



**CENTRAL BANK OF NIGERIA**

***ECONOMIC REPORT  
SECOND QUARTER 2016***

The Central Bank of Nigeria Quarterly Economic Report is designed for the dissemination of financial and economic information on the Nigerian economy on current basis. The Report analyses developments in the financial, fiscal, real and external sectors of the economy, as well as international economic issues of interest. The Report is directed at a wide spectrum of readers including economists and financial analysts in government and the private sector, as well as general readers.

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## 1.0 Summary

On quarter-on-quarter basis, growth in the key monetary aggregates accelerated in the second quarter of 2016. Over the level at the end of the preceding quarter, broad money supply, (M2), grew by 5.9 per cent. The development reflected the increase in net foreign assets, domestic credit (net) and other assets (net) of the banking system, respectively. Similarly, narrow money (M1), grew by 0.9 per cent over the level at the end of the preceding quarter.

Developments in banks' deposit and lending rates were mixed during the second quarter of 2016. The spread between the weighted average term deposit and maximum lending rates widened to 21.43 percentage points at the end of the second quarter of 2016. Similarly, the margin between the average savings deposit and the maximum lending rates widened to 24.10 percentage points. At the inter-bank funds segment, the weighted average inter-bank call rate rose by 12.55 percentage points to 15.56 per cent in the second quarter of 2016, reflecting the liquidity condition in the banking system.

The total value of money market assets outstanding at the end of the second quarter of 2016, stood at ₦10,460.66 billion, showing an increase of 6.7 per cent, compared with the level at the end of the first quarter of 2016. The development reflected the 8.09 and 2.73 per cent increase in FGN bonds and treasury bills, respectively. Developments on the Nigerian Stock Exchange (NSE) were mixed in the review quarter.

At ₦1,159.05 billion, total federally-collected revenue was 51.3 and 8.6 per cent lower than the quarterly budget estimate and the preceding quarter's receipts, respectively. At ₦537.19 billion or 46.3 per cent of the total, gross oil receipt was lower than both the provisional quarterly budget and the receipts in the preceding quarter. The development was attributed to the continued fall in receipts from crude oil/gas exports arising from persistent low price of crude oil and incidences of shut-ins and shut-downs at some NNPC terminals, owing to pipeline vandalism. Non-oil receipts, at ₦621.86 billion or 53.7 per cent of the total, was above the level in the preceding quarter by 3.2 per cent, but was significantly lower than the proportionate quarterly budget. Federal Government retained revenue was ₦677.88 billion, while total expenditure was ₦1,768.85 billion, resulting in an estimated deficit of ₦1,090.96 billion in the second quarter of 2016, compared with the proportionate quarterly budget deficit of ₦555.49 billion.

Agricultural sector activities increased due to well distributed rainfall in most parts of the country. Major activity in the South was

harvesting of maize and yam, while planting and off-season harvesting dominated in the North. In the livestock sub-sector, farmers engaged in the breeding of poultry and migration of cattle from North to South in search of green pastures. The end-period inflation rate on year-on-year and 12-month moving average basis for the second quarter of 2016, was 16.5 per cent and 11.4 per cent, respectively.

World crude oil demand and supply were estimated at 93.25 mbd and 94.34 mbd, respectively, in the second quarter of 2016. Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at an average of 1.54 million barrels per day (mbd) or 141.68 million barrels (mb) for the second quarter of 2016. Crude oil export was estimated at 1.09 mbd or 100.28 million barrels, while deliveries to the refineries for domestic consumption remained at 0.45 mbd or 41.40 million barrels during the review quarter. The average price of Nigeria's reference crude, the Bonny Light (37° API), was US\$46.44 per barrel in the review quarter.

Provisional data showed that foreign exchange inflow and outflow through the CBN amounted to US\$5.89 billion and US\$6.09 billion, respectively, resulting in a net outflow of US\$0.20 billion. Foreign exchange sales by the CBN to the authorized dealers amounted to US\$4.31 billion. The average exchange rate of the naira vis-à-vis the US dollar at the inter-bank was ₦209.13/US\$.

Global growth remained modest and uneven. Risks to the global outlook remained tilted to the downside, due to ongoing adjustments in the global economy, general slowdown in emerging market economies, China's rebalancing, lower commodity prices and gradual exit by the US from extraordinarily accommodative monetary policy.

Other major international economic developments and meetings of importance to the domestic economy during the review period included: The 2016 Spring Meetings of the Board of Governors of the World Bank Group (WBG), the International Monetary Fund (IMF) and the Inter-Governmental Group of Twenty-Four (G-24) on International Monetary Affairs and Developments held from April 11 – 18, 2016 in Washington D. C., USA. Also, the 2016 continental seminar of the Association of African Central Banks (AACB) was held from May 9 - 11 2016 in Cairo, Egypt, on the theme "Financial stability: New Challenges for Central Banks. Finally, the 51st Annual Meetings of the African Development Bank (AfDB) and the 42nd Meetings of the Board of Governors of the African Development Fund (ADF) were held from May 23 – 27 2016 in Lusaka, Zambia.



## 2.0 Financial Sector Developments

### 2.1 Monetary and Credit Developments

*Provisional data indicated that growth in the key monetary aggregates accelerated at the end of the second quarter of 2016. Developments in banks' deposit and lending rates were mixed in the review period. The value of money market assets outstanding increased, due largely, to the rise in FGN Bonds and treasury bills outstanding. Developments on the Nigerian Stock Exchange (NSE) were mixed.*

key monetary aggregate grew during Q2 of 2016.

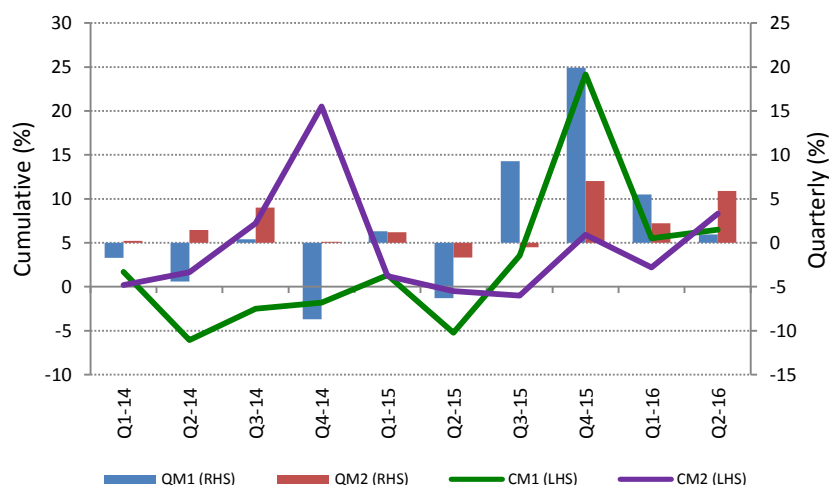
Provisional data indicated that growth in the key monetary aggregates accelerated at the end of the second quarter of 2016. On quarter-on-quarter basis, broad money supply ( $M_2$ ), at ₦21,684.97 billion, grew by 5.9 per cent, compared with the growth of 2.2 per cent at the end of the preceding quarter, but in contrast to the decline of 1.7 per cent at the end of the corresponding period of 2015. The development reflected the 28.0 per cent, 7.3 per cent and 25.7 per cent increase in net foreign assets, domestic credit (net) and other assets (net) of the banking system, respectively. Over the level at end-December 2015, broad money supply ( $M_2$ ) grew by 8.3 per cent, compared with the growth of 2.2 per cent at the end of the preceding quarter. The development reflected the 25.7 and 12.5 per cent growth in foreign assets (net) and domestic credit (net) of the banking system.

Narrow money supply ( $M_1$ ), grew by 0.9 per cent to ₦9,125.9 billion, compared with the growth of 5.5 per cent, at the end of the preceding quarter. This, however, indicated a decline of 6.2 per cent, relative to the level at the end of the corresponding period of 2015. The development was attributed, wholly, to the 1.9 per cent growth in demand deposits of banks. Over the level at end-December 2015, narrow money supply ( $M_1$ ) grew by 6.5 per cent, compared with the growth of 5.5 per cent at the end of the preceding quarter.

Quasi money rose by 9.9 per cent to ₦12,559.03 billion at the end of the second quarter, in contrast to the 0.3 per cent decline at the end of the preceding quarter. The development was due to the decline in time and savings deposits of banks. Over end-December 2015, quasi money grew by 9.6 per cent, in contrast to the decline of 0.3 per cent

at the end of the preceding quarter (Fig. 1, Table 1).

**Figure 1: Growth Rate of Narrow Money ( $M_1$ ) and Broad Money ( $M_2$ )<sup>1</sup>**



At ₦24,318.14 billion, aggregate domestic credit (net) to the economy, on quarter-on-quarter basis, grew by 7.3 per cent, compared with the growth of 4.9 per cent and 3.8 per cent at the end of the preceding quarter and the corresponding quarter of 2015, respectively. The development, relative to the preceding quarter was attributed to the 13.5 per cent growth in claims on the private sector. Over the level at end-December 2015, net domestic credit rose by 12.5 per cent, compared with the growth of 4.9 per cent at the end of the preceding quarter. The development reflected the growth in claims on the private sector.

Banking system credit to the Federal Government fell by 23.5 per cent at the end of the second quarter of 2016.

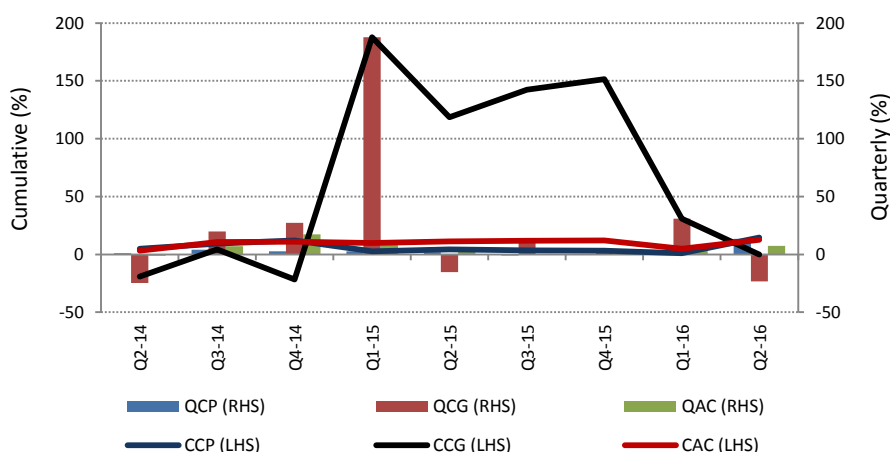
Banking system's credit (net) to the Federal Government fell by 23.5 per cent to ₦2,893.2 billion, in contrast to the growth of 30.7 and 26.5 per cent at the end of the preceding quarter and the corresponding quarter of 2015, respectively. The development was due to the fall in banks' holding of government securities. Relative to the level at end-December 2015, net claims on Federal Government rose marginally by

<sup>1</sup> QM1 and QM2 represent quarter-on-quarter changes, while CM1 and CM2 represent cumulative changes (year-to-date).

₦0.96 million (0.00003 per cent) at the end of the review period, compared with the growth of 30.7 per cent and 118.5 per cent at the end of the preceding quarter and the corresponding period of 2015, respectively.

At ₦21,424.95 billion, banking system's credit to the private sector, quarter-on-quarter, grew by 13.5 per cent, compared with the growth of 0.9 per cent and 1.3 per cent at end-June 2016 and the end of the corresponding period of 2015, respectively. The development was due to the growth in claims on the core private sector. Over the level at end-December 2015, banking system's credit to the private sector grew by 14.5 per cent, compared with the growth of 0.9 per cent and 4.3 per cent recorded at the end of the preceding quarter and the corresponding period of 2015, respectively.

**Figure 2: Growth Rate of Aggregate Domestic Credit to the Economy<sup>2</sup>**



Relative to the level at the end of the preceding quarter, foreign assets (net) of the banking system, rose by 2.8 per cent to ₦7,105.7 billion at end-June 2016, in contrast to the decline of 1.8 per cent at the end of the preceding quarter. The development was attributed, largely, to the increase in foreign asset holdings of the banks, following the adoption of a flexible exchange rate regime. Over the level at end-December 2015, foreign assets (net) rose by 25.7 per cent at

Foreign assets (net) of the banking system grew at the end of the review quarter.

<sup>2</sup> QCP, QCG and QAC represent quarter-on-quarter changes in credit to private sector, credit to government (net) and aggregate credit (net) to the domestic economy, respectively, while CCP, CCG and CAC, represent the cumulative changes (year-to-date).

end-June 2016, in contrast to the decline of 1.8 and 14.4 per cent at the end of the preceding quarter and the corresponding period of 2015, respectively.

**Table 1: Growth in Monetary and Credit Aggregates (Per cent) Over Preceding Quarter**

	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
Domestic Credit (Net)	7.2	17.3	7.7	3.8	0.5	0.4	4.9	7.3
Claims on Federal Government (Net)	19.7	-27.3	89.4	26.5	11.0	3.8	30.7	-23.5
Claims on Private Sector	4.1	2.6	2.5	1.3	-0.9	-0.1	0.9	13.5
Claims on Other Private Sector	4.4	2.7	2.6	1.6	-1.3	-0.2	-0.4	13.0
Foreign Assets (Net)	-1.1	-5.1	13.9	-12.3	-14.6	11.2	-1.8	28.0
Other Assets (Net)	-5.4	5.4	3.9	-3.1	7.8	8.2	7.1	25.7
Broad Money Supply (M2)	4.0	0.1	1.2	-1.7	-0.5	7.0	2.2	5.9
Quasi-Money	6.6	6.2	1.2	1.0	-5.7	-1.0	-0.3	9.9
Narrow Money Supply (M1)	0.4	-8.7	1.3	-6.3	9.3	19.9	5.5	0.9
Memorandum Items:								
Reserve Money (RM)	3.3	20.7	-0.1	0.7	-2.7	0.4	-0.9	-6.7

## 2.2 Currency-in-circulation (CIC) and Deposits at the CBN

At ₦1,684.7 billion, currency-in-circulation declined by 7.0 per cent in the review quarter, compared with the decline of 2.5 per cent at the end of the preceding quarter. The development was due, largely, to the decline in vault cash.

Total deposits at the CBN amounted to ₦10,502.2 billion, indicating an increase of 8.1 per cent relative to the level at the end of the preceding quarter. The development reflected the significant increase in Federal Government deposits. Of the total deposits at CBN, the shares of the Federal Government, Banks and "Others" were ₦5,020.9 (47.8 per cent), ₦3,687.3 billion (35.1 per cent) and ₦1,794.0 billion (17.1 per cent), respectively.

Reserve money (RM) fell at the end of the first quarter of 2016.

Reserve money (RM) fell by 6.4 per cent to ₦5,372.00 billion at the end of the second quarter, reflecting the decline in both DMB's reserves with the CBN and currency in circulation.

## 2.3 Money Market Developments

The global and domestic economic developments such as the sharp fall in oil prices, slow-down in global growth, geopolitical tensions and the normalization of Monetary Policy by the United States' Federal Reserve necessitated the

The financial market was relatively liquid during the review period .

adoption of a new flexible foreign exchange policy in Nigeria, towards the end of the second quarter of 2016. The operationalisation of this policy involved the appointment of foreign exchange primary Dealers (FXPD) to deal directly with the Central Bank of Nigeria and the introduction of the over-the-counter (OTC) Naira-settled futures and long-tenured foreign exchange forwards of 6 to 12 months. Hitherto, foreign exchange was allocated based on the prioritization of the most critical need for foreign exchange as it was becoming difficult to continuously meet demand while speculative activities persisted at the parallel market.

The commencement of the new foreign exchange policy on June 20, 2016 influenced the direction of the financial market thereafter. At the onset, foreign exchange illiquidity hindered the smooth running of the foreign exchange inter-bank market and this led the Bank to float a special foreign exchange auction. The settlement of these transactions drained liquidity in the money market. Consequently, inter-bank money market rates spiked and the trend in standing facilities reversed as there was more patronage at the Standing Lending Facilities (SLF) than the Standing Deposit Facility (SDF).

Provisional data indicated that total value of money market assets outstanding at the end of the second quarter of 2016 stood at ₦10,460.66 billion, showing an increase of 6.7 per cent, compared with the level in the first quarter of 2016. The development reflected the 8.09 per cent and 2.73 per cent growth in FGN bonds and treasury bills, respectively.

### 2.3.1 *Interest Rate Developments*

Available data indicated mixed developments in banks' deposit and lending rates in the second quarter of 2016. With the exception of the 7-day and 1 month maturities deposit rates, which fell from 2.83 per cent and 6.93 per cent to 2.75 per cent, and 6.49 per cent at the end of the second quarter of 2016, all other deposit rates of various maturities rose above the levels in the preceding quarter. At 5.41 per cent, the average term deposit rate rose by 0.02 percentage point above the level in the preceding quarter. The average prime lending rates fell by 0.13 percentage point to 16.56 per cent, while maximum lending rates rose by 0.03 percentage point to 26.85 per cent. Consequently, the spread between the

The spread between the weighted – average term deposit and maximum lending rates widened at the end of the first quarter of 2016.

weighted average term deposit and maximum lending rates widened by 0.01 percentage point to 21.43 percentage points, at the end of the second quarter of 2016. Similarly, the margin between the average savings deposit and the maximum lending rates widened by 0.12 percentage point to 24.10 percentage points. With headline inflation at 16.5 per cent at end-June 2016, all lending rates were positive in real terms, while deposit rates were negative in real terms.

Interbank call rate rose in Q1 2016.

At the inter-bank funds segment, the weighted average inter-bank call rate, which stood at 3.01 per cent at the end of the preceding quarter, rose by 12.55 percentage points to 15.56 per cent, in the second quarter of 2016, reflecting the liquidity condition in the banking system. The Nigeria inter-bank offered rate (NIBOR) for the 30-day tenor, rose from 8.02 per cent in the preceding quarter to 10.04 per cent in the second quarter of 2016. However, the weighted average rate at the Open-Buy-Back (OBB) segment, rose by 7.66 percentage points to 10.58 per cent (Fig. 3, Table 2).

**Figure 3: Selected DMBs Interest Rates (Average)**

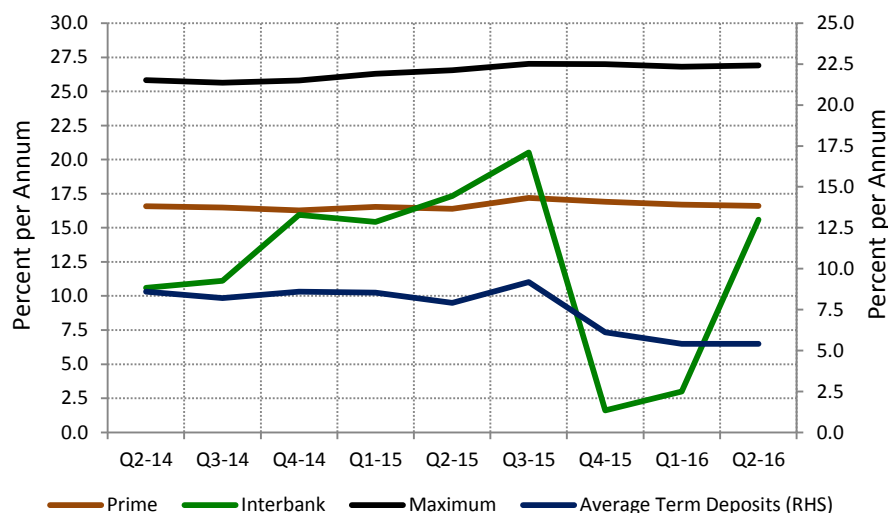


Table 2: Selected Interest Rates (Percent, Averages)

	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
Average Term Deposits	8.6	8.2	8.6	8.5	7.9	9.2	6.1	5.4	5.4
Prime Lending	16.6	16.5	16.3	16.8	16.4	17.2	16.9	16.7	16.6
Interbank	10.6	11.1	16.0	15.4	17.3	20.5	1.6	3.0	15.6
Maximum Lending	25.8	25.6	25.8	26.3	26.6	27.0	27.0	26.8	26.9

### 2.3.2 Commercial Paper (CP)

Commercial Paper (CP) outstanding held by banks, rose to ₦0.53 billion in the second quarter of 2016, compared with ₦0.45 billion in the preceding quarter. The development reflected increased investment in CPs by the commercial banks, during the review quarter. As a ratio of total assets outstanding, CPs constituted 0.01 per cent, same as in the preceding quarter.

Investment in CP by banks rose in the second quarter of 2016.

### 2.3.3 Bankers' Acceptances (BAs)

During the review period, BAs outstanding rose by 141.75 per cent to ₦29.76 billion, compared with ₦12.31 billion at the end of the preceding quarter. The development was attributed to the increase in investment in BAs by the banks, during the quarter. Consequently, BAs accounted for 0.28 per cent of the total value of money market assets outstanding, at the end of the second quarter of 2016, compared with 0.13 per cent, at the end of the preceding quarter.

DMBs' holdings of BAs increased during Q2 of 2016.

### 2.3.4 Open Market Operations

The Bank conducted twenty (20) and one (1) special auctions with tenors ranging from 202 to 364 day tenors from April –June 2016. Total sales was ₦727.47 billion, while total subscription was ₦1,616.80 billion. The bid rates ranged from 8.30 per cent to 13.50 per cent, while the stop rates ranged from 8.80 per cent to 13.50 per cent. The specifics of the special auction were an allotment of ₦205.94 billion at 13.50 per cent for a tenor to maturity of 363 days. Repayment of matured CBN bills was ₦710.16 billion, bringing the net injection via OMO during second quarter 2016 to ₦176.49 billion.

### 2.3.5 Primary Market

NTBs of 91-182-and 364-day tenors, amounting to ₦1,111.72 billion, ₦1,868.02 billion and ₦1,100.72 billion were offered, subscribed to and allotted, respectively, in the second quarter

of 2016. The bid rates ranged from 5.00 per cent to 13.00 per cent, 6.01 per cent to 9.99 per cent and 8.00 per cent to 21.95 per cent, respectively, while the stop rates were from 6.10 - 9.99 per cent, 8.69 per cent - 12.30 per cent and 11.05 per cent - 14.99 per cent, respectively. In the preceding quarter, a total of ₦1,328.56 billion, ₦3,062.01 billion and ₦1,328.56 billion, was offered, subscribed to and allotted, respectively, for the three tenors.

Subscription for FGN Bonds of various maturities were reopened during the second quarter of 2016.

### 2.3.6 Bonds Market

Tranches of the 5-, 10- and 20-year FGN Bonds were reopened during the review period. The term to maturity of the bonds ranged from 3 years and 8 months to 19 years and 11 months. Total amount offered, subscribed to and allotted were ₦320.0 billion, ₦538.20 billion and ₦264.50 billion, respectively. In addition, ₦70.18 billion of the 10-year was allotted on non-competitive basis during the review period. The marginal rates ranged from 12.00 per cent to 14.20 per cent for the 5-year bond, 12.60 per cent to 14.40 per cent for the 10-year bond and 13.08 per cent to 14.98 per cent for the 20-year tenor bond. No bond matured during the review period, thereby resulting in a total withdrawal of ₦264.50 billion. In the preceding quarter, tranches of the 5-year and 10-year bond were re-opened and a new tranche of 20-year bond offered for sale. The term to maturity of the bonds ranged from 3 years and 11 months to 20 years.

Total amount offered, subscribed to and allotted were ₦270.00 billion, ₦645.64 billion and ₦265.00 billion, respectively. In addition, ₦10.84 billion of the 5-year bond was allotted on non-competitive basis in January 2016, while ₦5.00 billion and ₦20.00 billion of the 5-year and 10-year bonds were allotted on non-competitive basis, respectively. The marginal rates ranged from 11.33 per cent to 12.24 per cent for the 5-year, from 12.09 per cent to 12.50 per cent for the 10-year and was 12.04 per cent for the 20-year maturity bond. There was no maturity in the period.

### 2.3.7 CBN Standing Facilities

Developments at the CBN standing facilities window in the review quarter indicated higher patronage at the Standing Deposit Facility (SDF) window, during the first two months of the review quarter. The trend, however, reversed with the



settlement of a large volume of foreign exchange purchased at the special auction conducted on June 20, 2016.

Total request for Standing Lending Facility (inclusive of Intra-day lending facilities converted to overnight repo) during the review period amounted to ₦4,066.94 billion, with ₦1.46 billion in interest earned, compared with SLF of ₦560.80 billion and interest earned of ₦0.28 billion in the preceding quarter. This amounted to ₦3, 506.14 billion and ₦1.18 billion increase in SLF and interest earned, respectively, from the levels in the first quarter of 2016.

The Total deposit at the SDF window during the review period was ₦6,012.98 billion with a daily average of ₦100.22 billion, compared with ₦6, 614.16 billion in the first quarter of 2016. The cost incurred on SDF in the review quarter stood at ₦1.74 billion, compared with ₦1.08 billion, in the preceding quarter.

## 2.4 Deposit Money Banks' Activities

Available data indicated that the total assets and liabilities of the commercial banks stood at ₦31,231.4 billion at the end of the preceding quarter of 2016, representing an increase of 9.6 per cent over the level at the end of the the preceding quarter. The funds were sourced, mainly, from time, savings and foreign currency deposits, foreign liabilities and unclassified liabilities. The funds were used, mainly, to increase claims on private sector, acquire foreign and unclassified assets.

At ₦20,406.4 billion, banks' credit to the domestic economy, rose by 11.2 per cent, compared with 0.9 per cent at the end of the preceding quarter. The development was attributed to the significant increase in claims on the private sector, during the review quater.

Central Bank's credit to the commercial banks rose by 34.2 per cent to ₦1,041.73 billion, at the end of the review quarter. Total specified liquid assets of the banks stood at ₦6,536.9 billion, representing 34.9 per cent of their total current liabilities. At that level, the liquidity ratio fell by 5.0 percentage points below the level at the end of the preceding quarter but was 4.9 percentage points above the stipulated minimum ratio of 30.0 per cent. The loans-to-deposit ratio, at 74.9 per

Liquidity ratio in Q<sub>2</sub> was above the stipulated minimum, while the Loan-to-deposit ratio was below the prescribed maximum.

cent, was 7.0 percentage points, above the level at the end of the preceding quarter, but 5.1 percentage point below the prescribed maximum of 80.0 per cent.

## 2.5 Capital Market Developments

### 2.5.1 Secondary Market

Available data indicated that developments on the Nigerian Stock Exchange (NSE) were generally mixed during the second quarter of 2016. Total volume of traded securities declined by 22.6 per cent to 27.0 billion shares, while the value increased by 9.8 per cent to ₦163.4 billion in 251,646 deals, in the review quarter, compared with 34.9 billion shares worth ₦148.9 billion in 202,644 deals, recorded in the first quarter of 2016. The Financial Services Industry led the activity chart (measured by volume) with 51.8 billion shares, worth ₦105.5 billion in 154,827 deals, compared with 29.0 billion shares worth ₦88.9 billion in 128,269 deals, in the preceding quarter. The banking sub-sector was the most active (measured by volume) with 17.8 billion shares worth ₦90.8 billion in 103,416 deals.

Figure 4: Volume and Value of Traded Securities

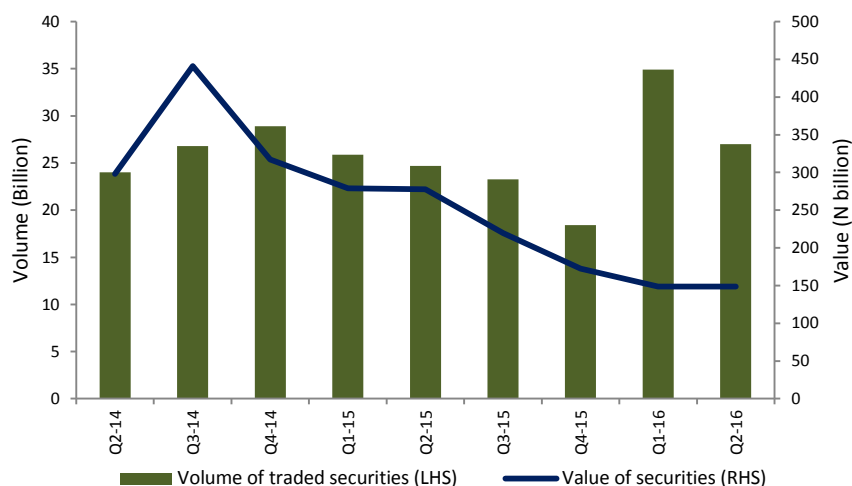


Table 3: Traded Securities on the Nigerian Stock Exchange (NSE)

	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
Volume (Billion)	24.0	26.8	28.9	25.9	24.7	23.26	18.4	34.9	27
Value (₦ Billion)	298.19	441.25	316.99	279.1	277.9	219.76	172.6	148.9	163.4

### 2.5.2 New Issues Market/Supplementary Listings

There were three (3) supplementary listings in the review quarter (table 4)

**Table:4 New and Supplementary Listing on the Nigerian Stock Exchange**

S/N	Company	Additional Shares (Units)	Reasons	Listing
1	Transnational Corporation of Nigeria	1,936,049,872	Bonus Issue	supplementary
2	Vita Foam Plc	59,570,053 ordinary shares	merger with vono Prod Plc	supplementary
3	Fortis Microfinance Bank Plc	656,666,668 units	Special Placing	supplementary

### 2.5.3 Market Capitalization

Aggregate market capitalization for all listed securities (Equities and Bonds) stood at ₦17.28 trillion, indicating a rise of 8.8 per cent, above the level at the end of the first quarter of 2016. Similarly, market capitalization for the listed equities increased by 16.8 per cent above the level in the preceding quarter to close at ₦10.17 trillion at the end of the review quarter. Listed equities accounted for 58.9 per cent of the aggregate market capitalization, compared with 54.9 per cent at the end of the preceding quarter.

### 2.5.4 NSE All-Share Index

The All-Share Index, which opened at 25,306.722 at the beginning of the period, closed at 29,597.79, representing an increase of 16.9 per cent above the level at the end of previous quarter. In the review quarter, with the exception of the NSE-Oil and Gas index which fell by 8.1 per cent to 324.00 at end-June 2016, all other sectoral indices rose above the levels in the preceding quarter. The NSE Banking, NSE Insurance, NSE Consumer goods, NSE Lotus Islamic, NSE Industrial, NSE AseM, NSE Pension and NSE Premium indices rose by 38.7 per cent, 10.3 per cent, 19.6 per cent, 10.5 per cent, 9.5 per cent, 0.7 per cent, 27.1 per cent and 23.2 per cent to close at 298.81, 140.04, 736.28, 1958.86, 2146.80, 1213.60, 882.30 and 1862.79, respectively.

Figure 5: Market Capitalization and All-Share Index

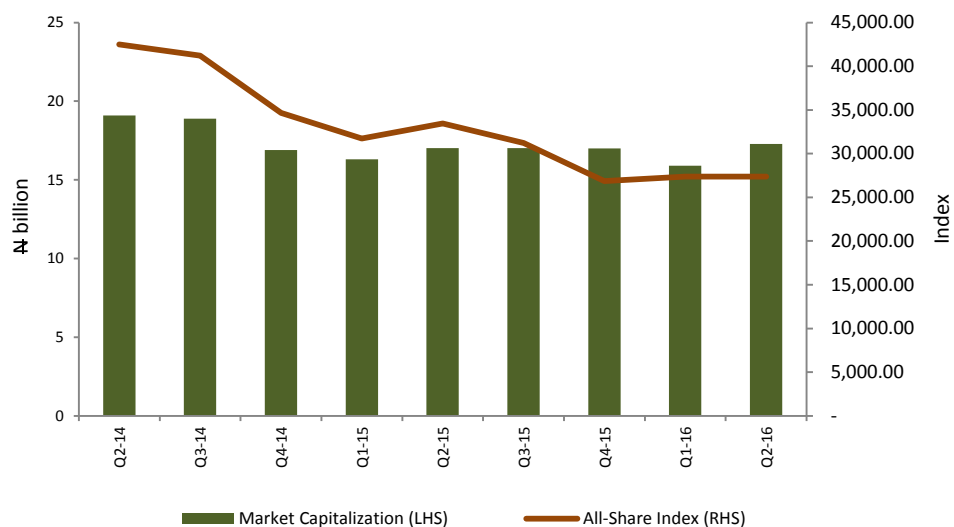


Table 5: Market Capitalization and All Share Index (NSE)

	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
Market Capitalization (₦ trillion)	19.10	18.90	16.90	16.30	17.02	17.01	17.00	15.88	17.28
All-Share Index (Equities)	42,482.48	41,210.10	34,657.15	31,744.82	33,456.86	31,217.77	26,871.24	27,385.69	29,597.79

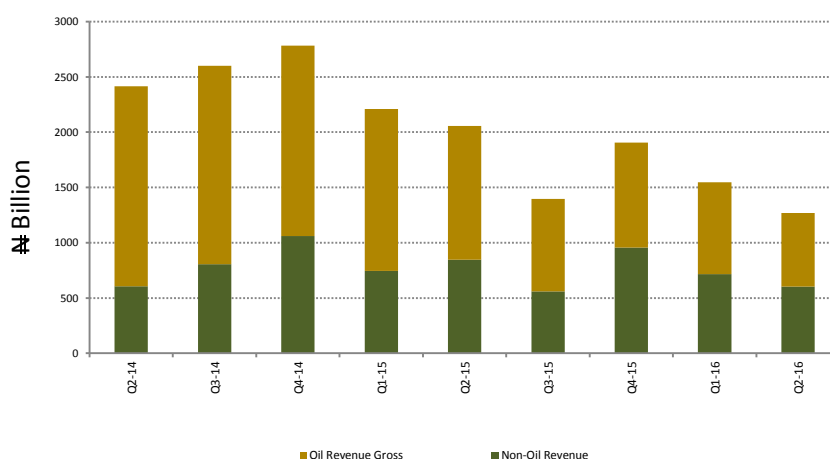
### 3.0 Fiscal Operations

#### 3.1 Federation Account Operations

Provisional data indicated that federally-collected revenue during the second quarter of 2016 was ₦1,159.05 billion. This was 51.3 per cent and 8.6 per cent lower than the quarterly budget estimate and the receipts in the preceding quarter, respectively. The decline in federally-collected revenue (gross) relative to the budget estimate was attributed to the shortfall in receipts from both oil and non-oil revenue, during the review quarter (Fig. 6, Table 6).

Gross federally-collected revenue fell by 8.6 per cent below the level in the first quarter of 2016.

**Figure 6: Components of Gross Federally Collected Revenue**



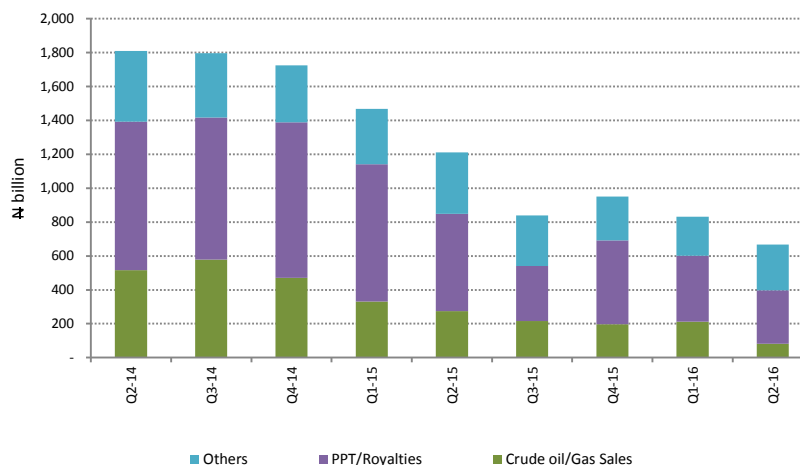
**Table 6: Gross Federation Account Revenue (₦ billion)**

	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
Federally-collected revenue (Gross)	2613.30	2783.46	2210.81	2055.64	1397.20	1911.71	1547.96	1268.59	1159.05
Oil Revenue	1795.53	1723.11	1466.22	1210.77	839.02	949.45	830.81	666.13	537.19
Non-Oil Revenue	817.77	1060.30	744.58	844.87	558.19	956.32	717.16	602.46	621.86

At ₦537.19 billion or 46.3 per cent of the total revenue, gross oil receipt was lower than the provisional quarterly budget and the receipts in the preceding quarter by 39.2 per cent and 19.4 per cent, respectively. The decline in oil revenue relative to the budget estimate was attributed to the persistent fall in receipts from crude oil/gas export, due to persistent low price of crude oil in the international market and the series of shut-ins and shut-downs at some NNPC terminals owing to pipeline

vandalism in the Niger Delta region, during the review quarter (Fig. 7, Table 7).

**Figure 7: Gross Oil Revenue and Its Components**



**Table 7: Components of Gross Oil Revenue (N billion)**

	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
Oil Revenue	1795.53	1723.11	1466.22	1210.77	839.02	949.45	830.81	666.13	537.19
Crude oil/Gas Sales	577.41	470.99	331.18	274.09	215.40	196.29	212.86	82.43	112.54
PPT/Royalties	838.89	916.31	809.89	573.30	325.03	495.39	388.66	314.04	212.78
Others	379.23	335.81	325.15	363.38	298.59	257.78	229.28	269.66	211.86

At ₦621.86 billion or 53.7 per cent of total revenue, gross non-oil receipts was above the receipts in the preceding quarter by 3.2 per cent. It was, however, below the provisional budget estimate by 58.4 per cent. The decline in non-oil revenue relative to the provisional budget estimate was due, largely, to the shortfall in receipts from all of its components except Customs Special Levies (Non-Federation Account) during the review quarter (Fig. 8, Table 8).

Figure 8: Gross Non-Oil Revenue and its Components

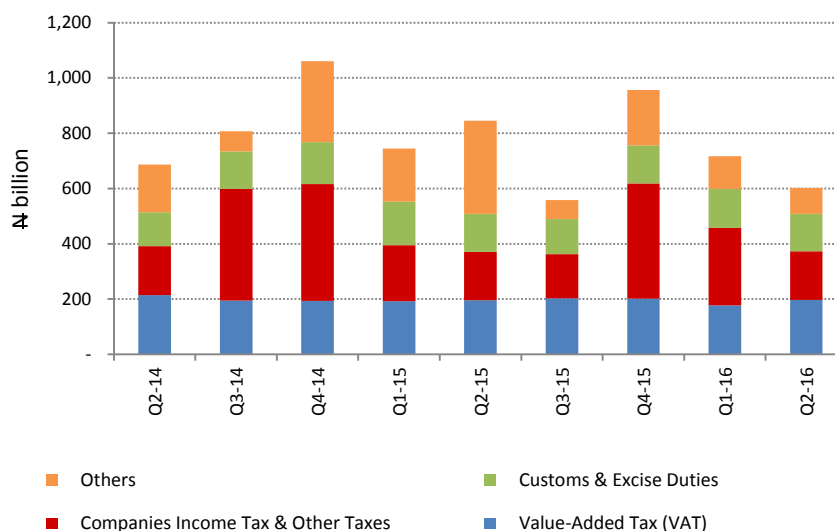


Table 8: Components of Gross Non-Oil Revenue (₦ billion)

	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
Non-Oil Revenue	817.77	1060.35	744.58	844.87	558.19	956.32	717.15	602.46	621.86
Value-Added Tax (VAT)	194.15	193.39	192.88	195.66	203.18	202.11	177.78	196.57	194.61
Companies Income Tax & Other Taxes	404.20	422.60	202.38	174.94	159.36	415.67	279.13	176.26	171.71
Customs & Excise Duties	136.28	151.53	156.80	138.08	127.59	138.83	141.67	135.51	106.54
Others/1	83.14	292.83	192.52	336.19	68.06	199.70	118.58	94.12	149.00

1/ Include FGN Independent Revenue, Education Tax, NITDF & Customs Federation/Non-Federation Account Levies (Port, Sugar, ETLs, Steel, CISS & Cement Levies)

Of the gross federally-collected revenue, a net sum of ₦665.67 billion was transferred to the Federation Account for distribution among the three tiers of government and the 13.0% Derivation Fund. The sums of ₦100.92 billion, ₦186.83 billion and ₦48.09 billion were transferred to the Federal Government Independent Revenue, VAT Pool Account and Others, respectively. The Federal Government received ₦323.16 billion, while the state and local governments received ₦163.91 billion and ₦126.37 billion, respectively. The balance of ₦52.23 billion was allocated to the 13.0% Derivation Fund for distribution among the oil-producing states. The Federal Government also received ₦28.02 billion from the VAT Pool Account, while the state and local governments received ₦93.41 billion and ₦65.39 billion, respectively.

The sum of ₦665.67 billion out of the gross federally collected revenue was distributed among the three tiers of government and 13.0% Derivation Fund for oil producing states.

The sum of ₦7.86 billion was equally distributed as Exchange Gain among the three tiers of government and the 13% Derivation Fund as follows: Federal Government (₦3.68 billion), State Governments (₦1.87 billion), Local Governments (₦1.44 billion) and 13% Derivation Fund (₦0.88 billion).

In addition, the sum of ₦18.99 billion was received by the Federal Government being installmental refund of NNPC's indebtedness to the Federal Government in the first quarter of 2016.

The total statutory and VAT revenue allocation to the three tiers of government in the second quarter of 2016 amounted to ₦879.35 billion, compared with the provisional quarterly budget estimate of ₦1,485.70 billion and ₦1,074.31 billion received in the first quarter of 2016.

## 3.2 The Fiscal Operations of the Three Tiers of Government

### 3.2.1 The Federal Government

At ₦677.88 billion, the estimated Federal government retained revenue was higher than the receipts in the preceding quarter by 34.2 per cent.

Federal Government retained revenue for the second quarter of 2016 was estimated at ₦677.88 billion. This was above the receipts in the preceding quarter by 34.2 per cent, but lower than the quarterly budget estimate by 33.0 per cent. Of the total revenue, Federation Account accounted for 47.7 per cent, while "Other Oil Revenue", Federal Government Independent Revenue, VAT and, NNPC Refund and Exchange Gain accounted for 30.0 per cent, 14.9 per cent, 4.1 per cent and 3.3 per cent, respectively (Fig. 9, Table 9).



Figure:9 Federal Government Retained Revenue

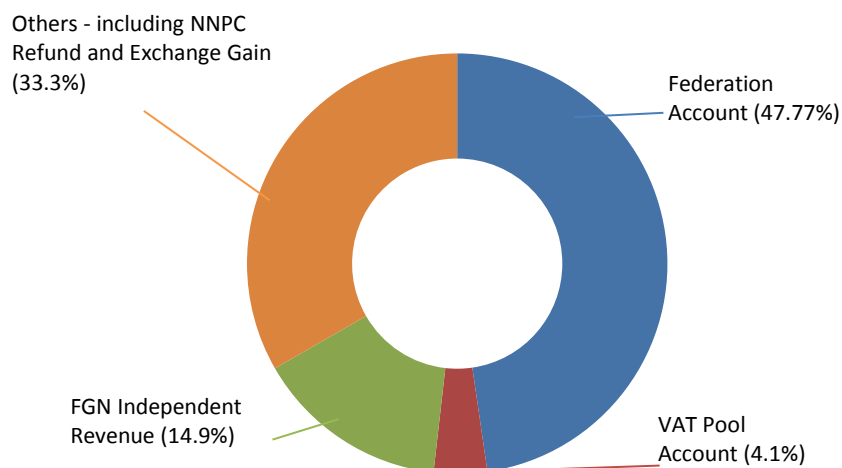


Table 9: Federal Government Fiscal Operations (₦ billion)

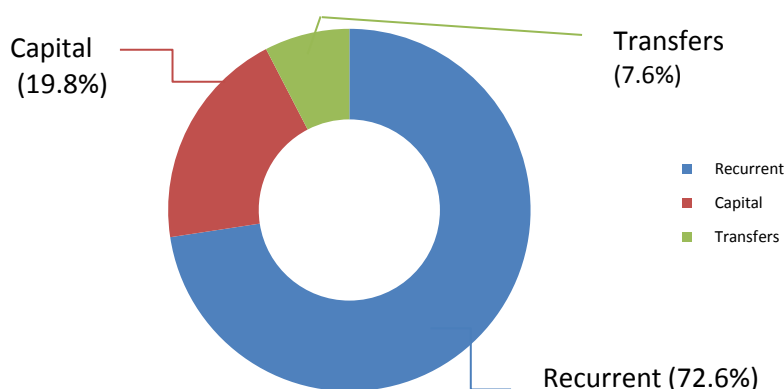
	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
Retained Revenue	864.2	1023.1	839.8	1027.0	538.6	1044.8	808.5	505.1	677.9
Expenditure	1193.5	1166.6	1164.0	1156.6	1024.5	1190.3	1544.3	1230.3	1768.9
Overall Balance: Surplus(+)/Deficit(-)	-329.4	-143.6	-324.2	-129.5	-485.9	-145.5	-735.8	-725.2	-1091.0

At ₦1,768.85 billion, provisional data indicated that Federal Government expenditure for the second quarter of 2016 was above the provisional quarterly budget estimate and the level at the end of the preceding quarter by 12.8 and 58.1 per cent, respectively. The development relative to the proportionate quarterly budget estimate was attributed, mainly, to the rise in both recurrent and capital expenditure. A breakdown of the total expenditure showed that the recurrent component accounted for 72.6 per cent, while capital and statutory transfers constituted for 19.8 per cent and 7.6 per cent, respectively (Fig. 5). A further breakdown of the recurrent expenditure showed that the non-debt component represented 73.4 per cent, while debt service payments accounted for the balance of 26.6 per cent.

The fiscal operations of the Federal Government, thus, resulted in an estimated deficit of ₦1,090.96 billion, indicating an increase of 96.4 per cent above the provisional quarterly budget deficit of ₦555.49 billion.

Fiscal operations of the FG resulted in an estimated deficit of ₦1,090.96 billion in Q2 2016.

Figure9: Federal Government Expenditure



### 3.2.2 Statutory Allocations to State Governments

Total allocation to state governments including, the Federation Account, 13.0% Derivation Fund and VAT, during the review quarter, amounted to ₦312.30 billion. This was 40.0 and 17.9 per cent, lower than both the provisional budget estimate and the level at the end of the preceding quarter, respectively. Further breakdown showed that receipts from the Federation Account was ₦218.89 billion (70.1 per cent), while VAT contributed ₦93.41 billion (29.9 per cent). The share of Federation Account was 23.4 per cent lower than the preceding quarter's level. However, receipts from the VAT Pool Account fell by 1.0 per cent below the level in the preceding quarter.

### 3.2.3 Statutory Allocations to Local Government Councils

Provisional data indicated that allocations to local governments from the Federation and VAT Pool Accounts in the second quarter of 2016 stood at ₦193.20 billion. This was 44.1 and 15.7 per cent below the budget estimate and the level in the preceding quarter, respectively. Of the total amount, allocation from the Federation Account was ₦127.81 billion (66.2 per cent), while VAT Pool Account accounted for the balance of ₦65.39 billion (33.8 per cent).

## 4.0 Domestic Economic Conditions

*Activities in the agricultural sector increased significantly due to well distributed rainfall in most parts of the country. Farmers in the South engaged in harvesting of maize and yam, while farmers in the North engaged in planting and off-season harvesting. In the livestock sub-sector, farmers engaged in the breeding of poultry and migration of cattle from the North to the South in search of green pastures. Crude oil production was estimated at 1.54 million barrels per day (mbd) or 141.68 million barrels, for the quarter. The end-period inflation rate for the second quarter of 2016, on year-on-year basis, was 16.5 per cent, compared with 12.8 per cent at the end of the preceding quarter. The inflation rate on a 12-month moving average basis was 11.4 per cent, compared with 9.8 per cent at the end of the preceding quarter.*

### 4.1 Agricultural Sector

Available data indicated that agricultural activities increased significantly during the second quarter of 2016 due to well distributed rainfall in most parts of the country. Major agricultural activities in the southern states were harvesting of maize and yam, while farmers in the Northern States engaged, mainly, in planting and off-season harvesting. In the livestock sub-sector, farmers engaged in the breeding of poultry and migration of cattle from the North to the South in search of green pastures. Also, the continued resettlement and re-integration of hitherto displaced persons arising from insurgency has improved the prospects for increased agricultural activities in the North-Eastern part of the country.

### 4.2 Agricultural Credit Guarantee Scheme

A total of ₦1,993.5 million was guaranteed to 12,405 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in the second quarter of 2016. The amount represented a 21.6 per cent increase above the level in the preceding quarter, but indicated a 25.7 per cent decline below the level in the corresponding period of 2015. Sub-sectoral analysis showed that food crops got the largest share of ₦1,369.5 million (68.5 per cent) guaranteed to 9,607 beneficiaries, livestock got ₦350.6 million (17.6 per cent) guaranteed to 1,149 beneficiaries, fisheries had ₦89.5 million (4.5 per cent) guaranteed to 385 beneficiaries, while cash crop received ₦83.9 million (4.2 per cent) guaranteed to 538 beneficiaries. The mixed Crop sub-sector received ₦68.7 million (3.5 per

cent) guaranteed to 414 beneficiaries, while 'Others' received a total of ₦31.1 million (1.6 per cent) guaranteed to 312 beneficiaries.

Analysis by state showed that 31 states and the Federal Capital Territory benefited from the Scheme in the review period, with the highest and lowest sums of ₦518.0 million (26.0 per cent) and ₦0.7 million (0.05 per cent) guaranteed to Edo and Taraba states, respectively,

At end-June 2016, total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACS) from inception to the participating banks, for disbursement, stood at ₦366.4 billion, for 456 projects (Table 10).

**Table 10: Disbursement of Credit Under the Commercial Agriculture Credit Scheme (CACS)**

S/N	Participating Banks	Amt Disbursed (₦ billion)	Number of Projects/State Governments
1	Access Bank Plc	17.62	19
2	Citibank Plc	3.00	2
3	Diamond Bank Plc	4.70	19
4	ECOBANK	6.30	10
5	FCMB Plc.	10.10	20
6	Fidelity Bank Plc	15.90	13
7	First Bank of Nigeria Plc	39.80	96
8	GTBank Plc	23.70	20
9	Heritage Bank Plc	4.80	13
10	Keystone Bank	3.40	6
11	Jaiz Bank Plc	1.00	1
12	Skye Bank Plc	11.80	9
13	Stanbic IBTC Bank	21.26	40
14	Sterling Bank Plc	24.10	30
15	Union Bank Nigeria PLC	21.90	28
16	United Bank for Africa (UBA) Plc	55.80	40
17	Unity Bank Plc	24.30	26
18	Wema Bank	1.82	10
19	Zenith Bank	75.09	54
	<b>TOTAL</b>	<b>366.4</b>	<b>456</b>

### 4.3 Industrial Production

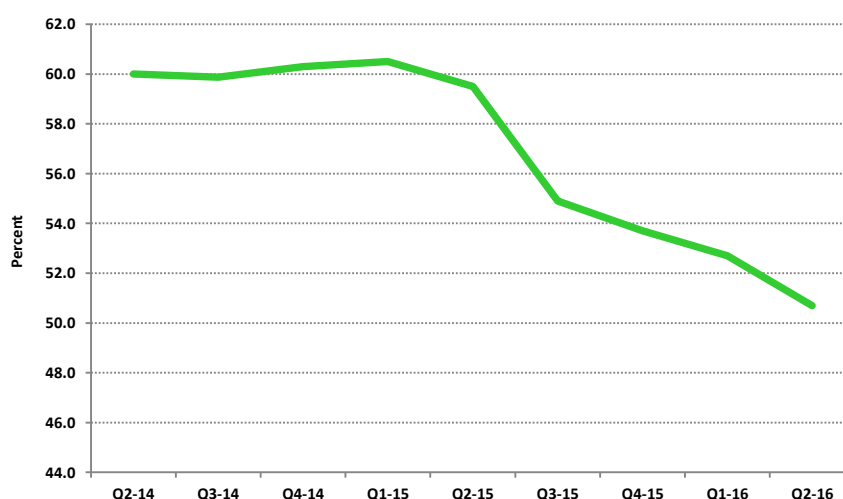
Available data indicated a decline in Industrial activities during the second quarter of 2016 relative to the preceding quarter. At 110.3 (2010=100), the estimated index of industrial production fell by 0.02 per cent, below the levels in the preceding quarter and the corresponding period of 2015, respectively. The development was attributed to a marginal decline in activities in all subsectors during the period.

Industrial activities fell in the review quarter due to reduced activities in all sub-sectors.

The index of manufacturing production in the second quarter of 2016 at 188.9 (2010=100), showed a marginal decline of 0.01 and 0.06 per cent relative to the levels in the preceding quarter and the corresponding period of 2015, respectively. Capacity utilisation was estimated at 50.7 per cent, indicating a 2.0 percentage points decline, compared with the level in the preceding quarter. The development was occasioned by the poor power supply due to continued vandalism of gas pipelines, exchange rate challenges and cash squeeze, all of which together impacted on business confidence and hindered activities in the sector (Fig.11).

Industrial capacity utilization was estimated to have declined by 2.0 percentage points during the review

**Figure11: Manufacturing Capacity Utilization Rate**



At 75.0 (2010=100), the estimated index of mining production in the second quarter of 2016, indicated 0.04 per cent and 0.12 per cent decrease relative to the levels attained in the preceding quarter and the corresponding period of 2015,

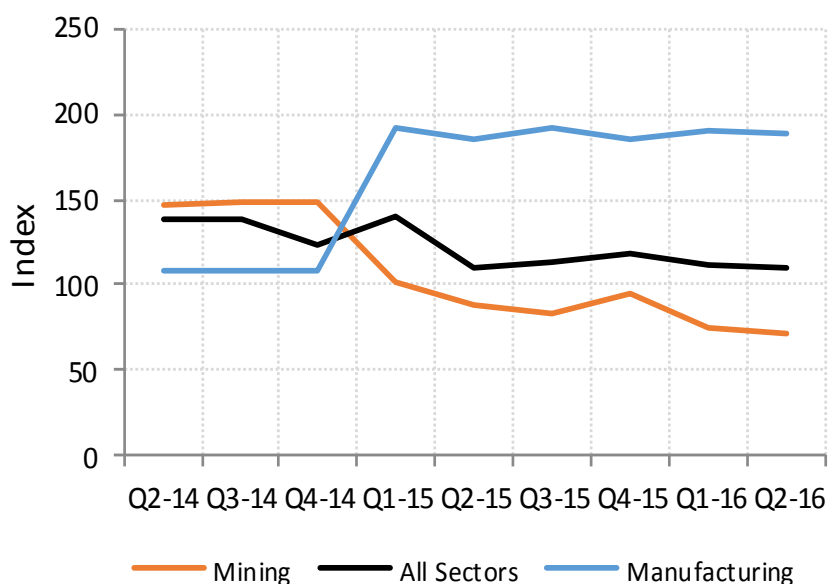
Average electricity generation and consumption fell during the review quarter.

respectively. The development during the review quarter was due to a significant fall in crude oil and gas production.

At 3,156 MW/h, estimated average electricity generation in the second quarter of 2016 fell by 0.19 per cent, compared with the level attained in the preceding quarter. The development was attributed to the fall in power generation in the various power plants due to vandalism.

Average estimated electricity consumption, at 2,989 MW/h, fell by 0.19 per cent, relative to the level attained in the preceding quarter. The fall in electricity consumption was attributed to a decline in power generation and transmission losses (Fig. 12, Table 11).

**Figure 102: Index of Industrial Production (2010=100)<sup>3</sup>**



<sup>3</sup> Index measurement at (2010=100) from first quarter15

Table 11: Index of Industrial Production and Manufacturing Capacity Utilization Rate

	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
All Sectors (1990=100)	139.00	139.00	123.60	139.45	110.20	112.50	118.80	111.10	110.30
Manufacturing	108.4	108.4	108.98	191.2	185.1	191.8	185.5	190.2	188.9
Mining	147.5	147.5	147.59	101.1	87.4	83.1	94.5	75	72
Capacity Utilization (%)	60.00	59.88	60.30	60.50	59.5	54.90	53.70	52.70	50.70

#### 4.4 Petroleum Sector

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at an average of 1.54 million barrels per day (mbd) or 141.68 million barrels (mb) for the second quarter of 2016. This represented a decline of 0.37 mbd or 15.4 per cent, relative to 1.82 mbd or 165.62 million barrels produced in the first quarter of 2016.

Crude oil and natural gas production decreased in the second quarter of 2016.

Crude oil export stood at 1.09 mbd or 100.28 mb. This represented a decline of 20.4 per cent, compared with 1.37 mbd or 124.67 mb, recorded in the preceding quarter. Supply disruptions owing to continued attacks on oil installations by vandals accounted for the decline in crude oil production. Deliveries to the refineries for domestic consumption remained at 0.45 mbd or 41.40 million barrels during the review quarter.

Crude oil export decreased in Q2 2016.

At an estimated average of US\$46.44 per barrel, the price of Nigeria's reference crude, the Bonny Light (37° API), rose by 35.0 per cent, compared with the level in the preceding quarter. The average prices of other competing crudes, namely the the UK Brent at US\$45.29/b, WTI at US\$45.18/b and Forcados at US\$46.05/b exhibited similar trends as the Bonny Light.

Average crude oil prices, including Nigeria's Bony Light (37° API) rose in the international crude oil market in Q2 2016.

The average price of OPEC basket of eleven selected crude streams, at US\$42.38 per barrel, indicated an increase of 40.5 per cent, compared with the average of US\$30.16/b recorded in the preceding quarter. It, however, showed a decline of 28.5 per cent, compared with the average of US\$59.31/b recorded in the corresponding quarter of 2015 (Fig. 13, Table 12).

Figure 113: Trends in Crude Oil Prices

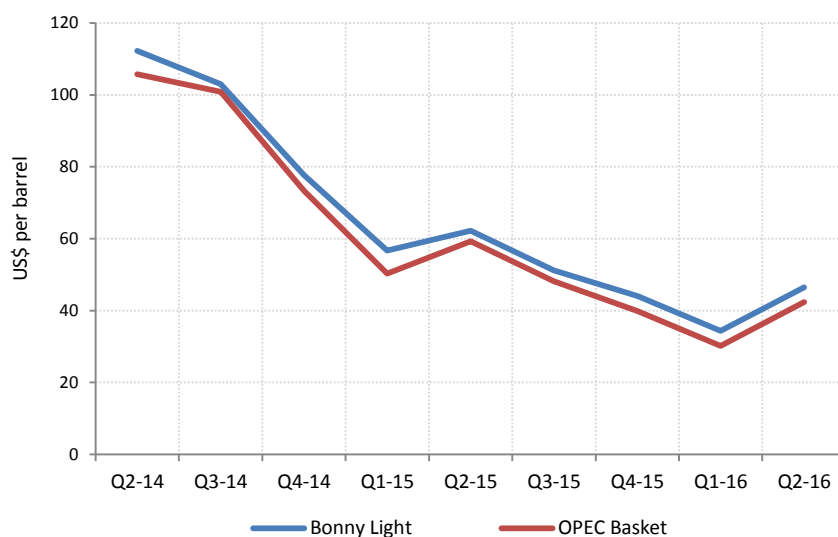


Table 12: Average Crude Oil Prices in the International Oil Market

	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
Bonny Light	112.23	103.04	77.74	56.73	62.22	51.15	44.08	34.39	46.44
OPEC Basket	105.74	100.86	73.36	50.3	59.31	48.14	39.9	30.16	42.38

## 4.5 Consumer Prices<sup>4</sup>

The all-items composite Consumer Price Index (CPI), at the end of the second quarter of 2016, was 201.7 (November 2009=100), representing an increase of 6.2 per cent and 16.5 per cent, compared with the levels in the preceding quarter and the corresponding quarter of 2015, respectively. The development was driven, largely, by the increases in the prices of food and non-alcoholic beverages; housing, water, electricity, gas and other fuel; clothing and footwear; transport; education; furnishing, household equipment and maintenance; and health.

<sup>4</sup> New CPI with November 2009 = 100 as base and new weight based on the 2003/2004 Nigeria Living Standard Survey (NLSS) was released by the National Bureau of Statistics (NBS) ON 18<sup>TH</sup> October 2010.

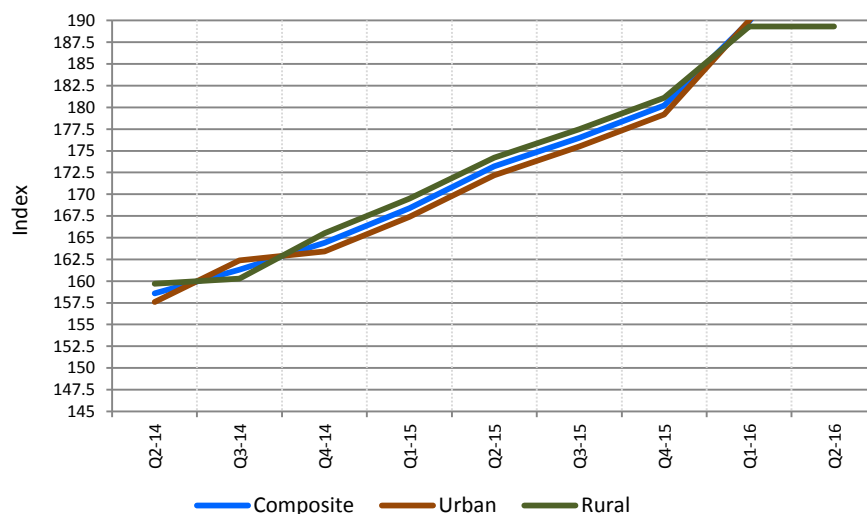
The general price level rose in Q<sub>2</sub>, compared with the level in the first quarter of 2016.



The urban all-items CPI at the end of the second quarter of 2016 was 203.36 (November 2009=100), indicating an increase of 7.1 and 18.1 per cent, above the levels in the preceding quarter and the corresponding period of 2015, respectively. Similarly, the rural all-items CPI, at 200.52 (November 2009=100), represented increase of 5.6 and 15.1 per cent above the levels in the preceding quarter and the corresponding period of 2015, respectively (Fig. 14, Table 13).

The composite food index (with a weight of 50.7 per cent) was 205.39 per cent, representing an increase of 5.4 per cent, compared with the 194.87 per cent at the end of the preceding quarter. The development was attributed to the increase in the prices of farm produce (vegetables, yam, potatoes, and other tubers, rice, millet, and fruits) and processed food.

**Figure 124: Consumer Price Index**



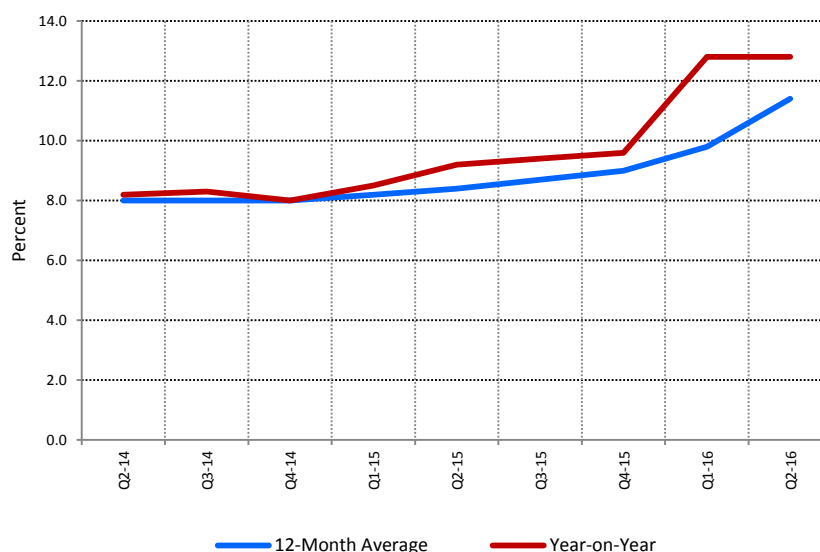
**Table 13: Consumer Price Index (November 2009=100)**

	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
Composite	158.6	161.3	164.4	168.4	173.2	176.5	180.2	189.9	201.7
Urban	157.6	162.4	163.4	167.4	172.2	175.5	179.2	190.0	203.4
Rural	159.7	160.3	165.5	169.5	174.2	177.5	181.11	189.9	200.5

The headline inflation (y-o-y) stood at 16.5 per cent in Q2 2016.

The inflation rate at the end of the review quarter, on a year-on-year basis, was 16.5 per cent, compared with 12.8 and 9.2 per cent in the preceding quarter and the corresponding period of 2015, respectively. On a twelve-month moving average basis, the inflation rate was 11.4 per cent, indicating a 1.6 percentage points increase, above the level recorded in the preceding quarter (Fig. 15, Table 14).

**Figure 15: Inflation Rate**



**Table 14: Headline Inflation Rate (%)**

	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
12-Month Moving Average	8.0	8.0	8.0	8.2	8.4	8.7	9.0	9.8	11.4
Year-on-Year	8.2	8.3	8.0	8.5	9.2	9.4	9.6	12.8	16.5

## 5.0 External Sector Developments

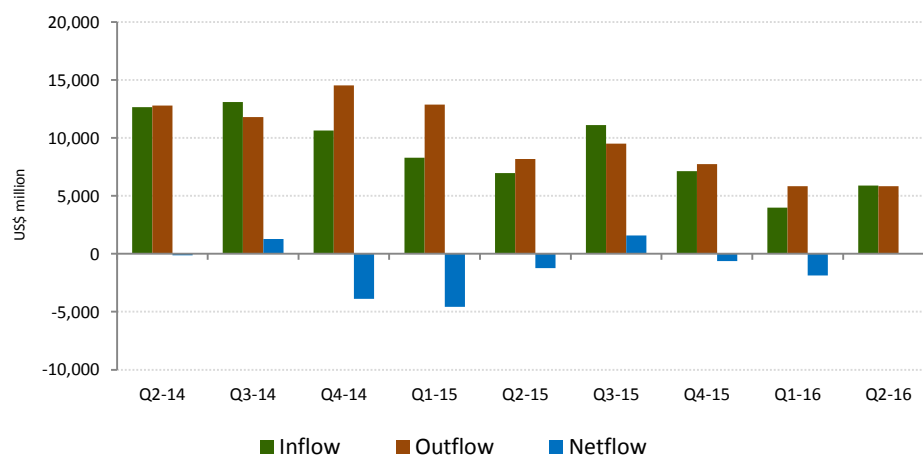
Provisional data showed that foreign exchange inflow and outflow through the CBN in the second quarter of 2016, rose by 49.3 per cent and 35.7 per cent, respectively, above the levels in the preceding quarter. Total non-oil export receipts declined by 43.2 per cent, relative to the level in the preceding quarter. The average exchange rate at the inter-bank segment was ₦209.13/US\$, compared with ₦197.00/US\$ at the end of the preceding quarter. At US\$27.22 billion, the gross external reserves fell by 1.2 per cent, compared with the level at the end of the preceding quarter.

### 5.1 Foreign Exchange Flows

Provisional data showed that foreign exchange inflow and outflow through the CBN in the second quarter of 2016 were US\$5.89 billion and US\$6.09 billion, respectively. This resulted in a net outflow of US\$0.20 billion, compared with the net outflow of US\$0.54 billion in the preceding quarter. Relative to the level at the end of the preceding quarter, inflow increased by 49.3 per cent, but was a decline of 15.6 per cent, compared with the level at the end of the corresponding period of 2015. The development, relative to the preceding quarter was due to the increase in both oil and non-oil receipts. Similarly, outflow rose by 35.7 per cent above the level in the preceding quarter, but was 25.7 per cent lower than the level at the end of the corresponding period of 2015. The development relative to the preceding quarter was driven mainly, by inter-bank sales, swaps and 3<sup>rd</sup> party MDA transfer (Fig.16, Table 15).

Foreign exchange inflow and outflow through the CBN rose by 49.3 and 35.7 per cent, respectively, and resulted in a net outflow of US\$0.20 billion in Q2 of 2016.

**Figure 16: Foreign Exchange Flows Through the CBN**



**Table 15: Foreign Exchange Flows Through the CBN (US\$ million)**

	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q1-16	Q2-16
Inflow	12,676.51	13,094.23	10,641.86	8,307.23	6,976.02	11,111.00	7,135.41	3,942.89	5,887.88
Outflow	12,806.25	11,804.98	14,527.35	12,875.77	8,194.56	9,523.32	7,757.49	4,487.05	6,087.87
Netflow	(129.74)	1,289.25	(3,885.49)	(4,568.54)	(1,218.54)	1,587.68	(622.08)	(544.16)	(199.99)

Autonomous inflow into the economy fell by 13.0 per cent in Q2 2016 .

Provisional data on aggregate foreign exchange inflow into the economy indicated that total inflow was US\$15.33 billion. This represented an increase of 3.7 per cent above the level at the end of the preceding quarter but, showed a decline of 35.3 per cent relative to the level at the end of the corresponding period of 2015. The development was driven by increase in oil and non-oil receipts. Oil sector receipts, which accounted for 20.5 per cent of the total, stood at US\$3.15 billion, compared with US\$2.48 billion and US\$3.65 billion, recorded in the first quarter of 2016 and the corresponding period of 2015, respectively.

Non-oil public sector inflow, at US\$2.74 billion (17.9 per cent of the total), rose by 87.7 per cent, above the level at the end of the preceding quarter. It, however, indicated a decline of 17.5 per cent from the level at the end of the corresponding period of 2015. Autonomous inflow, which accounted for 61.6 per cent of the total, fell by 13.0 per cent compared with the level in the preceding quarter of 2016.

At US\$6.60 billion, aggregate foreign exchange outflow from the economy rose by 29.4 per cent, above the level in the preceding quarter, but showed a decline of 19.5 per cent, from the level at the end of the corresponding period of 2015. The development, relative to the first quarter was attributed to the increase in outflow through the CBN. Thus, foreign exchange flows through the economy resulted in a net inflow of US\$8.73 billion in the review quarter, compared with US\$9.69 billion and US\$15.51 billion in the first quarter of 2016 and the corresponding period of 2015, respectively.

## 5.2 Non-Oil Export Earnings by Exporters

Provisional data showed that total non-oil export earnings, at US\$576.97 million, fell by 43.2 per cent, below the level in the preceding quarter. The development, relative to the

Total non-oil export earnings by exporters fell during the second quarter of 2016.

preceding quarter, was attributed, mainly, to the significant decline in receipts from manufactured and food products as well as minerals export. A breakdown by sectors showed that proceeds from the export of agricultural, minerals, industrial, manufactured products, food products and transport sectors stood at US\$196.87 million, US\$185.51 million, US\$84.34 million, US\$79.44 million, US\$30.68 million and US\$0.12 million respectively.

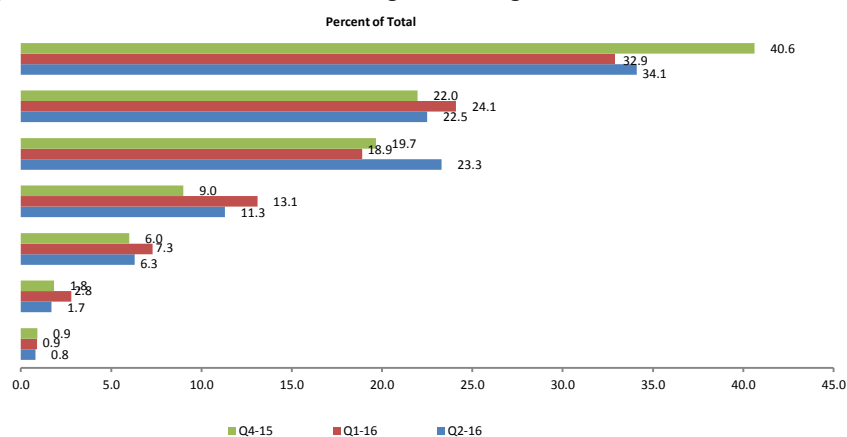
The percentage shares of agricultural, minerals, industrial, manufactured products, food products and transport sectors in the total non-oil export proceeds were 34.1 per cent, 32.2 per cent, 14.6 per cent, 13.8 per cent, 5.3 per cent and 0.02 per cent, respectively.

### 5.3 Sectoral Utilisation of Foreign Exchange

The invisible sector accounted for the bulk (34.1 per cent) of total foreign exchange disbursed in the second quarter of 2016, followed by the industrial sub-sector (22.5 per cent). The contributions of other sectors in a descending order included: minerals and oil sub-sector (23.3 per cent), manufactured products (11.3 per cent), food products (6.3 per cent), transport sector (1.7 per cent) and agricultural products (0.8 per cent) (Fig.17).

The invisible sector accounted for the bulk of the total foreign exchange disbursed during Q2 2016.

**Figure17: Sectoral Utilisation of Foreign Exchange**

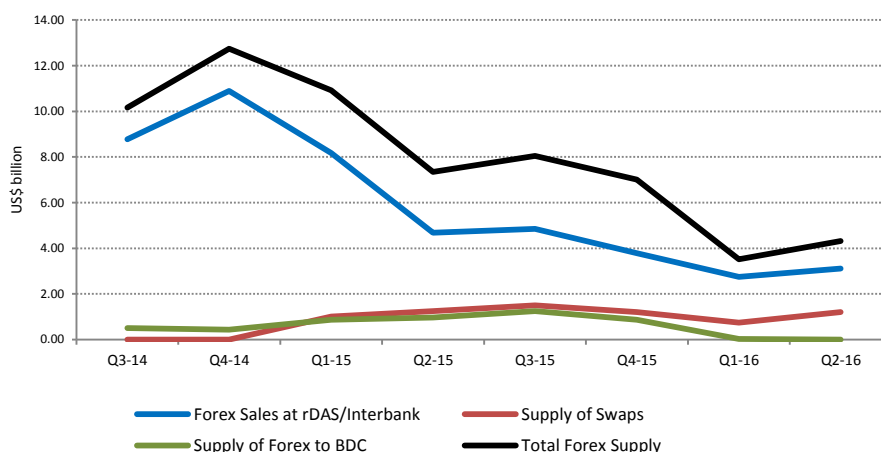


Supply for foreign exchange by authorized dealers rose during Q2 2016.

#### 5.4 Foreign Exchange Market Developments<sup>5</sup>

A total of US\$4.31 billion was sold by the CBN to authorized dealers during the second quarter of 2016. This reflected an increase of 22.7 per cent above the level in the preceding quarter, but a decline of 41.5 per cent relative to the level in the corresponding period of 2015. The development, relative to the preceding quarter, was attributed to the increased intervention by the CBN at the forex market and swap transactions. Of the aggregate, inter-bank and swaps sales were US\$3.11 billion and US\$1.20 billion, respectively (Fig. 18, Table 16).

**Figure 18: Supply of Foreign Exchange**



**Table 16: Demand for and Supply of Foreign Exchange (US\$ billion)**

	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
Forex Sales at rDAS/Interbank	10.89	8.17	4.68	4.85	3.78	2.75	3.11
Supply of Swaps	nil	1.00	1.25	1.50	1.20	0.74	1.20
Supply of Forex to BDC	0.43	0.86	0.97	1.24	0.87	0.02	0.00
Total Forex Supply(BDC and rDAS)	12.74	10.92	7.35	8.04	7.01	3.51	4.31

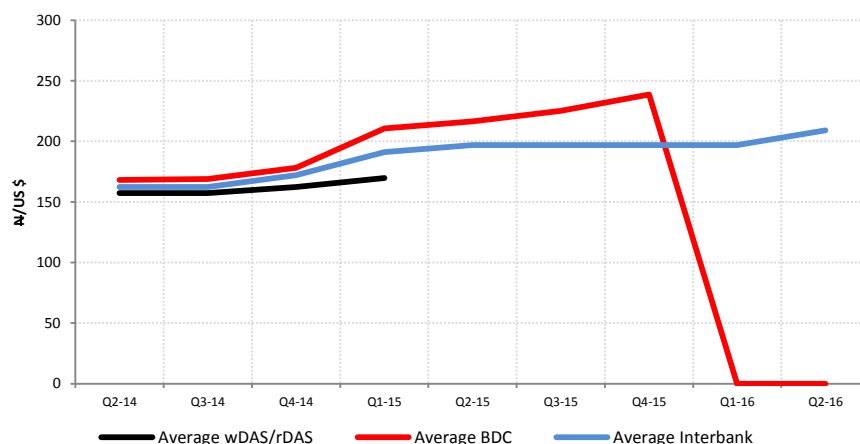
The average naira exchange rate vis-à-vis the US dollar was ₦209.13/US\$ at the interbank segment in Q2 2016.

The average exchange rate at the inter-bank segment was ₦209.13/US\$, compared with ₦197.00/US\$ in the first quarter of 2016 and indicated a depreciation of 6.2 per cent relative to the rate in the preceding quarter. At the BDC segment, the

<sup>5</sup> Market Closed (MC) - wDAS and rDAS window was closed in February 2015

average exchange rate was ₦351.82/US\$ at end-June 2016, resulting in a premium of 51.8 per cent relative to the inter-bank rate (Fig. 19, Table 17).

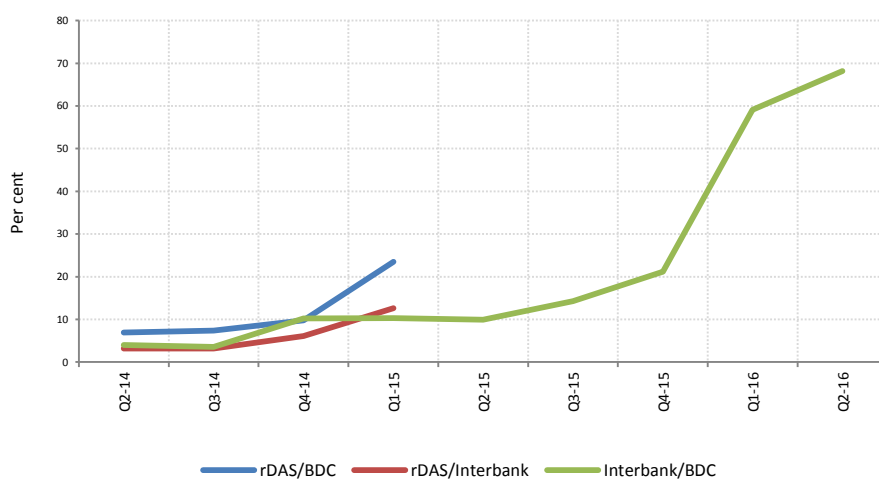
**Figure 19: Average Exchange Rate Movements**



**Table 17: Exchange Rate Movements and Exchange Rate Premium**

Average Exchange Rate (₦/US\$)	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
rDAS	157.29	157.29	162.33	169.68	N/A	N/A	N/A	N/A	N/A
BDC	168.08	168.90	178.24	210.69	216.41	225.21	238.69	313.49	351.82
Interbank	162.29	162.39	172.16	191.11	196.97	196.99	196.99	197.00	209.13
Premium (%)									
rDAS/BDC	6.9	7.4	9.8	23.5	N/A	N/A	N/A	N/A	N/A
rDAS/Interbank	3.2	3.2	6.1	12.6	N/A	N/A	N/A	N/A	N/A
BDC/Interbank	3.6	4.0	3.5	10.2	9.9	14.3	21.2	59.1	68.2

**Figure 20: Exchange Rate Premium**

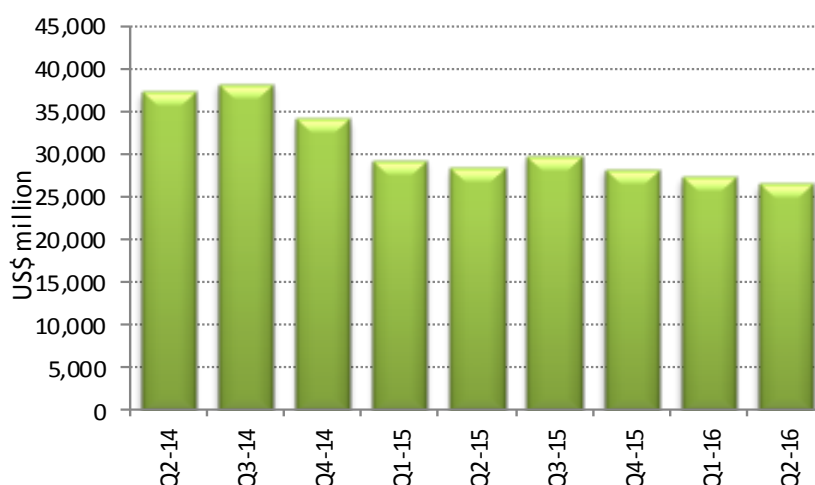


## 5.5 Gross Official External Reserves

Gross external reserves at the end of the second quarter of 2016 stood at US\$26.51 billion, showing a decline of 3.0 per cent and 6.5 per cent, compared with the levels in the preceding quarter and the corresponding period of 2015, respectively. The development, relative to the preceding quarter, was due to increased sales of foreign exchange at the interbank market and notional changes in the value of third currencies. A breakdown of the official external reserves showed that CBN reserves stood at US\$19.44 billion (73.3%), Federation reserves, US\$2.45 billion (9.3%), and the Federal Government reserves, US\$4.61 billion (17.4%), (Fig. 21, Table 18).

Gross external reserves declined during the second quarter of 2016.

**Figure 21: Gross Official External Reserves**



**Table 18: Gross Official External Reserves (US\$ million)**

	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
External Reserves	37,330.0	38,278.6	34,241.5	29,357.2	28,335.2	29,880.2	28,284.8	27,336.4	26,505.4



## 6.0 Global Economic Conditions

### 6.1 Global Output

Global growth remained modest and uneven. Economic activities continued to expand at a solid pace in advanced economies, while developments in emerging market economies remained weak and more diverse. Increased uncertainties in Chinese economy and persistent oil price decline led to renewed downward pressures on euro-area sovereign bond yields. Risks to the global outlook remained tilted to the downside due to ongoing adjustments in the global economy, general slowdown in emerging market economies, China's rebalancing, lower commodity prices and gradual exit by the US from extraordinarily accommodative monetary conditions. If these key challenges are not successfully managed, global growth could be derailed.

### 6.2 Global Inflation

The sharp decline in oil prices in 2015 continued to have a huge impact on global inflation. Consumer price inflation has been revised downwards across almost all advanced economies and the IMF projects that inflation will remain below central bank targets in 2016. In emerging market economies, the downward pressure from lower oil prices was offset by varying degrees of the pass-through of nominal exchange rate depreciations to domestic prices, especially in countries with strong depreciations, such as Brazil, Colombia, Russia, and Kazakhstan. Overall, global inflation is projected to remain subdued in the short-term but rise from the second half of 2016.

In the sub-Saharan Africa region, inflation increased from 11.6 per cent in April 2016 to 12.6 per cent in May 2016, based on preliminary estimates. Electricity and water scarcity across the region, coupled with depreciating currencies, has kept inflationary pressures elevated.

### 6.3 Global Commodity Demand and Prices

World crude oil demand was estimated at 93.25 mbd in the second quarter of 2016, representing a decline of 0.2 per cent compared with the 93.15 mbd recorded in the preceding quarter. World crude oil supply in the review quarter was estimated at 94.34 mbd, representing a decline of 0.6 per cent from the level in the preceding quarter.

The price of OPEC Reference Basket (ORB) averaged US\$42.38 per barrel in the second quarter of 2016, representing an increase of 40.5 per cent, compared with the level in the preceding quarter. The development was attributed to the decline in production in Canada, continuous decline in crude oil rig counts in the US, supply constraints in Nigeria due to pipeline sabotage and increased global demand.

#### **6.4 International Financial Markets**

Developments in the international stock markets were mixed during the review period. In Europe, the FTSE 100 and MICEX, indices increased by 5.3 and 1.1 per cent, respectively, while the CAC 40 and DAX declined by 3.4 and 2.9 per cent, respectively. In Asia, the India's BSE Sensex index increased by 6.5 per cent, while Japan's Nikkei 225 and China's Shanghai Stock Exchange-A indices fell by 7.1 and 2.5 per cent, respectively. In North America, the Canadian S&P/TSX Composite, United States S&P 500 and Mexican Bolsa indices increased by 4.2, 1.9 and 0.2 per cent, respectively.

In Africa, the Nigerian NSE All-Share index increased by 17.0 per cent, while the Kenyan Nairobi NSE 20, Egyptian EGX CASE 30, Ghanaian GSE ASI and South African JSE All-Share indices fell by 8.6, 7.7, 6.5 and 0.1 per cent, respectively.

#### **6.5 Other International Economic Developments and Meetings**

Other major international economic developments and meetings of importance to the domestic economy during the review period included:

The 2016 Spring Meetings of the Board of Governors of the World Bank Group (WBG), the International Monetary Fund (IMF) and the Inter-Governmental Group of Twenty-Four (G-24) on International Monetary Affairs and Developments held in Washington D. C., USA from April 11 – 18, 2016. The Ministers of the Inter-Governmental Group of 24, the International Monetary and Finance Committee (IMFC) and the Development Committee also held their respective meetings. The central message at the meetings was that the recovery of the global economy remained modest, with greater downside risks and need to manage policy space to achieve higher, more balanced and inclusive growth. The IMFC noted that the

IMF had a key role to play in supporting a stronger policy response by the membership especially with regard to policy advice and surveillance. The G-24 Ministers welcomed the entry into force of the 2010 Quota and Governance Reforms of the IMF that have made progress in shifting the distribution of quota shares to EMDCs, and noted that there was still a long way to go in this respect. The Development Committee observed that fragility and conflict had displaced millions of people, significantly impacting both origin and host countries.

The 2016 continental seminar of the Association of African Central Banks (AACB) was held in Cairo, Egypt, from May 9 - 11 2016 with the theme "Financial stability: New Challenges for Central Banks. Key recommendations included:

- The need for central banks and other regulatory authorities to strengthen prudential oversights and regulations within the financial system in line with emerging developments;
- Member central banks should harmonise regulatory and supervisory norms as well as accounting standards through convergence to internationally accepted standards and practices; and
- Clear specification of the authorities in charge of the financial stability function.

Finally, the 51<sup>st</sup> Annual Meetings of the African Development Bank (AfDB) and the 42<sup>nd</sup> Meetings of the Board of Governors of the African Development Fund (ADF) were held from May 23 – 27, 2016 in Lusaka, Zambia, with the theme: "Energy and Climate Change". After deliberations, the Governors endorsed the High 5 priorities and expressed satisfaction with the progress made towards operationalizing them.



## APPENDIX TABLES



Table A1: Money and Credit Aggregates

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
	₦ billion					
<b>Domestic Credit (Net)</b>	<b>20757.6</b>	<b>21409.8</b>	<b>21519.8</b>	<b>21612.5</b>	<b>22664.8</b>	<b>24318.1</b>
<i>Claims on Federal Government (Net)</i>	2178.4	2512.9	2787.6	2893.2	3782.6	2893.2
Central Bank (Net)	-1371.5	-769.5	-1042.2	-1653.1	-850.7	-1465.2
Banks	3453.5	3219.3	3829.8	4546.3	4633.3	4358.4
<i>Claims on Private Sector</i>	18579.2	18897.3	18732.2	18719.3	18882.2	21425.0
Central Bank	4849.2	5093.1	5275.2	5061.6	5166.7	5376.9
Banks	13631.1	13713.0	13456.9	13657.7	13715.6	16048.1
<i>Claims on Other Private Sector</i>	18012.4	18374.8	18142.3	18109.9	18044.3	20397.9
Central Bank	4825.6	5042.0	5082.3	5036.0	4996.7	5050.3
Banks	13087.9	13241.5	13059.9	13073.8	13047.6	15347.6
<i>Claims on State and Local Government</i>	543.2	471.4	397.0	583.8	668.0	700.5
Central Bank	--	--	--	--	--	--
DMBs	543.2	471.4	397.0	583.8	668.0	700.5
<i>Claims on Non-financial Public Enterprises</i>	--	--	--	--	--	--
Central Bank	--	--	--	--	--	--
DMBs	--	--	--	--	--	--
<b>Foreign Assets (Net)</b>	5985.6	5951.5	5083.1	5653.3	5551.7	7105.7
Central Bank	5354.7	5796.0	5242.6	5545.3	5178.2	6840.4
DMBs and Non Interest Banks	630.9	155.5	-159.5	108.0	373.5	265.2
<b>Other Assets (Net)</b>	<b>-7600.7</b>	<b>-8549.8</b>	<b>-7884.9</b>	<b>-7235.9</b>	<b>-7746.1</b>	<b>-9738.8</b>
<b>Total Monetary Assets (M2)</b>	<b>19142.5</b>	<b>18811.4</b>	<b>18718.0</b>	<b>20029.8</b>	<b>20470.4</b>	<b>21685.0</b>
<b>Quasi-Money 1/</b>	12269.0	11569.4	11569.4	11458.1	11429.6	12559.0
<b>Money Supply (M1)</b>	6542.4	7148.6	7148.6	8571.7	9040.8	9125.9
<i>Currency Outside Banks</i>	<b>1184.0</b>	<b>1219.0</b>	<b>1219.0</b>	<b>1456.1</b>	<b>1441.4</b>	<b>1379.2</b>
<i>Demand Deposits 2/</i>	5358.4	5929.6	5929.6	7115.6	7599.5	7746.7
<b>Total Monetary Liabilities (M2)</b>	<b>19142.5</b>	<b>18811.4</b>	<b>18718.0</b>	<b>20029.8</b>	<b>20470.4</b>	<b>21685.0</b>
<u>Memorandum Items:</u>						
Reserve Money (RM)	5930.9	5937.1	5945.8	5812.7	5760.4	5372.0
<i>Currency in Circulation (CIC)</i>	1798.0	1818.4	1562.6	1857.9	1811.1	1684.7
Banks' Deposit with CBN	4133.0	4118.7	4383.4	3954.8	3949.4	3687.3

1/ Quasi money consist of Time, Savings and Foreign Currency Deposit at Deposit Money Banks excluding Taking from Discount Houses.

2/ Demand Deposit consist of State, Local and Parastatals Deposits at CBN, State, Local Government and Private Sector Deposits as well as Demand Deposits of non-financial Public Enterprises at Deposit Money Banks.

Table A2: Money and Credit Aggregates (Growth Rates)

	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
<i>Percentage Change Over Preceding Quarter</i>						
<b>Domestic Credit (Net)</b>	7.7	3.75	0.51	0.43	4.87	7.29
Claims on Federal Government (Net)	89.41	-26.46	10.95	3.79	30.74	-23.51
Claims on Private Sector	2.51	1.33	-0.87	-0.07	0.87	13.47
Claims on Other Private Sector	2.6	1.63	-1.27	-0.18	-0.36	13.04
Claims on State and Local Government	1.28	-13.22	-15.79	47.06	14.41	4.87
Claims on Non-financial Public Enterprises						
<b>Foreign Assets (Net)</b>	-13.9	-12.3	-14.6	11.2	-1.8	28.0
<b>Other Assets (Net)</b>	2.91	-3.12	7.78	8.23	7.05	25.73
<b>Total Monetary Assets (M2)</b>	<b>1.2</b>	<b>-1.7</b>	<b>-0.5</b>	<b>7.0</b>	<b>2.2</b>	<b>5.9</b>
<b>Quasi-Money 1/</b>	1.17	1.0	-5.7	-1.0	-0.3	9.9
<b>Money Supply (M1)</b>	1.29	-6.32	9.27	19.91	5.47	0.94
Currency Outside Banks	2.35	-19.5	2.95	19.45	-1.01	-4.31
Demand Deposits 2/	1.02	-2.98	-10.66	20	6.8	1.94
<b>Total Monetary Liabilities (M2)</b>	<b>1.2</b>	<b>-1.7</b>	<b>-0.5</b>	<b>7.0</b>	<b>2.2</b>	<b>5.9</b>
<i>Memorandum Items:</i>						
Reserve Money (RM)	0.46	0.65	-2.65	0.42	-0.9	-6.74
Currency in Circulation (CIC)	1.14	-14.07	-14.07	13.46	-2.52	-6.98
DMBs Demand Deposit with CBN	22.73	7.21	-5.31	-4.72	-0.14	-6.64
<i>Percentage Change Over Preceding December</i>						
<b>Domestic Credit (Net)</b>	9.99	11.08	11.65	12.13	4.87	12.52
Claims on Federal Government (Net)	187.57	118.5	142.38	151.56	30.74	0.00003
Claims on Private Sector	2.56	4.3	3.36	3.29	0.87	14.45
Claims on Other Private Sector	2.6	4.6	3.31	3.12	-0.36	12.63
Claims on State and Local Governments	1.28	-12.11	-25.99	8.85	14.41	19.98
Claims on Non-financial Public Enterprises						
<b>Foreign Asset (Net)</b>	-15.7	-14.42	-26.91	-18.71	-1.8	25.69
<b>Other Asset (Net)</b>	-7.92	-16.9	-7.79	1.08	-7.05	-34.59
<b>Total Monetary Assets (M2)</b>	<b>1.13</b>	<b>-0.54</b>	<b>-1.03</b>	<b>5.90</b>	<b>2.20</b>	<b>8.26</b>
<b>Quasi-Money 1/</b>	1.17	2.2	-3.65	-4.58	-0.25	9.61
<b>Money Supply (M1)</b>	1.08	-5.3	3.53	24.14	5.47	6.47
Currency Outside Banks	2.35	-17.6	-15.2	1.3	-1.01	-5.28
Demand Deposits 2/	0.74	-2	8.45	30.15	6.8	8.87
<b>Total Monetary Liabilities (M2)</b>	<b>1.13</b>	<b>-0.54</b>	<b>-1.03</b>	<b>5.90</b>	<b>2.20</b>	<b>8.26</b>
<i>Memorandum Items:</i>						
Reserve Money (RM)	0.46	0.25	-2.41	-1.99	-0.9	-7.58
Currency in Circulation (CIC)	1.14	-13.11	-8.93	3.34		-9.32
DMBs Demand Deposit with CBN	25.74	6.06	0.43	0.43	-0.14	-6.76

1/ Quasi money consist of Time, Savings and Foreign Currency Deposit at Deposit Money Banks excluding Taking from Discount Houses.

2/ Demand Deposit consist of State, Local and Parastatals Deposits at CBN, State, Local Government and Private Sector Deposits as well as Demand Deposits of non-financial Public Enterprises at Deposit Money Banks.



Table A3: Federal Government Fiscal Operations (₦ billion)

	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
Retained Revenue	936.65	988.59	839.78	1027.04	538.60	1044.81	808.46	570.54	677.88
Federation Account	769.48	765.56	638.38	601.39	430.41	589.66	482.84	412.24	2267.13
VAT Pool Account	27.96	27.85	27.77	28.17	29.26	29.10	25.60	28.31	28.02
FGN Independent Revenue	12.88	133.33	62.44	280.26	10.31	17.53	61.98	40.31	100.92
Excess Crude	0.00	0.00	1.27	7.16	0.00	0.00	0.00	0.00	0.00
Others/SURE-P	126.33	96.31	109.91	83.93	83.93	408.51	247.97	65.46	203.11
Expenditure	949.02	1252.37	1163.98	1156.57	1042.03	1175.52	1544.29	1118.96	1768.85
Recurrent	816.06	904.71	869.65	1032.77	814.15	1013.07	945.03	988.37	1285.08
Capital	48.05	236.82	193.15	59.58	162.29	72.31	463.18	72.36	350.07
Transfers	84.91	110.84	101.18	64.22	48.11	90.15	136.08	58.23	133.69
Overall Balance: Surplus(+)/Deficit(-)	-12.37	-263.78	-324.20	-129.53	-503.43	-130.71	-735.83	-548.42	-1090.97

