CENTRAL BANK OF NIGERIA ECONOMIC REPORT

May 2021

ABOUT THE REPORT

The Economic Report of the Central Bank of Nigeria (CBN) 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 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 also obtain any issue of the publication for free. All inquiries on the publication should be addressed 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***

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EXECUTIVE SUMMARY

Short-term global economic outlook continued its steady recovery, as the rising levels of demand, business optimism and further job creation were sustained in May 2021. This was supported by continued easing of restriction measures in the Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs), which spurred business and consumer confidence and raised employment. Economic activity in AEs was resilient amid extensive roll-out of vaccines, and unprecedented monetary and fiscal policy stimulus within the region. In the US, the resumption of tourism and in-person learning spurred the expansion of the economy, adding 559,000 jobs to the non-farm payroll in May 2021. Similarly, manufacturing activities in Italy remained strong, following significant rise in export orders and sales volume, as demand improved. However, manufacturing activities in Japan and Germany were slightly low due to rising input costs and a dip in new orders. Consequently, economic activities in Japan were slow, as containment measures for the COVID-19 infections continued to constrain spending. The momentum of economic recovery in the EMDEs was sustained, *albeit* at varying growth rates. Inflationary pressures are mounting across board, due, largely, to rising food and energy prices, as well as rising input costs.

In the domestic economy, improvement in output is expected in the medium-term, on account of expansionary fiscal and monetary policies, higher crude oil price, improved pace of vaccinations and base effect. Inflationary pressure moderated further in May 2021, due to improvement in food supply chain and further disbursements of the various CBN interventions, particularly in agriculture. Headline inflation, at end-May 2021, declined to 17.93 per cent (year-on-year), from 18.12 per cent in April 2021, though higher than the 12.40 per cent in the corresponding period of 2020. On a month-on-month basis, the headline inflation rose moderately to 1.01 per cent in May 2021, compared with 0.97 per cent in the preceding month.

Federally collected revenue in May 2021 declined by 29.0 per cent to ₦782.85 billion, compared with ₦1,102.78 billion in the preceding month. This fell short of the monthly benchmark by 23.6 per cent, and the collections in May 2020 by 25.0 per cent. Oil receipts accounted for 36.4 per cent of the total collection, while non-oil revenue accounted for the balance. At ₦349.00 billion, the retained revenue of the Federal Government of Nigeria (FGN) was below the earnings in April 2021 and the monthly benchmark by 14.7 per cent and 77.3 per cent, respectively. Provisional aggregate expenditure dropped to ₦921.82 billion, compared with ₦977.09 billion in the preceding period and the monthly budget of ₦1,132.34 billion. Consequently, fiscal operations of the FGN in May 2021, culminated in an estimated deficit of ₦572.82 billion, and was 0.9 per cent lower than the level in April 2021. Total public debt outstanding at end-March 2021, stood at ₦33,107.25 billion.

The external sector conditions improved in May 2021, due to increased optimism on global economic recovery, further easing of restrictions in the UK and other trading partners and gradual recovery in oil prices. Capital inflow increased in the review period, as a result of improvement in global financial conditions. New capital of US$0.29 billion was imported into the Nigerian economy, compared with US$0.11 billion in April 2021. However, on a month-on-month basis, the value of external trade decreased by 0.9 per cent to US$6.75 billion in May 2021, compared with the US$6.81 billion in April 2021.

Despite the rise in global oil price which stood at an average of US$67.83 per barrel, the external reserves reduced during the review period on account of sustained interventions at the foreign exchange market. External reserves stood at US$34.19 billion at end-May 2021, indicating a decrease of 0.3 per cent below the US$34.29 billion at end-April 2021 and 5.5 per cent below the US$36.19 billion at end-May 2020. At the current level, external reserves could cover 5.4 months of import for goods and services and 7.0 months of import for goods only. The exchange rate depreciated by 0.2 per cent to ₦411.27/US$ at the I&E window.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

1.1 Global Output

Global Economic Condition

The outlook for the global economy in 2021 indicated steady recovery, as the rising levels of demand, business optimism and further job creation were sustained in May 2021. Further easing of restriction measures in the Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs) spurred business and consumer confidence in May 2021. This raised employment numbers in many AEs and propelled increase in retail sales. The improvement in economic activities was reflected in the global purchasing managers' index (PMI), as it rose to 58.4 index points, from 56.7 index points in April 2021 (Table 1). However, growth is expected to remain uneven, as trade activities in manufacturing-dependent economies recover faster than commodity and tourism-dependent economies. Monetary and fiscal policy support across economies, massive liquidity injections, and expectations of a vaccine-driven recovery, will continue to shape global economic outlook.

Table 1: Global Purchasing Managers' Index (PMI)

	Feb-21	Mar-21	Apr-21	May 21
Composite	*53.2*	*54.8*	*56.7*	*58.4*
Manufacturing (Output)	*53.9*	*55.0*	*55.9*	*56.0*
Services (Business Activity)	*52.8*	*54.7*	*57.0*	*59.4*

Source: JP Morgan, Reuters

1.2 Developments in Advanced Economies

Economic Activity in AEs

Economic activity in AEs was resilient amid progressive roll-out of vaccines and unprecedented monetary and fiscal policy stimulus. In the US, the resumption of tourism and in-person learning spurred the expansion of the economy, adding 559,000 jobs to the non-farm payroll in May 2021. Similarly, manufacturing activities in Italy remained strong, following significant rise in export orders and sales volume, as demand improved. However, manufacturing activities in Japan and Germany were slightly low, due to rising input costs and a dip in new orders (figure 1). Economic activities in Japan were however slow, as containment measures against COVID-19 infections continued.

1.3 Emerging Markets and Developing Economies (EMDEs)

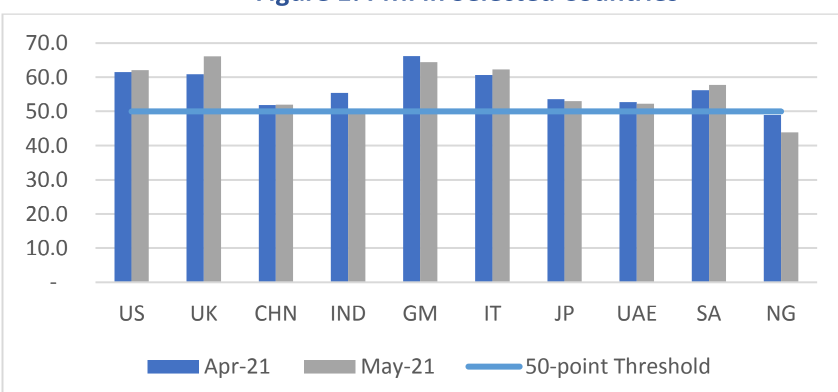
Economic Activity in EMEDEs

The momentum of economic recovery in the EMDEs was sustained, albeit at varying growth rates. The uneven growth in EMDEs was as a result of the differing magnitude of fiscal stimulus and dissimilar rate of COVID-19 vaccinations. Economic activities improved in China in May 2021, on account of a rise in new orders, improved export trade, strong fiscal policy support and widespread vaccine distribution. Similarly, the Russian economy recorded improvements in its manufacturing sector, due to rise in new businesses, job creation, export sales and production, driven by stronger consumer demand. On the contrary, manufacturing activities in India dipped in May 2021, due to a resurgence of the pandemic.

1.4 Global Production

There was general improvement in global production, especially in AEs, but the pattern of productivity was uneven in EMDEs, due to differing corporate debt and COVID-19 vaccinations levels. The J.P. Morgan global PMI Report in May 2021 confirmed the improvement in global economic activities, especially, in advanced economies. The PMI in the US, Italy and euro area increased in May 2021 to 62.1 index points, 62.3 index points, and 57.1 index points, respectively. In EMDEs, the PMIs also reflected the uneven growth, as the PMI in China marginally rose to 52.0 index points in May 2021, from 51.9 index points in April 2021. Similarly, the PMI in South Africa improved from 56.2 index points in April to 57.8 index points in May 2021. However, in India and Nigeria, the PMIs fell to 50.8 index points and 43.9 index points in May 2021, from 55.5 index points and 49.0 index points in April 2021, respectively (Figures 1).

Figure 1: PMI in Selected Countries



Sources: Trading Economics/Various Country Websites, CBN Staff compilation.
Note: US, UK, CHN, IND, GM, IT, JP, UAE, SA and NG represent the United States, United Kingdom, China, India, Germany, Japan, United Arab Emirate, South Africa and Nigeria, respectively.
Note: The threshold for the PMI is 50 index points

1.5 Global Inflation

Inflation rate is rising across board, due, largely, to rising food and energy prices, as well as rising input costs. Inflation rate rose across major economic regions in May 2021. In advanced economies, rise in transport, energy prices, input costs and demand, fueled inflationary pressure in major economies, such as the US, the UK, Germany and Canada. Specifically, the upward pressure on foods, gasoline, electricity and utility gas prices, as well as increased demand and purchase of used cars and trucks in the US, pushed inflation from 4.2 per cent in April 2021 to 5.0 per cent in May 2021. Similarly, inflation rose to 2.1 per cent and 2.5 per cent in the UK and Germany, respectively. The upward pressures in prices emanated from increase in transportation cost, prices of recreational goods and clothing, increased demand, and higher energy prices. Similarly, consumer prices in Canada sustained an upward trend, due to increase in transportation costs, stemming from a rise in gasoline prices. In the EMDEs and Sub-Sahara Africa (SSA), inflationary pressures reflected rising input costs and surge in food prices. Specifically, inflation rose to 1.3 per cent and 5.2 per cent in China and South Africa, respectively. The rising inflation was driven, mainly, by high transportation and food prices. In Turkey and Nigeria, however, inflation rate eased to 16.59 per cent and 17.93 per cent in May 2021, from 17.14 per cent and 18.12 per cent, in April 2021, respectively, reflecting moderation in the prices of clothing, footwear, food, energy and non-alcoholic beverages (Table 2).

Table 2: Inflation Rates in Selected Countries (Per Cent)

Country	Jan_20	Mar_20	Jun_20	Dec_20	Jan_21	Feb_21	Mar_21	Apr_21	May_21
United States	2.49	1.54	0.65	1.36	1.40	1.68	2.62	4.20	5.0
United Kingdom	1.80	1.50	0.80	0.80	0.90	0.70	1.00	1.50	2.1
Japan	0.70	0.40	0.10	-1.20	-0.60	-0.40	-0.20	-0.40	- 0.10
Canada	2.40	0.89	0.20	0.73	1.02	1.09	2.20	2.30	3.60
France	1.49	0.67	0.66	-0.02	0.55	0.56	1.11	1.20	1.40
Germany	1.74	0.85	-0.19	-0.30	1.05	1.33	1.70	2.00	2.50
Italy	0.49	-0.19	-0.58	-0.20	0.39	0.58	0.78	1.10	1.30
China	5.40	4.30	2.50	0.20	-0.30	-0.20	0.40	0.90	1.30
India	7.49	5.50	5.06	4.59	3.16	4.49	5.50	4.23	6.30
Indonesia	2.68	3.03	1.30	1.59	1.55	1.38	1.37	1.42	1.68
Mexico	3.24	3.25	4.01	3.15	3.54	3.76	4.67	6.08	5.89
Turkey	12.15	11.86	11.75	14.60	14.97	15.61	16.19	17.14	16.59
South Africa	4.40	4.06	2.92	3.10	3.16	2.87	3.21	4.40	5.20
Nigeria	12.13	12.56	13.71	15.75	16.47	17.33	18.17	18.12	17.93

Sources: Organisation for Economic Co-operation (OECD) and Development and National Bureau of Statistics (NBS)

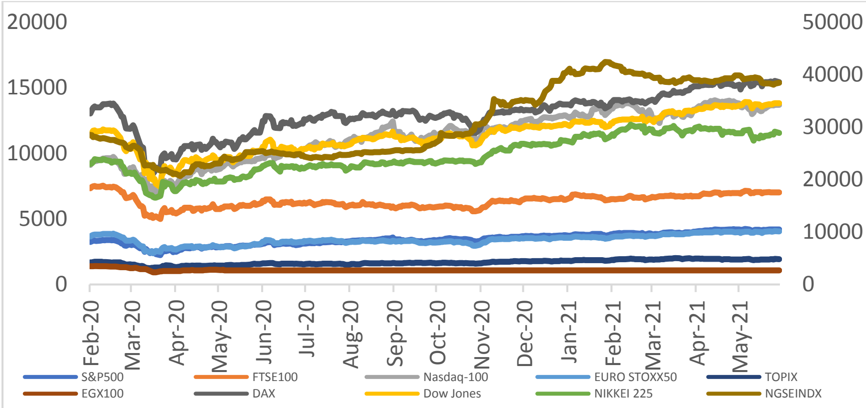
1.6 Global Financial Markets

The performance of the global financial market remained upbeat despite heightened inflationary pressures, due to sustained optimism over global economic recovery and accommodative stance of monetary policy. Optimism over economic recovery from the pandemic fueled stock market gains and increased long-term bond yields in May 2021, especially in advanced economies. In the US, most segments of the stock market recorded gains in May 2021, due to the US$1.9 trillion stimulus package and improved business sentiments, following the improved pace of vaccinations (Figure 2). The commitment of the European Central Bank (ECB) to maintain its accommodative monetary policy stance, despite mounting inflationary pressures, and the gradual reopening of economies from lockdown, further propelled the rally in the EURO STOXX50, closing at 1.6 per cent in May 2021, higher than the April 2021 figures. However, rising inflationary pressure pose downside risks to the stock market performance in most advanced economies, as the expected tightening of monetary policy would trigger rebalancing of investors' portfolios away from equities. In EMDEs, stock market performances were mixed, as the EGX 100 (Egypt) remain unchanged over the preceding month's level, while the Nigerian Exchange (NGX) ASI fell by 3.5 per cent from the preceding month's level. The bearish sentiments in the Nigerian equities market was attributed to divestment in bonds and other securities in search of higher returns.

Bonds market performance improved in the month of May 2021. Long-term treasury yields increased in most advanced economies, relative to the levels in April 2021, due to optimism over economic recovery. However, yields fell in EMDEs, particularly in China and Brazil but remain unchanged in Nigeria.

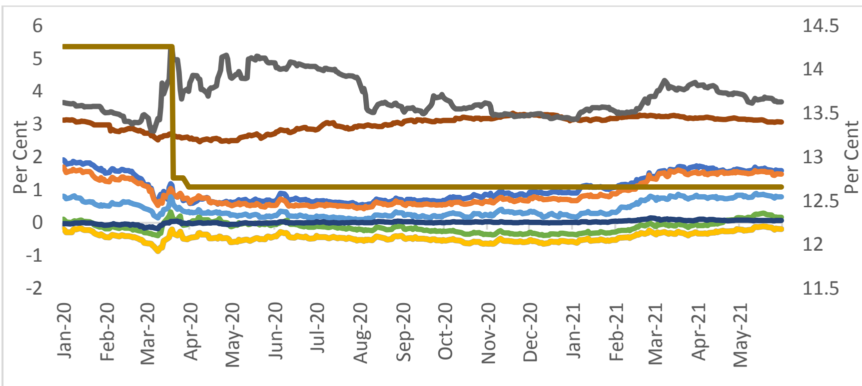
The performance of the currency market was also mixed, as concerns about policy normalisation in the US fueled demand for the greenback and strengthened the US dollar in May 2021. On the other hand, the British p*ounds, euro* and *yuan* depreciated during the period. In the EMDEs, higher-than-expected economic expansion in Brazil and news about central bank intervention in the FX market caused the Brazilian *Real* to appreciate by about 5.0 per cent in May 2021.

Figure 2: Global Stock Market Equity Indices



Sources: Bloomberg data, CBN Staff computation

Figure 3: 10-Year Government Bond Yields



Sources: Bloomberg data, CBN Staff computation
Note: US, UK represent the United States, United Kingdom

1.7 Commodity Market Developments

1.7.1 Agricultural Commodity Prices

Agricultural Commodity Prices

Prices of the major agricultural export commodities rose further in May 2021. The rise was due to increased global demand and protracted supply rigidities, as well as production shortfalls in some food commodities**.** The all-commodities price index[1] (2010=100), stood at 99.88 index points in May 2021, indicating an increase of 2.6 per cent, in contrast to the 97.32 recorded in the preceding month (Table 3). The price increase for the overall index during the review month was due, largely, to significant increase in the prices of cotton, soya beans, and rubber by 6.5, 6.0, and 5.5 per cent, respectively. Furthermore, the COVID-19 induced shock in India affected cotton production, while rubber production was affected by fungal disease in Indonesia, thereby contributing to shortages that

[1] The index, which tracks monthly changes in international prices of commonly traded agricultural commodities, reached its highest level since January 2021.

fueled price increase. In addition, the strong demand for commodities used in manufacturing feed by China contributed to the steep rise in the price of soya beans.

Table 3: Agricultural Export Commodities for May 2021

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

COMMODITY	May. 2020/1	Apr. 2021/1	May 2021/2	% Change	
				(1) & (3)	(2) & (3)
	1	2	3	4	5
All Commodities	*86.76*	*97.32*	*99.88*	*15.12*	*2.63*
Cocoa	*75.69*	*77.45*	*79.39*	*4.90*	*2.51*
Cotton	*39.11*	*54.01*	*57.50*	*47.02*	*6.46*
Coffee	*68.58*	*78.98*	*79.79*	*16.34*	*1.03*
Wheat	*68.02*	*91.17*	*94.28*	*38.62*	*3.42*
Rubber	*23.84*	*35.02*	*36.96*	*55.04*	*5.52*
Groundnut	*149.35*	*103.78*	*104.39*	*-30.10*	*0.59*
Palm Oil	*46.70*	*87.04*	*89.88*	*92.46*	*3.26*
Soya Beans	*65.81*	*108.82*	*115.32*	*75.23*	*5.98*

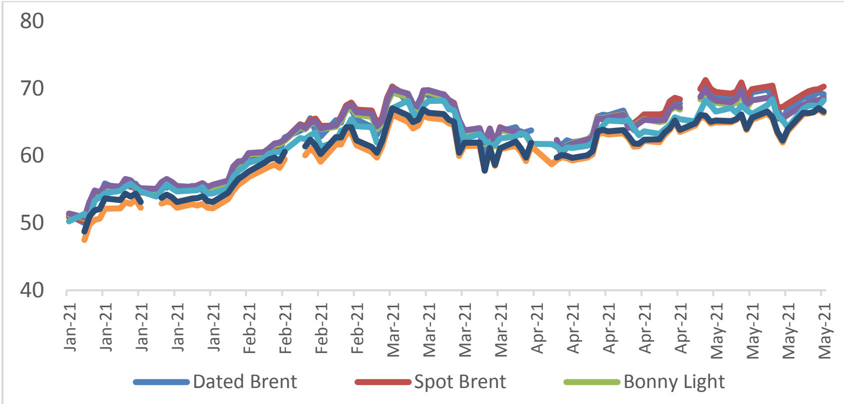
Sources: (1) World Bank Pink Sheet, (2) Central Bank of Nigeria Staff Estimates

1.7.2 Global Oil Market

Global Oil Market

Crude oil prices sustained an upward trend in May 2021 due to unanticipated shortfall in crude oil supply from OPEC+ and rising demand, propelled by economic recovery and resurgence in travels. The total production by OPEC+, fell short of the targeted 350,000 bpd in May 2021, due to lower production from Nigeria, Angola and Iran. Iran's supply fell because of lower demand from India, caused by rising COVID-19 cases. Conversely, global oil demand rose in May 2021, as more economies relaxed COVID-19 restrictions and travels improved. Consequently, Brent price rose by about 7.5 per cent above the preceding month, to US$69.5pb in May 2021, its highest level in two years.

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



Source: Reuters data, Central Bank Nigeria staff compilation.

World Crude Supply and Demand

Aggregate crude oil production, including Natural Gas Liquids (NGLs) and condensates by OPEC, increased by 3.4 per cent to an estimated 31.28 mbpd, in May 2021, compared with 30.24 mbpd recorded in the preceding month. OPEC's crude portion also increased by 4.2 per cent to 26.04 mbpd, while the non-crude portion declined by 0.2 per cent to 5.24 mbpd.

The world crude oil supply was estimated to increase by 1.69 per cent to 95.63 mbpd, compared with 94.04 mbpd in the preceding month. The increase in world crude oil supply was driven by increased supply from non-OECD producing countries. The non-OECD supply for the month of May 2021 was estimated to increase by 1.59 mbpd above the preceding month's level, to 65.06 mbpd in May 2021, while the total OECD supply remained unchanged relative to the preceding month's level of 30.57 mbpd.

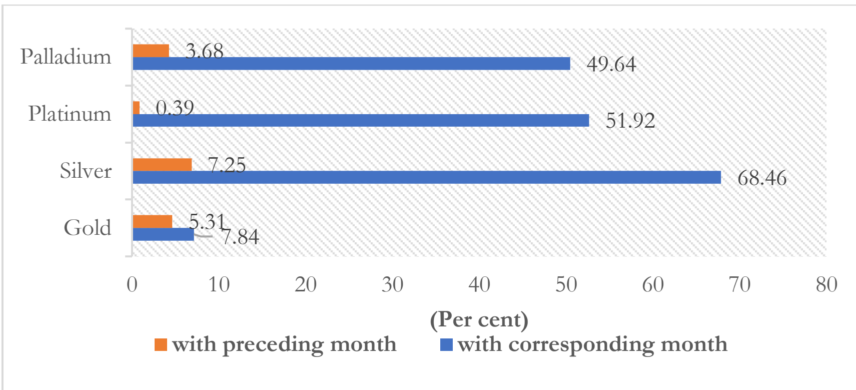
Total world demand was estimated to increase by 0.4 per cent to 96.53 mbpd, compared with 96.18 mbpd recorded in the preceding month. The increase in global demand was driven by the sustained expansion of COVID-19 vaccination exercise around the world, which helped to ease travel restrictions, despite the growing number of COVID-19 cases reported in India and Brazil. Higher demand in the month of May 2021 was also driven by increased oil demand from non-OECD member countries, which rose by 0.45 mbpd to 53.08 mbpd in the same period. However, the OECD crude oil demand recorded an estimated decline of 0.10 mbpd to 43.45 mbpd in May 2021.

Other Mineral Commodities

The average spot prices of gold, silver, platinum and palladium increased, as at May 25, 2021.

The spot prices of gold, silver, platinum and palladium recorded average gains of 5.3 per cent, 7.3 per cent, 0.4 per cent and 3.7 per cent, (month-on-month), to sell at US$1,852.49 per ounce, US$27.51 per ounce, US$1,210.90 per ounce and US$2,872.43 per ounce, respectively, compared with US$1,759.02, US$25.65, US$1,206.16 and US$2,770.57 per ounce, respectively, in the preceding month (Figure 5).

Figure 5: Percentage Price Changes in Selected Metals as at May 25, 2021



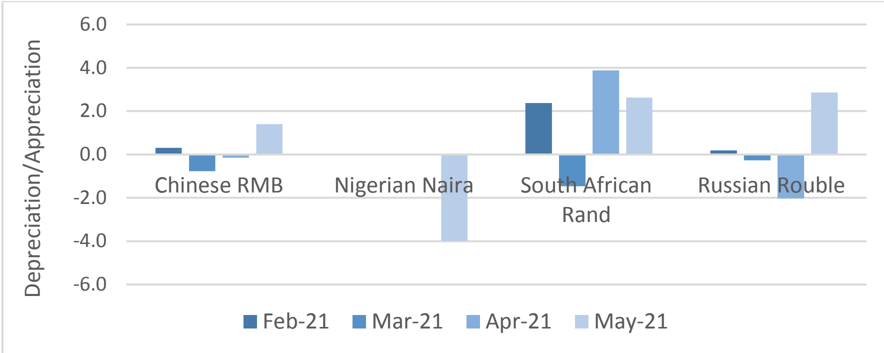
Source: Refinitiv Eikon (Reuters)

The increase in the price of gold was driven by the weaker US dollar and rising concerns over the pace of global recovery, following the spike in COVID-19 cases in India and Brazil. Similarly, the rise in the prices of platinum and palladium was supported by robust demand from the automotive sector, due to the global tightening of auto emission rules and the current push by the government of the United States of America for greener policies. Furthermore, rising inflation expectations and the US Federal Reserve's pledge to keep rates low for a long time, were among the factors responsible for the rise in silver prices.

Emerging Markets Currencies

Pressures were exerted on the US dollar in May 2021, due to surge in commodity prices. Consequently, emerging market currencies recorded significant gains in the review period. The average exchange rate of the Russian Ruble, the Chinese RMB and the South African Rand vis-à-vis the US dollar appreciated by 2.67 per cent, 1.24 per cent and 1.98 per cent, respectively.

Figure 6: EMEs Currencies' Values to the US dollar



Source: CBN & Exchange Rates UK.

Table 4: EMEs Currencies' Rates to the US dollar

Period	Chinese RMB/US$	Nigerian Naira/US$	South African Rand/US$	Russian Rouble/US$
May-20	7.10	361.00	18.15	72.62
Apr-21	6.52	381.00	14.43	76.08
May-21	6.44	396.82	14.15	74.10

Source: CBN & Exchange Rates UK.

2.0 DOMESTIC ECONOMIC DEVELOPMENTS

2.1 Real Sector Developments

2.1.1. Domestic Output and Business Activities

Domestic Economic Activities

The pace of economic activities slowed during the month. Manufacturing PMI Report in May 2021 indicated a contraction in economic activities to 43.9 points from 49.0 points in the preceding month. Similarly, Non-manufacturing PMI contracted to 44.1 index points, from 48.3 index points in April 2021 (Table 4).

The lull in economic activities mirrored the effect of the implementation of the Phase IV of the restrictions on movement and physical gatherings to curb the spread of the COVID-19 infections. The restrictions limited social gatherings, such as weddings, conferences, congresses and seminars to a maximum of 50 persons. The closure of recreational activities, gyms, indoor sports facilities, concerts and cinemas accounted for the slower economic activities during the month.

Table 5: Manufacturing and Non-Manufacturing Sector Purchasing Managers' Index for May 2021

Components	21-Apr	21-May
Composite Manufacturing PMI	**49.0**	**43.9**
Production Level	*50.9*	*42.1*
New Orders	*49.5*	*40.5*
Supplier Delivery Time	*51.4*	*56.6*
Employment Level	*46.5*	*42.6*
Raw Material Inventory	*44.5*	*41.8*
Composite Non-Manufacturing PMI	**48.3**	**44.1**
Business Activity	*50.6*	*45.0*
New Orders	*47.8*	*42.5*
Employment Level	*48.2*	*45.9*
Inventory	*46.7*	*42.9*

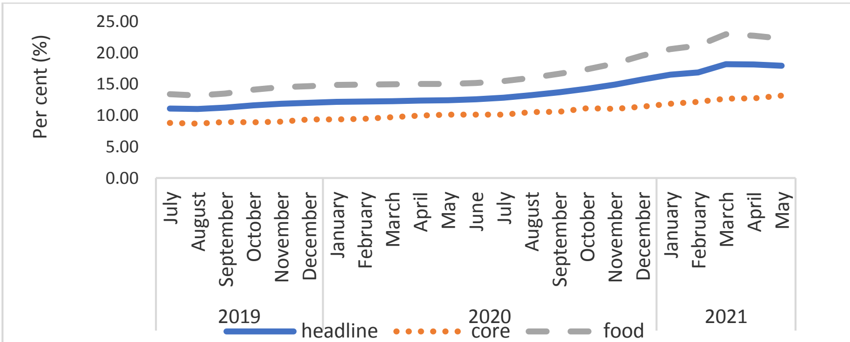
Source: Statistics Department, CBN

Headline Inflation

Inflationary pressure moderated further in May 2021, due to the improvement in the food supply chain and positive impact of the CBN intervention financing on the real sector, particularly, agriculture. However, persisting security challenges and structural bottlenecks continued to constrain supply and kept inflation rates elevated. Headline inflation in May 2021 declined to 17.93 per cent (year-on-year), from 18.12 per cent in April 2021, though higher than the 12.40 per cent recorded in the corresponding month of 2020 (Figure 6). The current inflation rate was driven largely by food and non-alcoholic beverages (12.70 per cent) and housing –including water, electricity, gas and other fuel (1.60 per cent). These were closely followed by clothing & footwear (0.97 per cent) and transportation (0.88 per cent) (Figure 8).

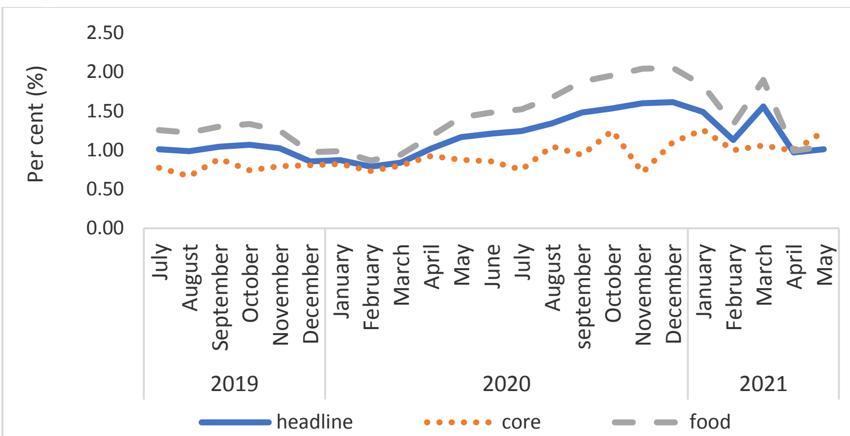
However, on a month-on-month basis, headline inflation rose moderately to 1.01 per cent, above 0.97 per cent in the preceding month.

Figure 7: Headline, Food and Core Inflation (Year-on-Year) in Per Cent



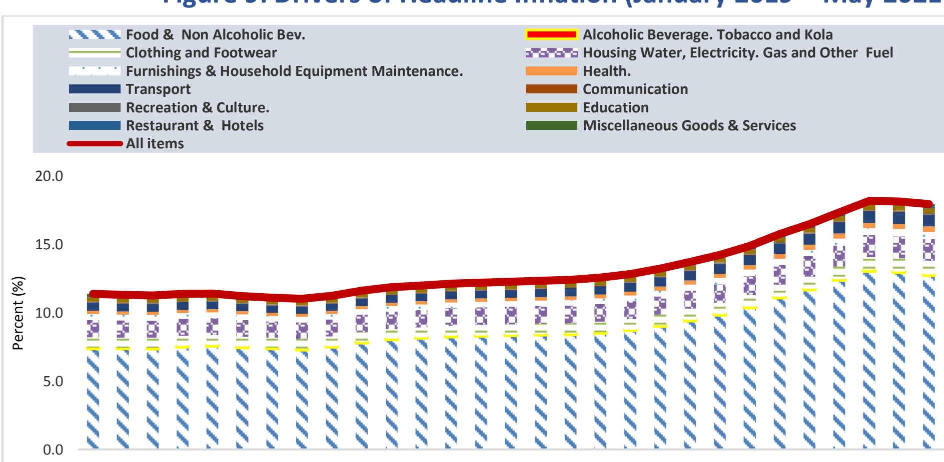
Source: National Bureau of Statistics (NBS)

Figure 8: Headline, Food and Core Inflation (Month-on-Month) in Per Cent



Source: National Bureau of Statistics

Figure 9: Drivers of Headline Inflation (January 2019 – May 2021)



Source: National Bureau of Statistics

Core Inflation

Core inflation rose to 13.15 per cent (year-on-year) in the review period, from 12.74 per cent in the preceding month. The rise in core inflation was driven by rising cost of transportation/logistics, and the undermining effects of the lingering security challenges on production and supply chain across the country. On a month-on-month basis, core inflation rose to 1.24 per cent, from 0.99 per cent recorded in the preceding month.

Year-on-year food inflation rate declined to 22.28 per cent, from 22.72 per cent, reflecting the improvement in the food supply chain. Furthermore, the sustained CBN and Federal Government interventions in agriculture and the real sector helped in moderating food prices. The pace of food inflation in May 2021 was propped by bread and cereals (especially garri and rice), yam, vegetables, meat and fish, which recorded considerable price increases over the past 12 months.

On a month-on-month basis, food inflation rose by 1.05 per cent in May 2021, compared with 0.99 per cent in the preceding month. The rate was driven, mostly, by the prices of bread and cereals, yam, vegetables and fish.

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

	Unit	May. 2020/2 1	Apr. 2021/2 2	May. 2021/2 3	% Change (1) & (3)	% Change (2) & (3)
Agric. eggs medium size	*1kg*	*462.46*	*526.53*	*534.55*	*15.6*	*1.5*
Beans: brown, sold loose	"	*277.49*	*374.74*	*379.51*	*36.8*	*1.3*
Beans: white black eye, sold loose	"	*251.43*	*351.35*	*360.77*	*43.5*	*2.7*
Gari white, sold loose	"	*196.16*	*278.84*	*278.86*	*42.2*	*0.0*
Gari yellow, sold loose	"	*222.25*	*297.69*	*296.61*	*33.5*	*-0.4*
Groundnut oil: 1 bottle, specify bottle	"	*601.14*	*664.60*	*685.07*	*14.0*	*3.1*
Irish potato	"	*304.60*	*314.98*	*316.56*	*3.9*	*0.5*
Maize grain white, sold loose	"	*167.88*	*237.61*	*238.67*	*42.2*	*0.4*
Maize grain yellow, sold loose	"	*169.75*	*240.21*	*243.56*	*43.5*	*1.4*
Onion bulb	"	*221.40*	*281.03*	*335.70*	*51.6*	*19.5*
Palm oil: 1 bottle, specify bottle	"	*463.50*	*575.89*	*604.08*	*30.3*	*4.9*
Rice agric, sold loose	"	*389.77*	*443.62*	*448.54*	*15.1*	*1.1*
Rice local, sold loose	"	*344.91*	*394.90*	*398.85*	*15.6*	*1.0*
Rice, medium-grained	"	*392.54*	*443.09*	*447.41*	*14.0*	*1.0*
Rice, imported high quality, sold loose	"	*463.21*	*546.49*	*553.28*	*19.4*	*1.2*
Sweet potato	"	*154.62*	*154.75*	*144.65*	*-6.4*	*-6.5*
Tomato	"	*278.23*	*266.87*	*269.77*	*-3.0*	*1.1*
Vegetable oil: 1 bottle, specify bottle	"	*554.77*	*668.63*	*692.10*	*24.8*	*3.5*
Wheat flour: prepackaged (Golden Penny)	*2kg*	*698.45*	*768.63*	*772.66*	*10.6*	*0.5*
Yam tuber	*1kg*	*236.90*	*245.48*	*236.37*	*-0.2*	*-3.7*

Sources: (1) National Bureau of Statistics (2) Central Bank of Nigeria Staff Estimates

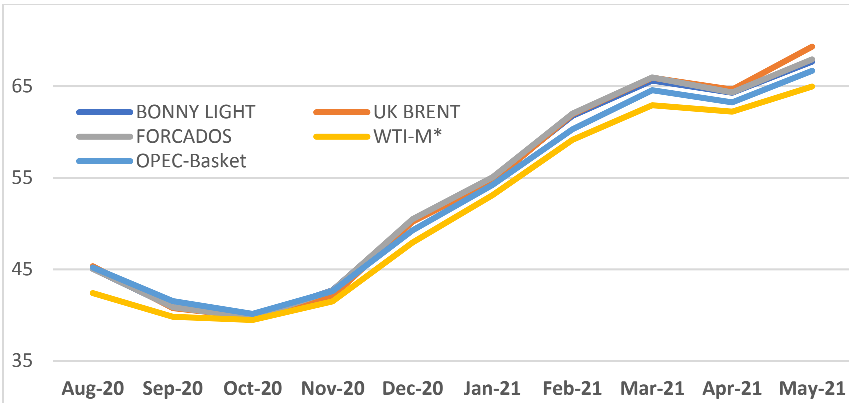
2.1.2 Crude oil prices and production

Spot Oil Prices

Spot crude oil prices rose in May 2021, following a strong rebound in fuel demand in developed countries and China. The monthly average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), rose by 5.5 per cent to US$67.83 pb, compared with US$64.30 pb in the preceding month. On a year-on-year basis, it rose by 161.7 per cent in May 2021, compared with US$25.92 pb in the corresponding period of 2020. Similarly, the UK Brent at US$69.47 pb, Forcados at US$68.02 pb, WTI at US$65.40 pb and the OPEC Basket of thirteen selected crude streams at US$66.89 pb, all exhibited upward trends (Figure 9).

The rise in crude oil prices was attributable to the increase in demand, following gradual re-opening of the economies across Europe and the United States. In addition, robust industrial activity and increased COVID-19 vaccination set the stage for a steady rebound in fuel demand in some developed countries, and China. Price movements were also supported by an upbeat forecast for global oil demand by the International Energy Agency, given the depletion of excess oil inventories in the United States of America.

Figure 10: Trends in Crude Oil Prices (US$ pb)



Source: Refinitiv Eikon (Reuters)

Domestic crude oil production and export increased (month-on-month) due to the OPEC+ decision to ease crude oil production in member countries. Nigeria's crude oil production, including Agbami crude stream, was estimated at 1.52 million barrels per day (mbpd). This indicated an increase of 0.7 per cent (month-on-month) over the 1.51 mbpd recorded in the preceding month. Out of the estimated 1.52 mbpd produced in May 2021, exports gulped for about 1.07 mbpd, while the allocation to domestic consumption, at 0.45 mbpd, accounted for the balance. The estimated increase in crude oil production was driven by OPEC+ decision to gradually increase production by a total of 2 mbpd for a period of 3 months, from May to July 2021.

2.1.3 Development Financing

The Bank sustained its interventions in real sector of the economy towards enhancing productivity during the period

In May 2021, the sum of ₦100.00 million was disbursed through Zenith International Bank Plc to finance 60 cassava farmers cultivating 300 hectares of land, while the sum of ₦619.25 million was released through Guaranty Trust Bank Plc to Afex Commodity Exchange under the Anchor

ABP

Borrowers' Programme (ABP). Cumulatively, the total loan disbursed under the ABP as at end-May 2021 stood at ₦631.41 billion to 3,107,950 farmers cultivating 3,801,697 hectares of 21 commodities through 23 Participating Financial Institutions (PFIs).

AGSMEIS

There was no disbursement from the Agribusiness Small and Medium Enterprises Investment Scheme (AgSMEIS) in May 2021. Therefore, the cumulative amount released to all PFIs for onward disbursement remained at ₦111.71 billion in favour of 29,023 beneficiaries. Total repayment as at May 2021 stood at ₦426.45 million (principal and interest) from 14 PFIs including NIRSAL Microfinance Bank Limited (NMFB), as against ₦416.40 million in the previous month of April 2021.

CACS

Under the Commercial Agriculture Credit Scheme (CACS), the sum of ₦1.08 billion was disbursed to 1 project, indicating 88.5 per cent reduction, compared to ₦9.45 billion disbursed to 5 projects in the preceding month. On a cumulative basis, the disbursement stood at ₦697.12 billion in respect of 649 projects.

PAS

There was no disbursement under the Paddy Aggregation Scheme (PAS) in May 2021. Thus, the cumulative disbursement remained at ₦60.56 billion as at end-May 2021. The cumulative repayment from inception stood at ₦53.90 billion.

MAS

Similarly, there was no disbursement under the Maize Aggregation Scheme (MAS) during the review period, thereby leaving the cumulative disbursement at N6.18 billion as at end-May 2021 while cumulative repayment stood at ₦6.00 billion.

PAIF

There was no disbursement under the Power and Airlines Intervention Facility (PAIF) for the month under review. However, the sum of ₦312.77 billion has so far been released to Bank of Industry (BOI) and disbursed through Participating Financial Institutions (PFIs) to 75 projects made up of 51 power projects (valued at ₦192.005 billion) and 24 airline projects (valued at ₦120.763 billion) from inception to May 2021. Similarly, there were no repayments in the month under review, the total principal repayment under PAIF since inception stood at ₦222.23 billion from 69 projects.

TCF

Under Targeted Credit Facility, the sum of ₦18.44 billion was released to NIRSAL MFB in favour of 38,364 beneficiaries (comprising of ₦4.51 billion for 6,038 SMEs and ₦13.94 billion for 32,326 households). The cumulative amount released to NIRSAL MFB under the intervention as at May 2021 is ₦253.45 billion in favour of 548,345 beneficiaries (comprising of ₦79.22 billion for 71,961 SMEs and ₦174.22 billion for 476,384 household loans), as against ₦235.00 billion in favour of 509,981 beneficiaries as at April 2021.

TSIF

Furthermore, there was no disbursement under the Textile Sector Intervention Facility (TSIF) during the review period. Thus, total disbursements from inception to May 2021 stood at ₦91.65 billion, while total repayment was ₦13.48 billion.

2.1.4 Socio-Economic Developments

Agriculture

During the month, the predominant activity in the Southern States was the weeding of farmlands, while the major activities in the Northern States were early planting and harvesting of vegetables. In the livestock sub-sector, farmers continued with the breeding of poultry and migration of cattle from the Northern States to the Southern States in search of foliage. However, the unabated clashes between farmers/herders continued to impact negatively on agricultural activities.

To support activities in the sector, the Federal Government, in May 2021, engaged farmers in several developmental activities. To enhance maize production in the country, the Bank officially kick-started the maize wet season farming under the CBN-Maize Association of Nigeria (MAAN) Anchor Borrowers' Programme (ABP) in Katsina State, with a target of cultivating 500,000 hectares of land. Similarly, the Bank flagged off the Rice Pyramid Programme in Ekiti State, to finance over three million rice farmers and boost the agricultural value chain in the country. Furthermore, the Federal Government continued with the distribution of agricultural input to farmers for the 2021 Wet Season farming.

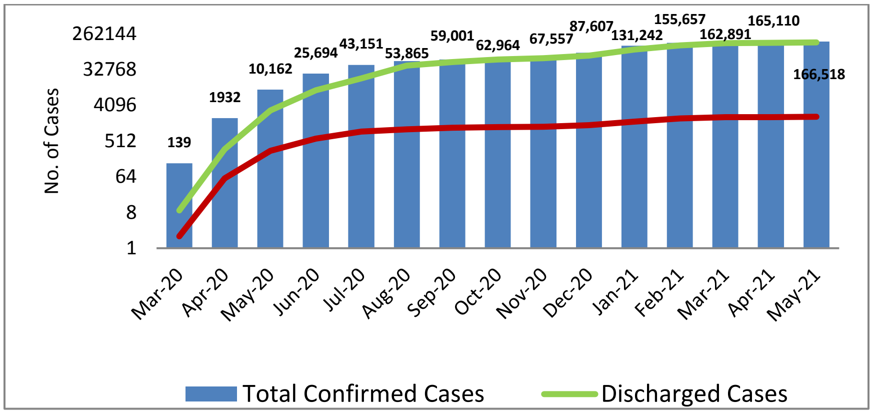
At the sub-national level, the Kogi State Government secured an African Development Bank (AfDB) loan of US$100 million to finance Special Agro-Industrial Processing Zone (SAPZ) projects in the State. The Project is expected to be completed within the next four years, with 280 hectares of land earmarked across five local government areas of the State.

Health: COVID-19 Update

Efforts to achieve herd immunity against the COVID-19 disease continued as mass vaccination activities were sustained during the month. As at May 31, 2021, a total of 1,956,598 persons had received the first dose of the AstraZeneca vaccine in the ongoing vaccination phase nationwide, representing 97.2 per cent of the target vaccine administration for the current phase.

However, data from the National Centre for Disease Control (NCDC) showed that, as at May 31, 2021, the total number of confirmed cases of the COVID-19 virus in the country rose by 0.9 per cent to 166,518 compared with 165,110 recorded at end-April 2021. However, the number of active cases declined to 5,701, from 7,946, while the number of deaths rose from 2,063 recorded at end-April 2021 to 2,099 in May 2021, representing 1.7 per cent of the total cases.

Figure 11: COVID-19 Statistics[2]



Source: National Centre for Disease Control

Education

The Federal Government, in collaboration with the European Union PLAN International and other development partners, made concerted efforts to increase access to safe, quality and inclusive education through the development of a special Education Curriculum for Out-of-School Children, tagged the Accelerated Basic Education Programme (ABEP). The programme is designed to provide the over 10 million out-of-school children in the country with equivalent and certified competencies for basic education through effective teaching and learning approaches that match the recipients' cognitive maturity. Furthermore, the programme would provide them with alternative career paths through enrolment into vocational training centres after completing basic education. The Programme commenced in Borno State as a pilot state.

Transportation

In the aviation sector, airport infrastructure was strengthened with the inauguration of the Anambra International Cargo and Passenger Airport in Umueri by the state government. The airport will strengthen the Nigerian aviation sector, create job opportunities and boost the economy of the state.

Also, Dana Air and Ibom Air reached an agreement on the first interline/codeshare deal to improve their operational efficiency. This would enable both airlines to operate flights on behalf of each other,

[2] COVID-19 data as at May 31, 2021

using their flight code, as well as to coordinate and harmonise their passenger travel itinerary seamlessly. This is expected to minimise the cost of operation and generate more profits for the airlines, while enhancing domestic airline operations and reducing incidences of flight delays and cancellation.

In addition, the Lagos State Government unveiled 500 minibuses to ensure efficient intra-city transportation in the state. The shuttle buses, known as First and Last Mile (FLM), are the first phase of the planned 5,000 minibuses, needed to support and boost the transportation system and replace commercial tricycle and motorcycle services.

Similarly, in the water transportation sector, the Lekki Port LFTZ Enterprise Limited received the sum of US$60.0 million, being the first tranche of the US$629.0 million loan facility from the China Development Bank, for the construction of the Lekki Deep Sea Port. The US$629.0 million loan facility agreement was signed in 2019, to provide funding for the deep seaport in the Sub-Saharan African region.

2.2 Fiscal Sector Developments

2.2.1 Federation Account Operations

Driven by shortfalls in oil and non-oil revenue sources, federation revenue in May 2021 dropped by 29.0 per cent to ₦782.85 billion, from ₦1,102.78 billion in April 2021. Similarly, retained earnings of the Federal Government of Nigeria (FGN), at ₦349.00 billion, shrunk by 14.7 per cent and 47.6 per cent, relative to April 2021 and the monthly target, respectively. Propelled by a reduction in recurrent spending, provisional aggregate expenditure of the FGN declined in May 2021 by 5.7 per cent to ₦921.82 billion, compared with ₦977.09 billion in April. Consequently, the fiscal operations of the FGN resulted in an estimated deficit of ₦572.82 billion in May 2021, which representated 0.9 per cent contraction in the fiscal space, relative to April 2021. Furthermore, the debt profile of the FGN, which is anchored on its 2020-2023 medium-term debt strategy, remained unchanged at ₦28,984.30 billion[3] as at end-March 2021.

Drivers of Federation Revenue

Low federation revenue in May 2021 was attributed to the declining oil revenue, despite stable and rising crude oil prices in the period. This was exacerbated by poor performamce in non-oil taxes. At ₦285.21 billion, oil revenue accounted for 36.4 per cent of the total federation revenue in May 2021 and was below the benchmark of ₦505.93 billion by 43.6 per cent. It was also 27.4 per cent and 25.5 per cent less than its respective levels in April 2021 and May 2020. The low outturn was ascribed to zero inflow from crude oil and gas sales, eroded by NNPC's under-recovery[4].

There were equally shortfalls in the main drivers of non-oil revenue, including corporate income tax (₦126.31 billion) and VAT (₦176.71 billion), both of which declined by 47.9 per cent and 2.8 per cent, relative to April 2021. Low receipts, particularly from company income tax (CIT), was attributed to the cut-off date for the filling of corporate tax returns, which had not fallen due as at the time of reporting. Although, FGN's independent revenue, at ₦104.99 billion, exceeded the monthly target, it fell short of its performance in April 2021 by 46.8 per cent. As a share of the federation receipts in May 2021, non-oil revenue, at ₦497.64 billion, accounted for 63.6 per cent of the total revenue. This, however,

[3] This includes the external debt of states and the Federal Capital Territory (FCT) guaranteed by the Federal Government (FGN), which constitutes about 5.5 per cent of the total

[4] The difference between the pump price of petrol and the cost price of the product to the NNPC.

represents a 30.2 per cent decline, relative to the preceding month's level.

Despite the shortfall in federation revenue, disbursements to the three tiers of government rose to ₦616.89 billion, above ₦563.82 billion in the preceding month. The increased allocation was inspired by lower statutory deduction of ₦188.78 billion in May 2021, compared to ₦544.89 billion in April 2021, in addition to a drawdown of ₦20.56 billion on the Non-oil Excess Account to augment distribution to the three tiers of government in the current period. Consequently, the sum of ₦229.57 billion and ₦143.30 billion were respectively allocated to state and local governments in May 2021. These allocations were, however, below 2021 budget benchmarks by 20.2 per cent and 19.0 per cent, respectively. This underscores the persistence of fiscal strains at the sub-national government level, amidst perennial low internally generated revenue effort.

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

	May-20	Apr-21	May-21	Budget
Federation Revenue (Gross)	**626.44**	**1,105.78**	**782.85**	**1,024.72**
Oil	**382.91**	**392.91**	**285.21**	**505.93**
Crude Oil & Gas Exports	20.82	3.79	0.00	52.50
PPT & Royalties	228.97	286.34	276.84	276.88
Domestic Crude Oil/Gas Sales	129.06	86.36	0.00	84.29
*Others**	4.05	16.42	8.37	92.26
Non-oil	**243.53**	**712.88**	**497.64**	**518.79**
Corporate Tax	54.81	242.41	126.31	124.71
Customs & Excise Duties	58.02	89.34	85.31	94.38
Value-Added Tax (VAT)	94.49	181.71	176.71	153.20
FGN Independent Revenue	22.45	197.17	104.99	88.49
*Others**	13.76	2.25	4.32	58.01
Total Deductions/Transfers	183.28	544.89	188.78	247.57
Federally Collected Revenue *Less Deductions & Transfers***	**443.16**	**560.89**	**594.07**	**777.15**
plus:				
Additional Revenue	**141.29**	**2.93**	**22.81**	**56.42**
Excess Crude Revenue	0.00	0.00	0.00	0.00
Excess oil	103.97	0.00	0.00	0.00
Non-oil Excess Revenue	10.01	0.00	20.56	56.42
Exchange Gain	27.32	2.93	2.25	0.00
Total Distributed Balance	**584.45**	**563.82**	**616.89**	**811.15**
Federal Government	255.08	212.15	244.01	346.47
State Government	166.63	179.24	193.43	235.90

Sources: Office of the Accountant General of the Federation (OAGF) and Central Bank of Nigeria (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 include cost of revenue collections and JVC cash calls; while transfers entail provisions for FGN Independent revenue and other Non-Federation revenue.

Table 8: Allocations to Subnational Governments

	State Government			Local Government		
	Statutory	VAT	Total	Statutory	VAT	Total
May-20	160.09	43.94	204.03	94.59	30.76	125.35
Apr-21	134.99	84.50	219.48	72.49	59.15	131.63
May-21	147.40	82.17	229.57	85.78	57.52	143.30
Benchmark	**216.89**	**70.96**	**287.85**	**127.16**	**49.67**	**176.83**

Sources: Office of the Accountant General of the Federation (OAGF)

2.2.2 Fiscal Operations of the Federal Government

Federal Government Retained Revenue

The FGN registered a fiscal slippage in May 2021, on account of a sharp decline in revenue vis-à-vis a moderate drop in expenditure. The fiscal operations of the FGN, culminated in a provisional deficit of ₦572.82 billion, representing a 0.9 per cent and 18.7 per cent rise in overall deficits, relative to the levels in April and the budget benchmark, respectively.

Table 9: Fiscal Balance (₦' Billion)

	May-20	Apr-21	May-21	Benchmark
Retained revenue	379.55	409.31	349.00	665.53
Aggregate expenditure	702.95	977.09	921.82	1132.34
Primary balance	158.09	429.86	426.81	-189.77
Overall Balance	**-323.40**	**-567.78**	**-572.82**	**-466.80**

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

The effect of low revenue inflow at the federation level, partially trickled down to the Federal Government, as its retained revenue, at ₦349.00 billion, fell by 47.6 per cent, relative to the monthly budget estimate. The decline was attributed, largely to 29.8 per cent shortfall in FGN's share of statutory receipts, relative to the 2021 budget; in addition to zero receipts from Special Accounts and Special Levies.

Table 10: FGN Retained Revenue (₦' Billion)

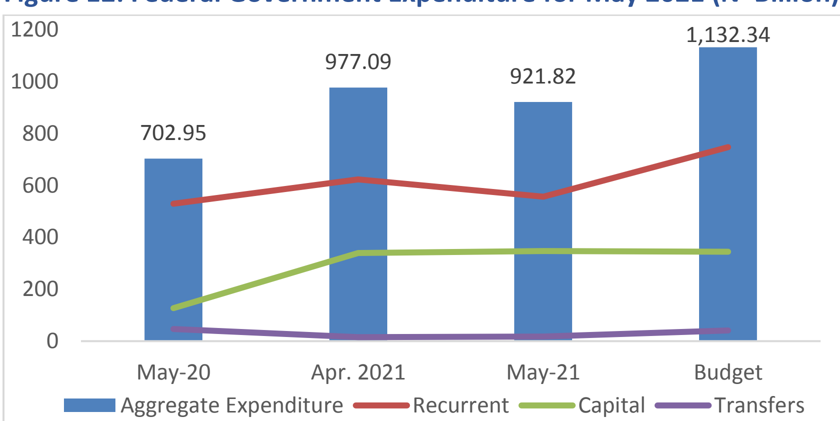
	May-20	Apr-21	May-21	Benchmark
FGN Retained Revenue	**379.55**	**409.31**	**349.00**	**665.53**
Federation Account	169.83	185.37	207.48	295.46
VAT Pool Account	13.18	25.35	24.65	21.29
FGN Independent Revenue	22.45	197.17	104.99	88.49
Excess Oil Revenue	54.77	0.00	0.00	0.00
Excess Non-Oil	4.66	0.00	10.83	29.72
Exchange Gain	12.63	1.43	1.05	0.00
*Others**	102.03	0.00	0.00	230.58

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

Federal Government Expenditure

From the expenditure side, fiscal policy remained tight, driven by lower recurrent spending. Provisional aggregate expenditure of the FGN, at ₦921.82 billion, fell by 21.5 per cent, compared with the monthly benchmark of ₦1,132.34 billion. A breakdown of aggregate expenditure revealed that capital expenditure accounted for 37.6 per cent of total expenditure, while recurrent expenditure and transfers made up the balance of 60.4 per cent and 2.0 per cent, respectively. Capital releases inched up by 2.3 per cent in May, while recurrent expenditure dropped by 10.6 per cent.

Figure 12: Federal Government Expenditure for May 2021 (₦' Billion)



Source: 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 May 2021 (₦' Billion)

	May-20	Apr-21	May-21	Budgeted
Aggregate Expenditure	**702.95**	**977.09**	**921.82**	**1,132.34**
Recurrent	**529.21**	**622.66**	**556.46**	**747.20**
of which:				
Personnel Cost	240.08	328.76	272.34	281.03
Pension and Gratuities	29.90	0.00	29.54	42.02
Overhead Cost	55.45	139.82	90.47	147.12
Interest Payments	165.31	137.91	146.01	277.03
Domestic	124.50	82.96	91.06	198.62
External	40.81	54.95	54.95	78.41
Special Funds & others	38.47	16.17	18.11	0.00
Capital Expenditure	**127.04**	**339.09**	**347.02**	**343.76**
Transfers	**46.71**	**15.33**	**18.33**	**41.38**

Source: Central Bank of Nigeria Staff Estimate

Federal Government Debt

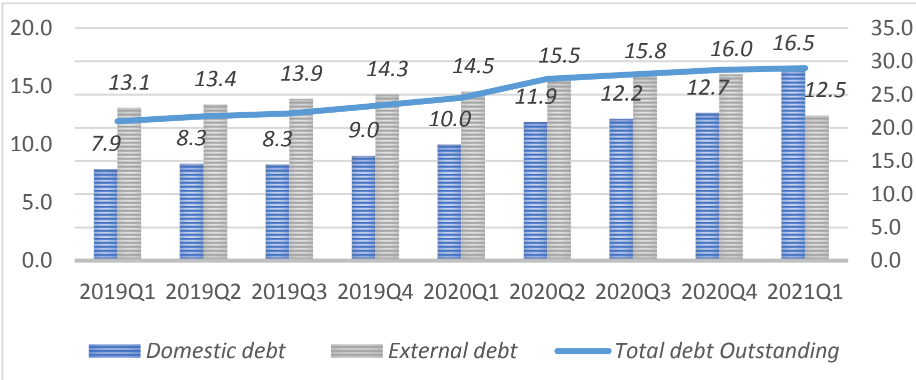
Public borrowing remained anchored on the medium-term debt strategy of the FGN. FGN debt outstanding rose to ₦28,984.30 billion at end-March 2021, an increase of 2.5 per cent and 15.8 per cent, relative to end-December 2020 and the corresponding period in 2020 respectively. This was propelled by the 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 targeted in the 2020-2023 medium-term debt strategy of the FGN. Following FGN's full redemption of the US$500 million Eurobond in January 2021, external debt stock declined by 1.8 per cent, relative to end-December 2020. However, 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 others [5] (0.9 per cent). The composition is in tandem with the FGN's objective to hold more of long-term domestic debt instruments than short-term. 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.

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

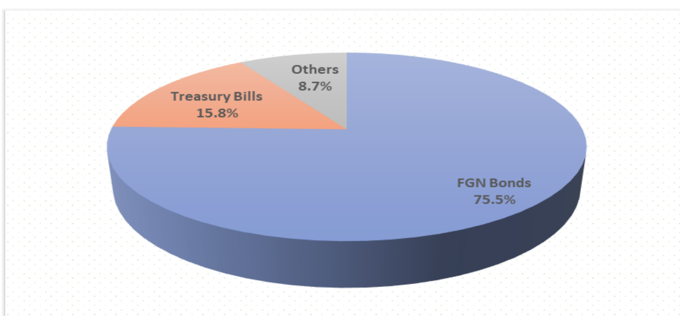
Debt service obligations as at 2021Q1, amounted to ₦1,032.29 billion, compared with ₦461.98 billion and ₦779.73 billion in 2020Q4 and 2020Q1, respectively. The significant rise was, due, largely, to the interest payments on additional FGN bonds, Promissory Notes and the redemption of the US$500 million Eurobonds, which matured in January 2021.

Figure 13: FGN External and Domestic Debt Composition (₦ Trillion)



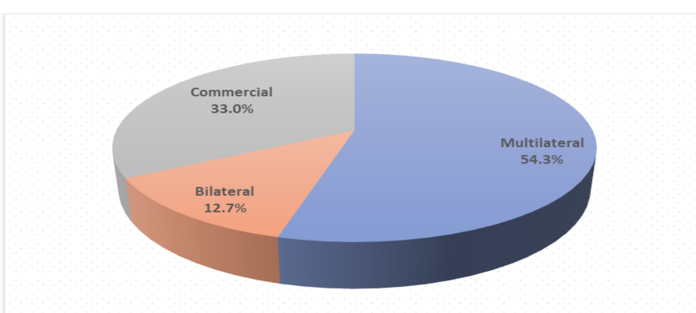
Source: Compiled from Debt Management Office (DMO) figures

Figure 14: Composition of Domestic Debt Stock by Instrument



Source: Compiled from Debt Management Office (DMO) figures

Figure 15: Composition of External Debt Stock by Holders



Source: Compiled from Debt Management Office (DMO) figures

2.3 THE MONETARY AND FINANCIAL SECTOR

Monetary conditions have continued to support economic activities; as monetary policy remains accommodative.

2.3.1 Monetary Developments

Growth in Monetary Aggregates

Growth in domestic claims largely propelled growth in broad money supply in May 2021. Claims on private sector rose by 12.3 per cent, driving a 5.1 per cent rise in domestic claims on the economy in the review period. Similarly, Net Foreign Assets (NFA) rose by 0.3 per cent to ₦7,357.31 billion as at end-May 2021, following the decline in foreign liabilities to non-residents, particularly transferable deposits of non-residents. More so, the revaluation effect, following the adjustment of the naira exchange rate in May 2021, also impacted NFA positively. Domestic claims contributed 5.6 percentage points to growth in broad money (M3), compared with the 0.1 percentage point contribution of net foreign assets. Accordingly, broad money M3 grew by 3.6 per cent to ₦40,013.10 billion as at end-May 2021 with annualised growth rate at 8.6 per cent. This was below the provisional benchmark of 9.99 per cent for 2021 fiscal year, suggesting room for more monetary expansion.

The corresponding growth in total monetary liabilities was buoyed by the 3.7 per cent, 3.9 per cent and 26.2 per cent growths in transferable deposits, other deposits of depository corporations and securities other than shares, respectively. Other deposits (2.2 percentage points) contributed the largest, to growth in broad monetary liabilities.

There was sustained growth in domestic claims in the economy in May 2021 occasioned by credit expansion to the private sector arising from various intervention programmes by the Bank. Claims on the domestic economy grew by 5.1 per cent to ₦44,710.26 billion at end-May 2021, compared with the 3.6 per cent growth recorded at end-April 2021. The growth in domestic claims was attributed to the 6.8 per cent and 0.9 per cent increases in claims on other sectors and net claims on Central Government, respectively. The development was attributed to the growth in credit to the private sector by the banking system. Private sector credit grew by 12.3 per cent at end-May 2021, compared with 11.1 per cent growth at end-April 2021.

Table 12: Money and Credit Aggregates Growth over preceding Decemb

	Dec 20	Apr 21	May 21
Net Foreign Assets	**23.44**	**-7.56**	**0.27**
Claims on Nonresidents	*11.39*	*-3.07*	*-2.56*
Liabilities to Nonresidents	*5.24*	*-0.38*	*-4.26*
Domestic Claims	15.91	3.55	5.07
Net Claims on Central Government	**22.84**	**-1.95**	**0.86**
Claims on Central Government	*24.53*	*3.36*	*7.03*
Liabilities to Central Government	*27.10*	*11.16*	*16.10*
Claims on Other Sectors	**13.27**	**5.81**	**6.79**
Claims on Other Financial Corporations	*11.02*	*-4.96*	*-5.20*
Claims on State and Local Government	*10.64*	*2.30*	*3.33*
Claims on Public Nonfinancial Corporations	*2.51*	*6.87*	*16.19*
Claims on Private Sector	*15.16*	*11.09*	*12.27*
Broad Money Liabilities	**10.84**	**1.18**	**3.59**
Currency Outside Depository Corporations	**23.38**	**-7.75**	**-7.73**
Transferable Deposits	**56.29**	**1.59**	**3.67**
Other Deposits	**19.19**	**3.07**	**3.88**
Securities Other Than Shares	**-84.56**	**-25.35**	**26.20**
Total Monetary Assets(M_3)	**10.84**	**1.18**	**3.59**

Source: Central Bank of Nigeria

Sectoral Utilisation of Credit

Analysis of the sectoral credit utilisation by the private sector indicates that the industry and services sectors maintained their dominance with a share of 37.3 per cent and 38.1 per cent, respectively, compared with 38.1 per cent and 36.9 per cent at end-April 2021. Agriculture, construction and trade sectors accounted for 5.1 per cent, 4.7 per cent and 6.1 per cent, respectively, compared with their levels of 5.2 per cent, 4.9 per cent and 6.2 per cent in the preceding month, while the government sector accounted for the balance of 8.7 per cent, same as the level in the preceding month.

Table 13: Sectoral Credit Utilisation (Per cent)

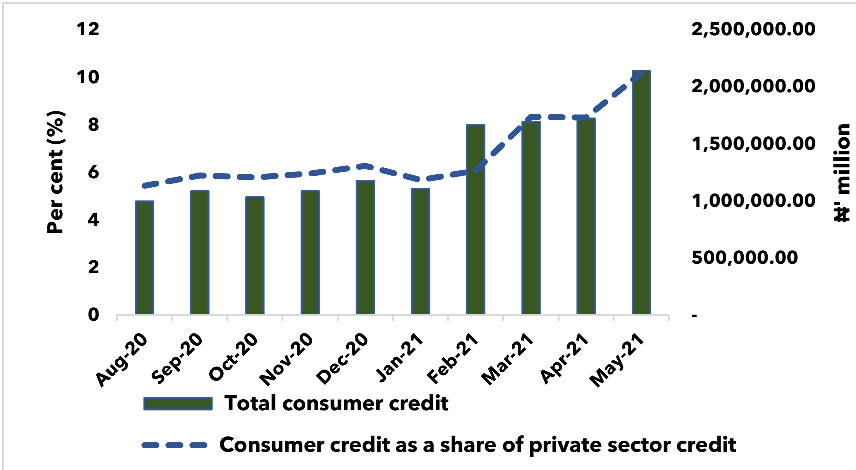
	Dec-20	Apr-21	May-21
Agriculture	5.2	5.2	5.1
Industry	37.2	38.1	37.3
Construction	4.7	4.9	4.7
Trade/General Commerce	6.6	6.2	6.1
Government	8.7	8.7	8.7
Services	37.6	36.9	38.1

Source: Central Bank of Nigeria

Consumer Credit

Consumer credit outstanding, at ₦2,138.17 billion in May 2021, rose by 24.2 per cent, above the level of ₦1,721.49 billion in April 2021. It constituted about 10.2 per cent of credit to the private sector, compared with 8.3 per cent in the preceding month. The increase in the ratio reflected increased loans to economic agents, aimed at reinvigorating the economy.

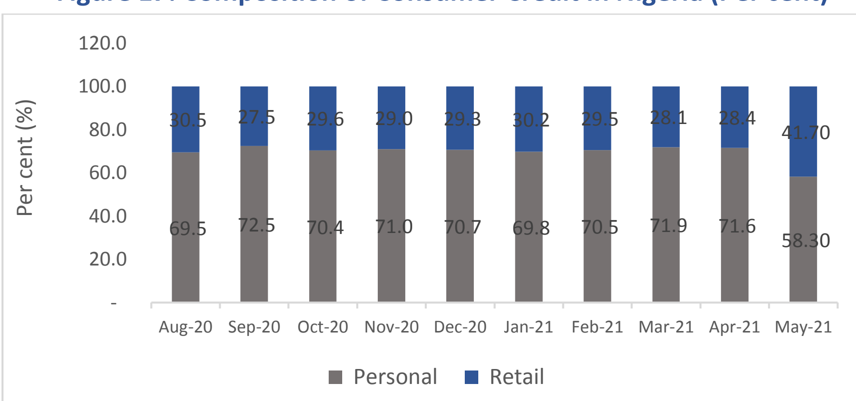
Figure 16: Consumer Credit (Per cent)



Source: Central Bank of Nigeria

A breakdown of consumer loans showed that personal loans accounted for the largest share at 58.3 per cent. This was 13.3 percentage points below the level in April 2021, while retail loans which grew by 13.3 per cent above the April figure accounted for 41.7 per cent of the total consumer loans as at end-May 2021.

Figure 17: Composition of Consumer Credit in Nigeria (Per cent)



Source: Central Bank of Nigeria

Reserve Money

Reserve money declined in May 2021, on account of declining currency in circulation. Currency in circulation fell by 4.0 per cent to ₦2,790.90 billion at end-May 2021, compared with the decline of 3.9 per cent at the end of the preceding month. Consequently, reserve money declined by 0.3 per cent to ₦13,064.03 billion at end-May 2021, in contrast to the 0.8 per cent growth recorded at end-April 2021. On the other hand, liabilities to other depository corporations grew, due to increase in required reserves of other depository corporations.

Table 14: Reserve Money: Sources and Uses (₦' Billion)

	May-20	Apr-21	May-21
Monetary Base/Reserve Money	**13,103.09**	**13,202.63**	**13,064.03**
Currency-In-Circulation	2,908.46	2,796.47	2,790.90
Liabilities to Other Depository Corporations	10,194.63	10,406.16	10,273.13
Shares and Other Equity	6,522.69	5,583.98	5,604.06
Other Items (Net)	3,020.00	3,997.88	4,200.19

Source: Central Bank of Nigeria

2.3.2 Financial Developments

The domestic financial market indicators were relatively stable in the review month amidst the prospects of global economic recovery. Confidence in the financial market was boosted by increased accessibility of vaccines and the growing optimisms of flattening the COVID-19 curve. However, the growing concerns associated with rising insecurity and inflation in the country remained a challenge to monetary policy during the review period.

2.3.2.1 Financial Sector Soundness

Financial Sector Soundness Indicators

In the review period, the financial soundness indicators declined, marginally, but were generally stable. The Capital Adequacy Ratio (CAR) fell marginally by 0.2 percentage point to 15.6 per cent at end-May 2021 from 15.8 per cent at end-April 2021. The development reflected increase in risk weighted assets and decline in total qualifying capital. The ratio, however, exceeded the regulatory benchmark of 10.0 per cent by 5.6 percentage points. the asset quality, measured by the ratio of Non-Performing Loans (NPLs) to industry total outstanding loans, improved slightly to 5.8 per cent at end-May 2021, compared with 5.9 per cent at end-April 2021. The development was due to sustained recoveries, write-offs and disposal of pledged collaterals, coupled with a positive turn from the effect of the COVID-19 pandemic and economic recession. At that level, the ratio remained above the 5.0 per cent regulatory threshold. Liquidity ratio at 62.1 per cent in May 2021, declined by 3.4 percentage points, compared with the level in April 2021. The development was due to slight decrease in the stock of liquid assets held by banks. The ratio was, however, above the 30.0 per cent regulatory minimum. The rebound of business and economic activities, as well as, the various forbearance measures granted the banks are expected to improve the industry NPL ratio, going forward.

2.3.2.2 Money Market Developments

The banking system experienced modest improvement in liquidity in May 2021, compared with the liquidity condition in the preceding month. However, this was not adequate to moderate rates, as key interest rates rose above the levels in the preceding month. The average net industry liquidity position in May 2021 improved by 25.0 per cent to ₦183.23 billion, compared with ₦146.59 billion in the preceding month. This was, however, below the industry threshold of ₦313.00 billion to ₦450.00 billion. The improvement, relative to the preceding month, was buoyed by the repayment of matured CBN bills, maturing Federal Government (FGN) Bonds, Nigerian Treasury Bills (NTBs) and fiscal disbursements to the three tiers of Government. Nonetheless, liquidity in the banking sector was moderated by the auctioning of CBN bills, FGN Bonds and Nigerian Treasury Bills (NTBs), provisioning and settlement of foreign exchange purchases and Cash Reserve Requirements (CRR) debits.

The Bank deployed OMO and discount window activities to moderate liquidity in May 2021. The tenors of the CBN bills used in conducting Open Market Operations (OMO) auctions in the review month ranged from 89 to 355 days. Total amount offered, subscribed to and allotted were ₦70.00 billion, ₦84.29 billion and ₦61.56 billion, respectively, with a bid rate of 9.4 per cent (±2.6), while the stop rate was 8.6 per cent (±1.6). Repayment of matured CBN bills was ₦255.00 billion, translating to a net injection of ₦193.44 billion through this medium.

Nigerian Treasury Bills (NTBs) and long-term FGN Bonds were issued at the primary market on behalf of the Debt Management Office (DMO) in May 2021. NTBs offered, subscribed to, and allotted in May 2021 amounted to ₦180.73 billion, ₦527.32 billion and ₦290.11 billion, respectively. The tenors of the Bills were 91-, 182- and 364-day with bid-to-cover ratios of 1.2, 1.4 and 1.9, respectively. The low bid-to-cover ratio suggests investors' apathy towards short-term money market instruments in May and the liquidity squeeze in the economy.

FGN Bonds of 10-, 15- and 30-year tranches were offered for sale during the review month. The term to maturity of the bonds ranged from 5 years and 10 months to 27 years and 11 months. Total amount offered, subscribed to and allotted were ₦150.00 billion, ₦281.97 billion and ₦175.24 billion, respectively. The bid rate on all tenors was 14.3 (±1.8) per cent, while the marginal rate stood at 13.7 (±0.6) per cent.

Discount Window Operations

The trend of activities at the standing facilities window suggests more patronage at the lending window than at the deposit window, due to the liquidity condition in the banking system, with applicable rates for the SLF and SDF standing at 12.5 and 4.5 per cent, respectively.

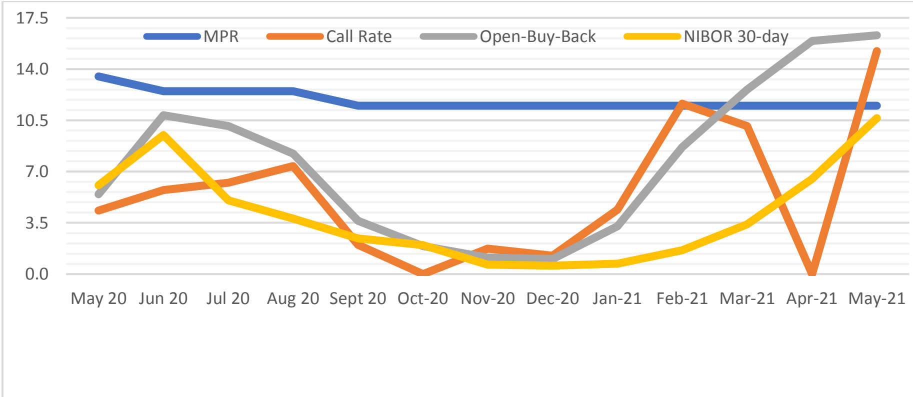
Total request for the SLF in May 2021 was ₦3,762.64 billion (made up of ₦2,741.30 billion direct SLF and ₦1,021.34 billion intraday lending facility (ILF)) converted to overnight repo). Daily request averaged ₦250.84 billion in the 15 transaction days with total interest earned standing at ₦2.13 billion. Total SDF granted during the review period, was ₦89.26 billion with daily average of ₦5.95 billion in the 15 transaction days. Cost incurred on SDF in the review month stood at ₦0.02 billion.

Interest Rate Developments

Key lending rates trended upward at end-May 2021, reflecting the tight liquidity situation in the system. Daily inter-bank call and OBB rates stood at 14.00 per cent (±1.25) and 16.50 per cent (±8.79), respectively. Other rates, such as the 7-day and 30-day NIBOR, traded at averages of 13.87 and 7.78 per cent, respectively, compared with 5.84 and 6.13 per cent in the preceding month.

Average prime lending rate rose by 0.05 percentage point to 11.29 per cent relative to its level in the preceding month, while average maximum lending rate fell by 0.25 percentage point to 28.39 per cent at end-May 2021. The average term-deposit rate rose by 0.58 percentage point to 4.68 per cent, which led to a slightly narrowed spread between the average term-deposit and average maximum lending rates to 23.71 percentage points at end-May 2021. Although inflationary pressures moderated in May 2021, deposits and prime lending rates remained negative in real terms, while maximum lending rate was positive.

Figure 18: Interest Rates (per cent)

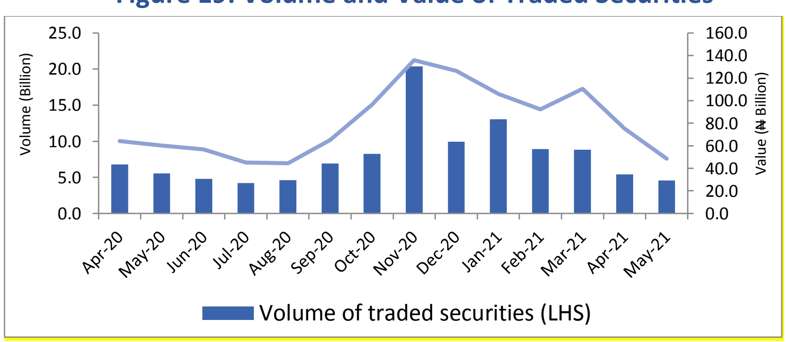


Source: Central Bank of Nigeria

2.3.2.3 Capital Market Developments

Activities on the Nigerian Exchange (NGX) Limited were bearish in May 2021, following profit-taking activities by investors, sell-off of shares of some blue-chips companies and flight to quality as investors switch to higher yield fixed income instruments. Consequently, both the All-Share Index (ASI) and the aggregate market capitalisation fell during the review month. The volume and value of traded securities on the Exchange also fell by 16.2 per cent and 35.4 per cent, to 4.55 billion shares and ₦48.61billion, respectively, in 70,335 deals, compared with the 5.43 billion shares worth ₦75.29 billion, in 81,381 deals, at end-April 2021 (Figure 18). There were three new/supplementary listings in the review period.

Figure 19: Volume and Value of Traded Securities



Source: Nigeria Exchange (NGX) Limited

Table 15: New/Supplementary Listings on the NGX at end-May 2021

Company	Additional Shares (Units)	Reasons	Listing
FGS MAY 2023 & FGS MAY 2024.	169,937 thousand units for 2 years at 7.8% & 530,577 thousand units @ 8.8% for 3 years.	Bond Issuance	New Listing
Cardinal Stone Financing SPV Plc	5million units (₦1,000 per unit) @ 7% for 5 years.	Bond Issuance	Supplementary Listing
Mecure Industries Funding SPV Plc	3 million units (₦1,000 per unit) @ 13% for 5 years.	Bond Issuance	Supplementary Listing

Source: Nigeria Exchange (NGX) Limited

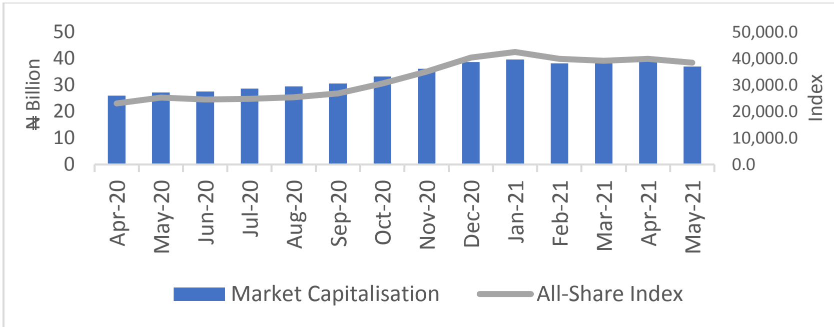
Market Capitalisation

Price depreciation in major and highly capitalised stocks undermined the aggregate market capitalisation in May 2021. Thus, aggregate market capitalisation declined by 5.4 per cent to ₦36.94 trillion at end-May 2021, as against ₦39.06 trillion at end-April 2021. The equities market capitalisation, which constituted 54.3 per cent of the aggregate market capitalisation, also fell by 3.9 per cent to ₦20.04 trillion, compared with the ₦20.85 trillion (53.4 per cent of aggregate market capitalisation) at end-April 2021 (Figure 19).

All-Share Index

Portfolio switching to higher yield fixed income market by investors, led to the decline in the NGX ASI in May 2021. The ASI, which opened at 39,834.42 at the beginning of the review month, fell by 3.5 per cent to 38,437.88 at end-May 2021. In the review period, while the NGX-ASeM index remain unchanged at 731.18, same as in the preceding month, all other sectoral indices trended downward, with the exception of NGX-Oil/Gas, NGX-AFR Div Yield, NGX-Meri Value, NGX-Insurance, NGX-Banking, NGX-Pension, and NGX-Consumer Goods, which rose by 14.9 per cent, 2.8 per cent, 1.4 per cent, 1.4 per cent, 1.2 per cent, 1.2 per cent and 0.6 per cent, respectively. The NGX-Sovereign, NGX-Main-Board, NGX-Lotus, NGX-Industrial, NGX-30, NGX- Meri Growth, NGX-Premium, NGX-AFR Bank Value and NGX -Growth indices, fell by 9.2 per cent, 4.5 per cent, 4.0 per cent, 3.5 per cent, 2.3 per cent, 1.1 per cent, 0.7 per cent, 0.4 per cent and 0.3 per cent below the levels at end-April 2021 to 803.15, 1,677.97, 2,666.36, 1,880.11, 1,561.78, 1,693.30, 3,444.42, 1,021.20 and 1,028.75 respectively, at end-May 2021.

Figure 20: Market Capitalisation and All-Share Index



Source: Nigeria Exchange (NGX) Limited

2.4 External Sector Developments

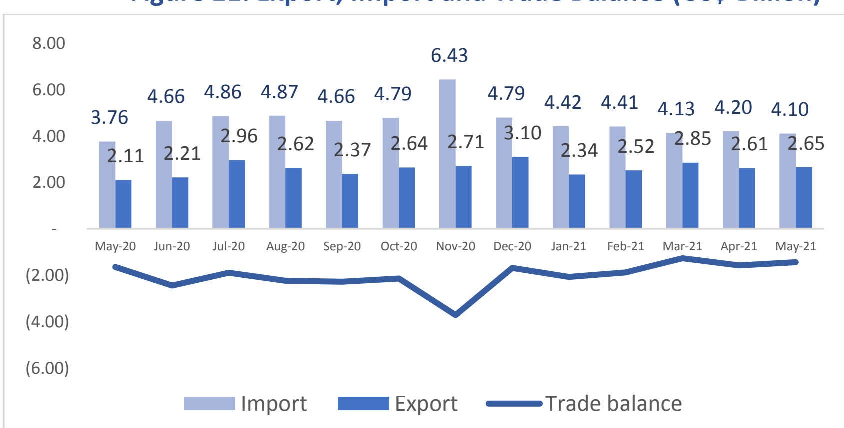
Major Highlights

Trade activities improved in May 2021, resulting in a lower trade deficit. The improvement was driven by higher export earnings, occasioned by increase in crude oil prices at the international market. In addition, the effect of the COVID-19 restrictions, in some major trading partners, particularly India, lingered through the review period; thus, further moderating imports. Capital inflow also increased during the month due to improvement in global financial conditions. Demand for foreign exchange rose due to increased activities, particularly for the lesser Hajj. Consequently, the Bank stepped-up its intervention in the foreign exchange market to ensure stability. In addition, NAFEX rate was adopted as the interbank rate, in furtherance to the exchange rate unification drive of the Bank.

2.4.1 Trade Performance

Lower trade deficit was recorded in May 2021, on account of increased export earnings, on the one hand, complemented by moderate import on the other hand. Aggregate export receipts increased by 1.5 per cent to US$2.65 billion from US$2.61 billion in the preceding period, owing to improvement in crude oil export receipts, as both crude oil prices and production increased. Merchandise import declined to US$4.10 billion in May 2021, from US$4.20 billion in April 2021, on account of lower import of oil and non-oil products. Thus, trade deficit narrowed by 8.8 per cent to US$1.45 billion in May 2021, from US$1.59 billion in April 2021.

Figure 21: Export, Import and Trade Balance (US$ Billion)



Source: Central Bank of Nigeria

Crude Oil and Gas Export

Crude oil prices rose at the international market, due to strong market fundamentals and declining oil inventories in the US. Crude oil export increased by 1.7 per cent to US$1.72 billion in May 2021, up from USS$1.69 billion in April 2021. This was due to an increase in the average price of the Bonny Light (34.9° API), Nigeria's reference crude, to US$67.83 per barrel in May 2021, against US$64.30 per barrel in April 2021. Domestic crude oil production also rose by 0.7 per cent to 1.52 mbpd, relative to 1.51 mbpd in April 2021. Also, gas export increased by 6.2 per cent to US$0.51 billion in May 2021, compared with US$0.48 billion in April 2021, on account of higher export of propane liquefied petroleum gas. In terms of share in total export, crude oil and gas export component remained dominant, accounting for 84.0 per cent of the total, with oil accounting for 64.8 per cent and gas export, 19.2 per cent.

Non-Oil Export

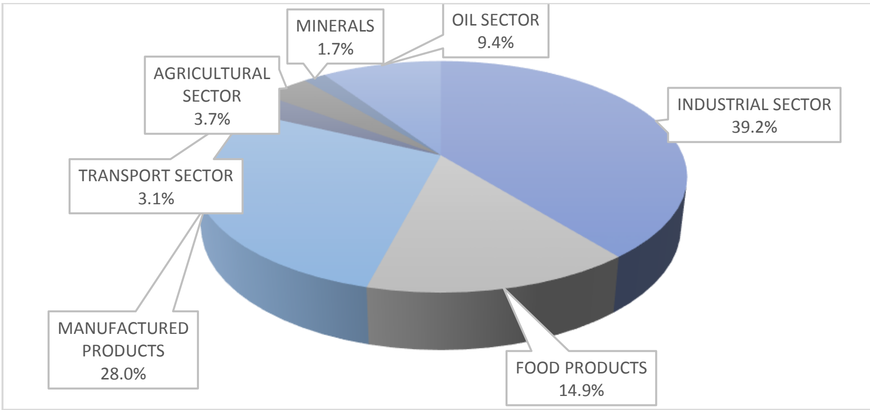
The emergence of the third wave of the Covid-19 infections and the effect of renewed lockdowns in key economies, including India and some European countries, affected Nigeria's non-oil export performance in the review period. Thus, receipts from non-oil export declined by 4.3 per cent to US$0.42 billion in May 2021, relative to US$0.44 billion in April 2021. Analysis of the receipts showed that the value of electricity export remained at US$0.07 billion, while re-export declined by 9.8 per cent to US$0.15 billion. However, ‘others’ increased by 16.6 per cent to US$0.26 billion in May, from US$0.23 billion in April 2021.

Import

The tepid recovery in domestic economic activities post Covid-19 lockdown, coupled with the effect of the COVID-19 restrictions in some key countries, moderated aggregate import. Thus, import declined by 2.4 per cent, relative to the level in the preceding month. Aggregate import decreased to US$4.10 billion in May 2021, from US$4.20 billion in April 2021. Import of non-oil products decreased by 0.9 per cent to US$3.26 billion in the review period, relative to US$3.29 billion in April 2021. Similarly, importation of petroleum products, particularly Premium Motor Spirit, declined by 7.3 per cent to US$0.67 billion in May 2021, relative to US$0.73 billion in April 2021. The share of non-oil in total import continued to dominate, accounting for 83.6 per cent of the total, while oil import accounted for the balance of 16.4 per cent.

A breakdown of import by sector revealed the dominance of industrial sector import, with chemicals and machinery accounting for 39.2 per cent of the total, followed by manufactured goods and food products with 28.0 per cent and 14.9 per cent, respectively. Oil sector accounted for 9.4 per cent; agricultural sector, 3.7 per cent; transport sector, 3.1 per cent; and minerals sector, 1.7 per cent of the total.

Figure 22: Import by Sector, May 2021 (Per cent)



Source: Central Bank of Nigeria

Capital Importation and Capital Outflow

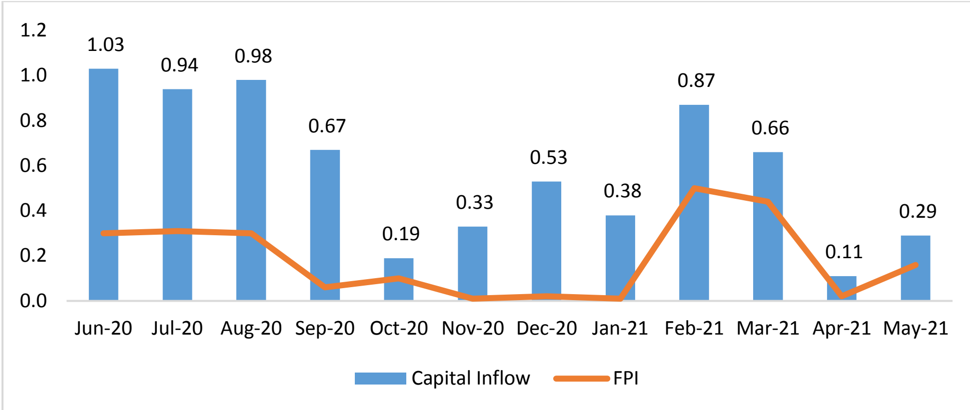
Capital Importation

Capital inflow to the economy surged by 163.6 per cent in May 2021, owing to improved global financial conditions and higher yields on fixed income securities. New capital of US$0.29 billion was imported into the Nigerian economy, compared with US$0.11 billion in April 2021. A breakdown of capital importation by type of investment revealed that foreign portfolio investment (FPI) inflow of US$0.16 billion, accounting for 55.5 per cent of the total was recorded in the month. Of the total portfolio inflow, the purchase of money market instruments accounted for 28.3 per cent, while equity and bonds constituted 26.5 and 0.7 per cent, respectively. Further breakdown showed that inflow of other investment, at US$0.08 billion, represented 28.2 per cent of total inflow, of which loans and other claims were US$0.06 billion (21.2 per cent), and US$0.02 billion (7.0 per cent), respectively. Inflow of foreign direct investment (FDI) was US$0.05 billion or 16.4 per cent of the total.

Analysis of capital importation by nature of business showed that purchase of shares accounted for 41.3 per cent; financing, 22.5 per cent; production (including manufacturing), 17.4 per cent; banking, 10.5 per cent; oil and gas 3.7 per cent and trading 2.6 per cent. Other sectors accounted for the balance of 2.0 per cent.

A breakdown of capital importation by country showed that inflow from the Republic of South Africa (41.4 per cent) dominated, followed by United Kingdom (12.3 per cent), The Netherlands (10.2 per cent), Singapore (8.8 per cent), Belgium (8.7 per cent), and the United States (7.2 per cent). By destination of capital, Lagos State and Abuja played host to the inflows of US$0.24 billion and US$0.05 billion, respectively.

Figure 23: Capital Inflow and Foreign Portfolio Investment (US$ Billion)



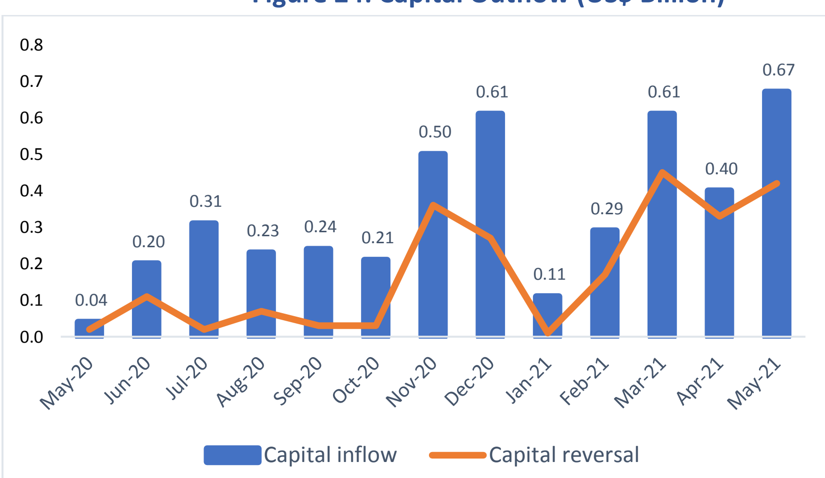
Source: Central Bank of Nigeria

Capital Outflow

Increased repatriation of capital transfers by non-resident investors resulted in higher capital outflow in May 2021. At US$0.67 billion, capital outflow increased by 67.5 per cent, compared with US$0.40 billion in April 2021. A breakdown of outflows showed that outflow in form of capital, dominated at US$0.42 billion or 62.2 per cent. Repatriation of dividends was US$0.17 billion or 24.7 per cent, while loans worth US$0.08 billion, accounted for 11.8 per cent. 'Other outflow' accounted for the balance.

In terms of capital outflows by sectors, financing, banking and trading sectors accounted for 47.1 per cent of the total, followed by telecommunications sector with a share of 21.6 per cent. Outflow from the banking sector represented 10.5 per cent; production (including manufacturing), 9.7 per cent; and trading, 8.7 per cent. Outflow from other sectors accounted for the balance.

Figure 24: Capital Outflow (US$ Billion)

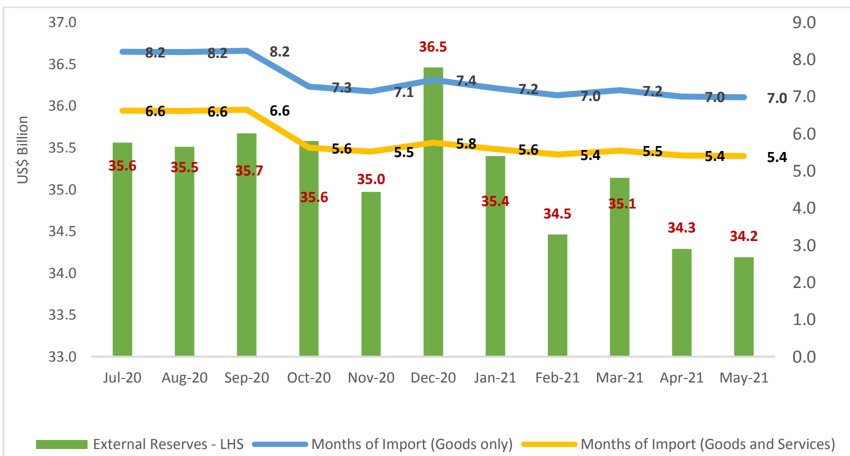


Source: Central Bank of Nigeria

2.4.2 International Reserves

To further stabilise the exchange rate, the Bank continued its intervention at the foreign exchange market. The external reserves stood at US$34.19 billion at end-May 2021, a decline of 0.3 per cent and 5.5 per cent below the US$34.29 billion at end-April 2021 and US$36.19 billion at end-May 2020, respectively. The external reserves position could cover 5.4 months of imports of goods and services or 7.0 months of import of goods only. Furthermore, available data showed that reserves per capita for Nigeria stood at US$163.60 as at end-May 2021.

Figure 25: External Reserves and Months of Import Cover for Nigeria



Source: Central Bank of Nigeria

Table 16: International Reserves Per Capita of Selected African Countries

Country	April 2021		May 2021	
	Reserves (US$bn)	Reserve per capita (US$)	Reserves (US$bn)	Reserve per capita (US$)
Nigeria	34.29	164.09	34.19	163.60
South Africa	51.50	755.68	52.24	766.13
Egypt	40.343	388.93	40.47	390.14

Sources: Central Bank of Nigeria and Reuters

2.4.3 Foreign Exchange Flow through the Economy

Following improved exports and capital flows, foreign exchange inflows improved in May 2021, although it remained below historical averages. Aggregate foreign exchange inflow into the economy increased by 21.6 per cent and 8.9 per cent to US$6.07 billion, from the levels in the preceding month and corresponding month of 2020, respectively. The development was attributed to the improved inflow through the CBN and autonomous sources by 42.9 per cent and 10.6 per cent, respectively. A further analysis revealed that foreign exchange inflow through the CBN improved to US$2.41 billion, relative to US$1.69 billion in April 2021, driven, mainly, by the increase in non-oil related receipts. Inflow through autonomous sources increased to US$3.66 billion, from US$3.31 billion in April 2021, propelled majorly by increased inflow from invisible purchases during the review period.

Foreign exchange inflow

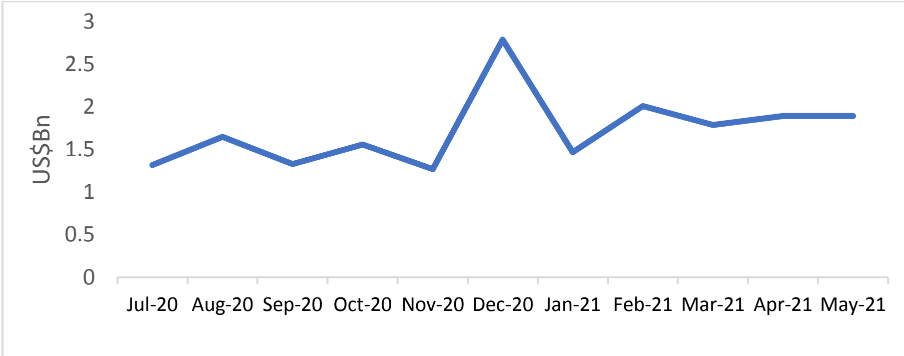
Foreign exchange outflow through the economy fell by 2.3 per cent as outflow through autonomous sources declined. Foreign exchange outflow through the economy fell to US$2.68 billion, from US$2.74 billion in the preceding month, out of which foreign exchange outflow through the CBN was US$2.59, while autonomous sources was US$0.09 billion. Analysis showed that outflow though the CBN rose marginally by 0.4 per cent to US$2.59 billion, compared with US$2.58 billion in the preceding month, due mainly to increased intervention in the foreign exchange market. Outflow through autonomous sources, at US$0.09 billion, decreased by 45.2 per cent, compared with the level in April 2021. Consequently, a higher net inflow of US$3.39 billion through the economy was recorded, compared with US$2.25 billion in the preceding month.

2.4.4 Foreign Exchange Market Developments

Foreign Exchange Outflow

To consolidate the gains of the Bank's policy on "Naira 4 Dollar", the end-date of the scheme, which was origially scheduled for May 8, 2021, was extended until further notice. This policy was to further boost liquidity and ensure stability in the market. In another development, the Bank further intensified its effort in ensuring convergence of exchange rate by adopting the NAFEX rate as the interbank rate in May 2021. Total foreign exchange sales to authorised dealers by the Bank increased marginally by 0.2 per cent and 43.4 per cent to US$1.90 billion in May 2021, from US$1.89 billion and US$1.32 billion in the preceding month and corresponding period of 2020, respectively. A breakdown showed that matured swaps and interbank transactions rose by 125.6 per cent and 147.9 per cent to US$0.40 billion and US$0.22 billion, respectively, compared with the preceding month. However, foreign exchange sales at the SMIS, I&E and SME fell by 28.1 per cent, 16.4 per cent and 27.7 per cent to US$0.37 billion, US$0.34 billion and US$0.12 billion, respectively, from their levels in April 2021. The exchange at the I&E window fell by 0.2 per cent to ₦411.27/US$.

Figure 26: Foreign Exchange Sales to Authorised Dealers in May 2021

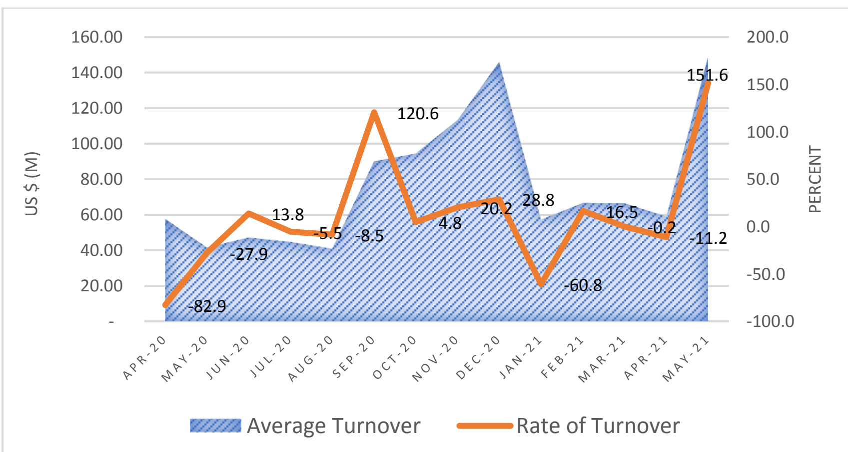


Source: Central Bank of Nigeria

Investors and Exporters window turnover

Increased activities at the I&E window during the review period resulted in significant improvement in turnover. Thus, the monthly average turnover rose by 151.6 per cent. Average foreign exchange turnover surged to US$148.62 million in May 2021, from US$59.08 million in April 2021. This further represented an increase of 257.9 per cent, above US$41.52 million in the corresponding period of 2020.

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



Source: Financial Market Dealers' Quotation (FMDQ)

2.5 Outlook for the Nigerian economy

Domestic Economic Outlook

Improvement in output is expected in the medium-term on account of expansionary fiscal and monetary policy stance, higher crude oil price, improved pace of vaccinations and base effect. The tepid growth rate of 0.5 per cent recorded in 2021Q1, was marked by contraction in 23 of the 46 sub-sectors of the economy, signaling room for further expansion in the growth outlook, as economic activities further improve towards its pre-pandemic levels. The base effect is expected to further prop growth in 2021, especially in the second and third quarters of 2021. In addition, the positive trajectory of growth will be supported by the accommodative monetary policy stance, with further expansion of credit to households and businesses. On the fiscal front, further releases of the ₦2,300 billion, as enshrined in the Economic Sustainability Plan (ESP), will improve consumption and investment, and further strengthen the economic recovery. Recent efforts by the fiscal authorities to procure more COVID-19 vaccines are expected to increase the pace of vaccinations and improve business and consumer confidence. Crude oil price is expected to remain stable and hover around US$70 pb thus improving the fiscal space and contribute to higher growth. However, this outlook can be threatened by heightening insecurity and possible third wave of COVID-19 infections.

Inflationary pressures are expected to continue to moderate in the near-term even as economic activities expand. The expansion in economic activity would be buoyed by the commencement of harvest and moderation of input prices. However, rising insecurity and a third wave of COVID-19 infections could heighten inflationary pressures in the coming months.