



CENTRAL BANK OF NIGERIA

***ECONOMIC REPORT
MAY 2017***

The Central Bank of Nigeria 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 Summary¹

Despite the tight monetary policy stance, growth in the major monetary aggregates increased in May 2017, relative to the level at end-April 2017. On month-on-month basis, broad money supply (M_2), at ₦21,975.34 billion, rose by 1.2 per cent due, mainly, to the 17.5 per cent increase in net foreign assets of the banking system. Over the level at end-December 2016, however, M_2 fell by 6.0 per cent, reflecting the 7.4 per cent and 6.7 per cent decline in other assets (net) and net foreign assets of the banking system, respectively. Similarly, narrow money supply (M_1), rose by 4.4 per cent, on month-on-month basis, due to increase in its demand deposits component. Reserve money (RM), fell by 6.2 per cent to ₦5,499.2 billion at the end of the review month, reflecting the fall in both currency and bank reserves.

Banks' deposit rates generally trended downward, while lending rates rose in May 2017. With the exception of the 7-day deposit rate, which rose above the levels in April 2017, all other deposit rates of various maturity fell from a range of 8.48 per cent - 13.08 per cent in the preceding month to 7.53 per cent - 11.33 per cent in May 2017. The average savings and term deposit rates fell to 4.08 per cent and 8.65 per cent from 4.24 per cent and 9.10 per cent, respectively, in the preceding month. The average prime and maximum lending rates rose by 0.14 percentage point and 0.44 percentage point to 17.58 per cent and 30.75 per cent, respectively, at end-May 2017. Consequently, the spread between the average term deposit and the maximum lending rates widened by 0.89 percentage point to 22.10 percentage points at end-May 2017. Similarly, the spread between the average savings deposit and maximum lending rates, widened by 0.16 percentage point to 26.43 percentage points at the end of the review month.

The total value of money market assets outstanding at end-May 2017 stood at ₦11,540.84 billion, showing an increase of 1.6 per cent, as against the 3.3 per cent decline in the preceding month. The development was attributed to the 1.4 and 1.7 per cent increase in FGN Bonds and commercial paper outstanding, respectively.

Gross Federally-collected revenue (gross) in May 2017 was estimated at ₦458.42 billion. This was lower than the receipt in April 2017 by 13.4 per cent, reflecting decline in both oil and non-oil revenue components. Oil and non-oil receipts (gross), at ₦238.09 billion and ₦220.33 billion, respectively, constituted 51.9 per cent and 48.1 per cent of total revenue. Federal Government retained revenue and estimated expenditure for May 2017 were ₦185.58

¹ Data on monetary aggregates, government spending and foreign exchange flows are provisional and subject to changes

billion and ₦583.32 billion, respectively, resulting in an estimated deficit of ₦397.74 billion.

Agricultural activities in May 2017 were dominated by planting of crops, legumes and harvesting of vegetables. In the livestock sub-sector, farmers continued with the breeding of poultry and migration of cattle from the Northern states to the Southern states in search of greener pastures.

Domestic crude oil production was estimated at 1.63 mbd or 50.53 million barrels (mb) in May 2017. Crude oil export was estimated at 1.18 mbd or 36.58 mb in the review month. The average spot price of Nigeria's reference crude oil, the Bonny Light (37° API) fell to US\$51.20 per barrel in May 2017 from US\$52.89 per barrel recorded in April 2017, representing a decline of 3.20 per cent.

The end-period headline inflation (year-on-year), was 16.3 per cent in May 2017, compared with 17.2 per cent in April 2017. On twelve-month moving average basis, headline inflation was 17.6 per cent in May 2017.

Foreign exchange inflow and outflow through the CBN in May 2017 were US\$2.26 billion and US\$3.02 billion, respectively, and resulted in a net outflow of US\$0.76 billion. Aggregate foreign exchange flow through the economy, however, resulted in net inflow of US\$2.60 billion in the review month. Foreign exchange sales by the CBN to the authorised dealers amounted to US\$2.64 billion and represented a 70.8 per cent increase above the level in April 2017.

The average exchange rate of the naira at the inter-bank segment, at ₦305.54 per US dollar, appreciated by 0.2 per cent, compared with the level in the preceding month, but depreciated by 35.5 per cent, relative to the level in the corresponding period of 2016.

Other major international economic developments and meetings of importance to the domestic economy during the review month included: the 2017 Association of African Central Banks (AACB) continental Seminar held in Accra, Ghana from May 3-5, 2017 and the Mid-Year Statutory meeting of the Economic Community of West African states (ECOWAS) held at Monrovia, Liberia from May 25 – June 4, 2017.

2.0 *Financial Sector Developments*

2.1 **Monetary and Credit Developments**

Growth in broad money supply (M₂) rose in May 2017. Banks' deposit rates trended downward, while lending rates trended upward. The value of money market assets outstanding rose, owing, largely, to the increase in FGN Bonds and commercial paper, respectively. Activities on the Nigerian Stock Exchange (NSE) were bullish in the review month.

Growth in money supply accelerated on month-on-month basis in May 2017.

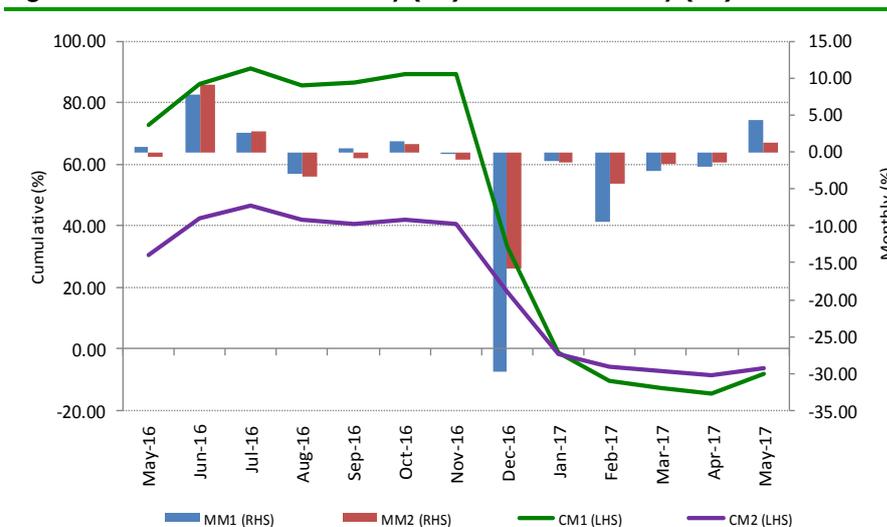
Monetary Policy remained restrictive during the review month with the monetary policy rate at 14.00 per cent. On month-on-month basis, net domestic credit and other assets (net) of the banking system fell by 2.5 and 2.4 per cent, respectively. Net foreign assets, however, grew significantly by 17.5 per cent, reflecting increase in foreign asset holdings by both banks and the monetary authority. Consequently, on month-on-month basis, broad money supply (M₂) rose by 1.2 per cent to ₦21,975.34 billion in the review period, compared with the growth of 1.6 per cent at the end of the corresponding period of 2016, but was in contrast to 1.4 per cent decline at the end of the preceding month. Similarly, narrow money supply (M₁) rose by 4.4 per cent to ₦10,184.90 billion, reflecting the 6.3 per cent increase in demand deposits, which more than offset the 5.4 per cent fall in its currency component (Figure 1, Table 1).

Over the level at end-December 2016, money supply (M₂) fell by 6.0 per cent in May 2017, compared with the decline of 7.2 per cent at end-April 2017, but was in contrast to the 5.0 per cent increase at the end of the corresponding period of 2016. The development reflected the 6.7 per cent and 7.4 per cent decline in foreign assets (net) and other assets (net) of the banking system, respectively. Similarly, narrow money supply (M₁) fell by 8.0 per cent, compared with the decline of 11.8 per cent at the end of the preceding month and reflected increase in its currency and demand deposit components.

Quasi-money fell by 1.4 per cent to ₦11,790.44 billion at end-May 2017, compared with the decline of 1.0 and 2.3 per cent at the end of the preceding month and the corresponding period of 2016, respectively. The development was due to the fall in time and savings deposit of banks. Over the level at end-December 2016, quasi money declined by 4.3 per cent, compared with the decline of 3.0 per cent and 1.1 per cent at the end of the preceding month and the corresponding

period of 2016, respectively.

Figure 1: Growth of Narrow Money (M₁) and Broad Money (M₂)²



Following the 12.3 per cent and 0.1 per cent decline in net claims on the Federal Government and claims on private sector, aggregate credit (net) of the banking system stood at ₦26,758.77 billion at end-May 2017. The development reflected a decline of 2.5 per cent below the level in April 2017, compared with the decline of 1.0 per cent at the end of the corresponding period of 2016. The development was in contrast to the 0.2 per cent increase at the end of the preceding month (Figure 2). Over the level at end-December 2016, net domestic credit rose by 0.4 per cent, compared with the respective growth of 3.0 per cent and 6.8 per cent at the end of the preceding month and the corresponding period of 2016. The development was due, wholly, to the 3.5 per cent increase in net claims on the Federal Government.

Banking system's holding of government securities fell in the review month. Consequently, net claims on the Federal Government, at ₦4,828.06 billion, on month-on-month basis, fell by 12.3 per cent at end-May 2017, in contrast to 4.5 per cent and 2.5 per cent increase at end-April 2017 and the corresponding period of 2016, respectively. Relative to the level at end-December 2016, net claims on the Federal Government rose by 3.5 per cent at the end of the review period, compared with the respective increase of 18.0 and 39.4 per cent at the end of the preceding period and the

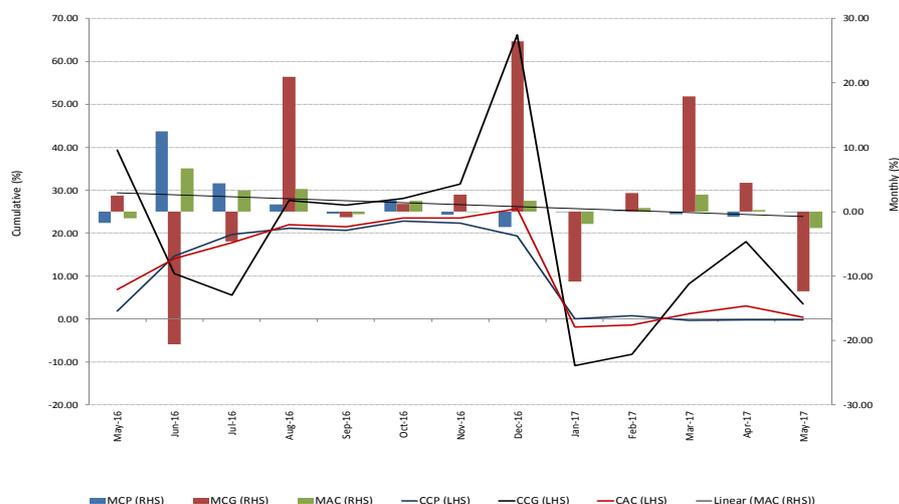
MM1 and MM2 represent month-on-month changes, while CM1 and CM2 represent cumulative changes (year-to-date).

corresponding period of 2016. The development was due to the rise in banking system's holding of government securities.

Relative to the preceding month, there was a concurrent decline of 0.4 and 26.2 per cent in claims on the core private sector and on Non-Financial Public Enterprise, respectively. Thus, credit to the private sector, on month-on-month basis, fell by 0.1 per cent to ₦21,930.71 billion, compared with the decline of 0.8 and 1.8 per cent at the end of the preceding month and the corresponding period of 2016, respectively.

Over the level at end-December 2016, banking system's credit to the private sector fell by 0.2 per cent, the same as at end-April 2017, but was in contrast to the 1.7 per cent increase at the end of the corresponding period of 2016. The development was due to the decline of 1.2 per cent in claims on the core private sector, which more than offset the increase of 20.5 per cent in the claim on State and local Governments (Table 1).

Figure 2: Growth Rate of Aggregate Domestic Credit to the Economy³



Foreign assets (net) of the banking system, at ₦8,540.1 billion, rose by 17.5 per cent at end-May 2017, in contrast to the 4.7 per cent decline at end-April 2017. The development was attributed to the 14.4 per cent increase in foreign asset holdings of the CBN. Over the level at end-December 2016, foreign assets (net) declined by 6.7 per cent at end-May

³ MCP, MCG and MAC represent month-on-month 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).

2017, compared with the decline of 20.6 per cent and 7.9 per cent at the end of the preceding month and the corresponding period of 2016, respectively. The development reflected decline in the foreign asset holdings of the CBN and DMBs.

Other assets (net) of the banking system, on month-on-month basis, fell by 2.4 per cent to negative ₦13,323.51 billion, at the end of May 2017, in contrast to the increase of 0.1 per cent at the end of the preceding month. The development relative to the level at end-April 2016 was attributed to the growth in unclassified assets of the Commercial and Non-interest banks in the review period. Over the level at end-December 2016, other assets (net) of the banking system fell by 7.4 per cent, compared with the decline of 4.8 per cent and 0.1 per cent at the end of the preceding month and the corresponding period of 2016, respectively.

Table 1: Growth in Monetary and Credit Aggregates (over preceding month - Percent)

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
Domestic Credit (Net)	-1.0	6.7	3.3	3.5	-0.4	1.7	0.0	1.7	-1.9	0.5	2.6	0.2	-2.5
<i>Claims on Federal Government (Net)</i>	2.5	-20.6	-4.6	21.0	-0.9	1.2	2.6	26.4	-10.9	2.9	17.9	4.5	-12.3
<i>Claims on Private Sector</i>	-1.7	12.5	4.4	1.1	-0.3	1.8	-0.4	-2.4	0.0	0.1	-0.4	0.8	-0.1
<i>Claims on Other Private Sector</i>	0.2	12.6	4.6	0.6	0.3	0.9	0.3	-1.1	-0.5	-1.8	-0.4	0.9	-0.4
Foreign Assets (Net)	3.2	36.5	6.4	-2.8	5.3	-1.6	4.9	11.2	8.3	-11.2	-11.4	-4.7	17.5
Other Assets (Net)	-4.0	-50.1	-14.5	-44.7	-10.2	-0.5	-11.6	-89.1	-4.5	-0.6	-0.5	0.1	-2.4
Broad Money Supply (M2)	-0.6	9.1	2.8	-3.2	-0.9	1.1	-1.1	-15.8	-1.5	-4.3	-1.5	-1.4	1.2
Quasi-Money	-2.3	10.8	3.1	-3.7	-2.7	0.6	-2.4	3.1	-1.7	0.3	-0.7	-1.0	-1.4
Narrow Money Supply (M1)	0.7	7.8	2.6	-2.9	0.6	1.4	0.0	-29.7	-1.2	-9.4	-2.5	-2.0	4.4
Reserve Money (RM)	-1.6	-2.3	-1.9	-1.0	-0.4	0.1	3.0	8.8	-3.4	-1.6	6.0	0.1	6.2

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

Currency-in-circulation, at ₦1,897.92 billion, fell by 3.9 per cent in the review month, compared with the 0.4 per cent decline at end-April 2017. This was due to the 5.4 per cent fall in its currency outside banks component.

Total deposits at the CBN declined by 1.2 per cent to ₦11,539.53 billion at end-May 2017, as a result of the fall in both Federal Government and banks' deposits, which more than offset the increase in private sector deposit with the CBN. Of the total deposits at CBN, the shares of the Federal Government, banks and the private sector were 47.7, 31.2 and 21.1 per cent, respectively.

Reserve money, on month-on-month basis, fell by 6.2 per cent to ₦5,499.24 billion at end-May 2017, reflecting a significant decline in net domestic assets. The corresponding decline in CBN's liability resulted from the fall in both currency-in-circulation and total bank reserves.

Reserve money (RM) fell in the review month.

2.3 Money Market Developments

Movements in domestic money market rates were influenced by liquidity condition in the market resulting from provisioning and settlement of foreign exchange purchases, auctioning of CBN bills, FGN Bonds and Nigerian Treasury Bills (NTBs). To meet its core objective of price stability, the CBN conducted Open Market Operations (OMO) auctions to mop up excess liquidity arising from maturing bills and fiscal injections. As at May 25, 2017, CBN bills worth ₦562.51 billion were issued at stop rates between 18.00 and 18.60 per cent, representing 115.2 per cent higher than the ₦261.37 billion sold at similar rates in the preceding month.

Provisional data indicated that total value of money market assets outstanding in May 2017 stood at ₦11,540.84 billion, showing an increase of 1.6 per cent, as against the 3.3 per cent decline in the preceding month. The development was attributed to the 1.4 and 1.7 per cent increase in FGN Bonds and commercial paper outstanding, respectively.

2.3.1 Interest Rate Developments

Banks' deposit rates generally trended downward, while lending rates trended upward in May 2017. The average savings and term deposit rates fell to 4.08 per cent and 8.65 per cent, respectively, from 4.24 per cent and 9.10 per cent, in the preceding month. With the exception of the 7-day deposit rate, which rose to 4.32 per cent in the review month, from 4.04 per cent in April 2017, all other deposit rates of various maturity fell from a range of 8.48 per cent – 13.08 per cent in the preceding month to 7.53 – 11.33 per cent in May 2017.

Available data indicated that banks' deposit rates trend downward, while lending rates rose in the review month.

The average prime and maximum lending rates rose by 0.14 percentage point and 0.44 percentage point to 17.58 per cent and 30.75 per cent, respectively, at end-May 2017. Consequently, the spread between the average term deposit and the maximum lending rates widened by 0.89 percentage point to 22.10 percentage points at end-May 2017. Similarly, the spread between the average savings

deposit and maximum lending rates, widened by 0.16 percentage point to 26.43 percentage points at the end of the review month.

At the inter-bank call segment, the weighted average rate, which stood at 64.58 per cent in April 2017, fell significantly by 43.29 percentage points to 21.29 per cent in the review month. Similarly, the weighted average rate at the open-buy-back (OBB) segment declined from 51.04 per cent in the preceding month to 39.29 per cent in the review month. The Nigerian inter-bank offered rate (NIBOR) for the 30-day tenor, also, fell to 30.48 per cent in the review period, below the 55.47 per cent recorded at end-April 2017. The development reflected the liquidity condition in the market. Consequently, with the headline inflation at 16.3 per cent at end-May 2017, all deposit rates were negative in real terms, while the prime and maximum lending rates were positive in real terms (Figure 3, Table 2).

Figure 3: Selected DMBs Interest Rates (Average)

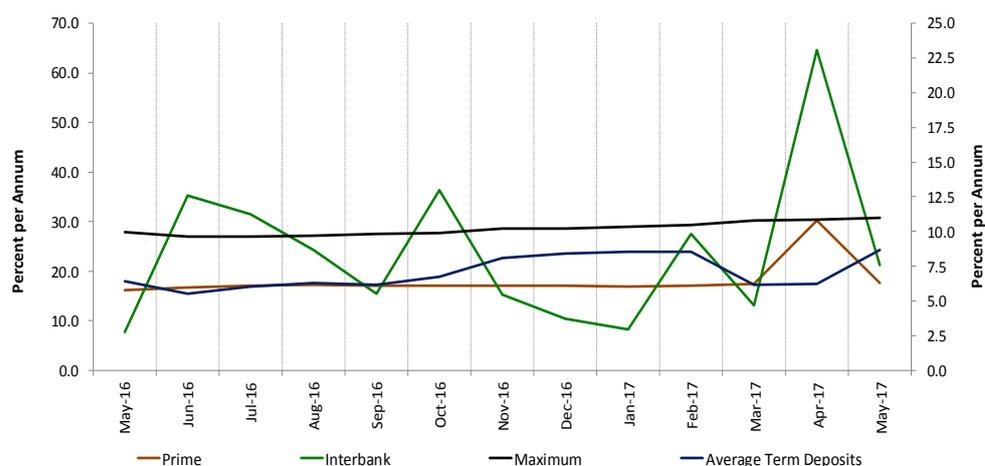


Table 2: Selected Interest Rates (Percent, Averages)

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
Average Term Deposits	6.38	5.53	6.03	6.3	6.15	6.75	8.12	8.39	8.51	8.51	5.54	9.1	8.65
Prime Lending	17.82	16.78	17.14	17.18	17.09	17.1	17.06	17.09	16.91	17.13	17.43	17.44	17.58
Interbank Call	7.67	35.26	31.51	24.25	14.5	36.42	15.21	10.39	8.15	27.46	13.11	64.58	21.29
Maximum Lending	27.93	26.93	27.06	27.21	27.49	27.69	28.53	28.55	28.88	29.26	30.18	30.31	30.75

2.3.2 Commercial Paper (CP)

Commercial Paper (CP) outstanding held by DMBs stood at ₦0.49 billion at end-May 2017, indicating a 1.7 per cent increase above the value of ₦0.48 billion at the end of the preceding month. The development reflected the increase in investment in CP by the merchant banks during the review month. Thus, CP constituted 0.0042 per cent of the total value of money market assets outstanding during the review period, same as in the preceding month.

2.3.3 Bankers' Acceptances (BAs)

Bankers' Acceptances (BAs) which stood at ₦24.7 billion fell by 12.87 per cent, compared with ₦28.39 billion at the end of the preceding month. The development was attributed to the decreased investment in BAs by commercial banks during the period. Consequently, BAs accounted for 0.21 per cent of the total value of money market assets outstanding at end-May 2017, compared with 0.25 per cent at the end of the preceding month.

2.3.4 Open Market Operations

The Bank intervened through Open Market Operations (OMO) towards the achievement of its monetary policy objectives. The tenors of the instruments (NTBs) ranged from 154 to 364 days. Total amount offered, subscribed to and allotted was ₦714.76 billion, ₦568.34 billion and ₦562.51 billion, respectively. The bid rates ranged from 18.00 per cent to 18.7000 per cent, while the stop rates ranged from 18.00 per cent to 18.60 per cent. Repayment and maturity of CBN bills was ₦447.91 billion, translating to a net withdrawal of ₦114.60 billion.

2.3.5 Primary Market

At the Government securities market, NTBs with tenors of 91-, 182- and 364-day tenors and long-term (FGN Bonds) were issued on behalf of the Debt Management Office (DMO). The amount of treasury bills offered was ₦261.56 billion, while ₦469.85 billion and ₦341.56 billion were subscribed and allotted, respectively, at the two auctions held in May 2017.

Total subscription and allotment were: ₦67.86 billion and ₦61.58 billion for 91-day tenor; ₦58.23 billion and ₦46.26 billion for 182-day tenor; and ₦343.76 billion and ₦233.72 billion for 364-day tenor. The stop rates ranged from: 13.50 per cent to 13.60 per cent for the 91-day tenor; 17.15 per cent to 17.260 per cent for the 182-day tenor; and 18.70 per cent to 18.82 per cent for the 364-day tenor. On all the

maturities, the stop rate ranged from 13.50 to 18.82 per cent. The bid-to-cover ratio was 1.29, while sales to non-competitive bidders amounted to ₦81.95 billion.

2.3.6 Bonds Market

In the review month, tranches of 5-, 10- and 20-year FGN Bonds were offered for sale during the review period. The term to maturity of the bonds ranged from 4 years 3 - months to 19 years 11 months. Total amount offered, subscribed to and allotted were ₦140.00 billion, ₦161.9 billion and ₦110.00 billion, respectively. There was no maturity and allotment on non-competitive basis in the period. The bid rate ranged from 15.75 to 18.56 per cent, while the marginal rates for the 5-, 10-, and 20-year bonds were 16.30 per cent, 16.30 per cent and 16.30 per cent, respectively. The bid-to-cover ratio was 1.97.

2.3.7 CBN Standing Facilities

Banks continued to access the Standing Facilities window to square-up their positions either by borrowing from the CBN or depositing the excess in their reserves at the end of each business day. The trend at the CBN standing facilities window showed more patronage at the standing lending facility (SLF) window, compared with the standing deposit facility window (SDF). The rates at the SLF and SDF remained at 16.00 and 9.00 per cent, respectively.

Total request for the standing lending facility granted during the reviewed month was ₦4,050.49 billion, compared with ₦5,338.17 billion in the preceding month. This was made up of ₦1,243.63 billion direct SLF and ₦2,806.86 billion intra-day lending facility (ILF) converted to overnight repo. Daily request ranged from ₦171.62 billion to ₦345.69 billion, resulting in daily average of ₦225.03 billion for the 18 transaction days. Total interest earned was ₦2.81 billion, compared with the total interest of ₦4.05 billion earned in the preceding month.

Total standing deposit facility granted during the review period was ₦467.33 billion with a daily average of ₦29.21 billion, compared with ₦369.45 billion in April 2017. The cost incurred on SDF was ₦0.16 billion in May 2017, compared with ₦0.12 billion in April 2017.

2.4 Deposit Money Banks' Activities

Total assets and liabilities of the commercial banks at end-May 2017 amounted to ₦32,907.64 billion, showing a 0.6 per cent increase, compared with the level at end-April 2017. Funds were sourced, mainly, from unclassified liabilities, claims on private sector and drawdown on reserves. The funds were used, mainly, for acquisition of unclassified and foreign assets, and redemption of time, savings and foreign currency deposits.

Banks' credit to the domestic economy, at ₦21,060.72 billion, fell by 1.1 per cent, compared with the level at end-April 2017. The development was attributed to the fall in claims on the Federal Government and the private sector, at the end of the review month.

Banks' credit to the domestic economy fell by 1.1 per cent.

Total specified liquid assets of commercial banks stood at ₦7,028.49 billion, representing 38.1 per cent of their total current liabilities. At that level, the liquidity ratio was 1.3 percentage points below the level at the end of the preceding month, but was 8.1 percentage points above the stipulated minimum ratio of 30.0 per cent. The loans-to-deposit ratio, at 80.4 per cent, was 0.09 percentage point below the level at end-April 2017, but 0.4 percentage point above the maximum ratio of 80.0 per cent.

2.5 Capital Market Developments

2.5.1 Secondary Market

Developments on the Nigerian Stock Exchange (NSE) were bullish in May 2017 as activities in the capital market continued to be influenced by the launch of the Economic Recovery and Growth Plan (ERGP). The Plan provided the much needed guidance for investment decisions by both domestic and international investors. In addition, the introduction and sustained implementation of policies and measures to ease the foreign exchange demand-supply bottlenecks provided assurances of a market determined price and encouraged investors to bring in funds. Hence, the recent rally in the Nigerian stock market, continued in May 2017.

Consequently, the volume and value of traded securities rose significantly by 131.1 per cent and 275.7 per cent to 9.73 billion shares and ₦102.8 billion in 93,899 deals, respectively, compared with 4.2 billion shares valued at ₦27.4 billion in 53,710 deals, recorded in April 2017. The financial services

sector (measured by volume) led the activity chart with 7.9 billion shares valued at ₦64.5 billion, traded in 56,771 deals at end-May 2017, compared with 3.2 billion shares valued at ₦15.5 billion, traded in 30,089 deals, in the preceding month. The Banking sub-sector was the most active in the review month.

Figure 4: Volume and Value of Traded Securities



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

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
Volume (Billion)	7.5	7.7	4.7	5.6	8.0	3.5	6.1	5.6	8.1	4.4	4.4	4.2	9.7
Value (N Billion)	48.8	77.9	42.9	58.8	47.4	30.1	33.1	47.7	47.7	37.2	37.3	27.9	102.8

2.5.2 Over-the-Counter (OTC) Bonds Market

There were no transactions in the OTC market in the review month.

2.5.3 New/Supplementary Issues Market

There were two (2) supplementary equity listings in May 2017 (Table 4).

Table 4: New & Supplementary Listing on the Nigerian Stock Exchange May 2017

S/N	Company	Additional Shares (Units)	Reasons	Listing
1	Portland Paints and Product Nigeria Plc	393,415,535 Ordinary Shares	Rights Issue	Supplementary
2	Lafarge Africa Plc	15,848,874 Ordinary Shares	Consideration of AshakaCem	Supplementary

2.5.4 *Market Capitalisation*

Improved investors' confidence impacted positively on the value of quoted stocks in May 2017. The development reflected the effect of higher investors' risk appetite for opportunities in the Nigeria capital market due to the relative certainty on the direction of general economic policy. As a result, the aggregate market capitalisation rose by 9.9 per cent to ₦17.8 trillion at end-May 2017, from ₦16.2 trillion at end-April 2017. Similarly, market capitalisation for the equities segment increased by 14.3 per cent to ₦10.2 trillion and constituted 57.4 per cent of the total at end-May 2017, compared with ₦8.9 trillion and 55.2 per cent in April, 2017 (Figure 5, Table 5).

2.5.5 *NSE All-Share Index*

Developments in the sectoral indices in May 2017 showed similar trend following the renewed interest by domestic and international investors. The All-Share Index, which opened at 25,758.51 in the beginning of the month, closed at 29,498.31 in May 2017, representing a 14.5 per cent increase above the level in the preceding month.

Similarly, with the exception of the NSE-AseM index which remain unchanged at 1,195.56 and the NSE-Oil and Gas index which fell by 2.5 per cent to 295.65 at end-May 2017, all other sectoral indices rose above their levels in the preceding month. The NSE-Banking, NSE-Pension, NSE-Premium and NSE-Consumer Goods rose significantly by 26.0 per cent, 20.9 per cent, 19.6 per cent and 19.1 per cent to 358.54, 1,022.09, 1,913.44 and 733.84, respectively, at end-May 2017. Other sectoral indices, including the NSE-Insurance and NSE-Industrial Goods indices rose by 11.9 per cent and 2.0 per cent to 138.63 and 1,741.28, respectively, at end-May 2017 (Fig.5, Table 4).

Figure 5: Market Capitalisation and All-Share Index



Table 5: Aggregate Market Capitalisation and All Share Index (NSE)

	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
Aggregate Market Capitalization (₦ trillion)	16.2	15.5	16.05	16.16	16.1	16.5	16.2	17.8
All-Share Index	27,220.09	25,241.63	26,874.62	26,036.24	25,329.10	25,516.34	25,758.51	29,498.31

3.0 Fiscal Operations⁴

Federally-collected revenue in May 2017 fell short of the monthly budget estimate and was lower than the receipts in April 2017 by 48.8 per cent and 13.4 per cent, respectively. Federal Government retained revenue for the review month was ₦185.58 billion, while total provisional expenditure was ₦583.32 billion, resulting in estimated deficit of ₦397.74 billion.

3.1 Federation Account Operations

Federally-collected revenue (gross) in May 2017 was estimated at ₦458.42 billion. This was below the monthly budget estimate of ₦894.76 billion by 48.8 per cent. It was also lower than the receipt in April 2017 by 13.4 per cent. The fall relative to the monthly budget estimate was attributed, largely, to the short fall in both oil and non-oil revenue components (Figure. 6, Table 6).

At ₦458.42 billion, the estimated federally-collected revenue (gross) in May 2017, fell short of the monthly budget estimate of ₦894.76 billion by 48.8 per cent.

Figure 6: Components of Gross Federally-Collected Revenue

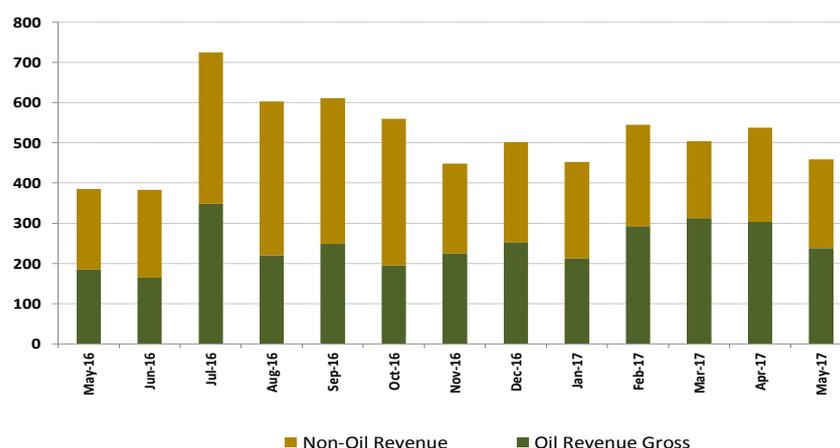


Table 6: Gross Federation Account Revenue (₦ billion)

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
Gross Revenue	368.2	405.8	783.7	503.1	561.8	484.4	448.4	501.7	452.9	545.1	504.0	529.1	458.4
Oil Revenue	185.8	164.8	348.1	220.5	249.0	194.7	225.2	253.2	212.3	292.8	312.3	303.4	238.1
Non-oil Revenue	182.5	241.0	435.6	282.6	312.8	289.7	223.2	248.5	240.5	252.2	191.7	225.7	220.3

⁴ Data on government (general, federal and state) revenue and expenditure are provisional and subject to changes

At ₦238.09 billion, oil receipts (gross) was lower than the monthly budget estimate by 47.0 per cent, and constituted 51.9 per cent of the total revenue.

Gross oil receipts, at ₦238.09 billion or 51.9 per cent of total revenue, was lower than the monthly budget estimate of ₦449.62 billion by 47.0 per cent. It was also below the April collection of ₦303.43 billion by 21.5 per cent. The decline in oil revenue relative to the monthly budget estimate was attributed to the short fall in revenue from crude-oil and gas exports and PPT/Royalties (Figure 7, Table 7).

Figure 7: Gross Oil Revenue and Its Components



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

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Monthly Budget
Oil Revenue	185.8	164.8	348.1	220.5	249.0	194.7	225.2	253.2	212.3	292.8	312.3	303.4	238.1	449.6
Crude oil/Gas Sales	57.1	28.5	42.2	33.1	30.9	22.8	19.2	32.0	34.5	33.7	33.1	49.2	13.9	140.3
Domestic crude oil/Gas sales	56.2	66.0	105.7	91.8	89.8	74.9	104.7	121.1	65.9	132.2	171.8	134.8	142.1	57.3
PPT/Royalties	65.7	63.5	191.4	79.9	121.0	85.5	94.6	93.1	104.8	120.1	100.5	112.7	81.5	167.1
Others	6.8	6.8	8.7	15.6	7.2	11.6	6.7	7.1	7.1	6.8	7.0	6.8	0.7	84.9

At ₦220.33 billion, non-oil receipts (gross) was lower than the monthly budget estimate by 50.5 per cent and constituted 48.1 per cent of the total revenue.

At ₦220.33 billion or 48.1 per cent of total revenue, non-oil revenue was below the monthly budget estimate of ₦445.14 billion by 50.5 per cent. It was also below the April collection of ₦225.71 by 2.4 per cent. The poor performance relative to the budget was due to the effect of the slowdown in general economic activities which impacted negatively on most of the components of the non-oil revenue (Fig. 8, Table 8).

Figure 8: Gross Non-Oil Revenue and its Components

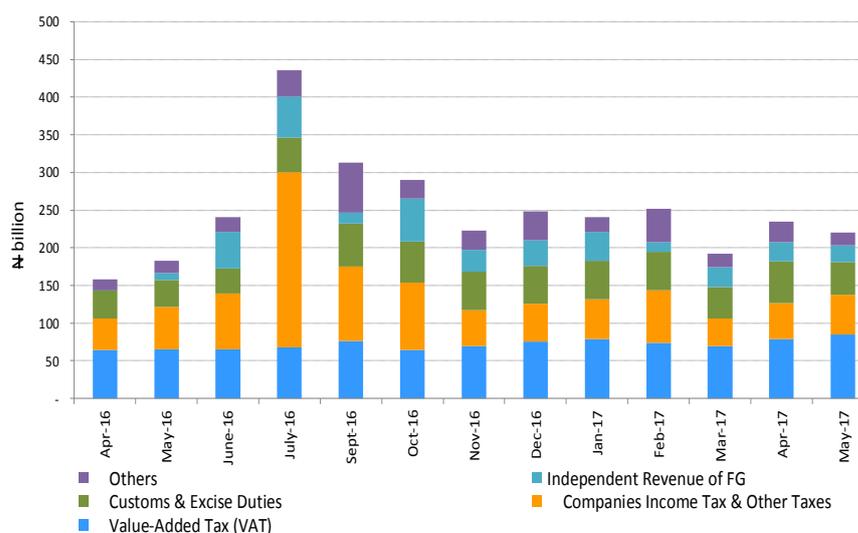


Table 8: Components of Gross Non-Oil Revenue (₦ billion)

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Monthly Budget
Non-Oil Revenue	182.5	241.0	435.6	282.6	312.8	289.7	223.2	248.5	240.5	252.2	191.7	225.7	220.3	445.1
Corporate Tax	55.9	73.9	232.9	122.2	98.7	89.6	47.2	50.0	52.1	70.2	36.6	48.2	52.9	145.2
Customs & Excise Duties	35.6	33.6	46.3	46.3	57.6	54.7	51.4	50.5	51.0	51.2	42.0	54.8	43.5	51.3
Value-Added Tax (VAT)	65.3	65.1	67.4	67.0	76.0	64.3	69.6	75.6	79.3	73.5	69.2	78.7	84.7	150.0
Independent Revenue of Fed. Govt.	10.0	48.5	54.1	5.6	14.7	56.8	28.9	33.5	38.6	12.5	26.6	25.9	21.7	67.3
Others 1/	15.7	19.9	35.0	41.6	65.9	24.3	26.1	38.9	19.6	44.7	17.3	18.1	17.6	31.4

1/ Includes Education Tax, Customs special levies (Federation and Non-Federation) & National Information Technology Development Fund (NITDF)

Of the total federally-collected revenue (net), ₦258.86 billion was retained in the Federation Account, while ₦81.29 billion, ₦21.68 billion and ₦17.56 billion were transferred to the VAT Pool Account, the Federal Government Independent revenue and "Others", respectively.

From the sum of ₦258.86 billion in the Federation Account for distribution, the Federal Government received ₦124.44 billion, while the State and Local Governments received ₦63.12 billion and ₦48.66 billion, respectively. The balance of ₦22.64 billion was shared among the oil producing States as 13% Derivation Fund.

In addition, the net balance of ₦81.29 billion retained in the VAT Pool Account was shared as follows: Federal Government, ₦12.19 billion; State Government, ₦40.64 billion; and Local Government, ₦28.45 billion.

Similarly, the sum of ₦20.42 billion was distributed from the Excess Crude Account. The Federal, State and Local Governments received ₦9.36 billion, ₦4.75 billion and ₦3.66 billion, respectively. The Oil producing states received an additional ₦2.66 billion as 13% Derivation Fund.

Furthermore, the sum of ₦38.52 billion was also shared as Exchange Gain in the order: Federal Government, ₦17.90 billion; State Governments, ₦9.08 billion; Local Governments, ₦7.00 billion and 13% Derivation Fund, ₦4.54 billion.

Overall, the total allocations to the three tiers of government in May 2017 amounted to ₦399.09 billion. This was below the monthly budget estimate of ₦783.57 billion by 49.1 per cent. It also fell below the April 2017 total share by 12.3 per cent.

3.2 The Fiscal Operations of the Three Tiers of Government

3.2.1 The Federal Government

At ₦185.58 billion, the estimated Federal Government retained revenue was below the monthly budget estimate by 58.7 per cent.

The estimated Federal Government retained revenue for the month of May 2017, at ₦185.58 billion, was below the monthly budget estimate of ₦449.60 billion by 58.7 per cent. It was also lower than the preceding month's receipt of ₦221.48 by 16.2 per cent. Of the total receipt, Federation Account accounted for 67.0 per cent, while FGN Independent Revenue, Others/Exchange Gain/NNPC Fund, VAT and Excess Crude recorded 11.7, 9.6, 6.6 and 5.1 per cent, respectively (Fig. 9, Table 9).

Figure 9: Federal Government Retained Revenue

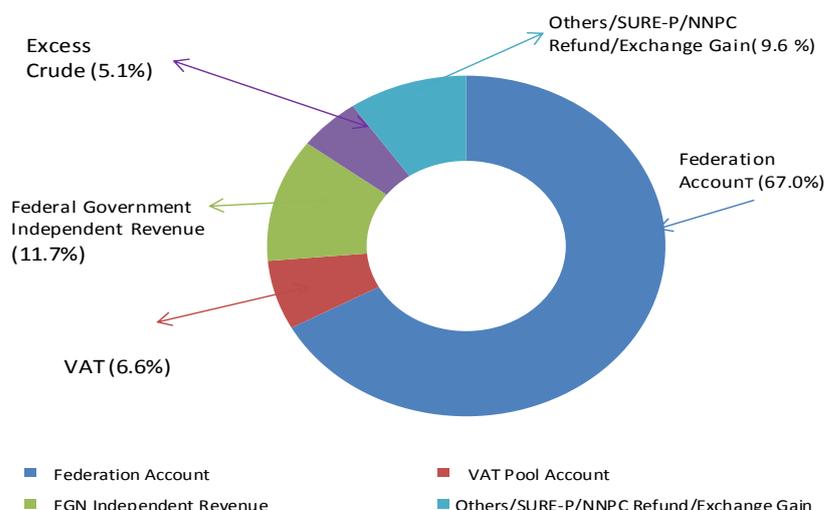


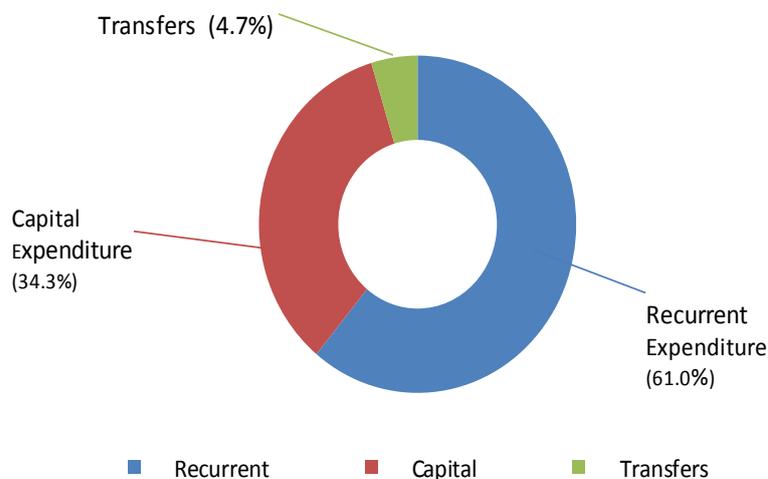
Table 9: Federal Government Fiscal Operations (₦ billion)

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Monthly Budget
Retained Revenue	138.6	249.0	363.1	354.8	282.1	253.3	283.3	440.8	206.6	194.4	207.1	221.5	185.6	449.6
Expenditure	318.3	359.3	517.8	407.9	375.4	413.1	421.5	823.7	507.2	560.7	626.0	566.1	583.3	646.0
Overall Balance: (+)/(-)	-179.6	-110.4	-154.7	-53.1	-93.3	-159.8	-138.2	-382.8	-300.7	-366.3	-418.8	-344.6	-397.7	-196.4

The estimated total expenditure of the Federal Government, at ₦583.32 billion, fell short of the 2017 provisional monthly budget estimate by 9.7 per cent. It, however, rose above the level in April 2017 by 3.0 per cent. Recurrent and capital expenditure accounted for 61.0 per cent and 34.3 per cent, respectively, while transfers accounted for the balance of 4.7 per cent of the total expenditure. A breakdown of the recurrent expenditure showed that non-debt obligation was 76.8 per cent of the total, while debt service payments accounted for the balance of 23.2 per cent (Figure 10).

Total estimated Federal Government expenditure, rose by 3.0 per cent, compared with the level in the preceding month.

Figure 10: Federal Government Expenditure



The fiscal operations of the FG resulted in an estimated deficit of ₦397.74 billion.

Overall, the fiscal operations of the Federal Government resulted in an estimated deficit of ₦397.74 billion, compared with the 2017 provisional monthly budget deficit of ₦196.40 billion.

3.2.2 Statutory Allocations to State Governments

Total estimated statutory allocations to the State Governments amounted to ₦147.42 billion. This was lower than the monthly budget estimate of ₦282.84 billion by 47.9 per cent. It was also below the April allocations of ₦163.74 billion by 10.0 per cent.

Receipt from the Federation Account amounted to ₦106.78 billion or 72.4 per cent of the total statutory allocations. This was below the monthly budget estimate of ₦210.84 billion by 49.4 per cent. It also fell short of the receipt in April by 15.2 per cent. At ₦40.64 billion or 27.6 per cent of the total, allocation to the VAT Pool Account fell short of the monthly budget estimate of ₦72.00 billion by 43.6 per cent. It, however, increased relative to the level in April by 7.7 per cent.

3.2.3 Statutory Allocations to Local Government Councils

Total allocations to Local Governments from the Federation and VAT Pool Accounts in the month of May stood at ₦87.77 billion. This was below the monthly budget estimate of ₦170.92 billion by 48.6 per cent. It also fell below the preceding month's receipt by 8.6 per cent.

Allocation from the Federation Account was ₦59.32 billion or 67.6 per cent of the total, while the share from the VAT Pool Account was ₦28.45 billion or 32.4 per cent of the total (Table 10).

Table 10: Statutory Allocation to State Governments and Local Government Councils (₦ Billion)

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Monthly Budget
SG Federation Account	67.9	74.8	142.4	113.6	137.6	112.0	115.2	100.7	103.1	112.5	119.1	126.0	106.8	210.8
SG VAT	31.3	31.3	32.4	32.2	36.5	30.8	33.4	36.3	38.1	35.3	33.2	37.8	40.6	72.0
SG Total	99.3	106.1	174.7	145.8	174.0	142.9	148.6	136.9	141.1	147.8	152.3	163.7	147.4	282.8
LG Federation Account	40.0	44.6	93.7	70.7	80.2	66.1	64.2	57.2	58.8	64.5	64.2	69.6	59.3	120.5
LG VAT	21.9	21.9	22.6	22.5	25.5	21.6	23.4	25.4	26.6	24.7	23.3	26.4	28.5	50.4
LG Total	62.0	66.5	116.3	93.2	105.8	87.6	87.6	82.6	85.4	89.2	87.5	96.0	87.8	170.9
Total Statutory Revenue and VAT	161.2	172.6	291.0	239.0	279.8	230.5	236.2	219.6	226.5	237.0	239.8	259.7	235.2	453.8

4.0 Domestic Economic Conditions

Agricultural activity across the country received a boost in May 2017 as a result of the prevalent rainfall in the review period. In the livestock sub-sector, farmers continued with the breeding of poultry and migration of cattle from the northern states to the Southern states in search of greener pastures. Average crude oil production was estimated at 1.63 mbd or 50.53 million barrels (mb), during the review month. The end-period inflation, on a year-on-year, and 12-month moving average basis were 16.3 per cent and 17.6 per cent, respectively, in the review month.

4.1 Agricultural Sector

Agricultural activities received a boost across the country in May 2017 as a result of the prevalent rainfall in the review period. Activities in the Southern states were dominated by planting of crops, while the major activities in the Northern states were early planting of legumes and harvesting of vegetables. In the livestock sub-sector, farmers continued with the breeding of poultry and migration of cattle from the Northern states to the Southern states in search of greener pastures.

To revive the collapsing Cotton, Textile and Garment (CTG) Sector, the Raw Material Research and Development Council (RMRDC) provided four (4) metric tonnes of improved cotton seeds to the National Cotton Association of Nigeria (NACOTAN). Similarly, the Sugar Industry received a boost with the investment of ₦220 billion by the Dangote Group for the establishment of two (2) sugar refineries in Nasarawa State.

A total of ₦424.6 million was guaranteed to 4,029 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in May 2017. The amount represented a decline of 9.6 and 24.4 per cent below the levels in the preceding month and the corresponding period of 2016, respectively. Sub-sectoral analysis showed that the food crops received the largest share of ₦226.1 million (53.3 per cent) guaranteed to 2,699 beneficiaries, livestock got ₦62.2 million (14.7 per cent) guaranteed to 282 beneficiaries, while cash crops sub-sector received ₦44.4 million (10.5 per cent) guaranteed to 221 beneficiaries. The mixed crops received ₦42.2 million (9.9 per cent) guaranteed to 597 beneficiaries while ₦38.3 million (9.0 per cent) was guaranteed to 137 beneficiaries, in the fisheries subsector, 'others' had ₦11.2 million (2.6 per cent) guaranteed to 93 beneficiaries.

Analysis by state showed that 27 states (including Abuja) benefited from the Scheme during the review month with the highest and lowest sums of ₦60.7 million (14.3 per cent) and ₦9.5 million (0.2 per cent) guaranteed to Ogun and Bayelsa states, respectively.

As at May 22, 2017, the total amount released since inception by the CBN under the Commercial Agriculture Credit Scheme (CACs) to participating banks for disbursement, amounted to ₦467.7 billion in respect of 509 projects (Table 11).

Table 11: Disbursement of Credit under the Commercial Agriculture Credit Scheme (CACs) May 2017.

S/N	Participating Banks	Amount Disbursed (₦ billion)	Number of Projects/State Governments
1	UBA Plc	65.56	44
1	Zenith Bank	98.86	64
3	First Bank of Nigeria Plc	42.89	98
4	Unity Bank Plc	24.33	26
5	Union Bank Plc	24.24	34
6	Stanbic IBTC Plc	25.41	43
7	Sterling Bank	58.68	36
8	Access Bank Plc	25.63	23
9	Fidelity Bank Plc	16.32	15
10	Skye Bank Plc	13.77	10
11	FCMB Plc.	11.37	22
12	Ecobank	6.38	10
13	GTBank	31.70	24
14	Diamond Bank Plc	4.73	20
15	Heritage Bank	6.82	14
16	Citibank Plc	3.00	2
17	Keystone Bank	4.05	9
18	WEMA Bank Plc	2.12	12
19	Jaiz Bank Plc	0.00	1
20	Suntrust BanK Ltd	1.85	2
	TOTAL	467.70	509

4.2 Petroleum Sector

Sustained breather in the sabotage of crude oil installations by the militants in the Niger Delta eased upstream production conditions and led to increased crude oil production in May 2017. Consequently, Nigeria's crude oil production, including condensates and natural gas liquids averaged 1.63 mbd or 50.53 million barrels (mb) in the review month. This represented an increase of 0.13 mbd or 8.67 per cent above the 1.50 mbd or 45.00 mb recorded in April 2017.

Domestic crude oil and natural gas production was estimated at an average of 1.63 million barrels per day.

Crude oil export stood at 1.18 mbd or 36.58 mb, represented 12.4 per cent increase, compared with 1.05 mbd or 31.50 mb recorded in the preceding month. Allocation of crude oil for domestic consumption remained at 0.45 mbd or 13.95 mb during the review period.

The uncertainty in the international crude oil market continued into the review month despite ongoing production cut agreement among Organisation for Petroleum Exporting Countries (OPEC) members and selected non-members. Consequently, the average spot price of Nigeria's reference crude oil, the Bonny Light (37° API), fell to US\$51.20 per barrel in May 2017 from US\$52.89 per barrel recorded in April 2017, representing a decline of 3.2 per cent. The UK Brent at US\$49.81/b, the Forcados at US\$50.49/b and the WTI at US\$47.95/b exhibited similar trends as the Bonny Light. The price decline experienced in the month was attributed, largely, to fears of persistent oversupply and renewed glut of refined fuels. Moreover, delayed re-balancing of the market was expected to linger following rising rig-count in the US and increased productions in Nigeria and Libya who were exempted from the OPEC agreement for now.

The average price of OPEC basket of thirteen selected crude streams stood at US\$49.20/b in May 2017. This represented a decline of 4.2 per cent, compared with the average price of US\$51.36/b recorded in the preceding month. It, however, showed a 13.8 per cent increase, relative to the level at the end of the corresponding period of 2016 (Figure 11, Table 12).

Figure 11: Trends in Crude Oil Prices

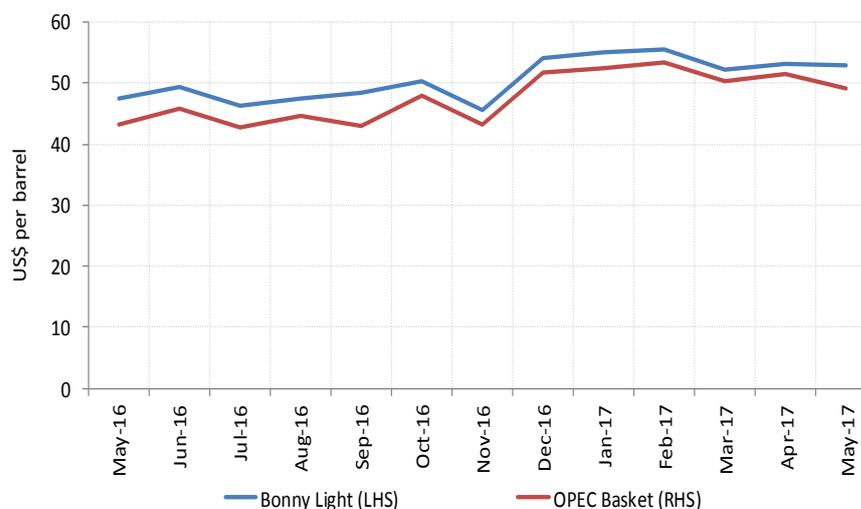


Table 12: Average Crude Oil Prices in the International Oil Market

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
Bonny Light	47.6	49.3	46.3	47.5	48.3	50.4	45.5	54.1	55.1	55.5	52.2	53.1	52.9
OPEC Basket	43.2	45.8	42.7	44.6	42.9	47.9	43.2	51.7	52.4	53.4	50.3	51.4	49.2

4.3 Consumer Prices

The general price level rose in May 2017, compared with the level in the preceding month.

Positive expectations that the Nigerian economy may be exiting recession by the third quarter of 2017 was sustained in the review month. Much of the prospects were hinged on expected fiscal stimulus from the implementation of the Economic Recovery and Growth Plan (ERGP), the signing of the 2017 Appropriation Act into law, retention of the exemption from production cuts by OPEC and sustained increase in revenue from crude oil sales as well as passage of the Petroleum Industry Governance Bill by the National Assembly. Also critical to the positive outlook were the market stability expectations arising from the retention of key policy rates by the Monetary Policy Committee and intervention in the foreign exchange market by the CBN to improve supply of foreign currencies.

Consequently, the all-items composite Consumer Price Index (CPI) was 230.5 (November 2009=100) in May 2017, representing 1.9 per cent and 16.2 per cent increase over the levels in April 2017 and the corresponding period of 2016, respectively. The development reflected, mainly, the increase in the prices of solid and liquid fuel; clothing and its accessories; bread and cereals; and meat and fish.

The urban all-items CPI at end-May 2017, was 232.5 (November 2009=100), representing increase of 1.8 per cent and 16.4 per cent, relative to the levels in April 2017 and the corresponding period of 2016, respectively. The rural all-items CPI at end-May 2017 was 229.0 (November 2009=100), representing increase of 1.9 and 16.0 per cent, compared with the levels in April 2017 and the corresponding period of 2016, respectively (Figure 12, Table 13).

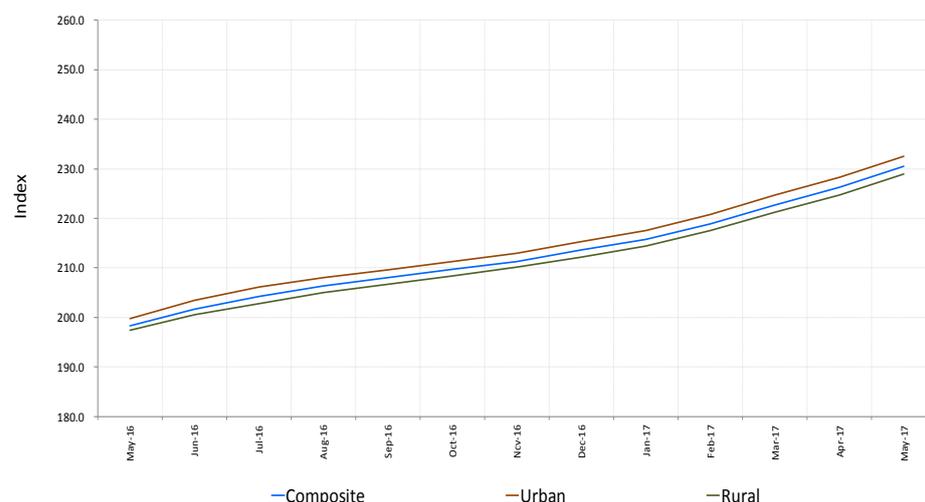
The composite food index (with a weight of 50.7 per cent) for May 2017 was 241.5 per cent, compared with 235.5 per cent and 197.4 per cent recorded in the preceding and the corresponding months of 2016, respectively. This represented increase of 2.5 per cent and 22.3 per cent over the levels in

April 2017 and the corresponding period of 2016, respectively. The rise in the index was driven, mainly, by increase in prices of bread, cereals, meat, fish, potatoes, yams and other tubers, coffee, tea and cocoa, milk cheese and eggs and oils and fats.

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

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
Composite	198.3	201.7	204.2	206.3	208.0	209.7	211.3	213.6	215.7	218.9	222.7	226.3	230.5
Urban	199.8	203.4	206.1	208.0	209.6	211.3	213.0	215.3	217.5	220.8	224.7	228.3	232.5
Rural	197.4	200.5	202.8	205.0	206.7	208.4	210.1	212.2	214.4	217.5	221.2	224.7	229.0
CPI - Food	202.5	205.4	207.9	210.3	212.0	213.8	215.7	218.6	221.4	225.8	230.8	235.5	241.5
CPI - Non Food	194.7	198.3	200.7	202.4	204.3	205.9	207.3	208.6	210.0	212.3	215.1	217.5	220.0

Figure.12: Consumer Price Index



CBN's continued interventions and other measures to improve foreign exchange supply and reduce demand-supply bottlenecks have moderated exchange rate volatility. The development has also reduced pass-through to domestic prices and contributed to the easing of headline inflationary pressures in May 2017. Consequently, headline inflation declined to 16.3 per cent from 17.2 per cent in April 2017, due, mainly, to some easing in already high food and non-food prices. The Twelve-Month Moving Average (12MMA) inflation for May 2017 remain unchanged at 17.6 per cent, same as in the previous month, but was a 7.4 percentage points increase over the level of 10.2 per cent recorded in the corresponding period of 2016 (Figure 13, Table 14).

The year-on-year headline inflation was 16.3 per cent in May 2017.

Figure 13: Inflation Rate

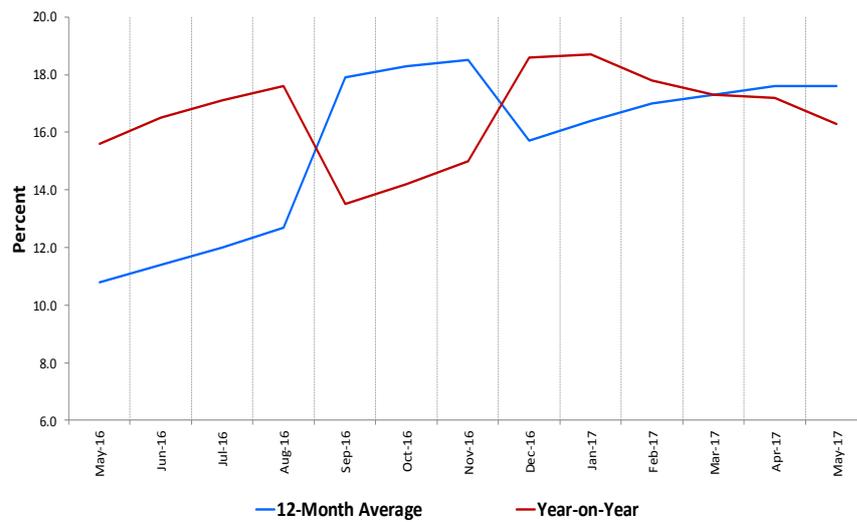


Table 14: Headline Inflation Rate (%)

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
12-Month Average	10.8	11.4	12.0	12.7	13.5	14.2	15.0	15.7	16.4	17.0	17.3	17.6	17.6
Year-on-Year	15.6	16.5	17.1	17.6	17.9	18.3	18.5	18.6	18.7	17.8	17.3	17.2	16.3

5.0 External Sector Developments⁵

On month-on-month basis, foreign exchange inflow through the CBN fell by 21.4 per cent, while outflow rose by 39.6 per cent. Total non-oil export receipts by banks declined by 7.8 per cent below the level in the preceding month. The average exchange rate of the naira at the inter-bank segment was ₦305.54 per US dollar, indicating an appreciation of 0.2 per cent, relative to the level in April 2017. The gross external reserves declined by 2.4 per cent, compared with the preceding month's level.

5.1 Foreign Exchange Flows

The external sector weakened in May 2017 due to the decline in crude oil prices from an average of US\$52.90 per barrel in April 2017 to US\$51.04 per barrel. Increased shale oil production in the United States and supply by non-members of the Organisation of Petroleum Exporting Countries (OPEC) both contributed to the fall in crude oil prices. Consequently, foreign exchange inflow through the CBN, at US\$2.26 billion, declined by 21.4 per cent below the level in the preceding month, but was 27.0 per cent above the level in the corresponding period of 2016. The decline relative to the level in the preceding month was driven by fall in both oil and non-oil proceeds.

Aggregate outflow of foreign exchange through the Bank at US\$3.02 billion, increased by 39.6 and 78.7 per cent above US\$2.16 billion and US\$1.69 billion in the preceding month and the corresponding period of 2016, respectively. The development was driven by outflow through foreign exchange special payment, drawings on letters of credit, inter-bank utilization and external debt service. Overall, the net outflow through the Bank in the month of May 2017 was US\$0.76 billion, in contrast to a net inflow of US\$0.71 billion and US\$0.09 billion recorded in the preceding month and the corresponding period of 2016, respectively (Fig. 14, Table 15).

Foreign exchange inflow through the CBN fell by 21.4 per cent, but outflow rose by 39.6 per cent in May 2017.

⁵ Data on foreign exchange flows through the CBN and the Economy are provisional and subject to change

Figure 14: Foreign Exchange Flows through the CBN

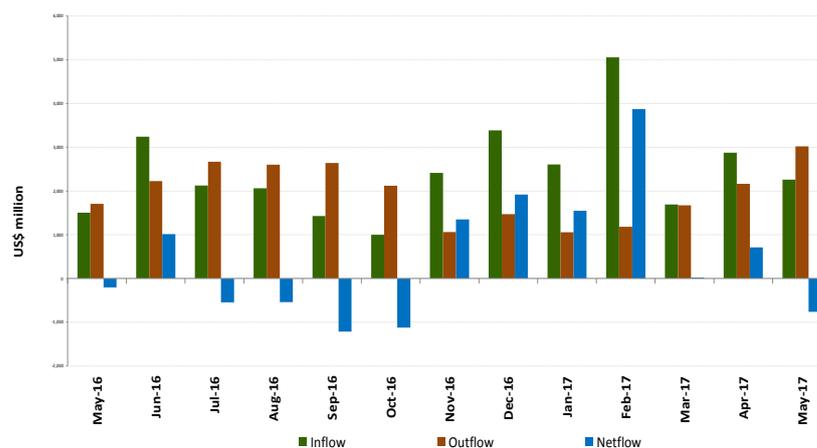


Table 15: Foreign Exchange Flows through the CBN (US\$ million)

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
Inflow	1,505.5	3,239.9	1,092.2	2,061.2	1,425.4	999.2	2,414.8	3,385.3	2,605.5	5,056.9	1,693.4	2,874.9	2,259.2
Outflow	1,707.4	2,227.0	2,728.0	2,603.3	2,637.7	2,119.2	1,061.9	1,468.7	1,055.8	1,184.5	1,672.6	2,164.4	3,021.1
Netflow	(201.8)	1,012.9	(1,635.8)	(542.0)	(1,212.3)	(1,120.0)	1,353.0	1,916.6	1,549.7	1,395.9	20.8	710.5	(761.9)

Aggregate foreign exchange inflow into the economy amounted to US\$5.78 billion, representing 5.0 per cent decline below the level in the preceding month, but showed an increase of 30.8 per cent above the level in the corresponding period of 2016. The development relative to the preceding month reflected the fall in inflow through the Bank. Inflow through autonomous sources and the Bank were US\$3.52 billion and US\$2.26 billion and, accounted for 60.9 per cent and 39.1 per cent of the total, respectively.

Autonomous inflow through the economy rose by 9.8 per cent above the level in the preceding month.

Non-oil sector inflow, at US\$1.39 billion (23.1 per cent of the total), fell by 30.2 per cent, below the level in the preceding month. Autonomous inflow, rose by 9.8 per cent, above the level in April 2017.

Aggregate foreign exchange outflow from the economy, at US\$3.18 billion, rose by 38.8 per cent and 70.4 per cent, above the levels in the preceding month and the corresponding month of 2016, respectively. Thus, foreign exchange flows through the economy, resulted in a net inflow of US\$2.60 billion in the review month, compared with US\$3.79 billion and US\$2.55 billion, in April 2017 and the corresponding month of 2016, respectively.

5.2 Non-Oil Export Earnings by Exporters

Total non-oil export earnings, at US\$0.11 billion, fell by 7.8 per cent, below the level in April 2017. The development reflected the 67.2 per cent and 93.1 per cent contraction in proceeds from the food products and the minerals sub-sectors, respectively. Proceeds from the agricultural, industrial and the manufactured products sub-sectors, however, grew by 292.1, 165.2 and 20.0 per cent, respectively, above the levels in the preceding month.

Total non-oil export earnings by exporters fell in May 2017.

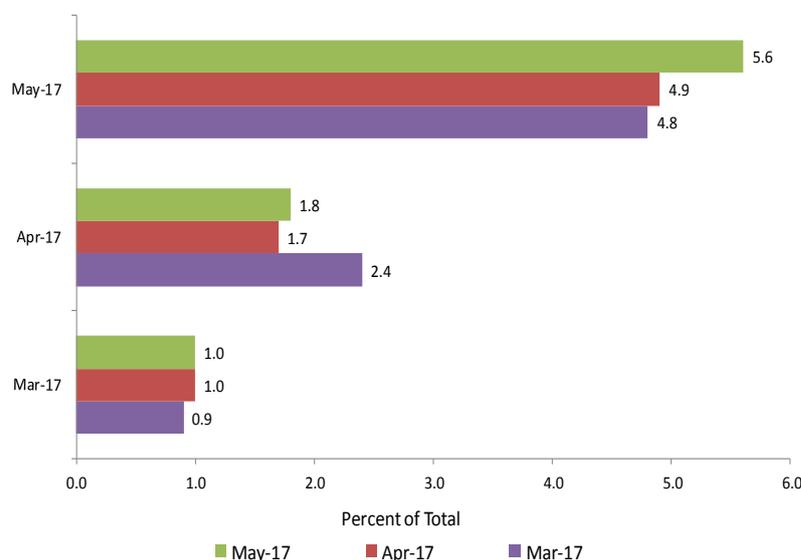
The shares of the sectors in the non-oil export proceeds were: minerals (3.8 per cent); manufactured products (33.0 per cent); agricultural products (47.1 per cent); food products (3.3 per cent); and industrial sector (12.8 per cent).

5.3 Sectoral Utilisation of Foreign Exchange

The invisible sector accounted for the bulk (41.2 per cent) of total foreign exchange disbursed in May 2017, followed by industrial sector (26.2 per cent). The shares of other sectors in a descending order were: minerals and oil (14.8 per cent); manufactured product (9.4 per cent); food products (5.6 per cent); transport (1.8 per cent); and agricultural products (1.0 per cent) (Figure 15).

The invisible sector accounted for the bulk of the total foreign exchange disbursed in May 2017.

Figure 15: Sectoral Utilisation of Foreign Exchange



5.4 Foreign Exchange Market Developments

A total of US\$2.64 billion was sold by the CBN to authorised dealers in May 2017. This indicated 70.8 per cent and 106.1 per cent increase above the levels in the preceeding month and the corresponding period of 2016, respectively. The development was attributed to the increase in inter-bank sales, matured forwards contracts and BDC sales during the review period. Of the aggregate sales, forwards contracts disbursed at maturity were valued at US\$1.85 billion or 70.1 per cent of the total, while inter-bank sales amounted to US\$0.65 billion or 24.7 per cent. The balance of US\$0.14 billion or 5.2 per cent of the total was accounted for by sales to BDC (Figure 16, Table 16).

Figure 16: Supply of Foreign Exchange

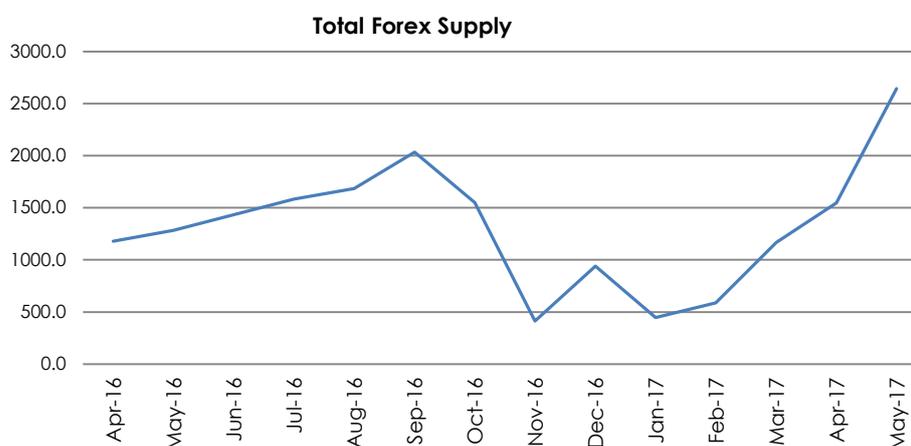


Table 16: Supply of Foreign Exchange (US\$ billion)

	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
Total Forex Supply	1.5	0.4	0.9	0.5	0.6	1.2	1.6	2.6

The naira exchange rate vis-à-vis the US dollar appreciated at the BDC and the Inter-bank segments during the review month.

The Bank sustained its effort at ensuring exchange rate stability through interventions and implementation of policies to address supply bottlenecks and enhance liquidity in the foreign exchange market. Consequently, there was improvement in the exchange rate of the naira to major international currencies in the review period. The average exchange rate of the naira at the inter-bank segment, at ₦305.54 per US dollar, appreciated by 0.2 per cent relative to the level in the preceding month, but indicated a 35.5 per cent depreciation, below the level in the corresponding

period of 2016. Similarly, at the BDC segment of the market, the naira appreciated by 0.5 per cent, on a month-on-month basis, to ₦384.48 per US dollar, but indicated a 12.4 per cent depreciation relative to the rate in the corresponding period of 2016 (Figure 17, Table 17).

Consequently, the premium between the average inter-bank and BDC rates fell by 0.4 percentage point to 25.8 per cent in May 2017 below the level in April 2017.

Figure 17: Average Exchange Rate Movement

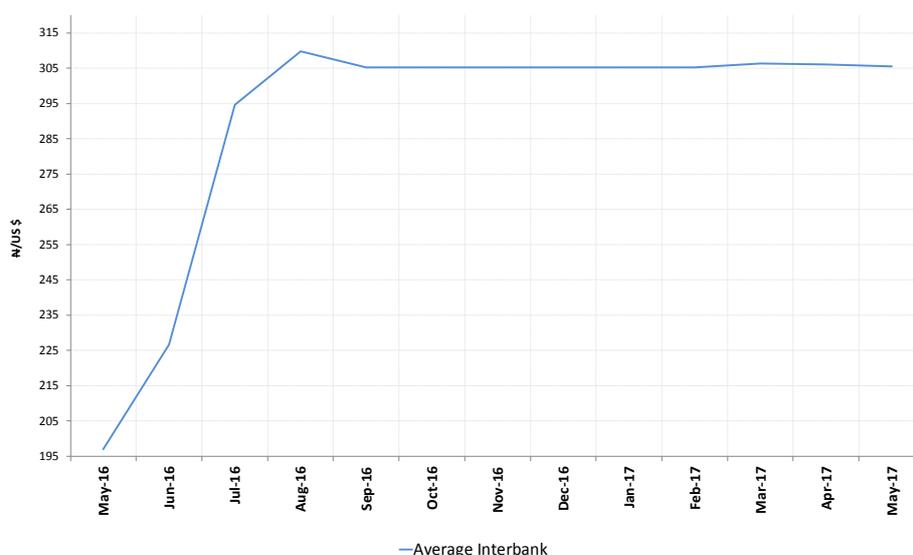


Table 17: Exchange Rate Movements

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
Average Exchange Rate (₦/\$)													
Interbank	197.00	226.65	294.57	309.73	305.20	305.21	305.18	305.22	305.20	305.30	306.40	306.05	305.54

5.5 Gross External Reserves

Following increased intervention by the Bank in the foreign exchange market and public sector payments, the unadjusted stock of foreign exchange reserves declined from US\$30.75 billion at end-April 2017 to US\$30.01 billion at end-May 2017. A breakdown of the external reserves by ownership showed that the share of Federation reserves was US\$2.68 billion (8.9%); Federal Government reserves, US\$7.00 billion (23.3%); and the CBN reserves, US\$20.33 billion (67.8%) of the total, (Figure. 18, Table 18).

Gross external reserves fell in May 2017.

Figure 18: Gross Official External Reserves

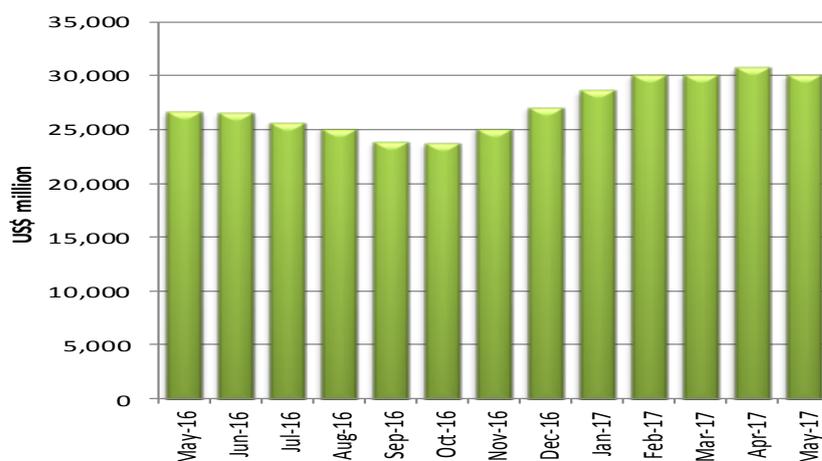


Table 18: Gross Official External Reserves (US\$ million)

Period	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
External Reserves	23,806.51	23,689.87	25,039.81	26,986.22	28,579.81	29,975.38	29,994.35	30,735.29	30,007.41

6.0 *Other International Economic Developments and Meetings*

World crude oil output and demand in May 2017 was estimated at an average of 95.74 and 95.30 million barrels per day (mbd), compared with 95.58 and 95.25 mbd supplied and demanded, respectively, in April 2017. The increase in demand for crude oil during the review period was attributed to the growing demand for transportation fuels in the US for the summer driving season and increased demand from South Korea. In the non-OECD region, growth in oil demand was supported by consumption rebound in India and improvement in the petrochemical industry as well as the transportation sector in China.

Other major international economic developments and meetings of importance to the domestic economy during the review period included: The 2017 Association of African Central Banks (AACB) continental Seminar held in Accra, Ghana from May 3 - 5, 2017. The theme of the Seminar was "Credible Communication Strategies for Central Banks in the Framework of Monetary Policy and Financial Stability". The Seminar observed the following:

- Some central banks introduced Strategy and Risk Management and, Communications departments to improve risk assessment and enhance communications;
- Central banks could use different communication channels with varying risk levels. Hence, decision about the best communications channel should depend on the target audience; and
- The meeting noted that measuring the impact of communications on monetary policy and financial stability requires innovation.

The following recommendations were suggested at the Seminar to prepare central banks in crisis period:

- Training of journalists and engagement of the media via conferences to discuss implications and management of emerging crisis;

- Constitution and ready availability of a team of experts for public engagement in times of crisis;
- Communications should be well coordinated to advise management on the implications of a chosen course of action; and
- Central banks should have a full-fledged and functional communications department with adequate budget allocation to carry out their mandate, among others.

Finally, the Mid-Year Statutory meeting of the Economic Community of West African states (ECOWAS) was held at Monrovia, Liberia from May 25 – June 4, 2017. The objective of the meeting was to highlight the major areas of concern with respect to the implementation of the ECOWAS Monetary Cooperation Programme (EMCP), assess the progress made, as well as identify important areas that require urgent attention towards monetary integration in the year 2020. The major outcome of the meeting was the adoption of Morocco in principle, as a member.

APPENDIX TABLES

Table A1: Money and Credit Aggregates (₦billion)

	Jan-17	Feb-17	Mar-17	Apr-17	May-17
Domestic Credit (Net)	26,627.3	26,771.1	27,472.7	27,450.3	26,758.7
<i>Claims on Federal Government</i>	4,284.3	4,408.7	5,199.7	5,507.9	4,828.1
Central Bank (Net)	(729.0)	(843.0)	87.6	730.5	130.2
Banks	5,013.3	5,251.7	5,112.1	4,777.4	4,697.8
<i>Claims on Private Sector</i>	22,343.0	22,362.4	22,273.0	21,942.4	21,930.7
Central Bank	5,804.2	5,796.5	5,694.0	5,428.6	5,567.8
Banks	16,538.8	16,565.9	16,578.0	16,514.0	16,324.7
<i>Claims on Other Private</i>	21,474.5	21,080.8	21,000.1	20,799.4	20,713.0
Central Bank	5,634.6	5,209.3	5,131.3	4,975.8	5,046.3
Banks	15,839.9	15,871.4	15,868.9	15,823.6	15,666.6
<i>Claims on State and Local</i>	698.9	694.5	710.1	1,108.3	1,192.1
Central Bank	-	-	-	418.1	495.9
Banks	698.9	694.5	710.1	690.2	696.2
<i>Claims on Non-financial Public Enterprises</i>					
Foreign Assets (Net)	9,625.4	8,546.7	7,574.2	7,269.9	8,540.1
Central Bank	9,459.0	8,395.2	7,569.8	7,194.9	8,233.9
Banks	166.4	151.5	4.4	75.0	306.2
Other Assets (Net)	(12,871.8)	(12,952.1)	(13,021.9)	(13,010.5)	(13,323.5)
Total Monetary Assets (M2)	23,725.1	23,380.9	22,365.6	21,709.7	21,975.3
Quasi-Money 1/	12,113.2	12,153.0	12,069.7	11,952.6	11,790.4
Money Supply (M1)	11,267.7	10,212.6	9,955.2	9,757.1	10,184.9
<i>Currency Outside Banks</i>	1,631.0	1,612.1	1,661.0	1,606.6	1,520.6
<i>Demand Deposits 2/</i>	9,636.7	8,600.6	8,294.2	8,150.5	8,664.3
Total Monetary Liabilities (M)	23,725.1	23,380.9	22,365.6	21,709.7	21,975.3
Memorandum Items:					
Reserve Money (RM)	5,633.1	5,542.2	5,872.3	5,860.3	5,499.2
<i>Currency in Circulation (CIC)</i>	1,994.6	1,978.9	1,983.6	1,975.8	1,897.9
<i>DMBs Demand Deposit with Cl</i>	3,563.3	3,563.3	3,888.7	3,884.5	3,601.3

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

2/ Demand Deposits 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)

	Jan-17	Feb-17	Mar-17	Apr-17	May-17
	Growth Over Preceding December (%)				
Domestic Credit (Net)	-2.0	-1.4	1.2	3.0	0.4
<i>Claims on Federal Government (Net)</i>	-10.9	-8.3	8.2	18.0	3.5
<i>Claims on Private Sector</i>	-0.02	0.07	-0.33	-0.18	-0.23
<i>Claims on Other Private Sector</i>	-0.5	-2.3	-2.7	-0.8	-1.2
<i>Claims on State and Local Government</i>	1.4	0.8	3.0	12.0	20.5
<i>Claims on Non-financial Public Enterprises</i>					
Foreign Assets (Net)	8.3	-3.9	-14.8	-20.6	-6.7
Other Assets (Net)	4.5	-5.13	-5.7	-4.84	-7.36
Total Monetary Assets (M2)	-1.5	-5.7	-7.2	-7.2	-6.0
Quasi-Money 1/	-1.7	-1.4	-2.0	-3.0	-4.3
Money Supply (M1)	-1.2	-10.5	-12.7	-11.8	-8.0
<i>Currency Outside Banks</i>	-10.4	-11.4	-8.8	-11.8	-16.5
<i>Demand Deposits 2/</i>	0.5	-10.27	-13.5	-11.9	-6.30
Total Monetary Liabilities (M2)	-1.5	-5.7	-7.2	-7.2	-6.0
<i>Memorandum Items:</i>					
Reserve Money (RM)	-3.4	-4.9	0.7	0.8	-6.0
<i>Currency in Circulation (CIC)</i>	-8.5	-9.2	-9.0	-0.4	-12.9
<i>DMBs Demand Deposit with CBN</i>	-0.3	-2.40	6.5	-1.82	-1.84
	Growth Over Preceding Month (%)				
Domestic Credit (Net)	-2.0	0.5	2.6	0.2	-2.5
<i>Claims on Federal Government (Net)</i>	-10.9	2.9	17.9	4.5	-12.3
<i>Claims on Private Sector</i>	0.0	0.09	-0.4	-0.80	-0.05
<i>Claims on Other Private Sector</i>	-0.5	-1.8	-0.4	-1.0	-0.4
<i>Claims on State and Local Government</i>	1.4	-0.6	2.3	1.7	7.6
<i>Claims on Non-financial Public Enterprises</i>					
Foreign Assets (Net)	8.3	-11.2	-11.4	-4.7	17.5
Central Bank	10.9	-11.3	-9.8	-5.6	14.4
Banks	-53.7	-9.0	-97.1	1615.2	308.4
Other Assets (Net)	-4.5	-0.6	-0.5	0.1	-2.4
Total Monetary Assets (M2)	-1.5	-4.3	-1.5	-1.4	1.2
Quasi-Money 1/	-1.7	0.3	-0.7	-1.0	-1.4
Money Supply (M1)	-1.2	-9.4	-2.5	-2.0	4.4
<i>Currency Outside Banks</i>	10.4	-1.2	3.0	-3.3	-5.4
<i>Demand Deposits 2/</i>	0.6	-10.8	-3.6	-1.7	6.3
Total Monetary Liabilities (M2)	-1.5	-4.3	-1.5	-1.4	1.2
<i>Memorandum Items:</i>					
Reserve Money (RM)	-3.4	-1.6	6.0	0.1	6.2
<i>Currency in Circulation (CIC)</i>	-8.5	-0.8	0.2	-0.4	-3.9
<i>DMBs Demand Deposit with CBN</i>	6.0	-2.1	9.1	-0.3	-7.3

Table A3: Federal Government Fiscal Operations (N billion)

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Monthly Budget
Retained Revenue	138.6	249.0	363.1	354.8	282.1	253.3	283.3	440.8	206.6	194.4	207.1	221.5	185.6	449.6
<i>Federation Account</i>	101.2	112.8	195.2	129.2	149.3	120.4	96.7	97.9	105.8	133.2	117.6	136.5	124.4	297.9
VAT Pool Account	9.4	9.4	9.7	9.6	10.9	9.3	10.0	10.9	11.4	10.6	10.0	11.3	12.2	21.6
<i>FGN Independent Revenue</i>	10.0	48.5	54.1	5.6	14.7	56.8	28.9	33.5	38.6	12.5	26.6	25.9	21.7	67.3
Excess Crude	0.0	0.0	0.0	0.0	16.0	29.1	50.0	30.2	19.7	9.2	27.9	10.2	9.4	0.0
<i>Others/Exchange Gains/SURE-P/INPC Refund</i>	18.0	78.2	104.1	210.4	91.1	37.8	97.6	268.3	31.1	28.9	25.1	37.5	17.9	62.8
Expenditure	318.3	359.3	517.8	407.9	375.3	413.0	421.5	823.7	507.2	560.7	626.0	566.1	583.3	646.0
<i>Recurrent</i>	263.4	263.9	438.7	377.3	342.6	381.7	391.9	382.2	345.6	354.4	360.8	355.1	355.8	428.6
<i>Capital</i>	25.6	66.3	49.8	1.3	3.5	2.0	0.4	415.8	133.9	178.5	238.0	183.5	200.0	181.2
<i>Transfers</i>	29.3	29.2	29.3	29.3	29.2	29.3	29.3	25.7	27.7	27.7	27.1	27.5	27.5	36.2
Overall Balance: Surplus(+)/Deficit(-)	-179.6	-110.4	-154.7	-53.1	-93.2	-159.8	-138.2	-382.8	-300.7	-366.3	-418.8	-344.6	-397.7	-196.4

1/ Revised