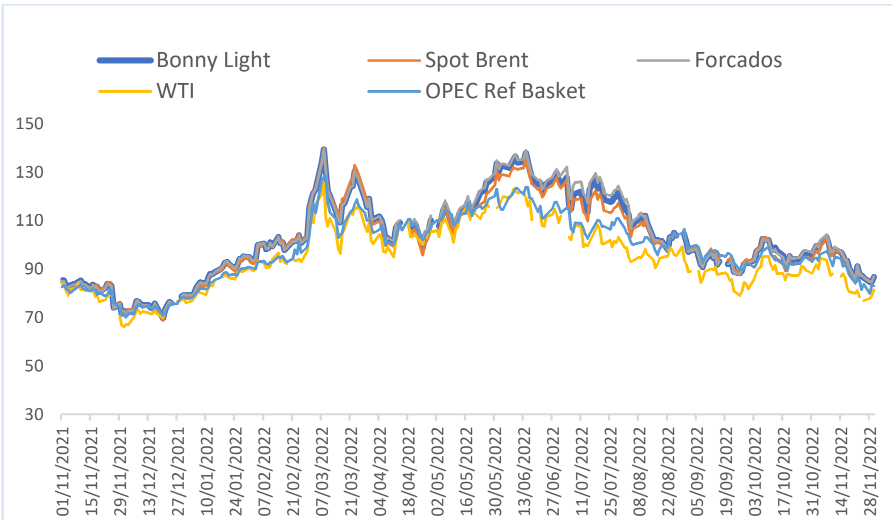
The World's supply of crude oil increased on the back of higher production from the OECD in November. Crude oil supply rose by 0.4 per cent to 101.60 million barrels per day (mbpd) in November from 101.21 mbpd in the previous month. The increase in supply was due to higher output from OECD countries, as the number of active rigs in Canada and the US was up by 11 units. The OECD supply rose to 33.44 mbpd from 33.01 mbpd in October, while non-OECD supply fell to 68.16 mbpd, from 68.20 mbpd in the preceding month.

OPEC's crude oil production decreased by 1.9 per cent to 28.68 mbpd from 29.23 mbpd in October. The decline was due to lower production, especially in Saudi Arabia, where output dropped by 500,000 bpd to 10.5 mbpd from 11.00 mbpd in October. Other OPEC members such as, the United Arab Emirates (UAE), Kuwait, Algeria, and Iraq also lowered output in compliance with the OPEC+ decision to cut production.

On the demand side, world demand increased by 1.9 per cent to 101.24 mbpd from 99.39 mbpd in the preceding month. The rise in demand was driven significantly by India, as the country increased its importation of crude oil from Russia at a discounted price, and marginally by Asia, China, and Europe.

Average crude oil spot prices declined due to concerns about future demand as global economy remains weak amid continued COVID-19 restrictions in China. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), fell by 3.3 per cent to US$93.36 per barrel (pb), compared with US$96.57 pb in the preceding month. The prices of UK Brent at US$92.90 pb, Forcados at US$93.90 pb, WTI at US$85.27 pb and OPEC Reference Basket (ORB) at US$89.74 pb all exhibited downward movement. The decline in crude oil prices was due, largely, to concerns about future demand as global economy continued to slow down amid recessionary fears in developed countries and an uncertain economic outlook in China, following persisting COVID-19 lockdown restrictions.

Figure 6: Global Crude Oil Prices (US$ per barrel) for November 2022



Source: Reuters data

Agricultural Commodity Prices

The prices of most agricultural export commodities eased in November, compared with levels in the preceding month. At 86.4 index points, the all commodities index declined by 3.9 per cent, relative to the previous month. The price decline ranged from 0.5 per cent for cocoa to 11.0 per cent for cotton. The decline was occasioned by improved production amid slower demand for cotton and cocoa. Lingering concerns about resurging COVID-19 cases in China eased soyabean prices by 3.0 per cent and slowed demand for coffee and rubber. However, the price of groundnut increased marginally by 0.1 per cent in the review month, owing to drought and COVID-19 related restrictions in China, as well as low cultivation in India (Table 3).

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

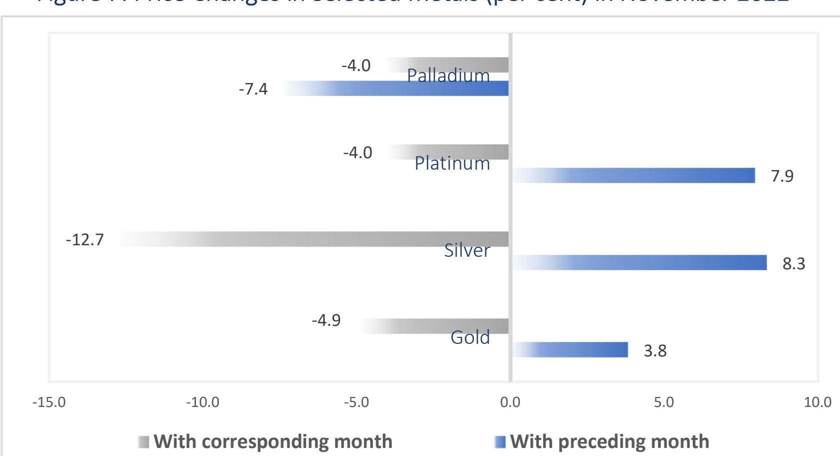
COMMODITY	Nov. 2021	Oct. 2022	Nov. 2022	% Change	
				(1) & (3)	(2) & (3)
	1	2	3	4	5
All Commodities	94.18	89.91	86.37	-8.30	-3.94
Cocoa	78.21	75.46	75.08	-4.01	-0.51
Cotton	75.33	59.34	52.83	-29.87	-10.97
Coffee	116.27	109.48	107.38	-7.65	-1.92
Wheat	123.79	142.88	135.46	9.42	-5.19
Rubber	37.21	27.48	25.33	-31.91	-7.80
Groundnut	113.09	117.96	118.11	4.44	0.13
Palm Oil	108.59	72.00	65.45	-39.73	-9.10
Soya Beans	100.97	114.70	111.32	10.26	-2.95

Sources: World Bank Pink Sheet (1,2) Staff Estimates (3)

Other Mineral Commodities

The average spot prices of gold, silver, and platinum rose due to a weaker dollar. The average spot prices of gold, silver and platinum rose by 3.82 per cent, 8.33 per cent and 7.94 per cent compared with the preceding month to sell at US$1,729.21 per ounce, US$21.07 per ounce and US$987.84 per ounce in November. This compares with US$1,665.62 per ounce, US$19.45 per ounce and US$915.15 per ounce in October. The price of the precious metals rose as investors sought safe-haven assets following the depreciation of the US Dollar. Conversely, the average spot price of palladium fell by 7.4 per cent to sell at US$1,914.68 per ounce from US$2,066.61 per ounce in the preceding month, due to lower demand as global economic growth remained weak (Figure 7).

Figure 7: Price Changes in Selected Metals (per cent) in November 2022



Source: Refinitiv Eikon IV (Reuters)

2.0. DOMESTIC ECONOMIC DEVELOPMENTS

2.1. Real Sector Developments

Summary

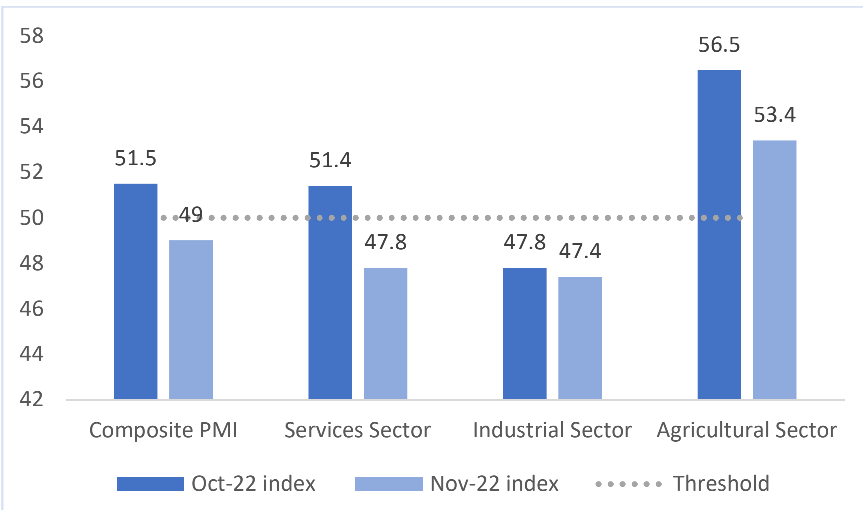
Business activities in November 2022 contracted due to decreased activities in the services and industry sectors, as indicated in the composite Purchasing Managers Index (PMI). Headline inflation maintained an upward trend, driven by increases in transport and logistics costs, foreign exchange constraints, and other structural issues.

2.1.1 Business Activities

Purchasing Managers Index

Business activities contracted following rising inflationary pressures, which affected input prices and resulted in higher output prices and lower consumer demand. The composite Purchasing Managers Index (PMI) contracted to 49.0 index points, compared with 51.5 index points in the preceding period. The contraction was due to a fall in services and industry related activities.

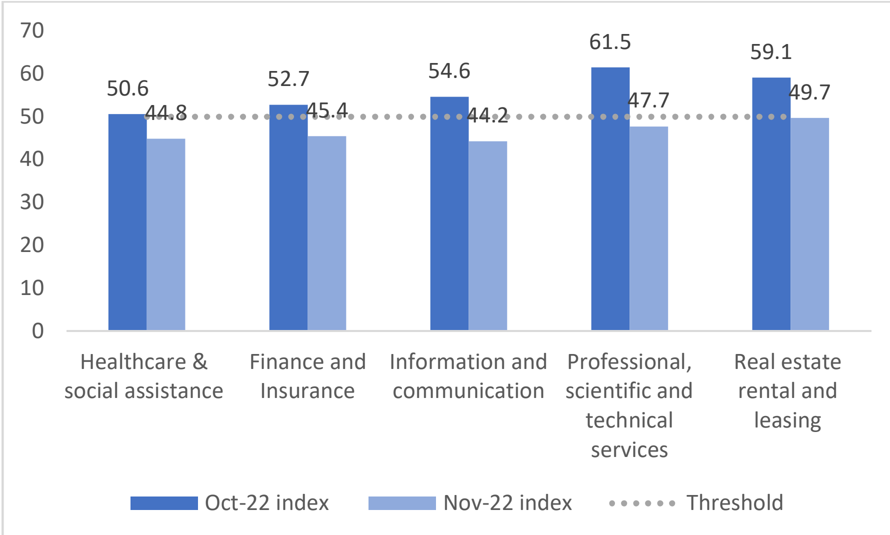
Figure 8: Composite, Industry, Services, and Agriculture PMI



Source: Central Bank of Nigeria

The services sector PMI contracted to 47.8 index points, compared with 51.4 index points in October, due to a decline in new orders. The contraction was majorly observed in finance and insurance; information and communication; professional scientific and technical services; healthcare and social services; and real estate, rental and leasing subsectors.

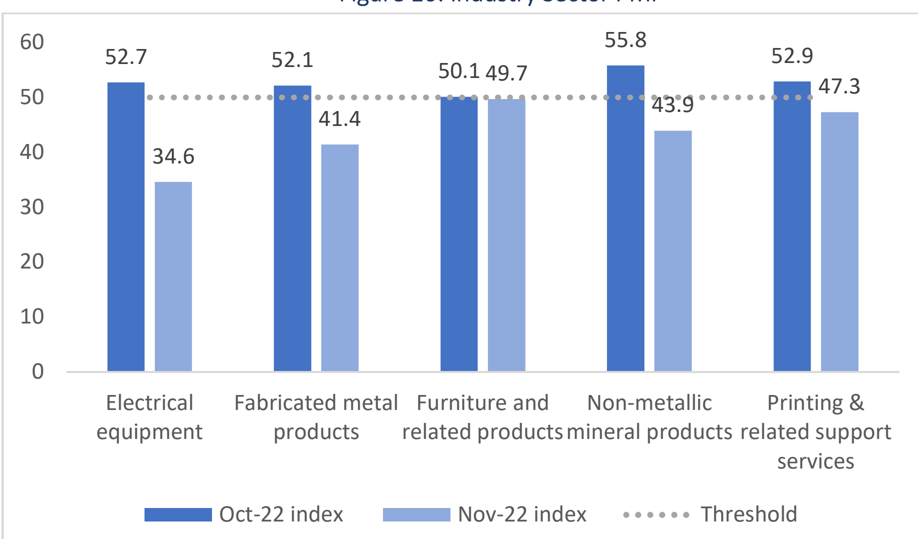
Figure 9: Services Sector PMI



Source: Central Bank of Nigeria

Similarly, the Industry sector PMI contracted to 47.4 index points, compared with 47.8 index points in October. The weak condition was attributed to the rise in input prices, especially in the primary metals, non-metallic mineral products, and electrical equipment subsectors, among others.

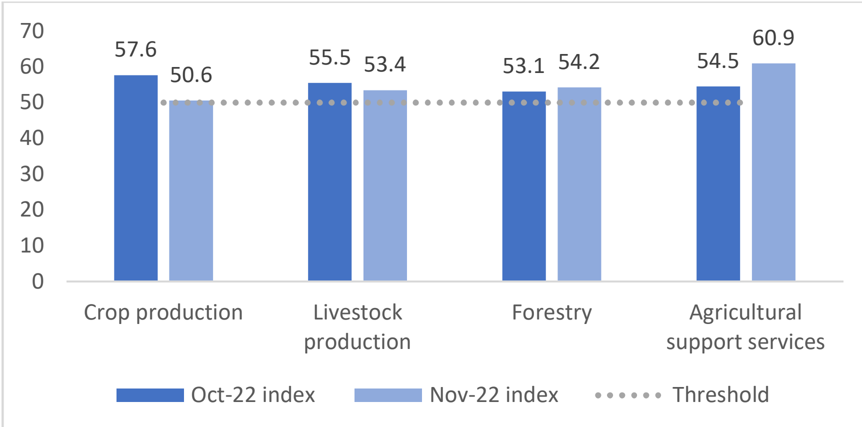
Figure 10: Industry Sector PMI



Source: Central Bank of Nigeria

The Agriculture sector PMI expanded, albeit at a slower pace, to 53.4 index points, compared with an expansion of 56.5 index points in October. The expansion in the review month was due to increased output in all the subsectors.

Figure 11: Agricultural Sector PMI



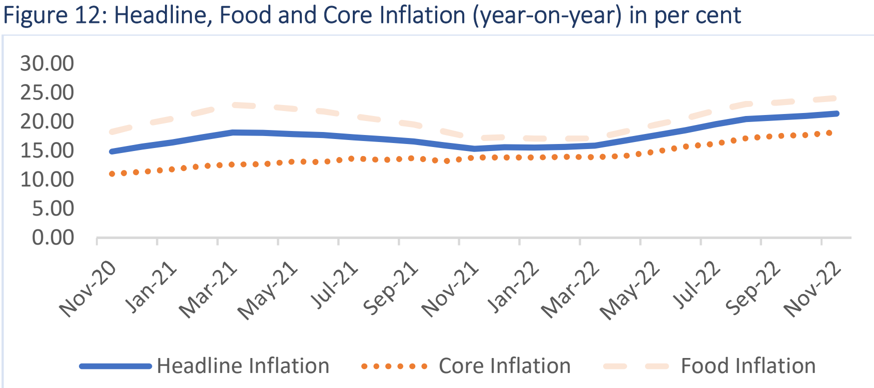
Source: Central Bank of Nigeria

2.1.2 Domestic Price Development

Headline inflation

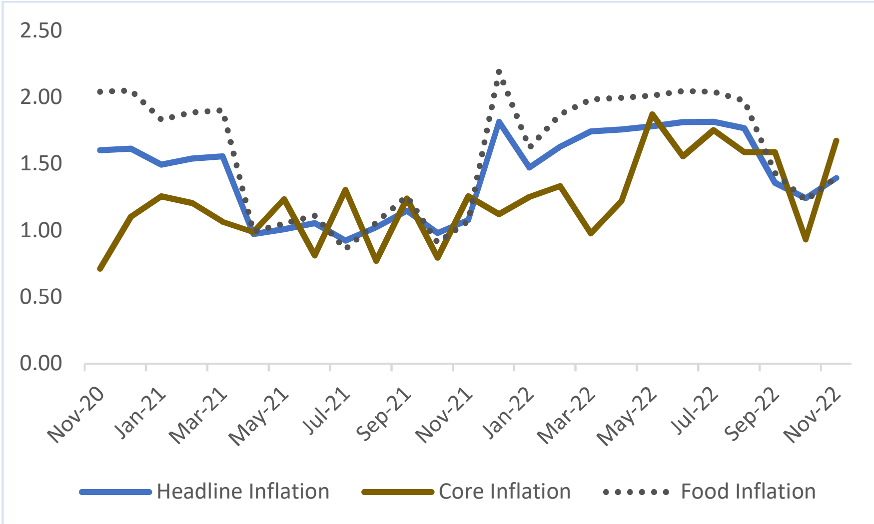
Headline inflation rose further in November, as food and non-food prices continued to increase. Headline inflation (year-on-year) rose to 21.47 per cent from 21.09 per cent in October 2022 (Figure 12). The rise was driven by a surge in food prices, owing to an increase in transport and logistics cost, as petrol prices continued to rise amid supply shortages. Also, foreign exchange constraints, and other structural issues such as insecurity and the lag effect of flooding continued to impact output and prices. On a month-on-month basis, it inched up to 1.39 per cent from 1.24 per cent in October, due to an increase in demand, occasioned by the forthcoming end-of-year festivities (Figure 13).

Figure 12: Headline, Food and Core Inflation (year-on-year) in per cent



Source: National Bureau of Statistics (NBS)

Figure 13: Headline, Food and Core Inflation (month-on-month) in per cent



Source: National Bureau of Statistics (NBS)

Core Inflation

Core inflation (year-on-year) also rose to 18.24 per cent from 17.76 per cent in the preceding month. The rise in core inflation was due to an increase in the cost of imported and locally manufactured goods, owing to the continued rise in global inflation, tighter global economic conditions, and higher energy prices, as well as the persisting foreign exchange constraints. On a month-on-month basis, the rate is expected to rise to 1.67 per cent from 0.93 per cent in the preceding month.

Food Inflation

Food inflation (year-on-year) also climbed to 24.13 per cent from 23.72 per cent in the preceding month. The rise was due to the higher cost of processed foods, such as breads and cereals , as well as increased prices of farm produce and imported food, particularly for items, such as potato, yam, rice, bread and wheat flour. On a month-on-month basis, it rose to1.40 per cent, compared with 1.23 per cent in October.

Prices of Selected Domestic Agricultural Commodities in November

The prices of major domestic farm produce (month-on-month) were higher than the levels in the previous month. The price increases ranged from 0.85 per cent for beans (white-black eye) sold loose to 3.52 per cent for yam tuber. However, the prices of maize grain (white) sold loose, maize grain (yellow) sold loose and gari (white) sold loose decreased by 0.81 per cent, 0.68 per cent and 0.70 per cent, respectively.

The rise in prices was largely driven by structural factors, such as the lag effect of flooding recorded across the country, which submerged farmlands, and disrupted distribution network as well as rising energy prices.

DOMESTIC PRICES OF SELECTED AGRICULTURAL COMMODITY PRICES NOVEMBER 2022

		Nov. 2021	Oct. 2022	Nov. 2022	% Change	% Change
	UNIT	1	2	3	(1) & (3)	(2) & (3)
Agric eggs medium size	1kg	629.82	767.08	789.80	25.4	3.0
Beans: brown, sold loose	"	490.19	555.83	561.13	14.5	1.0
Beans: white black eye, sold loose	"	476.76	538.69	543.29	14.0	0.9
Gari white, sold loose	"	302.28	299.24	297.14	-1.7	-0.7
Gari yellow, sold loose	"	329.21	341.81	345.03	4.8	0.9
Groundnut oil: 1 bottle, specify bottle	"	890.15	1125.96	1154.38	29.7	2.5
Irish potato	"	403.68	488.35	493.84	22.3	1.1
Maize grain white, sold loose	"	272.42	292.24	289.87	6.4	-0.8
Maize grain yellow, sold loose	"	273.90	299.72	297.67	8.7	-0.7
Onion bulb	"	340.99	413.26	419.30	23.0	1.5
Palm oil: 1 bottle, specify bottle	"	775.11	944.95	973.52	25.6	3.0
Rice agric, sold loose	"	469.53	565.20	583.86	24.3	3.3
Rice local, sold loose	"	421.02	460.93	467.63	11.1	1.5
Rice, medium grained	"	476.67	538.98	550.95	15.6	2.2
Rice, imported high quality, sold loose	"	568.75	677.64	693.80	22.0	2.4
Sweet potato	"	202.25	256.99	261.95	29.5	1.9
Tomato	"	349.60	443.63	448.37	28.2	1.1
Vegetable oil: 1 bottle, specify bottle	"	876.47	1091.73	1120.01	27.8	2.6
Wheat flour: prepackaged (Golden Penny)	2kg	950.60	1131.04	1154.47	21.4	2.1
Yam tuber	1kg	327.53	418.55	433.30	32.3	3.5

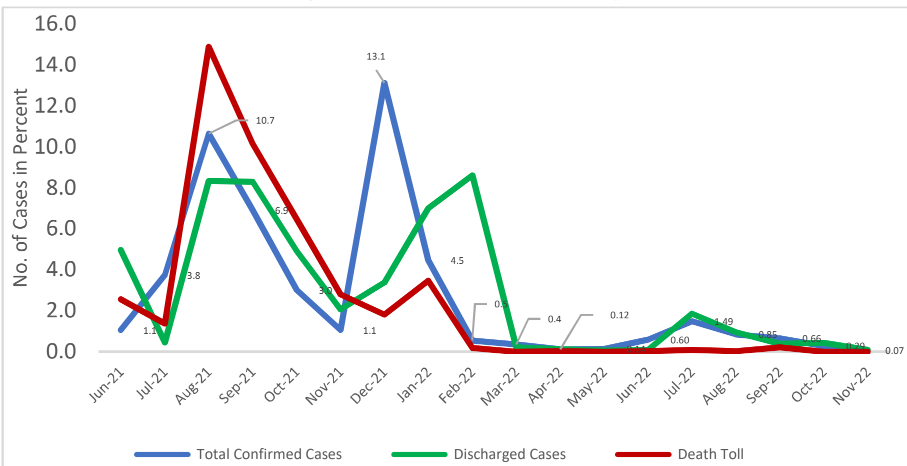
Sources: National Bureau of Statistics and Staff Estimates

2.1.3 Update on COVID-19

COVID-19 Update

The rate of new infections and the number of active cases of COVID-19 infections declined, due to compliance with precautionary measures and a sustained vaccination drive. Data from the Nigeria Centre for Disease Control (NCDC) showed that as at end-November, the rate of confirmed cases declined by 0.1 per cent, compared with 0.3 per cent in October (Figure 15). Data from the National Primary Health Care Development Agency (NPHCDA) showed that 52.9 per cent of the target population had been fully vaccinated against the COVID-19 infection as at end-November, compared with 44.3 per cent at end-October. Furthermore, those who had been partially vaccinated remained the same at 11.0 per cent as recorded in the preceding month.

Figure 14: COVID-19 Statistics (per cent)



Source: Nigeria Centre for Disease Control (NCDC)

2.1.4 Update on Transportation and ICT

Transportation

To ensure the delivery of road infrastructure, the Federal Executive Council (FEC) revised the cost of some road projects. The sum of ₦3.99 billion was approved for the augmentation of road projects in Kwara and Niger States. The revision increased the total cost of the contract for the construction of Patigi-Ada Road in Kwara State by ₦1.19 billion to ₦5.50 billion. Also, the total cost of the contract for the rehabilitation of Kontagora-Rijau-Tunganmagajiya Road Section 2, phase 1 in Niger State was revised from ₦2.80 billion to ₦6.50 billion.

The FEC also approved the variation in the sum of the contract for the East-West road project, sections 1 to 4, from Warri to Port Harcourt, Eket, and

Oron, by ₦260.00 billion, bringing the total amount required for it to ₦506.00 billion. Futhermore, the council also approved a contract worth ₦140.00 billion for the rehabilitation, construction and reconstruction of some other roads in different parts of the country. These included: the construction of Gogora Guru road in Yobe State at ₦40.00 billion; the rehabilitation of the 90-kilometre Buni Gari Gulani road also in Yobe State at ₦4.00 billion; the repair and reconstruction of Water Cooperation Drive at Trinity Avenue, Victoria Island, Lagos State at ₦2.00 billion; and the dualisation and reconstruction of the Kano-Kwanar-Ganja-Hadejia road in Kano and Jigawa states at ₦94.00 billion.

Furthermore, the FEC approved an additional ₦14.00 billion for the construction of the Kano western bypass, which raised the total cost of the project to ₦36.89 billion.

ICT

In a bid to facilitate wider digitalisation in the country, approvals for the provision of IT communication equipment and furniture for communication centres across the six geo-political zones for Micro, Small and Medium Enterprises and tertiary institutions was given by the Federal Government.

2.1.5 Domestic Crude Oil Market Developments

Crude Oil Production and Export

Domestic crude oil production and exports rose, following the resumption of production activities at the Forcados and Bonga oilfields. Nigeria's crude oil production and export[2] increased by 2.61 per cent to 1.18 mbpd and 0.73 mbpd in November, from 1.12 mbpd and 0.67 mbpd, respectively, in the preceding month. Nigeria's production level remained below the OPEC quota of 1.742 mbpd by 0.562 mbpd. The average daily domestic crude oil production[3] rose by 16.96 per cent to 1.186 mbpd, from 1.014 mbpd in the preceding month.

[2] Reuters OPEC Survey

[3] Nigerian Upstream Petroleum Regulatory Commission (NUPRC)

2.2 FISCAL SECTOR DEVELOPMENTS

Summary

Revenue into the Federation Account declined by 15.9 per cent in November 2022, relative to the preceding month, majorly, as a result of a 53.4 per cent shortfall in oil revenue. This lowered FGN's receipt from statutory allocation by 11.3 per cent and contributed to the 48.1 per cent decline in total FGN revenue, relative to the monthly target. This was accompanied by a 9.1 per cent rise in spending, resulting in a 40.6 per cent increase in the provisional overall fiscal deficit. The consolidated public debt, at ₦44,064.31 billion (or 23.4 per cent of GDP) as of end-September 2022, remained within the 40 per cent national threshold.

2.2.1 Federation Account Operations

Federation Account receipts dropped in November due to shortfalls in oil earnings. At ₦991.09 billion, gross federation receipts were below the level in October and the budget target by 15.9 per cent and 37.3 per cent, respectively. The decline in federation revenue was majorly attributed to shortfalls of ₦290.48 billion (54.2 per cent) and ₦285.89 billion (53.8 per cent) in petroleum profit tax and royalties, relative to October and the monthly target. In terms of contribution to federation earnings in the period, non-oil revenue remained dominant, accounting for 74.6 per cent, while oil revenue made up the balance of 25.4 per cent.

Drivers of Federation Revenue

At ₦251.86 billion, oil revenue was 53.4 per cent short of receipts in October, due, mainly, to lower-than-expected earnings from petroleum profit tax and royalties, and the accounting effect of the treatment of crude oil and gas inflows as operational components of the Nigerian National Petroleum Company Limited (NNPCL), under the Petroleum Industry Act 2021.

On the other hand, at ₦739.23 billion, non-oil revenue exceeded earnings in the preceding month by 15.8 per cent but was below the monthly target by 6.3 per cent. The increase in non-oil receipts, relative to October, was largely ascribed, to improvements in collections from corporate tax, customs and excise duties and VAT, with increases of 39.2 per cent, 19.0 per cent and 12.3 per cent, respectively.

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

	Nov-21	Oct-22	Nov-22	Budget
Federation Revenue (Gross)	756.84	1,178.64	991.09	1,580.34
Oil	234.07	540.31	251.86	791.70
Crude Oil & Gas Exports	0.00	0.00	0.00	67.57
PPT & Royalties	143.38	535.50	245.02	530.91
Domestic Crude Oil/GasSales	81.36	0.00	0.00	42.04
Others	9.33	4.81	6.84	151.18
Non-oil	522.76	638.33	739.23	788.64
Corporate Tax	106.43	152.37	212.05	165.65
Customs & Excise Duties	133.87	133.03	158.36	154.88
Value-Added Tax (VAT)	166.28	203.96	229.04	203.48
Independent Revenue of Fed. Govt.	113.24	146.04	136.85	184.68
*Others**	2.94	2.93	2.93	79.94
Total Deductions/Transfers*	*238.14*	*486.58*	*360.09*	*397.33*
Federally-Collected Revenue *Less Deductions & Transfers***	518.69	692.06	631.01	1,183.01
plus:				
Additional Revenue	153.22	8.17	105.77	17.48
Balance in Special Account from 2019	0.00	0.00	0.00	0.00
Excess Crude Revenue	*0.00*	*0.00*	*0.00*	*0.00*
Non-oil Excess Revenue	*150.00*	*8.17*	*100.00*	*17.48*
Exchange Gain	*3.22*	*0.00*	*5.77*	*0.00*
Total Distributed Balance	*671.91*	*700.24*	*736.78*	*1,200.49*
Federal Government	***284.29***	***262.64***	***293.95***	***509.09***
Statutory	*261.07*	*234.15*	*261.96*	*480.81*
VAT	*23.23*	*28.49*	*31.99*	*28.28*
State Government	***231.34***	***277.18***	***265.74***	***432.31***
Statutory	*132.42*	*122.23*	*132.87*	*251.29*
VAT	*77.42*	*94.96*	*106.64*	*94.25*
13% Derivation	***21.50***	***59.99***	***26.23***	***86.78***
Local Government	***156.28***	***160.42***	***177.09***	***259.09***
Statutory	*102.09*	*93.94*	*102.44*	*193.11*
VAT	*54.20*	*66.47*	*74.65*	*65.98*

Source: OAGF and CBN Staff Estimates

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

The sum of ₦736.78 billion was distributed among the three tiers of government, after statutory deductions, transfers, and augmentation from the non-oil excess revenue and exchange gain. Of this amount, the Federal Government received ₦293.95 billion, while State and Local governments received ₦239.51 billion and ₦177.09 billion, respectively. The sum of ₦26.23 billion was allocated to the 13.0% Derivation Fund for distribution among the oil-producing states. Disbursement in November was 5.2 per cent above the level in the preceding month, and 38.6 per cent, below the budget benchmark.

2.2.2 Fiscal Operations of the Federal Government

Federal Government Retained Revenue

The FGN retained revenue (provisional) declined in the period, following lower receipt from the Federation Account, its independent revenue sources, and other revenue from Special Accounts and Special Levies. At ₦430.81 billion, provisional retained revenue of the FGN was below the level in October and the proportionate budget by 21.4 per cent and 48.1 per cent, respectively.

Table 5: FGN Retained Revenue (₦ Billion)

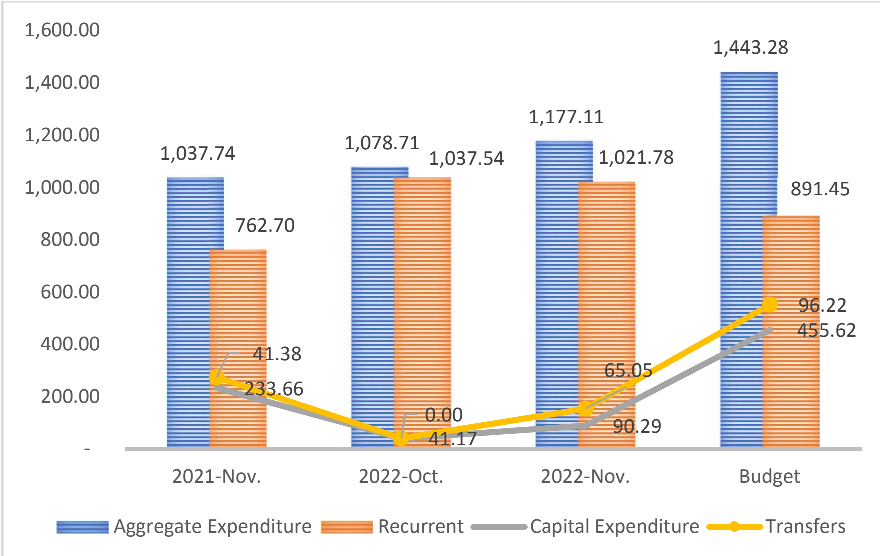
	Nov-21	Oct-22	Nov-22	Budget
FGN Retained Revenue	508.77	547.85	430.81	830.77
Federation Account	180.55	232.92	206.58	*360.89*
VAT Pool Account	23.23	28.49	31.99	*26.39*
FGN Independent Revenue	113.24	146.04	136.85	*362.05*
Excess Oil Revenue	0.00	0.00	0.00	*0.00*
Excess Non-Oil	79.02	1.23	52.68	*0.00*
Exchange Gain	1.50	0.00	2.71	*0.00*
*Others**	111.24	139.17	0.00	*81.43*

Source: Compiled from OAGF figures
Note: * Others include revenue from Special Accounts and Special Levies
The figures are provisional

Federal Government Expenditure

Driven by high overhead costs, capital expenditure and transfers, the provisional aggregate expenditure of the FGN rose by 9.1 per cent relative to the level in October but was 18.4 per cent below the monthly budget target. The provisional aggregate expenditure of ₦1,177.11 billion, consisted of recurrent expenditure, capital expenditure, and transfers in the proportion of 86.8 per cent, 7.7 per cent and 5.5 per cent, respectively.

Figure 15: Federal Government Expenditure (₦ Billion)



Source: CBN Staff Estimates and compilation from OAGF data

Overall Fiscal Balance

The estimated overall fiscal deficit of the FGN expanded in November, reflecting the 9.1 per cent rise in provisional expenditure and 21.4 per cent shortfall in revenue. At negative ₦746.30 billion, the provisional fiscal deficits of the FGN expanded by 40.6 per cent and 21.8 per cent above the levels in the preceding month and the budget benchmark, respectively.

Table 6: Fiscal Balance (₦ Billion)

	Nov-21	Oct-22	Nov-22	Budget
Retained revenue	508.77	547.85	430.81	830.77
Aggregate expenditure	1,037.74	1,078.71	1,177.11	1,443.28
Recurrent	762.70	1037.54	1021.78	891.45
Non-debt	567.01	418.71	433.44	584.33
Debt Service	195.70	618.83	588.34	307.12
Capital	233.66	41.17	90.29	455.62
Transfers	41.38	0.00	65.05	96.22
Primary balance	-333.28	87.96	-157.97	-305.40
Overall balance	-528.98	-530.87	-746.30	-612.52

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

Federal Government Debt

Government borrowing in the review period was anchored on the Medium-Term Debt Strategy 2020-2023 (MTDS 2020-2023) of the FGN. Total public debt outstanding, at ₦44,064.30 billion (or 23.0 per cent of GDP) at the end of September 2022, rose by 2.8 per cent and 13.8 per cent, relative to the end of June 2022 and the end of September 2021, respectively; but remained within the 40.0 per cent threshold. While domestic debt accounted for 61.1 per cent of total public debt, external debt obligations constituted 38.9 per cent. Of the consolidated public debt outstanding, the FGN accounted for ₦38,700.46 billion (87.8 per cent) (including the external debt of State governments, which are contingent liabilities of the FGN), while State governments' domestic debt stock made up the balance of ₦5,363.85 billion (12.2 per cent).

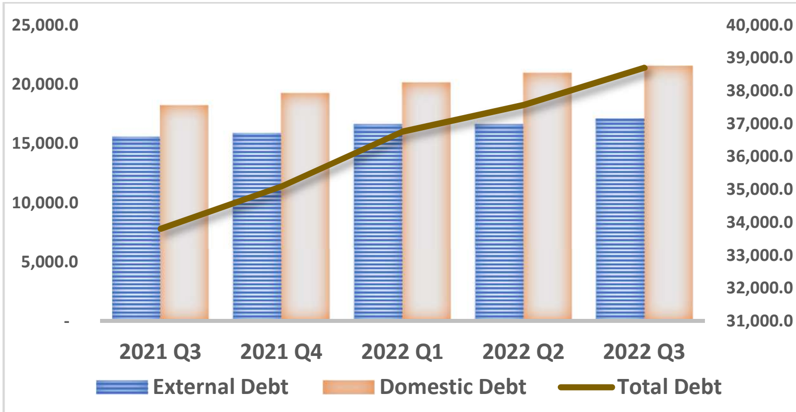
Of the total FGN debt obligations, domestic debt was ₦21,551.92 billion (55.7 per cent), while external debt was ₦17,148.54 billion (44.3 per cent). This is against the 70:30 Domestic: External debt mix anticipated in the prevailing medium-term debt framework. Further analysis shows that, FGN bond issues maintained its dominance, accounting for 73.2 per cent of the total domestic debt, while Treasury Bills (21.1 per cent), FGN Sukuk (2.8 per cent), Promissory Notes (2.4 per cent), and others[4] (0.5 per cent) constituted the balance. Regarding holdings of external debt, Multilateral, Commercial and Bilateral loans accounted for 46.7 per cent, 39.4 per cent and 12.2 per cent, respectively, while 'other'[5] loans constituted 1.7 per cent.

Debt service obligations in 2022Q3 amounted to ₦1,167.02 billion, compared with ₦912.71 billion in 2022Q2. The rise was attributed to principal repayments, the redemption of matured debt obligations and exchange rate variations.

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

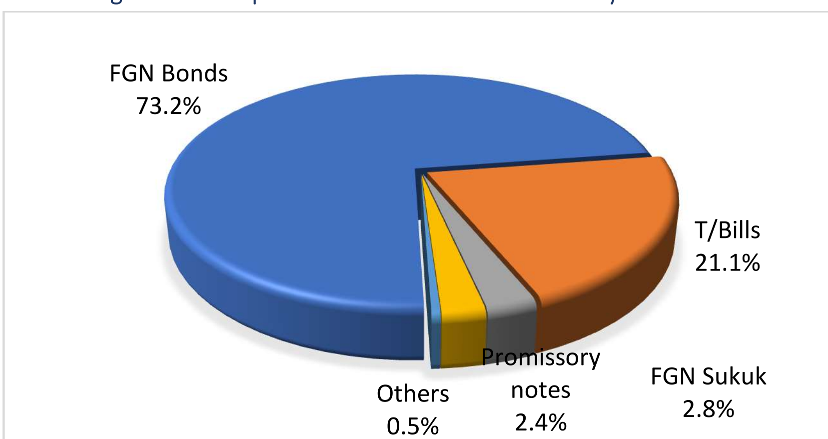
[5] This includes Promissory notes (1.45 per cent) and Syndicated loans, arranged by the AFC (0.23 per cent).

Figure 16: FGN External and Domestic Debt Composition (₦ Billion)



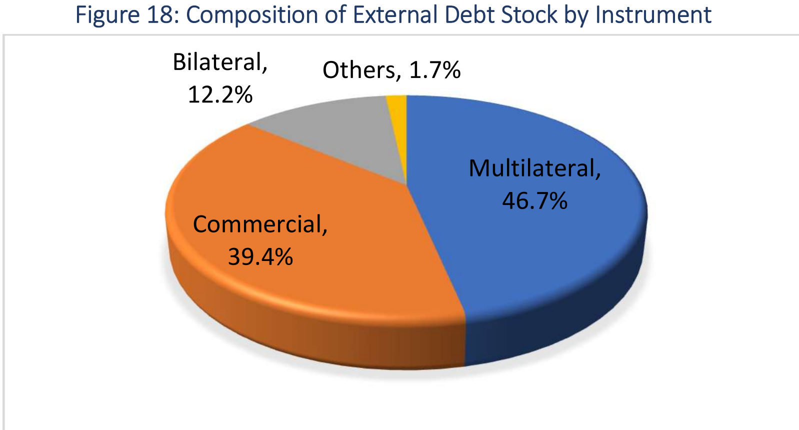
Source: Compiled from DMO Figures

Figure 17: Composition of Domestic Debt Stock by Instrument



Source: Compiled from DMO figures

Figure 18: Composition of External Debt Stock by Instrument



Source: Compiled from DMO

2.3 MONETARY AND FINANCIAL DEVELOPMENTS

Summary

The financial system remained sound and stable, as various indicators outperformed prudential requirements. Banking system liquidity increased, which resulted in lower activity at the Standing Lending Facility window. However, key short-term interest rates revealed mixed trends. The capital market was bullish, buoyed by improved sentiment by investors.

2.3.1 Monetary Developments

Reserve Money

Reserve money grew by 14.8 per cent at the end November. This was prompted by the growth in liabilities to Other Depository Corporations (ODCs) by 21.4 per cent, arising from the 21.3 per cent increase in required reserves. On the other hand, currency-in-circulation, which declined by 4.8 per cent, moderated the growth of the reserve money.

Table 7: Components of Reserve Money (₦ Billion)

	Nov-21	Dec-21	Oct-22	Nov-22
Monetary Base	12,994.11	13,295.15	14,999.46	15,263.89
Currency-In-Circulation	*3,148.59*	*3,325.16*	*3,298.79*	*3,164.26*
Of which:				
Naira and Coins	*2,965.99*	*3,324.22*	*3,296.72*	*3,161.67*
eNaira	*-*	*0.94*	*2.07*	*2.60*
Liabilities to ODCs	*9,845.52*	*9,969.99*	*11,700.67*	*12,099.63*
Monetary Base (% Growth over Preceding December)	*-0.87*	*1.43*	*12.82*	*14.81*
Broad Money Multiplier (M3)	*3.28*	*3.34*	*3.38*	*3.39*

Source: Central Bank of Nigeria

The money multiplier, at 3.4, amplified the reserve money, resulting in an increase in broad money supply (M3) in the review period. At ₦51,785.75 billion, M3 grew by 16.5 per cent (annualised at 18.0 per cent), which was above the 2022 benchmark by 310 basis points. Sustained tight monetary policy stance, coupled with the recent Bank's currency redesign effort is expected to bring the growth in M3 within the programme target of 14.9 per cent.

Broad Money

On the asset side, the increase in Net Domestic Assets (NDA) drove the growth in M3, while the Net Foreign Assets (NFA) declined. Net claims on the central government and claims on other sectors grew by 63.6 per cent and 19.1 per cent, respectively, resulting in the increase of 31.6 per cent in NDA. Net claims on the central government and claims on other sectors contributed 19.8 percentage points and 15.0 percentage points to the growth in M3, respectively. Moreso, claims on private sector, with a contribution of 10.7 percentage points, drove the growth in claims on other sectors.

On the other hand, increases in foreign loans and deposits accounted for the 43.9 per cent rise in liabilities to non-residents. The growth in liabilities to non-residents outpaced the 6.1 per cent growth in claims on non-residents, resulting in a 40.1 per cent contraction in Net Foreign Assets (NFA) in the review period.

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

	Contribution to M3 growth (Nov-22)	Nov-21	Dec-21	Oct-22	Nov-22	Annualised rate	2022 Bench mark
Net Foreign Assets	-8.43	-5.98	4.22	-34.04	-40.08	-43.72	-
Claims on Non-residents	2.85	3.50	5.11	5.13	6.10	6.65	-
Liabilities to Non-residents	11.29	11.36	5.86	37.16	43.86	47.84	-
Net Domestic Assets	24.95	18.71	21.92	26.70	31.60	34.48	-
Domestic Claims	34.78	16.99	17.83	30.19	31.71	34.59	16.23
Net Claims on Central Government	19.80	13.41	20.42	63.63	63.58	69.36	12.26
Claims on Central Government	19.46	23.83	22.66	36.71	35.29	38.50	-
Liabilities to Central Government	-0.34	37.95	25.68	1.77	-1.43	-1.56	-
Claims on Other Sectors	14.99	18.36	16.83	16.94	19.07	20.81	17.73
Claims on Other Financial Corporations	1.88	-3.11	-5.34	8.74	10.56	11.52	-
Claims on State and Local Government	1.71	19.50	20.63	29.34	30.42	33.19	-
Claims on Public Nonfinancial Corporations	0.67	49.89	3.44	31.95	37.42	40.82	-
Claims on Private Sector	10.73	26.50	26.84	17.85	20.09	21.92	-
Total Monetary Assets (M_3)	**16.52**	**9.51**	**14.24**	**13.92**	**16.52**	**18.02**	**14.92**
Currency Outside Depository Corporations	-0.66	9.23	17.74	-3.46	-9.97	-10.88	-
Transferable Deposits	8.42	7.87	13.30	22.41	24.74	26.99	-
Narrow Money (M_1)	7.76	8.08	14.00	18.20	19.09	20.83	-
Other Deposits	8.76	15.87	19.99	10.99	14.76	16.10	-
Broad Money (M_2)	16.52	12.61	17.48	13.92	16.52	18.02	-
Total Monetary Liabilities(M_3)	**16.52**	**9.51**	**14.24**	**13.92**	**16.52**	**18.02**	**14.92**

Source: Central Bank of Nigeria

On the liabilities side, the increase in M3 was due to the 24.7 per cent and 14.8 per cent growth in transferable deposits and other deposits, respectively. Currency outside depository corporations (CODC) declined by 10.0 per cent, indicating increased adoption and usage of electronic payment channels and the eNaira. In terms of contribution," other deposits" contributed the most to the growth in monetary liabilities at 8.8 percentage points, followed by transferable deposits, which contributed 8.4 percentage points.

2.3.2 Sectoral Credit Utilisation

Sectoral Utilisation of Credit

Higher bank deposits and other credit easing policies, engendered an increase in credit delivery to key sectors of the economy. Credit utilisation by sector, grew by 2.5 per cent to ₦29,220.27 billion from ₦28,500.03 billion in October. On year-to-date basis, it grew by 19.9 per cent from ₦24,378.19 billion. Credit utilisation in the Services and Industry sectors, at 53.2 per cent and 40.9 per cent, accounted for the highest shares of the total credit, while Agriculture sector accounted for the balance of 5.8 per cent.

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

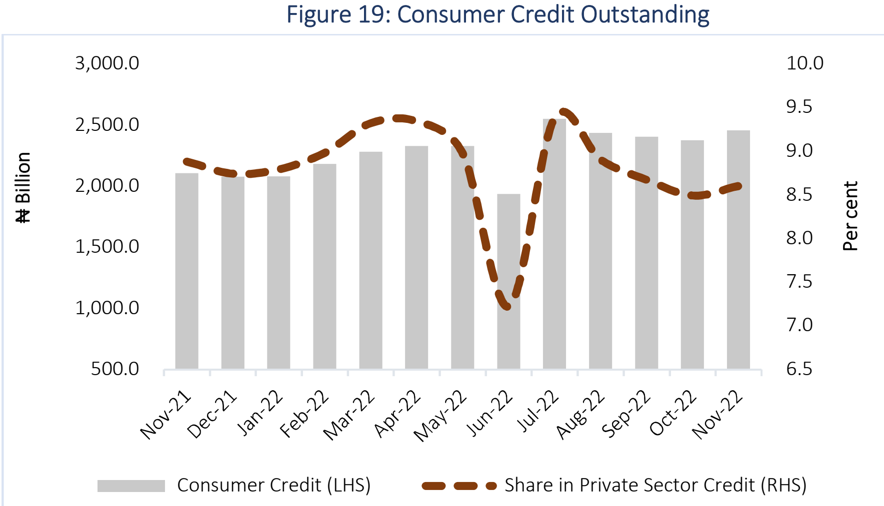
	Nov-21	Dec-21	Oct-22	Nov-22
Agriculture	5.72	5.98	5.87	5.82
Industry	40.90	40.66	41.21	40.94
of which Construction	4.45	4.39	4.06	4.07
Services	53.39	53.36	52.92	53.24
of which Trade/General Commerce	8.40	7.01	7.23	7.34
Government	9.64	9.64	7.90	7.78

Source: Central Bank of Nigeria

Consumer Credit

Consumer credit grew by 3.4 per cent to ₦2,452.76 billion at the end of November, up from ₦2,372.00 billion at the end of October. Resultantly, consumer credit as a share of total claims on private sector grew by 0.1 percentage point to 8.6 per cent at end-November. Higher consumer credit demand was attributed to preparations for the yuletide season.

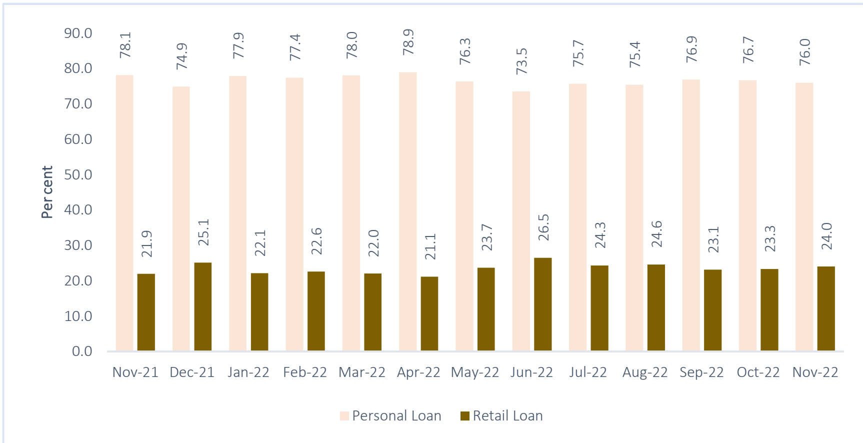
Figure 19: Consumer Credit Outstanding



Source: Central Bank of Nigeria

A disaggregation of consumer credit revealed that personal loans stood at ₦1,864.04 billion, accounting for 76.0 per cent, while retail loans stood at ₦588.72 billion, and accounted for 24.0 per cent.

Figure 20: Composition of Consumer Credit



Source: Central Bank of Nigeria

2.3.3 Financial Developments

2.3.3.1 Money Market Developments

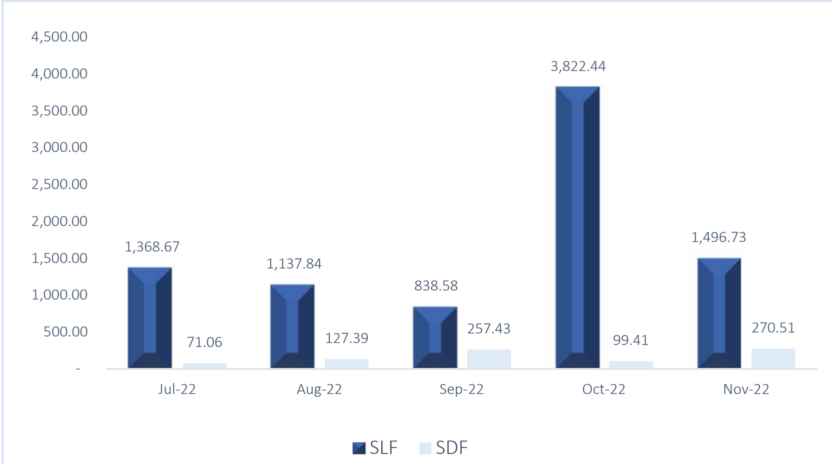
Industry Liquidity Condition

Banking system liquidity grew in November on account of monetary and fiscal operations. The OMO repayment worth ₦100.00 billion which outweighed the OMO sales worth ₦20.00 billion, resulted in a net injection of ₦80.00 billion. This, in addition to the effect of the fiscal allocation of ₦706.78 billion in November, compared to ₦700.24 billion shared in October, spurred the growth in banking system liquidity. Consequently, the average closing net banking industry balance grew by 42.3 per cent to ₦265.58 billion, from ₦186.57 billion at end-October.

Standing Facilities Window Operation

Mirroring the liquidity level in the banking system, patronage at the Standing Lending Facility (SLF) window declined to ₦1,496.73 billion from ₦3,822.44 billion at end-October 2022, while that of the Standing Deposit Facility (SDF) window increased to ₦270.51 billion, from ₦99.41 billion at end-October 2022

Figure 21: Trend at the CBN Standing Facility Windows (₦ Billion)



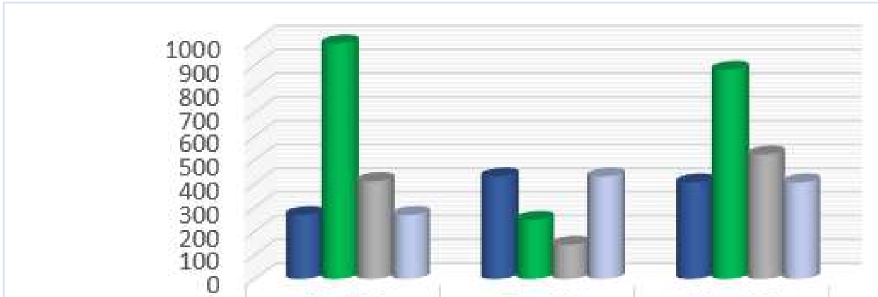
Source: Central Bank of Nigeria

Primary Market

Activities in both the NTBs and FGN bond segments rose significantly in November. At the auctions, NTBs worth ₦406.46 billion, ₦881.17 billion, and ₦523.55 billion were offered, subscribed to, and allotted, respectively, relative to ₦431.16 billion, ₦248.90 billion, ₦144.00 billion, in the preceding month. The stop rates across all maturities increased to 10.7(±4.2) per cent, from 10.5(±4.0) per cent in October.

A breakdown shows that total subscriptions were ₦27.11 billion (for 91-day auction), ₦9.41 billion (182-day auction) and ₦844.65 billion (364-day auction), in the review month, compared with ₦3.77 billion, ₦13.23 billion and ₦231.90 billion in the preceding month, respectively. Notably, investors upheld their preference for longer-term securities (364-day), which accounted for 95.86 per cent of total subscription. The high liquidity in the banking system influenced the level of subscription, while the observed preference for longer term investments reflected higher inflation expectation.

Figure 22: Primary Market NTBs (₦ Billion)



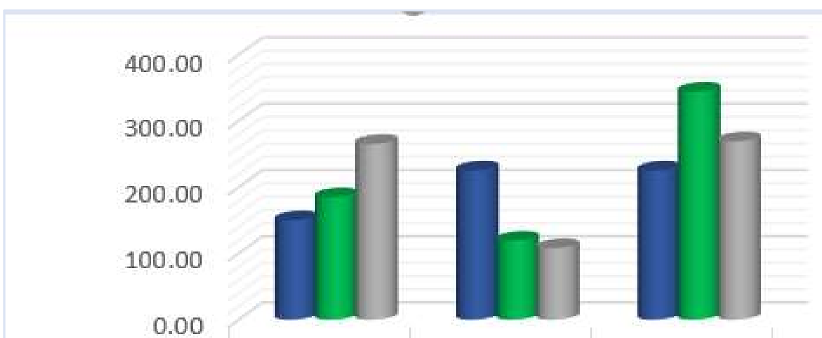
	Nov.21	Oct-22	Nov-22
Offer	269.55	431.16	406.46
Subscriptions	991.16	248.9	881.17
Allotments	411.9	144	523.55
Repayments	269.55	431.16	406.46

Source: Central Bank of Nigeria

Subscriptions in the FGN bond segment with maturities of 10-, 10- and 20-years followed a similar trajectory as that of the NTBs. FGN bonds worth ₦225.00 billion, ₦344.01 billion, and ₦269.15 billion were offered, subscribed, and allotted, respectively, compared with ₦225.00 billion, ₦119.18 billion and ₦107.88 billion in the preceding month. The bid and marginal rates stood at 15.7(±1.8) per cent and 15.5(±0.7) per cent, respectively, compared with 16.0(±3.0) per cent and 15.3(±0.7) per cent in the preceding month.

*

FFigure 23: Primary Auctions of FGN Bond (₦ Billion)



	Nov. 21	Oct-22	Nov-22
Offer	150.00	225	225
Subscriptions	184.70	119.18	344.01
Allotments	265.15	107.88	269.15

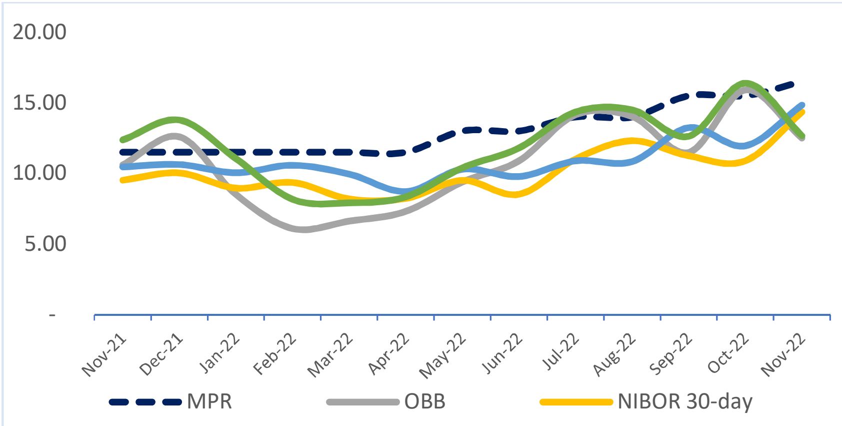
Source: Central Bank of Nigeria

Interest Rate Development

Key money market rates revealed mixed trends notwithstanding the increased liquidity in the banking system. The Nigerian Interbank Offered Rate (NIBOR-30), and NIBOR-90 trended northward to 14.3 per cent and 14.8 per cent, respectively from 10.9 per cent and 12.0 per cent in the preceding month.

However, Open Buy Back (OBB) and NIBOR-CALL fell to 12.5 per cent and 12.6 per cent, respectively from 15.9 per cent and 16.4 per cent in October.

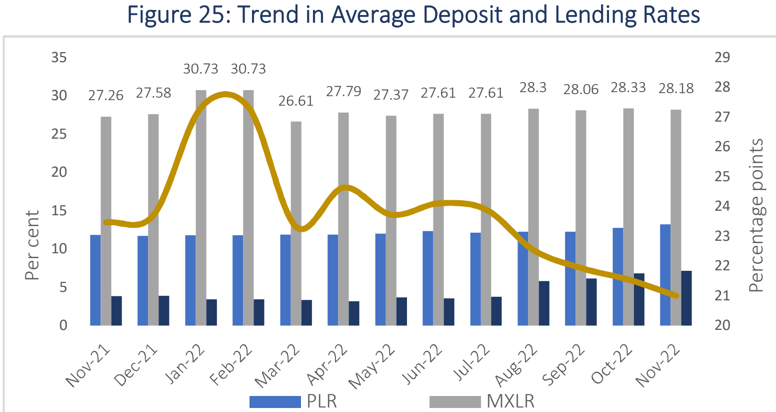
Figure 24: Developments in Short-term Interest Rates (Per cent)



Source: Central Bank of Nigeria

The prime lending rate increased to 13.2 per cent from 12.7 per cent in the preceding month, while the maximum lending rate declined to 28.2 per cent from 28.3 per cent. However, the average term deposit (AVTD) rate rose by 0.3 percentage point to 7.1 per cent from 6.8 per cent in the preceding month. Resultantly, the spread between the average term deposit and maximum lending rates narrowed to 21.1 percentage points, from 21.5 percentage points in October.

Figure 25: Trend in Average Deposit and Lending Rates



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

2.3.3.2 Capital Market Developments

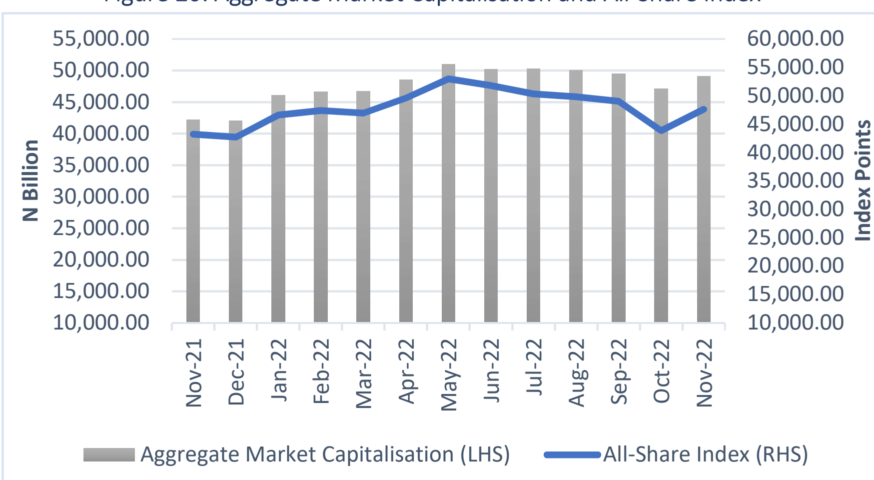
Market Capitalisation

Activities on the Nigerian Exchange (NGX) Limited were bullish. The performance was attributed to the positive investor sentiment that accompanied the release of 2022Q3 corporate earnings, coupled with gains recorded by some blue-chip companies. Market capitalisation rose by 4.3 per cent to ₦49,137.65 billion, from ₦47,113.81 billion at end-October. A disaggregation of the components of market capitalisation indicated that equities and Exchange Traded Funds (ETF) rose by 8.7 per cent and 15.7 per cent, to ₦25,964.65 billion and ₦7.85 billion, respectively, while the debt market capitalisation fell by 0.3 per cent to ₦23,165.16 billion. The equities, debt and ETF components constituted 52.8 per cent, 47.1 per cent and 0.1 per cent, respectively, of market capitalisation.

NGX All Share Index

The All-Share Index (ASI) rose by 8.7 per cent to close at 47,656.64 index points relative to 43,839.08 index points at the end of October, driven by bargain hunting as investors sorted after blue-chip stocks owing to improvements in market fundamentals.

Figure 26: Aggregate Market Capitalisation and All-Share Index



Source: Nigeria Exchange (NGX) Limited.

In the review period, all other indices trended upward except for the NGX-Growth, NGX-Sovereign Bond, NGX-Consumer Goods, NGX-Oil and Gas, which trended downward relative to their levels in the preceding month, while the NGX-ASeM remained flat.

Table 10: Nigeria Exchange (NGX) Limited Sectoral Indices

NGX Indices	Oct-22	Nov-22	Changes (%)
NGX-INDUSTRIAL	1,888.51	2,137.21	13.2
NGX-PREMIUM	4,210.81	4,701.47	11.7
NGX-AFRHDYI	2,862.98	3,160.66	10.4
NGX-LOTUSISLM	2,750.36	3,008.22	9.4
NGX-30	1,579.86	1,717.89	8.7
NGX-AFRBVI	837.52	909.61	8.6
NGX-MERIGRW	2,030.13	2,200.02	8.4
NGX-MAINBOARD	1,928.63	2,054.71	6.5
NGX-CG	1,145.72	1,215.50	6.1
NGX-BANKING	375.01	396.71	5.8
NGX-PENSION	1,615.86	1,694.54	4.9
NGX-MERIVAL	2,113.85	2,181.50	3.2
NGX-INSURANCE	159.8	164.54	3.0
NGX-ASeM	658.99	658.99	0.0
NGX-GROWTH	1,659.11	1,651.74	-0.4
NGX-SOVBND	836.04	821.98	-1.7
NGX-CNSMRGDS	567.8	541.99	-4.5
NGX-OIL&GAS	482.32	443.16	-8.1

Source: Nigeria Exchange (NGX) Limited.

The total volume and value of traded shares on the Exchange at end-November were 4.33 billion and ₦53.81 billion, respectively, traded in 72,420 deals, compared with 2.622 billion and ₦51.69 billion, traded in 63,092 deals, at end-October, as investors increased their trading activity on the Exchange in anticipation of a higher yield in 2022Q4. There were no new listings in the review period.

Figure 27: Volume and Value of Traded Securities on the NGX

Source: Nigeria Exchange (NGX) Limited.

2.3.3.3 Financial Soundness Indicators

The Nigerian financial sector was safe and sound, as key financial soundness indicators remained within regulatory thresholds. The industry Capital Adequacy Ratio (CAR) rose slightly by 0.2 percentage point to 13.43 per cent, compared with 13.40 per cent in October, driven by a marginal increase in total qualifying capital over movements in total risk weighted assets. The ratio was above the minimum threshold of 10.0 per cent.

At 4.9 per cent, the banks' loan quality indicator,[6] the Non-Performing Loans (NPL) ratio remained within the 5.0 per cent prudential requirement. The industry liquidity ratio (LR) was above the regulatory benchmark of 30.0 per cent by 21.4 percentage points, indicating an increase in the stock of liquid assets held by the banks.

[6] measured by the ratio of Non-Performing Loans to industry total outstanding loans

2.4 EXTERNAL SECTOR DEVELOPMENTS

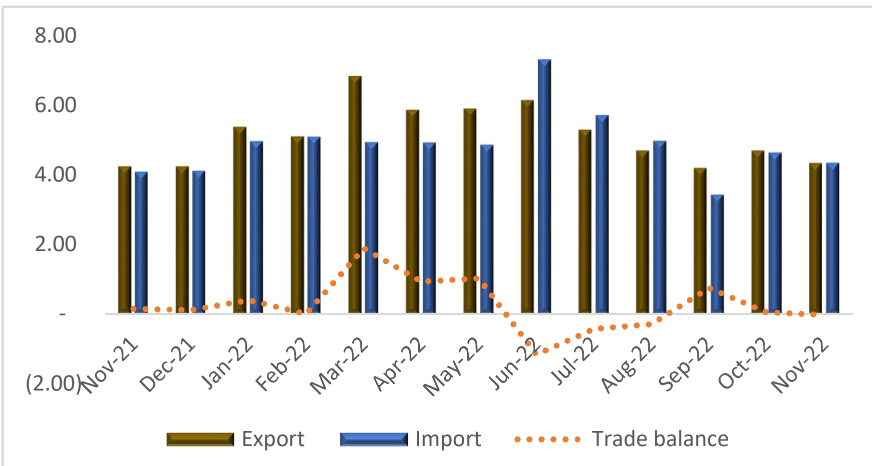
Summary

A trade deficit was recorded in November on account of lower crude oil export receipts, following the decline in crude oil prices at the international market. Merchandise imports also decreased, due to reduction in the importation of petroleum products. However, foreign capital inflow into the economy rose, driven by an improvement in portfolio inflow, owing to competitive yields on fixed income securities.

2.4.1 Trade Performance

Trade performance was weaker than expected as trade deficit was recorded, owing largely to lower crude oil export receipts. Provisional data shows that the trade balance swung into a deficit of US$0.02 billion, from a surplus of US$0.05 billion in the preceding month. Aggregate export receipts declined by 7.7 per cent to US$4.33 billion, from US$4.69 billion in October. Similarly, merchandise imports declined by 6.2 per cent to US$4.35 billion, from US$4.64 billion in October.

Figure 28: Export, Import and Trade Balance (US$ Billion)



Source: Central Bank of Nigeria

Crude Oil and Gas Export

Crude oil and gas export receipts declined, due to weaker demand, amid recessionary fears in developed countries and COVID-19 restrictions in China, leading to lower crude oil prices. Crude oil and gas export receipts declined to US$3.90 billion from US$4.30 billion in October. A breakdown reveals that crude oil export receipts fell by 9.0 per cent to US$3.30 billion, from USS$3.65 billion in the preceding month. The decrease was driven by the fall in the price of Nigeria's reference crude, the Bonny Light, by 3.3 per cent to an average of US$93.36pb, relative to US$96.57pb in October. Similarly, gas export receipts declined by 6.0 per cent to US$0.60 billion, from US$0.64 billion in October. In terms of share in total export, crude oil and gas accounted for 90.2 per cent. Of the total crude oil and gas export, oil constitutes 84.6 per cent, while gas accounts for 15.4 per cent.

Non-Oil Export

Non-oil export earnings rose by 16.9 per cent to US$0.40 billion, from US$0.35 billion in October, due, largely to sustained favorable commodity prices at the international market. This was due to the 7.0 per cent and 16.1 per cent increase in other non – oil products and re-exports to US$0.38 billion and US$0.02 billion from US$0.36 billion and US$0.01 billion respectively.

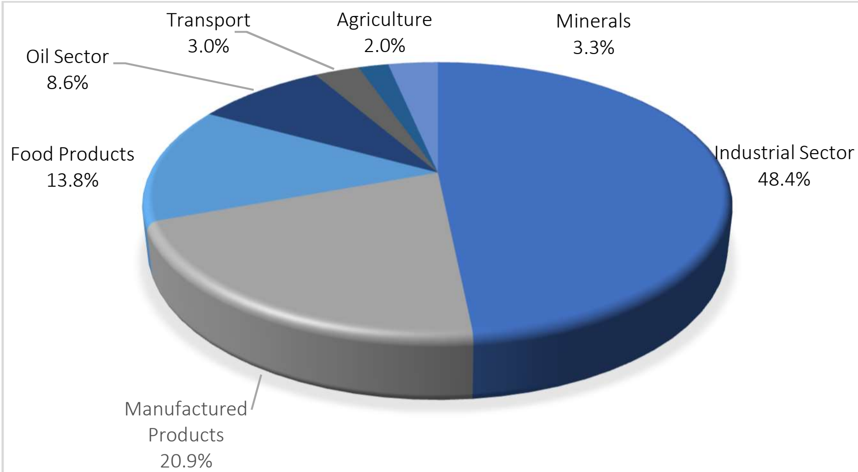
Analysis by direction of trade reveals that Brazil was the major destination of non-oil export products with a share of 13.7 per cent. Exports to Netherlands were 12.6 per cent; 11.6 per cent to China; 6.7 percent to Belgium; and 6.0 percent to Japan. The major commodities exported were urea, which accounted for the largest share of 21.0 per cent, followed by cocoa beans with 20.2 per cent; and sesame seeds, 9.3 per cent.

Receipts from the top 5 non-oil exporters declined by 13.7 per cent to US$0.15 billion, from US$0.18 billion in October. Further analysis revealed that Indorama Eleme Fertilizer and Chemical Ltd. and Dangote Fertilizer Ltd., were the top two exporters with shares of 13.5 per cent and 7.5 per cent of the total, respectively, from the export of urea and fertilizer. The third was Outspan Nigeria Ltd., with a share of 6.5 per cent from the export of cocoa beans. Starling Global and Ideal Ltd. came in fourth, with 5.8 per cent from the export of cocoa and cashew nut. The British American Tobacco Nigeria Ltd. came in fifth place, with 4.4 per cent from the export of cigarettes.

Import

Merchandise imports declined, due to lower importation of petroleum products. Provisional data shows that aggregate import decreased by 6.2 per cent to US$4.35 billion, from US$4.64 billion in the preceding month. The fall in import was driven, largely, by the decline in the import of petroleum products to US$0.89 billion, from US$1.24 billion in October. Non-oil import, on the other hand increased by 1.7 per cent to US$3.46 billion, up from US$3.41 billion in the previous month. Non-oil import accounted for 79.5 per cent of total imports, while oil constituted the balance of 20.5 per cent. Sectoral utilisation of foreign exchange for visible import shows that industry had the largest share of 48.4 per cent, followed by manufactured products with 20.9 per cent; food products, 13.8 per cent; oil, 8.6 per cent; minerals, 3.3 per cent; transport, 3.0 per cent; and agriculture, 2.0 per cent, respectively.

Figure 29: Import by Sector



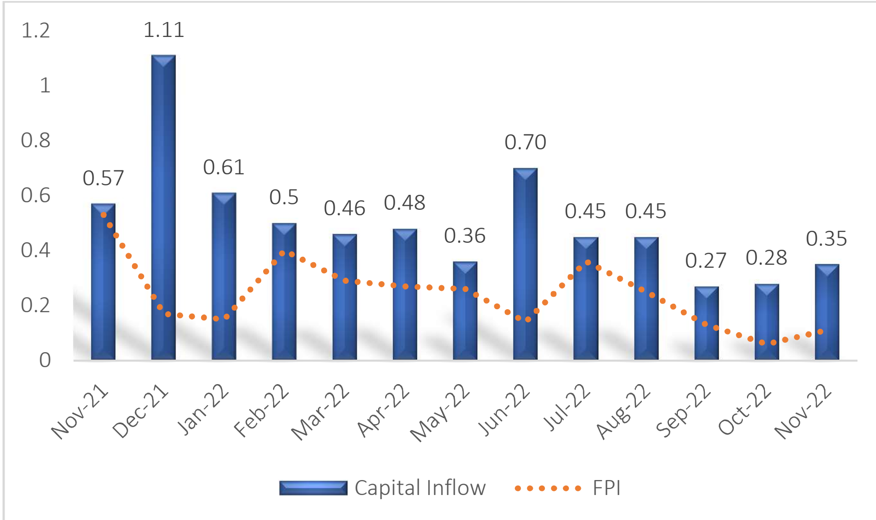
Source: Central Bank of Nigeria

Competitive yields on fixed income securities further attracted foreign capital inflow into the economy. Capital imported into the domestic economy increased by 26.5 per cent to US$0.35 billion, from US$0.28 billion in October. A breakdown of capital inflow by type of investment shows that other investment capital (mainly loans) at US$0.20 billion, accounted for 57.0 per cent of the total. Inflow of portfolio investment at US$0.13 billion, accounted for 37.3 per cent of the total. Foreign direct investment inflow at US$0.02 billion, accounted for the balance of 5.7 per cent.

In terms of capital importation by nature of business, investment in the banking sector dominated with 41.0 per cent, followed by telecommunication, 30.6 per cent; production/manufacturing, 14.8 per cent; shares, 5.1 per cent; financing, 3.3 per cent; trading, 2.3 per cent; and servicing, 1.9 per cent. Other sectors accounted for the balance.

A disaggregation of capital by originating country shows United Kingdom as the major source of capital, accounting for 46.6 per cent of the total. Netherlands, United Arab Emirates, Hong Kong, Saudi Arabia, Mauritius, and British Virgin Island followed with shares of 21.9 per cent, 6.5 per cent, 5.7 per cent, 2.6 per cent, 1.9 per cent and 1.9 per cent respectively. The major destinations of capital in the domestic economy were Lagos and the Federal Capital Territory, with shares of 55.5 per cent and 42.8 per cent, respectively, while Akwa Ibom and Ekiti states accounted for the balance.

Figure 30: Capital Inflow and Foreign Portfolio Investment (US$ Billion)

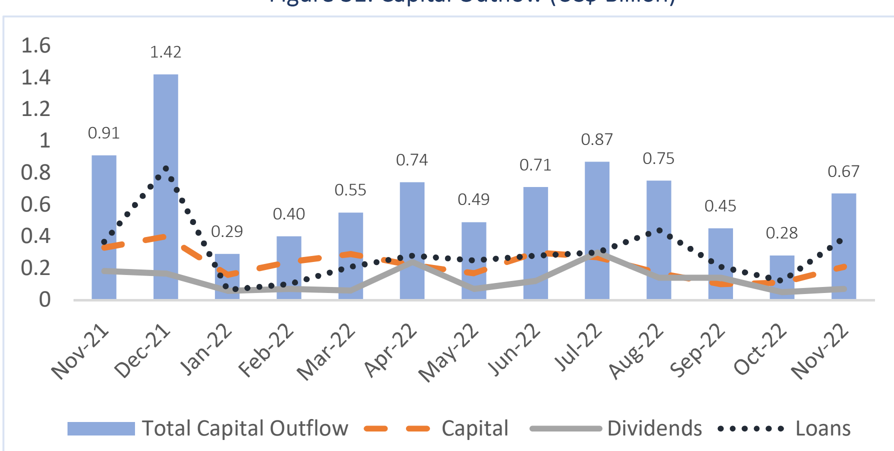


Source: Central Bank of Nigeria

Capital Outflow

Capital outflow increased, owing majorly to increased loans and capital reversals. Capital outflow increased to US$0.67 billion, from US$0.28 billion in October. A breakdown shows that, outflow in form of loans increased to US$0.39 billion, from US$0.12 billion in October. Outflow in form of capital reversals increased to US$0.21 billion from US$0.11 billion in October; while repatriation of dividends increased to US$0.07 billion, from US$0.05 billion. In terms of share, loans accounted for 58.2 per cent, followed by capital with 31.8 per cent and dividends, 10.0 per cent.

Figure 31: Capital Outflow (US$ Billion)

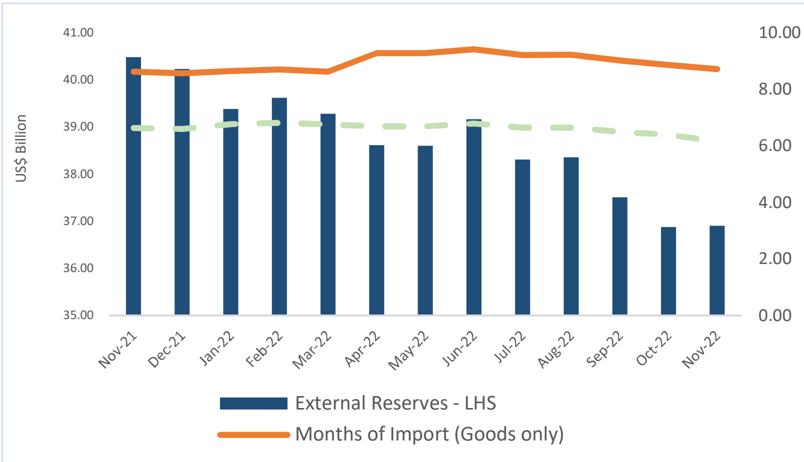


Source: Central Bank of Nigeria

2.4.2 International Reserves

The level of external reserves remained above the standard benchmark of three months of import cover. The external reserves stood at US$36.90 billion at end-November, compared with US$36.87 billion at end-October, and could cover 6.2 months of import for goods and services or 8.7 months of import for goods only.

Figure 32: External Reserves and Months of Import Cover (US$ Billion)



Source: Central Bank of Nigeria

2.4.3 Foreign Exchange Flows through the Economy

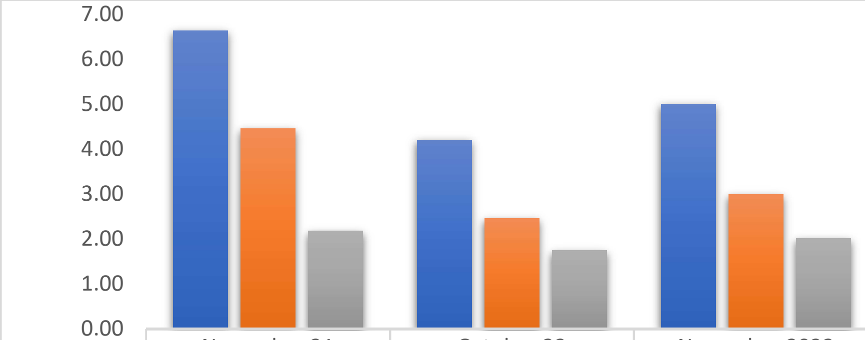
Foreign Exchange Flows through the Economy

The economy recorded a higher net foreign exchange inflow, driven majorly, by increased inflow through the Bank and autonomous sources. Foreign exchange flow through the economy recorded a net inflow of US$2.02 billion, compared with US$1.74 billion in the preceding period. Foreign exchange inflow into the economy increased by 18.9 per cent to US$5.01 billion in November 2022, up from US$4.21 billion in October 2022. Similarly, foreign exchange outflows rose by 21.2 per cent to US$2.99 billion, from US$2.47 billion in the preceding month.

Foreign exchange inflow through the Bank increased by 24.3 per cent to US$2.00 billion, from US$1.61 billion in October, while outflow rose by 8.6 per cent to US$2.38 billion, from US$2.19 billion in October. Similarly, autonomous inflow increased by 15.6 per cent to US$3.01 billion, from US$2.60 billion in the preceding month, while autonomous outflow also increased to US$0.61 billion, from US$0.28 billion in October.

A net inflow of US$2.39 billion was recorded through autonomous sources, compared with US$2.32 billion in the preceding month. The CBN recorded a net outflow of US$0.38 billion, compared with US$0.58 billion in the preceding month.

Figure 33: Foreign Exchange Transactions through the Economy (US$ Billions)



	November 21	October 22	November 2022
Inflow	6.64	4.21	5.01
Outflow	4.45	2.47	2.99
Netflow	2.18	1.74	2.02

Inflow Outflow Netflow

Source: Central Bank of Nigeria

2.4.4 Exchange Rate Movement

Average Exchange Rate

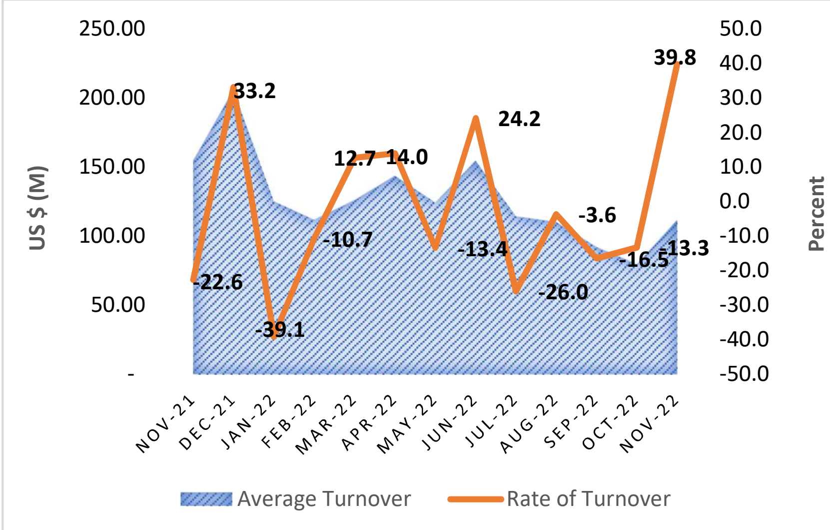
The exchange rate of the naira remained relatively stable at the Investors' and Exporters' (I&E) window in November. The average exchange rate of the naira per US dollar at the I&E window was ₦445.58/US$, compared with ₦440.85/US$ in the preceding month.

2.4.5 Foreign Exchange Turnover at the I&E Window

Foreign Exchange Turnover

The average foreign exchange turnover at the I&E window increased by 39.8 per cent to US$111.61 million, from US$79.83 million in October.

Figure 34: Turnover in the I&E Foreign Exchange Market (US$ Million)



Source: Financial Markets Derivatives Quotations (FMDQ)

2.4.6 External Sector Risks

Crude Oil Prices

As the outlook for oil demand continues to deteriorate, decreases in crude oil prices could translate to low accretion to the external reserves due to developments in energy prices, and the supply-chain crisis associated with the Russia-Ukraine war.

Exchange Rate

The ongoing Naira redesign could cause holders of large amounts of Naira to seek foreign currencies as safe havens. Seasonal factors resulting from end of the year trading activities and the upcoming general elections in 2023 could increase demand for the US dollar, thereby negatively impacting the exchange rate.

3.0 MACROECONOMIC OUTLOOK

3.1 Global Economic Outlook

The outlook for the global economy is clouded with high risks and macroeconomic uncertainties on account of the effect of the Russia-Ukraine war and associated supply-chain disruptions. The projection by the IMF in October indicated that global growth would fall to 3.2 per cent in 2022 from 6.0 per cent in 2021. The forecast was unchanged from the Fund's earlier projection in July. In the Advanced Economies (AEs), growth was expected to slow to 2.4 per cent in 2022, from 5.2 per cent in 2021 – 2.8 percentage points lower than the July forecast, with downgrades in the US and Europe. In contrast, growth in the Emerging Markets and Developing Economies (EMDEs) was revised marginally upwards, to 3.7 per cent in 2022 from the 3.6 per cent in the previous forecast, albeit, down from 6.8 per cent in 2021.

Global inflation is expected to remain elevated, due to persisting commodity and energy price shocks and supply-demand imbalances. Consequently, the IMF forecasted global inflation to surge from 4.7 per cent in 2021 to 8.8 per cent in 2022, an upward revision of 0.5 percentage points from the July forecast. In AEs, inflation is expected to rise to 7.2 per cent in 2022 from 3.1 per cent in 2021 (up by 0.6 percentage points from the July position), while in EMDEs, inflation is expected to escalate to 9.9 per cent in 2022, from 5.9 per cent in 2021, an upward revision of 0.4 percentages point from the July forecast.

3.2 Domestic Economic Outlook

The outlook for the economy is cautiously optimistic. The outlook is hinged on expectations of improved agricultural and manufacturing activities, consumer confidence and sustained broad-based policy support for the economy, among others. However, factors such as the lingering Russia-Ukraine war, rising energy prices, persisting inflationary pressure, and structural factors such as insecurity and infrastructure deficit could dampen growth momentum.

Inflationary pressure is expected to persist in the near-term on account of high demand owing to the upcoming festive season and electioneering campaigns towards the 2023 general elections. In addition, rising input prices, exchange rate constraints, the lag effect of flooding, and an increase in transportation and logistics costs could also drive inflation northward. However, the tight monetary policy stance of the Bank and sustained intervention in the economy are potential tailwinds that could dampen inflationary pressures in the near-term.

The prospect for Nigeria's external sector position is positive on the back of favourable crude oil price expectation and improved domestic production. Nevertheless, pressures from debt service obligations and value shortfalls on oil proceeds, pose downside risks to the accretion of external reserves.