



CENTRAL BANK OF NIGERIA ECONOMIC REPORT

April 2021

ABOUT THE REPORT

The Central Bank of Nigeria (CBN) Economic Report is a periodic publication by the Research Department of the Bank. The Report, which is published on monthly and quarterly basis, provides a review and insights on developments in the domestic and global economies as well as 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 at no charge to individuals, institutions, corporations, embassies and development agencies. All inquiries on the publication should be directed to the Director, Research Department, Central Bank of Nigeria, P.M.B. 187, Garki, Abuja, Nigeria. The Report is also available on the CBN website: www.cbn.gov.ng

Contents

ABOUT THE REPORT.....	i
EXECUTIVE SUMMARY	1
1.0 GLOBAL ECONOMIC DEVELOPMENTS.....	3
1.1 Global Output.....	3
1.2 Developments in Advanced Economies	4
1.3 Developments in Emerging Market and Developing Economies	4
1.4 Global Production.....	4
1.5 Global Inflation	5
1.6 Global Financial Markets	6
1.7 Global Commodity Market Developments.....	8
1.7.1 Agricultural Commodity Prices.....	8
1.7.2 Global Oil Market	9
2.0 DOMESTIC ECONOMIC DEVELOPMENTS.....	11
2.1 REAL SECTOR DEVELOPMENTS.....	11
2.1.1 Domestic Output and Business Activities.....	11
2.1.2 Consumer Prices.....	11
2.1.3 Commodity Markets Developments	13
2.1.4 Socio-Economic Development.....	15
2.1.5 Development Financing.....	17
2.2 FISCAL SECTOR DEVELOPMENTS.....	18
2.2.1 Federation Account Operations	18
2.2.2 Fiscal Operations of the Federal Government.....	20
2.3 MONETARY AND FINANCIAL DEVELOPMENTS	24
2.3.1 Monetary Developments.....	24
2.3.2 Consumer Credit	27
2.3.3 Financial Market Developments.....	28
2.3.3.1 Financial Soundness Indicators	28
2.3.4 Money Market Developments.....	29
2.3.4.1 Interest Rate	28
2.3.4.2 Discount Window Operations.....	28
2.3.5 Capital Market Developments.....	31
2.4 EXTERNAL SECTOR DEVELOPMENTS	33
2.4.1 Trade Performance	33
2.4.2 Capital Importation and Capital Outflow	35
2.4.3 International Reserves	37
2.4.4 Foreign Exchange Flows through the Economy	37

2.4.5 Foreign Exchange Market Developments.....	38
2.4.6 Investors and Exporters Window Turnover.....	39
3.0 Economic Outlook	41
3.1.1 Risk to Global Outlook.....	41
3.1.2 Risk to Domestic Economic Outlook.....	41

Tables

Table 1: Growth Projections in Selected Countries	3
Table 2: Global Purchasing Managers' Index (PMI).....	3
Table 3: Inflation Rate for Selected Countries (January 2020 to April 2021).....	6
Table 4: Agricultural Export Commodities for April 2021.....	9
Table 5: Manufacturing and Non-Manufacturing Sector PMI (April 2021).....	11
Table 6: Domestic Prices of Selected Agricultural Commodities in April 2021.....	13
Table 7: Federally Collected Revenue and Distribution to the Three-Tiers of Government (₦ Billion)	19
Table 8: Allocations to Subnational Governments (₦ Billion)	20
Table 9: Fiscal Balance (₦ Billion).....	20
Table 10: FGN Retained Revenue for April 2021 (₦ Billion)	20
Table 11: Federal Government Expenditure for April 2021 (₦ Billion).....	21
Table 12: Reserve Money (₦ Billion)	24
Table 13: Money and Credit Aggregates Growth over preceding December (per cent)	26
Table 14: Sectoral Credit Utilization by the Private Sector.....	27
Table 15: New/Supplementary Listings on the Nigerian Stock Exchange at end-April 2021.....	32
Table 16: International Reserves Per Capita of Comparator African Countries.....	37
Table 18: EMDEs Currencies' Rates to the US dollar.....	40

Figures

Figure 1: Selected Countries' PMI.....	5
Figure 2: Global Stock Market Equity Indices, January 2020 to April 2021.....	7
Figure 3: 10-Year Government Bond Yields, January 2020 to April 2021.....	8
Figure 4: Global Crude Oil Prices (US Dollar per barrel).....	9
Figure 5: Headline, Food and Core Inflation (year-on-year)	12
Figure 6: Headline, Food and Core Inflation (month-on-month)	12
Figure 7: Trends in Crude Oil Prices	14
Figure 8: Price Changes in Selected Metals (per cent) in April 2021.....	10

Figure 9: COVID-19 Statistics.....	16
Figure 10: Federal Government Expenditure for April 2021 (₦ Billion)	21
Figure 11: FGN External and Domestic Debt Composition (₦ Billion)	23
Figure 12: Composition of Domestic Debt Stock by Instrument as at end-March 2021	23
Figure 13: Composition of External Debt Stock by Holders, end-March 2021	23
Figure 14: Consumer Credit.....	27
Figure 15: Composition of Consumer Credit in Nigeria (per cent).....	28
Figure 16: Interest Rates as at end-April 2021	30
Figure 17: Market Capitalisation and All-Share Index	31
Figure 18: Volume and Value of Traded Securities.....	32
Figure 19: Export, Import and Trade Balance (US\$ Billion).....	33
Figure 20: Import by Sector, April 2021 (per cent).....	35
Figure 21: Capital Inflow and Foreign Portfolio Investment (US\$ Billion)	36
Figure 22: Capital Outflow (US\$ Billion).....	36
Figure 23: External Reserves and Months of Import Cover for Nigeria.....	37
Figure 24: Foreign Exchange Transactions through the Economy.....	38
Figure 25: Foreign Exchange Sales to Authorised Dealers in April 2021 ...	39
Figure 26: Turnover in the I&E Foreign Exchange Market	39
Figure 27: EMEs Currencies' Values to the US dollar.....	40

EXECUTIVE SUMMARY

Recovery of the global economy continued in April 2021, although at an uneven pace. The varying levels of recovery reflected the degree of COVID-19 related disruptions and the divergence of policy support across countries. Accordingly, the International Monetary Fund upgraded global growth forecast for 2021 from an earlier projection of 5.5 per cent to 6.0 per cent in the April edition of World Economic Outlook.

Domestic economy activities gained momentum during the month. Yet, output remained below potentials. To strengthen growth, monetary policy stance continued to be accommodative, creating favourable conditions for bank lending to the economy. Consequently, credit to the private sector grew by 10.7 per cent at end-April 2021, which, together with the growth of 3.0 per cent in “Other Deposits” of other depository corporations, supported growth in broad money supply (M_3).

Monetary expansion was, however, subdued, as M_3 grew by a paltry 1.2 per cent at end-April 2021, which translated to an annualized growth of 3.6 per cent, lower than the provisional benchmark of 9.9 per cent for the 2021 fiscal year. The lower-than-programmed growth of M_3 muted economic activities broadly. Accordingly, manufacturing and non-manufacturing PMI improved only marginally to 49.0 index point and 48.3 index point, lower than the 50.0 points threshold.

Inflationary pressures moderated in April 2021 as headline index declined by 0.05 percentage point to 18.12 per cent (year-on-year), compared with 18.17 per cent in March 2021. On a month-on-month basis, it declined by 0.6 percentage point to 0.97 per cent from 1.56 per cent in the preceding month. The decline was driven, mainly, by the moderation in food prices, occasioned by the positive impact of the various CBN interventions on the agricultural sector.

Federation revenue rose by 28.2 per cent in April 2021 to ₦1,105.78 billion, relative to ₦862.79 billion in March 2021, owing to improved non-oil earnings. However, the retained revenue of the Federal Government of Nigeria (FGN), at ₦409.31 billion, was 38.5 per cent below target. Similarly, the provisional aggregate expenditure of the FGN, at ₦559.67 billion, was 50.6 per cent below the budget benchmark and 59.4 per cent short of the level in March 2021. Consequently, the fiscal operations of the FGN in April 2021 contracted by 67.8 per cent, relative to the budget estimate. In addition, FGN debt outstanding, as at end-March 2021, stood at ₦28,984.30 billion and represented a 15.8 per cent increase, relative to its level in March 2020.

Nigeria’s aggregate export recovered, as non-oil export improved, following rebound in global economic activities. This is regardless of the

decline in the value of oil export caused by the knock-on dip in crude oil price that resulted from the decision of OPEC+ to ease production cuts from May 2021. Aggregate import moderated, due to reforms in the foreign exchange market. Capital inflow also plunged by 84.0 per cent, due to tepid economic recovery.

The decline in inflow constrained foreign exchange market liquidity and exacerbated demand pressure. Consequently, the Bank sustained its interventions in the market, resulting in a 2.4 per cent depletion of external reserves to US\$34.29 billion at end-April 2021. Nevertheless, the external reserves could still cover 5.4 months of import for goods and services or 7.0 months of import for goods only. The average exchange rate of the naira vis-à-vis the US dollar at the I&E window depreciated marginally by 0.3 per cent to ₦410.36/US\$ in April 2021.

Looking ahead, output growth trajectory remains largely positive, following optimism of an accelerated COVID-19 vaccination and expected favourable crude oil prices. Growth will continue to be supported by the implementation of the Economic Sustainability Plan (ESP) and the accommodative monetary stance of the Bank. The moderation in food supply shocks, associated with the improved harvests as rainy season kicks in, will continue to have favourable knock-on effects on inflationary pressures and moderate headline index, going forward. The external sector outlook remains stable and would be supported by the ongoing policy on diaspora remittances. Despite the confidence, downside risks to the outlook persists. Concerns over the emerging third wave of the COVID-19 pandemic in Europe and Asia could depress global supply chain and crude oil demand. In addition, external vulnerability, insecurity across the country, subsisting infrastructure gap, and constrained fiscal space, may weigh negatively on the growth prospects.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

1.1 Global Output

Global Economic Conditions

The global economy continued to recover, although at an uneven pace across countries and sectors, amidst high uncertainty. The varying levels of recovery reflected the degree of COVID-19 induced disruptions and divergence of policy support across countries. Despite uncertainties sparked by the COVID-19 pandemic and other structural issues, global economic outlook remains positive, as all regions are expected to expand in 2021, as against the widespread contractions of 2020. The optimism was led, largely, by the expected vaccine roll out, massive liquidity injections through unprecedented monetary and fiscal support across different countries. Consequently, the International Monetary Fund revised 2021 global growth forecast to 6.0 per cent, up from 5.5 per cent (Table 1).

Table 1: Growth Projections in Selected Countries

Country	Growth		
	2020	2021f	2022f
Global	-3.3	6.0	4.4
Advanced Economies	-4.7	5.1	3.6
United States	-3.5	6.4	3.5
United Kingdom	-9.9	5.3	5.1
Japan	-4.8	3.3	2.5
Germany	-4.9	3.6	3.4
Italy	-8.9	4.2	3.6
Emerging Market & Developing Economies	-2.2	6.7	5.0
Russia	-3.1	3.8	3.8
China	2.3	8.4	5.6
India	-8.0	12.5	6.9
Sub-Saharan Africa	-1.9	3.4	4.0
South Africa	-7.0	3.1	2.0
Nigeria	-1.8	2.5	2.3

Source: IMF World Economic Outlook (WEO), April 2021.

Global Composite PMI for April 2021 further supported the global recovery narrative, as it increased to 56.3 index points from 54.8 points in March 2021. The increase was attributed to the rise of new orders and expansions in economic activities in the US and the UK, while growth slowed in Japan. (Table 2).

Table 2: Global Purchasing Managers' Index (PMI)

	Jan-21	Feb-21	Mar-21	Apr-21
Composite	52.3	53.2	54.8	56.3
Manufacturing (Output)	53.6	53.9	55.0	55.8
Services (Business Activity)	51.6	52.8	54.7	56.6

Source: JP Morgan, Reuters

1.2 Developments in Advanced Economies

In April 2021, economic activity in Advanced Economies (AEs), led by the US, remained resilient, due to vaccine-driven recovery and unwavering monetary and fiscal supports. Output in advanced economies is projected to grow by 5.1 per cent in 2021, as against the contraction of 4.7 per cent in 2020 (Table 1). Specifically, the United States' economy is expected to grow by 6.4 per cent in 2021, as against the contraction of 3.5 per cent recorded in 2020. The United Kingdom, Japan, Germany, Italy and other AEs, are also expected to record positive growths in 2021.

1.3 Developments in Emerging Market and Developing Economies

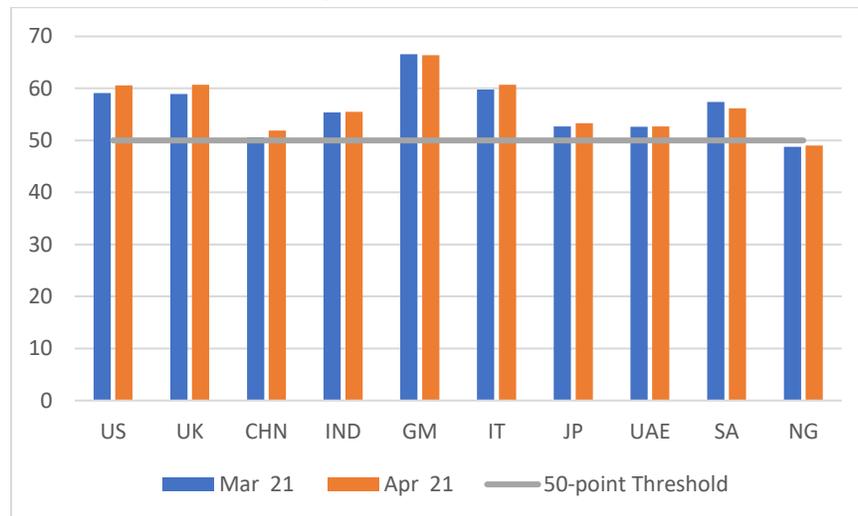
In the Emerging Market and Developing Economies (EMDEs), the momentum of economic recovery was sustained, though with substantial differences across countries. The IMF forecast for April 2021 suggests that economic activity in EMDEs would expand by 6.7 per cent in 2021 (Table 1). In 2020, output in the EMDEs (except China) contracted by 2.2 per cent, due to the severe effect of the COVID-19 pandemic and other structural issues. In 2021, the Chinese economy is expected to grow by 8.4 per cent, compared with the growth of 2.3 per cent recorded in 2020. Similarly, the Russian economy is projected to grow by 3.8 per cent in 2021, while India could grow significantly by 12.5 per cent, as against the contraction of 8.0 per cent in 2020. The sub-Saharan Africa (SSA) region is forecast to grow by 3.4 per cent in 2021, with South Africa and Nigeria growing by 3.1 and 2.5 per cent, respectively. Nevertheless, the optimism, which cuts across the regions, regarding massive fiscal stimulus and widely envisaged vaccine-powered recovery, is expected to further boost business confidence. This is reinforced by the continued disbursement of various stimulus packages to revamp the economies.

1.4 Global Production

As reflected in the PMI numbers, global production continued to strengthen due to strong fiscal policy support and widespread COVID-19 vaccine administration. The J.P. Morgan Report showed that the US PMI remained above the 50-point threshold, rising to 60.6 index points in April 2021 from 59.1 points in March 2021. The expansion was due to strong manufacturing activities and output. Meanwhile, input costs increased, due to severe supply shortages that led to a rise in transportation cost. Other countries' PMIs followed a similar pattern, with economies such as the UK, Germany, Italy, Japan and South Africa witnessing improved business activities. The Euro area PMI performed impressively, as output and new orders soared and export trade

strengthened on the back of strong fiscal policy support and widespread COVID-19 vaccine distribution.

Figure 1: PMI of Selected Countries



Sources: Trading Economics/Various Country Websites, CBN Staff compilation.

Note: US, UK, CHN, IND, GM, IT, JP, UAE, SA and NG represent United States, United Kingdom, China, India, Germany, Italy, Japan, United Arab Emirate, South Africa and Nigeria, respectively.

1.5 Global Inflation

Inflationary pressures remained ubiquitous, due, largely, to increase in energy prices, rising input costs and narrowing negative output gaps in a relatively accommodative monetary policy environment. Inflation across advanced economies, generally rose in April 2021, due to increases in energy prices, input cost and pent-up demand. In EMDEs and SSA, rising input costs and the surge in food prices aggravated price pressures.

Specifically, inflation in the US rose to 4.2 per cent in April 2021, compared with the target of 2.0 per cent and 2.6 per cent recorded in March 2021 (Table 3). This was driven by higher prices of gasoline, electricity and utility gas, and was reinforced by the increased demand for used cars and trucks. In the UK, inflation rose to 1.6 per cent, below the target of 2.0 per cent and the outcome of 1.0 per cent recorded in March 2021. The upward price pressures, emanated from transport, motor fuels and clothing in the review month. The Inflation rate rose to the target of 2.0 per cent in Germany from the 1.7 per cent recorded in March 2021. This was attributed to higher prices of energy products, introduction of the CO₂ levy, as well as base effects. In the same vein, consumer prices in Canada sustained an upward trend due to base effects from last year's low index amid the COVID-19 pandemic and rise in

gasoline prices. Specifically, consumer prices rose to 3.4 per cent in April 2021, compared with 2.2 per cent recorded in March 2021.

Inflation dynamics among EMDEs in April 2021 was diverse. In China, inflation rose to 0.9 per cent in April 2021, compared with 0.4 per cent in March 2021, due to an increase in the cost of transportation, communication, rent, fuel and utilities. Similarly, in South Africa, prices rose to 4.4 per cent, above the 3.2 per cent recorded in March 2021, owing to rising transport and food prices. In Turkey, prices rose to 17.1 per cent in April 2021, above the 16.2 per cent recorded in March 2021, amid a falling *lira*, rising costs for transportation, food and non-alcoholic beverages, as well as housing and utilities. On the contrary, inflation eased in India and Nigeria in the month of April 2021, as food inflation slowed. In India, prices fell to 4.3 per cent in April 2021 below the 5.5 per cent recorded in March 2021; and in Nigeria, prices fell to 18.12 per cent in April 2021 from 18.17 per cent in March 2021 (Table 3).

Table 3: Inflation Rate for Selected Countries (January 2020 to April 2021)

Country	20- Jan	20- Mar	20- Jun	20- Dec	21- Jan	21- Feb	21- Mar	21- Apr
United States	2.49	1.54	0.65	1.36	1.4	1.68	2.62	4.16
United Kingdom	1.8	1.5	0.8	0.8	0.9	0.7	1.0	1.60
Japan	0.7	0.4	0.1	-1.2	-0.6	-0.4	-0.2	-0.40
Canada	2.4	0.89	0.2	0.73	1.02	1.09	2.2	3.39
France	1.49	0.67	0.66	-0.02	0.55	0.56	1.11	1.24
Germany	1.74	0.85	-0.19	-0.3	1.05	1.33	1.7	1.98
Italy	0.49	-0.19	-0.58	-0.2	0.39	0.58	0.78	1.07
China	5.4	4.3	2.5	0.2	-0.3	-0.2	0.4	0.90
India	7.49	5.5	5.06	4.59	3.16	4.49	5.52	4.29
Indonesia	2.68	3.03	1.3	1.59	1.55	1.38	1.37	1.42
Mexico	3.24	3.25	4.01	3.15	3.54	3.76	4.67	6.08
Turkey	12.15	11.86	11.75	14.6	14.97	15.61	16.19	17.14
South Africa	4.4	4.06	2.92	3.1	3.16	2.87	3.21	4.40
Nigeria	12.13	12.26	13.71	15.75	16.47	17.33	18.17	18.12

Sources: OECD and Various Country Statistics Agencies

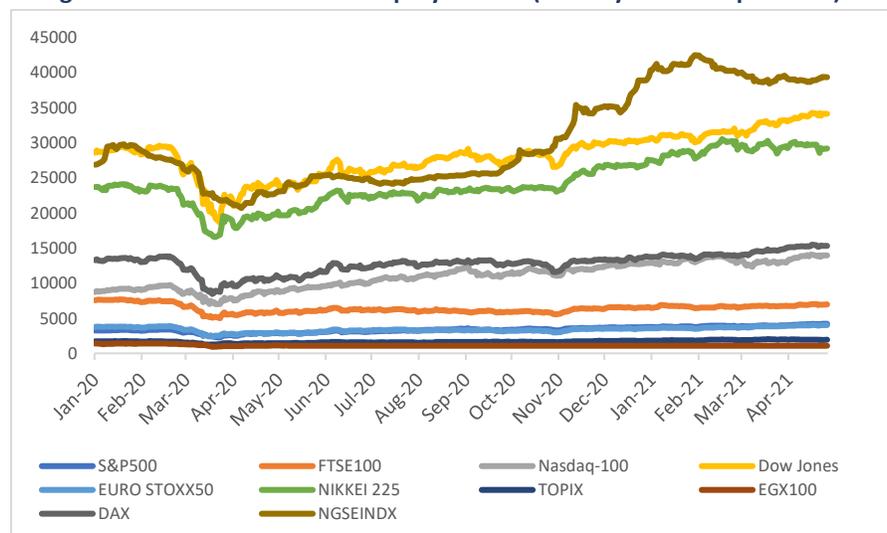
1.6 Global Financial Markets

Global financial market conditions improved in April 2021, supported by COVID-19 vaccine administration, news of further US fiscal stimulus and renewed hope of global economic recovery. Financial conditions across board were favourable, as equities gained (value-led) in most regions and government bond yields rose, occasioned by improved economic outlook. However, financial markets underperformed in some climes, particularly in India and Brazil, due to dampened business and economic

activities, arising from the upsurge in the COVID-19 related disruptions. Specifically, in the US, equities (S&P 500) rose approximately by 5.3 per cent in April 2021, as optimism over significant government stimulus took root. Despite some targeted lockdowns in the Euro area, equities (EUROSTOXX 50) stood at 4.3 per cent, higher than the level in the preceding month, and propped by renewed policy support and pick-up in vaccination rates. Also, Japanese stocks (NIKKEI 225), on average, traded higher in April 2021, on the back of continued investor optimism for a return to economic normality. In EMDEs, equities registered a positive return in April 2021, particularly in China where equities continued to rally, as concerns around moderate policy tightening waned.

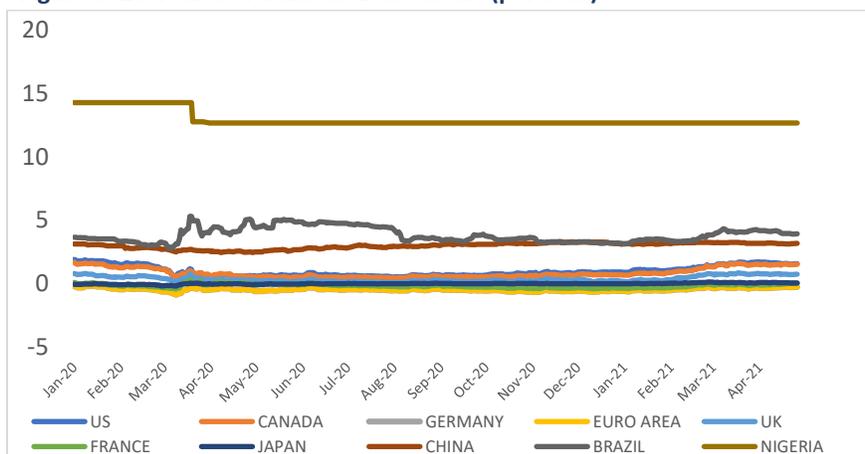
In April 2021, there was a rise in government bond yields, led by the US government bonds. This was due, primarily, to economic optimism, following an improved growth outlook and rising inflation expectations (Figure 3). On the currency front, the US dollar rebounded significantly and outperformed other currencies in March 2021. However, in April 2021, the US dollar weakened against a basket of its global peers, following the Federal Reserve’s retained accommodative stance, while the Canadian dollar strengthened, due to a higher-than-expected output growth. Several emerging market currencies are recovering from a sharp depreciation against the US dollar at the beginning of the year. However, the Brazilian real, Turkish lira and Nigerian naira remain weak, given the specific long-standing structural issues and external vulnerabilities of these countries.

Figure 2: Global Stock Market Equity Indices (January 2020 to April 2021)



Sources: Bloomberg data, CBN Staff computation

Figure 3: 10-Year Government Bond Yields (per cent)



Sources: Bloomberg data, CBN Staff computation
 Note: US, UK represent United States and United Kingdom, respectively.

1.7 Global Commodity Market Developments

1.7.1 Agricultural Commodity Prices

The prices of major agricultural export commodities continued to rise in April 2021, following the recovery of the Chinese economy. Provisional data showed that the prices of most of the agricultural export commodities monitored increased in April 2021, compared with their levels in the preceding month. The prices of rubber, cocoa, soya beans, palm oil and coffee increased by 1.5 per cent, 0.9 per cent, 0.9 per cent, 0.5 per cent and 0.4 per cent, respectively. The increase was attributed, generally, to higher demand from China, following the sustained recovery of the economy from the impact of the COVID-19 pandemic. However, the prices of groundnut, wheat and cotton decreased in the review period by 4.0 per cent, 0.6 per cent, and 0.6 per cent, respectively, compared with the levels in the preceding month. The decrease was attributed, largely, to increase in supply resulting from improved sales by farmers in preparation for the next cultivation season.

Agricultural
Commodity
Prices

Table 4: Agricultural Export Commodities for April 2021

Indices of Average World Prices of Nigeria's Major Agricultural Export Commodities for April 2021 (in dollars; Dec. 2010=100)

Commodity	Apr. 2020	Mar. 2021	Apr.2021	% Change	
				(1) & (3)	(2) & (3)
	1	2	3	4	5
Cocoa	74.19	80.43	81.17	9.40	0.91
Cotton	37.82	54.44	54.13	43.12	-0.57
Coffee	67.98	78.50	78.81	15.93	0.40
Wheat	71.83	88.31	87.79	22.22	-0.59
Rubber	23.60	37.18	37.72	59.82	1.45
Groundnut	149.35	124.17	119.20	-20.19	-4.00
Palm Oil	49.32	83.52	83.96	70.26	0.54
Soya Beans	66.20	107.71	108.66	64.16	0.89

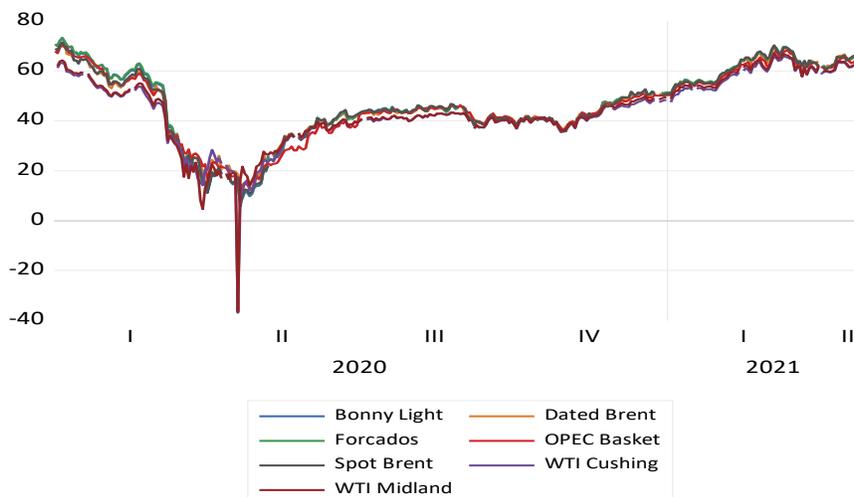
Sources: World Bank Pink Sheet and Staff Estimates

Global Oil Market

1.7.2 Global Oil Market

Despite the marginal drop in April 2021, continued demand and positive investors sentiments kept crude oil price high. The average price for the OPEC crude oil basket in April 2021 was US\$63.25 bpd, compared with the US\$64.57 bpd recorded in March 2021. The relatively high oil price was sustained by policy measures and oil demand recovery. Nonetheless, mounting support for diversification from fossil fuels to cleaner and renewable energy, presents a long- term risks to prices. The optimistic outlook was hinged on growing expectations about significant drawdown on US inventories.

Figure 4: Global Crude Oil Prices (US\$ per barrel)



Source: Reuters data, Central Bank of Nigeria Staff compilation

World Crude Supply and Demand

Total world crude oil supply in April 2021 increased by 0.6 per cent to an average of 94.04 mbpd from 93.45 mbpd in the preceding month. World crude oil supply was driven mainly by the continuous easing of output

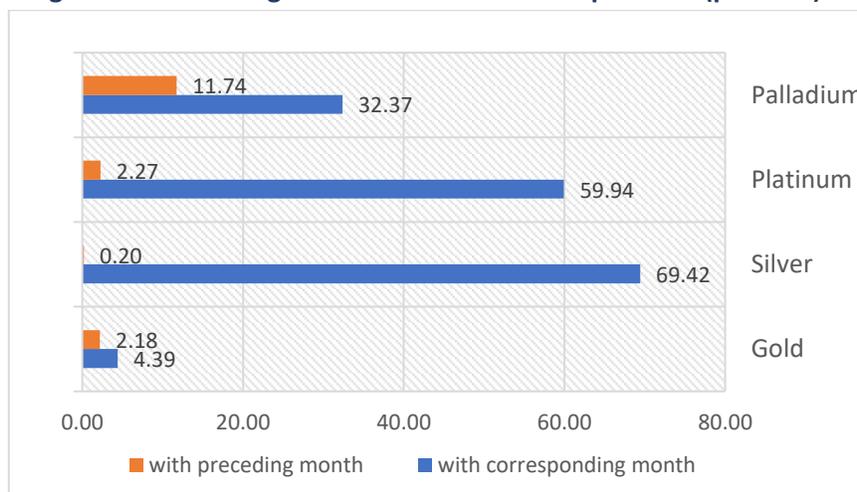
cuts by the OPEC+ alliance countries. Total world demand fell by 0.3 per cent to an average of 96.18 mbpd from 96.52 mbpd amidst demand concerns, as the number of COVID-19 cases spiked in some parts of Europe and Asia. Non-OECD crude oil demand declined by 0.8 mbpd to 52.63 mbpd in April 2021. OECD supply also declined by 0.8 mbpd to 30.57 mbpd. However, in the OECD, crude oil demand recorded an increase of 0.18 mbpd to 43.55 mbpd.

Other Mineral Commodities

Driven by the rebound in global economic activities and investors' quest for value, average spot prices of precious metals increased in April 2021.

The spot prices of gold, silver, platinum and palladium recorded an average month-on-month gain of 2.2 per cent, 2.3 per cent, 1.8 per cent, and 11.7 per cent, respectively, to sell at US\$1,759.02, US\$25.65, US\$1,206.16 and US\$2,770.57 per ounce, compared with US\$1,721.41, US\$25.60, US\$1,179.44 and US\$2,479.38 per ounce, in the preceding month.

Figure 5: Price Changes in Selected Metals in April 2021 (per cent)



Source: Refinitiv Eikon (Reuters)

The increase in the price of gold and silver were driven by a weaker dollar and falling US Treasury yields, which made the metal an increasingly attractive alternative investment. Similarly, the rise in the prices of platinum and palladium was supported by a robust demand from the automotive sector due to the global tightening of auto emission rules and the push by US President for greener policies. On the supply side, Russian miner Nornickel cut its 2021 production guidance, considering unexpected mines closures due to water problems. Also, some investors turned to platinum as a cheap alternative to gold, as a hedge against rising inflation.

2.0 DOMESTIC ECONOMIC DEVELOPMENTS

2.1 REAL SECTOR DEVELOPMENTS

2.1.1 Domestic Output and Business Activities

The renewed recovery of economic activities continued to gain momentum during the month, boosting the prospects for faster growth.

Sustained recovery was buoyed by improvements in the volume of new orders for goods and services by firms, which led to reductions in the inventory levels of manufacturing and non-manufacturing firms. In addition, supply chain disruptions were minimized, following improved delivery time. Consequently, manufacturing PMI improved, marginally, to 49.0 index points in April 2021 from 48.8 index points in March. However, the non-manufacturing PMI declined to 47.3 index points in April, from 47.9 index points in March 2021. Although these figures remained below the 50.0 points threshold, the improvement in the manufacturing PMI reflected recovery in the manufacturing sector.

Table 5: Manufacturing and Non-Manufacturing Sector PMI (April 2021)

Components	Mar_2021	Apr_2021
Composite Manufacturing PMI	48.8	49.0
<i>Production Level</i>	50.3	50.9
<i>New Orders</i>	48.9	49.5
<i>Supplier Delivery Time</i>	52.3	51.4
<i>Employment Level</i>	45.9	46.5
<i>Raw Material Inventory</i>	45.6	44.5
Composite Non-Manufacturing PMI	47.9	47.3
<i>Business Activity</i>	50.5	50.6
<i>New Orders</i>	46.2	47.8
<i>Employment Level</i>	47.7	48.2
<i>Inventory</i>	46.9	46.7

Source: Statistics Department, Central Bank of Nigeria.

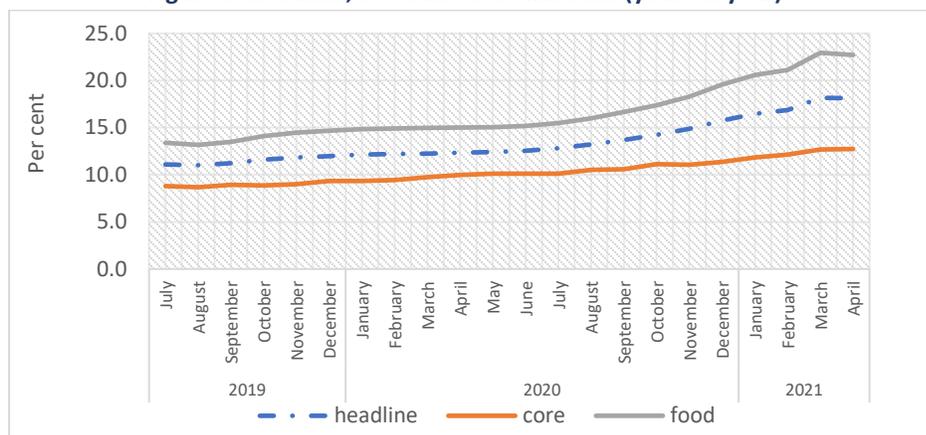
2.1.2 Consumer Prices

Inflationary pressures, moderated in April 2021, driven, mainly, by decline in food prices, owing to increased food supply; the effect of the various CBN interventions in the agricultural sector; and dry season harvest. Although headline inflation (all items index) for April 2021 remained elevated, it declined by 0.05 percentage point to 18.12 per cent (year-on-year), compared with the 18.17 per cent recorded in March 2021. It was, however, higher than the 12.34 per cent recorded in the corresponding month of 2020. On a month-on-month basis, headline inflation declined by 0.6 percentage point to 0.97 per cent, compared with the 1.56 per cent recorded in the preceding month.

Domestic Economic
Activities

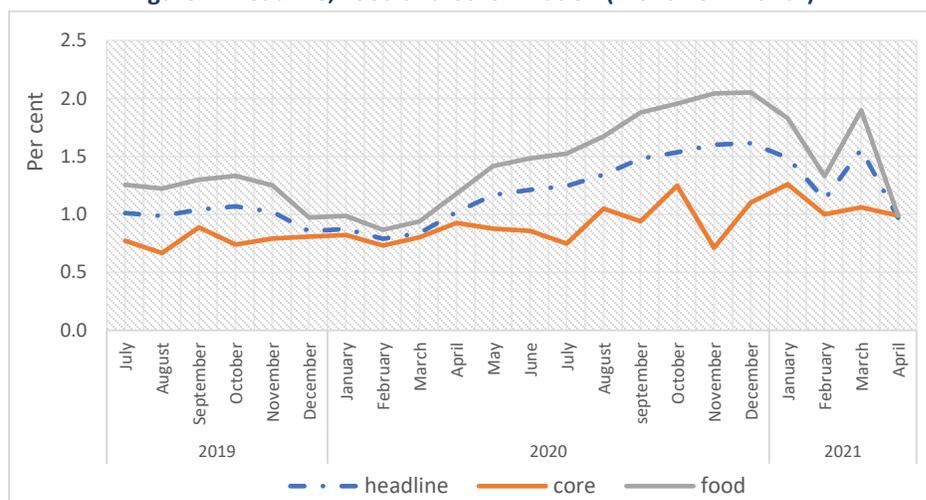
Headline
Inflation

Figure 6: Headline, Food and Core Inflation (year-on-year)



Source: National Bureau of Statistics

Figure 7: Headline, Food and Core Inflation (month-on-month)



Source: National Bureau of Statistics

Food Inflation

Food inflation (year-on-year) declined by 0.23 percentage point in April 2021 to 22.72 per cent, compared with the 22.95 per cent recorded in March 2021. It was, however, higher than the 15.03 per cent in the corresponding month of 2020. The marginal decline in food inflation was driven by the drop in the prices of farm produce, with major contributions in the food price index, such as fruits, yam, potato, millet and rice. The decline was also due to increased supply of the commodities, following the dry season harvest and the boost from the various CBN interventions in the agricultural sector. On month-on-month basis, food inflation fell to 0.99 per cent, compared with the 1.90 per cent recorded in the preceding month.

Core
Inflation

Year-on-year core inflation rate, on the other hand, rose moderately to 12.74 per cent in April from 12.67 per cent recorded in the preceding month. This derived from high exchange rate pass-through to domestic prices, increased cost of transportation/logistics and underlying effects of subsisting security challenges. On month-on-month basis, core inflation declined to 0.99 per cent, from 1.06 per cent recorded in the preceding month.

2.1.3 Commodity Markets Developments

Agricultural
commodity prices

The prices of most domestic agricultural commodities monitored increased in April 2021, relative to March 2021. These included: maize (white, 1.6 per cent); beans (brown, 1.6 per cent); sweet potato (1.5 per cent); beans (white, 1.4 per cent); garri (yellow, 1.3 per cent); and maize (yellow, 1.1 per cent). The increase was attributed to seasonal factors, such as the rising demand during the Ramadan season and higher exchange rate pass-through to domestic prices. However, the prices of onion bulb, groundnut oil, palm oil, Irish potato, tomato and rice (medium grain) decreased by 1.5 per cent, 0.5 per cent, 0.4 per cent, 0.3 per cent, 0.2 per cent and 0.1 per cent, respectively. This was attributed to increased production of the commodities, particularly onion bulb and tomato, in response to earlier surge in prices.

Table 6: Domestic Prices of Selected Agricultural Commodities in April 2021

		Apr. 2020/1	Mar. 2021/1	Apr. 2021/2	% Change (1) & (3)	% Change (2) & (3)
	Unit	1	2	3		
<i>Agric eggs medium size</i>	1kg	476.72	524.47	526.53	10.4	0.39
<i>Beans: brown, sold loose</i>	"	277.05	368.98	374.74	35.3	1.56
<i>Beans: white black eye, sold loose</i>	"	250.33	346.38	351.35	40.4	1.43
<i>Gari white, sold loose</i>	"	190.23	274.03	278.84	46.6	1.76
<i>Gari yellow, sold loose</i>	"	211.83	293.97	297.69	40.5	1.27
<i>Groundnut oil: 1 bottle, specify bottle</i>	"	601.03	667.67	664.60	10.6	-0.46
<i>Irish potato</i>	"	309.85	316.05	314.98	1.7	-0.34
<i>Maize grain white, sold loose</i>	"	165.83	233.92	237.61	43.3	1.58
<i>Maize grain yellow, sold loose</i>	"	166.42	237.60	240.21	44.3	1.10
<i>Onion bulb</i>	"	227.59	285.23	281.03	23.5	-1.47
<i>Palm oil: 1 bottle, specify bottle</i>	"	464.08	578.17	575.89	24.1	-0.39
<i>Rice agric, sold loose</i>	"	393.34	443.23	443.62	12.8	0.09
<i>Rice local, sold loose</i>	"	342.49	393.92	394.90	15.3	0.25
<i>Rice, medium grained</i>	"	394.56	443.36	443.09	12.3	-0.06
<i>Rice, imported high quality, sold loose</i>	"	471.84	544.21	546.49	15.8	0.42
<i>Sweet potato</i>	"	153.89	152.53	154.75	0.6	1.46
<i>Tomato</i>	"	277.00	267.45	266.87	-3.7	-0.22
<i>Vegetable oil: 1 bottle, specify bottle</i>	"	551.92	668.33	668.63	21.1	0.05
<i>Wheat flour: prepackaged (Golden Penny)</i>	2kg	692.60	766.11	768.63	11.0	0.33
<i>Yam tuber</i>	1kg	230.09	244.82	245.48	6.7	0.27

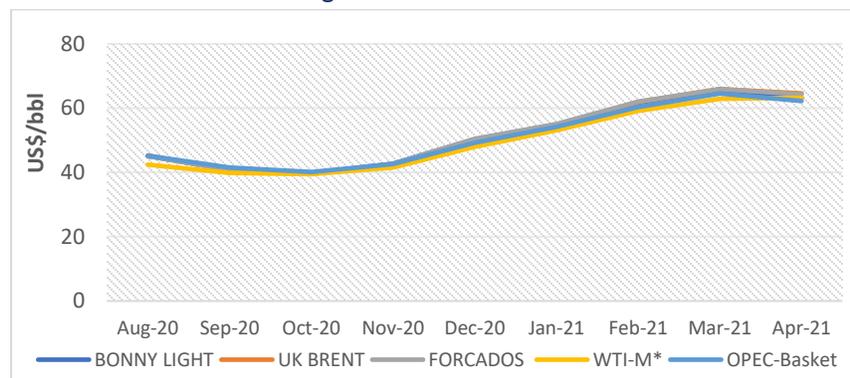
Sources: /1 National Bureau of Statistics, and /2 Staff Estimates

Oil market

The optimism on the prospects of higher crude oil prices was dampened by the ease in supply conditions and inventory build-up, in the wake of demand concerns, amid an increase in COVID-19 cases in some parts of Europe and Asia. Consequently, monthly average spot price of Nigeria’s reference crude oil, the Bonny Light (34.9° API), declined by 2.0 per cent to US\$64.30 per barrel (pb), compared with US\$65.62 pb in the preceding month. The price, however, more than quadrupled the low of US\$14.30 pb recorded in the corresponding period of 2020. The UK Brent at US\$63.64 pb, the Forcados at US\$63.34 pb, the WTI at US\$62.24 pb and the OPEC Basket of thirteen selected crude streams, at US\$63.25 pb, exhibited similar trend as the Bonny Light.

Despite the expected dent in export receipts due to lower oil price, the Federal Government ability to execute the 2021 budget remains intact, as the current price exceeds the budget benchmark of US\$40 pb.

Figure 8: Trends in Crude Oil Prices



Source: Refinitiv Eikon (Reuters)

Oil production and export

Domestic crude oil production and export recorded an estimated increase, month-on-month, due, largely to improved compliance with the OPEC+ quota for Nigeria’s crude production. Crude oil production, including Agbami crude stream, increased by 1.34 per cent to 1.51 mbpd in April 2021, from 1.49 mbpd in the preceding month. Out of 1.51 mbpd produced in April 2021, exports accounted for about 1.06 mbpd, while allocation for domestic consumption, accounted for the balance of 0.45 mbpd. Crude oil production was within the allowable OPEC quota of 1.52 mbpd after infrastructural repairs at some key production and export terminals.

Although domestic production rose, aggregate OPEC supply fell on account of lower-than-expected production, primarily in Saudi Arabia and Angola. Aggregate crude oil production, including Natural Gas Liquids

(NGLs) and condensates by OPEC stood at 30.24 mbpd in April 2021, representing a decline of 0.1 per cent, compared with 30.27 mbpd recorded in the preceding month. OPEC's crude portion decreased by 0.10 mbpd from 25.03 mbpd, while the non-crude portion increased by 0.10 mbpd to 5.24 mbpd.

2.1.4 Socio-Economic Development

Following the prolonged lockdown, measures occasioned by the COVID-19 pandemic, the government implemented a number of policy initiatives to cushion the negative impacts of the Pandemic on the socio-economic life of the people.

Health

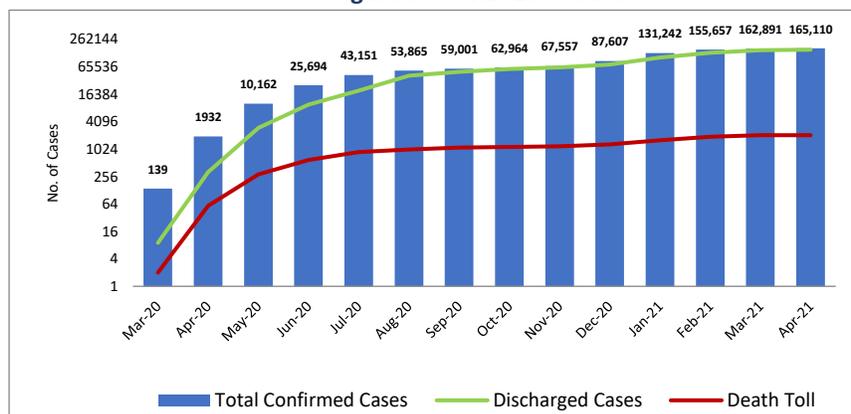
In the health sector, the pace of COVID-19 infections slowed, following greater awareness and the improved vaccine distribution, as the Federal Government continued to receive support from stakeholders. The enhanced management of the virus continued to lower the number of active cases and deaths. Data from the National Centre for Disease Control (NCDC) showed that the total number of confirmed COVID-19 cases in the country rose by 1.4 per cent to 165,110 as at April 30, 2021, compared with the 162,891 recorded in the preceding month. However, the number of active cases declined to 7,946, compared with the 9,187 in the preceding month, with the number of deaths increasing by 6 persons to 2,063 from 2,057 in March 2021 (Figure 9).

As at end-April 2021, a total of 1,191,563 people had received the first dose of the AstraZeneca vaccine, representing 59.3 per cent of eligible persons targeted.

According to the National Primary Health Care Development Agency (NPHCDA), out of those vaccinated, 8,439 people suffered mild *Adverse Events Following Immunization (AEFI)*, with 52 people having moderate-to-severe adverse effects. However, no death or any case of blood clot related reactions had been recorded.

To further achieve herd immunity against the COVID-19 infection, MTN Plc donated 300,000 doses of the AstraZeneca vaccine, while 100,000 doses of Covishield vaccine were received from India. Nigeria is expected to receive 30 million doses of the Johnson & Johnson (Janssen) COVID-19 vaccine in July 2021 through the African Union.

Figure 9: COVID-19 Statistics¹



Source: National Centre for Disease Control

Education

Access to tertiary education services was boosted with the approval for the upgrade of three existing institutions in Delta State to the status of State Universities by the National Universities Commission (NUC). This brought the total number of public universities in the country to 98.

Information technology proficiency in sub-tertiary education received a notable enhancement through public-private-partnership in Bayelsa State. The technical skills of 12,000 teachers, in both primary and secondary schools, were strengthened via the training on digital transformation sponsored by the Bayelsa State government in collaboration with Microsoft. The partnership would also facilitate the training of over 90,000 pupils in the state on digital and computer education.

Transportation

To provide an efficient and sustainable alternative transportation mode, the Lagos State government commenced the construction of a 37km Lagos Rail Mass Transit Red Line (LRMTRL), traversing Agbado to Marina. The LRMTRL, when completed, is expected to commute over one million passengers daily.

Furthermore, activities in the aviation sector recorded a boost, as international flight operations resumed at Malam Aminu Kano International Airport (MAKIA) and Port Harcourt International Airport after about 13 months of closure, owing to the COVID-19 virus infections.

Within the aviation sector, the Asset Management Corporation of Nigeria (AMCON) announced the plan to float a new airline, NG Eagle, (using Arik’s assets) to recover over ₦300 billion debt from Arik Air, following the takeover of the management of the airline. The new airline would run

¹ Covid-19 data as of April 30, 2021

alongside Arik Air. The move is expected to boost support to the airline and continue to strengthen the country's aviation sector.

ICT

To deepen the digital economy and identity management, the Federal Government commenced the implementation of the revised national digital identity policy for Subscriber Identification Module (SIM) card registration on April 6, 2021. The policy made it mandatory for subscribers to link their SIM cards to the national identity database.

Agriculture

Agricultural activities in April 2021 centred, majorly, on land preparation for the wet season cultivation. To boost production, the Federal Government rolled out the distribution of farm inputs to over 10,000 women smallholder farmers in the North central states and the FCT. Also, poultry farming was intensified to take advantage of the forthcoming Eid El-Fitr celebration sales. However, the Avian Influenza (Bird Flu) continued to affect the poultry industry, with losses to farmers. The Federal Ministry of Agriculture and Rural Development (FMARD) disclosed that over 329,000 birds were slaughtered to contain the spread of the Virus. The development exacerbated supply shortages and elevated the prices of poultry products.

2.1.5 Development Financing

The Bank sustained its various agriculture intervention schemes to augment output in April 2021. To boost agricultural activities, a total sum of ₦6,050.0 billion was disbursed to farmers for 3,763,302 projects at end-March 2021. Available data showed that, at end-March 2021, a cumulative sum of ₦696.2 billion was disbursed to a total of 642 projects under the Commercial Agricultural Credit Scheme (CACS), out of which ₦452.8 billion had been repaid. In addition, a total of 38 projects had benefitted from a cumulative sum of ₦96.0 billion under the Paddy Aggregation Scheme (PAS). For the Anchor Borrowers' Programme (ABP), the sum of ₦615.4 billion had been disbursed to 3,038,899 beneficiaries, out of which ₦152.3 billion was repaid. About 28,961 projects benefitted from the sum of ₦111.7 billion under the Agri-business/SME Investment Scheme (AGSMEIS). Under the Maize Aggregation Scheme (MAS), a total of 8 projects received the sum of ₦6.2 billion.

Development
Financing

2.2 FISCAL SECTOR DEVELOPMENTS

On the back of improved non-oil earnings, federation revenue in April 2021 rose by 28.2 per cent to ₦1,105.78 billion, relative to ₦862.79 billion in March 2021. However, the retained revenue of the Federal Government of Nigeria (FGN), which includes its share of federation revenue and its own independently generated revenue, at ₦409.31 billion, fell short of its benchmark by 38.5 per cent. Similarly, the provisional aggregate expenditure of the FGN, at ₦559.67 billion, was also below the budget benchmark and the level in March 2021, by 50.6 per cent and 59.4 per cent, respectively. Consequently, the fiscal operations of the FGN in April 2021 contracted by 67.8 per cent, relative to the budget estimate. FGN debt outstanding, as at end-March 2021, stood at ₦28,984.30 billion and represented a 15.8 per cent increase, relative to its level in March 2020. The development was driven by the objectives of the medium-term fiscal policy framework to support economic recovery, narrow infrastructural deficit and fund the COVID-19 mitigation programmes.

2.2.1 Federation Account Operations

Significant growth in non-oil tax receipts in April, prompted by the gradual return of business activities to their pre-COVID-19 levels, led to a 28.2 per cent increase in federation revenue, relative to the preceding period. At ₦1,105.78 billion, the federation receipt in April 2021 outpaced both the budget benchmark and collections in March 2021 by 28.2 per cent and 7.9 per cent, respectively. While oil revenue accounted for 35.5 per cent (or ₦392.91 billion) of total receipts in the period, non-oil revenue contributed 64.5 per cent (or ₦712.87 billion). The diminished share of oil was explained by the meagre remittance of ₦3.79 billion from crude oil and gas exports, compared with ₦52.50 billion in the 2021 budget estimate. This reflected the exacerbating incidence of cost ‘under-recovery’,² as reported by the Nigerian National Petroleum Corporation (NNPC). In addition, the significant decline in domestic crude oil and gas sales, also contributed to the meagre oil receipt during the period.

The strong performance of non-oil revenue in April 2021 reflected the maturing benefits of the Strategic Revenue Generation Initiative (SRGI) of the Federal Government, as contained in the 2019 and 2020 Finance Acts. The contribution of non-oil revenue was driven, majorly, by higher earnings from Corporate Income Tax (CIT) and Value Added Tax (VAT), which increased by 73.7 per cent and 51.1 per cent, respectively.

² The difference between the pump price of petrol and the cost price of the product to the NNPC.

Increased receipts from these revenue sources signaled boost in taxable economic activities. Notably, increased CIT was attributed to the seasonal effect of tax remittances, as companies, particularly those with April 2021 accounting year, balanced their books and settled outstanding tax liabilities.

Table 7: Federally Collected Revenue and Distribution to the Three-Tiers of Government (₦ Billion)

	Apr-20	Mar-21	Apr-21	Budget
Federation Revenue (Gross)	910.54	862.79	1,105.78	1,024.72
Oil	528.43	399.24	392.91	505.93
<i>Crude Oil & Gas Exports</i>	34.57	0.00	3.79	52.50
<i>PPT & Royalties</i>	334.90	263.08	286.34	276.88
<i>Domestic Crude Oil/ Gas Sales</i>	147.15	128.05	86.36	84.29
<i>Others*</i>	11.81	8.12	16.42	96.26
Non-oil	382.11	463.55	712.87	518.79
<i>Corporate Tax</i>	139.58	66.36	242.41	124.71
<i>Customs & Excise Duties</i>	76.82	87.74	89.34	94.38
<i>Value-Added Tax (VAT)</i>	120.27	157.33	181.71	153.20
<i>Independent Revenue of Fed.</i>	16.60	149.78	197.17	88.49
<i>Govt.</i>				
<i>Others*</i>	28.85	2.35	2.25	58.01
Total Deductions/Transfers	353.00	340.72	544.89	247.57
Federally Collected Revenue				
Less Deductions & Transfers**	557.54	522.07	560.89	777.15
<i>plus:</i>				
Additional Revenue	62.98	9.16	2.93	0.00
<i>Balance in Special Account</i>	0.00	0.00	0.00	0.00
<i>from 2019</i>				
<i>Excess Crude Revenue</i>	0.00	0.00	0.00	0.00
<i>Non-oil Excess Revenue</i>	0.00	0.52	0.00	0.00
<i>Exchange Gain</i>	62.98	8.65	2.93	0.00
Total Distributed Balance	620.52	531.24	563.82	811.15
<i>Federal Government</i>	264.33	205.16	212.15	346.47
<i>State Government</i>	181.49	166.08	179.24	235.90
<i>Local Government</i>	135.95	122.85	132.19	176.83
<i>13% Derivation</i>	38.75	37.14	40.24	51.96

Sources: Office of the Accountant General of the Federation and CBN Staff Estimates

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

Allocations to the three-tiers of government

Statutory deductions, at ₦544.89 billion, included the sum of ₦184.00 billion set aside as excess non-oil revenue for the purpose of augmenting future federation allocations. With the inclusion of an additional receipt of ₦2.93 billion from Exchange Gain, total disbursement to the three-tiers of government amounted to ₦563.82 billion. This was 6.1 per cent higher than the amount shared in March 2021, but 9.1 per cent lower than the amount distributed in April 2020.

With disbursements to states and local governments being 19.9 per cent and 20.3 per cent lower than their respective budget benchmarks, the fiscal challenge at the subnational levels persisted in April 2021.

Table 8: Allocations to Subnational Governments (₦ Billion)

	State Government			Local Government		
	Statutory	VAT	Total	Statutory	VAT	Total
Mar-21	126.8	73.16	199.96	69.99	51.21	121.2
Apr-21	134.05	84.5	218.55	72.49	59.15	131.63
Benchmark	201.82	70.96	272.78	115.54	49.67	165.21

Source: Office of the Accountant-General of the Federation

2.2.2 Fiscal Operations of the Federal Government

The provisional fiscal deficit of the FGN narrowed in April 2021, due to the combined effects of the rationalization of government spending, disbursement lags and improved revenue collections. At ₦150.36 billion, the overall balance was 67.8 per cent lower than the budget benchmark (Table 9). Whilst the low deficit enhances the maneuverability of fiscal policy in the near-term, it was partly explained by the inherent lag in budgetary releases for recurrent spending, which understated the expenditure-side of the FGN's fiscal operations in the period.

Fiscal Balance

Table 9: Fiscal Balance (₦ Billion)

	Apr-20	Mar-21	Apr-21	Benchmark
Retained revenue	280.93	354.94	409.31	665.53
Aggregate expenditure	809.85	1,380.13	559.67	1,132.34
Primary balance	-220.99	-862.74	-12.44	-189.77
Overall balance	-528.92	-1,025.20	-150.36	-466.80

Source: Compiled from Office of the Accountant General of the Federation figures and CBN Staff Estimates

Note: The figures are provisional.

The estimated earnings of the FGN in April 2021 rose by 15.3 per cent to ₦409.31 billion, compared to its level in March 2021. Regardless, it was 38.5 per cent lower than the target of ₦665.53 billion in the 2021 budget. The decline, relative to the budget benchmark, was attributed to shortfalls in receipts from the Federation Account, Special Accounts and Special Levies of the FGN.

Federal Government
Retained Revenue

Table 10: FGN Retained Revenue for April 2021 (₦ Billion)

	Apr-20	Mar-21	Apr-21	Benchmark
FGN Retained Revenue	280.9	354.9	409.3	665.5
<i>Federation Account</i>	217.8	179.0	185.4	295.5
<i>VAT Pool Account</i>	16.8	21.9	25.3	21.3
<i>FGN Independent Revenue</i>	16.6	149.8	197.2	88.5
<i>Excess Oil Revenue</i>	0.0	0.0	0.0	0.0
<i>Excess Non-Oil</i>	0.0	0.0	0.0	29.7
<i>Exchange Gain</i>	29.8	4.0	1.4	0.0
<i>Others*</i>	0.0	0.3	0.0	230.6

Source: Compiled from Office of the Accountant General of the Federation figures

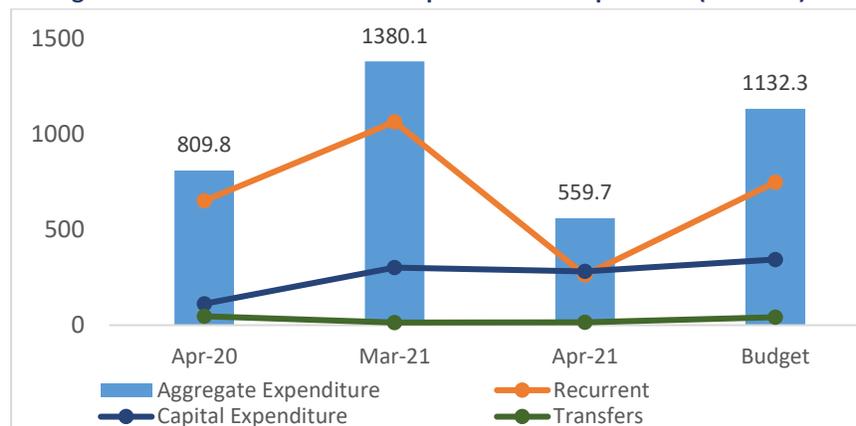
Note: * Others include revenue from Special Accounts and Special Levies

Note: The Benchmark figures are provisional.

Federal Government Expenditure

Given the need to rationalise government spending, in view of persisting revenue shortfalls and tightening fiscal space, provisional aggregate expenditure of the FGN declined to ₦559.67 billion in April 2021, which was 50.6 per cent below the monthly target of ₦1,132.34 billion. In addition, the observed decline in spending was partly explained by the inherent lag in budgetary releases. Of the total spending, capital expenditure, at 50.4 per cent, uncharacteristically accounted for the chunk of the total expenditure, while recurrent expenditure and transfers constituted 46.9 per cent and 2.7 per cent, respectively.

Figure 10: Federal Government Expenditure for April 2021 (₦ Billion)



Sources: Central Bank of Nigeria Staff Estimates and Compilation from Office of the Accountant General of the Federation (OAGF) data

Table 11: Federal Government Expenditure for April 2021 (₦ Billion)

	Apr-20	Mar-21	Apr-21	Budgeted
Aggregate Expenditure	809.8	1,380.1	559.7	1,132.3
Recurrent	651.0	1064.2	262.2	747.2
<i>of which:</i>				
Personnel Cost	204.5	581.5	28.2	281.0
Pension and Gratuities	29.9	0.0	0.0	42.0
Overhead Cost	87.9	304.6	80.0	147.1
Interest Payments	307.9	162.5	137.9	277.0
Domestic	267.3	107.5	83.0	198.6
External	40.6	55.0	55.0	78.4
Special Funds & others	20.8	15.7	16.2	0.0
Capital Expenditure	112.1	302.1	282.1	343.8
Transfers	46.7	13.8	15.3	41.4

Source: CBN Staff Estimate

Federal Government Debt

Public borrowing remained anchored on the medium-term debt strategy of the Federal Government. FGN debt outstanding rose to ₦28,984.30 billion at end-March 2021, an increase of 2.5 per cent and 15.8 per cent, relative to end-December 2020 and the corresponding period in 2020. The development was propelled by the fiscal policy drive to support economic recovery, reduce infrastructural deficit and fund COVID-19 mitigation programmes, Domestic debt accounted for 57.0

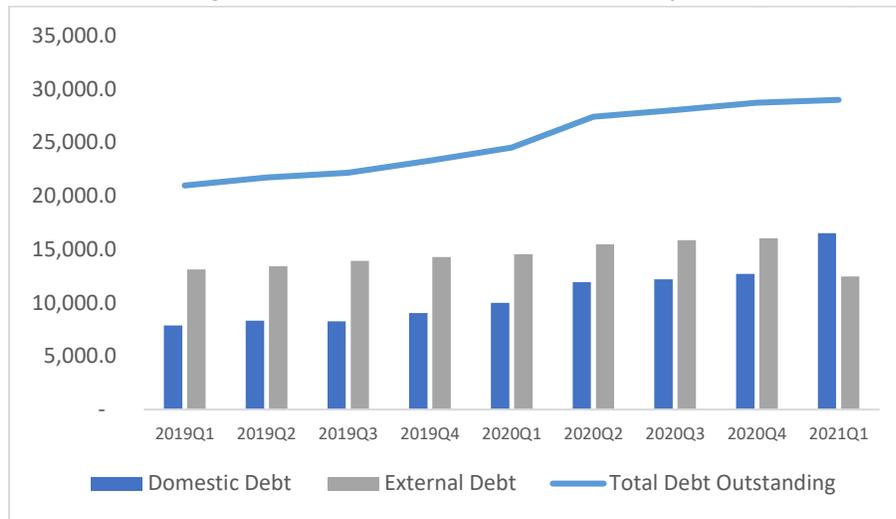
per cent of FGN total debt, while external debt obligations constituted 43.0 per cent. This compares with a mix of 70:30 for domestic-external debt target in the 2020-2023 medium-term debt strategy of the FGN. Following FGN's full redemption of the US\$500 million Eurobond in January 28, 2021, external debt stock declined by 1.8 per cent, relative to end-December 2020. Comparatively, domestic debt outstanding rose by 3.6 per cent.

FGN bond issues maintained its dominance in the composition of domestic debt, accounting for 75.5 per cent of the total domestic debt, followed by Treasury Bills (15.8 per cent); Promissory Notes (5.7 per cent); FGN Sukuk (2.2 per cent); and others³ (0.9 per cent). The distribution is in tandem with the FGN's objective to hold more of long-term domestic debt instruments than short (75:25). In the composition of the holders of Nigeria's external debt, Multilateral, Commercial and Bilateral loans accounted for 54.3 per cent, 33.0 per cent and 12.7 per cent of the total external debt stock, respectively.

Debt service obligations as at first quarter of 2021, amounted to ₦1,032.29 billion, compared with ₦779.73 billion and ₦461.98 billion in the first and fourth quarters of 2020, respectively. The significant rise was due, largely, to the interest payments on additional FGN bonds, Promissory Notes and the redemption of the US\$500 million Eurobonds, which matured in January 2021.

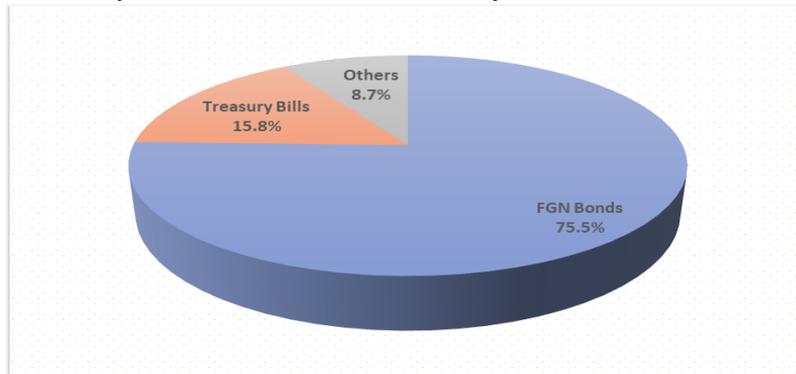
³ This includes Treasury bonds (0.6 per cent), Green bond (0.2 per cent) and Special FGN Savings bond (0.1 per cent).

Figure 11: FGN External and Domestic Debt Composition (₦ Billion)



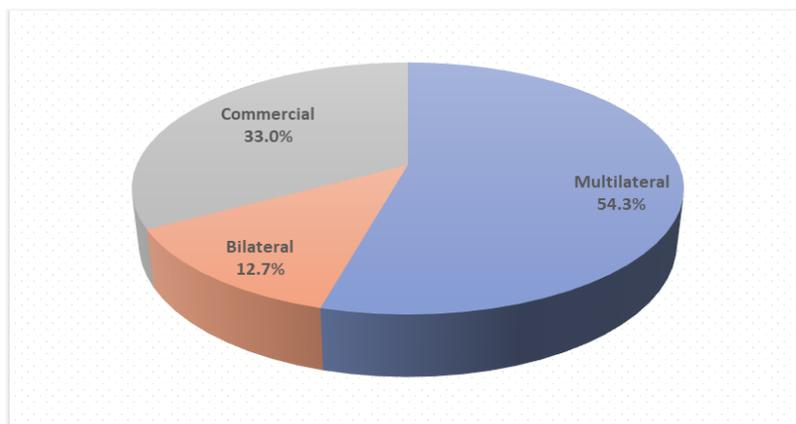
Source: Compiled from Debt Management Office figures

Figure 12: Composition of Domestic Debt Stock by Instrument as at end-March 2021



Source: Compiled from Debt Management Office figures

Figure 13: Composition of External Debt Stock by Holders as at end-March 2021



Source: Compiled from Debt Management Office figures

2.3 MONETARY AND FINANCIAL DEVELOPMENTS

Monetary policy stance remained accommodative during the review month, through sustained credit expansion and moderated levels of interest rate, to support economic recovery and stabilise the financial market.

2.3.1 Monetary Developments

Reserve
Money

Reserve money rose modestly in April 2021 on the heels of increased liabilities to other depository corporations. Over its level at end-December 2020, liabilities to other depository corporations grew by 2.1 per cent to ₦10,406.16 billion at end-April 2021, compared with the growth of 3.2 per cent at the end of the preceding month. The development was due, mainly, to increase in cash reserve requirements. Currency-in-circulation, on the other hand, fell by 3.9 per cent to ₦2,796.47 billion at end-April 2021, compared with the ₦2,808.73 billion recorded at end-March 2021. On the whole, reserve money grew slightly by 0.8 per cent to ₦13,202.63 billion at end-April 2021 over December 2020 level, compared with the 1.8 per cent growth recorded at end-March 2021.

Table 12: Reserve Money (₦ Billion)

	Dec-20	Mar-21	Apr- 21
Monetary Base	13,103.09	13,338.06	13,202.63
Currency-In-Circulation	2,908.46	2,808.73	2,796.47
Liabilities to Other Depository Corporations	10,194.63	10,529.32	10,406.16

Source: Central Bank of Nigeria

Monetary
Aggregates

Growth in money stock was sluggish, due to the decline in net foreign assets, which outweighed growth in net domestic assets. Broad money (M₃) grew marginally by 1.2 per cent to ₦39,071.43 billion at end-April 2021. This annualises to 3.6 per cent growth in M₃, which is notably below the provisional benchmark of 10.0 per cent for the 2021 fiscal year. The sluggish growth illustrates households' emerging inclination towards liquid assets, particularly deposits. This is against the backdrop of incipient preference for demand deposits, as yield on non-risky assets remain volatile. Narrow money (M₁) grew by 0.1 per cent in April 2021, relative to 3.4 per cent in February and 1.0 per cent in March 2020, respectively, with transferable deposits component contributing 0.54 percentage points to growth. The growth in M₁ reflected the slight recovery in economic activities. Hence, the expansion in total monetary liabilities emanating from the respective growth of 1.6 per cent and 3.0 per cent in transferable and "Other Deposits" of other depository

Drivers of money supply

corporations, indicate confidence in the banking sector and improved efficiency in financial intermediation. This increase in M_1 , notwithstanding, reflected underlying weaknesses in the growth of broad money in the last few months. Analysis shows the continued expansion in marketable instruments (securities other than shares – M_3 less M_2), which suggested that investors built significant buffers to cushion uncertainties in the financial markets. Securities other than shares, which grew by 0.57 per cent in January 2021, jumped to 9.6 per cent in February, and 9.5 per cent, a piece, in March and April, respectively.

Claims on the domestic economy rose by 3.4 per cent to ₦43,981.64 billion at end-April 2021, compared with the 2.1 per cent increase recorded at end-March 2021. The development was due, solely, to the 5.6 per cent increase in claims on other sectors (particularly, claims on private sector), as claims on Central Government dipped. The strong pace of expansion in bank lending to the private sector had continued to support the growth in M_3 growth and indicated sustained positive loan dynamics, as credit to the private sector grew by 10.7 per cent at end-April 2021 (Table 13). Net foreign assets declined by 8.3 per cent to ₦6,732.32 billion at end-April 2021, owing to the fall in claims on non-residents, which subsumed the decline in liabilities to non-residents. The drag, arising from NFA, has continued to weigh negatively on M_3 growth.

The growth in net domestic assets contributed 2.6 percentage points to M_3 growth, against the negative contribution of 1.4 percentage points of net foreign assets to the growth in M_3 . This development was due to the rise in net domestic assets, driven, largely by increased demand for credit by households, small businesses and large corporates in the economy.

Table 13: Money and Credit Aggregates Growth over preceding December (per cent)

Monetary Aggregates	Dec 20	Mar 21	Apr 21
Net Foreign Assets	23.44	-8.34	-8.25
<i>Claims on Nonresidents</i>	11.39	-1.97	-3.30
<i>Liabilities to Nonresidents</i>	- 5.24	1.84	-0.34
Domestic Claims	15.91	2.07	3.35
Net Claims on Central Government	22.84	-3.31	-1.98
<i>Claims on Central Government</i>	24.53	1.88	3.15
<i>Liabilities to Central Government</i>	-27.10	9.51	10.70
Claims on Other Sectors	13.27	4.28	5.55
<i>Claims on Other Financial Corporations</i>	11.02	-4.32	-4.99
<i>Claims on State and Local Government</i>	10.64	1.92	2.30
<i>Claims on Public Nonfinancial Corporations</i>	2.51	6.35	6.84
<i>Claims on Private Sector</i>	15.16	8.40	10.68
Broad Money Liabilities	10.84	0.06	1.15
Currency Outside Depository Corporations	23.38	-7.61	-7.57
Transferable Deposits	56.29	2.62	1.55
Other Deposits	19.19	1.61	3.03
Securities Other Than Shares	-84.56	-53.14	-25.35
Total Monetary Assets(M3)	10.84	0.06	1.15
GROWTH CONTRIBUTORS	Dec 20	Mar-21	Apr-21
Net Foreign Assets	4.00	-1.58	-1.44
<i>Claims on Nonresidents</i>	5.75	-1.00	-1.56
<i>Liabilities to Nonresidents</i>	-1.75	-0.58	0.12
Net Domestic Assets	6.84	1.64	2.61
Domestic Claims	16.76	2.28	3.91
Net Claims on Central Government	6.62	-1.06	-0.63
<i>Claims on Central Government</i>	11.78	1.01	1.81
<i>Liabilities to Central Government</i>	-5.16	-2.08	-2.44
Claims on Other Sectors	10.14	3.34	4.54
<i>Claims on Other Financial Corporations</i>	2.44	-0.96	-1.10
<i>Claims on State and Local Government</i>	0.57	0.10	0.12
<i>Claims on Public Nonfinancial Corporations</i>	0.06	0.13	0.14
<i>Claims on Private Sector</i>	7.07	4.07	5.37
Broad Money Liabilities (M3)	10.84	0.06	1.18
<i>Currency Outside Depository Corporations</i>	1.36	-0.49	-0.50
<i>Transferable Deposits</i>	13.93	0.91	0.55
<i>Other Deposits</i>	10.04	0.91	1.73
<i>Securities Other Than Shares</i>	-14.49	-1.27	-0.61

Source: Central Bank of Nigeria

Sectoral Utilisation of Credit

On domestic claims, a breakdown of credit utilisation by different sectors of the economy showed that the industry and services sectors maintained their dominance with a share of 38.1 per cent and 36.9 per cent, respectively. Agriculture, construction and trade sectors accounted for 5.2 per cent, 4.9 per cent and 6.2 per cent, respectively, compared with their respective levels of 5.3 per cent, 4.8 per cent and 6.4 per cent in the preceding month; while the government sector accounted for the balance of 8.7 per cent, compared with 8.9 per cent recorded in the preceding month.

Table 14: Sectoral Credit Utilization by the Private Sector

	Dec-20	Mar-21	Apr-21
Agriculture	5.2	5.3	5.2
Industry	37.2	37.2	38.1
Construction	4.7	4.8	4.9
Trade/General Commerce	6.6	6.4	6.2
Government	8.7	8.9	8.7
Services	37.6	37.5	36.9

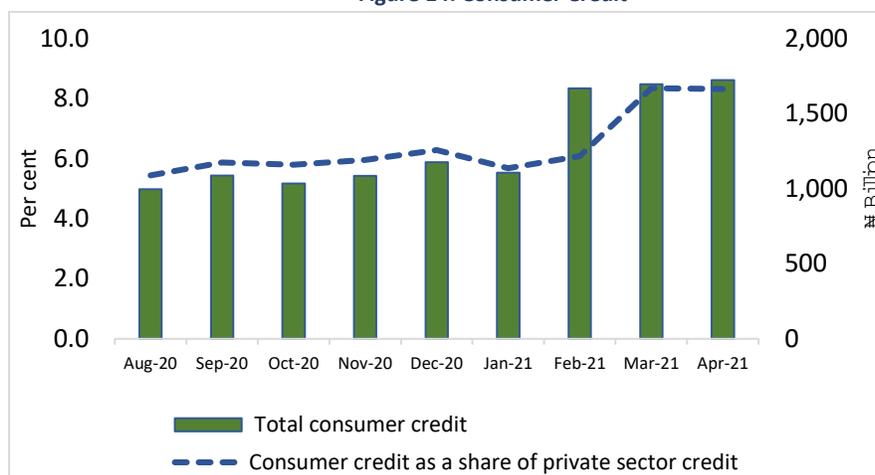
Source: Central Bank of Nigeria

2.3.2 Consumer Credit

The gradual recovery of economic activities boosted consumer credit during the review month. At ₦1,721.49 billion in April 2021, consumer credit outstanding was 1.6 per cent higher than the ₦1,693.59 billion recorded in March 2021 and constituted 8.3 per cent of credit to the private sector.

Consumer Credit

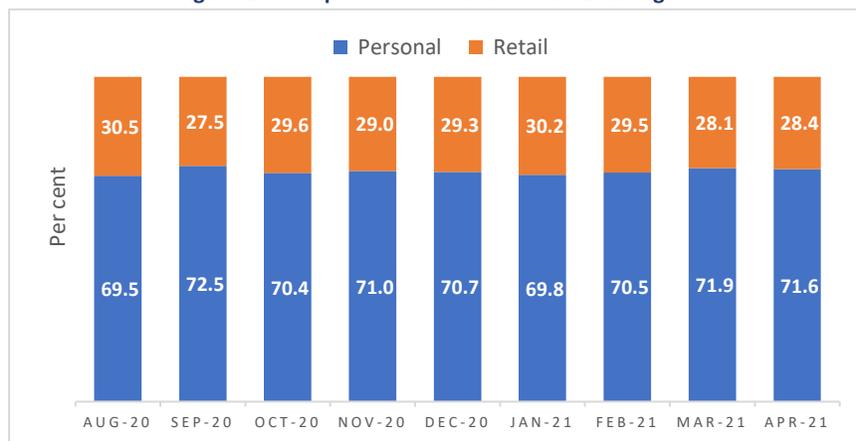
Figure 14: Consumer Credit



Source: Central Bank of Nigeria

A breakdown of consumer loans showed that personal loans accounted for the largest share of 71.6 per cent, a slight decline of 0.03 percentage point below the level in March 2021, while the share of retail loans increased marginally to 28.4 per cent.

Figure 15: Composition of Consumer Credit in Nigeria



Source: Central Bank of Nigeria

2.3.3 Financial Market Developments

The domestic financial condition was relatively stable in the review month, amidst the prospects of global economic recovery arising from increased access to vaccines and the growing optimism of flattening COVID-19 incidence curve.

2.3.3.1 Financial Soundness Indicators

Despite the marginal decline in capital adequacy ratio, financial soundness indicators remained stable, by and large, due to the various fiscal and monetary measures that were implemented. Exceeding the regulatory benchmark of 10.0 per cent, Capital Adequacy Ratio of banks, at 15.8 per cent as at end-April 2021, was 1.9 percentage points lower than the 16.1 per cent level recorded at end-March 2021. The assets quality, measured by the ratio of Non-Performing Loans (NPLs) to industry total outstanding loans, stood at 5.9 per cent at end-April 2021, but higher than the 5.0 per cent prudential requirement. The development was due to: the continued reopening of business and economic activities; improved administration of the COVID-19 vaccines; the various measures implemented by the government to cushion the effect of the COVID-19 pandemic; the robust monetary policy stance of the Bank; and moderation in the vulnerabilities and credit risks to the banking system.

The liquidity ratio rose marginally by 1.3 percentage points to 65.9 per cent in the review period, compared with the 65.0 per cent recorded in March 2021. The ratio was above the 30.0 per cent prudential benchmark. The development reflected the increase in the stock of liquid assets held by banks.

2.3.4 Money Market Developments

The Monetary Policy Committee (MPC) maintained its accommodative policy stance, while striking a balance between tackling elevated inflation and continued support of the real economy to boost output growth. Consequently, Monetary Policy Rate (MPR) remained at 11.5 per cent, with an asymmetric corridor of +100/-700 basis points around the policy rate. The cash reserve ratio and the liquidity ratio were also maintained at 27.5 per cent and 30.0 per cent, respectively.

The Bank sustained the use of Open Market Operations (OMO) and discount window activities to manage liquidity in the review month. The tenors of CBN bills used in conducting OMO auctions in the review month ranged from 89 to 362 days. Total amount offered stood at ₦60.00 billion, while, ₦218.61 billion and ₦43.19 billion were subscribed to and allotted, respectively, with a bid rate of 9.0 per cent (± 2.1), and the stop rate of 8.5 per cent (± 1.6). Repayment of matured CBN bills was ₦114.00 billion, translating to a net injection of ₦70.81 billion through this medium.

In April 2021, the Bank issued Nigerian Treasury Bills (NTBs) on behalf of the Debt Management Office (DMO) at the primary market. NTBs offered, subscribed and allotted amounted to ₦253.70 billion, ₦702.92 billion and ₦427.67 billion, respectively. The tenors were 91-, 182- and 364-day with bid-cover ratios of 1.6, 2.0 and 1.6, respectively, which mirrored investors' apathy to short-term money market instruments in the review period.

2.3.4.1 Interest Rate

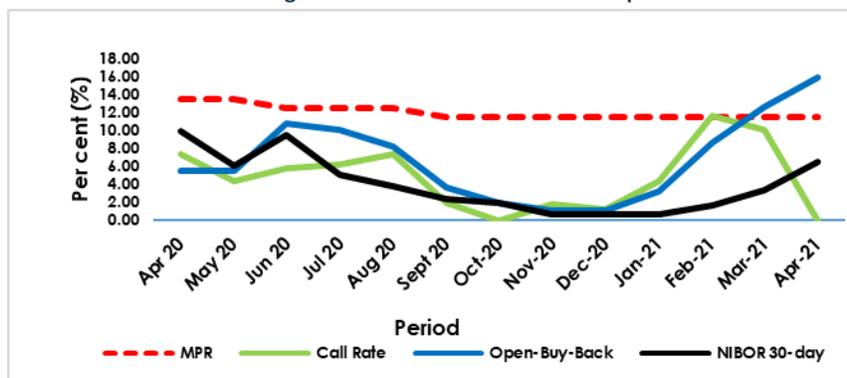
Banking system liquidity took a downward turn and caused an upsurge in money market rates in the review month. The decline in the banking system liquidity was as a result of provisioning and settlement of foreign exchange and CBN bills purchases, as well as Cash Reserve Requirements (CRR) debits. Nevertheless, repayment of matured securities and fiscal disbursements to the three tiers of government moderated the liquidity condition in the banking system. Consequently, the average net industry liquidity position in April 2021 declined by 43.3 per cent to ₦146.59 billion, compared with the ₦258.71 billion recorded in the preceding month.

Both the short-term and long-term lending rates rose at end-April 2021 against the background of decreasing banking system liquidity. Average OBB rate was 15.9 per cent in April 2021, compared with the 12.6 per cent recorded in March 2021. Other rates, such as the 7-day and 30-day NIBOR traded at averages of 13.9 per cent and 6.5 per cent, respectively,

Interest
Rate

compared with 12.8 per cent and 3.4 per cent in the preceding month. Average prime lending rate rose by 0.11 percentage point to 11.24 per cent, relative to its level in the preceding month, while average maximum lending rate fell by 0.1 percentage point to 28.64 per cent at end-April 2021. The average term-deposit rate rose by 0.37 percentage point to 4.10 per cent, leading to a narrowed spread of 24.81 percentage points, when compared with the average maximum lending rates.

Figure 16: Interest Rates as at end-April 2021



Source: Central Bank of Nigeria

2.3.4.2 Discount Window Operations

The Bank, in April 2021, published the revised *Guidelines for the Conduct of Repurchase Transactions under the CBN Standing Facilities*, which reviewed the tenored repo rates downwards by 200 basis points. Activities at the standing facility windows showed predominance of the lending window over the deposit window with applicable rates for the SLF and SDF at 12.5 per cent and 4.5 per cent, respectively. The recourse to standing facility resulted in a net lending of ₦2,183.64 billion, due to tight liquidity in the banking system.

Total request for the SLF in April 2021 was ₦2,302.58 billion (made up of ₦1,543.52 billion direct SLF and ₦759.06 billion intra-day lending facility converted to overnight repo). Daily request averaged ₦135.45 billion in the 17 transaction days with total interest earned at ₦1.33 billion. Total SDF granted, during the review period, was ₦118.94 billion with daily average of ₦7.00 billion in the 17 transaction days. Cost incurred on SDF in the review month stood at ₦0.23 billion.

2.3.5 Capital Market Developments

Activities on the Nigerian Stock Exchange (NSE) were bullish in April 2021, amidst gains by many blue-chip stocks, leading to rising profile in the market and gradual rekindling of investors' confidence, as most companies released their first quarter 2021 scorecards. Consequently, the All-Share Index (ASI) and the aggregate market capitalisation rose in the review month. Gains recorded by many blue-chip stocks led to the appreciation of market capitalisation by 1.9 per cent to ₦39.06 trillion at end-April 2021, compared with ₦38.35 trillion at end-March 2021. The equities market capitalisation, which constituted 53.4 per cent of the aggregate, rose by 2.0 per cent to ₦20.85 trillion, compared with ₦20.43 trillion at end-March 2021.

NSE All-Share Index

The price appreciation in medium and capitalised stocks led to the rise in the ASI in April 2021. The ASI, which opened at 38,916.74 at the beginning of the review month, rose by 2.4 per cent to 39,834.42 at end-April 2021, relative to the level at end-March 2021.

In the review period, the NSE Premium, NSE Lotus, NSE Pension, NSE Industrial, NSE Consumer Goods, and NSE Oil and Gas indices rose by 6.9 per cent, 4.7 per cent, 3.6 per cent, 3.1 per cent, 2.8 per cent and 1.2 per cent to 3,467.21, 2,776.67, 1,411.10, 1,947.64, 558.32 and 269.11, respectively, relative to the levels at end-March 2021. However, NSE Banking and NSE Insurance indices fell by 4.8 per cent and 1.5 per cent to 352.07 and 201.49, respectively, while NSE ASeM index remained flat at 731.18 in the review period, same as in March 2021.

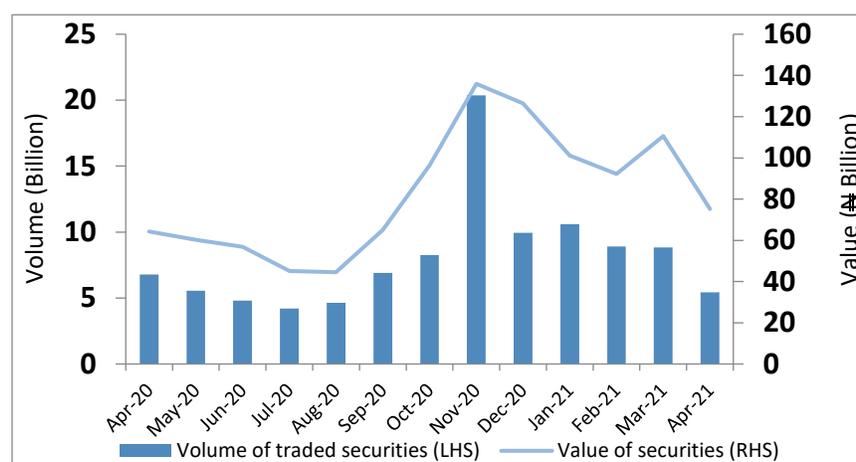
Figure 17: Market Capitalisation and All-Share Index



Source: Nigeria Stock Exchange

The volume and value of securities traded on the Exchange, however, fell by 38.6 per cent and 31.9 per cent, to 5.43 billion shares and ₦75.29 billion, respectively, in 81,381 deals, compared with 8.84 billion shares worth ₦110.59 billion, in 99,104 deals, recorded at end-March 2021 (Figure 18). There were 10 new/supplementary listings in the review period. The listings created an avenue for price discovery and additional source of liquidity for existing and new investors, as well as boosting investor confidence.

Figure 18: Volume and Value of Traded Securities



Source: Nigeria Stock Exchange

Table 15: New/Supplementary Listings on the Nigerian Stock Exchange at end-April 2021

Company	Additional Shares (Units)	Reasons	Listing
BUA Cement Plc 7.50% BUA Jan. 2027	115 Million Units	Bond Issue	New Listing
FBNQuest Merchant Bank SPV Funding Plc 6.25% FBNQ Dec. 2030	8 Million Units	Bond Issue	New Listing
Fidelity Bank Plc 8.5% FID Jan. 2031	41,213,000 Units	Bond Issue	New Listing
Emzor Pharma Funding SPV Plc 10.00% EPF JAN 2026	13,729,000 Units	Bond Issue	New Listing
Federal Government of Nigeria (FGN) 6.375% FGN Jul. 2023	FGN US\$500M 6.375% Notes due 2023 Eurobond	Bond Issue	New Listing
Federal Government of Nigeria (FGN) 5.522% FGS Apr. 2023	198,207 Units	Bond Issue	New Listing
Federal Government of Nigeria (FGN) 5.522% FGS Apr. 2023	381,777 Units	Bond Issue	Supplementary Listing
16.2884% FGN Mar. 2027	65,473,305 Units	Bond Issue	Supplementary Listing
12.50% FGN Mar. 2035	112,778,504 Units	Bond Issue	Supplementary Listing
9.80% FGN JUL 2045	96,202,175 Units	Bond Issue	Supplementary Listing

Source: Nigeria Stock Exchange

2.4 EXTERNAL SECTOR DEVELOPMENTS

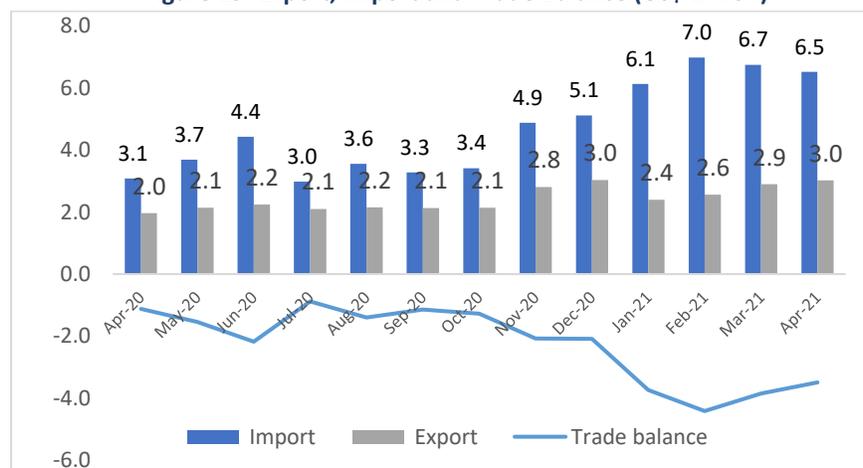
Nigeria's aggregate export recovered in April 2021, as non-oil export improved. However, the value of oil export fell, as a result of decline in crude oil prices, occasioned by the decision of the OPEC+ to ease production cuts from May 2021, amidst global demand concerns. Aggregate import moderated, due to ongoing reforms in the foreign exchange market, particularly, the restriction of foreign exchange to import some items that could be produced locally. Capital inflow also declined sharply by 84.0 per cent, due to tepid global economic recovery. These developments affected liquidity at the foreign exchange market and fuelled demand pressure, which persuaded the Bank to sustain its interventions in the market, leading to a 2.4 per cent depletion of external reserves at end-April 2021.

2.4.1 Trade Performance

Aggregate value of external trade contracted in April 2021, compared with the previous month. On a month-on-month basis, the value of external trade decreased by 1.1 per cent to US\$9.53 billion in April 2021, compared with the US\$9.63 billion in March 2021. On the other hand, aggregate export increased by 4.5 per cent to US\$3.02 billion, compared with the US\$2.89 billion in the preceding month, due, largely, to improved non-oil export receipts during the review period. The decline in non-oil import reduced the country's import bill to US\$6.51 billion in April 2021, compared with US\$6.74 billion in March 2021. Following this development, a lower trade deficit of US\$3.48 billion was recorded in April 2021, compared with the US\$3.85 billion in March 2021.

Trade Balance

Figure 19: Export, Import and Trade Balance (US\$ Billion)



Source: Central Bank of Nigeria

Crude Oil and
Gas Export

The decline in crude oil prices at the international market and less-than-full-capacity production, reduced crude oil and gas export receipts in April 2021. The value of crude oil export decreased by 3.3 per cent to US\$1.69 billion in April 2021, due to decline in the average price of Nigeria's reference crude, the "Bonny Light", which stood at US\$64.30 per barrel in April 2021, relative to US\$65.62 per barrel in March 2021. Similarly, gas export recorded a 5.8 per cent decline to US\$0.48 billion in April 2021, below the US\$0.51 billion recorded in March 2021, due, largely, to a drop in the export of propane LPG. Consequently, crude oil and gas receipts decreased by 38.3 per cent to US\$2.17 billion in April 2021, compared with US\$2.26 billion in March 2021.

Non-Oil Export

The gradual improvement in global demand buoyed activities in the non-oil sector, boosting receipts from non-oil export. On a month-on-month basis, non-oil export increased to US\$0.85 billion in April 2021, compared with the US\$0.64 billion in March 2021, indicating an increase of 34.3 per cent. A disaggregation of non-oil export receipts showed that the value of electricity export stood at US\$0.07 billion, while re-export declined by 17.4 per cent to US\$0.18 billion in the review period. Other non-oil exports, however, increased to US\$0.66 billion, compared with US\$0.23 billion in March 2021.

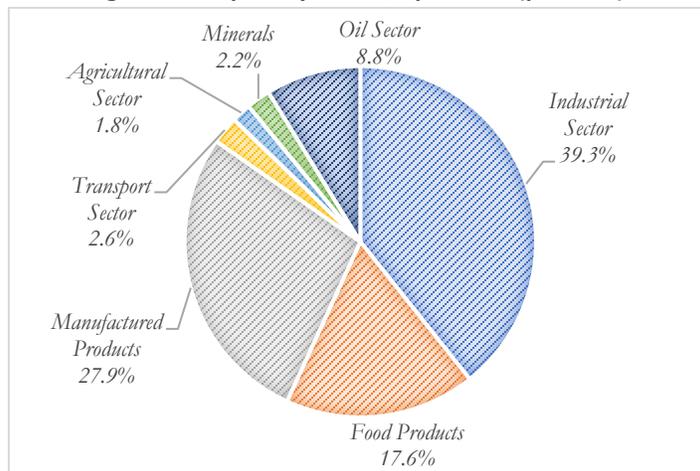
Import

The fragile recovery of the domestic economy, exacerbated by renewed restrictions in some countries, especially our trading partners, affected the demand for imported products, resulting in lower import bills. Aggregate import decreased by 3.5 per cent to US\$6.50 billion in April 2021, below the US\$6.74 billion in March 2021. Import of non-oil products decreased by 11.3 per cent to US\$5.78 billion in April 2021, compared with the US\$6.52 billion in March 2021. The decline in non-oil import was attributed to weak domestic economic recovery and the reintroduction of restrictions in Nigeria's trading partners in Europe and Asia due to the resurgence of the COVID-19 infections. However, importation of petroleum products, at US\$0.73 billion, indicated an increase above the US\$0.24 billion in March 2021, largely, as a result of higher amount of premium motor spirit and automotive gas oil imported in the review period. Despite the decline in non-oil import, it remained dominant, as it accounted for 88.8 per cent of the total import, while oil import accounted for the balance of 11.2 per cent.

A breakdown of imports by sector as reported by commercial banks showed that the industrial sector imports, mainly, chemicals and machinery dominated and accounted for 39.3 per cent of the total, followed by manufactured products and food products with 27.9 per cent and 17.5 per cent, respectively. The oil sector accounted for 8.7 per cent;

while transport, agriculture, and solid mineral sectors accounted for 2.6 per cent, 1.8 per cent and 2.2 per cent, respectively.

Figure 20: Import by Sector, April 2021 (per cent)



Source: Central Bank of Nigeria

2.4.2 Capital Importation and Capital Outflow

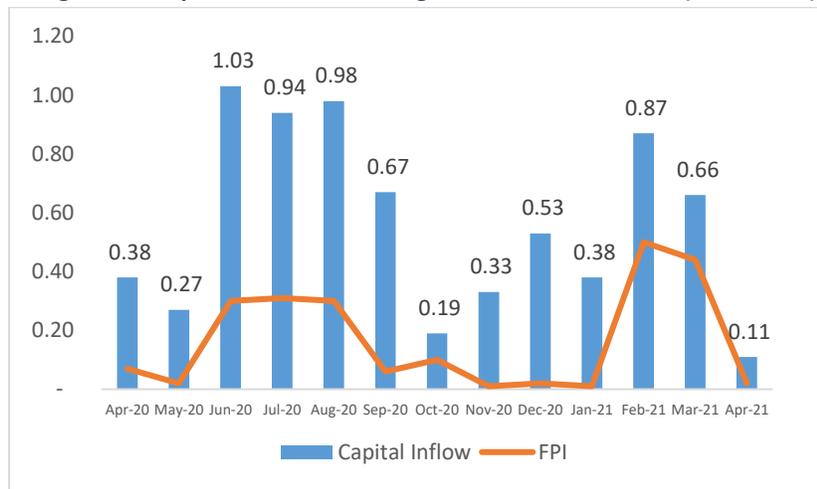
Capital inflow to the economy plunged by 84.0 per cent, due to tepid global economic recovery, particularly the bearish sentiments in the emerging markets and developing economies, arising from COVID-19 resurgence-related anxieties. New capital into the economy fell sharply to US\$0.11 billion in April 2021, from US\$0.66 billion in March 2021 (Figure 21). Further analysis by type of investment showed that inflow of Foreign Portfolio Investment (FPI) was US\$0.02 billion and accounted for 18.1 per cent of the total inflow in the review period. Inflow of other investments stood at US\$0.07 billion, representing 68.9 per cent of the total. This constitutes loans with US\$0.05 billion and other claims of US\$0.02 billion, representing 53.3 per cent and 14.2 per cent of the total US\$0.11 billion, respectively. Inflow of Foreign Direct Investment (FDI) was US\$0.01 billion or 13.0 per cent of the total. Analysis of capital importation by nature of business showed that shares accounted for 32.9 per cent; financing, 26.6 per cent; agriculture, 20.5 per cent; banking, 15.4 per cent; production/manufacturing, 3.1 per cent; trading, 1.0 per cent; telecommunication, 0.3 per cent; and electrical, 0.1 per cent, among others.

A breakdown of capital importation by origin showed that the Republic of South Africa was the dominant source of capital, followed by Singapore, Sudan, United Arab Emirates, and the United States with shares of 18.8 per cent, 18.5 per cent, 14.2 per cent, 13.9 per cent and

Capital
Importation

9.2 per cent, respectively. By destination of capital, Lagos State and Abuja were the key recipients of the inflow at US\$0.09 billion or 81.9 per cent, and US\$0.02 billion or 17.8 per cent, respectively.

Figure 21: Capital Inflow and Foreign Portfolio Investment (US\$ Billion)

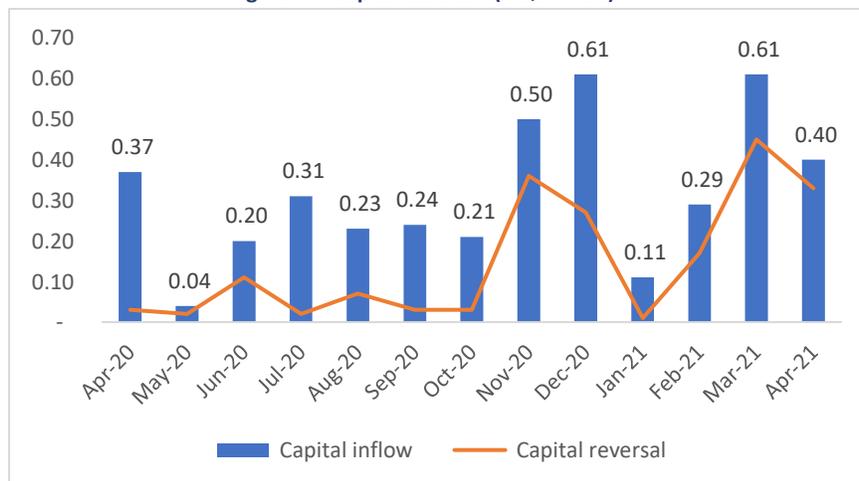


Source: Central Bank of Nigeria

Capital outflow declined due to the moderation in repatriation of capital, particularly in the financing and banking sectors. Total outflow fell to US\$0.40 billion in April 2021, from US\$0.61 billion in March 2021 (Figure 22). A disaggregation of total outflow showed that capital accounted for US\$0.33 billion or 82.7 per cent of the total, while loans worth US\$0.05 billion, accounted for 13.4 per cent. Repatriation of dividends, profits and others accounted for the balance.

Capital Outflow

Figure 22: Capital Outflow (US\$ Billion)



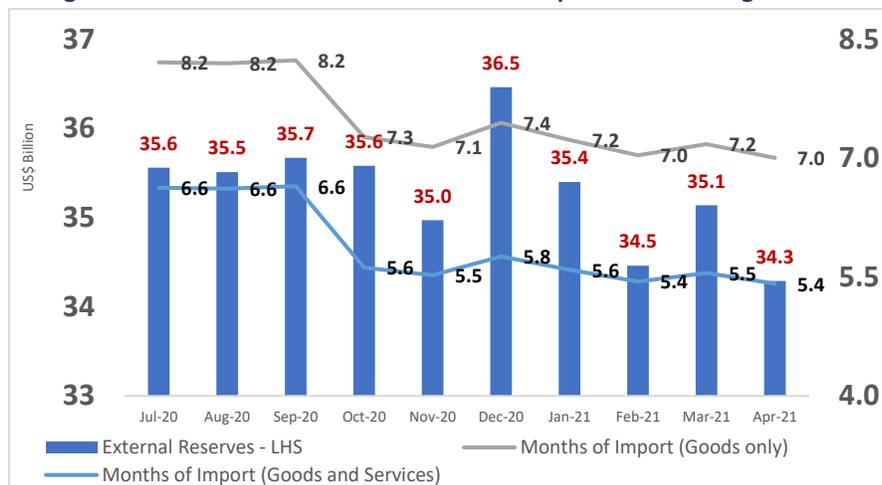
Source: Central Bank of Nigeria

International Reserves

2.4.3 International Reserves

The continued intervention by the Bank to stabilise the naira exchange rate and to meet the balance of payments needs, resulted in the depletion of Nigeria’s international reserves. Thus, external reserves depleted to US\$34.29 billion at end-April 2021, from US\$35.14 billion at end-March 2021. The level of import cover for goods and services and for goods only were 5.4 months and 7.0 months, respectively.

Figure 23: External Reserves and Months of Import Cover for Nigeria



Source: Central Bank of Nigeria

Table 16: International Reserves Per Capita of Comparator African Countries

Country	March 2021		April 2021	
	Reserves (US\$bn)	Reserve Per Capita (US\$)	Reserves (US\$bn)	Reserve Per Capita (US\$)
Nigeria	35.14	168.08	34.29	164.96
South Africa	50.88	746.19	51.50	755.68
Egypt	40.337	388.87	40.343	388.93

Sources: Central Bank of Nigeria and Reuters

Foreign Exchange Inflow

2.4.4 Foreign Exchange Flows through the Economy

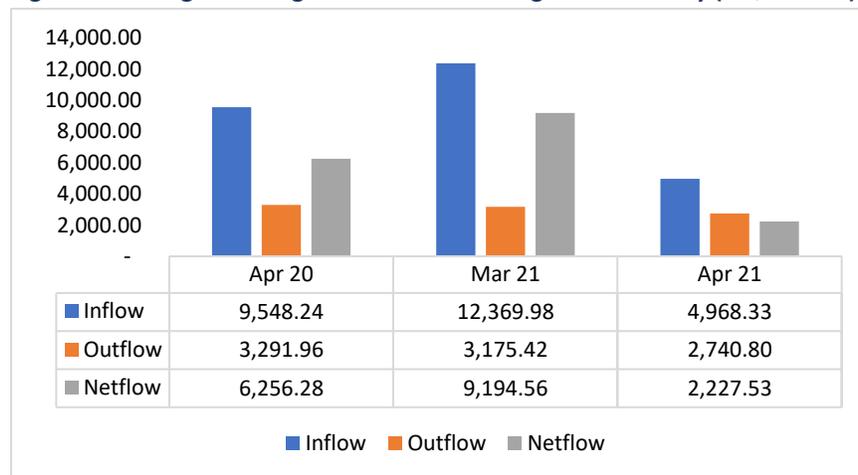
Aggregate foreign exchange inflow into the economy declined sharply, reflecting tepid global economic recovery, which undermined foreign trade and capital flows across countries, despite the COVID-19 vaccination drive. Foreign exchange inflow through the economy dropped by 59.8 per cent to US\$4.97 billion in April 2021. The decrease was attributed, largely, to a sharp decline in autonomous inflow, particularly invisible purchases and official non-oil receipts, which declined by 63.1 per cent and 75.2 per cent, to US\$2.95 billion and US\$0.81 billion, respectively, in April 2021.

A breakdown of activities showed that foreign exchange inflow through the CBN was US\$1.66 billion in April 2021, a decrease of 55.8 per cent below the US\$3.76 billion in March 2021. In addition, inflow through autonomous sources, at US\$3.31 billion in April 2021, was 61.6 per cent below the level in March 2021.

Similarly, aggregate foreign exchange outflow through the economy fell by 13.7 per cent in April 2021. Aggregate foreign exchange outflow through the economy fell by 13.7 per cent to US\$2.74 billion, below the US\$3.18 billion in the preceding month. Outflow through the CBN declined by 10.4 per cent to US\$2.58 billion, compared with the US\$2.88 billion in the preceding month, due largely to the Bank’s policy on foreign exchange market. Outflow through autonomous sources, at US\$0.16 billion, decreased by 46.0 per cent in April 2021, compared with March 2021. Overall, the country recorded a lower net inflow of US\$2.23 billion in April 2021, compared with a net inflow of US\$9.19 billion in the preceding month.

Foreign Exchange Outflow

Figure 24: Foreign Exchange Transactions through the Economy (US\$ Million)



Source: Central Bank of Nigeria

2.4.5 Foreign Exchange Market Developments

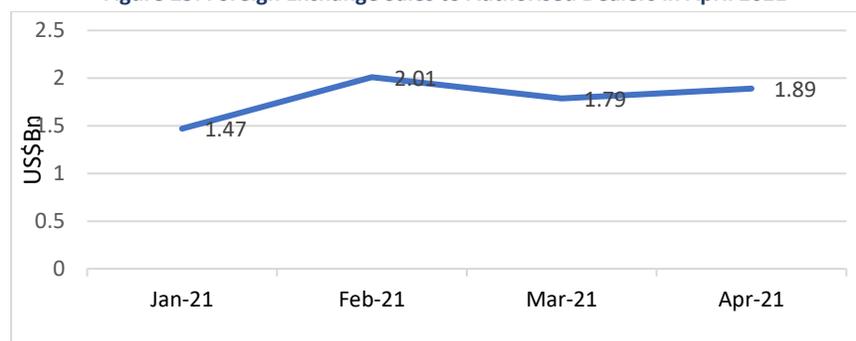
To ensure foreign exchange liquidity and maintain stability of the naira, the Bank continued the sale of foreign exchange to authorized dealers in April 2021. A total of US\$1.89 billion was sold in April 2021, compared with US\$1.79 billion in March 2021 (Figure 25). A disaggregation showed that foreign exchange sales to BDC operators, I&E window, SME window and interbank segment of the foreign exchange market rose by 2.9 per cent, 38.1 per cent, 26.4 per cent and 60.1 per cent to US\$492.91 million, US\$474.65 million, US\$147.33 million and US\$89.30 million, respectively,

Foreign exchange market

Investors and Exporters window turnover

above their levels in the preceding month. Increased intervention by the Bank, especially in the I&E and interbank segments, was aimed at increasing liquidity in the foreign exchange market and ensuring stability of the exchange rate. However, SMIS and matured swaps transactions fell by 6.4 per cent and 28.0 per cent to US\$510.40 million and US\$178.36 million, respectively.

Figure 25: Foreign Exchange Sales to Authorised Dealers in April 2021

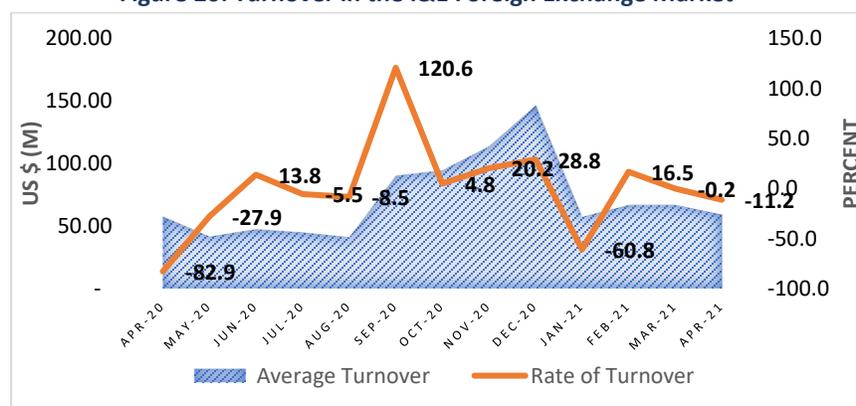


Source: Central Bank of Nigeria

2.4.6 Investors and Exporters Window Turnover

The monthly average turnover at the I&E window of the foreign exchange market further declined in April 2021. The monthly average foreign exchange turnover at the I&E window fell by 11.2 per cent to US\$59.08 million in April 2021, below the US\$66.55 million in March 2021, exacerbating demand pressure in the market (Figure 26). Consequently, the average exchange rate of the naira vis-à-vis the US dollar at the I&E window depreciated by 0.3 per cent to ₦410.36/US\$ in April 2021.

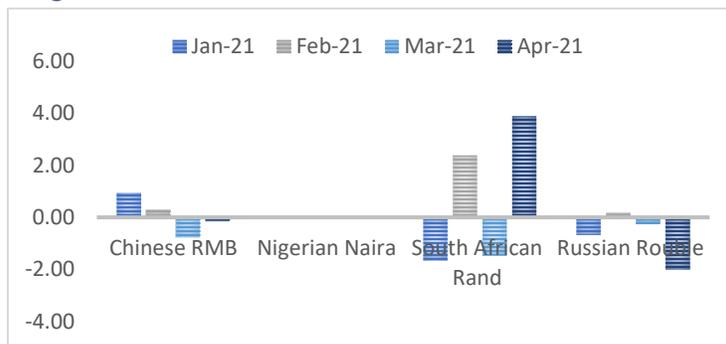
Figure 26: Turnover in the I&E Foreign Exchange Market



Source: FMDQ

The risk appetite among investors towards EMDEs' currencies and stocks declined, due to renewed concerns over spiking coronavirus cases in Europe, Americas and Asia. Also, the Russian military build-up near Ukraine raised international concerns, which affected the ruble. Consequently, the average exchange rate of the Russian ruble and the Chinese renminbi vis-à-vis the US dollar depreciated by 2.0 per cent and 0.2 per cent, respectively. The South African rand, however, appreciated by 3.9 per cent against the US dollar in the review period, owing to higher real rates and rising commodity prices.

Figure 27: EMDEs Currencies' Values to the US dollar



Source: Central Bank of Nigeria & Exchange Rates UK.

Table 17: EMDEs Currencies' Rates to the US dollar

Period	Chinese RMB/US\$	Nigerian *Naira/US\$	South African Rand/US\$	Russian Ruble/US\$
Apr-20	7.07	361	18.57	74.91
Mar-21	6.51	381	14.99	74.54
Apr-21	6.52	381	14.43	76.08

Source: Central Bank of Nigeria & Exchange Rates UK.

Note: * Interbank exchange rate

3.0 Economic Outlook

3.1.1 Risk to Global Economic Outlook

Global
Economic
Outlook

There is promising sign of global recovery, albeit slow due to low rate of vaccination in developing economies. The optimism for medium-term macroeconomic recovery in the global arena is slow due to the unabating COVID-19 pandemic in some countries, such as India and Brazil, which is caused by mutation of the virus into more fatal strains. More so, the recovery is faster for countries that have high vaccination rate than those with less vaccination. As conditions improve however, central banks of Advanced Economies are beginning to signal the possible shift to monetary policy normalisation in the coming months.

3.1.2 Risk to Domestic Economic Outlook

Domestic
Economic
Outlook

Looking forward, output growth remains largely positive due to the accelerated COVID-19 vaccination drive and relatively high and stable global crude oil prices. Headwinds, however, still exist. Domestic growth in the second quarter of 2021 is expected to continue in the positive trajectory, above the 0.6 per cent growth recorded in the first quarter of 2021. Notably, growth will continue to be supported by the implementation of the Economic Sustainability Plan (ESP) stimulus of the Government alongside other monetary and fiscal policies measures. Fitch, in its March 2021 release, reaffirmed the positive outlook in its 'B' stable outlook rating.

Despite the rebound in economic activities, the fragile recovery will keep the economy operating below full capacity. The emerging food supply shocks associated with the drag in production, due to insecurity situations across the country, combined with the speculations on increase in the price of PMS and electricity tariff, will continue to have knock-on pressures that will keep headline inflation above desired levels. Inflation rate is nonetheless expected to continue to decelerate in the short-term.

The outlook for the external sector remains stable, albeit susceptible to further external shocks. This is premised on the expectation of sustained improvement in crude oil prices. The ongoing policy on diaspora remittances is expected to attract foreign exchange inflow.

Despite the optimism, downside risks to the outlook remains. Concerns over the emerging third wave of the COVID-19 in Europe and Asia could disrupt global supply chain and crude oil demand. In addition, vulnerability to foreign exchange pressure, rising inflation, insecurity

across the country, infrastructure gap, and constrained fiscal space, remain a challenge.