CBN ECONOMIC REPORT

May 2020

FOREWORD

The Central Bank of Nigeria (CBN) Economic Report is a monthly publication of economic developments in Nigeria, intended for dissemination to the public. The Report provides insights on current economic developments in the real, fiscal, financial, and external sectors of the Nigerian economy, as well as on global issues of interest. It also reflects the policy initiatives of the CBN in pursuit of its mandate.

The Report is directed at a wide spectrum of readers, including economists, policymakers, and financial analysts in government circles and the private sector, as well as the wider public. Subscription to the Report is available without charge to institutions, corporations, embassies and development agencies. Individuals, on written request, can obtain any issue of the publication for free. Please direct all inquiries on the publication to the Director of Research, Central Bank of Nigeria, P.M.B. 187, Garki, Abuja, Nigeria. The Report is also available for free download from the CBN website: **www.cbn.gov.ng/Documents/monthlyecoreorts.asp**

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EXECUTIVE SUMMARY

Global outlook remains uncertain despite the swift and strong policy responses of governments across the globe to tackle the lingering COVID-19 pandemic. Growth and inflation rates remained subdued in May 2020 on the back of huge negative uncertainties posed by the Pandemic. The global financial market condition stabilized, owing to timely assets purchasing and monetary policy easing adopted by governments in response to the emergent threat.

On the domestic front, economic activities remained on a tightrope in May 2020, owing to unprecedented restriction of movements, supply shocks, loss of jobs and reduced income, as well as frozen business activities in many sectors due to the Pandemic. The composite manufacturing PMI contracted to 42.4 point, below the threshold of 50.0 point. The decline in aggregate demand for products and services of manufacturing and non-manufacturing firms translated to contraction in the rate of inventories kept by these firms during the month. Consequently, manufacturing firms inventory dipped to 37.4 points, while those of non-manufacturing firms contracted to 30.2 points in May 2020. The level of employment followed a downward trend for the reviewed period, with manufacturing and non-manufacturing employment contracting to 24.5 point and 32.0 point, below the 50-point threshold, respectively. Inflationary pressures remained elevated. Headline inflation, year-on-year, edged up to 12.4 per cent in May 2020 from 12.3 per cent in April 2020, driven largely by ascending food prices.

Crude oil prices rebounded significantly in May 2020, rising by over 90 per cent above its level in April 2020. The development was attributed to the gradual easing of lockdown by more countries and subsequent uptick in economic activities, resulting in increased global demand for crude oil. The recovery was complemented by supply cuts by the OPEC and non-OPEC countries. Domestic crude oil production and export declined, month-on-month, amid rising prices as the OPEC countries and its allies had earlier committed to cutting crude oil output by 9.70 million barrels per day (mbd), beginning May 1, 2020.

Although the month of May witnessed a gradual easing of containment measures and border restrictions, federally collected revenue (gross) fell short of its monthly benchmark due to the lull in economic activities. Retained revenue of the Federal government was N276.99 billion, while total expenditure was N838.71 billion, resulting in an estimated deficit of N561.71 billion. The internally generated revenues of most of the subnational governments were insufficient to meet their expenditure requirements; thus, making them to remain dependent on Federation allocations. As a result, the relatively low inflows into the Federation Account has far reaching implications for fiscal sustainability at the subnational levels. Consequently, allocations to States and Local governments in May 2020, fell short of their levels in the preceding month and corresponding period in 2019. They also remained significantly below the 2020 benchmarks by 46.6 per cent and 39.8 per cent for States and LGAs, respectively.

Despite the continued lull in global financial market and adverse shocks to global capital flows, the domestic financial sector remained relatively stable in May 2020, as the key financial soundness indicators showed continued resilience. The monetary policy standpoint of the Central Bank of Nigeria indicated strong support for credit to high-impact private sector activities. During the month, private sector credit was driven largely by performance of “other depository corporations”. This reinforced the effectiveness of the loan-deposit-ratio policy of the Bank. Lending rates moderated due, mainly, to the accommodative monetary and fiscal policies that improved monetary conditions.

The performance of the external sector continued to be undermined by the COVID-19 pandemic and subsequent partial lockdown of the Nigerian economy. Aggregate foreign exchange inflow, capital importation and external reserves declined by 43.2 per cent, 21.0 per cent and 0.7 per cent to US$5.52 billion, US$0.25 billion and US$36.19 billion in May 2020, below their respective levels in the preceding month. However, the trade sector recorded a surplus of US$0.10 billion in May 2020 due to the significant contraction in imports. The constricted foreign exchange inflows led to a weakening of the Naira. Average exchange rate at the inter-bank, the bureau de change (BDC) segment, and the investors and exporters (I&E) window were N361.00/US$, N443.33/US$ and N386.25/US$, respectively, in the review month.

Influenced by the adverse effects of COVID-19 on economic activity, expectations around the domestic economy are largely gloomy, as growth is projected to contract by 2.1 per cent in 2020Q2; while inflation is forecasted to edge up to 12.5 per cent and 12.6 per cent, in June and July 2020, respectively. The realization of these projections would depend largely on the promptness and effectiveness of COVID-19 interventions in the economy.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

Global outlook remains uncertain despite the swift and strong policy responses across the globe to tackle the lingering COVID-19 pandemic.

Global Economic Conditions

Growth prospects remained subdued in May 2020 on the backdrop of huge uncertainties ensuing from the Pandemic. Economic activities were yet to pick-up in many countries even as governments began gradual relaxation of restriction measures. Composite PMIs in major economies remained in negative territories during the month, reflecting slowdown in global economic activities (Table 1). Essentially, the Pandemic had a more-than-anticipated negative impact on activities. Recovery could be deferred depending on how soon a vaccine for the virus is approved. The adverse impact on low-income economies could be more severe; thus, jeopardising efforts to reduce extreme poverty in the world.

Table 1: Selected Countries' PMIs

	20-Jan	20-Feb	20-Mar	20-Apr	20-May
United States	51.9	50.7	48.5	36.1	39.8
United Kingdom	50.0	51.7	47.8	32.6	40.7
China	51.1	40.3	50.1	49.4	50.7
India	55.3	54.5	51.8	27.4	30.8
Germany	45.3	48.0	45.4	34.5	36.6
Italy	49.0	50.5	15.9	4.8	51.0
Japan	48.8	47.8	44.8	41.1	38.4
South Africa	45.2	44.3	48.1	46.9	38.4
Nigeria	**55.9**	**55.0**	**53.9**	**37.1**	**40.7**
Egypt	46.0	47.1	44.2	29.7	40.7
Kenya	49.7	49.0	37.5	34.8	36.7

Source: FXempire website

However, prompt monetary policy injections and fiscal policies eases – including work sharing, loans guarantee, wage compensation and tax deferrals – cushioned the effect of the lockdowns and helped in reducing financial market vulnerabilities.

Table 2: Projected Macroeconomic Variables of Selected Countries

Country	Growth			Inflation	
	2019	2020	2021	20-Apr	20-May
Global	**2.9**	**-3**	**5.8**	.	.
Advanced Economies	**1.7**	**-6.1**	**4.5**	.	.
United States	2.3	-5.9	4.7	0.3	0.1
United Kingdom	1.4	-6.5	4	0.8	0.5
Japan	0.7	-5.2	3	0.1	0.1
Italy	0.3	-9.1	4.8	0.1	-0.2
Germany	0.6	-7	5.2	0.9	0.6
Emerging Market & Developing Economies	**3.7**	**-1**	**6.6**	.	.
UAE	1.3	-3.5	3.3	-1.9	-2.7
China	6.1	1.2	9.2	3.3	2.4
India	2.2	1.9	7.4	7.2	6.3
Sub-Sharan Africa	**3.1**	**-1.6**	**4.1**	.	.
South Africa	0.2	-5.8	4	3	2.1
Nigeria	2.2	-3.4	2.4	12.3	12.4

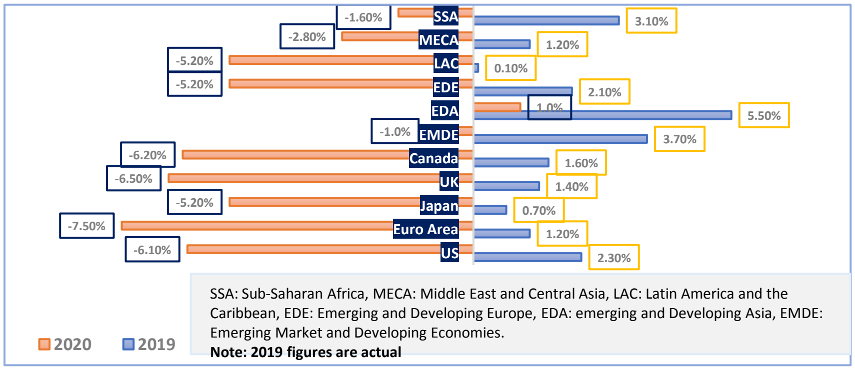
Source: IMF World Economic Outlook, April 2020 and central banks' websites of various countries

1.1. Global Output Growth

Global Growth

Growth outcomes and prospects continued to decline in advanced economies, despite the various stimulus packages implemented by the governments. Though many advanced economies (AEs) began a gradual easing of restrictions, the pick-up in economic activities were generally sluggish. This may likely continue until a remedial vaccine comes into mass production and all restrictions removed. The adverse impact of COVID-19 may be more severe on low-income economies, especially those in sub-Saharan Africa, Latin America and the Caribbean, and emerging and developing Asia. It may inadvertently jeopardise efforts and overturn achievements made so far at reducing extreme poverty globally. Growth indicators showed that economic activities contracted in major economies, such as US, UK, Germany, Italy and Japan, as indicated by the May 2020 composite PMIs in these countries. The timely accommodative monetary and fiscal policies, including palliative measures put in place by governments in the AEs and EMDEs, were yet to reflect in growth numbers, but to a large extent have succeeded in calming down and stabilizing the financial market. For instance, there were massive support packages in the euro-area, which prevented possible downsizing of the workforce, especially in Spain, France, Germany and Italy and the US.

Figure 1: Growth Forecasts for Selected Countries in 2020



Source: CBN Staff Compilation based on data from IMF WEO, April 2020.

In Emerging Market Economies (EMEs), growth remained fragile and recovery may be slower than expected. Growth in EMEs followed the same trajectory with the AEs, except, in China. The composite PMIs in major economies such as India, South Africa and Nigeria fell below the 50-point threshold especially in April and May 2020, except in China with an index above 50-point in May. Though China's economic growth slowed in 2020Q1 due to weak external demand and job losses, it is expected to rebound in 2020Q2, following the expansion in economic activities suggested by the PMI data.

Global commodity market developments

Developments with regards to prices of agricultural commodities were mixed in May 2020 at both the international and domestic markets. At the global level, the All-commodity price index at 79.1 (2010=100) in dollar terms increased by 1.6 per cent above the level in the preceding month. With the gradual pick-up in economic activities owing to the easing of lockdown across the globe, the demand for commodities required as industrial inputs (rubber, cocoa, cotton, and sorghum) increased during the month. The attendant improvement in demand led to price increases, which ranged from 1.5 per cent for rubber to 5.6 per cent for sorghum.

On the other hand, the prices of wheat, palm oil, coffee, groundnut, and soya bean declined by 6.0 per cent, 5.6 per cent, 3.2 per cent, 3.0 per cent, and 0.6, per cent, respectively, for a variety of reasons. The downward trajectory in the price of palm oil reflected both the protracted weak global import demand resulting from the pandemic, reduced biofuel demand, and higher than expected production and inventory levels in major exporting countries. The price of wheat declined, mainly, due to the favourable global supply outlook and weaker trading activities, which caused additional downward pressure. Also, soya bean price continued to be under pressure amid concerns of sluggish global demand, resulting from the COVID-19 pandemic, as well as renewed uncertainties concerning trade relations between the United States and China, which cast doubt on the export prospects of the US.

Table 3: Indices of Average World Prices of Nigeria's Major Agricultural Export Commodities for May 2020 (in dollars; 2010 = 100)

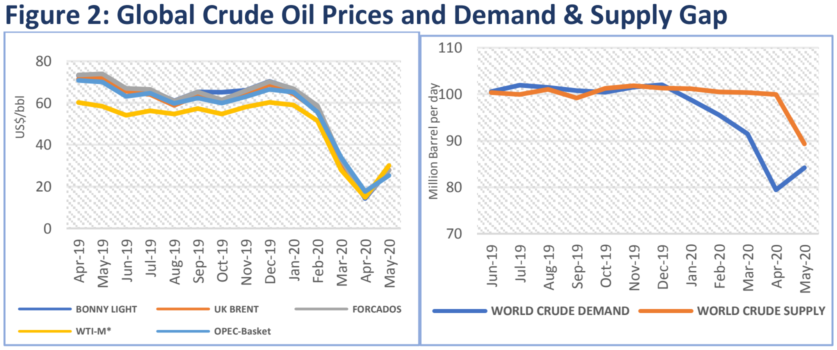
Commodity	May-19	Apr-20	May-20	% Change (1) & (3)	% Change (2) & (3)
	(1)	(2)	(3)	(4)	(5)
All Commodities	74.25	77.85	79.12	6.56	1.63
Cocoa	75.66	74.19	75.68	0.03	2.01
Cotton	47.84	37.84	39.19	-18.08	3.57
Coffee	48.59	62.28	60.27	24.03	-3.23
Wheat	65.09	71.44	67.13	3.13	-6.04
Rubber	37.26	28.00	28.42	-23.73	1.5
Groundnut	86.37	103.52	100.45	16.3	-2.97
Palm Oil	45.86	49.58	46.73	1.9	-5.75
Soya Bean	61.66	66.04	65.66	6.48	-0.58
Sorghum	74.68	75.22	79.4	6.32	5.56

Source: Central Bank of Nigeria
Note: Trading Economics and Index Mundi

Most commodity prices maintained a downward trend, with prices of crude oil and industrial metals dropping sharply. Investors are expected to shift their investments from risky commodities classes to safe-haven assets, such as gold.

Though the devastation caused by the slump in oil price lingers, gradual recovery has commenced. Prices of different crude grades increased in the first week of May 2020, a positive development that started from April 20, 2020. The development reflected the easing of lockdowns in most countries, and the pick-up of economic activities.

Figure 2: Global Crude Oil Prices and Demand & Supply Gap



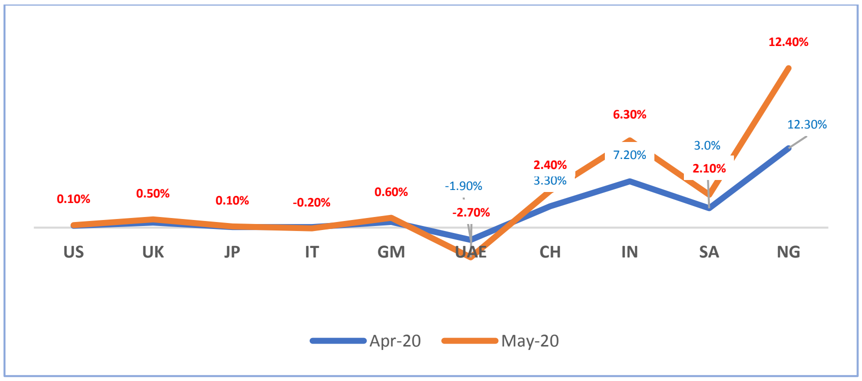
Source: Reuters

1.2. Global Inflation

Global inflation

Global inflation remained subdued owing to tighter labour market conditions, especially in AEs. Inflation expectations remained moderated during the month following the effects of the COVID-19 pandemic and softer oil prices on global inflation outcomes. Inflation rates in major economies, such as the US, the UK, Japan, Italy, Germany and UAE, remained subdued and averaged -0.3 per cent, as against 0.1 per cent in April 2020. Among the countries under consideration, Nigeria was the only country that recorded a slight uptick during the period, from 12.3 per cent to 12.4 per cent, due principally to the rise in food prices.

Figure 3: Selected Countries' Inflation Rate (April and May 2020)



Source: Trading Economics/Various Country Websites, CBN Staff compilation
Note: US – United States; UK – United Kingdom; JP – Japan; IT – Italy; GM – Germany; UAE – United Arab Emirates; CH – China; IN – India; SA – South Africa; and NG – Nigeria.

1.3. Global Financial Markets

Global financial markets

Global financial market conditions stabilized, owing to timely asset purchases and monetary policy easing adopted by the governments of the AEs and EMDEs in response to the threat of the COVID-19 pandemic. Monetary authorities, especially the Fed and ECB, expanded asset purchases, lending facilities, credit purchases and liquidity operations, to help banks in accessing cheap liquidity for longer maturities with less stringent conditions. Volatility in the long bond yields was brought under control, especially, in the US and Germany due to central banks' unprecedented bonds purchases during the period (Figure 4).

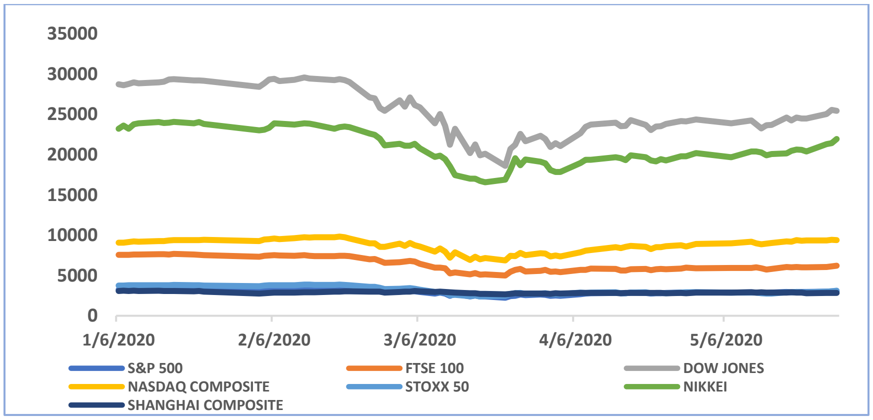
Figure 4: Bond Yields and USD Rates

Source: Nordea Economic Outlook, May 2020
Note: *E/ The big central banks, led by the Fed, are buying huge quantities of assets, keeping bond yields low. F/ More Fed easing than ECB easing could soon lead to a weaker USD.*

The stability in financial market was also noticed in the foreign exchange market, as the market remained relatively stable, despite the elevated scarcity of the USD arising from the COVID-19 pandemic in the international foreign exchange market. In response, the Fed ensured steady supply of USD to meet the need of market participants, which had helped to calm the market pressure. In many EMDEs, there was a sustained foreign exchange intervention in the spot and the derivatives markets.

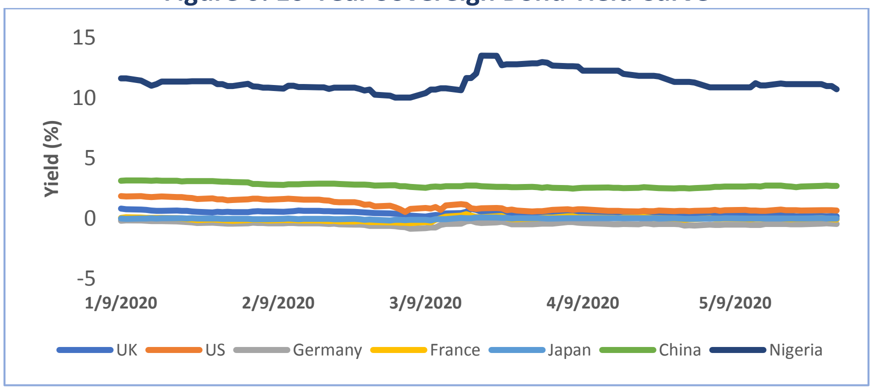
Global equities markets witnessed a slight uptick, driven largely by the increased liquidity from the various fiscal measures implemented across several economies. In the months ahead, when the reality of the impact of COVID-19 pandemic on the global economy becomes more evident, market, correction is expected as stock valuations begin to reflect securities' intrinsic values.

Figure 5: Selected Equity Market Indices



Source: Bloomberg data, CBN Staff compilation

Figure 6: 10-Year Sovereign Bond Yield Curve



Source: Bloomberg data, CBN Staff compilation

2.0. DOMESTIC ECONOMIC DEVELOPMENTS

2.1. THE REAL SECTOR

2.1.1. Economic and Business Activities

Economic activities

Despite the relaxation of the lockdown restrictions in most parts of the country, the economy remained in a lull during the month, owing to supply shocks, job losses and reduced income, as well as the effects of frozen business activities. The impact of the measures was felt mostly in the activities related to transportation, hotel, recreation and tourism, as well as supply chains and production. Slowdown in these activities dampened business confidence, while undermining income generation, employment and expectations during the period. Disruptions in the supply chains reflected in the 26.1 per cent (year-on-year) increase in commuter transport fares in May 2020 despite further reduction in the pump price of premium motor spirit (PMS) to ₦121 per litre from ₦125 per litre[1]. However, the manufacturing supplier delivery time index, at 65.2 points, indicated increased efficiency during the month[2]. This reflected the increased competition for market share and improvement in product delivery techniques.

Total COVID-19 confirmed cases increased significantly to 10,162 from 1,932 reported in April, a 426.0 per cent increase within the period. Active cases recorded rose to 6,868 from 1,555. Number of discharged cases increased by 842.60 per cent to 3,007 from 319, while recorded deaths rose by 394.80 per cent to 287 from 58. To boost the capacity of the country to manage the Pandemic, the CBN made a commitment to provide funding for local research and development of drugs and vaccines to curtail the virus. This was in addition to various interventions, including the CBN ₦50 billion COVID-19 Support Loan for Households and Businesses.

Purchasing Managers Index

The composite manufacturing PMI in May 2020 declined to 42.4 index points after 36 consecutive months of expansion. This was below the threshold of 50.0 index point and 51.1 index point in March 2020[3]. All sub-sectors declined during the period, except for electrical equipment, which expanded. This was attributed to the increase in electricity consumption by households, as many people stayed indoors in the review month.

The composite PMI for the non-manufacturing followed a similar trend, with a contraction for a second consecutive month to 25.3 index point.

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[1] Source: NBS Transport Fare Watch, May 2020
[2] Source: CBN Purchasing Managers' Index (PMI) Survey Report
[3] No survey was conducted in April 2020

This outcome was not only below the threshold of 50.0 index point but a further decline from the 49.2 index point recorded in March 2020. The sharp decline was due to the fall in activities witnessed in all the 17 non-manufacturing subsectors during the period.

Table 4: Manufacturing and Non-Manufacturing Sector PMI, May 2020

COMPONENTS	*20-Mar*	*20-May*
A. Composite Manufacturing PMI	**51.1**	**42.4**
Production Level	54.4	44.5
New Order	52.3	42.8
Supplier's Delivery Time	49.4	65.2
Employment Level	47.1	24.5
Raw Material Inventory	49.4	37.4
B. Composite Non- Manufacturing PMI	**49.2**	**25.3**
Business Activity	52.2	19.5
New Orders	47.8	19.6
Employment Level	47.3	32.0
Inventories	49.6	30.1

Source: Statistics Department, CBN[4]

The decline in consumer demand, raw material shortage, high logistic cost and weakening of the currency, as well as, disruptions in the supply chain contributed to the contraction in the new orders and production levels. The development led to firms increasing prices of their goods during the period. The worst hit for the manufacturing sector was from the cement subsector, due to the subdued activities in the construction sector, as private sector investment in residential and non-residential dampened within the period. On the flip side, in the non-manufacturing sector, the utility subsector reported growth, as more orders were placed due to the lockdown restrictions.

Inventories

The improvement in demand for products and services of manufacturing and non-manufacturing firms as the lockdown continued, translated to contraction in the level of inventories. Consequently, manufacturing firms inventory dipped to 37.4 points, while that of non-manufacturing firms contracted to 30.2 points in May. Inventories for all the subsectors declined except for arts, entertainment and recreation, which was steady.

2.1.2. Employment

Employment

The level of employment was on a downward trend. Manufacturing and non-manufacturing employment fell significantly below the 50-point

[4] No PMI survey for April 2020

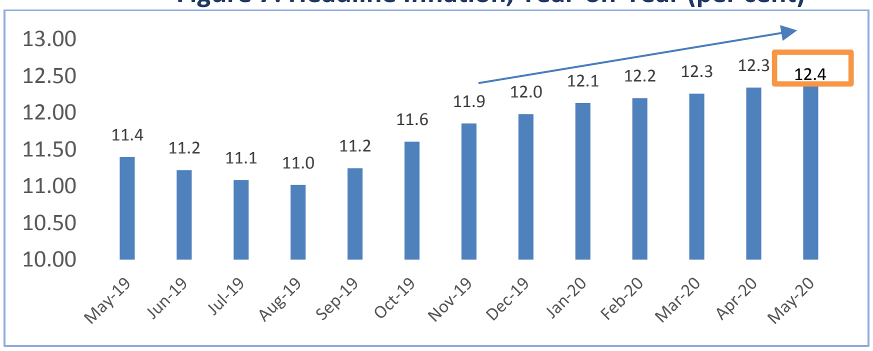
mark to 24.5 index points and 32.0 index points, respectively; a trend observed in all the subsectors of the PMI index. This signalled firms' inability to maintain their labour costs due to shutdown of production plants, continued rise in the cost of business operations and low consumer demand, following the nationwide lockdown measures. Hence, many firms laid-off staff to reduce operational costs. To mitigate these challenges, accommodating measures were introduced by both the monetary and fiscal authorities.

2.1.3. Consumer Prices

Headline Inflation

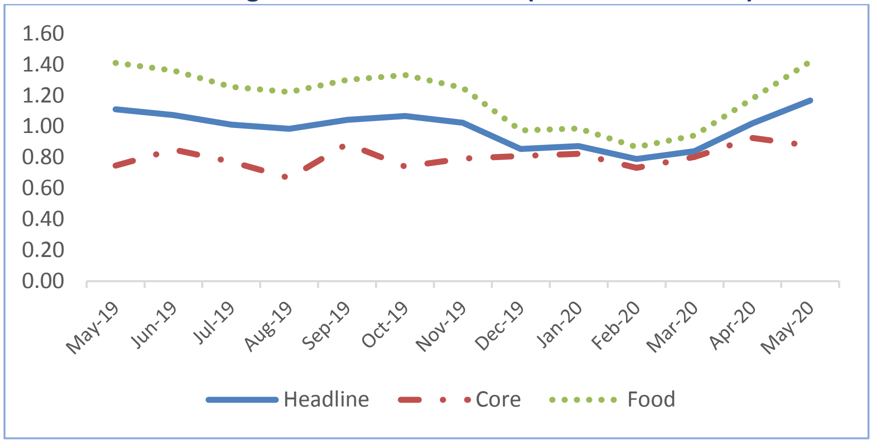
Driven by supply shocks, year-on-year headline inflation rate rose for the ninth consecutive month to 12.40 per cent in May 2020 from 12.3 per cent a month earlier. The lingering food supply shortages caused by the persisting security challenges in the food producing regions, the negative supply shocks arising from the COVID-19 pandemic and the seasonality impact of the Eid-el-Fitir celebrations, fuelled the pace of headline inflation in the period.

Figure 7: Headline Inflation, Year-on-Year (per cent)



Source: Central Bank of Nigeria

Figure 8: Inflation Trend (month-on-month)



Source: Central Bank of Nigeria

Headline inflation rose, on a month-on-month basis, to 1.17 per cent from 1.02 per cent in the preceding month; due again to food inflation dynamics.

Food inflation

The pace of food inflation maintained a similar trend in May, rising slightly to 15.04 per cent from 15.03 per cent year-on-year in the preceding month. On month-on-month basis, it increased to 1.42 per cent from 1.18 per cent. The increase was driven largely by the prices of tubers, fruits, oils, meat and fats, which reflected the impact of the supply chain disruptions and the seasonality effect associated with the planting season.

Core inflation

Year-on-year core inflation rate ascended to 10.12 per cent from 9.98 per cent in April. This derived from supply chain disruptions, increased cost of transportation/logistics, unintended effects of the exchange rate adjustment and panic purchases of essentials goods by households.

However, on month-on-month basis, core inflation slowed to 0.88 per cent from 0.93 per cent registered in the preceding month. The development was attributed to the increase in economic activities, following the gradual easing of restrictions.

It is worthy of note that the rising inflationary pressure has put CBN's monetary policy and price stability objective under pressure, while making the single digit target for inflation difficult to attain. Furthermore, the persistent increase in inflation underlines the widening aggregate demand gap through increased consumption expenditure. The resultant effect on business and industrial output may have negative effects on growth. The rising inflationary trend resonates with business owners who expect increased inflation rates for the next twelve months[5].

Domestic commodity prices

The restriction on inter-state movement, hike in transportation fare, and increased shoppers demand, among other factors, were mainly responsible for the development. During the month, the domestic prices of most agricultural commodities monitored increased vis-à-vis levels in the previous month. The price increases ranged from 0.2 per cent for beans (sold loose) to 4.9 per cent for garri (yellow sold loose). However, the prices of rice (agric sold loose), irish potatoes, rice (medium-grained), palm oil and rice (imported) declined during the month.

Table 5: Domestic Prices of Selected Agricultural Commodities, May 2020

Food Items		May-19	Apr-20	May-20	% Change	% Change
	Unit	-1	-2	-3	(1) & (3)	(2) & (3)
Agric eggs (medium size price of one)	1kg	*42.8*	*41.5*	*40.8*	*-4.6*	*-1.7*
Beans brown, sold loose	'	*365.3*	*277.1*	*277.5*	*-24.0*	*0.2*
Beans, white black eye. sold loose	"	*329.7*	*250.3*	*251.4*	*-23.7*	*0.4*
Garri white, sold loose	"	*161.6*	*190.2*	*196.2*	*21.4*	*3.1*
Garri yellow, sold loose	"	*180.8*	*211.8*	*222.3*	*23.0*	*4.9*
Groundnut oil: 1 bottle, specify bottle	"	*573.4*	*601.0*	*601.1*	*4.8*	*0.0*
Irish potato	"	*288.9*	*309.9*	*304.6*	*5.5*	*-1.7*
Maize grain white sold loose	"	*149.6*	*165.8*	*167.9*	*12.2*	*1.2*
Maize grain yellow sold loose	"	*154.4*	*166.4*	*169.8*	*10.0*	*2.0*
Palm oil: 1 bottle, specify bottle	"	*456.4*	*464.1*	*463.5*	*1.6*	*-0.1*
Rice agric. sold loose	"	*321.6*	*393.3*	*389.8*	*21.2*	*-0.9*
Rice local, sold loose	"	*278.3*	*342.5*	*344.9*	*24.0*	*0.7*
Rice Medium Grained	"	*316.9*	*394.6*	*392.5*	*23.9*	*-0.5*
Rice, imported high quality sold loose	"	*361.4*	*471.8*	*463.2*	*28.2*	*-1.8*
Sweet potato	"	*140.8*	*153.9*	*154.6*	*9.8*	*0.5*
Tomato	"	*249.5*	*277.0*	*278.2*	*11.5*	*0.4*
Vegetable oil:1 bottle, specify bottle	"	*496.6*	*551.9*	*554.8*	*11.7*	*0.5*
Wheat flour: prepacked (golden penny 2kg)	"	*668.4*	*692.6*	*698.5*	*4.5*	*0.8*
Yam tuber	"	*216.0*	*230.1*	*236.9*	*9.7*	*3.0*

Source: National Bureau of Statistics (NBS)

Crude Oil Prices

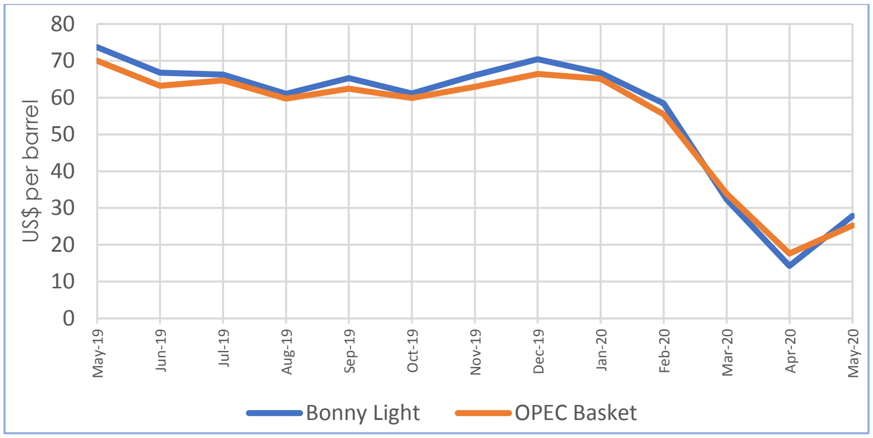
The rebound in crude oil prices in May was significant, rising by over 90 per cent above its level in April. This was attributed to the emergence of more countries from COVID-19 lockdowns, and subsequent uptick in economic activities, resulting in an increase in the global demand for crude oil. Supply cuts by the OPEC and non-OPEC countries further buoyed prices during the period.

Average spot price of Nigeria's reference crude oil, the Bonny Light (37° API) rose by 95.1 per cent to US$27.90 pb in May from US$14.30 pb in

[5] Source: May 2020 Business Expectations Survey Report by CBN

April 2020. The price was, however, 62.1 per cent below the US$73.65 pb recorded a year earlier. The UK Brent at US$27.88 pb, Forcados at US$27.79 pb, WTI at US$30.06 pb and OPEC basket of thirteen selected crude streams at US$25.28 pb showed identical pattern (Figure 9). Prices are projected to strengthen further in the following months, due to the compliance with the supply-cut agreements reached by OPEC and some non-OPEC producers, which commenced in the review period. This will be reinforced by the gradual resumption of economic activities across the globe. Price strengthening is expected to bolster investment in the oil and gas sector and sustain its survival under this severe Pandemic.

Figure 9: Trends in Crude Oil Prices

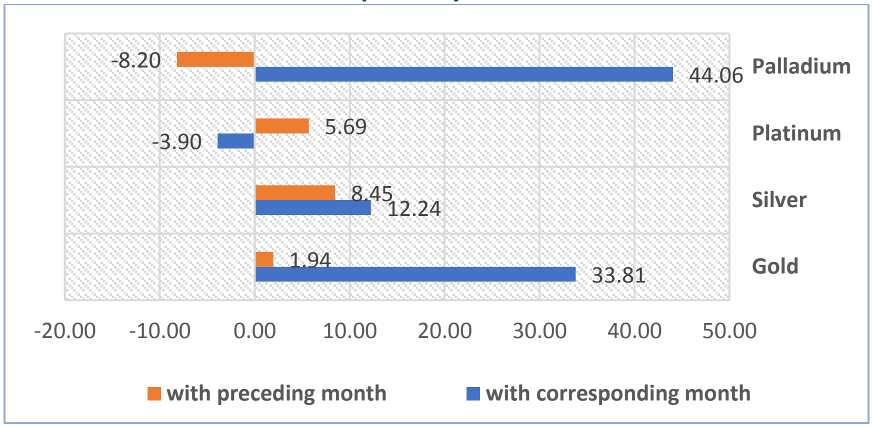


Source: Reuters

Other mineral commodities Prices

Prices of gold, silver and platinum increased during the month while that of palladium declined. The price of gold, silver and platinum recorded average increases of 1.9 per cent, 8.5 per cent, and 5.7 per cent, respectively. However, palladium recorded a price decline of 8.20 per cent, compared with April 2020. Investors' strong preference for gold, silver and platinum, as safe havens amid disruptions in production and delivery, due to the shutdown of major economies, drove the price increase. The surge in the demand for the commodities, as a hedge against foreign exchange volatility, was buoyed by massive financial stimulus from central banks and governments around the world. The price of gold would likely continue to be strong despite the persistence of COVID-19, as the metal remains a strong alternative store of value.

Figure 10: Percentage Changes of Metal Prices (per cent) April-May 2020



Source: Reuters

Crude Oil production and Export

Domestic crude oil production and export declined, as OPEC countries and its allies commit to reducing output by 9.7 million barrels per day (mbd), beginning May 1, 2020. Nigeria's crude oil production, including condensates and natural gas liquids, recorded a decrease of 0.18 million barrels per day (mbd) or 9.3 per cent (month-on-month) to average 1.75 mbd. Of the 1.75 mbd, exports accounted for an average of 1.30 mbd, while 0.45 mbd was allocated for domestic consumption. The decrease in crude oil production followed OPEC+ commitment to cut output by 9.7 million barrels per day. Nigeria's crude oil export in the period fell, as several cargoes were unsold due to developments in the global oil market.

Aggregate crude oil production, including natural gas liquids (NGLs) and condensates by OPEC was 28.90 mbd in May 2020, representing a decline of 18.7 per cent from the 35.55 mbd recorded in April 2020. The decrease followed the OPEC+ agreement to reduce production beginning May 1, 2020. Overall, available data showed that the level of compliance with the agreed production cut by member countries was about 87 per cent.

World crude oil demand was 84.21 mbd in May 2020, representing an increase of 6.0 per cent, compared with 79.44 mbd recorded in the previous month. This reflected the gradual reopening of business activities, especially in major economies. Of the total, average demand by the Organisation for Economic Co-operation and Development (OECD) countries was 37.59 mbd, while the non-OECD group accounted for 46.62 mbd.

The cut in crude oil supply by OPEC and its allies, was expected to drive up prices, even as economic activities restart across the globe. In addition to the OPEC+ production cut deal, the voluntary decision by Saudi Arabia to further cut its production by an additional one million barrels per day in June 2020, will further squeeze global supply. The development indicated high prospects for a price increase and may encourage other OPEC+ members to consider voluntary cuts.

2.1.4. Development Financing

Development Financing

To address the credit needs of the sectors critical to improving livelihoods, reducing poverty, and promoting inclusive growth, the CBN continued to sustain its development financing initiatives. These aim to reflate and stimulate the real sector and cushion the impact of the exogenous shocks. As at May 2020, a total of ₦38.11 billion was disbursed as loans to 44,458 beneficiaries through the NIRSAL Microfinance Bank (NMFB) and the participating financial institutions (PFIs) for the Youth Entrepreneurial Development Programme (YEDP), Anchor Borrowers Programme (ABP), Agri-Business Small and Medium Enterprises Investment Scheme (AGSMEIS), Creative Industry Financing Initiative (CIFI), and TCF (COVID-19 Loan) intervention schemes. The breakdown of the intervention schemes showed that under the ABP, ₦4.92 billion was disbursed in May 2020 to 30,992 farmers to produce sesame, soya bean, cotton and cassava (Table 6).

₦28.27 billion was disbursed under the AGSMEIS to 8,208 entrepreneurs in the agro-allied sector of the economy. Under the TCF (COVID-19 loan), ₦4.92 billion was released to 5,257 beneficiaries of households and small businesses, comprising ₦1.33 billion disbursed to 3,376 households and ₦3.59 billion disbursed to 1,881 small businesses. Similarly, ₦1.3 billion was disbursed under the CIFI intervention scheme to 107 beneficiaries in the fashion, information technology, software development, movie distribution and production sub-sectors.

Table 6: Disbursement of the Anchor Borrowers Programme (ABP) As at May 2020

S/N	Anchor	Total Number of Farmers	Total Loan Amount (=N=)
1	Sesame Farmers Association of Nigeria	1,532	146,750,280
2	Soya bean Farmers Association of Nigeria	3,083	408,081,295
3	Cotton Processors & Marketers Assoc. of Nigeria	20,697	3,377,077,748
4	Nigeria Cassava Growers Association	5,680	991,495,120
	Total	**30,992**	**4,923,404,443**

Source: Development Finance Department, CBN

The pre-existing agricultural intervention schemes such as the Commercial Agricultural Credit Scheme (CACS) and Agricultural Credit Guarantee Scheme (ACGS) were sustained. Under the CACS, ₦8.2 billion was disbursed for two projects from the CACS Repayment Account. This brought the cumulative disbursements under the Scheme (from inception in 2009 to date) to ₦645.1 billion for 612 projects. For the ACGS, ₦209.8 million was disbursed to 2,519 farmers, indicating an increase of 86.9 per cent above the level in the previous month. A sub-sectoral analysis showed that food crop obtained the largest share of ₦168.5 million (80.3 per cent) guaranteed to 2,398 beneficiaries, livestock got ₦21.5 million (10.3 per cent) guaranteed to 60 beneficiaries, while cash crop received ₦9.6 million (4.6 per cent) guaranteed to 31 beneficiaries. Fisheries, mixed crops, and 'others' received ₦8.8 million (4.2 per cent), ₦1.2 million (0.6 per cent) and ₦0.1 million (0.1 per cent), guaranteed to 25 beneficiaries, 4 beneficiaries, and one beneficiary, respectively.

2.1.5. Domestic Outlook

Business expectations

Market expectations about the business environment in the month of May, were largely pessimistic[6]. The outlook centred on business sentiments based on the dimensions or indices such as the volume of orders, credit access, capacity utilization and financial conditions (working capital). The hazy outlook derives from perception by economic agents on the devastating effects of the COVID-19 pandemic on businesses. Respondents cited the challenges of insufficient power supply, access to credit, unfavourable economic climate, competition, high interest rate, insufficient demand, unclear economic laws, access to

[6] This is as suggested by the CBN Business Expectation Survey. The Survey covers 1,050 businesses nationwide, covering small, medium and large firms in the agriculture, services, manufacturing, wholesale/retail trade, and construction sectors.

credit, and unfavourable political climate, as impediments to business activities. Consequently, the market foresees a weakening of the *Naira* in May; but expects an appreciation from the 6th month. Besides, the report anticipates a rise in inflation and lending rates. Perceptively, the realization of these sentiments would largely depend on the promptness and effectiveness of COVID-19 interventions in the economy.

The outlook of the Nigerian economy is shaped by inherent risks and the twin shocks of COVID-19 pandemic and oil price, among others. These risks include the decline in crude oil prices and OPEC supply cut deal, increased fiscal deficits, reduced foreign exchange receipts, and difficulty in inventory adjustments, due to supply chain disruptions as well as several structural bottlenecks. Given these risks and many more, sectors with capacities to enhance growth, could be impeded and weakened, following limited fiscal space and finance to stimulate growth, as well as heightened vulnerability to external shocks.

Table 7: Output and Inflation Forecast for Nigeria

Strategic Issues	Macroeconomic Indicators	Actual		Forecast			
		Apr-20	*May-20*	*Jun-20*	*Jul-20*	*Aug-20*	*Sep-20*
Price Stability	Inflation (%)	12.34	12.4	12.45	12.61	12.71	12.68
		2019 Q4	*2020 Q1*	*2020 Q2**	*2020 Q3**	*2020 Q4**	*Ann. Avg.*
Domestic Output	GDP (%)	2.55	1.87	-2.05	-4.43	-6.66	-2.82

Source: Central Bank of Nigeria Staff Estimate

Note: *indicates forecasts.

As such, growth is projected to maintain a downward trend in the near-term. Real GDP is expected to contract by 2.05 per cent in 2020Q2 and further by 4.43 per cent and 6.66 per cent in the third and fourth quarters of 2020, respectively. This is premised on the expected persistence of the COVID-19 pandemic to the end of 2020; an outcome which would constrain economic activity to sub-optimal operations over the forecast horizon. Furthermore, consumer prices are projected to rise to 12.45 and 12.61 per cent in June and July 2020, respectively, owing to continuing supply shocks and inherent structural issues during the period.

2.2 FISCAL SECTOR DEVELOPMENTS

2.2.1 Federation Account Operations

Driven by the slump in crude oil prices in March 2020, federally collected revenue in May 2020 declined by 31.6 per cent and 12.0 per cent to N625.91 billion[7], relative to its levels in April 2020 and May 2019, respectively[8]. The receipt was 52.4 per cent below the monthly benchmark[9]. Retained revenue of the Federal Government in May was N276.99 billion, while total expenditure was N838.71 billion, resulting in an estimated deficit of N561.71 billion. Total FGN debt outstanding at end-March 2020, stood at N24,522.05 billion, 59.3 per cent of which was domestic and 40.7 per cent external.

Federation Account operations

Although a gradual easing of lockdown measures and border restrictions began in May, federally collected revenue (gross) was impaired by continued slowdown in economic activities. Revenue from oil sources fell below the benchmark and the level in April 2020. This was because the price of Bonny Light crude dropped sharply from US$55.66 in February to US$32.01 in March; the reference price of crude oil sales for NNPC's earnings in May 2020 (see footnote).

The Federally collected revenue in May 2020 was estimated at ₦625.91 billion. This represented respective declines of 52.4 per cent and 31.6 per cent, relative to the monthly benchmark estimate of ₦1,315.86 billion and the April 2020 receipt of ₦915.28 billion. The observed shortfall reduced the revenue available to the three tiers of government in May 2020. Thus, the net sum allocated was ₦584.45 billion (after statutory deductions and transfers) compared with ₦620.52 billion shared in April.

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[7] There are 90 days between the initiation of a crude oil sale contract and the remittance of the proceeds to the Federation Account.

[8] The fiscal figures quoted in this report, beginning from Jan. 2020 up to May. 2020, are provisional pending the receipt of updates from the Office of the Accountant General of the Federation (OAGF). However, the revenue components reflect actual distributions at the May 2020 meeting of the Federation Account Allocation Committee, as published by the OAGF.

[9] Refers to the proportionate monthly benchmark inferred from the 2020 Appropriation Act.

Table 8: Federally Collected Revenue and Distribution (₦' Billion)

	May-19	Apr-20	May-20	Benchmark
Federation Revenue (Gross)	**711.32**	**915.28**	**625.91**	**1,315.86**
Oil	**410.18**	**528.43**	**382.91**	**738.19**
Crude Oil & Gas Exports	14.71	34.57	20.82	65.40
PPT & Royalties	286.03	334.90	228.97	468.84
Domestic Crude Oil/Gas Sales	70.30	147.15	129.06	74.28
Others	39.14	11.81	4.05	129.66
Non-oil	**301.14**	**386.85**	**243.00**	**577.67**
Corporate Tax	81.88	139.58	54.81	153.06
Customs & Excise Duties	71.78	76.82	58.02	114.87
Value-Added Tax (VAT)	96.49	120.27	94.49	187.99
Independent Revenue of Fed. Govt.	17.86	21.33	21.92	70.83
*Others**	33.13	28.85	13.76	50.92
Total Deductions/Transfers*	***117.51***	***357.74***	***182.75***	***324.16***
Federally Collected Revenue *Less Deductions & Transfers***	**593.81**	**557.53**	**443.16**	**992.59**
plus:				
Additional Revenue	**0.80**	**62.98**	**141.30**	**0.00**
Excess Crude Revenue	*0.00*	*0.00*	*103.97*	*0.00*
Excess Non-oil Revenue	*0.00*	*0,00*	*10.01*	*0.00*
Exchange Gain	*0.80*	*62.98*	*27.32*	*0.00*
Total Distributed Balance	***594.60***	***620.52***	***584.45***	***991.70***
Federal Government	*253.92*	*264.33*	*255.08*	*402.42*
State Government	*168.06*	*181.49*	*166.63*	*277.94*
Local Government	*126.28*	*135.95*	*125.35*	*208.10*
13% Derivation	*46.35*	*38.75*	*37.39*	*104.14*

Source: Compiled from the Office of the Accountant-General of the Federation (OAGF) figures and Central Bank of Nigeria Staff Estimates
Note: * Includes Education Tax, Customs Special Levies (Federation Account), National Technology Development, Customs Special Levies, Solid Mineral & Other Mining revenue, and other Non-regular earnings; ** Deductions includes cost of revenue collections and JVC cash calls; while transfers entails provisions for FGN Independent revenue and other Non-Federation revenue.

Majority of the subnational governments generated minimal internal revenue, thus making them susceptible to fluctuations in federally collected revenue. At the federal and sub-national levels, the incipient fiscal crisis may not be steadied anytime soon. Allocations to States and Local governments in May 2020, fell short of their levels in the preceding month and corresponding month in 2019. The allocations also remained significantly below the 2020 benchmarks by 46.6 and 39.8 per cent for States and LGAs, respectively (Table 9). Consequently, some state governments set up committees to revise their budgets for 2020.

Table 9: Allocations to Subnational Governments (₦' Billion)

	State Government			Local Government		
	Statutory	VAT	Total	Statutory	VAT	Total
May-19	168.10	46.31	214.41	93.86	32.42	126.28
Apr-20	164.31	55.93	220.24	96.80	39.15	135.95
May-20	**160.09**	**43.94**	**204.03**	**94.59**	**30.76**	**125.35**
Benchmark	*295.00*	*87.08*	*382.08*	*147.15*	*60.95*	*208.10*

Source: Compiled from the Office of the Accountant-General of the Federation (OAGF) figures.

Drivers of Federation revenue

Changes in federation account revenue were driven by outturns in both oil and non-oil revenues, which constituted 61.20 per cent and 38.80 per cent, respectively. In terms of oil revenue performance, the slowdown in economic activities sequel to the COVID-19 pandemic, culminated in a fall in the global demand for crude oil amidst supply glut, resulting in the decline in oil prices. Consequently, receipts from the various components of the oil revenue dipped. Receipts from crude oil and gas exports as well as petroleum profit tax (PPT) and royalties, the major sources of oil revenue, declined by 68.2 per cent and 51.2 per cent, respectively, relative to benchmarks. They also fell below their levels in the preceding month by 39.8 per cent and 31.6 per cent. Similarly, non-oil revenue performance in May was constrained by delays in the filing of tax returns by companies and individuals, due to the lockdown. This explained the observed significant shortfalls in collections, particularly corporate tax and VAT, which dropped 64.2 per cent and 49.7 per cent below benchmarks, and 60.7 per cent and 21.4 per cent below April receipts (Table 8).

2.2.2. Fiscal Operations of the Federal Government

Fiscal operations of the Federal government

Following tighter revenue conditions, the fiscal operations of the Federal Government in May 2020 resulted in an estimated deficit of ₦561.72 billion, compared with the ₦181.27 billion benchmark, ₦488.24 billion in April 2020, and ₦242.73 billion in May 2019 (Table 10). The larger deficit arose from the combined effect of the 60.5 per cent fall in revenue and rising government expenditure since the beginning of the COVID-19 pandemic.

Table 10: Fiscal Balance (₦' Billion)

	May-19	Apr-20	May-20	Benchmark
Retained revenue	280.70	285.66	276.99	701.60
Aggregate expenditure	523.44	773.91	838.71	882.86
Primary balance	-134.10	-325.07	-387.62	45.86
Overall balance	**-242.73**	**-488.24**	**- 561.71**	**-181.27**

Source: Compiled from the Office of the Accountant-General of the Federation (OAGF) figures and Central Bank of Nigeria Staff Estimates
Note: The figures in April and May 2020, are provisional pending the receipt of consolidated data from the OAGF

Federal government retained revenue

The shortfall recorded in the Federation Account, impacted the retained revenue of the FGN. At ₦276.99 billion, the estimated retained revenue of the Federal Government was 60.5 per cent short of the monthly benchmark of ₦701.60 billion. This continued to impede the capacity of the FGN to fund its obligations and further elevated borrowing requirements to augment the revenue shortfall (Table 11).

Table 11: FGN Retained Revenue (₦' Billion)

	May-19	Apr-20	May-20	Benchmark
FGN Retained Revenue	**280.70**	**285.66**	**276.99**	**701.60**
Federation Account	*239.65*	*217.77*	*169.83*	*376.30*
VAT Pool Account	*13.89*	*16.78*	*13.18*	*26.12*
FGN Independent Revenue	*17.87*	*21.33*	*21.92*	*70.83*
Excess Oil Revenue	*0.00*	*0.00*	*0.00*	*0.00*
Excess Non-Oil	*0.00*	*0.00*	*59.43*	*0.00*
Exchange Gain	*0.37*	*29.78*	*12.63*	*0.00*
*Others**	*8.93*	*0.00*	*0.00*	*228.35*

Source: Compiled from the Office of the Accountant-General of the Federation (OAGF) figures
Note: * Others include FGN Special Accounts and Special Levies

Box 1: Federal Executive Council Revises the 2020 FGN Budget

- Sequel to the eroding effect of COVID-19 on government finances, through its disruptions of economic activities and depression of international crude oil prices, the Federal Executive Council (FEC) on May 12, 2020 approved the revision of the Medium-Term Expenditure Framework and Fiscal Strategy Paper (MTEF&FSP, 2021-2023) as well as the amendment to the 2020 Appropriation Act.

- The FEC approved the downward review of the key assumptions underpinning the 2020 approved budget, including the reduction of the crude oil price benchmark from US$57.00 per barrel (pb) to US$25.00 pb. This is in addition to cuts in selected budget heads, including the capital expenditures of ministries, departments, and agencies (MDAs), and the inclusion of new spending, resulted to a slash in the 2020 budget.

Parameters	2020 Approved Budget	2020 FEC Revision
Oil price per barrel	US$57	US$25
Crude oil production	2.18 mbpd	1.94 mbpd
Exchange rate	N305/US$1	N360/US$1

- At ₦1,052.00 billion, the FEC-revised 2020 budget was N71.50 billion below the 2020 approved budget of N1,059.00 billion. However, it exceeded the initial submission of N1,023.00 billion to the National Assembly, which was based on a US$20.00 pb oil price benchmark, by N247.00 billion.

- The proposal also included the N500 billion COVID-19 Intervention Fund, which would notably be funded from several sources, including; Federal Government Special Accounts (N263.63 billion), Federation Special Accounts (N186.37 billion), and grant & donations (N50.00 billion).

- These revisions and proposals are, however, subject to the approval of the National Assembly.

Source: Central Bank of Nigeria

Federal government expenditure

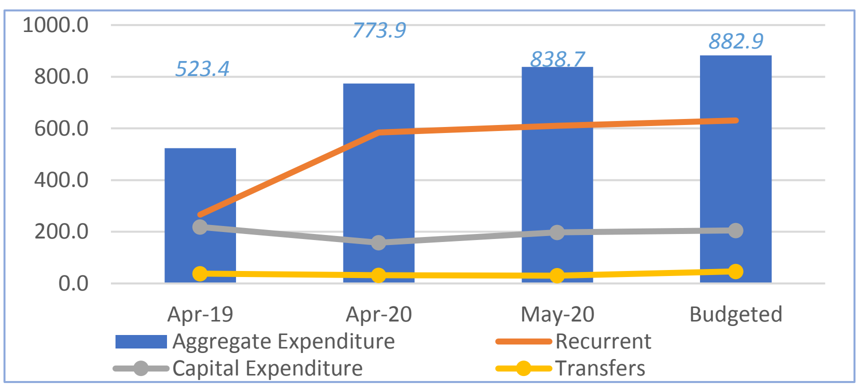
The expenditure of ₦838.71 billion was 8.4 per cent above the ₦773.91 billion recorded in April. It was, however, below the monthly benchmark estimate of ₦882.86 billion by 5.0 per cent. The rise in expenditure relative to the level in April, underscored the continued financing of government obligations, including, payment of salaries, pensions, interests, and contractual arrears on capital projects; despite the lockdown (Table 12).

Table 12: Federal Government Expenditure (₦' Billion)

	May-19	Apr-20	May-20	Benchmark
Aggregate Expenditure	**523.44**	**773.91**	**838.71**	**882.90**
Recurrent	266.40	583.69	610.51	630.70
of which:				
Personnel Cost	187.70	216.62	220.64	253.90
Pension and Gratuities	24.56	21.23	18.04	44.70
Overhead Cost	105.76	164.27	177.88	75.80
Interest Payments	108.64	163.17	174.09	227.10
Domestic	*74.27*	*135.17*	*151.20*	*167.10*
External	*34.37*	*28.00*	*22.89*	*60.00*
Special Funds	-160.25	18.40	19.87	29.20
Capital Expenditure	218.60	157.77	198.08	205.50
Transfers	38.43	32.45	30.12	46.70

Source: Staff Estimates and Compilation from the Fiscal Liquidity Assessment Committee engagement

Figure 11: Federal Government Expenditure (N' Billion) May 2020



Source: CBN Staff Estimates

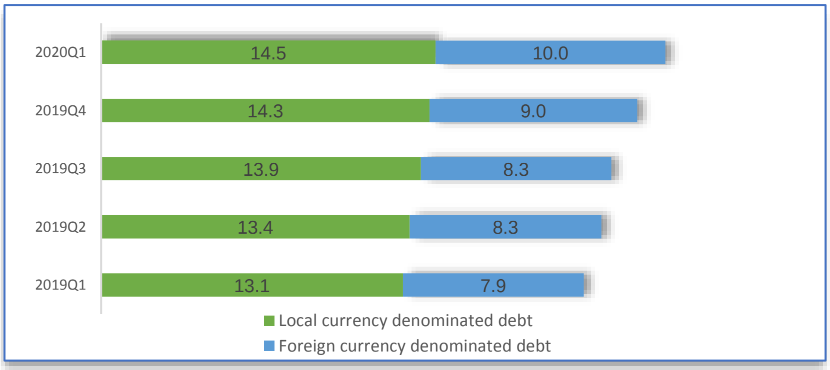
Federal government debt

The trajectory of FGN's total debt outstanding was driven by rising fiscal deficits. At ₦24,522.05 billion as at March 2020 the total debt stock of the FGN rose by 5.3 per cent and 16.9 per cent over levels at end-December 2019 and the corresponding period in 2019 (Figure 11)[10]. External and domestic debt obligations accounted for 40.7 per cent and 59.3 per cent of the total debt stock, respectively. Interest payment

[10] About 6.7 per cent of the total FGN debt consists of States and FCT external debt guaranteed by the FGN.

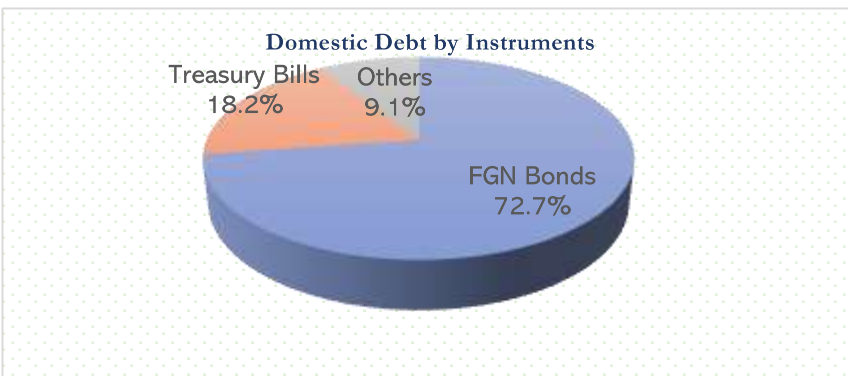
obligations amounted to ₦779.73 billion as at end-March 2020. FGN bond issues accounted for 72.7 per cent of total domestic debt, while multilateral and commercial loans jointly represented 86.1 per cent of the total external debt, as shown in Figure 12.

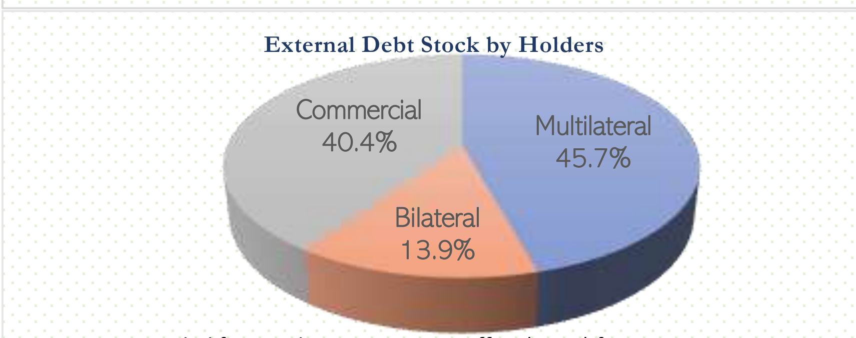
Figure 12: FGN External and Domestic Debt Composition (₦' Trillion)



Source: Compiled from the Debt Management Office (DMO) figures

Figure 13: Composition of FGN Debt Stock





Source: Compiled from Debt Management Office (DMO) figures

2.2.3. Fiscal Outlook

Fiscal outlook

The fiscal position of the FGN deteriorated in May 2020 vis-à-vis April 2020 and May 2019. Amidst the ongoing COVID-19 pandemic, the observed rising debt profile as well as the increasing interest payments, raises concern about the medium- to long-term sustainability of fiscal policy. If the current COVID-19-induced restrictions persists, and oil prices remain low, government revenue is likely to further decline. However, recurrent expenditure is projected to continue to rise, considering the countercyclical fiscal policy measures needed to sustain the economy. Consequently, overall fiscal balance is expected to deteriorate further, while the Federal Government resorts to new borrowings to finance its increasing obligations.

2.3. MONETARY AND FINANCIAL DEVELOPMENTS

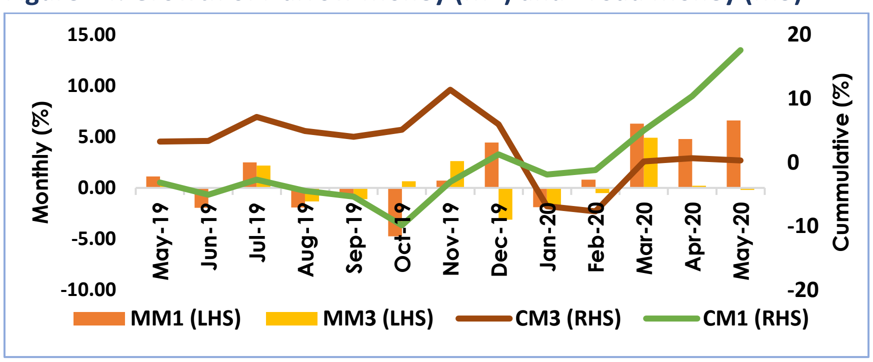
The persistence of the COVID-19 pandemic continued to exacerbate financial market volatility in the Nigerian economy. Foreign portfolio and local investors sought safety amid falling oil price and currency adjustment. However, the monetary policy standpoint leaned strongly towards supporting credit growth to quicken economic recovery.

2.3.1. Monetary Developments

Monetary aggregates

Monetary policy stance has been geared towards credit expansion to key sectors of the economy with the reduction in MPR to 12.5 per cent. Growth in key monetary aggregates were largely inadequate to engender significant output growth, leaving enough scope for monetary expansion. The growth in broad money supply (M_3) was slower at 2.7 per cent in May 2020 compared with 2.9 per cent a month earlier. Annualised growth rate, at 6.5 per cent, was lower than the benchmark growth of 11.7 per cent for 2020. The expansion in money stock reflected the 11.6 per cent and 7.5 per cent increases in net foreign assets of the banking system and claims on the domestic economy, respectively. The corresponding rise in monetary liabilities was due to the 22.3 per cent and 10.2 per cent increases in transferable deposits and 'other' deposits of the depository corporations, respectively. The cumulative growth of M_1 continued to soar, while that of M_3 remained flat, suggesting the continued desire to hold more cash in the face of uncertainty.

Figure 14: Growth of Narrow Money (M1) and Broad Money (M3)



Source: Central Bank of Nigeria

Table 13: Money and Credit Aggregates (Growth Rates)

	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Growth Over Preceding December (%)					
Domestic Claims	-1.0	1.3	5.2	8.4	7.5
Claims on Central Government (Net)	-2.4	5.1	2.6	10.0	1.8
Claims on Other Sectors	-0.5	-0.1	6.1	7.8	9.5
Claims on Other Financial Corporatins	0.4	1.3	9.1	13.4	18.0
Claims on State and Local Government	-2.5	-0.3	0.1	-3.6	-4.5
Claims on Public Non-Financial Corporations	-8.6	-11.4	-10.0	-7.6	-11.6
Claims on Private Sector	-0.1	0.0	6.3	7.3	8.1
Foreign Assets (Net)	**14.8**	**-2.6**	**10.3**	**1.9**	**11.6**
Other Items (Net)	**68.8**	**49.8**	**68.7**	**79.9**	**96.3**
Currency Outside Depository Corporations	-8.2	-11.7	-6.5	-5.9	-2.4
Transferable Deposits	-0.4	1.3	8.1	14.2	22.3
Money Supply (M1)	**-1.9**	**-1.2**	**5.0**	**10.0**	**17.6**
Other Deposits	**3.0**	**5.8**	**8.5**	**10.8**	**10.2**
Broad Money Liabilities (M2)	**1.2**	**3.2**	**7.2**	**3.0**	**12.9**
Securities other than shares	**-16.3**	**-29.1**	**-20.1**	**-34.3**	**-46.1**
Broad Money Liabilities (M3)	**-1.8**	**-2.3**	**2.6**	**2.9**	**2.7**
Memorandum Items:					
Reserve Money (RM)	-3.2	11.1	17.1	41.3	49.6
Currency in Circulation (CIC)	-7.9	-10.5	-6.0	-5.6	-3.7
Liabilities to other Depository Corporations	-1.4	19.6	26.1	59.7	70.5
Growth Over Preceding Month (%)					
Domestic Claims	**-1.0**	**2.3**	**3.6**	**3.0**	**-0.8**
Claims on Central Government (Net)	-2.5	7.7	-2.4	7.2	-7.4
Claims on Other Sectors	-0.5	0.4	5.8	1.6	1.6
Claims on Other Financial Corporatins	0.4	0.9	7.7	3.9	4.1
Claims on State and Local Government	-2.5	2.2	0.3	-3.6	-0.9
Claims on Public Non-Financial Corporatic	-8.6	-3.1	1.6	2.7	-4.4
Claims on Private Sector	-0.1	0.1	5.7	0.8	0.7
Foreign Assets (Net)	**14.8**	**-15.2**	**13.3**	**-7.6**	**9.5**
Other Items (Net)	**68.8**	**-11.3**	**12.6**	**7.1**	**9.1**
Currency Outside Depository Corporations	-8.2	-3.8	5.9	0.7	3.8
Transferable Deposits	-0.4	1.8	6.3	5.6	7.1
Money Supply (M1)	**-1.9**	**0.8**	**6.3**	**4.8**	**6.6**
Other Deposits	**3.0**	**2.7**	**2.4**	**2.1**	**-0.6**
Total Monetary Liabilities (M2)	**1.2**	**2.0**	**3.8**	**3.0**	**2.0**
Securities other than shares	**-16.3**	**-15.3**	**12.6**	**-17.7**	**-18.0**
Total Monetary Liabilities (M3)	**-1.8**	**-0.5**	**5.1**	**0.2**	**-0.2**
Memorandum Items:					
Reserve Money (RM)	-3.2	14.8	5.4	20.7	5.9
Currency in Circulation (CIC)	-7.9	-2.8	5.0	0.5	2.0
Liabilities to other Depository Corporations	-1.4	21.2	5.5	26.6	6.8

Source: Central Bank of Nigeria

Sources of change in money supply

Growth in monetary assets was driven by net foreign assets and claims on the domestic economy. The continued decline in liabilities to non-residents in the face of uncertainty resulted in a 11.6 per cent increase in net foreign assets and contributed 1.9 percentage points to the growth in M_3. Claims on the domestic economy grew by 7.5 per cent, compared with 8.4 per cent at end-April 2020 buttressing the Bank's effort to fund economic activities and boost output recovery. The growth in domestic claims reflected majorly the 9.5 per cent increase in claims on other sectors. Much of the growth in domestic claims have been retained by other financial corporations (4.1 per cent), while credit to the private sector grew by 0.7 per cent.

Private sector credit in May was driven largely by other depository corporations' credit; hence, reinforcing the effectiveness of the Loan-to-Deposit ratio policy of the Bank. Bank credit to the private sector grew by 8.1 per cent in May compared with 7.3 per cent in April. This was driven, largely, by other depository corporations' credit. Sectoral credit utilisation by the 'other sectors of the economy at ₦18,632.18 billion, rose by 0.53 per cent over its level at end-April 2020. Analysis of the composition of the credit indicated that industrial and services sectors constituted 37.5 per cent and 38.5 per cent of the total allocation; a slight decline from 37.3 per cent and 38.4 per cent a month earlier. Agricultural and construction sectors accounted for 4.6 per cent and 4.5 per cent in May 2020, respectively, compared with their respective shares of 4.7 per cent and 4.5 per cent in the preceding month.

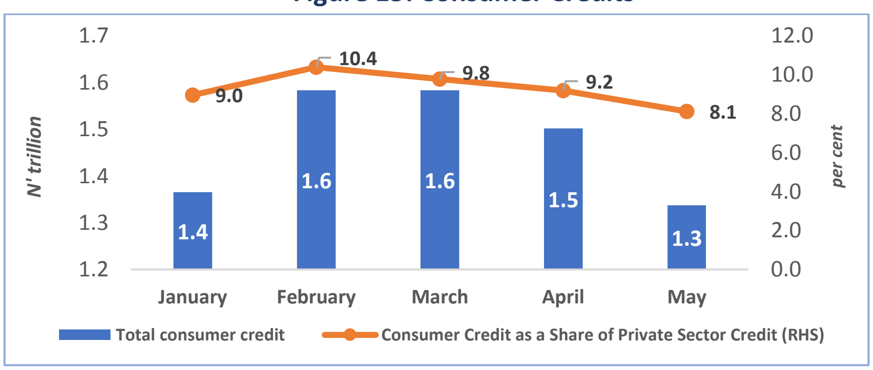
Sectoral Utilisation of Credit

Table 14: Sectoral Credit Utilization

	Dec-19	Mar-20	Apr-20	May-20
Agriculture	4.6	4.6	4.7	4.6
Industry	37.3	37.9	37.3	37.5
Construction	4.1	4.3	4.5	4.5
Trade/General Commerce	7.2	6.9	6.8	6.7
Government	8.8	8.2	8.2	8.2
Services	37.9	38.1	38.4	38.5

Source: Central Bank of Nigeria

Figure 15: Consumer Credits

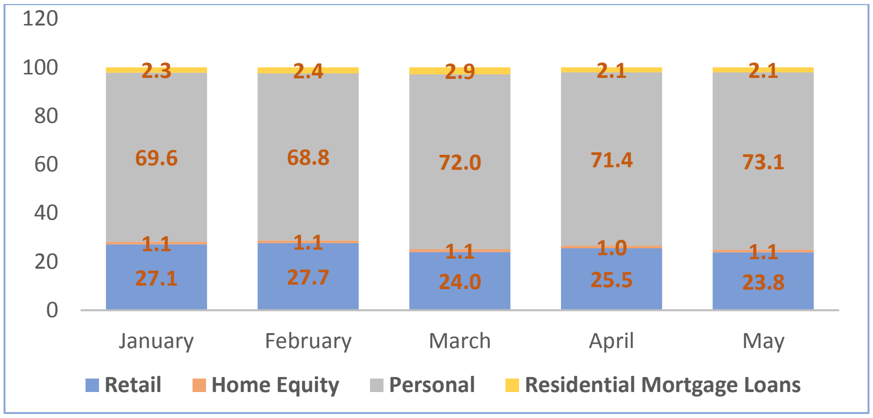


Source: Central Bank of Nigeria

Consumer credit outstanding, at ₦1,337.47 billion, declined by 11.0 per cent below the level in April. At that level, outstanding consumer credit constituted 8.1 per cent of claims on private sector. The decline was due to the lull in economic activities caused by the COVID-19 pandemic.

The breakdown of consumer loans indicated that personal loan advanced to customers with low risk of default dominated consumer credits.

Figure 16: Composition of Consumer Credit in Nigeria (per cent)



Source: Central Bank of Nigeria

Negative impact of the COVID-19 pandemic and commodity price shocks would have potential adverse effect on the financial sector, due to the spillover risks from the global financial markets and capital flows. With the GDP growth rate expected to contract in the second quarter of 2020, the development could impact on the NPLs of the banking system, particularly for banking institutions exposed to the oil and gas sector, which represented over 20.0 per cent of the industry's NPLs, with attendant greater credit risks.

Change in Monetary Liabilities

Intermediation efficiency in the banking sector further deteriorated, due to increased demand to hold cash for precautionary reasons, arising from the uncertainties caused by COVID-19 pandemic. Depository Corporations' 'other' deposits plummeted on month-on-month basis, on account of the unattractive yields on these deposits which heightened the preference for cash. This was also reflected in the 3.8 per cent and 7.1 per cent rise in currency outside depository corporations and transferrable deposits, indicating increased demand for cash by economic agents. Consequently, the proportion of currency outside depository corporations to total monetary liabilities stood at 5.5 per cent, an increase of 0.2 percentage point above the level at end-April 2020. At end-May 2020, M_1 expanded by 17.6 per cent due to increases in transferrable deposits and currency outside depository corporations. As domestic conditions improve, the need to hold cash for precautionary motive will moderate, thereby easing liquidity for the banking system.

Reserve Money

Extensive CRR debits on banks that failed to comply with policy directives, increased the monetary authority's liabilities to other depository corporations and increased reserve money in May 2020. Reserve money grew by 5.9 per cent to ₦12,968.50 billion compared with a growth of 20.7 per cent in April 2020. At ₦10,615.17 billion, liabilities to other depository corporations surged 70.5 per cent above the preceding month's growth rate of 59.7 per cent. The heightened uncertain outlook due to the lockdown, encouraged more cash to be held by the public. This was evident from the increase in currency-in-circulation (CIC), compared with the level in the preceding month. CIC rose by 2.0 per cent to ₦2,353.34 billion at end-May 2020, compared with the increase of 0.5 per cent at end-April 2020.

2.3.2. Financial Developments

Despite the downturn in the global financial markets, oil market challenges, and capital flows constraints, the domestic financial sector remained stable in the review period, as shown by key financial soundness indicators.

Financial Soundness Indicators

The health of banks was generally sound although their asset quality, measured by the ratio of Non-Performing Loans (NPLs) to industry total outstanding loans, at 6.5 per cent in May 2020, surpassed the 5.0 per cent prudential benchmark. At 14.9 per cent, Capital Adequacy Ratio (CAR) remained unchanged from the level at end-April and exceeded the regulatory benchmark of 10.0 per cent. The liquidity ratio, at 37.8 per cent, has continued to decelerate in response to the implementation of the LDR policy, but remained above the 30.0 per cent threshold.

Money market developments

Banking system liquidity moderated but remained buoyant at ₦450.0 billion, exceeding the Bank's benchmark of ₦313.8 billion. This was due to the net effects of the LDR policy and the CRR debits on banks aimed at strengthening credit to other sectors of the economy. There was a net decrease in liquidity, with the industry position closing at an average of ₦368.90 billion compared with ₦518.84 billion in April. Withdrawals from the banking system arose from provisioning and settlement of foreign exchange purchases, auctioning of CBN Bills, FGN Bonds and Nigerian Treasury Bills (NTBs) as well as CRR debits. The industry liquidity position was moderated through the reduction in repayment of matured CBN bills, Nigerian Treasury Bills (NTBs) and fiscal disbursements to the three tiers of Government. A classification of the various liquidity instruments showed open market operations (OMO), primary market activities and standing facilities as the main sources.

Open Market Operations

The Bank intervened through the conduct of direct OMO auctions to moderate liquidity in May 2020. The tenors of the instruments were from 89 days to 348 days. Total amount offered, subscribed and alloted, were ₦230.00 billion, ₦699.19 billion and ₦114.00 billion, respectively. The bid rate was 9.8 per cent (±2.8 per cent), while the stop rate was 8.5 per cent (±1.5 per cent). Repayment of matured CBN bills stood at ₦296.95 billion, translating to a net injection of ₦183.00 billion through this medium.

Primary Market

At the Government securities market, NTBs and long-term FGN Bonds were issued at the primary market on behalf of the Debt Management Office (DMO). NTBs of 91-, 182- and 364-day tenors, amounting to ₦93.21 billion, ₦296.11 billion and ₦202.14 billion, respectively, were offered, subscribed and allotted. The low bid-cover ratio of less than 2.0 for all the tenors (particularly the 364-day tenor) indicated weak demand, due to the low yield. There was no repayment of matured NTBs during the review period, which resulted in net withdrawal of ₦202.14 billion through this medium.

FGN Bonds of 5-, 15- and 30-year tenors were offered for sale in the review period. Term-to-maturity of the Bonds were 2 years and 11 months to 29 years and 10 months. Total amount offered, subscribed and allotted, were ₦60.00 billion, ₦425.18 billion and ₦296.20 billion, respectively. Allotment on non-competitive basis was ₦94.50 billion. The oversubscription was attributed to investors' preference for high-yield fixed income securities. The bid rate on all tenors stood at 10.7 per cent (±3.4 per cent), while the marginal rate was 10.9 per cent (±1.7 per cent). The bid-cover ratio for the 5-year bond stood at 1.1, while that of 15- and 20-year bonds stood at 2.5 and 2.2, respectively. The bid-cover ratio for 15- and 20-year bonds also showed investors preference for high-yield debt security. There was no bond maturity in May 2020; hence, no repayment. This resulted in a net withdrawal of ₦296.2 billion.

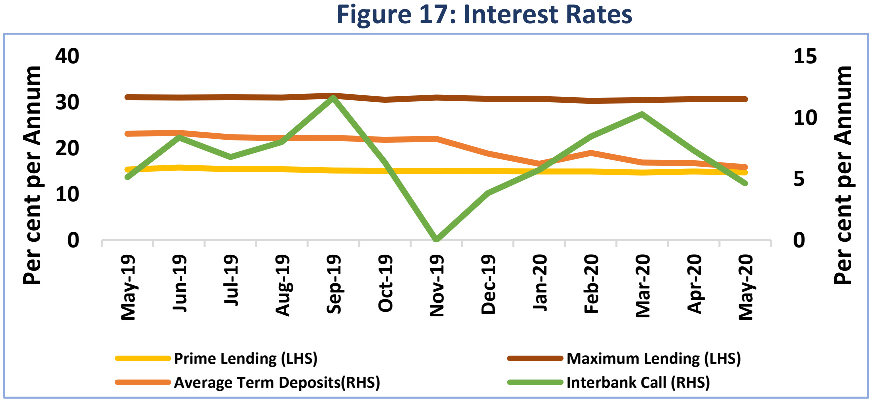
Standing Facilities

Deposit Money Banks (DMBs) and merchant banks continued to access the Standing Facilities window to square-up their positions in May 2020. The trend at the CBN standing facilities window showed higher frequency at the Standing Deposit Facility (SDF) window, as against the reduced patronage at the Standing Lending Facility (SLF) window, indicating excess liquidity in the banking system. Applicable rates for the SLF and SDF remained at 15.5 per cent and 8.5 per cent, respectively. During the month, total request for the SLF granted was ₦155.17 billion, comprising ₦111.83 billion direct SLF and ₦43.33 billion Intraday Lending Facilities (ILF) converted to overnight repo. Daily average was between ₦0.35 billion and ₦30.55 billion, and averaged ₦11.08 billion in the 14-transaction-day period from May 2 to May 22. Total interest earned at 15.5 per cent was ₦0.11 billion. Total SDF granted was ₦455.04 billion with a daily average of ₦30.27 billion in the 15-transaction-day period from May 1 to May 22. Daily request ranged from ₦0.06 billion to ₦40.95 billion. Cost incurred on SDF in the month stood at ₦0.14 billion.

Interest rate developments

Lending rates moderated in May due, mainly, to the continued rollout of monetary and fiscal stimulus, which improved monetary conditions and renewed foreign interest in the domestic economy. Money market rates were, generally, stable and moved in tandem with the level of liquidity in the review period. Short-term money market rates traded below the MPR rate of 12.50 per cent for a major part of the period. Average inter-bank and OBB rates were 4.6 per cent and 5.5 per cent, respectively, in May 2020. Other rates such as, the 7-day and 30-day NIBOR traded at respective average of 5.8 per cent and 6.1 per cent. From their levels in the preceding month, average prime and maximum lending rates fell by 0.20 percentage point and 0.04 percentage point to 14.7 per cent and 30.7 per cent, respectively. Average term-deposit rate also fell, by 0.1 percentage point, to 6.0 per cent. Accordingly, the spread between the average term-deposit and average maximum lending rates narrowed by 0.3 percentage point to 24.4 percentage points. With inflation at 12.4 per cent in May 2020, the scenario implied negative real rates for deposits, but positive real rates for the prime and maximum lending rates.

Figure 17: Interest Rates

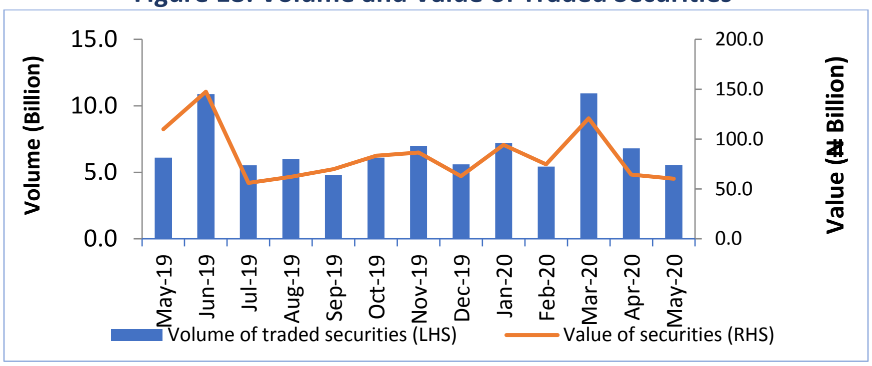


Source: Central Bank of Nigeria

Capital market developments

Capital market activities ended on a positive note, despite the slowdown in global activities. Due to the gradual recovery in crude oil prices and increased investors patronage of blue-chip stocks, such as banking and telecommunication stocks, as well as, positive sentiments by investors, activities on the Nigerian Stock Exchange (NSE) were bullish during the review month. The All Share Index (ASI) and the aggregate market capitalisation rose, relative to their levels in the preceding month. The turnover volume and value of traded securities, however, fell by 18.1 per cent and 6.2 per cent, respectively, to 5.56 billion shares and ₦60.32 billion, in 96,622 deals, compared with 6.79 billion shares worth ₦64.31 billion, in 89,335 deals in April (Figure 18). There was one supplementary listing in the review period.

Figure 18: Volume and Value of Traded Securities



Source: Nigeria Stock Exchange

Table 15: Supplementary Listings on the Nigerian Stock Exchange May 2020

Company	Additional Shares (Units)	Reasons	Listing
FBNQ MB SPV Plc	5.00 Billion Unsecured Bond	Bond Issuance Programme	New Listing

Source: Nigeria Stock Exchange

Market capitalisation

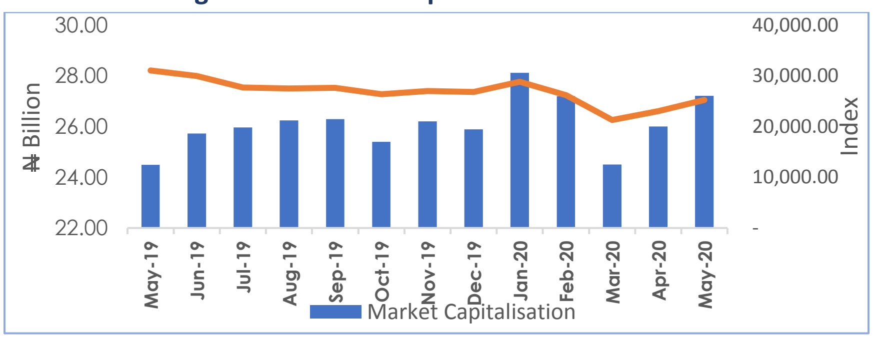
Investors' renewed interest in low-priced stocks and the gains recorded in medium and high capitalised stocks, improved market capitalisation in the review month. Aggregate market capitalisation rose by 4.5 per cent to ₦27.21 trillion in May 2020, compared with ₦26.04 trillion recorded at end-April 2020. This was due to the gains recorded in medium and high capitalised stocks like MTN Nigeria, Dangote sugar, UACN, Union Bank Plc., Mobil Nigeria, Total Nigeria, Unilever Nigeria Plc, Stanbic IBTC holdings and Guaranty Trust Bank Plc. The equities market capitalisation also rose, by 9.8 per cent, to ₦13.18 trillion and constituted 48.4 per cent of the total market capitalisation, compared with respective levels of ₦12.01 trillion and 46.1 per cent at the end of the preceding month.

NSE All-Share Index

The gradual easing of the lockdown, rebound in crude oil prices and commencement of the implementation of OPEC+ supply cut deal boosted institutional investors' confidence, increased patronage, and created positive sentiments in the Nigerian bourse. Consequently, from 23,021.01 at the beginning of the month, the ASI rose by 9.8 per cent to 25,267.82 at the end of the month.

All the sectoral indices trended upward relative to the levels in the preceding month. Specifically, the NSE-Industrial index, NSE-Pension, NSE-Consumer Goods, NSE-Lotus, NSE-Banking, NSE-Premium, NSE-Oil and Gas, NSE-Insurance and the NSE-AseM rose by 19.0 per cent, 16.1 per cent, 14.5 per cent, 12.6 per cent, 12.0 per cent, 11.2 per cent, 9.2 per cent, 8.2 per cent and 0.2 per cent to 1,204.70, 1,020.88, 424.96, 1,834.32, 304.11, 2,234.86, 228.30, 131.81, and 762.45, respectively, relative to the levels at the end of the preceding month.

Figure 19: Market Capitalisation and All-Share Index



Source: Nigeria Stock Exchange

2.4. EXTERNAL SECTOR DEVELOPMENTS

The performance of the external sector continued to be undermined by the COVID-19 pandemic and subsequent partial lockdown of economies globally. Thus, aggregate foreign exchange inflow, capital importation and external reserves of the Nigerian economy declined by 43.2 per cent, 21.0 per cent and 0.7 per cent to US$5.52 billion, US$0.25 billion and US$36.19 billion in May 2020, below their respective levels in the preceding month. However, the trade sector recorded a surplus of US$0.10 billion due to the significant contraction in imports. The average exchange rate at the inter-bank, the Bureau de Change (BDC) segment, and the Investors and Exporters (I&E) window were N361.00/US$, N443.33/US$ and N386.25/US$, respectively, in the review month.

2.4.1 Trade Performance

***At US$7.94 billion in May 2020, the value of Nigeria's total trade declined by 6.7 per cent and 31.2 per cent, compared with the US$8.51 billion in April 2020 and US$11.53 billion in May 2019, reflecting the disruptive effects of the COVID-19 pandemic*.** With the domestic lockdown to contain the pandemic, Nigeria's imports and exports declined by 4.8 per cent and 8.4 per cent to US$3.92 billion and US$4.02 billion, relative to their respective levels in April. Accordingly, trade surplus declined to US$0.10 billion from US$0.28 billion.

Crude oil and gas export

Due to the drop in crude oil prices and crude oil production, crude oil export declined by 8.8 per cent and 31.0 per cent to US$2.88 billion in May 2020, from US$3.16 billion in April 2020 and US$4.18 billion in May 2019. The average price of Nigeria's reference crude, the Bonny Light, rose by 95.10 per cent from US$14.3 per barrel in April 2020, to US$27.9 per barrel in May 2020; yet, significantly below the US$73.7 per barrel in May 2019. Crude oil production declined to 1.75 mbpd, in the review period, compared with 1.80 mbpd in April 2020 and 1.85 mbpd in May 2019. Similarly, gas export declined by 3.5 per cent to US$0.56 billion in May 2020, relative to US$0.58 billion in April 2020. Crude oil and gas component remained dominant and accounted for 85.6 per cent of total exports. Crude oil and gas accounted for 71.6 per cent and 14.0 per cent of total exports, respectively.

Non-oil export

The supply-chain disruptions and restrictions of non-essential trade, following the lockdown measures as well as Nigeria's border closure led to reduced non-oil export earnings. Non-oil export declined by 10.8 per cent to US$0.58 billion in May 2020 from US$0.65 billion in April. A disaggregation showed that other non-oil exports and re-exports declined by 13.4 per cent and 7.5 per cent, to US$0.24 billion and US$0.33 billion from their respective levels in April 2020. However, earnings from electricity export to Benin Republic and Togo increased to US$0.008 billion from US$0.007 billion over the one-month period.

Export receipts by top ten exporters

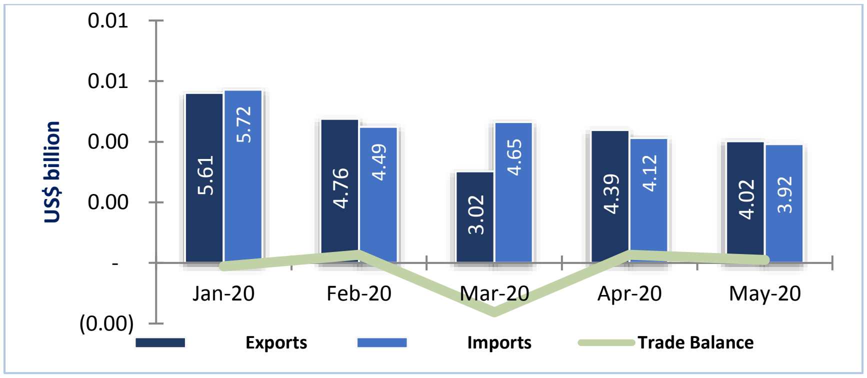
Despite the lockdown measures, export proceeds of the top ten exporters increased by 29.8 per cent to US$74.78 million from US$57.62 billion. Analysis showed that Olam Nigeria Limited topped the list with a value of US$21.15 million or 28.3 per cent of the total, from the export of cocoa beans, cashew nuts, and sesame seeds to Turkey and China. The second major non-oil exporter was British American Tobacco Nigeria Limited with value of US$18.13 million (24.2 per cent), from the export of cigarettes to Liberia, Guinea, Ghana, Cameroun, Cote d'Ivoire and Niger. The third major non-oil exporter was Indorama Eleme Fertilizer and Chemicals Limited at US$9.64 million (12.9 per cent), realised from the export of urea fertilizer and agronomy services to Turkey and China.

The fourth major non-oil exporter was Valency Agro Nigeria Limited, with a value of US$5.52 million (7.4 per cent), from the export of cocoa beans to Malaysia. This was followed by Starlink Global and Ideal Limited, with a value of US$5.00 million (6.7 per cent), from the export of cocoa beans to Malaysia. Olatunde International Limited, Wacot Limited, ETC Agro Company Nigeria Limited, Atlantic Shrimpers Limited and BC Nigeria Cocoa & Chocolate Limited, were at sixth, seventh, eighth, ninth and tenth positions with export earnings of US$4.09 million (5.5 per cent), US$3.48 million (4.7 per cent), US$3.09 million (4.1 per cent), US$2.39 million (3.2 per cent) and US$2.29 million (3.1 per cent), respectively. Their major export products were raw cocoa beans, cashew nuts, sesame seeds, sea frozen shrimps and chocolates to Spain, India, Japan, Vietnam and the Netherlands, respectively.

Imports

Dampened global demand caused a contraction in merchandise imports to US$3.92 billion in May 2020 from US$4.12 billion in the preceding month and US$6.51 billion in May 2019**.** Non-oil products, constituting 77.0 per cent of total imports, declined to US$3.02 billion in the review period, from US$3.12 billion and US$4.01 billion in April 2020 and May 2019, respectively. Similarly, the importation of petroleum products, representing 23.0 per cent of total imports, fell to US$0.90 billion in May 2020, from US$1.0 billion in April 2020 and US$2.20 billion in May 2019.

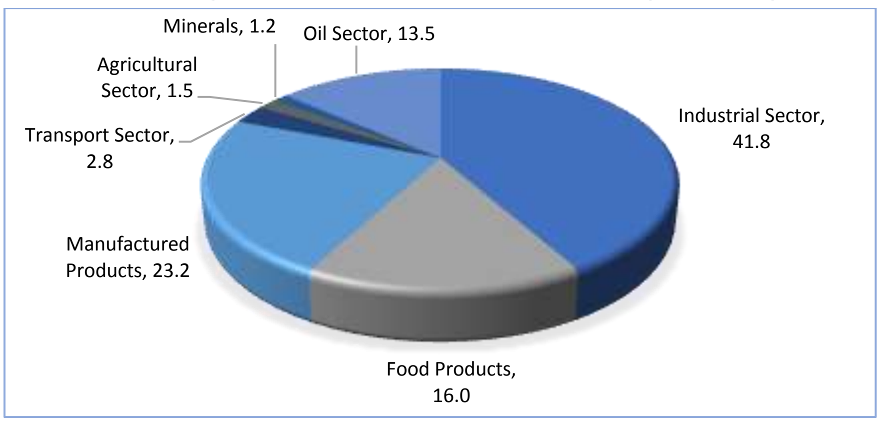
Figure 20: Export, Import and Trade Balance (US$ Billion)



Source: Central Bank of Nigeria

A breakdown of visible imports by sector indicated that the industrial sector imports accounted for the largest share of 41.8 per cent, followed by manufactured products with a share of 23.2 per cent. Food products accounted for 16.0 per cent; oil sector, 13.5 per cent; transport sector, 2.8 per cent; agricultural sector, 1.5 per cent; while minerals sector ranked lowest with 1.2 per cent of the total visible imports.

Figure 21: Sectoral Utilization of Foreign Exchange



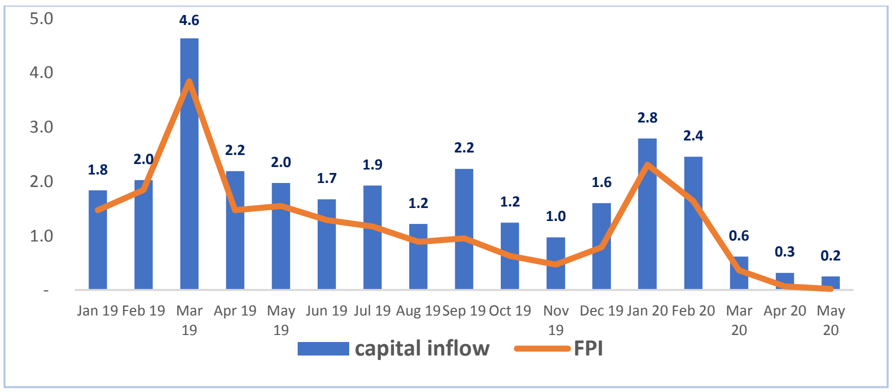
Source: Central Bank of Nigeria

2.4.2 Capital Importation and Capital Outflows

Capital inflow declined by 21.0 per cent, month-on-month, to US$0.25 billion, highlighting the familiar pattern of foreign portfolio investors' reactions to shocks. A comparative analysis showed that aggregate capital inflows stood at US$6.4 billion between January and May 2020, relative to US$12.6 billion as at May 2019. A further disaggregation showed that inflow of US$0.25 billion was recorded in May 2020, relative to US$0.32 billion and US$1.97 billion in the preceding month and corresponding month in 2019, respectively. Of this amount, foreign direct investment (FDI) at US$0.01 billion, accounted for 4.1 per cent, foreign portfolio investment (FPI) at US$0.02 billion accounted for 7.7 per cent, while other investments (OI) in the form of loans was US$0.22 billion or 88.2 per cent. These were below their respective values of US$0.02 billion, US$0.07 billion and US$0.23 billion in April 2020.

Available data by nature of investment showed that shares accounted for 32.8 per cent of inflows, while financing, and production and manufacturing accounted for 27.1 per cent and 1.6 per cent, respectively. Analysis of capital by originating country showed that the United Arab Emirates, United Kingdom and the United States accounted for 28.3 per cent, 26.8 per cent and 19.7 per cent of the total inflows, respectively, while by destination, Lagos State, FCT Abuja and Anambra State were the top 3 recipients of the inflows at 73.9 per cent, 25.7 per cent and 0.2 per cent, respectively.

Figure 22: Capital inflow and Foreign portfolio investment (US$ Billion)

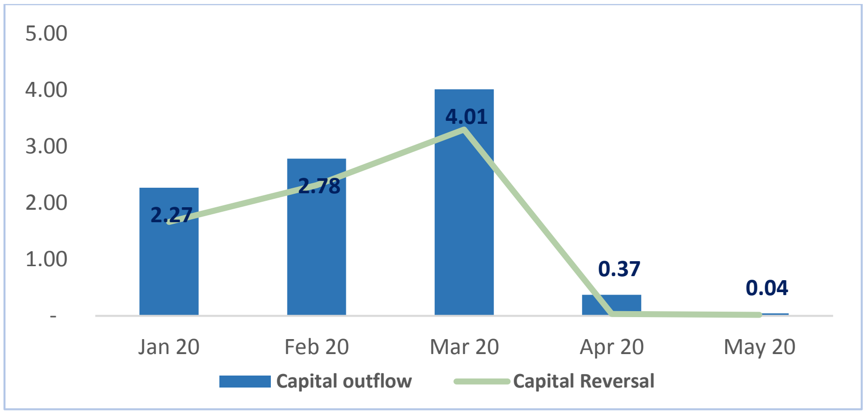


Source: Central Bank of Nigeria

Capital Outflows

Capital outflow declined by 88.0 per cent to US$0.04 billion in May 2020 from US$0.37 billion in April, reflecting the continued partial lockdown of the Nigerian economy and hiatus of businesses and factories. Available data showed that aggregate capital outflows from January to May 2020 stood at US$9.5 billion, compared with US$3.3 billion in the same period in 2019. Further disaggregation showed that, of the total capital outflows in May 2020, capital reversals constituted 42.1 per cent (US$0.02 billion), while loans (US$0.01 billion) and dividends (US$0.01 billion) accounted for 34.6 per cent and 23.3 per cent, respectively.

Figure 23: Capital outflow (US$ Billion)



Source: Central Bank of Nigeria

2.4.3 International Reserves

International reserves

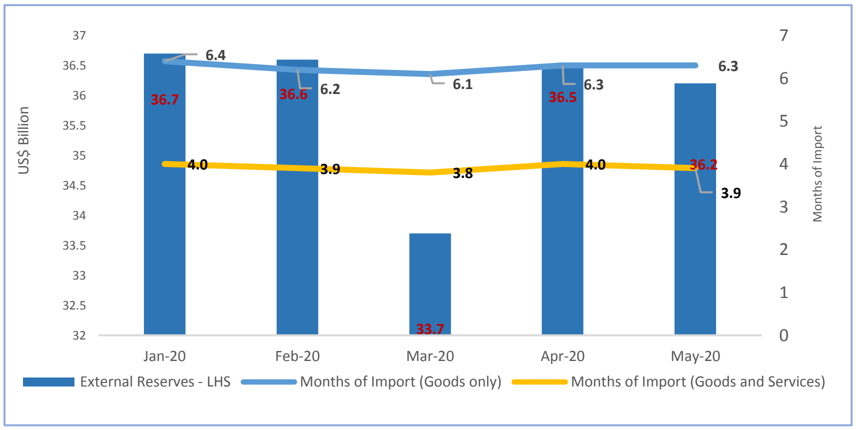
Nigeria's international reserves decreased, marginally from US$36.43 billion at end-April to US$36.19 billion at end-May 2020. The net decrease in reserves was due to the sales of foreign exchange at the Secondary Market Intervention Sales (SMIS) and Investor & Exporter (I & E) Windows as well as payments to external creditors. Thus, the level of import cover for goods and services, decreased from 4.0 months in April to 3.9 months in May 2020, but remained above the IMF threshold of 3.0 months. A comparative analysis of reserves per capita in May 2020 showed that Nigeria's reserves per capita was US$176.58, compared to US$889.73 for South Africa, US$491.10 for Angola, US$218.94 for Egypt and US$24.10 for Ghana.

Table 16: International Reserves per capita of Selected Countries

Country	Apr-20 Reserve (US$ billion)	Apr-20 Reserve/Capita (US$)	May-20 Reserve (US$ billion)	May-20 Reserve/Capita (US$)
Nigeria	33.4	162.2	36.4	176.6
South Africa	53.0	893.7	52.8	889.7
Angola	16.2	494.9	16.1	491.1
Egypt	23.6	231.0	22.4	218.9
Ghana	0.8	25.1	0.7	24.1

Source: Reuters and the World Bank

Figure 24: External Reserves and Months of Import Cover



Source: Central Bank of Nigeria

2.4.4 Foreign Exchange Flows

Foreign exchange inflows

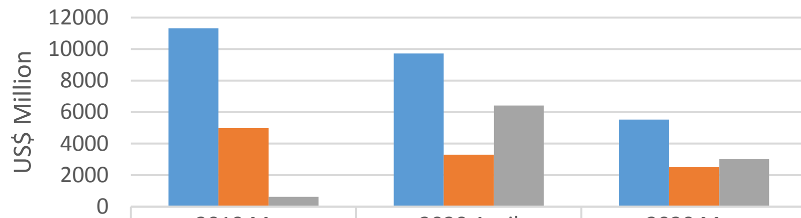
Foreign exchange inflows into the economy fell by 43.2 per cent in May 2020. Inflows through the CBN and autonomous sources were negatively impacted. On a month-on-month basis, foreign exchange flows, into the economy declined to US$5.52 billion in May 2020. The decline in inflow, relative to the level in April 2020, was attributed to the lower receipts from oil sources, which fell sharply by 55.2 per cent because of the continued fragility in global crude oil demand. Inflow through autonomous sources, particularly invisible purchases, declined by 7.0 per cent to US$3.51 billion, relative to the preceding month, while there was a 66.2 per cent fall in inflow through the CBN, which stood at US$2.01 billion in May 2020.

Foreign exchange outflows

Aggregate foreign exchange outflows from the economy decreased by 23.9 per cent to US$2.50 billion in May**.** Outflows through the CBN, however, decreased by 30.9 per cent to US$2.19 billion below the level in the preceding month. However, outflow through autonomous sources, mainly imports and invisibles, increased significantly by 152.2 per cent to US$0.32 billion above the level in April 2020 because of the partial ease in lockdown restrictions. With inflow of US$5.55 billion and outflow of US$2.50 billion, the economy registered a net inflow of US$3.02 billion in May 2020, compared with the net inflow of US$6.43 billion in the preceding month.

Net foreign exchange flow

Figure 25: Total Foreign Exchange Flows through the Economy



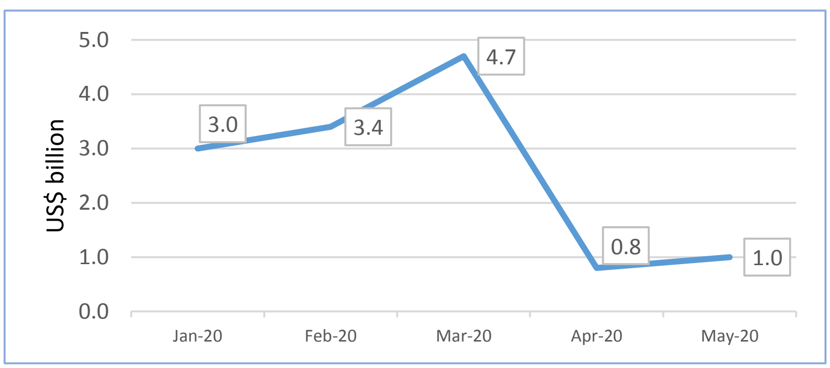
	2019 May	2020 April	2020 May
Inflow	11330.7	9717.29	5521.52
Outflow	4979.39	3291.96	2503.34
Netflow	631.31	6425.33	3018.18

Source: Central Bank of Nigeria

2.4.5. Foreign Exchange Market Developments

Foreign exchange supply to authorised dealers increased by 18.8 per cent to US$1.00 billion in May 2020 from US$0.84 billion in April 2020, due to rising demand as factories and businesses begin to reopen. Foreign exchange sales at the I&E window increased by 68.4 per cent to US$0.28 billion, relative to the preceding month's level of US$0.16 billion. However, interbank sales declined by 10.0 per cent to US$0.055 billion, below the US$0.062 billion sales in April 2020. In May 2020, sales to BDCs remained suspended as international travels were yet to re-start.

Figure 26: Foreign Exchange Sale to Authorised Dealers



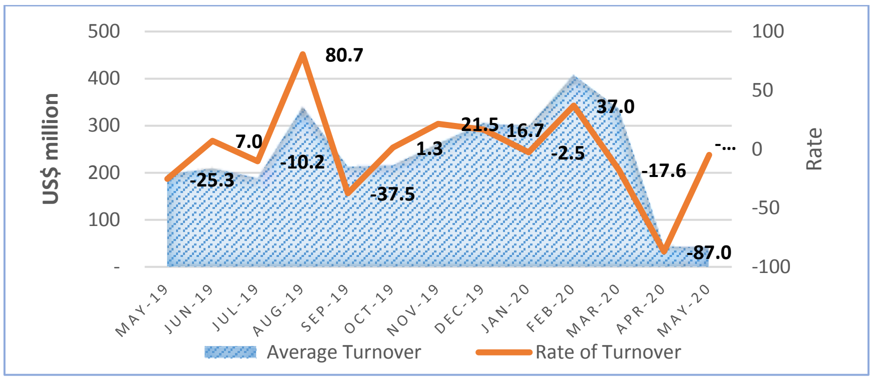
Source: Central Bank of Nigeria

Foreign exchange market

The average turnover at the I&E window fell by 4.9 per cent from $0.043 billion in April to $0.041 billion in May 2020; a decrease of 78.8 per cent below the level in May 2019. During the month under review, the average exchange rate of the naira at the Interbank segment of the foreign exchange market remained unchanged at ₦361.00/US$, relative to April, 2020. It, however, depreciated by 15.0 per cent, compared with the corresponding month of 2019. The rate at the I&E window, at ₦386.25/US$, depreciated by 0.3 per cent and 6.6 per cent relative to

₦384.99/US$ in April 2020 and ₦360.70/US$ in May 2019, respectively . Similarly, at ₦443.33/US$, the naira depreciated by 5.2 per cent and 18.9 per cent at the BDC segment, relative to ₦420.15/US$ in the preceding month and ₦359.75/US$ in May 2019. Consequently, the interbank/BDC premium widened from 16.4 per cent in the preceding month to 22.8 per cent in May 2020. The premium between the BDC/I&E also widened to 14.8 per cent from 9.1 per cent, in the preceding month. These outcomes are attributable to the sustained demand pressure in the foreign exchange market.

Figure 27: Turnover in the I&E Foreign Exchange Market

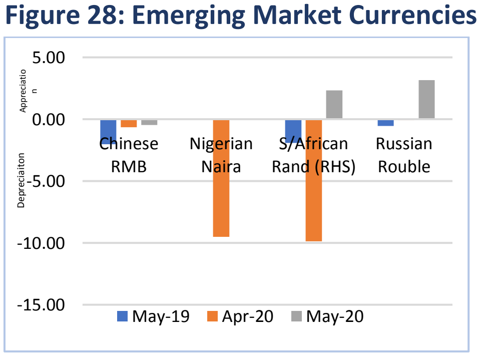


Source: Financial Markets Dealers and Quotes (FMDQ)

Emerging market currencies

The value of most emerging market currencies strengthened in May 2020 following the gradual reopening of their economies.The value of the naira relative to the US dollar, however, remained stable at the interbank market. The Russian rouble appreciated by 3.2 per cent between April and May 2020 just as the South African rand appreciated by 2.2 per cent (following expectations that the South African economy will reopen June 1, 2020). The Chinese RMB, however, weakened by 0.5 per cent over the same period. Generally, the easing of lockdown regulations globally, boosted investor demand for emerging-market currencies.

Figure 28: Emerging Market Currencies



Period	Chinese RMB	Nigerian Naira	South African Rand	Russian Rouble
May-19	-2.01	0.00	-1.92	-0.55
Apr-20	-0.65	-9.52	-9.87	-0.08
May-20	-0.46	0.00	2.32	3.15

Source: Central Bank of Nigeria and Reuters

2.4.6. External Sector Risks

Risks to the external sector

In the short term, oil prices will continue to fluctuate, driven (on the demand side) by the COVID-19 uncertainty and slowdown in global economic activity, and (on the supply side) by compliance with the production cuts. However, as prices increase, compliance with the supply cuts becomes more challenging. For the US shale industry, the average break-even price is estimated to be around $50 per barrel. With oil spot price at $35 per barrel, producers at the lower end of the cost curve may begin to increase production.

Exchange rate pressure

Exchange rate pressure will likely continue as investors prefer to hold gold and safe-haven currencies; such as the dollar, yen and Swiss franc. Investors may also begin to turn to digital currencies. The decrease in capital inflows, remittances and speculative activities in the foreign exchange market, could sustain the pressure in the market.

Insecurity

Insecurity remains a key risk at diversifying the foreign exchange base of the economy and contribution of non-oil exports.

De-accumulation of external

Reduced foreign currency inflow from oil exports and other sources and increased demand pressure will lead to de-accumulation of external reserves, thereby affecting the viability of the external sector.

Rising external debt and debt service obligations

Based on the country's Debt Sustainability Analysis (DSA) by the Debt Management Office, Nigeria is in the region of moderate risk of debt distress, having overshot one of the thresholds of debt service to revenue ratio of 20 per cent. The pandemic-induced debt accumulation coupled with low foreign exchange receipts, is another headwind capable of threatening the viability of the external sector.

Global uncertainties amidst the COVID-19 Pandemic

The persisting global economic uncertainty owing to the COVID-19 Pandemic may continue to adversely affect the Nigerian economy. Investors are likely look to safe havens on the consideration of favourable liquidity and financial conditions in such destinations.