Central Bank of Nigeria

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ISSN 1597-2976

Central Bank of Nigeria

Contents

STATEMENT BY THE GOVERNOR

The Global output growth remained subdued in 2022, due to the headwinds that arose from the Russia-Ukraine war, China's zero-COVID policy, and distortions in energy and food prices, as well as the monetary policy tightening by the advanced and emerging economies central banks. These factors collectively resulted in energy price shocks, historically high inflation rates across several economies, and dwindling investments in the emerging market economies.

The impact of China's zero-COVID policy persisted, as frequent lockdowns in the major industrial cities, continued to disrupt the global supply chain. The resultant macroeconomic uncertainties and the associated spill overs remained high, thus increasing the risk of a global recession. In addition, capital flow reversal from the perceived higher risk emerging market securities to the US dollar-denominated securities, with improved yields, hindered global recovery to the pre-COVID-19 pandemic levels, particularly in the fragile economies. Consequently, the earlier projections by the International Monetary Fund (IMF) for 2022 global output growth was downgraded from 4.4 per cent to 3.2 per cent.

The Nigerian economy, however, showed relative resilience to global developments during the year, especially when compared with its peers. The domestic output growth remained in the positive region, owing to the optimal blend of fiscal and monetary policies. Data from the National Bureau of Statistics (NBS) indicated that the Real Gross Domestic Product (GDP) grew by 3.1 per cent (year-on-year) in 2022, compared with 3.4 per cent in 2021. The economy thus sustained the positive growth trajectories for eight consecutive quarters, after exiting recession in 2020. Nigeria's growth performance was driven, largely, by the growth in the non-oil sector, particularly in the services and agricultural sub-sectors.

Headline inflation (year-on-year) increased to 21.34 per cent in December 2022, from 15.63 per cent in December 2021, reflecting increases in both the food and core components of inflation. The persisting upward trend in energy prices coupled with the prolonged period of scarcity of Premium Motor Spirit (PMS), contributed to a sharp rise in transportation, logistics, and manufacturing costs, which fed through to consumer prices. Other contributory factors included the lingering insecurity across the country; flooding in the major food producing areas of the country; and the global supply chain disruptions arising from the Russia-Ukraine war; among others.

The Central Bank of Nigeria (CBN) continued to collaborate with the fiscal authority to support and drive the economy through the implementation of people-oriented growth policies, and strategic intervention programmes. The Bank introduced the RT200 Programme in February 2022, to boost the capacity of Nigeria's economy for improved non-oil exports earnings. The overriding goal of the programme is to mobilise USD$200 billion in foreign exchange repatriation, exclusively from non-oil exports, over the next 3 - 5 years. The attainment of this goal would, no doubt, improve export earnings as well as engender CBN's ability to achieve its mandate of maintaining price stability. In addition, the Bank continued to disburse funds under the 100 for 100 Policy on Production and Productivity (PPP) programme to transform and catalyse *the productive base of the economy, with the aim of reversing the nation's heavy reliance on imports. The initiative is designed to create access to finance by households and enterprises with the potential to kick-start a sustainable economic growth trajectory, accelerate structural transformation, promote diversification, and improve productivity. The Bank disbursed the sum of N20.78 billion to nine (9) projects in healthcare, manufacturing, and services. This brought the cumulative disbursements under the facility to N114.17 billion in 71 projects across critical sectors of the economy at the end of 2022.*

To enhance liquidity and ensure exchange rate stability, the Bank implemented various policies to curb the demand pressures at the foreign exchange market, while sustaining its interventions in the market. Consequently, the Naira maintained relative stability, closing at N450.71 per US$ at end-December 2022. However, external reserves dropped by 9.1 per cent to US$36.55 billion at end-December 2022, from US$40.23 billion at end-December 2021. The decline in external reserves position is attributed, largely, to crude oil theft, thereby reducing foreign exchange earnings and accretion to reserves. Nevertheless, the external reserves position covered more than 7 months of import of goods only, or 5.7 months of import of goods and services, as against the international benchmark of 3 months of imports.

The banking industry remained sound and resilient, on the back of the effective supervisory framework and the deployment of appropriate policy tools. Thus, the Non-Performing Loans ratio, which stood at 4.2 per cent, at end-December 2022, remained within the regulatory threshold, but was lower than the 4.80 per cent, at end-December 2021. This was despite the Bank's aggressive credit expansion policies. Similarly, the capital adequacy ratio of the banking industry stood at 13.8 per cent, at end-December 2022, higher than the regulatory minimum, for banks with national authorization, as prescribed by the Prudential Guidelines for Licensed Banks.

Given the growing pace of digitization, it is important that the Bank leverages digital channels to build a robust payment system that will provide cheap, efficient, and faster means of transactions in Nigerian. Since the launch of the e-Naira in October 2021, 33 banks have been fully integrated on the platform. About 2.2 million customers have been on-boarded with over 18,240 merchants successfully registered on the platform across the country. As a result, over 939,000 transactions, amounting to about ₦12.40 billion, have been recorded on the platform as at end-December 2022.

The positive economic indices highlighted above, were the result of the proactive and robust monetary and exchange rate policies, and the development finance initiatives of the Bank designed to improve the standard of living of the citizenry. Thus, during the year, the Bank sustained all its policies aimed at addressing declining food security and facilitate economic development, and introduced new ones to moderate the effects of the Russia-Ukraine war and China's zero-COVID policy on the domestic economy.

The overall medium-term outlook for both the global and domestic economies in 2023 remain clouded by uncertainties associated with the prolonged Russia-Ukraine war, lingering COVID-19 pandemic, and continued lockdown of major industrial cities in China. The persistent tightening of global financial conditions and slowing global trade are also significant pointers to a weakening global economy. However, available data on Nigeria's key macroeconomic indicators suggest possible rebound in output growth for

2023, which may occur at a much-slower pace than earlier anticipated, in the light of unfolding domestic and external shocks to the economy.

The domestic shocks may originate from the persisting insecurity inhibiting economic agents; rising cost of debt and debt servicing; deteriorating fiscal balances; increased spending as the 2023 general elections approach; and continued uptrend in inflationary pressure. Consequently, efforts toward curbing the increasing instances of oil theft, stemming the lingering insecurity across the country, mitigating the impact of the perennial flooding in major food producing states, addressing infrastructural deficit in the country, and boosting the productive base of Nigeria's non-oil sector must be intensified. These efforts would strengthen the domestic economic base, fast-track the attainment of economic diversification, limit the reliance on foreign products, and insulate the economy against foreign shocks.

I want to use this medium to commend the Board, Management, and staff of the Bank for their support, ingenuity, and diligent service during the year. The various successes recorded by the Bank could not have been attained without their cooperation and dedication to duty. I also wish to appreciate President Mohammadu Buhari and the National Assembly for the re-appointment and confirmation of Mrs. Aishah Ahmad and Mr. Edward Lametek Adamu as Deputy Governors of the CBN. I thank the Presidency, the distinguished leadership of the National Assembly, Honourable Ministers of the Federal Republic, Nigeria's development partners, the organised private sector, and other stakeholders, for their support and cooperation through the year 2022. We look forward to 2023 with optimism for a more prosperous economy.

Godwin I. Emefiele, CON

Central Bank of Nigeria.

EXECUTIVE SUMMARY

This Report reviews developments in the global and domestic macroeconomic environment, policy responses, and operational activities of the Central Bank of Nigeria (CBN) in 2022. The first part of the report focuses on the activities and operations of the Bank, while the second part evaluates the performance of both the global and domestic economies.

Part 1 – Activities and Operations of the Bank

The Monetary Policy Committee

The Bank's monetary policy stance, in 2022, focused on reining-in inflation, while supporting economic growth. Accordingly, the Monetary Policy Committee (MPC) raised the Monetary Policy Rates (MPR) four times by a cumulative 500 basis points to 16.50 per cent, while the asymmetric corridor was retained at +100/-700 basis points around the MPR, for the Standing Lending Facility (SLF) and Standing Deposit Facility (SDF), respectively. The Cash Reserve Ratio (CRR) was also raised by 500 basis points to 32.5 per cent, while the liquidity ratio was retained at 30.0 per cent.

Mandate Operations

Pursuant to its mandate as issuer of legal tender currency, the Bank embarked on a currency redesign exercise of the ₦200, ₦500, and ₦1000 banknotes. The policy was aimed at addressing the hoarding of banknotes, the shortage of clean banknotes in circulation, and the risk of counterfeiting, as well as enhance monetary policy transmission.

*The Bank sustained its effort to deepen the adoption of the eNaira in order to promote a more inclusive financial system and enhance the effectiveness of monetary policy transmission. The milestones achieved included: the integration of all banks and a substantial number of Payment Service Providers (PSPs) with the eNaira platform; activation of one million wallets (including merchant wallets for major outlets); and, attainment of over 875,000 transactions, amounting to ₦11.83 billion, recorded on the platform. The eNaira USSD Code (*997#) was also launched to engender financial inclusion and avail Nigerians, opportunities to endless possibilities through financial services.*

The Bank sustained its intervention in the foreign exchange market to boost liquidity and ensure exchange rate stability. In addition, the Race to US$200 billion (RT200) programme, among others, was introduced to further diversify the sources of foreign exchange inflow and increase the contribution of non-oil export to external reserves.

As part of the Bank's regulatory and supervisory oversight of the institutions under its purview, the parallel run of Basel II with Basel III implementation, which commenced in November 2021, progressed to the next phase in 2022. The current phase involved: the review of feedback received from banks to update the relevant CBN Basel III Guidelines; and the review and adjustment of five Basel III CBN Reporting Templates for full implementation of the standards in Nigeria.

In 2022, the Bank issued regulatory documents for compliance to strengthen the Anti-Money Laundering Countering Terrorist Financing and Countering Proliferation Financing of weapons of *mass destruction (AML/CFT/CPF). This was also in line with the Mutual Evaluation Report (MER) issued by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) in 2020.*

To further improve the payments system landscape, the Bank issued new regulations and guidelines to ensure greater security and efficiency of the payments infrastructure and promote interoperability. As part of efforts to implement the Payments System Vision 2025 (PSV2025) Strategy, the Regulatory Sandbox Steering and Technical committees were set up to provide effective governance for the initiative.

The Bank sustained its intervention programmes aimed at stimulating the economy through affordable and accessible credit to priority sectors. The year also witnessed increased efforts at credit recovery, following the expiration of the extended moratorium, which commenced in 2020, as part of measures to cushion the impact of the COVID-19-related restrictions on economic activity.

Corporate Activities

The Bank executed its strategic initiatives by leveraging information technology in the pursuit of its mandate. The Bank intervened in the education and health sectors of the economy in line with its corporate social responsibility.

The CBN strategy 2021 – 2024 was unveiled in February 2022. The Strategy focuses on strengthening and increasing the impact of the Bank's policies to promote economic growth and development. The strategy was aimed at closing five key value gaps to achieve: low inflation; stable exchange rate; low cost of borrowing; a productive export-focused economy; and a deeper & broader financial system.

The Bank continued to strengthen its legal and regulatory framework to improve the overall effectiveness of the financial system in line with its mandate. To this end, several agreements, guidelines, and Memoranda of Understanding (MoUs), were drafted and reviewed. Relevant bills from the National Assembly were also reviewed.

Part 2 - Macroeconomic Developments

The Global Economy

Global growth slowed in 2022, induced by the Russia-Ukraine war, China's Zero-COVID policy, and the hike in policy rates to curtail inflation. The IMF projected the global economy to grow at a slower pace of 3.4 per cent in 2022, down from 6.2 per cent in 2021. Growth in the advanced economies (AEs) slowed to 2.7 per cent, from 5.4 per cent in 2021. Similarly, economic activities in the Emerging Market and Developing Economies (EMDEs), decelerated to 3.9 per cent, from 6.7 per cent in 2021.

Inflation across the globe soared in 2022, owing to a combination of supply and demand factors. In the AEs, inflation rose to 7.2 per cent, from 3.1 per cent in 2021. Also, in the EMDEs, inflation followed a similar trend, rising to 9.9 per cent, from 5.9 per cent in 2021.

In response to price developments, monetary policy tightening ensued throughout the year, as central banks in the AEs and EMDEs hiked policy rates to rein-in inflationary pressures, resulting to tight global financial conditions. Complementarily, fiscal support waned in 2022, as focus shifted to containing inflationary *pressure, particularly in countries with limited fiscal space.*

Global headwinds also influenced developments in the commodity markets, as the average price of the OPEC basket of 13 crude streams, rose by 43.4 per cent to US$69.81per barrel (pb) on the back of increased demand, geopolitical tensions in Europe, and supply disruptions emanating from the Russia-Ukraine war. Similarly, the average spot price of Nigeria's reference crude, the Bonny Light (34.9^{o} API), rose by 47.5 per cent to US$104.62 pb in 2022, from the preceding year's average of US$70.91 pb.

The Domestic Economy

Despite developments in the global commodity markets, the external sector weakened in 2022, owing to the global supply chain disruptions occasioned by the Russia-Ukraine war. Accordingly, an overall balance of payments deficit of 0.7 per cent of GDP was recorded, against a surplus of 0.1 per cent of GDP in 2021. The current and capital account, on the other hand, recorded a lower surplus of 0.2 per cent of GDP, compared with 0.4 per cent of GDP in 2021, due to a trade surplus and higher inflow of remittances. The financial account recorded a lower net incurrence of financial liabilities, equivalent to 1.4 per cent of GDP in 2022, relative to 1.5 per cent of GDP in 2021.

The stock of external reserves at end-December 2022 was US$36.61 billion and could finance 7.5 months of imports for goods only, or 5.7 months of import of goods and services. The International Investment Position (IIP) showed a higher net borrowing position with a financial liability of US$75.52 billion in 2022, compared with US$70.30 billion in 2021, owing to the higher incurrence of financial liabilities and depletion in external reserves. The annual average exchange rate of the Naira per US dollar at the Investors' & Exporters' (I&E) window was ₦425.98 up from ₦408.96 in 2021.

Fiscal policy in 2022 was influenced, largely, by the lingering effects of the COVID-19 pandemic and the impact of the Russia-Ukraine war on international trade. The development impeded the achievement of revenue targets for the year, necessitating budget supplementation and additional borrowings, to finance budgeted expenditure. At ₦12,824.97 billion (6.2 per cent of GDP), provisional federally collected revenue (gross)[1] improved by 19.2 per cent, relative to the receipts in 2021. However, it fell short of the 2022 budget target by 30.3 per cent on account of lower crude oil sales and exports. The fiscal operations of the general government resulted in an overall deficit of 5.1 per cent of GDP. Similarly, the provisional overall deficit of the FGN was 4.4 per cent of GDP, compared with 4.0 per cent of GDP in 2021. The consolidated public debt stock at end-December 2022, stood at ₦46,250.37 billion or 23.2 per cent of GDP, an increase of 16.9 per cent over the level at end-December 2021. The rise was attributed to the financing of FGN legacy debt and new borrowings by both the Federal and sub-national governments to part-finance the deficit in the 2022 Appropriation Act and execute new projects.

The Bank adopted a hawkish policy stance for most parts of the year, to manage banking system liquidity and rein-in inflationary pressure. Nonetheless, sustained credit to support

[1]Earnings lodged in the Federation Account by virtue of Section 161 of the 1999 Constitution of the Federal Republic of Nigeria, as amended.

businesses and households contributed to a growth in broad money supply (M3) above the target for 2022. Consequently, broad money supply (M3) increased by 17.3 per cent at end-December 2022, above the 14.2 per cent growth at end-December 2021, owing to the growth in net domestic assets.

The financial sector remained stable, as key financial soundness indicators were within the regulatory thresholds, despite the uncertainties in the global and domestic economic environments. The industry-level capital adequacy and liquidity ratios exceeded the regulatory minimum. The non-performing loan (NPL) ratio improved marginally below its regulatory threshold.

Despite the significant headwinds, real GDP grew, albeit at a softer pace, by 3.1 per cent, compared with 3.4 per cent in 2021. The growth was driven by broad-based expansion in the non-oil sector, especially in services and agriculture. Headline inflation (year-on-year) surged to 21.34 per cent at end-December 2022 above 15.63 per cent at end-December 2021, owing to the high energy and food prices occasioned by the supply chain disruptions.

PART 1:
Activities of the Bank

"The current economic and structural challenges demand a shared and urgent focus by all stakeholders from the Government, the private sector, and the citizens. On its part, the Bank is committed to be part of solving the fundamental economic problems confronting the nation"

- *Godwin I. Emefiele, CON*

CBN Strategy

Mission

"To ENSURE monetary, price, and financial system stability as a catalyst for inclusive growth and sustainable economic development"

Vision

"To be a people-focused Central Bank promoting confidence in the economy and enabling an improved standard of living"

Core Values

- Integrity
- Partnership
- Accountability
- Courage
- Tenacity

Governor's Strategic Focus (2019-2024)

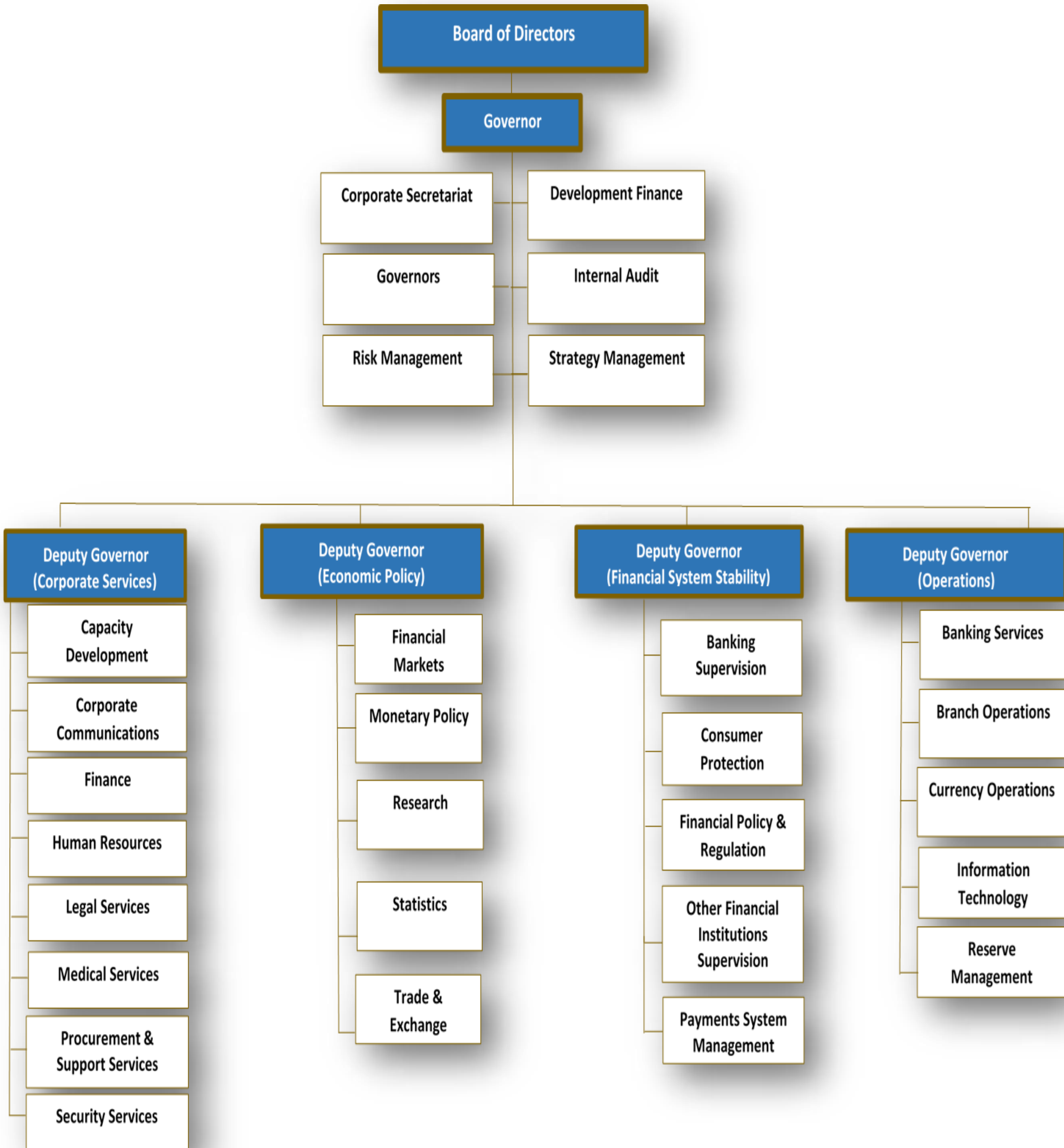
Godwin I. Emefiele, CON
Governor, Central Bank of Nigeria

"The Strategic focus of the Central Bank of Nigeria, over the next five years is, driven primarily by the need to support continued growth and development of the Nigerian economy"

Strategy

Preserve domestic macroeconomic and financial stability	Achieve single-digit inflation and accelerate the rate of employment; Support improved productivity in the agricultural and manufacturing sectors; Improve the supervision of financial institutions and pursue the recapitalisation of the banking industry; and Develop a robust mechanism to protect against loss of data, fraud, and cybercrime.
Foster the development of a robust payments system infrastructure	Improve speed and efficiency of payment channels and ensure they are safe and secure; Develop a regulatory sandbox in collaboration with NIBSS, banks, and Fintechs; and Support the spread and utilisation of digital modes of transactions and ensure the interoperability of payment channels.
Targeted development finance	Financial Inclusion; Access to Credit; and Consumer Lending – lending to MSMEs and mortgage institutions.
Grow external reserves	Increase and diversify Nigeria's export base ; and Aggressively implement the ₦500.00bn facility for growth of non-oil exports.
Support efforts at diversifying the economy through intervention programmes in the agriculture and manufacturing sectors	• Boost productivity growth in both the agriculture and manufacturing sectors through end-to-end value chain credit intervention programmes.

GOVERNANCE STRUCTURE



Godwin I. Emefiele, CON

Governor and Chairman, Board of Directors

Since 3 June 2014.

Prior to his appointment as the Governor of the Central Bank of Nigeria in June 2014, Godwin I. Emefiele (CON) was the Chief Executive Officer and Group Managing Director of Zenith Bank PLC. With over 35 years of experience in the banking sector, he helped to grow Zenith Bank in his executive capacities at various times, superintending corporate banking, treasury, financial control, and strategic planning. Before his banking career, he held teaching appointments, first, at the University of Nigeria, Nsukka and then, the University of Port Harcourt, where he taught finance and insurance, respectively. He is also an alumnus of Executive Education at Stanford University, Harvard University and Wharton Graduate Schools of Business. Emefiele holds B.Sc. and MBA degrees in Banking and Finance, and an Honourary Doctorate degree in Business Administration from the University of Nigeria, Nsukka.

Aishah N. Ahmad (Mrs.), CFA, CAIA

Deputy Governor, Financial System Stability Board Member

Since 23 March 2018.

Aishah Ahmad is a seasoned financial policy expert with experience spanning over twenty years. She is an Honorary Fellow of the Chartered Institute of Bankers of Nigeria (CIBN) and holds the Chartered Financial Analyst (CFA) and Chartered Alternative Investment Analyst (CAIA) designations. She has held many leadership positions across private wealth, investment management, and banking in major financial institutions, including Executive Director at the then Diamond Bank PLC. She obtained a bachelor's degree in Accounting from the University of Abuja, MBA (Finance) from the University of Lagos, and MSc. in Finance and Management from Cranfield University, UK. She is also an alumnus of Executive Education at Harvard Kennedy School.

Edward L. Adamu

Deputy Governor, Corporate Services

Board Member

Since 23 March 2018.

Mr. Edward Adamu is a strategy and knowledge management specialist with over 35 years of professional experience. Prior to his appointment as Deputy Governor, he was Director, Strategy Management and Director of the Human Resources Departments, at the Central Bank of Nigeria, having risen through the ranks. He holds a B.Sc. degree in Quantity Surveying from the Ahmadu Bello University, Zaria and has received several certifications from world-class institutions, including the Executive Certificate in Economic Development from the Harvard Kennedy School. Mr. Adamu is a fellow of the Nigerian Institute of Quantity Surveyors and the Institute of Credit Administration.

Folashodun A. Shonubi

Deputy Governor, Operations

Board Member

Since 17 October 2018.

Mr. Shonubi is a seasoned information technology-driven banker with over 30 years professional experience. Prior to his appointment, he held several positions, including the Managing Director NIBSS PLC, and Executive Director, Information Technology and Operations at Union Bank of Nigeria PLC. He has worked in several financial institutions in executive IT and Treasury roles; He was a Director, Information Technology and Corporate Services in Renaissance Securities Nigeria limited with responsibility for the Group's IT infrastructure in Africa and was Executive Director in Ecobank Nigeria Limited. He holds two Masters Degrees, in Business Administration and Mechanical Engineering, from the University of Lagos.

Kingsley I. Obiora, Ph.D

Deputy Governor, Economic Policy

Board Member

Since 2 March 2020.

Dr. Obiora is an economist with vast working experience in regional and international institutions, including the West African Monetary Institute (WAMI), Accra, Ghana and the International Monetary Fund (IMF), Washington DC, USA. Before his appointment as a Deputy Governor in the CBN, he was on the Board of the IMF as an Alternate Executive Director, representing the interests of 23 African Countries, including Nigeria. Earlier in his career, he was a Special Assistant to the President's Chief Economic Adviser, a Technical Adviser to the National Economic Management Team, and the Special Adviser on Economic Matters to the CBN Governor. Dr. Obiora holds a B.Sc. in Economics and Statistics from the University of Benin and Masters and Doctorate degrees in Economics from the University of Ibadan.

Prof. Justitia O. Nnabuko

Non-Executive Director

Board Member

Since 7 July 2018.

Professor Justitia Nnabuko is an academic with a wealth of experience having served in various capacities at the University of Nigeria (UNN) since 1983. She holds a B.Sc. in Business Education from UNN, a PhD from the same University and became a Professor of Marketing in 2010. Prior to her appointment as a member of the CBN Board, she was the Dean of the Faculty of Business Administration at UNN. Prof. Nnabuko is a Fellow of the National Institute of Marketing of Nigeria, member of the Academy of Management, Nigeria, Nigerian Institute for Public Relations, Institute of Management Consultancy and National Association of Women of Academics.

Prof. Michael I. Obadan

Non-Executive Director

Board Member

Since 7 July 2018.

Professor Michael Obadan brings to the CBN Board a wealth of knowledge and broad experience acquired from numerous capacities, both locally and internationally. He is currently a Professor of Economics at the University of Benin, Edo State. In the course of his career, he held various senior management position; including Director-General, National Centre for Economic Management and Administration, Dean of the Faculty of Social Sciences, University of Ibadan, Research Director/Adviser of New Nigeria Bank Limited, and Chairman, Economic Policy Analysis and Management Network, Harare, Zimbabwe. Professor Obadan obtained his B.Sc. and PhD degrees in Economics from the University of Ibadan and is a fellow of the Nigerian Economic Society (NES) and member of many professional bodies. He is widely published and has received numerous awards.

Adeola S. Adetunji

Non-Executive Director

Board Member

Since 7 July 2018.

Mr. Adeola Adetunji holds a B.Sc. degree in Economics from the University of Ife, MBA from the University of Pittsburgh, USA. He joined the CBN Board with vast boardroom and senior management experience. At various times, before his appointment, he served as the MD/CEO of Coca-Cola Nigeria Limited, MD Waveside Limited, MD Coca-Cola Sabco North & East Africa, among others. Mr. Adetunji is a member of the Global Advisory Council, University of Pittsburgh, USA; Young Presidents Organisation; and a Non-Executive Director at AIH Properties, South Africa.

Prof. Ummu A. Jalingo

Non-Executive Director

Board Member

Since 7 July 2018.

Professor Ummu Ahmed Jalingo began her professional career in 1997 as a Lecturer in Bayero University, Kano (BUK), where she rose to the position of Professor in 2010. She was the Head of the Economics Department, BUK from 2009 to 2013, and is currently the Director of the Centre for Social and Economic Research (CSER) in the Federal University, Dutse. She holds a B.Sc. degree in Economics from BUK and a PhD in Economics from the Usman Danfodio University, Sokoto. She is a member of many professional bodies and a recipient of many awards in recognition of her contributions to National Development.

Ahmed Idris
Accountant General of the Federation
Board Member
Since 7 July 2018.

Mr. Ahmed Idris is a Non-Executive Director of the CBN Board in his capacity as the Accountant-General of the Federation. He holds B.Sc in Accountancy and a M.Sc. in International Affairs and Diplomacy from the Ahmadu Bello University, Zaria, as well as an MBA from Bayero University, Kano. He is a vastly experienced accountant, who began his career with the organised private sector before joining the Federal Public Service in 2000. Before his appointment as the Accountant-General of the Federation Mr. Idris' public service experience spans various MDAs; including the Petroleum (Special) Trust Fund, National Poverty Eradication Programme, Ministry of Police Affairs, Federal Ministry of Interior, the Nigeria Security and Civil Defense Corps, and Ministry of Mines and Steel Development. Mr. Idris is a fellow and member of many professional bodies.

Dr. Abdu Abubakar
Non-Executive Director
Board Member
Since 4 April 2019.

Dr. Abdu Abubakar holds a First Class honours B.Sc. degree in Quantity Surveying from the Ahmadu Bello University, Zaria. He has over thirty years of combined experience in his academic and non-academic careers. Dr. Abdu is an expert in Construction Economics and Management and has served in various capacities, including Executive Director in charge of Banking Operations and Services at First Bank PLC. He also held senior positions in ATM Consortium Limited, Interswitch Limited, First Pension Custodian Nigeria Limited and Rainbow Town Development Limited. He was also a Special Assistant to the Honourable Minister of State for Education and Special Adviser to the Governor of the Central Bank of Nigeria on Private Sector and Parastatals.

Aliyu Ahmed
Board Member
Permanent Secretary, Federal Ministry of Finance
Since 25 September 2020.

Mr. Aliyu Ahmed is a Non-Executive Director of the CBN Board in his capacity as the Permanent Secretary, Ministry of Finance. He holds a B.Sc. in Quantity Surveying from Ahmadu Bello University, Zaria, Nigeria and a M.Sc. in Financial Economics from the University of Strathclyde, Glasgow, United Kingdom, as well as an MBA in Finance from the University of Lagos. Mr. Aliyu served as a Lecturer in the Department of Economics and Management Studies Usmanu Danfodiyo University, Sokoto, Nigeria from 1989-1993 prior to his long and distinguished career in the Federal Civil Service, which culminated in his appointment as Federal Permanent Secretary on December 18, 2019. Mr. Aliyu also served on the Technical Sub-committee of the Nigeria's Economic Management Team from 2006-2009. Currently, Aliyu serves on the Boards of Directors of the following Institutions: Africa Export Import Bank, Cairo, Egypt; OPEC Fund for International Development (OFID) Vienna, Austria; Nigeria National Petroleum Corporation (NNPC); and Asset Management Corporation of Nigeria (AMCON).

Principal Organs and Officers of the Bank
(as of 31 December 2022)

Members of the Board of Directors of the Bank

1	Godwin I. Emefiele, *CON*	-	*Governor (Chairman)*
2	Aishah N. Ahmad	-	*Deputy Governor (Financial System Stability)*
3	Edward L. Adamu	-	*Deputy Governor (Corporate Services)*
4	Folashodun A. Shonubi	-	*Deputy Governor (Operations)*
5	Kingsley I. Obiora	-	*Deputy Governor (Economic Policy)*
6	Adeola S. Adetunji	-	*Non-Executive Director*
7	Ahmed Idris*	-	*Non-Executive Director*
8	Aliyu Ahmed	-	*Non-Executive Director*
9	Ummu A. Jalingo	-	*Non-Executive Director*
10	Justitia O. Nnabuko	-	*Non-Executive Director*
11	Michael I. Obadan	-	*Non-Executive Director*
12	Abdu Abubakar	-	*Non-Executive Director*
	Alice Karau	-	*Secretary to the Board*

*Suspended from office by the President on 18 May 2022

Members of the Committee of Governors

1	Godwin I. Emefiele, *CON*	-	*Governor (Chairman)*
2	Aishah N. Ahmad	-	*Deputy Governor (Financial System Stability)*
3	Edward L. Adamu	-	*Deputy Governor (Corporate Services)*
4	Folashodun A. Shonubi	-	*Deputy Governor (Operations)*
5	Kingsley I. Obiora	-	*Deputy Governor (Economic Policy)*
	Alice Karau	-	*Secretary*

Members of the Monetary Policy Committee

1	Godwin I. Emefiele, *CON*	-	*Governor (Chairman)*
2	Aishah N. Ahmad	-	*Deputy Governor (Financial System Stability)*
3	Edward L. Adamu	-	*Deputy Governor (Corporate Services)*
4	Folashodun A. Shonubi	-	*Deputy Governor (Operations)*
5	Kingsley I. Obiora	-	*Deputy Governor (Economic Policy)*
6	Adeola F. Adenikinju		*Member*
7	Aliyu R. Sanusi		*Member*
8	Robert C. Asogwa		*Member*
9	Michael I. Obadan		*Member*
10	Aliyu Ahmed		*Member*
11	Mohammed A. Salisu		*Member*
12	Momodu E. Omamegbe		*Member*
	Mahmud Hassan		*Secretary*

Principal Officers of the Bank as of 31 December 2022

Departmental Directors

1	Samuel C. Okojere	-	*Banking Services*
2	Haruna B. Mustapha	-	*Banking Supervision*
3	Elizabeth O. Fasoranti	-	*Branch Operations*
4	Muhammad A. Abba	-	*Capacity Development*
5	Rashida J. Monguno	-	*Consumer Protection*
6	Osita C. Nwanisobi	-	*Corporate Communications*
7	Alice Karau	-	*Corporate Secretariat*
8	Ahmed B. Umar	-	*Currency Operations*
9	Philip Y. Yusuf	-	*Development Finance*
10	Benjamin A. Fakunle	-	*Finance*
11	Angela A. Sere-Ejembi	-	*Financial Markets*
12	Chibuzo A. Efobi	-	*Financial Policy and Regulation*
13	Joseph G. Omayuku	-	*Governors*
14	Amina A. Habib	-	*Human Resources*
15	Rakiya S. Mohammed	-	*Information Technology*
16	Lydia I. Alfa	-	*Internal Audit*
17	Sirajuddin K. Salam-Alada	-	*Legal Services*
18	Abdulkadir A. Jibril	-	*Medical Services*
19	Hassan Mahmud	-	*Monetary Policy*
20	Nkiru E. Asiegbu	-	*Other Financial Institutions Supervision*
21	Musa I. Jimoh	-	*Payments System Management*
22	Arinze A. Stanley	-	*Procurement and Support Services*
23	Michael A. Adebiyi	-	*Research*
24	Benjamin C. Nnadi	-	*Reserve Management*
25	Blaise Ijebor	-	*Risk Management*
26	Oluwakemi Osa-Odigie*	-	*Security Services*
27	Mohammed M. Tumala	-	*Statistics*
28	Clement O. Buari	-	*Strategy Management*
29	Scholastica O. Nnaji	-	*Trade and Exchange*
30	Olorunsola E. Olowofeso **	-	*West African Monetary Institute*
31	Abubakar A. Kure***	-	*NIRSAL Microfinance Bank*

*Retired on 6 October 2022.
**On Secondment.
***On Posting.

Special Advisers to the Governor as of 31 December 2022		
1	Emmanuel U. Ukeje	*Economic Matters*
2	Ebipere Clark	*Energy Sector*
3	Yakubu Umar	*Islamic Finance*
4	Oluwatoyin M. Fasheitan	*Payments*
5	Aisha U. Mahmoud	*Sustainable Banking*

Branch Controllers as of 31 December 2022			
1	Daniel A. Ogbogu	-	*Abakaliki*
2	Wahab L. Oseni	-	*Abeokuta*
3	Onyeka M. Ogbu	-	*Abuja*
4	Wasiu A. Omotoso	-	*Ado-Ekiti*
5	Fatai A. Yusuf	-	*Akure*
6	Godwin I. Okafor	-	*Asaba*
7	Benedicth I.C. Maduagwu	-	*Awka*
8	Haladu A. Idris	-	*Bauchi*
9	Renner D. Jumbo	-	*Benin*
10	Mannir D. Abdullahi	-	*Birnin-Kebbi*
11	Glory U. Iniunam	-	*Calabar*
12	Gana A. Abdulkadir	-	*Damaturu*
13	Sa'adatu A. Ibrahim	-	*Dutse*
14	Chidozie E. Okonjo	-	*Enugu*
15	Shehu A. Goringo	-	*Gombe*
16	Buhari Abbas	-	*Gusau*
17	Olufolake M. Ogundero	-	*Ibadan*
18	Najimu O. Lamidi	-	*Ilorin*
19	Idirisa D. Maina	-	*Jalingo*
20	Esther C. Tinat	-	*Jos*
21	Yusuf B. Wali	-	*Kaduna*
22	Umar I. Biu	-	*Kano*
23	Musa L. Ahmed	-	*Katsina*
24	Yakubu Shehu	-	*Lafia*
25	Bariboloka G. Koyor	-	*Lagos*
26	Ahmed I. Sule	-	*Lokoja*
27	Tijani K. Lawan	-	*Maiduguri*
28	John O. Itaha	-	*Makurdi*
29	Saheed A. Mohammed	-	*Minna*
30	Ajuma D. Madojemu	-	*Osogbo*
31	Oyoburuoma B. Oruwari	-	*Owerri*
32	Maxwell O. Okafor	-	*Port Harcourt*
33	Dahiru N. Usman	-	*Sokoto*
34	Ayotunde O. Olaoba	-	*Umuahia*
35	Itohan M. Ogbomon-Paul	-	*Uyo*
36	Francis E. Asuquo	-	*Yenagoa*
37	Sanusi N. Sah	-	*Yola*

2.0 MANDATE OPERATIONS

2.1 MONETARY POLICY

Monetary Policy Environment

Priorities of Monetary Policy

- Ensure price and macroeconomic stability
- Stimulate investments to the manufacturing sector
- Mitigate the downside risks of COVID-19
- Accessible credit to firms and households
- Ease access to foreign exchange for small and medium enterprises, and invisible transactions
- Navigating prevailing uncertainties

Drivers

- Impact of the shocks of the Russia-Ukraine war and the lingering effects of the COVID-19 pandemic
- Decline in global trade and demand
- High global inflationary environment and policy tightening

Instruments of Monetary Policy

The Bank deployed an array of conventional and unconventional monetary policy instruments, during the review period.

- The Open Market Operations (OMO) remained the major instrument for liquidity management, complemented by:
- Cash Reserve Ratio (CRR);
- Liquidity Ratio (LR);
- Discount Window Operations;
- Interventions in the foreign exchange market;
- Interventions in the real sector; and
- Moral suasion.

Implications

The prevailing stress in the domestic economy led to:

- Slow and fragile economic recovery;
- Capital flow reversals;
- Subdued external reserves level;
- Pressures on the exchange rate and domestic prices; and
- Inflationary pressure – 21.34 per cent in December 2022, from 15.63 per cent in December 2021.

Monetary Policy Committee (MPC) Decisions in 2022

Date of Meeting	*Decision*
24 and 25 January 2022 Communiqué No. 140	• **Retained the MPR at 11.50 per cent** • **Retained the CRR at 27.5 per cent** • **Retained the Liquidity Ratio at 30.0 per cent; and** • **Retained the Asymmetric corridor at +100/-700 basis points around the MPR.**
21 March 2022 Communiqué No. 141	• **Retained the MPR at 11.50 per cent** • **Retained the CRR at 27.5 per cent** • **Retained the Liquidity Ratio at 30.0 per cent; and** • **Retained the Asymmetric corridor at +100/-700 basis points around the MPR.**
23 and 24 May 2022 Communiqué No. 142	• **Raised the MPR to 13.00 per cent** • **Retained the CRR at 27.5 per cent** • **Retained the Liquidity Ratio at 30.0 per cent; and** • **Retained the Asymmetric corridor at +100/-700 basis points around the MPR.**
18 and 19 July 2022 Communiqué No. 143	• **Increased the MPR to 14.00 per cent** • **Retained the CRR at 27.5 per cent** • **Retained the Liquidity Ratio at 30.0 per cent; and** • **Retained the Asymmetric corridor at +100/-700 basis points around the MPR.**
26 and 27 September 2022 Communiqué No. 144	• **Raised the MPR to 15.50 per cent** • **Increased the CRR to 32.5 per cent** • **Retained the Liquidity Ratio at 30.0 per cent; and** • **Retained the Asymmetric corridor at +100/-700 basis points around the MPR.**
21 and 22 November 2022 Communiqué No. 145	• **Raised the MPR to 16.50 per cent** • **Retained the CRR at 32.5 per cent** • **Retained the Liquidity Ratio at 30.0 per cent; and** • **Retained the Asymmetric corridor at +100/-700 basis points around the MPR.**

Currency Redesign Policy

Following the approval of the President, the Bank redesigned and commenced the circulation of ₦200, ₦500, and ₦1,000 banknotes. The policy was implemented, among others, to:

- Rein-in currency outside the banking system and make monetary policy more effective;
- Reduce the significant hoarding of banknotes by members of the public;
- Minimise the circulation of unclean and unfit banknotes;
- Strengthen the security features and minimise the risk of counterfeiting; and
- Promote financial inclusion and a cashless economy.

2.1.1 Liquidity Management

Liquidity management in 2022 was anchored on ensuring optimal banking system liquidity to achieve monetary and price stability. Banking system liquidity was influenced, largely by fiscal operations of the Federal Government, Cash Reserve Ratio (CRR), foreign exchange interventions, maturity and sale of CBN and Nigerian Treasury Bills, and monetised proceeds from the sale of crude oil as well as the naira redesign policy.

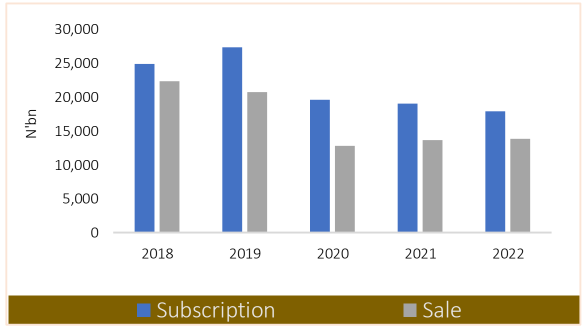
2.1.2 Monetary Operations

To ensure monetary and price stability, the Bank adopted a hawkish policy stance, for the most part of the year, aimed at managing banking system liquidity and the persisting uptick in inflation. Monetary Policy Rate (MPR), in 2022, maintained an upward trend as the Bank increased the rate four times in the course of the to 16.5 per cent, from 11.5 per cent in 2021. The MPR was increased from 11.5 per cent to 13.0 per cent in May, with further increases to 14.0 per cent in July, 15.5 per cent in September and 16.5 per cent in November. The CRR was also raised from 27.5 per cent to 32.5 per cent in September, while the Liquidity ratio was maintained at 30.0 per cent throughout the year. The asymmetric corridor of +100/-700 basis points around the MPR was also maintained throughout the year.

2.1.2.1 Open Market Operations

Transactions in Open Market Operations (OMO) increased marginally during the review period. Total CBN bills offered at the OMO was ₦13,942.64 billion, while public subscriptions and sales amounted to ₦17,967.00 billion and ₦13,892.64 billion, respectively, compared with ₦13,779.55 billion, ₦18,992.95 billion, and ₦13,648.05 billion in 2021. The higher amount of OMO sales reflected the contractionary policy stance to moderate banking system liquidity.

Figure 2.1.1: OMO Issues and Sales, 2018 – 2022



Source: Central Bank of Nigeria.

2.1.2.2 Tenored Repurchase Transactions (Repos)

Transactions in tenored repo declined, reflecting investors' preference for overnight facilities and response to higher rates. Total repo transactions in 2022, was ₦11,283.38 billion, a decrease from ₦14,108.47 billion in 2021. The applicable interest rates ranged from 14.00 per cent to 20.50 per cent for the 4- to 90- day tenors. Consequently, total interest earned on repo in 2022 decreased by 45.71 per cent to ₦41.59 billion, from ₦76.61 billion in 2021.

2.1.3 Discount Window Operations

CBN Standing Facilities

The trend at the standing facilities window showed an increase in transaction. As a result of increased average net liquidity to ₦183.17 billion in 2022 from ₦174.20 billion in 2021, banks deposited their excess funds at the SDF window. The average daily amount of ₦13.98 billion was recorded in 248 transaction days in 2022, compared with ₦12.65 billion in 240 transaction days in 2021. Correspondingly, the average daily interest payments on deposits increased to ₦0.002 billion in 2022, from ₦0.001 billion in 2021. On the other hand, average daily request for SLF was ₦73.66 billion in 204 transaction days, compared with ₦60.52 billion in 207 transaction days in 2021, with an average daily interest of ₦0.05 billion charged relative to ₦0.34 billion in 2021.

2.1.4 Interest Rate Policy and Developments

2.1.4.1 Money Market Rates

Interbank rates declined relative to the levels in the preceding year. Average interbank call rate (IBCR) and open-buy-back rate (OBB) shed 147 basis points, apiece, to close the review period at 11.27 per cent and 10.66 per cent, compared with their corresponding levels in the preceding year. The average NIBOR-Call rate also declined, by 95 basis points to 11.66 per cent, from 12.61 per cent in 2021.

Interbank rates were largely subdued in the first half of the year with most rates trailing in the single digit region. The rates took an upward trajectory in the second half, settling in the double-digit region. The significant increase in the second half of the year followed the monetary authority's sustained hawkish policy stance.

Table 2.1. 1: Average Money Market Rates

	IBCR	OBB	NIBOR-CALL	NIBOR-30	MPR
2021 (Average)	12.74	12.13	12.29	8.49	11.5
2022 (Average)	11.27	10.66	11.66	10.44	13.67
Jan	14.31	8.51	11.05	8.96	11.50
Feb	9.30	6.10	8.17	9.24	11.50
Mar	4.50	6.62	7.91	8.19	11.50
Apr	8.67	7.49	8.40	8.18	11.50
May	6.70	9.39	10.40	9.51	13.00
Jun	11.10	10.88	11.80	8.52	13.00
Jul	13.00	14.15	14.35	11.01	14.00
Aug	15.00	13.21	14.26	12.14	14.00
Sep	12.19	11.49	12.63	11.25	15.50
Oct	16.47	15.91	16.39	10.89	15.50
Nov	11.89	12.56	12.61	14.25	16.50
Dec	12.08	11.61	11.89	13.16	16.50

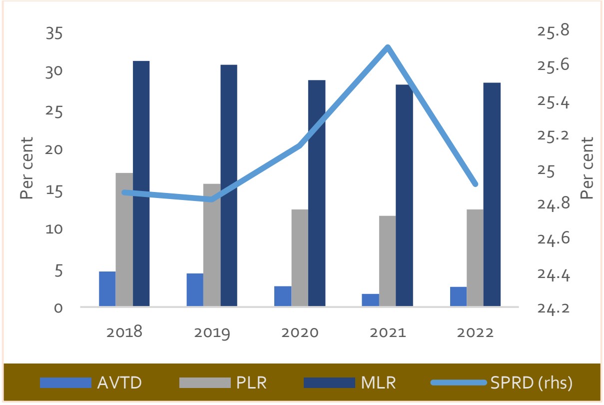
Source: Central Bank of Nigeria.
Note: IBCR-Interbank Call Rate, NIBOR- Nigeria Inter-Bank Offered Rate, OBB – Open Buy Back, MPR- Monetary Policy Rate.

Deposit and Lending Rates

The deposit and lending rates exhibited an upward trajectory in 2022 in response to policy rate hikes. The weighted average deposit rate, which started the year at 1.79 per cent, increased significantly to close the year at 3.96 per cent. Notably, the rate hovered below 2.0 per cent through the first half of the year, but increased significantly in the second half of the year, driven by the Bank's policy rate hike.

Similarly, average prime and maximum lending rates both increased in 2022, to 12.34 per cent and 28.37 per cent, respectively, from 11.48 per cent and 28.06 per cent in the preceding year. The spread between the maximum lending rate and the weighted average deposit rate narrowed by 79 basis points to 24.91 per cent in the review period, from 25.70 per cent in 2021.

Figure 2.1. 2: Average Deposit and Lending Rates, 2018 – 2022



Source: Central Bank of Nigeria.

2.2 CURRENCY MANAGEMENT

2.2.1 Issuance of Legal Tender Currency

2.2.1.1 Currency Redesign

The Bank embarked on a currency redesign exercise of the ₦200, ₦500, and ₦1000 denomination banknotes. It was launched by the President on 23 November 2022. The rationale for the currency redesign emanated from the shortage of clean and fit banknotes, counterfeiting, and the prolong period the last exercise was carried out.

2.2.2 New Indents in 2022

The indent of various denominations of banknotes, including the newly redesigned banknotes was approved by the Bank in 2022. The Bank approved an indent of 2,488.50 million pieces of banknotes of various denominations in 2022, to meet the needs of the economy. The development represented an increase of 1.3 per cent or 3.00 million pieces above the 2,485.50 million pieces approved in the preceding year.

Consequently, the Nigerian Security Printing and Minting Company (NSPM Plc) delivered a total of 1,818.82 million pieces of banknotes, representing 73.0 per cent of the indent as of 31 December 2022. Notably, the indent of the lower denominated banknotes was fully achieved, while that of the higher denominated banknotes (₦200, ₦500, ₦1000) was halted in Q3 2022, due to the currency redesign policy.

In light of the above, the production of the initial order of 500.0 million pieces of the redesigned banknotes commenced in Q3 2022, of which 280.0 million pieces were delivered as of 31 December 2022.

Furthermore, 68.58 million of lower denominated 'good-over' banknotes were delivered by NSPM Plc in 2022.

Table 2.2.1: Naira Indents (million)

Year	2018	2019	2020	2021	2022
Indent	3,351.34	3,830.90	2,458.50	2,485.50	2,488.50

Source: Central Bank of Nigeria.

Table 2.2.2: Value of Currency-In-Circulation 2018 – 2022

Denomination	2018		2019		2020		2021		2022	
	CIC (₦Billions)	CIC (Million pieces)	CIC (₦Billions)	CIC (Million pieces)	CIC (₦Billions)	CIC (Million pieces)	CIC (₦Billions)	CIC (Million pieces)	CIC (₦Billions)	CIC (Million pieces)
₦1000	1,288.22	1,288.22	1,460.44	1,460.44	1,678.27	1,678.27	1,933.23	1,933.23	2,178.18	2,178.18
₦500	722.30	1,444.60	710.64	1,421.27	922.03	1,844.07	1,001.65	2,003.30	752.10	1,504.21
₦200	120.52	602.62	145.24	726.22	170.10	850.48	245.45	1,227.24	189.85	949.23
₦100	62.02	620.16	69.35	693.50	79.26	792.63	80.93	809.33	100.99	1,009.90
₦50	22.78	455.54	25.12	502.45	24.30	486.01	24.12	482.44	29.49	589.86
₦20	20.33	1,016.68	18.69	934.30	20.28	1,014.14	22.04	1,101.83	23.00	1,149.83
₦10	8.01	801.34	7.69	768.82	7.84	783.69	10.36	1,036.38	11.19	1,118.97
₦5	2.70	540.74	2.88	576.91	3.44	688.62	5.77	1,153.66	5.80	1,160.43
₦2	0.41	204.38	0.41	204.37	0.41	204.37	0.41	204.37	0.41	204.37
₦1	0.74	736.08	0.74	736.05	0.74	736.05	0.74	736.05	0.74	736.05
TOTAL	**2,248.04**	**7,710.36**	**2,441.20**	**8,024.33**	**2,906.67**	**9,078.32**	**3,324.70**	**10,687.83**	**3,291.75**	**10,601.03**
.50K	0.34	681.48	0.34	681.48	0.34	681.48	0.34	681.48	0.34	681.48
.25K	0.09	348.23	0.09	348.23	0.09	348.23	0.09	348.23	0.09	348.23
.10K	0.03	315.58	0.03	315.58	0.03	315.58	0.03	315.58	0.03	315.58
1K	0.00	31.37	0.00	31.37	0.00	31.37	0.00	31.37	0.00	31.37
TOTAL	**0.46**	**1,376.66**	**0.46**	**1,376.66**	**0.46**	**1,376.66**	**0.46**	**1,376.66**	**0.46**	**1,376.66**

Source: Central Bank of Nigeria.

2.2.3 Currency Management Initiatives

The Bank sustained the implementation of various initiatives to improve currency management operations in 2022.

2.2.3.1 Nigerian Cash Management Scheme (NCMS)

In collaboration with private sector operators, the Bank developed and published the registration and operational guidelines for Bank Neutral Cash Hubs (BNCH) in 2022. The key objective of setting up the Bank Neutral Cash Hubs (BNCH) is to reduce the risks and cost borne by banks, merchants, and huge cash handlers in the course of cash management activities; deepen financial inclusion; and leverage on shared services to enhance cash management efficiency.

2.2.3.2 Forensic Currency Laboratory

The Bank's forensic currency laboratory commenced operations on a pilot basis in the review year. The operations primarily centered on the identification of counterfeit and mutilated banknotes.

2.2.3.3 Sustainable Banknote Disposal

In partnership with the private sector, the Bank successfully commenced the pilot currency disposal operations, employing domestically fabricated machinery. This marked a milestone in the Bank's drive for sustainable banknote disposal activities, by reducing its reliance on foreign sourced input and machinery. The introduction of local content was expected to deliver wide-ranging economic benefits to the domestic industry.

2.3 FOREIGN EXCHANGE MANAGEMENT

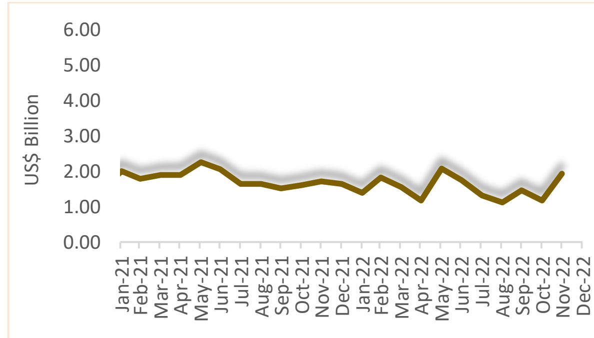
2.3.1 Foreign Exchange Market and Management

The foreign exchange market witnessed persistent demand pressure amid supply shortages. Consequently, policies and programmes were implemented by the Bank to support the market, boost liquidity, and ensure exchange rate stability. These policies focused majorly on enhancing non-oil export receipts.

The Bank introduced the Race to US$200 billion (RT200) programme in February 2022, to enhance and diversify foreign exchange inflow, increase the level of contribution of non-oil export, ensure the stability and sustainability of foreign exchange inflow, and support export-oriented companies to expand their operations and capabilities. The categories in the programme include Value-Adding Export Facility, Non-Oil Commodities Expansion Facility, Non-Oil FX Rebate Scheme, Dedicated Non-Oil Export Terminal, and Bi-annual Non-Oil Export Summit.

The RT200 rebate scheme was designed to encourage the repatriation and sale of export proceeds into the foreign exchange market by non-oil exporters. The scheme pays ₦65.00 for every US$1.00 repatriated and sold at the I&E Window to Authorised Dealers (ADs) for other third-party use, and ₦35.00 for every US$1.00 repatriated and sold into I&E for own use on eligible transactions only. In addition, the Bank held the Bi-annual Non-Oil Export Summit in June and November 2022.

Figure 2.3.1: Supply of Foreign Exchange



Source: Central Bank of Nigeria.

2.3.2 Foreign Exchange Flows

The economy recorded a lower net foreign exchange inflow, on account of dwindling foreign exchange receipts in the review period. Aggregate foreign exchange inflow into the economy at US$71.07 billion, declined by 27.3 per cent, compared with US$97.73 billion in 2021. The development was driven, largely, by 25.4 per cent and 28.6 per cent decreases in inflow through the Bank and autonomous sources, respectively. Aggregate foreign exchange outflow, at US$40.63 billion, decreased by 2.0 per cent, compared with US$41.47 billion in 2021, on account of the reduced outflow through the Bank. Overall, the economy recorded a lower net inflow of US$30.44 billion, compared with US$56.26 billion in 2021.

Foreign exchange inflow through the Bank decreased by 25.4 per cent to US$29.89 billion and accounted for 42.1 per cent of total inflow.

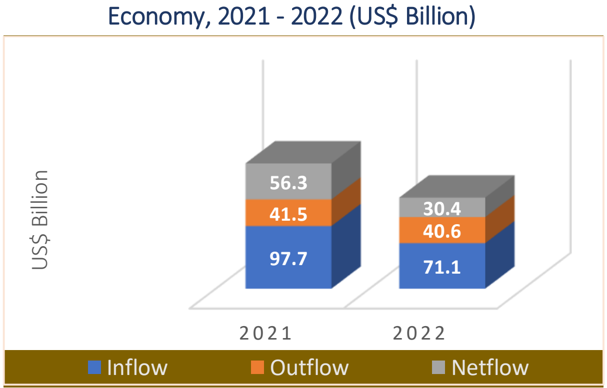
Inflow through autonomous sources, representing 57.9 per cent of total inflow, fell by 28.6 per cent to US$41.18 billion, from US$57.67

billion in 2021, attributed, mainly, to the decline in over-the-counter (OTC) purchases.

Outflow through the Bank constituted 81.1 per cent, while autonomous sources accounted for the balance of 18.9 per cent. A breakdown shows that, outflow through the Bank fell by 9.0 per cent to US$32.94 billion, compared with US$36.20 billion. However, outflow through autonomous sources rose significantly by 45.8 per cent to US$7.69 billion, relative to the level in 2021, due to the 64.7 per cent and 44.8 per cent increase in payments for visible and invisible import, respectively.

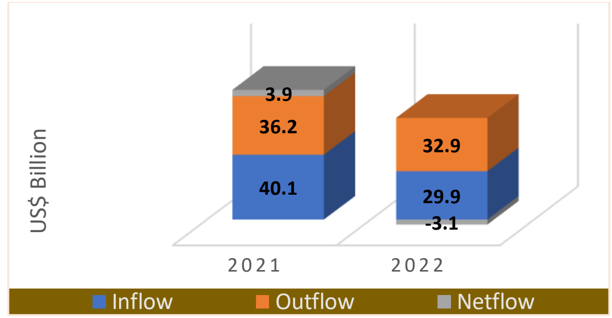
A net inflow of US$33.49 billion was recorded through autonomous sources, compared with US$52.39 billion in 2021. The CBN, however, recorded a net outflow of US$3.05 billion, in contrast to a net inflow of US$3.86 billion in 2021.

Figure 2.3.2a: Foreign Exchange Flows through the Economy, 2021 - 2022 (US$ Billion)



Source: Central Bank of Nigeria.

Figure 2.3.2b: Foreign Exchange Flows through the CBN, 2021 - 2022 (US$ Billion)

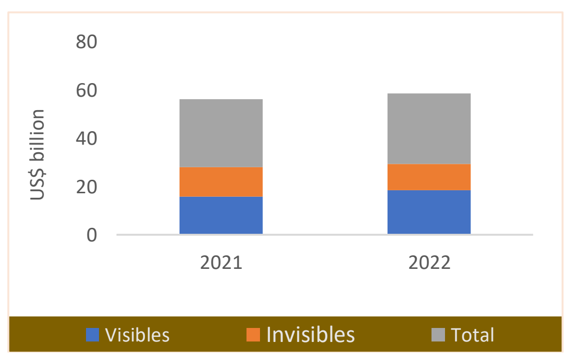


Source: Central Bank of Nigeria.

2.3.3 Sectoral Utilisation of Foreign Exchange

Aggregate utilisation of foreign exchange by economic sectors rose, driven by increased visible import. Foreign exchange utilisation by major economic sectors, rose by 4.3 per cent to US$29.21 billion in 2022, compared with US$28.02 billion in 2021. The development was attributed, mainly, to increased utilisation for productive activities in the industrial, manufactured products, oil, and mineral sectors.

Figure 2.3.3a: Sectoral Utilisation of Foreign Exchange, 2021- 2022 (US$ Billion)

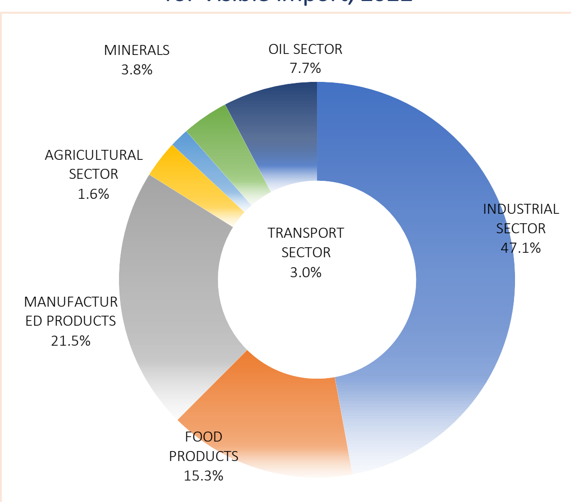


Source: Central Bank of Nigeria .

A disaggregation shows that US$18.37 billion or 62.9 per cent of the foreign exchange was utilised for visible import, an increase of 17.1 per cent, relative to US$15.69 billion in 2021. The amount utilised for industrial sector import, manufactured products, mineral, and oil sectors rose, by 29.4 per cent, 4.6 per cent, 137.4 per cent, and 33.2 per cent to US$8.66 billion, US$3.94 billion, US$0.70 billion, and US$1.41 billion, respectively, from their levels in 2021. Similarly, utilisation in the transport sector rose by 11.7 per cent to US$0.56 billion, relative to US$0.50 billion in 2021. However, amount utilised for food products and the agricultural sector fell by 8.5 per cent and 4.4 per cent to US$2.81 billion and US$0.29 billion, respectively, compared with their levels in 2021.

The share of foreign exchange utilised in total visible import: industrial sector import was 41.1 per cent; manufactured products, 21.5 per cent; food products, 15.3 per cent; oil sector, 7.7 per cent; transport sector, 3.0 per cent; minerals sector, 3.8 per cent; and agricultural sector, 1.6 per cent.

Figure 2.3.3b: Sectoral Utilisation of Foreign Exchange for Visible Import, 2022

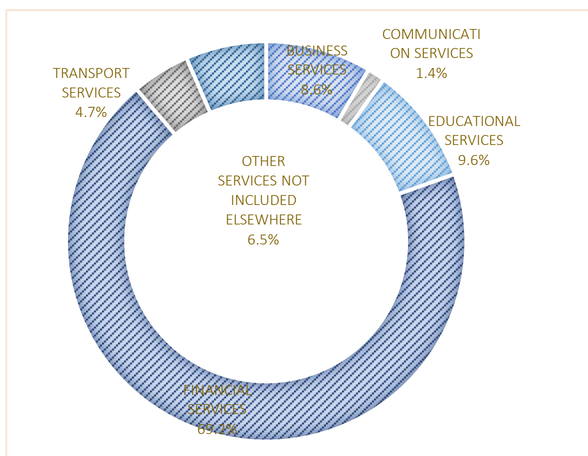


Source: Central Bank of Nigeria.

Foreign exchange utilisation for invisible transactions at US$10.84 billion or 37.1 per cent of the total, decreased by 12.1 per cent, compared with US$12.33 billion in 2021. The amount utilised for financial and communication services fell by 24.4 per cent and 14.2 per cent to US$7.50 billion and US$0.15 billion, respectively, below the levels in 2021. However, foreign exchange utilised for educational, business, transport services, and 'other services' rose by 31.6 per cent, 62.0 per cent, 109.2 per cent, and 13.7 per cent to US$1.03 billion, US$0.93 billion, US$0.51 billion, and US$0.71 billion, respectively, relative to their levels in 2021.

In terms of share, financial services constituted the bulk with 69.2 per cent of the total invisible import. This was followed by: educational services, 9.6 per cent; business services, 8.6 per cent; transport services, 4.7 per cent; communication services, 1.4 per cent; and other services accounted for the balance.

Figure 2.3.3c: Sectoral Utilisation of Foreign Exchange for Invisible Import, 2022



Source: Central Bank of Nigeria.

2.3.4 Foreign Exchange Reserves and Management

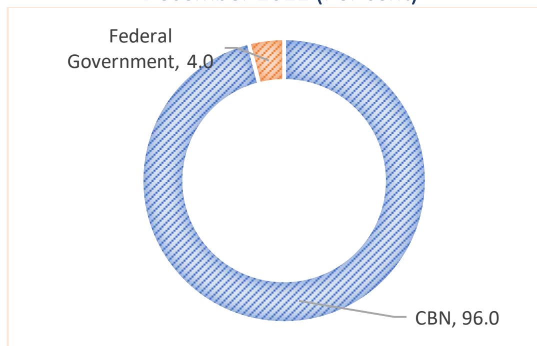
The stock of external reserves was adequate, as it was above the international benchmark of three months of import cover. External reserves stood at US$36.61 billion at end-December 2022, compared with US$40.23 billion at end-December 2021. The external reserves position could cover 7.5 months of import for goods only, or 5.7 months of import for goods and services, compared with 8.6 months of import (goods) or 6.6 months of import (goods and services) at end-December 2021.

Figure 2.3.4: Gross External Reserves Position and Months of Import Cover, 2018 – 2022

Source: Central Bank of Nigeria.

A breakdown of external reserves by ownership at end-December 2022, reveals that the share of the CBN was US$34.98 billion, Federal Government, US$1.62 billion, while the Federation Account accounted for the balance.

Figure 2.3.5: Holdings of External Reserves at end December 2022 (Per cent)



Source: Central Bank of Nigeria.

Reserve management operations in 2022 yielded a total of US$0.11 billion, a decrease of 44.3 per cent, relative to the level in 2021. The decrease was due, mainly, to global market conditions and interest rate hikes by most central banks, which affected returns from fixed income investments.

At end-December 2022, the net asset value of the fixed income portfolio managed by the external asset managers stood at US$7.23 billion. Overall, the portfolio recorded an absolute return of US$0.83 billion, from inception to end-December 2022.

Funds invested in different portfolios continued to be measured against specified benchmarks. The performance of the US Treasury Bonds portfolio is benchmarked against the Bank of America Merrill Lynch 1-3 years US Treasury Index. The Global Government Bonds Short-Duration portfolio is benchmarked against the Bank of America Merrill Lynch Global Government Bond G7 1–3-year Index, ex-Italy 100% hedged into USD. The Offshore Renminbi portfolio is measured against the FTSE DIM Sum off-shore CNY Bond Index, while the MBS Portfolio is benchmarked against the Barclays US MBS Index.

2.4 SURVEILANCE OF FINANCIAL INSTITUTIONS

In the review year, the Bank sustained its regulatory and supervisory oversight of the institutions under its purview, towards promoting a safe, stable, and sound financial system. This was performed through offsite surveillance and onsite examination, as well as the issuance of relevant guidelines to banks and other financial institutions. In performing these functions, the Bank relied on the provisions of the CBN Act 2007, the Banks and Other Financial Institutions Act (BOFIA) 2020, and other policy guidelines.

2.4.1 Banking Supervision

The parallel run of Basel III implementation that commenced in November 2021 progressed to the next phase, and included the following processes:

- Reviewed feedback from banks vis-a-vis recent changes in the Basel Standards and updated the relevant CBN Basel III Guidelines;
- Reviewed and adjusted five Basel III CBN Reporting Templates, based on the feedback and gaps observed during the parallel run; and
- Made appropriate recommendations to the CBN Management on the full implementation of the standards in Nigeria.

The take-off date for the full implementation of Basel III standards in Nigeria is under consideration.

To enhance the AML/CFT/CPF in line with the Mutual Evaluation Report (MER) of the country issued by GIABA in 2020, the Bank issued the following regulatory documents for compliance with the AML/CFT/CPF laws and regulations:

- CBN AML/CFT/CPF Regulations, 2022;
- Guidelines on Targeted Financial Sanctions Related to Terrorism and Terrorism Financing, 2022;
- Guidelines on Targeted Financial Sanctions Relating to Proliferation Financing, 2022;
- AML/CFT/CPF Manual for licensing of Banks and Other Financial Institutions;
- AML/CFT/CPF Risk Supervisory Framework;
- CBN AML/CFT/CPF Risk Assessment Matrix and Questionnaires for Deposit Money Banks (Updated);
- AML/CFT/CPF Risk Assessment Tools for Other Financial Institutions; and
- AML/CFT/CPF Guidelines for Licensing of Banks and Other Financial Institutions.

Following the significant progress made by the Bank, the GIABA Review Team reviewed upwards some of the ratings for Technical Compliance to reflect the efforts of Nigeria to counter ML, TF and PF.

2.4.2 The Financial Regulations Advisory Council of Experts Activities

In 2022, the Financial Regulations Advisory Council of Experts (FRACE) published, on the CBN website, a Compendium of its resolutions on non-interest products and services developed by Non-interest Financial Institution (NIFIs). FRACE also reviewed and approved the structure and transaction documents of five Sukuk issuances.

The Bank sustained its participation at the Governance meetings of the Islamic Financial Services Board (IFSB) and International Islamic Liquidity Management Corporation (IILM). During the year, the CBN Governor was appointed the Deputy Chairman of IFSB Council for 2022. The IFSB flagship publication, the Islamic Financial Services Industry Stability Report 2022 was launched in Nigeria by the CBN Governor.

2.4.3 Reforms in the Other Financial Institutions

The Bank sustained efforts to address credit needs of the MSMEs, improve productive capacity, and promote inclusive growth.

Consequently, the Bank processed applications from several MFBs that had executed their recapitalisation plans through the injection of fresh capital, and acquisition by new investors, in compliance with the deadline. The Bank approved the downscaling of the operations of the MFBs that did not satisfy the requirements of the new capital regime, and issued fresh licenses to the institutions that met the requirements.

Following the expiration of the recapitalisation deadline of 30 April 2022, the Bank conducted a compliance assessment of the MFBs through target examinations, capital verification, and existence check exercises. The objective of the exercise was to confirm the existence of all the MFBs and ascertain their compliance levels with the new capital requirements for the soundness of the sub-sector.

The knowledge capacity in microfinance was enhanced at end-December 2022, as 597 candidates completed the Level II microfinance certification examination administered by the Chartered Institute of Bankers of Nigeria (CIBN) during the review period. This brought the total number of certified candidates to 8,389, compared with 7,792 at end-December 2021.

The Nigeria Microfinance Platform (NMP)[2] in collaboration with its development partners, held its 7th Symposium, with the theme "Expanding the Frontiers of Financial Inclusion Through Innovation: The Micro FinTech Tools". The purpose of the symposium was to consolidate efforts toward achieving the shared goal of financial inclusion, through the emerging financial technology, with a focus on "grassroot" population and the active poor.

The Bank held meetings with the executives of the National Association of Microfinance Banks (NAMBs) and resolved as follows:

- mandatory enrolment of all MFBs on the Credit Risk Management System (CRMS) to comply with the credit reporting standards to qualify for inclusion on the Global Standing Instruction (GSI) platform;
- board members and other stakeholders were required to exhibit exemplary leadership role, imbibe good corporate governance practices, and deliver superior customer service;
- absorption of fit and proper persons (staff and stakeholders) into the MFB sub-sector, considering the rapid advancement in digital technology, and increased corporate governance practices;
- ensure regular and relevant training for employees for higher productivity;
- all MFBs were required to comply with the directive on creation of corporate e-mails to facilitate effective communication between the MFBs and the CBN;
- all MFBs were encouraged to introduce protective measures against cybercrime, given the increased technological activities

[2] NMP membership include National MFBs, some state MFBs, NGOs, Credit Bureaux, and international development partners, such as AFOS, Enhancing Financial Innovation and Access (EFInA) and German Agency for International Cooperation (GIZ).

within the financial services industry and the emerging information technology trend in the sub-sector, with activities moving towards virtual banking and financial technology;

- all MFBs were implored to download the regulatory framework and Guidelines on Risk-Based Cyber Security from the CBN website and ensure implementation of the minimum requirements, therein, to effectively mitigate cyber risk;
- all MFBs were required to conduct Cybersecurity Self-Assessment annually and ensure that cyber security incidence was reported to the CBN within 24 hours after occurrence; and
- the CBN to institutionalise a Sustainability Awards Program for the banking industry to facilitate the implementation of the sustainable banking principles.

The biennial meetings of the Bank with executives of Finance House Association of Nigeria (FHN) were held in the review year, with major highlights as follows:

- The review of the Finance Companies Guidelines to further reform that segment of FIs;
- Inclusion of Finance Companies (FCs) on Credit Risk Management System (CRMS) and the Global Standing Instruction (GSI) platform;
- A self-assessment report on cyber security is to be submitted to the CBN not later than 31st March every year;
- Submission of all cyber incident reports to the CBN within 24 hours;
- Establishment of policies and procedures for risk profiling of customers and products;
- Mechanism for communicating to the board and senior management of changing ML/TF risk levels; and
- Compliance with consumer rights and introduction to the National Collateral Registry.

To further strengthen the AML/CFT/CF implementation oversight and address susceptibility in the sub-sector, the Bank implemented the road map for the GIABA Mutual Evaluation Report, developed the Guidance Note to detect ML/FT/PF risk, and introduced the automated rendition of the AML/CFT/CPF returns.

2.4.4 Credit Risk Management System and Private Credit Bureaux

The Bank continued to strengthen the credit information and risk management architecture of the financial system by enhancing the capabilities of the CBN Credit Risk Management System (CRMS) and private credit bureaux. The CBN CRMS has continued to serve as a source of credit information and a risk management tool in the banking industry. To enhance its capabilities and ensure effective implementation of regulation, the Bank, in collaboration with the relevant stakeholders, commenced the enrolment of OFIs on the CRMS.

The total number of credit facilities on the CRMS database increased by 48.3 per cent to 43.32 million at end-December 2022, from 29.21 million at end-December 2021. The number of credit facilities comprised 42.23 million and 1.09 million individual and non-individual borrowers, respectively.

The total number of facilities with outstanding balances on the CRMS database rose by 95.6 per cent to 9.58 million at end-December 2022, from 4.90 million at end-December 2021, comprised of 9.43 million and 0.15 million individual and non-individual borrowers, respectively. The improvement in credit record was attributed, mainly, to the increased compliance by banks, following strict enforcement of the CBN CRMS Regulatory Guidelines.

Table 2.4.1: Borrowers from the Banking Sector (Commercial, Merchant and Non-Interest Banks)

Description	Dec-21	Dec-22
*** Total No. of Credit/facilities reported on the CRMS:**	**29,213,129**	**43,320,180**
Individuals	28,338,562	42,227,560
Non-Individuals	874,567	1,092,620
*** Total No. of Outstanding Credit facilities on the CRMS:**	**4,898,075**	**9,579,073**
Individuals	*4,779,565*	*9,426,343*
Non-Individuals	*118,510*	*152,730*

Source: Central Bank of Nigeria.
* The figures include borrower(s) with multiple loans and/or credit lines.

The average number of credit records in the database of the three licenced credit bureaux rose by 39.3 per cent to 80.28 million at end-December 2022, from 55.39 million at end-December 2021. The increase was attributed, mainly, to the credit growth in the banking sector, enhanced level of coverage of the credit reporting system, and more awareness of the role of credit bureaux by the public.

2.4.5 Prudential Review and Examination

The financial sector remained stable, as key financial soundness indicators were within the regulatory thresholds, despite uncertainties in the global and domestic economic environment. The health of banks was generally sound in 2022, as the industry level capital adequacy and liquidity ratios exceeded regulatory minimum. The non-performing loan (NPL) ratio improved marginally during the review period below its regulatory threshold.

As a result of a slight increase in risk weighted assets, which outweighed the increase in the total qualifying capital, the industry capital adequacy ratio (CAR) fell marginally to 13.76 per cent at end-December 2022, compared with 14.53 per cent at end-December 2021. The industry threshold for CAR, remained at 15.00 per cent for banks with international authorisation and 10.00 per cent for banks with either national or regional authorisation.

The industry liquidity ratio decreased to 53.01 per cent at end-December 2022, compared with 54.88 per cent at end-December 2021, reflecting the fall in the stock of liquid assets held by banks. However, the asset quality of the banking industry, measured by the ratio of NPLs to total loans, improved to 4.21 per cent at end-December 2022, from 4.94 per cent at end-December 2021. The development was due, largely, to the implementation of the Global Standing Instruction (GSI) policy, which enhanced loan recoveries, as well as write-offs, and the disposal of pledged collateral. At that level, the ratio was below the maximum regulatory threshold of 5.00 per cent. Loan loss provision stood at 94.28 per cent at end-December 2022, compared with 95.70 per cent at end-December 2021.

2.4.6 Corporate Governance and Sustainable Banking in the Financial Services Sector

The Bank continued to assess the level of compliance of licensed financial institutions with the corporate governance laws, codes, and regulations. In 2022, the Bank reviewed and approved the Board and Board Committee Charters of Banks and OFIs. The Bank also reviewed the Board Evaluation Reports of banks and undertook corporate governance scorecard assessment in July 2022. The exercise revealed that banks and their respective boards were largely in compliance with the relevant provisions of the extant laws, regulations, codes, and practices.

The corporate governance scorecard assessments conducted, revealed that all the banks assessed were rated "Acceptable" and implemented the recommendations in the previous scorecard assessments.

The Bank continued to monitor the implementation of the Nigerian Sustainable Banking Principles (NSBP) in the industry, to resolve implementation challenges and offer equitable, objective, and fair basis for possible incentives. Thus, the Bank reviewed the semi-annual returns, which included: the assessment of the banks' implementation progress of the NSBP; adequacy of their Environmental & Social risk (E&S) policies; Human rights assessment in business activities; and capacity building on sustainability among others.

2.4.7 Financial Crimes Surveillance/Anti-Money Laundering/Combating the Financing of Terrorism

The Bank continued to take pragmatic steps to mitigate the risks of money laundering and terrorism financing. A general review session of the draft Mutual Evaluation Exercise (MEE) Report of the Inter-Governmental Action Group Against Money Laundering in West Africa (GIABA)/ the Financial Action Task Force (FATF) on Nigeria was held to assess the implementation progress.

The Bank carried out three special AML/CFT spot checks in 2022, covering the areas of Beneficial Ownership and Private Banking, Know Your Customer/Customer due diligence, and review of Non-Governmental Organisation accounts on compliance with targeted financial sanctions related to terrorism and terrorism financing.

To address the deficiencies highlighted in the Report, on 20 May 2022 the CBN gazetted the AML/CFT/CPF Regulations 2022, thereby replacing the regulations of 2013. Furthermore, the CBN continued to collaborate with both internal and external stakeholders, through the quarterly inter-departmental stakeholders' meetings and the bi-monthly virtual meetings of the Association of Chief Compliance Officers of Banks in Nigeria (ACCOBIN).

Furthermore, the Bank along with the Inter-Ministerial Committee on AML/CFT issues, participated in the review and passage, into law, of the Money Laundering (Prevention and Prohibition) Act (MLPPA) and Terrorism (Prevention and Prohibition) Act (TPPA). Similarly, the Bank participated in the conduct of the National Inherent Risk Assessment (NIRA) for money laundering and terrorism financing.

The Bank also organised AML/CFT/CPF awareness trainings for 4,681 officers from 4,061 financial institutions and conducted joint AML/CFT/CPF examinations of over 1,200 Bureaux de Change across the country. In addition, a dedicated webpage for hosting AML/CFT/CPF content on the CBN website was created in the review period.

2.4.8 Routine, Special, and Target Examinations

The Joint CBN and NDIC Risk Assets Examination (RAE) of 32 (commercial, merchant, and non-interest) banks, was carried out to assess the quality of banks' risk assets and ensure the adequacy of loan loss provisioning, prior to approval for publication of banks' audited financial statements for the year ended 31 December 2021.

The risk-based AML/CFT/CPF examination of the 32 banks was carried out to assess compliance with the ML/TF/PF risks and usage of appropriate mitigants to manage identified risks. The examination also sought to ascertain whether a strong AML/CFT/CPF culture had been entrenched in the business activities of banks, and the extent of compliance with previous examination recommendations.

The inherent risks assessed were customers, products/services, delivery channels, geographical locations, and proliferation financing risks. The findings from the examination revealed that the significant activities, which pose the highest ML/TF/PF risks across the industry, were delivery channels and products and services.

Similarly, the seven risk mitigants assessed were corporate governance/board of directors, risk management, policies and procedures, internal audit/control and external audit, compliance, monitoring of suspicious transactions, as well as training. The risk mitigants for all the banks were generally rated "Acceptable". Out of the 32 banks examined, 14 (44.0 per cent) were rated "Moderate Risk", while 18 (56.0 per cent) were rated "Above Average Risk".

The focus of the 2022 AML/CFT/CPF RBS Examination was influenced by the findings from the GIABA Mutual Evaluation Report. Areas of concern highlighted in the report, such as proliferation financing, targeted financial sanctions, terrorism financing, and non-profit organisations were specifically assessed during the examination.

There was noticeable improvement in the level of compliance with extant Laws and Regulations among the banks. However, some exceptions were noted in certain areas during the examination, including: identification and monitoring of Proliferation Financing; customers' risk-rating and profile updates; Suspicious Transactions Reporting (STRs); and the monitoring of Minors' accounts. The affected banks were required to address these lapses and the relevant sanctions imposed as appropriate.

AML/CFT RBS Examination of Banks and Cross-border Subsidiaries

A cross-border AML/CFT examination was also carried out on seven subsidiaries of Nigerian banks in Ghana, Kenya, Rwanda, Zambia, Guinea, and The Gambia. The RBS examinations were carried out using the On-site Risk Assessment Methodology (ORAM) tool, which was a stop gap developed by the Onsite AML/CFT Group.

In addition, a target examination of the Asset Management Corporation of Nigeria (AMCON) was conducted during the year. Areas covered included: assets under Management; disposal of assets; loan administration and management of Eligible Bank Assets (EBAs); sales of shares; earnings; statement of financial position; third party service providers; validation of collaterals; and regulatory compliance. Examiners' recommendations arising from the examination were communicated to the Corporation for implementation.

2.4.9 Cross Border Supervisory Activities

The Bank continued its cross-border collaboration with the relevant stakeholders to enhance the supervision of foreign subsidiaries of Nigerian banks.

The Bank participated in several meetings of the colleges of supervisors. These include:

- the 2022 virtual Standard Chartered Global College organised by the Bank of England on 22 July 2022; and
- hosted the Colleges of Supervisors for First Bank of Nigeria and United Bank for Africa banking groups from 5 – 9 September 2022.

The Bank also participated in several activities of the Community of African Banking Supervisors (CABS) as follows:

- the virtual meeting of the CABS Working Group on Cross-border Banking Supervision of 5 – 6 December 2022;
- completed the draft frameworks on Crisis Management, Banking Resolution, and FinTech Supervision by the Community of African Banking Supervisors (CABS) Working Group on Crisis Management, Bank Resolution, and Fintech, led by the CBN. The draft policies had been forwarded to the Association of African Central Banks (AACB) for exposure to member-central banks;
- the CABS Working Group on Cross Border Banking Supervision (cybersecurity subgroup), met on 4 November 2022. The meeting was hosted by the South African Reserve Bank (SARB);
- participated in the Crisis Simulation Exercise (CSE) organised by the Financial Stability Institute in November 2022, to assess the effectiveness of crisis management arrangements, cross-border cooperation and information-sharing in the event of a possible failure, and the resolution of a regional cross-border banking group; and

In addition, the Bank participated in the 42nd and 43rd meetings of the College of Supervisors of the West African Monetary Zone (CSWAMZ), where developments in the banking system across the Zone, cross-border supervision issues, joint examination exercises, Basel II/III capital requirements, and IFRS 9 & 16, as well as other relevant financial stability concerns of the sub-region in line with the mandate of the College were reviewed.

In the area of capacity building, the Bank:

- collaborated with IMF/AFRITAC West 2 and hosted participants from 5 West African Monetary Zone (WAMZ) member countries on a 2-week professional attachment on the implementation of RBS and Basel II/III;
- collaborated with IMF/AFRITAC West 2 and hosted a delegation from the Bank of Ghana on a 2-week professional attachment/study tour to build capacity on the regulation and supervision of financial holding companies and development banks;
- hosted representatives from the National Bank of Rwanda to understudy the quality assurance function of the CBN from 14 – 18 November 2022;
- attended a workshop organized by the Bank of England/Bank AL Maghrib on Cyber Resilience for Central Banks at the Training Centre in Rabat, Morocco from 28 -29 November 2022;
- attended the 44th ordinary meeting of the Association of African Central Banks (AACB) organized by the Central Bank of the Gambia on 5 August 2022; and
- attended the 20th Annual meeting of the Committee of Banking Supervisors of West and Central Africa (CBSWCA) hosted by the Central African Banking Commission (COBAC) in N'Djamena, Chad from 24 - 25 November 2022.

In another development, the CBN presented a Memorandum of Understanding (MoU) to the Malta Financial Services Authority (MFSA) for ratification. Similarly, the CBN forwarded a draft MoU to the Bank of Ghana for ratification.

2.4.10 Examination of Foreign Subsidiaries

The Bank conducted on-site RBS examination of GTBank (UK, Kenya, The Gambia, and Ghana), Access Bank (Rwanda and DRC), UBA (Mozambique and United Kingdom) and FBN (Guinea).

The examination was to validate the returns submitted by the parent bank and address supervisory concerns noted in the operations of the offshore subsidiaries.

2.4.11 Foreign Exchange Monitoring/ Examination

The Bank conducted routine foreign exchange examination of 29 Authorised Dealers (ADs) comprised of 25 commercial and four merchant banks to ensure compliance with the extant foreign exchange rules and regulations, and utilisation of foreign exchange acquired for eligible transactions, The examination was conducted both remotely and on-site.

Some of the significant infractions observed during the examination included: non-automaton of FX blotters; failures to repatriate unutilised FX purchases; improper maintenance of export proceeds registers; incomplete documentation; breaches of the foreign currency trading position (FCTP) limit; and unreconciled items in banks' nostro accounts. The examination reports have been issued, and appropriate penalties were imposed, where the responses were deemed inadequate.

2.4.12 Domestic Systemically Important Banks

The Bank continued to provide regulatory and supervisory oversight of Domestic Systemically Important Banks (D-SIBs) to ensure the safety and soundness of the financial system. Five banks were designated as D-SIBs[3] in the last assessment conducted at end-December 2022. The D-SIBs accounted for ₦44.07 trillion (60.5 per cent) of the industry total assets at end-December 2022, ₦27.26 trillion (59.9 per cent) of total industry deposits, and ₦16.79 trillion (56.5 per cent) of the aggregate industry credit.

2.4.13 Macroprudential Surveillance and Regulation

The CBN sustained the top-down evaluation of the solvency and liquidity of the banking industry to mitigate systemic risks and vulnerabilities.

2.4.13.1. Banking Industry Liquidity and Solvency Stress Tests

Liquidity and solvency positions of the banking industry remained robust when subjected to mild and moderate scenarios of sustained adverse economic conditions but could be vulnerable under the severe scenario. The Bank initiated various policy interventions in the face of heightened global uncertainties, occasioned by the lingering effect of the COVID-19 pandemic and the Russia-Ukraine war, to douse their potential impact on the economy and ensure financial system stability.

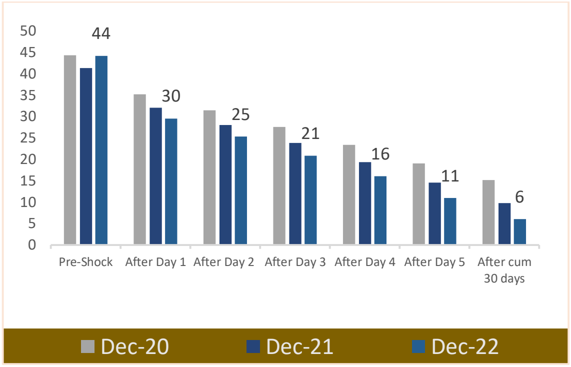
The Bank conducted top-down banking industry stress tests on 23 commercial and six merchant banks to assess their resilience to systemic risks. These tests were over a 4-quarter horizon using deterministic assumptions around sharp fall in oil prices, reduced global demand for Nigeria's crude oil products, decline in government revenue, unfavourable current account position, and decline in real output growth. Similarly, the banks carried out the bottom-up solvency and liquidity stress tests, in line with the ICAAP provisions.

Sectoral scenarios of credit exposure to oil and gas showed that the banking industry may not withstand up to 50.0 per cent default, as the post-shock CAR stood at 9.11 per cent, slightly below the minimum regulatory requirement of 10.0 per cent.

The stress test for liquidity revealed that after a one-day bank run scenario, the liquidity ratio for the industry would decline to 29.56 per cent, from the 44.12 per cent baseline position. Similarly, under the 5-day and 30-day scenarios, the liquidity ratio for the industry declined to 10.89 per cent and 5.96 per cent, respectively.

Figure 2.4.1: Industry Liquidity Ratios at Periods 1-5 and cumulative 30-day Shocks

[3] These banks were subjected to enhanced supervision of their activities given the significant impact the failure of any of the institutions could have on the overall financial system. Assessment of D-SIBs is conducted after every six months.



Source: Central Bank of Nigeria.

The industry baseline assets and liabilities maturity profile at end-December 2022, revealed that the shorter end of the market (≤90-day bucket) was adequately funded. The cumulative position for the industry showed a mismatch of ₦3.27 trillion assets over liabilities, indicating a 3.7 per cent reduction in mismatch below the level in the preceding period.

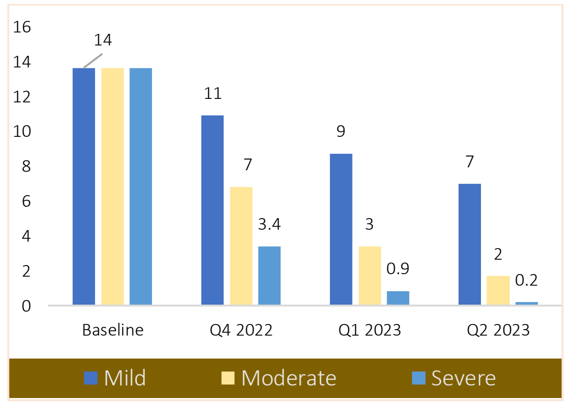
Table 2.4.2: Maturity Profile of Assets and Liabilities at end-December 2022 (Billion naira)

Bucket	Liabilities	Assets	Mismatch	Cumulative Mismatch
≤30 days	36,484.28	23,213.32	13,279.12	13,279.12
31-90 days	4,867.78	4,012.08	867.41	14,146.54
91-180 days	1,960.54	3,832.21	-1,852.22	12,294.32
181-365 days	1,435.40	5,263.77	-3,806.62	8,487.70
1-3 years	2,272.33	5,977.89	-3,683.93	4,803.77
>3 years	3,528.65	11,645.45	-8,076.28	-3,272.51
Total	50,548.98	53,944.72		

Source: Central Bank of Nigeria.

Under the severe scenario of sustained significant contraction in GDP of 2.3 per cent, 2.5 per cent and 1.9 per cent, in the first, second, and fourth quarters of 2023, the banking industry CAR would fall to 0.9 per cent, 0.2 per cent, and 3.4 per cent, respectively. The impact of these scenarios on CAR of the banking industry was under the assumption of no intervention by the Bank. The severity of the simulated GDP contraction can be contained by appropriate macroeconomic and macroprudential policies.

Figure: 2.4.2 Impact of GDP Contraction on CAR



Source: Central Bank of Nigeria.

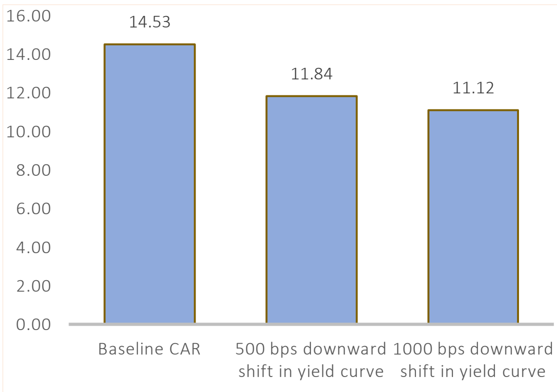
Table 2.4.3: Impact of Selected Shocks on CAR, ROA and ROE

Banking Industry (Per cent)	
Baseline ROA	0.22
Baseline ROE	3.08
Impact of Downward Shift in Yield Curve Shocks on CAR	
500 bps downward shift in yield curve	*11.84*
1000 bps downward shift in yield curve	*11.12*
Impact of Downward Shift in Yield Curve Shocks on ROA	
500 bps downward shift in yield curve	*-0.14*
1000 bps downward shift in yield curve	*-0.5*
Impact of Downward Shift in Yield Curve Shocks on ROE	
500 bps downward shift in yield curve	*-1.98*
1000 bps downward shift in yield curve	*-7.05*

Source: Central Bank of Nigeria.

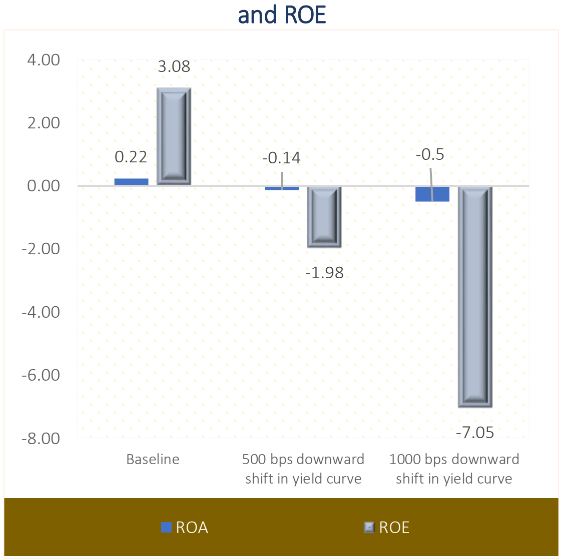
The stress test on the net position of interest-sensitive instruments showed that the industry maintained a stable solvency position to interest rate shock of "up to 1,000 basis points downward shift in yield curve", as the post-shock CAR declined from 14.5 per cent to 11.1 per cent. It remained above the 10.0 per cent regulatory threshold. The interest rate shocks, however, had significant adverse impact on the ROA and ROE.

Figure 2.4.3 Impact of Interest Rate Shocks on CAR



Source: Central Bank of Nigeria.

Figure 2.4.4: Impact of Interest Rate Shocks on ROA and ROE

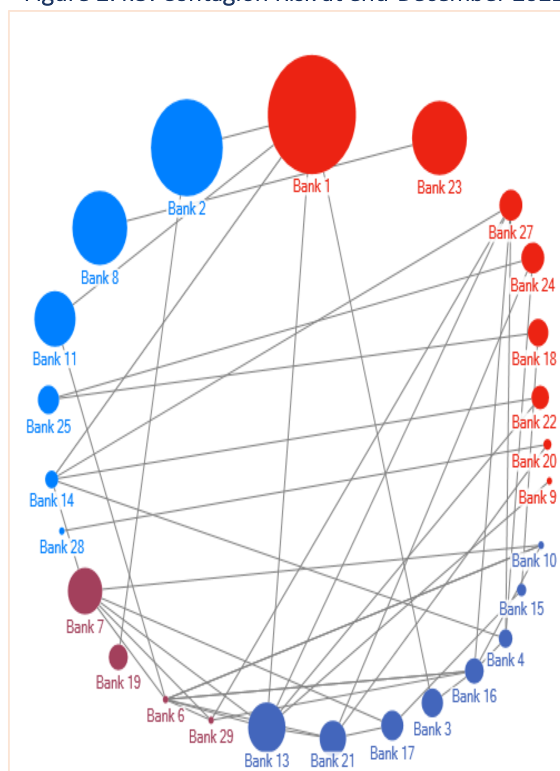


Source: Central Bank of Nigeria.

2.4.13.2 Contagion Risk Analysis

Contagion risk analysis depicts an increase in exposure and interconnectedness (via interbank placements and takings). The total exposure of the banking system increased by ₦170.72 billion (48.4 per cent) to ₦523.58 billion at end-December 2022, from ₦352.86 billion in December 2021. Six banks accounted for ₦441.69 billion (84.4 per cent) of the total takings and 82.7 per cent (₦433.16 billion) of the total placements, of which 66.7 per cent (₦349.02 billion) was provided by the top four placers of funds.

Figure 2.4.5: Contagion Risk at end-December 2022



Network Analysis based on Interbank Exposures

Node colour representation
Blue = Lenders,
Deep Blue= Net Placement
Red = Borrowers
Purple= Net Takings

Box 1: Top-down Solvency Stress Testing

High Level Assumptions on Top-down Solvency Stress Testing

In coming up with our mild to severe scenarios, and in consideration of the principle of plausibility and severity to capture tail risks, we assumed as follows:

High level Macroeconomic Assumptions

1. *Persistence of global inflationary pressure, leading to prolonged contractionary policy stance and sharp contraction on global output;*
2. *Moderate to sharp fall in global demand for crude oil, leading to moderate to sharp fall in oil prices;*
3. *Crude oil production remained significantly below the approve of OPEC quota for Nigeria;*
4. *Decline in foreign reserves and heightened exchange rate pressures;*
5. *Continued decline in government revenue and rising debt payments obligations;*
6. *Increased cost of borrowing due to interest rate hikes and down grade of sovereign rating;*
7. *High inflation and rising unemployment; and*
8. *Heightened insecurity and low agricultural production.*

High level Satellite Assumptions

1. *Macroeconomic condition and developments apply to the banking industry symmetrically;*
2. *Severity and determination of tail risks are historically recursive with significant likelihood;*
3. *Position of banks remained unchanged, and no regulatory intervention as well as management action when shocks are applied on the baseline;*
4. *Capitalization under stress is mitigated by net income as indicated.*

$$\frac{[\boldsymbol{Capitalization}_{(t)} + \boldsymbol{Net\ Income}_{(t+1)}]}{\boldsymbol{RWAs}_{(t+1)}}.$$

Source: Central Bank of Nigeria.

2.4.14 Examination of Other Financial Institutions

The Bank examined 3,614 OFIs in 2022 to promote safety and soundness of the financial system, as well as ensure financial system stability. The exercise covered Anti-Money Laundering, Combating the Financing of Terrorism (AML/CFT) examination of 3,150 Bureaux De Change (BDCs), target examination and existence check of 257 Microfinance Banks (MFBs), as well as routine Risk- Based Supervision (RBS) examination of 127 MFBs, 11 Primary Mortgage Banks (PMBs), and 69 Finance Companies (FCs).

The target examination and existence check of 257 MFBs conducted, focused on insolvent and unsound MFBs. The result showed that 162 MFBs were active, 9 MFBs had closed shop, one was inactive, and three were undergoing restructuring. The average liquidity ratio of the examined institutions was 70.9 per cent, which was above the required minimum of 20.0 per cent for MFBs, while average Portfolio-at-Risk (PAR) was 11.3 per cent, above the 5.0 per cent limit.

The routine RBS examination conducted on the 127 MFBs, revealed that 122 were in active operation, while five had closed shop. Further analysis of the active 122 MFBs, showed that 96 MFBs were rated “Sound” while 26 were rated “Unsound”.

The routine RBS examination conducted on the 11 PMBs, showed that all were in operation. The average capital adequacy ratio (CAR) was 10.4 per cent; average liquidity ratio, 43.1 per cent, and average non-performing loan (NPL), 22.1 per cent. In addition, 10 PMBs met the minimum CAR requirement of 10.0 per cent, while the 11 PMBs had liquidity ratios above 20.0 per cent. Also, five had NPL within the maximum threshold of 30.0 per cent, while six had NPL above 30.0 per cent.

The routine RBS examination conducted on 69 FCs revealed that 61 were active, seven inactive, while the remaining one had not commenced operation. Out of the 61 active FCs, 30 met the minimum capital of ₦100.00 million, nine had capital below the minimum, while 22 were insolvent. In addition, 31 FCs had CAR below 12.5 per cent, but none had negative CAR. Further analysis revealed that 25.0 per cent of the active FCs had NPL ratios below the maximum of 10.0 per cent, while 75.0 per cent had NPL ratios above 10.0 per cent. The average CAR was 7.5 per cent and average NPL ratio was 20.0 per cent.

AML/CFT examination was conducted on 3,150 BDCs in two batches (June and September 2022). The examination covered a review of corporate governance practices, sources of foreign exchange and utilisation, rendition of returns, adequacy of documents for foreign exchange transactions and compliance with other relevant regulations. Money Laundering and Financing of Terrorism (ML/FT) risks were evaluated in line with the GIABA assessment requirements. Based on the examination report, Supervisory Letters were issued to the BDCs that contravened the extant regulations.

Table 2.4.6 RBS Examination Reports of the Systemically Important Other Financial Institutions

OFIs	Composite Risk Rating (CRR)	NPL	Earnings Rating	Capital Rating	Prudential and Soundness Analysis
Primary Mortgage Banks	2 = Moderate 4 = Above Average 5 =High	Average NPL Ratio of 22.1 per cent was below the regulatory maximum of 30.0 per cent.	3 = Acceptable 3 = Needs Improvement 5 = Weak	2 = Acceptable 5 = Needs Improvement 4 = Weak	Average CAR and liquidity ratio of 10.4 per cent and 43.1 per cent, respectively were above the regulatory benchmark of 10.0 per cent and 20.0 per cent
Finance Companies	9 = Moderate 17 = Above Average 35 = High	Average NPL ratio of 20.0 per cent was above the regulatory maximum of 10.0 per cent.	3 = Strong 18 = Acceptable 23 = Needs Improvement 17 = Weak	6 = Strong 18 = Acceptable 10 = Needs Improvement 27 = Weak	Average CAR was 7.5 per cent, which was below the 12.5 per cent regulatory requirement.
Microfinance Banks	3 = Moderate 51 = Above Average 68 = High	Average PAR was 11.3 per cent which was above the regulatory maximum of 5.0 per cent	1 = Strong 19 = Acceptable 69 = Needs Improvement 33 = Weak	1 = Strong 61 = Acceptable 25 = Needs Improvement 35 = Weak	Average CAR and liquidity ratio were 15.0 and 70.9 per cent, respectively. These were above the regulatory benchmarks of 10.0 and 20.0 per cent.

Source: Central Bank of Nigeria.

2.4.15 Consumer Protection

The usage of the Bank's Customer Complaints Management System (CCMS) improved significantly in 2022 and valuable feedback for enhancing user experiences was received from customers. The feedback led to the decision to redesign the CCMS. Areas listed for enhancement included, minimising server downtimes and system lags during high-traffic access to the portal. Consumer complaints against financial institutions (FIs) increased by 16.1 per cent to 5,170, from 4,456 in 2021. A breakdown of the complaints received showed that 4,800 (92.8 per cent) were against banks and 369 (7.1 per cent) were against OFIs, while one was a miscellaneous complaint.

A total of 5,423 complaints were resolved/closed, including 1,215 outstanding complaints from 2021. This amounted to a total ₦10.01 billion and US$117,114 claims, out of which ₦4.88 billion and US$50,271 were refunded. Complaints on fraudulent transactions stood at 1,645 (31.8 per cent) and was the highest category of complaints received, followed by Account Management with 1,155 complaints or 22.3 per cent.

Other categories of complaints received included: failed transactions, 1,154 (22.3 per cent); excess charges, 254 (4.9 per cent); erroneous transfers, 236 (4.6 per cent); dispense error, 202 (3.9 per cent); loans, 244 (4.7 per cent); tenored investments, 27 (0.5 per cent); Bonds and guarantee, 11 (0.2 per cent); unauthorised charges, 10 (0.2 per cent); and "others", 230 (4.4 per cent).

The Bank mandated all financial institutions to submit a quarterly Root Cause Analysis Report (RCAR). The report was aimed at providing insights into the nature of recurring complaints and proactive measures to address them timeously. This would help in minimising customer complaints in general, thereby strengthening consumers' confidence in the financial system.

Consumer protection compliance examination was conducted on twenty commercial banks and eighteen OFIs, comprised of microfinance and primary mortgage banks. The report of the examination revealed a satisfactory compliance with the regulatory provisions. Non-compliant FIs were directed to implement remedial actions, in addition to making refunds where necessary.

2.4.16 Consumer Education and Financial Literacy

The Bank, in collaboration with the Federal Ministry of Youth, Sports and Social Development, and the National Youth Service Corps (NYSC) implemented the National Peer Group Educator Programme (NAPGEP) in Lagos, Delta, Abia, Jigawa, and Gombe states, and the FCT. A total of 205 NYSC Volunteer Corp Members (VCM) were trained to disseminate knowledge on financial literacy, and to onboard other Corps Members and prospective consumers on the eNaira service, in their respective areas of primary assignment.

Also, the "Train-of-Trainer Program" for MDAs in the Federal Ministry of Finance and Faith-Based Organizations in Abuja, were designed to educate their staff on financial literacy and other consumer education. The trainings were aimed at driving financial literacy of consumers at the grassroots and improving their ability to take informed decisions regarding their financial resources. The Bank also collaborated with key stakeholders to facilitate the mainstreaming of Financial Education into the Nigerian Educational Curriculum at the Basic and Senior Secondary levels.

Furthermore, the Bank in collaboration with the Shared Agent Network Expansion Facilities (SANEF), conducted Financial Literacy Awareness Workshops in some selected rural areas aimed at raising awareness on consumer protection initiatives of the Bank, consumer rights and responsibilities, and the rudiments of agent banking and how to identify authentic SANEF Agents.

The Bank developed the SabiMONI financial literacy e-Learning platform to offer financial education for persons interested in becoming Certified Financial Literacy Trainers (CFLTs), and consumers desirous of improving their financial wellbeing.

A Nation-wide Media Engagement session to deepen consumer education and financial literacy was broadcast on radio and YouTube. The sessions, driven by Subject Matter Experts from the Currency Operations and Banking Supervision Departments, dwelled on issues of consumer rights and responsibilities, and public enlightenment on the Naira Redesign and the Revised Cash Withdrawal Limits.

The Bank commemorated the World Savings Day (WSD) with a School Mentoring Programme and a Virtual Tour of the CBN Currency Museum in selected locations in the country to stress the importance of savings and other financial literacy concepts amongst children, youths, and the public. The School Mentoring Programme was held in Abuja, Lagos, Borno, Niger, Kaduna, Enugu, and Cross River States. The Virtual Tour of the CBN Currency Museum was streamed live in Kebbi, Abia, Edo, Ogun, Bauchi, and Plateau states, with a total of 681 participants.

2.4.17 The Asset Management Corporation of Nigeria

The carrying value of Asset Management Corporation's (AMCON) liabilities increased marginally by 1.0 per cent to ₦5.59 trillion at end-December 2022, compared with ₦5.54 trillion at end-December 2021. The Corporation's total assets net of impairment rose by 11.5 per cent to ₦989.89 billion at end-December 2022, compared with ₦886.80 billion at end-December 2021.

The carrying value of the AMCON Note remained at ₦3.86 trillion, while the value of the Loan (Debenture) remained at ₦500.00 billion plus accrued interest of ₦15.00 billion. The AMCON Note will fall due for redemption on December 27, 2023.

From inception of its operations to December 2022, the Corporation achieved a total recovery of ₦1.74 trillion made up of cash recovery of ₦925.49 billion and other collections (property sale, share sales, rental income, dividend income, and re-investment income) of ₦814.51 billion. The Corporation achieved cash recoveries of ₦91.41 billion and other collections of ₦81.32 billion during the review period.

Contributions by banks to the Banking Sector Resolution Cost Fund (BSRCF) for the year 2022 amounted to ₦354.06 billion. This indicated an increase of 15.0 per cent at end-December 2022, compared with ₦307.97 billion in 2021. The CBN contributes the sum of ₦50.00 billion annually to the BSRCF, while the contribution of the participating banks was determined based on 50.0 basis points of their on-balance sheet assets and contingents.

The collection was invested in primary issuance of Nigeria Treasury Bills pending utilisation in line with Section 60E (1)(a) of the AMCON Act 2010 (as amended in 2015).

2.5 BANKING AND PAYMENTS SYSTEM

In 2022, the Bank implemented new initiatives to further deepen and widen the payments system landscape as well as to consolidate on the gains presented by the COVID-19 pandemic, while contributing to the achievement of a digital financial inclusion system.

2.5.1 Payments System Policies

The Bank issued new regulations to ensure greater security and efficiency of the payment system infrastructure and its interoperability. These include: the revised Framework on Quick Response Code Payment, and exposure drafts on Operational Guideline for Open Banking and Contactless Payments in Nigeria.

2.5.1.1 Payments System Strategy

The operationalisation of the Regulatory Sandbox in 2022 pushed forward the progress made in the implementation of the PSV2025 Strategy by the Bank. The Bank set up Regulatory Sandbox Steering and Technical committees to provide effective governance for the initiative. The Regulatory Sandbox went live on 13 December 2022 and opened for FinTech innovators via https://sandbox.cbn.gov.ng.

The objectives of the Regulatory Sandbox are to:

- Increase the potential for innovative business models that advance financial inclusion;
- Reduce time-to-market for innovative products, services, and business models;
- Increase competition, widen consumers' choice, and lower costs;
- Ensure appropriate consumer protection safeguards in innovative products;
- Ensure adequate regulatory provisions to create an enabling environment for innovation without compromising on safety for consumers and the overall payment system; and
- Provide an avenue for regulatory engagement with FinTech firms in the payment ecosystem, while contributing to economic growth.

2.5.1.2 Payments System Infrastructure

Financial inclusion improved, following increased enrolment in the Bank Verification Number (BVN). At end-December 2022, BVN enrolment grew by 9.1 per cent to 56.5 million, from 51.8 million at end-December 2021. A total of 127.9 million bank accounts were linked with BVN following the opening of new accounts, compared with 81.9 million at end-December 2021. There were 159.4 million active bank accounts at end-December 2022. Also, the number of BVN on the watch-list for fraudulent and death reasons rose by 73.9 per cent and 86.9 per cent to 9,300 and

13,743, respectively, from 5,347 and 7,353 recorded at end-December 2021.

2.5.1.3 Interoperability

The Bank issued a revised Framework for Quick Response (QR) Code Payment to widen interoperability options. The revised framework allows for both merchant- and customer-presented modes for payment. This was an improvement on the initial guidelines that only allowed merchant-presented option.

To make the Open Banking initiative functional, an exposure draft on Operational Guidelines was issued. The operational guidelines provide clear responsibilities and expectations for the various market participants, ensure safeguards for financial system stability, promote competition and enhance access to banking and other financial services, as well as maintain an Open Banking Registry (OBR) for regulatory oversight. The initiative would promote permissioned data sharing for the delivery of innovative financial products and services to bank customers.

2.5.1.4 Regulation and Supervision

To upscale the level of financial inclusion, the Bank issued licences to new payments service providers. The Bank issued 32 new licences to Payments Service Providers (PSPs), bringing the total number of PSPs to 132 at end-December 2022. Further analysis showed that 12 licences were issued for Payments Solution Service Providers (PSSPs), 10 for Super Agents, seven for Switching and Processing, four for Payments Terminal Service Providers (PTSPs), and one for Mobile Money Operators (MMOs). However, the number of Accredited Cheque Printers and Card Schemes declined by one apiece in the review year.

The Bank conducted both accreditation and compliance exercises for Cheque Printers and Personalisers in 2022. Consequently, the licences of three existing Cheque Printers - Superflux International Ltd., Tripple Gee Company Plc, and Yaliam Press Ltd., were renewed. Kas Art Services Ltd. and Marvelous Mike Press Ltd. had subsisting licences, while the accreditation process for Euphoria Press Ltd., Nigeria Security Printing and Minting Plc., and Papi Printing Co. Ltd. were ongoing.

Similarly, following the accreditation of Cheque Management Centers (CMCs), Personaliser licences were issued to five CMCs, namely, Stanbic IBTC Bank, First Bank, Ecobank, Wema Bank, and Providus Bank. The accreditation process for Zenith and Keystone banks was ongoing.

Table 2.5.1: Licensed Payments System Participants

Licence -Type	Number Dec. 2021	Number Dec. 2022
Card Schemes	8	7
Switching and Processing	9	16
Mobile Money Operators*	16	17
Payment Solution Service Providers	30	42
Payment Terminal Service Providers	15	19
Super Agents	16	26
Accredited Cheque Printers	6	5
Total	**100**	**132**

Source: Central Bank of Nigeria.
**The data shown is for Non-Bank Licensed Mobile Money Operators.*

2.5.2 Trends in the Payments System

The Nigerian payments system witnessed significant increase in volume and value of transactions, indicating intensified adoption and usage of e-payment options in the review period. Total volume of e-payments[4] rose by 35.2 per cent to 22,073.9 million transactions in 2022, from 16,325.1 million in 2021. The rise was attributed to increased adoption and usage of PoS, web, and mobile apps channels. Similarly, total value of transactions increased by 34.8 per cent to ₦1,550.44 trillion in 2022, from ₦1,150.32 trillion in 2021.

2.5.2.1 Retail Payments System

The volume and value of retail e-payments transactions increased significantly in 2022. In terms of volume and value, total e-payments increased by 35.2 per cent and 36.4 per cent to 22,073.6 million transactions and ₦1,476.74 trillion in 2022, from 16,324.9 million transactions and ₦1,082.30 trillion in 2021, respectively.

A breakdown of the volume of transactions by channels showed that internet/web, PoS, mobile apps and direct debit recorded increases of 36.3 per cent, 41.6 per cent, 123.8 per cent, and 46.2 per cent to 14,063.9 million, 3,885.8 million, 1,861.4 million, and 151.0 million in 2022, from 10,321.6 million, 2,743.6 million, 831.5 million, and 103.3 million, respectively, in 2021. Nevertheless, transactions on ATM terminals, USSD, and NEFT channels decreased, by 5.8 per cent, 6.7 per cent, and 48.8 per cent in 2022, from their respective levels in 2021.

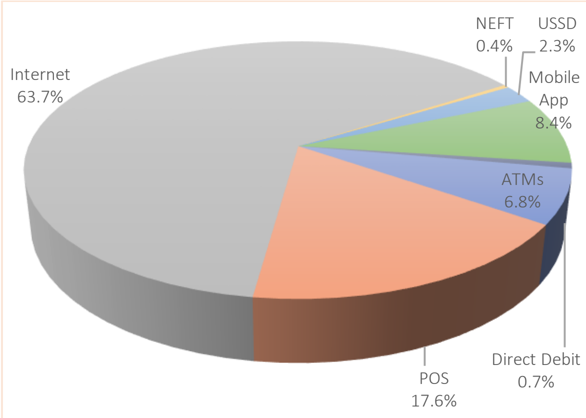
The value of transactions across all channels increased, except for the USSD channel that declined, by 13.2 per cent to ₦4,494.45 billion in 2022, from ₦5,179.90 billion in 2021, due to the daily cumulative transaction limit of N100,000.00 per customer.

Analysis of the retail e-payments segment showed the dominance of the internet/web channel, which accounted for 63.7 per cent and 53.1 per cent of total volume and value, respectively, in 2022. The volume of transactions on PoS, mobile apps, ATMs, and USSD channels, accounted for 17.6 per cent, 8.4 per cent, 6.8 per

[4] E-payments transactions includes all electronic platforms used to settle financial transactions for households and businesses, such as ATMs, PoS, MMOs, internet (web), USSD, Mobile Apps and Direct Debits.

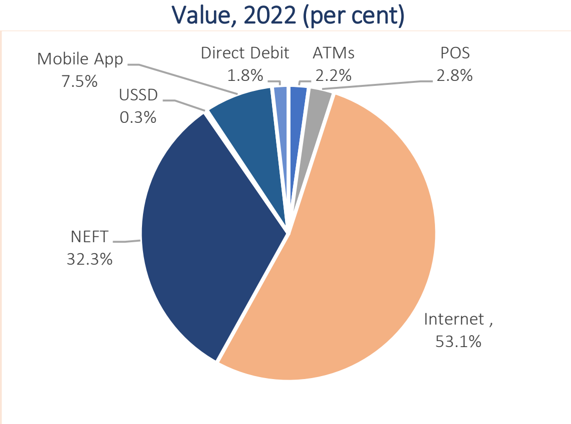
cent, and 2.3 per cent, respectively, in 2022. However, NEFT channel accounted for 32.3 per cent of the total value of e-payment transactions in 2022.

Figure 2.5.1: Composition of e-Payments Transactions by Volume, 2022



Source: Central Bank of Nigeria.

Figure 2.5.2: Share of e-Payments Transaction by Value, 2022 (per cent)

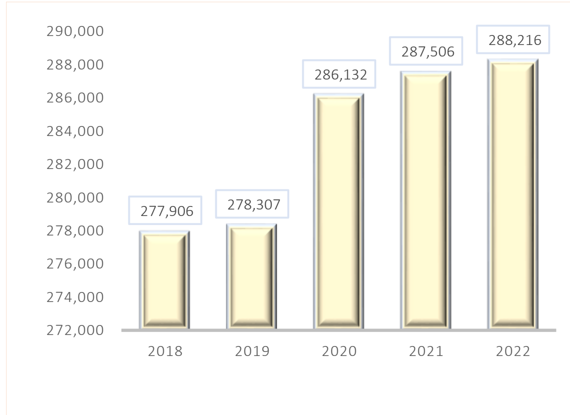


Source: Central Bank of Nigeria.

2.5.2.2 Wholesale Payments System

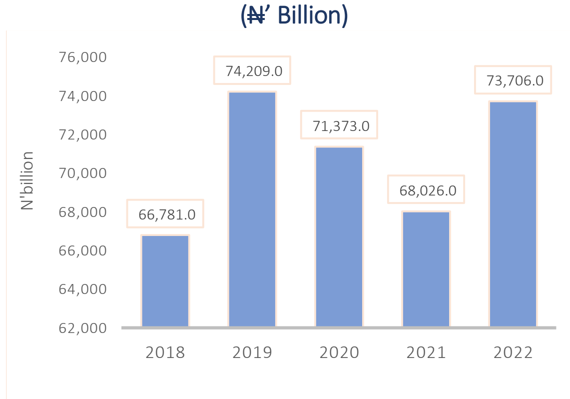
Transactions in wholesale payments witnessed increases in volume and value in the review period. The volume of inter-bank funds transfers through the CBN Real Time Gross Settlement (RTGS) system increased marginally by 0.3 per cent to 288,216 in 2022, from 287,506 in 2021. Also, the value of the transactions rose by 8.0 per cent to ₦73.71 trillion in 2022, from ₦68.03 trillion in 2021.

Figure 2.5.3: Volume of RTGS Transactions, 2019 – 2022



Source: Central Bank of Nigeria.

Figure 2.5.4: Value of RTGS Transactions, 2019 – 2022 (₦' Billion)



Source: Central Bank of Nigeria.

2.5.2.3 Cheque Transaction

The volume of cheque transactions decreased by 7.3 per cent to 16.91 million in 2022, from 18.25 million in 2021, while the corresponding value fell by 2.3 per cent to ₦15.25 trillion, from ₦15.61 trillion in 2021. This was attributed to increased consumer preference for e-payment channels.

Table 2.5.2: Volume and Value of Electronic Payments

Payment Channels	Dec. 2021			Dec. 2022			2021/2022 % Change		
	No. of Terminals	No. of Transactions (Millions)	Value of Transactions (Billion Naira)	No. of Terminals	No. of Transactions (Millions)	Value of Transactions (Billion Naira)	Terminals	Volume	Value
ATMs	19,399	1,599.2	21,230.9	19,433	1,507.0	32,648.0	3.3	-5.8	53.8
POS	915,519	2,743.6	24,455.4	1,665,664	3,885.8	41,035.8	81.9	41.6	67.8
Internet (Web)	-	10,321.6	545,039.7	-	14,063.9	783,660.0	-	36.3	43.8
RTGS	-			-			-		
Inter-Bank		0.3	68,026.0		0.3	73,706.5		0.2	8.4
NEFT	-	172.8	410,171.5	-	88.5	477,366.9	-	-48.8	16.4
USSD	-	552.9	5,179.9	-	516.1	4,494.5	-	-6.7	-13.2
Mobile App	-	831.5	53,208.3	-	1,861.4	111,122.1	-	123.8	108.8
Direct Debit	-	103.3	23,011.8	-	151.0	26,409.4	-	46.2	14.8
Total e-Payments	-	**16,325.1**	**1,150,323.5**	-	**22,073.9**	**1,550,443.2**	-	**35.2**	**34.8**
Retail e-Payments	-	**16,324.9**	**1,082,297.5**	-	**22,073.6**	**1,476,736.7**	-	**35.2**	**36.4**
Mobile (MMOs)	-	1,201.5	15,395.0	-	1,926.3	32,599.0	-	60.3	111.8
NIP	-	3,473.2	271,959.6	-	5,134.1	387,075.9	-	47.8	42.3
e-Bills Pay	-	1.2	2,278.7	-	0.7	2,547.5	-	-41.3	11.8
REMITA	-	58.3	28,594.4	-	-	-	-	-100.0	-100.0
NAPS	-	21.1	20,127.7	-	17.4	24,262.7	-	-17.3	20.5
m-Cash	-	0.1	0.5	-	0.0	0.2	-	-64.5	-57.8
Central Pay	-	0.3	2.3	-	0.1	1.6		-60.2	-33.4

Source: CBN, Banks, NIBSS, Switches, and MMOs
Note: NIP, e-Bills Pay, REMITA, NAPS and Central Pay which were previously reported inter-scheme are now appropriately aggregated under the internet/web channel transactions.

2.5.2.4 Mobile Money Operations

The volume and value of payments services provided by the Mobile Money Operators (MMOs) at banking agents touch points rose significantly by 60.3 per cent and 111.8 per cent, respectively, in 2022. The volume of transactions increased to 1,926.3 million, from 1,201.5 million in 2021. Also, the corresponding value rose to ₦32.60 trillion, from ₦15.40 trillion in 2021. The boost in MMOs operations was due, largely, to the increase in the number of banking agents on-boarded in the drive for enhanced financial inclusion.

2.5.2.5 Payment Terminals

The number of Automated Teller Machines (ATMs) rose by 3.3 per cent to 19,433 at end-December 2022, compared with 19,355 at end-December 2021. The number of connected Point-of-Sale (PoS) terminals increased significantly by 81.9 per cent to 1,665,664 at end-December 2022, from 915,519 at end-December 2021. Similarly, the number of banking agents touch points rose by 47.0 per cent to 1,474,173 in 2022, compared with 1,002,514 at end-December 2021.

2.5.2.6 Payments Service Banks

The Bank granted licences to two Payments Service Banks (PSBs) - Momo PSB and SmartCash PSB, bringing their number to five at end-December 2022, from three at end-December 2021.

At end-December 2022, the number of customers on-boarded grew astronomically by 1,197.9 per cent to 8.93 million, from 0.69 million customers at end-December 2021. Similarly, the number of new wallets/subscribers increased significantly by 2,301.5 per cent to 17.99 million, from 0.75 million at end-December 2021.

The agent banking network base of the PSBs expanded by 296.2 per cent to 308,845, from 77,949 agents in 2021. The volume of digital payments increased significantly by 2,763.63 per cent to 21.23 million, from 0.74 million in 2021, and the corresponding value grew by 339.56 per cent to ₦179.65 billion in 2022, compared with ₦40.86 billion in 2021.

The significant increases in customer onboarding, volume and value of transactions, number of new wallets, and number of engaged banking agents was due, mainly, to the issuance of licences to Momo PSB and SmartCash PSB who leveraged on their existing large telco customer base.

2.6 DEVELOPMENTAL FUNCTIONS

2.6.1 CBN Interventions

The Bank sustained its intervention programmes aimed at stimulating the economy through affordable and accessible credit to the priority sectors. Following the continued rebound of the economy from the COVID-19-induced shocks, the Bank tapered its sectoral interventions and increased efforts at credit recovery. Consequently, disbursements to the priority sectors declined by 13.8 per cent to ₦1,791.77 billion from ₦2,078.61 billion in 2021, while ₦1,686.14 billion was repaid, compared with ₦0.44 billion in 2021.

Of the total sectoral disbursements in 2022, the manufacturing/Industry sector received the highest amount of ₦1,078.46 billion or 60.19 per cent, followed by services with ₦214.19 billion or 11.95 per cent. The MSMEs sector received the least at ₦30.67 billion or 1.71 per cent. In terms of sectoral repayments, of the ₦1,686.14 billion repaid thus far, energy/infrastructure was the highest at ₦1,350.13 billion or 80.01 per cent, followed by agriculture with ₦214.60 billion or 12.73 per cent, while the health sector repaid the least at ₦2.13 billion or 0.13 per cent.

2.6.2 National Financial Inclusion

The revised National Financial Inclusion Strategy (NFIS 3.0) was launched in November 2022 to improve financial inclusion in Nigeria. The Strategy provides a roadmap and a set of actions for achieving the financial inclusion target of 95.0 per cent by 2024 from 64.1 per cent in 2020. The target is expected to be achieved through an increased use of financial services in priority demographics, increased financial services infrastructure and platforms, as well as improved coordination, capacity, and governance within the financial inclusion ecosystem.

2.6.3 National Collateral Registry

The National Collateral Registry (NCR), established under the Secured Transactions in

Movable Assets Act, 2017, continued to promote the registration and onboarding of financial institutions (FIs) on the portal, to facilitate the management of financial statements, searches, and movable collateral databases. At end-December 2022, the number of financial institutions that registered on the NCR portal, increased by 3.8 per cent to 744, relative to the preceding year's level of 717.

A breakdown of the registered institutions revealed that there were: 24 commercial banks; 602 microfinance banks (MFBs); four (4) merchant banks; five (5) development finance institutions (DFIs); 48 non-bank financial institutions (NBFIs); 55 finance companies (FCs); two (2) non-interest financial institutions (NIFIs); and four (4) primary mortgage institutions (PMIs). However, 142 financial institutions (FIs) were active in 2022, comprised of, 20 DMBs, 85 microfinance banks (MFBs), two (2) merchant banks, two (2) development finance institutions (DFIs), 18 non-bank financial institutions (NBFIs), 14 finance companies, and one (1) primary mortgage bank (PMB).

Table 2.6.1: Classification of Registered Financial Institutions on the NCR Portal, 2022

FIs Category	Registered FIs	Active FIs
Commercial Banks and Non-Interest Financial Institutions	26	20
Development Finance Institutions	5	2
Finance Companies	55	14
Merchant Banks	4	2
Microfinance Banks	602	85
Non-Bank Financial Institutions	48	18
Primary Mortgage Banks	4	1
Total	**744**	**142**

Source: National Collateral Registry.

Table 2.6.2: Disbursements and Repayments of CBN Interventions

Sector/Intervention	2021				2022			
	Amount Disbursed (₦' bn)	Share (%)	Number of Beneficiaries	Repayment	Amount Disbursed (₦' bn)	Share (%)	Number of Beneficiaries	Repayment
Agriculture	448,261,154,176	21.57		355,399,378,260	175,375,061,381.00	9.79		214,602,029,585.12
Anchor Borrowers' Programme (ABP)	417,024,881,275.71	93.03	63 Anchors	256,980,310,638	139,251,633,809.00	79.40	85 Anchors (1,230,087)	115,257,928,373.33
Commercial Agricultural Credit Scheme (CACS)	29,347,652,900.00	6.55	25 Projects	71,823,461,231	28,243,427,572.00	16.10	27 Projects	78,914,988,507.15
Paddy Aggregation Scheme(PAS)	-	0.00	1 Rice Millers	4,666,666,667	6,200,000,000.00	3.54	17 Rice Millers	1,000,000,000.00
Accelerated Agriculture Development Scheme (AADS)	1,536,120,000.00	0.34		2,594,826,062	1,680,000,000.00	0.96		6,013,470,851.32
AADS - DCRR							31,666 Loans	
Maize Aggregation Scheme (MAS)	352,500,000.00	0.08	1 Feed Miller				1 Project	-
Rice Distribution Facility (RDF)	-	0.00		1,000,000,000				-
National Food Security Programme (NFSP)	-	0.00		10,084,113,663				6,415,641,853.32
Presidential Fertilizer Initiative (PFI)	-	0.00		8,250,000,000			35000	7,000,000,000.00
Energy/Infrastructure	669,066,770,260	32.19		46,219,556,643	174,178,542,958.77	9.72		1,350,128,960,536.02
Nigeria Electricity Market Stabilization Facility (NEMSF)	-	0.00		18,357,731,380	6,469,362,035.93	3.71		22,425,887,511.11
Nigeria Electricity Market Stabilization Facility 2 (NEMSF 2)	164,132,556,147.72	24.53			34,176,151,756.12	19.62		-
Nigeria Electricity Market Stabilization Facility 2 (NEMSF 3)		0.00			67,988,103,655.12	39.03		-
Nigeria Bulk Electricity Trading-Payment Assurance Facility (NBET-PAF)	418,028,504,806.18	62.48			26,933,355,872.99	15.46	Procurement and Installation of meters	1,300,035,103,611.14
Intervention Facility for the National Gas Expansion Programme (IFNGEP)	39,200,000,000.00	5.86	6		35,300,000,000.00	20.27		-
National Mass Metering Programme (NMMP)	32,823,599,835.87	4.91	Procurement and installation of meters		3,311,569,638.61	1.90		364,160,060.59
SANEF	6,000,000,000.00	0.90		471,284,950				918,814,051.32
PAIF	1,882,109,470.09	0.28		27,390,540,313	0.00			26,384,995,301.86
SCF	7,000,000,000.00	1.05						-
MSMEs	199,884,360,864	9.62		21,913,274,908	30,668,218,485.00	1.71		8,803,259,752.84
Agribusiness/Small and Medium Enterprises Investment Scheme (AGSMEIS)	79,694,242.00	0.04	10,688 Beneficiaries		4,570,345,682.00	14.90		9,761,876.41
Creative Industry Financing Initiative (CIFI)	2,670,510,000.00	1.34	52 Projects	277,037,523	174,300,000.00	0.57	3 Projects	583,745,477.53
Tertiary Institutions Entrepreneurship Scheme (TIES)	29,127,500.00	0.01	6 Beneficiaries		326,572,803.00	1.06		-
Micro, Small and Medium Enterprises Development Fund (MSMEDF)	13,190,755,000.00	6.60	3 Beneficiaries	14,634,945,027	10,000,000.00	0.03		7,207,328,030.79
Targeted Credit Facility (TCF)	182,173,134,880.00	91.14	387,662 beneficiaries	3,733,443	25,587,000,000.00	83.43	387,662 beneficiaries	825,479,777.30
Nigerian Youth Intervention Fund (NYIF)	1,741,139,242.00	0.87					6764	60,000,000.00
Tradermoni		0.00		6,997,558,915				-
Youth Entrepreneurship Development Programme (YEDP)	-	0.00						116,944,590.81
Manufacturing/Industry	755,635,772,951	36.35		14,526,521,257	1,078,457,331,126.00	60.19		66,104,747,756.30
100 for 100 PPP		0.00			150,668,969,363.00	13.97		1,136,708,322.21
Textile Sector Intervention Facility (TSIF)	1,292,000,000.00	0.17	10 projects	5,307,584,151	1,500,000,000.00	0.14		13,113,456,559.43
Covid-19 Intervention for the Manufacturing Sector (CIMS)	9,990,353,200.00	1.32	60 projects	2,212,443	534,586,875,000.00	49.57	3 Power projects	3,519,557,740.40
RSSF Using Differentiated Cash Reserve Ratio (RSSF-DCRR)	443,429,139,234.05	58.68	62 projects	2,050,934,446	291,701,486,763.00	27.05	121 projects	11,318,971,009.36
CBN-BOI intervention Fund	-	0.00			100,000,000,000.00	9.27		-
SMERFF	300,924,280,516.46	39.82						4,211,665,468.76
RSSF	-	0.00		7,165,790,217				32,804,388,656.14
Health	4,006,278,717	0.19	0	338,312,066.38	33,249,717,349.45	1.86		2,129,160,972.08
HSRDIS	50,000,000	1.25	5 approvals		14,750,478.05	0.04	5 applications	-
Health Care Sector Intervention Fund (HSIF)	3,956,278,717	98.75	46 projects	338,312,066	33,234,966,871.40	99.96	137 projects	2,129,160,972.08
Export Sector	1,757,673,904.11			4,764,109,261.45	85,654,175,182.60	4.78		9,916,783,232.21
NESF	1,757,673,904.11	100.00		4,764,109,261.45				9,916,783,232.21
EFI					46,181,901,210.00	53.92		-
EDF-NEXIM	0				39,472,273,972.60	46.08		-
								-
Services					214,185,380,790.17	11.95		34,452,859,951.68
Salary Bail-out Facility (SBF)	0							3,295,033,306.56
Excess Crude Account (ECA)	0							31,157,826,645.12
FGN BOND	214.185				214,185,380,790.17	100.00		-
TOTAL	2,078,612,010,871.45	100.00		443,161,152,396.70	1,791,768,427,272.99	100.00		1,686,137,801,786.25

Source: Central Bank of Nigeria.

Box 2: Race to US$200.00 billion in Foreign Exchange Repatriation (RT200 FX Programme)

The Bank introduced the Race to US$200.00 billion (RT200) programme in February 2022. The RT200 comprised of a set of policies, plans, and programmes for non-oil exports aimed at attracting US$200.00 billion in foreign exchange inflow, over the next 3-5 years. It was anchored on a five-point agenda, namely:

(i) Value-Adding Exports Facility;
(ii) Non-Oil Commodities Expansion Facility;
(iii) Non-Oil FX Rebate Scheme;
(iv) Dedicated Non-Oil Export Terminal; and
(v) Biannual Non-Oil Export Summit

Among these anchors, the non-oil FX Rebate Scheme is designed to incentivise exporters in the non-oil sector to encourage repatriation and sale of export proceeds into the FX market. During the review period, US$2,913.01 million was repatriated and sold on the Investors and Exporters (I&E) window, while ₦137.15 billion was approved as rebate.

Non-Oil Proceeds and Rebates

Period	Number of Banks	USD Repatriated and Sold on the I & E Window	Rebate (N)
Q1	9	67,397,885.19	3,285,170,923.45
Q2	25	1,003,667,771.39	32,751,895,924.37
Q3	25	871,036,186.01	45,742,392,788.03
Q4	24	970,912,755.22	55,374,295,973.54
TOTAL		2,913,014,597.81	137,153,755,609.39

Source: *Central Bank of Nigeria*

The Maiden Edition of the ***Bi-Annual RT200 Non-Oil Export Summit 2022****, which was jointly organised by the Central Bank of Nigeria and the Bankers' Committee, took place on June 16, 2022, at the Eko Hotel and Suites, Victoria Island, Lagos State. The Summit, themed* ***"Setting the Roadmap Toward Achieving RT200 and Non-Oil Exports for Development",*** *served as a forum for policymakers, bankers, and exporters to deliberate on issues related to the boosting of non-oil export proceeds and proffering pragmatic and workable solutions geared toward addressing the identified issues as well as facilitating the attainment of the policy objectives of the RT200 Scheme.*

The second edition of the summit, with the theme ***"RT 200 Non-Oil Export: The Journey So Far"*** *took place on November 29, 2022, at the Eko Hotel and Suites, Victoria Island, Lagos State. The summit provided an avenue for stakeholders to assess progress made in the implementation of the Scheme, deliberate on identified issues impeding the repatriation of non-oil export proceeds, and proffer pragmatic solutions to aid the achievement of the objectives of the Scheme.*

3.0 CORPORATE ACTIVITIES

The Bank fostered its strategic initiatives and sustained its corporate social responsibility. Thus, it re-invigorated its corporate strategy, upgraded its IT infrastructure, and enhanced the e-Naira digital currency. Furthermore, it constructed new buildings in the Central Hospital in Delta state and Kano state University of Science and Technology, and provided capacity building services and financial assistance to institutions, organisations, and individuals.

3.1 ADMINISTRATION

3.1.1 The Board of Directors and Other Committees

The Board of Directors held three regular Meetings in 2022, while the Committee of Governors held 52 regular meetings. The Audit, Financial System Stability, Finance & General-Purpose, Investment, Pension Fund Management, and Risk & Cybersecurity Committees held three meetings each, while the Corporate Strategy, Establishment, Remuneration, Ethics & Anti-Corruption Committees held two meetings each, during the year.

The tenures of four Non-Executive Directors, namely: Adeola Adetunji, Justitia O. Nnabuko, Mike I. Obadan and Ummu A. Jalingo expired on 6 June 2022, but were subsequently re-appointed by the President, effective 27 September 2022 for the final term of four years. Also, the Deputy Governor, Financial System Stability, Aishah N. Ahmad and the Deputy Governor, Corporate Services, Edward L. Adamu, were re-appointed for a final term of five years, effective 23 March 2023.

Table 3.1.1: Board of Directors' Meetings and Attendance

S/N	Member	No. of Meetings Attended
1	Godwin I. Emefiele, CON	3 out of 3
2	Aishah N. Ahmad	3 out of 3
3	Edward L. Adamu	3 out of 3
4	Folashodun A. Shonubi	3 out of 3
5	Kingsley I. Obiora	3 out of 3
6	Abdu Abubakar	3 out of 3
7	Adeola Adetunji	3 out of 3
8	Aliyu Ahmed	3 out of 3
9	Ahmed Idris	2 out of 3
10	Justitia O. Nnabuko	3 out of 3
11	Mike I. Obadan	3 out of 3
12	Ummu A. Jalingo	3 out of 3

Source: Central Bank of Nigeria

Table 3.1. 2: Committee of Governors' Meetings and Attendance

S/N	Member	No. of Meetings Attended
1	Godwin I. Emefiele, CON	51 out of 52
2	Aishah N. Ahmad	47 out of 52
3	Edward L. Adamu	47 out of 52
4	Folashodun A. Shonubi	47 out of 52
5	Kingsley I. Obiora	49 out of 52

Source: Central Bank of Nigeria

3.1.2 The Monetary Policy Committee (MPC)

In 2022, the Monetary Policy Committee (MPC) held its regular bi-monthly meetings in January, March, May, July, September, and November. Major developments in the global and domestic economy, and financial environment influenced the decisions of the Committee. Subsequently, the decisions of monetary policy were conveyed to the public through communiques and press briefings.

Monetary policy in 2022 focused on reining-in inflation while supporting a fragile economic growth. Accordingly, the Monetary Policy Committee (MPC) raised the monetary policy rate (MPR) four times by a cumulative 500 basis points to 16.50 per cent and the cash reserve ratio (CRR) once by 500 basis points to 32.5 per cent.

Table 3.1.3: Monetary Policy Committee Meetings and Attendance

S/N	Members	No. of Meetings Attended
1	Godwin I. Emefiele, CON	6 out of 6
2	Aishah N. Ahmad	6 out of 6
3	Edward L. Adamu	6 out of 6
4	Folashodun A. Shonubi	6 out of 6
5	Kingsley I. Obiora	5 out of 6
6	Mike I. Obadan	6 out of 6
7	Adeola F. Adenikinju	6 out of 6
8	Aliyu R. Sanusi	6 out of 6
9	Robert C. Asogwa	6 out of 6
10	Aliyu Ahmed*	3 out of 6
11	Mohammed A. Salisu**	4 out of 6
12	Momodu E. Omamegbe**	4 out of 6

Source: Central Bank of Nigeria.

Note: * Mr. Aliyu Ahmed was absent due to exigencies of duty ** Dr. Mohammed A. Salisu and Dr. Momodu E. Omamegbe were appointed as members on 6 April 2022 and attended their first meeting on 23 May 2022.

3.1.3 CBN Community Engagements

The Bank intervened in the education and health sectors of the economy through the construction and delivery of a building at the Central Hospital, Agbor, Delta State, and another at the University of Science and Technology, Wudil, Kano State.

3.1.4 Information Technology

The Bank leveraged information technology in the pursuit of its mandate. It sustained and fortified the cyber resilience of the IT infrastructure and services against cyber-attacks, and implemented new systems and technologies. Developments recorded included:

3.1.4.1 Computerisation Programme

- RTGS/ S4:

The Bank embarked on an upgrade of the Real-Time-Gross-Settlement (RTGS) System and Scripless Security Settlement System (S4) to reduce the risks associated with payments and settlement of transactions as well as effectively set the system in compliance with ISO20022 (which is the international standard for exchanging electronic messages between financial institutions). Some expected benefits of the upgrade included: migrating from SWIFT to VPN for full country ownership; 24/7 system access, with regional and continental integration readiness; customisation and testing to build more capacity; and a richer system design,

- Temenos T24:

The Bank's core banking application, Temenos T24 was upgraded from version 13 to version 20. Some major accomplishments recorded in view of the completion were: implementation of single and bulk NUBAN validation; completion of General Ledger (GL) difference resolution; and reconciliation of account balances between ERP and T24.

- Oracle ERP

The Bank's enterprise resource planning software, Oracle ERP, was upgraded in line with the ever-growing technology capabilities. The system upgrade enabled the automation of the reconciliation process, among others.

3.1.4.2 eNaira

The Bank marked the one-year anniversary of the deployment of the first central bank digital currency (CBDC) in Africa, the eNaira, on 25 October 2022. Since its launch, significant milestones had been achieved. These included:

- Integration of all banks and a substantial number of PSPs with the eNaira platform;
- Development and deployment of an app and web wallets for the eNaira;
- ₦5.00 billion worth of eNaira have been minted with ₦2.97 billion (59.0 per cent) issued to financial institutions;
- 2.1 million wallets have been activated amongst which were the merchant wallets for some major outlets;
- Collaboration with the Federal Ministry of Humanitarian Affairs, Disaster Management and Social Development (FMHDS), to facilitate direct disbursement of social intervention funds to citizens. This partnership led to the creation of additional 1.3 million eNaira wallets for the beneficiaries;
- 875,000 transactions amounting to ₦11.83 billion have been recorded on the platform; and
- The first ever central bank-sponsored hackathon held in August 2022 with 4,911 registrations and 176 teams participating at the event. The winning use cases emanating from the event would progress to an incubator program from 2023, to drive innovation in the payments system.

3.1.5 Library Operations

The volume of books in the Library system increased to 120,349 in 2022, from 120,169 in 2021, representing a 0.2 per cent increase. This was attributed to the diversification from print books to the electronic book format. A total of 116 eBook titles were added to the eBook holdings of the Library.

The number of library materials consulted by staff were 39,816, representing an increase of 103.0 per cent from the 19,614 recorded in 2021. This was attributed to the increased sensitisation by the library on the resources available.

Furthermore, a total of 88,319 downloads of library resources were recorded in 2022, compared with 18,032 in the preceding year. The downloads were from 2,181 institutions, across 192 countries, compared with 671, across 162 countries, in 2021. This represented a 69.0 per cent and 18.5 per cent increase in the number of institutions and countries, respectively, that accessed the resources from the CBN Digital Commons. The development was attributed to the increased visibility and access to the Bank's intellectual output, following the successful implementation of the Digital Commons, indexing through Google Scholar and RePEc, and remote authentication through the Open Athens.

The Bank continued to provide access to electronic books and journals, covering economics, finance, business, and banking through Springer, Elsevier, Science Direct, the IMF e-Library, and the World Bank Open Knowledge Repository (OKR). The following databases were also available: EBSCOHost; Journal Storage (JSTOR); Access to Global Online Research in Agriculture (AGORA); and Online

Access to Research in Environment (OARE). The data and statistical sources provided by the Library were: Fitch Connect (formerly Business Monitor International (BMI)); the International Monetary Fund (IMF) Databank; and the World Bank Open Data source.

3.1.6 Legal Services

The Bank continued to strengthen the legal and regulatory framework to improve the overall effectiveness of the financial system in line with its mandate. To this end, agreements, guidelines, and Memoranda of Understanding (MoU) were drafted and reviewed. These included: Review of Oil and Gas Free Zones Authority (OGFZA), proposed Guidelines for Banking Operations in the Free Zones, a complete assessment of the legal framework for free zones in other countries; and review of the National Operational Guideline for Official Development Assistance Policy and Development Cooperative Report for maintenance of an impeccable record system for all official development assistance received. Others were the review of the Offtake and Supply Agreement between the Central Bank of Nigeria and the Solid Minerals Development Fund-Presidential Artisanal Gold Development Initiative (SMDF-PAGMI) Limited in respect of the Presidential Artisanal Gold Development Mining Initiative (PAGMI); and the development of a Guideline to streamline and standardise the requirement and process for conversion/upgrade among licence types.

During the period, relevant bills from the National Assembly were reviewed, including: Securitisation of Assets-Backed Securities Bill, 2019; Factoring Assignment and Receivables Financing Bill 2020; Nigeria Deposit Insurance Corporation Bill, 2022; a Bill For An Act To Repeal The Customs And Excise Management Act, Cap C45 LFN 2004 and to enact an Act to establish The Nigeria Customs Service Act 2021; Money Laundering (Prevention and Prohibition) Bill, 2021; Proceeds of Crime (Recovery and Management) Bill, 2021; and Bill for an Act to Establish the Chartered Institute of Computer Forensics of Nigeria and for Related Matters (HB. 1491).

Bills awaiting the President's assent were also reviewed, including National Agricultural Development Fund (Establishment) Bill 2022; Chartered Institute of Forensics and Certified Fraud Investigators of Nigeria (Establishment) Bill, 2022; and Rice Council Bill, 2022.

The Bank was involved in 1,855 cases, out of which 977 were garnishee proceedings. Of the total, 339 cases have been concluded. In line with Section 98 of the BOFIA, 142 cases were handled in-house by the Legal Services Department.

The Bank also rendered legal assistance to related institutions such as: the Nigeria Commodity Exchange (NCX), the Nigerian Electricity Supply Industry (NESI), and the Nigerian Incentive-based Risk Sharing System for Agricultural Lending Micro-Finance Bank (NIRSAL MFB), among others.

3.1.7 Security Services

The Bank reinforced security across its locations, targeting standard security requirements, and addressing identified security gaps to reduce vulnerability. The strategy adopted focused on strengthening and upgrading existing deterrent, detection, and delay security systems in addition to an improvement in response capabilities.

The Bank facilitated regional inter-departmental and inter-agency engagement sessions with the

Branch Controllers, Risk Management Department, Branch Operations Department, and Security agencies (Nigeria Police Force, Department of State Services, Federal Fire Service, among others) in the six geopolitical zones. This was to provide a platform for improved collaboration with the security agencies on emerging security trends peculiar to each of the locations and recommend necessary measures.

The Bank continued its conduct of security awareness training for all staff in all locations to enhance personal safety and wellbeing. It also conducted routine emergency response drills and trained a significant number of Emergency Response Team members to build capacity, and provide first-line support in the event of emergency.

3.1.8 Internal Audit

In 2022, 186 audits were planned for Departments, Processes, and Branches, respectively. Also, 191 currency disposal operations, requiring audit witnesses, were carried out. The Department reported critical exceptions, bordering on control weaknesses, to the Audit Committee of the Board to ensure compliance and resolution of the exceptions.

To ensure continuous learning/capacity improvement platform for improved service delivery, in-house training sessions were conducted for the internal auditors on the audit management software, Team-Mate, and the Interactive Data Extraction and Analysis (IDEA) software applications.

3.1.9 Risk Management

The implementation of the Integrated Risk Management (IRM) solution commenced in 2022. The IRM Solution is an Enterprise Risk Management software, which enables the automation of Risk Management processes, data flows, and tracking of risk indicators, while enhancing risk-informed decision-making by Management.

The Bank also implemented the Insider Threat and Third-Party Risk Management Frameworks in the review period. The Bank passed the re-certification audit of its Information Security Management System (ISMS) in conformity with the ISO 27001:2013 standard. All Risk Treatment plans were signed-off and identified gaps were being closed.

As part of the risk governance framework of the Bank, several meetings of the Investment, as well as the Risk and Cyber-Security Committees, were held during the review period.

3.1.10 Strategic Initiatives Management

The Bank's strategy for 2021 – 2024 was unveiled by the Governor of the Central Bank of Nigeria in February 2022. The strategy focuses on strengthening and increasing the value creation of the Bank's policies to promote economic growth and developments. The areas covered included; job creation, infrastructure improvement, promotion of financial inclusion, enhanced export, and foreign reserves accretion. The development framework adopted an issue-based approach and an agile (responsive, flexible, and inclusive) methodology in defining the seven strategic priorities (themes) the Bank is focused on, namely:

- Deliver price stability that promotes sustainable economic development and improved standard of living;
- Foster confidence in the integrity and soundness of Nigeria's financial system that enhances the nation's competitiveness;
- Leverage technology and innovation to ensure a secured, efficient, and reliable 'digital financial inclusion' system;
- Facilitate finance to enhance productivity in targeted sectors for sustainable job creation and inclusive growth;
- Strengthen and maintain sustainable foreign reserves to build resilience against shocks;
- Excel in delivering operational excellence in all processes and activities of the Bank; and
- Empowered purpose-driven team dedicated to delivering measurable impact.

These Strategic themes position the Bank to close the identified value gaps in the Nigerian economy that will ensure the Nation shifts to:

- Low inflation;
- Stable exchange rate;
- Low cost of borrowing;
- Financing productive export-focused economy; and
- Deeper & broader financial system.

The Bank's new Core Values encapsulated in Integrity, Partnership, Accountability, Courage, and Tenacity (I-PACT) also reinforce the Bank's working principles and beliefs that are the foundation for its interaction with all stakeholders.

3.1.11 Ethics, Anti-Corruption and Governance

3.1.11.1 Ethics, Compliance, and Anti-corruption

Seminar

The 10th CBN Annual Ethics seminar was held on 6 October 2022 with the theme*: "Promoting Good Practices and Optimising Performance in The Workplace: The Role of Effective Ethics and Compliance Regime"*. 570 staff were in attendance. The Seminar aimed to:

- Demonstrate commitment to promote ethics and compliance in the Bank;
- Enhance capacity building of staff to optimise their performance;
- Promote good workplace practices; and
- Expose staff to international best practices on ethics and compliance.

3.1.11.2 The 2022 Anti-Corruption Day

The Bank participated in activities outlined by the Inter-Agency Task Team (IATT) to mark the 2022 International Anti-Corruption Day (IAD) on 9 December 2022. The theme was "*Uniting the World Against Corruption"*. The aim was to raise awareness on combating and preventing corruption with the slogan *"United Against Corruption."*

3.1.12 Compliance with the Code of Business

Ethics and Compliance, and the Remuneration, Ethics, and Anti-Corruption Committee

In 2022, the Bank ascertained the level of compliance with the Code of Business Ethics and Compliance (COBEC) of its strategic business units (SBUs). The Remuneration, Ethics, and Anti-Corruption Committee (REACC) of the Board, met twice to consider issues related to the following:

- implementation, monitoring, and enforcement of compliance with all

policies, rules, and guidelines on ethics and anti-corruption, such as the COBEC, oath of allegiance and whistle-blowing;
- facilitation of the administration of the asset declaration forms; and
- Sensitisation of staff on issues of anti-corruption and ethics.

3.1.13 Anti-Money Laundering and Combating Financing of Terrorism

As part of its effort on anti-money laundering and combating financing of terrorism (AML/CFT), the CBN sustained its collaboration with both internal and external stakeholders, through the quarterly inter-departmental stakeholders' meetings and the bi-monthly virtual meetings of the Association of Chief Compliance Officers of Banks in Nigeria (ACCOBIN). It also conducted customer due diligence for 31 branches. Enhanced Due Diligence (EDD) was carried out in six CBN branches to ascertain the volume and value of cash withdrawals over the counter by security agencies, ministries, departments, and agencies (MDAs).

The Bank conducted the Society for Worldwide Inter-bank Financial Telecommunication (SWIFT) screening on 53,291 messages, and reports generated, indicating "hits" (suspected messages), were reviewed for Management consideration. AML/CFT questionnaires were received from 13 correspondent banks, which were promptly completed and returned to the respective banks. A review of all Special Reports on Funds Transactions (SRFT) and Suspicious Transaction Reports (STR) received during the review period showed that no suspicious transaction was reported in the branches.

The Association of Certified Fraud Examiners (ACFE) Law Enforcement and Government Alliance (LEGA) presented a membership certificate to the Central Bank of Nigeria. Membership of the ACFE provides the Bank the opportunity to benefit from the anti-fraud experience and expertise of law enforcement from other countries.

3.1.14 The Financial System Strategy (FSS)

To achieve its strategic objectives, the CBN, in collaboration with key stakeholders, implemented the following initiatives:

- Finance Reporting Application for SMEs;
- Business Community-Based Credit Model (B2CM);
- Electronic Mortgage Asset Registry System (e-MARS);
- InsurTech[5];
- Enhancing Diaspora Inflows;
- Legal and Regulatory Framework; and
- Human Capital Development.

3.1.15 The Shared Services Programme

In 2022, the following programmes were successfully carried out under the Shared Services Initiative:

i. *Compliance Audit and Remediation Workshop for Deposit Money Banks*

Following the release of the IT Standards Blueprint which defined IT industry standards, the Bank, in conjunction with the Bankers' Committee, conducted the 2022 compliance

[5] Innovative use of technology in Insurance

audit for banks, which covered the following key areas:

- Swift Messaging ISO20022

  This enabled industry adoption and readiness for the exchange of ISO 20022 CBPR+ compliant messages for cross-border payments; and

- Cloud Security ISO27017 and Cyber Security ISO27032

  These seek to facilitate the application of Information Security Controls, for the provision and use of cloud services, as well as improve the state of cybersecurity in the Nigerian Financial Services ecosystem.

ii. Compliance Audit for the National Microfinance Banks and Payment Solution Providers.

The national microfinance banks and Payment Solution Providers (PSPs) were incorporated into the IT Standards programme in the year under review. The objective is to facilitate an end-to-end operational standard across the Nigerian financial services industry.

The IT Standards Governance Council approved the adoption of IT Standards Blueprint for the PSPs and NMFBs.

iii. Shared Data Centre Initiative

A Master Service Agreement between the Bank (on behalf of the industry) and Service Providers (MainOne, MTN & Rack Center) was executed to guide usage of the Data Centre Services by banks. Over 20 banks migrated their remote data centres to the shared Remote Data Centre (RDC). The remaining banks were at various stages of migration.

iv. The Nigerian Financial Services Network (NFSN)

The Bank, in conjunction with the Bankers Committee, approved the implementation of shared IT Standards and Infrastructure initiatives to reduce operating costs and improve the overall efficiency of the Nigerian banking sector. The initiatives included: (NFSN); IT Standards Compliance Audit; the Shared Power Infrastructure; and the Shared Data Centre (SDC).

v. Management Motor Vehicles and Drivers Pooling Initiative

The Bank approved the Management Motor Vehicles and Drivers Pooling Initiative with a view to optimising processes and saving costs. The initiative seeks to automate and manage all vehicles and drivers in the Bank, using an application developed by the Information Technology Department (ITD) to drive the initiative.

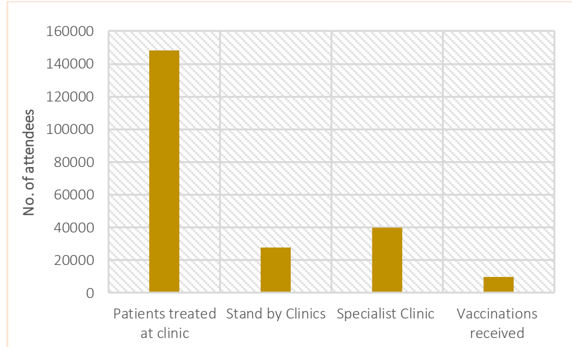
3.1.16 Medical Services

The Bank provided various medical interventions to sustain a healthy and productive workforce, such as: re-modelling of the surgical theatres at the Diagnostic and Treatment Centre (DTC), Abuja, into Modular theatres; construction of an extension building for the DTC Abuja; and renovation and use of a temporary health facility in Lagos.

The Bank's staff clinics attended to a total of 148,394 cases, involving staff and dependants. Of these cases, 27,883 were referred to stand-by hospitals, while 126 staff/dependants were treated overseas for conditions that could not be handled locally. A total of 793 adult vaccines were administered to staff, while 4,254 routine immunisation were administered to staff children. In addition, a total of 4,506 staff received the COVID-19 vaccination, out of which 3,645 were fully vaccinated while 192 were partially vaccinated.

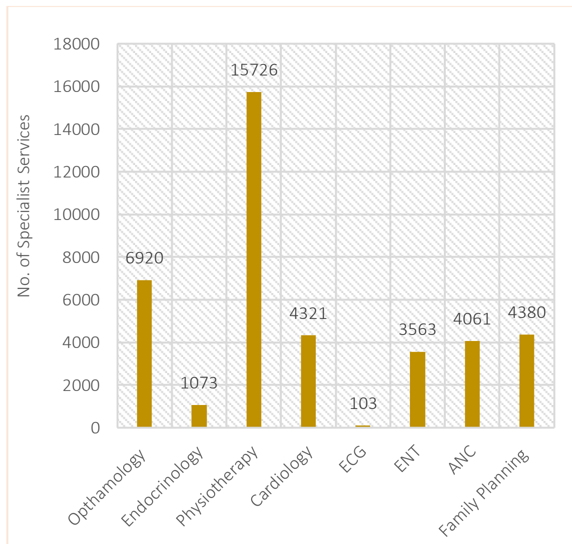
As part of the comprehensive health care plan for Bank's staff, several health seminars were conducted on topical health issues such as: Ebola Virus Disease (EVD); COVID-19 pandemic; Hepatitis B infection; HIV/AIDS; Diabetes Mellitus; and Hypertension. Of the in-house specialty clinics, physiotherapy had the highest attendance of 15,726. This was followed by ophthalmology clinic with 6,920 patients, cardiology had 4,321 patients out of which 103 ECG were conducted, ante natal care (ANC) services were offered to 4,061 pregnant women, ENT (ear, nose, and throat), 3,563 patients while Endocrinology recorded the least attendance of 1,155 patients. Family planning services were also offered to 4,380 women at the Clinic as part of maternal health services. The Bank also sponsored comprehensive medical screening of 196 Executives.

Figure 3.1.1: Staff Clinic Activities, 2022



Source: Central Bank of Nigeria.

Figure 3.1.2: Specialist Medical Services, 2022



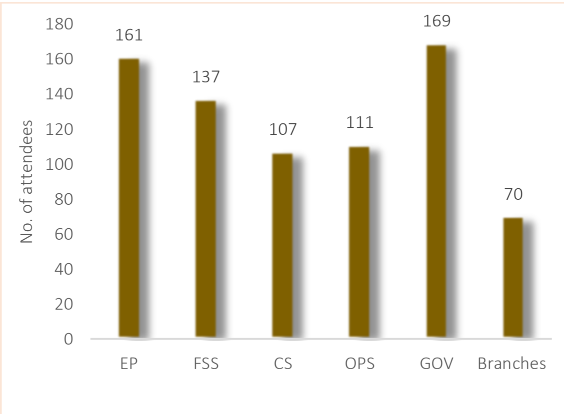
Source: Central Bank of Nigeria.

3.1.17 Training

In line with the Bank's manpower development strategy, a total number of 7,563 staff participated in various training programmes (in-class and virtual) in the review period. Of this number, 6,109 were locally trained, 699 attended overseas courses, while participation at the CBN International Training Institute (ITI) stood at 755.

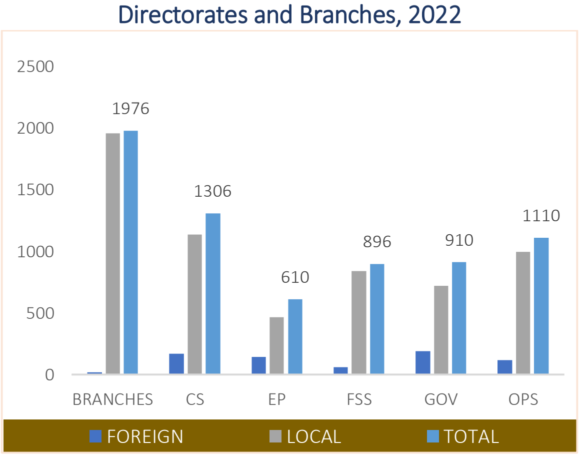
A breakdown of participants at the CBN ITI by Directorate showed that Governors recorded the highest with 169, followed by Economic Policy with 161; Financial System Stability, 137; Operations recorded 111; Corporate Services, 107; and Branches, 70 attendees.

Figure 3.1.3: ITI Course Attendance by Directorates and Other Organisations, 2022



Source: Central Bank of Nigeria.

Figure 3.1.4: Local and Foreign Training Distribution by Directorates and Branches, 2022

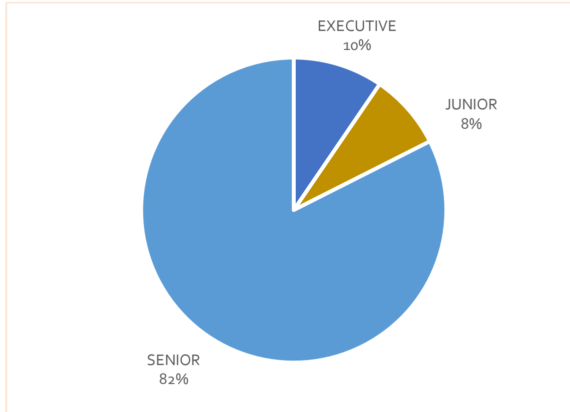


Source: Central Bank of Nigeria.

The local and foreign training distribution by Directorate showed that Corporate Services recorded the highest with 1,306; followed by Operations 1,110; Governors 910; Financial System Stability 896; Economic Policy recorded 610, while the branches recorded 1,976.

Analysis of training by cadre indicated that Executives accounted for 10.0 per cent, Senior 82.0 per cent and 8.0 per cent for the Junior category.

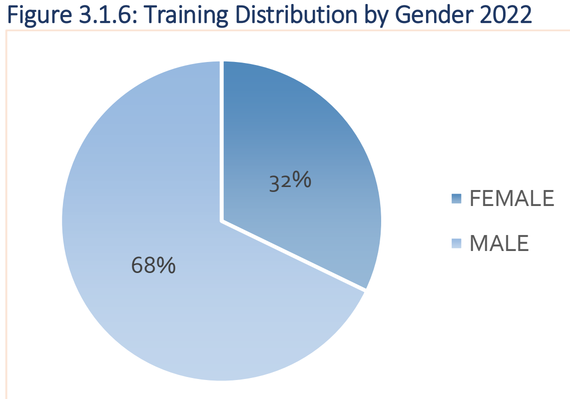
Figure 3.1.5: Training Distribution by Status, 2022



Source: Central Bank of Nigeria.

Staff beneficiaries of various training programs comprised 68.0 per cent male and 32.0 per cent female.

Figure 3.1.6: Training Distribution by Gender 2022



Source: Central Bank of Nigeria.

3.1.18 Partnership Programmes and Research Project

The ITI continued to partner with foreign stakeholders to gain expertise on emerging topics at minimum cost. These stakeholders include: the US Federal Reserve Bank (FRB), the West African Institute for Financial and Economic Management (WAIFEM), the United Nations Conference on Trade and Development (UNCTAD), Washington, Bank for International Settlements (BIS), Switzerland, New York Institute of Finance (NYIF), Institute European d' Administration des Affaires (INSEAD), France, Bundesbank Centre for International Central Bank Dialogue, Germany, and the Financial Accreditation Agency (FAA) Malaysia, among others.

3.1.19 Staff Exit

The Bank lost the services of 249 staff through: 18 deaths; 14 dismissals; 1 end of contract appointment; 136 mandatory retirements; 21 resignations; 24 voluntary retirements; 29 withdrawal of services, and 6 terminations.

3.1.20 Staff Promotion

The Bank appointed two Directors and promoted 2,381 staff to various grades. A breakdown indicated that 277 executives, 1,860 senior; and 244 junior staff, benefited from the promotion exercise.

3.1.21 Staff Social Responsibility

The staff of the Bank sustained its support for the less privileged in the society through its regular contributions to the CBN Staff Alms Fund (C-SAF), which supports worthy causes such as orphanages, educational schemes, and healthcare. A total of ₦7.43 million was realised from the monthly departmental contributions at end-December 2022. Two projects were initiated with the C-SAF, namely: the construction of the main School Building for Al-Nahda Muslim Women Association, Gwagwalada and Hospital Building for Cornelian Maternity and Rural Health Care Clinic, Gidan Mangoro, both in the Federal Capital Territory FCT.

3.1.22 Nigerian Sustainable Banking Initiatives

The Bank commenced the review of the Nigerian Sustainable Banking Principles (NSBPs) with the UK Partnering for Accelerated Climate Transitions (UK PACT) and the World Bank. The review is expected to align them with extant national and international environmental and social regulations, such as the Nigerian Climate Change Act (NCCA) and the Paris Climate Change Agreement. It would also provide a framework for embedding sustainability in the operations, activities, and processes of financial institutions in Nigeria.

3.1.23 World Environment Day

The Bank commemorated the 2022 World Environment Day (WED). A day established by the United Nations General Assembly at the 1972 Stockholm Conference to raise awareness and coordinate global action on environmental issues. The event was celebrated throughout the week of 5 – 11 June 2022 in the Bank with the following activities:

- A sensitisation with the theme ***"OnlyOneEarth"*** with a focus on ***"Living Sustainably in Harmony with Nature"*** educated staff on how human activities damage the earth and its inhabitants, while suggesting ways to protect it;
- A Meet and Greet Session between Sustainability Champions and staff of the Bank. Staff were encouraged to dress in green in solidarity with efforts made to protect the environment;

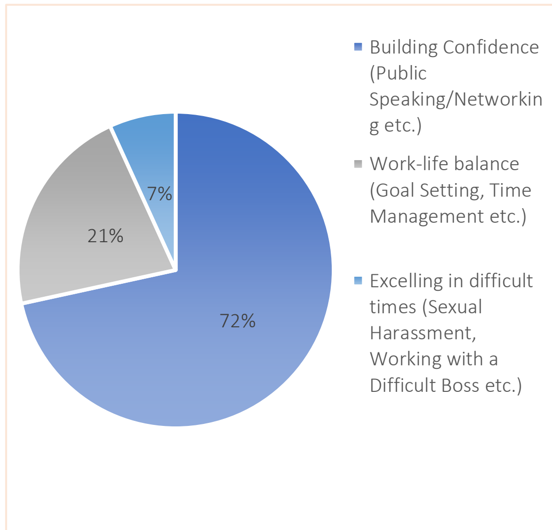
- A "No Plastic Bag Day" observed in the Head Office on 10 June 2022, where staff and operators of the staff canteens were educated on the harmful effects that single-use plastic bags have on the environment. Reusable bags were distributed to staff to discourage the use of single-use plastic bags; and
- During the tree planting exercise, staff were encouraged to plant a tree in their homes and post pictures with the WED hashtag as their contribution towards preserving the environment.

3.1.24 International Women's Day

The Bank participated in the celebration of the 2022 International Women's Day (IWD) to commemorate the political, cultural, social, and economic achievements of women, while highlighting the challenges facing them in the society. The theme for the 2022 celebration was *"Gender Equality today for a Sustainable Tomorrow"* with the hashtag *#BreakTheBias*. This event was celebrated throughout the month of March 2022 with activities such as:

- A webinar with the theme *"Gender Equality Today for a Sustainable Tomorrow" #BreaktheBias*;
- A yoga session organised for over 100 women at the Head Office gymnasium to promote the general well-being, mental stability, and focus of female staff;
- A Virtual Breakfast meeting for 151 Female staff with the DG FSS. The DG FSS shared her experience and urged the women to take ownership of their stories by confronting their fears with courage; and
- A Pilot Coaching and Support Programme for female staff with 42 Volunteer Coaches who coached 352 female staff selected from the Head Office and Lagos Office. Of this number, 71.6 per cent of the women showed interest in *"Building Confidence",* while 21.6 per cent were interested in being coached on *"Work-Life balance",* and 6.8 per cent were interested in "*Excelling in Difficult Times."*

Figure 3.1.7: Percentage of Women Participants in the Pilot Coaching Program



Source: Central Bank of Nigeria.

3.2 COMMUNICATION AND COMMUNITY ENGAGEMENTS

3.2.1 Communication

The Bank sustained transparency and accountability in the conduct of its activities, by effectively communicating policies and programmes to the public during the year. These included: dissemination of the decisions of the Monetary Policy Committee (MPC); the Bankers' Committee meetings; outcomes of the Bank's participation at the Spring and Annual Meetings of the IMF and the World Bank; and policy positions of the Bank.

Approval was granted for the transmission of MPC Communiqués to the Chairmen of the Banking Committees (Senate and House of Representatives) of the National Assembly within 48 hours of release by the CBN. Also, adequate briefing was provided to various committees of the two chambers of the National Assembly on the state of the economy and the health of the banking system. The Governor and other top Management of the Bank made 27 appearances at the National Assembly in 2022.

As part of its strategic plans, the Bank published a book titled *"The Chronicles of a Central Banker"*, which highlights the milestones recorded by the Bank in different sectors of the economy in the past seven years.

In 2022, visits to the Cenbank website page increased by 31.8 per cent to 7,073,859 from 5,367,744 in 2021, while the number of website users increased by 34.8 per cent to 1,929,027, compared with 1,431,337 in 2021. There was also an increase in Cenbank website visits by young visitors (18- to 24-year-olds). The number of visits increased by 24.5 per cent in 2022 compared with an increase of 21.8 per cent in 2021.

3.2.2 Community Engagements

The CBN organised a sensitisation programme, titled, 'CBN Fair' bordering on consumer protection, CBN Interventions, eNaira, and redesigned Naira, among others. It was held simultaneously at the following locations: Delta, Edo, Adamawa, Taraba, Oyo, Ondo, Anambra, Imo, Benue, Nasarawa, Rivers, Bayelsa, Osun, and Kwara states. As part of continued effort at expanding its reach to stakeholders on its policies and programmes, the Bank participated at the Kaduna, Enugu, Abuja, and Lagos International Trade fairs.

The Bank continued its corporate social responsibility through capacity building and the provision of financial and other forms of assistance to institutions, organisations, and individuals. A total of 573 project requests for financial assistance were received and processed in the review period. Of this number, 157 projects, spread across the six geo-political zones of the country were approved, resulting in the disbursement of ₦1.14 billion. Analysis of the projects indicated that: 35 focused on Community Development; Health Care (31); Education and Research (55); Women and Youth Empowerment (17); Special Donations (12); Sports Development (6); and Environmental Sustainability (1).

As part of its CSR initiatives, the CBN sponsored and organised various sporting activities aimed at empowering youths across the country. These included the 17th and 44th editions of the CBN Open Tennis Championships for junior and senior categories, CBN Governor's Golf Tournament and the 36th edition of the All-Financial Institutions Football Competition. This was in addition to capacity-building programmes organised for journalists through Seminars for Finance Correspondents and Business Editors.

3.3 RESEARCH AND COLLABORATIVE ACTIVITIES

The Bank conducted research and collaborative studies on the Nigerian economy and sustained the publications of: the 2021 Annual Economic Report; 2022 Half-Year Economic Report; Monetary Policy Review; Financial Stability Report; CBN Economic and Financial Review; CBN Briefs; the 2021 Statistical Bulletin; and the CBN Journal of Applied Statistics. Others were the Occasional Paper Series and the CBN Bullion.

The CBN collaborated with the National Bureau of Statistics (NBS) and the National Population Commission (NPC) to conduct the National Integrated Household Survey. In addition, it partnered with the Centre for Econometric and Allied Research (CEAR) of the University of Ibadan, on "Oligopoly and Exchange Rate Dynamics in Nigeria" and "Implications of the Russia-Ukraine War on Monetary Policy in Nigeria" . Furthermore, the Bank honoured requests to present papers and facilitate in training programmes, including those from the Federal Ministry of Finance, Budget and National Planning, Chartered Institute of Bankers of Nigeria (CIBN), Financial Institutions Training Centre (FITC), the West African Institute for Financial and Economic Management (WAIFEM), the College of Supervisors for the West African Monetary Zone (CSWAMZ), the Association of African Central Banks (AACB), and the International Monetary Fund (IMF). In addition, staff presented papers at professional conferences, both within and outside the country.

BOX INFORMATION: FORECASTING INFLATION USING BIG DATA

Shocks emanating from the COVID-19 pandemic and the Russia-Ukraine war brought about emerging complexities and uncertainties in the economy. This necessitated the upscaling of the existing modelling toolkits in the Bank, using Big Data Analysis, to improve forecast accuracy. Big data are large data sets, typically semi- structured or unstructured, which are unable to be processed or stored by conventional data processing or storage tools or techniques.

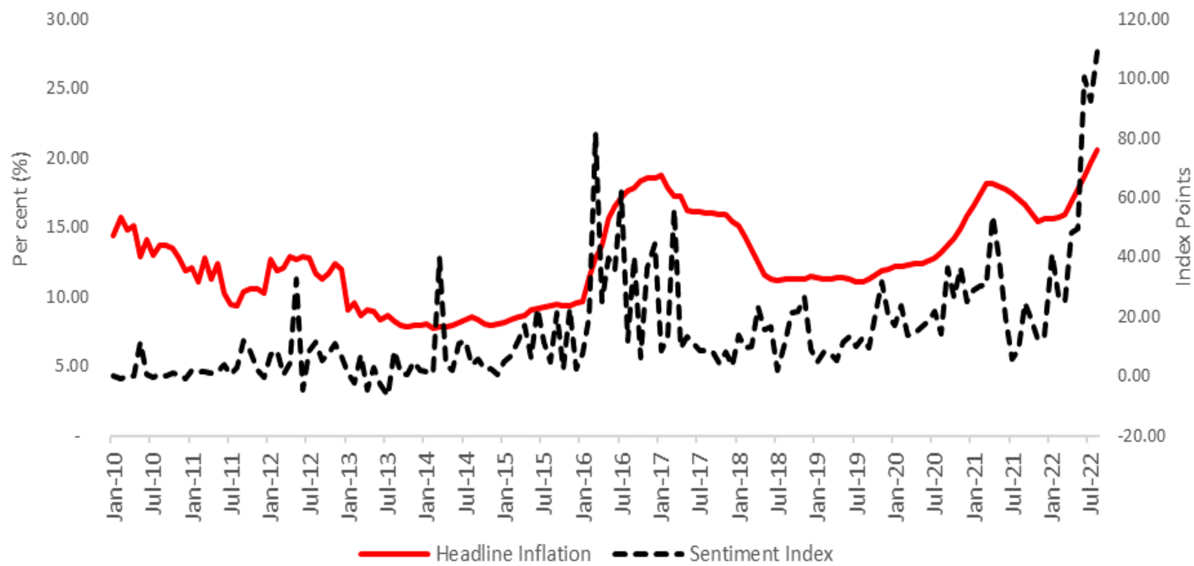
Big data are expected to minimise forecast errors, as it ensures accuracy and timeliness of economic forecasts by complementing the published data of statistical agencies through its inherent qualities of 'volume', 'variety', and 'velocity'. Big datasets are often collected directly from companies or consumers internet searches (i.e., google trends); media (i.e., broadcast/published news); social media (i.e., Twitter or Facebook); and the outcome of a business transaction (i.e., payment/transactions data).

To leverage these benefits, the Bank constructed an inflation sentiment index within the context of text-mining algorithms using the Application Programming Interface (API) of a social media application, Twitter. The construction of the Sentiment index was carried out in two key stages, the data extraction and the sentiment analysis stages. In the first stage, data relating to inflation in Nigeria was extracted from Twitter, these included both tweets and replies to ensure the robustness of the data, based on the 'opinions' expressed about the developments and expectations of inflation in the Nigerian economy. A total of 79, 479 tweets referencing inflation in Nigeria were extracted for the period 2010 to 2022.

In the second stage, the sentiment index is generated after cleaning and processing the data. This involved converting the unstructured data (extracted tweets) into structured data, using a Natural Language Processing (NLP) system in Python software that classifies the polarity of each tweet into positive, negative, or neutral after assigning values to each tweet using the Natural Language Toolkit (NLTK) . The wordnet dictionary of the NLTK was employed to categorise the sentiments of the tweets, negative words tended towards -1, neutral words were assigned a score of 0 while positive words were assigned positive values tending towards +1. The tweets were summed for each month to obtain the inflation sentiment index for that month.

The constructed index was included in the benchmark short-term inflation forecasting model (STIF). Sentiment analysis uses automated tools to extract subjective information such as opinions, attitudes, and feelings expressed in text, which are mapped into quantitative measures to produce sentiment indices. The index is then incorporated into existing econometric forecasting models to improve economic forecasts.

Figure 1: Relationship between Sentiment and Headline Inflation



Source: NBS and Staff Computations.

An ex-post forecast analysis was conducted to ascertain the predictive power of the estimated model and examine if the inclusion of a sentiment index improves inflation forecasts. The findings show that inflation forecasts improved by including a sentiment index, as public sentiments strongly correlate with headline inflation, implying that public sentiment about inflation better signals future price movements in Nigeria. To further test the predictive power of the ex-post forecasts of inflation, a mean square error (MSE) analysis was conducted. Findings revealed that inflation predictions from the STIF model with SA model outperformed the benchmark STIF model.

Box 3

The Revised Central Bank of Nigeria Macroeconomic Model of the Nigerian Economy (CBN-MAMONE)

The Central Bank of Nigeria (CBN) developed and operationalised the Macroeconomic Model of the Nigerian economy (CBN-MAMONE). The Model estimates the relationships among the various sectors of the economy, including real, external, monetary and financial, as well as fiscal sectors, with the objective of facilitating the decision-making process of the Monetary Policy Committee (MPC). However, the CBN-MAMONE was revised in 2016, to incorporate some observations including: the lack of sound theoretical underpinnings for some of the equations and their linkages; unavailability of some required data to fit and run the model; and inability to capture market and price expectations in the labour market and price variables.

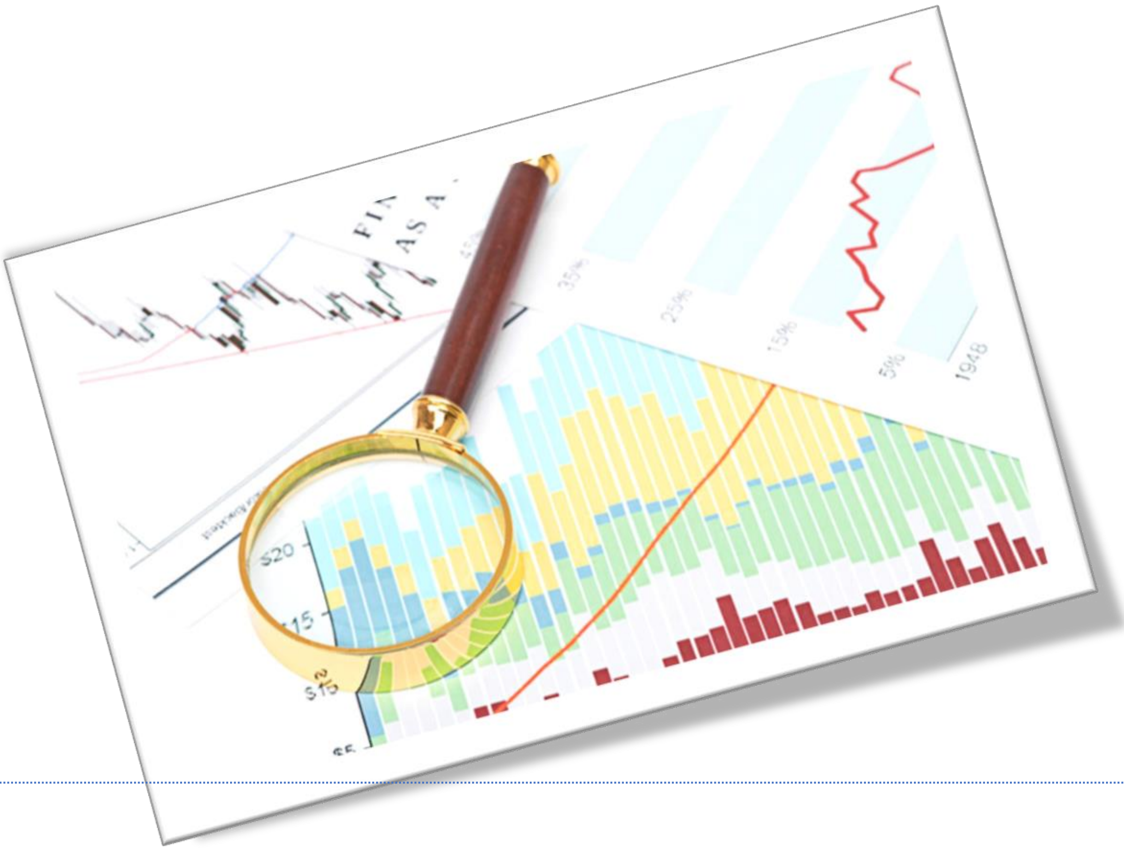
In addition, due to some major developments in the global and domestic economies, the 2016 model was further revised to address the global economic meltdown and the ongoing COVID-19 pandemic, which have changed the structure of the world economy. Specifically, output, which was driven mainly by agriculture and trade sectors, have changed, and is now driven by the services sector, particularly the ICT sub-sector. Aside, the model was characterised by some weaknesses. First, there were limited policy variables exogenised within the system of equations, implying the resulting scenario analyses provided limited policy options to Management and MPC members. Precisely, with the exception of the Cash Reserve Ratio (CRR), policy variables such as the anchor rate (MPR) and the asymmetric corridor rates (the standing lending and deposit facility rates), loans to deposit ratio (LTDR), among others, were conspicuously omitted from the system. Second, the model used data in quarterly frequency, as against the monthly frequency outputs required to guide policy formulation during the MPC meetings. Third, the model was not codified, thus, was operated on EViews, using dropdown manual-click operations, and all the model outputs were in the EViews interface.

The revision, undertaken in 2021, improved the model by accommodating significant changes in the macroeconomic environment, persistent insecurity challenges, and increasing monetary policy spill-over from other economies. The framework of the latest CBN-MAMONE has ten (10) equations, with each equation established on sound theoretical postulation, to capture the transmission mechanism across various sectors of the Nigerian economy. To this end, the model's critical economic sectors include the real, financial, external, and fiscal sectors. The expansion of the equations to ten implies that the new model can now simulate and make conditional forecasts of the ten endogenous variables, captured or represented by the ten equations. Also, in the revised CBN-MAMONE, policy variables such as the CRR, MPR, LTDR, and asymmetric corridor rates, are explicitly featured as exogenous variables in the system of equations. It, however, was done with full recourse to a priori considerations, transmission channels, and the sectoral interconnectedness of the Nigerian economy. Other exogenous variables include the US Fed Funds rate and crude oil price (COP), which featured in the system to control external shocks that could impact the Nigerian economy. The inclusion of the US Fed Funds rate was to capture possible spill-over effects to the Nigerian economy, particularly, in capital and trade flows, which may result from global developments and policy changes from leading economies of the world.

Furthermore, the model captures the effect of the COVID-19 pandemic using the Manufacturing Purchasing Managers Index (MPMI), which effectively tracked the level of economic activity in Nigeria during the COVID-19 pandemic lockdown. Similarly, the model captures the news effects and public sentiments about the levels of insecurity and foreign exchange market instability using two constructed indices; the index of insecurity and foreign exchange market pressure, using Google Trend. This revised model utilises both monthly and quarterly frequencies to address the earlier challenges of the delays in timeliness and data frequency, to guide policy decisions during MPC meetings. Finally, the model is codified, making its operation more technology driven.

PART 2:

Economic Report



"... We commit to working assiduously to bringing down inflation to single digit; while accelerating the rate of employment..."

\- *Godwin I. Emefiele, CON*

4.0 THE GLOBAL ECONOMY

4.1 GLOBAL OUTPUT

The global output growth slowed in 2022, relative to the level in the preceding year, owing to tight monetary conditions and lingering supply chain disruptions. The IMF growth forecast was 3.4 per cent in 2022, against a stronger growth of 6.2 per cent in 2021. The slow growth was induced by supply-chain disruptions caused by the impact of the Russia-Ukraine war, the implementation of the China zero-tolerance COVID-19 policy, and the hike in policy rates to curtail inflation. Nonetheless, growth varied across countries and regions owing to the idiosyncratic vulnerabilities of economies.

Table 4.1.1: Changes in World Output and Prices, per cent

Country	Growth		Inflation	
	2021	2022*	2021	2022**
Global	6.2	3.4	4.7	8.8
Advanced Economies (AEs)	5.4	2.7	3.1	7.2
United States	5.9	2.0	4.7	8.1
Canada	5.0	3.5	3.4	6.9
Euro Area	5.3	3.5	2.6	8.4
Germany	2.6	1.9	3.2	8.5
Italy	6.7	3.9	1.9	8.7
France	6.8	2.6	2.1	5.8
United Kingdom	7.6	4.1	2.6	9.1
Japan	2.1	1.4	-0.2	2.0
Emerging Market & Developing Economies (EMDEs)	6.7	3.9	5.9	9.9
Russia	4.7	-2.2	6.7	13.8
China	8.4	3.0	0.9	2.2
India	8.7	6.8	5.5	6.9
Brazil	5.0	3.1	8.3	9.4
Sub-Saharan Africa (SSA)	4.7	3.8	11.1	14.4
Nigeria	3.6	3.0	17.0	18.2
South Africa	4.9	2.6	4.6	6.7
Kenya	7.5	5.3	6.1	7.4
Ghana	5.4	3.6	10.0	27.2

Source: IMF, October 2022 and January 2023 World Economic Outlook.

Note: * indicates projections

** reflects October 2022, WEO dataset projections

4.1.1 Advanced Economies

Growth in advanced economies (AEs) was weak as tight monetary conditions amid high inflation restrained demand. Thus, the forecast for output growth in AEs was 2.7 per cent, against 5.4 per cent growth in 2021. The slowdown was more pronounced in the euro area and the United States, with adverse spill over to other countries. In the United States, the economy was estimated to grow by 2.0 per cent in 2022, from 5.9 per cent in 2021.

The euro area growth forecast was 3.5 per cent, down from 5.3 per cent in the preceding year, despite the European governments' support to households and firms to cushion the effect of energy crisis. Specifically, growth in Germany, Italy and France were 1.9 per cent, 3.9 per cent, and 2.6 per cent in 2022, down from 2.6 per cent, 6.7 per cent, and 6.8 per cent in 2021, respectively. Also, growth in the United Kingdom slowed to 4.1 per cent, from 7.6 per cent. The deceleration in growth was due to the spill over effects of the war in Ukraine amid the sanctions imposed on Russia. In addition, fiscal and monetary tightening to moderate high inflation weighed heavily on growth, while high-energy prices eroded the real incomes of households.

4.1.2 Emerging Market and Developing Economies

Economic activities in EMDEs decelerated due to monetary tightening and weak external demand. Growth was projected to decline to 3.9 per cent, from 6.7 per cent in 2021. The reduction was due to the slow growth in the Asian economies, particularly in India, and some Sub-Saharan African countries. Growth in Russia contracted to 2.2 per cent, from 4.7 per cent in 2021, owing to the effect of the war that disrupted the supply-chain. In China, renewed cases of COVID-19 disrupted recovery, as the economy recorded a growth of 3.0 per cent, compared with 8.4 per cent in 2021. The COVID-19 restrictions and worsening property market affected industrial production and consumer spending. In India, the growth forecast was 6.8 per cent, relative to 8.7 per cent in 2021, due to higher financing cost and weaker public expenditures that hampered economic activities.

Growth in sub-Saharan Africa was 3.8 per cent, a 0.9 percentage point decline from the growth in 2021, due to rising inflationary pressures, tight financial conditions, and adverse weather conditions, amid rising public debt risk. In South Africa, output growth was 2.6 per cent, against 4.9 per cent in 2021, due to the shrinking of most sectors from agriculture to mining, occasioned by infrastructure constraints, and electricity shortages.

Economic activity in Kenya declined to 5.3 per cent, from 7.5 per cent the previous year, due to softened domestic and external demand, and cost-push factors - food and fuel imports. Similarly, in Ghana, growth slowed to 3.6 per cent from 5.4 per cent in 2021, on the back of weakened demand, elevated price pressures, fiscal consolidation, and weaker access to credit for both businesses and the government.

4.2 GLOBAL INFLATION

Inflation, across the globe, soared in 2022, owing to a combination of supply and demand factors, which triggered a cost-of-living crisis. On the supply side, cost of energy, transportation, and other commodities increased, due to the persistent supply chain disruptions and devaluation of some currencies, which affected the price level. On the demand side, the lingering effects of the pandemic-induced government support to households and firms, contributed to inflation.

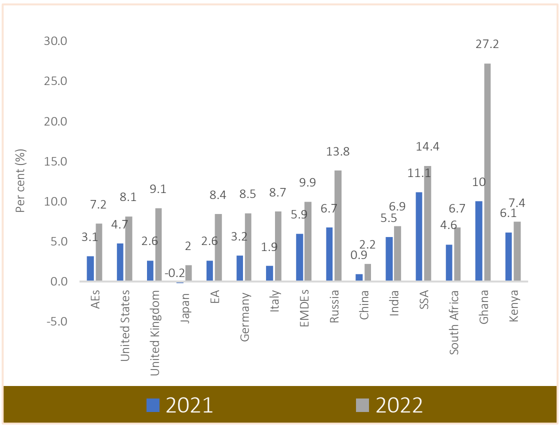
In the AEs, inflation rose to 7.2 per cent, from 3.1 per cent in 2021 due, mainly, to supply-chain disruptions and higher commodity prices. Specifically, in the United States, United Kingdom, and the euro area, inflation rose to 8.1 per cent, 9.1 per cent, and 8.4 per cent in 2022, from 4.7 per cent, 2.6 per cent, and 2.6 per cent in 2021, respectively. Japan also experienced an accelerated inflation, rising to 2.0 per cent, from a deflation of 0.2 per cent in 2021. The rise in inflation was driven by increased energy, food, and transportation costs.

In the EMDEs, inflation developments followed the trend in the AEs, rising to 9.9 per cent from 5.9 per cent in 2021. In Russia, inflation rose to 13.8 per cent, from 6.7 per cent, due to the war-induced supply-chain bottlenecks. Similarly, inflation in China accelerated to 2.2 per cent, from 0.9 per cent in 2021 due, largely, to the strict zero-COVID policy in major cities, and adverse weather.

In sub-Saharan Africa, inflation rose to 14.4 per cent, from 11.1 per cent in 2021, driven by supply-chain distortions and inflation spill over from the advanced economies, which fuelled rising food and energy prices.

Inflation in Kenya was propelled by adverse weather conditions (severe drought), currency depreciation, and surge in the prices of international commodities, particularly wheat and gasoline occasioned by the geo-political tensions in Eastern Europe. Thus, inflation in Kenya accelerated to 7.4 per cent, from 6.1 per cent a year ago. Similarly, inflation in Ghana surged to an average of 27.2 per cent in 2022, from 10.0 per cent in 2021, on the back of steep increases in food, transport, and housing costs as well as the depreciation of the cedi during the review period.

Figure 4.2.1: Inflation Rates in Selected Countries



Source: IMF WEO October 2022.

4.3 GLOBAL FINANCIAL MARKETS

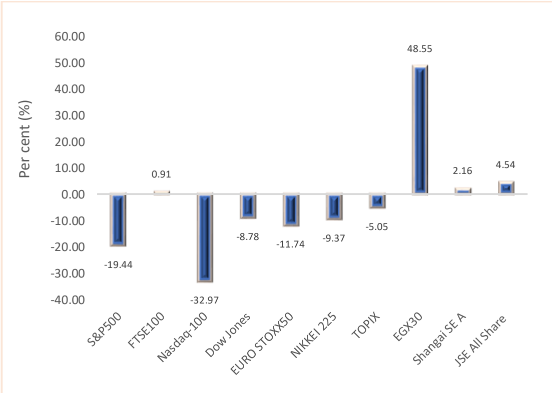
4.3.1 Global Financial Conditions

Global financial conditions tightened, as central banks embarked on contractionary policy measures to rein-in inflation. Stock markets exhibited mixed sentiments, closing broadly lower; government bond yields rose; and several currencies depreciated against the dollar. Most equity markets in the AEs posted losses at the end of 2022. In the US markets, the S&P500 and NASDAQ fell significantly, by 19.4 per cent and 33.0 per cent, respectively, in 2022, as sentiments were low in anticipation of a recession.

Similarly, the EURO STOXX 50 fell, by 11.7 per cent at end-December 2022, as the ECB indicated further rate hikes in 2023 and confirmed plans to halt the rollover of maturing bonds, thus, dampening market sentiments. In Japan, the year ended low as the NIKKEI225 fell by 9.4 per cent, following the announcement of the adjustment of the yield curve control policy, which caused some level of volatility and heightened uncertainty in the market. In contrast, the UK FTSE-100, gained 0.9 per cent at end-December 2022, owing to greater market optimism. This was driven by released macroeconomic data, which indicated that economic growth was more resilient than expected, despite the announcement of greater fiscal consolidation.

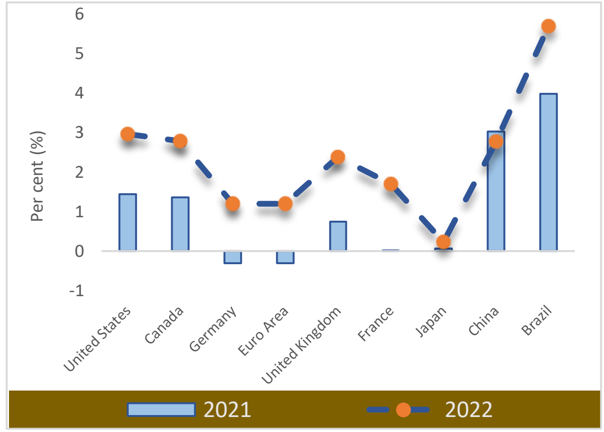
In the EMDEs, equity markets performed better, closing the year higher than the level in the previous year. Notably, the Chinese Shanghai Stock Exchange-A, the South African JSE All-Share Index, and the Egyptian EGX Case 30 indices grew by 2.2 per cent, 4.5 per cent and 48.6 per cent, respectively, in 2022. The relaxation of the COVID-19 restrictions induced gains in the Chinese stock markets, which positively impacted investors' sentiments. In Egypt, gains were due to the investors' confidence, boosted by the government's privatisation programme. IMF's approval to disburse the first tranche (US$347 million) of the US$3 billion loan under Egypt's policy reform programme also boosted confidence. In South Africa, the re-election of the incumbent leader of the African National Congress party led to a stronger Rand and a boost to local investors' confidence levels.

Figure 4.3.1: Key Global Stock Indices



Source: Bloomberg.

Figure 4.3.2: 10-year Government Bond Yields for Selected Countries



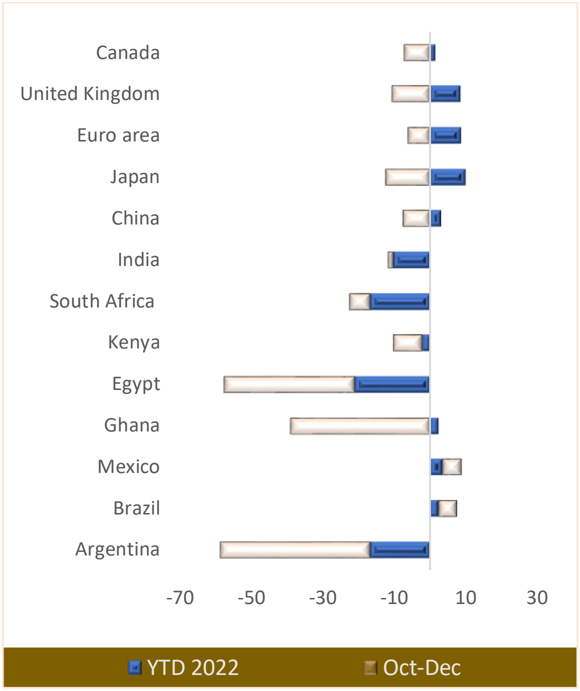
Source: Bloomberg

In the bonds market, yields on long-term government treasury bonds in most advanced and emerging economies were influenced by the growth prospects and monetary policy stance in 2022. Specifically, government bond yields further edged upwards at the end of 2022, higher than the preceding year, reflecting market sentiments. Thus, the US Federal Reserve, Bank of England and European Central Bank, hiked their rates twice in the last quarter of the year, thus, maintaining their hawkish stance. On average, the 10-year Treasury yields in the US and UK were 3.0 per cent and 2.4 per cent, respectively, in December 2022, a 1.5 and 1.6 percentage points increase above their levels in 2021. In the EMDEs, the yields on Brazil's government bonds rose to 5.7 per cent, from 4.0 per cent in the previous year. However, in China, given the accommodative stance of the People's Bank of China (PBoC), to support economic recovery during the resurgence of the COVID-19 virus, yields fell modestly by 0.3 percentage point to 2.8 per cent in 2022.

In the foreign exchange market, the US dollar strengthened remarkably, following the US Fed's aggressive rate hikes. However, most currencies in the AEs depreciated against the U.S. dollar, owing to country-specific peculiarities, such as the energy crisis and political instability in Europe. Specifically, the Canadian dollar, British pound, euro, and Japanese yen depreciated by 7.4 per cent, 10.9 per cent, 6.4 per cent, and 12.7 per cent, respectively.

Most EMDEs followed a similar trend, with marked depreciation witnessed in Ghana, Egypt, and Argentina, by 39.2 per cent, 36.6 per cent, and 42.0 per cent, respectively, due to weak economic fundamentals and shocks to capital flows. On the other hand, the Mexican peso and Brazilian real proved resilient throughout the year, appreciating by 5.3 per cent, apiece, benefiting from the relatively high yields.

Figure 4.3.3: Exchange Rates of Selected Countries



Source: Bloomberg.

4.4 GLOBAL COMMODITY DEMAND AND PRICES

Agricultural commodity prices continued to surge on account of supply disruptions following the Russia-Ukraine war, unfavourable weather conditions, and COVID-19 resurgence in China. All-commodities price index rose by 24.0 per cent to 97.5 index points, from 78.7 index points in the preceding year, due to price increases in most of the commodities, which ranged from 0.8 per cent for groundnut to 36.4 per cent for wheat.

Notably, price pressures exacerbated on account of supply disruptions that accompanied the Russian invasion of Ukraine – as both countries dominated the production and supply of key agricultural commodities and inputs, especially wheat and fertiliser. In addition, stronger demand from China for soya bean amid reduced production, owing to drought in Latin America, supported the uptick in the price of soya bean and other grains. The robust import demand for palm oil and concerns about labour shortages in Indonesia and Malaysia (top producers of the commodity) continued to fuel the price surge.

Moreover, rising crude oil prices continued to support the demand for vegetable oil in the production of biodiesel, thus, increasing the prices of soya bean and groundnut. High coffee and cotton prices were influenced by unfavourable weather conditions in producing regions with the attendant rally in demand.

However, following improved global supply of cocoa and rubber, their respective prices moderated by 1.4 per cent and 8.1 per cent, compared with their levels in 2021.

Table 4.4.1: Price Index of Selected Agricultural Export Commodities (Dollar Based) (Jan.2010=100)

COMMODITY	2018	2019	2020	2021	2022	(4) & (5)
	1	2	3	4	5	7
All Commodities	75.77	74.16	76.61	78.66	97.53	23.99
Cocoa	74.96	76.50	77.45	79.31	78.20	-1.39
Cotton	54.40	46.36	42.82	60.24	77.36	28.42
Coffee	90.11	78.18	73.04	95.50	110.18	15.37
Wheat	68.49	65.80	75.55	102.84	140.28	36.40
Rubber	29.17	30.08	28.37	35.80	32.91	-8.09
Groundnut	96.16	97.47	133.95	113.30	114.25	0.83
Palm Oil	51.73	48.71	60.89	91.57	103.35	12.86
Soya Beans	72.27	67.60	74.51	106.83	123.76	15.84

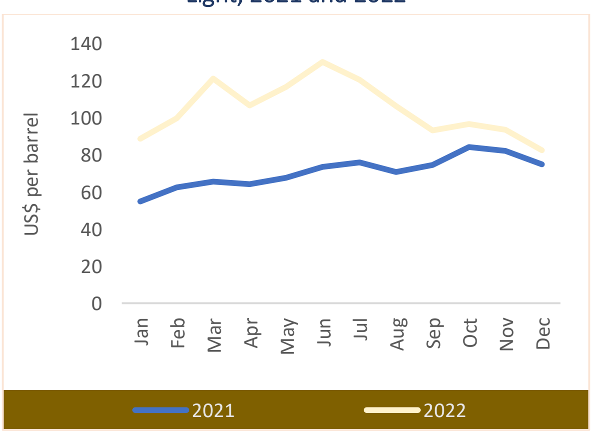
Sources: (1) World Bank Pink Sheet

Crude Oil Prices

Crude oil prices rose, due largely to investors' sentiments, arising from the geopolitical tensions in Europe. The average spot price of Nigeria's reference crude, the Bonny Light (34.9° API), rose by 47.7 per cent to US$104.91 per barrel (pb) in 2022, from the preceding year's average of US$71.05 pb. The average price of the UK Brent crude, Forcados, and West Texas Intermediate (WTI) exhibited similar trend with the Bonny Light, recording higher prices at US$103.98 pb, US$105.64 pb and US$96.20 pb, relative to the corresponding levels in 2021. Furthermore, the average price of the OPEC basket of 13 crude streams rose by 43.4 per cent to US$69.81 pb, from the level in the preceding year.

The rise in crude oil prices was due, majorly, to increased demand by oil investors following the heightened political tension in Eastern Europe, which culminated in the Russia-Ukraine war in February 2022. Specifically, concerns about the likely impact on crude oil supply, amid sanctions imposed by European countries on the importation of Russian crude oil, drove the surge in demand.

Figure 4.4.2: Average Monthly Spot Prices of the Bonny Light, 2021 and 2022



Source: RefinitivEikon (Reuters).

Crude Oil Supply and Demand

Crude oil supply and demand rose due to increased economic activities in non-OECD countries. World crude oil supply rose by 4.5 per cent to 99.98 million barrels per day (mbpd), compared with the level in 2021. The development was due, largely, to an increase of 3.07 mbpd in non-OECD supply, especially from OPEC-member countries, on account of the upward adjustment of production quota from January to October 2022.

Crude oil supply by OPEC averaged 34.2 mbpd in 2022, 7.98 per cent higher than the 31.65 mbpd in 2021. The rise in OPEC supply was driven by the increase in its crude oil portion to 28.68 mbpd in 2022, resulting from the OPEC+ decision to adjust the production level upwards.

Similarly, average world crude oil demand rose, by 2.3 per cent to 99.83 mbpd, from 97.54 mbpd in 2021. The demand from non-OECD countries averaged 53.75 mbpd, representing 53.8 per cent of the total world demand, while OECD countries accounted for the balance. Demand in non-OECD countries was, largely attributed to higher crude oil imports, especially from India. However, the increase in the non-OECD region was partly offset by lower crude oil demand in China, on account of its strict COVID-19 control measures in most months of 2022. Demand in OECD countries was due, mainly, to the higher consumption of diesel and Premium Motor Spirit (PMS) in the region, as demand for the petroleum products recovered to pre-pandemic levels.

Precious Metal Prices

The annual average price of gold rose by 0.2 per cent to US$1,801.93 per ounce from US$1,798.82 per ounce in 2021. The development was due to the heightened inflation concerns and geopolitical tensions, which made gold attractive to investors as a safe haven asset.

In contrast, the annual average prices of platinum and palladium fell by 11.8 per cent and 12.0 per cent to US$959.87 per ounce and US$2,106.26 per ounce in 2022, from US$1,087.92 per ounce and US$2,393.59 per ounce, respectively, in 2021. Falling demand from the automobile industry affected the demand for platinum and palladium, both of which are used in the manufacture of catalytic converters in automobiles.

4.6 MONETARY POLICY STANCE

Monetary policy tightening was maintained throughout the year, as the AEs and EMDEs hiked policy rates to rein-in inflationary pressures. The US Federal Reserve and Bank of England raised policy rates by a cumulative 425 basis points and 340 basis points, respectively, in 2022, to tackle inflationary concerns and widening output gap. The Central Bank of Brazil increased its key policy rate to 13.75 per cent at end-December 2022, from 9.25 per cent at the end of 2021, to fight soaring inflation. The South African Reserve Bank increased its policy rate by 325 basis points, to 7.00 per cent in 2022 from 3.75 per cent, to moderate inflation and encourage capital flows. However, the PBoC had a more accommodative stance with a mix of policy cuts and holding phases during the year, in a bid to strike a balance between shoring up a COVID-19-hit economy and curbing further fall in the yuan. The policy rate was lower in 2022 by 20 basis points.

Table 4.6.1: Monetary Policy Rates of Selected Countries, 2020-2022 (per cent)

Country	2020	2021	2022
United States	0.13	0.25	4.50
Euro Area	0.00	0.00	2.50
United Kingdom	0.10	0.10	3.50
China	3.85	3.85	3.65
Russia	4.25	8.50	7.50
India	4.00	4.00	6.25
Brazil	2.00	9.25	13.75
Indonesia	3.75	3.50	5.50
Chile	0.50	4.00	11.25
South Africa	3.50	3.75	7.00
Kenya	7.00	7.00	8.75

Source: Various Central Bank Websites.

4.7 FISCAL POLICY MEASURES

Fiscal support waned in 2022, as the focus shifted to rein-in inflationary pressures, particularly in countries with limited fiscal space. Fiscal policy remained largely supportive through tax cuts, subsidies, loans, and trade measures to mitigate the impact of high food and energy prices, albeit at a reduced pace. This largely slowed the need for fiscal consolidation post-COVID, and exposed vulnerabilities of economies with high debt servicing costs and foreign-currency-denominated debt, especially considering policy rate increases by many central banks.

5.0 THE DOMESTIC ECONOMY

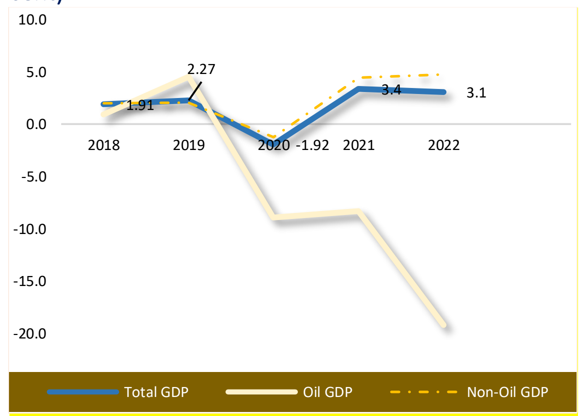
5.1 THE REAL ECONOMY

The economy grew at a softer pace, by 3.1 per cent compared with 3.4 per cent in 2021, driven mainly by a broad-based expansion in the non-oil sector, particularly in the services and agriculture sub-sectors. Despite the drag by the oil sector, growth was achieved on account of increased consumption activities buoyed by sustained monetary and fiscal policy support. Inflationary pressures remained elevated in 2022, owing to high energy and food prices, and supply chain disruptions. As such, headline inflation (year-on-year) surged to 21.34 per cent from 15.63 per cent in 2021.

5.1.1 Domestic Output

Despite significant headwinds, the economy sustained its growth momentum in 2022, on the heels of a broad-based rebound of economic activities in the non-oil sector. Real Gross Domestic Product (GDP) grew by 3.1 per cent to N74.6 trillion in 2022, from N72.4 trillion in 2021. Growth was driven, largely, by improvement in the non-oil sector, which contributed 4.5 percentage points to output growth. However, the oil sector contracted, dragging down overall output growth by 1.4 percentage points.

Figure 5.1. 1: Real GDP Growth Rate 2018-2022 (per cent)



Source: National Bureau of Statistics (NBS).

Output growth was supported by sustained fiscal and monetary policy measures, which spurred consumption by households. Also, higher crude oil prices and normalisation of economic activities since the removal of the COVID-19 related restrictions, contributed to the growth outturn.

Nevertheless, the economy grew at a slower pace compared with the preceding year on account of continued production challenges in the oil sector, higher value shortfall recovery for PMS, supply chain disruptions following the Russia-Ukraine war, and tighter global market financing conditions.

Table 5.1.1: Sectoral[6] Contribution to the Growth Rate of Real GDP (2018-2022) (percentage points)

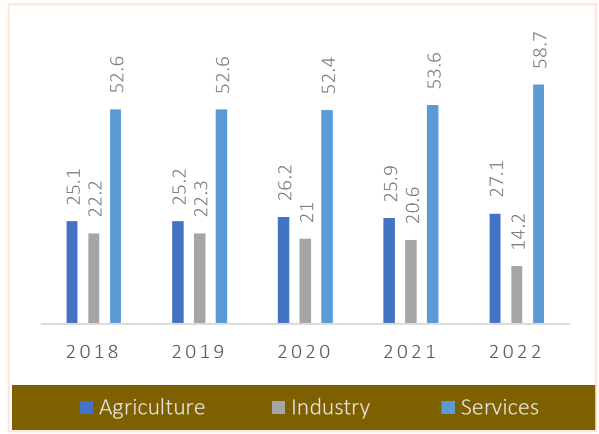
Activity sector	2018	2019	2020	2021	2022
Agriculture	0.5	0.6	0.6	0.6	0.5
Crop Production	*0.5*	*0.6*	*0.5*	*0.5*	*0.5*
Industry	0.3	0.5	-1.3	-0.1	-1.0
Crude Petroleum	*0.1*	*0.4*	*-0.8*	*-0.7*	*-1.4*
Construction	*0.1*	*0.1*	*-0.3*	*0.1*	*0.2*
Service	1.1	1.1	-1.2	2.9	3.6
Trade	*-0.1*	*-0.1*	*-1.4*	*1.3*	*0.8*
Information & Communications	*1.1*	*1.1*	*1.7*	*1.0*	*1.5*
Non-Oil GDP	1.8	1.9	-1.1	4.1	4.5
Total (GDP)	1.9	2.3	-1.9	3.4	3.1

Source: National Bureau of Statistics.

The non-oil sector sustained the growth momentum with a broader-based growth witnessed in 44 activity sectors, from 41 activity sectors in 2021. The sector expanded faster by 4.8 per cent in 2022, compared with a growth rate of 4.4 per cent in the preceding year.

The shares of services and agriculture sectors increased in 2022, indicating higher concentration of economic activities in the sectors. The services sector continued its dominance of economic activities, accounting for 58.7 per cent of aggregate economic activities. This was followed by agriculture sector, which accounted for 27.1 per cent. However, the share of industry sector declined to 14.2 per cent compared with 20.6 per in 2021.

Figure 5.1.2: Sectoral Shares in GDP, 2019-2022 (per cent)



Source: National Bureau of Statistics.

5.1.1. Developments in Economic Sectors

a. Agriculture

The agriculture sector grew at a slower pace in 2022, on account of continued security challenges, floods, and higher fertiliser costs, owing to supply disruptions from the Russia-Ukraine war. The sector grew by 1.9 per cent, on account of continued policy support by the government and development partners to improve productivity in the sector. Crop production (which remained the main driver of growth in agriculture) grew by 2.0 per cent, while forestry, livestock, and fishery grew by 1.6 per cent, 0.6 per cent, and 0.5 per cent, respectively. The increase in construction activities and the rising switch to firewood and charcoal for cooking and heating, given the high prices of cleaner energy products, supported the growth witnessed in the forestry sub-sector. In the fishery subsector, the continued growth in fish farming and industrial (trawling) coastal fish, and shrimp segments, supported its growth, although

[6] The table presents the major sectoral contributors to real GDP growth.

activities in artisanal inland river and lakes catches declined.

The index of agricultural production also corroborated the trend in the agriculture GDP that the sector grew at a slower pace than in the preceding year. The aggregate index stood at 150.5 index points (2010=100), indicating a 1.8 per cent growth relative to 2.1 per cent in 2021. Crop production grew the highest at 2.0 per cent, followed by Forestry at 1.6 per cent, and fishery, 0.7 per cent.

Table 5.1.2: Index of Agricultural Production by Type of Activity (2010=100)

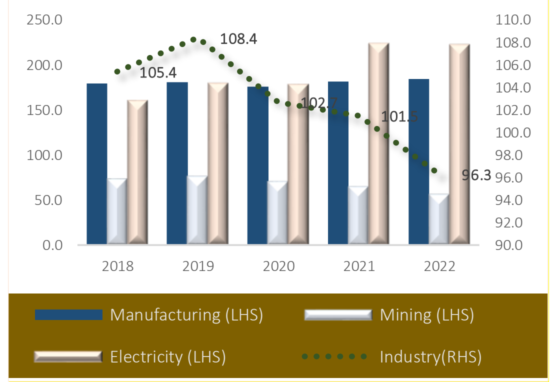
Sub-sector	2018 (1)	2019 (2)	2020 (3)	2021 (4)	2022 (5)	Change (4&5)
Crops	139.3	142.8	146.0	149.4	152.4	2.0
Staples	*140.9*	*144.5*	*146.6*	*149.1*	*151.8*	*1.8*
Other crops	*141.3*	*142.7*	*143.7*	*144.5*	*150.3*	*4.0*
Livestock	128.5	128.7	131.2	132.0	133.8	0.6
Fishery	143.8	148.3	148.7	150.4	151.1	0.5
Forestry	133.4	136.9	139.1	141.1	143.3	1.6
Aggregate	138.3	141.6	144.6	147.7	150.5	1.9

Source: Staff computation based on data from National Bureau of Statistics.

b. Industry Sector

Activities in the industrial sector were lull, partly due to continued production and technical challenges in the oil sector, as well as intermittent disruptions in electricity supply. Consequently, the industry sector contracted further by 4.6 per cent from 0.5 per cent in 2021. The development was corroborated by the 6.7 per cent contraction realised in the average industrial production index at 94.7 (2010=100) points in 2022.

Figure 5.1.4: Index of Industrial Production, (2010=100)

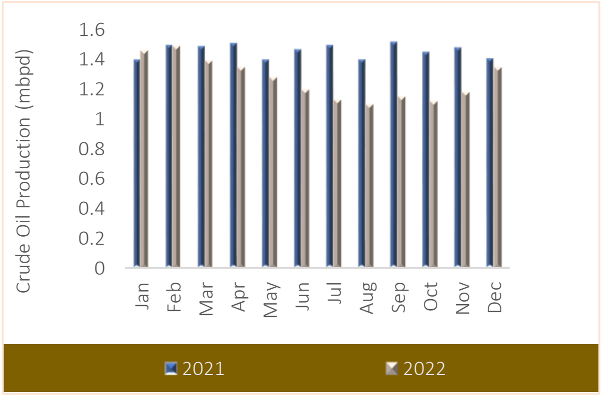


Source: Central Bank of Nigeria.

The contraction in the industrial sector output was on account of the poor performance of the mining and quarrying subsector, which declined by 18.2 per cent. The poor performance of mining and quarrying was driven by the crude petroleum & natural gas sector, which shrunk by 19.2 per cent. The significant decline in the oil sector was on account of continued production and technical challenges, which led to the shut-in of oil wells from fields evacuating crude oil through the Nembe creek Trunk line and, the declaration of force majeures by Shell and Eni on Bonny and Brass terminals.

Consequently, average crude oil production, excluding condensates, was 1.27 million barrels per day (mbpd) or a total annual production of approximately 463.60 million barrels (mb). This represented a decline of 13.01 per cent, below the average production of 1.46 mbpd or 532.90 mb in the preceding year.

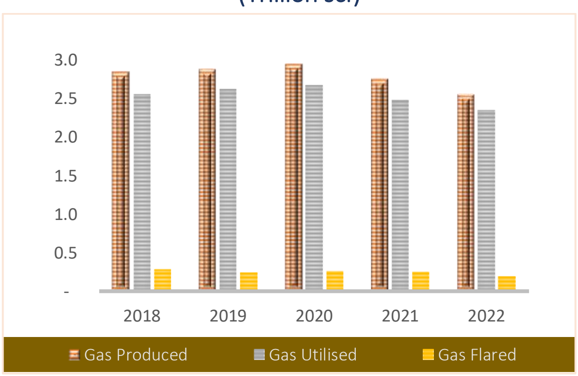
Figure 5.1.5: Bonny Light Crude Production for 2021 and 2022



Source: Refinitiv Eikon (Reuters).

Similarly, gas production and utilisation decreased in 2022, on account of low crude oil production. Total volume of gas produced decreased by 7.4 per cent to 2,542.41 billion cubic feet (bcf), from 2,744.31 bcf in 2021. Of the total gas produced, 2,346.34 bcf, representing 85.5 per cent, was utilised, while the balance was flared.

Figure 5.1.6: Gas Production and Utilisation (Trillion scf)



Source: Nigerian National Petroleum Company (NNPC) Limited.

The solid mineral sub-sector grew by 25.5 per cent compared with 19.7 per cent recorded in 2021, on account of reforms in the sector. Data from the Ministry of Mines and Steel Development revealed that a total of 93.49 million tons of solid minerals were produced in 2022, representing a 0.89 per cent increase, from the 92.66 million tons produced in 2021. Further analysis showed that non-metallic minerals rose by 1.11 per cent to 92.02 million tons with granite increasing, significantly, to 48.80 million tons from 14.35 million tons in 2021. In contrast, carbonaceous minerals, particularly coal, fell by 8.36 per cent to 1.37 million tons, from 1.49 million tons in 2021.

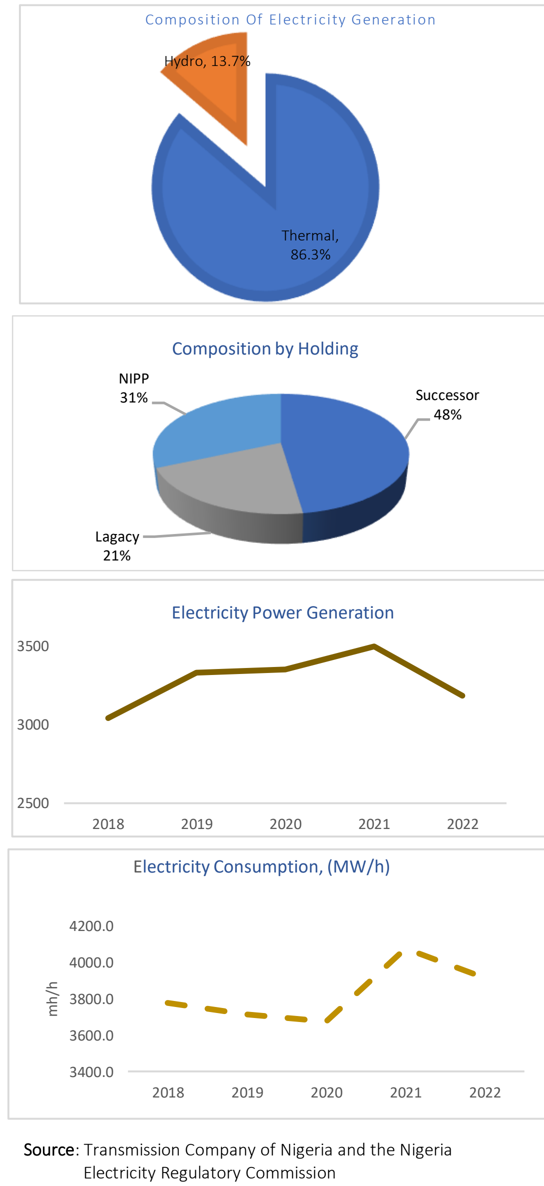
The production of metallic minerals also fell, by 43.60 per cent to 10,179.51 tons, from 18,048.46 tons in the preceding year, with significant decline observed in the production of lead/zinc ore and tin ore to 49,753.01 tons and 2,788.14 tons in 2022, from 87,048.87 tons and 24,873.47 tons, respectively, in the preceding year. The decline was due to illegal mining activities during the year.

Public utilities sub-sector grew by 2.6 per cent on account of continued investments in public water facilities by the government and development partners. Within the subsector, water supply, sewage & waste management subsector grew by 13.6 per cent, while activities in the electricity, gas steam & air conditioner subsector contracted by 2.2 per cent in 2022.

The average electricity generation decreased by 5.6 per cent to 3,916.46 MW/h, from 4,078.26 MW/h in 2021, due to the vandalism of transmission and distribution networks, recurring technical faults, reduction in gas supply, and low water level. This was despite the increase in installed[7] electricity generation capacity, which rose marginally by 0.2 per cent to 14,906.4 MW, from 14,873.4 MW in 2021.

Similarly, the average electricity consumption decreased, by 8.9 per cent to 3,182.16 MW/h, from 3,494.94 MW/h in 2021. The decrease in electricity consumption was on account of the shutdown of transmission and distribution infrastructure, due to the frequent upgrade and maintenance of the networks across the country, while energy loss moderated to 7.9 per cent in 2022 from 14.0 per cent in 2021.

Figure 5.1.7: Selected Electricity Based Indicators



Source: Transmission Company of Nigeria and the Nigerian Electricity Regulatory Commission.

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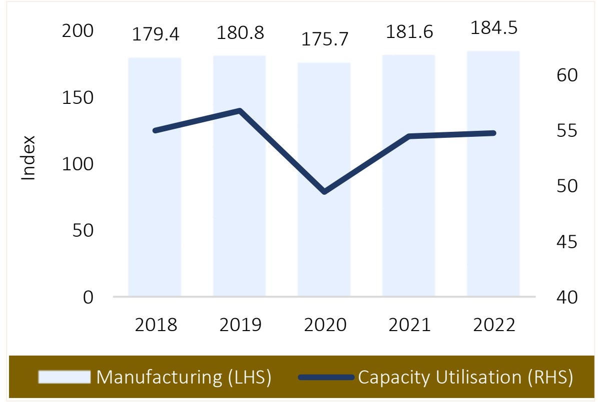
[7] A disaggregation of the installed capacity shows that hydro and thermal energy sources constituted 13.7 per cent and 86.3 per cent, respectively.

Efforts to improve the adoption and use of renewable energy was also deepened, as the Rural Electrification Agency (REA) sustained its ongoing and completed projects under the Rural Electrification Fund (REF), the Capital Project (CP), and the Nigerian Electrification Project (NEP).

The total number of off-grid solar power projects (REF, CP, and NEP) in 2022 deployed and ongoing were 126 and 305 projects, respectively, while the total installed and available capacity of the off-grid solar power - installed and ongoing - were 22,991.72 KW and 4,025 KW, respectively. Also, the total number of existing connections to the mini-grid and solar home system completed and ongoing were 636,493 and 365,651, respectively.

The manufacturing sub-sector grew on account of strong domestic demand, as well as continued fiscal and monetary policy measures, which buoyed capacity utilisation. The sub-sector grew by 2.5 per cent from 3.4 per cent recorded in the preceding year. This performance was corroborated by the index of manufacturing production, which rose by 2.9 per cent to 184.5 index points from 181.6 index points in 2021. The average estimated capacity utilisation increased, as manufacturers sustained production due to rise in new orders, arising from increased consumer demand. The estimated average manufacturing capacity utilisation increased by 0.3 percentage point to 54.8 per cent, from 54.5 per cent in 2021.

Figure 5.1.8: Index of Manufacturing Production



Source: Staff estimate.

The construction subsector grew by 4.5 per cent owing to investments by the government and the private sector, reflecting the continued implementation of the Infrastructure for Tax Credit Scheme (Executive Order 007).

c. Services Sector

The services sector had the largest contribution to output growth, reflecting sustained improvements in demand since the removal of the COVID-19 induced restrictions, amid investments by public and private sectors to improve the business environment. The sector grew by 6.7 per cent, compared with 5.6 per cent in the preceding year. Within the services sector, the finance & insurance subsector grew fastest at 16.4 per cent, reflecting increased credit by financial institutions, owing to increased economic activities and the sustained implementation of the loan-to-deposit ratio policy of the Bank.

The transportation & storage subsector grew on the back of increased economic activities amid continued institutional support. The sub-sector grew by 15.2 per cent, contributing 0.2 percentage point to overall output growth. A further analysis shows that road, rail, water, and air transport grew by 15.1 per cent, 2.2 per cent, 14.1 per cent, and 26.2 per cent, respectively, in 2022, compared with their growth rates of 17.1 per cent, 37.0 per cent, 7.8 per cent, and 19.7 per cent, respectively, in 2021.

The lower growth of rail services was occasioned by the security challenges on some railway routes, which led to an eight-month suspension of rail transport services on the Abuja-Kaduna rail line from March 2022. Consequently, passengers transported via rail declined, by 5.5 per cent to 3,211,864, from 3,399,902 in 2021. Also, freight volume declined, by 17.9 per cent to 138,168 tons, from 168,359 tons in the preceding year.

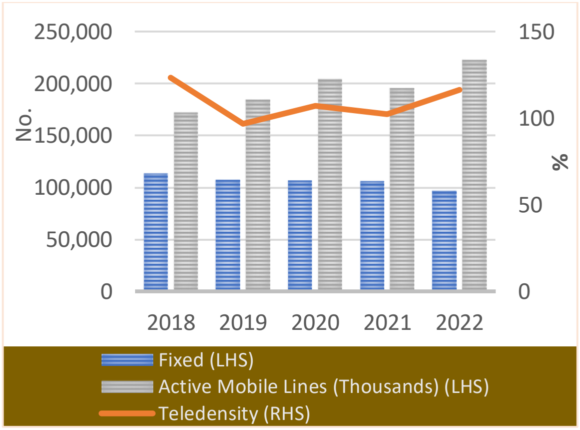
Despite the harsh operating environment for domestic airlines on account of increased cost and aviation fuel and foreign exchange challenges, air transport grew, as the number of passengers airlifted in the country increased by 2.4 per cent to 17,325,423, from 16,912,044 in 2021. The development reflected the increase in the number of international bound passengers, which surged by 56.7 per cent to 3,627,305 in 2022. This contrasted with the observed 6.2 per cent decline in the number of domestic bound passengers, which stood at 13,698,118 passengers in 2022. Of the total number of passengers airlifted in 2022, 79 per cent travelled within the country. However, the number of aircraft movements declined by 5.8 per cent to 269,469 aircraft movements in 2022, due, largely to the 9.3 per cent decline in the number of domestic bound aircraft movements to 229,918. Similarly, the number of cargo movements by air transport declined, by 29 per cent to 154.6 million kg in 2022, while mail movements increased to 76.2 million kg from 74 million kg in 2021.

Also, marine transport grew on account of increased business activities as reflected in higher ship traffic at the nation's ports. Consequently, a total of 4,100 ocean going vessels berthed at the Nigerian ports, compared with 3,957 vessels in 2021. Cargo throughput stood at 79.9 million metric tons in the same period, compared with 75.3 million metric tons recorded in 2021.

Furthermore, the ICT sub-sector grew, due to the continued investment in the sub-sector, licensing and deployment of the 5G broadband network in the country, as well as increase in the demand for ICT services. The sub-sector grew by 9.8 per cent in 2022, exceeding the 6.6 per cent growth in the preceding year. The sub-sector was also the largest driver of overall growth, accounting for about half (1.5 percentage points) of realised growth in 2022. Specifically, the number of active telephone lines increased by 13.87 per cent to 222.6 million at end-December 2022, compared with 195.5 million at end-December 2021. Teledensity also rose, to 116.60 lines per 100 inhabitants at end-December 2022, from 102.40 lines per 100 inhabitants at end-December 2021.

The number of internet users also increased, to 154.8 million at end-December 2022, compared with 143.6 million at end-December 2021. This was due, largely, to the increase in online trading, social, and entertainment activities. Broadband internet penetration also rose to 47.36 per cent at end-December 2022, compared with 40.88 per cent at end-December 2021, inching closer to the country's set target of 70.0 per cent broadband penetration by 2025.

Figure 5.1.9: Fixed Wired, Teledensity and Active Mobile Lines



Source: Nigerian Communication Commission.

Further analysis indicates that the wireless Global System for Mobile (GSM) communication segment continued to dominate market share, accounting for 154.3 million lines in the telecom sub-sector at end-December 2022, while the number of Fixed Wired and VoIP stood at 15,904 and 349,814, respectively. Among the GSM networks, Mobile Telecommunications Network (MTN) had the largest share of the market with approximately 65.6 million subscribers, higher than the 58.8 million active subscribers in the corresponding period of 2021. This was followed by Globacom with 43.1 million, compared with 39.5 million subscribers in 2021, and Airtel with 41.2 million, higher than the 37.5 million subscribers in the corresponding period of 2021. However, 9mobile recorded a decrease in active subscribers to 4.4 million, compared with 5.8 million in 2021.

The social services sub-sector grew, though at a slower pace, mainly on account of the long disruption in the education sector. Despite the removal of the COVID-19 induced restrictions and suspension of an eight-month industrial action by the Academic Staff Union of Universities (ASUU), the education sub sector output grew slower, by 1.4 per cent in 2022, from 1.8 per cent in 2021. The government also sustained efforts to improve access to tertiary education by granting approvals for the establishment of additional private universities and the conversion of selected colleges of education and polytechnic to universities.

The human health subsector remained resilient following continued Federal Government support and proactive strategies by health authorities. Health sector output grew by 4.2 per cent, compared with a growth of 4.9 per cent in 2021, on account of sustained government support. Consequently, vital health performance measures such as immunisation rate across various categories tendered upwards. In this regard, 60.6 per cent of one year old children were fully immunised compared to 57.5 per cent in 2021.

Similarly, the Nigeria Centre for Disease Control (NCDC), and the Federal Government continued periodic surveillance to manage the spread of COVID-19 infections. This led to a significant decline in the number of confirmed cases. For instance, the number of confirmed cases fell markedly to 24,210 cases, from 154,734 cases in 2021. Also, death tolls arising from the pandemic fell significantly to 124, from 1,742 incidences in the preceding year.

In addition, data from the National Primary Health Care Development Agency (NPHCDA) showed that at end-December 2022, 56.6 per cent of the target population had been fully vaccinated against the COVID-19 infection, compared with 4.0 per cent in the corresponding period of 2021. The partially vaccinated population stood at 11.0 per cent, as against 9.2 per cent at end-December 2021. Following the continued vaccination drive and recommendations from the NCDC, the Federal Government lifted the nationwide COVID-19 restrictions imposed in 2020. Also, the formal restrictions on movement within the country and all limitations on air travels were lifted.

Other subsectors within the services sector that grew at a faster pace in 2022 include: Trade (5.1 per cent); Arts, Entertainment & Recreation (4.3 per cent); and Accommodation and Food services (4.2 per cent).

Table 5.1.3: Sectoral Growth Rates of Real GDP (2018-2022) (per cent)

Activity Sector	2018	2019	2020	2021	2022
Agriculture	**2.1**	**2.4**	**2.2**	**2.1**	**1.9**
Crop Production	*2.3*	*2.5*	*2.2*	*2.3*	*2.0*
Livestock	*0.3*	*0.2*	*1.9*	*0.6*	*0.6*
Forestry	*3.1*	*2.6*	*1.6*	*1.4*	*1.6*
Fishery	*1.6*	*3.3*	*0.3*	*1.2*	*0.5*
Industry	**1.6**	**2.3**	**-5.9**	**-0.5**	**-4.6**
Mining & Quarrying	*1.1*	*4.4*	*-8.5*	*-7.8*	*-18.2*
Crude Petroleum	*1.0*	*4.6*	*-8.9*	*-8.3*	*-19.2*
Solid Minerals	*10.1*	*-5.0*	*15.7*	*19.7*	*25.5*
Utilities	*7.3*	*-1.9*	*-0.8*	*24.6*	*2.6*
Manufacturing	*2.1*	*0.8*	*-2.8*	*3.4*	*2.5*
Construction	*2.3*	*1.8*	*-7.7*	*3.1*	*4.5*
Services	**1.8**	**2.2**	**-2.2**	**5.6**	**6.7**
Trade	*-0.6*	*-0.4*	*-8.5*	*8.6*	*5.1*
Transport and Storage	*13.9*	*10.7*	*-22.3*	*16.3*	*15.2*
Information and Communications	*9.7*	*9.2*	*13.2*	*6.6*	*9.8*
Accommodation & Food Services	*1.8*	*2.9*	*-17.8*	*-0.5*	*4.2*
Finance and Insurance	*2*	*2.6*	*9.4*	*10.1*	*16.4*
Real Estate	*-4.7*	*-2.4*	*-9.2*	*2.3*	*4.0*
Human Health & Social Services	*-0.3*	*0.3*	*2.2*	*4.9*	*4.2*
Total (GDP)	**1.9**	**2.3**	**-1.9**	**3.4**	**3.1**
Oil GDP	1.0	4.6	-8.9	-8.3	-19.2
Non-Oil GDP	2.0	2.1	-1.3	4.4	4.8

Source: National Bureau of Statistics.

5.1.2 Policy Support in the Real Sector

a. Agriculture

The Federal Government approved the Phase II of the National Sugar Master Plan, aimed at making Nigeria self-sufficient in sugar production, as well as saving US$350.00 million annually from import bills and creating 10,000 new jobs. Sub-national governments also sustained efforts to improve agriculture in their states. The support largely involved the distribution of crop seedlings like wheat, tomato, palm oil, and cocoa, as well as other inputs by the Sokoto and the Ondo states governments.

In addition, the development partners, the Food and Agriculture Organisation (FAO), the United States of America and governmental & non-governmental organisations, supported smallholder farmers with inputs such as seeds and fertilisers. Small holder farmers also benefited from various training programmes to improve productivity.

To further boost livestock production and control the frequent farmer-herder clashes across the country, the Federal Government commenced the National Pasture Development Programme (NAPDEP) at the Paikon Kore Grazing Reserve, Gwagwalada Area Council of the FCT. Similarly, the Federal Government, in collaboration with the Yobe State Government, constructed three livestock development centres across the three (3) senatorial districts of the State, covering a total of 332,600 hectares of land.

In the Fisheries sub-sector, the European Union supported Nigeria with the sum of US$1.4 billion to finance fish and wastewater projects. The funding was expected to support about 60 projects through 2027.

b. Industry

To improve the demand and encourage patronage of domestically produced automobiles, boost activities, and create jobs, the Federal Government, through the National Automotive Design and Development Council (NADDC), initiated a ₦200.00 billion vehicle financing scheme for the purchase of new vehicles.

The Central Bank of Nigeria, in collaboration with the African Export-Import Bank and Deutsche Gesellschaft fur international Zusammenarbeit (GIZ), initiated a 'factoring' programme as an alternative financing instrument for micro, small, and medium enterprises. This is expected to increase MSMEs' contribution to GDP, create employment opportunities, and improve access to international markets.

Similarly, the Nigeria Start Up Bill was signed into law by the President to encourage both local and foreign investment in the country. The Bill would govern how start-ups and regulatory bodies operate, thereby creating an enabling environment for Nigerian start-ups to launch and scale their products without setbacks.

Furthermore, as part of Federal Government's effort to improve the quality of electricity supply, a €25.00 million grant agreement was signed between the Nigerian government and the French Development Agency (AFD). The funding would provide more than 800 km of 330 kV double circuit transmission line and upgrade substations, thereby strengthening the power grid across the North-western zone.

Also, electricity supply to rural communities in the country received a boost with a €9.30 million Interconnected Mini-grid Acceleration Scheme (IMAS) grant agreement, signed between the Federal government and eight indigenous Solar Mini-grid developers. The scheme is expected to generate a 5.4-kilowatt peak to connect about 27,600 households, and impact over 138,000 Nigerians in two years.

b.2. The Extractive Industry:

i. Crude Oil

The Nigerian National Petroleum Company (NNPC) Limited was officially unveiled, marking the formal transformation of the previously state-run oil corporation into a Limited Liability Company, in line with the provisions of the Petroleum Industry Act (2021). In addition, the Federal government concessioned the surveillance of petroleum products' pipelines to private security outfits to address the issue of vandalism of the asset.

To increase crude oil output in the country, crude oil exploration was flagged-off in Northern Nigeria, following the discovery of the commodity in commercial quantity. The well, located on the boundary of Bauchi and Gombe States, has over 1 billion barrels of crude oil reserve and 500 billion standard cubic feet of gas. The well would be expected to produce 50,000 barrels of crude per day.

In response to the transportation challenges associated with the distribution of Premium Motor Spirit (PMS) across the country, the Federal government approved a 25.0 per cent increase in freight rate for petroleum products, raising it to ₦11.87 per litre from ₦9.50 per litre.

ii. Natural Gas

To deepen gas penetration across the nation, an Energy Park consisting of a modular refinery, power plants, gas plants, and a data center was unveiled in Egbokor, Edo State. The Facility, which is owned by Duport Midstream Company Limited (DMCL), would be financed by First City Monument Bank (FCMB) Limited. The Park hosts a

10,000 barrels per day refinery, a 60 million standard cubic feet (scf) gas processing facility, a 10 million scf compressed natural gas (CNG) facility, a 50-megawatt power plant, and a data center.

In addition, the Nigerian Liquefied Natural Gas Limited (NLNG) commenced the supply of 100.0 per cent of the company's Liquefied Petroleum Gas (LPG) production (propane and butane), which is about 400,000 metric tons, to the domestic market. This would meet approximately 40.0 per cent of the country's LPG demand, which stood at 1.04 million metric tons in 2021.

iii. Solid Minerals

Advanced exploration and mining of gold, silver, and lead commenced in Baba Tsauni area of Gwagwalada, Federal Capital Territory (FCT). The development is expected to boost non-oil revenue and create more employment opportunities.

The Ministry of Mines and Steel Development facilitated a partnership between Dukia Gold and Philoro Global Trading Company, to produce world class gold bars and coins. This would ensure that locally mined gold, refined and traded by Dukia Gold, meets international standards set by the Organisation for Economic Co-operation and Development (OECD) and the London Bullion Market Association (LBMA).

Also, the Nigerian Mining Cadastre Office (NMCO) launched the Electronic Mining Cadastral Plus (eMC+) platform to enhance the digital administration and management of mineral titles in the country. With the launch of the eMC+ platform, it is expected that the mining licence application system would become more transparent, and information accessible to both current and potential investors in the mining subsector.

c. Services

c.1. Transport

Road Transport

The government sustained the implementation of the Road Infrastructure Development and Refurbishment Investment Tax Credit (RITC) Scheme, which was introduced in 2019. The Scheme helped to bridge the infrastructure financing gap through public-private sector partnerships.

Furthermore, the Federal Government continued to leverage on the Sovereign Sukuk investment instrument to fund the construction and rehabilitation of critical road infrastructure across the country. Consequently, three government outfits – Ministry of Works and Housing, Ministry of Federal Capital Territory, and the Ministry of Niger Delta Affairs – were allocated Sukuk proceeds of ₦250.0 billion for the construction and completion of major road projects under their purview across the country.

The completed Nigeria-Cameroon border bridge and joint border post was commissioned as part of the ongoing Nigeria-Cameroon Multinational Highway Transport Facilitation Programme.

Air Transport

In a bid to improve operational efficiency and build resilience against adverse economic shocks, six domestic airlines formed an interline alliance to mutually provide technical support among themselves. The airlines include Air Peace, Azman Air, United Nigeria Airline, Arik Air, Aero Contractors, and Max Air.

To strengthen ties, improve operations, and maximise gains in the industry, the Federal Government approved a Bilateral Air Service Agreement (BASA) with Canada. The agreement covers mutual sharing of rights and privileges between the two countries in critical areas of aviation, such as safety standard certificates and licences, security, capacity building and consultations, custom duties and other charges, availability of aviation facilities and services, among others.

Prospects for the operationalisation of the proposed national carrier received a boost as the Federal Government approved the lease of three aircrafts from Airbus and Boeing. Also, the proposed national carrier received the Air Transport Licence (ATL) from the Nigerian Civil Aviation Authority (NCAA), to provide scheduled and non-scheduled flight services to various destinations.

The domestic aviation industry was further deepened, with the entrance of a new airline, ValueJet. The airline commenced commercial operations with daily flights to Abuja, Port Harcourt, Asaba, and Jos.

Rail Transport

The FEC approved US$328.87 million for Railway Consultancy Supervision Services nationwide to ensure operational efficiency in delivering standard rail services. The contracts were approved for consultancy services for the supervision of the various railway projects in the country, for a period of 36 months. It covers the following rail projects; Abuja to Warri rail project, Port Harcourt to Maiduguri railway, and Kano-Katsina-Jibia-Maradi Rail-line.

To diversify the mode of transport in Lagos through increased use of rail transport services, the Lagos State Government completed the first phase of the Lagos Blue Line rail service. The Blue line is part of the proposed Lagos integrated transport system, spanning a 27km distance from Marina, Iganmu, Mile 2, Alaba, and Okokomaiko. The completed phase covers 13km of rail tracks and is projected to transport about 250,000 passengers daily.

Water Transport

Maritime security architecture was bolstered on account of the acquisition of special mission vessels, interceptor boats, special mission aircraft and helicopters as well as unmanned aerial vehicles and armoured vehicles to enhance maritime surveillance.

The first phase of the Lekki Port, Nigeria's first deep seaport, was completed and expected to commence full operations by the first half of 2023. The Port is envisaged to help in decongesting the Lagos main port and facilitate trade.

The Nigerian Maritime Administration and Safety Agency (NIMASA) renewed its Memorandum of Understanding (MoU) with the World Maritime University (WMU), Malmo, Sweden. The collaboration is expected to advance the growth of Nigeria's maritime sector, while addressing the changing needs of the industry based on sustainable capacity development.

c.2. Information and Communications Technology

To support the growth and development of the ICT sector, the Federal Government approved ₦17.40 billion for the provision of broadband infrastructure for micro, small and medium enterprises as well as institutions of higher learning across the six geo-political zones. The project also includes the supply of IT communication equipment and furniture for communication centres by the Ministry of Communications and Digital Economy.

The Nigerian Communications Commission (NCC) provided ₦232.00 million as telecommunications research and development grant to 16 Nigerian universities. The grant would fund research in five emerging technology areas. The areas include: 5G Deployment; Innovative Clean Energy; Advanced Method of Quality of Service (QoS)/Quality of Experience Management and Test Mechanism; IoT Low Power Wide Area Network (LPWAN) Technology; and Monitoring and Localising of Drones. The grant consists of three professional chair endowments of ₦20.00 million each, and ₦17.02 million to 13 universities for research projects.

To deepen internet penetration in the country, the NCC offered two slots in the 3.5 gigahertz (GHz) spectrum band for the deployment of the fifth generation (5G) network to MTN Nigeria and Mafab Communications Limited in February 2022.

The NCC also granted operational licence to Starlink to provide internet service in Nigeria. The Low Earth Orbit satellite network has the potential to provide high-speed and low-latency broadband internet access. The deployment of the service would help to achieve a near 100 per cent penetration in the country.

c.3. Education

To incentivise and motivate academic staff in the teaching profession, the President signed into law, a Bill increasing the retirement age and the service years of teachers to 65 years, from 60 years, and extended their period of service from 35 to 40 years. The law also introduced bursary awards, special rural posting allowances, and other items that will encourage brilliant Nigerians to take up teaching jobs.

To increase access to tertiary education, the Federal Government approved the issuance of provisional licences for the establishment of 12 private universities and three new federal polytechnics located in Umunnoechi in Abia State, Orogun in Delta State, and Kabo in Kano State.

Efforts to improve the quality of skilled manpower in the aviation sector received a boost as the Federal Government established a Pan-African university, known as the African Aviation Aerospace University. The University, which would be an aviation specialised school, would offer two courses (BSc Aviation Business and BSc Meteorology), for both online and on-site students.

Furthermore, the United States launched a US$48.80 million investment in Nigeria's education sector tagged 'Leveraging Education Assistance Resources in Nigeria (LEARN) Read Activity'. The programme encourages school children and youths to gain foundational skills, such as literacy and numeracy.

c.4. Health

To deepen health insurance services, the President signed the National Health Insurance Authority Bill, 2022, into law, which repealed the National Health Insurance Scheme Act, 2004. The law would strengthen state governments' health insurance schemes by empowering them to accredit primary and secondary healthcare facilities, and ensure the enrolment of more Nigerians in the Scheme.

The country received 3.2 million Pfizer COVID-19 vaccines from the United States; 859,600 doses of AstraZeneca vaccines from the Japanese Government; and 4.4 million doses of Johnson & Johnson COVID-19 vaccines from Spain in 2022.

c.5. Housing and Urban Development

The Federal Government enacted regulations allowing citizens to access their pension contributions for residential mortgages. These regulations permit an eligible retirement savings account (RSA) holder to apply for 25.0 per cent of the total RSA balance to fund equity contribution for residential mortgage.

c.6. Employment and Job Creation

The Government approved the opening of an employment and job creation portal called the Nigerian Labour Exchange (NILEX). The platform would take records of job vacancies and skills of job seekers in the country and in the Diaspora.

Furthermore, the Federal Government set up a ₦10.00 billion Investment Fund for young innovators and made provision for incentives and tax holidays to encourage local innovators. The Fund is expected to deepen innovation by providing a legal and strategic framework for innovators to make contributions in the country.

c.7. Social Intervention

As part of efforts towards poverty eradication and sustenance of the National Social Investment Programme (NSIP), the Federal Government, in collaboration with the CBN, flagged off the N-Power/CBN Empowerment Scheme, also called the NEXIT/CBN Agri-Business Small and Medium Enterprises Investment Scheme (AGSMEIS), for exited N-Power beneficiaries. Consequently, out of the over 400,000 trainees, 75,600 were shortlisted to participate in the first phase of the orientation programme and eligible to access loans of up to ₦3.00 million from the CBN.

c.8. Environment

The United Nations Children's Emergency Fund (UNICEF) and the Nigeria Red Cross disbursed a total sum of ₦175.00 million to 5,000 households in three LGAs in Kaduna State, as part of measures to mitigate the impact of flood in 2022. Similarly, the United Nations released the sum of US$10.50 million to help people affected and left vulnerable by floods across the country, including those already ravaged by insurgency in the North-East.

To tackle the negative impact of climate change, the Bank of Industry (BoI) signed a pact with the French Development Agency (AFD) for a 100-million-euro 10-year credit facility, to expand green project financing in Nigeria and promote climate smart agricultural technologies. The Project is under the AFD’s Transforming Financial Systems for Climate (TFSC) Programme with the Green Climate Fund (GCF).

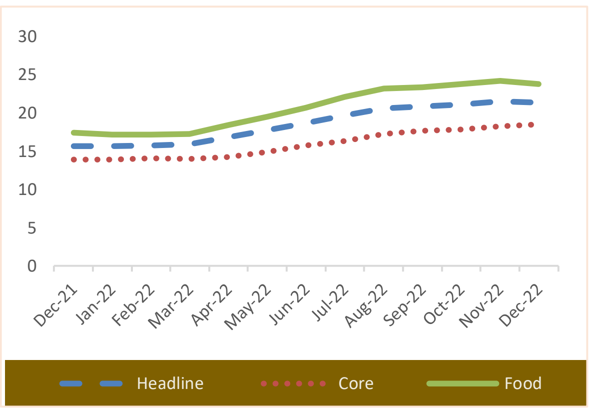
In addition, the World Bank, in partnership with the Federal Ministries of Environment, Agriculture & Rural Development, and Water Resources, established the Agro-Climatic Resilience in Semi-Arid Landscapes (ACReSAL) project to restore one million hectares of degraded land in Northern Nigeria. The Project, with a proposed financing of US$700.0 million and implementation period of six years, was in continuation of the elapsed Nigeria

Erosion and Watershed Management Project (NEWMAP).

5.1.2 Consumer Prices

Inflationary pressures remained elevated in 2022, due to high energy and food prices, occasioned by supply chain disruptions. Headline inflation, year-on-year (y-o-y) in 2022, rose consistently and ended the year at 21.34 per cent, reversing the declines recorded in the preceding year. The rate rose from 15.60 per cent in January to 15.92 per cent in March. It rose further to 18.60 per cent in June, 20.77 per cent in September, and 21.34 per cent in December 2022. The development mirrored changes in food prices, which was the major driver of headline inflation.

Figure 5.1.2.1: Trends in Inflation (y-o-y) (per cent)



Source: National Bureau of Statistics.

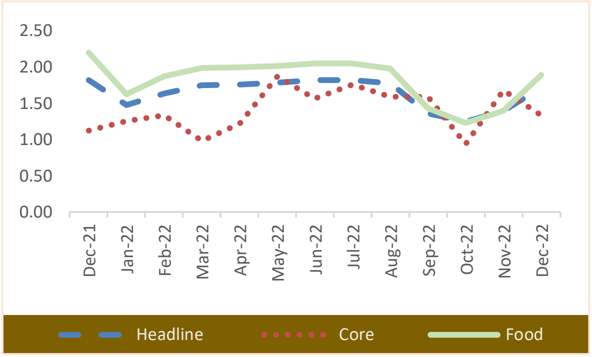
Cost-push factors such as the effect of scarcity and high prices of petroleum products, pass-through effect from higher global inflation, foreign exchange constraints, and continued security challenges - with disruptions to transport and business activities, pushed up core inflation in 2022. Sustained increases were observed from 13.87 per cent in January to 13.91 per cent in March and 15.75 per cent in June. It rose further to 17.60 per cent in September and 18.49 per cent in December.

Food inflation rose consistently throughout the year, except in February and December. The rate surged to 23.75 per cent in 2022, compared with 17.37 per cent in the preceding year. Food prices surged from 17.13 per cent in January to 17.20 per cent in March, 20.60 per cent in June, and 23.34 per cent in September. It rose further to 24.13 per cent in November, before moderating marginally to 23.75 per cent in December 2022.

Marked increases were observed in the prices of processed food and farm produce, as well as imported food. Commodities such as garri, meat, yam, and fish, recorded the highest price increases during the year. Price developments were influenced, largely, by higher input costs following elevated energy and fertiliser prices; floods that devastated farmlands, food processing companies and market routes; and continued security challenges, which restrained farming activities.

To rein in inflation, the Bank, like most central banks, hiked the policy rate four consecutive times in 2022 to 16.50 per cent from 11.50 per cent. The hikes helped to slow the inflation spiral and anchor market expectations, as reflected in the month-on-month inflation rate. Headline inflation on a month-on-month basis, decelerated to 1.71 per cent in December 2022, from 1.82 per cent in December 2021. The price pressures moderated from July, in response to the contractionary monetary policy stance, which started in May.

Figure 5.1.2.2: Trends in Inflation (m-o-m) (per cent)



Source: National Bureau of Statistics.

Agricultural Prices

The prices of all monitored agricultural commodities maintained an upward trend, largely, on the back of persistent security challenges, increased cost of inputs such as energy and fertiliser, floods, high transportation cost and logistics. The prices of all the commodities monitored increased, relative to 2021. The highest increases were recorded for edible oils - groundnut oil, vegetable oil, and palm oil at 39.3 per cent, 37.9 per cent, and 37.1 per cent, respectively. In contrast, garri (yellow and white sold loose) had the least price increase at 9.4 per cent and 8.4 per cent, respectively.

Table 5.1.2.1: Prices of Selected Domestic Agricultural Commodities

		2018	2019	2020	2021	2022	% Change	% Change
	UNIT	1	2	3	4	5	(3) & (5)	(4) & (5)
Agric eggs medium size	*1kg*	*497.52*	*466.04*	*474.29*	*569.17*	*719.25*	*51.6*	*26.4*
Beans: brown, sold loose	*"*	*401.82*	*339.57*	*299.19*	*440.37*	*544.76*	*82.1*	*23.7*
Beans: white black eye, sold loose	*"*	*356.10*	*306.96*	*272.73*	*414.96*	*527.64*	*93.5*	*27.2*
Gari white, sold loose	*"*	*201.96*	*159.03*	*207.69*	*294.00*	*318.60*	*53.4*	*8.4*
Gari yellow, sold loose	*"*	*244.34*	*176.68*	*234.55*	*316.55*	*346.32*	*47.7*	*9.4*
Groundnut oil: 1 bottle, specify bottle	*"*	*590.04*	*570.69*	*616.72*	*769.17*	*1071.10*	*73.7*	*39.3*
Irish potato	*"*	*287.68*	*279.57*	*310.32*	*353.85*	*475.54*	*53.2*	*34.4*
Maize grain white, sold loose	*"*	*181.83*	*146.94*	*179.26*	*253.36*	*305.39*	*70.4*	*20.5*
Maize grain yellow, sold loose	*"*	*186.39*	*149.22*	*181.02*	*257.24*	*306.78*	*69.5*	*19.3*
Onion bulb	*"*	*247.89*	*223.02*	*260.30*	*314.83*	*397.76*	*52.8*	*26.3*
Palm oil: 1 bottle, specify bottle	*"*	*494.10*	*461.60*	*489.10*	*651.70*	*893.75*	*82.7*	*37.1*
Rice agric, sold loose	*"*	*325.69*	*331.17*	*407.13*	*456.40*	*526.59*	*29.3*	*15.4*
Rice local, sold loose	*"*	*279.53*	*292.47*	*363.35*	*406.47*	*463.37*	*27.5*	*14.0*
Rice, medium grained	*"*	*318.81*	*327.38*	*406.90*	*454.03*	*516.18*	*26.9*	*13.7*
Rice, imported high quality, sold loose	*"*	*370.34*	*377.99*	*490.85*	*551.31*	*643.61*	*31.1*	*16.7*
Sweet potato	*"*	*145.63*	*139.92*	*158.95*	*180.42*	*244.13*	*53.6*	*35.3*
Tomato	*"*	*299.51*	*241.54*	*283.23*	*329.17*	*428.13*	*51.2*	*30.1*
Vegetable oil: 1 bottle, specify bottle	*"*	*540.97*	*501.68*	*572.18*	*748.57*	*1032.30*	*80.4*	*37.9*
Wheat flour: prepackaged (Golden Penny)	*2kg*	*656.52*	*668.83*	*709.63*	*840.49*	*1088.79*	*53.4*	*29.5*
Yam tuber	*1kg*	*260.56*	*198.34*	*231.42*	*285.25*	*382.60*	*65.3*	*34.1*

Sources: Staff computation based on data from National Bureau of Statistics

Source: National Bureau of Statistics.

6.0 FISCAL POLICY & DEVELOPMENTS

Fiscal policy in 2022 was, largely, influenced by the Russia-Ukraine war and the lingering effects of the COVID-19 pandemic, which impeded revenue outcomes. This necessitated additional supplementary budget spending, and new borrowings to bridge the financing gap. Thus, the fiscal operations of the three tiers of government (general government) resulted in a provisional deficit of 5.2 per cent of GDP. The consolidated public debt at 22.9 per cent of GDP at end-December 2022, was within the 40.0 per cent debt-GDP threshold.

6.1 FISCAL POLICY THRUST IN 2022

Fiscal policy in 2022 was aimed at attaining macroeconomic stability, food security, energy sufficiency, and job creation. Thus, the FGN budget, tagged ***'Budget of Economic Growth and Sustainability'***, was reflective of the medium-term expenditure framework and fiscal strategy paper, the Finance Act 2021, and the Strategic Revenue Growth Initiatives (SRGIs). Collectively, they provided the supporting framework for the implementation of reforms in the 2022 budget to boost revenue collection, curtail wastages and promote efficiency in spending.

MNDP 2021-2025 and SRGIs

- ***Medium Term National Development Plan 2021-2025*** *is a multisectoral strategy to achieve: accelerated growth; economic diversification; investment in critical infrastructure; strengthened security; and good governance.*
- ***Strategic Revenue Growth Initiatives*** *embodies major tax reforms (conveyed in the 2021 Finance Act) to enhance public financial management and diversify government revenue base.*

MTEF/FSP 2022-2024, MTDS 2020-2023

- ***Medium Term Expenditure Framework and Fiscal Strategy Papers 2022-2024:*** *Highlights the macroeconomic objectives of the government in 2022-2024; with broad objectives of accelerated economic growth, job creation, structural transformation, poverty reduction, and lower income inequality.*
- ***Medium Term Debt Strategy 2020-2023:*** *States the borrowing plan of the FGN in the medium term including: setting limits on public debt and optimising government's debt portfolio mix, based on costs and risk tradeoffs.*

•2022 FGN Budget and the Finance Act 2021

- ***The 2022 FGN Budget*** *was anchored on the MTEF/FSP 2022-2024 and MTDS 2020-2023, to accelerate the pace of economic recovery, social inclusion, and deliver on the goals of the National Economic Sustainability Plan and the Medium Term National Development Plan (2021-2025).*
- ***The highlights of the Finance Act, as initiatives under the SRGIs include to:*** *raise revenues; support fiscal equity; align domestic tax laws with global best practices; and support MSMEs with the ease of doing business reforms.*

6.2. FEDERATION REVENUE

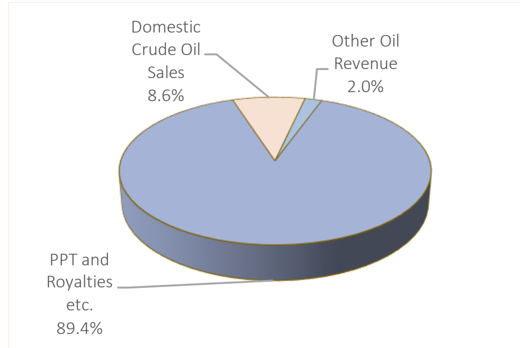
Revenue outcomes improved in 2022 relative to 2021, but remained below target, largely, on account of low oil earnings. At ₦12,655.27 billion or 6.3 per cent of GDP, provisional federally collected revenue (gross) improved by 17.7 per cent relative to the earnings in the preceding year. However, it fell short of the 2022 budget by 31.2 per cent, largely on account of lower domestic crude oil sales and exports. Of the total federally collected revenue, oil and non-oil revenues, were 50.4 per cent and 10.7 per cent short of the budget, and constituted 37.2 per cent and 62.8 per cent, respectively.

6.2.1 Components of Federation Revenue and Distribution

i. Oil Revenue

Despite recovery in the average price of crude oil in 2022, following a rebound in global demand, oil earnings were dampened on account of lower domestic production levels. Gross provisional oil revenue[8], at ₦4,710.70 billion or 2.3 per cent of GDP, was below its benchmark by 50.4 per cent. The development was attributed to low domestic crude oil production, owing to oil theft and pipeline vandalism. Consequently, crude oil production averaged 1.27 million barrels per day (mbpd), compared with the benchmark of 1.88 mbpd in the 2022 Appropriation Act[9]. In addition, the rising import bill of premium motor spirit (PMS) amidst low domestic refining capacity, contributed to the lower oil earnings in 2022[10].

Figure 6.2.1: Composition of Oil Revenue (per cent)

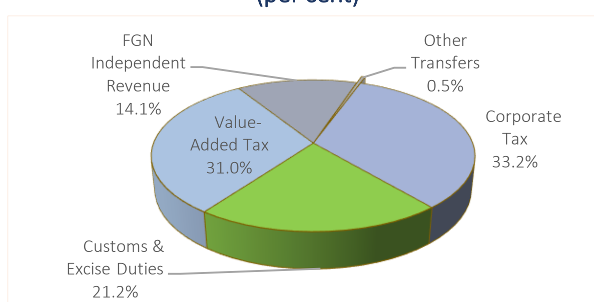


Source: Office of the Accountant-General of the Federation and the Federal Ministry of Finance, Budget, and National Planning.

ii. Non-oil Revenue

The implementation of the Finance Act 2021, with increased economic activities, buoyed non-oil revenue. Thus, non-oil revenue at ₦7,944.57 billion or 3.9 per cent of GDP was 24.2 per cent above the level in 2021. The increase was driven by the boost in receipts from Corporate Tax, Customs & Excise Duties, and Value Added Tax (VAT), reflecting improvements in economic activities. However, non-oil revenue was 10.7 per cent short of the 2022 benchmark.

Figure 6.2.2: Composition of Non-Oil Revenue (per cent)



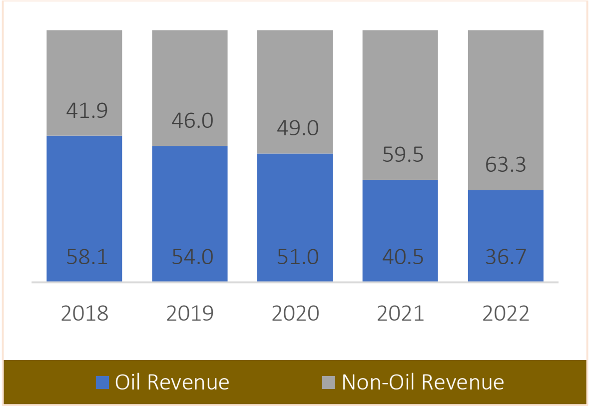
Source: Office of Accountant-General of the Federation and the Federal Ministry of Finance, Budget, and National Planning.

[8] Oil transaction contracts take about 90 days to fully materialise. Consequently, oil revenue receipts in the current period are reflective of developments in the domestic and global economies, three months preceding the current period of analysis.

[9] However, as part of the revision of the 2022 Appropriation Act in April 2022, the benchmark oil production was lowered to 1.60 mbpd to reflect the challenges in domestic production.

[10] As oil prices soared on the back of the Russia-Ukraine war, provision for PMS subsidy in the 2022 budget was revised upward by ₦442.72 billion to ₦4.00 trillion from ₦3.557 trillion to capture the burgeoning PMS import bill.

Figure 6.2.3: Structure of Gross Federation Revenue (per cent)



Source: Office of Accountant-General of the Federation and the Federal Ministry of Finance, Budget, and National Planning.

iii. Distribution of Federation Revenue

Disbursements to the three tiers of government increased to ₦8,736.69 billion from ₦7,751.10 billion in 2021. Consequently, the sums of ₦3,412.85 billion, ₦2,747.72 billion, and ₦2,033.29 billion were allocated to the Federal, State, and Local Governments, respectively. The balance of ₦542.83 billion was distributed among the oil producing states as 13% Derivation Fund.

Table 6.2.1: Federally Collected Revenue and Distribution (₦ Billion)

	2021	2022	Budget
Federation Revenue (Gross)	10,755.40	12,824.97	18,399.96
Oil	**4,358.27**	**4,710.70**	**9,500.43**
Crude Oil & Gas Exports	34.53	0.00	810.85
PPT & Royalties	3,070.84	4,212.76	6,370.94
Domestic Crude Oil/Gas Sales	1,129.46	403.69	504.53
Others	123.44	94.25	1,814.11
Non-oil	**6,397.11**	**8,114.28**	**8,892.59**
Corporate Tax	1,783.10	2,640.70	1,987.78
Customs & Excise Duties	1,297.96	1,687.65	1,858.57
Value-Added Tax (VAT)	2,042.95	2,462.26	2,441.80
Independent Revenue of Fed. Govt.	1,190.08	1,288.50	2,216.22
*Others**	83.05	35.16	959.29
Total Deductions/Transfers**	**3,379.95**	**4,604.35**	**4,196.90**
Federally Collected Revenue *Less Deductions & Transfers*	7,375.45	8,220.63	13,728.85
Plus:			
Additional Revenue	**375.66**	**516.07**	**677.02**
Excess Oil Revenue	0.00	0.00	0.00
Excess Non-Oil Revenue	279.86	325.30	677.02
Exchange Gain	95.80	*190.77*	*0.00*
Total Distributed Balance	**7,751.10**	**8,736.69**	**14,405.88**
Federal Government	3,127.56	3,412.85	6,109.07
State Governments	2,392.12	2,747.72	4,146.46
Local Governments	1,776.79	2,033.29	3,109.05
13% Derivation	454.58	542.83	1,041.30

Source: Office of the Accountant-General of the Federation and Central Bank of Nigeria Staff Estimates.

Note:

* Includes Education Tax, Customs Special Levies (Federation Account), National Technology Development Fund, 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.

Table 6.2.2: Sources of Revenue to the Three Tiers of Government, 2022 (₦ Billion)

Source	FGN			SGs			LGs	Grand Total
	FG's Share	FCT	Sub-Total	States	13%	Sub-Total		
Statutory Allocation	2,784.28	53.88	2,838.16	1,439.55	540.22	1,979.77	1,109.83	5,927.77
Additional: Share from Excess Oil Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Additional: Excess Non-Oil Revenue (Excess Bank Charges, etc)	129.14	2.50	131.64	111.47	0.00	111.47	82.19	325.30
Additional: Share from Exchange Gain	97.24	1.88	99.12	50.28	2.61	52.89	38.76	190.77
Share of VAT	321.00	22.93	343.93	1,146.43	0.00	1,146.43	802.50	2,292.86
FG Independent Revenue	1,288.50	0.00	1,288.50	0.00	0.00	0.00	0.00	1,288.50
Internally Generated Revenue	0.00	0.00	0.00	767.83	0.00	767.83	34.33	802.15
Less State Allocation to LG	0.00	0.00	0.00	24.43	0.00	24.43	0.00	24.43
Net Internally Generated Revenue	0.00	0.00	0.00	767.83	0.00	767.83	34.33	802.15
Grants	0.00	0.00	0.00	75.33	0.00	75.33	13.32	88.66
Share of Stabilization Fund	0.00	0.00	0.00	3.30	0.00	3.30	0.00	3.30
State Allocation to LG	0.00	0.00	0.00	0.00	0.00	0.00	39.47	39.47
Others	993.85	0.00	993.85	0.00	0.00	0.00	5.64	999.49
TOTAL	5,614.02	81.18	5,695.20	3,594.18	542.83	4,137.01	2,126.05	11,958.27

Source: Office of the Accountant-General of the Federation, Federal Ministry of Finance, Budget, and National Planning and Central Bank of Nigeria Staff Estimates.

Table 6.3.4.1: General Government Fiscal Balance 2022 (₦ Billion)

	2020	2021	2022
Aggregate revenue	**10,024.04**	**10,571.49**	**11,878.95**
Aggregate expenditure	**17,397.53**	**19,135.56**	**22,445.64**
Recurrent expenditure	12,539.68	13,848.77	16,714.05
Capital expenditure	3,825.86	4,030.94	4,669.08
Transfers	1,031.99	1,255.85	1,062.51
Primary balance	-3,974.59	-4,214.82	-4,769.75
Overall balance	**-7,355.49**	**-8,564.07**	**-10,566.69**

Source: Office of Accountant-General of the Federation, the Federal Ministry of Finance, Budget, and National Planning and Central Bank of Nigeria Staff Estimates.

6.3 GENERAL GOVERNMENT FINANCES[11]

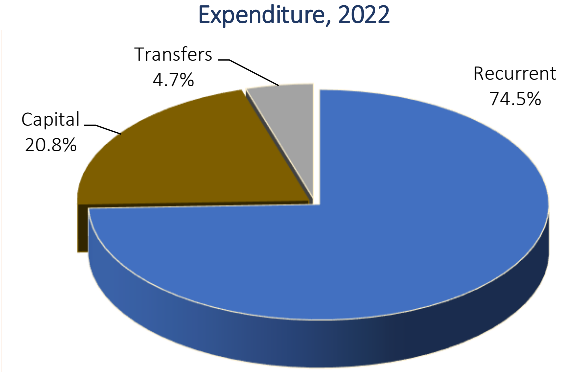
6.3.1 Aggregate Revenue of the three tiers of Government

The revenue of the three tiers of government increased in 2022, on account of improved non-oil receipts. Provisional aggregate revenue of the general government, at ₦11,878.95 billion or 5.9 per cent of GDP included: The Federation Account, ₦5,927.77 billion; VAT Pool Account, ₦2,292.86 billion; Excess Non-oil Revenue[12], ₦325.30 billion; and Exchange Gain, ₦190.77 billion[13].

6.3.2 Aggregate Expenditure

Aggregate expenditure by the general government increased, due, largely, to the pre-general elections spending, flood relief support, and rising debt service payments. Aggregate provisional expenditure, at ₦22,445.64 billion or 11.1 per cent of GDP, was 17.3 per cent above the level in 2021. A breakdown showed that recurrent expenditure, at ₦16,714.05 billion or 8.3 per cent of GDP, accounted for 74.5 per cent of the total; while capital expenditure at ₦4,669.08 billion or 2.3 per cent of GDP; and transfers, ₦1,062.51 billion or 0.5 per cent of GDP, represented 20.8 per cent and 4.7 per cent of the total, respectively.

Figure 6.3.1: Composition of General Government Expenditure, 2022



Source: Central Bank of Nigeria Staff Estimates.

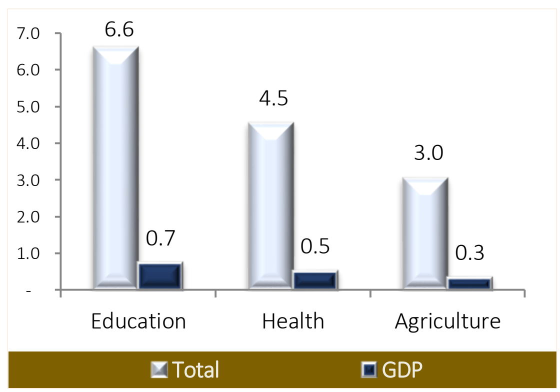
6.3.3 Consolidated Fiscal Balance and Financing

Fiscal operations of the general government deteriorated on account of higher expenditure outlay in 2022. General government operations resulted in an estimated primary and overall deficits of ₦4,769.75 billion or 2.4 per cent of GDP and ₦10,566.69 billion or 5.2 per cent of GDP, compared with ₦4,214.82 billion or 2.4 per cent of GDP, and ₦8,564.07 billion or 4.9 per cent of GDP, respectively, in 2021. The deficit was financed by borrowing, mainly from domestic sources.

6.3.4 Consolidated Expenditure on Primary Welfare Sectors[14]

Consolidated general government spending on the primary welfare sectors in 2022 increased by 8.8 per cent to ₦3,153.52 billion or 1.6 per cent of GDP, from ₦2,897.19 billion in 2021.

Figure 6.3.2: General Government Expenditure on Key Primary Welfare Sectors (per cent of total and GDP)



Source: Central Bank of Nigeria Staff Estimates.

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[11] Consolidated fiscal operations of the three-tiers of government.
[12] Includes other memorandum sharing such as Excess Bank Charges
[13] Includes additional Excess crude/PPT payment to the three-tiers of government.
[14] Classification for identifying poverty-reducing expenditures

6.4 FISCAL OPERATIONS OF THE FEDERAL GOVERNMENT

6.4.1 Federal Government Fiscal Balance

Despite improved revenue outcomes, increased spending outlay induced an expansion in the fiscal deficit. Provisional data indicated that the overall deficit of the FGN, at ₦9,330.37 billion, exceeded the budgeted deficit of ₦7,350.21 billion by 26.9 per cent, and widened by 31.1 per cent, relative to the level in 2021. The deficit, at 4.6 per cent of GDP, overshot the Fiscal Responsibility Act (FRA) 2007 and WAMZ primary convergence criterion thresholds of 3.0 per cent of GDP apiece, and the 3.4 per cent target for the 2022 Fiscal Year.

The larger fiscal deficit reflected higher and new government spending on flood-related interventions, preparations for the 2023 general elections, combating unfolding security challenges, and critical infrastructure, among others.

Table 6.3.4.2: Fiscal Balance 2022 (₦ Billion)

	2021	2022	Budget
Retained revenue	5,045.44	5,615.88	9,969.18
Aggregate expenditure	12,164.15	14,946.25	17,319.39
Primary balance	-2,897.05	-3,673.79	-3,664.83
Overall balance	-7,118.71	-9,330.37	-7,350.21
Deficit-to-GDP	-4.0	-4.6	-3.4

Source: Office of Accountant-General of the Federation, the Federal Ministry of Finance, Budget, and National Planning and Central Bank of Nigeria Staff Estimates

6.4.2 Federal Government Retained Revenue

The retained revenue of the FGN improved, relative to 2021 on the back of higher non-oil revenue. This was indicative of the boost in economic activity and increased accountability by Government-Owned Enterprises and MDAs, sequel to the implementation of the Finance Act 2021. Provisional FGN Retained Revenue, at ₦5,615.88 billion or 2.8 per cent of GDP was 11.3 per cent above the 2021 receipt, but was 43.7 per cent short of its benchmark, reflecting persisting revenue challenge. Notable increases of 20.6 per cent and 49.0 per cent were recorded in the FGN share of VAT and other revenue sources (including, transfers from special accounts, Nigeria Liquified Natural Gas Dividend, and signature bonuses), respectively, relative to their 2021 levels.

Table 6.4.3: FGN Retained Revenue (₦ Billion)

	2021	2022	Benchmark
FGN Retained Revenue	**5,045.44**	**5,695.20**	**9,969.18**
Federation Account	2,647.34	2,838.16	4,330.71
VAT Pool Account	285.12	343.93	316.69
FGN Independent Revenue	1,190.08	1,288.50	4,344.61
Excess Oil Revenue	0.0	0.0	0.0
Excess Non-Oil	147.43	131.64	0.0
Exchange Gain	47.66	99.12	0.0
*Others**	727.81	993.85	977.17

Source: Office of the Accountant-General of the Federation and Central Bank of Nigeria Staff Estimates.

6.4.3 Federal Government Expenditure

The pursuit of fiscal consolidation reforms by the government was hampered by the lingering security challenge, nationwide flooding, and the 2023 election cycle, which necessitated higher social welfare and capital spending. Provisional aggregate expenditure, at ₦14,946.25 billion or 7.4 per cent of GDP, was 22.9 per cent above the level in 2021, but was 13.7 per cent below the 2022 budget benchmark.

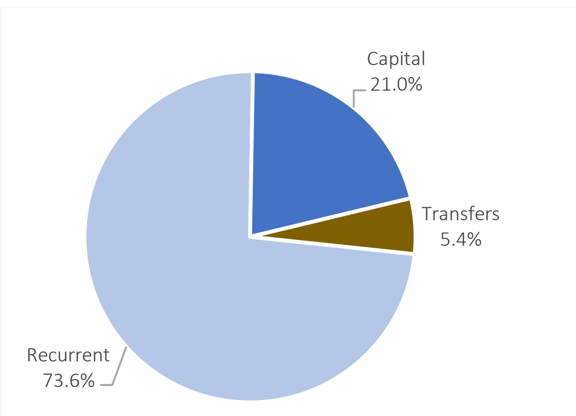
Table 6.4.4: FGN Expenditure (₦ Billion)

	2021	2022	Budget
Aggregate Expenditure	*12,164.15*	14,946.25	17,319.39
Recurrent:	*9,145.15*	11,002.31	10,697.38
Personnel Cost	*3,046.47*	*3,494.37*	*4,273.49*
Pension &Gratuities	*356.12*	*387.32*	*577.86*
Overhead Cost	*1,055.38*	*1,152.03*	*822.73*
Interest Payments	***4,221.65***	***5,656.58***	***3,685.38***
Domestic	*3,275.37*	*4,464.92*	*2,562.15*
External	*946.29*	*1,191.66*	*1,123.23*
Special Funds	*465.53*	*312.00*	*1,337.92*
Capital Expenditure	*2,522.47*	3,133.82	5,467.40
Transfers	*496.53*	810.12	1,154.61

Source: Central Bank of Nigeria Staff Estimates.

Non-debt expenditure was below the benchmark by 23.8 per cent and constituted 35.8 per cent of total expenditure, while interest payments amounted to ₦5,656.58 billion or 37.8 per cent of total expenditure.

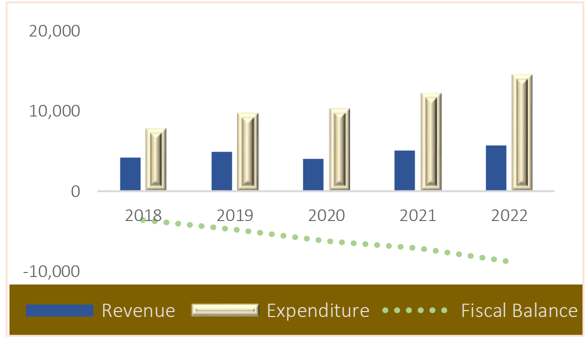
Figure 6.4.1: Composition of FGN Expenditure



Source: Office of the Accountant-General of the Federation and Central Bank of Nigeria Staff Estimates.

Recurrent expenditure, at ₦11,002.31 billion or 5.4 per cent of GDP, maintained its dominance in total spending, accounting for 73.6 per cent of the total expenditure. Capital expenditure, [15] ₦3,133.82 billion and transfers, ₦810.12 billion, constituted 21.0 per cent and 5.4 per cent, respectively. The rise in expenditure, relative to the level in 2021 was attributed to the 34.0 per cent and 14.7 per cent increase in interest payments and personnel cost, respectively.

Figure 6.4.2 FGN Fiscal Operations



Source: Office of the Accountant-General of the Federation and Central Bank of Nigeria Staff Estimates.

Provisional aggregate expenditure on primary welfare sectors amounted to ₦2,400.75 billion or 1.2 per cent of GDP and was 16.1 per cent of total expenditure. Further analysis revealed that expenditure on roads and construction increased by 20.6 per cent to ₦699.03 billion, relative to the level in 2021. Furthermore, outlay on agriculture and natural resources, education, and health increased by 21.1 per cent, 14.9 per cent, and 15.6 per cent, respectively, compared with their levels in 2021.

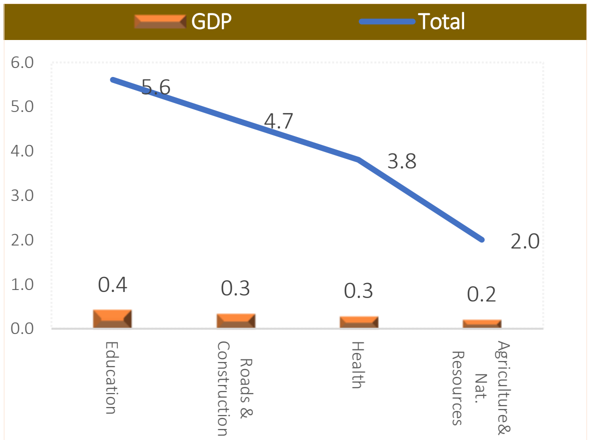
Table 6.4.4: Economic Classification of Government Expenditure 2022

	Expenditure (N billion)	*Percentage share*			
		Admin.	Economic services	Social services	Transfers
Recurrent	11,002.31	22.3	5.1	14.8	57.8
Capital	3,133.82	25.2	43.7	12.0	19.1
Transfers	810.12	-	-	-	-

Source: Central Bank of Nigeria Staff Estimates.

[15] Represented 56.0 per cent of the FGN retained revenue in 2022. This was above the West African Monetary Zone's (WAMZ) minimum benchmark of 20.0 per cent.

Figure 6.4.3: Federal Government's Expenditure on Key Primary Welfare Sectors, 2022 (per cent of total and GDP)



Source: Office of the Accountant-General of the Federation and Central Bank of Nigeria Staff Estimates.

6.5 SUB-NATIONAL GOVERNMENT FISCAL ANALYSIS

6.5.1 State Governments and FCT Finances[16]

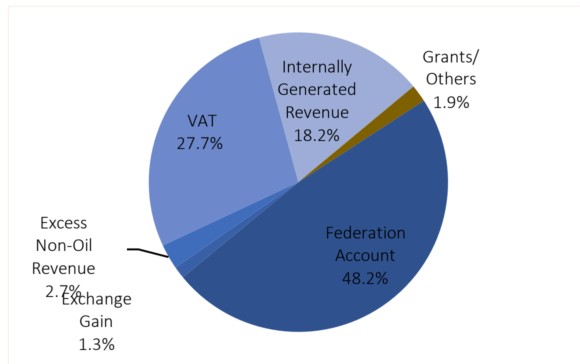
6.5.1.1 Overall Fiscal Balance and Financing

The fiscal deficit of state governments contracted marginally due to higher revenue, which offset the impact of the expenditure rise. Provisional data on state governments' finances (including the FCT), indicated that fiscal deficit contracted by 2.4 per cent, to ₦1,428.17 billion or 0.7 per cent of GDP, compared with a deficit of ₦1,463.77 billion or 0.8 per cent of GDP in 2021. The deficit was financed, mainly, from domestic borrowing.

6.5.1.2 Revenue

State governments revenue improved in 2022 owing to higher VAT and Federation account allocations. At ₦4,218.20 billion or 2.1 per cent of GDP, aggregate revenue of state governments increased by 12.7 per cent relative to collections in 2021. In line with the trend, statutory allocations at ₦2,033.65 billion rose by 10.4 per cent relative to the level in 2021 and accounted for the bulk of states' total revenue at 48.2 per cent. This was followed by VAT, ₦1,169.36 billion (27.7 per cent); and IGR, ₦767.83 billion (18.2 per cent); while Excess Non-oil Revenue, Exchange Gain, share of stabilisation fund, and Grants & Others constituted the balance.

Figure 6.5.1: Composition of States and FCT revenue, 2022 (₦ Billion)



Sources: Office of Accountant-General of the Federation, the Federal Ministry of Finance Budget and National Planning and Central Bank of Nigeria Staff Estimates.

6.5.1.3 Expenditure

The total expenditure of State governments rose, reflecting an expansionary fiscal policy stance. Total expenditure increased by 8.5 per cent to ₦5,646.37 billion or 2.8 per cent of GDP, relative to 2021. A breakdown revealed that, at ₦4,456.22 billion or 2.2 per cent of GDP, recurrent expenditure was 11.1 per cent above the level in 2021 and accounted for 78.9 per cent of the total expenditure. However, capital expenditure, at ₦1,190.15 billion, or 0.6 per cent of GDP was 0.4 per cent below the level in 2021 and constituted 21.1 per cent of the total.

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[16] Provisional data.

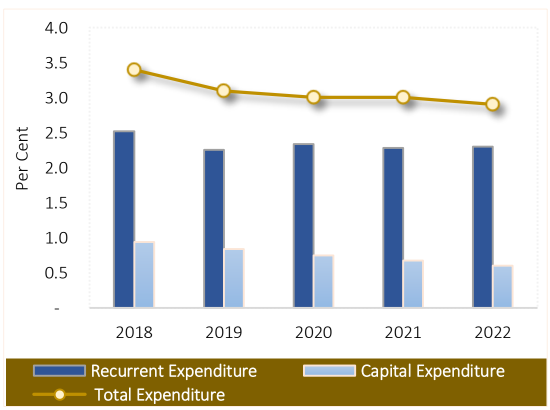
Table 6.5.2: State Governments' and the FCT Revenue 2022 (₦ Billion)

Item	2021			2022		
	Amount (N' b)	Share of: Revenue (%)	Share of: GDP (%)	Amount (N' b)	Share of: Revenue (%)	Share of: GDP (%)
Federation Account	1,842.33	49.0	1.1	2,033.65	48.4	1.0
Excess Oil Revenue	0.00	0.0	0.0	0.00	0.00	0.0
Excess Non-Oil Revenue	77.58	2.1	0.4	113.97	3.3	0.1
VAT	969.41	25.8	0.6	1,169.36	27.8	0.6
Internally Generated Revenue	764.80	20.3	0.4	767.83	18.3	0.4
Exchange Gain	30.35	0.8	0.0	54.77	0.2	0.0
Grants & Others	77.17	2.1	0.0	78.63	1.9	0.0
Total	**3,761.63**	**100.0**	**2.5**	**4,218.20**	**100.0**	**2.1**

Source: Federal Ministry of Finance, Budget and National Planning, Office of the Accountant-General of the Federation and Central Bank of Nigeria Staff Estimates.

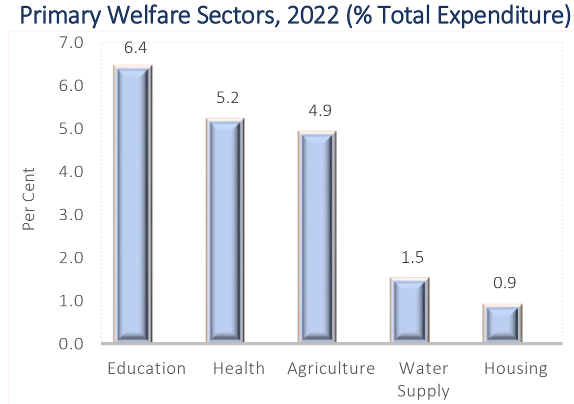
Note: Internally generated revenue and Grants & Others are provisional

Figure 6.5.1: State Governments' Expenditure (% GDP)



Source: States' Office of the Accountant-General and Central Bank of Nigeria Staff Estimates.

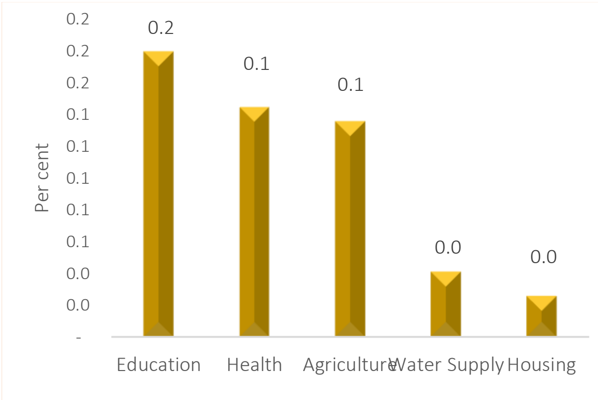
Figure 6.5.2: State Governments' Expenditure in Key Primary Welfare Sectors, 2022 (% Total Expenditure)



Source: Central Bank of Nigeria Staff Estimates.

Aggregate expenditure on primary welfare sectors by state governments amounted to ₦1,067.51 billion. This represented 0.5 per cent of GDP and 18.9 per cent of total expenditure. Education received the highest share at ₦363.54 billion and accounted for 34.1 per cent of the total expenditure on primary welfare.

Figure 6.5.3: State Government Expenditure in Key Primary Welfare Sectors (% GDP)



Source: Central Bank of Nigeria Staff Estimates.

6.5.2 Local Governments' Finances[17]

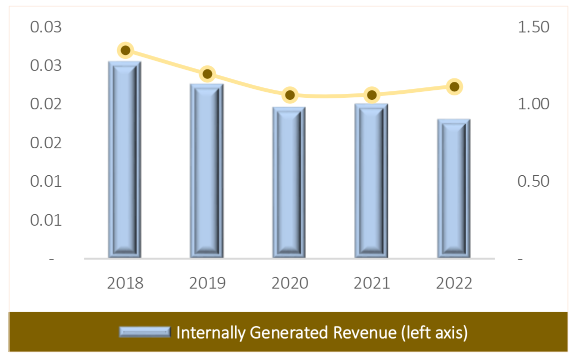
6.5.2.1 The Overall Fiscal Balance and Financing

Fiscal operations of the local governments (LGs) improved, resulting in a surplus balance. The 774 local governments recorded an aggregate surplus of ₦5.75 billion in 2022, compared with a deficit of ₦0.60 billion in 2021. The surplus reflected improved revenue outcome, on account of higher federation revenue and VAT allocations.

6.5.2.2 Revenue

Provisional aggregate revenue of the 774 LGs rose by 15.7 per cent, on account of higher receipts from the Federation Account. Aggregate revenue of the LGs stood at ₦2,126.05 billion or 1.1 per cent of GDP, with the largest share of ₦1,109.83 billion or 52.2 per cent of total revenue from Federation Account allocation. This was followed by VAT, ₦802.50 billion (37.7 per cent); Excess Non-Oil Revenue, ₦82.19 billion (3.9 per cent); State Allocation, ₦39.47 billion (1.9 per cent); Exchange Gain, ₦38.76 billion (1.8 per cent), and Internally Generated Revenue (IGR[18]), ₦34.33 billion (1.6 per cent). Other revenue sources included: Grants & Others, ₦13.32 billion (0.6 per cent), and 'Others', ₦5.64 billion (0.3 per cent). There was a remarkable increase in the IGR of local governments by 30.0 per cent, compared with the level in 2021, reflecting the effectiveness of the ongoing tax reforms and thriving business activities at the local governments. Local governments in Lagos State recorded the highest aggregate IGR of 14.0 per cent, while Kwara State had the lowest, at 0.4 per cent.

Figure 6.5.4: Local Governments Revenue and Overall Balance (% GDP)



Sources: Federal Ministry of Finance, Budget and National Planning, Office of the Accountant-General of the Federation and Central Bank of Nigeria Staff Estimates.

[17] Provisional

[18] Including fees and fines, local licenses, earnings from commercial undertakings, rent on LG property, interest payments, and dividends, among others.

Table 6.5.3: Local Government Revenue 2022 (₦Billion)

Item	2021			2022		
		Share of:			Share of:	
	Amount (N' b)	Revenue (%)	GDP (%)	Amount (N' b)	Revenue (%)	GDP (%)
Federation Account	1,035.22	56.3	0.6	1,109.83	52.2	0.6
VAT	665.28	36.2	0.4	802.50	37.7	0.4
Internally Generated Revenue	26.40	1.5	0.0	34.33	1.6	0.0
Excess Non-Oil Revenue	57.65	3.1	0.0	82.19	3.9	0.0
Excess Oil Revenue	-	-	0.0	-	-	0.0
Exchange Gain	18.64	1.0	0.0	38.76	1.8	0.0
Grants & Others 2/	34.13	1.9	0.0	58.44	2.8	0.0
Total	**1,837.32**	**100**	**1.0**	**2,126.05**	**100**	**1.0**

Source: Federal Ministry of Finance, Budget and National Planning, States' Office of the Accountant-General and Central Bank of Nigeria Staff Estimates.
1/Provisional, 2/Including Allocation from states and other miscellaneous revenue.

6.5.2.3 Expenditure

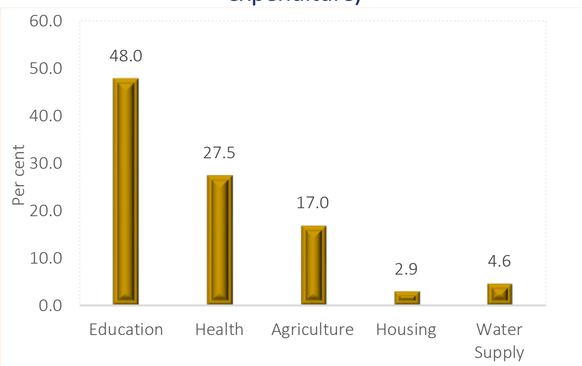
Provisional data indicated that aggregate expenditure of the 774 LGs in Nigeria rose in 2022, on the back of higher recurrent, capital, and social transfer outlays. At ₦2,120.30 billion or 1.0 per cent of GDP, expenditure at the Local government level increased by 15.4 per cent, relative to 2021. The impact of the nationwide flood necessitated new spending at all levels of government to cushion its effects on households, and businesses, and restore public infrastructure.

In addition, inflationary pressures also raised administrative and overhead costs at the local governments. Consequently, recurrent expenditure, at ₦1,775.19 billion or 83.7 per cent of total expenditure, was 16.5 per cent higher than the level in 2021, while capital expenditure at ₦345.11 billion or 16.3 per cent of total expenditure, was 9.9 per cent higher than the level in 2021.

A breakdown of recurrent expenditure showed that personnel cost was ₦1,368.88 billion (77.1 per cent) of the total, while overheads and consolidated revenue fund charges and 'Others' amounted to ₦185.59 billion (10.5 per cent) and ₦220.72 billion (12.4 per cent), respectively. A disaggregation of capital expenditure by function revealed that administration accounted for ₦123.09 billion (35.7 per cent), while social & community services, economic services, and transfers, accounted for ₦97.89 billion (28.4 per cent), ₦72.71 billion (21.1 per cent), and ₦51.42 billion (14.9 per cent), respectively.

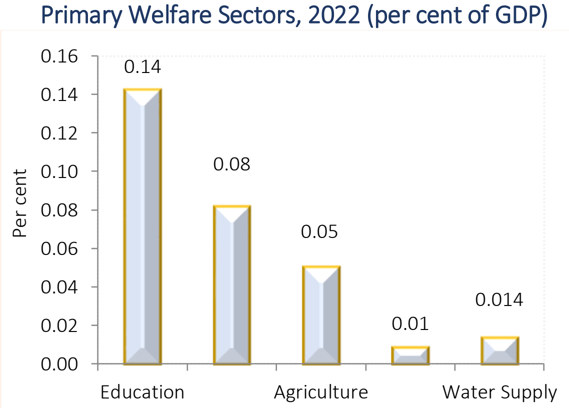
Analysis of spending on primary welfare sector showed that the sum of ₦563.27 billion or 0.3 per cent of GDP expended, was 3.9 per cent below the level in 2021. Spending on the primary welfare sectors accounted for 26.6 per cent of aggregate expenditure in 2022. Expenditure on health increased by 302.2 per cent, due to the Lassa fever-induced expenditure. Similarly, expenditure on housing, agriculture, and water supply, increased significantly, compared with their levels in 2021. However, expenditure on education fell by 47.9 per cent.

Figure 6.5.5: Local Governments Expenditure on Primary Welfare Sectors, 2022 (per cent of total expenditure)



Source: States Ministries of LGs and Central Bank of Nigeria Staff Estimates.

Figure 6.5.6: Local Governments Expenditure on Primary Welfare Sectors, 2022 (per cent of GDP)



Source: States Ministries of LGs and Central Bank of Nigeria Staff Estimates.

6.6 PUBLIC DEBT STRATEGY AND SUSTAINABILITY

6.6.1 Total Public Debt

Public debt was consistent with the Medium-Term Debt Strategy (MTDS, 2020-2023) and remained within the 40 per cent debt-GDP threshold, though widening deficits necessitated new borrowings. The consolidated public debt, consisting of both the Federal and State Governments' liabilities, at end-December 2022, stood at ₦46,250.37 billion or 22.9 per cent of GDP, an increase of 16.9 per cent over the level at end-December 2021. The rise was attributed to the issuance of promissory notes to meet contractual obligations of the FGN and new borrowings by both the Federal and sub-national governments to partially fund the deficit in the 2022 Appropriation Act and project execution.

The FGN owed 84.1 per cent of the total outstanding debt, while State governments accounted for the balance of 15.9 per cent. The FGN guarantees external borrowing by States, in line with section 47 (3) of the Fiscal Responsibility Act, 2007, therefore, the latter's share of external debt remained a contingent liability of the FGN.

Table 6.6. 1: Total Public Debt (₦ Billion)

Type	2020	2021	2022
External Debt	**12,705.62**	**15,855.23**	**18,702.25**
Of which:			
FGN	10,948.18	13,884.76	16,703.35
States and FCT	1,757.44	1,970.47	1,998.90
Domestic Debt	**20,209.90**	**23,700.80**	**27,548.12**
Of which:			
FGN	16,023.89	19,242.56	22,210.36
States and FCT	4,186.01	4,458.24	5,337.75
Total	**32,915.51**	**39,556.03**	**46,250.37**

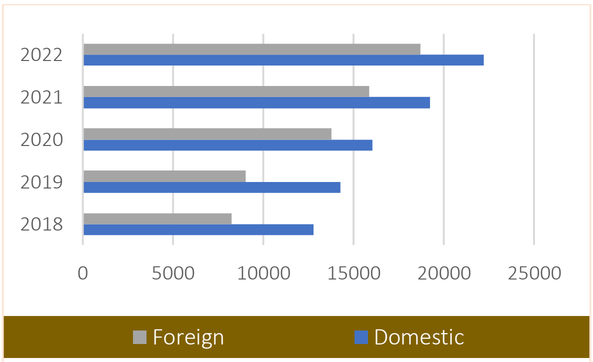
Source: Debt Management Office.

6.6.2 Federal Government Debt

The 2020-2023 MTDS, which details the borrowing plan, limit, and composition of government borrowing, specifies an optimal domestic-external debt ratio of 70:30 and a long-to-short-term domestic debt ratio of 75:25. Consequently, domestic debt at 54.3 per cent of the total, was lower than the 70.0 per cent target, while external debt was 15.7 per cent above the 30.0 per cent threshold.

The consolidated debt stock of the FGN at end-December 2022, at ₦40,912.62 billion or 28.7 per cent of GDP, was within the 40.0 per cent of GDP threshold specified in the MTDS, and was 16.6 per cent above the 2021 level.

Figure 6.6.1: Composition of FGN Debt Stock (₦ Billion)



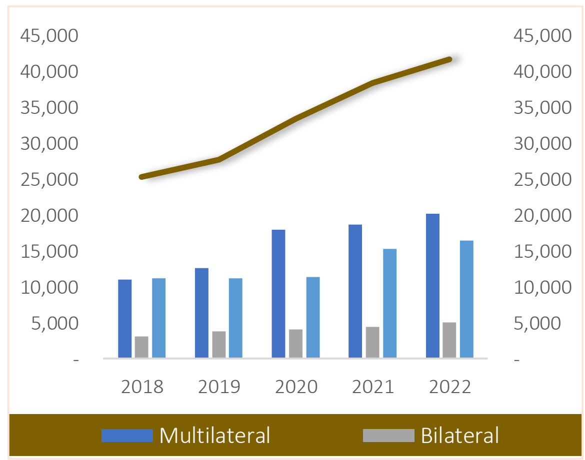
Source: Debt Management Office.

Analysis of the domestic debt portfolio revealed a preference for longer-tenored instruments, with FGN bond retaining dominance at 73.9 per cent of the total domestic debt portfolio, followed by Promissory Notes / FGN Sukuk (5.7 per cent); and others[19] (0.4 per cent), while the short-tenored Treasury Bills constituted 19.9 per cent. The debt portfolio mix was in tandem with the FGN's objective to hold more long-term domestic debt instruments than short, to guide against refinancing risk. The holdings of external debt revealed that Multilateral, Commercial, and Bilateral loans accounted for 48.5 per cent, 39.4 per cent, and 12.2 per cent of the total, respectively. The mix was influenced, largely, by cost of funds, tenor, and borrowing terms and conditions.

Total debt service in 2022[20] was ₦3,639.75 billion or 1.8 per cent of GDP. At this level, debt service was 24.4 per cent above the level at end-December 2021. The increase was due to the significantly higher domestic principal repayments.

Debt service obligations accounted for 64.8 per cent of FGN retained revenue, 68.1 per cent of non-debt expenditure, and 28.8 per cent of gross revenue in 2022.

Figure 6.6.2: Breakdown of External Debt Stock (US$ Billion)

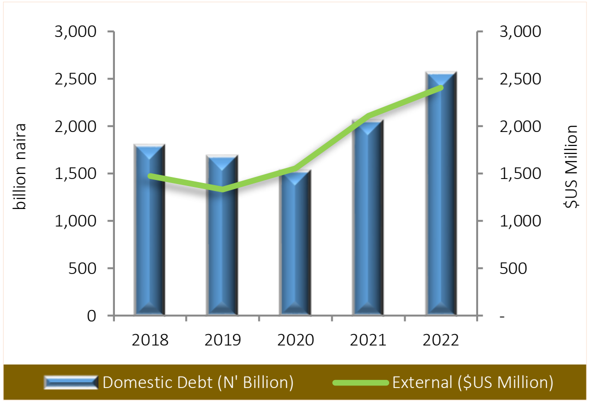


Source: Debt Management Office.

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

[20] Represents actual debt service payments by the Debt Management Office which may differ from the figures in the Federal Government finances table that indicates contributions to the external creditors' fund (a fund dedicated for External Debt Service Payment Obligations).

Figure 6.6.3: Breakdown of Total Debt Service



Source: Debt Management Office.

7.0 FINANCIAL SECTOR DEVELOPMENTS

7.1 INSTITUTIONAL GROWTH AND DEVELOPMENTS

The number of licensed financial institutions under the CBN regulatory purview increased to 6,760 at end-December 2022, from 6,715 in 2021. The increase was due to the licensing of two (2) commercial banks, 30 MFB, 11 FCs, and two (2) Payment Service Banks (PSBs), in the review period.

The licensed institutions comprised 23 commercial banks (of which, five (5) are holding companies), three (3) non-interest banks, six (6) merchant banks, 34 Primary Mortgage Banks (PMBs), 896 MFBs, 111 FCs, seven (7) Development Finance Institutions (DFIs), five (5) PSBs, and 5,675 BDCs.

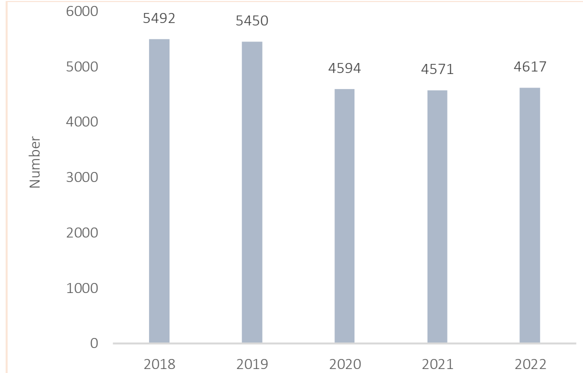
Table 7.1.1: Number of Licensed Financial Institutions

S/N	Type of Institutions	Number of Institutions at end-December, 2021	Number of Institutions at end-December, 2022	Newly Licensed Institutions
1	Commercial Banks	21	23	2
2	Non-interest Banks	3	3	0
3	Microfinance Banks	866	896	30
4	Merchant Banks	6	6	0
5	Primary Mortgage Institutions	34	34	0
6	Finance Companies	100	111	11
7	Development Finance Institutions	7	7	0

Source: Central Bank of Nigeria.

Out of the 32 banks (commercial, non-interest, and merchant banks), seven (7) banks had international authorisation, while 20 and five (5) banks had national and regional authorisations, respectively. The number of bank branches increased to 4,617 at end-December 2022, compared with 4,571 in 2021.

Figure 7.1. 1: Banks' Branch Network



Source: Central Bank of Nigeria.

The number of offshore subsidiaries of Nigerian banks reduced to 55 at end-December 2022, from 59 at end-December 2021. The number of representative offices, affiliates, international branches, and agents of Nigerian banks, remained at four (4), one (1), three (3), and one (1), respectively, same as in 2021, thus, bringing the total number of offshore entities to 64 in 2022, from 68 in 2021.

7.2 DEVELOPMENTS IN OTHER FINANCIAL INSTITUTIONS

The Other Financial Institutions (OFIs) sub-sector continued to promote financial inclusion and inclusive economic growth through the provision of financial services to micro, small and medium-size enterprises during the review period. Total assets of the OFIs excluding the BDCs, increased, due largely, to the rise in net loans and advances, and investments, occasioned by the increase in capital and deposits at end-December 2022. Similarly, placements and cash & bank balances increased. On the liability and capital side, the increase in share capital and reserves, accounted for the rise in shareholders' funds. Borrowings and deposits also increased, while other liabilities decreased.

Table 7.1.2: Balance Sheet of OFIs Excluding BDCs

	2021	2022	%
	₦'Billion	₦'Billion	Change
Cash and Bank Balances	227.37	295.31	30
Placements	671.07	810.48	21
Investments	1,015.71	1,548.32	52
Net Loans and Advances	2,930.06	3,147.52	7
Fixed Assets	142.79	176.89	24
Other Assets	236.66	262.04	11
Assets	5,223.66	6,240.55	19
Share Capital	466.88	494.91	6
Reserves	219.59	246.95	12
Shareholder's Funds	686.47	741.86	8
Deposits	1,106.79	1,289.65	17
Borrowings	1,819.87	2,513.66	38
Deposits Due to other Banks	49.57	62.85	27
Other Liabilities	979.72	884.22	-10
Long-Term Loans	581.25	748.30	29

Source: Central Bank of Nigeria.

7.2.1 Development Finance Institutions

Although the number of development finance institutions (DFIs) remain unchanged, its total assets increased, reflecting higher loans and advances, placements, and investments. Total assets increased to N3,774.49 billion, from N3,074.33 billion at end-December 2021. On the liability side, deposits, long-term loans, and borrowings, also increased. Aggregate shareholders' funds increased, due to accretion to reserves by the Bank of Industry (BoI), Development Bank of Nigeria (DBN), and Nigeria Mortgage Refinance Company (NMRC).

Table 7.1.3a: Balance Sheet of DFIs

	2021	2022	% Change
	₦'Billion	₦'Billion	
Cash and Bank Balances	0.97	45.35	4,575.26
Placements	428.81	540.25	25.99
Investments	909.04	1,437.98	58.19
Net Loans and Advances	1,585.39	1,614.04	1.81
Other Assets		60.14	
Fixed Assets	62.25	76.72	23.25
Assets	3,054.33	3,774.49	23.58
Paid-up Capital	238.78	238.87	0.04
Reserves	214.46	246.94	15.15
Shareholder's Funds	453.24	485.8	7.18
Deposits	514.85	600.09	16.56
Borrowings	1,582.32	2,259.31	42.78
Deposits Due to other Banks	11.42	1.47	87.13
Other Liabilities	438.6	372.58	15.05
Long-Term Loans	53.9	55.23	2.47

Source: Central Bank of Nigeria.

A disaggregation of DFIs' total assets by institution, reveals that the BoI, DBN, and Federal Mortgage Bank of Nigeria (FMBN) accounted for 63.2 per cent, 13.7 per cent, and 13.0 per cent, respectively, while the Nigeria Export Import Bank (NEXIM), NMRC, Bank of Agriculture (BOA), and The Infrastructure Bank (TIB), accounted for the balance. In terms of total net loans and advances, the BoI, DBN, and FMBN, accounted for 48.8 per cent, 22.9 per cent and 17.8 per cent, respectively, while NEXIM, NMRC, BOA, and TIB accounted for the balance.

Table 7.1.3b: Share of Total Assets and Net Loans and Advances (%)

	Assets	Net Loans and Advances
BOI	63.2	48.8
DBN	13.7	22.9
FMBN	13.0	17.8
NEXIM	6.4	7.9
NMRC	2.3	1.5
BOA	1.3	1.2
TIB	0.1	-

Source: Central Bank of Nigeria.

7.2.2 Microfinance Banks

Total assets of Microfinance Finance Banks increased, owing to a significant rise in net loans and advances, and balances with banks, following the increase in capital, other liabilities, and deposits. Total assets of MFBs rose by 16.23 per cent to ₦1,512.10 billion, from ₦1,301.00 billion at end-December 2021. The increase was due largely to net loans and advances, fueled by the significant rise in other liabilities and deposits.

In addition, the licensing of six Tier-1 Unit and eight Tier-2 Unit MFBs in 2022, contributed to the increase in total assets. Thus, the total number of MFBs in operation increased to 896, compared with 866 at end-December 2021.

Also, placements and investments, shareholders' funds, other liabilities, and takings from other banks increased at end-December 2022, relative to their levels at end-December 2021.

Table 7.1.4a: Balance Sheet of MFBs

	2021	2022	% Change
	₦'Billion	₦'Billion	
Cash and Bank Balances	173.2	194.8	12.5
Placements	126.5	140.4	11.0
Investments	28	38.3	36.8
Net Loans and Advances	901.7	1031	14.3
Fixed Assets	14.7	31.5	115.3
Assets	1301	1512.1	16.2
Paid-up-Capital	93.7	117.3	25.2
Reserves	66.1	65.0	-1.6
Shareholder's Funds	159.9	182.3	14.0
Deposits	411.7	507.6	23.3
Deposits Due to other Banks	16.6	36.5	119.9
Other Liabilities	264.5	605.0	128.7
Long-Term Loans	448.4	448.4	0.0
FSIs	2021	2022	Benchmark
CAR	15.4	15.0	10
LR	78.1	70.9	20
PAR	5.9	11.3	5

Source: Central Bank of Nigeria.

Note: FSIs are financial soundness indicators.

Investible funds at end-December 2022 amounted to ₦488.62 billion. The funds were sourced mainly from increases of ₦340.55 billion in other liabilities, ₦95.89 billion in deposits, ₦23.55 billion in fresh capital injection, and takings of ₦19.86 billion from other banks. The funds were utilised mainly to increase net loans and advances, investments, and placements by ₦129.35 billion, ₦10.39 billion, and ₦13.98 billion, respectively.

The analysis of prudential ratios of the MFBs at end-December 2022, showed that the industry CAR (15.0 per cent) and LR (70.9 per cent) were adequate, while the industry PAR was above the 5.0 per cent limit.

Table 7.1. 4b: Maturity Structure of Assets and Liabilities of Microfinance Banks (MFBs), 2021 - 2022

	2021		2022	
Tenor/Period	Loans and Advances	Deposits	Loans and Advances	Deposits
0-30 days	21.1	40.2	9.7	27.6
31-60 days	7.7	7.7	3.5	9.9
61-90 days	7.9	11.3	4.7	13.2
91-180 days	22.6	15.4	10.8	14.6
181-360 days	19.5	11.6	12.3	15.5
Short-Term	78.7	86.2	41.1	80.8
Above 360 days	21.3	13.8	58.9	19.2
Total	100	100	100	100

Source: Central Bank of Nigeria.

Long-term credit (of over 360 days) maturity dominated the assets of the microfinance bank sub-sector in 2022. At end-December 2022, loans above 360 days maturity accounted for 58.9 per cent of the total, compared with 21.3 per cent at end-December 2021, representing an increase of 37.6 percentage points. Short term loans accounted for 41.1 per cent, compared with 78.7 per cent at end-December 2021. However, the deposit structure was majorly short-term, as deposits of less than 0ne-year maturity accounted for 80.8 per cent, though with a decrease of 5.4

percentage points, compared with 86.2 per cent at end-December 2021. On the other hand, deposits of over one-year maturity accounted for 19.2 per cent, reflecting an increase of 5.4 percentage points, compared with 13.8 per cent at end-December 2021.

7.2.3 Finance Companies

The assets of finance companies increased due, largely, to the rise in placements, net loans and advances, and other assets, occasioned mainly by the injection of capital by the newly licensed FCs. Total assets of the FCs increased, due mainly to the increase in placements and net loans and advances. Other assets and fixed assets also increased, while investment decreased. Similarly, borrowings, long-term loans, and other liabilities increased.

Investible funds at end-December 2022 amounted to ₦62.98 billion. The funds were sourced mainly from increases in borrowings, long-term liabilities, and other liabilities. The funds were utilised mainly to increase loans and advances and placements, as well as absorb ₦3.15 billion loss recorded in the review period.

Table 7.2.1: Balance Sheet of FCs

	2021	2022	% Change
Cash and Bank Balances	29.69	30.41	2.4
Placements	41.89	49.62	18.5
Investments	19.76	14.38	-27.2
Net Loans and Advances	166.98	204.41	22.4
Other Assets	58.15	70.24	20.8
Fixed Assets	46.15	47.84	3.7
Assets	362.62	416.9	15.0
Paid-up Capital	25.65	26.52	3.4
Reserves	15.19	12.04	-20.7
Shareholder's Fund	40.84	38.56	-5.6
Deposits	-	-	
Borrowings	237.55	254.35	7.1
Deposits Due to other Banks	-	-	
Other Liabilities	82.38	120.52	46.3
Long-Term Loans	1.85	3.47	-12.4
FSIs	2021	2022	Benchmark
CAR	11.12	7.53	12.5
NPL	19.91	19.96	10.0

Source: Central Bank of Nigeria.

The analysis of prudential ratios of the FCs at end-December 2022, showed that the average CAR fell to 7.5 per cent from 11.1 per cent, while industry NPL was 19.9 per cent. The decline in CAR was due largely to the increase in loans and advances, which led to substantial increase in Risk Weighted Assets as against a decline in shareholders' fund during the review period.

7.2.4 Primary Mortgage Banks

The total assets of primary mortgage banks (PMBs) increased, due largely, to the increase in net loans and advances and placements with banks. Total assets of the PMBs, at ₦537.07 billion, reflecting an increase of 6.2 per cent from ₦505.61 billion, at end-December 2021. This was driven, largely, by the increase in net loans and advances and placements with banks. On the liability side, shareholders' funds increased, owing, largely, to increased paid-up capital. Similarly, deposit 'due to other banks', long term loans, and other liabilities, increased by 15.6 per cent, 9.7 per cent, and 8.3 per cent, respectively, above their levels in 2021.

Table 7.2.2: Balance Sheet of PMBs

	2021 ₦ Billion	2022 ₦ Billion	% Change
Cash and Bank Balances	23.52	24.78	5.4
Placements	73.93	80.18	8.5
Investments	45.41	49.82	9.7
Net Loans and Advances	276.03	298.05	8.0
Fixed Assets	19.74	20.78	5.3
Assets	505.61	537.07	6.2
Reserves	-76.18	-77.04	-1.1
Shareholder's Fund	32.53	35.20	8.2
Deposits	180.2 -	181.93	1.0
Deposits Due to other Banks	21.57	24.93	15.6
Other Liabilities	194.26	210.45	8.3
Long-Term Loans	77.06	84.55	9.7
FSIs	2021	2022	Benchmark
CAR	10	10.4	10.00
LR	43.7	43.13	20.00
NPL	29	22.07	30.00

Source: Central Bank of Nigeria.

Analysis of prudential ratios of PMBs at end-December 2022, showed that the industry CAR, LR, and NPL, were within the regulatory thresholds.

7.2.5 Bureaux-De-Change

The number of licensed BDCs remained the same as in the preceding year. This was due to Management's suspension of the licensing of new institutions since July 2021.

7.3 INSTITUTIONAL SAVINGS

Financial savings rose, reflecting increased accumulation of capital stock for investment to stimulate economic growth. Aggregate financial savings increased by 18.3 per cent to ₦31,780.37 billion, compared with ₦26,868.76 billion at end-December 2021. The increased savings could be attributed to the impact of the Naira redesign policy and attractive interest rates. The ratio of financial savings to GDP rose marginally to 15.9 per cent, from 15.5 per cent at end-December 2021. Further analysis on financial savings showed that, banks (commercial, merchant, and non-interest banks) remained the dominant depository institutions in the financial system, accounting for 93.9 per cent of total financial savings. Other savings institutions, comprised of PMBs, MFBs, life insurance companies, pension fund custodians, and the Nigerian Social Insurance Trust Fund (NSITF), accounted for the balance of 6.1 per cent.

7.4 MONETARY AND CREDIT DEVELOPMENTS

The Bank, in the first four months of 2022, maintained an accommodative monetary policy stance to boost productivity and support domestic growth recovery. However, heightened inflationary pressures, prompted the Bank to switch to a hawkish policy stance, which spotlights its commitment to ensure price stability. Nonetheless, the Bank continued to intensify interventions in the real sector, providing credit to key sectors of the economy to support growth and employment. These initiatives, among others, propelled the growth of broad money supply (M3) above the target for 2022 fiscal year.

7.4.1 Reserve Money

Reserve money increased on account of the growth in the Bank's liability to Other Depository Corporations (ODCs). Reserve money grew by 20.6 per cent at end-December 2022 to ₦16,032.05 billion, from a growth of 1.4 per cent at end-December 2021. The significant growth in reserve money was due to the 30.6 per cent rise in liabilities to ODCs, arising from the increase in CRR. On the other hand, currency-in-circulation (CIC) moderated the growth in reserve money, as it contracted by 9.4 per cent, owing to increased adoption and usage of electronic payment channels, coupled with increased deposits of the old design higher denomination banknotes, ensuing from the currency redesign policy.

At end-December 2022, broad money multiplier remained unchanged at 3.3, relative to the level at end-December 2021, but resulted in a higher monetary expansion, given the 20.1 per cent growth in reserve money in 2022.

7.4.2 Broad Money Supply

The growth in net domestic assets overshadowed the decline in net foreign assets, propelling the growth in broad money. Broad money supply (M3) increased by 17.3 per cent to ₦52,140.94 billion at end-December 2022, from the 14.2 per cent growth at end-December 2021. The growth in M3 exceeded the 2022 indicative target (14.92 per cent) by 2.4 percentage points, and was driven by the 36.5 per cent increase in net domestic assets (NDA), which outweighed the 54.5 per cent decline in net foreign assets (NFA). Increase in foreign loans and deposits accounted for the rise in liabilities to non-residents, resulting in the contraction of NFA.

The growth in NDA was driven by the rise in domestic claims, which grew by 36.3 per cent, compared with the 17.8 per cent growth at end-December 2021. Domestic claims increased on account of the combined impact of the 78.2 per cent and 19.7 per cent growth in net claims on central government and claims on other sectors, respectively. The growth in net claims on central government was due, largely, to increased loans and securities holdings by the ODCs.

Of the claims on Other Sectors, credit to public non-financial corporations and claims on state & local government grew by 40.9 per cent and 32.5 per cent, respectively. This was followed by credit to the private sector, which expanded by 20.2 per cent to ₦28,523.73 billion, from ₦23,735.76 billion at end-December 2021, and constituted 42.9 per cent of the total domestic claims. Claims on the other financial corporations grew by 12.1 per cent, against a contraction of 5.3 per cent at end-December 2021.

Table 7.4.1: Reserve Money (₦ Billion)

	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
Monetary Base	*7,180.01*	*8,680.95*	*13,107.92*	*13,295.15*	*16,032.05*
Currency-in-Circulation	*2,329.71*	*2,442.99*	*2,908.46*	*3,325.16*	*3,012.06*
Of which:					
Naira and Coins	*2,329.71*	*2,442.99*	*2,908.46*	*3,324.22*	*3,009.51*
eNaira	-	-	-	*0.94*	*2.55*
Liabilities to ODCs	*4,850.31*	*6,237.97*	*10,199.46*	*9,969.99*	*13,019.99*
Reserve Money Growth (%)	***10.74***	***20.90***	***51.00***	***1.43***	***20.59***

Source: Central Bank of Nigeria.
Note: Numbers for December 2022 are provisional.

On the liability side, the expansion in broad money (M3) was driven largely, by the 19.9 per cent and 17.7 per cent rise in transferable deposits and other deposits, respectively. The growth in M3 was, however, moderated by the 12.7 per cent decline in currency outside depository corporations (CODC), which mirrored the early gains from the Bank's naira redesign policy. This also reflected in the decline in the ratio of CODC to total deposits, which stood at 5.2 per cent, from 7.1 per cent at end-December 2021.

Other deposits constituted 63.2 per cent of the total deposit liabilities, following the rise in savings and time deposits of the DCs. Foreign currency deposit increased by 19.6 per cent to ₦10,029.15 billion at end-December 2022 and constituted 32.3 per cent of other deposits of DCs, compared with 31.79 per cent at end-December 2021.

Table 7.4.2: Growth in Monetary Assets and Liabilities 2018 – 2022 (per cent)

Item	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Dec 2022
Net Foreign Assets	7.9	-49.8	51.0	4.2	-54.5
Net Domestic Assets	20.8	38.3	-0.4	21.9	36.5
Domestic Claims	9.6	29.0	12.7	17.8	36.3
Net Claims on Central Government	32.4	105.4	13.8	20.4	78.2
Claims on Other Sectors	5.8	13.1	12.3	16.8	19.7
Claims on Other Financial Corporations	34.4	-1.0	8.0	-5.3	12.1
Claims on State and Local Government	16.8	7.1	10.6	20.6	32.5
Claims on Public Nonfinancial Corporations	328.3	1.8	-0.7	3.4	40.9
Claims on Private Sector	-10.4	22.9	15.2	26.8	20.2
Broad Money Liabilities	**15.0**	**6.5**	**11.6**	**14.2**	**17.3**
Currency Outside Depository Corporations	7.0	6.0	23.4	17.7	-12.7
Transferable Deposits	10.4	1.5	54.7	13.3	19.9
Other Deposits	11.0	13.6	20.6	20.0	17.7
Of Which Foreign Currency Deposit	11.6	22.3	9.8	37.4	19.6
Total Deposits	10.8	9.4	31.6	17.5	18.5
Deposits In National Currency	10.6	6.5	37.3	13.3	18.2
Monetary Base	**10.7**	**20.9**	**51.0**	**1.4**	**20.6**
Currency-in-Circulation	8.0	4.9	19.1	14.3	-9.4
Liabilities to Other Depository Corporations	12.1	28.6	63.5	-2.3	30.6
M1	9.7	2.4	48.7	14.0	14.6
M2	10.5	9.2	31.0	17.5	16.4
M3	15.0	6.5	11.6	14.2	17.3

Source: Central Bank of Nigeria.
Note: Numbers for December 2022 are provisional.

Narrow money (M_1) grew by 14.6 per cent to ₦20,686.48 billion at end-December 2022, compared with the growth of 14.0 per cent at end-December 2021, on the heels of the increase in transferable deposits (19.9 per cent).

Drivers of Growth in Broad Money

Domestic claims remained the major driver of the growth in broad money supply. Domestic claims contributed 39.8 percentage points to the growth in broad money, 20.9 percentage points higher than its contribution in the preceding year. The significant contribution of domestic claims to monetary growth was attributed to the net claims on central government, which contributed 24.3 percentage points to the growth in broad money supply.

Claims on other sectors accounted for 15.5 percentage points of the growth in broad money supply, largely on account of sustained credit to the private sector at 10.8 percentage points, which underscored the Bank's concerted effort towards the growth of the real sector of the economy.

Table 7.4.3: Contribution to the Growth in M3 2018 - 2022 (percentage point)

Item	Dec-18	Dec-19	Dec-20	Dec-21	*Dec-22
Net Foreign Assets	3.03	-18.00	8.48	0.97	-11.47
Net Domestic Assets	12.62	24.45	2.58	16.22	28.79
Domestic Claims	8.77	25.24	18.18	18.96	39.82
Net Claims on Central Government	4.23	15.83	8.57	6.03	24.34
Claims on Other Sectors	4.54	9.41	9.61	12.93	15.48
Claims on Other Financial Corporations	7.01	-0.24	-0.39	-1.14	2.15
Claims on State and Local Government	0.88	0.38	0.74	1.10	1.82
Claims on Public Nonfinancial Corporations	2.06	0.04	-0.95	0.07	0.74
Claims on Private Sector	-5.41	9.23	10.21	12.91	10.77
Monetary Assets	14.98	6.45	8.99	14.24	17.32
Currency Outside Depository Corporations	0.44	0.35	1.94	1.14	-0.84
Transferable Deposits	2.80	0.40	14.27	4.56	6.76
Other Deposits	5.58	6.65	12.37	11.30	10.52
Of Which Foreign Currency Deposit	1.66	3.10	0.45	5.87	3.69
Total Deposits	8.38	7.05	26.64	15.86	17.27
Deposits in National Currency	6.72	3.95	26.19	10.00	13.58
Securities Other than Shares	6.16	-0.95	-19.59	-2.76	0.88
Monetary Liabilities	14.98	6.45	8.99	14.24	17.32

Source: Central Bank of Nigeria.
Note: *Numbers for December 2022 are provisional.

Net foreign assets dragged down growth in referenced monetary aggregate by 11.5 percentage points, due to the significant increase in the liabilities to non-residents over its claims.

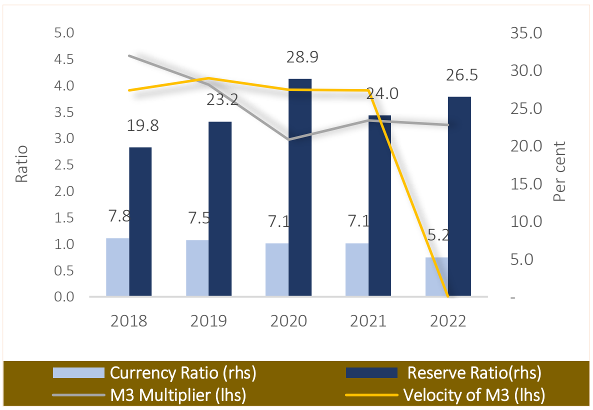
Currency-to-reserves ratio decreased by 1.9 to 5.2 in 2022, compared with 7.1 in the preceding year. The velocity of broad money decreased slightly to 3.8, compared with 3.9 in 2021.

Table 7.4. 4: Currency reserves, reserve ratio, Multiplier and Velocity of M3

Item	2018	2019	2020	2021	2022
Currency Ratio	*7.8*	*7.5*	*7.1*	*7.1*	*5.2*
Reserve Ratio	*19.8*	*23.2*	*28.9*	*24.0*	*26.5*
M3 Multiplier	*4.6*	*4.0*	*3.0*	*3.3*	*3.3*
Velocity of M3	*3.9*	*4.1*	*3.9*	*3.9*	*3.8*

Source: Central Bank of Nigeria.

Figure 7.4.1: Money Multiplier, Currency Ratio and Reserve Ratio

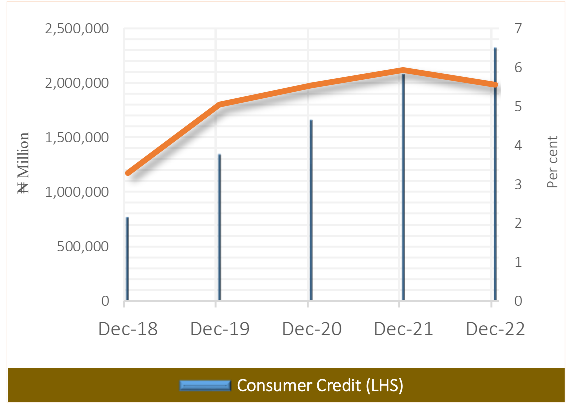


Source: Central Bank of Nigeria.

7.4.3 Consumer Credit

Despite the rise in interest rates in 2022, consumer credit increased, riding on the back of inflationary pressures and sustained implementation of loan-to-deposit ratio. Consumer credit outstanding grew by 11.8 per cent at end-December 2022 to ₦2,318.63 billion, above the ₦2,073.76 billion recorded at end-December 2021. The ratio of outstanding consumer credit to 'other sectors' credit stood at 5.6 per cent at end-December 2022, slightly lower than the 5.9 per cent at end-December 2021.

Figure 7.4.2: Consumer Credit, 2018 – 2022

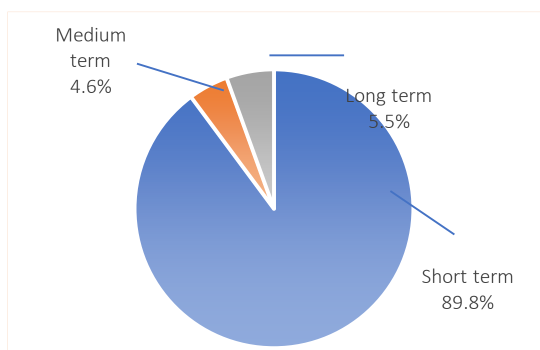


Source: Central Bank of Nigeria.

7.4.4 Maturity Structure of Banks' Loans and Advances, and Deposit Liabilities

Short-term deposits and loans maintained their dominance in banks' portfolio. Deposit liabilities, with maturity of one year and below, at 89.8 per cent, shed 0.1 percentage point at end-December 2022, compared with 89.9 per cent at end-December 2021. The medium-term deposit liabilities sustained an upward trajectory over a five-year period, accounting for 4.6 per cent, while long-term deposits constituted 5.5 per cent at end-December 2022.

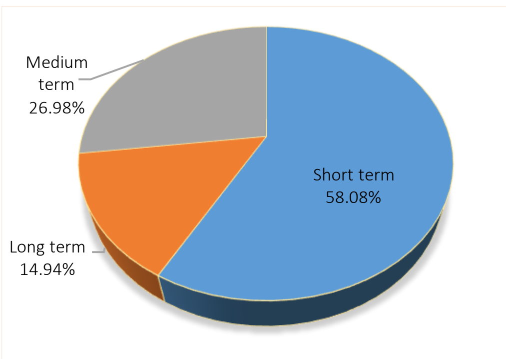
Figure 7.4.3: Maturity Structure of DMBs' Loans and Advances at end-December 2022 (per cent)



Source: Central Bank of Nigeria.

A similar trend was observed in the share of outstanding loans and advances, as short-term credit was dominant with a share of 58.1 per cent, at end-December 2022, from 56.4 per cent at end-December 2021. The medium-term and long-term maturities accounted for 14.9 per cent and 27.0 per cent, respectively, compared with 15.8 per cent and 27.9 per cent at end-December 2021.

Figure 7.4.4: Maturity Structure of DMB's Loans and Advances, and Deposit Liabilities



Source: Central Bank of Nigeria.

7.4.5 Sectoral Distribution of Credit

The industry and services sectors sustained their dominance in the share of credit to the private sector. Credit utilisation by sectors of the economy grew by 20.8 per cent to ₦29,445.87 billion at end-December 2022, above the ₦24,378.19 billion at end-December 2021. The share of credit to the private sector, revealed that the services and industry sectors accounted for the largest shares, as their share in total credit stood at 52.8 per cent and 41.0 per cent, respectively, at end-December 2022, compared with 53.4 per cent and 40.7 per cent, recorded at end-December 2021.

Table 7.4.5: Share in Outstanding Credit to the Private Sector, 2018 – 2022 (per cent)

Item	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
Agriculture	4.00	4.49	5.15	5.98	6.15
Industry	45.10	41.58	41.93	40.66	41.01
of which: Construction	4.10	4.10	4.70	4.38	3.95
Services	50.90	53.93	52.92	53.36	52.84
of which: Trade/General Commerce	7.10	7.20	6.60	7.00	7.52

Source: Central Bank of Nigeria.

The agriculture sector's share increased to 6.2 per cent at end-December 2022, compared to 6.0 per cent at end-December 2021.

7.4.6 Financial Sector Development Indicators

The financial sector showed resilience, as revealed by key indicators. Aggregate savings maintained an upward trajectory in 2022, as reflected in the higher ratio of 'other' deposits (OD) to GDP of 15.6 per cent, relative to 15.2 per cent in 2021. The ratio of banking system's asset to GDP rose to 71.4 per cent, indicating that the size of the financial sector remains robust.

Table 7.4. 6: Financial Sector Development Indicators

Item	2018	2019	2020	2021	2022
M3/GDP	25.6	24.2	25.5	25.6	26.2
CIC/M3	7.1	7.0	7.5	7.5	5.8
COB/GDP	1.5	1.4	1.6	1.7	1.3
OD/GDP	12.6	12.5	14.4	14.8	15.6
NDC/GDP	22.3	25.2	27.2	28.0	33.3
COS/GDP	18.4	18.3	19.6	20.3	21.0
CPS/GDP	10.4	11.2	12.3	13.7	14.3
Banking System's Assets/GDP	59.5	58.3	67.3	68.1	71.4
COB/M3	5.8	5.8	6.4	6.6	4.9

Source: Central Bank of Nigeria.

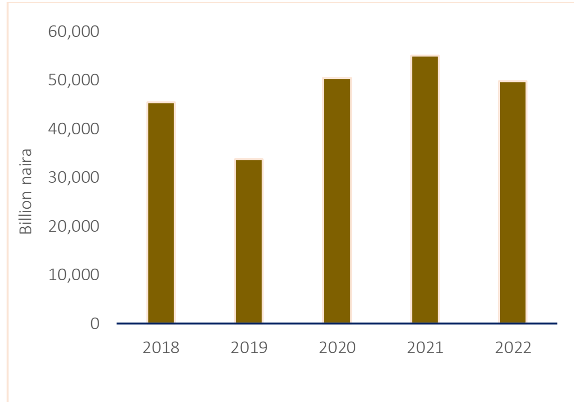
The ratio of claims on 'other' sector (COS) to GDP and claims on the private sector (CPS) to GDP increased to 21.0 per cent and 14.3 per cent, compared with 20.3 per cent and 13.7 per cent, respectively, in 2021, following sustained efforts at credit support to the domestic economy. Intermediation efficiency indicator, measured by the ratio of currency outside banks (COB) to broad money supply, improved to 1.3 per cent, from 1.7 per cent at end-December 2021, partly attributed to the naira redesign policy.

7.5 MONEY MARKET DEVELOPMENTS

7.5.1 Inter-bank Market Transactions

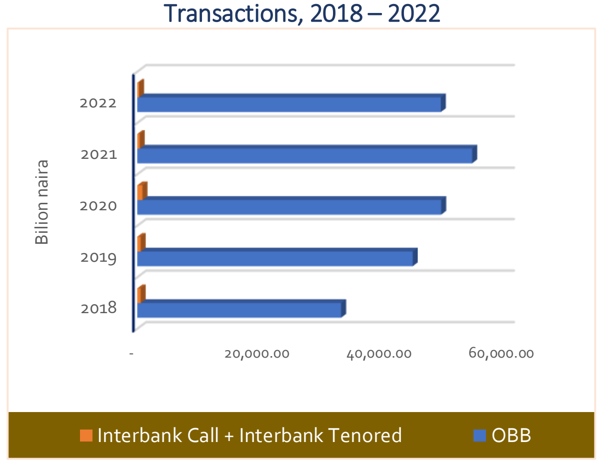
Collateralised transactions continued to dominate in the inter-bank market. The total value of transactions at the open-buy-back, interbank call, and interbank tenored segments declined in 2022 to ₦49,733.95 billion, from ₦54,969.48 billion in the preceding year. Average transactions at the OBB and interbank (call and tenored) segments in the review period stood at ₦199.39 billion and ₦6.47 billion, respectively, lower than the ₦220.11 billion and ₦5.45 billion in the preceding year. Specifically, transactions at the OBB segment accounted for the bulk of the interbank transactions at 99.4 per cent, while the interbank call and tenored transactions accounted for the remaining 0.6 per cent. The decrease in inter-bank transactions was attributed to the level of liquidity in the banking system occasioned by the contractionary policy stance that prevailed in the most part of the year.

Figure 7.5. 1: Value of Interbank Funds Market Transactions, 2018 – 2022



Source: Central Bank of Nigeria.

Figure 7.5. 2: Share of Interbank Funds Market Transactions, 2018 – 2022

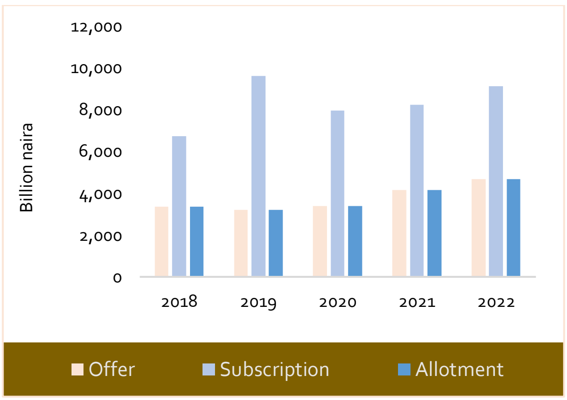


Source: Central Bank of Nigeria.

7.5.4 Primary Market Activities

In 2022, the total value of Nigerian Treasury Bills (NTBs) sold increased, compared with the level recorded in 2021, due to the Federal Government's reliance on public financing to bridge revenue shortfalls. The total value of NTBs offered and allotted was ₦4,675.86 billion and ₦4,344.82 billion, respectively, indicating an increase of ₦540.38 billion or 13.07 per cent and ₦342.59 billion or 5.47 per cent, above the ₦4,135.48 billion and ₦4,002.23 billion offered and allotted, respectively, in 2021. The total public subscription stood at ₦9,113.46 billion, compared with ₦8,217.96 billion in 2021. Public subscription remained relatively higher than the offered amount due to the sustained appetite for instruments with risk-free features.

Figure 7.5.3: NTB Issues, Subscriptions, and Allotments

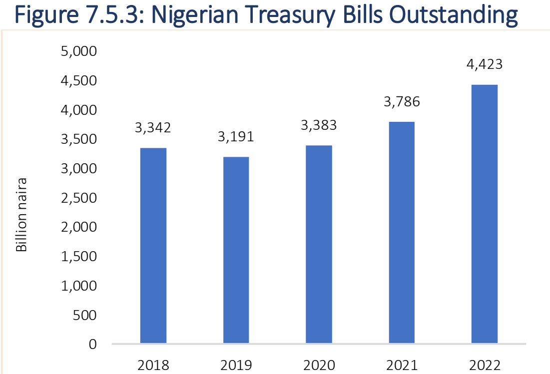


Source: Central Bank of Nigeria.

Structure of Allotment of Nigeria Treasury Bills

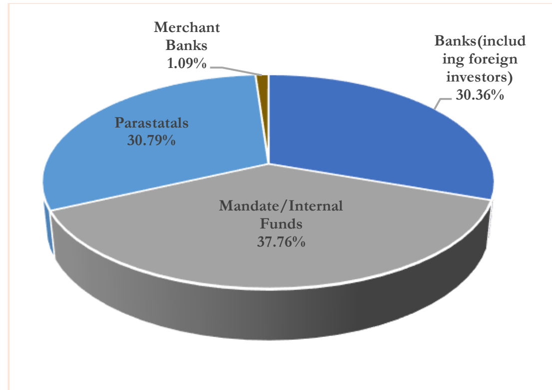
The structure of allotment of the instrument indicated that banks, including foreign investors, took up ₦2,925.64 billion or 67.34 per cent, mandate and internal funds, ₦1,266.40 billion or 29.15 per cent, and merchant banks ₦152.78 billion or 3.51 per cent. The stop rates ranged between 1.74 and 6.50 per cent for the 91-day, 3.00 and 8.05 per cent for the 182-day, and 4.00 and 14.84 percent for the 364-day.

Figure 7.5.3: Nigerian Treasury Bills Outstanding



Source: Central Bank of Nigeria.

Figure 7.5.5: Nigerian Treasury Bills Outstanding: Class of Holders, 2022



Source: Central Bank of Nigeria.

Over-the-Counter Transactions in Treasury Bills and FGN Bonds

There was a decrease in OTC transactions for NTBs, in contrast to the transactions in the FGN Bonds, which recorded an increase. Over-the-Counter (OTC) transactions for NTBs amounted to ₦48,310.69 billion, indicating a decrease of ₦9,975.54 billion or 17.11 per cent below the ₦58,286.23 billion recorded in 2021. OTC transactions in FGN Bonds amounted to ₦13,981.14 billion, indicating a decrease of ₦5,379.64 billion or 27.79 per cent below the ₦19,360.78 billion recorded in 2021. The developments in the OTC markets were attributed primarily to lower patronage by foreign and other institutional investors.

7.5.5 Federal Republic of Nigeria Treasury Bonds

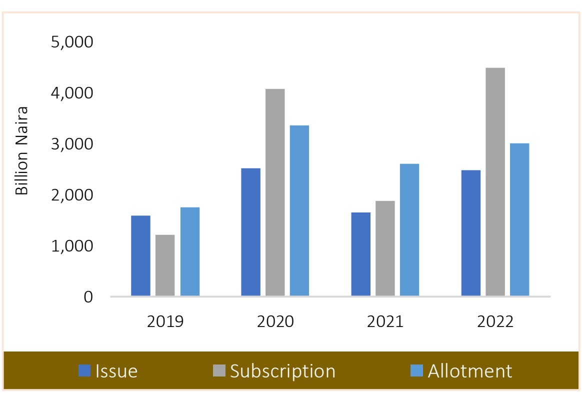
Federal Republic of Nigeria Treasury Bonds (FRNTBs) worth ₦50.99 billion was outstanding at end-December 2022, compared with ₦75.99 billion outstanding at end-December 2021. FRNTBs worth ₦25.00 billion was redeemed in the review period, same as in 2021. A breakdown of the amount outstanding indicated that the CBN held ₦3.12 billion or 6.12 per cent, while ₦47.87 billion or 93.88 per cent was held in the Sinking

Fund. In 2021, CBN held ₦14.29 billion or 18.81 per cent, while ₦61.70 billion or 81.19 per cent was held in the Sinking Fund. There were no new issues of FRNTBs in 2022.

7.5.6 Federal Government of Nigeria (FGN) Bonds

Total amount of FGN Bonds offered to the public was ₦2,475.00 billion, while public subscription and allotment stood at ₦4,483.77 billion and ₦3,000.63 billion, respectively. The amount offered comprised new issues and re-openings of FGN Bonds series 1, 2, 3, 4, and 5. In 2021, FGN Bonds issuance, subscription, and allotment were ₦1,750.00 billion, ₦3,357.32 billion, and ₦2,607.01 billion, respectively. The higher subscription in 2022 was traceable to the preference for long-tenored instruments with attractive yields. The subsisting restriction placed on non-banking institutions and individuals from purchasing OMO Bills also sustained the activities in the bond market. The total value of FGN Bonds outstanding at end-December 2022 stood at ₦16,854.10 billion, compared with ₦14,395.75 billion at end-December 2021, indicating an increase of ₦2,458.34 billion or 17.08 per cent.

Figure 7.5.6: FGN Bonds Auctions



Source: Central Bank of Nigeria.

7.5.7 Federal Government of Nigeria Savings Bonds

In 2022, FGN Savings Bonds worth ₦16.59 billion was allotted, representing an increase of ₦13.05 billion or 368.75 per cent, compared with ₦3.54 billion at end-December 2021. The rise was attributed to the increased number of auctions and subscriptions following investor sensitizations about the features of the bond. The new issues were 2- and 3- year tenors with coupon rates ranging from 7.22 to 11.38 per cent and 8.22 to 13.23 per cent, respectively. The range of coupon rates was lower in 2021, from 2.20 to 8.89 per cent and from 3.20 to 9.89 per cent for the 2- and 3- year tenors, respectively. The total value of FGN Savings Bonds outstanding at end-December 2022 was ₦27.51 billion, compared with ₦16.42 billion at end-December 2021.

7.5.8 Federal Government of Nigeria Green Bonds

FGN Green Bond valued at ₦10.69 billion was redeemed in 2022. Consequently, the outstanding stock of the instrument at end-December 2022 stood at ₦15.00 billion, representing a decrease of ₦10.69 billion or 58.39 per cent, compared with ₦25.69 billion at end-December 2021.

7.5.9 Federal Government of Nigeria Sukuk

During the review period, a 10-Year FGN Sukuk worth ₦130.00 billion was issued and allotted with the rental rate of 15.64 per cent payable semi-annually. This brought the total value of FGN Sukuk outstanding at end-December 2022 to ₦742.56 billion, an increase of 21.22 per cent above the ₦612.56 billion recorded in 2021. The increase in subscription was attributed to more issuance by the Federal Government, attractive returns, as well as greater awareness of the market participants to the developmental benefits of Shari'ah compliant financial instruments.

7.5.10 Federal Government of Nigeria Promissory Note

FGN Promissory Notes valued at ₦210.83 billion matured and ₦21.03 billion was issued in 2022. The outstanding stock of the Notes at end-December 2022 stood at ₦530.03 billion, representing a decrease of ₦231.96 billion or 30.44 per cent, compared with ₦761.99 billion at end-December 2021.

7.6 Capital Market Developments

Global and domestic macroeconomic developments shaped the activities in the Nigerian capital market during the review year.

7.6.1 Policy, Regulation, and Institutional Environment

In line with the recommendations of the Nigerian Capital Market Master Plan (2015 - 2025), the Securities and Exchange Commission (SEC) continued its activities, aimed at strenghtening regulation and ensuring effective operations of the Nigerian capital market. In the revie period, the Commission:

- notified all public companies involved or intending to be involved in a merger, acquisition, or other forms of corporate restructuring, of the revised applicable "processing fee''; and
- informed all capital market operators (CMOs) and the general public about the amended Investment and Securities Order 2019, which granted exemption to State Governments and the Federal Capital Territory from the operations of Section 223 of the Investments and Securities Act, 2007 to enable them raise funds from the Capital Market for infrastructure development.

7.5.2 The Nigerian Exchange Group (NGX) Limited

In the review period, the NGX Limited implemented various initiatives, aimed at enhancing its strategic performance with the relaunching of the Market Making Program to tackle liquidity constraints and ensure sustained flow of funds in the capital market.

Other significant activities carried out by the Exchange in 2022, included:

- Launching of West Africa's first Exchange Traded Derivatives (ETD) market - Listed 10 NGX Index Futures Contracts (NGX 30 Index Futures, and NGX Pension Index Futures);
- obtaining approval from SEC on the rules for listing on NGX Technology Board;
- Forming new strategic partnerships with the signing of a MoU with the Bank of Industry and Dubai Financial Market;
- signing of a Memorandum of Understanding (MoU) to further promote financial literacy and enhance retail participation, develop capital market solutions, leverage technology, support data dissemination, promote capacity development, and eliminate barriers to retail participation in the capital market;
- successful launching of the African Exchange Linkage Project (AELP), which integrates the African capital markets, by facilitating cross-border trading and enabling the trading of exchange-listed securities across 7 participating securities exchanges;
- execution of several physical and online capacity building programs (Derivatives, Securities Lending, and Islamic Finance webinars) to enhance the knowledge of key stakeholders and increase investor participation;

- collaboration with the International Finance Corporation (IFC) – a member of the World Bank Group, to host a training for issuers and market operators on the issuance of sustainable financial instruments across the Nigerian capital market under the IFC's REGIO Technical Assistance Program for Africa; and
- launching of the Corporate Governance Triangle, an initiative of the Nigerian Bar Association Section on Business Law (NBA-SBL), NGX, and the Institute of Directors, Nigeria (IoD), to foster good corporate governance in Nigeria for members of the business law community, directors and managers of businesses, shareholders, and other corporate stakeholders.

i. The Secondary Market

The secondary segment of the Nigerian capital market sustained a bullish performance in 2022. The NGX All-Share Index (ASI) and aggregate market capitalisation at end-December 2022 appreciated relative to their levels at end-December 2021.

ii. NGX All-Share Index

The NGX ASI appreciated significantly in 2022, occasioned by the bargain hunting in the equities market and price appreciation in anticipation of favourable end-of-year corporate earnings, and improved macroeconomic outlook. The NGX ASI grew by 20.0 per cent to 51,251.06 index points in 2022, from 42,716.44 index points at end-December 2021. The positive performance was broad-based as sectoral indices trended upwards, except for NGX-Consumer Goods, NGX-ASeM, NGX-Afri Value, NGX-Sovereign Bond and NGX-Insurance, which declined relative to their levels at end-December 2021.

Analysis of the sectoral performance shows that the NGX-Growth was the most impressive with a growth of 41.6 per cent, occasioned by the improved investors' sentiment and strong corporate earnings. This was followed by NGX-Oil & Gas with a growth of 34.0 per cent, due mainly to the sustained high oil prices in the downstream oil and gas sector, which boosted corporate earnings. Other sectoral indices improved: NGX-Main Board (33.2 per cent); NGX-Afri Div Yield Index (29.8 per cent); NGX-MERI Growth (27.3 per cent); NGX-Industry (19.7 per cent); NGX-Premium (13.1 per cent); NGX-Pension (10.4 per cent); NGX-MERI Value (8.1 per cent); NGX-LOTUS (7.7 per cent); NGX-30 (7.0 per cent), and NGX-Banking (2.8 per cent).

Table 7.6.1: Nigerian Exchange Group (NGX) Limited Indices

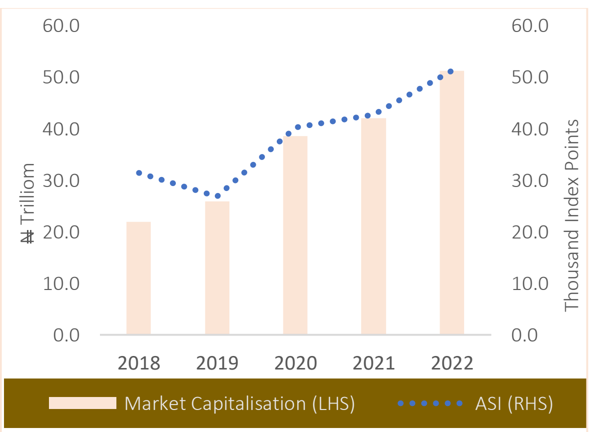
NGX Indices	2021	2022	Changes (%)
NGX-Growth	1269.66	1798.28	41.6
NGX-Oil & Gas	345.01	462.48	34.1
NGX-Main Board	1748.37	2328.51	33.2
NGX-Afri Div Yield	2559.43	3321.49	29.8
NGX-MERI Growth	1805.02	2297.30	27.3
NGX-Industrial	2008.30	2403.24	19.7
NGX-Premium	4167.78	4715.57	13.1
NGX-Pension	1624.09	1792.58	10.4
NGX-MERI Value	2134.95	2308.19	8.1
NGX-Lotus	3009.51	3240.83	7.7
NGX-30	1722.30	1842.50	7.0
NGX-Banking	406.07	417.50	2.8
NGX-Consumer Goods	589.28	588.93	-0.1
NGX-Corporate Governance	1278.00	1276.51	-0.1
NGX-ASeM	670.65	659.42	-1.7
NGX-AFRI Bank Value	1038.82	991.06	-4.6
NGX-Sovereign Bond	860.95	818.27	-5.0
NGX-Insurance	198.11	174.36	-12.0

Source: Securities and Exchange Commission (SEC)/NGX Limited.

iii. Market Capitalisation

Market capitalisation increased in the review period, due to better-than-expected corporate earnings and improved investors' confidence. The aggregate market capitalisation of the 300-listed securities increased by 21.7 per cent to ₦51.19 trillion at end-December 2022, from ₦42.05 trillion at end-December 2021. The development reflected increase in the value of traded securities in all segments of the market. Aggregate market capitalisation, as a percentage of GDP stood at 28.6 per cent in 2022, compared with 23.9 per cent at end-December 2021. Similarly, the ratio of the value of traded stocks to GDP was 0.7 per cent, compared with 0.5 per cent recorded at end-December 2021.

Figure 7.6.1: Trends in Market Capitalisation and NGX Value Index, 2018 - 2022



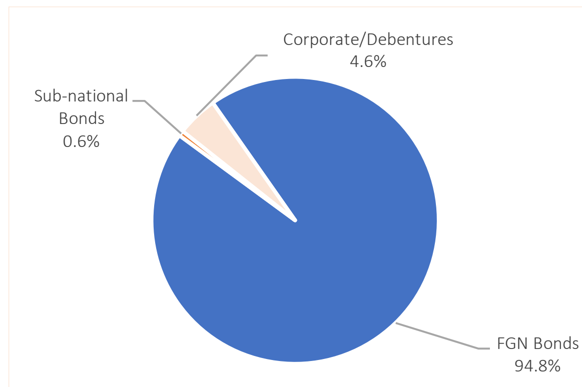
Source: NGX Limited.

A disaggregation of the components of the aggregate market capitalisation indicated that the exchange-traded funds (ETFs), bonds, and equities components, stood at ₦8.42 billion, ₦23.21 trillion, and ₦27.97 trillion, respectively.

- *Bonds Segment*

The market capitalisation of the 145 listed bonds stood at ₦23.21 trillion at end-December 2022 (17.6 per cent appreciation relative to the level at end-December 2021) and constituted 45.4 per cent of the aggregate market capitalisation. The bonds segment included: FGN Bonds (₦22.0 trillion); sub-national and supra-national bonds (₦148.91 billion); and corporate bonds/Debentures (₦1.06 trillion).

Figure 7.6.3: Composition of Bonds Market Capitalisation (%)



Source: SEC & NGX Limited.

- *Exchange Traded Funds*

Exchange Traded Funds (ETFs) of ₦8.42 billion, accounted for 0.02 per cent of the aggregate market capitalisation. The number of ETFs remained at 12, same as at end-December 2021.

- *Equities Segment*

Market capitalisation of the 149-listed equities rose by 25.4 per cent to ₦27.97 trillion at end-December 2022, and accounted for 54.6 per cent of aggregate market capitalisation. There were eight banks in the top 20 most-capitalised stocks on the Exchange, same as in 2021. However, banks accounted for 11.6 per cent of their market capitalisation in 2022, compared with 8.0 per cent in 2021.

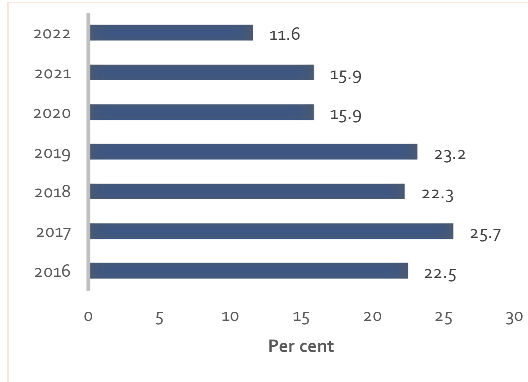
Total volume and value of traded securities were 134.35 billion shares and ₦1,168.53 billion, respectively, in 1,068,959 deals at end-December 2022. These represented an increase of 54.2 per cent and 22.5 per cent, compared with 87.11 billion shares and ₦953.87 billion, respectively, in 1,060,017 deals in 2021. Equities transactions dominated the capital market activities, accounting for 75.2 per cent of the turnover volume, and 99.7 per cent of the value of traded securities.

Figure 7.6.2: Volume and Value of Transactions on the NGX Limited

Source: Securities and Exchange Commission (SEC) and NGX Limited.

The financial services sub-sector of the equities market dominated activities, with 71.52 billion shares (53.2 per cent), valued at ₦551.70 billion (47.2 per cent) in 521,040 deals, compared with 57.21 billion shares (64.4 per cent) valued at ₦476.96 billion (50.6 per cent) in 559,092 deals in 2021.

Figure 7.6.4: Share of Banks in the 20 Most Capitalised Stocks in the NGX, 2016 – 2022



Source: Securities and Exchange Commission (SEC) and NGX Limited.

Market Participation

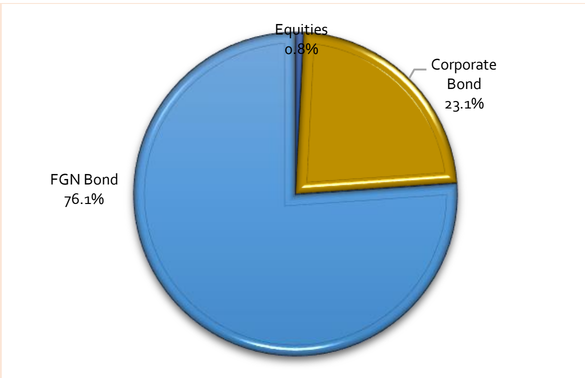
Investors' activities in the market showed that domestic portfolio investment flows remained higher than foreign portfolio investment flows in 2022. The share of domestic portfolio investment, in total transactions, was 83.7 per cent in 2022, compared with 77.1 per cent in 2021, while the foreign transactions accounted for the balance of 16.3 per cent and 22.9 per cent, respectively.

The New Issues Market

Activities in the primary segment of the Nigerian capital market were slightly lower in 2022 relative to the level in 2021. There were 60 newly issued securities worth ₦3.25 trillion in 2022, compared with 62 securities, valued at ₦2.91 trillion in 2021. One IPO, worth ₦10.00 billion, one private placements, valued at ₦11.28 billion, and three equities rights issues, worth ₦4.92 billion, were approved by the Commission in 2022, compared with three private placements worth ₦12.99 billion, two public offer, valued at ₦98.25 billion, and two equity rights issues, worth ₦7.57 billion, in 2021.

In the government segment of the primary market, 33 FGN Bonds worth ₦2,475.00 billion and 22 corporate bonds (₦751.08 billion), were issued and allotted by the Debt Management Office (DMO) in the review period, compared with 35 FGN Bonds worth ₦2,316.01 billion, one sub-national bond (₦137.33 billion), and 19 corporate bonds (₦388.79 billion) in 2021.

Figure 7.6.5: Value of New Issues by Sector in 2022



Source: Securities and Exchange Commission (SEC) and NGX Limited

8.0 EXTERNAL SECTOR DEVELOPMENT

The global economy was fraught with headwinds arising majorly from the Russia-Ukraine war and the attendant sanctions on Russia, which exerted pressure on the external sector in the review period. The development exacerbated the supply chain disruptions, resulting, particularly, in high energy and food prices. Consequently, the overall balance of payment resulted in a deficit, as against a surplus in 2021.

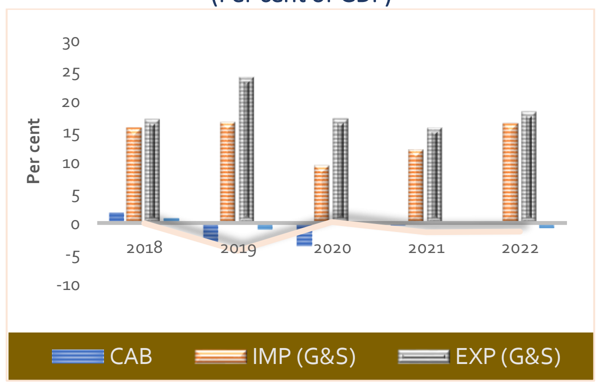
However, the current account posted an impressive surplus position, buoyed by positive trade performance and sustained surplus in the secondary income account. The Bank sustained its interventions in the foreign exchange market to ensure stability, amidst persisting demand pressure. The stock of external reserves declined to US$36.61 billion at end-December 2022, compared with US$40.23 billion at end-December 2021.

8.1 BALANCE OF PAYMENTS

8.1.1 Major Developments

An overall balance of payments deficit of US$3.32 billion, representing 0.7 per cent of GDP, was recorded in 2022, against a surplus of US$0.30 billion or 0.1 per cent of GDP in 2021. The current and capital accounts, however, posted a surplus of US$1.02 billion or 0.2 per cent of GDP, in contrast to a deficit of US$3.25 billion or 0.4 per cent of GDP in 2021. The development was due, largely, to the trade surplus and higher inflow of diaspora remittances. The financial account recorded a net incurrence of financial liabilities of US$6.49 billion, equivalent to 1.4 per cent of GDP in 2022, relative to US$6.35 billion or 1.7 per cent of GDP in 2021. The stock of external reserves at end-December 2022 was US$36.61 billion and could finance 7.5 months of import for goods only, or 5.7 months of import of goods and services. The stock of public external debt at end-December 2022 increased, by 8.6 per cent to US$41.69 billion, representing 8.8 per cent of GDP, from US$38.39 billion or 9.1 per cent of GDP in 2021. The net financial liability in Nigeria's International Investment Position (IIP) increased by 6.2 per cent in 2022, relative to the level in 2021.

Figure 8.1. 1: Balance of Payments, 2018-2022 (Per cent of GDP)



Source: Central Bank of Nigeria.

8.2 THE CURRENT AND CAPITAL ACCOUNTS

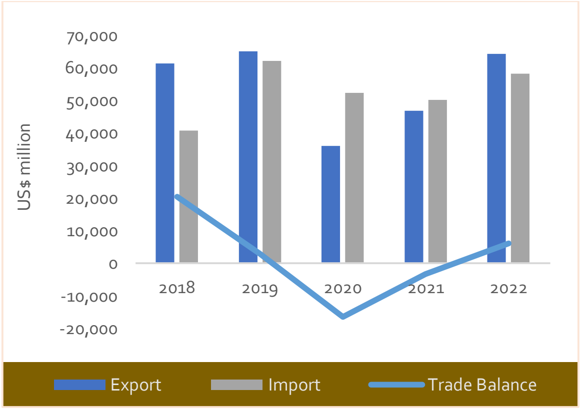
The current and capital accounts recorded an impressive surplus owing, majorly, to improved export earnings and higher inflow of diaspora remittances. The current and capital accounts surplus was US$1.02 billion or 0.2 per cent of GDP in 2022, as against a deficit of US$3.25 billion or 0.4 per cent of GDP in 2021.

8.2.1 The Goods Account

The sustained high crude oil prices, coupled with increased earnings from non-oil export, resulted in a trade surplus in 2022. Transactions in the goods account resulted in a substantial trade surplus of US$6.00 billion or 1.3 per cent of GDP, in contrast to a deficit of US$4.56 billion or 0.7 per cent of GDP in 2021. The surplus was driven, largely, by a

37.1 per cent increase in crude oil and gas export earnings, relative to the level in 2021.

Figure 8.2.1: Value of Import, Export and Trade Balance, 2018 – 2022 (US$ million)



Source: Central Bank of Nigeria.

Import (Cost, Insurance, and Freight)

The sustained improvement in domestic economic activities boosted the demand for merchandise import. Import (unadjusted for balance of payments) rose by 14.2 per cent to US$64.01 billion in 2022, from US$56.07 billion in 2021, owing to the increase in the importation of both petroleum products and non-oil products. Specifically, the need to bridge the demand-supply gap, which was prevalent in 2022, boosted the demand for petroleum products, especially Premium Motor Spirit (PMS). Thus, the importation of petroleum products increased by 43.7 per cent to US$23.33 billion, from US$16.24 billion in 2021. Non-oil import also increased, by 2.1 per cent to US$40.68 billion, relative to US$39.83 billion in 2021. Analysis of import shows that non-oil import remained dominant, accounting for 63.6 per cent of the total, while oil import accounted for the balance of 36.4 per cent.

A breakdown of non-oil import based on activity sectors [21] showed that the industrial sector accounted for 47.1 per cent of total import, followed by manufactured products with 21.5 per cent. Food products, oil, minerals, transport, and agriculture sub-sectors, accounted for 15.3 per cent, 7.7 per cent, 3.8 per cent, 3.0 per cent, and 1.6 per cent, respectively.

Import by Major Groups

An analysis of import by major groups[22] revealed the dominance of capital goods and raw materials, with a share of 56.3 per cent of the total, while consumer goods accounted for 42.8 per cent. Miscellaneous import accounted for the balance of 0.9 per cent. The dominance of capital goods and raw materials category reflected an improvement in productive activities in 2022.

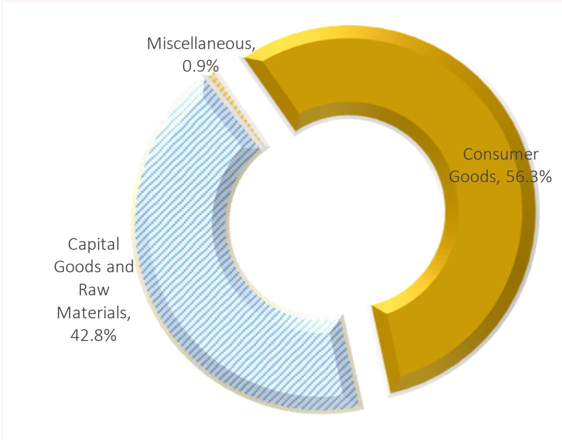
In value terms, importation of capital goods and raw materials rose by 20.7 per cent to US$36.06 billion in 2022, compared with US$29.14 billion in 2021. A disaggregation revealed that importation of capital goods, with a value of US$30.24 billion, accounted for 47.2 per cent of the total, while raw materials, at US$5.82 billion, represented 9.1 per cent.

Import of consumer goods also rose by 5.9 per cent to US$27.37 billion, relative to US$25.84 billion in 2021. Within the category, import of durable goods at US$14.94 billion constituted 23.3 per cent of total import, while that of non-durable goods at US$12.42 billion, represented 19.4 per cent of the total. Miscellaneous import was US$0.41 billion.

[21] Based on returns from commercial banks.

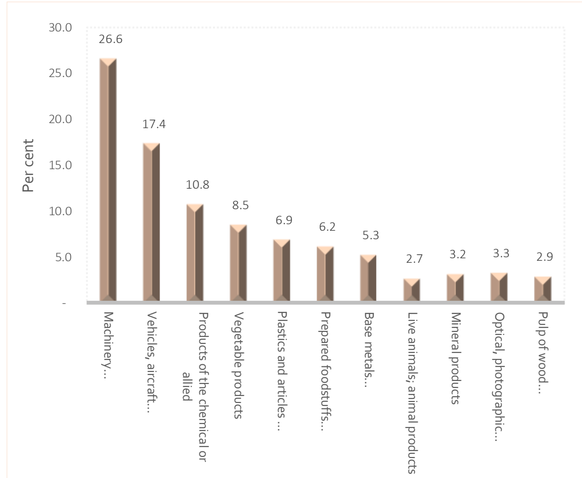
[22] Based on NBS classification.

Figure 8.2.2: Import by Major Groups, 2022



Source: Central Bank of Nigeria.

Figure 8.2.3: Import by HS Classification, 2022



Source: Central Bank of Nigeria.

Import by the Harmonised System (HS) Classification

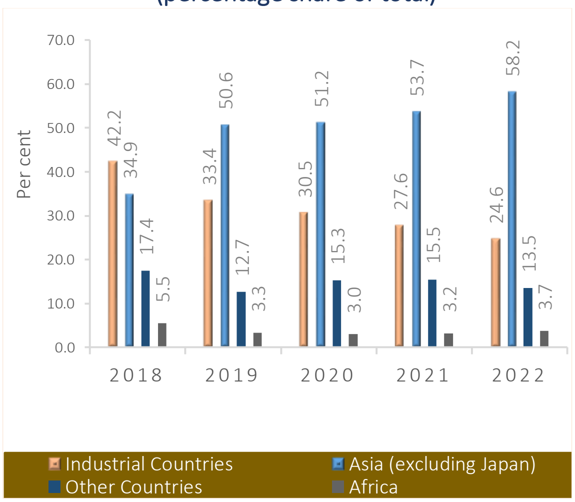
Import by HS classification indicated the dominance of machinery & mechanical appliances, at US$17.04 billion, representing 26.6 per cent of the total. This was followed by: vehicles, aircrafts, vessels & associated transport equipment at US$11.12 billion (17.4 per cent); products of the chemical or allied at US$6.88 billion (10.8 per cent); vegetable products, US$5.44 billion (8.5 per cent); plastic & articles thereof, US$4.41 billion (6.9 per cent); prepared foodstuffs, beverages, spirits, and vinegar, US$3.95 billion (6.2 per cent); and base metals and articles of base metal, US$3.38 billion (5.3 per cent). Further analysis showed that: live animals & animal products, US$2.23 billion (3.5 per cent); optical photographic, cinematographic, measuring appliances, US$2.09 billion (3.3 per cent); pulp of wood, US$1.87 billion (2.9 per cent); mineral products, US$1.74 billion (2.7 per cent); textile & textile articles, US$1.34 billion (2.1 per cent); and animals and vegetable fats and oils, US$0.81 billion (1.3 per cent). “Other” categories accounted for the balance.

Non-oil Imports by Country of Origin

Major source of Nigeria’s non-oil import remained China in 2022, accounting for 36.7 per cent of the total. This was followed by India and the United States, with 8.0 per cent and 7.8 per cent, respectively. Import from Republic of Korea and Germany followed with 5.8 per cent and 3.1 per cent, respectively. Import from Brazil, the United Kingdom, Turkey, Italy, and The Netherlands accounted for 3.0 per cent, 2.4 per cent, 1.8 per cent, 1.7 per cent, and 1.6 per cent, respectively. Import from South Africa and Malaysia was 1.5 per cent apiece, while France and Spain had a share of 1.3 per cent apiece. United Arab Emirates accounted for 1.2 per cent; Saudi Arabia and Indonesia, 1.1 per cent apiece; Russia and Belgium, 1.0 per cent apiece; while other countries accounted for the balance.

Analysis of non-oil import by group shows that import from Asia (excluding Japan) dominated with a share of 58.2 per cent, an increase of 4.5 percentage points relative to the level in 2021. The share of import from African countries inched up marginally by 0.6 percentage point to 3.7 per cent, from the level in 2021. Conversely, the share of industrialised countries decreased to 24.6 per cent, from 27.6 per cent in 2021. Similarly, the share of "other" countries as a group also decreased, to 13.5 per cent, relative to the 15.5 per cent in 2021.

Figure 8.2.4: Non-oil Import by Region, 2018-2022 (percentage share of total)



Source: Central Bank of Nigeria.

Export (Free on Board)

Aggregate export earnings rose in 2022, on account of higher commodity prices, occasioned by the Russia-Ukraine war. Consequently, export earnings increased significantly, by 37.1 per cent to US$64.23 billion, equivalent to 13.5 per cent of GDP, relative to US$46.86 billion or 11.1 per cent of GDP in 2021. A breakdown of total export shows that crude oil and gas remained dominant, at 88.9 per cent, with crude oil accounting for 77.5 per cent of the total, while gas was 11.4 per cent. Non-oil export accounted for the balance of 11.1 per cent.

Further analysis showed that crude oil and gas receipts rose by 39.8 per cent to US$57.11 billion or 12.0 per cent of GDP, above the US$40.84 billion or 9.6 per cent of GDP in 2021.

Crude oil export receipts rose by 41.5 per cent to US$49.75 billion, driven by the 47.5 per cent increase in the price of Nigeria's reference crude, the Bonny Light, to an average of US$104.62 per barrel, from US$70.91 per barrel in 2021. The increase in prices was due, largely, to the lingering supply constraints, exacerbated by the Russia-Ukraine war, which pushed up commodity prices at the international market.

Similarly, receipts from gas export, increased by 29.4 per cent to US$7.36 billion, equivalent to 1.5 per cent of GDP, from US$5.68 billion or 1.3 per cent of GDP in 2021. The development reflected the gains from sustained high prices.

Non-oil export, including electricity export increased by 18.3 per cent to US$7.12 billion or 1.5 per cent of GDP in 2022, compared with US$6.02 billion or 1.4 per cent of GDP in 2021. The development was on account of increased receipts, particularly, from the export of fertiliser and agricultural commodities, occasioned by the favourable commodity prices.

Crude Oil Exports

Nigeria's crude oil export increased by 41.5 per cent to US$49.75 billion, relative to US$35.16 billion in 2021, despite the decline in the volume of crude oil production, occasioned by the lingering domestic production challenges. A breakdown of export by destination shows that India maintained its lead as the highest importer of Nigeria's crude oil, followed by Spain, The Netherlands, Indonesia, the United States, France, Italy, and South Africa.

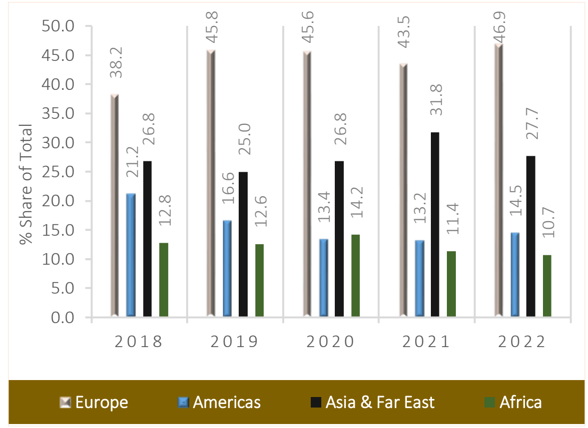
By continent, Europe was the major destination for Nigeria's crude oil export, with US$23.35 billion, representing 46.9 per cent of the total. Within the group, Spain ranked highest with US$6.15 billion, accounting for 12.4 per cent of the total. This was followed by: The Netherlands, US$5.79 billion (11.6 per cent); France, US$3.20 billion (6.4 per cent); Italy, US$2.51 billion (5.0 per cent); United Kingdom, US$1.38 billion (2.8 per cent); and Sweden, US$1.22 billion (2.4 per cent). Other countries in the group accounted for the balance.

Asia followed, with US$13.76 billion or 27.7 per cent of the total. In the group, India imported Nigeria's crude oil worth US$7.41 billion or 14.9 per cent of the total. Next was Indonesia, with a value of US$4.49 billion or 9.0 per cent, and Thailand, US$0.79 billion or 1.6 per cent. Other countries in the group accounted for the balance.

Export to the African and North American continents was US$5.33 billion and US$5.31 billion, respectively. Within the African Continent, export to South Africa was the highest at US$2.09 billion (4.2 per cent), followed by Côte d'Ivoire with a value of US$1.93 billion (3.9 per cent), Senegal, US$0.70 billion (1.4 per cent); and Togo, US$0.61 billion (1.2 per cent). In Northern America, the USA and Canada, imported Nigeria's crude valued at US$3.51 billion (7.1 per cent) and US$1.81 billion (3.6 per cent).

Nigeria realised US$1.90 billion (3.8 per cent) from the export of crude oil to South America, with Brazil, Peru, and Uruguay, accounting for 2.4 per cent, 0.8 per cent, and 0.6 per cent, respectively.

Figure 8.2.5: Direction of Crude Oil Export



Source: Central Bank of Nigeria.

Non-oil Exports

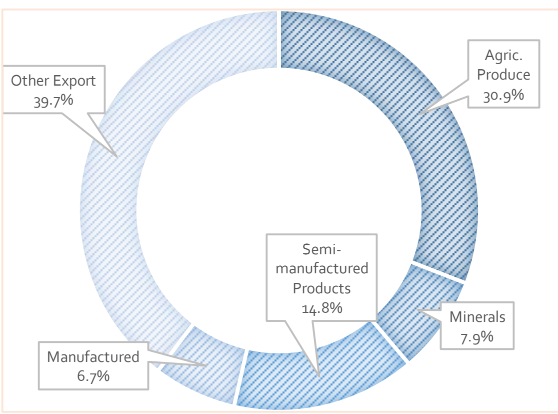
The drive by the Bank to boost non-oil export, particularly, through the RT-200 policy, 100 for 100 PPP, among other policies, coupled with the favourable commodity prices, resulted in higher non-oil export receipts. In 2022, non-oil export receipts increased by 18.3 per cent to US$7.12 billion or 1.5 per cent of GDP, compared with US$6.02 billion or 1.3 per cent of GDP in 2021. A disaggregation of non-oil export showed that receipts from 'other' non-oil export increased by 20.0 per cent to US$6.96 billion, compared with US$5.80 billion in 2021. Conversely, receipts from electricity export declined by 27.2 per cent to US$0.16 billion, relative to US$0.21 billion in the preceding year.

An analysis of non-oil export by products revealed that the export of urea constituted the bulk at US$2.28 billion or 32.1 per cent of the total. This was followed by receipts from the export of cocoa beans valued at US$0.88 billion, representing 12.4 per cent of the total. Export of sesame seeds realised US$0.46 billion (6.5 per cent), while that of aluminium was US$0.39 billion (5.5 per cent), and cashew nut, US$0.35 billion (4.9 per cent). Export of tobacco at US$0.16 billion, accounted for 2.2 per cent of the total, while copper, with

US$0.15 billion had a share of 2.1 per cent of the total. Receipts from the export of lead was US$0.13 billion (1.9 per cent); leather & processed skin, US$0.13 billion (1.8 per cent); cement/lime, US$0.10 billion (1.5 per cent); rubber, US$0.10 billion (1.4 per cent); ginger, US$0.08 billion (1.1 per cent), and hibiscus flower, US$0.07 billion (0.9 per cent). Other products accounted for the balance.

In terms of sectors, other export, valued at US$2.82 billion, constituted the highest share of 39.7 per cent of the total, followed by the agricultural produce valued at US$2.20 billion or 30.9 per cent of the total. Semi-manufactured product was US$1.06 billion (14.8 per cent), minerals, US$0.56 billion (7.9 per cent); and manufactured products, US$0.48 billion (6.7 per cent).

Figure 8.2.6: Non-oil Export by Sectors, 2022



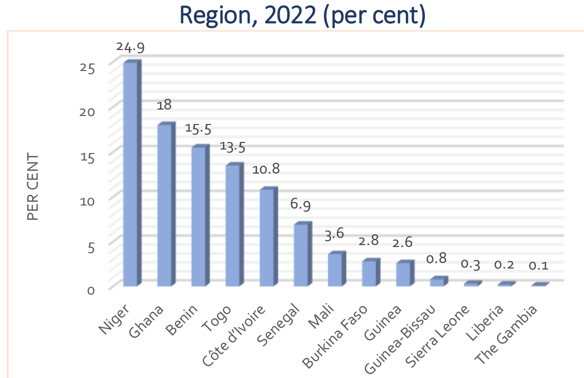
Source: Central Bank of Nigeria.

Non-oil Exports to the ECOWAS Sub-Region

The value of non-oil export to the ECOWAS sub-region was US$500.98 million, representing an increase of 71.7 per cent, above the US$291.71 million in 2021. The increase reflected the waning of the Covid-19 pandemic effect on regional trade, and the positive effects of the Bank's policies to boost non-oil export receipts. Export to Niger was the highest with US$124.75 million or 24.9 per cent of the total. This was followed by: Ghana, US$90.25 million (18.0 per cent); Benin, US$77.47 million (15.5 per cent); Togo, US$67.43 million (13.5 per cent), Côte d'Ivoire, US$54.26 million (10.8 per cent); and Senegal, US$34.67 million (6.9 per cent).

Export to Mali was US$17.79 million (3.6 per cent); Burkina Faso, US$14.04 million (2.8 per cent); Guinea, US$12.92 million (2.6 per cent); Guinea-Bissau, US$3.89 million (0.8 per cent), and Sierra Leone, US$1.70 million (0.3 per cent). Nigeria's export to Liberia was US$1.09 million (0.2 per cent), while The Gambia was the least at US$0.72 million (0.1 per cent). The dominant export products to the sub-region were urea, tobacco, plastics, rubber, plastic footwear, soaps & detergents, and polybags.

Figure 8.2.7: Non-oil Export to the ECOWAS Sub-Region, 2022 (per cent)



Source: Central Bank of Nigeria.

Activities of the Top 100 Non-oil Exporters

Aggregate receipts from the top one hundred (100) non-oil exporters increased significantly by 44.8 per cent to US$4.20 billion, from US$2.90 billion in 2021. This constituted 95.5 per cent of total non-oil export proceeds received through the banking system and 59.0 per cent of total non-oil export receipts.

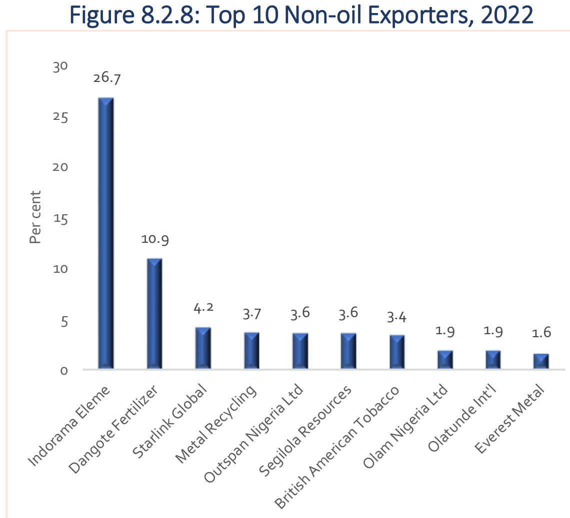
A breakdown showed that Indorama Eleme Fertiliser and Chemical Ltd ranked 1st with proceeds of US$1.12 billion, accounting for 26.7 per cent of the total, from the export of granular urea in bulk to Côte d'Ivoire, Brazil, Canada, the USA, Senegal, Benin, Cameroon, and Argentina. Dangote Fertiliser Limited ranked 2nd with proceeds of US$458.81 million (10.9 per cent), from the export of fertilizers to the United States and Brazil. Starlink Global and Ideal Limited ranked 3rd with US$175.62 million or 4.2 per cent of the total, from the export of raw cocoa beans, raw cashew nuts, shea nuts, and sesame seeds to Malaysia. Metal Recycling Industries Limited ranked 4th with proceeds of US$156.19 million (3.7 per cent), from the export of aluminium to Saudi Arabia. Outspan Nigeria Limited ranked 5th with US$150.51 million or 3.6 per cent of the total, from the export of cotton lint, sesame seeds, cocoa beans and dry ginger to The Netherlands, Germany, France, USA, Italy, and Spain.

Segilola Resources Operating Limited ranked 6th with US$149.88 million or 3.6 per cent of the total, from the export of gold to Australia and Saudi Arabia. In the 7th place was the British American Tobacco (BAT) Nigeria, with US$148.23 million (3.5 per cent of the total), from the export of cigarettes to Liberia, Guinea, Ghana, Cameroon, Côte d'Ivoire, and Niger. Olam Nigeria Limited ranked 8th with US$78.99 million or 1.9 per cent of the total, from the export of premium grade sesame seeds and fermented cocoa bean seeds to Australia, Greece, Turkey, The Netherlands, and Syria.

Olatunde International Limited ranked 9th with US$77.65 million or 1.9 per cent, realised from the export of raw cocoa beans to Spain, The Netherlands, and Belgium. Everest Metal Nigeria Limited ranked 10th with a value of US$67.89 million (1.6 per cent) from the export of refined lead, lead alloy ingots, aluminium alloy ingots, and copper ingots to India and the USA.

Huxley Industries Limited, Presco Plc, and Kapeun Limited, occupied the 98th, 99th, and 100th positions, with earnings of US$3.91 million, US$3.90 million, and US$3.83 million, respectively, from the export of oil nuts, kernels, fats, palm oil, cocoa beans, sorghum, and soya beans, to Belgium, USA, and Mexico.

Figure 8.2.8: Top 10 Non-oil Exporters, 2022



Source: Central Bank of Nigeria.

8.2.2 Services Account

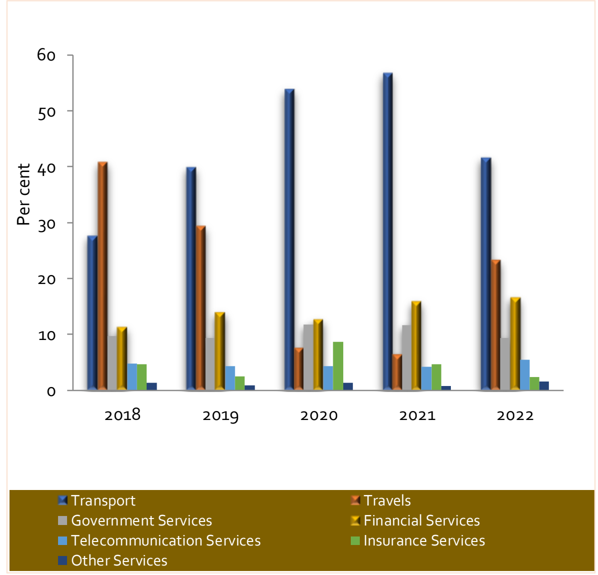
The sustained improvement in domestic economic activities pushed up the demand for international services in the review period. Thus, the deficit in the services account widened, by 19.5 per cent to US$13.96 billion or 3.1 per cent of GDP, from US$12.06 billion, equivalent to 2.8 per cent of GDP in 2021. The development was due to the higher payments for both passenger and freight transport services, financial, and telecommunication services.

Aggregate services receipts increased by 21.7 per cent to US$4.86 billion, compared with the level in 2021. Of the total, receipts from travel services, increased significantly to US$1.13 billion, compared with US$0.26 billion in 2021, resulting from increased personal travels by non-residents. Receipts from financial services also increased, by 27.6 per cent to US$0.80 billion, relative to US$0.63 billion in 2021. Receipts from telecommunications services increased to US$0.26 billion, compared with US$0.17 billion in 2021.

Receipts in respect of transportation services, however, decreased by 10.6 per cent to US$2.02 billion, compared with the level in 2021. The decline reflected the drop in receipts from freight services rendered by resident companies. Similarly, receipts in respect of insurance and government services declined, by 40.8 per cent and 1.8 per cent to US$0.11 billion and US$0.46 billion, respectively, relative to the levels in 2021.

In terms of share, receipts from transportation services constituted the highest share of 41.6 per cent, followed by receipts from travel, financial, and government services with 23.2 per cent, 16.5 per cent, and 9.4 per cent, respectively. Receipts from telecommunications and insurance services accounted for 5.4 per cent and 2.3 per cent of the total, respectively. Other components of services represented the balance.

Figure 8.2.9: Percentage Share of Services Receipts, 2018-2022



Source: Central Bank of Nigeria.

Payments for international services increased by 17.6 per cent to US$18.82 billion, relative to US$16.06 billion in 2021, owing to a higher demand for international services, buoyed by improved domestic economic activities.

A disaggregation showed that payment in respect of transport services, particularly air transport, increased significantly by 62.0 per cent to US$8.80 billion, from US$5.39 billion in 2021. Payments for financial, telecommunications, and government services also increased, by 9.6 per cent, 31.1 per cent, and 20.9 per cent to US$0.43 billion, US$0.56 billion, and US$0.32 billion, respectively.

However, payments for travel services decreased by 8.8 per cent to US$4.04 billion, relative to US$4.43 billion in 2021, due, largely, to the decline in personal travels, particularly for health and education related services. Insurance services also fell, marginally by 0.9 per cent to US$0.70 billion, compared with US$0.71 billion in 2021. Payments for other business services declined by 11.0 per cent to US$3.68 billion, from US$4.14 billion in

2021, attributed, largely, to lower payments for professional and management consulting services.

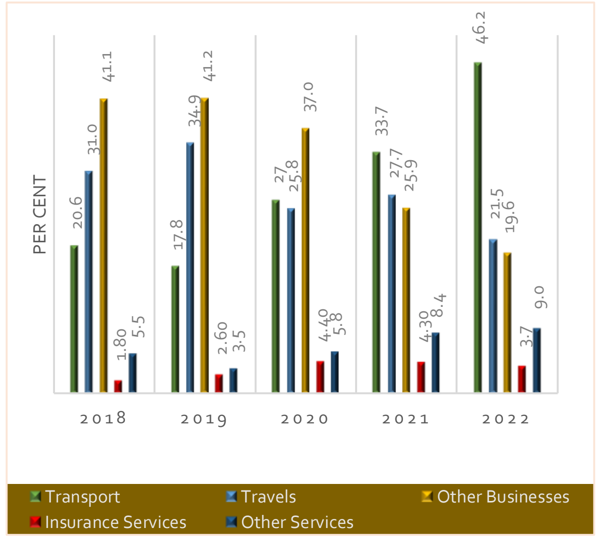
In terms of share in total payments, transportation services accounted for 46.2 per cent, while travel services was 21.5 per cent. Payments for other business services constituted 19.6 per cent, insurance services, 3.7 per cent, telecommunications services, 3.0 per cent, and government services, 1.7 per cent. "Other categories" of services accounted for the balance.

Table 8.2.1: Net Share of Major Invisible Transactions (Per cent) 2018 – 2022

Items	2018	2019	2020	2021	2022
Transportation	19.3	14.6	20.3	26.0	48.5
Travel	29.2	35.6	30.3	34.8	20.9
Insurance and Pensions Services	1.3	1.5	3.3	4.2	4.2
Telecommunication, Computer and Information Services	-0.2	-0.2	-0.9	-0.6	2.1
Construction Services	0.2	0.1	0.1	0.0	0.0
Financial Services	0.5	-0.6	-1.1	-2.0	-2.7
Government Services	-0.8	-0.6	45.8	-1.7	-0.8
Personal, Cultural & Recreational Services	0.2	0.3	0	0.0	0.1
Other Business Services	48.5	47.9	-1.4	34.2	25.8
Maintenance and Repair Services n.i.e					0.1
Charges for the use of intellectual property n.i.e.					1.8
Total	100	100	100	100	100

Source: Central Bank of Nigeria.

Figure 8.2.10: Percentage Share of Services Payment, 2018-2022



Source: Central Bank of Nigeria.

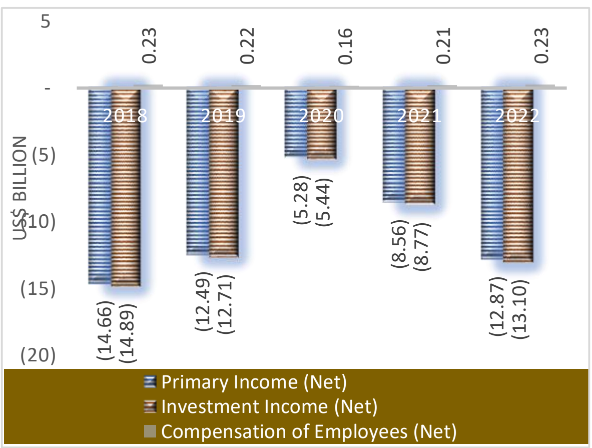
8.2.3 The Primary Income Account

The deficit in the primary income account widened significantly, owing mainly to the repatriation of higher dividends by non-resident investors, reflecting improvement in domestic economic activities. The primary income account posted a higher deficit of US$12.87 billion, equivalent to 2.7 per cent of GDP in 2022, relative to US$8.58 billion or 2.0 per cent of GDP in 2021, indicating an increase of 50.0 per cent. The development was attributed, mainly, to higher claims by non-resident investors, which rose by 38.8 per cent to US$14.54 billion, from US$10.48 billion in 2021, on account of higher dividend and interest payments to non-residents. Income on direct investment grew by 40.5 per cent to US$12.47 billion, relative to US$8.87 billion in 2021.

The development was due, largely, to the 35.9 per cent and 80.9 per cent increase in dividend payments and reinvested earnings to US$10.64 billion and US$1.76 billion in 2022, relative to US$7.83 billion and US$0.97 billion, respectively, in 2021. This reflected an uptick in domestic economic activities, with companies declaring higher dividends in the review period. Income payments in respect of portfolio investment also increased, to US$0.21 billion, from US$0.14 billion in 2021. Interest payments on loans rose by 27.3 per cent to US$1.83 billion, compared with US$1.43 billion in 2021.

The compensation of employees' sub-account, which maintained its surplus position, registered an increase of 9.9 per cent to US$0.23 billion in 2022, from US$0.21 billion in 2021.

Figure 8.2.11: Primary Income Account (US$ Billion), 2018-2022

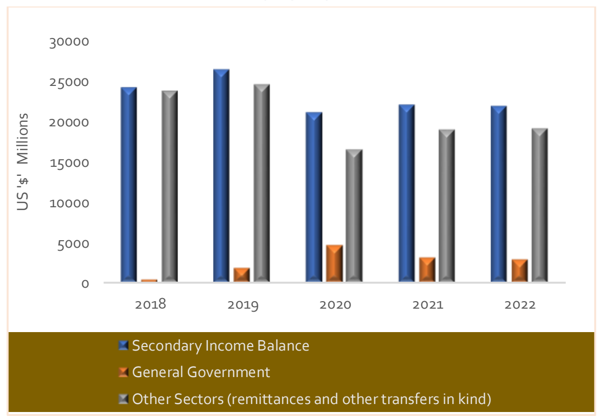


Source: Central Bank of Nigeria.

8.2.4 The Secondary Income Account

The gains from the Bank's remittance-enhancing policies, positively influenced the diaspora remittances inflow, leading to sustained surplus position in the secondary income account. The secondary income account posted a surplus of US$21.85 billion, representing 4.9 per cent of GDP, compared with US$21.95 billion or 5.2 per cent of GDP in 2021. The sustained surplus was aided by the 3.2 per cent increase in the diaspora remittances inflow, which compensated the 8.8 per cent decline in the general government transfers. Inflow of personal transfers improved to US$19.86 billion, relative to US$19.24 billion in 2021, reflecting the positive effect of the Bank's foreign exchange reform policies, particularly, the naira-4-dollar scheme on remittances. Conversely, general government transfers fell to US$2.81 billion, relative to US$3.09 billion in 2021, signifying lower inflow of aids and grants to the government.

Figure 8.2.12: Secondary Income Account (US$ Million), 2018-2022

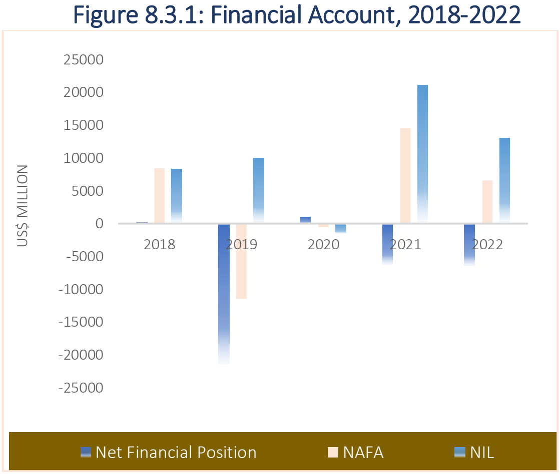


Source: Central Bank of Nigeria.

8.3 THE FINANCIAL ACCOUNT

Tighter global financial conditions, arising from the contractionary monetary policy stance of most central banks across the globe, affected foreign capital flows in the review period. The financial account, however, maintained a net borrowing position. A net incurrence of financial liabilities worth US$6.49 billion, equivalent to 1.4 per cent of GDP was recorded, compared with US$6.35 billion or 1.5 per cent of GDP in 2021. The development was attributed, majorly, to the relatively stable and predictable environment anchored on policy consistency.

Figure 8.3.1: Financial Account, 2018-2022



Source: Central Bank of Nigeria.

8.3.1 Acquisition of Financial Assets

Foreign financial assets decreased to US$6.50 billion or 1.4 per cent of GDP, compared with US$14.74 billion or 3.5 per cent of GDP in 2021. The decrease was attributed, largely, to the divestment of FDI equity, lower foreign currency holdings of the private sector, and the decline in external reserves in the review period.

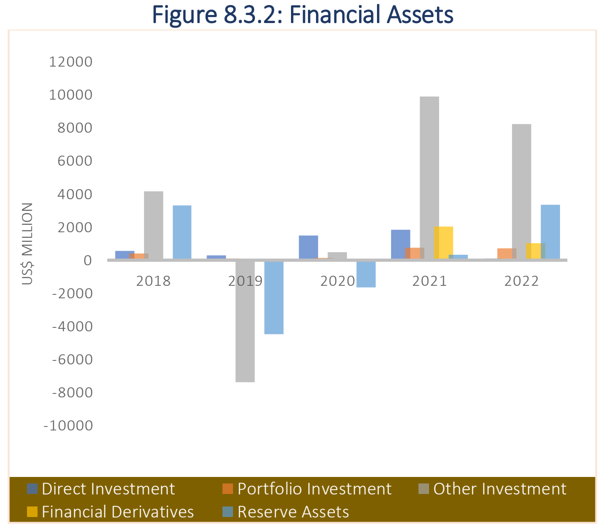
A divestment of FDI equity worth US$0.07 billion was recorded in 2022, as against an acquisition of US$0.49 billion in 2021. The development was attributed to the US$0.14 billion divestment by residents in some direct investment enterprises. Reinvested earnings of residents, at US$0.14 billion, declined by 32.4 per cent relative to US$0.28 billion in 2021.

Acquisition of portfolio investment assets decreased by 8.5 per cent to US$0.69 billion, from US$0.76 billion in 2021, signifying lower acquisition of debt instruments by resident investors. In addition, financial derivatives worth US$1.00 billion was acquired by the Bank.

Other investment assets registered a lower acquisition of US$8.20 billion, compared with US$9.87 billion in 2021, largely on account of lower foreign currency holdings by financial corporations and the private sector. Loan assets worth US$0.23 billion and US$1.02 billion, respectively, was, however, acquired in the review period by the deposit taking corporations and the private sector.

External reserves decreased by US$3.32 billion, in contrast to an accretion of US$0.30 billion in 2021. This was due, mainly, to the Bank's intervention at the foreign exchange market to stabilise the exchange rate, financing of import, and debt servicing.

Figure 8.3.2: Financial Assets



Source: Central Bank of Nigeria.

8.3.2 Incurrence of Financial Liabilities

The sustenance of monetary tightening across major advanced economies resulted in a lower inflow of foreign capital to developing economies in the review period. Aggregate foreign financial liabilities declined to US$12.99 billion or 2.7 per cent of GDP, compared with US$21.10 billion or 5.0 per cent of GDP in 2021.

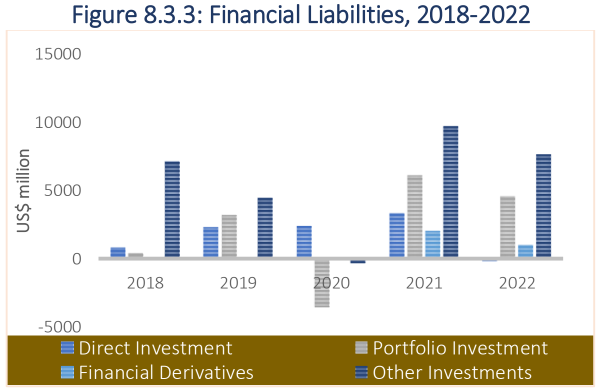
An analysis of financial liabilities revealed the divestment of US$0.19 billion in FDI, in contrast to an inflow of US$3.31 billion in 2021. This was due to the equity divestment of US$1.99 billion in direct investment enterprises by non-resident investors. On the contrary, reinvested earnings improved significantly to US$1.76 billion in 2022, relative to US$0.97 billion in 2021.

Portfolio capital at US$4.56 billion, declined by 25.3 per cent, compared with US$6.10 billion in 2021, following the policy rate hike in most advanced economies. Inflow for the purchase of equity by non-resident investors rose significantly to US$0.29 billion, from US$0.07 billion, signifying the bullish performance of the domestic capital market. Inflow for investment in debt securities declined by 29.3 per cent to US$4.26 billion, relative to US$6.03 billion in 2021. The decline was due to the lower purchase of both short- and long-term dated instruments by non-resident investors.

The external reserves remained adequate using the Greenspan-Guidotti measure, which is computed by the ratio of external reserves to portfolio investment. At 103.1 per cent, the short-term debt measure was higher than the 100.0 per cent benchmark, implying adequacy of the external reserves.

Incurrence of financial derivatives liabilities by the Bank declined to US$1.00 billion in 2022, relative to US$2.00 billion in 2021. Inflow of other investment liabilities declined to US$7.62 billion, compared with US$9.68 billion in 2021. The development was driven, largely, by the 19.6 per cent decline in the inflow of loans to US$4.86 billion, relative to US$6.04 billion in 2021. Incurrence of foreign currency deposit liabilities, however, increased significantly to US$2.73 billion, from US$0.34 billion in 2021. This was on account of higher placements in domestic banks in the review period. Foreign currency placements of US$1.73 billion was recorded in 2022, as against a withdrawal of US$1.66 billion in 2021.

Figure 8.3.3: Financial Liabilities, 2018-2022

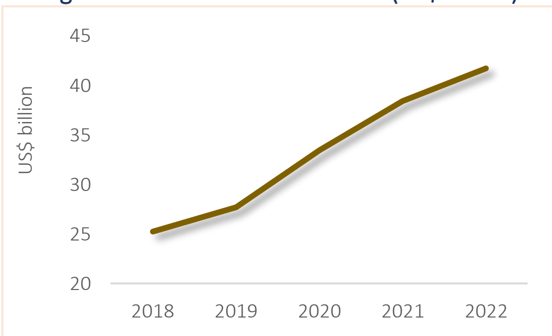


Source: Central Bank of Nigeria.

8.3.3 External Debt

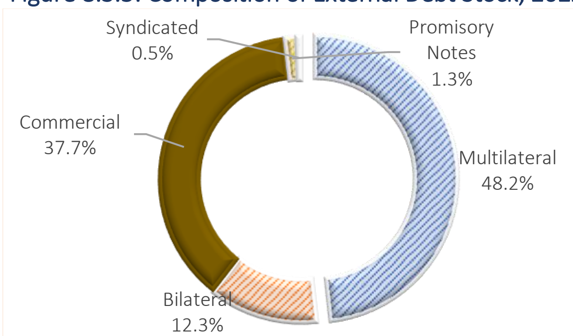
Public external debt stock increased by 8.6 per cent at end-December 2022 to US$41.69 billion, relative to US$38.39 billion at end-December 2021. This was due, largely, to the additional disbursements from multilateral and bilateral sources, as well as additional Euro bond issuance and syndicated loans incurred during the review period. The additional loan incurrence was for the financing of strategic infrastructure projects required to grow domestic productivity, and enhance external sector competitiveness.

Figure 8.3.4: External Debt Stock (US$ Billion)



Source: Central Bank of Nigeria.

Figure 8.3.5: Composition of External Debt Stock, 2022



Source: Central Bank of Nigeria.

Multilateral borrowing, mainly, from the IMF, the World Bank, and the African Development Bank, increased by 8.3 per cent to US$20.20 billion or 48.5 per cent of total external debt, from US$18.66 billion or 48.6 per cent in 2021. The development was due to the additional disbursements by the World Bank Group and the African Development Bank Group. Similarly, loans from commercial sources, in the form of Euro and Diaspora bonds increased, by 6.5 per cent to US$15.62 billion, equivalent to 37.5 per cent of the total, from US$14.67 billion or 38.2 per cent in 2021. This reflected the issuance of additional Eurobonds in 2022.

Loans from bilateral sources, principally, the China EXIM Bank, also increased, to US$5.07 billion, representing 12.2 per cent of the total in 2022, from US$4.47 billion or 11.6 per cent in 2021. Promissory notes decreased by 8.8 per cent to US$0.54 billion (1.3 per cent), from US$0.60 billion or 1.6 per cent of the total in 2021. A syndicated loan arranged by the AFC, worth US$0.26 billion (0.5 per cent), was incurred in 2022.

Public sector external debt was equivalent to 8.8 per cent of GDP in 2022, compared with 9.1 per cent of GDP in 2021. The level was within the international threshold of 40.0 per cent of GDP.

8.4 CAPITAL IMPORTATION AND OUTFLOW

8.4.1 Capital Importation by Nature of Investment

New capital injected into the economy was US$5.42 billion in 2022[23], compared with US$6.51 billion in 2021, indicating a decrease of 16.4 per cent, reflecting tighter global financial condition. A disaggregation of capital importation by type of investment showed that inflow of portfolio investment, at US$2.49 billion, accounted for the largest share of 45.9 per cent of the total. Of this amount, purchase of money market instruments amounted to US$1.45 billion, representing 26.8 per cent of the total; government bonds, US$0.98 billion or 18.1 per cent; and equities, US$0.06 billion or 1.0 per cent of the total. Inflow of FDI was US$0.50 billion, representing 9.3 per cent of the total inflow, of which equity accounted for the total FDI inflow. Other investment inflow at US$2.43 billion, constituted 44.8 per cent of the total, of which loans was US$2.32 billion or 42.9 per cent of the total, while other claims at US$0.10 billion accounted for 1.8 per cent. Trade credit and currency deposits accounted for the balance of 0.1 per cent.

[23] Based on commercial banks returns.

Table 8.4. 1: Capital Importation (US$ Million)

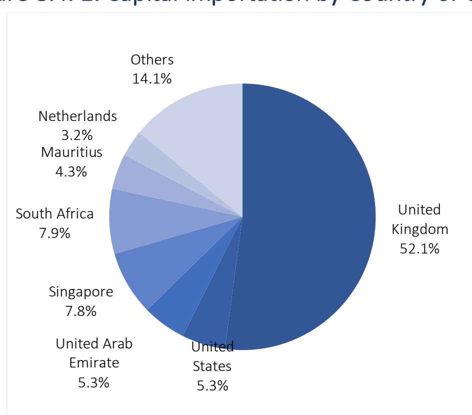
Nature of Capital	2018	2019	2020	2021	2022
FDI – Equity	1,288.30	922.2	1,026.00	686.7	496.7
FDI - Other capital	5.6	12.1	3	0.6	5.2
Sub-Total	**1,293.90**	**934.3**	**1,028.90**	**687.3**	**501.9**
Portfolio Investment – Equity	2,456.40	1,893.20	755.1	209	56.6
Portfolio Investment – Bonds	980.2	1,022.40	231.2	564.1	980.3
Portfolio Investment - Money Market Instruments	8,731.70	13,449.90	4,150.90	2,387.40	1,452.60
Sub – Total	**12,168.40**	**16,365.50**	**5,137.20**	**3,160.50**	**2,489.50**
Other Investments - Trade Credits	6.9	0.1	0.1	0.2	3.0
Other Investments - Loans	3,684.70	5,078.80	3,378.90	2.399.6	2,323.40
Other Investments - Currency Deposits	1	3	0.9	0.7	9.3
Other Investments - Other Claims	284.9	1,608.40	934.6	263.1	95.0
Sub – Total	**3,977.50**	**6,690.30**	**4,314.40**	**2,663.60**	**2,430.70**
TOTAL	**17,439.80**	**23,990.10**	**10,480.50**	**6,511.40**	**5,422.10**

Source: Central Bank of Nigeria.

8.4.2 Capital Importation by Country of Origin

Analysis of capital importation by country of origin showed the United Kingdom as the dominant source of capital inflow to Nigeria, with a value of US$2.82 billion or 52.1 per cent of the total, followed by the Republic of South Africa, with US$0.43 billion or 7.9 per cent. Inflow from Singapore was US$0.42 billion (7.8 per cent); the United States and United Arab Emirates, at US$0.29 billion (5.30 per cent) apiece; Mauritius, US$0.23 billion (4.3 per cent); and The Netherlands, US$0.17 billion (3.2 per cent). Other countries accounted for the balance.

Figure 8.4. 1: Capital Importation by Country of Origin

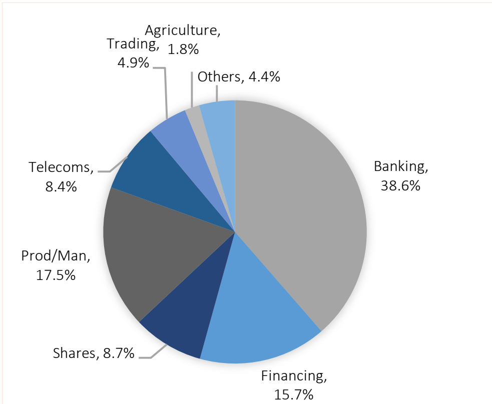


Source: Central Bank of Nigeria.

8.4.3 Capital Importation by Sector

A disaggregation of imported capital by economic sectors indicated that banking received the highest inflow with a share of 38.6 per cent, valued at US$2.10 billion. Inflow for production/manufacturing amounted to US$0.95 billion and accounted for 17.5 per cent of the total. Financing, shares, Telecoms, trading, and the agricultural sectors, received US$0.85 billion, US$0.47 billion, US$0.46 billion, US$0.27 billion, and US$0.10 billion, representing 15.7 per cent, 8.7 per cent, 8.4 per cent, 4.9 per cent, and 1.8 per cent, respectively. Inflow to other sectors accounted for the balance.

Figure 8.4. 2: Capital Importation by Sector

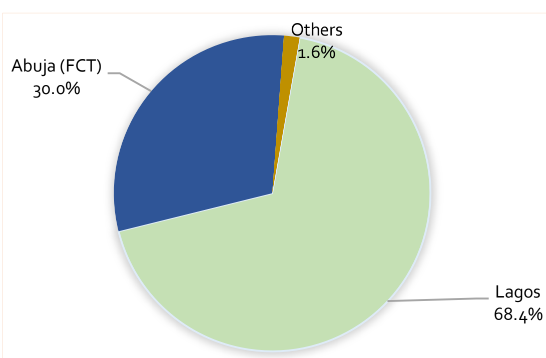


Source: Central Bank of Nigeria.

8.4.4 Capital Importation by Destination

Lagos State received the highest inflow of capital at US$3.71 billion, constituting 68.3 per cent of the total. Federal Capital Territory (FCT) followed, with US$1.63 billion or 30.4 per cent of the total. Other States accounted for the balance.

Figure 8.4.3: Capital Importation by States, 2022 (per cent)

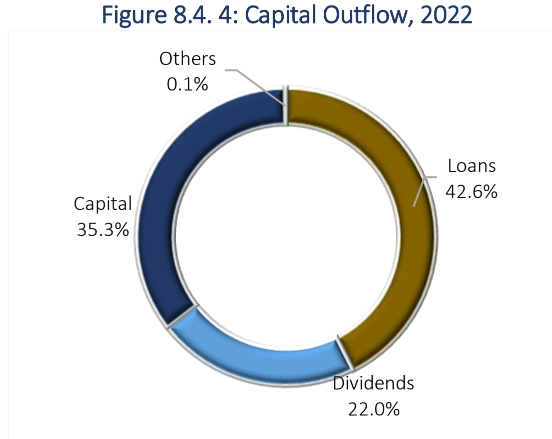


Source: Central Bank of Nigeria.

8.4.5 Capital Outflow

Aggregate capital outflow declined by 3.1 per cent to US$7.49 billion, from US$7.73 billion in 2021. Of the total capital outflow, repayment of loans at US$3.19 billion, accounted for 42.6 per cent. Relative to US$2.73 billion in 2021, an increase of 16.7 per cent was recorded. Capital reversal declined by 29.7 per cent to US$2.64 billion (35.3 per cent), from US$3.76 billion in 2021. Outflow in respect of repatriation of dividends increased significantly, by 48.0 per cent to US$1.65 billion (22.1 per cent), from US$1.12 billion in 2021. Other outflow accounted for the balance.

Figure 8.4. 4: Capital Outflow, 2022



Source: Central Bank of Nigeria.

8.5 THE INTERNATIONAL INVESTMENT POSITION

The International Investment Position posted a higher net borrowing position, attributed to the higher incurrence of financial liabilities and dwindled external reserves. A net financial liability of US$74.48 billion was recorded at end-December 2022, compared with US$70.15 billion at end-December 2021.

The stock of financial assets increased by 4.9 per cent to US$109.33 at end-December 2022, from

US$104.25 billion at end-December 2021. Analysis showed that the stock of foreign direct investment increased marginally, by 0.4 per cent to US$13.63 billion, relative to US$13.58 billion at end-December 2021, mainly on account of higher stock of reinvested earnings. Similarly, the stock of portfolio investment assets increased, by 19.8 per cent to US$3.57 billion at end-December 2022, compared with US$2.98 billion at end-December 2021, following the 38.9 per cent increase in the holdings of debt securities by resident investors and deposit taking corporations.

The stock of other investment assets rose by 15.2 per cent to US$52.37 billion, relative to US$45.44 billion at end-December 2021, due to an increase in the stock of foreign currency holdings of the private sector, loans, and trade credits. A breakdown showed that the stock of trade credits and advances to non-residents increased, by 2.8 per cent to US$2.19 billion at end-December 2022, compared with US$2.13 billion at end-December 2021. The stock of loans to foreign entities increased by 37.9 per cent to US$0.84 billion, from US$0.61 billion at end-December 2021. This was on account of the higher stock of short-term loans extended by Nigerian banks to their non-resident subsidiaries. The stock of foreign currency deposits also increased, by 15.5 per cent to US$49.34 billion at end-December 2022, compared with US$42.71 billion at end-December 2021, due to the 22.8 per cent and 15.9 per cent increase in the holdings of the deposit taking corporations and the private sector, respectively.

The stock of financial derivatives increased by 57.0 per cent to US$3.16 billion at end-December 2022, relative to US$2.01 billion at end-December 2021. The stock of external reserve assets at end-December 2022, fell by 9.0 per cent to US$36.61 billion, from US$40.23 billion at end-December 2021. The development was due, mainly, to the financing of balance of payments needs of the country.

As a share of total stock of assets at end-December 2022, other investment assets dominated with a share 47.9 per cent. This was followed by: reserve assets, 33.5 per cent; direct investment, 12.5 per cent; portfolio investment, 3.3 per cent; and financial derivatives, 2.9 per cent.

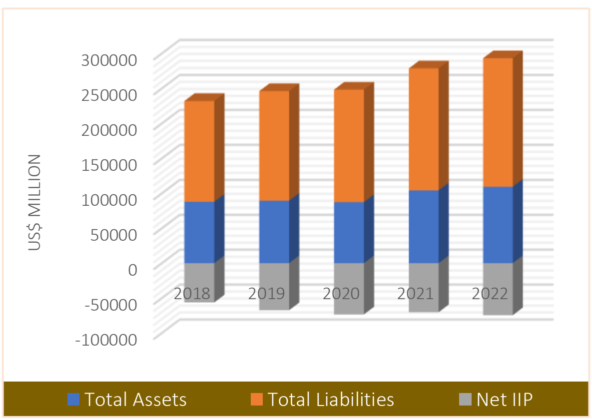
The stock of financial liabilities grew by 5.4 per cent to US$183.81 billion at end-December 2022, from US$174.40 billion at end-December 2021. A disaggregation showed that the stock of inward direct investment increased by 0.8 per cent to US$88.20 billion at end-December 2022, from US$87.53 billion at end-December 2021. The stock of direct investment equity and reinvested earnings increased by 1.1 per cent to US$51.35 billion, from US$50.81 billion at end-December 2021. Similarly, the stock of debt instruments increased marginally, by 0.4 per cent to US$36.85 billion, from US$36.71 billion at the end of 2021, indicating increased investment among related entities.

The stock of portfolio investment liabilities inched up by 9.9 per cent to US$36.14 billion, compared with US$32.87 billion at end-December 2021. This was due, majorly, to the 11.0 per cent increase in debt securities to US$32.33 billion, from US$29.12 billion, at end-December 2021. The increase was driven by the rise in non-residents' investment in fixed income securities. The stock of portfolio equity also increased, by 1.5 per cent to US$3.81 billion at end-December 2022, relative to US$3.75 billion at end-December 2021, reflecting the bullish performance of the domestic capital market.

Other investment liabilities also rose, by 8.3 per cent to US$56.30 billion at end-December 2022, from US$52.00 billion at end-December 2021, driven largely by the increase in the stock of currency and deposits by 43.0 per cent to US$9.08 billion at end-December 2022, from US$6.35 billion at end-December 2021. The stock of loans increased by 4.7 per cent to US$41.88 billion, compared with US$40.01 billion at end-December 2021, driven by the higher loan liabilities of general government and deposit taking corporations.

In terms of share, direct investment dominated total financial liabilities, accounting for 48.0 per cent of the total, followed by other investment liabilities with a share of 30.6 per cent, portfolio investment liabilities, 19.7 per cent, and financial derivatives, 1.7 per cent.

Figure 8.5.1: International Investment Position, 2018-2022 (US$ Million)



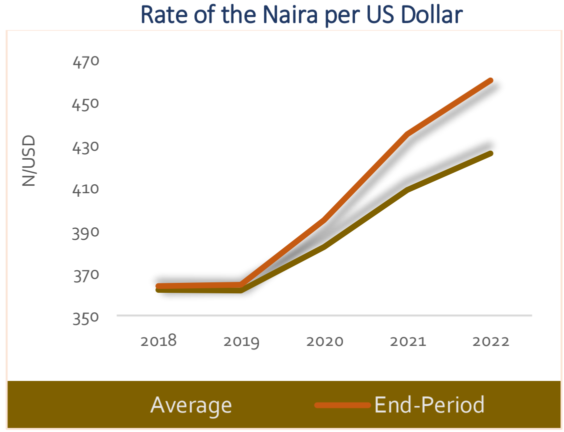
Source: Central Bank of Nigeria.

8.6 EXCHANGE RATE MOVEMENTS

Heightened demand pressures, amid supply shortages, led to the depreciation of the naira exchange rate at the Investors' and Exporters' (I&E) window. The annual average exchange rate at the I&E window depreciated by 4.0 per cent to ₦425.98/US$ in 2022, relative to ₦408.96/US$ in 2021. Similarly, the end-period exchange rate closed at ₦460.00/US$, a depreciation of 5.4 per cent, compared with ₦435.00/US$ in 2021.

The average exchange rate of the naira per US dollar at the I&E window depreciated to ₦416.95/US$ in February, from ₦415.96/US$ in January, but appreciated to ₦415.53/US$ in April. The naira maintained relative stability at ₦417.26/US$ in July but depreciated to ₦426.06/US$ in August and further to ₦450.71/US$ in December 2022, due, largely, to the persistent demand pressure, amid supply shortages.

Figure 8.6.1: Average and End-Period I&E Exchange Rate of the Naira per US Dollar

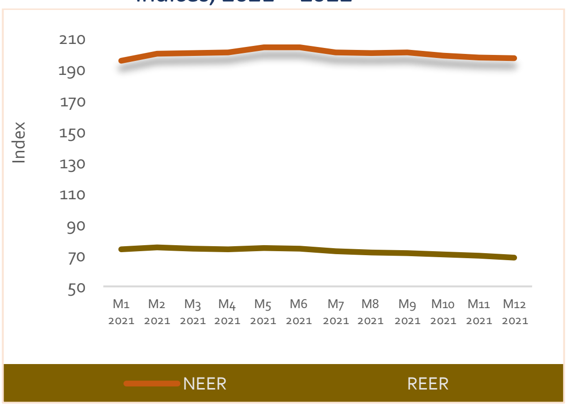


Source: Central Bank of Nigeria.

8.7 THE NOMINAL AND REAL EFFECTIVE EXCHANGE RATES

The average 19-currency nominal effective exchange rate (NEER) index decreased by 3.7 per cent to 192.83 index points in 2022, from 200.16 index points in 2021, indicating a nominal depreciation of the currency, relative to the major trading partners. The average 19-currency real effective exchange rate (REER) index, which measures external competitiveness, was 63.00 index points in 2022, reflecting a decrease of 13.3 per cent, from 72.69 index points in the preceding period. This indicated improved competitiveness of the country, relative to major trading partners. The REER index opened at 68.62 index points in January 2022 and closed at 61.11 index points in December 2022.

Figure 8.7.1: Nominal and Real Effective Exchange Rate Indices, 2021 – 2022



Source: Central Bank of Nigeria.

Table 8.7.1: Nominal and Real Effective Exchange rate Indices (November 2009 = 100)

	2021 1/		2022 2/		Percentage Change	
	Monthly index	Annual average index	Monthly index	Annual average index	Monthly index	Annual average index
NEER	197.27	200.16	199.67	192.83	1.22	(3.66)
REER	68.76	72.69	61.11	63.00	(11.13)	(13.33)

Source: Central Bank of Nigeria.
1/ Revised.
2/ Provisional.

9.0 INTERNATIONAL ECONOMIC RELATIONS

The Bank participated in various regional and non-regional meetings in 2022. At the regional level, the 44th and 45th Meetings of the Committee of Governors of Central Banks of member states of the West African Monetary Zone (WAMZ) were held, wherein members stressed the need for the establishment of a harmonised supervisory and regulatory framework in the region. The Committee encouraged member states to share experiences on banking supervision and regulatory practices for managing NPLs. At the non-regional level, the 77th session of the UN General Assembly (UNGA 77) acknowledged the shared root of global crises, such as the COVID-19 pandemic, the Russia-Ukraine war, the energy crisis, and climate change as well as emphasised the need for solutions that would build global sustainability and resilience. At the level of international cooperation, the 2022 Annual Meetings of the Bretton Woods Institutions (BWIs) observed that multiple compounding crises severely worsened the global economic outlook and development prospects of countries. The meeting called for increased actions among the international financial institutions (IFIs), to cushion the effects of the global economic, political, and humanitarian turmoil, particularly in low-income countries, and emerging market and developing economies (EMDEs).

9.1 REGIONAL CO-OPERATION

9.1.1 West Africa Monetary Zone

i. 50th and 51st Meetings of the Technical Committee of the West African Monetary Zone

The 50th and 51st Meetings of the Technical Committee of the WAMZ were held in February and August 2022, respectively. The meetings focused on the status of implementation of the WAMZ's work programme and activities under the ECOWAS single currency programme. Various recommendations were made, among which were:

- sustain the short-term efforts to curb the spread of the COVID-19 virus, and contain its impact on real sector activities;
- fast-track the implementation of reforms that address structural challenges and invest in social infrastructure, as well as provide adequate social safety nets to enhance resilience to shocks;
- increase investment in the agriculture and mining sectors, to modernise their operations and realise their potentials as well as improve road infrastructure to facilitate transportation in major food producing areas;
- increase investment in growth-enhancing capital projects to sustain long-term growth and reposition the private sector for inclusive growth and employment generation;
- adopt measures to deepen fiscal consolidation, such as, boosting revenue mobilisation by strengthening tax administration and public financial management, while implementing expenditure rationalisation measures anchored on debt burden reduction;

- negotiate for concessional loans and debt relief with external creditors, while adopting a framework that ensures subsequent capital loans are project-based;
- remain steadfast in the discharge of oversight responsibilities in the financial sector, by enforcing compliance with good corporate governance practices and credit risk management guidelines;
- review their monetary policy stance amid inflationary pressures, and reduce Net Domestic Asset (NDA), especially, claims on government, to ensure effective liquidity management;
- fast-track the harmonisation of statistical and policy frameworks in the Zone, to facilitate comparability among member states;
- improve current account balances, address supply-side constraints, and maintain prudent monetary policy measures;
- sustain diversification drive, by investing in manufacturing industries to stimulate growth; and
- diversify export-base by supporting businesses that engage in export activities and build buffers to withstand both global and domestic shocks.

ii. 44th and 45th Meeting of the Committee of Governors of Central Banks of the Member States of WAMZ

The 44th and 45th Meeting of the Committee of Governors (CoG) of the Central Banks of Member States of WAMZ was held virtually on 3 March and 25 August 2022, respectively. At the meeting, the Governors deliberated on the status of implementation of the West African Monetary Zone (WAMZ) work programme and activities under the ECOWAS Single Currency Programme. The CoG deliberated on the Report of the 50th and 51st Meeting of the Technical Committee and underlined the need to:

- convene a technical seminar on the dynamics of control and management of NPLs in the WAMZ;
- establish a regional supervisory and regulatory framework, that reflects cross-country peculiarities, for the resolution of high NPLs within the WAMZ; and
- share diverse experiences on banking supervision and regulatory practices for managing NPLs by member central banks of the WAMZ.

9.1.2 West African Monetary Agency

i. 40th Ordinary Meeting of the Joint Technical Committee of the West African Monetary Agency

The 40th Meeting of the Joint Technical Committee of the West African Monetary Agency (WAMA) was held virtually from 24 – 26 February 2022. The Committee deliberated on the progress of the ECOWAS macroeconomic convergence criteria on reserves and exchange rate developments. It also examined the impact of the policy measures adopted to mitigate the effects of COVID-19 and its implications for the stabilisation phase of the ECOWAS Monetary Union.

The Committee observed and recommended that:

- increased public spending financed by external support and domestic borrowing appeared to be the best fiscal combination; and

- appropriate monetary conditions should be ensured, particularly concerning the redesign of collateral.

ii. 4th Ordinary Meeting of the Audit Committee of WAMA

The 4th Ordinary meeting of the Audit Committee of the WAMA held virtually on 23 February 2022, and was presided over by the Central Bank of Nigeria. The meeting reviewed the appointment of an external auditor for WAMA for the Financial Year ended 31 December 2021, updated rules and regulations of WAMA, and considered the internal audit reports for the period July to December 2021.

iii. Joint Multilateral Surveillance Mission to Nigeria

The ECOWAS, WAMA, and WAMI conducted a Joint Multilateral Surveillance Mission to Nigeria from 9-17 May, 2022. The objective of the Mission was to assess the country's macroeconomic developments and its status of convergence in 2021, the outlook for 2022, as well as the medium-term framework of the ECOWAS Monetary Cooperation Programme (EMCP).

iv. 41st Ordinary Meeting of the Joint Technical Committee of the West African Monetary Agency

The 41st Meeting of the Joint Technical Committee (Economic and Monetary Affairs Committee and Operations and Administration Committee) of the WAMA was held virtually from 15 – 17 August 2022. The Committee:

- proposed the establishment of a Solidarity and Stabilisation Fund within ECOWAS;
- standardised the Provident Fund Scheme and Harmonised staff benefits for WAMA, WAMI, and the West African Institute for Financial and Economic Management (WAIFEM); and
- endorsed the recommendations of the Report of the ECOWAS Macroeconomic Convergence Committee.

9.1.3 West African Institute for Financial and Economic Management

i. 46th Technical Committee Meeting of the West African Institute for Financial and Economic Management

The 46th Meeting of the Technical Committee of the West African Institute for Financial and Economic Management (WAIFEM) was held virtually from 18-19 August 2022. The Committee reviewed the activities of the Institute and progress made from January – June 2022.

The Technical Committee reviewed and recommended the following reports for consideration and adoption by the Governors of the central banks of member states:

- Draft Audit Report;
- Draft Capacity Building Programme for the Year 2023; and
- Draft Annual Report for 2021.

9.2 NON-REGIONAL MEETINGS

i. Spring Meetings of the Board of Governors of the World Bank Group and the International Monetary Fund

The 2022 Spring Meetings and Annual Meetings of the Bretton Woods Institutions, (the World Bank Group (WBG) and the International Monetary Fund (IMF)) were held from 18 to 24 April, and 10 to 16 October 2022, respectively. The meetings of the Ministers and Governors of the Inter-governmental Group of Twenty-four (G-24), International Monetary and Finance Committee (IMFC) of the Governors of the IMF, and the Development Committee were also held. The committees noted the following:

The G24 Ministers:

- the conflict in Ukraine, with its attendant implication for the global economy, and strongly supported international efforts to provide humanitarian support and restore peace and stability to Ukraine;
- noted that the COVID-19 pandemic had imposed huge costs on the global economy;
- recognised the multiple compounding effects of the crises, which intensified global risks, thus undermining global economic recovery as growth prospects remained increasingly divergent and uncertain;
- noted the need for urgent global action to prevent hunger, water scarcity, cost of living, food and energy insecurity, which had increased alarmingly, thereby, deepening the existing challenges in the global economy;
- the downside risks to prospective growth have risen, leading to fears of a global recession;
- the worsening financial conditions, which led policymakers, to tighten monetary policy caused currency depreciations and large capital outflows in EMDEs; and
- called for increased action among international financial institutions (IFIs), to cushion the ongoing and increasingly harsh effects of the global economic, political, and humanitarian turmoil, particularly against low-income countries and EDMEs.

The IMFC noted that:

- the lingering effects of the COVID-19 pandemic, coupled with the Russia-Ukraine war, weighed down on economic activity with significant impact on livelihoods;
- the resulting surge in energy and food prices added to the inflationary pressures, as supply disruptions intensified;
- financial markets and capital flows continued to exhibit increased volatility; and
- the global economy faced significant challenges, and the outlook became more uncertain and subject to downside risks.

The Development Committee:

- pledged to intensify efforts to achieve the goal of a more resilient, sustainable, and inclusive global economy, while remaining fully committed to fostering multilateral cooperation;
- reiterated its strong commitment to further accelerate climate action in line with the Paris Agreement, taking into account country-specific factors, and looked forward to strong ambition for COP27, including enhanced action on adaptation and resilience;

- welcomed the IMF's vital real-time support to members through its cutting-edge policy advice, timely financial support, and targeted capacity development and effective collaboration with international partners to respond to ongoing shocks and uncertainties;
- supported the IMF's increased focus on risk analysis and contingent policy advice; and its efforts to strengthen multilateral surveillance and analytical work on pressing policy issues;
- welcomed the IMF's work with the World Bank to help strengthen and accelerate the implementation of the G20's Common Framework (CF) for debt treatments on a case-by-case basis, which was also agreed to, by the Paris Club; and
- reaffirmed its commitment to a strong, quota-based, and adequately resourced IMF at the centre of the global financial safety net.

ii. World Economic Forum Annual Meeting

The 52nd annual meeting of the World Economic Forum held at Davos-Klosters, Switzerland, from 22 – 26 May 2022, with the theme, "**Working Together, Restoring Trust**". The Meeting focused on a wide range of subjects, including tackling skill shortages, multiple benefits of investment in social infrastructure, and redesigning organisational structures.

Other subjects discussed were: progressing cooperation on tackling climate change; building a more inclusive and better future for work; accelerating "stakeholder capitalism"; and harnessing the technologies of the Fourth Industrial Revolution

iii. 77th United Nation General Assembly

The 77th Session of the UN General Assembly (UNGA 77) was held in New York, from 13 - 26 September 2022, with the theme, "**A Watershed Moment: Transformative Solutions to Interlocking Challenges**". The UNGA 77 acknowledged the shared root of crises such as the COVID-19 pandemic, the war in Ukraine, the global energy crisis, climate change, and the geo-political conflicts, as well as the need for solutions that build global sustainability and resilience.

The Assembly:

- expressed concern over the developments in Afghanistan since the Taliban took over in 2021, and the persistent abuse of human rights, including those of women, girls, and minorities;
- adopted a resolution, delivering more than US$3.50 million to the Secretary-General to ease the global food crisis by facilitating the implementation of two initiatives aimed at bringing agricultural commodities from Ukraine and the Russian Federation to the world markets; and
- commended the work of the International Criminal Court, as the body marked 20 years since its inception.

INTERNATIONAL MONETARY FUND ARTICLE IV CONSULTATIONS WITH NIGERIA

The International Monetary Fund (IMF) Article IV Mission Consultations with Nigeria was held from 7 - 18 November 2022. During the visit, the Mission Team assessed recent multi-sectoral economic and policy developments, prospects, and their impact on the economy.

The Mission reviewed key developments in major macroeconomic variables such as: balance of payments (BOP), International Investment Position (IIP), external debt, foreign exchange cashflows, reserve management, exchange rate stability, banking supervision, macroprudential policies, and the overall soundness of the economy

The Mission commended the:

- measures taken by the Central Bank of Nigeria to tighten liquidity and curb inflationary pressure by increasing the monetary policy rate (MPR) and raising the cash reserve ratio (CRR);
- progress in the securitization of the CBN's existing stock of overdrafts and recommended speedy finalisation; and
- the implementation of Basel III regulation.

Rating Agencies and Nigerian Authorities

Three major international rating agencies, namely Fitch, Moody's, and Standard and Poor's, held meetings with CBN representatives and reviewed the Nigerian economy. Following the meetings, the agencies adjusted their ratings accordingly. Fitch's credit rating for Nigeria reported a B- with a stable outlook; Moody's credit rating was Caa1 and a stable outlook; while Standard & Poor's gave the country a B- rating, with a negative outlook.

i. FITCH RATINGS AGENCY

Fitch's Rating Agency held a virtual meeting with the Central Bank of Nigeria on 27 October 2022, to review Nigeria's macroeconomic performance in 2022. The CBN provided an overview of the economy's performance and informed the Agency that the Nigerian economy was showing signs of recovery from the COVID-19 pandemic, despite global economic challenges, particularly the Russia-Ukraine war and its effects on the global economy.

The Team's inquiries were related to the:

- level of alignment between MPR and other market rates;
- negative real rate in the capital market and its influence on monetary policy transmission mechanisms;
- expected impact and implications of CBN policy on liquidity, money markets, and policy stance;
- impact of exchange rates, especially in the parallel market, on inflation;
- country's financial account flows, errors and omissions, the possibility of capital flight, and general outlook for financial accounts and reserves; and
- level of liquidity in the money market.

The CBN responded to the concerns raised by Fitch Ratings Agency.

ii. MOODY'S RATING AGENCY

On 15 September 2022, Moody's Ratings Agency held a virtual meeting with the Central Bank of Nigeria (CBN) and assessed Nigeria's macroeconomic performance in 2022. The discussion centered on reconfirmation of responses provided by CBN prior to the meeting on government finances, external position, and other macroeconomic indicators. The rating agency, after a review of the economic developments and expectations in the short-term, downgraded the Government of Nigeria's long-term foreign-currency and local-currency issuer ratings, as well as its foreign currency senior unsecured debt rating to Caa1 from B3, and changed the outlook to stable. Moody's has also downgraded Nigeria's foreign currency senior unsecured MTN program rating to (P)Caa1 from (P)B3.

The Agency's rationale for the downgrade was based on whether the Nigerian government has the capacity to address the ongoing deterioration in Nigeria's fiscal and external positions. The Agency averred the fiscal pressure from falling oil production, the costly oil subsidy, and rising interest rates may persist over the next couple of years, and doubted a post-election policy response to rebalance Nigeria's fiscal position on a more sustainable path in the short term. Thus, Moody's projected that the scope to finance critical spending that would support the country's social and economic developments remain constrained by increasing debt service costs. The Agency also considered the environmental, social, and governance (ESG) position, and concluded that Nigeria's ESG Credit Impact Score was highly negative (CIS-5), indicating the country's high exposure to environmental and social risks, and very weak governance.

The Agency's outlook for Nigeria's economy was, however, considered stable. The Agency upheld the government's long-held aim of raising non-oil revenue and disembarking out of the costly oil subsidy, and urged the government to go through with the much-needed reforms.

iii. STANDARD AND POOR'S RATING AGENCY

Standard and Poor's Rating Agency held a virtual meeting with the Central Bank of Nigeria on 3 February 2022 to assess Nigeria's macroeconomic performance in 2022.

The CBN provided an overview of the economy's performance. The Bank explained that though the economy was still fragile, it had remained resilient over the past four quarters of 2021. It also stated that the rise in inflation was primarily caused by supply shocks in the domestic economy.

Following the Agency's review of the Nigerian economy, it revised its outlook on Nigeria from stable to negative. The Agency affirmed the nation's B-/B long- and short-term foreign and local currency sovereign credit ratings. The ratings were based on its perceived increasing risks to Nigeria's debt servicing capacity over the short-term, due to intensifying fiscal and external pressures and low oil production volumes. Other pressures, according to the agency, included large refined-petroleum subsidy costs, and relatively large planned fiscal deficits in the 2023 budget. The Agency held that the lower oil production capacity would affect export growth, while inflationary pressure, fiscal constraints, and sluggish investment would continue to weigh on consumption and investment growth.

However, the Agency was also of the opinion that the impact of these factors may be partially counterbalanced by more business-friendly administration in the post-election period.